Landshypotek Bank AB
Interim report Q3 2019

January – September 2019

Per Lindblad, CEO of Landshypotek Bank, comments on the first three quarters of 2019:

Landshypotek Bank continues to grow. We are increasingly active on behalf of our farming and forestry customers and are gradually establishing ourselves as a mortgage bank. We are continuing to develop positively in the market, supported by our identity and the extensive experience of our staff. Our growth and stable earnings capacity builds on our values and our employees. Leveraging our own capabilities and continuous development for gradual organic growth is one of our strengths.

January – September 2019

compared with January – September 2018

- Operating profit amounted to SEK 345 million (297).
- Capital gain of SEK 55 million attributable to the sale of property.
- The underlying operating profit, excluding the net result of financial transactions, was SEK 341 million (280).
- Net interest income amounted to SEK 614 million (591).
- Costs totalled SEK 333 million (322).
- Net credit losses totalled SEK 0 million (positive: 7).
- Loans to the public amounted to SEK 75.4 billion (71.5).
- Deposits from the public amounted to SEK 14.6 billion (13.7).

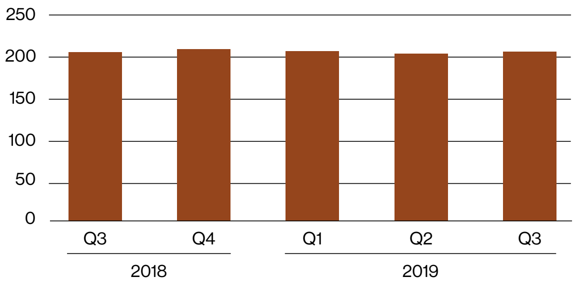
July – September 2019

compared with April – June 2019

- Operating profit amounted to SEK 158 million (100).
- Capital gain of SEK 55 million attributable to the sale of property.
- The underlying operating profit, excluding the net result of financial transactions, was SEK 153 million (102).
- Net interest income amounted to SEK 205 million (203).
- Costs totalled SEK 107 million (114).
- Net credit losses totalled SEK 3 million (positive: 11).
- Loans to the public amounted to SEK 75.4 billion (73.9).
- Deposits from the public amounted to SEK 14.6 billion (14.6).

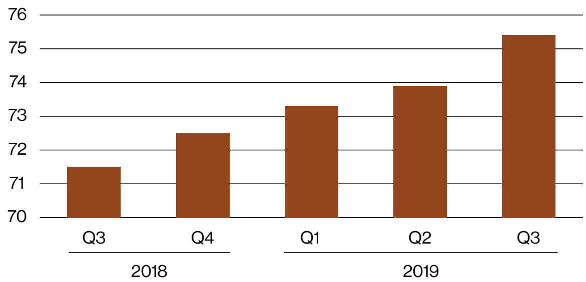
Net interest income

SEK million



Loans to the public

SEK billion



Landshypotek Bank

Landshypotek Bank is a bank for borrowing and for saving. Loans are offered to farmers and foresters, and homeowners across the country. Our savings products are open to Sweden's general public and to companies. The bank has a long history dating back to 1836 with lending focused on ownership and cultivation of farms and forests, and the bank is currently undergoing rapid development and growing with more customers and customer categories. Landshypotek's focus outside of the major cities means it presents itself as a bank for all of Sweden.

Landshypotek Bank is a wholly owned subsidiary of Landshypotek Ekonomisk Förening. Historically, lending has been primarily against collateral in the form of farming and forestry real estate, but in autumn 2017, the bank started to offer homeowner mortgages and is now establishing itself as a new operator in the mortgage market. In terms of the volume of loans outstanding, Landshypotek Bank is one of the ten largest banks in Sweden. Given its major significance for financing Sweden's farming and forestry sectors, the Swedish National Debt Office deems the bank systemically important from a resolution perspective.

The bank's 38,000 farming and forestry borrowers own the bank through the cooperative association and are thereby responsible for its equity, and share in its earnings. However, all business and licensable activities are conducted within the bank, which has about 194 employees nationwide.

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

- *Promoting a sustainable countryside:* A living countryside, where fields and forests are cultivated, and thereby create growth and jobs. The country's sustainable development rests on the conditions for living and working throughout Sweden. Landshypotek Bank enables rural living and investments in rural enterprise. This lays the foundation for a future for the cities and the countryside.
- *The bank's brand promise: "For a richer life in the countryside,"* which is interwoven throughout the bank's and its employees' work days. The distribution of the bank's surplus to farmers and foresters comprises another key principle for the value-driven operation that is Landshypotek Bank.
- *Close to farming and forestry customers:* Landshypotek Bank is the only bank in the Swedish banking market with full focus on farming and forestry. In terms of financing farming and forestry, the bank's strength is its close links to the sectors. Many account managers around the country have backgrounds in agriculture and forestry, and banking and financing expertise. The bank's close customer relationships are complemented by elected representatives in the cooperative association.
- *Strength of the member organisation:* The bank is owned by its loan customers in the farming and forestry sector. The cooperative association strengthens ties, commitment and the long-term perspective for the bank's operations. The cooperative association is responsible for member relationships.
- *The force of employee commitment:* The bank is developing together with its employees. Satisfied employees mean satisfied customers. The four employee values — Customer-centric focus, Drive, Enthusiasm and Together — were drawn up by the employees and inspire all work at Landshypotek Bank.
- *Digital development:* Landshypotek Bank's history extends more than 180 years, but it is also quickly developing to meet customers' needs. A unique digital solution has been built on a modern platform that allows people to quickly and simply become customers, open accounts and start saving at Landshypotek Bank. In 2017, a new platform was launched to enable convenient online mortgage applications. In 2018, a new credit management system laid the foundations for more efficient customer administration. In June this year, the bank made it possible for farming and forestry customers to apply for loans online. In this manner, digitisation improves possibilities for customers and enables more efficient work.
- *A challenger as a mortgage bank:* Though relatively recent, the mortgage venture is for the long term. Landshypotek Bank wants to help more people discover a bank with a difference that offers considerable security and extensive experience, and with an eye for potential nationwide. The bank applies competitive interest rates and transparent pricing without any requirements for upselling or full customer offers.

Landshypotek Bank — in brief

- Founded in 1836.
- Has 82,000 customers in the farming and forestry sector, as well as mortgage borrowers and savers.
- Has lending of some SEK 69.7 billion to farming and forestry in Sweden and SEK 5.7 billion in homeowner mortgages.
- Has savings customers with total savings of SEK 14.6 billion.
- Owned by the 38,000 members of the cooperative association active in farming and forestry. SEK 138 million of the earnings for 2018 was distributed back to farming and forestry customers.
- Has 194 employees. The bank's employees meet farming and forestry customers locally across the country. Relationships with savers and homeowner mortgage customers are managed online and by telephone.

CEO's Statement

Gradual progress for customers and growth

At Landshypotek Bank, we have developed over several years to become an even better bank. Investments in systems and regulatory frameworks have made us a safer and better bank for our customers. We are now improving our market focus, conducting numerous activities to boost customer value and are continuing to open our doors to many new customers. A major advance in our development was completed in the summer and early autumn.

Just before the summer, we became the first bank to enable digital loan applications for farming and forestry customers. We chose to have an open trial period – that is, only open on a limited scale – to implement ongoing improvements with customer feedback rather than to actively market ourselves. There were still many who found us, and applications from Swedish farmers and foresters for more than SEK 350 million have already been processed.

Digital applications enhance our customer relationships and accessibility. We are making more such improvements. To date, customers have been referred to a branch office to create a personal contact. We are now building more channels and improving the collective strength. The local presence, personal contact and the branch office are still in place. But now, more channels are emerging, as is specialisation and cohesion at regional and national levels. We are creating a web of competence and channels to ensure customers and their needs are met optimally. We are strengthening our resources and evolving our work methods from a national perspective with the aim of better interaction with agricultural entrepreneurs irrespective of the dialogue channel. Customers receive better service and accessibility, and concurrently, we become more efficient. This strengthens our relevance, primarily for the many entrepreneurs who run smaller operations or who just live on their farm.

Our mortgage loans have also made a good start to the autumn – September, with new lending of around SEK 500 million, was the best month to date as a mortgage bank.

Market competition is intense from new entrants as well as the established major banks. However, we are in for the long term. Compared with the major banks our volumes are low, but we are growing, becoming increasingly well known and gradually establishing ourselves in the market. The mortgage business strengthen our brand and overall, we are growing in strength.

During the summer, our visibility, activity and commitment was good. In June, we opened up for more customers to avail themselves of our best interest rates and now, in the autumn, we have been one of the banks offering favourable rates even on longer fixed-rate periods. In September, a large share of our new mortgages had a three-year fixed-rate period. Our combination of a strong offering and rate clarity, together with our different history and values, is becoming increasingly appreciated. We have lent more than SEK 5.7 billion to homeowners across Sweden.

Moreover, as the farmers' and foresters' bank, we also have a special responsibility to identify financial opportunities for agriculture and forestry. Last year we showcased Sweden's sustainable forestry for investors and created the world's first green covered bond entirely backed by Swedish forests. A proposal is currently being negotiated within the EU that risks defining Sweden's forests as non-sustainable for green investment and thereby leading investment away from Sweden's forests. We have reacted, both in the form of comments and through trying to initiate debate. We hope that many forest stakeholders follow us and react.

We are developing positively in the market through the security provided by our solid experience, our different set of values and the strong earnings capacity of our core business. We have been able to make substantial investments, as can be noted in the cost this quarter for our investment in improved system support, concurrent with operating a strong business with a high capacity for generating results. Gradual and more organic growth is one of our strengths.

I am satisfied with our performance in the year to date, but I know more development is necessary to create even more value for our customers and owners.

Per Lindblad
CEO of Landshypotek Bank

Events at Landshypotek Bank in the third quarter of 2019

Landshypotek Bank is continuing to develop – continuing to improve the prerequisites that enhance the bank for customers. Enabling digital access for farming and forestry customers, which was launched in June, has developed favourably over the quarter and it is gratifying that many of the bank's new customers chose this channel. Over the last quarter, the trend for mortgages has been positive and we have also expanded the reach of our marketing and communication at the same time as we have continued our digital development with full force.

- **More mortgage customers**
  We have continued to establish ourselves decisively in the mortgage market. There is strong market interest in a bank with a strong set of values, that is safe in the long term and which concurrently offers competitive rates. Prior to the summer, we strengthened the offering by opening our best rates to more customers. In the autumn, we have offered competitive rates for both short and long fixed terms. With new lending of around SEK 500 million, September was the best month to date as a mortgage bank.

- **New digital loan applications for farmers and foresters**
  In June, we were the first bank to enable digital applications for loans in the farming and forestry sector. The inflow of digital loan applications in the quarter was extensive, despite negligible marketing by ourselves.

- **Changes implemented pursuant to PSD2**
  The bank implemented changes in September within the framework of PSD2, the EU's Revised Payment Services Directive. We have thereby opened the digital interface for savings account data between Landshypotek Bank, other banks and third-party actors. The bank's customers can now permit other financial institutions to compile account data and initiate account transfers from their savings accounts at Landshypotek.

- **Organisation for increased customer focus in farming and forestry lending**
  We are continuing to strengthen and develop the organisation to promote an enhanced customer experience. The innate strength from local offices across the country is retained, but is complemented by greater collaboration on the national level by customer meetings and relationships. A mix of digital and local approaches to customer meetings is being developed.

- **Greater visibility**
  The bank conducted external activities in the summer which had considerable impact, including the online campaign Gilla landet – a guide to experiences worth a detour – and partnership with the popular Dansbandsveckan music and dance festival. In combination with active social media efforts, this resulted in a considerable reach. During the quarter, the bank also took part in several expos and other events, and continued to develop its marketing for farm and forestry lending as well as mortgages.

- **Strong growth in focus for this year's stipendiary**
  During the quarter, we awarded our scholarship, which recognises and encourages student interest in Swedish agriculture and its future. This year's scholarship award went to Emil Bengtsson for his study at the Swedish University of Agricultural Sciences in Ultuna, Sweden, where he studied a method for strengthening the root systems of forest seedlings.

Summary Landshypotek Bank

SEK million	Q3 2019	Q3 2018	Q2 2019	Jan–Sep 2019	Jan–Sep 2018	Full-year 2018
Net interest income	205	205	203	614	591	799
Operating profit	158	100	100	345	297	386
Profit after tax	134	72	77	277	228	294
Loans to the public	75,356	71,532	73,900	75,356	71,532	72,511
Change in loans to the public, %	2.0	1.0	0.9	2.0	1.0	1.4
Interest margin, LTM, %	1.12	1.14	1.14	1.12	1.14	1.13
Deposits from the public	14,583	13,702	14,622	14,583	13,702	14,150
Change in deposits from the public, %	-0.3	1.2	1.8	3.1	8.1	11.6
C/I ratio including financial transactions	0.40	0.50	0.56	0.49	0.53	0.52
C/I ratio excluding financial transactions	0.41	0.50	0.55	0.49	0.54	0.53
Credit loss level, % [1]	0.01	0.01	–	0.00	–	0.01
Total capital ratio (%) [2]	18.9	21.1	18.7	18.9	21.1	19.4
Rating, long-term						
Standard & Poor's, Covered bonds	AAA	AAA	AAA	AAA	AAA	AAA
Standard & Poor's	A-	A-	A-	A-	A-	A-
Fitch	A	A	A	A	A	A
Average number of employees, LTM	194	188	191	194	188	190

1) *An outcome is only presented in the case of a negative earnings impact.*
2) *The decline in ratios was mainly attributable to the introduction of a risk-weight floor under Pillar I.*

Our operating environment

Developments in the macroeconomy, financial markets and farming and forestry finances impact Landshypotek Bank. Macro indicators in the third quarter provided mixed signals with several pointing toward an economic slowdown. In parallel, historically low interest rates stimulate domestic demand and the weak krona supports the export sector.

Developments in the financial market

Increasingly clear global economic slowdown

The slowdown in the economy became increasingly clear in the third quarter. Rate cuts by the US and European central banks in combination with rising concerns over an economic slowdown triggered a decline in long interest rates.

Concerns pertain primarily to the forward-looking indicators, such as the Purchasing Managers Index (PMI), which tracks sentiment in terms of optimism. Broad declines in PMIs have now spread from Europe to both Sweden and the US.

Signals of a US economic slowdown have entailed unexpected major declines in PMIs for the manufacturing and service sectors. For the service sector, the index fell to 52.6 in September, a three-year low. The manufacturing sector PMI in the US fell to 47.8, its lowest level since the start of the financial crisis in 2008. What was previously perceived as a slowdown mainly for manufacturing now seems to be spreading to the service sector. As expected, the Fed, the US central bank, lowered its key interest rate 25 basis points (bps) in September.

In Europe, the PMI remains low at 50. Germany's PMI is weaker than the European average. The index declined to 41.7 for industry in September, its lowest score in more than a decade. In the UK, Brexit discussions are still ongoing.

The ECB's interest rate decision in September encompassed a decrease of 10 bps to -0.50% and a number of monetary policy measures were announced. Departing ECB President Mario Draghi repeatedly pointed out that financial policy must take more responsibility and act without delay. The latter can be interpreted as meaning that the central banks' scope for manoeuvre is limited.

Signs of a Swedish slowdown

Overall, the National Institute of Economic Research's latest economic tendency survey of Sweden's economy turned out worse than expected. The consumer confidence indicator dropped to its lowest since December 2012 and prospects for Sweden's labour market were less flattering. The CPIF inflation rate (CPI with fixed interest rate) fell to 1.3% in August on an annual basis (1.5% in July). The CPIF declined 0.4 percentage points from July to August. The CPI inflation rate was 1.4% in August and 1.7% in July.

The PMI for the manufacturing sector was a major disappointment. The index fell 5.5 index points to 46.3, which is the largest monthly decline since 2008 and the lowest level since December 2012. The service sector PMI also declined, to 49.8 from 54.2. The sub-indices that declined most were business volume and order intake. After previously having withstood the downturns across Europe, it has become increasingly clear that Swedish industry is not immune to the global slowdown despite a weak krona.

As expected, the Riksbank, Sweden's central bank, left the repo rate unchanged at -0.25% in September. However, the Riksbank reiterated that the interest rate would be raised toward the end of the year or at the start of next year. Actions in the financial market indicate considerable doubt that the Riksbank will follow through and the market has priced in future decreases in interest rates.

Historic interest rate conditions

For banks and their customers, interest rate conditions are historic. Following the Riksbank's increase in the repo rate at the end of last year, floating interest rates climbed slightly at the start of the year. Thereafter, lending interest rates for longer fixed-rate periods have once again declined. A new historic situation has arisen where the difference between fixed and floating rates is essentially non-existent for customers. The Riksbank remains firm that interest rates will be raised, but given the economic conditions and expectations of an extended economic downturn, many economists believe that current interest rate levels will continue for a longer period.

Developments in farming and forestry

Good harvests

Harvests of cereal and oilseed crops started early across the country this year and are expected to be among the largest this century, which was a welcome boost after the drought in 2018. The quality is expected to be relatively good.

Globally, the total cereal harvest is expected to be larger than in 2018 and, therefore, cereal prices in the global market have posted a negative trend over the last few months. Cereal prices have also fallen in Sweden in 2019, but are up slightly on the last five-year period. Oilseed prices have followed a more stable trend, both internationally and in Sweden.

The year's silage harvest has also been favourable in the country with considerably larger volumes compared with last year and of relatively normally quality. Despite improved harvests, the forthcoming period is, for many, expected to continue to be characterised by recovery. Lower feed prices, rising prices for beef and unusually stable settlement prices for milk are positive signs.

The market for pigmeat is largely affected by the outbreak of African swine fever, the effects of which included significantly increased exports of pigmeat from the EU and rising prices in EU exporting countries. Price increases in Sweden have been weak, despite lower pressure from imports and increased demand for pigmeat produced in Sweden.

The food industry and farms are less susceptible to the downturn in the global economy. The trend toward increased demand for food produced in Sweden continues to support the Swedish market, but has yet to be reflected in higher settlement prices.

Slowdown for forestry

There is a strong belief in the forest industry's future, with increased demand stemming from, among other factors, the transition to a sustainable society. This can be clearly noted from the extensive investments made in the forest industry. However, in parallel, the impact of the general economic downturn is now noticeable, together with the slowdown in housing investments in locations like the EU and Sweden. Demand for forest products is weaker and exports have been softened. Storms and bark beetle infestations have resulted in a large harvesting volumes and increased stocks, mainly of spruce, in the EU and Sweden. The large supply combined with a downturn in the economy has resulted in lower timber prices in the summer and autumn.

Two sides of the same coin

The weak krona has continued to benefit Swedish exports of forest products among other exports. On the other hand, a weaker krona entails higher costs for the food and forestry industries, which could weaken payment capacity for agricultural and forest raw materials. A weaker krona also affects the cost base for farming and forestry. At the same time, a weaker krona means that several of the agricultural policy subsidies will be higher, since the exchange rate for these subsidies has never been higher.

The future of the joint agricultural policy after 2020 is currently being discussed within the EU and with the member nations.

Our financial performance

Landshypotek Bank posted growth in volumes and the bank's earnings remain strong. Moreover, the bank posted a year-on-year improvement in operating profit excluding financial transactions, which was mainly attributable to the sale of one property that resulted in a capital gain of SEK 55 million. The first three quarters of the year were marked by increased competition for customers. Loans to the public increased SEK 1.5 billion during the quarter and credit losses remained low.

Financial statements for the first three quarters of 2019 compared with the first three quarters of 2018

The bank's operating profit amounted to SEK 345 million (297), up SEK 48 million year-on-year. Excluding the net result of financial transactions, operating profit amounted to SEK 341 million (280). The change in earnings was mainly attributable to the sale of one property that resulted in a capital gain of SEK 55 million and to a lower net result of financial transactions.

Net interest income and volumes

Net interest income was SEK 614 million (591), up SEK 23 million. Interest income totalled SEK 1,009 million (921), up SEK 88 million as a result of increased lending and rising market interest rates.

Interest expenses amounted to SEK 395 million (331), up SEK 64 million year-on-year. As a result of rising market interest rates, the new financing was arranged at higher interest rate levels than the previous financing that matured. Interest expenses included fees to the Swedish National Debt Office's resolution fund, which amounted to SEK 37 million (57).

Other operating income

Other operating income was SEK 64 million (21), up SEK 43 million mainly due to the sale of one property and to the net result of financial transactions. For the period, unrealised gains accounted for SEK 0 million and realised gains for SEK 3 million.

Costs

Costs amounted to SEK 333 million (322), up SEK 11 million year-on-year. Costs have increased in terms of the number of employees and due to expanded business development activities. This follows the plan, which aims in part to manage the bank's growth and in part to continue strengthening the bank as a whole. The bank has also implemented a new credit scoring system and write-downs attributable to this system impacted earnings in the period.

Credit losses and credit-impaired assets

Net credit losses amounted to SEK 0 million (recoveries: 7), of which net credit losses for non-credit-impaired assets had a positive earnings impact of SEK 1 million and credit-impaired assets had a negative earnings impact of SEK 1 million that was attributable to a few individual commitments. Credit losses arising from credit-impaired assets comprised the net change in the credit loss allowance and confirmed losses during the period with a negative earnings impact of SEK 11 million, together with recoveries of previously confirmed losses with a positive earnings impact of SEK 5 million.

The total credit loss allowance for non-credit-impaired assets amounted to SEK 26 million (32).

Gross credit-impaired assets amounted to SEK 565 million (625) and the credit loss allowance to SEK 51 million (37).

Operating profit

SEK million	Jan–Sep 2019	Jan–Sep 2018	Full-year 2018
Net interest income	614	591	799
Other operating income	64	21	22
of which net result of financial transactions	3	17	17
Costs	-333	-322	-428
C/I ratio including financial transactions	0.49	0.53	0.52
C/I ratio excluding financial transactions	0.49	0.54	0.53
Net recognised credit losses	0	7	-8
Credit loss level, %[1]	0.00	–	0.01
Operating profit	345	297	386
Operating profit excluding the net result of financial transactions	341	280	369

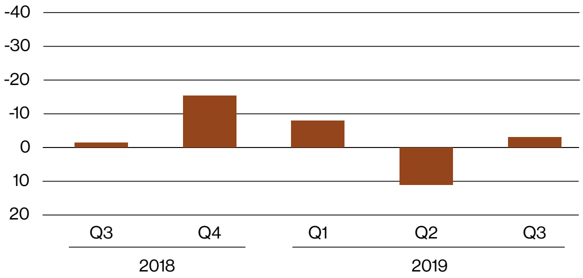
1) *An outcome is only presented in the case of a negative earnings impact.*

Balance Sheet

Assets, SEK million	30 Sep 2019
Eligible treasury bills	4,293
Loans to credit institutions	652
Loans to the public	75,356
Bonds and other interest-bearing securities	6,846
Derivatives	2,140
Tangible and intangible assets	184
Other assets	475
Total assets	**89,946**

Liabilities and equity, SEK million	30 Sep 2019
Liabilities to credit institutions	4,098
Deposits from the public	14,583
Debt securities issued, etc.	62,804
Derivatives	458
Subordinated liabilities	1,200
Other liabilities	627
Equity	6,176
Total liabilities and equity	**89,946**

Credit losses
SEK million



The provisions for credit-impaired assets pertained to individual commitments within varying types of farming and geographic locations. For more information, refer to Note 3 and Note 4.

Other comprehensive income

Other comprehensive income amounted to an expense of SEK 2 million (expense: 28). Financial assets at fair value had a negative effect of SEK 2 million (negative: 2) on other comprehensive income and cross-currency basis spreads in fair value hedges had an impact of SEK 0 million (negative: 25) on other comprehensive income.

Capital and capital adequacy

The total capital ratio for the consolidated situation amounted to 17.8 percent compared with 17.6 percent at 30 June 2019 and the CET1 capital ratio was 13.4 percent (13.2). The internally assessed capital requirement for the consolidated situation was SEK 5.0 billion (4.9 at 30 June 2019). The capital requirement should be compared with own funds of SEK 6.2 billion. The capital adequacy assessment takes into account the minimum capital requirement, the combined buffer requirement and the Pillar II capital requirement. Refer to Note 1 for further information.

Assets

The largest asset item in the balance sheet is Loans to the public, which increased SEK 1.5 billion to SEK 75.4 billion during the quarter and where the largest part of the increase was attributable to mortgage operations. The increase corresponded to lending growth of 2.0 percent (1.0) over the quarter. The geographic distribution of lending is stable over time.

Landshypotek Bank's liquidity portfolio totalled SEK 11.2 billion (12.2) at 30 September 2019. 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 30 September 2019, the liquidity portfolio was 1.6 times (2.8) larger than refinancing requirements for the next six months. The ratio is affected by the allocation of maturing debt for longer than six months and can, therefore, change between measurement periods.

Liabilities

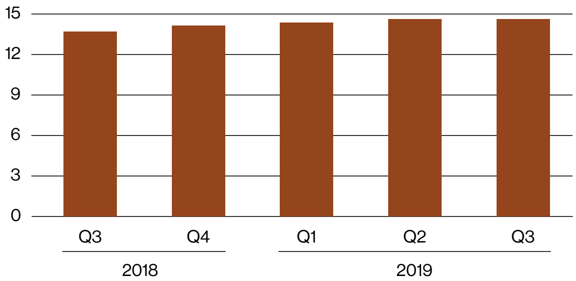
Funding

Landshypotek Bank actively raises funds via the capital markets, and as far as possible always strives to meet investors' wishes regarding tenors and interest-rate structures. Investor relations are of major importance as part of ensuring that investors' levels of awareness and interest are maintained in Landshypotek Bank. In the third quarter of 2019, senior bonds to a value of SEK 0.7 billion were issued. At the same time bonds matured or were repurchased to a value of SEK 4.7 billion, of which SEK 1.4 billion pertained to covered bonds and SEK 3.3 billion to senior bonds. The finance market for Nordic banks functioned smoothly over the quarter and demand for the bank's bonds has been favourable.

Deposits from the public

Deposits from the public totalled SEK 14.6 billion (13.7) and were unchanged for the quarter.

Deposits from the public
SEK billion



Funding

SEK million	In issue 30 Sep 2019	Limit	In issue 31 Dec 2018
Swedish commercial paper	–	10,000	–
MTN programme	45,454	60,000	41,002
EMTN programme	11,480	107,216[1]	16,788
Registered covered bonds	3,643		3,446
Subordinated loans	1,900		1,900

[1] *EUR 10,000 million.*

Comparison with the second quarter of 2019

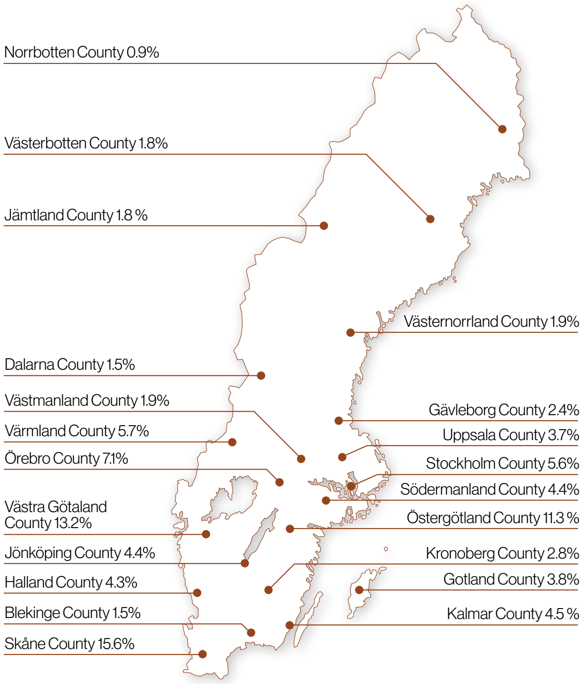
Operating profit amounted to SEK 158 million (100) for the quarter. Excluding the net result of financial transactions, operating profit amounted to SEK 153 million (102) for the quarter, up SEK 50 million. The upturn was mainly due to the positive earnings impact from the sale of one property during the period. The credit losses pertained to a few individual commitments within varying types of farming and geographic locations.

Rating

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

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

Geographic distribution of lending



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. Landshypotek Bank owns all of the shares in two dormant companies: Sveriges Allmänna Hypoteksbank AB and Hypoteksbanken AB.

Events after the end of the period

At the start of October, SEK 1 billion of debt classified under own funds and eligible liabilities was issued in accordance with the requirements of the Swedish National Debt Office. Otherwise, no significant events occurred after the end of the reporting period.

Stockholm, 24 October 2019

Per Lindblad
Chief Executive Officer

Accounting policies

This interim report has been prepared in accordance with IAS 34. From 1 January 2019, lease agreements are recognised in line with IFRS 16 Leases. For lessees, IFRS 16 will have led to the inclusion of almost all leases in the balance sheet. The right to utilise the leased asset is recognised as an asset and the present value of leasing fees are recognised as a corresponding liability in the balance sheet for lessees. The earnings impact encompasses the transfer of costs from general administrative expenses to depreciation, amortisation and impairment of tangible and intangible assets, and interest expenses. As a consequence, the bank recognised tangible non-current assets of SEK 18.2 million together with a corresponding lease liability at 1 January 2019.

In other regards, accounting policies, calculation methods and risk management are unchanged compared with the last annual report, refer to Note 1 in the Annual Report for 2018 (www.landshypotek.se/en/about-landshypotek/investor-relations/).

In accordance with Chapter 7, Section 2 of the Swedish Annual Accounts Act, Landshypotek Bank AB prepares no consolidated accounts. Landshypotek Ekonomisk förening, corporate registration number 769600-5003 domiciled in Stockholm, prepares consolidated accounts for the entire Landshypotek Group, which includes Landshypotek Bank AB, Sveriges Allmänna Hypoteksbank AB and Hypoteksbanken AB.

The main difference between the accounting policies of the company Landshypotek Bank and those of the Group pertain to the accounting for defined-benefit pensions pursuant to IAS 19. Actuarial changes for defined-benefit pensions are recognised in other comprehensive income for the Group.

Unless otherwise specified, amounts in parentheses pertain to the corresponding period for the preceding year.

Income Statement

SEK million	Note	Q3 2019	Q3 2018	Q2 2019	Jan–Sep 2019	Jan–Sep 2018	Full-year 2018
Interest income		342	313	339	1,009	921	1,229
of which interest income using the effective-interest method		342	312	339	1,009	920	1,228
of which other interest income		–	1	–	–	1	2
Interest expenses		-137	-108	-136	-395	-331	-430
of which fees for deposit insurance		-4	-2	-3	-9	-6	-10
of which fees for resolution fund		-11	-17	-11	-37	-57	-75
Net interest income	2	**205**	**205**	**203**	**614**	**591**	**799**
Net result of financial transactions		5	-2	-2	3	17	17
Other operating income		57	1	2	61	4	5
Total operating income		**268**	**204**	**203**	**678**	**612**	**822**
General administrative expenses		-95	-98	-105	-304	-309	-408
Depreciation, amortisation and impairment of tangible and intangible assets		-12	-4	-9	-29	-13	-17
Other operating expenses		-1	–	0	-1	0	-3
Total expenses before credit losses		**-107**	**-102**	**-114**	**-333**	**-322**	**-428**
Profit before credit losses		**160**	**102**	**89**	**345**	**290**	**394**
Net credit losses	3	-3	-1	11	0	7	-8
Operating profit		**158**	**100**	**100**	**345**	**297**	**386**
Tax expense for the period		-24	-29	-23	-68	-70	-92
Net profit for the period		**134**	**72**	**77**	**277**	**228**	**294**

Statement of Comprehensive Income

SEK million	Q3 2019	Q3 2018	Q2 2019	Jan–Sep 2019	Jan–Sep 2018	Full-year 2018
Net profit for the period	**134**	**72**	**77**	**277**	**228**	**294**
Other comprehensive income						
Items to be reclassified to income statement						
Financial assets at FVTOCI	-19	-8	0	-3	-3	-27
Cross-currency basis spreads in fair value hedges	-1	2	2	0	-33	-29
Income tax related to other comprehensive income	4	1	0	1	8	12
Total items that will be reclassified	**-16**	**-5**	**1**	**-2**	**-28**	**-44**
Total other comprehensive income	**-16**	**-5**	**1**	**-2**	**-28**	**-44**
Comprehensive income for the period	**118**	**67**	**78**	**275**	**200**	**251**

Balance Sheet

SEK million	Note	30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018
Assets					
Eligible treasury bills		4,293	4,851	4,962	4,976
Loans to credit institutions		652	522	540	411
Loans to the public	4	75,356	73,900	72,511	71,532
Value change of interest-hedged items in portfolio hedges		107	97	41	52
Bonds and other interest-bearing securities		6,846	8,598	6,076	7,223
Derivatives		2,140	1,910	1,304	1,636
Shares in Group entities		0	0	0	0
Intangible assets		156	164	143	132
Tangible assets		27	25	15	16
Other assets		5	15	14	7
Current tax assets		3	6	13	–
Deferred tax assets		–	0	0	0
Prepaid expenses and accrued income		360	309	307	401
Total assets	5, 6	**89,946**	**90,396**	**85,928**	**86,385**
Liabilities and equity					
Liabilities to credit institutions		4,098	937	954	765
Deposits from the public		14,583	14,622	14,150	13,702
Debt securities issued, etc.		62,804	66,579	62,641	63,772
Derivatives		458	469	461	395
Other liabilities		142	92	251	102
Tax liabilities		0	–	–	9
Accrued expenses and prepaid income		483	430	344	483
Provisions		2	2	3	3
Subordinated liabilities		1,200	1,200	1,200	1,200
Total liabilities		**83,771**	**84,330**	**80,003**	**80,432**
Total equity		**6,176**	**6,066**	**5,924**	**5,953**
Total liabilities and equity	5, 6	**89,946**	**90,396**	**85,928**	**86,385**

Statement of cash flow

SEK million	Jan–Sep 2019	Jan–Sep 2018	Full-year 2018
Opening cash and cash equivalents	**540**	**393**	**393**
Cash flow from operating activities	248	251	352
Cash flow from investment activities	24	-43	-58
Cash flow from financing activities	-181	-191	-147
Cash flow for the period	**91**	**18**	**147**
Closing cash and cash equivalents	**630**	**411**	**540**

Statement of changes in equity

January – December 2018 SEK million	Share capital	Other con-tributed equity	Fair value reserve	Cross-currency basis spreads in fair value hedges	Tier 1 capital	Retained earnings	Total
Opening balance, equity	**2,253**	**1,017**	**38**	**–**	**700**	**1,766**	**5,774**
Comprehensive income for the period			-21	-23		294	251
Total change before transactions with owners and holders of Tier 1 capital instruments	**–**	**–**	**-21**	**-23**	**–**	**294**	**251**
Dividend on Tier 1 capital instruments						-28	-28
Shareholders' contributions						51	51
Group contributions paid						-158	-158
Tax on Group contributions paid						35	35
Closing balance, equity	**2,253**	**1,017**	**17**	**-23**	**700**	**1,960**	**5,924**

January – September 2019 SEK million	Share capital	Other con-tributed equity	Fair value reserve	Cross-currency basis spreads in fair value hedges	Tier 1 capital	Retained earnings	Total
Opening balance, equity	**2,253**	**1,017**	**17**	**-23**	**700**	**1,960**	**5,924**
Comprehensive income for the period			-2	0		277	275
Total change before transactions with owners and holders of Tier 1 capital instruments	**–**	**–**	**-2**	**0**	**–**	**277**	**275**
Dividend on Tier 1 capital instruments						-23	-23
Closing balance, equity	**2,253**	**1,017**	**15**	**-23**	**700**	**2,214**	**6,176**

Notes

Note 1 Capital and capital adequacy

The total capital ratio for the consolidated situation amounted to 17.8 percent compared with 17.6 percent at 30 June 2019 and the CET1 capital ratio was 13.4 percent (13.2). At Landshypotek Bank AB, the total capital ratio amounted to 18.9 percent (18.7) and the CET1 capital ratio was 13.5 percent (13.2). Own funds for the consolidated situation increased SEK 30 million to SEK 6,209 million during the quarter. This was primarily attributable to profit during the quarter. The minimum capital requirement decreased SEK 16 million to SEK 2,786 million and was mainly attributable to a lower PD estimate for corporate exposures where the capital requirement was met using the IRB approach.

In addition to the minimum capital requirement of 8 percent of the total risk-weighted amount, the combined buffer requirement (capital conservation buffer and the countercyclical buffer) is 5 percent. This was raised 0.5 percentage points on 19 September 2019 as a result of an increase in the countercyclical buffer requirement. The increase was decided by Finansinspektionen (Sweden's financial supervisory authority) as of 18 September 2018. The combined buffer requirement must be covered by CET1 capital.

The leverage ratio for the consolidated situation amounted to 5.9 percent (5.8).

The internally assessed capital requirement for the consolidated situation was SEK 5.0 billion (4.9) at 30 September 2019. The increase in the internally assessed capital requirement during the quarter, despite a lower minimum capital requirement, was due to the raised countercyclical buffer requirement. The capital requirement should be compared with own funds of SEK 6.2 billion.

continued Note 1 Capital adequacy analysis

SEK million	Consolidated situation[1] 30 September 2019	Landshypotek Bank AB 30 September 2019
CET1 capital: Instruments and reserves		
Member contributions	1,710	–
Share capital	–	2,253
Other contributed equity	1,798	1,017
Tier 1 capital instruments	700	700
Reserves	-8	-8
Actuarial changes	-66	0
Retained earnings	1,753	1,937
Net profit for the year[2]	260	277
Equity in the balance sheet	**6,147**	**6,176**
Deductions related to the consolidated situation and other foreseeable costs[3]	-109	-137
Deductions for Tier 1 capital instruments classified as equity	-700	-700
CET1 capital before regulatory adjustments	**5,339**	**5,338**
CET1 capital: regulatory adjustments		
Further value adjustments	-11	-11
Intangible assets	-156	-156
Deferred tax assets that rely on future profitability	-13	0
Fair value reserves related to gains or losses on cash-flow hedges	0	0
IRB deductions[4]	-476	-476
Defined-benefit pension plans	0	0
Total regulatory adjustments to CET1 capital	**-657**	**-644**
CET1 capital	**4,682**	**4,695**
Additional Tier 1 capital: instruments		
Tier 1 capital instruments	–	700
of which: classified as equity under applicable accounting standards	–	700
Qualifying Tier I capital included in consolidated additional Tier 1 capital issued by subsidiaries and held by third parties	580	–
Tier 1 capital (CET1 capital + Tier 1 capital)	**5,261**	**5,395**
Tier 2 capital: instruments and provisions		
Capital instruments and subordinated loans eligible as Tier 2 capital	–	1,200
Positive amounts resulting from the calculation of expected loss amounts (IRB)	–	–
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third parties	948	–
Tier 2 capital before regulatory adjustments	**948**	**1,200**
Tier 2 capital: regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	**–**	**–**
Tier 2 capital	**948**	**1,200**
Own funds (Tier 1 capital + Tier 2 capital)	**6,209**	**6,595**
Total risk-weighted exposure amount	**34,824**	**34,829**
Capital ratios and buffers		
Own funds requirement	**2,786**	**2,786**
CET1 capital ratio (%)	13.4	13.5
Tier 1 capital ratio (%)	15.1	15.5
Total capital ratio (%)	17.8	18.9
Institution-specific CET1 capital requirement including buffer requirements (%)	9.5	9.5
of which: capital conservation buffer requirement (%)	2.5	2.5
of which: countercyclical buffer requirement (%)	2.5	2.5
CET1 capital available to meet buffers (%)[5]	8.9	9.0

1) *The consolidated situation encompasses Landshypotek Ekonomisk Förening and the Landshypotek Bank AB Group.*
2) *A decision by Finansinspektionen in March 2019 granted Landshypotek Bank a permit, subject to specific terms and conditions, for using the interim or full-year surplus in own-funds calculations for Landshypotek Bank AB and also for its consolidated situation.*
3) *This item pertains to the expected dividend.*
4) *Deductions arising from expected credit losses exceeding the outstanding provisions for credit losses (negative amounts resulting from the calculation of expected loss amounts).*
5) *Calculated as "the bank's CET1 capital less CET 1 used to cover the CET1 capital requirement and less any other CET1 items used to cover the tier 1 capital requirement and/or total own funds requirements divided by the total risk-weighted exposure amount."*

continued Note 1 capital requirements

SEK million	Consolidated situation 30 September 2019	Landshypotek Bank AB 30 September 2019
Internally assessed capital requirement [1]		
Pillar I capital requirement	2,786	2,786
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	509	509
Percentage of total risk-weighted exposure amount	1.5	1.5
Combined buffer requirement	1,741	1,741
Percentage of total risk-weighted exposure amount	5.0	5.0
Total capital requirement	**5,036**	**5,037**
Percentage of total risk-weighted exposure amount	**14.5**	**14.5**
Own funds (Tier 1 capital + Tier 2 capital)	**6,209**	**6,595**
Percentage of total risk-weighted exposure amount	**17.8**	**18.9**
Capital requirement as assessed by Finansinspektionen [2]		
Pillar I capital requirement	2,786	2,786
Percentage of total risk-weighted exposure amount	8.0	8.0
Pillar II capital requirement	648	648
Percentage of total risk-weighted exposure amount	1.9	1.9
Combined buffer requirement	1,741	1,741
Percentage of total risk-weighted exposure amount	5.0	5.0
Total capital requirement	**5,175**	**5,176**
Percentage of total risk-weighted exposure amount	**14.9**	**14.9**
Own funds (Tier 1 capital + Tier 2 capital)	**6,209**	**6,595**
Percentage of total risk-weighted exposure amount	**17.8**	**18.9**

1) *Pertains to Pillar I capital requirements pursuant to the Capital Requirements Regulation, Pillar II capital requirements according to the bank's (ICAAP 2019) and the combined buffer requirement pursuant to the Capital Buffers Act (2014:966).*

2) *Pertains to Pillar I capital requirements pursuant to the Capital Requirements Regulation, Pillar II capital requirements according to Finansinspektionen's (SREP 2019) and the combined buffer requirement pursuant to the Capital Buffers Act (2014:966).*

Own funds requirement by risk, approach and exposure class

Consolidated situation 30 September 2019 SEK million	Exposure value[1]	Risk-weighted exposure amount[2]	Own funds requirement[3]	Average risk weight[4]
Credit risk – IRB approach	**75,927**	**25,751**	**2,060**	**34%**
Retail – real estate collateral	45,376	6,277	502	14%
Corporates	30,480	19,404	1,552	64%
Other non-credit-obligation assets	70	70	6	100%
Credit risk – Standardised approach	**14,025**	**1,489**	**119**	**11%**
Central governments or central banks	107	0	0	0%
Regional governments or local authorities	5,116	0	0	0%
Institutions	2,477	751	60	30%
Corporates	11	11	1	100%
Retail	32	23	2	70%
Secured by mortgage liens on immovable property	219	96	8	44%
Exposures in default	2	2	0	149%
Covered bonds	6,062	606	48	10%
Operational risk – Basic indicator approach		**1,448**	**116**	
Credit valuation adjustment risk – Standardised approach	**1,553**	**1,069**	**86**	**69%**
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		**5,067**	**405**	
Total	**91,504**	**34,824**	**2,786**	**–**

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

Landshypotek Bank AB, 30 September 2019 SEK million	Exposure value[1]	Risk-weighted exposure amount[2]	Own funds requirement[3]	Average risk weight[4]
Credit risk – IRB approach	**75,932**	**25,756**	**2,060**	**34%**
Retail – real estate collateral	45,376	6,277	502	14%
Corporates	30,480	19,404	1,552	64%
Other non-credit-obligation assets	76	76	6	100%
Credit risk – Standardised approach	**14,024**	**1,489**	**119**	**11%**
Central governments or central banks	103	0	0	0%
Regional governments or local authorities	5,119	0	0	0%
Institutions	2,475	750	60	30%
Corporates	11	11	1	100%
Retail	32	23	2	70%
Secured by mortgage liens on immovable property	219	96	8	44%
Exposures in default	2	2	0	149%
Covered bonds	6,062	606	48	10%
Operational risk – Basic indicator approach		**1,448**	**116**	
Credit valuation adjustment risk – Standardised approach	**1,553**	**1,069**	**86**	**69%**
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		**5,067**	**405**	
Total	**91,508**	**34,829**	**2,786**	**–**

1) *Exposure value calculated in accordance with the CRR. In certain cases, instead of exposure value, the abbreviation EAD (Exposure at default) and the term exposure amount were used in the bank's previous reports.*
2) *After application of the relevant risk weights. Risk weights for the IRB approach are based on internal risk classification and internal historical data while risk weights as prescribed in the CRR are applied for the standardised approach.*
3) *Calculated by multiplying the risk-weighted exposure amount by 8 percent. Does not include any buffer requirements.*
4) *Calculated by dividing the risk-weighted exposure amounts by exposure value for the respective risk/exposure class.*

Note 2 Net interest income

SEK million	Q3 2019	Q3 2018	Q2 2019	Jan–Sep 2019	Jan–Sep 2018	Full-year 2018
Interest income						
Interest income on loans to credit institutions	0	0	0	0	0	0
Interest income on loans to the public	328	305	325	967	907	1,207
Interest income on interest-bearing securities	12	5	12	34	7	11
Other interest income	3	3	3	8	8	11
Total interest income	**342**	**313**	**339**	**1,009**	**921**	**1,229**
Interest expenses						
Interest expenses for liabilities to credit institutions	2	1	1	3	6	7
Interest expenses for deposits from the public	-27	-25	-27	-80	-72	-99
of which fees for deposit insurance	-4	-2	-3	-9	-6	-10
Interest expenses for interest-bearing securities	-134	-108	-136	-393	-331	-428
Interest expenses for subordinated liabilities	-8	-7	-8	-23	-20	-27
Interest expenses for derivative instruments	46	54	49	151	160	212
Other interest expenses	-15	-23	-16	-52	-74	-96
of which fees for resolution fund	-11	-17	-11	-37	-57	-75
Total interest expenses	**-137**	**-108**	**-136**	**-395**	**-331**	**-430**
Total net interest income	**205**	**205**	**203**	**614**	**591**	**799**

All interest income is attributable to the Swedish market

Note 3 Net credit losses

SEK million	Q3 2019	Q3 2018	Q2 2019	Jan–Sep 2019	Jan–Sep 2018	Full-year 2018
Change in credit loss allowance, Stage 1	0	0	0	0	1	1
Change in credit loss allowance, Stage 2	-3	-2	4	1	7	12
of which change in collective credit loss allowance, Stage 2	0	0	0	0	0	4
Net credit losses, non-credit-impaired lending	**-3**	**-3**	**4**	**1**	**8**	**13**
Change in credit loss allowance, Stage 3	1	4	10	5	34	15
Write-off for the period for confirmed losses	-2	-4	-6	-11	-40	-41
Recoveries of previously confirmed losses	1	2	2	5	5	6
Net credit losses, credit-impaired lending	**0**	**1**	**6**	**-1**	**0**	**-21**
Total net credit losses	**-3**	**-1**	**11**	**0**	**7**	**-8**

No properties were taken over in foreclosure to protect claims.

Recognition of loss allowance
The bank recognises expected credit losses for financial assets and off-balance-sheet exposures in the credit portfolio, and for the parts of the liquidity portfolio that are classified as financial assets at FVTOCI. Each asset is categorised to one of three stages:

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

Establishing significant increase in credit risk
To establish whether a loan asset has a significantly increased credit risk compared with the credit risk on initial recognition, among other actions, the bank measures how the asset's PD risk class has deteriorated since the asset arose. If the risk classification exceeds the bank's limits for increased credit risk, the asset is classified as Stage 2.

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

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

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

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

The most important input data used to measure ECLs is:

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

In the majority of the credit portfolio agreements, PD and LGD are based on internal historical data and utilise the bank's capital adequacy IRB models (see description in Landshypotek Bank's Information regarding capital adequacy and risk management 2018). The estimates have been recalibrated to capture the current financial position. For agreements in the bank's liquidity portfolio, ECLs are estimated based on, inter alia, the default rates in the rating matrices from an international rating agency.

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

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

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

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

An example follows of what the bank's credit loss allowance would look like if the respective improved or the deteriorated scenarios were assigned a probability of 100 percent, which would impact the mechanically calculated credit loss allowances (individually assessed stage 3 credits have not been included). For more information, refer to Note 4.

Scenario	Expected credit loss
Current loss allowance	SEK 77 million
Improved scenario	SEK 75 million
Deteriorated scenario	SEK 82 million

Note 4 Loans to the public

SEK million	30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018
Loan receivables, stage 1	66,552	65,009	63,071	60,680
Loan receivables, stage 2	8,284	8,315	8,996	10,295
Loan receivables, stage 3	597	651	526	625
Gross loan receivables	**75,433**	**73,975**	**72,593**	**71,599**
Less credit loss allowance	-77	-75	-82	-67
of which change in collectively measured credit loss allowance	–	–	–	-3
Net loan receivables	**75,356**	**73,900**	**72,511**	**71,532**
Disclosures on overdue loan receivables, gross				
Loan receivables overdue 5–90 days	–	–	22	–
Loan receivables overdue more than 90 days	254	324	191	304
Total overdue loan receivables, gross	**254**	**324**	**213**	**304**

Gross loan receivables SEK million	Non-credit-impaired lending		Credit-impaired lending	
	Stage 1	Stage 2	Stage 3	Total
Opening balance 1 Jan 2018	**56,985**	**10,875**	**678**	**68,537**
Increases in loan receivables due to origination and acquisition	9,760	309	2	10,070
Decreases in loan receivables due to derecognition	-4,552	-1,151	-212	-5,915
Decrease in loan receivables due to confirmed losses	–	–	-99	-99
Migration between stages				
from 1 to 2	-1,511	1,511	–	–
from 1 to 3	-138	–	138	–
from 2 to 1	2,507	-2,507	–	–
from 2 to 3	–	-80	80	–
from 3 to 2	–	40	-40	–
from 3 to 1	20	–	-20	–
Closing balance 31 Dec 2018	**63,071**	**8,996**	**526**	**72,593**
Opening balance 1 Jan 2019	**63,071**	**8,996**	**526**	**72,593**
Increases in loan receivables due to origination and acquisition	6,891	167	18	7,075
Decreases in loan receivables due to derecognition	-3,433	-707	-65	-4,205
Decrease in loan receivables due to confirmed losses	–	–	-30	-30
Migration between stages				
from 1 to 2	-1,056	1,056	–	–
from 1 to 3	-13	–	13	–
from 2 to 1	1,085	-1,085	–	–
from 2 to 3	–	-153	153	–
from 3 to 2	–	21	-21	–
from 3 to 1	28	–	-28	–
Closing balance 30 Sep 2019	**66,573**	**8,295**	**565**	**75,433**

continued Loans to the public

Creditloss allowance SEK million	Non-credit-impaired lending		Credit-impaired lending	Total credit loss allowance lending	Of which credit loss allowance for balance-sheet assets	Of which provisions for off-balance-sheet exposures
	Stage 1	Stage 2	Stage 3			
Opening balance 1 Jan 2018	-7	-33	-71	-111	-107	-4
Increases due to origination and acquisition	-1	-3	-1	-5	-4	-1
Decreases due to derecognition	1	6	8	15	12	3
Increases due to origination and acquisition			41	41	41	–
Decreases due to derecognition	2	3	-3	1	1	0
Decrease in allowance due to write-offs	0	1	0	1	1	0
Migration between stages						
from 1 to 2	0	-8	–	-7	-7	0
from 1 to 3	0	–	-26	-26	-26	0
from 2 to 1	-1	11	–	11	11	0
from 2 to 3	–	1	-6	-5	-5	0
from 3 to 2	–	0	0	0	0	0
from 3 to 1	0	–	0	0	0	0
Closing balance 31 Dec 2018	**-6**	**-21**	**-56**	**-83**	**-82**	**-2**
Opening balance 1 Jan 2019	-6	-21	-56	-83	-82	-2
Increases due to origination and acquisition	-1	-2	0	-3	-3	0
Decreases due to derecognition	0	2	5	7	6	1
Increases due to origination and acquisition	–	–	11	11	11	–
Decreases due to derecognition	0	-1	-8	-9	-9	0
Decrease in allowance due to write-offs	–	–	–	0	–	–
Migration between stages						
from 1 to 2	0	-5	0	-4	-4	0
from 1 to 3	0	0	0	0	0	0
from 2 to 1	0	6	0	5	5	0
from 2 to 3	0	1	-2	-1	-1	0
from 3 to 2	0	0	0	0	0	0
from 3 to 1	0	0	0	0	0	0
Closing balance 30 Sep 2019	**-6**	**-20**	**-51**	**-77**	**-76**	**-1**

Collateral exists in the form of immovable property for lending. For more information about the recognition of credit loss allowances, and estimates and critical assessments, refer to Note 3.

Note 5 Fair-value hierarchy for financial instruments

SEK million	30 September 2019 Level 1	Level 2	Level 3	Total	30 September 2018 Level 1	Level 2	Level 3	Total
Financial assets at FVTPL								
Bonds and other interest-bearing securities					317			317
Financial assets at FVTOCI								
Eligible treasury bills, etc.	4,293			4,293	4,976			4,976
Bonds and other interest-bearing securities	6,846			6,846	6,906			6,906
Derivatives identified as hedging instruments								
Interest-rate swaps		1,370		1,370		784		784
Cross-currency interest-rate swaps		770		770		852		852
Total assets measured at fair value	**11,140**	**2,140**	**–**	**13,280**	**12,199**	**1,636**	**–**	**13,834**
Financial liabilities at FVTPL								
Interest-rate swaps						15		15
Derivatives identified as hedging instruments								
Interest-rate swaps		255		255		234		234
Cross-currency interest-rate swaps		203		203		146		146
Total liabilities measured at fair value	**–**	**458**	**–**	**458**	**–**	**395**	**–**	**395**

Fair value is recognised excluding accrued interest. Accrued interest is recognised under Prepaid expenses and accrued income, and Accrued expenses and prepaid 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 and financial liabilities for which there are well-established measuring models based on market data.

Level 1
The fair value of financial instruments traded on an active market is based on the bid price of quoted market prices.

Level 2
The fair values of financial instruments and derivative instruments not traded on an active market are calculated using the valuation technique of discounting future cash flows. Quoted market rates for the tenor in question are used for discounting. In all cases, listed swap curves are utilised as the basis for measurement. Listed credit spreads relative to the interest-rate swap curve were utilised for measuring the value of bond assets. The interest-rate and cross-currency basis swap curves are used for measurement of interest-rate and cross-currency interest-rate swaps, respectively. Accrued interest is not included in the calculation of fair value.

Level 3
Input for assets/liabilities that are not based on observable market data.

Note 6 Fair Value Disclosures

	30 September 2019		30 September 2018	
SEK million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Assets				
Eligible treasury bills	4,293	4,293	4,976	4,976
Loans to credit institutions	652	652	411	411
Loans to the public	75,356	76,551	71,532	72,691
Bonds and other interest-bearing securities	6,846	6,846	7,223	7,223
Derivatives	2,140	2,140	1,636	1,636
Total assets	**89,287**	**90,483**	**85,777**	**86,936**
Liabilities and provisions				
Liabilities to credit institutions	4,098	4,098	765	765
Deposits from the public	14,583	14,583	13,702	13,702
Debt securities issued, etc.	62,804	63,495	63,772	64,502
Derivatives	458	458	395	395
Subordinated liabilities	1,200	1,234	1,200	1,256
Total liabilities	**83,144**	**83,869**	**79,834**	**80,621**

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

Alternative performance measures

The bank uses alternative performance measures (APMs) in its interim and annual reports. APMs are financial metrics of historical or future performance, financial position or cash flows that are not defined in the applicable rules for financial reporting (for example, IFRS or the Swedish Annual Accounts Act for Credit Institutions and Securities Companies) nor in the capital adequacy rules. The bank uses APMs when these are relevant for the presentation and follow-up of the bank's financial performance over time and when these metrics are deemed by the bank to provide additional valuable information to readers of the financial reports. APMs can be calculated with various approaches and, accordingly, the bank's metrics are not directly comparable with similar metrics presented by other companies. The definitions and aims of the APMs are set out below.

Definitions of APMs	Aim
Increase in lending, %: The percentage increase in loans to the public during the period.	The aim is to illustrate the growth in the lending portfolio, which comprises a key parameter for future income.
Interest margin, LTM, %: Net interest income over the last 12 months in relation to average lending during the period.	The aim is to describe the bank's margin on net interest income in relation to lending to the public, which describes the earnings capacity. Cumulative LTM net interest income is used to provide comparable APMs for the period.
Increase in deposits, %: The percentage increase in deposits from the public during the period.	This metric aims to illustrate the growth in the bank's deposits from the public and thereby part of the bank's financing.
C/I ratio including financial transactions: Costs in relation to income including the net result of financial transactions.	The aim is to clarify costs in relation to income, which demonstrates the level of cost-efficiency. This metric includes the net result of financial costs.
C/I ratio excluding financial transactions: Costs in relation to income excluding the net result of financial transactions.	The aim is to clarify costs in relation to income, which demonstrates the level of cost-efficiency. This metric excludes the net result of financial costs.
Credit loss level, %: Net credit losses for the period restated on an annualised basis in relation to average lending during the period.	The aim is to clarify the scope of credit losses in relation to lending. In the quarterly APMs, the results for the quarter have been restated at full-year outcomes to provide comparable APMs for the period.
Net credit-impaired assets after provisions in relation to total loans outstanding, %: Net credit-impaired assets in relation to loans to the public at the balance sheet date.	This metric aims to show the proportion of loans outstanding that are categorised as credit-impaired assets, and for which the bank has not made any provisions.
Return on equity, %: Net profit for the year divided by average equity.	The aim is to show the bank's return on equity, which is a measure of the bank's profitability. In the quarterly APMs, the results for the quarter have been restated at full-year outcomes to provide comparable APMs for the period.

SEK million	Q3 2019	Q3 2018	Q2 2019	Jan–Sep 2019	Jan–Sep 2018	Full-year 2018
Change in loans to the public	1,456	710	628	2,844	3,043	4,022
Opening balance, loans to the public	73,900	70,822	73,272	72,511	68,488	68,488
Change in lending, %	**2.0**	**1.0**	**0.9**	**3.9**	**4.4**	**5.9**
Net interest income, accumulated LTM	822	799	822	822	799	799
Average loans to the public, LTM	73,261	69,798	72,417	73,261	69,798	70,792
Interest margin, LTM, %	**1.12**	**1.14**	**1.14**	**1.12**	**1.14**	**1.13**
Change in deposits from the public	-38	168	265	434	1,027	1,474
Opening balance deposits from the public	14,622	13,533	14,357	14,150	12,675	12,675
Change in deposits, %	**-0.3**	**1.2**	**1.8**	**3.1**	**8.1**	**11.6**
Costs before credit losses	-107	-102	-114	-333	-322	-428
Total operating income	268	204	203	678	612	822
C/I ratio including financial transactions	**0.40**	**0.50**	**0.56**	**0.49**	**0.53**	**0.52**
Costs before credit losses	-107	-102	-114	-333	-322	-428
Total operating income excluding financial transactions	262	206	205	675	595	805
C/I ratio excluding financial transactions	**0.41**	**0.50**	**0.55**	**0.49**	**0.54**	**0.53**
Net credit losses calculated on a full-year basis	-10	-5	43	0	10	-8
Average loans to the public, LTM	73,261	69,798	72,417	73,261	69,798	70,792
Credit loss level, % [1]	**0.01**	**0.01**	**–**	**0.00**	**–**	**0.01**
Credit-impaired assets, gross	565	625	651	565	625	526
Less provisions made	-51	-37	-52	-51	-37	-56
Credit-impaired assets, net	**514**	**588**	**599**	**514**	**588**	**470**
Credit-impaired assets, net	514	588	599	514	588	470
Loans to the public	75,356	71,532	73,900	75,356	71,532	72,511
Net credit-impaired assets after allowances as a percentage of total loans outstanding, %	**0.68**	**0.82**	**0.81**	**0.68**	**0.82**	**0.65**
Average equity						5,904
Return on equity, %						**5.0**
Profit after tax						294
Number of shares, etc.						2
Earnings per share, SEK						**130.6**

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

Auditor’s review report (unofficial translation)

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

Introduction

We have reviewed the interim report of Landshypotek Bank AB (publ) as of 30 September 2019 and the nine-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

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

Conclusion

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

Stockholm, 24 October 2019
Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis
Authorised Public Accountant
Auditor-in-charge

Frida Main
Authorised Public Accountant

Reporting calendar 2020

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

Year-end report 2019	29 January 2020
Annual Report 2019	13 March 2020
General Meeting	22 April 2020
Interim Report Q1	29 April 2020

For further information, please contact:

Tomas Uddin
Chief Communications Officer
070 - 299 24 08

Per Lindblad
Chief Executive Officer
Can be reached through Tomas Uddin

Landshypotek Bank AB (publ)

Corp. Reg. No.: 556500-2762
Box 14092
SE-104 41 Stockholm
www.landshypotek.se

Production: Wildeco

Landshypotek Bank