

Länsförsäkringar Bank

Q1 2024 presentation



Content

1 Summary - introduction

2 Q1 2024 update

3 Loan portfolio and Cover pool

4 Capital and Funding

Appendix: Sustainability and Green bond framework

Appendix: Macroeconomy



Länsförsäkringar Bank in short (31 March 2024)

Fifth largest retail bank in Sweden –

part of the LF Alliance consisting of 23 regional mutual insurance companies (the first founded in 1801)

Full-service retail bank –
7.4% market share mortgages,
5.0% deposits, 4.8% retail funds

Strong local presence –
Distribution network of 115
branches across Sweden

All business/lending in Sweden –
80% household mortgages,
almost no commercial real estate
Entirely residential cover pool

**Market leading customer
satisfaction –** Strong track
record for retail customers

Lending: SEK 387bn *Growth YoY: 5%*

ROE: **8.5%**

Deposits: SEK 148bn *Growth YoY: -2%*

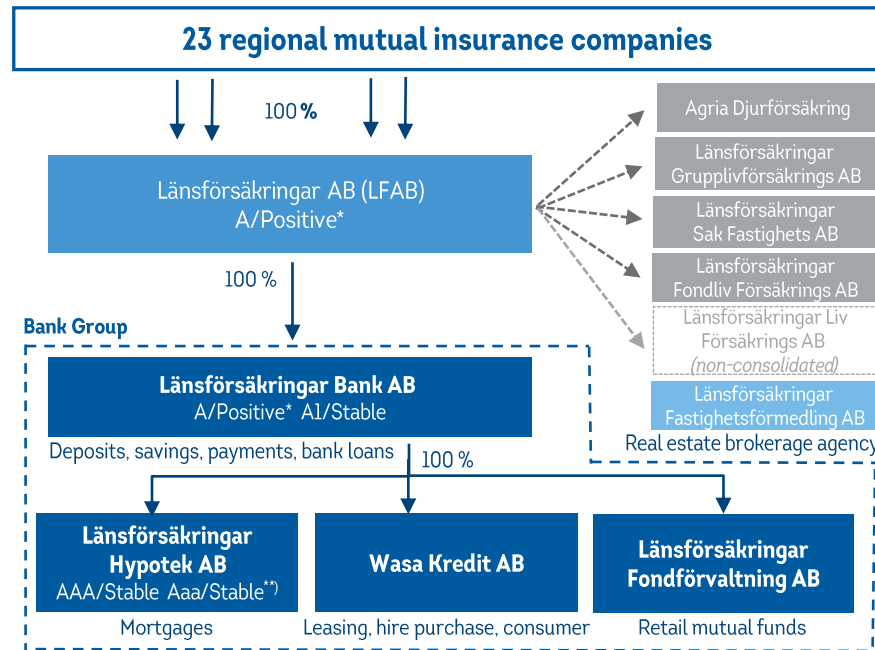
CET1 ratio: **15.0%**

Fund volume: SEK 411bn *Growth YoY: 31%*
Net inflow: SEK 5.0bn *Net inflow rate: 5%*

LCR: **480%**

NSFR: **126%**

Credit loss level: **0.07%**



**) Positive outlook from S&P from November 2023*

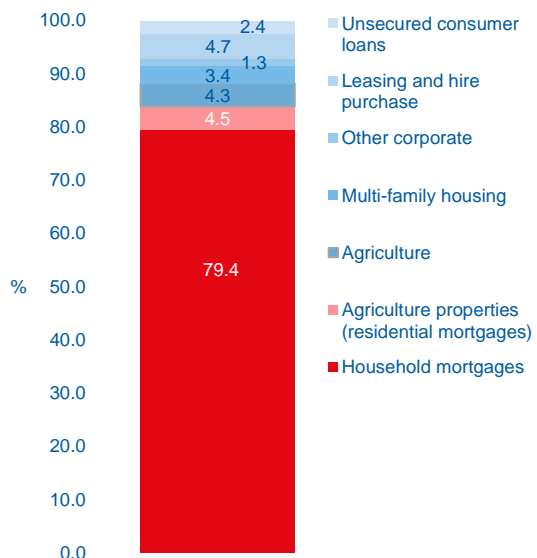
****) Refers to the credit ratings of the covered bonds*

Solid and diversified business and risk model

- Strong brand, large customer base, local presence, personal meeting and extensive digital banking services
 - large insurance customer base
 - 3.9 million customers, of which 3.2 million are retail customers and 2.1 million are home insurance customers
- The bank customer contacts lie with the 23 regional insurance companies
 - they have the customer contact and originate business, loans and transactions for the bank's balance sheet and fund company
 - and receive a commission income from the bank, in relation to volumes and revenue level of the business contribution to the bank
- Loan loss agreement with regional insurance companies
 - they cover 80% of credit losses related to business they have originated
- Strong incentive for high credit quality
- The mortgage offering is an entry product and a strongly integrated component of the bank offering
 - other products added – cards, deposits, mutual funds etc – continuous growth in products per customer

Household mortgage lending is at the core

80% of lending is household mortgage lending - very small parts are residential real estate companies or CRE



Covered by 80% loan loss agreement with regional insurance companies (excludes Wasa Kredit)

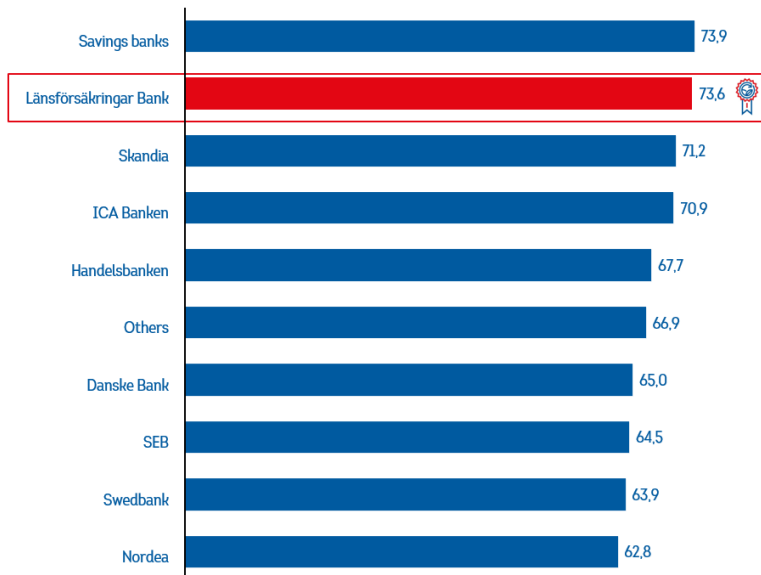
- Total lending amounts to SEK 387bn (370)
- Concentrated to low-risk segments with household mortgage lending representing 79% - SEK 307bn
- Only lending in Sweden and in SEK, well-diversified geographical distribution within Sweden
- 97% of total lending is collateralised (92% real estate and 5% other collateral)
- 0.8% of the portfolio is commercial real estate (CRE)

- Wasa Kredit (7.2% of Group portfolio)
- Lending consists of leasing, hire-purchase and consumer finance
- Around 70% collateralised exposures
- 50% corporate, 50% consumer exposures

Strong customer satisfaction ranking 2023

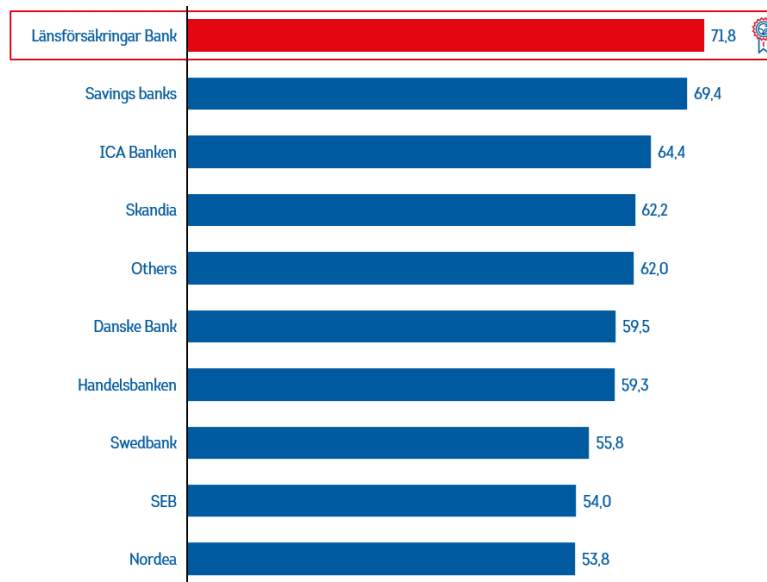
A prerequisite for continued growth

Customer satisfaction ranking, household customers, SKI 2023



SKI, Swedish Quality Index - Customer satisfaction index from household customers

Sustainability ranking, household customers, SKI 2023



SKI, Swedish Quality Index - Sustainability index from household customers

Summary – strong development in Q1 2024

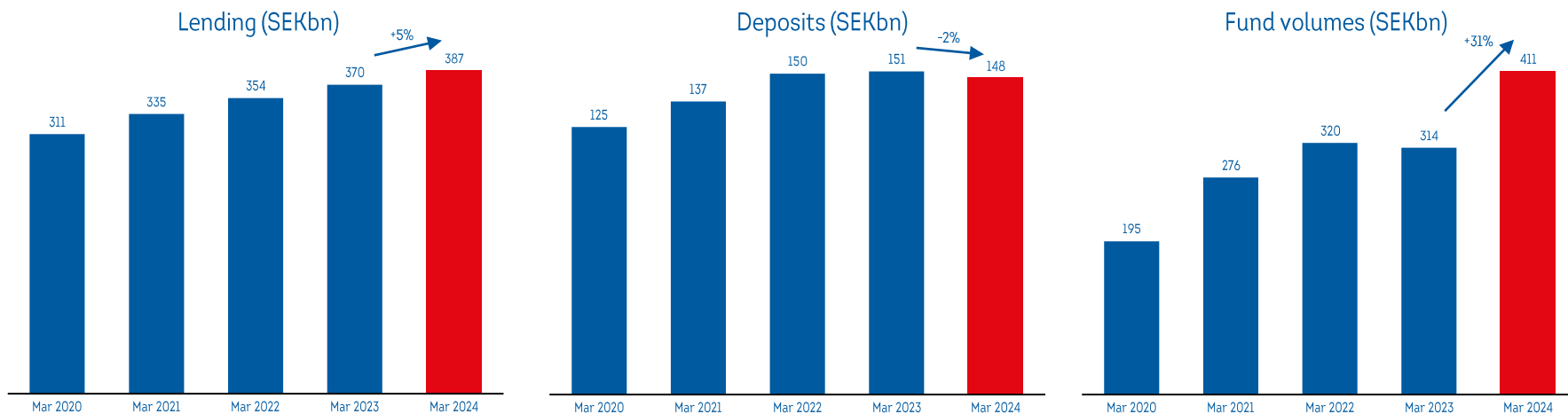
- Länsförsäkringar Bank is a customer-owned retail bank with strong local presence
- Stable Q1 2024 results, with higher commission income and stable operating profit
- Lending volume growth of 5% y/y, mainly driven by household mortgage lending
- Low-risk profile: strong credit quality and strong capital and liquidity position
- Cover pool with only household mortgage assets, OC 28.5%, average maximum LTV 62%
- SEK 1.35bn AT1 instrument issued in January 2024 – and call of an AT1 of SEK 1.0bn, repaid in April 2024
- Sustainability well integrated into the strategy and the business model
 - Länsförsäkringar Bank's climate roadmap:
 - *Signed the Principles for Responsible Banking in 2021*
 - *Target set to be net climate-positive at the latest by 2045*
- Strong and detailed green bond framework established in 2022
- Regular issuer of EUR senior preferred and EUR covered bonds – at least one EUR 500m issue per year in each – potentially also issuance of EUR senior non-preferred

Q1 2024 update



Business volume development

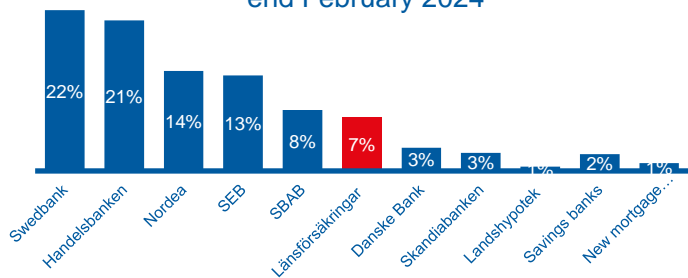
- Total business volumes increased 13% y/y to SEK 947bn, driven by fund volumes and lending growth
- Lending growth of 5% y/y mainly driven by household mortgage lending
- Fund volumes up 31% y/y - continued strong net inflow of SEK 5.0bn in the first quarter
- Deposit volumes slightly down mainly related to corporate deposits
 - *Down SEK 3bn or 2% y/y, mainly in corporate deposits*
 - *80% of deposits are retail deposits and 80% of all deposits are covered by the deposit guarantee scheme*



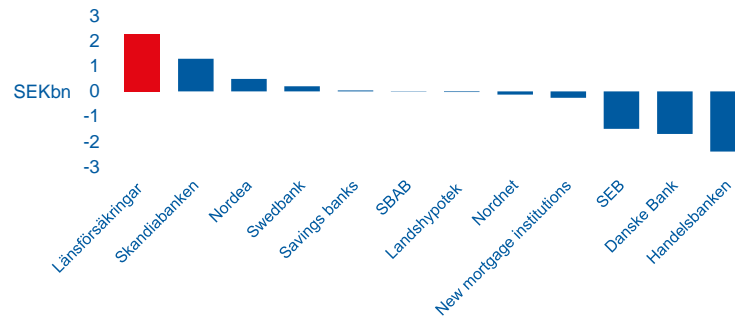
Mortgage market position – 7.4% market share

Slowdown in mortgage market growth, continued intense competition - LF Bank has successfully gained market shares

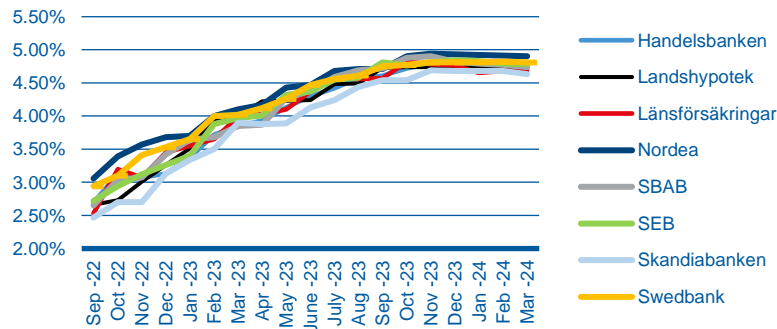
Market shares Swedish mortgage lending, stock end February 2024



Mortgage volume growth, 2024 YTD February



Development average mortgage rates new lending, 3-month floating rates



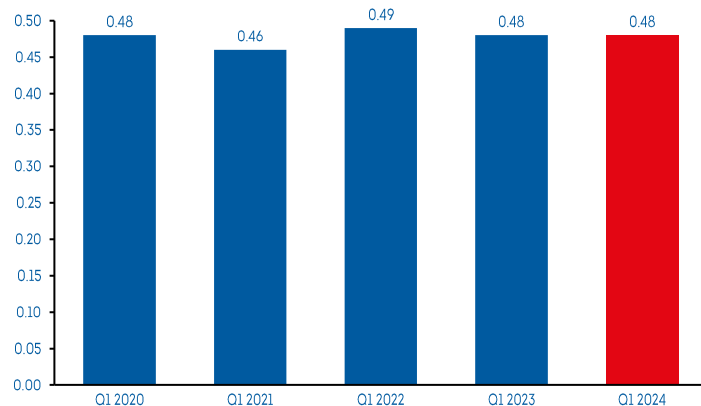
Income statement

MSEK	Jan-Mar 2024	Jan-Mar 2023	Change
Net interest income	1,688	1,816	-7%
Net commission income	-274	-554	-
<i>of which Underlying net commissions</i>	403	354	14%
<i>of which Remuneration to the regional insurance companies</i>	-676	-907	-
Net gains/losses	16	-4	-
Other income	16	4	-
Total operating income	1,447	1,262	15%
Staff costs	-235	-214	9%
Other expenses	-413	-337	22%
Depreciation/amortisation	-50	-53	-5%
Total operating expenses	-698	-605	15%
Profit before loan losses	749	657	14%
Credit losses, net	-68	21	-
Imposed levies (risk tax + resolution fee)	-99	-95	-
Operating profit	582	582	0%

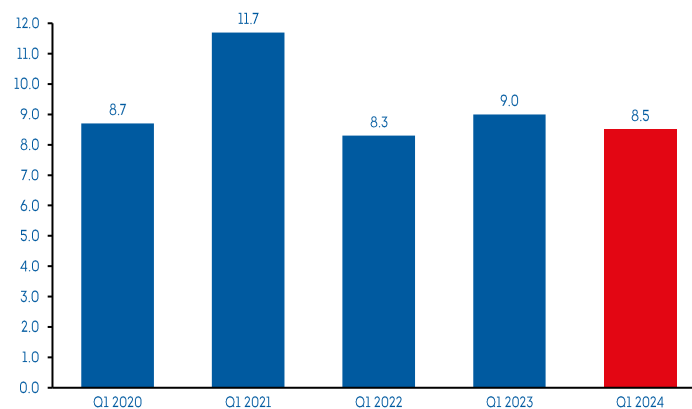
- Lower NII development due to somewhat lower net interest margin
- Higher underlying commission income mainly from retail funds
- Costs increased by 15% y/y
 - Costs driven by high IT development pace within digitisation and AML
 - Also a higher portion of IT development has been expensed
 - General cost development in line with plan
- Credit losses remain at very low levels
 - Main part of credit losses was from Wasa Kredit
 - The comparison number for last year included a profit from sale from credit-impaired loans in Wasa Kredit
 - Macroeconomic scenario update had small effects
- Operating profit impacted by imposed levies of MSEK 99, of which risk tax MSEK 65

Stable cost/income ratio and return on equity

Cost/income ratio

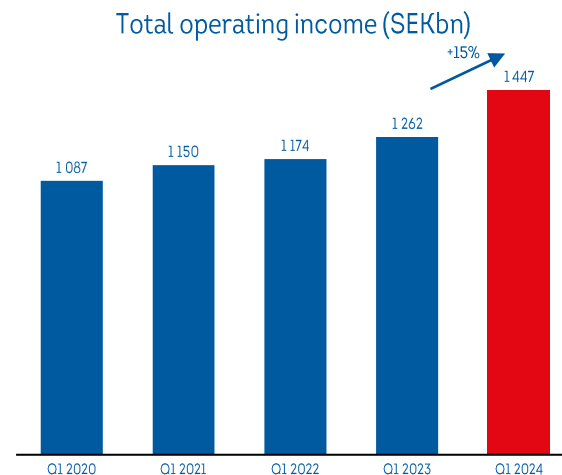
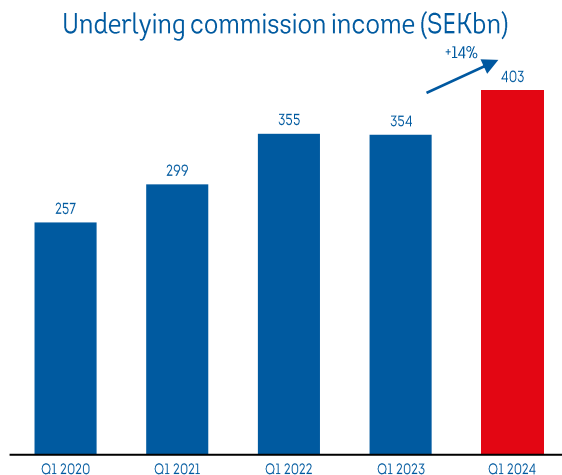
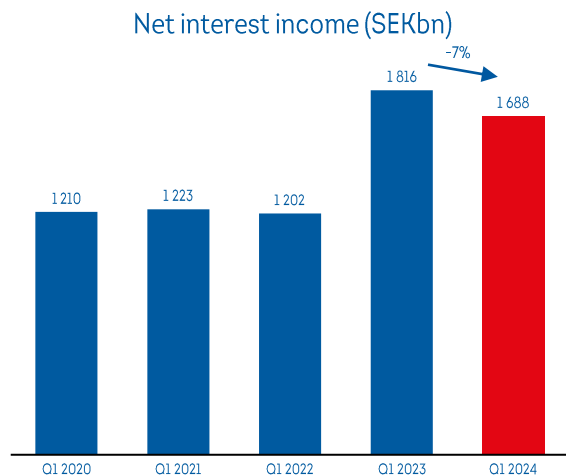


Return on equity (%)



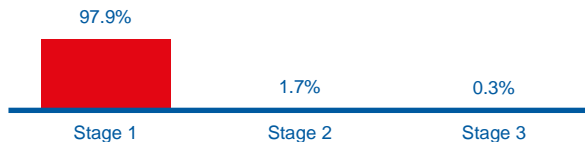
Income growth now more driven by commissions

- Total income up 15% y/y, driven by commission income
- NII down 7% y/y due to somewhat lower net interest margin but still at historically high levels
- Underlying net commission income up 14%, supported by stronger impact from retail funds income and supported by cards business
- Commissions to regional insurance companies down 25% y/y

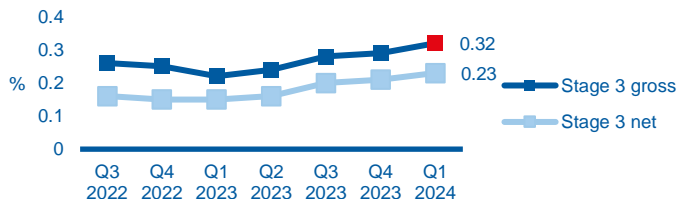


Continued strong credit quality

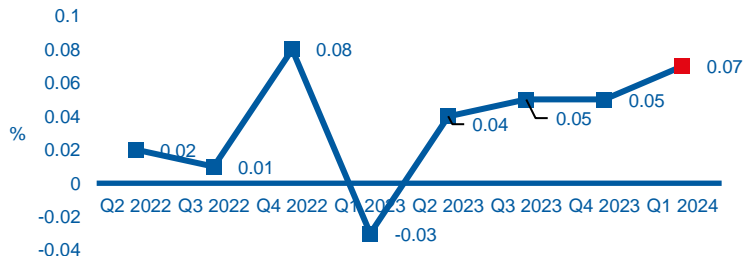
99.7% of exposures in stage 1 and 2



Stable development of share of exposures in stage 3



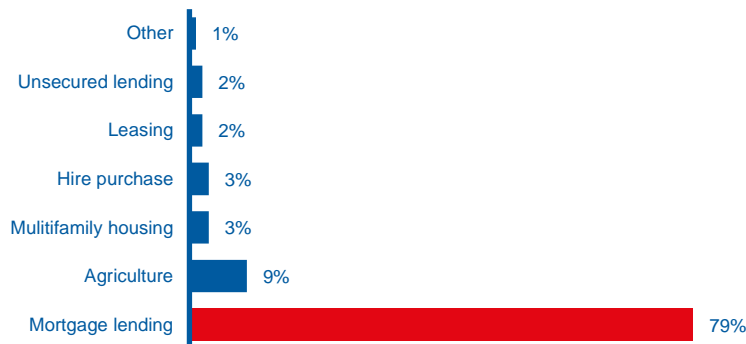
Credit loss level remains low



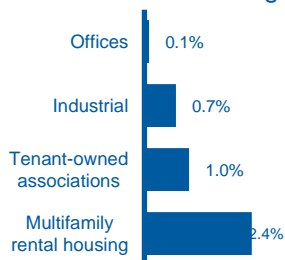
- Asset quality remains strong
- 99.7% of loan exposures in stage 1 and 2
- Household mortgage portfolio resilient towards increased interest rates
- Gross stage 2 exposures increased y/y still at a low level
- Share of stage 3 exposures increased somewhat
- Credit loss level low, up to 0.07%, mainly stemming from Wasa Kredit
- Small effects from updated macroeconomic scenarios used for the ECL model

Loan portfolio characterised by low risk

Loan portfolio distribution (%)



Real estate sector lending (%)



Low risk loan portfolio

- Loan portfolio dominated by mortgage lending (79%)
- 100% of lending in Sweden and in SEK
- 97% of lending secured (92% collateralised by real estate)
- 93% of lending covered by loan loss agreement with regional insurance companies

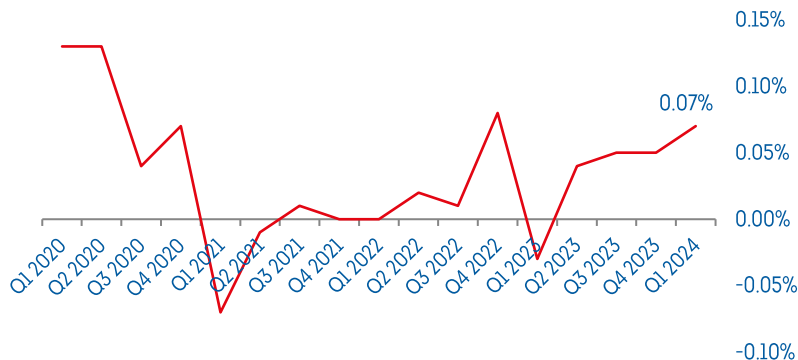
Very limited exposure to commercial real estate

- Lending to real estate sector 4.2% of total lending (including residential real estate)
- Dominated by multifamily housing and tenant-owned associations
- Local companies with LF-insurance relations
- CRE, commercial real estate lending, 0.8% of total lending

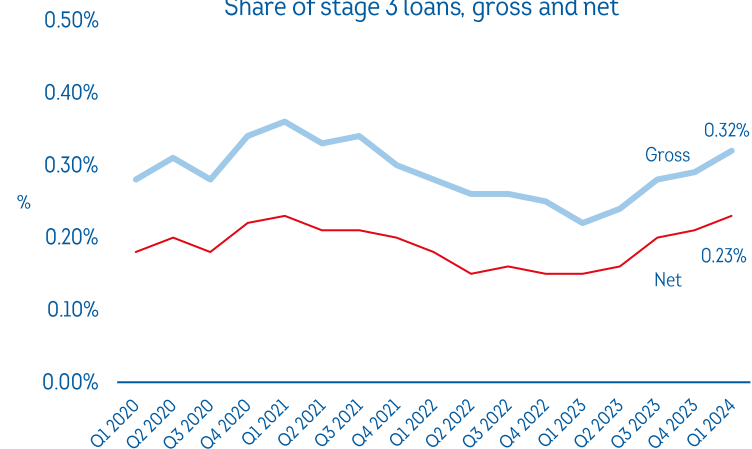
Stable and strong credit quality, low loan losses

- Continued very strong credit quality
- Stable credit development in the household mortgage portfolio
- Credit loss level 0.03% in full-year 2023 and 0.07% in Q1 2024
- Low level of stage 3 loans, 0.32% gross - and stage 2 loans, 1.7% - 97.9% in stage 1

Credit loss provision level

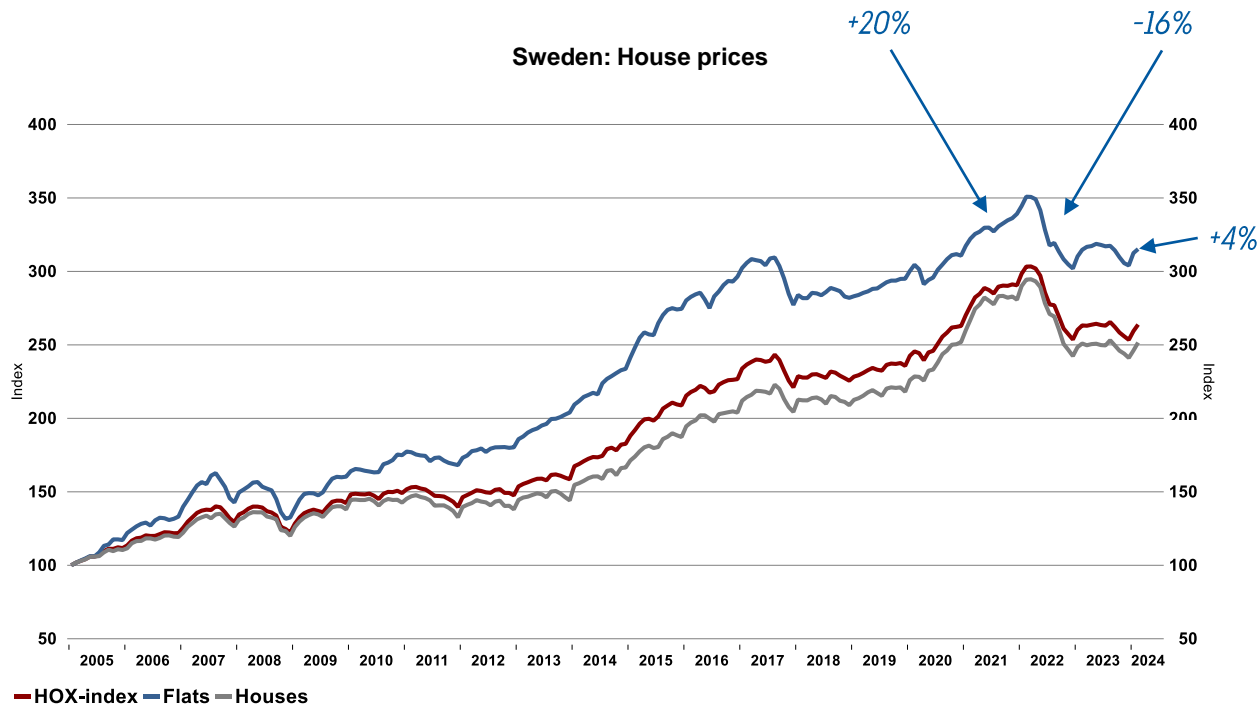


Share of stage 3 loans, gross and net



The house market shows signs of recovery

High volatility in and after the pandemic



Källa: Länsförsäkringar/Macrobond

High house price volatility

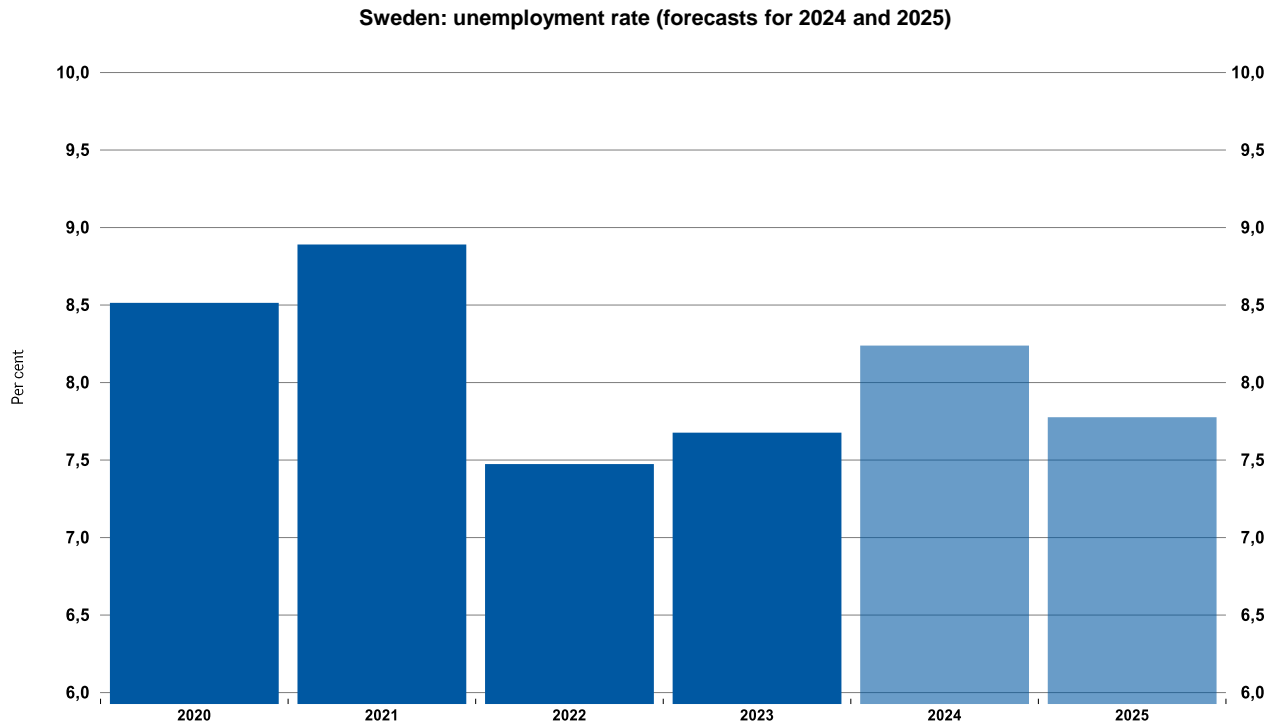
Sharp price increase during the pandemic, with a price correction in 2022

Prices back to pre-pandemic level

Stabilisation and prices up somewhat in early 2024

Still uncertainty

Higher unemployment, but lower than expected



Source: Länsförsäkringar/Macrobond

Unemployment back to pre-pandemic levels

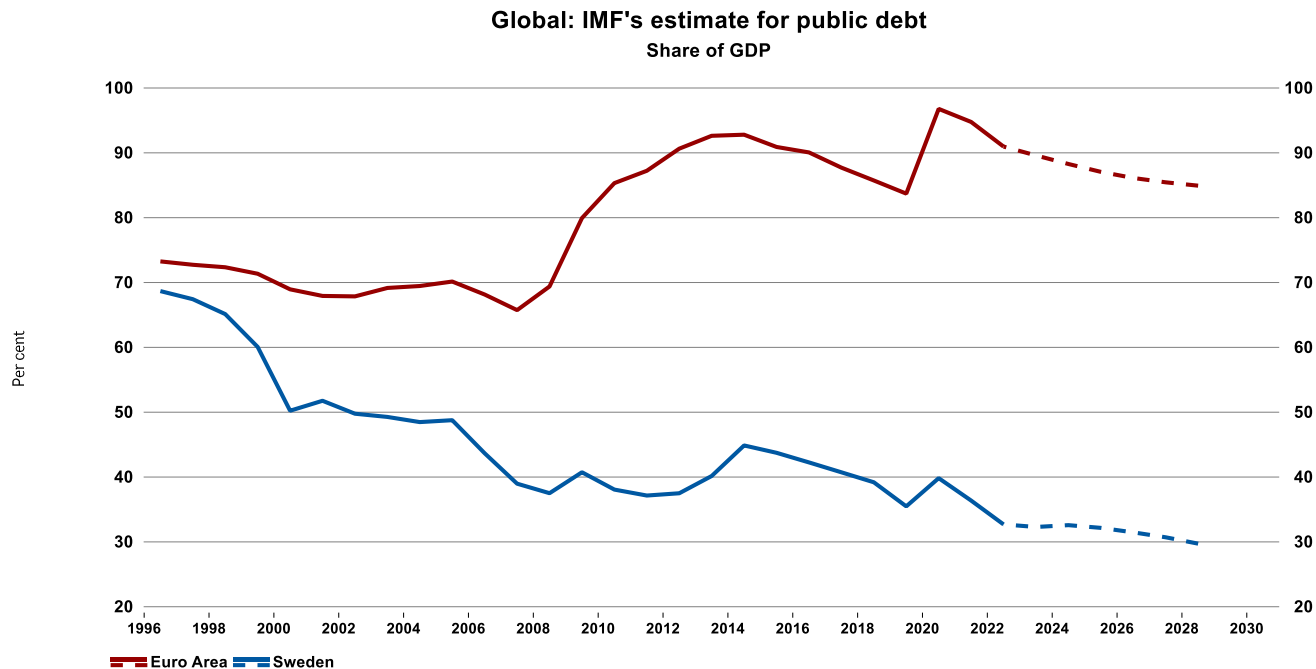
Unemployment has started to rise, but is lower than expected

Unemployment currently 7.7%

GDP headwinds will continue to weigh on labour demand

Strong fiscal position, room for fiscal support when inflation eases

Government debt to GDP – low in Sweden compared to Euro area



Exceptionally strong fiscal position

Fiscal policy expected to remain neutral despite slowing growth

Focus on not disturbing monetary policy

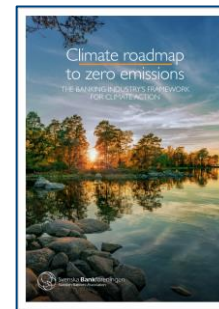
Source: Länsförsäkringar/Macrobond

ESG alignment to goals, regulations and standards

SDGs with assigned priority



Our journey towards sustainability



Regulation guiding our transition



Our key climate commitment

- EU – climate neutral in 2050
- Swedish government – climate neutral in 2045
- Swedish bankers' roadmap – climate neutral in 2045
- *Länsförsäkringar AB including Länsförsäkringar Bank – net climate positive in 2045*

Sustainability ratings



Leading sustainability ranking (SKI)



Strong commitment to local society



Credit cards made of recycled plastic



100% of mutual funds article 8 compliant



Green loan offering



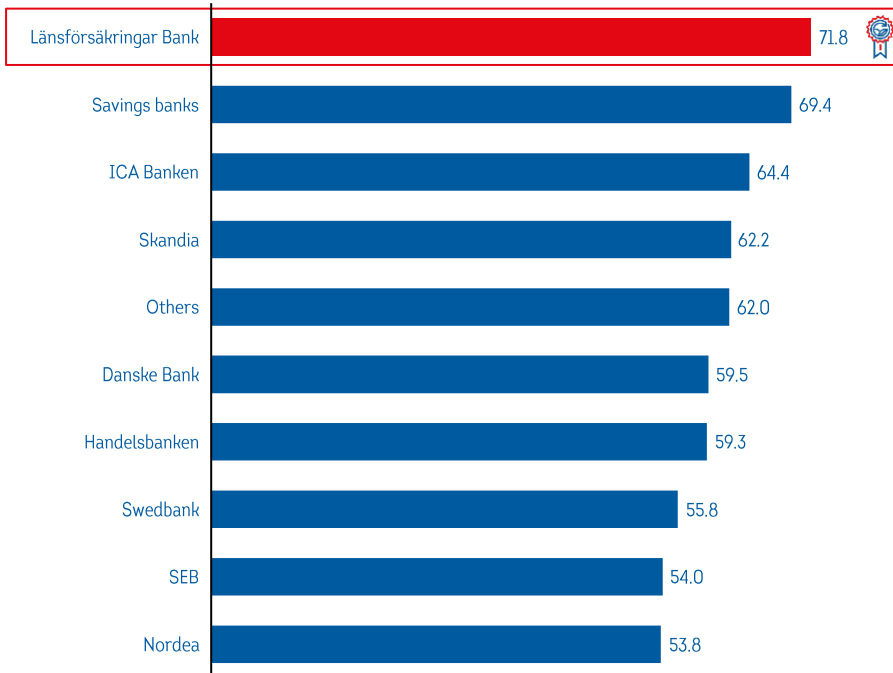
Digitalisation to reduce use of paper and transport



Sustainability database

Customers' assessment of Länsförsäkringar Bank

Sustainability ranking, household customers, SKI 2023*



SKI, Swedish Quality Index – Sustainability index from household customers

High customer satisfaction driven by local presence



Strong local presence



Full-range retail banking offering



Strong retail funds platform



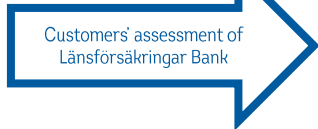
Supporting customers in all phases of life



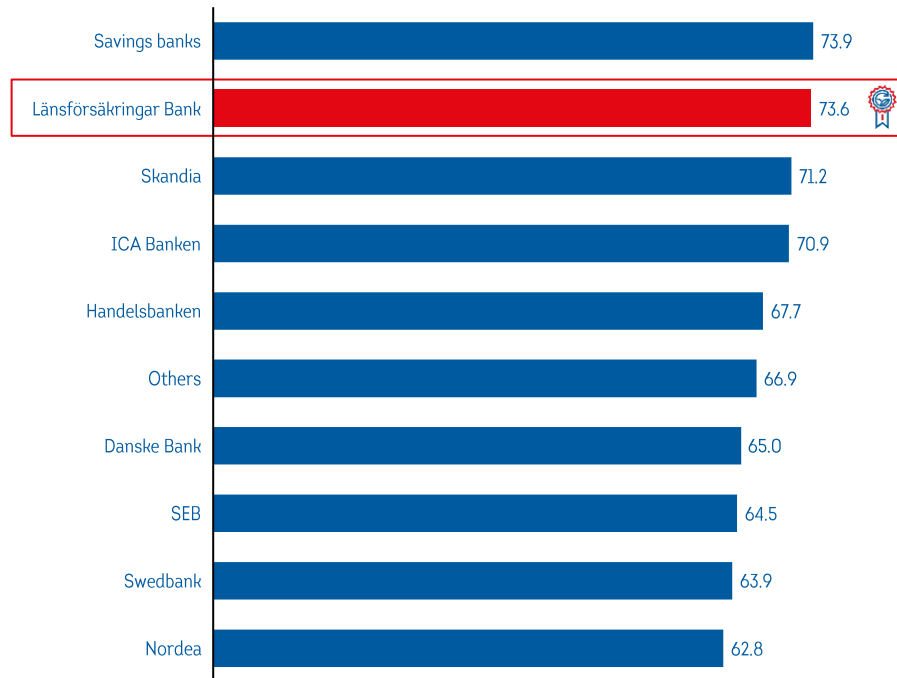
Further development of digital channels



Customer advisory that supports the customer in all phases of life



Customer satisfaction ranking, household customers, SKI* 2023



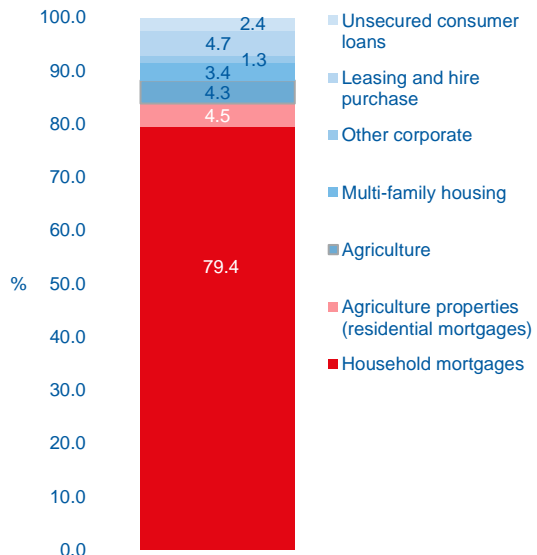
SKI, Swedish Quality Index - Customer satisfaction index from household customers

Loan portfolio and Cover pool



Household mortgage lending is at the core

80% of lending is household mortgage lending - very small parts are residential real estate companies or CRE



Covered by 80% loan loss agreement with regional insurance companies (excludes Wasa Kredit)

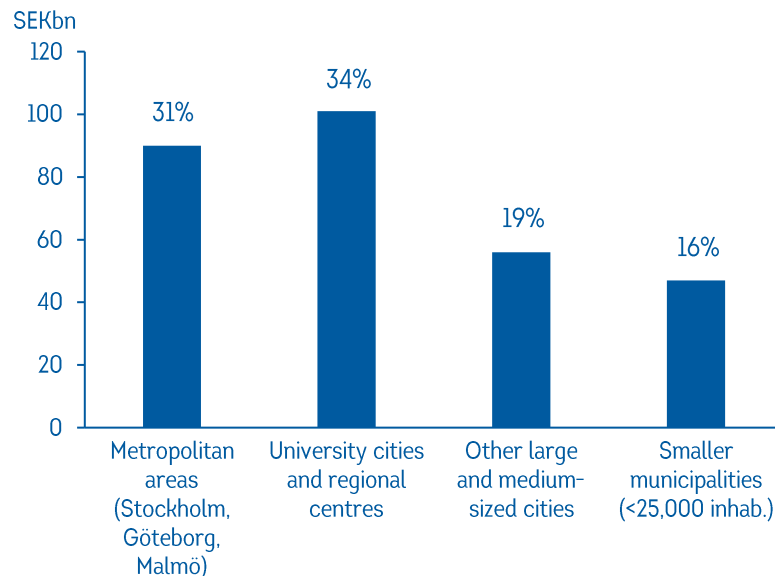
- Total lending amounts to SEK 387bn (370)
- Concentrated to low-risk segments with household mortgage lending representing 79% - SEK 307bn
- Only lending in Sweden and in SEK, well-diversified geographical distribution within Sweden
- 97% of total lending is collateralised (92% real estate and 5% other collateral)
- 0.8% of the portfolio is commercial real estate (CRE)

- Wasa Kredit (7.2% of Group portfolio)
- Lending consists of leasing, hire-purchase and consumer finance
- Around 70% collateralised exposures
- 50% corporate, 50% consumer exposures

Well-balanced household mortgage loan portfolio

- Well-diversified household mortgage loan portfolio
- Close customer focus – loans originated by the branches of the regional insurance companies
- The largest volumes are in:
 - Metropolitan areas (Stockholm, Göteborg, Malmö)
 - University cities and regional centres
- The mortgage offering is an entry product and a strongly integrated component of the bank offering
- 90% of customers, with Länsförsäkringar Bank as primary bank, are also Länsförsäkringar insurance customers
- Loan loss coverage agreement with regional insurance companies (covers 80% of loan losses related to the loans and business they have originated)
- Strong incentive for high credit quality

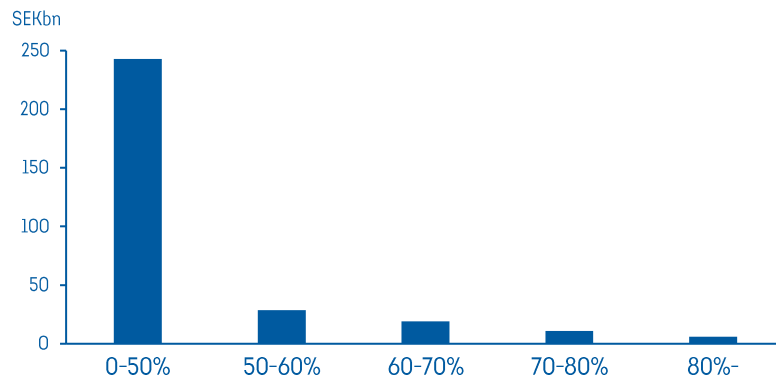
Household mortgage loan portfolio distribution



Swedish household mortgage market – Länsförsäkringar Bank strong underwriting

- Origination and underwriting standards have been strong
 - Focus on customers' income (6.5-7% interest rate test) and amortisation capacity
 - Conservative debt/income multiple criteria
 - Conservative in terms of loan-to-values (LTV)
- Very solid scoring practise and quality of available customer data
 - Historically very low loss levels (also in the 1990's and 2008-09)
- Well-functioning house market
 - No buy-to-let market – hence no speculation in the market
 - People live in their own houses or apartments
 - Good demand in university cities and other larger cities where people move in
- House prices have declined around 12% from the peak
 - Following a sharp rise in house prices in 2020-2021
 - Prices are back to 2020 pre-pandemic level – and have increased 4% in 2024

Household mortgages, LTV distribution*



* Continuous distribution, each loan included in several buckets, in accordance with the Association of Swedish Covered Bond issuers (ASCB)

Länsförsäkringar Hypotek cover pool

Cover pool, Länsförsäkringar Hypotek 31 March 2024			
Total volume, SEK billion	307.0	Number of borrowers	196,000
- of which Swedish mortgages, SEK billion	296.2	Number of properties	194,300
- of which liquidity, SEK billion ¹⁾	10.8	Number of loans	450,300
Share of liquidity in cover pool	3.5%	Average loan size, SEK	657,800
Over-collateralisation (OC), nominal, current level	28.5%	Average loan size per borrower, SEK/EUR	1.5m / 130k
Weighted average Max-LTV (indexed)	61.9%	Interest-rate type, fixed / floating	33% / 67%
Collateral	Private homes	Amortising / interest-only	70% / 30%
Residential household mortgages	100%	Impaired loans	None
Seasoning, average, months	72.6	Dynamic pool	Yes

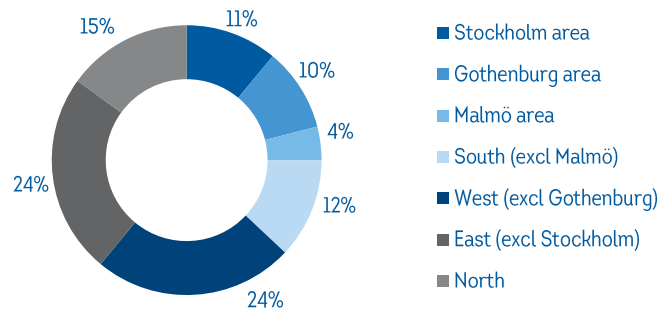
¹⁾Liquidity reserve, which consists of Swedish covered bonds with AAA/Aaa rating (100%)



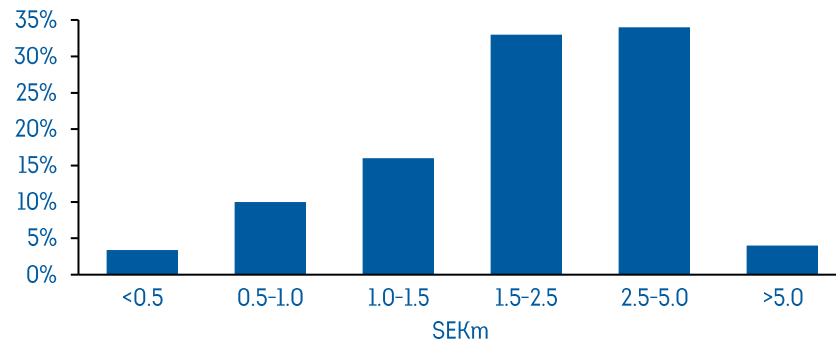
Cover pool composition

Collateral type 31 March 2024	%	Weighted avg. max-LTV
Single-family homes	72%	61%
Tenant-owned apartments	26%	66%
Vacation homes	2%	52%
Tenant-owned associations	0%	N/A
Multi-family housing	0%	N/A
Forest and agriculture	0%	N/A
Commercial real estate	0%	N/A
Public sector	0%	N/A
Total	100%	

Geographical distribution



Loan size per property - distribution in terms of volume (loan size SEKm)

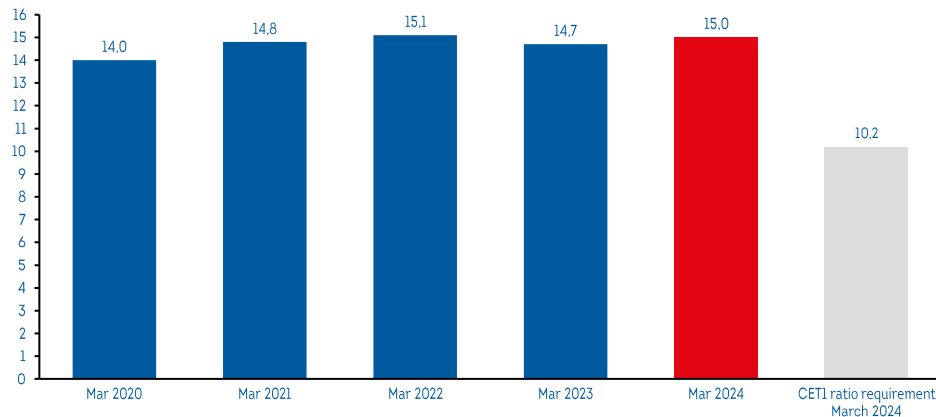


Capital and Funding



Continued strong capital ratios

CET1 capital ratio and requirement, %

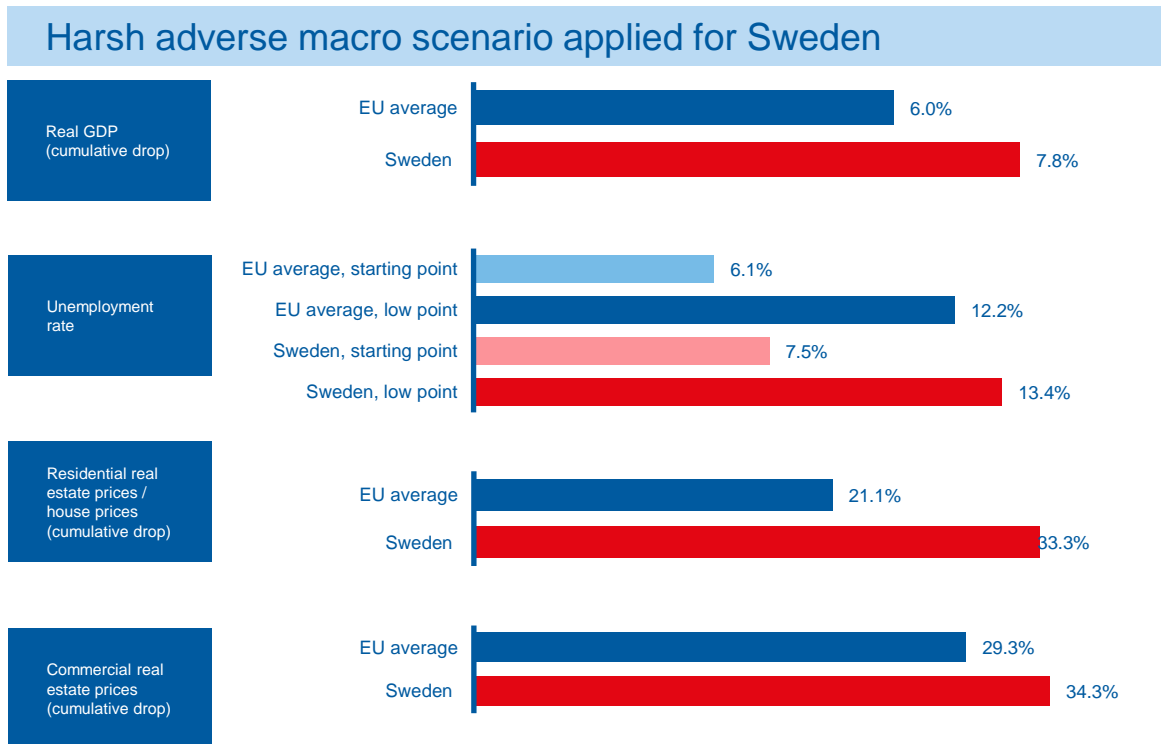


- Stable development in Q1 with a slight increase in REA
- CET1 ratio was 15.0% in Q1 2024
- Total capital ratio of 19.3%
- Exceed with very good margin the SFSA requirements
 - CET1 requirement 10.2%
 - Total capital requirement 14.6%
- Leverage ratio stable at 4.4%
- SEK 1.35bn AT1 instrument issued in January 2024 – and SEK 1.0bn AT1 with first call date in April 2024 was called

Strong outcome in EBA's stress test

- EBA's stress test results published 28 July 2023
- Covering 70 banks across the EU
- LF Bank shows strong resilience in the adverse scenario...
- ...repeating the strong 2021 stress test outcome
- Main reasons behind the results:

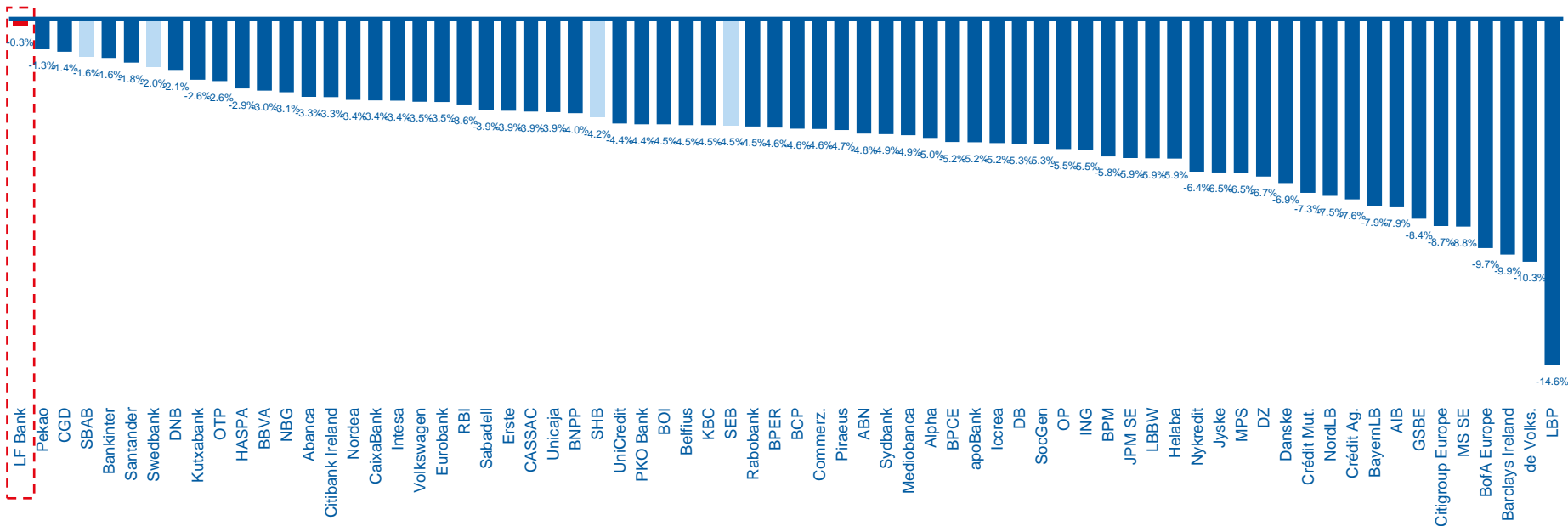
- ➔ Low-risk loan portfolio dominated by household mortgages
- ➔ Strong capitalisation
- ➔ 25% risk-weight floor for mortgage lending
- ➔ 80% loan loss coverage from regional insurance companies



Strong resilience – CET1 ratio impact

LF Bank shows the least negative CET1 ratio impact of all banks in the adverse scenario in the stress test

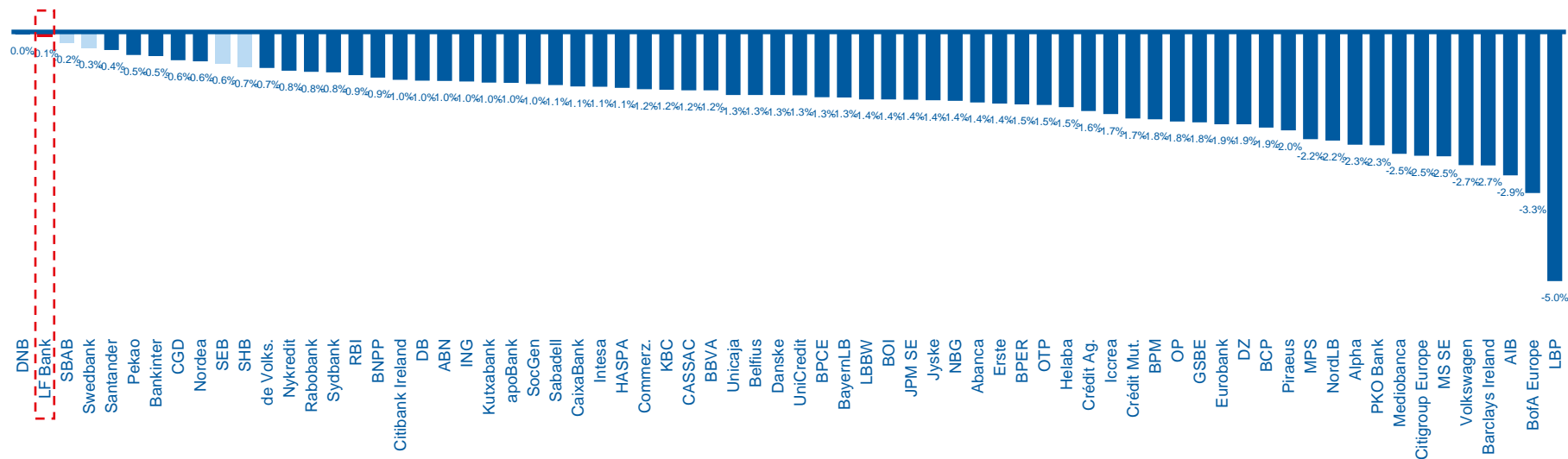
Maximum negative CET1 ratio impact in the adverse scenario (%-points)



Strong resilience – leverage ratio impact

LF Bank is amongst top performers regarding negative leverage ratio impact in the adverse scenario

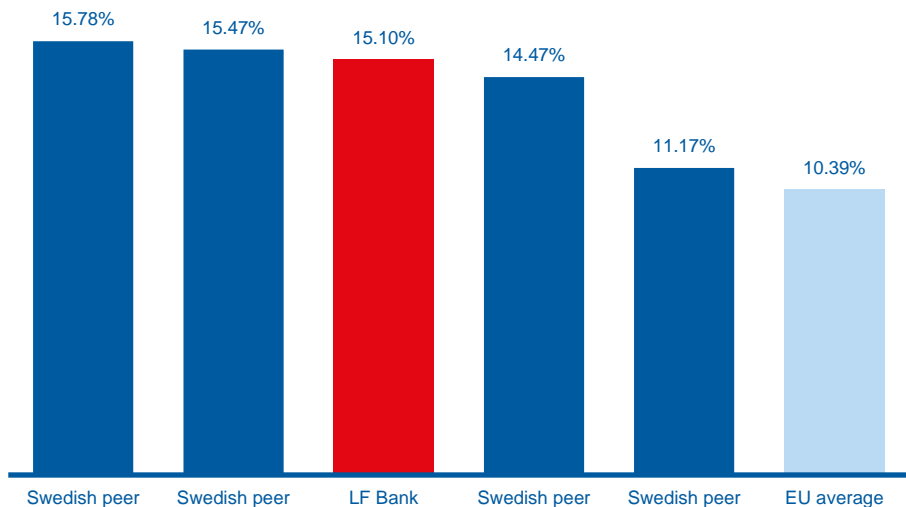
Maximum negative leverage ratio impact in adverse scenario (%-points)



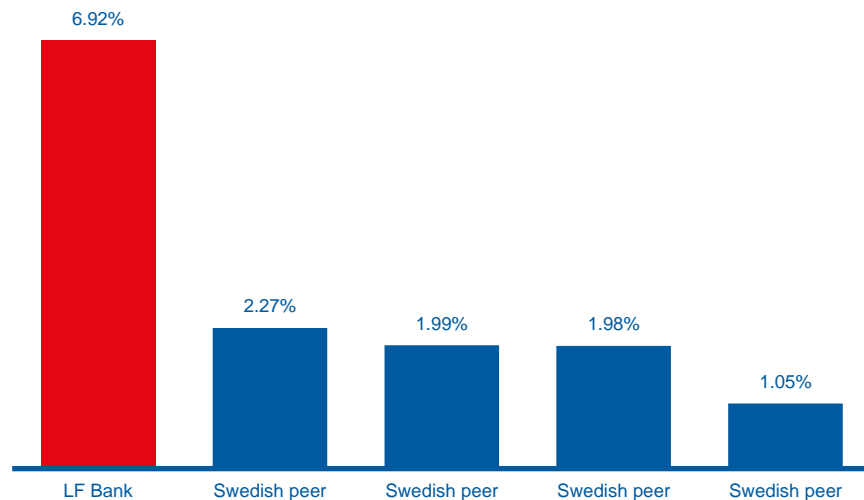
Minimum CET1-ratio and CET1 buffer

LF Bank has a much stronger minimum CET1 buffer than Swedish peers in the adverse scenario in the stress test

Minimum CET1-ratio



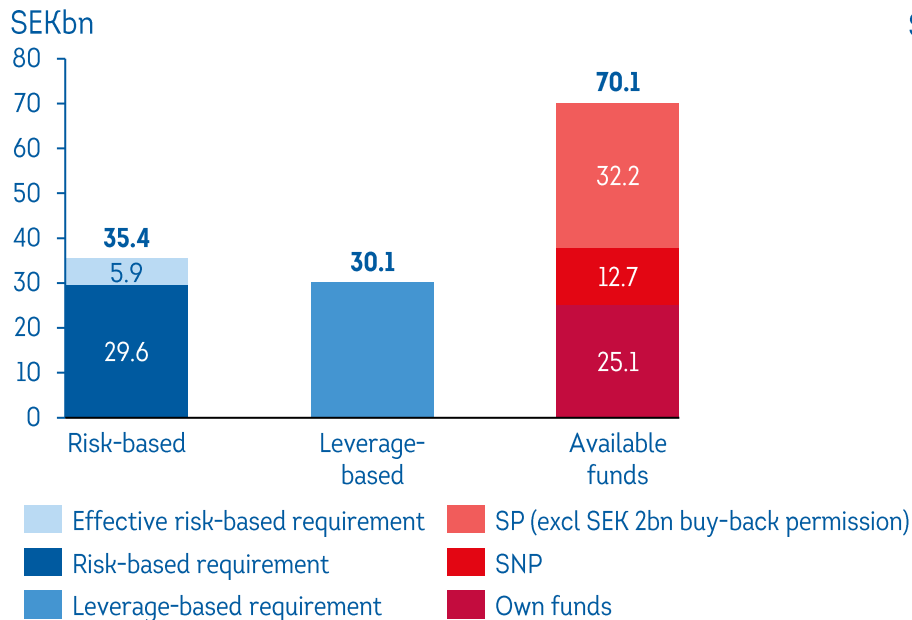
Minimum CET1 buffer (assuming CCyB 0%)



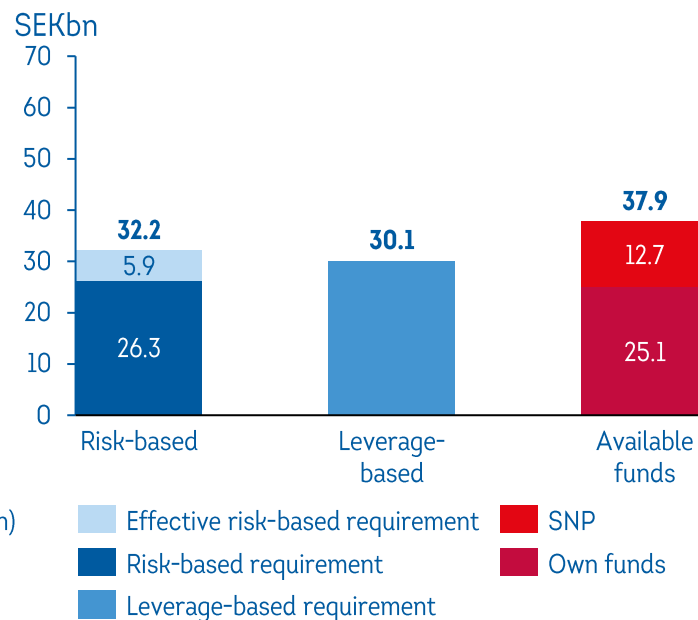
MREL update

Based on balance sheet and requirements Q1 2024

MREL total requirements*



MREL subordination requirements**

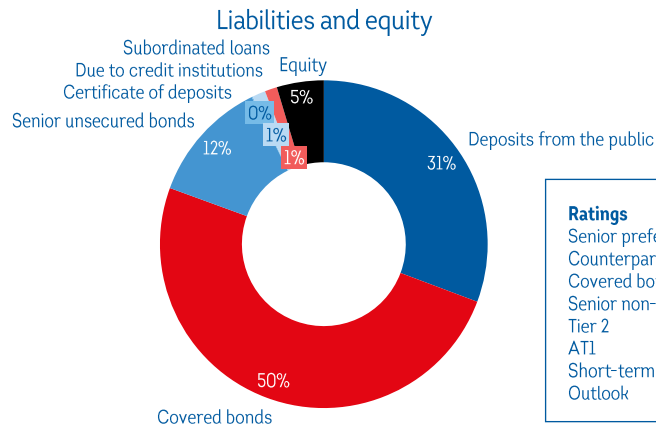


* Corresponds to 27.2% of REA in effective risk-based MREL requirement and 6% (corresponding to 23.1% of REA) in leverage-based MREL requirement

** Corresponds to 24.7% of REA in effective risk-based MREL subordination requirement and 6% (corresponding to 23.1% of REA) leverage-based MREL subordination requirement.

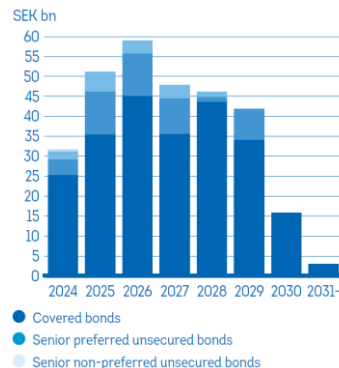
Well-diversified funding structure

- Planned total funding for 2024 around SEK 65bn (corresponds to around EUR 6bn)
 - of which around 70% in covered bonds
 - and around 30% in senior preferred and senior non-preferred bonds
- of total planned funding for the year, around EUR 1.5bn is in EUR
- Continued strong liquidity and funding ratios - LCR 480%, NSFR 126%
- SEK 13.8bn covered bonds and SEK 10.7bn senior unsecured bonds issued in Q1 2024
- In total SEK 12.7bn of outstanding and eligible senior non-preferred (SNP) bonds
- SEK 1.35bn AT1, Perpetual NC 5.25 years, issued in January 2024
- SEK 1.0bn AT1 called as of April 2024
- Regular issuer of EUR senior preferred and EUR covered bonds
 - typically at least one EUR 500m issue per year in each format
 - potentially also senior non-preferred (SNP) issuance in EUR



Ratings	S&P	Moody's
Senior preferred	A	A1
Counterparty risk rating		Aa3
Covered bonds	AAA	Aaa
Senior non-preferred	A-	A3
Tier 2	BBB+	
AT1	BBB-	
Short-term	A-1/K-1	P-1
Outlook	Positive	Stable

Funding maturity profile



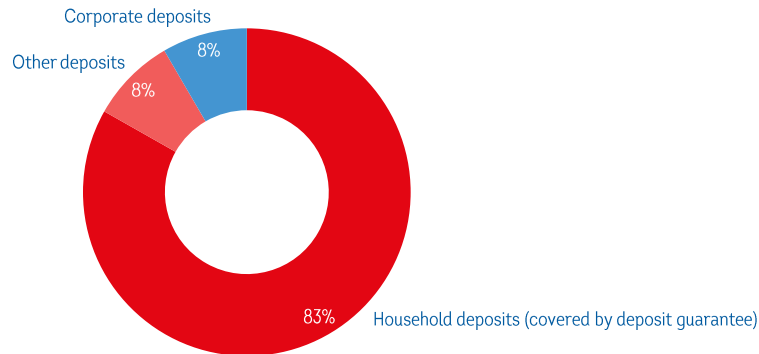
Ticker: LFBANK

Stable high-quality deposit base

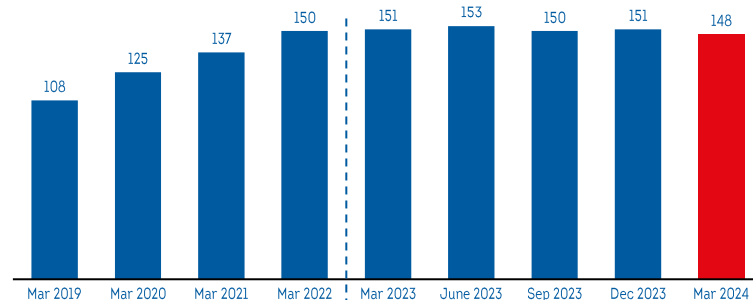
High portion of retail deposits – 31 March 2024

- Stable high-quality deposit base
- 80% of deposits covered by the government deposit insurance – mainly household deposits
- Deposits from the public SEK 148bn
 - of which household deposits SEK 123bn and other deposits SEK 12bn
 - corporate deposits SEK 12bn
- Deposit volumes have grown organically over many years, in line with the higher number of core customers and new mortgage customers
- Not actively seeking deposit volumes through pricing
- Deposit volumes have started to flatten out and decline somewhat
 - majority of decline has been in corporate deposits
 - somewhat lower savings ratios, and also strong inflow into our mutual funds
- Strong liquidity ratio, LCR 480%

Deposits from the public

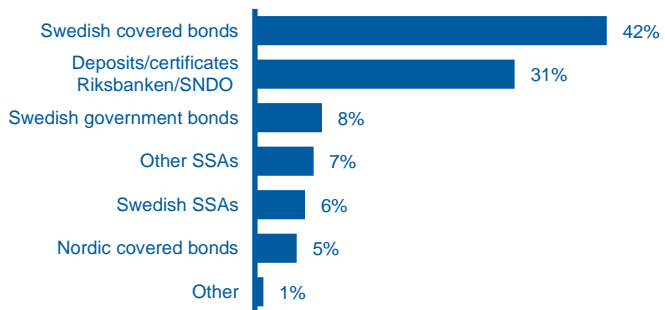


Deposit volumes (SEKbn)

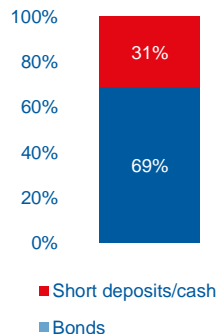


Low-risk liquidity reserve

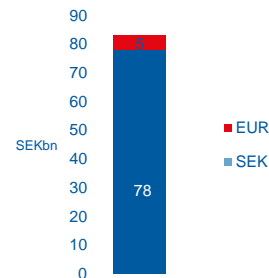
Liquidity portfolio distribution



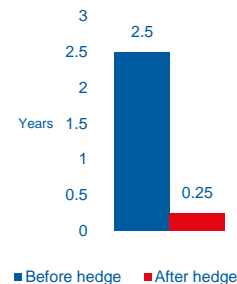
Short deposits/cash vs bonds



Currencies



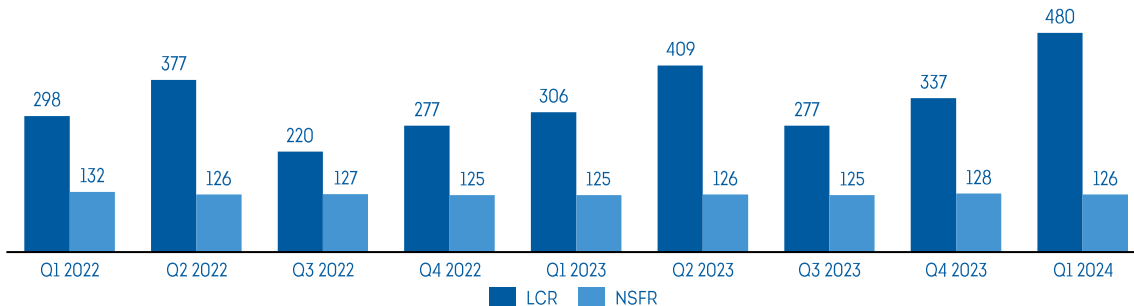
Duration



- Liquidity reserve of SEK 83bn
- Fair value accounting treatment
- Marked-to-market over OCI - and into CET1
- No HTM portfolio
- Interest rate risk hedged - 3-month duration post hedges
- 100% AAA/Aaa rated



LCR and NSFR, %

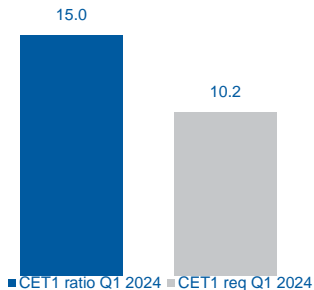


Overall low-risk profile

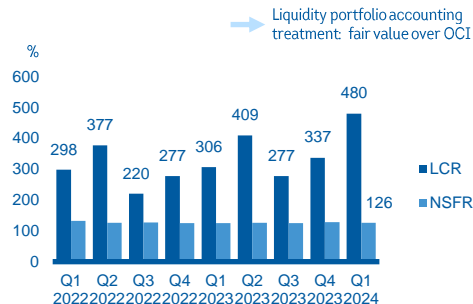
High-quality deposit base

- ≈ 80% retail deposits
- ≈ 80% covered by deposit guarantee scheme

Solid buffer to CET1 requirement



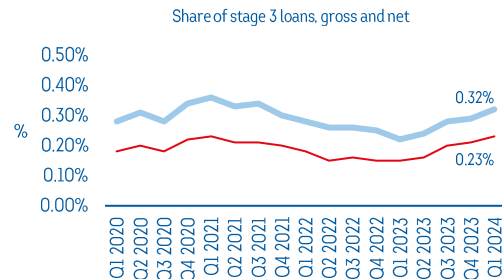
Strong liquidity position



Stable credit ratings

Moody's **A1**
 S&P **A** (positive outlook)

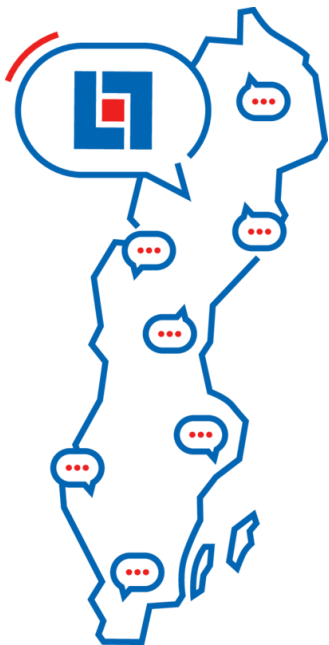
Strong asset quality



Strategic part of the large LF Alliance

Q1 2024 – LF Bank well positioned

Strong financial position and local presence key to support customers and enable continued growth



- ➔ Benefitting from strong local presence and insurance roots
- ➔ 0.48 C/I ratio
- ➔ 8.5% return on equity
- ➔ Strong asset quality
- ➔ Strong capitalisation and liquidity position

Continued focus on our customers' security



Contacts



Contacts – Länsförsäkringar Bank

Martin Rydin

CFO

martin.rydin@lansforsakringar.se

Direct: +46 (0)8 588 412 79

Mobile: +46 (0)739 64 28 23

Andreas Larsson

Head of Investor Relations

andreas.larsson@lansforsakringar.se

Direct: +46 (0)10 498 70 29

Mobile: +46 (0)720 84 36 34

Rouzbeh Heidari

Head of Treasury

rouzbeh.heidari@lansforsakringar.se

Direct: +46 (0)8 588 446 15

Mobile: +46 (0)727 28 21 50

Emma Holmberg

Head of Long-Term Funding

emma.holmberg@lansforsakringar.se

Mobile: +46 (0)702 55 62 66

Madeleine Montenius

Long-Term Funding

madeleine.montenius@lansforsakringar.se

Direct: +46 (0)8 588 41151

Mobile: +46 (0)73 96 41151

Financial calendar:

Q2 2024 report

19 July 2024

Q3 2024 report

22 October 2024

Ticker: LFBANK



Länsförsäkringar Bank
Länsförsäkringar AB
SE-106 50 Stockholm

Visiting address:
Tegeluddsvägen 11 -13

www.lansforsakringar.se/financial-bank
www.lansforsakringar.se/financial-hypotek

Disclaimer:

This presentation does not constitute a prospectus or an offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of Länsförsäkringar Bank AB or its affiliates. Nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision as it is provided for information purposes only and does not contain all of the information material to an investor. This presentation is being furnished to you solely for your information and may not be reproduced, copied, shared, disseminated or redistributed, in whole or in part, in any manner whatsoever to any other person. The distribution of this presentation in certain jurisdictions may be restricted by law and persons into whose possession this presentation comes should inform themselves about, and observe, any such restrictions.

No representation or warranty, express or implied, is made or given by or on behalf of Länsförsäkringar Bank AB or its affiliates or their directors or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this presentation. Neither Länsförsäkringar Bank AB nor its affiliates or any of their directors or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith. Certain data in this presentation has been obtained from various external data sources and neither Länsförsäkringar Bank AB nor its affiliates has verified such data with independent sources. Accordingly, neither Länsförsäkringar Bank AB nor its affiliates makes any representations as to the accuracy or completeness of that data.

Any statements made in this presentation that are of forward looking character or contain forward looking information, are based on current expectations and as such are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, express or implied, by the forward looking statements. Factors that might cause forward looking statements to differ materially from actual results include, among other things, regulatory and economic factors. Neither Länsförsäkringar Bank AB nor its affiliates assume any responsibility to update any of the forward looking statements contained herein.

Appendix: Sustainability and Green bond framework

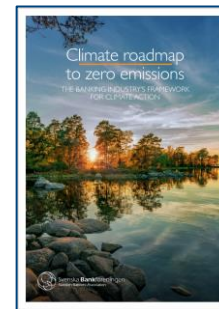


ESG alignment to goals, regulations and standards

SDGs with assigned priority



Our journey towards sustainability



Regulation guiding our transition



Our key climate commitment

- EU – climate neutral in 2050
- Swedish government – climate neutral in 2045
- Swedish bankers' roadmap – climate neutral in 2045
- *Länsförsäkringar AB including Länsförsäkringar Bank – net climate positive in 2045*

Sustainability ratings



Low Carbon Transition Rating

Leading sustainability ranking (SKI)



Strong commitment to local society



Credit cards made of recycled plastic



100% of mutual funds article 8 compliant



Green loan offering



Digitalisation to reduce use of paper and transport

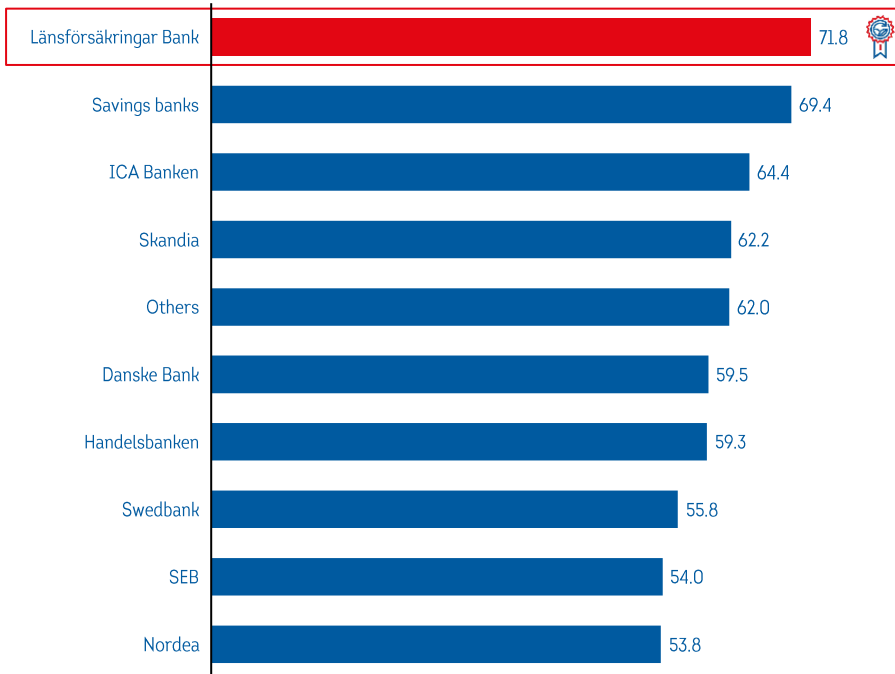


Sustainability database



Customers' assessment of Länsförsäkringar Bank

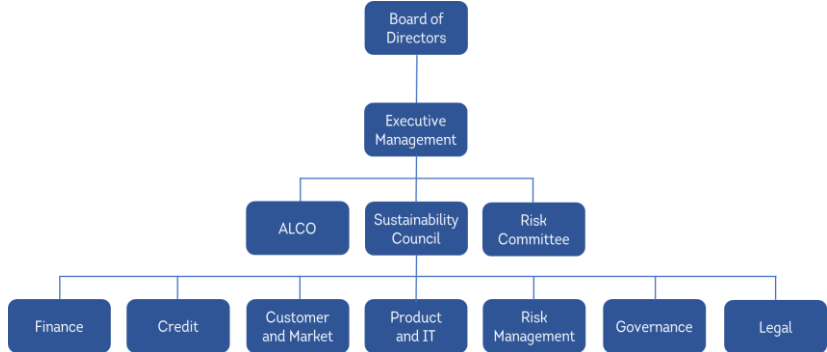
Sustainability ranking, household customers, SKI 2023*



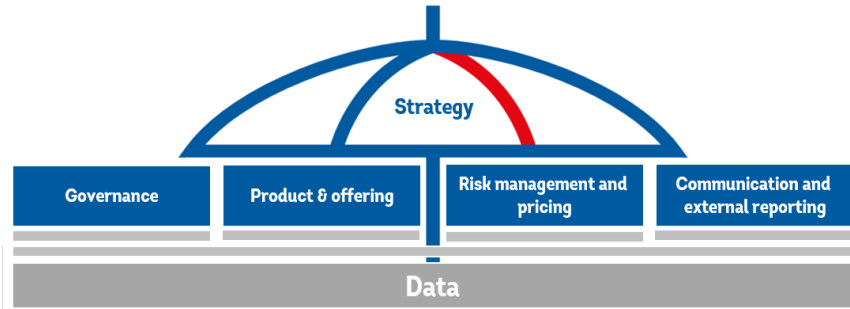
SKI, Swedish Quality Index – Sustainability index from household customers

Customer-owned business model contributing financially and socially to local society

ESG integrated in our operations



ESG target operating model



ESG eco system - aiming to support climate transition agenda and ensuring our customers financial stability



Sustainability is part of our business model

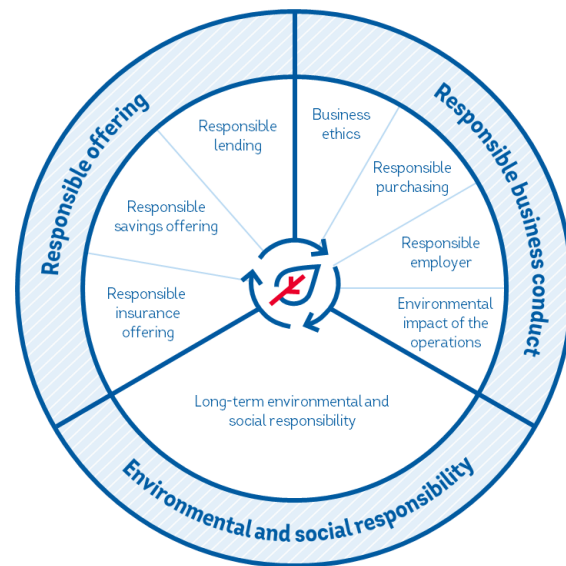
Responsible offerings in Länsförsäkringar Bank

Responsible savings offering

- Länsförsäkringar AB's target is to reduce climate footprint of its own funds so that by 2030 their emissions are aligned with the goal of the Paris agreement to limit global warming to 1.5 degrees
- Passively managed funds track Paris Aligned Benchmarks
- 100% of LF mutual funds in Länsförsäkringar Fondförvaltning are article 8 compliant and in one case an article 9 fund, which has been categorized as that this year
- Sustainability is integrated in the investment process - active corporate governance
Enabling customers to have a sustainable economy and make sustainable selections

Responsible lending

- Healthy lending is a key prerequisite for stable financial situation for customers, but ultimately leads to a stable and sustainable bank
- Green mortgage lending offer customers with energy efficient real estate a discount
- Green energy efficiency loans aim to encourage customers to strive for reducing energy consumption
- Länsförsäkringar has and is continuing to digitalise the credit process with the purpose to reduce use of paper and create efficiency in the customer experience.



Green savings offering



- 100% of Länsförsäkringar Bank's mutual funds are article 8 compliant (light green)
- Climate target – all investments aligned with the Paris agreement by year 2030
- Passively managed funds track Paris aligned benchmarks
- ESG analysis integrated in the investments process
- Active ownership through engagement and voting
- Offering of multiple sustainability themed funds

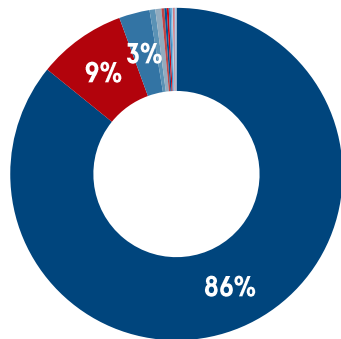
The following activities are excluded from direct investments in Länsförsäkringar Bank's mutual funds:

- Extraction and exploration of fossil fuel
- Energy production from coal
- Production of tobacco products
- Gambling
- Controversial weapons
- Production of pornography



Responsible lending

Länsförsäkringar Banking Group's lending portfolio



Länsförsäkringar Bank has a strong starting point in terms of the composition of the lending portfolio:

Portfolio consisting of primarily retail/household mortgages and SME business with low environmental impact

Approximately 98% of the lending portfolio is towards household/retail customers, farming and agriculture as well as real estate and construction

The following activities are excluded from lending in Länsförsäkringar Bank's exclusion criteria:

- Production of fossil fuel
- Energy production from fossil fuel
- Farming of tobacco
- Production of tobacco products
- Gambling
- Production of arms and ammunition
- Production and distribution of pornography



Green loan offering to build green asset financing

Green loan offering

- Green loans in accordance with Green bond framework
- Covering different product categories that will be offered to customers with the purpose to support transition



Issuance of green bonds

- Expand the Green asset register through the internal selection process
- Green bonds issuance with regular reporting showing impact of the green assets

Green bond issuance – our strategy

Capacity



Capacity for continuous green bond issuance. Green asset pool expected to grow through new loan origination and addition of assets in other eligible categories

Format



Flexibility to issue in different formats, i.e. **Covered bonds**, **Senior preferred** and **Senior non-preferred bonds**. Länsförsäkringar Bank's and Länsförsäkringar Hypotek's EMTN programs updated to enable green bond issuance

Currency



Flexibility for issuance in different currencies, SEK, NOK and EUR most likely

Utilisation



Intention to maintain a balance where the green assets pool exceeds outstanding green bonds with a solid margin

Green bond framework



Strong and detailed green bond framework

- Aim to mobilise debt capital to support a low-carbon, climate change resilient and environmentally sustainable society
- Aligned with the Green Bond Principles (GBP) published in 2021 by the International Capital Market Association (ICMA)
- Green loans under this framework will target the EU Taxonomy's environmental objectives
- Sustainalytics has conducted a Second-party opinion on Länsförsäkringar Bank's Green bond framework
- Green bonds issued Nov 2022, Jan 2023 and Aug 2023:
 - 3NC2/4-year SEK 2.3bn senior non-preferred
 - 4-year EUR 0.5bn senior preferred
 - 5NC4/3NC2-year SEK 1.5bn senior non-preferred



Länsförsäkringar Bank green bonds

- The Green Bond Framework consist of 4 project categories related to our responsible lending offer
- The green bond net proceeds may be used to finance and refinance both existing and new green loans granted by Länsförsäkringar Bank and subsidiaries
- The Green loan categories in this framework intend to reflect the Technical Screening Criteria for substantial contribution stipulated in the Climate Delegated Act to the extent possible:
 - *For instance; green and energy efficient buildings focus on the top 15% of the national or regional buildings stock*

Green loans evaluation and selection process

Länsförsäkringar Bank's Asset Liability Committee (ALCO) is solely responsible for the decision to acknowledge the loans as green

Management of proceeds

Länsförsäkringar Bank will use a Green Registry to track the Green Loans and the net proceeds from each Green bond issuance

Reporting and transparency

Länsförsäkringar Bank will annually and until maturity of the Green bonds issued, provide to investors; reporting on allocation of proceeds and on the environmental impact of the Green loans

Green and energy efficient buildings

- New buildings
- Existing buildings
- Major renovations
- Energy efficient measures



Environmentally sustainable management of living natural resources and land use

- Agriculture
- Forests and forestry



Renewable energy

- Solar energy
- Geothermal energy
- Wind power
- Storage facilities



Clean transportation

- Low carbon vehicles and equipment
- Low carbon vehicle infrastructure



Second-party opinion

Sustainalytics has performed a Second-party opinion evaluating that Länsförsäkringar Bank's Green bond framework is:

- Credible,
- Impactful and
- Align to the four core components of the Green bond principles 2021

Sustainalytics has concluded the following:

"Sustainalytics is confident that Länsförsäkringar is well positioned to issue green bonds and that the Länsförsäkringar Bank Green bond framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021."

Second-Party Opinion Länsförsäkringar Bank Green Bond Framework

SUSTAINALYTICS
a Morningstar company
**SECOND-PARTY
OPINION**

Evaluation Summary

Sustainalytics is of the opinion that the Länsförsäkringar Bank Green Bond Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021. This assessment is based on the following:

- USE OF PROCEEDS** The eligible categories for the use of proceeds Green & Energy Efficient Buildings, Environmentally Sustainable Management of Living Natural Resources and Land Use, Renewable Energy and Clean Transportation are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 9, 11 and 15.
- PROJECT EVALUATION / SELECTION** Sustainability experts and representatives from the Bank's Treasury department are responsible for evaluating and selecting eligible projects that are in line with the eligibility criteria as defined under the Framework. Länsförsäkringar Bank has implemented internal policies and guidelines to address potential ESG risks associated with eligible projects. In addition, the Bank may request further information to assess eligible projects, including environmental impact assessments or life cycle analysis. Sustainalytics considers these to be in line with market practice.
- MANAGEMENT OF PROCEEDS** Länsförsäkringar Bank's Treasury and Finance departments (the "Departments") will be responsible for the management and allocation of proceeds. The Departments report to the Bank's Asset Liability Committee ("ALCO"), which provides the final consensus to allocate net proceeds. Länsförsäkringar Bank will track the proceeds using a green registry system. Unallocated, proceeds may be temporarily held in cash, cash equivalents or other liquid instruments. This is in line with market practice.
- REPORTING** Länsförsäkringar Bank intends to report on the allocation of proceeds and impact report, which will be published on its website on an annual basis. In addition, Länsförsäkringar Bank is committed to reporting on relevant impact reporting. Sustainalytics views Länsförsäkringar Bank's allocation and impact reporting as aligned with market practice.

Evaluation Date	June 9, 2022
Issuer Location	Stockholm, Sweden

Report Sections

Introduction	2
Sustainalytics' Opinion	3
Appendix	9

For inquiries, contact the Sustainable Finance Solutions project team:

John-Paul Iamonaco (Toronto)
Project Manager
John-paul.iamonaco@sustainalytics.com
(+1) 416 861 0403

Anchal Verma (Toronto)
Project Support

Nazli Selin Ozbilgin (Amsterdam)
Project Support

Ayaka Okumura (Amsterdam)
Project Support

Kibii Sisiulu (London)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Green asset register

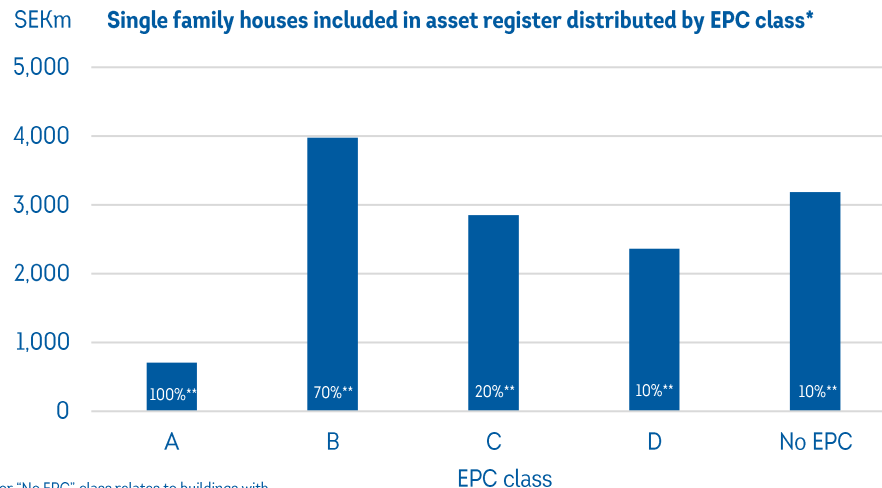


Green asset register



Projects	Total asset register	Green and energy-efficient buildings	Environmentally sustainable management of living natural resources and land use	Renewable energy	Clean transportation
Green asset register Q1 2024	SEK 15bn (=EUR 1.3bn)	SEK 15bn			
- of which mortgage portfolio	SEK 15bn	SEK 15bn			

- The top 15% of the national building stock in terms of energy efficiency has been calculated based on the most recent recommendation presented by Chalmers Industriteknik (CIT) to the Swedish Bankers
- To perform the calculation, data has been collected from Boverket and Energimyndigheten
- The calculations have taken into account the primary source of energy in the buildings and where relevant recalculated to BBR29 (Boverkets ByggRegler)
 - A conservative approach has been applied. 11.4% out of the total volume is deemed eligible
- The method for identifying the top 15% has been presented and evaluated by Sustainabilitytics as part of the Second opinion process of the Green bond framework.



* EPC=Energy performance certificate. The bar for "No EPC" class relates to buildings with energy certificates from 2012 and 2013. These certificates did not include EPC class.

** The percentage is the ratio of assets in each EPC class which are classified as green assets according to top 15% of the national building stock

Calculating top 15% most energy-efficient buildings

Top 15% of the national building stock, expressed as Primary energy demand

CIT energy managements calculated thresholds² for different types of buildings constructed before 2021, expressed as primary energy demand (according to the Swedish building regulation "BBR 29")

Category	Top 15% threshold (kWh/m ²) ¹
Single-family houses	70
Multi-family houses	75
Hotels	98
Restaurants	94
Offices	89
Shops and warehouses, grocery trade	83
Shops and warehouses, miscellaneous	85
Malls	98
Health care	96
Health care, daytime	92
Schools	98

The energy carriers below are used to convert energy use to primary energy demand according to BBR 29

Energy carrier	Primary energy factor
Electricity	1.8
District heating	0.7
District cooling	0.6
Bio-fuel	0.6
Oil	1.8
Gas	1.8

Example: A single family house with an EPC established before 1 September 2020, i.e. before BBR 29 was taken into force:

- The buildings energy performance is recalculated and expressed as primary energy demand in accordance with BBR 29
- The recalculation is based on the buildings' energy use, energy carriers and related primary energy factor as shown in the table above
- Assume that a buildings energy use is 75 kWh/m², where 75% origin from bio-fuel and 25% from electricity then the following recalculation will apply

$$75 \text{ kWh/m}^2 * 75\% * 0,6 + 75 \text{ kWh/m}^2 * 25\% * 1,8 = 67,5 \text{ kWh/m}^2$$

67,5 kWh/m² is lower than the threshold for single-family houses (70 kWh/m² as shown in the table to the left). Hence, it will qualify within the "top 15%"

This implies that a building with e.g. EPC D but with a high share of district heating and/or bio-fuel may qualify within the top 15% of the most energy efficient buildings, while a building with an e.g. EPC B but with a high share of electricity/gas/oil may be excluded from the top 15%

¹ The kWh/m² is expected to gradually fall due to improved energy efficiency in the buildings

Study to be found here: [Topp15 \(tti.se\)](https://topp15.tti.se)

Summary – key take aways

- Swedish retail bank with a strong sustainability profile – sustainability integrated in the operations
- Customer-owned with strong local presence
- Detailed green bond framework that has been confirmed by Sustainalytics (Second-party opinion)
- Green asset register currently consists of loans for the most energy-efficient single family houses (all included in top 15% of the national building stock)
- Green asset pool expected to grow through new loan origination and addition of assets in other eligible categories

Appendix: Macroeconomy

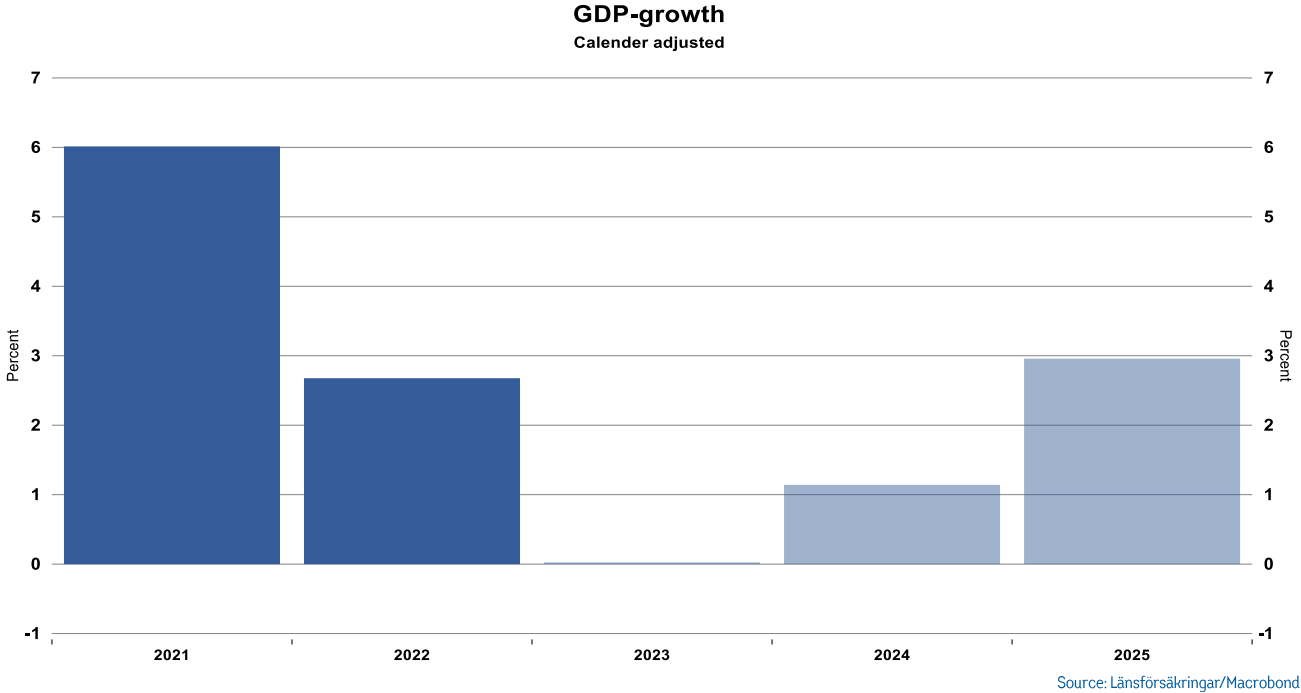


Macroeconomic summary

- The Swedish economy is expected to undergo two consecutive years of weak GDP growth
- Inflation expected to be on target 2024
- The Riksbank's rate cuts are expected to start in May
- Housing prices were almost unchanged throughout the entire year of 2023

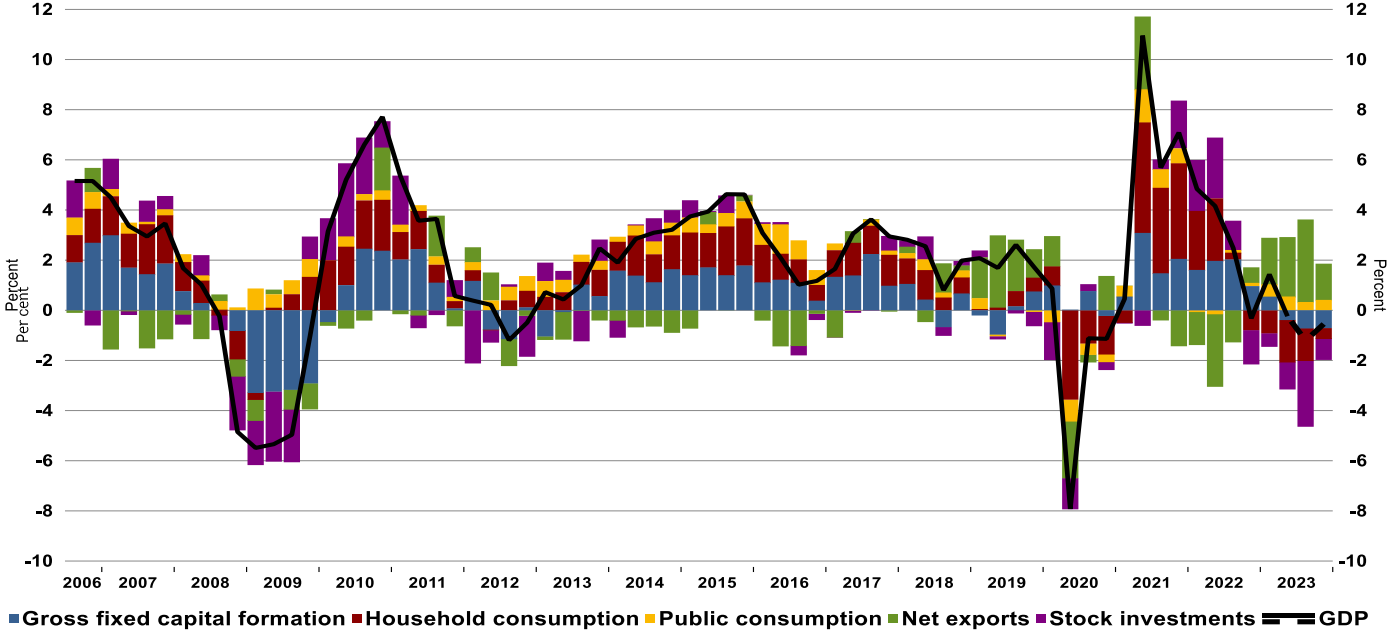
Source: Länsförsäkringar

Stronger growth expected this year



Somewhat lower drop in private consumption and inventories

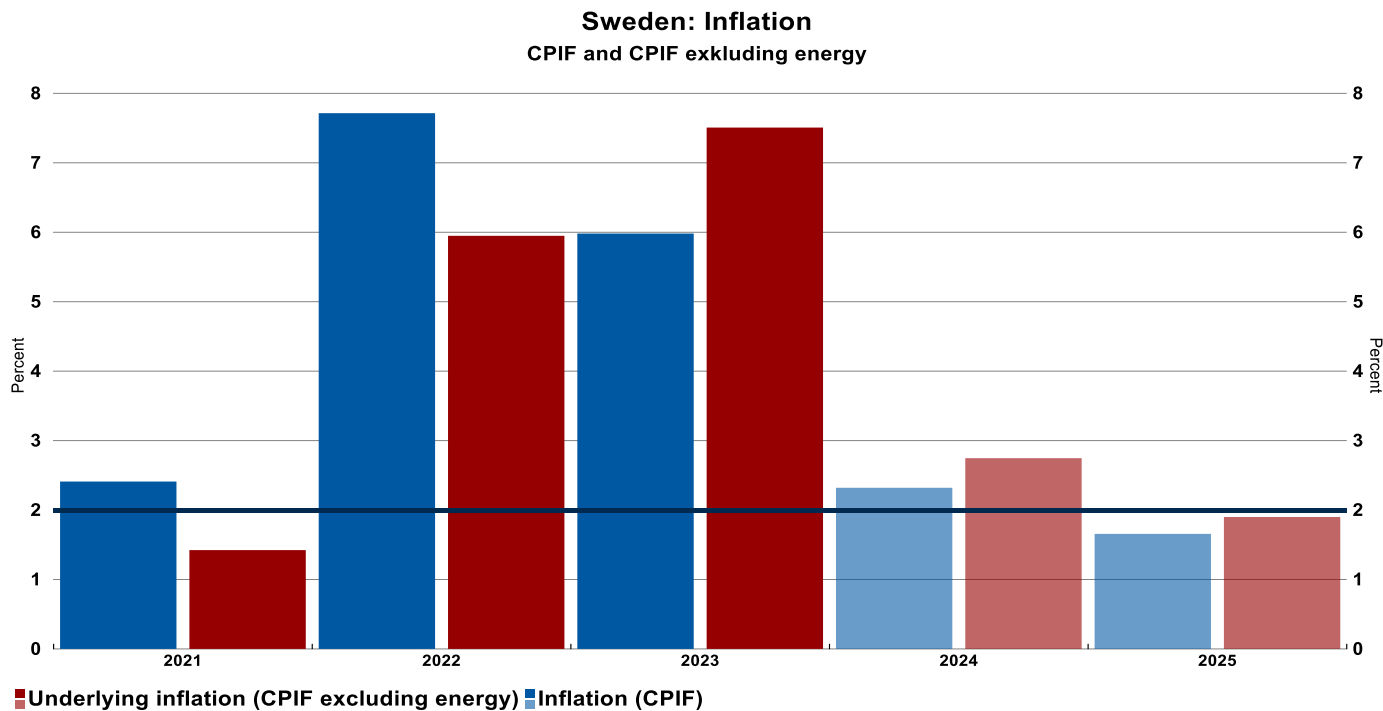
GDP growth and components



GDP forecast 2024:
+1.1 per cent

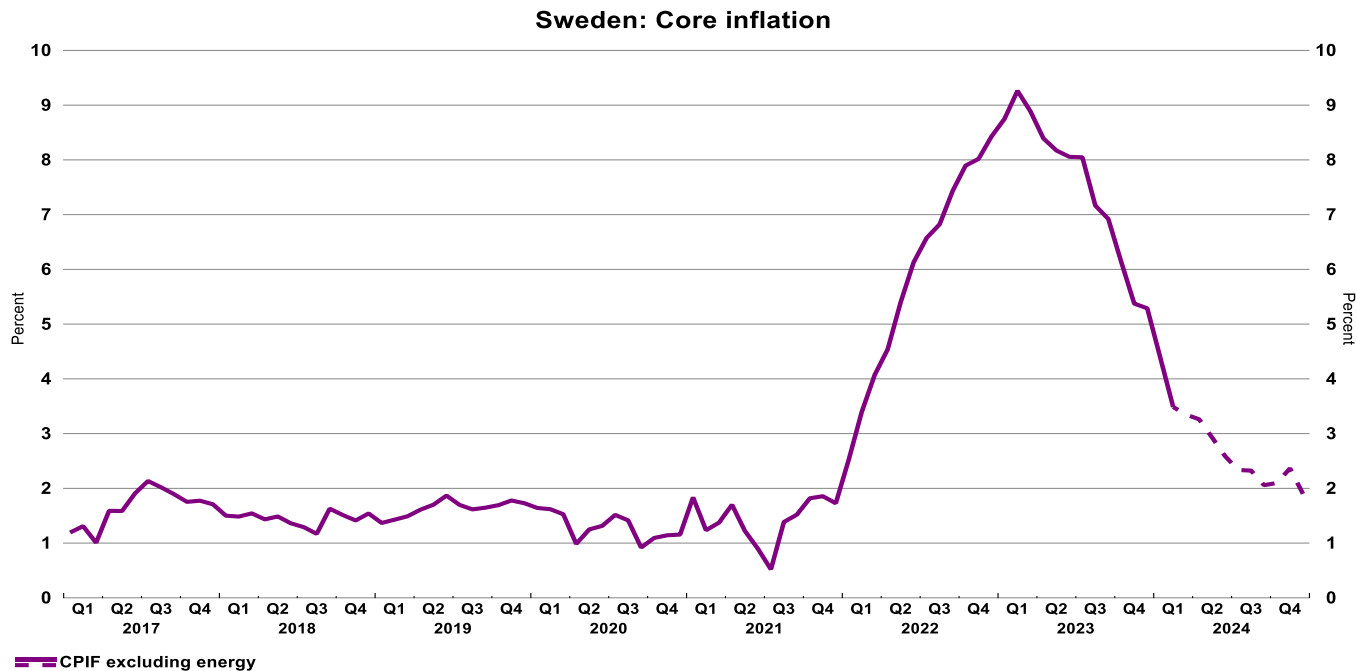
Source: Länsförsäkringar/Macrobond

A sharp fall in inflation



Source: Länsförsäkringar/Macrobond

Core inflation expected to be on target this year

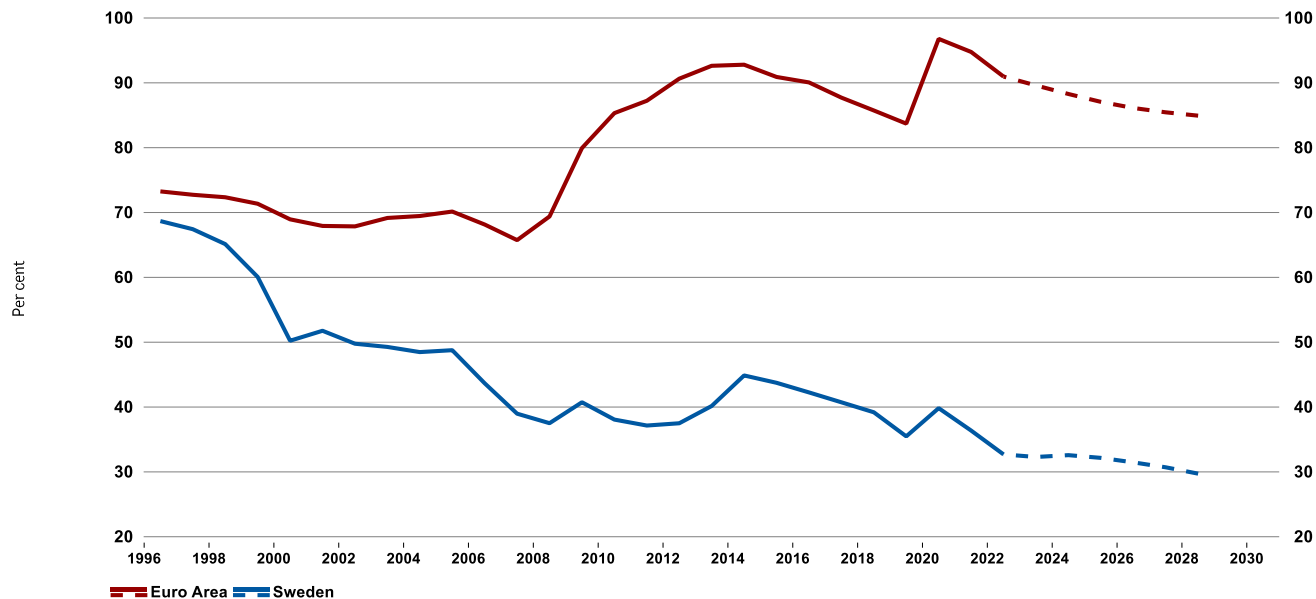


Source: Länsförsäkringar/Macrobond

Strong fiscal position, room for fiscal support when inflation eases

Government debt to GDP – low in Sweden compared to Euro area

Global: IMF's estimate for public debt
Share of GDP



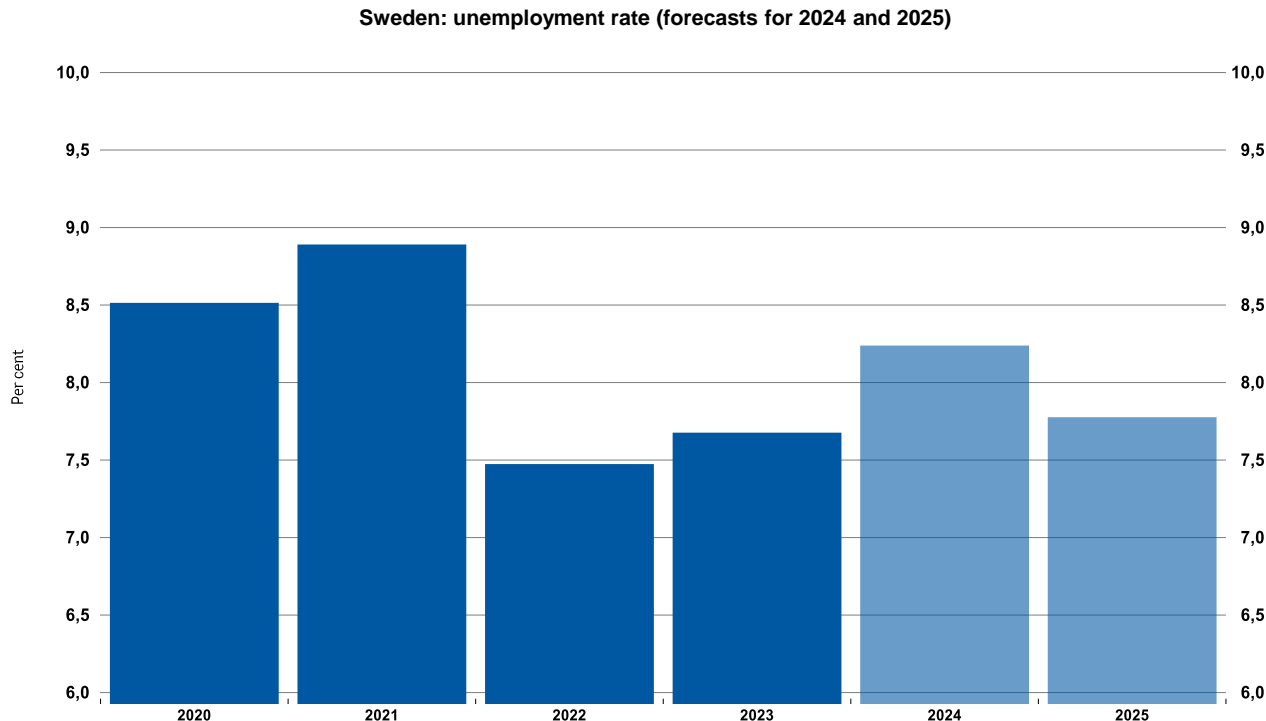
Exceptionally strong
fiscal position

Fiscal policy expected to
remain neutral despite
slowing growth

Focus on not disturbing
monetary policy

Source: Länsförsäkringar/Macrobond

Higher unemployment, but lower than expected



Source: Länsförsäkringar/Macrobond

Unemployment back to pre-pandemic levels

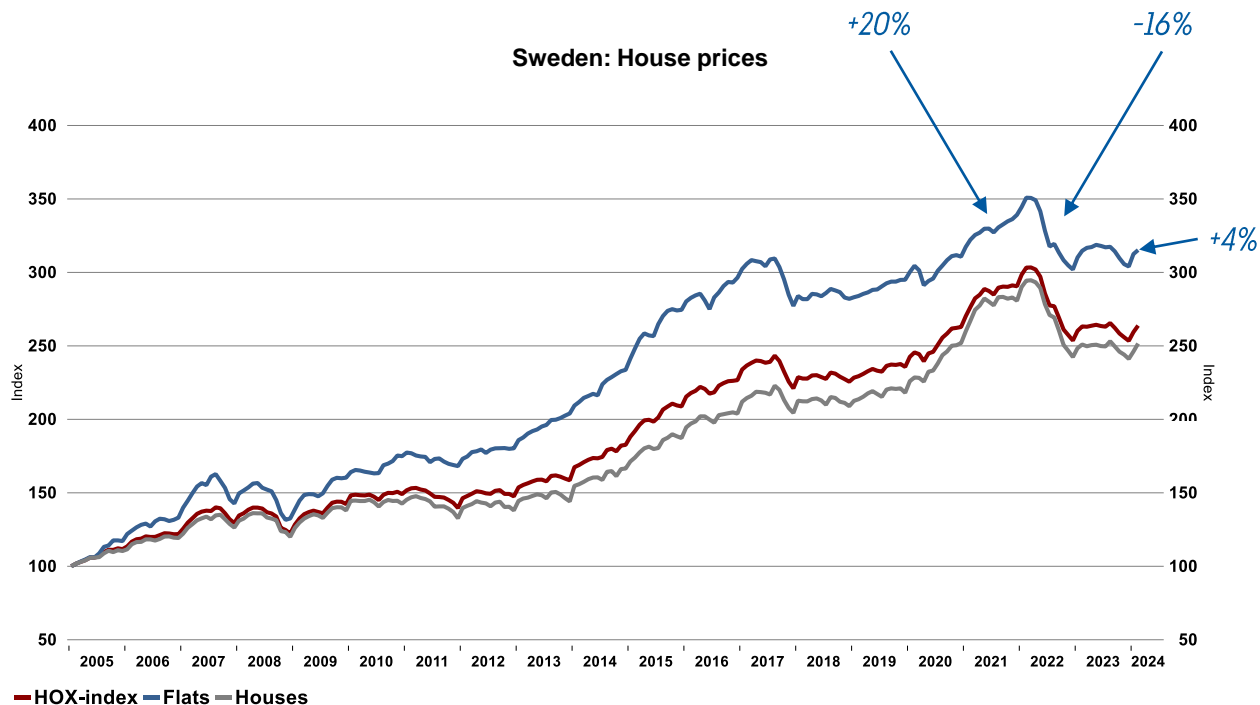
Unemployment has started to rise, but is lower than expected

Unemployment currently 7.7%

GDP headwinds will continue to weigh on labour demand

The house market shows signs of recovery

High volatility in and after the pandemic



Källa: Länsförsäkringar/Macrobond

High house price volatility

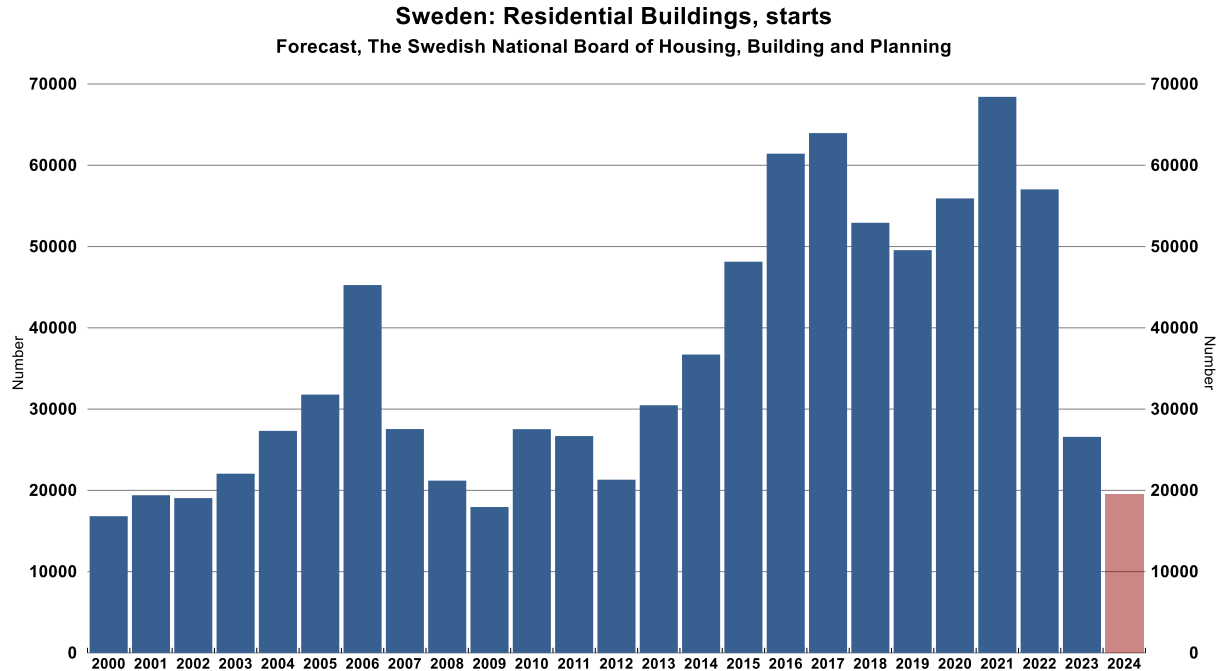
Sharp price increase during the pandemic, with a price correction in 2022

Prices back to pre-pandemic level

Stabilisation and prices up somewhat in early 2024

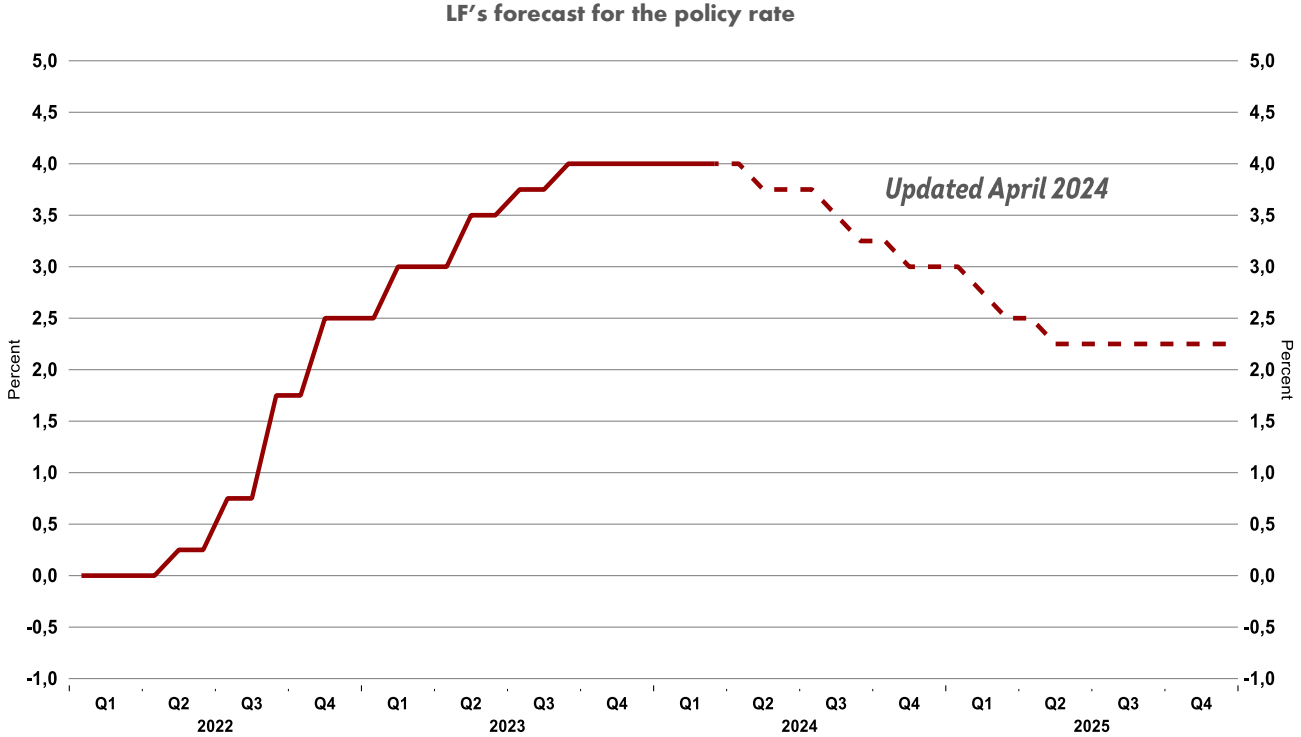
Still uncertainty

Housing construction expected to be at the lowest level since 2009



Source: Länsförsäkringar/Macrobond

Several cuts from the Riksbank expected this year



Source: Länsförsäkringar/Macrobond