



Landshypotek Bank

Landshypotek Bank AB

Year-end report 2014

January – December 2014 (Compared with 2013)

Operating profit amounted to MSEK 384.9 (266.8)

Earnings posted a year-on-year increase of MSEK 118.1. Underlying earnings, operating profit excluding the net result of financial transactions, were MSEK 321.6 (302.0). Net interest income increased year-on-year but was offset by higher costs and loan losses.

Net interest income amounted to MSEK 764.9 (656.5)

Net interest income was up MSEK 108.4 compared with the year-earlier period. The improvement was attributable to items including higher lending and lower borrowing costs.

Costs totalled MSEK 351.1 (283.1)

The increase in costs was in line with expectations and was linked to the development of the bank. Additional new services have been developed, among other things, related to the digital savings bank. The bank continued to strengthen its resources with additional employees, which meant increased personnel costs.

Net loan losses totalled MSEK 79.6 (loss: 54.4)

Realised loan losses of MSEK 56.3 (loss: 27.4) were higher year-on-year. The provision for probable loan losses increased to MSEK 104.5 (82.4). Landshypotek Bank has developed its work on the credit portfolio,

thereby enabling earlier identification of companies with weak profitability and low liquidity. Provisions pertain to a few individual commitments.

Lending amounted to SEK 61.7 billion

In 2014, lending increased 1.5 percent (3.0). Growth in the market has eased off and loan amortisation has increased.

Deposits amounted to MSEK 5,829 (2,147)

In February, Landshypotek Bank opened a new digital savings bank. Deposits increased MSEK 3,682 during 2014.

The total capital ratio amounted to 24.5 percent without taking into account the transitional rules linked to Basel I

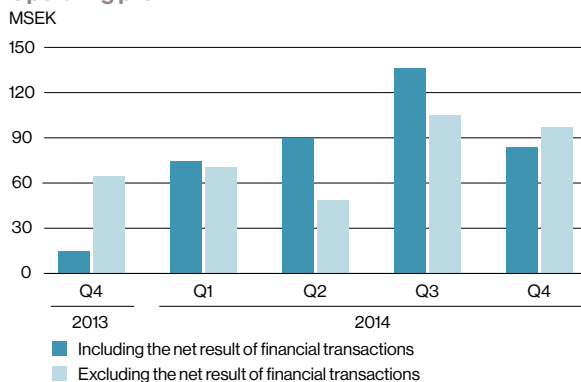
The capital base was MSEK 4,936 and the capital requirement was MSEK 1,612. Under the transitional rules, the total capital ratio¹ amounted to 10.0 percent.

Comparison with the third quarter

Operating profit for the fourth quarter of 2014 was MSEK 84.1, down MSEK 52.4 compared with the third quarter of 2014. Excluding the net result of financial transactions, operating profit amounted to MSEK 97.3, down MSEK 7.6 year-on-year. Compared with the third quarter, net interest income and loan losses improved, and costs increased.

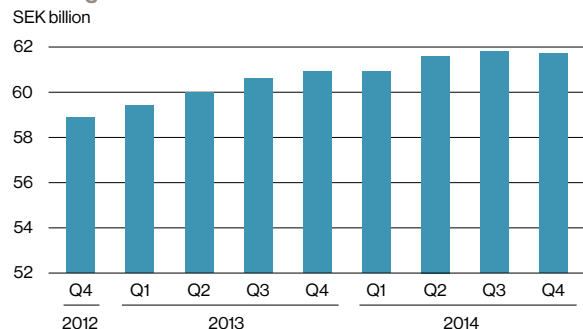
¹ Corresponds to the term capital adequacy ratio, which has been used in previous financial statements.

Operating profit



Operating profit for the third quarter of 2014 totalled MSEK 84.1. Operating profit excluding the net result of financial transactions was MSEK 97.3.

Lending



At 31 December 2014, Landshypotek Bank's lending amounted to MSEK 61,743. During the fourth quarter, lending decreased 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. In 2014, the bank continued its development:

- In February, Landshypotek Bank launched an entirely new digital bank and thus took an important first step into the Swedish household savings market. The solution is both simple and secure. In just a few minutes, customers can open accounts and start saving directly.
- In conjunction with the presentation of the digital bank, Landshypotek changed its brand and logo, and took the name Landshypotek Bank. A completely new website was presented.
- Based on the bank's results for 2013, the owners (the loan customers organised as an incorporated association) were able to receive a dividend of SEK 142 million in May.
- Liza Nyberg was presented as the new Managing Director. Kjell Hedman, who was Managing Director for almost five years, stepped down in the late autumn. Liza Nyberg took up her position in December.
- During the year, the rating agency Fitch confirmed Landshypotek Bank's rating as A+ with a stable outlook. On the other hand, Standard & Poor's changed Landshypotek Bank's rating to A-. The motivation was that the quality of Landshypotek Bank's loan portfolio was approaching the quality of those of other banks and, accordingly, Standard & Poor's lowered their previously extremely strong credit-quality rating.
- Statistics from Statistics Sweden (SCB) showed that Landshypotek Bank was one of the banks that had grown most rapidly in the savings market in 2014. The terms were favourable, the digital solution customer-friendly and many people wanted to save for the countryside. At the end of the year, savings accounts at the bank amounted to almost SEK 6 billion.
- The partnership with Gjensidige was extended to provide improved insurance solutions for customers. Gjensidige's advisors moved in at Landshypotek Bank. At the end of the year, a partnership was initiated with Sparbanken Syd to offer payment services to all customers and strengthen the market presence for loans to farmers and foresters in Skåne.
- During the autumn, Landshypotek Bank continued to lower lending interest rates and offer the highest saving rates to increase its market presence. The bank's online services were developed substantially.
- Landshypotek's equity was strengthened, by among other items, through increased investment by its owners. The individual members in Landshypotek ekonomisk förening, together, invested a further SEK 80 million during the year. The bank's relationship to the owners was clearly defined through organisational changes and development of the owner directives.
- A new share issue took place during the year that raised MSEK 56.

Landshypotek Bank is close to its customers

Landshypotek Bank is organised into eight districts and has 19 sales offices throughout Sweden. All account managers at the offices have a background in agriculture and forestry. The sales organisation has access to a network of elected representatives who carry out 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 is owned by its members

All borrowers from Landshypotek Bank also become members of Landshypotek ekonomisk förening (incorporated association). Accordingly, Landshypotek Bank is owned by some 43,000 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. Any surpluses in Landshypotek Bank are reinvested in operations and distributed to loan customers.

Savings success and a new brand – the starting point for the future

As we close the books for 2014, Landshypotek Bank can look back at an extremely successful year. The operating profit of SEK 384.9 million kronor is excellent and the development is historic. In 2014, we started to present ourselves as a bank and our savings from the general public in Sweden has grown vigorously. We are now taking the next step in widening our offering to more loan customers in the countryside and to continue to establish ourselves as the bank for all savers.

Landshypotek Bank stands out in the Swedish banking market. Our lending is niched toward one segment, farmers and foresters. We are owned by our customers. Everything we do is for a richer life in the country. With this as our motto, we have strengthened the bank in various ways over the year:

- We have presented an entirely new digital savings bank for savers. The customer-friendly solution is at the market's cutting edge and has been extremely positively received by customers.
- We have established ourselves in the savings market and recorded faster growth than any other bank during the year.
- We have developed our partnerships for an even better customer offering. Our partnership continues with DNB for funding services and we have extended our collaboration with Gjensidige. At the end of the year, we presented our new collaboration with Sparbanken Syd.
- Our lending continues to grow, though at a slightly slower pace than in previous years. We continue to have a steady influx but market growth has eased off and loan amortisation has increased. Amortisation requirements are a natural step for a bank with sound credit granting procedures.
- We have changed logotype and communication, and included bank in our name. The change in communication is the basis for reaching a wider audience and growth. We are firmly rooted in the countryside and work actively to strengthen our role as the countryside's bank.

We have received positive responses to the changes from our customers and owners. The rating agencies assess the bank's capital base as very strong and earnings generation as healthy. We have a strong loan portfolio even if we are recognising higher loan losses than previously. Our loan losses are clearly linked to a few individual commitments that have defaulted.



However, it is clear that increasing demands are being placed on farmers and foresters as entrepreneurs, including a developed market strategy, strong liquidity and good organisation. We continuously develop our customer dialogue and, thereby, can identify cash-flow problems at increasingly early stages.

At the end of the year, I took over as Managing Director of Landshypotek Bank from Kjell Hedman who stepped down after almost five years. The extensive changes have taken place in conjunction with improved earnings and maintaining a stable C/I ratio. The next step in our development is increased customer focus and more intense marketing. We have strengthened the number of employees and improved our digital services and, accordingly, are ready to meet increasing numbers of farmers and foresters on a daily basis.

Our earnings continue to enable our development and are given back directly to our loan customers. We like distributing profits to owners. The bank is set to distribute SEK 164 million to the owner association as a basis for member dividends.


Liza Nyberg,
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. Farmers have faced challenges including the Russian embargo on agricultural products and the weak economic trend in Europe, but have benefitted from continued low market interest rates. Increasing demands are placed on agricultural businesses in terms of managing market fluctuations and other risks.

Financial market trends

2014 was a disappointment for those who thought the economic recovery would gain momentum. Growth forecasts were not met and global growth potential subdued as a consequence of the crisis in Ukraine and turbulence in the Middle East. Central banks were concerned about the risk of disinflation, or even deflation, and both short and long-term interest rates fell to new record lows.

The differences in economic trends in the US and Europe became increasingly clear during the year. The US is on the road to a self-sustaining recovery and, in October, the central bank could end its extraordinary monetary policy and, once again, start to focus on interest-rate levels. The first rise in interest rates is forecast for summer 2015. GDP growth will probably exceed 3 percent for 2014, supported by an increasingly strong labour market, household finances and private consumption. The inflation rate remains low and, accordingly, the central bank is retaining a stimulative monetary policy. However, as the dollar strengthens and exports slow, conditions regarding monetary policy are becoming increasingly restrictive.

On the other hand, the European recovery failed to happen. Inflation continued to decline and there is considerable pressure on the ECB to deliver further stimulative

measures. The ECB lowered the key interest rate to 0.05 percent and the deposit rate to –0.20 percent. However, the measures were unable to reverse the inflation trend and, with surplus liquidity in the bank system, the actual key interest rate was negative. The market expected additional measures and the failure of these to appear had a subduing effect on the economy.

Southern Europe was already in deflation and, with increasingly weak global demand, the previously strong counterbalance Germany was no longer able to maintain growth. Major problems and a need for structural reforms existed in Italy and France. Toward the end of the year, the European debt crisis flared up again when Greece called a new election. As a consequence, uncertainty fell on the savings package, debt reduction and the future of Greece in the EMU.

The economy in Sweden trended relatively healthily with growth of almost 2 percent. Employment increased but unemployment remained the same since the labour force grew at the same pace as employment. The financial position of households was strengthened by a healthy real-salary growth, rising property prices and a strong stock market. This supported private consumption which drove growth. The export industry faced greater chal-

Summary Landshypotek Bank

	2014 Q 4	2013 Q 4	2014 Q 3	2014 Full year	2013 Full year
Net interest income, MSEK	214.1	174.4	198.0	764.9	656.5
Operating profit, MSEK	84.1	15.0	136.4	384.9	266.8
Profit after tax, MSEK	66.8	5.7	106.4	301.4	208.0
Loans to the public, balances, MSEK	61,743	60,859	61,795	61,743	60,859
Increase in lending, %	–0.1 %	0.4 %	0.3 %	1.5 %	3.0 %
Interest margin, %	1.4 %	1.1 %	1.3 %	1.2 %	1.1 %
Deposits from the public, balances, MSEK	5,829	2,147	4,824	5,829	2,147
Increase in deposits, %	20.8 %	22.6 %	21.3 %	171.5 %	36.0 %
C/I ratio	0.48	0.49	0.37	0.47	0.44
Loan loss level, %	0.08 %	0.13 %	0.11 %	0.13 %	0.09 %
Total capital ratio, %	24.5 %	32.0 %	24.6 %	24.5 %	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	150.0	126.0	144.5	144.0	122.0

lenges and the trade surplus weakened to become almost non-existent.

During the year, the future outlook was highly positive but published statistics were consistently disappointing. Companies expected rising production but the outcome was a decline of 5.0 percent at an annual rate. The service sector balanced the weak industrial sector and, in particular, the construction sector posted a strong year.

An exciting year for politics saw a change in government, a government crisis and then a late agreement to avoid a new election. The financial markets weathered the turbulent political situation with calm.

With favourable conditions for funding, Landshypotek Bank had scope to continue lowering lending interest rates, while strengthening margins. Stronger margins are a prerequisite for the bank's continued growth, to meet increased loan losses and manage new resource-intensive regulatory requirements.

Trend in agriculture and forestry

For the agriculture and forestry sectors, the year was dominated by the continued weak trend for the European economy. The central banks' expansive monetary policy resulted in continued low interest rates. This has great significance since large parts of the industry are highly dependent on borrowed capital for investment and growth.

The low interest rates also impacted property prices. The property price trend was inconsistent in 2014. Generally, it was easier to find buyers for properties, but differences increased between objects, sectors and geographical locations. Properties comprised solely of arable land or forest were easily sold in the market. However, properties with extensive farm buildings were more difficult to sell. Accordingly, market values remained stable but differences increased.

The security situation impacted the profitability trend for large parts of agriculture. The Russian import restrictions had major impact since several European countries normally have substantial exports to Russia. The restrictions had greatest impact on the dairy industry with a consequential fall in milk prices for dairy companies. Exports of pork were also hit hard on occasion but increased exports,

primarily to Asia, meant the effects were less dramatic. In Sweden, the market for Swedish pork was strong throughout 2014 with positive deviations in domestic prices. A clear trend in 2014 was that both individual consumers and the retail sector demanded meat with Sweden as the country of origin produced pursuant to Swedish legislation.

For cereal crops, 2014 was marked by large harvests and significant swings in prices and quality. Prices, which were dependent on harvests in the significant export regions, varied strongly throughout the season and meant that the financial outcome was strongly impacted by choice of sales strategy. Interest increased in price hedging and other instruments for minimizing risk. However, the most radical change for most entrepreneurs was the increased need for healthy cash flow.

The year was characterised for forest owners by a cautiously increasingly positive outlook. In general, the market trended positively in most areas with stable prices as a consequence. Announcements by the industry of investments in new and increased production capacity were particularly positive.

The proposed changes in European agricultural policy discussed in 2014 have been decided and will result in changes. However, it remains difficult to provide a general answer as to how Swedish agriculture will be affected. The most important thing is that individual entrepreneurs make their own analysis of the effects on their respective companies. In 2014, profitability and competitiveness continued to be discussed. Several analyses indicated low profitability for agriculture in general. In parallel, it became increasingly clear that there were significant differences in profitability between individual companies in the same sector. These pertained to the measures individual entrepreneurs implemented to strengthen their companies, which were also significant for competitiveness. The competitiveness assessment will submit its final report in spring 2015. A vital agriculture and forestry sector depends on more entrepreneurs developing their companies into sound and sustainable enterprises. In the long run, low interest rates will not help against poor profitability. Landshypotek Bank is gradually developing customer dialogues to provide the right financing at the right time for entrepreneurs in the agriculture and forestry sectors.

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Financial calendar

Annual Report 2014	13 March 2015
Interim report January-March 2015	29 April 2015

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)

Year-end report for the 1 January – 31 December 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 61.7 billion, Landshypotek Bank accounts for 27.1 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 Bank has 152 employees at 19 offices throughout Sweden.

Operating profit 2014

Consolidated operating profit for the full-year 2014 amounted to MSEK 384.9, up MSEK 118.1 year-on-year (MSEK 266.8). The increase in earnings was primarily attributable to a year-on-year improvement of MSEK 108.4 in net interest income and an increase in the net result of financial transactions and other income of MSEK 102.9. The improvement was offset by an increase in costs of MSEK 68.0

and a rise in loan losses of MSEK 25.2. Excluding the net result of financial transactions, operating profit amounted to MSEK 321.6 (302.0), up MSEK 19.6 year-on-year.

Net interest income

Net interest income for the full-year 2014 amounted to MSEK 764.9. This was a year-on-year increase of 16.5 percent (MSEK 656.5). 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 increase in net interest income was due to higher lending and lower borrowing costs. Net interest income was also positively impacted by the periodization of terminated hedging relationships of MSEK 82.8. Refer to Note 1.

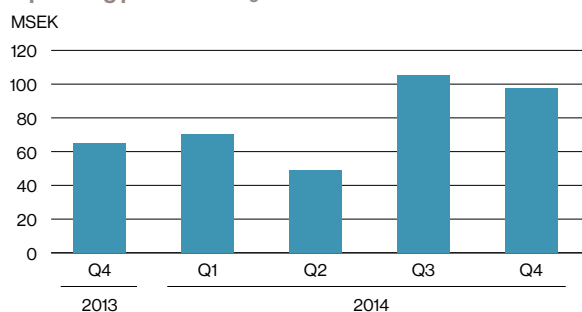
Other operating income

Other operating income amounted to MSEK 50.8 (loss: 52.1) for the full-year 2014. Compared with the full-year 2013, this was an improvement of MSEK 102.9. Other operating income includes fees of MSEK 28.0 for the stabilisation fund

Operating profit

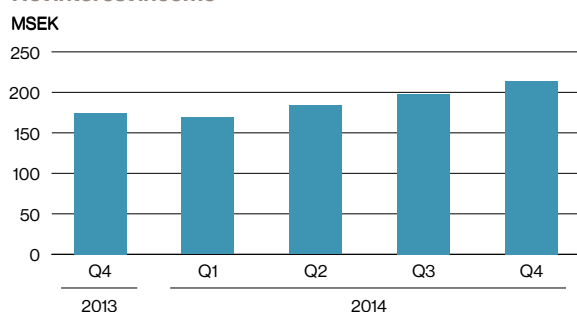
	Jan-Dec 2014	Jan-Dec 2013
Net interest income, MSEK	764.9	656.5
Other operating income, MSEK	50.8	-52.1
Of which net result of financial transactions	63.3	-35.2
Costs, MSEK	-351.1	-283.1
C/I ratio adjusted for net result of financial transactions	0.47	0.44
Net recognised loan losses, MSEK	-79.6	-54.4
Loan loss level, %	0.13 %	0.09 %
Operating profit, MSEK	384.9	266.8
Operating profit excluding the net result of financial transactions	321.6	302.0

Operating profit *excluding the net result of financial transactions*



Operating profit for the fourth quarter of 2014, excluding the net result of financial transactions, amounted to MSEK 97.3.

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 the equity invested in lending operations.

and deposit insurance, the profit of MSEK 63.3 from the net result of financial transactions, net commission income (excluding the stabilisation fund and deposit insurance) of MSEK 14.3 and income from property of MSEK 1.2.

The increase in operating income compared with 2013 was primarily due to an improvement of MSEK 98.5 in the net result of financial transactions to MSEK 63.3 (loss: 35.2). The profit of MSEK 63.3 comprised an unrealised profit of MSEK 87.2 and a realised loss of MSEK 23.9. 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 a loss of MSEK 2.8 (gain: 24.1) in 2014.

Costs

Costs in 2014 amounted to MSEK 351.1 (283.1). The increase in costs of MSEK 68.0 was as planned and was primarily linked to the opening of the digital savings bank as well as the continued strengthening of personnel in the customer support and sales organisations, which meant increased personnel costs.

Loan losses and doubtful credits

Net loan losses in 2014 totalled MSEK 79.6 (loss: 54.4). Realised losses totalled MSEK 56.3 (loss: 27.4). Provisions for probable loan losses amounted to MSEK 104.5 (82.4). Reversals of previous provisions for realised losses during the year totalled MSEK 56.5 (23.9). Recoveries of previously realised losses and reversals of previous provisions for probable loan losses that are no longer required, amounted to MSEK 24.7 (31.9).

At 31 December 2014, net doubtful credits after provisions amounted to MSEK 274.9, corresponding to 0.45 percent of loans outstanding. At 31 December 2013, doubtful

credits amounted to MSEK 174.3, corresponding to 0.29 percent of loans outstanding.

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

Comparison with the third quarter of 2014

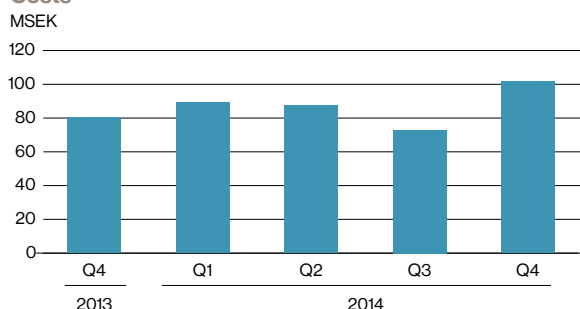
Operating profit for the fourth quarter of 2014 was MSEK 84.1, down MSEK 52.4 compared with the third quarter of 2014. Excluding the net result of financial transactions, operating profit for the fourth quarter was MSEK 97.3, down MSEK 7.6 compared with the third quarter. The decline in profit was attributable to an increase in costs of MSEK 28.9. Net interest income and other commissions increased MSEK 16.1 and MSEK 1.3 respectively. Loan losses decreased MSEK 3.9.

Landshypotek Bank's development

In 2014, lending increased SEK 0.9 billion for the full-year. The increase corresponded to lending growth of 1.5 percent, compared with 3.0 percent in the corresponding year-earlier period.

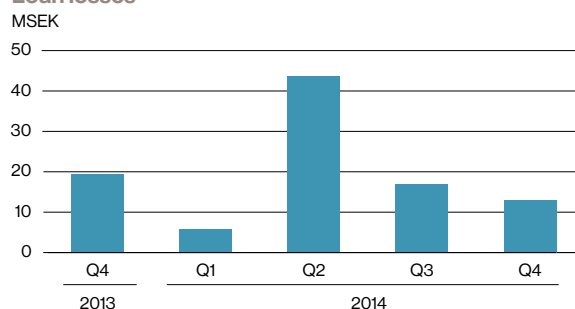
Demand for credit from Sweden's farmers and foresters eased off noticeably from record levels. The annualised market growth for 2014 is estimated at about 5.7 percent, considerably lower than the record levels until 2010. Amortisation requirements also increased and the rate of amortisation rose. The primary driver for demand in the

Costs



Costs for the fourth quarter of 2014 amounted to MSEK 101.8, up MSEK 28.9 or approximately 40 percent year-on-year.

Loan losses



Loan losses totalled MSEK 13.1 for the fourth quarter of 2014, which corresponded to 0.08 percent of lending on an annualised basis.

market is property transactions occurring in the agriculture and forestry sectors.

At 31 December 2014, deposits amounted to MSEK 5,829 (2,147), entailing an increase of 171.5 percent in 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 Bank aims to grow in pace with the market.

Funding

Borrowing

Landshypotek Bank'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 Bank 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 Bank. During the year, the Bank issued covered bonds to a value of approximately SEK 8.8 billion. In addition, senior bonds were issued to a value of approximately SEK 5.4 billion. During the same period, bonds have matured and been repurchased to a value of approximately SEK 16.0 billion, of which SEK 11.0 billion pertained to covered bonds.

In general, the financial market for Nordic banks functioned smoothly in 2014. Landshypotek Bank has been

very successful in its funding activities and demand for Landshypotek's bonds has been favourable.

Liquidity

Landshypotek Bank has a substantial liquidity portfolio of interest-bearing securities, valued at SEK 16.8 billion at 31 December 2014. The portfolio primarily comprises Swedish covered bonds with the highest credit rating and, to some extent, bonds issued by Swedish municipalities. Securities can be sold or borrowed against, as required, to manage the financing of maturing debt. At 31 December, the liquidity portfolio was 1.6 (1.4) times larger than refinancing requirements for the next six months.

Rating

Landshypotek Bank has credit ratings from two different rating agencies, Standard & Poor's and Fitch. In 2014, Standard & Poor's changed Landshypotek Bank's rating to A-. The motivation was that the quality of Landshypotek Bank's loan portfolio was starting to approach the quality of those of other banks and, accordingly, Standard & Poor's lowered their previously extremely strong credit-quality rating. Standard & Poor's confirmed the AAA rating for covered bonds in 2014. In 2014, 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-2, K1
Fitch	A+	F1

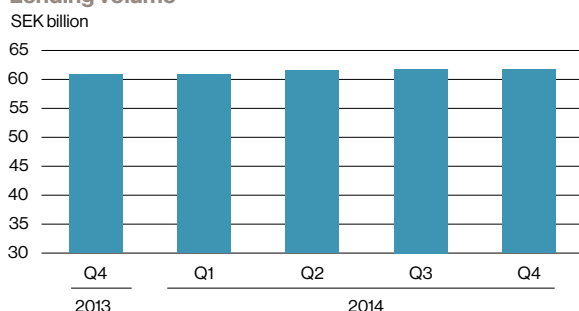
Risk management

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

Credit risk is defined as the risk that Landshypotek Bank 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 Bank's retail receivables and can also arise as a consequence of the management of liquidity, interest and currency risk. Landshypotek Bank's methods for credit approval and credit monitoring as well as requirements for granting credit, including collateral requirements, limit credit risk in the portfolio.

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

Lending volume



During the quarter, Landshypotek Bank's lending decreased 0.1 percent to SEK 61.7 billion.

Programme

MSEK	Issued 2014-12-31	Limit	Issued 2013-12-31
Swedish commercial paper	3,274	10,000	3,020
MTN programme	44,950	60,000	45,872
EMTN programme	14,947	33,016*	15,244
RCB**	3,302		3,306
Subordinated loans	700		700

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

measures, Landshypotek Bank maintains a substantial liquidity reserve and strives to achieve diversified funding.

Landshypotek Bank is exposed to market risk in the form of interest-rate, currency, basis-spread and credit-spread risk. Limits have been set for all of these risks. 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 is moderated through limiting funding in foreign currency. Credit-spread risk arises in Landshypotek Bank's liquidity portfolio and is limited through requirements for high credit ratings for securities in the liquidity portfolio. Landshypotek Bank 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 Bank's risk organisation reports incidents that occur to the 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

The total capital ratio amounted to 24.5 percent without taking into account the transitional rules linked to Basel I. Own funds was MSEK 4,936 and the capital requirement was MSEK 1,612. The total capital ratio¹ including the transitional rules was 10.0 percent.

On 1 January 2014, the EU's Capital Requirements Directive (new European capital adequacy rules), based on parts of the Basel III rules, entered into force in Sweden. In relation to the earlier Swedish implementation of the Basel II rules, the new regulations entailed a raised capital requirement for Landshypotek Bank. This was a consequence of items including a new capital requirement for counterparty risk (CVA) and LGD floors for IRB exposures. On 2 August 2014, the EU's Capital Requirements Directive (CRD IV) was implemented in Sweden through new laws and provisions. The latter contains rules pertaining to capital buffers and, with regard to Landshypotek Bank an additional require-

ment for a capital conservation buffer of 2.5 percentage points of the total risk-weighted exposure amount, over and above previous Basel III capital requirements. The capital conservation buffer must be covered by Common Equity Tier 1 capital. The Bank's remaining Common Equity Tier 1 capital to cover the buffer requirements, corresponds to 15.02 percent of the total risk-weighted exposure amount at 31 December 2014. As of 13 September 2015, an additional requirement will be introduced of a countercyclical capital buffer of 1.0 percent of the total risk-weighted exposure amount. If an institute has insufficient capital to cover the buffer requirements, it must submit a plan to the Swedish Financial Supervisory Authority disclosing how it will meet the buffer requirements within a reasonable period of time. In addition, the institute will be subject to restrictions in the form of bans proscribing actions, such as, the payment of dividends and certain types of variable remuneration². However, the buffer requirements differ from other capital requirements, since not meeting them is allowed on a temporary basis. Accordingly, the buffer requirements are not included under the capital requirement recognised under the Basel III rules (tables on pages 10-11).

However, the actual capital requirement for the bank has not changed because of the new Basel III rules. 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 Bank.

Group structure

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

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

¹ Corresponds to the term capital adequacy ratio, which has been used in previous financial statements.

² Provided that the institute does not meet the requirement for the maximum distributable amount.

Capital adequacy analysis

SEK thousand	Consolidated situation ¹⁾ 2014-12-31
Own funds	4,936,116
Tier 1 capital	4,236,195
Common equity tier 1 (CET1) capital	4,236,195
Capital instruments eligible as CET1 Capital	1,369,473
Retained earnings	3,090,538
Accumulated other comprehensive income	-29,660
Adjustments to CET1 due to prudential filters	38,888
(-) Other intangible assets	-36,517
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-14,643
(-) IRB shortfall of credit risk adjustments to expected losses	-172,883
(-) Defined benefit pension fund assets	-9,001
Tier 2 capital	699,921
Capital instruments and subordinated loans eligible as T2 Capital	699,921
Own funds requirements, Basel 3	1,612,047
Risk weighted exposure amounts, Basel 3	20,150,582
CET1 capital ratio (%)	21.02
Tier 1 capital ratio (%)	21.02
Total capital ratio (%)	24.50
Institution specific CET1-requirement including buffer requirements (%)	7.00
of which: capital conservation buffer requirement (%)	2.50
CET1 capital available to meet buffers (as a share of risk exposure amounts, %) ²⁾	15.02
Capital quotient	3.06
Capital adequacy according to transitional rules Basel 1	
Own funds	5,109,000
Own funds requirement	4,085,668
Total capital ratio (%) ³⁾	10.00
Capital quotient	1.25

¹⁾ Consolidated situation includes Landshypotek ekonomisk förening and the Landshypotek Bank AB Group.

²⁾ Calculated as "common equity tier 1 capital less the amount of this capital used to meet common equity tier 1 capital requirements after reduction for any other common equity tier 1 capital used to cover the tier 1 capital requirement and the total regulatory capital requirement" divided by the risk-weighted exposure amount, Basel III.

³⁾ Corresponds to the term capital adequacy ratio, which has been used in previous financial statements.

A decision by the Swedish Financial Supervisory Authority on 9 December 2014 gave Landshypotek Bank AB approval for using quarterly profits in capital-base calculations with the prerequisite that PwC has verified the surplus and that the surplus has been calculated pursuant to the applicable accounting framework, and that it is possible to verify that deductions have been made for any foreseeable costs and dividends in line with Regulation (EU) No 575/2013 and that these have been calculated according to Regulation (EU) No 241/2014. PwC carry out the above review.

Own funds requirement by risk, approach and exposure class

			Consolidated situation ¹⁾ 2014-12-31	
SEK thousand	Exposure value ²⁾	Own funds requirements ⁴⁾	Risk weighted exposure amounts ³⁾	Average risk weight ⁵⁾
Credit risk – IRB approach	59,842,400	883,302	11,041,269	
Retail – real estate collateral	59,755,565	876,355	10,954,434	18 %
Other non-credit-obligation assets	86,835	6,947	86,835	100 %
Credit risk – Standardised Approach	24,182,822	450,987	5,637,343	23 %
National governments or central banks	246,301	-	-	0 %
Regional governments or local authorities or agencies	4,768,236	-	-	0 %
Institutions	3,838,012	109,626	1,370,322	36 %
Corporates	259,547	20,372	254,650	98 %
Retail	180,408	8,674	108,428	60 %
Secured through liens on real property	2,943,326	213,201	2,665,018	91 %
Non-performing exposures	35,964	3,826	47,822	133 %
Covered bonds	11,911,027	95,288	1,191,103	10 %
Other items	-	-	-	-
Operational risk – Base method⁶⁾		96,994	1,212,430	
Credit valuation adjustment risk – standardised approach	2,492,341	180,763	2,259,540	91 %
Total	86,517,563	1,612,047	20,150,582	-

¹⁾ Consolidated situation includes Landshypotek ekonomisk förening and the Landshypotek Bank AB Group.

²⁾ After application of the appropriate conversion factors to, where possible, also capture unutilised limits. For the IRB approach, conversion factors are based on internal historic data while standardised conversion factors as stated in the Capital Requirements Directive are applied for the standardised approach.

³⁾ After application of the appropriate risk weights. Risk weights for the IRB approach are based on internal risk classification and internal historic data while standardised values as stated in the Capital Requirements Directive are applied for the standardised approach.

⁴⁾ Calculated by multiplying the risk-weighted exposure amount by 8%. No buffer requirements are included.

⁵⁾ Calculated by dividing the risk-weighted exposure amount by the exposure value for the respective risk/exposure class.

⁶⁾ No exposure values exist for operational risk and, accordingly, there is no recognition of exposure values or average risk weight.

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. This 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 January 2015

Liza Nyberg
Managing Director

This year-end report has been subject to review by the company's auditors, see page 23.

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 Q4	2013 Q4	2014 Q3	2014 Full year	2013 Full year
Interest income		471,724	571,119	497,909	2,027,831	2,293,800
Interest expense		-257,629	-396,682	-299,889	-1,262,968	-1,637,336
Net interest income	Note 1	214,095	174,437	198,020	764,863	656,464
Commission income		4,667	2,935	3,404	14,082	14,708
Commission expense		-6,586	-13,251	-7,063	-28,037	-34,533
Net result of financial transactions		-13,277	-49,849	31,437	63,321	-35,186
Other operating income		90	546	520	1,474	2,901
Total operating income		198,990	114,819	226,318	815,704	604,355
General administrative expenses		-91,414	-72,139	-63,324	-310,799	-251,599
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-4,440	-3,409	-4,192	-16,491	-10,531
Other operating expenses		-5,976	-4,754	-5,371	-23,854	-21,009
Total expenses before loan losses		-101,830	-80,301	-72,887	-351,144	-283,138
Profit before loan losses		97,159	34,517	153,431	464,559	321,216
Loan losses, net	Note 2	-13,096	-19,526	-17,009	-79,612	-54,378
Operating profit		84,063	14,992	136,422	384,947	266,839
Income tax for the period		-17,258	-9,267	-30,031	-83,535	-58,802
Net profit for the period		66,806	5,724	106,391	301,413	208,037

Statement of comprehensive income

Landshypotek Bank AB Group, SEK Thousand	2014 Q4	2013 Q4	2014 Q3	2014 Full year	2013 Full year
Net profit for the period	66,806	5,724	106,391	301,413	208,037
Other comprehensive income					
<i>Items to be reclassified to profit or loss</i>					
Cash-flow hedges	7,396	-18,078	-1,107	-9,167	47,783
Available-for-sale financial assets	-12,356	-1,406	4,522	6,346	-23,675
Tax on items to be reclassified	1,091	4,287	-751	621	-5,304
<i>Total, items to be reclassified</i>	<i>-3,869</i>	<i>-15,198</i>	<i>2,663</i>	<i>-2,201</i>	<i>18,804</i>
<i>Items that are not reclassified</i>					
Actuarial differences for defined-benefit pensions	5,520	-19	-9,626	-10,124	24,550
Tax on items that are not reclassified	-1,214	4	2,118	2,227	-5,401
<i>Total, items that are not reclassified</i>	<i>4,306</i>	<i>-15</i>	<i>-7,508</i>	<i>-7,897</i>	<i>19,149</i>
Total other comprehensive income	437	-15,213	-4,845	-10,098	37,953
Comprehensive income for the period	67,242	-9,488	101,546	291,315	245,990

Income statement

Landshypotek Bank AB Parent Company, SEK Thousand	Note	2014 Q4	2013 Q4	2014 Q3	2014 Full year	2013 Full year
Interest income		467,093	566,147	492,593	2,009,104	2,274,821
Interest expense		-257,566	-395,901	-299,815	-1,262,699	-1,636,725
Net interest income	Note 1	209,527	170,246	192,778	746,405	638,096
Commission income		4,617	2,419	3,307	13,223	12,841
Commission expense		-6,586	-13,251	-7,062	-28,037	-34,533
Net result of financial transactions		-13,277	-49,849	31,437	63,321	-35,186
Other operating income		90	545	520	1,466	2,897
Total operating income		194,371	110,110	220,980	796,378	584,115
General administrative expenses		-90,547	-76,961	-64,071	-312,947	-260,839
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-4,440	-3,409	-4,192	-16,491	-10,531
Other operating expenses		-5,972	-4,752	-5,369	-23,845	-20,997
Total expenses before loan losses		-100,959	-85,121	-73,632	-353,283	-292,366
Profit before loan losses		93,412	24,989	147,348	443,095	291,749
Loan losses, net	Note 2	-12,741	-6,843	-17,327	-66,278	-40,136
Operating profit		80,671	18,145	130,021	376,817	251,612
Income tax for the period		-16,515	-3,587	-28,623	-81,750	-55,458
Net profit for the period		64,156	14,558	101,398	295,067	196,154

Statement of comprehensive income

Landshypotek Bank AB Parent Company, SEK Thousand	2014 Q4	2013 Q4	2014 Q3	2014 Full year	2013 Full year
Net profit for the period	64,156	14,558	101,398	295,067	196,154
Other comprehensive income					
<i>Items to be reclassified to profit or loss</i>					
Cash-flow hedges	7,396	-18,078	-1,107	-9,167	47,783
Available-for-sale financial assets	-12,356	-1,406	4,522	6,346	-23,675
Income tax related to other comprehensive income	1,091	4,287	-751	621	-5,304
<i>Total, items to be reclassified</i>	<i>-3,869</i>	<i>-15,198</i>	<i>2,663</i>	<i>-2,201</i>	<i>18,805</i>
Total other comprehensive income	-3,869	-15,198	2,663	-2,201	18,805
Comprehensive income for the period	60,287	-640	104,061	292,866	214,958

Balance Sheet

Landshypotek Bank AB TSEK	Group			Parent Company		
	2014 31 Dec	2014 30 Sep	2013 31 Dec	2014 31 Dec	2014 30 Sep	2013 31 Dec
ASSETS						
Cash and balances with central banks	242,001	3	431,893	242,001	3	431,893
Loans to credit institutions	478,332	449,471	261,877	571,557	597,572	300,960
Loans to the public Note 3	61,742,595	61,795,426	60,858,912	61,432,397	61,388,670	60,556,555
Value changes of interest-rate-risk hedged items in macro hedges	115,422	59,829	23,535	115,422	59,829	23,535
Bonds and other interest-bearing securities	16,798,258	16,848,521	15,071,982	16,798,258	16,848,521	15,071,982
Derivatives	2,047,922	1,530,001	581,226	2,047,922	1,530,001	581,226
Shares and participations			-			-
Shares in Group companies				280,753	280,753	280,753
Intangible non-current assets	36,517	37,220	44,590	36,517	37,220	44,590
Tangible assets						
Furniture, fixtures and equipment	10,596	5,559	6,124	10,596	5,559	6,124
Buildings and land	21,288	12,531	12,949	21,288	12,531	12,949
Other assets	19,169	37,191	8,928	18,942	36,987	8,717
Current tax assets	2,228	4,781	32,145	-	-	29,605
Deferred tax assets	14,643	17,472	10,351	11,177	12,792	9,112
Prepaid expenses and accrued income	576,901	802,665	628,517	572,334	797,521	625,273
TOTAL ASSETS Note 4, 5, 6	82,105,872	81,600,670	77,973,028	82,159,164	81,607,959	77,983,273
LIABILITIES, PROVISIONS AND EQUITY						
Liabilities to credit institutions	447,322	430,746	256,890	495,983	431,906	256,890
Borrowing from the public	5,828,821	4,824,409	2,147,007	5,828,821	4,824,409	2,147,007
Debt securities in issue, etc.	68,593,547	69,068,901	68,421,543	68,593,547	69,068,901	68,421,543
Derivatives	1,192,720	1,060,142	1,222,034	1,192,720	1,060,142	1,222,034
Other liabilities	306,383	96,582	193,002	305,564	96,283	192,641
Accrued expenses and deferred income	693,045	998,917	904,347	693,046	998,917	904,346
Provisions	14,094	20,442	7,755	2,020	2,389	2,389
Subordinated liabilities	699,921	699,930	699,921	699,921	699,930	699,921
Total liabilities	77,775,854	77,200,069	73,852,499	77,811,622	77,182,877	73,846,771
Equity	4,330,018	4,400,601	4,120,529	4,347,542	4,425,082	4,136,502
TOTAL LIABILITIES, PROVISIONS AND EQUITY Note 4, 5, 6	82,105,872	81,600,670	77,973,028	82,159,164	81,607,959	77,983,273

Cash-flow statement

Landshypotek Bank AB, TSEK	Group		Parent Company	
	2014 Full year	2013 Full year	2014 Full year	2013 Full year
Opening cash and cash equivalents	693,766	125,130	732,853	117,268
Cash flow from operating activities	147,546	545,343	201,684	592,292
Cash flow from investing activities	-21,229	-17,424	-21,229	-17,424
Cash flow from financing activities	-99,750	40,718	-99,750	40,718
Cash flow for the period	26,567	568,636	80,705	615,585
Closing cash and cash equivalents	720,333	693,766	813,558	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			37,271	-18,467	19,149	208,037	245,990
Total change before transactions with owners	-	-	37,271	-18,467	19,149	208,037	245,990
New share issue	190,000						190,000
Group contribution paid						-155,750	-155,750
Tax on group contribution paid						34,265	34,265
Equity 31 December 2013	2,117,000	1,026,254	-31,737	4,278	-10,161	1,014,894	4,120,529
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			-7,151	4,950	-7,897	301,413	291,315
Total change before transactions with owners	-	-	-7,151	4,950	-7,897	301,413	291,315
New share issue	56,000						56,000
Group contribution paid						-176,700	-176,700
Tax on group contribution paid						38,874	38,874
Equity 31 December 2014	2,173,000	1,026,254	-38,888	9,228	-18,057	1,178,481	4,330,018

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			37,271	-18,467		196,154	214,958
Total change before transactions with owners	-	-	37,271	-18,467		196,154	214,958
New share issue	190,000						190,000
Group contribution paid						-155,750	-155,750
Tax on group contribution paid						34,265	34,265
Equity 31 December 2013	2,117,000	1,016,694	-31,737	4,278		1,030,268	4,136,502
Equity 31 December 2013	2,117,000	1,016,694	-31,737	4,278		1,030,268	4,136,502
Comprehensive income for the period			-7,151	4,950		295,067	292,866
Total change before transactions with owners	-	-	-7,151	4,950		295,067	292,866
New share issue	56,000						56,000
Group contribution paid						-176,700	-176,700
Tax on group contribution paid						38,874	38,874
Equity 31 December 2014	2,173,000	1,016,694	-38,888	9,228		1,187,509	4,347,542

Notes

Note 1 Net interest income

Landshypotek Bank AB – Group SEK Thousand	2014 Q4	2013 Q4	2014 Q3	2014 Full year	2013 Full year
Interest income					
Interest income on loans to credit institutions	93	2,500	1,673	6,811	6,999
Interest income on loans to the public	415,613	492,955	436,559	1,770,615	2,005,595
Less interest losses	-129	3,086	-457	-951	-798
Interest income on interest-bearing securities	55,916	72,227	60,132	251,120	281,660
of which interest income on financial assets at fair value through profit or loss	42,962	45,412	44,222	179,940	183,489
of which interest income on available-for-sale financial assets	12,954	26,816	15,911	71,180	98,171
Other interest income	231	351	2	236	344
Total	471,724	571,119	497,909	2,027,831	2,293,800
<i>All interest income is attributable to the Swedish market.</i>					
Interest expense					
Interest expense for liabilities to Group companies	-1	-	-4	-163	-338
Interest expense for liabilities to credit institutions – other	-151	-2,009	-1,587	-5,891	-16,130
Interest expense for borrowing/deposits from the public	-20,826	-10,889	-19,446	-71,253	-38,087
Interest expense for debt securities in issue	-280,548	-395,920	-316,273	-1,309,846	-1 600,600
of which interest expense for other financial liabilities in fair value hedges adjusted for the fair value of hedged risk	-137,029	-47,700	-154,254	-529,599	-485,249
of which interest expense on interest-bearing securities at amortised cost	-172,265	-361,099	-190,766	-863,077	-1 128,229
of which periodization of the market value created from terminated hedging relationships *	28,747	12,878	28,747	82,830	12,878
Interest expense for subordinated liabilities	-8,007	-8,834	-8,362	-33,505	-35,470
Interest expense for derivative instruments	52,403	22,104	46,815	159,469	55,474
of which interest expense on derivatives at fair value through profit or loss	-112,211	-10,673	-39,515	-172,699	-135,247
of which interest expense on derivatives identified as hedging instruments	164,614	32,777	86,330	332,169	190,721
Other interest expense	-500	-1,134	-1,032	-1,780	-2,185
Total	-257,629	-396,682	-299,889	-1,262,968	-1,637,336
Total net interest income	214,095	174,437	198,020	764,863	656,464

* The item includes reduced recognised interest expenses from the periodization of the market value created from terminated fair-value hedging relationships that were terminated in 2013 and 2014. A corresponding amount with a negative impact on earnings, attributable to the decrease in value of hedging instruments (derivatives) in the terminated hedging relationships, has been recognised under the net result of financial transactions. From 2015, these amounts will be recognised net in net interest income.

continued Note 1 Net interest income

Landshypotek Bank AB – Parent Company SEK Thousand	2014 Q4	2013 Q4	2014 Q3	2014 Full year	2013 Full year
Interest income					
Interest income on loans to credit institutions	94	2,491	1,671	6,800	6,963
Interest income on loans to Group companies	49	0	154	325	207
Interest income on loans to the public	410,948	488,023	431,091	1,751,590	1,986,463
Less interest losses	-125	3,087	-457	-946	-783
Interest income on interest-bearing securities	55,916	72,227	60,132	251,120	281,660
of which interest income on financial assets at fair value through profit or loss	42,962	45,412	44,222	179,940	183,489
of which interest income on available-for-sale financial assets	12,954	26,816	15,911	71,180	98,171
Other interest income	211	319	1	215	311
Total	467,093	566,147	492,593	2,009,104	2,274,821
<i>All interest income is attributable to the Swedish market.</i>					
Interest expense					
Interest expense for liabilities to Group companies	-11	-242	-4	-188	-750
Interest expense for liabilities to credit institutions – other	-151	-2,009	-1,587	-5,891	-16,130
Interest expense for borrowing/deposits from the public	-20,826	-10,889	-19,446	-71,253	-38,087
Interest expense for debt securities in issue	-280,548	-395,920	-316,273	-1,309,846	-1,600,600
of which interest expense for other financial liabilities in fair value hedges adjusted for the fair value of hedged risk	-137,029	-47,700	-154,254	-529,599	-485,249
of which interest expense on interest-bearing securities at amortised cost	-172,265	-361,099	-190,766	-863,077	-1,128,229
of which periodization of the market value created from terminated hedging relationships *	28,747	12,878	28,747	82,830	12,878
Interest expense for subordinated liabilities	-8,007	-8,834	-8,362	-33,505	-35,470
Interest expense for derivative instruments	52,403	22,104	46,815	159,469	55,474
of which interest expense on derivatives at fair value through profit or loss	-112,211	-10,673	-39,515	-172,699	-135,247
of which interest expense on derivatives identified as hedging instruments	164,614	32,777	86,330	332,169	190,721
Other interest expense	-427	-111	-958	-1,486	-1,162
Total	-257,566	-395,901	-299,815	-1,262,699	-1,636,725
Total net interest income	209,527	170,246	192,778	746,405	638,096

* The item includes reduced recognised interest expenses from the periodization of the market value created from terminated fair-value hedging relationships that were terminated in 2013 and 2014. A corresponding amount with a negative impact on earnings, attributable to the decrease in value of hedging instruments (derivatives) in the terminated hedging relationships, has been recognised under the net result of financial transactions. From 2015, these amounts will be recognised net in net interest income.

Note 2 Loan losses net

Landshypotek Bank AB - Group SEK Thousand	2014 Q4	2013 Q4	2014 Q3	2014 Full year	2013 Full year
Write-off for the period for realised losses	-31,306	-1,063	-16,212	-56,266	-27,362
Reversal of prior provisions for probable loan losses, recognised as realised losses during the year	34,192	2,669	13,880	56,487	23,948
Provision for probable loan losses	-22,595	-35,854	-22,517	-104,547	-82,356
Recovery of previously realised losses	389	279	85	1,004	1,382
Reversal of prior provisions no longer necessary for probable loan losses	6,224	14,747	7,755	23,710	30,515
Guarantees	-	-303	-	-	-505
Total loan losses	-13,096	-19,526	-17,009	-79,612	-54,378

All loan losses are attributable to loans to the public.

Properties taken over in foreclosure to protect claims, MSEK 9.

Landshypotek Bank AB - Parent Company SEK Thousand	2014 Q4	2013 Q4	2014 Q3	2014 Full year	2013 Full year
Write-off for the period for realised losses	-29,512	-1,035	-12,479	-49,624	-23,341
Reversal of prior provisions for probable loan losses, recognised as realised losses during the year	32,384	1,833	10,948	50,809	20,323
Provision for probable loan losses	-19,833	-23,503	-20,367	-85,070	-67,118
Recovery of previously realised losses	387	278	85	950	1,378
Reversal of prior provisions no longer necessary for probable loan losses	3,832	15,583	4,486	16,656	28,621
Total loan losses	-12,741	-6,843	-17,327	-66,278	-40,136

All loan losses are attributable to loans to the public.

Properties taken over in foreclosure to protect claims, MSEK 9.

Note 3 Loans to the public

Landshypotek Bank AB SEK thousand	Group			Parent Company		
	2014 31 Dec	2014 30 Sep	2013 31 Dec	2014 31 Dec	2014 30 Sep	2013 31 Dec
Loan receivables	61,824,733	61,890,387	60,921,843	61,489,426	61,457,083	60,601,122
Less specific provisions for individually valued loan receivables	-82,138	-94,961	-62,931	-57,029	-68,413	-44,567
Net loan receivables	61,742,595	61,795,426	60,858,912	61,432,397	61,388,670	60,556,555
Disclosures on overdue loan receivables without provisions						
Loan receivables overdue 5 - 90 days	34,748	1,233	-	34,748	1,233	-
Loan receivables overdue more than 90 days	754,985	825,051	836,837	748,039	816,918	836,405
Total overdue unimpaired loan receivables	789,732	826,284	836,837	782,786	818,151	836,405
Disclosures on doubtful credits						
Doubtful credits that are not overdue	136,605	112,538	45,882	125,980	102,725	44,858
Overdue doubtful credits	220,443	218,317	191,371	206,451	204,006	170,216
Total doubtful credits, gross	357,048	330,855	237,253	332,431	306,730	215,074
Less capital provisions made	-82,138	-94,961	-62,931	-57,029	-68,413	-44,567
Total doubtful credits, net	274,910	235,894	174,322	275,402	238,317	170,507

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

Note 4 Fair-value hierarchy for financial instruments

Landshypotek Bank AB Group, SEK Thousand	31 Dec 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		478,332		478,332		261,877		261,877
Loans to the public			61,480,224	61,480,224			59,939,674	59,939,674
Financial assets at fair value through profit or loss.								
Bonds and other interest-bearing securities	10,044,034			10,044,034	8,721,971			8,721,971
Interest-rate swaps		13,729		13,729		12,758		12,758
Cross-currency interest-rate swaps		234,447		234,447		117,838		117,838
Derivatives identified as hedging instruments								
Interest-rate swaps		1,303,118		1,303,118		411,338		411,338
Cross-currency interest-rate swaps		496,628		496,628		39,292		39,292
Available-for-sale financial assets								
Bonds and other interest-bearing securities	6,604,474	149,750		6,754,224	1,872,404	4,477,607		6,350,011
Total assets measured at fair value	16,648,508	2,676,004	61,480,224	80,804,736	10,594,375	5,320,710	59,939,674	75,854,759
Financial liabilities at fair value through profit or loss								
Interest-rate swaps		638,277		638,277		329,901		329,901
Cross-currency interest-rate swaps		252,106		252,106		489,356		489,356
Derivatives identified as hedging instruments								
Interest-rate swaps		196,037		196,037		186,574		186,574
Cross-currency interest-rate swaps		106,300		106,300		216,203		216,203
Other financial liabilities								
Liabilities to credit institutions		447,322		447,322		256,890		256,890
Borrowing from the public		5,828,821		5,828,821		2,147,007		2,147,007
Debt securities in issue, etc.		70,090,876		70,090,876		68,668,866		68,668,866
Subordinated liabilities		753,229		753,229		775,054		775,054
Total liabilities measured at fair value	-	78,312,968	-	78,312,968	-	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.

In 2013, certain bonds were measured using measuring models based on market data and, accordingly, were included in Level 2. From 2014, all bonds are measured at their bid prices and classified as Level 1. An exception is made for one bond, which for technical reasons is valued using a measuring model based on market data and classified as Level 2. No other transfers were made between the levels. Level 1 only comprises quoted mortgage bonds and listed bonds issued by municipalities and county councils. Level 2 comprises derivative instruments and financial assets and 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 Dec 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		571,557		571,557		300,960		300,960
Loans to the public			61,170,508	61,170,508			59,623,777	59,623,777
Financial assets at fair value through profit or loss								
Bonds and other interest-bearing securities	10,044,034			10,044,034	8,721,971			8,721,971
Interest-rate swaps		13,729		13,729		12,758		12,758
Cross-currency interest-rate swaps		234,447		234,447		117,838		117,838
Derivatives identified as hedging instruments								
Interest-rate swaps		1,303,118		1,303,118		411,338		411,338
Cross-currency interest-rate swaps		496,628		496,628		39,292		39,292
Available-for-sale financial assets								
Bonds and other interest-bearing securities	6,604,474	149,750		6,754,224	1,872,404	4,477,607		6,350,011
Total assets measured at fair value	16,648,508	2,769,229	61,170,508	80,588,244	10,594,375	5,359,793	59,623,777	75,577,945
Financial liabilities at fair value through profit or loss								
Interest-rate swaps		638,277		638,277		329,901		329,901
Cross-currency interest-rate swaps		252,106		252,106		489,356		489,356
Derivatives identified as hedging instruments								
Interest-rate swaps		196,037		196,037		186,574		186,574
Cross-currency interest-rate swaps		106,300		106,300		216,203		216,203
Other financial liabilities								
Liabilities to credit institutions		495,983		495,983		256,890		256,890
Borrowing from the public		5,828,821		5,828,821		2,147,007		2,147,007
Debt securities in issue, etc.		70,090,876		70,090,876		68,668,866		68,668,866
Subordinated liabilities		753,229		753,229		775,054		775,054
Total liabilities measured at fair value	-	78,361,629	-	78,361,629	-	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.

In 2013, certain bonds were measured using measuring models based on market data and, accordingly, were included in Level 2. From 2014, all bonds are measured at their bid prices and classified as Level 1. An exception is made for one bond, which for technical reasons is valued using a measuring model based on market data and classified as Level 2. No other transfers were made between the levels. Level 1 only comprises quoted mortgage bonds and listed bonds issued by municipalities and county councils. Level 2 comprises derivative instruments and financial assets and 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 Dec 2014 Carrying amount	31 Dec 2014 Fair value	31 Dec 2013 Carrying amount	31 Dec 2013 Fair value
Assets				
Cash and balances with central banks	242,001	242,001	431,893	431,893
Loans to credit institutions	478,332	478,332	261,877	261,877
Loans to the public	61,742,595	61,480,224	60,858,912	59,939,674
Bonds and other interest-bearing securities	16,798,258	16,798,258	15,071,982	15,071,982
Derivatives	2,047,922	2,047,922	581,226	581,226
Total assets	81,309,107	81,046,736	77,205,890	76,286,652
Liabilities and provisions				
Liabilities to credit institutions	447,322	447,322	256,890	256,890
Borrowing from the public	5,828,821	5,828,821	2,147,007	2,147,007
Debt securities in issue, etc.	68,593,547	70,090,876	68,421,543	68,668,866
Derivatives	1,192,720	1,192,720	1,222,034	1,222,034
Subordinated liabilities	699,921	753,229	699,921	775,054
Total liabilities	76,762,332	78,312,968	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 Dec 2014 Carrying amount	31 Dec 2014 Fair value	31 Dec 2013 Carrying amount	31 Dec 2013 Fair value
Assets				
Cash and balances with central banks	242,001	242,001	431,893	431,893
Loans to credit institutions	571,557	571,557	300,960	300,960
Loans to the public	61,432,397	61,170,508	60,556,555	59,623,777
Bonds and other interest-bearing securities	16,798,258	16,798,258	15,071,982	15,071,982
Derivatives	2,047,922	2,047,922	581,226	581,226
Total assets	81,092,135	80,830,245	76,942,616	76,009,838
Liabilities and provisions				
Liabilities to credit institutions	495,983	495,983	256,890	256,890
Borrowing from the public	5,828,821	5,828,821	2,147,007	2,147,007
Debt securities in issue, etc.	68,593,547	70,090,876	68,421,543	68,668,866
Derivatives	1,192,720	1,192,720	1,222,034	1,222,034
Subordinated liabilities	699,921	753,229	699,921	775,054
Total liabilities	76,810,993	78,361,629	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.

Note 6 Disclosures about offsetting

Landshypotek Bank AB Group and Parent Company SEK Thousand	Amount recognised in the balance sheet 31 Dec 2014	Related amounts not offset in the balance sheet			Net amount 31 Dec 2014
		Financial instruments	Paid (+) Received (–) collateral – securities	Paid (+) Received (–) cash collateral	
Assets					
Derivatives, fair value	2,047,922	–953,926			
Derivatives, accrued interest	268,759	–174,155			
<i>Derivatives, total value including accrued interest</i>	2,316,681	–1,128,081		–423,573	765,026
Repurchase agreements, reverse repos	-				-
Liabilities					
Derivatives, fair value	–1,192,720	953,926			
Derivatives, accrued interest	–293,271	174,155			
<i>Derivatives, total value including accrued interest</i>	–1,485,991	1,128,081			–357,910
Repurchase agreements, reverse repos	-				-

Amounts recognised in the balance sheet

All assets and liabilities are recognised as gross amounts in the balance sheet, calculated on the basis of each individual instrument.

Financial instruments

Based on contracted master netting agreements, Landshypotek Bank can offset cash flows with the same counterparty and value date. The procedure lowers risk for open exposures.

Cash collateral received

Under contracted International Swaps and Derivatives Association (ISDA) agreements, Landshypotek has the right to receive cash collateral for positive market values from counterparties whose ratings fall below a minimum agreed level. Such collateral is paid in cash to Landshypotek Bank's bank account and is recognised as a liability to the respective counterparty in the balance sheet. Paid-in collateral eliminates risk in positive exposures to counterparties with low ratings. If the counterparty defaults, Landshypotek Bank will utilise the paid-in cash collateral.

Net amounts

Net amounts show the remaining market value of contracted swap agreements that can be neither offset nor covered by received collateral.

Review report - For translation purposes only

We have reviewed this report for the period 1 January 2014 to 31 December 2014 for Landshypotek Bank AB (publ). The Board of Directors and the Managing Director 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 Financial Information 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, 30 January 2015

Ulf Westerberg
Authorized Public Accountant

Helena Kaiser de Carolis
Authorized Public Accountant



Landshypotek Bank