Landshypotek Bank AB Interim report Q1 2019

January – March 2019

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

We continue to grow in both lending and deposits, but we have raised our ambitions even higher. The start of 2019 has confirmed the bank's underlying capacity to generate growth and earnings. Costs have risen in line with plans as a result of investments to promote operational stability and growth. During the quarter, we met with many customers across the country. The association's regional meetings are fantastic events where customers from across Sweden can gather for reasons including to discuss the continued development of our bank.

January – March 2019

compared with January – March 2018

- Operating profit amounted to SEK 87 million (102).
- The underlying operating profit, excluding the net result of financial transactions, was SEK 87 million (87).
- Net interest income amounted to SEK 206 million (188).
- Costs totalled SEK 112 million (107).
- Net credit losses had a negative earnings impact of SEK 8 million (positive: 5).
- Lending amounted to SEK 73.3 billion (69.6).
- Deposits amounted to SEK 14.4 billion (13.0).

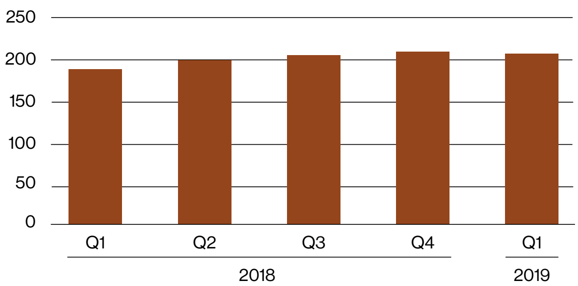
January – March 2019

compared with October – December 2018

- Operating profit amounted to SEK 87 million (89).
- The underlying operating profit, excluding the net result of financial transactions, was SEK 87 million (88).
- Net interest income amounted to SEK 206 million (209).
- Costs totalled SEK 112 million (106).
- Net credit losses had a negative earnings impact of SEK 8 million (negative: 15).
- Lending amounted to SEK 73.3 billion (72.5).
- Deposits amounted to SEK 14.4 billion (14.1).

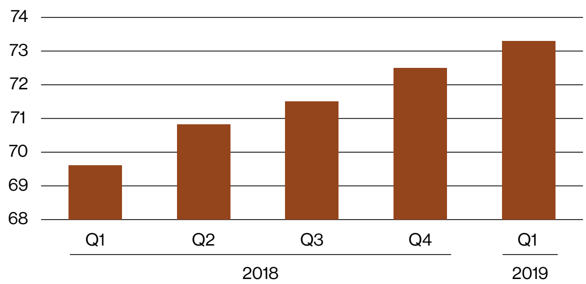
Net interest income

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 as well as 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. The bank is currently undergoing rapid development and is growing with more customer groups. Landshypotek's focus outside of the major cities means it defines 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 39,000 farming and forestry borrowers own the bank through the cooperative association and are thereby responsible for its capital, and share in its earnings. However, all business and licensable activities are conducted within the bank, which has about 191 employees nationwide.

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

- *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:* The bank's strength in financing farming and forestry are its close links to the sectors. Account managers at offices around the country often have backgrounds in agriculture and forestry, and banking and financing expertise. The bank's close customer relationships are complemented by the regional member organisation of 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 to 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 that facilitates convenient online mortgage applications. In 2018, a new credit management system laid the foundations for more efficient customer administration, and efforts were also initiated with Open Banking. Digitisation enables more efficient work and improves possibilities for customers.
- *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 opportunities nationwide. The bank applies competitive interest rates and transparent pricing without any requirements for upselling or full customer offers.
- *Promoting a sustainable countryside:* A living countryside, with cultivated and productive fields and forests, 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.

Landshypotek Bank — in brief

- Founded in 1836.
- Has 80,000 customers in the farming and forestry sector, as well as mortgage borrowers and savers.
- Has lending of some SEK 69.0 billion to farming and forestry in Sweden and SEK 4.3 billion in homeowner mortgages.
- Has savings customers with total savings of SEK 14.4 billion.
- Owned by the 39,000 members active in farming and forestry. SEK 138 million of the earnings for 2018 was distributed back to farming and forestry customers.
- Has 191 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.

Let customers decide

We are a values-driven bank, close to our customers. We see this daily in our operations. The need for such a bank was confirmed this quarter by the media attention to other banks. We would like to see more values-driven customer choices in 2019.

In the spring, we met many of our customers at the cooperative association's regional meetings. The meetings, held at eleven locations countrywide, are a focal point for our members, who are our customers and owners. Employees and elected representatives also participate in the dialogue to be part of forming our future. We spoke with more than 1,700 customers about the continued need to develop and grow with existing and new customers. This requires the bank taking an active role. Maintaining these close relationships with our committed customers – our owners – distinguishes our bank and has considerable significance for our development. Direct dialogue allows us to discuss our shared feelings toward our bank. Moreover, the dialogue fuels energy for our employee dialogues. We have an ongoing dialogue at the bank to become an even better bank for the customers and to continuously adjust to the trends in our operating environment..

When summing up 2018 – the drought dominates. Many customers continue to have problems linked to the drought and the consequences are likely to continue for several years. At the same time, many farmers and foresters accomplished incredible feats with their companies over the last year, with looking after animals and managing vegetation in extreme conditions. It was very gratifying to travel round the country and give our thanks for these efforts. We have fantastic agricultural entrepreneurs in this country!

At the meetings, the association also presented the proposed dividend of SEK 138 million to its members. This is in line with the dividend policy, which balances a good dividend against the capital needed for the continued growth of a sustainable bank moving forward. Disbursing our surplus to the continued development of good food production, well-kept and productive forests, and a living countryside is central to our bank.

Following the Riksbank, Sweden's central bank, raising the repo rate in December, the bank's borrowing costs increased and for the first time that quarter we had higher customer interest rates. At the time of the Riksbank's adjustment, the repo rate and Stibor were almost aligned. However, Stibor has climbed during the quarter and further changed our borrowing cost.

We have continued to grow in terms of lending and deposits. Mortgages started the year with continued growth but not in line with our ambitions. Therefore, we have initiated several activities to boost customer inflows. Lending to agriculture and forestry posted slightly better growth than last year. Our net interest income for the quarter pointed toward a positive trend that was also, inter alia, affected by an interest rate adjustment in January.

Costs have risen in line with plans as a result of investments for operational stability, the implementation and management of new regulations, and growth. The quarter noted a slight increase due to items of a non-recurring nature. The start of 2019 has quickly confirmed the bank's underlying capacity to generate growth and earnings.

Landshypotek Bank is close to its customers. Our lending is based with building societies with secure collateral. We do not offer checking accounts or credit cards, have few products and only operate in Sweden. This means that our relative exposure to areas such as money laundering is lower than for the major international banks.

However, we remain vigilant and have improved our protection through transaction monitoring and through improved KYC. The issue is central for looking after our bank and for the transparency we value so highly, and not least, for increasing our customers' confidence in us.

There is an ongoing flow of new requirements in terms of increased regulation and supervision by government agencies for the branch in general. We are convinced of the importance of long-term stable rules, where regulations, government agencies and reporting are particularly central. However, there is also considerable risk that in the desire to meet the challenges facing the international banks, regulations are created that hinder competition.

We would rather win customers based on who we are and what we do. We hope for and believe in increasing consumer awareness of the banks' values and what the banks stand for. We encourage customers to base their selection on the above. We work intensively with general discussions and making people aware of what the bank stands for, among customers and employees. Every day, we strive to promote transparency, honesty and closeness. We are values-driven in terms of making it possible for people to live and run agricultural companies across Sweden. We believe that this will make Sweden better. Irrespective of what other banks do, we want this to inspire our customer relations in the long term.

Per Lindblad
Chief Executive Officer

Events at Landshypotek Bank in the first quarter of 2019

Landshypotek Bank is a bank that continues to grow vigorously. Across the country, the organisation is buzzing with activity while simultaneously developing and growing with more customers.

Events in Q1 2019:

- **The bank passed the four billion krona mark for mortgage lending.**
  At the end of 2017, the bank started lending to house-owners. Landshypotek Banks mortgage lending has become a success. In little more than one year, the bank has lent more than four billion krona to houseowners across the country.

- **The association's members gathered at regional meetings in 11 locations across Sweden.**
  The meetings were attended by a total of 1,700 farmers and foresters who found out about developments at the bank and the association, and were inspired by guest speakers.

- **The Board of Landshypotek Ekonomisk Förening proposed a dividend of SEK 138 million.**
  The dividend is based on the bank's Group contribution and is allocated proportionate to the capital contributed by members. The dividend for the year corresponded to a full 8 percent return on member contributions.

- **Launch of the bank's open banking platform**
  The platform enables external software developers and third-party participants to develop new digital services based on the bank's data. This is being conducted in accordance with the EU's Revised Payment Services Directive (PSD2).

- **Relaunch of the "Your Farm" competition**
  Your Farm is a countrywide competition where Swedish farmers are able to showcase their operations, inform about agriculture and forestry and the preconditions for entrepreneurs in the countryside. During the quarter, the bank also became the main partner for the competition titled "Sweden's cosiest home 2019," which was arranged by the publication Villalivet and for the Svenska Dansbandsveckan music festival.

Summary Landshypotek Bank

SEK million	Q1 2019	Q1 2018	Q4 2018	Jan–Mar 2019	Jan–Mar 2018	Full-year 2018
Net interest income	206	188	209	206	188	799
Operating profit	87	102	89	87	102	386
Profit after tax	67	78	67	67	78	294
Loans to the public	73,272	69,596	72,511	73,272	69,596	72,511
Change in loans to the public, %	1.0	1.6	1.4	1.0	1.6	1.4
Interest margin, LTM, %	1.14	1.18	1.13	1.14	1.18	1.13
Deposits from the public	14,357	13,003	14,150	14,357	13,003	14,150
Change in deposits from the public, %	1.5	2.6	3.3	1.5	2.6	11.6
C/I ratio including financial transactions	0.54	0.52	0.50	0.54	0.52	0.52
C/I ratio excluding financial transactions	0.54	0.57	0.50	0.54	0.57	0.53
Credit loss level, % [1]	0.05	–	0.09	0.05	–	0.01
Total capital ratio (%) [2]	18.7	42.4	19.4	18.7	42.4	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	191	179	190	191	179	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 new IRB permits, the introduction of a risk-weight floor under Pillar 2 and to clarification of the regulations pertaining to own funds.*

Our operating environment

For many farmers and foresters the consequences of last year's weather remain notable. Poorer harvests, higher feed prices, drought damaged forest seedlings and extensive infestations of the eight-dentated bark beetle have squeezed the finances of many entrepreneurs. At the same time there are positive signs and trends for companies.

Several positive signals for agriculture

The spring tillage has already started in several parts of the country and the crops for the record-sized autumn sown areas have wintered well. The spring tillage will therefore be less intensive and the start of the growing season appears promising. This is a welcome boost for many farmers who, following a low percentage of autumn sown crops in 2017, and last summer's drought, recorded historically low harvests in 2018.

However, cereal prices in Europe have declined since the autumn and are lower year-on-year, primarily due to forecasts of increased crop production in the EU, Russia and Australia. However, concern regarding delayed spring tillage in parts of the US has led prices to climb somewhat in recent weeks.

Oilseed prices are also slightly lower today than a year ago, mainly due to the trade conflict between the US and China. However, lower prices for cereals and protein raw materials have not had any clear impact in the form of lower feed prices for livestock farmers.

In Sweden, milk production continues to decline while dairy companies show increased willingness to invest since the settlement prices in Sweden and the EU remained stable through the start of the year. Globally, the dairy market has relatively favourable conditions, where prices have risen in recent months, albeit weaker price increases in Europe than in the rest of the world. The EU Market is also marked by uncertainty and concerns regarding Brexit and its consequences for the milk market. On the other side of the world, milk production has risen in New Zealand, while production in Australia and Argentina has suffered due to drought.

Willingness to invest in suckler cows dropped in 2018 after significant increases over four years. This is probably mainly due to the need having been met. Carcass prices for beef have also fallen and stabilised over the last year. However, prices are still higher in Sweden than in other EU countries, although the differences continue to decrease. Production in Sweden grew more than it did in the rest of the EU in 2018. Through increased production and improved net sales, Swedish beef's share of consumption

has increased to just over 56 percent in 2018, from a low of 50 percent five years ago. Increased focus on sustainability, animal welfare and low use of antibiotics in Sweden is the probable cause for the turnaround.

Swedish production has also captured a greater market share of the country's total consumption of pigmeat. Rising prices in the EU for fattening pigs in recent weeks is another positive trend. The upturn in prices is driven by strong Chinese demand for European pigmeat as a result of the swine fever outbreak in China. Rising prices in Europe can also drive prices up in Sweden. High demand has also affected European piglet prices and the price is also impacted by the decline in the number of sows in production in Europe. In 2018, the number declined three percent in Europe and 6.5 percent in Sweden. Increased demand for pigmeat and a reduction in the supply of piglets speak for even higher piglet prices in the long term.

In turn, high feed prices squeeze margins for poultry farmers and egg producers. Through the start of the year, the market for eggs has been stable in the EU during the year, even if the price has been 15–20 percent lower year-on-year. The price in Sweden is also stable, but at a somewhat higher level than last year. The EU market for poultry is stable and exports have developed positively even if they remain of lower value than imports. In Sweden, the price for chicken in the first quarter has remained around five percent higher than 2018. A positive trend is that Swedish poultry's share of total consumption continues to increase.

Challenges for forestry

Export prices for timber, pulp and paper have been relatively stable in recent months. An economic slowdown has taken place in recent months for the forestry sector, following a relatively long economic upturn and strong exports that were also boosted by a weak krona. Brexit and trade conflicts are other contributory factors to the economic downturn.

Last year's heat and drought, together with, inter alia, greater infestations of the eight-dentated bark beetle, have resulted in major consequences for forestry. The consequences are difficult to overview and there is a continued a risk of new infestations now in the spring. The Swedish Forest Agency believes this to be the most serious infestation in ten years in southern Sweden. Increased felling due to bark beetle infestations takes up a lot of capacity, which in turn affects prices.

Forest as a long-term investment

Forest is still seen as a stable, long-term investment. Price increases have averaged between 4 and 5 percent across the country in 2018, with regional differences. The northern counties posted a negative price trend and the largest rises were in Middle Sweden. Prices have been boosted by a favourable economy for the forestry sector for several years with large investments across the country. Factors such as relatively low unemployment and low interest rates have also boosted prices. However, prices for arable land have followed a slightly different trend with weaker, or even negative, price changes in all regions except Norrland. The decline in prices for the most fertile land is viewed as the market stabilising.

Global growth concerns

In the first quarter of the year, the financial markets were characterised by global growth concerns. Brexit negotiations have dragged on and the UK has not managed to leave the EU as planned, which negatively impacts European growth prospects. Moreover, forward-looking indicators, such as companies' export orders and the Purchasing Managers Index (PMI), which are good indicators of industry growth prospects have declined. In the wake of the Chinese authorities' credit tightening measures and China's trade conflict with the US, China's economy has also clearly slowed, which has had a knock-on effect on central banks. However, a softer line on future monetary policy from the Federal Reserve and the ECB has, despite concerns, propped up a mostly positive stock market trend.

Ambiguous signals in the US

Macro statistics from the US are sending ambiguous signals. For example, the PMI for the manufacturing industry exceeded expectations, thereby indicating continued stable growth. Employment in the US in the first quarter also remained strong and wages are steadily rising. On the other hand, negative signals in the form of core inflation of 2.0 percent in March compared with 2.2 per cent in December, together with a weaker retail sector trend, indicate a downturn in private consumption despite a strong labour market.

The Federal Reserve, the US central Bank, has changed its position and is now signalling caution. The reason for the softer tone in monetary policy is increased concern for growth not only in the US, but also in the rest of the world, mainly China and Europe.

Economic slowdown in Europe

The economic slowdown in Europe is becoming increasingly apparent. The European PMI for the manufacturing industry remains weak, but there are positive signals in terms of the service sector showing growth. Industrial order intake in Germany was down 8.4 percent at an annualised rate in February, which is the lowest since the crisis years from 2008–2009. The German 10-year interest rate has also fallen to its lowest level since 2016. The Brexit process, which has become extremely protracted, has also not reached any final solution.

At its March meeting, the ECB surprised the financial market with a much softer tone than expected; the first interest rate hike has been deferred and rates will be left unchanged for the remainder of the year. The ECB will also offer a series of targeted 2-year loans to European banks on the back of the ECB lowering the euro area growth projections for 2019 from 1.7 percent to 1.1 percent.

Positive trend in Sweden

Sweden has trended much stronger than the rest of Europe. The PMI has continued to post growth and the National Institute of Economic Research's Economic Tendency Survey indicated that business sentiment remained strong. The high pressure in the labour market has continued, with surprisingly rapid employment growth, and the retail sector has performed relatively well despite a continued decline in credit growth. The National Institute of Economic Research's total indicator also indicates continued growth in line with the long-term trend, and Stibor has crept slowly upwards and is now positive for the first time since 2015.

The Riksbank indicated at its February monetary policy meeting that the repo rate will be raised again in the second half of 2019, with the precondition that the economic outlook and inflation prospects hold firm. Inflation for March 2019 finished at 1.8 percent, below the Riksbank's forecast. The determining factors for the Riksbank moving forward will be developments in the labour market and inflation.

Unchanged housing prices in Sweden

Statistics Sweden reported that housing prices declined 1 percent in the first quarter of 2019, compared with the fourth quarter of 2018. Year-on-year, however, prices were unchanged. The average price of a house in Sweden was slightly more than SEK 3.1 million.

Finally, the government has signalled a major tax reform that includes removing the interest charge on tax payable on postponed capital gains tax from the sale of a house. No information has been forthcoming regarding when this reform will be implemented and this seems to have affected a more cautious market.

Our financial performance

Landshypotek Bank's earnings for the first quarter of 2019 remained strong with continued growth in lending and deposits. Loans to the public increased SEK 0.8 billion during the quarter and deposits from the public rose SEK 0.2 billion. Credit losses continued to be very low.

Financial statements for the first quarter of 2019 compared with the first quarter of 2018

The bank's operating profit amounted to SEK 87 million (102), down SEK 15 million year-on-year. The decline in earnings was primarily attributable to a lower net result of financial transactions. Excluding the net result of financial transactions, operating profit amounted to SEK 87 million (87).

Net interest income and volumes

Net interest income was SEK 206 million (188), up SEK 18 million. Interest income totalled SEK 327 million (301), up SEK 26 million as a result of increased lending and rising market interest rates.

Interest expenses amounted to SEK 121 million (113), up SEK 8 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 of SEK 16 million (21).

Other operating income

Other operating income was SEK 1 million (17), down SEK 16 million due to the net result of financial transactions. For the quarter, unrealised gains accounted for SEK 1 million and realised losses for SEK 1 million.

Costs

Costs amounted to SEK 112 million (107), up SEK 5 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.

Credit losses and credit-impaired assets

Net credit losses amounted to SEK 8 million (recoveries: 5), of which net credit losses for non-credit-impaired assets had a negative earnings impact of SEK 1 million and credit-impaired assets had a negative earnings impact of SEK 7 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 9 million, together with recoveries of previously confirmed losses with a positive earnings impact of SEK 2 million.

The total credit loss allowance for non-credit-impaired assets amounted to SEK 28 million (27).

Gross credit-impaired assets amounted to SEK 541 million (526) and the credit loss allowance to SEK 62 million (56). 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.

Operating profit

SEK million	Jan–Mar 2019	Jan–Mar 2018	Full-year 2018
Net interest income	206	188	799
Other operating income	1	17	22
of which net result of financial transactions	0	15	17
Costs	-112	-107	-428
C/I ratio including financial transactions	0.54	0.52	0.52
C/I ratio excluding financial transactions	0.54	0.57	0.53
Net recognised credit losses	-8	5	-8
Credit loss level, %[1]	0.05	–	0.01
Operating profit	87	102	386
Operating profit excluding the net result of financial transactions	87	87	369

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

Other comprehensive income

Other comprehensive income amounted to SEK 12 million (expense: 16). Financial assets at fair value had an effect of SEK 13 million (0) on other comprehensive income and cross-currency basis spreads in fair value hedges had a net negative impact of SEK 1 million (negative: 16) on other comprehensive income.

Capital and capital adequacy

The total capital ratio for the consolidated situation amounted to 17.9 percent (18.4 at 31 December 2018) and the CET1 capital ratio was 13.4 percent (13.9). The internally assessed capital requirement for the consolidated situation was SEK 4.9 billion (4.8). 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.

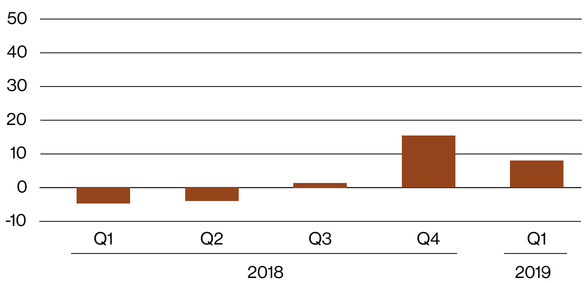
Assets

The largest asset item in the balance sheet is Loans to the public, which increased SEK 0.8 billion to SEK 73.3 billion during the quarter and where the largest part of the increase was attributable to the new mortgage operations. The increase corresponded to lending growth of 1.0 percent (1.6) over the quarter. The geographic distribution of lending is stable over time.

Landshypotek Bank's liquidity portfolio totalled SEK 12.8 billion (11.0) at 31 March 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 31 March 2019, the liquidity portfolio was 1.8 (2.1) times larger than refinancing requirements for the next six months. The ratio is affected by the allocation of maturing debt for longer than six months and can, therefore, change between measurement periods.

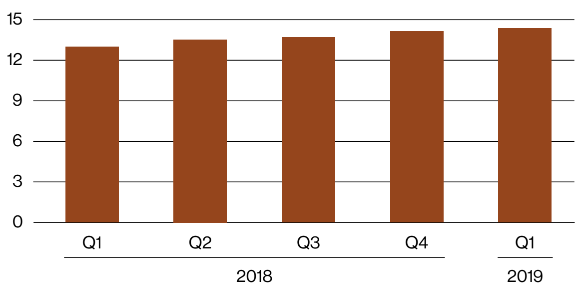
Credit losses

SEK million



Deposits from the public

SEK billion



Balance Sheet

Assets, SEK million	31 Mar 2019
Eligible treasury bills	4,957
Loans to credit institutions	470
Loans to the public	73,272
Bonds and other interest-bearing securities	7,800
Derivatives	1,594
Tangible and intangible assets	183
Other assets	464
Total assets	**88,739**

Liabilities and equity, SEK million	31 Mar 2019
Liabilities to credit institutions	752
Deposits from the public	14,357
Debt securities issued, etc.	65,261
Derivatives	404
Subordinated liabilities	1,200
Other liabilities	770
Equity	5,996
Total liabilities and equity	**88,739**

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 first quarter of 2019, covered bonds to a value of SEK 4.1 billion and senior bonds to a value of SEK 1.5 billion were issued. In the first quarter of 2019, bonds matured or were repurchased to a value of SEK 3.5 billion, of which SEK 2.0 billion pertained to covered 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 14.4 billion (14.2), up SEK 0.2 billion in the quarter.

Comparison with the fourth quarter of 2018

Operating profit amounted to SEK 87 million (89) for the quarter. Excluding the net result of financial transactions, operating profit amounted to SEK 87 million (88) for the fourth quarter, down SEK 1 million. This decline was attributable to higher costs and rising borrowing costs, which were offset by lower credit losses during the period. The credit losses pertained to a few individual commitments within varying types of farming and geographic locations. The underlying interest margin remained favourable.

Rating

Landshypotek Bank has credit ratings from two different rating agencies, Standard & Poor's and Fitch. In 2018, both Standard & Poor's and Fitch confirmed Landshypotek's ratings of A- and A respectively.

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

Funding

SEK million	In issue 31 Mar 2019	Limit	In issue 31 Dec 2018
Swedish commercial paper	–	10,000	–
MTN programme	43,063	60,000	41,002
EMTN programme	16,981	36,468[1)]	16,788
Registered covered bonds	3,541		3,446
Subordinated loans	1,900		1,900

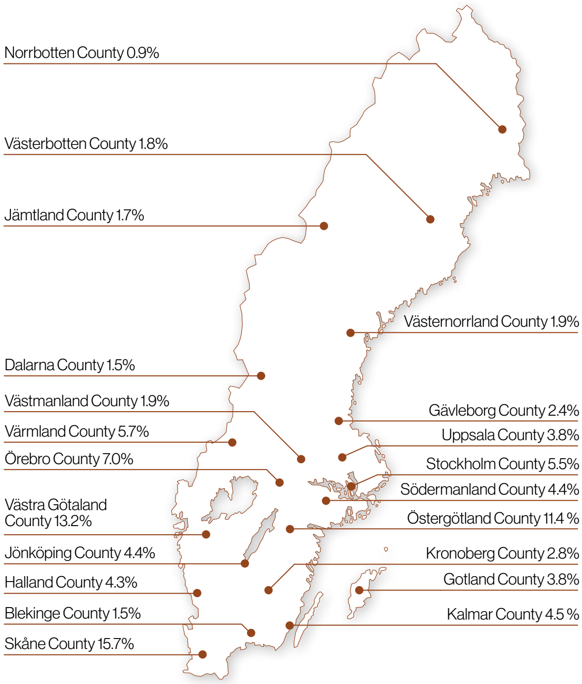
[1)] *EUR 3,500 million Over the year, the limit has increased due to changes in the exchange rate, but no new funding has been arranged.*

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.

Geographic distribution of Landshypotek Bank's lending



Events after the end of the period

No significant events occurred after the end of the reporting period.

Stockholm, 29 April 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 has 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/om-landshypotek/investerarrelationer).

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 and amounted to a net loss of SEK 5 million for the quarter.

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

Income Statement

SEK million	Note	Q1 2019	Q1 2018	Q4 2018	Jan–Mar 2019	Jan–Mar 2018	Full-year 2018
Interest income		327	301	308	327	301	1,229
of which interest income using the effective-interest method		327	301	308	327	301	1,228
of which other interest income		0	0	0	0	0	2
Interest expenses		-121	-113	-99	-121	-113	-430
of which fees for deposit insurance		-3	-2	-3	-3	-2	-10
of which fees for resolution fund		-16	-21	-17	-16	-21	-75
Net interest income	2	**206**	**188**	**209**	**206**	**188**	**799**
Net result of financial transactions		0	15	0	0	15	17
Other operating income		1	2	1	1	2	5
Total operating income		**207**	**204**	**210**	**207**	**204**	**822**
General administrative expenses		-104	-103	-99	-104	-103	-408
Depreciation, amortisation and impairment of tangible and intangible assets		-8	-4	-4	-8	-4	-17
Other operating expenses		0	0	-3	0	0	-3
Total expenses before credit losses		**-112**	**-107**	**-106**	**-112**	**-107**	**-428**
Profit before credit losses		**95**	**97**	**104**	**95**	**97**	**394**
Net credit losses	3	-8	5	-15	-8	5	-8
Operating profit		**87**	**102**	**89**	**87**	**102**	**386**
Tax expense for the period		-20	-24	-22	-20	-24	-92
Net profit for the period		**67**	**78**	**67**	**67**	**78**	**294**

Statement of Comprehensive Income

SEK million	Q1 2019	Q1 2018	Q4 2018	Jan–Mar 2019	Jan–Mar 2018	Full-year 2018
Net profit for the period	**67**	**78**	**67**	**67**	**78**	**294**
Other comprehensive income						
Items to be reclassified to income statement						
Financial assets till FVTOCI	17	0	-24	17	0	-27
Cross-currency basis spreads in fair value hedges	-1	-20	4	-1	-20	-29
Income tax related to other comprehensive income	-3	4	4	-3	4	12
Total items that will be reclassified	**12**	**-16**	**-16**	**12**	**-16**	**-44**
Total other comprehensive income	**12**	**-16**	**-16**	**12**	**-16**	**-44**
Comprehensive income for the period	**79**	**62**	**51**	**79**	**62**	**251**

Balance Sheet

SEK million	Note	31 Mar 2019	31 Dec 2018	31 Mar 2018
Assets				
Eligible treasury bills		4,957	4,962	5,015
Loans to credit institutions		470	540	457
Loans to the public	4	73,272	72,511	69,596
Value change of interest-hedged items in portfolio hedges		47	41	67
Bonds and other interest-bearing securities		7,800	6,076	7,842
Derivatives		1,594	1,304	1,660
Shares in Group entities		0	0	0
Intangible assets		154	143	106
Tangible assets				
Equipment		5	6	8
Buildings and land		24	9	9
Other assets		13	14	14
Current tax assets		14	13	–
Deferred tax assets		0	0	10
Prepaid expenses and accrued income		389	307	459
Total assets	5, 6	**88,739**	**85,928**	**85,243**
Liabilities and equity				
Liabilities to credit institutions		752	954	1,423
Deposits from the public		14,357	14,150	13,003
Debt securities issued, etc.		65,261	62,641	62,422
Derivatives		404	461	539
Other liabilities		306	251	272
Tax liabilities		–	–	7
Accrued expenses and prepaid income		462	344	544
Provisions		2	3	3
Subordinated liabilities		1,200	1,200	1,200
Total liabilities		**82,743**	**80,003**	**79,413**
Total equity		**5,996**	**5,924**	**5,830**
Total liabilities and equity	5, 6	**88,739**	**85,928**	**85,243**

Statement of cash flow

SEK million	Jan–Mar 2019	Jan–Mar 2018	Full-year 2018
Opening cash and cash equivalents	**540**	**393**	**393**
Cash flow from operating activities	-49	81	352
Cash flow from investment activities	-14	-10	-58
Cash flow from financing activities	-7	-7	-147
Cash flow for the period	**-70**	**64**	**147**
Closing cash and cash equivalents	**470**	**457**	**540**

Statement of changes in equity

January – December 2018 SEK million	Share capital	Other contrib-uted 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 – March 2019 SEK million	Share capital	Other contrib-uted 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			13	-1		67	79
Total change before transactions with owners and holders of Tier 1 capital instruments			**13**	**-1**	**–**	**67**	**79**
Dividend on Tier 1 capital instruments						-7	-7
Closing balance, equity	**2,253**	**1,017**	**30**	**-23**	**700**	**2,019**	**5,996**

Notes

Note 1 Capital and capital adequacy

The total capital ratio for the consolidated situation amounted to 17.9 percent (18.4 at 31 December 2018) and the CET1 capital ratio was 13.4 percent (13.9). The total capital ratio for Landshypotek Bank AB amounted to 18.7 percent (19.4) and the CET1 capital ratio was 13.2 percent (13.8). Own funds for the consolidated situation increased SEK 48 million to SEK 6,246 million during the quarter. The increase was mainly due to a larger share of additional Tier 1 capital and T2 capital instruments issued by Landshypotek Bank AB being eligible for inclusion in the consolidated situation's own funds as of 31 March 2019. The minimum capital requirement rose SEK 103 million to SEK 2,796 million due mainly to increased volumes for corporate exposures.

In addition to the minimum capital requirement of 8 percent of the total risk-weighted amount, the capital conservation buffer requirement is 2.5 percent and the countercyclical buffer requirement is 2 percent. These two buffers make up the combined buffer requirement that must be covered by CET1 capital. On 18 September 2018, Finansinspektionen decided to raise the countercyclical buffer to 2.5 percent from 19 September 2019.

The leverage ratio for the consolidated situation amounted to 6.0 percent (6.2).

The internally assessed capital requirement for the consolidated situation was SEK 4.9 billion (4.8). 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.

continued Note 1 Capital adequacy analysis

SEK million	Consolidated situation[1] 31 March 2019	Landshypotek Bank AB 31 March 2019
CET1 capital: Instruments and reserves		
Member contributions	1,732	–
Share capital	–	2,253
Other contributed equity	1,798	1,017
Tier 1 capital instruments	700	700
Reserves	7	7
Actuarial changes	-29	–
Retained earnings	1,907	1,953
Net profit for the year [2]	63	67
Equity in the balance sheet	**6,177**	**5,996**
Deductions related to the consolidated situation and other foreseeable costs	-135	-31
Deductions for Tier 1 capital instruments classified as equity	-700	-700
CET1 capital before regulatory adjustments[3]	**5,342**	**5,264**
CET1 capital: regulatory adjustments		
Further value adjustments	-13	-13
Intangible assets	-154	-154
Deferred tax assets that rely on future profitability	-4	0
Fair value reserves related to gains or losses on cash-flow hedges	–	–
IRB deductions [4]	-474	-474
Defined-benefit pension plans	–	–
Total regulatory adjustments to CET1 capital	**-645**	**-641**
CET1 capital	**4,698**	**4,623**
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	584	–
Tier 1 capital (CET1 capital + Tier 1 capital)	**5,282**	**5,323**
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	963	–
Tier 2 capital before regulatory adjustments	**963**	**1,200**
Tier 2 capital: regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	**–**	**–**
Tier 2 capital	**963**	**1,200**
Own funds (Tier 1 capital + Tier 2 capital)	**6,246**	**6,523**
Total risk-weighted exposure amount	**34,953**	**34,954**
Capital ratios and buffers		
Own funds requirement	**2,796**	**2,796**
CET1 capital ratio (%)	13.4	13.2
Tier 1 capital ratio (%)	15.1	15.2
Total capital ratio (%)	17.9	18.7
Institution-specific CET1 capital requirement including buffer requirements (%)	9.0	9.0
of which: capital conservation buffer requirement (%)	2.5	2.5
of which: countercyclical buffer requirement (%)	2.0	2.0
CET1 capital available to meet buffers (%) [5]	8.9	8.7

[1] *The consolidated situation encompasses Landshypotek Ekonomisk Förening and the Landshypotek Bank Group.*

[2] *A decision by Finansinspektionen in March 2019 gave Landshypotek Bank approval, subject to specific terms and conditions in the decision, for using the interim or full-year surplus in own-funds calculations for the institute and also for its consolidated situation.*

[3] *This item pertains to the consolidated situation and differs from equity under IFRS in that the proposed dividend's contribution to equity is excluded.*

[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 Own funds requirement by risk, approach and exposure class

Consolidated situation 31 March 2019 SEK million	Exposure value[1]	Risk-weighted exposure amount[2]	Own funds requirement[3]	Average risk weight[4]
Credit risk – IRB approach	**74,863**	**26,261**	**2,101**	**35%**
Retail – real estate collateral	45,055	6,464	517	14%
Corporates	29,744	19,733	1,579	66%
Other non-credit-obligation assets	64	64	5	100%
Credit risk – Standardised approach	**15,118**	**1,468**	**117**	**10%**
Central governments or central banks	35	–	–	0%
Regional governments or local authorities	5,774	–	–	0%
Institutions	1,994	628	50	31%
Corporates	12	12	1	100%
Retail	40	28	2	68%
Secured by mortgage liens on immovable property	214	93	7	43%
Exposures in default	2	3	0	148%
Covered bonds	7,046	705	56	10%
Operational risk – Basic indicator approach		**1,448**	**116**	
Credit valuation adjustment risk – Standardised approach	**1,331**	**976**	**78**	**73%**
Additional risk exposure amounts under Article 3 CRR		**1**	**0**	
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		**4,800**	**384**	
Total	**91,312**	**34,953**	**2,796**	**–**

Landshypotek Bank AB, 31 March 2019 SEK million	Exposure value[1]	Risk-weighted exposure amount[2]	Own funds requirement[3]	Average risk weight[4]
Credit risk – IRB approach	**74,863**	**26,260**	**2,101**	**35%**
Retail – real estate collateral	45,055	6,464	517	14%
Corporates	29,744	19,733	1,579	66%
Other non-credit-obligation assets	63	63	5	100%
Credit risk – Standardised approach	**15,126**	**1,469**	**118**	**10%**
Central governments or central banks	33	–	–	0%
Regional governments or local authorities	5,778	–	–	0%
Institutions	2,001	629	50	31%
Corporates	12	12	1	100%
Retail	40	28	2	68%
Secured by mortgage liens on immovable property	214	93	7	43%
Exposures in default	2	3	0	148%
Covered bonds	7,046	705	56	10%
Operational risk – Basic indicator approach		**1,448**	**116**	
Credit valuation adjustment risk – Standardised approach	**1,331**	**976**	**78**	**73%**
Additional risk exposure amounts under Article 3 CRR		**1**	**0**	
Additional risk exposure amount under Article 458 CRR (risk-weight floor)		**4,800**	**384**	
Total	**91,321**	**34,954**	**2,796**	**–**

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	Q1 2019	Q1 2018	Q4 2018	Jan–Mar 2019	Jan–Mar 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	315	301	301	315	301	1,207
Interest income on interest-bearing securities	9	-3	5	9	-3	11
Other interest income	2	3	2	2	3	11
Total interest income	**327**	**301**	**308**	**327**	**301**	**1,229**
Interest expenses						
Interest expenses for liabilities to credit institutions	1	1	2	1	1	7
Interest expenses for deposits from the public	-26	-23	-27	-26	-23	-99
of which fees for deposit insurance	-3	-2	-3	-3	-2	-10
Interest expenses for interest-bearing securities	-123	-113	-97	-123	-113	-428
Interest expenses for subordinated liabilities	-7	-6	-7	-7	-6	-27
Interest expenses for derivative instruments	56	54	52	56	54	212
Other interest expenses	-22	-26	-23	-22	-26	-96
of which fees for resolution fund	-16	-21	-17	-16	-21	-75
Total interest expenses	**-121**	**-113**	**-99**	**-121**	**-113**	**-430**
Total net interest income	**206**	**188**	**209**	**206**	**188**	**799**

All interest income is attributable to the Swedish market

Note 3 Net credit losses

SEK million	Q1 2019	Q1 2018	Q4 2018	Jan–Mar 2019	Jan–Mar 2018	Full-year 2018
Change in credit loss allowance, Stage 1	0	-1	0	0	-1	1
Change in credit loss allowance, Stage 2	0	3	5	0	3	12
of which change in collective credit loss allowance, Stage 2	0	0	3	0	0	4
Net credit losses, non-credit-impaired lending	**-1**	**3**	**5**	**-1**	**3**	**13**
Change in credit loss allowance, Stage 3	-6	11	-20	-6	11	15
Write-off for the period for confirmed losses	-3	-11	-2	-3	-11	-41
Recoveries of previously confirmed losses	2	2	1	2	2	6
Net credit losses, credit-impaired lending	**-8**	**2**	**-21**	**-8**	**2**	**-21**
Total net credit losses	**-8**	**5**	**-15**	**-8**	**5**	**-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;
- 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 90 million
Improved scenario	SEK 87 million
Deteriorated scenario	SEK 95 million

Note 4 Loans to the public

SEK million	31 Mar 2019	31 Dec 2018	31 Mar 2018
Loan receivables, stage 1	64,076	63,071	58,496
Loan receivables, stage 2	8,747	8,996	10,583
Loan receivables, stage 3	537	526	612
Gross loan receivables	**73,360**	**72,593**	**69,692**
Less credit loss allowance	-89	-82	-96
of which change in collectively measured credit loss allowance	0	0	-4
Net loan receivables	**73,272**	**72,511**	**69,596**
Disclosures on overdue loan receivables, gross			
Loan receivables overdue 5–90 days	78	22	97
Loan receivables overdue more than 90 days	163	191	218
Total overdue loan receivables, gross	**242**	**213**	**316**

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	–	0
from 1 to 3	-138	–	138	0
from 2 to 1	2,507	-2,507	–	0
from 2 to 3	–	-80	80	0
from 3 to 2	–	40	-40	0
from 3 to 1	20	–	-20	0
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	1,707	58	0	1,765
Decreases in loan receivables due to derecognition	-775	-209	-10	-993
Decrease in loan receivables due to confirmed losses	–	–	-4	-4
Migration between stages				
from 1 to 2	-320	320	–	0
from 1 to 3	-1	–	1	0
from 2 to 1	395	-395	–	0
from 2 to 3	–	-47	47	0
from 3 to 2	–	13	-13	0
from 3 to 1	5	–	-5	0
Closing balance 31 Dec 2019	**64,083**	**8,737**	**541**	**73,360**

continued Loans to the public

Creditloss allowance SEK million	Non-credit-impaired lending Stage 1	Stage 2	Credit-impaired lending Stage 3	Total credit loss allow-ance lending	Of which credit loss allowance for balance-sheet assets	Of which provisions for off-balance-sheet exposures
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	0	-1	0	-1	-1	0
Decreases due to derecognition	0	0	0	1	0	1
Increases due to origination and acquisition	–	–	3	3	3	–
Decreases due to derecognition	0	-1	-9	-9	-9	0
Decrease in allowance due to write-offs	–	–	–	0	–	–
Migration between stages						
from 1 to 2	0	-2	–	-1	-1	0
from 1 to 3	0	–	0	0	0	0
from 2 to 1	-1	2	–	2	2	0
from 2 to 3	–	0	-1	-1	-1	0
from 3 to 2	–	0	0	0	0	0
from 3 to 1	0	–	0	0	0	0
Closing balance 31 Dec 2019	**-6**	**-22**	**-62**	**-90**	**-89**	**-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

	31 March 2019				31 March 2018			
SEK million	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTOCI								
Eligible treasury bills, etc.	4,957			4,957	4,962			4,962
Bonds and other interest-bearing securities	7,800			7,800	6,076			6,076
Derivatives identified as hedging instruments								
Interest-rate swaps		987		987		833		833
Cross-currency interest-rate swaps		607		607		471		471
Total assets measured at fair value	**12,757**	**1,594**	**–**	**14,351**	**11,038**	**1,304**	**–**	**12,342**
Derivatives identified as hedging instruments								
Interest-rate swaps		207		207		183		183
Cross-currency interest-rate swaps		197		197		278		278
Total liabilities measured at fair value	**–**	**404**	**–**	**404**	**–**	**461**	**–**	**461**

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

	31 March 2019		31 March 2018	
SEK million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Assets				
Eligible treasury bills	4,957	4,957	5,015	5,015
Loans to credit institutions	470	470	457	457
Loans to the public	73,272	74,514	69,596	70,599
Bonds and other interest-bearing securities	7,800	7,800	7,842	7,842
Derivatives	1,594	1,594	1,660	1,660
Total assets	**88,092**	**89,334**	**84,571**	**85,573**
Liabilities and provisions				
Liabilities to credit institutions	752	752	1,423	1,423
Deposits from the public	14,357	14,357	13,003	13,003
Debt securities issued, etc.	65,261	66,005	62,422	63,196
Derivatives	404	404	539	539
Subordinated liabilities	1,200	1,238	1,200	1,272
Total liabilities	**81,973**	**82,755**	**78,587**	**79,432**

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
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.
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 transactions.
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.
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.
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.
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	Q1 2019	Q1 2018	Q4 2018	Jan–Mar 2019	Jan–Mar 2018	Full-year 2018
Change in loans to the public	761	1,107	979	761	1,107	4,022
Opening balance, loans to the public	72,511	68,488	71,532	72,511	68,488	68,488
Change in lending, %	**1.0**	**1.6**	**1.4**	**1.0**	**1.6**	**5.9**
Net interest income, accumulated LTM	818	802	799	818	802	799
Average loans to the public, LTM	71,597	67,994	70,792	71,597	67,994	70,792
Interest margin, LTM, %	**1.14**	**1.18**	**1.13**	**1.14**	**1.18**	**1.13**
Change in deposits from the public	207	327	448	207	327	1,474
Opening balance deposits from the public	14,150	12,675	13,702	14,150	12,675	12,675
Change in deposits, %	**1.5**	**2.6**	**3.3**	**1.5**	**2.6**	**11.6**
Costs before credit losses	-112	-107	-106	-112	-107	-428
Total operating income	207	204	210	207	204	822
C/I ratio including financial transactions	**0.54**	**0.52**	**0.50**	**0.54**	**0.52**	**0.52**
Costs before credit losses	-112	-107	-106	-112	-107	-428
Total operating income excluding financial transactions	207	189	210	207	189	805
C/I ratio excluding financial transactions	**0.54**	**0.57**	**0.50**	**0.54**	**0.57**	**0.53**
Net credit losses calculated on a full-year basis	-34	19	-61	-34	19	-8
Average loans to the public, LTM	71,597	67,994	70,792	71,597	67,994	70,792
Credit loss level, % [1]	**0.05**	**–**	**0.09**	**0.05**	**–**	**0.01**
Credit-impaired assets, gross	541	612	526	537	612	526
Less provisions made	-62	-60	-56	-62	-60	-56
Credit-impaired assets, net	**478**	**552**	**470**	**475**	**552**	**470**
Credit-impaired assets, net	478	552	470	475	552	470
Loans to the public	73,272	69,596	72,511	73,272	69,596	72,511
Net credit-impaired assets after allowances as a percentage of total loans outstanding, %	**0.65**	**0.79**	**0.65**	**0.65**	**0.79**	**0.65**
Profit after tax						294
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.*

Reporting calendar 2019

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

General Meeting	7 May 2019
Annual Association Meeting	7 May 2019
Interim Report Q2	19 July 2019
Interim Report Q3	25 October 2019

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