



 LANDSHYPOTEK

LANDSHYPOTEK

ANNUAL REPORT 2011

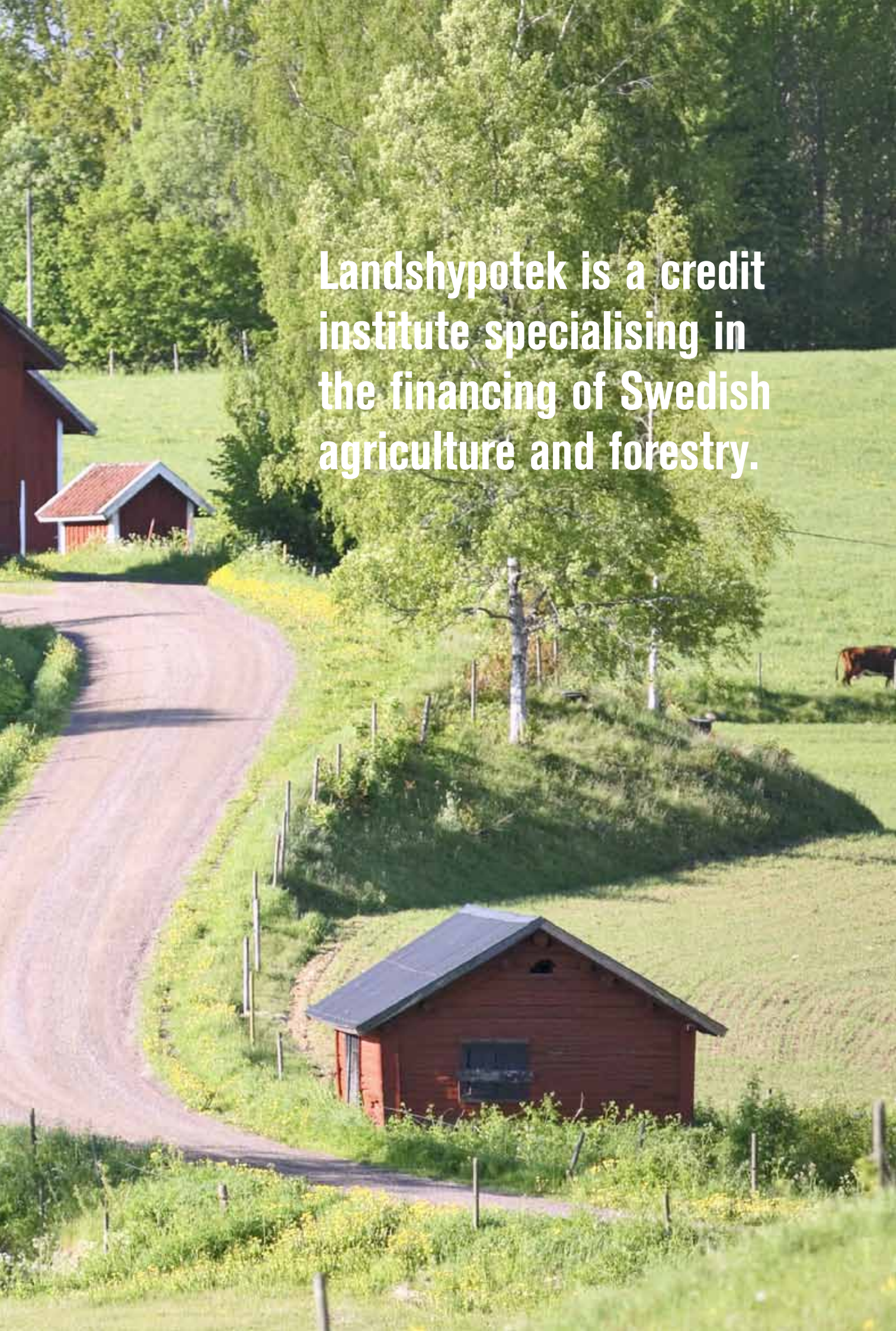
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Schedule of Information

Annual Meeting (association)	10 May 2012
Annual Meeting	10 May 2012
Interim Report Q1	10 May 2012
Interim Report Q2	30 July 2012
Interim Report Q3	29 October 2012



A scenic view of a Swedish countryside. In the foreground, a red barn with a dark roof sits on a grassy slope. A dirt road curves through the middle ground. In the background, there are more green fields, a cow grazing, and a dense forest of tall trees. The text is overlaid on the upper right portion of the image.

**Landshypotek is a credit
institute specialising in
the financing of Swedish
agriculture and forestry.**



Landshypotek in brief

Landshypotek is a member-owned credit institution tasked with providing competitive financing to Sweden’s farm and forest owners. In collaboration with partners, Landshypotek also provides other financial services to meet customers’ business needs, including favourable banking and insurance services. In addition, Landshypotek has introduced deposit accounts that offer competitive interest rates. With loans outstanding of approximately SEK 55 billion, Landshypotek is the market leader for lending on agricultural and forestry properties.

Landshypotek is owned by its members. All borrowers at Landshypotek are also members of Landshypotek, ekonomisk förening. As a cooperative association, the members both own and operate the business activities they need. When a surplus arises, the members themselves determine whether the surplus should be reinvested in operations or paid out as dividends.

Double Member Benefit

The business concept behind Landshypotek is the provision of financing on favourable terms to Sweden’s farm and forest owners – Landshypotek’s members. From this starting point, the business has subsequently evolved according to members’ needs with a supplementary range of financial services. Since owners and borrowers are one and the same person, no conflict of interest exists between what is beneficial for the company and what is beneficial for the borrowers.

The Members’ Lift

– A REINFORCEMENT OF CAPITAL AND CUSTOMER BENEFIT, LANDSHYPOTEK CHANGES FROM BONUSES TO DIVIDENDS

Landshypotek has implemented a new profit-sharing model. The model is called the Members’ Lift which means that Landshypotek strengthens its own capital thus increasing the value of being a member. For each individual member, a clearer connection is made between contributed capital and Landshypotek’s profit.

Landshypotek pays dividends in direct proportion to the contributed capital of members. A substantial amount of contributed capital results in a substantial share; a smaller amount of contributed capital results in a smaller share. This means that the better the performance of Landshypotek and the larger the amount of contributed capital a member has, the larger the dividend will be. Contributed capital is limited to a maximum of 4 percent of the loan amount. A forecast based on the last few years’ profit would result in a dividend of between 8 and 10 percent on contributed capital. However, no guarantees exist as regards the size of the dividend, which is dependent of the performance of Landshypotek and its capital situation.

This model provides Landshypotek with rapid reinforcement of its equity, thus providing Landshypotek with a stronger position in the capital markets and enabling borrowing costs to be reduced. This, in its turn, creates scope for operations to increase profitability and thereby increase dividends to members while minimising loan costs.





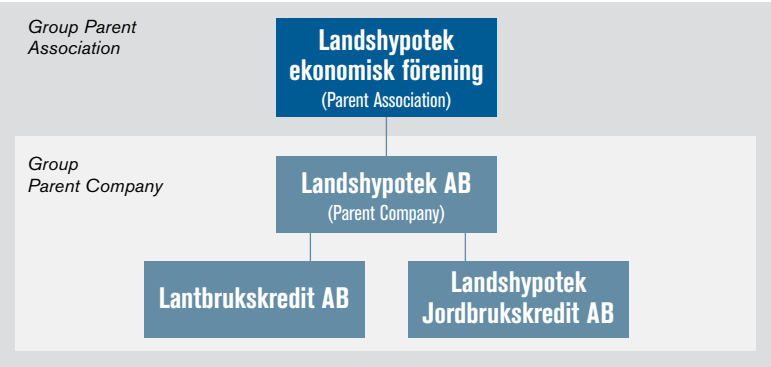
Business overview

Landshypotek is organised into eight districts and 18 sales offices throughout the country. The districts have access to a network of elected representatives in Landshypotek, ekonomisk förening that are among the country’s foremost experts in the valuation of agricultural and forestry properties. Our local presence is a success factor for the business.

Group structure

Landshypotek, ekonomisk förening owns 100 percent of the shares in Landshypotek AB and is the parent association of the group of financial companies. All borrowers at Landshypotek AB are members of Landshypotek, ekonomisk förening.

Landshypotek AB is the Parent Company of the sub-group, and more than 90 percent of operations in the sub-group are conducted by the Parent Company Landshypotek AB. Other companies in the sub-group are Landshypotek Jordbrukskredit AB and Lantbrukskredit AB, which are both 100-percent owned by Landshypotek AB.



DIVIDEND

The Board of Directors proposes that MSEK 122 (89) of the year’s earnings be distributed to the members of Landshypotek, ekonomisk förening. The dividend is to be paid in the form of a refund of MSEK 91, equivalent to 4.5 percent (4.5) of interest paid on ordinary loan interest, and MSEK 31, equivalent to 3.0 percent (3.0) of interest on contributed capital.

LENDING

The Group’s lending increased by 7.4 percent to MSEK 55,580 (51,773).

OPERATING PROFIT

Operating profit, not including the net result of financial transactions, amounted to MSEK 517 (346).

CAPITAL ADEQUACY

The Group’s capital adequacy ratio was 1.16.

LOAN LOSSES

Reliable appraisals and a sound approach to granting credit means that Landshypotek makes minimal loan losses. Loan losses amounted to MSEK 8.9.

A misty forest path with tall trees and a soft light at the end of the road. The path is covered in fallen leaves and branches, and the trees are bare, suggesting autumn or winter. The light at the end of the path creates a warm, golden glow that fades into the misty background.

OUR MISSION STATEMENT

Landshypotek exists for its members. We aim to be the first choice for all financing for agriculture and forestry. We undercut the market and provide an alternative to the major banks.

Our assignment

A MEMBER-OWNED CREDIT INSTITUTION PROVIDING COMPETITIVE FINANCING FOR AGRICULTURE AND FORESTRY

The very reason for our existence is based on our niche, our competence in our niche, the favourable terms we provide and our form of ownership. We undercut the market and provide an alternative to the major banks.

Our objective

THE FIRST CHOICE FOR ALL FINANCING FOR AGRICULTURE AND FORESTRY

It is important that our members feel that Landshypotek is their credit institute. We offer a widened range of products and services even though financing is our core business. This is the area in which we have the greatest knowledge and competence.

Our values

LONG-TERM • CONSIDERATE • COMPETENT

We support our members throughout their lives and across generations. Our customers are of paramount importance; we see them and prioritise them. We are open and honest. We are clear and simple. We are pleasant, positive and welcoming, while concurrently setting requirements and acting professionally. We possess financing expertise and understand our customers' business activities.

What we offer

BENEFIT TO MEMBERS • KNOWLEDGE • SECURITY

We create member benefits from a customer and owner perspective. We are experts in agriculture and forestry. We are a fast and efficient partner. Our customers can trust us.

Our promise

EXPERTISE • SECURITY

We are knowledgeable and our customers can feel safe in the manner in which we treat them and manage risk.

Who we are here for

MEMBERS • CUSTOMERS • EMPLOYEES

We strive to look after the interests of our members (that is, our owners) and our customers.

We tackle challenges from a position of strength

“Landshypotek is a safe though sprightly 175 year-old in a turbulent banking and finance market.”

“We believe in the continued will to develop Swedish agriculture and forestry.”

Landshypotek has made investments in Swedish agriculture and forestry possible for 175 years. Offering farmers and forest owners competitive terms for borrowing remains our business concept to this very day. Now, Landshypotek is taking additional steps in its development to better meet demand from members.

Many wish to invest in agriculture and forestry. In 2011, Landshypotek enabled farmers and forest owners to invest an additional SEK 3.8 billion in these green industries. Many are facing new investments; we see a generation change and a continued consolidation into larger holdings. Therefore, demand for loans continues to be substantial. In total, Landshypotek has lent SEK 55.5 billion to Swedish farmers and forest owners.

Landshypotek is a safe though sprightly 175 year-old in a turbulent banking and finance market. At the moment of writing, the attention of the media is focused on the crisis in Greece. Strained public finances are gripping the entire EU and, in the wake of the financial and sovereign-debt crises, stricter regulation and raised requirements for liquidity and profitability are expected. These requirements will make lending more expensive which will impact customers. We can expect increased amortisation requirements in the future and lending linked to stipulations requiring borrowers' finances to be sufficient to repay the debt and not just service the interest payments. Lines of credit will not be unlimited, which was how they may have been perceived for a time.

Those of us who work in the banking and finance sector are preparing for the time following these financial crises. A more stable and sustainable future is being planned for. In many ways, it is a return to sounder values. Society cannot afford a constant stream of financial crises.

These developments are fully manageable for Landshypotek. We tackle these challenges from a position of strength.

During the year, we have worked purposefully to strengthen the financial base and lower our financing costs. Landshypotek's operating profit was MSEK 517, of which MSEK 230 was attributable to the sale of the property Strandvägen 1 property. Return on equity was 7.0 percent for the year. Lending growth was 7.4 percent.

We completed a successful funding issue in the market and, in January, our AAA rating was confirmed on covered bonds. In the autumn, our company rating was raised from A- to A with a stable outlook. This was confirmation of our healthy profitability and capital situation. The rating is extremely significant for our funding costs.

We have maintained a high pace in the development of the business. We have freed up capital that was needed in the business. We have added new energy in key positions in the management structure. We are now investing in a new business system and our IT structure is being updated. The entire organisation was modernised when our 18 offices were organised into eight districts.

Substantial emphasis was placed on collaboration with the local elected representatives when the new organisation was designed. The changes made enhance the organisation's efficiency and strengthen the decentralisation of business activities. We want close proximity to the market to be able to understand the needs of customers and create the right prerequisites for a healthy risk profile.

Landshypotek is taking further steps in its development to better meet customer demand. Following tremendous engagement from elected representatives, boards, employees and members, we have produced a new mission statement and strategy.

There is a great degree of unity among the above about the path forward. They wish to be part of a competitive and profitable financial institution for the Swedish agricultural and forestry industries.

Landshypotek will grow and take market shares. This is a prerequisite for undercutting the competition in lending to the agricultural and forestry industries. Our plan for growth is both necessary and fully realisable with the existing cost base. We can utilise economies of scale as the cost base is allocated over ever-expanding operations.

Our ambition is to be the first choice for all financing for agriculture and forestry. An increasing number of products and services are therefore on offer to customers. In April, we started taking deposits and offering our customers the opportunity of saving at advantageous terms. During the year, we reached a new collaboration agreement with Gjensidige and for finance company services with DNB. We also started to offer EU loans on a proprietary basis.

Through what we term the Members' Lift, our members are now able to increase their level of participation in Landshypotek. Members who are prepared to invest in the business and increase their contributed capital can obtain a healthy return based on Landshypotek's earnings. In 2013, we expect to have raised MSEK 500 through this measure.

Landshypotek is thus on its way to offering a full range of financing for agriculture and forestry. At present, we are working with the process of obtaining a banking permit. This constitutes a key development to ensure competitiveness and growth. We will drive a somewhat broadened but still strongly focused business with deposits and lending. Even in the future, our success will build on low risk and expertise in our customers' operations in agriculture and forestry.

We believe in the continued will to develop Swedish agriculture and forestry. In general, profitability has remained stable in Swedish agriculture and forestry in 2011. Certain segments in agriculture are struggling due to pressure on profitability while forestry, in general, remains stable. Overall, price levels for agricultural and forestry properties remained relatively unchanged. In the shorter perspective, we expect high demand for loans to continue in 2012 and, in the short-term, declining interest rates.

175 years ago, farmers and forest owners joined together to borrow money as a group. The money was then lent to each other on favourable terms to develop the agricultural and forestry industries. In 2011, Landshypotek celebrated its 175th anniversary. The UN has designated 2012 as the year of the cooperatives. In a turbulent market, the 175-year-old foundations of Landshypotek's business make us strong even in 2012.



Stockholm, March 2012

A handwritten signature in black ink, appearing to read 'Kjell Hedman'. The signature is fluid and stylized, with a long horizontal stroke at the end.

Kjell Hedman
Managing Director



2011 in brief

2011 was a successful and eventful year for Landshypotek. Profitability increased and market presence was strengthened.

RAISED COMPANY RATING

During the year, Landshypotek’s credit rating was raised by the rating agency Standard & Poor’s from A– to A. It is primarily Landshypotek’s extremely healthy capital situation and healthy profitability that were the underlying factors. Furthermore, Standard & Poor’s noted in its analysis that Landshypotek has an extremely low degree of risk in its lending. The AAA credit rating for covered bonds was confirmed.

THE MEMBERS’ LIFT

A new method for raising capital was produced under the working title of the Members’ Lift. It is now possible to raise new capital from our members and, in exchange, offer a healthy return on their contributed capital.

FUNDING

From April 2011, Landshypotek offers customers for deposits at favourable terms. Customers have deposited approximately MSEK 167 in deposit accounts at Landshypotek in 2011.

INCREASED PROFITABILITY

Return on equity (adjusted for the sale of property) amounted to 7.0 percent, as compared with the preceding year of 6.0 percent.

175TH ANNIVERSARY

In 2011, Landshypotek celebrated 175 years since the first Landshypotek association was founded in 1836. The anniversary was celebrated in conjunction with the general meeting, which proved a successful manifestation of Landshypotek’s significance to the Swedish credit market.

MISSION STATEMENT

A new mission statement was produced and is now being implemented, see pages 4 and 5 for further information.

PROPERTY SALE

During the year, the property on Strandvägen in Stockholm was sold, which generated a substantial capital contribution. The head office will move to new premises on Regeringsgatan 48 in Stockholm in April 2012.

Summary Landshypotek AB Group

	2011	2010
Net interest income, MSEK	505.0	471.8
Operating profit, MSEK	513.9	350.6
Profit after tax, MSEK	490.0	273.7
Loans to customers, MSEK	55,580.0	51,773.0
Increase in lending, %	7.4 %	11.4 %
Interest margin, %	0.94 %	0.96 %
Cost level, %	0.38 %	0.41 %
Loan loss level, %	0.02 %	0.01 %
Rating, long-term		
Standard & Poor’s, Covered bonds	AAA	AAA
Standard & Poor’s	A	A –
Fitch	A +	A +
Moody’s	A3	A3
Average number of employees	112	98



LANDSHYPOTEK

AKTIEBOLAG 2011

Administration Report

Local presence is an important success factor for Landshypotek



Landshypotek currently has offices throughout Sweden. Having a local presence is very important in offering the market personal service provided by employees who have intimate knowledge of local conditions.

On 15 March 2012, the Board of Directors of Landshypotek AB (publ), organisation number 556500-2762, approved the financial statements. These will be presented for final adoption by the Annual General Meeting on 10 May 2012.

Business

Landshypotek AB is a member-owned credit institution specialised in lending to Swedish agriculture and forestry. It offers first mortgages on competitive terms, with real property as collateral. Customers are also offered supplemental banking and insurance services through a collaboration established with a network of partners.

Landshypotek AB is owned by Landshypotek, ekonomisk förening. All Landshypotek customers automatically become members of Landshypotek, ekonomisk förening.

At the end of 2011, the association had approximately 49,000 members.

During 2011, operations were conducted by the following corporate entities:

- Landshypotek AB
- Landshypotek Jordbrukskredit AB
- Lantbrukskredit AB

Landshypotek AB is the Parent Company of the Landshypotek Group. More than 90 percent of the Group's business is conducted by Landshypotek AB, which offers farm and forest owners first mortgages up to 75 percent of the appraised market value against real property as collateral. The subsidiary Landshypotek Jordbrukskredit AB offers other loans to farm and forest owners with real property as collateral. Subsidiary Lantbrukskredit AB previously financed agriculturally related businesses but, in December 2011, the loan stock was sold to Landshypotek Jordbrukskredit AB. In 2012, Lantbrukskredit AB will be merged with Landshypotek AB. The Group uses the capital market as its source of funding. The desired level of flexibility is achieved by way of a number of loan programmes, attracting various types of investors. Landshypotek AB is currently responsible for all borrowing.

Organisation

Landshypotek has 110 employees based in eight districts with 18 offices throughout Sweden. Local presence is an important success factor for the company. Staff all have a good local knowledge and expertise of agricultural and forestry criteria, as well as entrepreneur-driven enterprise. The representatives that sit on Landshypotek's regional boards of directors are tasked with appraising customers' properties. The members of these boards are themselves owners of agricultural properties and have good local knowledge and industry expertise. Board members with the greatest possible geographic and industrial breadth are appointed in each region. Members are also active advocates of the company and represent Landshypotek in a variety of contexts.

Market overview

Market trends

In general, profitability in the forestry and agricultural sector remained stable in 2011.

Profitability recovered slightly for crop producers during the year with improved settlement prices.

Structural changes in the dairy market negatively impacted settlement prices and thereby profitability for dairy farmers in the summer and autumn of 2011. In the late autumn, the situation improved and settlement prices stabilised at a relatively healthy level. There is, however, substantial variation in profitability among dairy companies in Sweden.

Profitability increased for beef producers in 2010 after two years of decline and remained stable in 2011. However, increased feed costs had a dampening effect.

For a relatively long period, pork producers have suffered from depressed prices due to overproduction in the EU. Nevertheless, the trend was positive in autumn 2011 and prices rose albeit from low levels. High market prices in the US and China contributed to the improvement. In Sweden, pork production declined in 2011 and the implementation of Swedish labelling of pork products contributed to increased demand. Profitability, on the other hand, declined due to increased costs.

Profitability in forestry remained stable in 2011. Demand for both timber and pulp wood remained strong. Prices for timber remained relatively unchanged in 2011 after the increases that occurred in 2010. However, the price for pulp wood declined in the autumn.

Price trends for forestry and agricultural properties

Rationalization within agriculture is driving the trend towards larger production units and thus requirements for larger areas to cultivate. Demand has driven up the price of arable land which rose by an average of 7 percent during the year, although the difference is substantial among the various regions in Sweden.

Following a trend with substantial increases in prices for forest land, the rate of increase normalised in 2011 to 1 percent. Again, prices vary between different parts of the country, although not by as much as for arable land.

Landshypotek's development

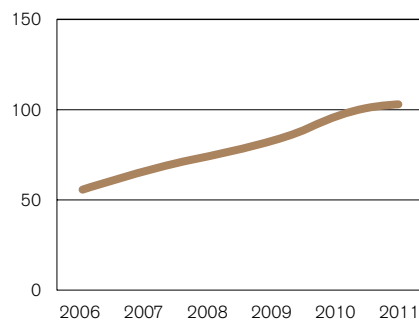
Landshypotek increased net lending by SEK 3.8 billion during the year. This increase corresponds to a lending growth of 7.4 percent, compared with 11.4 percent in 2010. From high levels, demand for credit from

Swedish farmers and foresters declined somewhat during the year, which was primarily due to relatively low new investment in production equipment.

Landshypotek's core business focuses on offering farm and forest owners the most attractive first mortgages available in the market. During the year, Landshypotek introduced savings accounts that offer a secure form of saving with competitive interest rates. Many customers appreciate the simplicity in being able to turn to just one contact that can satisfy all their banking and financing service requirements. Landshypotek offers its customers banking services in collaboration with a network of partners. During the year, Landshypotek changed partner for finance company and insurance services to strengthen the collaboration.

Actual prices for arable land

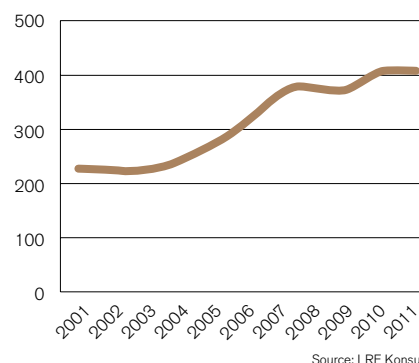
SEK thousand/hectare



Average prices for arable land increased by 7 percent in 2011.

Actual price trends for forest, 2001 to 2011

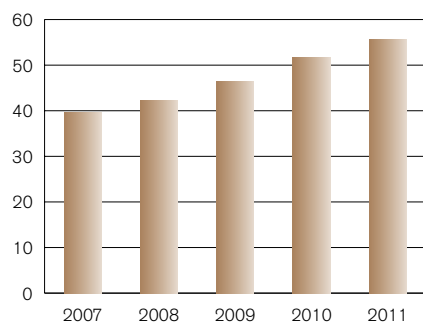
SEK/m²fo



The average price of forest properties was SEK 408/m² in Sweden as a whole in 2011.

Loans to customers

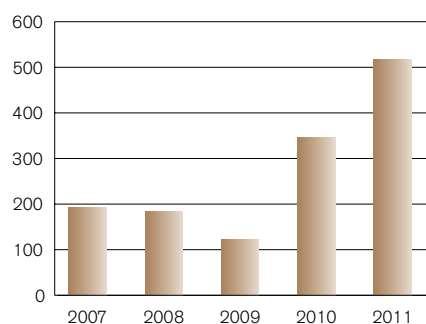
SEK billion



At 31 December 2011, Landshypotek's loans to customers totalled MSEK 55,580. During the year, lending increased by 7.4 percent.

Operating profit

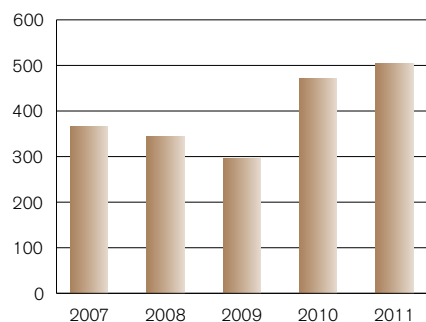
MSEK



Operating profit, excluding "Net result of financial transactions", amounted to MSEK 517.2 in 2011. This increase in profit is primarily attributable to higher net interest income.

Net interest income

MSEK



In 2011, net interest income amounted to MSEK 505.0. The size of net interest income is determined by the lending volume, the margin between borrowing and lending interest rates and the return received on equity invested in lending operations.

Success factors

Crucial factors to ensure that Landshypotek continues to experience favourable development in the market and defend its position as a leading player in its area of business include:

- good knowledge of customers' business,
- products that satisfy customers' requirements,
- elected appraisers who can accurately value collateral,
- good credit rating, which, together with accurately appraised collateral, guarantees continued low loan losses and
- low borrowing costs.

Profit and profitability**Group key ratios**

	2011	2010
Net interest income, SEK thousand	504,959	471,834
Interest margin, %	0.94 %	0.96 %
Other operating income excl. property transactions, SEK thousand	234,543	86,502
Costs, SEK thousand	-216,741	-201,025
Cost level, %	0.38 %	0.41 %
Loan losses, SEK thousand	-8,910	-6,662
Loan loss level, %	0.02 %	0.01 %
Operating profit, SEK thousand	513,851	350,649
Operating profit, excl. net result of financial transactions, SEK thousand	517,232	346,430

Consolidated operating profit for 2011 amounted to MSEK 513.9, up MSEK 163.3 compared with 2010 (MSEK 350.6). Excluding "Net result of financial transactions," operating profit totalled MSEK 517.2 (346.4), a year-on-year increase of MSEK 170.8 compared with 2010. The improvement in profit was attributable to an increase in net interest income and a capital gain from the sale of an operating property that positively impacted profit in an amount of approximately MSEK 230. The Parent Company's operating profit accounted for slightly more than 90 percent of the consolidated operating profit and therefore the following comments apply equally to the Parent Company.

Net interest income

Net interest income for 2011 amounted to MSEK 505.0, up MSEK 33.2 or 7 percent compared with 2010 (MSEK 471.8). The increase was primarily attributable to increased lending. In 2011, margins between interest rates on deposits and lending remained unchanged compared with the preceding year.

Other operating income

Other operating income, excluding net interest income, amounted to MSEK 234.5 for 2011, up MSEK 148.0 compared with 2010. The increase was primarily attributable to a capital gain recognized by Landshypotek in 2011 from the sale of an operating property in an amount of approximately MSEK 230. In 2010, two operating properties were sold with a combined capital gain of MSEK 68. Further explanation for the change in other income was the reduction in "Income from property" of MSEK 11.3 due to the property sale and that "Net result of financial transactions" declined by MSEK 7.6 compared with the year-earlier period. The "Net result of financial transactions" included realised results from the purchase and sale of

Landshypotek's covered bonds

Landshypotek has issued covered bonds to a value of SEK 52.2 billion. Assets in the covered pool corresponding to SEK 65.7 billion are in place as collateral for these bonds.

Collateral base and covered bonds

Collateral base

Loans	53.4 billion
Supplemental collateral	12.3 billion

65.7 billion

Covered bonds

Issued in SEK	36.2 billion
Issued in foreign currency	16.0 billion

52.2 billion

Excess collateral

13.4 billion 25.6 %

Key ratios, collateral base

LTV - Loan-to-value ratio

Average volume-weighted LTV 41.1 %

Number of pledged properties

36,026

Number of borrowers

47,975

Number of loans

133,282

Supplemental collateral

Swedish covered bonds 2.9 billion

Swedish municipalities 9.4 billion

Geographic distribution of lending

Norrbottnen County 1.1 %

Västerbotten County 2.2 %

Jämtland County 1.7 %

Västernorrland County 2.3 %

Dalarna County 1.8 %

Västmanland County 2.1 %

Värmland County 5.1 %

Örebro County 6.6 %

Gävleborg County 2.7 %

Uppsala County 3.8 %

Stockholm County 3.6 %

Södermanland County 4.7 %

Östergötland County 11.1 %

Västra Götaland
County 15.7 %

Jönköping County 3.5 %

Kronoberg County 2.4 %

Halland County 4.8 %

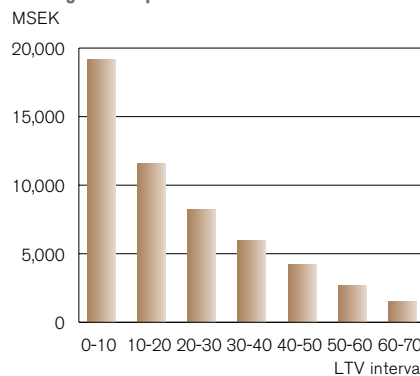
Gotland County 4.5 %

Blekinge County 1.2 %

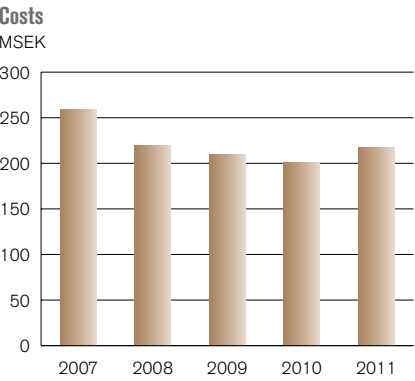
Kalmar County 4.8 %

Skåne County 14.4 %

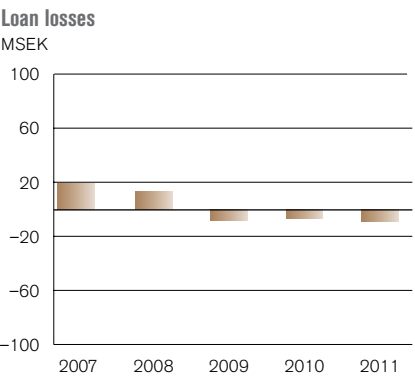
Lending volume per LTV interval



Of Landshypotek's lending, 63 percent takes place against collateral where the loan amount is less than 20 percent of the value of the collateral. Only 2 percent of lending is against collateral where the loan amount is 70 percent of the value of the collateral.



Landshypotek works long term to reduce its costs and enhance the efficiency of its operations. Compared with 2007, costs have decreased by just over 16 percent.



Loan losses amounted to MSEK 8.9, equivalent to 0.02 percent of lending.

financial instruments, as well as the result from the repurchase of own bonds. In addition, this item also includes the result from the revaluation of financial instruments. To gain an understanding of the total effect of market revaluations, the revaluations carried directly to equity must also be taken into account. Net, after taxes recognized, revaluation of financial instruments in equity amounted to MSEK 130.4 in 2011. Furthermore, fees to the Swedish National Debt Office's stabilisation fund were charged to operating profit in an amount of MSEK 21.7. The corresponding item in 2010 was MSEK 20.0.

Costs

Costs in 2011 amounted to MSEK 216.7 (201.0). The increase in costs of MSEK 15.7 was attributable to the ongoing implementation of a new business system.

Loan losses and doubtful credits

Loan losses in 2011 amounted to MSEK 8.9 (6.7). Write-offs of confirmed loan losses totalled MSEK 5.9 (6.7). Provisions for probable loan losses during the period amounted to MSEK 19.3 (11.9). Reversals of previously confirmed losses, or previously doubtful credits, totalled MSEK 14.4 (11.5). Recoveries of preceding years' confirmed loan losses totalled MSEK 1.9 (0.4). Doubtful credits amounted to MSEK 65.1, corresponding to 0.12 percent of loans outstanding. At 31 December 2010, doubtful credits amounted to MSEK 37.2.

Landshypotek continuously analyses the quality of its loan portfolio and conducts various types of stress tests with a view to assessing performance under various macroeconomic scenarios. We are currently not seeing any realistic scenario that would bring about a significant increase in loan losses. The reason for this is, in part, that the loan-to-value ratio is low, the average volume-weighted loan-to-value ratio is 43.2 percent, and the overall repayment capacity of Landshypotek customers is strong. Landshypotek customers derive income from several sources, such as earned income, contracting business, forestry and agriculture.

The balance sheet total increased by 10.4 percent to MSEK 70,804 (64,161), due to increased lending to customers and a larger holding of interest-bearing securities.

Financial structure			
Consolidated Balance Sheet			
Assets, MSEK		Liabilities, MSEK	
Due from financial institutions	171	Liabilities to credit institutions	162
Loans to customers	55,580	Deposits and borrowing from the public	312
Bonds and other interest-bearing securities	13,237	Securities in issue	64,306
Derivatives	496	Derivatives	274
Non-current assets	32	Other liabilities	1,882
Other assets	1,289	Equity	3,868
	70,804		70,804

Financial structure

Assets

The largest asset item in the balance sheet is “Loans to customers”, which amounted to MSEK 55,580 (51,773). More information about Landshypotek’s lending to customers can be found in the Risk and Capital Management section. At year-end 2011, Landshypotek’s holding of interest-bearing securities amounted to MSEK 13,237 (10,975). The portfolio consists principally of covered bonds issued by Swedish institutions with top credit ratings and, to a certain degree, bonds issued by Swedish municipalities. The reason for holding these interest-bearing securities is that they function as a liquidity portfolio. If necessary, the securities can be sold or borrowed against to manage the financing of liabilities falling due.

Landshypotek uses derivatives for the purpose of managing the differences in periods of fixed interest and exchange rates between assets and liabilities. At year-end 2011, the nominal value of the Group’s derivatives contracts amounted to MSEK 37,055 (21,120). Additional detail about derivatives contracts can be found in Note 36. Positive market values entail counterparty risk. In order to address the uncertainty of future market development, credit risk exposure is also calculated. A standard amount is then added to the market value, depending on the type of contract and the remaining time to maturity. The resulting amount constitutes a part of Landshypotek’s credit exposure. Counterparties are Swedish and international banks with very high credit ratings. At year-end, the credit exposure in derivatives contracts totalled MSEK 1,983 (1,295).

At 31 December 2011, tangible and intangible non-current assets amounted to MSEK 32 (352).

Liabilities

Landshypotek’s funding consists primarily of bond loans and money market instruments issued on the Swedish and European markets in the form of MTN, EMTN and commercial paper programmes. Funding is also obtained via borrowings from credit institutions. At year-end 2011, bonds and money market instruments in issue amounted to MSEK 64,306 (58,413). Borrowing from the public amounted to MSEK 312 (105), and borrowing from credit institutions amounted to MSEK 162 (84).

Equity

At year-end 2011, Landshypotek had equity of MSEK 3,868 (3,355). During 2011, equity grew by MSEK 513.

No dividend payment is reported in Landshypotek; a transfer is instead made to the Parent Association, Landshypotek, ekonomisk förening, in the form of a group contribution.

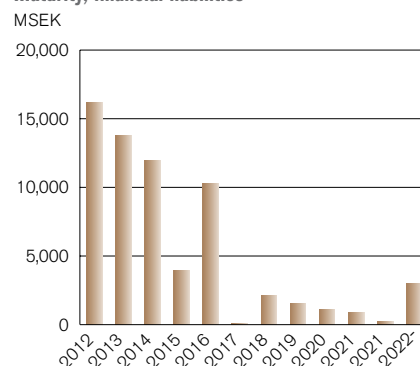
Funding

Landshypotek aims to borrow funds on the best possible terms, given a low risk profile. By adopting an extremely flexible approach to markets and instruments, funding is obtained efficiently and where the best terms are offered. Landshypotek utilises several borrowing programmes, both domestic and international. This allows the company to meet most investors’ needs for investment in fixed-income instruments. Landshypotek’s primary source of funding during the year was covered bonds.

In 2011, covered bonds were issued in an amount of approximately SEK 19 billion.



Maturity, financial liabilities



Rating	Long	Short
S&P covered bonds	AAA	
S&P	A	A1, K1
Fitch	A+	F1
Moody's	A3	P2



Our vision is to be the preferred partner with a complete range of financial services in agriculture and forestry in Sweden.

Program	Utilised 31 Dec. 2011	Maximum amount	Utilised 31 Dec. 2010
Swedish commercial paper	3,650	10,000	2,350
MTN programme	35,710	50,000	38,508
EMTN programme	20,729	31,211*	15,126
Registered Covered Bonds, (RCB)	3,322		2,996
Other bonds	0		15
Subordinated loans	550		550

* MEUR 3,500

Rating

During the year, Landshypotek’s credit rating was raised by Standard & Poor’s rating agency from A- to A. This was primarily attributed to Landshypotek’s extremely healthy capital position and strong profitability. Furthermore, Standard & Poor’s analysis called attention to the fact that Landshypotek’s lending has an extremely low risk level. Other credit ratings remained unchanged during the year.

Capital situation

The capital base as of 31 December was MSEK 4,262 and the capital adequacy ratio according to Basel II was 4.4. The capital requirement according to Basel II was MSEK 968 as of 31 December. The capital requirement is calculated as a minimum capital requirement based on credit, market and operative risks (Pillar I). In addition to the minimum capital requirement, each institution must also perform an internal assessment of its capital requirement. This internal capital assessment takes account of all risks and their capital requirements. The supervisory authorities expect institutions to maintain a larger capital base than specified in the formal minimum capital requirement.

The capital adequacy rules as stipulated in Basel II were to be fully applied as of 1 January 2010. This transition to Basel II was preceded by transitional rules which were applied for three years. The period during which the transitional rules are applied is being extended. Under the transitional rules, Landshypotek has a capital adequacy ratio of 1.16. Additional information can be found in the Risk and Capital Management section and in Note 34.

Group contributions

A Group contribution will be rendered, contingent upon the approval of the Annual General Meeting, in the amount of MSEK 145 (101) to the Parent Association, Landshypotek, ekonomisk förening.

Events after year-end

A merger plan for the merger of Lantbrukskredit AB with Landshypotek AB was adopted by the boards of both companies on 31 January 2012.

Work commenced on the merger of the two companies in the fourth quarter of 2011, through the sale of the loan stock in Lantbrukskredit AB to Landshypotek Jordbrukskredit AB, with completion of the merger planned for 2012.

The credit agency Moody’s announced that, in conjunction with Moody’s review of credit ratings for a substantial number of European banks, Landshypotek’s credit rating will be reviewed with a possible negative impact on the rating.

Corporate Governance Landshypotek AB

Owners' control

Landshypotek AB is a wholly owned subsidiary of Landshypotek, ekonomisk förening. Landshypotek AB is domiciled in Stockholm. Owners' control of Landshypotek AB is exercised through Annual Meetings, the Board of Directors and the Managing Director in accordance with the Swedish Companies Act, Articles of Association, adopted policies and instructions. The Federation of Swedish Farmers (LRF) has produced a code for governance of co-operative agricultural associations and association enterprises. With just a few minor exceptions, this code was adopted by Landshypotek, ekonomisk förening and Landshypotek AB in 2006.

Articles of Association

Landshypotek AB's Articles of Association govern items including the purpose of the company's operations. The company's Articles of Association contain no provisions governing the appointment or removal of Board members with the exception of the provision on the minimum and maximum number of Board members. With regard to amendment of the Articles of Association, notification must be issued at the earliest six weeks and at the latest four weeks before the meeting that will examine the proposed amendment. Landshypotek has only one shareholder and no limitations apply to the number of votes the shareholder may cast at the Annual Meeting.

Annual General Meeting

The Annual General Meeting appoints a Board of Directors and auditors, and also makes decisions on the setting of fees. The Meeting adopts income statements and balance sheets, and decides on the matter of discharge from liability of the Board of Directors and the Managing Director. The Annual General Meeting has not authorised the Board of Directors to issue new shares or buyback treasury shares. The Annual General Meeting of Landshypotek AB will be held on 5 May 2011.

Nomination process

The Annual General Meeting 2011 resolved that there should be an Election Committee in Landshypotek AB tasked with preparing elections and remuneration issues prior to the Annual General Meeting 2012. The Election Committee comprises three members. The members appointed to the Election Committee comprised two members from Landshypotek, ekonomisk förening, Lars Öhman and Anders Johansson as well as one member from Landshypotek AB, Charlotte Önnestedt.

The Board of Directors and the Board's work

According to the Articles of Association, the Board comprises a minimum of four and maximum of six members that are elected each year at the Annual General Meeting until the Annual General Meeting the following year. The Board is comprised of seven individuals, four of these are also members of Landshypotek, ekonomisk förening and three are external Board members. The Board's members have extensive experience from trade and industry or agriculture and forestry. The Board members in Landshypotek AB, following the Annual General Meeting 2011, are listed on page 64. The Board's work follows the formal work plan adopted at the statutory meeting. An evaluation of the Board's and the Managing Director's work was performed at the end of 2011.





The Board's committees

The Board has established two committees, the Board's Credit Committee (SKU) and the Board's Risk and Capital Committee (RKU). Minutes are taken of the committees' meetings and submitted to the Board.

SKU's primary task is to make decisions regarding loans pursuant to the established credit instruction. In addition, SKU is tasked with preparing amendments to and/or annual confirmation of credit policy, credit instruction and valuation instruction prior to the Board's decision. The Committee meets at least every fourteen days. Following the statutory meeting in 2011 and for a mandate period of one year, the members of the SKU were as follows: Henrik Toll (Chairman), Nils-Fredrik Nyblaeus and the Managing Director of Landshypotek AB and Landshypotek Jordbrukskredit AB. The Chief Credit Officer or another specially appointed executive submits a report.

RKU's principal task is to prepare items for the Board and, through liaison with internal functions provide the Board with information about and prepare internal rules and regulations for risk, compliance, finance and capital adequacy. The Committee meets at least every three months. Following the statutory meeting in 2011 and for a mandate period of one year, the members of the RKU were as follows: Henrik Toll (Chairman), Catharina Lagerstam, Richard Montgomery and the Managing Director of Landshypotek AB. The Chief Risk Control Officer or another specially appointed executive submits a report.

Managing Director

The Board has adopted a written instruction governing the role and work of the Managing Director. The Managing Director bears responsibility for day-to-day operations pursuant to the Board's instruction and reports directly to the Board. Other senior executives support the Managing Director in day-to-day operations. The senior management team is presented in the column to the right.

Auditors

The Annual General Meeting appoints external auditors to Landshypotek AB. These auditors must be authorised public accountants. The mandate period of the auditors appointed by the Annual General Meeting is one year. The Annual General Meeting 2011 appointed authorised public accountants Anna Hesselman and Ulf Westerberg as auditors until the Annual General Meeting 2012.

Information about the remuneration system

The Board of Landshypotek AB has adopted a remuneration policy that specifies the principles behind the Landshypotek AB remuneration system. Information regarding the remuneration policy is available on Landshypotek's website. Employees are entitled to remuneration, which may consist of a combination of basic salary, profit sharing via Landshypotek's profit-sharing trust, other benefits, severance pay and retirement pension. Remuneration in Landshypotek AB is reviewed annually through the employees' salary appraisals. Internal audit is tasked with reviewing how remuneration paid by Landshypotek AB complies with the remuneration policy. See Note 7 to the Balance Sheet and Income Statement for more information about the remuneration of the Board, Managing Director and senior management.

Risk control, compliance and internal audit

A separate unit for risk control is responsible for control, analysis and reporting on all risks in the Group. The Compliance Officer is responsible for monitoring that operations are conducted in compliance with the laws and regulations applicable for Landshypotek based on an annual plan established by the Board. The functions operate completely independently of business operations and administration and are directly subordinate to the Managing Director and Board. Risk control is directly subordinate to the Managing Director. The Compliance Officer is subordinate to the Chief Legal Officer, who is directly subordinate to the Managing Director. Follow-up and inspection of the internal control is carried out by active internal audit. The examinations performed by the Internal Audit occur in line with an audit plan determined annually by the Board. Since 2008, internal audits have been performed by KPMG.

Internal control over financial reporting

The basis for the internal control over financial reporting consists of Landshypotek's control environment in the form of the organisational structure, decision pathways, authority and responsibility, all of which are documented in internal policies, instructions and guidelines. Landshypotek's financial department is responsible for managing internal control over financial reporting. The Board receives monthly financial reports in addition to the reporting submitted at each Board meeting.

Senior Management**Kjell Hedman**

Managing Director

Göran Abrahamsson

Chief Membership and Market Officer

Bertil Andersson

Chief Sales Officer

Olof HelmerssonManaging Director of Landshypotek
Jordbrukskredit AB**Per Ivarsson**CIO and acting Chief Development
Officer**Björn Ordell**

Chief Financial Officer

Ulrika Valassi

Chief Credit Officer

Annelie von Dahn

HR Manager

Catharina Åbjörnsson Lindgren

Chief Legal Officer

Emanuel Åkerlind

Chief Risk Control Officer

Income Statement

SEK THOUSAND	Note	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Interest income		2,491,985	1,719,141	2,476,472	1,707,860
Interest expense		-1,987,026	-1,247,307	-1,994,416	-1,249,517
Net interest income	2	504,959	471,834	482,056	458,343
Commission income	3	13,666	11,529	13,081	11,106
Commission expense	4	-22,238	-20,620	-22,238	-20,615
Net result of financial transactions	5	-3,381	4,219	-3,381	4,219
Other operating income	6	246,496	91,374	245,874	93,413
Total operating income		739,502	558,336	715,393	546,466
General administrative expense	7	-194,056	-169,754	-204,290	-179,002
Depreciation, amortisation and impairment of tangible and intangible non-current assets	8	-5,368	-10,658	-5,368	-10,658
Other operating expenses	9	-17,316	-20,613	-17,300	-20,384
Total expenses before loan losses		-216,741	-201,025	-226,958	-210,044
Profit before loan losses		522,761	357,311	488,435	336,422
Loan losses net	10	-8,910	-6,662	-3,132	-5,638
Operating profit		513,851	350,649	485,303	330,784
Year-end appropriations	11				
Tax on profits for the year	12	-23,810	-76,908	-16,284	-69,621
Net profit for the year		490,041	273,741	469,019	261,163
Earnings per share		254.3	142.1	243.4	135.5
Shareholders' portion of net profit for the year		100 %	100 %	100 %	100 %

Statement of Comprehensive Income

SEK THOUSAND	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Profit for the period	490,041	273,741	469,019	261,163
Other comprehensive income				
Cash-flow hedges	-34,237	68,098	-34,237	68,098
Of which change in fair value	-38,157	100,399	-38,157	100,399
Of which transfers to the income statement	3,920	-32,301	3,920	-32,301
Available-for-sale financial instruments	211,172	-291,379	211,172	-291,379
Income tax related to other comprehensive income	-46,534	58,723	-46,534	58,723
Total other comprehensive income	130,401	-164,558	130,401	-164,558
Comprehensive income for the period	620,442	109,183	599,420	96,605
Shareholders' portion of net profit for the year	100 %	100 %	100 %	100 %

Balance Sheet

		GROUP		PARENT COMPANY	
SEK THOUSAND	Note	2011	2010	2011	2010
ASSETS					
Cash and balances with central banks		6,374	5,393	6,374	5,393
Due from financial institutions	13	164,561	216,144	145,106	201,416
Loans to customers	14	55,579,600	51,773,034	55,303,336	51,457,391
Bonds and other interest-bearing securities	15	13,237,314	10,975,059	13,237,314	10,975,059
Derivatives	16, 36	495,554	80,321	495,554	80,321
Shares and participations	17	1	1		
Shares in Group companies	18			514,827	514,827
Intangible non-current assets	19	14,058		14,058	
Tangible assets					
Furniture, fixtures and equipment	20	1,788	2,601	1,788	2,601
Buildings and land	20	15,735	348,929	15,735	348,917
Other assets	21	357,958	57,397	351,102	50,952
Deferred tax asset	22	18,278	39,478	9,063	25,322
Prepaid expenses and accrued income	23	912,455	662,497	910,984	661,732
TOTAL ASSETS	33, 34, 35, 36, 37, 38, 39	70,803,676	64,160,854	71,005,241	64,323,930
LIABILITIES AND EQUITY					
Liabilities to credit institutions	24	162,157	83,962	487,157	371,722
Borrowing from the public	25	312,453	105,000	312,453	105,000
Debt securities in issue, etc.	26	64,305,539	58,413,189	64,305,539	58,413,189
Derivatives	27, 36	273,551	606,683	273,551	606,683
Other liabilities	28	200,170	150,218	193,980	141,480
Accrued expenses and deferred income	29	1,080,271	823,004	1,081,706	823,723
Provisions	30	20,358	29,551	4,263	4,263
Deferred tax liabilities	31	31,328	44,681	31,328	44,681
Subordinated liabilities	32	549,949	549,949	549,949	549,949
Total liabilities		66,935,775	60,806,237	67,239,926	61,060,690
Untaxed reserves					
Equity					
Share capital, number of shares outstanding: 1,927,000 (1,927,000)		1,927,000	1,927,000	1,927,000	1,927,000
Other contributed capital		1,026,254	1,026,254	1,016,694	1,010,000
Reserves		62,480	-67,922	62,480	-67,922
Retained earnings		469,286	269,982	397,284	207,436
Net profit for the year		490,041	273,741	469,018	261,163
Group contributions paid		-107,160	-74,437	-107,160	-74,437
Total equity		3,867,901	3,354,618	3,765,315	3,263,240
TOTAL LIABILITIES AND EQUITY	33, 34, 35, 36, 37, 38, 39	70,803,676	64,160,854	71,005,241	64,323,930

Statement of Changes in Equity

GROUP, SEK THOUSAND

	Share capital	Other capital contributed	Hedging reserve	Fair value reserve	Retained earnings	Total
Equity as of 31 December 2009	1,927,000	1,026,254	-50,355	146,990	269,955	3,319,844
Comprehensive income for the period			50,189	-214,747	273,741	109,183
Other items					28	28
Total change before transactions with owners	0	0	50,189	-214,747	273,769	109,211
Dividends/Group contributions paid					-101,000	-101,000
Tax on Group contributions paid					26,563	26,563
Equity as of 31 December 2010	1,927,000	1,026,254	-166	-67,757	469,287	3,354,618
Equity as of 31 December 2010	1,927,000	1,026,254	-166	-67,757	469,287	3,354,618
Comprehensive income for the period			-25,232	155,634	490,041	620,443
Other items						0
Total change before transactions with owners	0	0	-25,232	155,634	490,041	620,443
Dividends/Group contributions paid					-145,400	-145,400
Tax on Group contributions paid					38,240	38,240
Equity as of 31 December 2011	1,927,000	1,026,254	-25,398	87,877	852,168	3,867,900

PARENT COMPANY, SEK THOUSAND

	Share capital	Other capital contributed	Hedging reserve	Fair value reserve	Retained earnings	Total
Equity as of 31 December 2009	1,927,000	1,010,000	-50,355	146,990	207,409	3,241,044
Comprehensive income for the period			50,189	-214,747	261,163	96,605
Other items					28	28
Total change before transactions with owners	0	0	50,189	-214,747	261,191	96,633
Dividends/Group contributions paid					-101,000	-101,000
Tax on Group contributions paid					26,563	26,563
Equity as of 31 December 2010	1,927,000	1,010,000	-166	-67,757	394,163	3,263,240
Equity as of 31 December 2010	1,927,000	1,010,000	-166	-67,757	394,163	3,263,240
Capital infusion from liquidation of subsidiary		6,694			3,122	9,816
Comprehensive income for the period			-25,232	155,634	469,018	599,420
Other items						0
Total change before transactions with owners	0	6,694	-25,232	155,634	472,140	609,236
Dividends/Group contributions paid					-145,400	-145,400
Tax on Group contributions paid					38,240	38,240
Equity as of 31 December 2011	1,927,000	1,016,694	-25,398	87,877	759,143	3,765,315

Cash-flow Statement

		GROUP		PARENT COMPANY	
SEK THOUSAND	Note	2011	2010	2011	2010
Cash flow from income statement					
Interest income	2	2,242,026	1,666,712	2,227,219	1,655,693
Interest expense	2	-1,729,760	-1,231,625	-1,736,435	-1,233,833
Commission income	3	13,666	11,529	13,081	11,106
Commission expense	5	-22,238	-20,620	-22,238	-20,615
Net proceeds of financial transactions	6	6,994	-45,931	6,994	-45,931
Other operating cash receipts	40	13,781	22,022	13,159	24,554
Administrative expenses paid		-211,372	-190,927	-221,590	-200,285
Recovery of loan losses realised in preceding years			418		407
Income tax paid		-30,335	-31,883	-22,809	-16,607
Total cash flow from income statement		282,762	179,695	257,381	174,489
Cash flow from balance sheet					
Increase (-)/decrease (+) Due from financial institutions					
Increase (-)/decrease (+) Loans to customers		-3,815,476	-5,317,060	-3,849,077	-5,315,342
Increase (-)/decrease (+) Bonds and other interest-bearing securities		-2,844,056	905,320	-2,844,056	905,320
Increase (+)/decrease (-) Liabilities to credit institutions		78,194	-5,551,102	115,435	-5,778,101
Increase (+)/decrease (-) Borrowing from the public		207,453	60,000	207,453	60,000
Increase (+)/decrease (-) Debt securities in issue, etc.		5,892,351	9,338,639	5,892,351	9,338,639
Change in other balance-sheet items					
Increase/decrease in Other assets		-294,485	355,422	-289,200	356,623
Increase/decrease in Other liabilities		-3,146	-13,997	8,595	-12,195
Total cash flow from balance sheet		-779,165	-222,778	-758,499	-445,056
Cash flow from operating activities		-496,403	-43,083	-501,118	-270,567
Investment activities					
Sale of shares/operating properties					
Property Lyckan			39,693		39,693
Property Värmlandsbjörnen			42,211		42,211
Property Strandvägen 1		565,558		565,558	
Group contributions received					
Acquisition of shares					
Dividends/Group contributions paid		-101,495	-102,000	-101,495	-102,000
Change of intangible and tangible non-current assets					
Purchase of intangible non-current assets		-14,058		-14,058	
Sale of intangible non-current assets					
Purchase of tangible non-current assets		-4,204	-11,940	-4,216	-11,928
Sale of tangible non-current assets					
Total cash flow from investment activities		445,801	-32,036	445,789	-32,024
Cash flow from financing activities					
Capital infusion from liquidation of subsidiary					
Increase/decrease from comprehensive income for the period					
Subordinated liabilities			199,949		199,949
Total cash flow from financing activities			199,949		199,949
Cash flow for the period		-50,602	124,830	-55,329	-102,642
Change in cash and cash equivalents		41	-50,602	124,830	-55,329
Cash and cash equivalents at beginning of year		221,537	96,707	206,808	309,450
Cash and cash equivalents at year-end		170,935	221,537	151,479	206,808

Five-year Summary

EARNINGS TREND – GROUP

MSEK	2011	2010	2009	2008	2007
INCOME STATEMENT					
Net interest income	505.0	471.8	294.5	345.2	364.9
Operating income excl. net interest income	234.5	86.5*	95.8*	–126.1*	157.3
Operating expenses	–211.4	–190.4	–197.1	–207.1	–220.9
Depreciation and amortisation	–5.4	–10.7	–12.6	–11.5	–38.6
Loan losses	–8.9	–6.7	–8.5	12.6	18.8
Impairment of financial non-current assets			-	-	–70.0
Operating profit	513.9	350.6	172.2	13.1	211.5
BALANCE SHEET					
Assets					
Loans to customers – net	55,580	51,773	46,456	41,301	39,725
Other assets	15,224	12,388	13,340	9,952	5,345
Total assets	70,804	64,160	59,796	51,254	45,070
Liabilities					
Borrowing	65,330	59,152	55,132	46,379	40,691
Other liabilities	1,606	1,654	1,344	1,557	1,152
Untaxed reserves	0	–1	0	0	0
Equity	3,868	3,355	3,320	3,318	3,227
Total liabilities and equity	70,804	64,160	59,796	51,254	45,070
Key financial ratios					
Interest margin	0,9 %	1,0 %	0,7 %	0,9 %	0,9 %
Return on equity	13,4 %	8,2 %	3,9 %	0,4 %	5,0 %
Loan loss level	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %
Loan loss provision/lending	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %

* Other operating income includes net result of financial transactions. For 2011, this item amounted to negative MSEK 3.4 (pos: 4.2).
See the explanation in the Administration Report under the heading "Profit and profitability".

Risk and Capital Management

To provide its members – who are also borrowers – with financing, Landshypotek assumes various risks that must be managed. Landshypotek's operations are permeated by a high degree of risk awareness and a low degree of risk assumption.

Risk awareness and risk assumption

Landshypotek strives to achieve a high degree of risk awareness and low degree of risk assumption. A high degree of risk awareness means that each employee understands the risks implied for the company by the individual's work duties, the degree of risk assumption that is acceptable and how the individual needs to behave so as to avoid exceeding the acceptable level of risk. Low risk assumption is achieved through Board support, a distinct decision-making structure with a high level of risk awareness among the staff, shared definitions and assessment principles, as well as sophisticated tools for risk assessment. The Board specifies the acceptance level for risk assumption and the Managing Director ensures that this level of acceptance is implemented in business activities.

Risk organisation and responsibility

The Board of Directors has the ultimate responsibility for risk management and ensuring that operations are conducted with a satisfactory level of internal control. The Board decides the policies that determine the manner in which the various business risks should be managed and the acceptable level of risk assumption. Two Board Committees are in place to support this work; the Risk and Capital Committee and the Credit Committee. The Board's *Risk and Capital Committee* prepares items regarding the internal control environment, risk management, financing activities, capital adequacy, stress tests and compliance risks. The Board's *Credit Committee* is the highest credit-granting body and prepares items for the Board regarding the credit policy, portfolio strategies and credit quality. The Chairman of the Board serves as Chairman of both these committees.

Subordinated to the Board, its committees and the Managing Director are sub-committees with different mandates to make decisions; *the Risk and Capital Council*, chaired by the Chief Risk Control Officer, deals with issues relating to all the risks to which Landshypotek is exposed. The Council also discusses the design of stress tests, the relationship between risk and capital and other capital issues. *The Credit Sub-Committee* is responsible for regularly reviewing credit-granting rules and submitting proposal for changes to the Credit Committee. The Chief Credit Officer is Chairman of the Credit Sub-Committee. *The Finance Sub-Committee* assesses Landshypotek's financial risks and makes decisions concerning borrowing and lending interest rates as well as interest on member accounts. The Chief Financial Officer is Chairman of the Finance Sub-Committee.

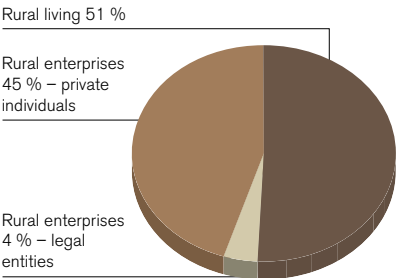
In line operations, *the Credit Department* is responsible for administering and managing the credit approval process. It is also responsible for analysing the credit portfolio and managing insolvency matters. Its work is governed by the credit policy as established by the Board. The Chief Credit Officer reports to the Managing Director and presents reports on credit matters to the Board's Credit Committee.

The Finance Department is responsible for Landshypotek's financial risk management with regard to borrowing and management of equity, liabilities





Specification of volume by customer categories
Breakdown in %



Exposure breakdown	Exposure (SEK thousand)	Average risk weight
IRB Approach		
Non credit-obligation assets	17,498	100 %
Retail – real-property credits	53,758,623	10 %
Total	53,776,121	
Standardised Approach		
Corporate exposure	2,576,406	99 %
Retail exposure	360,504	75 %
Institutional exposure	4,223,150	29 %
Local governments and comparable associations and authorities	1,893,822	-
Non-performing items	30,624	136 %
Exposure to governments and central banks	73,715	0 %
Covered bonds	10,327,261	17 %
Other items	34	0 %
Total	19,485,516	

and liquidity. Operations are regulated by the finance policy established by the Board. The Chief Financial Officer is responsible for the Finance Department and is directly subordinate to the Managing Director of Landshypotek.

The Group has a number of control functions that are independent of business operations: Risk Control, Compliance and Internal Audit. The Risk Control unit is responsible for conducting independent control, analysis and reporting on all risks to which Landshypotek is exposed. In this context, “independent” means that the unit is not involved in the day-to-day operation of the business and reports to the Managing Director and the Board of Directors. *The Compliance function* is responsible for monitoring the company’s regulatory compliance. The Compliance Officer is subordinate to the Chief Legal Officer, but reports directly to the Board of Directors and the Managing Director on issues relating to regulatory compliance. The Group’s *Internal Audit function* is an independent auditing body, directly subordinate to the Board of Directors. Internal Audit is responsible for evaluating risk management, control and governance processes within the Group, and ensuring that business in the Group is carried out in accordance with the intentions of the Board of Directors and the Managing Director. Internal Audit reports to the Board of Directors and also informs the Managing Director. The Board adopts an annual work plan for Internal Audit.

CREDIT RISK

Landshypotek has defined credit risk as follows:

The risk that Landshypotek does not receive payment as agreed and the risk that the value of the collateral is not adequate and therefore will not cover the outstanding claim. The risk includes all receivables Landshypotek has with the public and includes concentration risk, environmental risk and political risk.

Landshypotek divides its customers into two categories: Rural Living and Rural Enterprise. This categorisation aims to distinguish between those borrowers whose income is mostly derived from business activity (rural enterprise) from those who earn most of their living from employment (rural living). Rural Enterprise customers can be divided into private individuals and legal entities.

The risk classification model for customers categorised as Rural Living and Rural Enterprise private individuals comprises a statistical model that utilises information from UC AB, the business and credit information provider, and internal payment history statistics as variables to calculate the likelihood of default.

Customers categorised as Rural Enterprise legal entities are risk classified using a different model. This model weighs up the company’s annual accounts together with internal payment history statistics, area of operations and the company’s and company owner’s financial position and competence.

Risk estimate

Landshypotek calculates its own risk estimates (PD, EAD and LGD), which are used for the Retail exposure class to calculate capital requirement and expected loss. Probability of Default (PD) is the likelihood that a counterparty defaults within a twelve-month period. The risk classification is performed on a scale of 1-6, where 1 represents the highest credit quality and 6 is for credits in default. For each risk class, Landshypotek estimates the

one-year probability of default based on eight years of internal data. As of 31 December 2011, exposure-weighted average PD was 1.99 percent. The diagram on the right illustrates the Retail exposure by PD risk class.

Exposure At Default (EAD) is the amount of exposure in monetary terms that the counterparty is expected to have in the event of a default. EAD is calculated as the loan debt outstanding including unpaid interest and fees. For obligations that lie outside of the balance sheet, Landshypotek’s flexible first mortgage product, EAD is calculated through the total loan granted to the counterparty multiplied by a Conversion Factor (CF).

The assessment of how much the outstanding claim Landshypotek stands to lose in the event of default (LGD, Loss Given Default) is based on internal data gathered during the period 1995 to 2008. LGD classes are divided into five loan-to-value classes. The diagram on the right illustrates the Retail exposure by LGD risk class.

Credit preparation and approval process

The Credit policy provides parameters and guidelines for the policies applicable, at any time, for granting credit in Landshypotek AB and its subsidiaries. Credit granting is the result of analysis of the individual customer and/ or household as a whole when applicable. This results in risk classification being performed on a scale of 1-6 or alternatively A-H (1-6 for private individuals and A-H for legal entities where 1/A represents the highest credit quality and 6/H is for credits in default) for the counterparty in accordance with the risk classification method being applied. Furthermore, in addition to the counterparty’s/household’s total ability to repay the loan, collateral is analysed (principally real property in the form of agricultural and forestry properties) and any supplemental collateral in the form of any sureties or chattel mortgages that may exist. Loans are made against real property mortgage deeds within 75 percent of an internally determined collateral value. The collateral value constitutes the sustainable value of the collateral on a long-term basis. At Landshypotek Jordbrukskredit AB, loans can be granted against collateral in real property mortgage deeds within 85 percent of the internally determined collateral value. The risk of financial losses is thus assessed as low by Landshypotek.

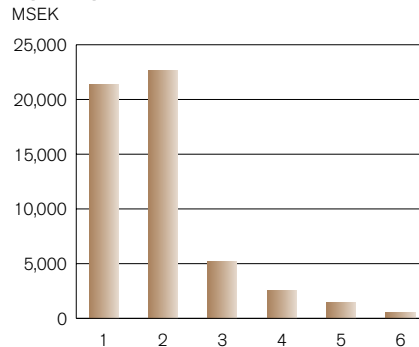
To capture the total amount of credit granted to an individual customer or group of counterparties, a credit ceiling is created for the entirety, which represents the total amount of credit granted by Landshypotek at any one moment in time.

All granting of credit is performed pursuant to a credit mandate matrix approved by the Board, which is governed by parameters such as ceiling amount, risk class and loan-to-value ratio. All credit decisions are taken by the Credit Sub-Committee utilising a level structure that complies with the aforementioned credit mandate matrix. The Credit Sub-Committee requires that a minimum of two officers jointly form a committee. The exception is our highest decision-making body for day-to-day credit cases, the Board’s Credit Committee, where each case has already been recommended by the immediate subordinate credit sub-committee.

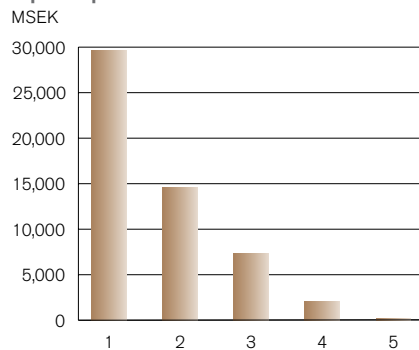
Valuation of collateral – agricultural property

Regional office employees are assisted in the valuation process by the organisation of representatives of Landshypotek, ekonomisk förening. The network of representatives ensures that all properties are correctly valued

Exposure per PD risk class



Exposure per LGD risk class



Geographic breakdown of volume



Västra Götalands County	16 %	Jämtland County	3 %
Skåne County	14 %	Jönköping County	3 %
Östergötland County	11 %	Gävleborg County	3 %
Örebro County	6 %	Västernorrland County	2 %
Halland County	5 %	Kronoberg County	2 %
Värmland County	5 %	Västerbotten County	2 %
Kalmar County	5 %	Västmanland County	2 %
Södermanland County	5 %	Dalarna County	2 %
Gotland County	4 %	Blekinge County	1 %
Uppsala County	4 %	Norrbottn County	1 %
Stockholm County	4 %		



and that the valuations are based on documented industry experience and a high degree of familiarity with local conditions. All of our ten regions have a local Board comprising four to eight members. It is these members who together comprise the network of representatives in Landshypotek.

Credit portfolio monitoring

In addition to the credit portfolio being monitored from a credit quality standpoint, the credit portfolio is also regularly examined from a number of different perspectives: by industry, geographically, by risk class, by limit group and so on. Landshypotek’s exposure as of 31 December 2011 was geographically distributed as shown in the diagram to the left. In conjunction with its internal capital adequacy assessment process, Landshypotek has performed in-depth analyses of the credit portfolio. In the course of this effort, Landshypotek has been unable to identify any major concentration to any particular industry or geographic area.

Overview of credit portfolio

LHAB’s increase in lending is rising at a rolling annual pace of 7.5 percent, while inflation was 2.8 percent over the same period. In 2011, lending increased by MSEK 3,807 to MSEK 55,580 (51,773).

The number of non-performing loans with payments in arrears by more than 60 days increased during the year from 149 cases to 211. However, our collective assessment is that the current level is in balance. The collective loan stock of non-performing1 cases amounted to MSEK 478, which is an increase from MSEK 217 compared with the preceding year. The average debt is SEK 2,408 thousand (1,529). Landshypotek’s 20 largest cases of exposure, expressed as a percentage of the capital base, declined somewhat in 2011 compared with 2010.

Problem loans/Management methods

Landshypotek applies individual valuation of problem loans. An insolvency group is in place within the Credit Department that together with the customer adviser manages problem credits on an operational level. Any need for a provision is made on a case-by-case basis and receivables defined as doubtful or non-performing1 are examined on an ongoing basis. Subsequent to individual assessment, doubtful receivables are recognised where payments will probably not be forthcoming pursuant to the contract terms and where the value of the collateral is probably insufficient to cover the value of the receivable2 with a satisfactory margin. The management of unsettled commitments and the settlement of credit commitments are performed with the aim of reducing the risk of loss.

At present, Landshypotek utilises two definitions of default “soft” and “technical”, respectively. Soft defaults occur when it is probable that customers will not be able to meet their commitments and Landshypotek will have to foreclose on collateral or take similar measures. Soft defaults are performed through Landshypotek, on becoming aware of new information that has, as yet, not impacted any of the explanation variables in the models, setting a risk class of 6 for customers classed as Rural Living or Rural Enterprise private individuals and risk class H for customers classed as Rural Enterprise legal entities. Technical defaults occur automatically when customers’ payments are late by 90 days or more.

1 Non-performing receivables are recognised, without consideration of the possibility of recovering the receivable through foreclosure on collateral, when any portion of the receivable has fallen due for payment for a period exceeding 60 days.
2 See pages 38 and 97 for a definition.

Counterparty risks

Landshypotek's counterparty risks comprise, in addition to lending, credit risks for interest-bearing securities and the risk that one or more of these counterparties is unable to meet their business commitments as agreed. This could, for example, be a counterparty that, through insolvency, is unable to meet future payments pursuant to swap agreements in Landshypotek's favour.

Landshypotek's holdings of interest-bearing securities have the highest credit rating and are all issued by Swedish housing finance institutions, Swedish municipalities or county councils.

SEK thousand	Municipalities and county councils	Covered bonds in Sweden	Institutional investments*
AAA	100,275	10,610,629	1,003,245
AA+	1,803,383		
	1,903,657	10,610,629	1,003,245

* Invested in Kommuninvest

The counterparties in swap contracts are Swedish or international banks with high credit ratings and ISDA agreements are in place with counterparties.

SEK thousand	Total credit exposure, Derivatives	Positive gross market value excl. premium for potential future exposure	Positive value after netting
AA-	589,156	260,122	8,617
A+	712,133	305,989	65,149
A	681,883	303,161	106,481
	1,983,173	869,272	180,247

MARKET RISKS

Market risks are defined as:

The risk that the value of assets, liabilities and/or financial contracts is affected by changes in general economic conditions or events that affect a large part of the market.

Market risks to which Landshypotek is exposed are interest-rate risks, currency risks and liquidity risks.

Risk management and analysis

The Board of Directors establishes in Landshypotek the manner in which the Group's financial risks are to be measured and reported, and sets risk limits. Risks are continuously monitored and are reported to both Landshypotek's Finance Sub-Committee and the Board of Directors. The Chief Financial Officer has overall responsibility for the day-to-day management of the Group's financial risks. The Chief Risk Control Officer is responsible for independent control and reporting of the financial risk limits set by the Board of Directors in the financial risk policy. Operations are also supported by financial administrative systems with well-developed procedures for both day-to-day work and risk estimation and analysis.



Currency exposure, Group, 31 December 2011, nominal amounts in local currency (thousands)

Currency	Assets	Liabilities	Exposure
CHF	450,000	450,000	0
EUR	556,533	556,600	-67
NOK	7,895,000	7,895,000	0

Fixed-interest terms for the Group's interest-bearing assets and liabilities						
Group 2011						
SEK thousand	< 3 months	3-12 months	1-3 years	3-5 years	> 5 years	Total
Assets						
Due from financial institutions	164,561					164,561
Loans to customers	30,975,445	6,685,083	15,132,578	4,407,647	784,188	57,984,942
Bonds and other interest-bearing securities	82,693	1,947,716	10,430,207	1,346,000	318,000	14,124,616
Derivatives	28,741,284	945,303	4,759,663	8,508,493	10,154,988	53,109,730
Total assets	59,963,983	9,578,102	30,322,448	14,262,140	11,257,176	125,383,850
Liabilities						
Liabilities to credit institutions	162,157					162,157
Borrowing/deposits from customers	312,453					312,453
Debt securities in issue	35,084,255	2,532,884	13,212,519	10,013,404	10,960,857	71,803,918
Derivatives	32,514,144	7,210,562	10,562,939	2,302,762	519,717	53,110,123
Total liabilities	68,073,009	9,743,445	23,775,458	12,316,166	11,480,573	125,388,651
TOTAL	-8,109,025	-165,344	6,546,990	1,945,974	-223,397	-4,801
Interest-rate sensitivity net	40,472	-428	-98,885	-43,697	30,814	
Cumulative interest-rate sensitivity		40,044	-58,841	-102,538	-71,724	
<i>The above table includes all contracted cash flows. Nominal amounts are carried under the time slots when interest is reset.</i>						



Interest-rate risks

Interest-rate risks arise when fixed-interest terms or interest bases for assets and liabilities are mismatched. Landshypotek seeks to manage the interest-rate risk that arises in the course of business by having the same fixed-interest term on borrowing as on lending. Due to actual conditions and availability in the capital market, there may be certain instances of imbalance between borrowing and lending. This imbalance gives rise to an interest-rate risk that Landshypotek manages using interest swaps and currency interest-rate swaps. No trading is carried out. For purposes of calculating and managing interest-rate risk, Landshypotek's equity is deemed to be invested at the same average fixed-interest term as its lending to customers. This means that equity is equated to an interest-bearing liability for purposes of calculating and managing interest-rate risk. Interest-rate risk is calculated as the change in value (change in present value) that occurs if the interest-rate curve is moved in parallel up or down by one percentage point. Limits for Landshypotek's interest-rate risk are set by Landshypotek's Board of Directors in the financial risk policy. Interest-rate risks are continuously monitored and reported by the Risk Control unit to Landshypotek's Finance Sub-Committee and its Board of Directors. At year-end, the interest-rate risk at a parallel movement of the interest-rate curve by one percentage point amounted to MSEK 71.7 (12.3).

Currency risks

Foreign-exchange exposure consists of the sum of the differences between liabilities and assets as well as future cash flows in all currencies other than Swedish kronor (SEK). Landshypotek has parts of its financing in currencies other than SEK and a very limited portion of its lending in EUR. Where financing is done in currencies other than SEK, the nominal amount as well as all cash flows associated with the financing are swapped to SEK to

manage the currency risk. The part of the lending denominated in EUR is refinanced by borrowing in EUR. Marginal differences may arise here. As a result, Landshypotek is exposed to only marginal currency risk. Limits pertaining to Landshypotek's currency risk are set in the financial risk policy and monitored by the Risk Control Unit. At year-end, the nominal currency exposure amounted to EUR 67,000.

Liquidity risks

To a great extent, Landshypotek is dependent on market funding and the inability to discharge payment obligations connected to market funding can have immediate and serious consequences for Landshypotek. Therefore, risk tolerance for liquidity risks is low and Landshypotek maintains a conservative view on the management of liquidity risks. Landshypotek endeavours to secure longer terms for its borrowing than its lending and the maturity analysis illustrates that Landshypotek's liabilities have longer tenors than its assets based on the date Landshypotek is entitled to request payment or has an obligation or right to make a repayment.

Refinancing risk can have immediate and serious consequences for Landshypotek and, therefore, this risk is given particular consideration and conservative limits applied. In addition to daily monitoring of the limits set, regular stress tests were performed in regard to Landshypotek's liquidity risks.



Maturity analysis of financial assets and liabilities,

Group

SEK thousand	< 3 months	3-12 months	1-3 years	3-5 years	> 5 years	Total
Financial assets						
Due from financial institutions	164,561					164,561
Loans to customers	30,975,445	6,685,083	15,132,578	4,407,647	784,188	57,984,942
Bonds and other interest-bearing securities	82,693	1,947,716	10,430,207	1,346,000	318,000	14,124,616
Derivatives	333,049	1,490,619	6,417,014	5,200,215	10,177,398	23,618,296
Total	31,555,748	10,123,418	31,979,799	10,953,863	11,279,587	95,892,415
Financial liabilities						
Liabilities to credit institutions	162,157					162,157
Borrowing/deposits from customers	312,453	0				312,453
Granted credit facilities	530,499					530,499
Debt securities in issue	5,730,757	11,293,318	28,121,198	15,580,551	11,078,093	71,803,918
Derivatives	339,456	1,382,502	6,352,006	5,051,689	10,493,036	23,618,689
Subordinated liabilities	2,732	362,005	18,400	209,200		592,337
Total	7,078,054	13,037,825	34,491,604	20,841,440	21,571,129	97,020,053
Net cash flow	24,477,694	-2,914,407	-2,511,805	-9,887,578	-10,291,542	-1,127,638
Unutilised credit facility			750,000			750,000
Refinancing risk	24,477,694	-2,914,407	-1,761,805	-9,887,578	-10,291,542	
Accumulated refinancing risk	24,477,694	21,563,287	19,801,482	9,913,904	-377,638	

The above table includes all contracted cash flows. The amounts are not discounted and are recognised during the time slot when Landshypotek is entitled to request payment or has an obligation or right to repay. Future variable rates of interest have been included for derivatives and financial liabilities, but not for loans to customers. The calculation of future rates of interest is based on forward rates plus any credit spreads.



In order to maintain good payment capacity, the Board has decided that cash and cash equivalents corresponding to the liquidity requirements of various periods in time must be available. One of the levels is that the liquidity portfolio must be able to cover all payment obligations for the forthcoming 180 days of normal operations without the possibility of refinancing (borrowing in the capital markets). In 2011, liquidity exceeded the stipulated level by a healthy margin. At 31 December 2011, the liquidity portfolio was 1.4 times larger than the need for refinancing over the next six months.

Landshypotek's holdings in its liquidity portfolio are of the type that may be used as security for loans from the Riksbank (Sweden's central bank). In this case, the Riksbank is the "lender of last resort". The portfolio consists of securities issued by Swedish institutions with a high credit rating, primarily in the form of covered bonds and, to a certain extent, bonds issued by Swedish municipalities and county councils. This liquidity reserve gives Landshypotek the opportunity of bridging temporary strains on liquidity, but also provides the opportunity of procuring the necessary funds at times of severe liquidity crises by selling assets in an orderly fashion, or reducing the financing need by calling in maturing loans.

In 2011, Landshypotek focused on improving its liquidity risk management through the implementation of contingency plans, liquidity strategy and regular stress tests of liquidity risk. The stress tests implemented included a decline in value of the liquidity portfolio, reduced interest income and no borrowing available in the capital markets. The results of the stress tests demonstrate that Landshypotek has an extremely healthy payment capacity.

OPERATIONAL RISKS

Operational risk is defined by Landshypotek as follows:

The risk of loss due to inadequate or failed internal processes, human error, defective systems or external events, which would affect business operations. This definition includes legal risk.

Follow-up of operational risk in Landshypotek is performed through incident reporting via an online tool that all employees have access to. Reported incidents are then conveyed to the Board and Management Group. Once a year, a risk analysis is performed of operational risks for the purpose of:

- identifying and reducing significant operational risks,
- planning security activities,
- creating an awareness of operational risks.

Each operational risk identified is assessed based on its consequences and probability, that is, the impact on operations if the risk were to occur and the likelihood of the risk occurring. The result of the annual risk analysis is presented to the Board and Management Group and comprises a tool that is utilised to rectify those risks deemed material.

Internal capital assessment

In order to evaluate its capital adequacy requirement, Landshypotek has developed an internal capital adequacy assessment process (ICAAP), and this has been adopted by the Board. The purpose of the ICAAP is to ensure that

Landshypotek is capable of identifying, reporting and managing all risks to which the Group is exposed. The ICAAP results in a detailed report of the current risk profile and the risk profile in the medium term, and forms the basis for the evaluation of the capital adequacy requirement, which must be on a par with the chosen risk profile for the company. This capital constitutes a buffer against unexpected losses. Due consideration is also given to strategic business decisions and rating. The annual ICAAP also includes an overview of the risk management system as a whole. Stress tests are performed in order to stress the capital requirement under different circumstances, such as a deep economic recession. The ICAAP includes all types of risks that are believed to have an impact on operations. Besides credit risks, financial risks and operational risks, Landshypotek also actively monitors environmental risks, political risks, reputational risk, model and residual risks and strategic risks. Landshypotek's Chief Financial Officer is responsible for conducting the ICAAP and the Chief Risk Control Officer is responsible for compiling the risk report, i.e. the overall risk profile. In addition, capital matters are monitored on an ongoing basis and regularly reported to the Board of Directors and the Management Group, which ensures that the risk and capital matters are continuously in focus.

Capital situation

Landshypotek applies the rules for the Internal Ratings-based (IRB) Approach to the majority of its exposures. For other exposures, the standardised method is used for the calculation of the capital requirement for credit risk. Landshypotek applies the Basic Indicator approach to measure operational risk. The method means that a capital requirement is calculated as 15 percent of average operating income over the past three years.

At 31 December 2011, the capital base was MSEK 4,262 and the capital adequacy ratio according to Basel II was 4.4. The capital requirement according to Basel II was MSEK 968 as of 31 December.

The capital adequacy rules as stipulated in Basel II were to be fully applied as of 1 January 2010. This transition to Basel II was preceded by transitional rules which were applied for three years. The period during which the transitional rules are applied was extended. Under the transitional rules, Landshypotek has a capital ratio of 1.16. Additional information can be found in Note 34.





Notes

NOTE 1 ACCOUNTING POLICIES

Basis for preparing the Annual Accounts

The Annual Accounts are prepared in accordance with the provisions of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and the directives of the Swedish Financial Supervisory Authority, FFFS 2008:25. We apply the International Financial Reporting Standards (IFRS) as adopted by the EU, RFR 1 in the Group and RFR 2 in the Parent Company. Differences in accounting policies between the Group and the Parent Company are set out under each heading below.

Definitions and comparative data

The Landshypotek Group includes Landshypotek AB and subsidiaries Lantbrukskredit AB, Landshypotek Jordbrukskredit AB and dormant companies. In running text in the Annual Report, "Landshypotek" refers to the Group as defined above. The complete corporate names are used for individual Group companies. Unless otherwise specified, annual reports are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and all amounts are stated in SEK thousand. The preceding year's data is shown in parentheses.

Standards, amendments and interpretations that entered into force during the year did not impact the consolidated financial statements.

New standards, amendments and interpretations as well as annual improvement projects that have not yet come into force and were not applied in advance by the Group.

IFRS 9, Financial Instruments. This standard is the first stage in a process aimed at replacing IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 specifies two new methods for the recognition and measurement of financial assets and will probably impact the manner in which the Group recognises financial assets. For financial liabilities, these elements are essentially transferred from IAS 39 with the exception of the fair-value alternative. The standard does not apply until financial years that commence on or after 1 January 2015, but can be applied in advance. However, the standard has not yet been adopted by the EU.

The Group has yet to evaluate the full impact of IFRS 9 on the financial statements.

IAS 19, Employee Benefits. The corridor approach will be eliminated which means that all actuarial gains and losses are to be immediately recognised in other comprehensive income when they arise. Interest expense and expected return on plan assets will be replaced by net interest calculated using the discount rate. The standard is applicable for financial years starting 1 January 2013 but has yet to be adopted by the EU. At 31 December 2011, the Landshypotek Group had an accumulated actuarial loss of MSEK 18.1 which, under the new standard without application of the corridor approach, would be recognised under other comprehensive income. The Group has yet to evaluate the full impact of implementing net interest in the financial statements.

IFRS 13, Fair Value Measurement. The standard contains a precise definition of fair value and states the disclosure requirements for fair value. Application is effective for financial years starting 1 January 2013. However, the standard has not yet been adopted by the EU.

The Group has yet to evaluate the full impact of IFRS 13 on the financial statements.

Other new standards, amendments and interpretations as well as annual improvement projects that have not yet come into force were not considered to have any material impact on the consolidated financial statements.

Consolidated accounting

The consolidated financial statements include the Parent Company and its subsidiaries. All subsidiaries are 100-percent owned by

Landshypotek AB. Subsidiaries are consolidated in accordance with the purchase method of accounting. All companies in the Group are Swedish limited liability companies with SEK as their accounting currency. Energisystem i Sverige AB is not consolidated in the Group reporting.

Subsidiaries are all companies in which the Group is entitled to frame financial and operative strategy in a way that is consistent with a shareholding in excess of 50 percent of the voting rights. The occurrence and effect of potential voting rights that may currently be utilised or converted must be taken into account when assessing whether the Group exercises a controlling influence over another company. Subsidiaries are included in the consolidated accounts as of the date on which the controlling interest is transferred to the Group. They are excluded from the consolidated accounts as of the date on which the controlling interest ceases to apply.

The purchase method is used to report Group acquisitions of subsidiaries. The cost comprises the fair value of all assets, liabilities and issued equity instruments placed as consideration for net assets in the subsidiary. Any surplus due to the cost exceeding the identifiable net assets of the acquisition balance is recognised as goodwill. Transaction costs are recognised directly in profit and loss.

Segment reporting

A segment is a business segment or a geographic area. A business segment is a part of a company that is identifiable for accounting purposes that offers products or services and which is exposed to risks and opportunities that differ from those of other business segments. A geographic area is part of a company that is identifiable for accounting purposes that offers products or services in an economic environment and which is exposed to risks and opportunities that differ from those of other economic environments.

Landshypotek offers one type of product – first mortgage loans – in one geographic area, Sweden, thereby operating in only one business segment. Because of this, no separate segment reporting is prepared.

Measurement of receivables and liabilities in foreign currency

Swedish kronor (SEK) is the functional currency of the Parent Company and the reporting currency of the Group. Receivables and liabilities in foreign currency are measured at the rate of exchange prevailing on the balance sheet date.

Recognition and measurement rules of financial assets

Financial assets are divided into the following categories for measurement:

1. Loans and trade receivables.
2. Financial assets at fair value through profit and loss.
3. Available-for-sale financial assets.

Loans to credit institutions and customers are classified as "Loans and other trade receivables". This means that they are measured at amortised cost.

Bonds and other interest-bearing securities are classified as "Available-for-sale financial assets" or as "Financial assets at fair value through profit and loss". The classification is determined for each specific transaction. These assets are valued at fair value in the balance sheet regardless of classification. The following applies to those holdings classified as "Available-for-sale financial assets": Initial recognition is performed at fair value plus transaction costs. Gains and losses that arise as a result of changes in value are recognised after taxes directly in the valuation reserve under equity until the financial asset is sold or impaired. When the asset is sold or impaired, the accumulated gain or loss, previously recognised in equity, is recognised in profit and loss. For bonds and other interest-bearing securities classified as "Financial assets at fair value through profit and loss", the rule applies that these assets are initially recognised at fair value and transaction costs are recognised in profit and loss and that the gains and losses arising as a result of changes in value are recognised in profit and loss under the heading "Net result of financial transactions". Regardless of classification, interest income is recognised in profit and loss with application of the effective interest method.

Regardless of classification, interest income is recognised in profit and loss with application of the effective interest method.

Derivative instruments with a positive market value are classified as "Financial assets at fair value through profit and loss". Gains and losses that arise as a result of changes in value are recognised on an ongoing basis in profit and loss under the item "Net result of financial transactions". Upon sale or impairment, the accumulated gain or loss is recognised under the item "Net result of financial transactions". Accrued and realised interest in derivative financial instruments is recognised as interest income or interest expense.

Financial assets are derecognised from the balance sheet when the right to receive cash flows from the instruments expires or is transferred and the Group has transferred virtually all risks and benefits associated with the right of ownership.

Recognition and measurement of financial liabilities

For purposes of measurement, financial liabilities are divided into two categories:

1. Other financial liabilities.
2. Financial liabilities at fair value through profit and loss.

Liabilities to credit institutions, and borrowing from customers, debt securities in issue and subordinated liabilities are classified as financial liabilities. Financial liabilities are measured and recognised at amortised cost by using the effective interest method. Transaction costs directly attributable to a specific liability are added to the cost and consideration is given thereto when calculating amortised cost. Recognition of financial liabilities subject to hedge accounting is dealt with in the hedge accounting section.

Derivative instruments with a negative market value are classified as "Financial liabilities at fair value through profit and loss". Gains and losses that arise as a result of changes in value are recognised on a current basis in profit and loss under the item "Net result of financial transactions". Upon sale or impairment, the accumulated gain or loss is recognised under the item "Net result of financial transactions". Accrued and realised interest in derivative financial instruments is recognised as interest income or interest expense.

Financial liabilities are derecognised from the balance sheet when the obligation to pay cash flows from the instruments has expired or been transferred and the Group has largely transferred all risks and obligations associated with the liability.

Calculation of fair value

Fair value of financial instruments traded on an active market, such as available-for-sale financial assets, is based on quoted market prices. Fair value of financial instruments and derivatives not traded on an active market is calculated using the valuation technique of discounting of future cash flows. Quoted market rates for the period in question are used for discounting.

Transaction or settlement date accounting

Financial assets and liabilities attributable to lending to customers are recognised on the payment date. Other assets and liabilities are recognised on the transaction date.

Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical form. An asset is a resource that is expected to yield future economic benefits over which control is exercised. 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 arise. Amortisation is based on the economic life of the asset and starts when the asset is put to use. Intangible assets are amortised over a period of five years. A test for impairment is performed when there is an indication that the asset may have diminished in value.

Tangible assets

Tangible assets consist mainly of real property. Properties are valued at cost less accumulated depreciation. Each part of a tangible non-current asset with a cost that is significant relative to the aggregate cost of the asset is depreciated separately. The depreciation method used reflects how the future economic benefits of the asset are expected to be used. Landshypotek has produced separate depreciation plans for each significant component. The depreciation periods for the components of properties vary between 20 and 150 years.

Provisions

Provisions consist of recognised expected negative outflows of resources from the Group. Provisions are recognised when the

Group has a legal or informal obligation as a result of events that have occurred when it is probable that an outflow of resources will be required to settle the undertaking. Landshypotek has set aside provisions for future pension commitments and deferred taxes. For more information, refer to the section on Pension Costs.

Interest income and interest expense

Interest income and interest expense on financial assets and liabilities are recognised in profit and loss in accordance with the effective interest method under the headings interest income and interest expense. The change in value of financial assets and liabilities at fair value is also accounted for under the heading "Net result of financial transactions". This is also true for changes in fair value of financial assets and liabilities included in hedge accounting.

Hedge accounting

Hedge accounting is divided into different types of hedges, depending on the purpose of the hedge.

Fair-value hedges: The Group applies hedge accounting for part of its exposure to interest-rate risk in fixed-interest financial liabilities against changes in fair value due to movements in interest rates. Interest swaps and currency interest swaps are used for this purpose. Changes in the fair value of a derivative instrument formally identified as a fair-value hedge, and which fulfil the requirements for hedge accounting, are recognised in profit and loss. The same occurs with changes in fair value of the hedged asset or liability attributable to the hedged risk.

Cash-flow hedges: The Group hedges parts of its exposure to interest-rate risk in floating interest financial liabilities against changes in future cash flows due to interest-rate changes. Interest swaps and currency interest swaps are used for this purpose. The effective portion of changes in the fair value of a derivative instrument identified as a cash-flow hedge, and which fulfils the requirements for hedge accounting is recognised in equity through other comprehensive income. When the hedged transaction occurs, the accumulated reserve in equity is returned to profit and loss. The gain or loss attributable to the ineffective portion is recognised immediately in profit and loss under the heading "Net result of financial transactions".

Hedge accounting is terminated when the hedging relationship is no longer deemed to be effective or if the hedged item or hedging instrument is sold. Gains or losses are recognised in profit and loss.

Commission income and commission expense

Commission income is attributable to our lending and our borrowing. Income attributable to lending is recognised as revenue on notification and income attributable to borrowing is recognised on the transaction date.

Commission expense is attributable to Stability Fund fees to the Swedish National Debt Office and is expensed over the year.

Net result of financial transactions

Realised gains and losses attributable to the purchase and sale of bonds and derivatives in the liquidity portfolio and the buyback of bonds are recognised under the heading "Net result of financial transactions". In addition, realised and unrealised gains and losses attributable to market-value changes of bonds and derivatives are also recognised under this heading.

Other income

Income from services sold and external rental income relating to real property owned are reported under other income. Results of sales of operating properties are also recognised here.

Personnel costs

All direct personnel costs, including various forms of payroll overheads and fringe benefits are classified as personnel costs.

Pension costs

Landshypotek's pension commitment under the BTP plan is a defined-benefit pension plan. Landshypotek had funded its obligation via SPK, which manages the assets and handles pension payments on behalf of Landshypotek.

Premiums paid relating to pension commitments secured in a pension foundation as an operating expense are recognised in the Parent Company. The calculation is made in accordance with the Pension Obligations Vesting Act.

The net of the three items below are recognised in the Group as an operating expense:

- Pension entitlement earned during the year. The item refers to the year's share of the estimated final total pension payment. The item is based on estimated final salary and is subject to actuarial assumptions.
- Interest expense. The present value of the pension liability changes during the year as a result of the fact that the time until payment becomes shorter, and any changed assumptions with respect to discount rate.
- Expected return. The expected return is based on assumptions of the average return that will be received on the body of assets. The time horizon for assessments is related to the entire duration of the commitment.

In addition, actuarial gains and losses arise as a result of changed actuarial assumptions, and the difference between actual and expected return on plan assets. These are amortised based on the remaining time of service of the employees, to the extent that the net amount of accumulated, unrecognised actuarial gains and losses exceeds the higher of 10 percent of the present value of obligations or 10 percent of the fair value of plan assets. The liability recognised in the balance sheet in respect of defined-benefit pension plans is the present value of the defined-benefit obligation on the balance sheet date less the fair value of plan assets. The defined-benefit pension obligation is calculated annually by independent actuaries using the "projected unit credit method". For more information about pensions, refer to Note 8 and Note 30.

Other expenses

The "Other expenses" item contains other costs, including operating costs for own properties.

Loan losses

Receivables of which any component is more than 60 days overdue are recognised as overdue receivables regardless of the possibility of recovering the receivable by realising collateral.

A loan receivable is recognised as a doubtful credit when an individual assessment indicates that it is unlikely to be paid in accordance with

the terms of the loan agreement and where the value of the collateral is feared to be insufficient to cover the value of the receivable with a sufficient margin. Doubtful credits are measured at the present value of estimated recoveries. For purposes of calculating the present value, estimated cash flows are discounted using the original contract rate. The difference between the loan receivable and the present value of estimated recovery is reported as a probable loan loss.

Restructuring of loans

Agreements on concessions that entail a restructuring of the loan receivable are only made on an exceptional basis since all lending is against collateral, the value of which is realised in the event of default. Where appropriate, restructured loan receivables are commented on in the Administration Report.

Tax expenses

Recognised 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 carrying amounts and values for tax purposes of assets and liabilities.

Group contributions

Group contributions are recognised in accordance with RFR2.

Yield-related Group contributions paid by Landshypotek AB to the Parent Company, Landshypotek, ekonomisk förening, are recognised directly in equity in Landshypotek AB. Group contributions paid to reduce the Group's taxes are recognised directly in equity in each company.

Estimates and important assessments

The application of the Group's accounting policies means that, in certain instances, recognised amounts are based on estimates and assumptions about the future. The estimates and assumptions made are always based on company management's best and fairest assessment of the future and are subject to continual review and validation. Despite this, future outcomes may, to a certain extent, differ from original assumptions made.

The calculation of Group expenses and obligations for defined-benefit pensions is based on a number of actuarial, demographic and financial assumptions that have a significant impact on recognised amounts. A list of the most important assumptions used in the calculation of provisions for the year is presented in Note 30.

The value of the Group's loan receivables is subject to continual testing and is individual for each receivable. If necessary, receivables are impaired to the assessed recoverable amount. In order to estimate the recoverable amount, a number of assessments are carried out, including an assessment of the counterparty's repayment capacity and the realisation value of any collateral. The final outcome may deviate from original provisions for loan losses.

		GROUP		PARENT COMPANY	
NOTE 2	NET INTEREST INCOME, SEK THOUSAND	2011	2010	2011	2010
Interest income					
Interest income due from financial institutions		1,081	563	931	545
Interest income on loans to Group companies		0	0	97	53
Interest income on loans to customers		2,132,184	1,363,083	2,116,706	1,351,771
Less interest losses		-1,640	-2,081	-1,578	-2,081
Interest income on interest-bearing securities		360,313	357,565	360,313	357,565
of which interest income on financial assets at fair value in profit and loss		128,764	111,627	128,764	111,627
of which interest income on available-for-sale financial assets		231,549	245,938	231,549	245,938
Other interest income		46	11	2	7
Total		2,491,985	1,719,141	2,476,472	1,707,860
Average interest on loans to customers		3.99 %	2.78 %	3.96 %	2.77 %
All interest income is attributable to the Swedish market.					
Interest expense					
Interest expense for liabilities to Group companies		-2,033	-624	-9,423	-2,841
Interest expense for liabilities to credit institutions – other		-9,108	-20,766	-9,108	-20,767
Interest expense for borrowing/deposits from customers		0	0	0	0
Interest expense for interest-bearing securities		-1,967,626	-1,381,627	-1,967,626	-1,381,627
of which interest expense for other financial liabilities		-525,098	-295,117	-525,098	-295,117
of which interest expense on financial assets at fair value in profit and loss		-1,442,528	-1,086,510	-1,442,528	-1,086,510
Interest expense for subordinated liabilities		-18,630	-8,981	-18,630	-8,981
Interest expense for derivative instruments		13,736	169,102	13,736	169,102
of which interest expense on derivatives at fair value in profit and loss		19,980	203,008	19,980	203,008
of which interest expense on derivatives identified as hedging instruments		-6,244	-33,906	-6,244	-33,906
Other interest expense		-3,365	-4,411	-3,365	-4,403
Total		-1,987,026	-1,247,307	-1,994,416	-1,249,517
Total net interest income		504,959	471,834	482,056	458,343

NOTE 3	COMMISSION INCOME, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Loan commissions		12,421	11,521	11,837	11,098
Commissions on securities		1,244	8	1,244	8
Total		13,666	11,529	13,081	11,106

NOTE 4	COMMISSION EXPENSE, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Commissions on securities		-554	-343	-554	-343
Stability Fund fees		-21,684	-20,272	-21,684	-20,272
Other commissions		0	-5	0	0
Total		-22,238	-20,620	-22,238	-20,615

		GROUP		PARENT COMPANY	
NOTE 5	NET RESULT OF FINANCIAL TRANSACTIONS, SEK THOUSAND	2011	2010	2011	2010
Financial assets at fair value in profit and loss					
Realised result of sales of bonds and other interest-bearing securities			11,244		11,244
Available-for-sale financial assets					
Realised result of sales of bonds and other interest-bearing securities		52,046	132,461	52,046	132,461
Other financial liabilities					
Realised result on repurchase of own bonds issued		-78,152	-205,406	-78,152	-205,406
Financial liabilities at fair value in profit and loss					
Realised result from purchase/sale of derivative contracts		33,100	15,770	33,100	15,770
Total realised result		6,994	-45,931	6,994	-45,931
Financial assets at fair value in profit and loss					
Change in value of bonds and other interest-bearing securities		79,739	-56,183	79,739	-56,183
Financial liabilities at fair value in profit and loss					
Change in value of issued bonds included in fair-value hedge		-967,006	47,454	-967,006	47,454
Change in value of derivatives included in fair-value hedge		957,170	-39,584	957,170	-39,584
Change in value of derivatives not included in any hedging relationship		-80,277	98,463	-80,277	98,463
Total unrealised result		-10,375	50,150	-10,375	50,150
Net result of financial transactions		-3,381	4,219	-3,381	4,219

Realised result is defined as changes in value that were realised, that is, received/paid from/to a counterparty, for transactions that were closed during the year. Unrealised result is defined as changes in the market values of open positions.

		GROUP		PARENT COMPANY	
NOTE 6	OTHER OPERATING INCOME, SEK THOUSAND	2011	2010	2011	2010
	Income from property	11,831	23,100	11,831	23,100
	Sale of operating property	232,715	67,984	232,715	70,022
	Other	1,950	290	1,328	291
	Total	246,496	91,374	245,874	93,413

		GROUP		PARENT COMPANY	
NOTE 7	GENERAL ADMINISTRATIVE EXPENSE, SEK THOUSAND	2011	2010	2011	2010
Personnel costs					
Salaries, etc. to MD, senior executives and Board of Directors		-13,238	-10,443	-13,238	-10,443
Salaries, etc. to other personnel		-45,073	-48,005	-45,073	-48,005
Provision to profit-sharing foundation		-1,130	-2,660	-1,130	-2,660
Pension costs		-6,808	-7,758	-18,231	-18,211
Social insurance charges		-19,594	-18,522	-19,594	-18,507
Other personnel costs		-762	-790	-762	-764
Total		-86,605	-88,178	-98,028	-98,590
Specification of pension costs					
Change in provision for pensions		0	-204	0	-204
Pension premiums		-13,446	-12,655	-13,446	-12,655
of which to senior executives		-4 571	-4 774	-4 571	-4 774
Directly paid pensions		-1,156	-1,162	-1,156	-1,162
Payroll and yield taxes attributable to pension costs		-3,630	-4,190	-3,630	-4,190
Defined-benefit pension plans		11,423	10,453		0
Total		-6,808	-7,758	-18,231	-18,211

CONT.	NOTE 7, GENERAL ADMINISTRATIVE EXPENSE, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
<p>Pension costs in the Group are recognised in accordance with IAS 19, Employee Benefits. Pension costs in Landshypotek AB have been calculated in accordance with the regulations of the Swedish Financial Supervisory Authority.</p> <p>The company's pension obligations are covered by insurance in Sparinstituten's Pensionskassa and by provisions for pensions covered by credit insurance from FPG (Försäkringsbolaget Pensionsgaranti, mutual). Further information about the pension liability is reported in Note 30.</p>					
Number of male employees		58	55	58	55
Number of female employees		52	55	52	55
Total		110	110	110	110
Average number of salaried employees, including substitutes		112.0	98.0	112.0	98.0
Loans to directors and senior executives					
Loans to directors amount to		58,597	102,672	58 597	92,883
Loans to senior executives amount to		18,698	4,283	18,698	4,283
Directors and senior executives					
Number of directors		18	25	7	7
of which men		14	21	5	5
<p>Fixed salary and benefits were paid to the Managing Director in the amount of SEK 2,424,000 (2,360,000) during the year. The Group pays no bonus-based remuneration. For the Managing Director of Landshypotek AB and the Managing Director of Landshypotek, ekonomisk förening, the retirement age is 65 years. In the event of termination at the initiative of the company, the MD is entitled to termination pay equivalent to one year's annual salary and severance pay equal to one year's annual salary. To other senior executives, a total of 9 (9) persons, fixed annual salary was paid, including the benefit of a company car, in the amount of SEK 9,791,000 (7,455,000). These persons are covered by a defined-benefit pension plan under a collective bargaining agreement. Fixed fees in the amount of SEK 920,000 (530,000) were paid to the Board of Directors in accordance with the Annual General Meeting resolution, of which SEK 125,000 (0) was paid for work on committees and of which the Chairman of the Board received SEK 158,000 (170,000). Daily expense allowances were also paid. No other remuneration was paid for Board work.</p>					
Other administrative expenses					
Cost of premises		-10,854	-5,826	-10,854	-5,826
Office expenses		-2,073	-3,654	-2,073	-3,645
Telephone, data networks and postage expenses		-5,117	-4,570	-5,116	-4,568
IT expenses		-46,934	-29,263	-46,001	-28,477
Purchased services		-29,448	-26,116	-29,351	-26,002
Auditing					
Audit fee as per audit assignment		-1,752	-1,608	-1 622	-1,470
Audit fee for action other than the audit assignment		-494	-369	-494	-343
Tax consultancy fee		-360	-151	-360	-151
Fees for internal audit		-108		-108	
Fees for other services			-535		-472
Other		-10,311	-9,484	-10,283	-9,457
Total		-107,451	-81,576	-106,262	-80,411
Total		-194,056	-169,754	-204,290	-179,002

		GROUP		PARENT COMPANY	
NOTE 8	DEPRECIATION, AMORTISATION AND IMPAIRMENT OF TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS, SEK THOUSAND	2011	2010	2011	2010
Tangible non-current assets					
Depreciation of furniture, fixtures and equipment		-1,124	-1,365	-1,124	-1,365
Impairment of furniture, fixtures and equipment		0	0	0	0
Depreciation of real property		-4,217	-9,266	-4,217	-9,266
Impairment of real property		0	0	0	0
Depreciation of land improvements		-28	-27	-28	-27
Impairment of land improvements		0	0	0	0
Total		-5,368	-10,658	-5,368	-10,658

Depreciation and impairment in the above table applies only to tangible non-current assets.

NOTE 9	OTHER OPERATING EXPENSES, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
	Marketing expenses	-11,302	-12,009	-11,302	-12,007
	Property expenses	-5,230	-7,936	-5,229	-7,934
	Other	-784	-668	-769	-443
Total		-17,316	-20,613	-17,300	-20,384

		GROUP		PARENT COMPANY	
NOTE 10	LOAN LOSSES NET, SEK THOUSAND	2011	2010	2011	2010
Loan losses					
Year's write-off for realised losses		-5,922	-6,683	-3,945	-6,683
Reversal of prior provisions for probable loan losses, recognised as realised losses in this year's accounts		5,422	6,460	3,445	6,460
Year's provision for probable loan losses		-19,307	-11,888	-13,514	-10,853
Recovery of previously realised losses		1,964	418	1,948	407
Reversal of prior provisions no longer necessary for probable loan losses		8,934	5,031	8,934	5,031
Total		-8,910	-6,662	-3,132	-5,638

All loan losses are attributable to loans to customers.

There are no properties taken over in foreclosure.

NOTE 11	YEAR-END APPROPRIATIONS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
	Other				
Total		0	0	0	0

NOTE 12	INCOME TAX, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Profit before tax		513,851	350,649	485,302	330,784
Income tax calculated at national tax rates		-135 143	-92,221	-127,634	-86,996
Tax effects of:					
Non-taxable income		61,219	17,886	61,207	18,421
Non-deductible expenses		-994	-1,671	-994	-1,669
Adjustment of preceding year's tax expense		6,396	-910	6,425	-915
Realised deferred tax attributable to year-end appropriations			-1,530		
Realised deferred tax liabilities attributable to real property sold		44,712	1,538	44,712	1,538
Total income tax related to profit and loss		-23,810	-76,908	-16,284	-69,621
<i>of which current tax</i>		<i>-65,518</i>	<i>-74,167</i>	<i>-60,996</i>	<i>-71,159</i>
<i>of which deferred tax</i>		<i>41,708</i>	<i>-2,741</i>	<i>44,712</i>	<i>1,538</i>
Specification of deferred tax					
Deferred tax relating to pension costs		-3,004	-2,749		
Deferred tax relating to reversal of tax allocation reserve			-1,530		
Deferred tax relating to depreciation of real property		877		877	
Deferred tax relating to write-up of real property		43,835	1,538	43,835	1,538
Total change in deferred tax		41,708	-2,741	44,712	1,538
The average tax rate for the year was 26.3 percent for the Group and 26.3 percent for the Parent Company.					
Income tax related to other comprehensive income					
Total change in deferred tax					
Profit/loss before tax		-34,237	68,098	-34,237	68,098
Tax		9,004	-17,910	9,004	-17,910
Profit/loss after tax		-25,233	50,188	-25,233	50,188
Available-for-sale financial instruments					
Profit/loss before tax		211,172	-291,379	211,172	-291,379
Tax		-55,538	76,633	-55,538	76,633
Profit/loss after tax		155,634	-214,746	155,634	-214,746
Other comprehensive income		130,401	-164,558	130,401	-164,558
Current tax					
Deferred tax		-46,534	-58 723	-46,534	58,723
Total income tax related to other comprehensive income		-46,534	-58 723	-46,534	58,723

NOTE 13	DUE FROM FINANCIAL INSTITUTIONS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Loans to Group companies					7,000
Loans to banks		159,049	213,995	140,147	192,661
Loans to PlusGiro		5,385	2,149	4,832	1,755
Loans to others		127		127	
Total		164,561	216,144	145,106	201,416
Due from financial institutions by time remaining to maturity					
payable on demand		164,561	216,144	145,106	194,416
up to 3 months		0	0	0	7,000
more than 3 months up to 1 year		0	0	0	
more than 1 year up to 3 years		0	0	0	
more than 3 years up to 5 years		0	0	0	
more than 5 years		0	0	0	
Total		164,561	216,144	145,106	201,416

NOTE 14	LOANS TO CUSTOMERS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Loans outstanding		55,592,311	51,780,974	55,311,141	51,464,241
Less provisions		-12,711	-7,940	-7,805	-6,850
Net loans outstanding		55,579,600	51,773,034	55,303,336	51,457,391
Disclosures on overdue loan receivables					
Loan receivables overdue 1–30 days		1,916,219	1,193,729	1,915,526	1,193,521
Loan receivables overdue 31–60 days		456,744	291,581	452,360	286,873
Loan receivables overdue more than 61–90 days		92,934	67,119	89,556	65,712
Loan receivables overdue more than 90 days		868,546	361,535	860,584	358,018
of which loan receivables overdue more than 90 days where interest is recognised as income		427,454	198,441	414,022	190,547
		3,761,897	1,913,964	3,732,048	1,904,124
Disclosures on doubtful credits					
Doubtful credits, not overdue		14,232	18,247	14,232	18,247
Doubtful credits, overdue		50,842	18,916	45,936	18,862
Total		65,074	37,163	60,168	37,109
Less provisions made		-12,711	-7,940	-7,805	-6,850
Total doubtful credits		52,363	29,222	52,363	30,259
Doubtful credits at beginning of year		37,163	42,828	37,109	42,543
New doubtful credits during year		60,484	27,269	55,632	27,269
Doubtful credits settled during year		-32,573	-32,934	-32,573	-32,703
Doubtful credits at year-end		65,074	37,163	60,168	37,109
Provisions at beginning of year		-7,940	-6,897	-6,850	-6,844
Additional provisions during the year		-12,962	-7,879	-8,406	-7,767
Deducted provisions during the year		8,191	6,836	7,451	7,761
Provisions at year-end		-12,711	-7,940	-7,805	-6,850
Loans to customers by remaining time to maturity					
payable on demand					
up to 3 months		30,580,567	34,498,964	30,316,322	34,191,840
more than 3 months up to 1 year		5,976,767	4,562,749	5,972,676	4,561,446
more than 1 year up to 3 years		14,158,311	7,781,427	14,157,518	7,777,467
more than 3 years up to 5 years		4,160,539	4,215,105	4,159,818	4,214,333
more than 5 years		703,416	714,789	697,002	712,305
Total		55,579,600	51,773,034	55,303,336	51,457,391

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

		GROUP		PARENT COMPANY	
NOTE 15	BONDS AND OTHER INTEREST-BEARING SECURITIES, SEK THOUSAND	2011	2010	2011	2010
Bonds					
Issued by Swedish municipalities		2,892,433	2,796,559	2,892,433	2,796,559
Issued by Swedish banks		200,762		200,762	
Issued by Swedish housing finance institutions		10,144,118	8,178,500	10,144,118	8,178,500
of which covered bonds		9 641 905	8 175 500	9 641 905	8 175 500
Total		13,237,314	10,975,059	13,237,314	10,975,059
Holdings by time remaining to maturity					
market-value adjustment		163,287	–127,624	163,287	–127,624
up to 3 months		51,284	20,958	51,284	20,958
more than 3 months up to 1 year		1,590,447	200,000	1,590,447	200,000
more than 1 year up to 3 years		9,894,015	6,388,940	9,894,015	6,388,940
more than 3 years up to 5 years		1,208,915	3,800,270	1,208,915	3,800,270
more than 5 years		329,365	692,515	329,365	692,515
Total		13,237,314	10,975,059	13,237,314	10,975,059
Valuation of bonds and other interest-bearing securities					
Nominal amount		12,683,000	10,815,000	12,683,000	10,815,000
Amortised cost		13,074,026	11,102,683	13,074,026	11,102,683
Market value		13,237,314	10,975,059	13,237,314	10,975,059
Bonds and other interest-bearing securities are classified as available-for-sale financial assets or as trading portfolio.					
Bonds and other interest-bearing securities by category					
Trading portfolio		5,796,446	2,318,188	5,796,446	2,318,188
Available-for-sale financial assets		7,440,868	8,656,871	7,440,868	8,656,871
Total		13,237,314	10,975,059	13,237,314	10,975,059

The above market-value adjustment concerns the price effect, that is, the valuation of the interest component of the contract.

		GROUP		PARENT COMPANY	
NOTE 16	DERIVATIVES, SEK THOUSAND	2011	2010	2011	2010
Derivatives not included in hedge accounting					
Positive closing value of interest swaps		21,910	42,351	21,910	42,351
Positive closing value of currency-interest swaps					
Total		21,910	42,351	21,910	42,351
Derivatives included in hedge accounting					
Positive closing value of interest swaps		473,644	37,970	473,644	37,970
Positive closing value of currency-interest swaps					
Total		473,644	37,970	473,644	37,970
Total		495,554	80,321	495,554	80,321

The above presentation pertains to the market value of derivative contracts. Accrued interest is included under prepaid expenses and accrued income.

NOTE 17	SHARES AND PARTICIPATIONS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Shares and participations					
The ESS Group, cost in 2004		50,000	50,000	0	0
The ESS Group, impairment in 2004		-49,999	-49,999	0	0
Total		1	1	0	0
Participating interest					
The ESS Group, participating interest		100 %	100 %		

NOTE 18	SHARES IN GROUP COMPANIES, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Holdings in credit institutions					
Landshypotek Jordbrukskredit AB 1,000,000 shares with a quotient value of SEK 100				345,553	345,553
Lantbrukskredit AB 150,000 shares with a quotient value of SEK 1,000 SEK				169,074	169,074
Other holdings					
Hypoteksbanken AB, 1,000 shares with a quotient value of SEK 100				100	100
Sveriges Allmänna Hypoteksbank AB 1,000 shares with a quotient value of SEK 100				100	100
Total		0	0	514,827	514,827

All subsidiaries are wholly owned.

		GROUP		PARENT COMPANY	
NOTE 19	INTANGIBLE ASSETS, SEK THOUSAND	2011	2010	2011	2010
Other intangible non-current assets					
Cost at beginning of year					
Acquisitions during year		14 058		14,058	
Closing cost		14,058	0	14,058	0
Accumulated amortisation at beginning of year					
Amortisation for the year					
Impairments					
Closing accumulated amortisation and impairment		0	0	0	0
Carrying amount		14,058	0	14,058	0

Intangible non-current assets consist of investments in software. Amortisation of intangible assets did not start in 2011 but will start when the assets are taken into use in 2012.

		GROUP		PARENT COMPANY	
NOTE 20	TANGIBLE ASSETS, SEK THOUSAND	2011	2010	2011	2010
Furniture, fixtures and equipment					
Non-current assets					
Cost at beginning of year		31,780	33,568	31,643	32,955
Purchases during the year		333	943	333	943
Disposals during the year		-8,298	-2,731	-8,298	-2,255
Closing cost		23,815	31,780	23,678	31,643
Accumulated depreciation at beginning of year		-29,179	-30,234	-29,042	-29,621
Depreciation and impairment for the year		-1,146	-1,676	-1,146	-1,676
Accumulated depreciation of assets sold		8,298	2,731	8,298	2,255
Closing accumulated depreciation		-22,027	-29,179	-21,890	-29,042
Total furniture, fixtures and equipment		1,788	2,601	1,788	2,601
Buildings and land					
Non-current assets					
Operating properties					
Number of properties		2	5	2	5
Estimated fair value		35,200	562,300	35 200	561,670
Cost at beginning of year		420,471	398,865	417,904	379,597
Capitalised renovation costs		281	38,823	281	38,307
Sales		-399,600	-17,217	-399,600	0
Closing cost		21,152	420,471	18,585	417,904
Write-up for the year					0
Accumulated depreciation at beginning of year		-71,542	-62,609	-68,987	-59,694
Closing accumulated depreciation		66,745	398	66,757	
Depreciation for the year		-619	-9,331	-619	-9,293
Closing accumulated depreciation		-5,417	-71,542	-2,850	-68,987
Carrying amount		15,735	348,929	15,735	348,917
Total buildings and land		15,735	348,929	15,735	348,917

NOTE 21	OTHER ASSETS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Announced interest and repayments		36,136	29,688	35,124	28,894
Receivables from Group companies		8,152	202	8,209	241
Other receivables		313,670	27,507	307,769	21,817
Total		357,958	57,397	351,102	50,952

NOTE 22	DEFERRED TAX ASSETS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
	Deferred tax asset	18,278	39,478	9,063	25,322
	Total	18,278	39,478	9,063	25,322
	Opening deferred tax receivables on fair-value reserve	24,180	0	24,179	0
	Add deferred tax on fair-value reserve		24,180		24,179
	Less deferred tax on fair-value reserve	-24,180		-24,179	
	Closing deferred tax receivables on fair-value reserve	0	24,180	0	24,179
	Opening deferred tax receivables on hedging reserve	59	17,969	59	17,969
	Add deferred tax on hedging reserve	9,063		9,063	
	Less deferred tax on hedging reserve	-59	-17,909	-59	-17,910
	Closing deferred tax receivables on hedging reserve	9,063	60	9,063	59
	Opening deferred tax receivables on pensions pursuant to IAS 19	8,264	11,013		
	Add deferred tax on pensions pursuant to IAS 19				
	Less deferred tax on pensions pursuant to IAS 19	-3,004	-2,749		
	Closing deferred tax receivables on pensions pursuant to IAS 19	5,260	8,264		
	Opening deferred tax receivables relating to loss carry-forwards	6,974	51,739	1,084	33,606
	Less deferred tax relating to loss carry-forwards	-3,019	-44,765	-1,084	-32 522
	Closing deferred tax receivables relating to loss carry-forwards	3,955	6,974	0	1,084

NOTE 23	PREPAID EXPENSES AND ACCRUED INCOME, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
	Prepaid expenses	7,817	7,276	7,815	7,273
	Accrued interest due from financial institutions	3	5	3	5
	Accrued interest on loans to customers	243,110	171,308	241,641	170,540
	Accrued interest on interest-bearing instruments	661,525	483,908	661,525	483,908
	Accrued interest, intra-Group	0	0	0	6
	Total	912,455	662,497	910,984	661,732

NOTE 24	LIABILITIES TO CREDIT INSTITUTIONS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
	Borrowing from Group companies			325,000	287,759
	Swedish banks	162,157	83,962	162,157	83,963
	Total	162,157	83,962	487,157	371,722
	Liabilities to credit institutions by remaining time to maturity				
	payable on demand	162,157	83,962	162,157	93,722
	up to 3 months			325,000	278,000
	more than 3 months up to 1 year				
	more than 1 year up to 3 years				
	more than 3 years up to 5 years				
	more than 5 years				
	Total	162,157	83,962	487,157	371,722

NOTE 25	BORROWING FROM CUSTOMERS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Deposits from customers		167,453		167,453	
Other notes payable		145,000	105,000	145,000	105,000
Total		312,453	105,000	312,453	105,000
Borrowing from customers by remaining time to maturity					
payable on demand					
up to 3 months		312,453	90,000	312,453	90,000
more than 3 months up to 1 year			15,000		15,000
more than 1 year up to 3 years					
more than 3 years up to 5 years					
more than 5 years					
Total		312,453	105,000	312,453	105,000

NOTE 26	DEBT SECURITIES IN ISSUE, ETC., SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Commercial paper		3,636,901	2,346,972	3,636,901	2,346,972
Bond loans		60,668,638	56,066,217	60,668,638	56,066,217
Total		64,305,539	58,413,189	64,305,539	58,413,189
Borrowing by remaining time to maturity					
market-value adjustment		987,325	20,358	987,325	20,358
up to 3 months		5,391,103	5,076,450	5,391,103	5,076,450
more than 3 months up to 1 year		9,881,840	6,829,895	9,881,840	6,829,895
more than 1 year up to 3 years		25,499,690	22,867,347	25,499,690	22,867,347
more than 3 years up to 5 years		14,017,106	10,026,339	14,017,106	10,026,339
more than 5 years		8,528,475	13,592,800	8,528,475	13,592,800
Total		64,305,539	58,413,189	64,305,539	58,413,189
Debt securities in issue classified as fair-value hedging					
Amortised cost		19,278,384	17,355,236	19,278,384	17,355,236
Fair value		20,265,710	17,375,594	20,265,710	17,375,594

The above market-value adjustment concerns the price effect, that is, the valuation of the interest component of the contract.

Fair-value hedges

The Group hedges part of its exposure to interest-rate risk in fixed-interest financial liabilities against changes in fair value due to movements in interest rates. Interest swaps and currency interest swaps are used for this purpose.

Cash-flow hedges

The Group hedges part of its exposure to interest-rate risk in fixed-interest financial liabilities against changes in future cash flows due to movements in interest rates. Interest swaps and currency interest swaps are used for this purpose.

		GROUP		PARENT COMPANY	
NOTE 27	DERIVATIVES, SEK THOUSAND	2011	2010	2011	2010
Derivatives not included in hedge accounting					
Negative closing value of interest swaps		127,913	66,454	127,913	66,454
Negative closing value of currency interest swaps		0	0	0	0
Total		127,913	66,454	127,913	66,454
Derivatives included in hedge accounting					
Negative closing value of interest swaps		74,717	160,240	74,717	160,240
Negative closing value of currency interest swaps		70,921	379,989	70,921	379,989
Total		145,638	540,229	145,638	540,229
Total		273,551	606,683	273,551	606,683

The above presentation pertains to the market value of derivative contracts. Accrued interest is included under accrued expenses and deferred Income.

		GROUP		PARENT COMPANY	
NOTE 28	OTHER LIABILITIES, SEK THOUSAND	2011	2010	2011	2010
Tax liabilities		2,631	3,181	2,629	2,902
Liabilities to Group companies		147,601	101,000	147,601	101,000
Other liabilities		49,938	46,037	43,750	37,578
Total		200,170	150,218	193,980	141,480

NOTE 29	ACCRUED EXPENSES AND DEFERRED INCOME, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
	Accrued interest on liabilities to credit institutions	401	13	401	12
	Accrued interest on borrowing from customers	593	480	593	480
	Accrued interest on debt securities in issue	679,690	616,711	679,690	616,711
	Accrued interest on derivatives	367,363	174,296	367,363	174,296
	Accrued interest, intra-Group	0	0	1,435	720
	Other accrued expenses	32,012	26,624	32,012	26,624
	Prepaid income	213	4,880	213	4,880
	Total	1,080,271	823,004	1,081,706	823,723

NOTE 30	PROVISIONS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Provisions for pensions		20,358	29,551	4,263	4,263
Total		20,358	29,551	4,263	4,263
Discount rate		3.50 %	3.70 %		
Expected return on assets		4.20 %	4.50 %		
Expected change in income base amount		3.00 %	3.00 %		
Expected future salary increase rate		3.00 %	3.00 %		
Expected inflation		2.00 %	2.00 %		
Inflation adjustment in respect of pensions paid		2.00 %	2.00 %		
Staff turnover		5.00 %	5.00 %		
Early retirement		20.00 %	20.00 %		
Opening balance, current value of pension obligations		300,290	286,645		
Service cost		5,058	5,037		
Interest expense		10,874	9,953		
Pension payment		-12,598	-13,003		
Actuarial gain/loss		16,692	11,658		
Current value of pension obligations		320,316	300,290		
Opening balance, plan assets		279,306	253,327		
Return		12,530	12,533		
Payments to fund		12,595	10,869		
Pension payouts		-12,598	-13,003		
Actuarial gain/loss		2,414	15,580		
Closing balance, plan assets		294,247	279,306		
Opening balance, net liability		-20,984	-33,319		
Pension cost for year		-3,402	-2,457		
Payments to fund		12,595	10,869		
Actuarial gain/loss		-14,278	3,922		
Closing balance, net liability		-26,069	-20,985		
Accumulated actuarial gain/loss		-9,975	4,303		
<i>Corridor value</i>		30,029	28,664		
Recognised liability as of 31 December, 2010		-16,094	-25,288		
Other pension liabilities		-4,263	-4,263	-4,263	-4,263
Total recognised pension liability		-20,357	-29,551		
Specification of pension costs					
Service cost		-5,058	-5,037		
Interest expense		-10,874	-9,953		
Expected return		12,530	12,533		
Pension cost		-3,402	-2,457		

Provisions for pensions are recognised under general administrative expenses in profit and loss.

Landshypotek's pension plan is a "defined-benefit pension plan". Landshypotek has funded its obligation via SPK, which manages the assets and handles pension payments on behalf of Landshypotek. The current value of the obligations, after deductions for fair value of plan assets, amounted to MSEK 26.1 as of 31 December 2011. The difference between the carrying amount and the value of the liability recognised above is the result of actuarial gains and losses incurred due to changes in actuarial assumptions and the fact that the difference between actual and expected returns on plan assets has been amortised. This is based on the remaining time of service of the employees, to the extent that the net amount of accumulated, unrecognised actuarial gains and losses exceeds the higher of 10 percent of the present value or 10 percent of the fair value of plan assets.

NOTE 31	DEFERRED TAX LIABILITIES, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
	Deferred tax	31,328	44,681	31,328	44,681
	Total	31,328	44,681	31,328	44,681
	Opening deferred tax on property write-up	43,835	44,425	43,835	44,425
	Add deferred tax on property write-up				
	Less deferred tax on property write-up	-43,835	-590	-43,835	-590
	Closing deferred tax on property write-up	0	43,835	0	43,835
	Opening deferred tax on property write-up IFRS	846	1,794	846	1,794
	Add deferred tax on property write-up IFRS				
	Less deferred tax on property write-up IFRS	-877	-948	-877	-948
	Closing deferred tax on property write-up IFRS	-31	846	-31	846
	Opening deferred tax on fair-value reserve	0	52,454	0	52,454
	Add deferred tax on fair-value reserve	31,359		31,359	
	Less deferred tax on fair-value reserve		-52,454		-52,454
	Closing deferred tax on fair-value reserve	31,359	0	31,359	0
	Total deferred tax	31,328	44,681	31,328	44,681

Deferred tax for 2011 is estimated using a rate of 26.3 percent.

NOTE 32	SUBORDINATED LIABILITIES, SEK THOUSAND		GROUP		PARENT COMPANY	
			2011	2010	2011	2010
Due date	Nominal amount	Interest				
2012/2017	SEK 350,000,000	3 months STIBOR +0.33 %	350,000	350,000	350,000	350,000
2015/2020	SEK 200,000,000	Fixed interest 4.60 %	199,949	199,949	199,949	199,949
	Total		549,949	549,949	549,949	549,949

NOTE 33	MEMORANDUM ITEMS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
	Pledged assets	None	None	None	Inga
	Contingent liabilities				
	Försäkringsbolaget Pensionsgaranti, FPG	85	85	85	85
	Flexible first mortgage loan, approved unutilised amount	530,499	446,981	530,499	446,981
	Total	530,584	447,066	530,584	447,066
	Guarantees and other commitments	196,895	166,285		

		FINANCIAL CORPORATE GROUP		
NOTE 34	CAPITAL ADEQUACY ANALYSIS, SEK THOUSAND	Basel II	Transitional rules	Basel I
Tier 1 capital		3,762,200	3,762,200	3,811,875
Share capital paid in or equivalent, after deduction for cumulative preference shares		1,076,094	1,076,094	1,076,094
Equity component of reserves and profit or loss brought forward from preceding financial year		2,385,114	2,385,114	2,385,114
Net profit for the year		383,003	383,003	383,003
Deduction for deferred tax assets		-18,278	-18,278	-18,278
Intangible non-current assets		-14,058	-14,058	-14,058
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-49,675	-49,675	-
Tier 2 capital		500,274	500,274	549,949
Subordinated term loans in accordance with Chapter 8, Sections 18-30		549,949	549,949	549,949
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-49,675	-49,675	-
Capital base		4,262,474	4,262,474	4,361,824
Capital requirement for credit risks in accordance with the standardised method		467,099	467,099	4,729,023
Exposure to governments and central banks		0	0	-
Municipalities, similar entities and authorities		0	0	-
Institutional exposure		97,296	97,296	-
Corporate exposure		204,453	204,453	-
Retail exposure		21,488	21,488	-
Non-performing items		3,334	3,334	-
Covered bonds		140,528	140,528	-
Other items		0	0	-
Capital requirement for credit risks in accordance with IRB		419,272	419,272	-
Retail – real property credits		417,872	417,872	-
Non credit-obligation assets		1,400	1,400	-
Capital requirement for operational risks – Base method		82,017	82,017	-
Additional capital requirement in accordance with transitional rules		-	2,715,480	-
Capital requirement		968 388	3,683,868	4,729,023
Capital adequacy ratio		4.40	1.16	0.92
Capital adequacy		35.21 %	9.26 %	7.38 %
Tier 1 capital adequacy		31.08 %	8.17 %	6.45 %
IRB deduction				
Anticipated loss amount in excess of provisions		-99,350		

Capital adequacy ratio = Capital base/Capital requirement

LHAB PARENT COMPANY

CONT.	NOTE 34, CAPITAL ADEQUACY ANALYSIS, SEK THOUSAND	Basel II	Transitional rules	Basel I
Tier 1 capital		3,630,138	3,630,138	3,679,813
Share capital paid in or equivalent, after deduction for cumulative preference shares		1,927,000	1,927,000	1,927,000
Equity component of reserves and profit or loss brought forward from preceding financial year		1,306,818	1,306,818	1,306,818
Net profit for the year		469,116	469,116	469,116
Group contributions paid		0	0	0
Deduction for deferred tax assets		-9,063	-9,063	-9,063
Intangible non-current assets		-14,058	-14,058	-14,058
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-49,675	-49,675	-
Tier 2 capital		500,274	500,274	549,949
Subordinated term loans in accordance with Chapter 8, Sections 18-30		549,949	549,949	549,949
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-49,675	-49,675	-
Capital base		4,130,412	4,130,412	4,229,762
Capital requirement for credit risks in accordance with the standardised method		432,331	432,331	4,706,575
Exposure to governments and central banks		0	0	-
Municipalities, similar entities and authorities		0	0	-
Institutional exposure		96,626	96,626	-
Corporate exposure		186,343	186,343	-
Retail exposure		7,514	7,514	-
Non-performing items		1,320	1,320	-
Covered bonds		140,528	140,528	-
Other items		0	0	-
Capital requirement for credit risks in accordance with IRB		461,490	461,490	-
Retail – real property credits		417,872	417,872	-
Non credit-obligation assets		43,618	43,618	-
Capital requirement for operational risks – Base method		79,155	79,155	-
Additional capital requirement in accordance with transitional rules		-	2,692,933	-
Capital requirement		972 976	3,665,909	4,706,575
Capital adequacy ratio		4.25	1.13	0.90
Capital adequacy		33.96 %	9.01 %	7.19 %
Tier 1 capital adequacy		29.85 %	7.92 %	6.25 %
IRB deduction				
Anticipated loss amount in excess of provisions		-99,350		

Capital adequacy ratio = Capital base/Capital requirement

NOTE 35	FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, SEK THOUSAND				GROUP
2011	Measured at fair value in profit and loss	Derivatives identified as hedging instruments	Other financial liabilities	Loans and accounts receivable	Available-for-sale financial assets
Assets					
Cash and balances with central banks				6,374	
Treasury bills and other eligible bills					
Due from financial institutions				164,561	
Loans to customers				55,579,600	
Bonds and other interest-bearing securities	5,796,446				7,440,868
Derivatives	21,910	473,644			
Total financial assets	5,818,356	473,644	0	55,750,535	7,440,868
Financial liabilities					
Liabilities to credit institutions			162,157		
Borrowing from the public			312,453		
Debt securities in issue, etc.	20,265,710		44,039,830		
Derivatives	127,913	145,638			
Subordinated liabilities			549,949		
Total financial liabilities	20,393,623	145,638	45,064,389	0	0

2010	Measured at fair value in profit and loss	Derivatives identified as hedging instruments	Other financial liabilities	Loans and accounts receivable	Available-for-sale financial assets
Assets					
Cash and balances with central banks				5,393	
Treasury bills and other eligible bills					
Due from financial institutions				216,144	
Loans to customers				51,773,034	
Bonds and other interest-bearing securities	2,318,188				8,656,871
Derivatives	42,351	37,970			
Total financial assets	2,360,539	37,970	0	51,994,571	8,656,871
Financial liabilities					
Liabilities to credit institutions			83,962		
Borrowing from the public			105,000		
Debt securities in issue, etc.	17,375,594		41,037,595		
Derivatives	66,454	540,229			
Subordinated liabilities			549,949		
Total financial liabilities	17,442,048	540,229	41,776,506	0	0

CONT.	NOTE 35, FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, SEK THOUSAND				PARENT COMPANY
2011	Measured at fair value profit and loss	Derivatives identified as hedging instruments	Other financial liabilities	Loans and accounts receivable	Available- for-sale financial assets
Assets					
Cash and balances with central banks				6,374	
Treasury bills and other eligible bills					
Due from financial institutions				145,106	
Loans to customers				55,303,336	
Bonds and other interest-bearing securities	5,796,446				7,440,868
Derivatives	21,910	473,644			
Total financial assets	5,818,356	473,644	0	55,454,816	7,440,868
Financial liabilities					
Liabilities to credit institutions			487,157		
Borrowing from the public			312,453		
Debt securities in issue, etc.	20,265,710		44,039,830		
Derivatives	127,913	145,638			
Subordinated liabilities			549,949		
Total financial liabilities	20,393,623	145,638	45,389,389	0	0

2010	Measured at fair value profit and loss	Derivatives identified as hedging instruments	Other financial liabilities	Loans and accounts receivable	Available- for-sale financial assets
Assets					
Cash and balances with central banks				5,393	
Treasury bills and other eligible bills					
Due from financial institutions				201,416	
Loans to customers				51,457,391	
Bonds and other interest-bearing securities	2,318,188				8,656,871
Derivatives	42,351	37,970			
Total financial assets	2,360,539	37,970	0	51,664,200	8,656,871
Financial liabilities					
Liabilities to credit institutions			371,722		
Borrowing from the public			105,000		
Debt securities in issue, etc.	17,375,594		41,037,595		
Derivatives	66,454	540,229			
Subordinated liabilities			549,949		
Total financial liabilities	17,442,048	540,229	42,064,266	0	0

NOTE 36	DERIVATIVE INSTRUMENTS, SEK THOUSAND				GROUP
2011	With positive closing value or zero		With negative closing value or zero		
	Nominal amount	Carrying amount	Nominal amount	Carrying amount	
Interest rate-related swaps	20,157,445	495,554	9,334,000	202,630	
Currency-related swaps			7,563,486	70,921	
Total	20,157,445	495,554	16,897,486	273,551	

2010	With positive closing value or zero		With negative closing value or zero		
	Nominal amount	Carrying amount	Nominal amount	Carrying amount	
Interest rate-related swaps	6,200,000	80,321	7,999,500	226,694	
Currency-related swaps			6,920,996	379,989	
Total	6,200,000	80,321	14,920,496	606,683	

PARENT COMPANY				
2011	With positive closing value or zero		With negative closing value or zero	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Interest rate-related swaps	20,157,445	495,554	9,334,000	202,630
Currency-related swaps			7,563,486	70,921
Total	20,157,445	495,554	16,897,486	273,551

2010	With positive closing value or zero		With negative closing value or zero	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Interest rate-related swaps	6,200,000	80,321	7,999,500	226,694
Currency-related swaps	0	0	6,920,996	379,989
Total	6,200,000	80,321	14,920,496	606,683

NOTE 37 FAIR-VALUE DISCLOSURES, SEK THOUSAND			GROUP	
	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	6,374	6,374	5,393	5,393
Treasury bills and other eligible bills				
Due from financial institutions	164,561	164,561	216,144	216,144
Loans to customers	55,579,600	54,287,539	51,773,034	52,643,477
Bonds and other interest-bearing securities	13,237,314	13,237,314	10,975,059	10,975,059
Derivatives	495,554	495,554	80,321	80,321
Shares and participations	1	1	1	1
Shares in Group companies				
Intangible non-current assets	14,058	14,058		
Tangible assets				
Furniture, fixtures and equipment	1,788	1,788	2,601	2,601
Buildings and land	15,735	35,200	348,929	562,300
Other assets	376,236	376,236	96,875	96,875
Prepaid expenses and accrued income	912,455	912,455	662,497	662,497
Total assets	70,803,676	69,531,080	64,160,854	65,244,668
Liabilities and Provisions				
Liabilities to credit institutions	162,157	162,157	83,962	83,962
Borrowing from the public	312,453	312,477	105,000	104,907
Debt securities in issue, etc.	64,305,539	65,008,457	58,413,189	59,029,547
Derivatives	273,551	273,551	606,683	606,683
Other liabilities	200,170	200,170	150,218	150,218
Accrued expenses and deferred income	1,080,271	1,080,271	823,004	823,004
Provisions	51,685	51,685	74,232	74,232
Subordinated liabilities	549,949	564 428	549,949	557,731
Total liabilities	66,935,775	67,653,196	60,806,237	61,430,284

CONT.	NOTE 37, FAIR-VALUE DISCLOSURES, SEK THOUSAND		PARENT COMPANY	
	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	6,374	6,374	5,393	5,393
Treasury bills and other eligible bills				
Due from financial institutions	145,106	145,106	201,416	201,416
Loans to customers	55,303,336	54,001,503	51,457,391	52,317,360
Bonds and other interest-bearing securities	13,237,314	13 237 314	10,975,059	10,975,059
Derivatives	495,554	495,554	80,321	80,321
Shares and participations				
Shares in Group companies	514,827	514,827	514,827	514,827
Intangible non-current assets	14,058	14,058		
Tangible assets				
Furniture, fixtures and equipment	1,788	1,788	2,601	2,601
Buildings and land	15,735	35 200	348,917	561,670
Other assets	360,165	360,165	76,274	76,274
Prepaid expenses and accrued income	910,984	910,984	661,732	661,732
Total assets	71,005,241	64,722,873	64,323,931	65,396,653
Liabilities and Provisions				
Liabilities to credit institutions	487,157	487,216	371,772	371,722
Borrowing from the public	312,453	312,477	105,000	104,907
Debt securities in issue, etc.	64,305,539	65 008 457	58,413,189	59,029,547
Derivatives	273,551	273,551	606,683	606,683
Other liabilities	193,980	193,980	141,480	141,480
Accrued expenses and deferred income	1,081,706	1,081,706	823,723	823,723
Provisions	35,592	35,592	48,944	48,944
Subordinated liabilities	549,949	564 428	549,949	557,731
Total liabilities	67,239,927	67,957,407	61,060,690	61,684,737

NOTE 38	FAIR-VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS, SEK THOUSAND							GROUP
	Level 1	2011		Total	Level 1	2010		Total
		Level 2	Level 3			Level 2	Level 3	
Financial assets at fair value in profit and loss								
Bonds and other interest-bearing securities	5,796,446			5,796,446	2,318,188			2,318,188
Derivatives		21,910		21,910		42,351		42,351
Derivatives identified as hedging instruments								
Derivatives		473,644		473,644		37,970		37,970
Available-for-sale financial assets								
Bonds and other interest-bearing securities	4,548,435	2,892,433		7,440,868	5,860,312	2,796,559		8,656,871
Total assets measured at fair value	10,344,880	3,387,987	0	13,732,867	8,178,500	2,876,880	0	11,055,380
Financial liabilities at fair value in profit and loss								
Debt securities in issue, etc.		20,265,710		20,265,710		17,375,594		17,375,594
Derivatives		127,913		127,913		66,454		66,454
Derivatives identified as hedging instruments								
Derivatives		145,638		145,638		540,229		540,229
Total liabilities measured at fair value	0	20,539,261	0	20,539,261	0	17,982,277	0	17,982,277

PARENT COMPANY								
	Level 1	2011 Level 2	Level 3	Total	Level 1	2010 Level 2	Level 3	Total
Financial assets at fair value in profit and loss								
Bonds and other interest-bearing securities	5,796,446			5,796,446	2,318,188			2,318,188
Derivatives		21,910		21,910		42,351		42,351
Derivatives identified as hedging instruments								
Derivatives		473,644		473,644		37,970		37,970
Available-for-sale financial assets								
Bonds and other interest-bearing securities	4,548,435	2,892,433		7,440,868	5,860,312	2,796,559		8,656,871
Total assets measured at fair value	10,334,880	3,387,987	0	13,732,867	8,178,500	2,876,880	0	11,055,380
Financial liabilities at fair value in profit and loss								
Debt securities in issue, etc.		20,265,710		20,265,710		17,375,594		17,375,594
Derivatives		127,913		127,913		66,454		66,454
Derivatives identified as hedging instruments								
Derivatives		145,638		145,638		540,229		540,229
Total liabilities measured at fair value	0	20,539,261	0	20,539,261	0	17,982,277	0	17,982,277

Level 1: Prices quoted on active markets for identical assets or liabilities.

Level 2: Prices quoted are used to determine the value of an asset or liability.

Level 3: Data for assets/liabilities not based on observable market data.

		GROUP		PARENT COMPANY	
NOTE 39	ASSETS AND LIABILITIES BY SIGNIFICANT CURRENCIES, SEK THOUSAND	2011	2010	2011	2010
ASSETS					
EUR		9,883	19,210	9,883	19,210
Loans to customers		9,883	19,210	9,883	19,210
EUR		3,738	0	3,738	0
Due from financial institutions		3,738	0	3,738	0
TOTAL ASSETS		13 621	19,210	13 621	19,210
Skulder					
EUR		13,871	19,586	13,871	19,586
Liabilities to credit institutions		13,871	19,586	13,871	19,586
CHF		3,293,061	3,241,170	3,293,061	3,241,170
EUR		3,308,871	2,910,750	3,308,871	2,910,750
NOK		8,826,599	7,838,265	8,826,599	7,838,265
Debt securities in issue		15,428,531	13,990,185	15,428,531	13,990,185
TOTAL LIABILITIES		15,442,401	14,009,771	15,442,401	14,009,771

Other assets and liabilities arise in SEK.

All assets and liabilities in foreign currency are hedged against exchange-rate fluctuations using derivative contracts.

NOTE 40	OTHER OPERATING CASH RECEIPTS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Other operating income		246,496	91,374	245,874	93,413
Shares sold		-232,715	-81,904	-232,715	-81,904
Other		0	12,552	0	13,045
Total		13,781	22,022	13,159	24,554

NOTE 41	CHANGES IN CASH AND CASH EQUIVALENTS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Cash and balances at beginning of year		5,393	8,946	5,393	8,946
Due from financial institutions at beginning of year		216,144	87,761	201,416	300,505
Cash and balances at year-end		6,374	5,393	6,374	5,393
Due from financial institutions at year-end		164,561	216,144	145,106	201,416
Total change in cash and cash equivalents		-50,602	124,830	-55,329	-102,642

Proposed Allocation of Earnings

Retained earnings	SEK 397,284,166,
Group contribution	SEK -145,400,000
Tax effect of Group contribution	SEK 38,240,200
Total	SEK 290,124,366
Net profit for 2011	SEK 469,018,028
At the disposal of the Annual General Meeting	SEK 759,142,394

Conditional on the approval of the Annual General Meeting, a Group contribution has been paid in the amount of SEK 145,400,000, which has reduced unrestricted equity as of the balance sheet date by SEK 107,159,800 after taking the tax effect into account. The proposed transfer of value in the form of a Group contribution reduces the company’s capital adequacy ratio to 1.13, calculated in accordance with the transitional rules of the Swedish Financial Supervisory Authority. The Board of Directors is of the opinion that the proposed dividend, in the form of a Group contribution, does not compromise the company’s ability to fulfil its obligations in the short and long term, nor to make any necessary investments. The proposed transfer of value can therefore be justified considering that stated in Chapter 17, Section 3, paragraphs 2-3 of the Swedish Companies Act. The Board of Directors proposes that the year’s funds at the disposal of the Annual General Meeting, SEK 759,142,394, be carried forward. The undersigned hereby certify that, to the best of our knowledge, the annual accounts are prepared in accordance with generally accepted accounting principles for credit market companies and that the information provided agrees with actual circumstances and that nothing of material importance has been omitted that could affect the image of Landshypotek AB created by the annual accounts.

Stockholm, 15 March 2012

Henrik Toll
Chairman

Lars-Åke Folkmer

Catharina Lagerstam

Johan Löwen

Richard Montgomery

Nils-Fredrik Nyblaeus

Charlotte Önnestedt

Kjell Hedman
Managing Director

Our auditors’ report was submitted on March 15, 2012

Anna Hesselman
Authorized Public Accountant

Ulf Westerberg
Authorized Public Accountant

Audit Report

To the Annual General Meeting of Landshypotek AB, corporate registration number 556500-2762.

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Landshypotek AB for the year 2011, except for the corporate governance statement on pages 18-19. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 9-62.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the provisions of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and fair presentation of these consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU and the provisions of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 18-19. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Landshypotek AB for the year 2011. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 18-19 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company.

We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Swedish Companies Act, Swedish Cooperative Societies Act, the Swedish Banking and Financing Businesses Act, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Furthermore, we have read the corporate governance statement and, based on that reading and our knowledge of the company and the Group, we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, 15 March 2012

Anna Hesselman
Authorized Public Accountant

Ulf Westerberg
Authorized Public Accountant

Directors



Henrik Toll, b 1954, Sorunda, Agrologist, Chairman of Landshypotek AB, Landshypotek Jordbrukskredit AB and Director of Landshypotek ek. för. Chairman of Tham Invest AB, Stettin Holding AB and Fallda AB. Director of Stora Sundby Lantbruks och Fritids AB, Vidbynäs Förvaltnings AB, Harry Cullbergs Fond and Djursnäs Säteri AB.



LarsÅke Folkmer, b 1946, Kvänum, Agrologist, Director of Landshypotek AB, Landshypotek, ek. för and Landshypotek Jordbrukskredit AB.



Catharina Lagerstam, b 1962, Stockholm, PhD (Econ.), graduate engineer, Director of Landshypotek AB and Landshypotek Jordbrukskredit AB. Director of Kommuninvest i Sverige AB, StyrelseAkademin i Stockholm, , Retail Finance AB, Alpcot Agro AB and Nordica Mines AB. Vice Chairman of Stiftelsen Franska skolan. Director of Franska skolans Fastighetsstiftelse and Fastighetsaktiebolaget Fattighuset. Chairman of Quaestus AB.



Johan Löwen, b 1959, Nyköping, graduate engineer, Director of Landshypotek AB and Landshypotek Jordbrukskredit AB. Director of Firefly AB, Hargs Bruk AB, Sjösa Förvaltnings AB and Sjösa Gård AB. Deputy Director of HäradSkog i Örebro AB. Managing Director Sjösa Förvaltnings AB.



Nils-Fredrik Nyblæus, b 1951, Nyköping, Bachelor of Science (Econ.), Bank Director, Director of Landshypotek AB and Landshypotek Jordbrukskredit AB. Chairman of Bankgirocentralen (BGC) AB, Upplysningscentralen (UC) AB, Skandinaviska Enskilda Bankens Kollektivavtalsstiftelse and Skandinaviska Enskilda Bankens Rekreatiönsstiftelse. Director of SEB Trygg Liv Gamla AB, Unit-linked insurance company SEB Trygg Liv, the Swedish Bankers' Association, Euroclear SA/Plc and the Austin-Healey Club of Sweden.



Charlotte Önnestedt, b 1963, Ödeshög, Agrologist and Director of Landshypotek AB and Landshypotek Jordbrukskredit AB.



Richard Montgomery, b 1955, Flen, Bachelor of Science (Econ.), Director of Landshypotek AB, Landshypotek Jordbrukskredit AB and Tham Invest.

Auditors

Anna Hesselman, Stockholm, Authorised Public Accountant.
Ulf Westerberg, Stockholm, Authorised Public Accountant.

Deputy Auditors

Christina Asseus Sylvén, Sollentuna, Authorised Public Accountant.
Helena Kaiser de Carolis, Stockholm, Authorised Public Accountant.

Senior management



Kjell Hedman
Managing Director



Göran Abrahamsson
Chief Membership &
Market Officer



Bertil Andersson
Chief Sales Officer



Annelie von Dahn
HR Manager



Olof Helmersson
Chief Development Officer



Per Ivarsson
CIO



Catharina Åbjörnsson Lindgren
Chief Legal Officer



Björn Ordell
Chief Financial Officer



Emanuel Åkerlind
Chief Risk Control Officer



Ulrika Valassi
Chief Credit Officer





LANDSHYPOTEK

EKONOMISK FÖRENING 2011

Administration Report

Local presence is an important success factor for Landshypotek



Landshypotek currently has offices throughout Sweden. Having a local presence is highly important in offering the market personal service provided by employees who have intimate knowledge of local conditions.

On 15 March 2012, the Board of Directors of Landshypotek, ekonomisk förening, corporate registration number 769600-5003, approved the financial statements. These will be presented for final adoption by the Annual General Meeting of the Association on 10 May 2012.

Business

Landshypotek, ekonomisk förening is the parent association of the Landshypotek, ekonomisk förening Group. The association is owned by its members. Operations in the Group are primarily pursued through Landshypotek AB. All borrowers of Landshypotek AB are also members of Landshypotek, ekonomisk förening. Landshypotek AB is a credit institution specialised in lending to Swedish agriculture and forestry, using real property as collateral. Landshypotek offers first mortgages on competitive terms and other banking and insurance services through a collaboration established with a network of partners.

Loans are concentrated in Landshypotek AB, although a certain proportion of lending is also provided through the subsidiary Landshypotek Jordbrukskredit AB. Lantbrukskredit AB previously financed agriculturally related businesses but, in December 2011, its loan stock was sold to Landshypotek Jordbrukskredit AB. In 2012, Lantbrukskredit AB will be merged with Landshypotek AB. Landshypotek AB is responsible for all borrowing. The company uses the capital market as its source of funding. The desired level of flexibility is achieved by way of a number of loan programmes, attracting various types of investor.

Landshypotek AB is owned by Landshypotek, ekonomisk förening. The cooperative association is a democratic organisation in which all members have one vote at the annual regional meeting.

During 2011, operations were conducted by the following corporate entities:

- Landshypotek, ekonomisk förening
- Landshypotek AB
- Landshypotek Jordbrukskredit AB
- Lantbrukskredit AB

Organisation

Landshypotek has 110 employees based in eight districts with 18 offices throughout Sweden. Local presence is an important success factor for the company. Staff all have a good level of local knowledge and expertise of agricultural and forestry criteria, as well as entrepreneur-driven enterprise.

The representatives that sit on Landshypotek's regional boards of directors are tasked with appraising customers' properties. The members of these boards are themselves owners of agricultural properties and have good local knowledge and industry expertise. Board members with the greatest possible geographic and industrial breadth are appointed in each region. Members are also active advocates of the company and represent Landshypotek in a variety of contexts.

Market overview

Market trends

In general, profitability in the forestry and agricultural sector remained stable in 2011.

Profitability recovered slightly for crop producers during the year with improved settlement prices.

Structural changes in the dairy market negatively impacted settlement prices and thereby profitability for dairy farmers in the summer and autumn of 2011. In the late autumn, the situation improved and settlement prices stabilised at a relatively healthy level. There is, however, substantial variation in profitability levels among dairy companies in Sweden.

Profitability increased for beef producers in 2010 after two years of decline and remained stable in 2011. However, increased feed costs had a dampening effect.

For a relatively long period, pork producers have suffered from depressed prices due to overproduction in the EU. However, the trend was positive in autumn 2011 and prices rose albeit from low levels. High market prices in the US and China contributed to the improvement. In Sweden, pork production declined in 2011 while the implementation of Swedish labelling of pork products contributed to increased demand. Meanwhile, profitability declined due to increased costs.

Profitability in forestry remained stable in 2011. Demand for both timber and pulp wood remained strong. Prices for timber remained relatively unchanged in 2011 after the increases that occurred in 2010. However, the price for pulp wood declined in the autumn.

Price trends for forestry and agricultural properties

Rationalization within agriculture is driving the trend towards larger production units and thus requirements for larger areas to cultivate. Demand has driven up the price of arable land which rose by an average of 7 percent during the year, although the difference is substantial among the various regions in Sweden.

Following a trend of sharp price increases for forest land the rate of increase normalised in 2011 to 1 percent. Again, prices vary between different parts of the country, although not by as much as for arable land.

Landshypotek's development

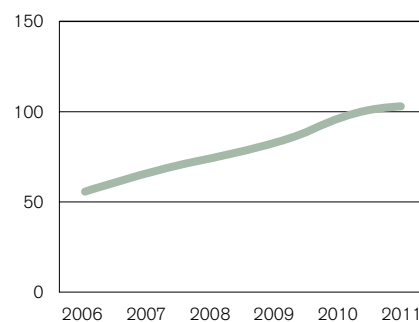
Landshypotek increased net lending by SEK 3.8 billion during the year. This increase corresponds to a lending growth of 7.4 percent, compared with 11.4 percent in 2010. From high levels, demand for credit from

Swedish farmers and foresters declined somewhat during the year, which was primarily due to relatively low new investment in production equipment.

Landshypotek's core business focuses on offering farm and forest owners the most attractive first mortgages available in the market. During the year, Landshypotek introduced savings accounts that offer a secure form of saving with competitive interest rates. Many customers appreciate the simplicity in being able to turn to just one contact that can satisfy all their banking and financing service requirements, which Landshypotek offers in collaboration with a network of partners. During the year, Landshypotek changed partner for finance company and insurance services to strengthen the collaboration.

Actual prices for arable land

SEK thousand/hectare

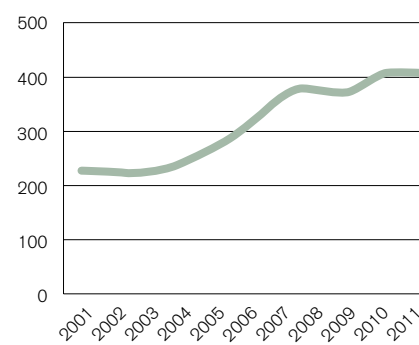


Source: LRF Konsult

Average prices for arable land increased by 7 percent in 2011.

Actual price trends for forest, 2001 to 2011

SEK/m²fo

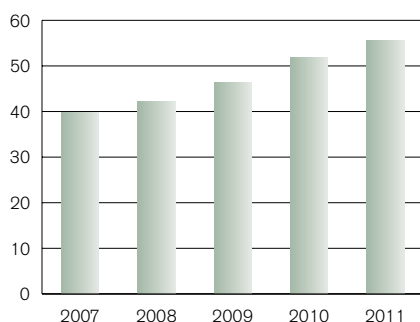


Source: LRF Konsult

The average price of forest properties was SEK 408/m² in Sweden as a whole in 2011.

Loans to customers

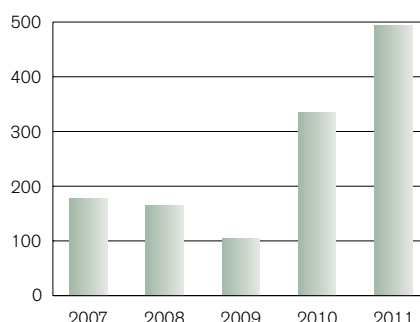
SEK billion



At 31 December 2011, Landshypotek's loans to customers totalled MSEK 55,580. During the year, lending increased by 7.4 percent.

Operating profit

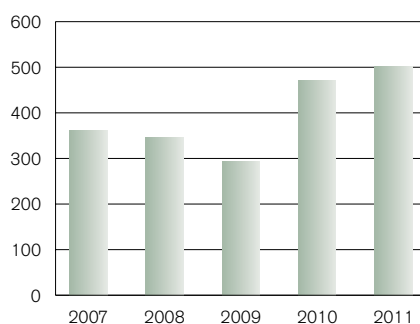
MSEK



Operating profit, excluding "Net result of financial transactions", amounted to MSEK 494.1 in 2011. This increase in profit is primarily attributable to higher net interest income.

Net interest income

MSEK



In 2011, net interest income amounted to MSEK 502.1. The size of net interest income is determined by the lending volume, the margin between borrowing and lending interest rates and the return received on equity invested in lending operations.

Success factors

Crucial factors to ensure that Landshypotek continues to experience favourable development in the market and defend its position as a leading player in its area of business include:

- good knowledge of customers' business,
- products that satisfy customers' requirements,
- elected appraisers who can accurately value collateral,
- good credit rating, which, together with accurately appraised collateral, guarantees continued low loan losses and
- low borrowing costs.

Profit and profitability**Group key ratios**

	2011	2010
Net interest income, SEK thousand	502,060	470,983
Interest margin, %	0.94 %	0.96 %
Other operating income excl. property transactions, SEK thousand	234,591	87
Costs, SEK thousand	-237,043	-212,143
Cost level, %	0.42 %	0.43 %
Loan losses, SEK thousand	-8,910	-6,662
Loan loss level, %	0.02 %	0.01 %
Operating profit, SEK thousand	490,699	338,695
Operating profit, excl. net result of financial transactions, SEK thousand	494,080	334,476

Consolidated operating profit for 2011 amounted to MSEK 490.7, up MSEK 152.0 compared with 2010 (MSEK 338.7). Excluding "Net result of financial transactions," operating profit totalled MSEK 494.1 (334.5), a year-on-year increase of MSEK 159.6 compared with 2010. The improvement in profit was attributable to an increase in net interest income and a capital gain from the sale of an operating property that positively impacted profit in an amount of approximately MSEK 230.

Net interest income

Net interest income for 2011 amounted to MSEK 502.1, up MSEK 31.1 or about 7 percent compared with 2010 (MSEK 471.0). The increase was primarily attributable to increased lending. In 2011, margins between interest rates on deposits and lending remained unchanged compared with the preceding year.

Other operating income

Other operating income, excluding net interest income, amounted to MSEK 234.6 for 2011, up MSEK 147.6 compared with 2010. The increase was primarily attributable to a capital gain recognised by Landshypotek in 2011 from the sale of an operating property in an amount of approximately MSEK 230. In 2010, two operating properties were sold with a combined capital gain of MSEK 68. Further explanation for the change in other income was the reduction in "Income from property" of MSEK 11.3 due to the property sale and that "Net result of financial transactions" declined by MSEK 7.6 compared with the year-earlier period. The "Net result of financial transactions" included realised results from the purchase and sale of financial instruments, as well as the result

Landshypotek's covered bonds

Landshypotek has issued covered bonds to a value of SEK 52.2 billion. Assets in the covered pool corresponding to SEK 65.7 billion are in place as collateral for these bonds.

Collateral base and covered bonds

Collateral base			
Loans	53.4 billion		
Supplemental collateral	12.3 billion		
	65.7 billion		
Covered bonds			
Issued in SEK	36.2 billion		
Issued in foreign currency	16.0 billion		
	52.2 billion		
Excess collateral	13.4 billion	25.6 %	

Key ratios, collateral base

LTV - Loan-to-value ratio		
Average volume-weighted LTV	41.1 %	
Number of pledged properties	36,026	
Number of borrowers	47,975	
Number of loans	133,282	
Supplemental collateral		
Swedish covered bonds	2.9 billion	
Swedish municipalities	9.4 billion	

Geographic distribution of lending

Norrbottn County 1,1 %

Västerbotten County 2,2 %

Jämtland County 1,7 %

Dalarna County 1,8 %

Västmanland County 2,1 %

Värmland County 5,1 %

Örebro County 6,6 %

Västra Götaland
County 15,7 %

Jönköping County 3,5 %

Halland County 4,8 %

Blekinge County 1,2 %

Skåne County 14,4 %

Västernorrland County 2,3 %

Gävleborg County 2,7 %

Uppsala County 3,8 %

Stockholm County 3,6 %

Södermanland County 4,7 %

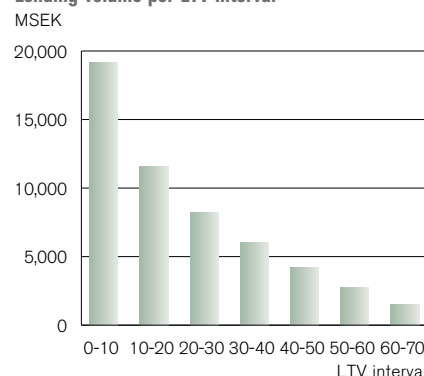
Östergötland County 11,1 %

Kronoberg County 2,4 %

Gotland County 4,5 %

Kalmar County 4,8 %

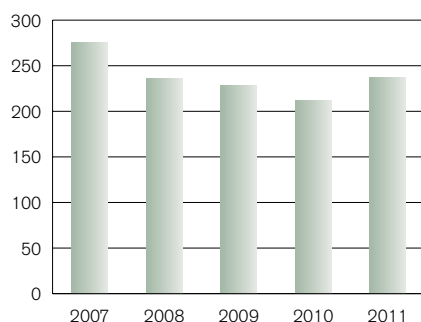
Lending volume per LTV interval



Of Landshypotek's lending, 63 percent takes place against collateral where the loan amount is less than 20 percent of the value of the collateral. Only 2 percent of lending is against collateral where the loan amount is 70 percent of the value of the collateral.

Costs

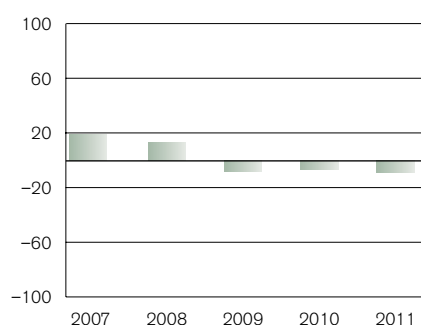
MSEK



Landshypotek works to enhance the efficiency of its operations. Compared with 2007, costs have decreased at the same time as loans have increased.

Loan losses

MSEK



Loan losses amounted to MSEK 8.9, equivalent to 0.02 percent of lending.

from the repurchase of own bonds. In addition, this item also includes the result from the revaluation of certain financial instruments. To gain an understanding of the total effect of market revaluations, the revaluations carried directly to equity must also be taken into account. Net, after taxes recognised, revaluation of financial instruments in equity amounted to MSEK 130.4 in 2011. Furthermore, fees to the Swedish National Debt Office's stabilisation fund were charged to operating profit in an amount of MSEK 21.7. The corresponding item in 2010 was MSEK 20.0.

Costs

Costs in 2011 amounted to MSEK 237.0 (212.1). The increase in costs of MSEK 24.9 was attributable to the ongoing implementation of a new business system and the Members' Lift.

Loan losses and doubtful credits

Loan losses in 2011 amounted to MSEK 8.9 (6.7). Write-offs of confirmed loan losses totalled MSEK 5.9 (6.7). Provisions for probable loan losses during the period amounted to MSEK 19.3 (11.9). Reversals of previously confirmed losses, or previously doubtful credits, totalled MSEK 14.4 (11.5). Recoveries of preceding years' confirmed loan losses totalled MSEK 1.9 (0.4). Doubtful credits amounted to MSEK 65.1, corresponding to 0.12 percent of loans outstanding. At 31 December 2010, doubtful credits amounted to MSEK 37.2.

Landshypotek continuously analyses the quality of its loan portfolio and conducts various types of stress tests with a view to assessing performance under various macroeconomic scenarios. We currently do not anticipate any realistic scenario that would bring about a significant increase in loan losses. The reason for this is, in part, that the loan-to-value ratio is low, the average volume-weighted loan-to-value ratio is 43.2 percent, and the overall repayment capacity of Landshypotek customers is strong. Landshypotek customers derive income from several sources, such as earned income, contracting business, forestry and agriculture.

The balance sheet total increased by 10.4 percent to MSEK 70,821 (64,166), due to increased lending to customers and a larger holding of interest-bearing securities.

Financial structure**Consolidated Balance Sheet****Assets, MSEK**

Due from financial institutions	193
Loans to customers	55,580
Bonds and other interest-bearing securities	13,237
Derivatives	496
Non-current assets	32
Other assets	1,283
	70,821

Liabilities, MSEK

Liabilities to credit institutions	162
Borrowing and deposits from customers	428
Debt securities in issue	64,305
Derivatives	274
Other liabilities	1,745
Equity	3,907
	70,821

Financial structure

Assets

The largest asset item in the balance sheet is “Loans to customers”, which amounted to MSEK 55,580 (51,773). More information about Landshypotek’s lending to customers can be found in the Risk and Capital Management section. At year-end 2011, Landshypotek’s holding of interest-bearing securities amounted to MSEK 13,237 (10,975). The portfolio consists principally of covered bonds issued by Swedish institutions with top credit ratings and, to a certain degree, bonds issued by Swedish municipalities. The reason for holding these interest-bearing securities is that they function as a liquidity portfolio. If necessary, the securities can be sold or borrowed against to manage the financing of liabilities falling due.

Landshypotek uses derivatives for the purpose of managing the differences in periods of fixed interest and currency risks between assets and liabilities. At year-end 2011, the nominal value of the Group’s derivatives contracts amounted to MSEK 37,055 (21,120). Additional detail about derivatives contracts can be found in Note 36. Positive market values entail counterparty risk. In order to address the uncertainty of future market development, credit risk exposure is also calculated. A standard amount is then added to the market value, depending on the type of contract and the remaining time to maturity. The resulting amount constitutes a part of Landshypotek’s credit exposure. Counterparties comprise Swedish and international banks with very high credit ratings. At year-end, the credit exposure in derivative contracts totalled MSEK 1,983 (1,295).

At 31 December 2011, tangible and intangible non-current assets amounted to MSEK 32 (352).

Liabilities

Landshypotek’s funding consists primarily of bond loans and money market instruments issued on the Swedish and European markets in the form of MTN, EMTN and commercial paper programmes. Funding is also obtained via borrowings from credit institutions. At year-end 2011, bonds and money market instruments in issue amounted to MSEK 64,306 (58,413). Borrowing from customers amounted to MSEK 428 (216), and borrowing from credit institutions amounted to MSEK 162 (84).

Equity

At year-end 2011, Landshypotek had equity of MSEK 3,907 (3,340). During 2011, equity grew by MSEK 567.

No dividend payment is recognised in Landshypotek; a transfer is instead made to the Parent Association, Landshypotek, ekonomisk förening, in the form of a group contribution.

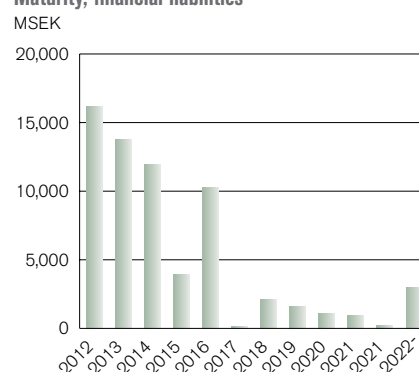
Funding

Landshypotek aims to borrow funds on the best possible terms, given a low risk profile. By adopting an extremely flexible approach to markets and instruments, funding is obtained efficiently and where the best terms are offered. Landshypotek utilises several borrowing programmes, both in domestic and international markets. This allows the company to meet most investors’ needs for investment in fixed-income instruments. Landshypotek’s primary source of funding during the year was covered bonds.

In 2011, covered bonds were issued in an amount of approximately SEK 19 billion.



Maturity, financial liabilities



Rating	Long	Short
S&P covered bonds	AAA	
S&P	A	A1, K1
Fitch	A+	F1
Moody's	A3	P2

Our vision is to be the preferred partner with a complete range of financial and economic services in agriculture and forestry in Sweden.



Program	Utilised 31 Dec. 2011	Maximum amount	Utilised 31 Dec. 2010
Swedish commercial paper	3,650	10,000	2,350
MTN programme	35,710	50,000	38,508
EMTN programme	20,729	31,211*	15,126
Registered Covered Bonds, (RCB)	3,322		2,996
Other bonds	0		15
Subordinated loans	550		550

* MEUR 3,500.

Rating

During the year, Landshypotek's credit rating was raised by Standard & Poor's rating agency from A- to A. This was primarily attributed to Landshypotek's extremely healthy capital position and strong profitability. Furthermore, Standard & Poor's analysis called attention to the fact that Landshypotek's lending has an extremely low risk level. Other credit ratings remained unchanged during the year.

Capital situation

As of 31 December 2011, the capital base was MSEK 4,262 and the capital adequacy ratio according to Basel II was 4.4. The capital requirement according to Basel II was MSEK 968 as of 31 December. The capital requirement is calculated as a minimum capital requirement based on credit, market and operative risks (Pillar I). In addition to the minimum capital requirement, each institution must also perform an internal assessment of its capital requirement. This internal capital assessment takes account of all risks and their capital requirements. The supervisory authorities expect institutions to maintain a larger capital base than specified in the formal minimum capital requirement.

The capital adequacy rules as stipulated in Basel II were to be fully applied as of 1 January 2010. This transition to Basel II was preceded by transitional rules which were applied for three years. The period during which the transitional rules are applied is being extended. Under the transitional rules, Landshypotek has a capital ratio of 1.16. Additional information can be found in the Risk and Capital Management section and in Note 34.

Group contributions

A Group contribution will be rendered, contingent upon the approval of the Annual General Meeting, in the amount of MSEK 145 (101) to the Parent Association, Landshypotek, ekonomisk förening.

Events after year-end

A merger plan for the merger of Lantbrukskredit AB with Landshypotek AB was adopted by the boards of both companies on 31 January 2012.

Work commenced on the merger of the two companies in the fourth quarter of 2011 through the sale of the loan stock in Lantbrukskredit AB to Landshypotek Jordbrukskredit AB, with completion of the merger planned for 2012.

The credit agency Moody's announced that, in conjunction with Moody's review of credit ratings for a substantial number of European banks, that Landshypotek's credit rating will be reviewed with a possible negative impact on the rating.

Corporate Governance, Landshypotek, ekonomisk förening

Owners' control

Landshypotek, ekonomisk förening is member owned. The owners' control of the association is exercised through regional meetings, the Association Meeting, the Board of Directors and Managing Director in accordance with the Swedish Association Act, the statutes, the Code of Governance for Cooperative Agricultural Associations and Association Enterprises as well as adopted policies and instructions.

Statutes

The association's statutes were adopted most recently on 5 May 2011. The statutes set out the purpose of the association, among other items. In addition, the statutes stipulate regulations that govern who can be appointed as a Board member.

The Code of Governance for Cooperative Agricultural Associations

The Swedish Code of Corporate Governance was published in December 2004. Modelled on that code, the Code of Governance of Cooperative Agricultural Associations and Association Enterprises was drafted in 2005 by LRF, the Federation of Swedish Farmers. The purpose was to develop a code of governance for agricultural cooperative associations that was adapted to the special conditions that prevail in the agricultural cooperative sector. Large blocks of text were transferred from the Swedish Code of Corporate Governance with only minor modifications. Other sections are completely new and have no equivalent in the Swedish Code of Corporate Governance. The 2006 Association Meeting of Landshypotek, ekonomisk förening adopted a code that largely corresponds to the Code of Governance for Cooperative Agricultural Associations and Association Enterprises. Landshypotek AB also adopted the same code at its 2006 Annual General Meeting.

Regional meeting

The association's area of business is divided into regions by the Association Meeting. For each region, the respective members entitled to vote each have one vote at the scheduled meetings. Regional meetings deal with items including the election of regional Board members, the Board for the Association Meeting and appointment of the Election Committee.

Association Meeting

The 43 Board members appointed by the regional meetings comprise the Association Meeting. The Meeting appoints a Board of Directors and auditors, decides on fees, adopts income statements and balance sheets and resolves on the matter of discharge from liability of the Board of Directors and the Managing Director. Advance information and minutes from the Association Meeting can be found on the Landshypotek website. The Annual Association Meeting will be held on 5 May 2011.

The Drafting Committee

The Drafting Committee is the Association Meeting's body tasked with preparing the Meeting's decisions in respect of appointments and remuneration matters. Prior to the Annual Association Meeting, the Drafting Committee will evaluate the work of the Board of Directors. In addition, the Committee will also submit proposals concerning the Chairman of





the Association Meeting, members of the Board of Directors, fees payable to Board members (Chairman, Vice Chairman and other Directors) and proposals concerning auditors and the fees paid for their work. Committee members may not sit on the Board of Directors. The composition of the Drafting Committee prior to the Board election must be finalised at least six months prior to the Annual Association Meeting. Members are specified on the Landshypotek website.

The Association Meeting 2011 decided that the Drafting Committee will consist of ten members and their deputies, one from each region. Each chairman of the respective regional election committees was appointed a member of the Drafting Committee with their deputies to also serve as deputies on the Drafting Committee. The Drafting Committee appoints a Chairman and Vice Chairman from within its ranks. The Drafting Committee member from region Norrland convenes the meeting.

The Board of Directors and the Board's work

The statutes stipulate that the Board comprise a minimum of six and maximum of 12 members in addition to the Managing Director of the association as appointed by the Board. The Board is elected each year at the Association Meeting for the period until the next Association Meeting. The Board comprises thirteen members, two of whom are also Board members of Landshypotek AB and two members are employee representatives. The Board members in Landshypotek, ekonomisk förening following the Association Meeting 2011 are listed on page 122. The overall duty of the Board of Directors is to manage the affairs of the association on behalf of the members. The Board's work follows the formal work plan adopted at the statutory meeting. An evaluation of the Board's and the Managing Director's work was performed at the end of 2011.

The Board's committees

The Board has established one committee, the Board's Committee for Disbursement of Contribution Funds. Minutes are taken of the committees' meetings and submitted to the Board. The Committee's primary task is to make decisions regarding the disbursement of contribution funds pursuant to the statutes. An officer of Landshypotek AB submits a report. The Committee comprises the Association's Chairman and Vice Chairman who until the statutory meeting 2011, were Lars Bäckström and Lars Öhman and, for the period thereafter, Lars Öhman and Anders Johansson.

Managing Director

The Managing Director bears responsibility for day-to-day operations and reports directly to the Board. The senior management team is presented in the column to the right.

Auditors

The Association Meeting appoints external auditors of whom a minimum of one must be an authorised public accountant. The mandate period of the auditors appointed by the Association Meeting is one year. The Association Meeting 2011 appointed authorised public accountant Anna Hesselman and the elected representatives Magnus Aaby-Ericsson and Teri Lee Eriksson as auditors for the period until the next Association Meeting in 2012.

Information about the remuneration system

See Note 7 to the Balance Sheet and Income Statement for more information about the remuneration of the Board, Managing Director and senior management.

Risk control, compliance and internal audit

A separate unit for risk control is responsible for control, analysis and reporting on all risks in the Group. The Compliance Officer is responsible for ensuring that operations are conducted in compliance with the laws and regulations applicable for Landshypotek based on an annual plan established by the Board. The functions operate completely independently of business operations and are directly subordinate to the Managing Director and Board. Risk control is directly subordinate to the Managing Director. The Compliance Officer is subordinate to the Chief Legal Officer, who is directly subordinate to the Managing Director. Follow-up and inspection of the internal control is carried out by active internal audit. The examinations performed by the Internal Audit occur in line with an audit plan determined annually by the Board. Since 2008, internal audits have been performed by KPMG.

Internal control over financial reporting

The basis for the internal control over financial reporting consists of Landshypotek's control environment in the form of the organisational structure, decision channels, authority and responsibility, all of which are documented in internal policies, instructions and guidelines. Landshypotek's financial department is responsible for managing internal control over financial reporting. The Board receives monthly financial reports in addition to the reporting submitted at each Board meeting.

Senior management**Kjell Hedman**

Managing Director

Göran Abrahamsson

Chief Membership and Market Officer

Income Statement

SEK THOUSAND	Note	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
Interest income		2,491,893	1,719,117	2,106	630
Interest expense		-1,989,833	-1,248,134	-5,006	-1,481
Net interest income	2	502,060	470,983	-2,900	-851
Group contributions received				145,400	101 000
Commission income	3	13,665	11,529		
Commission expense	4	-22,238	-20,620		
Net result of financial transactions	5	-3,381	4,219		
Other operating income	6	246,544	91,389	49	15
Total operating income		736,651	557,500	142,549	100,164
General administrative expense	7	-204,436	-179,812	-10,379	-10,059
Depreciation, amortisation and impairment of tangible and intangible non-current assets	8	-5,368	-10,658		
Other operating expenses	9	-27,239	-21,673	-9,923	-1,059
Total expenses before loan losses		-237,043	-212,143	-20,301	-11,118
Profit before loan losses		499,609	345,357	122,247	89,046
Loan losses net	10	-8,910	-6,662		
Operating profit		490,699	338,695	122,247	89,046
Year-end appropriations	11	-121,792	-89,345	-121,792	-88,850
Tax on profits for the year	12	13,999	-50,529	-431	-184
Net profit for the year		382,906	198,820	24	12

Statement of Comprehensive Income

SEK THOUSAND	GROUP		PARENT ASSOCIATION	
	2011	2010	2011	2010
Profit for the period	382,906	198,820	24	12
Other comprehensive income				
Cash-flow hedges	-34,237	68,098		
Of which change in fair value	-38,157	100,399		
Of which transfers to the income statement	3,920	-32,301		
Available-for-sale financial instruments	211,172	-291,379		
Income tax related to other comprehensive income	-46,534	58,723		
Total other comprehensive income	130,401	-164,558	0	0
Comprehensive income for the period	513,307	34,262	24	12

Balance Sheet

		GROUP		PARENT ASSOCIATION	
SEK THOUSAND	Note	2011	2010	2011	2010
ASSETS					
Cash and balances with central banks		6,374	5,393		
Due from financial institutions	13	186,918	218,115	167,227	91,843
Loans to customers	14	55,579,600	51,773,034		
Bonds and other interest-bearing securities	15	13,237,314	10,975,059		
Derivatives	16, 36	495,554	80,321		
Shares and participations	17	2	2	1	1
Shares in Group companies	18			1,870,378	1,870,378
Intangible non-current assets	19	14,058			
Tangible assets					
Furniture, fixtures and equipment	20	1,788	2,601		
Buildings and land	20	15,735	348,929		
Other assets	21	352,533	60 142	150,427	103,945
Deferred tax asset	22	18,278	39 478		
Prepaid expenses and accrued income	23	912,658	662,633	796	372
TOTAL ASSETS	33, 34, 35, 36, 37, 38, 39	70,820,811	64,165,707	2,188,829	2,066,539
LIABILITIES AND EQUITY					
Liabilities to credit institutions	24	162,157	83,962		
Borrowing from the public	25	427,791	215,573	260,338	200,573
Debt securities in issue, etc.	26	64,305,539	58,413,189		
Derivatives	27, 36	273,551	606,683		
Other liabilities	28	63,472	59,668	19,155	10,650
Accrued expenses and deferred income	29	1,080,072	822,767	395	
Provisions	30	20 358	29 551		
Deferred tax liabilities	31	31 328	44 681		
Subordinated liabilities	32	549,949	549,949		
Total liabilities		66,914,218	60,826,023	279,888	211,223
Untaxed reserves					
Equity					
Member contributions		1,076,094	1,022,492	1,076,094	1,022,492
Other contributed capital		1,797,796	1,796,404	713,399	713,399
Reserves		62,480	-67,922		
Retained earnings		587,318	389,890	119,425	119,413
Net profit for the year		382,906	198,820	24	12
Total equity		3,906,594	3,339,684	1,908,941	1,855,316
TOTAL LIABILITIES AND EQUITY	33, 34, 35, 36, 37, 38, 39	70,820,811	64,165,707	2,188,829	2,066,539

Statement of Changes in Equity

GROUP, SEK THOUSAND							
	Contribution capital added	Voluntary contribution	Other contributed capital	Hedging reserve	Fair-value reserve	Retained earnings	Total
Equity as of 31 December 2009	1,027,639	2,202	1,797,796	-50,355	146,990	388,472	3,312,744
Comprehensive income for the period				50,189	-214,747	198,820	34,262
Other items						27	27
Total change before transactions with owners	0	0	0	50,189	-214,747	198,847	34,289
Contribution capital paid in/disbursed during year	-5,392						-5,392
Regular refund	58,161						58,161
Refund paid to member account	-16,376						-16,376
Disbursement in advance	-63						-63
Interest on capital contribution accounts*	31,175	66					31,241
Preliminary tax deducted*	-9,004						-9,004
Disbursement of surplus contribution funds*	-13,121	-11					-13,132
Regular disbursements	-52,748	-36					-52,784
Equity as of 31 December 2010	1,020,271	2,221	1,797,796	-166	-67,757	587,319	3,339,684
Equity as of 31 December 2010	1,020,271	2,221	1,797,796	-166	-67,757	587,319	3,339,684
Comprehensive income for the period				-25,232	155,635	382,905	513,308
Other items							0
Total change before transactions with owners	0	0	0	-25,232	155,635	382,905	513,308
Contribution capital paid in/disbursed during year	34,434	-2,221					32,213
Regular refund	90,891						90,891
Refund paid to member account	-25,860						-25,860
Disbursement in advance	0						0
Interest on capital contribution accounts*	30,954						30,954
Preliminary tax deducted*	-8,922						-8,922
Disbursement of surplus contribution funds*	-15,208						-15,208
Interest payment	-7,067						-7,067
Regular disbursements	-43,399						-43,399
Equity as of 31 December 2011	1,076,094	0	1,797,796	-25,398	87,878	970,224	3,906,594

* The net of interest and preliminary tax remains in the contribution account until it has reached the contribution ceiling of 8 percent.
Surplus contribution funds are then disbursed.

Continued: **Statement of Changes in Equity**

PARENT ASSOCIATION, SEK THOUSAND							
	Contribution capital added	Voluntary contribution	Other contributed capital	Hedging reserve	Fair-value reserve	Retained earnings	Total
Equity as of 31 December 2009	1,027,640	2,202	713,399	0	0	119,413	1,862,653
Comprehensive income for the period						12	12
Total change before transactions with owners	0	0	0	0	0	12	12
Contribution capital paid in/disbursed during year	-5,392						-5,392
Regular refund	58,161						58,161
Refund paid to member account	-16,376						-16,376
Disbursement in advance	-63						-63
Interest on capital contribution accounts*	31,175	66					31,241
Preliminary tax deducted*	-9,004						-9,004
Disbursement of surplus contribution funds*	-13,121	-11					-13,132
Regular disbursements	-52,748	-36					-52,784
Equity as of 31 December 2010	1,020,272	2,221	713,399	0	0	119,425	1,855,316
Equity as of 31 December 2010	1,020,272	2,221	713,399	0	0	119,425	1,855,316
Comprehensive income for the period						24	24
Total change before transactions with owners	0	0	0	0	0	24	24
Contribution capital paid in/disbursed during year	34,434	-2,221					32,213
Regular refund	90,891						90,891
Refund paid to member account	-25,860						-25,860
Disbursement in advance	0						0
Interest on capital contribution accounts*	30,954						30,954
Preliminary tax deducted*	-8,922						-8,922
Disbursement of surplus contribution funds*	-15,208						-15,208
Interest payment	-7,067						-7,067
Regular disbursements	-43,399						-43,399
Equity as of 31 December 2011	1,076,094	0	713,399	0	0	119,449	1,908,942

* The net of interest and preliminary tax remains in the contribution account until it has reached the contribution ceiling of 8 percent. Surplus contribution funds are then disbursed.

Cash-flow Statement

		GROUP		PARENT ASSOCIATION	
SEK THOUSAND	Note	2011	2010	2011	2010
Cash flow from income statement					
Interest income	2	2,241,867	1,666,687	1,683	427
Interest expense	2	-1,732,527	-1,232,452	-4,613	-1,481
Commission income	3	13,666	11,529		
Commission expense	5	-22,238	-20,620		
Net proceeds of financial transactions	6	6,994	-45,931		
Other operating cash receipts	40	13,829	22,037	49	15
Administrative expenses paid		-231,673	-202,216	-20,301	-11,289
Recovery of loan losses realised in preceding years			418		
Income tax paid		-30,766	-32,067	-431	-184
Total cash flow from income statement		259,152	167,385	-23,613	-12,512
Cash flow from balance sheet					
Increase (-)/decrease (+) Due from financial institutions					
Increase (-)/decrease (+) Loans to customers		-3,815,476	-5,317,060		
Increase (-)/decrease (+) Bonds and other interest-bearing securities		-2,844,056	905,320		
Increase (+)/decrease (-) Liabilities to credit institutions		78,194	-5,586,034		
Increase (+)/decrease (-) Borrowing from the public		212,218	25,490	59,765	55,490
Increase (+)/decrease (-) Debt securities in issue, etc.		5,892,351	9,338,639		
Change in other balance-sheet items		-397,096	340,668	-37,978	2,875
Increase/decrease in Other assets		-286,317	340,962	-46,482	588
Change in other balance sheet items		-5,388	77,067	52,409	1,288
Total cash flow from balance sheet		-768,474	-215,616	65,692	57,366
Cash flow from operating activities		-509,322	-48,231	42,079	44,854
Investment activities					
Sale of shares/operating properties					
Property Lyckan			39,693		
Property Värmlandsbjörnen			42,211		
Property Strandvägen 1		565,558			
Group contributions received				101,495	102,000
Acquisition of shares					
Dividends/Group contributions paid					
Change of intangible and tangible non-current assets					
Purchase of intangible non-current assets		-14,058			
Sale of intangible non-current assets					
Purchase of tangible non-current assets		-4,204	-11,940		
Sale of tangible non-current assets					
Total cash flow from investment activities		547,296	69,964	101,495	102,000
Cash flow from financing activities					
Change in members' contributions		53,602	-7,349	53,602	-7,349
Capital infusion from liquidation of subsidiary					
Increase/decrease from comprehensive income for the period					
Subordinated liabilities			199,949		
Dividends and refunds paid		-121,792	-89,345	-121,792	-89,345
Total cash flow from financing activities		-68,190	103,255	-68,190	-96,694
Cash flow for the period		-30,216	124,988	75,384	50,160
Change in cash and cash equivalents	41	-30,216	124,988	75,384	50,160
Cash and cash equivalents at beginning of year		223,508	98,520	91,843	41,683
Cash and cash equivalents at year-end		193,292	223,508	167,227	91,843

Five-year Summary

Earnings trend Landshypotek. ekonomisk förening – Group

MSEK	2011	2010	2009	2008	2007
INCOME STATEMENT					
Net interest income	502.1	471.0	294.0	344.6	364.7
Operating income excl. net interest income	234.6*	86.5*	95.8*	-126.1*	157.3
Operating expenses	-231.7	-201.5	-206.1	-224.8	-236.1
Depreciation and amortisation	-5.4	-10.7	-12.6	-11.5	-38.6
Loan losses	-8.9	-6.7	-8.5	12.6	18.8
Impairment of financial instruments					-70.0
Operating profit	490.7	338.7	162.6	-5.2	196.1
BALANCE SHEET					
Assets					
Loans to customers – net	55,580	51,773	46,456	41,286	39,711
Other assets	15,241	12,393	13,344	9,944	5,349
Total assets	70,821	64,166	59,800	51,230	45,059
Liabilities					
Borrowing	65,007	59,235	49,567	38,869	39,918
Other liabilities	1,907	1,591	6,920	8,999	1,868
Untaxed reserves	0	0			
Equity	3,907	3,340	3,313	3,362	3,273
Total liabilities and equity	70,821	64,166	59,800	51,230	45,059
Key financial ratios					
Interest margin	0.9 %	0.9 %	0.6 %	0.8 %	0.9 %
Return on equity	10.4 %	5.9 %	1.4 %	-2.8 %	2.4 %
Loan loss level	0.0 %	0.0 %	0.0 %	0.0 %	-0.1 %
Loan loss provision/lending	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

* Other operating income includes net result of financial transactions. For 2011, this item amounted to negative MSEK 3.4 (pos: 4.2).
See the explanation in the Administration Report under the heading "Profit and profitability".

Risk and Capital Management



To provide its members – who are also borrowers – with financing, Landshypotek assumes various risks that must be managed. Landshypotek's operations are permeated by a high degree of risk awareness and a low degree of risk assumption.

Risk awareness and risk assumption

Landshypotek strives to achieve a high degree of risk awareness and low degree of risk assumption. A high degree of risk awareness means that each employee understands the risks implied for the company by the individual's work duties, the degree of risk assumption that is acceptable and how the individual needs to behave so as to avoid exceeding the acceptable level of risk. Low risk assumption is achieved through Board support, a distinct decision-making structure with a high level of risk awareness among the staff, shared definitions and assessment principles, as well as sophisticated tools for risk assessment. The Board specifies the acceptance level for risk assumption and the Managing Director ensures that this level of acceptance is implemented in business activities.

Risk organisation and responsibility

The Board of Directors has the ultimate responsibility for risk management and ensuring that operations are conducted with a satisfactory level of internal control. The Board decides the policies that determine the manner in which the various business risks should be managed and the acceptable level of risk assumption. Two Board Committees are in place to support this work; the Risk and Capital Committee and the Credit Committee. *The Board's Risk and Capital Committee* prepares items regarding the internal control environment, risk management, financing activities, capital adequacy, stress tests and compliance risks. The Board's *Credit Committee* is the highest credit-granting body and prepares items for the Board regarding the credit policy, portfolio strategies and credit quality. The Chairman of the Board serves as Chairman of both these committees.

Subordinated to the Board, its committees and the Managing Director are sub-committees with different mandates to make decisions; *the Risk and Capital Council*, chaired by the Chief Risk Control Officer, deals with issues relating to all the risks to which Landshypotek is exposed. The Council also discusses the design of stress tests, the relationship between risk and capital and other capital issues. *The Credit Sub-Committee* is responsible for regularly reviewing credit-granting rules and submitting proposal for changes to the Credit Committee. The Chief Credit Officer is Chairman of the Credit Sub-Committee. *The Finance Sub-Committee* assesses Landshypotek's financial risks and makes decisions concerning borrowing and lending interest rates as well as interest on member accounts. The Chief Financial Officer is Chairman of the Finance Sub-Committee.

In line operations, *the Credit Department* is responsible for administering and managing the credit approval process. It is also responsible for analysing the credit portfolio and managing insolvency matters. Its work is governed by the credit policy as established by the Board. The Chief Credit Officer reports to the Managing Director and presents reports on credit matters to the Board's Credit Committee.

The Finance Department is responsible for Landshypotek's financial risk management with regard to borrowing and management of equity, liabilities

and liquidity. Operations are regulated by the finance policy established by the Board. The Chief Financial Officer is responsible for the Finance Department and is subordinate to the Managing Director of Landshypotek.

The Group has three control functions that are independent of business operations: Risk Control, Compliance and Internal Audit. The Risk Control unit is responsible for conducting independent control, analysis and reporting on all risks to which Landshypotek is exposed. In this context, "independent" means that the unit is not involved in the day-to-day operation of the business and reports to the Managing Director and the Board of Directors. *The Compliance function* is responsible for monitoring the company's regulatory compliance. The Compliance Officer is subordinate to the Chief Legal Officer, but reports directly to the Board of Directors and the Managing Director on issues relating to regulatory compliance. The Group's *Internal Audit function* is an independent auditing body, directly subordinate to the Board of Directors. Internal Audit is responsible for evaluating risk management, control and governance processes within the Group, and ensuring that business in the Group is carried out in accordance with the intentions of the Board of Directors and the Managing Director. Internal Audit reports to the Board of Directors and also informs the Managing Director. The Board adopts an annual work plan for Internal Audit.

CREDIT RISK

Landshypotek has defined credit risk as follows:

The risk that Landshypotek does not receive payment as agreed and the risk that the value of the collateral is not adequate and therefore will not cover the outstanding claim. The risk includes all receivables Landshypotek has with the public and includes concentration risk, environmental risk and political risk.

Landshypotek divides its customers into two categories: Rural Living and Rural Enterprise. This categorisation aims to distinguish between those borrowers whose income is mostly derived from business activity (rural enterprise) from those who earn most of their living from employment (rural living). Rural Enterprise customers can be divided into private individuals and legal entities.

The risk classification model for customers categorised as Rural Living and Rural Enterprise private individuals comprises a statistical model that utilises information from UC AB, the business and credit information provider, and internal payment history statistics as variables to calculate the likelihood of default.

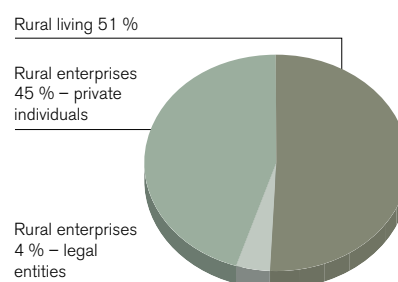
Customers categorised as Rural Enterprise legal entities are risk classified using a different model. This model weighs up the company's annual accounts together with internal payment history statistics, area of operations and the company's and company owner's financial position and competence.

Risk estimate

Landshypotek calculates its own risk estimates (PD, EAD and LGD), which are used for the Retail exposure class to calculate capital requirement and expected loss. Probability of Default (PD) is the likelihood that a counterparty defaults within a twelve-month period. The risk classification is performed on a scale of 1-6, where 1 represents the highest credit quality and 6 is for credits in default. For each risk class, Landshypotek estimates the one-year

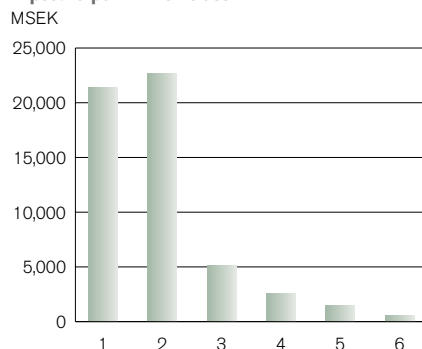


Specification of volume by customer categories
Breakdown in %

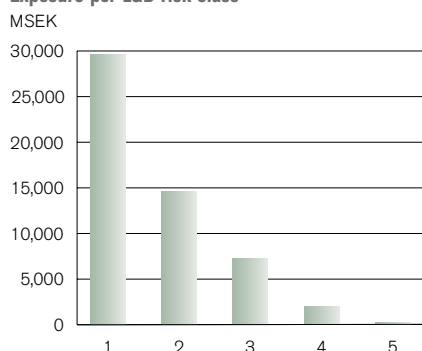


Exposure breakdown	Exposure (SEK thousand)	Average risk weight
IRB Approach		
Non credit-obligation assets	17,498	100 %
Retail – real-property credits	53,758,623	10 %
Total	53,776,121	
Standardised Approach		
Corporate exposure	2,576,406	99 %
Retail exposure	360,504	75 %
Institutional exposure	4,223,150	29 %
Local governments and comparable associations and authorities	1,893,822	-
Non-performing items	30,624	136 %
Exposure to governments and central banks	73,715	0 %
Covered bonds	10,327,261	17 %
Other items	34	0 %
Total	19,485,516	

Exposure per PD risk class



Exposure per LGD risk class



probability of default based on eight years of internal data. As of 31 December 2011, exposure-weighted average PD was 1.99 percent. The diagram on the right illustrates the Retail exposure by PD risk class.

Exposure At Default (EAD) is the amount of exposure in monetary terms that the counterparty is expected to have in the event of a default. EAD is calculated as the loan debt outstanding including unpaid interest and fees. For obligations that lie outside of the balance sheet, Landshypotek's flexible first mortgage product, EAD is calculated through the total loan granted to the counterparty multiplied by a Conversion Factor (CF).

The assessment of how much the outstanding claim Landshypotek stands to lose in the event of default (LGD, Loss Given Default) is based on internal data gathered during the period 1995 to 2008. LGD classes are divided into five loan-to-value classes. The diagram on the right illustrates the Retail exposure by LGD risk class.

Credit preparation and approval process

The Credit policy provides parameters and guidelines for the policies applicable, at any time, for granting credit in Landshypotek AB and its subsidiaries. Credit granting is the result of analysis of the individual customer and/or household as a whole when applicable. This results in risk classification being performed on a scale of 1-6 or alternatively A-H (1-6 for private individuals and A-H for legal entities where 1/A represents the highest credit quality and 6/H is for credits in default) for the counterparty in accordance with the risk classification method being applied. Furthermore, in addition to the counterparty's/household's total ability to repay the loan, collateral is analysed (principally real property in the form of agricultural and forestry properties) and any supplemental collateral in the form of any sureties or chattel mortgages that may exist. Loans are made against real property mortgage deeds within 75 percent of an internally determined collateral value. The collateral value constitutes the sustainable value of the collateral on a long-term basis. At Landshypotek Jordbrukskredit AB, loans can be granted against collateral in real property mortgage deeds within 85 percent of the internally determined collateral value. The risk of financial losses is thus assessed as low by Landshypotek.

To capture the total amount of credit granted to an individual customer or group of counterparties, a credit ceiling is created for the entirety, which represents the total amount of credit granted by Landshypotek at any one moment in time.

All granting of credit is performed pursuant to a credit mandate matrix approved by the Board, which is governed by parameters such as ceiling amount, risk class and loan-to-value ratio. All credit decisions are taken by the Credit Sub-Committee utilising a level structure that complies with the aforementioned credit mandate matrix. The Credit Sub-Committee requires that a minimum of two officers jointly form a committee. The exception is our highest decision-making body for day-to-day credit cases, the Board's Credit Committee, where each case has already been recommended by the immediate subordinate credit sub-committee.

Valuation of collateral – agricultural property

Regional office employees are assisted in the valuation process by the organisation of representatives of Landshypotek, ekonomisk förening. The network of representatives ensures that all properties are correctly valued

and that the valuations are based on documented industry experience and a high degree of familiarity with local conditions. All of our ten regions have a local Board comprising four to eight members. It is these members who together comprise the network of representatives in Landshypotek.

Credit portfolio monitoring

In addition to the credit portfolio being monitored from a credit quality standpoint, the credit portfolio is also regularly examined from a number of different perspectives: by industry, geographically, by risk class, by limit group and so on. Landshypotek's exposure as of 31 December 2011 was geographically distributed as shown in the diagram to the right. In conjunction with its internal capital adequacy assessment process, Landshypotek has performed in-depth analyses of the credit portfolio. In the course of this effort, Landshypotek has been unable to identify any major concentration to any particular industry or geographic area.

Overview of credit portfolio

LHAB's increase in lending is rising at a rolling annual pace of 7.5 percent, while inflation was 2.8 percent over the same period. In 2011, lending increased by MSEK 3,807 to MSEK 55,580 (51,773).

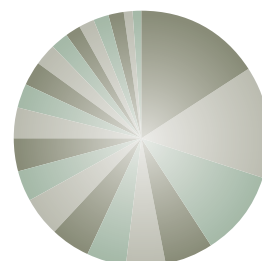
The number of non-performing loans with payments in arrears by more than 60 days increased during the year from 149 cases to 211. However, our collective assessment is that the current level is in balance. The collective loan stock of non-performing¹ cases amounted to MSEK 478, which is an increase from MSEK 217 compared with the preceding year. The average debt is SEK 2,408 thousand (1,529). Landshypotek's 20 largest cases of exposure, expressed as a percentage of the capital base, declined somewhat in 2011 compared with 2010.

Problem loans/Management methods

Landshypotek applies individual valuation of problem loans. An insolvency group is in place within the Credit Department that together with the customer adviser manages problem credits on an operational level. Any need for a provision is made on a case-by-case basis and receivables defined as doubtful or non-performing¹ are examined on an ongoing basis. Subsequent to individual assessment, doubtful receivables are recognised where payments will probably not be forthcoming pursuant to the contract terms and where the value of the collateral is probably insufficient to cover the value of the receivable² with a satisfactory margin. The management of unsettled commitments and the settlement of credit commitments is performed with the aim of reducing the risk of loss.

At present, Landshypotek utilises two definitions of default "soft" and "technical", respectively. Soft defaults occur when it is probable that customers will not be able to meet their commitments and Landshypotek will have to foreclose on collateral or take similar measures. Soft defaults are performed through Landshypotek, on becoming aware of new information that has, as yet, not impacted any of the explanation variables in the models, setting a risk class of 6 for customers classed as Rural Living or Rural Enterprise private individuals and risk class H for customers classed as Rural Enterprise legal entities. Technical defaults occur automatically when customers' payments are late by 90 days or more.

Geographic breakdown of volume



Västra Götalands County	16 %	Jämtland County	3 %
Skåne County	14 %	Jönköping County	3 %
Östergötland County	11 %	Gävleborg County	3 %
Örebro County	6 %	Västernorrland County	2 %
Halland County	5 %	Kronoberg County	2 %
Värmland County	5 %	Västerbotten County	2 %
Kalmar County	5 %	Västmanland County	2 %
Södermanland County	5 %	Dalarna County	2 %
Gotland County	4 %	Blekinge County	1 %
Uppsala County	4 %	Norrbottn County	1 %
Stockholm County	4 %		



¹ Non-performing receivables are recognised, without consideration of the possibility of recovering the receivable through foreclosure on collateral, when any portion of the receivable has fallen due for payment for a period exceeding 60 days.

² See pages 38 and 97 for a definition.



Currency exposure, Group, 31 December 2011, nominal amounts in local currency (thousands)

Currency	Assets	Liabilities	Exposure
CHF	450,000	450,000	0
EUR	556,533	556,600	-67
NOK	7,895,000	7,895,000	0

Counterparty risks

Landshypotek's counterparty risks comprise, in addition to lending, credit risks for interest-bearing securities and the risk that one or more of these counterparties is unable to meet their business commitments as agreed. This could, for example, be a counterparty that, through insolvency, is unable to meet future payments pursuant to swap agreements in Landshypotek's favour.

Landshypotek's holdings of interest-bearing securities have the highest credit rating and are all issued by Swedish housing finance institutions, Swedish municipalities or county councils.

SEK thousand	Municipalities and county councils	Covered bonds in Sweden	Institutional investments*
AAA	100,275	10,610,629	1,003,245
AA+	1,803,383		
	1,903,657	10,610,629	1,003,245

* Invested in Kommuninvest

The counterparties in swap contracts are Swedish or international banks with high credit ratings and ISDA agreements are in place with counterparties.

SEK thousand	Total credit exposure, Derivatives	Positive gross market value excl. premium for potential future exposure	Positive value after netting
AA-	589,156	260,122	8,617
A+	712,133	305,989	65,149
A	681,883	303,161	106,481
	1,983,173	869,272	180,247

MARKET RISKS

Market risks are defined as:

The risk that the value of assets, liabilities and/or financial contracts is affected by changes in general economic conditions or events that affect a large part of the market.

Market risks to which Landshypotek is exposed are interest-rate risks, currency risks and liquidity risks.

Risk management and analysis

The Board of Directors establishes in Landshypotek the manner in which the Group's financial risks are to be measured and reported, and sets risk limits. Risks are continuously monitored and are reported to both Landshypotek's Finance Sub-Committee and the Board of Directors. The Chief Financial Officer has overall responsibility for the day-to-day management of the Group's financial risks. The Chief Risk Control Officer is responsible for independent control and reporting of the financial risk limits set by the Board of Directors in the financial risk policy. Operations are also supported by financial administrative systems with well-developed procedures for both day-to-day work and risk estimation and analysis.

Fixed-interest terms for the Group's interest-bearing assets and liabilities

Group 2011

SEK thousand	< 3 months	3-12 months	1-3 years	3-5 years	> 5 years	Total
Assets						
Due from financial institutions	186,918					186,918
Loans to customers	30,975,445	6,685,083	15,132,578	4,407,647	784,188	57,984,942
Bonds and other interest-bearing securities	82,693	1,947,716	10,430,207	1,346,000	318,000	14,124,616
Derivatives						0
Total Assets	31,245,057	8,632,799	25,562,785	5,753,647	1,102,188	72,296,476
Liabilities						
Liabilities to credit institutions	162,157					162,157
Borrowing/deposits from customers	424,425					424,425
Debt securities in issue	-35,084,255	-2,532,884	-13,212,519	-10,013,404	-10,960,857	-71,803,918
Derivatives						0
Total Liabilities	-34,497,673	-2,532,884	-13,212,519	-10,013,404	-10,960,857	-1,217,336
TOTAL	-3,252,617	6,099,915	12,350,267	-4,259,756	-9,858,668	1,079,140
Interest-rate sensitivity net	40,472	-428	-98,885	-43,697	30,814	
Cumulative interest-rate sensitivity		40,044	-58,841	-102,538	-71,724	

The above table includes all contracted cash flows. Nominal amounts are carried under the time slots when interest is reset.

Interest-rate risks

Interest-rate risks arise when fixed-interest terms or interest bases for assets and liabilities are mismatched. Landshypotek seeks to manage the interest-rate risk that arises in the course of business by having the same fixed-interest term on borrowing as on lending. Due to actual conditions and availability in the capital market, there may be certain instances of imbalance between borrowing and lending. This imbalance gives rise to an interest-rate risk that Landshypotek manages using interest swaps and currency interest-rate swaps. No trading is carried out. For purposes of calculating and managing interest-rate risk, Landshypotek's equity is deemed to be invested at the same average fixed-interest term as its lending to customers. This means that equity is equated to an interest-bearing liability for purposes of calculating and managing interest-rate risk. Interest-rate risk is calculated as the change in value (change in present value) that occurs if the interest-rate curve is moved in parallel up or down by one percentage point. Limits for Landshypotek's interest-rate risk are set by Landshypotek's Board of Directors in the financial risk policy. Interest-rate risks are continuously monitored and reported by the Risk Control unit to Landshypotek's Finance Sub-Committee and its Board of Directors. At year-end, the interest-rate risk at a parallel movement of the interest-rate curve by one percentage point amounted to MSEK 71.7 (12.3).

Currency risks

Foreign-exchange exposure consists of the sum of the differences between liabilities and assets as well as future cash flows in all currencies other than Swedish kronor (SEK). Landshypotek has parts of its financing in currencies





other than SEK and a very limited portion of its lending in EUR. Where financing is done in currencies other than SEK, the nominal amount as well as all cash flows associated with the financing are swapped to SEK to manage the currency risk. The part of the lending denominated in EUR is refinanced by borrowing in EUR. Marginal differences may arise here. As a result, Landshypotek is exposed to only marginal currency risk. Limits pertaining to Landshypotek's currency risk are set in the financial risk policy and monitored by the Risk Control Unit. At year-end, the nominal currency exposure amounted to EUR 67,000.

Liquidity risks

To a great extent, Landshypotek is dependent on market funding and the inability to honour payment obligations connected to market funding can have immediate and serious consequences for Landshypotek. Therefore, risk tolerance for liquidity risks is low and Landshypotek maintains a conservative view on the management of liquidity risks. Landshypotek endeavours to secure longer terms for its borrowing than its lending and the maturity analysis illustrates that Landshypotek's liabilities have longer tenors than its assets based on the date Landshypotek is entitled to request payment or has an obligation or right to make a repayment.

Refinancing risk can have immediate and serious consequences for

Maturity analysis of financial assets and liabilities,

Group

SEK thousand	< 3 months	3-12 months	1-3 years	3-5 years	> 5 years	Total
Financial assets						
Due from financial institutions	186,918					186,918
Loans to customers	30,975,445	6,685,083	15,132,578	4,407,647	784,188	57,984,942
Bonds and other interest-bearing securities	82,693	1,947,716	10,430,207	1,346,000	318,000	14,124,616
Derivatives	333,049	1,490,619	6,417,014	5,200,215	10,177,398	23,618,296
Total	31,391,187	10,123,418	31,979,799	10,953,863	11,279,587	95,727,854
Financial liabilities						
Liabilities to credit institutions	162,157					162,157
Borrowing/deposits from customers	424,425					424,425
Granted credit facilities	530,499					530,499
Debt securities in issue	5,730,757	11,293,318	28,121,198	15,580,551	11,078,093	71,803,918
Derivatives	339,456	1,382,502	6,352,006	5,051,689	10,493,036	23,618,689
Subordinated liabilities	2,732	362,005	18,400	209,200		592,337
Total	6,777,406	13,052,825	34,491,604	20,841,440	21,571,129	96,734,405
Net cash flow	24,613,781	-2,929,407	-2,511,805	-9,887,578	-10,291,542	-1,006,551
Unutilised credit facility			750,000			750,000
Refinancing risk	24,613,781	-2,929,407	-1,761,805	-9,887,578	-10,291,542	
Accumulated refinancing risk	24,613,781	21,684,374	19,922,569	10,034,991	-256,551	

The above table includes all contracted cash flows. The amounts are not discounted and are recognised during the time slot when Landshypotek is entitled to request payment or has an obligation or right to repay. Future variable rates of interest have been included for derivatives and financial liabilities, but not for loans to customers. The calculation of future rates of interest is based on forward rates plus any credit spreads.

Landshypotek and, therefore, this risk is given particular consideration and conservative limits applied. In addition to daily monitoring of the limits set, regular stress tests were performed in regard to Landshypotek's liquidity risks.

In order to maintain good payment capacity, the Board has decided that cash and cash equivalents corresponding to the liquidity requirements of various periods in time must be available. One of the levels is that the liquidity portfolio must be able to cover all payment obligations for the forthcoming 180 days of normal operations without the possibility of refinancing (borrowing in the capital markets). In 2011, liquidity exceeded the stipulated level by a healthy margin. At 31 December 2011, the liquidity portfolio was 1.4 times larger than the need for refinancing over the next six months.

Landshypotek's holdings in its liquidity portfolio are of the type that may be used as collateral for loans from the Riksbank (Sweden's central bank). In this case, the Riksbank is the "lender of last resort". The portfolio consists of securities issued by Swedish institutions with a high credit rating, primarily in the form of covered bonds and, to a certain extent, bonds issued by Swedish municipalities and county councils. This liquidity reserve gives Landshypotek the opportunity of bridging temporary strains on liquidity, but also provides the opportunity of procuring the necessary funds at times of severe liquidity crises by selling assets in an orderly fashion, or reducing the financing need by calling in maturing loans.

In 2011, Landshypotek focused on improving its liquidity risk management through the implementation of contingency plans, liquidity strategy and regular stress tests of liquidity risk. The stress tests implemented included a decline in value of the liquidity portfolio, reduced interest income and no borrowing available in the capital markets. The results of the stress tests demonstrate that Landshypotek has an extremely healthy payment capacity.

OPERATIONAL RISKS

Operational risk is defined by Landshypotek as follows:

The risk of loss due to inadequate or failed internal processes, human error, defective systems or external events, which would affect business operations. This definition includes legal risk.

Follow-up of operational risk in Landshypotek is performed through incident reporting via an online tool that all employees have access to. Reported incidents are then conveyed to the Board and Management Group. Once a year, a risk analysis is performed of operational risks for the purpose of:

- identifying and reducing significant operational risks,
- planning security activities,
- creating an awareness of operational risks.

Each operational risk identified is assessed based on its consequences and probability, that is, the impact on operations if the risk were to occur and the likelihood of the risk occurring. The result of the annual risk analysis is presented to the Board and Management Group and comprises a tool that is utilised to rectify those risks deemed material.





Internal capital assessment

In order to evaluate its capital adequacy requirement, Landshypotek has developed an internal capital adequacy assessment process (ICAAP), and this has been adopted by the Board. The purpose of the ICAAP is to ensure that Landshypotek is capable of identifying, reporting and managing all risks to which the Group is exposed. The ICAAP results in a detailed report of the current risk profile and the risk profile in the medium term, and forms the basis for the evaluation of the capital adequacy requirement, which must be on a par with the chosen risk profile for the company. This capital constitutes a buffer against unexpected losses. Due consideration is also given to strategic business decisions and rating. The annual ICAAP also includes an overview of the risk management system as a whole. Stress tests are performed in order to stress the capital requirement under different circumstances, such as a deep economic recession. The ICAAP includes all types of risks that are believed to have an impact on operations. Besides credit risks, financial risks and operational risks, Landshypotek also actively monitors environmental risks, political risks, reputational risk, model and residual risks and strategic risks. Landshypotek's Chief Financial Officer is responsible for conducting the ICAAP and the Chief Risk Control Officer is responsible for compiling the risk report, i.e. the overall risk profile. In addition, capital matters are monitored on an ongoing basis and regularly reported to the Board of Directors and the Management Group, which ensures that the risk and capital matters are continuously in focus.

Capital situation

Landshypotek applies the rules for the Internal Ratings-based (IRB) Approach to the majority of its exposures. For other exposures, the standardised method is used for the calculation of the capital requirement for credit risk. Landshypotek applies the Basic Indicator approach to measure operational risk. The method means that a capital requirement is calculated as 15 percent of average operating income over the past three years.

At 31 December 2011, the capital base was MSEK 4,262 and the capital adequacy ratio according to Basel II was 4.4. The capital requirement according to Basel II was MSEK 968 as of 31 December.

The capital adequacy rules as stipulated in Basel II were to be fully applied as of 1 January 2010. This transition to Basel II was preceded by transitional rules which were applied for three years. The period during which the transitional rules are applied was extended. Under the transitional rules, Landshypotek has a capital ratio of 1.16. Additional information can be found in Note 34.



Notes

NOTE 1 ACCOUNTING POLICIES

Basis for preparing the Annual Accounts

The Annual Accounts are prepared in accordance with the provisions of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and the directives of the Swedish Financial Supervisory Authority, FFFS 2008:25. We apply the International Financial Reporting Standards (IFRS) as adopted by the EU and RFR 1 Supplementary Accounting Rules for Groups. Differences in accounting policies between the Group and the Parent Company are set out under each heading below.

Definitions and comparative data

The Landshypotek Group includes Landshypotek, ekonomisk förening and subsidiaries Landshypotek AB and Samkredit AB. In running text in the Annual Report, "Landshypotek" refers to the Group as defined above. The complete corporate names are used for individual Group companies. Unless otherwise specified, annual reports are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and all amounts are stated in SEK thousand. The preceding year's data is shown in parentheses.

Standards, amendments and interpretations that entered into force during the year did not impact the consolidated financial statements.

New standards, amendments and interpretations as well as annual improvement projects that have not yet come into force and were not applied in advance by the Group.

IFRS 9, Financial Instruments. This standard is the first stage in a process aimed at replacing IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 specifies two new methods for the recognition and measurement of financial assets and will probably impact the manner in which the Group recognises financial assets. For financial liabilities, these elements are essentially transferred from IAS 39 with the exception of the fair-value alternative. The standard does not apply until financial years that commence on or after 1 January 2015, but can be applied in advance. However, the standard has not yet been adopted by the EU.

The Group has yet to evaluate the full impact of IFRS 9 on the financial statements.

IAS 19, Employee Benefits. The corridor approach will be eliminated which means that all actuarial gains and losses are to be immediately recognised in other comprehensive income when they arise. Interest expense and expected return on plan assets will be replaced by net interest calculated using the discount rate. The standard is applicable for financial years starting 1 January 2013 but has yet to be adopted by the EU. At 31 December 2011, the Landshypotek Group had an accumulated actuarial loss of MSEK 18.1 which, under the new standard without application of the corridor approach, would be recognised under other comprehensive income. The Group has yet to evaluate the full impact of implementing net interest in the financial statements.

IFRS 13, Fair Value Measurement. The standard contains a precise definition of fair value and states the disclosure requirements for fair value. Application is effective for financial years starting 1 January 2013. However, the standard has not yet been adopted by the EU.

The Group has yet to evaluate the full impact of IFRS 13 on the financial statements.

Other new standards, amendments and interpretations as well as annual improvement projects that have not yet come into force were not considered to have any material impact on the consolidated financial statements.

Estimates and important assessments

The application of the Group's accounting policies means that, in certain instances, recognised amounts are based on estimates and assumptions about the future. The estimates and assumptions made are always based on company management's best and fairest assessment of the future and are subject to continual review and validation. Despite this, future outcomes may, to a certain extent, differ from original assumptions made.

The calculation of Group expenses and obligations for defined-benefit pensions is based on a number of actuarial, demographic and financial assumptions that have a significant impact on recognised amounts. A list of the most important assumptions used in the calculation of provision for the year is presented in Note 30.

The value of the Group's loan receivables is subject to continual testing and is individual for each receivable. If necessary, receivables are impaired to the assessed recoverable amount. In order to estimate the recoverable amount, a number of assessments are carried out, including an assessment of the counterparty's repayment capacity and the realisation value of any collateral. The final outcome may deviate from original provisions for loan losses.

Landshypotek's contribution capital is, in principal, a debt instrument according to IAS 32, but based on the Board of Director's entitlement to prevent outward payments of member contributions, the entire member contributions are classified as equity in line with IFRIC 2. Based on this, Landshypotek, ekonomisk förening has chosen to recognise its entire contribution capital as equity.

Consolidated accounting

The consolidated financial statements include the Parent Company and its subsidiaries. All subsidiaries are 100-percent owned by Landshypotek, ekonomisk förening. Subsidiaries are consolidated in accordance with the purchase method of accounting. All companies in the Group under Landshypotek, ekonomisk förening are Swedish limited liability companies with SEK as their accounting currency. Landshypotek, ekonomisk förening has no associated companies.

Subsidiaries are all companies in which the Group is entitled to frame financial and operative strategy in a way that is consistent with a shareholding in excess of 50 percent of the voting rights. The occurrence and effect of potential voting rights that may currently be utilised or converted must be taken into account when

assessing whether the Group exercises a controlling influence over another company. Subsidiaries are included in the consolidated accounts as of the date on which the controlling interest is transferred to the Group. They are excluded from the consolidated accounts as of the date on which the controlling interest ceases to apply.

The purchase method is used to report Group acquisitions of subsidiaries. The cost comprises the fair value of all assets, liabilities and issued equity instruments placed as consideration for net assets in the subsidiary. Any surplus due to the cost exceeding the identifiable net assets of the acquisition balance is recognised as goodwill.

Transaction costs are recognised directly in profit and loss.

Segment reporting

A segment is a business segment or a geographic area. A business segment is a part of a company that is identifiable for accounting purposes that offers products or services and which is exposed to risks and opportunities that differ from those of other business segments. A geographic area is part of a company that is identifiable for accounting purposes that offers products or services in an economic environment and which is exposed to risks and opportunities that differ from those of other economic environments.

Landshypotek offers one type of product – first mortgage loans – in one geographic area, Sweden, thereby operating in only one business segment. Because of this, no separate segment reporting is prepared.

Measurement of receivables and liabilities in foreign currency

Swedish kronor (SEK) is the functional currency of the Parent Company and the reporting currency of the Group. Receivables and liabilities in foreign currency are measured at the rate of exchange prevailing on the balance sheet date.

Recognition and measurement rules of financial assets

Financial assets are divided into the following categories for measurement:

1. Loans and trade receivables.
2. Financial assets at fair value through profit and loss.
3. Available-for-sale financial assets.

Loans to credit institutions and loans to customers are classified as "Loans and other trade receivables". This means that they are measured at amortised cost.

Bonds and other interest-bearing securities are classified as "Available-for-sale financial assets" or as "Financial assets at fair value through profit and loss". The classification is determined for each specific transaction. These assets are valued at fair value in the balance sheet regardless of classification. The following applies to those holdings classified as "Available-for-sale financial assets": Initial recognition is performed at fair value plus transaction costs. Gains and losses that arise as a result of changes in value are recognised after taxes directly in the valuation reserve under equity until the financial asset is sold or impaired. When the asset is sold or impaired, the accumulated gain or loss, previously recognised in equity, is recognised in profit and loss. For bonds and other interest-bearing securities classified as "Financial assets at fair value through profit and loss", the rule applies that these assets are initially recognised

at fair value and transaction costs are recognised in profit and loss and that the gains and losses arising as a result of changes in value are recognised in profit and loss under the heading "Net result of financial transactions". At year-end, all bonds and interest-bearing securities were classified as "Available-for-sale financial assets" and "Financial assets at fair value through profit and loss". Regardless of classification, interest income is recognised in profit and loss with application of the effective interest method.

Derivative instruments with a positive market value are classified as "Financial assets at fair value through profit and loss". Gains and losses that arise as a result of changes in value are recognised continuously in profit and loss under the item "Net result of financial transactions". Upon sale or impairment, the accumulated gain or loss is recognised under the item "Net result of financial transactions". Accrued and realised interest in derivative financial instruments is recognised as interest income or interest expense.

Financial assets are derecognised from the balance sheet when the right to receive cash flows from the instruments expires or is transferred and the Group has transferred virtually all risks and benefits associated with the right of ownership.

Recognition and measurement of financial liabilities

For purposes of measurement, financial liabilities are divided into two categories:

1. Other financial liabilities.
2. Financial liabilities at fair value through profit and loss.

Liabilities to credit institutions, and borrowing from customers, debt securities in issue and subordinated liabilities are classified as financial liabilities. Financial liabilities are measured and recognised at amortised cost by using the effective interest method. Transaction costs directly attributable to a specific liability are added to the cost and consideration is given thereto when calculating amortised cost. Recognition of financial liabilities subject to hedge accounting is dealt with in the hedge accounting section.

Derivative instruments with a negative market value are classified as "Financial liabilities at fair value through profit and loss". Gains and losses that arise as a result of changes in value are recognised on a current basis in profit and loss under the item "Net result of financial transactions". Upon sale or impairment, the accumulated gain or loss is recognised under the item "Net result of financial transactions". Accrued and realised interest in derivative financial instruments is recognised as interest income or interest expense.

Financial liabilities are derecognised from the balance sheet when the obligation to pay cash flows from the instruments has expired or been transferred and the Group has largely transferred all risks and obligations associated with the liability.

Calculation of fair value

Fair value of financial instruments traded on an active market, such as available-for-sale financial assets, is based on quoted market prices. Fair value of financial instruments and derivatives not traded on an active market is calculated using the valuation technique of discounting of future cash flows. Quoted market rates for the period in question are used for discounting.

Transaction or settlement date accounting

Financial assets and liabilities attributable to lending to customers are recognised on the payment date. Other assets and liabilities are recognised on the transaction date.

Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical form. An asset is a resource that is expected to yield future economic benefits and over which control is exercised. 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 arise. Amortisation is based on the economic life of the asset and starts when the asset is put to use. Intangible assets are amortised over a period of five years. A test for impairment is performed when there is an indication that the asset may have diminished in value.

Tangible assets

Tangible assets consist mainly of real property. Properties are valued at cost less accumulated depreciation. Each part of a tangible non-current asset with a cost that is significant relative to the aggregate cost of the asset is depreciated separately. The depreciation method used reflects how the future economic benefits of the asset are expected to be used. Landshypotek has produced separate depreciation plans for each significant component. The depreciation periods for the components of properties vary between 20 and 150 years.

Provisions

Provisions consist of recognised expected negative outflows of resources from the Group. Provisions are recognised when the Group has a legal or informal obligation as a result of events that have occurred when it is probable that an outflow of resources will be required to settle the undertaking. Landshypotek has set aside provisions for future pension commitments and deferred taxes. For more information, refer to the section on Pension Costs.

Interest income and interest expense

Interest income and interest expense on financial assets and liabilities are recognised in profit and loss in accordance with the effective interest method under the headings interest income and interest expense. The change in value of financial assets and liabilities at fair value is also accounted for under the heading "Net result of financial transactions". This also applies to changes in fair value of financial assets and liabilities included in hedge accounting.

Hedge accounting

Hedge accounting is divided into different types of hedges, depending on the purpose of the hedge.

Fair-value hedges: The Group applies hedge accounting for part of its exposure to interest-rate risk in fixed-interest financial liabilities against changes in fair value due to movements in interest rates. Interest swaps and currency interest swaps are used for this purpose. Changes in the fair value of a derivative instrument formally identified as a fair-value hedge, and which fulfil the requirements for hedge accounting, are recognised in profit and loss. The same occurs with changes in fair value of the hedged asset or liability attributable to the hedged risk.

Cash-flow hedges: The Group hedges parts of its exposure to interest-rate risk in floating interest financial liabilities against changes in future cash flows due to interest-rate changes. Interest swaps and currency interest swaps are used for this purpose. The effective portion of changes in the fair value of a derivative instrument identified as a cash-flow hedge, and which fulfils the requirements for hedge accounting is recognised in equity through other comprehensive income. When the hedged transaction occurs, the accumulated reserve in equity is returned to profit and loss. The gain or loss attributable to the ineffective portion is recognised immediately in profit and loss under the heading "Net result of financial transactions".

Hedge accounting is terminated when the hedging relationship is no longer deemed to be effective or if the hedged item or hedging instrument is sold. Gains or losses are recognised in profit and loss.

Commission income and commission expense

Commission income is attributable to our lending and our borrowing. Income attributable to lending is recognised as revenue on notification and income attributable to borrowing is recognised on the transaction date.

Commission expense is attributable to Stability Fund fees to the Swedish National Debt Office and is expensed over the year.

Net result of financial transactions

Realised gains and losses attributable to the purchase and sale of bonds and derivatives in the liquidity portfolio and the buyback of bonds are recognised under the heading "Net result of financial transactions". In addition, realised and unrealised gains and losses attributable to market-value changes of bonds and derivatives are also recognised under this heading.

Other income

Income from services sold and external rental income relating to real property owned are reported under other income. Results of sales of operating properties are also recognised here.

Pension costs

Landshypotek's pension commitment under the BTP plan is a defined-benefit pension plan. Landshypotek had funded its obligation via SPK, which manages the assets and handles pension payments on behalf of Landshypotek.

The net of the three items below are recognised in the Group as an operating expense:

- Pension entitlement earned during the year. The item refers to the year's share of the estimated final total pension payment. The item is based on estimated final salary and is subject to actuarial assumptions.
- Interest expense. The present value of the pension liability changes during the year as a result of the fact that the time until payment becomes shorter, and any changed assumptions with respect to discount rate.
- Expected return. The expected return is based on assumptions of the average return that will be received on the body of assets. The time horizon for assessments is related to the entire duration of the commitment.

In addition, actuarial gains and losses arise as a result of changed actuarial assumptions, and the difference between actual and expected return on plan assets. These are amortised based on the remaining time of service of the employees, to the extent that the net amount of accumulated, unrecognised actuarial gains and losses exceeds the higher of 10 percent of the present value of obligations or 10 percent of the fair value of plan assets. The liability recognised in the balance sheet in respect of defined-benefit pension plans is the present value of the defined-benefit obligation on the balance sheet date less the fair value of plan assets. The defined-benefit pension obligation is calculated annually by independent actuaries using the "projected unit credit method". For more information about pensions, refer to Note 8 and Note 30.

Loan losses

Receivables of which any component is more than 60 days overdue are recognised as overdue receivables regardless of the possibility of recovering the receivable by realising collateral.

A loan receivable is recognised as a doubtful credit when an individual assessment indicates that it is unlikely to be paid in accordance with the terms of the loan agreement and where the value of the collateral is feared to be insufficient to cover the value of the receivable with a sufficient margin. Doubtful credits are measured at the present value of estimated recoveries. For purposes of calculating the present value, estimated cash flows are discounted using the original contract rate (includes transaction costs). The difference between the loan receivable and the present value of estimated recovery is recognised as a probable loan loss.

Restructuring of loans

Agreements on concessions that entail a restructuring of the loan receivable are only made on an exceptional basis since all lending is against collateral, the value of which is realised in the event of default. Where appropriate, restructured loan receivables are commented on in the Administration Report.

Tax expenses

Recognised 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 carrying amounts and values for tax purposes of assets and liabilities.

Group contributions

Group contributions are recognised in accordance with RFR2.

Yield-related Group contributions paid by Landshypotek AB to the Parent Company, Landshypotek, ekonomisk förening, are recognised directly in equity in Landshypotek AB. From 2011, Landshypotek, ekonomisk förening recognised Group contributions received as financial income. Previously, Group contributions were recognised as balance sheet appropriations. Group contributions paid to reduce the Group's taxes are recognised directly in equity in each company.

		GROUP		PARENT ASSOCIATION	
NOTE 2	NET INTEREST INCOME, SEK THOUSAND	2011	2010	2011	2010
Interest income					
Interest income due from financial institutions		1,131	568	48	5
Interest income on loans to Group companies				2,033	624
Interest income on loans to customers		2,132,018	1,363,053		
Less interest losses		-1,640	-2,081		
Interest income on interest-bearing securities		360,313	357,565		
of which interest income on financial assets at fair value in profit and loss		128,764	111,627		
of which interest income on available-for-sale financial assets		231,549	245,938		
Other interest income		71	12	25	1
Total		2,491,893	1,719,117	2,106	630
Average interest on loans to customers		3.99 %	2.78 %		
All interest income is attributable to the Swedish market					
Interest expense					
Interest expense for liabilities to Group companies				-166	-30
Interest expense for liabilities to credit institutions		-9,108	-20,765		
Interest expense for borrowing/deposits from customers		-4,840	-1,451	-4,840	-1,451
Interest expense for interest-bearing securities		-1,967,626	-1,381,627		
of which interest expense for other financial liabilities		-525,098	-295,117		
of which interest expense on financial assets at fair value in profit and loss		-1,442,528	-1,086,510		
Interest expense for subordinated liabilities		-18,630	-8,981		
Interest expense for derivative instruments		13,736	169,102		
of which interest expense on derivatives at fair value in profit and loss		19,980	203,008		
of which interest expense on derivatives identified as hedging instruments		-6,244	-33,906		
Other interest expense		-3,365	-4,412		
Total		-1,989,833	-1,248,134	-5,006	-1,481
Total net interest income		502,060	470,983	-2,900	-851

NOTE 3	COMMISSION INCOME, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
Loan commissions		12,421	11,521	-	-
Commissions on securities		1,244	8	-	-
Total		13,665	11,529	-	-

NOTE 4	COMMISSION EXPENSE, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
Commissions on securities		-554	-343	-	-
Stability Fund fees		-21,684	-20,272	-	-
Other commissions		0	-5	-	-
Total		-22,238	-20,620	-	-

NOTE 5	NET RESULT OF FINANCIAL TRANSACTIONS, SEK	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
	Financial assets at fair value in profit and loss				
	Realised result of sales of bonds and other interest-bearing securities	0	11,244		
	Available-for-sale financial assets				
	Realised result of sales of bonds and other interest-bearing securities	52,046	132,461		
	Other financial liabilities				
	Realised result on repurchase of own bonds issued	-78,152	-205,406		
	Financial liabilities at fair value in profit and loss				
	Realised result from purchase/sale of derivative contracts	33,100	15,770		
	Total realised result	6,994	-45,931		
	Financial assets at fair value in profit and loss				
	Change in value of bonds and other interest-bearing securities	79,739	-56,183		
	Financial liabilities at fair value in profit and loss				
	Change in value of issued bonds included in fair-value hedge	-967,007	47,454		
	Change in value of derivatives included in fair-value hedge	957,170	-39,584		
	Change in value of derivatives not included in any hedging relationship	-80,277	98,463		
	Total unrealised result	-10,375	50,150		
	Net result of financial transactions	-3,381	4,219		

Realised result is defined as changes in value that were realised, that is, received/paid from/to a counterparty, for transactions that were closed during the year. Unrealised result is defined as changes in the market values of open positions.

NOTE 6	OTHER OPERATING INCOME, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
	Income from property	11,831	23,100		
	Sale of operating property	232,715	67,984		
	Other	1,998	305	49	15
	Total	246,544	91,389	49	15

NOTE 7	GENERAL ADMINISTRATIVE EXPENSE, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
	Personnel costs				
	Salaries, etc. to MD, senior executives and Board of Directors	-14,126	-11,231	-888	-788
	Salaries, etc. to other personnel	-49,564	-51,839	-4,493	-3,834
	Provision to profit-sharing foundation	-1,130	-2,660		
	Pension costs	-6,808	-7,758		
	Social insurance charges	-21,142	-19,907	-1,548	-1,385
	Other personnel costs	-955	-1,691	-192	-901
	Total	-93,725	-95,086	-7,121	-6,908
	Specification of pension costs				
	Change in provision for pensions	0	-204		
	Pension premiums	-13,446	-12,655		
	of which to senior executives	-4 571	-4 774		
	Directly paid pensions	-1,156	-1,162		
	Payroll and yield taxes attributable to pension costs	-3,630	-4,190		
	Defined-benefit pension plans	11,423	10,453		
	Total	-6,808	-7,758		

CONT.	NOTE 7, GENERAL ADMINISTRATIVE EXPENSE, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
Pension costs in the Group are recognised in accordance with IAS 19, Employee Benefits. Pension costs in Landshypotek AB have been calculated in accordance with the regulations of the Swedish Financial Supervisory Authority.					
The company's pension obligations are covered by insurance in Sparinstituten's Pensionskassa and by provisions for pensions covered by credit insurance from FPG (Försäkringsbolaget Pensionsgaranti, mutual). Further information about the pension liability is reported in Note 30.					
Number of male employees		58	55	0	2
Number of female employees		52	55	0	0
Total		110	110	0	2
Average number of salaried employees, including substitutes		112.0	98.0	0.0	1.0
Loans to directors and senior executives					
Loans to directors amount to		182,826	169,204		
Loans to senior executives amount to		18,698	4,283		
Directors and senior executives					
Number of directors		31	36	13	11
of which men		25	31	11	10
For the Managing Director of Landshypotek AB and the Managing Director of Landshypotek, ekonomisk förening, the retirement age is 65 years. In the event of termination at the initiative of the company, the MD is entitled to termination pay equivalent to one year's annual salary and severance pay equal to one year's annual salary. Fixed fees in the amount of SEK 688,000 (625,000) were paid to the Board of Directors in accordance with the Annual General Meeting resolution, of which SEK 0 thousand (0) was paid for work on committees, and of which the Chairman of the Board received SEK 155,000 (150,000). Daily expense allowances were also paid. No other remuneration was paid for Board work.					
Other administrative expenses					
Cost of premises		-10,862	-5,829	-8	-4
Office expenses		-2,274	-3,660	-201	-5
Telephone, data networks and postage expenses		-5,118	-4,634	-1	-64
IT expenses		-46,934	-29,263		
Purchased services		-31,196	-28,109	-1,748	-1,993
Auditing					
Audit fee as per audit assignment		-2 259	-1,833	-507	-225
Audit fee for action other than the audit assignment		-494	-395		-26
Tax consultancy fee		-360	-151		
Fees for internal audit		-108			
Fees for other services			-571		-37
Other		-11,104	-10,281	-792	-797
Total		-110,709	-84,726	-3,257	-3,151
Total		-204,434	-179,812	-10,378	-10,059

		GROUP		PARENT ASSOCIATION	
NOTE 8	DEPRECIATION, AMORTISATION AND IMPAIRMENT OF TANGIBLE NON-CURRENT ASSETS, SEK THOUSAND	2011	2010	2011	2010
Tangible non-current assets					
	Depreciation of furniture, fixtures and equipment	-1,124	-1,365		
	Depreciation of real property	-4,217	-9,266		
	Depreciation of land improvements	-28	-27		
Total		-5,368	-10,658		

Depreciation and impairment in the above table applies only to tangible non-current assets.

NOTE 9	OTHER OPERATING EXPENSES, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
	Marketing expenses	-14,798	-12,431	-3,496	-422
	Property expenses	-5,230	-7,936		
	Other	-7,211	-1,306	-6,426	-637
Total		-27,239	-21,673	-9,923	-1,059

		GROUP		PARENT ASSOCIATION	
NOTE 10	LOAN LOSSES NET, SEK THOUSAND	2011	2010	2011	2010
Loan losses					
Year's write-off for realised losses		-5,922	-6,683		
Reversal of prior provisions for probable loan losses, recognised as realised losses in this year's accounts		5,422	6,460		
Year's provision for probable loan losses		-19,307	-11,888		
Recovery of previously realised losses		1,964	418		
Reversal of prior provisions no longer necessary for probable loan losses		8,934	5,031		
Total		-8,910	-6,662		

All loan losses are attributable to loans to customers.

There are no properties taken over in foreclosure.

NOTE 11	YEAR-END APPROPRIATIONS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
	Change in tax allocation reserve				495
	Refund of member contributions	-90,838	-58,121	-90,838	-58,121
	Interest on member contributions	-30,954	-31,224	-30,954	-31,224
Total		-121,792	-89,345	-121,792	-88,850

NOTE 12	TAX ON PROFITS FOR THE YEAR, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
Profit before tax		368,907	249,350	455	196
Income tax calculated at national tax rates		-97,023	-65,579	-120	-52
Tax effects of:					
Non-taxable income		61,226	17,886	7	
Non-deductible expenses		-1,308	-1,805	-315	-134
Adjustment of preceding year's tax expense		6,392	-908	-3	2
Realised deferred tax attributable to year-end appropriations			-1,661		
Realised deferred tax liabilities attributable to real property sold		44,712	1,538		
Total		13,999	-50,529	-431	-184
<i>of which current tax</i>		<i>-30,714</i>	<i>-47,788</i>	<i>-431</i>	<i>-184</i>
<i>of which deferred tax</i>		<i>41,708</i>	<i>-2,741</i>		
Specification of deferred tax					
Deferred tax relating to pension costs		-3,004	-2,749		
Deferred tax relating to reversal of tax allocation reserve			-1,530		
Deferred tax relating to depreciation of real property		877	1,538		
Deferred tax relating to write-up of real property		43,835			
Total change in deferred tax		41,708	-2,741	0	0
The average tax rate for the year was 26.3 percent for the Group and 26.3 percent for the Parent Association.					
Income tax related to other comprehensive income					
Cash-flow hedges					
Profit/loss before tax		-34,237	68,098		
Tax		9,004	-17,910		
Profit/loss after tax		-25,233	50,188		
Available-for-sale financial instruments					
Profit/loss before tax		21,172	-291,379		
Tax		-55,538	76,633		
Profit/loss after tax		155,634	-214,746		
Other comprehensive income		130,401	-164,558		
Current tax					
Deferred tax		-46,534	58,723		
Total income tax related to other comprehensive income		-46,534	58,723		

NOTE 13	DUE FROM FINANCIAL INSTITUTIONS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
Loans to Group companies					90,000
Loans to banks		181,022	215,872	166,843	1,749
Loans to PlusGiro		5,770	2,243	384	94
Loans to others		126			
Total		186,918	218,115	167,227	91,843
Due from financial institutions by time remaining to maturity					
payable on demand		186,918	218,115	167,227	91,843
up to 3 months		0	0	0	
more than 3 months up to 1 year		0	0	0	
more than 1 year up to 3 years		0	0	0	
more than 3 years up to 5 years		0	0	0	
more than 5 years		0	0	0	
Total		186,918	218,115	167,227	91,843

NOTE 14	LOANS TO CUSTOMERS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
	Loans outstanding	55,592,311	51,780,974		
	Less provisions	-12,711	-7,940		
	Net loans outstanding	55,579,600	51,773,034		
	Disclosures on overdue loan receivables				
	Loan receivables overdue 1–30 days	1,916,219	1,193,729		
	Loan receivables overdue 31–60 days	456,744	291,581		
	Loan receivables overdue more than 61–90 days	92,934	67,119		
	Loan receivables overdue more than 90 days	868,546	361,535		
	of which loan receivables overdue more than 90 days where interest is recognised as income	427,454	198,441		
	Total overdue loan receivables	3,334,443	1,913,964		
	Disclosures on doubtful credits				
	Doubtful credits, not overdue	14,232	18,247		
	Doubtful credits, overdue	50,842	18,916		
	Total	65,074	37,163		
	Less provisions made	-12,711	-7,940		
	Total doubtful credits	52,363	29,223		
	Doubtful credits at beginning of year	37,163	42,828		
	New doubtful credits during year	60,484	27,269		
	Doubtful credits settled during year	-32,573	-32,934		
	Doubtful credits at year-end	65,074	37,163		
	Provisions at beginning of year	-7,940	-6,897		
	Additional provisions during the year	-12,962	-7,879		
	Deducted provisions during the year	8,191	6,836		
	Provisions at year-end	-12,711	-7 940		
	Loans to customers by remaining time to maturity				
	payable on demand				
	up to 3 months	30,580,567	34,498,964		
	more than 3 months up to 1 year	5,976,767	4,562,749		
	more than 1 year up to 3 years	14,158,311	7,781,427		
	more than 3 years up to 5 years	4,160,539	4,215,105		
	more than 5 years	703,416	714,789		
	Total	55,579,600	51,773,034		

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

NOTE 15	BONDS AND OTHER INTEREST-BEARING SECURITIES, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
Bonds					
Issued by Swedish municipalities		2,892,433	2,796,559		
Issued by Swedish banks		200,762			
Issued by Swedish housing finance institutions		10,144,118	8,178,500		
of which covered bonds		9 641 905	8,175,500		
Total		13,237,313	10,975,059		
Holdings by time remaining to maturity					
market-value adjustment		163,287	-127,624		
up to 3 months		51,284	20,958		
more than 3 months up to 1 year		1,590,447	200,000		
more than 1 year up to 3 years		9,894,015	6,388,940		
more than 3 years up to 5 years		1,208,915	3,800,270		
more than 5 years		329,365	692,515		
Total		13,237,313	10,975,059		
Valuation of bonds and other interest-bearing securities					
Nominal amount		12,683,000	10,815,000		
Amortised cost		13,074,026	11,102,683		
Market value		13,237,313	10,975,059		
Bonds and other interest-bearing securities are classified as available-for-sale financial assets or as trading portfolio.					
Bonds and other interest-bearing securities by category					
Trading portfolio		5,796,446	2,318,188		
Available-for-sale financial assets		7,440,868	8,656,871		
Total		13,237,313	10,975,059		

The above market-value adjustment concerns the price effect, that is, the valuation of the interest component of the contract.

		GROUP		PARENT ASSOCIATION	
NOTE 16	DERIVATIVES, SEK THOUSAND	2011	2010	2011	2010
Derivatives not included in hedge accounting					
Positive closing value of interest swaps		21,910	42,351		
Positive closing value of currency-interest swaps					
Total		21,910	42,351		
Derivatives included in hedge accounting					
Positive closing value of interest swaps		473,644	37,970		
Positive closing value of currency-interest swaps					
Total		473,644	37,970		
Total		495,554	80,321		

The above presentation pertains to the market value of derivative contracts. Accrued interest is included under prepaid expenses and accrued income.

NOTE 17	SHARES AND PARTICIPATIONS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
Shares and participations					
The ESS Group, cost in 2004		50,000	50,000	0	0
The ESS Group, impairment in 2004		−49,999	−49,999	0	0
Other		1	1	1	1
Total		2	2	1	1
Participating interest					
The ESS Group, participating interest		100 %	100 %		

		GROUP		PARENT ASSOCIATION	
NOTE 18	SHARES IN GROUP COMPANIES, SEK THOUSAND	2011	2010	2011	2010
Holdings in credit institutions					
Landshypotek AB 1,927,000 shares with a quotient value of SEK 1,000				1,870,328	1,870,328
Other holdings					
Samkredit AB 10,000 shares with a quotient value of SEK 10				50	50
Total				1,870,378	1,870,378

All subsidiaries are wholly owned.
See separate organisational chart.

		GROUP		PARENT ASSOCIATION	
NOTE 19	INTANGIBLE ASSETS, SEK THOUSAND	2011	2010	2011	2010
Other intangible non-current assets					
	Cost at beginning of year				
	Acquisitions during year	14,058	0	0	0
Closing cost		14,058	0	0	0
	Accumulated amortisation at beginning of year				
	Amortisation for the year				
	Impairments				
Closing accumulated amortisation and impairment		0	0	0	0
Carrying amount		14,058	0	0	0

Intangible non-current assets consist of investments in software. Amortisation of intangible assets did not start in 2011 but will start when the assets are taken into use in 2012.

		GROUP		PARENT ASSOCIATION	
NOTE 20	TANGIBLE ASSETS, SEK THOUSAND	2011	2010	2011	2010
Furniture, fixtures and equipment					
Non-current assets					
Cost at beginning of year		31,780	33,568		
Purchases during the year		333	943		
Disposals during the year		-8,298	-2,731		
Closing cost		23,815	31,780	0	0
Accumulated depreciation at beginning of year		-29,179	-30,234		
Depreciation and impairment for the year		-1,146	-1,676		
Accumulated depreciation of assets sold		8,298	2,731		
Closing accumulated depreciation		-22,027	-29,179	0	0
Total furniture, fixtures and equipment		1,788	2,601	0	0
Buildings and land					
Non-current assets					
Operating properties					
Number of properties		2	5		
Estimated fair value		35,200	562,300		
Cost at beginning of year		420,471	398,865		
Capitalised renovation costs		281	38,823		
Sales		-399,600	-17,217		
Closing cost		21,152	420,471	0	0
Write-up for the year					
Accumulated depreciation at beginning of year		-71,542	-62,609		
Closing accumulated depreciation		66,745	398		
Depreciation for the year		-619	-9,331		
Closing accumulated depreciation		-5,417	-71,542	0	0
Carrying amount		15,735	348,929	0	0
Total buildings and land		15,735	348,929	0	0

NOTE 21	OTHER ASSETS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
Announced interest and repayments		36,136	29,688		
Receivables from Group companies				147,700	101,000
Other receivables		316,397	30,454	2,727	2,945
Total		352,533	60,142	150,427	103,945

NOTE 22	DEFERRED TAX ASSETS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
	Deferred tax asset	18,278	39,478		
	Total	18,278	39,478		
	Opening deferred tax receivables on fair-value reserve	24,180	0		
	Add deferred tax on fair-value reserve		24,180		
	Less deferred tax on fair-value reserve	-24,180			
	Closing deferred tax receivables on fair-value reserve	0	24,180		
	Opening deferred tax receivables on hedging reserve	59	17,969		
	Add deferred tax on hedging reserve	9,063			
	Less deferred tax on hedging reserve	-59	-17,909		
	Closing deferred tax receivables on hedging reserve	9,063	60		
	Opening deferred tax receivables on pensions pursuant to IAS 19	8,264	11,013		
	Add deferred tax on pensions pursuant to IAS 19				
	Less deferred tax on pensions pursuant to IAS 19	-3,004	-2,749		
	Closing deferred tax receivables on pensions pursuant to IAS 19	5,260	8,264		
	Opening deferred tax receivables relating to loss carry-forwards	6,974	51,739		
	Add deferred tax relating to loss carry-forwards				
	Less deferred tax relating to loss carry-forwards	-3,019	-44,765		
	Closing deferred tax receivables relating to loss carry-forwards	3,955	6,974		

NOTE 23	PREPAID EXPENSES AND ACCRUED INCOME, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
	Prepaid expenses	8,020	7,412	203	136
	Due from financial institutions	2	5		
	Accrued interest on loans to customers	243,111	171,308		
	Accrued interest on interest-bearing instruments	661,526	483,908		
	Accrued interest, intra-Group			593	236
	Total	912,658	662,633	796	372

NOTE 24	LIABILITIES TO CREDIT INSTITUTIONS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
	Borrowing from Group companies				
	Swedish banks	162,157	83,962		
	Total	162,157	83,962	0	0
	Liabilities to credit institutions by remaining time to maturity				
	payable on demand	162,157	83,962		
	up to 3 months				
	more than 3 months up to 1 year				
	more than 1 year up to 3 years				
	more than 3 years up to 5 years				
	more than 5 years				
	Total	162,157	83,962	0	0

NOTE 25	BORROWING FROM CUSTOMERS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
Member account		260,338	200,573	260,338	200,573
Deposits from customers		167,453			
Other notes payable			15,000		
Total		427,791	215,573	260,338	200,573
Borrowing from customers by remaining time to maturity					
payable on demand		260,338	200,573	260,338	200,573
up to 3 months		167,453			
more than 3 months up to 1 year			15,000		
more than 1 year up to 3 years					
more than 3 years up to 5 years					
more than 5 years					
Total		427,791	215,573	260,338	200,573

NOTE 26	DEBT SECURITIES IN ISSUE, ETC., SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
Commercial paper		3,636,901	2,346,972		
Bond loans		60,668,638	56,066,217		
Total		64,305,539	58,413,189		
Borrowing by remaining time to maturity					
market-value adjustment		987,325	20,358		
up to 3 months		5,391,103	5,076,450		
more than 3 months up to 1 year		9,881,840	6,829,895		
more than 1 year up to 3 years		25,499,690	22,867,347		
more than 3 years up to 5 years		14,017,106	10,026,339		
more than 5 years		8,528,475	13,592,800		
Total		64,305,539	58,413,189		
Debt securities in issue classified as fair-value hedging					
Amortised cost		19,278,384	17,355,236		
Fair value		20,265,710	17,375,594		

The above market-value adjustment concerns the price effect, that is, the valuation of the interest component of the contract.

Fair-value hedges

The Group hedges part of its exposure to interest-rate risk in fixed-interest financial liabilities against changes in fair value due to movements in interest rates. Interest swaps and currency interest swaps are used for this purpose.

Cash-flow hedges

The Group hedges part of its exposure to interest-rate risk in fixed-interest financial liabilities against changes in future cash flows due to movements in interest rates. Interest swaps and currency interest swaps are used for this purpose.

		GROUP		PARENT ASSOCIATION	
NOTE 27	DERIVATIVES, SEK THOUSAND	2011	2010	2011	2010
Derivatives not included in hedge accounting					
Negative closing value of interest swaps		127,913	66,454		
Negative closing value of currency interest swaps		0			
Total		127,913	66,454		
Derivatives included in hedge accounting					
Negative closing value of interest swaps		74,717	160,240		
Negative closing value of currency interest swaps		70,921	379,989		
Total		145,638	540,229		
Total		273,551	606,683		

The above presentation pertains to the market value of derivative contracts. Accrued interest is included under accrued expenses and deferred income.

		GROUP		PARENT ASSOCIATION	
NOTE 28	OTHER LIABILITIES, SEK THOUSAND	2011	2010	2011	2010
Tax liabilities		2,631	3,181	0	0
Liabilities to Group companies				8,251	202
Other liabilities		60,841	56,487	10,903	10,448
Total		63,472	59,668	19,155	10,650

		GROUP		PARENT ASSOCIATION	
NOTE 29	ACCRUED EXPENSES AND DEFERRED INCOME, SEK THOUSAND	2011	2010	2011	2010
	Accrued interest on liabilities to credit institutions	401	13		
	Accrued interest on borrowing from customers		244		
	Accrued interest on debt securities in issue	679,690	616,711		
	Accrued interest on derivatives	367,363	174,296		
	Accrued interest, intra-Group				
	Other accrued expenses	32,406	26,624	395	
	Prepaid income	213	4,879		
	Total	1,080,072	822,767	395	

NOTE 30	PROVISIONS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
	Provisions for pensions	20,358	29,551		
	Total	20,358	29,551		
	Discount rate	3.50 %	3.70 %		
	Expected return on assets	4.20 %	4.50 %		
	Expected change in income base amount	3.00 %	3.00 %		
	Expected future salary increase rate	3.00 %	3.00 %		
	Expected inflation	2.00 %	2.00 %		
	Inflation adjustment in respect of pensions paid	2.00 %	2.00 %		
	Staff turnover	5.00 %	5.00 %		
	Early retirement	20.00 %	20.00 %		
	Opening balance, current value of pension obligations	300,290	286 645		
	Service cost	5,058	5,037		
	Interest expense	10,874	9,953		
	Pension payment	-12,598	-13,003		
	Actuarial gain/loss	16,692	11,658		
	Current value of pension obligations	320,316	300 290		
	Opening balance, plan assets	279,306	253 327		
	Return	12,530	12,533		
	Payments to fund	12,595	10,869		
	Pension payouts	-12,598	-13,003		
	Actuarial gain/loss	2,414	15,580		
	Closing balance, plan assets	294,247	279 306		
	Opening balance, net liability	-20,984	-33,319		
	Pension cost for year	-3,402	-2,457		
	Payments to fund	12,595	10,869		
	Actuarial gain/loss	-14,278	3,922		
	Closing balance, net liability	-26,069	-20,985		
	Accumulated actuarial gain/loss	-9,975	4,303		
	<i>Corridor value</i>	30,029	28,664		
	Closing balance, recognised liability	-16,094	-25,288		
	Other pension liabilities	-4,263	-4,263		
	Total recognised pension liability	-20,357	-29,551		
	Specification of pension costs				
	Service cost	-5,058	-5,037		
	Interest expense	-10,874	-9,953		
	Expected return	12,530	12,533		
	Pension cost	-3,402	-2,457		

Provisions for pensions are recognised under general administrative expenses in profit and loss.

Landshypotek's pension plan is a "defined-benefit pension plan". Landshypotek has funded its obligation via SPK, which manages the assets and handles pension payments on behalf of Landshypotek. The current value of the obligations, after deductions for fair value of plan assets, amounted to MSEK 26.1 as of 31 December 2011. The difference between the carrying amount and the value of the liability recognised above is the result of actuarial gains and losses incurred due to changes in actuarial assumptions and the fact that the difference between actual and expected returns on plan assets has been amortised. This is based on the remaining time of service of the employees, to the extent that the net amount of accumulated, unrecognised actuarial gains and losses exceeds the higher of 10 percent of the present value or 10 percent of the fair value of plan assets.

NOTE 31	DEFERRED TAX LIABILITIES, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
	Deferred tax	31,328	44,681		
	Total	31,328	44,681		
	Opening deferred tax on property write-up	43,835	44,425		
	Add deferred tax on property write-up				
	Less deferred tax on property write-up	-43,835	-590		
	Closing deferred tax on property write-up	0	43,835		
	Opening deferred tax on property write-up IFRS	846	1,794		
	Add deferred tax on property write-up IFRS				
	Less deferred tax on property write-up IFRS	-877	-948		
	Closing deferred tax on property write-up IFRS	-31	846		
	Opening deferred tax on fair-value reserve	0	52,454		
	Add deferred tax on fair-value reserve	31,359			
	Less deferred tax on fair-value reserve		-52,454		
	Closing deferred tax on fair-value reserve	31,359	0		
	Total deferred tax	31,328	44,681		

Deferred tax for 2011 is estimated using a rate of 26.3 percent.

NOTE 32	SUBORDINATED LIABILITIES, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
2002/2012	SEK 350,000,000 3 mths STIBOR +0.33 %	350,000	350,000		
2015/2020	SEK 200,000,000 Fixed interest 4.60 %	199,949	199,949		
	Total	549,949	549,949		

NOTE 33	MEMORANDUM ITEMS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
	Pledged assets	None	None	None	Inga
	Contingent liabilities				
	Försäkringsbolaget Pensionsgaranti, FPG	85	85		
	Flexible first mortgage loan, approved unutilised amount	530,499	446,981		
	Total	530,584	447,066		
	Guarantees and other commitments	196 895	166 285		

		FINANCIAL CORPORATE GROUP		
NOTE 34	CAPITAL ADEQUACY ANALYSIS, SEK THOUSAND	Basel II	Transitional rules	Basel I
Tier 1 capital		3,762 200	3,772 200	3,811 875
Share capital paid in or equivalent, after deduction for cumulative preference shares		1,076,094	1,076,094	1,076,094
Equity component of reserves and profit or loss brought forward from preceding financial year		2,385,114	2,385,114	2,385,114
Net profit for the year		383,003	383,003	383,003
Deduction for deferred tax assets		-18,278	-18,278	-18,278
Intangible non-current assets		-14,058	-14,058	-14,058
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-49,675	-49,675	-
Tier 2 capital		500,274	500,274	549,949
Subordinated term loans in accordance with Chapter 8, Sections 18-30		549,949	549,949	549,949
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-49,675	-49,675	-
Capital base		4,262,474	4,262,474	4,361,824
Capital requirement for credit risks in accordance with the standardised method		467,099	467,099	4,729,023
Exposure to governments and central banks		0	0	-
Municipalities, similar entities and authorities		0	0	-
Institutional exposure		97,296	97,296	-
Corporate exposure		204,453	204,453	-
Retail exposure		21,488	21,488	-
Non-performing items		3,334	3,334	-
Covered bonds		140,528	140,528	-
Other items		0	0	-
Capital requirement for credit risks in accordance with IRB		419,272	419,272	-
Retail – real property credits		417,872	417,872	-
Non credit-obligation assets		1,400	1,400	-
Capital requirement for operational risks – Base method		82,017	82,017	-
Additional capital requirement in accordance with transitional rules		-	2,715,480	-
Capital requirement		968,388	3,683,868	4,729,023
Capital adequacy ratio		4.40	1.16	0.92
Capital adequacy		35.21 %	9.26 %	7.38 %
Tier 1 capital adequacy		31.08 %	8.17 %	6.45 %
IRB deduction				
Anticipated loss amount in excess of provisions		-99,350		

Capital adequacy ratio = Capital base/Capital requirement

CONT.	NOTE 34, CAPITAL ADEQUACY ANALYSIS, SEK THOUSAND	LHAB PARENT COMPANY		
		Basel II	Transitional rules	Basel I
Tier 1 capital		3,630,138	3,630,138	3,679,813
Share capital paid in or equivalent, after deduction for cumulative preference shares		1,927,000	1,927,000	1,927,000
Equity component of reserves and profit or loss brought forward from preceding financial year		1,306,818	1,306,818	1,306,818
Net profit for the year		469,116	469,116	469,116
Group contributions paid		0	0	0
Deduction for deferred tax assets		-9,063	-9,063	-9,063
Intangible non-current assets		-14 058	-14 058	-14 058
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-49,675	-49,675	-
Tier 2 capital		500,274	500,274	549,949
Subordinated term loans in accordance with Chapter 8, Sections 18-30		549,949	549,949	549,949
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-49,675	-49,675	-
Capital base		4,130,412	4,130,412	4,229,762
Capital requirement for credit risks in accordance with the standardised method		432,331	432,331	4,706,575
Exposure to governments and central banks		0	0	-
Municipalities, similar entities and authorities		0	0	-
Institutional exposure		96,626	96,626	-
Corporate exposure		186,343	186,343	-
Retail exposure		7,514	7,514	-
Non-performing items		1,320	1,320	-
Covered bonds		140,528	140,528	-
Other items		0	0	-
Capital requirement for credit risks in accordance with IRB		461,490	461,490	-
Retail – real property credits		417,872	417,872	-
Non credit-obligation assets		43,618	43,618	-
Capital requirement for operational risks – Base method		79,155	79,155	-
Additional capital requirement in accordance with transitional rules		-	2,692,933	-
Capital requirement		972,976	3,665,909	4,706,575
Capital adequacy ratio		4.25	1.13	0.90
Capital adequacy		33.96 %	9.01 %	7.19 %
Tier 1 capital adequacy		29.85 %	7.92 %	6.25 %
IRB deduction				
Anticipated loss amount in excess of provisions		-99,350		

Capital adequacy ratio = Capital base/Capital requirement

NOTE 35	FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, SEK THOUSAND				GROUP
2011	Measured at fair value in the profit and loss	Derivatives identified as hedging instruments	Other financial liabilities	Loans and accounts receivable	Available- for-sale financial assets
Assets					
Cash and balances with central banks				6,374	
Treasury bills and other eligible bills					
Due from financial institutions				186,918	
Loans to customers				55,579,600	
Bonds and other interest-bearing securities	5,796,446				7,440,868
Derivatives	21,910	473,644			
Total financial assets	5,818,356	473,644	0	55,772,893	7,440,868
Financial liabilities					
Liabilities to credit institutions			162,157		
Borrowing from the public			167 453		
Debt securities in issue, etc.	20 265 710		44 039 830		
Derivatives	127,913	145,638			
Subordinated liabilities			549,949		
Total financial liabilities	20 393 623	145,638	44 919 389	0	0
2010	Measured at fair value in the profit and loss	Derivatives identified as hedging instruments	Other financial liabilities	Loans and accounts receivable	Available- for-sale financial assets
Assets					
Cash and balances with central banks				5,393	
Treasury bills and other eligible bills					
Due from financial institutions				216,144	
Loans to customers				51,773,034	
Bonds and other interest-bearing securities	2,318,188				8,656,871
Derivatives	42,351	37,970			
Total financial assets	2,360,539	37,970	0	51,994,571	8,656,871
Financial liabilities					
Liabilities to credit institutions			83,962		
Borrowing from the public			105,000		
Debt securities in issue, etc.	17,375,594		41,037,595		
Derivatives	66,454	540,229			
Subordinated liabilities			549,949		
Total financial liabilities	17,442,048	540,229	41,776,506	0	0

CONT.	NOTE 35, FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, SEK THOUSAND			PARENT ASSOCIATION	
2011	Measured at fair value in the profit and loss	Derivatives identified as hedging instruments	Other financial liabilities	Loans and accounts receivable	Available- for-sale financial assets
Assets					
Cash and balances with central banks					
Treasury bills and other eligible bills					
Due from financial institutions				167,227	
Loans to customers					
Bonds and other interest-bearing securities					
Derivatives					
Total financial assets	0	0	0	167,227	0
Financial liabilities					
Liabilities to credit institutions					
Borrowing from the public			260,338		
Debt securities in issue, etc.					
Derivatives					
Subordinated liabilities					
Total financial liabilities	0	0	260,338	0	0

2010	Measured at fair value in the profit and loss	Derivatives identified as hedging instruments	Other financial liabilities	Loans and accounts receivable	Available- for-sale financial assets
Assets					
Cash and balances with central banks					
Treasury bills and other eligible bills					
Due from financial institutions				91,843	
Loans to customers					
Bonds and other interest-bearing securities					
Derivatives					
Total financial assets	0	0	0	91,843	0
Financial liabilities					
Liabilities to credit institutions					
Borrowing from the public			200,573		
Debt securities in issue, etc.					
Derivatives					
Subordinated liabilities					
Total financial liabilities	0	0	200,573	0	0

NOTE 36	DERIVATIVE INSTRUMENTS, SEK THOUSAND				GROUP
2011	With positive closing value or zero		With negative closing value or zero		
	Nominal amount	Carrying amount	Nominal amount	Carrying amount	
Interest rate-related swaps	20,157,445	495,554	9,334,000	202,630	
Currency-related swaps			7,563,486	70,921	
Total	20,157,445	495,554	16,897,486	273,551	

2010	With positive closing value or zero		With negative closing value or zero		
	Nominal amount	Carrying amount	Nominal amount	Carrying amount	
Interest rate-related swaps	6,200,000	80,321	7,999,500	226,694	
Currency-related swaps			6,920,996	379,989	
Total	6,200,000	80,321	14,920,496	606,683	

PARENT ASSOCIATION				
2011	With positive closing value or zero		With negative closing value or zero	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Interest rate-related swaps				
Currency-related swaps				
Total	0	0	0	0

2010	With positive closing value or zero		With negative closing value or zero	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Interest rate-related swaps				
Currency-related swaps				
Total	0	0	0	0

NOTE 37 FAIR-VALUE DISCLOSURES, SEK THOUSAND			GROUP	
	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	6,374	6,374	5,393	5,393
Due from financial institutions	186,918	186,918	218,115	218,115
Loans to customers	55,579,600	54,287,539	51,773,034	52,643,477
Bonds and other interest-bearing securities	13,237,313	13,237,313	10,975,059	10,975,059
Derivatives	495,554	495,554	80,321	80,321
Shares and participations	2	2	2	2
Shares in Group companies				
Intangible non-current assets	14,058	14,058	0	0
Tangible assets				
Furniture, fixtures and equipment	1,788	1,788	2,601	2,601
Buildings and land	15,735	35,200	348,929	562,300
Other assets	370,811	370,811	99,620	99,620
Prepaid expenses and accrued income	912,658	912,658	662,633	662,633
Total assets	70,820,811	69 548 215	64,165,707	65,249,521
Liabilities, provisions and equity				
Liabilities to credit institutions	162,157	162,157	83,962	83,962
Borrowing from customers	427,791	427,791	215,273	215,480
Debt securities in issue, etc.	64,305,540	65,008,457	58,413,189	59,029,547
Derivatives	273,551	273,551	606,683	606,683
Other liabilities	63,472	63,472	59,668	59,668
Accrued expenses and deferred income	1,080,072	1,080,072	822,767	822,767
Provisions	51,686	51,686	74,232	74,232
Subordinated liabilities	549,949	564,428	549,949	557,731
Total liabilities	66,914,217	67,631,614	60,825,723	61,450,070

PARENT ASSOCIATION				
	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	0	0	0	0
Due from financial institutions	167,227	167,227	91,843	91,843
Loans to customers	0	0	0	0
Bonds and other interest-bearing securities	0	0	0	0
Derivatives	0	0	0	0
Shares and participations	1	1	1	1
Shares in Group companies	1,870,378	1,870,378	1,870,378	1,870,378
Intangible non-current assets	0	0	0	0
Tangible assets	0	0	0	0
Furniture, fixtures and equipment	0	0	0	0
Buildings and land	0	0	0	0
Other assets	150,427	150,427	103,945	103,945
Prepaid expenses and accrued income	796	796	372	372
Total assets	2,188,829	2,188,829	2,066,539	2,066,539
Liabilities and provisions				
Liabilities to credit institutions	0	0	0	0
Borrowing from customers	260,338	260,338	200,573	200,573
Debt securities in issue, etc.	0	0	0	0
Derivatives	0	0	0	0
Other liabilities	19,155	19,155	10,650	10,650
Accrued expenses and deferred income	395	395	0	0
Provisions	0	0	0	0
Subordinated liabilities	0	0	0	0
Total liabilities	279,888	279,888	211,223	211,223

NOTE 38 FAIR-VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS, SEK THOUSAND								GROUP
	2011				2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value in profit and loss								
Bonds and other interest-bearing securities	5,796,446			5,796,446	2,318,188			2,318,188
Derivatives		21,910		21,910		42,351		42,351
Derivatives identified as hedging instruments								
Derivatives		473,644		473,644		37,970		37,970
Available-for-sale financial assets								
Bonds and other interest-bearing securities	4,548,435	2,892,433		7,440,868	5,860,312	2,796,559		8,656,871
Total assets measured at fair value	10,344,880	3,387,987	0	13,732,867	8,178,500	2,876,880	0	11,055,380
Financial liabilities at fair value in profit and loss								
Debt securities in issue, etc.		20,265,710		20,265,710		17,375,594		17,375,594
Derivatives		127,913		127,913		66,454		66,454
Derivatives identified as hedging instruments								
Derivatives		145,638		145,638		540,229		540,229
Total liabilities measured at fair value	0	20,539,261	0	20,539,261	0	17,982,277	0	17,982,277

PARENT ASSOCIATION							
	2011				2010		
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets at fair value in profit and loss							
Bonds and other interest-bearing securities							
Derivatives							
Derivatives identified as hedging instruments							
Derivatives							
Available-for-sale financial assets							
Bonds and other interest-bearing securities							
Total assets measured at fair value							
Financial liabilities at fair value in profit and loss							
Debt securities in issue, etc.							
Derivatives							
Derivatives identified as hedging instruments							
Derivatives							
Total liabilities measured at fair value							

Level 1: Prices quoted on active markets for identical assets or liabilities.

Level 2: Prices quoted are used to determine the value of an asset or liability.

Level 3: Data for assets/liabilities not based on observable market data.

NOTE 39	ASSETS AND LIABILITIES BY SIGNIFICANT CURRENCIES, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
ASSETS					
EUR		9,883	19,210		
Loans to customers		9,883	19,210		
EUR		3,738	0		
Due from financial institutions		3,738	0		
TOTAL ASSETS		13,621	19,210		
LIABILITIES					
EUR		13,871	19,586		
Liabilities to credit institutions		13,871	19,586		
CHF		3,293,061	3,241,170		
EUR		3,308,871	2,910,750		
NOK		8,826,599	7,838,265		
Debt securities in issue		15,428,531	13,990,185		
TOTAL LIABILITIES		15,422,402	14,009,771		

Other assets and liabilities arise in SEK.

All assets and liabilities in foreign currency are hedged against exchange-rate fluctuations using derivative contracts.

NOTE 40	OTHER OPERATING CASH RECEIPTS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
Other operating income		246,544	91,389	49	15
Shares sold		-232,715	-81,904		
Other		0	12,552	0	0
Total		13,829	22,037	49	15

NOTE 41	CHANGES IN CASH AND CASH EQUIVALENTS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2011	2010	2011	2010
Cash and balances at beginning of year		5,393	8,946	0	0
Due from financial institutions at beginning of year		218,115	89,574	91,843	41,683
Cash and balances at year-end		6,374	5,393	0	0
Due from financial institutions at year-end		186,918	218,115	167,227	91,843
Total change in cash and cash equivalents		-30,216	124,988	75,384	50,160

Proposed Allocation of Earnings

The Board of Directors proposes that the net profit for the year be allocated as follows:

- that MSEK 90.9, equivalent to 4.50 percent of interest paid, be applied as a refund to members.
- that interest on contribution capital accounts be paid in an amount of MSEK 31.0. The rate of interest is proposed to be 3.0 percent on the regular portion of the contribution and 3.0 percent on voluntary contributions.
- 30 percent of the refund is to be paid.
- members' preliminary tax of 30 percent of interest is to be paid to the Swedish Tax Agency.
- that of the year's disposable funds:

Retained earnings	SEK 119,424,634
Net profit for 2011	SEK 24,403
<hr/>	
At the disposal of the Annual Association Meeting	SEK 119,449,037

MSEK 119.4 be carried forward.

The undersigned hereby certify that, to the best of our knowledge, the annual accounts are prepared in accordance with generally accepted accounting principles and that the information provided agrees with actual circumstances and that nothing of material importance has been omitted that could affect the image of Landshypotek, ekonomisk förening created by the annual accounts.

Stockholm, 15 March 2012

Lars Öhman
Chairman

Anders Axelsson

Hans Broberg

Lars-Åke Folkmer

Inga-Lill Gilbertsson

Gunnar Granqvist

Kjell Hedman
Managing Director

Anders Johansson

Hans Pettersson

Pär Sahlin

Peder Thott

Henrik Toll

Eva Wedberg

Our auditors' report was submitted on March 15, 2012

Anna Hesselman
Authorized Public Accountant

Magnus Aaby-Ericsson

Teri Lee Eriksson

Audit Report

To the Annual Association Meeting of Landshypotek Ekonomisk Förening, corporate registration number, 769600-5003.

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Landshypotek, ekonomisk förening for the year 2011, except for the corporate governance statement on pages 76-77. The annual accounts and consolidated accounts of the association are included in the printed version of this document on pages 68-120.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the provisions of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and fair presentation of these consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU and the provisions of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent association as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 76-77. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual association meeting adopt the income statement and balance sheet for the Parent Association and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the association's profit or loss and the administration of the Board of Directors and the Managing Director of Landshypotek, ekonomisk förening for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the association's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Swedish Cooperative Societies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the association's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the association's profit or loss, we examined whether the proposal is in accordance with the Swedish Cooperative Societies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the association in order to determine whether any member of the Board of Directors or the Managing Director is liable to the association. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Swedish Cooperative Societies Act, the Swedish Banking and Financing Businesses Act, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual association meeting that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 15 March 2012

Anna Hesselman
Authorised Public Accountant

Magnus Aaby Ericsson

Teri Lee Eriksson

Board of Directors



Lars Öhman, b 1953, Vadstena, Agrologist, Chairman of Landshypotek, ek. för. Managing Director and Director of Stavlösa Gård AB. Director of Sveriges Spannmålsodlare ekonomisk förening, Lovang gruppens Handelshus AB and Chairman of Vadstena fastighets AB.



Anders Johansson, b 1948, Läckeby, farmer, Director of Landshypotek, ek. för. Director of Lyckeby Stärkelsen, Solanum Kalmar AB and H. S. Kalmar Kronoberg.



Anders Axelsson, b 1949, Långserud, Director of Landshypotek, ek. för.



Lars-Åke Folkmer, b 1946, Kvänum, Agrologist, Director of Landshypotek, ek. för., Landshypotek AB and Landshypotek Jordbrukskredit AB.



Inga-Lill Gilbertsson, b 1960, Askersund, economist/farmer, Director of Landshypotek, ek. för.



Gunnar Granqvist, b 1950, Lit, Agrologist, Director of Landshypotek ek. för.



Hans Pettersson, b 1966, Havdhem, Director of Landshypotek, ek. för.



Pär Sahlin, b 1963, Kilafors, farmer, Director of Landshypotek, ek. för.



Peder Thott, b 1942, Svedala, Bachelor of Science (Econ.), Director of Landshypotek, ek. för. Managing Director and Director of Skabersjö Gods. Chairman of Sannarp AB. Director of Näsbyholm Fideikommiss AB and Södersläotts Spannmålsgrupp ek. för. Deputy Director of Skånska Biobränslebolaget AB.



Henrik Toll, b 1954, Sorunda, Agrol-ogist, Director of Landshypotek, ek. för. , Chairman of Landshypotek AB and Landshypotek Jordbrukskredit AB. Chairman of Tham Invest AB, Stettin Holding AB and Fallda AB. Director of Stora Sundby Lantbruks och Fritids AB, Vidbynäs Förvaltnings AB, Harry Cullbergs Fond and Djursnäs Säteri AB.



Kjell Hedman, b 1951, Stockholm, Managing Director of Landshypotek, ekonomisk förening and Landshypotek AB, Chairman of Lantbrukskredit AB, Director of Landshypotek, ek. för., Chairman of Visa Sweden. Director of Nordnet AB and Visa Europe.



Hans Broberg, b 1962, Ystad, Bachelor of Science (Econ.), salaried officer Landshypotek, employee representative, the Financial Sector Union of Sweden.



Eva Wedberg, b 1970, Lund, Bachelor of Laws, salaried officer Landshypotek, employee representative, the Swedish Confederation of Professional Associations.

Auditors

Anna Hesselman, Stockholm, Authorised Public Accountant.
Teri Lee Eriksson, Svartsjö, Horticulturalist.
Magnus Aaby-Ericsson, Alvesta, Agrologist.

Deputy Auditors

Ulf Westerberg, Stockholm, Authorised Public Accountant.
Johan von Kantzow, Norrköping, Agrologist.
Johan Långström, Rönäs.

Senior management



Kjell Hedman
Managing Director



Göran Abrahamsson
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