



Landshypotek Bank

Landshypotek Bank AB Interim report 2014 #1

January – March 2014 (compared with year-earlier period)

Operating profit for the first quarter of 2014 totalled MSEK 74.8 (76.5)

Earnings posted a year-on-year decline of MSEK 1.7. Underlying earnings, operating profit excluding the net result of financial transactions were MSEK 70.3 (92.1), down MSEK 21.9. Though net interest income increased compared with the year-earlier period this was offset by increased costs and loan losses.

Net interest income amounted to MSEK 168.9 (151.4)

This was an increase of MSEK 17.5 compared with the year-earlier period. The improvement was attributable to increased lending and improved margins between interest rates on borrowing and lending.

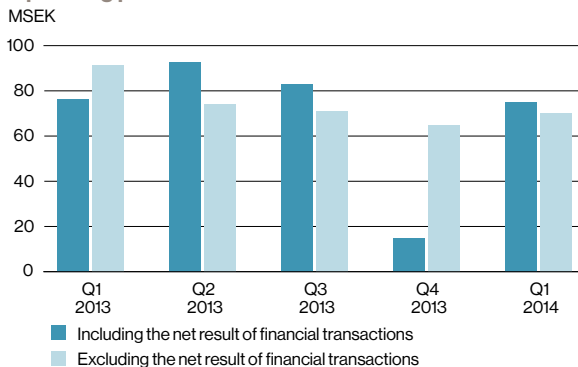
Costs totalled MSEK 89.0 (61.5)

The increase in costs is according to plan and is primarily linked to the opening of the digital savings bank. Continued strengthening, with more personnel, means increased personnel costs.

Net loan losses totalled MSEK 5.7 (pos: 3.3)

Realised loan losses at MSEK 5.0 (loss: 8.1) were lower year-on-year, but the provision for probable loan losses increased to MSEK 12.5 (5.3). The increase was attributable to a few individual commitments.

Operating profit



Operating profit for the first quarter of 2014 totalled MSEK 74.8. Operating profit excluding the net result of financial transactions was MSEK 70.3.

Lending amounted to SEK 60.9 billion

In the first quarter of 2014, Landshypotek's lending increased SEK 0.1 (0.9) percent. Growth in the market eased off and amortization increased.

Deposits amounted to MSEK 2,876 (1,521)

In February, Landshypotek Bank opened a new digital savings bank and deposits increased MSEK 729 during the quarter.

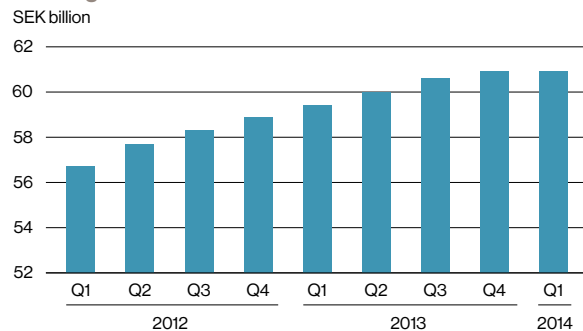
Under the new regulations, capital adequacy amounted to 27.6 percent without taking into account the transitional rules linked to Basel I

Capital adequacy amounted to 10.0 percent according to the transitional rules (regulatory requirement). Without taking into account the transitional rules the capital base was MSEK 4,785 and the capital requirement was MSEK 1,388.

Earnings up on the fourth quarter

Operating profit was up MSEK 59.8 compared with the fourth quarter of 2013. Excluding the net result of financial transactions, operating profit increased MSEK 5.4.

Lending



At 31 March 2014, Landshypotek's lending amounted to MSEK 60,940. During the year, lending increased 0.1 percent.

For a richer life in the country

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

- Landshypotek Bank finances investments and entrepreneurship for a richer life in the country. We specialise in the agricultural and forestry industries and develop financial solutions for farmers and foresters. The core assignment remains unchanged since 1836.
- With slightly more than SEK 60 billion in loans outstanding, Landshypotek Bank is Sweden's tenth largest bank. We are a clearly profiled niche bank, owned by our loan customers and cut prices for financing agriculture and forestry. We are a different type of bank since we distribute our surplus back to the agriculture and forestry sectors.
- Landshypotek Bank has opened a digital savings bank that offers competitive interest rates for the general public in Sweden. Accordingly, we are the bank for anyone who wants favourable terms for savings and who holds the countryside dear to their heart. Together with our loan customers, we have been developing the countryside since 1836. Saving with Landshypotek Bank contributes to the continued development of the Swedish countryside.
- Landshypotek Bank systematically recruits account managers who understand financing and have backgrounds in agronomy, forestry or agrolgy. All as part of supporting customers' business. We understand the people behind the multitude of family businesses – the true heroes of the countryside.
- Landshypotek Bank is owned by Landshypotek ekonomisk förening, in which all of the Bank's loan customers are members. Our surpluses are reinvested in operations and distributed to loan customers. A dividend amounting to MSEK 142 of net profit for 2013 is being distributed in 2014. We are the farmers' and foresters' own bank. For us, the development of agriculture and forestry is crucial for Sweden's future.
- Landshypotek Bank has strong local networks maintained by elected representatives who carry out valuations of agricultural properties and act as ambassadors for our operations.
- Landshypotek Bank contributes actively to a richer countryside with open landscapes, well-kept forests and Swedish food production through the financing of sound agricultural and forestry enterprises.

Landshypotek Bank is close to its customers

Landshypotek Bank is organised into eight areas and has 19 sales offices throughout Sweden. The 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. Accordingly, Landshypotek Bank AB is owned by the 45,000 members. All business operations are conducted in Landshypotek Bank AB and its subsidiary Landshypotek Jordbrukskredit AB. The cooperative society is responsible for member relations. Landshypotek ekonomisk förening consists of ten regions. The Board of each region is comprised of up to eight elected representatives who represent the members, act as ambassadors for Landshypotek Bank and carry out valuations. Any surpluses in Landshypotek Bank are reinvested in operations and distributed to loan customers.

Savings start boosts interest

At the start of February, we opened our new digital savings bank and, in parallel, presented our changed brand. Landshypotek Bank is undergoing vigorous development, a development that is now being noticed clearly in the market.

The digital bank opened the bank to an entirely new customer group. We took the first step in a full-blown entry into the savings market.

Response has been favourable and the initiative has boosted interest. The digital bank that enables our customers to quickly and easily open accounts and start saving directly online has a technical solution that is at the leading edge in the market. Some 1,900 new accounts have been opened from the start on 6 February to 31 March and our savings accounts total SEK 2.9 billion.

The deposits initiative comprises part of our strategic development. The possibilities for developing the savings offering stem from last year's major change of business IT platform in support of the business. The new platform allows substantially accelerated development of digital customer solutions and the presentation of new offerings.

Our new communication strategy also opens additional opportunities. The brand is presented, among other things, with an entirely new website. Our savings offering targets hearts and minds – minds with the favourable terms and the hearts with funds going to develop the countryside.

Landshypotek Bank is the farmers' and foresters' own bank. As a member-owned bank, close ties with customers are already inbuilt in the organisational form. In March, we met our loan customers at the regional meetings arranged by Landshypotek ekonomisk förening across the country and noted substantial curiosity and interest in the bank's development.

We are building for the future and are now gaining a positive response to our changes from customers and other stakeholders. For example, in February, Standard & Poor's confirmed the AAA rating for Landshypotek's covered bonds with a stable outlook. The corporate rating from S&P and Fitch is unchanged.

In parallel, we are investing substantial energy into strengthening our credit granting process. Last year, loan



losses were above the extremely low levels we are accustomed to. However, we have not noted any general trend towards a decline in solvency among Swedish farmers and foresters. On the other hand, sole traders are under pressure. At Landshypotek Bank, we diligently monitor these customers' commitments.

Earnings for the first few months of the year remain at a satisfactory level, despite investments in new development. It is important for us to continue to generate healthy earnings. We aim to continue developing into an even better bank for our customers.

A handwritten signature in black ink, appearing to be 'Kjell Hedman', written over a white background.

Kjell Hedman
Managing Director

Our operating environment

The market is convinced the global economy is heading toward a recovery. However, new concerns continuously arise that postpone the recovery. In the first quarter of the year, concerns were linked to bad weather in the US, developments in the Ukraine and Russia, and growth in China. However, none of these concerns changed the fundamentally positive market sentiment.

Finance market trends

In the US, the central bank has reduced its bond purchases during the quarter. Projected growth is 3 percent. The upward pressure exerted on interest rates by brighter prospects was offset by increasingly low inflation. The central bank is keeping interest rates low and in its own forecast does not predict raising interest rates until summer 2015.

In Europe, the effects of the crisis in the Ukraine have been more noticeable than in the US. However, Europe is also on the path to recovery albeit at a lower growth rate than the US. The growth forecast is modest, with forecast growth for the eurozone of 1 percent for 2014.

The European Central Bank (ECB) is walking a tightrope between brighter economic prospects and the risk of deflation. Inflation is down at an all-time low of 0.5 percent. In parallel, market interest rates have again turned downward. The market now expects the ECB to ease monetary policy as early as spring this year. With the key interest rate at 0.25 percent, the interest rate has little effect and, accordingly, the market expects some form of alternative measure, such as bond purchases or new major loans to banks.

The economy in Sweden ended 2013 strongly with a growth rate of almost 3 percent. Growth was driven by major inventory investments, but also by stronger private consumption and higher investment than expected.

Forecasts for the year are bright with growth predictions of between 2.5 percent and 3.0 percent. Growth is expected to be driven by strong private consumption, but also by rising exports, when the rest of the world gears up. Inflation remains extremely low.

The dilemma for the Riksbank, Sweden's central bank, is the balance between brighter economic prospects and an inflation rate that is well below target. The repo-rate path indicates a low probability of further interest-rate reductions and the first increase is planned for the first quarter of 2015.

The Swedish economy's development is somewhere between that of the US and Europe. Accordingly, unchanged interest rates in the US and lower rates in Europe have led to gently declining interest rates in Sweden.

Credit market sentiment remains positive and the premium for credit risk continues to fall. Low interest-rate levels and expectations of rates remaining low for an extended period, makes higher credit risks attractive to investors to achieve higher returns.

Landshypotek Bank's fixed-rate lending interest rates remained unchanged during the quarter and the floating interest rate was lowered by a few points.

Summary Landshypotek

	2014 Q1	2013 Q1	2013 Q4	2014 Accumulated	2013 Full year
Net interest income, MSEK	168.9	151.4	174.4	168.9	656.5
Operating profit, MSEK	74.8	76.5	15.0	74.8	266.8
Profit after tax, MSEK	58.3	59.7	5.7	58.3	208.0
Loans to the public, MSEK	60,940	59,411	60,862	60,940	60,862
Increase in lending, %	0.1%	0.9%	0.1%	0.1%	3.0%
Interest margin, %	1.1%	1.0%	1.2%	0.3%	1.1%
Deposits from the public	2,876	1,521	2,147	2,876	2,147
Increase in deposits, %	33.9%	-3.6%	22.6%	33.9%	35.9%
C/I ratio	0.54	0.41	0.49	0.54	0.44
Loan loss level, %	0.04%	-	0.12%	0.04%	0.09%
Capital adequacy, %	27.6%	33.0%	32.0%	27.6%	32.0%
Rating, long-term					
Standard & Poor's, Covered bonds	AAA	AAA	AAA	AAA	AAA
Standard & Poor's	A	A	A	A	A
Fitch	A+	A+	A+	A+	A+
Average number of employees	138	112	126	138	122

Landshypotek Bank believes in Swedish agriculture and forestry

Trend in agriculture and forestry

After a decade of rising prices, property prices for agricultural and forestry land levelled out in 2013. In the first quarter of this year, prices were on a par with levels in 2013, with some variations between different parts of the country. A decision is expected on the new support scheme for farmers in 2014. The final formulation could impact market values for arable land.

The markets have stabilised for dairy and arable farming. The milk price trended positively during the first quarter, which was primarily due to healthy demand in the international market. As a consequence, the European Commission has raised its forecast for milk production in the EU. According to the forecast, milk production in the EU is expected to increase 1.7 percent to a level of 146 billion kg from 23 million cows in 2104.

In the first quarter, production of pork was negatively impacted by structural issues in the domestic processing industry. However, the situation seems to be resolved for primary producers as new contracts are signed. The pork market has also been strongly impacted by the ban on European imports introduced by Russia as a result of the findings of the African swine fever in wild boar in Lithuania and Poland. The consequence for Sweden has been increased import pressure.

The forestry sector economy is improving. Exports of, not least, sawn timber have trended positively with an increase of 17 percent in 2013. Another positive signal for the forestry sector is the extensive investment being made by Södra in Värö to meet the growing global market for pulp. The investment demonstrates strong belief in the future.

A relatively mild winter meant favourable overwintering conditions and an early start to spring tillage in several loca-

tions round the country. Grain prices rose in the first quarter of 2014 due to the turbulence in Crimea. No changes in crop forecasts or grain inventories could be noted that would otherwise justify the increase.

There has been lively debate during the quarter about the competitiveness of the Swedish model. This debate could increase interest in food produced with Swedish ingredients. Conditions for public procurement have been discussed, as well as the regulations and conditions for production. International demand for foodstuffs remains stable. While the Swedish government's aim of strengthening the development of the Swedish food industry through measures including increased exports can be seen as symbolic, at the same time, it sends key signals about the importance of the industry.

Final comments

Landshypotek Bank believes in Swedish agriculture and forestry. 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. However, from a credit perspective, it is not possible to link healthy profitability or financial difficulties to any particular sector or industry and instead, this pertains to the investments and steps in development taken by individual entrepreneurs.

Contact details

Kjell Hedman, *Managing Director*
kjell.hedman@landshypotek.se

Björn Ordell, *Chief Financial Officer*
bjorn.ordell@landshypotek.se

Financial calendar 2014

Interim report, Q2	31 July
Interim report, Q3	23 October

All reports are published in Swedish and English and are available for download from www.landshypotek.se under Financial info.

Landshypotek Bank AB

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

Interim report for 1 January - 31 March 2014.

Landshypotek Bank AB (Landshypotek) is owned by Landshypotek ekonomisk förening, in which all of the Bank's loan customers are members. The Bank's assignment is to provide competitive financing to Sweden's farmers and foresters. With loans outstanding of SEK 60.9 billion, Landshypotek accounts for 27.8 percent of total lending to farmers and foresters in Sweden and is thus the market leader. Lending is characterised by adequate property collateral which, historically, has resulted in extremely low loan losses. Landshypotek has 140 employees at 19 offices throughout Sweden.

Operating profit 2014

Consolidated operating profit for the first quarter of 2014 amounted to MSEK 74.8, down MSEK 1.7 compared with the first quarter 2013 (MSEK 76.5). The decline was primarily attributable to an increase in costs of MSEK 28.0

and a rise in loan losses of MSEK 9.0. The decline in earnings was offset by a MSEK 18.0 year-on-year increase in net interest income and an increase in the net result of financial transactions of MSEK 20.2. Excluding the net result of financial transactions, operating profit amounted to MSEK 70.3 (92.1), down MSEK 21.9 year-on-year.

Net interest income

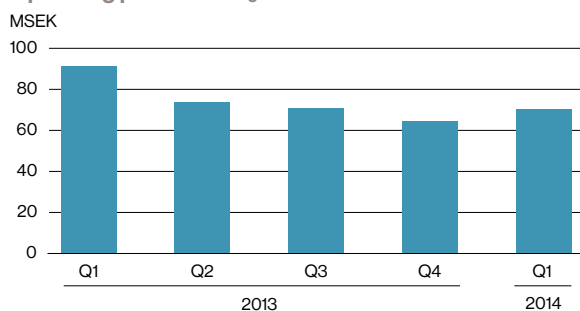
Net interest income for the first quarter of 2014 amounted to MSEK 168.9. This was an increase of 11.6 percent compared with the year-earlier period (MSEK 151.4). The amount of net interest income is determined by the volume of loans outstanding, the margin between the interest rates on borrowing and lending and the return obtained on equity.

The rise in net interest income was attributable to higher lending and increased margins between interest rates on borrowing and lending.

Operating profit 2013

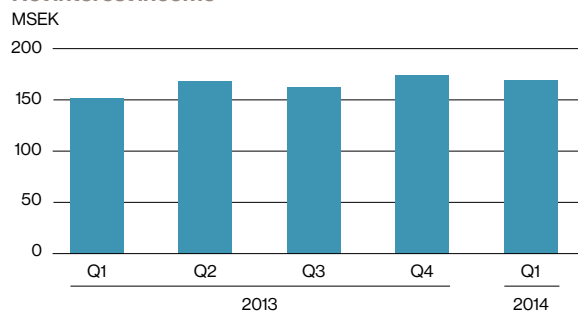
	Jan-Mar 2014	Jan-Mar 2013
Net interest income, MSEK	168.9	151.4
Other operating income, MSEK	0.6	-16.7
Of which net result of financial transactions	4.6	-15.6
Costs, MSEK	-89.0	-61.5
C/I ratio adjusted for net result of financial transactions	0.54	0.41
Net recognised loan losses, MSEK	-5.7	3.3
Loan loss level, %	0.04 %	-
Operating profit	74.8	76.5
Operating profit excluding the net result of financial transactions	70.3	92.1

Operating profit excluding the net result of financial transactions



Operating profit for the first quarter of 2014, excluding the net result of financial transactions amounted to MSEK 70.3.

Net interest income



Total net interest income is determined by the volume of loans outstanding, the margin between the interest rates on borrowing and lending and the return obtained on equity.

Other operating income

Other operating income amounted to MSEK 0.6 for the period. The fees of MSEK 7.2 payable to the stabilisation fund and deposit insurance, the profit of MSEK 4.6 from the net result of financial transactions, net commission income (excluding the stabilisation fund and deposit insurance) of MSEK 2.8 and income from property including capital gains from the sale of property of MSEK 0.4 were recognised under other operating income.

Other operating income was up MSEK 17.3 compared with the first quarter of 2013 (loss: 16.7). The increase was primarily due to an improvement of MSEK 20.2 in the net result of financial transactions to MSEK 4.6 (loss: 15.6). The profit of MSEK 4.6 comprised an unrealised profit of MSEK 11.6 and a realised loss of MSEK 7.0. The net result of financial transactions included realised results from the purchase and sale of financial instruments, as well as the result from the buyback of bonds. In addition, this item includes the result from the revaluation of financial instruments. To gain an understanding of the total effect of market valuations, the remeasurements recognised directly in equity via other comprehensive income must also be taken into account. Remeasurements in equity amounted to MSEK 0.4 (pos: 0.4) in the first quarter of 2014.

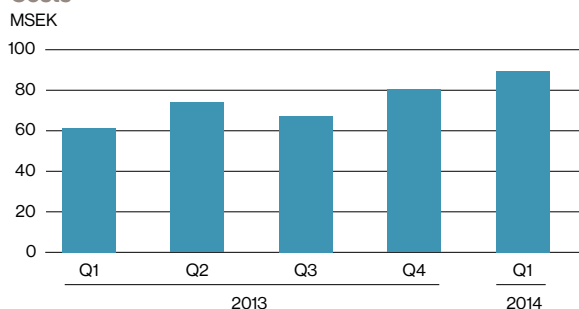
Costs

Costs for the first quarter amounted to MSEK 89.0 (61.5). The increase in costs of MSEK 27.5 was according to plan and primarily linked to the opening of the digital savings bank. Continued strengthening of personnel means increased personnel costs.

Loan losses and doubtful credits

Net loan losses for the first quarter of the year amounted to MSEK 5.7 (pos: 3.3). Realised losses totalled MSEK 5.0 (8.1). Provisions for probable loan losses amounted to MSEK 12.5 (5.3). Reversals of previous provisions for realised losses in these accounts totalled MSEK 4.4 (6.4).

Costs



Costs for the first quarter of 2014 amounted to MSEK 89.0, an increase of MSEK 9.2 or approximately 11 percent year-on-year.

Recoveries of previously realised losses and reversals of previous provisions for probable loan losses that are no longer required, amounted to MSEK 7.4 (10.2).

At 31 March 2014, net doubtful credits after provisions amounted to MSEK 163.2, corresponding to 0.27 percent of loans outstanding. The percentage of doubtful credits has declined slightly compared with the last quarter. At 31 March 2013, doubtful credits amounted to MSEK 74.4, corresponding to 0.13 percent of loans outstanding.

Realised loan losses were lower year-on-year, but the provision for probable loan losses increased. The increase in the provision for probable loan losses was attributable to a few individual commitments. From a portfolio perspective, loan losses remain at a low level. In individual cases, liquidity has been under pressure, which negatively impacts the repayment capacity of these customers.

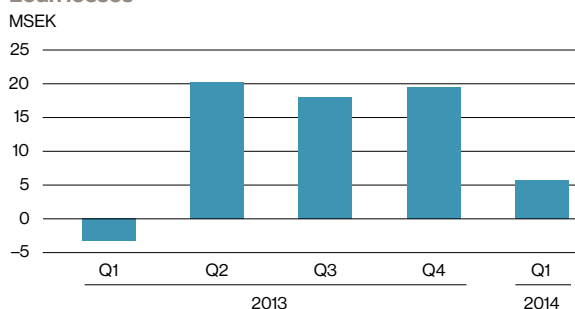
Comparison with the fourth quarter of 2013

Compared with the fourth quarter of 2013, operating profit for the first quarter of 2014 rose MSEK 59.8. Excluding the net result of financial transactions, operating profit for the first quarter amounted to MSEK 70.3, up MSEK 5.4 compared with the fourth quarter of 2013. The increase in profit in the first quarter was primarily attributable to higher net commission income and lower loan losses but was offset by lower net interest income and higher costs.

Landshypotek's development

In the first quarter of 2014, Landshypotek's lending increased SEK 0.1 billion. The increase corresponded to lending growth of 0.1 percent, compared with 0.9 percent in the first quarter of 2013.

Loan losses



At 31 March, loan losses totalled MSEK 5.7, which corresponded to 0.04 percent of lending.

Demand for credit from Sweden's farmers and foresters eased off noticeably from record levels. The annualised growth for 2014 is estimated at about 3 percent, considerably lower than the record levels until 2010. The amortization requirement has also increased and the amortization ceiling raised. The primary driver for demand is property transactions occurring in the agriculture and forestry sectors.

At 31 March 2014, Landshypotek's deposits amounted to MSEK 2,876 (1,521).

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

Funding

Borrowing

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

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

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

Investor relations are of major importance as part of ensuring that investors' levels of awareness and interest are maintained in Landshypotek. During the year, Landshypotek issued covered bonds to a value of approximately SEK 1.9 billion. In addition, senior bonds were issued to a value of approximately SEK 4.8 billion. During the same

period, bonds have matured and been repurchased to a value of approximately SEK 6.4 billion, of which SEK 3.6 billion pertained to covered bonds.

In general, the finance market for Nordic banks functioned smoothly in 2014. Landshypotek has been very successful in its financing activities and demand for Landshypotek's bonds has been favourable.

Liquidity

Landshypotek has a substantial liquidity portfolio of interest-bearing securities, valued at SEK 15.7 billion at 31 March 2014. The portfolio primarily comprises Swedish covered bonds with the highest credit rating and, to a minor extent, bonds issued by Swedish municipalities. Securities can be sold or borrowed against, as required, to manage the financing of maturing debt. At 31 March, the liquidity portfolio was 3:1 (2.0) times larger than refinancing requirements in the next six months.

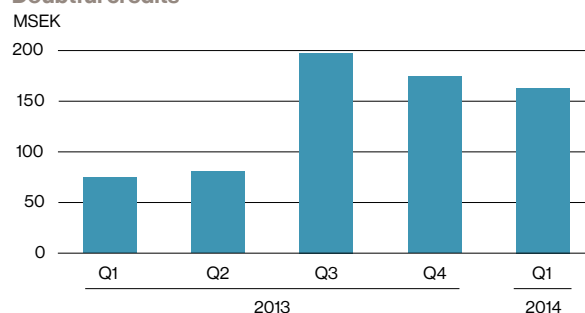
Rating

Landshypotek has credit ratings from two different rating agencies, Standard & Poor's and Fitch. Standard & Poor's confirmed the AAA rating for covered bonds in 2014 and A, A-1 with negative outlook for the company during 2013. In 2013, Fitch confirmed the company's credit rating of A+, F1 with a stable outlook for the company.

Rating

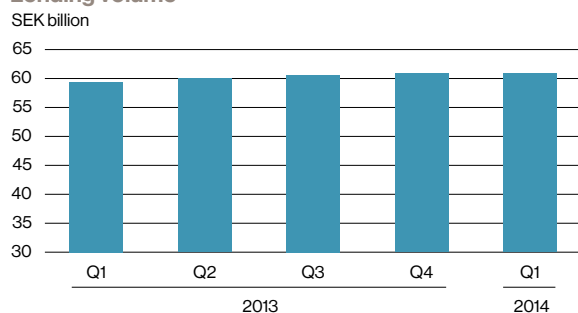
	Long	Short
S&P covered bonds	AAA	
S&P	A	A-1, K1
Fitch	A+	F1

Doubtful credits



At 31 March 2014, doubtful credits totalled MSEK 163.2.

Lending volume



During the quarter, Landshypotek's lending increased 0.1 percent to SEK 60.9 billion.

Programme

MSEK	Issued 31-03-2014	Limit	Issued 31-12-2012
Swedish commercial paper	3,340	10,000	3,020
MTN programme	44,726	60,000	45,872
EMTN programme	16,806	31,204*	15,244
RCB**	3,120		3,306
Subordinated loans	700		700

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

Risk management

The risks on which Landshypotek actively focuses its efforts are classified in the risk categories of credit risk, liquidity risk, market risk and operational risks. On a high level the Board of Directors establishes how Landshypotek's risks are to be measured, reported and limited.

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

Landshypotek's operations are naturally exposed to liquidity risk. As part of managing this exposure, among other measures, Landshypotek maintains a substantial liquidity reserve and strives to diversify funding through deposits.

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

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

Capital adequacy

At 31 March 2014, the capital adequacy amounted to 27.6 percent without taking into account the transitional rules linked to Basel I. The capital base was MSEK 4,785 and the capital requirement was MSEK 1,388. Capital adequacy amounted to 10.0 percent according to the transitional rules (regulatory requirement).

On 1 January 2014, the new European capital adequacy rules entered force in Sweden. The objective of these rules is to implement parts of the international Basel III rules, which aim to strengthen the financial system through actions including raised capital requirements. The transitional rule related to the Basel I rules that has applied since 2007 has been extended and will apply, at least, until the end of 2017, with no possibility of an exception from the Swedish Financial Supervisory Authority. This means that Landshypotek has a capital base that corresponds to the highest of the Swedish implementation of the Basel III rules and the transitional rule related to the Basel I rules.

In relation to the Swedish implementation of the Basel II rules, in other words, those rules that applied in Sweden in 2013 excluding the transitional Basel I rule, the capital requirement for Landshypotek has been raised. The most substantial impact on the capital requirement stems for the floor for loss given defaults (LGD) for Landshypotek's exposures calculated in line with the internal rating-based (IRB) approach for credit risk. Another change that significantly impacts the total capital requirement is the capital requirement for credit valuation adjustment (CVA) risk, which is applied to Landshypotek's derivative and repo exposures.

However, actual capital requirements for Landshypotek have not changed due to the new regulations. Due to the high risk weighting under the Basel I rules for loans with collateral in agricultural and forest properties, the transitional rule under Basel I continues to set the highest capital requirement for Landshypotek. The adopted EU directive that regulates items including the size of the capital adequacy buffer are not expected to be implemented in Sweden before 1 July 2014. Even following this implementation, the transitional rule under the Basel I requirement is expected to set the highest capital requirement for Landshypotek.

Own funds requirement for credit risk, by approach and exposure class

SEK	Consolidated situation* 31 March 2014	
	Exposure value	Own funds requirements
Internal ratings based Approach (IRB)	58,591,316,881	827,419,090
Retail - Secured by real estate	58,459,588,270	816,880,801
Other non credit-obligation assets	131,728,611	10,538,289
Standardised approach (SA)	22,767,957,192	429,388,178
Central governments or central banks	731,138,575	-
Regional governments or local authorities	4,492,805,136	-
Institutions	2,242,990,477	64,956,036
Corporates	238,027,211	18,555,706
Retail	178,313,998	8,659,449
Secured by mortgages on immovable property	3,348,397,433	241,222,395
Exposures in default	34,428,367	3,979,744
Covered bonds	11,501,855,996	92,014,848
Other items	-	-
Operational risk		93,034,500
Credit valuation adjustment risk		38,331,418
Total	81,359,274,073	1,388,173,186

* Consolidated situation includes Landshypotek ekonomisk förening and the Landshypotek Bank AB Group.

Capital adequacy analysis

SEK	Consolidated situation* 31 March 2014
Own funds	4,785,355,461
Tier 1 capital	4,085,403,621
Common equity tier 1 (CET1) capital	4,085,403,621
Capital instruments eligible as CET1 Capital	1,288,089,882
Retained earnings	3,072,327,770
Accumulated other comprehensive income	-27,181,612
Adjustments to CET1 due to prudential filters	38,044,587
(-) Other intangible assets	-44,491,275
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-13,768,647
(-) IRB shortfall of credit risk adjustments to expected losses	-218,106,084
(-) Defined benefit pension fund assets	-9,511,000
Tier 2 capital	699,951,840
Capital instruments and subordinated loans eligible as T2 Capital	699,951,840
Total own funds requirements, SEK thousand	1,388,173,186
CET1 capital ratio Basel 3 (%)	23.54
Tier 1 capital ratio, Basel 3 (%)	23.54
Total capital adequacy ratio, Basel 3 (%)	27.58
Capital quotient, Basel 3	3.45
Capital adequacy Basel 3 according to transitional rules Basel 1	
Own funds fully adjusted for Basel I floor, SEK thousand	5,003,461,545
Total own funds requirements, SEK thousand	1,388,173,186
Complement during transitional period, SEK thousand	2,631,966,489
Total own funds requirement including complement	4,020,139,675
Total capital adequacy ratio, fully adjusted for Basel I floor (%)	9.96
Capital quotient, fully adjusted for Basel I floor	1.24

* Consolidated situation includes Landshypotek ekonomisk förening and the Landshypotek Bank AB Group.

Group structure

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

Landshypotek Bank AB is the Parent Company of the sub-group. More than 90 percent of business activities in the sub-group are conducted in Landshypotek Bank AB. Other companies in the sub-group are Landshypotek Jordbrukskredit AB, which is 100-percent owned by Landshypotek Bank AB.

Events after the end of the period

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

Stockholm, 24 April 2014

Kjell Hedman,
Managing Director

Accounting policies

This Report encompasses the Group comprising Landshypotek Bank AB and the subsidiary Landshypotek Jordbrukskredit AB. In addition, Landshypotek Bank AB is reported separately. Amounts in parentheses refer to the corresponding period in the preceding year.

This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting. Accounting policies, calculation methods and risk management are unchanged compared to those applied in the most recent Annual Report (see www.landshypotek.se, Financial info).

This Interim report has not been subject to review by the company's auditors.

Income statement

Landshypotek Bank AB Group, SEK Thousand	Note	2014 Q1	2013 Q1	2013 Q4	2014 Jan-Mar	2013 Full year
Interest income		531,347	580,963	571,119	531,347	2,293,800
Interest expense		-362,433	-429,540	-396,682	-362,433	-1,637,336
Net interest income	1	168,914	151,423	174,437	168,914	656,464
Commission income		3,125	3,958	2,935	3,125	14,708
Commission expense		-7,563	-6,448	-13,251	-7,563	-34,533
Net result of financial transactions		4,578	-15,577	-49,849	4,578	-35,186
Other operating income		455	1,401	546	455	2,901
Total operating income		169,509	134,756	114,819	169,509	604,355
General administrative expenses		-78,587	-55,292	-72,139	-78,587	-251,599
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-3,677	-783	-3,409	-3,677	-10,531
Other operating expenses		-6,714	-5,423	-4,754	-6,714	-21,009
Total expenses before loan losses		-88,978	-61,498	-80,301	-88,978	-283,138
Profit before loan losses		80,532	73,259	34,517	80,532	321,216
Loan losses, net	2	-5,700	3,286	-19,526	-5,700	-54,378
Operating profit		74,832	76,545	14,992	74,832	266,839
Income tax for the period		-16,497	-16,851	-9,267	-16,497	-58,802
Net profit for the period		58,335	59,694	5,724	58,335	208,037

Statement of comprehensive income

Landshypotek Bank AB Group, SEK Thousand	2014 Q1	2013 Q1	2013 Q4	2014 Jan-Mar	2013 Full year
Net profit for the period	58,335	59,694	5,724	58,334	208,037
Other comprehensive income					
<i>Items to be reclassified to profit or loss</i>					
Cash-flow hedges	-8,087	13,115	-18,078	-8,087	47,783
Available-for-sale financial assets	8,442	-13,467	-1,406	8,442	-23,675
Tax on items to be reclassified	-78	77	4,287	-78	-5,304
<i>Total, items to be reclassified</i>	<i>277</i>	<i>-275</i>	<i>-15,198</i>	<i>277</i>	<i>18,804</i>
<i>Items that are not reclassified</i>					
Actuarial differences for defined-benefit pensions	-7,396	9,639	-19	-7,396	24,550
Tax items that are not reclassified	1,627	-2,121	4	1,627	-5,401
<i>Total, items that are not reclassified</i>	<i>-5,769</i>	<i>7,518</i>	<i>-15</i>	<i>-5,769</i>	<i>19,149</i>
Total other comprehensive income	-5,492	7,243	-15,213	-5,492	37,953
Comprehensive income for the period	52,844	66,937	-9,488	52,843	245,990

Income statement

Landshypotek Bank AB Parent Company, SEK Thousand	Note	2014 Q1	2013 Q1	2013 Q4	2014 Jan-Mar	2013 Full year
Interest income		527,402	577,242	566,147	527,402	2,274,821
Interest expense		-362,366	-429,648	-395,901	-362,366	-1,636,725
Net interest income	1	165,036	147,594	170,246	165,036	638,096
Commission income		2,554	3,562	2,419	2,554	12,841
Commission expense		-7,563	-6,448	-13,251	-7,563	-34,533
Net result of financial transactions		4,578	-15,577	-49,849	4,578	-35,186
Other operating income		447	1,398	545	447	2,897
Total operating income		165,052	130,529	110,110	165,052	584,115
General administrative expenses		-79,665	-56,539	-76,961	-79,665	-260,839
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-3,677	-783	-3,409	-3,677	-10,531
Other operating expenses		-6,711	-5,420	-4,752	-6,711	-20,997
Total expenses before loan losses		-90,053	-62,742	-85,121	-90,053	-292,366
Profit before loan losses		74,999	67,787	24,989	74,999	291,749
Loan losses, net	2	-4,604	3,451	-6,843	-4,604	-40,136
Operating profit		70,395	71,238	18,145	70,395	251,612
Income tax for the period		-15,521	-15,683	-3,587	-15,521	-55,458
Net profit for the period		54,874	55,555	14,558	54,874	196,154

Statement of comprehensive income

Landshypotek Bank AB Parent Company, SEK Thousand	2014 Q1	2013 Q1	2013 Q4	2014 Jan-Mar	2013 Full year
Net profit for the period	54,874	55,555	14,558	54,874	196,154
Other comprehensive income					
<i>Items to be reclassified to profit or loss</i>					
Cash-flow hedges	-8,087	13,115	-18,078	-8,087	47,783
Available-for-sale financial assets	8,442	-13,467	-1,406	8,442	-23,675
Income tax related to other comprehensive income	-78	77	4,287	-78	-5,304
<i>Total, items to be reclassified</i>	<i>277</i>	<i>-275</i>	<i>-15,198</i>	<i>277</i>	<i>18,805</i>
Total other comprehensive income	277	-275	-15,198	277	18,805
Comprehensive income for the period	55,151	55,280	-640	55,151	214,958

Balance Sheet

Landshypotek Bank AB SEK Thousand	Note	Group			Parent Company		
		2014 31 Mar	2013 31 Dec	2013 31 Mar	2014 31 Mar	2013 31 Dec	2013 31 Mar
ASSETS							
Cash and balances with central banks		698,619	431,893	31,424	698,619	431,893	31,424
Loans to credit institutions		258,036	261,877	810,251	315,755	300,960	766,633
Loans to the public	3	60,940,160	60,862,144	59,411,073	60,617,174	60,559,679	59,133,653
Value changes of interest-rate-risk hedged items in macro hedges		37,629	23,535	-	37,629	23,535	-
Bonds and other interest-bearing securities		15,730,737	15,071,982	14,677,978	15,730,737	15,071,982	14,677,978
Derivatives		799,846	581,226	629,435	799,846	581,226	629,435
Shares and participations		-	-	1	-	-	1
Shares in Group companies					280,753	280,753	280,753
Intangible non-current assets		44,491	44,590	36,728	44,491	44,590	36,728
Tangible assets							
Furniture, fixtures and equipment		5,931	6,124	5,509	5,931	6,124	5,509
Buildings and land		12,809	12,949	12,928	12,809	12,949	12,928
Other assets		19,181	8,928	4,378	18,982	8,717	71,203
Current tax assets		27,410	32,145	47,918	24,752	29,605	43,664
Deferred tax assets		13,769	10,351	22,778	10,903	9,112	16,704
Prepaid expenses and accrued income		751,588	625,284	929,086	748,155	622,149	924,810
TOTAL ASSETS	4,5,6	79,340,207	77,973,028	76,619,487	79,346,536	77,983,273	76,631,423
LIABILITIES, PROVISIONS AND EQUITY							
Liabilities to credit institutions		296,488	256,890	837,186	296,553	256,890	841,186
Borrowing from the public		2,875,535	2,147,007	1,521,419	2,875,535	2,147,007	1,521,419
Debt securities in issue, etc.		69,162,725	68,421,543	67,032,389	69,162,725	68,421,543	67,032,389
Derivatives		1,008,207	1,222,034	1,375,846	1,008,207	1,222,034	1,375,846
Other liabilities		184,146	193,002	27,120	183,744	192,641	27,321
Accrued expenses and deferred income		869,779	904,347	1,031,522	869,779	904,346	1,031,523
Provisions		14,004	7,755	31,090	2,389	2,389	3,477
Subordinated liabilities		699,952	699,921	699,952	699,952	699,921	699,952
Total liabilities		75,110,835	73,852,499	72,556,524	75,098,882	73,846,771	72,533,113
Equity		4,229,372	4,120,529	4,062,963	4,247,654	4,136,502	4,098,310
TOTAL LIABILITIES, PROVISIONS AND EQUITY	4,5,6	79,340,207	77,973,028	76,619,487	79,346,536	77,983,273	76,631,423

Cash-flow statement

Landshypotek Bank AB, SEK Thousand	Group			Parent Company		
	2014 Jan-Mar	2013 Jan-Mar	2013 Full year	2014 Jan-Mar	2013 Jan-Mar	2013 Full year
Opening cash and cash equivalents	693,766	125,130	125,130	732,853	117,268	117,268
Cash flow from operating activities	210,135	-19,468	545,343	228,767	-55,220	592,292
Cash flow from investing activities	-3,246	820	-17,424	-3,246	820	-17,424
Cash flow from financing activities	56,000	40,718	40,718	56,000	40,718	40,718
Cash flow for the period	262,889	22,070	568,636	281,521	-13,682	615,585
Closing cash and cash equivalents	956,655	147,200	693,766	1,014,374	103,586	732,853

Statement of Changes in Equity

Landshypotek Bank AB Group SEK Thousand	Share capital	Other contributed capital	Hedging reserve	Fair value reserve	Actuarial differences	Retained earnings	Total
Equity 31 December 2012	1,927,000	1,026,254	-69,008	22,745	-29,310	928,342	3,806,024
Comprehensive income for the period			10,230	-10,504	7,518	59,694	66,937
Total change before transactions with owners	-	-	10,230	-10,504	7,518	59,694	66,937
New share issue in progress.	190,000						190,000
Equity 31 March 2013	2,117,000	1,026,254	-58,778	12,241	-21,792	988,036	4,062,963
Equity 31 December 2013	2,117,000	1,026,254	-31,737	4,278	-10,161	1,014,894	4,120,529
Comprehensive income for the period			-6,308	6,585	-5,769	58,334	52,843
Total change before transactions with owners	-	-	-6,308	6,585	-5,769	58,334	52,843
New share issue	56,000						56,000
Equity 31 March 2014	2,173,000	1,026,254	-38,045	10,863	-15,930	1,073,228	4,229,372

Landshypotek Bank AB Parent Company SEK Thousand	Share capital	Other contributed capital	Hedging reserve	Fair value reserve	Actuarial differences	Retained earnings	Total
Equity 31 December 2012	1,927,000	1,016,694	-69,008	22,745		955,599	3,853,029
Comprehensive income for the period			10,230	-10,504		55,555	55,280
Total change before transactions with owners	-	-	10,230	-10,504		55,555	55,280
New share issue in progress	190,000						190,000
Equity 31 March 2013	2,117,000	1,016,694	-58,778	12,241		1,011,155	4,098,310
Equity 31 December 2013	2,117,000	1,016,694	-31,737	4,278		1,030,269	4,136,502
Comprehensive income for the period			-6,308	6,585		54,874	55,151
Total change before transactions with owners	-	-	-6,308	6,585		54,874	55,151
New share issue	56,000						56,000
Equity 31 March 2014	2,173,000	1,016,694	-38,045	10,863		1,085,143	4,247,654

Notes

Note 1 Net interest income

Landshypotek Bank AB - Group SEK Thousand	2014 Q1	2013 Q1	2013 Q4	2014 Jan-Mar	2013 Full year
Interest income					
Interest income on loans to credit institutions	2,376	977	2,500	2,376	6,999
Interest income on loans to the public	462,178	507,986	492,955	462,178	2,005,595
Less interest losses	-216	-496	3,086	-216	-798
Interest income on interest-bearing securities	67,008	72,488	72,227	67,008	281,660
<i>of which interest income on financial assets at fair value through profit or loss</i>	45,469	68,524	45,412	45,469	183,489
<i>of which interest income on available-for-sale financial assets</i>	21,538	3,964	26,816	21,538	98,171
Other interest income	2	8	351	2	344
Total	531,347	580,963	571,119	531,347	2,293,800
<i>All interest income is attributable to the Swedish market.</i>					
Interest expense					
Interest expense for liabilities to Group companies	-90	-338	-	-90	-338
Interest expense for liabilities to credit institutions – other	-1,674	-2,220	-2,009	-1,674	-16,130
Interest expense for borrowing/deposits from the public	-12,872	-8,216	-10,889	-12,872	-38,087
Interest expense for interest-bearing securities	-362,400	-413,251	-395,920	-362,400	-1,600,600
<i>of which interest expense for other financial liabilities in fair value hedges adjusted for the fair value of hedged risk</i>	-129,635	-152,198	-47,700	-129,635	-485,249
<i>of which interest expense on interest-bearing securities at amortised cost</i>	-232,765	-261,053	-348,221	-232,765	-1,115,351
Interest expense for subordinated liabilities	-8,602	-8,957	-8,834	-8,602	-35,470
Interest expense for derivative instruments	23,381	3,441	22,104	23,381	55,474
<i>of which interest expense on derivatives at fair value through profit or loss</i>	21,632	-6,209	-10,673	21,632	-135,247
<i>of which interest expense on derivatives identified as hedging instruments</i>	1,749	9,650	32,777	1,749	190,721
Other interest expense	-176	-	-1,134	-176	-2,185
Total	-362,434	-429,540	-396,682	-362,434	-1,637,336
Total net interest income	168,914	151,423	174,437	168,914	656,464

Landshypotek Bank AB - Parent Company SEK Thousand	2014 Q1	2013 Q1	2013 Q4	2014 Jan-Mar	2013 Full year
Interest income					
Interest income on loans to credit institutions	2,370	962	2,491	2,370	6,963
Interest income on loans to Group companies	91	193	-	91	207
Interest income on loans to the public	458,148	504,087	488,023	458,148	1,986,463
Less interest losses	-216	-496	3,087	-216	-783
Interest income on interest-bearing securities	67,008	72,488	72,227	67,008	281,660
<i>of which interest income on financial assets at fair value through profit or loss</i>	45,469	68,524	45,412	45,469	183,489
<i>of which interest income on available-for-sale financial assets</i>	21,538	3,964	26,816	21,538	98,171
Other interest income	1	8	319	1	311
Total	527,402	577,242	566,147	527,402	2,274,821
<i>All interest income is attributable to the Swedish market.</i>					
Interest expense					
Interest expense for liabilities to Group companies	-97	-446	-242	-97	-750
Interest expense for liabilities to credit institutions – other	-1,674	-2,220	-2,009	-1,674	-16,130
Interest expense for borrowing/deposits from the public	-12,872	-8,216	-10,889	-12,872	-38,087
Interest expense for interest-bearing securities	-362,400	-413,251	-395,920	-362,400	-1,600,600
<i>of which interest expense for other financial liabilities in fair value hedges adjusted for the fair value of hedged risk</i>	-129,635	-152,198	-47,700	-129,635	-485,249
<i>of which interest expense on interest-bearing securities at amortised cost</i>	-232,765	-261,053	-348,221	-232,765	-1,115,351
Interest expense for subordinated liabilities	-8,602	-8,957	-8,834	-8,602	-35,470
Interest expense for derivative instruments	23,381	3,441	22,104	23,381	55,474
<i>of which interest expense on derivatives at fair value through profit or loss</i>	21,632	-6,209	-10,673	21,632	-135,247
<i>of which interest expense on derivatives identified as hedging instruments</i>	1,749	9,650	32,777	1,749	190,721
Other interest expense	-101	-	-111	-101	-1,162
Total	-362,366	-429,648	-395,901	-362,366	-1,636,725
Total net interest income	165,036	147,594	170,246	165,036	638,096

Note 2 Loan losses net

Landshypotek Bank AB - Group SEK Thousand	2014 Q1	2013 Q1	2013 Q4	2014 Jan-Mar	2013 Full year
Year's write-off for realised losses	-4,960	-8,053	-1,063	-4,960	-27,362
Reversal of prior provisions for probable loan losses, recognised as realised losses in this period's accounts	4,352	6,446	2,669	4,352	23,948
Provision for probable loan losses	-12,511	-5,287	-35,854	-12,511	-82,356
Recovery of previously realised losses	380	261	279	380	1,382
Reversal of prior provisions no longer necessary for probable loan losses	7,040	9,919	14,747	7,040	30,515
Guarantees	-	-	-303	-	-505
Total loan losses	-5,700	3,286	-19,526	-5,700	-54,378

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

Landshypotek Bank AB - Parent Company SEK Thousand	2014 Q1	2013 Q1	2013 Q4	2014 Jan-Mar	2013 Full year
Year's write-off for realised losses	-3,846	-5,098	-1,035	-3,846	-23,341
Reversal of prior provisions for probable loan losses, recognised as realised losses in this period's accounts	3,414	3,657	1,833	3,414	20,323
Provision for probable loan losses	-10,211	-5,287	-23,503	-10,211	-67,118
Recovery of previously realised losses	379	260	278	379	1,378
Reversal of prior provisions no longer necessary for probable loan losses	5,660	9,919	15,583	5,660	28,621
Total loan losses	-4,604	3,451	-6,844	-4,604	-40,136

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

Note 3 Loans to the public

Landshypotek Bank AB SEK thousand	Group			Parent Company		
	2014 31 mar	2013 31 dec	2013 31 mar	2014 31 mar	2013 31 dec	2013 31 mar
Loan receivables	61,000,525	60,925,075	59,430,184	60,575,155	60,604,246	59,146,908
Less specific provisions for individually valued loan receivables	-60,365	-62,931	-19,111	42,019	-44,567	-13,255
Net loan receivables	60,940,160	60,862,144	59,411,073	60,617,174	60,559,679	59,133,653
Disclosures on overdue loan receivables without provisions						
Loan receivables overdue more than 90 days*	924,830	1,019,515	406,025	920,521	1,006,621	389,735
Total overdue loan receivables	924,830	1,019,515	406,025	920,521	1,006,621	389,735
* Customers receive quarterly notification of loan receivables overdue more than 90 days.						
Disclosures on doubtful credits						
Doubtful credits that are not overdue	2,297	1,024	26,455	-	-	26,455
Overdue doubtful credits	221,267	236,229	67,011	197,816	215,074	61,155
Total doubtful credits, gross	223,564	237,253	93,466	197,816	215,074	87,610
Less capital provisions made	-60,365	-62,931	-19,111	42,019	-44,567	-13,255
Total doubtful credits, net	163,199	174,322	74,355	239,835	170,507	74,355

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

Note 4 Fair-value hierarchy for financial instruments

Landshypotek Bank AB GROUP, SEK thousand	31 Mar 2014				31 Dec 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and receivables								
Loans to credit institutions		258,036		258,036		261,877		261,877
Loans to the public		59,937,823		59,937,823		59,939,674		59,939,674
Financial assets at fair value through profit or loss.								
Bonds and other interest-bearing securities	8,832,243			8,832,243	8,721,971			8,721,971
Interest-rate swaps		9,965		9,965		12,758		12,758
Cross-currency interest-rate swaps		155,604		155,604		117,838		117,838
Derivatives identified as hedging instruments								
Interest-rate swaps		584,743		584,743		411,338		411,338
Cross-currency interest-rate swaps		49,534		49,534		39,292		39,292
Available-for-sale financial assets								
Bonds and other interest-bearing securities	6,898,494	-		6,898,494	1,872,404	4,477,607		6,350,011
Total assets measured at fair value	15,730,737	60,995,705	-	76,726,442	10,594,375	65,260,384	-	75,854,759
Financial liabilities at fair value through profit or loss								
Interest-rate swaps		347,107		347,107		329,901		329,901
Cross-currency interest-rate swaps		404,853		404,853		489,356		489,356
Derivatives identified as hedging instruments								
Interest-rate swaps		191,406		191,406		186,574		186,574
Cross-currency interest-rate swaps		64,840		64,840		216,203		216,203
Other financial liabilities								
Liabilities to credit institutions		296,488		296,488		256,890		256,890
Borrowing from the public		2,875,535		2,875,535		2,147,007		2,147,007
Debt securities in issue, etc.		69,470,492		69,470,492		68,668,866		68,668,866
Subordinated liabilities		770,075		770,075		775,054		775,054
Total liabilities measured at fair value	-	74,420,796	-	74,420,796	-	73,069,851	-	73,069,851

Fair value is recognised excluding accrued interest. Accrued interest is recognised under prepaid expenses and accrued income, and accrued expenses and deferred income. Quarterly comparative figures cannot be given for all items and, therefore, comparison is made with the full year 2013.

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

Level 1

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

Level 2

The fair values of financial instruments and derivative instruments not traded on an active market are calculated using the valuation technique of discounting future cash flows. Quoted market rates for the tenor in question are used for discounting. In all cases, listed swap curves 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. Debt securities in issue are measured on the interest-rate swap curve with the addition of market-based credit spreads. Accrued interest is not included in the calculation of fair value.

Level 3

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

continued Note 4 Fair-value hierarchy for financial instruments

Landshypotek Bank AB Parent Company, SEK thousand	31 Mar 2014				31 Dec 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and receivables								
Loans to credit institutions		315,755		315,755		300,960		300,960
Loans to the public		59,591,030		59,591,030		59,623,777		59,623,777
Financial assets at fair value through profit or loss								
Bonds and other interest-bearing securities	8,832,243			8,832,243	8,721,971			8,721,971
Interest-rate swaps		9,965		9,965		12,758		12,758
Cross-currency interest-rate swaps		155,604		155,604		117,838		117,838
Derivatives identified as hedging instruments								
Interest-rate swaps		584,743		584,743		411,338		411,338
Cross-currency interest-rate swaps		49,534		49,534		39,292		39,292
Available-for-sale financial assets								
Bonds and other interest-bearing securities	6,898,494			6,898,494	1,872,404	4,477,607		6,350,011
Total assets measured at fair value	15,730,737	60,706,631	-	76,437,368	10,594,375	64,983,570	-	75,577,945
Financial liabilities at fair value through profit or loss								
Interest-rate swaps		347,107		347,107		329,901		329,901
Cross-currency interest-rate swaps		404,853		404,853		489,356		489,356
Derivatives identified as hedging instruments								
Interest-rate swaps		191,406		191,406		186,574		186,574
Cross-currency interest-rate swaps		64,840		64,840		216,203		216,203
Other financial liabilities								
Liabilities to credit institutions		296,553		296,553		256,890		256,890
Borrowing from the public		2,875,535		2,875,535		2,147,007		2,147,007
Debt securities in issue, etc.		69,470,492		69,470,492		68,668,866		68,668,866
Subordinated liabilities		770,075		770,075		775,054		775,054
Total liabilities measured at fair value	-	74,420,861	-	74,420,861	-	73,069,851	-	73,069,851

Fair value is recognised excluding accrued interest. Accrued interest is recognised under prepaid expenses and accrued income, and accrued expenses and deferred income. Quarterly comparative figures cannot be given for all items and, therefore, comparison is made with the full year 2013.

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

Level 1

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

Level 2

The fair values of financial instruments and derivative instruments not traded on an active market are calculated using the valuation technique of discounting future cash flows. Quoted market rates for the tenor in question are used for discounting. In all cases, listed swap curves 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. Debt securities in issue are measured on the interest-rate swap curve with the addition of market-based credit spreads. Accrued interest is not included in the calculation of fair value.

Level 3

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

Note 5 Fair value disclosures

Landshypotek Bank AB - Group SEK Thousand	31 Mar 2014 Carrying amount	31 Mar 2014 Fair value	31 Dec 2013 Carrying amount	31 Dec 2013 Fair value
Assets				
Cash and balances with central banks	698,619	698,619	431,893	431,893
Loans to credit institutions	258,036	258,036	261,877	261,877
Loans to the public	60,940,160	59,937,823	60,862,144	59,939,674
Bonds and other interest-bearing securities	15,730,737	15,730,737	15,071,982	15,071,982
Derivatives	799,846	799,846	581,226	581,226
Total assets	78,427,398	77,425,061	77,209,123	76,286,652
Liabilities and provisions				
Liabilities to credit institutions	296,488	296,488	256,890	256,890
Borrowing from the public	2,875,535	2,875,535	2,147,007	2,147,007
Debt securities in issue, etc.	69,162,725	69,470,492	68,421,543	68,668,866
Derivatives	1,008,207	1,008,207	1,222,034	1,222,034
Subordinated liabilities	699,952	770,075	699,921	775,054
Total liabilities	74,042,907	74,420,797	72,747,395	73,069,851

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

Landshypotek Bank AB - Parent Company SEK Thousand	31 Mar 2014 Carrying amount	31 Mar 2014 Fair value	31 Dec 2013 Carrying amount	31 Dec 2013 Fair value
Assets				
Cash and balances with central banks	698,619	698,619	431,893	431,893
Loans to credit institutions	315,755	315,755	300,960	300,960
Loans to the public	60,617,174	59,591,030	60,559,679	59,623,777
Bonds and other interest-bearing securities	15,730,737	15,730,737	15,071,982	15,071,982
Derivatives	799,846	799,846	581,226	581,226
Total assets	78,162,131	77,135,987	76,945,740	76,009,838
Liabilities and provisions				
Liabilities to credit institutions	296,553	296,553	256,890	256,890
Borrowing from the public	2,875,535	2,875,535	2,147,007	2,147,007
Debt securities in issue, etc.	69,162,725	69,470,492	68,421,543	68,668,866
Derivatives	1,008,207	1,008,207	1,222,034	1,222,034
Subordinated liabilities	699,952	770,075	699,921	775,054
Total liabilities	74,042,972	74,420,862	72,747,395	73,069,851

Fair value is recognised excluding accrued interest. Accrued interest is recognised under prepaid expenses and accrued income, and accrued expenses and deferred income. Quarterly comparative figures cannot be given for all items and, therefore, comparison is made with the full year 2013.

Note 6 Disclosures about offsetting

Landshypotek Bank AB Group and Parent Company SEK Thousand	Amount recognised in the balance sheet 31 mar 2014	Related amounts not offset in the balance sheet			Net amount 31 Mar 2014
		Financial instruments	Paid (+) Received (-) collateral - securities	Paid (+) Received (-) cash collateral	
Assets					
Derivatives, fair value	799,846	-616,692			
Derivatives, accrued interest	330,980	-233,256			
<i>Derivatives, total value including accrued interest</i>	<i>1,130,825</i>	<i>-849,949</i>		<i>-204,198</i>	<i>76,679</i>
Repurchase agreements, reverse repos	-				-
Liabilities					
Derivatives, fair value	-1,008,207	616,692			
Derivatives, accrued interest	-361,786	233,256			
<i>Derivatives, total value including accrued interest</i>	<i>-1,369,992</i>	<i>849,949</i>		<i>204,198</i>	<i>-315,846</i>
Repurchase agreements, reverse repos	-				-
Net	-239,167	0		0	-239,167

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



Landshypotek Bank