

LANDSHYPOTEK

Interim Report January–June 2005

# Landshypotek ekonomisk förening (incorporated association)

organisation number 769600-5003 hereby submits its interim report for the period 1 January – 30 June 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 amounted to MSEK 92.2 (26.6). Loan loss provisions were lower by MSEK 62.5 than for the corresponding period one year ago. The Group's net interest income and overhead costs were slightly higher than during the corresponding year-ago period, but are in line with budget.

## Lending and financing

The Group's lending at the end of the period amounted to MSEK 35,247.3 (34,612.6), an increase by 1.8 percent. The phase-out of loans in the subsidiaries subdued the rate of increase in the Group.

The Group's single largest exposure relates to credits to ESS Group in a total amount of MSEK 620. MSEK 40 has already been set aside for the credits.

Strong demand for securities issued by Landshypotek made for a further slight decline in the cost of borrowing. Investors have been buying bonds with longer maturities, which have been swapped down to short periods for financing of Landshypotek's variable rate lending. This has led to a continued strong liquid position.

At the end of the period securities issued and outstanding amounted to MSEK 32,539.5, which represents an increase by MSEK 2,480.6 since the beginning of the year.

## Loan loss provisions

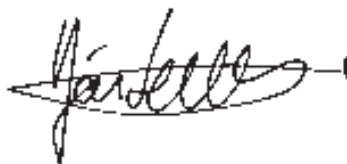
The Group reports loan loss provisions for the period in the amount of MSEK 11.5 (74.1). Lantbrukskredit AB has set aside MSEK 12 relating to an engagement in a sawmill in Norrbotten. The engagement is being phased out.

MSEK 115 has previously been set aside for loans outstanding to ESS Group. MSEK 75 hereof was reported as a realised loss during the period.

## Capital adequacy

The Group's capital adequacy at the end of the period was 10.31 (10.39) percent and the core capital ratio was 8.88 (8.39) percent. Earned profit during the period is included in core capital.

Stockholm, 25 August 2005



Kjell Stillman  
Managing Director

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This report covers the Landshypotek Group, including Landshypotek ekonomisk förening (incorporated association), its subsidiary Landshypotek AB and its subsidiaries Lantbrukskredit AB, Landshypotek Jordbrukskredit AB and The General Mortgage Bank of Sweden.

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

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## Report of examination

We have reviewed the Association's interim report, thereby following the recommendation issued by the Swedish Institute of Authorised Public Accountants (FAR). A review is significantly limited in scope compared to an audit. Nothing has been revealed to indicate that the interim report does not fulfil the requirements of the Swedish Annual Accounts Act for Credit Institutions.

Stockholm, 25 August 2005

Anna Hesselman  
Authorised Public Accountant

Magnus Aaby-Ericsson

Lars-Åke Folkmer

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Landshypotek ekonomisk förening.

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# Landshypotek ekonomisk förening (incorporated association)

STATEMENT OF INCOME (SEK thousand)	Group			Parent Association		
	2005 Jan,1–Jun,30	2004 Jan,1–Jun,30	2004 Jan,1–Dec,31	2005 Jan,1–Jun,30	2004 Jan,1–Jun,30	2004 Jan,1–Dec,31
Interest income	754,123	854,777	1,643,695	1,919	2,393	3,325
Interest expense	–560,696	–668,073	–1,251,380	–7	–7	–30
<b>Net interest income</b>	<b>193,427</b>	<b>186,704</b>	<b>392,315</b>	<b>1,912</b>	<b>2,386</b>	<b>3,295</b>
Commission income	4,499	3,055	7,153	0	0	0
Commission expense	–612	–822	–1,396	0	0	0
Net result of financial transactions	557	961	4,399	557	0	0
Other operating income	13,766	14,362	28,175	2	0	0
<b>Total operating income</b>	<b>211,637</b>	<b>204,260</b>	<b>430,646</b>	<b>2,471</b>	<b>2,386</b>	<b>3,295</b>
General administrative expense	–85,510	–82,669	–161,387	–5,462	–6,153	–11,998
Depreciation, amortisation and write-down of tangible and intangible fixed assets	–4,628	–5,294	–10,284	0	0	0
Other operating costs	–17,761	–15,654	–26,355	–544	–341	–449
<b>Total costs before loan losses</b>	<b>–107,899</b>	<b>–103,617</b>	<b>–198,026</b>	<b>–6,006</b>	<b>–6,494</b>	<b>–12,447</b>
<b>Profit before loan losses</b>	<b>103,738</b>	<b>100,643</b>	<b>232,620</b>	<b>–3,535</b>	<b>–4,108</b>	<b>–9,152</b>
Loan losses, net	–11,541	–74,087	–75,510	0	0	0
<b>Operating profit</b>	<b>92,197</b>	<b>26,556</b>	<b>157,110</b>	<b>–3,535</b>	<b>–4,108</b>	<b>–9,152</b>
Appropriations	18	58	–148,251	18	58	54,532
Taxes on the period's profit	–20,365	–6,917	–1,462	828	0	–12,865
<b>Profit for the period</b>	<b>71,850</b>	<b>19,697</b>	<b>7,397</b>	<b>–2,689</b>	<b>–4,050</b>	<b>32,515</b>

BALANCE SHEET – SUMMARY (SEK thousand)	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31
Loans to the public	35,247,276	34,612,584	34,790,735	0	0	0
Loans to credit institutions	81,578	91,963	130,724	142,056	83,503	195,731
Interest-bearing securities	1,576,288	3,024,785	300,688	0	1,000	1,000
Other assets	1,457,142	1,202,537	1,017,139	1,872,981	1,798,395	1,870,907
<b>Total assets</b>	<b>38,362,284</b>	<b>38,931,869</b>	<b>36,239,286</b>	<b>2,015,037</b>	<b>1,882,898</b>	<b>2,067,638</b>
Borrowing from the public	282,954	297,424	297,964	0	0	0
Due to credit institutions	482,135	1,567,683	1,094,283	0	0	0
Securities issued, etc.	32,539,490	32,016,844	30,058,918	0	0	0
Other liabilities	986,617	1,077,144	786,438	62,996	718	110,463
Subordinated liabilities	750,000	750,000	750,000	0	0	0
Untaxed reserves	0	0	0	39,486	42,269	39,486
Shareholders' equity	3,321,088	3,222,774	3,251,683	1,912,555	1,839,911	1,917,689
<b>Total liabilities and shareholders' equity</b>	<b>38,362,284</b>	<b>38,931,869</b>	<b>36,239,286</b>	<b>2,015,037</b>	<b>1,882,898</b>	<b>2,067,638</b>

# Landshypotek ekonomisk förening (incorporated association)

	Group			Parent Association		
	2005 Jan,1– Jun,30	2004 Jan,1– Jun,30	2004 Jan,1– Dec,31	2005 Jan,1– Jun,30	2004 Jan,1– Jun,30	2004 Jan,1– Dec,31
<b>LOAN LOSSES, NET (SEK thousand)</b>						
Year's write-down for realised losses	75,395	402	1,770			
Reversal of prior provisions for probable loan losses, reported as realised losses in this year's accounts	–75,395	–402	–1,682			
Write-down for probable loan losses	12,834	76,331	28,477			
Recovery of previous realised losses	–890	–1,605	–1,751			
Reversal of prior provisions for probable loan losses	–403	–639	–1,303			
<b>Total loan losses</b>	<b>11,541</b>	<b>74,087</b>	<b>25,511</b>			
All loan losses are attributable to loans to the public.						
Write-down of shares in ESS Group	0	0	49,999			
<b>TOTAL LOAN LOSSES, NET</b>	<b>11,541</b>	<b>74,087</b>	<b>75,510</b>			
<b>NON-PERFORMING LOANS, ETC. (SEK thousand)</b>						
	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31
<b>Disclosures on nonperforming loans and doubtful credits</b>						
Nonperforming loans where interest is recognised as income	252,065	307,273	352,327			
Nonperforming loans that are doubtful	468,249	25,686	526,476			
<b>Total nonperforming loans</b>	<b>720,314</b>	<b>332,959</b>	<b>878,803</b>			
Doubtful credits that are not nonperforming	210,634	673,723	233,974			
Less provisions set aside	–67,168	–180,594	–130,758			
Doubtful credits that are nonperforming	468,249	25,686	526,476			
<b>Total doubtful credits</b>	<b>611,715</b>	<b>518,815</b>	<b>629,692</b>			
Shares taken over to protect claims	1	0	1			
<b>CAPITAL ADEQUACY (SEK thousand)</b>						
	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31
<b>Capital requirement, risk-weighted assets</b>						
Group A	0	0	0	0	0	0
Group B	566,462	741,220	227,666	28,200	16,000	38,600
Group C	38,625	50,391	38,000	0	0	0
Group D	36,490,188	35,558,271	35,602,404	1,873,872	1,802,876	1,874,549
<b>Total risk-weighted assets</b>	<b>37,095,275</b>	<b>36,349,882</b>	<b>35,868,070</b>	<b>1,902,072</b>	<b>1,818,876</b>	<b>1,913,149</b>
<b>Capital base</b>						
Core capital	3,292,800	3,049,731	3,228,400	1,940,985	1,870,345	1,946,119
Supplementary capital						
Subordinated term loans	530,000	590,000	530,000	0	0	0
Revaluation reserve	0	137,557	0	0	0	0
Less shares in company for legal protection of name	0	0	0	0	0	0
<b>Total capital base</b>	<b>3,822,800</b>	<b>3,777,288</b>	<b>3,758,400</b>	<b>1,940,985</b>	<b>1,870,345</b>	<b>1,946,119</b>
Core capital	8.88%	8.39%	9.00%	102.05%	102.83%	101.72%
Capital adequacy	10.31%	10.39%	10.48%	102.05%	102.83%	101.72%
<b>DERIVATIVE INSTRUMENTS (SEK thousand)</b>						
	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31
<b>Positive values</b>						
Interest-based swaps	461,759	192,991	242,507			
Currency-related swaps	502,347	339,788	269,190			
Equity-related swaps	0	0	0			
<b>Total</b>	<b>964,106</b>	<b>532,779</b>	<b>511,697</b>			
<b>Negative values</b>						
Interest-based swaps	–325,593	–254,197	–261,562			
Currency-related swaps	–15,979	–38,730	–38,080			
Equity-related swaps	0	0	0			
<b>Total</b>	<b>–341,572</b>	<b>–292,927</b>	<b>–299,642</b>			
Derivative instrument, net	622,534	239,852	212,055			
<b>RATIO</b>						
	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31
Return on adjusted equity, moving 12 months	4.90%	3.91%	3.50%			

# Landshypotek AB

organisation number 556500-2762 hereby submits its interim report for the period 1 January – 30 June 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 amounted to MSEK 95.7 (30.7). Loan loss provisions were lower by MSEK 62.5 than for the corresponding period one year ago. The Group's net interest income and overhead costs were slightly higher than during the corresponding year-ago period, but are in line with budget.

In Landshypotek AB the operating result was MSEK 108.9 (94.6). The improvement is due primarily to higher net interest income.

## Lending and financing

The Group's lending at the end of the period amounted to MSEK 35,247.3 (34,612.6), an increase by 1.8 percent. Lending in the Parent Company increased by 3.0 percent, but the phase-out of loans in the subsidiaries subdued the rate of increase in the Group.

The Group's single largest exposure relates to credits to ESS Group in a total amount of MSEK 620. MSEK 40 has already been set aside for the credits.

Strong demand for securities issued by Landshypotek made for a further slight decline in the cost of borrowing. Investors have been buying bonds with longer maturities, which have been swapped down to short periods for financing of Landshypotek's variable rate lending. This has led to a continued strong liquid position.

At the end of the period securities issued and outstanding amounted to MSEK 32,539.5, which represents an increase by MSEK 2,480.6 since the beginning of the year.

## Rating

	Long	Short
Fitch	A	F1
Moody's	A2	P1
S&P	BBB+	A2, K1

## Loan loss provisions

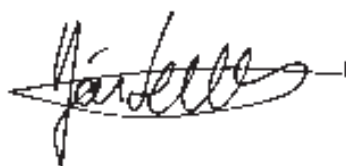
The Group reports loan loss provisions for the period in the amount of MSEK 11.5 (74.1). Lantbrukskredit AB has set aside MSEK 12 relating to an engagement in a sawmill in Norrbotten. The engagement is being phased out.

MSEK 115 has previously been set aside for loans outstanding to ESS Group. MSEK 75 hereof was reported as a realised loss during the period.

## Capital adequacy

The Group's capital adequacy at the end of the period was 10.11 (10.17) percent and the core capital ratio was 8.68 (8.17) percent. The capital adequacy in Landshypotek AB was 9.69 (9.90) percent and the core capital ratio was 8.24 (7.84) percent. Earned profit during the period is included in core capital.

Stockholm, 25 August 2005



Kjell Stillman  
Managing Director

This report covers the Landshypotek Group including the Parent Company 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.

## Report of examination

We have reviewed the Company's interim report, thereby following the recommendation issued by the Swedish Institute of Authorised Public Accountants (FAR). A review is significantly limited in scope compared to an audit. Nothing has been revealed to indicate that the interim report does not fulfil the requirements of the Swedish Annual Accounts Act for Credit Institutions.

Stockholm, 25 August 2005

Anna Hesselman	Bengt Fröander
Authorised Public	Authorised Public
Accountant	Accountant

Anders Engström  
Authorised Public Accountant  
Appointed by the Swedish Financial Supervisory Authority

# Landshypotek AB

	Group			Parent Company		
STATEMENT OF INCOME (SEK thousand)	2005 Jan,1–Jun,30	2004 Jan,1–Jun,30	2004 Jan,1–Dec,31	2005 Jan,1–Jun,30	2004 Jan,1–Jun,30	2004 Jan,1–Dec,31
Interest income	754,111	854,766	1,643,680	744,749	834,008	1,614,564
Interest expense	–562,596	–670,448	–1,254,661	–558,909	–665,782	–1,248,557
<b>Net interest income</b>	<b>191,515</b>	<b>184,318</b>	<b>389,019</b>	<b>185,840</b>	<b>168,226</b>	<b>366,007</b>
Commission income	4,499	3,055	7,153	4,473	3,014	7,083
Commission expense	–612	–822	–1,396	–572	–744	–1,241
Net result of financial transactions	0	961	4,399	0	0	2,943
Other operating income	13,764	14,362	28,175	13,764	14,362	28,175
<b>Total operating income</b>	<b>209,166</b>	<b>201,874</b>	<b>427,350</b>	<b>203,505</b>	<b>184,858</b>	<b>402,967</b>
General administrative expense	–80,048	–76,516	–149,389	–73,120	–70,494	–139,105
Depreciation, amortisation and write-down of tangible and intangible fixed assets	–4,628	–5,294	–10,284	–4,602	–5,242	–10,224
Other operating costs	–17,217	–15,313	–25,906	–17,200	–15,293	–25,864
<b>Total costs before loan losses</b>	<b>–101,893</b>	<b>–97,123</b>	<b>–185,579</b>	<b>–94,922</b>	<b>–91,029</b>	<b>–175,193</b>
<b>Profit before loan losses</b>	<b>107,273</b>	<b>104,751</b>	<b>241,771</b>	<b>108,583</b>	<b>93,829</b>	<b>227,774</b>
Loan losses, net	–11,541	–74,087	–75,510	320	763	–220
<b>Operating profit</b>	<b>95,732</b>	<b>30,664</b>	<b>166,261</b>	<b>108,903</b>	<b>94,592</b>	<b>227,554</b>
Appropriations	0	0	0	0	0	6,758
Taxes on the period's profit	–22,335	–8,050	–45,376	–31,287	–25,951	–64,528
<b>Profit for the period</b>	<b>73,397</b>	<b>22,614</b>	<b>120,885</b>	<b>77,616</b>	<b>68,641</b>	<b>169,784</b>

BALANCE SHEET – SUMMARY (SEK thousand)	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31
Loans to the public	35,247,276	34,612,584	34,790,735	33,947,374	32,965,794	33,381,859
Loans to credit institutions	80,400	88,338	127,871	647,010	375,096	785,875
Interest-bearing securities	1,576,288	3,023,785	299,688	1,576,288	3,023,785	299,688
Other assets	1,504,590	1,193,426	1,016,704	1,944,840	1,619,542	1,461,334
<b>Total assets</b>	<b>38,408,554</b>	<b>38,918,133</b>	<b>36,234,998</b>	<b>38,115,512</b>	<b>37,984,217</b>	<b>35,928,756</b>
Borrowing from the public	423,954	377,424	490,964	423,954	377,424	490,964
Due to credit institutions	482,135	1,567,683	1,094,283	1,089,407	2,968,855	2,391,128
Securities issued, etc.	32,539,490	32,016,844	30,058,918	31,904,418	29,965,930	28,749,308
Other liabilities	963,758	1,064,629	665,013	933,291	999,954	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	3,249,217	3,141,553	3,175,820	2,949,465	2,850,319	2,871,847
<b>Total liabilities and shareholders' equity</b>	<b>38,408,554</b>	<b>38,918,133</b>	<b>36,234,998</b>	<b>38,115,512</b>	<b>37,984,217</b>	<b>35,928,756</b>

# Landshypotek AB

	Group			Parent Company		
	2005 Jan,1–Jun,30	2004 Jan,1–Jun,30	2004 Jan,1–Dec,31	2005 Jan,1–Jun,30	2004 Jan,1–Jun,30	2004 Jan,1–Dec,31
<b>LOAN LOSSES, NET (SEK thousand)</b>						
Year's write-down for realised losses	75,395	402	1,770	178	402	1,211
Reversal of prior provisions for probable loan losses, reported as realised losses in this year's accounts	–75,395	–402	–1,682	–178	–402	–1,211
Write-down for probable loan losses	12,834	76,331	28,477	804	1,331	3,005
Recovery of previous realised losses	–890	–1,605	–1,751	–855	–1,455	–1,526
Reversal of prior provisions for probable loan losses	–403	–639	–1,303	–269	–639	–1,259
<b>Total loan losses</b>	<b>11,541</b>	<b>74,087</b>	<b>25,511</b>	<b>–320</b>	<b>–763</b>	<b>220</b>
All loan losses are attributable to loans to the public.						
Write-down of shares in ESS Group	0	0	49,999	0	0	0
<b>TOTAL LOAN LOSSES, NET</b>	<b>11,541</b>	<b>74,087</b>	<b>75,510</b>	<b>–320</b>	<b>–763</b>	<b>220</b>
<b>NON-PERFORMING LOANS, ETC. (SEK thousand)</b>						
	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31
<b>Disclosures on nonperforming loans and doubtful credits</b>						
Nonperforming loans where interest is recognised as income	252,065	307,273	352,327	244,743	277,164	350,655
Nonperforming loans that are doubtful	468,249	25,686	526,476	25,048	10,944	12,536
<b>Total nonperforming loans</b>	<b>720,314</b>	<b>332,959</b>	<b>878,803</b>	<b>269,791</b>	<b>288,108</b>	<b>363,191</b>
Doubtful credits that are not nonperforming	210,634	673,723	233,974	2,897	9,096	11,301
Less provisions set aside	–67,168	–180,594	–130,758	–1,723	–1,275	–1,482
Doubtful credits that are nonperforming	468,249	25,686	526,476	25,048	10,944	12,536
<b>Total doubtful credits</b>	<b>611,715</b>	<b>518,815</b>	<b>629,692</b>	<b>26,222</b>	<b>18,765</b>	<b>22,355</b>
Shares taken over to protect claims	1	0	1	0	0	0
<b>CAPITAL ADEQUACY (SEK thousand)</b>						
	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31
<b>Capital requirement, risk-weighted assets</b>						
Group A	0	0	0	0	0	0
Group B	566,462	741,220	227,666	650,662	808,275	307,187
Group C	38,625	50,391	38,000	25,877	29,223	25,173
Group D	36,486,694	35,544,640	35,598,233	35,695,056	34,425,489	34,695,679
<b>Total risk-weighted assets</b>	<b>37,091,781</b>	<b>36,336,251</b>	<b>35,863,899</b>	<b>36,371,595</b>	<b>35,262,987</b>	<b>35,028,039</b>
<b>Capital base</b>						
Core capital	3,221,051	2,968,631	3,152,659	2,996,248	2,764,411	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>3,751,051</b>	<b>3,696,188</b>	<b>3,682,659</b>	<b>3,526,048</b>	<b>3,491,768</b>	<b>3,448,430</b>
Core capital	8.68%	8.17%	8.79%	8.24%	7.84%	8.33%
Capital adequacy	10.11%	10.17%	10.27%	9.69%	9.90%	9.84%
<b>DERIVATIVE INSTRUMENTS (SEK thousand)</b>						
	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31
<b>Positive values</b>						
Interest-based swaps	461,759	192,991	242,507	437,321	177,089	211,105
Currency-related swaps	502,347	339,788	269,190	502,347	339,788	269,190
Equity-related swaps	0	0	0	0	0	0
<b>Total</b>	<b>964,106</b>	<b>532,779</b>	<b>511,697</b>	<b>939,668</b>	<b>516,877</b>	<b>480,295</b>
<b>Negative values</b>						
Interest-based swaps	–325,593	–254,197	–261,562	–325,593	–254,197	–261,562
Currency-related swaps	–15,979	–38,730	–38,080	–15,979	–38,730	–38,080
Equity-related swaps	0	0	0	0	0	0
<b>Total</b>	<b>–341,572</b>	<b>–292,927</b>	<b>–299,642</b>	<b>–341,572</b>	<b>–292,927</b>	<b>–299,642</b>
Derivative instrument, net	622,534	239,852	212,055	598,096	223,950	180,653
<b>RATIO</b>						
	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31	2005 Jun, 30	2004 Jun, 30	2004 Dec, 31
Return on adjusted equity, moving 12 months	5.21%	4.22%	3.80%	5.90%	5.89%	5.70%



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