

# Länsförsäkringar Bank

Credit Update Q3 2019



# Key Figures (as per 30 September 2019)

**Full service Swedish  
retail bank –**  
part of the LF Alliance

**100% of business in Sweden –**  
all lending in SEK

**Market leading customer  
satisfaction –** retail and  
mortgage customers

## Lending

SEK **303**bn  
*Growth YoY: 8%*

## Deposits

SEK **118**bn  
*Growth YoY: 12 %*

## Fund volume

SEK **211**bn  
*Growth YoY: 18 %*

## Strong asset quality

Credit loss level: **0.05 %**

## Solid financial position

ROE: **9.7 %**

CET1 ratio: **14.7 %**

NSFR: **117 %**

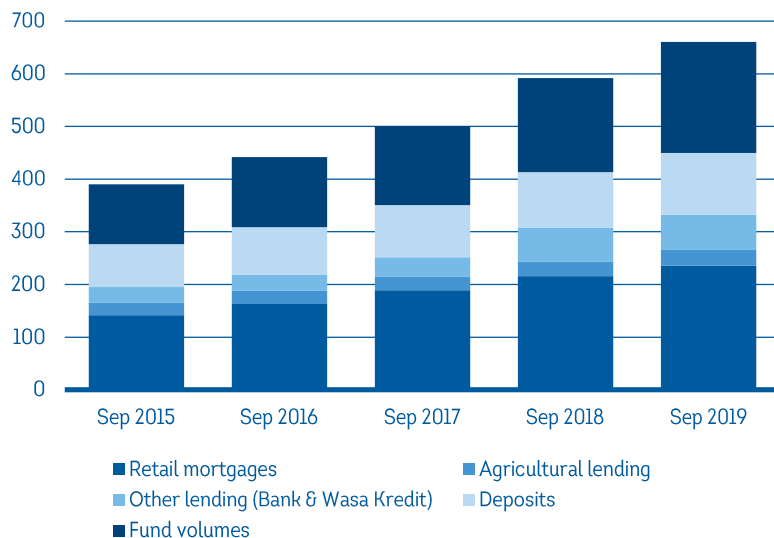
# Highlights January – September, 2019

- Operating profit increased 10% to SEK 1,437 M (1,310) and the return on equity amounted to 9.7% (9.8).
- Net interest income rose 4% to SEK 3,448 M (3,328).
- Operating income increased 7% to SEK 2,961 M (2,772). Operating expenses amounted to SEK 1,399 M (1,398).
- Credit losses amounted to SEK 125.6 M (63.9), net, corresponding to a credit loss level of 0.05% (0.03).
- Business volumes increased 12% to SEK 631.0 billion (563.8).
- Deposits rose 12% to SEK 117.6 billion (105.1). Lending increased 8% to SEK 302.8 billion (280.4).
- Fund volumes increased 18% to SEK 210.6 billion (178.3).
- The Common Equity Tier 1 capital ratio for the Consolidated Situation amounted to 14.7% (14.6\*) on 30 September 2019.
- The number of customers with Länsförsäkringar as their primary bank rose 9% and the number of bank cards increased 9%.
- According to the 2019 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank remains the player on the banking market with the most satisfied retail customers. Länsförsäkringar Bank also has the most satisfied corporate customers according to the 2019 Swedish Quality Index.
- In September, Länsförsäkringar Bank successfully issued a 5 year SEK 2.5 billion inaugural senior non-preferred bond.

*Figures in parentheses pertain to the same period in 2018. \* Pertains to 30 June 2019.*

# Strengthened market position

Business volumes, SEKbn



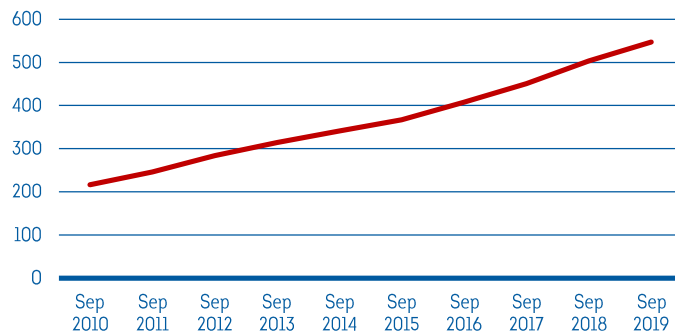
SEKbn	30 Sep 2019	30 Sep 2018	Change
Business volumes	631	564	12%
Retail mortgage lending, LF Hypotek	236	216	10%
Agricultural lending	29.6	28.1	5%
Other lending	37.2	36.8	1%
Market share household lending % <sup>1)</sup>	7.0%	6.6%	0.4pp
Deposits	118	105	12%
Market share deposits,% <sup>1)</sup>	5.1%	4.9%	0.2pp
Fund volume	211	178	18%

<sup>1)</sup> According to data from Statistics Sweden

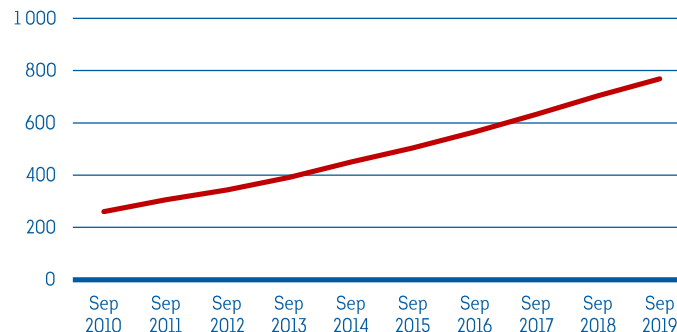
# Number of customers and cards

	30 Sep 2019	30 Sep 2018	Change
Primary bank customers	547,000	503,000	9%
Bank cards	769,000	704,000	9%

Number of primary bank customers (000's)



Number of outstanding bank cards (000's)



# Income statement

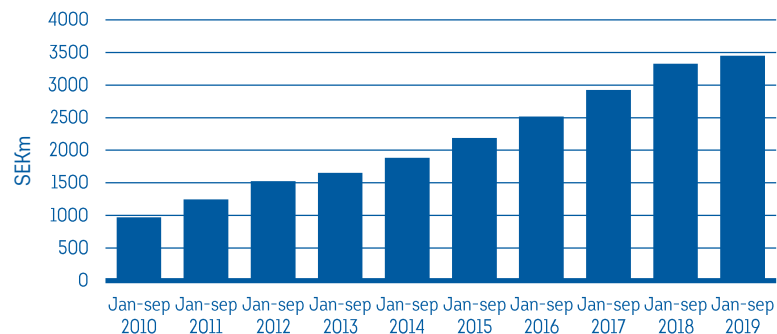
SEKm	Jan – Sep 2019	Jan – Sep 2018	Change
Net interest income	3,448	3,328	4%
Net commissions	-511	-582	-12%
Net gains/losses	-3	14	-
Other income	26	12	-
<b>Total operating income</b>	<b>2,961</b>	<b>2,772</b>	<b>7%</b>
Staff costs	-478	-448	7%
Other expenses	-801	-862	-7%
Depreciation/amortisation	-120	-88	36%
<b>Total operating expenses</b>	<b>-1,399</b>	<b>-1,398</b>	<b>-</b>
<b>Profit before loan losses</b>	<b>1,562</b>	<b>1,374</b>	<b>14%</b>
Loan losses	-126	-64	97%
<b>Operating profit</b>	<b>1,437</b>	<b>1,310</b>	<b>10%</b>

# Stable quarterly development

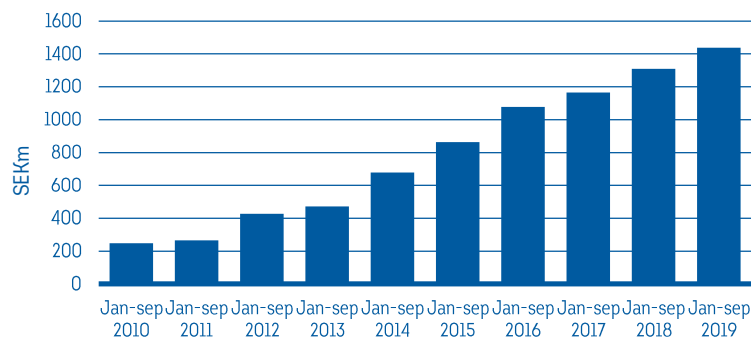
SEKm	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net interest income	1,177	1,144	1,127	1,169	1,135
Net commissions	-188	-173	-149	-192	-167
Net gains/losses	6	-1	-9	1	-12
Other income	6	10	10	33	5
<b>Total operating income</b>	<b>1,001</b>	<b>980</b>	<b>979</b>	<b>1,011</b>	<b>961</b>
Staff costs	-147	-170	-161	-140	-149
Other expenses	-272	-266	-263	-302	-343
Depreciation/amortisation	-46	-40	-33	-338	-32
<b>Total operating expenses</b>	<b>-465</b>	<b>-476</b>	<b>-457</b>	<b>-780</b>	<b>-524</b>
<b>Profit before loan losses</b>	<b>536</b>	<b>504</b>	<b>522</b>	<b>231</b>	<b>437</b>
Loan losses	-57	-39	-30	-31	-15
<b>Operating profit</b>	<b>479</b>	<b>465</b>	<b>493</b>	<b>200</b>	<b>422</b>

# Net interest income development & profitability

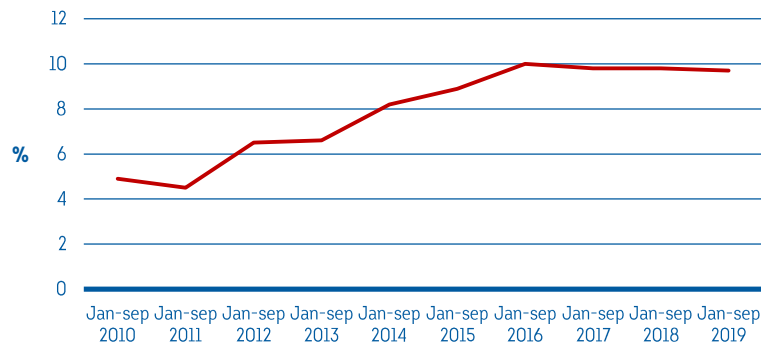
Net interest income



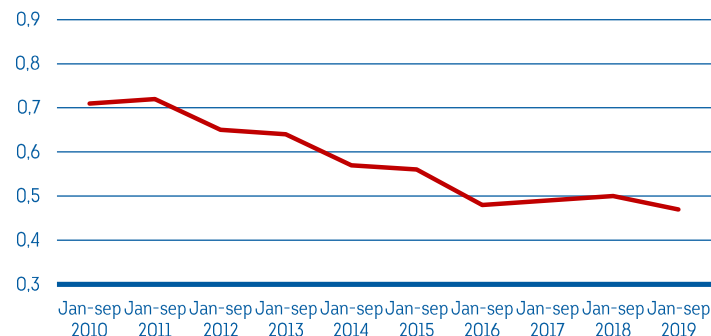
Operating profit



Return on equity



Cost/income ratio





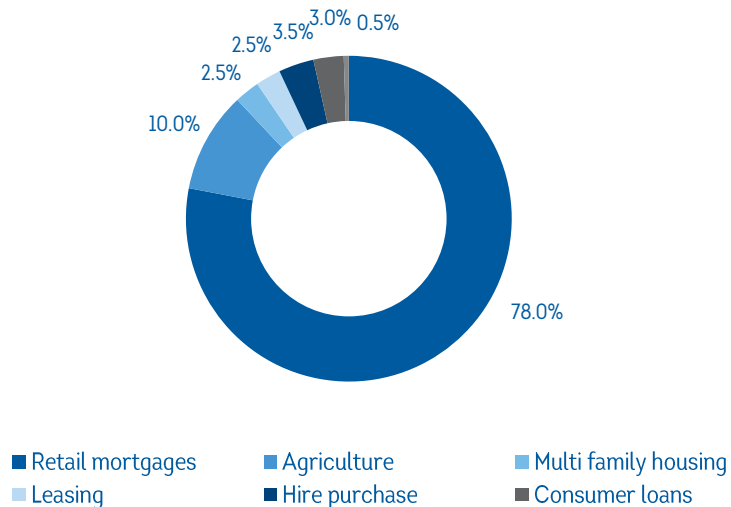
# Balance sheet

SEKm	30 Sep 2019	30 Sep 2018	Change
Treasury bills & cash	20,323	17,950	13%
Loans to credit institutions	9,716	6,155	58%
Loans to the public	302,800	280,419	8%
Bonds and other interest bearing securities	41,808	36,301	15%
Derivatives	11,159	6,220	79%
Other asset items	3,240	2,449	32%
<b>Total assets</b>	<b>389,046</b>	<b>349,494</b>	<b>11%</b>
Due to credit institutions	14,707	11,326	30%
Deposits from the public	117,627	105,086	12%
Debt securities in issues	227,842	20,126	9%
Derivatives	975	883	10%
Other liabilities	7,061	4,495	57%
Subordinated liabilities	2,595	2,593	-
Equity	18,239	15,985	14%
<b>Total Liabilities &amp; Equity</b>	<b>389,046</b>	<b>349,494</b>	<b>11%</b>

# Group loan portfolio, 30 September 2019

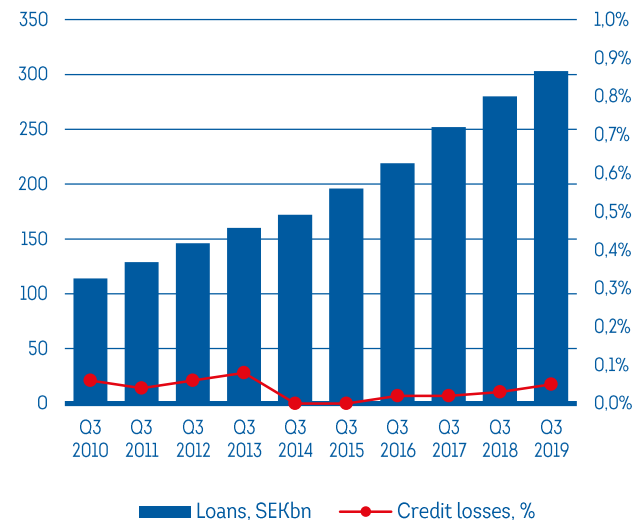
- The loan portfolio amounting to SEK 303bn (280) has an excellent credit quality.
- Only lending in Sweden and in SEK.
- Well diversified geographical distribution within Sweden.
- The loan portfolio consists to 78 (77) percent of retail mortgage lending.

Loan portfolio

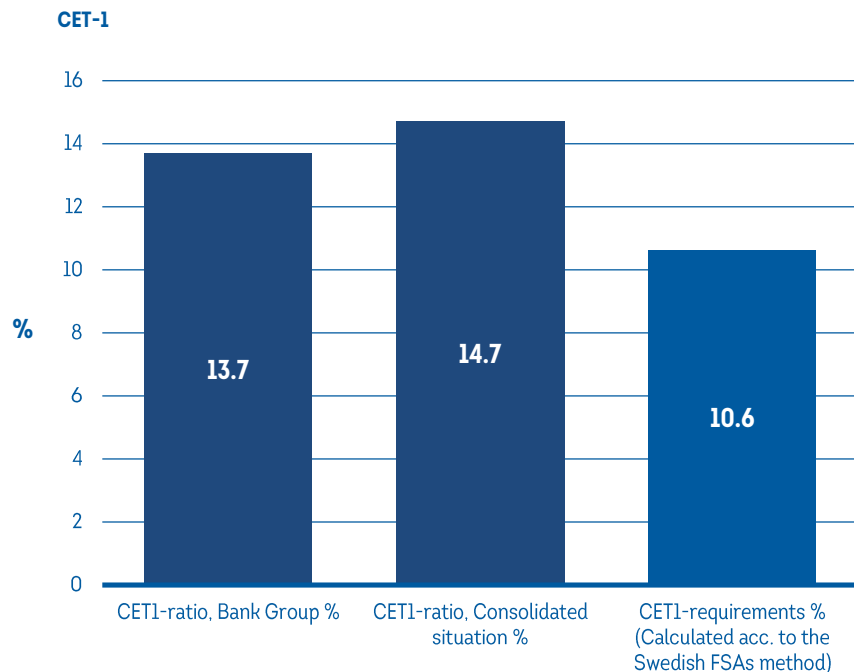


# Excellent credit quality

SEKm	30 Sep 2018	31 Dec 2018	31 Mar 2019	30 Jun 2019	30 Sep 2019
Total lending	280,419	289,426	294,333	301,670	302,800
Credit-impaired loans (stage-3)	770	742	794	963	918
Total loss allowance pertained to credit-impaired loan receivables, including withheld remuneration to the regional insurance companies (stage-3)	270	275	291	335	346
<i>of which loss allowance pertained to credit-impaired loan receivables (stage-3)</i>	235	242	254	285	294
<i>of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)</i>	35	33	37	51	52
Total reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, %	35.1%	37.0%	36.7%	34.8%	37.7%
Credit loss level, %	0.03%	0.04%	0.04%	0.04%	0.05%



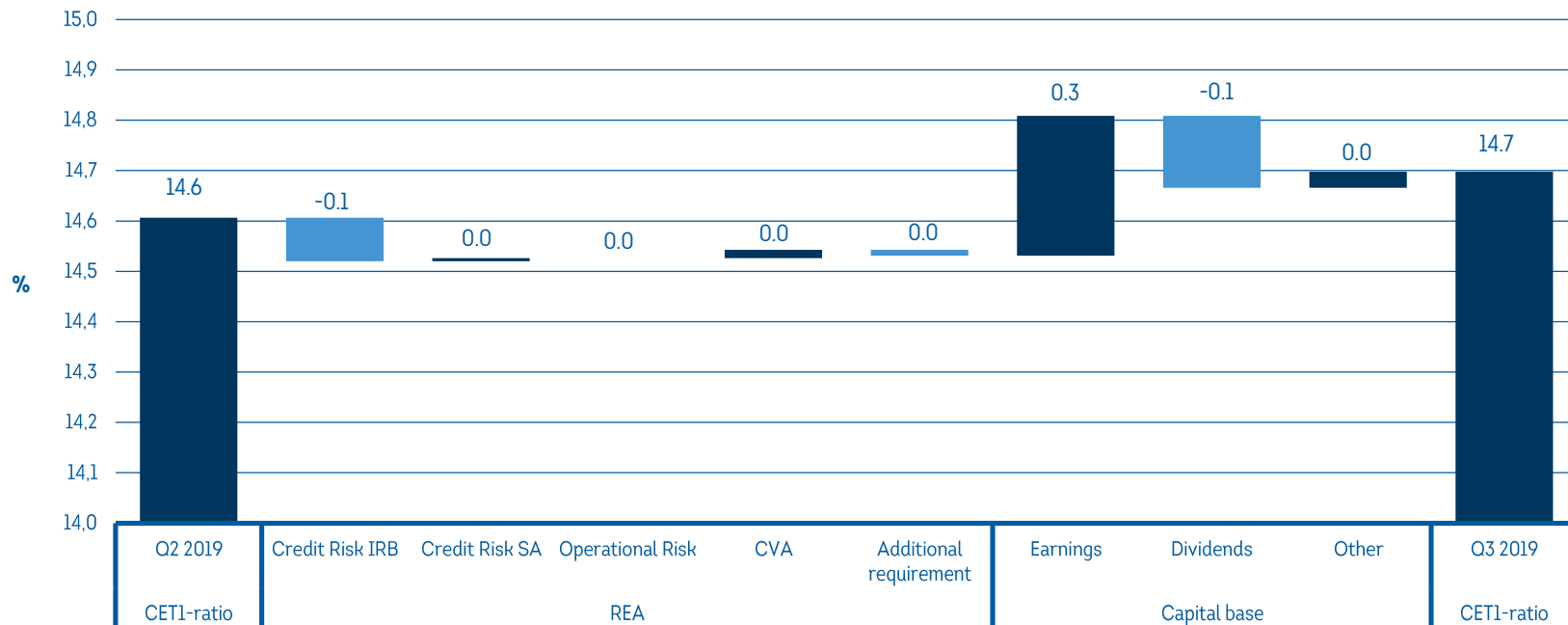
# Capital position, Q3 2019



Capital adequacy	30 Sep 2019	30 Jun 2019
<b>Bank group</b>		
Core tier 1 ratio, %	13.7	13.4
Tier 1 ratio, %	15.9	15.6
Capital adequacy, %	18.3	18.1
<b>Consolidated situation</b>		
Core tier 1 ratio, %	14.7	14.6
Tier 1 ratio, %	16.1	16.0
Capital adequacy, %	17.9	17.7
Leverage ratio %	4.9	4.9

# CET1-ratio development

## CET1 contribution by component - consolidated situation

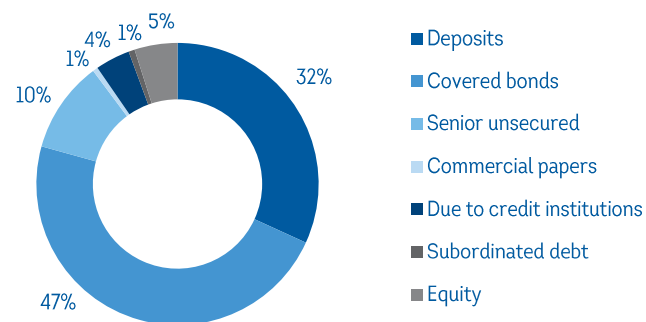


# Funding Q3, 2019

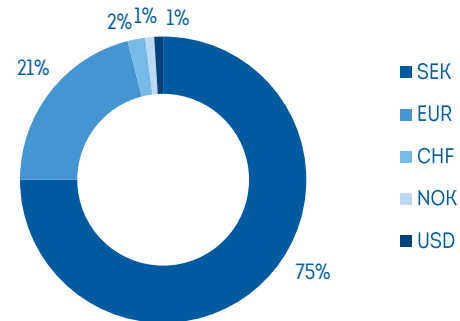
- **Issued volumes during 2019:**
  - Senior unsecured: SEK 5.4bn
  - Covered bonds: SEK 27.1bn
- Successfully issued a 5 year SEK 2.5 billion inaugural senior non-preferred bond in September
- Tier 1 instruments (AT1) of SEK 1.0 bn issued in April

SEKbn	30 Sep 2019	30 Sep 2018
Deposits	117.6	105.1
Covered bonds	175.5	161.6
Senior unsecured	38.8	40.2
Commercial papers	2.2	-
Liabilities to credit institutions	14.7	11.3
Sub debt	2.6	2.6
Equity	18.2	16.0
<b>Total</b>	<b>369.6</b>	<b>336.8</b>

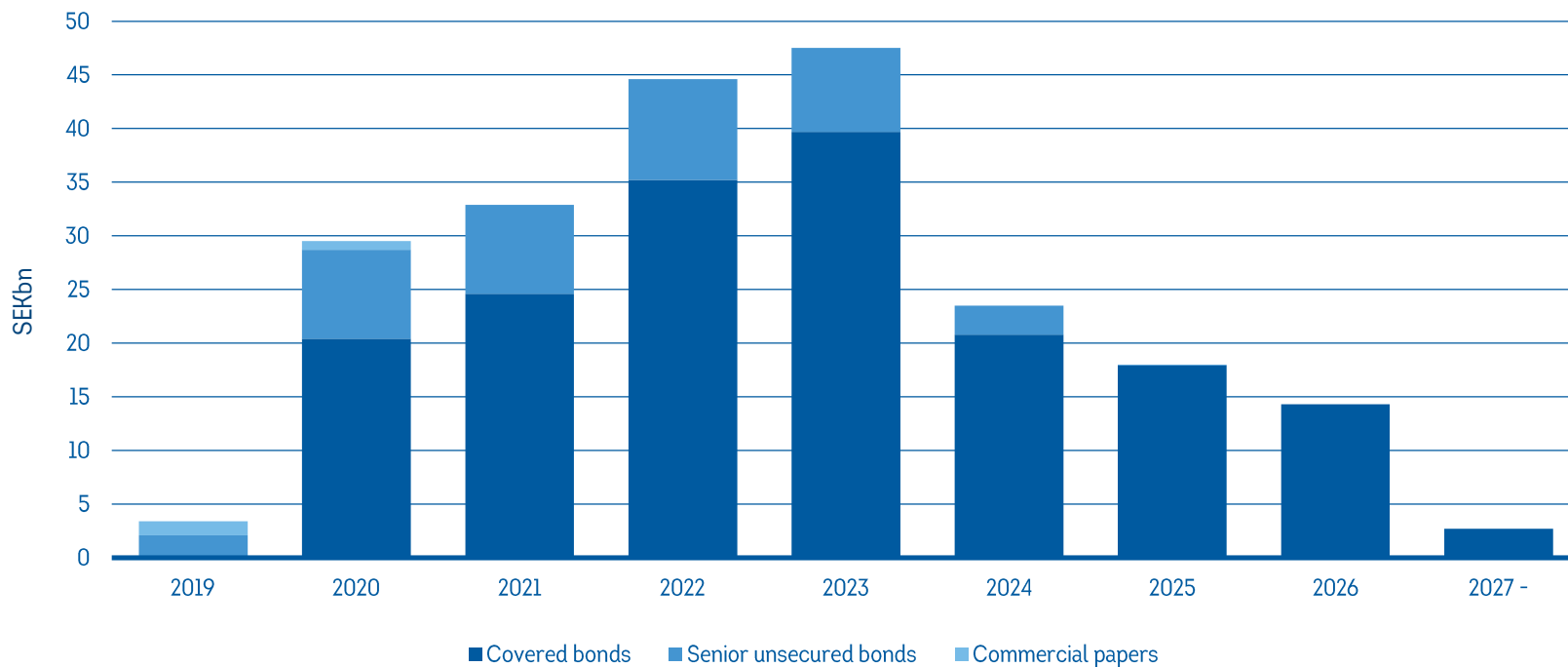
Funding portfolio



Funding sources by currency

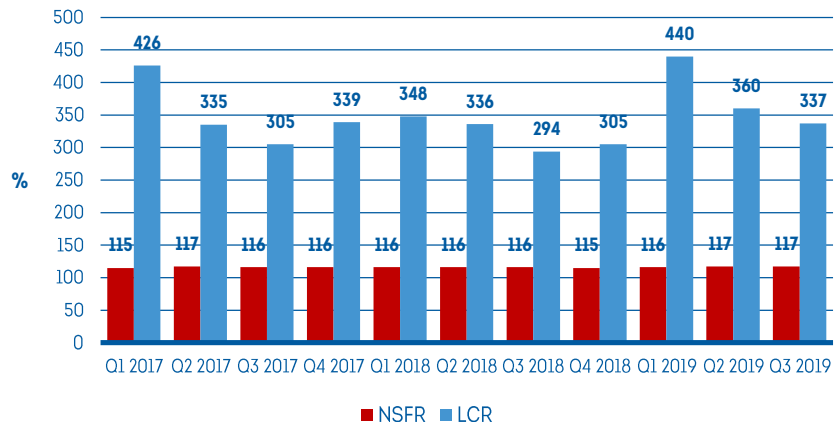


# Maturity profile, 30 September 2019

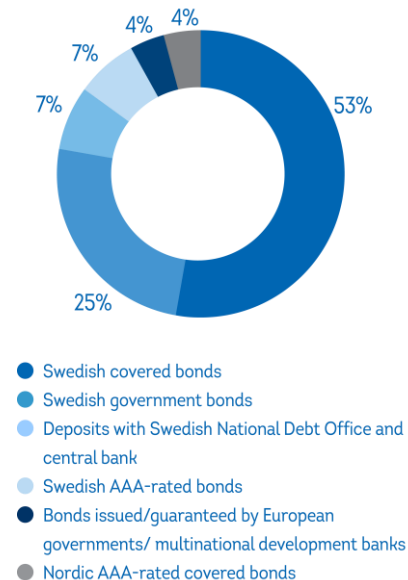


# Liquidity Reserve

- Total SEK 64 bn
- Comprises 99% AAA-rated bonds
- Riksbank and/or ECB eligible
- 95% SEK
- Survival horizon around 3 years
- LCR 337%
- NSFR 117%



Liquidity reserve





# Year-end report 2019

6 February 2020

