



Why make it complicated?

Annual Report 2000



Lantbrukskredit



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When you can borrow from Lantbrukskredit!

There are many fanciful loan constructions in the marketplace. Our loans are simple. As straight-forward as they can possibly be.

We have our roots in agriculture. We are of the opinion that loans and borrowers should be treated in the same natural down-to-earth way as the standing crops. We complement Landshypotek's lending to agriculture and forestry with special credits. We also work with companies in the energy field.

Lantbrukskredit is a small organization with specialist competence, simple administration and low overhead.

That's why we are able to offer competitive terms.

So why make it complicated?

The Year in Brief

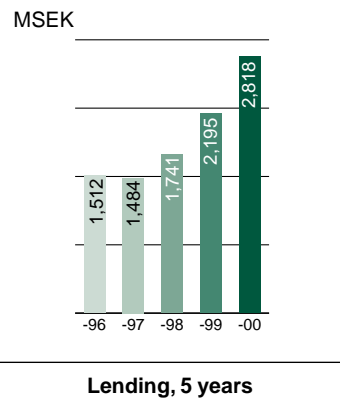
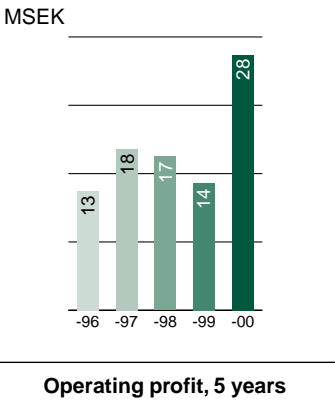


Operating profit increased by 100 percent to MSEK 28 (14).

The return on adjusted equity was 9.2 (4.9) percent.

Lending increased by 28 percent to MSEK 2,818 (2,195).

Problem credits amounted to MSEK 3.2, which is equivalent to 0.1 percent of loans outstanding.



Business in Brief

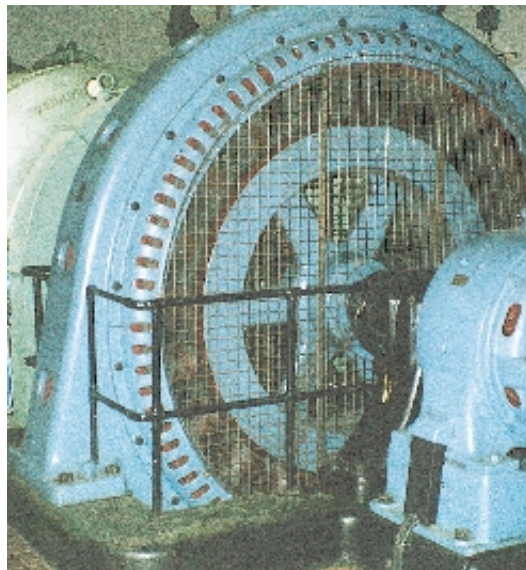
Lantbrukskredit offers first mortgage loans to the processing industry of agriculture and forestry. The Company is a wholly owned subsidiary of Landshypotek AB.

Lantbrukskredit's business concept is to finance investments in the processing side of agriculture and forestry, such as the food industry, the forest industry and the consumer goods retail trade. Lantbrukskredit also finances companies outside the agricultural and forestry sectors, especially in the energy sector, such as wind power generation, small-scale hydroelectric power generation and bio-fired district heating. In this way Lantbrukskredit complements Landshypotek's lending to agriculture and forestry.

Lantbrukskredit has a small and efficient organization and cutting-edge specialist competence in the fields of energy, consumer goods retail trade, forest products industry, food industry and the construction and real estate industry.

Lantbrukskredit offers simply constructed loans on competitive terms and conditions.

Standard & Poor's has awarded Lantbrukskredit a Swedish rating of K-1.



Comments of the Managing Director – Record result and continued strong loan demand

During 2000 we increased our lending by almost 30 percent, which resulted in sharply higher profit. Our sustained orientation towards credits to the processing side of the agricultural and forestry sectors, and to energy investments, has proved to be sound. In order to further strengthen our customer contacts, we are now expanding our marketing cooperation with Landshypotek's regional offices.

Profit for 2000 is the best ever for Lantbrukskredit. We report operating profit of MSEK 28, which is an improvement by MSEK 14. The improvement in earnings is primarily due to higher net interest income as a consequence of an almost 30-percent increase in lending. We have also reversed prior loan loss provisions. Within our Company we feel that lending will continue to grow at the same high rate in 2001.

Our business concept is to complement our owner Landshypotek's lending to agriculture and forestry with first mortgage financing of investments in the processing side of the agricultural and forestry sectors, such as the food industry, the forest industry and the consumer goods retail trade. We also finance companies outside the agricultural and forestry sectors, especially in the energy sector.

Close cooperation with Landshypotek

For obvious reasons our work is primarily aimed at those of Landshypotek's customers who, aside from farming, also conduct industrial operations in some form. Structural transformation is proceeding in agriculture and forestry at a high rate. Full-time farms are declining in number, at the same time as those that remain become larger and more specialized. The boundaries between what is farming in the traditional sense and industrial operations are becoming increasingly blurred. In many cases we participate with financing of farm enterprises that conduct highly productive, integrated animal production. Many of Lantbrukskredit's customers also run other businesses that have no direct links to agriculture. Naturally we



also follow these customers and offer financing of their businesses.

As a complement to this part of our operations, we are currently building a regional organization in close cooperation with Landshypotek. At each Landshypotek's ten regional offices there will be at least one co-worker with special competence in Lantbrukskredit's business. In this way we will be able to meet the customers efficiently in the field. Another important piece of the puzzle aimed at improving customer benefit is our cooperation with Länsförsäkringar Bank that makes it possible for us to offer our customers a full-service banking concept.

Leading financial source for renewable energy

Lantbrukskredit participates in the financing of the country's energy system towards increased use of renewable energy. We have participated in the building of several bio-fueled district heating facil-

ities. The potential for increased use of bio-energy for heating purposes is large. There are several hundred more densely populated areas that lack district heating facilities, where costly and environmentally harmful fossil fuels could be replaced by bio-energy. There are also many small homes that would benefit from being heated with bio-energy rather than oil.

Lantbrukskredit is one of the country's leading financing sources for wind power. The number of wind power generating stations is growing rapidly and there are now more than 500 in operation in the country. Historically, the problem for wind-based power has been the high production costs, but these have declined gradually and wind power is today competitive. Internationally, wind power is growing faster than any other energy source. The development is also in the direction of further expansion of existing wind power farms. On page seven is shown a typical example from the Hålsinge coast. At this wind power farm, our customer, Bernt Wallin, has installed four large power mills, together capable of supplying 280 single family homes with heat.

We also finance small and medium-sized hydroelectric power plants. Several smaller bodies of water contain unutilized capacity, which with the help of modern technology can be transformed into commercially and environmentally successful projects.

Competent organization in a competitive market

In our company we have built up our own competence in our industry fields of consumer goods retail trade, forest and wood industry, food industry and the construction and real estate sectors. Among other things, we have developed analysis models for different types of businesses and projects. In more complicated cases, we use external expertise to complement our own analysis.

We work in an extremely competitive market. In this market, it is essential for our personnel to be able to fulfill high demands for competence and be sensitive to customer needs. Lantbrukskredit has a very competent and service-minded staff and

we are continuously working on competence development. Our regional initiative is also a good complement to our continued development.

Capitalization and borrowing

We report a capital adequacy rate of 9.8 percent and a core capital relationship of 8.3 percent. Our goal is to maintain a core capital ratio of 8 percent. We are also expecting to expand our lending. Our owners are committed to supply any needed core capital.

Due to customer preferences, most of our borrowing during year 2000 was on a short-term basis. This preference is expected to continue. For this reason we intend to initiate a commercial paper program. In connection herewith we have recently obtained a Swedish rating of K-1 from Standard & Poor's.

Good opportunities for Lantbrukskredit

Overall, I have a positive view of Lantbrukskredit's prospects for strengthening and advancing our positions in our market segments. This optimistic view is based on our close links to Landshypotek, which has a strong position and a fine reputation. Our cooperation with Landshypotek gives us increased market presence and strengthens Landshypotek's benefits to its customers with a broader line of services.

Stockholm, March 2001



Anders Bjering
Managing Director



As a consumer one should be able to affect the environment by buying the right kind of energy, says Bernt Wallin, entrepreneur and former sawmill boss, who now runs Nordanstigsverken, southern Norrland's largest wind power farm.

Environmentally Conscious Entrepreneur Bets on Wind Power

After a long professional career Bernt Wallin wanted to find something else to do. With good partners, a cool head and seed money, he chose to build a wind power facility in Norrland. An environmentally friendly and secure investment.

– When I stand out here under the wind power mills and see them rotate, I get an adrenaline rush. It feels as if I am in the middle of life and that I am still “with it” despite having turned sixty and beginning to suffer the infirmities of old age, says Bernt Wallin, former sawmill chief having switched his old profession to that of wind power entrepreneur.

Bernt Wallin’s facility Nordanstigsverken is located at clearing by the sea in Stocka, near Hudiksvall. The four 55 meter high steel towers with their magnificent rotor blades reflect the December sun in brilliant white. This wind power farm is one of the largest in northern Sweden.

It was only about one year ago that Bernt Wallin got in touch with Nordan Vindkraft AB, a company that plans and engineers wind power facilities all along the Norrland coast. The company had found a suitable location with favorable wind conditions. When all permits and building licenses had been received, Bernt Wallin contracted with Vestas, the maker, to buy the wind power mills with 2.6 MW output capacity.

An investment for the future

The cost of the entire project was close to MSEK 22. For financing, Bernt Wallin was recommended to get in touch with Lantbrukskredit, where he already at the first telephone call was well received by persons with experience from wind power projects.

– I wanted to build security for my family. This investment is not likely to generate huge profits during the first five years. One has to have some savings to live off in the beginning. After five years things get much better. By then operating income has risen to SEK 250,000 per year. The advantage is that I get good equity growth; close to MSEK 1 per year. In twenty years the facility will be paid off and the kids can take over, says Bernt Wallin.

Nordanstigsverken was inaugurated by the county governor at the end of November 2000 and as soon as one week later Bernt Wallin is delighted to verify that his four wind power units are in full operation. At maximum output he will be able to supply 280 single family homes with electric heat.

From sawmill to wind power

For 17 years Bernt Wallin lived in Hällefors, where he operated Stora’s sawmill until its closing

in 1992. After this he bought the property and the thermal power station, which he continued to operate for several years. In 1995 he moved back to his old home area in Hälsingland and began to look for a suitable investment object. He did calculations on a forest stand and investigated the opportunities for building a hydro-electric power plant. During this period he imported containers full of fishing nets from China. This was very good business but it took too much time during summers when he would much rather be out fishing.

– I was not tempted to start some kind of manufacturing which would require me to buy and sell raw materials, hire people and rent premises. Wind power, on the other hand, could be managed from home via my computer. If something goes wrong, I call Vestas’ technicians. In case of minor faults, I can start the units from the office. The raw material is free and I sell the electricity in one go to Sydkraft on an annual basis. This is actually a pretty light job, adds Bernt Wallin. The alternative would have been to sit in front of the computer, buying and selling stocks. Now I am instead creating something real.

Environment and production hand in hand

Bernt Wallin’s arguments for windpower are plentiful: the wind is free, it will never stop blowing, electricity prices are not likely to go lower than bottom levels during the summer of 2000 and both power companies and consumers are going to demand environmentally friendly energy also in the future. And in addition, Bernt Wallin does not think that the Government is likely to remove the subsidy of 9 öre per kWh or the reversed energy tax of 16 öre per kWh to producers of wind power.

– And I have room for a couple more units. So in a few years I may be calling Lantbrukskredit again, says Bernt Wallin in closing.

Nordanstigsverken, Strömsbruk

Bernt Wallin in Stocka owns southern Norrland’s largest wind power farm, Nordanstigsverken, with four power mills.

The units are made by Vestas and each generate output of 660 kW.

Annual production is estimated to be 5,300,000 kWh, which is equivalent to the annual consumption of 280 electrically heated single-family homes.

The total investment is MSEK 21.5.

The Government investment grant is 15 percent.

Administration Report

The Board of Directors and the Managing Director of Lantbrukskredit Aktiebolag (publ), organization number 556095-2896, hereby submit their account of the operations for year 2000.

Lantbrukskredit reports a profit before year-end appropriations and taxes of MSEK 28, as compared with a profit of MSEK 14 for 1999. The risk-weighted capital adequacy ratio stands at 9.8 (11.5) percent. Lending increased from MSEK 2,195 to MSEK 2,818.

General

Lantbrukskredit is a credit company functioning as a basic secured lender to Swedish trade and industry, primarily businesses associated with the processing industry of agriculture and forestry, such as the food and forest industries, and consumer goods retail trade. Lantbrukskredit is also active as a lender outside the agricultural and forestry sectors, especially to companies in the energy sector. The diagram below shows how lending is distributed among different sectors. The Company has received a Swedish rating of K-1 (March 2001) by Standard & Poor's.

Lantbrukskredit's borrowing is handled by Landshypotek's financial department. The credit portfolio is constantly monitored and we perform regular follow-ups of every engagement. Problem credits are at a low level and only amounted to MSEK 3 at year-end, which is equivalent to 0.1 percent of our lending.

Lantbrukskredit is 100-percent owned by Landshypotek AB, organization number 556500-2762. The parent company of the group is Landshypotek

Incorporated Association, organization number 769600-5003.

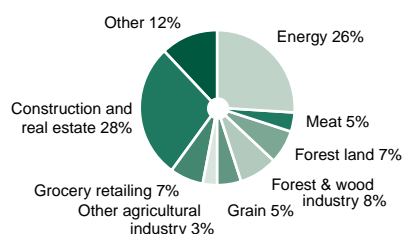
Market

The past year was distinguished by strong demand for investment credits. Lending to the public amounted to MSEK 2,638 (2,015). In addition thereto, Lantbrukskredit added lending in the form of VPC-listed corporate bonds in an amount of MSEK 180. Such bonds are not carried as lending on Lantbrukskredit's books. Total lending, including corporate bonds, amounted to MSEK 2,818, an increase by MSEK 623, or 28 percent, compared to the year before. Problem credit amounted to MSEK 3.2 (2.7) at year-end, equivalent to 0.1 percent of loans outstanding.

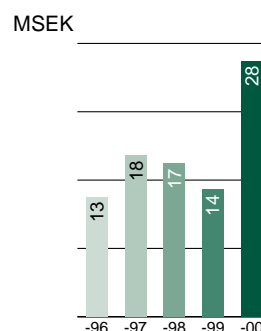
Lantbrukskredit's conscious and long-term emphasis on credits to the energy sector has resulted in favorable volume growth. This is particularly true of area renewable energy, such as wind, hydro and bio-energy.

Competition is severe in Lantbrukskredit's market and there are several participants in this market. In an effort to strengthen its market presence, Lantbrukskredit is now in the midst of building a regional organization in cooperation with Landshypotek. Thanks to access to Landshypotek's marketing organization, improved proximity to the customers is created and therefore enhanced opportunities for increased sales. The cooperation also provides synergy effects on the cost side.

For 2001 we are expecting continued growth in all of Lantbrukskredit's areas of operation.



Distribution of lending, %



Operating profit, 5 years

Profit

The year's operating result was a profit of MSEK 28 (14). The profit improvement of MSEK 14 is explained primarily by higher net interest income and recovered loan losses. Operating profit before loan losses amounted to MSEK 21, which is MSEK 6 higher than for the preceding year. Net interest income for the year amounted to MSEK 28 (22). Increased lending has contributed to the improvement in net interest income. The return on adjusted equity after taxes was 9.2 (4.9) percent. Operating income before loan losses for the current year is expected to increase at the same rate as the increase in lending.

Capital adequacy

Lantbrukskredit's capital base at year-end was MSEK 268 (248), MSEK 228 (208) of which in core capital.

As a result of an increase in net loans outstanding of over 28 percent, the capital adequacy ratio declined from last year's 11.5 percent to this year's 9.8 percent. The core capital ratio dropped from 9.6 percent to 8.3 percent. Lantbrukskredit's goal is to maintain a core capital ratio of 8 percent. As a consequence of an expected increase in lending, Landshypotek will be infusing additional capital already during the first half of the year.

Lantbrukskredit's business as a corporate lender has the effect of placing an overwhelming majority of its engagements in credits with 8 percent capital adequacy requirement.

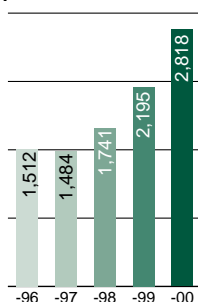


Personnel

The average number of full-year employees during the year was 4 (4) (two men and two women). Compensation to employees amounted to MSEK 1.5 (1.5). Directors fees in an amount of MSEK 0.1 (0.1) were paid.

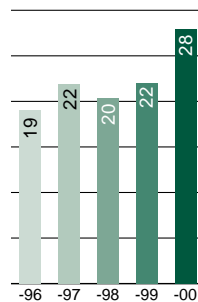
The Company has no agreements with personnel for severance pay or early retirement that differ from standard practice in the banking industry according to the recommendations of BAO (the Swedish banking industry's employers' federation).

MSEK



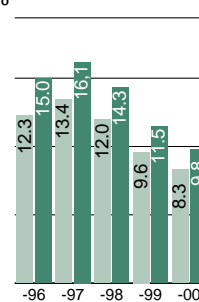
Lending, 5 years

MSEK



Net interest income, 5 years

%



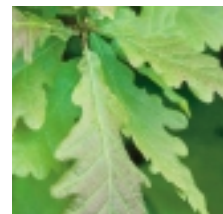
Capital adequacy, 5 years

Core capital ratio Capital adequacy

Statement of Income

SEK thousand	Note	2000	1999
Interest income		130,572	92,651
Interest expenses		–102,649	–70,679
Net interest income	1	27,923	21,972
Dividend income	2	3	2
Commission income		24	100
Commissions expenses		–228	–267
Other operating income	3	2	18
Total other income		–199	–147
Total operating income		27,724	21,825
General administrative expenses	4	–5,116	–5,144
Depreciation, write-downs and amortization of tangible and intangible fixed assets	5	–922	–1,079
Other operating expenses	6	–361	–407
Total operating expenses		–6,399	–6,630
Result before loan losses		21,325	15,195
Loan losses	7	6,610	–19
Change in value of property taken over	7	–221	–1,200
Operating profit		27,714	13,976
Year-end appropriations	8	4,551	–6,948
Profit before taxes		32,265	7,028
Current taxes		–9 034	–1,972
Net profit for the year		23,231	5,056

Balance Sheet

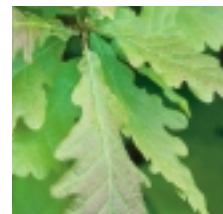


SEK thousand	Note	2000	1999
ASSETS			
Loans to financial institutions	9	5,035	17,682
Lending to the public	10	2,637,511	2,014,982
Bonds and other interest-bearing securities	11	180,000	180,000
Shares, etc.	12	1	1
Intangible fixed assets	13		
Miscellaneous fixed assets		1,597	2,395
Tangible fixed assets	14		
Furniture and fixtures		478	334
Buildings and land		2,391	2,612
Other assets	15	13,675	5,948
Prepaid expenses and accrued revenue	16	9,416	15,901
TOTAL ASSETS		2,850,104	2,239,855
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Due to financial institutions	17	1,742,000	1,014,000
Borrowing from the public	18	4,050	12,700
Securities issued, etc.	19	789,030	918,535
Other liabilities	20	4,503	726
Accrued expenses and prepaid revenue	21	34,995	36,940
Provisions	22		
Miscellaneous provisions		0	108
Subordinated debt	23	40,000	40,000
Total liabilities		2,614,578	2,023,009
Untaxed reserves	24	28,766	33,317
Shareholder's equity	25		
Restricted equity			
Share capital: 150,000 shares (150,000)		150,000	150,000
Statutory reserves		30,000	28,473
Non-restricted equity			
Retained earnings		3,529	0
Net profit for the year		23,231	5,056
Total shareholder's equity		206,760	183,529
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,850,104	2,239,855
Pledged assets		None	None
Contingent liabilities			
Issuing guarantee, VPC		0	187
Commitments			
Interest and currency-related contracts, net	26	2,855	2,758

Statement of Cash Flow

SEK thousand	2000	1999
Current operations		
Operating profit	27,714	13,976
<i>Adjustment for items not included in cash flow</i>		
Depreciation and amortization	922	1,079
Taxes	-9,034	-1,972
<i>Cash flow from current operations before changes in working capital</i>	19,602	13,083
<i>Changes in assets and liabilities in current operations</i>		
Lending to the public	-622,529	-273,484
Loans to financial institutions	12,647	22,274
Bonds and other interest-bearing securities	0	-180,000
Miscellaneous assets	-1,242	28,636
Securities issued	-129,505	-303,241
Due to financial institutions	728,000	754,000
Borrowing from the public	-8,650	-7,093
Miscellaneous liabilities	1,724	-41,264
Cash flow from current operations	47	12,911
Investment activities		
Furniture and fixtures	-268	-11
Buildings and land	221	-900
Cash flow from investment activities	-47	-911
Financing activities		
Group contribution rendered	0	-12,000
Cash flow from financing activities	0	-12,000
Change in liquid funds	0	0
Liquid funds at beginning of year	0	0
Liquid funds at year-end	0	0

Five-Year Summary



PROFIT PERFORMANCE

MSEK	2000	1999	1998	1997	1996
Net interest income	27.9	22.0	20.4	21.9	19.0
Other interest income	-0.2	-0.1	0.6	1.5	0.9
Operating expenses	-5.5	-5.6	-5.0	-6.1	-5.1
Depreciation and amortization	-0.9	-1.1	-1.1	-0.4	-0.2
Loan losses	6.4	-1.2	2.0	0.8	-1.5
Operating profit	27.7	14.0	16.9	17.7	13.1
Lending to the public – net	2,638	2,015	1,741	1,484	1,512
Balance sheet total	2,850	2,240	1,837	1,590	1,602
Adjusted equity	228	208	206	194	181
Ratios					
Interest margin	0.68%	0.63%	0.31%	0.38%	0.35%
Return on adjusted equity	9.17%	4.87%	6.07%	6.78%	5.30%
Loan loss level	-0.27%	0.06%	-0.12%	-0.05%	0.10%
Loan loss provision/lending	0.11%	0.47%	0.54%	1.00%	1.28%

CAPITAL ADEQUACY

MSEK	2000	1999	1998	1997	1996
Capital requirement, risk-weighted assets					
Group A	0.0	0.0	0.0	0.0	0.0
Group B	8.2	11.3	11.3	14.9	18.9
Group C	66.3	19.1	31.8	24.1	3.3
Group D	2,660.9	2,129.5	1,678.6	1,405.6	1,456.2
Total risk-weighted assets	2,735.4	2,159.9	1,721.7	1,444.6	1,478.4
Assets requiring capital cover	2,850.1	2,239.9	1,837.4	1,589.8	1,602.0
Risk-weighted in % of assets	96%	96%	94%	91%	92%
Total capital base					
Core capital	227.5	207.5	206.1	193.9	181.2
Supplementary capital					
Subordinated loans fixed maturity date	40.0	40.0	40.0	40.0	40.0
Total capital base	267.5	247.5	246.1	233.9	221.2
Core capital	8.32%	9.61%	11.97%	13.43%	12.26%
Capital adequacy	9.78%	11.46%	14.29%	16.19%	14.96%

Risk Exposure

CREDIT RISKS

Credit risks in lending operations

Landshypotek's operations as a first mortgage lending institutions, specialized in credits to Swedish agriculture and forestry, means that the risks in lending operations are very limited, since all credit is granted against adequate collateral or security.

Risk evaluation and risk management

Landshypotek's regional organization constitutes the foundation for management of credit risks in the business. The valuation of loan collateral is the principal aspect of this process.

The personnel of the regional offices are assisted in the valuation process by the organization of representatives of Landshypotek Incorporated Association who, in the form of regional boards of directors with 6–10 members per region, play a very central role. The network of representatives, which is unique to Landshypotek, ensures that all credit decisions are based on sound industry experience and familiarity with local conditions.

Routines for valuation and determination of loan value

Routines for determination of the value of loan objects are crucial to the management and control of credit risks.

Landshypotek's lending is based on the principle of individual evaluation of financed properties. All loans are made against mortgage deeds within 75 percent of internally determined loan value.

If the loan amount exceeds 65 percent of loan value, or if there is any form of doubt about that value, the value is always determined based on on-site inspection performed by an appraiser within the organization of representatives, or by an external appraiser authorized by Landshypotek. At lower loan to loan value ratios simplified valuation procedures are applied.

The net asset valuation of agricultural properties is complemented by business analysis if:

- the loan to loan value ratio is between 65 and 75 percent of the loan value.
- the net asset value is biased in the sense that the property contains a large proportion of farm buildings or forest land.
- net asset valuation for other reasons is deemed inadequate.

Lantbrukskredit AB may accept other similar security or collateral, such as personal guaranty or corporate mortgages. A business analysis is always performed when the credit refers to a loan object other than agricultural property.

Other elements of the credit evaluation process

An evaluation of the borrower's payment capacity is always performed in connection with all granting of credit and in the course of investigating non-performing loans.

In respect of larger credits, such evaluation is performed in connection with annual loan reviews.

Follow-up and control of credit risks

An established customer relationship is typically the basis for the evaluation process. In some cases external credit reports are used.

Due consideration is given to credit risks by setting aside provisions for probable loan losses.

Engagements not subject to provisions are judged not to contain measurable credit risk at the time of the closing of the books, because the value of the collateral or security exceeds the loan claim by an adequate margin.

Concentration of credit risk

Landshypotek AB's loan portfolio is well diversified, which means that there are no significant concentrations of risk, for instance with respect to size of loan, time of approval, geographical distribution or business orientation.

Of great importance to the evaluation of credit risk in individual farm enterprises is the large holdings of forest land by Swedish farmers. This is unique in an international comparison.

Forest land holdings constitute a considerable reserve and profit equalization opportunity for farm enterprises.

Large exposures

Under the rules of the Swedish Financial Supervisory Authority, credits in excess of 10 percent of the lender's capital base are classified as large exposures. Large exposures are reported on a quarterly basis to the Financial Supervisory Authority, by the Group and by each respective Group company.

The Landshypotek Group, capital base MSEK 4,273.5, reports no engagements as being large exposures.

Landshypotek AB, capital base MSEK 3,588.5, has 62 engagements exceeding MSEK 10 and has no engagements to report as being large exposures.

Lantbrukskredit AB, capital base MSEK 267.5, reports 26 engagements as being large exposures. The largest engagement is in the amount of MSEK 116.0 and others at between MSEK 91.4 and MSEK 28.3, or a total of MSEK 1,609.8.

For eight of the engagements in Lantbrukskredit, a total of MSEK 689.9, risk-sharing guaranties totaling MSEK 155.0 have been granted by

Landshypotek Jordbrukskredit AB.

Landshypotek Jordbrukskredit AB, capital base MSEK 420.7, has no large exposures.

Other credit risks

Due consideration is given to risks related to other financial assets by evaluation of counterparties. Such risks are restricted by limits set by the Board of Directors.

FINANCIAL RISKS

Financial risks are divided into the categories market risks and liquidity risks as defined below.

Management and control of the financial risks in the business are primarily exercised by the Company's organization, divided into areas of responsibility with well defined administrative boundaries, and by instructions and control documents issued by the Board of Directors.

Well functioning internal control has had high priority in building the organization.

In addition, the business is supported by very modern financial management systems with well developed routines for the day-to-day work as well as for risk calculations and analysis.

Market risks

In Lantbrukskredit's business, market risks are mainly interest risks and currency risks.

Interest risks

Interest risks arise when interest fixing periods or interest bases for assets and liabilities or off-balance-sheet items are mismatched.

Due consideration is given to interest risks related to lending pursuant to the principle of matched borrowing. Any discrepancy is analyzed on a current basis using so-called gap analysis.

If matched borrowing cannot be obtained, interest rate swaps are utilized to ensure that actual risks incurred do not exceed the limits approved by the Board of Directors.

Currency risks

Currency risks arise when the present value of assets and liabilities, including derivative positions, in a foreign currency are mismatched.

All currency positions in Landshypotek are hedged through currency swap agreements with first-class counterparties.

Liquidity risks

By liquidity risks is meant the risk that one or more of the Group's companies is temporarily unable to discharge a liability due for payment because of failure in borrowing opportunities due,

for instance, to disturbances in the market.

Landshypotek's borrowing strategy is one of deliberate diversification of borrowing, both in terms of different types of instruments and different geographical markets. From a risk point of view, this means that major disturbances are required within as well as outside Sweden for Landshypotek's borrowing opportunities to be negatively affected.

Landshypotek AB's adjustable-rate lending is financed mainly by the Company's commercial paper program in the amount of SEK 10, billion. Committed credit facilities from Swedish and foreign banks totaling about SEK 6 billion are in place to support the commercial paper borrowing program in the event that disturbances should erupt in the market. For borrowing by The General Mortgage Bank, there is also the Swedish Government's guarantee fund in the amount of MSEK 700.

OPERATIVE RISKS

So-called operative risks also arise in the company in addition to credit risks and financial risks. By this is meant the risks that arise in the running of the business, such as risks related to failure of IT systems, criminal activity or incorrect processing of matters due to negligence or ignorance on the part of individual persons.

Landshypotek's policy is to minimize this type of risk by having a well-functioning organization, rules and routines, and active security work.

Management and control of operative risks is mainly by internal rules and instructions, and by follow-up and oversight by active internal audit procedures.

In the IT area, where the greatest risks are judged to exist, security arrangements include a host of different measures. Everything from choice of suppliers and cooperation partners, to building and organizing IT systems and development of quality-assured routines for operations and systems maintenance.

Landshypotek's policy is to create close and long-term relationships with suppliers of critical functionality and to develop a high level of competence within the Company in areas of critical importance to the business.

In a low head-count business such as Landshypotek's, dependency is great on the knowledge and loyalty to the Company of individual persons in a number of respects. Good HR policy is critical to nurture our know-how as well as loyalty, and to contribute to creating a good work climate.

Landshypotek has complementary protection in the form of well designed insurance protection.

Accounting Principles

Definitions and comparative data

The principles below with respect to accounting and risk exposure apply in relevant parts to all companies in the Landshypotek Group.

The Landshypotek Group includes Landshypotek Incorporated Association, Landshypotek AB, The General Mortgage Bank, Lantbrukskredit AB, Landshypotek Jordbrukskredit AB and other wholly owned inactive companies.

In running text in the Annual Report, "Landshypotek" means the Group, according to the definition above. The complete corporate names are used for individual Group companies. The General Mortgage Bank is generally referred to as "The General Mortgage Bank".

Annual reports are prepared in accordance with the directives of the Financial Supervisory Authority (FFFS 1999:14). Consolidated financial statements are prepared in accordance with the recommendation of the Financial Accounting Standards Council.

All amounts are given in SEK thousand. In running text, the prior year's data are given in brackets.

Price differences on bond issues

The premiums and discounts that arise in connection with issuance of bonds are allocated on a straight line basis over the life of the relevant bond issue. Discounts attributable to zero-coupon bonds are allocated to the right periods using the effective rate method.

Price differences on repurchased bonds

Own bonds repurchased are canceled in connection with the repurchase, unless the loan is subject to a sinking fund plan. Any price differences arising in connection herewith are allocated over time if required to provide a true reflection of the period's financing cost.

Repurchased bonds belonging to issues subject to a sinking fund plan are canceled at the rate prescribed by such sinking fund plan. Uncancelled bonds are valued at the average cost.

Interest difference compensation upon early repayment of loans

Provisions are set aside for interest difference compensation arising in connection with repayments of loans before maturity, and the relevant amounts are allocated to the period to which they are attributable.

Principles of depreciation and amortization

Buildings used in operations are depreciated by 2 percent per year. Machinery and equipment,

and goodwill is depreciated and amortized, respectively, on a straight-line basis over five years and personal computers are depreciated on a straight-line basis over three years.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are reported at the rate of exchange prevailing at the time of borrowing. Hedge accounting is applied.

Provisions for possible and incurred loan losses

Loan losses incurred during the year and write-downs for probable loan losses are reported as loan losses. Loans outstanding are reported net, after deduction of incurred loan losses as well as write-downs for possible loan losses.

Incurred losses are those losses whose amount is regarded as finally established, or highly probable because a bankruptcy administrator has provided an estimate of the percentage of assets to be distributed, creditors have accepted a composition proposal, or claims have otherwise been modified.

A receivable is classified as a nonperforming loan if the interest, principal or utilized overdraft is more than 60 days past due.

A nonperforming loan is classified as a doubtful loan when the repayment capacity of the borrower is not expected to improve sufficiently within two years, or when other circumstances compromise its value.

A reserve for possible loan losses is set aside if the value of the collateral does not cover the loan amount. The loan is written down to the amount expected to be collected considering the value of the collateral.

Mortgage deeds against agricultural properties constitute the overwhelming proportion of all collateral held by Landshypotek. These are valued by external or internal appraisers.

Interest on nonperforming loans, for which the value of security or collateral does not cover principal and accrued interest, is not recognized as income. Interest payments received on such credits is reported on a cash basis.

Valuation of property taken for protection of claims

Property taken over for protection of claims is carried as current assets. Upon takeover, such property is written down to fair value, which is determined as described above. In cases where this value is lower than Landshypotek's original security, the difference is reported as incurred loan loss.

Notes to the Financial Statements

SEK thousand	2000	1999
NOTE 1 NET INTEREST INCOME		
Interest income		
Interest income on loans to credit institutions	217	157
Interest income from Landshypotek AB	54	185
Interest income on lending to the public	121,865	87,842
Interest income on interest-bearing securities	8,342	4,460
Other interest income	94	7
Total interest income	130,572	92,651
Average interest rate on lending to the public	5.24%	4.68%
Interest expense		
Interest expense for liabilities to credit institutions	0	332
Interest expense to Landshypotek AB	56,872	24,386
Interest expense on borrowing from the public	737	1,328
Interest expense for interest-bearing securities	42,509	40,627
Interest expense for subordinated debt	3,976	4,000
Other interest expense	-1,445	6
Net interest income	102,649	70,679
Lending	27,923	21,972
NOTE 2 DIVIDEND INCOME		
Miscellaneous shares	3	2
	3	2
NOTE 3 OTHER OPERATING INCOME		
Other	2	18
	2	18
NOTE 4 GENERAL ADMINISTRATIVE EXPENSES		
Personnel costs		
Compensation to Managing Director and Board of Directors	703	709
Payroll costs	886	919
Allocation to profit sharing fund	105	63
Pension costs	200	93
Social insurance contributions	568	575
Other personnel costs	86	107
Total personnel costs	2,548	2,466
Specification of pension costs		
Pension premiums	159	75
of which to senior management	(127)	(104)
Salary and yield taxes	41	18
	200	93
Number of men employed	2	2
Number of women employed	2	2
Average number of employees	4.0	4.0
No loans are outstanding to members of the Board of Directors or senior management.		
The Managing Director has a right to severance pay in the amount of one annual salary in the event of termination at the initiative of the Company.		
Pension commitments are covered by insurance.		
Other administrative expenses		
Costs of premises	446	444
Office expense	118	104
Telecom, data networks and postage expenses	81	87
IT costs	268	314
Purchased services	895	707
Auditing	16	151
Audit fee Öhrlings PricewaterhouseCoopers	61	60
Other assignments than the audit assignment	38	45
Authorised Public Accountant appointed by the Financial Supervisory Authority	21	46
Financial expense	283	497
Other	357	374
Total other administrative expenses	2,568	2,678
Total administrative expenses	5,116	5,144

SEK thousand	2000	1999
NOTE 5 DEPRECIATION AND WRITE-DOWN OF TANGIBLE FIXED ASSET		
Furniture, fixtures and equipment	798	798
Intangible assets	124	281
	922	1 079
NOTE 6 OTHER OPERATING EXPENSES		
Marketing expense	308	237
Operating net for properties taken over	7	108
Other	46	62
	361	407
NOTE 7 LOAN LOSSES, NET		
Loan losses		
This year's write-down for realized losses	0	50
Reversal of prior provisions for probable loan losses reported as realized losses in this year's financial statements	0	0
This year's provisions for probable loan losses	2,160	0
Recovery of prior years' realized losses	0	-31
Reversal of no longer required provisions for probable loan loss	-8,770	0
Total loan losses	-6,610	19
Change in value of property taken over		
Net result on sale of property taken over	221	1,200
	221	1,200
Total loan losses	-6,389	1,219
NOTE 8 YEAR-END APPROPRIATIONS		
Change in tax equalization reserve	0	12,000
Change in Capital-based reserve	-6,813	-6,813
Change in timing difference reserves	2,262	1,761
	-4,551	6,948
NOTE 9 LOANS TO CREDIT INSTITUTIONS		
Lending to banks	3,824	16,752
Lending to the postal giro system	1,211	930
	5,035	17,682
Loans by remaining time to maturity		
Payable on demand	5,035	17,682
Remaining maturity up to 3 months	0	0
Remaining maturity 3 months to 1 year	0	0
Remaining maturity 1 year to 5 years	0	0
Remaining maturity more than 5 years	0	0
	5,035	17,682
Loans by remaining period of fixed interest		
Payable on demand	5,035	17,682
Remaining interest fixing period up to 3 months	0	0
Remaining interest fixing period 3 months to 1 year	0	0
Remaining interest fixing period 1 year to 5 years	0	0
Remaining interest fixing period more than 5 years	0	0
	5,035	17,682

SEK thousand	2000	1999
NOTE 10 LENDING TO THE PUBLIC		
Loan principal	2,640,402	2,024,483
Less provisions for probable loan losses	-2,891	-9,501
Loan principal, net	2,637,511	2,014,982
Data on certain receivables and property taken over		
1. Nonperforming loans which are not problem loans	13,155	10,643
2a. Doubtful loans with interest reported on cash basis	3,200	2,698
2b. Loans with reduced interest compared to market rate	0	0
3. Total problem loans	3,200	2,698
4. Interest on problem engagements recognized as revenue for the period	541	1,281
5. In % of average problem engagements	18.35%	23.80%
6. Average annual interest in % on sound loans	5.22%	4.65%
7. Total provisions	2,891	9,501
8. Estimated value of problem loans before provisions (3+7)	6,091	12,199
Loans by time remaining to maturity		
Payable on demand	0	0
Remaining maturity up to 3 months	1,972,760	1,349,488
Remaining maturity 3 months to 1 year	134,351	103,291
Remaining maturity 1 year to 5 years	506,218	537,569
Remaining maturity more than 5 years	24,182	24,634
	2,637,511	2,014,982
Loans by remaining period of fixed interest		
Payable on demand	0	0
Remaining period of fixed interest up to 3 months	1,967,110	1,409,488
Remaining period of fixed interest 3 months to 1 year	134,351	103,291
Remaining period of fixed interest 1 year to 5 years	511,616	477,569
Remaining period of fixed interest more than 5 years	24,434	24,634
	2,637,511	2,014,982
NOTE 11 BONDS AND OTHER INTEREST-BEARING SECURITIES		
Other Swedish issuers		
Non-financial companies	180,000	180,000
	180,000	180,000
Holdings by time remaining to maturity		
Remaining maturity up to 1 year	0	0
Remaining maturity 1 year to 5 years	60,000	0
Remaining maturity 5 years to 10 years	120,000	180,000
Remaining maturity more than 10 years	0	0
	180,000	180,000
Holdings by remaining period of fixed interest		
Remaining period of fixed interest up to 1 year	180,000	180,000
Remaining period of fixed interest 1 year to 5 years	0	0
Remaining period of fixed interest 5 years to 10 years	0	0
Remaining period of fixed interest more than 10 years	0	0
	180,000	180,000
NOTE 12 SHARES		
OM, 528 shares á SEK 2	1	1
	1	1
NOTE 13 INTANGIBLE FIXED ASSETS		
Miscellaneous intangible fixed assets		
Opening cost	3,991	3,991
Fixed assets added during the year	0	0
Closing cost	3,991	3,991
Opening accumulated amortization	-1,596	-798
Year's amortization	-798	-798
Closing accumulated amortization	-2,394	-1,596
Net book value	1,597	2,395

SEK thousand	2000	1999
NOTE 14 TANGIBLE ASSETS		
Furniture, fixtures and equipment		
<i>Fixed assets</i>		
Opening book value	1,604	1,610
Additions	354	10
Disposals	-214	-16
Closing cost	1,744	1,604
Opening accumulated depreciation	-1,270	-1,006
Year's depreciation and write-down	-124	-281
Accumulated depreciation	128	17
Closing accumulated depreciation	-1,266	-1,270
Total equipment	478	334
Buildings and land		
<i>Current assets</i>		
Property taken over to protect claims		
Number of properties	2	2
Book value/fair value	2,379	2,600
Net book yield	-7	-108
Tax assessment value	2,572	4,364
<i>Fixed assets</i>		
Leisure time property		
Cost	154	154
Accumulated depreciation	-142	-142
	12	12
Tax assessment value	150	150
The amounts refer to Lantbrukskredit's share of a leisure time property		
Total land and buildings	2,391	2,612
NOTE 15 OTHER ASSETS		
Accrued interest	13,243	1,979
Due from Group companies	0	30
Other receivables	432	3 939
	13,675	5,948
NOTE 16 PREPAID EXPENSES AND ACCRUED INCOME		
Accrued income	292	313
Accrued interest	9,124	15,588
	9,416	15,901
NOTE 17 LIABILITIES TO CREDIT INSTITUTIONS		
Borrowing from Landshypotek AB	1,742,000	1,014,000
	1,742,000	1,014,000
Borrowing by time remaining to maturity		
Payable on demand	0	0
Remaining maturity up to 3 months	1,717,000	978,000
Remaining maturity 3 months to 1 year	1,000	31,000
Remaining maturity 1 year to 5 years	24,000	5,000
Remaining maturity more than 5 years	0	0
	1,742,000	1,014,000
Borrowing by remaining period of fixed interest		
Payable on demand	0	0
Remaining period of fixed interest up to 3 months	1,717,000	978,000
Remaining period of fixed interest 3 months to 1 year	1,000	31,000
Remaining period of fixed interest 1 year to 5 years	24,000	5,000
Remaining period of fixed interest more than 5 years	0	0
	1,742,000	1,014,000

SEK thousand	2000	1999
NOTE 18 BORROWING FROM THE PUBLIC		
AP-Fund	4,050	12,700
	4,050	12,700
Borrowing by time remaining to maturity		
Payable on demand	0	0
Remaining maturity up to 3 months	0	0
Remaining maturity 3 months to 1 year	800	0
Remaining maturity 1 year to 5 years	3,250	6,700
Remaining maturity more than 5 years	0	6,000
	4,050	12,700
Borrowing by remaining period of fixed interest		
Payable on demand	0	0
Remaining period of fixed interest up to 3 months	0	0
Remaining period of fixed interest 3 months to 1 year	800	0
Remaining period of fixed interest 1 year to 5 years	3,250	6,700
Remaining period of fixed interest more than 5 years	0	6,000
	4,050	12,700
NOTE 19 SECURITIES ISSUED		
Bonds		
Borrowing in SEK	789,030	918,535
	789,030	918,535
Bond loans		
Borrowing by time remaining to maturity		
Remaining maturity up to 1 year	220,597	173,997
Remaining maturity 1 year to 5 years	338,433	504,538
Remaining maturity 5 years to 10 years	230,000	240,000
Remaining maturity more than 10 years	0	0
	789,030	918,535
Borrowing by remaining period of fixed interest		
Remaining period of fixed interest up to 1 year	510,597	463,997
Remaining period of fixed interest 1 year to 5 years	278,433	454,538
Remaining period of fixed interest 5 years to 10 years	0	0
Remaining period of fixed interest more than 10 years	0	0
	789,030	918,535
NOTE 20 OTHER LIABILITIES		
Tax liability	3,661	168
Other liabilities	842	558
	4,503	726
NOTE 21 ACCRUED EXPENSES AND PREPAID REVENUE		
Accrued interest	32,039	32,565
Other accrued expenses	130	132
Prepaid income	2,826	4,243
	34,995	36,940
NOTE 22 PROVISIONS		
Other provisions	0	108
	0	108
NOTE 23 SUBORDINATED DEBT		
1995/2001 SEK 40,000,000 9.97% note	40,000	40,000
	40,000	40,000
NOTE 24 UNTAXED RESERVES		
Timing difference reserve	28,766	26,504
Tax equalization reserve	0	6,813
	28,766	33,317
Of which deferred tax liability	8,054	9,329
A maximum provision has been made to the timing difference reserve and the tax equalization reserve has been reversed according to plan.		

SEK thousand	2000	1999
NOTE 25 SHAREHOLDER'S EQUITY		
Restricted equity		
Share capital	150,000	150,000
Statutory reserves	30,000	28,473
Unrestricted equity		
Retained earnings	3,529	0
Net profit for the period	23,231	5,056
Total shareholder's equity	206,760	183,529
NOTE 26 COMMITMENTS UNDER DERIVATIVE INSTRUMENTS		
Instruments with positive values		
Interest-based swaps	2,855	2,758
Instruments with negative values		
Interest-based swaps	0	0
Derivative instruments, net	2,855	2,758

NOTE 27 SPECIFICATION OF BALANCE SHEET

ASSETS	Current assets		Fixed assets	
	Book value	Fair value	Book value	Fair value
Lending to financial institutions	5,035	5,035		
Loans to the public	3,200	3,200	2,634,311	2,676,939
Bonds and other interest-bearing securities			180,000	185,061
Shares			1	123
Intangible fixed assets			1,597	1,597
Tangible fixed assets				
Furniture, fixtures and equipment			478	478
Buildings and land	2,379	2,379	12	150
Other assets	13,675	13,675		
Prepaid expenses and accrued revenue		9,416	9,416	
Total assets	33,705	33,705	2,816,399	2,864,48
LIABILITIES				
		Book value	Fair value	
Liabilities to financial institutions		1,742,000	1,751,305	
Borrowing from the public		4,050	4,138	
Securities issued, etc.		789,030	817,725	
Other liabilities		4,503	4,503	
Accrued expenses and prepaid income		34,995	34,995	
Provisions				
Miscellaneous provisions		0	0	
Subordinated debt		40,000	43,858	
Total liabilities		2,614,578	2,656,524	

Proposed Allocation of Profit

Retained earnings	3,529,076
The year's net profit added	<u>23,230,739</u>
Available for disposition by the Annual General Meeting	26,759,815

The Board of Directors and the Managing Director propose that the available funds be carried forward.

Stockholm, March 5, 2001

Ulf Fredrikson
Chairman

Lars-Eric Åström
Vice Chairman

Carl Edblom

Erik Hallström

Stig Lindén

K G Lindgren

Anders Bjering
Managing Director

Audit Report

To the Annual General Meeting of Lantbrukskredit AB (publ), organization number 556095-2896

We have examined the annual accounts and the accounting records, and the administration of the Board of Directors and the Managing Director of Lantbrukskredit AB (publ) for the year 2000. These financial statements and the administration are the responsibility of the Board of Directors and the Managing Director. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

The audit was conducted in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements. An audit also includes assessing the accounting principles and the Board of Directors' and the Managing Director's application thereof, as well as

evaluating the overall annual accounts presentation. We have examined significant decisions, measures and circumstances in the Company in order to evaluate whether or not any Director or the Managing Director is liable for damages to the Company, or in any other way has acted in breach of the Companies Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Company's Articles of Association. We believe that our audit provides a reasonable basis for our opinion.

The annual accounts are prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and therefore provide a fair representation of the Company's results and financial position in accordance with generally accepted accounting standards in Sweden.

We recommend that the Annual General Meeting adopts the statement of income and the balance sheet, that the profit be allocated in accordance with the recommendation contained in the Administration Report and that the members of the Board of Directors and the Managing Director be granted discharge from liability for the financial year.

Stockholm, March 14, 2001

Göran Raspe
Authorized Public Accountant

Bengt Fröander
Authorized Public Accountant

Anders Engström
*Authorized Public Accountant
Appointed by the
Financial Supervisory Authority*



Ulf Fredrikson



Lars-Eric Åström



Carl Edblom

Board of Directors and Auditors

BOARD OF DIRECTORS

Ulf Fredrikson, Managing Director, Stockholm, Chairman.

Lars-Eric Åström, Forest Owner, Rejmyre.

Carl Edblom, Freeholder, Arnäsfall.

Erik Hallström, Corporate Counsel, Solna.

Stig Lindén, University Diploma in Farm management, Borensberg.

K G Lindgren, Chief Credit Officer, Gävle.

AUDITORS

Regular

Anders Engström, Authorized Public Accountant, Stockholm, appointed by the Financial Supervisory Authority.

Göran Raspe, Authorized Public Accountant, Stockholm.

Bengt Fröander, Authorized Public Accountant, Stockholm.

Deputy

Ulf Pettersson, Authorized Public Accountant, Lidingö.

Stig Lindén



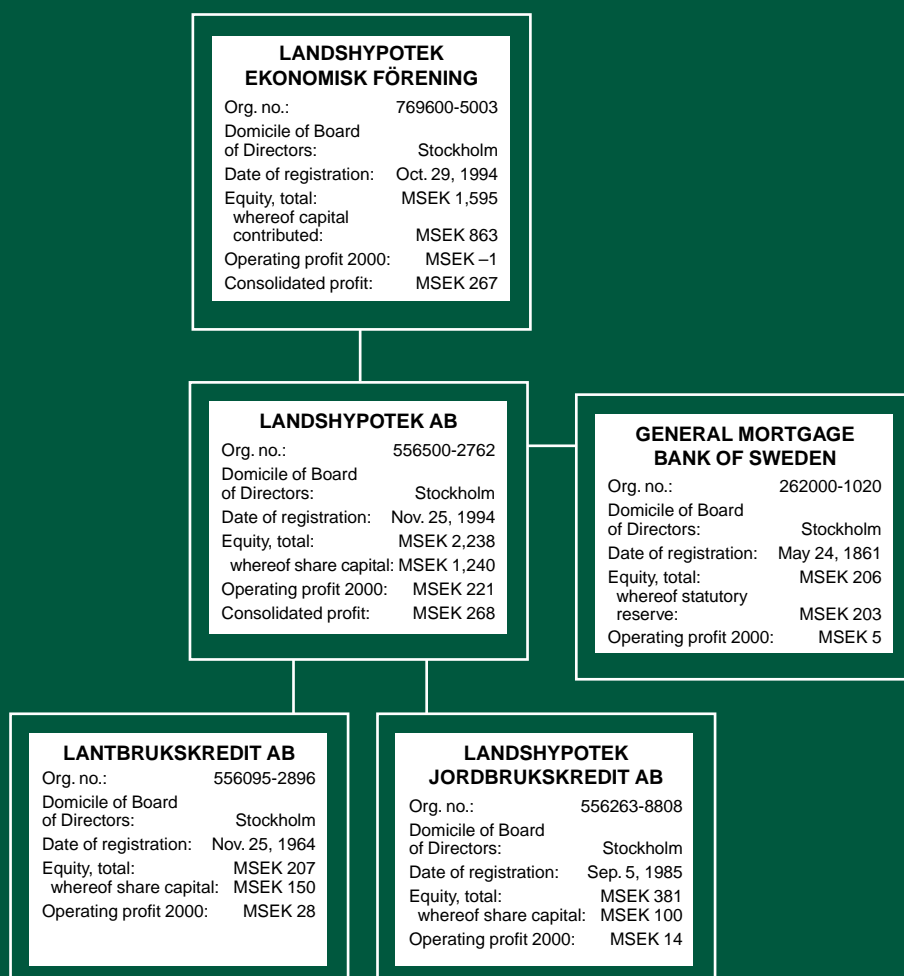
Erik Hallström



K G Lindgren



Organization





Lantbrukskredit

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