



LANDSHYPOTEK

Interim Report January – March 2005

# Landshypotek

January – March 2005

## Business

Landshypotek offers favourable first mortgage loans to Sweden's land and forest owners. Landshypotek's goal is to keep interest rates as low as possible to its customers active in the following areas:

- forestry
- residential farms
- production farms

The market is cultivated via twelve sales and regional offices and through other means.

## Result

The Group's operating profit for the period amounted to MSEK 37.6 (57.4). This result is explained essentially by higher provisions for loan losses and lower net interest income compared to the same period last year. The lower net interest income is due to:

- lower lending volume in the subsidiaries because of continued phasing-out of lending to non-core business according to plan,
- some of the loans to the Energisystem i Sverige AB group are non-performing.

In Landshypotek AB operating profit amounted to MSEK 50.8 (50.8). Compared to the same period last year, both net interest income and costs were higher. However, costs are in line with budget.

## Lending and financing

The Group's lending at the end of the period amounted to MSEK 34,890.7 (34,719.3). The volume of loans outstanding increased by 0.5 percent during the period. In the core business the increase in lending was just over 2 percent, offset by the phase-out of loans in the subsidiaries.

Continued strong demand for securities was experienced in the marketplace. Landshypotek AB's prices for borrowing improved further during the period. Our liquid position continues to be strong. Outstanding securities issued by Landshypotek AB declined in volume by MSEK 334.7 to MSEK 29,625.7.

## Rating

	Long	Short
Fitch	A	F1
Moody's	A2	P-1
S&P	BBB+	A2, K1

## Loan loss provision

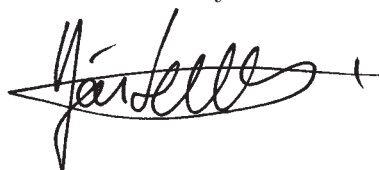
The Group reports loan loss provisions during the period of MSEK –12.2 (+0.9). Lantbrukskredit AB has set aside MSEK 12 for probable loan losses on an engagement in a sawmill in Norrbotten.

The core business in Landshypotek AB reports MSEK –0.2 in loan losses.

## Capital adequacy

The Group's capital adequacy at the end of the period was 10.42 (10.33) percent and the core capital ratio was 8.95 (8.34) percent. The capital adequacy in Landshypotek AB was 9.80 (9.72) percent and the core capital ratio was 8.29 (7.65) percent. Earned profit during the period is not included in core capital.

Stockholm, 17 May 2005



Kjell Stillman  
Managing Director

*This interim report has not been examined by the Company's auditors.*

This report covers the Landshypotek Group, including Landshypotek incorporated association, its subsidiary Landshypotek AB and its subsidiaries Lantbrukskredit AB, Landshypotek Jordbrukskredit AB and The General Mortgage Bank of Sweden. In addition hereto, Landshypotek AB is reported separately.

Amounts in parentheses refer to the corresponding year-ago period.



	Group			Landshypotek AB		
STATEMENT OF INCOME (SEK thousand)	2005 1 Jan–31 Mar	2004 1 Jan–31 Mar	2004 1 Jan–31 Dec	2005 1 Jan–31 Mar	2004 1 Jan–31 Mar	2004 1 Jan–31 Dec
Interest income	379,691	441,234	1,643,695	374,196	432,740	1,614,564
Interest expense	–286,382	–345,370	–1,251,380	–284,436	–346,520	–1,248,557
<b>Net interest income</b>	<b>93,309</b>	<b>95,864</b>	<b>392,315</b>	<b>89,760</b>	<b>86,220</b>	<b>366,007</b>
Commission income	2,011	1,286	7,153	2,000	1,264	7,083
Commission expense	–465	–445	–1,396	–465	–426	–1,241
Net result of financial transactions	557	961	4,399	0	0	2,943
Other operating income	6,689	6,963	28,175	6,689	6,963	28,175
<b>Total operating income</b>	<b>102,101</b>	<b>104,629</b>	<b>430,646</b>	<b>97,984</b>	<b>94,021</b>	<b>402,967</b>
General administrative expense	–41,460	–37,103	–161,387	–36,242	–33,167	–139,105
Depreciation, amortisation and write-down of tangible and intangible fixed assets	–2,293	–2,594	–10,284	–2,280	–2,569	–10,224
Other operating costs	–8,564	–8,404	–26,355	–8,481	–8,279	–25,864
<b>Total costs before loan losses</b>	<b>–52,317</b>	<b>–48,101</b>	<b>–198,026</b>	<b>–47,003</b>	<b>–44,015</b>	<b>–175,193</b>
<b>Profit before loan losses</b>	<b>49,784</b>	<b>56,528</b>	<b>232,620</b>	<b>50,981</b>	<b>50,006</b>	<b>227,774</b>
Loan losses, net	–12,226	859	–75,510	–218	768	–220
<b>Operating profit</b>	<b>37,558</b>	<b>57,387</b>	<b>157,110</b>	<b>50,763</b>	<b>50,774</b>	<b>227,554</b>
Appropriations	0	0	–148,251	0	0	6,758
Taxes on the period's profit	–10,249	–15,801	–1,462	–13,947	–13,950	–64,528
<b>Profit for the period</b>	<b>27,309</b>	<b>41,586</b>	<b>7,397</b>	<b>36,816</b>	<b>36,824</b>	<b>169,784</b>

BALANCE SHEET – SUMMARY (SEK thousand)	2005 31 Mar	2004 31 Mar	2004 31 Dec	2005 31 Mar	2004 31 Mar	2004 31 Dec
Loans to the public	34,890,696	34,719,293	34,790,735	33,481,247	32,801,199	33,381,859
Loans to credit institutions	54,412	425,660	130,724	783,564	840,960	785,875
Interest-bearing securities	369,677	2,736,672	300,688	369,677	2,735,672	299,688
Other assets	1,064,769	1,291,489	1 017,139	1,516,197	1,744,320	1,461,334
<b>Total assets</b>	<b>36,379,554</b>	<b>39,173,114</b>	<b>36,239,286</b>	<b>36,150,685</b>	<b>38,122,151</b>	<b>35,928,756</b>
Borrowing from the public	294,781	301,175	297,964	484,781	491,175	490,964
Due to credit institutions	772,821	1,586,904	1,094,283	1,618,016	3,210,736	2,391,128
Securities issued, etc.	30,447,687	32,287,001	30,058,918	29,625,683	29,960,408	28,749,308
Other liabilities	835,831	1,003,378	786,438	698,558	819,592	610,532
Subordinated liabilities	750,000	750,000	750,000	750,000	750,000	750,000
Untaxed reserves	0	0	0	64,977	71,735	64,977
Shareholders' equity	3,278,434	3,244,656	3,251,683	2,908,670	2,818,505	2,871,847
<b>Total liabilities and shareholders' equity</b>	<b>36,379,554</b>	<b>39,173,114</b>	<b>36,239,286</b>	<b>36,150,685</b>	<b>38,122,151</b>	<b>35,928,756</b>

	Group			Landshypotek AB		
	2005	2004	2004	2005	2004	2004
	1 Jan–31 Mar	1 Jan–31 Mar	1 Jan–31 Dec	1 Jan–31 Mar	1 Jan–31 Mar	1 Jan–31 Dec
<b>LOAN LOSSES, NET (SEK thousand)</b>						
Year's write-down for realised losses	139	391	1,770	3	391	1,211
Reversal of prior provisions for probable loan losses, reported as realised losses in this year's accounts	–139	–391	–1,682	–3	–391	–1,211
Write-down for probable loan losses	12,393	898	28,477	363	898	3,005
Recovery of previous realised losses	–138	–1,400	–1,751	–116	–1,309	–1,526
Reversal of prior provisions for probable loan losses	–29	–357	–1,303	–29	–357	–1,259
<b>Total loan losses</b>	<b>12,226</b>	<b>–859</b>	<b>25,511</b>	<b>218</b>	<b>–768</b>	<b>220</b>
All loan losses are attributable to loans to the public.						
<b>Change in value of property taken over</b>						
Write-down of shares in ESS Group	0	0	49,999	0	0	0
	<b>0</b>	<b>0</b>	<b>49,999</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL LOAN LOSSES, NET</b>	<b>12,226</b>	<b>–859</b>	<b>75,510</b>	<b>218</b>	<b>–768</b>	<b>220</b>
<b>NON-PERFORMING LOANS, ETC. (SEK thousand)</b>	2005 31 Mar	2004 31 Mar	2004 31 Dec	2005 31 Mar	2004 31 Mar	2004 31 Dec
<b>Disclosures on nonperforming loans and doubtful credits</b>						
Nonperforming loans where interest is recognised as income	244,408	271,752	352,327	239,921	267,082	350,655
Nonperforming loans that are doubtful	590,084	25,205	526,476	15,207	10,748	12,536
<b>Total nonperforming loans</b>	<b>834,492</b>	<b>296,957</b>	<b>878,803</b>	<b>255,128</b>	<b>277,830</b>	<b>363,191</b>
Doubtful credits that are not nonperforming	169,929	689,234	577,035	11,293	23,860	11,301
Less provisions set aside	–130,611	–105,548	–130,759	–1,482	–1,229	–1,482
Doubtful credits that are nonperforming	590,084	25,205	23,533	15,207	10,748	12,536
<b>Total doubtful credits</b>	<b>629,402</b>	<b>608,891</b>	<b>469,809</b>	<b>25,018</b>	<b>33,379</b>	<b>22,355</b>
Shares taken over to protect claims	1	0	1	0	0	0
<b>CAPITAL ADEQUACY (SEK thousand)</b>	2005 31 Mar	2004 31 Mar	2004 31 Dec	2005 31 Mar	2004 31 Mar	2004 31 Dec
<b>Capital requirement, risk-weighted assets</b>						
Group A	0	0	0	0	0	0
Group B	236,331	758,518	227,666	324,281	838,591	307,187
Group C	38,988	73,086	38,000	26,236	49,101	25,173
Group D	35,738,286	35,715,432	35,602,404	34,841,689	34,331,142	34,695,679
<b>Total risk-weighted assets</b>	<b>36,013,605</b>	<b>36,547,036</b>	<b>35,868,070</b>	<b>35,192,206</b>	<b>35,218,834</b>	<b>35,028,039</b>
<b>Capital base</b>						
Core capital	3,223,633	3,048,202	3,228,400	2,918,637	2,695,773	2,918,630
Supplementary capital						
Subordinated term loans	530,000	590,000	530,000	530,000	590,000	530,000
Revaluation reserve	0	137,557	0	0	137,557	0
Less shares in company for legal protection of name	0	0	0	–200	–200	–200
<b>Total capital base</b>	<b>3,753,633</b>	<b>3,775,759</b>	<b>3,758,400</b>	<b>3,448,437</b>	<b>3,423,130</b>	<b>3,448,430</b>
Core capital	8.95%	8.34%	9.00%	8.29%	7.65%	8.33%
Capital adequacy	10.42%	10.33%	10.48%	9.80%	9.72%	9.84%
<b>DERIVATIVE INSTRUMENTS (SEK thousand)</b>	2005 31 Mar	2004 31 Mar	2004 31 Dec	2005 31 Mar	2004 31 Mar	2004 31 Dec
<b>Positive values</b>						
Interest-based swaps	282,341	235,834	242,507	265,795	218,048	211,105
Currency-related swaps	281,299	401,629	269,190	281,299	401,629	269,190
Equity-related swaps	0	0	0	0	0	0
<b>Total</b>	<b>563,640</b>	<b>637,463</b>	<b>511,697</b>	<b>547,094</b>	<b>619,677</b>	<b>480,295</b>
<b>Negative values</b>						
Interest-based swaps	–270,273	–313,122	–261,562	–270,273	–313,122	–261,562
Currency-related swaps	–15,919	–56,194	–38,080	–15,919	–56,194	–38,080
Equity-related swaps	0	–174	0	0	–174	0
<b>Total</b>	<b>–286,192</b>	<b>–369,490</b>	<b>–299,642</b>	<b>–286,192</b>	<b>–369,490</b>	<b>–299,642</b>
Derivative instrument, net	277,448	267,973	212,055	260,902	250,187	180,653
<b>RATIO</b>	2005 31 Mar	2004 31 Mar	2004 31 Dec	2005 31 Mar	2004 31 Mar	2004 31 Dec
Return on adjusted equity, moving 12 months	3.03%	3.72%	3.50%	5.62%	6.08%	5.70%