



Landshypotek Bank

# Landshypotek Bank AB Interim report 2017 #1

January – March 2017 (compared with corresponding year-earlier period)

## Liza Nyberg, CEO of Landshypotek Bank, comments on Q1 2017:

Landshypotek Bank continues to improve its results in parallel with developing the bank for the future. We have now opened our offering of mortgage loans to homeowners with a, for the market, brand new digital solution. A confident future outlook has also been noted when we met customers at regional meetings across the country. Moreover, our subordinated loan issue raising capital during the quarter was met by substantial interest.

### January – March 2017

compared with January – March 2016

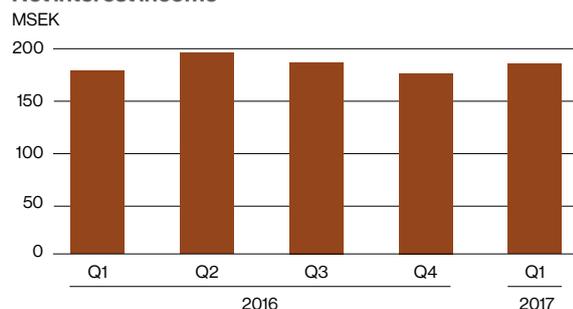
- Operating profit amounted to MSEK 64.5 (115.4).
- The underlying operating profit, excluding the net result of financial transactions, was MSEK 97.6 (74.9).
- Net interest income amounted to MSEK 185.5 (178.5).
- Costs totalled MSEK 90.1 (95.8).
- Net loan losses declined and amounted to a recovery of MSEK 1.7 (loss: 8.3).
- Lending amounted to SEK 66.6 billion (65.1).
- Deposits amounted to SEK 12.0 billion (10.7).

### January – March 2017

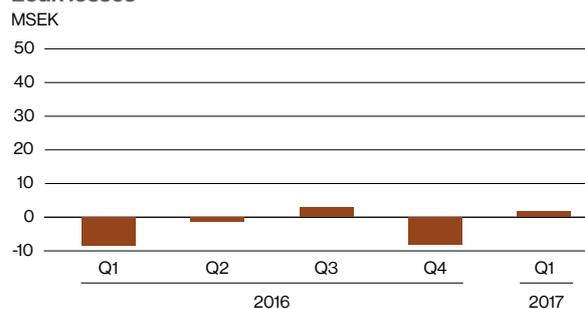
compared with October – December 2016

- Operating profit amounted to MSEK 64.5 (4.4).
- The underlying operating profit, excluding the net result of financial transactions, was MSEK 97.6 (47.5).
- Net interest income amounted to MSEK 185.5 (176.1).
- Costs totalled MSEK 90.1 (123.0).
- Net loan losses amounted to a recovery of MSEK 1.7 (loss: 8.0).
- Lending amounted to SEK 66.6 billion (66.5).
- Deposits amounted to SEK 12.0 billion (11.7).

#### Net interest income



#### Loan losses



# Landshypotek Bank

Landshypotek Bank is one of Sweden's ten largest banks and comprises a unique bank in the Swedish banking market. By financing investment in the countryside, together with our customers, the bank makes Sweden grow.

*Landshypotek Bank's market strength as a bank with a difference builds on the following aspects:*

- For a richer life in the countryside: The bank's brand promise: "For a richer life in the countryside" is interwoven throughout the bank's and its employees working days. The distribution of the bank's surplus to farmers and foresters comprises another key principle for the value-driven bank that is Landshypotek Bank.
- Being close to farming and forestry customers The bank's strength in financing farming and forestry are its close links to the sectors. Account managers at offices around the country often have backgrounds in agriculture and forestry, and banking and financing expertise. The bank's close relationships with customers are complemented by the regional member organisation of the cooperative association.
- Strength of the member organisation: Since borrowers for farming and forestry also become members of Landshypotek Ekonomisk Förening and thereby owners of the bank, this strengthens ties, commitment and the long-term perspective for the bank's operations. The cooperative association is responsible for relations with the 41,000 members.
- The force of employee commitment: Intense, active efforts are being driven at Landshypotek Bank to develop the bank together with its employees. Satisfied employees mean satisfied customers. In 2016, the employees lifted four principles to inspire all work conducted at the bank. Employees of Landshypotek Bank apply the following values: Customer-centric focus, drive, enthusiasm and together.
- Acting as a digital innovator: Landshypotek Bank has a 180-year history, but it is also quickly developing to meet customers' needs. Based on a modern platform, a unique digital solution has been built to allow people to quickly and simply become customers, open accounts and start saving at Landshypotek Bank. Now, a new solution has been developed for mortgage loan applications by homeowners. The bank is also involved in projects using tomorrow's technology, such as robotic process automation and blockchain technology as technical solutions for property transactions.

## **A member-owned bank**

Landshypotek Bank AB is a memberowned bank with its main operations financing ownership, living and entrepreneurship based on farming and forestry. The bank has a long history dating back to 1836. The operations mainly focus on lending against collateral in real property. The bank also offers savings accounts to the Swedish general public and, in 2017, started offering mortgages for homeowners outside the major cities.

The bank is a wholly owned subsidiary of Landshypotek Ekonomisk Förening. The bank's borrowers in farming and forestry become members of the association, unlike mortgage customers and savers. Together, these 41,000 members own the bank.

All business and licensable activities are conducted within the bank, which has about 170 employees working from 19 offices nationwide.

## CEO's Statement

# Combining tradition with innovation is our strength



We have been building the foundations for becoming a larger and broader bank for a number of years now at Landshypotek Bank. We are the niche bank for the farming and forestry sectors. From this starting point, we are building a bank to serve a wider customer base with more services. In the Swedish banking market, there is considerable interest in meeting a bank with a difference.

This interest was also noticeable at the regional meetings held by our owner, Landshypotek Ekonomisk Förening, in March. At these meetings, we were able to meet our farming and forestry sector loan customers and inform on developments at the bank, including opening our doors for lending to homeowners.

More than 1,500 people attended the meetings. Naturally, we would like even higher attendance, but in relation to our total of 41,000 loan customers, these were fantastic figures. Banks are seldom spoken of in terms of generating customer involvement, but we turned this on its head, our regional meetings demonstrated a high level of involvement and interest in our bank.

The owners were interested and positive to opening our doors for mortgage lending. Relevant owner questions were raised regarding risk and profitability. But also, "Why haven't we done this earlier?"

One answer is that with our new mortgage loan process, Landshypotek Bank is now at the forefront of digital development.

This process started several years earlier when legacy systems and complex interlinking between these systems were replaced by SAP as a core system. Based on this new core system, we could go to market with a completely new way for customers to start deposit accounts and start saving. We now have more than SEK 12 billion in deposits. The saving interest reflects the simplicity and user friendliness of the digital application process for customers: IT also reflects the intensity of the need to meet a bank with a difference in the Swedish banking market.

We have now started the next phase — opening our doors to mortgages to homeowners. And again, we are presenting a new solution in the market, whereby the digital process automatically with system support leads the customer in stages to provide data for credit scoring. This means we do not need to build an organisation to manually process routine data.

### **Our new mortgage loan operations are now open!**

We will always be strong when it comes to financing farming and forestry. In addition, we have now started a comprehensive program for our account managers who will be able to further strengthen and improve customer relationships.

Moreover, we have broadened operations and now serve:

- Professional farmers and foresters.
- People who live on agricultural and forest properties but who are not agricultural entrepreneurs.
- Entrepreneurs who use their farm as a platform for other operations than traditional agriculture.
- Homeowners borrowing against their homes in areas outside the major cities.
- Savers in cities and the countryside.

The strength lies in being real, close and genuine, and through the combination we at Landshypotek Bank create by continuing to build on our traditional niche and concurrently developing through rapid digitalisation.

Our loan customers in farming and forestry believe in us. As owners, members of the cooperative association, they invested a further SEK 96 million last year.

Capital market investors also believe in us. Last year's subordinated loan issue raising capital was successful. In the quarter just ended, the bank completed its first issue of a perpetual subordinated loan. In addition to strengthening our capital, the considerable level of interest was positive, with numerous investors quickly oversubscribing the issue.

Investors see a stable and secure bank, with low loss levels and which generates healthy profitability. Moreover, they see a bank that is developing vigorously with positive future prospects. We share this vision!

Liza Nyberg  
CEO of Landshypotek Bank  
Twitter: @CEOLandshypotek

# Our operating environment

Landshypotek Bank's operations and customers are impacted by the financial market, the economy and the markets for farming and forestry products, among other factors. The Swedish economy has performed more strongly than expected and many positive signs exist even in the farming and forestry sectors.

## Financial market trends

Market expectations based on president Trump's promised expansionary fiscal policy comprising infrastructure investments, tax reforms and deregulation drove stock exchanges and long interest rates up at the start of the year. The Purchasing Managers Index and consumer confidence also strengthened. However, expectations have dampened in pace with increasing uncertainty regarding the implementation of Trump's promises.

Having said this, the US economy is performing strongly. Domestic demand is strong and private investment, which was low at the start of 2016, has risen again. The US labour market is starting to approach full employment. Job growth remains high and is driving unemployment down to low levels. Once again, the Federal Reserve raised the key interest rate in February. The interest-rate path includes two more hikes in 2017 and three further increases in 2018. Despite the strong

employment figures, the lack of impact on wage growth is a concern for the U.S. central bank. The Federal Reserve would like to see stronger underlying inflationary pressure before the planned interest-rate increases are implemented.

There are also signs of improvement in the European economy, primarily in terms of a stronger labour market and lower unemployment. The strengthening has benefited households and increased private consumption. Forward-looking indicators are also better than they have been for a long time. Euro-area growth remains low however, and many countries still have major structural problems left over from the financial crisis. The European Central Bank, ECB, decided to reduce its monthly bond purchases from EUR 80 billion to EUR 60 billion. However, any tightening of monetary policy has been denied. February's increase in inflation has been assessed as temporary, and the target is still to reach a stable, sustainable inflation of 2.0 percent.

## Summary Landshypotek Bank

	Q1 2017	Q1 2016	Q4 2016	Full-year 2016
Net interest income, MSEK <sup>1)</sup>	185.5	178.5	176.1	737.2
Operating profit, MSEK	64.5	115.4	4.4	353.4
Profit after tax, MSEK	47.9	90.5	2.8	275.6
Loans to the public, MSEK	66,585	65,089	66,518	66,518
Increase in lending, %	0.1	0.9	0.4	3.1
Interest margin, % <sup>2)</sup>	1.1	1.1	1.1	1.1
Deposits from the public, MSEK	12,046	10,724	11,731	11,731
Increase in deposits, %	2.7	4.0	0.2	13.8
C/I ratio including financial transactions <sup>3)</sup>	0.59	0.44	0.91	0.52
C/I ratio excluding financial transactions <sup>4)</sup>	0.48	0.53	0.69	0.54
Loan loss level, % <sup>5)</sup>	0.00	0.05	0.05	0.02
Total capital ratio, %	42.1	26.4	39.9	39.9
Rating, long-term				
Standard & Poor's, Covered bonds	AAA	AAA	AAA	AAA
Standard & Poor's	A-	A-	A-	A-
Fitch	A	A	A	A
Average number of employees	168	163	164	162

<sup>1)</sup> Net commission income has been reclassified from Other operating income to Net interest income. The comparative figures for 2016 have been restated.

<sup>2)</sup> Net interest income on an annualised basis in relation to average lending during the period.

<sup>3)</sup> Costs in relation to income including the net result of financial transactions.

<sup>4)</sup> Costs in relation to income excluding the net result of financial transactions.

<sup>5)</sup> Net loan losses on an annualised basis in relation to average lending during the period.

In the fourth quarter of 2016, the Swedish economy continued to develop stronger than expected and posted growth of 1.0 percent. Growth was not based on domestic consumption, but on increasingly strong industrial and service-sector exports as well as weaker import figures. On an annual basis, Sweden's GDP growth for 2016 was 3.3 percent, which was higher than that forecast by the Riksbank, Sweden's central bank.

In February, inflation reached its highest level in several years. The CPI with a fixed interest rate (CPIF) was 2.0 percent for the first time since the end of 2010. The increase was mainly driven by higher energy and food prices. The CPIF excluding the effects of energy prices was unchanged at 1.3 percent. During the quarter, the Riksbank has kept to an interest-rate path that indicates a first interest-rate hike in just over a year and a message that other interest-rate hikes have not been excluded if needed.

During the quarter, only marginal changes occurred in listed market rates for customers, both regarding loans outstanding and savings. Landshypotek Bank's listed rates for customers were unchanged.

## Trends in farming and forestry

Farming and forestry sector customers were impacted not just by the markets for farming and forestry products, but also by general societal trends and not least those in the countryside. An increasing proportion of loan customers have several income sources and often have numerous enterprises. Sector surveys identified some 30 different industries in which entrepreneurs in agriculture and forestry operate. The strengthened Swedish economy is positive for the bank's corporate customers.

The following was noted in the various farming and forestry sectors:

### *Forestry*

The forestry sector noted positive signals from international markets for both pulp and solid-wood products. These have given rise to expectations that the industry will be able to raise its prices to customers and for timber to foresters. This positive sentiment is expected to be reflected in prices for forest properties.

### *Dairy*

Following an extended period of weak profitability, the Swedish milk price reached normal levels for Sweden of around SEK 3.50 per kilo in the first quarter of 2017. In one year, the milk price has risen more than 16 percent and is now more than 10 percent above the average EU

price. Despite this, the market remains cautious. For individual dairy farmers, the milk price increase, together with higher meat prices and lower prices for feed, has generated positive cash flow impacts.

### *Beef*

The market for Swedish beef continued to trend positively and is now up 4 percent year-on-year at around SEK 45.20 per kilo. The healthy demand for Swedish beef is also reflected in the fact that the price paid to Swedish producers is 27 percent above the EU average. Despite this, production is declining. However, interest is increasing for investments in young and suckler cow production. One concern, as a consequence of lower milk production, is access to male calves.

### *Pigmeat*

Swedish pigmeat prices remain on a par with last year at SEK 16.80 per kilo, which is around 11 percent above the average EU price. Swedish production is increasing slightly and the relatively healthy profitability is increasing interest in investments.

### *Poultry*

Consumption continues to rise in Sweden. Demand is healthy but the price has declined about 10 percent year-on-year.

### *Cereals and oilseeds*

Several consecutive years of good harvests have created relatively high stock levels globally and, consequently, a downward price pressure. This applies equally to Sweden. Swedish prices also included a certain currency effect. Since the SEK has declined against the USD and EUR, cereal prices in SEK are slightly higher than they would be otherwise. Despite this, autumn wheat prices of around SEK 1.40 per kilo result in weak profitability though low energy and fertiliser prices do compensate somewhat. International forecasts indicate substantial harvests which places continued pressure on prices.

# Landshypotek Bank AB

Landshypotek Bank finances businesses and housing across the country. The bank mainly specialises in the financing of farming and forestry. With loans outstanding of SEK 66.6 billion, the bank accounts for slightly more than a quarter of total lending (25.6 percent) with farming and forestry properties as collateral. The bank is owned by its loan customers in the farming and forestry sector, organised as members of Landshypotek Ekonomisk Förening. Landshypotek Bank now focuses on more customer groups, such as savers and mortgage loan customers.

## Financial report for the first quarter of 2017

The consolidated operating profit for the first quarter of 2017 amounted to MSEK 64.5, down MSEK 50.9 year-on-year (MSEK 115.4). The decline in earnings was primarily attributable to a year-on-year decrease in the net result of financial transactions of MSEK 73.6. Excluding the net result of financial transactions, operating profit amounted to MSEK 97.6 (74.9), up MSEK 22.7 year-on-year.

### Net interest income and volumes

Net interest income for the first quarter of 2017 was MSEK 185.5 (178.5), up 3.9 percent year-on-year.

Interest income amounted to MSEK 322.8 (353.7), down MSEK 33.8 year-on-year.

Interest income from lending declined on the back of falling market interest rates. However, compared with the first quarter of 2016, lending increased SEK 1.5 billion.

In the first quarter of 2017, the return on the liquidity portfolio decreased to MSEK 10.7 (30.2) due to lower market interest rates and the bank reducing the volume in the portfolio.

Interest expense amounted to MSEK 137.3 (178.1), down MSEK 40.9 compared with the first quarter of 2016. The lower interest expense was attributable to market rates

that continued to decline. Interest expenses decreased more than interest income and, thereby resulted in improved margins.

Interest expense for the first quarter of 2017 included fees to the Swedish National Debt Office, the resolution fund, which amounted to MSEK 14.1. This was a year-on-year increase of MSEK 7.0 as a consequence of the fee being raised.

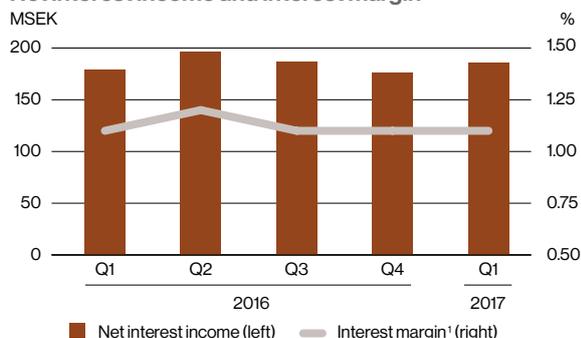
### Other operating income

For the first quarter of 2017, other operating income amounted to an expense of MSEK 32.6 (income: 40.9). Compared with the same period in 2016, this was a decline of MSEK 73.5 and was primarily due to a decline of MSEK 73.6 in the net result of financial transactions to an expense of MSEK 33.1 (income: 40.4). This amount, comprised an unrealised gain of MSEK 33.0 and a realised loss of MSEK 0.1. The primary cause for the fall was the declining value change in basis spreads, which comprises the cost for the ongoing exchange of interest payments from foreign currency to SEK.

### Costs

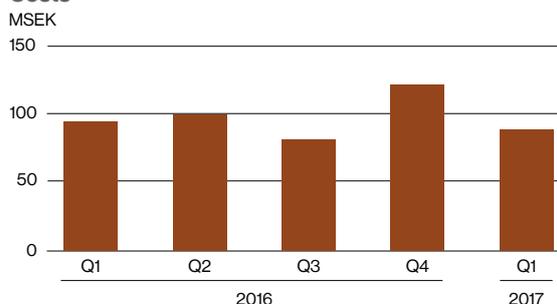
Costs for the first quarter of 2017 amounted to MSEK 90.1 (95.8). Substantial investments were made in the development of the bank. Mortgage lending operations were introduced in the first quarter.

### Net interest income and interest margin



<sup>1)</sup> Net interest income on an annualised basis in relation to average lending during the period.

### Costs



## Operating profit

	Jan–Mar 2017	Jan–Mar 2016
Net interest income, MSEK <sup>1)</sup>	185.5	178.5
Other operating income, MSEK <sup>1)</sup>	-32.6	40.9
Of which net result of financial transactions	-33.1	40.4
Costs, MSEK	-90.1	-95.8
C/I ratio, including the net result of financial transactions	0.59	0.44
C/I ratio, excluding the net result of financial transactions	0.48	0.53
Net recognised loan losses, MSEK	1.7	-8.3
Loan loss level, %	0.00	0.05
Operating profit, MSEK	64.5	115.4
Operating profit excluding the net result of financial transactions	97.6	74.9

<sup>1)</sup> Net commission income has been reclassified from Other operating income to Net interest income. The comparative figures for 2016 have been restated.

### Loan losses and doubtful credits

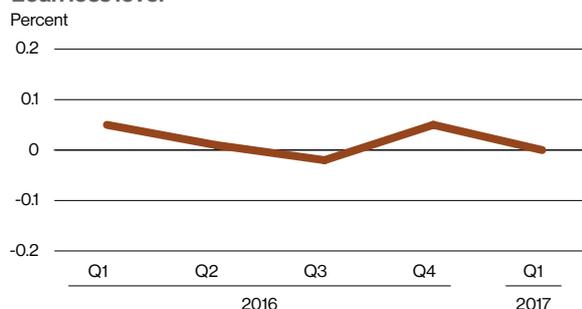
Net loan losses in the first quarter of 2017 resulted in recoveries of MSEK 1.7 (loss: 8.3). Both confirmed losses and provisions for probable loan losses declined year-on-year.

At the end of the first quarter, collective provisions totalled MSEK 5.5 (0.0) and were attributable to wind power commitments.

At 31 March 2017, net doubtful credits after provisions amounted to MSEK 140.5, corresponding to 0.21 per cent of loans outstanding.

At 31 March 2016, doubtful credits amounted to MSEK 309.8, corresponding to 0.48 per cent of loans outstanding. The decrease was due to a number of commitments ending during the period and a lower inflow of doubtful credits.

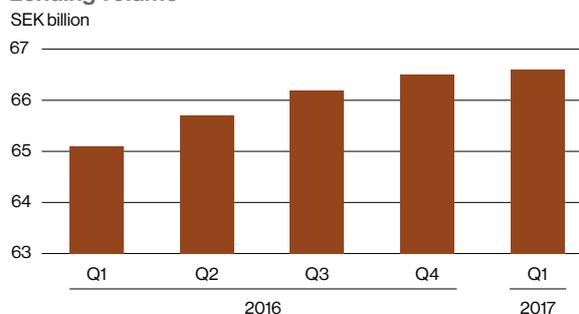
### Loan loss level



## Comparison with the fourth quarter of 2016

The consolidated operating profit for the first quarter of 2017 amounted to MSEK 64.5, up MSEK 60.1 compared with the fourth quarter of 2016. Excluding the net result of financial transactions, operating profit for the first quarter of 2017 amounted to MSEK 97.6, up MSEK 50.2 compared with the fourth quarter last year. The improvement was attributable to higher net interest income and lower costs and loan losses.

### Lending volume



## Balance Sheet

Assets, MSEK	31 Mar 2017
Loans to credit institutions	878
Loans to the public	66,585
Bonds and other interest-bearing securities	13,153
Derivatives	1,690
Non-current assets	100
Prepaid expenses, etc.	594
<b>Total assets</b>	<b>82,999</b>

Liabilities, MSEK	31 Mar 2017
Liabilities to credit institutions	1,806
Borrowing/deposits from the public	12,046
Debt securities in issue	60,400
Derivatives	726
Other liabilities	2,544
Equity	5,476
<b>Total liabilities</b>	<b>82,999</b>

## Assets

The largest asset item in the balance sheet is Loans to the public, which increased MSEK 66 in the first quarter of 2017 to MSEK 66,585. The increase corresponded to lending growth of 0.1 percent, compared with 0.9 percent in the corresponding period in 2016.

At 31 March 2017, Landshypotek Bank's liquidity portfolio totalled MSEK 13,153 (12,615). The portfolio comprises Swedish covered bonds with the highest credit rating and bonds issued by Swedish municipalities. The holding of interest-bearing securities functions as a liquidity reserve. At 31 March, the liquidity portfolio was 2.1 (2.4) times 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 national and international bond markets, and 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. In the first quarter, covered bonds to a value of SEK 0.5 billion were issued. In addition, senior bonds were issued to a value of approximately SEK 2.5 billion and subordinated loans to a value of SEK 0.7 billion. During the same period, bonds have matured or been repurchased to a value of approximately SEK 2.1 billion, of which about SEK 0.8 billion pertained to covered bonds.

In general, the finance market for Nordic banks functioned smoothly in the first quarter of 2017. Landshypotek Bank was very successful in its funding activities and demand for Landshypotek Bank's bonds was favourable.

At the end of the first quarter, Landshypotek Bank issued a new perpetual subordinated loan for MSEK 700. The aim was to strengthen and to optimise the bank's own funds and enable lending growth. The issue will replace a time-limited subordinated loan of MSEK 500 that matures in the second quarter of 2017.

### Deposits

At 31 March 2017, deposits amounted to billion SEK 12.0 (10.7). Growth remained stable.

## Programmes

MSEK	Issued 31 Mar 2017	Limit	Issued 31 Dec 2016
Swedish commercial paper	980	10,000	2,880
MTN programme	43,820	60,000	44,123
EMTN programme	10,692	32,428 <sup>1)</sup>	9,931
RCB <sup>2)</sup>	3,343		3,354
Subordinated loans	2,400		1,700

<sup>1)</sup> MEUR 3,500 <sup>2)</sup> Registered Covered Bonds.

## Rating

Landshypotek Bank has credit ratings from two different rating agencies, Standard & Poor's and Fitch. In 2016, both Standard & Poor's and Fitch confirmed Landshypotek's ratings of A- and A respectively.

### Rating

	Long	Short
S&P covered bonds	AAA	
S&P	A-	A-2, K1
Fitch	A	F1

## Group structure

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

All operations are conducted exclusively in Landshypotek Bank.

## Events after the end of the period

Liza Nyberg, CEO of Landshypotek Bank is leaving the bank to take on a new role as CEO of Collector AB and Collector Bank, moreover, she will continue to serve as CEO of Landshypotek Bank during her notice period.

Stockholm, 2 May 2017

Liza Nyberg  
CEO

## Accounting policies

This Report encompasses the Group comprising Landshypotek Bank AB and two dormant subsidiaries. In addition, Landshypotek Bank AB is reported separately. The main difference between the separate company Landshypotek Bank and the Group is the reporting of defined-benefit pensions, according to IAS 19. Amounts in parentheses refer to the corresponding period in the preceding year.

This year-end report has been prepared in accordance with IAS 34 Interim Financial Reporting. From 2017, net commission income has been reclassified from Other operating income to Net interest income. Accounting policies, calculation methods and risk management are unchanged compared to those applied in the most recent Annual Report (see [www.landshypotek.se](http://www.landshypotek.se), Financial info).

With regard to the introduction of IFRS 9 Financial Instruments on 1 January 2018, a project is ongoing with a primary focus on provisions for credit losses. Work is also ongoing with the development of impairment models. Some earnings impact can be expected as can a marginal effect on capital adequacy.

Evaluation of the classification categories is ongoing for financial assets and documentation is being reviewed for hedge accounting. The standard is not expected to have any material impact on the income statement, balance sheet and equity.

# Income Statement

Landshypotek Bank AB Group, SEK thousand	Note	Q1 2017	Q1 2016	Q4 2016	2017 Jan–Mar	Full-year 2016
Interest income		322,813	356,648	307,867	322,813	1,368,377
Interest expense		-137,310	-178,135	-131,743	-137,310	-631,156
- of which: deposit insurance fees		-2,222	-1,576	-1,951	-2,222	-7,121
- of which: resolution fund fee		-14,084	-6,943	-7,114	-14,084	-28,821
<b>Net interest income</b>	Note 1	<b>185,503</b>	<b>178,513</b>	<b>176,123</b>	<b>185,503</b>	<b>737,222</b>
Net result of financial transactions		-33,122	40,442	-43,097	-33,122	26,158
Other operating income		531	461	2,406	531	7,315
<b>Total operating income</b>		<b>152,911</b>	<b>219,416</b>	<b>135,433</b>	<b>152,911</b>	<b>770,694</b>
General administrative expenses		-87,449	-90,611	-120,008	-87,449	-388,162
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-2,575	-5,110	-2,951	-2,575	-14,050
Other operating expenses		-80	-30	-72	-80	-224
<b>Total expenses before loan losses</b>		<b>-90,104</b>	<b>-95,750</b>	<b>-123,031</b>	<b>-90,104</b>	<b>-402,436</b>
<b>Profit before loan losses</b>		<b>62,808</b>	<b>123,666</b>	<b>12,402</b>	<b>62,808</b>	<b>368,258</b>
Net loan losses	Note 2	1,704	-8,296	-8,020	1,704	-14,814
<b>Operating profit</b>		<b>64,512</b>	<b>115,370</b>	<b>4,381</b>	<b>64,512</b>	<b>353,444</b>
Income tax for the period		-16,617	-24,874	-1,567	-16,617	-77,823
<b>Net profit for the period</b>		<b>47,895</b>	<b>90,495</b>	<b>2,814</b>	<b>47,895</b>	<b>275,621</b>

## Statement of comprehensive Income

Landshypotek Bank AB Group, SEK thousand	Q1 2017	Q1 2016	Q4 2016	2017 Jan–Mar	Full-year 2016
<b>Net profit for the period</b>	<b>47,895</b>	<b>90,495</b>	<b>2,814</b>	<b>47,895</b>	<b>275,621</b>
<b>Other comprehensive income</b>					
<i>Items to be reclassified to profit or loss</i>					
Cash-flow hedges	942	3,577	1,367	942	11,812
Available-for-sale financial assets	-5,156	21,999	5,217	-5,156	62,087
Tax on items to be reclassified	927	-5,627	-1,448	927	-16,258
<i>Total, items to be reclassified</i>	<i>-3,287</i>	<i>19,949</i>	<i>5,135</i>	<i>-3,287</i>	<i>57,641</i>
<i>Items that are not reclassified</i>					
Actuarial differences for defined-benefit pensions <sup>1)</sup>	10,356	-38,601	18,606	10,356	-38,811
Tax items that are not reclassified	-2,278	8,492	-4,093	-2,278	8,538
<i>Total, items that are not reclassified</i>	<i>8,078</i>	<i>-30,109</i>	<i>14,513</i>	<i>8,078</i>	<i>-30,273</i>
<b>Total other comprehensive income</b>	<b>4,791</b>	<b>-10,160</b>	<b>19,648</b>	<b>4,791</b>	<b>27,369</b>
<b>Comprehensive income for the period</b>	<b>52,686</b>	<b>80,335</b>	<b>22,463</b>	<b>52,686</b>	<b>302,990</b>

<sup>1)</sup> Compared with the first quarter of 2016, in the first quarter of 2017, a gain of MSEK 10.4 (loss: 38.6) was posted under defined-benefit pensions. These were the revaluation effects from defined-benefit pensions that were recognised under Other comprehensive income and represent the difference that arose between the actual outcome and budget. Therefore, the outcome for each quarter should be compared against the budget for the respective quarter.

The revaluation effect on the commitment in the first quarter of 2017 was a gain of MSEK 5, which was largely attributable to a change in the discount rate to 2.8 percent (budgeted discount rate 2.65 percent). In addition, a revaluation

effect on plan assets of MSEK 5.4 arose during the quarter. Accordingly, a total revaluation gain of MSEK 10.4 arose on net pension commitments.

In the first quarter of 2016, a loss of MSEK 32.2 arose and was attributable to a change in the discount rate to 2.65 percent (budgeted discount rate 3.2 percent). Moreover, there was an effect from a change in experience-based assumptions amounting to a gain of MSEK 0.4. As in the first quarter of 2017, a revaluation effect on plan assets of MSEK 6.7 arose in the comparative period. Total revaluation effects in the first quarter of 2016 amounted to a loss of MSEK 38.6.

# Income Statement

Landshypotek Bank AB Parent Company, SEK thousand	Note	Q1 2017	Q1 2016	Q4 2016	Jan–Mar 2017	Full-year 2016
Interest income		322,821	356,370	307,589	322,821	1,367,264
Interest expense		-137,309	-178,112	-131,744	-137,309	-631,134
- of which: deposit insurance fees		-2,222	-1,576	-1,951	-2,222	-7,121
- of which: resolution fund fee		-14,084	-6,943	-7,114	-14,084	-28,821
<b>Net interest income</b>	Note 1	<b>185,512</b>	<b>178,257</b>	<b>175,845</b>	<b>185,512</b>	<b>736,130</b>
Net result of financial transactions		-33,122	40,442	-43,097	-33,122	26,158
Other operating income		531	461	2,406	531	7,315
<b>Total operating income</b>		<b>152,920</b>	<b>219,160</b>	<b>135,154</b>	<b>152,920</b>	<b>769,603</b>
General administrative expenses		-87,994	-91,701	-120,540	-87,994	-391,411
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-2,575	-5,110	-2,951	-2,575	-14,050
Other operating expenses		-80	-30	-72	-80	-224
<b>Total expenses before loan losses</b>		<b>-90,649</b>	<b>-96,841</b>	<b>-123,563</b>	<b>-90,649</b>	<b>-405,685</b>
<b>Profit before loan losses</b>		<b>62,272</b>	<b>122,319</b>	<b>11,591</b>	<b>62,272</b>	<b>363,918</b>
Net loan losses	Note 2	1,704	-8,296	-8,019	1,704	-14,814
<b>Operating profit</b>		<b>63,976</b>	<b>114,023</b>	<b>3,571</b>	<b>63,976</b>	<b>349,104</b>
Income tax for the period		-16,499	-25,072	-1,388	-16,499	-77,341
<b>Net profit for the period</b>		<b>47,477</b>	<b>88,952</b>	<b>2,183</b>	<b>47,477</b>	<b>271,762</b>

## Statement of comprehensive income

Landshypotek Bank AB Parent Company, SEK thousand		Q1 2017	Q1 2016	Q4 2016	Jan–Mar 2017	Full-year 2016
<b>Net profit for the period</b>		<b>47,477</b>	<b>88,952</b>	<b>2,183</b>	<b>47,477</b>	<b>271,762</b>
<b>Other comprehensive income</b>						
<i>Items to be reclassified to profit or loss</i>						
Cash-flow hedges		942	3,577	1,367	942	11,812
Available-for-sale financial assets		-5,156	21,999	5,217	-5,156	62,087
Income tax related to other comprehensive income		927	-5,627	-1,448	927	-16,258
<i>Total, items to be reclassified</i>		<i>-3,287</i>	<i>19,949</i>	<i>5,135</i>	<i>-3,287</i>	<i>57,641</i>
<b>Total other comprehensive income</b>		<b>-3,287</b>	<b>19,949</b>	<b>5,135</b>	<b>-3,287</b>	<b>57,641</b>
<b>Comprehensive income for the period</b>		<b>44,190</b>	<b>108,901</b>	<b>7,318</b>	<b>44,190</b>	<b>329,404</b>

# Balance Sheet

Landshypotek Bank AB SEK thousand	Group			Parent Company		
	31 Mar 2017	31 Dec 2016	31 Mar 2016	31 Mar 2016	31 Dec 2016	31 Mar 2016
<b>ASSETS</b>						
Cash and balances with central banks	0	0	0	0	0	0
Loans to credit institutions	877,588	592,071	638,449	877,357	591,839	634,559
Loans to the public Note 3	66,584,823	66,518,468	65,088,664	66,584,823	66,518,468	65,088,664
Value changes of interest-rate-risk hedged items in macro hedges	85,744	109,075	148,803	85,744	109,075	148,803
Bonds and other interest-bearing securities	13,152,622	12,614,537	14,774,799	13,152,622	12,614,537	14,774,799
Derivatives	1,690,210	1,840,773	2,170,210	1,690,210	1,840,773	2,170,210
Shares in Group companies	0	0	0	200	200	278,487
Intangible non-current assets	79,616	66,748	23,024	79,616	66,748	23,024
Tangible assets	0	0	0	0	0	0
Furniture, fixtures and equipment	10,142	9,282	9,808	10,142	9,282	9,808
Buildings and land	9,927	10,464	19,998	9,927	10,464	19,998
Other assets	18,953	11,383	13,868	12,253	11,383	13,868
Current tax assets	0	0	5,720	0	0	4,212
Deferred tax assets	365	2,955	5,361	2,016	2,210	3,982
Prepaid expenses and accrued income	488,764	405,411	632,194	488,764	405,411	632,194
<b>TOTAL ASSETS</b> Notes 4, 5, 6	<b>82,998,755</b>	<b>82,181,168</b>	<b>83,530,898</b>	<b>82,993,675</b>	<b>82,180,391</b>	<b>83,802,608</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>						
Liabilities to credit institutions	1,806,301	1,002,399	2,134,820	1,806,301	1,002,399	2,134,855
Borrowing from the public	12,046,207	11,731,390	10,724,055	12,046,207	11,731,390	10,724,055
Debt securities in issue, etc.	60,399,887	61,572,138	63,517,383	60,399,887	61,572,138	63,517,383
Derivatives	725,973	730,494	939,711	725,973	730,494	939,711
Other liabilities	264,160	276,177	290,674	263,638	275,654	562,970
Deferred tax liabilities	8,075	6,190	195	8,077	6,192	195
Accrued expenses and deferred income	572,013	434,746	779,174	572,013	434,746	779,174
Provisions	0	4,193	7,118	1,324	1,324	1,361
Subordinated liabilities	1,699,984	1,699,972	499,984	1,699,984	1,699,972	499,984
<b>Total liabilities</b>	<b>77,522,599</b>	<b>77,457,699</b>	<b>78,893,114</b>	<b>77,523,403</b>	<b>77,454,309</b>	<b>79,159,688</b>
<b>Equity</b>	<b>5,476,155</b>	<b>4,723,470</b>	<b>4,637,784</b>	<b>5,470,272</b>	<b>4,726,081</b>	<b>4,642,662</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b> Notes 4, 5, 6	<b>82,998,755</b>	<b>82,181,168</b>	<b>83,530,898</b>	<b>82,993,675</b>	<b>82,180,391</b>	<b>83,802,350</b>

# Cash-flow Statement

Landshypotek Bank AB, SEK thousand	Group			Parent Company		
	Jan-Mar 2017	Jan-Mar 2016	Full-year 2016	Jan-Mar 2017	Jan-Mar 2016	Full-year 2016
<b>Opening cash and cash equivalents</b>	<b>592,071</b>	<b>396,451</b>	<b>396,451</b>	<b>591,839</b>	<b>392,499</b>	<b>392,499</b>
Cash flow from operating activities	-398,716	246,500	-790,378	-398,715	246,562	-786,658
Cash flow from investing activities	-15,767	-4,502	-49,102	-15,767	-4,502	-49,102
Cash flow from financing activities	700,000	0	1,035,100	700,000	0	1,035,100
<b>Cash flow for the period</b>	<b>285,517</b>	<b>241,998</b>	<b>195,620</b>	<b>285,518</b>	<b>242,060</b>	<b>199,340</b>
<b>Closing cash and cash equivalents</b>	<b>877,588</b>	<b>638,449</b>	<b>592,071</b>	<b>877,357</b>	<b>634,559</b>	<b>591,839</b>

# Statement of Changes in Equity

Landshypotek Bank AB Group SEK thousand	Share capital	Other con- tributed capital	Hedging reserve	Fair value reserve	Actuarial differ- ences	Tier 1 capital	Retained earnings	Total
<b>Equity, 31 December 2015</b>	2,253,000	1,026,254	-15,936	-26,714	13,914		1,306,930	4,557,448
Comprehensive income for the period			2,790	17,159	-30,109		90,495	80,336
<b>Total change before transactions with owners</b>	-	-	2,790	17,159	-30,109		90,495	80,336
<b>Equity, 31 March 2016</b>	2,253,000	1,026,254	-13,146	-9,554	-16,195		1,397,425	4,637,784
<b>Equity, 31 December 2016</b>	2,253,000	1,026,254	-6,724	21,715	-16,359		1,445,583	4,723,470
Comprehensive income for the period			735	-4,022	8,078		47,895	52,686
<b>Total change before transactions with owners</b>	-	-	735	-4,022	8,078		47,895	52,686
Tier 1 capital						700,000		700,000
<b>Equity, 31 March 2017</b>	2,253,000	1,026,254	-5,990	17,693	-8,282	700,000	1,493,478	5,476,156

Landshypotek Bank AB Parent Company SEK thousand	Share capital	Other con- tributed capital	Hedging reserve	Fair value reserve		Tier 1 capital	Retained earnings	Total
<b>Equity, 31 December 2015</b>	2,253,000	1,016,694	-15,936	-26,714			1,306,718	4,533,761
Comprehensive income for the period			2,790	17,159			88,952	108,900
<b>Total change before transactions with owners</b>	-	-	2,790	17,159			88,952	108,900
<b>Equity, 31 March 2016</b>	2,253,000	1,016,694	-13,145	-9,556			1,395,668	4,642,662
<b>Equity, 31 December 2016</b>	2,253,000	1,016,694	-6,724	21,715			1,441,397	4,726,081
Comprehensive income for the period			735	-4,022			47,477	44,190
<b>Total change before transactions with owners</b>	-	-	735	-4,022			47,477	44,190
Tier 1 capital						700,000		700,000
<b>Equity, 31 March 2017</b>	2,253,000	1,016,694	-5,988	17,693		700,000	1,488,874	5,470,271

# Notes

## Note 1 Capital and capital adequacy

The total capital ratio amounted to 42.1 percent compared with 39.9 percent at 31 December 2016 and the CET1 capital ratio was 30.1 percent (29.4). Own funds increased MSEK 218 during the quarter to MSEK 6,673, primarily due to the bank's issue of an MSEK 700 perpetual subordinated loan (Tier 1 capital) in the first quarter of 2017. The bank also received permission from the Swedish Financial Supervisory Authority during the quarter to redeem an MSEK 500 time-limited subordinated loan (T2 capital) early, which means these funds are no longer included in own funds. The net increase in own funds after the issue and the forthcoming early redemption was MSEK 200. The minimum capital requirement decreased MSEK 26 to MSEK 1,269, mainly due to migrations to better risk classes for exposures with the IRB approach.

In addition to the minimum capital requirement of 8 percent of the total risk-weighted amount, the capital conservation buffer requirement is 2.5 percent and, since 19 March 2017, the countercyclical buffer requirement is 2 percent, up half a percentage point from previously. These two buffers make up the combined buffer requirement that must be covered by CET1 capital. The Bank's remaining CET1 capital to cover the combined buffer requirement and Pillar II requirements corresponded to 25.6 percent of the total risk-weighted exposure amount at 31 March 2017.

The capital quotient in accordance with Basel I floor<sup>1</sup> amounted to 1.56 percent. The Bank's leverage ratio amounted to 6.6 percent, up on the

preceding quarter (5.8) as a result of the bank's issue of Tier 1 capital. The bank aims to change its exposure classes to better reflect the market trends for farming and forestry, and to adapt to new regulatory changes. As a consequence of the above, the bank applied to the Swedish Financial Supervisory Authority in autumn 2016 for permission to use the IRB approach, excluding our own estimates of LGD values and conversion factors, for corporate exposures. The bank has also applied for permission to change its approach for retail exposures. The bank has prepared under the Pillar II framework for the increased capital requirement that is expected to arise as a consequence of the above changes.

The internally assessed capital requirement on 31 March 2017 was SEK 5.0 billion, given the aforementioned changes applied for by the bank to the Swedish Financial Supervisory Authority. The capital requirement should be compared with estimated own funds of SEK 6.7 billion. The capital adequacy assessment takes into account the minimum capital requirement, the combined buffer requirement and the Pillar II capital requirement. The capital requirement under the transitional rules related to Basel I is also included in the assessment of the bank's capital requirements, but did not impact the amount of the capital requirements.

<sup>1</sup> Basel I floor entails a requirement that own funds under Basel I comprise not less than 80 percent of the total amount of own funds the bank must hold under Basel I rules. Own funds under Basel I are calculated based on own funds under the CRR, but neutralise the impact of negative amounts resulting from the calculation of expected loss amounts (IRB) on the size of own funds under the CRR.

## continued Note 1 Capital adequacy analysis

SEK thousand	Consolidated situation <sup>1)</sup> 31 March 2017
<b>CET1 capital: Instruments and reserves</b>	
Member contributions	1,585,609
Other contributed capital	1,797,796
Tier 1 capital instruments	700,000
Reserves	11,704
Actuarial differences	-8,281
Retained earnings	1,721,509
Net profit for the year <sup>2)</sup>	45,991
<b>Equity in the balance sheet</b>	<b>5,854,328</b>
Deductions related to the consolidated situation and other foreseeable costs	-138,725
Deductions related to foreseeable costs <sup>3)</sup>	-700,000
<b>CET1 capital before regulatory adjustments</b>	<b>5,015,603</b>
<b>CET1 capital: regulatory adjustments</b>	
Further value adjustments	-51,865
Intangible assets	-79,616
Deferred tax assets that rely on future profitability	-365
Fair value reserves related to gains or losses on cash-flow hedges	5,988
Negative amounts resulting from the calculation of expected loss amounts (IRB)	-113,993
Defined-benefit pension plans	-4,422
<b>Total regulatory adjustments to CET1 capital</b>	<b>-244,273</b>
<b>CET1 capital</b>	<b>4,771,330</b>
<b>Additional Tier 1 capital: instruments</b>	
Tier 1 capital instruments	700,000
<i>of which: classified as equity under applicable accounting standards</i>	700,000
<b>Tier 1 capital (CET1 capital + Tier 1 capital)</b>	<b>5,471,330</b>
<b>Tier 2 capital: instruments and provisions</b>	
Capital instruments and subordinated loans eligible as Tier 2 capital	1,199,984
Positive amounts resulting from the calculation of expected loss amounts (IRB)	1,906
<b>Tier 2 capital before regulatory adjustments</b>	<b>1,201,890</b>
<b>Tier 2 capital: regulatory adjustments</b>	
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>0</b>
<b>Tier 2 capital</b>	<b>1,201,890</b>
<b>Own funds (Tier 1 capital + Tier 2 capital)</b>	<b>6,673,220</b>
<b>Total risk-weighted exposure amount</b>	<b>15,865,579</b>
<b>Capital ratios and buffers</b>	
<b>Own funds requirement</b>	<b>1,269,246</b>
CET1 capital ratio (%)	30.1
Tier 1 capital ratio (%)	34.5
Total capital ratio (%)	42.1
Institution-specific CET1 capital requirement including buffer requirements (%)	9.0
<i>of which: capital conservation buffer requirement (%)</i>	2.5
<i>of which: countercyclical buffer requirement (%)</i>	2.0
CET1 capital available to meet buffers (%) <sup>4)</sup>	25.6
<b>Capital adequacy according to Basel I floor</b>	
Own funds	6,785,308
Own funds requirement	4,361,012
Capital quotient	1.56

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

<sup>2)</sup> A decision by the Swedish Financial Supervisory Authority in February 2017 gave Landshypotek Bank approval, subject to specific terms and conditions in the decision, for using the interim or full-year surplus in own-funds calculations for the institute and also for its consolidated situation.

<sup>3)</sup> This item pertains to the proposed dividend's contribution to equity.

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

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

Consolidated situation <sup>1)</sup> 31 March 2017				
SEK thousand	Exposure value <sup>2)</sup>	Risk-weighted exposure amount <sup>3)</sup>	Own funds requirement <sup>4)</sup>	Average risk weight <sup>5)</sup>
<b>Credit risk – IRB approach</b>	<b>65,105,682</b>	<b>8,502,574</b>	<b>680,206</b>	<b>13%</b>
Retail – real estate collateral	64,970,775	8,367,667	669,413	13%
Other non-credit-obligation assets	134,907	134,907	10,793	100%
<b>Credit risk – Standardised Approach</b>	<b>18,963,664</b>	<b>4,562,420</b>	<b>364,994</b>	<b>24%</b>
Central governments or central banks	1,906	-	-	0%
Regional governments or local authorities	5,638,578	-	-	0%
Institutions	2,198,510	694,551	55,564	32%
Corporates	301,148	298,584	23,887	99%
Retail	115,837	80,218	6,417	69%
Secured by mortgages on immovable property	3,064,104	2,709,090	216,727	88%
Exposures in default	12,620	16,881	1,351	134%
Covered bonds	7,630,960	763,096	61,048	10%
<b>Operational risk – Basic indicator approach</b>		<b>1,423,728</b>	<b>113,898</b>	
<b>Credit valuation adjustment risk – Standardised approach</b>	<b>1,442,245</b>	<b>1,376,857</b>	<b>110,149</b>	<b>95%</b>
<b>Total</b>	<b>85,511,591</b>	<b>15,865,579</b>	<b>1,269,246</b>	<b>-</b>

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

<sup>2)</sup> Exposure value calculated in accordance with the CRR. In certain cases, instead of exposure value, the abbreviation EAD (Exposure at default) and the term exposure amount were used in the bank's previous reports.

<sup>3)</sup> After application of the relevant risk weights. Risk weights for the IRB approach are based on internal risk classification and internal historical data while risk weights as prescribed in the CRR are applied for the standardised approach.

<sup>4)</sup> Calculated by multiplying the risk-weighted exposure amount by 8 percent. Does not include any buffer requirements.

<sup>5)</sup> Calculated by dividing the risk-weighted exposure amounts by exposure value for the respective risk/exposure class.

## Note 2 Net interest income

Landshypotek Bank AB – Group SEK thousand	Q1 2017	Q1 2016	Q4 2016	Jan–Mar 2017	Full-year 2016
<b>Interest income</b>					
Interest income on loans to credit institutions	-107	0	-164	-107	-173
Interest income on loans to the public	308,448	324,030	293,235	308,448	1,266,978
Less interest losses	-103	-531	-235	-103	-1,168
Interest income on interest-bearing securities	10,734	30,155	10,864	10,734	89,598
<i>of which: interest income for financial assets in fair-value hedges</i>	3,695	0	3,266	3,695	12,006
<i>of which: interest income on financial assets at FVTPL</i>	8,491	28,738	8,930	8,491	81,516
<i>of which: interest income on available-for-sale financial assets</i>	-1,452	1,417	-1,333	-1,452	-3,924
Other interest income	-8	280	431	-8	1,271
Other lending income	3,848	2,714	3,737	3,848	11,872
<b>Total</b>	<b>322,813</b>	<b>356,648</b>	<b>307,867</b>	<b>322,813</b>	<b>1,368,377</b>
<i>All interest income is attributable to the Swedish market.</i>					
<b>Interest expense</b>					
Interest expense for liabilities to Group companies	0	0	0	0	0
Interest expense for liabilities to credit institutions – other	1,237	1,446	1,329	1,237	7,105
Interest expense for borrowing/deposits from the public	-21,676	-20,855	-21,241	-21,676	-86,582
<i>of which: deposit insurance fees</i>	-2,222	-1,576	-1,951	-2,222	-7,121
Interest expense for interest-bearing securities	-136,269	-194,455	-144,830	-136,269	-691,341
<i>of which: interest expense for financial liabilities in fair value hedges adjusted for the fair value of hedged risk</i>	-139,718	-210,255	-142,239	-139,718	-646,601
<i>of which: interest expense on interest-bearing securities at amortised cost</i>	-20,272	-12,635	-51,349	-20,272	-200,753
<i>of which: periodisation of the market value created from terminated hedging commitments<sup>1)</sup></i>	23,722	28,434	48,758	23,722	156,013
Interest expense for subordinated liabilities	-11,151	-4,732	-11,165	-11,151	-34,641
Interest expense for derivative instruments	51,168	53,374	56,363	51,168	218,913
<i>of which: interest expense on derivatives at FVTPL</i>	41,291	-22,465	16,567	41,291	41,291
<i>of which: interest expense on derivatives identified as hedging instruments</i>	326,071	104,273	81,662	326,071	326,071
<i>of which: reclassification of terminated hedging relationships<sup>1)</sup></i>	-148,449	-28,434	-41,865	-148,449	-148,449
Other interest expense	-20,619	-12,914	-12,201	-20,619	-44,611
<i>of which: government resolution fund fees</i>	-14,084	-6,943	-7,114	-14,084	-28,821
<b>Total</b>	<b>-137,310</b>	<b>-178,136</b>	<b>-131,744</b>	<b>-137,310</b>	<b>-631,157</b>
<b>Total net interest income</b>	<b>185,503</b>	<b>178,513</b>	<b>176,123</b>	<b>185,503</b>	<b>737,220</b>

<sup>1)</sup> 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 2014. A corresponding amount with a negative impact on earnings, attributable to the decrease in value of hedging instruments (derivatives) in the terminated hedging relationships, has been recognised under the item Derivatives in Net interest income. The remaining amount to be periodised is MSEK 321.7, which will continue until August 2029.

Costs that were directly attributable to borrowing were reclassified from net commission income to interest expense in 2017. The comparative figures for 2016 have been restated.

continued Note 2 Net interest income

Landshypotek Bank AB – Parent Company SEK thousand	Q1 2017	Q1 2016	Q4 2016	Jan–Mar 2017	Full-year 2016
<b>Interest income</b>					
Interest income on loans to credit institutions	-107	0	-164	-107	-173
Interest income on loans to the public	308,448	324,030	293,235	308,448	1,266,978
Less interest losses	-103	-531	-235	-103	-1,168
Interest income on interest-bearing securities	10,734	30,155	10,864	10,734	89,598
<i>of which: interest income for financial assets in fair-value hedges</i>	3,695	0	3,266	3,695	12,006
<i>of which: interest income on financial assets at FVTPL</i>	8,491	28,738	8,930	8,491	81,516
<i>of which: interest income on available-for-sale financial assets</i>	-1,452	1,417	-1,333	-1,452	-3,924
Other interest income	0	2	153	0	158
Other lending income	3,848	2,714	3,737	3,848	11,872
<b>Total</b>	<b>322,821</b>	<b>356,370</b>	<b>307,590</b>	<b>322,821</b>	<b>1,367,264</b>
<i>All interest income is attributable to the Swedish market.</i>					
<b>Interest expense</b>					
Interest expense for liabilities to Group companies	0	0	0	0	0
Interest expense for liabilities to credit institutions – other	1,237	1,446	1,329	1,237	7,105
Interest expense for borrowing/deposits from the public	-21,676	-20,855	-21,241	-21,676	-86,582
<i>of which: deposit insurance fees</i>	-2,222	-1,576	-1,951	-2,222	-7,121
Interest expense for debt securities in issue	-136,269	-194,455	-144,830	-136,269	-691,341
<i>of which: interest expense for financial liabilities in fair value hedges adjusted for the fair value of hedged risk</i>	-139,718	-210,255	12,196	-139,718	-492,165
<i>of which: interest expense on interest-bearing securities at amortised cost</i>	-20,272	-12,635	-205,784	-20,272	-355,188
<i>of which: periodisation of the market value created from terminated hedging commitments <sup>1)</sup></i>	23,722	28,434	48,758	23,722	156,013
Interest expense for subordinated liabilities	-11,151	-4,732	-11,165	-11,151	-34,641
Interest expense for derivative instruments	51,168	53,374	56,363	51,168	218,913
<i>of which: interest expense on derivatives at FVTPL</i>	41,291	-22,465	16,567	41,291	41,291
<i>of which: interest expense on derivatives identified as hedging instruments</i>	326,071	104,273	81,662	326,071	326,071
<i>of which: reclassification of terminated hedging relationships <sup>1)</sup></i>	-148,449	-28,434	-41,865	-148,449	-148,449
Other interest expense	-20,618	-12,892	-12,201	-20,618	-44,589
<i>of which: government resolution fund fees</i>	-14,084	-6,943	-7,114	-14,084	-28,821
<b>Total</b>	<b>-137,309</b>	<b>-178,114</b>	<b>-131,744</b>	<b>-137,309</b>	<b>-631,135</b>
<b>Total net interest income</b>	<b>185,512</b>	<b>178,257</b>	<b>175,845</b>	<b>185,512</b>	<b>736,129</b>

<sup>1)</sup> 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 2014. A corresponding amount with a negative impact on earnings, attributable to the decrease in value of hedging instruments (derivatives) in the terminated hedging relationships, has been recognised under Derivatives in Net interest income. The remaining amount to be periodised is MSEK 342.8, which will continue until August 2029.

Costs that were directly attributable to borrowing were reclassified from net commission income to interest expense in 2017. The comparative figures for 2016 have been restated.

## Note 3 Net loan losses

Landshypotek Bank AB – Group and Parent Company SEK thousand	Q1 2017	Q1 2016	Q4 2016	Jan–Mar 2017	Full-year 2016
Write-off for the period for confirmed losses	-8,527	-13,122	-19,062	-8,527	-37,671
Reversal of prior specific provisions for probable loan losses, recognised as confirmed losses in this period's accounts	8,684	12,750	18,074	8,684	37,315
Specific provision for probable loan losses	-2,420	-14,439	-9,037	-2,420	-51,614
Collective provisions for probable loan losses	-839	0	-4,696	-839	-4,696
Recovery of previously confirmed losses	283	2,804	2,625	283	8,852
Reversal of prior specific provisions no longer necessary for probable loan losses	4,523	3,712	4,076	4,523	33,000
<b>Total loan losses</b>	<b>1,704</b>	<b>-8,296</b>	<b>-8,020</b>	<b>1,704</b>	<b>-14,814</b>

All loan losses are attributable to loans to the public.  
Properties taken over in foreclosure to protect claims, MSEK 0.0 (13.7).

## Note 4 Loans to the public

Landshypotek Bank AB SEK thousand	Group			Parent Company		
	31 Mar 2017	31 Dec 2016	31 Mar 2016	31 Mar 2017	31 Dec 2016	31 Mar 2016
Loan receivables	66,636,550	66,577,900	65,162,077	66,636,550	66,577,900	65,162,077
Less specific provisions for individually valued loan receivables	-46,192	-54,736	-73,413	-46,192	-54,736	-73,413
Less collective provisions for collectively valued loan receivables	-5,535	-4,696	0	-5,535	-4,696	0
<b>Net loan receivables</b>	<b>66,584,823</b>	<b>66,518,468</b>	<b>65,088,664</b>	<b>66,584,823</b>	<b>66,518,468</b>	<b>65,088,664</b>
<b>Disclosures on overdue unimpaired loan receivables</b>						
Loan receivables overdue 5–90 days	45,979	77,079	34,821	45,979	77,079	34,821
Loan receivables overdue more than 90 days	253,409	230,696	283,345	253,409	230,696	283,345
<b>Total overdue unimpaired loan receivables</b>	<b>299,388</b>	<b>307,775</b>	<b>318,166</b>	<b>299,388</b>	<b>307,775</b>	<b>318,166</b>
<b>Disclosures on doubtful credits</b>						
Doubtful credits that are not overdue	97,950	103,767	146,047	97,950	103,767	146,047
Overdue doubtful credits	94,314	130,859	237,168	94,314	130,859	237,168
<b>Total doubtful credits, gross</b>	<b>192,264</b>	<b>234,626</b>	<b>383,215</b>	<b>192,264</b>	<b>234,626</b>	<b>383,215</b>
Less capital provisions made	-51,727	-59,432	-73,413	-51,727	-59,432	-73,413
<b>Total doubtful credits, net</b>	<b>140,537</b>	<b>175,194</b>	<b>309,802</b>	<b>140,537</b>	<b>175,194</b>	<b>309,802</b>

Collateral exists in the form of real property for all lending.

## Note 5 Fair-value hierarchy for financial instruments

Landshypotek Bank AB Group, SEK thousand	31 Mar 2017				31 Mar 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>								
Bonds and other interest-bearing securities	2,090,144			2,090,144	7,712,032			7,712,032
Interest-rate swaps		0		0		-		
Cross-currency interest-rate swaps		29,318		29,318		323,037		323,037
<b>Derivatives identified as hedging instruments</b>								
Interest-rate swaps		1,008,311		1,008,311		1,004,653		1,004,653
Cross-currency interest-rate swaps		652,581		652,581		547,181		547,181
<b>Available-for-sale financial assets</b>								
Bonds and other interest-bearing securities	11,062,478			11,062,478	5,539,557			5,539,557
<b>Total assets measured at fair value</b>	<b>13,152,622</b>	<b>1,690,210</b>	<b>-</b>	<b>13,154,312,449</b>	<b>13,251,589</b>	<b>1,874,871</b>	<b>-</b>	<b>15,126,460</b>
<b>Financial liabilities at FVTPL</b>								
Interest-rate swaps		115,280		115,280		370,141		370,141
Cross-currency interest-rate swaps		25,024		25,024		42,355		42,355
<b>Derivatives identified as hedging instruments</b>								
Interest-rate swaps		385,332		385,332		198,792		198,792
Cross-currency interest-rate swaps		200,337		200,337		447,956		447,956
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>725,973</b>	<b>-</b>	<b>725,973</b>	<b>-</b>	<b>1,059,244</b>	<b>-</b>	<b>1,059,244</b>

Fair value is recognised excluding accrued interest. Accrued interest is recognised under Prepaid expenses and accrued income, and Accrued expenses and deferred income.

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 for which there are well-established measuring models based on observable 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 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.

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

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

## Continued Note 5 Fair-value hierarchy for financial instruments

Landshypotek Bank AB Parent Company, SEK thousand	31 Mar 2017				31 Mar 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>								
Bonds and other interest-bearing securities	2,090,144			2,090,144	7,712,032			7,712,032
Interest-rate swaps		0		0		-		
Cross-currency interest-rate swaps		29,318		29,318		323,037		323,037
<b>Derivatives identified as hedging instruments</b>								
Interest-rate swaps		1,008,311		1,008,311		1,004,653		1,004,653
Cross-currency interest-rate swaps		652,581		652,581		547,181		547,181
<b>Available-for-sale financial assets</b>								
Bonds and other interest-bearing securities	11,062,478			11,062,478	5,539,557			5,539,557
<b>Total assets measured at fair value</b>	<b>13,152,622</b>	<b>1,690,210</b>	<b>-</b>	<b>14,842,832</b>	<b>13,251,589</b>	<b>1,874,871</b>	<b>-</b>	<b>15,126,460</b>
<b>Financial liabilities at FVTPL</b>								
Interest-rate swaps		115,280		115,280		370,141		370,141
Cross-currency interest-rate swaps		25,024		25,024		42,355		42,355
<b>Derivatives identified as hedging instruments</b>								
Interest-rate swaps		385,332		385,332		198,792		198,792
Cross-currency interest-rate swaps		200,337		200,337		447,956		447,956
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>725,974</b>	<b>-</b>	<b>725,973</b>	<b>-</b>	<b>1,059,244</b>	<b>-</b>	<b>1,059,244</b>

Fair value is recognised excluding accrued interest. Accrued interest is recognised under Prepaid expenses and accrued income, and Accrued expenses and deferred income.

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 for which there are well-established measuring models based on observable 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 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. 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

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

## Note 6 Fair Value Disclosures

Landshypotek Bank AB – Group SEK thousand	31 Mar 2017 Carrying amount	31 Mar 2017 Fair value	31 Mar 2016 Carrying amount	31 Mar 2016 Fair value
<b>Assets</b>				
Cash and balances with central banks				
Loans to credit institutions	877,588	877,588	638,449	638,449
Loans to the public	66,584,823	67,721,496	65,088,664	64,915,295
Bonds and other interest-bearing securities	13,152,622	13,152,622	14,774,799	14,774,799
Derivatives	1,690,210	1,690,210	2,170,210	2,170,210
<b>Total assets</b>	<b>82,305,244</b>	<b>83,441,916</b>	<b>82,672,122</b>	<b>82,498,753</b>
<b>Liabilities and provisions</b>				
Liabilities to credit institutions	1,806,301	1,806,301	2,134,820	2,134,820
Borrowing from the public	12,046,207	12,046,207	10,724,055	10,724,055
Debt securities in issue, etc.	60,399,887	60,604,674	63,517,383	64,531,583
Derivatives	725,973	725,973	939,711	939,711
Subordinated liabilities	1,699,984	1,839,222	499,984	524,632
<b>Total liabilities</b>	<b>76,678,352</b>	<b>77,022,377</b>	<b>77,815,953</b>	<b>78,854,801</b>

Fair value is recognised excluding accrued interest. Accrued interest is recognised under Prepaid expenses and accrued income, and Accrued expenses and deferred income.

Landshypotek Bank AB – Parent Company SEK thousand	31 Mar 2017 Carrying amount	31 Mar 2017 Fair value	31 Mar 2016 Carrying amount	31 Mar 2016 Fair value
<b>Assets</b>				
Cash and balances with central banks				
Loans to credit institutions	877,357	877,357	634,559	634,559
Loans to the public	66,584,823	67,721,496	65,088,664	64,915,295
Bonds and other interest-bearing securities	13,152,622	13,152,622	14,774,799	14,774,799
Derivatives	1,690,210	1,690,210	2,170,210	2,170,210
<b>Total assets</b>	<b>82,305,013</b>	<b>83,441,685</b>	<b>82,668,232</b>	<b>82,494,863</b>
<b>Liabilities and provisions</b>				
Liabilities to credit institutions	1,806,301	1,806,301	2,134,855	2,134,855
Borrowing from the public	12,046,207	12,046,207	10,724,055	10,724,055
Debt securities in issue, etc.	60,399,887	60,604,674	63,517,383	64,531,583
Derivatives	725,973	725,973	939,711	939,711
Subordinated liabilities	1,699,984	1,839,222	499,984	524,632
<b>Total liabilities</b>	<b>76,678,352</b>	<b>77,022,377</b>	<b>77,815,988</b>	<b>78,854,836</b>

Fair value is recognised excluding accrued interest. Accrued interest is recognised under Prepaid expenses and accrued income, and Accrued expenses and deferred income.

## Reporting calendar 2017

Landshypotek Bank's reports are available at:  
[www.landshypotek.se/en/about-landshypotek/investor-relations/financial-reports](http://www.landshypotek.se/en/about-landshypotek/investor-relations/financial-reports)

Interim Report Q2 19 July 2017  
Interim Report Q3 27 October 2017

## For further information, please contact:

Tomas Uddin  
Chief Communications Officer  
Telephone: +46 (0)70 299 24 8

Liza Nyberg  
Chief Executive Officer  
Can be reached through Tomas Uddin

Fredrik Sandberg  
CFO  
Can be reached through Tomas Uddin





**Landshypotek Bank**