

Länsförsäkringar Bank

Green bond impact report 2023



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Summary

Länsförsäkringar Bank hereby present its first impact report relating to the green bonds issued under the green bond framework. The assets in the green asset register are currently exclusively loans to households for single-family houses in the category existing buildings. The amount of assets in the green asset register was 31 December 2023 SEK 16.3 billion and the amount of issued green bonds was SEK 9.4 billion. SEK 5.6 billion was issued in EUR as a EUR 500 M senior unsecured bond and SEK 3.8 billion was issued in SEK, in the form of senior non-preferred bonds.

The impact reporting focuses on the energy consumption for the assets, i.e. the energy used for the single-family houses which are pledged for the household mortgage loans which are included in the green asset register.

The reporting of the impact, i.e. the emissions and the avoided emissions, is based on average emissions per kWh in the Swedish market and the Swedish energy production area, and for the different heating sources used in the single-family houses, mainly biofuel, district heating and electricity.

The energy consumption relating to the assets in the green asset register and relating to Länsförsäkringar Bank's portion of the financing was for 2023 estimated to be 61 GWh.

For the SEK 9.4 billion of issued green bonds, the emissions were 962 tonnes CO₂e in total and per SEK M issued green bonds, the emissions were 0.10 tonnes CO₂e. The avoided emissions were 544 tonnes CO₂e and per SEK M issued green bonds, the avoided emissions were 0.06 tonnes CO₂e.

The EU taxonomy alignment of the green asset register was SEK 15.5 billion or 95%, as almost the entire green asset register volume of assets of SEK 16.3 billion is EU taxonomy aligned in relation to the substantial contribution criterion.

Emissions, avoided emissions and EU taxonomy alignment of the green asset register, 2023-12-31	
Asset volume in the green asset register, lending, SEK M	16,331
Issued volume of green bonds, SEK M	9,440
Portion of proceeds used to finance new loans in relation to total loans	20%
Yearly energy consumption related to lending volume, GWh	61
Yearly emissions related to the issued green bonds, tonnes CO₂e	962
Yearly emissions per SEK M green bonds issued, tonnes CO₂e	0.10
Yearly avoided emissions related to issued green bonds, tonnes CO₂e	544
Yearly avoided emissions per SEK M green bonds issued, tonnes CO₂e	0.06
Alternative calculation of yearly avoided emissions related to issued green bonds, using emissions for electricity in Europe, tonnes CO ₂ e	3,150
Alternative calculation of yearly avoided emissions, using emissions for electricity in Europe, per SEK M green bonds issued, tonnes CO ₂ e	0.33
EU taxonomy-aligned asset volume, SEK M	15,476
EU taxonomy alignment ratio	95%

Emissions per kWh for the different heating sources				
Heating source	Emissions/ kWh, gCO₂e (=tonnes/GWh)	Distribution in Sweden	Distribution in LF Bank green asset register	Number of objects in LF Bank green asset register (6937 in total)
Biofuel	0	29%	14%	1092
District heating	46	17%	38%	2562
Electricity	19	52%	48%	3281
Gas	204	1%	0%	2
Oil	267	1%	0%	0

Emissions per kWh for electricity has been derived from PCAF's database using CRREM Global Pathway's 2023 emission factors for single-family houses in Sweden, which combined with the other emission factors listed above results in an average emission factor corresponding to the figure represented in the database.

Alternative avoided emissions calculations are presented under Avoided emissions, which are based on emission standards for electricity in Europe, which is 191 gCO₂e/kWh (in accordance with NPSI).

About Länsförsäkringar

Länsförsäkringar Bank

Länsförsäkringar Bank is part of the customer-owned Länsförsäkringar Alliance and is a retail bank with the strategy to offer attractive banking services to the customers of the Länsförsäkringar Alliance and other customers in the market. Close customer relationships are created at personal meetings at the 115 branches of the regional insurance companies throughout Sweden and via digital services and telephone meetings.

Länsförsäkringar Bank is the fifth largest retail bank in Sweden. The aim is to have the most satisfied customers, maintain healthy growth in volumes and profitability at low risk, and to increase the share of customers who have both banking and insurance relations with Länsförsäkringar.

Länsförsäkringar Bank is part of the Länsförsäkringar Alliance, which comprises 23 local, customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB and its subsidiaries, including Länsförsäkringar Bank. Customers are provided with a complete solution for banking, insurance, pensions and real-estate brokerage services through their regional insurance company.

The regional insurance companies are owned by the insurance customers – there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary focus. Long-term respect for customers' finances and their security is fundamental. The Länsförsäkringar Alliance jointly has around 3.9 million customers and approximately 8,700 employees.

Sustainability within Länsförsäkringar Bank

The Länsförsäkringar AB Group has established an overall strategy for Sustainability, and it is integrated in the business strategy. In 2021, a new climate target to be climate-positive by 2045 was set.

Länsförsäkringar Bank is committed to contribute to the Länsförsäkringar AB Group objectives and targets and positively contribute to the sustainability agenda. Länsförsäkringar is committed to contribute to several of the Sustainable Development Goals (SDGs). The selected prioritised SDGs are nr 3, 5, 7, 8, 10, 11, 12, 13, 15, 16 and 17.

In the Swedish Bankers' association, Länsförsäkringar has committed to follow the climate road map which considers the SDGs, Paris Climate Agreement, Principles for Responsible Banking (PRB), EU regulations and guidelines, the Swedish Government objectives as well as the commitments that the banking industry is aiming towards. Länsförsäkringar Bank is one of the contributing banks and its PRB Reports have been published on Länsförsäkringar Bank's website.

Länsförsäkringar is an important part of the financial system. Through responsible investments in the retail funds and through responsible lending, Länsförsäkringar takes a stance that supports the sustainable development of society and respect for customers' security and value creation. A team of sustainability experts has been recruited with the purpose to implement the strategic plan for the banking group. Länsförsäkringar Bank has joined PCAF for the upcoming CSRD reporting.

More information can be found in Länsförsäkringar AB's Annual report 2023.

Länsförsäkringar Bank Green bond framework

Länsförsäkringar Bank launched its Green bond framework in 2022 and has subsequently issued green bonds under the framework. In accordance with the framework, an impact report is hereby being presented, which shows the emissions related to the assets in the green asset register and the avoided emissions in relation to issued green bonds. The data presented in this impact report relates to the year 2023.

The aim of Länsförsäkringar Bank's green bond framework is to source debt capital for its funding to support a low-carbon, climate change resilient and environmentally sustainable society. Länsförsäkringar Bank strives to follow best market practice and the framework, aligned with the Green Bond Principles (GBP) published in June 2021 by the International Capital Market Association (ICMA), defines the loans eligible for financing with the green bonds issued by Länsförsäkringar Bank.

The eligible asset categories for the loans according to the green bond framework are the following:

- Green and energy-efficient buildings
- Environmentally sustainable natural resources and use of land
- Renewable energy
- Clean transportation

The framework also outlines the process used to identify, select and report on eligible loans and the management of green bond net proceeds.

The terms and conditions of the associated legal documentation for each green bond provide a reference to the framework. Länsförsäkringar Bank AB or its subsidiary Länsförsäkringar Hypotek AB may use the framework to issue green bonds in the format of senior preferred bonds, senior non-preferred bonds and covered bonds. Other financial products such as loans and revolving credit facilities may also reference the framework.

Sustainalytics has provided a second party opinion of the framework confirming the alignment with ICMA's GBP and an independent external party is assigned to annually review the management of proceeds. This is conducted through the Auditor's limited assurance report, from Deloitte, which is presented on page 12-13 in this impact report.

Use of proceeds according to the framework

Allocation of net proceeds

An amount equal to the net proceeds of the green bonds finances or refinances, in whole or in part, loans disbursed by Länsförsäkringar Bank that promote the transition towards a low-carbon, climate change resilient and environmentally sustainable society, in each case as determined by Länsförsäkringar Bank in accordance with the defined green loan categories. All green loans finance projects in Sweden. Green loans form a portfolio of assets eligible for financing and refinancing by the green bonds, a green asset register.

Financing and refinancing

Green bond net proceeds may be used to both existing and new green loans financed by Länsförsäkringar Bank. New financing is defined as green loans disbursed during the reporting year. Refinancing is defined as green loans disbursed before the reporting year. The distribution between financing and refinancing is being reported on in this report.

Exclusions

Green bond net proceeds are not to be allocated to loans for which the purpose of the project is fossil energy production, nuclear energy generation, weapons and defence, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

EU taxonomy

Länsförsäkringar Bank targets with its green loans financed under the green bond framework the EU taxonomy environmental objectives. The green loan categories in the framework intend to reflect the technical screening criteria for substantial contribution stipulated in the Climate Delegated Act (EU Commission's Delegated Regulation 2021/2139 Annex II on Climate Change Mitigation) to the extent possible.

Sustainable Development Goals

In the framework, each green loan category has been mapped to the UN Sustainable Development Goals (SDGs) in accordance with the high-level mapping to the Sustainable Development Goals published by the International Capital Market Association.

Green bonds issued

In 2023, Länsförsäkringar issued green bonds with a volume corresponding to SEK 7.1 billion, of which SEK 1.5 billion denominated in SEK and SEK 5.6 billion denominated in EUR, in the form of one EUR 500 M issuance. The EUR issue is a senior preferred (SP) bond and the SEK bonds are senior non-preferred (SNP) bonds.

The total outstanding volume of green bonds as of 2023-12-31 was SEK 9.4 billion as presented in the table below:

Issuer	Issue Date	Nominal Amount	Currency	Format	Type	Maturity Date	Coupon	ISIN	Framework
	2022-11-08	800 000 000	SEK		Senior non-preferred	2025-11-18	3M Stibor + 135bps	XS2555711253	
	2022-11-08	1 000 000 000	SEK		Senior non-preferred	2026-11-18	4,913%	XS2555716567	
	2022-11-08	500 000 000	SEK		Senior non-preferred	2026-11-18	3M Stibor + 170bps	XS2555717706	
LFB	2023-01-11	500 000 000 *	EUR	Senior Unsecured	Senior preferred	2027-01-18	4%	XS2577054716	Länsförsäkringar Bank AB Green Bond Framework 2022
	2023-08-28	600 000 000	SEK		Senior non-preferred	2025-09-08	5,148%	XS2676392488	
	2023-08-28	500 000 000	SEK		Senior non-preferred	2027-09-08	3M Stibor + 113bps	XS2676390359	
	2023-08-28	400 000 000	SEK		Senior non-preferred	2027-09-08	3M Stibor + 150bps	XS2676388619	
		9 440 000 000 *	SEK		* Volume converted to SEK using the exchange rate at Issue Date				

Assets in the green asset register

Green and energy-efficient buildings

The assets in the green asset register have initially been focused on loans for green and energy-efficient buildings, and the subcategory existing buildings. 100% of the assets in the green asset register are currently household mortgage loans for existing green and energy-efficient buildings with single-family houses as collateral.

Existing buildings (built before 2021)

The criteria for inclusion in the green asset register are that the building has an Energy Performance Certificate (EPC) demonstrating class A, or that the building qualifies within the top 15% of the national or regional building stock expressed as Primary Energy Demand (PED). The method for calculating the top 15% of the national or regional building stock was first developed by Chalmers Industriteknik, and utilises different weight factors when converting the registered energy performances, based on the building regulations in force at the time of the issuance of the building's EPC.

Reporting methodology

The reporting methodology utilised in this report adheres to ICMA's Harmonised Framework for Impact Reporting Handbook (June 2023), and follows the guidelines outlined by the Swedish Bankers' Association as well as the guidelines outlined by the Partnership for Carbon Accounting Financials, PCAF, methodology.

In this report, there is also an alternative impact calculation presented, which is based on the Nordic Public Sector Issuers' (NPSI) Position Paper on Green Bonds Impact Reporting (March 2024), in order to provide a comparability with those industry peers that report in accordance with that.

Energy savings from green buildings are disclosed as a net value, based on annual energy usage per square meter compared to a baseline reference

portfolio, in which buildings comply with applicable national building regulations. Based on a building's emission factor, the heating sources' contribution to the buildings' total energy performance and carbon-dioxide emissions have been applied.

Baseline reference energy distribution is based on data sourced from Swedish Energy Agency (Energimyndigheten, 2022), while baseline energy performances and heated floor areas are collected from Swedish National Board of Housing, Building and Planning (Boverket, 2023).

The report aggregates properties' individual results, including only the pro-rata shares of Länsförsäkringar Bank's financing as a percentage of total financing of the projects.

Impact methodology, reporting disclosure

The impact reporting comprises energy consumption reporting, which is the basis for the carbon emission calculation, and these energy consumption and emissions are compared with a baseline reference portfolio for a comparable portfolio with average Swedish assets in terms of energy consumption.

The calculation of the impact, or savings in terms of CO₂ emissions, is made on the entire green asset portfolio and done individually per asset, i.e. per underlying mortgage loan asset or individual house. The calculations are made for the entire portfolio and for the portion of the asset values that are financed by Länsförsäkringar Bank. When calculating the impact from the financed assets, the financed emissions are calculated and compared with baseline emissions for the corresponding asset volume. The financed emissions are calculated based on the energy consumption per asset multiplied with the standard carbon emission per asset depending on the heating source used.

The CO₂ emission standards are calculated as energy consumption per square meter multiplied with the average CO₂ emission per kWh for different heating sources, in accordance with standard emissions in the Swedish energy production area. The CO₂ emission per kWh for different energy sources is listed in the table below.

The same CO₂ emissions standards are used for the actual energy consumption in the financed portfolio as well as for the energy consumption in the baseline reference comparison portfolio.

Emissions per kWh for the different heating sources				Number of objects in LF Bank green asset register (6937 in total)
Heating source	Emissions/ kWh, gCO ₂ e (=tonnes/GWh)	Distribution in Sweden	Distribution in LF Bank green asset register	
Biofuel	0	29%	14%	1092
District heating	46	17%	38%	2562
Electricity	19	52%	48%	3281
Gas	204	1%	0%	2
Oil	267	1%	0%	0

Emissions per kWh for electricity has been derived from PCAF's database using CRREM Global Pathway's 2023 emission factors for single-family houses in Sweden, which combined with the other emission factors listed above results in an average emission factor corresponding to the figure represented in the database.

Alternative avoided emissions calculations are presented under Avoided emissions, which are based on emission standards for electricity in Europe, which is 191 gCO₂e/kWh (in accordance with NPSI).

In addition to the CO₂ emissions and the CO₂ savings presented, which are calculated using Swedish emissions per kWh, an alternative savings number is calculated and presented using average European emissions per kWh (based on the NPSI position paper). This alternative calculation is for comparison purpose and is not the main presented savings number, however it is based on the logic that marginal CO₂ emission for an increase in energy consumption for e.g. a new asset, is (when the heating source is electricity) being sourced from the European production area as a whole and not from Sweden only. Given the different average energy mix for electricity production in Sweden (almost entirely fossil-free electricity production) and in Europe as a whole (more electricity production from fossil sources), the main emission savings number is lower than in the alternative calculation.

Results – emissions, avoided emissions and EU taxonomy alignment

The emissions and avoided emissions from the underlying assets in the green asset register are presented in the tables below.

The emissions are calculated based upon estimated energy consumptions for each mortgaged house, using the standard CO₂ emission per kWh for Sweden for each heating source.

The yearly emissions related to the lending volume represented in the green asset register were 1,665 tonnes CO₂e as per 31 December 2023. Per SEK M lending volume, the yearly emissions were 0.10 tonnes CO₂e.

When calculating for the green bonds issued, the yearly emissions are 962 SEK M and per SEK M green bonds the yearly emissions are 0.10 tonnes CO₂e.

Emissions, related to the green asset register and issued green bonds, 2023-12-31	
Volume of assets in the green asset register, lending, SEK M	16,331
- of which mortgage lending to green existing buildings	16,331
Lending portion of total underlying pledged assets, single-family houses (~LTV)	66%
Yearly energy consumption related to volume in the green asset register, GWh	61
Yearly emissions related to volume in the green asset register, tonnes CO₂e	1,665
Yearly emissions per SEK M of assets in the green register, tonnes CO₂e	0.10
Issued volume of green bonds, SEK M	9,440
Volume of green bonds in relation to volume in the green asset register	58%
Yearly emissions related to the volume of issued green bonds, tonnes CO₂e	962
Yearly emissions per SEK M of green bonds issued, tonnes CO₂e	0.10
Portion of proceeds used to finance new loans in relation to total loans	20%
Portion of proceeds used to refinance loans in relation to total loans	80%

The portion of proceeds used to finance new loans was 20% of the total amount of loans, and the portion of proceeds to refinance existing loans was 80% of total loans.

The avoided emissions are calculated as the energy consumption for the mortgaged houses in the green asset register compared with energy consumption in a comparable baseline reference portfolio. The emissions related to these energy consumption savings are calculated using the standard emissions per heating source in Sweden, and are presented as avoided emissions in the table below.

The yearly avoided emissions related to the lending volume represented in the green asset register are 942 tonnes CO₂e. Per SEK M of lending volume, the yearly avoided emissions are 0.06 tonnes CO₂e.

When calculating for the green bonds issued, the yearly avoided emissions are 544 tonnes CO₂e. Per SEK M of green bonds issued; the yearly avoided emissions are 0.06 tonnes CO₂e.

Avoided emissions, 2023-12-31	
Yearly emissions related to the green asset register, tonnes CO ₂ e	1,665
Yearly emissions in reference portfolio for Sweden, tonnes CO ₂ e	2,607
Yearly avoided emissions related to the green asset register, tonnes CO ₂ e	942
Yearly avoided emissions related to volume of issued green bonds, tonnes CO₂e	544
Yearly avoided emissions per SEK M of green bonds issued, tonnes CO₂e	0.06
Alternative calculation of yearly avoided emissions related to volume of issued green bonds, using emissions for electricity in Europe, tonnes CO ₂ e	3,150
Alternative calculation of yearly avoided emissions, using emissions for electricity in Europe, per SEK M of green bonds issued, tonnes CO ₂ e	0.33

The presentation of the EU taxonomy alignment of the green asset register assets, is presented in the table below. 95% of the assets in the asset register are EU taxonomy-aligned. Almost the entire green asset register volume of assets of SEK 16.3 billion is EU taxonomy-aligned in relation to the substantial contribution criterion, except a volume of SEK 825 M which are renovation loans and due to that not fully aligned, and in relation to the do no significant harm criterion, a volume of SEK 30 M is non-aligned. The minimum safeguard criterion is not applicable when it comes to household mortgage assets. In total, a volume of SEK 15.5 billion, or 95% of the green asset register volume, is EU taxonomy-aligned.

EU taxonomy alignment, green asset register	
Volume of assets in the green asset register, lending, SEK M	16,331
- of which mortgage lending to green existing buildings	16,331
Non-EU taxonomy-aligned volume, substantial contribution criterion	-825
Non-EU taxonomy-aligned volume, do no significant harm criterion	-30
Non-EU taxonomy-aligned volume, minimum safeguard criterion	n.a.
EU taxonomy-aligned asset volume, SEK M	15,476
EU taxonomy alignment ratio	95%

Sources

ICMA's Harmonised Framework for Impact Reporting Handbook (June 2023)

The guidelines outlined by the Swedish Bankers' Association

The guidelines outlined by the Partnership for Carbon Accounting Financials, PCAF, methodology

Baseline reference energy distribution is based on data sourced from the Swedish Energy Agency (Energimyndigheten, 2022)

Baseline energy performances and heated floor areas sourced from Swedish National Board of Housing, Building and Planning (Boverket, 2023)

Alternative impact calculation based on the Nordic Public Sector Issuers' (NPSI) Position Paper on Green Bonds Impact Reporting (March 2024)

Auditor's Limited Assurance Report on Länsförsäkringar Bank Green Bond Impact Report

To Länsförsäkringar Bank AB (publ), corporate identity number 516401-9878

Introduction

We have been engaged by the Executive Management Länsförsäkringar Bank AB (publ) to undertake a limited assurance engagement of Länsförsäkringar Bank Green Bond Impact Report ("Reporting") for the year 2023 as set out in this document.

Responsibilities of the Executive Management

The Executive Management is responsible for the preparation of the Reporting in accordance with the applicable criteria, as explained in the Länsförsäkringar Bank Green Bond Framework dated June 2022 (available at <https://www.lansforsakringar.se/privat/om-oss/finansieellt/lansforsakringar-bank-ab/grona-obligationer/>), as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of the Reporting that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Reporting based on the limited assurance procedures we have performed. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the reporting and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Länsförsäkringar Bank AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Executive Management as described above. We consider these criteria suitable for the preparation of the Reporting. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Länsförsäkringar Bank Green Bond Impact Report for the year 2023, is not prepared, in all material respects, in accordance with the applicable criteria, as explained in the Länsförsäkringar Bank Green Bond Framework dated June 2022.

Our statement has been submitted on the date indicated by our electronic signature.

Deloitte AB

Patrick Honeth

Authorized Public Accountant

Adrian Fintling

Expert Member of FAR