



LANDSHYPOTEK

ANNUAL REPORT 2012

Contents

Landshypotek 2012 – The year in brief	2
Mission, Vision, Values and Offering	3
Business overview	4
Landshypotek in brief	5
Managing Director’s Statement	6

LANDSHYPOTEK AB	
Administration Report	10
Corporate Governance Landshypotek AB	18
Income Statement	20
Balance Sheet	21
Statement of Changes in Equity	22
Cash-flow Statement	23
Five-year Summary	24
Risk and Capital Management	25
Notes	35
Appropriation of Earnings	60
Audit Report	61
Board of Directors and Auditors	62
Senior Management	63

LANDSHYPOTEK EKONOMISK FÖRENING	
Administration Report	66
Corporate Governance Landshypotek ekonomisk förening	74
Income Statement	76
Balance Sheet	77
Statement of Changes in Equity	78
Cash-flow Statement	80
Five-year Summary	81
Risk and Capital Management	82
Notes	92
Appropriation of Earnings	117
Audit Report	118
Board of Directors and Auditors	120
Senior Management	122

Addresses	Inside cover
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Schedule of Information

Interim Report Q1	29 April 2013
Annual Association Meeting	15 May 2013
Annual General Meeting	15 May 2013
Interim Report Q2	2 August 2013
Interim Report Q3	25 October 2013



Landshypotek

- Competitive financing of Swedish agriculture and forestry.



The year in brief



LANDSHYPOTEK RECIEVES BANKING LICENCE

Landshypotek has been awarded permission to conduct banking operations. A banking licence is a formal requirement for Landshypotek now that the company is offering savings accounts and has joined the interbank payment system, Dataclearing. The banking licence enables Landshypotek to offer customers more products and services as well as develop its savings offering to the public. The application was submitted to the Swedish Financial Supervisory Authority in March. The licence was granted in November.

HIGH DIVIDENDS TO MEMBERS

Landshypotek's surplus is paid back to its members and reinvested in operations.

In 2012, Landshypotek changed the dividend policy and members have been given opportunity to invest in Landshypotek. The Board of Landshypotek AB proposes that MSEK 149 of the year's profit be paid out to the owner association. Landshypotek ekonomisk förening can thereby pay a dividend of 11 percent on the individual members' contributed capital.

MEETINGS WITH MEMBERS AS INVESTORS

Landshypotek's change from payment of a bonus on interest to a dividend on contributed capital is a revitalisation of the cooperative idea. Members now have stronger reasons for following and committing to Landshypotek's development. During the autumn, Landshypotek visited 19 districts around Sweden to inform members in their capacity as investors.

SIMPLER ADMINISTRATION WITH NEW INTERNET SERVICES

Landshypotek has modernised and simplified the administration of transactions. The Dataclearing connection that has been put in place comprises a prerequisite for the enhanced Internet services that Landshypotek develops for its customers.

DISCUSSIONS WITH DAIRY FARMERS UNDER PRESSURE

Landshypotek invited all dairy industry customers to discuss new solutions in the tough conditions prevailing during the year. "We believe in the dairy industry and now need to save all basically sound companies and help them hold on through this temporary dip in liquidity," stated Managing Director Kjell Hedman.

LANDSHYPOTEK INVESTS IN NEW BUSINESS SUPPORT

During the year, a change was made in the support for member administration, savings customers, Internet services and customers of Landshypotek Jordbrukskredit. In 2013, Landshypotek will complete the change of business support.

SOLID RATING CONFIRMED

At the end of 2011, Standard & Poor's raised its credit rating for Landshypotek, from A- to A. In the summer, this rating was confirmed.

The rating agency Fitch confirmed Landshypotek's solid credit rating of A+ with stable prospects.

The rating agency's assessment was that Landshypotek has a strong market position, a high proportion of equity and healthy profitability.

NEW PREMISES FOR LANDSHYPOTEK'S HEAD OFFICE

After many years at Strandvägen 1 in Stockholm, Landshypotek's head office moved to cost-efficient modern offices at Regeringsgatan 48 in Stockholm.

MEMBER MEETINGS ABOUT ENTREPRENEURSHIP

The agriculture and forestry businesses are changing. Entrepreneurs in agriculture and forestry often run a combination of operations comprised of several industries. During the year's regional meetings, Landshypotek raised good examples of rural entrepreneurship and the Minister for Industry and Commerce Annie Lööf spoke at the Annual Association Meeting in May.

OUR MISSION

COMPETITIVE FINANCING OF AGRICULTURE AND FORESTRY

At the end of 2012, the Swedish Financial Supervisory Authority announced that Landshypotek had been granted a banking licence, thus providing Sweden's farm and forest owners with their own bank.

Our existence is justified by our niche, our competence, our favourable terms and our form of ownership. We undercut the market and provide an alternative to the major banks.

OUR VISION

THE FIRST CHOICE FOR ALL FINANCING FOR AGRICULTURE AND FORESTRY

Our offering is expanding with an increasing number of products and services.

OUR VALUES

LONG-TERM • CONSIDERATE • COMPETENT

We support our loan customers 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 intuitive. We are welcoming, while remaining professional and setting requirements. We possess financing expertise and understand our customers' business activities.

OUR OFFERING







MEMBER BENEFIT • KNOWLEDGE • SECURITY

We understand agriculture, forestry and financing. We are a local, fast-acting and efficient partner. We create member benefits from a customer and owner perspective. We work for the long-term and value good relations.



Business overview

Landshypotek’s assignment is to provide competitive financing to Sweden’s farm and forest owners. Landshypotek has also started to offer savings with competitive interest. In collaboration with partners, Landshypotek provides financial services that meet the operational needs of farmers and foresters, such as advantageous bank and insurance services.

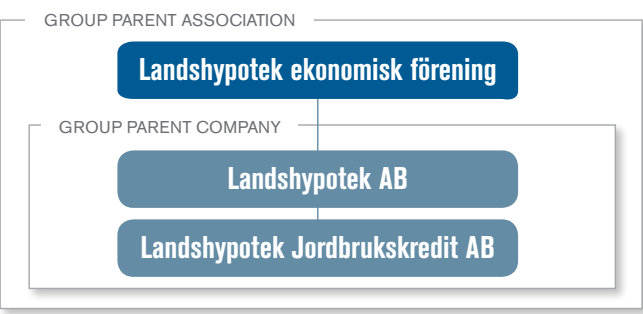
-  Landshypotek specialises in the agricultural and forestry industries and develops financial solutions solely for farmers and foresters.
-  Landshypotek systematically recruits account managers who understand financing and have backgrounds in agronomy, forestry and agrology – to support the customers’ business.
-  Landshypotek has had the same core assignment since 1836 – financing agriculture and forestry.
-  Landshypotek is owned by its loan customers and has different yield requirements to other banks. The profits are repaid to the loan customers.
-  Landshypotek has strong local networks maintained by elected representatives who value agricultural properties and act as ambassadors.
-  Landshypotek contributes actively to a richer countryside with open landscapes, well-kept forests and Swedish food production through the financing of sound agricultural and forestry enterprises.

LANDSHYPOTEK IS CLOSE TO ITS CUSTOMERS

Landshypotek is organised into eight districts and 18 sales offices throughout the country. The districts have access to a network of elected representatives that perform valuations of agricultural and forestry properties ahead of any financing decisions. These representatives actively run agricultural businesses and possess good knowledge of local conditions. Our local presence is a success factor for the business. Landshypotek is owned by its members and all borrowers at Landshypotek AB are 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.

GROUP STRUCTURE

Landshypotek ekonomisk förening owns Landshypotek AB. All borrowers at Landshypotek AB are members of Landshypotek ekonomisk förening.



THE COOPERATIVE ASSOCIATION

The cooperative association comprises ten regional boards with one main Board. Each region has up to eight elected representatives that act on behalf of the members, are ambassadors for Landshypotek and perform valuation assignments for Landshypotek AB. As ambassadors, the representatives act for Landshypotek in contact with farmers and foresters.



Landshypotek ekonomisk förening in brief

Landshypotek has loans outstanding of about SEK 60 billion and is the market leader for lending on Swedish agricultural and forestry properties. Landshypotek’s operations contribute to a vital and richer countryside with open landscapes, Swedish food production and sound agricultural businesses.

Summary Landshypotek ekonomisk förening Group

	2012	2011
Net interest income, MSEK	575.8	502.1
Operating profit, MSEK	243.9	490.7
Profit after tax, MSEK	72.2	382.9
Loans to the public, MSEK	58,884.8	55,580.0
Increase in lending, %	5.9 %	7.4 %
Interest margin, %	1.01 %	0.94 %
C/I ratio	0.45	0.47
Loan loss level, %	0.04 %	0.02 %
Rating, long-term		
Standard & Poor's, Covered bonds	AAA	AAA
Standard & Poor's	A	A
Fitch	A+	A+
Average number of employees	114	112

LANDSHYPOTEK'S MEMBERS HAVE STRENGTHENED THEIR CAPITAL.

During 2012, members have invested close to MSEK 200 in the Members' lift in Landshypotek. The members' contributed capital in Landshypotek has increased to SEK 1.2 billion, an increase of 14.5 percent in one year.

LANDSHYPOTEK'S LENDING IS GROWING.

Lending to agriculture and forestry amounted to SEK 59 billion, corresponding to growth of SEK 3.3 billion or 5.9 percent.

LANDSHYPOTEK STANDS ON STRONG FOUNDATIONS.

During the year, the rating agency Standard & Poor's confirmed the credit ratings AAA for covered bonds and A for the company. Fitch has confirmed the credit rating of A+ for the company.

LANDSHYPOTEK'S HAS FAVOURABLE CAPITAL ADEQUACY.

At 31 December 2012, the capital adequacy ratio before applying the transitional rules under Basel I was 34.7 percent. The capital adequacy ratio after applying the transitional rules was 9.43 percent.

LANDSHYPOTEK'S OPERATING PROFIT HAS IMPROVED.

Operating profit, excluding "Net result of financial transactions," totalled MSEK 292.9, up almost MSEK 34 compared with 2011. Operating profit, including "Net result of financial transactions" and the sale of the operating property, totalled MSEK 243.9.

LANDSHYPOTEK PAYS A HIGH DIVIDEND.

The Board of Landshypotek AB proposes to the general meeting that about MSEK 149 be distributed to the owner association, Landshypotek ekonomisk förening. This will enable the association to pay a dividend of 11 percent on individual members' contributed capital.

LANDSHYPOTEK HAS LOW LOAN LOSSES.

Net recognised credit losses amounted to MSEK 22.1 (8.9), which corresponds to 0.04 percent of Landshypotek's total loans outstanding. Confirmed loan losses were MSEK 6.6 (5.9). In terms of total loans outstanding, credit losses are low and the proportion of doubtful credits remains at a low level.

Managing Director's Statement

The banking licence is confirmation that Landshypotek faces the future with strength and security

“ Prior to the banking licence, the Swedish Financial Supervisory Authority performed a thorough review of our operations which resulted in Landshypotek being awarded a licence to conduct banking operations in November 2012. ”

“ As market leader with close to 30 percent of the market, we keep our promise to customers. Landshypotek makes a difference. ”

At the end of 2012, the Swedish Financial Supervisory Authority announced that Landshypotek had been granted a banking licence, thus providing Sweden's farm and forest owners with their own bank. This is a key step in our development, but a development that relies on the assignment we have had since 1836.

When farmers joined together 177 years ago and founded the organisation that has now become Landshypotek, it was because the traditional banking system could neither comprehend nor cope with meeting the particular challenge of financing the major changes in Swedish agriculture.

The challenge remains the same today, as does our financing assignment. Forestry and agriculture need their own bank with the competence to follow and understand the particular challenges and opportunities that entrepreneurs in these green industries have and face.

Farmers and foresters operate in industries undergoing change. Entrepreneurship is growing and developing. Structural changes lead to larger units and more capital intensive farming methods. Where some elect to become increasingly niched others widen their operations to include other sectors. The industry is facing an extensive generation change; nearly one in four farms has an owner over 60.

Even if the pace of credit growth has been somewhat dampened during the year, the demand for loans continues to be substantial, driven by entrepreneurial farmers and foresters as well as the pressure of change.

At Landshypotek we act for the long-term, are considerate and competent. We want to follow our customers' development. We want to be the first choice for all financing for agriculture and forestry.

We can now look back on 2012, where we took major steps forward in our development.

Through growing lending, Landshypotek enabled investment of an additional SEK 3.3 billion in Swedish agriculture and forestry. The Landshypotek Group's earnings, adjusted for "Net result of financial transactions" and the sale of operating properties, increased by MSEK 25 and stabilised at over MSEK 300.

We have introduced savings accounts at Landshypotek and for the first time in 177 years allow customers other than farmers and foresters to use our services. Despite minimal marketing efforts, more than SEK 1.3 billion has already been deposited at Landshypotek.

Our new method for raising capital, through which we have made an investment offer to members, was well received. Members' contributed capital in Landshypotek increased by 14.5 percent in one year.

Accordingly, our customers and members believe in Landshypotek, but our positive development is also confirmed by other sources.

Prior to granting the banking licence, the Swedish Financial Supervisory Authority conducted an exhaustive review of our operations which resulted in Landshypotek being awarded a licence to conduct banking operations in November 2012. We intend to start utilising our banking licence in 2013.

Our financing operations have also performed well with healthy demand for Landshypotek's bonds. The rating institutes Standard & Poor's and Fitch confirmed our strong credit ratings during the year.

Step-by-step we are equipping ourselves for the future. We have worked

systematically to strengthen our operations and to grow based on our mission statement with new visions, new goals and established values from 2010.

Firstly, we are growing to meet our customers' demand for additional products and enhanced services. Landshypotek has made the transition from only providing first lien mortgages to offering our customers a wide range of products. First lien mortgages comprise the core business but we also offer savings, insurance, finance company services and bank loans. We develop products that are specifically adapted to everyday life for farmers. We offer customers a wider proprietary range or through our continuously developing partnerships.

Secondly, we are bolstering competence to be able to support customers with financing issues. Through systematically recruiting account managers who understand financing and have backgrounds in agronomy, forestry and agrology, we are developing into a business partner for farmers and foresters. This is a time when a business-minded approach and enterprise are becoming increasingly important for our customers. Our competence and continuous competence development is decisive for our success. Being a lender entails particular responsibility and consideration for customers.

Thirdly, we are meeting the increasingly stringent requirements set by the regulations governing a modern bank. Fundamentally, these more stringent requirements are both sound and welcome. Accordingly, even before the banking licence, we had applied the same requirements for Landshypotek as those that apply for the other Swedish banks. We have strived to ensure sound lending and our risk control and compliance functions have been strengthened. The investment in our new business support system will ensure regulatory compliance. We have modernised our transaction administration and our capital adequacy is solid.

Fourthly, we are boosting our capital and developing new forms of financing to be able to grow. Our members have shown a high level of interest in contributing to strengthening our capital base and we are now establishing deposits as a key and necessary element of our continued long-term funding. The goal is for deposits to account for 20 percent of our financing within five years.

Our strong earnings are important for our loan customers, the members. Any surplus at Landshypotek goes back in full to the farmers and foresters, in part through reinvestment in operations and in part through being paid out as dividends to members. Our new policy for dividends has enabled the cooperative association to pay a dividend equivalent to 11 percent on the members' contributions.

One of the primary strengths of our cooperative form of ownership is that we are customer-oriented right from our core. As a member-owned organisation we have close ties with our customers, our yield requirements are lower than for other banks and our costs are under control.

Our strengths enable our favourable terms. Landshypotek will maintain such favourable terms that we undercut prices for lending. We do not need to match every new contender through always being the cheapest, but viewed as a whole and measured over time we aim to undercut the market. As market leader with close to 30 percent of the market, we keep our customer promise.

Landshypotek makes a difference.



Kjell Hedman,
Managing Director







LANDSHYPOTEK

AKTIEBOLAG 2012

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 12 March 2013, the Board of Directors of Landshypotek AB (publ.), corporate registration number 556500-2762, approved the financial statements. These will be presented for final adoption by the Annual General Meeting on 15 May 2013.

Business

Landshypotek AB is a member-owned credit institution specialised in lending to Swedish agriculture and forestry. In March 2012, Landshypotek AB applied to the Swedish Financial Supervisory Authority for a licence to conduct banking operations. The licence was granted in November and Landshypotek AB intends to start utilising the licence in 2013. Accordingly, Landshypotek AB will become a bank.

Landshypotek AB is owned by Landshypotek ekonomisk förening. All Landshypotek customers automatically become members of Landshypotek ekonomisk förening. At the end of 2012, the association had approximately 47,000 members.

During 2012, operations were conducted by the following corporate entities:

- Landshypotek AB
- Landshypotek Jordbrukskredit AB

Landshypotek AB is the Parent Company of the Landshypotek Group. The majority of the Group’s business is conducted by Landshypotek AB, which offers farm and forest owners first lien mortgages up to 75 percent of the appraised market value against real property as collateral and savings products. The subsidiary Landshypotek Jordbrukskredit AB offers other loans to farm and forest owners. The subsidiary, Lantbrukskredit AB, which previously financed agriculturally related businesses, was merged with Landshypotek AB. The Group uses the capital market as its source of funding. Funding is allocated over a number of loan programmes, adapted to various types of investors, thus achieving the desired level of flexibility. Landshypotek AB is currently responsible for all borrowing.

Organisation

Landshypotek has 118 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 ekonomisk förening’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

2012 was a good growing year. Crop growers reported good yields and some growers recorded their best yields ever. However, certain areas in

Sweden were affected by heavy rainfall and flooding, which had a negative impact on yields. In general, profitability was favourable for crop growers.

For dairy companies, the year was dominated by declining prices. A falling milk price, combined with rising prices for compound feed, put pressure on profitability both in Sweden and the rest of the global market. However, the situation improved slightly in the fourth quarter due to lower inventory volumes, which pushed up market prices.

Profitability for beef is declining slightly. While settlement prices in Sweden are among the highest in the EU, prices for feed and purchase of animals also increased.

Following a period of economic strain, 2012 was a better year for pork producers. Settlement prices increased, but the price of cereals, feed materials and other input materials also rose. Accordingly, profitability did not improve in line with rising settlement prices. The strong SEK also had an adverse impact on profitability due to increased meat imports.

Profitability in forestry declined due to lower prices for timber and pulp wood. However, pulp wood prices, which declined in early 2012, recovered in the fourth quarter.

Price trends for forestry and agricultural properties

In 2012, the price of forestry properties declined for the first time in 15 years, primarily attributable to falling timber prices. However, there were major differences throughout Sweden.

The price of agricultural properties also declined slightly during 2012. The regional differences were also great and prices for prime arable land continued to rise, while a certain decline was noted for land in less favourable locations and for smaller farms located far from urban areas.

Landshypotek's development

Landshypotek increased its net lending by SEK 3.3 billion during 2012, corresponding to lending growth of 5.9 percent, compared with 7.4 percent in 2011. Demand for credit from Sweden's forestry and agricultural sector remained high. However, the pace of growth, about 8 percent, was slightly lower than in preceding years. Demand was primarily driven by the ongoing structural transformation of the Swedish forestry and agricultural sector.

Landshypotek's core business focuses on offering farm and forest owners the market's most attractive first lien mortgages. Many customers appreciate the simplicity of turning to just one contact for all of their banking and financing requirements. Landshypotek offers these services in collaboration with a network of partners. During 2012, collaboration with Landshypotek's new partners for finance company services was highly successful. With an expanded market presence and broader product offering, Landshypotek aims to grow in pace with the market.

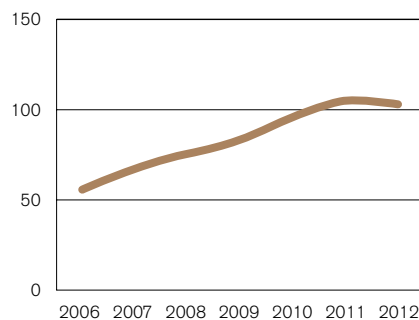
Success factors

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

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

Actual prices for arable land

SEK thousand/hectare

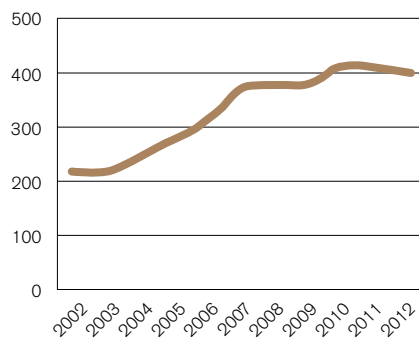


Source: LRF konsult

Average prices for arable land declined 4 percent in 2012.

Actual price trend for forest 2002 to 2012

SEK/m³fo

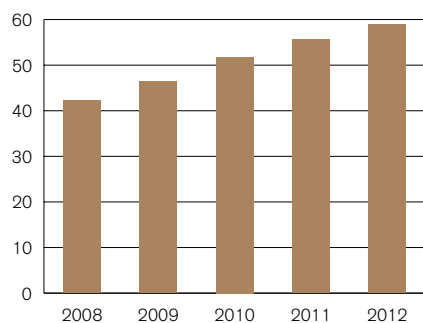


Source: LRF konsult

The average price of forest properties was SEK 399/m³ in Sweden as a whole in 2012.

Loans to the public

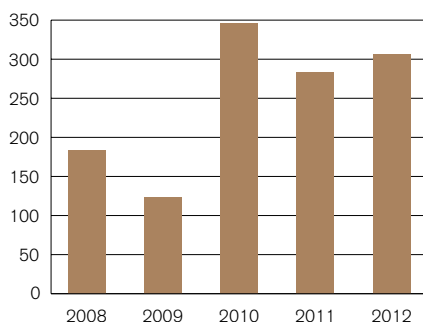
SEK billion



At 31 December 2012, Landshypotek's loans to the public totalled MSEK 58,885. During the year, lending increased 5.9 percent.

Operating profit excl. net result of financial transactions and property transactions

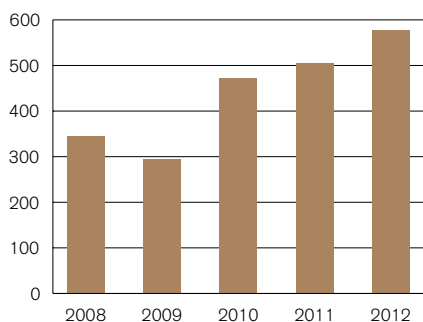
MSEK



Operating profit excl. net result of financial transactions and property transactions amounted to MSEK 307.4 in 2012. The increase in profit was mainly attributable to higher net interest income.

Net interest income

MSEK



In 2012, net interest income amounted to MSEK 577.8. The size of net interest incomes is determined by the lending volume, the margin between borrowing and lending interest rates and the return received on equity.

Profit and profitability**Group key ratios**

	2012	2011
Net interest income, SEK thousand	577,827	504,959
Interest margin, %	1.01 %	0.94 %
Other operating income excl. property transactions, SEK thousand	-56,233	-457
Costs, SEK thousand	-241,178	-216,741
C/I ratio	0.42	0.43
Loan losses, SEK thousand	-22,117	-8,910
Loan loss level, %	0.04 %	0.02 %
Operating profit, SEK thousand	258,299	513,851
Operating profit excl. net result of financial transactions and property transactions, SEK thousand	307,356	282,632

Consolidated operating profit in 2012 amounted to MSEK 258.3, down MSEK 255.6 compared with 2011 (MSEK 513.9). The decline in earnings was primarily attributable to earnings in 2011 including a capital gain from an operating property of MSEK 235.0. Excluding "Net result of financial transactions" and property transactions, operating profit amounted to MSEK 307.4 (282.6), up MSEK 24.8 compared with 2011. The improvement in profit was attributable to an increase in net interest income and commission income. Profit was negatively impacted by increased costs and an increase in recognised net loan losses. The Parent Company's operating profit accounted for the majority of the consolidated operating profit and therefore the following comments apply equally to the Parent Company.

Net interest income

Net interest income in 2012 amounted to MSEK 577.8, an increase of MSEK 72.8 or about 14 percent, compared with 2011 (MSEK 505.0). The increase was attributable to increased lending and wider margins between interest rates on borrowing and lending.

Other operating income

Operating income, excluding net interest income, amounted to a negative MSEK 56.2, down MSEK 290.7 compared with 2011. The decline was primarily attributable to a capital gain recognised by Landshypotek in 2011 from the sale of an operating property at an amount of approximately MSEK 235. Property transactions (excluding property sales) declined MSEK 9.8 and "Net result of financial transactions" declined MSEK 45.7 compared with 2011. "Net result of financial transactions" included realised results from the purchase and sale of financial instruments, as well as the result from the early redemption of own bonds. In addition, this item also includes the result from the revaluation of certain financial instruments. In 2012, "Net result of financial transactions" amounted to a negative MSEK 49.1 (neg: 3.4). Of this amount, MSEK 24.8 accounted for unrealised result. The unrealised result mainly comprised the revaluation of cross-currency interest-rate swaps, at a negative amount of MSEK 20.0. Realised result comprises the early redemption of bonds issued, premature closure of hedges and sales from the liquidity portfolio. Early redemption is carried out to extend the duration of Landshypotek's liabilities, whereby bonds with a short remaining time to maturity are prematurely redeemed and replaced by bonds with a considerably longer maturity. The early redemption further strengthens Landshypotek's balance sheet and reduces the average borrowing cost.

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 a negative MSEK 108.7 (130.4) in 2012. Furthermore, during 2012, fees to the Swedish National Debt Office's stabilisation fund were charged to operating profit in an amount of MSEK 23.8. The corresponding item in 2011 was MSEK 21.7.

Costs

Costs in 2012 amounted to MSEK 241.2 (216.7). The increase in costs of MSEK 24.5 was mainly attributable to the ongoing implementation of a new business system.

Loan losses and doubtful credits

Recognised loan losses amounted to MSEK 22.1 (8.9), net, corresponding to 0.04 percent of Landshypotek's total loans outstanding. Confirmed loan losses amounted to MSEK 6.6 (5.9). Provisions for probable loan losses amounted to MSEK 32.8 (19.3). Recoveries of previously confirmed losses, or reversals of previous provision for probable loan losses, amounted to a negative MSEK 17.3 (neg: 16.3).

On 31 December 2012, doubtful credits after provisions amounted to MSEK 83.1 (52.4), corresponding to 0.14 percent (0.09) of total loans outstanding. All customers who fall into the doubtful credits category are subject to individual testing and analysis for potential provisions. Landshypotek's provision policy remains unchanged.

From a portfolio perspective, the level of loan losses and proportion of doubtful credits remained low. The year was characterised by higher provisions for probable losses and doubtful credits. Landshypotek sees no general trend toward reduced payment capacity in our total sector. Certain sectors and geographic areas experienced pressure on profitability during 2012, which had a negative effect on the repayment capacity of individual customers, such as the dairy industry's low settlement prices and cereal growers' uneven yields throughout Sweden.

For those farmers who chose to sell their agricultural properties for various reasons, the property market in some areas and/or business activities proved more slow-moving than in preceding years. This lower turnover rate, with fewer interested parties in agricultural properties, had a certain effect on the increase in provisions for probable loan losses.

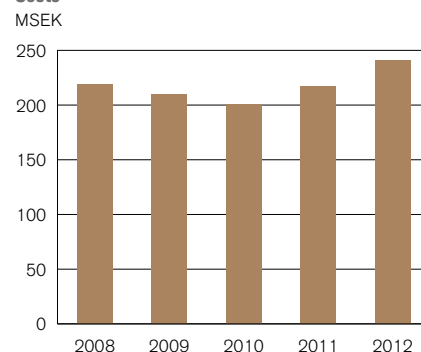
Financial structure

The balance sheet total rose 9.4 percent to MSEK 77,471 (70,804), due to increased lending to the public and a larger holding of interest-bearing securities.

Assets

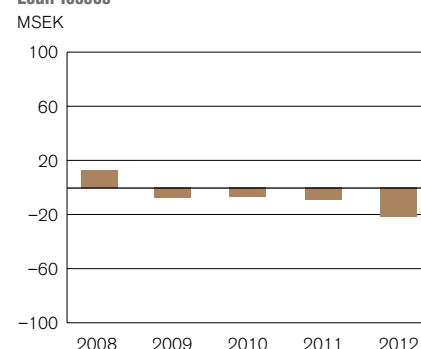
The largest asset item in the balance sheet is "Loans to the public", which amounted to MSEK 58,885 (55,580). More information about Landshypotek's lending to the public can be found in the Risk and Capital Management section. At the end of 2012, Landshypotek's holding of interest-bearing securities amounted to MSEK 15,716 (13,237). The portfolio consists principally of covered bonds issued by Swedish institutions with top credit ratings and, to a certain degree, of bonds issued by

Costs



In 2012, costs amounted to MSEK 241.2. The increase is principally linked to the implementation of a new business system, enabling new product and service offerings.

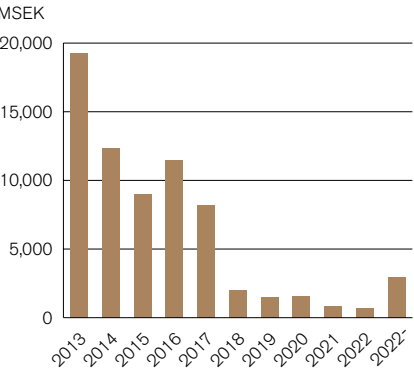
Loan losses



Loan losses amounted to MSEK 22.1, equivalent to 0.04 percent of lending.



Maturity, financial liabilities



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 difference in terms of fixed interest and currency risks between assets and liabilities. At year-end 2012, the nominal value of the Group's derivatives contracts amounted to MSEK 56,912. Additional information about the derivatives contracts can be found in Notes 16 and 27. Positive market values entail counterparty risk. In order to address the uncertainty of future market development, credit risk exposure is calculated. A standard amount is then added to the market value depending on the type of contract and 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 the derivatives contracts totalled MSEK 2,081 (1,983).

At 31 December 2012, tangible and intangible non-current assets amounted to MSEK 56 (32). The increase was primarily attributable to the investment in the new business system.

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. Furthermore, funding is also obtained via borrowings from credit institutions and the public. At the end of 2012, bond and money market instruments in issue amounted to MSEK 68,203 (64,306). Borrowing from the public amounted to MSEK 1,579 (312) and borrowing from credit institutions to MSEK 620 (162).

Equity

At year-end 2012, Landshypotek had equity of MSEK 3,828 (3,868). During 2012, equity declined by MSEK 40.

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.

Financial structure
Consolidated Balance Sheet

Assets, MSEK

Loans to credit institutions	688
Loans to the public	58,885
Bonds and other interest-bearing securities	15,716
Derivatives	1,012
Non-current assets	56
Other assets	1,116
	77,471

Liabilities, MSEK

Liabilities to credit institutions	620
Deposits and borrowing from the public	1,579
Debt securities in issue	68,203
Derivatives	1,079
Other liabilities	2,162
Equity	3,828
	77,471

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 interest-bearing securities. Landshypotek’s primary source of funding during the year was covered bonds.

In 2012, covered bonds were issued in an amount of approximately SEK 27 billion.

Programme	Utilised nominal amount 31 Dec. 2012	Limit	Utilised nominal amount 31 Dec. 2011
Swedish commercial paper	4,005	10,000	3,650
MTN programme	42,530	50,000	35,710
EMTN programme	17,105	29,545 *	20,729
Registered Covered Bonds (RCB)	3,206		3,322
Subordinated loans	700		550

* MEUR 3,500

Rating

Landshypotek has a credit rating from two rating agencies, Standard & Poor’s and Fitch. In 2012, Standard & Poor’s confirmed its AAA credit rating for covered bonds and A, A-1, K1 for the company. Fitch confirmed its A+, F1 credit ratings for the company. Landshypotek deemed evaluations from two different agencies to be sufficient and thus, in 2012, chose to terminate its collaboration with Moody’s.

Capital situation

When calculating the capital requirement, without the transitional rules relating to Basel I, Landshypotek applies the rules for the Internal Ratings-Based (IRB) Approach to the majority of its credit-risk exposures. For other exposures, the standardised approach is used. Landshypotek applies the Basic Indicator approach to measure operational risk. Landshypotek has no Pillar 1 capital requirement for market risk.

At 31 December 2012, the capital base was MSEK 4,631. On the same date, the Pillar 1 capital requirement was MSEK 1,068 and the capital adequacy ratio was 4.3, without the transitional rules under Basel I. According to the initial Basel II rules, the transitional rules linked to the Basel I rules were to disappear by 1 January 2010, but this date was extended and the transitional rules still apply. Under these rules, Landshypotek has a considerably higher capital requirement, resulting in a capital adequacy ratio of 1.2. Additional information can be found in Note 35.

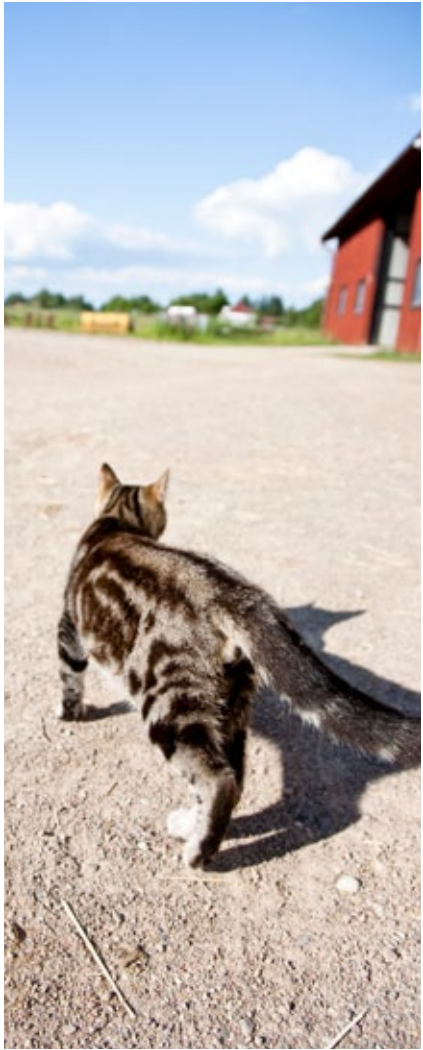
Group contributions

A Group contribution will be rendered, contingent upon the approval of the Annual General Meeting, in the amount of MSEK 149 (145) to the Parent Association, Landshypotek ekonomisk förening.

Events after year-end

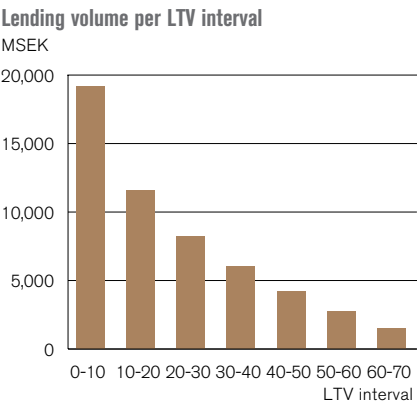
In Landshypotek AB, notification of a General Meeting has been issued for a resolution concerning a rights issue to Landshypotek ekonomisk förening.

Rating	Long	Short
Standard & Poor’s covered bonds	AAA	
Standard & Poor’s	A	A-1, K1
Fitch	A+	F1



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

Landshypotek's covered bonds



Of Landshypotek's lending, 58 percent takes place against collateral where the loan amount is less than 20 percent of the value of the collateral. Only 3 percent of lending is against collateral where the loan amount is 70 percent of the value of the collateral.

Covered bonds are bonds that carry a preferential right in a defined cover pool. At 31 December 2012, Landshypotek had covered bonds in issue at a value of SEK 57.5 billion. Assets in the cover pool corresponding to SEK 69.4 billion are in place as collateral for these bonds.

Cover pool and covered bonds

Cover pool		
Loans		SEK 56.2 billion
Supplemental collateral		SEK 13.2 billion
		SEK 69.4 billion
Covered bonds		
Issued in SEK		SEK 42.5 billion
Issued in foreign currency		SEK 15.0 billion
		SEK 57.5 billion
Excess collateral	20.8 %	SEK 12.0 billion

Landshypotek has two programmes for issuing covered bonds, a Swedish MTN programme with a limit of SEK 50 billion and an international EMTN programme with a limit corresponding to SEK 29.5 billion. Covered bonds are Landshypotek's most important source of financing and in 2012, covered bonds were issued in an amount of SEK 26.7 billion. Landshypotek's covered bonds have an AAA credit rating from the rating agency Standard & Poor's.

The cover pool comprises loans with Swedish forestry and agricultural properties as collateral, and supplemental collateral. The supplemental collateral comprises covered bonds issued by other credit institutions, and bonds issued by Swedish municipalities

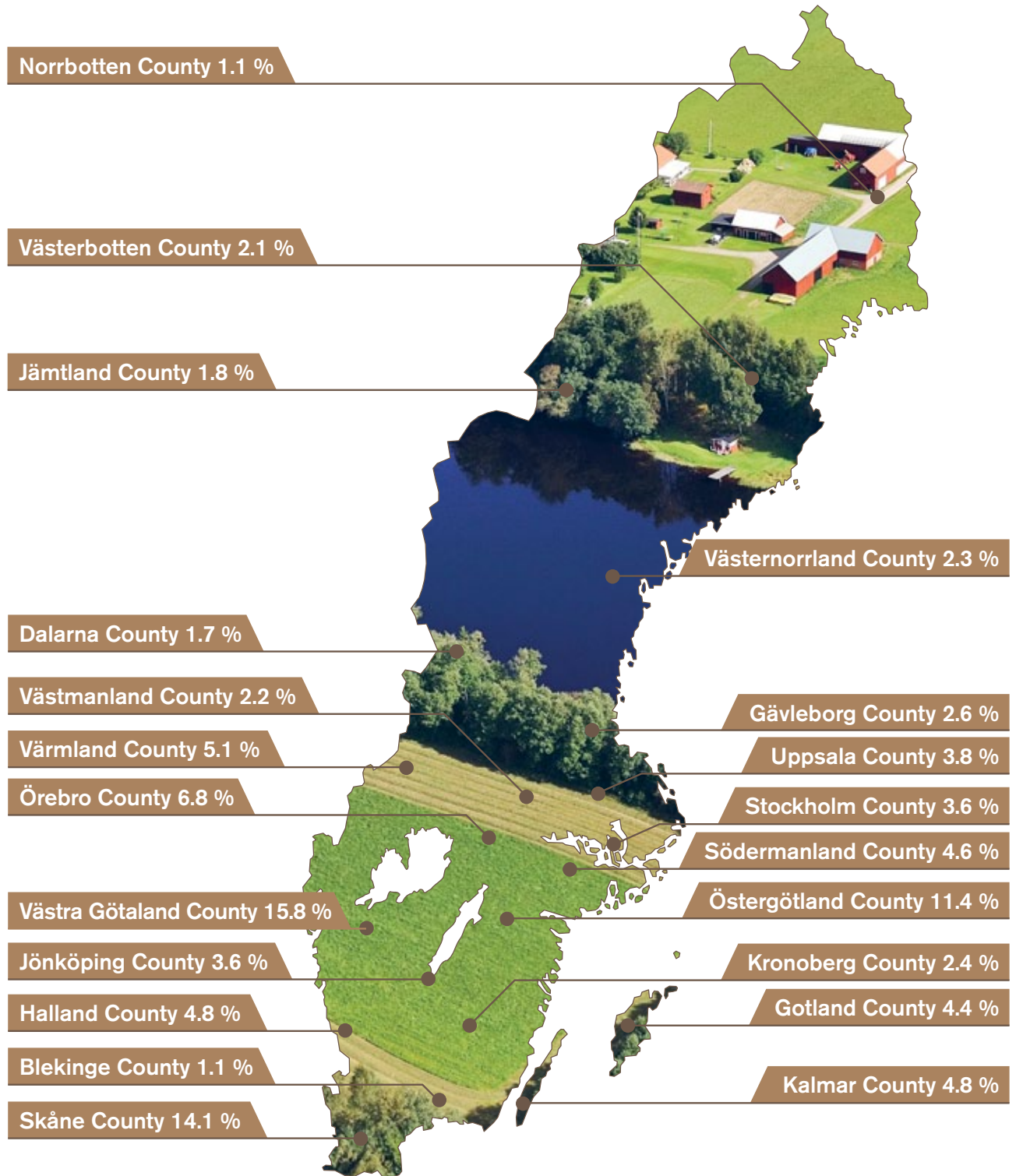
Key ratios, cover pool

LTV – Loan-to-value ratio	
Average volume-weighted LTV	43.0 %
Number of pledged properties	34,974
Number of borrowers	46,938
Number of loans	131,663
Supplemental collateral	
Swedish covered bonds	SEK 9.6 billion
Swedish municipalities	SEK 3.7 billion

The table above shows some important key ratios for the cover pool. LTV shows loan amounts in relation to the value of the collateral. Accordingly, an LTV of 43.0 percent entails that Landshypotek's customers' loans amount to an average value of 43.0 percent of their farms. Landshypotek has 46,938 borrowers and 34,974 pledged properties. In many cases, the difference is attributable to a man and wife jointly pledging their property. The number of loans amounts to 131,663. This means that many customers have more than one loan.

Geographic distribution of lending

*Landshypotek's lending has a favourable geographic distribution.
Most lending is to farms in the traditional agricultural counties.*





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 was held on 10 May 2012.

Nomination process

The Annual General Meeting 2012 resolved that there should be an Election Committee in Landshypotek AB tasked with preparing elections and remuneration issues prior to the Annual General Meeting 2013. 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 former member from Landshypotek AB, Richard Montgomery.

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 seven members that are elected each year at the Annual General Meeting until the Annual General Meeting the following year. The Board comprises six individuals, four of these are also members of Landshypotek ekonomisk förening and one of these four is also a Board member of Landshypotek ekonomisk förening. Two of the members are external Board members. All of the Board members are independent in relation to Landshypotek AB and the company management. The Board members in Landshypotek AB, following the Annual General Meeting 2012, are listed on page 62. 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 is performed at the end of each year.

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 and valuation instruction prior to the Board's decision. The Committee meets at least once a week. Following the statutory meeting in 2012 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 2012 and for a mandate period of one year, the members of the RKU were as follows: Henrik Toll (Chairman), Catharina Lagerstam, 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. The Managing Director is not a Board member.

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 2012 appointed authorised public accountants Ulf Westerberg and Christina Asséus-Sylvén as auditors until the Annual General Meeting 2013.

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, benefits, profit sharing via Landshypotek's profit-sharing trust, other gratification, retirement pension and severance pay. 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 based on an annual plan established by the Board. 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 units 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 are performed 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 Officer

Johanna Bentzer

Chief Risk Control Officer

Annelie von Dahn

HR Manager

Fredrik Enhörning

Chief Sales Officer

Per Ivarsson

Chief Information Officer

Björn Ordell

Chief Financial Officer

Tomas Uddin

Chief Communications Officer

Annika Vangstad

Chief Market Officer

Ulrika Valassi

Chief Credit Officer

Catharina Åbjörnsson Lindgren

Chief Legal Officer

Income Statement

SEK THOUSAND	Note	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
Interest income		2,619,504	2,491,985	2,600,509	2,476,472
Interest expense		-2,041,677	-1,987,026	-2,044,316	-1,994,416
Net interest income	2	577,827	504,959	556,192	482,056
Group contributions received	18			156,993	-
Commission income	3	15,188	13,665	13,491	13,081
Commission expense	4	-24,512	-22,238	-24,512	-22,238
Net result of financial transactions	5	-49,057	-3,381	-49,057	-3,381
Other operating income	6	2,147	246,496	2,127	245,874
Total operating income		521,594	739,502	655,234	715,393
General administrative expense	7	-223,425	-194,056	-232,237	-204,290
Depreciation, amortisation and impairment of tangible and intangible non-current assets	8	-2,206	-5,368	-2,206	-5,368
Other operating expenses	9	-15,547	-17,316	-15,516	-17,300
Total expenses before loan losses		-241,178	-216,741	-249,959	-226,958
Profit before loan losses		280,416	522,761	405,276	488,435
Loan losses net	10	-22,117	-8,910	-16,310	-3,132
Impairment of shares in subsidiaries	18			-65,000	-
Operating profit		258,299	513,851	323,966	485,303
Tax on profit for the year	12	-75,942	-23,810	-73,488	-16,284
Net profit for the year		182,357	490,041	250,478	469,019
Earnings per share		94.6	254.3	130.0	243.4
Shareholders' portion of net profit for the year		100 %	100 %	100 %	100 %

Statement of Comprehensive Income

SEK THOUSAND	Note	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
Net profit for the year		182,357	490,041	250,478	469,019
Other comprehensive income					
Cash-flow hedges		-54,010	-34,237	-54,010	-34,237
Of which change in fair value		-49,015	-38,157	-49,015	-38,157
Of which transfers to the income statement		-4,995	3,920	-4,995	3,920
Available-for-sale financial assets		-81,901	211,172	-81,901	211,172
Of which change in fair value		-100,712	211,172	-100,712	211,172
Of which transfers to the income statement		18,811	-	18,811	-
Income tax related to other comprehensive income	12	27,168	-46,534	27,168	-46,534
Total other comprehensive income		-108,742	130,401	-108,742	130,401
Comprehensive income for the year		73,615	620,442	141,735	599,420
Parent Company's portion of net profit for the year		100 %	100 %	100 %	100 %

Balance Sheet

		GROUP		PARENT COMPANY	
SEK THOUSAND	Note	2012	2011	2012	2011
ASSETS					
Cash and balances with central banks		45,400	6,374	45,400	6,374
Loans to credit institutions	13	642,194	164,561	634,326	145,106
Loans to the public	14	58,884,842	55,579,600	58,613,225	55,303,336
Bonds and other interest-bearing securities	15	15,715,556	13,237,314	15,715,556	13,237,314
Derivatives	16	1,011,692	495,554	1,011,692	495,554
Shares and participations	17	1	1	1	
Shares in Group companies	18			280,753	514,827
Intangible non-current assets	19	35,312	14,058	35,312	14,058
Tangible assets					
Furniture, fixtures and equipment	20	5,424	1,788	5,424	1,788
Buildings and land	20	15,116	15,735	15,116	15,735
Other assets	21	234,767	357,958	250,237	351,102
Deferred tax assets	22	22,349	18,278	19,542	9,063
Prepaid expenses and accrued income	23	858,434	912,455	858,582	910,984
TOTAL ASSETS	35, 36, 37, 38, 39	77,471,087	70,803,676	77,485,166	71,005,241
LIABILITIES AND EQUITY					
Liabilities					
Liabilities to credit institutions	24	620,419	162,157	620,419	487,157
Borrowing from the public	25	1,579,308	312,453	1,579,308	312,453
Debt securities in issue, etc.	26	68,203,114	64,305,539	68,203,114	64,305,539
Derivatives	27	1,078,647	273,551	1,078,647	273,551
Other liabilities	28	353,830	200,170	351,726	193,980
Accrued expenses and deferred income	29	1,095,455	1,080,271	1,095,526	1,081,706
Provisions	30	12,067	20,358	3,477	4,263
Deferred tax liabilities	31	-	31,328	-	31,328
Subordinated liabilities	32	699,921	549,949	699,921	549,949
Total liabilities		73,642,761	66,935,775	73,632,137	67,239,926
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	1,016,694
Reserves	33	-46,263	62,480	-46,263	62,480
Retained earnings		852,167	469,286	818,310	397,284
Net profit for the year		182,357	490,041	250,478	469,019
Group contributions paid		-113,189	-107,160	-113,189	-107,160
Total equity		3,828,326	3,867,901	3,853,029	3,765,315
TOTAL LIABILITIES AND EQUITY	35, 36, 37, 38, 39	77,471,087	70,803,676	77,485,166	71,005,241
Memorandum items					
	34				
- Pledged assets		None	None	None	None
- Contingent liabilities and obligations		475,437	530,584	475,437	530,584
- Guarantees and other commitments		137,255	196,895	None	None

Statement of Changes in Equity

GROUP, SEK THOUSAND

	Share capital	Other contributed capital	Hedging reserve ¹	Fair value reserve ¹	Retained earnings	Total
Equity as of 31 December 2010	1,927,000	1,026,254	-166	-67,757	469,287	3,354,618
Comprehensive income for the year			-25,232	155,634	490,041	620,442
Total change before transactions with owners	-	-	-25,232	155,634	490,041	620,442
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	3,867,901
Equity as of 31 December 2011	1,927,000	1,026,254	-25,398	87,877	852,168	3,867,901
Comprehensive income for the year			-43,610	-65,132	182,357	73,615
Total change before transactions with owners	-	-	-43,610	-65,132	182,357	73,615
Group contribution paid, Landshypotek ekonomisk förening					-149,282	-149,282
Group contribution paid, Energisystem i Sverige AB					-4,300	-4,300
Tax on Group contributions paid					40,392	40,392
Equity as of 31 December 2012	1,927,000	1,026,254	-69,008	22,745	921,335	3,828,326

¹ For more information see Note 33.

PARENT COMPANY, SEK THOUSAND

	Share capital	Other contributed capital	Hedging reserve ¹	Fair value reserve ¹	Retained earnings	Total
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 year			-25,232	155,634	469,019	599,420
Total change before transactions with owners	-	6,694	-25,232	155,634	472,140	609,236
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
Equity as of 31 December 2011	1,927,000	1,016,694	-25,398	87,877	759,143	3,765,315
Merger of subsidiary					59,169	59,169
Comprehensive income for the year			-43,610	-65,132	250,478	141,735
Total change before transactions with owners	-	-	-43,610	-65,132	309,646	200,904
Group contribution paid, Landshypotek ekonomisk förening					-149,282	-149,282
Group contribution paid, Energisystem i Sverige AB					-4,300	-4,300
Tax on Group contributions paid					40,392	40,392
Equity as of 31 December 2012	1,927,000	1,016,694	-69,008	22,745	955,599	3,853,029

¹ For more information see Note 33.

Cash-flow Statement

		GROUP		PARENT COMPANY	
SEK THOUSAND	Note	2012	2011	2012	2011
Cash flow from income statement					
Interest received	2	2,673,527	2,242,026	2,652,912	2,227,219
Interest paid	2	-2,026,491	-1,729,760	-2,032,673	-1,736,435
Commission received	3	15,188	13,666	13,491	13,081
Commission paid	4	-24,512	-22,238	-24,512	-22,238
Net receipts of financial transactions	5	-24,289	6,994	-24,289	6,994
Other operating cash receipts	40	2,147	13,781	2,128	13,159
Administrative expenses paid		-247,261	-211,372	-248,362	-221,590
Income tax paid		-75,951	-30,335	-71,936	-22,809
Total cash flow from income statement		292,358	282,762	266,759	257,381
Cash flow from balance sheet					
Increase (-)/decrease (+) Loans to credit institutions		-562,461		-562,461	
Increase (-)/decrease (+) Loans to the public		-3,327,359	-3,815,476	-3,328,453	-3,849,077
Increase (-)/decrease (+) Bonds and other interest-bearing securities		-2,349,965	-2,844,056	-2,349,965	-2,844,056
Increase (+)/decrease (-) Liabilities to credit institutions		458,262	78,194	355,586	115,435
Increase (+)/decrease (-) Borrowing from the public		1,266,855	207,453	1,266,855	207,453
Increase (+)/decrease (-) Debt securities in issue, etc.		3,897,574	5,892,351	3,897,574	5,892,351
Change in other balance-sheet items					
Increase (-)/decrease (+) Other assets		151,479	-294,485	131,358	-289,200
Increase (+)/decrease (-) Other liabilities		153,659	-3,146	157,749	8,595
Total cash flow from balance sheet		-311,956	-779,165	-431,757	-758,499
Cash flow from operating activities		-19,598	-496,403	-164,998	-501,118
Investment activities					
Sale of shares/operating properties					
Property Strandvägen 1			565,558		565,558
Dividends and Group contributions received				156,993	
Group contributions paid		-4,300		-4,300	
Change in intangible and tangible non-current assets					
Purchase of intangible non-current assets		-21,254	-14,058	-21,254	-14,058
Purchase of tangible non-current assets		-5,225	-4,204	-5,225	-4,216
Sale of tangible non-current assets					
Total cash flow from investment activities		-30,779	547,296	126,214	547,284
Cash flow from financing activities					
Subordinated liabilities		149,972		149,972	
Dividends and Group contributions paid		-145,400	-101,495	-145,400	-101,495
Total cash flow from financing activities		4,572	-101,495	4,572	-101,495
Cash flow for the period		-45,805	-50,602	-34,212	-55,329
Change in cash and cash equivalents		41	-45,805	-34,212	-55,329
Cash and cash equivalents at beginning of year		170,935	221,537	151,480	206,808
Cash and cash equivalents at year-end		125,130	170,935	117,268	151,479

Five-year Summary

EARNINGS TREND - GROUP

MSEK	2012	2011	2010	2009	2008
INCOME STATEMENT					
Net interest income	577.8	505.0	471.8	294.5	345.2
Operating income excl. net interest income *	-56.2	234.5	86.5	95.8	-126.1
Operating expenses	-239.0	-211.4	-190.4	-197.1	-207.1
Depreciation and amortisation	-2.2	-5.4	-10.7	-12.6	-11.5
Loan losses	-22.1	-8.9	-6.7	-8.5	12.6
Operating profit	258.3	513.9	350.6	172.2	13.1
BALANCE SHEET					
Assets					
Loans to the public, net	58,885	55,580	51,773	46,456	41,301
Other assets	18,586	15,224	12,388	13,340	9,952
Total assets	77,471	70,804	64,160	59,796	51,254
Liabilities and equity					
Borrowing	71,103	65,330	59,152	55,132	46,379
Other liabilities	2,540	1,606	1,654	1,344	1,557
Untaxed reserves	-	-	-1	0	0
Equity	3,828	3,868	3,355	3,320	3,318
Total liabilities and equity	77,471	70,804	64,160	59,796	51,254
Key financial ratios					
Interest margin	1.0 %	0.9 %	1.0 %	0.7 %	0.9 %
Return on equity	4.7 %	13.4 %	8.2 %	3.9 %	0.4 %
Loan loss level	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Loan loss provision/lending	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %

* Other operating income includes net result of financial transactions. For 2012, this item amounted to a negative MSEK 49.1 (neg: 3.4).
See the explanation in the Administration Report under the heading "Profit and profitability".

Risk and Capital Management

To provide its members with financing, Landshypotek undertakes various risks that must be managed. Landshypotek's operations strive to achieve a high degree of risk awareness and a low degree of risk undertaking.

Risk awareness and risk undertaking

Landshypotek strives to achieve a high degree of risk awareness and low degree of risk undertaking. 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 undertaking that is acceptable and how the individual needs to behave so as to avoid exceeding the acceptable level of risk. Low risk undertaking is achieved through a combination of high degree of risk awareness and a low acceptance level for risk undertaking, a distinct decision-making structure, shared definitions and assessment principles, as well as sophisticated tools for risk assessment. The Board specifies the acceptance level for risk undertaking and the Managing Director ensures that this level of acceptance is implemented in business activities.

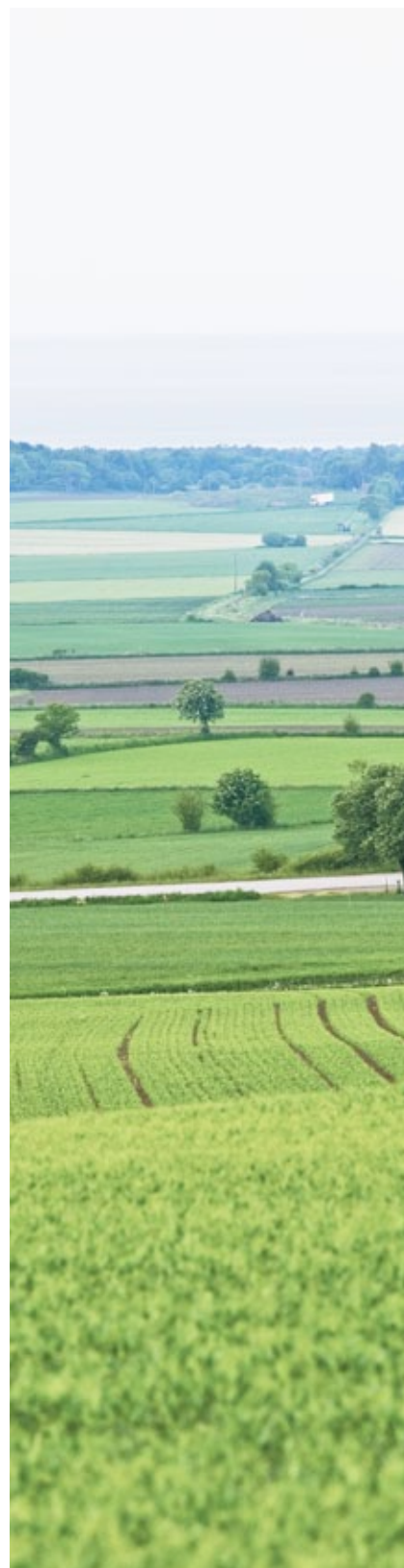
Risk organisation and responsibility

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 undertaking. 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, capital adequacy, and measuring and managing risk. 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 market and liquidity risks and makes decisions concerning borrowing and lending interest rates as well as interest on savings accounts. The Chief Financial Officer is Chairman of the Finance Sub-Committee.

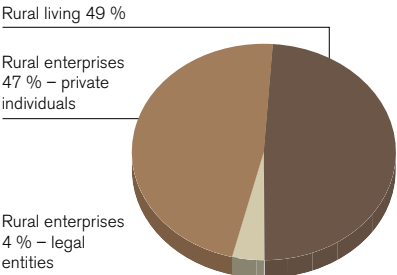
In line operations, the Credit Department is responsible for administering and managing the credit approval process. It is also responsible for analysing the credit portfolio and managing insolvency matters. Its work is governed by the credit policy as established by the Board. The Chief Credit Officer 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 borrowing, management of equity, liabilities and liquidity as well as risk management





Specification of volume by customer categories
Breakdown in %



Exposure breakdown	Exposure (SEK thousand) *	Average risk weight
IRB Approach		
Non credit-obligation assets exposures	56,575	100 %
Retail - real-property-credits	56,552,304	9 %
Total	56,608,879	
Standardised Approach		
Corporate exposure	3,144,586	100 %
Retail exposure	434,371	75 %
Institutional exposure	3,781,334	34 %
Local governments and comparable associations and authorities	3,492,587	0 %
Non-performing items	18,416	149 %
Governments and central banks	92,861	0 %
Covered bonds	12,261,890	17 %
Other items	1	0 %
Total	23,226,046	

* Exposure by Conversion Factor.

related to these areas. 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 that the Chief Risk Control Officer reports to the Managing Director and the Board of Directors. The Chief Risk Control Officer presents a report to the Board’s Risk and Capital Committee. 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 to examine whether Landshypotek complies with applicable laws and regulations, as well as internal policy documents. 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.

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) and 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 for the retail portfolio

Landshypotek applies its own risk estimates, PD, EAD and LGD, to calculate capital requirements ¹ for almost the entire retail exposure class. Probability of Default (PD) is the likelihood that a counterparty defaults within a twelve-month period. The PD risk classification for these credits is performed on a scale of 1-6, where risk class 1 represents the highest credit

¹ Capital requirement without applying the transitional rules under Basel I.

quality and risk class 6 is for credits in default. Landshypotek estimates the PD for each risk class. To calculate the PD per risk class for an average year, outcome data for the past nine years is used for internal purposes. Based on this, the PD for the portfolio² amounted to 2.37 percent as of 31 December 2012. The risk class PDs that Landshypotek reports for capital adequacy purposes are more conservative and if they are applied, the PD for the portfolio is 3.45 percent. Further stress was applied to these risk class PDs through a formula from the Swedish Financial Supervisory Authority for the calculation of the capital requirement. 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 for loans that are recognised in full on the balance sheet is calculated as the loan debt outstanding. For Landshypotek’s flexible first lien mortgage product³, EAD is calculated through the total loan granted to the counterparty multiplied by a Conversion Factor (CF). The CF is calculated based on the proportion of the limit that, historically, has been utilised in case of default.

For internal purposes, the assessment of how much of the outstanding claim in an average year that 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. For capital adequacy purposes, LGD is estimated based on data for 1994 with an additional safety margin. 1994 was the worst year ever for Landshypotek with regard to LGDs since the start of the financial crisis in the early 1990s. Landshypotek utilises five LGD classes, which are based on the LTV⁴ of the exposure. The diagram on the right illustrates the retail exposure by LGD risk class.

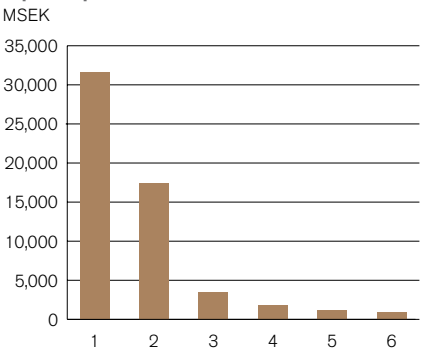
At present, Landshypotek utilises two definitions of default: “soft” and “technical”, respectively. Soft defaults are registered manually when it is considered probable that customers will not be able to meet their commitments and Landshypotek will have to foreclose on collateral or take similar measures. Technical defaults occur automatically when payment from a customer, who has not already been placed in soft default, is late by 90 days or more.

Credit preparation and approval process

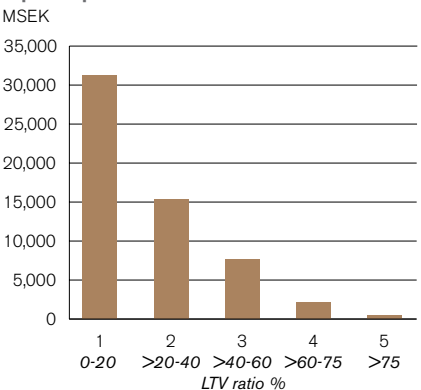
The Credit policy provides parameters and guidelines for the policies applicable, at any time, for granting credit in Landshypotek AB and Landshypotek Jordbrukskredit AB. The aim is to ensure a favourable and long-term sustainable credit portfolio with well-balanced profitability in relation to risk. All granting of credit at Landshypotek is to be based on customers’ repayment capacity and loans may only be granted if, based on sound reasoning, commitments can be expected to be fulfilled. Credit is only to be granted for purposes that Landshypotek knows well.

Credit granting is the result of analysis of the individual customer and/or household as a whole when applicable. This results in a PD risk classification on a scale of 1-6 or, alternatively, A-H⁵. Furthermore, in addition to

Exposure per PD-risk class⁵

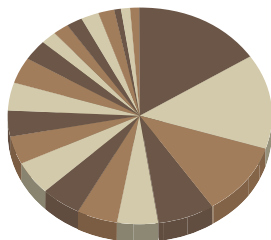


Exposure per LGD risk class⁴



² The PD estimate per risk class weighted with EAD per risk class.
³ The customer utilises as much of the amount granted that is required.
⁴ Loans with a higher loan-to-value ratio than 20 percent are broken down and divided into several LGD risk classes.
⁵ Risk class 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.

Geographic breakdown of volume



Västra Götaland County	16 %	Stockholm County	4 %
Skåne County	14 %	Gävleborg County	3 %
Östergötland County	11 %	Kronoberg County	2 %
Örebro County	7 %	Västernorrland County	2 %
Värmland County	5 %	Västmanland County	2 %
Kalmar County	5 %	Västerbotten County	2 %
Halland County	5 %	Jämtland County	2 %
Södermanland County	5 %	Dalarna County	1 %
Gotland County	4 %	Blekinge County	1 %
Jönköping County	4 %	Norrbottn County	1 %
Uppsala County	4 %		



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. Landshypotek AB grants loans against mortgage deeds in real property within 75 percent of an internally determined LTV ratio. This value is to represent a long-term, sustainable value for the collateral in question. At Landshypotek Jordbrukskredit AB, loans can be granted against real property mortgage deeds within 75-85 percent of the internally determined LTV ratio. The risk of financial losses is thus low, particularly during periods when forestry and agricultural properties show a positive price trend.

To capture the total amount of credit granted to an individual customer or a group of customers with internal ties, credit limit groups are created. These are applied to ensure that credit concentrations do not become too large. All granting of credit is performed pursuant to a credit mandate matrix approved by the Board, which is governed by parameters such as limit amount, PD risk class and LTV ratio. There are five mandate levels, with officer level as the lowest and Board level as the highest. Credit decisions must be made by at least two officers jointly.

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 Landshypotek’s 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 credits being monitored at portfolio level, the credit portfolio is also regularly examined in terms of industry, geography and limit group. Landshypotek’s geographic exposure as of 31 December 2012 is shown in the diagram to the left. Landshypotek has been unable to identify any major concentration to any particular part of the agriculture or forestry sector or geographic area in Sweden.

Overview of credit portfolio

In 2012, Landshypotek’s lending rose from MSEK 55,580 to MSEK 58,885, up 5.9 percent as compared with the Consumer Price Index for the same period, which decreased 0.1 percent.

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. Provisions are made on a case-by-case basis following analysis and decision according to assigned decision mandates and receivables defined as

doubtful or non-performing⁶ 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 receivable with a satisfactory margin⁷. The management of unsettled commitments and the settlement of credit commitments is performed with the aim of reducing the risk of loss.

The collective loan stock of non-performing cases amounted to MSEK 837 (478).

Counterparty risks

Landshypotek's counterparty risks comprise credit risk for counterparties in the liquidity portfolio and for counterparties with whom Landshypotek has derivative transactions. Landshypotek's holdings in the liquidity portfolio comprise interest-bearing securities with high credit ratings and are all issued by Nordic credit institutions, Swedish municipalities or county councils. The purpose of the liquidity portfolio is to reduce Landshypotek's liquidity risk. Landshypotek enters into derivative transactions (swap contracts) to reduce interest-rate and currency risk. Counterparties in swap contracts are Swedish or international banks with high credit ratings and with ISDA and CSA agreements in place.

The Chief Financial Officer has overall responsibility for management of counterparty risk.

SEK THOUSAND	Municipalities and county councils	Covered bonds
AAA	1,093,697	12,261,890
AA+	2,599,357	
	3,693,055	12,261,890

SEK THOUSAND	Total credit- exposure, derivatives	Positive gross market-value excl. premium for potential future exposure	Positive value after netting
AA-	223,478	195,365	194,668
A+	909,946	533,123	177,904
A	534,920	222,447	0
A-	413,629	108,702	0
	2,081,974	1,059,637	372,572

MARKET RISK

Market risk is defined as:

The risk, excluding the risk of default, that the value of assets, liabilities and/or financial contracts is negatively affected by changes in general economic conditions or events that affect a large part of the market as well as by company-specific events.

⁶ 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.

⁷ See page 38 for a definition



Currency exposure, incl. derivative payments, Group, 31 December 2012, nominal amounts in local currency (thousands) *

Currency	Assets	Liabilities	Exposure
CHF	400,000	400,000	0
EUR	555,000	555,000	0
NOK	7,895,000	7,895,000	0

* Excluding currency accounts of approx. MSEK 0.8.

Fixed-interest terms for the Group's interest-bearing assets and liabilities						
Group 2012						
SEK THOUSAND	< 3 months	3-12 months	1-3 years	3-5 years	> 5 years	Total
Assets						
Loans to credit institutions	642,194					642,194
Loans to the public	28,524,349	12,199,843	12,864,277	3,933,758	1,040,533	58,562,766
Bonds and other interest-bearing securities	4,231,000	2,830,000	4,150,000	3,900,000	-	15,111,000
Derivatives	36,132,265	1,956,438	1,567,485	9,006,048	8,242,443	56,904,679
Total assets	69,529,808	16,986,287	18,581,763	16,839,806	9,282,976	131,220,639
Liabilities						
Liabilities to credit institutions	620,419					620,419
Borrowing/deposits from the public	1,579,308					1,579,308
Debt securities in issue	40,597,437	2,869,438	4,440,322	10,096,048	8,842,443	66,845,688
Derivatives	28,868,111	12,700,000	11,058,663	4,550,000	499,000	53,110,123
Subordinated liabilities	430,000	-	200,000	70,000	-	700,000
Total liabilities	72,095,275	15,569,438	15,698,985	14,716,048	9,341,443	127,421,189
Total	-2,565,467	1,416,849	2,882,777	2,123,758	-58,467	3,799,450
Refinancing risk, net	40,009	-27,628	-62,535	-60,221	5,411	
Accumulated refinancing risk		12,381	-50,154	-110,375	-104,964	
<i>Nominal amounts are carried under the time slots when interest is reset.</i>						



Market risks to which Landshypotek is exposed are interest-rate risks, currency risks, basis-spread risks and credit-spread 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 exposures in relation to the limits set by the Board of Directors. Operations are also supported by developed financial administrative systems.

Interest-rate risk

Interest-rate risks arise when fixed-interest terms for assets and liabilities are mismatched. Landshypotek manages the interest-rate risk that arises in the course of business by striving to have 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-rate swaps. Interest-rate risk is calculated as the change in value that occurs if the interest-rate curve is moved in parallel up or down by one percentage point. At year-end, the interest-rate risk for Landshypotek ekonomisk förening at a parallel movement of the interest-rate curve by one percentage point amounted to MSEK 105.0 (96.7).

Currency risk

Landshypotek has parts of its financing in currencies other than SEK. Where financing is done in currencies other than SEK, the currency risk is managed by hedging foreign currency cash flows with swap contracts (SEK against the foreign currency) that fall due on the payment date. Marginal differences may arise. As a result, Landshypotek is exposed to only marginal currency risk. On 31 December 2012, Landshypotek had no currency risk, with the exception of foreign currency corresponding to MSEK 0.8 in various foreign currency accounts.

Basis spread risk and credit spread risk

Basis spread risk arises for Landshypotek when the currency risk that arises in conjunction with borrowing in a foreign currency is reduced by swapping payments in foreign currency for payments in Swedish currency, known as interest-rate and cross-currency interest-rate swaps. Basis spreads have been relatively volatile in recent years and can contribute to relatively substantial impacts on earnings. However, if Landshypotek does not exit the swap agreements, the net impact on earnings when the swap agreements mature would be zero. Credit spread risk arises from fluctuations in credit spreads in Landshypotek's liquidity portfolio and can impact earnings.



Maturity analysis of financial assets and liabilities

Group 2012

SEK THOUSAND	< 3 months	3-12 months	1-3 years	3-5 years	> 5 years	Total
Financial assets						
Loans to credit institutions	642,194					642,194
Loans to the public	28,977,782	12,961,504	13,721,096	4,190,165	1,175,676	61,026,225
Bonds and other interest-bearing securities	78,251	3,921,281	7,098,520	5,236,250	-	16,334,302
Derivatives	359,997	4,151,687	4,553,091	2,599,684	7,526,154	19,190,614
Total	30,058,225	21,034,473	25,372,707	12,026,099	8,701,830	97,193,335
Financial liabilities						
Liabilities to credit institutions	620,419					620,419
Borrowing/deposits from the public	1,579,308					1,579,308
Granted credit facilities	612,622					612,622
Debt securities in issue	8,131,582	10,177,363	22,851,913	20,698,607	11,269,521	73,128,986
Derivatives	323,574	4,022,972	4,910,217	3,354,785	9,171,841	21,783,389
Subordinated liabilities	5,558	13,274	226,548	508,148	-	753,528
Total	11,273,063	14,213,609	27,988,679	24,561,540	20,441,362	98,478,252
Net cash flow	18,785,163	6,820,863	-2,615,971	-12,535,441	-11,739,531	-1,284,917
Refinancing risk	18,785,163	6,820,863	-2,615,971	-12,535,441	-11,739,531	
Accumulated refinancing risk	18,785,163	25,606,026	22,990,055	10,454,614	-1,284,917	

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 the public. The calculation of future rates of interest is based on forward rates plus any credit spreads.



LIQUIDITY RISKS

Landshypotek defines liquidity risk as follows:

The risk of being unable to refinance maturing liabilities or being unable to meet demand for additional liquidity as well as needing to borrow at disadvantageous interest rates.

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 with conservative limits for both tenor and refinancing risk, which are monitored by the Risk Control unit on a daily basis.

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 tolerance levels is that the liquidity portfolio must be able to cover the projected accumulated net cash outflows for the forthcoming 180 days of normal operations without the possibility of refinancing. In 2012, liquidity exceeded the stipulated level by a healthy margin. At 31 December 2012, the liquidity portfolio was 1.3 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 liquidity portfolio consists of securities issued by Nordic 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 in times of severe liquidity crisis by selling assets in an orderly fashion, or reducing the financing need by calling in maturing loans.

In recent years, Landshypotek has 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 capital repayments and interest income, lack of borrowing and withdrawals of deposits. The results of the stress tests demonstrate that Landshypotek has an extremely healthy payment capacity.

OPERATIONAL RISK

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 that impact business operations. This definition includes compliance 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.

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 ICAAP results in a detailed report of Landshypotek's risk profile and an assessment of the capital adequacy requirement in forthcoming years. The ICAAP includes all types of risks that are believed to have an impact on operations. Besides credit risks, market risks and operational risks, which have capital adequacy requirements under Pillar I rules, Landshypotek also takes into consideration Pillar II risks in the form of, for example, interest-rate risks and strategic risks within the framework of the collective capital assessment. In addition, stress tests are performed to assess the capital adequacy requirement should conditions deteriorate, for example, in case of a widespread recession.

Landshypotek's Chief Risk Control Officer is responsible for conducting the ICAAP and for compiling the risk report. The Chief Financial Officer also holds a key role in the ICAAP process and is responsible for forecasting future earnings and for the capital strategy. Capital matters are monitored on an ongoing basis and regularly reported to the Board of Directors and the Management Group. The Board also decides the internal capital adequacy requirement.

Capital situation

When calculating the capital requirements under Basel II, Landshypotek applies the rules for the Internal Ratings-based (IRB) Approach to the majority of its credit-risk exposures. For other credit-risk exposures, the standardised method is used. Landshypotek applies the Basic Indicator approach to measure operational risk. Landshypotek has no Pillar I capital requirement for market risk.

At 31 December 2012, the capital base was MSEK 4,631. On the same date, the Pillar I capital requirement, without applying the Basel I transitional rules, amounted to MSEK 1,068 and the capital adequacy ratio was 4.3. According to the initial Basel II rules, the Basel I transitional rules should have been phased out by 1 January 2010, but this period has been extended and the rules still apply. Under the transitional rules, Landshypotek has a considerably higher capital requirement, resulting in a capital ratio of 1.2. Additional information can be found in Note 35.





Notes

NOTE 1 ACCOUNTING POLICIES

Basis for preparing the Annual Accounts

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of the above as published by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. Furthermore, the Swedish Financial Supervisory Authority's regulations and general guidelines for annual reports in credit institutions and securities companies (FFFS 2008:25, including amendments), the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and the recommendations of the Swedish Financial Reporting Board, RFR 1, Supplementary Accounting Rules for Groups are also applied.

The Parent Company, Landshypotek AB, applies statutory IFRS, which means that legal entity's financial statements must apply all of the IFRSs and statements adopted by the EU, in so far as this is possible within the framework of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act and after taking into account the relationship between accounting and taxation. Permissible exceptions and supplements to IFRS are stated in the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) as well as the Swedish Financial Supervisory Authority's regulations and general guidelines for annual reports in credit institutions and securities companies (FFFS 2008:25). 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 the subsidiary Landshypotek Jordbrukskredit AB as well as 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.

The Parent Company's functional currency and the Group's presentation currency is SEK. All amounts are reported, unless otherwise specified, in SEK thousands. Comparative figures for the preceding year are stated in parentheses.

Standards, amendments and interpretations coming into effect during the year

The enhanced disclosure requirements in IFRS 7 *Financial Instruments: Disclosures* mean that additional disclosures have been made pertaining to repurchase agreements outstanding, so-called repos (see Note 15).

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

IFRS 9 *Financial Instruments*. This standard will replace IAS 39 *Financial Instruments*. IFRS 9 has been reworked on a number of occasions and is not yet ready. At present, it is not possible to

evaluate the extent to which IFRS 9 will affect the financial statements. According to information received, the standard will apply for financial years starting 1 January 2015 and be available for early application. The standard has not yet been adopted by the EU.

IAS 1 *Presentation of Financial Statements*: For financial years starting from 1 July 2012, items in other comprehensive income must be divided into two categories. For Landshypotek, this means that changes in value of available-for-sale financial assets and cash flow hedges will be reported under "Items to be reclassified in profit or loss" while actuarial gains and losses are reported under "Items not subject to reclassification." Tax attributable to these two categories will be separated and reported under the respective category. The amendment has been adopted by the EU.

IAS 19 *Employee Benefits*. The corridor approach will be eliminated which means that all actuarial gains and losses are to be 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 and has been adopted by the EU. At 31 December 2012, the Landshypotek Group had an accumulated actuarial loss of MSEK 23.6 which, under the new standard without application of the corridor approach, would be recognised under equity. 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 new definition of fair value and states the disclosure requirements for fair value. In addition to financial instruments, IFRS 13 also applies to property under management. IFRS 13 describes fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." According to IFRS 13, the fair value must be market-based and not company-based, that is, the assumptions that market participants would use and not the assumptions of the individual company. The new definition of fair value impacts primarily financial liabilities where the credit risk will now be taken into consideration when establishing fair value. Landshypotek's liabilities, with the exception of derivatives, are recognised at amortised cost with value adjustments attributable to the hedge accounting of interest risk, which will mean that the recognised value of the liabilities is not impacted by the new standard. By and large, the disclosures required under IFRS 13 accord with the earlier requirements under IFRS 7 *Financial Instruments: Disclosures*. Landshypotek's assessment is that IFRS 13 will not have any major impact on its financial reporting. Application is effective for financial years starting 1 January 2013 and early application is permitted. Comparative figures do not need to be stated the first time the standard is applied. The standard has been adopted by the EU.

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 or loss.

Operating segments

An operating segment is a part of a company that generates income and costs through its operations, and its operating profit is regularly reviewed by the company's chief operating decision maker (CODM) as the basis for decisions pertaining to the allocation of resources and assessment of the segment's results. Furthermore, an operating segment has separate financial information.

Landshypotek offers loans in Sweden with real property as collateral. Deposits are included in lending operations since both products are aimed at the same customer categories and form part of Landshypotek's funding. For follow-up and reporting to the CODM, the operations are viewed as one operating segment.

Additional information in line with IFRS 8, paragraphs 32-34, is not provided in the Annual Report since deposits do not generate any income, the operations are conducted in one geographic area and no single customer of Landshypotek accounts for 10 percent or more of the company's income.

Measurement of receivables and liabilities in foreign currency

Transactions in foreign currency are measured in the functional currency at the rate of exchange prevailing on the trade date. Monetary assets and liabilities in foreign currency are measured in the functional currency at the rate of exchange prevailing on the balance-sheet date. Exchange-rate differences that arise on translation of balance sheet items in foreign currency are recognised in profit or loss as exchange-rate gains or losses.

Classification and measurement rules of financial assets

Financial assets are divided into the following categories for measurement:

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

Loans to credit institutions and loans to the public are classified as "Loans and 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 or 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 via other comprehensive income in the fair value reserve under equity until the financial asset is sold or impaired. When objective indications exist that a financial asset's recoverable amount is less than the carrying amount, an impairment test is performed. The need for impairment is defined as the difference between cost and actual fair value less any previous impairment recognised in profit or loss. When the asset is sold or impaired, the accumulated gain or loss, previously recognised in equity, is recognised in profit or loss. For bonds and other interest-bearing securities classified as "Financial assets at fair value through profit or loss", the rule applies that these assets are initially recognised at fair value and transaction costs are recognised in profit or loss and that the gains and losses arising as a result of changes in value are recognised in profit or loss under the heading "Net result of financial transactions". Regardless of classification, interest income is recognised in profit or 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 or loss". Gains and losses that arise as a result of unrealised changes in value are recognised on an ongoing basis in profit or 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 net as an 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.

Classification 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 or loss.

Liabilities to credit institutions, and borrowing from the public, debt securities in issue and subordinated liabilities are classified as "Other 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 section on Hedge accounting.

Derivative instruments with a negative market value are classified as "Financial liabilities at fair value through profit or loss". Gains and losses that arise as a result of unrealised changes in value are recognised on a current basis in profit or 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 the bid price of 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 term in question are used for discounting.

Trade date or settlement date accounting

Financial assets and liabilities attributable to lending and deposits to and from the public are recognised on the settlement date. Business transactions in the money, bond or equity markets are recognised on the trade date when the material rights and risks transfer between the parties.

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 noncurrent 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 or loss in accordance with the effective interest method under the heading "Interest income and interest expense". The change in value of financial assets and liabilities at

fair value is 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-rate swaps and cross-currency interest-rate 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 or 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-rate swaps and cross-currency interest-rate 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 or loss. The gain or loss attributable to the ineffective portion is recognised immediately in profit or loss under the heading "Net result of financial transactions".

Landshypotek terminates hedge accounting when the hedged item or hedging instrument is sold or expires. Gains or losses previously recognised in other comprehensive income are transferred to profit or loss in conjunction with early redemption and recognised there under the heading "Net result of financial transactions".

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 trade 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, unrealised gains and losses attributable to market-value changes of derivatives, holdings of financial assets valued at fair value in profit or loss and changes in fair value attributable to the hedged risk of the hedged assets or liabilities in a fair-value hedge are also recognised under this heading. When applicable, impairment attributable to available-for-sale financial assets is recognised under this item.

Other income

Income from services sold and external rental income relating to real property owned are reported under "Other income".

Personnel costs

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

Pension costs

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

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

In the Group the net of the three items below are recognised 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 calculation 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 portfolio 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 7 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 indi-

cates 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 applicable, 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 RFR 2.

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 critical 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 critical 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	2012	2011	2012	2011
Interest income					
Interest income on loans to credit institutions		3,026	1,081	2,959	931
Interest income on loans to Group companies				1,072	97
Interest income on loans to the public		2,267,582	2,132,184	2,247,591	2,116,706
Less interest losses		-2,279	-1,640	-2,279	-1,578
Interest income on interest-bearing securities		350,422	360,313	350,422	360,313
of which interest income on financial assets at fair value through profit or loss		222,103	128,764	222,103	128,764
of which interest income on available-for-sale financial assets		128,319	231,549	128,319	231,549
Other interest income		753	46	742	2
Total		2,619,504	2,491,985	2,600,509	2,476,472
Average interest on loans to the public		3.94 %	3.99 %	3.93 %	3.96 %
All interest income is attributable to the Swedish market.					
Interest expense					
Interest expense for liabilities to Group companies		-4,480	-2,033	-7,120	-9,423
Interest expense for liabilities to credit institutions – other		-12,672	-9,108	-12,672	-9,108
Interest expense for borrowing/deposits from the public		-21,713	0	-21,713	0
Interest expense for interest-bearing securities		-2,015,138	-1,967,626	-2,015,138	-1,967,626
of which interest expense for other financial liabilities in fair value hedges adjusted for the fair value of hedged risk		-561,603	-525,098	-561,603	-525,098
of which interest expense on interest-bearing securities at amortised cost		-1,453,536	-1,442,528	-1,453,536	-1,442,528
Interest expense for subordinated liabilities		-34,679	-18,630	-34,679	-18,630
Interest expense for derivative instruments		49,645	13,736	49,645	13,736
of which interest expense on derivatives at fair value through profit or loss		38,196	19,980	38,196	19,980
of which interest expense on derivatives identified as hedging instruments		11,449	-6,244	11,449	-6,244
Other interest expense		-2,639	-3,365	-2,639	-3,365
Total		-2,041,677	-1,987,026	-2,044,316	-1,994,416
Total net interest income		577,827	504,959	556,192	482,056

NOTE 3	COMMISSION INCOME, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
Loan commissions		15,188	12,421	13,491	11,837
Commissions on securities		-	1,244	-	1,244
Total		15,188	13,665	13,491	13,081

NOTE 4	COMMISSION EXPENSE, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
Commissions on securities		-730	-554	-730	-554
Stability fee		-23,782	-21,684	-23,782	-21,684
Total		-24,512	-22,238	-24,512	-22,238

NOTE 5	NET RESULT OF FINANCIAL TRANSACTIONS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Financial assets at fair value through profit or loss				
	Realised result of sales of bonds and other interest-bearing securities	25,053	-	25,053	-
	Available-for-sale financial assets				
	Realised result of sales of bonds and other interest-bearing securities	151,277	52,046	151,277	52,046
	Other financial liabilities				
	Realised result on early redemption of own bonds in issue	-296,419	-78,152	-296,419	-78,152
	Financial liabilities at fair value through profit or loss				
	Realised result from purchase/sale of derivative contracts	95,799	33,100	95,799	33,100
	Total realised result	-24,289	6,994	-24,289	6,994
	Financial assets at fair value through profit or loss				
	Change in value of bonds and other interest-bearing securities	64,126	79,739	64,126	79,739
	Financial liabilities at fair value through profit or loss				
	Change in value of bonds in issue included in fair-value hedge	-293,806	-967,006	-293,806	-967,006
	Change in value of derivatives included in fair-value hedge	295,484	957,170	295,484	957,170
	Change in value of derivatives not included in any hedging relationship	-90,572	-80,277	-90,572	-80,277
	Total unrealised result	-24,768	-10,375	-24,768	-10,375
	Net result of financial transactions	-49,057	-3,381	-49,057	-3,381

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 COMPANY	
		2012	2011	2012	2011
	Income from property	1,960	11,831	1,960	11,831
	Sale of operating property	-	232,715	-	232,715
	Other	187	1,950	167	1,328
	Total	2,147	246,496	2,127	245,874

NOTE 7	GENERAL ADMINISTRATIVE EXPENSE, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Personnel costs				
	Salaries, etc. to MD, senior executives and Board of Directors	-14,580	-13,238	-14,580	-13,238
	Salaries, etc. to other personnel	-52,313	-45,073	-52,313	-45,073
	Provision to profit-sharing foundation	-967	-1,130	-967	-1,130
	Pension costs	-12,196	-6,808	-21,522	-18,231
	Social insurance charges	-22,000	-19,594	-22,000	-19,594
	Other personnel costs	-1,239	-762	-1,239	-762
	Total	-103,295	-86,605	-112,621	-98,028
	Specification of pension costs				
	Change in provision for pensions	786	-	786	-
	Pension premiums	-16,896	-13,446	-16,896	-13,446
	of which to senior executives	-4,306	-4,571	-4,306	-4,571
	Directly paid pensions	-1,096	-1,156	-1,096	-1,156
	Payroll and yield taxes attributable to pension costs	-4,316	-3,630	-4,316	-3,630
	Defined-benefit pension plans	9,326	11,423	-	-
	Total	-12,196	-6,808	-21,522	-18,231

CONT.	NOTE 7, GENERAL ADMINISTRATIVE EXPENSE, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
<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		65	58	65	58
Number of female employees		53	52	53	52
Total		118	110	118	110
Average number of salaried employees, including substitutes		114.0	112.0	114.0	112.0
Loans to directors and senior executives					
Loans to directors amount to		43,825	58,597	43,825	58,597
Loans to senior executives amount to		30,068	18,698	30,068	18,698
Directors and senior executives					
Number of directors		12	18	6	7
of which men		7	14	4	5
<p>Fixed salary and benefits were paid to the Managing Director in the amount of SEK 2,708,000 (2,424,000) during the year. A defined-benefit pension provision of SEK 924,000 (840,000) was made for the Managing Director. 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 ten persons, fixed annual salary was paid, including benefits, in the amount of SEK 10,534,000 (9,791,000). These persons are covered by a defined-benefit pension plan under a collective bargaining agreement. Fixed fees in the amount of SEK 1,168,000 (920,000) were paid to the Board of Directors in accordance with the General Meeting resolution, of which SEK 156,000 (125,000) was paid for work on committees and of which the Chairman of the Board received SEK 272,000 (158,000). Daily expense allowances were also paid. No other remuneration was paid for Board work.</p>					
Other administrative expenses					
Cost of premises		-16,850	-10,854	-16,850	-10,854
Office expenses		-2,656	-2,073	-2,655	-2,073
Telephone, data networks and postage expenses		-5,241	-5,117	-5,233	-5,116
IT expenses		-52,577	-46,934	-52,294	-46,001
Purchased services		-30,709	-29,448	-30,583	-29,351
Auditing					
Audit fee as per audit assignment		-1,778	-1,752	-1,702	-1,622
Audit fee for action other than the audit assignment		-263	-494	-263	-494
Tax consultancy fee		-214	-360	-214	-360
Other		-9,842	-10,419	-9,822	-10,391
Total		-120,130	-107,451	-119,616	-106,262
Total		-223,425	-194,056	-232,237	-204,290

NOTE 8	DEPRECIATION, AMORTISATION AND IMPAIRMENT OF INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
Tangible non-current assets					
	Depreciation of furniture, fixtures and equipment	-1,552	-1,124	-1,552	-1,124
	Depreciation of real property	-592	-4,217	-592	-4,217
	Depreciation of land improvements	-28	-28	-28	-28
Intangible non-current assets					
	Amortisation of IT system	-35	-	-35	-
Total		-2,206	-5,368	-2,206	-5,368

NOTE 9	OTHER OPERATING EXPENSES, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Marketing expenses	-12,953	-11,302	-12,953	-11,302
	Property expenses	-1,122	-5,230	-1,122	-5,229
	Other	-1,472	-784	-1,441	-769
Total		-15,547	-17,316	-15,516	-17,300

		GROUP		PARENT COMPANY	
NOTE 10	LOAN LOSSES NET, SEK THOUSAND	2012	2011	2012	2011
Loan losses					
Year's write-off for realised losses		-6,575	-5,922	-4,502	-3,945
Reversal of prior provisions for probable loan losses, recognised as realised losses in this year's accounts		6,135	5,422	4,166	3,445
Year's provision for probable loan losses		-32,787	-19,307	-25,236	-13,514
Recovery of previously realised losses		2,439	1,964	2,435	1,948
Reversal of prior provisions no longer necessary for probable loan losses		8,671	8,934	6,827	8,934
Total		-22,117	-8,910	-16,310	-3,132

All loan losses are attributable to loans to the public.
There are no properties taken over in foreclosure.

NOTE 11	YEAR-END APPROPRIATIONS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Other				
Total					

NOTE 12	INCOME TAX ON COMPREHENSIVE INCOME, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Profit before tax	258,299	513,851	323,966	485,303
	Income tax calculated at national tax rates	-67,933	-135,143	-85,203	-127,634
	Tax effects of:				
	Non-taxable income	199	61,219	37,016	61,207
	Non-deductible expenses	-883	-994	-17,978	-994
	Adjustment of preceding year's tax expense	-7,323	6,396	-7,323	6,425
	Realised deferred tax liabilities attributable to real property sold	-	44,712	-	44,712
	Total income tax related to profit or loss	-75,942	-23,810	-73,488	-16,284
	<i>of which current tax</i>	<i>-69,581</i>	<i>-65,518</i>	<i>-69,580</i>	<i>-60,996</i>
	<i>of which deferred tax</i>	<i>-6,361</i>	<i>41,708</i>	<i>-3,908</i>	<i>44,712</i>
	Specification of deferred tax				
	Deferred tax relating to pension costs	-2,453	-3,004	-	-
	Deferred tax relating to depreciation of real property	62	877	62	877
	Deferred tax relating to write-up of real property	-	43,835	-	43,835
	Deferred tax relating to loss carry-forwards	-3,955	-	-3,955	-
	Effect of change in tax rate	-15	-	-15	-
	Total change in deferred tax	-6,361	41,708	-3,908	44,712
	The average tax rate for the year was 26.3 percent for the Group and the Parent Company. Deferred tax amounted to 22 percent.				
	Income tax related to other comprehensive income				
	Cash-flow hedges				
	Profit/loss before tax	-54,010	-34,237	-54,010	-34,237
	Deferred tax	11,882	9,004	11,882	9,004
	Effect of change in tax rate	-1,482	-	-1,482	-
	Profit/loss after tax	-43,610	-25,233	-43,610	-25,233
	Available-for-sale financial assets				
	Profit/loss before tax	-81,901	211,172	-81,901	211,172
	Tax	21,540	-55,538	21,540	-55,538
	Adjustment of preceding years' tax expense	-36,131	-	-36,131	-
	Reclassification of deferred tax to current tax	31,359	-	31,359	-
	Profit/loss after tax	-65,132	155,634	-65,132	155,634
	Other comprehensive income	-108,742	130,401	-108,742	130,401
	Current tax	-14,590	-	-14,590	-
	Deferred tax	41,759	-46,534	41,759	-46,534
	Total income tax related to other comprehensive income	27,168	-46,534	27,168	-46,534

NOTE 13	LOANS TO CREDIT INSTITUTIONS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Loans to Group companies			11,000	-
	Loans to banks	636,007	159,049	617,139	140,147
	of which reverse repos	562,299	-	562,299	-
	Loans to PlusGiro	6,025	5,385	6,025	4,832
	Loans to others	162	127	162	127
	Total	642,194	164,561	634,326	145,106
	Loans to credit institutions by time remaining to maturity				
	- payable on demand	79,733	164,561	71,865	145,106
	- up to 3 months	562,461	-	562,461	-
	Total	642,194	164,561	634,326	145,106

NOTE 14 LOANS TO THE PUBLIC, SEK THOUSAND	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Loans outstanding	58,914,513	55,592,311	58,634,251	55,311,141
Less specific provisions for individually valued loans	-29,671	-12,711	-21,026	-7,805
Net loans outstanding	58,884,842	55,579,600	58,613,225	55,303,336
Disclosures on overdue loan receivables				
Loan receivables overdue 1-30 days *	6,777	1,916,219	-	1,915,526
Loan receivables overdue 31-60 days *	21	456,744	-	452,360
Loan receivables overdue 61-90 days	332,346	92,934	332,324	89,556
Loan receivables overdue more than 90 days	1,476,970	868,546	1,475,814	860,584
of which loan receivables overdue more than 90 days where interest is recognised as income	863,822	427,454	846,673	414,022
Total	1,816,115	3,761,897	1,808,138	3,732,048
Disclosures on doubtful credits				
Doubtful credits, not overdue	9,869	14,232	9,869	14,232
Doubtful credits, overdue	102,897	50,842	94,253	45,936
Total	112,766	65,074	104,122	60,168
Less capital provisions made	-29,671	-12,711	-21,026	-7,805
Total doubtful credits after provisions made	83,095	52,363	83,096	52,363
Doubtful credits at beginning of year	65,074	37,163	60,168	37,109
New doubtful credits during year	70,801	60,484	63,249	55,632
Doubtful credits settled during year	-23,109	-32,573	-19,294	-32,573
Doubtful credits at year-end	112,766	65,074	104,122	60,168
Provisions at beginning of year	-12,711	-7,940	-7,805	-6,850
Additional provisions during the year	-28,065	-12,962	-20,513	-8,406
Deducted provisions during the year	11,105	8,191	7,292	7,451
Capital provisions at year-end	-29,671	-12,711	-21,026	-7,805
Loans to the public by remaining time to maturity				
- up to 3 months	28,846,425	30,580,567	28,576,689	30,316,322
- more than 3 months up to 1 year	12,199,849	5,976,767	12,199,669	5,972,676
- more than 1 year up to 3 years	12,864,277	14,158,311	12,863,810	14,157,518
- more than 3 years up to 5 years	3,933,758	4,160,539	3,933,458	4,159,818
- more than 5 years	1,040,533	703,416	1,039,599	697,002
Total	58,884,842	55,579,600	58,613,225	55,303,336

* Due to a change in system, loan notifications have been deferred in Landshypotek AB.

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

NOTE 15	BONDS AND OTHER INTEREST-BEARING SECURITIES, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
Bonds					
Issued by Swedish municipalities		3,680,923	2,892,433	3,680,923	2,892,433
Issued by credit institutions		265,674	200,762	265,674	200,762
Issued by housing finance institutions		11,768,959	10,144,118	11,768,959	10,144,118
of which covered bonds		12,034,633	9,641,905	12,034,633	9,641,905
Total		15,715,556	13,237,314	15,715,556	13,237,314
Holdings by time remaining to maturity					
- up to 3 months		-	50,026	-	50,026
- more than 3 months up to 1 year		3,564,997	1,445,943	3,564,997	1,445,943
- more than 1 year up to 3 years		6,745,748	10,070,602	6,745,748	10,070,602
- more than 3 years up to 5 years		5,404,811	1,325,378	5,404,811	1,325,378
- more than 5 years		-	345,365	-	345,365
Total		15,715,556	13,237,314	15,715,556	13,237,314
Valuation of bonds and other interest-bearing securities					
Nominal amount		15,111,000	12,683,000	15,111,000	12,683,000
Amortised cost		15,570,044	13,074,026	15,570,044	13,074,026
Market value		15,715,556	13,237,314	15,715,556	13,237,314
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					
Financial assets at fair value through profit or loss		9,653,841	5,796,446	9,653,841	5,796,446
Available-for-sale financial assets		6,061,716	7,440,868	6,061,716	7,440,868
Total		15,715,556	13,237,314	15,715,556	13,237,314
Securities pledged pursuant to repurchase agreements (repos)					
Carrying amount, listed mortgage bonds recognised at fair value		554,723	-	554,723	-
Carrying amount, repos		-562,435	-	-562,435	-
Carrying amount, reverse repos with the same counterparty		562,299	-	562,299	-
Fair value of listed mortgage bonds held as collateral for reverse repos		548,005	-	548,005	-

Carrying amounts pertain to market values excluding accrued interest. Accrued interest is recognised under prepaid expenses and accrued income.

NOTE 16	DERIVATIVES, SEK THOUSAND		GROUP	
	2012		2011	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives not included in hedge accounting				
Positive closing value of interest-rate swaps	3,140,000	19,238	4,000,000	21,910
Positive closing value of cross-currency interest-rate swaps	1,141,847	30,022	-	-
Total	4,281,847	49,260	4,000,000	21,910
Derivatives included in hedge accounting				
Positive closing value of interest-rate swaps	10,068,495	548,223	16,157,445	473,644
Positive closing value of cross-currency interest-rate swaps	6,967,543	414,209	-	-
Total	17,036,038	962,432	16,157,445	473,644
Total	21,317,885	1,011,692	20,157,445	495,554

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

CONT.	NOTE 16, DERIVATIVES, SEK THOUSAND		PARENT COMPANY	
	2012		2011	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives not included in hedge accounting				
Positive closing value of interest-rate swaps	3,140,000	19,238	4,000,000	21,910
Positive closing value of cross-currency interest-rate swaps	1,141,847	30,022	-	-
Total	4,281,847	49,260	4,000,000	21,910
Derivatives included in hedge accounting				
Positive closing value of interest-rate swaps	10,068,495	548,223	16,157,445	473,644
Positive closing value of cross-currency interest-rate swaps	6,967,543	414,209	-	-
Total	17,036,038	962,432	16,157,445	473,644
Total	21,317,885	1,011,692	20,157,445	495,554

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	
	2012	2011	2012	2011
Shares and participations				
The ESS Group, cost in 2004	50,000	50,000	50,000	-
The ESS Group, impairment in 2004	-49,999	-49,999	-49,999	-
Total	1	1	1	-
Participating interest in the ESS Group	100 %	100 %	100 %	-

NOTE 18 SHARES IN GROUP COMPANIES, SEK THOUSAND	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Holdings in credit institutions				
Landshypotek Jordbrukskredit AB 1,000,000 shares with a quotient value of SEK 100			280,553	345,553
Lantbrukskredit AB 150,000 shares with a quotient value of SEK 1,000			-	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	-	-	280,753	514,827
Dividends and Group contributions received, Jordbrukskredit			156,993	-
Impairment of shares in Jordbrukskredit			-65,000	-
Net result of shares in Jordbrukskredit	-	-	91,993	-

All subsidiaries are wholly owned.

NOTE 19 INTANGIBLE ASSETS, SEK THOUSAND		GROUP		PARENT COMPANY	
		2012	2011	2012	2011
Other intangible non-current assets					
Cost at beginning of year		14,058		14,058	
Acquisitions during year		21,290	14,058	21,290	14,058
Closing cost		35,348	14,058	35,348	14,058
Accumulated amortisation at beginning of year					
Amortisation for the year		−35		−35	
Closing accumulated amortisation and impairment		−35	-	−35	-
Carrying amount		35,312	14,058	35,312	14,058

Intangible non-current assets consist of investments in software.

		GROUP		PARENT COMPANY	
NOTE 20	TANGIBLE ASSETS, SEK THOUSAND	2012	2011	2012	2011
Furniture, fixtures and equipment					
Non-current assets					
	Cost at beginning of year	23,815	31,780	23,678	31,643
	Purchases during the year	5,528	333	5,528	333
	Disposals during the year	-12,851	-8,298	-12,851	-8,298
Closing cost		16,492	23,815	16,355	23,678
	Accumulated depreciation at beginning of year	-22,027	-29,179	-21,890	-29,042
	Depreciation and impairment for the year	-1,552	-1,146	-1,552	-1,146
	Accumulated depreciation of assets sold	12,511	8,298	12,511	8,298
Closing accumulated depreciation		-11,068	-22,027	-10,931	-21,890
Total furniture, fixtures and equipment		5,424	1,788	5,424	1,788
Buildings and land					
Non-current assets					
	Operating properties				
	Number of properties	2	2	2	2
	Estimated fair value	27,100	35,200	27,100	35,200
	Cost at beginning of year	21,152	420,471	18,585	417,904
	Capitalised renovation costs		281		281
	Sales		-399,600		-399,600
Closing cost		21,152	21,152	18,585	18,585
	Accumulated depreciation at beginning of year	-5,417	-71,542	-2,850	-68,987
	Closing accumulated depreciation		66,745		66,757
	Depreciation for the year	-619	-619	-619	-619
Closing accumulated depreciation		-6,036	-5,417	-3,469	-2,850
Carrying amount		15,116	15,735	15,116	15,735
Total buildings and land		15,116	15,735	15,116	15,735

NOTE 21	OTHER ASSETS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Announced interest and repayments	55,175	36,136	57,795	35,124
	Receivables from Group companies	134,427	8,152	151,470	8,209
	Current tax receivables	41,233	-	37,220	-
	Other receivables	3,932	313,670	3,752	307,769
	Total	234,767	357,958	250,237	351,102

NOTE 22	DEFERRED TAX ASSETS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Deferred tax asset	22,349	18,278	19,542	9,063
	Total	22,349	18,278	19,542	9,063
	Opening deferred tax receivables 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	-	-	-	-
	Opening deferred tax receivables on hedging reserve	9,063	59	9,063	59
	Add deferred tax on hedging reserve	10,401	9,063	10,401	9,063
	Less deferred tax on hedging reserve	-	-59	-	-59
	Closing deferred tax receivables on hedging reserve	19,464	9,063	19,464	9,063
	Opening deferred tax receivables on pensions pursuant to IAS 19	5,260	8,264		
	Less deferred tax on pensions pursuant to IAS 19	-2,453	-3,004		
	Closing deferred tax receivables on pensions pursuant to IAS 19	2,807	5,260		
	Opening deferred tax receivables relating to loss carry-forwards	3,955	6,974	-	1,084
	Less deferred tax relating to loss carry-forwards	-3,955	-3,019	-	-1,084
	Closing deferred tax receivables relating to loss carry-forwards	-	3,955	-	-
	Opening deferred tax receivables on depreciation of property under IFRS	-	-	-	-
	Add deferred tax on depreciation of property under IFRS	78	-	78	-
	Closing deferred tax receivables on depreciation of property under IFRS	78	-	78	-
	Total deferred tax receivables	22,349	18,278	19,542	9,063

Deferred tax receivables in 2012 were calculated using a tax rate of 22 percent.

NOTE 23	PREPAID EXPENSES AND ACCRUED INCOME, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Prepaid expenses	10,992	7,817	10,992	7,815
	Accrued interest on loans to credit institutions	70	3	70	3
	Accrued interest on loans to the public	214,212	243,110	214,055	241,641
	Accrued interest on interest-bearing instruments	633,059	661,525	633,059	661,525
	Accrued interest, intra-Group	101	-	406	-
	Total	858,434	912,455	858,582	910,984

NOTE 24	LIABILITIES TO CREDIT INSTITUTIONS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Borrowing from Group companies			-	325,000
	Swedish banks	620,419	162,157	620,419	162,157
	of which repos	562,435	-	562,435	-
	Total	620,419	162,157	620,419	487,157
	Liabilities to credit institutions by remaining time to maturity				
	- payable on demand	57,984	162,157	57,984	162,157
	- up to 3 months	562,435	-	562,435	325,000
	Total	620,419	162,157	620,419	487,157

NOTE 25	BORROWING FROM THE PUBLIC, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Deposits from the public	1,552,308	167,453	1,552,308	167,453
	Other notes payable	27,000	145,000	27,000	145,000
	Total	1,579,308	312,453	1,579,308	312,453
	Borrowing from the public by remaining time to maturity				
	- payable on demand	1,196,945	167,453	1,196,945	167,453
	- up to 3 months	382,363	145,000	382,363	145,000
	Total	1,579,308	312,453	1,579,308	312,453

NOTE 26	DEBT SECURITIES IN ISSUE, ETC., SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Commercial paper	3,996,096	3,636,901	3,996,096	3,636,901
	Bond loans	64,207,018	60,668,638	64,207,018	60,668,638
	Total	68,203,114	64,305,539	68,203,114	64,305,539
	Borrowing by remaining time to maturity				
	- up to 3 months	7,601,174	5,391,103	7,601,174	5,391,103
	- more than 3 months up to 1 year	9,480,453	9,884,982	9,480,453	9,884,982
	- more than 1 year up to 3 years	21,300,035	25,546,049	21,300,035	25,546,049
	- more than 3 years up to 5 years	20,017,298	14,318,830	20,017,298	14,318,830
	- more than 5 years	9,804,153	9,164,575	9,804,153	9,164,575
	Total	68,203,114	64,305,539	68,203,114	64,305,539
	Debt securities in issue classified as fair-value hedging				
	Amortised cost	20,655,697	19,278,384	20,655,697	19,278,384
	Fair value adjusted for the actual change in value of hedged risk	21,936,869	20,265,710	21,936,869	20,265,710

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-rate swaps and cross-currency interest-rate 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-rate swaps and cross-currency interest-rate swaps are used for this purpose.

NOTE 27 DERIVATIVES, SEK THOUSAND			GROUP	
	2012		2011	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives not included in hedge accounting				
Negative closing value of interest-rate swaps	16,369,000	484,798	4,614,000	127,913
Negative closing value of cross-currency interest-rate swaps	4,806,116	344,542	-	-
Total	21,175,116	829,340	4,614,000	127,913
Derivatives included in hedge accounting				
Negative closing value of interest-rate swaps	11,020,000	164,435	4,720,000	74,717
Negative closing value of cross-currency interest-rate swaps	3,398,524	84,873	7,563,486	70,921
Total	14,418,524	249,308	12,283,486	145,638
Total	35,593,640	1,078,647	16,897,486	273,551

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

PARENT COMPANY				
	2012		2011	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives not included in hedge accounting				
Negative closing value of interest-rate swaps	16,369,000	484,798	4,614,000	127,913
Negative closing value of cross-currency interest-rate swaps	4,806,116	344,542	-	-
Total	21,175,116	829,340	4,614,000	127,913
Derivatives included in hedge accounting				
Negative closing value of interest-rate swaps	11,020,000	164,435	4,720,000	74,717
Negative closing value of cross-currency interest-rate swaps	3,398,524	84,873	7,563,486	70,921
Total	14,418,524	249,308	12,283,486	145,638
Total	35,593,640	1,078,647	16,897,486	273,551

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

NOTE 28 OTHER LIABILITIES, SEK THOUSAND	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Tax liabilities	207	2,631	207	2629
Liabilities to Group companies	296,999	147,601	296,999	147,601
Accounts payable	18,979	15,217	18,979	15,217
Other liabilities	37,645	34,721	35,541	28,533
Total	353,830	200,170	351,726	193,980

NOTE 29 ACCRUED EXPENSES AND DEFERRED INCOME, SEK THOUSAND	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Accrued interest on liabilities to credit institutions	66	401	66	401
Accrued interest on borrowing from the public	650	593	650	593
Accrued interest on debt securities in issue	587,460	679,690	587,460	679,690
Accrued interest on derivatives	473,139	367,363	473,139	367,363
Accrued interest, intra-Group			70	1,435
Other accrued expenses	33,896	32,012	33,896	32,012
Deferred income	245	213	245	213
Total	1,095,455	1,080,271	1,095,526	1,081,706

NOTE 30	PROVISIONS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Provisions for pensions	12,067	20,358	3,477	4,263
	Total	12,067	20,358	3,477	4,263
	Discount rate	3.20 %	3.50 %		
	Expected return on assets	3.20 %	4.20 %		
	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, present value of pension obligations	320,316	300,290		
	Service cost	6,029	5,058		
	Interest expense	10,987	10,874		
	Expected pension payments	-12,552	-12,598		
	Actuarial gain/loss	11,864	16,692		
	Present value of pension obligations	336,644	320,316		
	Opening balance, plan assets	294,247	279,306		
	Expected return	12,367	12,530		
	Payments to fund	12,154	12,595		
	Expected pension payments	-12,552	-12,598		
	Actuarial gain/loss	-1,740	2,414		
	Closing balance, plan assets	304,476	294,247		
	Opening balance, net liability	26,069	20,984		
	Pension cost for year	4,649	3,402		
	Payments to fund	-12,154	-12,595		
	Actuarial gain/loss	13,604	14,278		
	Closing balance, net liability	32,168	26,069		
	Accumulated actuarial gain/loss	23,579	9,975		
	<i>Corridor value</i>	-32,032	-30,029		
	Recognised liability as of 31 December, 2012	8,589	16,094		
	Other pension liabilities	3,477	4,263	3,477	4,263
	Total recognised pension liability	12,067	20,357	3,477	4,263
	Specification of pension costs				
	Service cost	-6,029	-5,058		
	Interest expense	-10,987	-10,874		
	Expected return	12,367	12,530		
	Pension cost	-4,649	-3,402		

Provisions for pensions are recognised under general administrative expenses in profit or 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 present value of the obligations, after deductions for fair value of plan assets, amounted to MSEK 32.2 as of 31 December 2012. 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	
		2012	2011	2012	2011
	Deferred tax	-	31,328	-	31,328
	Total	-	31,328	-	31,328
	Opening deferred tax on property write-up	-	43,835	-	43,835
	Less deferred tax on property write-up	-	-43,835	-	-43,835
	Closing deferred tax on property write-up	-	-	-	-
	Opening deferred tax on property write-up IFRS	-31	846	-31	846
	Less deferred tax on property write-up IFRS	31	-877	31	-877
	Closing deferred tax on property write-up IFRS	-	-31	-	-31
	Opening deferred tax on fair-value reserve	31,359	0	31,359	0
	Add deferred tax on fair-value reserve	-	31,359	-	31,359
	Less deferred tax fair-value reserve	-31,359	-	-31,359	-
	Closing deferred tax on fair-value reserve	-	31,359	-	31,359
	Total deferred tax	-	31,328	-	31,328

			GROUP		PARENT COMPANY	
NOTE 32	SUBORDINATED LIABILITIES, SEK THOUSAND		2012	2011	2012	2011
Due date	Nominal amount	Interest				
2012/2017	350,000,000 SEK	3 months STIBOR +0.33 %	-	350,000	-	350,000
2017/2022	430,000,000 SEK	3 months STIBOR +3.85 %	430,000	-	430,000	-
2015/2020	200,000,000 SEK	Fixed interest 4.60 %	199,949	199,949	199,949	199,949
2014/2022	70,000,000 SEK	Fixed interest 5.82 %	69,972	-	69,972	-
Total			699,921	549,949	699,921	549,949

NOTE 33	CHANGES IN EQUITY, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Change in hedging reserve				
	Hedging reserve, opening balance	-25,398	-166	-25,398	-166
	Change in fair value	-49,015	-38,157	-49,015	-38,157
	Transfer to profit or loss	-4,995	3,920	-4,995	3,920
	Tax on change for the year	10,400	9,005	10,400	9,005
	Hedging reserve, closing balance	-69,008	-25,398	-69,008	-25,398
	Change in fair value reserve				
	Fair-value reserve, opening balance	87,877	-67,757	87,877	-67,757
	Change in fair value	18,811	211,172	18,811	211,172
	Transfer to profit or loss	-100,712	-	-100,712	-
	Tax on change for the year	21,540	-55,538	21,540	-55,538
	Tax adjustment on preceding year's change	-4,772	-	-4,772	-
	Fair-value reserve, closing balance	22,744	87,877	22,744	87,877
	Total reserves at year-end	-46,263	62,480	-46,263	62,480

NOTE 34	MEMORANDUM ITEMS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
	Pledged assets	None	None	None	None
	Contingent liabilities				
	Försäkringsbolaget Pensionsgaranti, FPG	70	85	70	85
	Flexible first lien mortgage loans, granted unutilised amount	475,367	530,499	475,367	530,499
	Total	475,437	530,584	475,437	530,584
	Guarantees and other commitments				
	Sparbanken Öresund, overdraft facility	137,255	96,895	-	-
	Energisystem i Sverige AB, environmental guarantee	-	100,000	-	-
	Total	137,255	196,895	-	-

FINANCIAL CORPORATE GROUP				
NOTE 35	CAPITAL ADEQUACY ANALYSIS, SEK THOUSAND	Basel II	Transitional rules	Basel I
	Tier 1 capital	3,971,166	3,971,166	4,032,911
	Share capital paid in or equivalent, after deduction for cumulative preference shares	1,232,232	1,232,232	1,232,232
	Equity component of reserves and profit or loss brought forward from preceding financial year	2,764,851	2,764,851	2,764,851
	Net profit for the year	72,235	72,235	72,235
	Deduction for deferred tax assets	-22,349	-22,349	-22,349
	Intangible non-current assets	-35,312	-35,312	-14,058
	Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act	-40,491	-40,491	-
	Tier 2 capital	659,430	659,430	699,921
	Subordinated term loans in accordance with Chapter 8, Sections 18-30	699,921	699,921	699,921
	Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act	-40,491	-40,491	-
	Capital base	4,630,596	4,630,596	4,732,832
	Capital requirement for credit risks in accordance with the standardised method	552,610	552,610	5,014,057
	Exposure to governments and central banks	0	0	-
	Municipalities, similar entities and authorities	0	0	-
	Institutional exposure	101,498	101,498	-
	Corporate exposure	251,567	251,567	-
	Retail exposure	26,062	26,062	-
	Non-performing items	2,193	2,193	-
	Covered bonds	171,289	171,289	-
	Other items	0	0	-
	Capital requirement for credit risks in accordance with IRB	420,620	420,620	-
	Retail – real property credits	416,094	416,094	-
	Non credit-obligation assets	4,526	4,526	-
	Capital requirement for operational risks – Base method	95,248	95,248	-
	Additional capital requirement in accordance with transitional rules	-	2,861,786	-
	Capital requirement	1,068,478	3,930,264	5,014,057
	Capital adequacy ratio	4.33	1.18	0.94
	Capital adequacy	34.67 %	9.43 %	7.55 %
	Tier 1 capital adequacy	29.73 %	8.08 %	6.43 %
	IRB deduction			
	Anticipated loss amount in excess of provisions	-80,982		

Capital adequacy ratio = Capital base/Capital requirement

PARENT COMPANY

CONT.	NOTE 35, CAPITAL ADEQUACY ANALYSIS, SEK THOUSAND	Basel II	Transitional rules	Basel I
Tier 1 capital		3,803,917	3,803,917	3,865,662
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		1,721,815	1,721,815	1,721,815
Net profit for the year		250,447	250,447	250,447
Deduction for deferred tax assets		-19,542	-19,542	-19,542
Intangible non-current assets		-35,312	-35,312	-14,058
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-40,491	-40,491	-
Tier 2 capital		659,430	659,430	699,921
Subordinated term loans in accordance with Chapter 8, Sections 18-30		699,921	699,921	699,921
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-40,491	-40,491	-
Capital base		4,463,347	4,463,347	4,565,583
Capital requirement for credit risks in accordance with the standardised method		510,397	510,397	4,975,168
Exposure to governments and central banks		0	0	-
Municipalities, similar entities and authorities		0	0	-
Institutional exposure		98,626	98,626	-
Corporate exposure		227,537	227,537	-
Retail exposure		11,754	11,754	-
Non-performing items		1,191	1,191	-
Covered bonds		171,289	171,289	-
Other items		0	0	-
Capital requirement for credit risks in accordance with IRB		444,111	444,111	-
Retail – real property credits		416,094	416,094	-
Non credit-obligation assets		28,017	28,017	-
Capital requirement for operational risks – Base method		92,425	92,425	-
Additional capital requirement in accordance with transitional rules		-	2,852,219	-
Capital requirement		1,046,933	3,899,152	4,975,168
Capital adequacy ratio		4.26	1.14	0.92
Capital adequacy		34.11 %	9.16 %	7.34 %
Tier 1 capital adequacy		29.07 %	7.80 %	6.22 %
IRB deduction				
Anticipated loss amount in excess of provisions		-80,982		

Capital adequacy ratio = Capital base/Capital requirement

NOTE 36	FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, SEK THOUSAND					GROUP
2012	Measured at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Other financial liabilities	Liabilities in fair value hedges adjusted for the fair value of hedged risk	Derivatives identified as hedging instruments
Assets						
Cash and balances with central banks			45,400			
Loans to credit institutions			642,194			
Loans to the public			58,884,842			
Bonds and other interest-bearing securities	9,653,841	6,061,716				
Derivatives	49,260					962,462
Total financial assets	9,703,101	6,061,716	59,572,436	-	-	962,432
Financial liabilities						
Liabilities to credit institutions				620,419		
Borrowing from the public				1,579,308		
Debt securities in issue, etc.				46,266,245	21,936,869	
Derivatives	829,340					249,308
Subordinated liabilities				699,921		
Total financial liabilities	829,340	-	-	49,165,893	21,936,869	249,308

2011	Measured at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Other financial liabilities	Liabilities in fair value hedges adjusted for the fair value of hedged risk	Derivatives identified as hedging instruments
Assets						
Cash and balances with central banks			6,374			
Loans to credit institutions			164,561			
Loans to the public			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	7,440,868	55,750,535	-	-	473,644
Financial liabilities						
Liabilities to credit institutions				162,157		
Borrowing from the public				312,453		
Debt securities in issue, etc.				44,039,829	20,265,710	
Derivatives	127,913					145,638
Subordinated liabilities				549,949		
Total financial liabilities	127,913	-	-	45,064,388	20,265,710	145,638

CONT.	NOTE 36, FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, SEK THOUSAND					PARENT COMPANY
2011	Measured at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Other financial liabilities	Liabilities in fair value hedges adjusted for the fair value of hedged risk	Derivatives identified as hedging instruments
Assets						
Cash and balances with central banks			45,400			
Loans to credit institutions			634,326			
Loans to the public			58,613,225			
Bonds and other interest-bearing securities	9,653,841	6,061,716				
Derivatives	49,260					962,432
Total financial assets	9,703,101	6,061,716	59,292,951	-	-	962,432
Financial liabilities						
Liabilities to credit institutions				620,419		
Borrowing from the public				1,579,308		
Debt securities in issue, etc.				46,266,245	21,936,869	
Derivatives	829,340					249,308
Subordinated liabilities				699,921		
Total financial liabilities	829,340	-	-	49,165,893	21,936,869	249,308

2011	Measured at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Other financial liabilities	Liabilities in fair value hedges adjusted for the fair value of hedged risk	Derivatives identified as hedging instruments
Assets						
Cash and balances with central banks			6,374			
Loans to credit institutions			145,106			
Loans to the public			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	7,440,868	55,454,816	-	-	473,644
Financial liabilities						
Liabilities to credit institutions				487,157		
Borrowing from the public				312,453		
Debt securities in issue, etc.				44,039,829	20,265,710	
Derivatives	127,913					145,638
Subordinated liabilities				549,949		
Total financial liabilities	127,913	-	-	45,389,388	20,265,710	145,638

NOTE 37 FAIR VALUE DISCLOSURES, SEK THOUSAND				GROUP	
	2012		2011		
	Carrying amount	Fair value	Carrying amount	Fair value	
Assets					
Cash and balances with central banks	45,400	45,400	6,374	6,374	
Loans to credit institutions	642,194	642,194	164,561	164,561	
Loans to the public*	58,884,842	57,886,359	55,579,600	54,287,539	
Bonds and other interest-bearing securities	15,715,556	15,715,556	13,237,314	13,237,314	
Derivatives	1,011,692	1,011,692	495,554	495,554	
Shares and participations	1	1	1	1	
Intangible non-current assets	35,312	35,312	14,058	14,058	
Tangible assets					
Furniture, fixtures and equipment	5,424	5,424	1,788	1,788	
Buildings and land	15,116	27,100	15,735	35,200	
Other assets	234,767	234,767	357,958	357,958	
Deferred tax assets	22,349	22,349	18,278	18,278	
Prepaid expenses and accrued income	858,434	858,434	912,455	912,455	
Total assets	77,471,087	76,484,588	70,803,676	69,531,080	
Liabilities and Provisions					
Liabilities to credit institutions	620,419	620,419	162,157	162,157	
Borrowing from the public	1,579,308	1,579,308	312,453	312,477	
Debt securities in issue, etc.	68,203,114	68,492,857	64,305,539	65,008,457	
Derivatives	1,078,647	1,078,647	273,551	273,551	
Other liabilities	353,830	353,830	200,170	200,170	
Accrued expenses and deferred income	1,095,455	1,095,455	1,080,271	1,080,271	
Provisions	12,067	12,067	51,685	51,685	
Subordinated liabilities	699,921	797,892	549,949	564,428	
Total liabilities	73,642,761	74,030,475	66,935,775	67,653,196	

PARENT COMPANY				
	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	45,400	45,400	6,374	6,374
Loans to credit institutions	634,326	634,326	145,106	145,106
Loans to the public*	58,613,225	57,606,359	55,303,336	54,001,503
Bonds and other interest-bearing securities	15,715,556	15,715,556	13,237,314	13,237,314
Derivatives	1,011,692	1,011,692	495,554	495,554
Shares and participations	1	1		
Shares in Group companies	280,753	280,753	514,827	514,827
Intangible non-current assets	35,312	35,312	14,058	14,058
Tangible assets				
Furniture, fixtures and equipment	5,424	5,424	1,788	1,788
Buildings and land	15,116	27,100	15,735	35,200
Other assets	250,237	250,237	351,102	351,102
Deferred tax assets	19,542	19,542	9,063	9,063
Prepaid expenses and accrued income	858,582	858,582	910,984	910,984
Total assets	77,485,166	76,490,284	71,005,241	69,722,873
Liabilities and Provisions				
Liabilities to credit institutions	620,419	620,419	487,157	487,216
Borrowing from the public	1,579,308	1,579,308	312,453	312,477
Debt securities in issue, etc.	68,203,114	68,492,857	64,305,539	65,008,457
Derivatives	1,078,647	1,078,647	273,551	273,551
Other liabilities	351,726	351,726	193,980	193,980
Accrued expenses and deferred income	1,095,526	1,095,526	1,081,706	1,081,706
Provisions	3,477	3,477	35,592	35,592
Subordinated liabilities	699,921	797,892	549,949	564,428
Total liabilities	73,632,137	74,019,852	67,239,926	67,957,407

* The difference between carrying amount and fair value stems from changes in market interest rates.

NOTE 38	FAIR-VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS, SEK THOUSAND							GROUP
	Level 1	2012		Total	Level 1	2011		Total
		Level 2	Level 3			Level 2	Level 3	
Financial assets at fair value through profit or loss								
Bonds and other interest-bearing securities	9,653,841			9,653,841	5,796,446			5,796,446
Derivatives		49,260		49,260		21,910		21,910
Derivatives identified as hedging instruments								
Derivatives		962,432		962,432		473,644		473,644
Available-for-sale financial assets								
Bonds and other interest-bearing securities	2,380,793	3,680,923		6,061,716	4,548,435	2,892,433		7,440,868
Total assets measured at fair value	12,034,633	4,692,615	-	16,727,248	10,344,880	3,387,987	-	13,732,867
Financial liabilities at fair value through profit or loss								
Derivatives		829,340		829,340		127,913		127,913
Derivatives identified as hedging instruments								
Derivatives		249,308		249,308		145,638		145,638
Total liabilities measured at fair value	-	1,078,647	-	1,078,647	-	273,551	-	273,551

PARENT COMPANY								
	Level 1	2012 Level 2	Level 3	Total	Level 1	2011 Level 2	Level 3	Total
Financial assets at fair value through profit or loss								
Bonds and other interest-bearing securities	9,653,841			9,653,841	5,796,446			5,796,446
Derivatives		49,260		49,260		21,910		21,910
Derivatives identified as hedging instruments								
Derivatives		962,432		962,432		473,644		473,644
Available-for-sale financial assets								
Bonds and other interest-bearing securities	2,380,793	3,680,923		6,061,716	4,548,435	2,892,433		7,440,868
Total assets measured at fair value	12,034,633	4,692,615	-	16,727,248	10,334,880	3,387,987	0	13,732,867
Financial liabilities at fair value through profit or loss								
Derivatives		829,340		829,340		127,913		127,913
Derivatives identified as hedging instruments								
Derivatives		249,308		249,308		145,638		145,638
Total liabilities measured at fair value	-	1,078,647	-	1,078,647	-	273,551	-	273,551

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

Level 2: Valuation technique based on observable input data.

Level 3: Valuation technique based on significant non-observable input data.

NOTE 39	ASSETS AND LIABILITIES BY SIGNIFICANT CURRENCIES, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
ASSETS					
EUR		-	9,883	-	9,883
Loans to the public		-	9,883	-	9,883
EUR		-	3,738	-	3,738
Loans to credit institutions		-	3,738	-	3,738
TOTAL ASSETS		-	13,621	-	13,621
LIABILITIES					
EUR		-	13,871	-	13,871
Liabilities to credit institutions		-	13,871	-	13,871
CHF		2,843,601	3,293,061	2,843,601	3,293,061
EUR		3,194,008	3,308,871	3,194,008	3,308,871
NOK		8,140,161	8,826,599	8,140,161	8,826,599
Debt securities in issue		14,177,770	15,428,531	14,177,770	15,428,531
TOTAL LIABILITIES		14,177,770	15,442,401	14,177,770	15,442,401

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	
		2012	2011	2012	2011
Other operating income		2,147	246,496	2,128	245,874
Shares sold		-	-232,715	-	-232,715
Total		2,147	13,781	2,128	13,159

NOTE 41	CHANGES IN CASH AND CASH EQUIVALENTS, SEK THOUSAND	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
Cash and balances at beginning of year		6,374	5,393	6,374	5,393
Loans to credit institutions at beginning of year, payable on demand		164,561	216,144	145,106	201,416
Cash and balances at year-end		45,400	6,374	45,400	6,374
Loans to credit institutions at year-end, payable on demand		79,730	164,561	71,868	145,106
Total change in cash and cash equivalents		-45,805	-50,602	-34,212	-55,329

Appropriation of Earnings

Retained earnings	768,880,472 SEK
Group contribution to Landshypotek ekonomisk förening	-149,281,600 SEK
Tax effect of Group contribution	39,261,061 SEK
Total	658,859,933 SEK
Net profit for 2012	250,477,403 SEK
At the disposal of the Annual General Meeting	909,337,336 SEK

Conditional on the approval of the Annual General Meeting, a Group contribution has been paid in the amount of SEK 149,281,600, which has reduced unrestricted equity as of the balance-sheet date by SEK 110,020,539 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 1.14, 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 909,337,336, 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 12 March 2013

Henrik Toll
Chairman

Lars-Åke Folkmer
Member

Catharina Lagerstam
Member

Johan Löwen
Member

Nils-Fredrik Nyblaeus
Member

Charlotte Önnestedt
Member

Kjell Hedman
Managing Director

Our auditors' report was submitted on 12 March 2013

Ulf Westerberg
Authorised Public Accountant

Christina Asséus-Sylvén
Authorised 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 2012, 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 10-60.

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 2012 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 2012 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 2012. 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 the Banking and Financing Business Act as well as 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, 12 March 2013

Ulf Westerberg
Authorised Public Accountant

Christina Asséus-Sylvén
Authorised Public Accountant

Board of Directors and Auditors



Henrik Toll

b 1954, Sorunda, Agrologist, Chairman of Landshypotek 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.



Lars-Åke Folkmer

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



Catharina Lagerstam

b 1962, Stockholm, PhD (Econ.), graduate engineer, Director of Landshypotek AB. Director of Kommuninvest i Sverige AB, StyrelseAkademin i Stockholm and Retail Finance AB. Vice Chairman of Stiftelsen Franska skolan. Director of Franska skolans Fastighetsstiftelse and Fastighetsaktiebolaget Fattighuset. Chairman of Quaestus AB. Member of the Swedish Armed Forces Supervisory Council.



Johan Löwen

b 1959, Nyköping, graduate engineer, Director of Landshypotek 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. 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, Euroclear SA/Plc and the Austin-Healey Club of Sweden.



Charlotte Önnestedt

b 1963, Ödeshög, Agrologist and Director of Landshypotek AB.

Auditors

Christina Asséus-Sylvén

Sollentuna, Authorised Public Accountant.

Ulf Westerberg

Stockholm, Authorised Public Accountant.

Deputy Auditors

Martin By

Nacka, Authorised Public Accountant.

Helena Kaiser de Carolis

Stockholm, Authorised Public Accountant.

Senior Management



Kjell Hedman
Managing Director



Göran Abrahamsson
Chief Membership Officer



Johanna Bentzer
Chief Risk Control Officer



Annelie von Dahn
HR Manager



Fredrik Enhörning
Chief Sales Officer



Per Ivarsson
CIO



Björn Ordell
Chief Financial Officer



Tomas Uddin
Chief Communications Officer



Ulrika Valassi
Chief Credit Officer



Annika Vangstad
Chief Market Officer



Catharina Åbjörnsson Lindgren
Chief Legal Officer



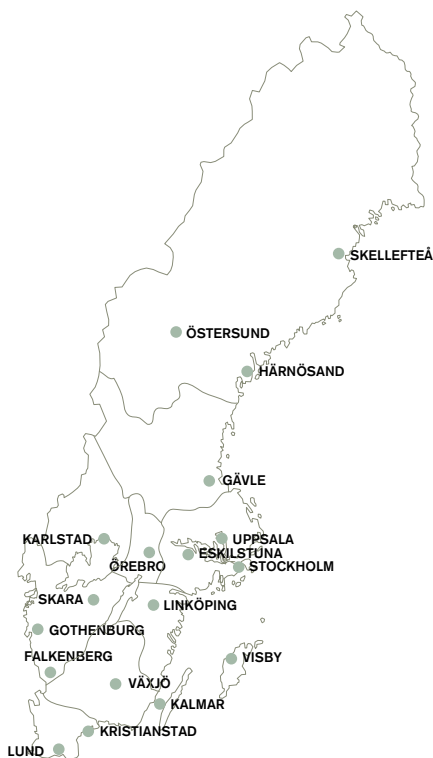


LANDSHYPOTEK

EKONOMISK FÖRENING 2012

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 12 March 2013, 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 Association Meeting on 15 May 2013.

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 lien 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 2012, the company was 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 investors.

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 2012, operations were conducted by the following corporate entities:

- Landshypotek ekonomisk förening
- Landshypotek AB
- Landshypotek Jordbrukskredit AB

Organisation

Landshypotek has 118 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

2012 was a good growing year. Crop growers reported good yields and some growers recorded their best yields ever. However, certain areas in Sweden were affected by heavy rainfall and flooding, which had a negative impact on yields. In general, profitability was favourable for crop growers.

For dairy companies, the year was dominated by declining prices. A falling milk price, combined with rising prices for compound feed, put pressure on profitability both in Sweden and in the rest of the global market. However, the situation improved slightly in the fourth quarter due to lower inventory volumes, which pushed up market prices.

Profitability for beef is declining slightly. While settlement prices in Sweden are among the highest in the EU, prices for feed and purchase of animals also increased.

Following a period of economic strain, 2012 was a better year for pork producers. Settlement prices increased, but the price of cereals, feed materials and other input materials also rose. Accordingly, profitability did not improve in line with rising settlement prices. The strong SEK also had an adverse impact on profitability due to increased meat imports.

Profitability in forestry declined due to lower prices for timber and pulp wood. However, pulp wood prices, which declined in early 2012, recovered in the fourth quarter.

Price trends for forestry and agricultural properties

In 2012, the price of forestry properties declined for the first time in 15 years, primarily attributable to falling timber prices. However, there were major differences throughout Sweden.

The price of agricultural properties also declined slightly during 2012. The regional differences were also great and prices for prime arable land continued to rise, while a certain decline was noted for land in less favourable locations and for smaller farms located far from urban areas.

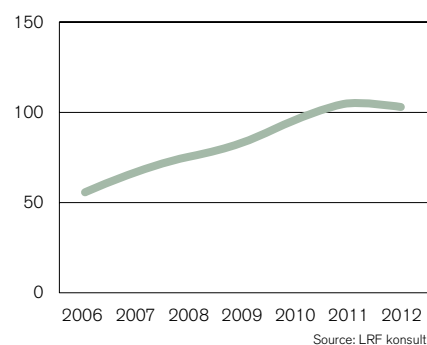
Landshypotek's development

Landshypotek increased its net lending by SEK 3.3 billion during 2012, corresponding to lending growth of 5.9 percent, compared with 7.4 percent in 2011. Demand for credit from Sweden's forestry and agricultural sector remained high. However, the pace of growth, about 8 percent, was slightly lower than in preceding years. Demand was primarily driven by the ongoing structural transformation of the Swedish forestry and agricultural sector.

Landshypotek's core business focuses on offering farm and forest owners the market's most attractive first lien mortgages. Many customers appreciate the simplicity of turning to just one contact for all of their banking and financing requirements. Landshypotek offers these services in collaboration with a network of partners. During 2012, collaboration with Landshypotek's new partner for finance company services was highly successful. With an expanded market presence and broader product offering, Landshypotek aims to grow in pace with the market.

Actual prices for arable land

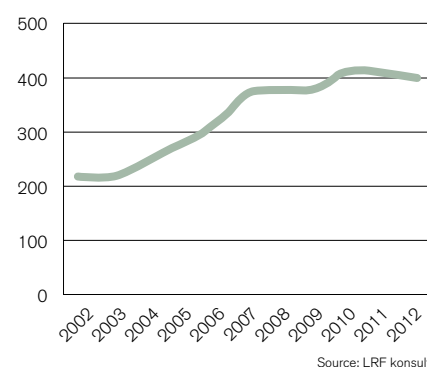
SEK thousand/hectare



Average prices for arable land declined 4 percent in 2012.

Actual price trend for forest 2002 to 2012

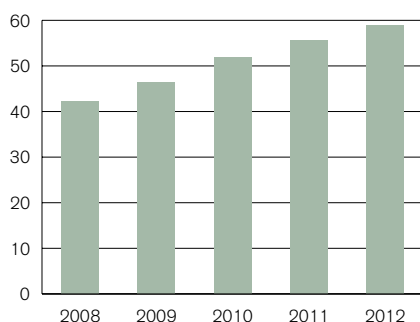
SEK/m³fo



The average price of forest properties was SEK 399/m³ in Sweden as a whole in 2012.

Loans to the public

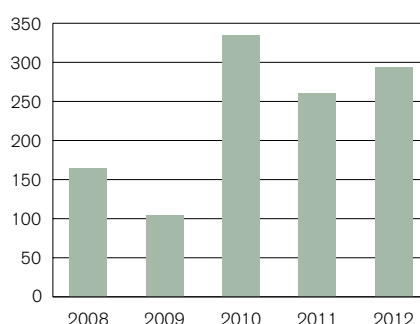
SEK billion



At 31 December 2012, Landshypotek's loans to the public totalled MSEK 58,885. During the year, lending increased 5.9 percent.

Operating profit excl. net result of financial transactions and property transactions

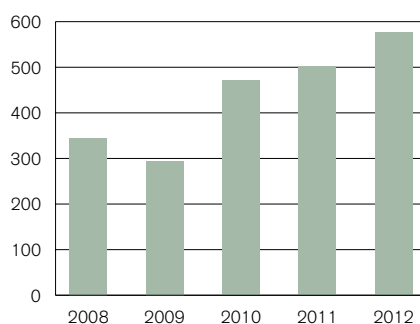
MSEK



Operating profit excl. net result of financial transactions and property transactions amounted to MSEK 292.9 in 2012. The increase in profit was mainly attributable to higher net interest income.

Net interest income

MSEK



In 2012, net interest income amounted to MSEK 575.8. The size of net interest incomes is determined by the lending volume, the margin between borrowing and lending interest rates and the return received on equity.

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 business area are:

- good knowledge of customers' business,
- products that satisfy customers' requirements,
- elected appraisers who can accurately value our 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, SEK thousand**

	2012	2011
Net interest income, SEK thousand	575,847	502,060
Interest margin, %	1.01 %	0.94 %
Other operating income excl. property transactions, SEK thousand	-56,234	-409
Costs, SEK thousand	-253,606	-237,043
C/I ratio	0.45	0.47
Loan losses, SEK thousand	-22,117	-8,910
Loan loss level, %	0.04 %	0.02 %
Operating profit, SEK thousand	243,890	490,699
Operating profit excl. net result of financial transactions and property transactions, SEK thousand	292,947	259,480

Consolidated operating profit in 2012 amounted to MSEK 243.9, down MSEK 246.8 compared with 2011 (MSEK 490.7). Excluding "Net result of financial transactions" and property transactions, operating profit amounted to MSEK 292.9 (259.5), up MSEK 33.4 compared with 2011. The improvement in profit was attributable to an increase in net interest income and commission income. Rising costs and an increase in recognised net loan losses had a negative impact on profit.

Net interest income

Net interest income in 2012 amounted to MSEK 575.8, an increase of MSEK 73.7 or about 15 percent, compared with 2011 (MSEK 502.1). The increase was attributable to increased lending and wider margins between interest rates on borrowing and lending.

Other operating income

Operating income, excluding net interest income, amounted to a negative MSEK 56.2, down MSEK 290.8 compared with 2011. The decline was primarily attributable to a capital gain recognised by Landshypotek in 2011 from the sale of an operating property at an amount of approximately MSEK 235. Property transactions (excluding property sales) declined MSEK 9.8 and "Net result of financial transactions" declined MSEK 45.7 compared with 2011. "Net result of financial transactions" included realised results from the purchase and sale of financial instruments, as well as the result from the early redemption of own bonds. In addition, this item also includes the result from the revaluation of certain financial instruments. In 2012, "Net result of financial transactions" amounted to a negative MSEK 49.1 (3.4). Of this amount, MSEK 24.8 accounted for unrealised result. The unrealised result mainly comprised the revaluation of cross-currency

interest-rate swaps, at a negative amount of MSEK 20.0. Realised result comprises the early redemption of bonds issued, premature closure of hedges and sales from the liquidity portfolio. Early redemption is carried out to extend the duration of Landshypotek's liabilities, whereby bonds with a short remaining time to maturity are prematurely redeemed and replaced by bonds with a considerably longer maturity. The early redemption further strengthens Landshypotek's balance sheet and reduces the average borrowing cost.

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 a negative MSEK 108.7 (+130.4) in 2012. Furthermore, during 2012, fees to the Swedish National Debt Office's stabilisation fund were charged to operating profit in an amount of MSEK 23.8. The corresponding item in 2011 was MSEK 21.7.

Costs

Costs in 2012 amounted to MSEK 253.6 (237.0). The increase in costs of MSEK 16.6 was mainly attributable to the ongoing implementation of a new business system.

Loan losses and doubtful credits

Recognised loan losses amounted to MSEK 22.1 (8.9), net, corresponding to 0.04 percent of Landshypotek's total loans outstanding. Confirmed loan losses amounted to MSEK 6.6 (5.9). Provisions for probable loan losses amounted to MSEK 32.8 (19.3). Recoveries of previously confirmed losses, or reversals of previous provisions for probable loan losses, amounted to a negative MSEK 17.3 (neg: 16.3).

On 31 December 2012, doubtful credits after provisions amounted to MSEK 83.1 (52.4), corresponding to 0.14 percent (0.09) of total loans outstanding. All customers who fall into the doubtful credits category are subject to individual testing and analysis for potential provisions. Landshypotek's provision method remains unchanged.

From a portfolio perspective, the level of loan losses and proportion of doubtful credits remained low. The year was characterised by higher provisions for probable losses and doubtful credits. Landshypotek sees no general trend toward reduced payment capacity in our total sector. Certain sectors and geographic areas experienced pressure on profitability during 2012, which had a negative effect on the repayment capacity of individual customers, such as the dairy industry's low settlement prices and cereal growers' uneven yields throughout Sweden.

For those farmers who chose to sell their agricultural properties for various reasons, the property market in some areas and/or business activities proved more slow-moving than in preceding years. This lower turnover rate, with fewer interested parties in agricultural properties, had a certain effect on the increase in provisions for probable loan losses.

Financial structure

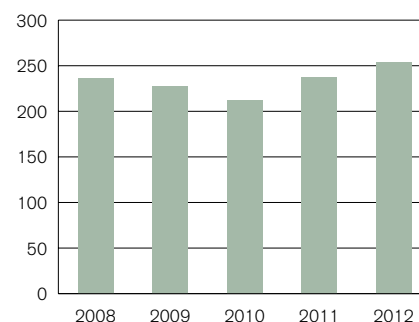
The balance sheet total rose 9.2 percent to MSEK 77,345 (70,821), due to increased lending to the public and a larger holding of interest-bearing securities.

Assets

The largest asset item in the balance sheet is "Loans to the public", which amounted to MSEK 58,885 (55,580). More information about

Costs

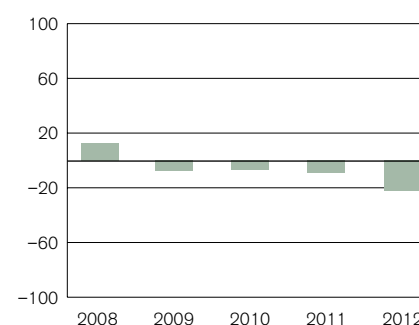
MSEK



In 2012, costs amounted to MSEK 253.6. The increase is principally linked to the implementation of a new business system, enabling new product and service offerings.

Loan losses

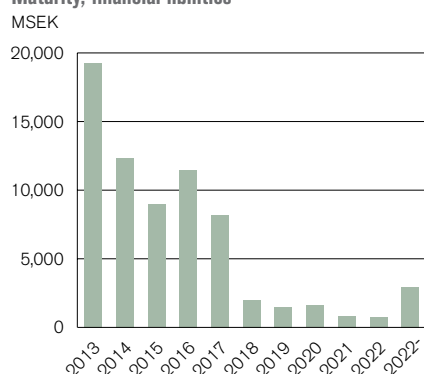
MSEK



Loan losses amounted to MSEK 22.1, equivalent to 0.04 percent of lending.



Maturity, financial liabilities



Landshypotek's lending to the public can be found in the Risk and Capital Management section.

At the end of 2012, Landshypotek's holding of interest-bearing securities amounted to MSEK 15,716 (13,237). The portfolio consists principally of covered bonds issued by Swedish institutions with top credit ratings and, to a certain degree, of 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 difference in terms of fixed interest and currency risks between assets and liabilities. At year-end 2012, the nominal value of the Group's derivatives contracts amounted to MSEK 56,912. Additional information about the derivatives contracts can be found in Notes 16 and 27. Positive market values entail counterparty risk. In order to address the uncertainty of future market development, credit risk exposure is calculated. A standard amount is then added to the market value depending on the type of contract and 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 the derivatives contracts totalled MSEK 2,081 (1,983).

At 31 December 2012, tangible and intangible non-current assets amounted to MSEK 56 (32). The increase is mainly attributable to the ongoing implementation of a new business system.

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. Furthermore, funding is also obtained via borrowings from credit institutions. At the end of 2012, bond and money market instruments in issue amounted to MSEK 68,203 (64,306). Borrowing from the public amounted to MSEK 1,552 (428) and borrowing from credit institutions to MSEK 692 (193).

Equity

At year-end 2012, Landshypotek had equity of MSEK 4,023 (3,907). During 2012, equity grew by MSEK 116. 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.

Financial structure

Consolidated Balance Sheet

Assets, MSEK

Loans to credit institutions	692
Loans to the public	58,885
Bonds and other interest-bearing securities	15,716
Derivatives	1,012
Non-current assets	56
Other assets	985
	77,345

Liabilities, MSEK

Liabilities to credit institutions	620
Borrowing/deposits from the public	1,552
Debt securities in issue	68,203
Derivatives	1,079
Other liabilities	1,867
Equity	4,023
	77,345

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 interest-bearing securities. Landshypotek's primary source of funding during the year was covered bonds.

In 2012, covered bonds were issued in an amount of approximately SEK 27 billion.

Programme	Utilised nominal amount 31 Dec. 2012	Limit	Utilised nominal amount 31 Dec. 2011
Swedish commercial paper	4,005	10,000	3,650
MTN programme	42,530	50,000	35,710
EMTN programme	17,105	29,545 *	20,729
Registered Covered Bonds (RCB)	3,206		3,322
Subordinated loans	700		550

* MEUR 3,500

Rating

Landshypotek has a credit rating from two rating agencies, Standard & Poor's and Fitch. In 2012, Standard & Poor's confirmed its AAA credit rating for covered bonds and A, A-1, K1 for the company. Fitch confirmed its A+, F1 credit ratings for the company. Landshypotek deemed evaluations from two different agencies to be sufficient and thus, in 2012, chose to terminate its collaboration with Moody's.

Capital situation

When calculating the capital requirement, without the transitional rules relating to Basel I, Landshypotek applies the rules for the Internal Ratings-Based (IRB) Approach to the majority of its credit-risk exposures. For other exposures, the standardised approach is used. Landshypotek applies the Basic Indicator approach to measure operational risk. Landshypotek has no Pillar 1 capital requirement for market risk.

At 31 December 2012, the capital base was MSEK 4,631. On the same date, the Pillar I capital requirement was MSEK 1,068 and the capital adequacy ratio was 4.3, without the transitional rules under Basel I. According to the initial Basel II rules, the transitional rules linked to the Basel I rules were to disappear by 1 January 2010, but this date was extended and the transitional rules still apply. Under these rules, Landshypotek has a considerably higher capital requirement, resulting in a capital adequacy ratio of 1.2. Additional information can be found in Note 35.

Group contributions

A Group contribution will be rendered, contingent upon the approval of the Annual General Meeting, in the amount of MSEK 149 (145) to the Parent Association, Landshypotek ekonomisk förening.

Events after year-end

In Landshypotek AB, notification of a General Meeting has been issued for a resolution concerning a rights issue to Landshypotek ekonomisk förening.

Rating	Long	Short
Standard & Poor's covered bonds	AAA	
Standard & Poor's	A	A-1, K1
Fitch	A+	F1

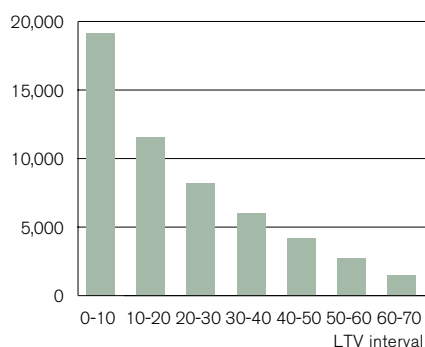


Our vision is to be the preferred partner with a complete range of financial services in agriculture and forestry in Sweden.

Landshypotek's covered bonds



Lending volume per LTV interval
MSEK



Of Landshypotek's lending, 58 percent takes place against collateral where the loan amount is less than 20 percent of the value of the collateral. Only 3 percent of lending is against collateral where the loan amount is 70 percent of the value of the collateral.

Covered bonds are bonds that carry a preferential right in a defined cover pool. At 31 December 2012, Landshypotek had covered bonds in issue at a value of SEK 57.5 billion. Assets in the cover pool corresponding to SEK 69.4 billion are in place as collateral for these bonds.

Cover pool and covered bonds

Cover pool

Loans	SEK 56.2 billion
Supplemental collateral	SEK 13.2 billion
	SEK 69.4 billion

Covered bonds

Issued in SEK	SEK 42.5 billion
Issued in foreign currency	SEK 15.0 billion
	SEK 57.5 billion

Excess collateral	20.8 %	SEK 12.0 billion
--------------------------	--------	------------------

Landshypotek has two programmes for issuing covered bonds, a Swedish MTN programme with a limit of SEK 50 billion and an international EMTN programme with a limit corresponding to SEK 29.5 billion. Covered bonds are Landshypotek's most important source of financing and in 2012, covered bonds were issued in an amount of SEK 26.7 billion. Landshypotek's covered bonds have an AAA credit rating from the rating agency Standard & Poor's.

The cover pool comprises loans with Swedish forestry and agricultural properties as collateral, and supplemental collateral. The supplemental collateral comprises covered bonds issued by other credit institutions, and bonds issued by Swedish municipalities

Key ratios, collateral base

LTV – Loan-to-value ratio

Average volume-weighted LTV	43.0 %
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Number of pledged properties	34,974
-------------------------------------	--------

Number of borrowers	46,938
----------------------------	--------

Number of loans	131,663
------------------------	---------

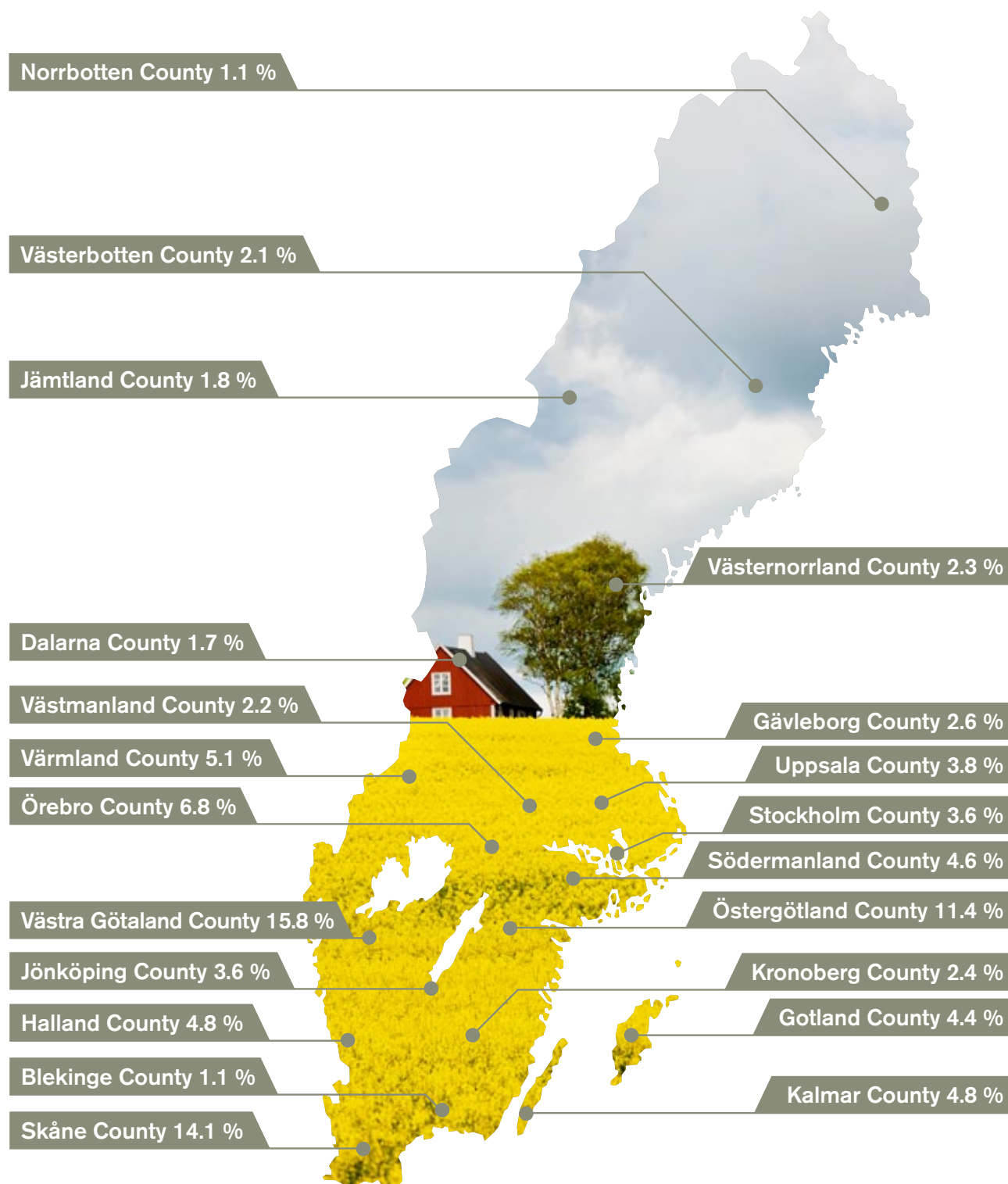
Supplemental collateral

Swedish covered bonds	SEK 9.6 billion
Swedish municipalities	SEK 3.7 billion

The table above shows some important key ratios for the cover pool. LTV shows loan amounts in relation to the value of the collateral. Accordingly, an LTV of 43.0 percent entails that Landshypotek's customers' loans amount to an average value of 43.0 percent of their farms. Landshypotek has 46,938 borrowers and 34,974 pledged properties. In many cases, the difference is attributable to a man and wife jointly pledging their property. The number of loans amounts to 131,663. This means that many customers have more than one loan.

Geographic distribution of lending

*Landshypotek's lending has a favourable geographic distribution.
Most lending is to farms in the traditional agricultural counties.*





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 10 May 2012. 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 was held on 10 May 2012.

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 2012 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 twelve members. The Board is elected each year at the Association Meeting for the period until the next Association Meeting. The Board comprises twelve members, one of whom is also a Board member of Landshypotek AB. Two members are employee representatives. The Board members in Landshypotek ekonomisk förening following the Association Meeting 2012 are listed on page 120. 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 is performed annually.

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, Lars Öhman and Anders Johansson.

Managing Director

The Managing Director bears responsibility for day-to-day operations and reports continuously 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 2012 appointed authorised public accountant Ulf Westerberg and the elected representatives Teri Lee Eriksson and Henrik Malmberg as auditors for the period until the next Association Meeting in 2013.

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 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 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 Officer

Income Statement

SEK THOUSAND	Note	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
Interest income		2,619,387	2,491,893	4,537	2,106
Interest expense		-2,043,540	-1,989,833	-6,519	-5,006
Net interest income	2	575,847	502,060	-1,982	-2,900
Group contributions received				149,282	145,400
Commission income	3	15,188	13,665		
Commission expense	4	-24,512	-22,238		
Net result of financial transactions	5	-49,057	-3,381		
Other operating income	6	2,147	246,544		49
Total operating income		519,613	736,651	147,300	142,549
General administrative expense	7	-233,448	-204,434	-10,021	-10,379
Depreciation, amortisation and impairment of tangible and intangible non-current assets	8	-2,206	-5,368		
Other operating expenses	9	-17,952	-27,239	-2,405	-9,923
Total expenses before loan losses		-253,606	-237,042	-12,426	-20,301
Profit before loan losses		266,007	499,609	134,874	122,247
Loan losses net	10	-22,117	-8,910		
Operating profit		243,890	490,699	134,874	122,247
Year-end appropriations	11	-134,874	-121,792	-134,874	-121,792
Tax on profit for the year	12	-36,781	13,999	-101	-431
Net profit for the year		72,235	382,906	-101	24
The Parent Association's share of profit for the year		100 %	100 %	100 %	100 %

Statement of Comprehensive Income

SEK THOUSAND	Note	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
Net profit for the year		72,235	382,906	-101	24
Other comprehensive income					
Cash-flow hedges		-54,010	-34,237		
Of which change in fair value		-49,015	-38,157		
Of which transfers to the income statement		-4,995	3,920		
Available-for-sale financial assets		-81,901	211,172		
Of which change in fair value		-100,712	211,172		
Of which transfers to the income statement		18,811	-		
Income tax related to other comprehensive income	12	27,168	-46,534		
Total other comprehensive income		-108,742	130,401	-	-
Comprehensive income for the year		-36,507	513,308	-101	24
The Parent Association's share of comprehensive income for the year		100 %	100 %	100 %	100 %

Balance sheet

		GROUP		PARENT ASSOCIATION	
SEK THOUSAND	Note	2012	2011	2012	2011
ASSETS					
Cash and balances with central banks		45,400	6,374		
Loans to credit institutions	13	646,489	186,918	31,199	167,227
Loans to the public	14	58,884,842	55,579,600		
Bonds and other interest-bearing securities	15	15,715,556	13,237,314		
Derivatives	16	1,011,692	495,554		
Shares and participations	17	2	2	1	1
Shares in Group companies	18			1,870,378	1,870,378
Intangible non-current assets	19	35,312	14,058		
Tangible assets					
Furniture, fixtures and equipment	20	5,424	1,788		
Buildings and land	20	15,116	15,735		
Other assets	21	104,006	352,533	300,038	150,427
Deferred tax asset	22	22,349	18,278		
Prepaid expenses and accrued income	23	858,400	912,658	718	796
TOTAL ASSETS	35, 36, 37, 38, 39	77,344,588	70,820,811	2,202,334	2,188,829
LIABILITIES AND EQUITY					
Liabilities					
Liabilities to credit institutions	24	620,419	162,157		
Borrowing from the public	25	1,552,308	427,791	-	260,338
Debt securities in issue, etc.	26	68,203,114	64,305,539		
Derivatives	27	1,078,647	273,551		
Other liabilities	28	59,720	63,472	136,723	19,155
Accrued expenses and deferred income	29	1,095,336	1,080,072	632	395
Provisions	30	12,067	20,358		
Deferred tax liabilities	31	-	31,328		
Subordinated liabilities	32	699,921	549,949		
Total liabilities		73,321,532	66,914,218	137,355	279,888
Equity					
Member contributions		1,232,232	1,076,094	1,232,232	1,076,094
Other contributed capital		1,797,796	1,797,796	713,399	713,399
Reserves	33	-46,263	62,480		
Retained earnings		967,055	587,318	119,449	119,425
Net profit for the year		72,235	382,906	-101	24
Total equity		4,023,056	3,906,594	2,064,979	1,908,941
TOTAL LIABILITIES AND EQUITY	35, 36, 37, 38, 39	77,344,588	70,820,811	2,202,334	2,188,829
Memorandum items					
	34				
– Pledged assets		None	None		
– Contingent liabilities and obligations		475,437	530,584		
– Guarantees and other commitments		137,255	196,895		

Statement of Changes in Equity

GROUP, SEK THOUSAND							
	Contribution capital added	Voluntary contribution	Other contributed capital	Hedging reserve ¹	Fair-value reserve ¹	Retained earnings	Total
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 year				-25,232	155,634	382,905	513,308
Total change before transactions with owners	-	-	-	-25,232	155,634	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
Interest on capital contribution accounts ²	30,954						30,954
Preliminary tax deducted ²	-8,922						-8,922
Disbursement of surplus contribution funds ²	-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	-	1,797,796	-25,398	87,877	970,224	3,906,594
Equity as of 31 December 2011	1,076,094	-	1,797,796	-25,398	87,877	970,224	3,906,594
Comprehensive income for the year				-43,610	-65,132	72,235	-36,507
Total change before transactions with owners	-	-	-	-43,610	-65,132	72,235	-36,507
Dividends/Group contributions paid						-4,300	-4,300
Tax on Group contributions paid						1,131	1,131
Contribution capital paid in/disbursed during year	-158,033	309,812					151,779
Regular dividend ³	134,950						134,950
Dividend paid to member account ⁴	-15,956						-15,956
Disbursement of surplus contribution funds ³	-81,763						-81,763
Regular disbursements	-32,872						-32,872
Equity as of 31 December 2012	922,420	309,812	1,797,796	-69,008	22,745	1,039,290	4,023,056

¹ See note 33.

² 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.

³ Dividends stay in the contribution account until it reaches the contribution ceiling of 4 percent.

⁴ For any member who has not reached the contribution ceiling, 30 percent of the member's dividends are paid to the member's account.

Continued: **Statement of Changes in Equity**

PARENT ASSOCIATION, SEK THOUSAND							
	Contribution capital added	Voluntary contribution	Other contributed capital	Hedging reserve ¹	Fair-value reserve ¹	Retained earnings	Total
Equity as of 31 December 2010	1,020,272	2,221	713,399	-	-	119,425	1,855,316
Comprehensive income for the year						24	24
Total change before transactions with owners	-	-	-	-	-	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
Interest on capital contribution accounts ²	30,954						30,954
Preliminary tax deducted ²	-8,922						-8,922
Disbursement of surplus contribution funds ²	-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	-	713,399	-	-	119,449	1,908,941
Equity as of 31 December 2011	1,076,094	-	713,399	-	-	119,449	1,908,941
Comprehensive income for the year						-101	-101
Total change before transactions with owners	-	-	-	-	-	-101	-101
Contribution capital paid in/disbursed during year	-158,033	309,812					151,779
Regular dividend ³	134,950						134,950
Dividend paid to member account ⁴	-15,956						-15,956
Disbursement of surplus contribution funds ³	-81,763						-81,763
Regular disbursements	-32,872						-32,872
Equity as of 31 December 2012	922,420	309,812	713,399	-	-	119,348	2,064,979

¹ See note 33.² 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.³ Dividends stay in the contribution account until it reaches the contribution ceiling of 4 percent.⁴ For any member who has not reached the contribution ceiling, 30 percent of the member's dividends are paid to the member's account.

Cash-flow Statement

		GROUP		PARENT ASSOCIATION	
SEK THOUSAND	Note	2012	2011	2012	2011
Cash flow from income statement					
Interest received	2	2,673,646	2,241,867	4,615	1,683
Interest paid	2	-2,028,275	-1,732,527	-6,282	-4,613
Commission received	3	15,188	13,666		
Commission paid	4	-24,512	-22,238		
Net receipts of financial transactions	5	-24,289	6,994		
Other operating cash receipts	40	2,147	13,829		49
Administrative expenses paid		-259,689	-231,673	-12,426	-20,301
Income tax paid		-79,575	-30,766	-101	-431
Total cash flow from income statement		274,641	259,152	-14,194	-23,613
Cash flow from balance sheet					
Increase (-)/decrease (+) Loans to credit institutions		-562,461	-		
Increase (-)/decrease (+) Loans to the public		-3,327,359	-3,815,476		
Increase (-)/decrease (+) Bonds and other interest-bearing securities		-2,349,965	-2,844,056		
Increase (+)/decrease (-) Liabilities to credit institutions		458,262	78,194	-27,000	
Increase (+)/decrease (-) Borrowing from the public		1,124,517	212,218	-260,338	59,765
Increase (+)/decrease (-) Debt securities in issue, etc.		3,897,574	5,892,351		
Change in other balance-sheet items					
Increase (-) /decrease (+) Other assets		284,836	-286,317	-149,611	-46,482
Increase (+) /decrease (-) Other liabilities		-4,368	-5,388	145,058	52,409
Total cash flow from balance sheet		-478,964	-768,474	-291,891	65,692
Cash flow from operating activities		-204,323	-509,322	-306,085	42,079
Investment activities					
Sale of shares/operating properties					
Property Strandvägen 1		-	565,558		
Group contributions received				121,792	101,495
Group contributions paid		-4,300			
Change in intangible and tangible non-current assets					
Purchase of intangible non-current assets		-21,254	-14,058		
Purchase of tangible non-current assets		-5,225	-4,204		
Sale of tangible non-current assets					
Total cash flow from investment activities		-30,779	547,296	121,792	101,495
Cash flow from financing activities					
Change in members' contributions		156,138	53,602	156,138	53,602
Subordinated liabilities		149,972			
Dividends and refunds paid		-134,874	-121,792	-134,874	-121,792
Total cash flow from financing activities		171,236	-68,190	21,264	-68,190
Cash flow for the period		-63,866	-30,216	-163,029	75,384
Change in cash and cash equivalents	41	-63,866	-30,216	-163,029	75,384
Cash and cash equivalents at beginning of year		193,292	223,508	167,227	91,843
Cash and cash equivalents at year-end		129,425	193,292	4,198	167,227

Five-year summary

Earnings trend Landshypotek ekonomisk förening – Group

MSEK	2012	2011	2010	2009	2008
INCOME STATEMENT					
Net interest income	575.8	502.1	471.0	294.0	344.6
Operating income excl. net interest income*	-56.2	234.6	86.5	95.8	-126.1
Operating expenses	-251.4	-231.7	-201.5	-206.1	-224.8
Depreciation and amortisation	-2.2	-5.4	-10.7	-12.6	-11.5
Loan losses	-22.1	-8.9	-6.7	-8.5	12.6
Operating profit	243.9	490.7	338.7	162.6	-5.2
BALANCE SHEET					
Assets					
Loans to the public, net	58,885	55,580	51,773	46,456	41,286
Other assets	18,460	15,241	12,393	13,344	9,944
Total assets	77,345	70,821	64,166	59,800	51,230
Liabilities and equity					
Borrowing	71,076	65,007	59,235	49,567	38,869
Other liabilities	2,246	1,907	1,591	6,920	8,999
Equity	4,023	3,907	3,340	3,313	3,362
Total liabilities and equity	77,345	70,821	64,166	59,800	51,230
Key financial ratios					
Interest margin	1.0 %	0.9 %	0.9 %	0.6 %	0.8 %
Return on equity	1.8 %	10.4 %	5.9 %	1.4 %	-2.8 %
Loan loss level	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Loan loss provision/lending	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %

* Other operating income includes net result of financial transactions. For 2012, this item amounted to a negative MSEK 49.1 (neg: 3.4).
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 undertakes various risks that must be managed. Landshypotek's operations strive to achieve a high degree of risk awareness and a low degree of risk undertaking.

Risk awareness and risk undertaking

Landshypotek strives to achieve a high degree of risk awareness and low degree of risk undertaking. 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 undertaking that is acceptable and how the individual needs to behave so as to avoid exceeding the acceptable level of risk. Low risk undertaking is achieved through a combination of high degree of risk awareness and a low acceptance level for risk undertaking, a distinct decision-making structure, shared definitions and assessment principles, as well as sophisticated tools for risk assessment. The Board specifies the acceptance level for risk undertaking 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 undertaking. 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, capital adequacy, and measuring and managing risk. 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 market and liquidity risks and makes decisions concerning borrowing and lending interest rates as well as interest on savings 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 borrowing, management of equity, liabilities and liquidity as well as risk

management related to these areas. 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 that the Chief Risk Control Officer reports to the Managing Director and the Board of Directors. The Chief Risk Control Officer presents a report to the Board's Risk and Capital Committee. 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 to examine whether Landshypotek complies with applicable laws and regulations, as well as internal policy documents. 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.

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) and 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 for the retail portfolio

Landshypotek applies its own risk estimates, PD, EAD and LGD, to calculate capital requirements¹ for almost the entire retail exposure class.

¹ Capital requirement without applying the transitional rules under Basel I.



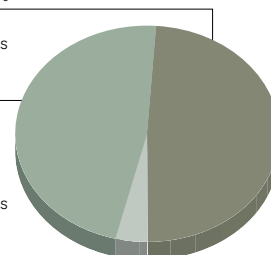
Specification of volume by customer categories

Breakdown in %

Rural living 49 %

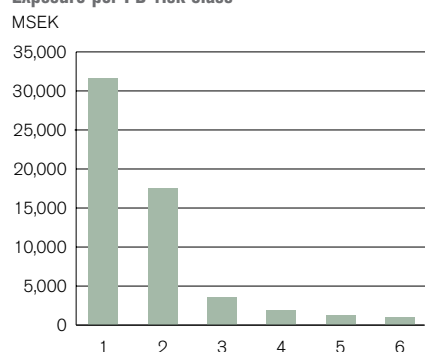
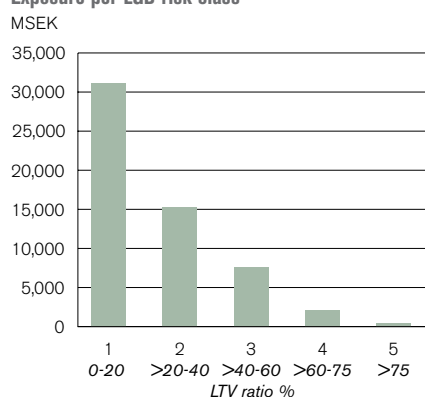
Rural enterprises
47 % – private
individuals

Rural enterprises
4 % – legal
entities



Exposure breakdown	Exposure (SEK thousand)*	Average risk weight
IRB Approach		
Non credit-obligation assets exposures	56,575	100 %
Retail – real- property-credits	56,552,304	9 %
Total	56,608,879	
Standardised Approach		
Corporate exposure	3,144,586	100 %
Retail exposure	434,371	75 %
Institutional exposure	3,781,334	34 %
Local governments and comparable associations and authorities	3,492,587	0 %
Non-performing items	18,416	149 %
Governments and central banks	92,861	0 %
Covered bonds	12,261,890	17 %
Other items	1	0 %
Total	23,226,046	

* Exposure by Conversion Factor.

Exposure per PD-risk class⁵Exposure per LGD risk class⁴

Probability of Default (PD) is the likelihood that a counterparty defaults within a twelve-month period. The PD risk classification for these credits is performed on a scale of 1-6, where risk class 1 represents the highest credit quality and risk class 6 is for credits in default. Landshypotek estimates the PD for each risk class. To calculate the PD per risk class for an average year, outcome data for the past nine years is used for internal purposes. Based on this, the PD for the portfolio² amounted to 2.37 percent as of 31 December 2012. The risk class PDs that Landshypotek reports for capital adequacy purposes are more conservative and if they are applied, the PD for the portfolio is 3.45 percent. Further stress was applied to these risk class PDs through a formula from the Swedish Financial Supervisory Authority for the calculation of the capital requirement. 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 for loans that are recognised in full on the balance sheet is calculated as the loan debt outstanding. For Landshypotek's flexible first lien mortgage product³, EAD is calculated through the total loan granted to the counterparty multiplied by a Conversion Factor (CF). The CF is calculated based on the proportion of the limit that, historically, has been utilised in case of default.

For internal purposes, the assessment of how much of the outstanding claim in an average year that 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. For capital adequacy purposes, LGD is estimated based on data for 1994 with an additional safety margin. 1994 was the worst year ever for Landshypotek with regard to LGDs since the financial crisis in the early 1990s. Landshypotek utilises five LGD classes, which are based on the LTV⁴ of the exposure. The diagram on the left illustrates the retail exposure by LGD risk class.

At present, Landshypotek utilises two definitions of default: "soft" and "technical", respectively. Soft defaults are registered manually when it is considered probable that customers will not be able to meet their commitments and Landshypotek will have to foreclose on collateral or take similar measures. Technical defaults occur automatically when payment from a customer, who has not already been placed in soft default, is late by 90 days or more.

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 Landshypotek Jordbrukskredit AB. The aim is to ensure a favourable and long-term sustainable credit portfolio with well-balanced profitability in relation to risk. All granting of credit at Landshypotek is to be based on customers' repayment capacity and loans may only be granted if, based on sound reasoning, commitments can be expected to be fulfilled. Credit is only to be granted for purposes that Landshypotek knows well.

² The PD estimate per risk class weighted with EAD per risk class.

³ The customer utilises as much of the amount granted that is required.

⁴ Loans with a higher loan-to-value ratio than 20 percent are broken down and divided into several LGD risk classes.

⁵ Risk class 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.

Credit granting is the result of analysis of the individual customer and/or household as a whole when applicable. This results in a PD risk classification on a scale of 1-6 or, alternatively, A-H⁵ 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. Landshypotek AB grants loans against mortgage deeds in real property within 75 percent of an internally determined LTV ratio. This value is to represent a long-term, sustainable value for the collateral in question. At Landshypotek Jordbrukskredit AB, loans can be granted against real property mortgage deeds within 75-85 percent of the internally determined LTV ratio. The risk of financial losses is thus low, particularly during periods when forestry and agricultural properties show a positive price trend.

To capture the total amount of credit granted to an individual customer or a group of customers with internal ties, credit limit groups are created. These are applied to ensure that credit concentrations do not become too large. All granting of credit is performed pursuant to a credit mandate matrix approved by the Board, which is governed by parameters such as limit amount, PD risk class and LTV ratio. There are five mandate levels, with officer level as the lowest and Board level as the highest. Credit decisions must be made by at least two officers jointly.

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 Landshypotek's ten regions have a local Board comprising four to eight members. It is these members who together comprise the network of representatives in Landshypotek.

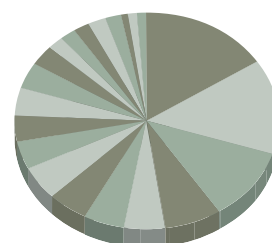
Credit portfolio monitoring

In addition to credits being monitored at portfolio level, the credit portfolio is also regularly examined in terms of industry, geography and limit group. Landshypotek's geographic exposure as of 31 December 2012 is shown in the diagram to the right. Landshypotek has been unable to identify any major concentration to any part of the agriculture or forestry sector or geographic area in Sweden.

Overview of credit portfolio

In 2012, Landshypotek's lending rose from MSEK 55,580 to MSEK 58,885, up 5.9 percent as compared with the Consumer Price Index for the same period, which decreased 0.1 percent.

Geographic breakdown of volume



Västra Götaland County	16 %	Stockholm County	4 %
Skåne County	14 %	Gävleborg County	3 %
Östergötland County	11 %	Kronoberg County	2 %
Örebro County	7 %	Västernorrland County	2 %
Värmland County	5 %	Västmanland County	2 %
Kalmar County	5 %	Västerbotten County	2 %
Halland County	5 %	Jämtland County	2 %
Södermanland County	5 %	Dalarna County	1 %
Gotland County	4 %	Blekinge County	1 %
Jönköping County	4 %	Norrbottn County	1 %
Uppsala County	4 %		



⁵ Risk class 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.



Currency exposure, incl. derivative payments, Group, 31 December 2012, nominal amounts in local currency (thousands) *

Currency	Assets	Liabilities	Exposure
CHF	400,000	400,000	0
EUR	555,000	555,000	0
NOK	7,895,000	7,895,000	0

* Excluding currency accounts of approx. MSEK 0.8.

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. Provisions are made on a case-by-case basis following analysis and decision according to assigned decision mandates and receivables defined as doubtful or non-performing⁶ 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 receivable with a satisfactory margin⁷. The management of unsettled commitments and the settlement of credit commitments is performed with the aim of reducing the risk of loss.

The collective loan stock of non-performing cases amounted to MSEK 837 (478).

Counterparty risks

Landshypotek's counterparty risks comprise credit risk for counterparties in the liquidity portfolio and for counterparties with whom Landshypotek has derivative transactions. Landshypotek's holdings in the liquidity portfolio comprise interest-bearing securities with high credit ratings and are all issued by Nordic credit institutions, Swedish municipalities or county councils. The purpose of the liquidity portfolio is to reduce Landshypotek's liquidity risk. Landshypotek enters into derivative transactions (swap contracts) to reduce interest-rate and currency risk. Counterparties in swap contracts are Swedish or international banks with high credit ratings and with ISDA and CSA agreements in place.

The Chief Financial Officer has overall responsibility for management of counterparty risk.

SEK THOUSAND	Municipalities and county councils	Covered bonds
AAA	1,093,697	12,261,890
AA+	2,599,357	
	3,693,055	12,261,890

SEK THOUSAND	Total credit- exposure, derivatives	Positive gross market-value excl. premium for potential future exposure	Positive value after netting
AA-	223,478	195,365	194,668
A+	909,946	533,123	177,904
A	534,920	222,447	0
A-	413,629	108,702	0
	2,081,974	1,059,637	372,572

⁶ 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.

⁷ See page 95 for a definition.

Fixed-interest terms for the Group's interest-bearing assets and liabilities						
Group 2012						
SEK THOUSAND	< 3 months	3-12 months	1-3 years	3-5 years	> 5 years	Total
Assets						
Loans to credit institutions	646,488					646,488
Loans to the public	28,524,349	12,199,849	12,864,277	3,933,758	1,040,533	58,562,766
Bonds and other interest-bearing securities	4,231,000	2,830,000	4,150,000	3,900,000	-	15,111,000
Derivatives	36,132,265	1,956,432	1,567,485	9,006,048	8,242,443	56,904,679
Total assets	69,534,102	16,986,287	18,581,763	16,839,806	9,282,976	131,224,933
Liabilities						
Liabilities to credit institutions	620,419					620,419
Borrowing/deposits from the public	1,552,308					1,552,308
Debt securities in issue	40,597,437	2,869,438	4,440,322	10,096,048	8,842,443	66,845,688
Derivatives	28,868,111	12,700,000	11,058,663	4,550,000	499,000	57,675,774
Subordinated liabilities	430,000	-	200,000	70,000	-	700,000
Total liabilities	72,068,275	15,569,438	15,698,985	14,716,048	9,341,443	127,394,189
Total	-2,534,173	1,416,849	2,882,777	2,123,758	-58,467	3,830,744
Interest-rate sensitivity, net	40,009	-27,628	-62,535	-60,221	5,411	
Cumulative interest-rate sensitivity		12,381	-50,154	-110,375	-104,964	
<i>Nominal amounts are carried under the time slots when interest is reset.</i>						

MARKET RISK

Market risk is defined as:

The risk, excluding the risk of default, that the value of assets, liabilities and/or financial contracts is negatively affected by changes in general economic conditions or events that affect a large part of the market as well as by company-specific events.

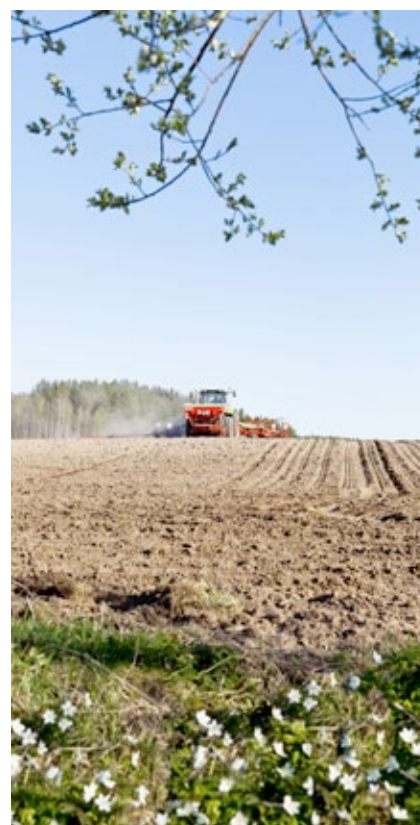
Market risks to which Landshypotek is exposed are interest-rate risks, currency risks, basis-spread risks and credit-spread risks.

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 exposures in relation to the limits set by the Board of Directors. Operations are also supported by developed financial administrative systems.

Interest-rate risk

Interest-rate risks arise when fixed-interest terms for assets and liabilities are mismatched. Landshypotek manages the interest-rate risk that arises in the course of business by striving to have 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-rate swaps. Interest-rate risk is calculated as the change in value that occurs if the interest-rate curve is moved in parallel up or down by one percentage point. At year-end, the interest-rate risk for a parallel movement of the interest-rate curve by one percentage point amounted to MSEK 105.0 (96.7).

Currency risk

Landshypotek has parts of its financing in currencies other than SEK. Where financing is done in currencies other than SEK, the currency risk is managed by hedging foreign currency cash flows with swap contracts (SEK against the foreign currency) that fall due on the payment date. Marginal differences may arise. As a result, Landshypotek is exposed to only marginal currency risk. On 31 December 2012, Landshypotek had no currency risk, with the exception of foreign currency corresponding to MSEK 0.8 in various foreign currency accounts.

Basis spread risk and credit spread risk

Basis spread risk arises for Landshypotek when the currency risk that arises in conjunction with borrowing in a foreign currency is reduced by swapping payments in foreign currency for payments in Swedish currency, known as

Maturity analysis of financial assets and liabilities

Group 2012

SEK THOUSAND	< 3 months	3-12 months	1-3 years	3-5 years	> 5 years	Total
Financial assets						
Loans to credit institutions	646,488					646,488
Loans to the public	28,977,782	12,961,504	13,721,096	4,190,165	1,175,676	61,026,225
Bonds and other interest-bearing securities	78,251	3,921,281	7,098,520	5,236,250	-	16,334,302
Derivatives	359,997	4,151,687	4,553,091	2,599,684	7,526,154	19,190,614
Total	30,062,519	21,034,473	25,372,707	12,026,099	8,701,830	97,197,629
Financial liabilities						
Liabilities to credit institutions	620,419					162,157
Borrowing/deposits from the public	1,552,308					424,425
Granted credit facilities	612,622					530,499
Debt securities in issue	8,131,582	10,177,363	22,851,913	20,698,607	11,269,521	73,128,986
Derivatives	323,574	4,022,972	4,910,217	3,354,785	9,171,841	21,783,389
Subordinated liabilities	5,558	13,274	226,548	508,148	-	753,528
Total	11,246,063	14,213,609	27,988,679	24,561,540	20,441,362	98,451,252
Net cash flow	18,816,457	6,820,863	-2,615,971	-12,535,441	-11,739,531	-1,253,623
Refinancing risk	18,816,457	6,820,863	-2,615,971	-12,535,441	-11,739,531	
Accumulated refinancing risk	18,816,457	25,637,320	23,021,349	10,485,908	-1,253,623	

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 the public. The calculation of future rates of interest is based on forward rates plus any credit spreads.

interest-rate and cross-currency interest-rate swaps. Basis spreads have been relatively volatile in recent years and can contribute to relatively substantial impacts on earnings. However, if Landshypotek does not exit the swap agreements, the net impact on earnings when the swap agreements mature would be zero. Credit spread risk arises from fluctuations in credit spreads in Landshypotek's liquidity portfolio and can impact earnings.

LIQUIDITY RISKS

Landshypotek defines liquidity risk as follows:

The risk of being unable to refinance maturing liabilities or being unable to meet demand for additional liquidity as well as needing to borrow at disadvantageous interest rates.

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 with conservative limits for both tenor and refinancing risk, which are monitored by the Risk Control unit on a daily basis.

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 tolerance levels is that the liquidity portfolio must be able to cover the projected accumulated net cash outflows for the forthcoming 180 days of normal operations without the possibility of refinancing. In 2012, liquidity exceeded the stipulated level by a healthy margin. At 31 December 2012, the liquidity portfolio was 1.3 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 liquidity portfolio consists of securities issued by Nordic 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 in times of severe liquidity crisis by selling assets in an orderly fashion, or reducing the financing need by calling in maturing loans.

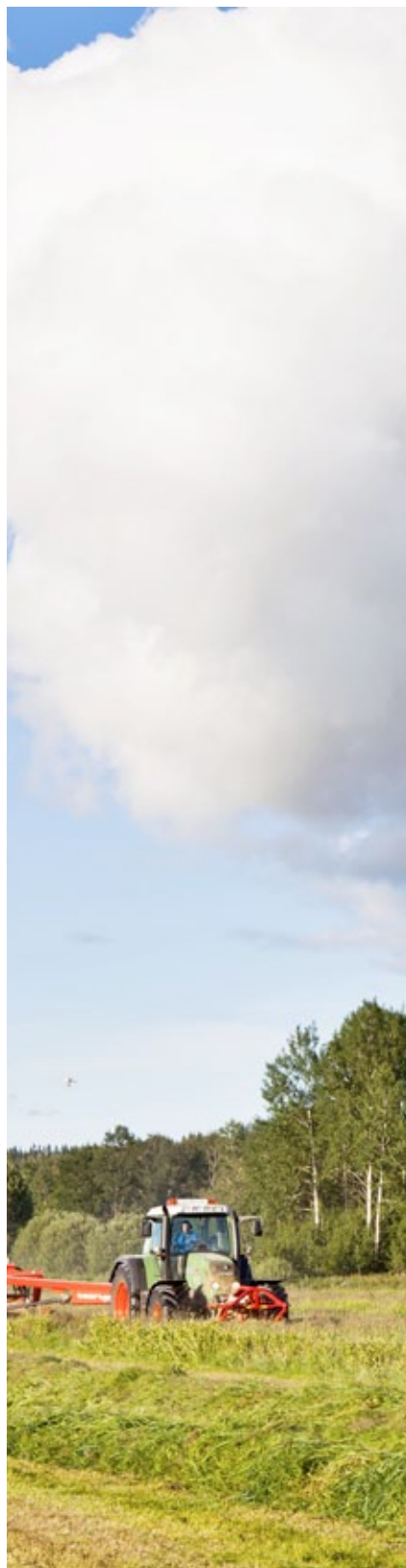
In recent years, Landshypotek has focused on improving its liquidity risk management through the implementation of contingency plans, liquidity strategy and regular stress tests of liquidity risk. The stress tests implemented included a decline in value of the liquidity portfolio, reduced capital repayments and interest income, lack of borrowing and withdrawals of deposits. The results of the stress tests demonstrate that Landshypotek has an extremely healthy payment capacity.

OPERATIONAL RISK

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 that impact business operations. This definition includes compliance 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.

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 ICAAP results in a detailed report of Landshypotek's risk profile and an assessment of the capital adequacy requirement in forthcoming years. The ICAAP includes all types of risks that are believed to have an impact on operations. Besides credit risks, market risks and operational risks, which have capital adequacy requirements under Pillar I rules, Landshypotek also takes into consideration Pillar II risks in the form of, for example, interest-rate risks and strategic risks within the framework of the collective capital assessment. In addition, stress tests are performed to assess the capital adequacy requirement should conditions deteriorate, for example, in case of a widespread recession.

Landshypotek's Chief Risk Control Officer is responsible for conducting the ICAAP and for compiling the risk report. The Chief Financial Officer also holds a key role in the ICAAP process and is responsible for forecasting future earnings and for the capital strategy. Capital matters are monitored on an ongoing basis and regularly reported to the Board of Directors and the Management Group. The Board also decides the internal capital adequacy requirement.

Capital situation

When calculating the capital requirements under Basel II, Landshypotek applies the rules for the Internal Ratings-based (IRB) Approach to the majority of its credit-risk exposures. For other credit-risk exposures, the standardised method is used. Landshypotek applies the Basic Indicator approach to measure operational risk. Landshypotek has no Pillar I capital requirement for market risk.

At 31 December 2012, the capital base was MSEK 4,631. On the same date, the Pillar I capital requirement, without applying the Basel I transitional rules, amounted to MSEK 1,068 and the capital adequacy ratio was 4.3. According to the initial Basel II rules, the Basel I transitional rules should have been phased out by 1 January 2010, but this period has been extended and the rules still apply. Under the transitional rules, Landshypotek has a considerably higher capital requirement, resulting in a capital ratio of 1.2. Additional information can be found in Note 35.



Notes

NOTE 1 ACCOUNTING POLICIES

Basis for preparing the Annual Accounts

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of the above as published by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. Furthermore, the Swedish Financial Supervisory Authority's regulations and general guidelines for annual reports in credit institutions and securities companies (FFFS 2008:25, including amendments), the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and the recommendations of the Swedish Financial Reporting Board, RFR 1, Supplementary Accounting Rules for Groups are also applied.

The Parent Association, Landshypotek ekonomisk förening, applies statutory IFRS, which means that legal entity's financial statements must apply all of the IFRSs and statements adopted by the EU, in so far as this is possible within the framework of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act and after taking into account the relationship between accounting and taxation. Permissible exceptions and supplements to IFRS are stated in the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) as well as the Swedish Financial Supervisory Authority's regulations and general guidelines for annual reports in credit institutions and securities companies (FFFS 2008:25). Differences in accounting policies between the Group and the Parent Association are set out under each heading below.

Definitions and comparative data

The Landshypotek Group includes Landshypotek ekonomisk förening and the subsidiary 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.

The Parent Association's functional currency and the Group's presentation currency is SEK. All amounts are reported, unless otherwise specified, in SEK thousands. Comparative figures for the preceding year are stated in parentheses

Standards, amendments and interpretations coming into effect during the year

The enhanced disclosure requirements in IFRS 7 *Financial Instruments: Disclosures* mean that additional disclosures have been made pertaining to repurchase agreements outstanding, so-called repos (see Note 15).

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

IFRS 9 *Financial Instruments*. This standard will replace IAS 39 *Financial Instruments*. IFRS 9 has been reworked on a number of occasions and is not yet ready. At present, it is not possible to

evaluate the extent to which IFRS 9 will affect the financial statements. According to information received, the standard will apply for financial years starting 1 January 2015 and be available for early application. The standard has not yet been adopted by the EU.

IAS 1 *Presentation of Financial Statements*: For financial years starting from 1 July 2012, items in other comprehensive income must be divided into two categories. For Landshypotek, this means that changes in value of available-for-sale financial assets and cash flow hedges will be reported under "Items to be reclassified in profit or loss" while actuarial gains and losses are reported under "Items not subject to reclassification". Tax attributable to these two categories will be separated and reported under the respective category. The amendment has been adopted by the EU.

IAS 19 *Employee Benefits*. The corridor approach will be eliminated which means that all actuarial gains and losses are to be 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 and has been adopted by the EU. At 31 December 2012, the Landshypotek Group had an accumulated actuarial loss of MSEK 23.6 which, under the new standard without application of the corridor approach, would be recognised under equity. 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 new definition of fair value and states the disclosure requirements for fair value. In addition to financial instruments, IFRS 13 also applies to property under management. IFRS 13 describes fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". According to IFRS 13, the fair value must be market-based and not company-based, that is, the assumptions that market participants would use and not the assumptions of the individual company. The new definition of fair value impacts primarily financial liabilities where the credit risk will now be taken into consideration when establishing fair value. Landshypotek's liabilities, with the exception of derivatives, are recognised at amortised cost with value adjustments attributable to the hedge accounting of interest risk, which will mean that the recognised value of the liabilities is not impacted by the new standard. By and large, the disclosures required under IFRS 13 accord with the earlier requirements under IFRS 7 *Financial Instruments: Disclosures*. Landshypotek's assessment is that IFRS 13 will not have any major impact on its financial reporting. Application is effective for financial years starting 1 January 2013 and early application is permitted. Comparative figures do not need to be stated the first time the standard is applied. The standard has been adopted by the EU.

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 critical 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 critical 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 Association 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 or loss.

Operating segments

An operating segment is a part of a company that generates income and costs through its operations, and its operating profit is regularly reviewed by the company's chief operating decision maker (CODM) as the basis for decisions pertaining to the allocation of

resources and assessment of the segment's results. Furthermore, an operating segment has separate financial information.

Landshypotek offers loans in Sweden with real property as collateral. Deposits are included in lending operations since both products are aimed at the same customer categories and form part of Landshypotek's funding. For follow-up and reporting to the CODM, the operations are viewed as one operating segment.

Additional information in line with IFRS 8, paragraphs 32-34, is not provided in the Annual Report since deposits do not generate any income, the operations are conducted in one geographic area and no one single customer of Landshypotek accounts for 10 percent or more of the company's income.

Measurement of receivables and liabilities in foreign currency

Transactions in foreign currency are measured in the functional currency at the rate of exchange prevailing on the trade date. Monetary assets and liabilities in foreign currency are measured in the functional currency at the rate of exchange prevailing on the balance sheet date. Exchange-rate differences that arise on translation of balance sheet items in foreign currency are recognised in profit or loss as exchange-rate gains or losses.

Classification and measurement rules of financial assets

Financial assets are divided into the following categories for measurement:

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

Loans to credit institutions and the public are classified as "Loans and 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 or 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 via other comprehensive income in the fair value reserve under equity until the financial asset is sold or impaired. When objective indications exist that a financial asset's recoverable amount is less than the carrying amount, an impairment test is performed. The need for impairment is defined as the difference between cost and actual fair value less any previous impairment recognised in profit or loss. When the asset is sold or impaired, the accumulated gain or loss, previously recognised in equity, is recognised in profit or loss. For bonds and other interest-bearing securities classified as "Financial assets at fair value through profit or loss", the rule applies that these assets are initially recognised at fair value and transaction costs are recognised in profit or loss and that the gains and losses arising as a result of changes in value are recognised in profit or 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 or loss". Regardless of classification, interest income is recognised in profit or 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 or loss". Gains and losses that arise as a result of unrealised changes in value are recognised on an ongoing basis in profit or 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 net as an 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.

Classification 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 or loss.

Liabilities to credit institutions, borrowing from the public, debt securities in issue and subordinated liabilities are classified as "Other 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 section on Hedge accounting.

Derivative instruments with a negative market value are classified as "Financial liabilities at fair value through profit or loss". Gains and losses that arise as a result of unrealised changes in value are recognised on a current basis in profit or 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 the bid price of quoted market prices. Fair value of financial instruments and derivatives not traded on an active market is calculated using discounting of future cash flows. Quoted market rates for the term in question are used for discounting.

Trade date or settlement date accounting

Financial assets and liabilities attributable to lending and deposits to and from the public are recognised on the settlement date. Business transactions in the money, bond or equity markets are recognised on the trade date when the material rights and risks transfer between the parties.

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 noncurrent 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 or loss in accordance with the effective interest method under the heading "Interest income and interest expense". The change in value of financial assets and liabilities at fair value is 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-rate swaps and cross-currency interest-rate 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 or 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 applies hedge accounting in 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-rate swaps and cross-currency interest-rate 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 or loss. The gain or loss attributable to the ineffective portion is recognised immediately in profit or loss under the heading "Net result of financial transactions".

Landshypotek terminates hedge accounting when the hedged item or hedging instrument is sold or expires. Gains or losses previously recognised in other comprehensive income are transferred to profit or loss in conjunction with early redemption and recognised there under the heading "Net result of financial transactions".

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 trade 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, unrealised gains and losses attributable to market-value changes of derivatives, holdings of financial assets valued at fair value in profit or loss and changes in fair value attributable to the hedged risk of the hedged assets or liabilities in a fair-value hedge are also recognised under this heading. When applicable, impairment attributable to available-for-sale financial assets is recognised under this item.

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 has funded its obligation via SPK, which manages the assets and administers 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 calculation 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 portfolio 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 7 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. When applicable, 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 RFR 2.

Yield-related Group contributions paid by Landshypotek AB to the Parent Association, 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	2012	2011	2012	2011
Interest income					
Interest income on loans to credit institutions		3,066	1,131	39	48
Interest income on loans to Group companies				4,480	2,033
Interest income on loans to the public		2,267,408	2,132,018		
Less interest losses		-2,279	-1,640		
Interest income on interest-bearing securities		350,422	360,313		
of which interest income on financial assets at fair value through profit or loss		222,103	128,764		
of which interest income on available-for-sale financial assets		128,319	231,549		
Other interest income		771	71	18	25
Total		2,619,387	2,491,893	4,537	2,106
Average interest on loans to the public		3.94 %	3.99 %		
All interest income is attributable to the Swedish market.					
Interest expense					
Interest expense for liabilities to Group companies				-175	-166
Interest expense for liabilities to credit institutions		-12,672	-9,108		
Interest expense for borrowing/deposits from the public		-28,057	-4,840	-6,344	-4,840
Interest expense for interest-bearing securities		-2,015,138	-1,967,626		
of which interest expense for other financial liabilities in fair value hedges adjusted for the fair value of hedged risk		-561,603	-525,098		
of which interest expense on interest-bearing securities at amortised cost		-1,453,536	-1,442,528		
Interest expense for subordinated liabilities		-34,679	-18,630		
Interest expense for derivative instruments		49,645	13,736		
of which interest expense on derivatives at fair value through profit or loss		38,196	19,980		
of which interest expense on derivatives identified as hedging instruments		11,449	-6,244		
Other interest expense		-2,639	-3,365		
Total		-2,043,540	-1,989,833	-6,519	-5,006
Total net interest income		575,847	502,060	-1,982	-2,900

NOTE 3	COMMISSION INCOME, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
Loan commissions		15,188	12,421		
Commissions on securities		-	1,244		
Total		15,188	13,665	-	-

NOTE 4	COMMISSION EXPENSE, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
Commissions on securities		-730	-554		
Stability fee		-23,782	-21,684		
Total		-24,512	-22,238	-	-

NOTE 5	NET RESULT OF FINANCIAL TRANSACTIONS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
	Financial assets at fair value through profit or loss				
	Realised result of sales of bonds and other interest-bearing securities	25,053	-		
	Available-for-sale financial assets				
	Realised result of sales of bonds and other interest-bearing securities	151,277	52,046		
	Other financial liabilities				
	Realised result from on early redemption of own bonds issued	-296,419	-78,152		
	Financial liabilities at fair value through profit or loss				
	Realised result from purchase/sale of derivative contracts	95,799	33,100		
	Total realised result	-24,289	6,994	-	-
	Financial assets at fair value through profit or loss				
	Change in value of bonds and other interest-bearing securities	64,126	79,739		
	Financial liabilities at fair value through profit or loss				
	Change in value of bonds in issue included in fair-value hedge	-293,806	-967,006		
	Change in value of derivatives included in fair-value hedge	295,484	957,170		
	Change in value of derivatives not included in any hedging relationship	-90,572	-80,277		
	Total unrealised result	-24,768	-10,375	-	-
	Net result of financial transactions	-49,057	-3,381	-	-

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	
		2012	2011	2012	2011
	Income from property	1,960	11,831		
	Sale of operating property	-	232,715		
	Other	187	1,998	-	49
	Total	2,147	246,544	-	49

NOTE 7	GENERAL ADMINISTRATIVE EXPENSE, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
	Personnel costs				
	Salaries, etc. to MD, senior management and Board of Directors	-15,531	-14,126	-951	-888
	Salaries, etc. to other personnel	-56,273	-49,564	-3,962	-4,493
	Provision to profit-sharing foundation	-967	-1,130		
	Pension costs	-12,196	-6,808		
	Social insurance charges	-23,380	-21,142	-1,381	-1,548
	Other personnel costs	-1570	-955	-330	-192
	Total	-109,919	-93,725	-6,624	-7,121
	Specification of pension costs				
	Change in provision for pensions	786	-		
	Pension premiums	-16,896	-13,446		
	of which to senior executives	-4,306	-4,571		
	Directly paid pensions	-1,096	-1,156		
	Payroll and yield taxes attributable to pension costs	-4,316	-3,630		
	Defined-benefit pension plans	9,326	11,423		
	Total	-12,196	-6,808	-	-

CONT.	NOTE 7, GENERAL ADMINISTRATIVE EXPENSE, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
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		65	58		
Number of female employees		53	52		
Total		118	110	-	-
Average number of salaried employees, including substitutes		114.0	112.0		
Loans to directors and senior executives					
Loans to directors amount to		209,671	182,826		
Loans to senior executives amount to		30,068	18,698		
Directors and senior executives					
Number of directors		23	31	12	13
of which men		16	25	10	11
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 12-months' notice and severance pay equal to one year's annual salary. Fixed fees in the amount of SEK 720,000 (688,000) were paid to the Board of Directors in accordance with the Annual Association Meeting resolution, of which SEK 0 thousand (0) was paid for work on committees, and of which the Chairman of the Board received SEK 160,000 (155,000). Daily expense allowances were also paid. No other remuneration was paid for Board work.					
Other administrative expenses					
Cost of premises		-16,868	-10,862	-18	-8
Office expenses		-2,657	-2,274	-	-201
Telephone, data networks and postage expenses		-5,648	-5,118	-407	-1
IT expenses		-52,577	-46,934		
Purchased services		-32,707	-31,196	-1,998	-1,748
Auditing					
Audit fee as per audit assignment		-1,942	-2,259		-507
Audit fee for action other than the audit assignment		-263	-494	-164	
Tax consultancy fee		-214	-360		
Other		-10,652	-11,212	-810	-792
Total		-123,529	-110,709	-3,397	-3,257
Total		-233,448	-204,434	-10,021	-10,379

NOTE 8 DEPRECIATION, AMORTISATION AND IMPAIRMENT OF INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS, SEK THOUSAND		GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
Tangible non-current assets					
Depreciation of furniture, fixtures and equipment		-1,552	-1,124		
Depreciation of real property		-592	-4,217		
Depreciation of land improvements		-28	-28		
Intangible non-current assets					
Amortisation of IT system		-35	-		
Total		-2,206	-5,368	-	-

NOTE 9	OTHER OPERATING EXPENSES, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
	Marketing expenses	-14,714	-14,798	-1,762	-3496
	Property expenses	-1,122	-5,230		
	Other	-2,116	-7,211	-643	-6,426
Total		-17,952	-27,239	-2,405	-9,923

NOTE 10	LOAN LOSSES NET, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
Loan losses					
Year's write-off for realised losses		-6,575	-5,922		
Reversal of prior provisions for probable loan losses, recognised as realised losses in this year's accounts		6,135	5,422		
Year's provision for probable loan losses		-32,787	-19,307		
Recovery of previously realised losses		2,439	1,964		
Reversal of prior provisions no longer necessary for probable loan losses		8,671	8,934		
Total		-22,117	-8,910	-	-

All loan losses are attributable to loans to the public.
There are no properties taken over in foreclosure.

NOTE 11	YEAR-END APPROPRIATIONS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
	Regular dividend/refund	-134,926	-90,838	-134,926	-90,838
	Interest on member contributions	52	-30,954	52	-30,954
Total		-134,874	-121,792	-134,874	-121,792

NOTE 12	INCOME TAX ON COMPREHENSIVE INCOME, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
Profit before tax		109,016	368,907	0	455
Income tax calculated at national tax rates		-28,671	-97,023	0	-120
Tax effects of:					
Non-taxable income		203	61,226	5	7
Non-deductible expenses		-988	-1,308	-105	-315
Adjustment of preceding year's tax expense		-7,323	6,392		-3
Realised deferred tax attributable to year-end appropriations					
Realised deferred tax liabilities attributable to real property sold			44,712		
Total		-36,781	13,999	-101	-431
<i>of which current tax</i>		<i>-30,420</i>	<i>-24,690</i>	<i>-101</i>	<i>-431</i>
<i>of which deferred tax</i>		<i>-6,361</i>	<i>38,689</i>		
Specification of deferred tax					
Deferred tax relating to pension costs		-2,453	-3,004		
Deferred tax relating to depreciation of real property		62	877		
Deferred tax relating to write-up of real property		-	43,835		
Deferred tax relating to loss carry-forwards		-3,955	-3,019		
Effect of change in tax rate		-15	-	-	-
Total change in deferred tax		-6,361	38,689	-	-
The average tax rate for the year was 26.3 percent for both the Group and the Parent Association. Deferred tax amounted to 22 percent.					
Income tax related to other comprehensive income					
Cash-flow hedges					
Loss before tax		-54,010	-34,237		
Deferred tax		11,882	9,004		
Effect of change in tax rate		-1,482	-		
Loss after tax		-43,610	-25,233		
Available-for-sale financial assets					
Profit/loss before tax		-81,901	211,172		
Tax for the year		21,540	-55,538		
Adjustment of preceding years' tax expense		-36,131	-		
Reclassification of deferred tax to current tax		31,359	-		
Profit/loss after tax		-65,132	155,634		
Other comprehensive income		-108,742	130,401	-	-
Current tax		-14,590			
Deferred tax		41,759	-46,534		
Total income tax related to other comprehensive income		27,168	-46,534	-	-

NOTE 13	LOANS TO CREDIT INSTITUTIONS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
Loans to Group companies				27,034	
Loans to banks		640,131	181,022	3,995	166,843
of which reverse repos		562,299	-	-	-
Loans to PlusGiro		6,196	5,770	170	384
Loans to others		162	126	-	
Total		646,489	186,918	31,199	167,227
Loans to credit institutions by remaining time to maturity					
- payable on demand		84,028	186,918	4,199	167,227
- up to 3 months		562,461	-	27,000	-
Total		646,489	186,918	31,199	167,227

NOTE 14 LOANS TO THE PUBLIC, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
	2012	2011	2012	2011
Loans outstanding	58,914,513	55,592,311		
Less specific provisions for individually valued loans	-29,671	-12,711		
Net loans outstanding	58,884,842	55,579,600	-	-
Disclosures on overdue loan receivables				
Loan receivables overdue 1-30 days *	6,778	1,916,219		
Loan receivables overdue 31-60 days *	21	456,744		
Loan receivables overdue 61-90 days	332,346	92,934		
Loan receivables overdue more than 90 days	1,476,970	868,546		
of which loan receivables overdue more than 90 days where interest is recognised as income	863,822	427,454		
Total overdue loan receivables	1,816,115	3,334,443	-	-
Disclosures on doubtful credits				
Doubtful credits, not overdue	9,869	14,232		
Doubtful credits, overdue	102,897	50,842		
Total	112,766	65,074	-	-
Less capital provisions made	-29,671	-12,711		
Total doubtful credits after provisions made	83,095	52,363	-	-
Doubtful credits at beginning of year	65,074	37,163		
New doubtful credits during year	70,801	60,484		
Deducted doubtful credits during year	-23,109	-32,573		
Doubtful credits at year-end	112,766	65,074	-	-
Provisions at beginning of year	-12,711	-7,940		
Additional provisions during the year	-28,065	-12,962		
Deducted provisions during the year	11,105	8,191		
Capital provisions at year-end	-29,671	-12,711	-	-
Loans to the public by remaining time to maturity				
- up to 3 months	28,846,425	30,580,567		
- more than 3 months up to 1 year	12,199,849	5,976,767		
- more than 1 year up to 3 years	12,864,277	14,158,311		
- more than 3 years up to 5 years	3,933,758	4,160,539		
- more than 5 years	1,040,533	703,416		
Total	58,884,842	55,579,600	-	-

* Due to a change in system, loan notifications have been deferred in Landshypotek AB.

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

NOTE 15	BONDS AND OTHER INTEREST-BEARING SECURITIES, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
Bonds					
Issued by Swedish municipalities		3,680,923	2,892,434		
Issued by credit institutions		265,674	200,762		
Issued by housing finance institutions		11,768,959	10,144,118		
of which covered bonds		12,034,633	9,641,905		
Total		15,715,556	13,237,314	-	-
Holdings by time remaining to maturity					
- up to 3 months		-	50,026		
- more than 3 months up to 1 year		3,564,997	1,445,943		
- more than 1 year up to 3 years		6,745,748	10,070,602		
- more than 3 years up to 5 years		5,404,811	1,325,378		
- more than 5 years		-	345,365		
Total		15,715,556	13,237,314	-	-
Valuation of bonds and other interest-bearing securities					
Nominal amount		15,111,000	12,683,000		
Amortised cost		15,570,044	13,074,026		
Market value		15,715,556	13,237,314		
Bonds and other interest-bearing securities classified as available-for-sale financial assets or as a trading portfolio.					
Bonds and other interest-bearing securities by category					
Financial assets at fair value through profit or loss		9,653,841	5,796,446		
Available-for-sale financial assets		6,061,716	7,440,868		
Total		15,715,556	13,237,314	-	-
Securities pledged pursuant to repurchase agreements (repos)					
Carrying amount, listed mortgage bonds recognised at fair value		554,723	-		
Carrying amount, repos		-562,435	-		
Carrying amount, reverse repos with the same counterparty		562,299	-		
Fair value of listed mortgage bonds held as collateral for reverse repos		548,005	-		

Carrying amounts pertain to market values excluding accrued interest. Accrued interest is recognised under prepaid expenses and accrued income.

NOTE 16	DERIVATIVES, SEK THOUSAND	GROUP			
		2012		2011	
		Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives not included in hedge accounting					
Positive closing value of interest-rate swaps		3,140,000	19,238	4,000,000	21,910
Positive closing value of cross-currency interest-rate swaps		1,141,847	30,022	-	-
Total		4,281,847	49,260	4,000,000	21,910
Derivatives included in hedge accounting					
Positive closing value of interest-rate swaps		10,068,495	548,223	16,157,445	473,644
Positive closing value of cross-currency interest-rate swaps		6,967,543	414,209	-	-
Total		17,036,038	962,432	16,157,445	473,644
Total		21,317,885	1,011,692	20,157,445	495,554

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

CONT.	NOTE 16, DERIVATIVES, SEK THOUSAND	PARENT ASSOCIATION
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No derivatives were recognised in the Parent Association.

NOTE 17 SHARES AND PARTICIPATIONS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
	2012	2011	2012	2011
Shares and participations				
The ESS Group, cost in 2004	50,000	50,000	-	-
The ESS Group, impairment in 2004	-49,999	-49,999	-	-
Other	1	1	1	1
Total	2	2	1	1
Participating interest				
The ESS Group, participating interest	100 %	100 %		

NOTE 18 SHARES IN GROUP COMPANIES, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
	2012	2011	2012	2011
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.

NOTE 19 INTANGIBLE ASSETS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
	2012	2011	2012	2011
Other intangible non-current assets				
Cost at beginning of year	14,058			
Acquisitions during year	21,290	14,058		
Closing cost	35,348	14,058	-	-
Accumulated amortisation at beginning of year				
Amortisation for the year	-35	-		
Closing accumulated amortisation and impairment	-35	-	-	-
Carrying amount	35,312	14,058	-	-

Intangible non-current assets consist of investments in software.

NOTE 20	TANGIBLE ASSETS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
Furniture, fixtures and equipment					
Non-current assets					
Cost at beginning of year		23,815	31,780		
Purchases during the year		5,528	333		
Disposals during the year		-12,851	-8,298		
Closing cost		16,492	23,815	-	-
Accumulated depreciation at beginning of year		-22,027	-29,179		
Depreciation and impairment for the year		-1,552	-1,146		
Accumulated depreciation of assets sold		12,511	8,298		
Closing accumulated depreciation		-11,068	-22,027	-	-
Total furniture, fixtures and equipment		5,424	1,788	-	-
Buildings and land					
Non-current assets					
Operating properties					
Number of properties		2	2		
Estimated fair value		27,100	35,200		
Cost at beginning of year		21,152	420,471		
Capitalised renovation costs		-	281		
Sales		-	-399,600		
Buildings and land		21,152	21,152	-	-
Write-up for the year					
Accumulated depreciation at beginning of year		-5,417	-71,542		
Closing accumulated depreciation		-	66,745		
Depreciation for the year		-619	-619		
Closing accumulated depreciation		-6,036	-5,417	-	-
Total buildings and land		15,116	15,735	-	-

NOTE 21	OTHER ASSETS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
Announced interest and repayments		55,175	36,136		
Receivables from Group companies				296,965	147,700
Current tax receivables		43,699	-	2,466	-
Other receivables		5,132	316,397	607	2,727
Total		104,006	352,533	300,038	150,427

NOTE 22	DEFERRED TAX ASSETS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
	Tax assets	22,349	18,278		
	Total	22,349	18,278	-	-
	Opening deferred tax receivables on fair-value reserve	-	24,180		
	Less deferred tax on fair-value reserve	-	-24,180		
	Closing deferred tax receivables on fair-value reserve	-	-	-	-
	Opening deferred tax receivables on hedging reserve	9,063	59		
	Add deferred tax on hedging reserve	10,401	9,063		
	Less deferred tax on hedging reserve	-	-59		
	Closing deferred tax receivables on hedging reserve	19,464	9,063	-	-
	Opening deferred tax receivables on pensions pursuant to IAS 19	5,260	8,264		
	Less deferred tax on pensions pursuant to IAS 19	-2,453	-3,004		
	Closing deferred tax receivables on pensions pursuant to IAS 19	2,807	5,260	-	-
	Opening deferred tax receivables on loss carry-forwards	3,955	6,974		
	Less deferred tax on loss carry-forwards	-3,955	-3,019		
	Closing deferred tax receivables on loss carry-forwards	-	3,955	-	-
	Opening deferred tax on depreciation of property under IFRS	-	-		
	Add deferred tax depreciation of property under IFRS	78	-		
	Closing deferred tax on depreciation of property under IFRS	78	-	-	-
	Total deferred tax receivables	22,349	18,278	-	-

Deferred tax in 2012 was calculated using a tax rate of 22 percent.

NOTE 23	PREPAID EXPENSES AND ACCRUED INCOME, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
	Prepaid expenses	11,059	8,020	68	203
	Accrued interest on loans to credit institutions	70	2		
	Accrued interest on loans to the public	214,212	243,111		
	Accrued interest on interest-bearing instruments	633,059	661,526		
	Accrued interest, intra-Group			650	593
	Total	858,400	912,658	718	796

NOTE 24	LIABILITIES TO CREDIT INSTITUTIONS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
	Borrowing from Group companies				
	Swedish banks	620,419	162,157		
	of which repos	562,435			
	Total	620,419	162,157	-	-
	Liabilities to credit institutions by remaining time to maturity				
	- payable on demand	57,984	162,157		
	- up to 3 months	562,435			
	Total	620,435	162,157	-	-

NOTE 25	BORROWING FROM THE PUBLIC, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
	Member account	1,552,308	260,338	-	260,338
	Deposits from the public	-	167,453	-	-
	Total	1,552,308	427,791	-	260,338
	Borrowing from the public by remaining time to maturity				
	- payable on demand	1,196,945	260,338	-	260,338
	- up to 3 months	355,363	167,453	-	-
	Total	1,552,308	427,791	-	260,338

NOTE 26	DEBT SECURITIES IN ISSUE ETC., SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
	Commercial paper	3,996,096	3,636,901		
	Bond loans	64,207,018	60,668,638		
	Total	68,203,114	64,305,539	-	-
	Borrowing by remaining time to maturity				
	- up to 3 months	7,601,174	5,391,103		
	- more than 3 months up to 1 year	9,480,453	9,884,982		
	- more than 1 year up to 3 years	21,300,035	25,546,049		
	- more than 3 years up to 5 years	20,017,298	14,318,830		
	- more than 5 years	9,804,153	9,164,575		
	Total	68,203,114	64,305,539	-	-
	Debt securities in issue classified as fair-value hedging				
	Amortised cost	20,655,697	19,278,384		
	Fair value adjusted for the actual change in value of hedged risk	21,936,869	20,265,710		

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-rate swaps and cross-currency interest-rate 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-rate swaps and cross-currency interest-rate swaps are used for this purpose.

NOTE 27 DERIVATIVES, SEK THOUSAND			GROUP	
	2012		2011	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Derivatives not included in hedge accounting				
Negative closing value of interest-rate swaps	16,369,000	484,798	4,614,000	127,913
Negative closing value of cross-currency interest-rate swaps	4,806,116	344,542	-	-
Total	21,175,116	829,340	4,614,000	127,913
Derivatives included in hedge accounting				
Negative closing value of interest-rate swaps	11,020,000	164,435	4,720,000	74,717
Negative closing value of cross-currency interest-rate swaps	3,398,524	84,873	7,563,486	70,921
Total	14,418,524	249,308	12,283,486	145,638
Total	35,593,640	1,078,648	16,897,486	273,551

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

PARENT ASSOCIATION

No derivatives were recognised in the Parent Association.

NOTE 28 OTHER LIABILITIES, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
	2012	2011	2012	2011
Tax liabilities	207	2,631	-	-
Liabilities to Group companies			134,427	8,251
Accounts payable	18,979	15,217	-	-
Other liabilities	40,534	45,624	2,296	10,903
Total	59,720	63,472	136,723	19,155

NOTE 29 ACCRUED EXPENSES AND DEFERRED INCOME, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
	2012	2011	2012	2011
Accrued interest on liabilities to credit institutions	66	401	101	
Accrued interest on debt securities in issue	587,460	679,690		
Accrued interest on derivatives	473,139	367,363		
Other accrued expenses	34,426	32,406	531	395
Deferred income	245	213		
Total	1,095,336	1,080,072	632	395

NOTE 30	PROVISIONS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
	Provisions for pensions	12,067	20,358		
	Total	12,067	20,358	-	-
	Discount rate	3.20 %	3.50 %		
	Expected return on assets	3.20 %	4.20 %		
	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, present value of pension obligations	320,316	300,290		
	Service cost	6,029	5,058		
	Interest expense	10,987	10,874		
	Expected pension payments	-12,552	-12,598		
	Actuarial gain/loss	11,864	16,692		
	Present value of pension obligations	336,644	320,316	-	-
	Opening balance, plan assets	294,247	279,306		
	Expected return	12,367	12,530		
	Payments to fund	12,154	12,595		
	Expected pension payments	-12,552	-12,598		
	Actuarial gain/loss	-1,740	2,414		
	Closing balance, plan assets	304,476	294,247	-	-
	Opening balance, net liability	26,069	20,984		
	Pension cost for year	4,649	3,402		
	Payments to fund	-12,154	-12,595		
	Actuarial gain/loss	13,604	14,278		
	Closing balance, net liability	32,168	26,069	-	-
	Accumulated actuarial gain/loss	23,579	9,975		
	<i>Corridor value</i>	-32,032	-30,029		
	Closing balance, recognised liability	8,589	16,094	-	-
	Other pension liabilities	3,477	4,263		
	Total recognised pension liability	12,067	20,358		
	Specification of pension costs				
	Service cost	6,029	5,058		
	Interest expense	10,987	10,874		
	Expected return	-12,367	-12,530		
	Pension cost	4,649	3,402	-	-

Provisions for pensions are recognised under general administrative expenses in profit or 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 present value of the obligations, after deductions for fair value of plan assets, amounted to MSEK 32.2 as of 31 December 2012. 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	
	2012	2011	2012	2011
Deferred tax	-	31,328		
Total	-	31,328	-	-
Opening deferred tax on property write-up	-	43,835		
Less deferred tax on property write-up	-	-43,835		
Closing deferred tax on property write-up	-	-	-	-
Opening deferred tax on property write-up IFRS	-31	846		
Less deferred tax on property write-up IFRS	31	-877		
Closing deferred tax on property write-up under IFRS	-	-31	-	-
Opening deferred tax on fair-value reserve	31,359	0		
Add deferred tax on fair-value reserve		31,359		
Reclassified as current tax	-31,359			
Closing deferred tax on fair-value reserve	-	31,359	-	-
Total deferred tax	-	31,328	-	-
Specification of deferred tax				
Deferred tax property write-up pursuant to IAS 19	-	-31		
Deferred tax revaluation reserve	-	31,359		
Total provision for deferred tax	-	31,328	-	-

Deferred tax for 2012 is calculated using a tax rate of 22.0 percent.

All deferred tax will be adjusted after 12 months.

NOTE 32 SUBORDINATED LIABILITIES	GROUP		PARENT ASSOCIATION	
	2012	2011	2012	2011
Due date	Nominal amount	Interest		
2012/2017	350,000,000 SEK	3 months STIBOR +0.33 %		
2017/2022	430,000,000 SEK	3 months STIBOR +3.85 %		
2015/2020	200,000,000 SEK	Fixed interest 4.60 %		
2014/2022	70,000,000 SEK	Fixed interest 5.82 %		
Total			-	-

NOTE 33 CHANGES IN EQUITY, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
	2012	2011	2012	2011
Change in hedging reserve				
Hedging reserve, opening balance	-25,398	-166		
Change in fair value	-49,015	-38,157		
Transfer to profit or loss	-4,995	3,920		
Tax on change for the year	10,400	9,005		
Hedging reserve, closing balance	-69,008	-25,398	-	-
Change in fair-value reserve				
Fair-value reserve, opening balance	87,877	-67,757		
Change in fair value	18,811	211,172		
Transfer to profit or loss	-100,712			
Tax on change for the year	21,540	-55,538		
Tax on preceding year's change	-4,772	-		
Fair-value reserve, closing balance	22,745	87,877	-	-
Total reserves at year-end	-46,263	62,480	-	-

NOTE 34	MEMORANDUM ITEMS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
	Pledged assets	None	None		
	Contingent liabilities				
	Försäkringsbolaget Pensionsgaranti, FPG	70	85		
	Flexible first lien mortgage loans, granted unutilised amount	475,367	530,499		
	Total	475,437	530,584	-	-
	Guarantees and other commitments				
	Sparbanken Öresund, overdraft facility	137,255	96,895		
	Energisystem i Sverige AB, environmental guarantee	-	100,000		
	Total	137,255	196,895	-	-

FINANCIAL CORPORATE GROUP				
NOTE 35	CAPITAL ADEQUACY ANALYSIS, SEK THOUSAND	Basel II	Transitional rules	Basel I
	Tier 1 capital	3,971,166	3,971,166	4,032,911
	Share capital paid in or equivalent, after deduction for cumulative preference shares	1,232,232	1,232,232	1,232,232
	Equity component of reserves and profit or loss brought forward from preceding financial year	2,764,851	2,764,851	2,764,851
	Net profit for the year	72,235	72,235	72,235
	Deduction for deferred tax assets	-22,349	-22,349	-22,349
	Intangible non-current assets	-35,312	-35,312	-14,058
	Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act	-40,491	-40,491	-
	Tier 2 capital	659,430	659,430	699,921
	Subordinated term loans in accordance with Chapter 8, Sections 18-30	699,921	699,921	699,921
	Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act	-40,491	-40,491	-
	Capital base	4,630,596	4,630,596	4,732,832
	Capital requirement for credit risks in accordance with the standardised method	552,610	552,610	5,014,057
	Exposures to governments and central banks	0	0	-
	Municipalities, similar entities and authorities	0	0	-
	Institutional exposure	101,498	101,498	-
	Corporate exposure	251,567	251,567	-
	Retail exposure	26,062	26,062	-
	Non-performing items	2,193	2,193	-
	Covered bonds	171,289	171,289	-
	Other items	0	0	-
	Capital requirement for credit risks in accordance with IRB	420,620	420,620	-
	Retail – real property credits	416,094	416,094	-
	Non credit-obligation assets	4,526	4,526	-
	Capital requirement for operational risks – Base method	95,248	95,248	-
	Additional capital requirement in accordance with transitional rules	-	2,861,786	-
	Capital requirement	1,068,478	3,930,264	5,014,057
	Capital adequacy ratio	4.33	1.18	0.94
	Capital adequacy	34.67 %	9.43 %	7.55 %
	Tier 1 capital adequacy	29.73 %	8.08 %	6.43 %
	IRB deduction			
	Anticipated loss amount in excess of provisions	-80,982		

Capital adequacy ratio = Capital base/Capital requirement

CONT.	NOTE 35, CAPITAL ADEQUACY ANALYSIS, SEK THOUSAND	LHAB PARENT COMPANY		
		Basel II	Transitional rules	Basel I
Tier 1 capital		3,803,917	3,803,917	3,865,662
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		1,721,815	1,721,815	1,721,815
Net profit for the year		250,447	250,447	250,447
Deduction for deferred tax assets		-19,542	-19,542	-19,542
Intangible non-current assets		-35,312	-35,312	-14,058
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-40,491	-40,491	-
Tier 2 capital		659,430	659,430	699,921
Subordinated term loans in accordance with Chapter 8, Sections 18-30		699,921	699,921	699,921
Deduction in accordance with Chapter 3, Section 8 of the Capital Adequacy and Large Exposures Act		-40,491	-40,491	-
Capital base		4,463,347	4,463,347	4,565,583
Capital requirement for credit risks in accordance with the standardised method		510,397	510,397	4,975,168
Exposures to governments and central banks		0	0	-
Municipalities, similar entities and authorities		0	0	-
Institutional exposure		98,626	98,626	-
Corporate exposure		227,537	227,537	-
Retail exposure		11,754	11,754	-
Non-performing items		1,191	1,191	-
Covered bonds		171,289	171,289	-
Other items		0	0	-
Capital requirement for credit risks in accordance with IRB		444,111	444,111	-
Retail – real property credits		416,094	416,094	-
Non credit-obligation assets		28,017	28,017	-
Capital requirement for operational risks – Base method		92,425	92,425	-
Additional capital requirement in accordance with transitional rules		-	2,852,219	-
Capital requirement		1,046,933	3,899,152	4,975,168
Capital adequacy ratio		4.26	1.14	0.92
Capital adequacy		34.11 %	9.16 %	7.34 %
Tier 1 capital adequacy		29.07 %	7.80 %	6.22 %
IRB deduction				
Anticipated loss amount in excess of provisions		-80,982		
Capital adequacy ratio = Capital base/Capital requirement				

NOTE 36	FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, SEK THOUSAND					GROUP
2012	Measured at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Other financial liabilities	Liabilities in fair value hedges adjusted for the fair value of hedged risk	Derivatives identified as hedging instruments
Assets						
Cash and balances with central banks			45,400			
Treasury bills and other eligible bills						
Loans to credit institutions			646,489			
Loans to the public			58,884,842			
Bonds and other interest-bearing securities	9,653,841	6,061,716				
Derivatives	49,260					962,432
Total financial assets	9,703,101	6,061,716	59,576,731	-	-	962,432
Financial liabilities						
Liabilities to credit institutions				620,419		
Borrowing from the public				1,552,308		
Debt securities in issue, etc.				46,266,245	21,936,869	
Derivatives	829,340					249,308
Subordinated liabilities				699,921		
Total financial liabilities	829,340	-	- 49,138,893	21,936,869	21,936,869	249,308

2011	Measured at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Other financial liabilities	Liabilities in fair value hedges adjusted for the fair value of hedged risk	Derivatives identified as hedging instruments
Assets						
Cash and balances with central banks			6,374			
Treasury bills and other eligible bills						
Loans to credit institutions			186,918			
Loans to the public			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	7,440,868	55,772,893	-	-	473,644
Financial liabilities						
Liabilities to credit institutions				162,157		
Borrowing from the public				427,791		
Debt securities in issue, etc.				44,039,830	20,265,709	
Derivatives	127,913					145,638
Subordinated liabilities				549,949		
Total financial liabilities	127,913	-	- 45,179,727	20,265,709	20,265,709	145,638

CONT.	NOTE 36, FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, SEK THOUSAND				PARENT ASSOCIATION	
2012	Measured at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Other financial liabilities	Liabilities in fair value hedges adjusted for the fair value of hedged risk	Derivatives identified as hedging instruments
Assets						
Cash and balances with central banks			-			
Treasury bills and other eligible bills						
Loans to credit institutions			31,199			
Loans to the public			-			
Bonds and other interest-bearing securities						
Derivatives						
Total financial assets	-	-	31,199	-	-	-
Financial liabilities						
Liabilities to credit institutions				-		
Borrowing from the public				-		
Debt securities in issue, etc.				-		
Derivatives						
Subordinated liabilities				-		
Total financial liabilities	-	-	-	-	-	-

2011	Measured at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Other financial liabilities	Liabilities in fair value hedges adjusted for the fair value of hedged risk	Derivatives identified as hedging instruments
Assets						
Cash and balances with central banks						
Treasury bills and other eligible bills						
Loans to credit institutions			167,227			
Loans to the public						
Bonds and other interest-bearing securities						
Derivatives						
Total financial assets	-	-	167,227	-	-	-
Financial liabilities						
Liabilities to credit institutions						
Borrowing from the public				260,338		
Debt securities in issue, etc.						
Derivatives						
Subordinated liabilities						
Total financial liabilities	-	-	-	260,338	-	-

NOTE 37 FAIR VALUE DISCLOSURES, SEK THOUSAND				GROUP	
	2012		2011		
	Carrying amount	Fair value	Carrying amount	Fair value	
Assets					
Cash and balances with central banks	45,400	45,400	6,374	6,374	
Loans to credit institutions	646,489	646,489	186,918	186,918	
Loans to the public*	58,884,842	57,886,359	55,579,600	54,287,539	
Bonds and other interest-bearing securities	15,715,556	15,715,556	13,237,314	13,237,314	
Derivatives	1,011,692	1,011,692	495,554	495,554	
Shares and participations	2	2	2	2	
Intangible non-current assets	35,312	35,312	14,058	14,058	
Tangible assets					
Furniture, fixtures and equipment	5,424	5,424	1,788	1,788	
Buildings and land	15,116	27,100	15,735	35,200	
Other assets	104,006	104,006	352,533	352,533	
Deferred tax assets	22,349	22,349	18,278	18,278	
Prepaid expenses and accrued income	858,400	858,400	912,658	912,658	
Total assets	77,344,588	76,358,089	70,820,811	69,548,215	
Liabilities and Provisions					
Liabilities to credit institutions	620,419	620,419	162,157	162,157	
Borrowing from the public	1,552,308	1,552,308	427,791	427,791	
Debt securities in issue, etc.	68,203,114	68,492,857	64,305,539	65,008,457	
Derivatives	1,078,647	1,078,647	273,551	273,551	
Other liabilities	59,720	59,720	63,472	63,472	
Accrued expenses and deferred income	1,095,336	1,095,336	1,080,072	1,080,072	
Provisions	12,067	12,067	51,686	51,686	
Subordinated liabilities	699,921	797,892	549,949	564,428	
Total liabilities	73,321,532	73,709,246	66,914,218	67,631,614	

* The difference between carrying amount and fair value stems from changes in market interest rates.

PARENT ASSOCIATION				
	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Loans to credit institutions	31,199	31,199	167,227	167,227
Shares and participations	1	1	1	1
Shares in Group companies	1,870,378	1,870,378	1,870,378	1,870,378
Other assets	300,038	300,038	150,427	150,427
Prepaid expenses and accrued income	718	718	796	796
Total assets	2,202,334	2,202,334	2,188,829	2,188,829
Liabilities and provisions				
Borrowing from the public	-	-	260,338	260,338
Other liabilities	136,723	136,723	19,155	19,155
Accrued expenses and deferred income	632	632	395	395
Total liabilities	137,355	137,355	279,888	279,888

NOTE 38 FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS, SEK THOUSAND								GROUP
	2012				2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss								
Bonds and other interest-bearing securities	9,653,841			9,653,841	5,796,446			5,796,446
Derivatives		49,260		49,260		21,910		21,910
Derivatives identified as hedging instruments								
Derivatives		962,432		962,432		473,644		473,644
Available-for-sale financial assets								
Bonds and other interest-bearing securities	2,380,793	3,680,923		6,061,716	4,548,435	2,892,433		7,440,868
Total assets measured at fair value	12,034,633	4,692,615	-	16,727,248	10,344,881	3,387,987	-	13,732,867
Financial liabilities at fair value through profit or loss								
Derivatives		829,340		829,340		127,913		127,913
Derivatives identified as hedging instruments								
Derivatives		249,308		249,308		145,638		145,638
Total liabilities measured at fair value	-	1,078,648	-	1,078,648	-	273,551	-	273,551

PARENT ASSOCIATION

The Parent Association has no holdings of financial instruments measured at fair value in the balance sheet.

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

Level 2: Valuation technique based on observable input data.

Level 3: Valuation technique based on significant non-observable input data.

NOTE 39	ASSETS AND LIABILITIES BY SIGNIFICANT CURRENCIES, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
ASSETS					
EUR		-	9,883		
Loans to the public		-	9,883	-	-
EUR		-	3,738		
Loans to credit institutions		-	3,738	-	-
TOTAL ASSETS		-	13,621	-	-
LIABILITIES					
EUR		-	13,871		
Liabilities to credit institutions		-	13,871	-	-
CHF		2,843,601	3,293,061		
EUR		3,194,008	3,308,871		
NOK		8,140,161	8,826,599		
Debt securities in issue		14,177,770	15,428,531	-	-
TOTAL LIABILITIES		14,177,770	15,422,402	-	-

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	
		2012	2011	2012	2011
Other operating income		2,147	246,544	-	49
Shares sold		-	-232,715	-	-
Total		2,147	13,829	-	49

NOTE 41	CHANGES IN CASH AND CASH EQUIVALENTS, SEK THOUSAND	GROUP		PARENT ASSOCIATION	
		2012	2011	2012	2011
Cash and balances at beginning of year		6,374	5,393	-	-
Loans to credit institutions at beginning of year, payable on demand		186,918	218,115	167,227	91,843
Cash and balances at year-end		45,400	6,374	-	-
Loans to credit institutions at year-end, payable on demand		84,026	186,918	4,198	167,227
Total change in cash and cash equivalents		-63,866	-30,216	-163,029	75,384

Appropriation of Earnings

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

- that MSEK 134.9, corresponding to 11.0 percent of contributions, be paid as a dividend to members.
- that a dividend of MSEK 81.8 be paid to those members who have reached the contribution ceiling of 4.00 percent.
- that 30 percent, MSEK 16.0, of the dividend payable to members who have not reached the contribution ceiling be paid to their members' accounts.
- that of the year's disposable funds:

Retained earnings	119,449,038 SEK
Net profit for 2012	-100,500 SEK
At the disposal of the Annual Association Meeting	119,348,538 SEK

MSEK 119.3 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, 12 March 2013

Lars Öhman
Chairman

Anders Axelsson
Member

Hans Broberg
*Member/
employee representative*

Richard Cederholm
Member

Lars-Åke Folkmer
Member

Inga-Lill Gilbertsson
Member

Gunnar Granqvist
Member

Hans Heuman
Member

Anders Johansson
Member

Hans Pettersson
Member

Pär Sahlin
Member

Eva Wedberg
*Member/
employee representative*

Kjell Hedman
Managing Director

Our auditors' report was submitted on 12 March 2013

Ulf Westerberg
Authorised Public Accountant

Henrik Malmberg
Elected auditor

Teri Lee Eriksson
Elected auditor

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 of Landshypotek Ekonomisk Förening for the year 2012. The annual accounts and consolidated accounts of the association are included in the printed version of this document on pages 66-117, except for the corporate governance statement on pages 74-75.

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. For the Authorised Public Accountant, this entails conducting the audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that the Authorised Public Accountant complies with ethical requirements and plans and performs 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 2012 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 2012 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 74-75. 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 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 also 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 2012.

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 Swedish Cooperative Societies Act and the Banking and Financing Business 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, 12 March 2013

Ulf Westerberg
Authorized Public Accountant

Henrik Malmberg

Teri Lee Eriksson



Board of Directors and Auditors



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. and H. S. Kalmar Kronoberg Blekinge.



Anders Axelsson

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



Lars-Åke Folkmer

b 1946, Kvänum, Agrologist, Director of Landshypotek ek. för. and Landshypotek 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.



Rickard Cederholm
b 1959, farmer, Director of
Landshypotek ek. för. and Ulleråkers
Häradsallmänning



Hans Heuman
b 1952, Sireköpinge, farmer,
reg. physician, Director of
Landshypotek ek. för., Lantmännen
Distrikt Nordvästra Skåne and
Lantmännen Agroetanol AB,
Chairman of Tolvmanstegen Drift
AB and Marsvinsholms Gods AB,
Vice Chairman of Lantmännens
Forskningsstiftelse.



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

Ulf Westerberg
Stockholm, Authorised Public
Accountant.

Teri Lee Eriksson
Svartsjö, Horticulturalist.

Henrik Malmberg
Linköping, Agrologist.

Deputy auditors

Christina Asséus-Sylvén
Stockholm, Authorised Public
Accountant.

Linnea Larsson
Umeå.

Nils Fredrik Posse
Skövde.

Senior Management



Kjell Hedman
Managing Director



Göran Abrahamsson
Chief Membership Officer

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