



Landshypotek Bank

Landshypotek Bank Green Covered Bond

November 2020

Executive summary

Landshypotek Bank returning to the green covered bond market

- Dark Green shading by Cicero
- Assets in upcoming transaction as well as in the green covered pool consist solely of sustainable forestry
- Approximately 240 ton CO₂ avoided and absorbed per SEK 1m

Low-risk agriculture and forestry bank with sustainability integrated in the strategy

- Market leading bank in agriculture and forestry with approx. 24% of total lending to the sectors
- Low-risk business model
 - 99.6% of the loan portfolio is first-lien mortgages
 - Average LTV is 43%
 - 99% of the customers have a personal liability
 - Issuer rating: S&P (long) A and Fitch (long) A
 - Covered bond rating by S&P is AAA
- Sustainable governance where profit is reinvested or returned to the agriculture and forestry sectors

INDICATIVE TERMS & CONDITIONS	
Issuer	Landshypotek Bank AB
Expected issue rating	AAA by S&P
Currency & Principal Amount	SEK expected 2.5bn, 2nd tranche of SE0011870021 - bringing the total Issue size to an LCR Level 1B
Maturity	5 year
Facility	Issue under the Issuer's EUR 10,000,000,000 EMTN programme
Status	Covered Bond
Listing/ Clearing	Sustainable Bonds at Nasdaq Stockholm/ Euroclear Sweden
Governing Law	Swedish law
Target Market	Manufacturer target market (MIFID II product governance) is eligible counterparties, professional clients and retail clients (all distribution channels)
Denomination	SEK 2,000,000 and integral multiples of SEK 2,000,000 in excess thereof
Lead managers	Danske Bank, DNB Markets and Nordea

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Landshypotek Bank returning to the green covered bond market

- Dark Green shading by Cicero
- Green Bond Framework asset criteria – sustainable forestry, renewable energy and energy efficient buildings
- Assets in upcoming transaction solely sustainable forestry
- Meeting SDG:s 13 (climate action) and 15 (life on land)
- Approximately 240 ton CO₂ avoided and absorbed per SEK 1m (or approx. 67,000 Swedes' annual CO₂ consumption)

1. This is Landshypotek Bank

Low risk agriculture and forestry bank with sustainability integrated in the strategy

Key facts Landshypotek Bank

Focus and strategies

Market leader

- One of 10 largest banks in Sweden and market leading in agriculture and forestry with approx. 24% of total lending to the sectors
- Loans outstanding to the agriculture and forestry sectors of SEK 70.6bn and residential mortgages SEK 9.3bn.

Low risk business model

- 99.6% of the loan portfolio is first-lien mortgages, average LTV 43%
- 99% of our customers conduct business as sole proprietorship, which is a private individual with personal liability
- Considered a systemically important bank
- Higher leverage ratio than peers (5.9%)
- S&P Covered Bond rating AAA, S&P issuer rating (long) A, Fitch issuer rating (long) A

Sustainable governance

- Has a long term governance structure being owned by 38,000 loan customers, members of Landshypotek Ekonomisk Förening
- Profit is reinvested or returned to the agriculture and forestry sectors

- A sustainable bank by promoting and supporting the Swedish agriculture and forestry industry by offering solid and sustainable financial services
- The vision is to enhance life in the countryside
- Enhance customer focus with efficient customer segmentation to meet different needs and preferences and cope with the continued structural changes within agriculture
- Continue with development of digital solutions in order to meet customers' demand and increased efficiency

Impact of Covid-19

Externally

- Continued strong demand for Swedish-produced food. The trend has intensified during Covid-19. It has contributed to the fact that price development has been more favorable in Sweden compared with other countries within the EU.
- No signs of shortage in foreign labor.
- Close and ongoing dialogues with our customers.
- Examined and analyzed large commitments, mainly where the repayment ability comes from operations that may be affected by covid-19.
- We have not seen any direct adverse impact on the customers in general.

Internally

- A Corona group was formed with representatives from the business and control functions.
- Job rotation on critical functions and opportunity for work from home in agreement with immediate manager.
- Activated remote solutions for critical functions to enable work from home.
- Clarifying information to all employees about how we will continue to work during the autumn.
- No major impact of covid-19 for the bank's continuity.

Sustainability integrated in the business model of Landshypotek



- Sound and responsible lending
- Simplicity and transparency in credit process – all customers
- High ethical standards e.g. conflict of interests, AML and low risk culture
- Sound profit generation
- Profit reinvested or paid as dividend to members and thus returned to agriculture and forestry sectors



- Long-term customer relationships
- Following customers through one generation to next
- Sustainable ownership structure – one member one vote
- Financing a flourishing and sustainable countryside – in open landscapes, well preserved forests and locally produced food
- Job opportunities and living outside the main cities in Sweden



- Swedish agriculture and forestry are important factors for a diverse landscape with biodiversity
- Swedish agriculture is known for high ethics regarding animal welfare and low use of antibiotics
- Environmental analysis is required key part of the customer analysis



- Forest is a key factor in the transition to a fossil-free society
- Agriculture can be part of the solution regarding climate change as it is a natural part of the carbon cycle
- Swedish agriculture is advanced and resource efficient

2. Sustainable forestry

Swedish forestry in short

- Two thirds of Sweden is covered by forest (**28 million hectares**)
- The permanent **timber stock has doubled** since the beginning of the 20th century*
- 50 percent of Swedish forest is owned by more than **300,000 private individuals**
- Historically important natural resource and industry that today constitutes of **3 percent of Swedish GDP**
- 8.7 percent of Swedish woodland is formally protected** and 5.2 percent of productive woodland are voluntarily protected***
- The yearly growth in Swedish forests amount to **120 million cubic meters** and 84 million cubic meters are harvested*
- Forestry is regulated in the Swedish Forestry Act of 1903

Swedish Forestry Act states that forest is a renewable resource that is to be managed sustainably, yielding a good revenue through:

- Reforestation
- Notification of felling over 0.5 hectares where trees need to have reached a certain age and harvesting potential is rationed
- Natural conservations and cultural heritage – for example leave protective zones to water or wetlands, maintain elements of the species that grow naturally and leave solitary and dead trees when harvesting

*https://www.skogforsk.se/cd_495c83/contentassets/4b4b423402784d658204a7784723637b/det-svenska-skogsbrukets-klimatpaverkan.pdf

**<https://www.naturvardsverket.se/Miljoarbete-i-samhallet/Miljoarbete-i-Sverige/Uppdelat-efter-omrade/Naturvard/Skydd-av-natur/Formellt-skydd-av-skog/>

***<https://www.skogsstyrelsen.se/globalassets/statistik/statistiska-meddelanden/frivilliga-avsattningar-och-certifierad-areal/2018-statistiska-meddelanden-frivilliga-avsattningar-och-certifierad-areal.pdf>

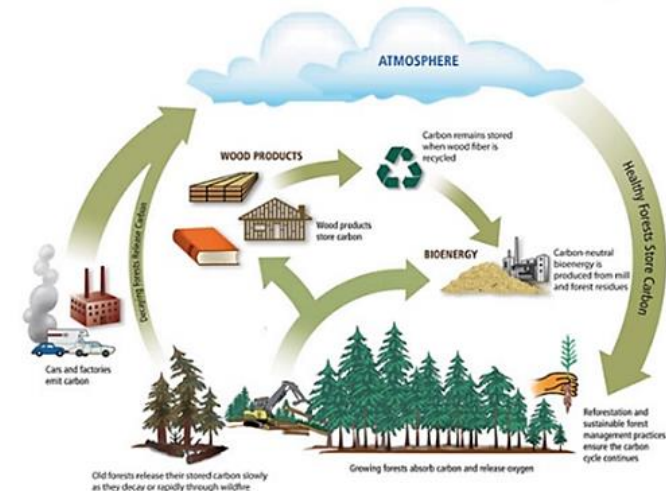
Trees' capability to capture and store carbon

- As the tree grows, carbon is stored in the tree and captured in the ground
- Active use and management of forests increase the growth and accordingly greater carbon sequestration
- A variation in carbon sequestration due to site quality
 - the soil's innate capacity to produce timber which depends on soil, climate, moisture conditions and exposure expressed in volume over bark (m³ob) per hectare and year.
 - in Sweden the site quality varies from 2 to 11 m³ob/hectare/year

Two positive climate effects:

- (1) **Direct carbon sequestration by photosynthesis** (net carbon sequestration of approx. 35 million ton CO₂ annually - 300 kg CO₂/m³ob/year)*
- (2) **Substitution effect** when wood based products replace fossil materials or materials that consume large amounts of energy in their extraction – 470 kg CO₂/harvested m³ob**

Photosynthesis ($6 \text{ CO}_2 + 6 \text{ H}_2\text{O} \rightarrow \text{C}_6\text{H}_{12}\text{O}_6 + 6 \text{ O}_2$)
- the natural process that converts carbon dioxide and water into clean air and timber



3. Green Bond Framework

Green Bond Framework

Aligns with Green Bond Principles as of 2017:

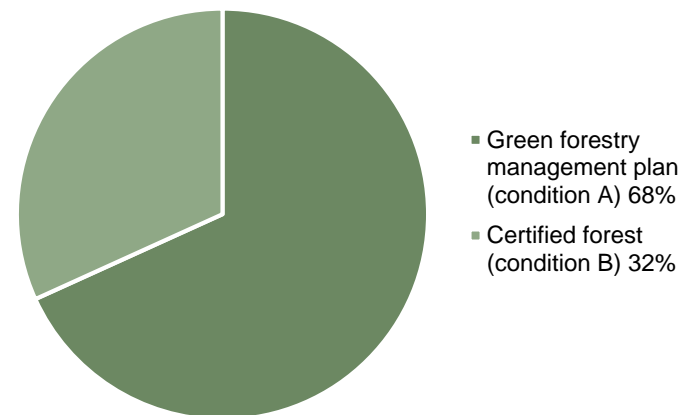
- Use of proceeds
- Process for project evaluation and selection
- Management of proceeds
- Reporting
- Addressing the UN Sustainable Development Goals (SDG) affordable and clean energy (7), sustainable cities and communities (11), climate action (13) and life on land (15)
- Green Assets means loans provided by Landshypotek, financing or refinancing investment relates to three categories of Green Assets - *Sustainable Forestry*, *Renewable Energy* and *Green Buildings*
- The portfolio of assets is dynamic
- Upcoming EU Taxonomy regulation



Landshypotek Green Bond Assets

- 2,900 underlying projects are categorized as Sustainable Forestry fulfilling condition A or B
- Projects cover approx. 2% of Swedish woodland
- 1st Green Covered Bond (May 2018): the size of Gotland
- 2nd Green Covered Bond (Nov 2019): the size of Öland
- 3rd Green Covered Bond (Nov 2020): the size of Orust and Tjörn
- All projects have a detailed forest management plan for an active and sustainable forestry
- Targeting SDG:s 13 and 15

Green Bond Asset distribution



Process for project evaluation and selection - Sustainable Forestry

New projects

Customer on-board through Landshypotek's general credit process and potential green loans are marked

Each account manager is responsible to apply the green asset criteria and fulfill expected documentation for traceability

Screening of eligible projects

Central verification of documentation

Forests needs to be certified by PEFC/FSC or there needs to be a green forest management plan with nature conservation action plans (5%) and deciduous trees (5%)

Green Bond Committee

A list of suggested projects is presented to the Green Bond Committee

Spot checks are presented in order to increase data quality

Decisions are made on approved eligible loans

Green Assets

Approved loans are marked as green assets and continuously followed up to ensure full allocation

Annual review

Landshypotek's independent and internal risk management is annually controlling the allocations of Green Bond net proceeds



All forest land holdings must have relevant **insurance** ensuring asset value



Who are the members of the Green Bond Committee?

The Green Bond Committee consists of Chief Sustainability Officer, CEO, CFO, Head of Corporate Banking and Forest Expert



Green Bond net proceeds will not be allocated or linked, inter alia, to fossil energy generation, nuclear energy generation, research and/or development within weapons and defense, potentially environmentally negative resource extraction, gambling or tobacco

Impact reporting



Two voices for sustainable forestry

"The forest is my source of relaxation and far more than just a source of income."

Ingvar Pålsson is the sixth generation to manage the forest on the property located between Perstorp and Klippan in the north of Skåne in southern Sweden. The name of the property that Ingvar look over and continued to invest in is Lycke. The forest is dominated by deciduous trees, the most common being beech, birch and oak, but the property also contains a considerable amount of pine and spruce. What sets Ingvar's forestry apart is the combination of productive forestry and recreational forest.

In 2015, Ingur purchased a further 80 hectares of forest in a small distance from the main property. The main property has four natural zones with different types of forestry practices. The eastern section has a traditional forest, forestry nature and firewood to the west, production forestry practices take over. In between lies a large recreational forest (36 ha) with valleys and water courses. Ingur goes out into the forest to clear for a few hours each day, and next year he will be devoting even more of his time to working in the forest together with his sons. In 2007, Ingur chose to certify his forest in accordance with PEFC and in 2008, he decided to also certify in accordance with FSC. For Ingur, Fwis was plan-suitable, the requirements set by the different certification

"Everyone looks after their forest in their own way. Problems only arise when the forestry practices fall outside of the norms, which can create problems with the Swedish Forest Agency,"

Ingvar points out that everyone has their own way of tending their forest. He informs that just a few weeks ago, he felled an oak tree just by the roadside and allowed it to lie there to decompose over time and, during that time, become an important source for biodiversity. A passing neighbour thought it looked messy by the roadside.

Continuity is a maxim for Ingvar and his family. Forestry is conducted for production purposes but is done with consideration and

What challenges do you see ahead?
 "As we are certified, we are subject to a requirement that not more than 5 per cent of the productive forest may be comprised of exotic species of trees, which may become a challenge over



- First impact report in May 2019 on inaugural green covered bond (May 2018)
- Second impact report May 2020 including 1st and 2nd green covered bond
- An annual carbon sequestration and substitution benefit of around 2 million tons of CO₂ or 240 tons of CO₂ per invested SEK 1m
- Including, *inter alia*:
 - a summary of Green Bond developments
 - outstanding amounts of issued green bonds
 - size and geographical distribution of underlying projects (southern deciduous region, southern coniferous region and northern coniferous region)
 - proportion of Green Bond net proceeds
 - a summary of the findings from the independent and internal risk management review
 - climate contribution and carbon dioxide avoidance and absorption
 - in depth insight in two projects

4. Step into the forest



Sammanställning över fastigheten

Arealer	hektar	%
Produktiv skogsmark	228,1	71
Impediment myr	1,0	0,3
Impediment berg	14,4	4,5
Inägomark	71,4	22,2
Linjer: väg/ledning/vatten	4,1	1,3
Övrig areal	2,2	0,7
Summa landareal	321,2	
Summa vatten	3,9	

Virkesförråd

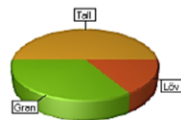
	m3sk	%
Tall	10 878	50
Gran	11 205	34
Löv	5 399	10
Ädelöv	69	<1
Contorta		

Medeltal

m3sk per ha	147
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Naturvårdsvolym

m3sk	
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Bonitet och tillväxt

Fastighetens medelbonitet är beräknad till	m3sk per ha	5,0
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Tillväxt per år vid framskrivnings-tidpunkten uppskattad till cirka	m3sk	1 233
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Avverkningsförslag

Totalt under perioden	m3sk	12 094
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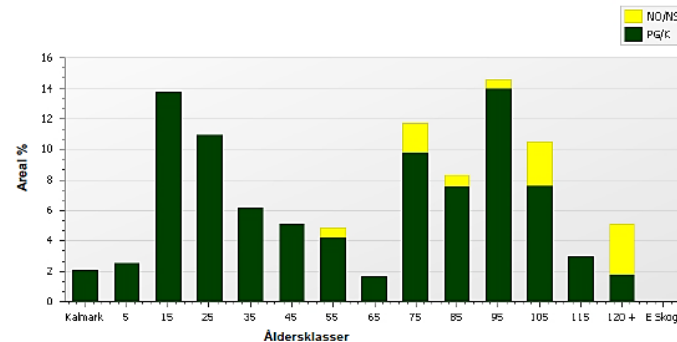
Varav gallring 3 219 m3sk

och föryngringsavverkning 8 875 m3sk

Forest Management Plan – a detailed and valuable tool

- A detailed description of the forest property which is based on an ocular inventory of standing forest and soil quality
- Tool for forestry management with a 10 year horizon
- The balance sheet and forecast of future cash flow and growth
- More than economic values – a diversified tree composition and provisions where biological diversification, culture and recreation are higher valued than timber production

Arealfördelning



A detailed example of a forest stand (1/2)



Avd nr	Areal ha (-) [Skikt]	Ålder år	Hkt Skikt	St	Virkesförråd m3sk		Mål-klass	Träd-slag		Med diam cm	Beskrivning	Åtgärd Alternativ	A n g	Uttag inkl tillväxt		Löpande tillväxt m3sk per ha
					ha	avd								%	m3sk	
	(-0,1)							Gran	30	19		Markberedning (Följd)	16-20	0		
								Löv	10	19		Plantering (Följd)	16-20	0		
36	1,1	70	S1	T22	173	151	PG	Tall	70	19		Ingen åtgärd		0		5,3
	(-0,1)							Gran	30	19						
	(-0,1)															
37	3,4	100	S1	T16	122	408	PG	Tall	80	20		Ingen åtgärd		0		2,8
	(-0,1)							Gran	10	20						
								Löv	10	20						
38	1,5	3	K2	G26	3	4	PG	Gran	90	0		Återväxtkontroll	12-15	0		0,7
	(-0,2)							Löv	10	0		Plantröjning	16-20	10		
	(-0)															
39	2,9	20	G1	T22	76	187	PG	Tall	50	10		Underväxtrojning före gallring	12-15	0		9,4
	(-0,3)							Gran	20	10		Gallring	16-20	30	115	
	(-0,1)							Löv	30	10						
40	0,6	55	G1	G24	202	119	PG	Tall	30	18	Klent uttag	Sista gallring	10-11	15	17	8,1
								Gran	70	18						
41	1,9	30	G1	G26	194	368	PG	Tall	20	12		Gallring	10-11	30	107	14,8
	(-0)							Gran	70	12						
								Löv	10	12						

A detailed example of a forest stand (2/2)



Avd nr	Areal ha (-) [Skikt]	Ålder år	Hkl Skikt	SI	Virkesförädd m3sk		Mål-klass	Träd-slag	Med diam cm	Beskrivning	Åtgärd Alternativ	A n g	Uttag inkl tillväxt		Löpande tillväxt m3sk per ha
					ha	avd							%	m3sk	
67	4,4 (-0,2)	70	G2	T24	218	922	PG	Tall	30	20	Sista gallring	12-15	25	246	5,8
								Gran	30	20					
								Löv	40	20					
68	0,7	75	S3	B20	140	99	NS,s	Tall	10	22	Ingen åtgärd		0		3,2
								Ek	10	22					
								Löv	80	22					
69	0,6	35	G1	B22	155	98	PG	Tall	20	18	Gallring	12-15	25	28	8,5
								Gran	20	18					
								Löv	60	18					
70	0,5 (-0,1)	120	S2	T20	175	77	PG	Tall	90	24	Förnyringsavv, fröträd lämnas	16-20	85	74	3
								Gran	10	24					
71	1,8 (-0,1)	80	S1	T24	244	416	PG	Tall	50	19	Något olikåldrigt		0		5,8
								Gran	30	19	Kolbotten				
								Löv	20	19					
72	0,9 (-0)	45	G1	G28	191	170	PG	Tall	20	18	Gallring delar	12-15	10	19	9,7
								Gran	80	18					
73	1,5 (-0,3)	40	G1	T24	120	143	PG	Tall	80	16	Gallring	12-15	30	50	7,1
								Gran	20	16					



5. Business overview

SEKm	YTD 2020 Q3	YTD 2019 Q3	Δ Q3oQ3	Forecast 2020	Actual 2019	Δ YoY
Net interest income	636	614	22	859	815	44
Net gain financial items	-8	3	-11	-8	-1	-7
Other income	4	61*	-56	5	62*	-57
Total income	633	678	-45	856	876	-20
Total expenses	-350	-333	-17	-479	-461	-18
Profit before impairments	283	345	-62	377	415	-38
Credit impairments	8	0	9	0	3	-3
Operating profit	291	345	-54	377	418	-41

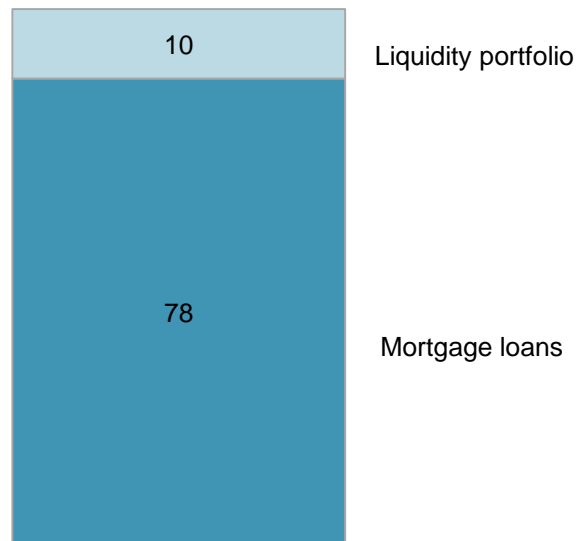
- Q3 net interest rate is 22 SEKm higher than same period in 2019, mainly because of volume growth
- Costs are according to investment plan and have increased due to higher depreciation costs for the bank's new credit approval system and increased investment to enable future growth
- Credit losses remain on low levels (recoveries)

* Income from a real estate sale during 2019 (Linköping)

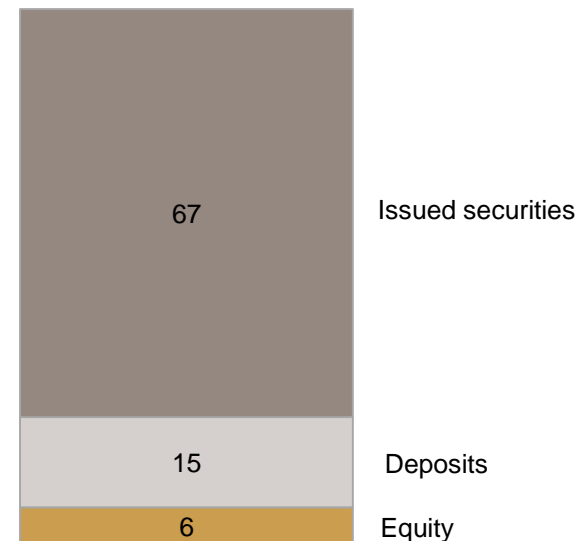
Landshypotek Bank's low risk business model is reflected in balance sheet structure

Core balance sheet structure

Assets

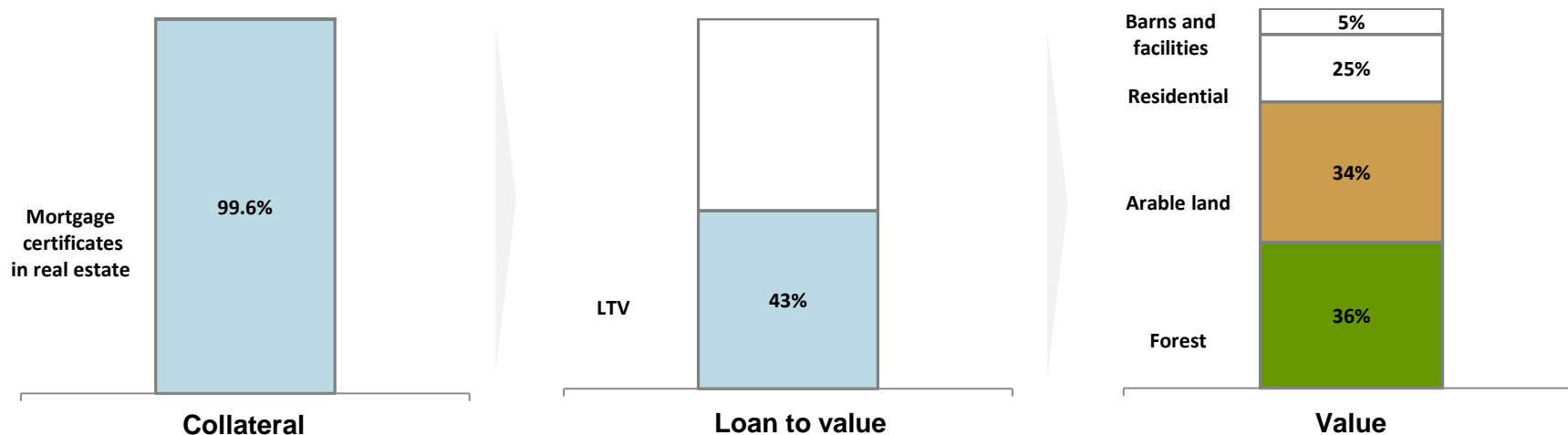


Liabilities and Equity



Loan portfolio is collateralised with low LTV assets

Portfolio overview

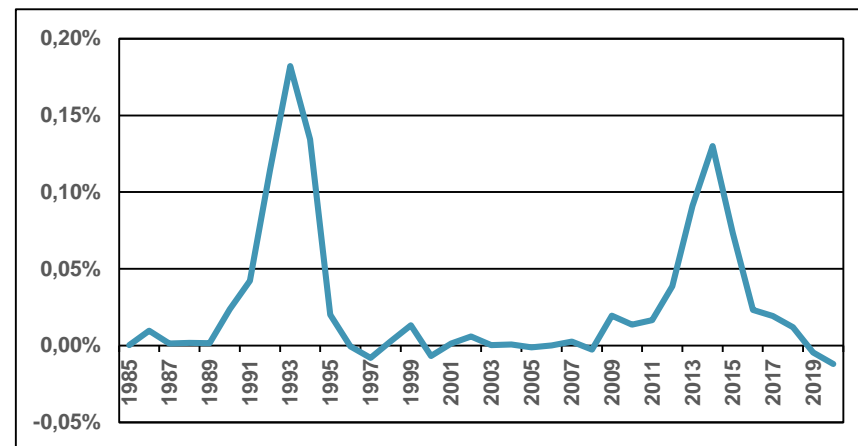


99.6 % of the loan portfolio is first-lien mortgages with LTV of 43 %

Credit losses

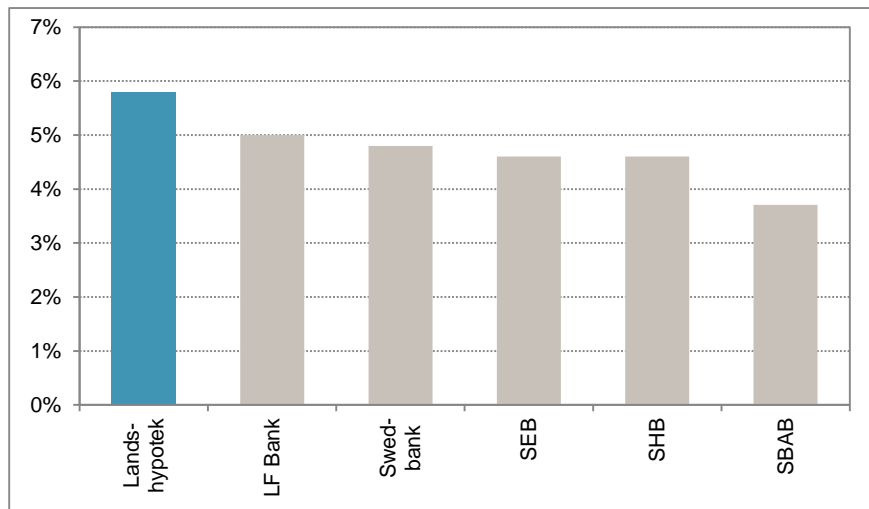
Great performance in credit losses due to high asset quality and improved processes

- Losses in 2019 amounted to SEK -3.1m, YTD 2020 losses has amounted to SEK -8,2m (recoveries)
- Total credit losses since 1985 amounts to SEK 370m which makes an average per year of 0.027%
- Continuous review of processes in identifying, monitoring and controlling credit risk in order to avoid potential credit loss
- The insolvency department and the workout unit are proactively handling customer insolvency

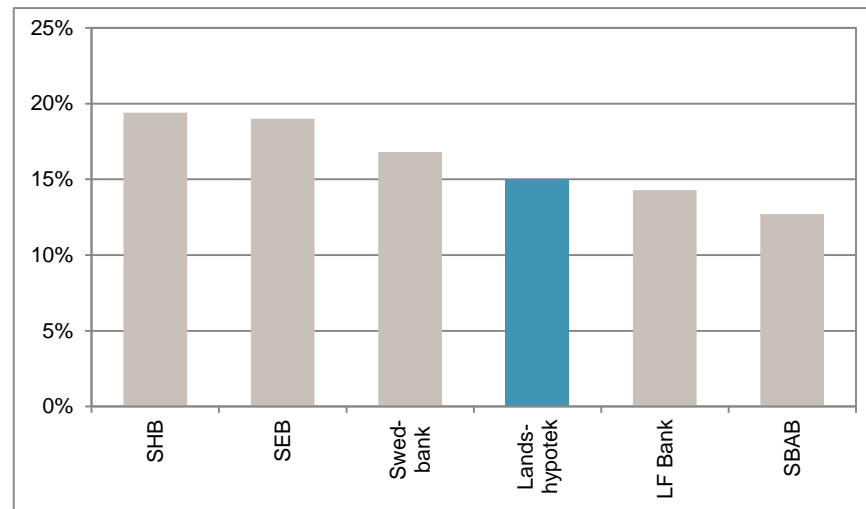


Higher leverage ratio compared to other banks but lower CET1

Leverage ratio



CET1



Cover pool data - general

Rating S&P	AAA
Lending volume	SEK 75,496m
Substitute Assets	SEK 3,725m
Swedish Covered Bonds, AAA	SEK 2,850m
Municipalities	SEK 875m
Own issued	SEK -4,900m
Cover bonds	SEK -58,637m
Loan, Central bank	SEK -4,000m
Over Collateralisation	SEK 21,484m
Over Collateralisation	34.30%

Amortisation	
Amortising	99%
Non amortising	1%
Average LTV	
Volume weighted	42.80%
Seasoning	
Years	
Loan level	6.18
Customer level	17.34
Property level	25.00

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Lead managers	Danske Bank, DNB Markets and Nordea

7. Landshypotek Bank – contacts

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8. Appendix

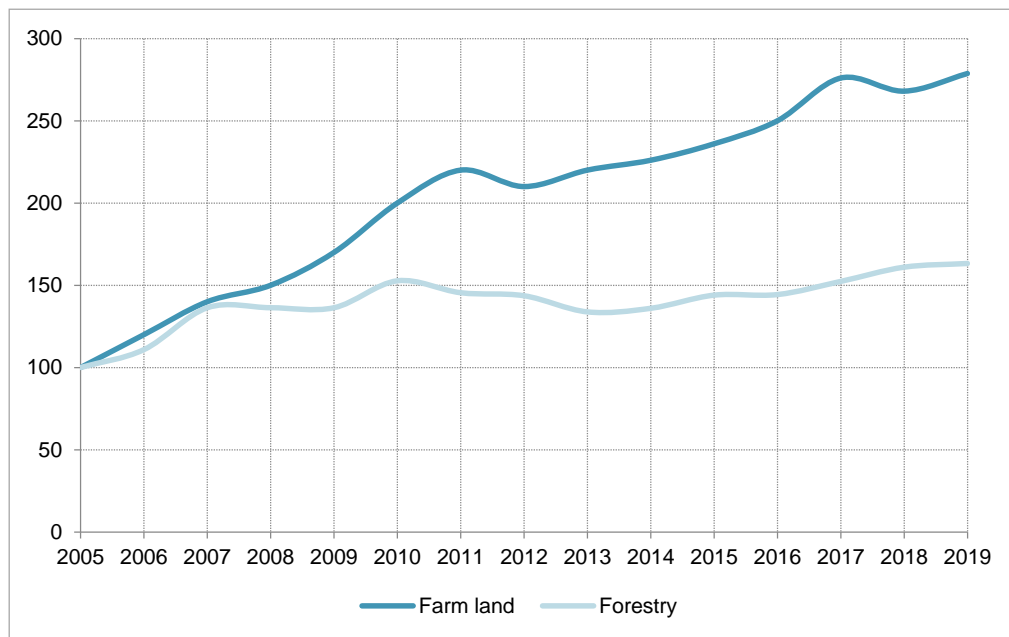
Agriculture market overview

Swedish agriculture (0.5 % of GDP) and forestry (3% of GDP)

- Business is conducted as sole proprietorship (Sw. *enskild näringsidkare*) – due to Swedish legislation on land ownership
- Sole proprietorship is a private individual with personal liability
- 99% of Landshypotek Bank's customers are private individuals with personal liability
- Customers post collateral with mortgage certificates in real estate
- Capital intense in relation to turnover and earnings
- Structural changes lead to larger units and fewer clients
- The structural changes have been gradual and continuing

Agriculture market overview

Property price development 2005-2019

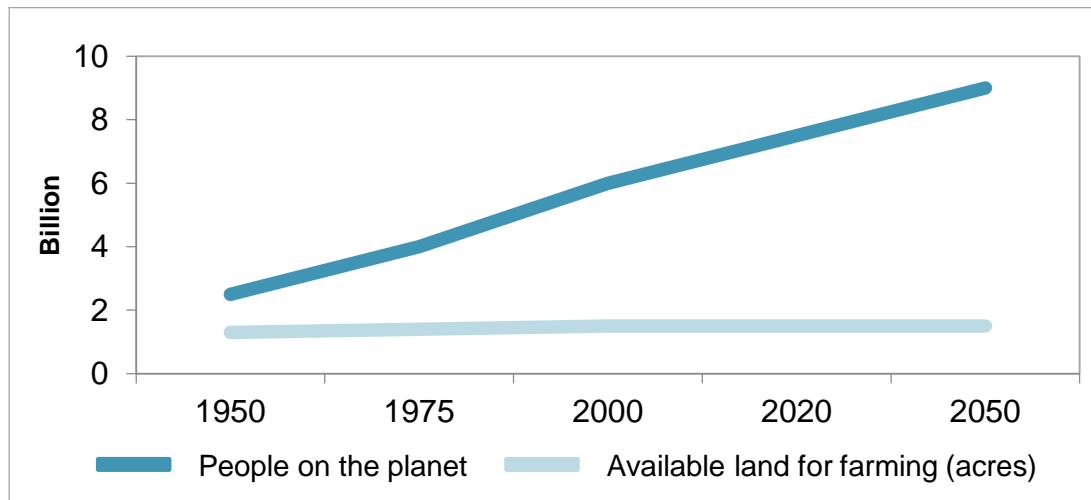


	1Y	5Y
Farm land	+4%	+23%
Forestry	+1.4%	+20%

- Property prices for farmland had a slight decline in 2018, possibly as a result of the year's drought. The long-term trend is increased price levels.
- Average price for forestry properties increased in 2018. The exception was northern Sweden which experienced a slight decline in prices. The five year-trend is increased price levels for all areas in Sweden.

Dairy	Cattle	Pork	Crops	Forestry
<ul style="list-style-type: none"> • The global market for dairy products has recovered after a minor decline in February/March due to uncertainties regarding Covid-19. • Settlement price has been high and stable during a long period. A decreased demand of ecological products has resulted in lower settlement price for ecological milk. • Supplied volumes in Sweden have increased with 0.5% during the first half-year (2020), which can be compared with the last 5-years period where supplied volumes decreased with 1.4% in average during the first half-year. 	<ul style="list-style-type: none"> • A continued increase in demand for domestic beef in Sweden. • Beef price has had a positive trend in Sweden during the first half-year (2020) and is approx. 5-7% higher Sep 20 compared to Sep 19. • Beef price is still on a higher level in Sweden compared to other countries in the EU. Sweden is the only member state with a positive price trend during the last 12 months. • Normal volumes and qualities in this year's harvest of roughage. 	<ul style="list-style-type: none"> • A stable price development in Sweden. During the last weeks, price has been 10-15% higher for slaughter pigs this year compared to the same period last year. A slighter higher increase (+20%) is seen for piglets during the same period. • In EU, price development has been negative for slaughter pigs and piglets during the last months, despite an increase in export. • During Covid-19 an even stronger trend for domestic pork has been seen in Sweden. The market share has increased. • Lower production costs due to lower feed prices and other inputs in 2020 compared to the same period in 2019. 	<ul style="list-style-type: none"> • Total harvest of the year is estimated to 5.9 bn tonnes which is 4% less than last year but 10% higher than average (last 5 years) • Corresponding forecast for oilseeds is 9% lower than last year but 7% higher than average (last 5 years). • Lower productions costs due to lower input prices have been favourable for crop farmers. • Cereal prices in Sweden are currently (end of October) up slightly year-on-year. 	<ul style="list-style-type: none"> • Forest raw material prices have had a declining trend during 2020. This is a result of a deteriorating economy combined with substantial consequences of the spruce bark beetle (in Europe but also in Sweden). During recent weeks an increase in timber prices have been seen in the market. • In order to maintain production values during spruce bark beetle attacks larger volumes of felling are needed. But timber volumes are still high which is causing shortage in storage space which complicates sales. • Despite the economic downturn for the forest industry and lower prices for forest raw materials, forest property prices have trended positively.

Long-term trend for population and farm land



Source: UN

- The need for food the coming 20-25 years is double the amount that has been produced during the last 10,000 years
- Production improvements have compensated for growing population
- Restrictions on pesticides and plant breeding as well as shortage of water put pressure on further efficiency improvements



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