



Landshypotek Bank AB Interim report Q1 2021

January – March 2021

Per Lindblad, CEO of Landshypotek Bank comments on the first quarter of 2021:

We've kept the same good speed and momentum in the first quarter as we had at the end of 2020. More customers have found us and we are increasing our lending to new and existing customers in terms of home mortgages as well as for farms and forestry. Our first quarter lending growth of SEK 2.7 billion is one of the largest in the bank's history. Favourable growth, together with cost control, means we also posted healthy earnings for the quarter of SEK 116 million (99). Moreover, we also launched several digital enhancements for customers in the quarter and started new partnerships that further strengthen the bank. It has been a good start to the year.

January – March 2021

compared with January – March 2020

- Operating profit amounted to SEK 116 million (99).
- The underlying operating profit, excluding the net result of financial transactions, was SEK 116 million (93).
- Net interest income amounted to SEK 233 million (211).
- Costs totalled SEK 122 million (120).
- Net credit losses positively impacted earnings by SEK 4 million (2).
- Loans to the public amounted to SEK 85.8 billion (77.1).
- Deposits from the public amounted to SEK 14.7 billion (14.2).

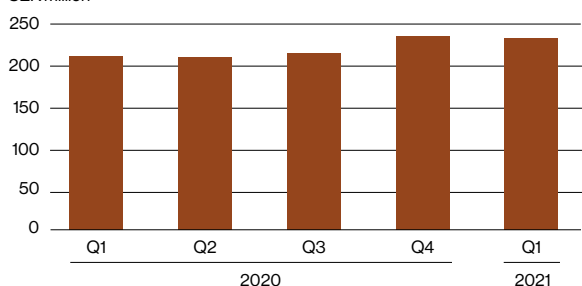
January – March 2021

compared with October – December 2020

- Operating profit amounted to SEK 116 million (106).
- The underlying operating profit, excluding the net result of financial transactions, was SEK 116 million (116).
- Net interest income amounted to SEK 233 million (235).
- Costs totalled SEK 122 million (127).
- Net credit losses positively impacted earnings by SEK 4 million (4).
- Loans to the public amounted to SEK 85.8 billion (83.0).
- Deposits from the public amounted to SEK 14.7 billion (14.7).

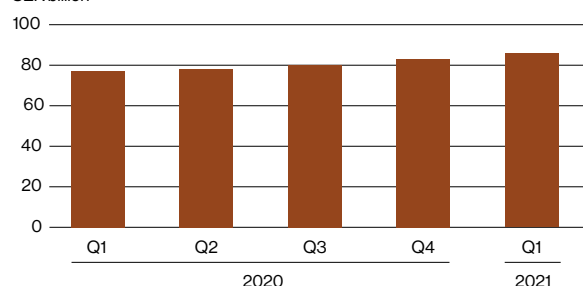
Net interest income

SEK million



Loans to the public

SEK billion



CEO's Statement

Good pace maintained in 2021



We concluded 2020 with a really positive last six months at Landshypotek. The favourable trend, which includes meeting rising numbers of customers and higher lending, continued in the first quarter of 2021.

With our first lien mortgage loans, we have been working for several years to be accessible to more customers, that is, to be visible to more people, meet more people and enable more people to borrow from us. Much of the work invested across the bank, both in the past and today, is now being seen.

Naturally, our main strength is lending to farms and forestry and will remain so, but this is a small lending market compared to the home mortgage market, for example. Our mortgage market entry is now starting to have a positive effect and our volumes are growing. It's a nice testament to the benefit we're providing for customers and the market as a whole.

We grew in home mortgages and first lien mortgage loans to farmers and foresters by a combined 3.3 percent in the quarter. Growth is very strong compared with the relatively weak start to 2020. With lending growth of SEK 2.7 billion, the quarter was one of the strongest in Landshypotek's history. Strong lending growth also leads to strong earnings. Net interest income amounted to SEK 233 million (211) and costs developed to plan. As a result, operating profit totalled SEK 116 million (99).

We are building our bank for the long term, based on our business model. The increased volumes enable stronger earnings, and with more customers, we can build an even safer bank. Increased earnings enable necessary investments. We are building a stable and sustainable bank for our owners in farming and forestry, based on the principles of close customer relationships, simplicity and transparency as well as a clear profile as a savings and lending bank.

Our hearts beat for farming and forestry and for customers across the country. We are now noting a positive trend for farming and forestry. Demand is rising for Swedish food and with it prices. There are also many positives for forestry. The popularity of home renovation projects means the market for sawn timber is buoyant. Healthy exports are also driving demand.

We are not a player in the new-build market with our home mortgages, but we are of course indirectly affected by

the high market activity and the increasing interest in living outside the big cities. However, consumers' growing interest in reviewing their loans and choosing new players instead of the major banks is what is most important for us. Customer long-term fixed interest rates have been at historic lows, but now rates on these maturities appear to be rising, even though we remain in low interest rate environment.

During the quarter we announced a partnership with Avanza, whereby our mortgages are now visible in their digital environments. The collaboration is based on the assessment that we make a good match. Customers have shown their appreciation for our mortgages and Avanza's digital platforms are at the forefront for large customer bases. We want to enable more people to discover us. By making ourselves stronger together, we increase competition in the mortgage market. Our transparent pricing clearly benefits mortgage borrowers.

During the quarter, we met our farming and forestry customers at this year's regional meetings. This year, we held digital meetings to present our operations and answer questions. The sense of community we share with our customers, who are also our owners, builds strong foundations for Landshypotek. At the regional meetings, the Board of the owner association, Landshypotek Ekonomisk Förening, also presented the proposed dividend to our farm and forestry customers based on earnings for 2020 of SEK 147 million. If so resolved by the Association Meeting, the dividend distribution is planned for October.

Much that seemed impossible proved possible due to the Covid pandemic. Most of us work largely from home and the bank still functions well. We will take these lessons learned with us moving forward. That said, we remain humble and responsive to developments. We miss 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, nor any digitalisation. We will continue to leverage the strengths of digitalisation and people – to build an even better bank in 2021!

Per Lindblad
Chief Executive Officer

Events at Landshypotek Bank in the first quarter of 2021

Regional meetings and discussions of farming and forestry

The eleven annual regional meetings of Landshypotek Ekonomisk Förening, Landshypotek Bank's owner organisation of farming and forestry customers, 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. Two new Chairmen and four Board members were welcomed to the regional boards. The material pertaining to Landshypotek and the development of farming and forestry shown at the regional meetings is available at www.landshypotek.se/regionmote.

New mortgage partnership with Avanza

In February, a new mortgage partnership was launched with Avanza. Landshypotek's mortgages are now available directly on Avanza's website and apps, enabling more people to find Landshypotek as a mortgage option. We have no competing products, but possess the same drive to always put the customer first and be transparent in how we operate. The partnership complements previous collaborations with Villaägarna, among others.

Changing terms and conditions and fixing interest rates with the online bank.

Increasingly, Landshypotek's customers can conduct their banking transactions directly via the online bank. Moreover, from the start of the year, individual entrepreneurs could digitally change the terms of their first lien mortgage loans. If customers wish to fix the interest rates on their floating rate loans on their own initiative, they can now do so directly via the online bank.

Publication of the European Commission's proposed taxonomy

Landshypotek was quick to showcase the possible impact on sustainable Swedish forestry – not least from the perspective of private forest owners – of the taxonomy currently being designed to classify sustainable investments within the EU. The Commission has now presented its proposed taxonomy, which clearly entails significantly increased analytical requirements and an increased reporting burden for individual forest owners. The proposal will now be processed by the Member States and the European Parliament, and Landshypotek continued its active role in the debate during the quarter.

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. New this year is the partnership with Årets bonde (Eng: Farmer of the Year), the competition that aims to showcase the full circle, from farm to fork, by involving primary production and showcasing farmers' roles in the food chain. A new partnership was also launched with the Swedish Orienteering Federation. Through joint initiatives, more people are being encouraged to spend more time in the forests and countryside, and to discover new places across the country and at home.

Webinar for the next generation

Landshypotek increases activities together with partners. A webinar was held with LRF Youth in Jönköping County during the quarter, where young farmers were invited to talks about farm financing. Together with Ludvig & Co, Landshypotek invited participants to join digital meetings on ownership changes and developing farming businesses, different aspects of financing and the conditions that need to be considered with regard to tax, finance and law. The discussion was sent live and is still available online at www.landshypotek.se/webbinarium.

Continued strong trend in digitalisation

Landshypotek is a digital bank. The extensive upgrade of the core banking system SAP/Hana is in full progress, thereby strengthening the bank. The new website launched prior to Christmas and has been well received by customers. The improved ease in navigation is reflected in visitor numbers. To better respond to the influx of customers to the digital bank, extensive development is ongoing with the bank's customer management system.



Summary Landshypotek Bank

SEK million	Q1 2021	Q1 2020	Q4 2020	Full-year 2020
Net interest income	233	211	235	872
Operating profit	116	99	106	397
Profit after tax	90	75	84	303
Loans to the public	85,762	77,080	83,039	83,039
Change in loans to the public, %	3.3	0.9	3.8	3.8
Interest margin, LTM, %	1.11	1.09	1.11	1.11
Deposits from the public	14,678	14,158	14,672	14,672
Change in deposits from the public, %	0.0	-2.0	0.6	1.5
C/I ratio including financial transactions	0.52	0.55	0.56	0.55
C/I ratio excluding financial transactions	0.52	0.57	0.53	0.54
Credit loss level, % ¹⁾	-	-	-	-
Total capital ratio, %	21.6	19.3	20.5	20.5
Rating, long-term				
Standard & Poor's, covered bonds	AAA	AAA	AAA	AAA
Standard & Poor's	A	A	A	A
Fitch	A	A	A	A
Average number of employees, LTM	209	198	204	204

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

Our operating environment

Strong positive outlook for developments in farming and forestry. Demand for Swedish food has continued to strengthen. The economy is positive and farmers are increasingly willing to invest. From a macroeconomic perspective, low interest rate conditions persevere and housing prices are rising in Sweden. The economic outlook from various actors is very positive. Purchasing managers' indices (PMIs) and hopes are rising on the back of vaccinations and hopes of a return to more normal conditions.

Developments in the financial markets

Vaccination against Covid-19 got started during the quarter. However, continued contagion, particularly of mutated virus variants, has led to new lockdowns in Europe. In the US, President Biden's USD 1.9 trillion stimulus plan has been approved. Hopes for strong growth and expectations of higher inflation, primarily in the US, have raised long-term interest rates and stock markets continue to trade at high levels. Forward-looking indicators such as PMIs and sentiment indicators show the recovery is continuing. In Sweden, macroeconomic conditions have remained stable, supported by a strong labour market, and rising PMIs and house prices among other things.

Brighter international outlook

Liquidity support measures by central banks have kept interbank rates low. These rates, which banks pay when borrowing from each other on shorter maturities, are one of the factors that affect the interest rates the bank can offer to customers.

The US labour market improved in February and March. The economy is booming as more Americans find employment. The number of people in employment in the US increased 916,000 in March. The manufacturing sector PMI has remained stable at around 59 during the quarter, while the service sector PMI increased from 58.3 in January to 60.0 in March.

The US central bank, the Federal Reserve, left the key interest rate unchanged during the quarter. Its message to the market included raised growth forecasts combined with inflation being under control, continued zero interest rates for an extended period and unchanged asset purchases. The central bank is signalling that it is not concerned about the rise in longer interest rates, which it believes is temporary.

Economic recovery in Europe

Strong PMIs in Europe in March, but increased contagion and new lockdowns cloud prospects. The manufacturing sector's PMI rose to a record 62.4 from 55.1,

while the service sector posted a more modest increase to 48.8 from 45.7. Germany's ZEW economic sentiment index, which measures the economic expectations of investors and analysts, rose to 76.6 in March from 71.2.

The European Central Bank, the ECB, left interest rates unchanged in the quarter. The ECB announced that the pandemic support programme in future quarters will be significantly expanded compared with recent months, signalling that the ECB does not want to see interest rate hikes that do not promote economic recovery.

Strong trend in Sweden, although households remain sceptical.

In Sweden, the Economic Tendency Survey for March rose to 105.3 from 103.8 in February. The increase was attributable to strong signals from manufacturing, whereas conditions are weaker than normal in other sectors. Households' expectations for their own finances and Sweden's economy remained unchanged at 97.1 in March. Households retain a more negative outlook on the Swedish economy than twelve months ago.

House prices are soaring to new peaks and household debt continues to increase. In February, housing prices rose 2.3 percent. For the house market, the 12-month change exceeded 15 percent for the third consecutive month. Sweden's financial supervisory authority (Finansinspektionen) indicated its concerns about the development and will therefore remove the temporary amortisation relief from September this year.

The PMI rose to 63.7 in March from 61.8 in February. This is the seventh consecutive month above the historic average (55.4) and contributed to the first quarter of the year recording its highest index level since 2010.

The Riksbank, Sweden's central bank, left the repo rate unchanged during the quarter. In parallel with adopting a more optimistic outlook for inflation, it appears unlikely to abandon its current monetary policy. The Riksbank's bond-purchase programme to support the economy with SEK 700 billion remains in place. Moreover, the Riksbank projects an unchanged repo rate of zero until 2024.

Market developments for farming and forestry

Several farming and forestry sectors posted a favourable start to the year, following a generally positive 2020 for both sectors. Demand for Swedish food has continued to strengthen and price levels are relatively positive for cereals, oilseed, meat and milk.

Lower demand for forest raw materials

Fiscal stimulus packages have kept consumer purchasing power relatively strong. Sales to retailers have increased in the timber industry and the export market has also developed well, with growing demand, despite a stronger SEK, leading to higher timber prices.

Prices for pulp wood remain low. This is partly due to the large supply of pulp wood as a result of bark beetle infestations. The structural long-term trend of declining demand for graphic paper intensified during the pandemic. However, hygiene and packaging-related products posted positive trends due, inter alia, to increased e-commerce and the economic recovery in China.

Favourable conditions for arable farming

General, the large acreages of autumn-sown crops appear to have taken well and survived the winter. A relatively mild March allowed spring sowing to start earlier than normal in southern Sweden. The snowy winter in the north may delay spring tillage. Logistics flows with seasonal input goods have functioned normally.

2021 started with continued high prices for cereal and oilseed, even if the trend has been slightly more subdued in Sweden due to the strength of the Swedish krona. The high price levels were due to relatively low forecasts for global stocks relative to consumption. Russia's restrictions on cereal export are also driving price trends, as are higher oil prices and logistics disruptions.

Challenges for poultry operations

Several unfortunate outbreaks of avian flu and challenges for those affected marked the start of the year. It is an epizootic disease, which means, inter alia, that livestock owners can seek compensation to cover a considerable share of their costs. The outbreak entails disruption and limits production based on, inter alia, the supply of animals. Accordingly, the price of Swedish eggs rose during the quarter, following a period of surplus. The market and prices for chicken were stable.

Positive finances for many animal operations

For some time, the EU pigmeat market has been affected by African swine fever. Prices rose in the first quarter as EU exports continued to climb, despite China's import ban from Germany and increased EU production. Prices in Sweden have stabilised at high levels relative to previous years, but also compared with the EU. Swedish production has increased. However, prices for input goods rose during the period.

Beef prices rose in the EU and Sweden during the quarter, with prices highest in Sweden with strong demand. Moreover, animal shortages following the 2018 drought means it will take time to restore the production capacity that was culled.

Milk weighed-in continued to post a positive trend in the country. Strong global demand drove increases in settlement prices in the latter part of the quarter.

Increased willingness to invest

Demand for Swedish food has continued to strengthen. The economy is positive and farmers are increasingly willing to invest, which is pleasing news. With the exception of poultry, this applies essentially irrespective of sector. Prices for farms and forest properties are rising and there is substantial buyer interest. Low costs for capital in the prevailing interest rate environment is a further contributory factor.

In summary, there are many positives and a favourable underlying trend for Sweden's farming and forestry sectors. We see no prospect of any major change in the outlook in the short- to mid-term.

Our financial performance

Landshypotek Bank posted continued strong growth in volumes as well as satisfactory earnings. Moreover, the bank reported a year-on-year increase in operating profit. During the quarter, net interest income improved by SEK 22 million year-on-year and the bank's loans to the public increased SEK 2.7 billion over the quarter. Credit losses remained very low.

Q1 2021 compared with Q1 2020

The bank's operating profit amounted to SEK 116 million (99). Excluding the net result of financial transactions, operating profit amounted to SEK 116 million (93). The change in earnings was mainly due to an improvement in net interest income, which was partly offset by a lower net result of financial transactions and slightly higher costs.

Net interest income

Net interest income amounted to SEK 233 million (211). Interest income totalled SEK 355 million (360), down as a result of lower interest rates. Interest expenses totalled SEK 122 million (149), down as a result of lower funding costs.

Net result of financial transactions

The net result of financial transactions amounted to a gain of SEK 0 million (6) for the quarter, where unrealised gains amounted to SEK 3 million (6) and realised loss to SEK 3 million (gain: 0).

Other operating income

Other operating income was SEK 0 million (1).

Costs

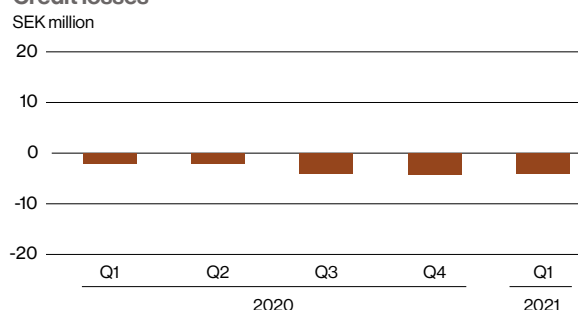
Costs amounted to SEK 122 million (120). While costs were up slightly on last year, they were lower than planned for the quarter.

Credit losses and credit loss allowance

Net credit losses amounted to recoveries of SEK 4 million (recoveries: 2), of which net credit losses for non-credit-impaired assets had a positive earnings impact of SEK 2 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 85,184 million and the credit loss allowance to SEK 15 million. Gross credit-impaired assets amounted to SEK 615 million and the credit loss allowance to SEK 22 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 3 and Note 4.

Credit losses



Operating profit

SEK million	Q1 2021	Q1 2020	Full-year 2020
Net interest income	233	211	872
Other operating income	1	6	-10
of which net result of financial transactions	0	6	-17
Costs	-122	-120	-478
C/I ratio including financial transactions	0.52	0.55	0.55
C/I ratio excluding financial transactions	0.52	0.57	0.54
Net recognised credit losses	4	2	13
Credit loss level, % ¹⁾	-	-	-
Operating profit	116	99	397
Operating profit excluding the net result of financial transactions	116	93	414

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

Balance Sheet

Assets, SEK million	31 Mar 2021
Eligible treasury bills	4,071
Loans to credit institutions	430
Loans to the public	85,762
Bonds and other interest-bearing securities	5,977
Derivatives	1,592
Tangible and intangible assets	151
Other assets	87
Total assets	98,070

Liabilities and equity, SEK million	31 Mar 2021
Liabilities to credit institutions	4,856
Deposits from the public	14,678
Debt securities issued, etc.	69,680
Derivatives	255
Subordinated liabilities	1,803
Other liabilities	423
Equity	6,374
Total liabilities and equity	98,070

Other comprehensive income

Other comprehensive income amounted to an expense of SEK 2 million (expense: 17). Financial assets at fair value had an effect of SEK 0 million (negative: 21) on other comprehensive income and cross-currency basis spreads in fair-value hedges had a negative impact of SEK 2 million (positive: 3) on other comprehensive income.

Assets

The largest asset item in the balance sheet is loans to the public, which amounted to SEK 85.8 billion (83.0 at 31 December 2020). The increase amounted to SEK 2.7 billion. The largest part of the increase was attributable to mortgage operations. The geographic distribution of lending remains stable over time.

Landshypotek Bank's liquidity portfolio totalled SEK 10.0 billion (9.7 at 31 December 2020). The portfolio comprises Swedish covered bonds with the highest credit rating and bonds issued by Swedish municipalities. The holding of interest-bearing securities functions as a liquidity reserve. The liquidity portfolio was 1.2 times (1.1 at 31 December 2020) 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

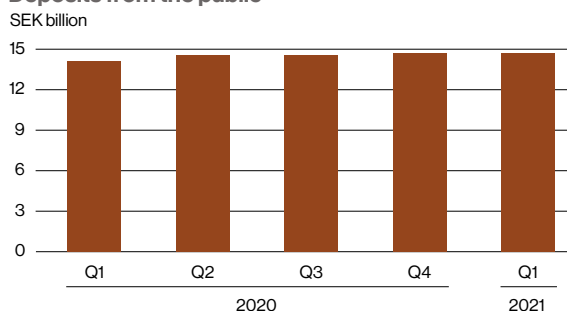
Funding

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. During the quarter, covered bonds to a value of SEK 6.0 billion and a dated subordinated loan to a value of SEK 0.6 billion were issued. In parallel, covered bonds to a value of SEK 2.1 billion and senior bonds to a value of SEK 0.7 billion matured or were repurchased.

Deposits from the public

Deposits from the public totalled SEK 14.7 billion (14.1 at 31 December 2020).

Deposits from the public



Funding

SEK million	In issue 31 Mar 2021	Limit	In issue 31 Mar 2020
Swedish commercial paper	–	10,000	–
MTN programme	32,118	60,000 ¹⁾	34,220
EMTN programme	37,106	101,677 ²⁾	31,788
Registered covered bonds	3,279		3,213
Subordinated loans	2,500		1,900

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

²⁾ EUR 10,000 million.



Capital and capital adequacy

The total capital ratio for the consolidated situation amounted to 19.1 percent (18.8 at 31 December 2020) and the CET1 capital ratio was 14.7 percent (15.2 at 31 December 2020). The internally assessed capital requirement for the consolidated situation was SEK 4.7 billion (4.1 at 31 December 2020). The capital requirement should be compared with own funds of SEK 6.7 billion (6.3 at 31 December 2020). The capital adequacy assessment takes into account the minimum capital requirement, the Pillar II capital requirement and the combined buffer requirement. Refer to Note 1 for further information.

Q1 2021 compared with Q4 2020

Operating profit amounted to SEK 116 million (106) for the quarter. The change in operating profit the period was driven by an improved net result of financial transactions and lower costs. Excluding the net result of financial transactions, operating profit for the quarter was SEK 116 million (116).

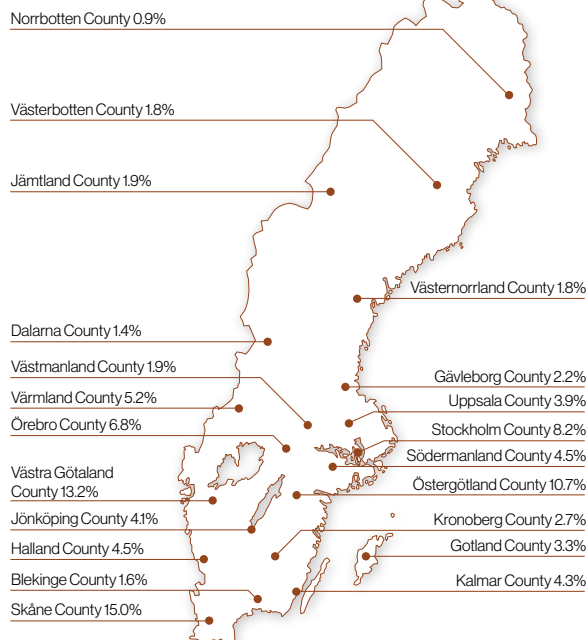
Impact of Covid-19

Loans to the public

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 has encouraged customers to take early contact with the bank if they believe the effects of Covid-19 will affect their future payment capacity. The bank maintains ongoing dialogues with customers who could be impacted and follows Finansinspektionen's guidelines for temporary amortisation relief.

The bank continues to monitor GDP and property price developments, which are influencing factors in the model for credit loss provisions. Property prices remained stable throughout the quarter. GDP declined in the preceding year, but a sharp fall in the first six months was followed by a strong recovery in the second half of the year. A clear rebound in the economy is projected for 2021. 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.

Geographic distribution of lending



Funding

Following a globally driven interest rate increase based on inflation and recovery, investors have sought higher returns on longer maturities for securities including covered bonds. The financial markets have functioned well for most types of bond issues. Landshypotek Bank has issued covered bonds and subordinated debt. The Riksbank's continued purchases of covered bonds have helped keep credit spreads low. Measures by the central banks to support liquidity remain in place, which continue to create a liquidity surplus in the market. During the quarter, Stibor has posted historic lows in relation to the repo rate. 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.

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 quarter.

Rating	Long	Short
S&P covered bonds	AAA	
S&P	A	A-1
Fitch	A	F1

Group structure

All farming and forestry borrowers of Landshypotek Bank are also members of Landshypotek Ekonomisk Förening. Landshypotek Ekonomisk Förening owns 100 percent of the shares in Landshypotek Bank. All operations are conducted exclusively in Landshypotek Bank.

Events after the end of the period

No significant events occurred after the end of the reporting period.

Stockholm, 4 May 2021

Per Lindblad
Chief Executive Officer

Accounting policies

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. From 2021, accrued interest on financial assets and liabilities 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. In other regards, accounting policies, calculation methods and risk management are unchanged compared with the last annual report, refer to Note 1 in the Annual Report for 2020 (www.landshypotek.se/en/about-landshypotek/investor-relations/).

Income Statement

SEK million	Note	Q1 2021	Q1 2020	Q4 2020	Full-year 2020
Interest income		355	360	360	1,443
of which interest income using the effective-interest method		355	360	360	1,443
of which other interest income		-	-	-	-
Interest expenses		-122	-149	-125	-571
of which fees for deposit insurance		-3	-4	-3	-14
of which fees for resolution fund		-8	-8	-8	-32
Net interest income	2	233	211	235	872
Net result of financial transactions		0	6	-10	-17
Other operating income		1	1	3	8
Total operating income		234	217	229	862
General administrative expenses		-110	-108	-115	-428
Depreciation, amortisation and impairment of tangible and intangible assets		-12	-13	-12	-49
Other operating expenses		0	0	0	0
Total expenses before credit losses		-122	-120	-127	-478
Profit before credit losses		112	97	102	384
Net credit losses	3	4	2	4	13
Operating profit		116	99	106	397
Tax expense for the period		-26	-24	-22	-94
Net profit for the period		90	75	84	303

Statement of Comprehensive Income

SEK million	Q1 2021	Q1 2020	Q4 2020	Full-year 2020
Net profit for the period	90	75	84	303
Other comprehensive income				
Items to be reclassified to income statement				
Financial assets at FVTOCI	-1	-26	7	7
Cross-currency basis spreads in fair value hedges	-2	4	-6	-10
Income tax related to other comprehensive income	1	5	0	1
Total items that will be reclassified	-2	-17	1	-3
Total other comprehensive income	-2	-17	1	-3
Comprehensive income for the period	88	58	84	300

Balance Sheet

SEK million	Note	31 Mar 2021	31 Dec 2020	31 Mar 2020
Assets				
Cash and balances with central banks		1	17	0
Eligible treasury bills		4,071	3,805	3,589
Loans to credit institutions		430	483	523
Loans to the public	4	85,762	83,039	77,080
Value change of interest-hedged items in portfolio hedges		45	86	49
Bonds and other interest-bearing securities		5,977	5,877	6,380
Derivatives		1,592	1,731	2,197
Intangible assets		112	120	141
Tangible assets		39	44	57
Other assets		6	5	4
Current tax assets		-	-	6
Prepaid expenses and accrued income		35	25	30
Total assets	5, 6	98,070	95,233	90,054
Liabilities and equity				
Liabilities to credit institutions		4,856	5,842	2,275
Deposits from the public		14,678	14,672	14,158
Debt securities issued, etc.		69,680	66,551	65,627
Derivatives		255	293	280
Other liabilities		366	343	308
Tax liabilities		10	1	-
Accrued expenses and prepaid income		46	33	42
Provisions		1	1	2
Subordinated liabilities		1,803	1,203	1,203
Total liabilities		91,696	88,939	83,894
Total equity		6,374	6,294	6,161
Total liabilities and equity	5, 6	98,070	95,233	90,054

Statement of cash flow

SEK million	Q1 2021	Q1 2020	Full-year 2020
Opening cash and cash equivalents	500	544	544
Cash flow from operating activities	-663	-13	109
Cash flow from investment activities	-	-	-
Cash flow from financing activities	592	-8	-152
Cash flow for the period	-70	-21	-43
Closing cash and cash equivalents	430	523	500

Statement of changes in equity

January – December 2020 SEK million	Share capital	Other contributed equity	Fair value reserve	Cross-currency basis spreads in fair value hedges	Tier 1 capital	Retained earnings	Total
Opening balance	2,253	1,017	10	-26	700	2,157	6,111
Comprehensive income for the period			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	1,017	16	-34	700	2,342	6,294

January – March 2021 SEK million	Share capital	Other contributed equity	Fair value reserve	Cross-currency basis spreads in fair value hedges	Tier 1 capital	Retained earnings	Total
Opening balance	2,253	1,017	16	-34	700	2,342	6,294
Comprehensive income for the period			0	-2		90	88
Total change before transactions with owners and holders of Tier 1 capital instruments	-	-	0	-2	-	90	88
Dividend on Tier 1 capital instruments						-8	-8
Closing balance	2,253	1,017	15	-36	700	2,425	6,374

Notes

Note 1 Capital and capital adequacy

The total capital ratio for the consolidated situation was 19.1 percent compared with 18.8 percent at 31 December 2020 and the CET1 capital ratio was 14.7 percent (15.2 at 31 December 2020). At Landshypotek Bank AB, the total capital ratio amounted to 21.6 percent (20.5 at 31 December 2020) and the CET1 capital ratio was 14.4 percent (14.9 at 31 December 2020). Own funds for the consolidated situation increased SEK 319 million to SEK 6,654 million during the quarter, primarily as a result of the bank issuing a new T2 capital instrument. The bank also has a dated subordinated loan outstanding of SEK 1.2 billion with early redemption possible on 25 May 2021. The minimum capital requirement increased SEK 92 million to SEK 2,788 million mainly as a result of 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 was 5.7 percent (5.9 at 31 December 2020).

The internally assessed capital requirement for the consolidated situation was SEK 4.7 billion (4.1 at 31 December 2020) and should be compared with own funds of SEK 6.7 billion. The main reason behind the increase in the internally assessed capital requirement is that the bank has taken into account the upcoming Pillar II guidance requirements that Finansinspektionen can impose on institutions as a result of the changes in the Banking Package. The Pillar II guidance requirement replaces the capital planning buffer previously set at zero by the bank. While Finansinspektionen's methodology for calculating the Pillar 2 guidance requirement has yet to be decided, Finansinspektionen has previously communicated its assessment that most banks will be subject to a Pillar II guidance requirement of 1–1.5 percent of the risk-weighted exposure amount. Landshypotek, which primarily lends against collateral in immovable property with low loan-to-value ratios, has set a 1% risk-weighted exposure amount. The Pillar II guidance requirement is a less stringent capital requirement than the separate Pillar II requirement and can be temporarily breached without incurring penalties. The requirement must be covered by CET1 capital.

continued Note 1 Capital adequacy analysis

SEK million	Consolidated situation ¹⁾	
	31 March 2021	31 December 2020
CET1 capital: Instruments and reserves		
Member contributions	1,836	1,833
Share capital	–	–
Other contributed equity	1,798	1,798
Tier 1 capital instruments	700	700
Reserves	-20	-18
Actuarial changes	-17	-17
Retained earnings	2,229	1,913
Net profit for the year ²⁾	90	323
Equity in the balance sheet	6,614	6,532
Deductions related to the consolidated situation and other foreseeable costs ³⁾	-158	-122
Deductions for Tier 1 capital instruments classified as equity	-700	-700
CET1 capital before regulatory adjustments	5,755	5,710
CET1 capital: regulatory adjustments		
Further value adjustments	-10	-10
Intangible assets	-61	-58
Deferred tax assets that rely on future profitability	–	–
IRB deductions ⁴⁾	-547	-519
Total regulatory adjustments to CET1 capital	-619	-587
CET1 capital	5,136	5,123
Additional Tier 1 capital: instruments		
Tier 1 capital instruments	–	–
of which: classified as equity under applicable accounting standards	–	–
Qualifying Tier 1 capital included in consolidated additional Tier 1 capital issued by subsidiaries and held by third parties	452	440
Tier 1 capital (CET1 capital + Tier 1 capital)	5,588	5,563
Tier 2 capital: instruments and provisions		
Capital instruments and subordinated loans eligible as Tier 2 capital	–	–
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third parties	1,065	772
Tier 2 capital before regulatory adjustments	1,065	772
Tier 2 capital	1,065	772
Own funds (Tier 1 capital + Tier 2 capital)	6,654	6,335
Total risk-weighted exposure amount	34,847	33,701
Capital ratios and buffers		
Own funds requirement	2,788	2,696
CET1 capital ratio (%)	14.7	15.2
Tier 1 capital ratio (%)	16.0	16.5
Total capital ratio (%)	19.1	18.8
Institution-specific CET1 capital requirement including buffer requirements (%)	7.0	7.0
of which: capital conservation buffer requirement (%)	2.5	2.5
of which: countercyclical buffer requirement (%)	0.0	0.0
CET1 capital available to meet buffers (%) ⁵⁾	10.0	10.5

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

²⁾ A decision by Finansinspektionen granted Landshypotek Bank a permit, subject to specific terms and conditions, for using the interim or full-year surplus in own-funds calculations for Landshypotek Bank AB and also for its consolidated situation.

³⁾ The item pertains to expected value transfers in the form of dividends to members in the consolidated situation and Group contributions to the Parent Association of Landshypotek Bank AB.

⁴⁾ Deductions arising from expected credit losses exceeding the outstanding provisions for credit losses (negative amounts resulting from the calculation of expected loss amounts).

⁵⁾ Calculated as "the bank's CET1 capital less CET 1 used to cover the CET1 capital requirement and less any other CET1 items used to cover the tier 1 capital requirement and/or total own funds requirements divided by the total risk-weighted exposure amount."

continued Note 1 Capital requirements

SEK million	Consolidated situation	
	31 March 2021	31 December 2020
Internally assessed capital requirement¹⁾		
Pillar I capital requirement	2,788	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	1.9	1.6
Combined buffer requirement	871	843
Percentage of total risk-weighted exposure amount	2.5	2.5
Capital requirement, Pillar II guidance ²⁾	337	–
Percentage of total risk-weighted exposure amount	1.0	–
Total capital requirement	4,661	4,082
Percentage of total risk-weighted exposure amount	13.4	12.1
Own funds (Tier 1 capital + Tier 2 capital)	6,654	6,335
Percentage of total risk-weighted exposure amount	19.1	18.8
Capital requirement as assessed by Finansinspektionen³⁾		
Pillar I capital requirement	2,788	2,696
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	648	648
Percentage of total risk-weighted exposure amount	1.9	1.9
Combined buffer requirement	871	843
Percentage of total risk-weighted exposure amount	2.5	2.5
Total capital requirement	4,307	4,187
Percentage of total risk-weighted exposure amount	12.4	12.4
Own funds (Tier 1 capital + Tier 2 capital)	6,654	6,335
Percentage of total risk-weighted exposure amount	19.1	18.8

¹⁾ Pertains to Pillar I capital requirements pursuant to the Capital Requirements Regulation, Pillar II capital requirements according to the bank's (ICAAP 2021 and 2020, respectively) and the combined buffer requirement pursuant to the Capital Buffers Act (2014:966).

²⁾ In the ICAAP 2021, the bank has taken into account forthcoming Pillar II guidance. Refer to the introductory text in Note 1 for further information.

³⁾ Pertains to Pillar I capital requirements pursuant to the Capital Requirements Regulation, Pillar II capital requirements according to Finansinspektionen's (SREP 2019) and the combined buffer requirement pursuant to the Capital Buffers Act (2014:966).

continued Note 1 Own funds requirement by risk, approach and exposure class

31 March 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	86,399	25,041	2,003	29%
Retail – real estate collateral	52,866	6,888	551	13%
Corporates	33,407	18,026	1,442	54%
Other non-credit-obligation assets	127	127	10	100%
Credit risk – Standardised approach	12,109	1,196	96	10%
Central governments or central banks	26	–	–	0%
Regional governments or local authorities	4,986	–	–	0%
Institutions	1,762	552	44	31%
Corporates	14	14	1	100%
Retail	28	20	2	70%
Secured by mortgage liens on immovable property	224	100	8	45%
Exposures in default	2	2	0	149%
Covered bonds	5,067	507	41	10%
Operational risk – Basic indicator approach		1,554	124	
Credit valuation adjustment risk – Standardised approach	1,171	728	58	62%
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		6,328	506	
Total	99,679	34,847	2,788	

31 December 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%
Regional governments or local authorities	4,720	–	–	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 relevant 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-weighted exposure amount by the exposure value for the respective risk/exposure class.

continued Note 1 Capital adequacy analysis

SEK million	Landshypotek Bank AB	
	31 March 2021	31 December 2020
CET1 capital: Instruments and reserves		
Member contributions	–	–
Share capital	2,253	2,253
Other contributed equity	1,017	1,017
Tier 1 capital instruments	700	700
Reserves	-20	-18
Actuarial changes	0	0
Retained earnings	2,334	2,039
Net profit for the year ¹⁾	90	303
Equity in the balance sheet	6,374	6,294
Deductions related to the consolidated situation and other foreseeable costs ²⁾	-45	–
Deductions for Tier 1 capital instruments classified as equity	-700	-700
CET1 capital before regulatory adjustments	5,629	5,594
CET1 capital: regulatory adjustments		
Further value adjustments	-10	-10
Intangible assets	-61	-58
Deferred tax assets that rely on future profitability	–	–
IRB deductions ³⁾	-547	-519
Total regulatory adjustments to CET1 capital	-619	-587
CET1 capital	5,010	5,007
Additional Tier 1 capital: instruments		
Tier 1 capital instruments	700	700
of which: classified as equity under applicable accounting standards	700	700
Qualifying Tier 1 capital included in consolidated additional Tier 1 capital issued by subsidiaries and held by third parties	–	–
Tier 1 capital (CET1 capital + Tier 1 capital)	5,710	5,707
Tier 2 capital: instruments and provisions		
Capital instruments and subordinated loans eligible as Tier 2 capital	1,800	1,200
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third parties	–	–
Tier 2 capital before regulatory adjustments	1,800	1,200
Tier 2 capital	1,800	1,200
Own funds (Tier 1 capital + Tier 2 capital)	7,510	6,907
Total risk-weighted exposure amount	34,849	33,703
Capital ratios and buffers		
Own funds requirement	2,788	2,696
CET1 capital ratio (%)	14.4	14.9
Tier 1 capital ratio (%)	16.4	16.9
Total capital ratio (%)	21.6	20.5
Institution-specific CET1 capital requirement including buffer requirements (%)	7.0	7.0
of which: capital conservation buffer requirement (%)	2.5	2.5
of which: countercyclical buffer requirement (%)	0.0	0.0
CET1 capital available to meet buffers (%) ⁴⁾	9.9	10.4

¹⁾ A decision by Finansinspektionen granted Landshypotek Bank a permit, subject to specific terms and conditions, for using the interim or full-year surplus in own-funds calculations for Landshypotek Bank AB and also for its consolidated situation.

²⁾ The item pertains to expected value transfers in the form of dividends to members in the consolidated situation and Group contributions to the Parent Association of Landshypotek Bank AB.

³⁾ Deductions arising from expected credit losses exceeding the outstanding provisions for credit losses (negative amounts resulting from the calculation of expected loss amounts).

⁴⁾ Calculated as "the bank's CET1 capital less CET1 used to cover the CET1 capital requirement and less any other CET1 items used to cover the tier 1 capital requirement and/or total own funds requirements divided by the total risk exposure amount."

continued Note 1 Capital requirements

SEK million	Landshypotek Bank AB	
	31 March 2021	31 December 2020
Internally assessed capital requirement¹⁾		
Pillar I capital requirement	2,788	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	1.9	1.6
Combined buffer requirement	871	843
Percentage of total risk-weighted exposure amount	2.5	2.5
Capital requirement, Pillar II guidance ²⁾	337	–
Percentage of total risk-weighted exposure amount	1.0	–
Total capital requirement	4,661	4,082
Percentage of total risk-weighted exposure amount	13.4	12.1
Own funds (Tier 1 capital + Tier 2 capital)	7,510	6,907
Percentage of total risk-weighted exposure amount	21.6	20.5
Capital requirement as assessed by Finansinspektionen³⁾		
Pillar I capital requirement	2,788	2,696
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	648	648
Percentage of total risk-weighted exposure amount	1.9	1.9
Combined buffer requirement	871	843
Percentage of total risk-weighted exposure amount	2.5	2.5
Total capital requirement	4,307	4,187
Percentage of total risk-weighted exposure amount	12.4	12.4
Own funds (Tier 1 capital + Tier 2 capital)	7,510	6,907
Percentage of total risk-weighted exposure amount	21.6	20.5

¹⁾ Pertains to Pillar I capital requirements pursuant to the Capital Requirements Regulation, Pillar II capital requirements according to the bank's (ICAAP 2021 and 2020, respectively) and the combined buffer requirement pursuant to the Capital Buffers Act (2014:966).

²⁾ In the ICAAP 2021, the bank has taken into account forthcoming Pillar II guidance. Refer to the introductory text in Note 1 for further information.

³⁾ Pertains to Pillar I capital requirements pursuant to the Capital Requirements Regulation, Pillar II capital requirements according to Finansinspektionen's (SREP 2019) and the combined buffer requirement pursuant to the Capital Buffers Act (2014:966).

continued Note 1 Own funds requirement by risk, approach and exposure class

31 March 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	86,403	25,044	2,004	29%
Retail – real estate collateral	52,866	6,888	551	13%
Corporates	33,407	18,026	1,442	54%
Other non-credit-obligation assets	130	130	10	100%
Credit risk – Standardised approach	12,103	1,195	96	10%
Central governments or central banks	26	–	–	0%
Regional governments or local authorities	4,986	–	–	0%
Institutions	1,757	551	44	31%
Corporates	14	14	1	100%
Retail	28	20	2	70%
Secured by mortgage liens on immovable property	224	100	8	45%
Exposures in default	2	2	0	149%
Covered bonds	5,067	507	41	10%
Operational risk – Basic indicator approach		1,554	124	
Credit valuation adjustment risk – Standardised approach	1,171	728	58	62%
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		6,328	506	
Total	99,676	34,849	2,788	

31 December 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%
Regional governments or local authorities	4,720	–	–	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 relevant 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-weighted exposure amounts by exposure value for the respective risk/exposure class.

Note 2 Net interest income

SEK million	Q1 2021	Q1 2020	Q4 2020	Full-year 2020
Interest income				
Interest income on loans to credit institutions	0	0	0	0
Interest income on loans to the public	346	346	350	1,392
Interest income on interest-bearing securities	7	11	7	40
Other interest income	2	3	3	11
Total interest income	355	360	360	1,443
Interest expenses				
Interest expenses for liabilities to credit institutions	1	0	1	2
Interest expenses for deposits from the public	-24	-24	-24	-96
of which fees for deposit insurance	-3	-4	-3	-14
Interest expenses for interest-bearing securities	-105	-144	-108	-529
Interest expenses for subordinated liabilities	-8	-8	-8	-34
Interest expenses for derivative instruments	28	41	26	136
Other interest expenses	-14	-14	-12	-50
of which fees for resolution fund	-8	-8	-8	-32
Total interest expenses	-122	-149	-125	-571
Total net interest income	233	211	235	872

All interest income is attributable to the Swedish market

Note 3 Net credit losses

SEK million	Q1 2021	Q1 2020	Q4 2020	Full-year 2020
Change in credit loss allowance, Stage 1	1	1	1	0
Change in credit loss allowance, Stage 2	1	4	1	6
Net credit losses, non-credit-impaired lending	2	4	2	6
Change in credit loss allowance, Stage 3	2	-2	5	28
Write-off for the period for confirmed losses	0	-1	-3	-24
Recoveries of previously confirmed losses	0	0	1	3
Net credit losses, credit-impaired lending	2	-2	2	7
Total net credit losses	4	2	4	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. If the risk classification exceeds the bank's limits for increased credit risk, the asset is classified as Stage 2.

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

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 2020). 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.

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 4.

Scenario	Expected credit loss
Current loss allowance (including credit reserves for loan commitments are included in the balance-sheet item Provisions)	SEK 37 million
Improved scenario	SEK 36 million
Deteriorated scenario	SEK 41 million

Note 4 Loans to the public

SEK million	31 Mar 2021	31 Dec 2020	31 Mar 2020
Loan receivables, stage 1	78,108	75,101	69,031
Loan receivables, stage 2	7,076	7,395	7,442
Loan receivables, stage 3	615	583	678
Gross loan receivables	85,799	83,079	77,151
Less credit loss allowance	-37	-40	-71
of which change in collectively measured credit loss allowance	0	0	-
Net loan receivables	85,762	83,039	77,080
Disclosures on past due loan receivables, gross			
Loan receivables past due, 5–90 days	61	6	20
Loan receivables past due, more than 90 days	99	153	306
Total past due loan receivables, gross	161	159	326

Gross loan receivables January – December 2020 SEK million	Non-credit-impaired lending		Credit-impaired lending	Total
	Stage 1	Stage 2	Stage 3	
Opening balance	67,949	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 January – March 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	4,326	30	-1	4,355
Decreases in loan receivables due to derecognition	-1,387	-221	-29	-1,636
Decrease in loan receivables due to confirmed losses	-	-	0	0
Migration between stages				
from 1 to 2	-256	256	-	-
from 1 to 3	-6	-	6	-
from 2 to 1	329	-329	-	-
from 2 to 3	-	-55	55	-
from 3 to 2	-	0	0	-
from 3 to 1	0	-	0	-
Closing balance	78,108	7,076	615	85,798

continued Loans to the public

Credit loss allowance January – December 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	-73	-1
Increases due to origination and acquisition	-2	-1	0	-3	-3	0
Decreases due to derecognition	1	1	32	34	34	0
Decrease in allowance due to write-offs	-	-	0	0	0	-
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 January – March 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	-1	0	0	-1	-1	0
Decreases due to derecognition	0	0	1	1	1	0
Decrease in allowance due to write-offs	-	-	0	0	0	-
Changes due to change in credit risk	-2	-2	2	-1	-1	0
Changes due to update in the methodology for estimation	3	2	0	5	5	-
Migration between stages						
from 1 to 2	0	-1	-	-1	-1	0
from 1 to 3	0	-	0	0	0	0
from 2 to 1	0	0	-	0	0	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	-10	-22	-37	-36	-1

Collateral exists in the form of immovable property for lending. For more information about the recognition of credit loss allowances, and estimates and critical assessments, refer to Note 3.

Note 5 Fair-value hierarchy for financial instruments

SEK million	31 March 2021				31 March 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI								
Eligible treasury bills, etc.	4,071			4,071	3,589			3,589
Bonds and other interest-bearing securities	5,977			5,977	6,380			6,380
Derivatives identified as hedging instruments								
Interest-rate swaps		1,083		1,083		1,365		1,365
Cross-currency interest-rate swaps		509		509		832		832
Total assets measured at fair value	10,048	1,592	-	11,640	9,969	2,197	-	12,166
Derivatives identified as hedging instruments								
Interest-rate swaps		204		204		216		216
Cross-currency interest-rate swaps		51		51		64		64
Total liabilities measured at fair value	-	255	-	255	-	280	-	280

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 6 Fair Value Disclosures

SEK million	31 March 2021		31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	1	1	0	0
Eligible treasury bills	4,071	4,071	3,589	3,589
Loans to credit institutions	430	430	523	523
Loans to the public	85,762	87,419	77,080	78,664
Bonds and other interest-bearing securities	5,977	5,977	6,380	6,380
Derivatives	1,592	1,592	2,197	2,197
Total assets	97,832	99,490	89,768	91,352
Liabilities and provisions				
Liabilities to credit institutions	4,856	4,856	2,275	2,275
Deposits from the public	14,678	14,678	14,158	14,158
Debt securities issued, etc.	69,680	70,372	65,627	66,050
Derivatives	255	255	280	280
Subordinated liabilities	1,803	1,809	1,203	1,207
Other liabilities	284	284	272	272
Total liabilities	91,557	92,255	83,815	84,242

Alternative performance measures

The bank uses alternative performance measures (APMs) in its interim and annual reports. 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.

Key financial ratios	Definition
Change in loans to the public, %	The percentage increase in loans to the public during the period.
Interest margin, LTM, %	Net interest income over the last 12 months in relation to average lending during the period.
Change in deposits from the public, %	The percentage increase in deposits from the public during the period.
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 for the period restated on an annualised basis in relation to average lending during the period.
Leverage ratio, %	Net credit losses for the period restated on an annualised basis in relation to average lending during the period.
CET1 capital ratio, %	CET1 capital relative to risk-weighted assets.
Total capital ratio, %	Own funds relative to risk-weighted assets.
Net credit-impaired assets after allowances as a percentage of total loans outstanding, %	Net credit-impaired assets in relation to loans to the public at the balance sheet date.
Return on equity, %	Net profit for the year divided by average equity.

SEK million	Q1 2021	Q1 2020	Q4 2020	Full-year 2020
Change in loans to the public	2,723	712	3,066	6,671
Opening balance, loans to the public	83,039	76,367	79,972	76,367
Change in loans to the public, %	3.3	0.9	3.8	8.7
Net interest income, accumulated LTM	893	821	872	872
Average loans to the public, LTM	80,636	75,186	78,776	78,776
Interest margin, LTM, %	1.11	1.09	1.11	1.11
Change in deposits from the public	6	-291	82	223
Opening balance deposits from the public	14,672	14,449	14,591	14,449
Change in deposits from the public, %	0.0	-2.0	0.6	1.5
Costs before credit losses	-122	-120	-127	-478
Total operating income	234	217	229	862
C/I ratio including financial transactions	0.52	0.55	0.56	0.55
Costs before credit losses	-122	-120	-127	-478
Total operating income excluding financial transactions	234	211	239	879
C/I ratio excluding financial transactions	0.52	0.57	0.53	0.54
Net credit losses calculated on a full-year basis	16	9	17	13
Average loans to the public, LTM	80,636	75,186	78,776	78,776
Credit loss level, %¹	-	-	-	-
Credit-impaired assets, gross	615	678	583	583
Less provisions made	-22	-53	-24	-24
Credit-impaired assets, net	593	625	559	559
Credit-impaired assets, net	593	625	559	559
Loans to the public	85,762	77,080	83,039	83,039
Net credit-impaired assets after allowances as a percentage of total loans outstanding, %	0.69	0.81	0.67	0.67
Tier 1 capital	5,710	5,511	5,707	5,707
Exposure measure	97,636	89,352	94,803	94,803
Leverage ratio, %	5.8	6.2	6.0	6.0
CET1 capital	5,010	4,811	5,007	5,007
Total risk-weighted exposure amount	34,849	34,816	33,703	33,703
CET1 capital ratio, %	14.4	13.8	14.9	14.9
Own funds	7,510	6,711	6,907	6,907
Total risk-weighted exposure amount	34,849	34,816	33,703	33,703
Total capital ratio, %	21.6	19.3	20.5	20.5
Profit after tax				303
Equity				6,294
Return on equity, %				4.8
Profit after tax				303
Number of shares, million				2
Earnings per share, SEK				134.5

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

Reporting calendar 2021

*Landshypotek Bank's reports are available at:
www.landshypotek.se/om-landshypotek*

Interim Report Q2	22 July
Interim Report Q3	1 November

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