



Landshypotek Bank

Annual Report 2022

For a richer life in the countryside

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Reporting calendar

General Meeting of Shareholders	20 April 2023
Interim Report Q1	5 May 2023
Interim Report Q2	26 July 2023
Interim Report Q3	1 November 2023

For a richer life countryside

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

Landshypotek Bank is owned by some 35,500 farmers and foresters and those living on farms across the country and the bank's surplus is distributed to them.

Over the years, we have financed hundreds of thousands of investments in a living and sustainable countryside — in open landscapes, well-kept forests and locally produced food. But we are not here solely for green entrepreneurs in the countryside and those living on farms. Loans are also available to house and holiday home owners and saving is open to Sweden's general public and the bank's corporate customers in the farming and forestry sector.

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



The year in figures

We turn the page on what has been a highly dramatic year for society – a year in which Landshypotek has stood confidently with a business model that works very well even in turbulent times. From a financial perspective 2022 was Landshypotek's best year ever, with the total lending volume passing SEK 100 billion.

We have strengthened ourselves as the leading bank for farmers and foresters and cemented a position as a strong alternative for conscious home owners. Lending growth was 12 percent for the year. Moreover, we generated strong interest in our savings accounts during the autumn and grew deposits more than SEK 8 billion, which corresponds to deposit growth of over 50 percent.

We continue to invest with the aim of further improvements for our customers and strengthening our profitability. Overall, we are pleased with the improvement in operating profit. We apply a long-term and responsible approach to building our bank and our credit quality remains favourable with low credit losses. This is at the core of our entire growth journey – managing and developing a great, sustainable and long-term bank for our customers and owners.

- Operating profit amounted to SEK 548 million (471).
- The underlying operating profit, excluding the net result of financial transactions, was SEK 546 million (486).
- Net interest income amounted to SEK 1,087 million (972).
- Costs totalled SEK 551 million (498).
- Net credit losses positively impacted earnings by SEK 4 million (recoveries: 5).
- Loans to the public amounted to SEK 105.6 billion (94.0).
- Deposits from the public amounted to SEK 23.5 billion (15.3).

SEK million	2022	2021
Net interest income	1,087	972
Operating profit	548	471
Profit after tax	430	370
Loans to the public	105,647	93,968
Change in loans to the public, %	12.4	13.2
Interest margin, LTM, %	1.08	1.10
Deposits from the public	23,496	15,254
Change in deposits from the public, %	54.0	4.0
C/I ratio including financial transactions	0.50	0.52
C/I ratio excluding financial transactions	0.50	0.51
Credit loss level, % ¹⁾	–	–
Total capital ratio, %	16.1	17.3
Rating, long-term		
Standard & Poor's, Covered bonds	AAA	AAA
Standard & Poor's	A	A
Fitch	A	A
Average number of employees, LTM ²⁾	216	204

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

²⁾ Average number of FTEs during the year.

Net interest income
amounted to SEK

1,087
million

Operating profit
amounted to SEK

548
million

Lending
amounted to SEK

105.6
billion

Deposits
amounted to SEK

23.5
billion

The Avg. No. of
employees was

216

41 new employees
began working with
us during the year

The number of
customers was

107 thousand

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

CEO's Statement

Historically strong in a turbulent time

2022 was a year we will all remember. A war on our doorsteps and a world in unbalance, with dramatic price hikes in several areas, rapidly rising interest rates and sharply rising inflation. Landshypotek has functioned well even during these market conditions. Financially, 2022 was the bank's best year ever.

The world is changing monumentally. We are entering a comprehensive and global green transition. At the start of the year, we emerged from a pandemic that impacted the entire global economy, only for Russia to start a war close to home. In addition to the human tragedy, the war has led to rocketing energy prices and an acceleration into recession. Following a long time with central stimulus packages and extremely low interest rates, the central banks are now incrementally raising key interest rates, albeit at a rapid pace. These hikes are expected to continue in 2023. Purchasing power is declining and the economy is facing a real challenge.

At Landshypotek, we have oriented ourselves well given the turbulent business environment. Our business model, with a distinct focus on lending, provides security for our customers, owners and employees. Our focus provides us with stability both for day-to-day work and for the development of our bank. We are building a better bank for more people: a bank with a long-term rather than a quarterly perspective.

During the year, we continued to increase our lending to farmers and foresters as well as to house owners. In 2022, we passed a milestone of SEK 100 billion in collective lending. Growth was 12 percent, with loans outstanding totalling almost SEK 106 billion at the end of the year.

We outpaced market growth in farming and forestry, further strengthening our position as the leading bank for farmers and foresters. Among mortgage banks, we have recorded the most rapid growth in the mortgage market. We have therefore continued to strengthen our position as a competitive alternative for conscious house owners.

The new interest rate conditions also made it possible to once again create value for customers through the bank's savings offering. Over the year, deposits with the bank recovered and grew more than SEK 8 billion, a growth of over 50 percent and the addition of more than 14,000 new savings customers.

And naturally, we are very pleased with the operating profit of SEK 548 million (471). Another milestone was passed in the year when net interest income surpassed SEK 1 billion.

The financial results are due to day-to-day strategically conscious work that has led to us becoming a safer and better bank today with more customers. In the past few years, Landshypotek has systematically addressed and developed in area after area, in everything from customer meetings and marketing to the implementation of regulations. Successive digitalisation and growth has enabled us to reach more customer groups. We will continue to invest with the aim of further improving the situation for our customers and strengthening our profitability. Our ambition is to continue to be the leading bank for professional farmers, while at the same time being even better in the market for everyone who owns and lives their day-to-day lives in farm and forest properties. We also want to be the conscious choice for an increasing amount of mortgage customers. With our entry into the market, and other competing banks, the mortgage market has changed and become all the more competitive. This has provided customers with more choices, lower prices, more simple customer meetings and increased transparency when it comes to pricing.

2022 was also challenging for our farming and forestry customers. Costs began to increase as early as the autumn of 2021. Nonetheless, customers have shown impressive levels of creativity and responsiveness. Supported by rising farmgate prices, 2022 can be summed up as a good year for many companies in farming and forestry. However, risk levels in customers' operations are rising. Sensitivity increases as working capital increases, which may affect the long-term willingness to invest. We are also seeing that market growth in lending to agricultural and forest properties has slowed.

2023 will bring another year of high inflation and higher interest rates than we are used to, which will present continued challenges as well as opportunities, both for us and for our customers.

We see that interest in domestic food production has increased. There is considerable interest in forest raw materials, which is expected to increase further as a result of the green transition required by society. And therefore, the farming and forestry sectors may strengthen over time. This is important for Landshypotek.



Now that we are at the start of 2023, the lending market for homeowner mortgages is cautious. Many are wondering what a good interest rate is. We believe that rising interest expenses will result in more mortgage and savings customers seeking alternatives like Landshypotek.

Our strategy remains firm, despite a rapidly changing business environment. We aim to continue growth in 2023, although we humbly acknowledge that it will be a challenging year. Our growth plans remain firm as we focus on our fundamentals: first lien mortgage loans to farm and forest properties and houses. We see first lien mortgage loans as the strongest product in a banking relationship, and a critical enabler of safe, enterprising and richer lives on farms and in houses across the country. The niche and the business model have proven strong and well able to meet customer needs, both over time and in the face of various societal challenges.

We have a safe owner and a circular business model. About one third of Landshypotek's own capital consists of member contributions. Member contributions have doubled in the past decade and amounted to about SEK 2 billion at the end of the year, which is a strong confirmation of the considerable confidence that customers have for the bank's operations. As a result of the strong earnings, the bank's Board resolved to distribute a Group contribution to the owner association totalling SEK 197 million. The Association Board has proposed a dividend of SEK 180 million (157). This is the largest Group contribution

in Landshypotek's history and corresponds to a return on member contributions of 9 percent. It is now time for regional meetings where bank representatives and the Association Board meet members. The dividend will be resolved at the General Meeting on 20 April.

We are continuing our development. Customer meetings have improved and become more frequent. Our market presence is becoming clearer. We aim to become an even better bank for more farming and forestry customers, and to become an even stronger mortgage bank through, inter alia, more advanced digitalisation. We continue to invest for tomorrow and are gradually hiring more employees to contribute to the spirit of development that permeates Landshypotek.

We apply a long-term and responsible approach to building our bank for the customers and our owners. This is at the core of our entire growth journey – building a great, sustainable and long-term bank.

The challenge in such an uncertain time is to be strong enough to drive necessary development, but we are secure in our operations and business model. The bank's financial position is robust and we have high ambitions both with our elected representatives and our employees in the continual work to capture an even stronger market position and be even better for our customers.

Per Lindblad
Chief Executive Officer

About Landshypotek Bank

Landshypotek Bank is a wholly owned subsidiary of Landshypotek Ekonomisk Förening, which was founded almost two centuries ago to provide farmers and foresters with safe financing on favourable terms. Since 2013, the bank began to offer savings accounts, and since 2017 we offer mortgages to all of the country's homeowners.

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

Landshypotek was founded by customers and is currently owned by some 35,500 customers who borrow on large or small farm and forest properties, and therefore also operations on farms, whether conducted full- or part-time or as a hobby. All farming and forestry borrowers are organised as members of Landshypotek Ekonomisk Förening. Accordingly, being customer-centric and maintaining a long-term approach is intrinsic to the business model where the surplus returns to farming and forestry customers.

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

To promote a sustainable countryside

A living countryside, with cultivated and productive fields and forests that create growth and jobs. Landshypotek Bank's business model lays the foundation for a sustainable future for cities and the countryside. The bank's brand promise — "For a richer life in the countryside" — is interwoven in operations, the daily work of agriculture and farming businesses and the elected representatives on their farms, in the every-day lives of those that live on agricultural properties and in employees' work days.

Promoting farming and forestry

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

Alternatives such as conscious mortgage choices for house and holiday home owners

In the autumn of 2017, the bank extended its offering by also beginning to offer homeowner mortgages. Many people are assessing their options in the mortgage market. Landshypotek is building its business with simple digital solutions, transparent and competitive conditions and a warm customer welcome. Landshypotek is the conscious choice for the heart that works well for the wallet.

Customer-centric DNA

The concept of Landshypotek is the customers' concept. The bank has its roots in customers commencing

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

The force of employee commitment

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

Rapid digital development

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

Continued development as a mortgage bank

Landshypotek Bank continues to grow with more customers. For long-term strategic planning, the bank's niche, with specialising in lending with properties as collateral, remains firm. As an increasing number of customers are choosing to have more banks to take care of their finances, Landshypotek has also managed to establish itself as a challenger to be reckoned with in the mortgage market. Many savers are also turning to Landshypotek for safe and simple account saving. As the leading bank for farmers and foresters and the conscious choice for mortgage financing, the bank is equipped to attract and meet more customer groups moving forward.



Landshypotek Bank – in brief

- Founded in 1836.
- Has some 107,000 farming and forestry customers, as well as mortgage borrowers and savers.
- Has lending of SEK 78.5 billion to farming and forestry in Sweden and SEK 27 billion in homeowner mortgages.
- Deposits from the public totalled SEK 23.5 billion.
- Is owned by 35,500 loan customers with farm and forest properties as collateral, organised in the Landshypotek Ekonomisk Förening. The members have about SEK 2 billion in contributions in Landshypotek.
- SEK 157 million was distributed to members of the cooperative association in the spring of 2022. The dividend is based on member contributions in Landshypotek. The proposal for 2023 is a dividend of SEK 180 million, corresponding to 9 percent of member contributions.
- The bank has about 230 employees nationwide.

Events during the year

It has been an eventful year in the business world – and for Landshypotek. Inflationary pressures, which were initially the result of the pandemic, accelerated in the wake of Russia's invasion of Ukraine. Interest rates have risen. Customers' interest in changing fixed-interest periods and discussing interest rate options has increased, as has demand for safe forms of saving. At Landshypotek Bank, the activity level and pace of development has been high and considerable actions have been taken to better meet the needs and expectations of owners and customers. As we reflect on 2022, this is something that has characterised our year at Landshypotek.

Lending growth continues

Landshypotek has continued its lending growth again in 2022. The pace dampened somewhat at the end of the year, but lending growth was stronger year-on-year. Landshypotek is also growing faster than the market for farming and forestry lending. At the end of 2022, Landshypotek has lent SEK 78.5 billion to owners of farming and forest properties. Mortgage stocks have also grown at a rapid pace – the fastest growth of all mortgage banks in the market – and now exceed SEK 27 billion. The considerable interest in finances and for Landshypotek has been reflected in the rising number of contacts: the number of customer meetings and customer service dialogues has increased, as have visits to the bank's website and the number of applications.

Savings accounts are becoming increasingly popular in light of rising interest rates.

A safe buffer saving, which is also easily accessible when funds are required once more, is increasingly in demand. When Landshypotek took the lead and raised deposit rates, the response was very positive. Deposit rates have been adjusted up on four occasions during the autumn and the bank has welcomed record numbers of new savings customers. The deposits volume increased SEK 8 billion and amounts to just over SEK 23 billion.

Continued interest hikes dominate the lending market

The Riksbank increased the key interest rate four times during the year. The increased costs for the bank's own borrowing resulted in Landshypotek – in addition to other banks and lending institutions – raising customer interest rates on several occasions. At the same time, the bank has continued to offer competitive interest rates to all customer groups.

Meeting places opening up again

Trade fairs and other customer and industry meetings have taken place once more after the break during the pandemic. During the year, Landshypotek's employees

and elected representatives have met with many members, as well as new and existing customers, in other ways than across a screen. Many meetings have been held in-house or in collaboration with others. At Elmia Lantbruk, open live discussions are held for visitors in the stand, and the Borgeby and Elmia Wood expos were well attended. Landshypotek was also present at the Dansbandsveckan in Malung and harvest festivals to meet savers and those interested in mortgages.

Partnerships developed

The partnership with Dina Försäkringar developed during the year, and with whom Landshypotek's customers are eligible for certain insurance offerings. In March, the successful mortgage partnership with Avanza celebrated its one-year anniversary. Many Avanza customers have found us as a mortgage bank as a result of the partnership. The bank has also developed a marketing partnership, including as a partner to the Swedish Orienteering Federation, who now display Landshypotek's logo on the national orienteering team's racing suit.

Participation in associations strengthens Landshypotek

During the year, the Landshypotek Ekonomisk Förening fostered dialogue and an exchange of knowledge between the elected representatives through various committees to support member democracy, ambassadorship, capital and ownership as well as values. The union and elected representatives are charged by the bank to manage valuations of farming and forest properties. The union has about 65 certified valuers, who are knowledgeable when it comes to various types of properties and industries. In 2022, about 6,300 market valuations were carried out.

Regional meetings were held digitally.

Based on remaining pandemic restrictions, the eleven annual regional meetings of Landshypotek Ekonomisk Förening were held digitally. All members could follow the meetings and nominate new elected representatives and lodge motions. At the meetings, participants were able to hear more about developments at their own bank and



association and learn about what is relevant for farming and forestry in general and in their own region specifically.

Recognition of agricultural entrepreneurial excellence

Landshypotek has continued to publish reports on what is happening in agriculture and the development of farming and forestry. Sowing and harvesting around the country has been looked at, skilled agricultural entrepreneurs have been profiled and conclusions have been drawn concerning how various types of production have developed over the year. Both the bank and the union have collaborated in many contexts to recognise skilled farmers and agriculture students.

Active in the forest debate

Landshypotek is committed to Swedish forestry. Despite forestry policies being presided over by what is known as national competence and not being a joint area for the EU member states, European forests are increasingly of interest for the EU. During the year, Landshypotek highlighted problems concerning the deforestation regulation and the Taxonomy that could lead to dramatic consequences both for the bank and for forest-owning customers. At the same time, the bank is demonstrating the opportunities that the Swedish forest provides.

New climate strategy

Landshypotek prepared a new climate strategy during the year. The strategy is a platform for continued work on climate issues in the Bank's operations. While many of the solutions to climate challenges can be found in farming and forestry, there are naturally also a number of concurrent climate challenges associated with on-farm

activities. The climate strategy sets a direction and formalises efforts at the bank.

Continued digitalisation

An increasing amount of banking matters are handled digitally. Visits to our website are increasing substantially in line with more people reviewing their finances. The majority of all customer contact is now conducted digitally. The digital customer contact has previously developed with secure messaging in the online bank and digital fixed-interest terms. Landshypotek's digital service is continuing to develop with, inter alia, improved chat functions and customer service. A chatbot was launched in the spring – Gro – that can respond to questions and connect customers onward to human contact. During the year, work with the bank's customer management system has developed to better meet customer needs for simplicity and accessibility, and to provide more people with a positive experience. Landshypotek aims to grow with more customer groups in mortgages and owners of farm and forest properties.

The importance of employee energy

Active, ongoing efforts are being driven to develop the bank together with the employees. In 2022, employees discussed the bank's development on special occasions both divided up into various constellations and at meetings with all employees present. These took place both digitally and physically. At Landshypotek, it is crucial that employees understand the bank's direction and development to be able to contribute in the best way possible. Follow-ups show that the understanding of what Landshypotek is and where the bank is going has been further strengthened from what were already strong figures.

Ten years in development as a bank

Landshypotek has its roots in the building societies founded in Skåne in 1836 that subsequently spread across the country. As a credit institution, Landshypotek has historically been the first choice for professional farmers requiring a first lien mortgage loan. This comes with significant security and experience. However, as a bank, our history is substantially more modern, as Landshypotek celebrates ten years as a bank in 2023.

2012

Landshypotek received a banking licence. Previously, Landshypotek had only offered loans to farming and forest properties. Now, the credit institution wanted to provide simple account saving for the general public. Through lending and deposits, Landshypotek no longer only operates as a credit institution, but also as a bank. A formal application was submitted to Finansinspektionen in March. A permit was provided in November.

During the year, Landshypotek also connected to data clearing, thereby modernising and simplifying the management of transactions. This acted as a prerequisite for growth and the continued development of digital services.

2013

On 4 April, Landshypotek became a formal bank and the name Landshypotek Bank AB (publ) was registered.

In the spring, the entire bank's IT platform was replaced. The new platform encompassed support to the entire business and took two years to complete.

Previously, all customer contact had operated through local offices, but with additional customer contacts and new services such as savings accounts, the bank opened a Customer Service Centre in Linköping.

A forest account was also presented as a savings account service for forest owners, and the bank took its first step in competing in the savings market.

2014

The new brand, with a new graphic profile and the name Landshypotek Bank, was launched. Our entire website was redesigned for the launch and the bank took the lead in the market by opening a digital application feed for savers. The bank began to present itself beyond the farming and forestry target group, partly by programme sponsorship through a TV4 initiative.

2015

Simple account saving generated considerable interest. In December, the bank passed the milestone of SEK 10 billion in household savings.

2016

Enterprise in farming and forestry had changed together with the market and regulations for lending to the farming and forestry sector. Landshypotek adapted to the development and changed its exposure classes. The bank also applied for an IRB approach for risk classification (IRB) for lending to companies. The change led to an increase in Landshypotek Bank's regulatory capital requirements.

Landshypotek has a long and strong tradition of working to promote employee engagement and participation. During the year, employees drew up the employee values of Customer-centric focus, Drive, Enthusiasm and Together.

2017

The bank commenced homeowner-mortgage operations. A new digital application was launched to enable convenient online mortgage applications.

2018

Landshypotek Bank became the first in the world to issue a covered bond denominated in SEK that was exclusively backed by Swedish forests and the sustainable forestry that customers stand for. Later, Landshypotek issued new green bonds with forest properties as a foundation.

With new services and target groups, new investments were required for the credit scoring system. The new system was adopted after approximately two years of work.

2019

Landshypotek's digitalisation continued. The bank presented a digital loan application for farmers and foresters that was the first in the market.

The front office organisation for meeting customers in the farming and forestry sector was developed to be able to meet more customers and an increasing number of customer groups. At the same time, partnerships increased in the organisation. The strength of local, regional offices was retained, but by providing central support to the group who meets customers directly, regardless of geography, it is possible to better look after farming customers that borrow on smaller properties.



A new insurance partnership commenced with Dina Försäkringar.

2020

Landshypotek's primary customer interface is now digital, but personal meetings and the acknowledgment provided by a telephone call remain important for many people. The new website was launched and was designed to meet customers' needs in a more efficient way digitally. During the year, the option for customers to change the conditions of their loans digitally in the online bank was launched.

2021

In February, a new mortgage partnership was launched with Avanza. Interest was considerable, with many new loan customers turning to Landshypotek.

In partnership with SBAB and Skandia, Landshypotek prepared a code of conduct comprising a shared framework for mortgage brokers in order to ensure responsible and trustworthy credit granting at all levels. The bank also prepared a code of conduct for supplier.

An extensive upgrade was performed of the bank's core banking system, SAP.

The bank's partnerships for meeting customer groups continued to be developed and strengthened, primarily with organisations and operators meeting people who are committed to agriculture and the countryside and address the entire country. Partnerships were developed with organisations such as the Swedish Orienteering Federation.

2022

The bank continued to grow with more customers and greater volume. The development of the bank continued, in part through increased digital services.

In February, the bank grew faster than ever and passed the SEK 20 billion milestone in total mortgage lending, ending the year with lending of SEK 27 billion. The bank also reached SEK 100 billion in total loans following a very strong volume trend in the past few years. In the autumn, it was notable that bank grew significantly faster than the market in lending to farming and forest properties.

Since 2011, the bank's farm and forest lending has grown SEK 23 billion, from SEK 55.5 billion to SEK 78.5 billion.

Growth in savings was at a record level during the autumn. Following a period where saving grew a few hundred million kronor each month, the saving volume increased SEK 8 billion, almost exclusively during the final four months of the year. Almost 14,000 new customers elected to open savings accounts with Landshypotek.

Toward 2026

Landshypotek has established strategic ambitions with growth in focus toward 2026. Development to be able to meet more customers, with the cornerstone of being a first lien mortgage loan bank that provides loans for farming and forest properties as well as houses, remains firm.

Our operating environment

The news is headlined by an inflation level that was recorded as slightly more than 10 percent at the end of the year, rapidly rising interest rates and falling housing prices. The central banks have switched tack and moved from stimuli packages to targeting inflation. For the country's farmers and forest owners, 2022 was dominated by higher prices both for commercial products and for agricultural inputs. In summary, 2022 was a financially robust year on the whole for many farming and forestry entrepreneurs. However, high prices have led to increases in production and market risks, as well as the need for working capital. Interest for sustainable food production and energy from the green economy has increased.

Developments in farming and forestry

The country's farmers and foresters have been impacted by global turbulence, but with rising farmgate prices and continued innovation on the country's farms, 2022 has been a positive year overall.

Positive economy for forest owners

The year provided generally positive financial outcomes for the country's forest owners. Harvesting was assessed marginally down compared with 2021. Sawn timber and pulp wood prices have continued to rise, most significantly in Götaland and least significantly in northern Norrland. The price trend is the result of increased export values of Swedish forest raw materials, driven by a weak SEK and reduced supplies from Central Europe, Belarus and Russia.

While timber prices remain relatively high and pulp wood prices have increased, there is a risk of downward price adjustments in 2023. This may pose challenges for forest owners who still have to bear a higher cost of capital.

Challenges with the spruce bark beetle remain, but the annual inventory suggests that the volume of spruce killed was lower this year, both in Götaland and in Svealand. Almost half of the damage recorded was in the counties of Örebro and Södermanland. These attacks are expected to continue in 2023.

Good harvests with higher prices

Despite higher costs for fuel and fertiliser, arable farming companies posted relatively strong earnings in 2022. This is mainly the result of a healthy harvest. The preliminary outcome for the total cereal harvest in Sweden is 17 percent higher for 2022 compared with 2021, and 11 percent higher than the average from the past five years.

Beneficial weather during the early summer led to high yields per hectare. However, variations have been considerable. In Skåne, for example, record yields were recorded for several crops, while in Kalmar, there was a lower harvest following a mild drought.

For oilseed, the forecast shows record volumes of 0.43 million tonnes, which is a 24 percent volume increase compared with 2021. Volume growth is mainly the result of expanded areas under cultivation.

Volatile but also high cereal prices have resulted from a continued low international cereal stores, high costs, but in particular, the war in Ukraine. Lower animal production in several countries has exacerbated this trend. During the second half of the year, cereal prices were about 65 percent higher than the average for the previous five-year period.

Earnings are expected to worsen in 2023, primarily as a result of high opening inventory levels of fertiliser combined with continued high costs.

Varied outcomes for livestock farmers

Earnings in 2022 were historically strong for dairy farmers. In general, production was somewhat lower than in 2021, but settlement prices were historically high. Compared with the previous five years, the difference was about 40 percent. A weak global increase in production has resulted in the record prices. At the end of the year, prices fell for storable dairy products, making it likely that settlement prices in Sweden will also recede.

Elevated carcass prices have also compensated for cost increases for beef producers. Fewer animals in the EU, a weak SEK and a deficit of Swedish beef is driving farmgate prices. It is likely that earnings worsen in 2023 as a result of a larger opening value in silage inventory. The weaker purchasing power of consumers has also led to pressure on farmgate prices.

Profitability for Swedish pigmeat production has been challenging. There was an improvement at the end of the year following favourable harvests and somewhat lower prices of purchased feed. However, variations are considerable between different companies. The future earnings trend will largely depend on consumer demand and production in the EU, but also on how the industry meets increased pressure to combat the spread of serious diseases among European pigs.



Waiting and adjusting in Sweden for a weaker economy

In general, prices for several agricultural inputs are at new, higher levels. High costs have contributed to the weak trend for production volume, both internationally and in Sweden. At the same time, higher prices for commercial products largely compensated for the increased costs. Over the year, farmgate prices for Swedish farmers have risen more than consumer prices, where the basket of goods has increased almost 20 percent.

Our assessment is that prices will need further adjustment at the consumer level given the time lag with contracts and, in some cases, inventories. With continued high inflation and a business environment that is all the more concerning, prices are unlikely to decline. Whether they will increase, however, is more uncertain.

The market for several agricultural products is therefore cautious. At the same time, there are still positive signals about demand for Swedish agricultural products. Despite the economy, exports are performing relatively well due to the weak currency. Demand for animal production is greater than production. Demand for meat, eggs and milk produced in Sweden has strengthened.

However, consumers are more price sensitive, which has been noted with lower demand for organic products.

Increased risks not stifling positivity among farmers

Higher costs, volatile prices and higher inventory values have led to increased risks for farmers as well as the need for working capital. The importance of farmers being aware of their company, their finances and the

business environment that they find themselves in has never been more important. Uncertainty about cost and market developments causes companies to hold off on investments. It could be problematic should the situation continue, and investment in the long-term needs also be postponed. However, a clear majority of farmers in Landshypotek's Lantbrukspanel, around seven of ten, continue to feel positive about their role as a farmer.

Dominating the financial markets this year

Rapidly rising interest rates, increasing energy and food prices, and the increased costs of input goods are challenging Sweden's general public as well as the agriculture sector. Focus during the year has been on inflation and attention has been focused on the world's central banks including their signals and decisions. In the wake of inflation, the world's central banks have been forced to change the direction of monetary policy.

New direction for monetary policy

At the start of the year, the world's central banks were essentially aligned in the view that high inflation was transitory and would fall back as economies reopened after the pandemic. As the result of clear indication of broader and more persistent inflation, we noted a distinct change in direction from the central banks. The Federal Reserve implemented its first rate hike in March, with many more to come. Central bank bond purchases also declined during the year, and this, combined with interest-rate hikes, has forced the market to re-price interest-rate levels.



During the year, credit margins also increased, i.e., the compensation that investors want for increased risk and lending capital. Higher interest rates and larger credit margins have raised banks' financing costs, which in turn have led to rising interest rates for customers.

Toward the end of the year, the central banks had made good progress on tightening monetary policy.

Record high inflation and war in Europe

Several underlying factors have combined to drive substantial and broad price increases. Continued disruptions in production and supply linked to China's zero Covid policy are driving up prices for commodities and input goods. High energy and fuel prices make production and freight more expensive. In combination with higher commodity prices and difficulties in obtaining certain input goods, companies are under pressure and are forced to pass on costs to finished products.

Initially, Russia's invasion of Ukraine caused concern in the financial markets. In addition to the humanitarian catastrophe, we have also seen the impact of the war on European energy and food prices. When war broke out and energy and food prices soared, it became clear that inflation would continue rising. The agriculture sector was impacted primarily by the rising prices of input goods like artificial fertilisers, feed, diesel and electricity. The war and the sanctions against Russia have limited access to natural gas in Europe, which has made it more expensive to produce electricity. The energy situation in Europe and Sweden has been, and continued to be, strained.

A decline in economic activity and risk of recession in 2023

During the pandemic, household finances were protected by fiscal stimuli and low-interest rates. Saving was high and consumers had money to spend following a pent-up consumption demand after two years of the pandemic and associated restrictions. This has led to many households as yet not being able to absorb the higher prices they meet in daily life. In turn, this has contributed to maintaining growth and optimism in the business sector.

However, it is clear that the central banks have been focused on targeting inflation during the year rather than on how the economy is developing otherwise. In line with increased inflation and interest-rate hikes, we have witnessed a distinct downward economic trend and a deteriorated outlook during the year. Household confidence in the economy is at record lows. Sweden is home to high household debt and short fixed-interest terms. As a result, the Swedish economy is more interest-rate sensitive than many other countries. The higher interest rates will thus continue to squeeze households hard and, combined with high inflation, consumption will decline, which will likely result in negative growth in 2023.

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Administration Report

Landshypotek Bank posted continued strong growth in lending that increased 12 percent during the year, corresponding to SEK 11.7 billion. The bank's deposits from the public increased SEK 8 billion during the year as the result of a competitive interest-rate offering, corresponding to an increase of about 50 percent. Operating profit increased SEK 77 million and net interest income increased SEK 115 million year-on-year. The bank continued to post extremely good credit quality.

Financial report

Net interest income

Net interest income amounted to SEK 1,087 million (972). Interest income totalled SEK 2,001 million (1,441), and interest expenses totalled SEK 914 million (469). The increase mainly derived from the pricing effect of higher interest rates, but also a volume effect since lending increased 12 percent over the year.

Net result of financial transactions

The net result of financial transactions amounted to a gain of SEK 3 million (loss: 15), where the unrealised gain amounted to SEK 8 million (loss: 6) and the realised loss to SEK 6 million (loss: 9).

Costs

Costs amounted to SEK 551 million (498). The increase primarily pertained to planned investments and personnel increases.

Credit losses and credit loss allowance

During the year, the model for credit loss provisions has been updated with new scenario assumptions and input parameters pursuant to the macro-economic developments, which led to a gross increase in the credit loss allowance. At the same time, the loss allowance estimation model under IFRS 9 has been adapted to the new definition of default and adjustments in underlying parameters, which resulted in a decrease in the total provision needed.

Overall the credit losses generated a positive net earnings impact of SEK 4 million (5) for the year, of which net credit losses for non-credit-impaired assets had a positive earnings impact of SEK 3 million and credit-impaired assets had an earnings impact of SEK 1 million.

Gross non-credit-impaired assets amounted to SEK 104,966 million and the credit loss allowance to SEK 11 million. Gross credit-impaired assets amounted to SEK 715 million and the credit loss allowance to SEK 22 million. The provisions for credit-impaired assets pertained to individual commitments within varying types of farming and geographic locations. The bank continued to post extremely good credit quality. For more information, refer to Note 10 and Note 14.

Other comprehensive income

Other comprehensive income amounted to a loss of SEK 19 million (income: 12), where financial assets at fair value had a negative effect of SEK 38 million (positive: 8) as a result of increased credit spreads at the same time as rising cross-currency basis spreads had a positive impact of SEK 19 million (4).

Assets

The largest asset item in the balance sheet is loans to the public, which amounted to SEK 105.6 billion (94.0 as of 31 Dec 2021). The geographic distribution of lending remains stable over time.

Operating profit

SEK million	2022	2021
Net interest income	1,087	972
Other operating income	7	-8
Of which net result of financial transactions	3	-15
Costs	-551	-498
C/I ratio including financial transactions	0.50	0.52
C/I ratio excluding financial transactions	0.50	0.51
Net recognised credit losses	4	5
Credit loss level, % ¹⁾	-	-
Operating profit	548	471
Operating profit excluding the net result of financial transactions	546	486

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



Landshypotek Bank's liquidity portfolio totalled SEK 11.9 billion (10.3 as of 31 Dec 2021). The portfolio comprises Swedish covered bonds with the highest credit rating and bonds issued by Swedish municipalities and regions. The holding of interest-bearing securities functions as a liquidity reserve. The liquidity portfolio was 1.4 times (1.8 as of 31 Dec 2021) 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. Landshypotek Bank as far as possible always strives to meet investors' wishes regarding tenors and interest-rate structures. Investor relations are of major importance as part of ensuring that investors' levels of awareness and interest are maintained in Landshypotek Bank.

Covered bonds are bonds that carry a preferential right in a defined cover pool. Covered bonds outstanding totalled SEK 78.7 billion (75.5). Assets in the cover pool corresponding to SEK 103.4 billion (94.3) are in place as

collateral for these bonds. Landshypotek Bank has one NMTN programme with a limit corresponding to SEK 108.8 billion (102.9). The NMTN programme is denominated in EUR and has increased over the year due to changes in the exchange rate.

During the year, covered bonds to a nominal value of SEK 13.6 billion and senior bonds to a nominal value of SEK 2.5 billion were issued. In parallel, covered bonds to a nominal value of SEK 10.4 billion and senior bonds to a nominal value of SEK 2.0 billion matured or were repurchased.

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

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

The credits in Landshypotek Bank's cover pool have an LTV of 43.2 percent (43.0). The LTV or loan-to-value ratio shows loan amounts in relation to the value of the collateral. Landshypotek Bank has 56,000 loan customers with a total of 42,000 pledged properties. In many

cases, the difference is attributable to more than one individual jointly pledging their shared property. The number of loans amounts to 112,000.

Cover pool and covered bonds, SEK million		
Cover pool		
Loans		101,576
Supplemental collateral		1,863
Total cover pool		103,439
Covered bonds		
Issued in SEK		76,270
Issued in foreign currency		2,424
Total covered bonds		78,694
Excess collateral	31.4%	24,745

Key figures, cover pool, SEK million		
LTV – Loan-to-value ratio		
Average volume-weighted LTV		43.23%
Number of pledged properties		41,594
Number of borrowers		55,707
Number of loans		111,549

Lending volume in the cover pool per LTV interval	
<10%	29%
10–20%	23%
20–30%	18%
30–40%	14%
40–50%	9%
50–60%	5%
60–70%	2%
70–80%	0%

Of Landshypotek Bank's lending, 52 percent takes place against collateral where the loan amount is less than 20 percent of the value of the collateral. Only 2 percent of lending is against collateral where the loan amount is 60 percent or more of the value of the collateral.

Deposits from the public

Deposits from the public totalled SEK 23.5 billion (15.3 as of 31 Dec 2021).

Funding

SEK million	In issue 31 Dec 2022	Limit	Issued 2021
Swedish commercial paper	–	10,000	–
MTN programme	15,600	60,000 ¹⁾	22,870
NMTN programme	68,850	108,776 ²⁾	54,700
Registered covered bonds	2,782		2,823
Subordinated loans	1,000		1,300

¹⁾ Medium Term Note Programme. No longer an active program for issuing new transactions.

²⁾ Nordic Medium Term Note and Covered Bond Programme. The limit is EUR 10,000 million.

Capital and capital adequacy

The total capital ratio for the consolidated situation amounted to 16.1 percent (17.0 as of 31 Dec 2021) and the CET1 capital ratio was 14.0 percent (14.4 as of 31 Dec 2021). The internally assessed capital requirement for the consolidated situation was SEK 5.5 billion (4.6 as of 31 Dec 2021) and should be compared with own funds of SEK 6.5 billion (6.4 as of 31 Dec 2021). The capital adequacy assessment takes into account the minimum capital requirement, the Pillar II capital requirement and the combined buffer requirement. Refer to Note 3 for further information.

Group contributions

Contingent upon the approval of the General Meeting, a Group contribution will be paid by Landshypotek Bank AB in the amount of SEK 197 million (172) to Landshypotek Ekonomisk Förening.

Rating

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

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

Sustainability report pursuant to the Annual Accounts Act

Landshypotek Bank has prepared a sustainability report pursuant to the Annual Accounts Act. Landshypotek Bank's sustainability report contains information about the company's initiatives and position in terms of sustainable development, customers and the offering, personnel and the work environment, business ethics, anti-corruption and environmental impact. Landshypotek Bank also reports as of the 2022 financial year in accordance with the Global Reporting Initiative's (GRI) Standards for



sustainability reporting. The Sustainability Report including reporting in accordance with the GRI Standards for sustainability reporting is available on pages 22–41.

Proposed appropriation of profits

SEK	
The following unrestricted equity is at the disposal of the Annual General Meeting:	
Retained earnings	2,675,385,072
Group contributions	-196,700,000
Tax effect of Group contribution	40,520,200
Net profit for the year	429,989,598
	2,949,194,870

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

To be carried forward	2,949,194,870
	2,949,194,870

Conditional on the approval of the Annual General Meeting, a Group contribution has been paid in the amount of SEK 196,700,000, which has reduced unrestricted equity as of the balance sheet date by SEK 156,179,800 after taking the tax effect into account. Unrealised changes in the value of assets and liabilities measured at fair value had a net negative impact on equity of SEK 97,757,856.

The Board of Directors is of the opinion that the proposed dividend, in the form of a Group contribution, does not compromise the company's ability to discharge its obligations in the short and long term, nor to make any necessary investments. The proposed transfer of value can therefore be justified considering that stated in Chapter 17, Section 3, paragraphs 2–3 of the Swedish Companies Act. The Board of Directors proposes that the year's funds at the disposal of the Annual General Meeting, SEK 2,949,194,870, be carried forward.

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



Sustainability Report

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To promote sustainable development countrywide

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

The bank's contribution to sustainable development

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

Meaningful for development across the country

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

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

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

In the past few years, Landshypotek has also strengthened and structured the bank's sustainability efforts as part of living up to the expectations of the business environment. A Chief Sustainability Officer has been part of the bank's Management Group since 2016 to ensure that these issues are pushed and permeate the entire operation.

Sweden's member-owned bank

Farming and forestry borrowers become members of Landshypotek Ekonomisk Förening and, thereby, owners of Landshypotek Bank. With some 35,500 members, the association is one of the country's largest cooperative associations.

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

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

Impact on key issues

Over the year, the bank has continued to engage in and monitor the formulation of the diverse regulations that are relevant to the Swedish farming and forestry sectors. The bank has worked with the implementation of the EU Taxonomy regulation for sustainable investments and finances with a particular focus on how the farming and forestry sectors are classified. The bank has engaged in issues concerning the EU deforestation regulation that risks harming Swedish forest owners, the economy and sustainable development.

Customers and the offering

Landshypotek Bank's customers

Landshypotek Bank targets owners and entrepreneurs in agriculture and forestry, those living on agricultural properties, house owners and savers. The bank's loan



customers are mainly located outside of Sweden's major cities and the bank's target groups are clearly defined. Landshypotek Bank lends to customers against collateral in agricultural and forest properties or houses in Sweden. The bank's savings customers can be found countrywide. The bank's customers include a large portion of the country's large-scale production agriculture, many smaller farmers and foresters as well as house owners. For natural reasons, the customers' relationships with the bank are longstanding and often continue across generations, since farming and forestry are capital intensive, long-term businesses.

Proximity and networks

One of Landshypotek Bank's strengths is its close links to the farming and forestry industries. The bank's account managers at offices around the country often have backgrounds in agriculture and forestry, and banking and financing expertise. Moreover, the organisation is small and decentralised, which enables close customer relationships with short decision paths. Together with its elected representatives, Landshypotek Ekonomisk Förening maintains an extremely strong presence, competence and commitment across the company.

Sound and sustainable lending

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

same time, to shield the bank and owners from credit losses.

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

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

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

The bank's focus entails natural limitations in its credit granting. The bank does not finance weapons, such as cluster weapons, anti-personnel mines, biological or chemical weapons, or the production or distribution of nuclear weapons, and the bank has no exposure to nuclear power or coal.

Credit appraisal with regard to climate and environmental risks

Landshypotek Bank's credit appraisals are based on customers' repayment capacity. During the year, the

bank developed an analysis for medium-sized and large enterprises as well as all legal entities to better capture climate and environmental risks related to lending. Climate and environmental risks are to be an integrated part of the credit appraisal since they impact the bank's credit, reputational and strategic risks. The climate and environmental analysis must identify physical and transition risks pertaining to the customer's competence, strategy, operations and security. Furthermore, the analysis must assess the impact of these risks on the customer's repayment capacity and the level of preparedness of the customer and its operations in terms of a changing climate and the measures taken to mitigate climate impact. Read more about risks and risk management in Note 2.

Preventive insolvency management

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

Investments

The bank's liquidity reserve comprises interest-bearing securities, either covered bonds in SEK issued by Nordic credit institutions or securities issued by Swedish municipalities or regions. The bank's green bond framework and its Sustainability Policy stipulate that the bank is to ensure responsible investments by integrating sustainability aspects in its investment decisions. As part of this objective, the bank has decided that investments in the liquidity portfolio may not include operations with a focus on fossil-based energy production, nuclear power, research or development of weapons, potentially environmentally harmful extraction of resources (for example, rare earths or fossil fuel), gambling or tobacco. Therefore, the bank's assessment is that there are no material non-financial risks linked to the bank's investment activities.

Greener funding

In 2018, Landshypotek Bank prepared a green framework for issuing green bonds. The aims included being able to promote a more sustainable financial market as well as to meet demand from the bank's investors. The

bank's green bond framework is based on sustainable forestry practices, renewable energy and energy-efficient buildings. The framework is aligned with the Green Bond Principles prepared by the International Capital Market Association. The framework was awarded a Dark Green rating from the Center for International and Environmental Research – Oslo (CICERO), which is the highest rating for green bonds.

The bank has issued green covered bond at a volume amounting SEK 10.75 billion. The funds raised by the bonds are used exclusively to finance sustainable forestry. As per one of the obligations under the bank's green bond framework, the fourth impact report for green bonds was prepared and published on the bank's website in 2022. Read the full report on the bank's website under investor relations. The bank's green bonds comprise 13.4 percent of the bank's total covered bonds.

Employees working for all of Sweden

Landshypotek Bank comprises 216 employees (FTEs) and has 19 offices across the country. Many of the bank's account managers, those meeting customers in the front office, have backgrounds in agronomy, forestry, agrolgy or similar fields in addition to their banking and financing expertise. The bank's account managers who work with mortgage loans have Swed-Sec licences. Together, the bank's staff work to promote a richer life countrywide.

Small bank – Huge commitment

Maintaining high employee commitment is important for the bank. In order to achieve this target, it is fundamental that the bank is perceived as an attractive employer where employees help each other to grow and succeed. The bank's foremost assets are its employees and culture as well as its employees' commitment. The employees are also the bank's main brand carrier; the aim is for all employees to feel committed, enjoy their daily work and feel motivated by, and pride in, their employer and their daily tasks. Each employee accounts for around half a percent of the bank, which means that each individual's commitment is highly important. Employees are involved in numerous projects and are part of how the bank is developed. At the year's two employee meetings, staff met and were given opportunity to jointly discuss the bank's transition journey, make new contacts and work together in new compositions and constellations.

During the year, employee commitment at the bank was evaluated in many ways. In the spring, each employee responded to questions based on a commitment index

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

Employee survey

During the year, all employees were given the opportunity to respond to three employee surveys. The surveys had different focuses and aims. In the first survey, questions were posed about how employees perceived their close and everyday work with questions based on the SEE index. In the second survey, questions were posed concerning the work environment and unequal treatment, and in the third, questions were posed about how employees perceived the bank's overall development during the year.

We measure the bank's employee net promoter score (eNPS) by posing the question "How likely are you to recommend Landshypotek Bank as an employer to a friend?" Our eNPS measurements are historically strong. The results of the latest eNPS measurement amounted to 33, which is a very favourable result and far about the average in Sweden, indicating a positive attitude and feeling toward the bank as a workplace. The insights gained from the employee surveys provide, together with healthy dialogue between employees and managers, the foundation of the bank's continual development and shared efforts to strengthen and retain the employeeship and the culture that permeates the bank.

Sick leave

A work-life balance is crucial for everyone's well-being. A good work environment and climate promotes lower absence due to illness. Accordingly, it is important to regularly measure, follow up and take initiatives to prevent ill health and illness. The bank regularly measures and follows up sick leave to be able to implement timely initiatives. The bank's sick leave figures are low both for short-term (1–14 days absence) and for long-term (>15 days absence) sick leave. Short-term sick leave

was unchanged in 2022 (average 1.2 FTEs) compared with 2021 (average 0.9 FTEs) and long-term sick leave increased somewhat from already low levels (average 1.0 FTEs in 2022 and 0.9 FTEs for 2021). Total sick leave (short- and long-term) in 2022 was higher than total sick leave in 2021 as a result of an increased number of physical meetings in 2022 that contributed to an increased spread of influenza and other diseases compared with 2021.

Skills and development

The bank thinks widely in terms of personnel skills and development. All managers have regular dialogues with their personnel to jointly manage and develop the work group's and the individual's tasks, and to build and broaden the employee's skills in the long term. Beside development in their current roles, this could include participating in different projects, holding courses for colleagues, swapping departments for a period or studying for a formal qualification. The bank has a standing range of courses available, some of which are obligatory, for example, credit training, anti-money laundering training, and IT and information security. The bank also trains employees in work environment related issues such as unequal treatment and discrimination.

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

Leadership programme

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

Gender equality and diversity

The bank values diversity and equal treatment. All employees are provided the same opportunities irrespective of gender, gender identity, gender expression, ethnic origin, religion or belief, disabilities, sexual orientation or age. It is therefore central for the Bank to actively identify, avert and prevent all types of harassment and discrimination.

Experience and knowledge of Swedish farming and forestry is important as a player in the sector, but an equally central success factor to promote a richer life country-wide entails having a differentiated workforce in terms of experience, competence and background.

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

Rights and conditions at work

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

The bank strives to achieve sound and fair pay scales that ignore background and gender. The bank adheres to the legislation in this area, which entails the bank conducting an annual salary review within the organisation with the aim of identifying, addressing and preventing unjustified salary differences between genders. The bank adopts structured measures in the event that the analysis reveals that unjustified salary differences are present.

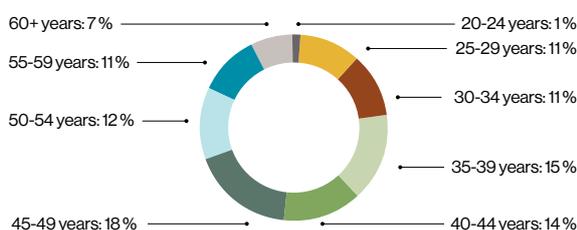
The ILO's Core Conventions apply to the bank's operations:

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

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

Age distribution

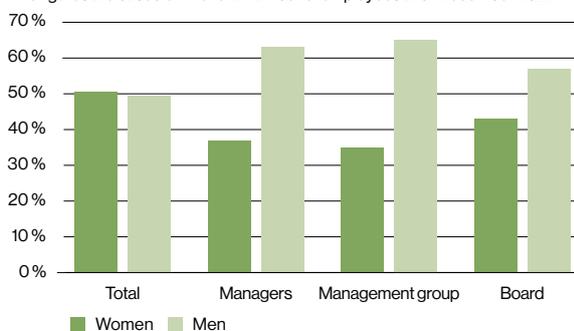
The figures are based on the total number of employees at 31 December 2022



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

Gender balance in percent, women/men

The figures are based on the total number of employees at 31 December 2022



The distribution between women and men is even at the bank. As of 31 December 2022, the percentage distribution between men and women was 51/49 (50/50), among managers 37/63 (35/65), in the management 30/70 (25/75) and 43/57 (43/57) on the Board. The total distribution, that is equal between women and men, is not reflected in the other groups. On the other hand, the Board lives up to the bank's target for equal groups.

Business ethics and anti-corruption

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



rights, the environment and business ethics permeate the entirety of the bank's supply chain.

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

Acting ethically and correctly

The bank's and its employees' knowledge of, and compliance with, business ethics and anti-corruption is a prerequisite for Landshypotek remaining active in the market and retaining its confidence. This knowledge is secured through annual compulsory training courses and the bank has developed a new code of conduct during the year that applies for all of the bank's employees and temporary staff as well as for the bank's dealings with suppliers and the business world.

Acting correctly and objectively is of great importance in all of the bank's business dealings. The bank applies a zero-tolerance policy toward corruption. This means that no employee may provide, promise or offer any inappro-

priate benefit. Nor may any employee receive or request such a benefit or reward, or recommend or enable a customer to receive or request such a benefit or reward.

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

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

Prevention of financial crime

Money laundering and terrorism financing comprise serious to society in Sweden and the rest of the world. The bank does not tolerate and does not participate in money laundering or terrorism financing. The bank takes

all reasonable measures to prevent the bank being used for money laundering or terrorism financing, and the Board and CEO have the ultimate responsibility for these issues. The Board and CEO are also ultimately responsible for the bank's operations taking necessary measures, for the bank's internal rules complying with external regulatory requirements and that said rules are appropriate, well implemented and complied with in operations. As part of its organisation to prevent money laundering and terrorism financing, the bank has created the following roles: Designated Supervisor, Central Function Manager, Operational AML Manager and Independent Auditor (the function is often conducted within the bank by internal audit). The bank also has a separate AML function at Board level with a focus on regulatory compliance. Read more about Landshypotek Bank's risks and risk management in Note 2.

Administration and internal regulatory compliance

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

Business ethics are included in various employee training courses, including induction training for new employees and annual training in business ethics. If employees are unsure about how to apply the code of conduct or other policies, the first resort is to contact their immediate manager. Furthermore, the bank's compliance function can be contacted for advice and support. Additionally, the bank has a whistle-blower process. Anyone who suspects serious misconduct can use the whistle-blower service anonymously. In 2022, one whistle-blowing report was managed through the whistle-blower system. However, the report was not assessed to be a whistle-blowing case according to the bank's definition.

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

Suppliers and business partners

The bank has mainly outsourced activities in terms of IT. In support of the bank's outsourcing, procurement and monitoring, the bank has a number of policy documents that set requirements for the design of the bank's outsourcing

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

Climate and the environment

Landshypotek Bank's main environmental impact is at customer level. The bank's core business is the financing of Sweden's agricultural and forestry sector. Many of the bank's core customers, run operations that affect and are affected by the climate and the environment. Climate change can have a direct and indirect impact on our customers' operations and, thus, also on the bank's credit risk. Accordingly, the bank carries out analyses to identify climate and environmental risks in its customer credit appraisals, see above under "Customers and the offering."

Many of the solutions to climate challenges can be found in farming and forestry. As society is transitioning on a systemic level, more biogenic raw materials and biological processes will be required and in demand. The foundation of farming and forestry sectors is photosynthesis, a natural process whereby plants absorb carbon dioxide from the atmosphere and then convert it into energy. While some carbon dioxide is returned immediately through cellular respiration, a considerable portion is stored in the plant and the ground via the plant's roots. Swedish forests and arable and pasture land are already today sequestering a considerable amount of carbon. Nevertheless, there is scope to increase the environmental benefit of this with greater sequestration and to reduce farming and forestry's own emissions.

For farming in general, the greatest emissions come from land use, animal digestion and the management of manure. Emissions from machines and the heating of farm buildings and production facilities are two other emission sources that have an impact. This impact is, however, significantly less.

For forestry, emissions are primarily the result of fuel consumption by machines used in forests and for the further transportation of timber. Emissions also arise from the maintenance and construction of new forest roads. There is also a natural release of carbon dioxide from



the forest through cellular respiration and on harvesting when carbon from the ground is released.

As a bank, we can be part of the transition to a farming and forestry industry that both reduces the impact on the climate and ensures that the industry is equipped for a future climate where positive impacts are retained over time.

The bank's other customer group that has grown in the past few years is mortgage customers who live in houses or own holiday homes in Sweden. Homes with heating and energy consumption account for a large proportion of climate impact from private individuals. Emissions attributable to housing are linked to energy sources and energy consumption, with the latter closely connected to the efficiency of the energy sources and of the building. Energy consumption is driven by heating, hot water, cooling and electricity, but it is heating that accounts for the majority of emissions. As a bank, we can be part of the transition to more energy efficient and sustainable homes by enabling investments in cleaner energy and heating sources and investing in initiatives for more energy efficiency.

A new climate strategy paving the way forward

In 2022, the Board of Directors of Landshypotek Bank adopted a climate strategy that will pave the direction and ambition for the bank faced with a changed climate. This

climate strategy further builds on the bank's sustainability work, but with a clear focus on the climate and climate risks. This climate strategy was developed to clarify the bank's targets within the area and the climate-related risks and measures that are relevant to Landshypotek Bank with lending to farmers, forest owners and house owners nationwide. Landshypotek Bank backs the industry-wide climate roadmap that was adopted in spring 2021. The roadmap establishes the target of ensuring the bank's operations are in line with the Paris Agreement and the Swedish goal of achieving net-zero emissions by 2045. To ensure that the bank reaches this, a number of targets have been established, including the bank joining the Principles for Responsible Banking global initiative in 2022, which was achieved at the end of the year. The bank has also identified its most significant positive and negative impacts on society, the economy and the environment in 2022.

Climate change and its impact on farming, forestry and living in the countryside

Climate change will impact all of us. A changed climate will lead to challenges and opportunities, particularly in the field of farming and forestry in Sweden. The average temperature will increase and growing zones will move northward. Growth periods will become longer, creating

scope for larger and more frequent harvests, but also greater variation of crops in fields and species of trees in forests. A warmer climate will also increase pressure from different pests and the need for more energy to cool housing and production sites. Longer periods of drought with heatwaves and a lack of precipitation will be more common, which will put pressure on crops, trees and animals. At the same time, winters and autumns will become wetter with more rainfall, particularly in the country's northern and western areas. With a changed climate, weather will become more extreme and rainfall – with accompanying floods – will impact the farming and forestry sectors as well as buildings. From a longer perspective, sea levels will rise with a consequent effect on southern Sweden, where land uplift will not compensate for higher sea levels.

From a global perspective, climate change will, generally speaking, not impact the farming and forestry sectors as negatively as in many other parts of the world. The primary reason for this is the natural access to water here and a cooler climate. Already today, access to water is the greatest challenge for food production in many parts of the world, and this challenge is only expected to grow as temperatures increase. Sweden's natural climate has colder winters that generally result in lower pressure from different pests. If this balance is changed, it could have negative consequences for Swedish farming, with

more insect and fungal infestations. The winter and its accompanying ground frost create a natural pause in growing for crops as well as weeds.

In 2022, the bank analysed the energy performance of houses that are part of the bank's mortgage portfolio. The bank has compiled information about energy declarations for houses.

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

The bank has, together with SMHI (the Swedish Meteorological and Hydrological Institute), identified climate- and environment-related risks and opportunities to be able to map these and to identify their short- and long-term effects on the bank's credit risk. The identified risks and opportunities primarily affect the bank's credit risk toward farming and forestry, which is also the segment toward which the bank has its largest exposure. The indicators assessed by SMHI as most relevant for farming and forestry are: temperature, length of the growing season, heatwaves, precipitation, total ten-year water flows, soil moisture, snow cover, sea levels, fire risk and wind gusts. Based on these indications, the bank has assessed that physical risks attributable to temperature, the length of the growing season, heatwaves, precip-

	Acute physical risks and opportunities	Systematically physical risks and opportunities
Temperature	There is no acute physical risk connected to an increase in temperature but this may lead to higher risk of other acute events such as drought or heatwaves.	The systematic physical risk and likelihood is that the temperature will rise nationwide.
Length of growing season	An acute physical risk with a longer growing season with an earlier spring raises the risk of spring frosts, which can harm harvests. Aside from the spring frost, the opportunity of extending the growing season, providing larger and more frequent harvests.	The systematic physical risk and likelihood is that the length of growing season will increase nationwide in pace with the temperature increasing and growing zones moving northward. This could result in larger harvests of certain crops and enable new crops to be grown in geographical locations. However, conditions could deteriorate for other crops. A longer growing season also benefits forest growth, even if this can lead to consequences in the form of increased pressure from vermin.
Heatwaves	The acute physical risk that could arise is heat stress for animals and plants as a result of high, sustained temperatures without precipitation.	The systematic physical risk is an increased frequency and duration of heatwaves across the country.
Precipitation	The acute physical risk is a raised risk of flooding and extreme rainfall, which can destroy crops and damage properties. Wet ground and flooding also increases the risk of windthrow and rutting damage and presents challenges for using machinery on land.	The systematic physical risk is that annual precipitation will increase nationwide, mainly in the winter and spring and in the north and west of the country. Number of intense precipitation events expected to increase.
Fire risk	The acute physical risk is mainly a risk for forestry with destroyed forests and lost growth.	The systemic physical risk is an increased risk of forest fires nationwide.

itation and fire risk are the indicators with the greatest impact on the bank's exposure.

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

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

Strategy: The bank finances agriculture, forestry and houses on the basis of long-standing customer relationships. The majority of the bank's lending finances agriculture – a sector of society that is clearly impacted by climate change. The bank wants to be part of the solution and provide financial solutions for transitioning and adapting agriculture to changed conditions, but also to ensure that our customers' operations reduce their climate impact. These are changes that require investment in new facilities, land and new energy solutions are areas that the bank has identified as development opportunities. In accordance with the Swedish Bankers' Association's climate roadmap, the bank will ensure that its strategy of reaching the overall goal of net-zero emissions by 2045 is in place by 2026.

Risk management: The bank's mapping of climate-related risks, which can be categorised as: physical risks (acute and systemic) and transition risks linked to the bank's lending. During the year, the bank commenced quantifying physical risks and transition risks to better understand how they can impact the bank's credit risk in the short- and long-term. These efforts will continue in 2023 and will be integrated into the bank's risk framework.

Metrics and targets: The bank's climate strategy is to have net-zero emissions by 2045. To achieve this, the bank will measure the carbon footprint of its entire operations including the footprint of the bank's credit portfolio by 2024. The bank's direct environmental impact is measured and will diminish over time (refer to the section covering the bank's environmental impact).

The bank's own environmental impact

Landshypotek Bank's direct environmental impact is limited and arises mainly from the bank's premises and business travel. As the bank's customers and its 19 offices are spread across Sweden, a considerable amount of travel is required by operations. Telephone and video are the first choice for meetings and internal and external communication and comprise areas that developed vigorously during the past few years. The bank's travel guidelines include taking the environment into consideration. Overall, the bank prioritises rail travel, but many of the customers can only be reached by car. For the fourth time, in 2022, the bank calculated the impact of the operations on the environment pursuant to the GHG protocol.

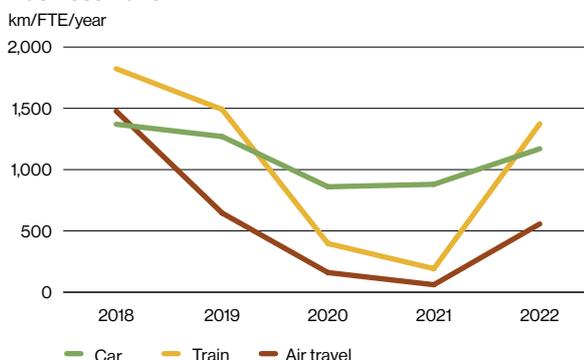
Emissions broken down by scope

Tonnes CO ₂ e	2022	2021	2020	2019	2018
Scope 1	0	0	0	0	0
Scope 2	55.4	50.2	44.9	30.5	38.7
Scope 3	40.5	29.9	28.9	67.8	118.1
Total	95.9	80.1	73.8	98.3	156.8
Per FTE	0.44	0.39	0.39	0.54	0.82

The bank's direct environmental impact has increased 19 percent year-on-year, mainly driven by more business travel by car, rail and air compared with the preceding year that was impacted by the pandemic and restrictions regarding gatherings (see diagram, Business travel). Emission sources included in the calculations are: district heating, district cooling and electricity consumption at office premises (Scope 2). The Scope 2 calculations are based on real data from suppliers and pertain to the consumption at the office in Stockholm, which is the bank's largest office. Consumption per FTE in Stockholm forms the basis for calculations for the bank's other offices. The electricity calculations used the Nordic residual mix (2021) for all offices apart from the Stockholm office where actual emission factors were used. Green electricity agreements are in place for many offices. The residual mix for 2021 was used as the emission factor for 2022, since the factor for 2022 is being published after the preparation of this report.

Scope 3 includes emissions from business trips by rail, car and air. The bank has also recorded emissions as a result of hotel stays in conjunction with business trips for the first time within the framework of Scope 3 emissions. The Scope 3 calculations are based on real data from the bank's travel suppliers and pertain to employee mileage allowances for business travel by car. Scope 3 calculations also comprise emissions from the operation

Business travel



Over the last four years, business travel per km per FTE and year has declined, with air travel accounting for the largest decrease. The levels for 2022 are higher than 2021. The increase is the result of increased opportunities for business trips and physical internal and external meeting following the pandemic.

of server halls used for Landshypotek Bank's services for the first time. Emissions from purchases of IT equipment are not included in the calculation of Scope 3 emissions since Landshypotek Bank rents all IT equipment used at the bank. Scope 1 emissions were zero, as the bank has no manufacturing operations and owns no vehicles.

The bank's largest climate impact derives from customer operations and housing that the bank finances. In 2022, the bank worked with a portfolio analysis to calculate the climate footprint of the bank's credit portfolio to farming, forestry and living in the countryside. Work commenced in 2022 and will continue in 2023 where the analysis will be developed with the help of actual data from selected operations in the farming and forestry sectors.

Landshypotek Bank focuses on growth through digital channels. From an environmental perspective, this is positive at the same time as it is an effective approach

Assets	Share of total assets, %
Exposure to taxonomy-eligible economic activities.	23%
Exposure to taxonomy-non-eligible economic activities.	–
Exposure to central governments, central banks and supranational issuers	–
Derivatives	2%
Exposure to undertakings not encompassed by the NFRD ¹⁾	66%
Trading portfolio	–
On-demand interbank loans	0

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

for meeting customers' changing requirements and expectations. At the same, it places requirements on security, accessibility and a sustainable IT infrastructure. The bank offers a digital savings offering to the general public, as well as a digital mortgage offering and a digital application for farming and forestry customers.

Taxonomy reporting

The bank's exposure to taxonomy-eligible economic activities is presented above. Landshypotek Bank is not covered by reporting requirements, but elects to disclose these at this time, in accordance with the Swedish Bankers' Association jointly established reporting templates, to increase comparability for the bank's and the market's shareholders.

Explanation of the reporting

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

Global Reporting Initiatives (GRI)

Landshypotek Bank has elected to, as of the 2022 financial year, report in accordance with the Global Reporting Initiative's (GRI) Standards for sustainability reporting. The table below reports GRI information connected to the material topics that the bank identified in 2022. For every material sustainability topic, one or more of the relevant GRI disclosures is reported and presented in the table below with GRI descriptions.

Next step

In 2023, the bank will work further with a portfolio analysis that will estimate the climate footprint of the bank's credit portfolio. In addition, the bank will implement the changes in non-financial reporting that will be implemented in the years ahead. The bank will continue to commit to the design and application of relevant regulations including the Taxonomy.

Policies and governance documents

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

Overarching

- Sustainability Policy
- Climate strategy

General corporate governance and ethics

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

Healthy credit granting and transactions

- Formal work plan for the Green Bond Committee
- Climate and environmental analysis instruction
- Credit Policy
- Credit Granting Guidelines
- KYC Guidelines
- Valuation Policy (for Cooperative association)

Work environment, employee commitment and societal responsibility

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

Implementation

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

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

Organisation

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



Reporting in accordance with GRI – Sustainability Report 2022

Usage:	Landshypotek Bank has disclosed the following information for the reporting period 1 Jan 2022–31 Dec 2022 with reference to the applicable GRI standards.
GRI standard	GRI 1: Foundation 2021 GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021

GRI standard	Disclosures	Comments
GRI 2: GENERAL DISCLOSURES 2021		
2-1 Organisational details		
2-1-a	Organisation's legal name	Landshypotek Bank AB
2-1-b	nature of ownership and legal form	The public limited company Landshypotek Bank is 100 percent owned by Landshypotek Ekonomisk Förening.
2-1-c	Location of headquarters	Stockholm, Sweden
2-1-d	Countries of operation	Landshypotek Bank only has operations in Sweden
2-2 Entities included in the organisation's sustainability reporting		
2-2-a	Entities included in sustainability reporting	Landshypotek Bank AB
2-3 Reporting period, frequency and contact point		
2-3-a	Reporting period and frequency	1 Jan 2022–31 Dec 2022
2-3-b	Reporting period for financial reporting	Annual reporting
2-3-c	Publication date of the report	17 March 2023
2-3-d	Contact point:	Martin Kihlberg, Chief Sustainability Officer and General Counsel
2-4 Restatements of information		
2-4-a	Restatements of information from previous reporting periods	No restatements
2-5 External assurance		
2-5-a	Description of policies and practice for seeking external assurance, including to what extent the Board or the management functions are involved.	Sustainability reporting is audited by the bank's Management Group and by the Board.
2-5-b	If the organisation's sustainability reporting has been externally assured: written certification from the auditor	No external assurance is performed of the Sustainability Report.
2-6 Activities, value chain and other business relationships		
2-6-a	The sector(s) in which the organisation is active	Landshypotek Bank is active within the banking sector.
2-6-b	Description of value chain including a description of the organisation's: <ul style="list-style-type: none"> • activities, products, services and markets served • supply chain 	Landshypotek Bank finances entrepreneurship and housing in the farming and forestry sector. The bank's primary product is first lien mortgage loans to Swedish farmers and foresters. The bank offers mortgages to homeowners nationwide and savings accounts for private saving to the general public.
2-6-c	Description of other relevant business relationships	The bank has business relationships with suppliers of IT infrastructure, IT equipment, office material and lessors got the bank's 19 sales offices across the country. The bank engages in commercial partnerships for the distribution of the bank's products.
2-6-d	Description of significant changes compared with previous years	No significant changes compared with 2021.
2-7 Employees		
2-7-a	The total number of employees – breakdown by gender and by region	See the Sustainability Report, page 26.
2-7-b	Number of: <ul style="list-style-type: none"> • Permanent employees • Temporary employees • Full-time employees • Part-time employees Breakdown by gender and by region for each item	Permanent employees: 211 (108 women, 103 men) Temporary employees: 5 (2 women, 3 men) Full-time employees: 204 (101 women, 103 men) Part-time employees: 12 (9 women, 3 men)
2-7-c	Description of methodology and assumptions used to compile the data, for example, FTE or average figure.	The figures are calculated as a rolling average value of FTEs during the year.
2-7-d	Contextual information necessary to understand the data reported	–
2-7-e	Description of significant fluctuations in the number of employees during the reporting year	No significant changes.
2-8 Workers who are not employees		
2-8-a	Number of workers who are not employees. Description of their working relationship to the organisation and what type of work they carry out	19 consultants (7 women, 12 men) are engaged by Landshypotek Bank to carry out various work duties.
2-8-b	Description of methodology and assumptions used to compile the data, for example, FTE or average figure.	The figures are calculated as a rolling average value of FTEs during the year.
2-8-c	Description of significant fluctuations in the number of workers who are not employees during the reporting year.	No significant changes.

GRI standard	Disclosures	Comments
GRI 2: GENERAL DISCLOSURES 2021		
2-9 Governance structure and composition		
2-9-a	Description of the organisation's governance structure, including committees of the highest governance body	See the Corporate Governance Report, pages 44–48.
2-9-b	List of all the committees that the highest governance body that are responsible for decisions-making on the impacts on the economy, environment and people.	See the Corporate Governance Report, pages 44–48.
2-9-c	Composition of the highest governance body including information about: <ul style="list-style-type: none"> • Executive/non-executive members • How the Board members can make decisions independent of conflicts of interest or external impacting factors • Tenure of members in the Board of Directors • The number of other significant positions that the Board members have • Gender • Under-represented social groups • Competencies relevant to the impacts of the organisation • Stakeholder representation 	See the Corporate Governance Report, pages 45–48.
2-10 Nomination and selection of the Board		
2-10-a	Description of the nomination and selection process for Board members	See the "Board of Directors" section in the Corporate Governance Report, pages 45–47.
2-10-b	Description of criteria used for nominating and selecting Board members with information about how the following is taken into consideration: <ul style="list-style-type: none"> • Views of stakeholders including shareholders • Diversity • Independence • Competencies relevant to the impacts of the organisation 	See the "Board of Directors" section in the Corporate Governance Report, pages 45–47.
2-11 Chair of the highest governance body		
2-11-a	The organisation will report whether the Chair of the highest governance body is also a senior executive in the Management Group.	The Chairman of the Board is not part of the bank's Management Group.
2-11-b	How potential conflicts of interest are prevented and mitigated	The bank's policy for conflicts of interest describes/regulates how potential conflicts of interest are to be mitigated.
2-12 The role of the highest governance body in overseeing the management of impacts		
2-12-a	Description of the Board of Directors' and the Management Group's role in developing, approving and updating the bank's purpose, value or mission statements, policies and goals related to sustainable development	The Board of Directors adopts the bank's governance documents that determine the bank's purpose, values and strategies concerning sustainable development. The bank has a Sustainability Policy that sets the framework for the bank's sustainability efforts. In 2022, the Board of Directors adopted a climate strategy that sets a long-term goal of achieving net zero emissions by 2045.
2-12-b	Description of the Board of Directors' role concerning the bank's due diligence and other processes to identify and manage the bank's impacts on the economy, environment and people. This encompasses: <ul style="list-style-type: none"> • If and how the Board engages with stakeholders throughout these processes • How the Board takes account of the views expressed 	The Sustainability Policy records the bank's most significant impacts on the economy, society and the environment. The bank's most significant impacts on the economy, society and the environment are identified in dialogue with the bank's Management Group. The Sustainability Policy is updated and adopted by the Board of Directors annually.
2-12-c	Description of the Board of Directors' role in reviewing the effectiveness of the bank's processes are that are described in the item above and report the frequency of this review.	The Board reviews the bank's Sustainability Policy and other relevant governance documents annually. The latest annual review evaluated the efficiency of the bank's processes.
2-13 Delegation of responsibility for managing impacts		
2-13-a	Description of how the Board delegates responsibility to managing the impacts on the economy, the environment and people. This includes: <ul style="list-style-type: none"> • If any members of the bank's Management Group have been delegated responsibility for the management of impacts • If the Board of Directors has delegated responsibility for the management of impacts to other employees 	The Board of Directors has delegated responsibility to the CEO who, in turn, has appointed a Chief Sustainability Officer with responsibility for these issues. Responsibility for sound and sustainable lending has been delegated to the Chief Risk Officer and Chief Commercial Officer.
2-13-b	Description of the process and frequency of the bank's Management Group or other employees to report to the Board on how the bank's impacts on the economy, the environment and people are managed.	Reporting on how the bank's impacts on the economy, the environment and people is managed through processes for annual sustainability reporting and the annual update of the Sustainability Policy.
2-14 Role of the highest governance body in sustainability reporting		
2-14-a	Description of how the Board is responsible for reviewing and approving the reported sustainability information	The bank's sustainability reporting is integrated into the bank's Annual Report and presented to the Board for approval.
2-15 Conflicts of interests		
2-15-a	Description of processes for the Board to ensure that conflicts of interest are prevented and mitigated.	The bank's policy for conflicts of interest states that "every Board member has an individual responsibility to report potential or actual conflicts of interest to the Chairman of the Board. The Chairman of the Board is responsible for documenting and communicating potential or actual conflicts of interest in the Board and to report these to the Chief Compliance Officer for documentation. The Board is responsible as a whole for material, principal or general conflicts of interest in the bank".
2-15-b	Report whether conflicts of interest are disclosed to stakeholders.	Conflicts of interest are disclosed for stakeholders.

GRI standard	Disclosures	Comments
GRI 2: GENERAL DISCLOSURES 2021		
2-16 Communication of critical concerns		
2-16-a	Description whether and how critical concerns are communicated to the Board.	Critical concerns can be communicated to the Board through various channels of communication. Two employee representatives are on the Board. Potential matters can also be taken up with a General Counsel or the Chief Compliance Officer for further management from the Board if necessary.
2-16-b	The total number and nature of critical concerns that were communicated to the Board.	No critical concerns were communicated to the Board.
2-17 Collective knowledge of the highest governance body		
2-17-a	Measures taken to advance the collective knowledge, skills and experience of the Board on sustainable development.	The Board is trained on relevant sustainable development issues through presentations and training courses.
2-18 Evaluation of the performance of the highest governance body		
2-18-a	Description of the processes for evaluating the performance of the Board in overseeing the management of the bank's impacts on the economy, environment and people.	Each year, the work of the Board is evaluated using a systematic and structured process. The evaluation's findings are presented to the full Board and the Election Committee. In conjunction with the Board evaluation, the Board's competence and training needs are reviewed and, based on this review, an annual training plan is prepared for the Board.
2-18-b	Whether the evaluations are independent or not, and the frequency of the evaluations	Evaluations of the Board's work are conducted annually. The Board conducts the evaluations of the Board's efforts with administrative support from the bank.
2-18-c	Description of the actions taken in response to the evaluations of the Board.	In part due to the Board's evaluation, a climate strategy was developed in 2022.
2-19 Remuneration policies		
2-19-a	Description of the remuneration policies of the Board and the bank's senior executives: <ul style="list-style-type: none"> • Fixed pay and variable pay • Sign-on bonuses or recruitment incentive payments • Termination payments • Clawbacks • Retirement benefits 	<p>The Board has set out the principles for the remuneration system that encompasses all employees at the bank including the bank's Management Group in the remuneration policy. The base employee remuneration model consists of a fixed basic salary. The bank has no variable remuneration program. However, the bank does have a profit-sharing foundation to which the bank allocates part of its profits to benefit its employees. Profit sharing is based on long-term company-wide targets in accordance with targets and the guidelines established by the Board. The bank is restrictive with benefits over and above those offered to all employees. Remuneration to the CEO, the bank's Management Group and the managers of the control functions is set by the Board.</p> <p>The Board's remuneration is resolved at the Annual General Meeting. The Election Committee presents proposals regarding the remuneration to Board members.</p>
2-19-b	Description of how the remuneration policies for members of the Board and the and the bank's Management Group relate to their objectives and performance in relation to the management of the bank's impacts on the economy, environment and people.	The remuneration policy is aimed at ensuring that the bank has a remuneration system that counters any incentive to accept unsound risks or act with a short-term perspective. The remuneration system should apply market terms, be non-discriminatory and reward good performance as well as ensure that the employees' efforts align with the bank's strategies and policies that comprise the bank's impacts on the economy, environment and people.
2-20 Process to determine remuneration		
2-20-a	Description of the process for designing the remuneration policies and for determining remuneration, including: <ul style="list-style-type: none"> • whether independent highest governance body members or an independent remuneration committee oversees the process for determining remuneration • how the views of stakeholders (including shareholders) regarding remuneration are sought and taken into consideration • whether remuneration consultants are involved in determining remuneration and, if so, whether they are independent of the Board and the bank's Management Group. 	The remuneration policy is reviewed annually by the Board of Directors. The remuneration policy is referred to within the bank as part of the annual review. Stakeholders in the form of employees are prepared with the opportunity to provide opinions and views through union representatives that are part of the bank's Board.
2-20-b	If relevant: description of the process for designing the bank's remuneration policies and for determining remuneration	Remuneration for the bank's Board is resolved by the Annual General Meeting
2-21 Annual total compensation ratio		
2-21-a	The ratio of the annual total compensation for the bank's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual)	The objective of the remuneration policy is to ensure that the bank has a remuneration system that applies market terms, is non-discriminatory and is attractive. The remuneration system should reward good performance as well as ensure that the employees' efforts align with the bank's strategies and regulations. The bank elects not to report salary information in external publications.
2-21-b	The ratio of the percentage increase in annual total compensation for the bank's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual)	
2-21-c	Contextual information necessary to understand the data and how the data has been compiled.	Not relevant.

Strategies, policies and practices

GRI standard	Disclosures	Comments
GRI 2: GENERAL DISCLOSURES 2021		
2-22 Statement on sustainable development strategy		
2-22-a	A statement from the Board or most senior executive of the bank's Management Group about the relevance of sustainable development and the bank's strategy for contributing to sustainable development.	The bank's Management Group and Board have adopted a climate strategy and Sustainability Policy that applies for the entire bank.
2-23 Policy commitments		
2-23-a	The bank's policy commitments regarding the OECD and UN guidelines and principles for companies, due diligence, human rights and the application of the precautionary principle.	The bank is active in Sweden and must therefore comply with legislation for enterprises, due diligence, human rights and the application of the precautionary principle. The bank's commitments are recognised in various governance documents including the ethics policy, HR Policy, Sustainability Policy and the Code of Conduct for suppliers.
2-23-b	Description of the bank's specific policy commitment to respect human rights, including the relevant UN agreements and ILO Conventions and categories of at-risk or vulnerable groups.	The bank's commitments are recognised in various governance documents including the ethics policy, HR Policy, Sustainability Policy and the Code of Conduct for suppliers.
2-23-c	Links to the policy commitments if publicly available	All relevant governance documents can be found at https://www.landshypotek.se/om-landshypotek/hallbarhet under the section "Våra styrdokument" (Swedish).
2-23-d	The level at which each of the policy commitments was approved within the bank, including whether this is the most senior level	All governance documents are adopted by the Board.
2-23-e	Description of the extent to which the policy commitments apply to the bank's activities and to its business relationships	The Code of Conduct for suppliers applies for all agreements with suppliers that the bank enters into.
2-23-f	Description of how the policy commitments are communicated to workers, business partners, and other relevant parties	All governance documents are available for employees on the bank's intranet. The bank's Code of Conduct is provided to suppliers when they enter into contracts and is available on the bank's website.
2-24 Embedding policy commitments		
2-24-a	Describe how the bank embeds its policy commitments for responsible business conduct throughout its activities and business relationships, including: <ul style="list-style-type: none"> • How the bank allocates responsibility to implement the commitments across different levels within the organisation • How it integrates the commitments into organisational strategies, operational policies, and operational procedures • How it implements its commitments with and through its business relationships • Training that the bank provides on implementing the commitments. 	<p>The bank's sustainability commitments are mainly implemented through governance documents that regulate the bank's working approach in operational processes. Responsibility for implementation of sustainability related issues is allocated in the first instance to the Chief Sustainability Officer. The implementation of the policy commitments regarding sustainability are ensured through the application of governing documents and instructions that the entire bank is to apply in daily operations including for credit granting and risk assessments.</p> <p>The policy commitments are implemented in business relationships through the bank's Code of Conduct and counterparty assessments that ensure that the bank conducts business relationships with companies and other parties that comply with sustainability-related requirements.</p> <p>Bank employees are trained in the bank's policy commitments in the field of sustainability through regular training courses.</p>
2-25 Processes to remediate negative impacts		
2-25-a	Description of the bank's commitments to provide for or cooperate in the remediation of negative impacts that the bank identifies it has caused or contributed to	As a first step, the bank has mapped its most significant negative impacts on society, the environment and the economy. To reduce its negative impact on society, the bank works with sound credit granting that provides customers with the opportunity to make long-term investments in their operations.
2-25-b	Description of the bank's approach to identify and address grievances, including the grievance mechanisms that the bank has established or participates in	<p>The bank has an established process for grievance management. Customers can describe their grievances that are then managed by a special grievance officer. Customers also have the opportunity to submit any grievances to external partners such as Sweden's financial supervisory authority, the Consumer Ombudsman and the Swedish Consumers' Banking and Finance Bureau. Grievances from external parties are sent to the grievance officer for further handling.</p> <p>The bank's grievance officer evaluates grievances to identify any inadequacies in the bank's handling of the case. Potential measures are determined in discussion with the bank's grievance council.</p>
2-25-c	Description of other processes by which the bank provides for or cooperates in the remediation of negative impacts that it identifies it has caused or contributed to	The bank maintains continual dialogue with its customers concerning relevant and current issues in farming and forestry as well as housing.
2-25-d	Description of how the stakeholders who are the intended users of the grievance mechanisms are involved in the design, review, operation, and improvement of these mechanisms	The bank accepts customer opinions on the design of the bank's grievance management system.
2-25-e	Description of how the bank tracks the effectiveness of the grievance mechanisms and other remediation processes, and report examples of their effectiveness, including stakeholder feedback	The bank continually evaluates the effectiveness of the grievance management system.

GRI standard	Disclosures	Comments
GRI 2: GENERAL DISCLOSURES 2021		
2-26 Mechanisms for seeking advice and raising concerns		
2-26-a	Description of how the bank seeks advice on implementing its policies and practices for responsible business conduct	The bank maintains an active dialogue with our farming and forestry customers, which are the bank's owners, regarding how the bank is to work toward responsible business conduct.
2-26-b	Description of mechanisms for individuals to raise any concerns about the bank's business conduct	Customers have the opportunity of raising concerns or other views about the bank's business conduct. The bank provides a whistle-blower tool that all of the bank's stakeholders can use with full anonymity to report anything that may conflict with the bank's business conduct.
2-27 Compliance with laws and regulations		
2-27-a	The total number of significant instances of non-compliance with laws and regulations during the reporting period that have led to fines or non-monetary sanctions being incurred.	The bank has not has any significant instances of non-compliance with laws and regulations that have led to fines or non-monetary sanctions being incurred.
2-27-b	The total number and the monetary value of fines for instances of non-compliance with laws and regulations	The bank has not received any fines for non-compliance with laws and regulations.
2-27-c	Description of the significant instances of non-compliance	The bank has not has any significant instances of non-compliance during the year.
2-27-d	Description of how the bank determined significant instances of non-compliance	Not relevant.
2-28 Membership associations		
2-28-a	Report of the industry associations, other membership associations, and national or international advocacy organisations in which the bank participates in a significant role	Landshypotek Bank is a member of the Swedish Bankers' Association and Cooperatives Sweden. Landshypotek Ekonomisk Förening is a member of the Federation of Swedish Farmers (LRF). Landshypotek Bank is also a member of the global "Principles for Responsible Banking" initiative.
2-29 Approach to stakeholder engagement		
2-29-a	Description of how the bank engages with stakeholders, including: <ul style="list-style-type: none"> • the categories of stakeholders it engages with, and how they are identified • the purpose of the stakeholder engagement • how the bank seeks to ensure meaningful engagement with stakeholders 	<p>The bank's stakeholders comprise customers, owners, employees, investors, suppliers and partners. The bank's farming and forestry customers are also the bank's owners. The bank's stakeholders have been identified through a stakeholder analysis.</p> <p>The bank maintains an active dialogue with its customers, and thereby owners, through the cooperative association that owns Landshypotek Bank. The cooperative association is a democratic organisation in which members nominate elected representatives that represent their interests in different focus areas.</p> <p>The bank maintains a continual dialogue with its employees through employee surveys, performance reviews and other occasions.</p> <p>The bank maintains continual dialogue with investors and provides information openly as well as on special inquiries.</p>
2-30 Collective bargaining agreements		
2-30-a	Percentage of total employees covered by collective bargaining agreements	100%
2-30-b	For employees not covered by collective bargaining agreements, report whether the bank determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other organisations.	Not relevant.

Material topics

GRI standard	Disclosures	Comments
GRI 3: MATERIAL TOPICS		
3-1 Process to determine material topics		
3-1-a	Description of the process the bank has followed to determine its material topics, including: <ul style="list-style-type: none"> • how the bank has identified actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights, across its activities and business relationships • how the bank has prioritised the impacts for reporting based on their significance 	The bank has mapped its most significant (positive and negative) impacts on society, environment and the economy. As a first step, the bank held internal workshops with employees to identify the bank's positive and negative impacts. The results from the internal discussions were presented for the bank's Management Group for further discussion and prioritisation. Proposals for the bank's most significant impacts were then presented to the Board.
3-1-b	Specify the stakeholders and experts whose views have informed the process of determining its material topics	The bank's employees, customers and owners contributed to the process of identifying the bank's most significant impacts.
3-2 list of material topics		
3-2-a	The bank is to list all its material topics	Landshypotek Bank has identified the following material topics: <ul style="list-style-type: none"> • Climate and environmental impact • Financing for competitive farming and forestry and housing • Financing for the green transition • Increased production and self-sufficiency • Live and reside nationwide
3-2-b	Reporting of any changes to the list of material topics compared to the previous reporting period	Not relevant for 2022 since the bank recorded its material topics for the first time.

GRI standard	Disclosures	Comments
GRI 3: MATERIAL TOPICS		
3-3 Management of material topics		
3-3-a	For each material topics, the bank is to describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights	<p>Climate and environmental impact The bank's lending to agriculture, forestry and houses has a negative impact through emissions and resource use that burden the environment and climate. At the same time, grazing animals contribute to increased biological diversity. The bank's lending to agriculture, forestry and houses is assessed to have a limited impact on human rights. The bank works in accordance with a Code of Conduct and suppliers of products and services to the bank are also to adhere to this code. The Code of Conduct includes requirements for the protection of fundamental human rights.</p> <p>Financing for competitive farming and forestry and housing The bank contributes through its lending and business model to the necessary prerequisites for competitive agriculture. The bank contributes through its lending to lower housing costs, which provides housing and opportunities for other consumption and saving (resource distribution). The impact on human rights is assessed to be limited for the same reasons as described in the "Climate and environmental impact" item.</p> <p>Financing for the green transition The bank is active in a capital-intensive industry with low margins. As a result of this, the scope for necessary investments in, for example, new technology and new production processes could be limited. These investments are decisive for being able to accomplish the systemic change required on a societal level to increase forest and food production without endangering planetary borders. The impact on human rights is assessed to be limited.</p> <p>Increased production and self-sufficiency Through its lending, the bank enables the use of natural resources (arable land, forest) and thereby provides for Swedish food production and forestry. The bank's lending contributes to increased self-sufficiency and reduced global economic independence. The impact on human rights is assessed to be limited.</p> <p>Live and reside nationwide The bank's lending creates the opportunity of living and residing throughout the entire country. The impact on human rights is assessed to be limited with some positive impact due to providing people with the opportunity of residing, working and living throughout the country.</p>
3-3-b	Whether the bank is involved with the negative impacts through its activities or as a result of its business relationships	The bank's lending to agriculture, forestry and houses has a negative impact through emissions and resource use that burden the environment and climate.
3-3-c	Description of the bank's policies or commitments regarding the material topic	<p>Climate and environmental impact In 2022, the Board of Directors of Landshypotek Bank adopted a climate strategy that will pave the direction and ambition for the bank faced with a changed climate. Landshypotek Bank backs the industry-wide climate roadmap that was adopted in spring 2021. The roadmap establishes the target of ensuring the bank's operations are in line with the Paris Agreement and the Swedish goal of achieving net-zero emissions by 2045. The climate strategy builds further on the bank's Sustainability Policy.</p> <p>The other material issues are managed within the framework of the bank's core operations. Landshypotek Bank is to comply with laws from diverse Swedish and EU regulation in the area of finance in order to secure sound credit granting.</p>
3-3-d	Description of actions taken to manage the topic and related impacts, including: <ul style="list-style-type: none"> actions to prevent or mitigate potential negative impacts actions to address actual negative impacts, including actions to provide for or cooperate in their redemption actions to manage actual and potential positive impacts 	In 2022, the bank has worked to identify its most significant positive and negative impacts on society, economy and the environment.
3-3-e	Description of the measures for tracking the effectiveness of the actions taken, including: <ul style="list-style-type: none"> processes used to track the effectiveness of the actions goals, targets, and indicators used to evaluate progress the effectiveness of the actions, including progress toward the goals and targets lessons learned and how these have been incorporated into the bank's operational policies and procedures 	The bank continually reviews its analysis of the most significant impacts on society, economy and the environment and the measures taken as a result.
3-3-f	Description of how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e)	A summary of the climate strategy has been published on the bank's website and communicated to the bank's employees.

Topic-specific disclosures

GRI standard	Description	Reference to relevant note in the Annual Report	Comments/Reservations
ECONOMY			
201: Economic Performance 2016 – limited to within Landshypotek Bank			
201-1	Direct economic value generated and distributed	The following items are recorded in the bank's Annual Report, see the reference to the relevant chapter in the Annual Report: <ul style="list-style-type: none"> • Total revenue (see the income statement on page 58) • Loans to the public (deposits), (Note 4) • Other borrowing/financing (Note 4) • Deposit insurance fees and resolution fees that contribute to maintaining the financial stability of society (totalling SEK 46.7 million). • Current taxes for the year (Note 11) • Social fees and pensions (Note 7) • Salaries and remuneration to employees (Note 7) • Supplier payments, home markets (not relevant) • Proposed dividend to shareholders (see chapter on page 60) • The year's profit to be reinvested in the bank (see chapter on page 60) 	Landshypotek Bank does not record information about supplier payments in home markets since the bank is only active in Sweden.
201-2	Financial implications and other risks and opportunities due to climate change	See the Sustainability Report, section "Climate and the environment"	
205: Anti-corruption 2016 – limited to within Landshypotek Bank			
205-1	Operations assessed for risks related to corruption	The entire bank has been assessed for risks related to corruption.	
205-2	<p>a. Total number and percentage of governance body members that the organisation's anti-corruption policies and procedures have been communicated to, broken down by region</p> <p>b. Total number and percentage of employees that the organisation's anti-corruption policies and procedures have been communicated to, broken down by employee category and region</p> <p>b. Total number and percentage of business partners that the organisation's anticorruption policies and procedures have been communicated to, broken down by type of business partner and region</p> <p>b. Total number and percentage of business partners that the organisation's anticorruption policies and procedures have been communicated to, broken down by type of business partner and region</p>	Landshypotek Bank has zero tolerance toward any type of corruption. The bank's ethics policy is the foundation for anti-corruption efforts. Every employee at Landshypotek Bank completes annual training on anti-corruption. Board members are also trained in the bank's anti-corruption policy. All business partners are informed about the bank's Code of Conduct for suppliers.	
205-3	Confirmed incidents of corruption and actions taken		No incidents of corruption were reported during the year
ENVIRONMENT			
305: Emissions 2016 – limited to within Landshypotek Bank			
305-1	Direct (Scope 1) GHG emissions	See the Sustainability Report, page 31.	
305-2	Energy indirect (Scope 2) GHG emissions	See the Sustainability Report, page 31.	
305-3	Other indirect (Scope 3) GHG emissions	See the Sustainability Report, page 31.	
308: Supplier Environmental Assessment 2016 – limited to within Landshypotek Bank			
308-1	New suppliers that were screened using environmental criteria	Counterparty assessment that includes topics such as sustainability topics applied on all new suppliers.	

GRI standard	Description	Reference to relevant note in the Annual Report	Comments/Reservations
SOCIAL			
401: Employment 2016			
401-1	New employee hires and employee turnover	41 new employees (27 women and 14 men) began working at the bank in 2022. Employee turnover amounted to 11.3 percent in 2022.	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Temporary employees receive the same benefits as full-time employees.	
401-3	Parental leave The total number of employees that took parental leave, including their distribution by gender, and how many that returned to work in the reporting period after parental leave ended.	–	Landshypotek Bank has chosen not to report this information for 2022.
403: Occupational Health and Safety 2018 – limited to within Landshypotek Bank			
403-9	Work-related injuries.	See the Sustainability Report, page 25.	
404: Training and education 2016 – limited to within Landshypotek Bank			
404-3	Percentage of employees receiving regular performance and career development reviews	All employees receive regular reviews and follow-ups of their performance.	
405: Diversity and Equal Opportunity 2016 – limited to within Landshypotek Bank			
405-1	Diversity of governance bodies and employees	See the Corporate Governance Report, pages 45–48. See the Sustainability Report, page 26.	Deviation: statistics not broken down
406: Non-discrimination 2016 – limited to within Landshypotek Bank			
406-1	Incidents of discrimination and corrective actions taken	The bank has chosen not to report information about cases of discrimination and corrective actions taken in an external publication.	
413: Local communities 2016 – limited to within Landshypotek Bank			
413-1	Operations with local community engagement, impact assessments, and development programs	The bank conducts regular meeting with members, the cooperative association and elected representatives. The bank holds digital and physical information meetings for members nationwide. These types of societal issues are all driven by the Swedish Bankers' Association	
414: Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	Counterparty assessment including issues concerning sustainability and business ethics.	
418: Customer privacy 2016 – limited to within Landshypotek Bank			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints regarding customer privacy or a loss of data were received.	
419: Socioeconomic compliance – limited to within Landshypotek Bank			
419-1	Non-compliance with laws and regulations in the social and economic area		No significant fines or sanctions for crimes against prevailing laws and provisions have been brought against the bank.

Sector supplement for finance (GRI G4)

PRODUCT PORTFOLIO			
G4-FS8	Products and services designed to deliver a specific environmental benefit.	The bank's lending to agriculture and farming has a positive contribute on climate and environmental impacts. Farming and forestry forms the foundation of the natural carbon cycle, providing us with high-quality food and a nature and environment rich with variation. Landshypotek Bank has issued green bonds, for example. Landshypotek Bank has issued two bonds with a total volume of SEK 10.75 billion. Both of the issues comprise covered bonds and are used exclusively to finance sustainable forestry.	
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	The bank offers products and services to various customer groups from farming and forestry entrepreneurs to mortgagors and savings customers.	



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Corporate Governance Report

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

Foundation for corporate governance at Landshypotek Bank

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

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

Deviations from the Swedish Corporate Governance Code

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

General Meeting

Code rule 1.1

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

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

Election Committee

Code rules 2.3–2.6

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

Board procedures

Code rule 7.3

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

Remuneration to Board members and the company management

Code rule 9.1, point 3

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

Owners' control

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

Owner directive

Landshypotek Ekonomisk Förening's Board has adopted an owner directive. The aim of the owner directive is to clarify the owner's requirements of the bank and the targets that the bank is expected to achieve. The overriding objective with ownership of the bank is to secure long-term competitive financing for Swedish farming and forestry. The owner directive sets out, inter alia, a number of overarching principles regarding the bank's independence. Moreover, overarching goals are stipulated for market share and profitability. Performance vis-à-vis the

owner directive is reported on an ongoing basis to the Board of Directors of Landshypotek Ekonomisk Förening.

Articles of Association

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

Annual General Meeting 2022

The Annual General Meeting of Landshypotek Bank was held on 28 April 2022. Kjell Nilsson was the Annual General Meeting's Chairman. The owner was represented by Per-Olof Hilmér, Chairman of Landshypotek Ekonomisk Förening. The AGM was attended by the bank's and the association's Board members, the CEO, auditors and members of the Election Committee. The General Meeting elected the Board, Election Committee and auditors for the period until the next AGM. The General Meeting re-elected the following Board members: Gunilla Aschan, Anna-Karin Celsing, Ann Krumlinde Hyléen, Ole Laurits Lønnum, Lars-Johan Merin, Johan Nordenfalk and Johan Trolle-Löwen. No new members were elected to the Board of Directors. At the AGM, Hans Broberg, with Petra Nilsson as deputy, and Anders Nilsson, with Therese Ljung as deputy, were designated as the employee representatives. Ann Krumlinde Hyléen was elected Chairman of the Board. Furthermore, the authorised auditing firm Öhrlings PricewaterhouseCoopers AB (PwC) was re-elected as auditors. Authorised Public Accountant Catarina Ericsson was elected Auditor in Charge. The AGM resolved to discharge the Board of Directors and the CEO from liability. Furthermore, resolutions were passed on fees, appropriation of profits and adoption of the annual accounts for 2021. The CEO and Board of Directors presented the work performed in the company and on the company's Board during the year. The Election Committee presented its work during the year and its assessment of the eligibility of Board members on an individual basis as well as collectively. The General Meeting did not authorise the Board of Directors to issue new shares or buy back the company's shares.

Election Committee

The Election Committee is tasked with preparing election and remuneration issues ahead of the next AGM. The Election Committee follows the instruction established for the Committee and the adopted policy regarding Board diversity and for assessing the eligibility of Board members. The 2022 AGM resolved that the Election Committee should comprise: Per-Olof Hilmér, Ann-Britt Karlsson, Marie André and Claes Mattsson. Per-Olof Hilmér represents the owner in his capacity as Chairman of Landshypotek Ekonomisk Förening.

External auditors

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

Board of Directors

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

The Board's composition and eligibility

According to the Articles of Association, the Board comprises a minimum of four and a maximum of eight members who are elected each year at the AGM until the AGM the following year. The bank performs an eligibility assessment in parallel with the appointment of Board members, on re-election of Board members and when needed. The eligibility assessment of Board members is performed by the Election Committee in accordance with the bank's eligibility assessment policy and Board diversity policy. The eligibility assessment takes into consideration the individual's expertise, experience, reputation, integrity and other criteria, such as potential conflicts of interest and the member's ability to dedicate sufficient time to the assignment. Finansinspektionen conducts a management assessment in conjunction with



the appointment of Board members. Among other items, the Board diversity policy states that the background of Board members as well as the Board's gender balance and ages should be considered to obtain sufficient diversity on the Board. More detailed descriptions of the eligibility assessment and the diversity policy are published on the bank's website.

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

The Board's responsibilities and its procedures

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

The Chairman of the Board is appointed by the Annual General Meeting. The Chairman leads the Board's work and ensures that the work is performed efficiently and

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

The Board's work follows the formal work plan and annual plan adopted at the statutory Board meeting. In 2022, the Board had ten scheduled Board meetings.

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

The Board's Credit Committee

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

Following the statutory meeting in 2022, the members of the Credit Committee were as follows: Ann Krumlinde Hyléen (Chairman) and Johan Nordenfalk, with Ole Laurits Lønnum and Gunilla Aschan as deputies. Credit analysts, the Insolvency Manager or another specially appointed executive presents agenda items. The Credit Committee takes weekly credit decisions and, in addition, held four scheduled meetings in 2022.

The Board's Risk and Capital Committee

The principal task of the Risk and Capital Committee is to prepare items for the Board and, through liaison with internal functions to provide the Board with information about and prepare internal rules, and to monitor, analyse and prioritise risk and capital-related issues.

Following the statutory meeting in 2022, the members of the Committee were as follows: Ann Krumlinde Hyléen (Chairman), Anna-Karin Celsing, Ole Laurits Lønnum

and Johan Nordenfalk. The Chief Risk Officer or another specially appointed executive presents agenda items. The Committee held five meetings in 2022.

The Board's Audit Committee

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

Following the statutory meeting in 2022, the members of the Committee were as follows: Anna-Karin Celsing (Chairman), Gunilla Aschan, Lars-Johan Merin and Johan Trolle-Löwen. The Chief Financial Officer or another specially appointed executive presents agenda items. The Committee held six meetings in 2022.

The Board has also appointed a separate AML forum comprising Ann Krumlinde Hyléen, Anna-Karin Celsing, Johan Nordenfalk, the Head of Compliance and the CEO. The forum is temporary and is tasked with focused monitoring of the bank's work with questions pertaining to measures for counteracting money laundering and financing of terrorism.

The Board's Remuneration Committee

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

Following the statutory meeting in 2022, the members of the Remuneration Committee were as follows: Ann Krumlinde Hyléen (Chairman), Anna-Karin Celsing, Lars-Johan Merin and Johan Trolle-Löwen. The CEO, HR Manager or other party appointed by the Committee presents agenda items and is responsible for preparing an agenda in consultation with the Chairman for each meeting. The Committee held three meetings in 2022.

Evaluation of the Board of Directors

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

Evaluation of the Board of Directors

Board member	Board meetings	Credit Committee	Risk and Capital Committee	Audit Committee	Remuneration Committee
Ann Krumlinde Hyléen	10/10	4/4	5/5		3/3
Gunilla Aschan	10/10			6/6	
Hans Broberg	10/10				
Anna-Karin Celsing	9/10		5/5	6/6	3/3
Ole Laurits Lønnum	10/10		5/5		
Lars-Johan Merin ¹⁾	10/10			4/6	2/3
Anders Nilsson	10/10				
Johan Nordenfalk ²⁾	10/10	3/4	1/5		
Nils-Fredrik Nyblæus ³⁾	3/10	1/4	2/5	2/6	
Johan Trolle-Löwen	9/10			6/6	3/3
Petra Nilsson, deputy	0/10				
Ellen Weidman Wachtmeister, deputy ⁴⁾	0/10				
Therese Ljung, deputy ⁵⁾	0/10				

¹⁾ Appointed as member of the Audit Committee following the General Meeting on 28 April 2022.

²⁾ Appointed as member of the Credit Committee and Risk and Capital Committee following the General Meeting on 28 April 2022.

³⁾ Stepped down as Board member and member of the Credit Committee, Risk and Capital Committee and Audit Committee at the General Meeting on 28 April 2022.

⁴⁾ Stepped down as deputy in the Board at the General Meeting on 28 April 2022.

⁵⁾ Designated as deputy at the General Meeting on 28 April 2022.

on this review, an annual training plan is prepared for the Board.

Internal control and risk management

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

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

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

The first line of defence – business operations

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

The second line of defence – independent control functions

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

Risk function

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

The risk function is independent from operations and the Chief Risk Officer is directly subordinate to the CEO and the Board.

Chief Information Security Officer

The Chief Information Security Officer (CISO) is tasked with providing advice and support to the CEO and employees, and for structured and systematic measurement, control, analysis and continuous reporting on all information and cybersecurity risks in the bank. This includes, inter alia, monitoring the operations' information management and ensuring that the necessary technical safeguards are in place. It also includes reviewing changes and developments as well as providing information security advice. The CISO is part of the second line of defence and reports directly to the CEO and the Board.

Compliance (including the DSO)

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

Third line of defence – internal audit

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

Internal Audit aims to examine and evaluate internal governance and controls as well as provide an image of how well processes and procedures contribute to the operational goals. This includes, not least, the evaluation of the effectiveness of the risk management efforts and the work of the second line of defence. The internal audit review initiatives are conducted pursuant to a policy decided by the Board that describes its responsibilities and an annual plan. During 2022, the bank's internal audit was carried out by Deloitte AB.

Internal control over financial reporting

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

makes a proactive contribution to decision making and corporate governance through financial follow-ups, forecasts and impact analyses. The Board receives monthly financial reports in addition to the reporting submitted at each Board meeting. In addition, the Finance Department's Middle Office has a role in the internal control of financial reporting due to its responsibility for administering the financial system and measuring financial instruments. Middle Office is tasked with continuously evaluating the bank's valuation methods and ensuring that they comply with established market practices, internal guidelines, internal policy documents and external regulations for reporting and capital adequacy. Furthermore, External Audit is tasked with examining and evaluating the reliability of the financial reporting.

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

Remuneration system

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



as part of the salary review and, each year, the bank conducts an employee salary survey. Information regarding the remuneration to the Board, the CEO and the Bank Management is presented in Note 7.

CEO

The CEO is appointed by the Board and is responsible for the administration of the day-to-day operations. Among other tasks, the CEO must monitor the bank's operational and performance trends, and take ongoing decisions regarding the operations, development and control of the business. The CEO is responsible for operational compliance with the internal policies and strategies established by the Board for the bank. The CEO must review and assess the efficiency of the company's organisational structure, procedures, measures, methods and the like decided by the bank, and take appropriate measures to correct any inadequacies with the aforementioned. The CEO also evaluates whether

the bank controls and manages its risks in an efficient and appropriate manner. The CEO reports to the Board on an ongoing basis liaises closely with the Chairman. The Board has adopted a written instruction governing the role and work of the CEO. The instruction is a complement to the provisions in the Swedish Companies Act and the bank's Articles of Association. To ensure that the CEO has a good knowledge and understanding of the bank's organisation structure and processes, the bank's operations as well as the nature and scope of the bank's risks, the Board conducts an eligibility assessment of the CEO and carries out an evaluation of the CEO's performance each year.

The Bank Management and committees

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

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

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

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

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

Business

Business operations

The bank has organised its operations into two business areas: The farming and forestry business area is divided into four regions with 19 offices that meet customers locally. In addition, a central unit meets smaller farming customers, regardless of where they conduct operations, digitally and by telephone. Proximity to customers is strengthened by the regional member organisation, which comprises the elected members from the bank's owner, Landshypotek Ekonomisk Förening. The other business area, Housing, meets the country's house and holiday home owners digitally and by telephone. In addition, a customer service organisation is in place that handles customers as well as lending and deposits customers. Each head of operations reports directly to the CEO and has full responsibility for all risks and the operational performance of the entire business area.

Corporate culture

A small bank with a vital mission.

Landshypotek Bank is a unique bank in the Swedish banking market. The bank has a clear assignment for Sweden's farming and forestry sectors and is owned

by its farming and forestry loan customers, the bank's objectives and closeness to customers, together with the ownership model, are important reasons behind the bank's values-driven organisation and its strong corporate culture.

Active, ongoing efforts are being driven at Landshypotek Bank to develop the bank together with the employees. On a number of occasions in 2022, employees gathered both digitally and physically to discuss the bank's development, in smaller groups and all together. As a small bank with some 230 employees, each employee is crucial to the bank's future.

Close dialogue between employees and managers is important at the bank. Therefore, the bank holds regular, structured dialogues between managers and employees. The dialogues aim to form an image of employees' work situations. Managers follow up the set goals and activities as well as what to focus on for the period until the next dialogue. In 2022, employee dialogue has been reviewed and further developed.

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

Market disclosures

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

Board members

As of the publication date of this report



Ann Krumlinde Hyléen

Born: 1962, Vadstena, Chairman Director since 2018, Chairman since 2020 Chairman of the Credit Committee, Risk and Capital Committee, and the Remuneration Committee.
MSc in Business and Economics.
Chairman of Consolid Equity, Consolid Equity E, Consolid Equity Investment, Moon Bay and Skabersjö Gods. Board member of NCG Group, Perfect Climate Holding Europe, Re&Go and Väderstad.



Anna-Karin Celsing

Born: 1962, Stockholm, Director Director since 2014
Chairman of the Audit Committee.
Member of the Risk and Capital Committee, and the Remuneration Committee.
MSc in Business and Economics.
Member of Lannebo Fonder, Peas Industries, OX2, stiftelsen Beckmans Designhögskola, Tim Bergling Foundations, stiftelsen Orion-teatern, Castellum, Svensk Husproduktion and Volati.



Gunilla Aschan

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



Ole Laurits Lønnum

Born: 1971, Norway, Director Director since 2020
Member of the Risk and Capital Committee, and deputy in the Remuneration Committee.
MSc in Business and Economics.
CEO of Landkredit.
Director of Landkredit Forsikring, Landkredit Förvaltning, Landkredit Boligkredit and Landkredit Eiendom.
CEO of Landkredit Bank.



Hans Broberg

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



Lars-Johan Merin

Born: 1959, Fellingsbro, Director Director since 2020
Member of the Remuneration Committee and Audit Committee.
Agrologist.
Chairman of Sveriges Frö- och Oljeväxtodlare, Svensk Raps and Fellingsbro Lager & Fastigheter. Director of Anders Elofsons fond KSLA och Spanssam.



Anders Nilsson

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



Lars Sjögren

Born: 1963, Stocksund, Director
Director since 2023
Economist.
Chairman of Sundfrakt. Member of Lola
Consulting.



Johan Nordenfalk

Born: 1973, Stockholm, Director
Director since 2022
Member of the Risk and Capital Committee
and the Credit Committee Lawyer.
Chairman of Campus Manilla Utbildning,
Storsala and stiftelsen Carpe Scientia.
CEO of Blekhems Egendom. Director of
Skabersjö Gods.



Johan Trolle-Löwen

Born: 1959, Nyköping, Director
Director since 2011
Member of the Remuneration Committee and
Audit Committee.
MSc in Engineering.
Chairman of Kopparfors Skogar.
Director of Bergvik Skog Väst, Timmerman-
sordens drätselråd and Hargs Bruk
AB. CEO and Director of Sjösa Förvaltnings
and Limmersvik.

Changes in the bank's Board

Lars Sjögren joined as a member of the Board in 2023.

Senior Management

As of the publication date of this report



Per Lindblad

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



Maya Jernström

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



Mats Bergström

Chief Risk Officer
Born: 1981
Employed in: 2022
Education: MSc in Commercial and Tax Law
Previous experience: Risk and Compliance consultant Transcendent Group, Chief Risk Officer Nordea Hypotek and Senior Control Specialist Nordea Bank.



Martin Kihlberg

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



Johan Ericson

Chief Financial Officer
Born: 1972
Employed in: 2022
Education: BSc Mathematics
Previous experience: CFO Asset & Wealth Management Nordea and CFO CI&B Nordea.



Stefan Malmström

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



Hanna Neidenmark

Business strategist
Born: 1981
Employed in: 2022
Education: Business Administration
Previous experience: CEO Rocker AB and Lendo AB.



Catharina Åbjörnsson Lindgren

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



Tomas Uddin

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

Changes in Management during the year

During the year, Mats Bergström assumed the position of Chief Risk Officer, Johan Ericson assumed the position of Chief Financial Officer and Hanna Neidenmark assumed the role of Business strategist. Karl Högstedt, Chief Financial Officer, and Jan Lilja, Chief Risk Officer, have stepped down from Bank Management.



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Income Statement

SEK million	Note	2022	2021
Interest income		2,001	1,441
of which interest income using the effective-interest method		2,001	1,441
of which other interest income		0	-
Interest expenses		-914	-469
Net interest income	4	1,087	972
Net result of financial transactions	5	3	-15
Other operating income	6	5	8
Total operating income		1,094	964
General administrative expenses	7	-510	-450
Depreciation, amortisation and impairment of tangible and intangible assets	8	-41	-47
Other operating expenses	9	0	-1
Total expenses before credit losses		-551	-498
Profit before credit losses		544	466
Net credit losses	10	4	5
Operating profit		548	471
Tax expense on profit for the year	11	-118	-101
Net profit for the year		430	370
Earnings per share, SEK		190.9	164.2
Parent Company's portion of net profit for the year		100%	100%

Statement of Comprehensive Income

SEK million	Note	2022	2021
Net profit for the year		430	370
Other comprehensive income			
Items to be reclassified to income statement			
Financial assets at FVTOCI		-48	10
Change in cross-currency basis spreads in fair value hedges		24	6
Tax on items that will be reclassified	11	5	-3
Total items that will be reclassified		-19	12
Total other comprehensive income		-19	12
Comprehensive income for the year		411	382
Parent Company's portion of comprehensive income for the year		100%	100%

Balance Sheet

SEK million	Note	2022	2021
ASSETS			
Cash and balances with central banks		347	–
Eligible treasury bills	12	5,418	4,274
Loans to credit institutions	13	125	322
Loans to the public	14	105,647	93,968
Value change of interest-hedged items in portfolio hedges		-1,125	-84
Bonds and other interest-bearing securities	15	6,508	5,981
Derivatives	16	2,264	1,405
Intangible assets	17	68	91
Tangible assets	18	14	25
Other assets	19	7	6
Current tax assets		0	0
Prepaid expenses and accrued income	20	38	28
TOTAL ASSETS		119,311	106,018
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	21	2,489	638
Deposits from the public	22	23,496	15,254
Debt securities issued, etc.	23	82,922	82,066
Derivatives	24	2,737	410
Other liabilities	25	386	447
Tax liabilities		22	13
Accrued expenses and prepaid income	26	37	28
Provisions	27	0	1
Subordinated liabilities	28	602	600
Total liabilities		112,692	99,458
Equity			
Share capital, number of shares outstanding: 2,253,000 (2,253,000)		2,253	2,253
Tier 1 capital		400	700
Other contributed equity		1,017	1,017
Reserves		-25	-6
Retained earnings		2,578	2,311
Net profit for the year		430	370
Shareholders' contributions for the year		122	51
Group contributions paid		-156	-136
Total equity	29	6,619	6,560
TOTAL LIABILITIES AND EQUITY		119,311	106,018

Statement of changes in equity

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

2022 SEK million	Share capital	Tier 1 capital	Other contributed equity	Fair value reserve	Cross-currency basis spreads in fair value hedges	Retained earnings	Total
Opening balance	2,253	700	1,017	24	-29	2,596	6,560
Comprehensive income for the year				-38	19	430	411
Total change before transactions with owners and holders of Tier 1 capital instruments	-	-	-	-38	19	430	411
Tier 1 capital		-300					-300
Dividend on Tier 1 capital instruments						-18	-18
Shareholders' contributions						122	122
Group contributions paid						-197	-197
Tax on Group contributions paid						41	41
Closing balance	2,253	400	1,017	-14	-10	2,974	6,619

Statement of cash flow

SEK million	Note	2022	2021
Operating activities			
Interest received	4	2,001	1,441
Interest paid	4	-914	-469
Net result of financial transactions	5	-6	-9
Other operating cash receipts		5	8
Administrative expenses paid		-527	-468
Recovery of previously confirmed losses		2	2
Income tax paid		-66	-62
Change in eligible treasury bills		-1,144	-469
Change in loans to the public		-11,682	-10,932
Change in bonds and other interest-bearing securities		-526	-105
Change in other assets		163	499
Change in liabilities to credit institutions		1,851	-5,204
Change in deposits from the public		8,242	581
Change in debt securities issued, etc.		856	15,516
Change in other liabilities		2,263	237
Cash flow from operating activities		518	567
Investment activities			
Acquisitions of intangible assets		-	-
Acquisitions of tangible assets		-	-
Divestments of operating properties through subsidiaries		-	-
Cash flow from investment activities		0	0
Financing activities			
Shareholders' contributions received		122	51
Tier 1 capital		-300	-
Interest expense classified as Tier 1 capital dividend (AT1)		-18	-31
Dividends and Group contributions paid		-172	-163
Repayment of subordinated liabilities		-	-1,203
Issue of subordinated liabilities		-	600
Cash flow from financing activities		-367	-745
Cash flow for the year		150	-178
Change in cash and cash equivalents	35	150	-178
Cash and cash equivalents at beginning of year		322	500
Cash and cash equivalents at year end		473	322

Five-year Summary

SEK million	2022	2021	2020	2019	2018
INCOME STATEMENT					
Net interest income	1,087	972	872	815	799
Other operating income	7	-8	-10	60	22
Operating expenses	-510	-451	-428	-420	-411
Depreciation and amortisation	-41	-47	-49	-41	-17
Credit losses/recoveries	4	5	13	3	-8
Operating profit	548	471	397	418	386
BALANCE SHEET					
Assets					
Loans to the public	105,647	93,968	83,039	76,367	72,511
Other assets	13,664	12,050	12,194	12,520	13,417
Total assets	119,311	106,018	95,233	88,887	85,928
Liabilities					
Funding	109,509	98,559	88,268	81,913	78,945
Other liabilities	3,183	899	671	863	1,059
Equity	6,619	6,560	6,294	6,111	5,924
Total liabilities and equity	119,311	106,018	95,233	88,887	85,928
Key financial ratios					
Interest margin, %	1.08	1.10	1.11	1.10	1.13
Credit loss level, % ¹⁾	-	-	-	-	0.01
Return on equity, %	7.1	6.4	5.5	6.2	5.6

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

Alternative performance measures

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

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

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

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

Alternative performance measures

SEK million	2022	2021
Change in loans to the public	11,679	10,929
Opening balance, loans to the public	93,968	83,039
Change in loans to the public, %	12.4	13.2
Net interest income	1,087	972
Average loans outstanding	100,566	88,444
Interest margin, %	1.08	1.10
Change in deposits from the public	8,242	581
Opening balance deposits from the public	15,254	14,672
Change in deposits from the public, %	54.0	4.0
Costs before credit losses	-551	-498
Total operating income	1,094	964
C/I ratio including financial transactions	0.50	0.52
Costs before credit losses	-551	-498
Total operating income excluding financial transactions	1,092	979
C/I ratio excluding financial transactions	0.50	0.51
Net credit losses	4	5
Average loans to the public	100,566	88,444
Credit loss level, %¹⁾	-	-
Credit-impaired assets, gross	715	675
Less provisions made	-22	-22
Credit-impaired assets, net	693	654
Credit-impaired assets, net	693	654
Loans to the public	105,647	93,968
Net credit-impaired assets after allowances as a percentage of total loans outstanding, %	0.66	0.70
Tier 1 capital	5,939	5,909
Exposure measure	118,468	105,450
Leverage ratio, %	5.0	5.6
CET1 capital	5,539	5,209
Total risk-weighted exposure amount	40,563	37,538
CET1 capital ratio, %	13.7	13.9
Own funds	6,539	6,509
Total risk-weighted exposure amount	40,563	37,538
Total capital ratio, %	16.1	17.3
Profit after tax	430	370
Average LTM equity	6,046	5,758
Return on equity, %	7.1	6.4
Profit after tax	430	370
Number of shares, million	2	2
Earnings per share, SEK	190.9	164.2

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

Notes

Note 1 Accounting policies

Corporate information

On 16 March 2023, the Board of Directors of Landshypotek Bank AB (publ.), Corporate Registration Number 556500-2762, approved the financial statements. These financial statements will be presented for final adoption by the Annual General Meeting on 20 April 2023.

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

Basis for preparing the annual accounts

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

Currency and comparative data

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

Standards, amendments and interpretations coming into effect during the year

No new standards, amendments and interpretations as well as annual improvement projects that have come into force had any material impact on these financial statements.

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

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

Operating segments

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

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

Measurement of receivables and liabilities in foreign currency

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

Classification and measurement rules for financial assets

Financial assets are divided into the following categories for measurement:

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

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

Financial assets at amortised cost

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

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

Financial assets that are not equity instruments at FVTOCI

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

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

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

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

Financial assets at FVTPL

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

Classification and measurement of financial liabilities

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

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

Transaction-date or settlement-date accounting

Financial assets and liabilities attributable to lending and deposits are recognised on the settlement date. Business transactions in the money, bond or equity markets are recognised on the transaction date when the material rights and risks transfer between the parties.

Intangible assets

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

Tangible assets

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

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

Provisions

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

Interest income and interest expense

Interest income and interest expense on financial assets and liabilities are recognised in profit or loss in accordance with the effective-interest method under the headings "Interest income" and "Interest expense." The change in value of financial assets and liabilities at FVTPL is accounted for under the heading "Net result of financial transactions." This is also true for changes in the fair value of financial assets and liabilities included in hedge accounting.

Hedge accounting

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

Fair-value hedges for borrowing

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

Macro hedging of fair value in the credit portfolio

Hedge accounting is applied for parts of the exposure to interest-rate risk in fixed-interest financial lending. The aim of the hedge being to offset changes in fair value due to movements in market interest rates. For this purpose, groups of loans with similar risk exposure are identified as a portfolio, which is then

hedged using interest-rate swaps. Changes in the fair value of a derivative formally identified as a hedging instrument, and which fulfil the requirements for hedge accounting, are recognised in profit or loss under the heading "Net result of financial transactions." Changes in value attributable to the hedged risk for the hedged credit portfolio are recognised in profit or loss under the heading "Net result of financial transactions" and in the balance sheet on a separate line in connection with "Loans to the public."

Fair-value hedges in fixed-interest investments

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

Discontinuation of hedge accounting

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

Net result of financial transactions

Realised gains and losses attributable to the purchase and sale of bonds and derivative instruments in the liquidity reserve and the buyback of bonds are recognised under the heading "Net result of financial transactions." In addition, unrealised gains and losses attributable to market-value changes of derivative instruments, holdings of financial assets at FVTPL and changes in fair value attributable to the hedged risk of the hedged assets or liabilities in a fair-value hedge are also recognised here. When applicable, impairment attributable to financial assets is recognised at FVTOCI under this heading.

Personnel costs

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

Pension costs

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

Leases

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

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

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

Recognition of expected credit losses

Credit portfolio

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

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

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

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

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

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

For the credit portfolio, one of the scenarios comprises a forecast of the parameters for interest, GDP and the real estate price index. Parameter projections are made for the first five years and, thereafter, the scenario returns to a long-term

expected trend of up till 30 years. To ensure consistency, the risk estimate for the credit portfolio is based on the same calculations as for capital adequacy.

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

Committed, but undisbursed credits

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

Liquidity portfolio

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

Confirmed credit losses

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

Restructuring of loans

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

Tax expenses

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

Group contributions

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

Estimates and critical assessments

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

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

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

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

Note 2 Risks

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

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

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

Credit risk

Definition

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

Credit risk in the credit portfolio

Landshypotek Bank's loans to the public totalled SEK 105.6 billion (94.0). Lending encompasses lending to entrepreneurs and homeowners primarily against collateral in farm and forest properties. All lending takes place in Sweden.

Management of credit risk

Credit process

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

Credit portfolio monitoring

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

Management of problem credits

Operations at Landshypotek Bank bear full responsibility for customer relationships, profitability and risks in all customer

commitments. When needed, operations is assisted by the central departments with in-depth analyses and with managing problem customers and insolvency cases. The Credit and Business support unit assists with expertise with regard to problem commitments and confirmed insolvency cases. The bank's insolvency unit works primarily with defaulting commitments with the aim of discontinuing the loans with a minimal loss for the bank.

Counterparty risk, credit risk in treasury operations

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

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

Liquidity risk

Definition

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

Liquidity risk

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

Management of liquidity risk

To maintain good payment capacity, the Board has decided that a liquidity buffer should be available that corresponds to the forecast, accumulated net cash outflows for the next 180-day period and the outflows of deposits in a stressed scenario, without any possibility of refinancing. The liquidity portfolio was 1.4 times (1.8) 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.

Landshypotek Bank's holdings in its liquidity reserve are of the type that may be used as security for loans from the Riksbank as well as for repo financing with financial counterparties. This liquidity reserve gives the bank the opportunity of bridging temporary strains on liquidity, but also provides the opportunity of

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

2022 SEK million	Covered bonds	Bonds issued by municipalities and regions	Total
AAA	6,006	2,095	8,101
AA+		3,825	3,825
Total	6,006	5,920	11,925

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

Derivative contracts broken down by rating, measured at fair value

2022 SEK million	Positive market value	Exposure amount before credit risk mitigation techniques incl. netting gains and collateral received ^{2) 3) 4)}	Exposure amount after credit risk mitigation techniques incl. netting gains and collateral received ^{2) 3) 4)}
Credit quality stage ¹⁾			
1	912	-316	-316
2	1,023	-488	-488
3	92	-9	-9
4–6			–
Total	2,027	-813	-813

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

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

²⁾ Landshypotek received SEK 340 million (308) in cash collateral under derivative contracts. This cash collateral has not been taken into account in the above figures.

³⁾ Netting gains amounted to SEK 500 million (262).

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

procuring the necessary funds in times of severe liquidity crisis by borrowing against or selling assets in an orderly fashion to reduce the financing need. The bank also measures the liquidity reserve, based on it covering net outflows over a 30-day significant stress period in accordance with external regulations. The bank's LCR under EU Regulation 575/2013 and Commission Delegated Regulation (EU) 2015/61 was 248 percent (416) for Landshypotek Bank's consolidated situation and 248 percent (416) for Landshypotek Bank.

Landshypotek Bank has started to offer deposits with the aim of diversifying its funding and, thereby, reducing refinancing risk. Deposits with the bank amounted to SEK 23.5 billion (15.3). Landshypotek Bank performs regular stress tests of liquidity risk. These include a decline in value of the liquidity reserve, reduced capital repayments and interest income, lack of new

borrowing and withdrawals of deposits. The results of the stress tests demonstrate that Landshypotek Bank has an extremely healthy payment capacity.

Market risk

Definition

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

Interest-rate risk

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

Currency risk

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

Credit-spread risk

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

Basis-spread risk

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

Interest-rate risk

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

The total impact of interest-rate risk on the balance sheet's present values for a parallel upward movement of the interest-rate curve of one percentage point amounted to SEK 134 million (negative: 127). Only a marginal portion of the change in the market values of assets and liabilities is recognised and, therefore, interest-rate risk that could impact earnings amounted to a negative SEK 7.2 million (positive: 13).

Currency risk

The bank has no appetite for currency risks. The currency risk that arises when raising funds in currencies other than SEK is hedged by taking all of the cash flows in another currency and reflecting them in the derivative contracts used to hedge currency and interest-rate risk. In nominal amounts, the bank's funding in foreign currency amounted to SEK 2.8 billion (2.7). Any changes in exchange rates will have no material impact on earnings.

Credit-spread risk

Credit-spread risk arises from fluctuations in credit spreads in Landshypotek Bank's liquidity reserve and these also impact earnings. An increase in the credit spread of one basis point (1bp) would lead to a SEK 3.4 million (2) decrease in the value of the liquidity portfolio and would be recognised in other comprehensive income.

Basis-spread risk

Basis-spread risk arises for Landshypotek Bank when the currency and interest-rate risks that arise in conjunction with borrowing in a foreign currency are reduced by swapping payments in foreign currency for payments in Swedish currency through cross-currency interest-rate swaps. However, if Landshypotek Bank does not terminate the swap agreements ahead of time, the net earnings impact on expiry of the swap agreements would be zero. Due to increased volatility in basis spreads, Landshypotek Bank has chosen not to take up any funding in foreign currencies since 2011. A 1bp movement in basis spreads would lead to a SEK 1.3 million (2) value change in the swaps, which would be recognised in other comprehensive income.

Fair-value hedges

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

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

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

Effectiveness testing pursuant to IFRS 9

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

Effectiveness testing pursuant to IAS 39

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

Ineffectiveness

Ineffectiveness is calculated by comparing the change in fair value of the hedged risk in the hedged item with the change in

fair value of the derivative. The hedge is ineffective if the change in fair value of the derivative deviates from the change in value of the hedged item.

The main reason for ineffectiveness in these hedging relationships are:

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

Operational risk

Definition

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

Operational risk

Landshypotek Bank has a low appetite for operational risk.

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

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

- Meeting customers;
- Supporting business;
- Internal bank; and
- Financial reporting.

Management of operational risk

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

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

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

Fixed-interest terms for interest-bearing assets and liabilities

2022 SEK million	<3 months	3–12 months	1–3 years	3–5 years	>5 years	Total
Assets						
Cash and balances with central banks	347					347
Eligible treasury bills	4,782	–	400	200	–	5,382
Loans to credit institutions	125					125
Loans to the public	76,867	10,959	12,743	4,244	880	105,693
Bonds and other interest-bearing securities	1,500	800	1,750	2,800	–	6,850
Derivatives	42,257	9,660	11,950	14,119	3,518	81,504
Total assets	125,879	21,419	26,843	21,363	4,398	199,902
Liabilities						
Liabilities to credit institutions	2,489					2,489
Deposits from the public	23,496					23,496
Debt securities issued	44,850	9,660	11,950	14,269	3,523	84,252
Derivatives	52,201	10,520	12,380	5,235	810	81,146
Subordinated liabilities	600	–	–	–	–	600
Total liabilities	123,637	20,180	24,330	19,504	4,333	191,984
Net	2,242	1,239	2,513	1,859	65	7,918
Interest-rate sensitivity, net	9	-2	-5	-5	-4	-7
Cumulative interest-rate sensitivity	9	7	2	3	-7	

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

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

Maturity analysis for financial assets and liabilities

2022 SEK million	On demand	<3 months	3–12 months	1–3 years	3–5 years	>5 years	Total
Financial assets							
Cash and balances with central banks	347						347
Eligible treasury bills	–	386	657	1,854	2,653	436	5,987
Loans to credit institutions	125						125
Loans to the public	–	1,234	1,985	5,003	4,781	94,478	107,481
Bonds and other interest-bearing securities	–	618	1,328	1,878	3,330	0	7,154
Derivatives	–	414	1,022	1,606	2,143	2,374	7,560
Total	473	2,652	4,992	10,342	12,907	97,288	128,654
Liabilities							
Liabilities to credit institutions		2,489					2,489
Borrowing/deposits from the public	23,496						23,496
Granted credit facilities	–	348	–	–	–	–	348
Debt securities issued	–	1,517	14,454	38,213	33,186	4,341	91,711
Derivatives	–	334	1,154	2,224	2,073	2,316	8,101
Subordinated liabilities	–	5	21	53	606	–	685
Other liabilities	–	16	271	4	0	–	291
Total	23,496	4,710	15,900	40,495	35,864	6,657	127,122
Contracted cash flows	-23,023	-2,058	-10,908	-30,152	-22,957	90,631	1,532

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

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

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

2022 SEK million	<3 months	3–12 months	1–3 years	3–5 years	>5 years	Total
Interest-rate risk						
Interest-rate swaps paying fixed interest and receiving floating interest						
Nominal amount	10,810	10,520	12,380	5,235	810	39,755
Average fixed interest rate %	0.27	0.40	0.39	0.93	1.12	
Interest-rate swaps paying floating interest and receiving fixed interest						
Nominal amount	1,000	9,660	11,950	13,451	2,906	38,967
Average fixed interest rate %	0.04	0.81	0.77	0.65	2.63	
Foreign currency risk						
Currency related derivatives SEK/EUR						
Nominal amount	–	–	–	1,165	1,259	2,424
Average exchange rate	–	–	–	0.11	0.10	
Total	11,810	20,180	24,330	19,851	4,976	81,146

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

Hedging instrument

2022 SEK million	Balance-sheet item encompass- ing derivatives	Nominal amount hedging instrument	Carrying amount		Change in fair value used to measure efficiency
			Assets	Liabilities	
Interest-rate risk					
Interest-rate swaps, macro hedging, loans to the public	Derivatives	33,305	1,139	56	1,037
Interest-rate swaps, fair-value hedges, liquidity reserve	Derivatives	6,450	423	19	294
Interest-rate swaps, fair-value hedges, debt securities issued, SEK	Derivatives	37,465	250	2,651	-2,536
Foreign currency risk					
Cross-currency interest-rate swaps, EUR	Derivatives	3,926	452	12	70
		81,146	2,264	2,737	-1,135

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

Hedged items

2022 SEK million	Balance-sheet item encompassing the hedged item	Carrying amount		Change in fair value used to measure efficiency
		Assets	Liabilities	
Interest-rate risk				
Fixed-rate loans to the public	Loans to the public	32,178		-1,041
Fixed-rate liquidity reserve	Eligible treasury bills, Bonds and other interest-bearing securities	6,039		-295
Fixed-rate funding in SEK	Debt securities issued, etc.		34,956	2,545
Foreign currency risk				
Fixed-rate funding in EUR	Debt securities issued, etc.		71	453
		38,217	35,027	1,663

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

Ineffectiveness recognised amounted to SEK 8 million (expense: 6) and was recognised in the Net result of financial transactions.

Note 3 Risk and capital adequacy

The total capital ratio for the consolidated situation was 16.1 percent compared with 17.0 percent as of 31 December 2021 and the CET1 capital ratio was 14.0 percent (14.4 as of 31 December 2021). At Landshypotek Bank AB, the total capital ratio amounted to 16.1 percent (17.3 as of 31 December 2021) and the CET1 capital ratio was 13.7 percent (13.9 as of 31 December 2021). During the year, own funds for the consolidated situation increased a total of SEK 172 million (from SEK 6,372 million to SEK 6,544 million), primarily attributable to the bank's positive performance which contributed to the increase in parallel with the bank replacing a perpetual subordinated loan with a lower amount, thus reducing additional Tier 1 capital. The minimum capital requirement increased SEK 242 million to SEK 3,245 million mainly as a result of increased lending, but the higher capital requirement was also due to the raising of the countercyclical capital buffer.

In addition to the minimum capital requirement of 8 percent of the total risk-weighted amount, the combined buffer requirement is 3.5 percent. The combined buffer requirement breaks down as 2.5 percentage points in the form of the capital

conservation buffer and the remaining 1 percentage point in the form of the countercyclical capital buffer. The combined buffer requirement must be covered by CET1 capital.

The leverage ratio for the consolidated situation amounted to 5.1 percent (5.6 as of 31 December 2021).

The internally assessed capital requirement for the consolidated situation was SEK 5.5 billion (4.6 as of 31 December 2021) and should be compared with own funds of SEK 6.5 billion. The increased capital requirements also derive, in addition to increased loans outstanding, from the raised countercyclical capital buffer that entered force on 29 September 2022.

On 21 June 2022, Finansinspektionen decided on an additional 1 percentage point increase in the countercyclical capital buffer. The countercyclical buffer of 2.0 percent applies from and including 22 June 2023.

EU CC1 – Composition of regulatory own funds

SEK million	Consolidated situation ¹⁾	
	31 Dec 2022	31 Dec 2021
Capital instruments and the related share premium accounts	2,000	1,959
of which: member contributions	2,000	1,959
of which: share capital		
Retained earnings ²⁾	4,074	3,856
Accumulated other comprehensive income (and other reserves)	-43	-24
Independently reviewed interim profits net of any foreseeable charge or dividend	339	260
CET1 capital before regulatory adjustments	6,369	6,052
Additional value adjustments	-12	-10
Intangible assets (net of related tax liability) (negative amount)	-68	-71
Negative amounts resulting from the calculation of expected loss amounts	-599	-570
Other regulatory adjustments	-	-
Total regulatory adjustments to CET1 capital	-679	-651
CET1 capital	5,690	5,400
Capital instruments and the related share premium accounts	-	-
of which: classified as equity under applicable accounting standards	-	-
Qualifying Tier I capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	311	471
Additional Tier 1 (AT1) capital	311	471
Tier 1 capital (T1 = CET1 + AT1)	6,001	5,871
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	543	501
Tier 2 (T2) capital	543	501
Total capital (TC = T1 + T2)	6,544	6,372
Total risk-weighted exposure amount	40,564	37,538
CET1 capital ratio (%)	14.0	14.4
Tier 1 capital ratio (%)	14.8	15.6
Total capital (%)	16.1	17.0
Institution CET1 overall capital requirements (%)	9.1	8.1
of which: capital conservation buffer requirement (%)	2.5	2.5
of which: countercyclical capital buffer requirement (%)	1.0	-
of which: additional own funds requirements to address risks other than the risk of excessive leverage (%) ³⁾	1.1	1.1
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements ⁴⁾	6.1	7.0

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

²⁾ Item includes other contributed equity

³⁾ As of 31 December 2021, Finansinspektionen's assessment of Pillar II capital requirements has been included even though the actual amounts have yet to be formally determined.

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

Capital requirements

SEK million	Consolidated situation	
	31 Dec 2022	31 Dec 2021
Internally assessed capital requirement¹⁾		
Pillar I capital requirement	3,245	3,003
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	744	665
Percentage of total risk-weighted exposure amount	1.8	1.8
Combined buffer requirement	1,420	938
Percentage of total risk-weighted exposure amount	3.5	2.5
Capital requirement, Pillar II guidance	–	–
Percentage of total risk-weighted exposure amount	–	–
Total capital requirement	5,409	4,606
Percentage of total risk-weighted exposure amount	13.3	12.3
Own funds (Tier 1 capital + Tier 2 capital)	6,544	6,372
Percentage of total risk-weighted exposure amount	16.1	17.0
Capital requirement as assessed by Finansinspektionen²⁾		
Pillar I capital requirement	3,245	3,003
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	819	758
Percentage of total risk-weighted exposure amount	2.0	2.0
Combined buffer requirement	1,420	938
Percentage of total risk-weighted exposure amount	3.5	2.5
Capital requirement, Pillar II guidance	–	–
Percentage of total risk-weighted exposure amount	–	–
Total capital requirement	5,484	4,700
Percentage of total risk-weighted exposure amount	13.5	12.5
Own funds (Tier 1 capital + Tier 2 capital)	6,544	6,372
Percentage of total risk-weighted exposure amount	16.1	17.0
Leverage ratio requirement³⁾		
Leverage ratio requirement	3,549	3,164
Percentage of total exposure amount for the leverage ratio	3.0	3.0
Pillar II capital requirement	–	–
Percentage of total exposure measure for the leverage ratio	–	–
Capital requirement, Pillar II guidance	355	316
Percentage of total exposure measure for the leverage ratio	0.3	0.3
Total capital requirement (incl. Pillar II guidance)	3,904	3,480
Percentage of total exposure measure for the leverage ratio	3.3	3.3
Tier 1 capital	6,001	5,871
Percentage of total exposure amount for the leverage ratio	5.1	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 2022) and the combined buffer requirement pursuant to the Capital Buffers Act (2014:966).

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

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

Own funds requirement by risk, approach and exposure class

31 Dec 2022 SEK million	Consolidated situation			
	Exposure value ¹⁾	Risk-weighted exposure amount ²⁾	Own funds requirement ³⁾	Average risk weight ⁴⁾
Credit risk – IRB approach	106,184	29,206	2,336	28%
Retail – real estate collateral	67,759	8,703	696	13%
Corporates	38,368	20,446	1,636	53%
Other non-credit-obligation assets	58	58	5	100%
Credit risk – Standardised approach	13,566	1,094	88	8%
Central governments or central banks	350	0	0	0%
Regional governments or local authorities	5,920	0	0	0%
Institutions	907	305	24	34%
Corporates	11	11	1	100%
Retail	49	33	3	68%
Secured by mortgage liens on immovable property	322	142	11	44%
Exposures in default	2	2	0	110%
Covered bonds	6,005	601	48	10%
Operational risk – Basic indicator approach		1,644	132	
Credit valuation adjustment risk – Standardised approach	777	383	31	49%
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		8,237	659	
Total	120,527	40,564	3,245	

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

¹⁾ Exposure value calculated in accordance with the CRR.

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

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

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

EU KM1 – Key metrics template

SEK million	Consolidated situation				
	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Available own funds (amounts)					
CET1 capital	5,690	5,428	5,321	5,425	5,400
Tier 1 capital	6,001	5,748	5,620	5,714	5,871
Total capital	6,544	6,303	6,146	6,224	6,372
Risk-weighted exposure amount					
Total risk-weighted exposure amount	40,564	39,933	39,728	38,594	37,538
Capital ratios (as a percentage of REA)					
CET1 capital ratio (%)	14.0	13.6	13.4	14.1	14.4
Tier 1 capital ratio (%)	14.8	14.4	14.1	14.8	15.6
Total capital ratio (%)	16.1	15.8	15.5	16.1	17.0
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	2.0	2.0	2.0	2.0
of which: to be made up of CET1 capital (percentage points)	1.1	1.1	1.1	1.1	1.1
of which: to be made up of Tier 1 capital (percentage points)	1.5	1.5	1.5	1.5	1.5
Total SREP own funds requirements (%)	10.0	10.0	10.0	10.0	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 (%)	1.0	–	–	–	–
Combined buffer requirement (%)	3.5	2.5	2.5	2.5	2.5
Overall capital requirements (%)	13.5	13.5	12.5	12.5	12.5
CET1 available after meeting the total SREP own funds requirements (%)	6.1	5.8	5.5	6.1	7.0
Leverage ratio					
Total exposure measure	118,314	115,177	111,367	109,144	105,455
Leverage ratio (%)	5.1	5.0	5.0	5.2	5.6
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	3.0	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	3.0	3.0	3.0
Liquidity coverage ratio					
Total high-quality liquid assets (HQLA) (weighted value – average)	8,349	7,730	8,112	9,181	9,533
Cash outflows – total weighted value	3,599	3,411	2,810	2,847	2,654
Cash inflows – total weighted value	232	194	209	287	366
Total net cash outflows (adjusted value)	3,367	3,217	2,601	2,560	2,289
Liquidity coverage ratio (%)	248.0	240.3	311.9	358.7	416.5
Net stable funding ratio					
Total available stable funding	101,557	101,904	97,178	98,465	93,223
Total required stable funding	86,126	84,263	83,408	81,075	78,410
Net stable funding ratio (%)	117.9	120.9	116.5	121.5	118.9

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

EU CC1 – Composition of regulatory own funds

SEK million	Landshypotek Bank AB	
	31 Dec 2022	31 Dec 2021
Capital instruments and the related share premium accounts	2,253	2,253
of which: member contributions	–	–
of which: share capital	2,253	2,253
Retained earnings ¹⁾	3,560	3,243
Accumulated other comprehensive income (and other reserves)	-25	-6
Independently reviewed interim profits net of any foreseeable charge or dividend	430	370
CET1 capital before regulatory adjustments	6,219	5,860
Additional value adjustments	-12	-10
Intangible assets (net of related tax liability) (negative amount)	-68	-71
Negative amounts resulting from the calculation of expected loss amounts	-599	-570
Other regulatory adjustments	–	–
Total regulatory adjustments to CET1 capital	-679	-651
CET1 capital	5,539	5,209
Capital instruments and the related share premium accounts	400	700
of which: classified as equity under applicable accounting standards	400	700
Qualifying Tier I capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	–	–
Additional Tier 1 (AT1) capital	400	700
Tier 1 capital (T1 = CET1 + AT1)	5,939	5,909
Capital instruments and the related share premium accounts	600	600
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third parties	–	–
Tier 2 (T2) capital	600	600
Total capital (TC = T1 + T2)	6,539	6,509
Total risk-weighted exposure amount	40,563	37,538
CET1 capital ratio (%)	13.7	13.9
Tier 1 capital ratio (%)	14.6	15.7
Total capital (%)	16.1	17.3
Institution CET1 overall capital requirements (%)	9.1	8.1
of which: capital conservation buffer requirement (%)	2.5	2.5
of which: countercyclical capital buffer requirement (%)	1.0	–
of which: additional own funds requirements to address risks other than the risk of excessive leverage (%) ²⁾	1.1	1.1
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements ³⁾	6.1	7.3

¹⁾ Item includes other contributed equity

²⁾ As of 31 December 2021, Finansinspektionen's assessment of Pillar II capital requirements has been included even though the actual amounts have yet to be formally determined.

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

Capital requirements

SEK million	Landshypotek Bank AB	
	31 Dec 2022	31 Dec 2021
Internally assessed capital requirement¹⁾		
Pillar I capital requirement	3,245	3,003
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	744	665
Percentage of total risk-weighted exposure amount	1.8	1.8
Combined buffer requirement	1,420	938
Percentage of total risk-weighted exposure amount	3.5	2.5
Capital requirement, Pillar II guidance	–	–
Percentage of total risk-weighted exposure amount	–	–
Total capital requirement	5,409	4,606
Percentage of total risk-weighted exposure amount	13.3	12.3
Own funds (Tier 1 capital + Tier 2 capital)	6,539	6,509
Percentage of total risk-weighted exposure amount	16.1	17.3
Capital requirement as assessed by Finansinspektionen²⁾		
Pillar I capital requirement	3,245	3,003
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	819	758
Percentage of total risk-weighted exposure amount	2.0	2.0
Combined buffer requirement	1,420	938
Percentage of total risk-weighted exposure amount	3.5	2.5
Capital requirement, Pillar II guidance	0.0	0.0
Percentage of total risk-weighted exposure amount	0.0	0.0
Total capital requirement	5,484	4,700
Percentage of total risk-weighted exposure amount	13.5	12.5
Own funds (Tier 1 capital + Tier 2 capital)	6,539	6,509
Percentage of total risk-weighted exposure amount	16.1	17.3
Leverage ratio requirement³⁾		
Leverage ratio requirement	3,549	3,164
Percentage of total exposure amount for the leverage ratio	3.0	3.0
Pillar II capital requirement	–	–
Percentage of total exposure measure for the leverage ratio	–	–
Capital requirement, Pillar II guidance	–	–
Percentage of total exposure measure for the leverage ratio	–	–
Total capital requirement (incl. Pillar II guidance)	3,549	3,164
Percentage of total exposure measure for the leverage ratio	3.0	3.0
Tier 1 capital	5,939	5,909
Percentage of total exposure amount for the leverage ratio	5.0	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 2022) and the combined buffer requirement pursuant to the Capital Buffers Act (2014:966).

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

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

Own funds requirement by risk, approach and exposure class

31 Dec 2022 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	106,184	29,206	2,336	28%
Retail – real estate collateral	67,759	8,703	696	13%
Corporates	38,368	20,446	1,636	53%
Other non-credit-obligation assets	57	57	5	100%
Credit risk – Standardised approach	13,561	1,093	87	8%
Central governments or central banks	350	0	0	0%
Regional governments or local authorities	5,920	0	0	0%
Institutions	902	304	24	34%
Corporates	11	11	1	100%
Retail	50	34	3	68%
Secured by mortgage liens on immovable property	322	142	11	44%
Exposures in default	2	2	0	110%
Covered bonds	6,005	601	48	10%
Operational risk – Basic indicator approach		1,644	132	
Credit valuation adjustment risk – Standardised approach	777	383	31	49%
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		8,237	659	
Total	120,522	40,563	3,245	

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

¹⁾ Exposure value calculated in accordance with the CRR.

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

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

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

EU KM1 – Key metrics template

SEK million	Landshypotek Bank AB				
	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Available own funds (amounts)					
CET1 capital	5,539	5,273	5,184	5,222	5,209
Tier 1 capital	5,939	5,673	5,584	5,622	5,909
Total capital	6,539	6,273	6,184	6,222	6,509
Risk-weighted exposure amount					
Total risk-weighted exposure amount	40,563	39,933	39,728	38,595	37,538
Capital ratios (as a percentage of REA)					
CET1 capital ratio (%)	13.7	13.2	13.0	13.5	13.9
Tier 1 capital ratio (%)	14.6	14.2	14.1	14.6	15.7
Total capital ratio (%)	16.1	15.7	15.6	16.1	17.3
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	2.0	2.0	2.0	2.0
of which: to be made up of CET1 capital (percentage points)	1.1	1.1	1.1	1.1	1.1
of which: to be made up of Tier 1 capital (percentage points)	1.5	1.5	1.5	1.5	1.5
Total SREP own funds requirements (%)	10.0	10.0	10.0	10.0	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 (%)	1.0	1.0	–	–	–
Combined buffer requirement (%)	3.5	3.5	2.5	2.5	2.5
Overall capital requirements (%)	13.5	13.5	12.5	12.5	12.5
CET1 available after meeting the total SREP own funds requirements (%)	6.1	5.7	5.5	6.1	7.3
Leverage ratio					
Total exposure measure	118,309	115,173	111,364	109,141	105,450
Leverage ratio (%)	5.0	4.9	5.0	5.2	5.6
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	3.0	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	3.0	3.0	3.0
Liquidity coverage ratio					
Total high-quality liquid assets (HQLA) (weighted value – average)	8,349	7,730	8,112	9,181	9,533
Cash outflows – total weighted value	3,599	3,411	2,810	2,847	2,654
Cash inflows – total weighted value	232	194	209	287	366
Total net cash outflows (adjusted value)	3,367	3,217	2,601	2,560	2,289
Liquidity coverage ratio (%)	248.0	240.3	311.9	358.7	416.5
Net stable funding ratio					
Total available stable funding	101,290	101,780	97,057	98,138	93,548
Total required stable funding	86,128	84,265	83,411	81,078	78,407
Net stable funding ratio (%)	117.6	120.8	116	121	119

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 4 Net interest income

SEK million	2022	2021
Interest income		
Interest income on loans to credit institutions	–	–
Interest income on loans to the public	1,905	1,399
Interest income on interest-bearing securities	84	28
Other interest income	12	14
Total interest income	2,001	1,441
of which interest income on financial assets not measured at FVTPL	2,001	1,441
Average interest on loans to the public	1.91%	1.58%
Interest expenses		
Interest expenses for liabilities to credit institutions	-8	2
Interest expenses for deposits from the public	-198	-94
Interest expenses for interest-bearing securities	-814	-420
Interest expenses for subordinated liabilities	-10	-18
Interest expenses for derivative instruments	170	130
Other interest expenses	-55	-69
Total interest expenses	-914	-469
of which interest expenses on financial liabilities not measured at FVTPL	-1,084	-600
Total	1,087	972

All interest income is attributable to the Swedish market.

Note 5 Net result of financial transactions

SEK million	2022	2021
Financial assets at FVTOCI		
Realised result of sales of bonds and other interest-bearing securities	0	0
Financial liabilities at amortised cost		
Realised result on early redemption of own bonds issued	-6	-9
Realised result from purchase/sale of derivative contracts	–	–
Total realised result	-6	-9
Items included in hedging relationships and subject to hedge accounting		
Change in value of bonds in issue included in fair-value hedges	2,999	680
Value change of interest-hedged items in portfolio hedges	-1,041	-171
Change in value of investment bonds included in fair-value hedges	-295	-55
Change in value of derivatives included in fair-value hedges	-1,724	-543
of which reclassification of terminated hedging relationships ¹⁾	70	83
Total unrealised result	8	-6
Total	3	-15

¹⁾ The item pertains to a reduction in recognised interest expenses from the periodisation of the market value created from hedged risk attributable to fair-value hedging relationships that were terminated in 2013 and 2018. The terminated hedging relationships are recognised in the balance sheet under Debt securities issued, etc. The remaining amount to be periodised is SEK 328 million, which will continue until May 2031.

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

Note 6 Other operating income

SEK million	2022	2021
Other	5	8
Total	5	8

Note 7 General administrative expenses

SEK million	2022	2021
Personnel costs		
Salaries, etc. to CEO, senior executives and Board of Directors	-19	-19
Salaries, etc., to other risk takers	-12	-10
Salaries, etc., to other personnel	-117	-109
Provision to profit-sharing foundation	-9	-9
Pension costs	-27	-24
Social insurance charges	-48	-45
Other personnel costs	-52	-9
Total personnel costs	-284	-226
Other administrative expenses		
Travel expenses	-3	-1
Telephone and data expenses	-2	-2
Office expenses	-2	-3
Cost of premises	-6	-5
IT expenses	-133	-131
Postage	-5	-5
Consultants	-18	-42
Information expenses	-13	-11
Purchased services	-12	-1
Marketing expenses	-23	-16
Agencies and associations	-6	-4
Total other administrative expenses	-223	-220
Fees and expenses to appointed auditors		
Audit assignment	-3	-3
Audit activities other than audit assignment	-1	-1
Tax consultancy	0	0
Other services	0	0
Total fees and expenses to appointed auditors	-4	-4
Total	-510	-450
Specification of pension costs		
Pension premiums	-21	-20
of which to senior executives	-4	-4
of which to other risk takers	-2	-2
of which to other personnel	-15	-13
Directly paid pensions	0	0
Payroll and yield taxes attributable to pension costs	-6	-5
Total pension costs	-27	-24

	2022	2021
Number of employees ¹⁾		
Number of men	106	106
Number of women	110	98
Total	216	204
Average number of salaried employees, including substitutes	216	204
Directors and senior executives ²⁾		
Number of directors	9	9
of whom, men	6	6
of whom, women	3	3
Number of senior executives	9	8
of whom, men	6	6
of whom, women	3	2

¹⁾ Average number of FTEs during the year.

²⁾ Number of directors and senior executives as of 31 December

Remuneration and other benefits

2022 SEK thousand	Basic salary/ Board fees	Committee fees	Other benefits	Pension costs	Other compensation	Total
Chairman of the Board Ann Krumlinde Hyléen	620	200				820
Board member Johan Trolle Löwen	320	75				395
Board member Nils-Fredrik Nyblæus	160	125				285
Board member Johan Nordenfalk	240	88				328
Board member Anna-Karin Eliasson Celsing	320	175				495
Board member Ole Laurits Lønnum	320	75				395
Board member Lars-Johan Merin	320	38				358
Board member Gunilla Aschan	320	75				395
CEO Per Lindblad	4,033		9	1,081	13	5,136
Other senior executives (9 persons)	11,647		121	2,876	69	14,713
Other risk takers (12 persons)	11,696		211	2,452	87	14,446
Total	29,996	850	341	6,409	169	37,765

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

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

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

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

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

SEK million	2022	2021
Intangible assets		
Amortisation of IT system	-23	-28
Tangible non-current assets		
Depreciation of furniture, fixtures and equipment	0	-1
Depreciation of right-of-use assets	-18	-18
Total	-41	-47

Note 9 Operating expenses

SEK million	2022	2021
Other	0	-1
Total	0	-1

Note 10 Net credit losses

SEK million	2022	2021
Change in credit loss allowance, Stage 1	1	1
Change in credit loss allowance, Stage 2	2	2
Net credit losses, non-credit-impaired lending	3	3
Change in credit loss allowance, Stage 3	-1	2
Write-off for the period for confirmed losses	0	-3
Recoveries of previously confirmed losses	2	2
Net credit losses, credit-impaired lending	1	2
Total	4	5

No properties were taken over in foreclosure to protect claims.

Recognition of loss allowance

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

Each asset is categorised to one of three stages:

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

Establishing significant increase in credit risk

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

Internal risk classification on initial recognition ¹⁾	PD interval on initial recognition	Significant increase in credit risk
PD model 1 (customer categories: Private individuals, Micro-enterprises and Small enterprises)		
1	<0.024%	3 Risk classes
2–4	0.024–1.0%	2 Risk classes
5–7	>1.0% and <100%	<2 Risk classes
PD model 2 (customer category: Medium-sized enterprises)		
A	<0.06%	3 Risk classes
B–D	0.06–1.3%	2 Risk classes
E–G	>1.3% and <100%	<2 Risk classes

¹⁾ Risk classes and PD estimates for loans with initial recognition from January 2011.

Individually assessed stage 3 credits

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

Measurement

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

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

The most important input data used to measure ECLs is:

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

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

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

Sensitivity analyses	
Current loss allowance (including credit reserves for loan commitments are included in the balance-sheet item Provisions), SEK million	33
Percentage difference in ECL if PD were to increase 100%	22%
Percentage difference in ECL if property prices were to decrease 10%	1%

Loans to the public broken down by PD interval

31 Dec 2022 SEK million	Stage 1	Stage 2	Stage 3
0.00 to <0.15	83,037	3,286	0
0.15 to <0.25	6,471	101	0
0.25 to <0.50	5,241	157	0
0.50 to <0.75	2,125	617	0
0.75 to <2.50	1,469	557	0
2.50 to <10.00	380	990	0
10.00 to <100	112	424	0
100 (default)			715
Total	98,834	6,131	715

Probability weighted macro-economic scenarios

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

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

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

An example follows of what the bank's credit loss allowance

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

Scenario SEK million	Expected credit loss
Current loss allowance (including credit reserves for loan commitments are included in the balance-sheet item Provisions)	33
Improved scenario	32
Deteriorated scenario	35

Macro scenario assumptions for the next five years

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

Macro-economic risk factors %	Baseline scenario	Deteriorated scenario	Improved scenario
Interest			
Year 0	2.44	2.78	2.09
Year 1	3.07	3.67	2.47
Year 2	3.00	3.77	2.23
Year 3	2.83	3.75	1.92
Year 4	2.72	3.76	1.68
GDP trend			
Year 0	2.70	1.99	3.41
Year 1	-1.10	-2.11	-0.09
Year 2	1.30	0.07	2.53
Year 3	3.10	1.68	4.52
Year 4	3.40	1.81	4.99
Property index (Value trend since actual valuation)			
Year 0	-9.00	-9.00	-9.00
Year 1	-5.00	-5.00	2.00
Year 2	-3.10	-9.75	4.04
Year 3	-1.16	-14.26	6.12
Year 4	0.81	-18.55	8.24

Note 11 Income tax on comprehensive income

SEK million	2022	2021
Profit before tax	548	471
Income tax calculated at national tax rates	-113	-97
Tax effects of:		
Non-taxable income	0	0
Non-deductible expenses	-7	-4
Adjustment of preceding year's tax expense	0	0
Total income tax related to profit or loss	-118	-101
Weighted-average tax rate	21.6%	21.4%
of which current tax	-118	-101
of which deferred tax	-	-
Income tax related to other comprehensive income		
Cross-currency basis spreads in fair value hedges		
Profit before tax	24	6
Current tax	-5	-1
Profit after tax	19	4
Fair-value reserve		
Profit before tax	-48	10
Current tax	10	-2
Profit after tax	-38	8
Total income tax related to other comprehensive income	5	-3
of which current tax	5	-3
of which deferred tax	0	0

The rate for current and deferred tax amounted to 20.6 percent (20.6).

Note 12 Eligible treasury bills

SEK million	2022	2021
Issued by Swedish municipalities and regions	5,418	4,274
Total	5,418	4,274
Listed bonds and other interest-bearing securities by category		
Financial assets at FVTOCI	5,418	4,274
Total	5,418	4,274
Valuation of listed bonds and other interest-bearing securities		
Nominal amount	5,382	4,182
Amortised cost	5,447	4,255
Fair value	5,418	4,274

Note 13 Loans to credit institutions

SEK million	2022	2021
Loans to banks	125	322
Total	125	322

Note 14 Loans to the public

SEK million	2022	2021
Loan receivables, stage 1	98,834	87,061
Loan receivables, stage 2	6,131	6,267
Loan receivables, stage 3	715	675
Gross loan receivables	105,680	94,003
Less credit loss allowance	-33	-35
Net loan receivables	105,647	93,968
Disclosures on past due loan receivables, gross		
Loan receivables past due, 5–90 days	6	7
Loan receivables past due, more than 90 days	154	137
Total past due loan receivables, gross	159	144

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

Gross loan receivables 2022 SEK million	Non-credit-impaired lending		Credit-impaired lending	Total
	Stage 1	Stage 2	Stage 3	
Opening balance	87,061	6,267	675	94,003
Increases in loan receivables due to origination and acquisition	18,259	173	23	18,455
Decreases in loan receivables due to derecognition	-5,944	-694	-128	-6,766
Decrease in loan receivables due to confirmed losses	–	–	-11	-11
Migration between stages				
from 1 to 2	-1,501	1,501	–	–
from 1 to 3	-74	–	74	–
from 2 to 1	1,031	-1,031	–	–
from 2 to 3	–	-118	118	–
from 3 to 2	–	34	-34	–
from 3 to 1	2	–	-2	–
Closing balance	98,834	6,131	715	105,680

The value of the collateral for Stage 3 loan receivables amounted to SEK 2,747 million (2,034).

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

Credit loss allowance 2022 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	-4	-10	-22	-36	-35	0
Increases due to origination and acquisition	0	0	-1	-1	-2	0
Decreases due to derecognition	0	0	0	0	-1	0
Decrease in allowance due to write-offs	-	-	4	4	4	-
Changes due to change in credit risk	2	2	3	7	7	0
Changes due to update in the methodology for estimation	-1	-1	0	-2	-2	-
Migration between stages						
from 1 to 2	0	-2	-	-2	-2	
from 1 to 3	0	-	-5	-5	-5	
from 2 to 1	0	3	-	3	3	
from 2 to 3	-	1	-1	0	0	
from 3 to 2	-	0	1	0	0	
from 3 to 1	0	-	0	0	0	
Closing balance	-3	-8	-22	-33	-33	0

Internal Ratings Based (IRB) approach SEK million	2022		2021	
	Gross loan receivables	Credit loss allowance	Gross loan receivables	Credit loss allowance
Stage 1				
Risk class 1	10,486	0	2,573	0
Risk class 2	47,649	1	21,358	1
Risk class 3	36,614	1	24,877	2
Risk class 4	3,594	0	33,358	1
Risk class 5	380	1	4,590	0
Risk class 6	111	0	294	0
Risk class 7	1	0	17	0
Stage 2				
Risk class 1	1,405	0	1,008	0
Risk class 2	1,341	0	1,508	0
Risk class 3	798	0	502	0
Risk class 4	1,173	1	1,051	0
Risk class 5	990	3	1,218	3
Risk class 6	389	3	813	4
Risk class 7	36	0	168	2
Stage 3				
Risk class 8	715	23	675	22
Total	105,680	33	94,008	36

Note 15 Bonds and other interest-bearing securities

SEK million	2022	2021
Listed bonds		
Issued by Swedish municipalities and regions	502	909
Issued by housing finance institutions	6,006	5,072
of which covered bonds	6,006	5,072
Total	6,508	5,981
Listed bonds and other interest-bearing securities by category		
Financial assets at FVTOCI	6,508	5,981
Total	6,508	5,981
Valuation of listed bonds and other interest-bearing securities		
Nominal amount	6,850	5,900
Amortised cost	6,803	5,976
Fair value	6,508	5,981

Note 16 Derivatives

SEK million	2022		2021	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives included in hedge accounting				
Positive closing value of interest-rate swaps	41,687	1,848	47,607	979
Positive closing value of cross-currency interest-rate swaps	2,424	417	2,448	426
Total	44,111	2,264	50,055	1,405

Note 17 Intangible assets

SEK million	2022	2021
Opening accumulated cost	243	243
Purchases during the year	-39	-
Closing accumulated cost	204	243
Opening accumulated amortisation	-152	-124
Amortisation during the year	16	-28
Closing accumulated amortisation	-136	-152
Total	68	91

Intangible non-current assets consist of investments in software.

Note 18 Tangible assets

SEK million	2022	2021
Equipment		
Opening accumulated cost	28	30
Purchases during the year	0	0
Retirements/disposals during the year	0	-2
Closing accumulated cost	28	28
Opening accumulated depreciation	-26	-27
Depreciation during the year	0	-1
Retirements/disposals during the year	0	2
Closing accumulated depreciation	-26	-26
Right-of-use assets		
Opening accumulated cost	64	61
Purchases during the year	-2	3
Retirements/disposals during the year	0	0
Closing accumulated cost	62	64
Opening accumulated depreciation	-40	-20
Depreciation during the year	-10	-21
Retirements/disposals during the year	0	0
Closing accumulated depreciation	-50	-40
Total	14	25

Total buildings and land	2022	2021
Operating properties	-	-
Number of properties	-	-
Estimated fair value		
Properties taken over in foreclosure to protect claims	-	-
Number of properties	-	-
Estimated fair value	-	-

Note 19 Other assets

SEK million	2022	2021
Other receivables	7	6
Total	7	6

Note 20 Prepaid expenses and accrued income

SEK million	2022	2021
Prepaid expenses	31	25
Other accrued income	7	3
Total	38	28

Note 21 Liabilities to credit institutions

SEK million	2022	2021
Swedish banks	2,356	68
Non-Swedish banks	133	570
Total	2,489	638

Note 22 Deposits from the public

SEK million	2022	2021
Deposits from the public	23,496	15,254
Total	23,496	15,254

Note 23 Debt securities issued, etc.

SEK million	2022	2021
Bond loans	82,922	82,066
Total	82,922	82,066
Debt securities issued – hedged items in fair-value hedges		
Amortised cost	40,188	41,918
Fair value adjusted for the change in the fair value of hedged risk	37,810	42,615

Bond loans

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

Fair-value hedges

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

Note 24 Derivatives

SEK million	2022		2021	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives included in hedge accounting				
Negative closing value of interest-rate swaps	37,035	2,725	43,305	406
Negative closing value of cross-currency interest-rate swaps	-	12	205	4
Total	37,035	2,737	43,510	410

Note 25 Other liabilities

SEK million	2022	2021
Liabilities to Group companies	267	325
Accounts payable	12	10
Lease liabilities	12	24
Other liabilities	95	88
Total	386	447

Note 26 Accrued expenses and prepaid income

SEK million	2022	2021
Deferred income	3	-2
Other accrued expenses	34	30
Total	37	28

Note 27 Other provisions

SEK million	2022	2021
Defined-benefit pension plans	0	0
Other provisions	0	1
Total	0	1

Note 28 Subordinated liabilities

SEK million			2022	2021
Due date	Nominal amount	Interest		
2026/2031	600	3M STIBOR + 1.00%	602	600
Total			602	600

Landshypotek Bank has an early redemption option on the debt on 3 March 2026. Should Landshypotek Bank elect not to exercise this option, the debt continues to run until its maturity date, 3 March 2031.

Note 29 Changes in Equity

SEK million	2022	2021
Cross-currency basis spreads in fair value hedges		
Cross-currency basis spreads in fair value hedges, opening balance	-29	-34
Change in fair value over the year	24	6
Transfer to profit or loss	0	-
Tax on change for the year	-5	-1
Cross-currency basis spreads in fair value hedges, closing balance	-10	-29
Fair-value reserve		
Fair-value reserve, opening balance	24	16
Change in fair value over the year	-48	10
Transfer to profit or loss	0	0
Tax on change for the year	10	-2
Fair-value reserve, closing balance	-14	24
Total reserves at year end	-25	-6

Note 30 Pledged assets, contingent liabilities and other obligations

SEK million	2022	2021
Pledged assets for own liabilities		
Loan receivables, covered bonds	101,576	88,012
Collateral pledged under repurchase agreements	2,150	261
Contingent liabilities		
Försäkringsbolaget Pensionsgaranti, FPG	0	0
Bank guarantees	22	26
Total	22	26
Other obligations		
Committed, but undisbursed credits	2,113	1,886
Total	2,113	1,886

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

Note 31 Financial assets and liabilities by category

2022 SEK million	Financial assets at amortised cost	Financial assets at FVTOCI	Financial liabilities at amortised cost	Derivatives identified as hedging instruments
Assets				
Cash and balances with central banks	347			
Eligible treasury bills, etc.		5,418		
Loans to credit institutions	125			
Loans to the public	105,647			
Bonds and other interest-bearing securities		6,508		
Derivatives				2,264
Total financial assets	106,120	11,925	-	2,264
Liabilities				
Liabilities to credit institutions			2,489	
Deposits from the public			23,496	
Debt securities issued, etc.			82,922	
Derivatives				2,737
Subordinated liabilities			602	
Other liabilities			291	
Total financial liabilities	-	-	109,800	2,737

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

Note 32 Fair-value hierarchy for financial instruments

SEK million	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI								
Eligible treasury bills, etc.	5,418			5,418	4,274			4,274
Bonds and other interest-bearing securities	6,508			6,508	5,981			5,981
Derivatives identified as hedging instruments								
Interest-rate swaps		1,848		1,848		979		979
Cross-currency interest-rate swaps		417		417		426		426
Total assets measured at fair value	11,925	2,264	-	14,190	10,255	1,405	-	11,660
Derivatives identified as hedging instruments								
Interest-rate swaps		2,725		2,725		406		406
Cross-currency interest-rate swaps		12		12		4		4
Total liabilities measured at fair value	-	2,737	-	2,737	-	410	-	410

All financial assets and liabilities measured at fair value are classified according to a valuation hierarchy. This hierarchy reflects the observable prices or other information included in the valuation techniques applied. Ahead of each quarter, the values of quoted prices are assessed with regard to whether or not they represent actual and regularly occurring transactions. Transfers can be made between levels in the hierarchy when indications exist that market conditions, e.g., liquidity, have changed. No transfers were made between the levels.

Level 1 only comprises listed mortgage bonds and bonds issued by municipalities and county councils. Level 2 comprises derivative instruments and financial liabilities for which there are well-established measuring models based on market data.

Level 1

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

Level 2

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

Level 3

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

Note 33 Fair value disclosures

SEK million	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	347	347	-	-
Eligible treasury bills	5,418	5,418	4,274	4,274
Loans to credit institutions	125	125	322	322
Loans to the public	105,647	105,919	93,968	95,679
Bonds and other interest-bearing securities	6,508	6,508	5,981	5,981
Derivatives	2,264	2,264	1,405	1,405
Total assets	120,309	120,581	105,951	107,662
Liabilities				
Liabilities to credit institutions	2,489	2,489	638	638
Deposits from the public	23,496	23,496	15,254	15,254
Debt securities issued, etc.	82,922	82,589	82,066	82,544
Derivatives	2,737	2,737	410	410
Subordinated liabilities	602	570	600	602
Other liabilities	291	291	359	359
Total liabilities	112,538	112,173	99,328	99,807

Note 34 Assets and liabilities by significant currencies

SEK million	2022	2021
Assets		
Loans to credit institutions – EUR	101	309
Total assets	101	309
Liabilities		
Liabilities to credit institutions – EUR	101	309
Debt securities issued – EUR	2,816	3,380
Total liabilities	2,917	3,689

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

Note 35 Change in cash and cash equivalents

SEK million	2022	2021
Loans to credit institutions at beginning of year	322	500
Loans to credit institutions at year end	473	322
Total change in cash and cash equivalents	150	-178

Note 36 Offsetting disclosures

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

2022 SEK million	Amount recognised in the balance sheet	Related amounts not offset in the balance sheet			Net amounts
		Financial instruments subject to ISDA agreements	Paid (+) Received (-) collateral – securities	Paid (+) Received (-) cash – collateral	
Assets					
Derivatives	2,264	-1,775		-314	175
Total	2,264	-1,775	-	-314	175
Liabilities					
Derivatives	-2,737	1,775			-963
Reverse repos	-2,150				-2,150
Total	-4,887	1,775	-	-	-3,112

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

Amount recognised in the balance sheet

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

Financial instruments

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

Cash collateral received

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

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

Net amounts

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

Note 37 Related-party disclosures

SEK million	2022		2021	
	Lending	Interest income	Lending	Interest income
Lending to key personnel				
CEO and senior executives	0	0	0	0
Board of Directors	68	1	52	1
Total	68	1	52	1

SEK million	2022		2021	
	Deposits	Interest expense	Deposits	Interest expense
Deposits from key personnel				
CEO and senior executives	5	0	4	0
Board of Directors	15	0	10	0
Total	20	0	14	0

Lending

Permanent employees of Landshypotek are able to borrow money at advantageous terms. The types of loans include both secured and unsecured loans. Since June 2017, no new unsecured loans are offered.

Loans taken prior to that date will expire at the end of the loan term, maximum ten years

. All lending is subject to customary credit approval processes and the highest amount for which advantageous terms are available is SEK 4 million. Amounts in excess of the above receive the best interest rate provided to customers together with an automatic discount through the Bolån Villa product (refer to www.landshypotek.se for applicable discounts). Credit information

is obtained from Upplysningscentralen (UC). These loans may be subject to taxation as benefits. Loans of up to 75 percent of the LTV ratio are granted against collateral in houses, tenant-owned apartments and holiday homes. Capital repayment plans apply for these loans over a maximum period of 50 years. The fixed-rate periods are one, two, three, four and five years. The applicable interest rate is the bank's list rate together with a 1.75 percentage point discount.

Deposits

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

Note 38 Appropriation of earnings

SEK

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

Retained earnings	2,675,385,072
Group contributions	-196,700,000
Tax effect of Group contribution	40,520,200
Net profit for the year	429,989,598
	2,949,194,870

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

To be carried forward	2,949,194,870
	2,949,194,870

Conditional on the approval of the Annual General Meeting, a Group contribution has been paid in the amount of SEK

196,700,000, which has reduced unrestricted equity as of the balance sheet date by SEK 156,179,800 after taking the tax effect into account. Unrealised changes in the value of assets and liabilities measured at fair value had a net negative impact on equity of SEK 97,757,856.

The Board of Directors is of the opinion that the proposed dividend, in the form of a Group contribution, does not compromise the company's ability to discharge its obligations in the short and long term, nor to make any necessary investments. The proposed transfer of value can therefore be justified considering that stated in Chapter 17, Section 3, paragraphs 2–3 of the Swedish Companies Act. The Board of Directors proposes that the year's funds at the disposal of the Annual General Meeting, SEK 2,949,194,870 be carried forward.

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

Stockholm, 16 March 2023

Ann Krumlind Hyléen
Chairman

Gunilla Aschan
Member

Hans Broberg
Member/Employee Representative

Anna-Karin Celsing
Member

Ole Laurits Lønnum
Member

Lars-Johan Merin
Member

Anders Nilsson
Member/Employee Representative

Johan Nordenfalk
Member

Johan Trolle-Löwen
Member

Per Lindblad
CEO

Our auditor's report was submitted on 16 March 2023
Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
*Authorised Public Accountant
Auditor-in-charge*

Frida Main
Authorised Public Accountant

Auditor's report (unofficial translation)

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

REPORT ON THE ANNUAL ACCOUNTS

Opinions

We have audited the annual accounts of Landshypotek Bank AB (publ) for the year 2022 except for the corporate governance statement and the statutory sustainability report on pages 43–56 and 21–42 respectively. The annual accounts of the company are included on pages 15–105 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of Landshypotek Bank AB (publ) as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement and the statutory sustainability report on pages 43–56 and 21–42, respectively. The statutory administration report is consistent with the other parts of the annual accounts.

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

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

Basis for Opinions

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

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

Audit scope

Our audit approach

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

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

Materiality

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

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

Key audit matters

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

Provision for expected credit losses

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

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

The bank has the possibility of adjusting the modelled credit losses to take into account uncertainties not captured by models.

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

Measurement of financial instruments – derivatives

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

Refer to the Annual Report, Note 1 Accounting policies, Note 2 Risks (market risk), notes 16 and 24 Derivatives and Note 32 Fair-value hierarchy for financial instruments.

Our audit of the provision for expected credit losses included a combination of tests of internal controls and substantive procedures, which inter alia, included the following:

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

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

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

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

Our audit of the valuation process for derivatives included a combination of tests of internal controls and substantive procedures, which inter alia, included the following:

We have created an understanding of the valuation process for derivatives. We have examined a selection of the controls for price validation, validation of market data and validation of models. Furthermore, we have conducted spot checks to validate input data in valuation models as well as independent price tests for a sample of different instruments held by the bank.

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

Other information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1–14 and in the sustainability report on pages 21–42. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Landshypotek Bank AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of

assurance whether the proposal is in accordance with the Companies Act.

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

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 43–56 has been prepared in accordance with the Annual Accounts Act.

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

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

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 21–42, and that it is prepared in accordance with the Annual Accounts Act.

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

A statutory sustainability report has been prepared.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Landshypotek Bank AB (publ) by the general meeting of the shareholders 28 April 2022 and cannot be re-elected at the 2024 General Meeting.

Stockholm, March 16, 2023
Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant
Auditor-in-charge

Frida Main
Authorised Public Accountant

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If you have questions about investments in Landshypotek, offers and services, or an individual banking commitment, please call Customer Service on +46 771 44 00 20. Customer Service can also be reached via chat on www.landshypotek.se or through secure messages on the online bank. Applications for mortgage and first lien mortgages should use the digital application on www.landshypotek.se.



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