



Landshypotek Bank

# Landshypotek Bank AB

## Year-end report 2013

### January–December 2013 (compared with year-earlier period)

#### Operating profit amounted to MSEK 266.8 (254.9)

The improved earnings were attributable to significantly higher net interest income. Underlying earnings, operating profit excluding the net result of financial transactions was MSEK 302.0 (304.0).

#### Net interest income amounted to MSEK 656.5 (577.8)

The improvement in net interest income was attributable to increased lending and improved margins between interest rates on borrowing and lending. The year-on-year improvement was 13.6 percent.

#### Costs totalled MSEK 283.1 (244.5)

Costs rose MSEK 38.6, which was mainly attributable to increased costs for personnel, investment in a new business IT system and increased marketing.

#### Net recognised loan losses totalled MSEK 54.4 (loss: 22.1)

Loan losses and the percentage of doubtful credits have risen from a low level from a portfolio perspective. The increase in net recognised loan losses was attributable to a few individual commitments. Loan losses remain at a low level relative to the entire portfolio.

#### Deposits amounted to MSEK 2,147 (1,579)

#### Lending amounted to MSEK 60,665 (58,885)

Lending to Sweden's agriculture and forestry sector increased SEK 1.8 billion. The increase corresponded to lending growth of 3.0 percent, compared with 5.9 percent in 2012. Demand for credit from Sweden's forestry and agriculture sector remained high but the robust growth rate has eased off. For 2013, annual lending growth is estimated at 5.8 percent compared with 8.7 percent for 2012. Landshypotek Bank accounts for 28 percent of total lending to the forestry and agriculture sector in Sweden.

#### The proposed dividend to members is 11 percent

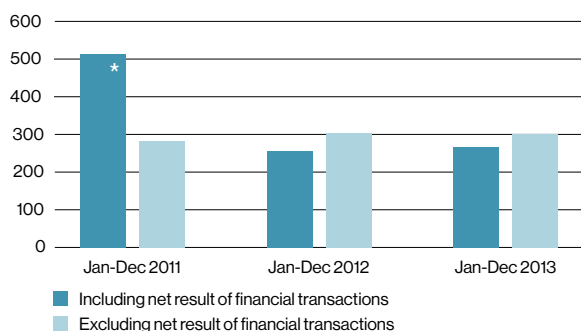
The Board of Landshypotek ekonomisk förening will propose to the Association Meeting that MSEK 141 (135) of the net profit for the year be distributed back to members. This corresponds to a dividend of 11 percent on contributed capital.

#### Capital adequacy was 32.0 percent (34.7) without taking into account the transitional rules

Under the transitional rules, capital adequacy amounted to 9.9 percent. The capital base was MSEK 4,886 and the capital requirement under the transitional rules was MSEK 3,957. The capital adequacy ratio improved and totalled 1.23 (1.18).

#### Operating Profit

MSEK

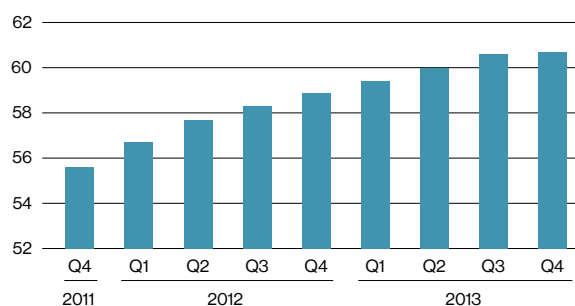


\* Includes a capital gain from an operating property of MSEK 235.0.

Operating profit for 2013 totalled MSEK 266.8. Operating profit excluding the net result of financial transactions was MSEK 302.0.

#### Lending

SEK billion



At 31 December 2013, Landshypotek's lending amounted to MSEK 60,665. During the year, lending increased 3.0 percent.

# For a richer life in the country

Landshypotek's assignment is to provide competitive financing and offer financial services to Sweden's forestry and agriculture sector. In addition, Landshypotek has introduced savings accounts that offer competitive interest rates for the general public in Sweden. Landshypotek Bank is owned by Landshypotek ekonomisk förening, in which all of the Bank's loan customers are members.

- Landshypotek Bank finances investments and entrepreneurship for a richer life in the country. We specialise in the agricultural and forestry industries and develop financial solutions for farmers and foresters. The core assignment remains unchanged since 1836.
- Landshypotek Bank became a bank in April 2013 and is Sweden's tenth largest bank. We are a clearly profiled niche bank, owned by our loan customers and cut prices for financing agriculture and forestry. We are a different type of bank since we distribute our surplus back to the agriculture and forestry sectors.
- Landshypotek Bank has introduced savings accounts that offer 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. Together with our loan customers, we have been developing the countryside since 1836. Saving with Landshypotek Bank contributes to the continued development of the Swedish countryside.
- Landshypotek Bank systematically recruits account managers who understand financing and have backgrounds in agronomy, forestry and agrology. All as part of supporting customers' business. We understand the people behind the multitude of family businesses – the true heroes of the countryside.
- Landshypotek Bank 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. We are Sweden's forestry and agriculture sector's own bank. For us, the development of agriculture and forestry is crucial for Sweden's future.
- Landshypotek Bank has strong local networks maintained by elected representatives who value agricultural properties and act as ambassadors for our operations.
- Landshypotek Bank contributes actively to a richer countryside with open landscapes, well-kept forests and Swedish food production through the financing of sound agricultural and forestry enterprises.

## Landshypotek Bank is a member-owned organisation

All borrowers from Landshypotek also become members of Landshypotek ekonomisk förening. The owning association consists of ten regions. The Board of each region is comprised of up to eight elected representatives who represent the members, act as ambassadors for Landshypotek Bank and carry out valuations. Any surpluses in Landshypotek are reinvested in operations and distributed to loan customers who are members of Landshypotek ekonomisk förening.

## Landshypotek is close to its customers

Landshypotek AB is organised into eight districts and has 19 sales offices in Sweden. All account managers at the offices have a background in agriculture and forestry. The sales organisation has access to a network of elected representatives who carry out valuations. These representatives actively run agricultural businesses and possess good knowledge of local conditions. The company's local presence and expertise in agriculture and forestry are prerequisites and success factors for operations. Landshypotek Bank has a Customer Service Centre that manages customers' day-to-day questions.

# A historic year with positive results

Landshypotek Bank is the forestry and agriculture sector's own bank, and the tenth largest bank in Sweden. Landshypotek Bank is being developed to continue building a sustainable bank for the future and, in 2013, presents healthy results yet again. The continued investments require focus on customer satisfaction and growth. Landshypotek Bank now presents a well-developed brand that communicates how the bank is changing.

Landshypotek Bank has once again posted healthy results that have stabilised at a high level. This is important for us. The results allow a favourable dividend to our loan customers – the members of Landshypotek ekonomisk förening. The proposal is to distribute MSEK 141 of our surplus directly back to our members. This will generate a dividend of 11 percent on member contributions.

The level and stability of the result strengthens us when we meet investors, thereby establishing the foundations for obtaining favourable borrowing terms and our market role as price cutter.

The results also allow continued growth and development. We are building a sustainable bank for the future. Our strategic efforts are directed at bolstering customer benefit with enhanced services and offerings, improving our market presence and building a sustainable bank for the future. 2013 has been an intensive and historic year, in which we achieved the following milestones:

- Became a bank. Landshypotek Bank AB (publ) was registered on 4 April.
- Replaced our entire IT business support system. Implemented a modern system for payment administration, customer data and credit scoring, which mean that we now have a bank that meets all of the regulatory requirements and can develop our digital customer contact.
- Completed new recruitments to the sales organisation, thus strengthening our skills base.
- Opened Customer Service, thereby facilitating customer contact with Landshypotek.
- Revitalised the cooperative idea and bolstered member commitment by redistributing funds to members based on a dividend on contributed capital instead of a refund.

We are now taking the next major step in our development and turning our focus to the savings market. We are



launching new savings accounts under our range of savings products and introduce an online bank for savers. We want to extend the reach with the initiatives and offering of Lands-hypotek Bank. More new professional farmers and foresters, more families in the countryside and more savers. The new brand clearly defines what Landshypotek Bank represents. The brand promises are gathered under the catchphrase: "For a richer life in the country."

2013 was a historic year, in which we became Lands-hypotek Bank. We are looking forward to 2014.

A handwritten signature in black ink, which appears to be 'Kjell Hedman'.

Kjell Hedman,  
Managing Director

# Our operating environment

Landshypotek Bank is impacted in its borrowing by the domestic and international finance markets. Our lending and our credit appraisals are based on trends in the agriculture and forestry industries as well as the market for purchases of properties and land in the agriculture and forestry sectors. In 2013, Landshypotek Bank's lending increased SEK 1.8 billion. Demand for credit from Sweden's forestry and agriculture sector remained high but the growth rate has eased off compared with previous years.

## The finance market

The year was characterised by hopes of an economic recovery in both the US and Europe.

The economic recovery in the US appeared stable at the start of 2013 and the Federal Reserve flagged for a reduction in economic stimulus packages. However, markets reacted strongly and long-term interest rates soared. This led to a slowdown in the economy, which was accentuated by rising concerns about the budgetary trend. The Federal Reserve deferred phasing out support buying and flagged for low interest rates long into the future. Once a budgetary agreement on public finances was in place, the recovery of the US economy could resume.

In Europe, leading indicators had risen more slowly than in the US and from a significantly lower level. The recovery was impacted by the slowdown in the US and weak trends in major economies, such as France and Italy. On the positive front, both Spain and Ireland have exited their aid packages. Inflation is the ECB's main concern. In 2013, a new record was set for low inflation in the eurozone. The ECB lowered interest rates and has thus further deployed the weapon of interest rates. The outlook for the key interest rate is a rate of 0.25% for the extended future.

The Swedish economy has found itself somewhere

between the US and the eurozone. The leading indicators rose as quickly and to the same levels as in the US, while the real trend followed Europe. Neither the industrial nor the service sectors have experienced any increase in activity despite a positive outlook. It was not until November that we saw positive annual industrial production figures. The annual rate of GDP growth was a modest 0.1%.

The Riksbank, Sweden's central bank, has been caught between concerns over financial instability, specifically the high degree of household debt, and persistent low inflation. In 2013, there have even periods of deflation. This forced a lowering of the interest rate to 0.75% at the Riksbank's last meeting of the year and lowered inflation forecasts. The first increase in interest rates is now planned for the first quarter of 2015.

The continued expansion of central banks' balance sheets means that availability of capital remains favourable. Even assuming purchases decline over the year, the expansion is expected to continue.

The year meant that in the Swedish interest-rate market the three-month rate declined 25 basis points, the two-year rate was unchanged and the five-year rate climbed 50 basis points. In combination with lower credit spreads, this means that Landshypotek Bank's floating

## Summary Landshypotek

	2013 Q4	2012 Q4	2013 Q3	2013 Full year	2012 Full year
Net interest income, MSEK	174.4	147.5	162.0	656.5	577.8
Operating profit, MSEK	15.0	37.8	82.8	266.8	254.9
Profit after tax, MSEK	5.7	17.0	70.5	208.0	178.7
Loans to the public, MSEK	60,665	58,885	60,588	60,665	58,885
Increase in lending, %	0.1 %	1.0 %	0.9 %	3.0 %	5.9 %
Interest margin, %	1.2 %	1.0 %	1.1 %	1.1 %	1.0 %
C/I ratio	0.49	0.51	0.43	0.44	0.42
Loan loss level, %	0.12 %	0.08 %	0.12 %	0.09 %	0.04 %
Capital adequacy excluding the transitional rules, %	32.0 %	34.7 %	29.8 %	32.0 %	34.7 %
Rating, long-term					
Standard & Poor's, Covered bonds	AAA	AAA	AAA	AAA	AAA
Standard & Poor's	A	A	A	A	A
Fitch	A+	A+	A+	A+	A+
Average number of employees	126	112	121	122	107

# The agriculture and forestry sectors operate in a growing international market and have substantial future potential.

interest rate declined 50 basis points, the two-year rate dropped 30 basis points and the five-year rate climbed 30 basis points.

## Our market

The market in Sweden for agricultural and forestry products is heavily impacted by international trends. The weak economic trend in the eurozone has strongly influenced the domestic market. A relatively strong SEK makes imports cheaper and weakens conditions for exports. Significant export industries such as the forestry and grain trading sectors are feeling the effects. Domestic markets with a significant amount of imports are under pressure, for example the markets for pork, beef and poultry.

### Agriculture

Conditions ahead of 2013 were not optimal for arable farming in Sweden. However, taken together, a total grain harvest of 5.0 million tons was achieved, which was in line with 2012 and 2 percent above the five-year average. Price trends were weak. Wavering demand in combination with a strong SEK disadvantages Swedish exports and, accordingly, even the domestic market. Thanks to a favourable harvest and moderate increases in prices, however, profitability for 2013 should be stable.

The milk price in Sweden has turned upward again, mainly due to a recovery in the international milk powder market, where China is a major player. However, continued high domestic feed prices mean that profitability was under pressure for most of 2013, though the last quarter posted a slight improvement in pace with decreasing feed prices. Pork and beef producers started the year with favourable carcass prices. However, during the year prices came under pressure, largely from imports. Again the strong SEK played its role.

## Contact details

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Björn Ordell, *Chief Financial Officer*  
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### Forestry

A weak economy in many parts of the world combined with an unfavourable exchange rate led to declining prices for both timber and pulp wood. The price of forest land has held up remarkably well given the weak economy of the sector. Interest in purchasing forests remains robust. Factors, such as timber volume, its allocation between age and maturity class, road network and consolidation play more important roles in pricing. The average price level declined slightly in 2013.

### Real estate market

The real estate market stabilised after an extended period of rising prices. However, major differences exist on a regional basis between various types of properties. The market for smaller properties remains weak, as is interest in properties with large production buildings. Properties with a favourable balance between buildings and land held their prices well. The extended period of climbing prices for forest and arable land has been broken. The price trend for arable land, which declined slightly in 2012, has stabilised. High-quality arable land noted a slight increase in prices in 2013.

### Conclusion

The agriculture and forestry sectors operate in a growing international market and have substantial future potential. In parallel, increasing demands are being placed on individual entrepreneurs to develop operations with a focus on profitability and sales. Prerequisites and conditions, such as prices, costs and any subsidies provide the framework for profitability, but from a credit perspective, it is not possible to link healthy profitability or financial difficulties to any particular sector or industry. Instead, this pertains to the investments and steps in development taken by individual entrepreneurs with their operations.

## Financial calendar

Annual Report 2013	15 March 2014
Interim report January – March 2014	April 2014

*All reports are published in Swedish and English and are available for download from [www.landshypotek.se](http://www.landshypotek.se) under Financial info.*

# Landshypotek Bank AB

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

Year-end report for the 1 January – 31 December 2013 period.

Landshypotek Bank AB (Landshypotek) is owned by Landshypotek ekonomisk förening, in which all of the Bank's loan customers are members. The Bank's assignment is to provide competitive financing to Sweden's forestry and agriculture sector. With loans outstanding of SEK 60.7 billion, Landshypotek accounts for 28.1 percent of total lending to the forestry and agriculture sector in Sweden and is thus the market leader. Lending is characterised by adequate property collateral which, historically, has resulted in extremely low loan losses. Landshypotek has 130 employees at 19 offices throughout Sweden.

## Operating profit 2013

Consolidated operating profit for 2013 amounted to MSEK 266.8, up MSEK 11.9 compared with 2012 (MSEK 254.9). The increase in earnings was primarily attributable to a year-on-year improvement of MSEK 78.6 in net interest

income and an increase in the net result of financial transactions of MSEK 13.9. The earnings improvement was offset by an increase in costs of MSEK 38.6 and a rise in net recognised loan losses of MSEK 32.3 compared with the year-earlier period.

Excluding the net result of financial transactions, operating profit amounted to MSEK 302.0 (304.0), down MSEK 2.0 year-on-year.

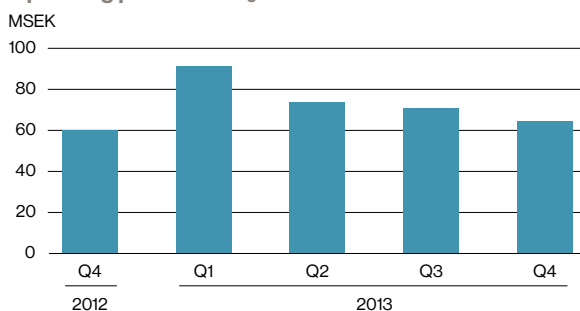
### Net interest income

Net interest income for 2013 amounted to MSEK 656.5, up 13.6 percent compared with 2012 (MSEK 577.8). The amount of 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 equity. The year's rise in net interest income was attributable to higher lending and improved margins between interest rates on borrowing and lending.

## Operating profit 2013

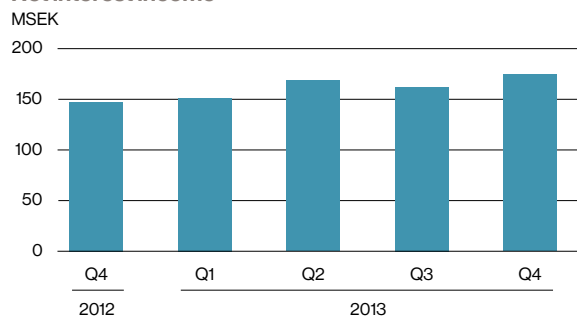
	Jan-Dec 2013	Jan-Dec 2012
Net interest income, MSEK	656.5	577.8
Other operating income, MSEK	-52.1	-56.2
Of which net result of financial transactions	-35.2	-49.1
Costs, MSEK	-283.1	-244.5
C/I ratio adjusted for net result of financial transactions	0.44	0.42
Net recognised loan losses, MSEK	-54.4	-22.1
Loan loss level, %	0.09 %	0.04 %
Operating profit	266.8	254.9
Operating profit excluding the net result of financial transactions	302.0	304.0

### Operating profit excluding the net result of financial transactions



Operating profit for 2013, excluding Net result of financial transactions amounted to MSEK 302.0.

### Net interest income



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

Other operating income for 2013 amounted to a loss of MSEK 52.1. The fee of MSEK 33.7 payable to the stabilization fund and deposit insurance, the loss of MSEK 35.2 from the net result of financial transactions, net commission income (excluding the stabilization fund and deposit insurance) of MSEK 13.9 and income from property including capital gains from the sale of property of MSEK 2.9 were recognised under other operating income.

Other operating income was up MSEK 4.1 compared with the year-earlier period (loss: 56.2). The increase was primarily due to a rise of MSEK 13.9 in the net result of financial transactions to a loss of MSEK 35.2 (loss: 49.1). The loss of MSEK 35.2 comprised an unrealised loss of MSEK 31.4 and a realised loss of MSEK 3.7. The net result of financial transactions included realised results from the purchase and sale of financial instruments, as well as the result from the repurchase of own bonds. In addition, this item includes the result from the revaluation of financial instruments. To gain an understanding of the total effect of market valuations, the remeasurements recognised directly in equity via other comprehensive income must also be taken into account. Remeasurements in equity amounted to MSEK 24.1 (neg: 135.9) in 2013.

### Costs

Costs in 2013 amounted to MSEK 283.1 (244.5). The increase in costs of MSEK 38.6 was principally attributable to increased costs for personnel, marketing and services procured in conjunction with the implementation of a new business system compared with 2012.

### Loan losses and doubtful credits

Net loan losses in 2013 totalled MSEK 54.4 (22.1). Confirmed losses totalled MSEK 27.4 (6.6). Provisions for probable loan losses amounted to MSEK 82.4 (32.8).

Recoveries of previously confirmed losses and reversals of provisions amounted to MSEK 55.8 (17.3).

At 31 December 2013, doubtful credits amounted to MSEK 146.4, corresponding to 0.24 percent of loans outstanding. At 31 December 2012, doubtful credits amounted to MSEK 83.1, corresponding to 0.14 percent of loans outstanding. In 2013, a number of credit commitments were settled for which provisions were made in 2012. Accordingly, confirmed loan losses increased. The increase in provisions for probable loan losses was attributable to a few individual commitments. From a portfolio perspective, loan losses remain at a low level. The percentage of doubtful credits has risen from a low level. However, in individual cases, liquidity has been under pressure, which negatively impacts the repayment capacity of these customers.

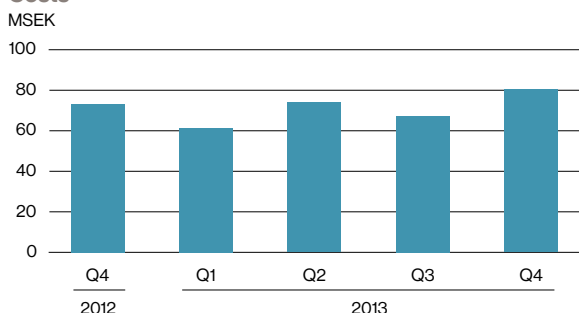
### Group contributions

A Group contribution will be paid, subject to resolution by the Annual General Meeting, of MSEK 155.8 (149.3) to the Parent Association, Landshypotek, ekonomisk förening. The Group contribution is intended to cover the Parent Association's reported deficit and the proposed dividend of 11 percent to members of the association.

## Comparison with the third quarter of 2013

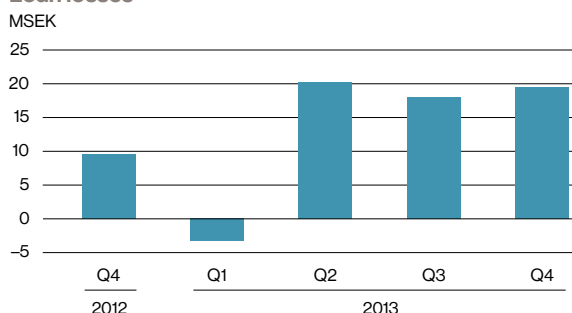
Compared with the third quarter of 2013, operating profit for the fourth quarter declined MSEK 67.8. Excluding the net result of financial transactions, operating profit for the fourth quarter was MSEK 64.8, down MSEK 6.2 compared with the third quarter of 2013. The decline in profit during the fourth quarter was primarily attributable to the decrease in net commission income and higher costs, but was offset by higher net interest income.

### Costs



Costs for the first three quarters of 2013 amounted to MSEK 283.1, an increase of MSEK 38.6 or approximately 16 percent year-on-year.

### Loan losses



At 31 December, loan losses totalled MSEK 54.4, which corresponded to 0.9 percent of lending.

## Landshypotek's performance

In 2013, lending increased SEK 1.8 billion. The increase corresponded to lending growth of 3.0 percent, compared with 5.9 percent in 2012.

Demand for credit from Sweden's forestry and agriculture sector remained high. The annualised growth for 2013 is estimated at about 5.8 percent, which is, however, lower than in previous years. The primary driver for demand was property transactions occurring in the agriculture and forestry sectors.

Deposits amounted to MSEK 2,147 (1,579) at 31 December 2013.

Through developing Landshypotek's market presence and a wider product offering, Landshypotek aims to grow in pace with the market.

## Financing

### Borrowing

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

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

Landshypotek operates with considerable flexibility and actively raises funds via national and international bond markets, as well as strives to always respond to investors' preferences regarding tenors and interest-rate structures.

Investor relations are of major importance as part of ensuring that investors' levels of awareness and interest are maintained in Landshypotek.

During the year, Landshypotek issued covered bonds

to a value of approximately SEK 16.1 billion. In addition, senior bonds were issued to a value of approximately SEK 4.3 billion. During the same period, bonds have matured or been repurchased to a value of approximately SEK 18.0 billion, of which SEK 14.9 billion pertained to covered bonds.

In general, the finance market for Nordic banks functioned smoothly in 2013. Landshypotek has been very successful in its financing activities and demand for Landshypotek's bonds has been favourable.

### Liquidity

Landshypotek has a substantial liquidity portfolio of interest-bearing securities, valued at SEK 15.1 billion at 31 December 2013. The portfolio primarily comprises Swedish covered bonds with the highest credit rating and, to a minor extent, bonds issued by Swedish municipalities. Securities can be sold or borrowed against, as required, to manage the financing of maturing debt. At 31 December, the liquidity portfolio was 1.4 (1.3) times larger than refinancing requirements in the next six months.

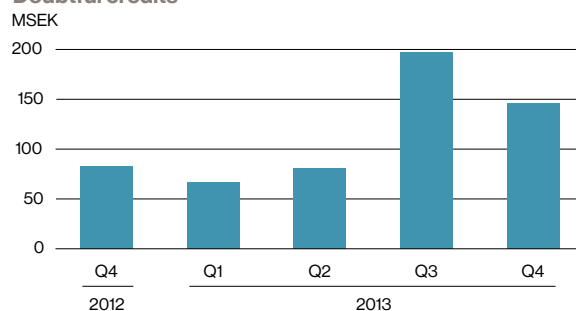
## Rating

Landshypotek has credit ratings from two different rating agencies, Standard & Poor's and Fitch. Standard & Poor's confirmed the AAA rating for covered bonds and A, A-1 with negative outlook for the company during 2013. In 2013, Fitch confirmed the company's credit rating of A+, F1 with a stable outlook for the company.

## Rating

	Long	Short
S&P covered bonds	AAA	
S&P	A	A-1, K1
Fitch	A+	F1

### Doubtful credits



At 31 December 2013, doubtful credits totalled MSEK 146.4.

### Lending volume



Landshypotek's lending for the year increased 3.0 percent to SEK 60.7 billion.



## Programme

MSEK	Issued 31-12-2013	Limit	Issued 31-12-2012
Swedish commercial paper	3,020	10,000	4,005
MTN programme	45,872	60,000	42,530
EMTN programme	15,244	31,067*	17,105
RCB**	3,306		3 206
Subordinated loans	700		700

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

## Risk management

The risks on which Landshypotek actively focuses its efforts are classified in the risk categories of credit risk, liquidity risk, market risk and operational risks.

On a high level the Board of Directors establishes, through its policy documents, how Landshypotek's risks are to be measured, reported and limited.

Credit risk is defined as the risk that Landshypotek does not receive payment as agreed in combination with the risk that the value of the collateral is not adequate and thus will not cover the outstanding claim. The risk encompasses all Landshypotek's retail receivables and can also arise as a consequence of the management of liquidity, interest and currency risk. Collateral requirements in combination with Landshypotek's methods for limiting credit risk result in highly limited credit risk in the portfolio.

Landshypotek's operations are naturally exposed to liquidity risk. As part of managing this exposure, among other

measures, Landshypotek maintains a substantial liquidity reserve and strives to diversify funding through deposits.

Market risk arises in the form of interest-rate, currency, basis-spread and credit-spread risk. Interest-rate and currency risk are mainly managed through swap agreements and are therefore low. Basis-spread risk arises from entering into interest-rate and currency swap agreements and credit-spread risk arises in Landshypotek's liquidity portfolio. Landshypotek monitors the limited market and liquidity risks on a daily basis.

Operational risk is defined as the risk of losses as a result of inappropriate or failed internal processes, human error, faulty systems, external events or legal risks that affect business operations. Landshypotek's risk organisation reports incidents that occur to the Management Group and the Board of Directors, and follows up the implementation of relevant measures. This is part of numerous measures to reduce operational risk.

## Capital adequacy analysis

SEK thousand	Financial Corporate Group* 31 Dec 2013	
	Basel II **	Transitional rules
Tier 1 capital	4,246,027	4,246,027
Tier 2 capital	640,239	640,239
<b>Capital base (after deductions)</b>	<b>4,886,266</b>	<b>4,886,266</b>
Deductions for deferred tax assets	-10,351	
Deduction for intangible non-current assets	-44,590	
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act	-119,363	
Credit risks under the standardised approach	494,116	494,116
Credit risks under the IRB approach	636,235	636,235
Operational risks – Base method	93,035	93,035
Additional capital requirement under the transitional rules	-	2,733,244
<b>Capital requirement</b>	<b>1,223,386</b>	<b>3,956,630</b>
<b>Capital adequacy ratio</b>	<b>3.99</b>	<b>1.23</b>
<b>Capital adequacy</b>	<b>31.95%</b>	<b>9.88%</b>
<b>Tier 1 ratio</b>	<b>27.77%</b>	<b>8.59%</b>

\* The Financial Corporate Group includes Landshypotek ekonomisk förening (incorporated association) and Landshypotek Bank AB Group.

\*\* Regulatory requirements excluding transitional rules linked to Basel I.

## Capital adequacy

At 31 December 2013, capital adequacy amounted to 32.0 percent without taking into account the transitional rules linked to Basel I. The capital base was MSEK 4,886 and the capital requirement was MSEK 1,223. Capital adequacy amounted to 9.9 percent according to the transitional rules (regulatory requirement).

The new European capital adequacy rules have been adopted and implemented as regulations under the Capital Requirements Regulation (CRR) on 1 January 2014. Implementation of the Capital Requirements Directive (CRD IV) is expected, at the earliest, on 1 July 2014. The transitional rules linked to Basel I have been extended further until 31 December 2017 and the Swedish Financial Supervisory Authority's proposal is that no Swedish institute should be exempted from these rules.

## Group structure

All borrowers of Landshypotek Bank AB are also members of Landshypotek ekonomisk förening. Landshypotek, ekonomisk förening owns 100 percent of the shares in Landshypotek Bank AB.

Landshypotek Bank AB is the Parent Company of the sub-group. More than 90 percent of the business activities in the sub-group are conducted in Landshypotek Bank AB. Other companies in the sub-group are Landshypotek Jordbrukskredit AB, which is 100-percent owned by Landshypotek Bank AB. Landshypotek ekonomisk förening together with Landshypotek Bank AB and its subsidiaries form the Financial Corporate Group.

## Events after the end of the period

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

Stockholm, 6 February 2014

Kjell Hedman,  
*Managing Director*

## Accounting policies

This Report encompasses the Group comprising Landshypotek Bank AB and the subsidiary Landshypotek Jordbrukskredit AB. In addition, Landshypotek Bank AB is reported separately. Amounts in parentheses refer to the corresponding period in the preceding year. This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting. Accounting policies, calculation methods and risk management are unchanged compared to those applied in the most recent Annual Report (see [www.landshypotek.se](http://www.landshypotek.se), Financial info) with the exception of the changes in IAS 19 - Employee Benefits. The corridor approach has been eliminated which means that all actuarial gains and losses are recognised in other comprehensive income. See Note 7, Effect of changing accounting policy IAS 19 - Defined-Benefit Pension. IFRS 13 Fair Value Measurement has been applied from 1 January 2013. The standard contains a new definition of fair value and states the disclosure requirements for fair value. For Landshypotek, the requirements stated in IFRS 13 correspond well with the requirements previously found in IFRS 7. This Interim Report has been supplemented with Note 4 Fair Value Hierarchy for Financial Instruments, Note 5 Fair Value Disclosures and Note 6 Disclosures about offsetting.

From the third quarter, macro hedging of the fair value in the lending portfolio is applied in line with IAS 39. Groups of loans with similar risk exposure are identified as a portfolio. Changes in the fair value of derivative instruments identified as fair-value hedges are recognised in profit and loss together with changes in the fair value of the hedged risk attributable to the hedged lending portfolio. Any change in value for the hedged item is recognised on a separate line in the balance sheet under Loans to the public.

*This year-end report has not been subject to review by the company's auditors.*

# Income statement

Landshypotek Bank AB Group, SEK Thousand	Note	2013 Q4	2012 Q4	2013 Q3	2013 Full year	2012 Full year
Interest income		571,119	627,646	566,622	2,293,800	2,619,504
Interest expense	1	-396,682	-480,193	-404,617	-1,637,336	-2,041,677
<b>Net interest income</b>		<b>174,437</b>	<b>147,453</b>	<b>162,004</b>	<b>656,464</b>	<b>577,827</b>
Commission income		2,935	3,704	2,741	14,708	15,188
Commission expense		-13,251	-8,730	-8,768	-34,533	-24,512
Net result of financial transactions		-49,849	-22,444	11,716	-35,186	-49,057
Other operating income		546	485	444	2,901	2,147
<b>Total operating income</b>		<b>114,819</b>	<b>120,468</b>	<b>168,136</b>	<b>604,355</b>	<b>521,594</b>
General administrative expenses		-72,139	-65,987	-57,626	-251,599	-226,777
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-3,409	-1,353	-3,342	-10,531	-2,206
Other operating expenses		-4,754	-5,743	-6,433	-21,009	-15,547
<b>Total expenses before loan losses</b>		<b>-80,301</b>	<b>-73,083</b>	<b>-67,401</b>	<b>-283,138</b>	<b>-244,530</b>
<b>Profit before loan losses</b>		<b>34,517</b>	<b>47,385</b>	<b>100,735</b>	<b>321,216</b>	<b>277,064</b>
Loan losses, net	2	-19,526	-9,605	-17,940	-54,378	-22,117
<b>Operating profit</b>		<b>14,992</b>	<b>37,780</b>	<b>82,795</b>	<b>266,839</b>	<b>254,947</b>
Income tax for the period		-9,267	-20,770	-12,307	-58,802	-76,228
<b>Net profit for the period</b>	7	<b>5,724</b>	<b>17,010</b>	<b>70,488</b>	<b>208,037</b>	<b>178,719</b>

# Statement of comprehensive income

Landshypotek Bank AB Group, SEK Thousand	Note	2013 Q4	2012 Q4	2013 Q3	2013 Full year	2012 Full year
<b>Net profit for the period</b>		<b>5,724</b>	<b>17,010</b>	<b>70,488</b>	<b>208,037</b>	<b>178,719</b>
<b>Other comprehensive income</b>						
<i>Items to be reclassified to profit or loss</i>						
Cash-flow hedges		-18,078	-20,779	8,270	47,783	-54,010
Available-for-sale financial assets		-1,406	-31,862	-6,382	-23,675	-81,901
Tax on items to be reclassified		4,287	10,041	-415	-5,304	27,168
<i>Total, items to be reclassified</i>		<i>-15,198</i>	<i>-42,600</i>	<i>1,473</i>	<i>18,804</i>	<i>-108,742</i>
<i>Items that are not reclassified</i>						
Actuarial differences for defined-benefit pensions		-19	-2,881	10,467	24,550	-11,523
Tax items that are not reclassified		4	634	-2,303	-5,401	2,535
<i>Total, items that are not reclassified</i>		<i>-15</i>	<i>-2,247</i>	<i>8,164</i>	<i>19,149</i>	<i>-8,988</i>
<b>Total other comprehensive income</b>	7	<b>-15,213</b>	<b>-44,848</b>	<b>9,638</b>	<b>37,953</b>	<b>-117,730</b>
<b>Comprehensive income for the period</b>		<b>-9,488</b>	<b>-27,838</b>	<b>80,126</b>	<b>245,990</b>	<b>60,988</b>

# Income statement

Landshypotek Bank AB Parent Company, SEK Thousand	Note	2013 Q4	2012 Q4	2013 Q3	2013 Full year	2012 Full year
Interest income		566,147	622,567	561,060	2,274,821	2,600,509
Interest expense		-395,901	-480,394	-404,660	-1,636,725	-2,044,316
<b>Net interest income</b>	1	<b>170,246</b>	<b>142,173</b>	<b>156,401</b>	<b>638,096</b>	<b>556,192</b>
Group contributions received		-	156,993	-	-	156,993
Commission income		2,419	3,053	2,223	12,841	13,491
Commission expense		-13,251	-8,729	-8,768	-34,533	-24,512
Net result of financial transactions		-49,849	-22,444	11,716	-35,186	-49,057
Other operating income		545	484	444	2,897	2,127
<b>Total operating income</b>		<b>110,110</b>	<b>271,530</b>	<b>162,016</b>	<b>584,115</b>	<b>655,234</b>
General administrative expenses		-76,961	-66,612	-59,154	-260,839	-232,237
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-3,409	-1,353	-3,342	-10,531	-2,206
Other operating expenses		-4,752	-5,738	-6,430	-20,997	-15,516
<b>Total expenses before loan losses</b>		<b>-85,121</b>	<b>-73,703</b>	<b>-68,927</b>	<b>-292,366</b>	<b>-249,959</b>
<b>Profit before loan losses</b>		<b>24,989</b>	<b>197,827</b>	<b>93,089</b>	<b>291,749</b>	<b>405,276</b>
Loan losses, net	2	-6,843	-9,589	-15,667	-40,136	-16,310
Impairment of shares in subsidiaries		-	-65,000	-	-	-65,000
<b>Operating profit</b>		<b>18,145</b>	<b>123,238</b>	<b>77,422</b>	<b>251,612</b>	<b>323,966</b>
Income tax for the period		-3,587	-19,605	-17,505	-55,458	-73,488
<b>Net profit for the period</b>		<b>14,558</b>	<b>103,633</b>	<b>59,917</b>	<b>196,154</b>	<b>250,478</b>

# Statement of comprehensive income

Landshypotek Bank AB Parent Company, SEK Thousand	2013 Q4	2012 Q4	2013 Q3	2013 Full year	2012 Full year
<b>Net profit for the period</b>	<b>14,558</b>	<b>103,633</b>	<b>59,917</b>	<b>196,154</b>	<b>250,478</b>
<b>Other comprehensive income</b>					
<i>Items to be reclassified to profit or loss</i>					
Cash-flow hedges	-18,078	-20,779	8,270	47,783	-54,010
Available-for-sale financial assets	-1,406	-31,862	-6,382	-23,675	-81,901
Income tax related to other comprehensive income	4,287	10,041	-415	-5,304	27,168
<i>Total, items to be reclassified</i>	<i>-15,198</i>	<i>-42,600</i>	<i>1,473</i>	<i>18,804</i>	<i>-108,742</i>
<b>Total other comprehensive income</b>	<b>-15,198</b>	<b>-42,600</b>	<b>1,473</b>	<b>18,804</b>	<b>-108,742</b>
<b>Comprehensive income for the period</b>	<b>-640</b>	<b>61,033</b>	<b>61,391</b>	<b>214,958</b>	<b>141,735</b>

# Balance Sheet

Landshypotek Bank AB SEK Thousand		Group			Parent Company		
		2013 31 Dec	2013 30 Sep	2012 31 Dec	2013 31 Dec	2013 30 Sep	2012 31 Dec
ASSETS							
Cash and balances with central banks		431,893	29,415	45,400	431,893	29,415	45,400
Loans to credit institutions		261,877	491,465	642,194	300,960	485,517	634,326
Loans to the public	3	60,665,011	60,587,639	58,884,842	60,367,478	60,170,026	58,613,225
Value changes of interest-rate-risk hedged items in macro hedges		23,535	2,801	-	23,535	2,801	-
Bonds and other interest-bearing securities		15,071,982	15,292,485	15,715,556	15,071,982	15,292,485	15,715,556
Derivatives		581,226	544,596	1,011,692	581,226	544,596	1,011,692
Shares and participations		-	1	1	-	1	1
Shares in Group companies					280,753	280,753	280,753
Intangible non-current assets		44,590	40,426	35,312	44,590	40,426	35,312
Tangible assets							
Furniture, fixtures and equipment		6,124	5,581	5,424	6,124	5,581	5,424
Buildings and land		12,949	13,088	15,116	12,949	13,088	15,116
Other assets		315,352	831,536	193,534	307,213	1,009,490	213,017
Current tax assets		32,145	38,741	41,233	29,605	34,463	37,220
Deferred tax assets		10,351	13,582	28,051	9,112	5,123	19,542
Prepaid expenses and accrued income		515,994	644,355	858,434	515,854	644,181	858,582
TOTAL ASSETS	4, 5, 6, 7	77,973,028	78,535,711	77,476,789	77,983,273	78,557,946	77,485,166
LIABILITIES, PROVISIONS AND EQUITY							
Liabilities to credit institutions		256,890	605,034	620,419	256,890	625,034	620,419
Borrowing from the public		2,147,007	1,751,008	1,579,308	2,147,007	1,751,008	1,579,308
Debt securities in issue, etc.		68,421,543	68,878,065	68,203,114	68,421,543	68,878,065	68,203,114
Derivatives		1,222,034	1,181,730	1,078,647	1,222,034	1,181,730	1,078,647
Other liabilities		193,002	32,626	351,746	192,641	37,185	351,726
Accrued expenses and deferred income		904,347	1,122,889	1,095,455	904,346	1,122,889	1,095,526
Provisions		7,755	12,926	42,155	2,389	3,477	3,477
Subordinated liabilities		699,921	699,931	699,921	699,921	699,931	699,921
Total liabilities		73,852,499	74,284,209	73,670,765	73,846,771	74,299,319	73,632,137
Equity		4,120,529	4,251,502	3,806,024	4,136,502	4,258,627	3,853,029
TOTAL LIABILITIES, PROVISIONS AND EQUITY	4, 5, 6, 7	77,973,028	78,535,711	77,476,789	77,983,273	78,557,946	77,485,166

# Cash-flow statement

Landshypotek Bank AB, SEK Thousand	Group		Parent Company	
	2013	2012	2013	2012
<b>Opening cash and cash equivalents</b>	125,130	170,935	117,268	151,480
Cash flow from operating activities	545,342	-19,598	592,291	-164,998
Cash flow from investing activities	-17,424	-30,779	-17,424	126,214
Cash flow from financing activities	40,718	4,572	40,718	4,572
<b>Cash flow for the period</b>	<b>568,636</b>	<b>-45,805</b>	<b>615,585</b>	<b>-34,212</b>
<b>Closing cash and cash equivalents</b>	<b>693,766</b>	<b>125,130</b>	<b>732,853</b>	<b>117,268</b>

# Statement of Changes in Equity

Landshypotek Bank AB Group SEK Thousand	Share capital	Other contributed capital	Hedging reserve	Fair value reserve	Actuarial differences	Retained earnings	Total
<b>Equity 31 December 2012</b>	1,927,000	1,026,254	-69,008	22,745	-29,310	928,342	3,806,024
Comprehensive income for the period			37,271	-18,467	19,149	208,037	245,990
<b>Total change before transactions with owners</b>	-	-	37,271	-18,467	19,149	208,037	245,990
New share issue	190,000						190,000
Group contributions paid						-155,750	-155,750
Tax on Group contributions paid						34,265	34,265
<b>Equity 31 December 2013</b>	2,117,000	1,026,254	-31,737	4,278	-10,161	1,014,894	4,120,529
<b>Equity 31 December 2011</b>	1,927,000	1,026,254	-25,398	87,878		852,168	3,867,901
Effect of changing accounting policy IAS 19 - Defined-benefit pensions, Note 7					-20,322	10,646	-9,676
<b>Adjusted opening balance 1 January 2012</b>	1,927,000	1,026,254	-25,398	87,878	-20,322	862,812	3,858,225
Comprehensive income for the period			-43,610	-65,132	-8,988	178,719	60,988
<b>Total change before transactions with owners</b>	-	-	-43,610	-65,132	-8,988	178,719	60,988
Dividend/Group contributions paid						-153,581	-153,581
Tax on Group contributions paid						40,392	40,392
<b>Equity 31 December 2012</b>	1,927,000	1,026,254	-69,008	22,745	-29,310	928,342	3,806,024

Landshypotek Bank AB Parent Company SEK Thousand	Share capital	Other contributed capital	Hedging reserve	Fair value reserve	Actuarial differences	Retained earnings	Total
<b>Equity 31 December 2012</b>	1,927,000	1,016,694	-69,008	22,745		955,599	3,853,029
Comprehensive income for the period			37,271	-18,467		196,154	214,958
<b>Total change before transactions with owners</b>	-	-	37,271	-18,467		196,154	214,958
New share issue	190,000						190,000
Dividend/Group contributions paid						-155,750	-155,750
Tax on Group contributions paid						34,265	34,265
<b>Equity 31 December 2013</b>	2,117,000	1,016,694	-31,737	4,278		1,030,269	4,136,502
<b>Equity 31 December 2011</b>	1,927,000	1,016,694	-25,398	87,877		759,143	3,765,315
Merger of subsidiary						59,169	59,169
Comprehensive income for the period			-43,610	-65,132		250,478	141,735
<b>Total change before transactions with owners</b>	-	-	-43,610	-65,132		309,646	200,904
Dividend/Group contributions paid						-153,582	-153,582
Tax on Group contributions paid						40,392	40,392
<b>Equity 31 December 2012</b>	1,927,000	1,016,694	-69,008	22,745		955,599	3,853,029



# Notes

## Note 1 Net interest income

Landshypotek Bank AB - Group SEK Thousand	2013 Q4	2012 Q4	2013 Q3	2013 Full year	2012 Full year
<b>Interest income</b>					
Interest income on loans to credit institutions	2,500	2,619	2,394	6,999	3,026
Interest income on loans to the public	492,955	540,396	500,428	2,005,595	2,267,582
Less interest losses	3,086	-774	-3,335	-798	-2,279
Interest income on interest-bearing securities	72,227	84,886	67,129	281,660	350,422
<i>of which interest income on financial assets at fair value through profit or loss</i>	45,412	68,811	43,375	183,489	222,103
<i>of which interest income on available-for-sale financial assets</i>	26,816	16,075	23,754	98,171	128,319
Other interest income	351	518	5	344	753
<b>Total</b>	<b>571,119</b>	<b>627,646</b>	<b>566,621</b>	<b>2,293,800</b>	<b>2,619,504</b>
<b>Interest expense</b>					
Interest expense for liabilities to Group companies	-	-1,098	-	-338	-4,480
Interest expense for liabilities to credit institutions – other	-2,009	-2,392	-4,069	-16,130	-12,672
Interest expense for borrowing/deposits from the public	-10,889	-8,396	-10,006	-38,087	-21,713
Interest expense for interest-bearing securities	-395,920	-484,017	-394,232	-1,600,600	-2,015,138
<i>of which interest expense for other financial liabilities in fair value hedges adjusted for the fair value of hedged risk</i>	-47,700	-153,868	-156,880	-485,249	-561,603
<i>of which interest expense on interest-bearing securities at amortised cost</i>	-348,221	-330,150	-237,351	-1,115,351	-1,453,536
Interest expense for subordinated liabilities	-8,834	-9,504	-8,826	-35,470	-34,679
Interest expense for derivative instruments	22,104	25,772	13,547	55,474	49,645
<i>of which interest expense on derivatives at fair value through profit or loss</i>	-10,673	12,165	-55,066	-135,247	38,196
<i>of which interest expense on derivatives identified as hedging instruments</i>	32,777	13,607	68,613	190,721	11,449
Other interest expense	-1,134	-556	-1,031	-2,185	-2,639
<b>Total</b>	<b>-396,682</b>	<b>-480,193</b>	<b>-404,617</b>	<b>-1,637,336</b>	<b>-2,041,677</b>
<b>Total net interest income</b>	<b>174,437</b>	<b>147,453</b>	<b>162,004</b>	<b>656,464</b>	<b>577,827</b>

Landshypotek Bank AB - Parent Company SEK Thousand	2013 Q4	2012 Q4	2013 Q3	2013 Full year	2012 Full year
<b>Interest income</b>					
Interest income on loans to credit institutions	2,491	2,593	2,388	6,963	2,959
Interest income on loans to Group companies	-	340	-	207	1,072
Interest income on loans to the public	488,023	535,012	494,874	1,986,463	2,247,591
Less interest losses	3,087	-775	-3,335	-783	-2,279
Interest income on interest-bearing securities	72,227	84,886	67,129	281,660	350,422
<i>of which interest income on financial assets at fair value through profit or loss</i>	45,412	68,811	43,375	183,489	222,103
<i>of which interest income on available-for-sale financial assets</i>	26,816	16,075	23,754	98,171	128,319
Other interest income	319	508	5	311	742
<b>Total</b>	<b>566,147</b>	<b>622,567</b>	<b>561,060</b>	<b>2,274,821</b>	<b>2,600,509</b>
<b>Interest expense</b>					
Interest expense for liabilities to Group companies	-242	-1,300	-42	-750	-7,120
Interest expense for liabilities to credit institutions – other	-2,009	-2,392	-4,069	-16,130	-12,672
Interest expense for borrowing/deposits from the public	-10,889	-8,396	-10,006	-38,087	-21,713
Interest expense for interest-bearing securities	-395,920	-484,017	-394,232	-1,600,600	-2,015,138
<i>of which interest expense for other financial liabilities in fair value hedges adjusted for the fair value of hedged risk</i>	-47,700	-153,868	-156,880	-485,249	-561,603
<i>of which interest expense on interest-bearing securities at amortised cost</i>	-348,221	-330,150	-237,351	-1,115,351	-1,453,536
Interest expense for subordinated liabilities	-8,834	-9,504	-8,826	-35,470	-34,679
Interest expense for derivative instruments	22,104	25,772	13,547	55,474	49,645
<i>of which interest expense on derivatives at fair value through profit or loss</i>	-10,673	12,165	-55,066	-135,247	38,196
<i>of which interest expense on derivatives identified as hedging instruments</i>	32,777	13,607	68,613	190,721	11,449
Other interest expense	-111	-556	-1,031	-1,162	-2,639
<b>Total</b>	<b>-395,901</b>	<b>-480,394</b>	<b>-404,660</b>	<b>-1,636,725</b>	<b>-2,044,316</b>
<b>Total net interest income</b>	<b>170,246</b>	<b>142,173</b>	<b>156,401</b>	<b>638,096</b>	<b>556,192</b>

## Note 2 Loan losses net

Landshypotek Bank AB - Group SEK Thousand	2013 Q4	2012 Q4	2013 Q3	2013 Full year	2012 Full year
Year's write-off for realised losses	-1,063	-2,442	-14,593	-27,362	-6,575
Reversal of prior provisions for probable loan losses, recognised as realised losses in this period's accounts	2,669	4,307	12,780	23,948	6,135
Provision for probable loan losses	-35,854	-15,802	-17,655	-82,356	-32,787
Recovery of previously realised losses	279	643	447	1,382	2,439
Reversal of prior provisions no longer necessary for probable loan losses	14,747	3,689	1,283	30,515	8,671
Guarantees	-303	-	-202	-505	-
<b>Total loan losses</b>	<b>-19,526</b>	<b>-9,605</b>	<b>-17,940</b>	<b>-54,378</b>	<b>-22,117</b>

All loan losses are attributable to loans to the public.

Landshypotek Bank AB - Parent Company SEK Thousand	2013 Q4	2012 Q4	2013 Q3	2013 Full year	2012 Full year
Year's write-off for realised losses	-1,035	-2,338	-13,626	-23,341	-4,502
Reversal of prior provisions for probable loan losses, recognised as realised losses in this period's accounts	1,833	2,338	12,780	20,323	4,166
Provision for probable loan losses	-23,503	-12,076	-15,713	-67,118	-25,236
Recovery of previously realised losses	278	642	446	1,378	2,435
Reversal of prior provisions no longer necessary for probable loan losses	15,583	1,845	447	28,621	6,827
<b>Total loan losses</b>	<b>-6,844</b>	<b>-9,589</b>	<b>-15,667</b>	<b>-40,136</b>	<b>-16,310</b>

All loan losses are attributable to loans to the public.

## Note 3 Loans to the public

	Group			Parent Company		
Landshypotek Bank AB SEK Thousand	2013 31 Dec	2013 30 Sep	2012 31 Dec	2013 31 Dec	2013 30 Sep	2012 31 Dec
Loan receivables	60,727,942	60,624,826	58,914,513	60,412,045	60,201,201	58,634,251
Less specific provisions for individually valued loan receivables	-62,931	-37,187	-29,671	-44,567	-31,175	-21,026
<b>Net loan receivables</b>	<b>60,665,011</b>	<b>60,587,639</b>	<b>58,884,842</b>	<b>60,367,478</b>	<b>60,170,026</b>	<b>58,613,225</b>
Disclosures on overdue loan receivables						
Overdue loan receivables, 60-90 days	-	-	332,346	-	-	332,324
Overdue loan receivables, more than 90 days	1,028,208	903,946	1,476,970	1,006,665	887,421	1,475,814
<b>Total overdue loan receivables</b>	<b>1,028,208</b>	<b>903,946</b>	<b>1,816,115</b>	<b>1,006,665</b>	<b>887,421</b>	<b>1,808,138</b>
Disclosures on doubtful loan receivables						
Doubtful credits that are not overdue	1,024	13,096	9,869	-	12,727	9,869
Overdue doubtful credits	236,229	227,669	102,897	215,074	222,090	94,253
<b>Total doubtful credits, gross</b>	<b>237,253</b>	<b>240,765</b>	<b>112,766</b>	<b>215,074</b>	<b>234,817</b>	<b>104,122</b>
Less capital provisions made	-62,931	-37,187	-29,671	-44,567	-31,175	-21,026
<b>Total doubtful credits, net</b>	<b>174,322</b>	<b>203,578</b>	<b>83,095</b>	<b>170,507</b>	<b>203,642</b>	<b>83,096</b>

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

## Note 4 Fair-value hierarchy for financial instruments

Landshypotek Bank AB Group OCH Parent Company, SEK Thousand	31 Dec 2013			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Bonds and other interest-bearing securities	8,721,971	-		8,721,971
Interest-rate swaps		12,758		12,758
Cross-currency interest-rate swaps		117,838		117,838
<b>Derivatives identified as hedging instruments</b>				
Interest-rate swaps		411,339		411,339
Cross-currency interest-rate swaps		39,292		39,292
<b>Available-for-sale financial assets</b>				
Bonds and other interest-bearing securities	1,872,404	4,477,607		6,350,011
<b>Total assets measured at fair value</b>	<b>10,594,375</b>	<b>5,058,833</b>	<b>-</b>	<b>15,653,208</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Interest-rate swaps		329,901		329,901
Cross-currency interest-rate swaps		489,356		489,356
<b>Derivatives identified as hedging instruments</b>				
Interest-rate swaps		186,574		186,574
Cross-currency interest-rate swaps		216,203		216,203
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>1,222,034</b>	<b>-</b>	<b>1,222,034</b>

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

### Level 1

Quoted prices in active markets for identical assets or liabilities.

### Level 2

In all cases, listed swap curves were utilised as the basis for measurement. Listed credit spreads relative to the interest swap curve were utilised for measuring the value of bond assets. The interest-rate swap curve and FX-basis swap curve were 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.

## Notw 5 Fair value disclosures

Landshypotek Bank AB - Group SEK Thousand	31 Dec 2013 Carrying amount	31 Dec 2013 Fair value	31 Dec 2012 Carrying amount	31 Dec 2012 Fair value
<b>Assets</b>				
Cash and balances with central banks	431,893	431,893	45,400	45,400
Loans to credit institutions	261,877	261,877	642,194	642,194
Loans to the public*	60,665,011	59,939,674	58,884,842	57,886,359
Bonds and other interest-bearing securities	15,071,982	15,071,982	15,715,556	15,715,556
Derivatives	581,226	581,226	1,011,692	1,011,692
Shares and participations	-	-	1	1
<b>Total assets</b>	<b>77,011,989</b>	<b>76,286,652</b>	<b>76,299,685</b>	<b>75,301,202</b>
<b>Liabilities and provisions</b>				
Liabilities to credit institutions	256,890	256,890	620,419	620,419
Borrowing from the public	2,147,007	2,147,007	1,579,308	1,579,308
Debt securities in issue, etc.	68,421,543	68,668,866	68,203,114	68,492,857
Derivatives	1,222,034	1,222,034	1,078,647	1,078,647
Subordinated liabilities	699,921	775,054	699,921	797,892
<b>Total liabilities</b>	<b>72,747,395</b>	<b>73,069,851</b>	<b>72,181,409</b>	<b>72,569,123</b>

Landshypotek Bank AB - Parent Company SEK Thousand	31 Dec 2013 Carrying amount	31 Dec 2013 Fair value	31 Dec 2012 Carrying amount	31 Dec 2012 Fair value
<b>Assets</b>				
Cash and balances with central banks	431,893	431,893	45,400	45,400
Loans to credit institutions	300,960	300,960	634,326	634,326
Loans to the public*	60,367,478	59,623,777	58,613,225	57,606,359
Bonds and other interest-bearing securities	15,071,982	15,071,982	15,715,556	15,715,556
Derivatives	581,226	581,226	1,011,692	1,011,692
Shares and participations	-	-	1	1
<b>Total assets</b>	<b>76,753,539</b>	<b>76,009,838</b>	<b>76,020,200</b>	<b>75,013,334</b>
<b>Liabilities and provisions</b>				
Liabilities to credit institutions	256,890	256,890	620,419	620,419
Borrowing from the public	2,147,007	2,147,007	1,579,308	1,579,308
Debt securities in issue, etc.	68,421,543	68,668,866	68,203,114	68,492,857
Derivatives	1,222,034	1,222,034	1,078,647	1,078,647
Subordinated liabilities	699,921	775,054	699,921	797,892
<b>Total liabilities</b>	<b>72,747,395</b>	<b>73,069,851</b>	<b>72,181,409</b>	<b>72,569,123</b>

\* The differences between carrying amounts and fair values stem from changes in market interest rates.

## Note 6 Disclosures about offsetting

Landshypotek Bank AB Group AND Parent Company SEK Thousand	Amount recognised in the balance sheet 31 Dec 2013	Related amounts not offset in the balance sheet			Net amount 31 Dec 2013
		Financial instruments	Paid (+) Received (–) collateral – securities	Paid (+) Received (–) cash collateral	
<b>Assets</b>					
Derivatives, fair value	581,226	–449,888			
Derivatives, accrued interest	316,677	–254,573			
Derivatives, total value including accrued interest	897,903	–704,461		–163,256	30,186
Repurchase agreements, reverse repos	–				–
<b>Liabilities</b>					
Derivatives, fair value	–1,222,034	449,888			
Derivatives, accrued interest	–409,168	254,573			
Derivatives, total value including accrued interest	–1,631,202	704,461		163,256	–763,485
Repurchase agreements, reverse repos	–				–
<b>Net</b>	<b>–733,299</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–733,299</b>

Financial assets and liabilities included in a legal entitlement to offset, but not offset in the balance sheet.

## Note 7 Effect of changing accounting policy IAS 19 – Defined-benefit pensions

Landshypotek Bank AB Group SEK Thousand	Previously reported Q4 2012	Restated	Restated for Q4 2012	Previously re- ported for full year 2012	Restated	Restated for full year 2012
General administrative expenses	–65,149	–838	–65,987	–223,425	–3,352	–226,777
<b>Total expenses before loan losses</b>	<b>–72,245</b>	<b>–838</b>	<b>–73,083</b>	<b>–241,178</b>	<b>–3,352</b>	<b>–244,530</b>
<b>Income tax for the period</b>	<b>–20,698</b>	<b>–72</b>	<b>–20,770</b>	<b>–75,942</b>	<b>–288</b>	<b>–76,228</b>
<b>NET PROFIT FOR THE PERIOD</b>	<b>17,920</b>	<b>–910</b>	<b>17,010</b>	<b>182,357</b>	<b>–3,640</b>	<b>178,719</b>

	Previously reported Q4 2012	Restated	Restated for Q4 2012	Previously re- ported for full year 2012	Restated	Restated for full year 2012
<b>COMPREHENSIVE INCOME</b>						
<b>Net profit for the period</b>	<b>17,920</b>	<b>–910</b>	<b>17,010</b>	<b>182,357</b>	<b>–3,639</b>	<b>178,719</b>
<b>Other comprehensive income</b>						
<i>Items that are not reclassified</i>						
Actuarial differences for defined-benefit pensions		–2,881	–2,881		–11,523	–11,523
Tax items that are not reclassified		634	634		2,535	2,535
<i>Total, items that are not reclassified</i>		–2,247	–2,247		–8,988	–8,988
<b>Total other comprehensive income</b>	<b>–42,600</b>	<b>–2,247</b>	<b>–44,848</b>	<b>–108,742</b>	<b>–8,988</b>	<b>–117,730</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>–24,680</b>	<b>–3,157</b>	<b>–27,838</b>	<b>73,615</b>	<b>–12,627</b>	<b>60,988</b>

	Previously reported Q4 2012	Restated	Restated for Q4 2012	Previously re- ported for full year 2012	Restated	Restated for full year 2012
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
Deferred tax assets/Other assets	22,349	5,702	28,051	22,349	5,702	28,051
<b>TOTAL ASSETS</b>	<b>77,471,087</b>	<b>5,702</b>	<b>77,476,789</b>	<b>77,471,087</b>	<b>5,702</b>	<b>77,476,789</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>						
Other liabilities	353,830	–2,084	351,746	353,830	–2,084	351,746
Provisions	12,067	30,088	42,155	12,067	30,088	42,155
<b>Total liabilities</b>	<b>73,642,761</b>	<b>28,004</b>	<b>73,670,765</b>	<b>73,642,761</b>	<b>28,004</b>	<b>73,670,765</b>
<b>Equity</b>	<b>3,828,326</b>	<b>–22,302</b>	<b>3,806,024</b>	<b>3,828,326</b>	<b>–22,302</b>	<b>3,806,024</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>	<b>77,471,087</b>	<b>5,702</b>	<b>77,476,789</b>	<b>77,471,087</b>	<b>5,702</b>	<b>77,476,789</b>



Landshypotek Bank