

Landshypotek Bank AB

Interim report 2014 #2

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

Operating profit amounted to MSEK 164.5 (169.1)

Operating income was down MSEK 4.6 compared with the first half of 2013. Underlying earnings, excluding the net result of financial transactions, was MSEK 119.3 (166.1). Net interest income increased compared with the year-earlier period, but costs and loan losses have increased.

Net interest income amounted to MSEK 352.7 (320.0)

Net interest income was up MSEK 32.7 compared with the first half of 2013. The increase is due to factors that include higher lending and lower borrowing costs.

Costs totalled MSEK 176.4 (135.4)

The cost increase is according to plan and primarily related to the investment in the new digital savings bank, as well as the reinforcement of the number of employees.

Net loan losses totalled MSEK 49.5 (loss: 16.9)

Realised loan losses amounted to MSEK 8.7 (loss: 11.7) and were thus lower year-on-year. However, provisions for probable loan losses amounted to MSEK 59.4 (loss: 28.8). Landshypotek Bank developed its work on the credit portfolio, which resulted in an earlier identification of companies with weak profitability and low liquidity.

Lending amounted to SEK 61.6 billion

In the first half of 2014, Landshypotek's lending increased 1.3 percent (1.8). Growth in the market has declined and amortisation has increased.

Deposits amounted to MSEK 3,976 (1,667)

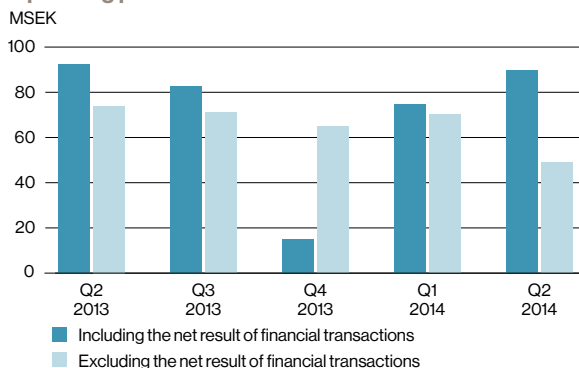
In February, Landshypotek Bank opened a new digital savings bank. Deposits increased by MSEK 1,829 during the first half of the year and by MSEK 2,309 compared with the year-earlier period.

Capital adequacy amounted to 25.5 percent without taking the transitional rules linked to Basel I into account
Capital adequacy including transitional rules (regulatory requirement) amounted to 9.6 percent. The capital base was MSEK 4,685 and the capital requirement was MSEK 1,471 the transitional rules not taken into account.

Compared with the first quarter

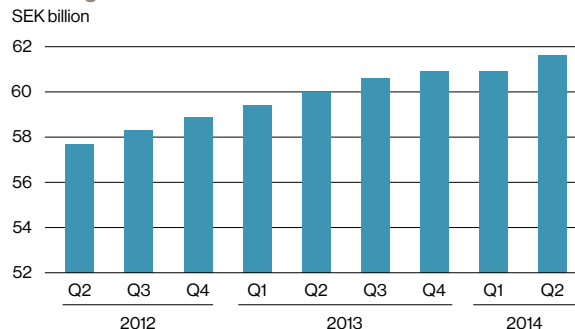
Operating profit was up MSEK 14.8 compared with the first quarter of 2014. Excluding the net result of financial transactions, operating profit declined MSEK 21.2 due to higher provisions for loan losses.

Operating profit



Operating profit for the second quarter of 2014 totalled MSEK 89.6. Operating profit excluding the net result of financial transactions was MSEK 49.0.

Lending



At 30 June 2014, Landshypotek's lending amounted to MSEK 61,631. During the quarter, lending increased 1.1 percent.

For a richer life in the country

Landshypotek Bank's assignment is to provide competitive financing and offer financial services to Swedish 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.
- Landshypotek Bank is Sweden's tenth largest bank, with nearly SEK 62 billion in loans outstanding. 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 portions of our surplus back to the members.
- 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. This year, MSEK 142 of net profit for 2013 was distributed by the ekonomisk förening. We are the farmers and foresters' own bank. For us, the development of agriculture and forestry is crucial to Sweden's future.
- Landshypotek Bank has strong local networks maintained by elected representatives who value agricultural properties and act as ambassadors for our operations.
- Landshypotek Bank systematically recruits account managers who understand financing and have backgrounds in agronomy, forestry or agrology. All as part of supporting customers' business. We understand the people behind the multitude of family businesses in the countryside.
- 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 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 a total of 19 sales offices in Sweden. 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 property 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 is owned by the approximately 45,000 members. All business operations are conducted in Landshypotek Bank and its subsidiary Landshypotek Jordbrukskredit. The cooperative society is responsible for member relations. Landshypotek ekonomisk förening consists of ten regions. The Board of each region comprises up to eight elected representatives who represent the members, act as ambassadors for Landshypotek Bank and carry out valuations. Surpluses in Landshypotek Bank are reinvested in operations and distributed to loan customers.

A broader bank and more customers

Landshypotek Bank is experiencing strong development. In the change, our starting point is in the declaration of intent that we at Landshypotek – the owners in the ekonomiska förening, the Board of Directors and members of the bank – agreed upon nearly four years ago. The declaration of intent showed the way to a bank with a broader offering and more customers.

Successively and strategically, we have built for the future

In the first step, we prepared for the onslaught of regulations and the growing capital requirements. Coping with regulations and capital requirements is a prerequisite for operating a bank today. In the second step, we modernised our systems (including the IT platforms for the business) and our payment administration connected to Dataclearing. We now have a platform to develop digital solutions and opportunities to satisfy more customers faster, easier and better. In the third step, we are now more active in the market. We have begun to accept deposits and offer savers in Sweden a competitive option. In February, we introduced our new brand.

“Development is required to become an even better bank for our customers.”

Landshypotek Bank has its core in lending to the agriculture and forestry sectors. It is a market in growth and we are in growth. The agriculture and forestry sectors demand financing for activities such as structural rationalisation, advanced enterprise and generation shifts. Landshypotek has the capital, systems and competence to meet this demand.

The change in agriculture is placing an even greater demand on farmers as entrepreneurs. We see an increase in the distribution of results between various companies in the same industry. For us as lenders, well based assessments of individual companies are required. We have successively strengthened our expertise and improved our situation analyses. We monitor our customers in an active dialogue about their enterprise and can thus identify customers with weak profitability and low liquidity. A few years ago, we introduced amortisation plans for all our customers. We represent and will continue to represent growth with sound lending.

Landshypotek Bank is also a bank for everyone who wants favourable terms for savings, and to strengthen the countryside. Our savings offering rests on the simplicity of the digital bank and an offering that targets both the mind and heart. The mind with the favourable terms and the heart with funds going to lending to develop the



countryside. The digital bank that enables our customers to quickly and easily open accounts and start saving directly online is at the leading edge in the market.

The response has been favourable. Our saving in the digital bank has grown by SEK 2 billion since February. Our total saving amounted to SEK 4 billion.

Earnings for the first half of the year also landed at a continued satisfactory level. The earnings generation is a prerequisite for development into an even better bank for our customers.

A handwritten signature in black ink, appearing to read 'Kjell Hedman', written in a cursive style.

Kjell Hedman, Managing Director

Our operating environment

Landshypotek Bank and our customers are impacted by the financial market's trends and conditions in the agriculture and forestry sectors. In general, the first half of the year was characterised by continued low interest rates and a pork debate that could be positive for the future.

Financial market trends

In the US, the central bank continues to reduce its bond purchases, but the aim is to keep interest rates low even long after bond purchases are completed. Growth in the US is favourable. However, the forecast has been reduced to 2.3 percent for 2014 following the start of the year, which was weaker than anticipated.

In Europe, economic indicators are pointing to a weak but continued recovery. The uncertain geopolitical climate had a more negative impact on the economy than in the US. The 18 Euro countries continue to face very tough financial and structural challenges. The growth forecast remains unchanged at 1.0 percent for 2014.

The European Central Bank launched a strong economic stimulus package and stated that interest rates will remain at the current low levels for a long time.

The economy in Sweden declined 0.1 percent in the first quarter compared with the fourth quarter of 2013. This corresponds to an annual growth rate of 1.9 percent. Growth is lower but the underlying trend is positive. Export grew 3 percent but the import increase was much higher due to a strong domestic demand. Investments were surprisingly positive and private consumption also remained strong during the first quarter.

The forecast for the remainder of the year shows growth between 2.5 percent and 3.0 percent primarily driven by higher growth in investments and export, as well as a strong private consumption.

The pressure on the Riksbank, Sweden's central bank, to implement interest-rate reductions has been strong. Ahead of the Riksbank's meeting in July, the market had anticipated a reduction of 0.25 percentage points. The actual reduction was 0.5 percentage points.

The trend for the Swedish economy remains somewhere between that of the US and Europe. Interest rates in the US gently declined during the second quarter. Interest rates in Europe also continue to decline, which also had a positive impact on Swedish interest rates.

The atmosphere in the Swedish credit market remains favourable but the mark-up for credit risk has not declined at the same rate as in the first quarter. As earlier, the market believes in low rates of interest over a prolonged period, which entices investors to take a higher credit risk to achieve higher returns.

Landshypotek Bank's long-term fixed-rate lending interest rates were reduced during the quarter, in line with declining market rates. The floating lending interest rates were unchanged.

Summary Landshypotek

	2014 Q2	2013 Q2	2014 Q1	2014 Jan-Jun	2013 Jan-Jun	2013 Full year
Net interest income, MSEK	183.8	168.6	168.9	352.7	320.0	656.5
Operating profit, MSEK	89.6	92.5	74.8	164.5	169.1	266.8
Profit after tax, MSEK	69.9	72.1	58.3	128.2	131.8	208.0
Loans to the public, MSEK	61,631	59,996	60,940	61,631	59,996	60,859
Increase in lending, %	1.1 %	1.0 %	0.1 %	1.3 %	1.8 %	3.0 %
Interest margin, %	1.2 %	1.1 %	1.1 %	1.2 %	1.1 %	1.1 %
Deposits from the public	3,976	1,667	2,876	3,976	1,667	2,147
Increase in deposits, %	38.3 %	9.5 %	33.9 %	85.2 %	5.5 %	35.9 %
C/I ratio	0.49	0.44	0.54	0.51	0.43	0.44
Loan loss level, %	0.29 %	0.14 %	0.04 %	0.16 %	0.06 %	0.09 %
Capital adequacy, %	25.5 %	35.2 %	27.6 %	25.5 %	35.2 %	32.0 %
Rating, long-term						
Standard & Poor's, Covered bonds	AAA	AAA	AAA	AAA	AAA	AAA
Standard & Poor's	A	A	A	A	A	A
Fitch	A+	A+	A+	A+	A+	A+
Average number of employees	140	117	138	138	117	122

Trend in agriculture and forestry

The political development in the world has a strong impact on Swedish farmers, primarily arable farming. In Sweden, a decision was made about future farm support and with parliamentary election in the EU, the production of pork in Sweden was put in focus in a manner that may be positive for the future.

Pork production continued to be pressured by import. A strong Swedish krona and the absence of export from the remainder of the EU to Russia has resulted in queues at the abattoirs in Sweden. There are now signs that Russia is once again interested in import from the EU and a price increase can thus be expected. The future of pigs in Sweden has a prominent place in the debate. This gives hope that customers will view the Swedish model with high animal care, low infection pressure, free of salmonella and low antibiotic use as positive – which should be beneficial to producers.

“Swedish pork production in focus in a manner that may be positive for the future!”

Milk production in the world continues to increase. The Swedish production increased 3 percent this year, compared with the year-earlier period. However, international prices for milk and dairy products continue to decline. Despite this, the year started well for Swedish producers. The milk price remained at a high level and profitability is relatively good. The profitability indicator of the Federation of Swedish Farmers (LRF) shows that milk less feed is nearly SEK 0.40 higher per kg energy corrected milk (ECM) compared with the year-earlier period.

In arable farming, there was pressure on prices early in the year due to the turmoil in the Ukraine and the harsh winter in the most important grain producing areas in the US. As positive forecasts were received about harvest outcome around the world, grain prices fell slightly. From several parts of Sweden, there are reports of favourable development of both grain and oil-yielding plants. As usual, the crucial aspect is the development in the final months prior to harvesting and the weather during the harvest period.

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The forest economy remains cautious but an improvement is predicted in the autumn with primarily higher demand.

Property prices remain stable for properties dominated by arable land and forest. Smaller properties were strongly impacted by the general housing market with strong local differences in prices. The market for properties with larger production buildings remain sluggish. Older facilities compete with new production with new technology, higher efficiency and lower resource utilisation. The discussion about simplified regulations, particularly in pork production, increases interest in new production rather than in investing in older facilities.

The government has decided to standardise the farm support throughout the country. The consequence will be a redistribution in the country and between individual companies. The change will be implemented during the 2015 – 2020 period and may impact both leasehold and land prices.

The competitiveness investigation has filed its progress report. The first part gives a very good overview of the conditions and development of Swedish agriculture. Emphasis was placed on the importance of market orientation in agriculture and a competitive food industry.

Final comments

The agriculture and forestry sectors operate in a growing market both in Sweden and internationally – and have thus substantial future potential. However, increasing demands are being placed on individual entrepreneurs. We see increasingly stronger differences in operating profit between companies in the same industry. Accordingly, from a credit perspective, it is not possible to link healthy profitability or financial difficulties to any particular sector or industry. Politics and market generate the prerequisites. Instead, it largely involves the investments and steps in development taken by individual entrepreneurs. Accordingly, Landshypotek Bank monitors customers in an active dialogue.

Financial calendar 2014

Interim report, Q3

23 October

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

Landshypotek Bank AB

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

Interim report for the 1 January – 30 June 2014 period.

Landshypotek Bank AB (Landshypotek) is owned by Landshypotek ekonomisk förening, in which all of the Bank's loan customers are members. The Bank's assignment is to provide competitive financing to Sweden's farmers and foresters. With loans outstanding of SEK 61.6 billion, Landshypotek accounts for 27.6 percent of total lending to farmers and foresters in Sweden and is thus the market leader. Lending is secured by property collateral which, historically, has resulted in extremely low loan losses. Landshypotek has 141 employees at 19 offices throughout Sweden.

Operating profit 2014

Consolidated operating profit for the first half of 2014 amounted to MSEK 164.5, down MSEK 4.6 compared with the year-earlier period (MSEK 169.1). The net interest income is MSEK 32.7 higher than the year-earlier period and the net result of financial transactions rose MSEK 42.2.

Costs increased by MSEK 41.0 and loan losses were MSEK 32.6 higher. Excluding the net result of financial transactions, operating profit amounted to MSEK 119.3 (166.1), down MSEK 46.8 year-on-year.

Net interest income

Net interest income for the first half of 2014 amounted to MSEK 352.7. This was an increase of 10.2 percent compared with the year-earlier period (MSEK 320.0). The amount of net interest income is determined primarily by the volume of loans outstanding and the margin between the interest rates on borrowing and lending.

The increase in net interest income was due to factors that include higher lending and lower borrowing costs.

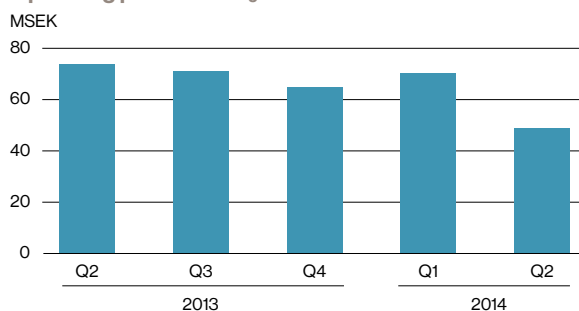
Other operating income

Other operating income amounted to MSEK 37.6 for the period. Other operating income includes the fee of MSEK 14.0 for the stabilisation fund and deposit

Operating profit

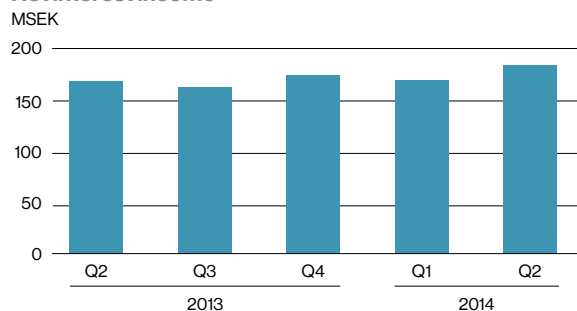
	Jan-Jun 2014	Jan-Jun 2013
Net interest income, MSEK	352.7	320.0
Other operating income, MSEK	37.6	1.4
Of which net result of financial transactions	45.2	2.9
Costs, MSEK	-176.4	-135.4
C/I ratio adjusted for net result of financial transactions	0.51	0.43
Net recognised loan losses, MSEK	-49.5	-16.9
Loan loss level, %	0.16 %	0.06 %
Operating profit	164.5	169.1
Operating profit excluding the net result of financial transactions	119.3	166.1

Operating profit excluding the net result of financial transactions



Operating profit for the second quarter of 2014, excluding net result of financial transactions, amounted to MSEK 49.0.

Net interest income



Net interest income is determined by the volume of loans outstanding, the margin between the interest rates on borrowing and lending and the return obtained on the equity invested in lending operations.

insurance, the profit of MSEK 45.2 from the net result of financial transactions, net commission income (excluding the stabilisation fund and deposit insurance) of MSEK 5.6 and income from property of MSEK 0.9.

Other operating income was up MSEK 36.3 compared with the first half of 2013 (1.4). The increase was primarily due to an improvement of MSEK 42.2 in the net result of financial transactions to MSEK 45.2 (2.9). The profit of MSEK 45.2 comprised an unrealised profit of MSEK 55.8 and a realised loss of MSEK 10.6. The net result of financial transactions included realised results from the purchase and sale of financial instruments, as well as the result from the buyback of bonds. In addition, this item includes the result from the revaluation of financial instruments. The revaluations are volatile and the results vary over time. To gain an understanding of the total effect of market valuations, the re-measurements recognised directly in equity via other comprehensive income must also be taken into account. Re-measurements in equity amounted to a negative MSEK 1.3 (pos: 41.7) in the first half of 2014.

Costs

Costs for the first half year amounted to MSEK 176.4 (135.4). The cost increase of MSEK 41.0 is according to plan and primarily related to the investment in the new digital savings bank, as well as the continued reinforcement of the number of employees.

Loan losses and doubtful credits

Net loan losses in the first half of the year totalled MSEK 49.5 (16.9). Confirmed losses totalled MSEK 8.7 (11.7). Provisions for probable loan losses amounted to MSEK 59.4 (28.8). Reversals of previous provisions for realised losses in the annual accounts totalled MSEK 8.4 (8.5). Recoveries of previously realised losses and reversals of previous provisions for probable loan losses, amounted to MSEK 10.3 (15.1).

At 30 June 2014, net doubtful credits after provisions amounted to MSEK 292.1, corresponding to 0.47 percent of loans outstanding. At 30 June 2013, doubtful credits amounted to MSEK 86.3, corresponding to 0.14 percent of loans outstanding. There is a loan provision for all doubtful credits.

Realised loan losses were somewhat lower year-on-year, but the provision for probable loan losses increased. Landshypotek Bank developed its work on the credit portfolio, which resulted in the earlier identification of companies with weak profitability and low liquidity. The provision for probable loan losses is attributable to a limited number of individual commitments. Customers with financial difficulties cannot be connected to specific industries or sectors but largely pertains to the prerequisites of the individual entrepreneur.

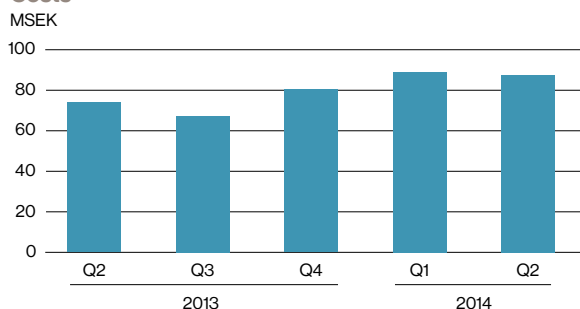
Compared with the first quarter of 2014

Compared with the first quarter, operating profit for the second quarter rose MSEK 14.8. Excluding the net result of financial transactions, operating profit for the second quarter amounted to MSEK 49.0, down MSEK 21.2 compared with the first quarter. The decline was due to an increase of MSEK 38.1 in loan losses compared with the preceding quarter, but the earnings decline was offset by an increase of MSEK 14.9 in the net interest income and a decrease of MSEK 1.5 in costs.

Landshypotek's development

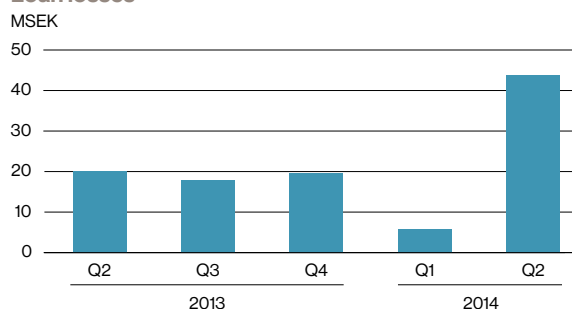
In the first half of 2014, Landshypotek's lending increased by SEK 0.8 billion. The increase corresponded to a lending growth of 1.3 percent, compared with 1.8 percent in the first half of 2013.

Costs



Costs for the second quarter of 2014 amounted to MSEK 87.4, a reduction of MSEK 1.5 or approximately 2 percent compared with the preceding quarter.

Loan losses



Loan losses totalled MSEK 43.8 for the second quarter. This corresponded to 0.29 percent of lending calculated on the full year.

Demand for credit from Sweden's farmers and foresters fell significantly from record high levels. The annual growth in the market for 2014 was estimated at about 3 percent, considerably lower than the record levels up to 2010. Amortisation requirements increased and the rate of amortisation also rose. The primary driver for demand in the market is property transactions occurring in the agriculture and forestry sectors.

At 30 June 2014, lending amounted to MSEK 3,976 (1,667), entailing an increase of 85.2 percent during the first half of 2014. The increase can be attributed to the new digital savings bank that Landshypotek Bank opened in February.

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:

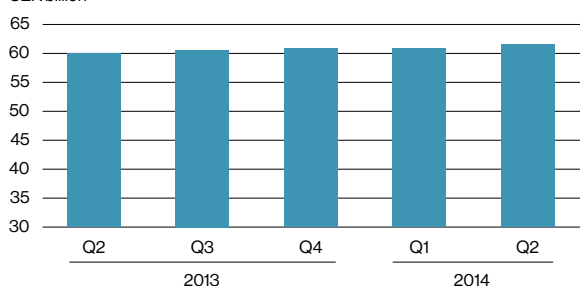
- borrowing is well diversified as regards programmes, currencies and investors
- borrowing has a tenor that corresponds well to the tenor of assets
- substantial concentrations of borrowings maturing during a short duration are avoided.

Landshypotek operates with considerable flexibility and actively raises funds via national and international bond markets, as well as striving 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 2.5 billion.

Lending volume

SEK billion



During the quarter, Landshypotek's lending increased 1.1 percent to SEK 61.6 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 7.2 billion, of which SEK 4.2 billion pertained to covered bonds.

In general, the financial 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. This was valued at SEK 16.7 billion at 30 June 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 30 June, the liquidity portfolio was 2.9 (2.4) times larger than the financing need for 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 April, the credit rating was raised to stable outlook, and was again reduced to negative outlook in July. 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

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 an overall 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

Programme

MSEK	Issued 30-06-2014	Limit	Issued 31-12-2013
Swedish commercial paper	3,570	10,000	3,020
MTN programme	44,705	60,000	45,872
EMTN programme	16,737	32,030*	15,244
RCB**	3,203		3,306
Subordinated loans	700		700

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

consequence of the management of liquidity, interest and currency risk. Landshypotek's methods for limiting credit risk including collateral requirements result in a low 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 bank management and the Board of Directors, and follows up the implementation of relevant measures. This is one of several measures to reduce operational risk.

Capital adequacy

At 30 June 2014, the capital adequacy amounted to 25.5 percent without taking into account the transitional rules linked to Basel I. The capital base was MSEK 4,685 and the capital requirement was MSEK 1,471. Capital adequacy including transitional rules (regulatory requirement) amounted to 9.6 percent.

On 1 January 2014, the EU's supervisory directive pertaining to the new European capital adequacy regulations 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 raised 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. Most of the adopted capital adequacy directive, which regulates the size of capital adequacy buffers, as well as a buffer rule that supplements the control ordinance will be implemented in Sweden on 2 August 2014. Even following this implementation, the transitional rule under the Basel I requirement is expected to set the highest capital requirement for Landshypotek.

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.

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

SEK	Consolidated situation* 30 June 2014	
	Exposure value	Own funds requirements
Internal ratings based Approach (IRB)	59,245,955	851,340
Retail - Secured by real estate	59,175,447	845,699
Other non credit-obligation assets	70,508	5,641
Standardised approach (SA)	23,784,302	447,612
Central governments or central banks	550,881	-
Regional governments or local authorities	4,236,705	-
Institutions	2,658,519	77,726
Corporates	280,375	21,860
Retail	200,068	9,645
Secured by mortgages on immovable property	3,216,555	233,523
Exposures in default	37,073	4,025
Covered bonds	12,604,126	100,833
Other items	-	-
Operational risk		93,035
Credit valuation adjustment risk		79,149
Total	83,030,258	1,471,136

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

Capital adequacy analysis

SEK	Consolidated situation* 30 June 2014
Own funds	4,685,185
Tier 1 capital	3,985,206
Common equity tier 1 (CET1) capital	3,985,206
Capital instruments eligible as CET1 Capital	1,298,160
Retained earnings	2,930,783
Accumulated other comprehensive income	-28,455
Adjustments to CET1 due to prudential filters	43,793
(-) Other intangible assets	-40,856
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-15,099
(-) IRB shortfall of credit risk adjustments to expected losses	-195,814
(-) Defined benefit pension fund assets	-7,306
Tier 2 capital	699,980
Capital instruments and subordinated loans eligible as T2 Capital	699,980
Total own funds requirements, SEK thousand	1,471,136
CET1 capital ratio Basel 3 (%)	21.67
Tier 1 capital ratio, Basel 3 (%)	21.67
Total capital adequacy ratio, Basel 3 (%)	25.48
Capital quotient, Basel 3	3.18
Capital adequacy Basel 3 according to transitional rules Basel 1	
Own funds fully adjusted for Basel I floor, SEK thousand	4,881,000
Total own funds requirements, SEK thousand	1,471,136
Complement during transitional period, SEK thousand	2,600,305
Total own funds requirement including complement	4,071,441
Total capital adequacy ratio, fully adjusted for Basel I floor (%)	9.59
Capital quotient, fully adjusted for Basel I floor	1.20

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

Events after the end of the period

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

The Managing Director hereby certifies that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and provide a fair representation of the Group's position and performance. The interim report has been prepared in accordance with generally accepted accounting principles and provides a fair representation of the Parent Company's position and performance. This interim report provides a fair view of operations in the Parent Company and the Group and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm 30 July 2014

Kjell Hedman,
Managing Director

The interim report was reviewed by the company's auditors, see page 22.

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).

Income statement

Landshypotek Bank AB Group, SEK Thousand	Note	2014 Q2	2013 Q2	2014 Q1	2014 Jan-Jun	2013 Jan-Jun	2013 Full year
Interest income		526,851	575,096	531,347	1,058,198	1,156,059	2,293,800
Interest expense		-343,017	-406,497	-362,433	-705,450	-836,037	-1,637,336
Net interest income	Note 1	183,834	168,600	168,914	352,748	320,023	656,464
Commission income		2,886	5,074	3,125	6,011	9,032	14,708
Commission expense		-6,825	-6,065	-7,563	-14,388	-12,514	-34,533
Net result of financial transactions		40,583	18,524	4,578	45,161	2,947	-35,186
Other operating income		409	510	455	864	1,911	2,901
Total operating income		220,887	186,644	169,509	390,395	321,400	604,355
General administrative expenses		-77,474	-66,542	-78,587	-156,061	-121,834	-251,599
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-4,182	-2,997	-3,677	-7,859	-3,780	-10,531
Other operating expenses		-5,793	-4,399	-6,714	-12,507	-9,822	-21,009
Total expenses before loan losses		-87,449	-73,938	-88,978	-176,427	-135,436	-283,138
Profit before loan losses		133,439	112,706	80,531	213,968	185,964	321,216
Loan losses, net	Note 2	-43,807	-20,198	-5,700	-49,507	-16,912	-54,378
Operating profit		89,632	92,508	74,831	164,461	169,052	266,839
Income tax for the period		-19,749	-20,377	-16,497	-36,246	-37,228	-58,802
Net profit for the period		69,883	72,131	58,334	128,215	131,824	208,037

Statement of comprehensive income

Landshypotek Bank AB Group, SEK Thousand	2014 Q2	2013 Q2	2014 Q1	2014 Jan-Jun	2013 Jan-Jun	2013 Full year
Net profit for the period	69,883	72,131	58,334	128,215	131,824	208,037
Other comprehensive income						
<i>Items to be reclassified to profit or loss</i>						
Cash-flow hedges	-7,369	44,476	-8,087	-15,456	57,591	47,783
Available-for-sale financial assets	5,738	-2,420	8,442	14,180	-15,887	-23,675
Tax on items to be reclassified	359	-9,252	-78	281	-9,175	-5,304
<i>Total, items to be reclassified</i>	<i>-1,272</i>	<i>32,804</i>	<i>277</i>	<i>-995</i>	<i>32,529</i>	<i>18,804</i>
<i>Items that are not reclassified</i>						
Actuarial differences for defined-benefit pensions	1,378	4,463	-7,396	-6,018	14,102	24,550
Tax on items that are not reclassified	-303	-982	1,627	1,324	-3,102	-5,401
<i>Total, items that are not reclassified</i>	<i>1,075</i>	<i>3,481</i>	<i>-5,769</i>	<i>-4,694</i>	<i>11,000</i>	<i>19,149</i>
Total other comprehensive income	-197	36,285	-5,492	-5,689	43,528	37,953
Comprehensive income for the period	69,685	108,416	52,843	122,526	175,353	245,990

Income statement

Landshypotek Bank AB Parent Company, SEK Thousand	Note	2014 Q2	2013 Q2	2014 Q1	2014 Jan-Jun	2013 Jan-Jun	2013 Full year
Interest income		522,016	570,372	527,402	1,049,418	1,147,614	2,274,821
Interest expense		-342,952	-406,516	-362,366	-705,318	-836,164	-1,636,725
Net interest income	Note 1	179,064	163,855	165,036	344,100	311,449	638,096
Commission income		2,745	4,637	2,554	5,299	8,199	12,841
Commission expense		-6,826	-6,066	-7,563	-14,389	-12,514	-34,533
Net result of financial transactions		40,583	18,524	4,578	45,161	2,947	-35,186
Other operating income		409	510	447	856	1,908	2,897
Total operating income		215,975	181,460	165,052	381,027	311,989	584,115
General administrative expenses		-78,664	-68,185	-79,665	-158,329	-124,724	-260,839
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-4,182	-2,997	-3,677	-7,859	-3,780	-10,531
Other operating expenses		-5,793	-4,395	-6,711	-12,504	-9,815	-20,997
Total expenses before loan losses		-88,639	-75,576	-90,053	-178,692	-138,318	-292,366
Profit before loan losses		127,336	105,884	74,999	202,335	173,671	291,749
Loan losses, net	Note 2	-31,606	-21,077	-4,604	-36,210	-17,626	-40,136
Operating profit		95,730	84,807	70,395	166,124	156,045	251,612
Income tax for the period		-21,091	-18,683	-15,521	-36,612	-34,366	-55,458
Net profit for the period		74,639	66,124	54,874	129,512	121,679	196,154

Statement of comprehensive income

Landshypotek Bank AB Parent Company, SEK Thousand	2014 Q2	2013 Q2	2014 Q1	2014 Jan-Jun	2013 Jan-Jun	2013 Full year
Net profit for the period	74,639	66,124	54,874	129,512	121,679	196,154
Other comprehensive income						
<i>Items to be reclassified to profit or loss</i>						
Cash-flow hedges	-7,369	44,476	-8,087	-15,456	57,591	47,783
Available-for-sale financial assets	5,738	-2,420	8,442	14,180	-15,887	-23,675
Income tax related to other comprehensive income	359	-9,252	-78	281	-9,175	-5,304
<i>Total, items to be reclassified</i>	<i>-1,272</i>	<i>32,804</i>	<i>277</i>	<i>-995</i>	<i>32,529</i>	<i>18,805</i>
Total other comprehensive income	-1,272	32,804	277	-995	32,529	18,805
Comprehensive income for the period	73,367	98,927	55,151	128,517	154,207	214,958

Balance Sheet

Landshypotek Bank AB SEK Thousand	Group				Parent Company			
	2014 30 Jun	2014 31 Mar	2013 31 Dec	2013 30 Jun	2014 30 Jun	2014 31 Mar	2013 31 Dec	2013 30 Jun
ASSETS								
Cash and balances with central banks	524,794	698,619	431,893	34,627	524,794	698,619	431,893	34,627
Loans to credit institutions	69,109	258,036	261,877	284,165	188,291	315,755	300,960	277,293
Loans to the public Note 3	61,631,108	60,940,160	60,858,912	59,995,686	61,253,045	60,617,174	60,556,555	59,625,177
Value changes of interest-rate-risk hedged items in macro hedges	56,809	37,629	23,535	-	56,809	37,629	23,535	-
Bonds and other interest-bearing securities	16,693,873	15,730,737	15,071,982	13,412,665	16,693,873	15,730,737	15,071,982	13,412,665
Derivatives	1,207,937	799,846	581,226	633,248	1,207,937	799,846	581,226	633,248
Shares and participations		-	-	1		-	-	1
Shares in Group companies					280,753	280,753	280,753	280,753
Intangible non-current assets	40,856	44,491	44,590	40,106	40,856	44,491	44,590	40,106
Tangible assets								
Furniture, fixtures and equipment	5,734	5,931	6,124	5,899	5,734	5,931	6,124	5,899
Buildings and land	12,670	12,809	12,949	13,227	12,670	12,809	12,949	13,227
Other assets	1,233	19,181	8,928	161,115	3,607	18,982	8,717	284,908
Current tax assets	20,019	27,410	32,145	42,062	14,924	24,752	29,605	38,038
Deferred tax assets	15,099	13,769	10,351	11,654	12,537	10,903	9,112	6,931
Prepaid expenses and accrued income	795,024	751,588	628,517	1,195,709	791,087	748,155	625,273	1,189,643
TOTAL ASSETS Note 4,5,6	81,074,265	79,340,207	77,973,028	75,830,164	81,086,916	79,346,536	77,983,273	75,842,516
LIABILITIES, PROVISIONS AND EQUITY								
Liabilities to credit institutions	364,921	296,488	256,890	1,747,127	364,996	296,553	256,890	1,753,127
Borrowing from the public	3,975,705	2,875,535	2,147,007	1,666,512	3,975,705	2,875,535	2,147,007	1,666,512
Debt securities in issue, etc.	69,667,122	69,162,725	68,421,543	65,656,454	69,667,122	69,162,725	68,421,543	65,656,455
Derivatives	1,177,157	1,008,207	1,222,034	909,353	1,177,157	1,008,207	1,222,034	909,353
Other liabilities	39,740	184,146	193,002	42,089	39,459	183,744	192,641	44,050
Accrued expenses and deferred income	839,089	869,779	904,347	912,326	839,089	869,779	904,346	912,326
Provisions	11,496	14,004	7,755	24,947	2,389	2,389	2,389	3,477
Subordinated liabilities	699,980	699,952	699,921	699,980	699,980	699,952	699,921	699,980
Total liabilities	76,775,210	75,110,835	73,852,499	71,658,788	76,765,897	75,098,882	73,846,771	71,645,280
Equity	4,299,054	4,229,372	4,120,529	4,171,377	4,321,019	4,247,654	4,136,502	4,197,236
TOTAL LIABILITIES, PROVISIONS AND EQUITY Note 4,5,6	81,074,265	79,340,207	77,973,028	75,830,164	81,086,916	79,346,536	77,983,273	75,842,516

Cash-flow statement

Landshypotek Bank AB, TSEK	Group			Parent Company		
	2014 Jan-Jun	2013 Jan-Jun	2013 Full year	2014 Jan-Jun	2013 Jan-Jun	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	3,344	159,184	545,343	-41,563	160,177	592,292
Cash flow from investing activities	-3,456	-6,243	-17,424	-3,456	-6,243	-17,424
Cash flow from financing activities	-99,750	40,718	40,718	-99,750	40,718	40,718
Cash flow for the period	-99,862	193,659	568,636	-144,769	194,652	615,585
Closing cash and cash equivalents	593,904	318,789	693,766	588,084	311,920	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			44,922	-12,392	11,000	131,824	175,353
Total change before transactions with owners	-	-	44,922	-12,392	11,000	131,824	175,353
New share issue	190,000						190,000
Equity 30 June 2013	2,117,000	1,026,254	-24,086	10,353	-18,310	1,060,166	4,171,377
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			-12,055	11,060	-4,694	128,215	122,526
Total change before transactions with owners	-	-	-12,055	11,060	-4,694	128,215	122,526
New share issue	56,000						56,000
Equity 30 June 2014	2,173,000	1,026,254	-43,792	15,338	-14,855	1,143,109	4,299,054

Landshypotek Bank AB Parent Company SEK Thousand	Share capital	Other contributed capital	Hedging reserve	Fair value reserve		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			44,922	-12,392		121,679	154,207
Total change before transactions with owners	-	-	44,922	-12,392		121,679	154,207
New share issue	190,000						190,000
Equity 30 June 2013	2,117,000	1,016,694	-24,086	10,353		1,077,279	4,197,236
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			-12,055	11,060		129,512	128,517
Total change before transactions with owners	-	-	-12,055	11,060		129,512	128,517
New share issue	56,000						56,000
Equity 30 June 2014	2,173,000	1,016,694	-43,792	15,338		1,159,781	4,321,019

Notes

Note 1 Net interest income

Landshypotek Bank AB - Group SEK Thousand	2014 Q2	2013 Q2	2014 Q1	2014 Jan-Jun	2013 Jan-Jun	2013 Full year
Interest income						
Interest income on loans to credit institutions	2,669	1,128	2,376	5,045	2,105	6,999
Interest income on loans to the public	456,265	504,225	462,178	918,443	1,012,212	2,005,595
Less interest losses	-149	-53	-216	-365	-549	-798
Interest income on interest-bearing securities	68,064	69,816	67,008	135,072	142,304	281,660
of which interest income on financial assets at fair value through profit or loss	47,288	26,178	45,469	92,757	94,702	183,489
of which interest income on available-for-sale financial assets	20,776	43,637	21,538	42,315	47,601	98,171
Other interest income	1	-20	2	3	-12	344
Total	526,851	575,096	531,347	1,058,198	1,156,059	2,293,800
<i>All interest income is attributable to the Swedish market.</i>						
Interest expense						
Interest expense for liabilities to Group companies	-68	-	-90	-158	-338	-338
Interest expense for liabilities to credit institutions – other	-2,479	-7,832	-1,674	-4,153	-10,052	-16,130
Interest expense for borrowing/deposits from the public	-18,109	-8,976	-12,872	-30,981	-17,192	-38,087
Interest expense for interest-bearing securities	-350,625	-397,197	-362,400	-713,025	-810,448	-1,600,600
of which interest expense for other financial liabilities in fair value hedges adjusted for the fair value of hedged risk	-108,681	-128,471	-129,635	-238,316	-280,669	-485,249
of which interest expense on interest-bearing securities at amortised cost	-241,944	-268,726	-232,765	-474,709	-529,779	-1,115,351
Interest expense for subordinated liabilities	-8,534	-8,853	-8,602	-17,136	-17,810	-35,470
Interest expense for derivative instruments	36,870	16,382	23,381	60,251	19,823	55,474
of which interest expense on derivatives at fair value through profit or loss	-42,605	-9,915	21,632	-20,973	-16,125	-135,247
of which interest expense on derivatives identified as hedging instruments	79,475	26,298	1,749	81,224	35,948	190,721
Other interest expense	-73	-20	-175	-248	-20	-2,185
Total	-343,017	-406,497	-362,433	-705,450	-836,037	-1,637,336
Total net interest income	183,834	168,600	168,914	352,748	320,023	656,464

Landshypotek Bank AB - Parent Company SEK Thousand	2014 Q2	2013 Q2	2014 Q1	2014 Jan-Jun	2013 Jan-Jun	2013 Full year
Interest income						
Interest income on loans to credit institutions	2,665	1,122	2,370	5,035	2,084	6,963
Interest income on loans to Group companies	31	14	91	122	207	207
Interest income on loans to the public	451,403	499,479	458,148	909,551	1,003,566	1,986,463
Less interest losses	-148	-39	-216	-364	-535	-783
Interest income on interest-bearing securities	68,064	69,816	67,008	135,072	142,304	281,660
of which interest income on financial assets at fair value through profit or loss	47,288	26,178	45,469	92,757	94,702	183,489
of which interest income on available-for-sale financial assets	20,776	43,637	21,538	42,315	47,601	98,171
Other interest income	2	-21	1	3	-13	311
Total	522,016	570,372	527,402	1,049,418	1,147,614	2,274,821
<i>All interest income is attributable to the Swedish market.</i>						
Interest expense						
Interest expense for liabilities to Group companies	-76	-20	-97	-173	-466	-750
Interest expense for liabilities to credit institutions – other	-2,479	-7,832	-1,674	-4,153	-10,052	-16,130
Interest expense for borrowing/deposits from the public	-18,109	-8,976	-12,872	-30,981	-17,192	-38,087
Interest expense for interest-bearing securities	-350,625	-397,197	-362,400	-713,025	-810,448	-1,600,600
of which interest expense for other financial liabilities in fair value hedges adjusted for the fair value of hedged risk	-108,681	-128,471	-129,635	-238,316	-280,669	-485,249
of which interest expense on interest-bearing securities at amortised cost	-241,944	-268,726	-232,765	-474,709	-529,779	-1,115,351
Interest expense for subordinated liabilities	-8,534	-8,853	-8,602	-17,136	-17,810	-35,470
Interest expense for derivative instruments	36,870	16,382	23,381	60,251	19,823	55,474
of which interest expense on derivatives at fair value through profit or loss	-42,605	-9,916	21,632	-20,973	-16,125	-135,247
of which interest expense on derivatives identified as hedging instruments	79,475	26,298	1,749	81,224	35,948	190,721
Other interest expense	0	-20	-101	-101	-20	-1,162
Total	-342,952	-406,516	-362,366	-705,318	-836,164	-1,636,725
Total net interest income	179,064	163,855	165,036	344,100	311,449	638,096

Note 2 Loan losses net

Landshypotek Bank AB - Group SEK Thousand	2014 Q2	2013 Q2	2014 Q1	2014 Jan-Jun	2013 Jan-Jun	2013 Full year
Year's write-off for realised losses	-3,788	-3,653	-4,960	-8,748	-11,706	-27,362
Reversal of prior provisions for probable loan losses, recognised as realised losses in this period's accounts	4,063	2,054	4,352	8,415	8,500	23,948
Provision for probable loan losses	-46,924	-23,560	-12,511	-59,435	-28,847	-82,356
Recovery of previously realised losses	150	395	380	530	656	1,382
Reversal of prior provisions no longer necessary for probable loan losses	2,691	4,566	7,040	9,731	14,485	30,515
Guarantees	-	-	-	-	-	-505
Total loan losses	-43,807	-20,198	-5,700	-49,507	-16,912	-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 Q2	2013 Q2	2014 Q1	2014 Jan-Jun	2013 Jan-Jun	2013 Full year
Year's write-off for realised losses	-3,787	-3,582	-3,846	-7,633	-8,680	-23,341
Reversal of prior provisions for probable loan losses, recognised as realised losses in this period's accounts	4,063	2,054	3,414	7,477	5,711	20,323
Provision for probable loan losses	-34,659	-22,615	-10,211	-44,870	-27,902	-67,118
Recovery of previously realised losses	99	394	379	478	654	1,378
Reversal of prior provisions no longer necessary for probable loan losses	2,678	2,672	5,660	8,338	12,591	28,621
Total loan losses	-31,606	-21,077	-4,604	-36,210	-17,626	-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

	Group				Parent Company			
Landshypotek Bank AB SEK thousand	2014 30 Jun	2014 31 Mar	2013 31 Dec	2013 30 Jun	2014 30 Jun	2014 31 Mar	2013 31 Dec	2013 30 Jun
Loan receivables	61,728,951	61,000,525	60,921,843	60,029,895	61,320,290	60,659,193	60,601,122	59,654,479
Less specific provisions for individually valued loan receivables	-97,843	-60,365	-62,931	-34,209	-67,245	-42,019	-44,567	-29,303
Net loan receivables	61,631,108	60,940,160	60,858,912	59,995,686	61,253,045	60,617,174	60,556,555	59,625,177
Disclosures on overdue loan receivables without provisions								
Loan receivables overdue more than 90 days*	969,602	924,830	1,019,515	827,276	949,290	920,521	1,006,621	797,660
Total overdue loan receivables	969,602	924,830	1,019,515	827,276	949,290	920,521	1,006,621	797,660
* Customers receive quarterly notification which is why loan receivables overdue are more than 90 days.								
Disclosures on doubtful credits								
Doubtful credits that are not overdue	168,022	72,658	45,882	4,466	152,211	70,361	44,858	2,784
Overdue doubtful credits	221,954	150,906	191,371	116,080	205,238	127,445	170,216	109,885
Total doubtful credits, gross	389,976	223,564	237,253	120,546	357,449	197,816	215,074	112,669
Less capital provisions made	-97,843	-60,365	-62,931	-34,209	-67,245	-42,019	-44,567	-29,303
Total doubtful credits, net	292,133	163,199	174,322	86,337	290,204	155,797	170,507	83,366

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	30 Jun 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		69,109		69,109		261,870		261,870
Loans to the public		60,756,505		60,756,505		59,939,674		59,939,674
Financial assets at fair value through profit or loss.								
Bonds and other interest-bearing securities	10,323,366			10,323,366	8,721,971			8,721,971
Interest-rate swaps		11,104		11,104		12,758		12,758
Cross-currency interest-rate swaps		290,329		290,329		117,838		117,838
Derivatives identified as hedging instruments								
Interest-rate swaps		802,730		802,730		411,338		411,338
Cross-currency interest-rate swaps		103,774		103,774		39,292		39,292
Available-for-sale financial assets								
Bonds and other interest-bearing securities	6,370,507	-		6,370,507	1,872,404	4,477,607		6,350,011
Total assets measured at fair value	16,693,873	62,033,552	-	78,727,425	10,594,375	65,260,384	-	75,854,759
Financial liabilities at fair value through profit or loss								
Interest-rate swaps		639,748		639,748		329,901		329,901
Cross-currency interest-rate swaps		294,423		294,423		489,356		489,356
Derivatives identified as hedging instruments								
Interest-rate swaps		209,665		209,665		186,574		186,574
Cross-currency interest-rate swaps		33,322		33,322		216,203		216,203
Other financial liabilities								
Liabilities to credit institutions		364,921		364,921		256,890		256,890
Borrowing from the public		3,975,705		3,975,705		2,147,007		2,147,007
Debt securities in issue, etc.		71,138,483		71,138,483		68,668,866		68,668,866
Subordinated liabilities		765,400		765,400		775,054		775,054
Total liabilities measured at fair value	-	77,421,666	-	77,421,666	-	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	30 Jun 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		188,291		188,291		300,960		300,960
Loans to the public		60,380,674		60,380,674		59,623,777		59,623,777
Financial assets at fair value through profit or loss								
Bonds and other interest-bearing securities	10,323,366			10,323,366	8,721,971			8,721,971
Interest-rate swaps		11,104		11,104		12,758		12,758
Cross-currency interest-rate swaps		290,329		290,329		117,838		117,838
Derivatives identified as hedging instruments								
Interest-rate swaps		802,730		802,730		411,338		411,338
Cross-currency interest-rate swaps		103,774		103,774		39,292		39,292
Available-for-sale financial assets								
Bonds and other interest-bearing securities	6,370,507			6,370,507	1,872,404	4,477,607		6,350,011
Total assets measured at fair value	16,693,873	61,776,903		- 78,470,776	10,594,375	64,983,570		- 75,577,945
Financial liabilities at fair value through profit or loss								
Interest-rate swaps		639,748		639,748		329,901		329,901
Cross-currency interest-rate swaps		294,423		294,423		489,356		489,356
Derivatives identified as hedging instruments								
Interest-rate swaps		209,665		209,665		186,574		186,574
Cross-currency interest-rate swaps		33,322		33,322		216,203		216,203
Other financial liabilities								
Liabilities to credit institutions		364,996		364,996		256,890		256,890
Borrowing from the public		3,975,705		3,975,705		2,147,007		2,147,007
Debt securities in issue, etc.		71,138,483		71,138,483		68,668,866		68,668,866
Subordinated liabilities		765,400		765,400		775,054		775,054
Total liabilities measured at fair value		- 77,421,741		- 77,421,741		- 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	30 Jun 2014 Carrying amount	30 Jun 2014 Fair value	31 Dec 2013 Carrying amount	31 Dec 2013 Fair value
Assets				
Cash and balances with central banks	524,794	524,794	431,893	431,893
Loans to credit institutions	69,109	69,109	261,877	261,877
Loans to the public	61,631,108	60,756,505	60,858,912	59,939,674
Bonds and other interest-bearing securities	16,693,873	16,693,873	15,071,982	15,071,982
Derivatives	1,207,937	1,207,937	581,226	581,226
Total assets	80,126,821	79,252,218	77,205,890	76,286,652
Liabilities and provisions				
Liabilities to credit institutions	364,921	364,921	256,890	256,890
Borrowing from the public	3,975,705	3,975,705	2,147,007	2,147,007
Debt securities in issue, etc.	69,667,122	71,138,483	68,421,543	68,668,866
Derivatives	1,177,157	1,177,157	1,222,034	1,222,034
Subordinated liabilities	699,980	765,400	699,921	775,054
Total liabilities	75,884,885	77,421,666	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.

Landshypotek Bank AB - Parent Company SEK Thousand	30 Jun 2014 Carrying amount	30 Jun 2014 Fair value	31 Dec 2013 Carrying amount	31 Dec 2013 Fair value
Assets				
Cash and balances with central banks	524,794	524,794	431,893	431,893
Loans to credit institutions	188,291	188,291	300,960	300,960
Loans to the public	61,253,045	60,380,674	60,556,555	59,623,777
Bonds and other interest-bearing securities	16,693,873	16,693,873	15,071,982	15,071,982
Derivatives	1,207,937	1,207,937	581,226	581,226
Total assets	79,867,940	78,995,569	76,942,616	76,009,838
Liabilities and provisions				
Liabilities to credit institutions	364,996	364,996	256,890	256,890
Borrowing from the public	3,975,705	3,975,705	2,147,007	2,147,007
Debt securities in issue, etc.	69,667,122	71,138,483	68,421,543	68,668,866
Derivatives	1,177,157	1,177,157	1,222,034	1,222,034
Subordinated liabilities	699,980	765,400	699,921	775,054
Total liabilities	75,884,960	77,421,741	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 30 Jun 2014	Related amounts not offset in the balance sheet			Net amount 30 Jun 2014
		Financial instruments	Paid (+) Received (–) collateral – securities	Paid (+) Received (–) cash collateral	
Assets					
Derivatives, fair value	1,207,937	–928,511			
Derivatives, accrued interest	352,249	–243,779			
<i>Derivatives, total value including accrued interest</i>	1,560,187	–1,172,290		–272,443	115,453
Repurchase agreements, reverse repos	-				
Liabilities					
Derivatives, fair value	–1,177,157	928,511			
Derivatives, accrued interest	–285,434	243,779			
<i>Derivatives, total value including accrued interest</i>	–1,462,592	1,172,290		272,443	–17,858
Repurchase agreements, reverse repos	-				-
Net	97,595	-		-	97,595

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

Review report - *For translation purposes only*

We have reviewed this interim report for the period 1 January 2014 to 30 June 2014 for Landshypotek Bank AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit institutions and Securities Companies regarding the Group, and with the Swedish Annual Accounts Act for Credit institutions and Securities Companies, regarding the Parent Company.

Stockholm, 31 July 2014

Ulf Westerberg
Authorized Public Accountant

Christina Asséus Sylvén
Authorized Public Accountant



Landshypotek Bank