



Landshypotek Bank

Landshypotek Bank AB Interim report 2016 #1

January – March 2016 (compared with corresponding year-earlier period)

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

The bank continues to post improved results and in the first quarter, growth was recorded for both lending and savings deposits. The start of the year, strengthens us in our ongoing transition toward becoming an even better bank for our customers.

January – March 2016

compared with January – March 2015

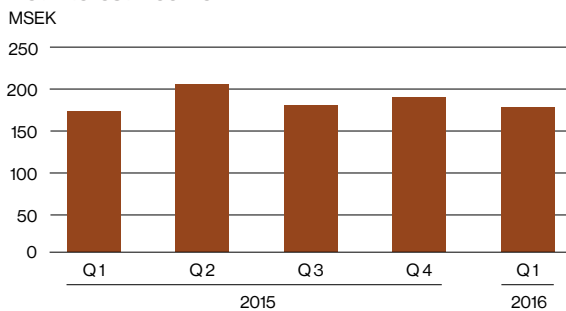
- Operating profit amounted to MSEK 115.4 (56.7).
- The underlying operating profit, profit excluding financial transactions, totalled MSEK 74.9 (69.0).
- Net interest income rose MSEK 5.2 and totalled MSEK 176.5 (171.4).
- Costs increased and totalled MSEK 96.5 (95.7).
- Net loan losses declined and amounted to MSEK 8.3 (loss: 9.4).
- Lending amounted to SEK 65.1 billion (62.2).
- Deposits totalled SEK 10.7 billion (6.8), up SEK 3.9 billion.

January – March 2016 6

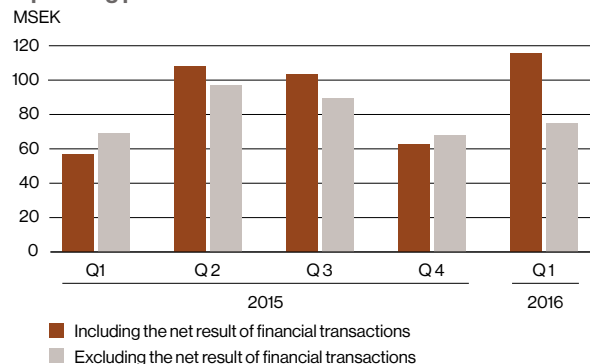
compared with October – December 2015

- Operating profit amounted to MSEK 115.4 (62.7).
- The underlying operating profit, excluding the net result of financial transactions, was MSEK 74.9 (67.8).
- Net interest income amounted to MSEK 176.5 (189.0).
- Costs totalled MSEK 96.5 (117.7).
- Net loan losses were MSEK 8.3 (7.3).
- Lending amounted to SEK 65.1 billion (64.5).
- Deposits amounted to SEK 10.7 billion (10.3).

Net interest income



Operating profit



For a richer life in the countryside

Landshypotek Bank's offers financial services to Sweden's farmers and foresters, and people living on agricultural properties. Landshypotek Bank has also introduced savings accounts that offer competitive interest rates for the general public in Sweden. The bank is owned by its loan customers, organised as members of Landshypotek Ekonomisk Förening.

- Landshypotek Bank finances investments and entrepreneurship for a richer life in the countryside. The core assignment has remained unchanged since 1836.
- With nearly SEK 65 billion in loans outstanding, Landshypotek Bank is Sweden's ninth largest bank. We are a niche bank tasked primarily with financing farming and forestry.
- Landshypotek Bank's lending customers are active entrepreneurs in the farming and forestry sectors, entrepreneurs running small-scale businesses in the countryside or people living on agricultural properties.
- Landshypotek Bank is owned by Landshypotek Ekonomisk Förening, in which the loan customers are members. Our surpluses are reinvested in operations and distributed to loan customers. The Association's General Meeting has resolved to distribute SEK 149 million to the members, the bank's loan customers.
- Landshypotek Bank is the rural entrepreneurs' own bank. For us, the development of the farming and forestry industries is crucial for the countryside and, therefore, for Sweden's future.
- Landshypotek Bank has a strong local network maintained by elected representatives who value agricultural properties and act as ambassadors for our operations.
- Landshypotek Bank systematically recruits account managers who understand financing and have backgrounds in agronomy, forestry or agrology. We understand the people behind the multitude of family businesses in the countryside.
- Landshypotek Bank has opened a digital savings bank that offers competitive interest rates for the general public in Sweden. Savings deposits now total in excess of SEK 10 billion. Accordingly, we are the bank for anyone who wants favourable terms for savings and who holds the countryside dear to their heart. Together with our loan customers, we have been developing the countryside since 1836. Saving with Landshypotek Bank contributes to the continued development of the Swedish countryside.

Landshypotek Bank is close to its customers

Landshypotek Bank has organised its customer operations into nine districts and has offices in 19 locations across Sweden to promote active and close dialogue with customers. In addition, a central organisation is in place that includes a customer service function for dialogue with customers. Since the end of the year, the bank has started a separate initiative in the form of a new district focused on customers that live on farms and who derive their income from employment rather than from active farming or forestry operations. The district organisation has access to a network of elected representatives who carry out property valuations. The functions for risk, compliance, legal affairs, accounting, finance, savings and loan administration, HR, marketing and development, IT and communication are located at the head office. Landshypotek Bank has approximately 160 employees.

Landshypotek Bank is owned by its members

All borrowers from Landshypotek Bank become members of Landshypotek Ekonomisk Förening (Landshypotek Cooperative Association). Accordingly, Landshypotek Bank is owned by some 42,000 members. All business operations are conducted in Landshypotek Bank and the cooperative association is responsible for member relations and overriding control of the bank through the owner directive. Landshypotek Ekonomisk Förening has organised its member operations into ten regions. The Board of each region comprises up to eight elected representatives who represent the members and act as ambassadors for Landshypotek Bank. These elected representatives perform valuations on behalf of the bank. Any surpluses in Landshypotek Bank are reinvested in operations and distributed to loan customers.

CEO's Statement

Sector drivers generate major opportunities for us

The variety of operations run by our customers is on the rise. Due to structural changes, some farmers are conducting operations in the form of ever growing companies, either niched or diversified. Other customers are investing in reduced operations with added value and direct sales to customers. Many customers choose to live in the countryside, but make their living from employment and not by running active farming and forestry operations. Landshypotek Bank serves them all.

Accordingly, the varied nature of the financing of agriculture and forestry, and the countryside poses a challenge – but also opens substantial opportunities. Let me name a few:

Farmers and foresters operate in some 30 different industries. Entrepreneurs in agriculture and forestry master numerous skills and, often, one single farm can contain several different farming and forestry industries. Therefore, a Swedish farmer can both compete with products intended for the global market and, concurrently, conduct construction or plant hire operations in the local area. This makes the businesses stable and less vulnerable to economic cycles.

There is a buzz of activity – from all the entrepreneurship, all the small-scale adding of value and all the new ways to meet consumers that are growing in the countryside. In the autumn, we encouraged rural entrepreneurs to present their operations in the *Your farm – Your opportunity* campaign, which clearly showcased the great energy that is driving innovation and growth.

Another consequence of the changes in the sector is that many people are choosing to live on a farm but to make their living from employment. The possibilities and the quality of life of living in the countryside is a constant attraction. In the first quarter, we opened a separate “district” for closer and improved contact with these customers. The response from the customers was considerable.

Banking in the form of lending to farming and forestry is a stable operation. From a historical perspective, loan losses are extremely low. The variety of the customers' operations results in risk differentiation. Generally, we have strengthened our dialogue with customers for reasons including early identification of changes and any risks associated with individual customers. We have worked intensively on the continued development of our initiatives involving risk issues for the entire bank and also



strengthened our credit and risk organisation. Our loan losses are attributable to a small number of customers. We are now identifying positive indications that both loan losses and the number of late payers are declining.

We are adapting our operations based on this customer trend as well as capital and regulatory changes. We announced during the quarter that we are changing our exposure classes and intend to apply for a new fundamental internal ratings-based (IRB) risk classification approach for our corporate business. We already have a permit for an IRB approach for retail exposures.

In parallel, we are turning to the market to raise further capital.

The bank's capital position is adequate at present. With additional T2 capital, we will strengthen our capital position and, concurrently secure the bank's continued growth.

Other noteworthy items in the quarter included:

Fortunately, the politicians rejected the requirement for statutory capital repayments on mortgage loans to also apply to entrepreneurs in the farming and forestry sector. This was poorly thought through and would have impacted only one sector.

Customer commitment remains strong for the bank and, in March, in conjunction with the year's regional meetings, we met close to 1,400 customers at ten different locations.

A handwritten signature in black ink, appearing to read 'Liza Nyberg'. The signature is stylized and fluid.

Liza Nyberg
CEO Landshypotek Bank

Our operating environment

Landshypotek Bank and its customers are impacted by financial market trends, as well as business conditions in the farming and forestry sectors. Low interest rates continued to prevail in the first quarter. The macro environment is important for farmers and foresters, as is the development of strategic corporate management.

Financial market trends

The year started with declining share prices and unease regarding the economic trend, particularly in China. The oil price fell to new lows and the trend for commodities-based and emerging economies was in focus. In February, the unease increased with new concerns regarding European banks and their profitability after a number of banks presented poor results. The US central bank, which had announced four interest rate increases during the year, announced that it would progress more slowly. In both Sweden and Europe, the key interest rates were lowered further. The central banks increased their bond purchases and the ECB will now be buying government, mortgage and corporate bonds.

Despite concerns in the global market, the Swedish economy has shown healthy growth. GDP has grown and unemployment continued to decline. In Sweden and the EU, governors of central banks have started to signal that interest rates have possibly reached their floor and that further measures will be of a more unconventional nature. Accordingly, expanded bond purchases, attempts to influence exchange rates and similar actions are more likely than cuts in interest rates.

The stock markets have recovered much of their decline and commodity prices, led by oil, have risen. However, the major oil producing countries seem to find it difficult to reach agreement on measures to raise oil prices, which ensures a continuation of relatively low oil prices. The international political arena is dominated by the threat posed by terrorism, even if its impact on the markets is diminishing, and the risk that the UK will exit the EU.

For the rest of the year, continued favourable growth and a healthy labour market are expected in Sweden and the US, with a more cautious recovery expected in Europe. The economic trend in China is unclear, but is not as bad as was feared. In parallel with these positive signals, inflation has not even approached the target levels of central banks. Therefore, it is probable that we will see continued easing and low interest rates for the remainder of the year. Other items that could impact conditions in the fixed-income market include the presidential election in the US, continued developments in the refugee crisis in Europe and corporate profitability, primarily among banks.

Summary Landshypotek Bank

	2016 Q 1	2015 Q 1	2015 Q 4	2016 Jan-Mar	2015 Full year
Net interest income, MSEK *	176.5	171.4	189.0	176.5	743.4
Operating profit, MSEK	115.4	56.7	62.7	115.4	330.6
Profit after tax, MSEK	90.5	44.3	47.9	90.5	257.1
Loans to the public, MSEK	65,089	62,194	64,501	65,089	64,501
Increase in lending, %	0.9 %	0.7 %	0.8 %	0.9 %	4.5 %
Interest margin, %	1.1 %	1.1 %	1.2 %	1.1 %	1.2 %
Deposits from the public	10,724	6,829	10,310	10,724	10,310
Increase in deposits, %	4.0 %	17.2 %	17.5 %	4.0 %	76.9 %
C/I ratio including financial transactions	0.44	0.59	0.63	0.44	0.51
C/I ratio excluding financial transactions	0.54	0.55	0.61	0.54	0.51
Loan loss level, %	0.05 %	0.06 %	0.05 %	0.05 %	0.07 %
Capital adequacy, %	26.4 %	23.0 %	26.1 %	26.4 %	26.1 %
Rating, long-term					
Standard & Poor's, Covered bonds	AAA	AAA	AAA	AAA	AAA
Standard & Poor's	A-	A-	A-	A-	A-
Fitch	A	A+	A	A	A
Average number of employees	162	152	161	162	156

* Deposit insurance fees and fees to the stabilisation fund have been reclassified from Other operating income to Net interest income.
The comparative figures for 2015 have been restated.

Trends in farming and forestry

The macro environment is of major significance for our customers. At the same time, it is clear that the abilities of individual entrepreneurs to manage their operations are increasingly crucial for success. This trend has strengthened as a result of globalisation and the need to work strategically with different markets. The significance of the company management has also been highlighted due to efforts to prepare a new food strategy for Sweden.

Landshypotek Bank is taking an active role in efforts to strengthen entrepreneurs as business leaders. This is being implemented through continuous competence development of personnel. Landshypotek Bank has also chosen to participate in the Swedish Centre for Agricultural Business Management at the Swedish University of Agricultural Sciences. This initiative creates a platform to actively participate and contribute in the knowledge chain between practical application and research. One excellent example is the Lean Farming initiative, which has proven to be a successful concept at many companies.

During the quarter, the following was noted in the industries where Landshypotek Bank operates:

- In forestry, the market is characterised by cautious optimism influenced by the SEK exchange rate and a tentative increase in demand for both timber and pulp. The industry also announced higher pulp prices in the spring. Forest owners also have a positive outlook, which is reflected in stable and rising property prices. At the same time, surveys indicate that profitability will have an increasing role when forestry entrepreneurs describe their operational goals.
- Profitability remains under pressure in milk production. Naturally, there is intense pressure on individual entrepreneurs to lead their businesses through this period and, there are substantial differences in how they succeed. In 2015, a large number of companies divested their milk production. However, the underlying reason was more often age-related than due to weak profitability. The structural transition has maintained approximately the same pace as over the past few years. In the long term, the challenges of the industry and the pace of investment will be an issue if Sweden is to maintain its competitiveness in the milk market.
- The Swedish market for pork production continued to distinguish itself positively compared with its operating environment. Public debate about the use of antibiotics and animal welfare is paying dividends for the Swedish model in the form of higher prices and a larger share of the added value. There is a degree of optimism among pig farmers and some investments are being made, in addition to sales of a number of active production facilities.
- Beef and chicken production have also trended favourably in the Swedish market. Plans have been announced to increase slaughter capacity for poultry production, which could, in turn, bolster interest in investments in new poultry buildings. This is aimed at meeting continuously increasing domestic consumption of chicken.
- The low prices for cereal crops in the winter resulted in substantial quantities of cereal remaining at the farms. Large stockpiles around the world and reports containing few surprises leave the market playing a waiting game. The outcome of the overwintering and spring season in the northern half of world will determine the price trend moving forward. However, the need for cereal crops is continuously increasing in pace with a growing population.

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Financial calendar

Q2 interim report, April-June 2016 18 July 2016
Q3 interim report, July-September 2016 27 October 2016

All reports are published in Swedish and English and are available for download from www.landshypotek.se under Investor relations.

Landshypotek Bank AB

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

Interim report for the 1 January – 31 March 2016 period.

Landshypotek Bank AB (Landshypotek) is owned by Landshypotek Ekonomisk Förening, in which all of the Bank's loan customers are members. The Bank's assignment is to provide competitive financing to Sweden's farmers and foresters. With loans outstanding of SEK 65.1 billion, Landshypotek Bank accounts for 26.2 per cent of total lending to farmers and foresters in Sweden. Lending is characterised by adequate property collateral. Landshypotek Bank has about 160 employees at 19 offices throughout Sweden.

Operating profit 2016

Consolidated operating profit for the first quarter of 2016 amounted to MSEK 115.4, up MSEK 58.6 compared with the first quarter of 2015 (MSEK 56.7). The increase in earnings was primarily attributable to an improvement of MSEK 5.2 in net interest income and a year-on-year increase in the net result of financial transactions of MSEK 52.7. Excluding the net result of financial transactions, operating profit amounted to MSEK 74.9 (69.0), up MSEK 5.9 year-on-year.

Net interest income

Net interest income for the first quarter of 2016 was MSEK 176.5 (MSEK 171.4). This was a year-on-year increase of 3.0 percent. The increase in net interest income was attributable to a rise in lending and continued low borrowing costs.

Deposit insurance fees and fees to the stabilisation fund have been reclassified from Other operating income to Net interest income. The comparative figures for 2015 have been restated. Refer to Note 1.

Other operating income

For the first quarter of 2016, other operating income

amounted to MSEK 43.6 (loss: 9.6). This comprised a year-on-year improvement of MSEK 53.3. Other operating income includes the gain of MSEK 40.4 from the net result of financial transactions, net commission income of MSEK 2.7 and income from property of MSEK 0.5.

The year-on-year increase in operating income was due to an improvement of MSEK 52.7 in the net result of financial transactions to MSEK 40.4 (loss: 12.3). Of this amount, MSEK 40.4 comprised an unrealised gain of MSEK 41.9 and a realised loss of MSEK 1.5. The net result of financial transactions included realised results from the purchase and sale of financial instruments, as well as the result from the buyback of bonds. In addition, this item includes the result from the revaluation of financial instruments. To gain an understanding of the total effect of market valuations, the remeasurements recognised directly in equity via other comprehensive income must also be taken into account. Remeasurements in equity amounted to MSEK 25.6 (4.2) in 2016.

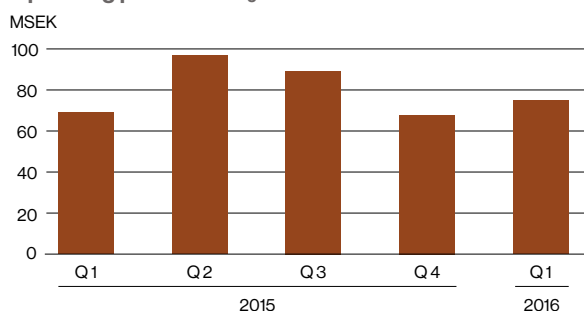
Costs

Costs in the first quarter of 2016 amounted to MSEK 96.5 (95.7), which was in line with last year.

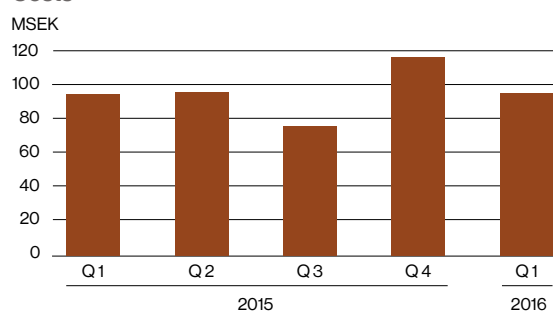
Loan losses and doubtful credits

Net loan losses in the first quarter of 2016 totalled MSEK 8.3 (loss: 9.4). Confirmed losses totalled MSEK 13.1 (0.0). The year-on-year increase was attributable to the winding up of a number commitments (for which provisions exist) being completed in the first quarter of 2016. Provisions for probable loan losses amounted to MSEK 14.4 (loss: 12.7). Reversals of previous provisions for confirmed losses during the year totalled MSEK 12.8 (0.0). Recoveries of previously confirmed losses and reversals of previous provisions for probable loan losses that are no longer required, amounted to MSEK 6.5 (3.9).

Operating profit *excluding the net result of financial transactions*



Costs



Operating profit

	Jan-Mar 2016	Jan-Mar 2015
Net interest income, MSEK *	176.5	171.4
Other operating income, MSEK *	43.6	-9.6
Of which net result of financial transactions	40.4	-12.3
Costs, MSEK	-96.5	-95.7
C/I ratio, including the net result of financial transactions	0.44	0.59
C/I ratio, excluding the net result of financial transactions	0.54	0.55
Net recognised loan losses, MSEK	-8.3	-9.4
Loan loss level, %	0.05 %	0.06 %
Operating profit, MSEK	115.4	56.7
Operating profit excluding the net result of financial transactions	74.9	69.0

* Deposit insurance fees and fees to the stabilisation fund have been reclassified from Other operating income to Net interest income. The comparative figures for 2015 have been restated.

At 31 March 2016, net doubtful credits after provisions amounted to MSEK 309.8, corresponding to 0.48 percent of loans outstanding. At 31 March 2015, doubtful credits amounted to MSEK 295.6, corresponding to 0.47 percent of loans outstanding.

Landshypotek Bank has further developed internal efforts to identify and monitor companies in the credit portfolio with poor profitability and low liquidity, thereby allowing suitable measures to be deployed. The provision for probable loan losses is attributable to a limited number of individual commitments.

Comparison with the fourth quarter of 2015

Consolidated operating profit for the first quarter of 2016 amounted to MSEK 115.4, up MSEK 52.7 compared with the fourth quarter of 2015. Excluding the net result of financial transactions, operating profit for the first quarter of 2016 amounted to MSEK 74.9, up MSEK 7.1 compared with the

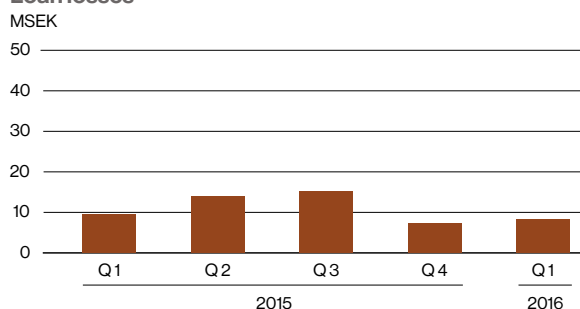
fourth quarter of 2015. The improvement was attributable to lower costs. However, net interest income and operating income were lower in parallel with higher loan losses.

Landshypotek's business volume trend

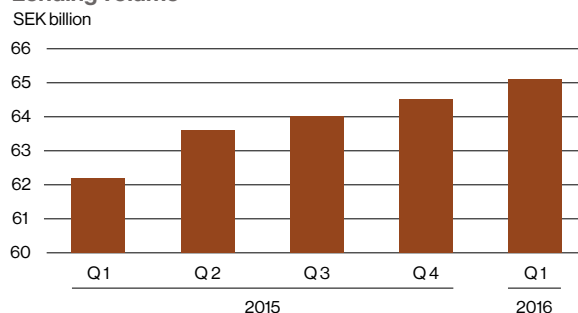
In the first quarter of 2016, lending increased SEK 0.6 billion to SEK 65.1 billion. The increase corresponded to lending growth of 0.9 percent, compared with 0.7 percent in the corresponding year-earlier period.

Demand for credit in the market from farmers and foresters stabilised in 2015. The annualised market growth for 2015 was about 6 percent.

Loan losses



Lending volume



Funding

Borrowing

Landshypotek Bank's ambition is to borrow funds on the best possible terms given a low risk profile. The following also applies:

- borrowing is well diversified as regards programmes, currencies and investors
- borrowing has a tenor that corresponds well to the tenor of assets
- substantial concentrations of borrowings maturing during a short duration are avoided.

Landshypotek Bank actively raises funds via national and international bond markets, as well as striving to always respond to investors' concerns regarding tenors and interest-rate structures.

Investor relations are of major importance as part of ensuring that investors' levels of awareness and interest are maintained in Landshypotek Bank. During the year, the Bank issued covered bonds to a value of approximately SEK 5.2 billion and senior bonds to a value of SEK 0.6 billion. During the same period, bonds have matured and been repurchased to a value of approximately SEK 6.0 billion, of which SEK 5.4 billion pertained to covered bonds.

In general, the finance market for Nordic banks functioned smoothly in the first quarter of 2016. Landshypotek Bank was very successful in its funding activities and demand for Landshypotek Bank's bonds was favourable.

Deposits

Deposits amounted to SEK 10.7 billion (6.8) at 31 March 2016.

Liquidity

Landshypotek Bank has a substantial liquidity portfolio of interest-bearing securities. This was valued at SEK 15.0 billion at 31 March 2016. The portfolio primarily comprises Swedish covered bonds with the highest credit rating and, to some extent, bonds issued by Swedish municipalities. Securities can be sold or borrowed against,

as required, to meet the financing of maturing debt. At 31 March, the liquidity portfolio was 2.4 (2.0) times larger than refinancing requirements for the next six months.

Rating

Landshypotek Bank has credit ratings from two different rating agencies, Standard & Poor's and Fitch. In 2015, Fitch changed Landshypotek Bank's rating to A with stable outlook. The motivation was that the quality of Landshypotek Bank's loan portfolio was approaching the quality of those of other banks and, accordingly, Fitch lowered its previously extremely strong credit-quality rating.

Standard & Poor's confirmed the AAA rating for covered bonds in 2014.

Rating

	Long	Short
S&P Covered Bonds	AAA	
S&P	A-	A-2, K1
Fitch	A	F1

Risk management

The risks on which Landshypotek Bank actively focuses its efforts are classified in the risk categories of credit risk, liquidity risk, market risk and operational risk. On an overall level, the Board of Directors establishes how Landshypotek Bank's risks are to be measured, reported and limited.

In the first quarter, Landshypotek Bank maintained a continued focus on governance and control of these internal processes, for reasons including the Swedish Financial Supervisory Authority's ongoing inspections of Swedish credit institutions. The Swedish Financial Supervisory Authority's inspections include examination of the bank's internal methods for measuring credit risk (IRB approach) and credit processes.

Credit risk is defined as the risk that Landshypotek Bank

Programme

MSEK	Issued 31 Mar. 2016	Limit	Issued 31 Dec. 2015
Swedish Commercial paper	2,670	10,000	2,270
MTN programme	43,168	60,000	43,431
EMTN programme	12,507	32,335*	12,713
RCB**	3,233		3,407
Subordinated loans	500		500

*MEUR 3,500. **Registered Covered Bonds.

does not receive payment as agreed in combination with the risk that the value of the collateral is not adequate and thus will not cover the outstanding claim. The risk encompasses all Landshypotek Bank's retail receivables and can also arise as a consequence of the management of liquidity, interest and currency risk. Landshypotek Bank's methods for credit approval and credit monitoring as well as requirements for granting credit, including collateral requirements, limit credit risk in the portfolio.

Landshypotek Bank's operations are naturally exposed to liquidity risk. As part of managing this exposure, among other measures, Landshypotek Bank maintains a substantial liquidity reserve and strives to achieve diversified funding.

Landshypotek Bank is exposed to market risk in the form of interest-rate, currency, basis-spread and credit-spread risk. Interest-rate and currency risk are mainly managed through swap agreements and are therefore low. Basis-spread risk arises from entering into interest-rate and currency swap agreements and is moderated through limiting funding in foreign currency. Credit-spread risk arises in Landshypotek Bank's liquidity portfolio and is limited, to a degree, through requirements for high credit ratings for securities in the liquidity portfolio. Landshypotek Bank monitors the market and liquidity risks, for which limits apply, on a daily basis.

Operational risk is defined as the risk of losses as a result of inappropriate or failed internal processes, human error, faulty systems and external events including legal risks. Landshypotek Bank reduces operational risks through measures including risk analysis, continuity management, the New Product Approval Process (NPAP) and incident follow-up.

Capital adequacy

The total capital ratio under the Basel III rules¹ amounted to 26.4 percent. Own funds amounted to MSEK 4,953 and the own funds requirement was MSEK 1,500. In addition to the Pillar I capital requirement of 8 percent, the capital conservation buffer requirement is 2.5 percent of the total risk-weighted amount and, from 13 September 2015, the countercyclical capital buffer requirement is 1.0 percent of the total risk-weighted amount². The capital conservation buffer and the countercyclical buffer must be covered by Common Equity Tier 1 capital (CET1 capital). The Bank's remaining CET1 capital to cover the buffer

¹ In this text, Basel I and Basel III refer to the Swedish implementation of the Basel regulations, for example, through FFFS 2003:10, the Capital Requirements Regulation (EU) No 575/2013 and the Capital Requirements Directive 36/2013/EU.

² The countercyclical buffer is planned to be raised to 1.5 percent from 27 June 2016 and to 2.0 percent from 19 March 2017.

requirements, corresponds to 17.8 percent of the total risk-weighted exposure amount at 31 March 2016. The total capital ratio under the transitional rules linked to the Basel I requirement amounted to 9.6 percent.

The bank's leverage ratio amounted to 5.3 percent.

Profits from the first quarter of 2016 were not included in own funds.

Internally assessed capital requirement

One method used by the bank for assessment of the capital requirement is the transitional rule related to the Basel I rule, including a capital planning buffer to exceed the capital requirement in a highly stressed scenario. Another method is based on the Basel III rules that, in addition to the Pillar I capital requirements, include a total combined buffer requirement, Pillar II capital including a risk weight floor.

The bank intends to change its exposure classes under the Basel III framework and apply for an internal ratings-based (IRB) risk classification approach for our corporate business. This is to better reflect the market trend for lending to the farming and forestry sector, and adapt to changes in regulatory frameworks. The bank has prepared under the Pillar II framework for the increased capital requirement that will arise as a consequence of this change, including a margin given that this is a preliminary assessment.

Using the current internal method, after changes to exposure classes, the capital requirement for the consolidated situation amounted to SEK 4.4 billion. Accordingly, it is the capital requirement under Basel III that sets the bank's capital requirement. The capital requirement should be compared with estimated own funds, including first quarter earnings, of SEK 4.8 billion.

Group structure

All 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 were conducted exclusively in Landshypotek Bank in 2016. The subsidiary, Landshypotek Jordbrukskredit transferred its operations to Landshypotek Bank in 2015 and Landshypotek Jordbrukskredit is now being wound up.

Events after the end of the period

Both Fitch and Standard & Poor confirmed Landshypotek Bank's rating following the bank's announced changes in exposure classes.

Capital adequacy analysis

SEK Thousand	Consolidated situation ¹ 31 Mar. 2016
Own funds, Basel 3	4,953,130
Tier 1 capital	4,453,146
Common equity tier 1 (CET1) capital	4,453,146
Capital instruments eligible as CET1 Capital	1,489,957
Retained earnings	3,222,190
Accumulated other comprehensive income	-22,700
Adjustments to CET1 due to prudential filters	13,146
(-) Other intangible assets	-21,029
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-5,361
(-) IRB shortfall of credit risk adjustments to expected losses	-162,230
(-) Defined benefit pension fund assets	0
(-) Prudent valuation	-60,827
Tier 2 capital	499,984
Capital instruments and subordinated loans eligible as T2 Capital	499,984
Own funds requirement, Basel 3	1,500,166
Risk exposure amount, Basel 3	18,752,079
CET1 capital ratio (%)	23.75
Tier 1 capital ratio (%)	23.75
Total capital ratio (%)	26.41
Leverage ratio (%)	5.3
Institution specific CET1-requirement including buffer requirements (%)	8.00
of which: capital conservation buffer requirement (%)	2.50
of which: countercyclical capital buffer (%)	1.00
CET1 capital available to meet buffers (as a share of risk exposure amounts, %) ²	17.75
Capital quotient	3.30
Capital adequacy according to transitional rules Basel 1	
Own funds	5,115,360
Own funds requirement	4,265,778
Total capital ratio (%) ³	9.59
Capital quotient	1.20

¹ Consolidated situation includes Landshypotek ekonomisk förening and the Landshypotek Bank AB Group.

² Calculated as "CET1 capital as reported, less CET1 used to cover the CET1 requirement and less any other CET1 items used to meet the Tier 1 capital requirement and the total own funds requirement" divided by risk exposure amount, Basel 3.

³ Corresponds to the term capital adequacy ratio, which has been used in previous financial statements.

Own funds for Landshypotek's consolidated situation

SEK Thousand	31 Mar. 2016
Member contributions	1,489,957
Other contributed capital	1,797,796
Reserves	-22,700
Actuarial differences	-6,195
Retained earnings	1,573,223
Net profit for the year ¹	87,110
Equity in balance sheet	4,909,191
Deductions related to the consolidated situation and other foreseeable costs	-
CET1 capital before regulatory adjustments²	4,909,191
Adjustment of net profit for the year ³	-296,766
Intangible assets	-1,029
Deferred tax assets that rely on future profitability	-5,361
Fair value reserves related to gains or losses on cash-flow hedges	13,146
Negative amounts resulting from the calculation of expected loss amounts	-162,230
Defined-benefit pension plans	16,195
CET1 capital	4,453,146
Tier 1 capital	4,453,146
Capital instruments and subordinated loans eligible as T2 capital	499,984
T2 capital	499,984
Total capital	4,953,130

¹ A decision by the Swedish Financial Supervisory Authority on 29 May 2015 gave Landshypotek Bank AB (556500-2762) approval for using the annual surplus in own-funds calculations for the institute and also for its consolidated situation with the prerequisite that the elected auditor (PwC) has verified the surplus and that the surplus has been calculated pursuant to the applicable accounting framework, and that it is possible to verify that deductions have been made for any foreseeable costs and dividends in line with Regulation (EU) No 575/2013 and that these have been calculated according to Regulation (EU) No 241/2014.

² The Swedish Financial Supervisory Authority's regulation FFFS 2014:12 entered force in August 2014. Capital adequacy must be reported in accordance with regulatory reporting templates. CET1 capital pertains to the consolidated situation and differs from equity under IFRS. Contributions to equity from insurance activities are excluded as are proposed dividends.

³ For Landshypotek's consolidated situation, deductions pertain primarily to the proposed dividend.

Own funds requirement by risk, approach and exposure class

TSEK	Consolidated situation ¹ 31 Mar. 2016			
	Exposure value ²	Own funds requirements ⁴	Risk weighted exposure amounts ³	Average risk weight ⁵
Credit risk – Internal Ratings Based approach	62,846,687	864,011	10,800,138	17 %
Retail – Secured by real estate	62,766,018	857,557	10,719,468	17 %
Other non credit-obligation assets	80,670	6,454	80,670	100 %
Credit risk – Standardised approach	20,906,021	399,494	4,993,671	24 %
Central governments or central banks	7,955	-	-	0 %
Regional governments or local authorities	5,832,594	-	-	0 %
Institutions	2,328,657	58,883	736,037	32 %
Corporates	313,875	25,106	313,828	100 %
Retail	97,599	5,799	72,491	7 %
Secured by mortgages on immovable property	3,160,892	232,242	2,903,026	92 %
Exposures in default	41,186	4,477	55,963	136 %
Covered bonds	9,123,263	72,986	912,326	10 %
Operational risk – Basic Indicator approach⁶		105,625	1,320,311	
Credit valuation adjustment risk – Standardised approach	1,761,434	131,037	1,637,959	93 %
Total	85,514,142	1,500,166	18,752,079	-

¹ Consolidated situation includes Landshypotek ekonomisk forening and the Landshypotek Bank AB Group.

² After application of relevant credit conversion factors in order to also include unutilized limits to a certain extent. For the Internal Rating Based approach the conversion factor is based on internal historical data while regarding standardised approach the conversion factors are prescribed by the capital requirements regulation.

³ After application of relevant risk weights. Risk weights for the Internal Rating Based approach are based on internal risk classification and internal historical data, while risk weights are prescribed by the capital requirements regulation for the standardised approach.

⁴ Calculated by multiplying risk exposure amount amounts by 8 %. Does not include any buffer requirements.

⁵ Calculated by dividing risk weighted exposure amounts by exposure value for the risk/exposure class.

⁶ No exposure value exists for operational risk, hence no disclosure of neither exposure value or average risk weight."

Stockholm, 26 April 2016

Liza Nyberg
CEO

Accounting policies

This Report encompasses the Group comprising Landshypotek Bank AB and the subsidiary Landshypotek Jordbrukskredit AB. In addition, Landshypotek Bank AB is reported separately. 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 2016, deposit insurance fees and fees to the stabilisation fund have 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, Financial info).

Income statement

Landshypotek Bank AB Group, SEK Thousand	Note	2016 Q1	2015 Q1	2015 Q4	2016 Jan-Mar	2015 Full year
Interest income		353,934	426,244	367,217	353,934	1,560,908
Interest expense		-177,390	-254,854	-178,210	-177,390	-817,503
Net interest income	Note 1	176,544	171,390	189,007	176,544	743,405
Commission income		2,714	2,269	2,288	2,714	9,987
Commission expense		0	0	0	0	0
Net result of financial transactions		40,442	-12,284	-5,142	40,442	7,787
Other operating income		461	378	1,445	461	2,535
Total operating income		220,161	161,753	187,598	220,161	763,714
General administrative expenses		-85,592	-84,998	-100,845	-85,592	-339,668
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-5,110	-4,892	-4,942	-5,110	-19,678
Other operating expenses		-5,794	-5,775	-11,866	-5,794	-27,831
Total expenses before loan losses		-96,496	-95,665	-117,653	-96,496	-387,177
Profit before loan losses		123,665	66,088	69,945	123,665	376,537
Loan losses, net	Note 2	-8,296	-9,358	-7,269	-8,296	-45,921
Operating profit		115,369	56,730	62,676	115,369	330,615
Income tax for the period		-24,874	-12,469	-14,807	-24,875	-73,544
Net profit for the period		90,496	44,261	47,869	90,496	257,071

Statement of comprehensive income

Landshypotek Bank AB Group, SEK Thousand	2016 Q1	2015 Q1	2015 Q4	2016 Jan-Mar	2015 Full year
Net profit for the period	90,496	44,261	47,869	90,496	257,071
Other comprehensive income					
<i>Items to be reclassified to profit or loss</i>					
Cash-flow hedges	3,577	6,758	9,390	3,577	29,425
Available-for-sale financial assets	21,999	-2,530	-661	21,999	-46,078
Tax on items to be reclassified	-5,627	-930	-1,920	-5,627	3,664
<i>Total, items to be reclassified</i>	<i>19,949</i>	<i>3,297</i>	<i>6,809</i>	<i>19,949</i>	<i>-12,990</i>
<i>Items that are not reclassified</i>					
Actuarial differences for defined-benefit pensions	-38,601	-27,906	15,779	-38,601	40,989
Tax on items that are not reclassified	8,492	6,139	-3,471	8,492	-9,018
<i>Total, items that are not reclassified</i>	<i>-30,109</i>	<i>-21,767</i>	<i>12,308</i>	<i>-30,109</i>	<i>31,971</i>
Total other comprehensive income	-10,160	-18,469	19,116	-10,160	18,981
Comprehensive income for the period	80,336	25,792	66,985	80,336	276,052

Income statement

Landshypotek Bank AB Parent Company, SEK Thousand	Note	2016 Q1	2015 Q1	2015 Q4	2016 Jan-Mar	2015 Full year
Interest income		353,656	422,391	367,217	353,656	1,548,087
Interest expense		-177,391	-254,806	-178,153	-177,391	-817,284
Net interest income	Note 1	176,265	167,585	189,064	176,265	730,803
Commission income		2,714	2,231	2,254	2,714	9,672
Commission expense		0	0	0	0	0
Net result of financial transactions		40,442	-12,284	-5,142	40,442	7,787
Other operating income		461	378	1,445	461	2,535
Total operating income		219,882	157,910	187,622	219,882	750,798
General administrative expenses		-86,660	-85,911	-100,615	-86,660	-340,295
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-5,110	-4,892	-4,942	-5,110	-19,678
Other operating expenses		-5,794	-5,774	-11,866	-5,794	-27,828
Total expenses before loan losses		-97,564	-96,577	-117,423	-97,564	-387,801
Profit before loan losses		122,318	61,333	70,199	122,318	362,997
Loan losses, net	Note 2	-8,296	-6,591	-7,268	-8,296	-41,952
Impairment of shares in subsidiaries		0	0	-2,266		-2,266
Operating profit		114 022	54,742	60,665	114 022	318,778
Income tax for the period		-25 072	-12,031	-14,196	-25 072	-70,945
Net profit for the period		88,951	42,711	46,469	88,951	247,832

Statement of comprehensive income

Landshypotek Bank AB Moderbolaget, SEK Thousand	2016 Q1	2015 Q1	2015 Q4	2016 Jan-Mar	2015 Full year
Net profit for the period	88,951	42,711	46,469	88,951	247,832
Other comprehensive income					
<i>Items to be reclassified to profit or loss</i>					
Cash-flow hedges	3,577	6,758	9,390	3,577	29,425
Available-for-sale financial assets	21,999	-2,530	-661	21,999	-46,078
Income tax related to other comprehensive income	-5,627	-930	-1,920	-5,627	3,664
<i>Total, items to be reclassified</i>	<i>19,949</i>	<i>3,297</i>	<i>6,809</i>	<i>19,949</i>	<i>-12,990</i>
Total other comprehensive income	19,949	3,297	6,809	19,949	-12,990
Comprehensive income for the period	108,900	46,008	53,277	108,900	234,843

Balance Sheet

Landshypotek Bank AB SEK Thousand	Group			Parent Company		
	2016 31 Mar	2015 31 Dec	2015 31 Mar	2016 31 Mar	2015 31 Dec	2015 31 Mar
ASSETS						
Cash and balances with central banks	0	237	0	634,559	237	0
Loans to credit institutions	638,449	396,214	720,636	0	392,262	844,691
Loans to the public Note 3	65,088,664	64,501,262	62,193,889	65,088,664	64,501,262	61,871,760
Value changes of interest-rate-risk hedged items in macro hedges	148,803	87,842	132,592	148,803	87,842	132,592
Bonds and other interest-bearing securities	14,774,799	13,251,589	17,038,762	14,774,799	13,251,589	17,038,762
Derivatives	2,170,210	1,874,871	2,701,891	2,170,210	1,874,871	2,701,891
Shares in Group companies	0	0	0	278,487	278,487	280,753
Intangible non-current assets	21,029	20,654	32,551	21,029	20,654	32,551
Tangible assets						
Furniture, fixtures and equipment	9,808	10,621	10,943	9,808	10,621	10,943
Buildings and land	19,998	20,168	21,058	19,998	20,168	21,058
Other assets	15,863	35,324	13,042	15,605	4,951	12,814
Current tax assets	5,720	22,137	4,858	4,212	20,670	1,050
Deferred tax assets	5,361	0	18,385	3,982	4,756	9,703
Prepaid expenses and accrued income	632 194	498,081	706,097	632 194	498,080	702,189
TOTAL ASSETS Note 4, 5, 6	83,530,898	80,719,000	83,594,705	83,802 350	80,966,450	83,660,757
LIABILITIES, PROVISIONS AND EQUITY						
Liabilities to credit institutions	2,134,820	393,227	481,443	2,134,855	393,262	550,264
Borrowing from the public	10,724,055	10,309,718	6,828,716	10,724,055	10,309,718	6,828,716
Debt securities in issue, etc.	63,517,383	63,012,651	68,938,812	63,517,383	63,012,651	68,938,812
Derivatives	939,711	1,059,244	973,727	939,711	1,059,244	973,727
Other liabilities	290,674	297,361	317,961	562,970	569,657	317,103
Deferred tax liabilities	195	2,555	0	195	0	0
Accrued expenses and deferred income	779,174	586,824	877,150	779,174	586,824	876,612
Provisions	7,118	0	41,133	1,361	1,361	2,020
Subordinated liabilities	499,984	499,972	699,952	499,984	499,972	699,952
Total liabilities	78,893,114	76,161,552	79,158,894	79,159,688	76,432,689	79,187,206
Equity	4,637,784	4,557,448	4,435,810	4,642,662	4,533,761	4,473,550
TOTAL LIABILITIES, PROVISIONS AND EQUITY Note 4, 5, 6	83,530,898	80,719,000	83,594,704	83,802 350	80,966,450	83,660,756

Cash-flow statement

Landshypotek Bank AB SEK thousand	Group			Parent Company		
	2016 Jan-Mar	2015 Jan-Mar	2015 Full year	2016 Jan-Mar	2015 Jan-Mar	2015 Full year
Opening cash and cash equivalents	396,451	720,333	720,333	392,499	813,558	813,558
Cash flow from operating activities	246,500	-78,654	-24,462	246,562	-47,823	-121,639
Cash flow from investing activities	-4,502	-1,043	-2,720	-4,502	-1,043	-2,720
Cash flow from financing activities	0	80,000	-296,700	0	80,000	-296,700
Cash flow for the period	241,998	303	-323,882	242,060	31,134	-421,059
Closing cash and cash equivalents	638,449	720,636	396,451	634,559	844,692	392,499

Statement of Changes in Equity

Landshypotek Bank AB Group SEK Thousand	Share capital	Other contributed capital	Hedging reserve	Fair value reserve	Actuarial differences	Retained earnings	Total
Equity 31 December 2014	2,173,000	1,026,254	-38,888	9,228	-18 057	1,178,481	4,330,018
Comprehensive income for the period			5 271	-1 974	-21 767	44 261	25 792
Total change before transactions with owners	-	-	5 271	-1 974	-21 767	44 261	25 792
New share issue	80,000						80,000
Group contribution paid							
Tax on group contribution paid							
Equity 31 March 2015	2,253,000	1,026,254	-33 618	-7 254	-39 823	1,222 742	4,435 810
Equity 31 December 2015	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	90,496	80,336
Total change before transactions with owners	-	-	2,790	17,159	-30,109	90,496	80,336
New share issue							
Equity 31 March 2016	2,253,000	1,026,254	-13,146	-9,554	-16,195	1,397,426	4,637,784

Landshypotek Bank AB Parent Company SEK Thousand	Share capital	Other contributed capital	Hedging reserve	Fair value reserve		Retained earnings	Total
Equity 31 December 2014	2,173,000	1,016,694	-38,888	9,228		1,187 510	4,347,542
Comprehensive income for the period			5 271	-1 974		42 711	46 008
Total change before transactions with owners	-	-	5 271	-1 974		42 711	46 008
New share issue	80,000						80,000
Group contribution paid							
Tax on group contribution paid							
Equity 31 March 2015	2,253,000	1,016,694	-15,936	-26,714		1,230 222	4,473 550
Equity 31 December 2015	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		88,951	108,900
Total change before transactions with owners	-	-	2,790	17,159		88,951	108,900
New share issue							
Equity 31 March 2016	2,253,000	1,016,694	-13,146	-9,554		1,395,667	4,642,662

Notes

Note 1 Net interest income

Landshypotek Bank AB Group, SEK thousand	2016 Q1	2015 Q1	2015 Q4	2016 Jan-Mar	2015 Full year
Interest income					
Interest income on loans to credit institutions	0	-11	0	0	-707
Interest income on loans to the public	324,030	378,695	338,061	324,030	1,413,906
Less interest losses	-531	-165	-1,022	-531	-1,601
Interest income on interest-bearing securities	30,155	47,721	30,097	30,155	149,221
of which interest income on financial assets at fair value through profit or loss	28,738	40,028	30,723	28,738	138,361
of which interest income on available-for-sale financial assets	1,417	7,693	-624	1,417	10,860
Other interest income	280	4	81	280	89
Total	353,934	426,244	367,217	353,934	1,560,908
<i>All interest income is attributable to the Swedish market.</i>					
Interest expense					
Interest expense for liabilities to Group companies	0	0	0	0	0
Interest expense for liabilities to credit institutions – other	1,446	308	894	1,446	4,060
Interest expense for borrowing/deposits from the public	-20,855	-21,861	-21,804	-20,855	-83,941
of which: deposit insurance fees	-1,576	-912	-908	-1,576	-3,675
Interest expense for interest-bearing securities	-194,455	-251,756	-203,259	-194,455	-881,429
of which interest expense for other financial liabilities in fair value hedges adjusted for the fair value of hedged risk	-210,255	-159,796	-141,080	-210,255	-617,491
of which interest expense on interest-bearing securities at amortised cost	-12,635	-120,908	-91,771	-12,635	-381,341
of which periodization of the market value created from terminated hedging relationships *	28,434	28,949	29,592	28,434	117,405
Interest expense for subordinated liabilities	-4,732	-7,675	-4,866	-4,732	-24,389
Interest expense for derivative instruments	53,374	38,151	60,443	53,374	209,608
of which interest expense on derivatives at fair value through profit or loss	-22,465	1,501	-30,550	-22,465	-138,047
of which interest expense on derivatives identified as hedging instruments	104,273	64,772	119,740	104,273	461,705
of which reclassification of terminated hedging relationships *	-28,434	-28,122	-28,747	-28,434	-114,050
Other interest expense	-12,168	-12,021	-9,618	-12,168	-41,412
of which: government stabilisation fund fees	-6,943	-10,572	-6,300	-6,943	-31,660
Total	-177,390	-254,854	-178,210	-177,390	-817,503
Total net interest income	176,544	171,390	189,007	176,544	743,405

* The item pertains to a reduction in recognised interest expenses from the periodization 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 in the 2014 annual accounts under the item Net result of financial transactions. From 2015, these amounts will be recognised net in Net interest income. The remaining amount to be periodised is MSEK 421.1, which will continue until August 2029.

Costs that were directly attributable to borrowing were reclassified to interest expense in 2015. Deposit insurance fees and fees to the stabilisation fund have been reclassified from Other operating income to Net interest income in 2016. The comparative figures for 2015 have been restated.

continued Note 1 Net interest income

Landshypotek Bank AB Parent Company, SEK thousand	2016 Q1	2015 Q1	2015 Q4	2016 Jan-Mar	2015 Full year
Interest income					
Interest income on loans to credit institutions	0	-11	0	0	-707
Interest income on loans to Group companies	0	0	0	0	0
Interest income on loans to the public	324 030	374 841	338 078	324 030	1 401 091
Less interest losses	-531	-163	-1 015	-531	-1 582
Interest income on interest-bearing securities	30 155	47 721	30 097	30 155	149 221
of which interest income on financial assets at fair value through profit or loss	28 738	40 028	30 723	28 738	138 361
of which interest income on available-for-sale financial assets	1 417	7 693	-624	1 417	10 860
Other interest income	2	3	57	2	64
Total	353 656	422 391	367 217	353 656	1 548 087
<i>All interest income is attributable to the Swedish market.</i>					
Interest expense					
Interest expense for liabilities to Group companies	0	-9	0	0	-9
Interest expense for liabilities to credit institutions – other	1 446	308	895	1 446	4 061
Interest expense for borrowing/deposits from the public	-20 855	-21 861	-21 804	-20 855	-83 941
of which: deposit insurance fees	-1 576	-912	-908	-1 576	-3 675
Interest expense for interest-bearing securities	-194 455	-251 756	-203 259	-194 455	-881 429
of which interest expense for other financial liabilities in fair value hedges adjusted for the fair value of hedged risk	-210 255	-159 796	-141 080	-210 255	-617 491
of which interest expense on interest-bearing securities at amortised cost	-12 635	-120 908	-91 771	-12 635	-381 341
of which periodization of the market value created from terminated hedging relationships *	28 434	28 949	29 592	28 434	117 405
Interest expense for subordinated liabilities	-4 732	-7 675	-4 866	-4 732	-24 389
Interest expense for derivative instruments	53 374	38 151	60 443	53 374	209 608
of which interest expense on derivatives at fair value through profit or loss	-22 465	1 501	-30 550	-22 465	-138 047
of which interest expense on derivatives identified as hedging instruments	104 273	64 772	119 740	104 273	461 705
of which reclassification of terminated hedging relationships	-28 434	-28 122	-28 747	-28 434	-114 050
Other interest expense	-12 169	-11 964	-9 563	-12 169	-41 185
of which: government stabilisation fund fees	-6 943	-10 572	-6 300	-6 943	-31 660
Total	-177 391	-254 806	-178 153	-177 391	-817 284
Total net interest income	176 265	167 585	189 064	176 265	730 803

* The item pertains to a reduction in recognised interest expenses from the periodization 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 in the 2014 annual accounts under the item Net result of financial transactions. From 2015, these amounts will be recognised net in Net interest income. The remaining amount to be periodised is MSEK 421.1, which will continue until August 2029.

Costs that were directly attributable to borrowing were reclassified to interest expense in 2015. Deposit insurance fees and fees to the stabilisation fund have been reclassified from Other operating income to Net interest income in 2016. The comparative figures for 2015 have been restated.

Note 2 Loan losses net

Landshypotek Bank AB Group, SEK thousand	2016 Q1	2015 Q1	2015 Q4	2016 Jan-Mar	2015 Full year
Write-off for the period for confirmed losses	-13,122	-2	-34,522	-13,122	-50,261
Reversal of prior provisions for probable loan losses, recognised as confirmed losses during the year	12,750	0	33,269	12,750	49,091
Provision for probable loan losses	-14,439	-12,689	-19,893	-14,439	-82,226
Recovery of previously confirmed losses	2,804	899	2,415	2,804	6,225
Reversal of prior provisions no longer necessary for probable loan losses	3,712	2,972	11,462	3,712	31,250
Guarantees		-538			
Total loan losses	-8,296	-9,358	-7,269	-8,296	-45,921

All loan losses are attributable to loans to the public.

Properties taken over in foreclosure to protect claims, MSEK 13.7 (9).

Landshypotek Bank AB Parent Company, SEK thousand	2016 Q1	2015 Q1	2015 Q4	2016 Jan-Mar	2015 Full year
Write-off for the period for confirmed losses	-13,122	0	-34,520	-13,122	-48,232
Reversal of prior provisions for probable loan losses, recognised as confirmed losses during the year	12,750	0	33,269	12,750	47,629
Provision for probable loan losses	-14,439	-10,090	-19,893	-14,439	-77,091
Recovery of previously confirmed losses	2,804	899	2,416	2,804	6,225
Reversal of prior provisions no longer necessary for probable loan losses	3,712	2,600	11,461	3,712	29,518
Total loan losses	-8,296	-6,591	-7,268	-8,296	-41,952

All loan losses are attributable to loans to the public.

Properties taken over in foreclosure to protect claims, MSEK 13.7 (9).

Note 3 Loans to the public

Landshypotek Bank AB SEK thousand	Group			Parent Company		
	2016 31 Mar	2015 31 Dec	2015 31 Mar	2016 31 Mar	2015 31 Dec	2015 31 Mar
Loan receivables	65,162,077	64,574,511	62,290,077	65,162,077	64,574,511	61,940,611
Less specific provisions for individually valued loan receivables	-73,413	-73,249	-96,188	-73,413	-73,249	-68,851
Net loan receivables	65,088,664	64,501,262	62,193,889	65,088,664	64,501,262	61,871,760
Disclosures on overdue loan receivables without provisions						
Loan receivables overdue 5 - 90 days	34,821	102,304	338,880	34,821	102,304	335,347
Loan receivables overdue more than 90 days	283,345	260,209	491,355	283,345	260,209	489,606
Total overdue unimpaired loan receivables	318,166	362,513	830,235	318,166	362,513	824,953
Disclosures on doubtful credits						
Doubtful credits that are not overdue	146,047	151,902	122,711	146,047	151,902	113,704
Overdue doubtful credits	237,168	266,378	269,055	237,168	266,378	250,724
Total doubtful credits, gross	383,215	418,281	391,766	383,215	418,281	364,428
Less capital provisions made	-73,413	-73,249	-96,188	-73,413	-73,249	-68,851
Total doubtful credits, net	309,802	345,032	295,578	309,802	345,032	295,577

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

Note 4 Fair-value hierarchy for financial instruments

Landshypotek Bank AB Group, SEK thousand	31 Mar 2016				31 mar 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss.								
Bonds and other interest-bearing securities	7,654,533			7,654,533	10,434,889			10,434,889
Interest-rate swaps								
Cross-currency interest-rate swaps		317,610		317,610		422,799		422,799
Derivatives identified as hedging instruments								
Interest-rate swaps		1,224,179		1,224,179		1,499,992		1,499,992
Cross-currency interest-rate swaps		628,422		628,422		779,099		779,099
Available-for-sale financial assets								
Bonds and other interest-bearing securities	7,120,266			7,120,266	6,603,872			6,603,872
Total assets measured at fair value	14,774,799	2,170,210	-	16,945,009	17,038,762	2,701,891	-	19,740,652
Financial liabilities at fair value through profit or loss								
Interest-rate swaps		311,585		311,585		653,640		653,640
Cross-currency interest-rate swaps		31,551		31,551		46,082		46,082
Derivatives identified as hedging instruments								
Interest-rate swaps		231,592		231,592		204,050		204,050
Cross-currency interest-rate swaps		364,984		364,984		69,955		69,955
Total liabilities measured at fair value	-	939,711	-	939,711	-	973,727	-	973,727

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

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

continued Note 4 Fair-value hierarchy for financial instruments

Landshypotek Bank AB Parent Company, SEK thousand	31 Mar 2016				31 Mar 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss								
Bonds and other interest-bearing securities	7,654,533			7,654,533	10,434,889			10,434,889
Interest-rate swaps								
Cross-currency interest-rate swaps		317,610		317,610		422,799		422,799
Derivatives identified as hedging instruments								
Interest-rate swaps		1,224,179		1,224,179		1,499,992		1,499,992
Cross-currency interest-rate swaps		628,422		628,422		779,099		779,099
Available-for-sale financial assets								
Bonds and other interest-bearing securities	7,120,266			7,120,266	6,603,872			6,603,872
Total assets measured at fair value	14,774,799	2,170,210	-	16,945,009	17,038,762	2,701,891	-	19,740,652
Financial liabilities at fair value through profit or loss								
Interest-rate swaps		311,585		311,585		653,640		653,640
Cross-currency interest-rate swaps		31,551		31,551		46,082		46,082
Derivatives identified as hedging instruments								
Interest-rate swaps		231,592		231,592		204,050		204,050
Cross-currency interest-rate swaps		364,984		364,984		69,955		69,955
Total liabilities measured at fair value	-	939,711	-	939,711	-	973,727	-	973,727

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

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

Note 5 Fair value disclosures

Landshypotek Bank AB Group, SEK thousand	31 Mar 2016 Carrying amount	31 Mar 2016 Fair amount	31 Mar 2015 Carrying amount	31 Mar 2015 Fair amount
Assets				
Cash and balances with central banks				
Loans to credit institutions	638,449	638,449	720,636	720,636
Loans to the public	65,088,664	64,915,295	62,193,889	62,039,079
Bonds and other interest-bearing securities	14,774,799	14,774,799	17,038,762	17,038,762
Derivatives	2,170,210	2,170,210	2,701,891	2,701,891
Total assets	82,672,122	82,498,753	82,655,178	82,500,368
Liabilities and provisions				
Liabilities to credit institutions	2,134,820	2,134,820	481,443	481,443
Borrowing from the public	10,724,055	10,724,055	6,828,716	6,828,716
Debt securities in issue, etc.	63,517,383	64,531,583	68,938,812	70,374,610
Derivatives	939,711	939,711	973,727	973,727
Subordinated liabilities	499,984	524,632	699,952	746,881
Total liabilities	77,815,953	78,854,801	77,922,650	79,405,377

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 2016 Carrying amount	31 Mar 2016 Fair amount	31 Mar 2015 Carrying amount	31 Mar 2015 Fair amount
Assets				
Cash and balances with central banks	634,559	634,559	0	0
Loans to credit institutions	0	0	844,691	844,691
Loans to the public	65,088,664	64,915,295	61,871,760	61,717,070
Bonds and other interest-bearing securities	14,774,799	14,774,799	17,038,762	17,038,762
Derivatives	2,170,210	2,170,210	2,701,891	2,701,891
Total assets	82,668,232	82,494,863	82,457,104	82,302,414
Liabilities and provisions				
Liabilities to credit institutions	2,134,855	2,134,855	550,264	550,264
Borrowing from the public	10,724,055	10,724,055	6,828,716	6,828,716
Debt securities in issue, etc.	63,517,383	64,531,583	68,938,812	70,374,610
Derivatives	939,711	939,711	973,727	973,727
Subordinated liabilities	499,984	524,632	699,952	746,881
Total liabilities	77,815,988	78,854,836	77,991,471	79,474,198

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

Note 6 Disclosures about offsetting

Group and Parent Company 2016 SEK thousand	Amount recognised in the balance sheet 31 Mar 2016	Related amounts not offset in the balance sheet			Net amount 31 Mar 2016
		Financial instruments	Paid (+) Received (-) collateral – securities	Paid (+) Received (-) cash collateral	
Assets					
Derivatives, fair value	2,170,210	-653,022			
Derivatives, accrued interest	352,623	-234,146			
<i>Derivatives, total value including accrued interest</i>	2,522,834	-887,168		-423,725	1,211,941
Repurchase agreements, reverse repos	-				-
Liabilities					
Derivatives, fair value	-939,711	653,022			
Derivatives, accrued interest	-283,414	234,146			
<i>Derivatives, total value including accrued interest</i>	-1,223,125	887,168			-335,957
Repurchase agreements, reverse repos	-1,678,300				-1,678,300

Group and Parent Company 2015 SEK thousand	Amount recognised in the balance sheet 31 Mar 2015	Related amounts not offset in the balance sheet			Net amount 31 Mar 2015
		Financial instruments	Paid (+) Received (-) collateral – securities	Paid (+) Received (-) cash collateral	
Assets					
Derivatives, fair value	2,701,891	-919,935			
Derivatives, accrued interest	348,829	-239,363			
<i>Derivatives, total value including accrued interest</i>	3,050,719	-1,159,298		-450,244	1,441,178
Repurchase agreements, reverse repos	-				-
Liabilities					
Derivatives, fair value	-973,727	919,935			
Derivatives, accrued interest	-334,036	239,363			
<i>Derivatives, total value including accrued interest</i>	-1,307,763	1,159,298			-148,465
Repurchase agreements, reverse repos	-				-

Amounts 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 has the right to receive cash collateral for positive market values from counterparties whose ratings fall below a minimum agreed level. 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 to counterparties with low ratings. 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.



Landshypotek Bank