

Länsförsäkringar Bank

Q3 2024 presentation



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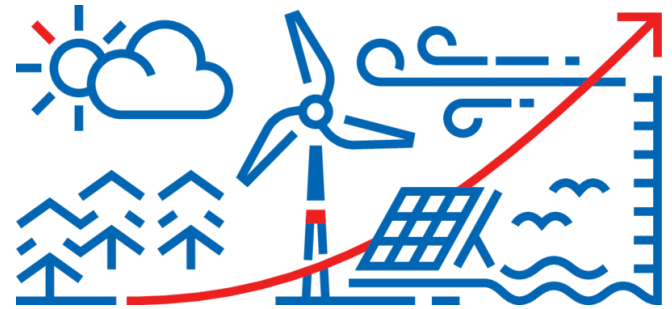
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Länsförsäkringar Bank in short (30 September 2024)



Fifth largest retail bank in Sweden –

part of the LF Alliance, consisting of 23 regional mutual insurance companies (the first founded in 1801), market share P&C ins. ~30%

Full-service retail bank –
7.6% market share mortgages,
5.0% deposits, 5.0% 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
100% residential cover pool

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

Lending: SEK 398 bn *Growth YoY: 5%*

ROE: **9.0%**

Deposits: SEK 152bn *Growth YoY: 2%*

CET1 ratio: **15.4%**

Fund volume: SEK 450bn *Growth YoY: 34%*
Net inflow: SEK 21.8bn *Net inflow rate: 7%*

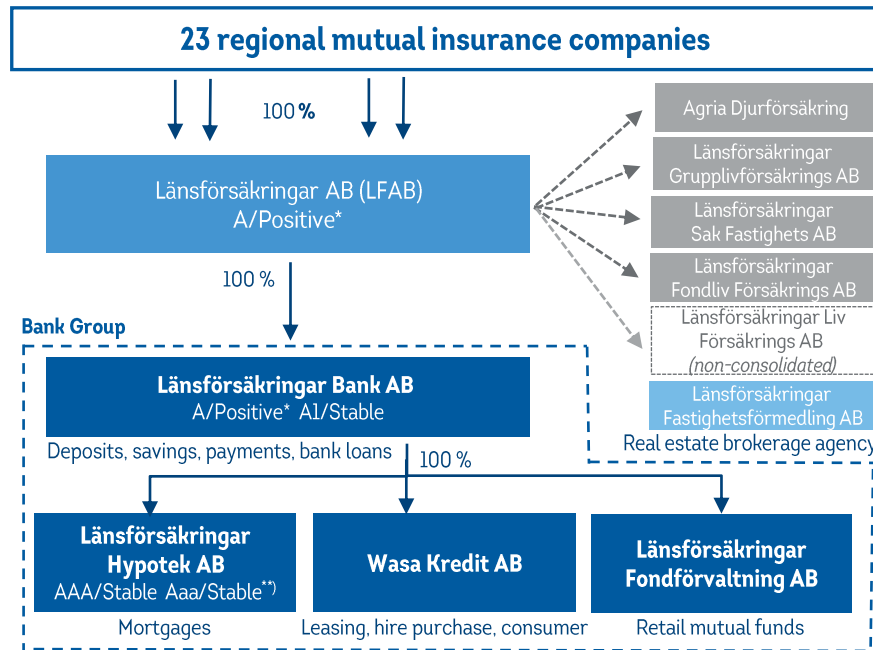
LCR: **221%**

NSFR: **124%**

Credit loss level: **0.05%**



Ticker: LFBANK



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

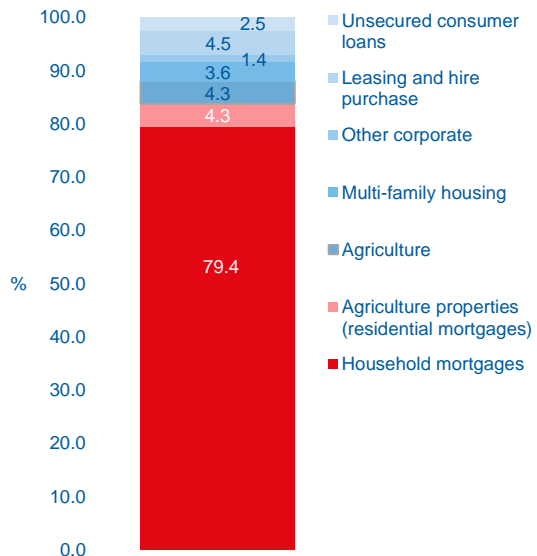
****) Refers to the credit ratings of the covered bonds*

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

Around 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 398bn (378)
- Concentrated to low-risk segments with household mortgage lending representing 79% - SEK 316bn
- 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)
- 0.9% of the portfolio is commercial real estate (CRE)

- Wasa Kredit (7.0% of Group portfolio)
- Lending consists of leasing, hire-purchase and consumer finance
- Around 70% collateralised exposures
- 50% corporate, 50% consumer exposures

Q3 2024 – operating environment

The quarter characterised by geopolitical uncertainty and continued rate cuts



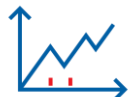
Continued and somewhat higher geopolitical instability



Low Swedish inflation



The Riksbank has cut the policy rate 2 more times to 3.25 per cent, further cuts indicated during 2024



Strong sentiment in financial markets – lower interest rates and strong equity markets



House prices have increased during 2024 and there are signs of increased activity in the housing market



Continued resilient Swedish households



Limited albeit increasing household lending growth



Continued focus on financial crime and fraud



Continued reminders of increasing climate risks globally

Q3 2024 – summary

A quarter without surprises – stable results and continued strong financial position



Increased geopolitical uncertainty having very limited effects on banking operations



Lower inflation and continued central bank rate cuts affecting net interest income



Leading customer satisfaction once again confirmed



Total business volumes exceeding SEK 1.000 bn! - continued focus on diversification



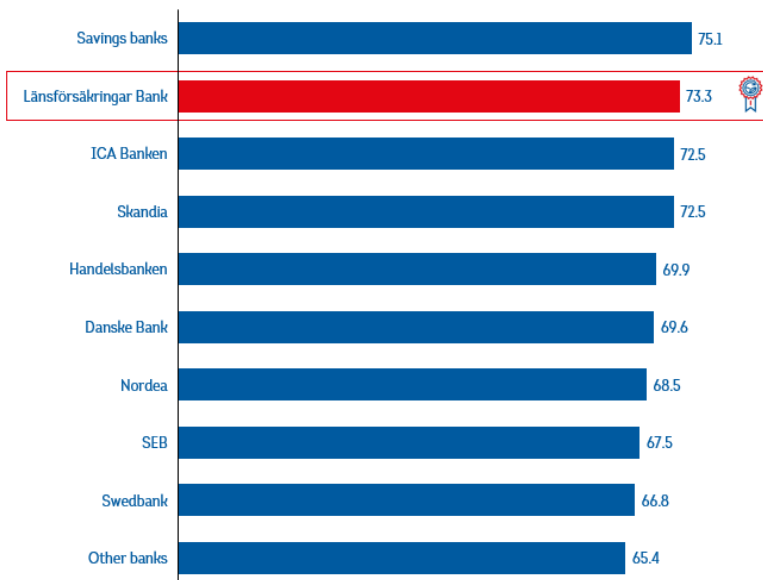
Continued actions to prevent fraud and protect customers



Strong customer satisfaction ranking

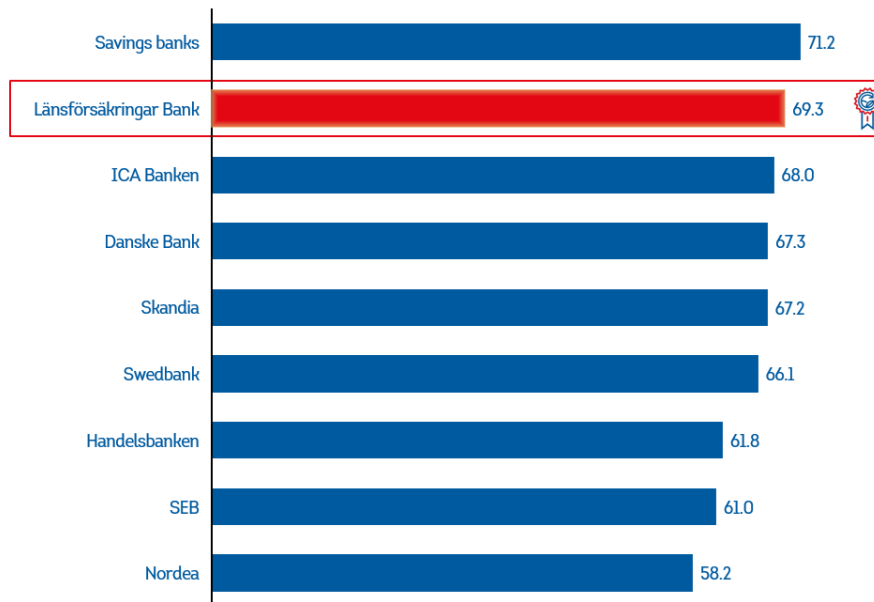
A prerequisite for continued growth

Customer satisfaction ranking, household customers, SKI 2024



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

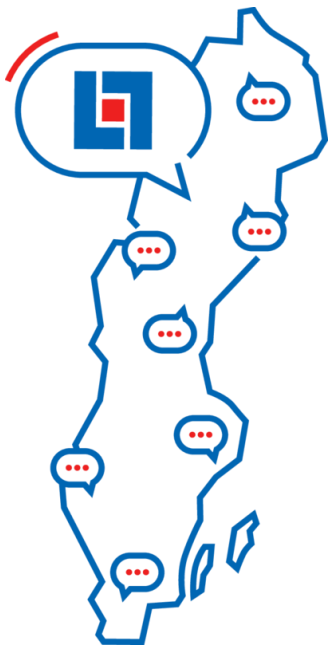
Sustainability ranking, household customers, SKI 2024



SKI, Swedish Quality Index - Sustainability index from household customers

Q3 2024 – stable results

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



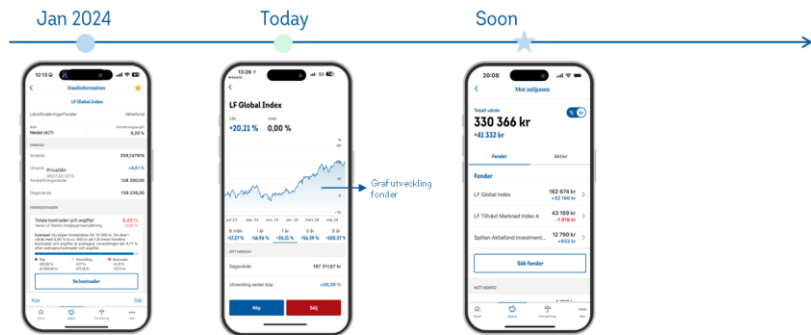
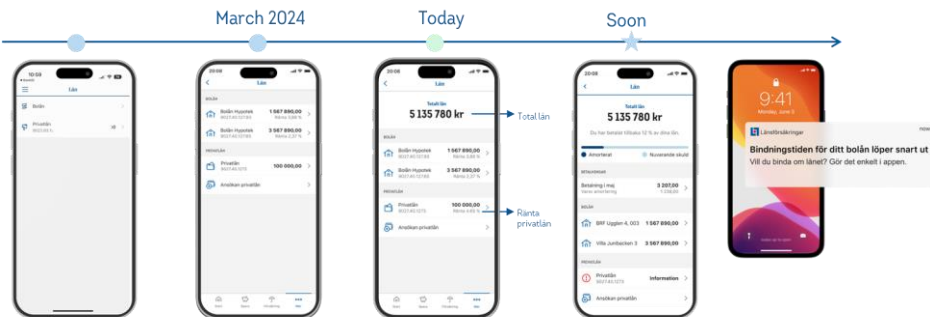
- ➔ Benefitting from strong local presence and insurance roots
- ➔ 0.46 C/I ratio in Jan-Sep 2024 (*0.50 excl. VAT recovery in Q2 2024*)
- ➔ 9.0% return on equity in Jan-Sep 2024
- ➔ Strong asset quality - credit loss level 0.05% in Jan-Sep 2024
- ➔ Strong capitalisation and liquidity position

Continued focus on our customers' security



Continued IT development

Customer interface, infrastructure and regulatory requirements driving IT investments



Significant IT development initiatives

- ⇒ Implementation of new lending platform – more digitalised lending process
- ⇒ Adjustments to on-going changes in the payment area
- ⇒ Implementation of new AML system
- ⇒ Banking package, IRRB, PCAF and ESG data
- ⇒ Fraud prevention

Summary – strong development in Q3 2024

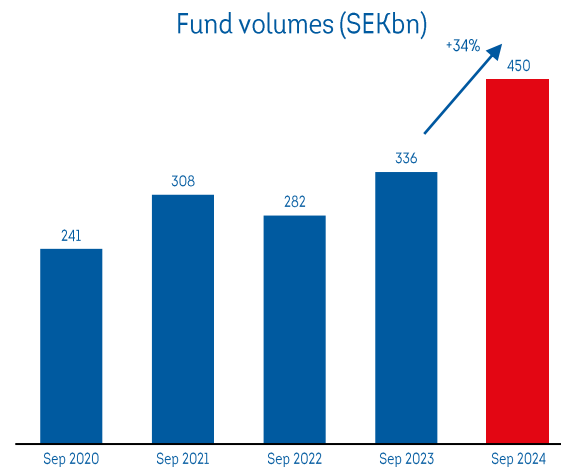
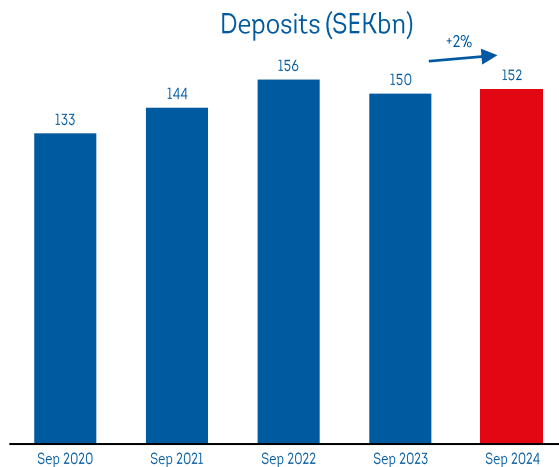
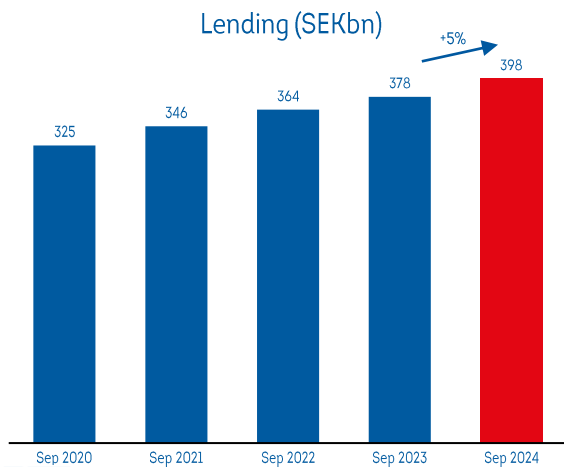
- Länsförsäkringar Bank is a customer-owned retail bank with strong local presence
- Stable Q3 2024 results, with higher commission income and operating profit
- Lending volume growth of 5% y/y, mainly driven by household mortgage lending
- Low-risk profile: strong credit quality and strong capital and liquidity position
- Cover pool with only household mortgage assets, OC 37%, average maximum LTV 62%
- EUR 500m covered bond issued in April 2024, and a new SEK benchmark covered bond issued in May 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

Q3 2024 update



Business volume development

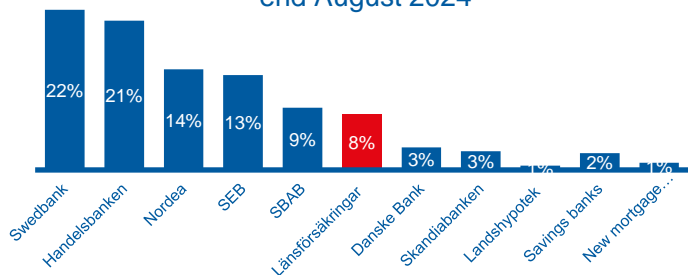
- Total business volumes increased 16% y/y to SEK 1,000bn, driven by fund volumes and lending growth
- Lending growth of 5% y/y mainly driven by household mortgage lending
- Fund volumes up 34% y/y – continued strong net inflow of SEK 22bn in Jan-Sep 2024 and SEK 7bn in Q3 2024
- Deposit volumes up 2% related to household deposits
 - *More than 80% of deposits are retail deposits and 80% of all deposits are covered by the deposit guarantee scheme*



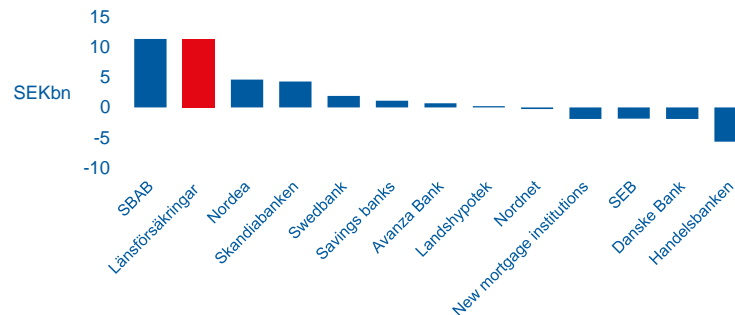
Mortgage market position – 7.6% market share

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

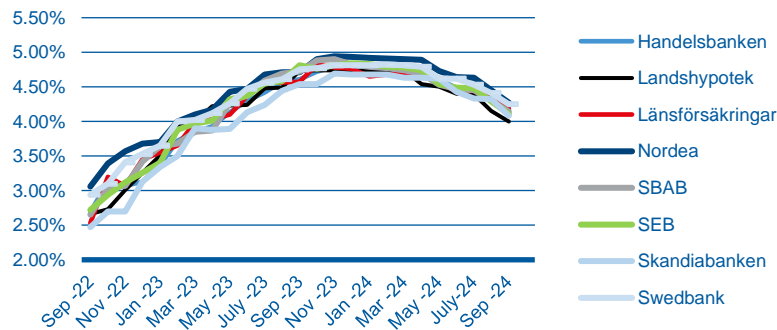
Market shares Swedish mortgage lending, stock end August 2024



Mortgage volume growth, 2024 YTD August



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



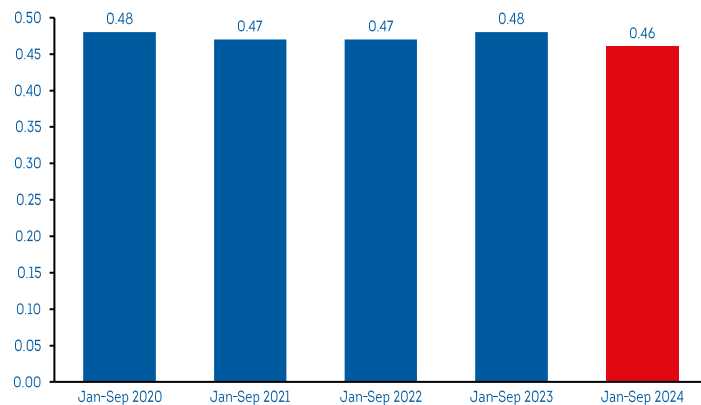
Income statement

MSEK	Jan-Sep 2024	Jan-Sep 2023	Change
Net interest income	4,980	5,232	-5%
Net commission income	-726	-1,267	-
<i>of which Underlying net commissions</i>	<i>1,273</i>	<i>1,060</i>	<i>20%</i>
<i>of which Remuneration to the regional insurance companies</i>	<i>-1,999</i>	<i>-2,327</i>	<i>-</i>
Net gains/losses	-5	19	-
Other income	60	20	-
Total operating income	4,309	4,005	8%
Staff costs	-740	-666	11%
Other expenses	-1,040	-1,133	-8%
Depreciation/amortisation	-187	-137	37%
Total operating expenses	-1,967	-1,935	2%
Profit before loan losses	2,342	2,070	13%
Credit losses, net	-161	-73	-
Imposed levies (risk tax + resolution fee)	-298	-293	-
Operating profit	1,884	1,703	11%

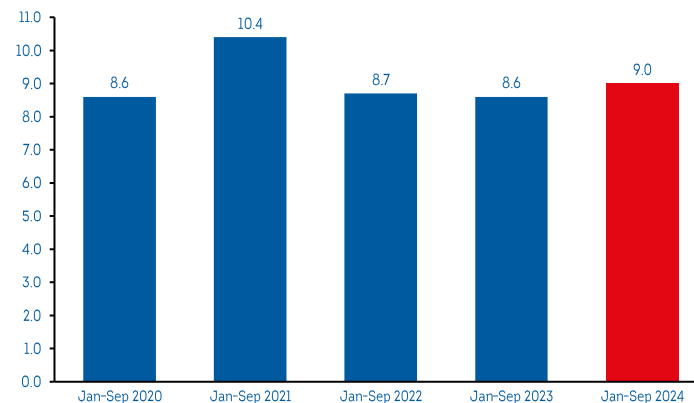
- NII down 5% y/y due to lower net interest margin
- Strong growth in underlying commission income mainly from mutual funds
- Costs increased by 2% y/y
 - VAT recovery of MSEK 176 in Wasa Kredit in Q2 2024
 - Underlying cost increase driven by high IT development pace – larger part accounted over the P&L statement
 - VAT recovery of MSEK 176 in Wasa Kredit in Q2 2024
 - General cost development in line with plan
- Credit losses remain at very low levels
 - Main part of credit losses from Wasa Kredit
 - Previous year included a profit from sale of credit-impaired loans in Wasa Kredit
 - Macroeconomic ECL-scenario update had small effects
- Operating profit impacted by imposed levies of MSEK 298, of which risk tax MSEK 194

Stable cost/income ratio and return on equity

Cost/income ratio*



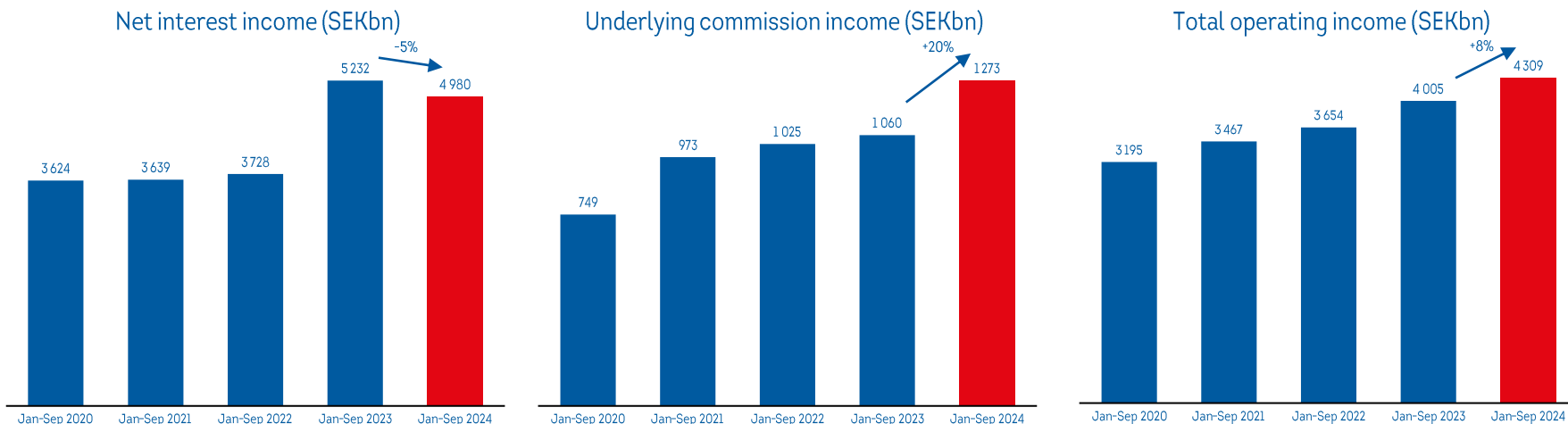
Return on equity (%)



*) Cost/income ratio excluding VAT recovery of MSEK 176 in Q2 2024 was 0.50 in Jan-Sep 2024

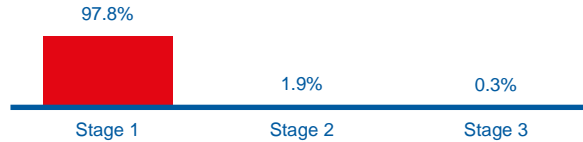
Income growth now more driven by commissions

- Total income up 8% y/y, driven by commission income
- NII down 5% y/y due to somewhat lower net interest margin
- Underlying net commission income up 20%, driven by stronger impact from retail funds income and supported by cards business
- Commissions to regional insurance companies down 14% y/y

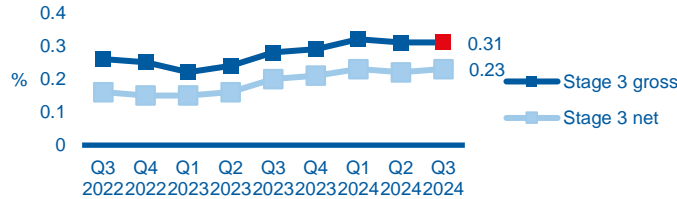


Credit quality remains strong

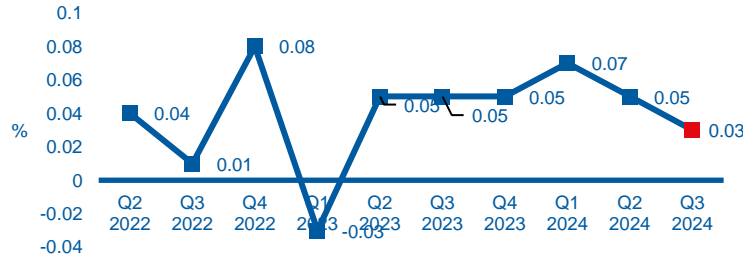
99.7% of exposures in stage 1 and 2



Stable development of share of exposures in stage 3



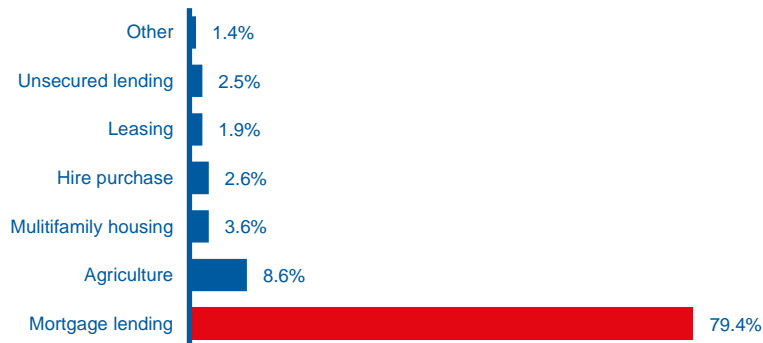
Credit loss level remains low



- 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 largely unchanged
- Credit loss level somewhat lower to 0.03%, mainly stemming from Wasa Kredit
- Small effects from updated macroeconomic scenarios used for the ECL model

Loan portfolio characterised by low risk

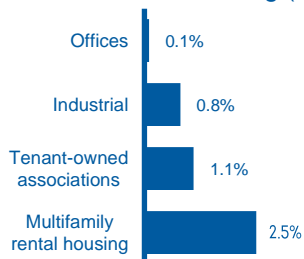
Loan portfolio distribution (%)



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

Real estate sector lending (%)



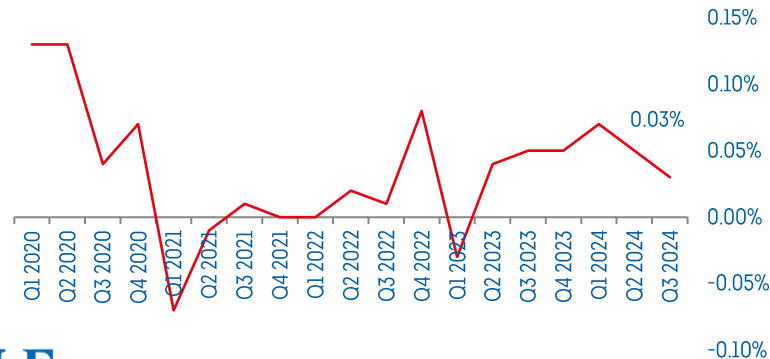
Very limited exposure to commercial real estate

- Lending to real estate sector 4.5% 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, 0.9% of total lending

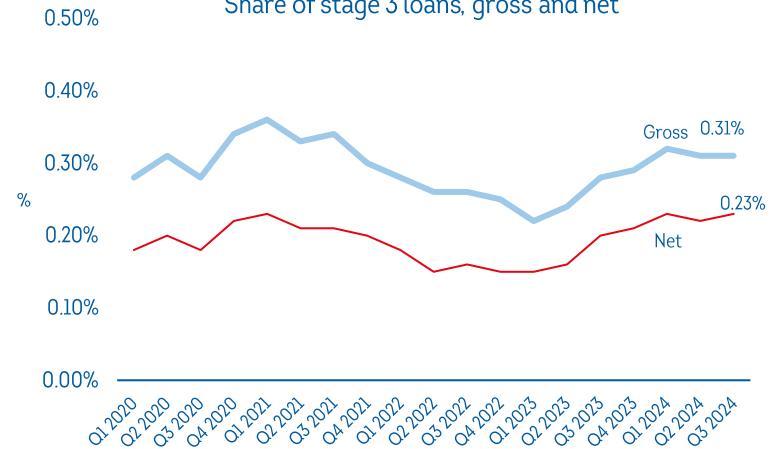
Stable and strong credit quality, low loan losses

- Continued very strong credit quality
- Stable credit development in the household mortgage portfolio
- Credit loss level 0.05% in January–September 2024 and 0.03% in Q3 2024
- Low level of stage 3 loans, 0.31% gross – and stage 2 loans, 1.9% – 97.8% in stage 1

Credit loss provision level

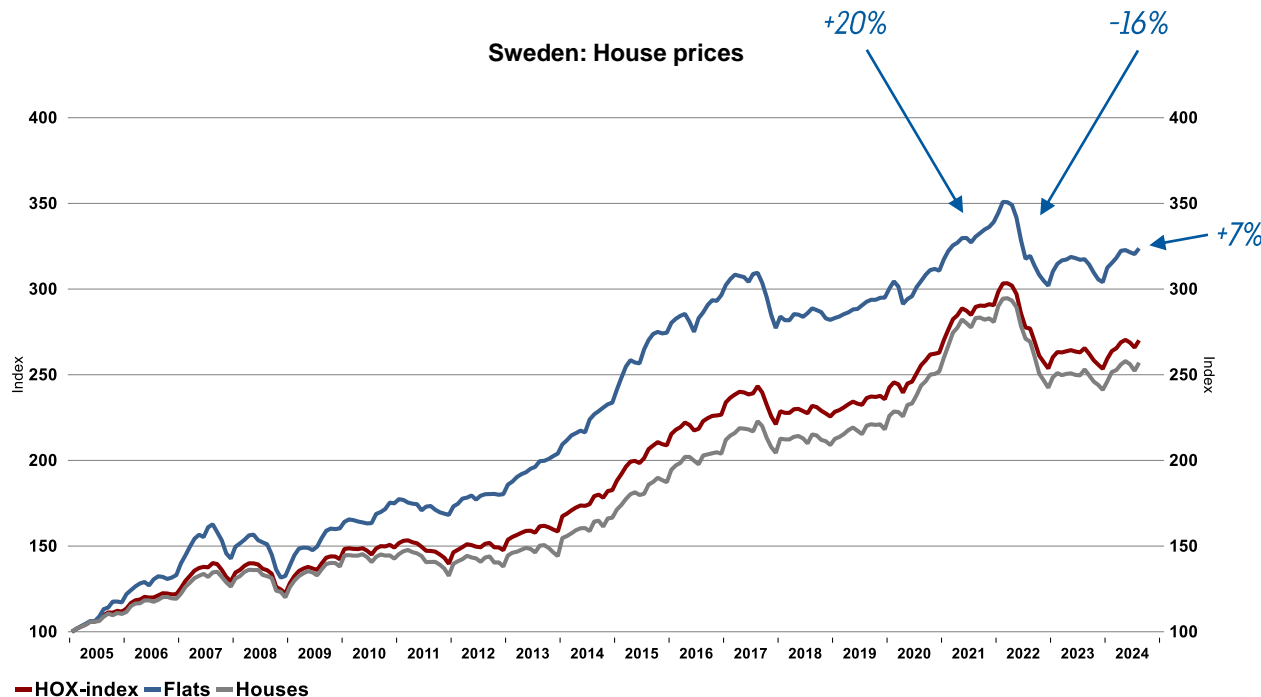


Share of stage 3 loans, gross and net



The house market shows signs of recovery

High volatility in and after the pandemic



Source: Länsförsäkringar/Macrobond

High house price volatility

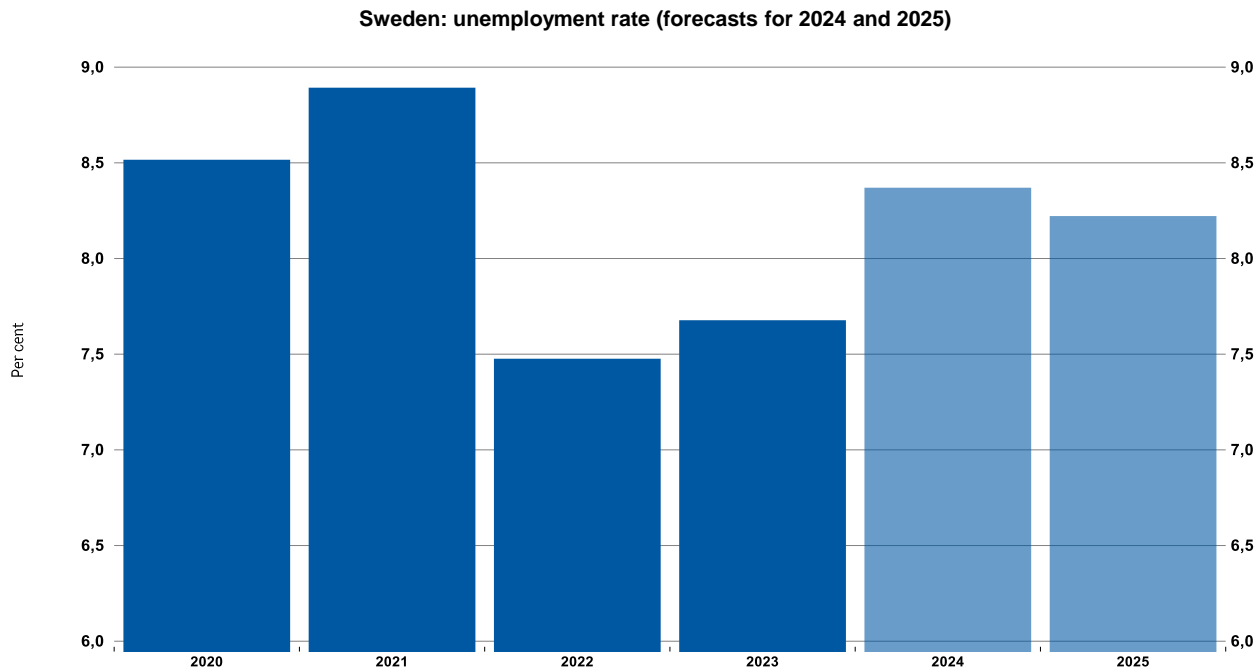
Sharp price increase during the pandemic, with a price correction in 2022

Prices back to pre-pandemic level

Stabilisation and prices up in the beginning of 2024

Still uncertainty

Two years of higher unemployment



Source: Länsförsäkringar/Macrobond

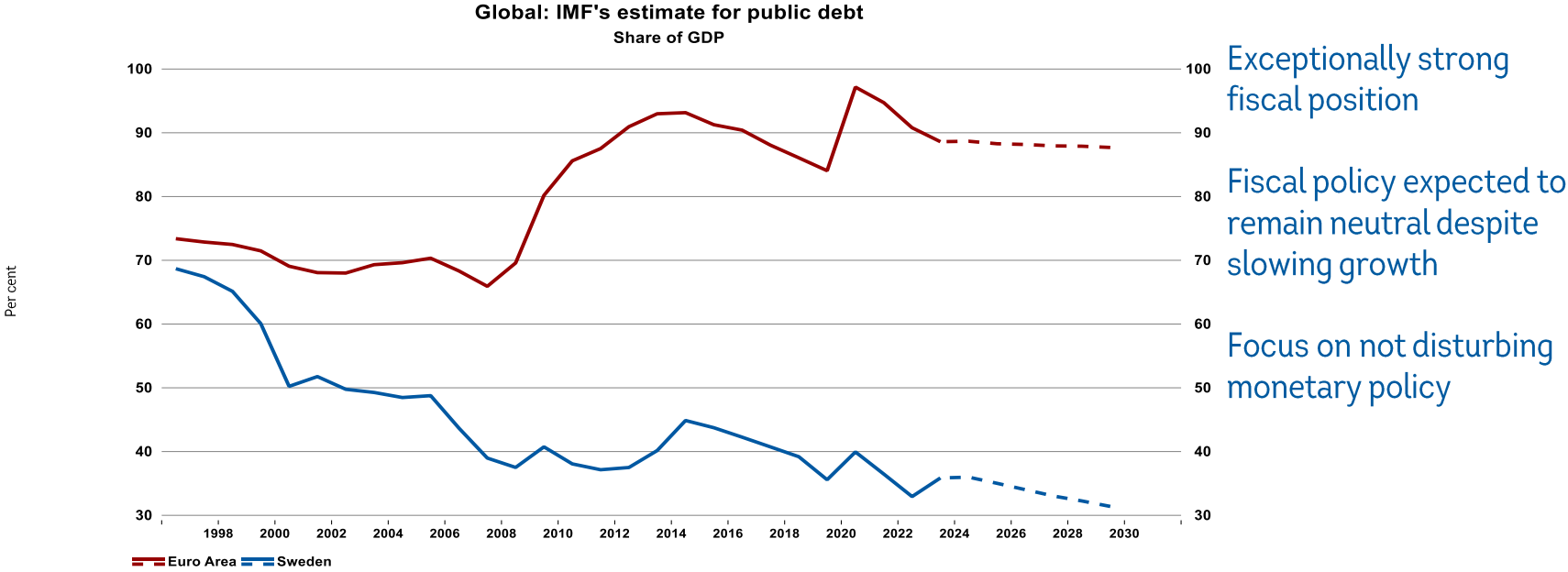
Unemployment back to pre-pandemic levels

Unemployment has started to rise during 2024

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



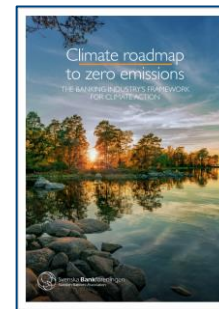
Source: Länsförsäkringar/Macrobond

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 rating



Leading sustainability ranking (SKI)



Strong commitment to local society



Credit cards made of recycled plastic



100% of mutual funds article 8 or 9 compliant



Green loan offering



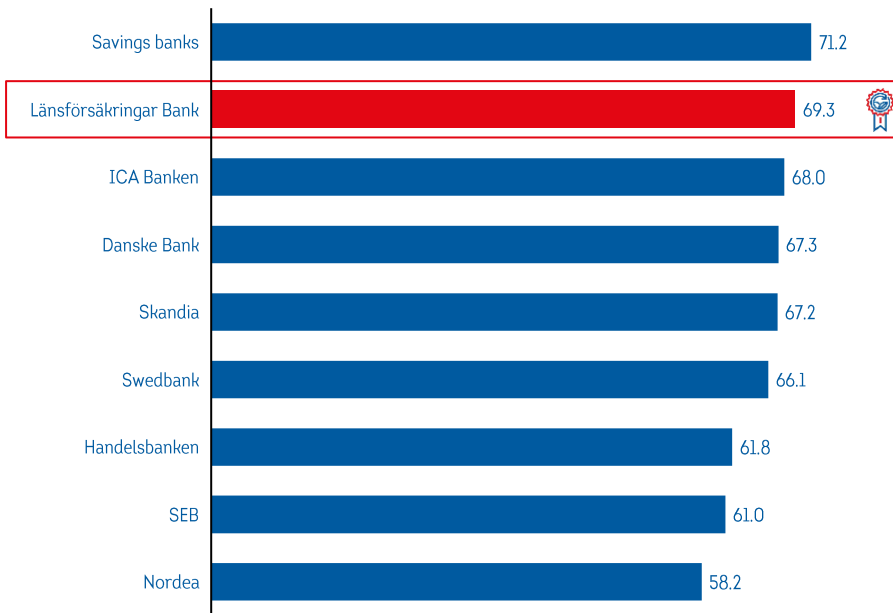
Digitalisation to reduce use of paper and transport



Sustainability database

Customers' assessment of Länförsäkringar Bank

Sustainability ranking, household customers, SKI 2024



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

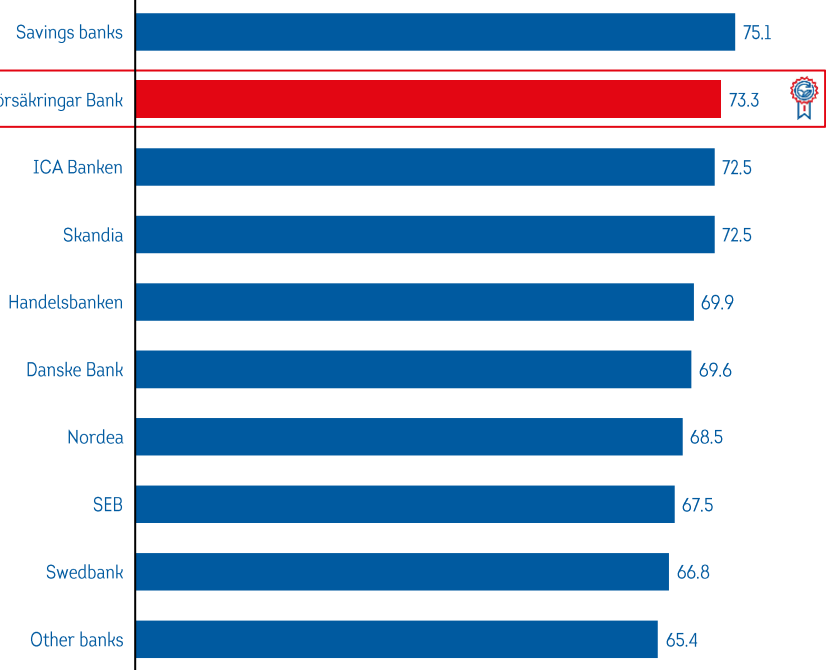


Customer advisory that supports the customer in all phases of life

Customers' assessment of Länssparbanken

Key for continued growth

Customer satisfaction ranking, household customers, SKI 2024



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

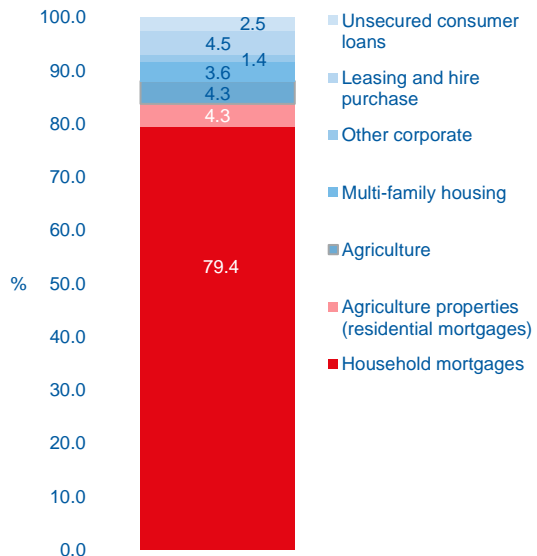


Loan portfolio and Cover pool



Household mortgage lending is at the core

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

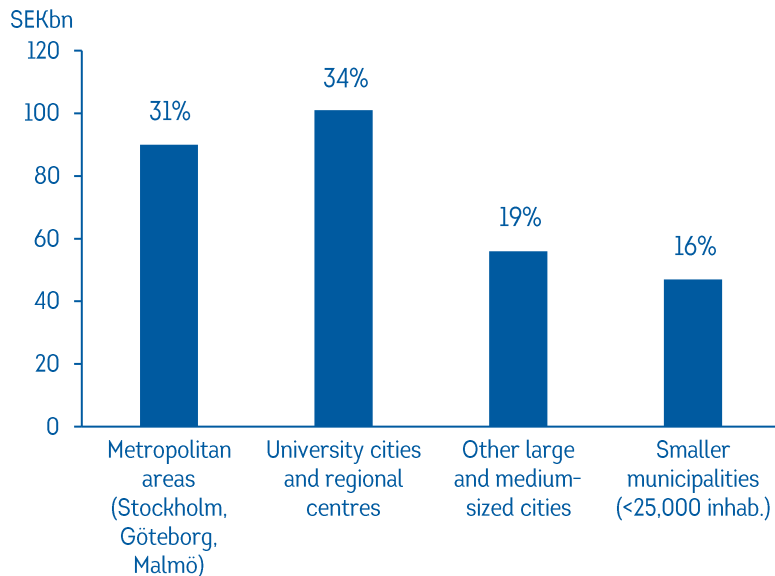
- Total lending amounts to SEK 398bn (378)
- Concentrated to low-risk segments with household mortgage lending representing 79% - SEK 316bn
- Only lending in Sweden and in SEK, well-diversified geographical distribution within Sweden
- 97% of total lending is collateralised (92% real estate and 5% other collateral)
- 0.9% of the portfolio is commercial real estate (CRE)

- Wasa Kredit (7.0% 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
- Around 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

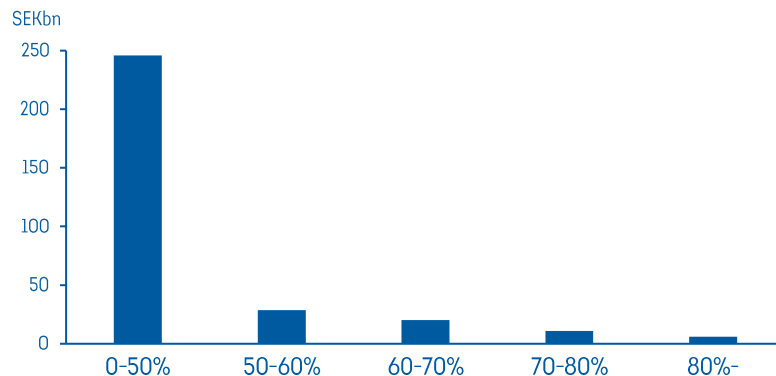
Household mortgage loan portfolio distribution



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 10% from the peak
 - Following a sharp rise in house prices in 2020-2021
 - Prices are back to 2020 pre-pandemic level – and have increased 6% 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 30 September 2024			
Total volume, SEK billion	316.6	Number of borrowers	199,100
- of which Swedish mortgages, SEK billion	306.1	Number of properties	197,400
- of which liquidity, SEK billion ¹⁾	10.4	Number of loans	457,700
Share of liquidity in cover pool	3.3%	Average loan size, SEK	668,800
Over-collateralisation (OC), nominal, current level	37.3%	Average loan size per borrower, SEK/EUR	1.5m / 130k
Weighted average Max-LTV (indexed)	61.7%	Interest-rate type, fixed / floating	27% / 73%
Collateral	Private homes	Amortising / interest-only	72% / 28%
Residential household mortgages	100%	Impaired loans	None
Seasoning, average, months	73.5	Dynamic pool	Yes

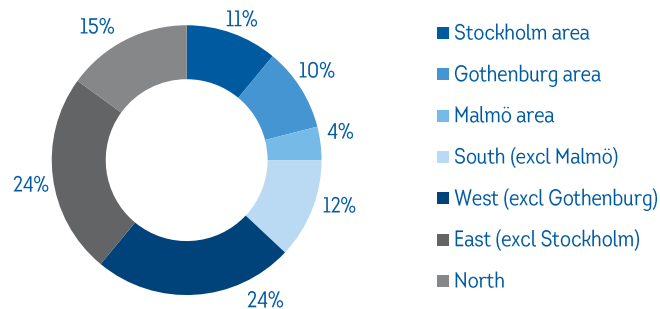
¹⁾Liquidity reserve, which consists of Swedish covered bonds with AAA/Aaa rating (100%)



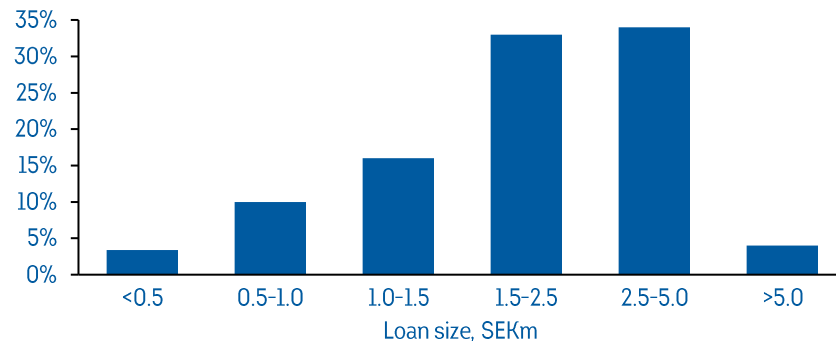
Cover pool composition

Collateral type 30 September 2024	%	Weighted avg. max-LTV
Single-family homes	73%	61%
Tenant-owned apartments	25%	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)

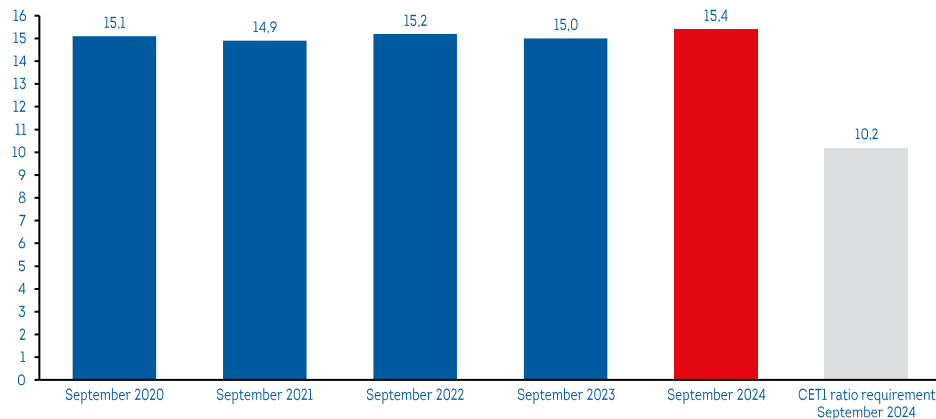


Capital and Funding



Continued strong capital ratios

CET1 capital ratio and requirement, %



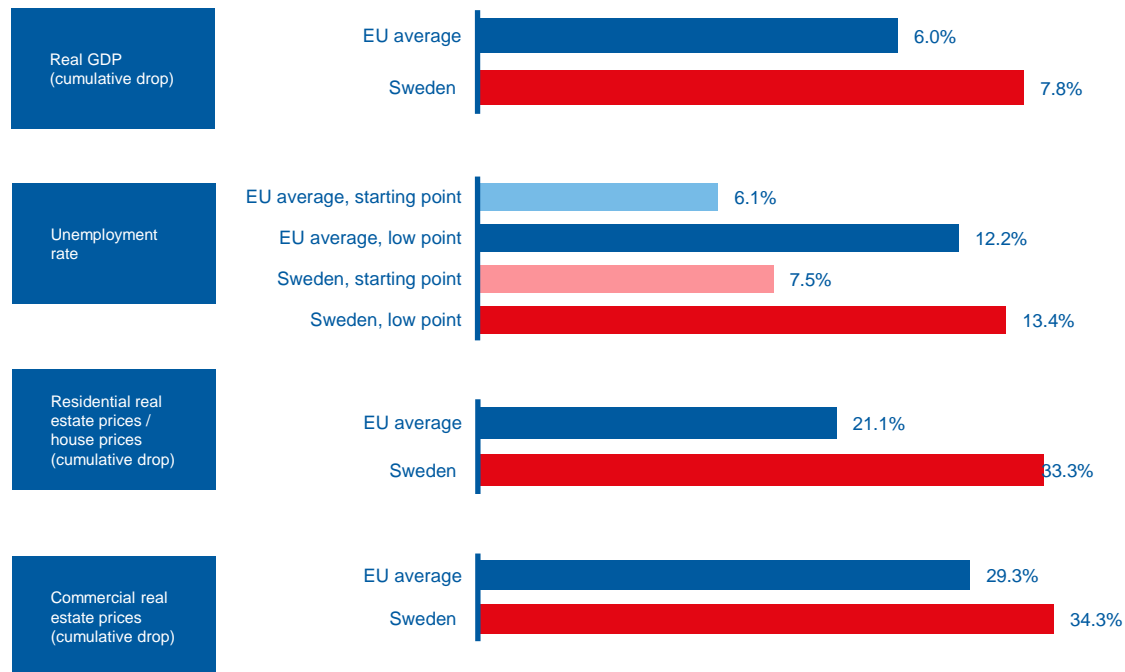
- Stable development in Q3 with a slight increase in REA
- CET1 increased to 15.4% in Q3 2024
- Total capital ratio stable at 19.6%
- Exceed with very good margin the SFSA requirements
 - CET1 requirement 10.2%
 - Total capital requirement 14.6%
- Leverage ratio somewhat higher at 4.6%
- SEK 1.35bn AT1 instrument issued in January 2024 – and existing SEK 1.0bn AT1 called in April 2024
- No SREP during 2024

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

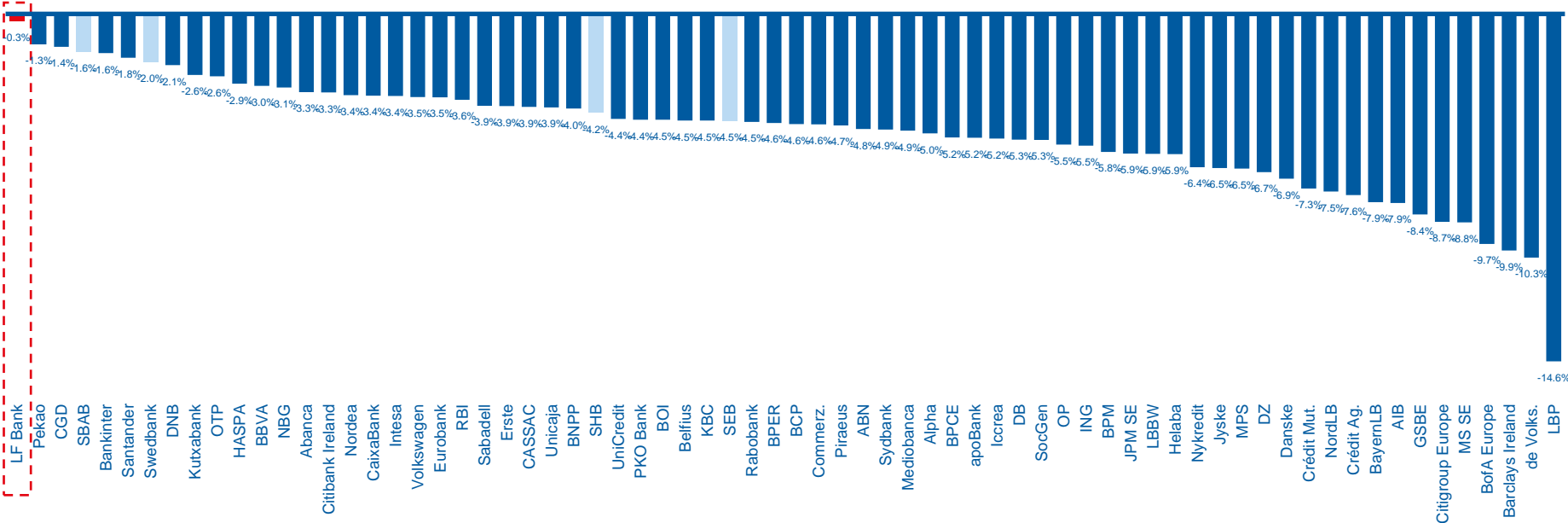
Harsh adverse macro scenario applied for Sweden



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

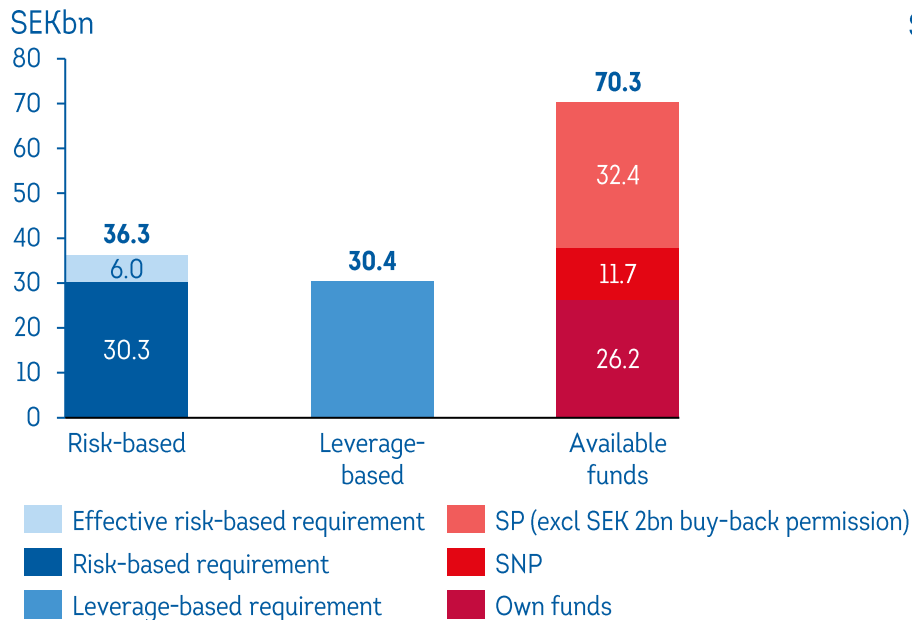
Maximum negative CET1 ratio impact in the adverse scenario (%-points)



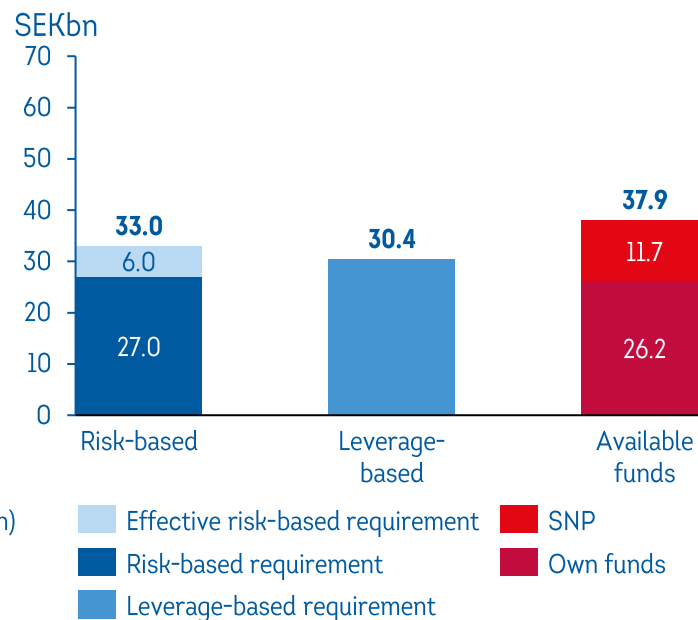
MREL update

Based on balance sheet and requirements Q3 2024

MREL total requirements*



MREL subordination requirements**

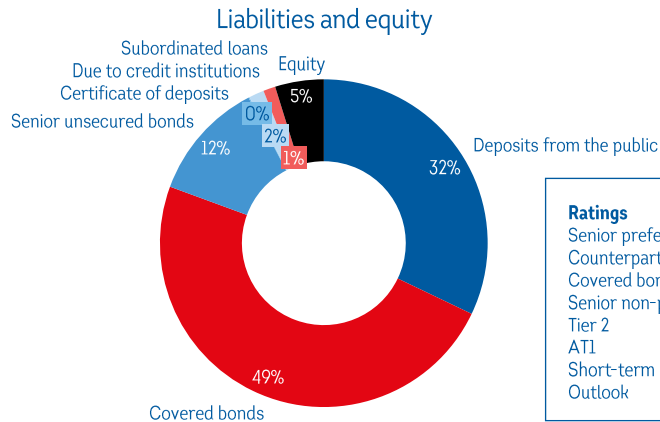


* Corresponds to 27.2% of REA in effective risk-based MREL requirement and 6% (corresponding to 22.7% of REA) in leverage-based MREL requirement

** Corresponds to 24.7% of REA in effective risk-based MREL subordination requirement and 6% (corresponding to 22.7% of REA) leverage-based MREL subordination requirement.

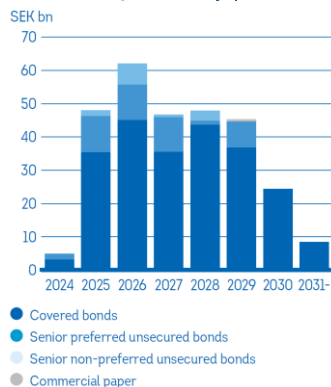
Well-diversified funding structure

- Planned total funding for 2024 around SEK 65-70bn (corresponds to around EUR 6bn)
 - of which around 70-75% in covered bonds
 - and around 25-30% in senior preferred and senior non-preferred bonds
 - of total planned funding for the year, around EUR 1bn in EUR
 - somewhat larger volumes of total funding planned for 2025
- Continued strong liquidity and funding ratios – LCR 221%, NSFR 124%
- SEK 5.1bn covered bonds SEK 1.5bn of senior preferred bonds issued in Q3 2024
- In total SEK 11.7bn of outstanding and eligible senior non-preferred (SNP) bonds – total MREL and subordination requirements exceeded with a good margin
- 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



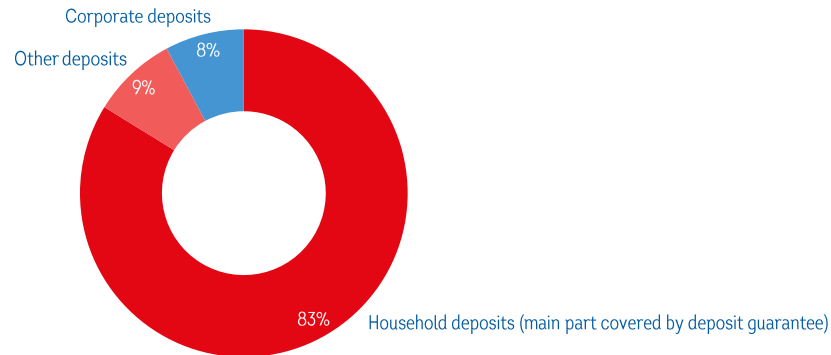
Ticker: LFBANK

Stable high-quality deposit base

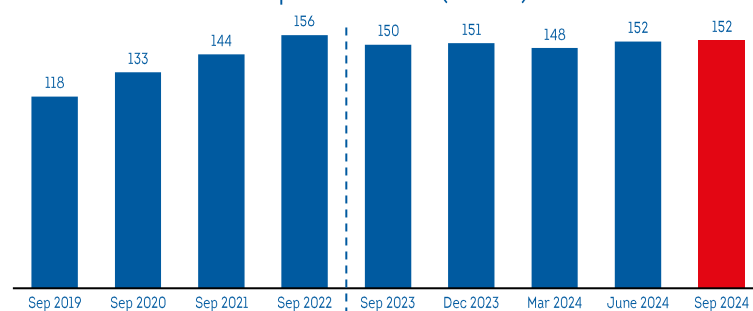
High portion of retail deposits – 30 September 2024

- Stable high-quality deposit base
- More than 80% of deposits covered by the government deposit insurance – mainly household deposits
- Deposits from the public SEK 152bn
 - of which household deposits SEK 126bn and other deposits SEK 13bn
 - corporate deposits SEK 13bn
- 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 221%

Deposits from the public

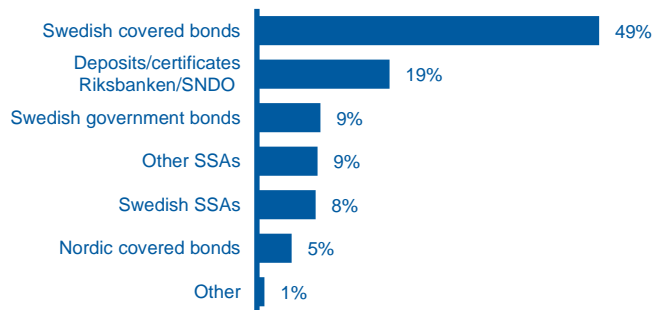


Deposit volumes (SEKbn)

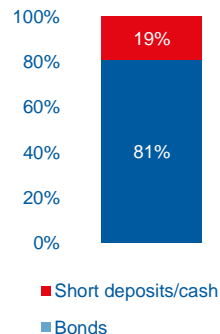


Low-risk liquidity reserve

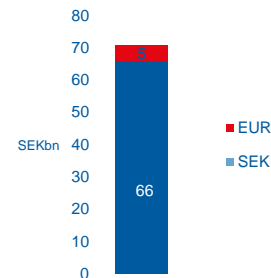
Liquidity portfolio distribution



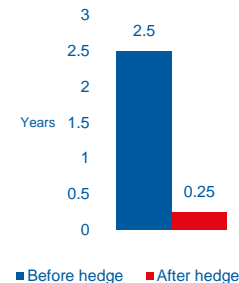
Short deposits/cash vs bonds



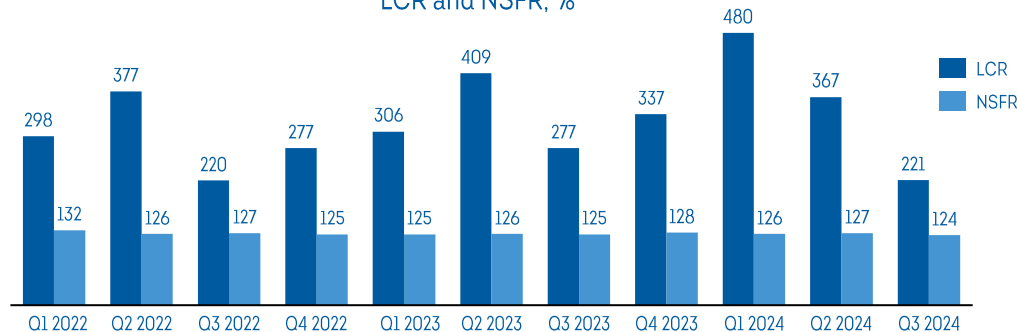
Currencies



Duration



LCR and NSFR, %



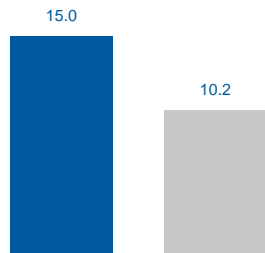
- Liquidity reserve of SEK 71bn
- Fair value accounting treatment
- Marked-to-market over OCI - and into CET1
- No HTM portfolio
- Interest rate risk hedged - 3-month duration post hedges
- 100% AAA/Aaa rated

Overall low-risk profile

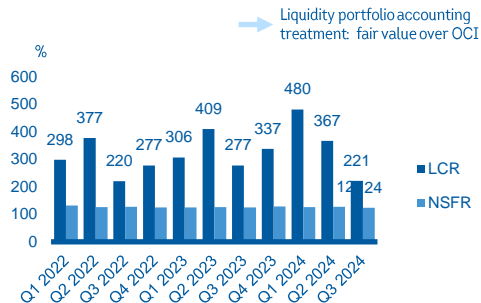
High-quality deposit base

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

Solid buffer to CET1 requirement



Strong liquidity position

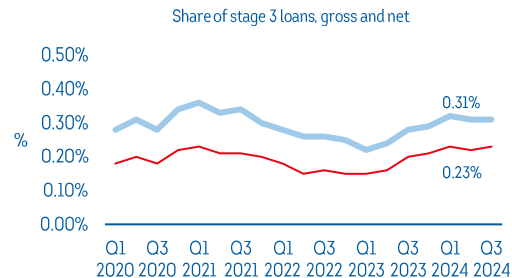


Stable credit ratings

Moody's **A1**

S&P **A** (positive outlook)

Strong asset quality

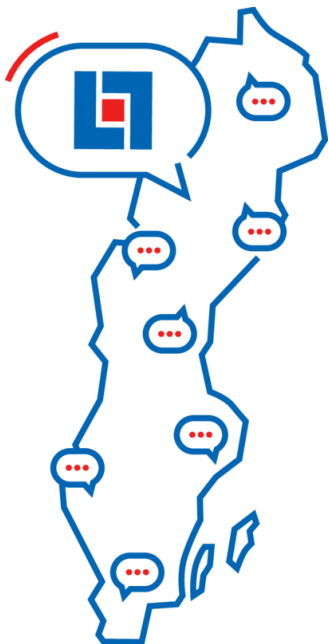


Strategic part of the large LF Alliance



Q3 2024 – stable results

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 in Jan-Sep 2024 (*0.50 excluding VAT recovery*)
- ➔ 9.0% return on equity in Jan-Sep 2024
- ➔ Strong asset quality – credit loss level 0.05% in Jan-Sep 2024
- ➔ Strong capitalisation and liquidity position

Continued focus on our customers' security



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Financial calendar:

Q4 2024 report

11 February 2025

Q1 2025 report

24 April 2025

Ticker: LFBANK



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Appendix: Sustainability and Green bond framework

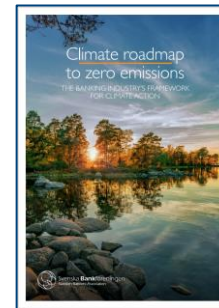


ESG alignment to goals, regulations and standards

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 rating



Leading sustainability ranking (SKI)



Strong commitment to local society



Credit cards made of recycled plastic



100% of mutual funds article 8 or 9 compliant



Green loan offering



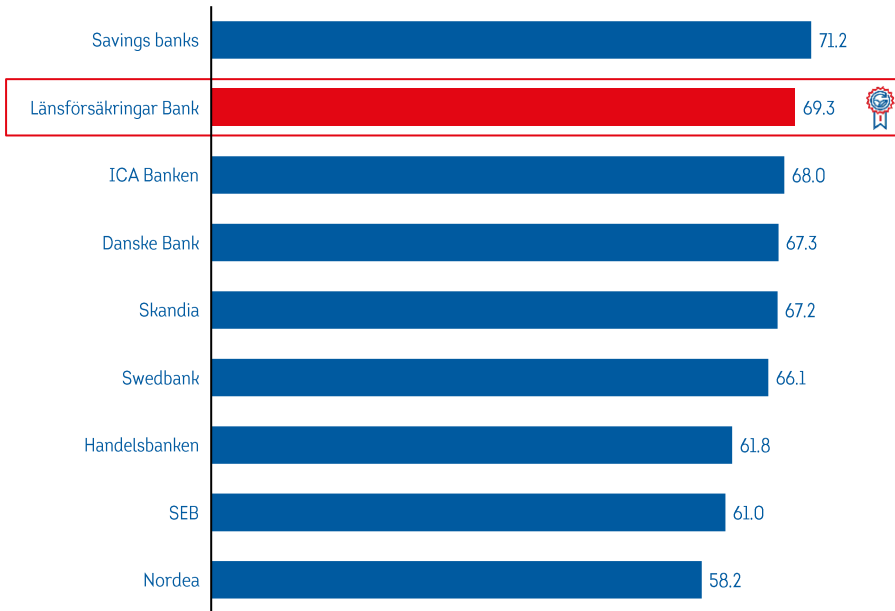
Digitalisation to reduce use of paper and transport



Sustainability database

Customers' assessment of Länförsäkringar Bank

Sustainability ranking, household customers, SKI 2024



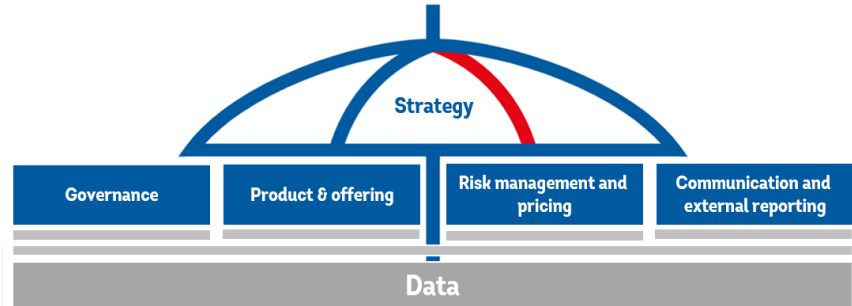
SKI, Swedish Quality Index – Sustainability index from household customers

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

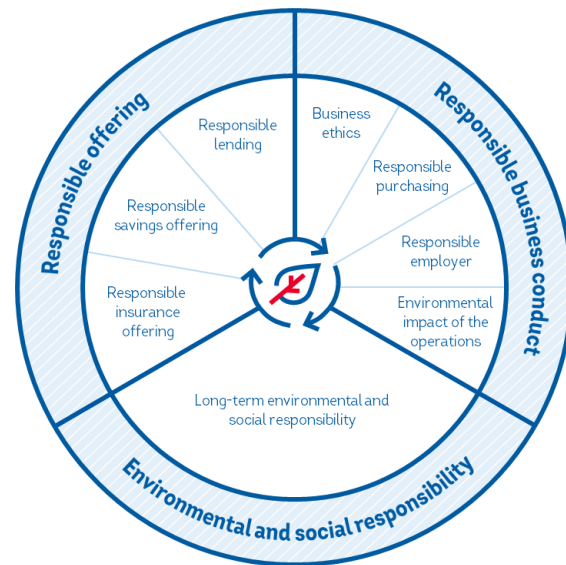
Responsible offerings in Länsförsäkringar Bank

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

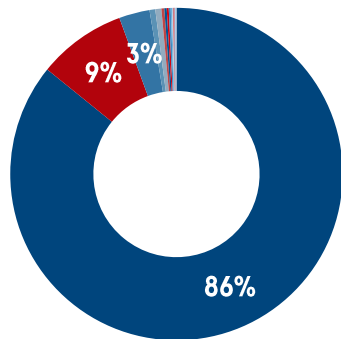
The following activities are excluded from direct investments in Länsförsäkringar Bank's mutual funds:

- 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

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Sustainalytics' Opinion	3
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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 Q3 2024	SEK 16bn (=EUR 1.4bn)	SEK 16bn			
- of which mortgage portfolio	SEK 15bn	SEK 16bn			

- 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 Sustainalytics as part of the Second opinion process of the Green bond framework.
- Impact report for 2023 published

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

² 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
- Impact report for 2023 published

Appendix: Macroeconomy

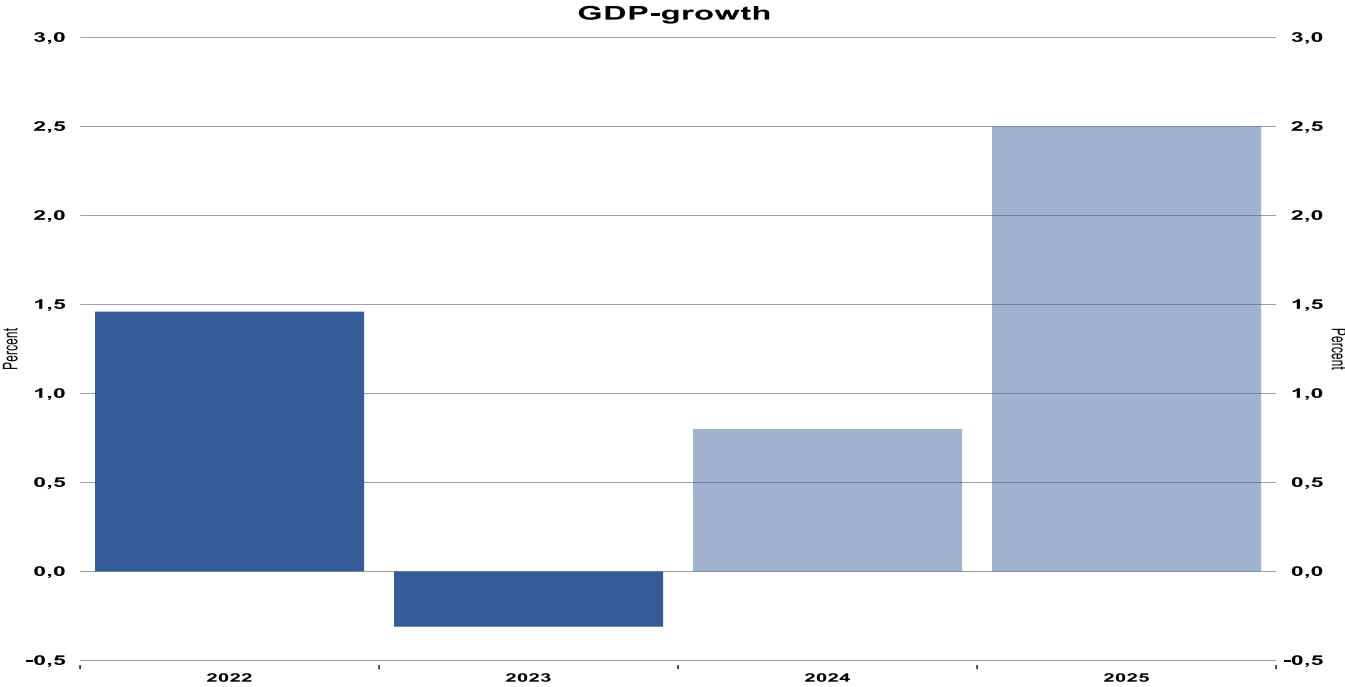


Macroeconomic summary

- The Swedish economy is set for recovery
- Inflation on target this year
- The Riksbank significantly cuts its policy rate
- The house market shows signs of recovery and possible turnaround in 2024

Source: Länsförsäkringar

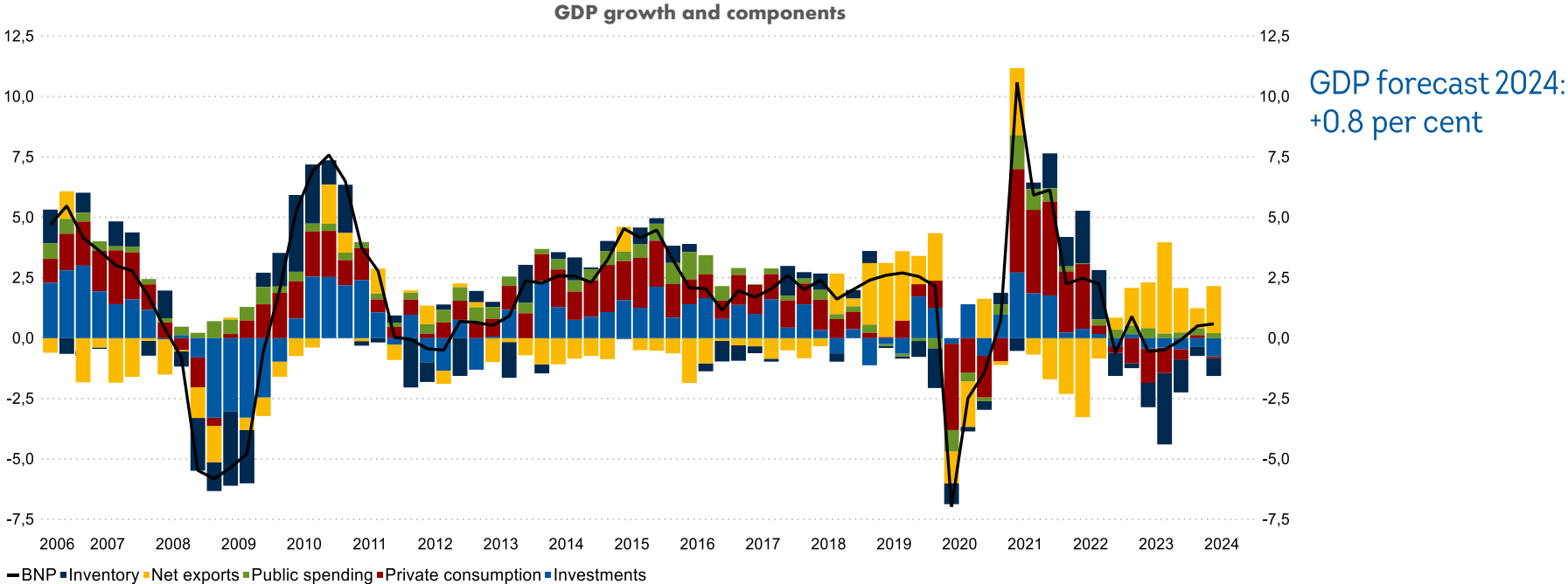
The Swedish economy is set for recovery



Source: Länsförsäkringar/Macrobond

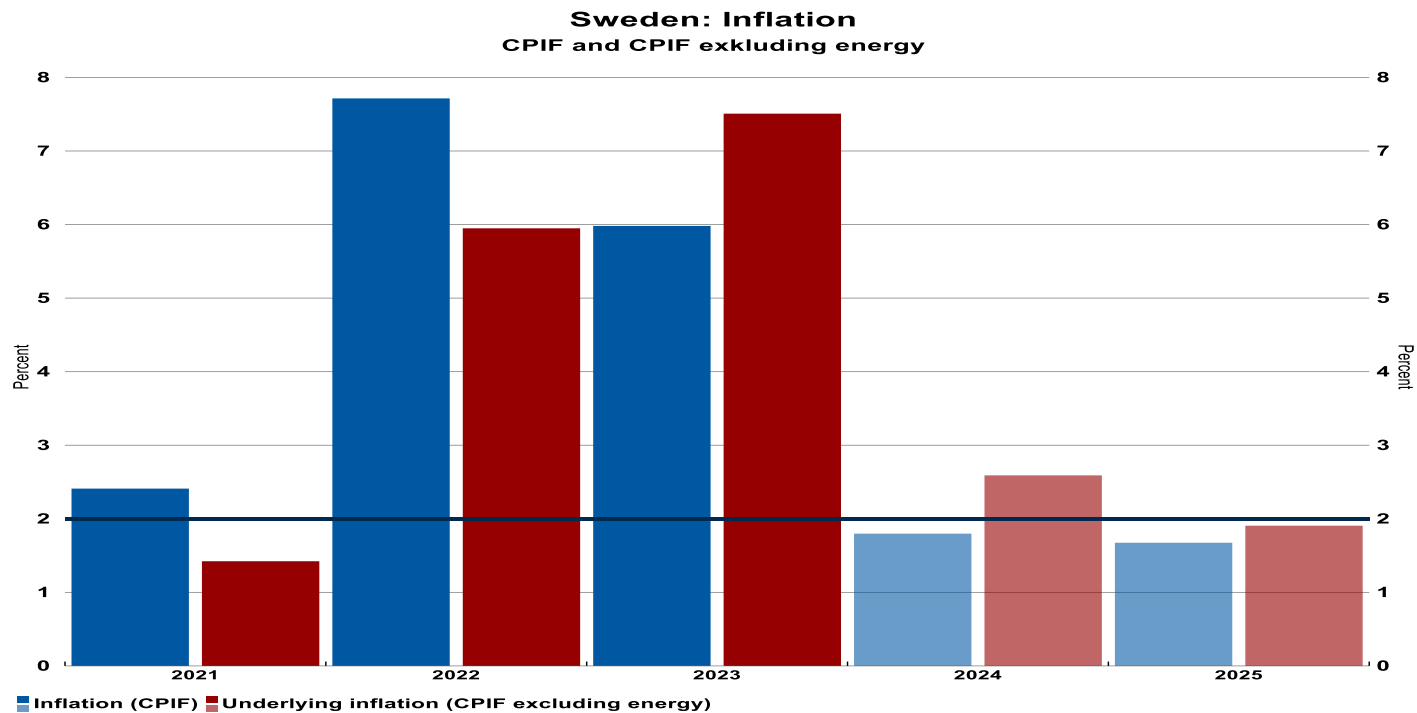


Substantial drop in private consumption and investments



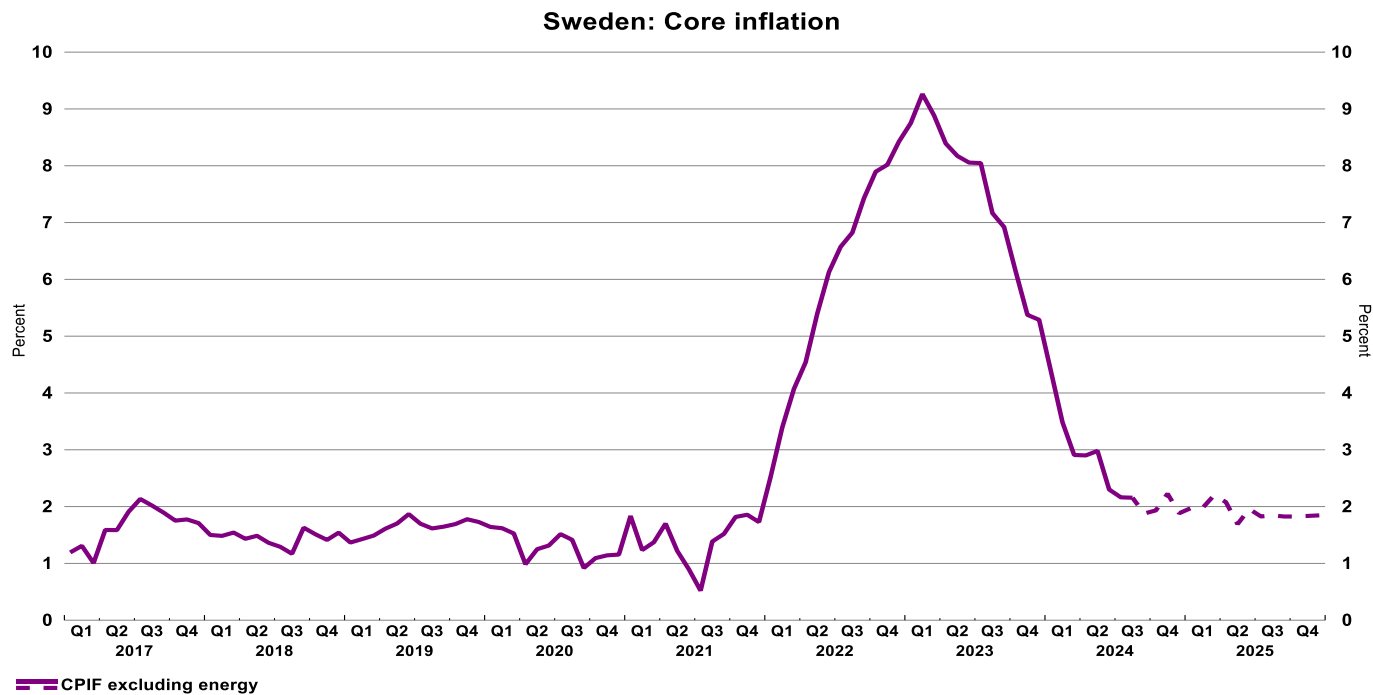
Source: Länsförsäkringar/Macrobond

Inflation on target



Source: Länsförsäkringar/Macrobond

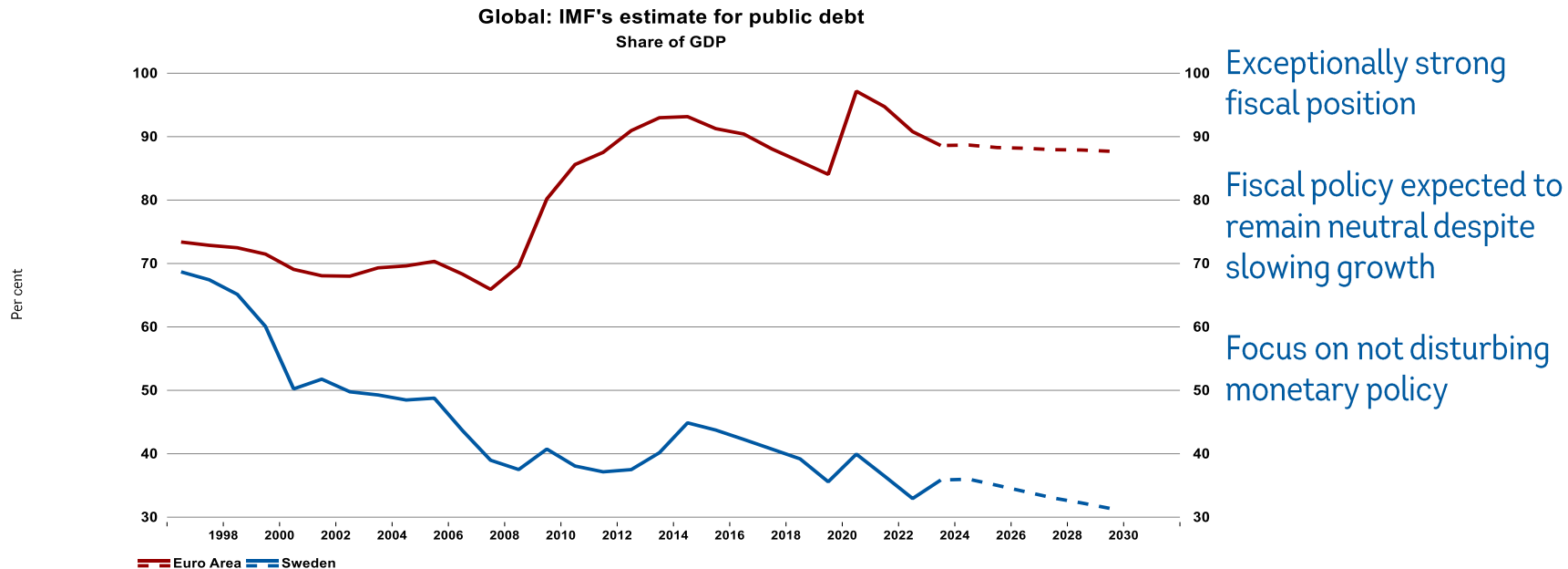
Core inflation on target this year



Source: Länsförsäkringar/Macrobond

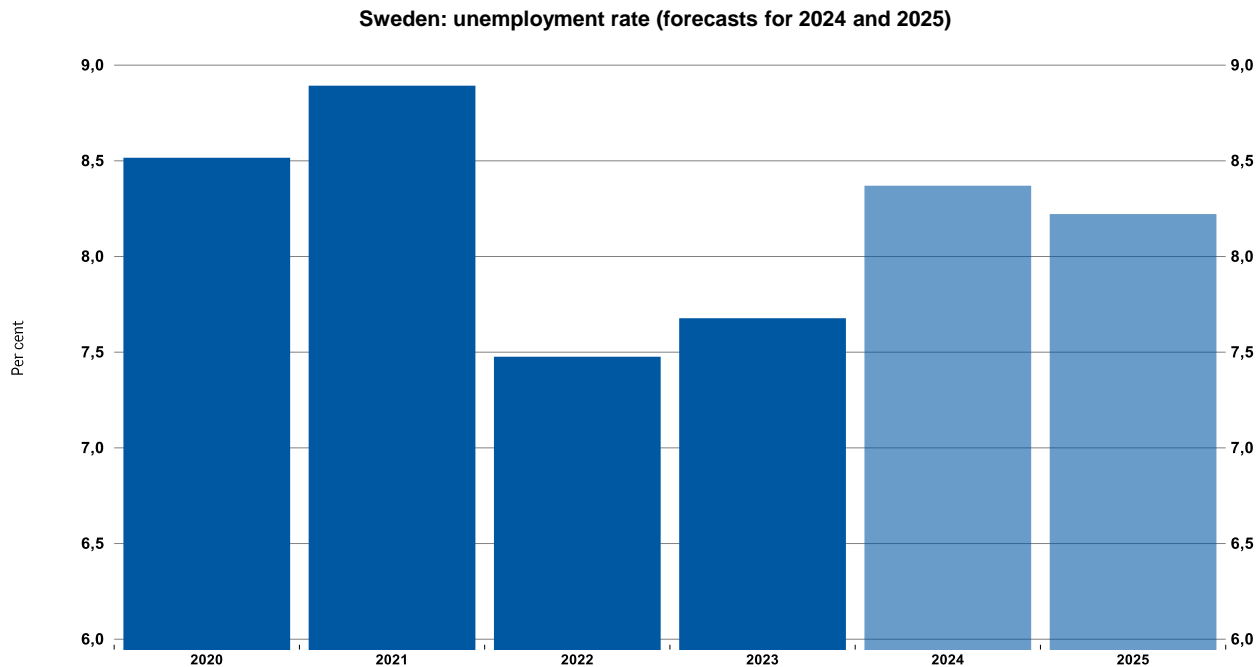
Strong fiscal position, room for fiscal support when inflation eases

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



Source: Länsförsäkringar/Macrobond

Two years of higher unemployment



Source: Länsförsäkringar/Macrobond

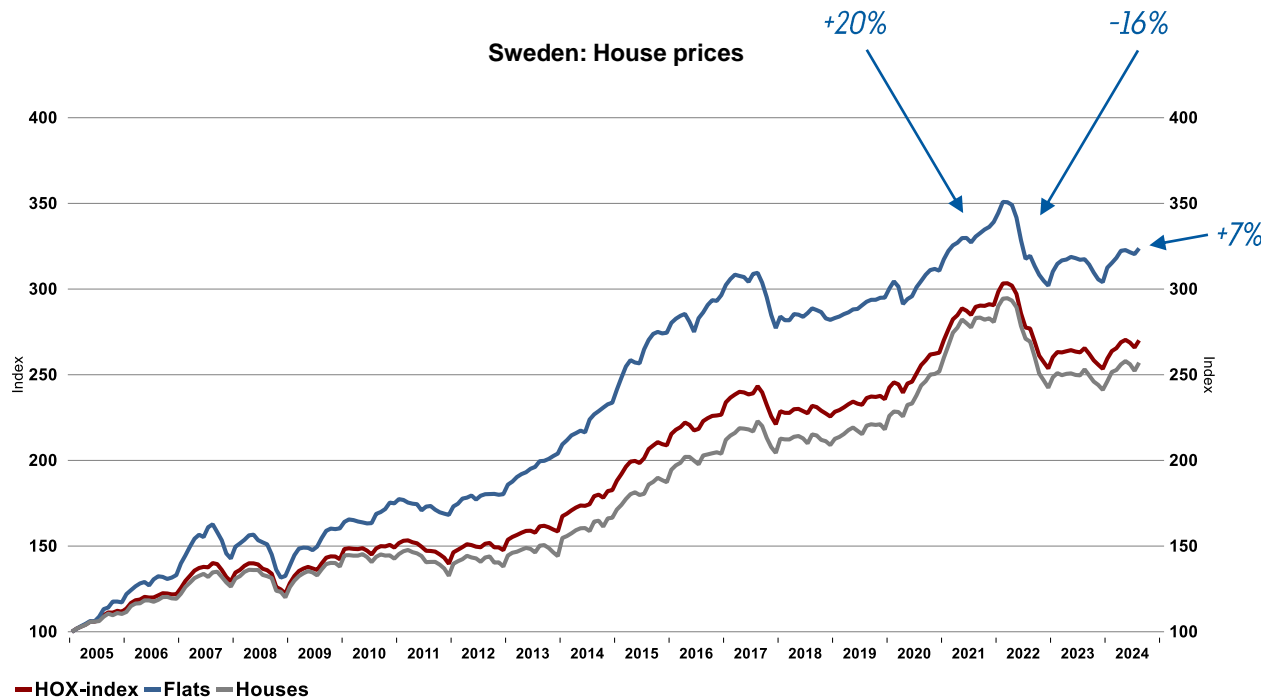
Unemployment back to pre-pandemic levels

Unemployment has started to rise during 2024

GDP headwinds will continue to weigh on labour demand

The house market shows signs of recovery

High volatility in and after the pandemic



Source: Länsförsäkringar/Macrobond

High house price volatility

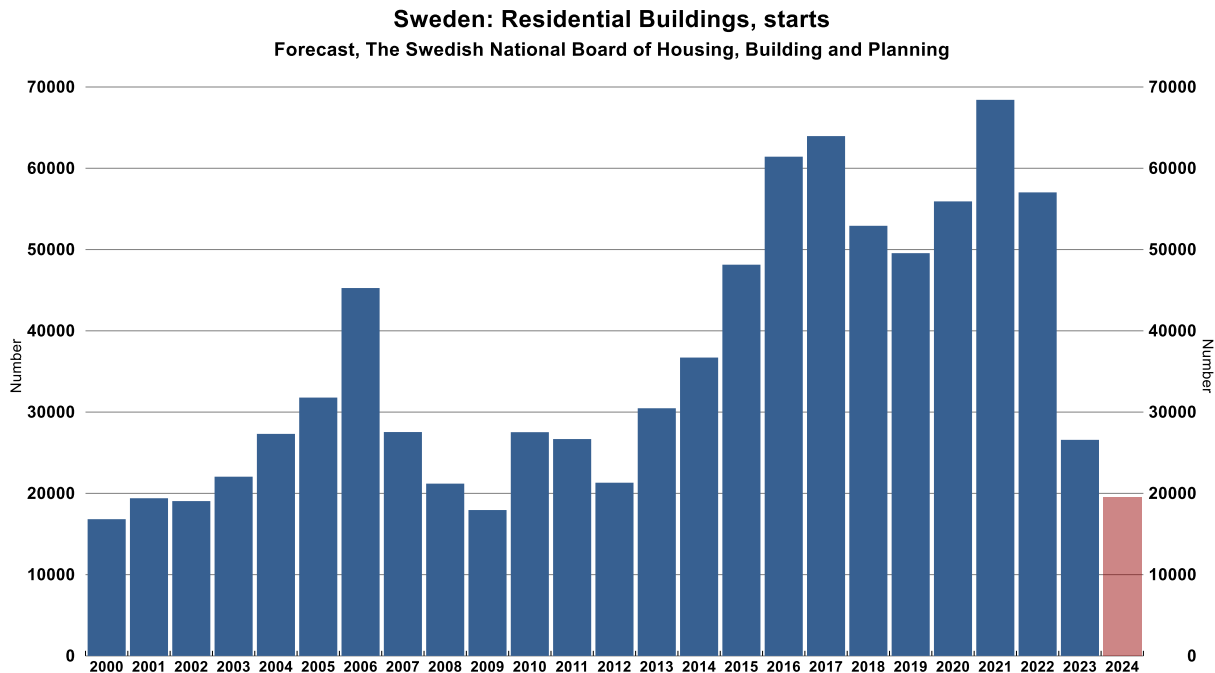
Sharp price increase during the pandemic, with a price correction in 2022

Prices back to pre-pandemic level

Stabilisation and prices up in the beginning of 2024

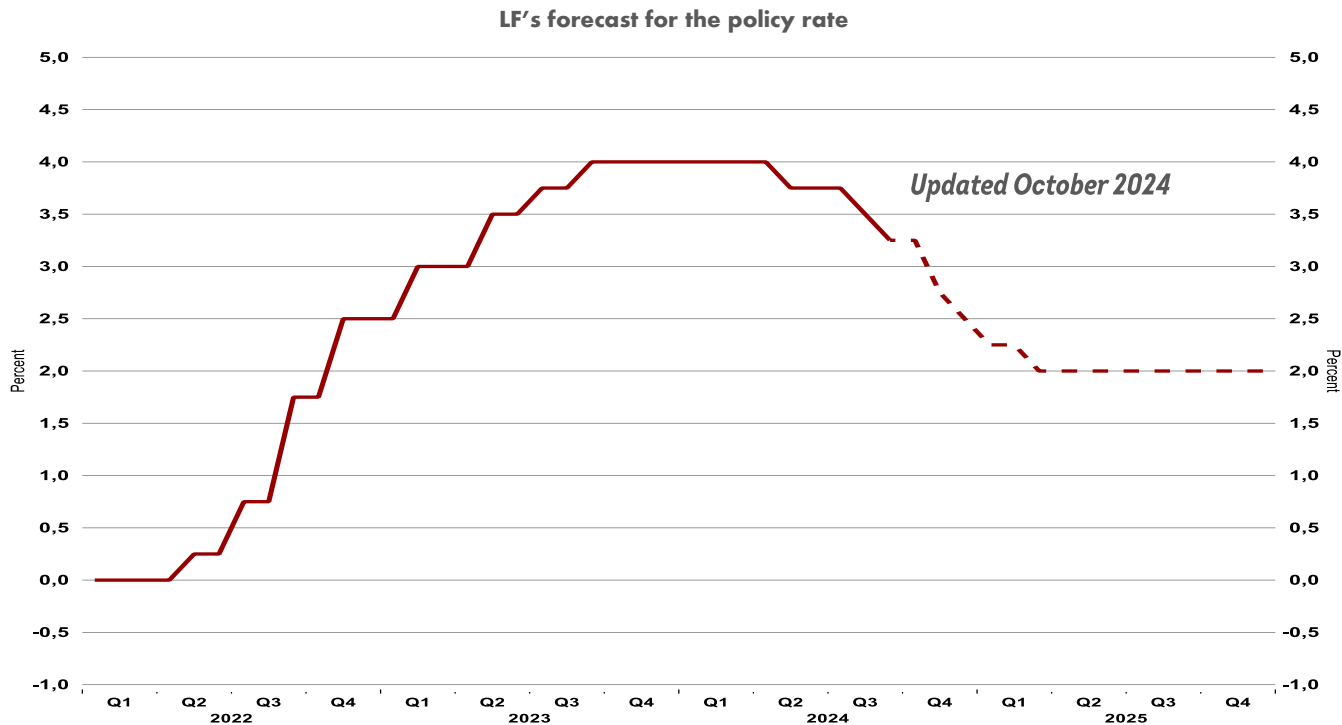
Still uncertainty

Housing construction expected to be at the lowest level since 2009



Source: Länsförsäkringar/Macrobond

The Riksbank significantly cuts its policy rate



Source: Länsförsäkringar/Macrobond