



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.

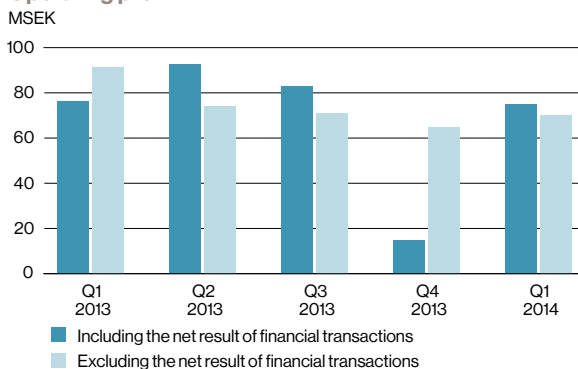
Costs totalled MSEK 89.0 (61.5)

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.

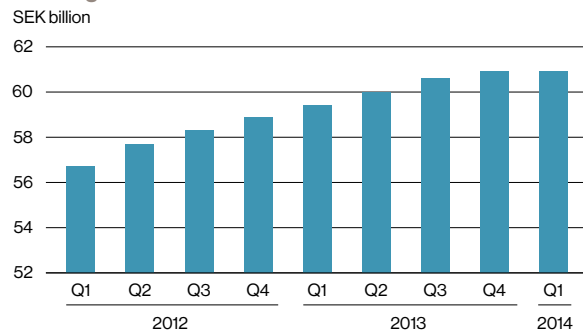
Under the new regulations, capital adequacy amounted to 27.6 percent without taking into account the transitional rules linked to Basel I

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.

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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

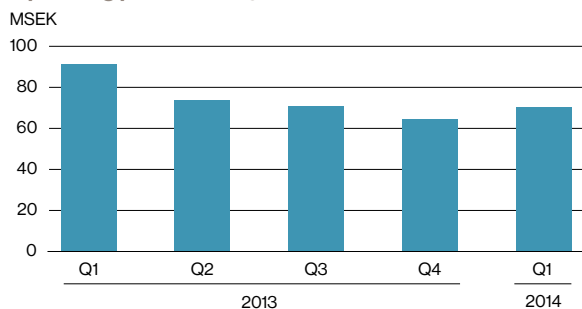
Net interest income for the first quarter of 2014 amounted to MSEK 168.9. This was an increase of 11.6 percent compared with the year-earlier period (MSEK 151.4). The amount of net interest income is determined by the volume of loans outstanding, the margin between the interest rates on borrowing and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

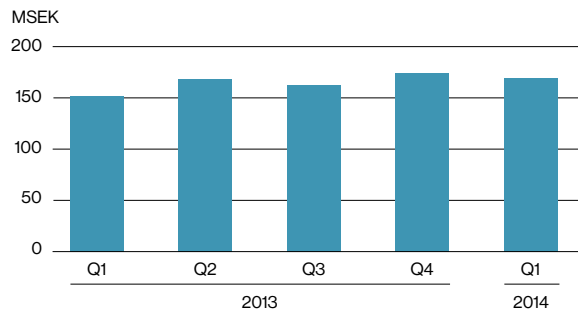
| | Jan-Mar 2014 | Jan-Mar 2013 |
|---|--------------|--------------|
| Net interest income, MSEK | 168.9 | 151.4 |
| Other operating income, MSEK | 0.6 | -16.7 |
| Of which net result of financial transactions | 4.6 | -15.6 |
| Costs, MSEK | -89.0 | -61.5 |
| C/I ratio adjusted for net result of financial 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.

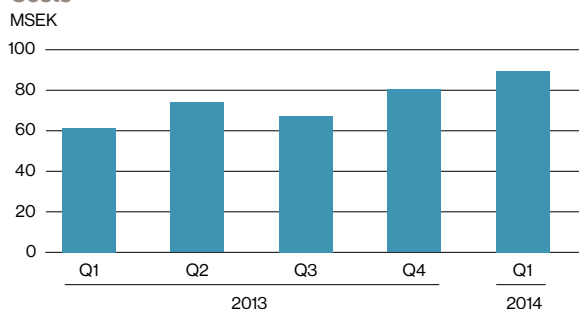
Costs

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.

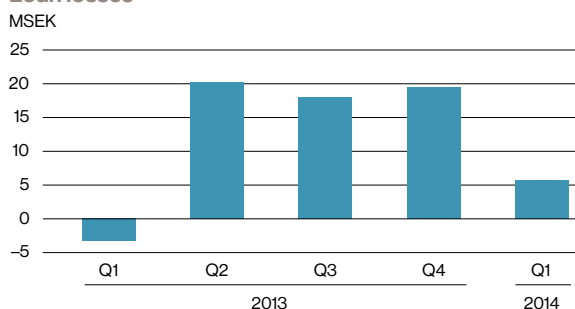
Comparison with the fourth quarter of 2013

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

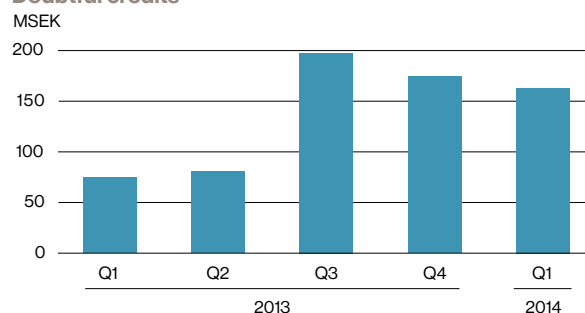
Landshypotek's ambition is to borrow funds on the best possible terms given a low risk profile. The following also applies:

- 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

Doubtful credits



At 31 March 2014, doubtful credits totalled MSEK 163.2.

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.

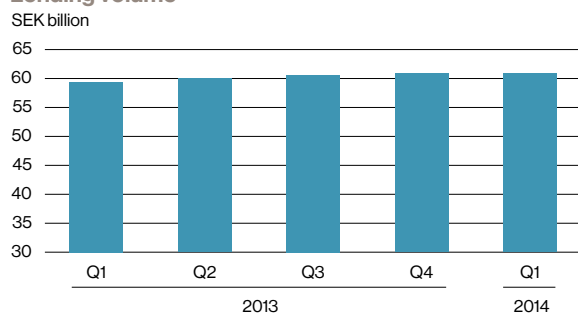
Rating

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 |

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