



Landshypotek Bank

Landshypotek Annual Report 2013

For a richer life in the country

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Schedule of Information

Interim Report Q1	25 April 2014
Annual Association Meeting	10 April 2014
Annual General Meeting	10 April 2014
Interim Report Q2	31 July 2014
Interim Report Q3	23 October 2014



Landshypotek Bank

**For a richer life
in the country**





Landshypotek Bank

For a richer life in the country

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 decisive for Sweden's future. Active farmers and foresters in combination with entrepreneurship in the countryside result in quality food, tourism, a healthy environment and open landscapes.

Landshypotek Bank finances initiatives for a richer life in the country. It 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 agriculture and forestry in an optimal manner, in the long-term and over generations. For almost two centuries, we have actively assisted members of Landshypotek to develop a beautiful landscape, well-tended forests and food produced in Sweden.

The countryside is developed by the private agriculture and forestry sectors. There is considerable innovative energy in the agriculture and forestry sectors. 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.

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 contributes 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 opportunities and challenges when others don't.

Landshypotek Bank became a bank in April 2013 and is Sweden's tenth largest bank. We are a profiled niche bank and put downward pressure on prices for financing agriculture and forestry. We are a different type of bank since we distribute our surplus back to the members of the cooperative society and, thereby, back to the agriculture and forestry sectors.

Landshypotek 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 promotes a living countryside.

2013 in brief

Landshypotek Bank is developing into an even better bank for our members and our customers. Since 1836, the core assignment has been financing agriculture and forestry. In 2013, contact with customers and members was strengthened and new services introduced to customers. Landshypotek has built for the future and become a bank. A selection of events in 2013 follows below.

Landshypotek AB became Landshypotek Bank AB

On 4 April 2013, Landshypotek was registered as an incorporated bank and became a bank under the name Landshypotek Bank AB (publ). As a bank, Landshypotek is able to develop and open its savings offering to everybody and to offer additional services to farmers and foresters. This marks a key step in Landshypotek's history and development.

A new business support system for enhanced services and customer contact

Landshypotek Bank is replacing its entire IT platform in the spring. The new platform provides support for sales, customer contact, credit scoring, marketing and financial follow-up to all of Landshypotek's operations. The new support system meets the growth aim and the possibilities for developing into a digital bank for savers. The IT system bolsters the credit process and stabilises operations at Landshypotek Bank. The transition to the new support system was completed in two years.

Newly opened Customer Service Centre

Landshypotek Bank has opened a Customer Service Centre to quickly and easily meet customers. The Customer Service Centre is located in Linköping.

The Bank's own forest account

Landshypotek Bank is introducing its own forest account, thereby giving competition in the market a good shake-up. This initiative is part of developing the range of savings products. It is particularly important that Landshypotek Bank offers the specific services that farmers and foresters need.

Rating confirmed

Both Standard & Poor's and Fitch confirmed Landshypotek Bank's high rating during the year. Accordingly, Landshypotek Bank has a AAA rating for its covered bonds and the company itself an A rating from Standard & Poor's. The rating agency Fitch gave Landshypotek Bank a rating of A+ with stable prospects. The rating agency confirmed that Landshypotek Bank has a healthy capital position, a leading market position for financing agriculture and forestry and lending linked to secure assets.

Landshypotek participates in "Sveriges Skönaste Gårdar"

Landshypotek Bank is taking part in the TV show "Sveriges Skönaste Gårdar" (Sweden's Most Beautiful Farms). Chief Credit Officer Helena Silvander is a member of the jury and assesses the farms' business potential. In line with Landshypotek Bank's assignment, the programme showcases dedicated farmers with a passionate interest for their products.

Increasing numbers of savers at Landshypotek Bank

Increasing numbers of people are saving at Landshypotek Bank. The savings diversifies the Bank's funding. The general public's savings contribute to enabling investments in a richer countryside with open landscapes and well-tended forests. Landshypotek Bank's core business is first lien mortgage loans to the agriculture and forestry sectors, but the Bank now offers an increasing number of services and products, including insurance (in partnership with Gjensidige) and finance company services (together with DNB Finans).



Landshypotek Bank

- is Sweden's tenth largest bank.
- has loans outstanding to the agriculture and forestry sectors of slightly more than SEK 60 billion and, accordingly, is the market leader with 28.5 percent of total lending to farmers and foresters.
- is owned by its loan customers, who are members of Landshypotek ekonomisk förening. Approximately 45,000 members are organised in the association's ten regions.
- returns its surplus to the agriculture and forestry sectors, through reinvestment in operations and through payment of dividends to members. Based on earnings for 2013, MSEK 142 is proposed to be returned to members of Landshypotek ekonomisk förening.
- organises business operations into eight areas with 19 sales offices. The account managers are well versed in agriculture and forestry operations as well as the financing of these operations.
- values its local presence and close links to the industries as highly important. Its presence is strengthened by close to 80 elected representatives of Landshypotek ekonomisk förening who are farmers and foresters. These elected representatives are ambassadors for Landshypotek Bank, perform valuation assignments for the Bank and have a democratic task as part of the Landshypotek ekonomisk förening's owner organisation.

Business overview

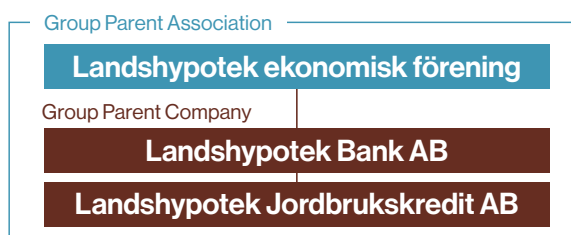
Landshypotek's task is to provide competitive financing and to offer financial services to Sweden's farmers and foresters. All business operations are conducted in Landshypotek Bank AB, which is owned by Landshypotek ekonomisk förening. All borrowers at the Bank are members of Landshypotek ekonomisk förening. Accordingly, Landshypotek Bank AB is owned by the members of the society. The cooperative society is responsible for member relations and the Bank for business operations. Landshypotek Bank has introduced savings accounts that offer competitive interest rates for the retail market in Sweden.

Landshypotek Bank is close to its customers

Landshypotek Bank is organised into eight areas 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.

Landshypotek Bank is owned by its members

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



A few historical milestones

1836

The first rural building society was started in Skåne. Its purpose was to provide farmers with loans secured by mortgages in agricultural properties.

1861

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

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 Landshypotek a banking licence in autumn 2012.

2014

The new brand Landshypotek Bank was launched and a digital bank opened for savers.

2013 in figures

Landshypotek is growing. Landshypotek Bank has loans outstanding of more than SEK 60 billion and is the market leader for lending to Swedish farmers and foresters. Independently or together with partners, Landshypotek Bank's offering includes everything needed by farmers and foresters in terms of financing, investments, savings, insurance and payment solutions.

Summary Landshypotek Bank	2013	2012
Net interest income, MSEK	656.5	577.8
Operating profit, MSEK	266.8	254.9
Loans to the public, MSEK	60,665.0	58,884.8
Increase in lending, %	3.0 %	5.9 %
Interest margin, %	1.1 %	1.0 %
C/I ratio	0.44	0.42
Loan loss level, %	0.09 %	0.04 %
Rating, long-term		
Standard & Poor's, Covered bonds	AAA	AAA
Standard & Poor's	A	A
Fitch	A+	A+
Average number of employees	122	114

Lending on the rise

Lending to agriculture and forestry amounted to slightly more than SEK 60.7 billion, corresponding to growth of SEK 1.8 billion or 3.0 percent.

60.7
billion

Operating profit stable

Operating profit improved marginally to MSEK 266.8.

MSEK
266.8

Net interest income up

During the year, net interest income improved and totalled MSEK 656.5. The improvement in net interest income was attributable to increased lending and improved margins between interest rates on borrowing and lending.

MSEK
656.5

Investments for the future

Costs climbed slightly and amounted to MSEK 283.1. This was mainly attributable to increased costs for personnel, investment in a new business IT system and increased marketing.

MSEK
-283.1

High member dividends within reach

The Board of Landshypotek Bank AB has decided to pay a Group contribution of MSEK 156 to the owner association Landshypotek ekonomisk förening. The Group contribution allows continued favourable dividends to the society's members. The Board of the association proposes to the Association Meeting that about MSEK 142 be distributed directly to the members.

MSEK
142

Capital adequacy healthy

The Financial Corporate Group's capital adequacy ratio improved and totalled 1.23. 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.

1.23

Loan losses up

Net recognised loan losses totalled MSEK 54.4. Loan losses and the percentage of doubtful credits have risen from a very low level from a portfolio perspective. The increase in net recognised loan losses was attributable to a few individual commitments and, from a portfolio perspective, loan losses remain at a low level.

MSEK
-54.4

Managing Director's Statement

A historic year for the Bank that welcomes many more

2013 was a historic year for us at Landshypotek. On 4 April, we started using our banking licence and became Landshypotek Bank. As a growing bank with healthy earnings in 2013, we are continuing to equip ourselves for the future and to implement improvements for our customers. We are building a sustainable bank, in close physical proximity to farmers and foresters and digitally for savers. We focus on customers and growth. Landshypotek Bank now presents a well-developed brand that communicates the changes at the bank.

Our loan customers have been clear: farmers and foresters need their own bank. A bank that understands their industries when others don't. A bank that undercuts prices for lending and a bank with a clear assignment for the agriculture and forestry sector. Unlike others, we only work with financing investments in the countryside. Our surplus is repaid to our loan customers, who are all members of the owner association, Landshypotek ekonomisk förening. We are a bank with close links to our customers even through our organisational form.

However, being that bank requires a continued high pace of development. We are developing vigorously to better provide customers with services. We are also developing to meet the growing regulatory requirements and increasing capital requirements as well as remaining attractive for investors. This enables us to operate healthy banking operations with favourable competitiveness.

In our development we have:

- widened our offering and now provide additional services to our customers. We have favourable terms on both deposits and lending, as well as excellent partnerships in place for insurances and finance company services. Our members' operations are changing and we are changing in pace with them. New operations also require new and additional banking services. We are continuing to develop an attractive offering that meets our customers' needs.
- opened up to savers outside our core target group. The offering is being developed and we are now attracting savers from the general public in Sweden. These deposits diversify our funding. A significant contribution from deposits is a key step in our strategy of building a sustainable bank for the future.

- progressed with the digital bank that enables our customers to quickly and easily open accounts and start saving directly online. The digital solution will make saving easy, we offer favourable terms and everyone knows that funds deposited promote the development of the Swedish countryside. The digital bank will be launched in 2014.
- revitalised the cooperative idea and strengthened member commitment by redistributing funds to members of the cooperative society based on a dividend on contributed capital instead of a refund.
- strengthened the organisation to improve customer contact. Recruitments to our area organisation have further strengthened competence and our market presence. We have opened a Customer Service Centre, which answers customers' day-to-day questions.
- replaced our entire IT business support system. Modern systems for payment administration, customer data and credit scoring mean that we now have a system that meets all of the regulatory requirements and can develop our digital customer contact.
- strengthened the organisation to meet regulatory requirements and ensure compliance.

In parallel with all our investments for the future, once again, we have posted healthy earnings in 2013. Earnings have stabilised at a satisfactory level, which is important for us to be able to continue investing in the bank's development.

At Landshypotek Bank, we have now laid a foundation that will enable us to serve more customers. Landshypotek Bank is currently well known among professional farmers

“We want to extend the reach of Landshypotek Bank’s initiatives and offering; we want to reach more new professional farmers and foresters, more families in the countryside and more savers.”

but has room to raise its profile among foresters. However, for savers in the general public in Sweden, Landshypotek is an unknown bank.

We want to extend the reach of Landshypotek Bank’s initiatives and offering; we want to reach more new professional farmers and foresters, more families in the countryside and more savers. The new brand clearly defines what Landshypotek Bank represents.

Landshypotek Bank has a clear assignment for the Swedish agriculture and forestry sector. But, 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 at Landshypotek Bank promotes the continuation of a living countryside.

We welcome customers to Landshypotek Bank with our brand promise: For a richer life in the country.



A handwritten signature in black ink, appearing to read 'Kjell Hedman'.

Kjell Hedman,
Managing Director

Our operating environment

Landshypotek is impacted in its funding 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's 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 farmers and foresters remained high but the growth rate has eased off compared with previous years.

Finance market trends

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 the year and the Federal Reserve warned of a reduction in economic stimulus packages. However, markets reacted strongly and long-term interest rates soared. This led to a slow-down in the economy, which was accentuated by rising concerns about the budgetary trend. The Fed deferred phasing out support buying and signalled 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 rose 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 and, 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 percent 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 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 been periods of deflation. This forced a lowering of the interest rate to 0.75 percent 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.

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

Trend in agriculture and forestry

Increasing international demand for food and energy in combination with a growing domestic interest in food provides favourable conditions for Swedish agriculture and forestry. At the same time, Swedish agriculture is undergoing a period of major change.

Structural rationalisations are ongoing at the same time as the role of business leader is being changed. Farmers are in increasing need of supplementary operations. From previously acting solely as a producer, today, a more market-minded approach is needed for healthy profitability. This is marked by increasing variation in the degree of profitability between companies in the same sector. Swedish agriculture is subject to different regulatory requirements than many other countries, which also impacts the possibility of competing in the international market. This is also an area where increasing requirements are being applied to the agricultural enterprises.

International impact

The weak economic trend in the eurozone strongly influences 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 impacted by the effects. Domestic markets with a significant amount of imports



came under pressure in 2013, for example the markets for pork, beef and poultry.

Arable farming

Conditions for 2013 were not optimal for arable farming in Sweden. In total, a grain harvest of 5.0 million tons was achieved, which was in line with 2012 and 2 percent above the five-year average. However, price trends were weak. Wavering demand in combination with a strong SEK puts Swedish exports at disadvantage and, accordingly, also the domestic market. Thanks to a favourable harvest and moderate increases in costs, however, profitability for 2013 was stable.

Livestock production

The milk price in Sweden 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. A degree of improvement was posted in the last quarter in pace with declining 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.

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 and 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 and between various types of properties. The market for smaller properties remained weak as did 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 was broken. However, the price trend for arable land, which declined slightly in 2012, stabilised and high-quality arable land noted a slight increase in prices in 2013.

Market conditions

Landshypotek believes in Swedish agriculture and forestry. Our assignment is to promote enterprise in the countryside. 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 easily 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.

Landshypotek ekonomisk förening

As a member-owned organisation, Landshypotek Bank already has close ties with customers. Member benefits, including the distribution of the Bank's surplus and favourable terms, are core to the Bank's operations. The Association Meeting and Regional Meetings comprise key forums during the year for maintaining an active cooperative society.

MSEK 135 distributed to members in 2013

In May, the Association Meeting of Landshypotek ekonomisk förening decided to distribute MSEK 135 of earnings in 2012 to members. This was the first year with distributions based on member's contributed capital rather than a refund on interest paid. The forecast dividend was between eight and ten percent. The dividend of MSEK 135 corresponded to 11 percent on members' contributed capital. The largest dividend, MSEK 23.5, was paid to members in Älvsborg. Members in Skåne (MSEK 22.8) and in the Mälaren provinces (MSEK 21.4) also received more than MSEK 20 in dividends.

Proposed distribution for the year, MSEK 142

Based on the Group contribution from the Bank, the Board of Landshypotek ekonomisk förening proposes to the Association Meeting that MSEK 142 be distributed directly to the members. This corresponds again to a dividend of 11 percent on individual members' contributed capital.

Well-attended regional meetings

The 2013 regional meetings at Landshypotek ekonomisk förening were well-attended. Members took note of experience gained regarding value-creating architectural conservation with interesting external speakers and locations for the event. In addition, representatives of the Bank presented information about Landshypotek's earnings and performance. In 2014, the regional meetings will be held in March with the following theme: The Countryside's Future.

Association Meeting

The 2013 Association Meeting was held at Moderna Museet in Stockholm on 15 May. The elected representatives for the country's ten regions met and the new Board of Directors of Landshypotek ekonomisk förening was elected. Kjell Hedman, Managing Director of Landshypotek, presented the Bank's performance and the results for 2012. Following the Association Meeting procedures, Anna Kindberg Batra, Chairman of the Parliamentary Committee on Finance, gave a presentation on the subject of Sweden in a troubled global economy. The 2014 Association Meeting will be held on 10 April, 2014.

Chairman's Statement

Member commitment to make their own bank stronger

Landshypotek Bank is close to its loan customers. We borrowers are all members of the cooperative society and owners of the Bank.



Having our own bank is important for us as farmers and foresters. Favourable financing terms enable us to develop our operations and continue to live and run businesses in the countryside, which is crucial for a thriving countryside.

The Bank's surplus is used to develop Landshypotek Bank and distributed directly to members. 2013 was the first year with our new distribution policy based on contributed capital rather than a refund.

When we opened up to allow investments by members, it was to provide new capital for Landshypotek and to allow better distribution of the surplus to us as owners. The opportunity to invest in Landshypotek was welcomed by the members. To date, members have invested almost a

quarter of a billion Swedish kronor in Landshypotek and considerably strengthened the Bank's capital base.

Healthy earnings in 2012 meant that after the Annual Association Meeting we could distribute MSEK 135 directly to our members in the first year with dividends. This represented a return on investment of 11 percent. Following the results for 2013, we now propose the distribution of MSEK 142, thereby maintaining dividends at 11 percent.

The commitment of our members and an increasingly favourable capital base means we can continue to develop our own bank for agriculture and forestry.

Lars Öhman
Chairman, Landshypotek ekonomisk förening

Our assignment and our values

Competitive financing of agriculture and forestry

Landshypotek Bank is Sweden's farmers and foresters' own bank. Our existence is justified by our niche, our competence, our favourable terms and our form of ownership. We undercut the market and provide an alternative to the major banks. The first choice for all financing for agriculture and forestry. Our offering is expanding with an increasing number of products and services.

Long-Term • Considerate • Competent

We support our loan customers throughout their lives and across generations. Our customers are of paramount importance; we see them and prioritise them. We are open and honest. We are clear and intuitive. We are welcoming, while remaining professional and setting requirements. We possess financing expertise and understand our customers' business activities.

Member benefit • Knowledge • Security

We understand agriculture, forestry and financing. We are a local, fast-acting and efficient partner. We create member benefits from a customer and member perspective.



Landshypotek Bank AB 2013



Administration Report

On 12 March 2014, 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 10 April 2014.

Business

Landshypotek Bank AB is a member-owned bank specialised in lending to Swedish agriculture and forestry. During the year, Landshypotek Bank has also introduced savings accounts that offer competitive interest rates for the general public in Sweden. In November 2012, Landshypotek Bank AB was granted a licence by the Swedish Financial Supervisory Authority to conduct banking operations. Registration as a bank was completed on 4 April 2013.

Landshypotek Bank AB is owned by Landshypotek ekonomisk förening. All borrowers at Landshypotek Bank automatically become members of Landshypotek ekonomisk förening. At the end of 2013, the society had approximately 45,000 members.

During 2013, operations were conducted by the following corporate entities:

- Landshypotek Bank AB
- Landshypotek Jordbrukskredit AB

Local presence is an important success factor for Landshypotek



Landshypotek 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 AB is the Parent Company of the Landshypotek Bank Group. The vast majority of the Group's business operations are conducted in Landshypotek Bank AB. Landshypotek Bank AB offers farmers and foresters first lien mortgage loans up to 75 percent of the appraised market value against real property as collateral. In 2013, Landshypotek Bank AB expanded its offering of savings products to include the entire general public. The subsidiary Landshypotek Jordbrukskredit AB offers other loans to farmers and foresters. The Group uses the capital market as its primary source of funding. Funding is allocated over a number of loan programmes, adapted to various types of investors, thus achieving the desired level of flexibility. All funding currently takes place in Landshypotek Bank AB.

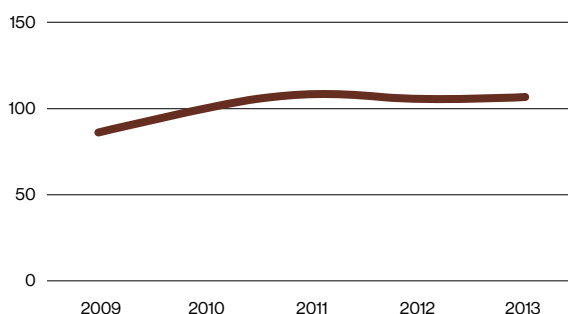
Organisation

Landshypotek Bank has 130 employees based in eight regions 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 of entrepreneur-driven enterprises.

The representatives that sit on Landshypotek ekonomisk förening's regional boards of directors are tasked with appraising customers' properties. The members

Arable land prices in real terms

SEK thousand/hectare



Source: LRF konsult

Average prices for arable land were unchanged in 2013 compared with 2012.

of these boards are themselves owners of agricultural properties and have good local knowledge and 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.

Market overview

Market trends

The cereal harvest in 2013 was in line with 2012 and 2 percent above the average for the last five years. The price trend was 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 costs, however, profitability for 2013 was stable.

The milk price in Sweden 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 meant that profitability was under pressure for most of 2013. A degree of improvement was posted in the last quarter in pace with declining 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 strength of the SEK played a role.

Forestry was negatively impacted by a weak economy in many parts of the world, which in combination with an unfavourable exchange rate led to declining prices for both timber and pulp wood.

Price trends for agricultural and forest properties

The price of forest properties has held up 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.

The market for agricultural properties 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.

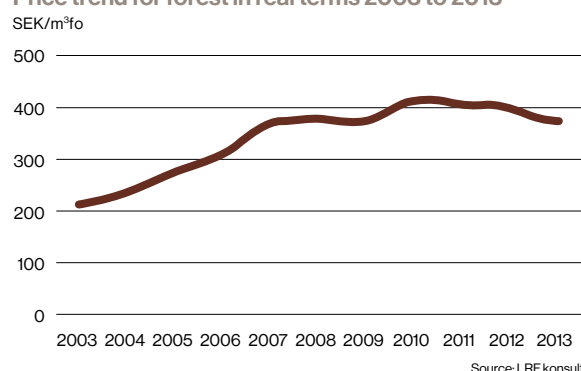
Landshypotek Bank's development

Landshypotek Bank increased its net lending by SEK 1.8 billion during 2013, corresponding to lending growth of 3.0 percent, compared with 5.9 percent in 2012. Demand for credit from Sweden's farmers and foresters remained high. The annualised growth for 2013 was 5.8 percent, which is slightly lower than in previous years. The primary driver for demand was property transactions occurring in the agriculture and forestry sectors.

Deposits amounted to SEK 2.1 billion at 31 December 2013, up 36.0 percent year-on-year. Landshypotek Bank's assignment is to provide competitive financing and offer financial services to Sweden's farmers and foresters. Landshypotek Bank also provides savings accounts that offer competitive interest rates for the general public in Sweden.

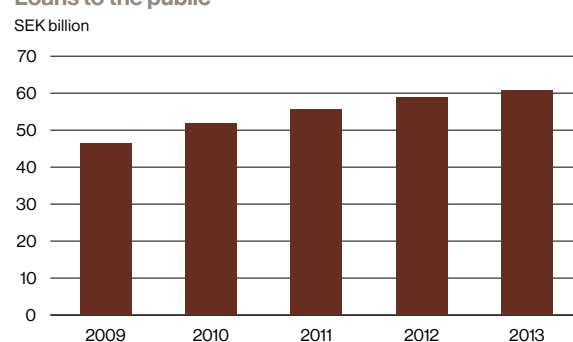
With an expanded market presence and broader product offering, Landshypotek Bank aims to grow in pace with the market.

Price trend for forest in real terms 2003 to 2013



The average price of forest properties was SEK 370/m³ in Sweden as a whole in 2013.

Loans to the public



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

Profit and profitability

Group key ratios, SEK thousand	2013	2012
Net interest income	656,464	577,827
Interest margin, %	1.1 %	1.0 %
Other operating income	-52,110	-56,233
Costs	-283,138	-244,530
C/I ratio	0.44	0.42
Loan losses	-54,378	-22,117
Loan loss level, %	0.09 %	0.04 %
Operating profit	266,839	254,947
Operating profit excluding the net result of financial transactions	302,024	304,004

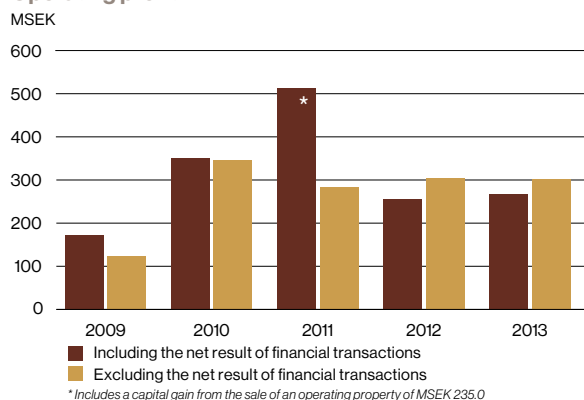
Success factors

Crucial factors to ensure that Landshypotek Bank continues to experience favourable development in the market and defend its position as a leading player in its business area are:

- good knowledge of customers' business,
- products that satisfy customers' requirements,
- elected appraisers who can accurately value the collateral,
- good credit assessment which, together with accurately appraised collateral, guarantees continued low loan losses and
- low borrowing costs.

Consolidated operating profit in 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.

Operating profit



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

Excluding the net result of financial transactions, operating profit amounted to MSEK 302.0 (304.0), down MSEK 2.0 year-on-year. Profit was negatively impacted by increased costs and an increase in recognised net loan losses. The Parent Company's operating profit accounted for the majority of the consolidated operating profit and therefore the following comments apply equally to the Parent Company.

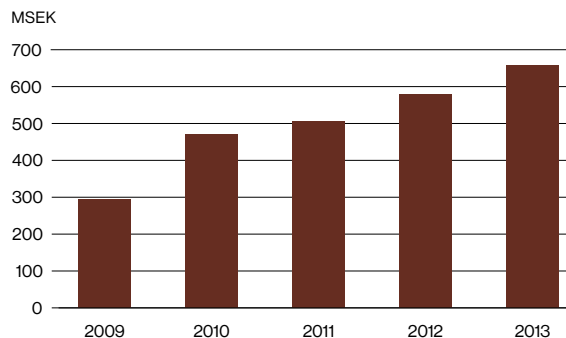
Net interest income

Net interest income in 2013 amounted to MSEK 656.5, an increase of MSEK 78.6 or about 13.6 percent, compared with 2012 (MSEK 577.8). The increase was attributable to increased lending and wider margins between interest rates on borrowing and lending.

Other operating income

Operating income, excluding net interest income, amounted to a negative MSEK 52.1, up MSEK 4.1 compared with 2012.

Net interest income



Net interest income for 2013 amounted to MSEK 656.5. 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.

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 2012 (loss: 56.2). The increase was primarily due to an improvement 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 includes 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. Realised result comprises the early redemption of bonds issued, premature closure of hedges and sales from the liquidity portfolio. Early redemption 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 further strengthens Landshypotek Bank's balance sheet and reduces the average borrowing cost.

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. Revaluations of financial instruments in equity amounted to MSEK 24.1 (neg: 135.9) in 2013.

In addition, net profit for the year was charged with fees to the Swedish National Debt Office's stabilisation fund of MSEK 32.6 (23.8) and deposit insurance of MSEK 11 (-).

Costs

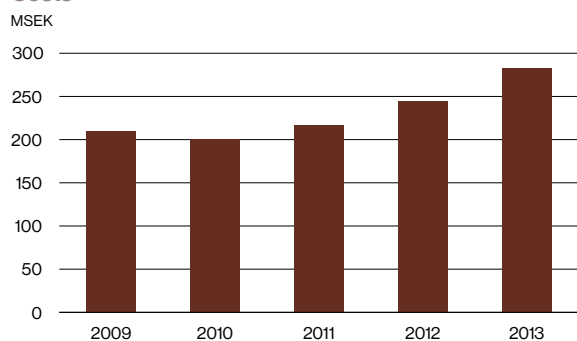
Costs in 2013 amounted to MSEK 283.1 (244.5). The increase in costs of MSEK 38.6 was principally attributable to increased costs for personnel, marketing and services procured in conjunction with the implementation of a new business system compared with 2012.

Loan losses and doubtful credits

Net recognised loan losses amounted to MSEK 54.4 (loss: 22.1), corresponding to 0.09 percent of Landshypotek Bank's total loans outstanding. Confirmed loan losses were MSEK 27.4 (6.6). Provisions for probable loan losses amounted to MSEK 82.4 (32.8). Reversals of previous provisions for realised losses in the annual accounts totalled MSEK 23.9 (6.1). Recoveries of previously realised losses and reversals of previous provisions for probable loan losses no longer required, amounted to MSEK 31.9 (11.1).

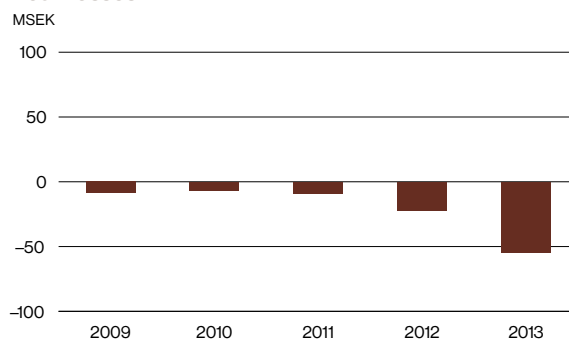
On 31 December 2013, doubtful credits after provisions amounted to MSEK 174.3 (83.1), corresponding to 0.29 percent (0.14) of total loans outstanding. In 2013, a number of credit commitments were settled for which provisions were made in 2012. Accordingly, confirmed loan losses increased. The increase in provisions for probable loan losses was attributable to a few individual commitments and, from a portfolio perspective, loan losses remain at a low level. The percentage of doubtful credits has risen from a low level. In individual cases, liquidity has been under pressure, which negatively impacted the repayment capacity of these customers. All customers who fall into the doubtful credits category are subject to individual assessment and analysis for potential provisions. Landshypotek Bank's provision policy remains unchanged.

Costs



Costs for 2013 amounted to MSEK 283.1, an increase of MSEK 38.6 or approximately 16 percent year-on-year. The increase was principally attributable to increased costs for personnel, marketing and costs in conjunction with the implementation of a new business system.

Loan losses



At 31 December, loan losses totalled MSEK 54.4, which corresponded to 0.09 percent of lending.

Financial structure

Consolidated Balance Sheet

Assets, MSEK	2013
Loans to credit institutions	694
Loans to the public	60,665
Bonds and other interest-bearing securities	15,072
Derivatives	581
Non-current assets	64
Other assets	897
Total assets	77,973

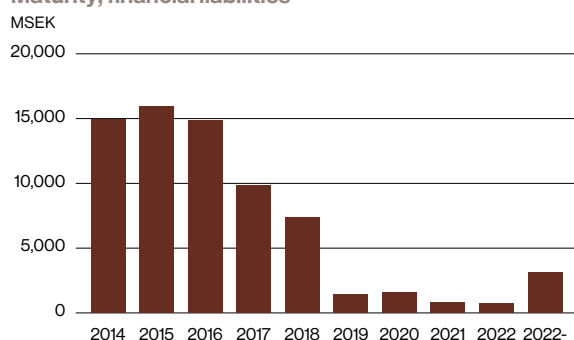
The balance sheet total rose 0.6 percent to MSEK 77,973 (77,477), due to increased lending to the public in parallel with a slight decrease in the holding of interest-bearing securities and derivatives.

Assets

The largest asset item in the balance sheet is "Loans to the public", which amounted to MSEK 60,665 (58,885). More information about Landshypotek Bank's lending to the public can be found in the Risk and Capital Management section. At the end of 2013, Landshypotek Bank's holding of interest-bearing securities amounted to MSEK 15,072 (15,716). The portfolio consists principally of covered bonds issued by Swedish institutions with top credit ratings and, to a certain degree, of 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 year-end 2013, the Group's holding of derivatives contracts with positive market values amounted to MSEK 581 (1,012).

Maturity, financial liabilities



Liabilities, MSEK	2013
Liabilities to credit institutions	257
Borrowing/deposits from the public	2,147
Debt securities in issue	68,422
Derivatives	1,222
Other liabilities	1,804
Equity	4,121
Total liabilities	77,973

This corresponded to a nominal value of MSEK 16,307 (21,318). Additional detail about derivative contracts can be found in Note 16.

At 31 December 2013, tangible and intangible non-current assets amounted to MSEK 64 (56). The increase was primarily attributable to the investment in the new business system.

At the end of 2013, other assets amounted to MSEK 897 (1,121). This item is comprised primarily of accrued interest as well as announced interest and repayments. The Group's gradual transition in 2013 to quarterly notifications of interest payments and capital repayments has seen this item increase compared with 2012. However, in total, other assets declined year-on-year since accrued interest and receivables from Group companies decreased.

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 2013, bond and money market instruments in issue amounted to MSEK 68,422 (68,203). Borrowing from the public amounted to MSEK 2,147 (1,579) and borrowing from credit institutions to MSEK 257 (620).

At 31 December 2013, the Group's holdings of derivative contracts with a negative market value totalled MSEK 1,222 (1,079). This corresponded to a nominal value of MSEK 32,774 (35,594). Additional detail about derivative contracts can be found in Note 27.

At the end of 2013, other liabilities amounted to MSEK 1,804 (2,189). This item mainly includes accrued interest, subordinated liabilities and liabilities to Group companies.

Equity

At year-end 2013, Landshypotek Bank had equity of MSEK 4,121 (3,806). During 2013, equity grew by

Funding

Borrowing programmes

Programme, MSEK	Utilised nominal amount 31 Dec. 2013	Limit	Utilised nominal amount 31 Dec. 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
Registered Covered Bonds (RCB)	3,306		3,206
Subordinated loans	700		700

* MEUR 3,500.

MSEK 315, of which MSEK 190 pertained to contributed capital from a new issue. 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. By adopting an extremely flexible approach to markets and instruments, funding is obtained efficiently and where the best terms are offered. Landshypotek Bank utilises several borrowing programmes, both domestic and international. This allows the company to meet most investors' needs for investments in interest-bearing securities. Landshypotek Bank's primary source of funding during the year was covered bonds.

In 2013, covered bonds were issued in an amount 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 about SEK 14.9 billion pertained to covered bonds.

Rating

Landshypotek Bank has a credit rating from two rating agencies, Standard & Poor's and Fitch. In 2013, Standard & Poor's confirmed the AAA rating for covered bonds and A, A-1, K1 with negative outlook for the company. In 2013, Fitch confirmed the company's credit rating of A+, F1 with a stable outlook for the company.

Rating	Long	Short
Standard & Poor's covered bonds	AAA	
Standard & Poor's	A	A-1, K1
Fitch	A+	F1

Capital situation

When calculating the capital requirement for the Financial Corporate Group, without the transitional rules relating to Basel I, Landshypotek Bank applies the rules for the Internal Ratings Based (IRB) Approach to the majority of its credit-risk exposures. For other creditrisk exposures, the standardised approach is used. The base method is applied for calculating capital adequacy requirements for operational risk. Landshypotek Bank has no Pillar I capital requirement for market risk.

At 31 December 2013, the capital base was MSEK 4,886. On the same date, the Pillar I capital requirement, without applying the Basel I transitional rules, amounted to MSEK 1,223 and the capital adequacy ratio was 3.99. 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. Under the transitional rule, Landshypotek Bank has a considerably higher capital requirement, resulting in a capital adequacy ratio of 1.23. Additional information can be found in Note 34.

Group contributions

A Group contribution will be paid by Landshypotek Bank AB, contingent upon the approval of the Annual General Meeting, in the amount of MSEK 156 (149) to Landshypotek ekonomisk förening.

Events after year-end

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

Landshypotek Banks' covered bonds

Covered bonds are bonds that carry a preferential right in a defined cover pool. At 31 December 2013, Landshypotek Bank had covered bonds in issue at a value of SEK 58.2 billion. Assets in the cover pool corresponding to SEK 71.6 billion are in place as collateral for these bonds.

Cover pool and covered bonds

Cover pool	
Loans	SEK 57.7 billion
Supplemental collateral	SEK 13.9 billion
Total Cover pool	SEK 71.6 billion
Covered bonds	
Issued in SEK	SEK 45.9 billion
Issued in foreign currency	SEK 12.3 billion
Total Cover pool	SEK 58.2 billion
Excess collateral	23.0 % SEK 13.4 billion

Landshypotek Bank has two programmes for issuing covered bonds, a Swedish MTN programme with a limit of SEK 60 billion and an international EMTN programme with a limit corresponding to SEK 31.1 billion. Covered bonds are Landshypotek's most important source of funding and in 2013, covered bonds were issued in an amount of SEK 16.1 billion. Landshypotek Bank's covered bonds have an AAA credit rating from the rating agency Standard & Poor's.

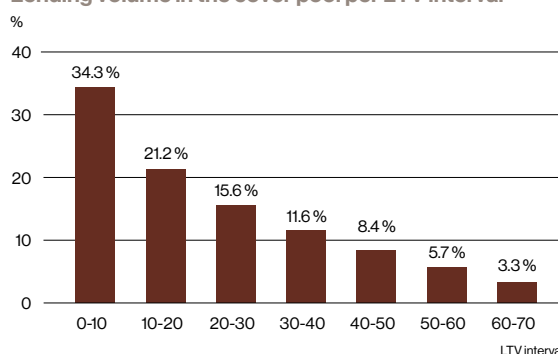
The cover pool comprises loans with Swedish agricultural and forest properties as collateral, and supplemental collateral. The supplemental collateral comprises covered bonds issued by other credit institutions, and bonds issued by Swedish municipalities.

Key ratios, cover pool

LTV – Loan-to-value ratio	
Average volume-weighted LTV	43.3 %
Number of pledged properties	33,903
Number of borrowers	44,693
Number of loans	129,178
Supplemental collateral	
Swedish covered bonds	SEK 9.5 billion
Swedish municipalities	SEK 4.4 billion

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 43.3 percent entails that Landshypotek's customers' loans amount to an average value of 43.3 percent of their farms. Landshypotek has 44,693 borrowers and 33,903 pledged properties. The difference is attributable to a man and wife jointly pledging their property. The number of loans amounts to 129,178. This means that many customers have more than one loan.

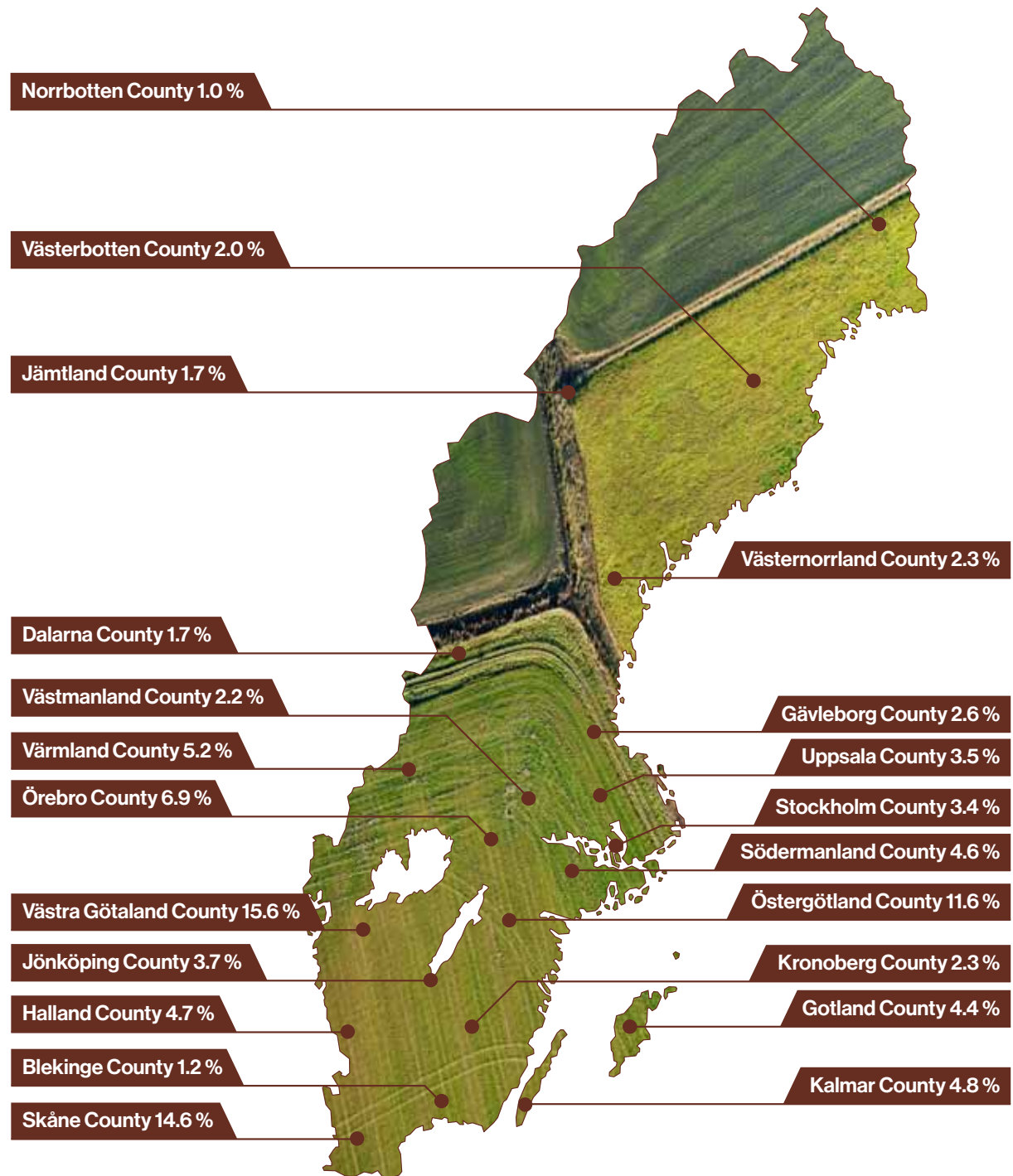
Lending volume in the cover pool per LTV interval



Of Landshypotek's lending, 56 percent takes place against collateral where the loan amount is less than 20 percent of the value of the collateral. Only 3 percent of lending is against collateral where the loan amount is 70 percent of the value of the collateral.

Geographic distribution of lending

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



Corporate governance at Landshypotek Bank AB

Landshypotek's vision is to be the preferred choice for financing agriculture and forestry. Corporate governance is a key support in Landshypotek's efforts to create value for its stakeholders. Due to the form of member ownership, the ownership structure and corporate governance provide possibilities to create benefit from both customer and owner perspectives.

The banking licence received in November 2012 provides the preconditions for increased customer and owner benefit through a wider product range alongside what continues to comprise the core business – offering first lien mortgage loans against collateral in real property. In parallel, the banking licence means that it is necessary to maintain an increased focus on corporate governance in terms of internal governance and control.

New financial regulations pertaining to areas including capital requirements and corporate governance are further reasons for the increased significance of corporate governance in 2013. This trend can be expected to continue moving forward. In 2013, Landshypotek continued its efforts to monitor legislative trends at a national and international level to ensure that Landshypotek's operations meet the new regulatory requirements. This includes regulations such as the Capital Requirements Directive IV, the European Banking Authority's (EBA) GL 44 guidelines on internal governance, and the Swedish Financial Supervisory Authority's new regulations covering governance, risk management and controls.

Owners' control

Landshypotek Bank AB is a wholly owned subsidiary of Landshypotek ekonomisk förening. Landshypotek Bank AB is domiciled in Stockholm. Owners' control of Landshypotek Bank AB is exercised through Annual Meetings, the Board of Directors and the Managing Director in accordance with the Swedish Companies Act, Articles of Association, adopted policies and instructions. The Federation of Swedish Farmers (LRF) has produced a code for governance of cooperative agricultural associations and association enterprises. With just a few minor exceptions, this code was adopted by Landshypotek ekonomisk förening and as things were then Landshypotek AB in 2006. After the company received a banking licence, Landshypotek Bank AB adopted the Swedish Corporate Governance Code (the Code).

Deviations from the Swedish Corporate Governance Code

Certain parts of the Code are not appropriate for Landshypotek Bank AB. This is due to the ownership structure with just one shareholder and the fact that the Bank is not a listed company. The following deviations from the Code are made in this corporate governance report:

General Meeting

Code rules 1.1 and 1.7

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 as well as publication on the website of minutes, the register of voters and appendices. The aim of these rules 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 7.4

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 9.1

The Code's rules covering the Remuneration Committee's evaluation of remuneration guidelines for senior executives established by the General Meeting are not appropriate.

A deviation is made as the Bank is not a listed company.

Disclosures

Code rules 10.2–10.3

Disclosures should be made in the Corporate Governance Report regarding which member of the Election Committee was appointed by which owner as well as the owner's name, information pursuant to rule 2.6 third paragraph and any breaches of stock exchange rules. No such reporting is performed.

The aim of the rule is to protect minority shareholders in companies with diverse ownership. This deviation is due to the company's status as a wholly owned company and, accordingly, the lack of any reason to report this. A deviation is also made as the Bank is not a listed company.

Articles of Association

Landshypotek Bank AB adopted a new Articles of Association in conjunction with being granted a licence to conduct banking operations by the Swedish Financial Supervisory Authority. The Articles of Association govern items including the purpose of the company'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. 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 AB 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 May 2013. The Meeting re-elected Henrik Toll (Chairman), Catharina Lagerstam, Johan Löwen, Nils-Fredrik Nyblæus and Charlotte Önnestedt as Board members. Hans Heuman was elected to the Board for the first time. In addition, the Annual General Meeting re-elected Christina Asséus Sylvén and Ulf Westerberg as the company's auditors for 2013.

The Annual General Meeting resolved in favour of discharge from liability for the Board of Directors and Managing Director. Furthermore, resolutions were passed on fees, appropriation of profits and adoption of the annual accounts for 2012. The Managing Director and Board of Directors presented the work performed in the company and on the company's Board in 2012. The General Meeting did not authorise the Board of Directors to issue new shares or buy back the company's shares.

Nomination process

The Annual General Meeting 2013 resolved (in line with previous general meetings) that there should be an Election Committee in Landshypotek Bank AB tasked with preparing elections and remuneration issues prior to the Annual General Meeting 2014. The Election Committee follows the instruction established by the General Meeting. The Election Committee comprises three members.

The following were appointed as members of the Election Committee: Lars Öhman, Anders Johansson and Richard Montgomery. Lars Öhman and Anders Johansson represent the owner in their respective capacities as Chairman and Vice Chairman of Landshypotek ekonomisk förening, while Richard Montgomery contributes his previous experience as a member of Landshypotek Bank AB.

The Board of Directors and the Board's work

The Board is ultimately responsible for the organisation and administration of the company. According to the Articles of Association, the Board comprises a minimum of four and maximum of seven members who are elected each year at the Annual General Meeting until the Annual General Meeting the following year. The Board is comprised of six individuals – two women and four men. Three of these are members of Landshypotek ekonomisk förening and one of these three is a Board member of Landshypotek ekonomisk förening. 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 Landshypotek's operations and the associated risks. The Board's work follows the formal work plan adopted at the statutory meeting. An evaluation of the Board's and the Managing Director's work is performed at the end of each year.

Board attendance Landshypotek Bank AB	Meetings	Telephone meetings
Henrik Toll	7 of 7	7 of 7
Lars-Åke Folkmer (1 Jan-15 May)	2 of 2	4 of 4
Catharina Lagerstam	7 of 7	6 of 7
Johan Löwen	7 of 7	6 of 7
Nils-Fredrik Nyblæus	7 of 7	6 of 7
Charlotte Önnestedt	7 of 7	6 of 7
Hans Heuman (15 May-31 Dec)	5 of 5	3 of 3

The Board's committees

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

Board's Credit Committee

The Credit Committee's primary task is to make decisions regarding loans pursuant to the established credit instruction. In addition, the Credit 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. The Committee meets at least once a week to take credit decisions. Following the statutory meeting in 2013 and for a mandate period of one year, the members of the Credit Committee were as follows: Henrik Toll (Chairman), Nils-Fredrik Nyblæus, Kjell Hedman and Helena Silvander – the latter two being the Managing Director of Landshypotek Bank AB and Landshypotek Jordbrukskredit AB respectively. The Chief Credit Officer or another specially appointed executive submits a report.

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 and regulations for risk, compliance, finance and capital adequacy. The Committee held four meetings in 2013. Following the statutory meeting in 2013 and for a mandate period of one year, the members of the Risk and Capital Committee were as follows: Henrik Toll (Chairman), Hans Heuman, Catharina Lagerstam, and Kjell Hedman in his capacity as Managing Director of Landshypotek Bank AB. The Chief Risk Control Officer or another specially appointed executive submits a report.

MD and executive management

The Managing Director bears responsibility for day-to-day operations pursuant to the Board's guidelines and instruction. The Board has adopted a written instruction governing the role and work of the Managing Director. The Managing Director bears responsibility for day-to-day operations pursuant to the Board's instruction and reports regularly to the Board. Other members of senior management support the Managing Director in day-to-day operations. The senior management team is presented on pages 29-30.

Information about the remuneration system

The Board of Landshypotek Bank AB has adopted a remuneration policy that specifies the principles behind the company's remuneration system. Information regarding the remuneration policy is available on Landshypotek's website. Employees are entitled to remuneration, which may consist of a combination of basic salary, benefits, profit sharing, other gratuity, 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 a Landshypotek employee. A provision for this remuneration is made to Landshypotek's profit-sharing foundation and 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 Managing Director.

Remuneration in Landshypotek Bank AB is reviewed annually through the employees' salary appraisals. Internal audit is tasked with reviewing how remuneration paid by Landshypotek Bank AB complies with the remuneration policy.

See Note 7 to the Balance Sheet and Income Statement for more information about the remuneration of the Board, Managing Director and senior executives.

Auditors

The AGM appoints external auditors to Landshypotek Bank AB. These auditors must be authorised public accountants. The mandate period of the auditors appointed by the Annual General Meeting is one year. The Annual General Meeting 2013 appointed authorised public accountants Ulf Westerberg and Christina Asséus-Sylvén as auditors until the Annual General Meeting 2014.

Internal Control

The basis for the internal control at Landshypotek consists of Landshypotek's control environment in the form of the organisational structure, decision and reporting pathways, authority and responsibility. The Board establishes the framework for conducting operations 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 control, internal audit procedures 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.

Risk Control

A separate unit for risk control is responsible for measurement, control, analysis and continuous reporting on all risks in the Group. The work of the Risk Unit is conducted pursuant to a policy decided by the Board that describes the responsibilities of Risk Control. The Risk Control Unit

is independent of operations and directly subordinate to the Managing Director. The Chief Risk Control Officer reports directly to the Managing Director and Board.

Compliance

The overriding task of the Compliance Function is to identify, measure, evaluate and report compliance risks. The main task is defined as monitoring and following up that operations are conducted in pursuant to the laws and regulations applicable for the licensable activities based on an annual plan established by the Board. In addition, the Compliance Function has a supporting role, for example in informing and training operations about risks linked to inadequate compliance and supporting the design and implementation of internal rules, guidelines and instructions. The unit operates independently of business operations and reports directly to the Managing Director and Board of Landshypotek Bank AB. Until 2013, the Compliance Function was organised under the Legal Department. However, a decision has been taken that in 2014 the Compliance Function will comprise an independent unit reporting directly to the MD.

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 the Internal Audit are performed in line with an audit plan determined annually by the Board. Since 2008, Landshypotek's internal audit has been carried out by KPMG.

Internal control over financial reporting

Landshypotek'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, closing the books, external reporting and income tax returns. Furthermore, the Accounts Department makes a proactive contribution to decision making and corporate governance through financial follow-ups 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 Landshypotek'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.

Directors As of 12 March 2014



HENRIK TOLL

Born: 1954, Sorunda, Chairman
Director since: 2003

Agrologist, Chairman of Tham Invest AB, Stettin Holding AB and Fallda AB. Director of Stora Sundby Lantbruks och Fritids AB, Vidbynäs Förvaltnings AB, Harry Cullbergs Fond and Djursnäs Säteri AB.



HANS HEUMAN

Born: 1952, Tågarp, Director
Director since: 2013

Licensed Physician, Chairman of AB Marsvinsholms Gård and Vice Chairman of Lantmännens Forskningsstiftelse. Director of Lantmännen Maskin AB and Landshypotek ek. för.



CATHARINA LAGERSTAM

Born: 1962, Stockholm, Director
Director since: 2010

PhD (Econ.), MSc. in Business and Economics, graduate engineer, Director of ICA Banken AB, Kommuninvest i Sverige AB, Erik Penser Bank AB, StyrelseAkademien i Stockholm and Retail Finance AB. Vice Chairman of Stiftelsen Franska skolan. Director of Franska skolans Fastighetsstiftelse, Fastighetsaktiebolaget Fattighuset AB and Quaestus AB. Member of the Swedish Armed Forces Supervisory Council.



JOHAN LÖWEN

Born: 1959, Nyköping, Director
Director since: 2011

Graduate engineer, Director of Firefly AB, Hargs Bruk AB, Boo Egendom AB, Limmersvik AB, Sjösa Förvaltnings AB and Sjösa Gård AB. Deputy Director of HäradsSkog 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, Upplysningscentralen (UC) AB, Skandinaviska Enskilda Bankens Kollektivavtalsstiftelse and Skandinaviska Enskilda Bankens Rekreativstiftelse. Director of SEB Trygg Liv Gamla AB, Fondförsäkringsaktiebolaget SEB Trygg Liv, SEB Trygg Liv Holding AB, Euroclear SA/Plc and the Austin-Healey Club of Sweden.



CHARLOTTE ÖNNESTEDT

Born: 1963, Ödeshög, Director
Director since: 2009

Agrologist, owner and head of operations at Åby Storgård and Hässleby Gård, member of the election committee for LRF Östergötland.

AUDITORS

Christina Asséus-Sylvén

Sollentuna, Authorised Public Accountant.

Ulf Westerberg

Stockholm, Authorised Public Accountant.

DEPUTY AUDITORS

Martin By

Nacka, Authorised Public Accountant.

Helena Kaiser de Carolis

Stockholm, Authorised Public Accountant.

Senior Management As of 12 March 2014



KJELL HEDMAN

Managing Director

Born: 1951

Employed in: 2010

Education: Economist

Previous experience: Higher executive positions at Swedbank (Förenings-sparbanken/Sparbanken), including Deputy Managing Director, Head of Swedish Banking Operations and a member of the Group management.

Other assignments: Chairman of Landshypotek Jordbrukskredit AB and Director of Nordnet Bank AB and Aktia Abp. Managing Director of Landshypotek ekonomisk förening.



JOHANNA BENTZER

Chief Risk Control Officer

Born: 1974

Employed in: 2012

Education: MSc. Economics specialising in Mathematics

Previous experience: Senior Risk Analyst at the Swedish Financial Supervisory Authority, Bank Specialist at McKinsey.



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.



FREDRIK ENHÖRNING

Chief Sales Officer

Born: 1952

Assignment since: 2012

Education: Economist

Previous experience: Managing Director Swedbank Finans.



BJÖRN ORDELL

Chief Financial Officer

Born: 1973

Employed in: 2007

Education: MSc. in Business and Economics

Previous experience: Financial Consultant at PwC, Treasury Controller at Holmen AB.

Other assignments: Director of Landshypotek Jordbrukskredit AB.



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.

Cont.

Senior Management

As of 12 March 2014



HELENA SILVANDER

Chief Credit Officer

Born: 1963

Employed in: 2013

Education: MSc. in Agriculture

Previous experience: Various management positions at Swedbank, including Managing Director of Swedbank Hypotek AB and Head of Swedbank Lån & Finansiering.

Other assignments: Managing Director and Director of Landshypotek Jordbrukskredit AB.



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. of Legal Science

Previous experience: Bank Lawyer at Nordea Bank AB Group Legal.

Other assignments: Director of Landshypotek Jordbrukskredit AB.

CHANGES IN COMPANY MANAGEMENT DURING THE YEAR

During the year, Per Ivarsson (CIO), Ulrika Valassi (Chief Credit Officer) and Göran Abrahamsson (Chief Membership Officer) left the company management. During the September to December 2013 period, Björn Ordell was Acting CIO. I January 2014, Per-Olof Sandberg was appointed CIO.

Income Statement

SEK thousand	Note	Group		Parent Company	
		2013	2012	2013	2012
Interest income		2,293,800	2,619,504	2,274,821	2,600,509
Interest expense		-1,637,336	-2,041,677	-1,636,725	-2,044,316
Net interest income	2	656,464	577,827	638,096	556,192
Group dividends received	18			-	156,993
Commission income	3	14,708	15,188	12,841	13,491
Commission expense	4	-34,533	-24,512	-34,533	-24,512
Net result of financial transactions	5	-35,186	-49,057	-35,186	-49,057
Other operating income	6	2,901	2,147	2,897	2,127
Total operating income		604,355	521,594	584,115	655,234
General administrative expenses	7	-251,599	-226,777	-260,839	-232,237
Depreciation, amortisation and impairment of intangible and tangible non-current assets	8	-10,531	-2,206	-10,531	-2,206
Other operating expenses	9	-21,009	-15,547	-20,997	-15,516
Total expenses before loan losses		-283,138	-244,530	-292,366	-249,959
Profit before loan losses		321,216	277,064	291,749	405,276
Net loan losses	10	-54,378	-22,117	-40,136	-16,310
Impairment of shares in subsidiaries	18			-	-65,000
Operating profit		266,839	254,947	251,612	323,966
Tax on profit for the year	12	-58,802	-76,228	-55,458	-73,488
Net profit for the year	41	208,037	178,719	196,154	250,478
Earnings per share		98.3	92.7	92.7	130.0
Parent Company's portion of net profit for the year		100 %	100 %	100 %	100 %

Statement of Comprehensive Income

SEK thousand	Note	Group		Parent Company	
		2013	2012	2013	2012
Net profit for the year		208,037	178,719	196,154	250,478
Other comprehensive income					
<i>Items to be reclassified to profit or loss</i>					
Cash-flow hedges		47,783	-54,010	47,783	-54,010
of which change in fair value		14,081	-49,015	14,081	-49,015
of which transfers to the income statement		33,702	-4,995	33,702	-4,995
Available-for-sale financial assets		-23,675	-81,901	-23,675	-81,901
of which change in fair value		-15,130	-100,712	-15,130	-100,712
of which transfers to the income statement		-8,545	18,811	-8,545	18,811
Tax on items to be reclassified	12	-5,304	27,168	-5,304	27,168
<i>Total, items to be reclassified</i>		<i>18,804</i>	<i>-108,742</i>	<i>18,805</i>	<i>-108,742</i>
<i>Items that are not reclassified</i>	41				
Actuarial differences for defined-benefit pensions		24,550	-11,523		
Tax items that are not reclassified	12	-5,401	2,535		
<i>Total, items that are not reclassified</i>		<i>19,149</i>	<i>-8,988</i>		
Total other comprehensive income		37,953	-117,730	18,805	-108,742
Comprehensive income for the year		245,990	60,988	214,958	141,735
Parent Company's portion of comprehensive income for the year		100 %	100 %	100 %	100 %

Balance Sheet

SEK thousand		Note	Group		Parent Company	
			2013	2012	2013	2012
ASSETS						
Cash and balances with central banks			431,893	45,400	431,893	45,400
Loans to credit institutions		13	261,877	642,194	300,960	634,326
Loans to the public		14	60,665,011	58,884,842	60,367,478	58,613,225
Value changes of interest-rate-risk hedged items in macro hedges			23,535	-	23,535	-
Bonds and other interest-bearing securities		15	15,071,982	15,715,556	15,071,982	15,715,556
Derivatives		16	581,226	1,011,692	581,226	1,011,692
Shares and participations		17	-	1	-	1
Shares in Group companies		18			280,753	280,753
Intangible non-current assets		19	44,590	35,312	44,590	35,312
Tangible assets						
Furniture, fixtures and equipment		20	6,124	5,424	6,124	5,424
Buildings and land		20	12,949	15,116	12,949	15,116
Other assets		21	315,352	193,534	307,213	213,017
Current tax assets			32,145	41,233	29,605	37,220
Deferred tax assets		22	10,351	28,051	9,112	19,542
Prepaid expenses and accrued income		23	515,994	858,434	515,854	858,582
TOTAL ASSETS		34, 35, 36, 37, 38, 40, 41	77,973,028	77,476,789	77,983,273	77,485,166
LIABILITIES AND EQUITY						
Liabilities						
Liabilities to credit institutions		24	256,890	620,419	256,890	620,419
Borrowing from the public		25	2,147,007	1,579,308	2,147,007	1,579,308
Debt securities in issue, etc.		26	68,421,543	68,203,114	68,421,543	68,203,114
Derivatives		27	1,222,034	1,078,647	1,222,034	1,078,647
Other liabilities		28	193,002	351,746	192,641	351,726
Accrued expenses and deferred income		29	904,347	1,095,455	904,346	1,095,526
Provisions		30	7,755	42,155	2,389	3,477
Subordinated liabilities		31	699,921	699,921	699,921	699,921
Total liabilities			73,852,499	73,670,765	73,846,771	73,632,137
Equity						
Share capital, number of shares outstanding: 2,117,000 (1,927,000)			2,117,000	1,927,000	2,117,000	1,927,000
Other contributed capital			1,026,254	1,026,254	1,016,694	1,016,694
Reserves		32	-27,459	-46,263	-27,459	-46,263
Actuarial differences		32	-10,161	-29,310		
Retained earnings			928,342	862,812	955,599	818,310
Net profit for the year			208,037	178,719	196,154	250,478
Group contributions paid			-121,485	-113,189	-121,485	-113,189
Total equity			4,120,529	3,806,024	4,136,502	3,853,029
TOTAL LIABILITIES AND EQUITY		34, 35, 36, 37, 38, 40, 41	77,973,028	77,476,789	77,983,273	77,485,166
Memorandum items		33				
- Pledged assets			None	None	None	None
- Contingent liabilities and obligations			540,155	475,437	540,155	475,437
- Guarantees and other commitments			139,022	137,255	None	None

Statement of Changes in Equity

Group, SEK thousand	Share capital	Other contributed capital	Hedging reserve ¹	Fair value reserve ¹	Actuarial differences ¹	Retained earnings	Total
Equity as of 31 December 2011	1,927,000	1,026,254	-25,398	87,877	-	852,168	3,867,901
Effect of changing accounting policy IAS 19 - Defined-benefit pensions, Note 41					-20,322	10,646	-9,676
Adjusted opening balance 1 January 2012	1,927,000	1,026,254	-25,398	87,878	-20,322	862,812	3,858,225
Comprehensive income for the year			-43,610	-65,132	-8,988	178,719	60,988
Total change before transactions with owners	-	-	-43,610	-65,132	-8,988	178,719	60,988
Group contributions paid, Landshypotek ekonomisk förening						-149,282	-149,282
Group contributions paid, Energisystem i Sverige AB						-4,300	-4,300
Tax on Group contributions paid						40,392	40,392
Equity as of 31 December 2012	1,927,000	1,026,254	-69,008	22,745	-29,310	928,342	3,806,024
Equity as of 31 December 2012	1,927,000	1,026,254	-69,008	22,745	-29,310	928,342	3,806,024
Comprehensive income for the year			37,271	-18,467	19,149	208,037	245,990
Total change before transactions with owners			37,271	-18,467	19,149	208,037	245,990
New share issue	190,000						190,000
Group contributions paid, Landshypotek ekonomisk förening						-155,750	-155,750
Tax on Group contributions paid						34,265	34,265
Equity 31 December 2013	2,117,000	1,026,254	-31,737	4,278	-10,161	1,014,894	4,120,529

¹ For more information see Note 32.

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 2011	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 year			-43,610	-65,132		250,478	141,735
Total change before transactions with owners	-	-	-43,610	-65,132		309,647	200,904
Group contributions paid, Landshypotek ekonomisk förening						-149,282	-149,282
Group contributions paid, Energisystem i Sverige AB						-4,300	-4,300
Tax on Group contributions paid						40,392	40,392
Equity as of 31 December 2012	1,927,000	1,016,694	-69,008	22,745		955,599	3,853,029
Equity as of 31 December 2012	1,927,000	1,016,694	-69,008	22,745		955,599	3,853,029
Comprehensive income for the year			37,271	-18,467		196,154	214,958
Total change before transactions with owners			37,271	-18,467		196,154	214,958
New share issue	190,000						190,000
Group contributions paid, Landshypotek ekonomisk förening						-155,750	-155,750
Tax on Group contributions paid						34,265	34,265
Equity 31 December 2013	2,117,000	1,016,694	-31,737	4,278		1,030,269	4,136,502

¹ For more information see Note 32.

Cash-flow Statement

SEK thousand	Note	Group		Parent Company	
		2013	2012	2013	2012
Cash flow from income statement					
Interest received	2	2,636,239	2,673,527	2,617,548	2,652,912
Interest paid	2	-1,828,445	-2,026,491	-1,827,904	-2,032,673
Commission received	3	14,708	15,188	12,841	13,491
Commission paid	4	-34,533	-24,512	-34,533	-24,512
Net receipts of financial transactions	5	-3,743	-24,289	-3,743	-24,289
Other operating cash receipts		1,985	2,147	1,981	2,128
Administrative expenses paid		-282,458	-247,261	-282,924	-248,362
Recovery of previously realised losses		1,378	-	1,378	-
Income tax paid		-	-75,951	-	-71,936
Total cash flow from income statement		505,131	292,358	484,644	266,759
Cash flow from balance sheet					
Increase (-)/decrease (+) Loans to credit institutions		562,461	-562,461	562,461	-562,461
Increase (-)/decrease (+) Loans to the public		-1,835,925	-3,327,359	-1,795,767	-3,328,453
Increase (-)/decrease (+) Bonds and other interest-bearing securities		815,110	-2,349,965	815,110	-2,349,965
Increase (+)/decrease (-) Liabilities to credit institutions		-363,529	458,262	-363,529	355,586
Increase (+)/decrease (-) Borrowing from the public		567,699	1,266,855	567,699	1,266,855
Increase (+)/decrease (-) Debt securities in issue, etc.		589,877	3,897,574	589,877	3,897,574
Change in other balance-sheet items					
Increase (-) /decrease (+) Other assets		-130,271	151,479	-102,651	131,358
Increase (+)/decrease (-) Other liabilities		-165,210	153,659	-165,552	157,749
Total cash flow from balance sheet		40,212	-311,956	107,648	-431,757
Cash flow from operating activities					
		545,343	-19,598	592,292	-164,998
Investment activities					
Dividends and Group contributions received		-	-	-	156,993
Group contributions paid		-	-4,300	-	-4,300
Change in intangible and tangible non-current assets					
Purchase of intangible non-current assets		-17,648	-21,254	-17,648	-21,254
Purchase of tangible non-current assets		-2,576	-5,225	-2,576	-5,225
Sale of tangible non-current assets		2,800	-	2,800	-
Total cash flow from investment activities		-17,424	-30,779	-17,424	126,214
Cash flow from financing activities					
New share issues		190,000	-	190,000	-
Subordinated liabilities		-	149,972	-	149,972
Dividends and Group contributions paid		-149,282	-145,400	-149,282	-145,400
Total cash flow from financing activities		40,718	4,572	40,718	4,572
Cash flow for the period					
		568,636	-45,805	615,585	-34,212
Change in cash and cash equivalents	39	568,636	-45,805	615,585	-34,212
Cash and cash equivalents at beginning of year		125,130	170,935	117,268	151,480
Cash and cash equivalents at year-end		693,766	125,130	732,853	117,268

Five-year Summary

Earnings trend – Group

MSEK	2013	2012	2011	2010	2009
INCOME STATEMENT					
Net interest income	656.5	577.8	505.0	471.8	294.5
Operating income excl. net interest income*	-52.1	-56.2	234.5	86.5	95.8
Operating expenses	-272.6	-242.3	-211.4	-190.4	-197.1
Depreciation and amortisation	-10.5	-2.2	-5.4	-10.7	-12.6
Loan losses	-54.4	-22.1	-8.9	-6.7	-8.5
Operating profit	266.8	254.9	513.9	350.6	172.2
BALANCE SHEET					
Assets					
Loans to the public, net	60,665	58,885	55,580	51,773	46,456
Other assets	17,308	18,592	15,224	12,388	13,340
Total assets	77,973	77,477	70,804	64,160	59,796
Liabilities and equity					
Borrowing	71,525	71,103	65,330	59,152	55,132
Other liabilities	2,327	2,568	1,606	1,654	1,344
Untaxed reserves	-	-	-	-1	-
Equity	4,121	3,806	3,868	3,355	3,320
Total liabilities and equity	77,973	77,477	70,804	64,160	59,796
Key financial ratios					
Interest margin	1.1 %	1.0 %	0.9 %	1.0 %	0.7 %
Return on equity	5.1 %	4.6 %	13.4 %	8.2 %	3.9 %
Loan loss level	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %
Loan loss provision/lending	0.1 %	0.1 %	0.0 %	0.0 %	0.0 %

* Other operating income includes net result of financial transactions. For 2013, this item amounted to a negative MSEK 35.2 (neg: 49.1).
See the explanation in the Administration Report under the heading "Profit and profitability".

Risk and Capital Management

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

Risk awareness and risk undertaking

Landshypotek Bank's operations strive 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 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 sophisticated tools for risk assessment. The Board specifies the acceptance level for risk undertaking and the Managing Director ensures that this level of acceptance is implemented in business activities.

Risk organisation and responsibility

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 the policies that determine the manner in which the various business risks should be managed and the acceptable level of risk undertaking. Two Board Committees are in place to support this work; the Risk and Capital Committee and the Credit Committee. The Board's Risk and Capital Committee prepares items regarding the internal control environment as well as risk assessment and risk management. The Board's Credit Committee is the highest credit-granting body and prepares items for the Board pertaining to credit policy, decision mandates for granting credit and valuation instructions.

Subordinated to the Board, its committees and the Managing Director are advisory committees with different mandates. The Credit Advisory Committee is responsible for regularly reviewing credit-granting rules and submitting proposals for changes to the Credit Committee. The Chief Credit Officer is Chairman of the Credit Advisory Committee. The Finance Advisory

Committee takes decisions regarding base interest rates on borrowing and lending. The Chief Financial Officer is Chairman of the Finance Advisory Committee.

In line operations, the Credit Department is responsible for administering and managing the credit approval process. It is also responsible for analysing credits and managing insolvency matters. Its work is governed by the credit policy as established by the Board. The Chief Credit Officer reports to the Managing Director and presents reports on credit matters to the Board's Credit Committee.

The Finance Department 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 finance policy established by the Board. The Chief Financial Officer is responsible for the Finance Department and is subordinate to the Managing Director of Landshypotek Bank.

The Group has three control functions that are independent of business operations: Risk Control, Compliance and Internal Audit. The Risk Control unit is responsible for conducting independent control, analysis and reporting on all risks to which Landshypotek Bank is exposed. The overriding task of the Compliance Function is to identify, measure, evaluate and report compliance risks. Risk Control and Compliance comprise Landshypotek Bank's second line of defence and report to the Managing Director and Board. Internal Audit (the third line of defence) aims to examine and evaluate internal governance and controls. This includes the evaluation of the effectiveness of the risk management efforts and the work of the control function. Internal Audit reports to the Board of Directors and also informs the Managing Director.

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.

Landshypotek Bank divides its customers into two categories: Rural Living (RL) and Rural Enterprise (RE). This categorisation aims to distinguish between those borrowers whose income is mostly derived from business activity (RE) and those who earn most of their living

Exposure breakdown – Financial Corporate Group

IRB Approach	Exposures after applicable conversion factors	RWA	Average risk weight
Retail – exposures secured by real estate	58,993,210	7,884,541	13 %
Non credit-obligation assets exposures*	68,404	68,404	100 %
Total IRB Approach	59,061,614	7,952,945	13 %

Standardised Approach	Exposures	RWA	Average risk weight
Corporate exposure	3,176,585	3,176,585	100 %
Retail exposure	479,929	359,947	75 %
Institutional exposure	1,998,599	727,783	36 %
Local governments and comparable associations and authorities	4,486,772	-	0 %
Non-performing items	45,265	67,403	149 %
Governments and central banks	468,164	-	0 %
Covered bonds	10,776,233	1,844,737	17 %
Total Standardised Approach	21,431,547	6,176,455	29 %
Total Exposure breakdown	80,493,161	14,129,401	18 %

* Non credit-obligation assets exposures are defined as exposure which does not require any deliveries from a counterparty (for example, intangible and tangible non-current assets, real estate holdings, etc.).

from employment (RL). RE customers can be divided into private individuals and legal entities.

For almost all customers categorised as retail exposure (RL and RE private individuals), statistical risk-classification models (IRB models) are used where information from UC, (the business and credit information provider), and internal payment history statistics are used as variables to calculate the likelihood of default and where the loan-to-value ratio is used to assess loss in case of default. These models are not only used in the credit process but also for capital adequacy purposes. Capital adequacy is set according to the simplified standardised approach for credit-risk exposures not subjected to risk classification under the IRB models.

Customers categorised as RE legal entities (corporate exposure) are risk classified using a different model for risk of default. This model weighs up the company's annual accounts together with internal payment history statistics, area of operations and the company's and company owner's financial position and competence.

Risk estimate for the retail portfolio

Landshypotek Bank applies its own risk estimates for Probability of Default (PD), exposure at default (EAD) and Loss Given Default (LGD), to calculate capital requirements¹ for almost the entire retail exposure class. PD is the likelihood that a counterparty defaults within a twelve-month period. The PD risk classification for these credits is performed on a scale of 1-6, where risk class 1 represents the highest credit quality and risk class 6 is for credits in default. Landshypotek Bank estimates the PD for each risk class. To calculate the PD per risk class for an average year, outcome data for the past nine years is used for internal purposes. Based on this, the PD for the portfolio² amounted to 0.98 percent as of 31 December 2013. The risk class PDs that Landshypotek Bank reports

¹ Capital requirements excluding transitional rules linked to Basel I.

² The PD estimate for performing loans per risk class weighted with EAD per risk class for performing loans.

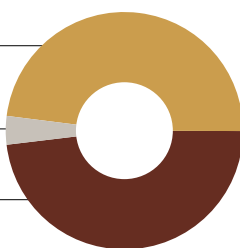
Specification of volume by customer categories

Breakdown in %

Rural enterprises 48 %
– private individuals

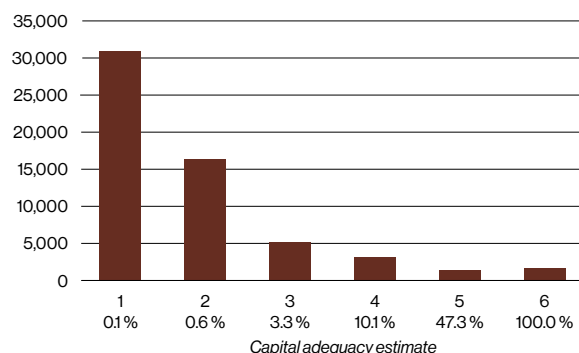
Rural enterprises 4 %
– legal entities

Rural living 48 %



Exposure per PD-risk class

MSEK



for capital adequacy purposes are more conservative since they contain data from 1990 to 2012 including safety margins and, if they are applied, the PD for the portfolio is 2.30 percent. Further stress is applied to these risk class PDs through a formula from the Swedish Financial Supervisory Authority for the calculation of the capital requirement. The diagram below illustrates the retail exposure by PD risk class.

EAD is the amount of exposure in monetary terms that Landshypotek Bank is expected to have with the counterparty in the event of a default. The EAD for loans that are recognised in full on the balance sheet is calculated as the loan debt outstanding. For Landshypotek Bank's flexible first lien mortgage product³, EAD is calculated through the total loan granted to the counterparty multiplied by a Conversion Factor (CF). The CF is calculated based on the proportion of the limit that, historically, has been utilised in case of default.

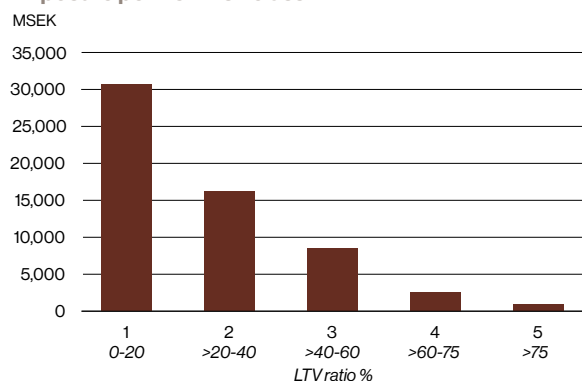
For internal purposes, the assessment of how much of the outstanding claim in an average year that Landshypotek Bank stands to lose in the event of default (LGD) is based on internal data gathered during the period 1995 to 2008. For capital adequacy purposes, LGD is estimated based on data for 1994 with an additional safety margin. 1994 was the worst year ever for Landshypotek Bank with regard to LGDs since the financial crisis in the early 1990s. Landshypotek Bank utilises five LGD classes, which are based on the LTV ratio⁴ of the exposure. The diagram below illustrates the retail exposure by LGD risk class.

Landshypotek Bank uses two default categories: soft defaults and technical defaults. Soft defaults are registered manually when it is considered probable that customers will not be able to meet their commitments and Landshypotek Bank will have to foreclose on collateral or take similar measures. Technical defaults occur automatically when customers, who are not already in a soft default process, are late by more than 90 days with their payments.

³ The customer utilizes when needed as much as wanted within the granted limit.

⁴ Loans with a higher loan-to-value ratio than 20 percent are broken down and divided into several LGD risk classes.

Exposure per LGD risk class



Credit scoring and approval process

The Credit policy provides parameters and guidelines for the principles which shall be applicable, at any time, when granting credit in Landshypotek Bank AB and Landshypotek Jordbrukskredit AB. 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 granting is the result of analysis of the individual customer and/or household as a whole when applicable. Furthermore, in addition to the customer's/household's total repayment capacity, collateral is analysed, which principally comprises real property in the form of agricultural and forest properties. Landshypotek Banks risk-classification models comprise a key element of credit analysis. Landshypotek Bank AB grants loans against mortgage deeds in real property within 75 percent of an internally determined LTV ratio. This value is to represent a long-term, sustainable value for the collateral in question, in other words, adjustments are made for items such as the value of harvestable wood. Supplemental collateral in the form of guarantors and chattel mortgages also occur. At Landshypotek Jordbrukskredit AB, loans can be granted against mortgage deeds in real property within 75-85 percent of the internally determined loan-to-value ratio. In addition, the company offers loans with EU support as collateral (EU loans). Supplemental collateral also arises in this company. Credit risk is low at Landshypotek Bank.

To capture 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. 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 property

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 Landshypotek'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 Bank. Members of the network of representatives are members of Landshypotek ekonomisk förening and, accordingly, are also owners of Landshypotek Bank.

Credit portfolio monitoring

In addition to credits being monitored at portfolio level, the credit portfolio is also regularly examined in terms of geography and limit group. Landshypotek Bank's geographic exposure as of 31 December 2013 is shown on page 23. Landshypotek Bank has been unable to identify any major concentration to any particular branch of the agriculture or forestry sector or geographic area in Sweden.

Overview of credit portfolio

In 2013, Landshypotek Bank's lending rose from MSEK 58,885 to MSEK 60,665, up 3.0 percent as compared with the Consumer Price Index for the same period, which increased 0.1 percent.

Problem loans/Management methods

Landshypotek Bank applies individual valuation of problem loans. An insolvency group is in place within the Credit Department that manages problem loans at an operational level. Provisions are made on a case-by-case basis following analysis and decision according to assigned decision mandates and receivables defined as doubtful or non-performing⁵ are examined on an ongoing basis. A loan receivable is recognised as a doubtful receivable when an individual assessment indicates that it is unlikely to be discharged 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 margin⁶. The management of unsettled commitments and the settlement of credit commitments is performed with the aim of reducing the risk of loss and the proportion of loans outside the pool for covered bonds.

⁵ See page 40 for a definition.

⁶ See page 49 for a definition.

The collective loan stock of non-performing cases amounted to MSEK 1,028.

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 with and for counterparties with whom Landshypotek 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 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 ratings are lower than A1. At present, only one institute pledges such collateral. Since this is pledged to another institute's currency account this gives rise to counterparty risk. Landshypotek Bank also has deposits at a number of institutes with the aim of rapidly meeting urgent payments of loans to customers with accounts at other banks.

The Chief Financial Officer has overall responsibility for management of counterparty risk.

SEK thousand	Municipalities and county councils	Covered bonds
AAA	1,443,544	10,767,268
AA+	3,043,190	
Total	4,486,733	10,767,268

Market values including accrued interest.

SEK thousand	Total credit-exposure, derivatives	Positive gross market-value excl. premium for potential future exposure	Positive value after netting
AA-	442,235	162,419	0
A+	570,318	228,781	0
A-	523,226	261,147	0
Total	1,535,779	652,348	0

Market values including accrued interest.

Fixed-interest terms for the Group's interest-bearing assets and liabilities, 2013

SEK thousand	<3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Assets						
Loans to credit institutions	261,877					261,877
Loans to the public	30,690,297	10,122,008	13,161,832	5,409,536	1,253,627	60,637,300
Bonds and other interest-bearing securities	6,228,000	1,900,000	5,050,000	1,500,000	-	14,678,000
Derivatives	29,545,310	-	7,266,663	6,167,442	6,143,981	49,123,395
Total assets	66,725,484	12,022,008	25,478,494	13,076,978	7,397,608	124,700,571
Liabilities						
Liabilities to credit institutions	256,890					256,890
Borrowing/deposits from the public	2,147,007					2,147,007
Debt securities in issue	42,784,824	901,300	8,464,163	8,397,442	6,893,981	67,441,709
Derivatives	29,796,523	6,550,000	10,450,000	2,935,000	429,000	50,160,523
Subordinated liabilities	430,000	-	200,000	70,000	-	700,000
Total liabilities	75,415,244	7,451,300	19,114,163	11,402,442	7,322,981	120,706,129
Net	-8,689,760	4,570,708	6,364,332	1,674,536	74,627	3,994,443
Interest-rate sensitivity, net	37,764	-32,894	-62,759	-28,104	17,213	
Cumulative interest-rate sensitivity	37,764	4,870	-57,889	-85,993	-68,780	

Nominal amounts are carried under the time slots when interest is reset.

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 company-specific events.

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

Risk management and analysis

The Board of Directors establishes how Landshypotek Bank's market risks are to be measured and reported, and sets risk limits. Risks are continuously monitored and are reported to Landshypotek Bank's Finance Advisory Committee, Bank Management and the Board of Directors. The Chief Financial Officer has overall responsibility for the day-to-day management of the Landshypotek Bank's market risks. The Chief Risk Control Officer is responsible for independent control and reporting of Landshypotek Bank's exposures in relation to the limits set by the Board of Directors.

Interest-rate risk

Interest-rate risk arises when fixed-interest terms for assets and liabilities are mismatched. Landshypotek Bank manages the interest-rate risk that arises in the course of business by striving to have the same fixed-interest term on borrowing as on lending. Due to actual conditions and availability in the capital market, there may be certain instances of imbalance between borrowing and lending. This imbalance gives rise to an interest-rate risk that Landshypotek Bank manages using interest-rate swaps. Interest-rate risk is calculated as the change in market value that occurs if the interest-rate curve is moved in parallel up or down by one percentage point. At year-end, the interest-rate risk at a parallel movement of the interest-rate curve by one percentage point amounted to MSEK 111 (105).

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 2013, all currency risk was managed with derivatives with the exception of SEK 97,000 in the currency account. For further information see Note 38.

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 relatively volatile in recent years and can contribute to relatively substantial impacts on earnings. However, if Landshypotek Bank does not exit 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 in 2013. Credit-spread risk arises from fluctuations in credit spreads in Landshypotek Bank's liquidity portfolio and its effect impact earnings.

Liquidity risk

Landshypotek Bank defines liquidity risk as follows:

The risk of being unable to refinance maturing loans or being unable to meet demand for additional liquidity as well as needing to borrow at disadvantageous interest rates.

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, risk tolerance for liquidity risks is low with conservative limits for both tenor and refinancing risk, which are monitored by the Risk Control unit on a daily basis.

In order to maintain good payment capacity, the Board has decided that cash and cash equivalents corresponding to the liquidity requirements of various periods in time must be available. One of the tolerance levels is that the liquidity reserve must be able to cover the projected accumulated net cash outflows for the forthcoming 180 days without the possibility of refinancing. None of the liquidity limits was exceeded in 2013. At 31 December 2013, the liquidity portfolio was 1.4 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. 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 by calling in maturing loans. Landshypotek Bank has also set a floor for the liquidity reserve, based on it covering net outflows over a 30-day significant stress period pursuant

Maturity analysis for financial assets and liabilities, 2013

SEK thousand	<3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Financial assets						
Loans to credit institutions	261,877					261,877
Loans to the public	30,693,208	10,654,471	13,868,770	5,646,657	1,336,087	62,199,193
Bonds and other interest-bearing securities	47,592	2,671,720	10,567,250	2,244,500	-	15,531,062
Derivatives	1,486,031	909,312	5,350,336	2,869,389	6,759,510	17,374,577
Total	32,488,708	14,235,502	29,786,356	10,760,546	8,095,598	95,366,709
Financial liabilities						
Liabilities to credit institutions	256,890					256,890
Borrowing/deposits from the public	2,147,007					2,147,007
Granted credit facilities	679,129					679,129
Debt securities in issue	7,826,630	5,809,905	32,365,416	18,113,523	9,059,699	73,175,173
Derivatives	1,684,297	865,901	4,944,898	2,344,352	5,462,729	15,302,176
Subordinated liabilities	5,365	13,274	217,348	504,074	-	740,061
Total	12,599,317	6,689,081	37,527,661	20,961,949	14,522,428	92,300,436
Net cash flow	19,889,390	7,546,422	-7,741,305	-10,201,403	-6,426,830	3,066,273
Accumulated refinancing risk	19,889,390	27,435,812	19,694,507	9,493,103	3,066,273	

The above table includes all contracted cash flows. The amounts are not discounted and are recognised during the time slot when 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. The calculation of future rates of interest is based on forward rates plus any credit spreads.

to the Swedish Financial Supervisory Authority's definition under FFFS 2011:37, the Regulations Regarding the Reporting of Liquidity Risks for Credit Institutions and Investment Firms. For contracted flows, a 33-day period is used. This liquidity coverage ratio, with a limit value of 1.0, was 3.74 as of 31 December 2013. At the same date, 92 percent of Landshypotek 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. In 2013, Landshypotek Bank launched a forest account and a forest-damage account. Other initiatives to promote deposits will be taken in 2014.

In recent years, Landshypotek Bank has focused on improving its liquidity risk management through the implementation of contingency plans, liquidity strategy and regular stress tests of liquidity risk. The stress tests implemented included a decline in value of the liquidity portfolio, reduced capital repayments and interest income, lack of 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, external events and legal risks.

Follow-up of operational risk in Landshypotek Bank is performed through incident reporting via an online tool that all employees have access to. Reported incidents are then conveyed to Landshypotek Bank's Board and Bank Management.

Once a year, a risk mapping is performed of operational risks for the purpose of identifying and reducing significant operational risks. Each operational risk identified is assessed based on its consequences and probability, that is, the impact on operations if the risk were to occur and the likelihood of the risk occurring. The result of the annual risk analysis is presented to the Bank Management and Landshypotek Bank's Board and comprises a tool that is utilised to rectify those risks deemed material.

Internal Capital Adequacy Assessment Process

In order to evaluate its capital requirement, Landshypotek Bank has developed an internal capital adequacy assessment process (ICAAP), and this has been adopted by the Board. The ICAAP results in a detailed report of Landshypotek Bank's risk profile and an assessment of the capital requirement in forthcoming years. The ICAAP includes all types of risks that are believed to have an impact on operations. Besides credit risks, market risks and operational risks, which have capital adequacy requirements under Pillar I 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, liquidity risk, reputational risk, strategic risk, rating risk and concentration risk within the framework of the collective capital assessment. In addition, stress tests are performed to assess the capital requirement should conditions deteriorate, for example, in case of a widespread recession.

Landshypotek's Chief Risk Control Officer is responsible for conducting the ICAAP and for compiling the risk report. The Chief Financial Officer also holds a key role in the ICAAP process and is responsible for forecasting future earnings and for the capital strategy. Capital matters are monitored on an ongoing basis and regularly reported to the Bank Management and Board of Directors. The Board also decides the internal capital requirement.

Capital situation

When calculating the capital requirements under Basel II, Landshypotek Bank applies the rules for the Internal Rating-based (IRB) Approach for retail exposure, which comprise the majority of its credit-risk exposures. For other credit-risk exposures, the standardised approach is used. Landshypotek Bank applies the Basic Indicator approach to measure operational risk but has no Pillar I capital requirement for market risk.

At 31 December 2013, the capital base was MSEK 4,886. On the same date, the Pillar I capital requirement, without applying the Basel I transitional rules, amounted to MSEK 1,223 and the capital adequacy ratio was 4.0. According to the initial Basel II rules, the Basel I transitional rules should have been phased out by 1 January 2010, but this period has been extended and the rules are likely to apply until 31 December 2017. Under these rules, Landshypotek Bank has a considerably higher capital requirement, resulting in a capital adequacy ratio of 1.23. Additional information can be found in Note 34.

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 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 7 *Financial instruments: Disclosures* has been expanded with disclosures required for financial assets and liabilities that have been offset in the balance sheet as well as financial assets and liabilities covered by various forms of netting agreements that allow offsetting. No financial assets or liabilities were offset in the balance sheet. Derivative contracts and repurchase agreements are covered by agreements that allow offsetting and are recognised in Note 40 Disclosures concerning offsetting.

IFRS 13 *Fair value measurement*: The standard defines fair value, establishes a framework for fair value measurement in one single standard and states the disclosure requirements for fair

value measurement. For Landshypotek Bank, IFRS 13 applies to financial instruments. The new definition of fair value impacts primarily financial liabilities where the credit risk will now be taken into consideration when establishing fair value. Landshypotek Bank's liabilities, with the exception of derivatives, are recognised at amortised cost with value adjustments attributable to the hedge accounting of interest-rate risk, which will mean that the recognised value of the liabilities is not impacted by the new standard. The disclosures required under IFRS 13 accord, essentially, with the earlier requirements under IFRS 7 *Financial Instruments: Disclosures*. The property owned by Landshypotek Bank is considered an operating property for which IFRS 13 is not applicable. Comparative figures do not need to be stated the first time the standard is applied.

IAS 1 *Presentation of Financial Statements*: Items in other comprehensive income are divided into two categories. Changes in the value of available-for-sale financial assets and cash-flow hedges will be reported under "Items to be reclassified to profit or loss" while actuarial gains and losses are reported under "Items that are not reclassified." Tax attributable to these two categories is separated and reported under the respective category.

IAS 19 *Employee Benefits*: The corridor approach has been eliminated for defined-benefit pensions, which means that all actuarial gains and losses are recognised in other comprehensive income when they arise. Interest expense and expected return on plan assets has been replaced by net interest calculated using the discount rate for first-class corporate bonds. The impact of this change on reporting is detailed in Note 41 Effect of changing accounting policy IAS 19 - Defined-benefit pensions.

Early application of regulatory changes

FFFS 2008:25 *Regulations and general guidelines for annual reports in credit institutions and securities companies* have been adapted so that disclosure requirements for maturity analyses correspond with the IFRS regulations. The amendment comes into effect on 1 January 2014, but can be applied for annual reports starting in 2013. Landshypotek Bank has chosen to utilise the possibility of early application. This means that the maturity information previously provided in the respective notes for the financial balance sheet items has been removed. Maturity information pursuant to Chapter 5, Section 4 of FFFS 2008:25 and Paragraph 39 of IFRS 7 and Appendix B paragraphs B11–B11F is provided in the chapter Risk and Capital Management on page 43.

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 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. Landshypotek is currently evaluating the effect of IFRIC 21 on financial reporting. The interpretation has not yet been adopted by the EU.

IAS 39 *Financial Instruments*: As a consequence of the EU regulation on OTC derivatives, central counterparties and trade repositories (EMIR), an exception was implemented from the requirement to stop hedge accounting under IAS 39 in situations where the hedge instrument is replaced by a new instrument with a central counterparty as a consequence of laws or regulations. The amendment has not yet been adopted by the EU.

In the long-term, there are proposed amendments for the following items:

- Revenue
- Leasing
- IFRS 9 *Financial Instruments* will replace IAS 39 *Financial Instruments*
- IFRS 4 *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.

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 or other joint arrangements.

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 provided 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 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 chief operating decision maker, 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 of financial assets

Financial assets are divided into the following categories for measurement:

- ① Loans and receivables
- ② Financial assets at fair value through profit or loss
- 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 fair value through profit or loss." 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 fair value through profit or loss", 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 fair value through profit or loss." 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, essentially, 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 fair value through profit or loss

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 fair value through profit or loss." 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 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 that is expected to yield future economic benefits over which control is exercised. 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. A test for impairment 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 at fair value through profit or loss 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 part of its exposure to interest-rate risk in fixed-interest lending against changes in fair value due to market 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 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 at fair value through profit or loss 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 heading.

Other income

Income from services sold and external rental income relating to real property owned are reported under "Other income." Results of sales of operating properties 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 30.

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 60 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 the 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 values for tax purposes 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 30.

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.

		Group		Parent Company	
Note 2	Net interest income, SEK thousand	2013	2012	2013	2012
Interest income					
	Interest income on loans to credit institutions	6,999	3,026	6,963	2,959
	Interest income on loans to Group companies			207	1,072
	Interest income on loans to the public	2,005,595	2,267,582	1,986,463	2,247,591
	Less interest losses	-798	-2,279	-783	-2,279
	Interest income on interest-bearing securities	281,660	350,422	281,660	350,422
	of which interest income on financial assets at fair value through profit or loss	183,489	222,103	183,489	222,103
	of which interest income on available-for-sale financial assets	98,171	128,319	98,171	128,319
	Other interest income	344	753	311	742
	Total	2,293,800	2,619,504	2,274,821	2,600,509
	Average interest on loans to the public	3,34 %	3,94 %	3,33 %	3,92 %
	All interest income is attributable to the Swedish market.				
Interest expense					
	Interest expense for liabilities to Group companies	-338	-4,480	-750	-7,120
	Interest expense for liabilities to credit institutions – other	-16,130	-12,672	-16,130	-12,672
	Interest expense for borrowing/deposits from the public	-38,087	-21,713	-38,087	-21,713
	Interest expense for interest-bearing securities	-1,600,600	-2,015,138	-1,600,600	-2,015,138
	of which interest expense for other financial liabilities in fair-value hedges adjusted for the fair value of hedged risk	-485,249	-561,603	-485,249	-561,603
	of which interest expense on interest-bearing securities at amortised cost	-1,115,351	-1,453,536	-1,115,351	-1,453,536
	Interest expense for subordinated liabilities	-35,470	-34,679	-35,470	-34,679
	Interest expense for derivative instruments	55,474	49,645	55,474	49,645
	of which interest expense on derivatives at fair value through profit or loss	-135,247	38,196	-135,247	38,196
	of which interest expense on derivatives identified as hedging instruments	190,721	11,449	190,721	11,449
	Other interest expense	-2,185	-2,639	-1,162	-2,639
	Total	-1,637,336	-2,041,677	-1,636,725	-2,044,316
	Total net interest income	656,464	577,827	638,096	556,192

Note 3	Commission income, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Loan commissions	14,708	15,188	12,841	13,491
	Total	14,708	15,188	12,841	13,491

Note 4	Commission expense, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Commissions on securities	-817	-730	-817	-730
	Deposit insurance	-1,145	-	-1,145	-
	Stability Fund fee	-32,571	-23,782	-32,571	-23,782
	Total	-34,533	-24,512	-34,533	-24,512

Note 5	Net result of financial transactions, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
Financial assets at fair value through profit or loss					
Realised result of sales of bonds and other interest-bearing securities		3,192	25,053	3,192	25,053
Available-for-sale financial assets					
Realised result of sales of bonds and other interest-bearing securities		19,324	151,277	19,324	151,277
Other financial liabilities					
Realised result on early redemption of own bonds in issue		-26,259	-296,419	-26,259	-296,419
Financial liabilities at fair value through profit or loss					
Realised result from purchase/sale of derivative contracts		-	95,799	-	95,799
Total realised result		-3,743	-24,289	-3,743	-24,289
Financial assets at fair value through profit or loss					
Change in value of bonds and other interest-bearing securities		-19,457	64,126	-19,457	64,126
Change in value of derivatives with positive market values not included in any hedging relationship		12,677	-13,258	12,677	-13,258
Financial liabilities at fair value through profit or loss					
Change in value of derivatives with negative market values not included in any hedging relationship		6,802	-77,314	6,802	-77,314
Items included in hedging relationships and subject to hedge accounting					
Change in value of bonds in issue included in fair-value hedge		371,448	-293,806	371,448	-293,806
Value changes of interest-rate-risk hedged items in macro hedges		23,535	-	23,535	-
Change in value of derivatives included in fair-value hedge		-426,448	295,484	-426,448	295,484
Total unrealised result		-31,443	-24,768	-31,443	-24,768
Net result of financial transactions		-35,186	-49,057	-35,186	-49,057

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	
		2013	2012	2013	2012
	Income from property	1,761	1,960	1,761	1,960
	Sale of operating property	916	-	916	-
	Other	224	187	220	167
Total		2,901	2,147	2,897	2,127

Note 7	General administrative expenses, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
Personnel costs					
Salaries, etc. to MD, senior executives and Board of Directors		-14,885	-14,580	-14,885	-14,580
Salaries, etc. to other personnel		-62,311	-52,311	-62,311	-52,311
Provision to profit-sharing foundation		-998	-967	-998	-967
Pension costs		-12,487	-15,550	-22,008	-21,524
Social insurance charges		-24,141	-21,999	-24,141	-21,999
Other personnel costs		-1,149	-1,240	-1,149	-1,240
Total		-115,971	-106,647	-125,492	-112,621
Specification of pension costs					
Change in provision for pensions		1,088	786	1,088	786
Pension premiums		-17,813	-16,896	-17,813	-16,896
of which to senior executives		-3,302	-4,306	-3,302	-4,306
Directly paid pensions		-883	-1,096	-883	-1,096
Payroll and yield taxes attributable to pension costs		-4,400	-4,316	-4,400	-4,316
Defined-benefit pension plans		9,521	5,974	-	-
Total		-12,487	-15,550	-22,008	-21,522

Pension costs in the Group are recognised in accordance with IAS 19, Employee Benefits. Pension costs in Landshypotek Bank AB 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 30.

	Group		Parent Company	
	2013	2012	2013	2012
Number of male employees	66	65	66	65
Number of female employees	64	53	64	53
Total	130	118	130	118
Average number of salaried employees, including substitutes	122,0	114,0	122,0	114,0
Loans to directors and senior executives				
Loans to directors amount to	57,607	43,825	57,607	43,825
Loans to senior executives amount to	15,956	30,068	15,956	30,068
Directors and senior executives				
Number of directors	11	12	6	6
of which men	6	7	4	4

Fixed salary and benefits were paid to the Managing Director in the amount of SEK 2,790,000 (2,708,000) during the year. A pension provision of SEK 966,000 (924,000) was made for the Managing Director. The Group pays no bonus-based remuneration. For the Managing Director of Landshypotek Bank AB and the Managing Director of Landshypotek ekonomisk förening, the retirement age is 65. In the event of termination at the initiative of the company, the MD is entitled to termination pay equivalent to one year's annual salary and severance pay equal to one year's annual salary. To other senior executives, a total of eight individuals (ten), fixed annual salary was paid, including benefits, in the amount of SEK 10,762,000 (10,534,000). These individuals have pension plans under a collective agreement. Fixed fees in the amount of SEK 1,332,000 (1,168,000) were paid to the Board of Directors in accordance with the General Meeting resolution, of which SEK 312,000 (156,000) was paid for work on committees and of which the Chairman of the Board received SEK 362,000 (272,000). Daily expense allowances were also paid. No other remuneration was paid for Board work.

Cont.	Note 7, General administrative expenses, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
Other administrative expenses					
Cost of premises		-12,289	-16,850	-12,289	-16,850
Office expenses		-2,800	-2,656	-2,800	-2,655
Telephone, data networks and postage expenses		-5,170	-5,241	-5,159	-5,233
IT expenses		-51,882	-52,577	-51,822	-52,294
Purchased services		-47,585	-30,709	-47,517	-30,583
Other		-11,219	-9,842	-11,186	-9,822
Fees and expenses to appointed auditors					
Audit assignment		-2,789	-1,778	-2,679	-1,702
Audit activities other than audit assignment		-1,305		-1,305	
Tax consultancy		-154	-214	-154	-214
Other services		-437	-263	-437	-263
Total other administrative expenses		-135,629	-120,130	-135,347	-119,616
Total general administrative expenses		-251,599	-226,777	-260,839	-232,237

Note 8	Depreciation, amortisation and impairment of tangible and intangible non-current assets, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
Tangible non-current assets					
	Depreciation of furniture, fixtures and equipment	-1,441	-1,552	-1,441	-1,552
	Depreciation of real property	-692	-592	-692	-592
	Depreciation of land improvements	-28	-28	-28	-28
Intangible non-current assets					
	Amortisation of IT system	-8,370	-35	-8,370	-35
Total		-10,531	-2,206	-10,531	-2,206

Note 9	Other operating expenses, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Marketing expenses	-18,583	-12,953	-18,583	-12,953
	Property expenses	-1,308	-1,122	-1,308	-1,122
	Other	-1,118	-1,472	-1,106	-1,441
	Total	-21,009	-15,547	-20,997	-15,516

Note 10 Net loan losses, SEK thousand		Group		Parent Company	
		2013	2012	2013	2012
Loan losses					
Year's write-off for realised losses		-27,362	-6,575	-23,340	-4,502
Reversal of prior provisions for probable loan losses, recognised as realised losses in this year's accounts		23,948	6,135	20,323	4,166
Year's provision for probable loan losses		-82,356	-32,787	-67,118	-25,236
Recovery of previously realised losses		1,382	2,439	1,378	2,435
Reversal of prior provisions no longer necessary for probable loan losses		30,515	8,671	28,621	6,827
Guarantees		-505	-	-	-
Total		-54,378	-22,117	-40,136	-16,310

All loan losses are attributable to loans to the public.
There are no properties taken over in foreclosure.

Note 11	Year-end appropriations, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Other				
	Total	-	-	-	-

Note 12	Income tax on comprehensive income, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Profit before tax	266,839	254,947	251,612	323,966
	Income tax calculated at national tax rates	-58,704	-67,051	-55,355	-85,203
	Tax effects of:				
	Non-taxable income	76	199	69	37,016
	Non-deductible expenses	-585	-2,051	-585	-17,978
	Adjustment of preceding year's tax expense	414	-7,323	412	-7,323
	Total income tax related to profit or loss	-58,802	-76,228	-55,458	-73,488
	Weighted-average tax rate	22.0 %	29.9 %	22.0 %	22.7 %
	<i>of which current tax</i>	-57,014	-73,034	-55,542	-69,580
	<i>of which deferred tax</i>	-1,787	-3,194	83	-3,908
	Specification of deferred tax				
	Deferred tax relating to pension costs	-1,870	714	-	-
	Deferred tax relating to depreciation of real property	83	62	83	62
	Deferred tax relating to loss carry-forwards	-	-3,955	-	-3,955
	Effect of change in tax rate	-	-15	-	-15
	Total change in deferred tax	-1,787	-3,194	83	-3,908
	The actual tax rate for the year was 22.0 percent (23.6) for the Group and the Parent Company. Deferred tax amounted to 22.0 percent.				
	Income tax related to other comprehensive income				
	Cash-flow hedges				
	Profit/loss before tax	47,783	-54,010	47,783	-54,010
	Deferred tax	-10,512	11,882	-10,512	11,882
	Effect of change in tax rate	-	-1,482	-	-1,482
	Profit/loss after tax	37,271	-43,610	37,271	-43,610
	Available-for-sale financial assets				
	Loss before tax	-23,675	-81,901	-23,675	-81,901
	Tax	5,209	21,540	5,209	21,540
	Adjustment of preceding years' tax expense	-	-36,131	-	-36,131
	Reclassification of deferred tax	-	31,359	-	31,359
	Loss after tax	-18,467	-65,132	-18,467	-65,132
	Actuarial differences				
	Profit/loss before tax	24,550	-11,523		
	Deferred tax	-5,401	2,535		
	Profit/loss after tax	19,149	-8,988		
	Other comprehensive income	37,953	-117,730	18,805	-108,742
	Tax	5,209	-14,590	5,209	-14,590
	Deferred tax	-15,913	44,292	-10,512	41,759
	Total income tax related to other comprehensive income	-10,705	29,702	-5,304	27,168

Note 13	Loans to credit institutions, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Loans to Group companies			58,875	11,000
	Loans to banks	260,103	636,007	240,312	617,139
	<i>of which reverse repos</i>	-	562,299	-	562,299
	Loans to PlusGiro	1,773	6,025	1,773	6,025
	Loans to others	1	162	-	162
	Total	261,877	642,194	300,960	634,326

Note 14	Loans to the public, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Loan receivables	60,727,942	58,914,513	60,412,045	58,634,251
	Less specific provisions for individually assessed loan receivables	-62,931	-29,671	-44,567	-21,026
	Net loan receivables	60,665,011	58,884,842	60,367,478	58,613,225
	Disclosures on overdue loan receivables				
	Loan receivables overdue 1-30 days	-	6,777	-	-
	Loan receivables overdue 31-60 days	-	21	-	-
	Loan receivables overdue 61-90 days	-	332,346	-	332,324
	Loan receivables overdue more than 90 days	1,028,208	1,476,970	1,006,665	1,475,814
	<i>of which loan receivables overdue more than 90 days where interest is recognised as income</i>	845,785	863,822	836,449	846,673
	Total	1,028,208	1,816,115	1,006,665	1,808,138
	Disclosures on doubtful credits				
	Doubtful credits that are not overdue	1,024	9,869	-	9,869
	Overdue doubtful credits	236,229	102,897	215,074	94,253
	Total	237,253	112,766	215,074	104,122
	Less capital provisions made	-62,931	-29,671	-44,567	-21,026
	Total doubtful credits after provisions made	174,322	83,095	170,507	83,096
	Doubtful credits at beginning of year	112,766	65,074	104,122	60,168
	New doubtful credits during year	205,092	70,801	186,023	63,249
	Doubtful credits settled during year	-80,605	-23,109	-75,072	-19,294
	Doubtful credits at year-end	237,253	112,766	215,073	104,122
	Capital provisions at beginning of year	-29,671	-12,711	-21,026	-7,805
	Additional provisions during the year	-68,470	-28,065	-53,202	-20,513
	Deducted provisions during the year	35,210	11,105	29,661	7,292
	Capital provisions at year-end	-62,931	-29,671	-44,567	-21,026

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

Note 15	Bonds and other interest-bearing securities, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
Bonds					
Issued by Swedish municipalities		4,477,607	3,680,923	4,477,607	3,680,923
Issued by credit institutions		391,806	265,674	391,806	265,674
Issued by housing finance institutions		10,202,569	11,768,959	10,202,569	11,768,959
of which covered bonds		10,594,375	12,034,633	10,594,375	12,034,633
Total		15,071,982	15,715,556	15,071,982	15,715,556
Valuation of bonds and other interest-bearing securities					
Nominal amount		14,678,000	15,111,000	14,678,000	15,111,000
Amortised cost		14,969,602	15,570,044	14,969,602	15,570,044
Fair value		15,071,982	15,715,556	15,071,982	15,715,556
Bonds and other interest-bearing securities are classified as available-for-sale financial assets or as a trading portfolio.					
Bonds and other interest-bearing securities by category					
Financial assets at fair value through profit or loss		8,721,971	9,653,841	8,721,971	9,653,841
Available-for-sale financial assets		6,350,011	6,061,716	6,350,011	6,061,716
Total		15,071,982	15,715,556	15,071,982	15,715,556
Securities pledged pursuant to repurchase agreements (repos)					
Carrying amount, listed mortgage bonds recognised at fair value		-	554,723	-	554,723
Carrying amount, repos		-	-562,435	-	-562,435
Carrying amount, reverse repos with the same counterparty		-	562,299	-	562,299
Fair value of listed mortgage bonds held as collateral for reverse repos		-	548,005	-	548,005

Note 16	Derivatives, SEK thousand	Group			
		2013		2012	
		Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives not included in hedge accounting					
	Positive closing value of interest-rate swaps	450,000	12,758	3,140,000	19,238
	Positive closing value of cross-currency interest-rate swaps	2,306,369	117,838	1,141,847	30,022
	Total	2,756,369	130,596	4,281,847	49,260
Derivatives included in hedge accounting					
	Positive closing value of interest-rate swaps	12,369,897	411,338	10,068,495	548,223
	Positive closing value of cross-currency interest-rate swaps	1,180,838	39,292	6,967,543	414,209
	Total	13,550,735	450,630	17,036,038	962,432
	Total	16,307,104	581,226	21,317,885	1,011,692

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

Cont.	Note 16, Derivatives, SEK thousand	Parent Company			
		2013		2012	
		Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives not included in hedge accounting					
	Positive closing value of interest-rate swaps	450,000	12,758	3,140,000	19,238
	Positive closing value of cross-currency interest-rate swaps	2,306,369	117,838	1,141,847	30,022
	Total	2,756,369	130,596	4,281,847	49,260
Derivatives included in hedge accounting					
	Positive closing value of interest-rate swaps	12,369,897	411,338	10,068,495	548,223
	Positive closing value of cross-currency interest-rate swaps	1,180,838	39,292	6,967,543	414,209
	Total	13,550,735	450,630	17,036,038	962,432
	Total	16,307,104	581,226	21,317,885	1,011,692

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

Note 17	Shares and participations, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
Shares and participations					
The ESS Group, cost in 2004			50,000		50,000
The ESS Group, impairment in 2004			-49,999		-49,999
Total		-	1	-	1
Participating interest in the ESS Group		-	100 %	-	100 %

Note 18	Shares in Group companies, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
Holdings in credit institutions					
Landshypotek Jordbrukskredit AB 1,000,000 shares with a quotient value of SEK 100				280,553	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				280,753	280,753
Dividends and Group contributions received, Jordbrukskredit				-	156,993
Impairment of shares in Jordbrukskredit				-	-65,000
Net result of shares in Jordbrukskredit				-	91,993

All subsidiaries are wholly owned.

Note 19	Intangible non-current assets, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
Other intangible non-current assets					
	Cost at beginning of year	35,348	14,058	35,348	14,058
	Purchases during the year	17,612	21,290	17,612	21,290
	Closing cost	52,960	35,348	52,960	35,348
	Accumulated amortisation at beginning of year				
	Amortisation for the year	–8,370	–35	–8,370	–35
	Closing accumulated amortisation and impairment	–8,370	–35	–8,370	–35
	Carrying amount	44,590	35,312	44,590	35,312

Intangible non-current assets consist of investments in software.

	Group		Parent Company		
Note 20	Tangible assets, SEK thousand	2013	2012	2013	2012
Furniture, fixtures and equipment					
Non-current assets					
Cost at beginning of year		16,492	23,815	16,355	23,678
Purchases during the year		2,268	5,528	2,268	5,528
Disposals during the year		-251	-12,851	-251	-12,851
Closing cost		18,509	16,492	18,372	16,355
Accumulated depreciation at beginning of year		-11,068	-22,027	-10,931	-21,890
Depreciation and impairment for the year		-1,642	-1,552	-1,642	-1,552
Accumulated depreciation of assets sold		325	12,511	325	12,511
Closing accumulated depreciation		-12,385	-11,068	-12,248	-10,931
Total furniture, fixtures and equipment		6,124	5,424	6,124	5,424
Buildings and land					
Non-current assets					
Operating properties					
Number of properties		1	2	1	2
Estimated fair value		28,000	27,100	28,000	27,100
Cost at beginning of year		21,152	21,152	18,585	18,585
Reclassification		-2,567	-	-	-
Capitalised renovation costs		436	-	436	-
Sales		-2,750	-	-2,750	-
Closing cost		16,271	21,152	16,271	18,585
Write-up for the year					
Accumulated depreciation at beginning of year		-6,036	-5,417	-3,469	-2,850
Reclassification		2,567	-	-	-
Closing accumulated depreciation		857	-	857	-
Depreciation for the year		-710	-619	-710	-619
Closing accumulated depreciation		-3,322	-6,036	-3,322	-3,469
Total buildings and land		12,949	15,116	12,949	15,116

Note 21	Other assets, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Announced interest and repayments	310,685	55,175	302,759	57,795
	Receivables from Group companies	1,558	134,427	1,558	151,470
	Other receivables	3,108	3,932	2,896	3,752
	Total	315,352	193,534	307,213	213,017

Note 22	Deferred tax assets, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Deferred tax assets	10,351	28,051	9,112	19,542
	Total	10,351	28,051	9,112	19,542
	Opening deferred tax receivables on hedging reserve	19,464	9,063	19,464	9,063
	Change in deferred tax on hedging reserve	-10,513	10,401	-10,513	10,401
	Closing deferred tax receivables on hedging reserve	8,951	19,464	8,951	19,464
	Opening deferred tax receivables on actuarial differences	2,535	-		
	Change in deferred tax on actuarial differences	-5,401	2,535		
	Closing deferred tax receivables on actuarial differences	-2,866	2,535		
	Opening deferred tax receivables on pensions under IAS 19	5,974	5,260		
	Less deferred tax on pensions under IAS 19	-1,870	714		
	Closing deferred tax receivables on pensions under IAS 19	4,104	5,974		
	Opening deferred tax receivables on loss carry-forwards	-	3,955	-	-
	Less deferred tax on loss carry-forwards		-3,955		-
	Closing deferred tax receivables on loss carry-forwards	-	-	-	-
	Opening deferred tax on depreciation of real property under IFRS	78	-	78	-
	Add deferred tax on depreciation of real property under IFRS	83	78	83	78
	Closing deferred tax on depreciation of real property under IFRS	161	78	161	78
	Total deferred tax assets	10,351	28,051	9,112	19,542

Deferred tax in 2013 was calculated using a tax rate of 22 percent.
All items are expected to be settled later than within 12 months.

Note 23	Prepaid expenses and accrued income, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Prepaid expenses	13,636	10,992	13,636	10,992
	Accrued interest on loans to credit institutions	-	70	-	70
	Accrued interest on loans to the public	3,662	214,212	3,522	214,055
	Accrued interest on interest-bearing instruments	498,696	633,059	498,696	633,059
	Accrued interest, intra-Group	-	101	-	406
	Total	515,994	858,434	515,854	858,582

Note 24	Liabilities to credit institutions, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Swedish banks	57,353	620,419	57,353	620,419
	Non-Swedish banks	199,537	-	199,537	-
	of which repos	-	562,435	-	562,435
	Total	256,890	620,419	256,890	620,419

Note 25	Borrowing from the public, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Deposits from the public	2,103,007	1,552,308	2,103,007	1,552,308
	Other notes payable	44,000	27,000	44,000	27,000
	Total	2,147,007	1,579,308	2,147,007	1,579,308

Note 26	Debt securities in issue, etc., SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Commercial paper	3,014,884	3,996,096	3,014,884	3,996,096
	Bond loans	65,406,659	64,207,018	65,406,659	64,207,018
	Total	68,421,543	68,203,114	68,421,543	68,203,114
Debt securities in issue – hedged items in fair-value hedges					
	Amortised cost	22,826,048	20,655,697	22,826,048	20,655,697
	Fair value adjusted for the change in the fair value of hedged risk	23,434,438	21,936,869	23,434,438	21,936,869

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 27	Derivatives, SEK thousand	Group			
		2013		2012	
		Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives not included in hedge accounting					
	Negative closing value of interest-rate swaps	12,685,000	329,901	16,369,000	484,798
	Negative closing value of cross-currency interest-rate swaps	6,497,179	489,356	4,806,116	344,542
	Total	19,182,179	819,257	21,175,116	829,340
Derivatives included in hedge accounting					
	Negative closing value of interest-rate swaps	11,157,000	186,574	11,020,000	164,435
	Negative closing value of cross-currency interest-rate swaps	2,434,560	216,203	3,398,524	84,873
	Total	13,591,560	402,777	14,418,524	249,308
	Total	32,773,739	1,222,034	35,593,640	1,078,647

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

Cont.	Note 27, Derivatives, SEK thousand	Parent Company			
		2013		2012	
		Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives not included in hedge accounting					
	Negative closing value of interest-rate swaps	12,685,000	329,901	16,369,000	484,798
	Negative closing value of cross-currency interest-rate swaps	6,497,179	489,356	4,806,116	344,542
	Total	19,182,179	819,257	21,175,116	829,340
Derivatives included in hedge accounting					
	Negative closing value of interest-rate swaps	11,157,000	186,574	11,020,000	164,435
	Negative closing value of cross-currency interest-rate swaps	2,434,560	216,203	3,398,524	84,873
	Total	13,591,560	402,777	14,418,524	249,308
	Total	32,773,739	1,222,034	35,593,640	1,078,647

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

Note 28	Other liabilities, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Liabilities to Group companies	155,786	296,999	155,786	296,999
	Accounts payable	15,752	18,979	15,752	18,979
	Other liabilities	21,464	35,768	21,103	35,748
	Total	193,002	351,746	192,641	351,726

Note 29	Accrued expenses and deferred income, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Accrued interest on liabilities to credit institutions	-	66	-	66
	Accrued interest on borrowing from the public	113	650	113	650
	Accrued interest on debt securities in issue	452,374	587,460	452,374	587,460
	Accrued interest on derivatives	409,169	473,139	409,168	473,139
	Accrued interest, intra-Group	-	70	-	70
	Other accrued expenses	42,111	33,896	42,111	33,896
	Deferred income	580	245	580	245
	Total	904,347	1,095,455	904,346	1,095,526

Note 30 Provisions, SEK thousand

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

	Group		Parent Company	
	2013	2012	2013	2012
Balance-sheet obligations pertaining to:				
Defined-benefit pension plans	7,755	42,155	2,389	3,477
Balance-sheet liability	7,755	42,155	2,389	3,477
Recognitions in operating profit pertaining to:*				
Defined-benefit pension plans	9,415	8,182		
Total	9,415	8,182		
Remeasurement of actuarial gain/loss pertaining to:				
Defined-benefit pension plans	-24,550	11,523		
Total	-24,550	11,523		

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

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

	2013	2012
Present value of funded obligations	321,904	346,631
Fair value of plan assets	-314,149	-304,476
Shortfall in funded plans	7,755	42,155
Present value of unfunded obligations	-	-
Total shortfall in defined-benefit pension plans	7,755	42,155
Effect of minimum funding requirement/asset ceiling	-	-
Balance-sheet liability	7,755	42,155

Cont.	Note 30, Provisions, SEK thousand
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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 2012	327,375	-294,247	33,128
Service costs for 2012	8,182	-	8,182
Interest expense/(income)	11,239	-10,291	948
Service costs for previous years and gains and losses from settlements	3,477		3,477
Total Costs	22,898	-10,291	12,607
Remeasurements:			
- Return on plan assets	11,859	-336	11,523
Total remeasurements	11,859	-336	11,523
Fees:			
- Employer		-12,154	-12,154
Payments from the plan:			
- Benefits paid	-15,501	12,552	-2,949
Closing balance, 31 December 2012	346,631	-304,476	42,155
Opening balance, 1 January 2013	346,631	-304,476	42,155
Service costs for 2013	9,415	-	9,415
Interest expense/(income)	10,755	-9,732	1,023
Service costs for previous years and gains and losses from settlements	-3,477		-3,477
Total Costs	363,324	-314,208	49,116
Remeasurements:			
- Return on plan assets	-23,623	-35	-23,658
Total remeasurements	-23,623	-35	-23,658
Fees:			
- Employer		-14,247	-14,247
- Employees covered by the plan			
Payments from the plan:			
- Benefits paid	-17,797	14,341	-3,456
Closing balance, 31 December 2013	321,904	-314,149	7,755

The key actuarial assumptions were as follows:

	2013	2012
Discount rate	3.8 %	3.2 %
Salary increases	3.0 %	3.0 %
Pension increases	2.0 %	2.0 %

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.

	2013	2012
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 30, Provisions, SEK thousand**

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

A change in one percentage assumes all others are unchanged.

Assumptions	Present value of the obligation, 2013	Increase
Baseline scenario	321,904	
A 0.5-percentage point decrease in the discount rate	347,481	7.9 %
A 0.5-percentage point increase in expected indexing of benefits	341,868	6.2 %
A 0.5-percentage point increase in expected future salary increases	332,041	3.1 %
A 20-percent decrease in mortality intensity	342,142	6.3 %
Increase in the expected utilization rate for early retirement under the pension agreement from 20 percent to 40 percent.	327,896	1.9 %

Distribution of the present value of the obligation, SEK thousand

	2013	2012
Active members	113,054	127,236
Deferred members	42,976	44,255
Retired plan members	165,874	171,663
Total	321,904	343,154

Number of individuals included in the valuation

	2013	2012
Active members	112	113
Deferred members	99	90
Retired plan members	99	95
Total	310	298

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 31	Subordinated liabilities, SEK thousand		Group		Parent Company	
			2013	2012	2013	2012
Due date	Nominal amount	Interest				
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	199,949	199,949
2017/2022	SEK 70,000,000	Fixed interest 5.82 %	69,972	69,972	69,972	69,972
Total			699,921	699,921	699,921	699,921

Note 32	Changes in Equity, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
Change in hedging reserve					
Hedging reserve, opening balance		-69,008	-25,398	-69,008	-25,398
Change in fair value over the year		14,081	-49,015	14,081	-49,015
Transfer to profit or loss		33,702	-4,995	33,702	-4,995
Change in deferred tax		-10,512	10,400	-10,512	10,400
Hedging reserve, closing balance		-31,737	-69,008	-31,737	-69,008
Change in fair-value reserve					
Fair-value reserve, opening balance		22,745	87,877	22,745	87,877
Change in fair value over the year		-15,130	18,811	-15,130	18,811
Transfer to profit or loss		-8,545	-100,712	-8,545	-100,712
Tax on change in value for the year		5,209	21,540	5,209	21,540
Tax adjustment on preceding year's change		-	-4,772	-	-4,772
Fair-value reserve, closing balance		4,278	22,745	4,278	22,745
Actuarial differences					
Actuarial differences at beginning of year		-29,310	-20,322		
Change for the year		24,550	-11,523		
Tax on change for the year		-5,401	2,535		
Actuarial differences at year-end		-10,161	-29,310		
Total reserves and actuarial differences at year-end		-37,620	-75,572	-27,459	-46,263

Note 33	Memorandum items, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Pledged assets	None	None	None	None
	Contingent liabilities				
	Försäkringsbolaget Pensionsgaranti, FPG	48	70	48	70
	Flexible first lien mortgage loans, granted unutilised amount	540,107	475,367	540,107	475,367
	Total	540,155	475,437	540,155	475,437
	Guarantees and other commitments				
	Sparbanken Öresund, overdraft facility	139,022	137,255	-	-
	Total	139,022	137,255	-	-

Note 34	Capital adequacy analysis, SEK thousand	Financial Corporate Group		
		Basel II	Transitional rules	Basel I
	Tier 1 capital	4,246,026	4,246,026	4,305,708
	Share capital paid in or equivalent, after deduction for cumulative preference shares	1,288,322	1,288,322	1,288,322
	Equity component of reserves and profit or loss brought forward from preceding financial year	2,844,094	2,844,094	2,844,094
	Net profit for the year	228,233	228,233	228,233
	Deduction for deferred tax assets	-10,351	-10,351	-10,351
	Intangible non-current assets	-44,590	-44,590	-44,590
	Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act	-59,682	-59,682	-
	Tier 2 capital	640,239	640,239	699,921
	Subordinated term loans in accordance with Chapter 8, Sections 18-30	699,921	699,921	699,921
	Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act	-59,682	-59,682	-
	Capital base	4,886,265	4,886,265	5,005,629
	Capital requirement for credit risks in accordance with the standardised method	494,116	494,116	5,094,991
	Exposure to governments and central banks	0	0	-
	Municipalities, similar entities and government agencies	0	0	-
	Institutional exposure	58,223	58,223	-
	Corporate exposure	254,127	254,127	-
	Retail exposure	28,796	28,796	-
	Non-performing items	5,392	5,392	-
	Covered bonds	147,579	147,579	-
	Other items	-	-	-
	Capital requirement for credit risks in accordance with IRB	636,236	636,236	-
	Retail – exposures secured by real estate	630,763	630,763	-
	Non-credit-obligation assets	5,472	5,472	-
	Capital requirement for operational risks – Base method	93,035	93,035	-
	Additional capital requirement under the transitional rules	-	2,733,244	-
	Capital requirement	1,223,387	3,956,631	5,094,991
	Capital adequacy ratio	3.99	1.23	0.98
	Capital adequacy	31.95 %	9.88 %	7.86 %
	Tier 1 ratio	27.77 %	8.59 %	6.76 %
	IRB - deduction			
	Anticipated loss amount in excess of provisions	-119,363		
	Capital adequacy ratio = Capital base/Capital requirement			

Cont.	Note 34 Capital adequacy analysis, SEK thousand	Parent Company		
		Basel II	Transitional rules	Basel I
Tier 1 capital		4,050,577	4,050,577	4,110,259
Share capital paid in or equivalent, after deduction for cumulative preference shares		2,117,000	2,117,000	2,117,000
Equity component of reserves and profit or loss brought forward from preceding financial year		1,850,807	1,850,807	1,850,807
Net profit for the year		196,154	196,154	196,154
Deduction for deferred tax assets		-9,112	-9,112	-9,112
Intangible non-current assets		-44,590	-44,590	-44,590
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-59,682	-59,682	-
Tier 2 capital		640,239	640,239	699,921
Subordinated term loans in accordance with Chapter 8, Sections 18-30		699,921	699,921	699,921
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-59,682	-59,682	-
Capital base		4,690,816	4,690,816	4,810,180
Capital requirement for credit risks in accordance with the standardised method		457,764	457,764	5,058,458
Exposure to governments and central banks		-	-	-
Municipalities, similar entities and government agencies		-	-	-
Institutional exposure		57,868	57,868	-
Corporate exposure		232,076	232,076	-
Retail exposure		16,059	16,059	-
Non-performing items		4,182	4,182	-
Covered bonds		147,579	147,579	-
Other items		-	-	-
Capital requirement for credit risks in accordance with IRB		659,724	659,724	-
Retail – exposures secured by real estate		630,763	630,763	-
Non-credit-obligation assets		28,961	28,961	-
Capital requirement for operational risks – Base method		87,487	87,487	-
Additional capital requirement under the transitional rules		-	2,722,429	-
Capital requirement		1,204,975	3,927,404	5,058,458
Capital adequacy ratio		3.89	1.19	0.95
Capital adequacy		31.14 %	9.56 %	7.61 %
Tier 1 ratio		26.89 %	8.25 %	6.50 %
IRB – deduction				
Anticipated loss amount in excess of provisions		-119,363		
Capital adequacy ratio = Capital base/Capital requirement				

Note 35	Financial assets and liabilities by category, SEK thousand				
2013	Measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities	Derivatives identified as hedging instruments
Assets					
Cash and balances with central banks			431,893		
Treasury bills and other eligible bills					
Loans to credit institutions			261,877		
Loans to the public			60,665,011		
Bonds and other interest-bearing securities	8,721,971	6,350,011			
Derivatives	130,596				450,630
Total financial assets	8,852,567	6,350,011	61,358,781	-	450,630
Financial liabilities					
Liabilities to credit institutions				256,890	
Borrowing from the public				2,147,007	
Debt securities in issue, etc.				68,421,543	
Derivatives	819,257				402,777
Subordinated liabilities				699,921	
Total financial liabilities	819,257	-	-	71,525,361	402,777

2012	Measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities	Derivatives identified as hedging instruments
Assets					
Cash and balances with central banks			45,400		
Treasury bills and other eligible bills					
Loans to credit institutions			642,194		
Loans to the public			58,884,842		
Bonds and other interest-bearing securities	9,653,841	6,061,716			
Derivatives	49,260				962,432
Total financial assets	9,703,101	6,061,716	59,572,436	-	962,432
Financial liabilities					
Liabilities to credit institutions				620,419	
Borrowing from the public				1,579,308	
Debt securities in issue, etc.				68,203,114	
Derivatives	829,340				249,308
Subordinated liabilities				699,921	
Total financial liabilities	829,340	-	-	71,102,762	249,308

Cont.	Note 35, Financial assets and liabilities by category, SEK thousand				
2013	Measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities	Derivatives identified as hedging instruments
Assets					
Cash and balances with central banks			431,893		
Treasury bills and other eligible bills					
Loans to credit institutions			300,960		
Loans to the public			60,367,478		
Bonds and other interest-bearing securities	8,721,971	6,350,011			
Derivatives	130,596				450,630
Total financial assets	8,852,567	6,350,011	61,100,331	-	450,630
Financial liabilities					
Liabilities to credit institutions				256,890	
Borrowing from the public				2,147,007	
Debt securities in issue, etc.				68,421,543	
Derivatives	819,257				402,777
Subordinated liabilities				699,921	
Total financial liabilities	819,257	-	-	71,525,361	402,777

2012	Measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities	Derivatives identified as hedging instruments
Assets					
Cash and balances with central banks			45,400		
Treasury bills and other eligible bills					
Loans to credit institutions			634,326		
Loans to the public			58,613,225		
Bonds and other interest-bearing securities	9,653,841	6,061,716			
Derivatives	49,260				962,432
Total financial assets	9,703,101	6,061,716	59,292,951	-	962,432
Financial liabilities					
Liabilities to credit institutions				620,419	
Borrowing from the public				1,579,308	
Debt securities in issue, etc.				68,203,114	
Derivatives	829,340				249,308
Subordinated liabilities				699,921	
Total financial liabilities	829,340	-	-	71,102,762	249,308

Group

Note 36	Fair value disclosures, SEK thousand	2013		2012	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets					
	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
	Total assets	77,011,989	76,286,652	76,299,685	75,301,202
Liabilities and Provisions					
	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
	Total liabilities	72,747,395	73,069,851	72,181,409	72,569,123

Parent Company

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
	Cash and balances with central banks	431,893	45,400	45,400
	Loans to credit institutions	300,960	634,326	634,326
	Loans to the public	60,367,478	58,613,225	57,606,359
	Bonds and other interest-bearing securities	15,071,982	15,715,556	15,715,556
	Derivatives	581,226	1,011,692	1,011,692
	Shares and participations	-	1	1
	Total assets	76,753,539	76,020,200	75,013,334
Liabilities and Provisions				
	Liabilities to credit institutions	256,890	620,419	620,419
	Borrowing from the public	2,147,007	1,579,308	1,579,308
	Debt securities in issue, etc.	68,421,543	68,203,114	68,492,857
	Derivatives	1,222,034	1,078,647	1,078,647
	Subordinated liabilities	699,921	699,921	797,892
	Total liabilities	72,747,395	72,181,409	72,569,123

Accrued interest is reported separately and is not included in the calculation of fair value.

Note 37		Fair-value hierarchy for financial instruments, SEK thousand							
		2013				2012			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and receivables									
Loans to credit institutions			261,877		261,877		642,194		642,194
Loans to the public			59,939,674		59,939,674		57,886,359		57,886,359
Financial assets at fair value through profit or loss									
Bonds and other interest-bearing securities		8,721,971			8,721,971	9,653,841			9,653,841
Interest-rate swaps			12,758		12,758		19,238		19,238
Cross-currency interest-rate swaps			117,838		117,838		30,022		30,022
Shares and participations								1	1
Derivatives identified as hedging instruments									
Interest-rate swaps			411,338		411,338		548,223		548,223
Cross-currency interest-rate swaps			39,292		39,292		414,209		414,209
Available-for-sale financial assets									
Bonds and other interest-bearing securities		1,872,404	4,477,607		6,350,011	2,380,793	3,680,923		6,061,716
Total assets measured at fair value		10,594,375	65,260,384	-	75,854,759	12,034,634	63,221,168	1	75,255,803
Financial liabilities at fair value through profit or loss									
Interest-rate swaps			329,901		329,901		484,798		484,798
Cross-currency interest-rate swaps			489,356		489,356		344,542		344,542
Derivatives identified as hedging instruments									
Interest-rate swaps			186,574		186,574		164,435		164,435
Cross-currency interest-rate swaps			216,203		216,203		84,873		84,873
Other financial liabilities									
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.			68,668,866		68,668,866		68,492,857		68,492,857
Subordinated liabilities			775,054		775,054		797,892		797,892
Total liabilities measured at fair value		-	73,069,851	-	73,069,851	-	72,569,123	-	72,569,123

No transfers were made between the levels. Level 1 only comprises quoted mortgage bonds and 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

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

Level 2

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

Cont.	Note 37, Fair-value hierarchy for financial instruments, SEK thousand							
	2013				2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and receivables								
Loans to credit institutions		300,960		300,960		634,326		634,326
Loans to the public		59,623,777		59,623,777		57,606,359		57,606,359
Financial assets at fair value through profit or loss								
Bonds and other interest-bearing securities	8,721,971			8,721,971	9,653,841			9,653,841
Interest-rate swaps		12,758		12,758		19,238		19,238
Cross-currency interest-rate swaps		117,838		117,838		30,022		30,022
Shares and participations							1	1
Derivatives identified as hedging instruments								
Interest-rate swaps		411,338		411,338		548,223		548,223
Cross-currency interest-rate swaps		39,292		39,292		414,209		414,209
Available-for-sale financial assets								
Bonds and other interest-bearing securities	1,872,404	4,477,607		6,350,011	2,380,793	3,680,923		6,061,716
Total assets measured at fair value	10,594,375	64,983,570	-	75,577,945	12,034,634	62,933,300	1	74,967,934
Financial liabilities at fair value through profit or loss								
Interest-rate swaps		329,901		329,901		484,798		484,798
Cross-currency interest-rate swaps		489,356		489,356		344,542		344,542
Derivatives identified as hedging instruments								
Interest-rate swaps		186,574		186,574		164,435		164,435
Cross-currency interest-rate swaps		216,203		216,203		84,873		84,873
Other financial liabilities								
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.		68,668,866		68,668,866		68,492,857		68,492,857
Subordinated liabilities		775,054		775,054		797,892		797,892
Total liabilities measured at fair value	-	73,069,851	-	73,069,851	-	72,569,123	-	72,569,123

No transfers were made between the levels. Level 1 only comprises quoted mortgage bonds and 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

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

Level 2

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

Note 38	Assets and liabilities by significant currencies, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
Assets					
EUR		199,538	-	199,538	-
Loans to credit institutions		199,538	-	199,538	-
Total assets		199,538	-	199,538	-
Liabilities					
EUR		199,537	-	199,537	-
Liabilities to credit institutions		199,537	-	199,537	-
CHF		2,894,270	2,843 601	2,894,270	2,843,601
EUR		3,295,414	3,194 008	3,295,414	3,194,008
NOK		5,094,032	8,140 161	5,094,032	8,140,161
Debt securities in issue		11,283,716	14,177 770	11,283,716	14,177,770
Total liabilities		11,483,253	14,177 770	11,483,253	14,177,770

Other assets and liabilities arise in SEK.

All assets and liabilities in foreign currency are hedged against exchange-rate fluctuations using derivative contracts.

Note 39	Change in cash and cash equivalents, SEK thousand	Group		Parent Company	
		2013	2012	2013	2012
	Cash and balances at beginning of year	45,400	6,374	45,400	6,374
	Loans to credit institutions at beginning of year	79,730	164,561	71,868	145,106
	Cash and balances at year-end	431,893	45,400	431,893	45,400
	Loans to credit institutions at year-end	261,877	79,730	300,960	71,868
	Total change in cash and cash equivalents	568,636	-45,805	615,585	-34,212

Group and Parent Company					
Note 40	Disclosures concerning offsetting, SEK thousand				
		* Related amounts not offset in the balance sheet			
	Amount recognised in the balance sheet, 31 December 2013	Financial instruments	Paid (+) Received (–) collateral - securities	Paid (+) Received (–) cash - collateral	Net amount, 31 December 2013
Assets					
Derivatives	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
Liabilities					
Derivatives	–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, repos	-				-
Net	–733,299	-	-	-	–733,299

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

Note 41 Effect of changing accounting policy IAS 19 - Defined-benefit pensions, SEK thousand			
	Full-year 2012 before change in accounting policy	Restatement effect	Restated figures for full-year 2012
General administrative expenses	-223,425	-3,352	-226,777
Total expenses before loan losses	-241,178	-3,352	-244,530
Income tax for the period	-75,942	-286	-76,228
Net profit for the period	182,357	-3,638	178,719
STATEMENT OF COMPREHENSIVE INCOME			
	Full-year 2012 before change in accounting policy	Restatement effect	Restated figures for full-year 2012
Net profit for the period	182,357	-3,638	178,719
Other comprehensive income			
<i>Items that are not reclassified</i>			
Actuarial differences for defined-benefit pensions		-11,523	-11,523
Tax items that are not reclassified		2,535	2,535
<i>Total, items that are not reclassified</i>		-8,988	-8,988
Total other comprehensive income	-108,742	-8,988	-117,730
Comprehensive income for the period	73,615	-12,626	60,988
BALANCE SHEET			
	31 December 2012, before change in accounting policy	Restatement effect	Restated figures for 31 December 2012
Assets			
Deferred tax assets/Other assets	22,349	5,702	28,051
Total assets	77,471,087	5,702	77,476,789
Liabilities, provisions and equity			
Other liabilities	353,830	-2,084	351,746
Provisions	12,067	30,088	42,155
Total liabilities	73,642,761	28,004	73,670,765
Equity	3,828,326	-22,302	3,806,024
Total liabilities, provisions and equity	77,471,087	5,702	77,476,789

Appropriation of Earnings

Retained earnings	928,139,409 SEK
Group contribution	-155,750,000 SEK
Tax effect of Group contribution	34,265,000 SEK
Total	806,654,409 SEK

Net profit for 2013	196,154,018 SEK
At the disposal of the Annual General Meeting	1,002,808,427 SEK

Conditional on the approval of the Annual General Meeting, a Group contribution has been paid in the amount of SEK 155,750,000, which has reduced unrestricted equity as of the balance sheet date by SEK 121,485,000 after taking the tax effect into account. The proposed transfer of value in the form of a Group contribution reduces the company's capital adequacy ratio to 1.19, calculated in accordance with the transitional rules of the Swedish Financial Supervisory Authority. Unrealised changes in value of assets and liabilities measured at fair value had a negative impact on equity of MSEK 96.7.

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 2-3 of the Swedish Companies Act. The Board of Directors proposes that the year's funds at the disposal of the Annual General Meeting, SEK 1,002,808,427, be carried forward.

The Board of Directors and Managing Director 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, 12 March 2014

Henrik Toll
Chairman

Hans Heuman
Member

Catharina Lagerstam
Member

Johan Löwen
Member

Nils-Fredrik Nyblæus
Member

Charlotte Önnestedt
Member

Kjell Hedman
Managing Director

Our auditors' report was submitted on 12 March 2014

Ulf Westerberg
Authorised Public Accountant

Christina Asséus-Sylvén
Authorised Public Accountant

Auditor's report *for translation purposes only*

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 2013, except for the corporate governance statement on pages 24–30. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 16–73.

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

The Board of Directors and the Managing 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 2013 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 2013 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 24–30. 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 2013. 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 24–30 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 12 March 2014

Ulf Westerberg
Authorized Public Accountant

Christina Asséus-Sylvén
Authorized Public Accountant

An aerial photograph showing a dense forest on the left and a green field on the right. A long, dark shadow of a tree is cast across the field. A solid yellow vertical bar runs along the right edge of the image.

Landshypotek ekonomisk förening 2013

Administration Report

On 12 March 2014, the Board of Directors of Landshypotek ekonomisk förening, corporate registration number 769600-5003, approved the financial statements. These will be presented for final adoption by the Annual General Meeting on 10 April 2014.

Business

Landshypotek ekonomisk förening is the Parent Association of the Landshypotek Group.

The association is owned by its members. The cooperative association is a democratic organisation in which all members have one vote at the annual regional meeting. At the end of 2013, the society had approximately 45,000 members.

Operations in the Group are primarily pursued through Landshypotek Bank AB, which is a wholly owned subsidiary of Landshypotek ekonomisk förening. All borrowers at Landshypotek Bank automatically become members of Landshypotek ekonomisk förening. In November 2012, Landshypotek Bank AB was granted a licence by the Swedish Financial Supervisory Authority to conduct banking operations. Registration as a bank was completed on 4 April 2013.

Landshypotek Bank AB is the Parent Company of the Landshypotek Bank Group. The vast majority of the

Group's business operations are conducted in Landshypotek Bank AB. Landshypotek Bank AB is specialised in lending to Swedish agriculture and forestry, using real property as collateral. In 2013, Landshypotek Bank AB expanded its offering of savings products to include the entire general public. Landshypotek Bank offers other banking and insurance services through a collaboration established with a network of partners. The subsidiary Landshypotek Jordbrukskredit AB offers other loans to farmers and foresters. The Group uses the capital market as its source of funding. Funding is allocated over a number of loan programmes, adapted to various types of investors, thus achieving the desired level of flexibility. All funding currently takes place in Landshypotek Bank AB.

During 2013, operations were conducted by the following corporate entities:

- Landshypotek ekonomisk förening
- Landshypotek Bank AB
- Landshypotek Jordbrukskredit AB

Local presence is an important success factor for Landshypotek

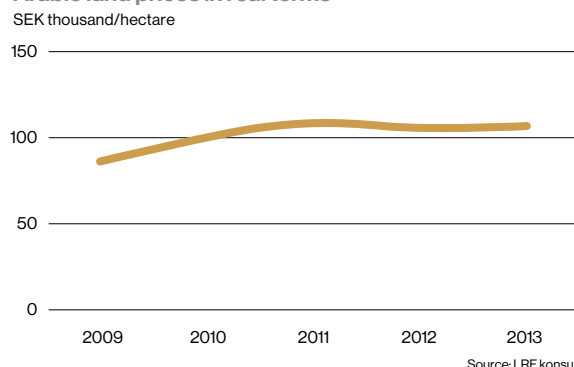


Landshypotek currently has offices throughout Sweden. Having a local presence is highly important in offering the market personal service provided by employees who have intimate knowledge of local conditions.

Organisation

Landshypotek has 130 employees based in eight areas with 19 sales 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 of entrepreneur-driven enterprises.

Arable land prices in real terms



Average prices for arable land were unchanged in 2013 compared with 2012.

The representatives 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 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 in a variety of contexts.

Market overview

Market trends

The cereal harvest in 2013 was in line with 2012 and 2 percent above the average for the last five years. The price trend was weak. Wavering demand in combination with a strong SEK put Swedish exports at disadvantage and, accordingly, also the domestic market. Thanks to a favourable harvest and moderate increases in costs, however, profitability for 2013 was stable.

The milk price in Sweden 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 meant that profitability was under pressure for most of 2013. A degree of improvement was posted in the last quarter in pace with declining 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 strength of the SEK played a role.

Forestry was negatively impacted by a weak economy in many parts of the world, which in combination with an unfavourable exchange rate led to declining prices for both timber and pulp wood.

Price trends for agricultural and forest properties

The price of forest properties 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.

The market for agricultural properties 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.

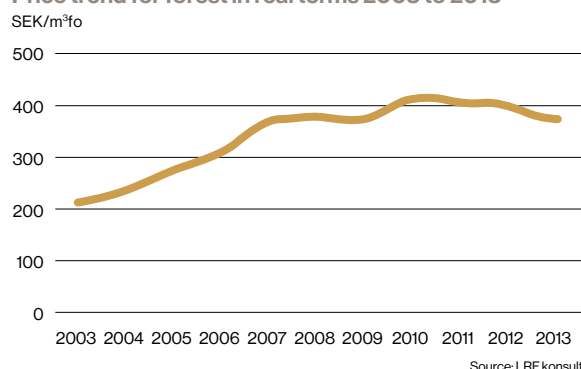
Landshypotek's development

Landshypotek increased its net lending by SEK 1.8 billion during 2013, corresponding to lending growth of 3.0 percent, compared with 5.9 percent in 2012. Demand for credit from Sweden's farmers and foresters remained high. The annualised growth for 2013 was 5.8 percent, which is slightly lower than in previous years. The primary driver for demand was property transactions occurring in the agriculture and forestry sectors.

Deposits amounted to SEK 2.1 billion at 31 December 2013. Landshypotek's assignment is to provide competitive financing and offer financial services to Sweden's farmers and foresters. Landshypotek also provides savings accounts that offer competitive interest rates for the general public in Sweden.

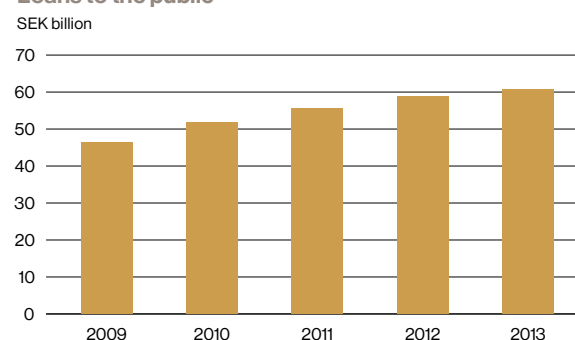
With an expanded market presence and broader product offering, Landshypotek aims to grow in pace with the market.

Price trend for forest in real terms 2003 to 2013



The average price of forest properties was SEK 370/m³ in Sweden as a whole in 2013.

Loans to the public



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

Profit and profitability

Group key ratios, SEK thousand	2013	2012
Net interest income	656,525	575,847
Interest margin, %	1.1 %	1.0 %
Other operating income excl. property transactions	-52,098	-56,234
Costs	-297,396	-256,958
C/I ratio	0.46	0.45
Loan losses	-54,378	-22,117
Loan loss level, %	0.09 %	0.04 %
Operating profit	252,652	240,538
Operating profit excluding the net result of financial transactions	287,838	289,595

Success factors

Crucial factors to ensure that Landshypotek continues to experience favourable development in the market and defend its position as a leading player in its business area are:

- good knowledge of customers' business,
- products that satisfy customers' requirements,
- elected appraisers who can accurately value the collateral,
- good credit assessment which, together with accurately appraised collateral, guarantees continued low loan losses and
- low borrowing costs.

Consolidated operating profit in 2013 amounted to MSEK 252.7, up MSEK 12.1 compared with 2012 (MSEK 240.5). The increase in earnings was primarily attributable to a year-on-year improvement of MSEK 80.7 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 40.4 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 287.8 (289.6), down MSEK 1.8 year-on-year.

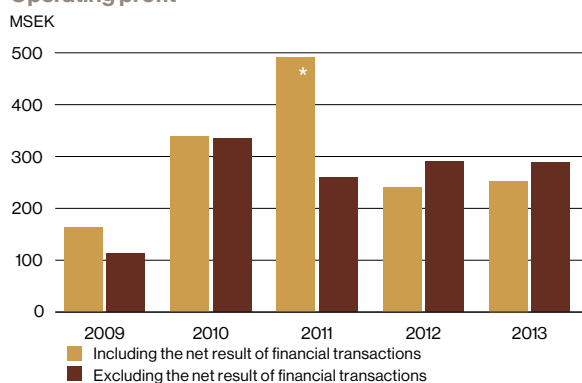
Net interest income

Net interest income in 2013 amounted to MSEK 656.5, an increase of MSEK 80.7 or about 14.0 percent, compared with 2012 (MSEK 575.8). The increase was attributable to increased lending and wider margins between interest rates on borrowing and lending.

Other operating income

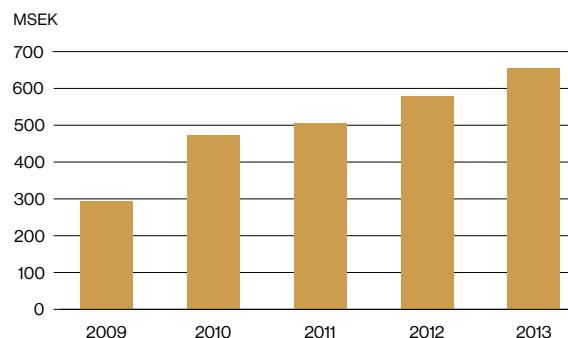
Operating income, excluding net interest income, amounted to a negative MSEK 52.1, up MSEK 4.1 compared with 2012. The fee of MSEK 33.7 payable to the stabilization fund and deposit insurance, the loss of MSEK 35.2 from the net result of financial transactions, net commission income (excluding the stabilization fund and deposit insurance) of MSEK 13.9 and income from property including

Operating profit



Operating profit for 2013 totalled MSEK 252.7. Operating profit excluding the net result of financial transactions was MSEK 287.8.

Net interest income



Net interest income for 2013 amounted to MSEK 656.5. 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.

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 2012 (loss: 56.2). The increase was primarily due to an improvement 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 includes 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. Realised result comprises the early redemption of bonds issued, premature closure of hedges and sales from the liquidity portfolio. Early redemption is carried out to extend the duration of Landshypotek'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 further strengthens Landshypotek's balance sheet and reduces the average borrowing cost.

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. Revaluations of financial instruments in equity amounted to MSEK 24.1 (neg: 135.9) in 2013.

In addition, net profit for the year was charged with fees to the Swedish National Debt Office's stabilisation fund of MSEK 32.6 (23.8) and deposit insurance of MSEK 1.1 (-).

Costs

Costs in 2013 amounted to MSEK 297.4 (257.0). The increase in costs of MSEK 40.4 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

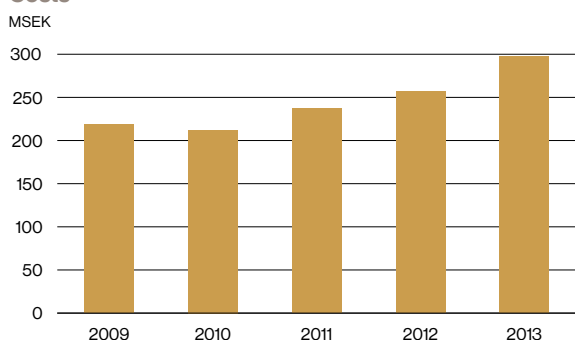
Net recognised loan losses amounted to MSEK 54.4 (22.1), net, corresponding to 0.09 percent of Landshypotek's total loans outstanding. Confirmed loan losses were MSEK 27.4 (6.6). Provisions for probable loan losses amounted to MSEK 82.4 (32.8). Reversals of previous provisions for realised losses in the annual accounts totalled MSEK 23.9 (6.1). Recoveries of previously realised losses and reversals of previous provisions for probable loan losses no longer required, amounted to MSEK 31.9 (11.1).

On 31 December 2013, doubtful credits after provisions amounted to MSEK 174.3 (83.1), corresponding to 0.29 percent (0.14) of total 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 and, 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 impacted the repayment capacity of these customers.

All customers who fall into the doubtful credits category are subject to individual assessment and analysis for potential provisions. Landshypotek Bank's provision policy remains unchanged.

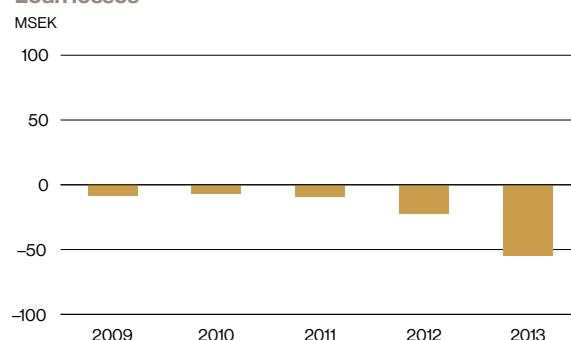
The balance sheet total rose 0.8 percent to MSEK 77,977 (77,350), due to increased lending to the public in parallel with a slight decrease in the holding of interest-bearing securities and derivatives.

Costs



Costs for 2013 amounted to MSEK 297.4, an increase of MSEK 40.4 or approximately 16 percent year-on-year. The increase was principally attributable to increased costs for personnel, marketing and costs in conjunction with the implementation of a new business system.

Loan losses



At 31 December, loan losses totalled MSEK 54.4, which corresponded to 0.09 percent of lending.

Financial structure

Consolidated Balance Sheet

Assets, MSEK	2013
Loans to credit institutions	696
Loans to the public	60,665
Bonds and other interest-bearing securities	15,072
Derivatives	581
Non-current assets	64
Other assets	899
Total assets	77,977

Liabilities, MSEK	2013
Liabilities to credit institutions	257
Borrowing/deposits from the public	2,103
Debt securities in issue	68,422
Derivatives	1,222
Other liabilities	1,650
Equity	4,323
Total liabilities	77,977

Assets

The largest asset item in the balance sheet is "Loans to the public", which amounted to MSEK 60,665 (58,885). More information about Landshypotek's lending to the public can be found in the Risk and Capital Management section. At the end of 2013, Landshypotek's holding of interest-bearing securities amounted to MSEK 15,072 (15,716). The portfolio consists principally of covered bonds issued by Swedish institutions with top credit ratings and, to a certain degree, of 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 uses derivatives for the purpose of managing the difference in terms of fixed interest and currency risks between assets and liabilities. At year-end 2013, the Group's holding of derivatives contracts with positive market values amounted to MSEK 581 (1,012). This corresponded to a nominal value of MSEK 16,307 (21,318). Additional detail about derivative contracts can be found in Note 16.

At 31 December 2013, tangible and intangible non-current assets amounted to MSEK 64 (56). The increase

was primarily attributable to the investment in the new business system.

At the end of 2013, other assets amounted to MSEK 899 (990). This item is comprised primarily of accrued interest as well as announced interest and repayments. The Group's gradual transition in 2013 to quarterly notifications of interest payments and capital repayments has seen this item increase compared with 2012. However, in total, other assets declined year-on-year since accrued interest declined.

Liabilities

Landshypotek'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 2013, bond and money market instruments in issue amounted to MSEK 68,422 (68,203). Borrowing from the public amounted to MSEK 2,103 (1,552) and borrowing from credit institutions to MSEK 257 (620).

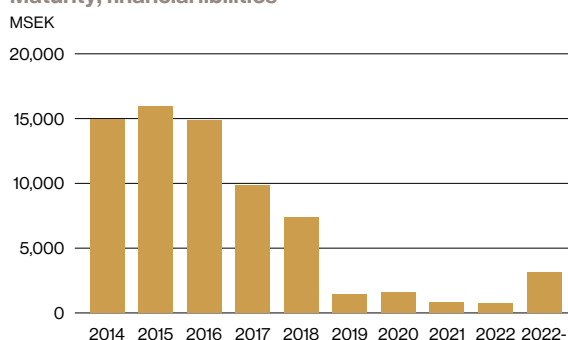
At 31 December 2013, the Group's holdings of derivative contracts with a negative market value totalled MSEK 1,222 (1,079). This corresponded to a nominal value of MSEK 32,774 (35,594). Additional detail about derivative contracts can be found in Note 27.

At the end of 2013, other liabilities amounted to MSEK 1,650 (1,895). This item mainly includes accrued interest and subordinated liabilities.

Equity

At year-end 2013, Landshypotek ekonomisk förening had equity of MSEK 4,323 (4,131). During the year, equity grew by MSEK 192. 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.

Maturity, financial liabilities



Funding

Borrowing programmes

Programme, MSEK	Utilised nominal amount 31 Dec. 2013	Limit	Utilised nominal amount 31 Dec. 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
Registered Covered Bonds (RCB)	3,306		3,206
Subordinated loans	700		700

* MEUR 3,500.

Landshypotek aims to borrow funds on the best possible terms, given a low risk profile. By adopting an extremely flexible approach to markets and instruments, funding may be obtained efficiently and where the best terms are offered. Landshypotek utilises several borrowing programmes, both domestic and international. This allows the company to meet most investors' needs for investment in interest-bearing securities. Landshypotek's primary source of funding during the year was covered bonds.

In 2013, covered bonds were issued in an amount 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 about SEK 14.9 billion pertained to covered bonds.

Rating

The Landshypotek Bank Group has credit ratings from two rating agencies, Standard & Poor's and Fitch. In 2013, Standard & Poor's confirmed the AAA rating for covered bonds and A, A-1, K1 with negative outlook for the company. In 2013, Fitch confirmed the company's credit rating of A+, F1 with a stable outlook for the company.

Rating	Long	Short
Standard & Poor's covered bonds	AAA	
Standard & Poor's	A	A-1, K1
Fitch	A+	F1

Capital situation

When calculating the capital requirement, without the transitional rules relating to Basel I, Landshypotek applies the rules for the Internal Ratings Based (IRB) Approach to the majority of its credit-risk exposures. For other credit-risk exposures, the standardised approach is used. The base method is applied for calculating capital adequacy requirements for operational risk. Landshypotek has no Pillar I capital requirement for market risk.

At 31 December 2013, the capital base was MSEK 4,886. On the same date, the Pillar I capital requirement, without applying the Basel I transitional rules, amounted to MSEK 1,223 and the capital adequacy ratio was 3.99 for the Financial Corporate Group. 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. Under the transitional rule, Landshypotek has a considerably higher capital requirement, resulting in a capital adequacy ratio of 1.23. Additional information can be found in Note 34.

Group contributions

A Group contribution will be paid by Landshypotek Bank AB, contingent upon the approval of the Annual General Meeting, in the amount of MSEK 156 (149) to Landshypotek ekonomisk förening.

Events after year-end

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

Landshypotek's covered bonds

Covered bonds are bonds that carry a preferential right in a defined cover pool. At 31 December 2013, Landshypotek had covered bonds in issue at a value of SEK 58.2 billion. Assets in the cover pool corresponding to SEK 71.6 billion are in place as collateral for these bonds.

Cover pool and covered bonds		
Cover pool		
Loans		SEK 57.7 billion
Supplemental collateral		SEK 13.9 billion
Total Cover pool		SEK 71.6 billion
Covered bonds		
Issued in SEK		SEK 45.9 billion
Issued in foreign currency		SEK 12.3 billion
Total Cover pool		SEK 58.2 billion
Excess collateral	23.0 %	SEK 13.4 billion

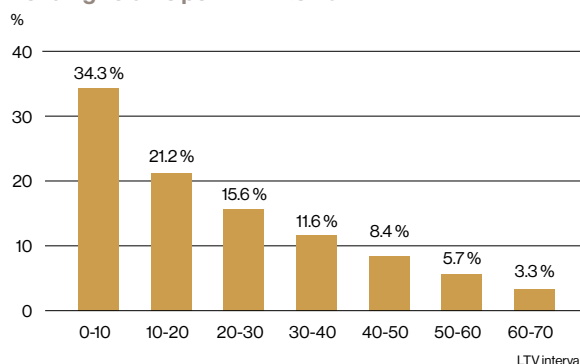
Landshypotek has two programmes for issuing covered bonds, a Swedish MTN programme with a limit of SEK 60 billion and an international EMTN programme with a limit corresponding to SEK 31.1 billion. Covered bonds are Landshypotek's most important source of funding and in 2013, covered bonds were issued in an amount of SEK 16.1 billion. Landshypotek'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 supplemental collateral. The supplemental collateral comprises covered bonds issued by other credit institutions, and bonds issued by Swedish municipalities.

Key ratios, cover pool	
LTV – Loan-to-value ratio	
Average volume-weighted LTV	43.3 %
Number of pledged properties	33,903
Number of borrowers	44,693
Number of loans	129,178
Supplemental collateral	
Swedish covered bonds	SEK 9.5 billion
Swedish municipalities	SEK 4.4 billion

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 43.3 percent entails that Landshypotek's customers' loans amount to an average value of 43.3 percent of their farms. Landshypotek has 44,693 borrowers and 33,903 pledged properties. The difference is attributable to a man and wife jointly pledging their property. The number of loans amounts to 129,178. This means that many customers have more than one loan.

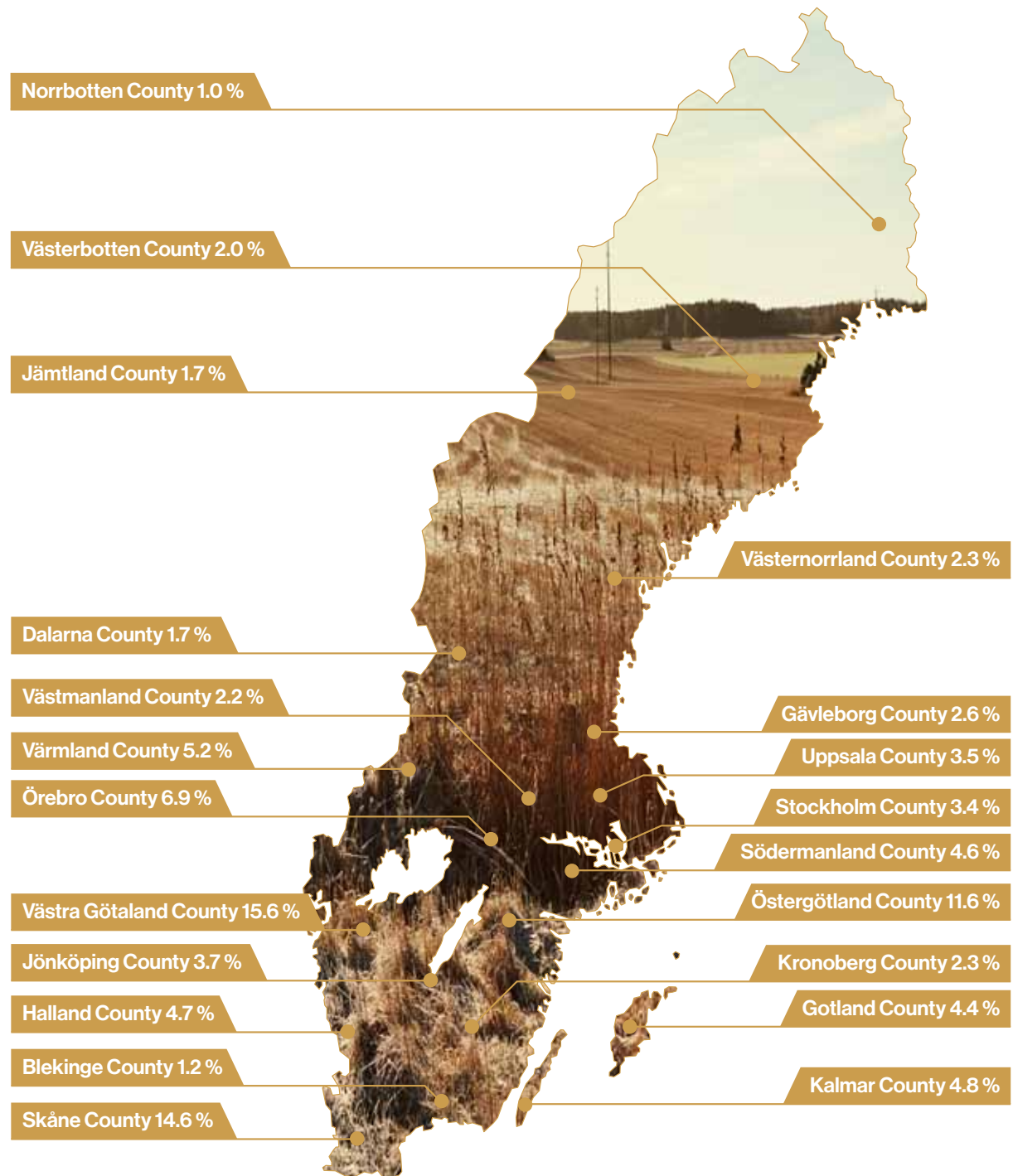
Lending volume per LTV interval



Of Landshypotek's lending, 56 percent takes place against collateral where the loan amount is less than 20 percent of the value of the collateral. Only 3 percent of lending is against collateral where the loan amount is 70 percent of the value of the collateral.

Geographic distribution of lending

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



Corporate governance at Landshypotek ekonomisk förening

Owners' control

Landshypotek ekonomisk förening is member owned. The owners' control of the association is exercised through regional meetings, the Association Meeting, the Board of Directors and Managing Director in accordance with the Swedish Association Act, the statutes, the Code of Governance for Cooperative Agricultural Associations and Association Enterprises as well as adopted policies, guidelines and instructions.

Landshypotek ekonomisk förening owns the subsidiary Landshypotek Bank AB, which in turn owns Landshypotek Jordbrukskredit AB. Since November 2012, Landshypotek Bank AB has held a licence granted by the Swedish Financial Supervisory Authority to conduct banking operations.

Statutes

The association's statutes were adopted most recently on 5 May 2012. The statutes set out the purpose of the association, among other items. In addition, the statutes stipulate regulations that govern who can be appointed as a Board member.

The Code of Governance for Cooperative Agricultural Associations

The Swedish Corporate Governance Code was published in December 2004. Modelled on that code, the Code of Governance of Cooperative Agricultural Associations and Association Enterprises was drafted in 2005 by the Federation of Swedish Farmers (LRF). The purpose was to develop a code of governance for agricultural cooperative associations that was adapted to the special conditions that prevail in the agricultural cooperative sector. Large blocks of text were transferred from the Swedish Corporate Governance Code with only minor modifications. Other sections are completely new and have no equivalent in the Swedish Corporate Governance Code. The 2006 Association Meeting of Landshypotek ekonomisk förening adopted a code that largely corresponds to the Code of Governance for Cooperative Agricultural Associations and Association Enterprises. The then Landshypotek AB also adopted the same code at its 2006 Annual General Meeting. However, after the company received a banking licence, Landshypotek Bank AB adopted the Swedish Corporate Governance Code.

Regional meeting

The association's area of business is divided into regions by the Association Meeting. For each region, the respective members entitled to vote each have one vote at the scheduled meetings. Regional meetings deal with items including the election of regional Board members, the Board for the Association Meeting and appointment of the Election Committee.

Association Meeting

The 43 representatives appointed by the regional meetings comprise the Association Meeting. The Association Meeting appoints a Board of Directors and auditors, and also makes decisions on the setting of fees. The Meeting adopts income statements and balance sheets, and decides on the matter of discharge from liability of the Board of Directors and the Managing Director. Advance information and minutes from the Association Meeting can be found on the Landshypotek website. The Annual Association Meeting was held on 15 May 2013.

The Drafting Committee

The Drafting Committee is the Association Meeting's body tasked with preparing the Meeting's decisions in respect of appointments and remuneration matters. Prior to the Annual Association Meeting, the Drafting Committee will evaluate the work of the Board of Directors. In addition, the Committee will also submit proposals concerning the Chairman of the Association Meeting, the Chairman and other members of the Board of Directors, fees payable to Board members (Chairman, Vice Chairman and other Directors) and proposals concerning auditors and the fees paid for their work. Committee members may not sit on the Board of Directors. The composition of the Drafting Committee prior to the Board election must be announced at least six months prior to the Annual Association Meeting. Members are specified on the Landshypotek website.

The Association Meeting 2013 decided that the Drafting Committee will consist of ten members and their deputies, one from each region. Each chairman of the respective regional election committees was appointed a member of the Drafting Committee with their deputies to also serve as deputies on the Drafting Committee. The Drafting Committee appoints a Chairman and Vice Chairman from within its ranks. The Drafting Committee member from region Norrland convenes the meeting.



The Board of Directors and the Board's work

The statutes stipulate that the Board comprise a minimum of six and maximum of twelve members. The Board is elected each year at the Association Meeting for the period until the next Association Meeting. The Board comprises twelve members, one of whom is also a Board member of Landshypotek Bank AB. Two members are employee representatives. The Board members in Landshypotek ekonomisk förening following the Association Meeting 2013 are listed on pages 87-88. The overall duty of the Board of Directors is to manage the affairs of the association on behalf of the members. The Board's work follows the formal work plan adopted at the statutory meeting. An evaluation of the Board's and the Managing Director's work is performed annually.

Board attendance Landshypotek ek. för.	Meetings	Telephone meetings
Lars Öhman	5 of 5	1 of 1
Anders Axelsson	5 of 5	1 of 1
Hans Broberg	4 of 5	0 of 1
Richard Cederholm	5 of 5	1 of 1
Lars-Åke Folkmer (1 Jan-15 May)	1 of 1	1 of 1
Inga-Lill Gilbertsson	5 of 5	1 of 1
Gunnar Granqvist	4 of 5	1 of 1
Hans Heuman	5 of 5	1 of 1
Hans Pettersson	5 of 5	0 of 1
Anders Johansson	5 of 5	1 of 1
Pär Sahlin	5 of 5	1 of 1
Eva Wedberg (1 Jan-30 Sept)	3 of 4	1 of 1
Per-Olof Hilmér (15 May-31 Dec)	4 of 4	
Helena Andersson (1 Oct-31 Dec)	1 of 1	

The Board's committees

The Board has established a capital committee. Minutes are taken of the committee's meetings and made available to the Board. The Committee's primary task is to prepare for decisions regarding the early disbursement of contribution funds pursuant to the statutes.

The Committee is also tasked with, prior to the Board's decision, preparing and monitoring cases that pertain to the owners' governance and control of Landshypotek Bank AB. This includes everything from preparing proposals for owner directives that establish long-term goals for the Bank's growth, risk levels and return. In addition, the Committee is tasked with preparing the Board's proposals pertaining to dividends on contributed capital, mandatory size of contributed capital, preparation of dividend policy and the association's approach to raising capital. The Committee comprises the Association's Chairman Lars Öhman and the members Anders Johansson and Pär Sahlin. An officer of Landshypotek Bank AB presents a report.

Managing Director

The Managing Director bears responsibility for day-to-day operations and reports continuously to the Board. Other senior executives are presented on page 89.

Auditors

The Association Meeting appoints external auditors of whom a minimum of one must be an authorised public accountant. The mandate period of the auditors appointed by the Annual General Meeting is one year. The Association Meeting 2013 appointed authorised public accountant Ulf Westerberg and the elected representatives

Teri Lee Eriksson and Henrik Malmberg as auditors for the period until the Association Meeting in 2014.

Information about the remuneration system

See Note 7 to the Balance Sheet and Income Statement for more information about the remuneration of the Board, Managing Director and senior executives.

The Group's internal control environment

The basis for the internal control at the Landshypotek Group consists of Landshypotek's control environment in the form of the organisational structure, decision and reporting pathways, authority and responsibility. The Board of Landshypotek Bank AB establishes the framework for conducting operations 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 control, internal audit procedures 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.

Risk Control

A separate unit for risk control is responsible for measurement, control, analysis and continuous reporting on all risks in the Group. The work of the Risk Unit is conducted pursuant to a policy decided by the Board of Landshypotek Bank AB that describes the responsibilities of Risk Control. The Risk Control Unit is independent from operations and directly subordinate to the Managing Director of Landshypotek Bank AB. The Chief Risk Control Officer reports directly to the Managing Director and Board.

Compliance

The overriding task of the Compliance Function is to identify, measure, evaluate and report compliance risks. The main task is defined as monitoring and following up that operations are conducted in pursuant to the laws and regulations applicable for the licensable activities based on an annual plan established by the Board of Landshypotek Bank AB. In addition, the Compliance Function has a supporting role, for example in informing and training

operations about risks linked to inadequate regulatory compliance and supporting the design of internal rules, guidelines and instructions. The unit operates independently of business operations and reports directly to the Managing Director and Board of Landshypotek Bank AB. Until 2013, the Compliance Function was organised under the Legal Department. However, a decision has been taken that in 2014 the Compliance Function will comprise an independent unit reporting directly to the Bank's MD.

Internal Audit

Internal Audit aims to examine and evaluate internal governance and control 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 the Internal Audit are performed in line with an audit plan determined annually by the Board of Landshypotek Bank AB. Since 2008, Landshypotek's internal audit has been carried out by KPMG.

Internal control over financial reporting

Landshypotek'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, closing the books, external reporting and income tax returns. Furthermore, the Accounts Department makes a proactive contribution to decision making and corporate governance through financial follow-ups 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 administrating the financial system and measuring financial instruments. Middle Office is tasked with continuously evaluating Landshypotek's measurement methods and ensuring that they comply with established market practices, internal guidelines, internal policy documents and external regulations for reporting and capital adequacy.

Directors

As of 12 March 2014



LARS ÖHMAN

Born: 1953, Vadstena, Chairman.
Director since 2007.
Agrologist, Managing Director and Director of Stavlösa Gård AB. Director of Sveriges Spannmålsodlare ekonomisk förening, Lovang gruppens Handelshus AB and Chairman of Vadstena fastighets AB.



HELENA ANDERSSON

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



ANDERS AXELSSON

Born: 1949, Långserud, Director.
Director since 2011.
Farmer.



HANS BROBERG

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



RICKARD CEDERHOLM

Born: 1959, Director.
Director since 2012.
Farmer, Director of Landshypotek ek. för. and Ulleråkers Häradsallmänning.



INGA-LILL GILBERTSSON

Born: 1960, Askersund, Director.
Director since 2007.
Economist/farmer.

CHANGES IN THE BOARD OF THE COOPERATIVE SOCIETY DURING THE YEAR

During the year, Lars-Åke Folkmer and Eva Wedberg stepped down from their assignments as directors.

Cont.

Directors As of 12 March 2014



GUNNAR GRANQVIST

Born: 1950, Lit, Director.
Director since 2008.
Agrologist.



HANS HEUMAN

Born: 1952, Tågarp, Director.
Director since 2012.
Farmer, reg. physician, Director of Lantmännen
Distrikt Nordvästra Skåne and Lantmännen
Agroetanol AB. Chairman of Tolmanstegen
Drift AB and Marsvinsholms Gods AB, Vice
Chairman of Lantmännens Forskningsstiftelse.



PER-OLOF HILMÉR

Born: 1964, Mellerud, Director.
Director since 2013.
Agrologist, Chairman of Dalboslätters vind AB and
Grinstads Gårdsgas AB.



ANDERS JOHANSSON

Born: 1948, Läckby, Director.
Director since 2000.
Farmer, Director of H. S. Kalmar Kronoberg
Blekinge.



HANS PETTERSSON

Born: 1966, Havadhem, Director.
Director since 2009.
Farmer.



PÄR SAHLIN

Born: 1963, Kilafors, Director.
Director since 2007.
Farmer.

AUDITORS

Ulf Westerberg

Stockholm, Authorised Public Accountant.

Teri Lee Eriksson

Svartsjö, Horticulturalist.

Henrik Malmberg

Linköping, Agrologist.

DEPUTY AUDITORS

Christina Asséus-Sylvén

Stockholm, Authorised Public Accountant.

Linnea Larsson

Umeå.

Nils Fredrik Posse

Skövde.

Senior Management

As of 12 March 2014



KJELL HEDMAN

Managing Director

Born: 1951

Employed in: 2010

Education: Economist

Previous experience: Higher executive positions at Swedbank (Föreningssparbanken/Sparbanken), including Deputy Managing Director, Head of Swedish Banking Operations and a member of the Group management.

Other assignments: Director of Nordnet Bank AB and Aktia Abp. Managing Director of Landshypotek Bank AB.



BJÖRN ORDELL

Chief Financial Officer

Born: 1973

Employed in: 2007

Education: MSc. in Business and Economics

Previous experience: Financial Consultant at PwC, Treasury Controller at Holmen AB

Other assignments: Director of Landshypotek Jordbrukskredit AB.



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



CATHARINA ÅBJÖRNSSON LINDGREN

Chief Legal Officer

Born: 1971

Employed in: 2010

Education: BSc. of Legal Science

Previous experience: Bank Lawyer at Nordea Bank AB Group Legal

Other assignments: Director of Landshypotek Jordbrukskredit AB.

CHANGES IN THE MANAGEMENT OF THE COOPERATIVE SOCIETY DURING THE YEAR

During the year, Göran Abrahamsson (Chief Membership Officer) left the management.

Income Statement

SEK THOUSAND	Note	Group		Parent Association	
		2013	2012	2013	2012
Interest income		2,293,523	2,619,387	383	4,537
Interest expense		-1,636,998	-2,043,540	-322	-6,519
Net interest income	2	656,525	575,847	61	-1,982
Group contributions received				155,750	149,282
Commission income	3	14,708	15,188		
Commission expense	4	-34,533	-24,512		
Net result of financial transactions	5	-35,186	-49,057		
Other operating income	6	2,912	2,147	11	-
Total operating income		604,426	519,613	155,822	147,300
General administrative expenses	7	-263,559	-236,800	-11,961	-10,021
Depreciation, amortisation and impairment of intangible and tangible non-current assets	8	-10,531	-2,206		
Other operating expenses	9	-23,306	-17,952	-2,296	-2,405
Total expenses before loan losses		-297,396	-256,958	-14,257	-12,425
Profit before loan losses		307,030	262,655	141,565	134,874
Net loan losses	10	-54,378	-22,117		
Operating profit		252,652	240,538	141,565	134,874
Tax on profit for the year	12	-24,572	-37,067	-35	-101
Net profit for the year	41	228,080	203,471	141,530	134,773
The Parent Association's share of net profit for the year		100 %	100 %	100 %	100 %

Statement of Comprehensive Income

SEK thousand	Note	Group		Parent Association	
		2013	2012	2013	2012
Net profit for the year		228,080	203,471	141,530	134,773
Other comprehensive income					
<i>Items to be reclassified to profit or loss</i>					
Cash-flow hedges		47,783	-54,010		
Of which change in fair value		14,081	-49,015		
Of which transfers to the income statement		33,702	-4,995		
Available-for-sale financial assets		-23,675	-81,901		
Of which change in fair value		-15,130	-100,712		
Of which transfers to the income statement		-8,545	18,811		
Tax on items to be reclassified	12	-5,304	27,168		
<i>Total, items to be reclassified</i>		<i>18,804</i>	<i>-108,742</i>		
<i>Items that are not reclassified</i>	<i>41</i>				
Actuarial differences for defined-benefit pensions		24,550	-11,523		
Tax items that are not reclassified	12	-5,401	2,535		
<i>Total, items that are not reclassified</i>		<i>19,149</i>	<i>-8,988</i>		
Total other comprehensive income		37,953	-117,730	-	-
Comprehensive income for the year		266,033	85,741	141,530	134,773
The Parent Association's share of comprehensive income for the year		100 %	100 %	100 %	100 %

Balance Sheet

SEK thousand		Note	Group		Parent Association	
			2013	2012	2013	2012
ASSETS						
Cash and balances with central banks			431,893	45,400		
Loans to credit institutions	13		263,957	646,489	45,953	31,199
Loans to the public	14		60,665,011	58,884,842		
Value changes of interest-rate-risk hedged items in macro hedges			23,535	-		
Bonds and other interest-bearing securities	15		15,071,982	15,715,556		
Derivatives	16		581,226	1,011,692		
Shares and participations	17		1	2	1	1
Shares in Group companies	18				2,060,378	1,870,378
Intangible non-current assets	19		44,590	35,312		
Tangible assets						
Furniture, fixtures and equipment	20		6,124	5,424		
Buildings and land	20		12,949	15,116		
Other assets	21		314,630	60,307	156,623	297,572
Current tax assets			34,675	43,699	2,530	2,466
Deferred tax assets	22		10,351	28,051		
Prepaid expenses and accrued income	23		516,025	858,400	31	718
TOTAL ASSETS	34, 35, 36, 37, 38, 40, 41		77,976,949	77,350,290	2,265,516	2,202,334
LIABILITIES AND EQUITY						
Liabilities						
Liabilities to credit institutions	24		256,890	620,419		
Borrowing from the public	25		2,103,007	1,421,717	-	-
Debt securities in issue, etc.	26		68,421,543	68,203,114		
Derivatives	27		1,222,034	1,078,647		
Other liabilities	28		38,423	57,636	2,765	6,132
Accrued expenses and deferred income	29		904,347	1,095,336	-	632
Provisions	30		7,755	42,155		
Subordinated liabilities	31		699,921	699,921		
Total liabilities			73,653,920	73 218 945	2,765	6,764
Equity						
Member contributions			1,288,322	1,227,873	1,288,322	1,227,873
Other contributed capital			1,797,796	1,797,796	713,399	713,399
Reserves	32		-27,459	-46,263		
Actuarial differences	32		-10,161	-29,310		
Retained earnings			1,046,451	977,777	119,501	119,525
Net profit for the year			228,080	203,471	141,530	134,773
Total equity			4,323,029	4,131,344	2,262,751	2,195,570
TOTAL LIABILITIES AND EQUITY						
34, 35, 36, 37, 38, 40, 41			77,976,949	77,350,290	2,265,516	2,202,334
Memorandum items						
33						
- Pledged assets			None	None		
- Contingent liabilities and obligations			540,155	475,437		
- Guarantees and other commitments			139,022	137,255		

Statement of Changes in Equity

Group, SEK thousand	Contri- bution capital added	Volun- tary contri- bution	Other contribut- ed capital	Hedging reserve ¹	Fair value reserve ¹	Actuarial differ- ences ¹	Retained earnings	Total
Equity as of 31 December 2011	1,076,094	-	1,797,796	-25,398	87,877		970,224	3,906,593
Adjusted return on contribution capital, etc., 2011	-21,391						121,845	100,454
Effect of changing accounting policy IAS 19 - Defined-benefit pensions, Note 41						-20,322	10,646	-9,676
Adjusted opening balance 1 January 2012	1,054,703	-	1,797,796	-25,398	87,877	-20,322	1,102,715	3,997,371
Comprehensive income for the year				-43,610	-65,132	-8,988	203,471	85,741
Total change before transactions with owners	-	-	-	-43,610	-65,132	-8,988	203,471	85,741
Dividends/Group contributions paid							-4,300	-4,300
Tax on Group contributions paid							1,131	1,131
Contribution capital paid in/ disbursed during year	-165,711	309,812						144,101
Regular return on contribution capital	72,468						-121,769	-49,301
Regular disbursements	-43,399							-43,399
Equity as of 31 December 2012	918,061	309,812	1,797,796	-69,008	22,745	-29,310	1,181,248	4,131,344
Equity as of 31 December 2012	918,061	309,812	1,797,796	-69,008	22,745	-29,310	1,181,248	4,131,344
Comprehensive income for the year				37,271	-18,467	19,149	228,080	266,033
Total change before transactions with owners	-	-	-	37,271	-18,467	19,149	228,080	266,033
Contribution capital paid in/ disbursed during year	32,665	23,971						56,636
Regular dividend ²	36,684						-134,797	-98,113
Regular disbursements	-32,872							-32,872
Equity 31 December 2013	954,538	333,783	1,797,796	-31,737	4,278	-10,161	1,274,531	4,323,029

¹ For more information see Note 32.

² Dividends stay in the contribution account until it reaches the contribution ceiling of 4 percent. For any member who has not reached the contribution ceiling, 30 percent of the member's dividends are paid to the member's account.

Previously, dividends/return on contribution capital proposed by the Board were recognised as a deduction in profit or loss during the qualifying year. From 2013, net profit for the year is reported without any deduction for proposed dividends, which increases the unappropriated earnings to be resolved upon by the Association Meeting by a corresponding amount. Dividends are recognised after the resolution of the Association Meeting as a deduction against retained earnings in equity. Reporting of previous years' dividends/return on contribution capital has been adjusted so that comparative figures have been updated.

Statement of Changes in Equity

Parent Association, SEK thousand	Contri- bution capital added	Volun- tary contri- bution	Other contribut- ed capital	Hedging reserve ¹	Fair value reserve ¹	Actuarial differ- ences ¹	Retained earnings	Total
Equity as of 31 December 2011	1,076,094		713,399				119,449	1,908,941
Adjusted return on contribution capital, etc., 2011	-21,391						121,845	100,454
Adjusted opening balance 1 January 2012	1,054,703	-	713,399	-	-	-	241,294	2,009,395
Comprehensive income for the year							134,773	134,773
Total change before transactions with owners	-	-	-				134,773	134,773
Contribution capital paid in/disbursed during year	-165,711	309,812						144,101
Regular return on contribution capital	72,468						-121,769	-49,301
Regular disbursements	-43,399							-43,399
Equity as of 31 December 2012	918,061	309,812	713,399				254,298	2,195,570
Equity as of 31 December 2012	918,061	309,812	713,399				254,298	2,195,570
Comprehensive income for the year							141,530	141,530
Total change before transactions with owners	-	-	-				141,530	141,530
Contribution capital paid in/disbursed during year	32,665	23,971						56,089
Regular dividend ²	36,684						-134,797	-98,113
Regular disbursements	-32,872							-32,872
Equity 31 December 2013	954,538	333,783	713,399				261,031	2,262,751

¹ For more information see Note 32.

² Dividends stay in the contribution account until it reaches the contribution ceiling of 4 percent. For any member who has not reached the contribution ceiling, 30 percent of the member's dividends are paid to the member's account.

Previously, dividends/return on contribution capital proposed by the Board were recognised as a deduction in profit or loss during the qualifying year. From 2013, net profit for the year is reported without and deduction for proposed dividends, which increases the unappropriated earnings to be resolved upon by the Association Meeting by a corresponding amount. Dividends are recognised after the resolution of the Association Meeting as a deduction against retained earnings in equity. Reporting of previous years' dividends/return on contribution capital has been adjusted so that comparative figures have been updated.

Cash-flow Statement

SEK thousand	Note	Group		Parent Association	
		2013	2012	2013	2012
Cash flow from income statement					
Interest received	2	2,635,898	2,673,646	1,070	4,615
Interest paid	2	-1,827,988	-2,028,275	-954	-6,282
Commission received	3	14,708	15,188		
Commission paid	4	-34,533	-24,512		
Net receipts of financial transactions	5	-3,743	-24,289		
Other operating cash receipts		2,912	2,147	11	
Administrative expenses paid		-296,715	-259,689	-14,257	-12,426
Recovery of previously realised loan losses		1,378			
Income tax paid		0	-79,575	-35	-101
Total cash flow from income statement		491,917	274,641	-14,165	-14,194
Cash flow from balance sheet					
Increase (-)/decrease (+) Loans to credit institutions		562,461	-562,461		
Increase (-)/decrease (+) Loans to the public		-1,835,925	-3,327,359		
Increase (-)/decrease (+) Bonds and other interest-bearing securities		815,110	-2,349,965		
Increase (+)/decrease (-) Liabilities to credit institutions		-363,529	458,262	27,000	-27,000
Increase (+)/decrease (-) Borrowing from the public		681,290	1,124,517	-	-260,338
Increase (+)/decrease (-) Debt securities in issue, etc.		589,877	3,897,574		
Change in other balance-sheet items					
Increase (-) /decrease (+) Other assets		-263,490	284,836	147,353	-149,611
Increase (+)/decrease (-) Other liabilities		-18,597	-4,368	-3,367	145,058
Total cash flow from balance sheet		167,197	-478,964	170,986	-291,891
Cash flow from operating activities					
		659,114	-204,323	156,821	-306,085
Investment activities					
Sale of shares/operating properties					
New share issue LHAB				-190,000	
Group contributions received				149,282	121,792
Group contributions paid		-	-4,300		
Change in intangible and tangible non-current assets					
		-9,278	-21,254		
Purchase of intangible non-current assets					
Purchase of tangible non-current assets		-10,946	-5,225		
Sale of tangible non-current assets		1,884			
Total cash flow from investment activities		-18,340	-30,779	-40,718	121,792
Cash flow from financing activities					
Change in members' contributions		60,449	156,138	60,449	156,138
Subordinated liabilities		-	149,972		
Dividends and return on contribution capital paid		-134,797	-134,874	-134,797	-134,874
Total cash flow from financing activities		-74,348	171,236	-74,348	21,264
Cash flow for the period					
		566,425	-63,866	41,754	-163,029
Change in cash and cash equivalents	39	566,425	-63,866	41,754	-163,029
Cash and cash equivalents at beginning of year		129,425	193,291	4,198	167,227
Cash and cash equivalents at year-end		695,850	129,425	45,952	4,198

Five-year Summary

Earnings trend Landshypotek ekonomisk förening – Group

MSEK	2013	2012	2011 ²⁾	2010 ²⁾	2009 ²⁾
INCOME STATEMENT					
Net interest income	656,5	575,8	502,1	471,0	294,0
Operating income excl. net interest income ¹⁾	-52,1	-56,2	234,6	86,5	95,8
Operating expenses	-286,9	-254,8	-231,7	-201,5	-206,1
Depreciation and amortisation	-10,5	-2,2	-5,4	-10,7	-12,6
Loan losses	-54,4	-22,1	-8,9	-6,7	-8,5
Operating profit	252,7	240,5	490,7	338,7	162,6
BALANCE SHEET					
Assets					
Loans to the public, net	60,665	58,885	55,580	51,773	46,456
Other assets	17,312	18,465	15,241	12,393	13,344
Total assets	77,977	77,350	70,821	64,166	59,800
Liabilities and equity					
Borrowing	71,481	70,945	65,007	59,235	49,567
Other liabilities	2,173	2,273	1,907	1,591	6,920
Equity	4,323	4,131	3,907	3,340	3,313
Total liabilities and equity	77,977	77,350	70,821	64,166	59,800
Key financial ratios					
Interest margin	1.1 %	1.0 %	0.9 %	0.9 %	0.6 %
Return on equity	5.4 %	5.0 %	10.4 %	5.9 %	1.4 %
Loan loss level	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %
Loan loss provision/lending	0.1 %	0.1 %	0.0 %	0.0 %	0.0 %

¹⁾ Other operating income includes net result of financial transactions.

For 2013, this item amounted to a negative MSEK 35.2 (neg: 49.1). See the explanation in the Administration Report under the heading "Profit and profitability".

²⁾ The years from 2009 to 2011 have not been restated in line with the amendments in IAS 19 and changed dividend procedures.

Risk and Capital Management

To provide its members with financing, Landshypotek undertakes various risks that must be managed. Landshypotek's operations strive to achieve a high degree of risk awareness and a low degree of risk undertaking.

Risk awareness and risk undertaking

Landshypotek strives to achieve a high degree of risk awareness and 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 sophisticated tools for risk assessment. The Board specifies the acceptance level for risk undertaking and the Managing Director ensures that this level of acceptance is implemented in business activities.

Risk organisation and responsibility

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 the policies that determine the manner in which the various business risks should be managed and the acceptable level of risk undertaking. Two Board Committees are in place to support this work; the Risk and Capital Committee and the Credit Committee. The Board's Risk and Capital Committee prepares items regarding the internal control environment as well as risk assessment and risk management. The Board's Credit Committee is the highest credit-granting body and prepares items for the Board pertaining to credit policy, decision mandates for granting credit and valuation instructions.

Subordinated to the Board, its committees and the Managing Director are advisory committees with different mandates. The Credit Advisory Committee is responsible for regularly reviewing credit-granting rules and submitting proposals for changes to the Credit Committee. The Chief Credit Officer is Chairman of the Credit Advisory Committee. The Finance Advisory Committee takes decisions regarding base interest rates

on borrowing and lending. The Chief Financial Officer is Chairman of the Finance Advisory Committee.

In line operations, the Credit Department is responsible for administering and managing the credit approval process. It is also responsible for analysing credits and managing insolvency matters. Its work is governed by the credit policy as established by the Board. The Chief Credit Officer reports to the Managing Director and presents reports on credit matters to the Board's Credit Committee.

The Finance Department is responsible for Landshypotek's borrowing, management of equity, liabilities and liquidity as well as risk management related to these areas. Operations are regulated by the finance policy established by the Board. The Chief Financial Officer is responsible for the Finance Department and is subordinate to the Managing Director of Landshypotek.

The Group has three control functions that are independent of business operations: Risk Control, Compliance and Internal Audit. The Risk Control unit is responsible for conducting independent control, analysis and reporting on all risks to which Landshypotek is exposed. The overriding task of the Compliance Function is to identify, measure, evaluate and report compliance risks. Risk Control and Compliance comprise Landshypotek's second line of defence and report to the Managing Director and Board. Internal Audit (the third line of defence) aims to examine and evaluate internal governance and controls. This includes the evaluation of the effectiveness of the risk management efforts and the work of the control function. Internal Audit reports to the Board of Directors and also informs the Managing Director.

Credit risk

Landshypotek has defined credit risk as follows:

The risk that Landshypotek 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.

Landshypotek divides its customers into two categories: Rural Living (RL) and Rural Enterprise (RE). This categorisation aims to distinguish between those borrowers whose income is mostly derived from business activity (RE) and those who earn most of their living from employment (RL). RE customers can be divided into private individuals and legal entities.

Exposure breakdown – Financial Corporate Group

IRB Approach	Exposures after applicable conversion factors	RWA	Average risk weight
Retail – exposures secured by real estate	58,993,210	7,884,541	13 %
Non credit-obligation assets exposures*	68,404	68,404	100 %
Total IRB Approach	59,061,614	7,952,945	13 %

Standardised Approach	Exposures	RWA	Average risk weight
Corporate exposure	3,176,585	3,176,585	100 %
Retail exposure	479,929	359,947	75 %
Institutional exposure	1,998,599	727,783	36 %
Local governments and comparable associations and authorities	4,486,772	-	0 %
Non-performing items	45,265	67,403	149 %
Governments and central banks	468,164	-	0 %
Covered bonds	10,776,233	1,844,737	17 %
Total Standardised Approach	21,431,547	6,176,455	29 %

Total Exposure breakdown	80,493,161	14,129,401	18 %
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* Non credit-obligation assets exposures are defined as exposure which does not require any deliveries from a counterparty (for example, intangible and tangible non-current assets, real estate holdings, etc.).

For almost all customers categorised as retail exposure (RL and RE private individuals), statistical risk-classification models (IRB models) are used where information from UC, (the business and credit information provider), and internal payment history statistics are used as variables to calculate the likelihood of default and where the loan-to-value ratio is used to assess loss in case of default. These models are not only used in the credit process but also for capital adequacy purposes. Capital adequacy is set according to the simplified standardised approach for credit-risk exposures not subjected to risk classification under the IRB models.

Customers categorised as RE legal entities (corporate exposure) are risk classified using a different model for risk of default. This model weighs up the company's annual accounts together with internal payment history statistics, area of operations and the company's and company owner's financial position and competence.

Risk estimate for the retail portfolio

Landshypotek applies its own risk estimates for Probability of Default (PD), exposure at default (EAD) and Loss Given Default (LGD), to calculate capital requirements¹ for almost the entire retail exposure class. PD is the likelihood that a counterparty defaults within a twelve-month period. The PD risk classification for these credits is performed on a scale of 1-6, where risk class 1 represents the highest credit quality and risk class 6 is for credits in default. Landshypotek estimates the PD for each risk class. To calculate the PD per risk class for an average year, outcome data for the past nine years is used for internal purposes. Based on this, the PD for the portfolio² amounted to 0.98 percent as of 31 December 2013. The risk class PDs that Landshypotek reports for capital adequacy

¹ Capital requirements excluding transitional rules linked to Basel I.

² The PD estimate for performing loans per risk class weighted with EAD per risk class for performing loans.

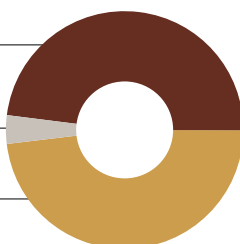
Specification of volume by customer categories

Breakdown in %

Rural enterprises 48 %
– private individuals

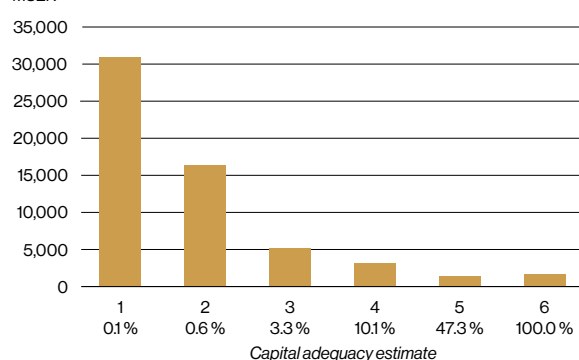
Rural enterprises 4 %
– legal entities

Rural living 48 %



Exposure per PD risk class

MSEK



purposes are more conservative since they contain data from 1990 to 2012 including safety margins and, if they are applied, the PD for the portfolio is 2.30 percent. Further stress is applied to these risk class PDs through a formula from the Swedish Financial Supervisory Authority for the calculation of the capital requirement. The diagram below illustrates the retail exposure by PD risk class.

EAD is the amount of exposure in monetary terms that Landshypotek is expected to have with the counterparty in the event of a default. The EAD for loans that are recognised in full on the balance sheet is calculated as the loan debt outstanding. For Landshypotek's flexible first lien mortgage product³, EAD is calculated through the total loan granted to the counterparty multiplied by a Conversion Factor (CF). The CF is calculated based on the proportion of the limit that, historically, has been utilised in case of default.

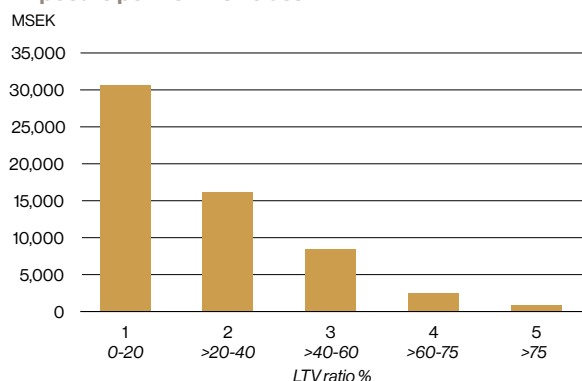
For internal purposes, the assessment of how much of the outstanding claim in an average year that Landshypotek stands to lose in the event of default (LGD) is based on internal data gathered during the period 1995 to 2008. For capital adequacy purposes, LGD is estimated based on data for 1994 with an additional safety margin. 1994 was the worst year ever for Landshypotek with regard to LGDs since the financial crisis in the early 1990s. Landshypotek utilises five LGD classes, which are based on the LTV ratio⁴ of the exposure. The diagram below illustrates the retail exposure by LGD risk class.

At present, Landshypotek utilises two definitions of default: "soft" and "technical", respectively. Soft defaults are registered manually when it is considered probable that customers will not be able to meet their commitments and Landshypotek will have to foreclose on collateral or take similar measures. Technical defaults occur automatically when customers, who are not already in a soft default process, are late by more than 90 days with their payments.

³ The customer utilizes when needed as much as wanted within the granted limit.

⁴ Loans with a higher loan-to-value ratio than 20 percent are broken down and divided into several LGD risk classes.

Exposure per LGD risk class



Credit scoring and approval process

The Credit policy provides parameters and guidelines for the principles which shall be applicable, at any time, when granting credit in Landshypotek Bank AB and Landshypotek Jordbrukskredit AB. 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 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 knows well.

Credit granting is the result of analysis of the individual customer and/or household as a whole when applicable. Furthermore, in addition to the customer's/household's total repayment capacity, collateral is analysed, which principally comprises real property in the form of agricultural and forest properties. Landshypotek's risk-classification models comprise a key element of credit analysis. Landshypotek Bank AB grants loans against mortgage deeds in real property within 75 percent of an internally determined LTV ratio. This value is to represent a long-term, sustainable value for the collateral in question, in other words, adjustments are made for items such as the value of harvestable wood. Supplemental collateral in the form of guarantors and chattel mortgages also occur. At Landshypotek Jordbrukskredit AB, loans can be granted against mortgage deeds in real property within 75-85 percent of the internally determined loan-to-value ratio. In addition, the company offers loans with EU support as collateral (EU loans). Supplemental collateral also arises in this company. Credit risk is low at Landshypotek.

To capture 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. 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 property

Area 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 Landshypotek'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. Members of the network of representatives are members of Landshypotek ekonomisk förening and, accordingly, are also owners of Landshypotek Bank.

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. Landshypotek's geographic exposure as of 31 December 2013 is shown on page 83. Landshypotek has been unable to identify any major concentration to any particular branch of the agriculture or forestry sector or geographic area in Sweden.

Overview of credit portfolio

In 2013, Landshypotek's lending rose from MSEK 58,885 to MSEK 60,665, up 3.0 percent as compared with the Consumer Price Index for the same period, which increased 0.1 percent.

Problem loans/Management methods

Landshypotek applies individual valuation of problem loans. An insolvency group is in place within the Credit Department that manages problem loans at an operational level. Provisions are made on a case-by-case basis following analysis and decision according to assigned decision mandates and receivables defined as doubtful or non-performing⁵ are examined on an ongoing basis. A loan receivable is recognised as a doubtful receivable when an individual assessment indicates that it is unlikely to be discharged 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 margin⁶. The management of unsettled commitments and the settlement of credit commitments is performed with the aim of reducing the risk of loss and the proportion of loans outside the pool for covered bonds.

⁵ See page 98 for a definition.

⁶ See page 107 for a definition.

The collective loan stock of non-performing cases amounted to MSEK 1,028.

Counterparty risks

Landshypotek's counterparty risks comprise credit risk for counterparties in the liquidity portfolio, for counterparties with whom Landshypotek has derivative transactions with and for counterparties with whom Landshypotek has deposits and any cash collateral. Landshypotek'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's liquidity risk. Landshypotek 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 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 never pledges collateral since the derivative contracts are in the pool for covered bonds. Landshypotek's derivative counterparties must pledge collateral when their short-term ratings are lower than A1. At present, only one institute pledges such collateral. Since this is pledged to another institute's currency account this gives rise to counterparty risk. Landshypotek Bank also has deposits at a number of institutes with the aim of rapidly meeting urgent payments of loans to customers with accounts at other banks.

The Chief Financial Officer has overall responsibility for management of counterparty risk.

SEK thousand	Municipalities and county councils	Covered bonds
AAA	1,443,544	10,767,268
AA+	3,043,190	
Total	4,486,733	10,767,268

Market values including accrued interest.

SEK thousand	Total credit-exposure, derivatives	Positive gross market-value excl. premium for potential future exposure	Positive value after netting
AA-	442,235	162,419	0
A+	570,318	228,781	0
A-	523,226	261,147	0
Total	1,535,779	652,348	0

Market values including accrued interest.

Fixed-interest terms for the Group's interest-bearing assets and liabilities, 2013

SEK thousand	<3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Assets						
Loans to credit institutions	263,957					263,957
Loans to the public	30,690,297	10,122,008	13,161,832	5,409,536	1,253,627	60,637,300
Bonds and other interest-bearing securities	6,228,000	1,900,000	5,050,000	1,500,000	-	14,678,000
Derivatives	29,545,310	-	7,266,663	6,167,442	6,143,981	49,123,395
Total assets	66,727,564	12,022,008	25,478,494	13,076,978	7,397,608	124,702,651
Liabilities						
Liabilities to credit institutions	256,890					256,890
Borrowing/deposits from the public	2,103,007					2,103,007
Debt securities in issue	42,784,824	901,300	8,464,163	8,397,442	6,893,981	67,441,709
Derivatives	29,796,523	6,550,000	10,450,000	2,935,000	429,000	50,160,523
Subordinated liabilities	430,000	-	200,000	70,000	-	700,000
Total liabilities	75,371,244	7,451,300	19,114,163	11,402,442	7,322,981	120,662,129
Net	-8,643,680	4,570,708	6,364,332	1,674,536	74,627	4,040,523
Interest-rate sensitivity, net	37,764	-32,894	-62,759	-28,104	17,213	
Cumulative interest-rate sensitivity	37,764	4,870	-57,889	-85,993	-68,780	

Nominal amounts are carried under the time slots when interest is reset.

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 company-specific events.

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

Risk management and analysis

The Board of Directors establishes how Landshypotek's market risks are to be measured and reported, and sets risk limits. Risks are continuously monitored and are reported to Landshypotek's Finance Advisory Committee, Bank Management and the Board of Directors. The Chief Financial Officer has overall responsibility for the day-to-day management of Landshypotek's market risks. The Chief Risk Control Officer is responsible for independent control and reporting of Landshypotek's exposures in relation to the limits set by the Board of Directors.

Interest-rate risk

Interest-rate risk arises when fixed-interest terms for assets and liabilities are mismatched. Landshypotek manages the interest-rate risk that arises in the course of business by striving to have the same fixed-interest term on borrowing as on lending. Due to actual conditions and availability in the capital market, there may be certain instances of imbalance between borrowing and lending tenors. This imbalance gives rise to an interest-rate risk that Landshypotek manages using interest-rate swaps. Interest-rate risk is calculated as the change in market value that occurs if the interest-rate curve is moved in parallel up or down by one percentage point. At year-end, the interest-rate risk at a parallel movement of the interest-rate curve by one percentage point amounted to MSEK 111 (105).

Currency risk

Landshypotek 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 2013, all currency risk was managed with derivatives with the exception of SEK 97,000 in the currency account. For further information see Note 38.

Basis-spread risk and credit-spread risk

Basis-spread risk arises for Landshypotek 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, known as interest-rate and cross-currency interest-rate swaps. Basis spreads have been relatively volatile in recent years and can contribute to relatively substantial impacts on earnings. However, if Landshypotek does not exit the swap agreements, the net impact on earnings when the swap agreements mature would be zero. Due to increased volatility in basis spreads, Landshypotek has chosen not to take up any funding in foreign currencies in 2013. Credit-spread risk arises from fluctuations in credit spreads in Landshypotek's liquidity portfolio and its effect also impacts earnings.

Liquidity risk

Landshypotek defines liquidity risk as follows:

The risk of being unable to refinance maturing loans or being unable to meet demand for additional liquidity as well as needing to borrow at disadvantageous interest rates.

To a great extent, Landshypotek is dependent on market funding and the inability to discharge payment obligations connected to market funding can have immediate and serious consequences for Landshypotek. Therefore, risk

tolerance for liquidity risks is low with conservative limits for both tenor and refinancing risk, which are monitored by the Risk Control unit on a daily basis.

In order to maintain good payment capacity, the Board has decided that cash and cash equivalents corresponding to the liquidity requirements of various periods in time must be available. One of the tolerance levels is that the liquidity reserve must be able to cover the projected accumulated net cash outflows for the forthcoming 180 days without the possibility of refinancing. None of the liquidity limits was exceeded in 2013. At 31 December 2013, the liquidity portfolio was 1.4 times larger than the need for refinancing over the next six months.

Landshypotek'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. This liquidity reserve gives Landshypotek 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 by calling in maturing loans. Landshypotek also set a floor for the liquidity reserve, based on it covering net outflows over a 30-day significant stress period pursuant to the Swedish Financial Supervisory Authority's definition under FFFS 2011:37, the

Maturity analysis for financial assets and liabilities, 2013

SEK thousand	<3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Financial assets						
Loans to credit institutions	263,957					263,957
Loans to the public	30,693,208	10,654,471	13,868,770	5,646,657	1,336,087	62,199,193
Bonds and other interest-bearing securities	47,592	2,671,720	10,567,250	2,244,500	-	15,531,062
Derivatives	1,486,031	909,312	5,350,336	2,869,389	6,759,510	17,374,577
Total	32,490,788	14,235,502	29,786,356	10,760,546	8,095,598	95,368,789
Financial liabilities						
Liabilities to credit institutions	256,890					256,890
Borrowing/deposits from the public	2,103,007					2,103,007
Granted credit facilities	679,129					679,129
Debt securities in issue	7,826,630	5,809,905	32,365,416	18,113,523	9,059,699	73,175,173
Derivatives	1,684,297	865,901	4,944,898	2,344,352	5,462,729	15,302,176
Subordinated liabilities	5,365	13,274	217,348	504,074	-	740,061
Total	12,555,317	6,689,081	37,527,661	20,961,949	14,522,428	92,256,436
Net cash flow	19,935,471	7,546,422	-7,741,305	-10,201,403	-6,426,830	3,112,353
Accumulated refinancing risk	19,935,471	27,481,892	19,740,587	9,539,183	3,112,353	

The above table includes all contracted cash flows. The amounts are not discounted and are recognised during the time slot when 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. The calculation of future rates of interest is based on forward rates plus any credit spreads.

Regulations Regarding the Reporting of Liquidity Risks for Credit Institutions and Investment Firms. For contracted flows, a 33-day period is used. This liquidity coverage ratio, with a limit value of 1.0, was 3.74 as of 31 December 2013. At the same date, 92 percent of Landshypotek'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. In 2013, Landshypotek Bank launched a forest account and a forest-damage account. Other initiatives to promote deposits will be taken in 2014.

In recent years, Landshypotek has focused on improving its liquidity risk management through the implementation of contingency plans, liquidity strategy and regular stress tests of liquidity risk. The stress tests implemented included a decline in value of the liquidity portfolio, reduced capital repayments and interest income, lack of borrowing and withdrawals of deposits. The results of the stress tests demonstrate that Landshypotek has an extremely healthy payment capacity.

Operational risk

Operational risk is defined by Landshypotek as follows:

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

Follow-up of operational risk in Landshypotek is performed through incident reporting via an online tool that all employees have access to. Reported incidents are then conveyed to Landshypotek Bank's Board and Bank Management.

Once a year, a risk mapping is performed of operational risks for the purpose of identifying and reducing significant operational risks. Each operational risk identified is assessed based on its consequences and probability, that is, the impact on operations if the risk were to occur and the likelihood of the risk occurring. The result of the annual risk analysis is presented to the Bank Management and Landshypotek Bank's Board and comprises a tool that is utilised to rectify those risks deemed material.

Internal Capital Adequacy Assessment Process

In order to evaluate its capital requirement, Landshypotek has developed an internal capital adequacy assessment process (ICAAP), and this has been adopted by the Board. The ICAAP results in a detailed report of Landshypotek's risk profile and an assessment of the capital requirement in forthcoming years. The ICAAP includes all types of risks that are believed to have an impact on operations. Besides credit risks, market risks and operational risks, which have capital adequacy requirements under Pillar I rules, Landshypotek also takes into consideration Pillar II risks in the form of interest-rate risk, currency risk, basis-spread risk, credit-spread risk, liquidity risk, reputational risk, strategic risk, rating risk and concentration risk within the framework of the collective capital assessment. In addition, stress tests are performed to assess the capital requirement should conditions deteriorate, for example, in case of a widespread recession.

Landshypotek's Chief Risk Control Officer is responsible for conducting the ICAAP and for compiling the risk report. The Chief Financial Officer also holds a key role in the ICAAP process and is responsible for forecasting future earnings and for the capital strategy. Capital matters are monitored on an ongoing basis and regularly reported to the Bank Management and Board of Directors. The Board also decides the internal capital requirement.

Capital situation

When calculating the capital requirements under Basel II, Landshypotek applies the rules for the Internal Rating-based (IRB) Approach for retail exposure, which comprise the majority of its credit-risk exposures. For other credit-risk exposures, the standardised approach is used. Landshypotek applies the Basic Indicator approach to measure operational risk but has no Pillar I capital requirement for market risk.

At 31 December 2013, the capital base was MSEK 4,886. On the same date, the Pillar I capital requirement, without applying the Basel I transitional rules, amounted to MSEK 1,223 and the capital adequacy ratio was 4.0. According to the initial Basel II rules, the Basel I transitional rules should have been phased out by 1 January 2010, but this period has been extended and the rules are likely to apply until 31 December 2017. Under these rules, Landshypotek has a considerably higher capital requirement, resulting in a capital adequacy ratio of 1.23. Additional information can be found in Note 34.

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 Association, Landshypotek ekonomisk förening, 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 ekonomisk förening and the subsidiary Landshypotek Bank AB and Samkredit AB. In running text in the Annual Report, "Landshypotek" refers to the Group as defined above. The complete corporate names are used for individual Group companies.

The Parent Association'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 7 *Financial instruments: Disclosures* has been expanded with disclosures required for financial assets and liabilities that have been offset in the balance sheet as well as financial assets and liabilities covered by some form of netting agreement that allows offsetting. No financial assets or liabilities were offset in the balance sheet. Derivative contracts and repurchase agreements are covered by agreements that allow offsetting and are recognised in Note 40 Disclosures concerning offsetting.

IFRS 13 *Fair value measurement*: The standard defines fair value, establishes a framework for fair value measurement in one single standard and states the disclosure requirements for fair value

measurement. For Landshypotek, IFRS 13 applies to financial instruments. The new definition of fair value impacts primarily financial liabilities where the credit risk will now be taken into consideration when establishing fair value. Landshypotek's liabilities, with the exception of derivatives, are recognised at amortised cost with value adjustments attributable to the hedge accounting of interest-rate risk, which will mean that the recognised value of the liabilities is not impacted by the new standard. The disclosures required under IFRS 13 accord, essentially, with the earlier requirements under IFRS 7 *Financial Instruments: Disclosures*. The property owned by Landshypotek is considered an operating property for which IFRS 13 is not applicable. Comparative figures do not need to be stated the first time the standard is applied.

IAS 1 *Presentation of Financial Statements*: Items in other comprehensive income are divided into two categories. Changes in the value of available-for-sale financial assets and cash-flow hedges will be reported under "Items to be reclassified to profit or loss" while actuarial gains and losses are reported under "Items that are not reclassified." Tax attributable to these two categories is separated and reported under the respective category.

IAS 19 *Employee Benefits*: The corridor approach has been eliminated for defined-benefit pensions, which means that all actuarial gains and losses are recognised in other comprehensive income when they arise. Interest expense and expected return on plan assets has been replaced by net interest calculated using the discount rate for first-class corporate bonds. The impact of this change on reporting is detailed in Note 41 Effect of changing accounting policy IAS 19 – Defined-benefit pensions.

Early application of regulatory changes

FFFS 2008:25 *Regulations and general guidelines for annual reports in credit institutions and securities companies* have been adapted so that disclosure requirements for maturity analyses correspond with the IFRS regulations. The amendment comes into effect on 1 January 2014, but can be applied for annual reports starting in 2013. Landshypotek has chosen to utilise the possibility of early application. This means that the maturity information previously provided in the respective notes for the financial balance sheet items has been removed. Maturity information pursuant to Chapter 5, Section 4 of FFFS 2008:25 and Paragraph 39 of IFRS 7 and Appendix B paragraphs B11–B11F is provided in the chapter Risk and Capital Management on page 101.

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 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 Association 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. Landshypotek is currently evaluating the effect of IFRIC 21 on financial reporting. The interpretation has not yet been adopted by the EU.

IAS 39 *Financial Instruments*: As a consequence of the EU regulation on OTC derivatives, central counterparties and trade repositories (EMIR), an exception was implemented from the requirement to stop hedge accounting under IAS 39 in situations where the hedge instrument is replaced by a new instrument with a central counterparty as a consequence of laws or regulations. The amendment has not yet been adopted by the EU.

In the long-term, there are proposed amendments for the following items:

- Revenue
- Leasing
- IFRS 9 *Financial Instruments* will replace IAS 39 *Financial Instruments*.
- IFRS 4 *Insurance Contracts*

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

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 Association and its subsidiaries. All subsidiaries are 100-percent owned by Landshypotek ekonomisk förening. 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 ekonomisk förening has no associated companies or other joint arrangements.

The subsidiaries are all companies where the Parent Association exercises a controlling influence. Controlling influence means that the Parent Association 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 provided 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 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 offers loans in Sweden with real property as collateral. Customer deposits are included as an element of Landshypotek's funding. For follow-up and reporting to the chief operating decision maker, 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 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 of financial assets

Financial assets are divided into the following categories for measurement:

- ① Loans and receivables
- ② Financial assets at fair value through profit or loss
- 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 fair value through profit or loss." 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 fair value through profit or loss", 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 fair value through profit or loss." 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, essentially, 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 fair value through profit or loss

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 fair value through profit or loss." 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 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 that is expected to yield future economic benefits over which control is exercised. 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. A test for impairment 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 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 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 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 at fair value through profit or loss 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 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. 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 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 part 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 at fair value through profit or loss 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 heading.

Other income

Income from services sold and external rental income relating to real property owned are reported under "Other income." Results of sales of operating properties 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's pension obligation under the BTP plan is a defined-benefit pension plan. Landshypotek has funded its obligation via SPK, which manages the assets and administers pension payments on behalf of Landshypotek.

In the Parent Company, premiums paid relating to pension commitments secured in a pension foundation are recognised as an operating expense. The calculation is made in accordance with the Swedish Pension Obligations Vesting Act.

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 30.

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 60 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 the 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 values for tax purposes 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.

Dividend

Previously, dividends were recognised as a deduction in profit or loss during the qualifying year. From 2013, dividends are recognised for the qualifying year in the appropriation of earnings and in conjunction with a resolution to distribute payment against retained earnings in equity. During the year, dividend recognition has been adjusted so that comparative figures have been updated.

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 30.

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.

Landshypotek's contributed capital is, in principal, a debt instrument according to IAS 32, but based on the Board of Director's entitlement to prevent outward payments of member contributions, the entire member contributions are classified as equity in line with IFRIC 2. Based on this, Landshypotek ekonomisk förening has chosen to recognise its entire contributed capital as equity.

		Group		Parent Association	
Note 2	Net interest income, SEK thousand	2013	2012	2013	2012
Interest income					
	Interest income on loans to credit institutions	7,022	3,066	23	39
	Interest income on loans to Group companies			338	4,480
	Interest income on loans to the public	2,005,273	2,267,408		
	Less interest losses	-798	-2,279		
	Interest income on interest-bearing securities	281,660	350,422		
	of which interest income on financial assets at fair value through profit or loss	183,489	222,103		
	of which interest income on available-for-sale financial assets	98,171	128,319		
	Other interest income	366	771	22	18
	Total	2,293,523	2,619,387	383	4,537
Average interest on loans to the public					
	All interest income is attributable to the Swedish market.	3.34 %	3.94 %		
Interest expense					
	Interest expense for liabilities to Group companies			-322	-175
	Interest expense for liabilities to credit institutions	-16,130	-12,672		
	Interest expense for borrowing/deposits from the public	-38,087	-28,057		-6,344
	Interest expense for interest-bearing securities	-1,600,600	-2,015,138		
	of which interest expense for other financial liabilities in fair-value hedges adjusted for the fair value of hedged risk	-485,249	-561,603		
	of which interest expense on interest-bearing securities at amortised cost	-1,115,351	-1,453,536		
	Interest expense for subordinated liabilities	-35,470	-34,679		
	Interest expense for derivative instruments	55,474	49,645		
	of which interest expense on derivatives at fair value through profit or loss	-135,247	38,196		
	of which interest expense on derivatives identified as hedging instruments	190,721	11,449		
	Other interest expense	-2,185	-2,639		
	Total	-1,636,998	-2,043,540	-322	-6,519
Total net interest income		656,525	575,847	61	-1,982

Note 3	Commission income, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Loan commissions	14,708	15,188	-	-
	Total	14,708	15,188	-	-

Note 4	Commission expense, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Commissions on securities	-817	-730	-	-
	Deposit insurance	-1,145	-	-	-
	Stability Fund fee	-32,571	-23,782	-	-
	Total	-34,533	-24,512	-	-

Note 5	Net result of financial transactions, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
Financial assets at fair value through profit or loss					
Realised result of sales of bonds and other interest-bearing securities		3,192	25,053		
Available-for-sale financial assets					
Realised result of sales of bonds and other interest-bearing securities		19,324	151,277		
Other financial liabilities					
Realised result on early redemption of own bonds in issue		-26,259	-296,419		
Financial liabilities at fair value through profit or loss					
Realised result from purchase/sale of derivative contracts		-	95,799		
Total realised result		-3,743	-24,289		
Financial assets at fair value through profit or loss					
Change in value of bonds and other interest-bearing securities		-19,457	64,126		
Change in value of derivatives with positive market values not included in any hedging relationship		12,677	-13,258		
Financial liabilities at fair value through profit or loss					
Change in value of derivatives with negative market values not included in any hedging relationship		6,802	-77,314		
Items included in hedging relationships and subject to hedge accounting					
Change in value of bonds in issue included in fair-value hedge		371,448	-293,806		
Value changes of interest-rate-risk hedged items in macro hedges		23,535	-		
Change in value of derivatives included in fair-value hedge		-426,448	295,484		
Total unrealised result		-31,443	-24,768		
Net result of financial transactions		-35,186	-49,057		

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 Association	
		2013	2012	2013	2012
	Income from property	1,761	1,960		
	Sale of operating property	916	-		
	Other	235	187	11	-
Total		2,912	2,147	11	-

Note 7	General administrative expenses, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
Personnel costs					
Salaries, etc., to MD, senior executives and Board of Directors		-15,605	-15,531	-720	-951
Salaries, etc., to other personnel		-67,267	-56,273	-4,956	-3,962
Provision to profit-sharing foundation		-998	-967		
Pension costs		-12,487	-15,548		
Social insurance charges		-25,797	-23,380	-1,656	-1,381
Other personnel costs		-1,344	-1,570	-195	-330
Total		-123,498	-113,270	-7,527	-6,624
Specification of pension costs					
Change in provision for pensions		1,088	786		
Pension premiums		-17,813	-16,896		
of which to senior executives		-3,302	-4,306		
Directly paid pensions		-883	-1,096		
Payroll and yield taxes attributable to pension costs		-4,400	-4,316		
Defined-benefit pension plans		9,521	5,974		
Total		-12,487	-15,548		

Pension costs in the Group are recognised in accordance with IAS 19, Employee Benefits. Pension costs in Landshypotek Bank AB 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 30.

	Group		Parent Association	
	2013	2012	2013	2012
Number of male employees	66	65		
Number of female employees	64	53		
Total	130	118		
Average number of salaried employees, including substitutes	122.0	114.0		
Loans to directors and senior executives				
Loans to directors amount to	276,141	209,671		
Loans to senior executives amount to	15,956	30,068		
Directors and senior executives				
Number of directors	23	23	12	12
of which men	16	16	10	10

Fixed salary and benefits were paid to the Managing Director of Landshypotek Bank AB and Landshypotek ekonomisk förening in the amount of SEK 2,790,000 (2,708,000) during the year. A pension provision of SEK 966,000 (924,000) was also made for the Managing Director. For the Managing Director of Landshypotek Bank AB and Landshypotek ekonomisk förening, the retirement age is 65. In the event of termination at the initiative of the company, the MD is entitled to termination pay equivalent to one year's annual salary and severance pay equal to one year's annual salary. Fixed fees in the amount of SEK 720,000 (720,000) were paid to the Board of Directors in accordance with the General Meeting resolution, of which SEK 0 (0) was paid for work on committees, and of which SEK 160,000 (160,000) to the Chairman SEK 80,000 (80,000) to the Vice Chairman and SEK 20,000 (20,000) each to the elected auditors. Otherwise, the fees were distributed equally between the Board's members. Daily expense allowances were also paid. No other remuneration was paid for Board work.

Cont.	Note 7, General administrative expenses, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
Other administrative expenses					
Cost of premises		-12,307	-16,868	-18	-18
Office expenses		-2,804	-2,657	-5	
Telephone, data networks and postage expenses		-5,450	-5,648	-280	-407
IT expenses		-51,882	-52,577		
Purchased services		-50,696	-32,707	-3,111	-1,998
Other		-12,019	-10,652	-800	-810
Fees and expenses to appointed auditors					
Audit assignment		-3,009	-1,942	-220	-164
Audit activities other than audit assignment		-1,305	-		
Tax consultancy		-154	-214		
Other services		-437	-263		
Total other administrative expenses		-140,062	-123,529	-4,434	-3,397
Total general administrative expenses		-263,559	-236,800	-11,961	-10,021

Note 8	Depreciation, amortisation and impairment of tangible and intangible non-current assets, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
Tangible non-current assets					
	Depreciation of furniture, fixtures and equipment	-1,441	-1,551		
	Depreciation of real property	-692	-592		
	Depreciation of land improvements	-28	-28		
Intangible non-current assets					
	Amortisation of IT system	-8,370	-35		
Total		-10,531	-2,206		

Note 9	Other operating expenses, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Marketing expenses	-20,152	-14,714	-1,568	-1762
	Property expenses	-1,308	-1,122		
	Other	-1,846	-2,116	-728	-643
	Total	-23,306	-17,952	-2,296	-2,405

Note 10	Loan losses, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
Loan losses					
Year's write-off for realised losses		-27,362	-6,575		
Reversal of prior provisions for probable loan losses, recognised as realised losses in this year's accounts		23,948	6,135		
Year's provision for probable loan losses		-82,356	-32,787		
Recovery of previously realised losses		1,382	2,439		
Reversal of prior provisions no longer necessary for probable loan losses		30,515	8,671		
Guarantees		-505	-		
Total		-54,378	-22,117		

All loan losses are attributable to loans to the public.
There are no properties taken over in foreclosure.

Note 11	Year-end appropriations, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Regular dividend				
	Interest on member contributions				
	Total				

The preliminary dividend for 2013, about MSEK 141.7, will be recognised in conjunction with its distribution the following year.

Note 12	Income tax on comprehensive income, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Profit before tax	252,652	240,538	141,565	134,874
	Income tax calculated at national tax rates	-55,583	-63,261	-31,145	-35,472
	Tax effects of:				
	Non-taxable income	80	203	5	5
	Non-deductible expenses	-628	-2,157	-42	-105
	Adjustment of preceding year's tax expense	414	-7,323	3	
	Costs deducted that are not included in profit for the year	31,145	35,471	31,145	35,471
	Total	-24,572	-37,067	-35	-101
	Weighted-average tax rate	9.7 %	15.4 %	0.0 %	0.01 %
	<i>of which current tax</i>	-22,785	-33,873	-35	-101
	<i>of which deferred tax</i>	-1,787	-3,194		
	Specification of deferred tax				
	Deferred tax relating to pension costs	-1,870	714		
	Deferred tax relating to depreciation of real property	83	62		
	Deferred tax relating to loss carry-forwards	-	-3,955		
	Effect of change in tax rate	-	-15		
	Total change in deferred tax	-1,787	-3,194		
	The actual tax rate and deferred tax for the year was 22.0 per cent (26.3) for the Group and the Parent Association. Deferred tax amounted to 22.0 percent.				
	Income tax related to other comprehensive income				
	Cash-flow hedges				
	Profit/loss before tax	47,783	-54,010		
	Deferred tax	-10,512	11,882		
	Effect of change in tax rate	-	-1,482		
	Profit/loss after tax	37,271	-43,610		
	Available-for-sale financial assets				
	Loss before tax	-23,675	-81,901		
	Tax	5,209	21,540		
	Adjustment of preceding years' tax expense	-	-36,131		
	Reclassification of deferred tax	-	31,359		
	Loss after tax	-18,467	-65,132		
	Actuarial differences				
	Profit/loss before tax	24 550	-11 523		
	Deferred tax	-5 401	2 535		
	Profit/loss after tax	19 149	-8 988		
	Other comprehensive income	37,953	-117,730		
	Tax	5,209	-14,590		
	Deferred tax	-15,913	44,294		
	Total income tax related to other comprehensive income	-10,705	29,703		

Note 13	Loans to credit institutions, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Loans to Group companies			44,000	27,034
	Loans to banks	262,014	640,131	1,783	3,995
	<i>of which reverse repos</i>	-	562,299		
	Loans to PlusGiro	1,943	6,196	170	170
	Loans to others	-	162		
	Total	263,957	646,489	45,953	31,199

Note 14	Loans to the public, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Loan receivables	60,727,942	58,914,513		
	Less specific provisions for individually assessed loan receivables	-62,931	-29,671		
	Net loan receivables	60,665,011	58,884,842		
	Disclosures on overdue loan receivables				
	Loan receivables overdue 1-30 days	-	6,778		
	Loan receivables overdue 31-60 days	-	21		
	Loan receivables overdue 61-90 days	-	332,346		
	Loan receivables overdue more than 90 days	1,028,208	1,476,970		
	<i>of which loan receivables overdue more than 90 days where interest is recognised as income</i>	845,785	863,822		
	Total	1,028,208	1,816,115		
	Disclosures on doubtful credits				
	Doubtful credits that are not overdue	1,024	9,869		
	Overdue doubtful credits	236,229	102,897		
	Total	237,253	112,766		
	Less capital provisions made	-62,931	-29,671		
	Total doubtful credits after provisions made	174,322	83,095		
	Doubtful credits at beginning of year	112,766	65,074		
	New doubtful credits during year	205,092	70,801		
	Doubtful credits settled during year	-80,605	-23,109		
	Doubtful credits at year-end	237,253	112,766		
	Capital provisions at beginning of year	-29,671	-12,711		
	Additional provisions during the year	-68,470	-28,065		
	Deducted provisions during the year	35,210	11,105		
	Capital provisions at year-end	-62,931	-29,671		

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

Note 15	Bonds and other interest-bearing securities, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
Bonds					
Issued by Swedish municipalities		4,477,607	3,680,923		
Issued by credit institutions		391,806	265,674		
Issued by housing finance institutions		10,202,569	11,768,959		
<i>of which covered bonds</i>		10,594,375	12,034,633		
Total		15,071,982	15,715,556		
Valuation of bonds and other interest-bearing securities					
Nominal amount		14,678,000	15,111,000		
Amortised cost		14,969,602	15,570,044		
Market value		15,071,982	15,715,556		
Bonds and other interest-bearing securities are classified as available-for-sale financial assets or as a trading portfolio.					
Bonds and other interest-bearing securities by category					
Financial assets at fair value through profit or loss		8,721,971	9,653,841		
Available-for-sale financial assets		6,350,011	6,061,716		
Total		15,071,982	15,715,556		
Securities pledged pursuant to repurchase agreements (repos)					
Carrying amount, listed mortgage bonds recognised at fair value		-	554,723		
Carrying amount, repos		-	-562,435		
Carrying amount, reverse repos with the same counterparty		-	562,299		
Fair value of listed mortgage bonds held as collateral for reverse repos		-	548,005		

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

Note 16	Derivatives, SEK thousand	Group			
		2013		2012	
		Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives not included in hedge accounting					
	Positive closing value of interest-rate swaps	450,000	12,758	3,140,000	19,238
	Positive closing value of cross-currency interest-rate swaps	2,306,369	117,838	1,141,847	30,022
	Total	2,756,369	130,596	4,281,847	49,260
Derivatives included in hedge accounting					
	Positive closing value of interest-rate swaps	12,369,897	411,338	10,068,495	548,223
	Positive closing value of cross-currency interest-rate swaps	1,180,838	39,292	6,967,543	414,209
	Total	13,550,735	450,630	17,036,038	962,432
	Total	16,307,104	581,226	21,317,885	1,011,692

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

Parent Association			
2013		2012	
Nominal amount	Carrying amount	Nominal amount	Carrying amount

No derivatives were recognised in the Parent Association.

Note 17	Shares and participations, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
Shares and participations					
The ESS Group, cost in 2004		-	50,000		-
The ESS Group, impairment in 2004		-	-49,999		-
Other		1	1	1	1
Total		1	2	1	1
Participating interest in the ESS Group		-	100 %		

Note 18	Shares and participations in Group companies, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
Holdings in credit institutions					
Landshypotek AB, 2,117,000 shares with a quotient value of SEK 1,000				2,060,328	1,870,328
Other holdings					
Samkredit AB, 10,000 shares with a quotient value of SEK 10				50	50
Total				2,060,378	1,870,378

All subsidiaries are wholly owned.
Please refer to the separate organisational chart.

Note 19	Intangible non-current assets, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
Other intangible non-current assets					
	Cost at beginning of year	35,348	14,058		
	Purchases during the year	17,612	21,290		
	Closing cost	52,960	35,348	-	-
	Accumulated amortisation at beginning of year				
	Amortisation for the year	-8,370	-35		
	Impairments				
	Closing accumulated amortisation and impairment	-8,370	-35	-	-
	Carrying amount	44,590	35,312	-	-

Intangible non-current assets consist of investments in software.

		Group		Parent Association	
Note 20	Tangible assets, SEK thousand	2013	2012	2013	2012
Furniture, fixtures and equipment					
Non-current assets					
	Cost at beginning of year	16,492	23,815		
	Purchases during the year	2,268	5,528		
	Disposals during the year	-251	-12,851		
	Closing cost	18,509	16,492		
	Accumulated depreciation at beginning of year	-11,068	-22,027		
	Depreciation and impairment for the year	-1,642	-1,552		
	Accumulated depreciation of assets sold	325	12,511		
	Closing accumulated depreciation	-12,385	-11,068		
	Total furniture, fixtures and equipment	6,124	5,424		
Buildings and land					
Non-current assets					
	Operating properties				
	Number of properties	1	2		
	Estimated fair value	28,000	27,100		
	Cost at beginning of year	21,152	21,152		
	Reclassification	-2,567	-		
	Capitalised renovation costs	436	-		
	Sales	-2,750	-		
	Closing cost	16,271	21,152		
	Write-up for the year				
	Accumulated depreciation at beginning of year	-6,036	-5,417		
	Reclassification	2,567	-		
	Closing accumulated depreciation	857	-		
	Amortisation for the year	-710	-619		
	Closing accumulated depreciation	-3,322	-6,036		
	Total buildings and land	12,949	15,116		

		Group		Parent Association	
Note 21	Other assets, SEK thousand	2013	2012	2013	2012
	Announced interest and repayments	310,892	55,175		
	Receivables from Group companies			155,786	296,965
	Other receivables	3,738	5,132	837	607
	Total	314,630	60,307	156,623	297,572

Note 22	Deferred tax assets, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Deferred tax assets	10,351	28,051		
	Total	10,351	28,051		
	Opening deferred tax receivables on hedging reserve	19,464	9,063		
	Change in deferred tax on hedging reserve	-10,513	10,401		
	Closing deferred tax receivables on hedging reserve	8,951	19,464		
	Opening deferred tax receivables on actuarial differences	2,535	-		
	Change in deferred tax on actuarial differences	-5,401	2,535		
	Closing deferred tax receivables on actuarial differences	-2,866	2,535		
	Opening deferred tax receivables on pensions under IAS 19	5,974	5,260		
	Change in deferred tax on pensions under IAS 19	-1,870	714		
	Closing deferred tax receivables on pensions under IAS 19	4,104	5,974		
	Opening deferred tax receivables on loss carry-forwards	-	3,955		
	Less deferred tax on loss carry-forwards	-	-3,955		
	Closing deferred tax receivables on loss carry-forwards	-	-		
	Opening deferred tax on depreciation of real property under IFRS	78	-		
	Add deferred tax on impairment of real property under IFRS	83	78		
	Closing deferred tax on depreciation of real property under IFRS	161	78		
	Total deferred tax assets	10,351	28,051		

Deferred tax in 2013 was calculated using a tax rate of 22 percent.
All items are expected to be settled later than within 12 months.

Note 23	Prepaid expenses and accrued income, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Prepaid expenses	13,667	11,059	31	68
	Loans to credit institutions	-	70		
	Accrued interest on loans to the public	-	214,212		
	Accrued interest on interest-bearing instruments	502,358	633,059		
	Accrued interest, intra-Group			-	650
	Total	516,025	858,400	31	718

Note 24	Liabilities to credit institutions, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Borrowing from Group companies				
	Swedish banks	57,353	620,419		
	Non-Swedish banks	199,537	-		
	<i>of which repos</i>	-	562,435		
	Total	256,890	620,419		

Note 25	Borrowing from the public, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Member account	319,357	1,421,717		
	Deposits from the public	1,783,650	-		
	Total	2,103,007	1,421,717		

Note 26	Debt securities in issue, etc., SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Commercial paper	3,014,884	3,996,096		
	Bond loans	65,406,659	64,207,018		
	Total	68,421,543	68,203,114		
	Debt securities in issue – hedged items in fair-value hedges				
	Amortised cost	22,826,048	20,655,697		
	Fair value adjusted for the change in the fair value of hedged risk	23,434,438	21,936,869		

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 27	Derivatives, SEK thousand	Group			
		2013		2012	
		Nominal amount	Carrying amount	Nominal amount	Carrying amount
	Derivatives not included in hedge accounting				
	Negative closing value of interest-rate swaps	12,685,000	329,901	16,369,000	484,798
	Negative closing value of cross-currency interest-rate swaps	6,497,179	489,356	4,806,116	344,542
	Total	19,182,179	819,257	21,175,116	829,340
	Derivatives included in hedge accounting				
	Negative closing value of interest-rate swaps	11,157,000	186,574	11,020,000	164,435
	Negative closing value of cross-currency interest-rate swaps	2,434,560	216,203	3,398,524	84,873
	Total	13,591,560	402,777	14,418,524	249,308
	Total	32,773,739	1,222,034	35,593,640	1,078,647

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

Parent Association			
2013		2012	
Nominal amount	Carrying amount	Nominal amount	Carrying amount

No derivatives were recognised in the Parent Association.

Note 28	Other liabilities, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Tax liabilities	161	207	-	-
	Liabilities to Group companies	-	-	1,558	3,836
	Accounts payable	14,623	18,979	-	-
	Other liabilities	23,639	38,450	1,206	2,296
	Total	38,423	57,636	2,765	6,132

Note 29	Accrued expenses and deferred income, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Accrued interest on liabilities to credit institutions		66		101
	Accrued interest on borrowing from the public	113			
	Accrued interest on debt securities in issue	452,374	587,460		
	Accrued interest on derivatives	409,169	473,139		
	Other accrued expenses	42,111	34,426		531
	Deferred income	580	245		
	Total	904,347	1,095,336	-	632

Note 30 Provisions, SEK thousand

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

	Group		Parent Association	
	2013	2012	2013	2012
Balance-sheet obligations pertaining to:				
Defined-benefit pension plans	7,755	42,155	-	-
Balance-sheet liability	7,755	42,155	-	-
Recognitions in operating profit pertaining to:*				
Defined-benefit pension plans	9,415	8,182		
Total	9,415	8,182		
Remeasurement of actuarial gain/loss pertaining to:				
Defined-benefit pension plans	-24,550	11,523		
Total	-24,550	11,523		

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

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

	2013	2012
Present value of funded obligations	321,904	346,631
Fair value of plan assets	-314,149	-304,476
Shortfall in funded plans	7,755	42,155
Present value of unfunded obligations	-	-
Total shortfall in defined-benefit pension plans	7,755	42,155
Effect of minimum funding requirement/asset ceiling	-	-
Balance-sheet liability	7,755	42,155

Cont.	Note 30, Provisions, SEK thousand
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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 2012	327,375	-294,247	33,128
Service costs for 2012	8,182	-	8,182
Interest expense/(income)	11,239	-10,291	948
Service costs for previous years and gains and losses from settlements	3,477		3,477
Total Costs	22,898	-10,291	12,607
Remeasurements:			
- Return on plan assets	11,859	-336	11,523
Total remeasurements	11,859	-336	11,523
Fees			
- Employer		-12,154	-12,154
Payments from the plan:			
- Benefits paid	-15,501	12,552	-2,949
Closing balance, 31 December 2012	346,631	-304,476	42,155
Opening balance, 1 January 2013	346,631	-304,476	42,155
Service costs for 2012	9,415	-	9,415
Interest expense/(income)	10,755	-9,732	1,023
Service costs for previous years and gains and losses from settlements	-3,477		-3,477
Total Costs	363,324	-314,208	49,116
Remeasurements:			
- Return on plan assets	-23,623	-35	-23,658
Total remeasurements	-23,623	-35	-23,658
Fees			
- Employer		-14,247	-14,247
- Employees covered by the plan			
Payments from the plan:			
- Benefits paid	-17,797	14,341	-3,456
Closing balance, 31 December 2013	321,904	-314,149	7,755

The key actuarial assumptions were as follows:

	2013	2012
Discount rate	3.8 %	3.2 %
Salary increases	3.0 %	3.0 %
Pension increases	2.0 %	2.0 %

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.

Retirement at the end of the reporting period:

	2013	2012
Men	22	22
Women	24	24
Retirement 20 years after the end of the reporting period:		
Men	22	22
Women	24	24

Cont. **Note 30, Provisions, SEK thousand**

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

A change in one percentage assumes all others are unchanged

Assumptions	Present value of the obligation, 2013	Increase
Baseline scenario	321,904	
A 0.5-percentage point decrease in the discount rate	347,481	7.9 %
A 0.5-percentage point increase in expected indexing of benefits	341,868	6.2 %
A 0.5-percentage point increase in expected future salary increases	332,041	3.1 %
A 20-percent decrease in mortality intensity	342,142	6.3 %
Increase in the expected utilization rate for early retirement under the pension agreement from 20 percent to 40 percent.	327,896	1.9 %

Distribution of the present value of the obligation, SEK thousand

	2013	2012
Active members	113,054	127,236
Deferred members	42,976	44,255
Retired plan members	165,874	171,663
Total	321,904	343,154

Number of individuals included in the valuation

	2013	2012
Active members	112	113
Deferred members	99	90
Retired plan members	99	95
Total	310	298

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 31	Subordinated liabilities, SEK thousand			Group		Parent Association	
				2013	2012	2013	2012
Due date	Nominal amount	Interest					
2017/2022	SEK 430,000,000	3 months STIBOR+3.85 %		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		
Total				699,921	699,921		

Note 32	Changes in equity, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
Change in hedging reserve					
	Hedging reserve, opening balance	-69,008	-25,398		
	Change in fair value over the year	14,081	-49,015		
	Transfer to profit or loss	33,702	-4,995		
	Change in deferred tax	-10,512	10,400		
Hedging reserve, closing balance		-31,737	-69,008		
Change in fair-value reserve					
	Fair-value reserve, opening balance	22,745	87,877		
	Change in fair value over the year	-15,130	18,811		
	Transfer to profit or loss	-8,545	-100,712		
	Tax on change in value for the year	5,209	21,540		
	Tax adjustment on preceding year's change	-	-4,772		
Fair-value reserve, closing balance		4,278	22,745		
Actuarial differences					
	Actuarial differences at beginning of year	-29,310	-20,322		
	Change for the year	24,550	-11,523		
	Tax on change for the year	-5,401	2,535		
Actuarial differences at year-end		-10,161	-29,310		
Total reserves and actuarial differences		-37,620	-75,573		

Note 33	Memorandum items, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Pledged assets	None	None	None	None
	Contingent liabilities				
	Försäkringsbolaget Pensionsgaranti, FPG	48	70		
	Flexible first lien mortgage loans, granted unutilised amount	540,107	475,367		
	Total	540,155	475,437		
	Guarantees and other commitments				
	Sparbanken Öresund, overdraft facility	139,022	137,255		
	Total	139,022	137,255		

Note 34	Capital adequacy analysis, SEK thousand	Financial Corporate Group		
		Basel II	Transitional rules	Basel I
	Tier 1 capital	4,246,026	4,246,026	4,305,708
	Share capital paid in or equivalent, after deduction for cumulative preference shares	1,288,322	1,288,322	1,288,322
	Equity component of reserves and profit or loss brought forward from preceding financial year	2,844,094	2,844,094	2,844,094
	Net profit for the year	228,233	228,233	228,233
	Deduction for deferred tax assets	-10,351	-10,351	-10,351
	Intangible non-current assets	-44,590	-44,590	-44,590
	Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act	-59,682	-59,682	-
	Tier 2 capital	640,239	640,239	699,921
	Subordinated term loans in accordance with Chapter 8, Sections 18-30	699,921	699,921	699,921
	Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act	-59,682	-59,682	-
	Capital base	4,886,265	4,886,265	5,005,629
	Capital requirement for credit risks in accordance with the standardised method	494,116	494,116	5,094,991
	Exposure to governments and central banks	0	0	-
	Municipalities, similar entities and government agencies	0	0	-
	Institutional exposure	58,223	58,223	-
	Corporate exposure	254,127	254,127	-
	Retail exposure	28,796	28,796	-
	Non-performing items	5,392	5,392	-
	Covered bonds	147,579	147,579	-
	Other items	0	0	-
	Capital requirement for credit risks in accordance with IRB	636,236	636,236	-
	Retail – exposures secured by real estate	630,763	630,763	-
	Non-credit-obligation assets	5,472	5,472	-
	Capital requirement for operational risks – Base method	93,035	93,035	-
	Additional capital requirement under the transitional rules	-	2,733,244	-
	Capital requirement	1,223,387	3,956,631	5,094,991
	Capital adequacy ratio	3.99	1.23	0.98
	Capital adequacy	31.95 %	9.88 %	7.86 %
	Tier 1 ratio	27.77 %	8.59 %	6.76 %
	IRB deduction			
	Anticipated loss amount in excess of provisions	-119,363		
	Capital adequacy ratio = Capital base/Capital requirement			

		Landshypotek Bank AB		
Cont.	Note 34, Capital adequacy analysis, SEK thousand	Basel II	Transitional rules	Basel I
Tier 1 capital		4,050,577	4,050,577	4,110,259
Share capital paid in or equivalent, after deduction for cumulative preference shares		2,117,000	2,117,000	2,117,000
Equity component of reserves and profit or loss brought forward from preceding financial year		1,850,807	1,850,807	1,850,807
Net profit for the year		196,154	196,154	196,154
Deduction for deferred tax assets		-9,112	-9,112	-9,112
Intangible non-current assets		-44,590	-44,590	-44,590
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-59,682	-59,682	-
Tier 2 capital		640,239	640,239	699,921
Subordinated term loans in accordance with Chapter 8, Sections 18-30		699,921	699,921	699,921
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-59,682	-59,682	-
Capital base		4,690,816	4,690,816	4,810,180
Capital requirement for credit risks in accordance with the standardised method		457,764	457,764	5,058,458
Exposure to governments and central banks		-	-	-
Municipalities, similar entities and government agencies		-	-	-
Institutional exposure		57,868	57,868	-
Corporate exposure		232,076	232,076	-
Retail exposure		16,059	16,059	-
Non-performing items		4,182	4,182	-
Covered bonds		147,579	147,579	-
Other items		-	-	-
Capital requirement for credit risks in accordance with IRB		659,724	659,724	-
Retail – exposures secured by real estate		630,763	630,763	-
Non-credit-obligation assets		28,961	28,961	-
Capital requirement for operational risks – Base method		87,487	87,487	-
Additional capital requirement under the transitional rules		-	2,722,429	-
Capital requirement		1,204,975	3,927,404	5,058,458
Capital adequacy ratio		3.89	1.19	0.95
Capital adequacy		31.14 %	9.56 %	7.61 %
Tier 1 ratio		26.89 %	8.25 %	6.50 %
IRB deduction				
Anticipated loss amount in excess of provisions		-119,363		
Capital adequacy ratio = Capital base/Capital requirement				

Note 35	Financial assets and liabilities by category, SEK thousand				
2013	Measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities	Derivatives identified as hedging instruments
Cash and balances with central banks					
Treasury bills and other eligible bills			431,893		
Loans to credit institutions					
Loans to the public			263,957		
Bonds and other interest-bearing securities	8,721,971	6,350,011	60,665,011		
Derivatives	130,596				450,630
Total financial assets	8,852,567	6,350,011	61,360,861	-	450,630
Financial liabilities					
Liabilities to credit institutions				256,890	
Borrowing from the public				2,103,007	
Debt securities in issue, etc.				68,421,543	
Derivatives	819,257				402,777
Subordinated liabilities				699,921	
Total financial liabilities	819,257	-	-	71,481,361	402,777

2012	Measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities	Derivatives identified as hedging instruments
Assets					
Cash and balances with central banks			45,400		
Treasury bills and other eligible bills					
Loans to credit institutions			646,489		
Loans to the public			58,884,842		
Bonds and other interest-bearing securities	9,653,841	6,061,716			
Derivatives	49,260				962,432
Total financial assets	9,703,101	6,061,716	59,576,731	-	962,432
Financial liabilities					
Liabilities to credit institutions				620,419	
Borrowing from the public				1,552,308	
Debt securities in issue, etc.				68,203,114	
Derivatives	829,340				249,308
Subordinated liabilities				699,921	
Total financial liabilities	829,340	-	-	71,075,762	249,308

Cont.	Note 35, Financial assets and liabilities by category, SEK thousand				
2013	Measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities	Derivatives identified as hedging instruments
Assets					
Loans to credit institutions			45,953		
Total financial assets	-	-	45,953	-	-
Financial liabilities	-	-	-	-	-
Total financial liabilities	-	-	-	-	-

2012	Measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities	Derivatives identified as hedging instruments
Assets					
Loans to credit institutions			31,199		
Total financial assets	-	-	31,199	-	-
Financial liabilities	-	-	-	-	-
Total financial liabilities	-	-	-	-	-

Group

Note 36	Fair value disclosures, SEK thousand			
Assets	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with central banks	431,893	431,893	45,400	45,400
Loans to credit institutions	263,957	263,957	646,489	646,489
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	2	2
Total assets	77,014,070	76,288,733	76,303,981	75,305,498
Liabilities and Provisions				
Liabilities to credit institutions	256,890	256,890	620,419	620,419
Borrowing from the public	2,103,007	2,103,007	1,552,308	1,552,308
Debt securities in issue, etc.	68,421,543	68,668,886	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
Total liabilities	72,703,395	73,025,871	72,154,409	72,542,123

Parent Association

Assets	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans to credit institutions	45,953	45,953	31,199	31,199
Shares and participations	1	1	1	1
Total assets	45,954	45,954	31,200	31,200
Liabilities and Provisions				
Total liabilities	-	-	-	-

Accrued interest is reported separately and is not included in the calculation of fair value.

Note 37	Fair-value hierarchy for financial instruments, SEK thousand							
	2013				2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and receivables								
Loans to credit institutions		263,957		263,957		646,489		646,489
Loans to the public		59,939,674		59,939,674		57,886,359		57,886,359
Financial assets at fair value through profit or loss								
Bonds and other interest-bearing securities	8,721,971			8,721,971	9,653,841			9,653,841
Interest-rate swaps		12,758		12,758		19,238		19,238
Cross-currency interest-rate swaps		117,838		117,838		30,022		30,022
Shares and participations			1	1			2	2
Derivatives identified as hedging instruments								
Interest-rate swaps		411,338		411,338		548,223		548,223
Cross-currency interest-rate swaps		39,292		39,292		414,209		414,209
Available-for-sale financial assets								
Bonds and other interest-bearing securities	1,872,404	4,477,607		6,350,011	2,380,793	3,680,923		6,061,716
Total assets measured at fair value	10,594,375	65,262,464	1	75,856,840	12,034,634	63,225,463	2	75,260,099
Financial liabilities at fair value through profit or loss								
Interest-rate swaps		329,901		329,901		484,798		484,798
Cross-currency interest-rate swaps		489,356		489,356		344,542		344,542
Derivatives identified as hedging instruments								
Interest-rate swaps		186,574		186,574		164,435		164,435
Cross-currency interest-rate swaps		216,203		216,203		84,873		84,873
Other financial liabilities								
Liabilities to credit institutions		256,890		256,890		620,419		620,419
Borrowing from the public		2,103,007		2,103,007		1,552,308		1,552,308
Debt securities in issue, etc.		68,668,886		68,668,886		68,492,857		68,492,857
Subordinated liabilities		775,054		775,054		797,892		797,892
Total liabilities measured at fair value	-	73,025,871	-	73,025,871	-	72,542,123	-	72,542,123

	2013				2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and receivables								
Loans to credit institutions		45,953		45,953		31,199		31,199
Financial assets at fair value through profit or loss								
Shares and participations			1	1			1	1
Total assets measured at fair value	-	45,953	1	45,954	-	31,199	1	31,200
Financial liabilities								
Total liabilities measured at fair value								

Cont. **Note 37, Fair-value hierarchy for financial instruments, SEK thousand**

No transfers were made between the levels. Level 1 only comprises quoted mortgage bonds and 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

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

Level 2

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

Note 38	Assets and liabilities by significant currencies, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
Assets					
EUR		199,538	-		
Loans to the public		199,538	-		
Total assets		199,538	-		
Liabilities					
EUR		199,537	-		
Liabilities to credit institutions		199,537	-		
CHF		2,894,270	2,843,601		
EUR		3,295,414	3,194,008		
NOK		5,094,032	8,140,161		
Debt securities in issue		11,283,716	14,177,770		
Total liabilities		11,483,253	14,177,770		

Other assets and liabilities arise in SEK.

All assets and liabilities in foreign currency are hedged against exchange-rate fluctuations using derivative contracts.

Note 39	Change in cash and cash equivalents, SEK thousand	Group		Parent Association	
		2013	2012	2013	2012
	Cash and balances at beginning of year	45,400	6,374		
	Loans to credit institutions at beginning of year	84,026	186,918	4,198	167,227
	Cash and balances at year-end	431,893	45,400		
	Loans to credit institutions at year-end	263,957	84,026	45,953	4,198
	Total change in cash and cash equivalents	566,425	-63,866	41,754	-163,029

Note 40		Disclosures concerning offsetting, SEK thousand			
	Amount recognised in the balance sheet, 31 December 2013	Related amounts not offset in the balance sheet			Net amount, 31 December 2013
		Financial* instruments	Paid (+) Received (–) collateral - securities	Paid (+) Received (–) cash - collateral	
Assets					
Derivatives	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	-				-
Liabilities					
Derivatives	–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, repos	-				-
Net	–733,299	-	-	-	–733,299

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

Note 41 Effect of changing accounting policy IAS 19 - Defined-benefit pensions, SEK thousand			
	Full-year 2012 before change in accounting policy	Restatement effect	Restated figures for full-year 2012
General administrative expenses	-233,448	-3,352	-236,800
Total expenses before loan losses	-253,606	-3,352	-256,958
Income tax for the period	-36,781	-286	-37,067
Net profit for the period	207,109	-3,638	203,471
STATEMENT OF COMPREHENSIVE INCOME			
Net profit for the period	207,109	-3,638	203,471
Other comprehensive income			
<i>Items that are not reclassified</i>			
Actuarial differences for defined-benefit pensions		-11,523	-11,523
Tax items that are not reclassified		2,535	2,535
<i>Total, items that are not reclassified</i>		-8,988	-8,988
Total other comprehensive income	-108,742	-8,988	-117,730
Comprehensive income for the period	98,367	-12,626	85,471
BALANCE SHEET			
Assets			
Deferred tax assets/Other assets	22,349	5,702	28,051
Total assets	77,344,588	5,702	77,350,290
Liabilities, provisions and equity			
Other liabilities	59,720	-2,084	57,636
Provisions	12,067	30,088	42,155
Total liabilities	73,190,941	28,004	73,218,945
Equity	4,153,646	-22,302	4,131,344
Total liabilities, provisions and equity	77,344,588	5,702	77,350,290

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

Appropriation of Earnings

Retained earnings	119,501,038 SEK
Net profit for 2013	141,530,131 SEK
At the disposal of the Annual Association Meeting	261,031,169 SEK

The Board of Directors proposes that the funds at the Annual Association Meeting's disposal be allocated as follows:

- that SEK 141,722,000, corresponding to 11.0 percent of contributions, be paid as a dividend to members
- that SEK 119,309,169 be carried forward

The Board proposes that the dividend be appropriated as follows:

- that a dividend of MSEK 102.8 be paid to those members who have reached the contribution ceiling of 4.00 percent.
- that 30 percent, MSEK 11.7, of the dividend payable to members who have not reached the contribution ceiling be paid to their members' accounts and the remaining 70 percent, MSEK 27.2 added to member contributions in equity.

The Board of Directors is of the opinion that the proposed dividend does not compromise the Association'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 10, Section 3, of the Swedish Cooperative Societies Act.

The undersigned hereby certify that, to the best of our knowledge, the annual accounts are prepared in accordance with generally accepted accounting principles and that the information provided agrees with actual circumstances and that nothing of material importance has been omitted that could affect the image of Landshypotek ekonomisk förening created by the annual accounts. The Board of Directors and Managing Director 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.

Stockholm, 12 March 2014

Lars Öhman
Chairman

Helena Anderson
*Member/Employee
Representative*

Anders Axelsson
Member

Hans Broberg
*Member/Employee
Representative*

Rickard Cederholm
Member

Inga-Lill Gilbertsson
Member

Gunnar Granqvist
Member

Hans Heuman
Member

Per-Olof Hilmér
Member

Anders Johansson
Member

Hans Pettersson
Member

Pär Sahlin
Member

Kjell Hedman
Managing Director

Our auditors' report was submitted on 12 March 2014

Ulf Westerberg
Authorised Public Accountant

Henrik Malmberg
Elected auditor

Teri Lee Eriksson
Elected auditor

Auditor's report *for translation purposes only*

To the Annual Association Meeting of Landshypotek Ekonomisk Förening, corporate identity number 769600-5003

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Landshypotek Ekonomisk Förening for the year 2013, except for the corporate governance statement on pages 84–89. The annual accounts and consolidated accounts of the association are included in the printed version of this document on pages 76–130.

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 association'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 association'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 association as of 31 December 2013 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 2013 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 84–89. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual association meeting adopt the income statement and balance sheet for the parent association 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 association's profit or loss and the administration of the Board of Directors and the Managing Director of Landshypotek Ekonomisk Förening for the year 2013.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the association's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Swedish Cooperative Societies Act and the Banking and Financing Business Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the association'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 association'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 Swedish Cooperative Societies 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 association in order to determine whether any member of the Board of Directors or the Managing Director is liable to the association. 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 Swedish Cooperative Societies 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.

Opinions

We recommend to the annual association meeting 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.

Stockholm 12 March 2014

Ulf Westerberg
Authorized Public Accountant

Henrik Malmberg

Teri Lee Eriksson

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