



Landshypotek Bank

Landshypotek Bank AB Interim report Q3 2021

January – September 2021

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

We continue to grow with more customers and an increased lending volume. Customer interest in Landshypotek has risen. The increased lending volume, where we have posted growth of SEK 7.6 billion during the year, provides more stable earnings which is important for our development into an even more stable and sustainable bank. In parallel, we continue to keep costs under control and credit quality is good. What we are now noting is the result of the long-term focus we have applied at the bank. We have systematically endeavoured to become more customer-centric and develop our services to meet more customers and different customer groups.

January – September 2021

compared with January – September 2020

- Operating profit amounted to SEK 363 million (291).
- The underlying operating profit, excluding the net result of financial transactions, was SEK 371 million (299).
- Net interest income amounted to SEK 721 million (636).
- Costs totalled SEK 357 million (350).
- Net credit losses positively impacted earnings by SEK 1 million (positive: 8).
- Loans to the public amounted to SEK 90.6 billion (80.0).
- Deposits from the public amounted to SEK 15.0 billion (14.6).

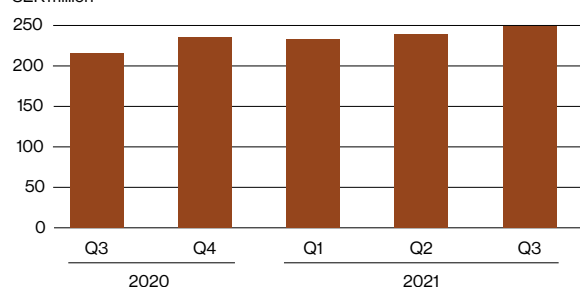
July – September 2021

compared with April – June 2021

- Operating profit amounted to SEK 144 million (103).
- The underlying operating profit, excluding the net result of financial transactions, was SEK 144 million (111).
- Net interest income amounted to SEK 249 million (239).
- Costs totalled SEK 106 million (129).
- Net credit losses impacted earnings by SEK 1 million (2).
- Loans to the public amounted to SEK 90.6 billion (88.6).
- Deposits from the public amounted to SEK 15.0 billion (14.9).

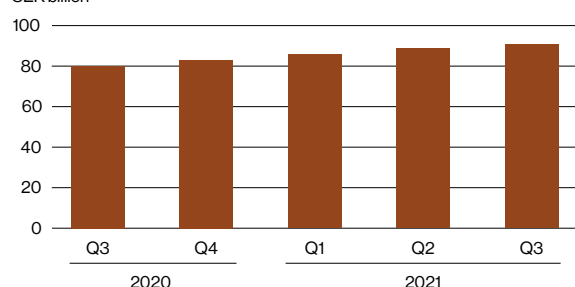
Net interest income

SEK million



Loans to the public

SEK billion



CEO's Statement

We continue to grow



Landshypotek continued to grow through the third quarter with more customers and an increased lending volume. We reached another milestone in the quarter with total lending of SEK 90 billion to farmers and foresters as well as mortgage customers. To date, we have had a very strong year, both in terms of earnings and in terms of growth with more customers and higher volumes.

What we are now noting in the quarter's results is the result of the long-term focus we have applied at the bank. We have systematically endeavoured to become more customer-centric and develop our services to meet more customers and different customer groups. While we will always be the best bank for agricultural entrepreneurs who wish to borrow against farms and forests, Landshypotek now also serves an increasing number of mortgage customers in larger cities as well as in smaller towns and the countryside. Moreover, people with a small farm or who live on their agricultural property without actively farming are now finding us. The digital portal now increasingly used by many customers is key to our development.

Compared with many other banks, we are a small, niche bank. But the results of our growth are significant. In 2017, Landshypotek had annual lending growth of barely SEK 2 billion. Now, just four years later, we are well on track to pass SEK 10 billion in growth in one year.

Interest in our products has been higher than expected and while we are gradually dimensioning our operations for greater capacity, the increased growth has entailed some capacity challenges. Many employees have worked very hard during the year to meet the increased customer flow. We have met the needs of the various customer groups through increased collaboration and flexibility at the bank. Systematic investments to meet increased customer interest and to dimension for growth will continue.

Volume growth improves preconditions for our earnings and net interest income rose slightly more than 13 percent year-on-year. During the quarter, we continued to keep costs under control and credit quality remains healthy.

The restrictions linked to Covid-19 have now been lifted by the Public Health Agency of Sweden and the government and business can once again finally be conducted through physical meetings. While the digital possibilities are great and we have learned a lot during this time, it remains very important for Landshypotek to meet physically to drive development together. This applies equally for Landshypotek as a workplace and for meetings with customers and other stakeholders in our bank.

Farmers have taken in this year's harvest, albeit with large regional differences. While hay harvests have been mostly good, the yields for cereal harvests were lower. Lower harvests can be partially offset by higher market prices. However, rising prices for input goods, including higher energy prices and freight costs, are a concern for farming and forestry. Regulatory frameworks are being prepared within the EU, particularly pertaining to forests. We have continued to engage with the media as well as with the banking forum. We will continue to constructively contribute facts and views on the implementation of the regulatory framework for those active in forestry and for the financial markets in general.

We can look back on a very strong quarter. At Landshypotek we work to create even more value for our customers and owners, that is farmers and foresters.

Per Lindblad
Chief Executive Officer

Events at Landshypotek Bank in the third quarter of 2021

Landshypotek is becoming increasingly popular

During the first three quarters, Landshypotek Bank's net lending was slightly more than SEK 7.6 billion. This is more than for all of 2020. The total lending volume passed SEK 90 billion in the quarter and loan customers now exceed 50,000. It is gratifying that it is so popular to become a Landshypotek customer, but the rapid growth, particularly in mortgages, also presents challenges. Many employees are making great efforts to meet the increased demand and customers in the best possible way. At the same time, new employees are being recruited.

Landshypotek holds farm talks

During the autumn, Landshypotek has invited in customers and other stakeholders for dialogues regarding business development for agricultural companies. At eight locations around the country, the bank and invited guests will share farming and forestry experiences and trend spotting as well as perspectives of the local market and development as an agricultural entrepreneur. CEO Per Lindblad will participate at all dialogues.

Sweden is reopening after relaxing restrictions and the bank's employees and elected representatives have already participated at several functions across the country to strengthen the farming and forestry network and to meet existing and potential customers.

Landshypotek recognises agricultural entrepreneurs

With the award "Agricultural Entrepreneur of the Year", Landshypotek wants to stimulate and showcase entrepreneurship in farming and forestry across the country. To date, award winners have been presented in the West, Skåne and in Gotland. Landshypotek is also a partner of *Årets bonde* (Eng: Farmer of the Year), the competition that aims to raise interest and demand for Swedish food production by showcasing the innovation, sustainability and quality of Swedish farming. The nominations have been released and prizes will be awarded in November.

Taxonomy being finalised

Landshypotek has long monitored and highlighted challenges with the Taxonomy – the new EU regulation for the sustainability classification of investments. Based on the proposal, which is now being finalised, Landshypotek is working with other banks and the forestry industry to develop a standard for how the taxonomy for forestry should be interpreted and used in practice.

Landshypotek's customers gain expanded access to legal advice

Since 2017, Landshypotek Bank and Lexly (formerly Avtal24) have had a partnership, whereby Landshypotek's customers are offered an online legal needs analysis free of charge and discounted prices for legal services. Through a new partnership between Lexly and Ludvig & Co, the offering of legal advice has been expanded to also encompass help with business and property law as well as generation shifts.

Landshypotek's harvest summary

The preconditions for farming differ across the country and from year to year. Landshypotek's regional harvest summary shows, inter alia, that weather conditions have differed greatly, even in restricted geographic areas, and differences in terms of outcomes have been greater than normal. Many of the bank's regional representatives noted that results were acceptable since lower cereal harvests are partially compensated by higher prices.

Substantial interest in the bank's development as a mortgage bank.

Landshypotek is establishing itself step by step as a mortgage challenger and has passed SEK 16 billion in lending. Competitive interest rates in combination with security, simplicity and transparency in pricing is appreciated by customers and increasingly noted in the media and at different functions.



Summary Landshypotek Bank

SEK million	Q3 2021	Q3 2020	Q2 2021	Jan-Sep 2021	Jan-Sep 2020	Full-year 2020
Net interest income	249	215	239	721	636	872
Operating profit	144	116	103	363	291	397
Profit after tax	114	88	81	284	219	303
Loans to the public	90,622	79,972	88,611	90,622	79,972	83,039
Change in loans to the public, %	2.3	2.3	3.3	9.1	4.7	8.7
Interest margin, LTM, %	1.12	1.08	1.11	1.12	1.08	1.11
Deposits from the public	15,023	14,591	14,899	15,023	14,591	14,672
Change in deposits from the public, %	0.8	-0.1	1.5	2.4	1.0	1.5
C/I ratio including financial transactions	0.42	0.49	0.55	0.50	0.55	0.55
C/I ratio excluding financial transactions	0.42	0.49	0.54	0.49	0.55	0.54
Credit loss level, % ¹⁾	0.01	-	0.01	-	-	-
Total capital ratio, %	17.3	20.8	17.5	17.3	20.8	20.5
Rating, long-term						
Standard & Poor's, Covered bonds	AAA	AAA	AAA	AAA	AAA	AAA
Standard & Poor's	A	A	A	A	A	A
Fitch	A	A	A	A	A	A
Average number of employees, LTM	220	202	213	220	202	204

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

Our operating environment

High demand for forest raw materials and Swedish-produced food means considerable optimism remains in farming and forestry. This engenders a positive future outlook and we continue to note increased investment and land acquisitions among our farming and forestry customers. Customers have also had a reasonably good harvest year, albeit with large differences depending on region and type of production. In financial markets, there are concerns about setbacks in the economic recovery. Customer and market interest rates remain at historic lows.

Developments in the financial markets

During the quarter, the economic recovery continued to be challenged by the spread of the Delta variant. Financial markets have noted concerns about rising inflation due to increasing energy prices and commodity shortages. Long-term interest rate levels have increased inflation fears and stock markets have been weaker on the back of the risk of setbacks to the economic recovery. To date, central banks have not been particularly concerned about inflation, seeing it as temporary and likely to fall back once the economy has fully recovered from the pandemic. The central banks' expansive monetary policies have positively influenced interest rates, which has led to lower funding costs for the bank and lower interest rates for our customers.

Forward-looking indicators, such as the Purchasing Managers Index (PMI) and investors' views as reflected in sentiment indicators, have declined in Europe and the US, but remain at relatively high levels and continue to indicate an economic recovery. The macro outlook for Sweden remains strong, with a stable labour market, a continued rising PMI and rising house prices.

The world

In August, 235,000 new jobs were created in the US – far below expectations and the worst figure for seven months. However, unemployment continues to decrease and is now 5.2 percent. The industrial sector PMI was unchanged in August compared with July. The service sector PMI fell to 60.7 in September from 61.1 in August. President Biden wants to continue economic stimuli and is endeavouring to get an infrastructure package passed.

The US central bank left the key interest rate unchanged during the quarter. While the expansionary monetary policy has remained in place, an approaching scale down of bond purchases has been indicated. At the same time, it warns of the near-term risk posed by the increased spread of the Delta variant. The central bank projects the labour market to recover and an improving economy. The rise in inflation is still seen as transitory.

In Europe, the PMI fell back during the quarter from 60.2 in July to 58.6 in September. The ZEW economic sentiment index, which measures economic expectations of German investors and analysts, declined more than expected in September. Among other issues, semiconductor shortages in the automotive industry and resource problems in the construction industry have affected future expectations. Unemployment in Europe fell to 7.5 percent in August.

The European Central Bank, the ECB, left interest rates unchanged in the quarter. The ECB has signalled a gradual scale-back of its bond purchases, but has provided no further clarity on what this entails. The ECB revised its growth outlook for 2021 slightly upward while keeping it unchanged for 2022 and 2023. The bank also reiterated the transitory nature of current inflation and that the medium-term outlook is more subdued.

Sweden

In Sweden, the National Institute of Economic Research's economic tendency indicator fell back slightly in September to 119.9 from 120.6 in August. The score continues to indicate much stronger economic conditions than the historical average. Retail sector indicators rose 4.9 points while the manufacturing sector declined 1.9 points. In August, housing prices climbed 1.6 percent and were up 13.3 percent on an annual basis. The industrial sector PMI fell to 64.6 in September from 60.1 in August. Despite the strong end to the third quarter, it was down 3.4 points compared with the second quarter. The downward trend suggests that industrial expansion has slowed in recent months, while the lack of choice and supply shortages have become an increasing challenge for industry.

In August, unemployment in Sweden was 8.5 percent. At present, the labour market is difficult to interpret due to the changed calculation method applied by Statistics Sweden, so no year-on-year comparison has been made. The number of people in employment corresponded to an employment rate of 68.2 percent.

The Riksbank, Sweden's central bank, left the repo rate unchanged during the quarter. As with the rest of the central banking world, the Riksbank continues to claim

that the rise in inflation is temporary. The Riksbank wants to see inflation projections well above target at the end of the projection period before it can consider signalling an impending rate hike. The Governor of the Riksbank does not believe inflation above the 2 percent target for some time to come is a major problem, given that inflation has averaged 1.5 percent over the past 20 years.

Statistics Sweden's financial market statistics for September show historically low interest rates and bank customers continue to note little difference between fixed and floating interest rates.

Market developments for farming and forestry

In the third quarter, many of Landshypotek's farming customers were literally able to reap the benefits of their efforts during the season. The coming season's autumn sowing and other planning has also been completed. While the situation differs across the country, a general sense of optimism prevails in the sector.

Smaller harvest with unusually large regional differences

The arable farming season and harvest conditions varied widely across the country. Abnormally large differences have been noted, as can be seen in the regional harvest summaries presented by Landshypotek in September. Jordbruksverket's (the Swedish Board of Agriculture) forecast estimates the total cereal harvest to be 5.4–5.5 million tonnes. This is down on last year's figure of just under 6.0 million tonnes, but up 2 percent on the average for the last five years. Large acreages of autumn wheat and other autumn-sown crops in 2020 mean that the harvest was still relatively good compared with previous years.

Cereal and oilseed prices followed a rising to stable trend during the quarter, reaching historically high levels. This was a departure from the normal seasonal pattern. This was due to adjustment of the global harvest during the summer with low closing stockpiles. Rising energy prices, the shortage of freight transportation and export restrictions in Russia also contributed to higher prices.

High raw material prices

Demand has risen for several input goods following the easing of pandemic restrictions. The previous lower production rate, together with logistical problems, led to lower availability of several input goods and rising prices during the quarter. In particular, prices have risen for energy, fertiliser and feed,

which has mainly affected animal production. Concurrently, settlement prices have remained relatively high compared with previous years.

Avian influenza impacted less than expected.

The situation following the previous avian influenza outbreak has been well managed. The affected operations have implemented the necessary measures. Previously, it was feared that the outbreak would also adversely affect production in non-outbreak operations. There were concerns that the supply of animals would shrink, but the industry was able to mitigate any such development by, inter alia, slightly extending the production rounds.

Persisting demand for Swedish produce

The continued healthy demand for Swedish agricultural products persists. A survey commissioned by Landshypotek Bank shows that 85 percent of consumers typically or always try to buy food produced in Sweden. They perceive the quality to be high and choose Swedish food to benefit Swedish agriculture, the region and local producers.

Economic slowdown for forestry

Forest owners remain strongly optimistic, which was confirmed by, inter alia, the Federation of Swedish Farmers' business index for the third quarter.

The forestry sector is characterised by strong global demand for sawn timber, which combined with supply-side constraints, has driven up prices. Thereafter, prices fell back globally to more normal levels. Pulp prices remained stable.

This year's season of spruce bark beetle swarming is over. As yet, no forecasts are available on the scope of damage compared with previous seasons. A late spring and more natural enemies may have helped reduce swarming, decrease the spread and lessen damage. Nevertheless, the summer was hot and dry in many areas, which favours the spruce bark beetle.

Farming optimism

By their nature, farming and forestry take a long-term perspective and managing annual variations is part and parcel of the business. Despite poorer than projected harvests and raised prices for several input goods, farming sentiment is positive. Interest in locally-produced food, the countryside, and forest-related products and services is rising. Moreover, low interest rates alleviate financial costs and increase willingness to invest. In parallel, the prices of assets are rising, which can be seen in the market for farm and forest properties.

Our financial performance

Landshypotek Bank posted continued strong growth in lending and strong earnings. Moreover, the bank reported a year-on-year increase in operating profit. During the year, net interest income improved SEK 85 million year-on-year and the bank's loans to the public increased SEK 2.0 billion over the quarter. Credit losses remained low.

The first nine months of 2021 compared with the first nine months of 2020

The bank's operating profit amounted to SEK 363 million (291). Excluding the net result of financial transactions, operating profit amounted to SEK 371 million (299). The change in earnings was mainly due to an improvement in net interest income, which was partly offset by slightly higher costs.

Net interest income

Net interest income amounted to SEK 721 million (636). Interest income totalled SEK 1,075 million (1,083), down as a result of lower interest rates. Interest expenses totalled SEK 354 million (447), 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 8 million (loss: 8), where the unrealised profit amounted to SEK 1 million (loss: 4) and the realised loss to SEK 9 million (loss: 4).

Other operating income

Other operating income was SEK 6 million (4).

Costs

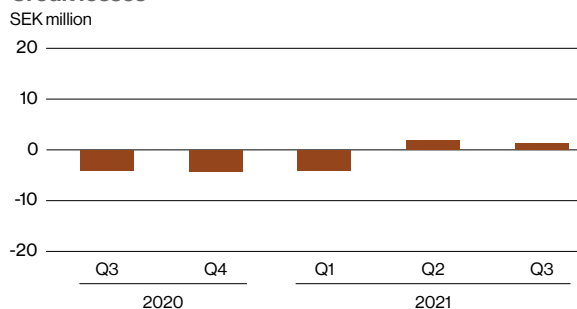
Costs amounted to SEK 357 million (350) and were in line with the budget for the period.

Credit losses and credit loss allowance

Net credit losses amounted to recoveries of SEK 1 million (recoveries: 8) with a consequent positive earnings impact, of which net credit losses for non-credit-impaired assets had an earnings impact of SEK 0 million and credit-impaired assets had a positive earnings impact of SEK 1 million that was attributable to recoveries of a few individual commitments.

Gross non-credit-impaired assets amounted to SEK 90,014 million and the credit loss allowance to SEK 18 million. Gross credit-impaired assets amounted to SEK 647 million and the credit loss allowance to SEK 21 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	Jan-Sep 2021	Jan-Sep 2020	Full-year 2020
Net interest income	721	636	872
Other operating income	-2	-3	-10
of which net result of financial transactions	-8	-8	-17
Costs	-357	-350	-478
C/I ratio including financial transactions	0.50	0.55	0.55
C/I ratio excluding financial transactions	0.49	0.55	0.54
Net recognised credit losses	1	8	13
Credit loss level, % ¹⁾	-	-	-
Operating profit	363	291	397
Operating profit excluding the net result of financial transactions	371	299	414

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

Balance Sheet

Assets, SEK million	30 Sep 2021
Eligible treasury bills	4,277
Loans to credit institutions	391
Loans to the public	90,622
Bonds and other interest-bearing securities	5,995
Derivatives	1,437
Tangible and intangible assets	128
Other assets	37
Total assets	102,888

Liabilities and equity, SEK million	30 Sep 2021
Liabilities to credit institutions	864
Deposits from the public	15,023
Debt securities issued, etc.	79,198
Derivatives	311
Subordinated liabilities	600
Other liabilities	335
Equity	6,557
Total liabilities and equity	102,888

Other comprehensive income

Other comprehensive income amounted to SEK 2 million (expense: 3). Financial assets at fair value had a negative effect of SEK 1 million (0) on other comprehensive income and cross-currency basis spreads in fair-value hedges had an impact of SEK 3 million (negative: 4) on other comprehensive income.

Assets

The largest asset item in the balance sheet is loans to the public, which amounted to SEK 90.6 billion (83.0 at 31 December 2020). The increase amounted to SEK 2.0 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 10.3 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 4.2 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

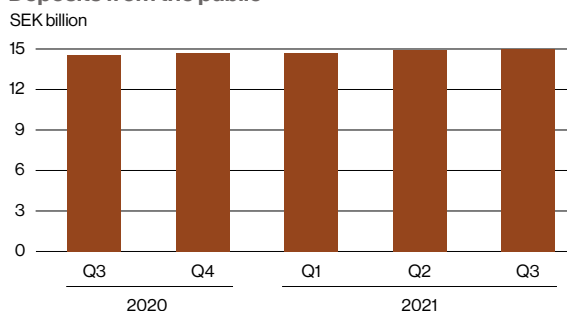
Landshypotek Bank actively raises funds via the capital markets, and as far as possible always strives to meet investors' wishes regarding tenors and interest-rate structures. Investor relations are of major importance as part of ensuring that investors' levels of awareness and interest are maintained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

During the quarter, covered bonds to a value of SEK 6.8 billion and senior bonds to a value of SEK 0.8 billion were issued. In parallel, covered bonds to a value of SEK 3.6 billion and senior bonds to a value of SEK 2.0 billion matured or were repurchased.

Deposits from the public

Deposits from the public totalled SEK 15.0 billion (14.7 at 31 December 2020).

Deposits from the public



Funding

SEK million	In issue 30 Sep 2021	Limit	In issue 31 Dec 2020
Swedish commercial paper	–	10,000	–
MTN programme	23,982	60,000 ¹⁾	34,220
EMTN programme	50,721	101,443 ²⁾	31,788
Registered covered bonds	2,941		3,213
Subordinated loans	1,300		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 16.6 percent (18.8 at 31 December 2020) and the CET1 capital ratio was 14.0 percent (15.2 at 31 December 2020). The internally assessed capital requirement for the consolidated situation was SEK 4.5 billion (4.1 at 31 December 2020), which should be compared with own funds of SEK 6.1 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.

Q3 2021 compared with Q2 2021

Operating profit amounted to SEK 144 million (103) for the quarter. The change in operating profit was driven by an improved net interest income and net result of financial transactions as well as by lower costs. Excluding the net result of financial transactions, operating profit for the quarter was SEK 144 million (111).

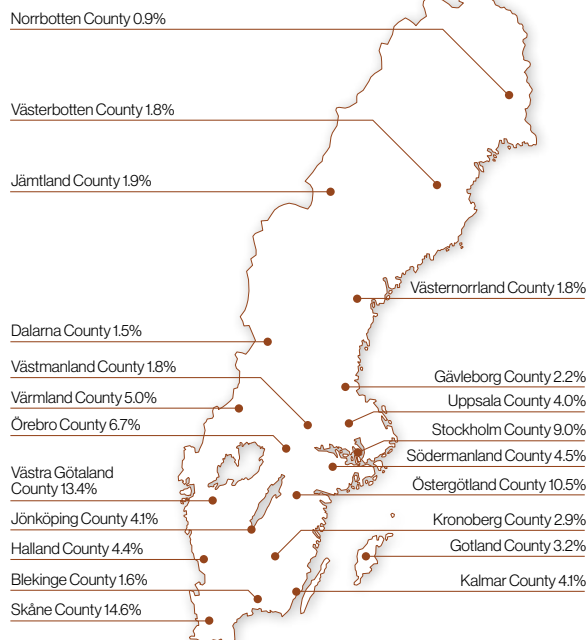
Impact of Covid-19

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 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 first half of 2021. 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, which has continued through 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

The financial markets have functioned well for most types of bond issues. Landshypotek Bank has issued covered bonds and senior 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 remained at 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, 29 October 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 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	Q3 2021	Q3 2020	Q2 2021	Jan-Sep 2021	Jan-Sep 2020	Full-year 2020
Interest income		363	361	357	1,075	1,083	1,443
of which interest income using the effective-interest method		363	361	357	1,075	1,083	1,443
of which other interest income		-	-	-	-	-	-
Interest expenses		-114	-146	-118	-354	-447	-571
of which fees for deposit insurance		-3	-4	-3	-10	-11	-14
of which fees for resolution fund		-9	-8	-9	-26	-24	-32
Net interest income	2	249	215	239	721	636	872
Net result of financial transactions		-1	0	-7	-8	-8	-17
Other operating income		3	2	3	6	4	8
Total operating income		251	217	234	719	633	862
General administrative expenses		-95	-94	-117	-321	-313	-428
Depreciation, amortisation and impairment of tangible and intangible assets		-12	-12	-12	-35	-37	-49
Other operating expenses		0	0	-1	-1	0	0
Total expenses before credit losses		-106	-106	-129	-357	-350	-478
Profit before credit losses		145	112	105	362	283	384
Net credit losses	3	-1	4	-2	1	8	13
Operating profit		144	116	103	363	291	397
Tax expense for the period		-30	-28	-23	-79	-71	-94
Net profit for the period		114	88	81	284	219	303

Statement of Comprehensive Income

SEK million	Q3 2021	Q3 2020	Q2 2021	Jan-Sep 2021	Jan-Sep 2020	Full-year 2020
Net profit for the period	114	88	81	284	219	303
Other comprehensive income						
Items to be reclassified to income statement						
Financial assets at FVTOCI	4	18	-4	-1	0	7
Cross-currency basis spreads in fair value hedges	5	-4	1	4	-5	-10
Income tax related to other comprehensive income	-2	-3	1	-1	1	1
Total items that will be reclassified	7	11	-3	2	-3	-3
Total other comprehensive income	7	11	-3	2	-3	-3
Comprehensive income for the period	121	99	78	287	216	300

Balance Sheet

SEK million	Note	30 Sep 2021	30 Jun 2021	31 Dec 2020	30 Sep 2020
Assets					
Cash and balances with central banks		–	–	17	28
Eligible treasury bills		4,277	4,283	3,805	3,877
Loans to credit institutions		391	385	483	486
Loans to the public	4	90,622	88,611	83,039	79,972
Value change of interest-hedged items in portfolio hedges		–	24	86	116
Bonds and other interest-bearing securities		5,995	5,966	5,877	6,195
Derivatives		1,437	1,457	1,731	1,998
Intangible assets		98	105	120	127
Tangible assets		30	34	44	48
Other assets		2	2	5	4
Prepaid expenses and accrued income		34	31	25	38
Total assets	5,6	102,888	100,899	95,233	92,889
Liabilities and equity					
Liabilities to credit institutions		864	1,111	5,842	6,355
Deposits from the public		15,023	14,899	14,672	14,591
Debt securities issued, etc.		79,198	77,268	66,551	63,784
Value change of interest-hedged items in portfolio hedges		7	–	–	–
Derivatives		311	264	293	325
Other liabilities		258	272	343	268
Tax liabilities		32	16	1	13
Accrued expenses and prepaid income		37	25	33	46
Provisions		1	1	1	2
Subordinated liabilities		600	600	1,203	1,203
Total liabilities		96,331	94,456	88,939	86,587
Total equity		6,557	6,444	6,294	6,303
Total liabilities and equity	5,6	102,888	100,899	95,233	92,889

Statement of cash flow

SEK million	Jan–Sep 2021	Jan–Sep 2020	Full-year 2020
Opening cash and cash equivalents	500	544	544
Cash flow from operating activities	515	-5	109
Cash flow from investment activities	–	–	–
Cash flow from financing activities	-623	-24	-152
Cash flow for the period	-109	-29	-43
Closing cash and cash equivalents	392	514	500

Statement of changes in equity

January – December 2020 SEK million	Share capital	Other contribut- ed 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 – September 2021 SEK million	Share capital	Other contribut- ed 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			-1	3		284	287
Total change before transactions with owners and holders of Tier 1 capital instruments	-	-	-1	3	-	284	287
Dividend on Tier 1 capital instruments						-23	-23
Closing balance	2,253	1,017	15	-31	700	2,603	6,557

Notes

Note 1 Risk and capital adequacy

The total capital ratio for the consolidated situation amounted to 16.6 percent (18.8 at 31 December 2020) and the CET1 capital ratio was 14.0 percent (15.2 at 31 December 2020). At Landshypotek Bank AB, the total capital ratio amounted to 17.3 percent (20.5 at 31 December 2020) and the CET1 capital ratio was 13.7 percent (14.9 at 31 December 2020).

Own funds for the consolidated situation decreased SEK 220 million to SEK 6,114 million during the year, primarily as a result of the bank replacing a dated subordinated loan with a lower amount. The minimum capital requirement increased SEK 248 million to SEK 2,944 million mainly as a result of increased lending.

In addition to the minimum capital requirement of 8.0 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 5.5 percent (5.9 at 31 December 2020).

The internally assessed capital requirement for the consolidated situation was SEK 4.5 billion (4.1 at 31 December 2020), which should be compared with own funds of SEK 6.1 billion (6.3 at 31 December 2020).

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

continued Note 1 EU CC1 – Composition of regulatory own funds

SEK million	Consolidated situation ¹⁾	
	30 Sep 2021	31 Dec 2020
Capital instruments and the related share premium accounts	1,777	1,833
of which: member contributions	1,777	1,833
of which: share capital	–	–
Retained earnings ²⁾	4,011	3,710
Accumulated other comprehensive income (and other reserves)	-34	-35
Independently reviewed interim profits net of any foreseeable charge or dividend	40	201
CET1 capital before regulatory adjustments	5,794	5,710
Additional value adjustments	-10	-10
Intangible assets (net of related tax liability) (negative amount)	-68	-58
Negative amounts resulting from the calculation of expected loss amounts	-578	-519
Other regulatory adjustments	–	–
Total regulatory adjustments to CET1 capital	-656	-587
CET1 capital	5,138	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	474	440
Additional Tier 1 (AT1) capital	474	440
Tier 1 capital (T1 = CET1 + AT1)	5,613	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	502	772
Tier 2 (T2) capital	502	772
Total capital (TC = T1 + T2)	6,114	6,335
Total risk-weighted exposure amount	36,799	33,701
CET1 capital ratio (%)	14.0	15.2
Tier 1 capital ratio (%)	15.3	16.5
Total capital (%)	16.6	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	8.6	10.5

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

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.

continued Note 1 Capital requirements

SEK million	Consolidated situation	
	30 Sep 2021	31 Dec 2020
Internally assessed capital requirement¹⁾		
Pillar I capital requirement	2,944	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	920	843
Percentage of total risk-weighted exposure amount	2.5	2.5
Total capital requirement	4,529	4,082
Percentage of total risk-weighted exposure amount	12.3	12.1
Own funds (Tier 1 capital + Tier 2 capital)		
	6,114	6,335
Percentage of total risk-weighted exposure amount	16.6	18.8
Capital requirement as assessed by Finansinspektionen²⁾		
Pillar I capital requirement	2,944	2,696
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	743	648
Percentage of total risk-weighted exposure amount	2.0	1.9
Combined buffer requirement	920	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 (incl. Pillar II guidance)	4,607	4,187
Percentage of total risk-weighted exposure amount	12.5	12.4
Own funds (Tier 1 capital + Tier 2 capital)		
	6,114	6,335
Percentage of total risk-weighted exposure amount	16.6	18.8
Leverage ratio requirement³⁾		
Leverage ratio requirement	3,064	–
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	306	–
Percentage of total exposure measure for the leverage ratio	0.3	–
Total capital requirement (incl. Pillar II guidance)	3,371	–
Percentage of total exposure measure for the leverage ratio	3.3	–
Tier 1 capital		
	5,613	–
Percentage of total exposure amount for the leverage ratio	5.5	–

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 2019) 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.

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

30 Sep 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	91,057	26,826	2,146	29%
Retail – real estate collateral	56,010	7,636	611	14%
Corporates	34,953	19,095	1,528	55%
Other non-credit-obligation assets	94	94	8	100%
Credit risk – Standardised approach	12,598	1,261	101	10%
Central governments or central banks	85	0	0	0%
Regional governments or local authorities	5,192	0	0	0%
Institutions	1,943	600	48	31%
Corporates	14	14	1	100%
Retail	37	25	2	69%
Secured by mortgage liens on immovable property	236	107	9	46%
Exposures in default	5	6	0	119%
Covered bonds	5,086	509	41	10%
Operational risk – Basic indicator approach		1,554	124	
Credit valuation adjustment risk – Standardised approach	1,547	792	63	51%
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		6,366	509	
Total	105,202	36,799	2,944	

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%
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-weighted 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.

continued Note 1 EU KM1 – Key metrics template

SEK million	Consolidated situation				
	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020
Available own funds (amount)					
CET1 capital	5,138	5,075	5,136	5,123	4,887
Tier 1 capital	5,613	5,539	5,588	5,563	5,330
Total capital	6,114	6,027	6,654	6,335	6,093
Risk-weighted exposure amount					
Total risk-weighted exposure amount	36,799	36,122	34,847	33,701	32,477
Capital ratios (as a percentage of REA)					
CET1 capital ratio (%)	14.0	14.1	14.7	15.2	15.0
Tier 1 capital ratio (%)	15.3	15.3	16.0	16.5	16.4
Total capital ratio (%)	16.6	16.7	19.1	18.8	18.8
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of REA)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.0	1.8	1.9	1.9	2.0
of which: to be made up of CET1 capital (percentage points)	1.1	1.0	1.0	1.1	1.3
of which: to be made up of Tier 1 capital (percentage points)	1.5	1.3	1.4	1.4	1.6
Total SREP own funds requirements (%)	10.0	9.8	9.9	9.9	10.0
Combined buffer and overall capital requirements (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Institution-specific countercyclical capital buffer (%)	–	–	–	–	–
Combined buffer requirement	2.5	2.5	2.5	2.5	2.5
Overall capital requirements (%)	12.5	12.3	12.4	12.4	12.5
CET1 available after meeting the total SREP own funds requirements (%)	6.6	6.9	8.6	8.9	8.8
Leverage ratio					
Total exposure measure	102,143	100,292	97,639	94,806	92,253
Leverage ratio, %	5.5	5.5	5.7	5.9	5.8
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	–	–			
of which: to be made up of CET1 capital (percentage points)	–	–			
Total SREP leverage ratio requirements (%)	3.0	3.0			
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	–	–			
Overall leverage ratio requirement (%)	3.0	3.0			
Liquidity coverage ratio					
Total high-quality liquid assets (HQLA) (weighted value – average)	9,382	9,156	9,248	7,684	7,506
Cash outflows – total weighted value	3,544	3,616	2,555	3,889	4,053
Cash inflows – total weighted value	429	530	480	532	528
Total net cash outflows (adjusted value)	3,115	3,086	2,075	3,357	3,525
Liquidity coverage ratio (%)	301.2	296.7	445.6	228.9	213.0
Net stable funding ratio					
Total available stable funding	93,856	87,042			
Total required stable funding	75,917	73,885			
Net stable funding ratio (%)	123.6	117.8			

Finansinspektionen's Pillar II capital requirements have been included in the above table even though the actual amounts have yet to be formally determined.

continued Note 1 EU CC1 – Composition of regulatory own funds

SEK million	Landshypotek Bank AB	
	30 Sep 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 ²⁾	3,335	3,056
Accumulated other comprehensive income (and other reserves)	-16	-18
Independently reviewed interim profits net of any foreseeable charge or dividend	142	303
CET1 capital before regulatory adjustments	5,715	5,594
Additional value adjustments	-10	-10
Intangible assets (net of related tax liability) (negative amount)	-68	-58
Negative amounts resulting from the calculation of expected loss amounts	-578	-519
Other regulatory adjustments	–	–
Total regulatory adjustments to CET1 capital	-656	-587
CET1 capital	5,059	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)	5,759	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)	6,359	6,907
Total risk-weighted exposure amount	36,800	33,703
CET1 capital ratio (%)	13.7	14.9
Tier 1 capital ratio (%)	15.6	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 (%) ³⁾	1.1	1.1
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	9.2	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.

continued Note 1 Capital requirements

SEK million	Landshypotek Bank AB	
	30 Sep 2021	31 Dec 2020
Internally assessed capital requirement¹⁾		
Pillar I capital requirement	2,944	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	920	843
Percentage of total risk-weighted exposure amount	2.5	2.5
Total capital requirement	4,529	4,082
Percentage of total risk-weighted exposure amount	12.3	12.1
Own funds (Tier 1 capital + Tier 2 capital)		
	6,359	6,907
Percentage of total risk-weighted exposure amount	17.3	20.5
Capital requirement as assessed by Finansinspektionen²⁾		
Pillar I capital requirement	2,944	2,696
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	743	648
Percentage of total risk-weighted exposure amount	2.0	1.9
Combined buffer requirement	920	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 (incl. Pillar II guidance)	4,607	4,187
Percentage of total risk-weighted exposure amount	12.5	12.4
Own funds (Tier 1 capital + Tier 2 capital)		
	6,359	6,907
Percentage of total risk-weighted exposure amount	17.3	20.5
Leverage ratio requirement³⁾		
Leverage ratio requirement	3,064	–
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	3,064	–
Percentage of total risk-weighted exposure amount	3.0	–
Tier 1 capital		
	5,759	–
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 requirements pursuant to the Capital Requirements Regulation (EU) No 575/2013 and Pillar II guidance according to Finansinspektionen's (SREP 2021 and 2019). The requirement was introduced in June 2021.

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.

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

30 Sep 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	91,058	26,827	2,146	29%
Retail – real estate collateral	56,010	7,636	611	14%
Corporates	34,953	19,095	1,528	55%
Other non-credit-obligation assets	96	96	8	100%
Credit risk – Standardised approach	12,592	1,260	101	10%
Central governments or central banks	85	0	0	0%
Regional governments or local authorities	5,192	0	0	0%
Institutions	1,938	599	48	31%
Corporates	14	14	1	100%
Retail	37	25	2	69%
Secured by mortgage liens on immovable property	236	107	9	46%
Exposures in default	5	6	0	119%
Covered bonds	5,086	509	41	10%
Operational risk – Basic indicator approach		1,554	124	
Credit valuation adjustment risk – Standardised approach	1,547	792	63	51%
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		6,366	509	
Total	105,198	36,800	2,944	

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%
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.

continued Note 1 EU KM1 – Key metrics template

SEK million	Landshypotek Bank AB				
	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020
Available own funds (amount)					
CET1 capital	5,059	5,010	5,010	5,007	4,866
Tier 1 capital	5,759	5,710	5,710	5,707	5,566
Total capital	6,359	6,310	7,510	6,907	6,766
Risk-weighted exposure amount					
Total risk-weighted exposure amount	36,800	36,123	34,849	33,703	32,481
Capital ratios (as a percentage of REA)					
CET1 capital ratio (%)	13.7	13.9	14.4	14.9	15.0
Tier 1 capital ratio (%)	15.6	15.8	16.4	16.9	17.1
Total capital ratio (%)	17.3	17.5	21.6	20.5	20.8
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of REA)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.0	1.8	1.9	1.9	2.0
of which: to be made up of CET1 capital (percentage points)	1.1	1.0	1.0	1.1	1.3
of which: to be made up of Tier 1 capital (percentage points)	1.5	1.3	1.4	1.4	1.6
Total SREP own funds requirements (%)	10.0	9.8	9.9	9.9	10.0
Combined buffer and overall capital requirements (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Institution-specific countercyclical capital buffer (%)	-	-	-	-	-
Combined buffer requirement	2.5	2.5	2.5	2.5	2.5
Overall capital requirements (%)	12.5	12.3	12.4	12.4	12.5
CET1 available after meeting the total SREP own funds requirements (%)	7.2	7.6	8.8	9.3	9.2
Leverage ratio					
Total exposure measure	102,139	100,285	97,636	94,803	92,251
Leverage ratio, %	5.6	5.7	5.8	6.0	6.0
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
Total SREP leverage ratio requirements (%)	3.0	3.0	-	-	-
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	-	-	-	-	-
Overall leverage ratio requirement (%)	3.0	3.0	-	-	-
Liquidity coverage ratio					
Total high-quality liquid assets (HQLA) (weighted value – average)	9,382	9,156	9,248	7,684	7,506
Cash outflows – total weighted value	3,544	3,616	2,555	3,889	4,053
Cash inflows – total weighted value	429	530	480	532	528
Total net cash outflows (adjusted value)	3,115	3,086	2,075	3,357	3,525
Liquidity coverage ratio (%)	301.2	296.7	445.6	228.9	213.0
Net stable funding ratio					
Total available stable funding	93,681	86,868	-	-	-
Total required stable funding	75,921	73,889	-	-	-
Net stable funding ratio (%)	123.4	117.6	-	-	-

Finansinspektionen's Pillar II capital requirements have been included in the above table even though the actual amounts have yet to be formally determined.

Note 2 Net interest income

SEK million	Q3 2021	Q3 2020	Q2 2021	Jan-Sep 2021	Jan-Sep 2020	Full-year 2020
Interest income						
Interest income on loans to credit institutions	–	–	–	–	–	–
Interest income on loans to the public	352	349	347	1,045	1,042	1,392
Interest income on interest-bearing securities	7	10	7	20	33	40
Other interest income	4	2	3	10	8	11
Total interest income	363	361	357	1,075	1,083	1,443
Interest expenses						
Interest expenses for liabilities to credit institutions	1	1	1	2	1	2
Interest expenses for deposits from the public	-25	-24	-24	-74	-72	-96
of which fees for deposit insurance	-3	-4	-3	-10	-11	-14
Interest expenses for interest-bearing securities	-106	-129	-104	-315	-421	-529
Interest expenses for subordinated liabilities	-1	-9	-6	-16	-26	-34
Interest expenses for derivative instruments	33	29	31	92	109	136
Other interest expenses	-15	-13	-15	-43	-38	-50
of which fees for resolution fund	-9	-8	-9	-26	-24	-32
Total interest expenses	-114	-146	-118	-354	-447	-571
Total net interest income	249	215	239	721	636	872

All interest income is attributable to the Swedish market

Note 3 Net credit losses

SEK million	Q3 2021	Q3 2020	Q2 2021	Jan-Sep 2021	Jan-Sep 2020	Full-year 2020
Change in credit loss allowance, Stage 1	0	0	1	1	0	0
Change in credit loss allowance, Stage 2	0	2	-3	-1	5	6
Net credit losses, non-credit-impaired lending	0	1	-2	0	4	6
Change in credit loss allowance, Stage 3	1	2	0	3	23	28
Write-off for the period for confirmed losses	-3	0	0	-3	-21	-24
Recoveries of previously confirmed losses	0	0	1	2	2	3
Net credit losses, credit-impaired lending	-1	3	0	1	4	7
Total net credit losses	-1	4	-2	1	8	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 39 million
Improved scenario	SEK 37 million
Deteriorated scenario	SEK 43 million

Note 4 Loans to the public

SEK million	30 Sep 2021	30 Jun 2021	31 Dec 2020	30 Sep 2020
Loan receivables, stage 1	83,279	81,005	75,101	71,860
Loan receivables, stage 2	6,735	7,010	7,395	7,502
Loan receivables, stage 3	646	635	583	657
Gross loan receivables	90,660	88,650	83,079	80,019
Less credit loss allowance	-38	-39	-40	-47
Net loan receivables	90,622	88,611	83,039	79,972
Disclosures on past due loan receivables, gross				
Loan receivables past due, 5–90 days	90	4	6	43
Loan receivables past due, more than 90 days	184	217	153	261
Total past due loan receivables, gross	273	220	159	304

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 – September 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	13,228	77	11	13,317
Decreases in loan receivables due to derecognition	-4,993	-670	-67	-5,731
Decrease in loan receivables due to confirmed losses	-	-	-4	-4
Migration between stages				
from 1 to 2	-1,065	1,065	-	-
from 1 to 3	-45	-	45	-
from 2 to 1	1,054	-1,054	-	-
from 2 to 3	-	-80	80	-
from 3 to 2	-	1	-1	-
from 3 to 1	0	-	0	-
Closing balance	83,279	6,735	647	90,660

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 – September 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	-1	0	-2	-2	0
Decreases due to derecognition	0	2	0	2	2	0
Decrease in allowance due to write-offs	-	-	3	3	3	-
Changes due to change in credit risk	1	-1	-2	-2	-2	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	-	0	0	0	0
from 2 to 1	0	2	-	2	2	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	-13	-21	-39	-38	-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	30 Sep 2021				31 Dec 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI								
Eligible treasury bills, etc.	4,277			4,277	3,805			3,805
Bonds and other interest-bearing securities	5,995			5,995	5,877			5,877
Derivatives identified as hedging instruments								
Interest-rate swaps		1,016		1,016		1,283		1,283
Cross-currency interest-rate swaps		421		421		447		447
Total assets measured at fair value	10,272	1,437	-	11,709	9,682	1,731	-	11,413
Derivatives identified as hedging instruments								
Interest-rate swaps		253		253		219		219
Cross-currency interest-rate swaps		58		58		74		74
Total liabilities measured at fair value	-	311	-	311	-	293	-	293

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	30 Sep 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	-	-	17	17
Eligible treasury bills	4,277	4,277	3,805	3,805
Loans to credit institutions	391	391	483	483
Loans to the public	90,622	92,246	83,039	84,786
Bonds and other interest-bearing securities	5,995	5,995	5,877	5,877
Derivatives	1,437	1,437	1,731	1,731
Total assets	102,723	104,346	94,952	96,700
Liabilities and provisions				
Liabilities to credit institutions	864	864	5,842	5,842
Deposits from the public	15,023	15,023	14,672	14,672
Debt securities issued, etc.	79,198	79,583	66,551	67,291
Derivatives	311	311	293	293
Subordinated liabilities	600	605	1,203	1,206
Other liabilities	209	209	256	256
Total liabilities	96,206	96,595	88,818	89,561

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, %	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.
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 after adjustment for Tier 1 capital debt.

SEK million	Q3 2021	Q3 2020	Q2 2021	Jan-Sep 2021	Jan-Sep 2020	Full-year 2020
Change in loans to the public	2,011	1,782	2,849	7,584	3,605	6,671
Opening balance, loans to the public	88,611	78,190	85,762	83,039	76,367	76,367
Change in loans to the public, %	2.3	2.3	3.3	9.1	4.7	8.7
Net interest income, accumulated LTM	956	838	922	956	838	872
Average loans to the public, LTM	85,667	77,361	83,023	85,667	77,361	78,776
Interest margin, LTM, %	1.12	1.08	1.11	1.12	1.08	1.11
Change in deposits from the public	124	-19	221	350	142	223
Opening balance deposits from the public	14,899	14,610	14,678	14,672	14,449	14,449
Change in deposits from the public, %	0.8	-0.1	1.5	2.4	1.0	1.5
Costs before credit losses	-106	-106	-129	-357	-350	-478
Total operating income	251	217	234	719	633	862
C/I ratio including financial transactions	0.42	0.49	0.55	0.50	0.55	0.55
Costs before credit losses	-106	-106	-129	-357	-350	-478
Total operating income excluding financial transactions	252	217	242	727	641	879
C/I ratio excluding financial transactions	0.42	0.49	0.54	0.49	0.55	0.54
Net credit losses calculated on a full-year basis	-5	16	-7	1	11	13
Average loans to the public, LTM	85,667	77,361	83,023	85,667	77,361	78,776
Credit loss level, %¹	0.01	-	0.01	-	-	-
Credit-impaired assets, gross	647	657	635	647	657	583
Less provisions made	-21	-29	-23	-21	-29	-24
Credit-impaired assets, net	625	628	613	625	628	559
Credit-impaired assets, net	625	628	613	625	628	559
Loans to the public	90,622	79,972	88,611	90,622	79,972	83,039
Net credit-impaired assets after allowances as a percentage of total loans outstanding, %	0.69	0.79	0.69	0.69	0.79	0.67
Tier 1 capital	5,759	5,566	5,710	5,759	5,566	5,707
Exposure measure	102,139	93,455	100,285	102,139	93,455	94,803
Leverage ratio, %	5.6	6.0	5.7	5.6	6.0	6.0
CET1 capital	5,059	4,866	5,010	5,059	4,866	5,007
Total risk-weighted exposure amount	36,800	32,481	36,123	36,800	32,481	33,703
CET1 capital ratio, %	13.7	15.0	13.9	13.7	15.0	14.9
Own funds	6,359	6,766	6,310	6,359	6,766	6,907
Total risk-weighted exposure amount	36,800	32,481	36,123	36,800	32,481	33,703
Total capital ratio, %	17.3	20.8	17.5	17.3	20.8	20.5
Profit after tax						303
Average LTM equity						5,535
Return on equity, %						5.5
Profit after tax						303
Number of shares, million						2
Earnings per share, SEK						134.5

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

Auditor's review report (unofficial translation)

Landshypotek Bank AB (publ) Corp. Reg. No.: 556500-2762

Introduction

We have reviewed the interim report of Landshypotek Bank AB (publ) as of 30 September 2021 and the nine-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 29 October 2021
Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant
Auditor-in-charge

Frida Main
Authorised Public Accountant

Reporting calendar 2021

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

Year-end report 2021:	4 February 2022
Annual Report 2021	23 March 2022
General Meeting	28 April 2022

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