

Landshypotek Bank Investor Presentation

14 October 2021

Executive summary

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

- Market leading bank in agriculture and forestry with approx. 23% of total lending to the sectors
- Low-risk business model
 - 99.8% of the loan portfolio is first-lien mortgages
 - Average LTV is 43.4%
 - 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

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1. This is Landshypotek Bank and ESG



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. 23% of total lending to the sectors
- Loans outstanding to the agriculture and forestry sectors of SEK 72.3bn and residential mortgages SEK 13.4bn.

- 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

Low risk business model

- 99.8% of the loan portfolio is first-lien mortgages, average LTV 43.4%
- 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 (5.7%)
- 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 37,000 loan customers, members of Landshypotek Ekonomisk Förening
- Profit is reinvested or returned to the agriculture and forestry sectors

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

Landshypotek's engagement in ESG related areas

- Taxonomy – focus on forest related criteria and agriculture
- TCFD analysis – physical risks and opportunities
- Together with farmers, discussing the climate's effects on agriculture
- Highlighting forestry and agriculture in the climate debate
- Pioneering in the green covered bond market by including sustainable forestry

2. 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
- Substantial contribution to lower carbon dioxide levels through carbon sequestration reported in a yearly updated Impact Report
- Upcoming EU Taxonomy regulation



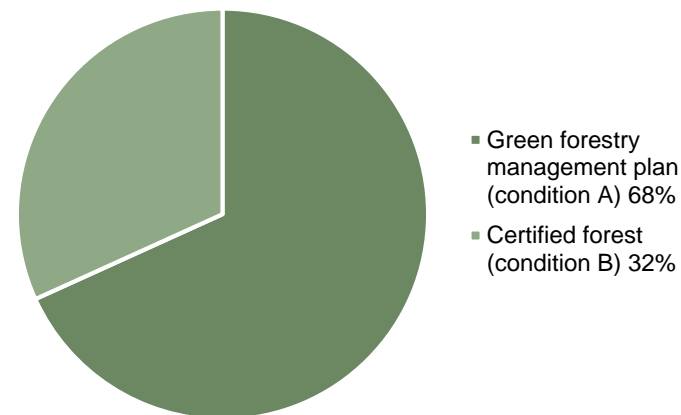
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Landshypotek Green Bond Assets

- 2,800 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



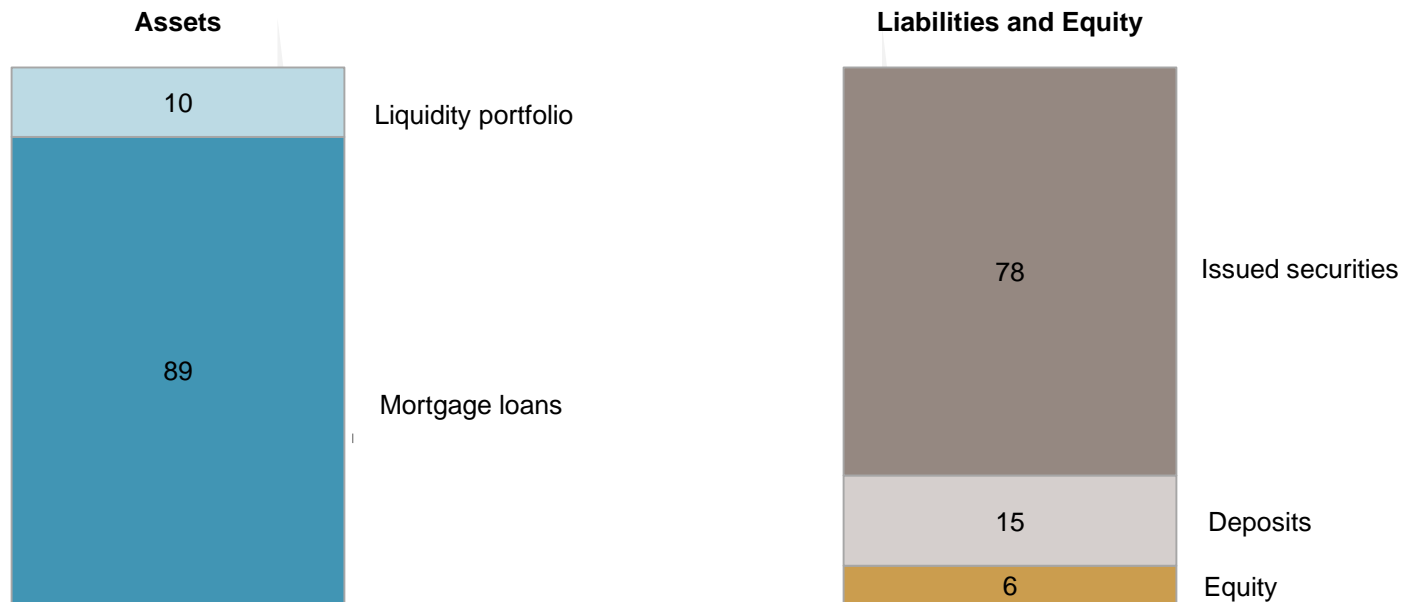
3. Business overview

SEKm	2021 Q1	2020 Q1	Δ QoQ	2020	2019	Δ YoY
Net interest income	233	211	22	872	815	57
Net gain financial items	0	6	-6	-17	-1	-16
Other income	1	1	0	8	62	-54
Total income	234	217	17	862	876	-14
Total expenses	-122	-120	-2	-478	-461	-17
Profit before impairments	112	97	15	384	415	-31
Credit impairments	4	2	2	13	3	10
Operating profit	116	99	17	397	418	-21

- Net interest income is higher in 2020 compared with 2019. It is also higher in 2021 Q1 compared with 2020 Q1
- 2019 has an one-off effect in Other income from sale of a property
- There is so far no negative impact on the result from the Covid-19 situation
- Investment costs are according to plan
- Recoveries in credit losses due to reversal of prior provisions

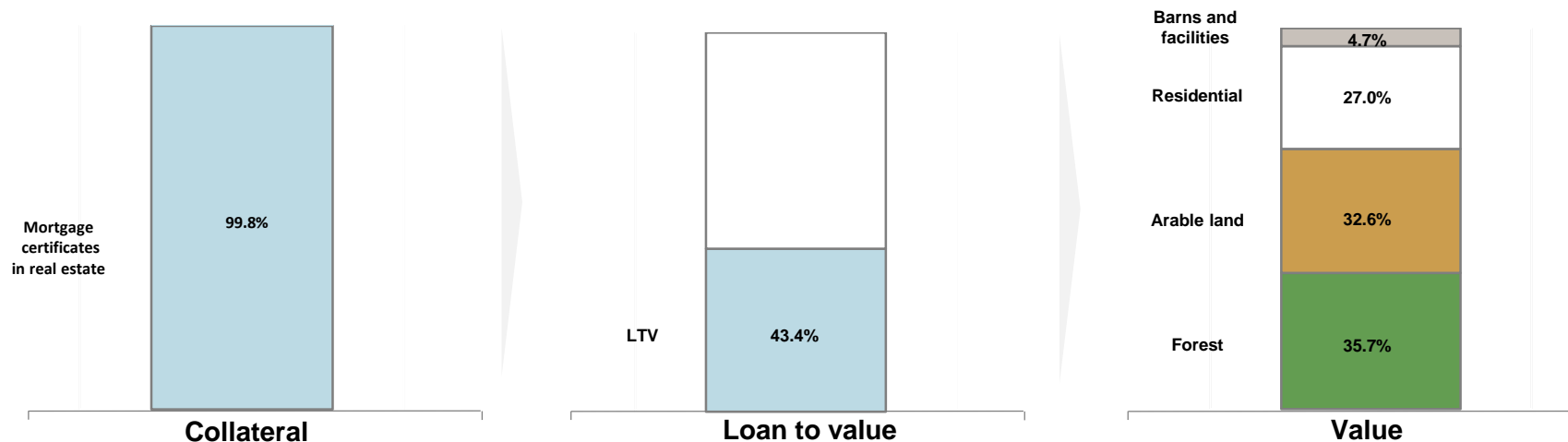
Landshypotek Bank's low risk business model is reflected in balance sheet structure

Core balance sheet structure



Loan portfolio is collateralised with low LTV assets

Portfolio overview

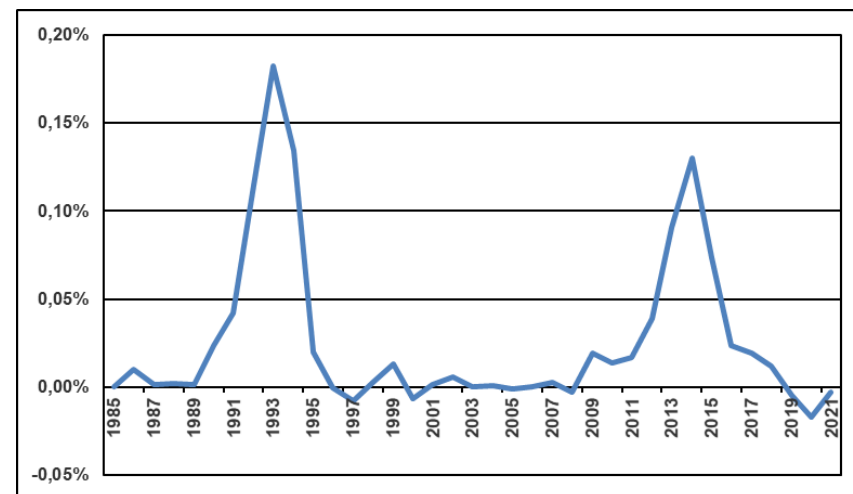


99.8 % of the loan portfolio is first-lien mortgages with LTV of 43.4 %

Credit losses

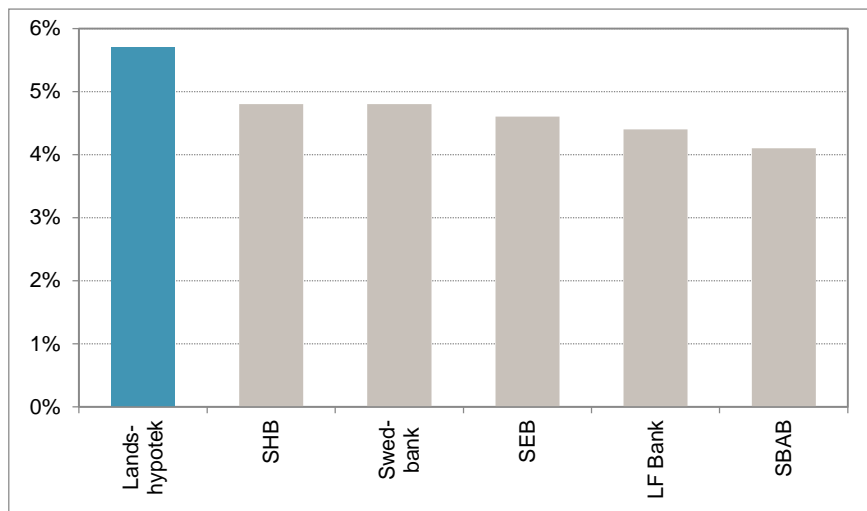
Great performance in credit losses due to high asset quality and improved processes

- Losses in 2020 amounted to SEK - 12.5m, YTD 2021 losses has amounted to SEK -2,3m (reversals).
- Total credit losses since 1985 amounts to SEK 364m which makes an average per year of 0.026%
- 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

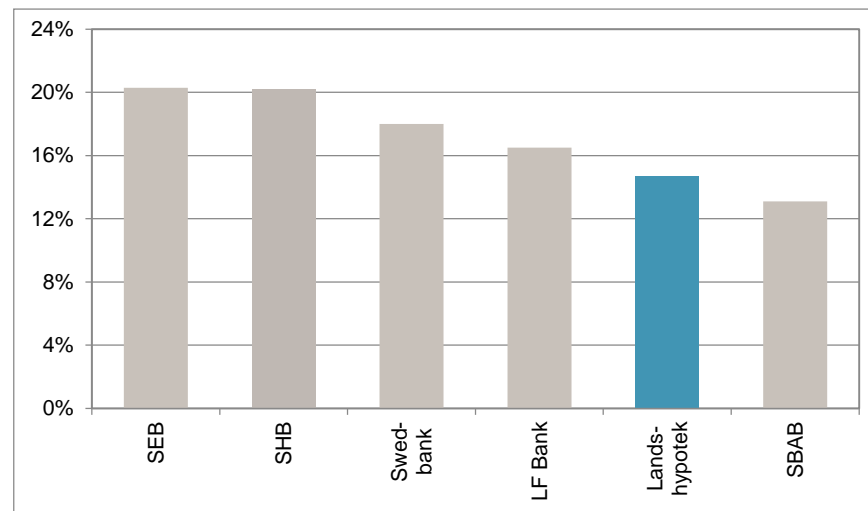


Higher leverage ratio compared to other banks but lower CET1

Leverage ratio



CET1



Cover pool data - general

Rating S&P	AAA
Lending volume	SEK 83,135m
Substitute Assets	SEK 5,250m
Swedish Covered Bonds, AAA	SEK 3,750m
Municipalities	SEK 1,500m
Cover bonds	SEK -69,207m
Over Collateralisation	SEK 19,358m
Over Collateralisation	28.04%

Amortisation	
Amortising	99%
Non amortising	1%
Average LTV	
Volume weighted	43.07%
Seasoning	
Years	
Loan level	5.76
Customer level	15.96
Property level	23.18

4. Executive summary

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6. Appendix

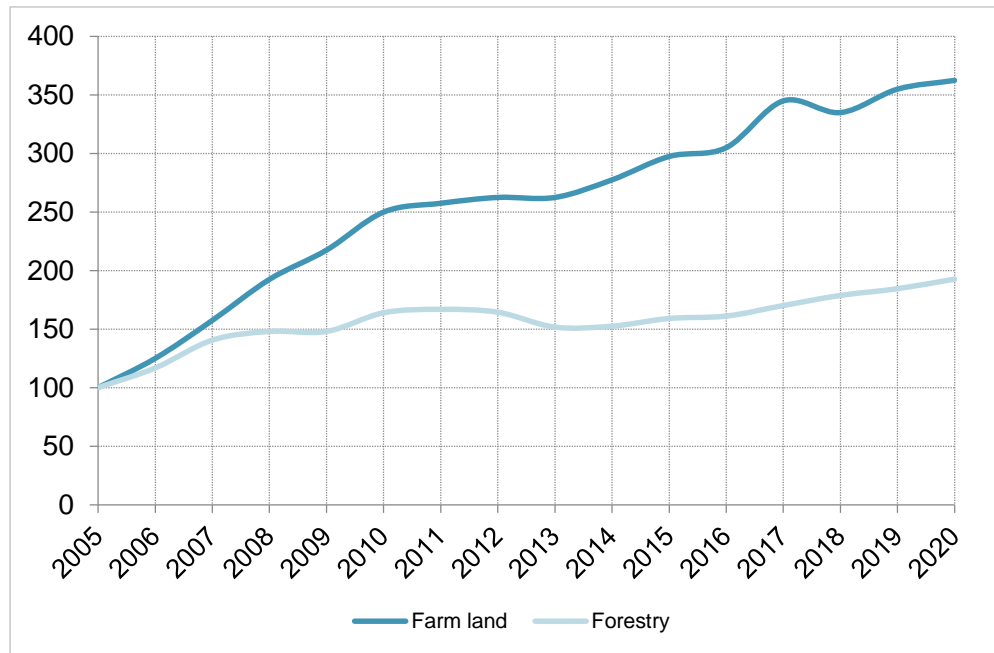
Agriculture market overview

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 2005-2020

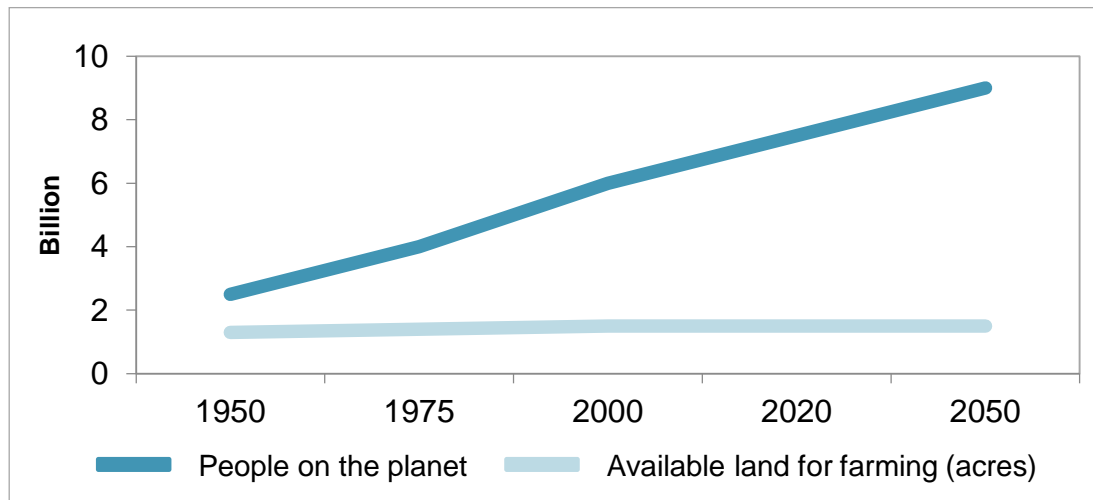


	1Y	5Y
Farm land	+2%	+24%
Forestry	+4%	+21%

- 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 2020. The exception was in parts of south 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 price trend on the global market has been positive despite a relatively large increase in production among the largest exporters. • Uncertainty in the market about the effects of Brexit on trade has diminished. • The price trend in Sweden has been positive during the last months. • The milk production in Sweden has increased by 2.5 percent in 2020 – the highest increase in more than 20 years. • Sales of organic dairy products, which accounts for 17% of production in Sweden, have weakened. • The state and the outlook is good and the willingness to invest is increasing. 	<ul style="list-style-type: none"> • In the recent months, prices have risen both in the EU and in Sweden. • A continued increase in demand for domestic beef in Sweden. • Limited supply also contributes to Sweden having stable and highest prices within the EU during the past months. • Production in Sweden is well on its way to recover from the drought 2018. • The state and the outlook is good and the willingness to invest is increasing. 	<ul style="list-style-type: none"> • The market has for a long time been affected by African Swine Fever. • Prices have had a positive and stable trend in recent months despite China's halt in imports from Germany and production growth in the EU. • The price in Sweden has stabilized at a high level both compared with previous years and compared with other countries in the EU. • Production in Sweden has increased by 2% year on year in recent months. • During Covid-19 an even stronger trend for domestic pork has been seen in Sweden. The market share has increased. • The state and the outlook is good and the willingness to invest is increasing. 	<ul style="list-style-type: none"> • The total harvest in Sweden 2021 looks promising at start of the season due to high share winter crops which have had a good establishment and wintering. • The season began early in the southernmost parts of Sweden, but later than normal in other parts. • Logistics and access to inputs are normal for time of the year. • Prices have still a positive trend in the start of the year. In February crop prices was 10-35% higher year on year. The price of oilseed was 15% higher. • The state and the outlook is good and the willingness to invest is increasing. 	<ul style="list-style-type: none"> • Timber prices has increased. • Strong increased sales of wood products in the retail trade due to greater demand for home renovation and improved purchasing power among consumers. • The export market has developed well through growing demand, despite a stronger currency. • The price development for pulp is weaker. • Supply is high, due to swarms of bark beetle has led to increased felling. As printed newspapers and magazines are less common, demand for graphic paper has decreased. • Increased e-commerce and China's recovery have led to increased demand for packing materials.

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.
- The demand of agricultural commodities for biofuels use will increase.
- 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.
- There are also higher demands on global production to be more sustainable from an economic, social, environmental and climate perspective.



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