



Landshypotek Bank

Landshypotek Bank AB Interim report Q1 2018

January – March 2018 (compared with corresponding year-earlier period)

Per Lindblad, CEO of Landshypotek Bank comments on Q1 2018:

We have made a strong start to the year, with continued growth in terms of customers and volumes for saving and lending. We are working actively to reach more customers and, during the spring, we focused particularly on presenting ourselves as the bank for forest owners. We are also continuing to grow our homeowner mortgage business. Market entrants are increasing, but our focus is long-term and we also want to build long-term relationships with our new customers.

January – March 2018

compared with January – March 2017

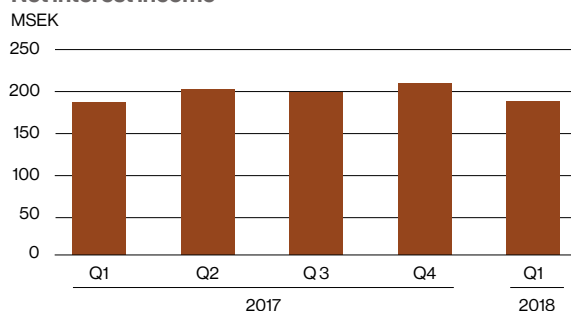
- Operating profit amounted to MSEK 102.2 (64.5).
- The underlying operating profit, excluding the net result of financial transactions, was MSEK 87.4 (97.6).
- Net interest income amounted to MSEK 187.4 (185.5).
- Costs totalled MSEK 106.4 (90.1).
- Net loan losses resulted in a gain of MSEK 4.7 (gain: 1.7).
- Lending amounted to SEK 69.6 billion (66.6).
- Deposits amounted to SEK 13.0 billion (12.0).

January – March 2018

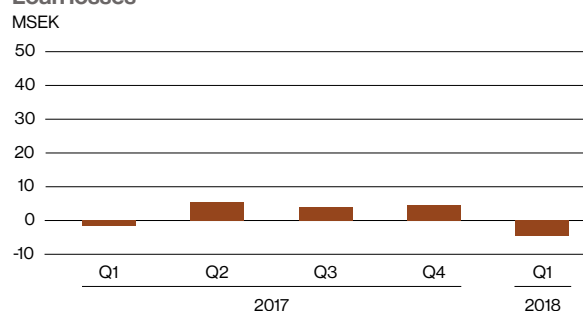
compared with October – December 2017

- Operating profit amounted to MSEK 102.2 (91.2).
- The underlying operating profit, excluding the net result of financial transactions, was MSEK 87.4 (96.0).
- Net interest income amounted to MSEK 187.4 (208.6).
- Costs totalled MSEK 106.4 (108.7).
- Net loan losses resulted in a gain of MSEK 4.7 (loss: 4.6).
- Lending amounted to SEK 69.6 billion (68.5).
- Deposits amounted to SEK 13.0 billion (12.7).

Net interest income



Loan losses



Landshypotek Bank

Landshypotek Bank is a bank for borrowing and for saving. Loans are offered to farmers and foresters, and homeowners across the country. Savings are open to the Swedish general public and companies. While the bank has a long history dating back to 1836, it is also currently undergoing rapid development. Together with our customers, the bank generates growth in 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 2017, the bank started to offer homeowner mortgages. Landshypotek Bank is one of the ten largest banks in Sweden and is of considerable importance for farming and forestry financing.

The bank's 40,000 farming and forestry borrowers own the bank through the cooperative association and are responsible for its capital, and share in its earnings. All business and licensable activities are conducted within the bank, which has about 185 employees nationwide.

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

- *For a richer life in the countryside:* The bank's brand promise: "For a richer life in the countryside" is interwoven throughout the bank's and its employees working days. The distribution of the bank's surplus to farmers and foresters comprises another key principle for the value-driven 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 relationships with customers 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 relations with the members.
- *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 has history extending more than 180 years, but it is also quickly developing to meet customers' needs. Based on a modern platform, a unique digital solution has been built to allow people to quickly and simply become customers, open accounts and start saving at Landshypotek Bank. In 2017, a new platform was launched that facilitates convenient online mortgage applications. Digitalisation enables more efficient work and improves possibilities for customers.

Landshypotek Bank — in brief

- Founded in 1836
- Has 76,000 customers in the farming and forestry sector, as well as mortgage borrowers or savers.
- Has loaned slightly more than SEK 68 billion to farming and forestry in Sweden and SEK 1.5 billion in homeowner mortgages.
- Has savings customers with savings approaching SEK 13 billion.
- Owned by the 40,000 farming and forestry loan customers. SEK 153 million of the earnings for 2017 was distributed back to farming and forestry customers.
- Has around 185 employees. The bank has 19 offices enabling it to meet farming and forestry customers locally.



Dynamic and in for the long haul

Word is spreading — in conditions where technology enables new possibilities and with changed customer behaviour, which the full-service banks have yet to adapt to, an increasing number of mortgage providers are entering the market.

In the autumn, we presented ourselves as the bank for homeowners across the country. Customer interest has been substantial and the response strong. In the first quarter, we passed the 1 billion krona mark for residential mortgages and we are fast approaching the 2 million krona mark. Homeowner mortgages broaden the bank's customer base, which ensures our long-term efficiency and enables us to obtain favourable funding terms over time. We can leverage the lessons learned in other parts of the bank.

However, we differ from many other market entrants. Our relatively small size means we can be agile, close to customers and markets, and our modern digital platform enables cutting-edge customer solutions. In parallel, we have experience of financing homes and operations on farms that stretches back almost two centuries. When we entered the mortgage market, we did so with new solutions, but these were based on our extensive experience thus providing ourselves and our customers with security. We believe in a whole that combines new technology, compiled know-how and security.

Our experience means we also understand how much a mortgage for a home or property means to customers. Technology enables more flitting customer behaviour and simplicity. At the same time, buying a home is most customers' biggest transaction and, perhaps, the greatest risk consumers take. As a loan provider, we have considerable responsibility, both in terms of approving and, where necessary, not approving loan applications.

Our ambition is long term — our owners are not seeking short-term profits and we are not building a bank for our own benefit. We are building long-term sustainable solutions and we are developing to benefit our customers. We are taking new steps as our owners believe an alternative to the major banks is needed. Our bank improves conditions for farming and forestry operations.

We exist so that Sweden can have well-kept forests, open landscapes and a living countryside.

All of the above build on closely held values for all of us who work for or are involved with Landshypotek. These are values that we believe will remain important for many customers, irrespective of whether these customers save or borrow from us.

Landshypotek has a soul, this can be seen in all who work here and who are involved with the bank. Values, closeness and focus on customers are great strengths.

We recently held the cooperative association's regional meetings for the year. In just a few days, we met more than 1,500 members. Each year, the regional meetings are a fantastic manifestation of our closeness to customers. The meetings also address shared and urgent issues for farmers and foresters, such as the right of ownership, financing, entrepreneurship and generation shifts.

There is also a clear positive sentiment in farming and forestry. The willingness to invest is rising and interest in Swedish food and forest products is growing.

We are working actively to win more customers. We are much better known as the farmers' bank than the forest-owners bank and, accordingly, we have focused particularly of forest financing in the spring. We work to expand and remain the preferred choice for Sweden's farmers and foresters.

We are a bank that focuses on saving and lending services — this where we are best and will be the best for more customers. We are developing based on what we have and what we stand for. As a small bank, we can be agile and strong as a challenger. We apply a targeted approach to increase our efficiency and become closer to customers. We are building a better bank.

Per Lindblad
CEO of Landshypotek Bank
Twitter: @VD_Landshypotek

Events at the bank in Q1

Landshypotek Bank is a bank that is growing vigorously and where much is happening. Numerous activities are arranged to build customer relationships, to develop as a workplace and to become an even better bank.

Events in Q1:

- *The bank passed the one billion krona mark for home-owner mortgages.* Customers' interest in Landshypotek Bank as a new mortgage market entrant has been considerable and, at the start of the year, the bank passed the one billion krona mark for lending to new mortgage customers. This confirms the need for a challenger and a bank with a difference in the Swedish banking market. The special introductory offer with competitive interest rates for residential mortgage customers, continued.
- *Per Lindblad took up his position as the new CEO of Landshypotek Bank.* Per Lindblad was recruited at the end of 2017 and has more than 20 years of banking experience. He has joined the bank from SEB, where he was Head of Real Estate.
- *The bank initiated a separate initiative to strengthen its position in forestry and to attract more forestry customers.* The initiative encompassed broader activities to build the bank's brand and activities close to customers.
- *Catharina Åbjörnsson Lindgren was appointed Head of Retail.* Since 1 June 2017, she has been Acting CEO for Landshypotek Bank and has lead the bank during the successful market launch for residential mortgages. Previously, she was the bank's Chief Legal Officer.

She now has overriding responsibility for the continued focus on residential mortgages and savings accounts for consumers.

- *The association's members gathered at regional meetings in ten locations across Sweden.* In total, the meetings were attended by slightly more than 1,500 people who found out about developments at the bank and the association, and were inspired by external guests.
- *The Board of Landshypotek Ekonomisk Förening proposed a dividend of MSEK 153 to members.* The dividend is based on the capital contributed by members and the bank's profits. The dividend for the year corresponded to a full 9 percent return on member contributions.
- *Started the nationwide "Lokalsamtal" tour.* "Lokalsamtal" are dialogue evenings aimed at generating increased engagement in countryside issues and regional politics in the 2018 election year. In this context, Landshypotek Bank is a Lokalsamtal partner.
- *Finansinspektionen notified its decision to take no further action on the case pertaining to one of Landshypotek Bank's valuation methods.* Landshypotek Bank had appealed the injunction decision to the Administrative Court. The case has now been closed and the appeal withdrawn.

Summary Landshypotek Bank

	Q1 2018	Q1 2017	Q4 2017	Jan-Mar 2018	Full-year 2017
Net interest income, MSEK	187.4	185.5	208.6	187.4	800.4
Operating profit, MSEK	102.2	64.5	91.2	102.2	339.2
Profit after tax, MSEK	78.4	47.9	69.0	78.4	256.4
Loans to the public, MSEK	69,596	66,585	68,488	69,596	68,488
Increase in lending, %	1.6	0.1	1.3	1.6	3.0
Interest margin, LTM, %	1.18	1.12	1.19	1.18	1.19
Borrowing/deposits from the public, balance, MSEK	13,003	12,046	12,675	13,003	12,675
Increase in deposits, %	2.6	2.7	1.1	2.6	8.0
C/I ratio including financial transactions	0.52	0.59	0.53	0.52	0.53
C/I ratio excluding financial transactions	0.56	0.48	0.52	0.56	0.50
Loan loss level, % ¹⁾	–	–	0.03	–	0.02
Total capital ratio, %	40.9	42.1	43.8	40.9	43.8
Rating, long-term					
Standard & Poor's, Covered bonds	AAA	AAA	AAA	AAA	AAA
Standard & Poor's	A-	A-	A-	A-	A-
Fitch	A	A	A	A	A
Average number of employees	186	168	176	186	173

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

Our business environment

Prospects for global growth remain favourable. The International Monetary Fund's (IMF) forecasts point to continued strengthening of the global economy, with annual growth of 3.9 percent forecast for both 2018 and 2019. The upswing is mainly attributable to the euro area and the sustained robust trend in the US, but is also due to the positive impact of a number of emerging markets on the global economic trend. However, the high rate of economic growth has given rise to fears in the market of inflation taking off in earnest and of central banks accelerating their interest rate increases. In the first quarter, this resulted in rising market interest rates, which negatively impacted equities.

The increasingly strained relationship between the US and China of late risks jeopardising the positive economic trend. US threats of tariffs and the risk of a response from China has generated turbulence in the global stock markets since the protectionist trend could have consequences for growth. The increased risk of a trade war also creates a more complex situation for the central banks, which are attempting to normalise their monetary policy.

The US economy remains strong. Low unemployment at 4.1 percent continues to positively affect private consumption, which accounts for almost two thirds of US GDP. Business sector investment remains high and companies' investment plans continue to be extensive. President Trump's tax reform is expected to further stimulate US growth in 2018. In line with market expectations, the Federal Reserve raised the interest rate in March to the 1.50–1.75 percent interval. The forecast of a total of three raises in 2018 remains firm, however the latest minutes showed that an increasing number of Board members can now imagine adding an additional increase before the end of the year.

In Europe, the economic recovery continued at an annual growth rate of 2.7 percent. Even if market sentiment has weakened slightly of late, the economic indicators continue to be upbeat with falling unemployment and rising capacity utilisation. Strong global demand has supported the European export market, but, going forward, the strong euro has cooled export expectations slightly. A stronger euro is something the ECB has expressed concern for, since imported inflation is crucial when domestic inflation is lacking.

The Swedish economy also remains healthy. Industrial production and exports have taken off helped by strong global demand together with a weak currency. This is expected to provide a welcome boost to Swedish growth, which was up 3.3 percent year-on-year at the end of the fourth quarter. However, effects from the price fall in the Swedish housing market remain uncer-

tain and may negatively impact household consumption and residential investment, which in turn can have a negative effect on growth in Sweden. The Riksbank, Sweden's central bank, continues to maintain an expansive monetary policy and market expectations of normalisation commencing in 2018 have receded in parallel with the latest inflation figures falling short of forecasts. The Riksbank remains highly dependent on its macro environment, particularly the ECB.

The degree to which inflation will accelerate and central banks attempt to wind down their unconventional monetary policy stimuli will continue to be the key factors influencing market interest rates going forward. However, fears of an acceleration of the trade conflict between the US and China will affect market sentiment due to the threat posed to world economic growth.

Positive outlook for farmers and foresters

The healthy economy is also reflected in the operations of farmers and foresters. The interest in Swedish produce, the construction boom and the increased demand for paper products all boost the finances of farmers and foresters.

Preliminary figures indicate that total agricultural production is expected to have risen 5 percent in 2017 compared with 2016. In monetary terms, crop production is calculated to have risen 3 percent and animal production 9 percent. In parallel, costs have also risen in 2017. Costs for input goods and services are expected to increase 2 percent, which is mainly due to energy and feed costs. However, costs for input goods and services have not increased to the same extent as production value. Gross value added, which corresponds to the value of the agricultural production less input goods and services, is therefore estimated to increase 14 percent. The recovery of the settlement price for milk is the single largest reason for improved profitability in the agricultural sector in 2017.

The general increase in profitability is also reflected in the trend for farmers' outlooks. This has led to increasing numbers planning for investments, not least in production facilities. It was primarily livestock farmers that indicated improved profitability and a confident outlook. Prices remained low for arable farmers, who did not post the same level of improved profitability. Historically low interest rates are both a source of improved profitability and increased willingness to invest. The healthy economy together with extensive investment in housing, commercial property and infrastructure mean that civil engineering contract services, in which many farmers are engaged, continue to comprise an increasingly large portion of farmers' total income.



Developments in a number of farming and forestry sectors

Milk prices recovered in 2017 from the 2016 downturn, and were driven by a strong increase in international butter prices, a softer increase in global milk production and continued strong demand. However, in the first quarter of 2018, milk prices have fallen nearly 15 percent, partly as a result of lower butter prices in the second half of 2017. The European Commission's established public intervention stocks of skimmed-milk powder have started to be released to the market, which also exerts pressure on prices. Milk prices are still slightly more than 20 percent up on the low posted in summer 2016, but the latest fall strengthens the impression that milk production is now an industry where profitability is largely controlled by the global market and where price volatility could remain considerable.

Meat production in Sweden is increasing for all types of meat driven by stronger international demand for Swedish meat. An increasing number of export markets are being opened for meat with the qualities offered by the Swedish model, including good animal husbandry and low use of antibiotics. Together with declining imports of beef, this contributes to favourable market conditions for Swedish beef producers to capture an increasingly large

share of Swedish consumption. Settlement prices for beef rose through early 2018, while prices for pigmeat declined somewhat. Price premiums for Swedish meat remain high.

The total cereal harvest for 2017 was preliminarily estimated to have risen 9 percent compared with 2016. At the same time, cereal prices are expected to be barely 3 percent lower, driven by increased competition from countries such as Russia. The harvest of feed plants is expected to have been in line with 2016 with a price increase of 5 percent. Harvests of vegetable and nursery plants are estimated to have fallen 2 percent, with price decreases of 4 percent.

In forestry, the market remains strong with healthy demand for both sawn timber and pulp wood. Average prices for sawn timber and pulp wood increased in 2017. However, the prices of pulpwood are still low from a historical perspective. The relatively weak krona improved prospects for the forestry sector in the global market. In the first months of the year, Swedish pulp exports continued to rise at an annualised rate of 5–10 percent. Global demand for wood products is extremely high and demand for paper products is stable.

Our financial performance

Landshypotek Bank's posted a robust operating profit for the first quarter. An improved net result of financial transactions boosted earnings. Net interest income improved slightly and costs were up slightly year-on-year. Loan losses continued to be very low.

Financial report for the first quarter of 2018

Consolidated operating profit amounted to MSEK 102.2, up MSEK 37.7 compared with 2017 (MSEK 64.5). The improvement in earnings was primarily attributable to an increase in the net result of financial transactions. Excluding the net result of financial transactions, operating profit amounted to MSEK 87.4 (97.6), down MSEK 10.2 as a result of slightly higher costs.

Net interest income and volumes

Net interest income totalled MSEK 187.4 (185.5).

Interest income amounted to MSEK 300.7 (322.8), down MSEK 22.1 year-on-year.

Lending increased SEK 3.0 billion. Interest income from lending declined however, on the back of loans being renewed at lower market interest rates.

Interest expense amounted to MSEK 113.3 (137.3), down MSEK 24.0 year-on-year. Maturing borrowings were refinanced at lower interest rates.

Interest expense included fees to the Swedish National Debt Office's resolution fund, which amounted to MSEK 21.2 (14.1). This was a year-on-year increase of MSEK 7.1 as a consequence of the fee being raised. After excluding the resolution fee, the underlying interest margin improved.

Other operating income

Other operating income amounted to a loss of MSEK 16.5 (loss: 32.6). Compared with the same period in 2017, this was an improvement of MSEK 49.1 and was due to an increase of MSEK 47.9 in the net result of financial transactions to MSEK 14.8 (loss: 33.1). This amount, comprised an unrealised gain of MSEK 15.2 and a realised loss of MSEK 0.4. From 1 January 2018, Landshypotek Bank applies IFRS 9 for hedge accounting for borrowing in a foreign currency. This means that the change in value of the basis spreads in the cross-currency interest-rate swaps used as hedging instruments are recognised in other comprehensive income. This leads to less volatility in the net result of financial transactions.

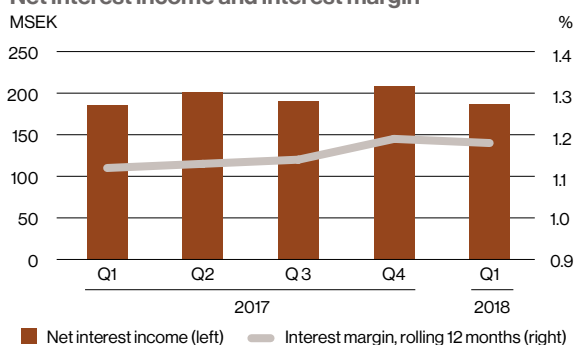
Costs

Costs amounted to MSEK 106.4 (90.1), up MSEK 16.3 year-on-year. Employee numbers grew during 2017 and early 2018, in part to administer new mortgage customers and in part to allow the continued strengthening of the bank as a whole. Year-on-year, business development activities were also higher in the first quarter of 2018.

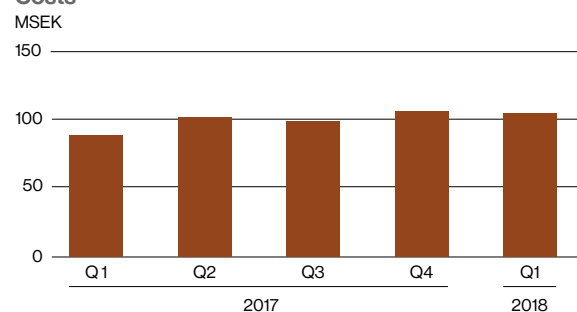
Loan losses and credit-impaired assets

From 1 January 2018, Landshypotek Bank applies IFRS 9, which means loan losses are recognised for both non-credit-impaired assets (stages 1 and 2) and credit-impaired assets (stage 3). See Note 3 and 4 for further information.

Net interest income and interest margin



Costs



Operating profit

	Jan–Mar 2018	Jan–Mar 2017
Net interest income, MSEK	187.4	185.5
Other operating income, MSEK	16.5	-32.6
Of which net result of financial transactions	14.8	-33.1
Costs, MSEK	-106.4	-90.1
C/I ratio, including the net result of financial transactions	0.56	0.48
C/I ratio, excluding the net result of financial transactions	0.52	0.59
Net recognised loan losses, MSEK	4.7	1.7
Loan loss level, % ¹⁾	–	–
Operating profit, MSEK	102.2	64.5
Operating profit excluding the net result of financial transactions	87.4	97.6

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

Net loan losses resulted in recoveries of MSEK 4.7 (recoveries: 1.7). Net loan losses for non-credit-impaired assets had a positive earnings impact of MSEK 2.6, and credit-impaired assets had a positive earnings impact of MSEK 2.1. Confirmed losses for credit-impaired assets amounted to MSEK 11.1 (8.5) and were slightly lower than the provisions recognised for these assets in previous periods, which contributed to the recoveries under net loan losses for the quarter. Increased recoveries of previously confirmed losses of MSEK 2.0 (0.3) is another explanation for net loan losses posting a positive result.

The total loan loss allowance for non-credit-impaired assets amounted to MSEK 37.4 in the first quarter. Of this allowance, MSEK 3.8 pertained to a collectively measured loan loss allowance attributable to wind power commitments

Gross credit-impaired assets amounted to MSEK 612.0 and the loan loss allowance to MSEK 59.6. At 1 January 2018, gross credit-impaired assets amounted to MSEK 708.2 and the loan loss allowance to MSEK 70.7. Provisions for credit-impaired assets pertained to individual commitments within varying types of farming and geographic locations.

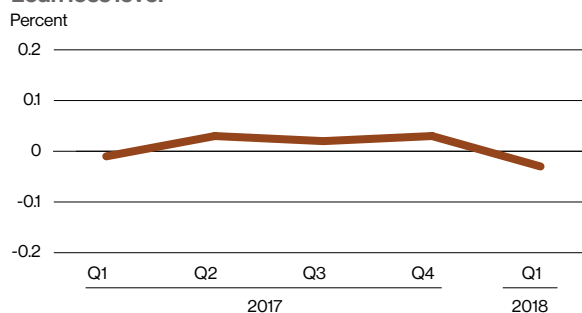
Other comprehensive income

Other comprehensive income amounted to an expense of MSEK 20.0 (income: 4.8). The change in value of the basis spreads in the cross-currency interest-rate swaps used as hedging instruments from 1 January 2018 are recognised in other comprehensive income and negatively impacted other comprehensive income with MSEK 20.3. Actuarial differences in defined-benefit pensions amounted to an expense of MSEK 5.4 (income: 10.4).

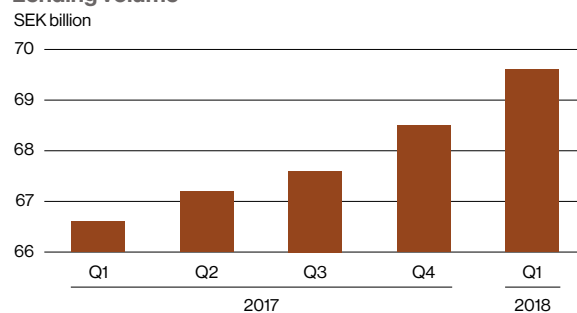
Comparison with the fourth quarter of 2017

Operating profit for the first quarter of 2018 totalled MSEK 102.2 (91.2). Excluding the net result of financial transactions, operating profit for the first quarter was MSEK 87.4. This was a decline of MSEK 8.6 compared with the fourth quarter of 2017, and was mainly due to weaker net interest income. Net interest income was negatively impacted in the first quarter of 2018 by a raised resolution fee and by February being a shorter month. The underlying interest margin remained favourable.

Loan loss level



Lending volume



Balance Sheet

Assets, MSEK	31 Mar 2018
Loans to credit institutions	458
Loans to the public	69,596
Liquidity portfolio	12,857
Derivatives	1,660
Non-current assets	123
Prepaid expenses, etc.	554
Total assets	85,247

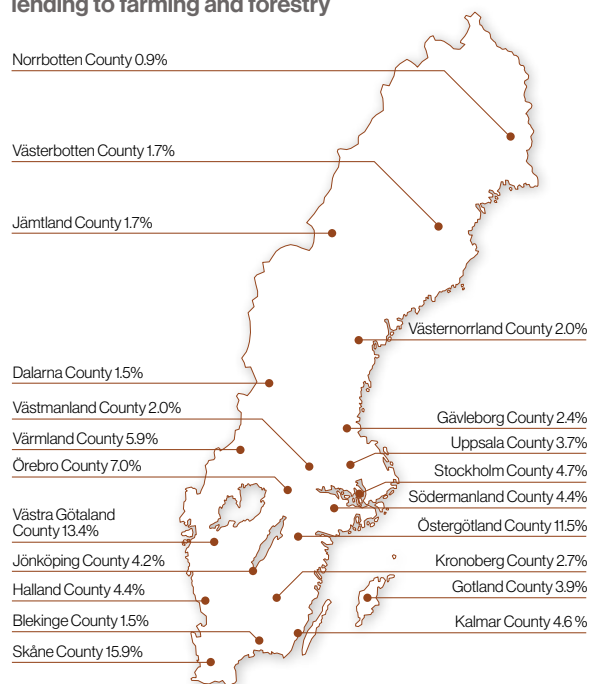
Liabilities, MSEK	31 Mar 2018
Liabilities to credit institutions	1,423
Borrowing/deposits from the public	13,003
Debt securities in issue	62,422
Derivatives	539
Other liabilities	2,048
Equity	5,813
Total liabilities and equity	85,247

Assets

The largest asset item in the balance sheet is Loans to the public, which increased SEK 1.1 billion in the first quarter of 2017 to SEK 69.6 billion and where the largest part of

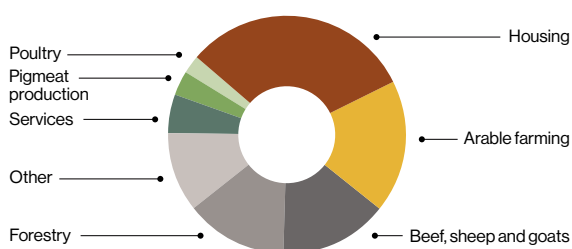
the upturn was attributable to mortgage operations. The increase corresponded to lending growth of 1.6 percent for the quarter, compared with 0.1 percent in the corresponding period in 2017. The geographic distribution of lending is stable over time.

Geographic distribution of Landshypotek Bank's lending to farming and forestry



At 31 March 2018, Landshypotek Bank's liquidity portfolio totalled SEK 12.9 billion (13.2). 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 2018, the liquidity portfolio was 2.1 times (2.1) 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.

Breakdown of first lien mortgage lending to agriculture and forestry



Funding

MSEK	Issued 31 Mar 2018	Limit	Issued 31 Dec 2017
Swedish commercial paper	–	10,000	–
MTN programme	45,059	60,000	46,368
EMTN programme	12,416	36,050 ¹⁾	11,700
Registered Covered Bonds	3,502		3,341
Subordinated loans	1,900		1,900

¹⁾ MEUR 3,500

Liabilities

Funding

Landshypotek Bank actively raises funds via bond markets, and always strives to meet investors' wishes regarding tenors and interest-rate structures. Investor relations are of major importance as part of ensuring that investors' levels of awareness and interest are maintained in Landshypotek Bank. In the first quarter of 2018, senior bonds to a value of SEK 2.3 billion were issued. No covered bonds were issued during the quarter. In the first quarter of 2018, bonds matured or were repurchased to a value of approximately SEK 3.1 billion, of which about SEK 1.3 billion pertained to covered bonds. In general, the funding market for Nordic banks functioned smoothly in the first quarter of 2018. Landshypotek Bank has been very successful in its funding activities and demand for Landshypotek's bonds has been favourable.

Borrowing/deposits from the public

At 31 March 2018, borrowing/deposits from the public totalled SEK 13.0 billion (12.0). Deposits increased SEK 0.3 billion for the quarter.

Rating

Landshypotek Bank has credit ratings from two different rating agencies, Standard & Poor's and Fitch. In 2017, both Standard & Poor's and Fitch confirmed Landshypotek's ratings of A- and A respectively. Standard & Poor's changed its outlook for the Swedish economy and thereby Landshypotek Bank from negative to stable.

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

Group structure

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

All operations are conducted exclusively in Landshypotek Bank.

Events after the end of the period

On 20 April 2018, the bank was granted permission by Finansinspektionen to change the IRB approach for retail exposures. The bank intends to apply this changed method as well as the approved (since November 2017) IRB approach for corporate exposures from 30 June 2018..

Stockholm, 26 April 2018

Per Lindblad

CEO of Landshypotek Bank

Accounting policies

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

This interim report has been prepared in accordance with IAS 34. From 1 January 2018, financial instruments are recognised in accordance with IFRS 9 Financial Instruments. The impact of the transition to IFRS 9 on reporting and accounting policies is detailed in Note 39 of the 2017 Annual Report. Accounting policies, calculation methods and risk management are unchanged compared to those applied in the most recent Annual Report (see www.landshypotek.se, Investor Relations).

Income Statement

Landshypotek Bank AB Group, SEK thousand	Note	Q1 2018	Q1 2017	Q4 2017	Jan–Mar 2018	Full-year 2017
Interest income		300,733	322,813	314,589	300,733	1,295,831
Interest expense		-113,296	-137,310	-106,020	-113,296	-495,459
- of which: deposit insurance fees		-1,965	-2,222	-639	-1,965	-6,777
of which: government resolution fund fees		-21,150	-14,084	-14,169	-21,150	-56,945
Net interest income	Note 2	187,437	185,503	208,569	187,437	800,372
Net result of financial transactions		14,829	-33,122	-4,808	14,829	-48,093
Other operating income		1,672	531	838	1,672	1,875
Total operating income		203,938	152,912	204,599	203,938	754,153
General administrative expenses		-102,307	-87,449	-104,984	-102,307	-388,542
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-4,028	-2,575	-3,714	-4,028	-13,762
Other operating expenses		-82	-80	-44	-82	-150
Total expenses before loan losses		-106,417	-90,104	-108,743	-106,417	-402,455
Profit before loan losses		97,522	62,809	95,856	97,522	351,698
Net loan losses	Note 3	4,719	1,704	-4,632	4,719	-12,487
Operating profit		102,240	64,512	91,224	102,240	339,211
Income tax for the period		-23,852	-16,617	-22,239	-23,852	-82,846
Net profit for the period		78,389	47,895	68,986	78,389	256,366

Statement of Comprehensive Income

Landshypotek Bank AB Group, SEK thousand	Q1 2018	Q1 2017	Q4 2017	Jan–Mar 2018	Full-year 2017
Net profit for the period	78,389	47,895	68,986	78,389	256,366
Other comprehensive income					
Cash-flow hedges	-	942	5,981	-	8,620
Available-for-sale financial assets	-	-5,156	-6,420	-	20,907
Financial assets at FVTOCI	-28	-	-	-28	-
- of which: change in credit risk	1	-	-	1	-
Change in cross-currency basis spreads in fair value hedges	-20,282	-	-	-20,282	-
Tax on items to be reclassified	4,468	927	96	4,468	-6,496
Total, items to be reclassified to profit or loss	-15,842	-3,287	-342	-15,842	23,031
Actuarial differences for defined-benefit pensions	-5,374	10,356	-8,417	-5,374	-14,881
Tax items that are not reclassified	1,182	-2,278	1,852	1,182	3,274
Total, items that are not reclassified to profit or loss	-4,192	8,078	-6,565	-4,192	-11,607
Total other comprehensive income	-20,034	4,791	-6,907	-20,034	11,424
Comprehensive income for the period	58,355	52,686	62,079	58,355	267,790

Income Statement

Landshypotek Bank AB Parent Company, SEK thousand	Note	Q1 2018	Q1 2017	Q4 2017	Jan-Mar 2018	Full-year 2017
Interest income		300,733	322,821	314,589	300,733	1,295,831
Interest expense		-113,209	-137,309	-106,003	-113,209	-495,408
- of which: deposit insurance fees		-1,965	-2,222	-639	-1,965	-6,777
of which: government resolution fund fees		-21,150	-14,084	-14,169	-21,150	-56,945
Net interest income	Note 2	187,524	185,512	208,586	187,524	800,423
Net result of financial transactions		14,829	-33,122	-4,808	14,829	-48,093
Other operating income		1,672	531	838	1,672	1,875
Total operating income		204,025	152,920	204,616	204,025	754,205
General administrative expenses		-102,966	-87,994	-106,304	-102,966	-389,948
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-4,028	-2,575	-3,714	-4,028	-13,762
Other operating expenses		-82	-80	-44	-82	-150
Total expenses before loan losses		-107,076	-90,649	-110,062	-107,076	-403,860
Profit before loan losses		96,950	62,272	94,554	96,950	350,345
Net loan losses	Note 3	4,719	1,703	-4,632	4,719	-12,488
Operating profit		101,668	63,976	89,922	101,668	337,856
Income tax for the period		-23,726	-16,499	-21,941	-23,726	-82,548
Net profit for the period		77,942	47,477	67,981	77,942	255,308

Statement of Comprehensive Income

Landshypotek Bank AB Parent Company, SEK thousand	Q1 2018	Q1 2017	Q4 2017	Jan-Mar 2018	Full-year 2017
Net profit for the period	77,942	47,477	67,981	77,942	255,308
Other comprehensive income					
Cash-flow hedges	-	942	5,981	-	8,620
Available-for-sale financial assets	-	-5,156	-6,420	-	20,907
Financial assets at FVTOCI	-28	-	-	-28	-
- of which: change in credit risk	1	-	-	1	-
Change in cross-currency basis spreads in fair value hedges	-20,282	-	-	-20,282	-
Income tax related to other comprehensive income	4,468	927	96	4,468	-6,496
Total, items to be reclassified to profit or loss	-15,842	-3,287	-342	-15,842	23,031
Total other comprehensive income	-15,842	-3,287	-342	-15,842	23,031
Comprehensive income for the period	62,100	44,190	67,639	62,100	278,339

Balance Sheet

Landshypotek Bank AB SEK thousand	Note	Group			Parent Company		
		31 Mar 2018	31 Dec 2017	31 Mar 2017	31 Mar 2018	31 Dec 2017	31 Mar 2017
ASSETS							
Chargeable treasury bills ¹⁾		5,014,701	5,559,234	5,012,002	5,014,701	5,559,234	5,012,002
Loans to credit institutions		457,628	393,346	877,588	457,397	393,115	877,357
Loans to the public	Note 4	69,595,853	68,488,409	66,584,823	69,595,853	68,488,409	66,584,823
Value changes of interest-rate-risk hedged items in macro hedges		66,859	63,621	85,744	66,859	63,621	85,744
Bonds and other interest-bearing securities		7,842,384	7,862,707	8,140,620	7,842,384	7,862,707	8,140,620
Derivatives		1,660,301	1,466,052	1,690,210	1,660,301	1,466,052	1,690,210
Shares in Group companies		–	–	–	200	200	200
Intangible non-current assets		105,551	99,355	79,616	105,551	99,355	79,616
Tangible assets							
Furniture, fixtures and equipment		7,757	8,300	10,142	7,757	8,300	10,142
Buildings and land		9,378	9,515	9,927	9,378	9,515	9,927
Other assets		14,040	7,099	18,953	14,040	7,098	12,253
Current tax assets		–	–	–	–	–	–
Deferred tax assets		14,318	4,087	365	9,540	365	2,016
Prepaid expenses and accrued income		458,643	435,825	488,764	458,643	435,825	488,764
TOTAL ASSETS	Notes 5, 6	85,247,411	84,397,550	82,998,755	85,242,602	84,393,796	82,993,675
LIABILITIES, PROVISIONS AND EQUITY							
Liabilities to credit institutions		1,422,819	424,038	1,806,301	1,422,819	424,038	1,806,301
Borrowing/deposits from the public		13,002,612	12,675,325	12,046,207	13,002,612	12,675,325	12,046,207
Debt securities in issue, etc.		62,421,829	62,877,705	60,399,887	62,421,829	62,877,705	60,399,887
Derivatives		539,377	705,737	725,973	539,377	705,737	725,973
Other liabilities		272,931	306,405	264,160	272,407	305,882	263,638
Tax liabilities		7,313	3,681	8,075	7,315	3,681	8,077
Accrued expenses and deferred income		544,200	393,505	572,013	544,200	393,505	572,013
Provisions		23,717	17,712	–	2,522	1,319	1,324
Subordinated liabilities		1,200,000	1,200,000	1,699,984	1,200,000	1,200,000	1,699,984
Total liabilities		79,434,798	78,604,109	77,522,599	79,413,081	78,587,192	77,523,403
Equity		5,812,613	5,793,441	5,476,155	5,829,521	5,806,603	5,470,272
TOTAL LIABILITIES, PROVISIONS AND EQUITY	Notes 5, 6	85,247,411	84,397,550	82,998,755	85,242,602	84,393,796	82,993,675

¹⁾ From 2018, investments in municipal bonds are recognised as chargeable treasury bills. Previously, municipal bonds were recognised as Bonds and interest-bearing securities. The comparative figures for 2017 have been restated.

Cash-flow Statement

Landshypotek Bank AB, SEK thousand	Group			Parent Company		
	Jan–Mar 2018	Jan–Mar 2017	Full-year 2017	Jan–Mar 2018	Jan–Mar 2017	Full-year 2017
Opening cash and cash equivalents	393,346	592,071	592,071	393,115	591,839	591,839
Cash flow from operating activities	80,528	-398,716	-417,323	80,529	-398,715	-417,322
Cash flow from investing activities	-9,544	-15,767	-44,439	-9,544	-15,767	-44,439
Cash flow from financing activities	-6,703	700,000	263,037	-6,703	700,000	263,037
Cash flow for the period	64,282	285,517	-198,725	64,282	285,518	-198,724
Closing cash and cash equivalents	457,628	877,588	393,346	457,397	877,357	393,115

Statement of Changes in Equity

Landshypotek Bank AB Group, SEK thousand	Share capital	Other contributed capital	Hedging reserve	Fair value reserve	Loan loss allowance	Actuarial differences	Tier 1 capital	Retained earnings	Total
Equity, 31 December 2016	2,253,000	1,026,254	-6,724	21,715	-	-16,359	-	1,445,583	4,723,470
Comprehensive income for the period			6,724	16,307		-11,607		256,366	267,789
Total change before transactions with owners	-	-	6,724	16,307	-	-11,607	-	256,366	267,789
Tier 1 capital instruments issued							700,000		700,000
Dividend on Tier 1 capital instruments								-21,139	-21,139
Shareholders' contributions								256,000	256,000
Group contributions paid								-170,100	-170,100
Tax on Group contributions paid								37,422	37,422
Equity, 31 December 2017	2,253,000	1,026,254	-	38,022	-	-27,966	700,000	1,804,132	5,793,441
Change on initial transition to IFRS 9				64	-64			-32,481	-32,481
Restated opening balance 1 January 2018	2,253,000	1,026,254	-	38,086	-64	-27,966	700,000	1,771,651	5,760,961

Landshypotek Bank AB Group, SEK thousand	Share capital	Other contributed capital	Cross-currency basis spreads in fair value hedges	Fair value reserve	Loan loss allowance	Actuarial differences	Tier 1 capital	Retained earnings	Total
Restated opening balance 1 January 2018	2,253,000	1,026,254	-	38,086	-64	-27,966	700,000	1,771,651	5,760,961
Comprehensive income for the period			-15,820	-23	1	-4,192		78,389	58,355
Total change before transactions with owners and holders of Tier 1 capital instruments	-	-	-15,820	-23	1	-4,192	-	78,389	58,355
Dividend on Tier 1 capital instruments								-6,703	-6,703
Equity, 31 March 2018	2,253,000	1,026,254	-15,820	38,063	-63	-32,158	700,000	1,843,337	5,812,613

Landshypotek Bank AB Parent Company SEK thousand	Share capital	Other contributed capital	Hedging reserve	Fair value reserve	Loan loss allowance	Actuarial differences	Tier 1 capital	Retained earnings	Total
Equity, 31 December 2016	2,253,000	1,016,694	-6,724	21,715	-	-	-	1,441,397	4,726,081
Comprehensive income for the period			6,724	16,307				255,308	278,339
Total change before transactions with owners	-	-	6,724	16,307	-	-	-	255,308	278,339
Tier 1 capital instruments issued							700,000		700,000
Dividend on Tier 1 capital instruments								-21,139	-21,139
Shareholders' contributions								256,000	256,000
Group contributions paid								-170,100	-170,100
Tax on Group contributions paid								37,422	37,422
Equity, 31 December 2017	2,253,000	1,016,694	-	38,023	-	-	700,000	1,798,887	5,806,603
Change on initial transition to IFRS 9				64	-64			-32,481	-32,481
Restated opening balance 1 January 2018	2,253,000	1,016,694	-	38,087	-64	-	700,000	1,766,406	5,774,122

Landshypotek Bank AB Parent Company SEK thousand	Share capital	Other contributed capital	Cross-currency basis spreads in fair value hedges	Fair value reserve	Loan loss allowance	Actuarial differences	Tier 1 capital	Retained earnings	Total
Restated opening balance 1 January 2018	2,253,000	1,016,694	-	38,087	-64	-	700,000	1,766,406	5,774,122
Comprehensive income for the period			-15,820	-23	1			77,942	62,100
Total change before transactions with owners and holders of Tier 1 capital instruments	-	-	-15,820	-23	1	-	-	77,942	62,100
Dividend on Tier 1 capital instruments								-6,703	-6,703
Equity, 31 March 2018	2,253,000	1,016,694	-15,820	38,064	-63	-	700,000	1,837,645	5,829,521

Notes

Note 1 Capital and capital adequacy

The total capital ratio amounted to 40.9 percent compared with 43.8 percent at 31 December 2017 and the CET1 capital ratio was 31.2 percent (31.7). At Landshypotek Bank AB, the total capital ratio amounted to 42.4 percent (43.2) and the CET1 capital ratio was 30.5 percent (31.0). Own funds for the consolidated situation declined MSEK 282 to MSEK 6,554 during the quarter. This was due to the consolidated situation, following a clarification from the EBA, being assessed as being encompassed by the rules limiting how large a proportion of the externally issued additional Tier 1 capital and T2 capital instruments in Landshypotek Bank AB may be included in own funds. CET1 capital in the consolidated situation increased by MSEK 66 during the period. The minimum capital requirement increased MSEK 35 to MSEK 1,282, primarily due to a higher volume of mortgages.

In addition to the minimum capital requirement of 8 percent of the total risk-weighted amount, the capital conservation buffer requirement is 2.5 percent and, since 19 March 2017, the countercyclical buffer requirement is 2 percent. These two buffers make up the combined buffer requirement that must be covered by CET1 capital. The remaining CET1 capital for the consolidated situation to cover the combined buffer requirement and Pillar II requirements corresponded to 26.7 percent of the total risk-weighted exposure amount at 31 March 2018.

The leverage ratio for the consolidated situation amounted to 6.6 percent at (6.7).

The bank aims to change its exposure classes to better reflect the market trends for farming and forestry, and to adapt to new regulatory changes. As a consequence of the above, the bank applied to Finansinspektionen for permission to use the IRB approach, excluding our own estimates of LGD values and conversion factors, for corporate exposures. The bank has also applied for permission to change its approach for retail exposures. In November 2017, the bank received permission to use the IRB approach for corporate exposures and intends to start applying this approach within the Pillar I framework after the bank received permission to change the IRB approach for retail exposures. The bank has prepared under the Pillar II framework for the increased capital requirement the bank expects to arise as a consequence of the above changes.

The internally assessed capital requirement on 31 March 2018 was SEK 5.3 billion, given the aforementioned changes applied for by the bank to the Swedish Financial Supervisory Authority. The capital requirement should be compared with estimated own funds of SEK 6.6 billion. The capital adequacy assessment takes into account the minimum capital requirement, the combined buffer requirement and the Pillar II capital requirement.

The Bank has chosen not to apply the transitional rules pertaining to the introduction of IFRS 9.

continued Note 1 Capital adequacy analysis

SEK thousand	Consolidated situation ¹⁾ 31 March 2018	Landshypotek Bank AB 31 March 2018
CET1 capital: Instruments and reserves		
Member contributions	1,700,650	-
Share capital	-	2,253,000
Other contributed capital	1,797,796	1,016,694
Tier 1 capital instruments	700,000	700,000
Reserves	22,180	22,180
Actuarial differences	-32,158	0
Retained earnings	1,778,918	1,759,705
Net profit for the year ²⁾	74,734	77,942
Equity in the balance sheet	6,042,122	5,829,522
Deductions related to the consolidated situation and other foreseeable costs	-145,602	-36,477
Deductions for Tier 1 capital instruments classified as equity	-700,000	-700,000
CET1 capital before regulatory adjustments³⁾	5,196,520	5,093,045
CET1 capital: regulatory adjustments		
Further value adjustments	-14,926	-14,926
Intangible assets	-105,551	-105,551
Deferred tax assets that rely on future profitability	-14,318	-9,540
Fair value reserves related to gains or losses on cash-flow hedges	15,820	15,820
Negative amounts resulting from the calculation of expected loss amounts (IRB)	-74,882	-74,882
Defined-benefit pension plans	0	0
Total regulatory adjustments to CET1 capital	-193,857	-189,079
CET1 capital	5,002,663	4,903,966
Additional Tier 1 capital: instruments		
Tier 1 capital instruments	0	700,000
<i>of which: classified as equity under applicable accounting standards</i>	0	700,000
Qualifying Tier 1 capital included in consolidated additional Tier 1 capital issued by subsidiaries and held by third parties	573,549	
Tier 1 capital (CET1 capital + Tier 1 capital)	5,576,212	5,603,966
Tier 2 capital: instruments and provisions		
Capital instruments and subordinated loans eligible as Tier 2 capital	0	1,200,000
Positive amounts resulting from the calculation of expected loss amounts (IRB)	0	0
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third parties	977,978	0
Tier 2 capital before regulatory adjustments	977,978	1,200,000
Tier 2 capital: regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	0	0
Tier 2 capital	977,978	1,200,000
Own funds (Tier 1 capital + Tier 2 capital)	6,554,190	6,803,966
Total risk-weighted exposure amount	16,028,718	16,054,649
Capital ratios and buffers		
Own funds requirement	1,282,297	1,284,372
CET1 capital ratio (%)	31.2	30.5
Tier 1 capital ratio (%)	34.8	34.9
Total capital ratio (%)	40.9	42.4
Institution-specific CET1 capital requirement including buffer requirements (%)	9.0	9.0
<i>of which: capital conservation buffer requirement (%)</i>	2.5	2.5
<i>of which: countercyclical buffer requirement (%)</i>	2.0	2.0
CET1 capital available to meet buffers (%) ⁴⁾	26.7	26.0

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

²⁾ A decision by Finansinspektionen in February 2018 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⁾ Calculated as "the bank's CET1 capital less CET1 used to cover the CET1 capital requirement and less any other CET1 items used to cover the tier 1 capital requirement and/or total own funds requirements divided by the total risk-weighted exposure amount."

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

Consolidated situation 31 March 2018				
SEK thousand	Exposure value ¹⁾	Risk-weighted exposure amount ²⁾	Own funds requirement ³⁾	Average risk weight ⁴⁾
Credit risk – IRB approach	66,914,874	8,249,931	659,994	12%
Retail – real estate collateral	66,737,443	8,072,501	645,800	12%
Other non-credit-obligation assets	177,431	177,431	14,194	100%
Credit risk – Standardised Approach	19,968,690	4,997,418	399,793	25%
Central governments or central banks	2,466	-	-	0%
Regional governments or local authorities	5,644,258	-	-	0%
Institutions	2,013,606	673,618	53,889	33%
Corporates	152,829	147,944	11,835	97%
Retail	46,825	32,137	2,571	69%
Secured by mortgages on immovable property	4,798,614	3,403,765	272,301	71%
Exposures in default	6,394	9,584	767	150%
Covered bonds	7,303,697	730,370	58,430	10%
Operational risk – Basic indicator approach		1,366,604	109,328	
Credit valuation adjustment risk – Standardised approach	1,673,242	1,414,764	113,181	85%
Total	88,556,806	16,028,718	1,282,297	-

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.

Landshypotek Bank AB, 31 March 2018				
SEK thousand	Exposure value ¹⁾	Risk-weighted exposure amount ²⁾	Own funds requirement ³⁾	Average risk weight ⁴⁾
Credit risk – IRB approach	66,940,476	8,275,533	662,043	12%
Retail – real estate collateral	66,737,443	8,072,501	645,800	12%
Other non-credit-obligation assets	203,032	203,032	16,243	100%
Credit risk – Standardised Approach	19,972,916	4,997,747	399,820	25%
Central governments or central banks	1,143	-	-	0%
Regional governments or local authorities	5,647,373	-	-	0%
Institutions	2,016,238	674,145	53,932	33%
Corporates	152,632	147,747	11,820	97%
Retail	46,825	32,137	2,571	69%
Secured by mortgages on immovable property	4,798,614	3,403,765	272,301	71%
Exposures in default	6,394	9,584	767	150%
Covered bonds	7,303,697	730,370	58,430	10%
Operational risk – Basic indicator approach		1,366,604	109,328	
Credit valuation adjustment risk – Standardised approach	1,673,242	1,414,764	113,181	85%
Total	88,586,633	16,054,649	1,284,372	-

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

Landshypotek Bank AB – Group ¹⁾ SEK thousand	Q1 2018	Q1 2017	Q4 2017	Jan–Mar 2018	Full-year 2017
Interest income					
Interest income on loans to credit institutions	-44	-107	-1,263	-44	-1,699
Interest income on loans to the public	300,752	308,448	307,355	300,752	1,254,083
Interest income on interest-bearing securities	-2,604	10,734	5,916	-2,604	31,592
Other interest income	2,629	3,737	2,581	2,629	11,856
Total	300,733	322,813	314,589	300,733	1,295,831
<i>All interest income is attributable to the Swedish market.</i>					
Interest expense					
Interest expense for liabilities to credit institutions	1,365	1,237	936	1,365	5,109
Interest expense for borrowing/deposits from the public	-23,014	-21,676	-21,648	-23,014	-87,551
- of which: deposit insurance fees	-1,965	-2,222	-639	-1,965	-6,777
Interest expense for interest-bearing securities	-112,815	-136,269	-131,876	-112,815	-553,193
Interest expense for subordinated liabilities	-6,236	-11,151	-6,727	-6,236	-34,458
Interest expense for derivative instruments	53,656	51,168	71,276	53,656	249,755
Other interest expense	-26,253	-20,619	-17,980	-26,253	-75,122
of which: government resolution fund fees	-21,150	-14,084	-14,169	-21,150	-56,945
Total	-113,296	-137,310	-106,020	-113,296	-495,459
Total net interest income	187,437	185,503	208,569	187,437	800,372

¹⁾ Net interest income for the Parent Company differs only marginally from net interest income for the Group. The difference is attributable to interest income on loans to credit institutions.

Note 3 Net loan losses

Landshypotek Bank AB – Group and Parent Company SEK thousand	Q1 2018	Q1 2017	Q4 2017	Jan–Mar 2018	Full-year 2017
Change in loan loss allowance, Stage 1	-665	-	-	-665	-
Change in loan loss allowance, Stage 2	3,260	-	-	3,260	-
- of which: change in collectively measured loan loss allowance, Stage 2	-144	-	-	-144	-
Collective allowances under IAS39	-	-839	459	-	376
Net loan losses, non-credit-impaired lending	2,596	-839	459	2,596	376
Change in loan loss allowance, Stage 3	11,207	-	-	11,207	-
Write-off for the period for confirmed losses	-11,094	-8,527	-9,506	-11,094	-22,802
Recoveries of previously confirmed losses	2,011	283	724	2,011	2,754
Specific provisions under IAS39	-	10,787	3,691	0	7,184
Net loan losses, credit-impaired lending	2,113	2,543	-5,091	2,113	-12,864
Total net loan losses	4,719	1,704	-4,632	4,719	-12,487

No properties were taken over in foreclosure to protect claims.

Note 4 Loans to the public

Landshypotek Bank AB - Group and Parent Company, SEK thousand	31 Mar 2018	31 Dec 2017	31 Mar 2017
Loan receivables, stage 1	58,496,483	-	-
Loan receivables, stage 2	10,583,091	-	-
Loan receivables, stage 3	611,959	-	-
Gross loan receivables	69,691,533	68,537,095	66,636,550
Less loan loss allowance under IFRS 9	-95,680	-	-
- of which: change in collectively measured loan loss allowance	-3,772		
Less provisions under IAS 39	-	-48,686	-51,727
Net loan receivables	69,595,853	68,488,409	66,584,823
Disclosures on overdue loan receivables, gross			
Loan receivables overdue 5–90 days	97,490	4,227	45,979
Loan receivables overdue more than 90 days	218,327	308,540	347,723
Total overdue loan receivables , gross	315,817	312,767	393,702

Loan loss allowance, SEK thousand	Transition to IFRS 9	Non-credit-impaired lending		Credit- impaired lending	Total loan loss allowance lending	Of which: loan loss allowance for balance-sheet assets	Of which: provisions for off-balance- sheet exposures
		Stage 1	Stage 2	Stage 3			
Closing provision at 31 Dec 2017 under IAS 39	-48,686						
Reclassification from accrued interest	-20,357						
Remeasurement under IFRS 9	-41,642						
Reclassification under IFRS 9	110,685	-6,917	-33,005	-70,763		-107,134	-3,551
Opening balance at 31 Dec 2017 under IAS 39		-6,917	-33,005	-70,763	-110,685	-107,134	-3,551
Increases due to origination and acquisition		-879	-265	-	-1,144	-836	-308
Decreases due to derecognition		311	3,098	6,138	9,546	9,546	-
Decrease in allowance due to write-offs		-	-	11,094	11,094	8,266	2,828
Changes due to change in credit risk		-97	428	-6,025	-5,695	-5,522	-172
Closing balance 31 March 2018		-7,583	-29,744	-59,556	-96,883	-95,680	-1,203

Collateral exists in the form of real property for lending.

Note 5 Fair-value hierarchy for financial instruments

Landshypotek Bank AB – Group and Parent Company, SEK thousand	31 mars 2018				31 mars 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL								
Bonds and other interest-bearing securities	320,907			320,907	2,090,144			2,090,144
Interest-rate swaps				0		–		–
Cross-currency interest-rate swaps				0		29,318		29,318
Derivatives identified as hedging instruments								
Interest-rate swaps		851,023		851,023		1,008,311		1,008,311
Cross-currency interest-rate swaps		809,278		809,278		652,581		652,581
Available-for-sale financial assets								
Chargeable treasury bills, etc.	–			–	5,012,002			5,012,002
Bonds and other interest-bearing securities	–			–	6,050,476			6,050,476
Financial assets at FVTOCI								
Chargeable treasury bills, etc.	5,014,701			5,014,701	–			–
Bonds and other interest-bearing securities	7,521,477			7,521,477	–			–
Total assets measured at fair value	12,857,085	1,660,301	–	14,517,386	13,152,622	1,690,210	–	14,842,832
Financial liabilities at FVTPL								
Interest-rate swaps		30,169		30,169		115,280		115,280
Cross-currency interest-rate swaps		–		–		25,024		25,024
Derivatives identified as hedging instruments								
Interest-rate swaps		288,928		288,928		385,332		385,332
Cross-currency interest-rate swaps		220,280		220,280		200,337		200,337
Total liabilities measured at fair value	–	539,377	–	539,377	–	725,973	–	725,973

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

No transfers were made between the levels. Level 1 only comprises listed mortgage bonds and bonds issued by municipalities and county councils. Level 2 comprises derivative instruments and financial liabilities for which there are well-established measuring models based on observable market data.

Level 1

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

Level 2

The fair values of derivative instruments not traded on an active market are calculated using the valuation technique of discounting future cash flows. Quoted market rates for the tenor in question are used for discounting. In all cases, listed swap curves are utilised as the basis for measurement. 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

Landshypotek Bank AB – Group ¹⁾ SEK thousand	31 Mar 2018 Carrying amount	31 Mar 2018 Fair value	31 Mar 2017 Carrying amount	31 Mar 2017 Fair value
Assets				
Chargeable treasury bills	5,014,701	5,014,701	5,012,002	5,012,002
Loans to credit institutions	457,628	457,628	877,588	877,588
Loans to the public	69,595,853	70,598,547	66,584,823	67,721,496
Bonds and other interest-bearing securities	7,842,384	7,842,384	8,140,620	8,140,620
Derivatives	1,660,301	1,660,301	1,690,210	1,690,210
Total assets	84,570,866	85,573,561	82,305,244	83,441,917
Liabilities and provisions				
Liabilities to credit institutions	1,422,819	1,422,819	1,806,301	1,806,301
Borrowing from the public	13,002,612	13,002,612	12,046,207	12,046,207
Debt securities in issue, etc.	62,421,829	63,195,844	60,399,887	60,604,674
Derivatives	539,377	539,377	725,973	725,973
Subordinated liabilities	1,200,000	1,271,748	1,699,984	1,839,222
Total liabilities	78,586,637	79,432,400	76,678,352	77,022,377

¹⁾ Carrying amounts and fair values for the Parent Company's financial instruments differ only marginally from the amounts and values for the Group. The difference is attributable to loans to credit institutions.

Fair value is recognised excluding accrued interest. Accrued interest is recognised under Prepaid expenses and accrued income, and Accrued expenses and deferred 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 APM includes the net result of financial transactions.
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 APM excludes the net result of financial transactions.
Loan loss level, %: Net loan 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 loan 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 allowances as a percentage of 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.

Summary of APMs	Q1 2018	Q1 2017	Q4 2017	Jan-Mar 2018	Full-year 2017
Change in lending	1,107	67	869	1,107	1,970
Opening balance, loans outstanding	68,488	66,518	67,927	68,488	66,485
Increase in lending, %	1.6	0.1	1.3	1.6	3.0
Net interest income calculated on a full-year basis	802	742	799	802	799
Average loans outstanding	67,963	66,172	67,351	67,963	67,351
Interest margin, LTM, %	1.18	1.12	1.19	1.18	1.19
Change in deposits	327	315	132	327	944
Opening balance borrowing/deposits	12,675	11,731	12,543	12,675	11,731
Increase in deposits, %	2.6	2.7	1.1	2.6	0.1
Costs before loan losses	-106	-90	-109	-106	-402
Total operating income	204	153	205	204	754
C/I ratio including financial transactions	0.52	0.59	0.53	0.52	0.53
Costs before loan losses	-106	-90	-109	-106	-402
Total operating income excluding financial transactions	189	186	209	189	802
C/I ratio excluding financial transactions	0.56	0.48	0.52	0.56	0.50
Net loan losses calculated on a full-year basis	19	7	-19	19	-12
Average loans outstanding	67,963	66,552	67,351	67,963	67,351
Loan loss level, %²⁾	-	-	0.03	-	0.02
Credit-impaired assets, gross	612		708 ¹⁾	612	708 ¹⁾
Less allowances made for credit-impaired assets	-60		-71 ¹⁾	-60	-71 ¹⁾
Credit-impaired assets, net	552		637¹⁾	552	637¹⁾
Loans to the public	69,596		68,520 ¹⁾	69,596	68,520 ¹⁾
Net credit-impaired assets after allowances as a percentage of total loans outstanding, %	0.79		0.93¹⁾	0.79	0.93¹⁾
Profit after tax					256
Average equity					5,426
Return on equity, %					4.7

¹⁾ Pertains to the outcome at 1 January 2018 after the transition to IFRS 9. ²⁾ An outcome is only presented in the case of a negative earnings impact.

Reporting calendar 2018

*Landshypotek Bank's reports are available at:
www.landshypotek.se/en/about-landshypotek/investor-relations/financial-reports*

Interim Report Q2 20 July 2018
Interim Report Q3 25 October 2018

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