



Landshypotek Bank

Landshypotek Bank Green Forest Bond

7th November 2019

Executive summary

Landshypotek Bank returning to the green covered bond market

- Dark Green shading by Cicero
- Assets in upcoming transaction solely sustainable forestry
- Approximately 250 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
 - 99.5% of the loan portfolio is first-lien mortgages
 - average LTV is 45%
 - 99% of the customers has a personal liability
 - Bank 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 3bn (WNG)
Maturity	6-7 year
Facility	Issue of FRN or Fixed under the Issuer's EUR 10,000,000,000 EMTN programme
Status	Covered Bonds
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 and professional clients only (all distribution channels)
Denomination	SEK 2,000,000 and integral multiples of SEK 2,000,000 in excess thereof
Lead managers	Nordea, SEB and Svenska Handelsbanken

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 250 ton CO₂ avoided and absorbed per SEK 1m

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1. This is Landshypotek Bank

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

Key facts Landshypotek Bank

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 69.7bn and residential mortgages SEK 5.7bn.

Low risk business model

- 99.5% of the loan portfolio is first-lien mortgages, average LTV 45%
- 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 bank rating (long) A-, Fitch bank 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

Focus and strategies

- 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

Mångmiljonutdelning till landets jord- och skogsbrukare

16 mars 2019
Landshypotek Bank ägs via Landshypotek Ekonomisk Förening av drygt 38 000 medlemmar verksamma inom jord- och skogsbruk. I samband med att föreningen presenterar sin årsredovisning för 2018, föreslår styrelsen en utdelning på 150 miljoner kronor till medlemmarna.

"EU-förslag ödesdigert för Sveriges skogsbruk"



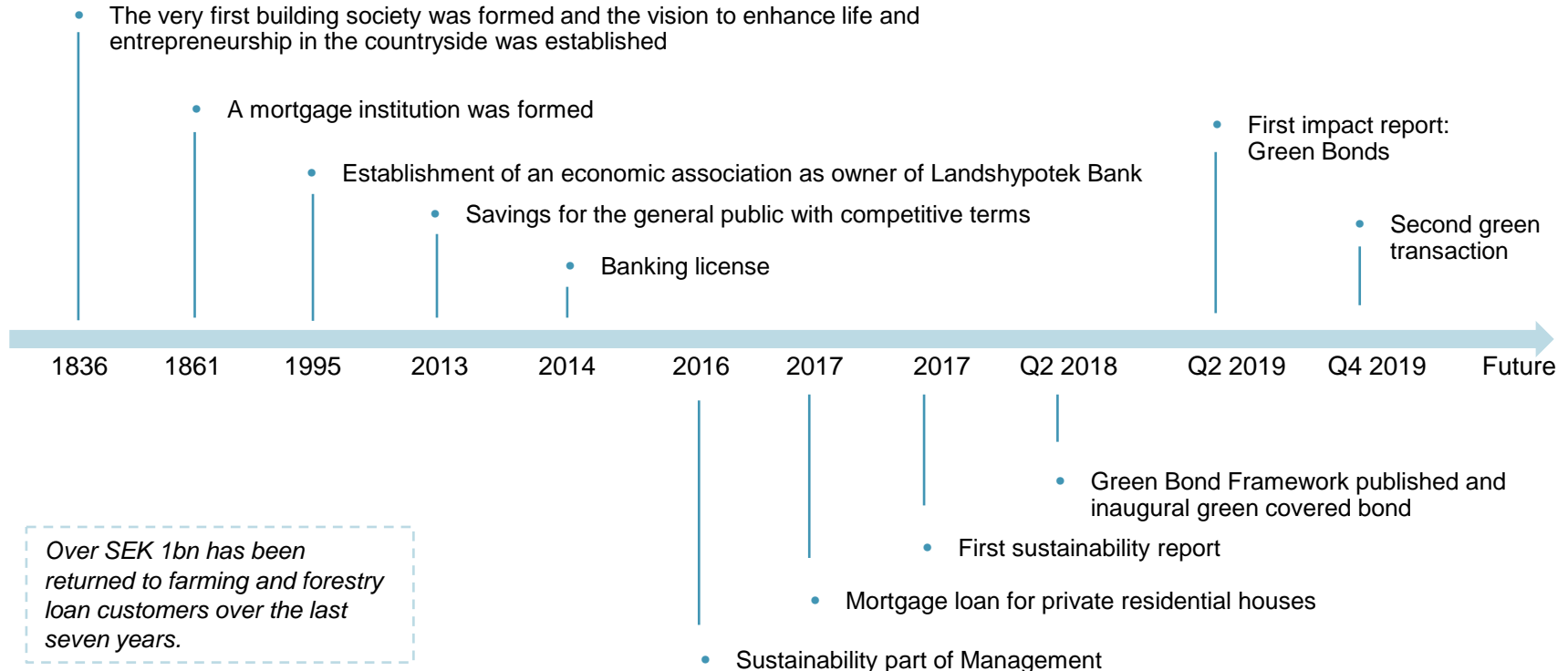
Låna till lantbruksfastighet?

bor eller bedriver du verksamhet på jord- eller skogsbruksfastighet?
Ansök här

Landshypotek Bank först med digital låneansökan för jord- och skogsbrukskunder

21 oktober 2019
Nu kan jord- och skogsbrukare ansöka om lån digitalt. Landshypotek Bank öppnar som första bank möjligheten för digitala låneansökningar även för kunder som bor på eller driver företag utifrån en lantbruksfastighet.

Competitive financing for Sweden's farmers and foresters



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 are 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 convert carbon dioxide and water into clean air and timber



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

** Lundmark, T., Bergh, J., Hofer, P., Lundström, A., Nordin, A., Poudel, B.C., Sathre, R., Taverna, R., och Werner, F. (2014) Potential Roles of Swedish Forestry in the Context of Climate Change Mitigation, *Forests* 2014, 5(4) 557-578

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



°CICERO
Dark Green

"Second Opinion" on Landshypotek Bank's Green Bond Framework

3. Green Asset Criteria

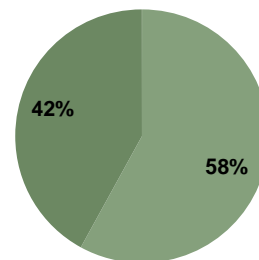
The criteria for each individual asset are set based on the UN SDG's and categorized depending on its key components – *Sustainable Forestry*, *Renewable Energy* and *Green Buildings*. Each category and asset criteria are described below.



Landshypotek Green Bond Assets

- 1875 underlying projects to the size of Gotland and Öland (460 000 hectares)
- all with a detailed forest management plan for an active and sustainable forestry
- assets in upcoming transaction will solely be sustainable forestry

Green Bond Asset distribution



- Green forestry management plan (condition A)
- Certified forest (condition B)



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

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 be **insured**, ensuring asset value and adoption measures such as forest fire proliferation prevention, storms and extreme precipitation



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

Management of proceeds and reporting

	Green Bond Principles (GBP)	Green Bonds - Landshypotek	Second Opinion - Cicero	EU Green Bond Standard (draft)
Management of Proceeds	<ul style="list-style-type: none"> Traceable management of proceeds within the issuing organization 	<ul style="list-style-type: none"> Clear guidelines for the management of the Green Bond proceeds Monitoring and tracking of the proceeds Defined temporary investments 	<p><i>"The company has clear guidelines for the management of the green bond proceeds."*</i></p>	<ul style="list-style-type: none"> Generally aligned with GBP An amount equal to the net proceeds
Reporting	<ul style="list-style-type: none"> At least annual reporting on the use of proceeds Description of underlying assets, disbursements and expected impact 	<ul style="list-style-type: none"> Landshypotek has and will report annually use of proceeds and estimated CO₂ impact Reports have and will be available to both investors and the public 	<p><i>"Bank will report on various indicators of projects financed by the green bond proceeds. These reports will be available to both investors and the public."*</i></p>	<ul style="list-style-type: none"> Verification becomes mandatory (pre and post issuance) Post-issuance reporting split into: i) allocation reporting (verification required) ii) impact reporting (verification recommended)

* Second Opinion can be found on Landshypotek Bank's Green bond [website](#)

Impact reporting



Two voices for sustainable forestry

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

Inger Pilsson is the sixth generation to manage the forest on the property located between Parkery and Klippan in the north of Skåne in southern Sweden. The name of the property that Inger took over and continued to manage 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 Inger's forestry apart is the combination of productive forestry and recreational forest.

Stig Engström, who has been in the forest for over 40 years, has a different perspective. He has been in the forest since he was a child and has a deep knowledge of the forest. He is a forester and has a degree in forestry. He is also a member of the Swedish Forestry Association.

The last dairy cows were sent to the slaughterhouse in 1980 and the forest has been growing ever since.

"I have a deep knowledge of the forest and I know what is good for it. I have been in the forest since I was a child and I have a deep knowledge of the forest."

Stig Engström

The forest is a source of income and a source of recreation. It is a source of income because it produces wood and a source of recreation because it is a beautiful place to visit.

Most of the forest is managed as a recreational forest and is used for recreation. It is a beautiful place to visit and it is a source of income because it produces wood.

What are your thoughts on this?

"For me, it is an investment and a source of income. It is a source of income because it produces wood and a source of recreation because it is a beautiful place to visit."

Stig Engström

At the moment, Inger and her family are managing the forest in a sustainable way. They are using modern forestry techniques and they are using modern equipment.

They are also using modern equipment and they are using modern techniques. They are using modern equipment and they are using modern techniques.

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systems were implemented that he essentially already had in place. The forest was well managed and Inger was not really concerned about it.

Stig Engström

Inger says that she has been in the forest for over 40 years and she has a deep knowledge of the forest. She is a forester and has a degree in forestry.

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- First impact report in May 2019 on inaugural green covered bond (May 2018)
- Next impact report May 2020 including 1st and 2nd green covered bond
- 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

Second opinion

- Second Opinion from Cicero to ensure a transparent and solid Green Bond Framework
- *"Based on the assessment of the project types, policies, goals and reporting standards, Landshypotek Bank's Green Bond Framework receives a Dark Green shading."*
 - Sustainability integrated in credit assessment
 - Sustainability requirements exceeds Swedish law
 - Sustainable forestry is part of a low carbon future economy
 - Reporting and transparency
- Second Opinion can be found on Landshypotek Bank's Green bond [website](#)



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Dark Green

"Second Opinion" on Landshypotek Bank's Green Bond Framework



Step into the forest

Forestry Management Plan – a detailed and valuable tool

Sammanställning över fastigheten

Arealer	hektar	%
Produktiv skogsmark	228,1	71
Impediment myr	1,0	0,3
Impediment berg	14,4	4,5
Infogomark	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

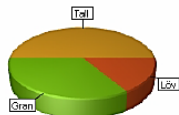
	m3sk	%
Tall	10 878	50
Gran	11 295	34
Löv	5 399	16
Ädellöv	69	<1
Contorta		

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	5,9
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Tillväxt per år vid framskrivnings-tidpunkten uppskattad till cirka	m3sk	1 233
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Avverkningsförslag

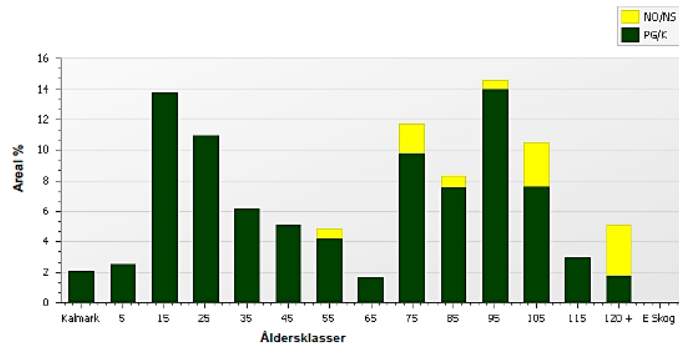
Totalt under perioden	m3sk	12 094
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Varav gallring 3 219 m3sk

och förnyingsavverkning 8 875 m3sk

- 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 (-) [Skä]g	Ålder år	Höjd Skäkt	SI	Virkesföränd 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 (Föld)	16-20	0		
								Löv	10	19		Plantering (Föld)	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						
38	1,5	3	K2	G26	3	4	PG	Gran	90	0		Återväxkontroll	12-15	0		0,7
	(-0,2)							Löv	10	0		Plantröjning	16-20	10		
	(-0)															
39	2,5	20	G1	T22	76	187	PG	Tall	50	10		Underväxtröjning 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	1,5	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	Virkesförädl m3sk		Mål-klass	Träd-slag		Med diam cm	Beskrivning	Åtgärd Alternativ	A n g	Uttag inkl tillväxt		Löpande tillväxt m3sk per ha
					ha	avt		%	m3sk							
67	4,4	70	G2	T24	218	922	PG	Tall	30	20		Sista gallring	12-15	25	246	5,8
	(-0,2)							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	120	S2	T20	175	77	PG	Tall	90	24		Förnyingsavv, fröträd jämnas	16-20	85	74	3
	(-0,1)							Gran	10	24						
71	1,8	80	S1	T24	244	416	PG	Tall	50	19	Något olikåldrigt	Ingen åtgärd		0		5,8
	(-0,1)							Gran	30	19	Kolbotten					
								Löv	20	19						
72	0,9	45	G1	G28	191	170	PG	Tall	20	18	Gallring delar	Gallring	12-15	10	19	9,7
	(-0)							Gran	80	18						
73	1,5	40	G1	T24	120	143	PG	Tall	80	16		Gallring	12-15	30	50	7,1
	(-0,3)							Gran	20	16						



4. Business overview

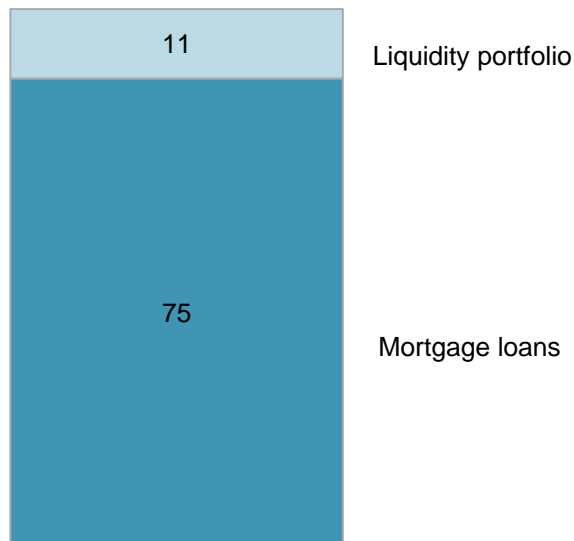
SEKm	2019 Q3	2018 Q3	Δ QoQ	2019	2018	Δ YoY
Net interest income	205	205	1	614	591	23
Net gain financial items	5	-2	7	3	17	-14
Other income	57	1	56	61	4	57
Total income	268	204	64	678	612	66
Total expenses	-107	-102	-5	-333	-322	-11
Profit before impairments	160	102	59	345	290	55
Credit impairments	-3	-1	-1	0	7	-7
Operating profit	158	100	58	345	297	48

- Stable result - net interest income has improved because of higher lending volume and lower resolution fund fee
- Capital gain of SEK 55m attributable to the sale of property
- Investment costs are according to plan
- Stable growth in lending

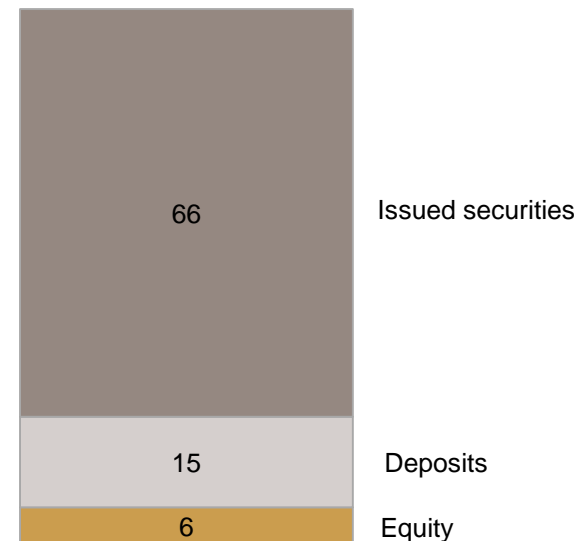
Landshypotek Bank's low risk business model is reflected in balance sheet structure

Core balance sheet structure

Assets

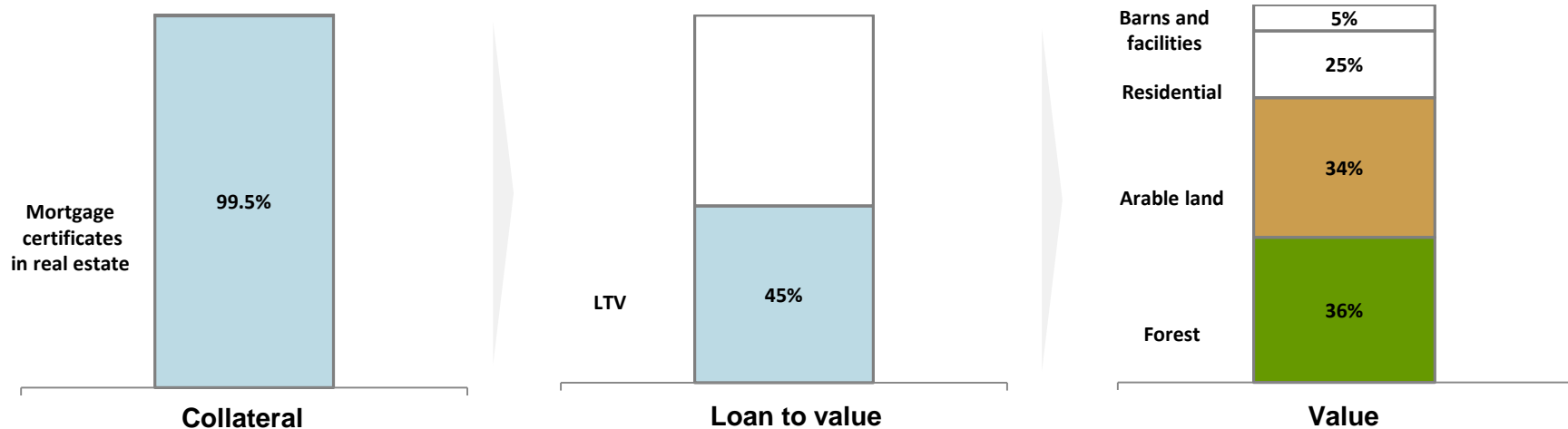


Liabilities and Equity



Loan portfolio is collateralised with low LTV assets

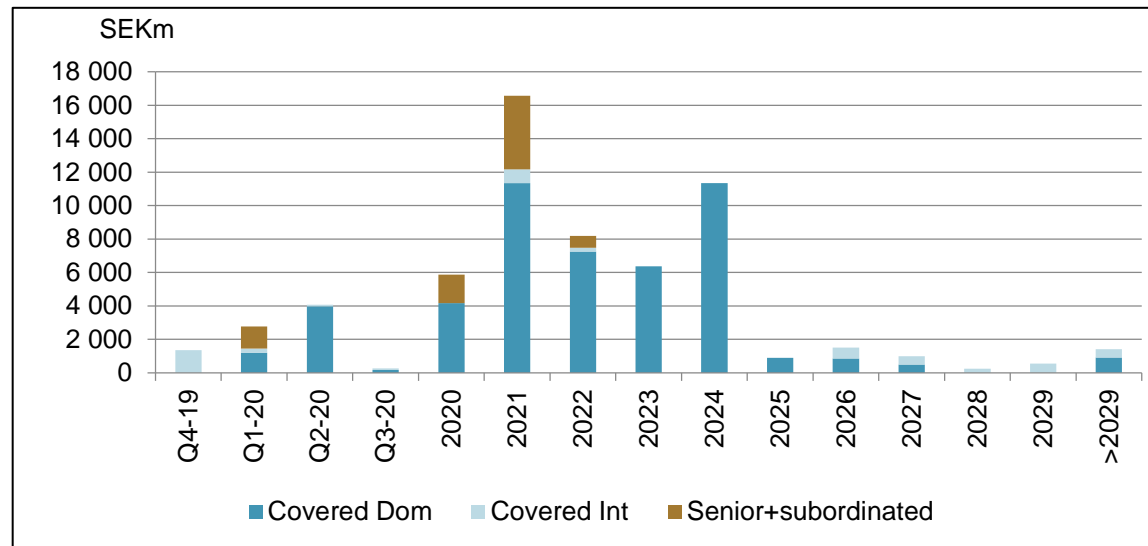
Portfolio overview



99.5 % of the loan portfolio is first-lien mortgages with LTV of 45 %

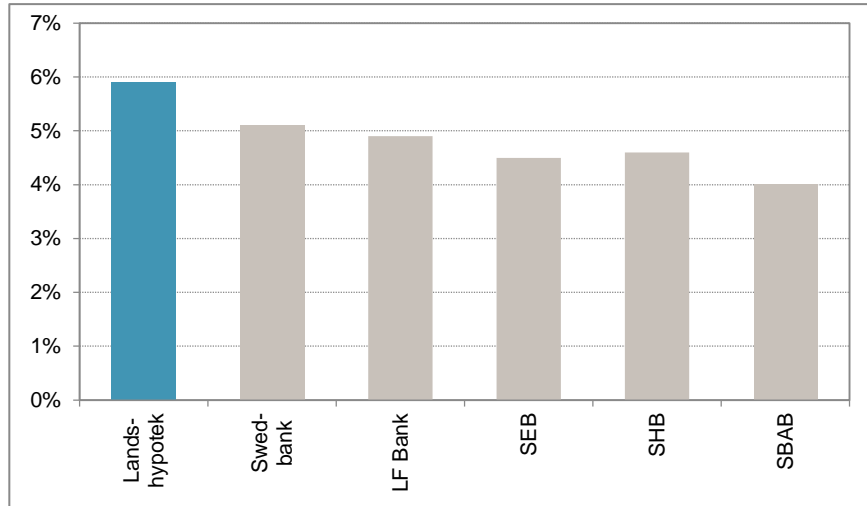
Funding profile

Average maturity	3.1 years
Covered bonds	70%
Senior + Subordinated	11%
Deposits	19%
International funding	7%

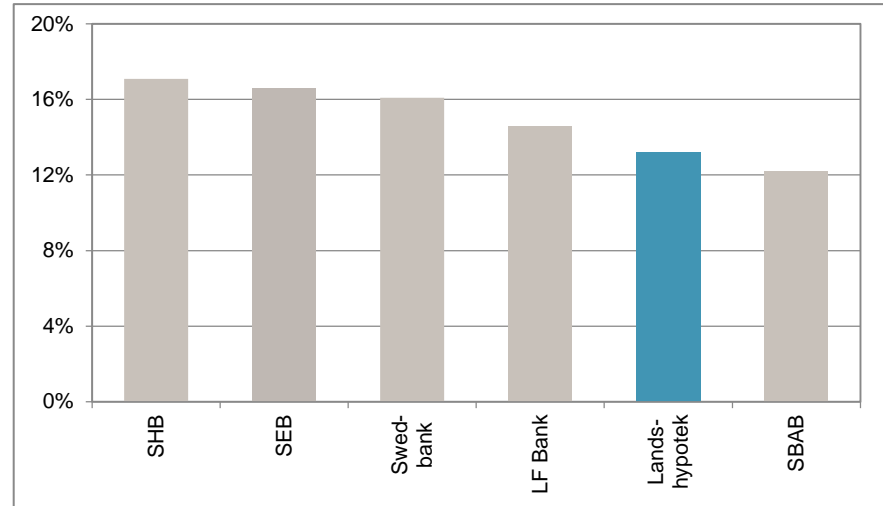


Higher leverage ratio compared to other banks but lower CET1

Leverage ratio



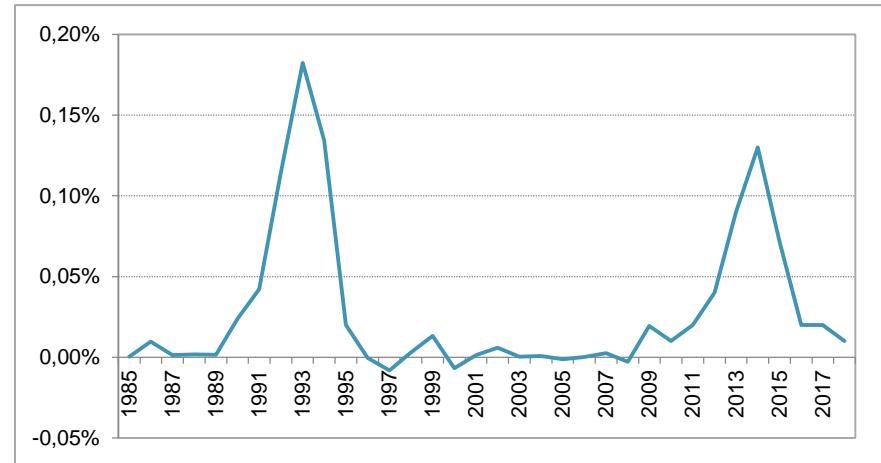
CET1



Credit losses

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

- Losses in 2018 amounted to SEK 8.0m (0.01%), YTD 2019 losses has amounted to SEK 0,2m.
- Total credit losses since 1985 amounts to SEK 382m which makes an average per year of 0.03%
- 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



Cover pool data - general

Rating S&P	AAA
Lending volume	SEK 71 198m
Substitute Assets	SEK 2 880m
Swedish Covered Bonds, AAA	SEK 1 550m
Municipalities	SEK 1 330m
Cover bonds	SEK -54 241m
Over Collateralisation	SEK 19 837m
Over Collateralisation	36.57%

Amortisation	
Amortising	98%
Non amortising	2%
Average LTV	
Volume weighted	42.5%
Seasoning	
Years	
Loan level	6.31
Customer level	18.81
Property level	26.48

Executive summary

Landshypotek Bank returning to the green covered bond market

- Dark Green shading by Cicero
- Assets in upcoming transaction solely sustainable forestry
- Approximately 250 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
 - 99.5% of the loan portfolio is first-lien mortgages
 - average LTV is 45%
 - 99% of the customers has a personal liability
 - Bank 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 3bn (WNG)
Maturity	6-7 year
Facility	Issue of FRN or Fixed under the Issuer's EUR 10,000,000,000 EMTN programme
Status	Covered Bonds
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 and professional clients only (all distribution channels)
Denomination	SEK 2,000,000 and integral multiples of SEK 2,000,000 in excess thereof
Lead managers	Nordea, SEB and Svenska Handelsbanken

6. Landshypotek Bank – contacts

For further information

Karl Högstedt

CFO

karl.hogstedt@landshypotek.se

+46 8 459 0406

Åke Källström

Head of Treasury

ake.kallstrom@landshypotek.se

+46 8 459 0487

Martin Kihlberg

General Counsel and Chief Sustainability Officer

martin.kihlberg@landshypotek.se

+46 8 459 0486

Address

Visiting

Regeringsgatan 48, Stockholm

Postal

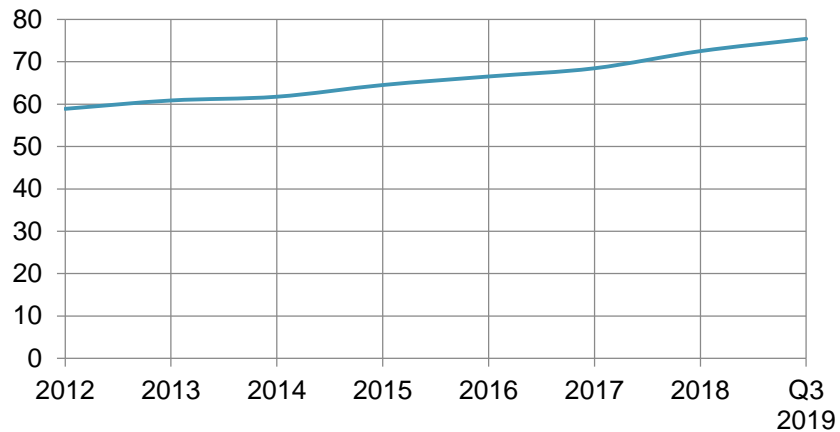
P.O. Box 14092, SE-104 41 Stockholm

7. Appendix

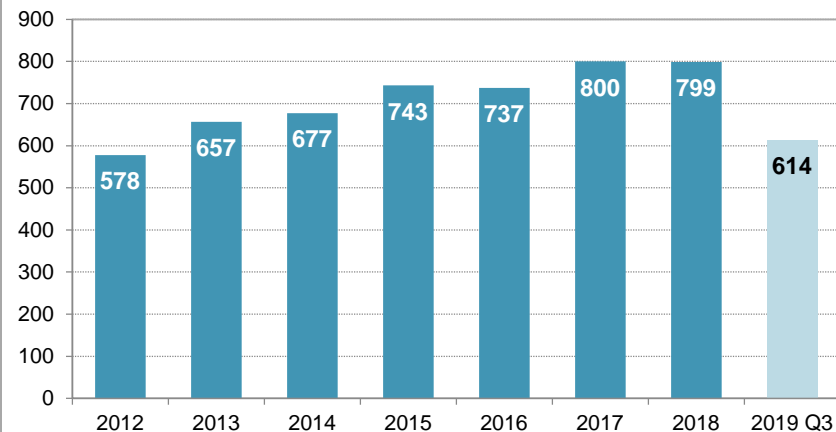
Financial update, asset quality and funding

Stable growth in loan portfolio, positive effect in NII

Loan portfolio, SEKbn

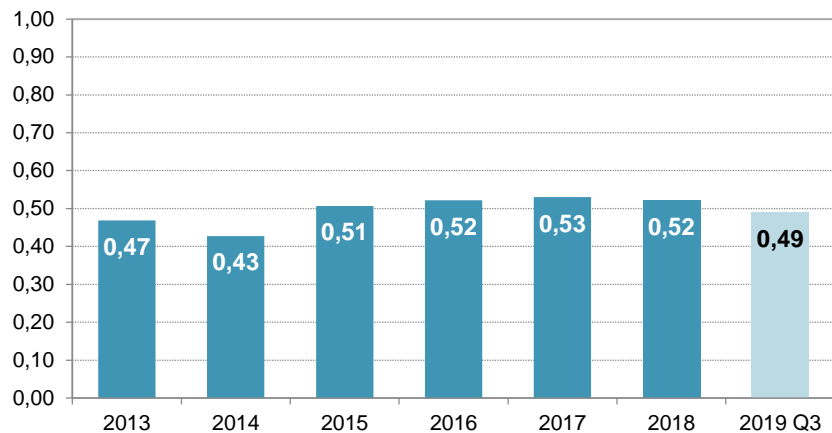


Net interest income, SEKm

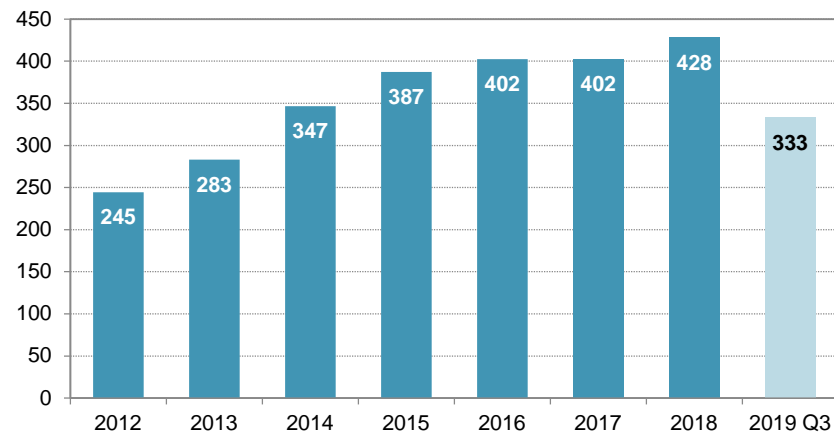


Cost increase leveled out

Cost income ratio excl loan losses



Total expenses



Cover Pool

Cover pool data (1/2)

Rating S&P	AAA
Lending volume	SEK 71 198m
Geographic distribution	Sweden 100%
Average loan size	SEK 719 404
Number of loans	98 968
Number of properties	33 607
Substitute Assets	SEK 2 880m
Swedish Covered Bonds, AAA	SEK 1 550m
Municipalities	SEK 1 330m
Cover bonds	SEK -54 241m
Over Collateralisation	SEK 19 837m
Over Collateralisation	36.57%

Interest	
Floating	65%
Fixed	35%
Amortisation	
Amortising	98%
Non amortising	2%
Mortgage type	
Agriculture properties	91%
Residential properties	9%
Average LTV	
Volume weighted	42.5%

Cover pool data (2/2)

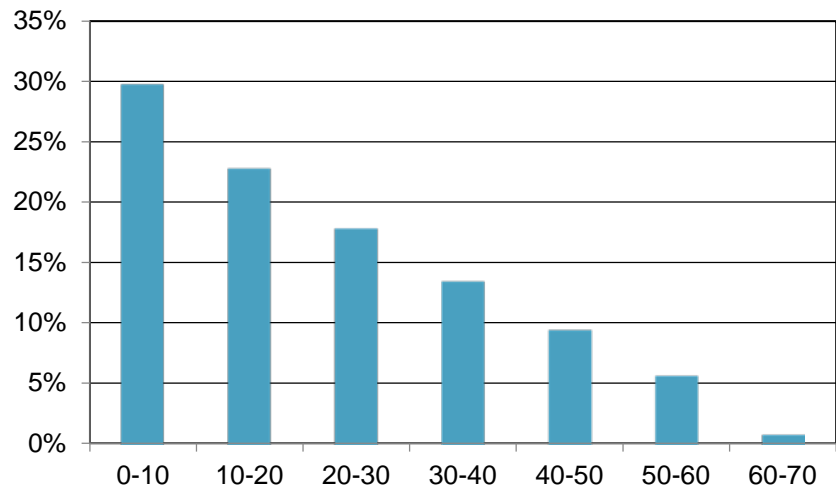
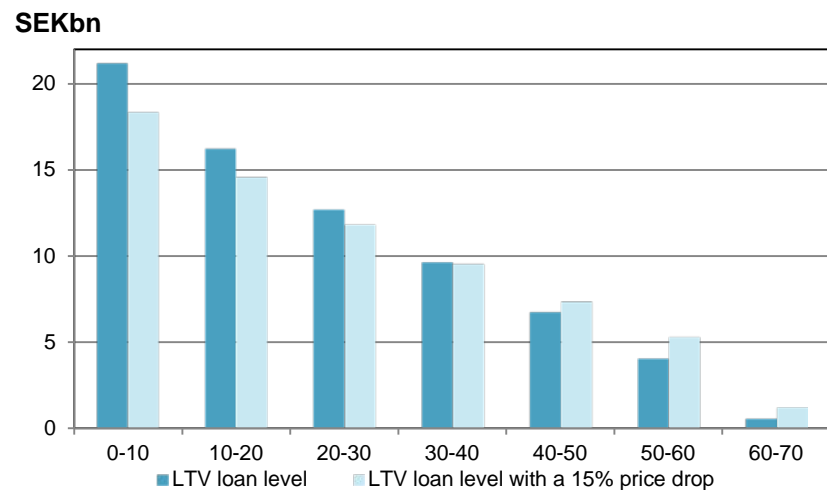
Seasoning	Years	Month	Concentration (borrowers)	Volume	% of volume
Loan level	6.31	76	Top 5	SEK 784m	1.10%
Customer level	18.81	226	Top 10	SEK 1 345m	1.89%
Property level	26.48	318	Top 20	SEK 2 302m	3.23%

Cover pool geographical distribution, county % of total volume

Stockholm	5%	▶
Uppsala	4%	▶
Södermanland	4%	▶
Östergötland	11%	▶
Jönköping	4%	▶
Kronoberg	3%	▶
Kalmar	5%	▶
Gotland	4%	▶
Blekinge	1%	▶
Skåne	16%	▶



Halland	4%	◀
Västra Götaland	13%	◀
Värmland	6%	◀
Örebro	7%	◀
Västmanland	2%	◀
Dalarna	1%	◀
Gävleborg	2%	◀
Västernorrland	2%	◀
Jämtland	2%	◀
Västerbotten	2%	◀
Norrbotten	1%	◀

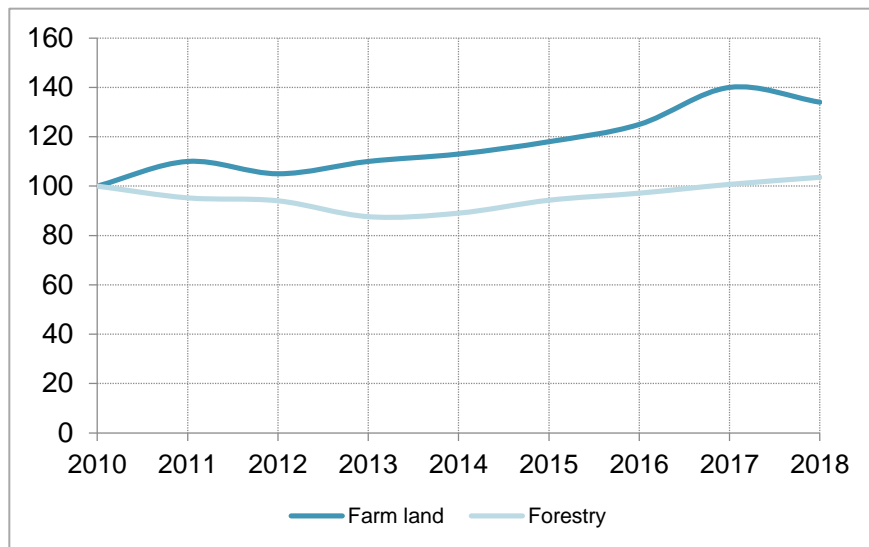
Loan amount by LTV bucket**Stress test LTV – 15% price drop****Total change in cover pool – 3.96%**

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

Property price development 2010-2018



	1Y	5Y
Farm land	-5%	+22%
Forestry	+3%	+18%

- 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.



Cattle

- The drought in 2018 has resulted in a lack of access to roughage, higher feed costs and increased slaughter.
- Farms with cattle show less willingness to invest partly due to the drought in 2018 and uncertainty about next CAP
- Per capita consumption is declining, but the share of Swedish beef in total consumption continues to increase.

Pork

- The market is largely affected by the outbreak of African swine fever. Export of pork from the EU has increased by 15 per cent during Jan-May 2019.
- Prices have risen in Sweden, but the increase has occurred later than in other EU countries.
- Farms with swine production show increased willingness to invest.

Poultry

- The Swedish production has captured a larger share of the countries total poultry consumption
- The price for poultry has during 2019 remained approx. five percent higher than in 2018.
- Higher feed costs have squeezed margins for poultry and egg producers, but falling feed prices and stable, rising egg and poultry prices are expected to strengthen margins.

Dairy

- Milk production continues to decline.
- The milk price has been remarkably stable during the first half of 2019.
- The average price was approx. nine percent higher in June year-to-year.
- Stable and relatively high prices as well as a better feed situation mean that margins is expected to have a slightly more positive development in 2019.

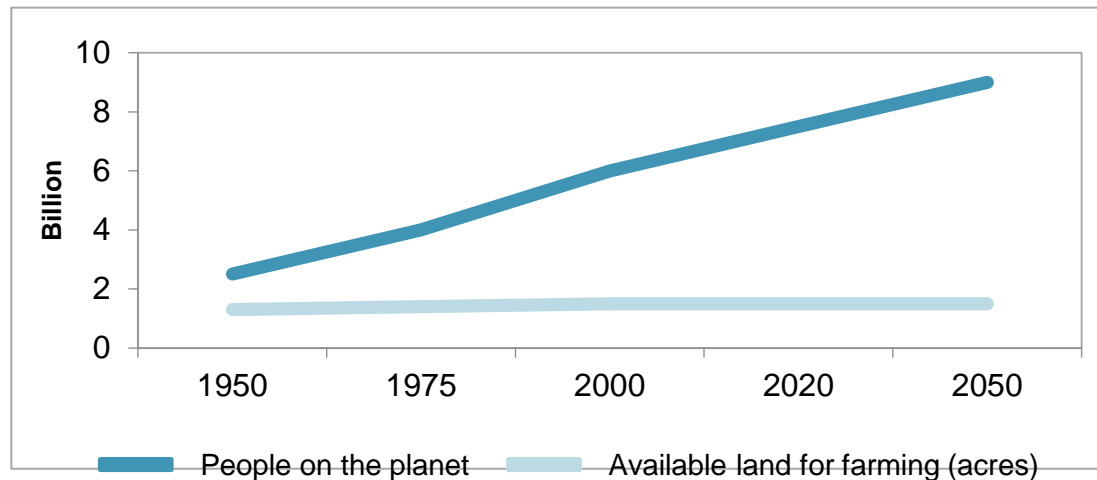
Cereals

- After last years drought and historical low harvest, this years cereal harvest is expected to be the third largest in the 2000:s.
- Prices have been negatively impacted by reports showing increased cereal harvest in the world, and reduced demand due to outbreak of African swine fever in East Asia. Still prices in Sweden are slightly higher than previous five-year period.

Forestry

- Storms and greater infestations of bark beetle have resulted in increased harvest and stocks in EU and Sweden.
- Large supply combined with a economic downturn globally and in Sweden has resulted in reduced timber prices.
- Housing investment is declining, but demand for wood as a material for housing construction continues to have a positive development.

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



Landshypotek Bank



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