



Landshypotek Bank

Annual Report 2015

For a richer life in the countryside

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Reporting calendar

General Meeting	20 April 2016
Interim Report Q1	26 April 2016
Interim Report Q2	18 July 2016
Interim Report Q3	27 October 2016

For a richer life in the countryside

A third of Sweden's population lives in the countryside and, for many, life in the country means quality of life. The possibilities for living and working in the countryside are of great significance for Sweden and the future. Active farmers and foresters in combination with entrepreneurship in the countryside result in quality food, forest raw materials, tourism, a healthy environment and open landscapes.

Landshypotek Bank finances initiatives for a richer life in the countryside. It all started in 1836 with the very first building society. By that time, we were already contributing to the development of a living countryside by offering favourable loan terms to enterprising families in the country. We understood the value of being able to realise dreams that develop farming and forestry in an optimal manner, in the long-term and over generations. This year, Landshypotek celebrates 180 years. For almost two centuries, we have actively helped our customers to live and work in the countryside – thereby, helping them to develop our beautiful landscape, well-tended forests and locally produced food in Sweden.

The countryside is developed by the private farming and forestry sectors, which have considerable innovative energy. Entrepreneurship is increasing and new businesses are being developed. Some business leaders develop their operations through expansion and by identifying economies of scale. Others widen their operations into areas, such as construction, tourism and adding value to their own products. Some choose just to live on a farm and have their income from other sources.

The international market for food and forest products is growing. Commerce, populations and global prosperity are on the rise and increased demand is creating new opportunities. Landshypotek Bank helps in enabling these opportunities to be utilised.

When farmers joined together in 1836 and founded the organisation that has now become Landshypotek Bank, it was because the banking system could neither comprehend nor cope with meeting the particular challenge of financing the changes in Swedish agriculture. The task remains the same as it has always been. Landshypotek Bank must understand the opportunities and challenges intrinsic to living and working in the countryside when others don't.

Landshypotek AB became a bank in April 2013 and is now Sweden's tenth largest bank. We are a profiled niche bank for financing farming and forestry. Our customers live, work and have their homes in the countryside. We are the bank with a difference, as shown by our clear focus on operating as a niche bank for the countryside and our form of ownership, whereby we are owned by our loan customers. Our surplus is distributed back to the loan customers, who are organised as members of a cooperative association and, thereby, back to the farming and forestry sectors.

Landshypotek Bank is also the bank for everyone who wants favourable terms for savings and who holds the countryside dear to their heart. Together with our loan customers, we have been developing the countryside since 1836. Saving with Landshypotek Bank helps promote a living countryside.

2015 in brief

Profit:

MSEK 331

Lending to farming and forestry:

SEK 64.5 billion

Saving:

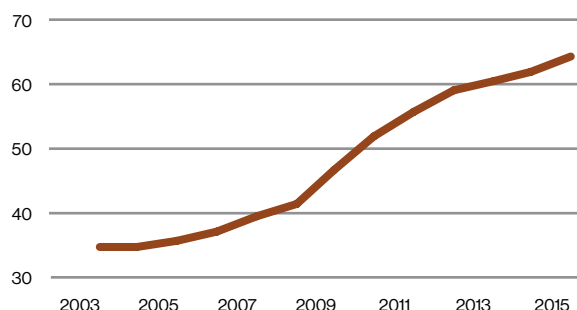
SEK 10.3 billion

Number of customers:

53,200

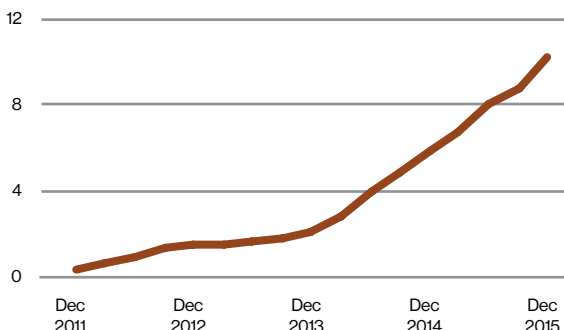
Lending growth

SEK billion



Saving growth

SEK billion



Landshypotek Bank is a growth company.

Lending to farming and forestry has grown by SEK 2.8 billion.

Saving has grown by SEK 4.5 billion in 2015.

Landshypotek Bank is close to its customers

Landshypotek Bank has organised its customer operations into nine districts and has 19 sales offices throughout Sweden to promote active and close dialogue with customers. In addition, a central organisation is in place that includes a customer service function for dialogue with customers. The district organisation has access to a network of elected representatives who carry out property valuations. The company's local presence and expertise in farming and forestry are prerequisites and success factors for operations. The functions for risk, compliance, legal affairs, accounting, finance, loan and savings administration, HR, marketing and development, IT and communication are located at the head office. Landshypotek Bank has approximately 160 employees.

Landshypotek Bank is owned by its members

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



News in 2015

Strengthened market presence

More employees now meet the customers. New offices have been established and existing operations expanded. Several marketing activities captured attention during the year. The *Your farm – Your opportunity* competition involved farming entrepreneurs across the country. Altogether, it demonstrated the entrepreneurial breadth and energy that exists in the countryside.

Clear customer commitment

This year's regional meetings, the members' meetings for Landshypotek Ekonomisk Förening, attracted about 1,600 people. MSEK 164 of 2014's profit was distributed to the bank's loan customers (members of the cooperative association) in May. During the year, the association's members strengthened equity through the investment of a total of SEK 119 million.

Commitment to dairy farmers

Landshypotek Bank was involved in the government's efforts to support the country's dairy farmers. However, together with other banks, Landshypotek Bank turned down the government credit guarantees and, as a result, the government instead earmarked funds to be paid directly to dairy farmers. Landshypotek Bank maintained close dialogues and worked to promote tailored, individual solutions for the bank's milk producers.

Contributing to developing entrepreneurial skills

Ever increasing demands are being placed on farmers and foresters as entrepreneurs. Landshypotek Bank is striving to give customers the opportunity to develop skills and strengthen competitiveness. The bank and the cooperative association are participating in the newly established Swedish Centre for Agricultural Business Management at the Swedish University of Agricultural Sciences in Alnarp, which aims to contribute to profitability, development and sustainable growth for companies in agriculture and forestry.

Enhanced digital services

Digital services such as the bank's online services have been improved. More services and products that will reach customers in 2016 were developed during the year.

Improved credit quality and continued regulatory focus

During the year, substantial focus was dedicated to early identification of customers and work with customers at risk of finding themselves in payment difficulties. The risk and credit organisation has been strengthened. The organisation's focus remains on more stringent governance and control of processes and on the implementation of regulations.

Substantial interest in funding

Landshypotek Bank was very successful in its funding activities and demand for the bank's bonds was healthy. During the year, covered bonds to a value of approximately SEK 10.4 billion were issued. In addition, senior bonds were issued to a value of approximately SEK 1.5 billion.

SEK 10 billion in savings

A milestone was passed in December, when households' savings deposits reached SEK 10 billion. Savings deposits diversify our funding and, thereby, strengthen us as a bank.

Continued low interest rates

From already historic lows in terms of interest rates, lending interest rates for customers were lowered and remained low throughout the year.

A few historical milestones

1836

The first rural building society was started in Skåne. Its aim was to provide farmers with loans secured by mortgages in agricultural properties. Over the next few decades, building societies for the farming sector were started across the country. The country's farmers were grouped into ten regional building societies.

1861

Sveriges Allmänna Hypoteksbank was founded to facilitate borrowing by the building societies across Sweden.

1961

Credit market regulations were eased and Sveriges Allmänna Hypoteksbank was able to issue bonds.

1995

The ten rural building societies merged into a single owner association and the subsidiary Landshypotek AB was formed. Every year, part of the operating profit is paid back to the members.

2013

Landshypotek formally became a bank and the name Landshypotek Bank AB (publ) was registered. This became possible after the Swedish Financial Supervisory Authority granted it a banking licence in autumn 2012.

2014

The new brand Landshypotek Bank was launched and the bank opened a digital bank to attract savings from the general public in Sweden.

Substantial potential exists for a bank that is committed to society

There is substantial market interest in the bank with a difference that aims to make a difference and which bases its action on genuine commitment to society. Our form of ownership, clear public service mission and commitment to customers make us different. In 2015, we grew through our lending and our saving deposits.

Our growth in the savings and lending markets mean that we have made it possible for more people to invest in their businesses or their homes in the countryside. Altogether, this has boosted growth in the countryside. We are also one of the banks that is capturing the largest shares of the growth in the savings market.

It may sound rather bold, but at Landshypotek Bank we often speak about making a difference. We want to make a difference for our customers. Growing lending provides farmers and foresters, and people living in the countryside with new possibilities and is one way of making a difference.

We have also made a difference for the country's dairy farmers during the year. Over a difficult year, we have maintained a close dialogue with our milk producing customers. The situation differs for individual customers and we have utilised sound credit granting principles to treat our customers as individuals and contribute everything from new loans to temporary measures or organised disposal.

However, we turned down the government's credit guarantees to the dairy industry, since they risked becoming a hindrance rather than a help. Instead of the guarantees, the government managed to produce SEK 152 million in direct support for the dairy farmers.

We also make a difference by showcasing the energy and entrepreneurship that exists in the countryside. The *Your farm – Your opportunity* marketing initiative focused on the opportunities our customers create for themselves and for Sweden.

Our close links to the industry increase our understanding of our market. We have a strong loan portfolio and our loan losses, which are clearly linked to a few individual customers, are declining compared with previous years. We have continued to develop our customer dialogue and our follow-up, thereby identifying entrepreneurs with cash-flow problems at increasingly

early stages. We are now noting positive indications that these efforts are making a difference.

Over the past three years, we have distributed SEK 441 million of our earnings to our loan customers. The distribution to the cooperative association's members has been based on a strong Group contribution to our owner, Landshypotek Ekonomisk Förening. In parallel, the association's members have continued to invest in Landshypotek and strengthened equity. A substantial share of this distribution has been reinvested. We are now transferring half of the profits for 2015 as Group contributions to be used in the association's operations and for distributing to its members through its Association Meeting.

We also aim to make a difference by following our customers' development. Farmers and forest owners are diversifying their operations. Large is becoming larger in the ongoing structural reorganisation, while others are specialising in one segment or niche. Some people chose to live on a farm, earn their living from employment and operate the business in their spare time. Landshypotek Bank is here for all of these people.

We are currently developing our organisation to be able to meet customers in the best way possible based on their individual needs. Our district organisation is honing its skills to be better able to meet professional farmers and foresters, other parts of the organisation ensure that people living on farms receive excellent customer service. As it should be, our customer service is personal and welcoming. At the same time, we are focusing on the implementation of regulations and more stringent governance and operational controls, which will make us a safer and better bank for our customers. Our bank is built on the trust of our customers and the business environment.

The bank also has strong commitment from customers, members of Landshypotek Ekonomisk Förening and employees. The association's regional meetings attracted about 1,600 people. From surveys, we can see



that our customer dialogue is making an impression and that employees feel a level of commitment to the bank that surpasses the industry standard. This is one of the bank's strengths.

In 2015, in a major exercise involving the Board, management and employees, we have prepared a strategy for growth. We are in the midst of transition from being a building society primarily dedicated to professional farmers to becoming a broader bank for people living in the countryside and the agriculture and forestry sectors.

Our strong performance enables our future development. We are a niche bank that is prepared to invest. The aim is to grow by attracting more customers and increasing volumes. We are increasing our strength to meet customer expectations, structural transition and more stringent regulatory requirements. The change in farming and forestry businesses and the necessary developments will continue to require a robust capital base. A deliberate investment lies behind the increase in costs and, during the year, this led to enhanced digital services, marketing activities and an increase in personnel. We want to grow. This means that our costs for the development of services and skills will be defrayed over a larger customer base. Development means we

will continue to increase our investments and we have also set an aggressive budget for 2016. The investment is based on our conviction that there is great potential at Landshypotek Bank – the bank with a difference in the Swedish banking market.

Being different builds on our service mission for our customers and, therefore, also benefits society. The public service mission has traditionally been a keystone for banks and we believe that it also provides opportunities for the future. During the year, we conducted a survey that clearly indicated that new bank customers, young people aged between 18 and 24, consider that banks have a more important role to play than other companies. Young people perceive the banks as modern but do not feel that new digital services distinguish the banks from one another or from other companies. But what does distinguish them, however, is the more important role banks play in people's lives and in society. We have been around for 180 years. But, for us, this important role is not just history – it is the foundation on which we are building tomorrow's bank.

Liza Nyberg
CEO Landshypotek Bank

Our operating environment

Landshypotek Bank and its customers are impacted by financial market trends, as well as business conditions in the farming and forestry sectors. The central banks have continued to target inflation and consumer interest rates remain at historic lows. In agricultural production, the year was marked by onerous conditions for dairy farmers. However, in certain areas, such as livestock production, conditions in Sweden differ positively compared with the rest of Europe.

Financial market trends

It has been a turbulent year marked by central bank stimuli targeting inflation. At the start of the year, Sweden's central bank, the Riksbank, lowered the repo interest rate to negative 0.25 percent and announced a government bond-buying programme. The European Central Bank (ECB) expanded its monthly purchases of government bonds to EUR 60 billion in the second quarter. In the US, the labour market picked up speed and the number of job gains increased, though again without wage growth and inflation. During the year, we also noted the first interest-rate increase in nine years by the US Federal Reserve.

The Swedish economy posted healthy growth and a positive labour market trend. Households have a positive outlook, and consumption and the service sector have grown. However, conditions remained stagnant for Swedish industry and inflation was negligible.

Accordingly, the Riksbank lowered the interest rate further to negative 0.35 percent, while increasing its support purchases. These purchases were later increased in the fourth quarter. A total of SEK 200 billion in government bond purchases were announced.

The ECB, which had promised "to take the necessary actions" to increase growth and inflation, disappointed the market in the last quarter by not doing more.

Interest rates fell, the SEK strengthened and pressure to do more increased on the Riksbank. At the end of the year, the Riksbank announced that it was ready to sell SEK to lower the currency's value.

From previously being the growth engine for the global economy, China lost momentum, which led to declines in commodity prices and weaker stock exchange trends in the third quarter. The decline in commodity prices picked up speed at the end of the year and the oil price in particular fell to new lows. The stock exchanges fell and, when summing up the year, we note a return on shares of close to zero.

The end of 2015 was also marked by new regulations and fees for bank trading departments, which resulted in an increase in the interest-rate differential between government and mortgage bonds.

At the same time as Sweden posted high growth, an increasingly strong labour market, substantial increases in house prices and high real wage growth, inflation continued to refuse to accelerate. The Riksbank is turning over every stone in its search for measures to increase inflation and further boost growth. In Europe, the ECB continued its struggle to accelerate growth and inflation, however, the economic trend remains weak and inflationary pressure low.

Reduced borrowing costs allowed Landshypotek Bank to lower its lending interest rates on several occasions during the year. However, the increased interest-rate differential between government and mortgage bonds brought about minor interest rate increases in the autumn.

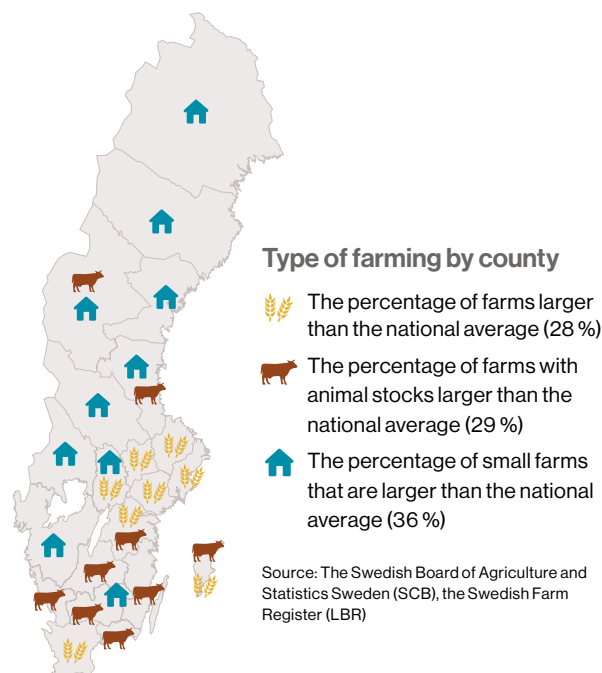
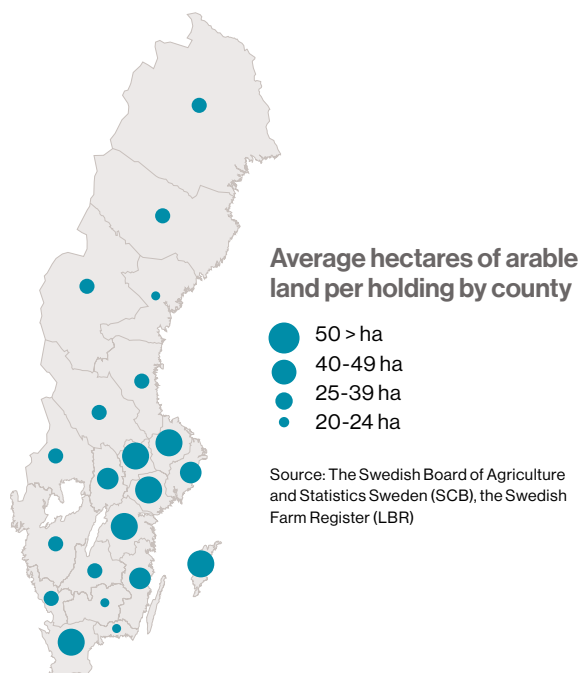
Falling commodity prices and difficult conditions in the EU mean that both the market and households expect low inflation to continue for the immediate future, which means that interest rates will probably remain low.

Trends in farming and forestry

A third of Sweden's population lives in the countryside and a large proportion of these own and operate businesses on agricultural and forest properties. These key Swedish industries are subject to international competition, the international market and global politics.

Examples include the continuing trade dispute between the EU and Russia and the weaker economic trend in China, resulting in weak demand for raw materials among other effects. The conflict in Syria and tensions in the Middle East have also impacted the markets for oil and solid-wood products. In parallel, low prices and a substantial supply of oil contribute to lower costs for fuel, fertilizer and other input goods such as plastic and plant protection.

Continued low interest rates mean the international finance market is one of the strongest factors driving property prices. The market value of agricultural and forest properties has remained stable and in some cases climbed during the year. The exception being properties with substantial values tied up in farm buildings. Price differentials are increasing depending on location.



While the international impact on farming and forestry is significant, at the same time, the trend in some sectors demonstrates that increased consumer interest and a rise in domestic demand can have a major effect. The demand for beef and poultry also results in increased interest in investment. The positive economic trend also strengthens farmers and foresters' entrepreneurial opportunities. Here is a status update for a few of the major sectors when summarising 2015:

- Milk production was in focus during the year. Low global market prices have reduced profitability for conventional production to historic lows. Concurrently, this poor profitability has increased interest in alternative market segments. Organic milk is mainly designated for the domestic market and demand is rising. Interest in farm dairies has also increased. While the number of dairy farmers in Sweden is on the decline, production volumes are largely unchanged. Diversification is increasing in the dairy sector with dairy farmers seeking possibilities to raise revenue from milk production and by supplementing through increased meat production. Even if the world market price has been low, the difference can be substantial in terms of the results for different dairy farmers.
- In forestry, the year has been denoted by stable prices for timber and pulp wood. Prices for forest properties rose in southern and central Sweden, while property prices were stable or declined gently in northern Sweden. From an industry perspective, Swedish exports of pulp benefit from the relatively weak SEK. Solid-wood products are subject to price pressure in the international market. This is largely due to increased production from Europe's sawmills and demand not recovering in key markets in the Middle East and North Africa. In parallel, competition from Russian timber has increased in pace with the decline in the RUB. 2015 was a good year for the forestry sector and the willingness to invest has been substantial, showing favourable prospects for

the future. Small forestry operations have noted the rising prices for forest properties and increasing demand in the sector for forest raw materials has been positive.

- In most cases, the Swedish harvest of cereals and oilseeds was very good though later than normal. However, in many cases the desired quality levels for barley for malting and corn was not reached, which resulted in lower prices. World market prices have been depressed by good harvests and large stockpiles.
- In Sweden, pig farmers have had a relatively favourable year, particularly compared with their European colleagues. This was due to continued strong demand for Swedish pork. However, in the latter part of 2015, imports rose due to the large price differential primarily between Swedish and European pork. Compared with other countries, Swedish pork has a high production quality and a high degree of food safety.
- Beef producers' profitability has trended favourably during the year, which was also demonstrated through increased interest in investment. The upturn was largely due to healthy demand for Swedish beef and relatively high prices for livestock and meat.
- Poultry consumption is rising with an attendant rise in Swedish production even if imports largely meet the increase in consumption. Poultry producers have a positive outlook and several large investments in new production capacity have been made during the year.
- The diversification of Swedish agriculture is extensive. For example, many agricultural businesses run civil engineering contracting operations. Many are also involved in the supply of other services and equipment. These activities greatly contribute to turnover and profitability. Positive economic conditions together with investments in infrastructure and construction have resulted in a positive trend for this area of agricultural operations in 2015.

Landshypotek Bank 2015 in figures

We have grown our operations during the year through our lending and deposits, thereby enabling more people to develop their farms. We posted strong results, which enable our continued development into a broader bank for entrepreneurs in agriculture and forestry, and people living on farms and savers.

Liza Nyberg, CEO of Landshypotek Bank

Operating profit amounted to MSEK 330.6 (384.9)

The underlying operating profit, profit excluding financial transactions, totalled MSEK 322.8 (238.8). Profits remain strong, which is most clearly notable in the underlying operating profit.

Net interest income rose MSEK 101.3 to MSEK 778.7 (677.4)

Net interest income improved due to higher lending, lower borrowing costs and a higher percentage of interest compensation received. Strong earnings are required to meet the growing costs required for the development of the bank, to meet increased customer demands as well as regulatory and capital requirements.

Costs increased in line with the bank's development and were MSEK 387.2 (346.5)

Development is progressing at the bank and costs are increasing as planned. The bank has grown in terms of more employees, and enhanced products and services.

Net loan losses declined to MSEK 45.9 (79.6).

Substantial focus was dedicated to early identification of customers and work with customers at risk of finding themselves in payment difficulties. The losses are linked to a few individual customers.

Lending amounted to SEK 64.5 billion (61.7), up 4.5 percent (1.5) compared with year-end.

The bank posted a strong volume trend, particularly in the first half of the year.

Deposits amounted to SEK 10.3 billion (5.8), up SEK 4.5 billion.

In terms of growth, Landshypotek Bank is one of the most popular banks when savers choose a bank. The bank is capturing a significant share of market growth.

Summary Landshypotek Bank	2015	2014
Net interest income, MSEK *	778.7	677.4
Operating profit, MSEK	330.6	384.9
Profit after tax, MSEK	257.1	301.4
Loans to the public, MSEK	64,501	61,743
Increase in lending, %	4.5 %	1.5 %
Interest margin, % *	1.2 %	1.1 %
Deposits from the public	10,310	5,829
Increase in deposits, %	76.9 %	171.5 %
C/I ratio *	0.51	0.52
Loan loss level, %	0.07 %	0.13 %
Total capital ratio, %	26.1 %	24.5 %
Rating, long-term		
Standard & Poor's, Covered bonds	AAA	AAA
Standard & Poor's	A-	A-
Fitch	A	A+
Average number of employees	156	144

* Interest expense was reclassified; Refer to Note 2 for more information.

Landshypotek Bank

Finances investments and entrepreneurship for a richer life in the countryside. We specialise in the farming and forestry industries. Together with our loan customers, we have been developing the Swedish countryside since 1836.

Has nearly SEK 64 billion in loans outstanding, making it Sweden's ninth largest bank. Is a profiled niche bank for financing farming and forestry operations.

Is owned by Landshypotek Ekonomisk Förening, in which all of the Bank's loan customers are members. Our surpluses are reinvested in operations and distributed to loan customers.

Is the farmers' and foresters' own bank. For us, the development of the farming and forestry industries is crucial for the countryside and, therefore, Sweden's future. We understand the people behind the multitude of family businesses in the countryside.

Has opened a digital savings bank that offers competitive interest rates for the general public in Sweden. Accordingly, we are the bank for anyone who wants favourable terms for savings and who holds the countryside dear to their heart.

Administration Report

On 7 March 2016, the Board of Directors of Landshypotek Bank AB (publ.), corporate registration number 556500-2762, approved the financial statements. These will be presented for final adoption by the Annual General Meeting on 20 April 2016.

Business

Landshypotek Bank is a member-owned bank specialised in lending to Swedish farming and forestry. Landshypotek Bank is owned by Landshypotek Ekonomisk Förening. All borrowers at Landshypotek Bank automatically become members of Landshypotek Ekonomisk Förening (Landshypotek Cooperative Association). At the end of 2015, the association had approximately 42,000 members.

During 2015, operations were conducted by the following corporate entities:

- Landshypotek Bank AB
- Landshypotek Jordbrukskredit AB

Landshypotek Bank is the Parent Company of the Landshypotek Bank Group. During the year, the vast majority of the Group's business operations were conducted in Landshypotek Bank. The operations in

Landshypotek Jordbrukskredit were transferred to Landshypotek Bank in October 2015. Landshypotek Jordbrukskredit is in the process of being wound up.

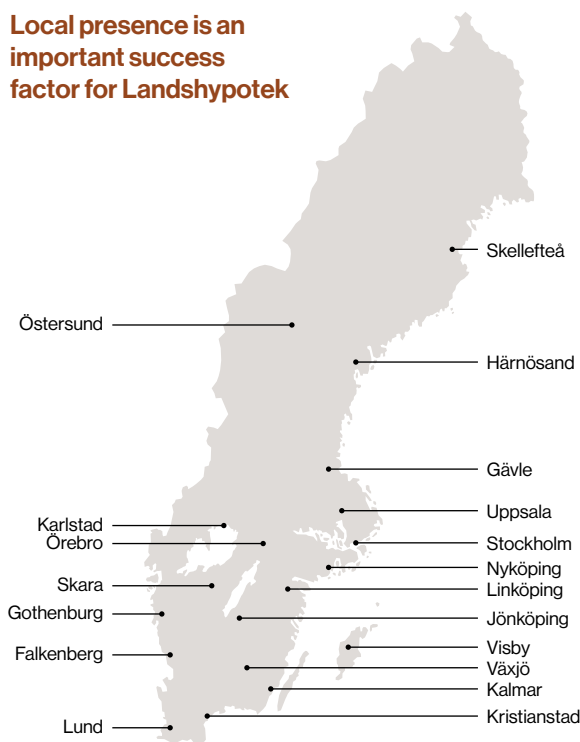
Landshypotek Bank offers mainly financing to farmers and foresters against real property as collateral. Now, Landshypotek Bank can also offer savings products to the general public. The Group uses the capital market as its primary source of funding but deposits have taken an increasingly significant role. Funding is allocated over a number of loan programmes, adapted to various types of investors, thus achieving the desired level of flexibility. All funding in the Group takes place in Landshypotek Bank.

Organisation

Landshypotek Bank has about 160 employees based in nine districts with 19 offices throughout Sweden. Local presence is an important success factor for the company. Staff all have a good level of local knowledge and expertise of agricultural and forestry criteria, as well as entrepreneur-driven enterprise.

The members that sit on Landshypotek Ekonomisk Förening's regional boards of directors are tasked with appraising customers' properties. The members of these boards are themselves owners of agricultural properties and have good local knowledge and documented industry expertise. Board members with the greatest possible geographic and industrial breadth are appointed in each region. Members are also active advocates of the company and represent Landshypotek Bank in a variety of contexts.

Local presence is an important success factor for Landshypotek



Landshypotek Bank currently has offices throughout Sweden. Having a local presence is highly important in offering the market personal service provided by employees who have intimate knowledge of local conditions.

Landshypotek Bank's deposits and lending in 2015

Landshypotek Bank's assignment is to provide competitive financing and offer financial services to Sweden's farmers and foresters. Landshypotek Bank also offers savings accounts that offer competitive interest rates.

In 2015, Landshypotek Bank increased lending by SEK 2.8 billion. The increase corresponded to lending growth of 4.5 percent, compared with 1.5 percent in 2014. Demand for credit in the market from Sweden's farmers and foresters has now stabilised following a flagging trend in 2014. The annualised growth for 2015 was 6.3 percent. The primary driver for demand

Profit and profitability

Group key ratios, MSEK	2015	2014
Net interest income *	778.7	677.4
Interest margin, % *	1.2 %	1.1 %
Other operating income	-15.0	133.7
Of which net result of financial transactions	7.8	146.2
Costs	-387.2	-346.5
C/I ratio *	0.51	0.52
Loan losses	-45.9	-79.6
Loan loss level, %	0.07 %	0.13 %
Operating profit	330.6	384.9
Operating profit excluding the net result of financial transactions	322.8	238.8

* Interest expense was reclassified; Refer to Note 2 for more information.

is property transactions occurring in the farming and forestry sectors.

Deposits amounted to SEK 10.3 billion at 31 December 2015, up 76.9 percent year-on-year.

Operating profit 2015

Consolidated operating profit in 2015 amounted to MSEK 330.6, a year-on-year decline of MSEK 54.3 (MSEK 384.9). The decline in profit was attributable to the net result of financial transactions, which was down MSEK 138.4 and a year-on-year increase in costs of MSEK 40.6. The decline was offset by an increase in net interest income of MSEK 101.4 and a decrease in loan losses of MSEK 33.7.

Excluding the net result of financial transactions, operating profit amounted to MSEK 322.8 (238.8), up MSEK 84.0 year-on-year. Higher net interest income and reduced net loan losses positively impacted earnings, while increased

costs had a negative effect. The Parent Company's operating profit accounted for the majority of the consolidated operating profit for 2015 and, therefore, the following comments apply equally to the Parent Company.

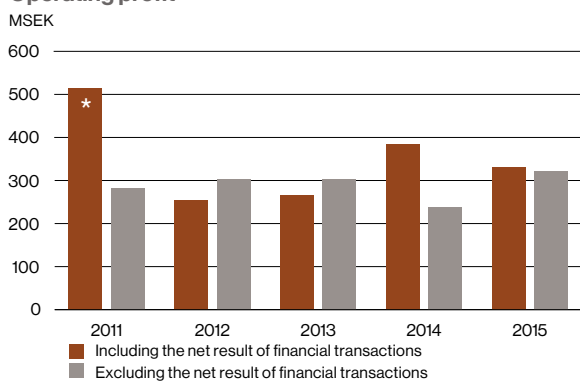
Net interest income

Net interest income in 2015 amounted to MSEK 778.7, a year-on-year increase of MSEK 101.3 or about 15.0 percent (MSEK 677.4). The increase was primarily due to higher lending and lower borrowing costs, and a higher percentage of interest compensation received. From 2015, terminated hedging relationships have been reclassified so that income and costs for these terminated hedging relationships offset each other in net interest income. Refer to Note 2.

Other operating income

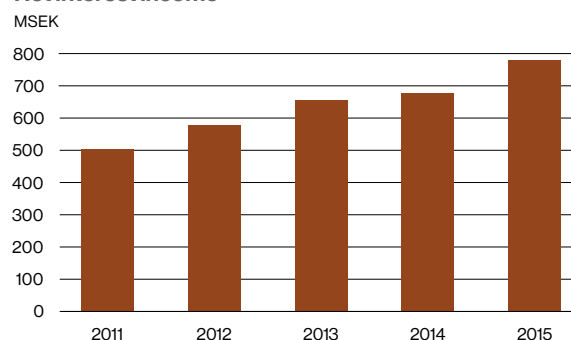
Operating income, excluding net interest income, was negative at MSEK 15.0, down MSEK 148.7 compared with 2014.

Operating profit



Operating profit for 2015 totalled MSEK 330.6. Operating profit excluding the net result of financial transactions was MSEK 322.8.

Net interest income



Net interest income for 2015 amounted to MSEK 778.7. Total net interest income is determined by the volume of loans outstanding, the margin between the interest rates on borrowing and lending and the return obtained on the equity invested in lending operations.

Other operating income includes fees of MSEK 31.7 to the Swedish National Debt Office's stabilisation fund and MSEK 3.6 for deposit insurance, the profit of MSEK 7.8 from the net result of financial transactions, MSEK 10.0 from net commission income (excluding the stabilisation fund and deposit insurance fees) and MSEK 1.0 from income from property.

Other operating income declined MSEK 148.7 compared with 2014 (profit: 133.7). The decrease was primarily due to a decline of MSEK 138.4 in the net result of financial transactions to MSEK 7.8 (146.2). The profit of MSEK 7.8 comprised an unrealised loss of MSEK 36.2 and a realised gain of MSEK 43.9. The net result of financial transactions included realised results from the purchase and sale of financial instruments, as well as the result from the buyback of bonds. In addition, this item includes the result from the revaluation of financial instruments.

The realised result comprises the early redemption of bonds issued, premature closure of derivatives and sales from the liquidity portfolio. Early redemption of own bonds is carried out to extend the duration of Landshypotek Bank's liabilities, whereby bonds with a short remaining time to maturity are prematurely redeemed and replaced by bonds with a considerably longer maturity. The early redemption strengthens Landshypotek Bank's balance sheet.

To gain an understanding of the total effect of market valuations, the revaluations recognised directly in equity via other comprehensive income must also be taken into account. Remeasurements of financial instruments in equity amounted to a loss of MSEK 16.7 (loss: 2.8) in 2015.

Costs

Costs in 2015 amounted to MSEK 387.2 (346.5). The increase in costs of MSEK 40.6 was as planned and was primarily linked to development, in terms of new products, enhanced digital services and more employees, aimed at strengthening the bank's competitiveness.

Loan losses and doubtful credits

Net recognised loan losses amounted to MSEK 45.9 (loss: 79.6), corresponding to 0.07 (0.13) percent of Landshypotek Bank's total loans outstanding.

Confirmed loan losses were somewhat lower year-on-year and the provision for probable loan losses declined. The bank has further developed internal efforts to identify and monitor companies in the credit portfolio with poor profitability and low liquidity, thereby allowing suitable measures to be deployed earlier. The provision for probable loan losses is attributable to a limited number of individual commitments.

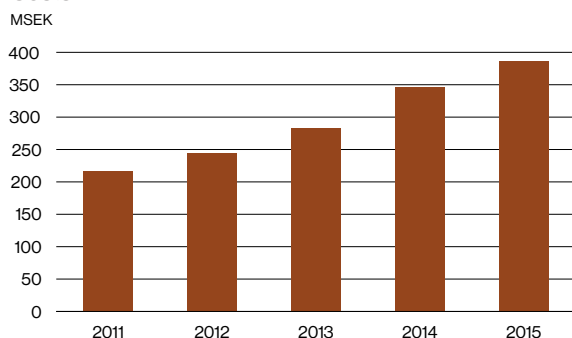
Confirmed loan losses were MSEK 50.3 (56.3). Provisions for probable loan losses amounted to MSEK 82.2 (104.5). Reversals of previous provisions for confirmed losses in the annual accounts totalled MSEK 49.1 (56.5). Recoveries of previously confirmed losses and reversals of previous provisions for probable loan losses that are no longer required, amounted to MSEK 37.5 (24.7).

At 31 December 2015, doubtful credits after provisions amounted to MSEK 345.0 (274.9), corresponding to 0.53 percent (0.45) of total loans outstanding.

Assets

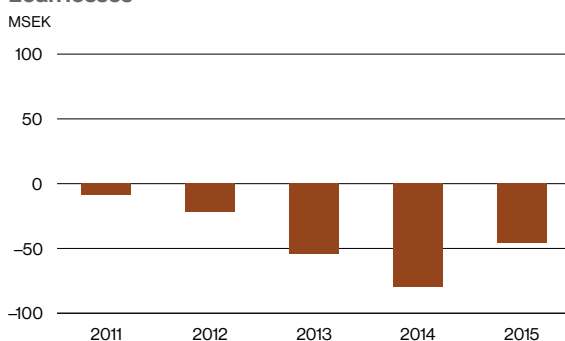
The largest asset item in the balance sheet was "Loans to the public", which amounted to MSEK 64,501 (61,743).

Costs



Costs for 2015 amounted to MSEK 387.2, an increase of MSEK 40.6 or approximately 12 percent year-on-year. The increase was mainly attributable to development to strengthen the bank's competitiveness.

Loan losses



At 31 December 2015, loan losses totalled MSEK 45.9, which corresponded to 0.07 percent of lending.

Financial structure

Consolidated Balance Sheet

Assets, MSEK	2015
Loans to credit institutions	396
Loans to the public	64,501
Bonds and other interest-bearing securities	13,252
Derivatives	1,875
Non-current assets	51
Prepaid expenses etc.	643
Total assets	80,719

More information about Landshypotek Bank's lending to the public can be found in the Risk and capital management section. At the end of 2015, Landshypotek Bank's holding of interest-bearing securities amounted to MSEK 13,252 (16,798). The portfolio primarily comprises Swedish covered bonds with the highest credit rating and, to some extent, bonds issued by Swedish municipalities. The holding of interest-bearing securities functions as a liquidity portfolio. If necessary, the securities can be sold or borrowed against to manage the financing of liabilities falling due.

Landshypotek Bank uses derivatives for the purpose of managing the difference in terms of fixed interest and currency risks between assets and liabilities. At the end of 2015, the Group's holding of derivatives contracts with positive market values amounted to MSEK 1,875 (2,048). This corresponded to a nominal value of MSEK 22,776 (21,119). Additional detail about derivative contracts can be found in Note 15.

At 31 December 2015, tangible and intangible noncurrent assets amounted to MSEK 51 (68). The decrease was primarily attributable to the amortisation of intangible assets.

At the end of the year, prepaid expenses, etc. amounted to MSEK 643 (728). This item is comprised primarily of accrued interest.

Liabilities

Landshypotek Bank's funding consists primarily of bond loans and money market instruments issued on the Swedish and European markets in the form of MTN, EMTN and commercial paper programmes. Furthermore, funding is also obtained via borrowings from credit institutions and the public. At the end of 2015, bond and money market instruments in issue amounted to MSEK 63,013 (68,594). Borrowing from the public amounted to MSEK 10,310 (5,829) and borrowing from credit institutions to MSEK 393 (447).

Liabilities, MSEK	2015
Liabilities to credit institutions	393
Borrowing/deposits from the public	10,310
Debt securities in issue	63,013
Derivatives	1,059
Other liabilities	1,387
Equity	4,557
Total liabilities	80,719

At 31 December 2015, the Group's holdings of derivative contracts with a negative market value totalled MSEK 1,059 (1,193). This corresponded to a nominal value of MSEK 31,264 (22,152). Additional detail about derivative contracts can be found in Note 25.

At the end of 2015, other liabilities amounted to MSEK 1,387 (1,713). This item mainly includes accrued interest, subordinated liabilities and liabilities to Group companies.

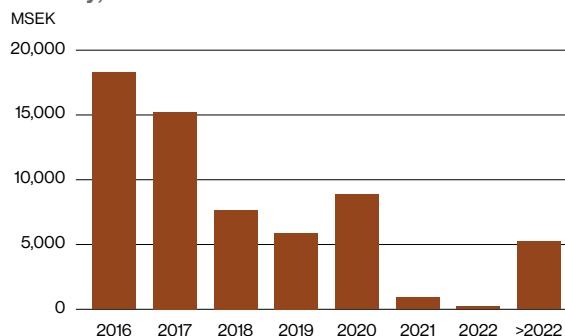
Equity

At year-end 2015, Landshypotek Bank had equity of MSEK 4,557 (4,330). During the year, equity grew by MSEK 227. No dividend payment is reported in Landshypotek Bank; a transfer is instead made to the Parent Association, Landshypotek Ekonomisk Förening in the form of a Group contribution.

Funding

Landshypotek Bank aims to borrow funds on the best possible terms, given a low risk profile. Landshypotek Bank utilises several borrowing programmes, both domestic and international. This allows the company to

Maturity, financial liabilities



Funding

Borrowing

MSEK	Utilised nominal amount, 31 Dec. 2015	Limit	Utilised nominal amount, 31 Dec. 2014
Swedish commercial paper	2,270	10,000	3,274
MTN programme	43,431	60,000	44,950
EMTN programme	12,713	32,739*	14,947
Registered Covered Bonds (RCB)	3,407		3,302
Subordinated loans	500		700

* MEUR 3,500

meet most investors' needs for investments in interest-bearing securities. Landshypotek Bank's primary source of funding during the year was covered bonds.

In 2015, covered bonds were issued in an amount of approximately SEK 10.4 billion. In addition, senior bonds were issued to a value of approximately SEK 1.5 billion. Bonds have matured or been repurchased to a value of approximately SEK 14.7 billion, of which about SEK 11.9 billion pertained to covered bonds.

In general, the financial market for Nordic banks functioned smoothly in 2015. Landshypotek Bank has been very successful in its funding activities and demand for Landshypotek's bonds has been favourable.

Deposits

Deposits amounted to MSEK 10,310 (5,829) at 31 December 2015.

Rating

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

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

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

Capital situation

The total capital ratio¹ amounted to 26.1 percent not taking the transitional rules linked to Basel III into account. Own funds amounted to MSEK 4,934 and the capital requirement was MSEK 1,514. The total capital ratio including the transitional rules was 9.7 percent.

Additional information can be found in the Risk and capital management section and in Note 32.

Group contributions

A Group contribution will be paid by Landshypotek Bank AB, contingent upon the approval of the General Meeting, in the amount of MSEK 165 (177) to Landshypotek Ekonomisk Förening.

Events after year end

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

¹ Corresponds to the term capital adequacy ratio, which has been used in previous financial statements. The data pertains to the consolidated situation.



Landshypotek Bank's covered bonds

Covered bonds are bonds that carry a preferential right in a defined cover pool. At 31 December 2015, Landshypotek Bank had covered bonds in issue at a value of SEK 53.2 billion. Assets in the cover pool corresponding to SEK 66.2 billion are in place as collateral for these bonds.

Cover pool and covered bonds

Cover pool

Loans	SEK 59,8 billion
Excess collateral	SEK 6,4 billion
<i>of which Swedish covered bonds</i>	<i>SEK 3,5 billion</i>
<i>of which Swedish municipalities</i>	<i>SEK 2,9 billion</i>
Total cover pool	SEK 66,2 billion

Covered bonds

Issued in SEK	SEK 43,4 billion
Issued in foreign currency	SEK 9,8 billion
Total covered bonds	SEK 53,2 billion

Excess collateral 24.3 % SEK 12,9 billion

Key ratios, cover pool

LTV – Loan-to-value ratio

Average volume-weighted LTV	42.5 %
Number of pledged properties	32,224
Number of borrowers	41,369
Number of loans	108,682

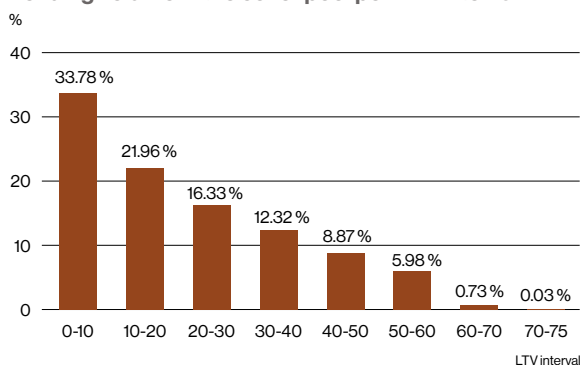
Landshypotek Bank has two programmes for issuing covered bonds, a Swedish MTN programme with a limit of SEK 60.0 billion and an international EMTN programme with a limit corresponding to SEK 33.0 billion. Covered bonds are Landshypotek's most important source of funding and in 2015, covered bonds were issued in an amount of SEK 10.4 billion. Landshypotek Bank's covered bonds have an AAA credit rating from the rating agency Standard & Poor's.

The cover pool comprises loans with Swedish agricultural and forest properties as collateral, and excess collateral. The excess collateral comprises covered bonds issued by other credit institutions, and bonds issued by Swedish municipalities.

The table above shows some important key ratios for the cover pool. LTV or loan-to-value ratio shows loan amounts in relation to the value of the collateral. Accordingly, an LTV of 42.5 percent entails that Landshypotek Bank's customers' loans amount to an average value of 42.5 percent of the value of their farms. Landshypotek has 41,369 borrowers and 32,224 pledged properties.

In many cases, the difference is attributable to more than one individual jointly pledging their shared property. The number of loans amounts to 108,682. This means that many customers have more than one loan.

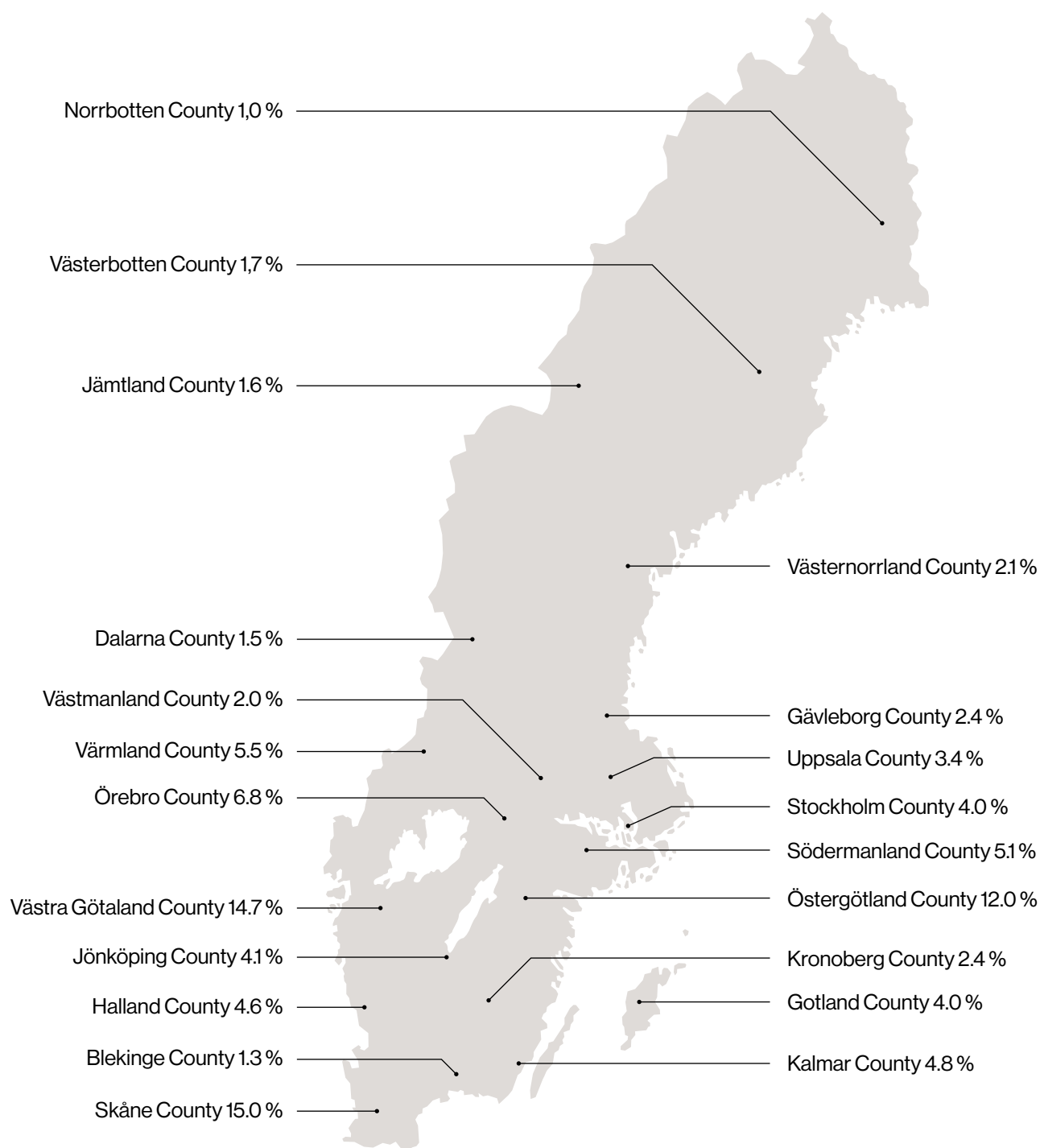
Lending volume in the cover pool per LTV interval



Of Landshypotek Bank's lending, 56 percent takes place against collateral where the loan amount is less than 20 percent of the value of the collateral. Only 1 percent of lending is against collateral where the loan amount is 70 percent of the value of the collateral.

Geographic distribution of lending

Landshypotek Bank's lending has a favourable geographic distribution. Most lending is to farms in the traditional agricultural counties.



Corporate Governance Report

Landshypotek Bank 2015

Corporate governance is a key support in Landshypotek Bank's efforts to create value for its stakeholders and for the Board with its effective governance and control of operations.

In 2015, Landshypotek Bank continued work to improve the implementation of applicable and new regulations in its operations. This applied not least to regulatory frameworks pertaining to governance, risk management and controls at credit institutions. During the year, the bank's Board has continued to focus on corporate governance issues and revised and established a number of new governance documents and procedures. This is to ensure the bank's Board has effective control and governance of the bank.

The corporate governance report was prepared in accordance with the provisions on corporate governance reports contained in the Swedish Annual Accounts Act and the Swedish Corporate Governance Code (the Code), with the deviations stated below.

Owners' control

Landshypotek Bank is a wholly owned subsidiary of Landshypotek Ekonomisk Förening. The bank is domiciled in Stockholm. Owners' control of the bank is exercised through general meetings of shareholders, the Board of Directors and the CEO in accordance with the Swedish Companies Act, Articles of Association, owner directives, adopted policies and instructions.

Deviations from the Code

Given the ownership structure with just one shareholder and the fact that the bank is not a listed company, certain parts of the Code are not appropriate for the bank. The following deviations from the Code are made in this corporate governance report:

General Meeting

Code rule 1.1

There is no publication on the website of information pertaining to general meetings of shareholders and shareholders' right to propose business at the general meetings. The aim of this rule is to provide shareholders with the opportunity to prepare themselves in a timely fashion ahead of the Annual General Meeting and to have business taken up in the notification thereof as well as enable shareholders to partake of the information.

This deviation is due to the company's status as a wholly owned company and, accordingly, the lack of any reason to follow this rule.

Election and remuneration of the Board and auditor

Code rules 2.3–2.6

Instead of following the Code's rules governing Board appointments, nomination issues are prepared pursuant to an instruction for the Election Committee adopted by the General Meeting. The aim of these rules is to provide all shareholders with, among other things, insight into the nomination process and to prevent major shareholders gaining undue influence over nominations. A deviation is made as the bank has only one shareholder.

Board procedures

Code rule 7.3

This rule means that the Board must ensure that the company's financial reporting meets other requirements of listed companies. A deviation is made as the bank is not a listed company.

Tasks of the Remuneration Committee

Code rule 9

The tasks of the Remuneration Committee are discharged by the bank's Board of Directors and, accordingly, the rules pertaining to the Committee are irrelevant. A deviation is made as the bank is not a listed company and does not have a Remuneration Committee.

Articles of Association

The Articles of Association govern items including the purpose of the bank's operations. The company's Articles of Association contain no provisions governing the appointment or removal of Board members with the exception of the provision on the minimum and maximum number of Board members and that the Chairman of the Board be appointed by the General Meeting. With regard to amendment of the Articles of Association, notification must be issued at the earliest six weeks and at the latest four weeks before the meeting that will examine the proposed amendment. Landshypotek Bank has only one shareholder and no limitations apply to the number of votes the shareholder may cast at the General Meeting.



Annual General Meeting

The Annual General Meeting of Landshypotek Bank AB was held on 15 April 2015. Henrik Toll, Chairman of the bank was the Annual General Meeting's Chairman. The General Meeting re-elected the following Board members: Henrik Toll, Anna-Karin Celsing, Hans Heuman, Johan Löwen, Nils-Fredrik Nyblæus, Synnöve Trygg and Charlotte Önnestedt. Henrik Toll was also elected Chairman of the Board. At the AGM, Hans Broberg, with Petra Nilsson as deputy, was designated as the employee representative for the Financial Sector Union of Sweden and Helena Andersson, with Ingrid Nordqvist as deputy, as the employee representative for the Swedish Confederation of Professional Associations (SACO). In addition, Ulf Westerberg was re-elected and Helena Kaiser de Carolis elected for the first time as the bank's auditors until the end of the 2016 AGM. Previously, Helena Kaiser de Carolis has acted as a deputy auditor.

The AGM resolved in favour of discharge from liability for the Board of Directors and the CEO. Furthermore, resolutions were passed on fees, appropriation of profits and adoption of the annual accounts for 2014. The CEO and Board of Directors presented the work performed in the company and on the company's Board in 2014. The General Meeting did not authorise the Board of Directors to issue new shares or buyback the company's shares.

Extraordinary General Meeting

An Extraordinary General Meeting was held on 13 March 2015, whereby the Meeting resolved to issue

80,000 new shares. Landshypotek Ekonomisk Förening subscribed for all of the shares.

Composition of the Board of Directors and the nomination procedure

The Election Committee is tasked with preparing election and remuneration issues prior to the next AGM. The Election Committee follows the instruction established for the Committee and the adopted policy regarding Board diversity and for assessing the appropriateness of Board members. The Election Committee comprises four members. The following were appointed as members of the Election Committee: Lars Öhman, Pär Sahlin, Kjell Hedman and Richard Montgomery. Lars Öhman and Pär Sahlin represent the owner in their respective capacities as Chairman and Vice Chairman of Landshypotek Ekonomisk Förening, while Richard Montgomery and Kjell Hedman contribute with their respective previous experience as a Board member and CEO of Landshypotek Bank.

Diversity and eligibility policies

The Board has adopted a policy pertaining to Board diversity and a policy for assessing the eligibility of Board members. More detailed descriptions of the eligibility assessment and the diversity policy are published on the bank's website. Among other items, the diversity policy states that the background of Board members as

well as the Board's gender balance and ages should be considered to obtain sufficient diversity on the Board.

The eligibility policy states that the eligibility assessment of Board members and senior executives, including the CEO, should take into consideration the individual's skills, experience and reputation among other attributes.

The Board of Directors and the Board's work

Composition of the Board

According to the Articles of Association, the Board comprises a minimum of four and a maximum of eight members who are elected each year at the Annual General Meeting until the Annual General Meeting the following year. The Board comprises nine individuals, of which seven were elected at the AGM and two employee representatives – four women and five men. Six of the Board members are independent in relation to the company and the management of the company. One member is also a Board member of the cooperative association. All of the Board members have extensive experience from trade and industry and/or agriculture and forestry. The composition of the Board ensures that the Board understands the overall picture of the bank's operations and the associated risks.

The names, ages, main qualifications, work experience and other assignments of the Board members and their attendance at Board meetings and its committees are detailed on pages 23 and 26. None of the Board members or the CEO hold shares or financial instruments issued by the bank. Through their membership of Landshypotek Ekonomisk Förening, four of the Board members have an investment in the cooperative association.

Chairman of the Board

The Chairman of the Board is appointed by the Annual General Meeting. The Chairman leads the Board's work and ensures that the work is performed efficiently and that the Board fulfils its duties. Among other duties, the Chairman is tasked with accepting directives from the owner association, ensuring that the Board members are provided with satisfactory information and decision data for their work by the CEO on an ongoing basis and that Board members receiving the required training to conduct Board work efficiently and check that the Board's decisions are applied efficiently.

The Board's work and its procedures

The Board is responsible for the organisation and administration of the bank. Among other tasks, the

Board should also decide issues regarding the bank's overriding goals and strategies, its risk appetite and risk strategy, take responsibility for the bank's financial reporting and internal capital adequacy assessment process (ICAAP), and decide other matters of greater strategic and financial significance as well as issues that are not part of day-to-day operations. The Board also decides over the bank's business plan and budget, and follows up the bank's performance in relation to these on an ongoing basis. The Board's work follows the formal work plan adopted at the statutory Board meeting.

The Board is also tasked with ensuring that internal rules are in place for effective governance and control of the bank, and that a framework for risk management exists that ensures the bank's management and follow up of risks is satisfactory. The Board is also to perform regular evaluations of whether the bank controls and manages its risks in an efficient and appropriate manner, and ensure the bank complies with the rules applicable for licensable operations.

In 2015, the Board had ten scheduled Board meetings.

Evaluation of the Board of Directors

An evaluation of the Board's work, and an eligibility assessment of Board members are performed at the end of each year. This evaluation was carried out by an external party in 2015 and was presented to both the Board and the Election Committee.

The Board's committees

The Board has three committees: The Board's Credit Committee (SKU), the Board's Risk and Capital Committee (RKU) and the Board's Audit Committee. Minutes are taken of the committees' meetings and submitted to the Board.

Board's Credit Committee

The Committee's primary task is to make decisions regarding loans pursuant to the established credit policy. In addition, the Committee is tasked with preparing amendments to and/or annual confirmation of items including credit policy, decision mandates for granting credit and valuation instructions prior to the Board's decision. Following the statutory meeting in 2015, the members of the Committee were as follows: Henrik Toll (Chairman) and Nils-Fredrik Nyblæus. The Chief Credit Officer or another specially appointed executive presents agenda items.

The Credit Committee makes credit decisions on an ongoing basis and, in addition, held four meetings in 2015.

Board's Risk and Capital Committee

The principal task of the Risk and Capital Committee is to prepare items for the Board and, through liaison with internal functions provide the Board with information about and prepare internal rules, monitor, analyse and prioritise risk and capital-related issues. Following the statutory meeting in 2015, the members of the Committee were as follows: Henrik Toll (Chairman), Anna-Karin Celsing and Hans Heuman. The Chief Credit Officer or another specially appointed executive presents agenda items.

The Committee held five meetings in 2015.

The Board's Audit Committee

The Committee's primary tasks are to be responsible for preparing the Board's work with quality assurance of the financial reporting and to receive the reports from the auditors. In addition, the Committee monitors and reviews the work of internal and external auditors. The Committee meets in conjunction with external financial reports and, otherwise, whenever necessary. Following the statutory meeting in 2015, the members of the Committee were as follows: Synnöve Trygg (Chairman), Nils-Fredrik Nyblæus, Charlotte Önnestedt and Johan Löwen.

The Committee held nine meetings in 2015.

Board attendance

The following table details the total number of meetings of the Board and its committees in 2015 for those members on the Board as of 31 December 2015.

CEO and Bank Management

The Board has adopted a written instruction governing the role and work of the CEO. The CEO bears responsibility for day-to-day operations and reports continuously

to the Board. The work of the CEO is evaluated each year. The Bank Management acts as support for the CEO in exercising operational leadership of the bank. The CEO and other senior executives are presented on page 28.

The CEO has also appointed a number of councils and committees to support operational leadership. These have been tasked with preparing issues for the CEO and Board, and with making decisions on certain issues. The councils and advisory committees that have been established are: the Business Committee, Business Support Advisory Committee, Work Environment Committee, Balance Sheet and Income Statement Committee, Credit Advisory Committee, New Product Approval Advisory Committee, Insolvency Advisory Committee and the Pricing Council.

Information about the remuneration system

The Board of Landshypotek Bank has adopted a remuneration policy that specifies the principles behind the company's remuneration system. Information regarding the remuneration policy is available on the bank's website. Employees are entitled to remuneration, which may consist of a combination of basic salary, benefits, profit sharing, other gratification, retirement pension and severance pay. Profit sharing is determined by the General Meeting and when payable, comprises an equal amount for all employees. The maximum amount payable corresponds to the average monthly salary for an employee of Landshypotek Bank. A provision for this remuneration is made to Landshypotek's profit-sharing foundation and is paid out three years in arrears with the aim of countering any short-term actions in operations. No profit sharing or other variable remuneration agreement applies for the CEO. Remuneration in Landshypotek Bank is reviewed annually through salary appraisals with the employees.

Board attendance

Board member	Board meetings	Credit Committee	Risk and Capital Committee	Audit Committee
Henrik Toll	10/10	4/4	5/5	
Anna-Karin Celsing	10/10		4/5	
Hans Heuman	10/10		5/5	
Johan Löwen	10/10			7/9
Nils Fredrik Nyblæus *	9/10	4/4		7/9
Synnöve Trygg	10/10			9/9
Charlotte Önnestedt	10/10			9/9
Helena Andersson	10/10			
Hans Broberg	10/10			

* This Board member joined the Audit Committee in March 2015.

Internal audit is tasked with reviewing how remuneration paid by Landshypotek Bank complies with the remuneration policy. See Note 7 to the Balance Sheet and Income Statement for more information about the remuneration of the Board, CEO and senior executives.

Auditors

The AGM appoints external auditors to Landshypotek Bank. These auditors must be authorised public accountants. The mandate period of the auditors appointed by the General Meeting is one year. The 2015 AGM appointed authorised public accountants Ulf Westerberg and Helena Kaiser de Carolis as auditors until the 2016 AGM.

The auditors are responsible for examining the Annual Report, consolidated financial statements and accounts and also the Board's and CEO's administration of the bank. The auditors report the results of their examination in the audit report, which is submitted at the AGM. Furthermore, the auditors examine some of the bank's interim reports and the year-end report, and submit their findings in their notes to the Board.

Internal governance and control

The basis for the internal control at Landshypotek Bank consists of the bank's control environment in the form of the organisational structure, decision and reporting pathways, authorities and responsibility. The framework for conducting operations is established through internal policies, guidelines and instructions. Day-to-day operations are tasked with complying with these policies, guidelines and instructions. The business operations are also responsible for their own risk management. The Board is tasked with monitoring the financial reporting as well as the effectiveness of internal governance and control, internal audit and risk management pertaining to the financial reporting. The Board has the assistance of the independent control functions Risk Control, Compliance and Internal Audit in following up the conduct of operations. In addition, other functions, such as the Accounts Department and the Legal Department also support the Board and the CEO on issues pertaining to good internal governance and control. All managers in their respective areas of responsibility are responsible for ensuring that good internal governance and control is applied in their operations.

Risk Control

A separate unit for risk control is responsible for measurement, control, analysis and continuous reporting on

all risks in the Landshypotek Group. The work of the Unit is conducted pursuant to a policy decided by the Board that describes its responsibilities. The Risk Control Unit is independent from operations and directly subordinate to the Chief Risk Control Officer. The Chief Risk Control Officer reports directly to the CEO and the Board.

Compliance

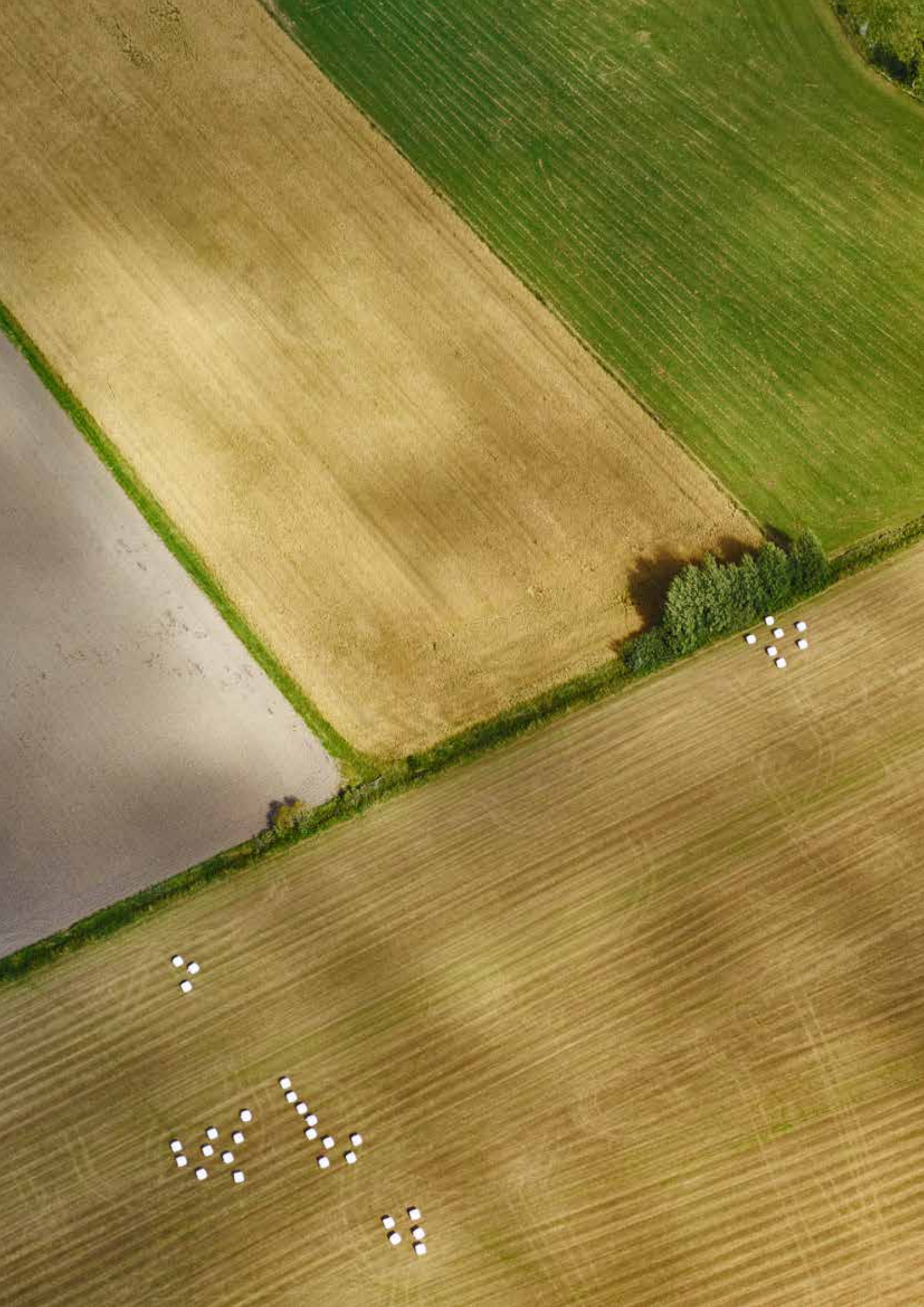
Compliance is tasked primarily with advising and supporting the CEO and employees with ensuring that the operations of the Landshypotek Group are conducted pursuant to the applicable laws and regulations for the licensable activities and identify and report compliance risks. The Compliance Unit is independent from operations and directly subordinate to the CEO. The Chief Compliance Officer reports directly to the CEO and Board.

Internal Audit

Internal Audit aims to examine and evaluate internal governance and controls as well as provide an image of how well processes and procedures contribute to the operational goals. This includes, not least, the evaluation of the effectiveness of the risk management efforts and the work of the control function. The examinations performed by Internal Audit are carried out in line with an audit plan determined annually by the Board. Since 2015, the Landshypotek Group's internal audit has been carried out by Deloitte.

Internal control over financial reporting

The bank's financial department is responsible for managing internal control over financial reporting to ensure that accurate information reaches external stakeholders. This includes work, such as, ongoing financial accounting, the annual accounts, external reporting and income tax returns. Furthermore, the Accounts Department makes a proactive contribution to decision making and corporate governance through financial follow-ups, forecasts and impact analyses. The Board receives monthly financial reports in addition to the reporting submitted at each Board meeting. In addition, the operation's Middle Office has a role in the internal control of financial reporting due to its responsibility for administering the financial system and measuring financial instruments. Middle Office is tasked with continuously evaluating the bank's valuation methods and ensuring that they comply with established market practices, internal guidelines, internal policy documents and external regulations for reporting and capital adequacy. Furthermore, Internal Audit is tasked with examining and evaluating the reliability of the financial reporting.



Board members

As of 7 March 2016



Henrik Toll

Born: 1954, Sorunda, Chairman
Director since: 2003
Agrologist, Chairman of Tham Invest AB
and Fallda AB. Director of Stora Sundby
Lantbruks och Fritids AB, Vidbynäs Förvalt-
nings AB, Harry Cullbergs Fond and Norra
Djurgårdsstadens Holding.



Helena Andersson

Born: 1986, Helsingborg, Director
Employee Representative for SACO.
Director since 2013.
MSc. Agronomy and Economics, and officer
of Landshypotek Bank.



Hans Broberg

Born: 1962, Lund, Director
Employee Representative for the Financial
Sector Union of Sweden.
Director since 2012. MSc. in Business and
Economics, officer of Landshypotek Bank.



Anna-Karin Celsing

Born: 1962, Stockholm, Director
Director since 2014.
MSc. in Business and Economics
Chairman of Sveriges Television AB, Director
of Kungliga Operan AB, Lannebo Fonder,
Seven Day Finance AB, OX2 Vind AB,
Tengbomgruppen, Volati AB and the
St Petersburg Property Company.



Hans Heuman

Born: 1952, Tågarp, Director
Director since: 2013
Farmer, Reg. Physician, Chairman of AB
Marsvinsholms Gods AB and Vice Chairman
of Lantmännens Forskningsstiftelse.
Director of AB Gårdstånga Nygård,
Lantmännen Maskin AB and Landshypotek
Ekonomisk Förening.



Johan Trolle-Löwen

Born: 1959, Nyköping, Director
Director since: 2011
Graduate engineer, Director of Bergvik Skog
AB, Firefly AB, Hargs Bruk AB, Boo Egendom
AB, Limmersvik AB, Sjösa Förvaltnings
AB and Sjösa Gård AB. Deputy Director of
HäradSkog i Örebro AB. Managing Director
Sjösa Förvaltnings AB.



Nils-Fredrik Nyblæus

Born: 1951, Nyköping, Director
Director since: 2011
MSc. in Business and Economics, Bank
Director, Chairman of Bankgirocentralen
BGC AB and Upplysningscentralen (UC)
AB. Director of SEB Trygg Liv Gamla AB,
Euroclear SA/Plc and the Austin-Healey
Club of Sweden.



Synnöve Trygg

Born: 1959, Stockholm, Director
Director since: 2014
MSc. in Business and Economics, Director
of Intrum Justitia AB, Volvo Finans Bank AB,
Wrapp AB and Nordax Bank AB.



Charlotte Önnestedt

Born: 1963, Ödeshög, Director
Director since: 2009
Agrologist, owner and manager of Åby
Storgård and Hässleby Gård, member of the
Election Committee for LRF Östergötland.

Auditors

Helena Kaiser de Carolis, PwC, Järfälla, Authorised Public Accountant.
Ulf Westerberg, PwC, Stockholm, Authorised Public Accountant.

Deputy Auditor

Martin By, PwC, Nacka, Authorised Public Accountant.

Changes in the bank's Board during the year

No changes were made to the Board of Directors after the 2015 AGM.

Senior Management

As of 7 March 2016



Liza Nyberg

CEO
Born: 1963
Employed in: 2014
Education: MSc. in Business and Economics
Previous experience: Head of Personal Banking Danske Bank SE, CEO Skandia-Måklarna, CEO Emric, CEO Bokredit, managerial positions at Swedbank.
Other assignments: Board member of Seven Days Finance AB.



Annelie von Dahn

HR Manager
Born: 1968
Employed in: 2010
Education: BSc. in Behavioural Science
Previous experience: HR Manager at HQ Bank, HR Representative at Accenture.



Jan Lilja

Chief Risk Control Officer
Born: 1957
Employed in: 2016
Education: MSc. in Business and Economics
Previous experience: Head of Group Treasury at Swedbank, Head of Group Risk Control at Swedbank, CEO Swedbank Hypotek.



Margareta Lindahl

Commercial Director
Born: 1976
Employed in: 2015
Education: MSc. Agronomy and Economics
Previous experience: Risk Management Consultant at Transcendent Group AB, Capital Adequacy Expert, Financial Supervisor at the Swedish Financial Supervisory Authority, Corporate Advisor at Swedbank.



Fredrik Sandberg

Chief Financial Officer
Born: 1977
Employed in: 2015
Education: MSc. in Business and Economics
Previous experience: CFO Swedbank Robur, Management Consultant at CapGemini Consulting and KPMG.



Per-Olof Sandberg

Chief Information Officer
Born: 1960
Employed in: 2014
Education: MSc. Engineering
Previous experience: Program/Project Manager and Head of Development area: Digital Mammography at Siemens Medical, Project/Program Manager at Swedbank, Group Program Manager at SEB.
Other assignments: Director of Svenskt Projektforum



Tomas Uddin

Chief Communications Officer
Born: 1971
Employed in: 2012
Education: BSc. Political Science
Previous experience: Chief of Staff at the
Ministry of the Environment



Annika Vangstad

Marketing and Development Manager
Born: 1973
Employed in: 2012
Education: MSc. Marketing and
Communication Studies
Previous experience: Head of Brand &
Communications at Entercard, Internal
Communication Manager at SPP Liv.



Catharina Åbjörnsson Lindgren

Chief Legal Officer
Born: 1971
Employed in: 2010
Education: BSc. in law
Previous experience: Bank Lawyer at Nordea
Bank AB Group Legal.

Changes in the Bank Management during the year
During the year, Fredrik Enhörning, Björn Ordell, Helena Silvander and Johanna Bentzer have left the Bank Management and Margareta Lindahl, Jan Lilja and Fredrik Sandberg joined. Maria Brattström left the Bank Management in February 2016.

Income Statement

SEK thousand	Note	Group		Parent Company	
		2015	2014	2015	2014
Interest income		1,560,908	2,027,831	1,548,087	2,009,104
Interest expense		-782,168	-1,350,444	-781,949	-1,350,175
Net interest income	2	778,740	677,387	766,138	658,929
Commission income	3	9,987	14,082	9,672	13,223
Commission expense	4	-35,335	-27,997	-35,335	-27,997
Net result of financial transactions	5	7,787	146,151	7,787	146,151
Other operating income	6	2,535	1,474	2,535	1,466
Total operating income		763,714	811,097	750,798	791,772
General administrative expenses	7	-339,668	-306,193	-340,295	-308,341
Depreciation, amortisation and impairment of tangible and intangible non-current assets	8	-19,678	-16,491	-19 678	-16,491
Other operating expenses	9	-27,831	-23,854	-27,828	-23,845
Total expenses before loan losses		-387,177	-346,538	-387 801	-348,677
Profit before loan losses		376,537	464,559	362 997	443,095
Net loan losses	10	-45,921	-79,612	-41,952	-66,278
Impairment of shares in subsidiaries	16			-2 266	-
Operating profit		330,615	384,947	318,778	376,817
Tax on profit for the year	11	-73,544	-83,535	-70,945	-81,750
Net profit for the year	38	257,071	301,413	247,832	295,067
Earnings per share		114.1	138.7	110.0	135.8
Parent Company's portion of net profit for the year		100 %	100 %	100 %	100 %

Statement of Comprehensive Income

SEK thousand	Note	Group		Parent Company	
		2015	2014	2015	2014
Net profit for the year		257,071	301,413	247,832	295,067
Other comprehensive income					
<i>Items to be reclassified to profit or loss</i>					
Cash-flow hedges		29,425	-9,167	29,425	-9,167
of which change in fair value		19,684	-16,790	19,684	-16,790
of which transfers to the income statement		9,741	7,623	9,741	7,623
Available-for-sale financial assets		-46,078	6,346	-46,078	6,346
of which change in fair value		-22,436	13,790	-22,436	13,790
of which transfers to the income statement		-23,643	-7,444	-23,643	-7,444
Tax on items to be reclassified	11	3,664	621	3,664	621
<i>Total, items to be reclassified</i>		<i>-12,990</i>	<i>-2,201</i>	<i>-12,990</i>	<i>-2,201</i>
<i>Items that are not reclassified</i>	38				
Actuarial differences for defined-benefit pensions		40,989	-10,124		
Tax items that are not reclassified	11	-9,018	2,227		
<i>Total, items that are not reclassified</i>		<i>31,971</i>	<i>-7,897</i>		
Total other comprehensive income		18,981	-10,098	-12,990	-2,201
Comprehensive income for the year		276,052	291,315	234,843	292,866
Parent Company's portion of comprehensive income for the year		100 %	100 %	100 %	100 %

Balance Sheet

SEK thousand		Note	Group		Parent Company	
			2015	2014	2015	2014
ASSETS						
Cash and balances with central banks			237	242,001	237	242,001
Loans to credit institutions		12	396,214	478,332	392,262	571,557
Loans to the public		13	64,501,262	61,742,595	64,501,262	61,432,397
Value changes of interest-rate-risk hedged items in macro hedges			87,842	115,422	87,842	115,422
Bonds and other interest-bearing securities		14	13,251,589	16,798,258	13,251,589	16,798,258
Derivatives		15	1,874,871	2,047,922	1,874,871	2,047,922
Shares in Group companies		16			278,487	280,753
Intangible non-current assets		17	20,654	36,517	20,654	36,517
Tangible assets						
Furniture, fixtures and equipment		18	10,621	10,596	10,621	10,596
Buildings and land		18	20,168	21,288	20,168	21,288
Other assets		19	35,324	19,169	4,951	18,942
Current tax assets			22,137	2,960	20,670	0
Deferred tax assets		20	–	13,911	4,756	11,177
Prepaid expenses and accrued income		21	498,081	576,901	498,080	572,334
TOTAL ASSETS		35, 36, 37, 38, 39, 42, 43	80,719,000	82,105,872	80,966,450	82,159,164
LIABILITIES AND EQUITY						
Liabilities						
Liabilities to credit institutions		22	393,227	447,322	393,262	495,983
Borrowing from the public		23	10,309,718	5,828,821	10,309,718	5,828,821
Debt securities in issue, etc.		24	63,012,651	68,593,547	63,012,651	68,593,547
Derivatives		25	1,059,244	1,192,720	1,059,244	1,192,720
Other liabilities		26	297,361	306,383	569,657	305,564
Deferred tax liabilities		20	2,555	–	–	–
Accrued expenses and deferred income		27	586,824	693,045	586,824	693,046
Provisions		28	–	14,094	1,361	2,020
Subordinated liabilities		29	499,972	699,921	499,972	699,921
Total liabilities			76,161,552	77,775,854	76,432,689	77,811,622
Equity						
Share capital, number of shares outstanding: 2,253,000 (2,173,000)			2,253,000	2,173,000	2,253,000	2,173,000
Other contributed capital			1,026,254	1,026,254	1,016,694	1,016,694
Reserves		30	–42,650	–29,660	–42,650	–29,660
Actuarial differences			13,914	–18,058		
Retained earnings			1,178,481	1,014,895	1,187,508	1,030,267
Net profit for the year			257,071	301,413	247,832	295,067
Group contributions paid			–128,622	–137,826	–128,622	–137,826
Total equity			4,557,448	4,330,018	4,533,761	4,347,542
TOTAL LIABILITIES AND EQUITY		32, 33, 34, 35, 36, 38, 39	80,719,000	82,105,872	80,966,450	82,159,164
Memorandum items						
		31				
- Pledged assets			None	None	None	None
- Contingent liabilities and obligations			519 532	680,248	519 532	680,248
- Guarantees and other commitments			124 414	133,272	124 414	None

Statement of Changes in Equity

GROUP, SEK thousand	Share capital	Other contribut- ed capital	Hedging reserve ¹	Fair value reserve ¹	Actuarial differ- ences ¹	Retained earnings	Total
Equity as of 31 December 2013	2,117,000	1,026,254	-31,737	4,278	-10,161	1,014,894	4,120,529
Comprehensive income for the year			-7,151	4,950	-7,897	301,413	291,315
Total change before transactions with owners			-7,151	4,950	-7,897	301,413	291,315
New share issue	56,000						56,000
Group contributions paid, Landshypotek Ekonomisk Förening						-176,700	-176,700
Tax on Group contributions paid						38,874	38,874
Equity as of 31 December 2014	2,173,000	1,026,254	-38,888	9,228	-18,057	1,178,481	4,330,018
Equity as of 31 December 2014	2,173,000	1,026,254	-38,888	9,228	-18,057	1,178,481	4,330,018
Comprehensive income for the year			22,952	-35,942	31,971	257,071	276,052
Total change before transactions with owners			22,952	-35,942	31,971	257,071	276,052
New share issue	80,000						80,000
Group contributions paid						-164,900	-164,900
Tax on Group contributions paid						36,278	36,278
Equity as of 31 December 2015	2,253,000	1,026,254	-15,936	-26,714	13,914	1,306,930	4,557,448

¹ For more information see Note 31.

Statement of Changes in Equity

Parent Company, SEK thousand	Share capital	Other contribut- ed capital	Hedging reserve ¹	Fair value reserve ¹	Actuarial differ- ences	Retained earnings	Total
Equity as of 31 December 2013	2,117,000	1,016,694	-31,737	4,278		1,030,268	4,136,502
Comprehensive income for the year			-7,151	4,950		295,067	292,866
Total change before transactions with owners			-7,151	4,950		295,067	292,866
New share issue	56,000						56,000
Group contributions paid						-176,700	-176,700
Tax on Group contributions paid						38,874	38,874
Equity as of 31 December 2014	2,173,000	1,016,694	-38,888	9,228		1,187,509	4,347,542
Equity as of 31 December 2014	2,173,000	1,016,694	-38,888	9,228		1,187,509	4,347,542
Comprehensive income for the year			22,951	-35,942		247,832	234,843
Total change before transactions with owners			22,951	-35,942		247,832	234,843
New share issue	80,000						80,000
Group contributions paid						-164,900	-164,900
Tax on Group contributions paid						36,278	36,278
Equity as of 31 December 2015	2,253,000	1,016,694	-15,937	-26,714		1,306,720	4,533,761

¹ For more information see Note 31.

Cash-flow Statement

		Group		Parent Company	
SEK thousand	Note	2015	2014	2015	2014
Cash flow from income statement					
Interest received	2	1,639,728	2,079,449	1,622,340	2,062,043
Interest paid	2	-888,110	-1,473,976	-888,120	-1,474,000
Commission received	3	9,987	14,082	9,672	13,223
Commission paid	4	-35,335	-28,037	-35,335	-28,037
Net receipts of financial transactions	5	43,938	-23,888	43,938	-23,888
Other operating cash receipts		2,535	1,474	2,535	1,466
Administrative expenses paid		-370,946	-338,733	-368,782	-337,161
Recovery of previously confirmed losses		6,224	1,004	6,224	950
Income tax paid		-46,814	0	-46,003	0
Total cash flow from income statement		361,207	231,375	346,469	214,596
Cash flow from balance sheet					
Increase (-)/decrease (+) Loans to credit institutions		0	0	0	0
Increase (-)/decrease (+) Loans to the public		-2,810,812	-964,299	-3,117,041	-943,070
Increase (-)/decrease (+) Bonds and other interest-bearing securities		3,207,946	-1,994,883	3,207,946	-1,994,883
Increase (+)/decrease (-) Liabilities to credit institutions		-54,095	190,432	-102,721	239,093
Increase (+)/decrease (-) Borrowing from the public		4,480,897	3,681,814	4,480,897	3,681,814
Increase (+)/decrease (-) Debt securities in issue, etc.		-5,227,822	-1,062,898	-5,227,822	-1,062,898
Change in other balance-sheet items					
Increase (-) /decrease (+) Other assets		14,690	-26,422	13,991	-24,942
Increase (+)/decrease (-) Other liabilities		3,527	92,427	276,642	91,974
Total cash flow from balance sheet		-385,669	-83,829	-468,108	-12,912
Cash flow from operating activities					
		-24,462	147,546	-121,639	201,684
Investment activities					
Dividends and Group contributions received		-	-	-	-
Group contributions paid		-	-	-	-
Change in intangible and tangible non-current assets					
Purchase of intangible non-current assets		-	-6,087	-	-6,087
Purchase of tangible non-current assets		-2,720	-15,142	-2,720	-15,142
Sale of tangible non-current assets		-	-0	-	-
Total cash flow from investment activities		-2,720	-21,229	-2,720	-21,229
Cash flow from financing activities					
New share issue		80,000	56,000	80,000	56,000
Subordinated liabilities		-200 000	-	-200 000	-
Dividends and Group contributions paid		-176,700	-155,750	-176,700	-155,750
Total cash flow from financing activities		-296,700	-99,750	-296,700	-99,750
Cash flow for the period					
		-323,882	26,567	-421,059	80,705
Change in cash and cash equivalents	37	-323,882	26,567	-421,059	80,705
Cash and cash equivalents at beginning of year		720,333	693,766	813,558	732,853
Cash and cash equivalents at year end		396,451	720,333	392,499	813,558

Five-year Summary

Earnings trend Landshypotek Bank AB – Group

MSEK	2015	2014	2013	2012	2011
INCOME STATEMENT					
Net interest income	778.7	677.4	656.5	577.8	505.0
Operating income excl. net interest income*	-15.0	133.7	-52.1	-56.2	234.5
Operating expenses	-367.5	-330.0	-272.6	-242.3	-211.4
Depreciation and amortisation	-19.7	-16.5	-10.5	-2.2	-5.4
Loan losses	-45.9	-79.6	-54.4	-22.1	-8.9
Operating profit	330.6	384.9	266.8	254.9	513.9
BALANCE SHEET					
Assets					
Loans to the public, net	64,501	61,743	60,859	58,885	55,580
Other assets	16,218	20,363	17,114	18,592	15,224
Total assets	80,719	82,106	77,973	77,477	70,804
Liabilities					
Borrowing	74,216	75,570	71,525	71,103	65,330
Other liabilities	1,946	2,206	2,327	2,568	1,606
Untaxed reserves	-	-	-	-	-
Equity	4,557	4,330	4,121	3,806	3,868
Total liabilities and equity	80,719	82,106	77,973	77,477	70,804
Key financial ratios					
Interest margin	1.2 %	1.1 %	1.1 %	1.0 %	0.9 %
Return on equity	5.7 %	7.0 %	5.1 %	4.6 %	13.4 %
Loan loss level	0.07 %	0.13 %	0.09 %	0.04 %	0.02 %

* Other operating income includes the net result of financial transactions. For 2015, this item amounted to MSEK 7.8 (146.2).
See the explanation in the Administration Report under the heading "Profit and profitability".

In 2010 and 2011, sales of operating properties took place, whereby Landshypotek Bank recognised capital gains of MSEK 68 and MSEK 230 respectively.

Risk and Capital Management

To provide its members with financing, Landshypotek Bank undertakes various risks that must be managed. The bank strives to achieve a high degree of risk awareness and low degree of risk undertaking in its operations.

Risk awareness and risk undertaking

Risk arises in all financial operations. Sound management of these risks is a core focus at Landshypotek Bank. The foundation of sound risk management is a strong, shared risk culture with responsibility and decision making based on solid knowledge of the bank's customers.

Landshypotek Bank strives to achieve a high degree of risk awareness and a low degree of risk undertaking. A high degree of risk awareness means that each employee understands the risks implied for the company by the individual's work duties, the degree of risk undertaking that is acceptable and how the individual needs to behave so as to avoid exceeding the acceptable level of risk. Low risk undertaking is achieved through a combination of a high degree of risk awareness and a low acceptance level for risk undertaking, a distinct decision-making structure, shared definitions and assessment principles, as well as highly developed tools for risk assessment. The Board specifies the acceptance level for risk undertaking and the CEO ensures that this level of acceptance is implemented in business activities.

Risk organisation and responsibility

Landshypotek Bank's risk management is based on three lines of defence.

The Bank's business operations comprise the first line of defence, which has full responsibility for the risks and the results that arise out of these operations. This is where the employees are located with the best knowledge of the customers and the local market.

The second line of defence comprises the risk organisation, which is independent from business operations. It is responsible for identification, quantification, analysis and reporting of all risks. The risk organisation maintains policies and frameworks that facilitate risk assessment as well as contributes expert knowledge, it also functions as an advisor during decision making and ensures that decisions are consistent with the risk tolerances established by the Board. The overriding task of the Compliance Unit is to identify, measure and report compliance risks.

The third line of defence, Internal Audit, comprises an independent auditing body, directly subordinate to the Board. This function examines the first and the second lines of defence. It improves operations by evaluating risk management, governance and internal control.

The Board of Directors has the ultimate responsibility for risk management and ensuring that operations are conducted with a satisfactory level of internal control. The Board decides, inter alia, the policies that determine the manner in which the various business risks should be managed and the acceptable level of risk undertaking. Three Board Committees are in place to support this work; the Risk and Capital Committee, the Credit Committee and the Audit Committee. Their primary tasks are detailed in the corporate governance section on pages 22-23. Subordinated to the Board, its committees and the CEO are advisory committees with different mandates.

The Credit Unit, which is part of the risk organisation, is responsible for managing and controlling the bank's credit granting process. The unit is also responsible for analysing the credits and managing insolvency matters. Its work is governed at an overriding level by the risk and credit policies as established by the Board. The unit also issues internal instructions for credit granting and supplementary requirements for the operations that aim to create duality between the business operations and the independent risk organisation. The head of the independent risk organisation reports to the CEO and Board of Landshypotek Bank.

The Chief Financial Officer is responsible for Landshypotek Bank's borrowing, management of equity, liabilities and liquidity as well as risk management related to these areas. Operations are regulated by the risk and finance policies established by the Board. The Chief Financial Officer reports to the CEO of Landshypotek Bank.

Credit risk

Landshypotek Bank has defined credit risk as follows:

The risk that Landshypotek Bank does not receive payment as agreed and the risk that the value of the collateral is not adequate and therefore will not cover the outstanding claim.

Credit scoring and approval process

The Credit policy provides parameters and guidelines for the policies applicable, at any time, when granting credit in Landshypotek Bank. The aim is to ensure a favourable and long-term sustainable credit portfolio with well-balanced profitability in relation to risk. All granting of credit at Landshypotek Bank is to be based on customers' repayment capacity and loans are only granted if, based on sound reasoning, commitments can be expected to be fulfilled. Credit is only to be granted for purposes that Landshypotek Bank knows well. Credit is only granted after first conducting an analysis of the individual customer and/or the limit group as a whole when applicable. Furthermore, in addition to the repayment capacity, collateral is analysed, which principally comprises real property in the form of agricultural and forest properties. Landshypotek Bank's riskclassification models comprise a key element of credit analysis. Landshypotek Bank grants loans mainly against mortgage deeds in real property within 75 percent of an internally assessed LTV ratio. This value is to represent a long-term, sustainable value for the collateral in question, in other words, based on the market value, but with adjustments for items such as the value of harvestable wood. In addition, the company offers loans with EU support as collateral (EU loans). To reduce the risk of loss, some borrowers need to provide additional collateral such as sureties and chattel mortgages. For the purpose of capturing the total amount of credit granted to an individual customer or a group of customers with internal ties, credit limit groups are created. These are applied to ensure that credit concentrations do not become too large and that all participants relevant to the loan are risk assessed. All granting of

credit is performed pursuant to a credit mandate matrix approved by the Board, which is governed by parameters such as limit amount, PD risk class and LTV ratio. There are four mandate levels, with officer level as the lowest and Board level as the highest. Credit decisions must be made by at least two officers jointly.

Valuation of collateral – agricultural and forest properties

Regional office staff are assisted in the valuation process by the organisation of representatives of Landshypotek Ekonomisk Förening. The network of representatives ensures that all properties are correctly valued and that the valuations are based on documented industry experience and a high degree of familiarity with local conditions. All of the association's ten regions have a local board comprising four to eight members. It is these members who together comprise the network of representatives in Landshypotek Ekonomisk Förening. Members of the network of representatives are members of Landshypotek Ekonomisk Förening. Valuations can also be outsourced to other external parties.

Credit portfolio monitoring

In addition to credits being monitored at portfolio level, the credit portfolio is also regularly examined in terms of geography and, to a degree, limit group. Yearly credit monitoring is performed for all limit groups with credit limits over MSEK 5. In addition, an annual report is required for customers with poorer PD risk classes. Landshypotek Bank's exposure values as of 31 December 2015 is shown in the table on page 19. Landshypotek Bank

Derivative instruments and liquidity by rating

SEK thousand	Covered bonds	Municipal bonds	Bonds issued by Kommuninvest Sverige AB
AAA	8,270,485	1,758,969	736,222
AA+		2,619,812	
Total	8,270,485	4,378,781	736,222

SEK thousand	Positive gross market-value excl. premium for potential future exposure	Positive gross market value	Positive gross market-value incl. premium for potential future exposure, adjusted for bilateral netting agreements
AA–	1,178,458	921,203	643,775
A	262,639	98,352	65,715
A–	898,842	683,965	593,811
BBB*	398,555	361,086	398,555
Total	2,738,494	2,064,606	1,701,856

* Landshypotek Bank received SEK 393,603,000 in cash collateral under derivative contracts. This cash collateral has not been taken in to account in the above figures.

has been unable to identify any major concentration within the farming and forestry sectors to any individual branch or geographic area in Sweden.

Overview of credit portfolio

In 2015, Landshypotek Bank's lending rose from MSEK 61,743 to MSEK 64,501, up 4.5 percent as compared with the Consumer Price Index for the same period, which increased 0.1 percent.

Problem loans/ Management methods

An insolvency group is in place within the bank that manages problem loans. Provisions are made on an individual basis for doubtful credits¹. The management of unsettled commitments is performed with the aim of reducing the risk of loss and the proportion of loans outside the pool for covered bonds.

The exposure value for defaulting counterparties amounted to MSEK 1,017².

¹ Definitions page 46.

² Includes infected loans with the same counterparty.

Counterparty risks

Landshypotek Bank's counterparty risks comprise credit risk for counterparties in the liquidity portfolio, for counterparties with whom Landshypotek Bank has derivative transactions and for counterparties with whom the bank has deposits and any cash collateral. Landshypotek Bank's holdings in the liquidity portfolio comprise interest-bearing securities with high credit ratings and are all issued by Nordic credit institutions, Swedish municipalities or county councils. The purpose of the liquidity portfolio is to reduce Landshypotek Bank's liquidity risk. Landshypotek Bank enters into derivative transactions (swap contracts) to reduce interest rate and currency risk.

Counterparties with whom Landshypotek Bank enters into swap contracts are Swedish or international banks with high credit ratings and with whom International Swaps and Derivatives Association (ISDA) agreements and unilateral Credit Support Annexes (CSAs) to Landshypotek Bank's benefit are in place, which reduce counterparty risk. Landshypotek Bank never pledges collateral since the derivative contracts are in the pool for covered bonds. Landshypotek Bank derivative counterparties must pledge collateral when their short-term

Fixed-interest terms for interest-bearing assets and liabilities, 2015

SEK thousand	< 3 months	3-12 months	1-3 years	3-5 years	> 5 years	Total
Assets						
Loans to credit institutions	396,214					396,214
Loans to the public	37,530,509	8,840,954	12,898,375	4,249,251	1,013,913	64,533,001
Bonds and other interest-bearing securities	5,555,000	4,900,000	1,800,000	700,000		12,955,000
Derivatives	26,635,728	7,144,316	8,911,368	6,709,316	5,950,031	55,350,759
Total assets	70,117,451	20,885,270	23,609,743	11,658,567	6,963,944	133,234,974
Liabilities						
Liabilities to credit institutions	393,227					393,227
Borrowing/deposits from the public	10,309,718					10,309,718
Debt securities in issue	27,018,000	8,044,316	12,746,368	7,559,316	6,050,031	61,418,031
Derivatives	32,530,153	11,800,000	9,035,000	1,669,000	710,000	55,744,153
Subordinated liabilities	430,000		70,000			500,000
Total liabilities	70,681,098	19,844,316	21,851,368	9,228,316	6,760,031	128,365,129
Net	-563,647	1,040,954	1,758,375	2,430,251	203,913	4,869,845
Interest-rate sensitivity, net	13,192	-6,410	-30,711	-85,400	-2,131	-111,460
Cumulative interest-rate sensitivity	13,192	6,782	-23,929	-109,329	-111,460	

The above table includes all the nominal amounts (absolute values) under the time slots when interest is reset. This differs from the maturity analysis, which includes all contracted flows, that is, nominal amounts plus contracted interest payments.

ratings are lower than A-1. The Chief Financial Officer has overall responsibility for management of counterparty risk.

Market risk

Market risk is defined as:

The risk, excluding the risk of default that the value of assets, liabilities and/or financial contracts is negatively affected by changes in general economic conditions or events that affect a large part of the market as well as by purely company-specific events.

The market risks to which Landshypotek Bank is exposed are interest-rate risk, currency risk, credit-spread risk, basis-spread risk and credit valuation adjustment risk.

Interest-rate risk

Interest-rate risk arises when fixed-interest terms for assets and liabilities are mismatched and is measured, inter alia, as the changes in the market values that occur if there is a parallel shift in the interest-rate curve. At

year end, the interest-rate risk for a parallel movement of the interest-rate curve of one percentage point amounted to negative MSEK 111.

Currency risk

Landshypotek Bank has parts of its financing in currencies other than SEK. Where financing is done in currencies other than SEK, the currency risk is managed by hedging foreign currency cash flows with swap contracts (SEK against the foreign currency) that fall due on the payment date. Marginal differences may arise. At 31 December 2015, all currency risk was managed with derivatives. For further information; see Note 36.

Basis-spread risk and credit-spread risk

Basis-spread risk arises for Landshypotek Bank when the currency risk that arises in conjunction with borrowing in a foreign currency is reduced by swapping payments in foreign currency for payments in Swedish currency through cross-currency interest-rate swaps. Basis spreads have been volatile in recent years and can contribute to relatively substantial impacts on

Maturity analysis for financial assets and liabilities, 2015

SEK thousand	< 3 months	3-12 months	1-3 years	3-5 years	> 5 years	Total
Financial assets						
Loans to credit institutions	396,214					396,214
Loans to the public	37,813,347	9,162,408	13,309,868	4,394,415	1,071,702	65,751,739
Bonds and other interest-bearing securities	219,170	6,691,247	3,876,500	2,641,000		13,427,917
Derivatives	113,545	3,062,295	3,239,033	2,156,189	4,908,880	13,479,942
Total	38,542,276	18,915,950	20,425,401	9,191,603	5,980,583	93,055,813
Financial liabilities						
Liabilities to credit institutions	393,227					393,227
Borrowing/deposits from the public	10,309,718					10,309,718
Granted credit facilities	643,919					643,919
Debt securities in issue	5,215,689	14,120,599	23,601,066	15,062,998	7,895,380	65,895,732
Derivatives	86,572	2,671,732	2,430,931	2,002,375	3,546,602	10,738,212
Subordinated liabilities	3,740	4,074	504,074			511,888
Total	16,652,866	16,796,405	26,536,071	17,065,372	11,441,982	88,492,696
Contracted cash flows	21,889,410	2,119,545	-6,110,670	-7,873,769	-5,461,399	4,563,117

The above table includes all contracted cash flows. The amounts are not discounted and are recognised during the time slot when the Landshypotek is entitled to request payment or has an obligation or right to repay. Future variable rates of interest have been included in the calculation for derivatives and financial liabilities, but not for loans to the public, which reflects what would happen if operations were to cease as of 31 December 2015. The calculation of future rates of interest is based on forward rates plus any credit spreads.

earnings. However, if Landshypotek Bank does not close the swap agreements, the net impact on earnings when the swap agreements mature would be zero. Due to increased volatility in basis spreads, Landshypotek Bank has chosen not to take up any funding in foreign currencies since 2011. Credit-spread risk arises from fluctuations in credit spreads in Landshypotek Bank's liquidity portfolio and its effect impacts earnings.

Credit valuation adjustment risk

This risk arises when the credit ratings of counterparties in the bank's derivative contracts decline, thereby reducing the value of the respective derivative. This risk is mitigated by the fact that the bank's counterparties are obliged to pledge collateral and exchange contracts on reaching a specified rating and, since 2014, capital adequacy has been met for this risk as a Pillar I risk (see Note 32).

Liquidity risk

Landshypotek Bank defines liquidity risk as follows:

The risk of being unable to discharge its payment obligations without a substantial increase in the cost of obtaining funds.

To a great extent, Landshypotek Bank is dependent on market funding and the inability to discharge payment obligations connected to market funding can have immediate and serious consequences for Landshypotek Bank. Therefore, the risk appetite for liquidity risks is low and conservative limits apply.

In order to maintain good payment capacity, the Board has decided, inter alia, that cash and cash equivalents should be available that correspond to the forecast, accumulated net cash outflows for the next 180-day period and the outflows of deposits in periods of stress, without any possibility of refinancing. None of the liquidity limits were exceeded in 2015. At 31 December 2015, the liquidity portfolio was 1.6 times larger than the need for refinancing over the next six months.

Landshypotek Bank's holdings in its liquidity portfolio are of the type that may be used as security for loans from the Riksbank (Sweden's central bank). In this case, the Riksbank is the "lender of last resort". The liquidity reserve consists of securities issued by Nordic institutions with a high credit rating and the liquidity portfolio primarily comprises covered bonds and, to a certain extent, bonds issued by

Swedish municipalities and county councils as well as Kommuninvest. This liquidity reserve gives Landshypotek Bank the opportunity of bridging temporary strains on liquidity, but also provides the opportunity of procuring the necessary funds in times of severe liquidity crisis by selling assets in an orderly fashion, or reducing the financing need. Landshypotek Bank has also set a floor for the liquidity reserve, based on it covering net outflows over a 30-day significant stress period in accordance with external regulations. For contracted flows, a 33-day period is used however. At 31 December 2015, the bank's LCR under EU Regulation 575/2013 and Commission Delegated Regulation (EU) 2015/61 was 374 percent for Landshypotek Bank's consolidated situation and 370 percent for Landshypotek Bank. At the same date, 53 percent of the bank's liquidity reserve was in the pool for covered bonds.

Landshypotek Bank has started to offer deposits with the aim of diversifying its funding and, thereby, reducing liquidity risk. At the start of 2014, Landshypotek Bank launched an online bank where deposit accounts can be opened digitally and, which allows customers to move deposits between accounts inside and outside the bank. Since then, deposits with the bank have grown robustly during the year and at year end totalled SEK 10.3 billion. Landshypotek Bank performs regular stress tests of liquidity risk. The stress tests implemented include a decline in value of the liquidity portfolio, reduced capital repayments and interest income, lack of new borrowing and withdrawals of deposits. The results of the stress tests demonstrate that Landshypotek Bank has an extremely healthy payment capacity.

Operational risk

Operational risk is defined by Landshypotek Bank as follows:

The risk of losses as a result of inadequate or failed internal processes, human error, faulty systems and external events including legal risks.

Followup of operational risk in Landshypotek Bank is performed partly through incident reporting. Reported incidents are then conveyed to Landshypotek Bank's Board and Bank Management and follow-up is carried out regarding whether action plans are implemented to reduce the risk of repeated incidents.

Once a year, risk mapping of the bank is performed for the purpose of identifying and reducing significant operational risks. Each operational risk identified is

assessed based on its probability and consequences. Landshypotek Bank implemented a developed procedure for New Product Approval (NPAP). This is aimed at ensuring, to a greater degree, that implications stemming from Landshypotek Bank's new products and services can be managed by all involved parts of the bank prior to implementing the new products and services. A key element of this procedure comprises the participation of representatives from all internal functions at Landshypotek Bank in the approval procedure.

Internal capital and liquidity adequacy assessment processes

In order to evaluate its capital requirement, Landshypotek Bank has developed internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP). The ICAAP and ILAAP result in a detailed report of Landshypotek Bank's risk profile and an assessment of the capital requirement in forthcoming years. The ICAAP and ILAAP include all types of material risks for the bank. Besides credit risks, market risks and operational risks, which have capital adequacy requirements under detailed Pillar I rules, within the framework of the Basel III rules, Landshypotek Bank also takes into consideration Pillar II risks in the form of interest-rate risk, currency risk, basis-spread risk, credit-spread risk, strategic risk, rating risk and concentration risk within the framework of the collective capital assessment. Stress tests are also performed for the purpose, inter alia, of calculating a capital planning buffer.

In the 2015 capital assessment, regulatory requirements (the transitional rule related to the Basel I requirements) including the capital planning buffer gave rise to the largest capital requirement, SEK 4.6 billion, for Landshypotek Bank's consolidated situation. The ICAAP for 2016 has not yet been carried out.

Capital situation

The total capital ratio³ under the Basel III rules was 26.08 percent for Landshypotek Bank's consolidated situation. Own funds amounted to MSEK 4,934 and the own funds requirement was MSEK 1,514. Changes in regulations together with the ongoing restructuring of the farming and forestry sectors are expected to lead to changed capital requirements under Basel III. In addition to the Pillar I capital requirement of 8 percent, the capital conservation buffer requirement is 2.5 percent of the total risk-exposure amount and, from 13 September 2015, the countercyclical capital buffer requirement

is 1.0 percent of the total risk-weighted amount⁴. The capital conservation buffer and the countercyclical buffer must be covered by Common Equity Tier 1 capital (CET1 capital). The Bank's remaining CET1 capital to cover the buffer requirements, corresponds to 17.4 percent of the total risk exposure amount at 31 December 2015. If an institution has insufficient capital to cover the buffer requirements, it must submit a plan to the Swedish Financial Supervisory Authority disclosing how it will meet the buffer requirements within a reasonable period of time. In addition, the institution risks restrictions in the form of bans proscribing actions, such as the payment of dividends and certain types of variable remuneration⁵. However, the buffer requirements differ from other regulatory capital requirements, since not meeting them is allowed on a temporary basis. Accordingly, the buffer requirements are not included under the capital requirement recognised under the Basel III rules.

When calculating the capital requirements under the Basel III credit-risk rules, Landshypotek Bank applies the Internal Ratingsbased (IRB) Approach for retail exposures, which comprise the majority of the bank's creditrisk exposures. For other creditrisk exposures, standardised approach is used. Landshypotek Bank applies the Basic Indicator approach to measure capital requirements for operational risk and the standardised approach to calculate capital requirements for credit valuation adjustment risk, but has no Pillar I capital requirement for market risk.

The total capital ratio under the transitional rules linked to the Basel I requirement amounted to 9.7 percent. Own funds amounted to MSEK 5,133 and the own funds requirement was MSEK 4,220.

Additional capital adequacy information can be found in Note 32.

Return on equity

The owner directive sets a target for the bank of generating earnings after tax in relation to equity of five percentage points above the interest rate on a two-year swap contract. In 2015, the target for return on equity was 5.3 percent. The actual return in 2015 was 4.9 percent.

³ Corresponds to the term capital adequacy ratio, which was used previously.

⁴ The countercyclical buffer will, as planned, be raised to 1.5 percent from 27 June 2016 and possibly to 2.0 percent from 19 March 2017.

⁵ Provided that the institute does not meet the requirements for the maximum distributable amount.

Notes

Note 1 Accounting policies

Basis for preparing the annual accounts

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of the above as published by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. Furthermore, the Swedish Financial Supervisory Authority's regulations and general guidelines for annual reports in credit institutions and securities companies (FFFS 2008:25, including amendments), the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and the recommendations of the Swedish Financial Reporting Board, RFR 1, Supplementary Accounting Rules for Groups are also applied.

The Parent Company, Landshypotek Bank AB, applies statutory IFRS, which means that the legal entity's financial statements must apply all of the IFRSs and statements adopted by the EU, in so far as this is possible within the framework of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act and after taking into account the relationship between accounting and taxation. Permissible exceptions and supplements to IFRS are stated in the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) as well as the Swedish Financial Supervisory Authority's regulations and general guidelines for annual reports in credit institutions and securities companies (FFFS 2008:25). Differences in accounting policies between the Group and the Parent Company are set out under each heading below.

Definitions and comparative data

The Landshypotek Group includes Landshypotek Bank AB and the subsidiary Landshypotek Jordbrukskredit AB as well as dormant companies. In running text in the Annual Report, "Landshypotek Bank" refers to the Group as defined above.

The complete corporate names are used for individual Group companies. The Parent Company's functional currency and the Group's presentation currency are SEK. All amounts are reported, unless otherwise specified, in SEK thousands. Comparative figures for the preceding year are stated in parentheses.

Standards, amendments and interpretations coming into effect during the year

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities* as well as changes in IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* have all been adopted by the EU and will be applied from 1 January 2014. Since the Group only comprises wholly owned subsidiaries over which the Parent Company exercises a controlling influence, the new regulations will not require any changes in the financial reporting.

IFRIC 21 *Levies* is an interpretation related to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, but also includes liabilities where the timing and amount of the levy is certain. A "levy" is defined as a fee imposed on a company by a government body through laws and regulations. The interpretation states that a liability is recognised when the company has an obligating event that triggers payment of the levy, but does not define whether recognition of the liability gives rise to an asset or an expense. IFRIC 21 has had no impact on Landshypotek's reporting.

New standards, amendments and interpretations as well as annual improvement projects that have not yet come into effect and were not applied in advance by the Group

• IFRS 9 *Financial Instruments* will replace IAS 39 *Financial Instruments*.

There will be three measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). How an instrument is classified depends on the business model and the nature of the instrument. A new approach for calculating provisions for credit losses is being implemented and calculations are based on expected loan losses. Using the fair value option, the classification and measurement of financial liabilities has been changed to recognition at FVTPL. In this case, changes in credit risk are presented in other comprehensive income. Hedge accounting requirements have been changed through the replacement of the 80–125 % effectiveness rule with requirements for an economic relationship between the hedged item and underlying instruments and that the hedge ratio is the same as that used in the risk management. The standard becomes effective as of 1 January 2018. The Group has yet to evaluate the impact of implementing the standard.

• IFRS 7 *Insurance Contracts*

It is as yet, too early to predict how this will impact Landshypotek Bank's reporting. Preliminary plans are to apply the amendments from 2017. The amendments have not yet been adopted by the EU.

• IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 enters force on 1 January 2018 and replaces all previously issued standards and interpretations pertaining to revenue recognition (including IAS 11 *Construction Contracts* and IAS 18 *Revenue*). The standard describes how a contract and its various components are identified, how the contract price is determined and allocated to the various performance obligations, and how revenue is recognised when the performance obligation vis-à-vis the customer has been fulfilled. The group has yet to evaluate the impact of IFRS 15 on the financial reporting.

Other new standards, amendments and interpretations as well as annual improvement projects that have not yet come into force were not considered to have any material impact on the consolidated financial statements.

Consolidated accounting

The consolidated financial statements encompass the Parent Company and its subsidiaries. All subsidiaries are 100-percent owned by Landshypotek Bank AB. Subsidiaries are consolidated in accordance with the purchase method of accounting. All companies in the Group are Swedish limited liability companies with SEK as their accounting currency. Landshypotek Bank AB has no associated companies, other joint arrangements or unconsolidated structured entities. The subsidiaries are all companies where the Parent Company exercises a controlling influence. Controlling influence means that the Parent Company is exposed to, or has the right to, returns from subsidiaries and the ability to affect those returns through exercising its influence. Subsidiaries are included in the consolidated accounts as of the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated accounts as of the date on which the controlling influence ceases to apply. The purchase method is used to report Group acquisitions of subsidiaries. The cost comprises the fair value of all assets, liabilities and issued equity instruments placed as consideration for net assets in the subsidiary. Any surplus due to the cost exceeding the identifiable net assets of the acquisition balance is recognised as goodwill. Transaction costs are recognised directly in profit or loss.

Operating segments

An operating segment is a part of a company that generates income and costs through its operations, and its operating profit is regularly reviewed by the company's chief operating decision maker (CODM) as the basis for decisions pertaining to the allocation of resources and assessment of the segment's results. Furthermore, an operating segment has separate financial information. Landshypotek Bank offers loans in Sweden with real property as collateral. Customer deposits are included as an element of Landshypotek Bank's funding. For follow-up and reporting to the CODM, the operations are viewed as one operating segment.

Additional information in line with IFRS 8, paragraphs 32-34, is not provided in the Annual Report since customer deposits do not generate any income, the operations are conducted in one geographic area and no single customer of Landshypotek Bank accounts for 10 percent or more of the company's income.

Measurement of receivables and liabilities in foreign currency

Transactions in foreign currency are measured in the functional currency at the rate of exchange prevailing on the transaction date. Monetary assets and liabilities in foreign currency are measured in the functional currency at the rate of exchange prevailing on the balance sheet date. Exchange-rate differences that arise on translation of balance sheet items in foreign currency are recognised in profit or loss as exchange-rate gains or losses.

Classification and measurement rules for financial assets

Financial assets are divided into the following categories for measurement:

- 1 Loans and receivables
- 2 Financial assets at FVTPL
- 3 Available-for-sale financial assets, Loans to credit institutions and loans to the public are classified as "Loans and receivables." This means that they are measured at amortised cost.

Bonds and other interest-bearing securities are classified as "Available-for-sale financial assets" or as "Financial assets at FVTPL." The classification is determined for each specific transaction. These assets are valued at fair value in the balance sheet regardless of classification. The following applies to those holdings classified as "Available-for-sale financial assets": Initial recognition is performed at fair value plus transaction costs. Gains and losses that arise as a result of changes in value are recognised after taxes via other comprehensive income in the fair-value reserve under equity until the financial asset is sold or impaired. When objective indications exist that a financial asset's recoverable amount is less than the carrying amount, an impairment test is performed. The need for impairment is defined as the difference between cost and actual fair value less any previous impairment recognised in profit or loss. When the asset is sold or impaired, the accumulated gain or loss, previously recognised in equity, is recognised in profit or loss.

For bonds and other interest-bearing securities classified as "Financial assets at FVTPL", the following applies: These assets are initially recognised at fair value and transaction costs are recognised in profit or loss. The gains and losses arising as a result of changes in value are recognised in profit or loss under the heading "Net result of financial transactions." Regardless of classification, interest income is recognised in profit or loss with application of the effective-interest method.

Derivative instruments with a positive market value are classified as "Financial assets at FVTPL". Gains and losses that arise as a result of unrealised changes in value are recognised on an ongoing basis in profit or loss under the item "Net result of financial transactions." Upon sale or impairment, the accumulated gain or loss is recognised under the item "Net result of financial transactions." Accrued and realised interest in derivative instruments is recognised net as an interest expense.

Financial assets are derecognised from the balance sheet when the right to receive cash flows from the instruments expires or is transferred and the Group has transferred virtually all risks and benefits associated with the right of ownership.

Classification and measurement of financial liabilities

For measurement purposes, financial liabilities are divided into two categories:

- 1 Other financial liabilities
- 2 Financial liabilities at FVTPL

Liabilities to credit institutions, and borrowing from the public,

debt securities in issue and subordinated liabilities are classified as "Other financial liabilities." Other financial liabilities are recognised at amortised cost by using the effective-interest method. Transaction costs directly attributable to a specific liability are added to the cost and consideration is given thereto when calculating amortised cost. Recognition of financial liabilities subject to hedge accounting is dealt with in the section on Hedge accounting.

Derivative instruments with a negative market value are classified as "Financial liabilities at FVTPL." Gains and losses that arise as a result of unrealised changes in value are recognised on a current basis in profit or loss under the item "Net result of financial transactions." Upon sale or impairment, the accumulated gain or loss is recognised under the item "Net result of financial transactions." Accrued and realised interest in derivative instruments is recognised net as an interest expense.

Financial liabilities are derecognised from the balance sheet when the obligation to pay cash flows from the instruments has expired or been transferred and the Group has largely transferred all risks and obligations associated with the liability.

Transaction-date or settlement-date accounting

Financial assets and liabilities attributable to lending and deposits are recognised on the settlement date. Business transactions in the money, bond or equity markets are recognised on the transaction date when the material rights and risks transfer between the parties.

Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical form. An asset is a resource, over which control is exercised by the company that is expected to yield future economic benefits. Expenses associated with intangible assets are capitalised from the point in time when it is probable that the economic benefits that can be calculated in a reliable manner will arise. Amortisation is based on the economic life of the asset and starts when the asset is put to use. Intangible assets are amortised over a period of three to seven years. An impairment test is performed when there is an indication that the asset may have diminished in value.

Tangible assets

Tangible assets consist mainly of real property. Properties are valued at cost less accumulated depreciation. Each part of a tangible non-current asset with a cost that is significant relative to the aggregate cost of the asset is depreciated separately. The depreciation method used reflects how the future economic benefits of the asset are expected to be used. Landshypotek Bank has produced separate depreciation plans for each significant component. The depreciation periods for the components of properties vary between 20 and 150 years.

Provisions

Provisions consist of recognised expected negative outflows of resources from the Group. Provisions are recognised

when the Group has a legal or informal obligation as a result of events that have occurred when it is probable that an outflow of resources will be required to settle the undertaking. Landshypotek Bank has set aside provisions for future pension obligations and deferred taxes. For more information, refer to the section on Pension Costs.

Interest income and interest expense

Interest income and interest expense on financial assets and liabilities are recognised in profit or loss in accordance with the effective-interest method under the heading "Interest income and interest expense." Landshypotek Bank ceases to recognise interest as income when it is no longer likely that payment will be received. The change in value of financial assets and liabilities measured at FVTPL is recognised under the heading "Net result of financial transactions." This is also true for changes in the fair value of financial assets and liabilities included in hedge accounting.

Hedge accounting

Hedge accounting is divided into different types of hedging relationships, depending on the purpose of the hedge.

Fair-value hedges: The Group applies hedge accounting for parts of its exposure to interest-rate risk in fixed-interest lending against changes in fair value due to movements in interest rates. Interest-rate swaps and cross-currency interest-rate swaps are used for this purpose. Changes in the fair value of a derivative formally identified as a hedging instrument, and which fulfil the requirements for hedge accounting, are recognised in profit or loss under the heading "Net result of financial transactions." In addition, changes in fair value, attributable to the hedged risk, of a hedged liability are also recognised under this heading.

Cash-flow hedges: The Group hedges parts of its exposure to interest-rate risk, in floating interest financial liabilities, against changes in future cash flows due to market interest-rate changes. Interest-rate swaps and cross-currency interest-rate swaps are used for this purpose. The effective portion of changes in the fair value of a derivative instrument identified as a hedging instrument, and which fulfils the requirements for hedge accounting is recognised in equity through other comprehensive income. When the hedged transaction occurs, the accumulated reserve in equity is returned to profit or loss. The gain or loss attributable to the ineffective portion is recognised immediately in profit or loss under the heading "Net result of financial transactions." Cash flows are expected to arise on an ongoing basis over the hedged item's remaining time to maturity.

Macro hedging of fair value in the lending portfolio: The Group applies hedge accounting for parts of its exposure to interest-rate risk in fixed-interest lending against changes in fair value due to movements in interest rates. For this purpose, groups of loans with similar risk exposure are identified as a portfolio, which is then hedged using interest-rate swaps. Changes in the fair value of a derivative formally identified as

a hedging instrument, and which fulfil the requirements for hedge accounting, are recognised in profit or loss under the heading "Net result of financial transactions." Changes in value attributable to the hedged risk for the hedged lending portfolio are recognised in profit or loss under the heading "Net result of financial transactions" and in the balance sheet on a separate line in connection with "Loans to the public."

Discontinuation of hedge accounting: Landshypotek Bank terminates hedge accounting when the hedged item or hedging instrument is sold or expires and when the criteria for hedge accounting are no longer met. Gains or losses, which for cash-flow hedges, were previously recognised in other comprehensive income are transferred to profit or loss in conjunction with divestment of the underlying instrument and recognised there under the heading "Net result of financial transactions." If a fair-value hedge is no longer assessed as effective, the hedging instrument is reclassified as a derivative for trading. The accumulated change in fair value for the hedged item at the point in time when the hedging relationship ends is periodised via net interest income over the hedged item's remaining time to maturity.

Commission income and commission expense

Commission income is attributable to our lending and our borrowing. Income attributable to lending is recognised as revenue on notification and income attributable to borrowing is recognised on the transaction date. Commission expense is primarily attributable to Stability Fund fees to the Swedish National Debt Office and deposit insurance fees, and is expensed over the year.

Net result of financial transactions

Realised gains and losses attributable to the purchase and sale of bonds and derivative instruments in the liquidity portfolio and the buyback of bonds are recognised under the heading "Net result of financial transactions." In addition, unrealised gains and losses attributable to market-value changes of derivative instruments, holdings of financial assets valued at FVTPL and changes in fair value attributable to the hedged risk of the hedged assets or liabilities in a fair-value hedge are also recognised under this heading. When applicable, impairment attributable to available-for-sale financial assets is recognised under this item.

Other income

Income from services sold and external rental income relating to real property owned are reported under "Other income." Results from the sale of operating property are also recognised here.

Personnel costs

All direct personnel costs, including various forms of social security costs and payroll overheads are classified as personnel costs.

Pension costs

Landshypotek Bank's pension obligation under the BTP plan is a defined-benefit pension plan. Landshypotek Bank has funded its obligation via SPK, which manages the assets and administers pension payments on behalf of Landshypotek Bank. The Group recognises primarily the following three items:

- Service costs, i.e. pension entitlement earned for the current and prior periods, as well as gains and losses from settlements
- Net interest income (expense) is calculated on the net of the defined-benefit pension obligation less plan assets through the use of market rates of return on first-class corporate bonds.
- Actuarial gains and losses are recognised in other comprehensive income as they arise together with the return on plan assets and changes in the effect of the asset ceiling excluding the amount included in the net interest income.

The liability recognised in the balance sheet in respect of defined-benefit pension plans is the present value of the defined-benefit obligation on the balance sheet date less the fair value of plan assets. The present value calculation is based on the interest on a first-class corporate bond. The defined-benefit pension obligation is calculated annually by independent actuaries using the "projected unit credit method." For more information about pensions, refer to Note 7 and Note 29.

Other expenses

The "Other expenses" item contains other costs, including operating costs for own properties and marketing expenses.

Loan losses

Receivables of which any component is more than five days overdue are recognised as overdue receivables regardless of the possibility of recovering the receivable by realising collateral. A loan receivable is recognised as a doubtful receivable when an individual assessment indicates that it is unlikely to be paid in accordance with the terms of the loan agreement and where the value of the collateral is feared to be insufficient to cover the value of the receivable with a sufficient margin. The full amount of a receivable is recognised as doubtful, even if parts of the receivable are covered by collateral. For the purpose of calculating the recoverable amount, estimated future cash flows are discounted using the original contract rate of interest. The difference between the loan receivable and the present value of the estimated recovery is reported as a probable loan loss.

Restructuring of loans

Agreements on concessions that entail a restructuring of a loan receivable are only made on an exceptional basis since all lending is against collateral, the value of which is realised in the event of default. When applicable, restructured loan receivables are commented on in the Administration Report.

Tax expenses

Recognised tax expenses include taxes for the current year, adjustments relating to prior years' current taxes and changes in deferred taxes. Deferred taxes are the taxes attributable to all temporary differences that arise between carrying amounts and the fiscal values of assets and liabilities.

Group contributions

Group contributions are recognised in accordance with RFR,2. Yield-related Group contributions paid by Landshypotek Bank AB to the Parent Association, Landshypotek Ekonomisk Förening, are recognised directly in equity in Landshypotek Bank AB. Landshypotek Ekonomisk Förening recognises Group contributions received as financial income. Group contributions paid to reduce the Group's taxes are recognised directly in equity in each company.

Estimates and critical assessments

The application of the Group's accounting policies means that, in certain instances, recognised amounts are based on estimates and assumptions about the future. The estimates and assumptions made are always based on company management's best and fairest assessment of the future and are subject to continual review and validation. Despite this, future outcomes may, to a certain extent, differ from the original assumptions made.

The calculation of Group expenses and obligations for defined-benefit pensions is based on a number of actuarial, demographic and financial assumptions that have a significant impact on recognised amounts. A list of the most critical assumptions used in the calculation of the provision for the year is presented in Note 29.

The value of the Group's loan receivables is subject to continual and individual assessment. If necessary, receivables are impaired to the assessed recoverable amount. In order to estimate the recoverable amount, a number of assessments are carried out, including an assessment of the counterparty's repayment capacity and the realisation value of any collateral. The final outcome may deviate from original provisions for loan losses.

Note 2 Net interest income

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Interest income				
Interest income on loans to credit institutions	-707	6,811	-707	6,800
Interest income on loans to Group companies			0	325
Interest income on loans to the public	1,413,906	1,770,615	1,401,091	1,751,590
Less interest losses	-1,601	-951	-1,582	-946
Interest income on interest-bearing securities	149,221	251,120	149,221	251,120
of which interest income on financial assets at FVTPL	138,361	179,940	138,361	179,940
of which interest income on available-for-sale financial assets	10,860	71,180	10,860	71,180
Other interest income	89	236	64	215
Total	1,560,908	2,027,831	1,548,087	2,009,104
Average interest on loans to the public	2,29 %	2,89 %	2,28 %	2,87 %
All interest income is attributable to the Swedish market.				
Interest expense				
Interest expense for liabilities to Group companies	0	-163	-9	-188
Interest expense for liabilities to credit institutions – other	4,060	-5,891	4,061	-5,891
Interest expense for borrowing/deposits from the public	-80,266	-71,253	-80,266	-71,253
Interest expense for interest-bearing securities	-881,429	-1,309,846	-881,429	-1,309,846
of which interest expense for other financial liabilities in fair value hedges adjusted for the fair value of hedged risk	-617,491	-529,599	-617,491	-529,599
of which interest expense on interest-bearing securities at amortised cost	-381,341	-863,077	-381,341	-863,077
of which periodization of the market value created from terminated hedging commitments*	117,405	82,830	117,405	82,830
Interest expense for subordinated liabilities	-24,389	-33,505	-24,389	-33,505
Interest expense for derivative instruments	209,608	76,639	209,608	76,639
of which interest expense on derivatives at FVTPL	-138,047	-172,699	-138,047	-172,699
of which interest expense on derivatives identified as hedging instruments	461,705	332,169	461,705	332,169
of which reclassification of terminated hedging relationships *	-114,050	-82,830	-114,050	-82,830
of which reclassification of terminated hedging relationships	-9,752	-6,426	-9,525	-6,132
Summa	-782,168	-1,350,444	-781,949	-1,350,175
Summa räntenetto	778,740	677,387	766,138	658,929

* The item includes reduced recognised interest expenses from the periodization of the market value created from terminated fair-value hedging relationships that were terminated in 2013 and 2014. A corresponding amount with a negative impact on earnings, attributable to the decrease in value of hedging instruments (derivatives) in the terminated hedging relationships, has been recognised under the item net result of financial transactions in the 2014 Annual Report. From 2015, these amounts will be recognised net in net interest income. The remaining amount to be periodised is MSEK 449.5, which will continue until August 2029.

Interest expense for 2014, recalculated in line with the reclassification applied from 1 January 2015.
Costs that were directly attributable to borrowing were reclassified to interest expense in 2015.

Note 3 Commission income

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Loan commissions	9,987	14,082	9,672	13,223
Total	9,987	14,082	9,672	13,223

Note 4 Commission expense

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Deposit insurance	-3,675	-1,580	-3,675	-1,580
Stability Fund fees	-31,660	-26,417	-31,660	-26,417
Total	-35,335	-27,997	-35,335	-27,997

Note 5 Net result of financial transactions

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Financial assets at FVTPL				
Realised result of sales of bonds and other interest-bearing securities	43,942	12,033	43,942	12,033
Available-for-sale financial assets				
Realised result of sales of bonds and other interest-bearing securities	27,555	6,781	27,555	6,781
Other financial liabilities				
Realised result on early redemption of own bonds issued	-28,200	-30,409	-28,200	-30,409
Financial liabilities at FVTPL				
Realised result from purchase/sale of derivative contracts	642	-12,292	642	-12,292
Total realised result	43,938	-23,888	43,938	-23,888
Financial assets at FVTPL				
Change in value of bonds and other interest-bearing securities	-119,855	122,077	-119,855	122,077
Change in value of derivatives with positive market values not included in any hedging relationship	-20,028	142,364	-20,028	142,364
Financial liabilities at FVTPL				
Change in value of derivatives with negative market values not included in any hedging relationship	88,487	-92,263	88,487	-92,263
Items included in hedging relationships and subject to hedge accounting				
Change in value of bonds in issue included in fair-value hedge	353,074	-1,234,903	353,074	-1,234,903
Value changes of interest-rate-risk hedged items in macro hedges	-27,580	91,887	-27,580	91,887
Change in value of derivatives included in fair-value hedge	-310,248	1,140,877	-310,248	1,140,877
– Of which reclassification of terminated hedging relationships *	114,048	82,830	114,048	82,830
Total unrealised result	-36,151	170,038	-36,151	170,038
Net result of financial transactions	7,787	146,151	7,787	146,151

* The item includes reduced recognised interest expenses from the periodization of the market value created from terminated fair-value hedging relationships that were terminated in 2013 and 2014. The remaining amount to be periodised is MSEK 449.5, which will continue until August 2029.

Realised result is defined as changes in value that were realised, that is, received/paid from/to a counterparty, for transactions that were closed during the year. Unrealised result is defined as changes in the market values of open positions.

Note 6 Other operating income

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Income from property	1,368	1,649	1,368	1,649
Operating net from repossessed properties	-377	-442	-377	-442
Other	1,544	267	1,544	259
Total	2,535	1,474	2,535	1,466

Note 7 General administrative expenses

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Personnel costs				
Salaries, etc. to CEO, senior executives and Board of Directors	-15,447	-15,672	-15,447	-15,672
Salaries, etc., to other personnel	-84,364	-77,458	-84,364	-77,458
Provision to profit-sharing foundation	-5,506	-3,985	-5,506	-3,985
Pension costs	-16,540	-18,150	-19,169	-21,771
Social insurance charges	-31,798	-28,980	-31,798	-28,980
Other personnel costs	-1,394	-1,007	-1,394	-1,007
Total	-155,049	-145,252	-157,678	-148,873
Specification of pension costs				
Change in provision for pensions	659	369	659	369
Pension premiums	-15,372	-17,033	-15,372	-17,033
of which to senior executives	-1,810	-1,301	-1,810	-1,301
Directly paid pensions	-692	-744	-692	-744
Payroll and yield taxes attributable to pension costs	-3,764	-4,362	-3,764	-4,362
Defined-benefit pension plans	2,629	3,620		
Total	-16,540	-18,150	-19,169	-21,771

Pension costs in the Group are recognised in accordance with IAS 19, Employee Benefits. Pension costs in Landshypotek Bank have been calculated in accordance with the regulations of the Swedish Financial Supervisory Authority.

The company's pension obligations are covered by insurance in Sparinstituten's Pensionskassa and by provisions for pensions covered by credit insurance from FPG (Försäkringsbolaget Pensionsgaranti, mutual). Further information about the pension liability is reported in Note 28.

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Number of male employees	85	79	85	79
Number of female employees	79	73	79	73
Total	164	152	164	152
Average number of salaried employees, including substitutes	156.0	144.0	156.0	144.0
Loans to directors and senior executives				
Loans to directors amount to	116,125	109,402	116,125	109,402
Loans to senior executives amount to	8,935	8,817	8,935	8,817
Directors and senior executives				
Number of directors	15	15	11	10
of which men	5	7	5	5

Cont. **Note 7** General administrative expenses

SEK thousand

	Group		Parent Company	
	2015	2014	2015	2014
Other administrative expenses				
Cost of premises	-14,920	-13,980	-14,920	-13,980
Office expenses	-3,160	-2,894	-3,160	-2,894
Telephone, data networks and postage expenses	-5,883	-6,304	-5,872	-6,292
IT expenses	-74,241	-64,551	-74,241	-64,551
Purchased services	-75,523	-62,688	-74,423	-62,622
Other	-6,486	-6,437	-5,704	-5,172
Fees and expenses to appointed auditors				
Audit assignment	-3,121	-2,665	-3,012	-2,535
Audit activities other than audit assignment	-1,144	-964	-1,144	-964
Tax consultancy	-142	-47	-142	-47
Other services	0	-412	0	-412
Total	-184,620	-160,942	-182,618	-159,469
Total general administrative expenses	-339,668	-306,193	-340,295	-308,341

Remuneration and other benefits, 2015	Basic salary/ Board fees	Other benefits	Pension costs	Other com- pensation	Total
Chairman of the Board Henrik Toll	762			8	770
Board member Hans Heuman	328			37	364
Board member Catharina Lagerstam	265				265
Board member Johan Löwen	478				478
Board member Nils-Fredrik Nyblæus	501			10	511
Board member Charlotte Önnestedt	405				405
Board member Anna-Karin Celsing	233				233
Board member Synnöve Trygg	355			5	360
CEO Liza Nyberg	2,922	91	1,008		4,021
Deputy Managing Director	383	40	118		521
Other senior executives (9 persons)	8,398	210	1,810	18	10,436
	15,028	341	2,936	77	18,383

Remuneration and other benefits, 2014	Basic salary/ Board fees	Other benefits	Pension costs	Other com- pensation	Total
Chairman of the Board Henrik Toll	578			6	584
Board member Hans Heuman	295			57	352
Board member Catharina Lagerstam	327				327
Board member Johan Löwen	278				278
Board member Nils-Fredrik Nyblæus	371			23	394
Board member Charlotte Önnestedt	232				232
Board member Anna-Karin Celsing	193				193
Board member Synnöve Trygg	195			7	202
CEO Kjell Hedman (1 Jan. 2014 - 30 Nov 2014)	2,620	52	901	1,442	5,015
CEO Liza Nyberg (from 1 Nov. 2014)	247	8	187		442
Deputy Managing Director	1,698	185	478		2,361
Other senior executives (6 persons)	6,588	260	2,655	10	9,513
	13,621	505	4,221	1,546	19,893

No variable remuneration or share-based remuneration has been paid.

Cont. Note 7 General administrative expenses

A mutual notice period of six months applies for the CEO and Landshypotek. In case of termination by the company, compensation is payable of up to 12-months' remuneration excluding the notice period. In the case of a sale of the business, whereby Landshypotek and the CEO are not in agreement regarding continued employment, compensation of up to 24-months' remuneration is payable excluding the notice period.

During the year, a severance payment of SEK 1.4 million was made to the former Managing Director. This was because the former Managing Director retired and under a separate agreement received a one-time payment that exchanged salary for a pension contribution.

For other senior executives and Landshypotek, contractual notice periods of between two and six months apply.

Note 8 Depreciation, amortisation and impairment of intangible and tangible non-current assets

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Tangible non-current assets				
Depreciation of furniture, fixtures and equipment	-2,946	-1,744	-2,946	-1,744
Depreciation of real property	-844	-559	-844	-559
Depreciation of land improvements	-25	-28	-25	-28
Intangible non-current assets				
Amortisation of IT system	-15,863	-14,160	-15,863	-14,160
Total	-19,678	-16,491	-19 678	-16,491

Note 9 Other operating expenses

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Marketing expenses	-25,226	-21,020	-25,226	-21,020
Property expenses	-1,087	-1,158	-1,087	-1,158
Other	-1,518	-1,676	-1,515	-1,667
Total	-27,831	-23,854	-27,828	-23,845

Note 10 Net loan losses

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Loan losses				
Year's write-off for confirmed losses	-50,261	-56,266	-48,232	-49,624
Reversal of prior provisions for probable loan losses, recognised as confirmed losses in this year's accounts	49,091	56,487	47,629	50,809
Year's provision for probable loan losses	-82,226	-104,547	-77,091	-85,070
Recovery of previously confirmed losses	6,225	1,004	6,224	950
Reversal of prior provisions no longer necessary for probable loan losses	31,250	23,710	29,518	16,656
Total	-45,921	-79,612	-41,952	-66,278

All loan losses are attributable to loans to the public.

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

Note 11 Income tax on comprehensive income

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Profit before tax	330,615	384,947	318,778	376,817
Income tax calculated at national tax rates	-72,735	-84,688	-70,131	-82,900
Tax effects of:				
Non-taxable income	9	52	3	47
Non-deductible expenses	-784	-813	-784	-813
Adjustment of preceding year's tax expense	-33	1,915	-33	1,915
Total income tax related to profit or loss	-73,544	-83,535	-70,945	-81,750
Weighted-average tax rate	22,2 %	21,7 %	22,3 %	21,7 %
of which current tax	-72,569	-82,851	-70,997	-81,798
of which deferred tax	-975	-684	52	48
Specification of deferred tax				
Deferred tax relating to pension costs	-1,027	-732		
Deferred tax relating to depreciation of real property	52	48	52	48
Deferred tax relating to loss carry-forwards	-	-	-	-
Total change in deferred tax	-975	-684	52	48
The actual tax rate for the year was 22 percent (22) for the Group and the Parent Company. Deferred tax amounted to 22 percent.				
Income tax related to other comprehensive income				
Cash-flow hedges				
Profit/loss before tax	29,425	-9,167	29,425	-9,167
Deferred tax	-6,473	2,017	-6,473	2,017
Profit/loss after tax	22,951	-7,150	22,951	-7,150
Available-for-sale financial instruments				
Profit/loss before tax	-46,078	6,346	-46,078	6,346
Tax	10,137	-1,396	10,137	-1,396
Profit/loss after tax	-35,941	4,950	-35,941	4,950
Actuarial differences				
Profit/loss before tax	40,989	-10,124		
Deferred tax	-9,018	2,227		
Profit/loss after tax	31,971	-7,897		
Other comprehensive income	18,981	-10,098	-12,990	-2,201
Tax	10,137	-1,396	10,137	-1,396
Deferred tax	-15,491	4,244	-6,473	2,017
Total income tax related to other comprehensive income	-5,354	2,848	3,664	621

Note 12 Loans to credit institutions

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Loans to Group companies			70	
Loans to banks	396,214	478,332	392,192	571,557
of which reverse repos	-	-	-	-
Total	396,214	478,332	392,262	571,557

Note 13 Loans to the public

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Loan receivables	64,574,511	61,824,733	64,574,511	61,489,426
Less specific provisions for individually assessed loan receivables	-73,249	-82,138	-73,249	-57,029
Net loan receivables	64,501,262	61,742,595	64,501,262	61,432,397
Disclosures on overdue unimpaired loan receivables				
Loan receivables overdue 5-90 days	102,304	34,748	102,304	34,748
Loan receivables overdue more than 90 days	260,209	754,985	260,209	748,039
Total overdue unimpaired loan receivables	362,513	789,732	362,513	782,786
Disclosures on doubtful credits				
Doubtful credits that are not overdue	151,902	136,605	151,902	125,980
Overdue doubtful credits	266,378	220,443	266,378	206,451
Total doubtful credits, gross	418,281	357,048	418,281	332,431
Less capital provisions made	-73,249	-82,138	-73,249	-57,029
Total doubtful credits, net	345,032	274,910	345,032	275,402
Doubtful credits at beginning of year	357,048	237,253	332,431	215,074
Asset transfer from subsidiaries*			24,617	-
New doubtful credits during year	283,374	253,252	283,374	239,163
Doubtful credits settled during year	-222,142	-133,457	-222,142	-121,806
Doubtful credits at year end	418,281	357,048	418,280	332,431
Capital provisions at beginning of year	-82,138	-62,931	-57,029	-44,567
Asset transfer from subsidiaries*			-24,617	-
Additional provisions during the year	-43,452	-63,737	-43,452	-48,710
Deducted provisions during the year	52,341	44,530	51,849	36,248
Capital provisions at year end	-73,249	-82,138	-73,249	-57,029

* In October 2015, all loans and receivables of Landshypotek Jordbrukskredit AB (556263-8808) were transferred to Landshypotek Bank AB (556500-2762, the Parent Company).

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

Note 14 Bonds and other interest-bearing securities

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Bonds				
Issued by Swedish municipalities	5 110 402	5,073,159	5 110 402	5,073,159
Issued by credit institutions	-	1,005,141	-	1,005,141
Issued by housing finance institutions	8 141 187	10,719,958	8 141 187	10,719,958
of which covered bonds	8 141 187	11,725,099	8 141 187	11,725,099
Total	13 251 589	16,798,258	13 251 589	16,798,258
Valuation of bonds and other interest-bearing securities				
Nominal amount	12 955 000	16,036,000	12 955 000	16,036,000
Amortised cost	13 186 719	16,567,455	13 186 719	16,567,455
Fair value	13 251 589	16,798,258	13 251 589	16,798,258
<i>Bonds and other interest-bearing securities are classified as available-for-sale financial assets or as a trading portfolio.</i>				
Bonds and other interest-bearing securities by category				
Financial assets at FVTPL	7 712 032	10,044,034	7 712 032	10,044,034
Available-for-sale financial assets	5 539 557	6,754,224	5 539 557	6,754,224
Total	13 251 589	16,798,258	13 251 589	16,798,258
Securities pledged pursuant to repurchase agreements (repos)	-	-	-	-

Note 15 Derivatives

Group and Parent Company

SEK thousand	2015		2014	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives not included in hedge accounting				
Positive closing value of interest-rate swaps	-	-	100,000	13,729
Positive closing value of cross-currency interest-rate swaps	2,272,055	323,038	2,709,371	234,447
Total	2,272,055	323,038	2,809,371	248,176
Derivatives included in hedge accounting				
Positive closing value of interest-rate swaps	17,238,000	1,004,653	14,417,312	1,303,118
Positive closing value of cross-currency interest-rate swaps	3,265,471	547,181	3,892,316	496,628
Total	20,503,471	1,551,833	18,309,628	1,799,746
Total	22,775,526	1,874,871	21,118,999	2,047,922

Carrying amounts pertain to market values excluding accrued interest on derivative contracts. Accrued interest is recognised under prepaid expenses and accrued income.

Note 16 Shares and participations in Group companies

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Holdings in credit institutions				
Landshypotek Jordbrukskredit AB 1,000,000 shares with a quotient value of SEK 100			278,287	280,553
Other holdings				
Hypoteksbanken AB, 1,000 shares with a quotient value of SEK 100			100	100
Sveriges Allmänna Hypoteksbank AB 1,000 shares with a quotient value of SEK 100			100	100
Total			278,487	280,753
Dividends and Group contributions received, Jordbrukskredit			-	-
Impairment of shares in Jordbrukskredit			-2,266	-
Net result of shares in Jordbrukskredit			-2,266	-

All subsidiaries are wholly owned.

Note 17 Intangible assets

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Other intangible non-current assets				
Cost at beginning of year	59,047	52,960	59,047	52,960
Purchases during the year		6,087		6,087
Closing cost	59,047	59,047	59,047	59,047
Accumulated amortisation at beginning of year	-22,530	-8,370	-22,530	-8,370
Amortisation for the year	-15,863	-14,160	-15,863	-14,160
Closing accumulated amortisation and impairment	-38,393	-22,530	-38,393	-22,530
Carrying amount	20,654	36,517	20,654	36,517

Intangible non-current assets consist of investments in software.

Note 18 Tangible assets

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Furniture, fixtures and equipment				
Non-current assets				
Cost at beginning of year	24,263	18,509	24,263	18,509
Purchases during the year	2,971	5,754	2,971	5,754
Closing cost	27,234	24,263	27,234	24,263
Accumulated depreciation at beginning of year	-13,667	-12,385	-13,667	-12,385
Depreciation and impairment for the year	-2,946	-1,282	-2,946	-1,282
Closing accumulated depreciation	-16,613	-13,667	-16,613	-13,667
Total furniture, fixtures and equipment	10,621	10,596	10,621	10,596
Buildings and land				
Non-current assets				
Operating properties				
Number of properties	1	1	1	1
Estimated fair value	28,000	28,000	28,000	28,000
Properties taken over in foreclosure to protect claims				
Number of properties	2	1	2	1
Estimated fair value	8,675	8,926	8,675	8,926
Cost at beginning of year	25,197	16,271	25,197	16,271
Foreclosure properties	7,000	8,926	7,000	8,926
Sales	-7,250		-7,250	
Closing cost	24,947	25,197	24,947	25,197
Write-up for the year				
Accumulated depreciation at beginning of year	-3,909	-3,322	-3,909	-3,322
Depreciation for the year	-870	-587	-870	-587
Closing accumulated depreciation	-4,779	-3,909	-4,779	-3,909
Total buildings and land	20,168	21,288	20,168	21,288

Note 19 Other assets

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Announced interest and repayments	737	8,455	737	8,461
Receivables from Group companies	3,127	8,400	3,127	8,400
Surplus in pension plan	30 115	-		
Other receivables	1 345	2,313	1,087	2,081
Total	35,324	19,169	4,951	18,942

Note 20 Deferred tax

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Deferred tax assets (+)/ liabilities (-)	-2,555	13,911	4,756	11,177
Total	-2,555	13,911	4,756	11,177
Opening deferred tax receivables on hedging reserve	10,968	8,951	10,968	8,951
Change in deferred tax on hedging reserve	-6,473	2,017	-6,473	2,017
Closing deferred tax receivables on hedging reserve	4,495	10,968	4,495	10,968
Opening deferred tax on actuarial differences	-639	-2,866		
Change in deferred tax on actuarial differences	-9,018	2,227		
Closing deferred tax receivables on actuarial differences	-9,657	-639		
Opening deferred tax receivables on pensions under IAS 19	3,372	4,104		
Less deferred tax on pensions under IAS 19	-1,027	-732		
Closing deferred tax receivables on pensions under IAS 19	2,345	3,372		
Opening deferred tax on depreciation of real property	209	161	209	161
Add deferred tax on depreciation of real property	52	48	52	48
Closing deferred tax on depreciation of real property	261	209	261	209
Total deferred tax assets (+)/ liabilities (-)	-2,555	13,911	4,756	11,177

Deferred tax was calculated using a tax rate of 22 percent.
All items are expected to be settled later than within 12 months.

Note 21 Prepaid expenses and accrued income

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Prepaid expenses	22,066	12,344	22,066	12,344
Accrued interest on loans to the public	63,858	95,494	63,858	91,328
Accrued interest on interest-bearing instruments	127,476	192,253	127,475	192,253
Accrued interest on derivatives	276,556	268,759	276,556	268,759
Other accrued income	8,125	8,051	8,125	7,650
Total	498,081	576,901	498,080	572,334

Note 22 Liabilities to credit institutions

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Liabilities to Group companies			35	48,661
Non-Swedish banks	393,227	447,322	393,227	447,322
of which repos	-	-	-	-
Total	393,227	447,322	393,262	495,983

Note 23 Borrowing from the public

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Deposits from the public	9,792,638	5,430,979	9,792,638	5,430,979
Other notes payable	517,079	397,842	517,079	397,842
Total	10,309,718	5,828,821	10,309,718	5,828,821

Note 24 Debt securities in issue, etc.

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Commercial paper	2,270,516	3,271,144	2,270,516	3,271,144
Bond loans	60,742,135	65,322,404	60,742,135	65,322,404
Total	63,012,651	68,593,547	63,012,651	68,593,547
Debt securities in issue – hedged items in fair-value hedges				
Amortised cost	29,146,172	26,914,508	29,146,172	26,914,508
Fair value adjusted for the change in the fair value of hedged risk	30,069,566	28,399,846	30,069,566	28,399,846

Fair-value hedges

The Group hedges part of its exposure to interest-rate risk in fixed-interest financial liabilities against changes in fair value due to movements in interest rates. Interest-rate swaps and cross-currency interest-rate swaps are used for this purpose.

Cash-flow hedges

The Group hedges part of its exposure to interest-rate risk in fixed-interest financial liabilities against changes in future cash flows due to movements in interest rates. Interest-rate swaps and cross-currency interest-rate swaps are used for this purpose.

Note 25 Derivatives

SEK thousand	Group and Parent Company			
	2015		2014	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives not included in hedge accounting				
Negative closing value of interest-rate swaps	9,225,000	370,141	11,035,000	638,277
Negative closing value of cross-currency interest-rate swaps	901,433	42,354	2,117,808	252,106
Total	10,126,433	412,495	13,152,808	890,384
Derivatives included in hedge accounting				
Negative closing value of interest-rate swaps	18,159,000	198,793	6,479,000	196,037
Negative closing value of cross-currency interest-rate swaps	2,978,072	447,956	2,519,772	106,300
Total	21,137,072	646,749	8,998,772	302,336
Total	31,263,505	1,059,244	22,151,580	1,192,720

Carrying amounts pertain to market values excluding accrued interest on derivative contracts. Accrued interest is included under prepaid expenses and accrued income.

Note 26 Other liabilities

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Liabilities to Group companies	241,185	253,316	513,994	253,312
Accounts payable	17,943	16,489	17,943	16,489
Other liabilities	38,233	36,579	37,720	35,763
Total	297,361	306,383	569,657	305,564

Note 27 Accrued expenses and deferred income

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Accrued interest on borrowing from the public	40	-	40	-
Accrued interest on debt securities in issue	330,814	357,073	330,814	357,073
Accrued interest on derivatives	201,540	293,271	201,540	293,271
Other accrued expenses	53,010	41,739	53,010	41,739
Deferred income	1,420	962	1,420	962
Total	586,824	693,045	586,824	693,046

Note 28 Provisions

SEK thousand

Defined-benefit pension plans are recognised in the balance sheet as provisions/other assets and are recognised in full in profit or loss as pension costs under personnel costs. Remeasurement of defined-benefit pension plans is recognised in other comprehensive income. The balance-sheet provision is the net of liabilities for pension obligations and the fair value of assets set aside to secure those pension obligations, known as plan assets.

A defined-benefit pension plan means that the employee is guaranteed a lifelong pension corresponding to a specified percentage of the employee's final salary and mainly comprises retirement pension, disability pension and survivors' pension. The Group's provision is affected by employees' life expectancy, anticipated final salary and the expected income base amount.

The plan is secured through the purchase of occupational pension insurance with the insurance company SPK

(Sparinstitutens PensionsKassa). SPK administers pensions and manages assets for pension purposes both for Landshypotek Bank and other employers. Therefore, the Group must establish its share of the plan assets held at SPK. Landshypotek Bank's share of SPK is 1.4 percent. The share is calculated using the ratio SPK would probably have used at the balance sheet date to distribute the assets if the plan were to be immediately phased out or if a situation had arisen whereby an extra payment would have been needed from employers because of insufficient assets. The employers are responsible for ensuring that SPK has sufficient assets to meet obligations under the pension plan pursuant to the legislation governing SPK. Therein lies Landshypotek Bank's risk. No such deficit exists at present. SPK's management of the assets is carried out in compliance with the regulations governing SPK. Accordingly, the Group's provision and pension cost is impacted by the result of SPK's asset management.

The table shows where in the financial statements the Group's post-employment benefits are recognised

	Group		Parent Company	
	2015	2014	2015	2014
Balance-sheet obligations pertaining to:				
Defined-benefit pension plans	-30,115	14,094	1,361	2,020
Asset (-)/liability (+) in the balance sheet**	-30,115	14,094	1,361	2,020
Recognitions in operating profit pertaining to:*				
Defined-benefit pension plans	6,664	8,515		
Total	6,664	8,515		
Remeasurement of actuarial gain/loss pertaining to:				
Defined-benefit pension plans	-40,989	10,124		
Total	-40,989	10,124		

* Recognitions in operating profit include service costs for the current year, interest expense, service costs for previous years and gains and losses from settlements.

** Surpluses are recognised under other assets; refer to Note 19.

The amounts recognised in the balance sheet were calculated as follows:

	2015	2014
Present value of funded obligations	361,726	351,603
Fair value of plan assets	-391,841	-337,509
Shortfall in funded plans	-30,115	14,094
Present value of unfunded obligations		0
Total shortfall in defined-benefit pension plans	-30,115	14,094
Effect of minimum funding requirement/asset ceiling	-	-
Assets (-)/ liabilities (+) on the balance sheet	-30,115	14,094

Cont. Note 28 Provisions

SEK thousand

The change in the defined-benefit obligation during the year was as follows:	Present value of the obligation	Fair value of plan assets	Total
Opening balance, 1 January 2014	321,904	-314,149	7,755
Service costs for 2014	8,515	0	8,515
Interest expense/(income)	12,232	-11,938	294
Service costs for previous years and gains and losses from settlements			-
Total Costs	342,651	-326,087	16,564
Remeasurements:			
- Return on plan assets	26,468	-16,344	10,124
Total remeasurements	26,468	-16,344	10,124
Fees:			
- Employer		-10,135	-10,135
Payments from the plan:			
- Benefits paid	-17,516	15,057	-2,459
Closing balance, 31 December 2014	351,603	-337,509	14,094
Opening balance, 1 January 2015	351,603	-337,509	14,094
Service costs for 2015	6,664	0	6,664
Interest expense/(income)	8,242	-8,014	228
Service costs for previous years and gains and losses from settlements			-
Total Costs	366,509	-345,523	20,986
Remeasurements:			
- Return on plan assets	5,739	-46,728	-40,989
Total remeasurements	5,739	-46,728	-40,989
Fees:			
- Employer		-8,138	-8,138
- Employees covered by the plan			
Payments from the plan:			
- Benefits paid	-10,522	8,548	-1,974
Closing balance, 31 December 2015	361,726	-391,841	-30,115

The key actuarial assumptions were as follows:

	2015	2014
Discount rate	3.2 %	2.4 %
Salary increases	3.1 %	2.2 %
Pension increases	1.6 %	1.2 %

Mortality assumptions are based on official statistics and experience from mortality studies, and set in consultation with actuarial expertise. These assumptions mean the following average remaining life expectancies for individuals retiring at 65.

	2015	2014
Retirement at the end of the reporting period:		
Men	22	22
Women	24	24
Retirement 20 years after the end of the reporting period:		
Men	22	22
Women	24	24

Cont. Note 28 Provisions

SEK thousand

The sensitivity of the defined-benefit obligation to changes in significant weighted assumptions are:

A change of one percentage point assuming all other factors are unchanged.

Anssumptions	Present value of the obligation, 2015	Increase
Baseline scenario	361,726	
A 0.5-percentage point decrease in the discount rate	388,476	7.4 %
A 0.5-percentage point increase in expected indexing of benefits	387,896	7.2 %
A 0.5-percentage point increase in expected future salary increases	368,348	1.8 %
A 20-percent decrease in mortality intensity	387,434	7.1 %
Increase in the expected utilization rate for early retirement under the pension agreement from 20 to 40 percent.	371,689	2.8 %

Distribution of the present value of the obligation, SEK thousand

	2015	2014
Active members	75,879	101,569
Deferred members	57,104	60,096
Retired plan members	228,743	189,938
Total	361,726	351,603

Number of individuals included in the valuation

	2015	2014
Active members	56	63
Deferred members	142	139
Retired plan members	107	104
Total	305	306

Löptidsanalys odiskonterade kassaflöden

Pension payments and payment of special payroll tax pertaining to the latent payroll tax liability, SEK thousand.

Pertaining to pension entitlement earned as per the balance sheet date under IAS 19.

At 31 December 2015	Within 1 year	Between 1-2 years	Between 2-5 years	Later than 5 years	Total
Pension payments	20,307	19,180	52,697	515,477	607,661
Special payroll tax (only pertaining to the latent payroll tax liability)	1,810	1,163	1,538	555	5,066
Total	22,117	20,343	54,235	516,032	612,727

The plan assets are comprised solely of the value of the insurance taken out with the SPK benevolent society to fund the defined-benefit BTP plan. Pension payments are made from this insurance.

Note 29 Subordinated liabilities

SEK thousand

			Group		Parent Company	
Due date	Nominal amount	Interest	2015	2014	2015	2014
2017/2022	SEK 430,000,000	3 months STIBOR +3.85 %	430,000	430,000	430,000	430,000
2015/2020	SEK 200,000,000	Fixed interest 4.60 %	-	199,949	-	199,949
2017/2022	SEK 70,000,000	Fixed interest 5.82 %	69,972	69,972	69,972	69,972
Total			499,972	699,921	499,972	699,921

Note 30 Changes in Equity

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Change in hedging reserve				
Hedging reserve, opening balance	-38,888	-31,737	-38,888	-31,737
Change in fair value over the year	19,684	-16,790	19,684	-16,790
Transfer to profit or loss	9,741	7,623	9,741	7,623
Change in deferred tax	-6,473	2,017	-6,473	2,017
Hedging reserve, closing balance	-15,936	-38,888	-15,937	-38,888
Change in fair-value reserve				
Fair-value reserve, opening balance	9,228	4,278	9,228	4,278
Change in fair value over the year	-22,436	13,790	-22,436	13,790
Transfer to profit or loss	-23,643	-7,444	-23,643	-7,444
Tax on change in value for the year	10,137	-1,396	10,137	-1,396
Fair-value reserve, closing balance	-26,714	9,228	-26,713	9,228
Actuarial differences				
Actuarial differences at beginning of year	-18,057	-10,161		
Change for the year	40,989	-10,123		
Tax on change for the year	-9,018	2,227		
Actuarial differences at year end	13,914	-18,057	-	-
Total reserves at year end	-28,736	-47,717	-42,650	-29,660

Note 31 Memorandum items

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Pledged assets	None	None	None	None
Contingent liabilities				
Försäkringsbolaget Pensionsgaranti, FPG	27	40	27	40
Flexible first lien mortgage loans, granted unutilised amount	519,505	680,208	519,505	680,208
Total	519,532	680,248	519,532	680,248
Guarantees and other commitments				
Swedbank, overdraft facility	124,414	133,272	124,414	-
Total	124,414	133,272	124,414	-

Note 32 Capital adequacy analysis, Basel III

Consolidated situation ¹ , SEK thousand	31 Dec. 2015
Own funds	4,934,226
Tier 1 capital	4,434,254
Common Equity Tier 1 (CET1) capital	4,434,254
Capital instruments included as CET1 capital	1,489,178
Retained earnings	3,221,844
Accumulated other comprehensive income	-42,650
Adjustment of CET1 capital due to prudential filters	15,936
(-) Other intangible assets	-20,654
(-) Deferred tax assets that rely on future profitability and do not arise as a result of temporary differences, net of associated tax liabilities	-4,756
(-) IRB shortfall of credit-risk adjustments to expected losses	-198,454
(-) Defined-benefit pension plans	-26,191
Tier 2 (T2) capital	499,972
Capital instruments and subordinated loans eligible as T2 capital	499,972
Own funds requirement	1,513,801
Risk exposure amount	18,922,518
CET1 capital ratio (%)	23.43
Tier 1 capital ratio (%)	23.43
Total capital ratio (%)	26.08
Institution-specific CET1 capital requirement including buffer requirements (%)	8.00
Capital conservation buffer requirement (%)	2.50
Countercyclical capital buffer requirement (%)	1.00
CET1 capital available to meet buffers (as a share of total risk-weighted exposure amounts, %) ²	17.43
Capital quotient	3.26
Capital adequacy under the transitional rules linked to Basel I	
Own funds	5,132,679
Own funds requirements	4,220,222
Total capital ratio (%) ³	9.73
Capital quotient	1.22

¹ The consolidated situation includes Landshypotek Ekonomisk Förening and the Landshypotek Bank AB Group.

² Calculated as "CET1 capital less the amount of this capital used to meet CET1 capital requirements after reduction for any other CET1 capital used to cover the tier 1 capital requirement and total own funds requirements" divided by the risk exposure amount, Basel III.

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

Cont. Note 32 Capital adequacy analysis, Basel III

Own funds for the consolidated situation, SEK thousand	31 Dec. 2015
Member contributions	1,489,178
Other contributed capital	1,797,796
Reserves	-42,650
Actuarial differences	13,914
Retained earnings	1,296,058
Net profit for the year ¹	277,165
Equity in balance sheet	4,831,461
Deductions related to the consolidated situation and other foreseeable costs	-
CET1 capital before regulatory adjustments²	4,831,461
Adjustment of net profit for the year ³	-149,173
Intangible assets	-20,654
Deferred tax assets that rely on future profitability	-4,756
Fair value reserves related to gains or losses on cash-flow hedges	15,936
Negative amounts resulting from the calculation of expected loss amounts	-198,454
Defined-benefit pension plans	-40,104
CET1 capital	4,434,254
Tier 1 capital	4,434,254
Capital instruments and subordinated loans eligible as T2 capital	499,972
T2 capital	499,972
Total capital	4,934,226

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

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

³ For Landshypotek's consolidated situation, primarily, less the proposed dividend.

Own funds requirement by risk, method and exposure class			Consolidated situation ¹	
SEK thousand	Exposure value ²	Own funds requirement ³	Risk exposure amount ⁴	Average risk weight ⁵
Credit risk – IRB approach	62,385,011	921,718	11,521,473	18 %
Retail – real estate collateral	62,266,067	912,202	11,402,529	18 %
Other non-credit-obligation assets	118,944	9,516	118,944	100 %
Credit risk – Standardised approach	18,792,822	374,808	4,685,103	25 %
National governments or central banks	24,883	-	-	0 %
Regional governments or local authorities or agencies	5,115,182	-	-	0 %
Institutions	1,792,728	47,372	592,156	33 %
Corporates	281,079	21,817	272,714	97 %
Retail	121,592	5,804	72,548	60 %
Secured through liens on real property	3,143,428	229,674	2,870,925	91 %
Non-performing exposures	43,446	3,977	49,713	114 %
Covered bonds	8,270,485	66,164	827,048	10 %
Operational risk – Basic indicator approach⁶		105,625	1,320,311	
Credit valuation adjustment risk – Standardised approach	1,494,479	111,650	1,395,630	93 %
Total	82,672,312	1,513,801	18,922,518	

¹ The consolidated situation includes Landshypotek Ekonomisk Förening and the Landshypotek Bank AB Group.

² After application of the appropriate conversion factors to, where possible, also capture unutilised limits. For the IRB approach, conversion factors are based on internal historic data while standardised conversion factors as stated in the Capital Requirements Directive are applied for the standardised approach.

³ Calculated by multiplying the risk-weighted exposure amount by 8 percent. No buffer requirements are included.

⁴ After application of the appropriate risk weights. Risk weights for the IRB approach are based on internal risk classification and internal historic data while standardised values as stated in the Capital Requirements Directive are applied for the standardised approach.

Calculated by dividing the risk exposure amount by the exposure value for the respective risk/exposure class.

⁶ No exposure values exist for operational risk and, accordingly, there is no recognition of exposure values or average risk weight.

Cont. **Note 32** Capital adequacy analysis, Basel III

Landshypotek Bank AB, SEK thousand	31 Dec. 2015
Own funds	4,825,460
Tier 1 capital	4,325,488
CET1 capital	4,325,488
Capital instruments included as CET1 capital	2,253,000
Retained earnings	2,323,065
Accumulated other comprehensive income	-42,650
Adjustment of CET1 capital due to prudential filters	15,936
(-) Other intangible assets	-20,654
(-) Deferred tax assets that rely on future profitability and do not arise as a result of temporary differences, net of associated tax liabilities	-4,756
(-) IRB shortfall of credit-risk adjustments to expected losses	-198,454
(-) Defined-benefit pension plans	-
T2 capital	499,972
Capital instruments and subordinated loans included as T2 capital	499,972
Own funds requirement	1,534,836
Risk exposure amount	19,185,456
CET1 capital ratio (%)	22.55
Tier 1 capital ratio (%)	22.55
Total capital ratio (%)	25.15
Institution-specific CET1 capital requirement including buffer requirements (%)	8.00
Capital conservation buffer requirement (%)	2.50
Countercyclical capital buffer requirement (%)	1.00
CET1 capital available to meet buffers (as a share of total risk-weighted exposure amounts, %) ¹	16.55
Capital quotient	3.14
Capital adequacy under the transitional rules linked to Basel I.	
Own funds	5,023,914
Own funds requirements	4,219,347
Total capital ratio (%) ²	9.53
Capital quotient	1.19

¹ Calculated as "CET1 capital less the amount of this capital used to meet CET1 capital requirements after reduction for any other CET1 capital used to cover the tier 1 capital requirement and total own funds requirements" divided by the risk exposure amount, Basel III.

² Corresponds to the term capital adequacy ratio, which has been used in previous financial statements.

Cont. **Note 32** Capital adequacy analysis, Basel III

Own funds for Landshypotek Bank AB, SEK thousand	31 Dec. 2015
Share capital	2,253,000
Other contributed capital	1,016,694
Reserves	-42,650
Actuarial differences	-
Retained earnings	1,058,886
Net profit for the year ¹	247,832
Equity in balance sheet	4,533,762
Deductions related to the consolidated situation and other foreseeable costs	-
CET1 capital before regulatory adjustments²	4,533,762
Adjustment of net profit for the year	-346
Intangible assets	-20,654
Deferred tax assets that rely on future profitability	-4,756
Fair value reserves related to gains or losses on cash-flow hedges	15,936
Negative amounts resulting from the calculation of expected loss amounts	-198,454
Defined-benefit pension plans	-
CET1 capital	4,325,488
Tier 1 capital	4,325,488
Capital instruments and subordinated loans eligible as T2 capital	499,972
T2 capital	499,972
Total capital	4,825,460

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

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

Note 33 Financial assets and liabilities by category

Group

SEK thousand						
	Measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities	Liabilities in fair-value hedges adjusted for the fair value of hedged risk	Derivatives identified as hedging instruments
2015						
Assets						
Cash and balances with central banks			237			
Loans to credit institutions			396,214			
Loans to the public			64,501,262			
Bonds and other interest-bearing securities	7,712,032	5,539,557				
Derivatives	323,038					1,551,833
Total financial assets	8,035,070	5,539,557	64,897,713	-	-	1,551,833
Financial liabilities						
Liabilities to credit institutions				393,227		
Borrowing from the public				10,309,718		
Debt securities in issue, etc.				32,943,085	30,069,566	
Derivatives	412,495					646,749
Subordinated liabilities				499,972		
Total financial liabilities	412,495	-	-	44,146,002	30,069,566	646,749

	Measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities	Liabilities in fair-value hedges adjusted for the fair value of hedged risk	Derivatives identified as hedging instruments
2014						
Assets						
Cash and balances with central banks			242,001			
Loans to credit institutions			478,332			
Loans to the public			61,742,595			
Bonds and other interest-bearing securities	10,044,034	6,754,224				
Derivatives	248,176					1,799,746
Total financial assets	10,292,210	6,754,224	62,462,928	-	-	1,799,746
Financial liabilities						
Liabilities to credit institutions				447,322		
Borrowing from the public				5,828,821		
Debt securities in issue, etc.				40,193,701	28,399,846	
Derivatives	890,384					302,336
Subordinated liabilities				699,921		
Total financial liabilities	890,384	-	-	47,169,765	28,399,846	302,336

SEK thousand						
	Measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities	Liabilities in fair-value hedges adjusted for the fair value of hedged risk	Derivatives identified as hedging instruments
2015						
Assets						
Cash and balances with central banks			237			
Loans to credit institutions			392,262			
Loans to the public			64,501,262			
Bonds and other interest-bearing securities	7,712,032	5,539,557				
Derivatives	323,038					1,551,833
Total financial assets	8,035,070	5,539,527	64,893,761	-	-	1,551,833
Financial liabilities						
Liabilities to credit institutions				393,262		
Borrowing from the public				10,309,718		
Debt securities in issue, etc.				32,943,085	30,069,566	
Derivatives	412,495					646,749
Subordinated liabilities				499,972		
Total financial liabilities	412,495	-	-	44,146,037	30,069,566	646,749

	Measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities	Liabilities in fair-value hedges adjusted for the fair value of hedged risk	Derivatives identified as hedging instruments
2014						
Assets						
Cash and balances with central banks			242,001			
Loans to credit institutions			571,557			
Loans to the public			61,432,397			
Bonds and other interest-bearing securities	10,044,034	6,754,224				
Derivatives	248,176					1,799,746
Total financial assets	10,292,210	6,754,224	62,245,955	-	-	1,799,746
Financial liabilities						
Liabilities to credit institutions				495,983		
Borrowing from the public				5,828,821		
Debt securities in issue, etc.				40,193,701	28,399,846	
Derivatives	890,384					302,336
Subordinated liabilities				699,921		
Total financial liabilities	890,384	-	-	47,218,426	28,399,846	302,336

Note 34 Fair value disclosures

Group

SEK thousand	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	237	237	242,001	242,001
Loans to credit institutions	396,214	396,214	478,332	478,332
Loans to the public	64,501,262	64,211,750	61,742,595	61,480,224
Bonds and other interest-bearing securities	13,251,589	13,251,589	16,798,258	16,798,258
Derivatives	1,874,871	1,874,871	2,047,922	2,047,922
Total assets	80,024,173	79,734,661	81,309,107	81,046,736
Liabilities and provisions				
Liabilities to credit institutions	393,227	393,227	447,322	447,322
Borrowing from the public	10,309,718	10,309,718	5,828,821	5,828,821
Debt securities in issue, etc.	63,012,651	63,303,591	68,593,547	70,090,876
Derivatives	1,059,244	1,059,244	1,192,720	1,192,720
Subordinated liabilities	499,972	529,600	699,921	753,229
Total liabilities	75,274,812	75,595,380	76,762,332	78,312,968

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

Parent Company

SEK thousand	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	237	237	242,001	242,001
Loans to credit institutions	392,262	392,262	571,557	571,557
Loans to the public	64,501,262	64,211,750	61,432,397	61,170,508
Bonds and other interest-bearing securities	13,251,589	13,251,589	16,798,258	16,798,258
Derivatives	1,874,871	1,874,871	2,047,922	2,047,922
Total assets	80,020,221	79,730,708	81,092,135	80,830,245
Liabilities and provisions				
Liabilities to credit institutions	393,262	393,262	495,983	495,983
Borrowing from the public	10,309,718	10,309,718	5,828,821	5,828,821
Debt securities in issue, etc.	63,012,651	63,303,591	68,593,547	70,090,876
Derivatives	1,059,244	1,059,244	1,192,720	1,192,720
Subordinated liabilities	499,972	529,600	699,921	753,229
Total liabilities	75,274,847	75,595,415	76,810,993	78,361,629

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

Note 35 Fair-value hierarchy for financial instruments

Group

SEK thousand	2015				2014			
	Nivå 1	Nivå 2	Nivå 3	Summa	Nivå 1	Nivå 2	Nivå 3	Summa
Loans and receivables								
Cash and balances with central banks		237		237		242,001		242,001
Loans to credit institutions		396,214		396,214		478,332		478,332
Loans to the public			64,211,750	64,211,750			61,480,224	61,480,224
Financial assets at FVTPL								
Bonds and other interest-bearing interest-bearing securities	7,712,032			7,712,032	10,044,034			10,044,034
Interest-rate swaps		-		-		13,729		13,729
Cross-currency interest-rate swaps		323,038		323,038		234,447		234,447
Derivatives identified as hedging instruments								
Interest-rate swaps		1,004,653		1,004,653		1,303,118		1,303,118
Cross-currency interest-rate swaps		547,181		547,181		496,628		496,628
Available-for-sale financial assets								
Bonds and other interest-bearing securities	5,539,557			5,539,557	6,604,474	149,750		6,754,224
Total assets measured at fair value	13,251,589	2,271,322	64,211,750	79,734,661	16,648,508	2,918,005	61,480,224	81,046,736
Financial liabilities at FVTPL								
Interest-rate swaps		370,141		370,141		638,277		638,277
Cross-currency interest-rate swaps		42,354		42,354		252,106		252,106
Derivatives identified as hedging instruments								
Interest-rate swaps		198,793		198,793		196,037		196,037
Cross-currency interest-rate swaps		447,956		447,956		106,300		106,300
Other financial liabilities								
Liabilities to credit institutions		393,227		393,227		447,322		447,322
Borrowing from the public		10,309,718		10,309,718		5,828,821		5,828,821
Debt securities in issue, etc.		63,303,591		63,303,591		70,090,876		70,090,876
Subordinated liabilities		529,600		529,600		753,229		753,229
Total liabilities measured at fair value	- 75,595,380		- 75,595,380		- 78,312,968		- 78,312,968	

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

Level 1

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

Level 2

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

Level 3

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

SEK thousand	2015				2014			
	Nivå 1	Nivå 2	Nivå 3	Summa	Nivå 1	Nivå 2	Nivå 3	Summa
Loans and receivables								
Cash and balances with central banks		237		237		242,001		242,001
Loans to credit institutions		392,262		392,262		571,557		571,557
Loans to the public			64,211,750	64,211,750			61,170,508	61,170,508
Financial assets at FVTPL								
Bonds and other interest-bearing interest-bearing securities	7,712,032			7,712,032	10,044,034			10,044,034
Interest-rate swaps		-		-		13,729		13,729
Cross-currency interest-rate swaps		323,038		323,038		234,447		234,447
Derivatives identified as hedging instruments								
Interest-rate swaps		1,004,653		1,004,653		1,303,118		1,303,118
Cross-currency interest-rate swaps		547,181		547,181		496,628		496,628
Available-for-sale financial assets								
Bonds and other interest-bearing securities	5,539,557			5,539,557	6,604,474	149,750		6,754,224
Total assets measured at fair value	13,251,589	2,267,370	64,211,750	79,730,709	16,648,508	3,011,230	61,170,508	80,830,245
Financial liabilities at FVTPL								
Interest-rate swaps		370,141		370,141		638,277		638,277
Cross-currency interest-rate swaps		42,354		42,354		252,106		252,106
Derivatives identified as hedging instruments								
Interest-rate swaps		198,793		198,793		196,037		196,037
Cross-currency interest-rate swaps		447,956		447,956		106,300		106,300
Other financial liabilities								
Liabilities to credit institutions		393,262		393,262		495,983		495,983
Borrowing from the public		10,309,718		10,309,718		5,828,821		5,828,821
Debt securities in issue, etc.		63,303,591		63,303,591		70,090,876		70,090,876
Subordinated liabilities		529,600		529,600		753,229		753,229
Total liabilities measured at fair value	-	75,595,415	-	75,595,415	-	78,361,629	-	78,361,629

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

Level 1

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

Level 2

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

Level 3

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

Note 36 Assets and liabilities by significant currencies

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Assets				
EUR	393,603	447,324	393,603	447,324
Loans to credit institutions	393,603	447,324	393,603	447,324
Total assets	393,603	447,324	393,603	447,324
Liabilities				
EUR	393,227	447,322	393,227	447,322
Liabilities to credit institutions	393,227	447,322	393,227	447,322
CHF	3,480,380	3,132,836	3,480,380	3,132,836
EUR	3,536,137	3,290,952	3,536,137	3,290,952
NOK	3,060,656	4,160,219	3,060,656	4,160,219
Debt securities in issue	10,077,173	10,584,007	10,077,173	10,584,007
Total liabilities	10,470,400	11,031,329	10,470,400	11,031,329

Other assets and liabilities arise in SEK.

All assets and liabilities in foreign currency are hedged against exchange-rate fluctuations using derivative contracts and the majority are reported using hedge accounting.

Note 37 Change in cash and cash equivalents

SEK thousand	Group		Parent Company	
	2015	2014	2015	2014
Cash and balances at beginning of year	242,001	431,893	242,001	431,893
Loans to credit institutions at beginning of year	478,332	261,877	571,557	300,960
Cash and balances at year end	237	242,001	237	242,001
Loans to credit institutions at year end	396,214	478,332	392,262	571,557
Total change in cash and cash equivalents	-323,882	26,563	-421,059	80,705

Note 38 Disclosures concerning offsetting

Group and Parent Company

SEK thousand

Financial assets and liabilities covered by a contractual master netting agreement or similar, but not offset in the balance sheet.

	Amount recognised in the balance sheet, 31 December 2015	Related amounts not offset in the balance sheet			Net amount, 31 December 2015
		Financial instruments	Paid (+) Received (–) collateral - securities	Paid (+) Received (–) cash - collateral	
Assets					
Derivatives, fair value	1,874,871	–668,713			
Derivatives, accrued interest	276,556	–169,443			
Derivatives, total value including accrued interest	2,151,427	–838,157		–361,074	952,197
Repurchase agreements, reverse repos	-				-
Liabilities					
Derivatives, fair value	–1,059,244	668,713			
Derivatives, accrued interest	–201,540	169,443			
Derivatives, total value including accrued interest	–1,260,784	838,157			–422,627
Repurchase agreements, repos	-				-

	Amount recognised in the balance sheet, 31 December 2014	Related amounts not offset in the balance sheet			Net amount, 31 December 2014
		Financial instruments	Paid (+) Received (–) collateral - securities	Paid (+) Received (–) cash - collateral	
Assets					
Derivatives, fair value	2,047,922	–953,926			
Derivatives, accrued interest	268,759	–174,155			
Derivatives, total value including accrued interest	2,316,681	–1,128,081		–423,573	765,026
Repurchase agreements, reverse repos	-				-
Liabilities					
Derivatives, fair value	–1,192,720	953,926			
Derivatives, accrued interest	–293,271	174,155			
Derivatives, total value including accrued interest	–1,485,991	1,128,081			–357,910
Repurchase agreements, repos	-				-

Amounts recognised in the balance sheet

All assets and liabilities are recognised as gross amounts in the balance sheet, calculated on the basis of each individual instrument.

Financial instruments

Based on contracted master netting agreements, Landshypotek Bank can offset cash flows with the same counterparty and value date. The procedure lowers risk for open exposures.

Cash collateral received

Under contracted International Swaps and Derivatives Association (ISDA) agreements, Landshypotek has the right

to receive cash collateral for positive market values from counterparties whose ratings fall below a minimum agreed level. Such collateral is paid in cash to Landshypotek Bank's bank account and is recognised as a liability to the respective counterparty in the balance sheet. Paid-in collateral eliminates risk in positive exposures to counterparties with low ratings. If the counterparty defaults, Landshypotek Bank will utilise the paid-in cash collateral.

Net amounts

Net amounts show the remaining market value of contracted swap agreements that can be neither offset nor covered by received collateral.

Note 39 Related party disclosures

Group

SEK thousand	2015		2014	
Lending to key personnel	Lending	Interest income	Lending	Interest income
CEO	-	-	-	-
Board of Directors	116,125	3,094	109,402	4,222
Other individuals in senior positions	8,935	70	8,817	165
Total	125,060	3,164	118,219	4,387

Permanent employees of Landshypotek are able to borrow money at advantageous terms. The types of loans include both secured and unsecured loans. All lending is subject to customary credit approval processes. Credit information is obtained from Upplysningscentralen (UC). These loans may be subject to taxation as benefits. Unsecured loans with a ceiling of SEK 200,000 are granted with straight-line capital repayments over a maximum of ten years. The interest rate is 0.24 % for 2016. Loans of up to 75 % of the LTV ratio are granted against collateral in agricultural properties, houses, tenant-owned apartments and holiday homes. Straight-line capital repayment applies for these loans over a maximum period of 40 years. The fixed-rate periods are one, two, three, four, five and eight years. The applicable interest rates are:

1 year	0.38 %
2 years	0.50 %
3 years	0.70 %
4 years	0.94 %
5 years	1.14 %
8 years	1.82 %

Loans to key personnel are managed under the conflict of interest rules.

Group

TSEK	2015		2014	
Deposits from key personnel	Deposits	Interest expense	Deposits	Interest expense
CEO and other individuals in senior positions	4,901	36	2,095	28
Board of Directors	6,510	30	5,290	24
Total	11,411	66	7,385	52

Parent Company

SEK thousand	2015		2014	
Lending to key personnel	Lending	Interest income	Lending	Interest income
CEO	-	-	0	0
Board of Directors	116,125	3,094	109,402	4,222
Other individuals in senior positions	8,935	70	8,817	165
Total	125,060	3,164	118,219	4,387

Permanent employees of Landshypotek are able to borrow money at advantageous terms. The types of loans include both secured and unsecured loans. All lending is subject to customary credit approval processes. Credit information is obtained from Upplysningscentralen (UC). These loans may be subject to taxation as benefits. Unsecured loans with a ceiling of SEK 200,000 are granted with straight-line capital repayments over a maximum of ten years. The interest rate is 0.24 % for 2016. Loans of up to 75 % of the LTV ratio are granted against collateral in agricultural properties, houses, tenant-owned apartments and holiday homes. Straight-line capital repayment applies for these loans over a maximum period of 40 years. The fixed-rate periods are one, two, three, four, five and eight years. The applicable interest rates are:

1 year	0.38 %
2 years	0.50 %
3 years	0.70 %
4 years	0.94 %
5 years	1.14 %
8 years	1.82 %

Loans to key personnel are managed under the conflict of interest rules.

Parent Company

SEK thousand	2015		2014	
Deposits from key personnel	Deposits	Interest expense	Deposits	Interest expense
CEO and other individuals in senior positions	4,901	36	2,095	28
Board of Directors	6,510	30	5,290	24
Total	11,411	66	7,385	52

Deposits from key personnel are subject to the same terms and conditions as other equivalent deposits with the company.

Appropriation of earnings

Retained earnings	SEK 1,144,857,922
Group contribution	SEK -164,900,000
Tax effect of Group contribution	SEK 36,278,000
Total	SEK 1,016,235,922

Net profit for 2015	SEK 247,831,747
At the disposal of the Annual General Meeting	SEK 1,264,067,669

Conditional on the approval of the Annual General Meeting, a Group contribution has been paid in the amount of SEK 164,900,000, which has reduced unrestricted equity as of the balance sheet date by SEK 128,622,000 after taking the tax effect into account. The proposed transfer of value in the form of a Group contribution reduces the company's capital quotient to 1.19, calculated in accordance with the transitional rules of the Swedish Financial Supervisory Authority. Unrealised changes in the value of assets and liabilities measured at fair value had a negative impact on equity of MSEK 265.2.

The Board of Directors is of the opinion that the proposed dividend, in the form of a Group contribution, does not compromise the company's or the Group's ability to discharge its obligations in the short and long term, nor to make any necessary investments. The proposed transfer of value can therefore be justified considering that stated in Chapter 17, Section 3, paragraphs 23 of the Swedish Companies Act. The Board of Directors proposes that the year's funds at the disposal of the Annual General Meeting, SEK 1,264,067,669, be carried forward.

The Board of Directors and the CEO hereby certify that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and provide a fair representation of the Group's position and performance. The annual accounts have been prepared in accordance with generally accepted accounting principles and provide a fair representation of the Parent Company's position and performance.

Stockholm den 7 March 2016

Henrik Toll
Chairman

Anna-Karin Eliasson Celsing
Member

Hans Heuman
Member

Johan Trolle-Löwen
Member

Nils-Fredrik Nyblæus
Member

Synnöve Trygg
Member

Charlotte Önnestedt
Member

Helena Andersson
Member/Employee Representative

Hans Broberg
Member/Employee Representative

Liza Nyberg
CEO

Our auditors' report was submitted on 7 March 2016

Ulf Westerberg
Authorised Public Accountant

Helena Kaiser de Carolis
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of Landshypotek Bank AB, corporate identity number 556500-2762

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Landshypotek Bank AB for the year 2015, except for the corporate governance statement on pages 20-24. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 12-75.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Management Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinion does not comprise the corporate governance statement on pages x1-y1. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Landshypotek Bank AB for the year 2015. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and the Banking and Financing Business Act and that the corporate governance statement on pages 20-24 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies, or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm 7 March 2016

Ulf Westerberg
Authorized Public Accountant

Helena Kaiser de Carolis
Authorized Public Accountant

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