

YEAR 2005



Landshypotek Annual Report



Landshypotek AB in brief

Landshypotek is a member-owned credit institution specialised in first mortgage loans to owners of properties in the segments of forest land, residential farms and production farms. With its cooperative corporate form, Landshypotek is a unique organization with a very stable circle of customers. Effective systems and flexibility enable Landshypotek to offer several different borrowing programmes.

This page provides a description of Landshypotek AB with subsidiaries, where most of the lending and borrowing takes place. For information about the Group’s Parent Company, Landshypotek ekonomisk förening (incorporated association), please refer to other parts of this Annual Report.

Key financial indicators

Landshypotek AB Group	2005	2004	2003	2002	2001
Operating result, MSEK	7.5	166.3	174.4	261.5	233.4
Lending, MSEK	35,954	34,791	34,726	34,589	33,652
Net interest income, MSEK	365.3	389.0	419.4	395.4	376.1
Loan loss level, %	0.58	0.22	0.28	0.03	0.06
Core capital, %	8.48	8.79	8.24	8.14	7.78
Capital adequacy, %	9.80	10.27	9.69	10.54	12.47

Products for borrowing	Rating
Commercial paper programme	Stockholmsbörsen
MTN programme	Stockholmsbörsen
Bond programme	Stockholmsbörsen
EMTN program	Certain loans are quoted on the London Stock Exchange and others on Stockholmsbörsen.
Private bonds	Stockholmsbörsen
Credit market notes	






Rating

Landshypotek AB	Long	Short
Fitch	A	F1
Moody's	A2	P-1
Standard & Poor's	BBB+	A2, K1

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Annual General Meeting (association)	2 May 2006
Annual General Meeting (corporations)	2 May 2006
Interim Report Q1	May 2006
Interim Report Q2	August 2006
Interim Report Q3	November 2006

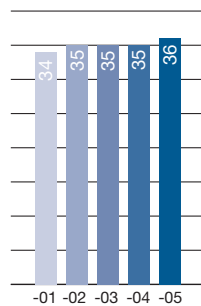
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The Year in Brief

Landshypotek ekonomisk förening
(incorporated association) Group

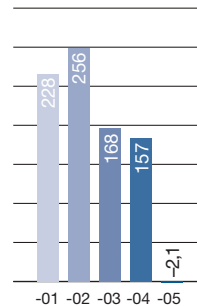
- The Group's lending increased by 3.3 percent to MSEK 35,954 (34,791).
- The operating result was MSEK -2.1 (157.1).
- The return on adjusted equity was -0.05 (3.50) percent.
- The Board of Directors proposes that MSEK 42.4 (148.2) of the year's result reverts to the members of Landshypotek ekonomisk förening. The refund portion is equivalent to 3.0 (6.75) percent of regular loan interest paid.
- The Group's capital adequacy ratio was 9.84 (10.48) percent and the core capital ratio was 8.53 (9.00) percent.
- Sales offices were opened during the year in Falun, Hässleholm, Kristianstad, Skara, Uppsala and Västerås.

SEK billion



Lending, 5 years

MSEK



Operating result, 5 years

Group Overview

Landshypotek specialises in first mortgage lending to owners of properties in the segments of forest land, residential farms and production farms.

Landshypotek ekonomisk förening (incorporated association) has just over 60,000 members.

Business concept and business

Landshypotek's business concept is to offer Sweden's owners of agricultural and forest properties financing in the form of first mortgage loans on the market's most favourable terms. Landshypotek AB's customers become members of Landshypotek incorporated association and get refunds on regular loan interest paid. The proposed refund for 2005 is 3.0 percent.

In co-operation with Länsförsäkringar Bank and LRF Försäkring, customers are also offered bank and insurance services.

Market leader in first mortgage loans

Landshypotek is the market leader in first mortgage loans to owners of agricultural and forest properties in Sweden. With loans outstanding of close to SEK 36 billion, Landshypotek AB has close to half of the market. Lending is characterised by adequate collateral in real property, which means extremely low loan losses.

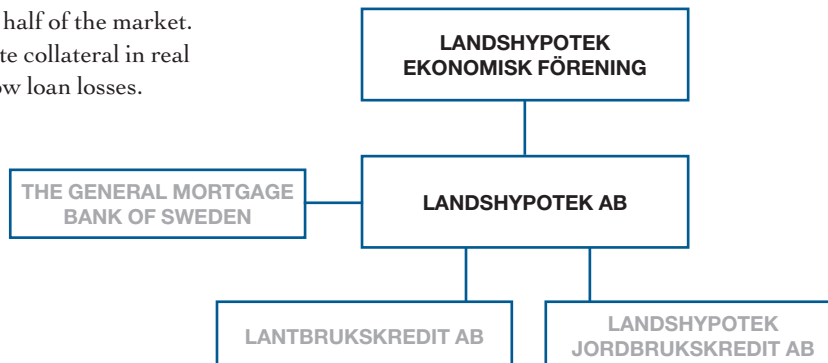
Regional support

Landshypotek's members represent a significant portion of Sweden's private sector land and forest owners. Landshypotek has just over 100 employees at 17 offices in Sweden.

Diversified borrowing

The primary business of lending and borrowing is assembled in Landshypotek AB with subsidiaries.

Landshypotek is funded in the capital market. Through a number of borrowing programmes and credit facilities, the desired flexibility is achieved that attracts different types of investors.



Key financial indicators

Landshypotek ekonomisk förening Group	2005	2004	2003	2002	2001
Operating profit, MSEK	-2.1	157.1	167.9	256.2	228.0
Lending, MSEK	35,954	34,791	34,726	34,589	33,652
Net interest income, MSEK	367.9	392.3	424.6	401.6	383.7
Loan loss level, %	0.58	0.22	0.28	0.03	0.06
Core capital, %	8.53	9.00	8.48	8.40	8.08
Capital adequacy, %	9.84	10.48	9.93	10.80	12.78

Business concept

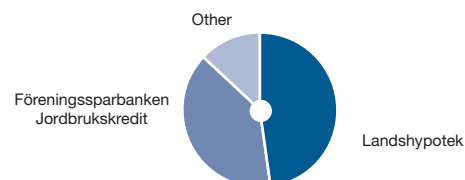
Landshypotek's business concept is to offer Sweden's owners of agricultural and forest properties financing in the form of first mortgage loans on the market's most favourable terms.

History

- 1836 The first county mortgage association starts in Skåne. The purpose is to grant farmers loans with agricultural property as collateral.
- 1857 The need for capital in agriculture increases as a result of the enclosure reforms and the beginning mechanisation.
- 1861 The General Mortgage Bank of Sweden is founded to facilitate borrowing by the county mortgage associations.
- 1914 During the First World War, prices on agricultural products rise to the benefit of farmers in Sweden. Many farmers take advantage of the situation and repay their loans.
- 1961 Credit market regulations are eased and The General Mortgage Bank of Sweden is allowed to issue bonds.
- 1970 The county mortgage associations get an opportunity to finance up to 75 percent of the appraised value of properties.
- 1986 The bond market is deregulated and bonds with shorter maturities are introduced. Deregulation also means more competition.
- 1995 Landshypotek AB is formed and the ten county mortgage associations are merged into one incorporated association. Parts of the operating surplus of the business go back to the members in the form of refunds.



Landshypotek is represented at 17 locations in Sweden.



Estimated market shares of first mortgage loans for agricultural properties.
Source: Lantbruksbarometern and in-house material



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Comments of the Managing Director

Focus on core operations

After a few years with internal improvement programs and investments, during 2005 we have begun to reap the fruits of our efforts. The overall goal has been to focus on core operations – first mortgage loans to owners of agricultural and forest properties – and to phase out of credits outside of this area.

The increase in lending in Landshypotek AB has never been greater than during the past year, both in kronor and percentage terms. Our earnings, are greatly impacted by one-time expenses for a problem engagement in our subsidiary Lantbrukskredit, although in spite of this we manage to give our members a refund on interest payments exceeding inflation.

The way to reach the goal

Our means of reaching the goal of increased focus on core operations and long-term profitability can be summarised in four parts:

Effective operations

All routines have been reviewed for the purpose of improving cost control. By adapting the organisation and with investments in new computer systems we have come a long way in that process. Systems for the handling of new capital adequacy rules and the platform for covered bonds have been acquired and are up and running, and we are currently evaluating a new lending system before committing to buy.

Small scale operations

Starting with our regions, we have reviewed our presence at locations where we are in particular demand. Increased customer contacts has been our top priority. By way of example, in order to get closer to our customers in the Skaraborg agricultural area, we have opened a new office in Skara during the year. This establishment, which is a part of region Älvsborg, is off to a very good start.

Co-operation

We reduced our vulnerability in the IT area during the year by contracting out our IT management to a well-reputed supplier. At the same time we now gain access to a large base of competence and experience.

Under our co-operation agreement with Länsförsäkringar, that provides a full-bank and insurance concept, we placed a number of employees from Landshypotek's regional offices at Länsförsäkringar during

the year. This means that we get closer to our customers as well as our co-operation partner, which is a cost-effective and flexible solution.

Refinement

The job of phasing out of credits that are outside of the core operations is now virtually complete. The credits in subsidiary Lantbrukskredit which were outside of the core operations, as well as most credits above the so-called one-hand-limit (large credit engagements relative to the subsidiary's equity) have been settled.

Increased lending volume

It is obviously very gratifying that we have now begun to achieve growing success in the market where we have concentrated our efforts and resources. The good lending increase during 2005 is evidence hereof. The explanation can be found in the measures described above, and the beginning of modification and adaptation of products to customer needs. One example hereof, which quickly has given clear results, is the product launch of Flexible First Mortgage Loan.

The year's result

The year's result is strongly negatively impacted by Lantbrukskredit's problem engagement in the district heating industry. Even if the final exit has burdened the year's result greatly, this is a one-time item and the entire Group can now look ahead with confidence. The exit means that a major load disappears, not only in the form of credit losses and consulting and legal costs, but also when it comes to the time and energy that the matter has required for management and the Board of Directors.

The growing volume in core operations will, over time, generate a greater revenue stream. At the same time, interest competition has continued and a growing number of banks are attracted to the area of lending against security in agricultural and forest properties, which means continued pressure on interest margins and therefore the Company's revenue level. The job of adaptation and the cost of IT support systems for the new capital adequacy rules, Basel II and covered bonds, have burdened our costs, and will continue to do so for another year.

New capital adequacy rules and covered bonds

At mid-year we filed our application with the Swedish Financial Supervisory Authority for deploying the advanced model for capital adequacy in accordance with the Basel II directive. An ongoing dialogue is now being conducted that will eventually result in an assessment of Landshypotek's risk classification system.

The process of adapting the loan portfolio, accounting systems and methods of working to the law on covered bonds is also continuing according to plan.

New chairman in Landshypotek AB

Per-Ola Eriksson resigned as Chairman and member of the Board of Directors of Landshypotek AB at the Annual General Meeting held in May because of his appointment to County Governor in Norrbotten. Ambassador Ulf Dinkelspiel, former cabinet minister with responsibility for trade and Europe issues, was appointed new Chairman.

Future prospects

After phasing out of the district heating engagements and with the positive volume increase in the core operations during the year, the Group stands well prepared for the future. Additional support for a continued good development are the investments in the IT area that have been made. The systems will enable the organisation to make further advances in customer work, as well as better follow-up and analysis which, in turn, will raise the quality of the Company's entire credit process.

Costs for loan losses in operations outside the core area, and costs of a one-time character for Basel II and covered bonds that are burdening our cost structure right now, are transitory in nature. Thus far our capability of generating good results in the future looks good.

However, we must not underestimate the effects of the very tough competition we have met in certain parts of the country. We must be prepared to meet this competition in other locations as well. Increased competition may pose demands for additional rapid organisational changes, product development work and adjustments to the places where we meet customers.

Overall, my assessment is that the positive factors will dominate and that sound competition will stimulate us to become even better in every area, which all in all will benefit the Swedish farmers and forest owners who are our principals.

Stockholm, March 2006



Kjell Stillman, Managing Director

Co-operative Corporate Form

Landshypotek has an effective organisation with broad knowledge of agriculture and forestry. The co-operative corporate form makes it possible to refund earnings to the members.

The companies in Landshypotek

The Group is composed of Landshypotek ekonomisk förening (incorporated association), Landshypotek AB, The General Mortgage Bank of Sweden, Lantbrukskredit AB and Landshypotek Jordbrukskredit AB.

The main business is conducted in Landshypotek AB, where lending is handled by regional and sales offices, while borrowing is managed centrally.

Member-owned corporate form

Landshypotek is owned by approximately 60,000 members. Anyone who is granted a first mortgage loan by Landshypotek becomes a member of Landshypotek ekonomisk förening (incorporated association). The number of members has declined in recent years due to consolidation of properties as agriculture is being rationalised. At the same time, the property values managed by the members have increased.

The co-operative corporate form give members democratic influence, where members elect representatives to the ten regional boards of directors which, in turn, nominate members of the Board of Directors of the incorporated association.

This co-operative corporate form also promotes long-term and stable operations, as demonstrated by the capital build-up in recent years. Unlike companies operated to provide the greatest possible return on equity, Landshypotek can focus on building its capital and return earnings to its members in the form of low interest rates paid on loans. With continued careful cost control, Landshypotek will be able to offer favourable first mortgage loans to its members also in the future.

Organisation with local support

Landshypotek's granting of credit is organised in 17 sales offices all across Sweden. A majority of Landshypotek's staff of just over 100 employees works at the regional offices. There is approximately the same number of board representatives. The task of the board representatives is to make appraisals of customer properties. The members of the regional boards are owners

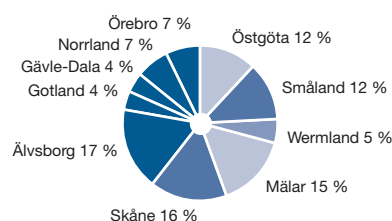
of agricultural properties themselves and possess good local knowledge. Board members are appointed in each region with the widest possible geographical distribution and the best possible breadth of knowledge.

The offices are staffed mainly by credit managers. A basic requirement of the business is the personal contact, with a high degree of service and good relationships, between the credit manager and the customer. Landshypotek's credit managers are specialists in assessing customer needs of financing and their ability to carry debt. Staff competence in agriculture and forestry is crucial to Landshypotek's success. Lending is concentrated to the three segments of forest, residential farms and production farms.

Landshypotek has central functions for borrowing and controlling the granting of credit, supported by advanced IT systems. Administration, accounting and payments are also handled centrally.

Landshypotek's research foundation

Landshypotek has a research foundation, the objective of which is to support co-operative and financial research linked to Landshypotek's field of activity. Two grants were awarded during the year. One for the project "Driving forces and impediments to economic efficiency in the environmental company – what is the role of technology and management & decision-making systems" and the other "Management and board of directors functions in the co-operative agricultural company", both at The Swedish University of Agricultural Sciences.



Distribution of Landshypotek's loans on the regions in 2005.

Lending

Landshypotek's lending consists of first mortgage loans in the segments of forest, residential farms and production farms. Many customers have little borrowing against their property, which can then be used as collateral for loans to investments in their businesses.

First mortgage loans for agricultural properties

Landshypotek's focus for lending is on customers who own forest land, residential farms and production farms. These private owners of agricultural properties are offered first mortgage loans secured by mortgage deeds up to 75 percent of the property's loan value.

The market for first mortgage loans for agricultural properties is distinguished by relatively low interest margins and administration that requires more industry know-how than housing financing. The first mortgage lending rate is relatively low compared to the rate on loans for single family homes, despite the fact that the capital coverage requirement is twice as high for loans for agricultural properties.

Market-leading position

Agriculture's total indebtedness in the form of first mortgage loans is estimated to be approximately SEK 75 billion. With loans outstanding of approximately SEK 36 billion, Landshypotek has close to half of the first mortgage loan market.

The aggregate 2005 tax assessment value of Sweden's privately owned agricultural properties is more than SEK 300 billion. The market value is estimated to be close to twice as much, however. Aggregate liabilities amount to approximately SEK 125 billion. An estimate of the equity ratio with only the market value of the properties as assets show that the industry's indebted-

ness is low and the equity ratio is approximately 80 percent. This estimate does not include the value of machinery, animals, inventories or working capital.

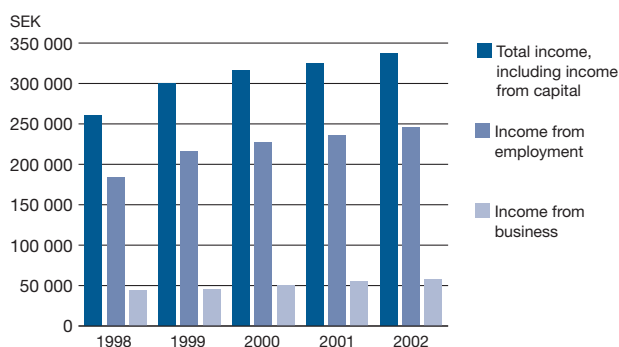
Growing market with increased competition

The credit market has grown sharply and undergone a restructuring in recent years, marked by mergers and co-operation deals. The competitive situation for credits to the agricultural industry has changed considerably and customers now have more bank contacts to choose among. The number of banks is shrinking due to the mergers, but more players have become active in the market for agriculture and forestry.

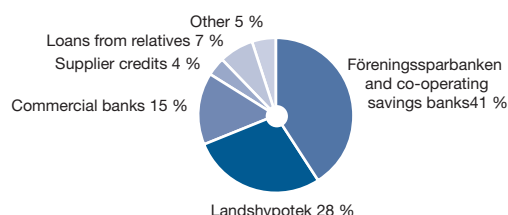
With its member-owned organisation Landshypotek is a unique player in the industry. A loan market where customers can only turn to publicly traded banks would probably mean less favourable credit terms. In Landshypotek's judgment owners of agricultural properties will continue to demand favourable first mortgage loans from Landshypotek.

Favourable first mortgage loans

Landshypotek offers first mortgage loans at competitive interest rates. The terms and conditions of the loans are simple and, as a member of Landshypotek incorporated association, the customer gets a refund from the surplus of the business.



A predominant part of the assessed income of farm households is income from employment. Source: Statistics Sweden



Distribution of private forestry's and agriculture's total indebtedness, SEK 125 billion. Source: Lantbruksbarometern 2005

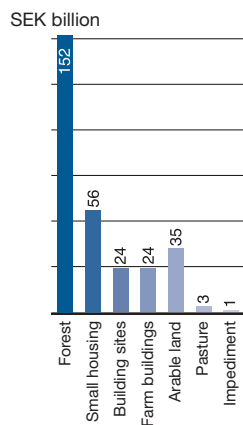
For 2005 the proposed refund comes to MSEK 42.4, which means 3.0 percent of loan interest paid.

Landshypotek also offers the product Flexible First Mortgage Loan (Flexibelt bottenlån) to customers with large liquidity variations. With Flexible First Mortgage Loan, customers are able to make a simple drawdown when needed and repay the loan when it suits them. Interest is payable on the utilised amount at the rate applicable to Landshypotek's variable first mortgage loans. A limit fee of 0.5 percent p.a. is payable on the approved amount of the loan facility.

Marketing

Marketing efforts aimed at the three customer segments forest, production farms and residential farms have been intensified in recent years. Landshypotek's staffing of the segments has been reviewed and a number of marketing products and marketing activities has been initiated. For example, a brochure called "Barkboken" ("The Bark Book") was published as support for the marketing effort in the forest segment. Also presented in 2005 was Landshypotek's "Uppslagsbok för landets entreprenörer" ("Reference book for the countryside's entrepreneurs").

Several major customer activities will be launched during 2006, including a forest tour under the collective name "Skog till salu" ("Forest for sale") with participation by Sveaskog and LRF Konsult. The regional meetings during March and April will be conducted at nine major race tracks around the country. Landshypotek's co-operation with Strömsholmsakademien and The Swedish Orienteering Federation continues, aimed particularly at residential farm and forest customers.



Distribution tax assessment values of privately owned agricultural properties, a total of approximately SEK 300 billion. The value of forest land is approximately one half.

Other products for the members

■ Internet office

At the Internet branch, www.landshypotek.se, a free service, members can easily monitor their loan engagements. They can also project their interest costs and the term of their loans by making loan calculations. Private bonds and credit market notes can also be ordered here.

■ Secure forms of saving

Landshypotek offers private bonds and credit market notes. These normally generate a higher return than regular bank savings and represent a safe and secure form of saving.

■ Loan protection insurance and life insurance

In co-operation with LRF Försäkring, Landshypotek's members (15–55 years) are offered to procure special loan protection insurance that increases family security. Together with LRF Försäkring members (15–60 years) are also offered life insurance.

■ Bank services and insurance

In co-operation with Länsförsäkringar Bank, Landshypotek's members are offered bank services in the form of The Farmer Package (Lantbrukarpaketet). This package includes an operating account, an investment account, loans, forest account, payment services, due-date monitoring, Internet banking and card services. All types of insurance needed by farmers are also offered via Länsförsäkringar.

See www.lantbrukarpaketet.nu



Examples of publications offered during 2005.

Borrowing

Landshypotek uses a number of borrowing programmes, both on the domestic and the international markets. In this way, the borrowing can satisfy most investors' need for investment alternatives.

Goal for borrowing

Landshypotek's goal is to borrow money on as favourable terms as possible and within the limits set by Landshypotek's financing policy. Landshypotek works with advanced systems and great flexibility in terms of markets and instruments, which makes it possible to obtain funding effectively and where it is most advantageous.

Flexible borrowing

Landshypotek's primary source of funding is the Swedish credit market, but the international market is gaining in importance. Historically, Landshypotek has a long tradition of issuing bonds on the international market, especially in Germany, through The General Mortgage Bank of Sweden (founded in 1861) and even earlier through regional county mortgage associations (the first one in Skåne in 1836).

Landshypotek feels that it is important to be able to turn to many alternative types of investors and has therefore established a number of borrowing programmes, both on the domestic and the international markets. Examples include bond programmes, commercial paper programmes, MTN programmes (Medium Term Notes) for the domestic market and EMTN programmes (Euro Medium Term Notes) for the international market.

Landshypotek has securities listed in Stockholm and London. Aside from pure borrowing programmes, Landshypotek also has agreements for a number of credit facilities, both directly with major banks and with international syndicates. In the German market, Landshypotek has raised loans through Schuldscheine, and in Norway bonds have been issued through Norsk Tillittsman.

Rating from three independent agencies

Landshypotek AB	Long	Short
Fitch	A	F1
Moody's	A2	P-1
Standard & Poor's	BBB+	A2, K1

The General Mortgage Bank of Sweden has received the same rating for long-term borrowing as Landshypotek AB from Fitch as well as Standard & Poor's. Lantbrukskredit AB has received BBB+ with a stable outlook from Standard & Poor's.

Strong demand

For Landshypotek the past year was marked by continued strong demand for securities issued, with particular interest on the part of investors for securities with longer maturities. Landshypotek sees this as an effect of several interacting factors, including Landshypotek's planned issuance of covered bonds and the fact that the credit losses historically have been at very low levels, together with good availability of funds in the market. The rating change in 2003 and the problem engagement in Lantbrukskredit AB only had a temporary negative effect on borrowing costs and Landshypotek AB has been able to record steadily lower credit risk spreads during the year.

Good liquidity reserves

With a view to strengthening liquidity, Landshypotek AB has been granted a number of credit facilities, both with international syndicates and Nordic banks. Landshypotek AB has syndicated five-year credit facilities maturing in 2006 in the amount of MEUR 125 and a five-year facility in the amount of MEUR 250 with

Products for borrowing	Rating	Listing
Swedish commercial paper programme in the amount of SEK 10 billion (360 days) which also provides for borrowing in EUR.	K1 (Standard & Poor's)	Stockholmsbörsen (The Stockholm Stock Exchange)
Swedish MTN programme in the amount of SEK 20 billion (1 –15 years) which also carries a EUR clause.		Stockholmsbörsen
Swedish bond programme without limitations in terms as to amount or time.		Stockholmsbörsen
EMTN programme in the amount of EUR 1 billion (multicurrency).	Long BBB+ (Standard & Poor's) Short A2 (Standard & Poor's)	Certain loans are listed on the London Stock Exchange and others on Stockholmsbörsen
Schuldscheine on the German market.		
Nordic bonds through Norsk Tillittsman.		
Private bonds.		Stockholmsbörsen
Credit market notes.		
Agreements for credit facilities directly with major banks and with syndicates of Swedish and international banks.		
Other international borrowing.		

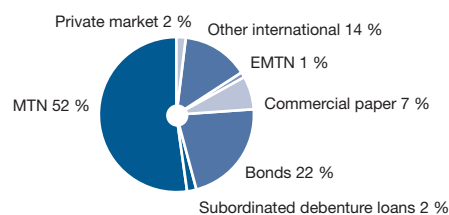
maturity in 2008. In the Nordic market, Landshypotek AB has a number of bilateral 364-day limits. In addition, there are other committed credit facilities. A portfolio of liquid mortgage bonds is being built with a view to further strengthening the liquid position and to partially replace the credit facilities.

Environmentally linked financing

By reason of the environmentally oriented business of agriculture and forestry, the Nordic Investment Bank has placed MEUR 50 with Landshypotek.

Savings products

A smaller portion of Landshypotek's borrowing comes from the sale of private bonds and credit market notes as a form of savings.



Break-down of borrowing on different types of instruments.

NET WORK





Forest

Swedish forests constitute one fifth of EU-15's aggregate forest acreage. Forest products are Sweden's most important exports. Characteristic of forest properties in Sweden is their smallness and the high proportion of private ownership.

A lot of forest and many owners

The forest land acreage in Sweden amounts to 22 million hectares, which is just over one fifth of EU-15's aggregate forest land acreage. More than half of the forest is owned by approximately 350,000 individual forest owners. Sweden has a high proportion of private owners in an international perspective.

Most forest owners earn the main part of their livelihood from sources other than forestry, primarily income from employment. The number of owners who combine agriculture and forestry is declining, while pure forestry enterprises are on the rise.

Broad interest for forestry

In recent times the interest to acquire forest land has increased every year and 2005 was no exception. Traditionally, it has mainly been a matter of existing forest owners wanting to acquire more forest land. This group has recently been getting competition from wealthy individuals who regard forest properties as an inflation-proof investment with favourable tax treatment that can be combined with leisure activities such as hunting and fishing. The number of non-residents, that is persons who own agricultural properties in a municipality other than the home municipality, is on the rise and is today approximately 35 percent.

Prices on forest properties have risen in recent years, especially near densely populated areas and on lake-front properties and properties with potential for hunting. From a historical perspective, prices on forest properties have always been stable to rising. Because of the major changes that have taken place in Sweden in recent years when it comes to rules of taxation of inheritance and gifts, interest for forest properties is expected to stay strong.

Forests also have many other values, such as nature experiences, recreation, biological diversity and opportunities for berry and wild-mushroom picking.

Forests – a free market

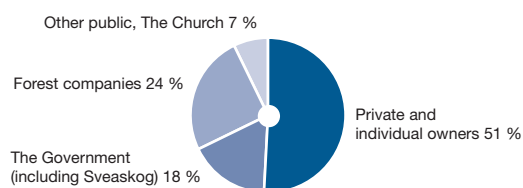
The forest industry has long been a competitive market with few market rules and regulations. Forest owners can afford to take a long-term approach when determining strategy and can adopt felling strategies taking into account current prices. The tax system also has liberal rules for income equalisation over several years.

A significant portion of Swedish forest properties are unencumbered, which means that Landshypotek sees good opportunities for increasing its lending in this segment.

Forests for export

Forests constitute an important natural resource with considerable impact on Sweden's balance of trade. In 2004, forest products accounted for approximately 12 percent of Sweden's total exports. In 2004, Sweden accounted for approximately 9 percent of the world's total exports of pulp and paper and 11 percent of the world's total exports of sawn wood products.

Swedish forest raw material is used mainly for sawn timber and for pulp. In the past decade, district heating plants have also become major buyers of bio fuels.



Break-down of Swedish forests into owner categories.

Storm Gudrun

Some 70 million cubic metres of forest is estimated to have been felled by storm Gudrun, which hit Småland and adjacent areas in the beginning of January 2005. Normal felling in Sweden is about 83 million cubic metres per year. Storm Gudrun was a natural disaster that placed great demands on the entire Swedish forest products industry in terms of salvaging in a short period of time large quantities of timber without quality impairment. The forest industry has largely met the lofty expectations placed upon it and the government has facilitated the process by introducing a number of supporting measures for the industry.

Because of the generally low leverage among forest owners, Landshypotek is happy to report that no loan losses were incurred as a result of storm Gudrun.

Efficient forestry

Forestry, with its small-scale ownership structure, has come a long way when it comes to achieving advantages through interaction of labour input and machinery. Major harvesting is usually contracted out, but forest owners often choose to perform some forest work themselves during their leisure time, mostly in the form of basic forestry work, such as planting or clearing, but also felling and hauling.



– Storm Gudrun was surely not a joyous event, but there are many who were harder hit than we were. Here, the storm took 20–25 percent of our total timber stands and about half of the mature forest. The initial period after the storm had to be devoted to clearing the roads and when you have no power you can't send faxes and e-mails at the office. A lot of things have been put off or postponed during the year, but we manage.

Bengt-Eric Ericsson lives together with his wife Ingrid and four children at the Sällhult family farm in Stenbrohult outside Älmhult in Småland. The farm has been owned by the family for nine generations and Bengt-Eric's parents still make their home in one of the wings. Sällhult today consists of 275 hectares of productive forest land and 62 hectares of arable land and pasture. For the past ten years Hans-Eric has also been running a legal firm and he serves as substitute cantor at the local parish. Ingrid is a junior-level teacher.

The Ericsson family does minor chores in the forest themselves, but hires outside help for thinning and felling. There is also cattle for meat production on the farm and at its peak there are about 90 animals and three Ericsson generations take turns at doing what has to be done.

Residential Farms

For a large proportion of the owners of Swedish agricultural properties, the farm is primarily a place of residence for the owner and family, rather than being the primary source of income. The farm is a business property, however, which allows various degrees of entrepreneurial activity.

With the farm as a base

Landshypotek classifies as residential farms properties the owners of which live on an agricultural property, but whose main source of income is something other than agriculture or forestry. There are 255,000 agricultural properties with small housing and an estimated 300,000 property owners in this segment. Most of the people who live on or own these agricultural properties have most of their income in the form of income from employment. A smaller proportion have partially the farm as a base for different types of entrepreneurial activity, often with some connection to traditional farming. For others the property is used solely for leisure time living.

Country living on the rise

The number of agricultural properties in the residential farm category is growing as the number of production farms shrinks. One reason for this is that rationalisation in farming requires larger acreages for more efficient production. Farmers who phase out their own operations, sell or lease out their land to nearby farms. What is left is smaller properties, residential farms, with perhaps a dwelling-house, maybe a farm building and only a little land around the farmhouse itself.

The growing interest in nature, outdoor life and environmental issues also spur country living. It is, for example, possible to combine normal employment with living close to nature and having a few animals for pleasure, or some type of small business.

In parts of the country demand is strong for single-family homes and co-operative flats, for instance in the Mälardalen area, western Götaland and Skåne. The high prices for housing in these areas lead to increased demand for attractive country living. Improved commuting opportunities and opportunities for working remotely also make country living easier.

The price trend on agricultural residential properties has followed the general price trend for residential properties in recent years. It is especially clear that proximity to densely populated areas raises the price. Mobility in the residential segment is greater than in production farming and among forest owners, where cultivation is often handed down from generation to generation.

Interest in horses on the rise

The interest for horses has been gaining ground in recent years and riding has become one of the most popular leisure activities. There are approximately 300,000 horses in Sweden and about 500,000 persons ride regularly, 85 percent of whom are women. The importance of the horse for rural Sweden can hardly be exaggerated. Grazing horses keep the landscape open, create job opportunities and give people enjoyment, exercise and, not least, income. The horse industry generates revenue of SEK 20 billion, half of that amount on harness-racing and other horse-racing. The industry is farming's fifth largest source of income and side revenue from sources such as boarding horses and horse tourism generate revenues of SEK 1.7 billion annually.

The growing interest in horses in recent years has attracted much attention from authorities and government that actively work for keeping and developing the horse industry in Sweden.

Rural tourism popular

Another popular and growing source of supplemental income for residential farmers is tourism linked to the rural environment. Residential farms for living provide opportunity for renting of residences and temporary lodging in the form of bed & breakfast and Bo på Lantgård (Live on a Farm), which has grown steadily in recent years. Farm tourism assumes that the residential farmer has the ability to identify the aspects of the local area that can be a draw for others. The Swedish Travel & Tourism Council states that public interest for Swedish outdoor tourism is greater than the supply.

Growth of hunting and fishing

Two other leisure pursuits believed to have good future prospects are hunting and fishing tourism. Those who own land and water in Sweden also own the right to hunt and fish. The owners can choose between exploiting that right themselves, or granting the use of the right to others for extra revenue for the farm.

Sweden today has more than 300,000 active hunters and about 3 million Swedes are interested in leisure time fishing. Interest is mounting steadily, both in Sweden and internationally, which means that such activity has great development potential. Hunting and fishing are also activities that can be pursued all over the country.



– We chose to live on a farm because we wanted to be free and control our residential life ourselves. Here we live in a rural environment with nature just around the corner. At the same time we are close to a community where there are schools, shopping and a train station, so that we can commute to work.

Marie and Rune Brandt live together with their four children and two cats in a long, low Skåne house in the village of Kärtrorp outside Stehag in the middle of Skåne. The farm has been settled since the Seventeenth Century, but the main building is probably from the mid-1800s. Since the family moved in ten years ago, the house has been totally renovated to meet the needs of a family with children.

The farm has about seven hectares of farm land that the Brandt family leases out to a neighbour who grows corn. Around the farm there is also a small grove and land where horses graze. The family previously had geese, sheep and chickens and would very much like to have more animals on the farm again. Next on the agenda is to renovate the stable and to offer stable space and perhaps, in time, to have some horses of their own.

Marie and Rune Brandt also have great interest in environmental issues, both professionally and privately. She works as an environmental inspector for the municipality of Eslöv and he is a water strategist for the County Administrative Board.

Production farms

From a European perspective, Sweden has a very small proportion of arable land and relatively few production farms. Swedish production farming is dominated by family businesses typically operated in combination with forestry.

Agriculture in Sweden

Only 8 percent of Sweden's area consists of arable land, and relative to EU-15's total acreage, Sweden accounts for only 2 percent of the arable land. The present area of arable land of approximately 2.65 million hectares is mainly concentrated to the major plains in southern Sweden and is now beginning to become an exclusive asset in great demand.

The production farming segment

Landshypotek classifies as production farms all those agricultural businesses where operations are the main source of income for the farmer and his or her family. The operations of agricultural businesses have become diversified in recent years, even though the base is production of foods, such as milk, beef, pork, eggs and corn, new crops and activities have been added. Energy production is what primarily is a lure for new investment, but an active outdoor life provides also fuels for new types of production based on interest in horses, tourism, hunting and fishing. Another supplemental business for agricultural enterprises is various types of contracting and rental of machinery and housing.

Agricultural enterprises are characterised by entrepreneurial spirit and innovative power. The new areas of activity vary with geographic location and the inclination of the entrepreneur, and constitute increasingly important complements to the original food production.

Structural changes

Structural rationalisation in traditional farming continues unabated in the direction of larger units and towards more efficient operation. This means that production farmers continually rationalise away labour costs per unit, and replace them with capital costs. At the present interest level such substitution is profitable for the entrepreneur and that speeds up the development towards fewer and larger units. Increasingly efficient operations are also of the essence in order for production farmers to remain competitive with the competition from the world around us.

Another trend is that new forms of co-operation and inter-farm agreements are formed among entrepreneurs. Most of the size rationalisation is in plant production through leases.

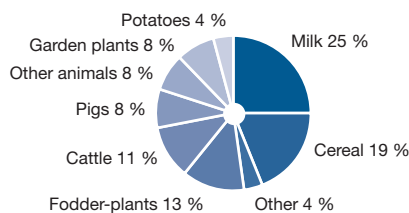
Plant and animal production premises

In a European perspective Swedish animal husbandry is extensive, with a large area per animal unit, which guarantees limited manure leeching problems and transmission of infection between animal herds. Swedish agriculture thus enjoys favourable conditions for maintaining a high environmental standard. The cold winter climate also limits plant disease and reduces the need for biocides.

Milk production still constitutes the base for farming in large parts of the country. The number of stocks is diminishing at an even pace and is now less than 8,500, at the same time as the number of cows and the total production of milk is relatively constant. The yield per cow in Sweden is among the highest in the world and the milk is of proven high quality.

Hog and bird production is concentrated to the flat country in southern Sweden and follows the same trend of development as milk production in terms of the number of stocks. In hog production a small decrease in the number of pigs produced is noted, however. About 3.2 million pigs are produced annually.

The pasture-land that is the primary source of supply



Breakdown of agriculture's production value.

for beef production is located in central Sweden and is in higher demand since support of different kinds makes for a better yield than before. For this to work the land has to be grazed to a certain level, for a large part of the summer season, which at the same time has improved the profitability of meat production.

Far outside the country's borders Sweden is known for its good animal care. Campaigns such as "Greppa näringen" and other environmental initiatives mean that Swedish farmers are working diligently at achieving as sustainable agriculture as possible.

Ecological production

Ecological production is continuing to grow in the country and there are now about 460,000 hectares covered by EU's environmental support for ecological growing, which means a 10 percent annual increase since 2001. The proportion of ecological production amounts to about 15 percent.

This growing method is aimed at achieving natural agriculture without easily soluble fertilizers and chemical biocides. The precept of circulation, and a striving for a cultural landscape with richness in species and biological multiplicity, are some of the goals. Ecological plant growing is a necessary condition for ecological animal production, since the animals are fed ecological feed grown on the farm itself.

New opportunities for agriculture

Due to rising energy prices, the production of wind energy, biogas and energy crops processed into bio-energy has been stimulated in recent years and this now means a real profitable alternative to other production. However, the development requires investments in new technology and new facilities. These investments have a long life and often become a part of the estate, which thus gives the production farmer the opportunity to solve the financing with first mortgage loans.



– We potato growers in Närke are located in a good growing area with excellent soil. With Stockholm and the Lake Mälaren valley nearby, we have 3–4 million consumers in our area, which keeps transportation costs low. If you are careful with the crop rotation, you can get good quality and a high yield in potato production. We also rationalise on an ongoing basis and try to raise the volumes.

Anders Sjölander lives together with his wife Inger and their two children on the family farm in Led, 30 kilometres south of Örebro. Anders is the sixth generation to operate the farm and Inger works at an auction house in Örebro.

The farm has 145 hectares of arable land where Anders grows potatoes and corn together with one full-time and two seasonally employed employees. From adjacent farms he also leases an additional 100 hectares for potato growing every year.

Anders Sjölander is also part owner of a potato packing company which is one of the larger suppliers to ICA. Of the about 10,000 tons shipped by the company annually, about 40 percent comes from the Sjölander farm.





OPPOR TUNITY

Administration Report

The Board of Directors of Landshypotek ekonomisk förening (the Association), organisation number 769600-5003, hereby submits its Annual Accounts for the 2005 operating year.

Business and organisation

Landshypotek is a member-owned credit institution specialised in first mortgage lending to Swedish agriculture and forestry against collateral in the form of Swedish agricultural property. An organisational chart for Landshypotek will be found at the back of this Annual Report.

Landshypotek ekonomisk förening (incorporated association) is the parent organisation of the Group. Through its regional representative organisation, the association performs appraisal services for Landshypotek AB. The Association is a financial holding company. The operating subsidiaries are under the supervision of the Swedish Financial Supervisory Authority.

The Group's lending operations are assembled in Landshypotek AB and subsidiaries. Operations in Landshypotek AB and Landshypotek Jordbrukskredit AB consist of granting long-term credits to agriculture and forestry. Lantbrukskredit AB's operations consist of lending to businesses in close proximity to agriculture, but lending to other sectors has also occurred. Since July 2003 and until further notice there is no new lending in Lantbrukskredit AB.

The General Mortgage Bank of Sweden, which until 1997 was responsible for borrowing for Landshypotek AB, is being phased out. Operations consist of management of outstanding bond loans. Most of these loans were redeemed during 2005.

The relationship between Landshypotek AB and The General Mortgage Bank of Sweden is governed by a financing and administration agreement. Under that agreement, The General Mortgage Bank of Sweden passes on its borrowing to Landshypotek AB on identical terms and conditions and with the same day value. Landshypotek AB is responsible for all administration and costs for managing the affairs of The General Mortgage Bank of Sweden.

Through interaction with Länsförsäkringar and Länsförsäkringar Bank, Landshypotek's customers are offered a complete line of basic services in the bank and insurance areas on competitive terms and conditions.

Members

The number of members in the Association was 60,003 at year-end (62,093). 1,607 (1,448) new members were added during the year and 3,697 members left the Association (3,644).

Contribution capital

The aggregate holding on member contribution capital accounts amounted to MSEK 1,069.6 at year-end. MSEK 88.5 of this amount is attributable to terminated engagements which are to be repaid during years 2006 and 2007.

Earnings performance

Landshypotek ekonomisk förening

The operating result amounted to MSEK -9.6 (-9.2). Net interest income amounted to MSEK 2.6, representing a deterioration by MSEK 0.7 due to a lower lending volume and lower levels of interest. Costs for the central and regional administration amounted to MSEK 9.6 (8.3) during the year. In addition hereto, the Association, which for account of the Group is a member of Lantbrukarnas Riksförbund (LRF), has borne MSEK 3.1 (4.1) of the costs associated with this membership. During the year the Association did not set aside any funds to Landshypoteks Forskningsstiftelse (Landshypotek's research foundation).

Group

The Group's operating profit amounted to MSEK -2.1 (157.1). MSEK 129.3 of the deterioration in earnings of MSEK 159.2 was due to loan loss provisions. Loan loss provisions increased from MSEK 75.5 to MSEK 204.8. Net interest income deteriorated by MSEK 24.5 to MSEK 367.9. The deterioration was due, in part, to lower margins towards the end of the year, but also to volume reductions in the subsidiaries. Some of the loans to Energisystem i Sverige AB (ESS-gruppen) are non-performing, which also affected net interest income.

An operating property was sold during 2005, which generated a capital gain of MSEK 26.3.

Operating expenses amounted to MSEK 227.2 (198.0), an increase of 15 percent. Most of the increase in overhead was in line with budget but overruns that have occurred are due to the efforts in creating an entirely new IT platform, and cost incurred in connection with Basel II, covered bonds and IFRS. Costs attributable to managing ESS-gruppen have also increased more than expected.

Operating expenses include a provision to Landshypotek's profit sharing foundation in an amount of MSEK 0.5 (0.1).

Provisions

The work involved in phasing out Lantbrukskredit AB's credits to ESS-gruppen has been completed. In December 2005 the business in Vingåker was sold. Agreements were concluded in February 2006 for the

sale of the businesses in Söderköping, Trosa, Vallentuna, Vaxholm and Österåker.

The valuation of these credits burdens the result for 2005 with loan loss provisions and realised loan losses of MSEK 190.0. Lantbrukskredit AB has also set aside MSEK 12.0 for an engagement in a sawmill in Norrbotten and MSEK 3.1 for a forest engagement.

Lending operations

The Group's lending increased by 3.3 (0.2) percent and loans outstanding were MSEK 35,953.6 (34,790.7) at year-end. MSEK 1,665.6 (737.2) of the increase refers to Landshypotek AB, where lending increased by 5.0 (2.3) percent to MSEK 35,047.4 (33,381.9).

Liquidity and financing

Strong investor demand was noted during the year for securities issued.

Future development

The business in Landshypotek AB in coming years is not expected to differ significantly from the development during 2005.

Rating

Landshypotek AB and The General Mortgage Bank of Sweden have an A long-term rating from Fitch, while the equivalent from Standard & Poor's is BBB+.

Landshypotek AB's commercial paper programme has received a K1 rating by Standard & Poor's.

Landshypotek AB also received a long-term rating of A2 and a short-term rating of P-1 from Moody's during the year. Fitch has awarded a short-term rating of F1 to Landshypotek AB.

Interest, currency and share price risks

The interest risk metric measures the effect on the market value of all interest-bearing assets and liabilities on and off balance when market rates change by one percentage point.

By year-end the Group's interest rate risk was MSEK -37 (+7). The Group's currency and share price risks are insignificant.

Credit risks

The maximum credit risks consist of the Group's aggregate lending and investments and a counter-party risks on derivatives of MSEK 98.

The main lending occurs in Landshypotek AB. Lending to customers in Landshypotek AB is secured by property mortgage deeds within 75 percent of an internally established loan value based on an assess-

ment of the fair value of the collateral. On an average basis the portfolio of loans amounts to about one third of the assessed value of the properties.

Guarantee undertaking

A guarantee undertaking in the amount of MSEK 10 was entered into in connection with the sale of the operations in Vingåker. The sale of the remaining operations in ESS-gruppen will require additional guarantee engagements totalling MSEK 100.

Capital adequacy

The capital adequacy ratio for the Group, which contains the proposals of the Board of Directors for allocation of earnings, stands at 9.84 (10.48) percent and the core capital ratio was 8.53 (9.00) percent.

Accounting principles and risk exposure

A description of the accounting principles and a risk exposure analysis is provided separately in the Annual Report.

Refund

MSEK 42.4 (148.2) of the year's operating result is proposed to revert back to the members of the Association in the form of interest on contribution capital accounts. Refunds are computed as a certain percentage of regular interest payments to Landshypotek AB. 30 percent of the refund is paid out and 70 percent of the refund is set aside as individual contribution capital in the Association until the amount of the contribution reaches 8 percent of loan principal.

Personnel

The Managing Director and the Deputy Managing Director, who are employed by the Association and hold the corresponding positions in Landshypotek AB, have received no salary or other compensation from the Association. The Association has no other personnel in its employment.

Fees to directors on the main and regional boards have been paid in an amount of MSEK 4.5 (3.9). MSEK 0.8 (0.8) hereof refers to the main board and the remainder to the regional boards.

Income Statement

		Group		Parent Association	
SEK thousand	Note	2005	2004	2005	2004
Interest income		1,467,787	1,643,695	2,762	3,325
Interest expense		-1,099,929	-1,251,380	-204	-30
Net interest income	1	367,858	392,315	2,558	3,295
Commission income	2	8,740	7,542	0	0
Commission expense	3	-865	-1,785	0	0
Net result of financial transactions	4	557	4,399	557	0
Other operating income	5	53,586	28,175	2	0
Total operating income		429,876	430,646	3,117	3,295
General administrative expense	6	-184,815	-161,387	-12,126	-11,998
Depreciation, amortisation and write-down of tangible and intangible non-current assets	7	-10,158	-10,284	0	0
Other operating costs	8	-32,204	-26,355	-609	-449
Total costs before loan losses		-227,177	-198,026	-12,735	-12,447
Profit before loan losses		202,699	232,620	-9,618	-9,152
Loan losses, net	9	-204,814	-75,510	0	0
Operating profit		-2,115	157,110	-9,618	-9,152
Year-end appropriations	10	-42,443	-148,251	-2,957	54,532
Taxes on the year's profit	11	9,470	-1,462	3,046	-12,865
Net profit		-35,088	7,397	-9,529	32,515

Balance Sheet

		Group		Parent Association	
SEK thousand	Note	2005	2004	2005	2004
ASSETS					
Cash and balance due from central banks		616	624	0	0
Loans to credit institutions	12	92,571	130,724	67,465	195,731
Loans to the public	13	35,953,582	34,790,735	0	0
Bonds and other interest-bearing securities	14	1,390,106	300,688	0	1,000
Shares, etc.	15	2	6	1	1
Shares in group companies	15	0	0	1,870,378	1,870,378
Intangible non-current assets					
Other intangible non-current assets	16	12,661	0	0	0
Tangible assets					
Furniture and fixtures	17	7,069	8,045	0	0
Buildings and land	17	355,656	365,451	0	0
Other assets	18	211,649	327,450	9,458	440
Prepaid expenses and accrued income	19	338,274	315,563	89	88
TOTAL ASSETS		38,362,186	36,239,286	1,947,391	2,067,638
LIABILITIES AND SHAREHOLDER'S EQUITY					
Due to credit institutions	20	481,445	1,094,283	0	0
Borrowing from the public	21	237,724	297,964	0	0
Securities issued, etc.	22	33,082,743	30,058,918	0	0
Other liabilities	23	108,945	138,236	57,601	110,463
Accrued expenses and prepaid income	24	545,910	553,213	0	0
Provisions	25	57,194	94,989	0	0
Subordinated debt	26	650,000	750,000	0	0
Total liabilities		35,163,961	32,987,603	57,601	110,463
Untaxed reserves	27	0	0	0	39,486
Equity	29				
Restricted equity					
Member contributions		1,069,648	1,088,018	1,069,648	1,088,018
Statutory reserves/legal reserve		1,791,766	1,872,333	713,399	713,399
Unrestricted equity					
Retained earnings		371,899	283,935	116,272	83,757
Net profit for the year		-35,088	7,397	-9,529	32,515
Total equity		3,198,225	3,251,683	1,889,790	1,917,689
TOTAL LIABILITIES, PROVISIONS AND EQUITY		38,362,186	36,239,286	1,947,391	2,067,638
Assets pledged		None	None	None	None
Contingent liabilities					
Försäkringsbolaget Pensionsgaranti, FPG		117	125	None	None
Flexible first mortgage loans					
Approved, unutilised amount		69,483	38,945		
Guarantees		10,000	0	None	None
Other note references					
Derivative instruments	28				
Specification of balance sheet	30				
Interest risk	31				

Cash Flow Statement

	Group		Parent Association	
SEK thousand	2005	2004	2005	2004
Current operations				
Operating profit	-2,115	157,110	-9,618	-9,152
<i>Adjustment for items not included in cash flow</i>				
Depreciation and amortization	10,158	10,284	0	0
Taxes	9,470	-1,462	3,046	-12,865
<i>Cash flow from current operations before changes in assets and liabilities in current operations</i>	17,513	165,932	-6,572	-22,017
<i>Changes in assets and liabilities in current operations</i>				
Loans to the public	-1,162,847	-65,109	0	0
Loans to financial institutions	38,152	275,115	128,267	-703
Bonds and interest-bearing securities	-1,089,418	1,208,730	1,000	0
Miscellaneous assets	93,090	-127,418	-9,019	694
Securities issued	3,023,825	-837,418	0	0
Due to financial institutions	-612,838	-461,324	0	0
Borrowing from the public	-60,240	29,818	0	0
Miscellaneous liabilities	-74,386	-81,001	-52,862	10,004
Cash flow from current operations	172,851	107,325	60,814	-12,022
Investment activities				
Shares in Group companies	0	0	0	-80,000
Other shares	4	70	0	0
Intangible assets	-12,661	0	0	0
Furniture and fixtures	-2,227	-2,096	0	0
Buildings and land	2,839	-7,558	0	0
Cash flow from investment activities	-12,045	-9,584	0	-80,000
Financing activities				
New issue				
Subordinated debt	-100,000	10,000	0	0
Group contribution received	0	0	0	200,000
Member contributions paid in	-60,814	-107,978	-60,814	-107,978
Cash flow from financing activities	-160,814	-97,978	-60,814	92,022
Change in liquid funds	-8	-237	0	0
Liquid funds at beginning of year	624	861	0	0
Liquid funds at year-end	616	624	0	0

Five-year Summary

Profit performance Landshypotek ekonomisk förening – Group

MSEK	2005	2004	2003	2002	2001
STATEMENT OF INCOME					
Net interest income	367.9	392.3	424.6	401.6	383.7
Other operating income	62.0	38.3	33.9	40.5	27.9
Operating expenses	-217.0	-187.7	-187.7	-167.5	-157.6
Depreciation and amortization	-10.0	-10.3	-6.7	-9.5	-7.8
Loan losses	-204.8	-75.5	-96.2	-8.9	-18.2
Operating profit	-2.1	157.1	167.9	256.2	228.0
BALANCE SHEET					
Assets					
Lending to the public – net	35,954	34,791	34,726	34,589	33,652
Other assets	2,408	1,448	2,806	1,331	2,030
Total assets	38,362	36,239	37,532	35,920	35,682
Liabilities					
Borrowing	34,452	32,201	33,461	32,084	32,003
Other liabilities	712	786	867	833	805
Shareholder's equity	3,198	3,252	3,204	3,003	2,874
Total liabilities and equity	38,362	36,239	37,532	35,920	35,682
Ratios					
Interest margin	0.79%	0.83%	0.91%	0.81%	0.83%
Return on adjusted equity	-0.05%	3.50%	3.90%	6.28%	5.84%
Loan loss level	0.58%	0.22%	0.28%	0.03%	0.06%
Loan loss provision/lending	0.63%	0.37%	0.30%	0.03%	0.03%

Capital adequacy Landshypotek ekonomisk förening – Group

MSEK	2005	2004	2003	2002	2001
Capital requirement, risk-weighted assets					
Group A	0	0	0	0	0
Group B	408	228	354	115	276
Group C	31	38	67	125	135
Group D	36,718	35,602	35,758	35,503	35,125
Total risk-weighted assets	37,157	35,868	36,179	35,743	35,536
Capital base					
Core capital	3,168	3,228	3,066	3,003	2,874
Supplementary capital					
Subordinated term loans	490	530	526	604	342
Perpetual subordinated loans	0	0	0	252	1,325
	490	530	526	856	1,667
Total capital base	3,658	3,758	3,592	3,859	4,541
Core capital	8.53%	9.00%	8.48%	8.40%	8.08%
Capital adequacy	9.84%	10.48%	9.93%	10.80%	12.78%

Notes

	Group		Parent Association	
SEK thousand	2005	2004	2005	2004
NOTE 1 NET INTEREST INCOME				
Interest income				
Interest income on loans to credit institutions	24,921	28,889	27	26
Interest income on loans to Group companies	1	0	2,731	3,281
Interest income on loans to the public	1,442,779	1,614,354	0	0
Less interest losses	-292	-451	0	0
Interest income on interest-bearing securities	0	517	0	0
Other interest income	378	386	4	18
Total interest income	1,467,787	1,643,695	2,762	3,325
Average interest on loans to the public	4.06%	4.63%	-	-
All interest income is attributable to the Swedish market.				
Interest expense				
Interest on liabilities to Group companies	0	0	128	30
Interest on liabilities to credit institutions – other	1,220	467	0	0
Interest expense on deposits and borrowing from the public	15,156	34,562	0	0
Interest expense on interest-bearing securities	1,068,587	1,126,625	0	0
Interest expense on subordinated debt	49,962	54,483	0	0
Other interest expense	-34,996	35,243	76	0
Total interest expense	1,099,929	1,251,380	204	30
Net interest income	367,858	392,315	2,558	3,295
NOTE 2 COMMISSION INCOME				
Loan commissions	8,740	7,542	0	0
Total	8,740	7,542	0	0
NOTE 3 COMMISSION EXPENSE				
Commissions on securities	472	928	0	0
Other commissions	393	857	0	0
Total	865	1,785	0	0
NOTE 4 NET RESULT OF FINANCIAL TRANSACTIONS				
Capital gains and losses, interest-bearing securities	557	4,399	557	0
Total	557	4,399	557	0
NOTE 5 OTHER OPERATING INCOME				
Income from real estate	27,090	27,984	0	0
Sale of operating property	26,339	0	0	0
Other	157	191	2	0
Total	53,586	28,175	2	0
NOTE 6 GENERAL ADMINISTRATIVE EXPENSE				
Personnel costs				
Salaries and other compensation to Managing Director, Deputy Managing Director and Board of Directors	4,096	3,956	657	657
Salaries, etc. to other representatives and personnel	49,807	49,773	4,229	3,607
Allocation to profit sharing foundation	489	1,022	0	0
Pension costs	12,590	11,636	0	0
Social insurance contributions	19,746	17,885	1,470	1,347
Other personnel costs	2,138	1,820	300	334
Total personnel costs	88,866	86,092	6,656	5,945
Specification of pension costs				
Change in provision for pensions	-409	-2,841	0	0
Pension premiums	9,473	11,367	0	0
of which to members of senior management	(1,235)	(1,169)	(0)	(0)
Direct pension disbursements	1,373	1,444	0	0
Payroll and yield taxes attributable to pension costs	2,153	1,666	0	0
Total pension costs	12,590	11,636	0	0
Number of men employed	55	53	2	2
Number of women employed	46	52	0	0
Total	101	105	2	2
Average number of employees, including temporary employees	103.0	106.1	2.0	2.0

	Group		Parent Association	
SEK thousand	2005	2004	2005	2004
Absence due to illness in Landshypotek AB				
Total absence due to illness	1.80%	2.40%		
Long-term absence in percent of total absence due to illness	13.84%	34.01%		
Absence due to illness for men	1.15%	1.10%		
Absence due to illness for women	2.57%	3.80%		
Employees –29 years	0.45%	0.64%		
Employees 30–49 years	1.72%	1.34%		
Employees 50 years–	1.98%	3.32%		
Loans to members of Boards of Directors amount to	67,475	65,631	0	0
Loans to members of senior management amount to	1,243	1,113	0	0
Directors and members of senior management				
Number of directors	36	36	13	13
of whom men	32	32	11	11
<p>For the Managing Director of Landshypotek AB and Landshypotek ekonomisk förening the retirement age is 62 years. For the Deputy Managing Director of Landshypotek AB, Landshypotek ekonomisk förening and the Managing Director of The General Mortgage Bank of Sweden the retirement age is 60 years.</p> <p>In the event of termination at the initiative of Landshypotek AB and Landshypotek ekonomisk förening there is a right to severance pay in the amount of one year's salary. In the event of termination the Managing Director and the Deputy Managing Director at the initiative of Landshypotek AB there is a right to termination pay in the amount of one year's salary and severance pay in the amount of one year's salary.</p> <p>The Company's pension obligations are covered by insurance from Sparinstitutens Pensionskassa and by allocation to provision for pensions credit insured with FPG.</p>				
Other administrative expense				
Costs for premises	4,490	2,978	2	1
Office costs	3,975	3,309	68	34
Telephone, data network and postage costs	6,323	5,736	374	363
IT costs	23,706	15,479	0	0
Purchased services	41,954	31,747	4,079	4,778
Auditing				
Audit fee Öhrlings PriceWaterhouseCoopers	1,557	1,151	131	128
Other assignments than the audit assignment	4,849	6,527	0	19
Auditor appointed by the Financial Supervisory Authority	264	303	0	0
Other	8,831	8,065	816	730
Total other administrative expense	95,949	75,295	5,470	6,053
Total general administrative expense	184,815	161,387	12,126	11,998
NOTE 7 DEPRECIATION, AMORTIZATION AND WRITE-DOWN OF TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS				
Tangible				
Furniture, fixtures and equipment	3,203	3,247	0	0
Real estate	6,955	7,037	0	0
Intangible				
Non-current assets	0	0	0	0
Total	10,158	10,284	0	0
NOTE 8 OTHER OPERATING EXPENSES				
Marketing expense	16,911	13,248	127	51
Costs for premises	13,200	11,262	0	0
Other	2,093	1,845	482	398
Total operating expenses	32,204	26,355	609	449

	Group		Parent Association	
SEK thousand	2005	2004	2005	2004
NOTE 9 LOAN, LOSSES, NET				
Loan losses				
Year's write-off for realised losses	108,177	1,770		
Reversal of prior provisions for probable loan losses, reported as realised losses in this year's accounts	-88,700	-1,682		
Write-down for probable loan losses	187,031	28,477		
Recovery of previous realised losses	-1,014	-1,751		
Reversal of prior provisions for probable loan losses	-680	-1,303		
Total loan losses	204,814	25,511		
All loan losses are attributable to loans to the public.				
Change in value of property taken over				
Net result of sales of property taken over	0	0		
Total	0	0		
Write-down of shares in ESS-gruppen	0	49,999		
Total loan losses, net	204,814	75,510		
NOTE 10 APPROPRIATIONS				
Change in timing difference reserve	0	0	-39,486	-2,783
Group contribution from subsidiary	0	0	0	-200,000
Refund of member contributions	42,443	105,918	42,443	105,918
Interest on member contributions	0	42,333	0	42,333
Total appropriations	42,443	148,251	2,957	-54,532
NOTE 11 TAXES ON THE YEAR'S PROFIT				
Current taxes	34,824	20,773	0	12,865
Deferred taxes relating to temporary differences	-37,386	-11,406	0	0
Deferred taxes relating to tax loss carry-forwards	-6,908	-7,905	-3,046	0
Total	-9,470	1,462	-3,046	12,865
NOTE 12 LOANS TO CREDIT INSTITUTIONS				
Loans to Group companies	0	0	66,000	193,000
Loans to banks	91,774	129,833	1,465	2,731
Loans to plusgiro	797	878	0	0
Other	0	13	0	0
Total	92,571	130,724	67,465	195,731
Loans specified by time to maturity				
Payable on demand	92,571	130,724	1,465	2,731
Remaining to maturity: up to 3 months	0	0	66,000	73,000
Remaining to maturity: 3 months to 1 year	0	0	0	120,000
Remaining to maturity: 1 year to 5 years	0	0	0	0
Remaining to maturity: more than 5 years	0	0	0	0
Total	92,571	130,724	67,465	195,731
Loans specified by remaining period of fixed interest				
Payable on demand	92,571	130,724	1,465	2,731
Remaining period of fixed interest: up to 3 months	0	0	66,000	73,000
Remaining period of fixed interest: 3 months to 1 year	0	0	0	120,000
Remaining period of fixed interest: 1 year to 5 years	0	0	0	0
Remaining period of fixed interest: more than 5 years	0	0	0	0
Total	92,571	130,724	67,465	195,731
NOTE 13 LOANS TO THE PUBLIC				
Loans outstanding	36,182,038	34,921,493		
Less provisions for individually assessed loans outstanding	-228,456	-130,758		
Net loans outstanding	35,953,582	34,790,735		
Disclosures on nonperforming loans and doubtful credits				
Nonperforming loans where interest is recognised as income	340,360	352,327		
Nonperforming loans that are also doubtful	386,975	526,476		
Total nonperforming loans	727,335	878,803		

	Group		Parent Association	
SEK thousand	2005	2004	2005	2004
(Note 13 cont'd)				
Doubtful credits that are not nonperforming	228,382	233,974		
Less provisions set aside	-228,456	-130,758		
Doubtful credits that are also nonperforming	386,975	526,476		
Total doubtful credits	386,901	629,692		
Loans restructured during the year				
Book value before restructuring	0	0		
Book value after restructuring	0	0		
Doubtful loans that have regained status of normal loans during the year	907	2,022		
Loans specified by time to maturity				
Payable on demand	0	0		
Remaining to maturity: up to 3 months	15,114,699	16,730,857		
Remaining to maturity: 3 months to 1 year	7,069,959	5,514,261		
Remaining to maturity: 1 year to 5 years	12,408,461	12,146,936		
Remaining to maturity: more than 5 years	1,360,463	398,681		
Total	35,953,582	34,790,735		
Loans specified by remaining period of fixed interest				
Payable on demand	0	0		
Remaining period of fixed interest: up to 3 months	15,114,699	16,730,857		
Remaining period of fixed interest: 3 months to 1 year	7,069,959	5,514,261		
Remaining period of fixed interest: 1 year to 5 years	12,408,461	12,146,936		
Remaining period of fixed interest: more than 5 years	1,360,463	398,681		
Total	35,953,582	34,790,735		
NOTE 14 BONDS AND OTHER INTEREST-BEARING SECURITIES				
Bonds				
Issued by non-financial institutions	0	1,000	0	1,000
Issued by Swedish residential mortgage institutions	1,390,106	0	0	0
Issued by Swedish banks	0	299,688	0	0
Total	1,390,106	300,688	0	1,000
Holdings by time remaining to maturity				
Remaining to maturity: up to 1 year	0	299,688		
Remaining to maturity: 1 year to 5 years	1,390,106	1,000	0	1,000
Remaining to maturity: 5 years to 10 years	0	0		
Remaining to maturity: more than 10 years	0	0		
Total	1,390,106	300,688	0	1,000
Holdings by remaining period of fixed interest				
Remaining period of fixed interest: up to 1 year	0	299,688		
Remaining period of fixed interest: 1 year to 5 years	1,390,106	1,000	0	1,000
Remaining period of fixed interest: 5 years to 10 years	0	0		
Remaining period of fixed interest: more than 10 years	0	0		
Total	1,390,106	300,688	0	1,000
NOTE 15 SHARES				
ESS-gruppen, acquisitions cost year 2004	50,000	50,000	0	0
ESS-gruppen, write-down year 2004	-49,999	-49,999	0	0
Other	1	5	1	1
Total	2	6	1	1
Shares in Group companies				
Holdings in credit institutions				
Landshypotek AB 1,927,000 shares with quotient value of SEK 1,000	0	0	1,870,328	1,790,328
Share capital paid in but not registered	0	0	0	80,000
Other holdings				
Samkredit AB 10,000 shares with quotient value of SEK 10	0	0	50	50
Total	0	0	1,870,378	1,870,378

All subsidiaries are wholly owned.
Refer to separate organisational chart.

	Group		Parent Association	
SEK thousand	2005	2004	2005	2004
NOTE 16 INTANGIBLE ASSETS				
Other intangible non-current assets				
Value at beginning of year	7,360	7,360		
Investment in progress	12,661	0		
Closing acquisition value	20,021	7,360		
Opening accumulated amortization	-7,360	-7,360		
Year's amortization	0	0		
Closing accumulated amortization	-7,360	-7,360		
Book value, net	12,661	0		
NOTE 17 TANGIBLE ASSETS				
Furniture, fixtures and equipment				
Non-current assets				
Opening acquisition value	35,786	35,251	40	40
Assets added during the year	2,833	2,166	0	0
Disposals during the year	-3,013	-1,631	0	0
Closing acquisition value	35,606	35,786	40	40
Accumulated depreciation at beginning of year	-27,741	-26,055	-40	-40
Year's depreciation and write-down	-3,203	-3,247	0	0
Accumulated depreciation on assets sold	2,407	1,561	0	0
Closing accumulated depreciation	-28,537	-27,741	-40	-40
Total furniture, fixtures and equipment	7,069	8,045	0	0
Buildings and land				
Current assets				
Agricultural properties taken over for protection of claims				
Number of properties	0	0		
Tax assessment values	0	0		
Estimated fair value	0	0		
Book value	0	0		
Net booked return	0	0		
Non-current assets				
Operating properties				
Number of properties	10	11		
Tax Assessment values	273,364	299,853		
Estimated fair value	462,211	457,552		
Value at beginning of year	408,866	401,308		
Capitalised rebuilding expense	1,101	7,558		
Sales	-6,130	0		
Closing value	403,837	408,866		
Year's write-up	0	0		
Opening accumulated depreciation	-43,415	-36,378		
Deducted accumulated depreciation	2,189	0		
Year's depreciation	-6,955	-7,037		
Closing accumulated depreciation	-48,181	-43,415		
Book value	355,656	365,451		
Total buildings and land	355,656	365,451		
NOTE 18 OTHER ASSETS				
Advised interest and repayments	32,151	35,700	0	0
Translation difference on currency swaps	116,585	228,706	0	0
Deferred tax claim relating to tax loss carryforward	29,839	22,931	3,046	0
Other receivables	33,074	40,113	6,412	440
Total	211,649	327,450	9,458	440
NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME				
Prepaid expenses	9,282	17,874	15	0
Accrued interest	328,992	297,689	74	88
Total	338,274	315,563	89	88

	Group		Parent Association	
SEK thousand	2005	2004	2005	2004
NOTE 20 DUE TO CREDIT INSTITUTIONS				
Banks in foreign currency	481,455	1,094,283		
Total	481,445	1,094,283		
Specification of borrowing by time remaining to maturity				
Payable on demand	0	0		
Remaining to maturity: up to 3 months	11,130	411,763		
Remaining to maturity: 3 months to 1 year	0	231,195		
Remaining to maturity: 1 year to 5 years	470,315	451,325		
Remaining to maturity: more than 5 years	0	0		
Total	481,445	1,094,283		
Specification of borrowing by remaining period of fixed interest				
Payable on demand	0	0		
Remaining period of fixed interest: up to 3 months	199,256	592,293		
Remaining period of fixed interest: 3 months to 1 year	282,189	501,990		
Remaining period of fixed interest: 1 year to 5 years	0	0		
Remaining period of fixed interest: more than 5 years	0	0		
Total	481,445	1,094,283		
NOTE 21 BORROWING FROM THE PUBLIC				
Other notes payable	237,724	297,964		
Total	237,724	297,964		
Specification of borrowing by time remaining to maturity				
Payable on demand	0	0		
Remaining to maturity: up to 3 months	198,003	246,368		
Remaining to maturity: 3 months to 1 year	39,721	51,596		
Remaining to maturity: 1 year to 5 years	0	0		
Remaining to maturity: more than 5 years	0	0		
Total	237,724	297,964		
Specification of borrowing by remaining period of fixed interest				
Payable on demand	0	0		
Remaining period of fixed interest: up to 3 months	198,003	246,368		
Remaining period of fixed interest: 3 months to 1 year	39,721	51,596		
Remaining period of fixed interest: 1 year to 5 years	0	0		
Remaining period of fixed interest: more than 5 years	0	0		
Total	237,724	297,964		
NOTE 22 SECURITIES ISSUED, ETC.				
Commercial paper				
In Swedish currency	2,335,933	508,373		
In foreign currency	2,883,650	0		
Total	5,219,583	508,373		
Bond loans				
In Swedish currency	26,228,391	24,617,769		
In foreign currency	1,634,769	4,932,776		
Total	27,863,160	29,550,545		
Total securities issues	33,082,743	30,058,918		
Specification of borrowing by time remaining to maturity				
Remaining to maturity: up to 1 year	10,531,917	6,489,780		
Remaining to maturity: 1 year to 5 years	21,864,424	22,706,949		
Remaining to maturity: 5 years to 10 years	686,402	862,189		
Remaining to maturity: more than 10 years	0	0		
Total	33,082,743	30,058,918		
Specification of borrowing by remaining period of fixed interest				
Remaining period of fixed interest: up to 1 year	19,193,736	16,651,431		
Remaining period of fixed interest: 1 year to 5 years	13,437,762	13,400,032		
Remaining period of fixed interest: 5 years to 10 years	451,245	7,455		
Remaining period of fixed interest: more than 10 years	0	0		
Total	33,082,743	30,058,918		

	Group		Parent Association	
SEK thousand	2005	2004	2005	2004
NOTE 23 OTHER LIABILITIES				
Tax liabilities	16,403	19,981	799	16,907
Due to Group companies	0	0	265	5
Other liabilities	92,542	118,255	56,537	93,551
Total	108,945	138,236	57,601	110,463
NOTE 24 ACCRUED EXPENSES AND PREPAID INCOME				
Accrued interest	504,910	508,506		
Other accrued expenses	6,328	5,180		
Prepaid income	34,672	39,527		
Total	545,910	553,213		
NOTE 25 PROVISIONS				
Provisions for pensions	5,840	6,249		
Provisions for taxes – deferred tax liability for untaxed reserves	0	36,316		
Deferred taxes – write-up of property	51,354	52,424		
Total	57,194	94,989		
NOTE 26 SUBORDINATED DEBTS				
In Swedish currency				
1995/2005 100,000,000 10.200% Notes	0	100,000		
1997/2007 200,000,000 5.770% Notes	200,000	200,000		
2002/2012 350,000,000 6.750% Notes	350,000	350,000		
2004/2014 100,000,000 4.625% Notes	100,000	100,000		
Total subordinated debt	650,000	750,000		
NOTE 27 UNTAXED RESERVES				
Timing difference reserve	0	0	0	39,486
Total	0	0	0	39,486
NOTE 28 DERIVATIVE INSTRUMENTS				
Positive values				
Interest-based swaps	237,237	242,507		
Equity-related swaps	0	0		
Currency-related swaps	156,442	269,190		
Total	393,679	511,697		
Negative values				
Interest-based swaps	-204,923	-261,562		
Equity-related swaps	0	0		
Currency-related swaps	-25,774	-38,080		
Total	-230,697	-299,642		
Derivative instruments, net	162,982	212,055		

NOTE 29 EQUITY

SEK thousand GROUP	Refund contributions	Voluntary contributions	Restricted reserves	Unrestricted reserves	Net profit for the year	Total equity
Opening equity	1,086,508	1,510	1,872,333	283,935	7,397	3,251,683
Allocation to legal reserve			797	7,397	-7,397	
Contribution capital paid in/dispursed during the year	-4,644	228				
Regular refund	42,444	0				
Prepayment	-3,638	0				
Payment of surplus contributions	-7,516	0				
Interest on contribution accounts	0	0				
Withholding tax deducted	0	0				
Regular payments 2005	-45,004	-240				
Transfer between unrestricted/restricted			-81,364	81,364		
Year's net profit					-35,088	
Closing equity	1,068,150	1,498	1,791,766	371,899	-35,088	3,198,225

PARENT ASSOCIATION	Refund contributions	Voluntary contributions	Restricted reserves	Unrestricted reserves	Net profit for the year	Total equity
Opening equity	1,086,508	1,510	713,399	83,757	32,515	1,917,689
Contribution capital paid in/dispursed during the year	-4,644	228		32,515	-32,515	
Regular refund	42,444					
Prepayment	-3,638					
Payment of surplus contributions	-7,516					
Interest on contribution accounts	0					
Withholding tax deducted	0					
Regular payments 2005	-45,004	-240				
Year's net profit					-9,529	
Closing equity	1,068,150	1,498	713,399	116,272	-9,529	1,889,790

NOTE 30 SPECIFICATION OF CONSOLIDATED BALANCE SHEET

SEK thousand ASSETS	Current assets		Non-current assets	
	Book value	Fair value	Book value	Fair value
Cash and balances with central banks	616	616		
Loans to credit institutions	92,571	93,503		
Loans to the public	401,618	401,618	35,551,964	36,688,314
Bonds and other interest-bearing securities			1,390,106	1,407,136
Shares, etc.	1	1	1	1
Intangible non-current assets				
Other intangible assets			12,661	12,661
Tangible assets				
Furniture and fixtures			7,069	7,069
Buildings and land			355,656	462,211
Other assets	211,649	374,631		
Prepaid expenses and accrued income	338,274	338,274		
Total assets	1,044,729	1,208,643	37,317,457	38,577,392
LIABILITIES	Book value		Fair value	
Due to credit institutions		481,445		487,045
Borrowing from the public		237,724		238,307
Securities issued, etc.		33,882,743		33,814,595
Other liabilities		108,945		108,945
Accrued expenses and prepaid income		545,910		545,910
Provisions				
Provisions for pensions		5,840		5,840
Provisions for taxes		0		0
Other provisions		51,354		51,354
Subordinated debt		650,000		703,105
Total liabilities		35,163,961		35,955,101

NOTE 31 INTEREST RATE RISK WITH A PARALLEL SHIFT UPWARD OF YIELD CURVE BY ONE PERCENTAGE POINT

	Group		Parent Association	
MSEK	2005	2004	2005	2004
Interest rate risk less than 6 months	22	13	0	-1
Interest rate risk more than 6 months but less than 5 years	-21	4	0	0
Interest rate risk more than 5 years	-38	-10	0	0
Total	-37	7	0	-1

Proposed Allocation of Earnings

The Group's unrestricted funds amount to MSEK 336.8. MSEK 6.0 will be allocated to restricted reserves. The Board of Directors proposes that the profit for the year be allocated thus:

- that MSEK 42.4, equivalent to 3.0 percent of interest paid, be applied as a refund to the members;
- that no interest on contribution capital accounts on either the regular or the voluntary portion of the contribution;
- that 30 percent of the refund be paid;
- that the year's funds available for disposition:

Retained earnings	SEK 116,272,306
Net loss for year 2005	SEK -9,529,304
At the disposal of the General Meeting	SEK 106,743,002

MSEK 106.7 to be carried forward.

Stockholm, 9 March 2006

Stig Lindén
Chairman

Bertil Andersson

Lars Bäckström

Berndt Carlsson

Stig Högberg

Olof Jakobsson

Anders Johansson

Eivor Nilsson

Staffan Skoglund

Peder Thott

Henrik Toll

Eva Wedberg

Kjell Stillman
Managing Director

Audit Report

To the Annual General Meeting of Landshypotek ekonomisk förening (incorporated association), organisation number 769600-5003.

We have examined the Annual Accounts, the consolidated financial statements and the accounting records and the administration of the Board of Directors and the Managing Director of Landshypotek ekonomisk förening (incorporated association) for the year 2005. These financial statements and the administration are the responsibility of the Board of Directors and the Managing Director, and that The Swedish Annual Accounts Act for Credit Institutions and Securities Companies is applied in preparing the Annual Accounts and the consolidated financial statements. Our responsibility is to express an opinion on the Annual Accounts, the consolidated financial statements and the administration based on our audit.

The audit was conducted in accordance with generally accepted auditing standards in Sweden. Those standards mean that we planned and performed the audit in such a way as to get high but not absolute assurance that the Annual Accounts and the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements. An audit includes an assessment of the accounting principles applied and the application thereof by the Board of Directors and the Managing Director, and an assessment of the critical estimates made by the Board of Directors and the Managing Director in preparing the Annual Accounts and the consolidated

financial statements, and evaluation of the overall information contained in the Annual Accounts and the consolidated financial statements. As a basis for our statement on discharge from responsibility, we have examined significant decisions, measures and circumstances in the Association in order to evaluate whether or not any member of the Board of Directors or the Managing Director is liable for damages to the Association. We have also examined if any member of the Board of Directors or the Managing Director has acted in contravention with the Swedish Act on Incorporated Associations, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association. We believe that our audit provides a reasonable basis for our statements below.

The Annual Accounts and the consolidated financial statements are prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and provide a fair representation of the Association's and the Group's results and financial position in accordance with generally accepted accounting standards in Sweden. The Administration Report is consistent with the other parts of the Annual Accounts and the consolidated financial statements.

We recommend that the Annual Meeting of the Association adopts the income statement and the balance sheet for the Association and the Group, allocates the profit in accordance with the proposal 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, 9 March 2006

Anna Hesselman
Authorised Public Accountant

Magnus Aaby-Ericsson

Lars-Åke Folkmer

TRADITION





Administration Report

The Board of Directors and the Managing Director of Landshypotek AB (publ.) (the Company), company number 556500-2762, hereby submit its Annual Accounts for the 2005 operating year.

Business and organisation

Landshypotek is a member-owned credit institution specialised in first mortgage lending to Swedish agriculture and forestry against collateral in the form of Swedish agricultural property. An organisational chart for Landshypotek will be found at the back of this Annual Report.

Landshypotek ekonomisk förening (incorporated association) is the parent organisation of the Group. Through its regional representative organisation, the association performs appraisal services for Landshypotek AB. The Landshypotek AB Group with subsidiaries is reported in the Annual Accounts. Operations in Landshypotek AB and Landshypotek Jordbrukskredit AB consist of granting long-term credits to agriculture and forestry. Lantbrukskredit AB's operations consist of lending to businesses in close proximity to agriculture, but lending to other sectors has also occurred. Since July 2003 and until further notice there is no new lending in Lantbrukskredit AB.

The General Mortgage Bank of Sweden, which until 1997 was responsible for borrowing for Landshypotek AB, is being phased out. Operations consist of management of outstanding bond loans. Most of these loans were redeemed during 2005.

The relationship between Landshypotek AB and The General Mortgage Bank of Sweden is governed by a financing and administration agreement. Under that agreement, The General Mortgage Bank of Sweden passes on its borrowing on identical terms and conditions and with the same day value. Landshypotek AB is responsible for all administration and costs for managing the affairs of The General Mortgage Bank of Sweden.

Through interaction with Länsförsäkringar and Länsförsäkringar Bank, Landshypotek's customers are offered a complete line of basic services in the bank and insurance areas on competitive terms and conditions.

Result

The Group's operating profit amounted to MSEK 214.4 (227.6). Net interest income deteriorated by MSEK 12.0 to MSEK 354.0. The deterioration was due, in part, to lower margins at the end of the year, but also to lending rates being at lower levels than in 2004. One operating property was sold during 2005 for a capital gain of MSEK 26.3.

Operating expenses increased by just under 15 percent to MSEK 201.6. Most of the increase in overhead was in line with budget, but overruns that have occurred are due to the efforts in creating an entirely new IT platform, and cost incurred in connection with Basel II, covered bonds and IFRS.

Reported net loan losses amounted to MSEK +0.4.

During the year the Company granted a risk sharing guaranty in the amount of MSEK 240.6 to subsidiary Lantbrukskredit AB by reason of an exposure that exceeds the limit for single engagements in Lantbrukskredit AB.

Operating expenses include a provision to Landshypotek's profit sharing foundation in an amount of MSEK 0.5 (0.1).

Provisions

Landshypotek AB reports a positive result under the heading loan losses. On a consolidated basis, however, loan losses totalling MSEK 204.8 are reported.

Lending operations

The Group's lending increased by 3.3 (0.2) percent and loans outstanding were MSEK 35,953.6 (34,790.7) at year-end. MSEK 1,665.6 (737.2) of the increase refers to Landshypotek AB, where lending increased by 5.0 (2.3) percent to MSEK 35,047.7 (33,381.9).

Liquidity and financing

Strong demand was noted during most of the year for securities issued by Landshypotek.

Landshypotek handles its domestic borrowing mostly through programs for Bonds, Medium Term Notes (MTN) and Commercial Paper. In addition, Landshypotek has agreements for short-term borrowing under committed credit facilities and confirmed facilities with a number of banks.

On the international market, Landshypotek's programmes include programmes for Euro Medium Term Notes (EMTN), syndications and borrowing via Schuldscheine.

In the interest of strengthening its liquid position, the Company has raised long-term financing via its MTN program and via bonds to refinance the major part of its variable interest lending. This borrowing is either of so-called FRN design or swapped to short interest fixing periods, which means that despite the longer maturities it can be used to finance the lending at variable interest without increasing the interest rate risk.

At year-end, utilisation of the Company's commercial paper programme was MSEK 2,324 (508.4) of the MSEK 10,000 limit.

Private bonds are issued in the private and small companies market and with shorter maturities also credit market notes. Demand from these investor categories was also good during the year.

The issues under the domestic borrowing programmes are listed on Stockholmsbörsen (The Stockholm Stock Exchange). Certain issues under the EMTN programme are listed on the London Stock Exchange.

Borrowing outstanding in The General Mortgage Bank of Sweden declined during the year by MSEK 616.6 to MSEK 3.9.

Future development

The business in coming years in Landshypotek AB is not expected to differ materially from the development during 2005.

Rating

Landshypotek AB and The General Mortgage Bank of Sweden have an A long-term rating from Fitch, while the equivalent from Standard & Poor's is BBB+.

Landshypotek AB's commercial paper programme has received a K1 rating by Standard & Poor's.

Landshypotek also received a long-term rating of A2 and a short-term rating of P-1 from Moody's. Fitch has awarded Landshypotek AB a short-term rating of F1.

Interest, currency and share price risks

The interest risk metric measures the effect on the market value of all interest-bearing assets and liabilities on and off balance when market rates change by one percentage point. By year-end the Group's interest rate risk was MSEK -37 (+7). The Company's currency and share price risks are insignificant since transactions are matched (hedged) against each other.

Credit risks

The maximum credit risks consist of the Group's aggregate lending and investments, risk sharing guarantees granted within the Group in the amount of MSEK 241 and counter-party risks on derivatives of MSEK 98.

Lending to customers in Landshypotek AB is secured by property mortgage deeds within 75 percent of an internally established loan value based on an assessment of the fair value of the collateral. On an average basis the portfolio of loans amounts to about one third of the assessed value of the properties.

Guarantee undertaking

A guarantee undertaking in the amount of MSEK 10 was entered into in connection with the sale of the operations in Vingåker. The sale of the remaining operations in ESS-gruppen will require additional guarantee engagements totalling MSEK 100.

Legal reserve

MSEK 200 of the legal reserve of The General Mortgage Bank of Sweden has been contributed to Landshypotek AB.

Capital adequacy

The capital adequacy ratio for the Group, which contains the proposals of the Board of Directors for allocation of earnings, stands at 9.80 (10.27) percent and the core capital ratio was 8.48 (8.79) percent.

The Company's capital adequacy was 9.88 (9.84) and the core capital ratio was 8.55 (8.33).

Accounting principles and risk exposure

An account of accounting principles applied and risk exposure is provided separately in the Annual Report.

Group contribution

A group contribution in the amount of MSEK 216 has been rendered to subsidiary Lantbrukskredit AB to cover the deficit in its operations as well as to restore the equity base. Landshypotek AB renders no group contribution to Landshypotek ekonomisk förening for 2005. Subsidiary Landshypotek Jordbrukskredit AB renders a group contribution in the amount of MSEK 40 to Landshypotek AB.

Personnel

Data about the Company's management and personnel will be found in Note 6 to the Annual Accounts.

Fees to the members of the Board of Directors have been paid in an amount of MSEK 0.5 (0.6).

Income Statement

SEK thousand	Note	Group		Parent Company	
		2005	2004	2005	2004
Interest income		1,467,883	1,643,680	1,449,851	1,614,564
Interest expense		-1,102,584	-1,254,661	-1,095,817	-1,248,557
Net interest income	1	365,299	389,019	354,034	366,007
Commission income	2	8,740	7,542	8,692	7,472
Commission expense	3	-865	-1,785	-785	-1,630
Net result of financial transactions	4	0	4,399	0	2,943
Other operating income	5	53,584	28,175	53,584	28,175
Total operating income		426,758	427,350	415,525	402,967
General administrative expense	6	-172,706	-149,389	-159,971	-139,105
Depreciation, amortization and write-down of tangible and intangible non-current assets	7	-10,158	-10,284	-10,069	-10,224
Other operating costs	8	-31,578	-25,906	-31,539	-25,864
Total costs before loan losses		-214,442	-185,579	-201,579	-175,193
Profit before loan losses		212,316	241,771	213,946	227,774
Loan losses, net	9	-204,814	-75,510	432	-220
Operating profit		7,502	166,261	214,378	227,554
Year-end appropriations	10	0	0	64,977	6,758
Taxes on the year's profit	11	-4,632	-45,376	-80,619	-64,528
Net profit		2,870	120,885	198,736	169,784

Balance Sheet

		Group		Parent Company	
SEK thousand	Note	2005	2004	2005	2004
ASSETS					
Cash and balance due from central banks		616	624	616	624
Loans to credit institutions	12	90,983	127,871	555,653	785,875
Loans to the public	13	35,953,582	34,790,735	35,047,439	33,381,859
Bonds and other interest-bearing securities	14	1,390,106	299,688	1,390,106	299,688
Shares, etc.	15	1	5	0	4
Shares in group companies	15	0	0	514,827	514,827
Intangible non-current assets					
Other intangible non-current assets	16	12,661	0	12,661	0
Tangible assets					
Furniture and fixtures	17	7,069	8,045	7,017	7,905
Buildings and land	17	355,656	365,451	355,644	365,439
Other assets	18	202,456	327,016	191,346	278,934
Prepaid expenses and accrued income	19	338,259	315,563	315,934	293,601
TOTAL ASSETS		38,351,389	36,234,998	38,391,243	35,928,756
LIABILITIES AND SHAREHOLDER'S EQUITY					
Due to credit institutions	20	481,445	1,094,283	991,754	2,391,128
Borrowing from the public	21	303,724	490,964	303,724	490,964
Securities issued, etc.	22	33,082,743	30,058,918	32,449,437	28,749,308
Other liabilities	23	51,609	27,779	265,407	47,365
Accrued expenses and prepaid income	24	545,984	553,301	529,862	504,494
Provisions	25	57,194	83,933	57,194	58,673
Subordinated debt	26	650,000	750,000	650,000	750,000
Total liabilities		35,172,699	33,059,178	35,247,378	32,991,932
Untaxed reserves	27	0	0	0	64,977
Equity	29				
Restricted equity					
Share capital, number of shares: 1,927,000 (1,847,000)		1,927,000	1,847,000	1,927,000	1,847,000
New issue in progress		0	80,000	0	80,000
Statutory reserves/legal reserve		1,021,606	1,073,762	990,000	790,000
Unrestricted equity					
Retained earnings		227,214	54,173	28,129	-14,937
Net profit for the year		2,870	120,885	198,736	169,784
Total equity		3,178,690	3,175,820	3,143,865	2,871,847
TOTAL LIABILITIES, PROVISIONS AND EQUITY		38,351,389	36,234,998	38,391,243	35,928,756
Assets pledged		None	None	None	None
Contingent liabilities					
Risk sharing guaranty to Lantbrukskredit AB				240,603	443,743
Försäkringsbolaget Pensionsgaranti, FPG		117	125	117	125
Flexible first mortgage loans					
Approved, unutilised amount		69,483	38,945	69,483	38,945
Guarantees		10,000	0	None	None
Other note references					
Derivative instruments	28				
Specification of balance sheet	30				
Interest risk	31				

Cash Flow Statement

	Group		Parent Company	
SEK thousand	2005	2004	2005	2004
Current operations				
Operating profit	7,502	166,261	214,378	227,554
<i>Adjustment for items not included in cash flow</i>				
Depreciation and amortization	10,158	10,284	10,069	10,224
Taxes	-4,632	-45,376	-80,619	-64,528
<i>Cash flow from current operations before changes in assets and liabilities in current operations</i>	13,028	131,169	143,828	173,250
<i>Changes in assets and liabilities in current operations</i>				
Loans to the public	-1,162,847	-65,109	-1,665,580	-737,187
Loans to financial institutions	36,888	276,819	230,222	36,435
Bonds and interest-bearing securities	-1,090,418	1,208,730	-1,090,418	1,148,729
Miscellaneous assets	101,864	-127,817	65,256	-130,140
Securities issued	3,023,825	-837,418	3,700,129	463,013
Due to financial institutions	-612,838	-461,324	-1,399,374	-901,023
Borrowing from the public	-187,240	28,819	-187,239	28,819
Other liabilities	-10,226	-90,522	241,932	-42,938
Cash flow from current operations	112,036	63,347	38,756	38,958
Investment activities				
Other shares	4	70	4	70
Intangible assets	-12,661	0	-12,661	0
Furniture and fixtures	-2,227	-2,096	-2,226	-2,097
Buildings and land	2,840	-7,558	2,839	-7,558
Cash flow from investment activities	-12,044	-9,584	-12,044	-9,585
Financing activities				
New issue	0	80,000	0	80,000
Transfer of legal reserve from The General Mortgage Bank	0	0	200,000	0
Subordinated debt	-100,000	10,000	-100,000	50,000
Group contribution rendered/received, net	0	-200,000	-176,000	-221,680
Tax effect of group contribution	0	56,000	49,280	62,070
Cash flow from financing activities	-100,000	-54,000	-26,720	-29,610
Change in liquid funds	-8	-237	-8	-237
Liquid funds at beginning of year	624	861	624	861
Liquid funds at year-end	616	624	616	624

Five-year Summary

Profit performance Landshypotek AB – Group

MSEK	2005	2004	2003	2002	2001
INCOME STATEMENT					
Net interest income	365.3	389.0	419.4	395.4	376.1
Other operating income	61.5	38.3	33.9	40.5	27.9
Operating expenses	-204.3	-175.2	-176.0	-156.0	-144.6
Depreciation and amortisation	-10.2	-10.3	-6.7	-9.5	-7.8
Loan losses	-204.8	-75.5	-96.2	-8.9	-18.2
Operating profit	7.5	166.3	174.4	261.5	233.4
BALANCE SHEET					
Assets					
Lending to the public – net	35,954	34,791	34,726	34,589	33,652
Other assets	2,397	1,444	2,803	1,329	2,029
Total assets	38,351	36,235	37,529	35,918	35,681
Liabilities					
Borrowing	34,518	32,394	33,654	32,281	32,188
Other liabilities	654	665	756	727	727
Untaxed reserves	0	0	0	0	0
Shareholder's equity	3,179	3,176	3,119	2,910	2,766
Total liabilities and shareholder's equity	38,351	36,235	37,529	35,918	35,681
Ratios					
Interest margin	0.70%	0.73%	0.80%	0.82%	0.84%
Return on adjusted equity	0.17%	3.80%	4.17%	6.64%	6.26%
Loan loss level	0.58%	0.22%	0.28%	0.03%	0.06%
Loan loss provision/lending	0.63%	0.37%	0.30%	0.03%	0.03%

Capital adequacy Landshypotek AB – Group

MSEK	2005	2004	2003	2002	2001
Capital requirement, risk-weighted assets					
Group A	0	0	0	0	0
Group B	408	228	354	115	276
Group C	31	38	67	125	135
Group D	36,707	35,598	35,755	35,501	35,139
Total risk-weighted assets	37,146	35,864	36,176	35,741	35,550
Capital base					
Core capital	3,152	3,153	2,981	2,910	2,766
Supplementary capital					
Subordinated term loans	490	530	526	604	342
Perpetual subordinated loans	0	0	0	252	1,325
	490	530	526	856	1,667
Total capital base	3,642	3,683	3,507	3,766	4,433
Core capital	8.48%	8.79%	8.24%	8.14%	7.78%
Capital adequacy	9.80%	10.27%	9.69%	10.54%	12.47%

Notes to the Financial Statements

	Group		Parent Company	
SEK thousand	2005	2004	2005	2004
NOTE 1 NET INTEREST INCOME				
Interest income				
Interest income on loans to credit institutions	24,893	28,862	24,779	28,653
Interest income on loans to Group companies	129	30	14,573	15,384
Interest income on loans to the public	1,442,779	1,614,354	1,407,602	1,549,660
Less interest losses	-292	-451	-284	-446
Interest income on interest-bearing securities	0	517	3,066	21,303
Other interest income	374	368	115	10
Total interest income	1,467,883	1,643,680	1,449,851	1,614,564
Average interest on loans to the public	4.06%	4.63%	4.11%	4.69%
All interest income is attributable to the Swedish market.				
Interest expense				
Interest on liabilities to Group companies	2,731	3,281	16,899	59,507
Interest on liabilities to credit institutions – other	16,376	35,029	16,376	35,029
Interest expense on deposits and borrowing from the public	0	0	0	0
Interest expense on interest-bearing securities	1,068,587	1,126,625	1,040,239	1,061,271
Interest expense on subordinated debt	49,962	54,483	49,962	52,097
Other interest expense	-35,072	35,243	-27,659	40,653
Total interest expense	1,102,584	1,254,661	1,095,817	1,248,557
Net interest income	365,299	389,019	354,034	366,007
NOTE 2 COMMISSION INCOME				
Loan commissions	8,740	7,542	8,692	7,472
Commissions on securities	0	0	0	0
Other commissions	0	0	0	0
Total	8,740	7,542	8,692	7,472
NOTE 3 COMMISSION EXPENSE				
Commissions on securities	472	928	472	928
Other commissions	393	857	313	702
Total	865	1,785	785	1,630
NOTE 4 NET RESULT OF FINANCIAL TRANSACTIONS				
Capital gains and losses, interest-bearing securities	0	4,399	0	2,943
Total	0	4,399	0	2,943
NOTE 5 OTHER OPERATING INCOME				
Income from real estate	27,090	27,984	27,090	27,984
Sale of operating property	26,339	0	26,339	0
Other	155	191	135	191
Total	53,584	28,175	53,584	28,175
NOTE 6 GENERAL ADMINISTRATIVE EXPENSE				
Personnel costs				
Salaries and other compensation to Managing Director, Deputy Managing Director and Board of Directors	3,439	3,299	3,439	3,299
Salaries, etc. to other personnel	45,578	46,166	44,580	45,097
Allocation to profit sharing foundation	489	1,022	480	1,000
Pension costs	12,590	11,636	12,311	11,355
Social insurance contributions	18,276	16,538	17,879	16,178
Other personnel costs	1,838	1,486	1,814	1,449
Total personnel costs	82,210	80,147	80,503	78,378
Specification of pension costs				
Change in provision for pensions	-409	-2,841	-409	-2,841
Pension premiums	9,473	11,367	9,240	11,132
of which to members of senior management	(1,235)	(1,169)	(1,235)	(1,169)
Direct pension disbursements	1,373	1,444	1,373	1,444
Payroll and yield taxes attributable to pension costs	2,153	1,666	2,107	1,620
Total pension costs	12,590	11,636	12,311	11,355
Number of men employed	55	53	54	51
Number of women employed	46	52	45	51
Total	101	105	99	102
Average number of employees, including temporary employees	103.0	106.1	100.2	102.9

	Group		Parent Company	
SEK thousand	2005	2004	2005	2004
<i>(Note 6 cont'd)</i>				
Absence due to illness in Landshypotek AB				
Total absence due to illness			1.80%	2.40%
Long-term absence in percent of total absence due to illness			13.84%	34.01%
Absence due to illness for men			1.15%	1.10%
Absence due to illness for women			2.57%	3.80%
Employees –29 years			0.45%	0.64%
Employees 30–49 years			1.72%	1.34%
Employees 50 years–			1.98%	3.32%
Loans to members of Boards of Directors amount to	60,823	60,177	47,350	47,630
Loans to members of senior management amount to	1,243	1,113	1,243	1,113
Directors and members of senior management				
Number of directors	23	23	7	7
of whom men	21	21	7	7
For the Managing Director of Landshypotek AB and Landshypotek ekonomisk förening the retirement age is 62 years. For the Deputy Managing Director of Landshypotek AB, Landshypotek ekonomisk förening and the Managing Director of The General Mortgage Bank of Sweden the retirement age is 60 years.				
In the event of termination at the initiative of Landshypotek AB and Landshypotek ekonomisk förening there is a right to severance pay in the amount of one year's salary. In the event of termination the Managing Director and the Deputy Managing Director at the initiative of Landshypotek AB there is a right to termination pay in the amount of one year's salary and severance pay in the amount of one year's salary.				
The Company's pension obligations are covered by insurance from Sparinstitutens Pensionskassa and by allocation to provision for pensions credit insured with FPG.				
Other administrative expense				
Costs for premises	4,488	2,977	4,488	2,977
Office costs	3,907	3,275	3,881	3,250
Telephone, data network and postage costs	5,949	5,373	5,920	5,331
IT costs	23,706	15,479	23,114	14,836
Purchased services	37,875	26,969	27,905	19,701
Auditing				
Audit fee Öhrlings PriceWaterhouseCoopers	1,426	1,023	1,218	864
Other assignments than the audit assignment	4,849	6,508	4,802	6,500
Auditor appointed by the Financial Supervisory Authority	264	303	264	217
Other	8,032	7,335	7,876	7,051
Total other administrative expense	90,496	69,242	79,468	60,727
Total general administrative expense	172,706	149,389	159,971	139,105
NOTE 7 DEPRECIATION, AMORTIZATION AND WRITE-DOWN OF TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS				
Tangible				
Furniture, fixtures and equipment	3,203	3,247	3,114	3,187
Real estate	6,955	7,037	6,955	7,037
Intangible				
Non-current assets	0	0	0	0
Total	10,158	10,284	10,069	10,224
NOTE 8 OTHER OPERATING EXPENSES				
Marketing expense	16,784	13,197	16,782	13,194
Costs for premises	13,200	11,262	13,200	11,262
Other	1,594	1,447	1,557	1,408
Total operating costs	31,578	25,906	31,539	25,864

	Group		Parent Company	
SEK thousand	2005	2004	2005	2004
NOTE 9 LOAN, LOSSES, NET				
Loan losses				
Year's write-off for realised losses	108,177	1,770	483	1,211
Reversal of prior provisions for probable loan losses, reported as realised losses in this year's accounts	-88,700	-1,682	-483	-1,211
Write-down for probable loan losses	187,031	28,477	1,066	3,005
Recovery of previous realised losses	-1,014	-1,751	-964	-1,526
Reversal of prior provisions for probable loan losses	-680	-1,303	-534	-1,259
Total loan losses	204,814	25,511	-432	220
All loan losses are attributable to loans to the public.				
Change in value of property taken over				
Change in value of property taken over	0	0	0	0
Net result of sales of property taken over	0	0	0	0
	0	0	0	0
Write-down of shares in Group companies		49,999	0	0
	0	49,999	0	0
Total loan losses, net	204,814	75,510	-432	220
NOTE 10 APPROPRIATIONS				
Change in timing difference reserve	0	0	-64,977	-6,758
Total	0	0	-64,977	-6,758
NOTE 11 TAXES ON THE YEAR'S PROFIT				
Current taxes	34,824	3	32,409	3,528
Tax effect of group contribution	0	56,000	49,280	62,070
Change in deferred taxes relating to temporary differences	-26,330	-10,627	-1,070	-1,070
Deferred tax claim relating to tax loss carryforward	-3,862	0	0	0
Total	4,632	45,376	80,619	64,528
NOTE 12 LOANS TO CREDIT INSTITUTIONS				
Loans to Group companies	0	0	477,000	671,000
Loans to banks	90,186	126,980	78,131	114,862
Loans to plusgiro	797	878	522	0
Other	0	13	0	13
Total	90,983	127,871	555,653	785,875
Loans specified by time to maturity				
Payable on demand	90,983	127,871	78,653	114,875
Remaining to maturity: up to 3 months	0	0	426,000	600,000
Remaining to maturity: 3 months to 1 year	0	0	51,000	20,000
Remaining to maturity: 1 year to 5 years	0	0	0	51,000
Remaining to maturity: more than 5 years	0	0	0	0
Total	90,983	127,871	555,653	785,875
Loans specified by remaining period of fixed interest				
Payable on demand	90,983	127,871	78,653	114,875
Remaining period of fixed interest: up to 3 months	0	0	426,000	600,000
Remaining period of fixed interest: 3 months to 1 year	0	0	51,000	20,000
Remaining period of fixed interest: 1 year to 5 years	0	0	0	51,000
Remaining period of fixed interest: more than 5 years	0	0	0	0
Total	90,983	127,871	555,653	785,875
NOTE 13 LOANS TO THE PUBLIC				
Loans outstanding	36,182,038	34,921,493	35,049,027	33,383,340
Less provisions for individually assessed loans outstanding	-228,456	-130,758	-1,588	-1,481
Net loans outstanding	35,953,582	34,790,735	35,047,439	33,381,859
Disclosures on nonperforming loans and doubtful credits				
Nonperforming loans where interest is recognised as income	340,360	352,327	330,538	350,655
Nonperforming loans that are also doubtful	386,975	526,476	20,509	12,536
Total nonperforming loans	727,335	878,803	351,047	363,191
Doubtful credits that are not nonperforming	228,382	233,974	2,122	11,301
Less provisions set aside	-228,456	-130,758	-1,588	-1,481
Doubtful credits that are also nonperforming	386,975	526,476	20,509	12,536
Total doubtful credits	386,901	629,692	21,043	22,356

	Group		Parent Company	
SEK thousand	2005	2004	2005	2004
(Note 13 cont'd)				
Loans restructured during the year				
Book value before restructuring	0	0	0	0
Book value after restructuring	0	0	0	0
Doubtful loans that have regained status of normal loans during the year	907	2,022	907	2,022
Loans specified by time to maturity				
Payable on demand	0	0	0	0
Remaining to maturity: up to 3 months	15,114,699	16,730,857	14,246,063	15,412,329
Remaining to maturity: 3 months to 1 year	7,069,959	5,514,261	7,054,331	5,483,559
Remaining to maturity: 1 year to 5 years	12,408,461	12,146,936	12,390,345	12,087,467
Remaining to maturity: more than 5 years	1,360,463	398,681	1,356,700	398,504
Total	35,953,582	34,790,735	35,047,439	33,381,859
Loans specified by remaining period of fixed interest				
Payable on demand	0	0	0	0
Remaining period of fixed interest: up to 3 months	15,114,699	16,730,857	14,246,063	15,412,329
Remaining period of fixed interest: 3 months to 1 year	7,069,959	5,514,261	7,054,331	5,483,559
Remaining period of fixed interest: 1 year to 5 years	12,408,461	12,146,936	12,390,345	12,087,467
Remaining period of fixed interest: more than 5 years	1,360,463	398,681	1,356,700	398,504
Total	35,953,582	34,790,735	35,047,439	33,381,859
NOTE 14 BONDS AND OTHER INTEREST-BEARING SECURITIES				
Bonds				
Issued by non-financial institutions	0	0	0	0
Issued by Swedish banks	0	299,688	0	299,688
Issued by Swedish residential mortgage institutions	1,390,106	0	1,390,106	0
Issued by Sveriges Allmänna Hypoteksbank AB	0	0	0	0
Total	1,390,106	299,688	1,390,106	299,688
Holdings by time remaining to maturity				
Remaining to maturity: up to 1 year	0	299,688	0	299,688
Remaining to maturity: 1 year to 5 years	1,390,106	0	1,390,106	0
Remaining to maturity: 5 years to 10 years	0	0	0	0
Remaining to maturity: more than 10 years	0	0	0	0
Total	1,390,106	299,688	1,390,106	299,688
Holdings by remaining period of fixed interest				
Remaining period of fixed interest: up to 1 year	0	299,688	0	299,688
Remaining period of fixed interest: 1 year to 5 years	1,390,106	0	1,390,106	0
Remaining period of fixed interest: 5 years to 10 years	0	0	0	0
Remaining period of fixed interest: more than 10 years	0	0	0	0
Total	1,390,106	299,688	1,390,106	299,688
NOTE 15 SHARES				
Shares				
ESS-gruppen, acquisition value 2004	50,000	50,000	0	0
ESS-gruppen, write-down year 2004	-49,999	-49,999	0	0
Other	0	4	0	4
Total	1	5	0	4
Shares in Group companies				
Holdings in credit institutions				
Landshypotek Jordbruks-kredit AB 1,000,000 shares with quotient value SEK 100	0	0	345,553	345,553
Lantbrukskredit AB 150,000 shares with quotient value SEK 1,000	0	0	169,074	169,074
Other holdings				
Hypoteksbanken AB 1,000 shares with quotient value SEK 100	0	0	100	100
Sveriges Allmänna Hypoteksbank AB 1,000 shares with quotient value SEK 100	0	0	100	100
Total	0	0	514,827	514,827
Total shares	1	5	514,827	514,831
All subsidiaries are wholly owned. Refer to separate organisational chart.				

	Group		Parent Company	
SEK thousand	2005	2004	2005	2004
NOTE 16 INTANGIBLE ASSETS				
Other intangible non-current assets				
Value at beginning of year	7,360	7,360	3,369	3,369
Investment in progress	12,661	0	12,661	0
Closing acquisition value	20,021	7,360	16,030	3,369
Opening accumulated amortization	-7,360	-7,360	-3,369	-3,369
Year's amortization	0	0	0	0
Closing accumulated amortization	-7,360	-7,360	-3,369	-3,369
Book value, net	12,661	0	12,661	0
NOTE 17 TANGIBLE ASSETS				
Furniture, fixtures and equipment				
Non-current assets				
Opening acquisition value	35,746	35,211	34,889	33,545
Assets added during the year	2,833	2,166	2,833	2,166
Disposals during the year	-3,013	-1,631	-3,013	-822
Closing acquisition value	35,566	35,746	34,709	34,889
Accumulated depreciation at beginning of year	-27,701	-26,015	-26,984	-24,550
Year's depreciation and write-down	-3,203	-3,247	-3,114	-3,187
Accumulated depreciation on assets sold	2,407	1,561	2,406	753
Closing accumulated depreciation	-28,497	-27,701	-27,692	-26,984
Total furniture, fixtures and equipment	7,069	8,045	7,017	7,905
Buildings and land				
Current assets				
Agricultural properties taken over for protection of claims				
Number of properties	0	0	0	0
Tax assessment values	0	0	0	0
Estimated fair value	0	0	0	0
Book value	0	0	0	0
Net booked return	0	0	0	0
Non-current assets				
Operating properties				
Number of properties	10	11	10	11
Tax Assessment values	273,364	299,853	273,190	299,686
Estimated fair value	462,211	457,552	461,980	457,321
Opening acquisition value	408,866	401,308	408,712	401,154
Capitalised rebuilding expense	1,101	7,558	1,101	7,558
Sales	-6,130	0	-6,130	0
Closing value	403,837	408,866	403,683	408,712
Year's write-up	0	0	0	0
Opening accumulated depreciation	-43,415	-36,378	-43,273	-36,236
Deducted accumulated depreciation	2,189	0	2,189	0
Year's depreciation	-6,955	-7,037	-6,955	-7,037
Closing accumulated depreciation	-48,181	-43,415	-48,039	-43,273
Book value	355,656	365,451	355,644	365,439
Total buildings and land	355,656	365,451	355,644	365,439
NOTE 18 OTHER ASSETS				
Advised interest and repayments	32,151	35,700	29,182	31,689
Due from Group companies	265	5	40,267	5
Translation difference on currency swaps	116,585	228,706	116,585	228,706
Other receivables	53,455	62,605	5,312	18,534
Total	202,456	327,016	191,346	278,934
NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME				
Prepaid expenses	9,267	17,874	4,827	9,777
Accrued interest	328,992	297,689	311,107	283,824
Total	338,259	315,563	315,934	293,601

	Group		Parent Company	
SEK thousand	2005	2004	2005	2004
NOTE 20 DUE TO CREDIT INSTITUTIONS				
Borrowing from Group companies	0	0	510,309	1,296,845
Banks in foreign currency	481,445	1,094,283	481,445	1,094,283
Total	481,445	1,094,283	991,754	2,391,128
Specification of borrowing by time remaining to maturity				
Payable on demand	0	0	24,441	256,306
Remaining to maturity: up to 3 months	11,130	411,763	433,130	1,384,952
Remaining to maturity: 3 months to 1 year	0	231,195	59,912	231,090
Remaining to maturity: 1 year to 5 years	470,315	451,325	474,271	518,780
Remaining to maturity: more than 5 years	0	0	0	0
Total	481,445	1,094,283	991,754	2,391,128
Specification of borrowing by remaining period of fixed interest				
Payable on demand	0	0	24,441	256,306
Remaining period of fixed interest: up to 3 months	199,256	592,293	681,256	1,625,482
Remaining period of fixed interest: 3 months to 1 year	282,189	501,990	282,101	501,885
Remaining period of fixed interest: 1 year to 5 years	0	0	3,956	7,455
Remaining period of fixed interest: more than 5 years	0	0	0	0
Total	481,445	1,094,283	991,754	2,391,128
NOTE 21 BORROWING FROM THE PUBLIC				
Borrowing from Landshypotek ekonomisk förening (incorporated association)	66,000	193,000	66,000	193,000
Other notes payable	237,724	297,964	237,724	297,964
Total	303,724	490,964	303,724	490,964
Specification of borrowing by time remaining to maturity				
Payable on demand	0	0	0	0
Remaining to maturity: up to 3 months	264,003	319,368	264,003	319,368
Remaining to maturity: 3 months to 1 year	39,721	171,596	39,721	171,596
Remaining to maturity: 1 year to 5 years	0	0	0	0
Remaining to maturity: more than 5 years	0	0	0	0
Total	303,724	490,964	303,724	490,964
Specification of borrowing by remaining period of fixed interest				
Payable on demand	0	0	0	0
Remaining period of fixed interest: up to 3 months	264,003	319,368	264,003	319,368
Remaining period of fixed interest: 3 months to 1 year	39,721	171,596	39,721	171,596
Remaining period of fixed interest: 1 year to 5 years	0	0	0	0
Remaining period of fixed interest: more than 5 years	0	0	0	0
Total	303,724	490,964	303,724	490,964
NOTE 22 SECURITIES ISSUED, ETC.				
Commercial paper				
In Swedish currency	2,335,933	508,373	2,335,933	508,373
In foreign currency	2,883,650	0	2,883,650	0
Total	5,219,583	508,373	5,219,583	508,373
Bond loans				
In Swedish currency	26,228,391	24,617,769	25,595,085	23,308,159
In foreign currency	1,634,769	4,932,776	1,634,769	4,932,776
Total	27,863,160	29,550,545	27,229,854	28,240,935
Total securities issued	33,082,743	30,058,918	32,449,437	28,749,308
Specification of borrowing by time remaining to maturity				
Remaining to maturity: up to 1 year	10,531,917	6,489,780	10,351,917	5,816,591
Remaining to maturity: 1 year to 5 years	21,864,424	22,706,949	21,415,074	22,707,054
Remaining to maturity: 5 years to 10 years	686,402	862,189	682,446	225,663
Remaining to maturity: more than 10 years	0	0	0	0
Total	33,082,743	30,058,918	32,449,437	28,749,308
Specification of borrowing by remaining period of fixed interest				
Remaining period of fixed interest: up to 1 year	19,193,736	16,651,431	19,013,736	15,978,242
Remaining period of fixed interest: 1 year to 5 years	13,437,762	13,400,032	12,988,412	12,771,066
Remaining period of fixed interest: 5 years to 10 years	451,245	7,455	447,289	0
Remaining period of fixed interest: more than 10 years	0	0	0	0
Total	33,082,743	30,058,918	32,449,437	28,749,308

	Group		Parent Company	
SEK thousand	2005	2004	2005	2004
NOTE 23 OTHER LIABILITIES				
Tax liabilities	15,604	3,074	15,602	3,072
Due to Group companies	0	1	215,867	21,681
Other liabilities	36,005	24,704	33,938	22,612
Total	51,609	27,779	265,407	47,365
NOTE 24 ACCRUED EXPENSES AND PREPAID INCOME				
Accrued interest	504,984	508,594	489,568	461,142
Other accrued expenses	6,328	5,180	6,263	5,094
Prepaid income	34,672	39,527	34,031	38,258
Total	545,984	553,301	529,862	504,494
NOTE 25 PROVISIONS				
Provisions for pensions	5,840	6,249	5,840	6,249
Provisions for taxes – deferred tax liability for untaxed reserves	0	25,260	0	0
Deferred taxes – write-up of property	51,354	52,424	51,354	52,424
Total	57,194	83,933	57,194	58,673
NOTE 26 SUBORDINATED DEBTS				
In Swedish currency				
1995/2005 100,000,000 10.200% Notes	0	100,000	0	100,000
1997/2007 200,000,000 5.770% Notes	200,000	200,000	200,000	200,000
2002/2012 350,000,000 6.750% Notes	350,000	350,000	350,000	350,000
2004/2014 100,000,000 4.625% Notes	100,000	100,000	100,000	100,000
Total subordinated debt	650,000	750,000	650,000	750,000
NOTE 27 UNTAXED RESERVES				
Timing difference reserve	0	0	0	64,977
Total	0	0	0	64,977
NOTE 28 DERIVATIVE INSTRUMENTS				
Positive values				
Interest-based swaps	237,237	242,507	203,633	211,105
Equity-related swaps	0	0	0	0
Currency-related swaps	156,442	269,190	156,442	269,190
Total	393,679	511,697	360,075	480,295
Negative values				
Interest-based swaps	-204,923	-261,562	-204,923	-261,562
Equity-related swaps	0	0	0	0
Currency-related swaps	-25,774	-38,080	-25,774	-38,080
Total	-230,697	-299,642	-230,697	-299,642
Derivative instruments, net	162,982	212,055	129,378	180,653

NOTE 29 EQUITY

SEK thousand

GROUP	Share Capital	New issue in progress	Restricted reserves	Unrestricted reserves	Total equity
Opening equity	1,847,000	80,000	1,073,762	175,058	3,175,820
Allocation to legal reserve			796	-796	
New issue	80,000	-80,000			
Transfer between unrestricted/restricted			-52,952	52,952	
Year's net profit				2,870	
Closing equity	1,927,000	0	1,021,606	230,084	3,178,690

PARENT COMPANY	Share Capital	New issue in progress	Restricted reserves	Revaluation reserve	Unrestricted reserves	Total equity
Opening equity	1,847,000	80,000	790,000	0	154,849	2,871,849
Transferred to legal reserve			200,000			
New issue	80,000	-80,000				
Group contribution rendered/received, net					-176,000	
Taxes on group contribution					49,280	
Year's net profit					198,736	
Closing equity	1,927,000	0	990,000	0	226,865	3,143,865

NOTE 30 SPECIFICATION OF CONSOLIDATED BALANCE SHEET

SEK thousand

ASSETS	Current assets		Non-current assets	
	Book value	Fair value	Book value	Fair value
Cash and balances with central banks	616	616		
Loans to credit institutions	90,983	91,915		
Loans to the public	401,618	401,618	35,551,964	36,688,314
Bonds and other interest-bearing securities			1,390,106	1,407,136
Shares, etc.	1	1	0	0
Intangible non-current assets				
Other intangible assets			12,661	12,661
Tangible assets				
Furniture and fixtures			7,069	7,069
Buildings and land	0	0	355,656	462,211
Other assets	202,456	365,348		
Prepaid expenses and accrued income	338,259	338,259		
Total assets	1,033,933	1,197,847	37,317,456	38,577,391
LIABILITIES	Book value		Fair value	
Due to credit institutions		481,445		487,045
Borrowing from the public		303,724		304,374
Securities issued, etc.		33,082,743		33,814,595
Other liabilities		51,609		51,609
Accrued expenses and prepaid income		545,984		545,984
Provisions				
Provision for pensions		5,840		5,840
Provisions for taxes		0		0
Other provisions		51,354		51,354
Subordinated debt		650,000		703,105
Total liabilities		35,172,699		35,963,906

NOTE 31 INTEREST RATE RISK WITH A PARALLEL SHIFT UPWARD OF YIELD CURVE BY ONE PERCENTAGE POINT

	Group		Parent Company	
MSEK	2005	2004	2005	2004
Interest rate risk less than 6 months	22	13	22	14
Interest rate risk more than 6 months but less than 5 years	-21	4	-20	4
Interest rate risk more than 5 years	-38	-10	-37	-10
Total	-37	7	-35	8

Proposed Allocation of Earnings

The Group's unrestricted funds amount to MSEK 230.0. MSEK 6.0 will be allocated to restricted reserves.

Retained earnings	SEK	154,848,927
Group contributions, net	SEK	-176,000,000
Tax effect of group contributions, net	SEK	49,280,000
Total	SEK	28,128,927

Net profit for 2005	SEK	198,735,842
At the disposal of the Annual General Meeting	SEK	226,864,769

Conditional upon the approval of the Annual General Meeting, group contributions have been rendered in an amount of SEK 216,000,000 and received in the amount of SEK 40,000,000, respectively, which has caused unrestricted equity as of the balance sheet date to be reduced by SEK 126,720,000. The proposed transfer of value in the form of group contributions reduced the Company's capital adequacy ratio to 9.98 percent.

The Board of Directors is of the opinion that the proposed dividend, in the form of group contributions, does not compromise the Company's ability to fulfil its obligations in the short term or long term, nor to make any necessary capital investments.

The proposed transfer of value can therefore be defended against the background of what is stated in the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2–3.

The Board of Directors proposes that the year's funds available for disposition, SEK 226,864,769, be carried forward.

Stockholm, 9 March 2006

Ulf Dinkelspiel
Chairman

Olof Jakobsson

Anders Johansson

Richard Montgomery

Peder Thott

Henrik Toll

Kjell Stillman
Managing Director

Audit Report

To the Annual General Meeting of Landshypotek AB (publ.), company number 556500-2762.

We have examined the Annual Accounts, the consolidated financial statements and the accounting records and the administration of the Board of Directors and the Managing Director of Landshypotek AB (publ.) for the year 2005. These financial statements and the administration are the responsibility of the Board of Directors and the Managing Director, and that The Swedish Annual Accounts Act for Credit Institutions and Securities Companies is applied in preparing the Annual Accounts and the consolidated financial statements. Our responsibility is to express an opinion on the Annual Accounts, the consolidated financial statements and the administration based on our audit.

The audit was conducted in accordance with generally accepted auditing standards in Sweden. Those standards mean that we planned and performed the audit in such a way as to get high but not absolute assurance that the Annual Accounts and the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements. An audit includes an assessment of the accounting principles applied and the application thereof by the Board of Directors and the Managing Director, and an assessment of the critical estimates made by the Board of Directors and the Managing Director in preparing the Annual Accounts and the consolidated financial statements, and evaluation of the overall infor-

mation contained in the Annual Accounts and the consolidated financial statements. As a basis for our statement on discharge from responsibility, we have examined significant decisions, measures and circumstances in the Company in order to evaluate whether or not any member of the Board of Directors or the Managing Director is liable for damages to the Company. We have also examined if any member of the Board of Directors or the Managing Director has acted in contravention with the Swedish Companies Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association. We believe that our audit provides a reasonable basis for our statements below.

The Annual Accounts and the consolidated financial statements are prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and provide a fair representation of the Association's and the Group's results and financial position in accordance with generally accepted accounting standards in Sweden. The Administration Report is consistent with the other parts of the Annual Accounts and the consolidated financial statements.

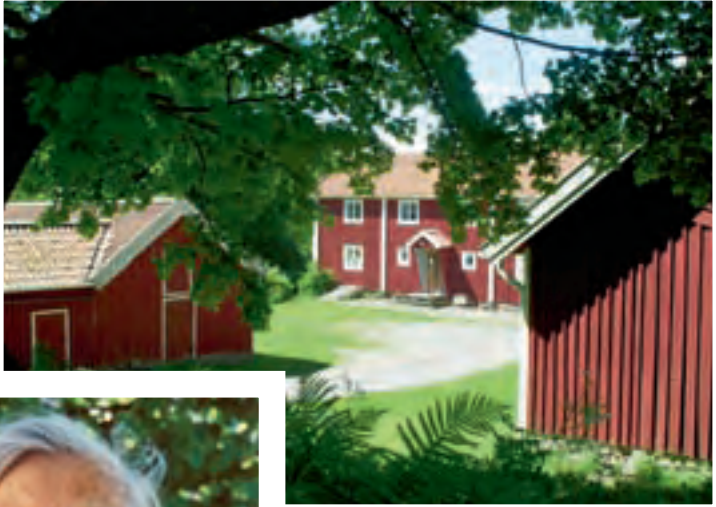
We recommend that the Annual Meeting of the Association adopts the income statement and the balance sheet for the Parent Company and the Group, allocates the profit in the Parent Company in accordance with the proposal in the Administration Report and that the members of the Board of Directors and the Managing Director be granted discharge from liability for the financial year.

Stockholm, 9 March 2006

Anna Hesselman
Authorised Public Accountant

Bengt Fröander
Authorised Public Accountant

Anders Engström
Authorised Public Accountant
Appointed by the Financial
Supervisory Authority





SECURITY

Administration Report

The Board of Directors of The General Mortgage Bank of Sweden (the Bank), company number 262000-1020, hereby submits its report for the year 2004, the Bank's 145th year of operation.

Operations of The General Mortgage Bank of Sweden

The General Mortgage Bank of Sweden and the county mortgage bank associations were reorganised pursuant to a resolution of the Swedish parliament with effect from 1 January 1995. In the reorganisation, the lending business was assembled in the newly formed credit market company Landshypotek AB.

The General Mortgage Bank of Sweden was responsible for all borrowing for account of Landshypotek AB until 30 June 1997. After that point, Landshypotek AB assumed responsibility for its own borrowing. The General Mortgage Bank of Sweden henceforth manages its assets and liabilities. The Government has made a guarantee fund available to The General Mortgage Bank of Sweden. The amount of the Government guarantee fund is MSEK 1 since 1 July 2005. The General Mortgage Bank of Sweden will be liquidated when all outstanding bonded debt liabilities have been repaid, which will take place not later than in the year 2014. The Chairman and the Vice Chairman of the Bank are appointed by the Government. The Bank's operations are governed by special legislation.

Lending to Landshypotek AB

The Bank's total loans to Landshypotek AB amounted to MSEK 28.3 (876.8) at year-end 2005.

Liquidity and Financing

The Bank's borrowing against bonds in SEK amounted to MSEK 3.9 (620.5) at year-end, a decrease of MSEK 616.6. Four priority bond loans were redeemed during the year (numbers 1, 20, 87 and 88).

Legal reserve

The Board of Directors has decided to transfer MSEK 200 of the legal reserve to Landshypotek AB.

Rating

The Bank's long-term rating from Fitch is A and from Standard & Poor's BBB+.

Interest

The average interest rate on the Bank's long-term borrowing in SEK was 4.42 (5.70) percent during the year.

Profit

No net interest income or expense arises since The General Mortgage Bank of Sweden – pursuant to

the financing and administration agreement in force between The General Mortgage Bank of Sweden and Landshypotek AB – passes on borrowed funds to that company on the same terms and conditions as the borrowing. The result before year-end appropriations and taxes amounts to MSEK 0.0 (1.4).

Interest rate risk

The General Mortgage Bank of Sweden has no interest rate risk since all borrowing is passed on to Landshypotek AB on the same terms as apply to the borrowing.

Board of Directors

The General Mortgage Bank of Sweden is under the management of a Board of Directors consisting of six directors and five alternates. The Government appoints two directors and their alternates. The Government orders one of these directors to hold the post of Chairman, and the other to hold the post of Vice Chairman. Three directors, and three alternates, are elected by the Board of Directors of Landshypotek ekonomisk förening. The Managing Director is a member of the Board of Directors.

The Government has designated Ambassador Ulf Dinkelspiel to serve as the Bank's Chairman, and Justice of the Supreme Administrative Court Nils Dexe to be Vice Chairman, both for the period until the regularly scheduled membership meeting in Landshypotek ekonomisk förening for 2007. As their alternates for the same term, the Government has appointed former Member of Parliament Carl G. Nilsson until the regularly scheduled membership meeting in Landshypotek ekonomisk förening for 2006 and Jur. Cand. Erik Hallström until the regularly scheduled membership meeting in Landshypotek ekonomisk förening for 2007.

Landshypotek ekonomisk förening has appointed Carl Edblom and Bertil Andersson to serve as regular members of the Bank's Board of Directors until the regularly scheduled membership meeting in Landshypotek ekonomisk förening for 2007. Peder Thott and Henrik Toll have been appointed to serve as alternate directors for the same period. Anders Johansson has been appointed to serve as director until the regularly scheduled membership meeting in Landshypotek ekonomisk förening for 2006. Berndt Carlsson has been elected to serve as alternate director for the same period.

Personnel

The General Mortgage Bank of Sweden has no employees. Landshypotek AB places personal and technical resources at the disposal of the Bank to allow it to perform its duties.

Income Statement

SEK thousand	Note	2005	2004
Interest income		5,677	46,584
Interest expense		-5,677	-46,584
Net interest income	1	0	0
Net result of financial transactions	2	0	1,415
Total operating income		0	1,415
General administrative expense		0	0
Total expenses before loan losses		0	0
Profit before loan losses		0	1,415
Loan losses		0	0
Operating profit		0	1,415
Year-end appropriations	3	8,442	-338
Profit before taxes		8,442	1,077
Taxes on the year's profit		-2,415	-283
Net profit for the year		6,027	794

Balance Sheet

SEK thousand	Note	2005	2004
ASSETS			
Loans to credit institutions	4	28,309	876,845
Other assets	5	2,275	4,349
Total assets		30,584	881,194
LIABILITIES AND SHAREHOLDER'S EQUITY			
Securities issued	6	3,868	620,539
Accrued expenses and prepaid income	7	22	31,546
Total liabilities		3,890	652,085
Untaxed reserves	8	0	8,442
Equity	9		
Restricted equity			
Legal reserve		20,667	219,873
Unrestricted equity			
Net profit for the year		6,027	794
Total shareholder's equity		26,694	220,667
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		30,584	881,194
Pledged assets		None	None
Other note references			
Derivative instruments	10		

Cash Flow Statement

SEK thousand	2005	2004
Current operations		
Operating profit	0	1,415
<i>Adjustment for items not included in cash flow</i>		
Taxes	-2,415	-283
<i>Cash flow from current operations before changes in assets and liabilities in current operations</i>	-2,415	1,132
<i>Changes in assets and liabilities in current operations</i>		
Lending to credit institutions	848,537	503,699
Other assets	2,074	-322
Securities issued	-616,672	-490,781
Other liabilities	-31,524	-13,728
Cash flow from current activities	200,000	0
Cash flow from investment activities	0	0
Financing activities		
Transfer of legal reserve to Landshypotek AB	-200,000	0
Cash flow from financing activities	-200,000	0
Change in liquid funds	0	0
Liquid funds at beginning of year	0	0
Liquid funds at year-end	0	0

Five-year Summary

MSEK	2005	2004	2003	2002	2001
Net interest income	0.0	0.0	0.0	0.0	0.0
Other operating income	0.0	1.4	1.4	1.4	3.8
Operating expense	0.0	0.0	0.0	0.0	0.0
Loan losses	0.0	0.0	0.0	0.0	0.0
Operating profit	0.0	1.4	1.4	1.4	3.8
Lending to Landshypotek AB	28	877	1,381	2,595	4,650
Borrowing	4	621	1,111	2,300	4,422
Balance sheet total	31	881	1,385	2,619	4,858
Adjusted equity	27	227	226	225	224

Notes

SEK thousand 2005 2004

NOTE 1 NET INTEREST INCOME

Interest income

Loans to credit institutions		
Loans to Landshypotek AB	5,621	46,520
Other interest income	56	64
Total	5,677	46,584

Interest expense

Interest expense on interest-bearing securities		
Bond loans, net	5,677	46,584
Interest expense on subordinated debt	0	0
Other interest expense	0	0
Total	5,677	46,584

Net interest income 0 0

NOTE 2 NET RESULT OF FINANCIAL TRANSACTIONS

Capital gains		
Interest-bearing securities	0	1,415
Total	0	1,415

NOTE 3 YEAR-END APPROPRIATIONS

Change in timing difference reserve	-8,442	338
Total	-8,442	338

NOTE 4 LOANS TO CREDIT INSTITUTIONS

Loans to Group companies – Landshypotek AB	28,309	876,845
Total	28,309	876,845

Loans by time remaining to maturity

Payable on demand	24,441	256,306
Remaining time to maturity: 3 months	0	613,189
Remaining time to maturity: 3 months to 1 year	-88	-105
Remaining time to maturity: 1 year to 5 years	3,956	7,455
Remaining time to maturity: more than 5 years	0	0
Total	28,309	876,845

Loans by remaining period of fixed interest

Payable on demand	24,441	256,306
Remaining period of fixed interest: 3 months	0	613,189
Remaining period of fixed interest: 3 months to 1 year	-88	-105
Remaining period of fixed interest: 1 year to 5 years	3,956	7,455
Remaining period of fixed interest: more than 5 years	0	0
Total	28,309	876,845

NOTE 5 OTHER ASSETS

Other receivables	2,275	4,349
Total	2,275	4,349

BOND LOANS OUTSTANDING

Specification to Note 6

				Outstanding as of 31 December 2005		
Loan no.	Tenor	Interest rate, %	Interest due dates	Original amount SEK thousand	Nominal SEK thousand	Book SEK thousand
Priority bond loans						
19	1953/2013	3.50	1/11	50,000	13,782	13,782
26	1958/2008	5.00	15/10	15,000	2,233	2,233
Total priority bond loans				65,000	16,015	16,015
Repurchased bonds, net				–	-12,255	-12,147
Total bond loans, net				65,000	3,760	3,868

Bond loans are repaid through cancellation of repurchased bonds or drawing. Loan number 19 is repaid by drawing alone. The size of the repayment is determined by the repayment plan for each loan and the indentures in the loan prospectus.

SEK thousand 2005 2004

NOTE 6 SECURITIES ISSUED

Bond loans

in Swedish currency	3,868	620,539
Book value	3,868	620,539

Borrowing by time remaining to maturity

Remaining time to maturity: up to one year	0	613,189
Remaining time to maturity: 1 to 5 years	-88	-105
Remaining time to maturity: 5 to 10 years	3,956	7,455
Remaining time to maturity: more than 10 years	0	0
Total	3,868	620,539

Borrowing by period of fixed interest

Remaining period of fixed interest up to 1 year	0	613,189
Remaining period of fixed interest 1 to 5 years	-88	-105
Remaining period of fixed interest 5 to 10 years	3,956	7,455
Remaining period of fixed interest more than 10 years	0	0
Total	3,868	620,539

NOTE 7 ACCRUED EXPENSES AND PREPAID INCOME

Accrued expenses

Accrued interest	22	31,546
Total	22	31,546

NOTE 8 UNTAXED RESERVES

Timing difference reserve	0	8,442
Total	0	8,442

NOTE 9 SHAREHOLDER'S EQUITY

Restricted

Legal reserve	20,667	219,873
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Unrestricted

Net profit for the year	6,027	794
Total	26,694	220,667

NOTE 10 DERIVATIVE INSTRUMENTS

Positive values

Exchange-rate related swaps	0	0
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Negative values

Exchange-rate related swaps	0	0
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Derivative instruments, net 0 0

Proposed Allocation of Earnings

The Board of Directors proposes that the year's net profit, SEK 6,026,867, be allocated to the legal reserve. SEK 200,000,000 was transferred during the year from the legal reserve of The General Mortgage Bank to the legal reserve in Landshypotek AB. After this allocation the legal reserves stands at SEK 26,693,634.

Stockholm, 9 March 2006

Ulf Dinkelspiel
Chairman

Nils Dexe

Bertil Andersson

Carl Edblom

Anders Johansson

Per Smedberg
Managing Director

Audit Report

The General Mortgage Bank of Sweden,
company number 556500-2762.

We have examined the Annual Accounts and the accounting records and the administration of the Board of Directors and the Managing Director of The General Mortgage Bank of Sweden for the year 2005. These financial statements and the administration are the responsibility of the Board of Directors and the Managing Director, and that The Swedish Annual Accounts Act for Credit Institutions and Securities Companies is applied in preparing the Annual Accounts. 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 mean that we planned and performed the audit in such a way as to get high but not absolute assurance that the Annual Accounts are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements. An audit includes an assessment of the accounting principles applied and the application thereof by the Board of Directors and the Managing Director, and an assessment of the critical estimates made by the Board of Directors and the

Managing Director in preparing the Annual Accounts, and evaluation of the overall information contained in the Annual Accounts. As a basis for our statement on discharge from responsibility, we have examined significant decisions, measures and circumstances in the Company in order to evaluate whether or not any member of the Board of Directors or the Managing Director is liable for damages to The General Mortgage Bank of Sweden. We have also examined if any member of the Board of Directors or the Managing Director has acted in contravention with the Annual Accounts Act for Credit Institutions and Securities Companies. We believe that our audit provides a reasonable basis for our statements below.

The Annual Accounts are prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and provide a fair representation of results and financial position of The General Mortgage Bank of Sweden in accordance with generally accepted accounting standards in Sweden. The Administration Report is consistent with the other parts of the Annual Accounts.

We recommend that the income statement and the balance sheet be adopted and that the members of the Board of Directors and the Managing Director be granted discharge from liability for the financial year.

Stockholm, 9 March 2006

Bengt Fröander
Authorised Public Accountant
Appointed by the Financial
Supervisory Authority

Anders Engström
Authorised Public Accountant
Appointed by the Financial
Supervisory Authority

Administration Report

The Board of Directors and the Managing Director of Lantbrukskredit AB (the Company), company number 556095-2896, hereby submit their report for the year 2005.

Operations and organisation

Lantbrukskredit AB is a wholly owned subsidiary of Landshypotek AB (company number 556500-2762). Parent Association in the group is Landshypotek ekonomisk förening (incorporated association) (organisation number 769600-5003).

The Company's primary business previously consisted of financing of the processing industry of agriculture, food distribution and forest industries with ancillary industries, but lending to other sectors has also occurred. Since July 2003 and until further notice there is no new lending in the Company, primarily because of a shift in strategic orientation by focusing on the core operations of Landshypotek AB.

Lantbrukskredit's personnel is primarily engaged in management of the Company's credits.

Central functions in Landshypotek AB are responsible for services related to financing, finance administration and IT.

A report on accounting principles and risk exposure will be found separately in the Annual Report.

Result

An operating result of MSEK -215.5 (-74.0) is reported for the operating year. Provisions for loan losses in the amount of MSEK 131 accounted for MSEK 141 of the deterioration in result. Provisions for loan losses increased from MSEK 74.9 to MSEK 205.4. Net interest income amounted to MSEK 2.4, a deterioration of MSEK 8.5, in part due to volume cutbacks, in part to the fact that some of the loans to the Energisystem i Sverige AB group (ESS-gruppen) were nonperforming. Overhead amounted to MSEK 12.4, an increase by MSEK 2.5 compared to the preceding year. The increase in costs is in its entirety attributable to handling the ESS-gruppen matter.

Provisions

The job of winding up Lantbrukskredit's credits to ESS-gruppen has been completed. The operations in Vingåker were sold in December 2005. An agreement for the sale of the operations in Söderköping, Trosa, Vallentuna, Vaxholm and Österåker was concluded in February 2006.

The valuation of these credits burdens the result for 2005 with loan loss provisions and realised losses in the amount of MSEK 190.0. Lantbrukskredit has also set aside MSEK 12.0 for an engagement in a sawmill in Norrbotten and MSEK 3.1 for a forest engagement.

Lending operations

The Company's lending declined during the year by MSEK 482.3 (-536.9) to MSEK 871.3.

Nonperforming loans at year-end amounted to MSEK 374.7 (514.4) and doubtful credits amounted to MSEK 614.2 (734.8).

By year-end the Company reported a total of 4 (9) engagements as large exposures, in an aggregate amount before provisions of MSEK 718.0 (1,002.4). The largest single exposure refers to credits to ESS-gruppen totalling MSEK 562.4. Risk sharing guaranties have been issued by Landshypotek AB and Landshypotek Jordbrukskredit AB in an amount of MSEK 240.6 and MSEK 87.3, respectively, relating to this engagement.

In addition hereto, Landshypotek Jordbrukskredit AB has granted risk sharing guaranties in an aggregate amount of MSEK 48.1 with respect to two other, large exposures.

Liquidity and financing

The Company decreased its borrowing from the Parent Company by MSEK 194.0 to MSEK 477.0 at year-end. Securities issued decreased at the same time by MSEK 59.6 to a total of MSEK 629.4.

Future development

As mentioned above there is no new lending by the Company since July 2003. The portfolio of loans outstanding has been reduced significantly as a consequence of active liquidation efforts, primarily aimed at major engagements in sectors that are outside of the Group's core business, where the volume reduction is expected to continue during 2006.

Rating

Lantbrukskredit has a rating of BBB+/K1 from Standard & Poor's.

Capital adequacy

The capital adequacy ratio, after the proposal of the Board for Directors for earnings allocations, stood at 26.59 (19.61) percent and the core capital ratio was 26.59 (19.61).

A capital adequacy analysis with a multi-year overview is provided separately in the Annual Report.

Interest, currency and share price risks

The interest risk metric measures the effect on the market value of all interest-bearing assets and liabilities on and off balance when market rates change by one percentage point. By year-end the Company's interest rate risk was MSEK 0.5 (0.2). Lantbrukskredit has no currency or share price risks.

Credit risks

The maximum credit risks consist of the Company's aggregate lending of MSEK 871.3. There is also a counter-party risk on derivatives valued at MSEK 25.6. As a counter-measure, the Company has received risk sharing guaranties within the Group in a total amount of MSEK 376.

Guarantees

Lantbrukskredit has issued a guarantee in the amount of MSEK 10 in connection with the sale of the operations in Vingåker. The sale of the remaining operations in ESS-gruppen will involve additional guarantee obligations totaling MSEK 100.

Group contribution

The Company has received a group contribution from Landshypotek AB of MSEK 216 to cover the losses and to restore equity.

Personnel

The Company had 2 (3) employees at year-end. Other data about the Company's personnel are found in Note 2.

Five-year Summary

Profit performance

MSEK	2005	2004	2003	2002	2001
Net interest income	2.4	10.9	25.6	34.5	36.2
Other operating income	-0.1	-0.1	-0.1	-0.1	-0.1
Operating expenses	-12.4	-9.8	-11.4	-8.4	-6.2
Depreciation and amortisation	-0.1	-0.1	-0.1	-0.9	-1.1
Loan losses	-205.4	-74.9	-72.5	-6.9	-17.6
Operating profit	-215.6	-74.0	-58.5	18.2	11.2
Lending to the public	871	1,354	1,891	2,802	3,100
Balance sheet total	1,296	1,552	2,223	3,103	3,332
Adjusted equity	169	169	207	249	236
Ratios					
Interest margin	0.23%	0.40%	0.69%	0.73%	0.81%
Return on adjusted equity	-91.72%	-28.36%	-18.49%	5.39%	3.46%
Loan loss level	15.93%	4.31%	3.02%	0.23%	0.61%
Loan loss provision/lending	20.63%	8.67%	5.19%	0.25%	0.05%

Capital adequacy

MSEK	2005	2004	2003	2002	2001
Capital requirement, risk-weighted assets					
Group A	0.0	0.0	0.0	0.0	0.0
Group B	8.4	8.4	10.2	6.5	10.3
Group C	4.0	12.5	23.3	54.9	103.1
Group D	538.7	724.0	1,263.4	2,924.2	3,059.7
Total risk-weighted assets	551.1	744.9	1,296.9	2,985.6	3,173.1
Capital base					
Core capital	146.5	146.1	206.6	248.7	235.5
Supplementary capital					
Subordinated term loans	0.0	0.0	16.0	24.0	32.0
Total capital base	146.5	146.1	222.6	272.7	267.5
Core capital	26.59%	19.61%	15.93%	8.33%	7.42%
Capital adequacy	26.59%	19.61%	17.16%	9.13%	8.43%

Income Statement

SEK thousand	Note	2005	2004
Interest income		35,036	63,311
Interest expense		-32,599	-52,403
Net interest income	1	2,437	10,908
Commission income		12	21
Commission expense		-80	-155
Net result of financial transactions		0	41
Total other income		-68	-93
Total operating income		2,369	10,815
General administrative expense	2	-12,329	-9,785
Depreciation, write-down and amortisation of tangible and intangible non-current assets	3	-89	-60
Other operating expenses	4	-29	-34
Total operating expenses		-12,447	-9,879
Result before loan losses		-10,078	936
Loan losses	5	-205,442	-74,900
Operating result		-215,520	-73,964
Year-end appropriations	6	0	24,224
Result before taxes		-215,520	-49,740
Current taxes		60,382	13,975
Net result for the year		-155,138	-35,765

Balance Sheet

SEK thousand	Note	2005	2004
ASSETS			
Lending to financial institutions	7	124,144	89,919
Lending to the public	8	871,279	1,353,576
Shares	9	1	1
Intangible non-current assets	10		
Miscellaneous intangible assets		0	0
Tangible non-current assets	11		
Furniture and fixtures		52	140
Buildings and land		12	12
Other assets	12	276,733	83,545
Prepaid expenses and accrued income	13	24,195	24,845
Total assets		1,296,416	1,552,038
LIABILITIES AND SHAREHOLDER'S EQUITY			
Due to financial institutions	14	477,000	671,000
Securities issued, etc.	15	629,438	689,071
Other liabilities	16	2,043	2,064
Accrued expenses and prepaid income	17	18,553	20,902
Total liabilities		1,127,034	1,383,037
Untaxed reserves	18	0	0
Shareholder's equity	19		
Restricted equity			
Share capital, number of shares outstanding: 150,000 (150,000)		150,000	150,000
Legal reserve		30,000	30,000
Unrestricted equity			
Retained earnings		144,520	24,766
Net result for the year		-155,138	-35,765
Total shareholder's equity		169,382	169,001
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,296,416	1,552,038
Pledged assets		None	None
Contingent liabilities			
Guarantee		10,000	None
Other note references			
Interest and currency-related contracts, net	20		
Approved credits not disbursed		0	0

Cash Flow Statement

SEK thousand	2005	2004
Current operations		
Operating result	-215,520	-73,964
<i>Adjustment for items not included in cash flow</i>		
Depreciation and amortisation	89	60
Taxes	60,382	13,975
<i>Cash flow from current operations before changes in assets and liabilities in current operations</i>	-155,049	-59,929
<i>Changes in assets and liabilities in current operations</i>		
Lending to the public	482,297	536,947
Lending to financial institutions	-34,225	94,846
Bonds and interest-bearing securities	0	60,000
Other assets	-192,538	-20,530
Securities issued	-59,633	-809,650
Due to financial institutions	-194,000	229,000
Borrowing from the public	0	0
Other liabilities	-2,371	-6,295
Cash flow from current operations	-155,519	24,389
Investment activities		
Shares in Group companies		
Furniture and fixtures	-1	1
Buildings and land	0	0
Cash flow from investment activities	-1	1
Financing activities		
Subordinated debt		-40,000
Tax effect of group contribution	-60,480	-6,070
Group contribution received	216,000	21,680
Cash flow from financing activities	155,520	-24,390
Increase/decrease in liquid funds	0	0
Change in liquid funds	0	0
Liquid funds at beginning of year	0	0
Liquid funds at year-end	0	0

Notes to the Financial Statements

SEK thousand

	2005	2004
NOTE 1 NET INTEREST INCOME		
Interest income		
Interest income on lending to credit institutions	70	126
Interest income from Landshypotek AB	1,915	3,690
Interest income on lending to the public	32,910	58,804
less interest losses	0	0
Interest income on interest-bearing securities	0	517
Other interest income	141	174
Total interest income	35,036	63,311
Average interest rate on lending to the public	2.96%	3.63%

Interest expense

Interest expense for liabilities to credit institutions	0	0
Interest expense to Landshypotek AB	14,275	15,354
Interest expense on borrowing from the public	0	0
Interest expense for interest-bearing securities	25,737	40,073
Interest expense for subordinated debt	0	2,386
Other interest expense	-7,413	-5,410
Total interest expense	32,599	52,403
Net interest income	2,437	10,908

NOTE 2 GENERAL ADMINISTRATIVE EXPENSES

Personnel costs

Compensation to Managing Director and Board of Directors	0	0
Payroll costs	998	1,069
Allocation to profit sharing fund	9	22
Pension costs	279	281
Social insurance contributions	397	360
Other personnel costs	24	37
Total personnel costs	1,707	1,769

Specification of pension costs

Pension premiums	233	235
of which to senior management	(0)	(0)
Salary and yield taxes	46	46
Total	279	281

Number of men employed	1	2
Number of women employed	1	1
Average number of employees	2.0	3.0

No loans are outstanding to members of the Board of Directors or senior management.

Other administrative expenses

Costs of premises	0	0
Office expense	24	23
Telecom, data networks and postage expenses	23	34
IT costs	310	337
Purchased services	9,940	7,233

Auditing and consulting

Audit fee Öhrlings PriceWaterhouseCoopers	133	100
Other assignments than the audit assignment	47	8
Auditor appointed by the Financial Supervisory Authority	0	43
Financial expense	141	199
Other	4	39
Total other administrative expenses	10,622	8,016

Total general administrative expenses	12,329	9,785
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SEK thousand

	2005	2004
NOTE 3 DEPRECIATION AND WRITE-DOWN OF TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS		
Furniture and fixtures	89	60
Total	89	60

NOTE 4 OTHER OPERATING EXPENSES

Marketing expenses	2	3
Other	27	31
Total	29	34

NOTE 5 LOAN LOSSES, NET

Loan losses

This year's write-off for realised losses	107,477	0
Reversal of prior provisions for probable loan losses reported as realised losses in this year's financial statements	-88,000	0
This year's provisions for probable loan losses	185,965	25,001
Reduction of risk sharing guaranty	0	0
Recovery of prior years' realised losses	0	-100
Reversal of no longer required provisions for probable loan loss	0	0
Total loan losses	205,442	24,901

Write-down of shares in EES-gruppen	0	49,999
Total	0	49,999

Total loan losses, net	205,442	74,900
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NOTE 6 YEAR-END APPROPRIATIONS

Change in timing difference reserves	0	-24,224
Total	0	-24,224

NOTE 7 LOANS TO CREDIT INSTITUTIONS

Lending to Group companies	118,000	81,000
Lending to banks	5,960	8,623
Lending to plusgiro	184	296
Total	124,144	89,919

Lending by remaining time to maturity

Payable on demand	6,144	8,919
Remaining maturity: up to 3 months	58,000	21,000
Remaining maturity: 3 months to 1 year	60,000	0
Remaining maturity: 1 year to 5 years	0	60,000
Remaining maturity: more than 5 years	0	0
Total	124,144	89,919

Lending by remaining period of fixed interest

Payable on demand	6,144	8,919
Remaining period of fixed interest: up to 3 months	118,000	81,000
Remaining period of fixed interest: 3 months to 1 year	0	0
Remaining period of fixed interest: 1 year to 5 years	0	0
Remaining period of fixed interest: more than 5 years	0	0
Total	124,144	89,919

SEK thousand

	2005	2004
NOTE 8 LENDING TO THE PUBLIC		
Loan principal	1,097,734	1,482,065
Less specific provisions for individually valued loan claims	-226,455	-128,489
Loan principal, net	871,279	1,353,576

Disclosures on nonperforming and doubtful loans

Nonperforming loans where interest is recognised as income	8,276	1,341
Nonperforming loans that are doubtful	366,466	513,018
Total nonperforming loans	374,742	514,359
Doubtful loans that are not nonperforming	224,974	221,800
Doubtful loans that are also nonperforming	389,183	513,018
Total doubtful credits	614,157	734,818

Restructured loans

Book value before restructuring	0	0
Book value after restructuring	0	0
Nonperforming loans that have regained status of normal loan during the year	0	0

Loans by time remaining to maturity

Payable on demand	0	0
Remaining maturity: up to 3 months	852,091	1,284,988
Remaining maturity: 3 months to 1 year	10,206	24,020
Remaining maturity: 1 year to 5 years	8,904	44,457
Remaining maturity: more than 5 years	78	111
Total	871,279	1,353,576

Lending by remaining period of fixed interest

Payable on demand	0	0
Remaining period of fixed interest: up to 3 months	852,091	1,284,988
Remaining period of fixed interest: 3 months to 1 year	10,206	24,020
Remaining period of fixed interest: 1 year to 5 years	8,904	44,457
Remaining period of fixed interest: more than 5 years	78	111
Total	871,279	1,353,576

NOTE 9 SHARES

ESS-gruppen, aquisition value	50,000	50,000
ESS-gruppen, write-down	-49,999	-49,999
Total	1	1

NOTE 10 INTANGIBLE FIXED ASSETS

Miscellaneous intangible non-current assets

Value at the beginning of the year	3,991	3,991
Additions during the year	0	0
Closing acquisition value	3,991	3,991
Opening accumulated amortisation	-3,991	-3,991
Year's amortisation	0	0
Closing accumulated amortisation	-3,991	-3,991

Book value	0	0
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NOTE 11 TANGIBLE ASSETS

Furniture and fixtures

Non-current assets

Value at the beginning of the year	779	1,588
Additions during the year	0	0
Disposals during the year	0	-809
Closing acquisition value	779	779
Opening accumulated depreciation	-639	-1,387
Year's depreciation and write-down	-88	-60
Accumulated depreciation on assets disposed of	0	808
Closing accumulated depreciation	-727	-639
Total furniture and fixtures	52	140

SEK thousand

NOTE 11 TANGIBLE ASSETS

(cont'd)

Buildings and land

Current assets

Property taken over to protect claims		
Number of properties	0	0
Book value/fair value	0	0
Net book yield	0	0
Tax assessment value	0	0

Non-current assets

Leisure time property		
Acquisition value	154	154
Accumulated depreciation	-142	-142

Book value	12	12
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Tax assessment value	174	167
The amounts refer to Lantbrukskredit's share of a leisure time property.		

Total buildings and land	12	12
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NOTE 12 OTHER ASSETS

Accrued interest	2,969	4,011
Due from Group companies	239,319	45,132
Deferred tax claim, tax loss carryforward	22,833	22,931
Other receivables	11,612	11,471
Total	276,733	83,545

NOTE 13 PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses	4,369	8,029
Accrued interest	19,826	16,816
Total	24,195	24,845

NOTE 14 LIABILITIES TO CREDIT INSTITUTIONS

Borrowing from Landshypotek AB	477,000	671,000
Total	477,000	671,000

Borrowing by time remaining to maturity

Payable on demand	0	0
Remaining maturity: up to 3 months	426,000	600,000
Remaining maturity: 3 months to 1 year	51,000	20,000
Remaining maturity: 1 year to 5 years	0	51,000
Remaining maturity: more than 5 years	0	0
Total	477,000	671,000

Borrowing by remaining period of fixed interest

Payable on demand	0	0
Remaining period of fixed interest: up to 3 months	426,000	600,000
Remaining period of fixed interest: 3 months to 1 year	51,000	20,000
Remaining period of fixed interest: 1 year to 5 years	0	51,000
Remaining period of fixed interest: more than 5 years	0	0
Total	477,000	671,000

NOTE 15 SECURITIES ISSUED, ETC.

Bonds

Borrowing in Swedish currency	629,438	689,071
Total	629,438	689,071

Borrowing by time remaining to maturity

Remaining maturity: up to 1 year	180,000	60,000
Remaining maturity: 1 year to 5 years	449,438	0
Remaining maturity: 5 years to 10 years	0	629,071
Remaining maturity: more than 10 years	0	0
Total	629,438	689,071

Borrowing by remaining period of fixed interest

Remaining period of fixed interest: up to 1 year	180,000	60,000
Remaining period of fixed interest: 1 year to 5 years	449,438	629,071
Remaining period of fixed interest: 5 years to 10 years	0	0
Remaining period of fixed interest: more than 2 years	0	0
Total	629,438	689,071

SEK thousand

	2005	2004
NOTE 16 OTHER LIABILITIES		
Tax liability	2	2
Due to Group company	0	0
Other liabilities	2,041	2,062
Total	2,043	2,064

NOTE 17 ACCRUED EXPENSES AND PREPAID REVENUE

Accrued interest	17,924	19,583
Other accrued expenses	65	86
Prepaid income	564	1,233
Total	18,553	20,902

NOTE 18 UNTAXED RESERVES

Timing difference reserve	0	0
Total	0	0

SEK thousand

	2005	2004
NOTE 19 SHAREHOLDER'S EQUITY		
Restricted equity		
Share capital	150,000	150,000
Legal reserve	30,000	30,000
Unrestricted equity		
Retained earnings	-11,000	9,156
Group contributions received	216,000	21,680
Tax effect of group contribution	-60,480	-6,070
Net result for the period	-155,138	-35,765
Total	169,382	169,001

NOTE 20 DERIVATIVE INSTRUMENTS

Instruments with positive values		
Interest-based swaps	25,559	31,402
Instruments with negative values		
Interest-based swaps	0	0
Derivative instruments, net	25,559	31,402

NOTE 21 SPECIFICATION OF BALANCE SHEET

SEK thousand	Current assets		Fixed assets	
ASSETS	Book value	Fair value	Book value	Fair value
Lending to financial institutions	124,144	124,144		
Lending to the public	614,157	614,157	257,122	282,466
Shares, etc.	1	1		
Intangible non-current assets			0	0
Tangible non-current assets				
Furniture, fixtures and equipment			52	52
Buildings and land	0	0	12	231
Other assets	276,733	276,733		
Prepaid expenses and accrued income	24,195	24,195		
Total assets	1,039,230	1,039,230	257,186	282,749
LIABILITIES	Book value		Fair value	
Liabilities to financial institutions		477,000		478,941
Securities issued, etc.		629,438		657,930
Other liabilities		2,043		2,043
Accrued expenses and prepaid income		18,553		18,553
TOTAL LIABILITIES		1,127,034		1,157,467

NOTE 22 INTEREST RATE RISK WITH A PARALLEL SHIFT UPWARD OF YIELD CURVE BY ONE PERCENTAGE POINT

MSEK	2005	2004
Interest rate risk less than 6 months	1	0
Interest rate risk more than 6 months but less than 5 years	-0	0
Interest rate risk more than 5 years	-0	0
Total interest rate risk	0	0

Proposed Allocation of Losses

Accumulated loss brought forward	SEK	–10,999,595
Group contribution from Landshypotek AB	SEK	216,000,000
Tax effect due to group contribution	SEK	–60,480,000
Total	SEK	144,520,405
<hr/>		
Net loss for 2005	SEK	–155,138,061
Accumulated loss	SEK	–10,617,656

The Board of Directors propose that the accumulated loss, SEK 10,617,656, be carried forward.

Stockholm, 9 March 2006

Kjell Stillman
Chairman

Bertil Andersson

Åsa Simonsson Lönegren

Börje Haglund

Göran Abrahamsson
Managing Director

Audit Report

To the Annual General Meeting in Lantbrukskredit AB (publ.), company 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 2005. These financial statements and the administration are the responsibility of the Board of Directors and the Managing Director, and that The Swedish Annual Accounts Act for Credit Institutions and Securities Companies is applied in preparing the Annual Accounts. 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 mean that we planned and performed the audit in such a way as to get high but not absolute assurance that the Annual Accounts are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements. An audit includes an assessment of the accounting principles applied and the application thereof by the Board of Directors and the Managing Director, and an assessment of the critical estimates made by the Board of Directors and the

Managing Director in preparing the Annual Accounts, and evaluation of the overall information contained in the Annual Accounts. As a basis for our statement on discharge from responsibility, we have examined significant decisions, measures and circumstances in the Company in order to evaluate whether or not any member of the Board of Directors or the Managing Director is liable for damages to the Company. We have also examined if any member of the Board of Directors or the Managing Director has acted in contravention with the Annual Accounts Act for Credit Institutions and Securities Companies. We believe that our audit provides a reasonable basis for our statements below.

The Annual Accounts are prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and provide a fair representation of results and financial position of Lantbrukskredit AB (publ.) in accordance with generally accepted accounting standards in Sweden. The Administration Report is consistent with the other parts of the Annual Accounts.

We recommend that the income statement and the balance sheet be adopted and that the members of the Board of Directors and the Managing Director be granted discharge from liability for the financial year.

Stockholm, 9 March 2006

Anna Hesselman
Authorised Public Accountant

Bengt Fröander
Authorised Public Accountant

Anders Engström
Authorised Public Accountant
Appointed by the Financial
Supervisory Authority

Administration Report

The Board of Directors and the Managing Director of Landshypotek Jordbrukskredit AB (publ.) (the Company), company number 556263-8808, hereby submit their Annual Accounts for the 2005 operating year.

Operations and organisation

Landshypotek Jordbrukskredit AB is a wholly owned subsidiary of Landshypotek AB (company number 556500-2762). The parent organisation in the group is Landshypotek ekonomisk förening (incorporated association) (company number 769600-5003).

Operations consist of long-term lending to Swedish agriculture and forestry. The Company has no employees. Central functions in Landshypotek AB provide services in the areas of financing, economic administration and IT.

A report of the accounting principles and risk exposure will be found under a separate heading in this Annual Report.

Result

The Company's result before year-end appropriations and taxes amounted to MSEK 8.6 (11.3). Net interest income declined by MSEK 3.3, mainly because the interest rate level was lower than during the preceding year.

Lending operations

Loans outstanding decreased by MSEK 20.4 (135.1) to MSEK 34.9 (55.3). In connection with loan renewals, customers of Landshypotek Jordbrukskredit AB are offered to move the loans to Landshypotek AB, thereby also becoming members of Landshypotek ekonomisk förening. This means that the loan portfolio will be gradually transferred to Parent Company Landshypotek AB. Landshypotek Jordbrukskredit AB has granted a risk sharing guaranty in an amount of MSEK 87.3 to Lantbrukskredit AB relating to engagements in

a district heating group. In addition hereto, risk sharing guaranties in an amount of MSEK 48.1 have been granted for two other engagements.

Liquidity and financing

All surplus liquidity arising during the year was invested with the Parent Company. The Company has no external financing.

Capital adequacy

Based on the proposal of the Board of Directors for allocation of earnings, the capital adequacy ratio stood at 558.4 (403.1) percent at year-end. Data about capital adequacy and its historical development is reported separately in the Annual Report.

Interest, currency and share price risks

The interest risk metric measures the effect on the market value of all interest-bearing assets and liabilities on and off balance when market rates change by one percentage point.

By year-end the Company's interest rate risk was just short of MSEK -1 (-1). Jordbrukskredit has no currency or share price risks.

Credit risks

The maximum credit risks consist of the Group's aggregate lending of MSEK 405 and risk sharing guaranties issued in an amount of MSEK 135, a total of MSEK 540. MSEK 505 of this amount refers to internal risks in the Group.

Group contribution

The Company has rendered a group contribution to Landshypotek AB in the amount of MSEK 40 as a contribution to cover the losses in Lantbrukskredit AB.

Five-year Summary

Profit performance

MSEK	2005	2004	2003	2002	2001
Net interest income	8.8	12.1	16.3	17.4	16.2
Net commission income	0.0	0.0	0.1	0.1	0.2
Operating expenses	-0.4	-0.5	-0.3	-0.5	-1.8
Loan losses	0.2	-0.4	-23.6	-0.1	-0.2
Profit before year-end appropriations and taxes	8.6	11.2	-7.5	16.9	14.4
Assets					
Lending to the public – net	35	55	190	296	253
Other assets	382	349	207	137	223
Total assets	417	404	397	433	476
Liabilities					
Borrowing	0	0	0	50	100
Other liabilities	64	23	24	4	10
Untaxed reserves	0	17	20	21	17
Shareholder's equity	353	364	353	358	349
Total liabilities and shareholder's equity	417	404	397	433	476
Return on adjusted equity	1.71%	2.18%	-1.46%	3.31%	2.73%
Loan loss level	-0.43%	0.32%	9.66%	0.05%	0.06%
Loan loss provision/lending	1.17%	1.40%	0.43%	0.26%	0.24%

Capital adequacy

MSEK	2005	2004	2003	2002	2001
Capital requirement, risk-weighted assets					
Group A	0.0	0.0	0.0	0.0	0.0
Group B	28.4	39.1	2.9	1.5	1.8
Group C	0.3	0.4	1.0	1.3	1.9
Group D	33.9	53.8	188.2	294.4	252.5
Total risk-weighted assets	62.6	93.3	192.1	297.2	256.2
Capital base					
Core capital	353.3	376.0	367.9	373.3	361.1
Supplementary capital					
Subordinated term loans	0.0	0.0	0.0	0.0	10.0
Total capital base	353.3	376.0	367.9	373.3	371.1
Core capital	558.4%	403.1%	191.5%	125.6%	140.9%
Capital adequacy	558.4%	403.1%	191.5%	125.6%	144.8%

Income Statement

SEK thousand	Note	2005	2004
Interest income		8,996	12,102
Interest expense		-170	0
Net interest income	1	8,826	12,102
Commission income	2	36	49
Total other income		36	49
Total operating income		8,862	12,151
General administrative expense	3	-406	-499
Depreciation and write-down of tangible non-current assets	4	0	0
Other operating expenses	5	-10	-8
Total operating expenses		-416	-507
Profit before loan losses		8,446	11,644
Loan losses	6	196	-390
Operating profit		8,642	11,254
Year-end appropriations	7	16,793	3,491
Result before taxes		25,435	14,745
Taxes on the year's net result		-7,240	-4,097
Net result for the year		18,195	10,648

Balance Sheet

SEK thousand	Note	2005	2004
ASSETS			
Loans to credit institutions	8	369,954	342,847
Loans to the public	9	34,864	55,300
Tangible assets			
Furniture and fixtures	10	0	0
Other assets	11	11,423	5,320
Prepaid expenses and accrued income	12	660	794
TOTAL ASSETS		416,901	404,261
LIABILITIES AND SHAREHOLDER'S EQUITY			
Other liabilities	13	63,480	23,482
Accrued expenses and prepaid income	14	77	36
Total liabilities		63,557	23,518
Untaxed reserves	15	0	16,793
Shareholder's equity	16		
Restricted shareholder's equity			
Share capital, number of shares outstanding: 1,000,000 (1,000,000)		100,000	100,000
Legal reserve		159,641	159,641
Unrestricted shareholder's equity			
Retained earnings or loss		75,508	93,661
Net profit for the year		18,195	10,648
Total shareholder's equity		353,344	363,950
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		416,901	404,261
Pledged assets		None	None
Contingent liabilities			
Risk sharing guaranties issued to Lantbrukskredit AB		135,428	191,506

Cash Flow Statement

SEK thousand	2005	2004
Current operations		
Operating profit	8,642	11,254
<i>Adjustment for items not included in cash flow</i>		
Taxes	-7,240	-4,097
<i>Cash flow from current operations before changes in assets and liabilities in current operations</i>	1,402	7,157
<i>Changes in assets and liabilities in current operations</i>		
Lending to the public	20,436	135,132
Lending to credit institutions	-27,107	-147,462
Other assets	-5,970	5,212
Other liabilities	40,039	-39
Cash flow from current operations	28,800	0
Investment activities		
Cash flow from investment activities	0	0
Financing activities		
Group contribution rendered	-40,000	0
Tax effect, group contribution	11,200	0
Cash flow from financing activities	-28,800	0
Increase/decrease in liquid funds		
Change in liquid funds	0	0
Liquid funds at beginning of year	0	0
Liquid funds at year-end	0	0

Notes

SEK thousand

2005 **2004**

NOTE 1 NET INTEREST INCOME

Interest income

Interest income on lending to credit institutions	42	81
Interest income on lending to Landshypotek AB	6,633	6,016
Interest income on lending to the public	2,259	5,885
Other interest income	62	120
Total	8,996	12,102

Average rate of interest on lending to the public 5.01% 4.79%

Interest expense

Interest expense to Landshypotek AB	170	0
Total	170	0

Net interest income **8,826** **12,102**

NOTE 2 COMMISSION INCOME

Lending commissions	36	49
Total	36	49

NOTE 3 GENERAL ADMINISTRATIVE EXPENSE

Other administrative expenses

Costs of premises	0	0
Office expense	2	2
Telecom, data networks and postage expenses	6	8
IT costs	282	306
Purchased services	30	35
Auditing		
Audit fee Öhrlings PriceWaterhouseCoopers	75	59
Other assignments than the audit assignment	0	0
Auditor appointed by the Financial Supervisory Authority	0	43
Other	11	46
Total other administrative expenses	406	499

The Company has no employees and no salaries or other compensation has been paid.

Total general administrative expenses **406** **499**

NOTE 4 DEPRECIATION AND WRITE-DOWNS OF TANGIBLE NON-CURRENT ASSETS

Furniture and fixtures	0	0
Total	0	0

NOTE 5 OTHER OPERATING EXPENSE

Miscellaneous	10	8
Total	10	8

NOTE 6 LOAN LOSSES, NET

Loan losses

This year's write-down for realised losses	217	559
Reversal of prior provisions for probable loan losses reported as realised losses in this year's financial statements	-217	-471
This year's provisions for probable loan losses	0	471
Recovery of prior years' realised losses	-50	-125
Reversal of no longer required provisions for probable loan loss	-146	-44
Total loan losses	-196	390

SEK thousand

2005 **2004**

NOTE 7 YEAR-END APPROPRIATIONS

Change in timing difference reserves	-16,793	-3,491
Total	-16,793	-3,491

NOTE 8 LOANS TO CREDIT INSTITUTIONS

Lending to Group companies	364,000	339,000
Lending to banks	5,863	3,265
Lending to pluggiro	91	582
Total	369,954	342,847

Loans by remaining time to maturity

Payable on demand	5,954	3,847
Remaining maturity: up to 3 months	364,000	339,000
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
Total	369,954	342,847

Loans by remaining period of fixed interest

Payable on demand	5,954	3,847
Remaining period of fixed interest: up to 3 months	364,000	339,000
Remaining period of fixed interest: 3 months to 1 year	0	0
Remaining period of fixed interest: 1 year to 5 years	0	0
Remaining period of fixed interest: more than 5 years	0	0
Total	369,954	342,847

NOTE 9 LENDING TO THE PUBLIC

Loans	35,277	56,088
Less specific provisions for individually valued loans	-413	-788
Loans, net	34,864	55,300

Disclosures on certain nonperforming and doubtful loans

Nonperforming loans where interest is recognised as income	1,546	331
Nonperforming loans that are also doubtful	0	922
Total nonperforming loans	1,546	1,253

Doubtful credits that are not nonperforming	1,286	873
Doubtful credits that are also nonperforming	0	922
Total doubtful loans	1,286	1,795

Restructured loans

Book value before restructuring	0	0
Book value after restructuring	0	0

Doubtful loans that have regained status of normal loans during the year

	0	0
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Loans by remaining time to maturity

Payable on demand	0	0
Remaining maturity: up to 3 months	16,545	33,540
Remaining maturity: 3 months to 1 year	5,422	6,682
Remaining maturity: 1 year to 5 years	9,212	15,012
Remaining maturity: more than 5 years	3,685	66
Total	34,864	55,300

Loans by remaining period of fixed interest

Payable on demand	0	0
Remaining period of fixed interest: up to 3 months	16,545	33,540
Remaining period of fixed interest: 3 months to 1 year	5,422	6,682
Remaining period of fixed interest: 1 year to 5 years	9,212	15,012
Remaining period of fixed interest: more than 5 years	3,685	66
Total	34,864	55,300

SEK thousand

	2005	2004
NOTE 10 TANGIBLE NON-CURRENT ASSETS		
Equipment		
Non-current assets		
Acquisition cost at beginning of year	78	78
Acquisitions during the year	0	0
Disposed of during the year	0	0
Closing acquisition cost	78	78
Accumulated depreciation at beginning year	-78	-78
Year's depreciation	0	0
Accumulated depreciation on assets disposed of	0	0
Closing accumulated depreciation	-78	-78
Total equipment	0	0

NOTE 11 OTHER ASSETS

Tax claim	7,320	5,103
Deferred taxes on tax loss carryforward	3,960	0
Other receivables	143	217
Total	11,423	5,320

NOTE 12 PREPAID EXPENSES AND ACCRUED REVENUE

Prepaid expenses	71	68
Accrued interest Landshypotek AB	496	581
Accrued interest	93	145
Total	660	794

SEK thousand

	2005	2004
NOTE 13 OTHER LIABILITIES		
Due to Group companies	63,454	23,452
Other liabilities	26	30
Total	63,480	23,482

NOTE 14 ACCRUED EXPENSES AND PREPAID INCOME

Prepaid income	77	36
Total	77	36

NOTE 15 UNTAXED RESERVES

Timing difference reserve	0	16,793
Total	0	16,793

NOTE 16 SHAREHOLDER'S EQUITY

Restricted equity		
Share capital, 1,000,000 shares à SEK 100	100,000	100,000
Legal reserve	159,641	159,641
Unrestricted equity		
Retained earnings	104,308	93,661
Group contribution to Landshypotek AB	-40,000	0
Tax effect of group contributions	11,200	0
Net profit for the period	18,195	10,648
Total	353,344	363,950

NOTE 17 SPECIFICATION OF BALANCE SHEET

SEK thousand	Current assets		Non-current assets	
	Book value	Fair value	Book value	Fair value
ASSETS				
Lending to financial institutions	369,954	370,348		
Lending to the public	1,286	1,286	33,578	39,208
Other assets	11,423	11,423		
Prepaid expenses and accrued income	660	660		
Total assets	383,323	383,717	33,578	39,208
LIABILITIES				
		Book value	Fair value	
Other liabilities		63,480	63,480	
Accrued expenses and prepaid income		77	77	
Total liabilities		63,557	63,557	

NOTE 18 INTEREST RATE RISK WITH A PARALLEL SHIFT UPWARD OF YIELD CURVE BY ONE PERCENTAGE POINT

MSEK	2005	2004
Interest rate risk less than 6 months	-1	-1
Interest rate risk more than 6 months but less than 5 years	-0	-0
Interest rate risk more than 5 years	-0	-0
Total interest rate risk	-1	-1

Proposed Allocation of Earnings

Retained earnings	SEK	104,308,059
Group contribution to Landshypotek AB	SEK	–40,000,000
Tax effect due to group contribution	SEK	11,200,000
Total	SEK	75,508,059
<hr/>		
Net profit for year 2005	SEK	18,195,407
At the disposal of the Annual General Meeting	SEK	93,703,466

Conditional upon the approval of the Annual General Meeting, group contributions have been rendered in an amount of MSEK 40,000,000, which has caused unrestricted equity as of the balance sheet date to be reduced by MSEK 28,800,000. The proposed transfer of value in the form of group contributions reduced the Company's capital adequacy ratio to 558.4 percent. The Board of Directors is of the opinion that the proposed dividend, in the form of group contributions, does not compromise the Company's ability to fulfil its obligations in the short term or long term, nor to make any necessary capital investments. The proposed transfer of value can therefore be defended against the background of what is stated in the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2–3.

The Board of Directors proposes that the year's funds available for disposition, SEK 93,703,466, be carried forward.

Stockholm, 9 March 2006

Kjell Stillman
Chairman

Bertil Andersson

Åsa Simonsson Lönegren

Börje Haglund

Göran Abrahamsson
Managing Director

Audit Report

To the Annual General Meeting of Landshypotek Jordbrukskredit AB (publ.), company number 556263-8808.

We have examined the Annual Accounts and the accounting records and the administration of the Board of Directors and the Managing Director of Landshypotek Jordbrukskredit AB (publ.) for the year 2005. These financial statements and the administration are the responsibility of the Board of Directors and the Managing Director, and that The Swedish Annual Accounts Act for Credit Institutions and Securities Companies is applied in preparing the Annual Accounts. 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 mean that we planned and performed the audit in such a way as to get high but not absolute assurance that the Annual Accounts are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements. An audit includes an assessment of the accounting principles applied and the application thereof by the Board of Directors and the Managing Director, and an assessment of the critical estimates made by the Board of Directors and the

Managing Director in preparing the Annual Accounts, and evaluation of the overall information contained in the Annual Accounts. As a basis for our statement on discharge from responsibility, we have examined significant decisions, measures and circumstances in the Company in order to evaluate whether or not any member of the Board of Directors or the Managing Director is liable for damages to the Company. We have also examined if any member of the Board of Directors or the Managing Director has acted in contravention with the Annual Accounts Act for Credit Institutions and Securities Companies. We believe that our audit provides a reasonable basis for our statements below.

The Annual Accounts are prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and provide a fair representation of results and financial position of Landshypotek Jordbrukskredit AB (publ.) in accordance with generally accepted accounting standards in Sweden. The Administration Report is consistent with the other parts of the Annual Accounts.

We recommend that the income statement and the balance sheet be adopted, that the profit be allocated in accordance with the proposal 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, 9 March 2006

Anna Hesselman
Authorised Public Accountant

Bengt Fröander
Authorised Public Accountant

Anders Engström
Authorised Public Accountant
Appointed by the Financial
Supervisory Authority



ASSET



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 ekonomisk förening (incorporated association) with its subsidiary Landshypotek AB, and sub-subsidiaries Lantbrukskredit AB, Landshypotek Jordbrukskredit AB, inactive companies and The General Mortgage Bank of Sweden.

In running text in the Annual Report, “Landshypotek” refers to the Group, according to the definition above. The complete corporate names are used for individual Group companies. The General Mortgage Bank of Sweden is generally referred to as “The General Mortgage Bank.” The sub-group is reported in Landshypotek AB’s Annual Report.

Annual reports (Annual Accounts) are prepared in accordance with the Swedish Annual Accounts Act for Financial Institutions and Securities Companies (ÅRKL) and the directives of the Swedish Financial Supervisory Authority (FFFS 2002:22).

All amounts are given in SEK thousand, unless otherwise specifically stated. In running text, the prior year’s data are given in parentheses.

Group contributions

Group contributions are reported in accordance with statement URA7 of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council.

Yield-related group contributions rendered by Landshypotek AB to the Parent Association, Landshypotek ekonomisk förening, are carried directly to equity in Landshypotek AB. Group contributions rendered to reduce the Group’s taxes are carried directly to equity in each respective company.

Tangible assets

Tangible assets are valued at acquisition cost, less depreciation.

Intangible assets

Expenses associated with intangible assets are capitalised from the point in time when it is probable that the economic benefits that can be calculated in a reliable manner will inure.

Amortisation is based on the economic life of the asset and starts when the asset is put to use.

Depreciation of buildings used in operations, and machinery and equipment

Buildings used in operations are depreciated by two percent per year. Machinery and equipment is depreci-

ated on a straight-line basis over five years and personal computers are depreciated on a straight-line basis over three years.

Revenue recognition

Revenue is recognised in the income statement when it is probable that the future economic benefits will be received and that these benefits can be calculated in a reliable manner.

Valuation of loans outstanding

Lending to the public and to credit institutions is classified as a financial non-current asset and is reported in the balance sheet on the settlement date at acquisition value.

A loan outstanding is classified as “nonperforming” if, without taking the value of collateral or security into consideration, the interest, principal or utilised overdraft is more than 60 days past due.

A loan outstanding is classified as “doubtful” when it appears unlikely that the contractual obligations of the borrower will be fulfilled and when the value of collateral or security is feared not to be sufficient to cover the value of the loan by an adequate margin.

Doubtful credits are valued at the value of recovery, determined based on an assessment of the actual value of collateral or security and the payment capacity of the borrower.

Assessment of the value of collateral or security is performed by applying Landshypotek’s rules for loan value.

The difference between the loan outstanding and an estimated recovery value is reported as a probable loan loss. In addition thereto, loan losses realised during the period are reported as loan losses.

Realised 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 forgiven.

Interest payments received on doubtful credits are reported on a cash basis.

Restructuring of loans

Agreements on concessions involving a restructuring of loans outstanding are made only on an exceptional basis since all lending is secured by collateral, the value of which is realised in the event of default.

Comments are made in the Administration Report regarding any restructuring of loans outstanding.

Provisions

Provisions are reported as a consequence of events that have occurred when it is probable that an outflow of resources will be required to settle the undertaking.

Pension costs

The Company's pension obligations are covered by insurance from Sparinstitutens Pensionskassa and by provisions for pensions with credit insurance from FPG.

Valuation of property taken over for protection of claims

Property taken over for protection of claims is carried as current assets. Upon take-over, such property and other assets are carried at market value. In cases where this value is lower than Landshypotek's claim, the difference is reported as realised loan loss.

Valuation of derivatives

Derivative instruments are used by Landshypotek only to hedge interest and currency risks. Hedge accounting is applied to items included in the hedging operation and secured positions.

Valuation at fair value is applied in hedging of currency risks (mark-to-market hedge accounting) and hedge accounting with valuation at cost (deferral hedge accounting) for hedging of interest rate risks.

Accrual of interest, etc.

Interest difference compensation received in connection with early repayment of loans with fixed interest is credited to the period to which it is attributable.

Premiums and discounts on issued and repurchased bonds are allocated over the time remaining to maturity of the bond. Repurchased older sinking fund bonds are cancelled and are accounted for recognised at the rate prescribed in the repayment plan. Bonds not cancelled held in treasury are valued at average acquisition cost.

Exchange rate differences attributable to discounted instruments are allocated to the relevant period according to the effective yield method.

Foreign currency

Receivables and liabilities denominated in foreign currency are reported at the year-end rate of exchange. In closing statements these items are reported at rate of exchange prevailing on the closing day.

Landshypotek AB offers loans in euro and has a small portion of its loans outstanding in this currency against matching borrowing.

Hedge accounting as described above is applied for all other borrowing in foreign currency.

Financial instruments

Cap (interest rate ceiling), premiums are allocated to the right period over the life of the instrument. Used solely as a hedging instrument.

CIRS (Currency Interest Rate Swaps) are carried at acquisition value. Premiums and discounts do not exist. Used to convert borrowing in foreign currency to SEK. Flows in foreign currency are matched.

Coupon bonds are carried at accrued acquisition value. Any premiums or discounts are allocated to the right period over the remaining life of the bond. For a bond with variable coupon interest (FRN), any price differences are allocated to the first interest due date.

Credit market notes are carried at acquisition value. Premiums and discounts do not exist.

Deposits are carried at acquisition value. Premiums and discounts do not exist. May be issued with both one or several interest periods.

Discounted instruments, i.e. commercial paper and zero-coupon bonds, are carried at accrued acquisition value. Any discount is allocated to the right period according to the effective rate method.

IRS (Interest Rate Swaps) is an off-balance-sheet instrument. The most common feature is that interest streams are swapped, e.g. fixed interest to three-month interest.

Lending to customers, i.e. the Company's traditional product, is carried at nominal amounts. Premiums and discounts do not exist.

Subordinated loans are carried at accrued acquisition value. Any premiums or discounts are allocated to the right period over the remaining life of the instrument.

Term loan and Schuldscheine are instruments of FRN design and are carried at accrued acquisition value. Any premiums or discounts are allocated to the first interest due date.

Tax expenses

Reported tax expenses include taxes for the current year, adjustments relating to prior years' current taxes and changes in deferred taxes. Deferred taxes are the taxes attributable to all temporary differences that arise between reported values and values for tax purposes of assets and liabilities.

Risk Exposure

CREDIT RISKS

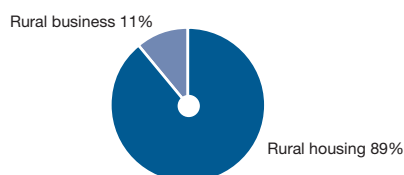
Credit risk is defined as the risk that the borrower fails to fulfil his or her obligations to the Group, and the risk that collateral pledged is insufficient to cover the Group's claim. Landshypotek's operations as a first mortgage lending institution, is specialised in credits to Swedish agriculture and forestry, which is a customer segment which in Sweden has very low risk.

The Board of Directors of Landshypotek has the over-arching responsibility for credit risk exposure and sets guidelines through its credit policy and credit instruction for limitation and management of credit risks. Limits are delegated to the decision-making levels applied by Landshypotek via a risk-differentiated decision-making process. At Landshypotek the following levels apply: Board of Directors, credit council, credit committee, regional manager and credit manager. The usual principle of dualism is applied to credit decisions, which means that credit decisions are always made jointly by two persons.

Risk evaluation and risk management

Borrowers

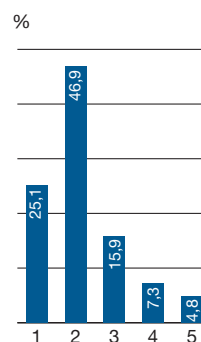
The structural transformation of agriculture has meant that the number of entrepreneurs in agriculture and forestry has shrunk and been replaced by a greater element of housing where the business activity is a secondary occupation or more has the character of a leisure time activity. As a way of adapting to this development, and to make a fair assessment of potential borrowers possible, Landshypotek classifies borrowers in two different customer categories: Rural housing [Landsbygdsboende (LBB)] and rural business [Landsbygdsföretagande (LBF)].



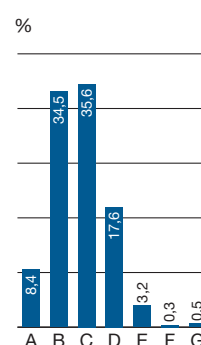
Distribution of Landshypotek's borrowers.

Landshypotek has effective tools as aids in assessing the repayment capability of borrowers and the risk of default. The central elements of the credit appraisal process are the external credit check, the risk classification of borrowers and the determination of the value of collateral and security. If the aggregate risk assessment of the borrower, for which the degree of leverage and loan volume are taken into account, points to a higher level or risk, standard decision premises are compiled and the matter is brought before a higher decision-making body.

Assessment of the credit quality of LBF customers, risk classification, is performed on a scale from A to H, where A represents the highest credit quality. For LBB customers the assessment levels are 1 to 6, where risk class 1 is equivalent to the highest credit quality.



Proportion of rural housing customers (LBB) per risk class (not including the risk class for defaulted customers).



Proportion of rural business customers (LBF) per risk class (not including the risk class for defaulted customers).

Collateral

All loans are made against mortgage deeds within 75 percent of internally determined degree of leverage based on an assessment of the actual value of the collateral. Loan value is the amount based on which the degree of leverage is determined and is the long-term sustainable value of the collateral. It is up to the credit officer to approve, or in case of need perform appropriate downward adjustments of the latest applicable appraisal of the property.

The staff of the regional offices is assisted in the valuation process by the organisation of representatives of Landshypotek ekonomisk förening 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.

Landshypotek's lending is based on the principle of individual evaluation of financed properties. The value is determined based on the tax assessment values or other circumstances known about the property. In case of doubt, a physical on-site inspection of the property is always performed by Landshypotek's representatives and the value is documented in an appraisal opinion in writing.

Landshypotek has a long tradition of using the degree of leverage as the primary instrument for controlling the risk of not having adequate collateral in the event of default. The relationship between degree of leverage and financial loss has been statistically proven and Landshypotek can demonstrate that the probable loss even at the highest range of degree of leverage is very low. From 2005, Landshypotek AB risk classifies the collateral, which means that the risk that the collateral does not cover the claim in the event of default is assessed in connection with each new credit evaluation.

Lantbrukskredit AB may accept other forms of security than real estate mortgage deeds, such as personal guaranty or corporate mortgages, but such security is only permitted as a complement to real estate mortgage deeds by Landshypotek AB.

Follow-up and analysis

A majority of the borrowers categorised as production farmers were risk classified following an individual assessment of quantitative and qualitative risk factors. Monitoring of changes in borrower category, risk class and value of the collateral is the duty of the regional offices. All engagement where the risk is higher than average, are annually assessed and presented to the Board of Directors.

The central credit department is responsible for credit risk monitoring and the credit policy, instructions and routines. The internal regulation defining the lending policy is assembled in the "Credit Handbook" with which in the day-to-day conduct of business is the responsibility of the credit department.

Validation of risk classification models, and the risk classification system as a whole, is performed by the risk controller, who is independent of the business activity. Ongoing development and improvement of the tools for risk evaluation is performed through interaction between the risk controller, the central credit department and Landshypotek's experienced regional officers.

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

The Landshypotek Group, capital base MSEK 3,658.0, reports one engagement, MSEK 562.4, as being a large exposure.

Landshypotek AB

Landshypotek AB, capital base MSEK 3,641.7, reports no engagements as being a large exposure, but the risk sharing guaranty granted to Lantbrukskredit AB is reported as a large exposure. The loan portfolio contains 175 engagements exceeding MSEK 10 in an aggregate amount of MSEK 2,639.1. The amount of the largest single engagement is MSEK 51.7.

Lantbrukskredit AB

Lantbrukskredit AB, capital base MSEK 146.5, net, reports four engagements as being large exposures. The largest engagement is in the amount of MSEK 562.4 and others at between MSEK 34.2 and MSEK 83.0, or a total of MSEK 718.0.

For three of the above large engagements, a total of MSEK 683.8, risk-sharing guaranties totalling MSEK 135.4 (191.5) have been granted by Landshypotek Jordbrukskredit AB. For the largest engagement a risk sharing guaranty in the amount of MSEK 240.6 (443.7) has also been granted by Landshypotek AB.

Landshypotek Jordbrukskredit AB

In addition to the above mentioned risk-sharing guaranties, Landshypotek Jordbrukskredit AB, capital base MSEK 353.3, reports no large exposure.

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.

Day-to-day management and control of the financial risks in the business are primarily exercised by the finance department, which is divided into different areas of responsibility with well defined administrative boundaries. The chief administrative officer is responsible for independent review and quality assurance of reported risk-taking to the risk and finance committee.

In addition, the operations are supported by the latest in financial management systems with well developed routines for the day-to-day work as well as for risk calculations and analysis.

Market risks

In Landshypotek'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 analysed on a current basis using gap analysis.

If matched borrowing cannot be obtained, interest rate swaps are utilised 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 approved counterparties. All lending in EUR is hedged by matching borrowing.

Liquidity risks

By liquidity risks is meant the risk that one or more of the Group's companies are 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 in the financial markets are required within as well as outside Sweden for Landshypotek's borrowing opportunities to be negatively affected.

Landshypotek AB has committed credit facilities from Swedish and foreign banks totalling about SEK 7 billion.

OPERATIVE RISKS

Operative risks also arise in the company in addition to credit risks and financial risks. By this is meant the risks that arise in running 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 organisation, rules and routines, and active security work.

Management and control of operative risks is mainly conducted 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. Great importance is attached to choice of suppliers and co-operation partners, and to building and organising IT systems.

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

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.

Senior Management



Kjell Stillman
Managing Director



Göran Abrahamsson
Business Development Officer



Börje Haglund
Controller and
Chief Administrative Officer



Rolf Åttingsberg
Chief Credit Officer



Lena Mörk
Risk Controller



Per Smedberg
Deputy Managing Director and
Chief Financial Officer



Henrik Lundin
Chief Information Officer



Patrik Liljedahl
Corporate Counsel

Boards of Directors

Landshypotek ekonomisk förening (incorporated association)

Stig Lindén, Borensberg, Chairman.
Bertil Andersson, Nora, Vice Chairman.
Lars Bäckström, Tösse, Director.
Berndt Carlsson, Skövde, Director.
Stig Högberg, Söråker, Director.
Olof Jakobsson, Havdhem, Director.
Anders Johansson, Läckeby, Director.
Staffan Skoglund, Dala-Järna, Director.
Kjell Stillman, Västerås, Managing Director, Director.
Peder Thott, Svedala, Director.
Henrik Toll, Sorunda, Director.
Eivor Nilsson, Växjö, Employee Representative Finansförbundet, Director.
Eva Wedberg, Lund, Employee Representative SACO, Director.

Auditors

Anna Hesselman, Stockholm, Authorised Public Accountant.
Magnus Aaby-Ericsson, Alvesta, University Diploma in Agricultural and Rural Management.
Lars-Åke Folkmer, Kvånum, University Diploma in Agricultural and Rural Management.

Deputy Auditors

Bengt Fröander, Stockholm, Authorised Public Accountant.
Per Eriksson, Gårds Köpinge, agronomist.
Stig Lennartsson, Fjugesta, farmer.

Landshypotek AB

Ulf Dinkelspiel, Stockholm, Chairman.
Olof Jakobsson, Havdhem, Director.
Anders Johansson, Läckeby, Director.
Richard Montgomery, Flen, Director.
Kjell Stillman, Västerås, Managing Director, Director.
Peder Thott, Svedala, Director.
Henrik Toll, Sorunda, Director.

Auditors

Anna Hesselman, Stockholm, Authorised Public Accountant.
Anders Engström, Stockholm, Authorised Public Accountant, Appointed by the Financial Supervisory Authority.
Bengt Fröander, Stockholm, Authorised Public Accountant.

Deputy Auditors

Ulf Pettersson, Lidingö, Authorised Public Accountant.
Sten Widén, Tyresö, Authorised Public Accountant.

The General Mortgage Bank of Sweden

Ulf Dinkelspiel, Stockholm, Chairman. Appointed by the Government.
Nils Dexe, Täby, Vice Chairman. Appointed by the Government.
Bertil Andersson, Nora, Director. Appointed by Landshypotek.
Carl Edblom, Arnäsavall, Director. Appointed by Landshypotek.
Anders Johansson, Läckeby, Director. Appointed by Landshypotek.
Per Smedberg, Dalarö, Managing Director, Director.

Deputy Board of Directors

Berndt Carlsson, Skövde. Appointed by Landshypotek.
Erik Hallström, Solna. Appointed by the Government.
Carl G Nilsson, Åtvidaberg. Appointed by the Government.
Peder Thott, Svedala. Appointed by Landshypotek.
Henrik Toll, Sorunda. Appointed by Landshypotek.

Auditors

Anders Engström, Stockholm, aukt. revisor, Appointed by the Financial Supervisory Authority.
Bengt Fröander, Stockholm, aukt. revisor, Appointed by the Financial Supervisory Authority.

Deputy Auditors

Lars-Ola Andersson, Stockholm, Authorised Public Accountant, Appointed by the Financial Supervisory Authority.
Sten Widén, Tyresö, Authorised Public Accountant, Appointed by the Financial Supervisory Authority.

Lantbrukskredit AB

Kjell Stillman, Västerås, Chairman.
Göran Abrahamsson, Stockholm, Managing Director, Director.
Bertil Andersson, Båstad, Director.
Börje Haglund, Rönninge, Director.
Åsa Simonsson Lönegren, Bagarmossen, Director.

Auditors

Bengt Fröander, Stockholm, Authorised Public Accountant.
Anna Hesselman, Stockholm, Authorised Public Accountant.
Anders Engström, Stockholm, Authorised Public Accountant, Appointed by the Financial Supervisory Authority.

Deputy Auditors

Ulf Pettersson, Lidingö, Authorised Public Accountant.
Sten Widén, Tyresö, Authorised Public Accountant.

Landshypotek Jordbrukskredit AB

Kjell Stillman, Västerås, Chairman.
Göran Abrahamsson, Stockholm, Managing Director, Director.
Bertil Andersson, Båstad, Director.
Börje Haglund, Rönninge, Director.
Åsa Simonsson Lönegren, Bagarmossen, Director.

Auditors

Bengt Fröander, Stockholm, Authorised Public Accountant
Anna Hesselman, Stockholm, Authorised Public Accountant.
Anders Engström, Stockholm, Authorised Public Accountant, Appointed by the Financial Supervisory Authority.

Deputy Auditors

Ulf Pettersson, Lidingö, Authorised Public Accountant.
Sten Widén, Tyresö, Authorised Public Accountant.



Nils Dexe

Per Smedberg

Carl Edblom

Bertil Andersson

Anders Johansson

Ulf Dinkelspiel

Richard Montgomery

- Lantbrukskredit AB
- Landshypotek Jordbrukskredit AB
- The General Mortgage Bank of Sweden
- Landshypotek AB
- Landshypotek ekonomisk förening

Directors

Stig Lindén, b. 1940, Borensberg, University Diploma in Agricultural and Rural Management, Chairman, Landshypotek ek. för. (inc. ass), Chairman, Landshypoteks Forskningsstiftelse, Stiftelsen Lantbruksforskning and in Agro Väst. Director, LRF, The Royal Swedish Academy of Forestry and Agriculture and in Barksäters egendom. Senior appraiser in Agria Gröda.

Ulf Dinkelspiel, b. 1939, Stockholm, Ambassador, Chairman of Landshypotek AB and The General Mortgage Bank of Sweden. Chairman of Stiftelsen Sverige i Europa and Föreningen Svenskar i Världen. Vice Chairman of ICC Sverige and The Royal Institute of Technology. Director of E. Öhman J:or AB, Nordnet AB, AB Ångpanneföreningen, Springtime AB and Bockholmen Hav och Restaurang AB.

Göran Abrahamsson, b. 1952, Stockholm, Business Development Officer, Landshypotek AB, Managing Director, Lantbrukskredit AB, Director, Lantbrukskredit AB, Managing Director, Landshypotek Jordbrukskredit AB, Director, Landshypotek Jordbrukskredit AB, Chairman of Lantmästarförbundet, Chairman, Sveriges Maskinringar, Vice Chairman, European Maskinringar (EMR).

Bertil Andersson, b. 1940, Nora, farmer, First Vice Chairman of Landshypotek ek. för. (inc. ass), Director, The General Mortgage Bank of Sweden, audit chairman, Municipality of Nora.

Bertil Andersson, b. 1951, Båstad, Regional Manager, Landshypotek Skåne. Director, Lantbrukskredit AB and Landshypotek Jordbrukskredit AB.

Lars Bäckström, b. 1946, Tösse, accounting consultant, Director, Landshypotek ek. för. (inc. ass).



Peder Thott

Olof Jakobsson

Henrik Toll

Eva Wedberg

Stig Högberg

Lars Bäckström

Eivor Nilsson

Staffan Skoglund

Berndt Carlsson, b. 1939, Skövde, farmer, Director, Landshypotek ek. för. (inc. ass), Alternate Director, The General Mortgage Bank of Sweden.

Nils Dexe, b. 1948, Justice of the Supreme Administrative Court, Vice Chairman, The General Mortgage Bank of Sweden.

Carl Edblom, b. 1944, Aranäsvall, farmer, Director, The General Mortgage Bank of Sweden, Managing Director, CETAB, Director, Chairman, audit staff of the Municipality of Örnsköldsvik.

Börje Haglund, b. 1944, Rönninge, Controller and Chief Administrative Officer, Landshypotek AB, Director, Lantbrukskredit AB and Landshypotek Jordbrukskredit AB.

Stig Högberg, b. 1960, Söråker, farmer, Director, Landshypotek ek. för. (inc. ass), Chairman. LRF Västernorrland, Director, LRF and Länsförsäkringar Västernorrland.

Olof Jakobsson, b. 1944, Havdhem, University Diploma in Agricultural and Rural Management, Director, Landshypotek ek. för. (inc. ass) and Landshypotek AB.

Anders Johansson, b. 1948, Läckeby, farmer, Director, Landshypotek ek. för. (inc. ass), Landshypotek AB and The General Mortgage Bank of Sweden, Director, Lyckeby Stärkelsen and of H.S. Kalmar Kronoberg.

Richard Montgomery, b. 1955, Flen, Bachelor of Science (Econ.), Director, Landshypotek AB. Director of Änhammar Säteri AB.

Eivor Nilsson, b. 1961, Växjö, clerk, Landshypotek Småland, employee representative, Finansförbundet, Director of Landshypotek ek. för. (inc. ass).



Berndt Carlsson

Stig Lindén

Kjell Stillman

Göran Abrahamsson

Börje Haglund

Åsa Simonsson
Lönegren

Bertil Andersson

Åsa Simonsson Lönegren, b. 1951, Bagarmossen, clerk, Landshypotek's head office, Director, Lantbrukskredit AB and Landshypotek Jordbrukskredit AB.

Staffan Skoglund, b. 1948, Dala-Järna, farmer, Director, Landshypotek ek. för.

Per Smedberg, b. 1948, Deputy Managing Director, Landshypotek ek. för. (inc. ass), Deputy Managing Director and Chief Financial Officer, Landshypotek AB, Managing Director and Director, The General Mortgage Bank of Sweden.

Kjell Stillman, b. 1948, Västerås, Managing Director and Director, Landshypotek ek. för. (inc. ass), and Landshypotek AB, Chairman, Lantbrukskredit AB and Landshypotek Jordbrukskredit AB.

Peder Thott, b. 1942. Svedala, Bachelor of Science (Econ.), Director, Landshypotek ek. för. (inc. ass) and Landshypotek AB. Alternate Director, The General Mortgage Bank of Sweden, Managing Director and Director, Skabersjö Gods AB. Chairman, Sydmalt AB and Sannarp AB. Director, Trolleholms Gods AB, Näsbyholm Fideikomiss AB and Södersläotts Spannmålsgrupp ek. för. Alternate Director, Skånska Biobränslebolaget AB.

Henrik Toll, b. 1954, Sorunda, Director, Landshypotek ek. för. (inc. ass) and Landshypotek AB. Alternate Director, The General Mortgage Bank of Sweden. Director, Jacobsbergs Gårdsförvaltning AB and Jacobsbergs Invest AB. Director, Stora Sundby Lantbruks och Fritids AB, Vidbynäs förvaltnings AB, Harry Cullbergs Fond and Djursnäs säteri AB.

Eva Wedberg, b. 1970, Lund, clerk, Landshypotek Skåne, employee representative, Director of Landshypotek, ek. för. (inc. ass).

Addresses

HEAD OFFICE LANDSHYPOTEK AB

Strandvägen 1, Box 14092, SE-104 41 Stockholm
Telephone +46-8-459 04 00, Telefax +46-8-459 04 21

REGIONAL OFFICES GOTLAND

Regional manager
Håkan Ahlsten
Österväg 17
SE-621 45 Visby
Telephone +46-498-20 75 70
Telefax +46-498-21 85 74

Storgatan 43
SE-620 12 Hemse
Telephone +46-498-20 75 75
Telefax +46-498-48 47 13

GÄVLE-DALA

Regional manager
Gunnar Klint
Södra Centralgatan 5
Box 1267, SE-801 37 Gävle
Telephone +46-26-13 46 90
Telefax +46-26-51 31 35

c/o Dalarnas Försäkringsbolag
Slaggatan 9
Box 1437, SE-791 14 Falun
Telephone +46-23-78 87 50
Telefax +46-23-78 87 59

MÄLARPROVINSERNA

Regional manager
Håkan Ahlsten
Strandvägen 1
Box 14092, SE-104 41 Stockholm
Telephone +46-8-412 57 00
Telefax +46-8-700 00 07

c/o Länsförsäkringar Uppsala
Svartbäcksgatan 44
Box 2147, SE-750 02 Uppsala
Telephone +46-8-412 57 08
Telefax +46-18-68 55 45

Loans +46-771-44 00 20
Interest and investments
+46-771-44 00 30

Internet: www.landshypotek.se
TV4: Text page 190

c/o Länsförsäkringar Bergslagen
Stora gatan 41
Box 1046, SE-721 26 Västerås
Telephone +46-8-412 57 11
Telefax +46-21-19 01 00

NORRLAND

Regional manager
Björn Eriksson
Nybrogatan 10
Box 64, SE-871 22 Härnösand
Telephone +46-611-53 36 60
Telefax +46-611-51 16 45

SKÅNE

Regional manager
Bertil Andersson
Kyrkogatan 13
Box 1017, SE-221 04 Lund
Telephone +46-46-32 75 40
Telefax +46-46-13 92 17

c/o Länsförsäkringar Göinge
Andra Avenyn 14
Box 54, SE-281 21 Hässleholm
Telephone +46-46-32 75 45
Telefax +46-451-135 40

c/o Länsförsäkringar Kristianstad
Tivoligatan 6
Box 133, SE-291 22 Kristianstad
Telephone +46-46-32 75 45
Telefax +46-44-21 14 65

SMÅLAND AND OTHER PROVINCES

Regional manager
Lars-Eric Johansson
Kungsgatan 12
Box 1205, SE-351 12 Växjö
Telephone +46-470-72 64 50
Telefax +46-470-167 66

WERMLAND

Regional manager
Jörgen Larsson
Älvgatan 1
Box 421, SE-651 10 Karlstad
Telephone +46-54-17 74 90
Telefax +46-54-18 39 88

ÄLVSBORGS AND OTHER PROVINCES

Regional manager
Olof Helmersson
Lyckans väg 4
Box 5047, SE-402 21 Göteborg
Telephone +46-31-708 36 00
Telefax +46-31-20 94 26

Skaraborgsgatan 34
Box 66, SE-532 21 Skara
Telephone +46-511-34 58 80
Telefax +46-511-34 74 10

ÖREBRO

Regional manager
Bo Tivell
Stortorget 4
Box 415, SE-701 48 Örebro
Telephone +46-19-16 16 30
Telefax +46-19-12 31 29

ÖSTGÖTA

Regional manager
Anders Aschan
Vasavägen 5
Box 114, SE-581 02 Linköping
Telephone +46-13-10 65 10
Telefax +46-13-12 71 70

SUBSIDIARIES

LANDSHYPOTEK

JORDBRUKSKREDIT AB

Strandvägen 1
Box 14092, SE-104 41 Stockholm
Telephone +46-8-459 04 80
Telefax +46-8-783 59 70

LANTBRUKSKREDIT AB

Strandvägen 1
Box 14092, SE-104 41 Stockholm
Telephone +46-8-459 04 32
Telefax +46-8-667 21 18

THE GENERAL MORTGAGE BANK OF SWEDEN

Strandvägen 1
Box 14092, SE-104 41 Stockholm
Telephone +46-8-459 04 00
Telefax +46-8-783 01 54

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Translation: Ole Böök

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Organisation

