



Landshypotek Bank

Investor Presentation

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Landshypotek Bank

Recent development



Landshypotek Bank

Landshypotek Bank finance initiatives for a richer life in the countryside.

It started in 1836 with the very first building society. By that time, we were already contributing to the development of a living countryside.

The main task is to provide competitive financing and to offer financial services to Sweden's farmers and foresters.

Landshypotek is also the bank for everyone who wants favourable terms for savings and who holds the countryside dear to their heart.





Sweden´s 10 bank

Loans outstanding to the agriculture and forestry sectors of more than SEK 61 billion.

Market leader with 27 per cent of total lending.

Owned by our loan customers, who are members of Landshypotek Ekonomisk Förening.

60 000 customers. 153 employees.

75 account managers - all with a degree or experience from farming and forestry.

Surplus is returned to the agriculture and forestry sectors, through reinvestment in operations and through payment of dividends to members.





Recent development

- Steady profit growth
- A new business support system for enhanced services and customer contact
- New internet bank – digital processes for interactive account opening and account to account transfer
- Established Landshypotek as a Bank for savers
- Newly established instructions with quantitative targets set by the owners
- Enhanced credit approval processes and further developed risk management
- Increased contributed capital, SEK 330 million over the last 3 years
- Successful bond issuances
- Enhanced credit approval processes and further developed risk management



Recent development

Landshypotek Bank have invested for the future and at the same time maintained a stable profit growth and good cost control.

Landshypotek Bank have expended the business but the main task remain: provide competitive financing and to offer financial services to Swedens´ farmers and foresters.



Strategic challenges

Increase the customer base

- Economic of scale
- Customers demands a wider product offering
- Risk diversification
- Deposits

Quality and efficiency

- Enhance credit approval process.
- Increase efficiency to reduce costs.

Investors and rating agencies

- Diversified funding
- Increased profitability
- Persist strong capitalisation





Landshypotek Bank

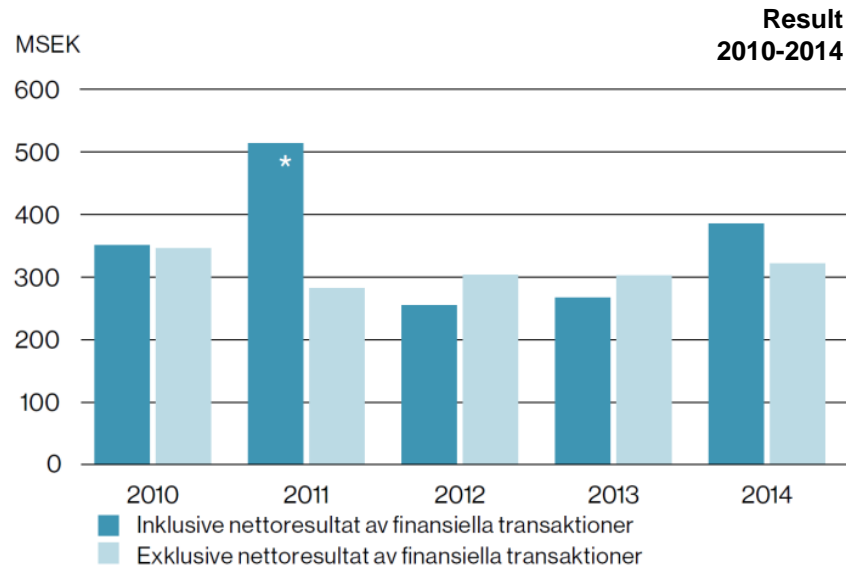
Financial performance



Result 2014 1 (4)

Operating profit amounted to 384.9 (266.8) MSEK.

Operating profit excluding "Net result of financial transactions 321.6 (302.0) MSEK.





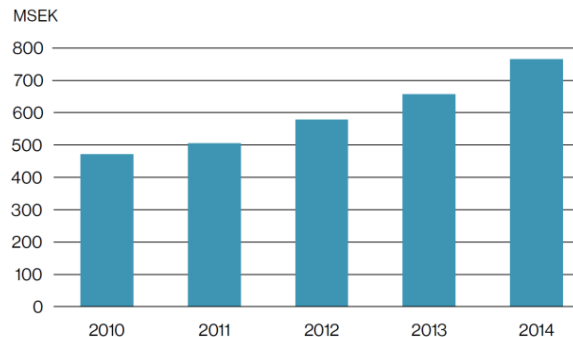
Result 2014 2 (4) - Net interest income

Net interest income has increased to 764.9 MSEK (656.5)

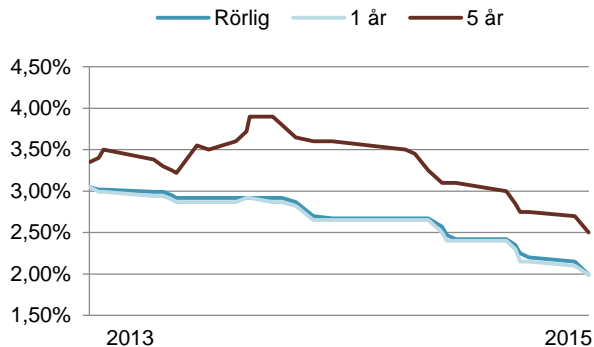
Increased lending

Lower cost of funding

Periodization of terminated hedging relationships



Net interest income



Customer offering



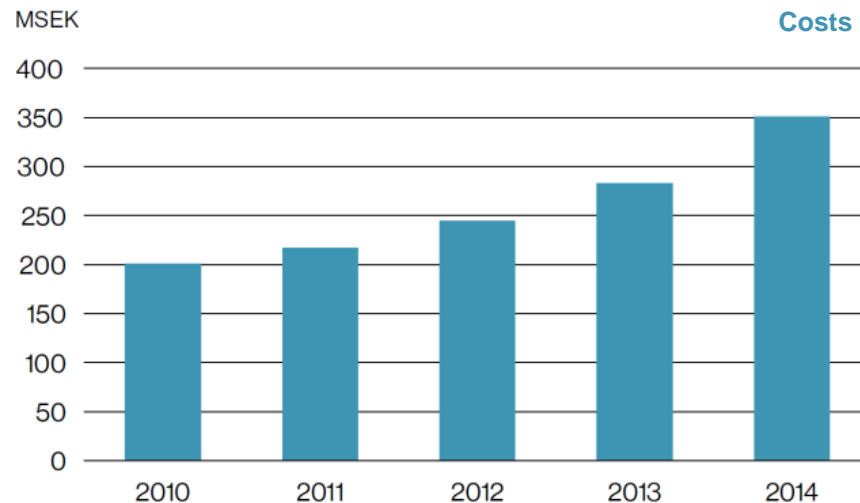
Result 2014 3 (4) - Costs

Costs increased to 351.1 (283.1) MSEK

C/I: 0.47 (0.44)

Investments in further growth

- Increased number of employees
- Product development
- Digitalisation

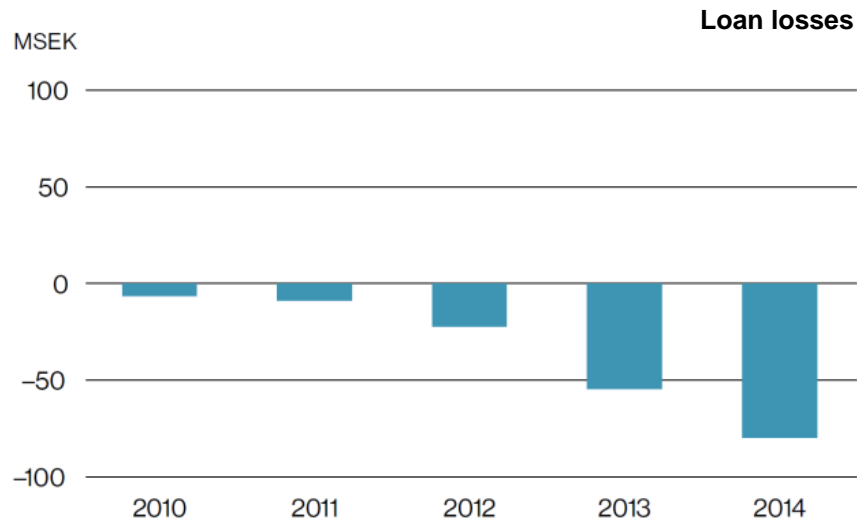




Result 2014 4 (4) - Loan losses

Net loan losses were -79.6 (-54.4) MSEK.

Specific problems – Losses pertain to a few individual commitments.



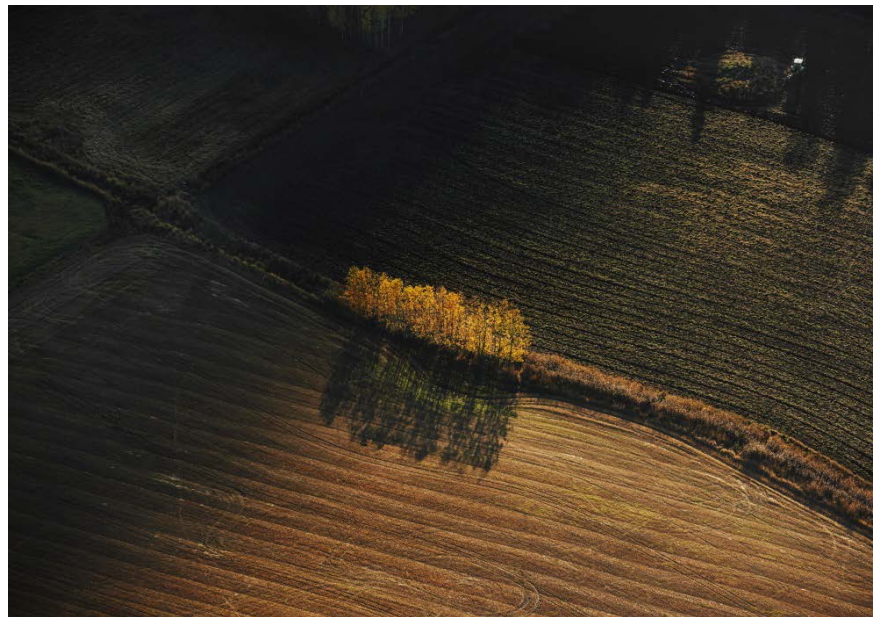


Capital

Capital situation remain solid

- Total capital ratio 24.5 %
- CET1 capital ration 21.0 %

Capital adequacy according
to transitional rules Basel 10.0 %

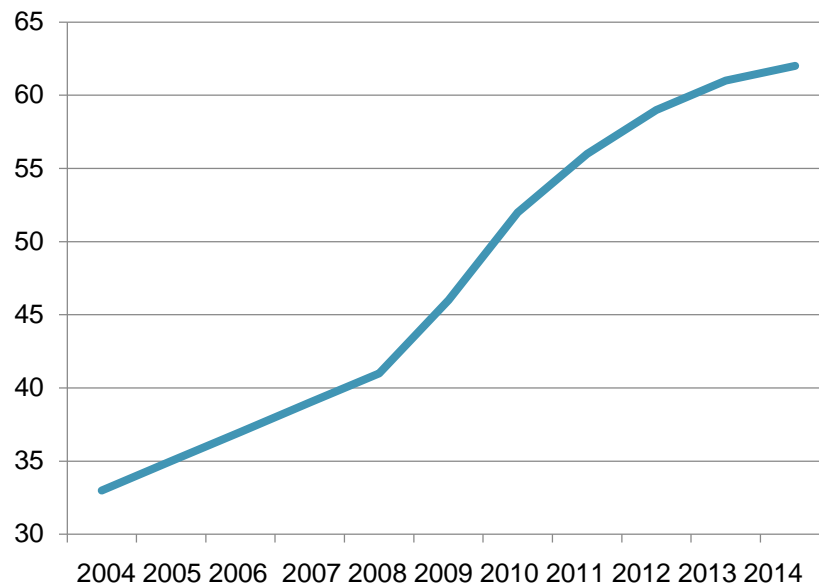




Lending growth

Lending growth amounted to + 1,5 %
(+3,0)

Few investments in the agriculture
sector





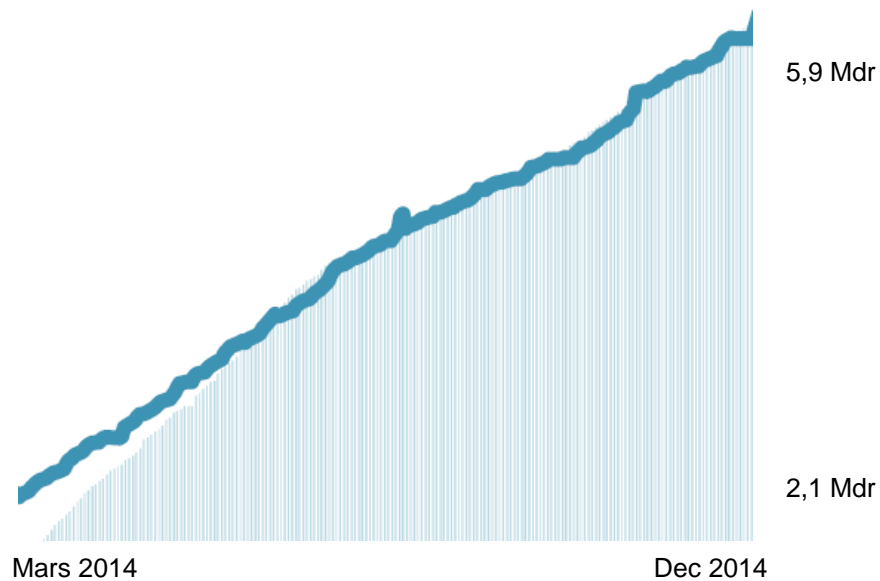
Growth in borrowing from the public

2014

- Increased by 3,682 MSEK
- 8,700 new customers

Mars 2015

- Total borrowing 6.6 billions
- 10,400 new customers





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Overview

Swedish agriculture and forest market



Summary and conclusions

Profitability in the Swedish forest and farming business has been asymmetric in 2014. Increasing variation in the degree of profitability between companies in the same sector

Increasing international demand for food and energy in combination with a growing domestic interest in food provides favourable conditions for Swedish agriculture and forestry

Prices on forest and farmland has increased some in 2014.

In the farming business diversification is a strong trend. Income from other gainful activities are almost as important as subsidiaries.

Debt levels are still low.





Swedish Agricultures in an European context

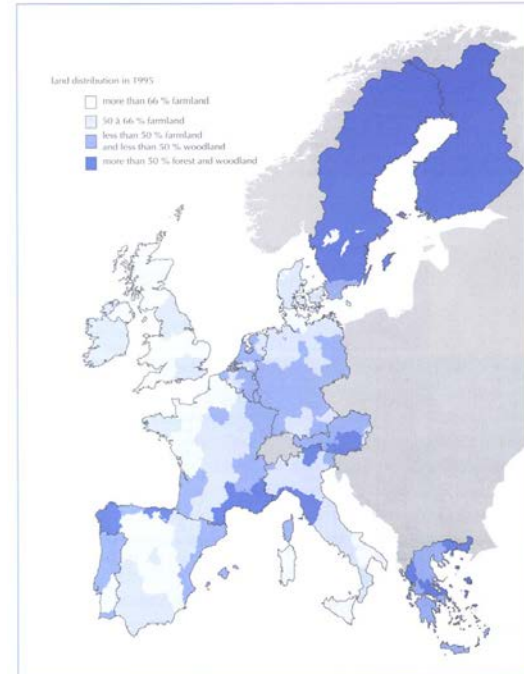
In European context the agriculture production in Sweden is limited.

Sweden accounts for less than 1 % of the total agriculture production value in EU.

Forest industry is much more important for Sweden. Sweden has the largest forest area available of wood supply of all EU countries.

LAND DISTRIBUTION

Farmland in the West, forest and woodland in the North



Source: Eurostat

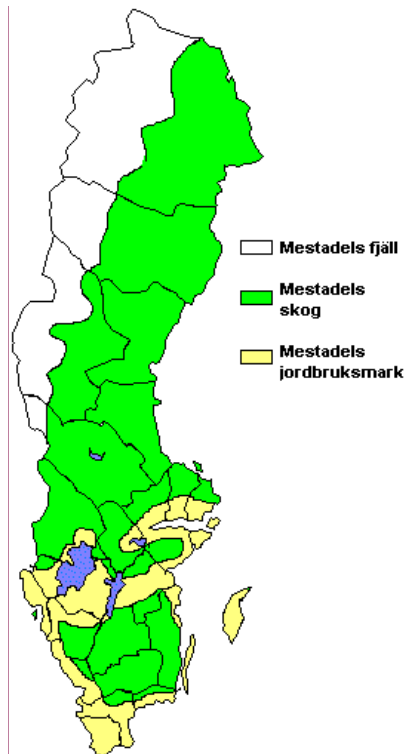
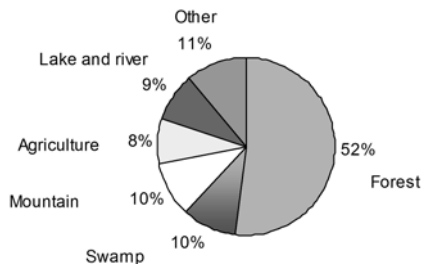


Land area distribution

The forest products industry is Sweden's most important export industry; net export SEK128 bn; 10 % of total export of all products

Sweden is a net exporter of grains and a net importer of all other agricultural products.

There are 65 thousand farms in Sweden and 240 thousand privately owned forest properties.





Swedish forest industry

56% of the Swedish forest is owned by private individuals and small businesses; the rest is owned by large companies, the Swedish State and the Church

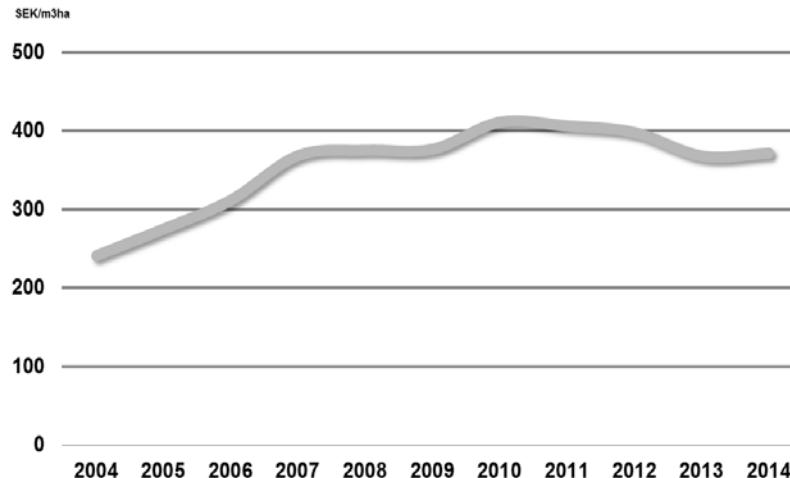
The Swedish forest products industry harvests some 72 million cubic meters of wood per year. Saw timber accounts for 48%, pulpwood 43% and forest fuel 9%.

In 2014 prices rose some on both timber and pulp wood.

Prices for forest properties are measured in SEK per estimated cubic meter of wood under bark on a property. The average price for the whole of Sweden was SEK 375/m³ in 2014. However, there were major differences throughout Sweden.

Since 2004 prices have increased by 70%.

Price trend for forest in real terms



Source LRF Konsult



Swedish farming industry

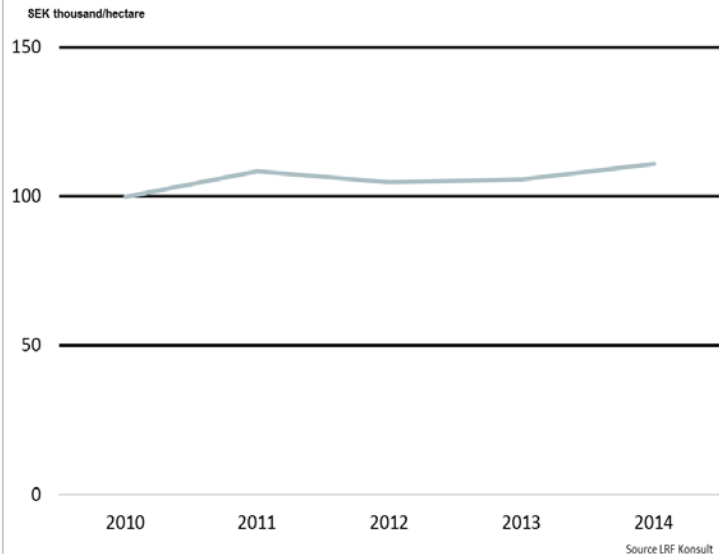
There are approximately 65 thousand farms in Sweden. Less than 10 thousand of those produce 80 % of the total agricultural products. More than 88% of the farms in Sweden also include forest.

Farmers are in increasing need of supplementary operations. From previously acting solely as a producer, today, a more market-minded approach is needed for healthy profitability.

The most important products in the Swedish farming industry are dairy products and grain. Prices on grain and milk declined during 2014.

In 2014, the price of arable land was up compared to 2013. The regional differences were great, prices for prime arable land continued to rise, while a certain decline was noted for land in less favorable locations and for smaller farms located far from urban areas.

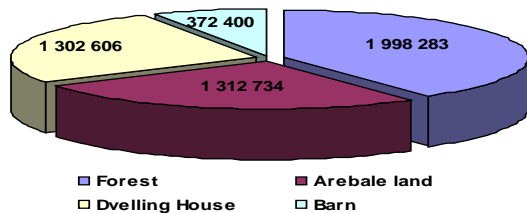
Arable land prices in real terms



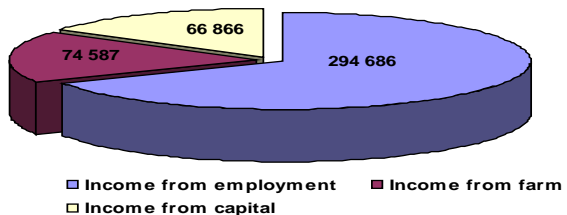


Landshypotek Bank's average customer

Distribution of property value, SEK



Income distribution, SEK





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Funding strategy

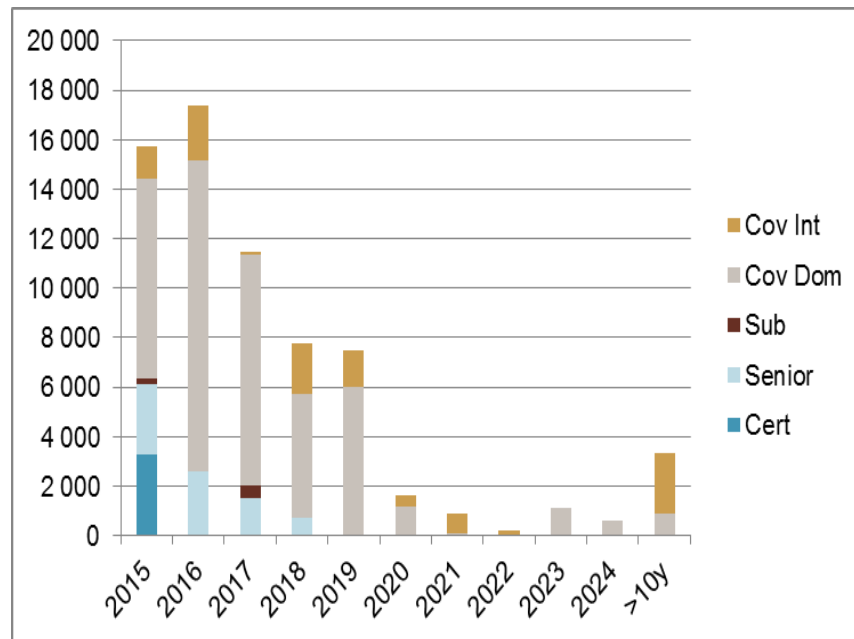


Funding profile

16 % international funding

Average Maturity 3.3 years

Covered 3.7 years





Funding profile 2014-12-31

Funding needs

- Redemptions CP 3,274
- Senior+sub 3,050
- Covered 9,387
- Growth 4 % 2,846

Sum 18,557

Funding plans

- CP 3,000
- Senior 3,100
- Covered 6,500*
- Deposits 2,300
- Equity 150

Sum 15,050

The difference, 3 500 will be funded by selling parts of our portfolio.

* 3 350 has already been issued



Liquidity

LCR 7.26

NSFR 1.25

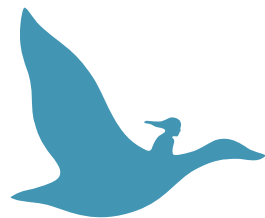
Stressed Liquidity coverage is 425 days.

Time to insolvency 1,061 days.

Liquid assets 16.6 billion. Duration 2.1 years

High quality assets AAA and AA+ rated Swedish Cover Bonds and Swedish Municipalities





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