



# Landshypotek Bank AB Interim report Q2 2021

January – June 2021

## Per Lindblad, CEO of Landshypotek Bank comments on the first six months of 2021:

Landshypotek is growing in terms of customers and volumes at an unprecedented pace. The operating profit of SEK 219 million for the first six months is very strong based on historic performance. We grew our lending by SEK 5.6 billion in the first six months of 2021. The conscious and gradual focus on more customer groups have boosted the bank's lending growth and improved earnings.

### January – June 2021

compared with January – June 2020

- Operating profit amounted to SEK 219 million (175).
- The underlying operating profit, excluding the net result of financial transactions, was SEK 227 million (183).
- Net interest income amounted to SEK 472 million (421).
- Costs totalled SEK 251 million (244).
- Net credit losses positively impacted earnings by SEK 2 million (positive: 4).
- Loans to the public amounted to SEK 88.6 billion (78.2).
- Deposits from the public amounted to SEK 14.9 billion (14.6).

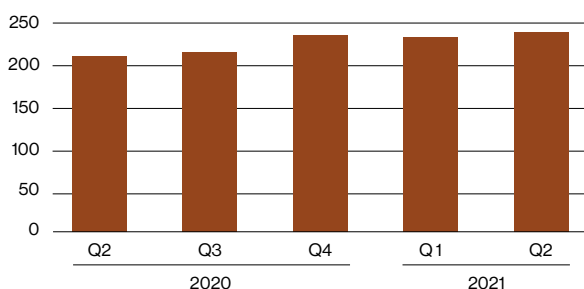
### April – June 2021

compared with January – March 2021

- Operating profit amounted to SEK 103 million (116).
- The underlying operating profit, excluding the net result of financial transactions, was SEK 111 million (116).
- Net interest income amounted to SEK 239 million (233).
- Costs totalled SEK 129 million (122).
- Net credit losses impacted earnings by SEK 2 million (positive: +4).
- Loans to the public amounted to SEK 88.6 billion (85.8).
- Deposits from the public amounted to SEK 14.9 billion (14.7).

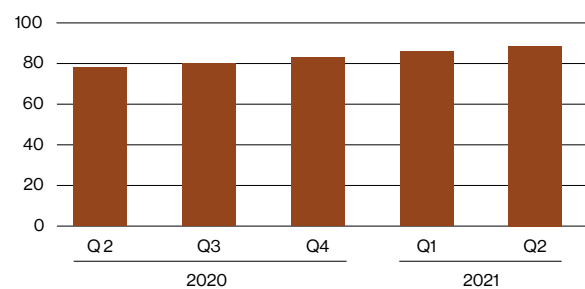
#### Net interest income

SEK million



#### Loans to the public

SEK billion



# Well on our way with historically strong growth



Landshypotek is growing in terms of customers and volumes at an unprecedented pace. The operating profit of SEK 219 million for the first six months is very strong based on historic performance. The earnings improvement stemmed from increased volumes and lower borrowing costs. And healthy growth continues in the form of first lien mortgage loans to farmers and foresters and homeowner mortgages. We grew our lending by SEK 5.6 billion in the first six months of 2021.

Over time, growth in combination with good earnings growth strengthens us as a sustainable bank. We strive to constantly evolve to contribute even greater customer value and benefit. We are also subject to the same frameworks and regulatory requirements as larger players. With the cost of running a bank constantly rising, we have therefore focused for some time on scalability and growth, with more customers forming the foundation for building a long-term secure and stable bank. In synergy with our customers and owners the bank makes a positive difference. For customers, we add value in the moment and in daily life, but we concurrently act long-term for the bank and customer relationship. We think in decades, not quarters.

We have changed our organisation to deliver more benefit where and when the customers need it. We have increased our marketing and market activities to ensure we are discovered by more people who benefit from us, we have strengthened digital channels and portals both for new and existing customers, and we have invested in the regulatory framework and IT structure to create a safer bank for customers. The positive trend we are now noting indicates that our focus on customer value and simple customer interactions is bearing fruit.

Our primary focus at Landshypotek is first lien mortgage loans to farming and forestry customers. We are the only bank that daily thinks about farming and forestry and we are a natural part of the farming and forestry industries. In the first half of the year, we grew lending to our farming and forestry customers with

SEK 1.9 billion. This represents a higher growth rate than in recent years and was in line with market growth.

There are many positives for farmers and foresters, with rising interest in locally produced food, the countryside, and forest-related products and services in society. Moreover, low interest rates lower financial costs and increase willingness to invest in agriculture. In parallel, the interest conditions, access to capital and demand are driving rising asset prices, which balance investment opportunities. Rising asset prices are also notable in the housing market as well as the market for farming and forestry properties.

We grew homeowner mortgages by SEK 3.7 billion in the first six months and surpassed SEK 15 billion in total lending volume. Accordingly, we disbursed twice the volume in the first six months as we did in the same period last year. Our long-term efforts to raise our market profile, and be increasingly noticed and seen, are starting to deliver results. We have strengthened our position through our partnerships with Avanza and Villaägarna, among others.

A substantial boost in lending also entails new challenges. Our activity levels have been very high, which creates challenges both for employees and in customer relations. We are therefore now also strengthening resources, our efficiency and our work processes. As a bank, one of our tasks is driving efficiency since it ultimately delivers increased customer benefit.

We are the small bank with a clear and transparent objective, the bank large enough to challenge the market while remaining safe and appealing for customers. Space for us in the market is increasing and we are going to fill that space.

Per Lindblad  
Chief Executive Officer

# Events at Landshypotek Bank in the second quarter of 2021

## Dividend of SEK 147 million in the autumn

In April, the Association Meeting adopted the Association Board's proposal, based on Landshypotek's results, to distribute a dividend for 2020 of SEK 147 million to members. This corresponds to 8 percent of member contributions for the cooperatively owned bank. The dividend will be distributed in October. "I am happy that we are able to continue providing a good return that can be used to develop and drive members' agricultural businesses across the country as well as investments in their own bank," says Per-Olof Hilmér, Chairman of Landshypotek Ekonomisk Förening.

## Record interest in Landshypotek's loans

Landshypotek is becoming increasingly popular. During the year, the bank's lending grew by SEK 5.6 billion. Increased marketing activity, communication and presence as the farmers and foresters' bank for farmers has promoted stronger growth in farming and forestry than seen in recent years. In parallel, interest in Landshypotek as a mortgage bank has been record high. The core encompasses a competitive offering as well as a transparency and simplicity that many find attractive. Good marketing and partnerships have enabled record numbers to find the bank. "This confirms that our concept of offering safe, transparent and competitive mortgages, with no need for negotiation or complex terms, works and is appreciated by customers. While the high demand for our mortgages is very gratifying, it also poses a challenge. Which is why we're making extra effort at all levels of our organisation to ensure that we deliver and act in accordance with our values and those of our customers," says Catharina Åbjörnsson Lindgren, Head of Operations at Landshypotek Bank, in a May press release.

## Application for methodology change in IRB approach

Following regulatory changes pertaining to banks' IRB approaches for calculating capital requirements, the authorities have required banks to make adjustments. During the quarter, Landshypotek submitted an application for a change in methodology under the IRB permit to Sweden's financial supervisory authority (Finansinspektionen). In recent years, Landshypotek has continued its risk management development and therefore welcomes the fact that the bank's application and future capital requirements will be based on current default rates rather than historic data. According to the regulations, the new rules for IRB permits apply from 1 January 2022.

## Initiative to promote sound and safe mortgage mediation

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

## The green voice

In this spring's "Lantbrukspanel," some 100 large professional farmers gave their views on the use of digital technology in their businesses. As with society in general, digital development is making rapid inroads in farming and forestry. This also entails issues with both power outages or faulty network connections.

This year, Landshypotek's thesis scholarship was awarded to SLU Ultuna's Lee Treble-Read and Lena Wilhelmsson for their bachelor thesis "Lantbrukare som entreprenör" (Eng: Farmers as entrepreneurs). Landshypotek's jury noted: "The study clearly showcased the complex nature of farming and that being a farmer entails so much more than being a producer – farmers are problem solvers, fixers and can take quick positions and make decisions. The paper also reflects that complexity is a key driving force for being a farmer and entrepreneur."

The taxonomy that continues to be discussed in the EU entails major challenges for Sweden's farming and forestry as well as opportunities for Sweden's forests to be included in investments for the future. For a long time, Landshypotek has showcased the challenges and continued that communication during the quarter. Sweden's government and most politicians in the Riksdag are now increasingly pointing to the difficulties with introducing the taxonomy.





## Summary Landshypotek Bank

SEK million	Q2 2021	Q2 2020	Q1 2021	Jan–Jun 2021	Jan–Jun 2020	Full-year 2020
Net interest income	239	210	233	472	421	872
Operating profit	103	76	116	219	175	397
Profit after tax	81	56	90	171	132	303
Loans to the public	88,611	78,190	85,762	88,611	78,190	83,039
Change in loans to the public, %	3.3	1.4	3.3	6.7	2.4	8.7
Interest margin, LTM, %	1.11	1.09	1.11	1.11	1.09	1.11
Deposits from the public	14,899	14,610	14,678	14,899	14,610	14,672
Change in deposits from the public, %	1.5	3.2	0.0	1.5	1.1	1.5
C/I ratio including financial transactions	0.55	0.63	0.52	0.54	0.59	0.55
C/I ratio excluding financial transactions	0.54	0.59	0.52	0.53	0.58	0.54
Credit loss level, % <sup>1)</sup>	0.01	–	–	–	–	–
Total capital ratio, %	17.5	21.0	21.6	17.5	21.0	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	213	200	209	213	200	204

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

# Our operating environment

The world is reopening and positive outlooks and high willingness to invest prevails in farming and forestry. Public interest is substantial. At the same time, political uncertainty continues to dominate the lives of farmers. The EU taxonomy and agricultural reform now reflect the challenge facing politicians in shaping a shared vision and direction for farming and forestry policy. Despite farming's challenges in terms of future regulations and agricultural subsidies, there is strong willingness to invest and confidence in the future.

## Developments in the financial markets

### The world reopens and economies follow

During the quarter, Covid-19 vaccinations continued at a high pace around the world. New mutations mean contagion remains problematic. Furthermore, a tug-of-war has played out in the financial markets between reopening optimism and inflation fears. In the US, President Biden is trying to introduce a further stimulus package, this time targeting infrastructure. After remaining stable while awaiting new signals from central banks regarding less expansive monetary policies, interest rates have declined slightly during the quarter. Increasingly, markets are becoming concerned about higher inflation following on from rising commodity prices, but to date, central bankers are satisfied with the situation and are even welcoming higher inflation.

Forward-looking indicators, such as the Purchasing Managers Index (PMI) and sentiment indicators, have remained at high levels and continue to indicate a recovery. The macro outlook for Sweden remains strong, with a stable labour market, a rising PMI, which has reached record levels, and rising house prices. Liquidity support measures by central banks have kept interbank rates low.

### Relatively stable in the US

Lower rates of infection together with a large proportion of the population fully vaccinated against Covid-19 gave a major boost to the US labour market in May. Even though over half a million new jobs were created, more than double the number in April, this was below analysts' expectations. Compared with April, the PMIs for the US industrial and service sectors rose marginally in May, which signals stable levels and an ongoing recovery. The June meeting of the US central bank, the Federal Reserve, presented a brighter picture of the US economy.

### Also in Europe

During the quarter, the PMI for the manufacturing sector in Europe remained unchanged, whereas the PMI rose

to 55.1 from 50.5 for the service sector. Private sector growth in the euro area increased significantly in May when the pandemic restrictions were relaxed.

The European Central Bank, the ECB, left interest rates unchanged in the quarter. The ECB signalled that it had no plans to scale back its bond purchases. The medium-term inflation outlook remains weak, despite a slightly brighter growth outlook, and the ECB has left the door open for further easing. The ECB's President made clear that bond purchases will continue at the current pace until at least September, as well as the importance of not tightening financial conditions.

### Record strong Swedish economy

In Sweden, the National Institute of Economic Research's economic tendency survey continued to post new records. The economic tendency indicator rose to 119.3 in May, the highest level ever measured. The economy was very strong across all sectors except for the construction and services sectors, where it was "only" strong.

Households outlook is clearly rising, from 103.6 in April to 112.3 in May. Rising housing prices in the spring featured in the media – up 1.5 percent in May and 17.9 percent on an annualised basis. Conversely, the industrial sector PMI fell from 69.0 in April to 66.4 in May. Despite the downturn, this indicates resilience of the strong industrial economy even if increased shortages in offerings could pose a greater challenge moving forward. The PMI for the services sector increased from 66.6 in April to 71.7 in May, which was the highest level in the index's 15-year history.

The Riksbank, Sweden's central bank, left the repo rate unchanged during the quarter. The recovery in the Swedish economy is assessed as being on track, cost pressures are rising relatively slowly and it will take time before inflation nears the 2 percent target on a more permanent basis. The Executive Board considers it necessary with a continued expansionary monetary policy in the coming years to support the economy and to align inflation closer to the target on a more permanent basis.

## Market developments for farming and forestry

The second quarter for Swedish farmers and forest owners was largely optimistic. A tailwind has been provided by trends, weather and environmental factors, although poultry operations have faced challenges and political discussions are raising questions within the industry.

### Positive economy for Sweden's forest owners

During the quarter, finances for Sweden's forest owners strengthened. Moreover, forest owners expect conditions to improve in the coming months. A survey by the Federation of Swedish Farmers found that optimism has increased for the third consecutive quarter, mainly following a positive price trend for pulp wood and timber, and to historically high levels for timber. The forest industry posted a strong performance with healthy demand, restricted supply and rising prices, primarily for timber. Pulp wood noted a weak uptick following an extended period with declining prices. There is considerable domestic demand, as well as in the export market. The National Institute of Economic Research's barometers for the timber and pulp industries noted much stronger values than normal.

Early projections for this year's bark beetle infestations indicate damage could be slightly lower than in 2020. The underlying reasons include a cold spring and a natural decrease in bark beetle populations and infestations due to greater precipitation over the past year.

### Favourable season for arable farming

Cereal and oilseed prices have been relatively high but experienced volatility during the quarter. The underlying assessment is that outgoing stocks of cereals and oilseeds are relatively low compared with previous years. Together with logistical disruptions, this should result in favourable prices.

In Sweden generally, this year's harvest is expected to be relatively good. The favourable status of record high autumn sown areas bodes well. However, cold and abundant rainfall during the spring in parts of southern Sweden led to late and troublesome spring sowing, with poorer yields in many areas.

### Increased market shares for livestock products

Livestock product prices posted positive trends with increasing demand. Exports from the EU have improved, boosting the positive price trend. The milk settlement price increased during the quarter in Sweden. Settlement prices for pigmeat and beef, where Sweden has the highest level in the EU, were stable at high levels.

Swedish livestock products continued to capture market shares in the domestic market. The changed consumption patterns brought about by the pandemic have reinforced this trend. Our survey of what households did more of at home during the pandemic showed that a large proportion respondents cooked and baked more. Moreover, consumers purchased a greater proportion of food in stores where they increasingly took active decisions to buy more Swedish produce than previously.

### Continued challenges for poultry operations

Avian flu has posed challenges to poultry operations. Outbreaks declined in conjunction with the arrival of warm weather and no new cases have been detected since April. However, previous outbreaks have resulted in a shortage of birds and many companies have had difficulty in planning production, but given the short production cycles, capacity is expected to return to normal within a couple of months. Overall, affected producers seem to have coped well by using their know-how and good insurance cover.

### Political discussions and decisions

There is strong political interest in the industries encompassing several areas, such as entrepreneurship, employment, sustainability and food security. Numerous policy discussions have raised questions during the quarter. These include forestry policy and ownership rights.

The European Commission's final proposal for the taxonomy for sustainable investments arrived during the quarter. The parts relating to forestry have been criticised by Landshypotek, including in a number of op-ed pieces. The bank assessment is that the proposal is negative for customers, the Swedish forest industry and the climate. The benefits contributed by Swedish forestry are not fully leveraged.

Decisions have also been made on the EU's future agricultural policy. The process with national application, which will apply from January 2023, can now begin.

### Positive sentiment in an industry that acts for the long term

Landshypotek has noted a base increased optimism and willingness to invest in farming and forestry. Long-term, sustainable production requires investment. Land prices are rising sharply across much of the country and high access to capital in combination with low interest rates concurrently creates scope for acquisitions.

# Our financial performance

Landshypotek Bank posted continued strong growth in lending as well as satisfactory earnings. Moreover, the bank reported a year-on-year increase in operating profit. During the quarter, net interest income improved SEK 29 million year-on-year and the bank's loans to the public increased SEK 2.8 billion over the quarter. Credit losses remained low.

## H1 2021 compared with H1 2020

The bank's operating profit amounted to SEK 219 million (175). Excluding the net result of financial transactions, operating profit amounted to SEK 227 million (183). The change in earnings was mainly due to an improvement in net interest income, which was partly offset by higher costs.

### Net interest income

Net interest income amounted to SEK 472 million (421). Interest income totalled SEK 712 million (722), down as a result of lower interest rates. Interest expenses totalled SEK 240 million (301), 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 7 million (loss: 8), where the unrealised loss amounted to SEK 1 million (loss: 7) and the realised loss to SEK 6 million (loss: 1).

### Other operating income

Other operating income was SEK 4 million (3).

### Costs

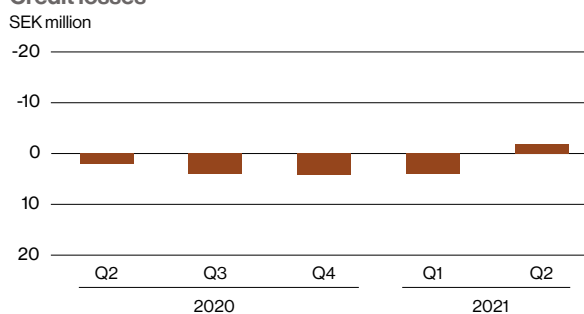
Costs amounted to SEK 251 million (244) and were in line with the budget for the period.

## Credit losses and credit loss allowance

Net credit losses amounted to recoveries of SEK 2 million (recoveries: 4) 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 2 million that was attributable to recoveries of a few individual commitments.

Gross non-credit-impaired assets amounted to SEK 88,015 million and the credit loss allowance to SEK 18 million. Gross credit-impaired assets amounted to SEK 635 million and the credit loss allowance to SEK 23 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–Jun 2021	Jan–Jun 2020	Full-year 2020
Net interest income	472	421	872
Other operating income	-4	-6	-10
of which net result of financial transactions	-7	-8	-17
Costs	-251	-244	-478
C/I ratio including financial transactions	0.54	0.59	0.55
C/I ratio excluding financial transactions	0.53	0.58	0.54
Net recognised credit losses	2	4	13
Credit loss level, % <sup>1)</sup>	–	–	–
Operating profit	219	175	397
Operating profit excluding the net result of financial transactions	227	183	414

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



## Balance Sheet

Assets, SEK million	30 Jun 2021
Eligible treasury bills	4,283
Loans to credit institutions	385
Loans to the public	88,611
Bonds and other interest-bearing securities	5,966
Derivatives	1,457
Tangible and intangible assets	140
Other assets	58
<b>Total assets</b>	<b>100,899</b>

Liabilities and equity, SEK million	30 Jun 2021
Liabilities to credit institutions	1,111
Deposits from the public	14,899
Debt securities issued, etc.	77,268
Derivatives	264
Subordinated liabilities	600
Other liabilities	313
Equity	6,444
<b>Total liabilities and equity</b>	<b>100,899</b>

### Other comprehensive income

Other comprehensive income amounted to an expense of SEK 5 million (expense: 15). Financial assets at fair value had a negative effect of SEK 4 million (negative: 14) on other comprehensive income and cross-currency basis spreads in fair-value hedges had a negative impact of SEK 1 million (negative: 1) on other comprehensive income.

### Assets

The largest asset item in the balance sheet is loans to the public, which amounted to SEK 88.6 billion (83.0 at 31 December 2020). The increase amounted to SEK 2.8 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 10.2 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 1.4 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

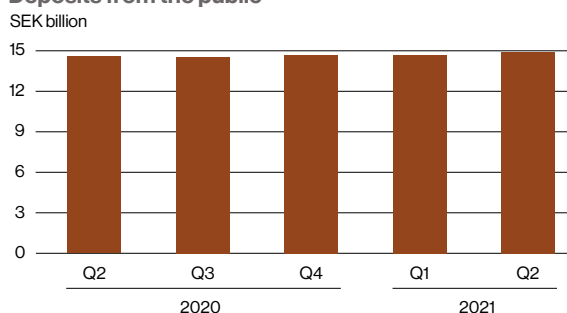
Landshypotek Bank actively raises funds via the capital markets, and as far as possible always strives to meet investors' wishes regarding tenors and interest-rate structures. Investor relations are of major importance as part of ensuring that investors' levels of awareness and interest are maintained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

During the quarter, covered bonds to a value of SEK 12.9 billion and senior bonds to a value of SEK 0.3 billion were issued. In parallel, covered bonds to a value of SEK 4.9 billion, senior bonds to a value of SEK 0.7 billion and subordinated liabilities to a value of SEK 1.2 billion matured or were repurchased.

### Deposits from the public

Deposits from the public totalled SEK 14.9 billion (14.7 at 31 December 2020).

### Deposits from the public



## Funding

SEK million	In issue 30 Jun 2021	Limit	In issue 31 Dec 2020
Swedish commercial paper	–	10,000	–
MTN programme	32,118	60,000 <sup>1)</sup>	34,220
EMTN programme	44,113	101,335 <sup>2)</sup>	31,788
Registered covered bonds	3,244		3,213
Subordinated loans	1,300		1,900

<sup>1)</sup> No longer an active program for issuing new transactions.

<sup>2)</sup> EUR 10,000 million.





## Capital and capital adequacy

The total capital ratio for the consolidated situation amounted to 16.7 percent (18.8 at 31 December 2020) and the CET1 capital ratio was 14.1 percent (15.2 at 31 December 2020). The internally assessed capital requirement for the consolidated situation was SEK 4.8 billion (4.1 at 31 December 2020). The capital requirement should be compared with own funds of SEK 6.0 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.

## Q2 2021 compared with Q1 2021

Operating profit amounted to SEK 103 million (116) for the quarter. The change in operating profit was driven by an improved net result of financial transactions and higher costs. Excluding the net result of financial transactions, operating profit for the quarter was SEK 111 million (116).

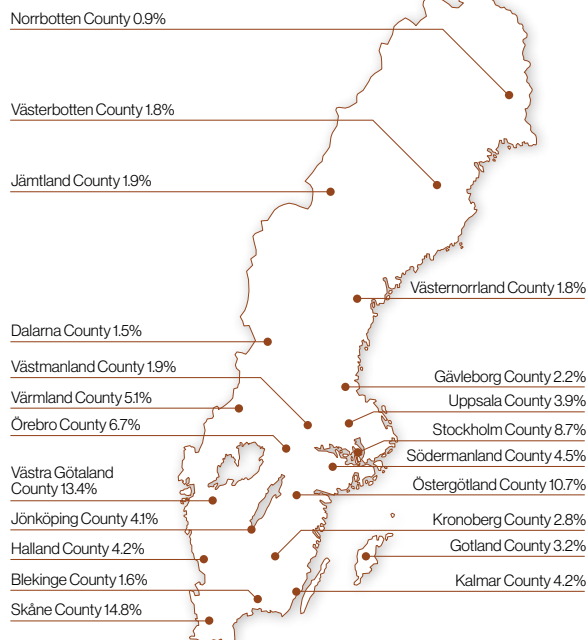
## Impact of Covid-19

### 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 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 continued throughout the first half of 2021. 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

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, 21 July 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/](http://www.landshypotek.se/en/about-landshypotek/investor-relations/)).

# Income Statement

SEK million	Note	Q2 2021	Q2 2020	Q1 2021	Jan–Jun 2021	Jan–Jun 2020	Full-year 2020
Interest income		357	362	355	712	722	1,443
of which interest income using the effective-interest method		357	362	355	712	722	1,443
of which other interest income		–	–	–	–	–	–
Interest expenses		-118	-152	-122	-240	-301	-571
of which fees for deposit insurance		-3	-4	-3	-7	-7	-14
of which fees for resolution fund		-9	-8	-8	-17	-16	-32
<b>Net interest income</b>	2	<b>239</b>	<b>210</b>	<b>233</b>	<b>472</b>	<b>421</b>	<b>872</b>
Net result of financial transactions		-7	-14	0	-7	-8	-17
Other operating income		3	2	1	4	3	8
<b>Total operating income</b>		<b>234</b>	<b>198</b>	<b>234</b>	<b>468</b>	<b>415</b>	<b>862</b>
General administrative expenses		-117	-112	-110	-227	-219	-428
Depreciation, amortisation and impairment of tangible and intangible assets		-12	-12	-12	-24	-25	-49
Other operating expenses		-1	0	0	-1	0	0
<b>Total expenses before credit losses</b>		<b>-129</b>	<b>-124</b>	<b>-122</b>	<b>-251</b>	<b>-244</b>	<b>-478</b>
<b>Profit before credit losses</b>		<b>105</b>	<b>74</b>	<b>112</b>	<b>217</b>	<b>171</b>	<b>384</b>
Net credit losses	3	-2	2	4	2	4	13
<b>Operating profit</b>		<b>103</b>	<b>76</b>	<b>116</b>	<b>219</b>	<b>175</b>	<b>397</b>
Tax expense for the period		-23	-20	-26	-48	-43	-94
<b>Net profit for the period</b>		<b>81</b>	<b>56</b>	<b>90</b>	<b>171</b>	<b>132</b>	<b>303</b>

# Statement of Comprehensive Income

SEK million	Q2 2021	Q2 2020	Q1 2021	Jan–Jun 2021	Jan–Jun 2020	Full-year 2020
<b>Net profit for the period</b>	<b>81</b>	<b>56</b>	<b>90</b>	<b>171</b>	<b>132</b>	<b>303</b>
<b>Other comprehensive income</b>						
<b>Items to be reclassified to income statement</b>						
Financial assets at FVTOCI	-4	8	-1	-5	-18	7
Cross-currency basis spreads in fair value hedges	1	-5	-2	-2	-1	-10
Income tax related to other comprehensive income	1	-1	1	1	4	1
<b>Total items that will be reclassified</b>	<b>-3</b>	<b>3</b>	<b>-2</b>	<b>-5</b>	<b>-15</b>	<b>-3</b>
<b>Total other comprehensive income</b>	<b>-3</b>	<b>3</b>	<b>-2</b>	<b>-5</b>	<b>-15</b>	<b>-3</b>
<b>Comprehensive income for the period</b>	<b>78</b>	<b>59</b>	<b>88</b>	<b>166</b>	<b>117</b>	<b>300</b>

# Balance Sheet

SEK million	Note	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020
<b>Assets</b>					
Cash and balances with central banks		0	1	17	81
Eligible treasury bills		4,283	4,071	3,805	3,872
Loans to credit institutions		385	430	483	468
Loans to the public	4	88,611	85,762	83,039	78,190
Value change of interest-hedged items in portfolio hedges		24	45	86	108
Bonds and other interest-bearing securities		5,966	5,977	5,877	6,409
Derivatives		1,457	1,592	1,731	2,008
Intangible assets		105	112	120	134
Tangible assets		34	39	44	52
Other assets		2	6	5	2
Current tax assets		-	-	-	2
Prepaid expenses and accrued income		31	35	25	42
<b>Total assets</b>	5, 6	<b>100,899</b>	<b>98,070</b>	<b>95,233</b>	<b>91,368</b>
<b>Liabilities and equity</b>					
Liabilities to credit institutions		1,111	4,856	5,842	5,542
Deposits from the public		14,899	14,678	14,672	14,610
Debt securities issued, etc.		77,268	69,680	66,551	63,177
Derivatives		264	255	293	331
Other liabilities		272	366	343	248
Tax liabilities		16	10	1	-
Accrued expenses and prepaid income		25	46	33	43
Provisions		1	1	1	2
Subordinated liabilities		600	1,803	1,203	1,203
<b>Total liabilities</b>		<b>94,456</b>	<b>91,696</b>	<b>88,939</b>	<b>85,156</b>
<b>Total equity</b>		<b>6,444</b>	<b>6,374</b>	<b>6,294</b>	<b>6,211</b>
<b>Total liabilities and equity</b>	5, 6	<b>100,899</b>	<b>98,070</b>	<b>95,233</b>	<b>91,368</b>

# Statement of cash flow

SEK million	Jan-Jun 2021	Jan-Jun 2020	Full-year 2020
<b>Opening cash and cash equivalents</b>	<b>500</b>	<b>544</b>	<b>544</b>
Cash flow from operating activities	500	22	109
Cash flow from investment activities	-	-	-
Cash flow from financing activities	-615	-16	-152
<b>Cash flow for the period</b>	<b>-115</b>	<b>5</b>	<b>-43</b>
<b>Closing cash and cash equivalents</b>	<b>385</b>	<b>549</b>	<b>500</b>



# 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
<b>Opening balance</b>	2,253	1,017	10	-26	700	2,157	6,111
Comprehensive income for the period			6	-8		303	300
<b>Total change before transactions with owners and holders of Tier 1 capital instruments</b>	-	-	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
<b>Closing balance</b>	2,253	1,017	16	-34	700	2,342	6,294

January – June 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
<b>Opening balance</b>	2,253	1,017	16	-34	700	2,342	6,294
Comprehensive income for the period			-4	-1		171	166
<b>Total change before transactions with owners and holders of Tier 1 capital instruments</b>	-	-	-4	-1	-	171	166
Dividend on Tier 1 capital instruments						-15	-15
<b>Closing balance</b>	2,253	1,017	12	-35	700	2,497	6,444

# Notes

## Not 1 Risk and capital adequacy

The total capital ratio for the consolidated situation was 16.7 percent compared with 18.8 percent at 31 December 2020 and the CET1 capital ratio was 14.1 percent (15.2 at 31 December 2020). At Landshypotek Bank AB, the total capital ratio amounted to 17.5 percent (20.5 at 31 December 2020) and the CET1 capital ratio was 13.9 percent (14.9 at 31 December 2020). Own funds for the consolidated situation decreased SEK 308 million to SEK 6,027 million during the first six months, primarily as a result of the bank replacing a dated subordinated loan with a lower amount, the repayment of member contributions and higher IRB deductions as a result of increased lending. The minimum capital requirement increased SEK 194 million to SEK 2,890 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 4.8 billion (4.1 at 31 December 2020) and should be compared with own funds of SEK 6.0 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 has yet to determine the Pillar 2 guidance requirement for Landshypotek, it 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 percent risk-weighted exposure amount as of 31 December 2020. 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 <sup>1)</sup>	
	30 Jun 2021	31 Dec 2020
<b>CET1 capital: Instruments and reserves</b>		
Member contributions	1,774	1,833
Share capital	–	–
Other contributed equity	1,798	1,798
Tier 1 capital instruments	700	700
Reserves	-23	-18
Actuarial changes	-17	-17
Retained earnings	2,221	1,913
Net profit for the year <sup>2)</sup>	167	323
<b>Equity in the balance sheet</b>	<b>6,618</b>	<b>6,532</b>
Deductions related to the consolidated situation and other foreseeable costs <sup>3)</sup>	-194	-122
Deductions for Tier 1 capital instruments classified as equity	-700	-700
<b>CET1 capital before regulatory adjustments</b>	<b>5,724</b>	<b>5,710</b>
<b>CET1 capital: regulatory adjustments</b>		
Further value adjustments	-10	-10
Intangible assets	-65	-58
Deferred tax assets that rely on future profitability	0	–
IRB deductions <sup>4)</sup>	-574	-519
<b>Total regulatory adjustments to CET1 capital</b>	<b>-649</b>	<b>-587</b>
<b>CET1 capital</b>	<b>5,075</b>	<b>5,123</b>
<b>Additional Tier 1 capital: instruments</b>		
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	464	440
<b>Tier 1 capital (CET1 capital + Tier 1 capital)</b>	<b>5,539</b>	<b>5,563</b>
<b>Tier 2 capital: instruments and provisions</b>		
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	488	772
<b>Tier 2 capital before regulatory adjustments</b>	<b>488</b>	<b>772</b>
<b>Tier 2 capital</b>	<b>488</b>	<b>772</b>
<b>Own funds (Tier 1 capital + Tier 2 capital)</b>	<b>6,027</b>	<b>6,335</b>
<b>Total risk-weighted exposure amount</b>	<b>36,122</b>	<b>33,701</b>
<b>Capital ratios and buffers</b>		
<b>Own funds requirement</b>	<b>2,890</b>	<b>2,696</b>
CET1 capital ratio (%)	14.1	15.2
Tier 1 capital ratio (%)	15.3	16.5
Total capital ratio (%)	16.7	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 (%) <sup>5)</sup>	8.7	10.5

<sup>1)</sup> The consolidated situation encompasses Landshypotek Ekonomisk Förening and the Landshypotek Bank AB Group.

<sup>2)</sup> 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.

<sup>3)</sup> 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.

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

<sup>5)</sup> 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	
	30 Jun 2021	31 Dec 2020
<b>Internally assessed capital requirement<sup>1)</sup></b>		
Pillar I capital requirement	2,890	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	903	843
Percentage of total risk-weighted exposure amount	2.5	2.5
Capital requirement, Pillar II guidance <sup>2)</sup>	337.0	–
Percentage of total risk-weighted exposure amount	0.9	–
<b>Total capital requirement</b>	<b>4,794</b>	<b>4,082</b>
<b>Percentage of total risk-weighted exposure amount</b>	<b>13.3</b>	<b>12.1</b>
<b>Own funds (Tier 1 capital + Tier 2 capital)</b>	<b>6,027</b>	<b>6,335</b>
<b>Percentage of total risk-weighted exposure amount</b>	<b>16.7</b>	<b>18.8</b>
<b>Capital requirement as assessed by Finansinspektionen<sup>3)</sup></b>		
Pillar I capital requirement	2,890	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	1.8	1.9
Combined buffer requirement	903	843
Percentage of total risk-weighted exposure amount	2.5	2.5
<b>Total capital requirement</b>	<b>4,441</b>	<b>4,187</b>
<b>Percentage of total risk-weighted exposure amount</b>	<b>12.3</b>	<b>12.4</b>
<b>Own funds (Tier 1 capital + Tier 2 capital)</b>	<b>6,027</b>	<b>6,335</b>
<b>Leverage ratio requirement<sup>4)</sup></b>		
Leverage ratio requirement	3,009	–
Percentage of total exposure amount for the leverage ratio	3.0	–
<b>Tier 1 capital</b>	<b>5,539</b>	<b>–</b>
<b>Percentage of total exposure amount for the leverage ratio</b>	<b>5.5</b>	<b>–</b>

<sup>1)</sup> 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).

<sup>2)</sup> 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.

<sup>3)</sup> 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). Capital requirements under Pillar II have not been formally determined by Finansinspektionen.

<sup>4)</sup> The leverage ratio requirement was introduced in June 2021.



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

30 Jun 2021 SEK million	Consolidated situation			
	Exposure value <sup>1)</sup>	Risk-weighted exposure amount <sup>2)</sup>	Own funds requirement <sup>3)</sup>	Average risk weight <sup>4)</sup>
<b>Credit risk – IRB approach</b>	<b>89,187</b>	<b>26,120</b>	<b>2,090</b>	<b>29%</b>
Retail – real estate collateral	54,556	7,321	586	13%
Corporates	34,526	18,695	1,496	54%
Other non-credit-obligation assets	105	105	8	100%
<b>Credit risk – Standardised approach</b>	<b>12,651</b>	<b>1,278</b>	<b>102</b>	<b>10%</b>
Central governments or central banks	69	–	–	0%
Regional governments or local authorities	5,198	–	–	0%
Institutions	2,053	633	51	31%
Corporates	14	14	1	100%
Retail	23	16	1	70%
Secured by mortgage liens on immovable property	233	104	8	45%
Exposures in default	5	6	0	119%
Covered bonds	5,057	506	40	10%
<b>Operational risk – Basic indicator approach</b>		<b>1,554</b>	<b>124</b>	
<b>Credit valuation adjustment risk – Standardised approach</b>	<b>1,636</b>	<b>851</b>	<b>68</b>	<b>52%</b>
<b>Additional risk exposure amount under Article 458 CRR (risk-weight floor)</b>		<b>6,318</b>	<b>505</b>	
<b>Total</b>	<b>103,475</b>	<b>36,122</b>	<b>2,890</b>	

31 Dec 2020 SEK million	Consolidated situation			
	Exposure value <sup>1)</sup>	Risk-weighted exposure amount <sup>2)</sup>	Own funds requirement <sup>3)</sup>	Average risk weight <sup>4)</sup>
<b>Credit risk – IRB approach</b>	<b>83,822</b>	<b>23,956</b>	<b>1,916</b>	<b>29%</b>
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%
<b>Credit risk – Standardised approach</b>	<b>11,876</b>	<b>1,218</b>	<b>97</b>	<b>10%</b>
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%
<b>Operational risk – Basic indicator approach</b>		<b>1,554</b>	<b>124</b>	
<b>Credit valuation adjustment risk – Standardised approach</b>	<b>1,222</b>	<b>764</b>	<b>61</b>	<b>63%</b>
<b>Additional risk exposure amount under Article 458 CRR (risk-weight floor)</b>		<b>6,208</b>	<b>497</b>	
<b>Total</b>	<b>96,920</b>	<b>33,701</b>	<b>2,696</b>	

<sup>1)</sup> 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.

<sup>2)</sup> 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.

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

<sup>4)</sup> Calculated by dividing the risk-weighted exposure amount by the exposure value for the respective risk/exposure class.

continued Note 1 EU KM1 – Key metrics template

SEK million	Consolidated situation				
	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
<b>Available own funds (amount)</b>					
CET1 capital	5,075	5,136	5,123	4,887	4,815
Tier 1 capital	5,539	5,588	5,563	5,330	5,257
Total capital	6,027	6,654	6,335	6,093	6,015
<b>Risk-weighted exposure amount</b>					
Total risk-weighted exposure amount	36,122	34,847	33,701	32,477	31,950
<b>Capital ratios (as a percentage of REA)</b>					
CET1 capital ratio (%)	14.1	14.7	15.2	15.0	15.1
Tier 1 capital ratio (%)	15.3	16.0	16.5	16.4	16.5
Total capital ratio (%)	16.7	19.1	18.8	18.8	18.8
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of REA)</b>					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.8	1.9	1.9	2.0	2.0
of which: to be made up of CET1 capital (percentage points)	1.0	1.0	1.1	1.3	1.4
of which: to be made up of Tier 1 capital (percentage points)	1.3	1.4	1.4	1.6	1.6
Total SREP own funds requirements (%)	9.8	9.9	9.9	10.0	10.0
<b>Combined buffer and overall capital requirements (as a percentage of risk-weighted exposure amount)</b>					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
Institution-specific countercyclical capital buffer (%)	0.0	0.0	0.0	0.0	0.0
Systemic risk buffer (%)	-	-	-	-	-
Global systemically important institution buffer (%)	-	-	-	-	-
Other systemically important institution buffer (%)	-	-	-	-	-
Combined buffer requirement (%)	2.5	2.5	2.5	2.5	2.5
Overall capital requirements (%)	12.3	12.4	12.4	12.5	12.5
CET1 available after meeting the total SREP own funds requirements (%)	6.9	8.6	8.9	8.8	8.8
<b>Leverage ratio</b>					
Total exposure measure	100,292	97,639	94,806	92,253	90,726
Leverage ratio (%)	5.5	5.7	5.9	5.8	5.8
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>					
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	-	-	-	-
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>					
Leverage ratio buffer requirement (%)	-	-	-	-	-
Overall leverage ratio requirement (%)	3.0	-	-	-	-
<b>Liquidity coverage ratio</b>					
Total high-quality liquid assets (HQLA) (weighted value – average)	9,156	9,248	7,684	7,506	8,464
Cash outflows – total weighted value	3,616	2,555	3,889	4,053	2,122
Cash inflows – total weighted value	530	480	532	528	497
Total net cash outflows (adjusted value)	3,086	2,075	3,357	3,525	1,625
Liquidity coverage ratio (%)	296.7	445.6	228.9	213.0	520.9
<b>Net stable funding ratio</b>					
Total available stable funding	87,042	-	-	-	-
Total required stable funding	73,885	-	-	-	-
Net stable funding ratio (%)	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 Capital adequacy analysis

SEK million	Landshypotek Bank AB	
	30 Jun 2021	31 Dec 2020
<b>CET1 capital: Instruments and reserves</b>		
Member contributions	–	–
Share capital	2,253	2,253
Other contributed equity	1,017	1,017
Tier 1 capital instruments	700	700
Reserves	-23	-18
Actuarial changes	0	0
Retained earnings	2,327	2,039
Net profit for the year <sup>1)</sup>	171	303
<b>Equity in the balance sheet</b>	<b>6,444</b>	<b>6,294</b>
Deductions related to the consolidated situation and other foreseeable costs <sup>2)</sup>	-85	–
Deductions for Tier 1 capital instruments classified as equity	-700	-700
<b>CET1 capital before regulatory adjustments</b>	<b>5,659</b>	<b>5,594</b>
<b>CET1 capital: regulatory adjustments</b>		
Further value adjustments	-10	-10
Intangible assets	-65	-58
Deferred tax assets that rely on future profitability	–	–
IRB deductions <sup>3)</sup>	-574	-519
<b>Total regulatory adjustments to CET1 capital</b>	<b>-649</b>	<b>-587</b>
<b>CET1 capital</b>	<b>5,010</b>	<b>5,007</b>
<b>Additional Tier 1 capital: instruments</b>		
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	–	–
<b>Tier 1 capital (CET1 capital + Tier 1 capital)</b>	<b>5,710</b>	<b>5,707</b>
<b>Tier 2 capital: instruments and provisions</b>		
Capital instruments and subordinated loans eligible as Tier 2 capital	600	1,200
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third parties	–	–
<b>Tier 2 capital before regulatory adjustments</b>	<b>600</b>	<b>1,200</b>
<b>Tier 2 capital</b>	<b>600</b>	<b>1,200</b>
<b>Own funds (Tier 1 capital + Tier 2 capital)</b>	<b>6,310</b>	<b>6,907</b>
<b>Total risk-weighted exposure amount</b>	<b>36,123</b>	<b>33,703</b>
<b>Capital ratios and buffers</b>		
<b>Own funds requirement</b>	<b>2,890</b>	<b>2,696</b>
CET1 capital ratio (%)	13.9	14.9
Tier 1 capital ratio (%)	15.8	16.9
Total capital ratio (%)	17.5	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 (%) <sup>4)</sup>	9.4	10.4

<sup>1)</sup> 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.

<sup>2)</sup> 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.

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

<sup>4)</sup> 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	
	30 Jun 2021	31 Dec 2020
<b>Internally assessed capital requirement<sup>1)</sup></b>		
Pillar I capital requirement	2,890	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	903	843
Percentage of total risk-weighted exposure amount	2.5	2.5
Capital requirement, Pillar II guidance <sup>2)</sup>	337.0	–
Percentage of total risk-weighted exposure amount	0.9	–
<b>Total capital requirement</b>	<b>4,795</b>	<b>4,082</b>
<b>Percentage of total risk-weighted exposure amount</b>	<b>13.3</b>	<b>12.1</b>
<b>Own funds (Tier 1 capital + Tier 2 capital)</b>	<b>6,310</b>	<b>6,907</b>
<b>Percentage of total risk-weighted exposure amount</b>	<b>17.5</b>	<b>20.5</b>
<b>Capital requirement as assessed by Finansinspektionen<sup>3)</sup></b>		
Pillar I capital requirement	2,890	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	1.8	1.9
Combined buffer requirement	903	843
Percentage of total risk-weighted exposure amount	2.5	2.5
<b>Total capital requirement</b>	<b>4,441</b>	<b>4,187</b>
<b>Percentage of total risk-weighted exposure amount</b>	<b>12.3</b>	<b>12.4</b>
<b>Own funds (Tier 1 capital + Tier 2 capital)</b>	<b>6,310</b>	<b>6,907</b>
<b>Percentage of total risk-weighted exposure amount</b>	<b>17.5</b>	<b>20.5</b>
<b>Leverage ratio requirement<sup>4)</sup></b>		
Leverage ratio requirement	3,009	–
Percentage of total exposure amount for the leverage ratio	3.0	–
<b>Tier 1 capital</b>	<b>5,710</b>	<b>–</b>
<b>Percentage of total exposure amount for the leverage ratio</b>	<b>5.7</b>	<b>–</b>

<sup>1)</sup> 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).

<sup>2)</sup> 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.

<sup>3)</sup> 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). Capital requirements under Pillar II have not been formally determined by Finansinspektionen.

<sup>4)</sup> The leverage ratio requirement was introduced in June 2021.



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

30 Jun 2021 SEK million	Landshypotek Bank AB			
	Exposure value <sup>1)</sup>	Risk-weighted exposure amount <sup>2)</sup>	Own funds requirement <sup>3)</sup>	Average risk weight <sup>4)</sup>
<b>Credit risk – IRB approach</b>	<b>89,190</b>	<b>26,123</b>	<b>2,090</b>	<b>29%</b>
Retail – real estate collateral	54,556	7,321	586	13%
Corporates	34,526	18,695	1,496	54%
Other non-credit-obligation assets	107	107	9	100%
<b>Credit risk – Standardised approach</b>	<b>12,642</b>	<b>1,277</b>	<b>102</b>	<b>10%</b>
Central governments or central banks	68	0	0	0%
Regional governments or local authorities	5,198	0	0	0%
Institutions	2,045	631	51	31%
Corporates	14	14	1	100%
Retail	23	16	1	70%
Secured by mortgage liens on immovable property	233	104	8	45%
Exposures in default	5	6	0	119%
Covered bonds	5,057	506	40	10%
<b>Operational risk – Basic indicator approach</b>		<b>1,554</b>	<b>124</b>	
<b>Credit valuation adjustment risk – Standardised approach</b>	<b>1,636</b>	<b>851</b>	<b>68</b>	<b>52%</b>
<b>Additional risk exposure amount under Article 458 CRR (risk-weight floor)</b>		<b>6,318</b>	<b>505</b>	
<b>Total</b>	<b>103,468</b>	<b>36,123</b>	<b>2,890</b>	

31 Dec 2020 SEK million	Landshypotek Bank AB			
	Exposure value <sup>1)</sup>	Risk-weighted exposure amount <sup>2)</sup>	Own funds requirement <sup>3)</sup>	Average risk weight <sup>4)</sup>
<b>Credit risk – IRB approach</b>	<b>83,824</b>	<b>23,959</b>	<b>1,917</b>	<b>29%</b>
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%
<b>Credit risk – Standardised approach</b>	<b>11,871</b>	<b>1,217</b>	<b>97</b>	<b>10%</b>
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%
<b>Operational risk – Basic indicator approach</b>		<b>1,554</b>	<b>124</b>	
<b>Credit valuation adjustment risk – Standardised approach</b>	<b>1,222</b>	<b>764</b>	<b>61</b>	<b>63%</b>
<b>Additional risk exposure amount under Article 458 CRR (risk-weight floor)</b>		<b>6,208</b>	<b>497</b>	
<b>Total</b>	<b>96,917</b>	<b>33,703</b>	<b>2,696</b>	

<sup>1)</sup> Exposure value calculated in accordance with the CRR.

<sup>2)</sup> 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.

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

<sup>4)</sup> 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 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
<b>Available own funds (amount)</b>					
CET1 capital	5,010	5,010	5,007	4,866	4,818
Tier 1 capital	5,710	5,710	5,707	5,566	5,518
Total capital	6,310	7,510	6,907	6,766	6,718
<b>Risk-weighted exposure amount</b>					
Total risk-weighted exposure amount	36,123	34,849	33,703	32,481	31,953
<b>Capital ratios (as a percentage of REA)</b>					
CET1 capital ratio (%)	13.9	14.4	14.9	15.0	15.1
Tier 1 capital ratio (%)	15.8	16.4	16.9	17.1	17.3
Total capital ratio (%)	17.5	21.6	20.5	20.8	21.0
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of REA)</b>					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.8	1.9	1.9	2.0	2.0
of which: to be made up of CET1 capital (percentage points)	1.0	1.0	1.1	1.3	1.4
of which: to be made up of Tier 1 capital (percentage points)	1.3	1.4	1.4	1.6	1.6
Total SREP own funds requirements (%)	9.8	9.9	9.9	10.0	10.0
<b>Combined buffer and overall capital requirements (as a percentage of risk-weighted exposure amount)</b>					
Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
Institution-specific countercyclical capital buffer (%)	0.0	0.0	0.0	0.0	0.0
Systemic risk buffer (%)	-	-	-	-	-
Global systemically important institution buffer (%)	-	-	-	-	-
Other systemically important institution buffer (%)	-	-	-	-	-
Combined buffer requirement (%)	2.5	2.5	2.5	2.5	2.5
Overall capital requirements (%)	12.3	12.4	12.4	12.5	12.5
CET1 available after meeting the total SREP own funds requirements (%)	7.6	8.8	9.3	9.2	9.2
<b>Leverage ratio</b>					
Total exposure measure	100,285	97,636	94,803	92,251	90,725
Leverage ratio (%)	5.7	5.8	6.0	6.0	6.1
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>					
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	-	-	-	-
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>					
Leverage ratio buffer requirement (%)	-	-	-	-	-
Overall leverage ratio requirement (%)	3.0	-	-	-	-
<b>Liquidity coverage ratio</b>					
Total high-quality liquid assets (HQLA) (weighted value – average)	9,156	9,248	7,684	7,506	8,464
Cash outflows – total weighted value	3,616	2,555	3,889	4,053	2,122
Cash inflows – total weighted value	530	480	532	528	497
Total net cash outflows (adjusted value)	3,086	2,075	3,357	3,525	1,625
Liquidity coverage ratio (%)	296.7	445.6	228.9	213.0	520.9
<b>Net stable funding ratio</b>					
Total available stable funding	86,868	-	-	-	-
Total required stable funding	73,889	-	-	-	-
Net stable funding ratio (%)	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	Q2 2021	Q2 2020	Q1 2021	Jan–Jun 2021	Jan–Jun 2020	Full-year 2020
<b>Interest income</b>						
Interest income on loans to credit institutions	–	0	–	–	0	0
Interest income on loans to the public	347	347	346	693	693	1,392
Interest income on interest-bearing securities	7	12	7	13	23	40
Other interest income	3	3	2	6	6	11
<b>Total interest income</b>	<b>357</b>	<b>362</b>	<b>355</b>	<b>712</b>	<b>722</b>	<b>1,443</b>
<b>Interest expenses</b>						
Interest expenses for liabilities to credit institutions	1	0	1	1	1	2
Interest expenses for deposits from the public	-24	-24	-24	-49	-48	-96
of which fees for deposit insurance	-3	-4	-3	-7	-7	-14
Interest expenses for interest-bearing securities	-104	-148	-105	-209	-292	-529
Interest expenses for subordinated liabilities	-6	-9	-8	-15	-17	-34
Interest expenses for derivative instruments	31	40	28	60	81	136
Other interest expenses	-15	-11	-14	-28	-25	-50
of which fees for resolution fund	-9	-8	-8	-17	-16	-32
<b>Total interest expenses</b>	<b>-118</b>	<b>-152</b>	<b>-122</b>	<b>-240</b>	<b>-301</b>	<b>-571</b>
<b>Total net interest income</b>	<b>239</b>	<b>210</b>	<b>233</b>	<b>472</b>	<b>421</b>	<b>872</b>

All interest income is attributable to the Swedish market

## Note 3 Net credit losses

SEK million	Q2 2021	Q2 2020	Q1 2021	Jan–Jun 2021	Jan–Jun 2020	Full-year 2020
Change in credit loss allowance, Stage 1	1	-1	1	1	0	0
Change in credit loss allowance, Stage 2	-3	-1	1	-1	3	6
<b>Net credit losses, non-credit-impaired lending</b>	<b>-2</b>	<b>-1</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>6</b>
Change in credit loss allowance, Stage 3	0	22	2	2	21	28
Write-off for the period for confirmed losses	0	-20	0	0	-21	-24
Recoveries of previously confirmed losses	1	2	0	1	2	3
<b>Net credit losses, credit-impaired lending</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>7</b>
<b>Total net credit losses</b>	<b>-2</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>4</b>	<b>13</b>

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 40 million
Improved scenario	SEK 39 million
Deteriorated scenario	SEK 43 million

## Note 4 Loans to the public

SEK million	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020
Loan receivables, stage 1	81,005	78,108	75,101	70,015
Loan receivables, stage 2	7,010	7,076	7,395	7,580
Loan receivables, stage 3	635	615	583	646
<b>Gross loan receivables</b>	<b>88,650</b>	<b>85,799</b>	<b>83,079</b>	<b>78,241</b>
Less credit loss allowance	-39	-37	-40	-51
<b>Net loan receivables</b>	<b>88,611</b>	<b>85,762</b>	<b>83,039</b>	<b>78,190</b>
<b>Disclosures on past due loan receivables, gross</b>				
Loan receivables past due, 5–90 days	4	61	6	48
Loan receivables past due, more than 90 days	217	99	153	222
<b>Total past due loan receivables, gross</b>	<b>220</b>	<b>161</b>	<b>159</b>	<b>270</b>

Gross loan receivables January – December 2020 SEK million	Non-credit-impaired lending		Credit-impaired lending	Total
	Stage 1	Stage 2	Stage 3	
<b>Opening balance</b>	<b>67,949</b>	<b>7,859</b>	<b>634</b>	<b>76,441</b>
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
<b>Migration between stages</b>				
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	-
<b>Closing balance</b>	<b>75,101</b>	<b>7,395</b>	<b>583</b>	<b>83,079</b>

Gross loan receivables January – June 2021 SEK million	Non-credit-impaired lending		Credit-impaired lending	Total
	Stage 1	Stage 2	Stage 3	
<b>Opening balance</b>	<b>75,101</b>	<b>7,395</b>	<b>583</b>	<b>83,079</b>
Increases in loan receivables due to origination and acquisition	9,402	112	6	9,521
Decreases in loan receivables due to derecognition	-3,402	-497	-46	-3,946
Decrease in loan receivables due to confirmed losses	-	-	-4	-4
<b>Migration between stages</b>				
from 1 to 2	-864	864	-	-
from 1 to 3	-25	-	25	-
from 2 to 1	793	-793	-	-
from 2 to 3	-	-71	71	-
from 3 to 2	-	0	0	-
from 3 to 1	0	-	0	-
<b>Closing balance</b>	<b>81,005</b>	<b>7,010</b>	<b>635</b>	<b>88,650</b>

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			
<b>Opening balance</b>	-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	-
<b>Migration between stages</b>						
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
<b>Closing balance</b>	-5	-12	-24	-41	-40	-1

Credit loss allowance January – June 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			
<b>Opening balance</b>	-5	-12	-24	-41	-40	-1
Increases due to origination and acquisition	-1	-1	0	-2	-2	0
Decreases due to derecognition	0	1	1	2	2	0
Decrease in allowance due to write-offs	-	-	0	0	0	-
Changes due to change in credit risk	1	0	1	2	2	0
Changes due to update in the methodology for estimation	0	0	0	0	0	-
<b>Migration between stages</b>						
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
<b>Closing balance</b>	-4	-13	-23	-40	-39	-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 June 2021				30 June 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTOCI</b>								
Eligible treasury bills, etc.	4,283			4,283	3,805			3,805
Bonds and other interest-bearing securities	5,966			5,966	5,877			5,877
<b>Derivatives identified as hedging instruments</b>								
Interest-rate swaps		1,002		1,002		1,283		1,283
Cross-currency interest-rate swaps		455		455		447		447
<b>Total assets measured at fair value</b>	<b>10,249</b>	<b>1,457</b>	<b>-</b>	<b>11,707</b>	<b>9,682</b>	<b>1,731</b>	<b>-</b>	<b>11,413</b>
<b>Derivatives identified as hedging instruments</b>								
Interest-rate swaps		198		198		219		219
Cross-currency interest-rate swaps		66		66		74		74
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>264</b>	<b>-</b>	<b>264</b>	<b>-</b>	<b>293</b>	<b>-</b>	<b>293</b>

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 Jun 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Cash and balances with central banks	0	0	17	17
Eligible treasury bills	4,283	4,283	3,805	3,805
Loans to credit institutions	385	385	483	483
Loans to the public	88,611	90,251	83,039	84,786
Bonds and other interest-bearing securities	5,966	5,966	5,877	5,877
Derivatives	1,457	1,457	1,731	1,731
<b>Total assets</b>	<b>100,702</b>	<b>102,342</b>	<b>94,952</b>	<b>96,700</b>
<b>Liabilities and provisions</b>				
Liabilities to credit institutions	1,111	1,122	5,842	5,842
Deposits from the public	14,899	14,899	14,672	14,672
Debt securities issued, etc.	77,268	77,910	66,551	67,291
Derivatives	264	264	293	293
Subordinated liabilities	600	602	1,203	1,206
Other liabilities	217	217	256	256
<b>Total liabilities</b>	<b>94,360</b>	<b>95,003</b>	<b>88,818</b>	<b>89,561</b>

# 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	Q2 2021	Q2 2020	Q1 2021	Jan-Jun 2021	Jan-Jun 2020	Full-year 2020
Change in loans to the public	2,849	1,111	2,723	5,573	1,823	6,671
Opening balance, loans to the public	85,762	77,080	83,039	83,039	76,367	76,367
<b>Change in loans to the public, %</b>	<b>3.3</b>	<b>1.4</b>	<b>3.3</b>	<b>6.7</b>	<b>2.4</b>	<b>8.7</b>
Net interest income, accumulated LTM	922	827	893	922	827	872
Average loans to the public, LTM	83,023	76,204	80,636	83,023	76,204	78,776
<b>Interest margin, LTM, %</b>	<b>1.11</b>	<b>1.09</b>	<b>1.11</b>	<b>1.11</b>	<b>1.09</b>	<b>1.11</b>
Change in deposits from the public	221	452	6	227	161	223
Opening balance deposits from the public	14,678	14,158	14,672	14,672	14,449	14,449
<b>Change in deposits from the public, %</b>	<b>1.5</b>	<b>3.2</b>	<b>0.0</b>	<b>1.5</b>	<b>1.1</b>	<b>1.5</b>
Costs before credit losses	-129	-124	-122	-251	-244	-478
Total operating income	234	198	234	468	415	862
<b>C/I ratio including financial transactions</b>	<b>0.55</b>	<b>0.63</b>	<b>0.52</b>	<b>0.54</b>	<b>0.59</b>	<b>0.55</b>
Costs before credit losses	-129	-124	-122	-251	-244	-478
Total operating income excluding financial transactions	242	212	234	475	424	879
<b>C/I ratio excluding financial transactions</b>	<b>0.54</b>	<b>0.59</b>	<b>0.52</b>	<b>0.53</b>	<b>0.58</b>	<b>0.54</b>
Net credit losses calculated on a full-year basis	-7	8	16	5	8	13
Average loans to the public, LTM	83,023	76,204	80,636	83,023	76,204	78,776
<b>Credit loss level, %<sup>1</sup></b>	<b>0.01</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Credit-impaired assets, gross	635	646	615	635	646	583
Less provisions made	-23	-51	-22	-23	-51	-24
<b>Credit-impaired assets, net</b>	<b>613</b>	<b>596</b>	<b>593</b>	<b>613</b>	<b>596</b>	<b>559</b>
Credit-impaired assets, net	613	596	593	613	596	559
Loans to the public	88,611	78,190	85,762	88,611	78,190	83,039
<b>Net credit-impaired assets after allowances as a percentage of total loans outstanding, %</b>	<b>0.69</b>	<b>0.76</b>	<b>0.69</b>	<b>0.69</b>	<b>0.76</b>	<b>0.67</b>
Tier 1 capital	5,710	5,518	5,710	5,710	5,518	5,707
Exposure measure	100,285	90,725	97,636	100,285	90,725	94,803
<b>Leverage ratio, %</b>	<b>5.7</b>	<b>6.1</b>	<b>5.8</b>	<b>5.7</b>	<b>6.1</b>	<b>6.0</b>
CET1 capital	5,010	4,818	5,010	5,010	4,818	5,007
Total risk-weighted exposure amount	36,123	31,953	34,849	36,123	31,953	33,703
<b>CET1 capital ratio, %</b>	<b>13.9</b>	<b>15.1</b>	<b>14.4</b>	<b>13.9</b>	<b>15.1</b>	<b>14.9</b>
Own funds	6,310	6,718	7,510	6,310	6,718	6,907
Total risk-weighted exposure amount	36,123	31,953	34,849	36,123	31,953	33,703
<b>Total capital ratio, %</b>	<b>17.5</b>	<b>21.0</b>	<b>21.6</b>	<b>17.5</b>	<b>21.0</b>	<b>20.5</b>
Profit after tax						303
Average LTM equity						6,235
<b>Return on equity, %</b>						<b>4.9</b>
Profit after tax						303
Number of shares, million						2
<b>Earnings per share, SEK</b>						<b>134.5</b>

<sup>1</sup> An 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](http://www.landshypotek.se/om-landshypotek)*

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## For further information, please contact:

Tomas Uddin  
*Head of Marketing, Communications and HR*  
*+46 70 299 24 08*

Per Lindblad  
*Chief Executive Officer*  
*Can be reached through Tomas Uddin*

## Landshypotek Bank AB (publ)

Corp. Reg. No.: 556500-2762  
Box 14092  
SE-104 41 Stockholm  
[www.landshypotek.se](http://www.landshypotek.se)



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