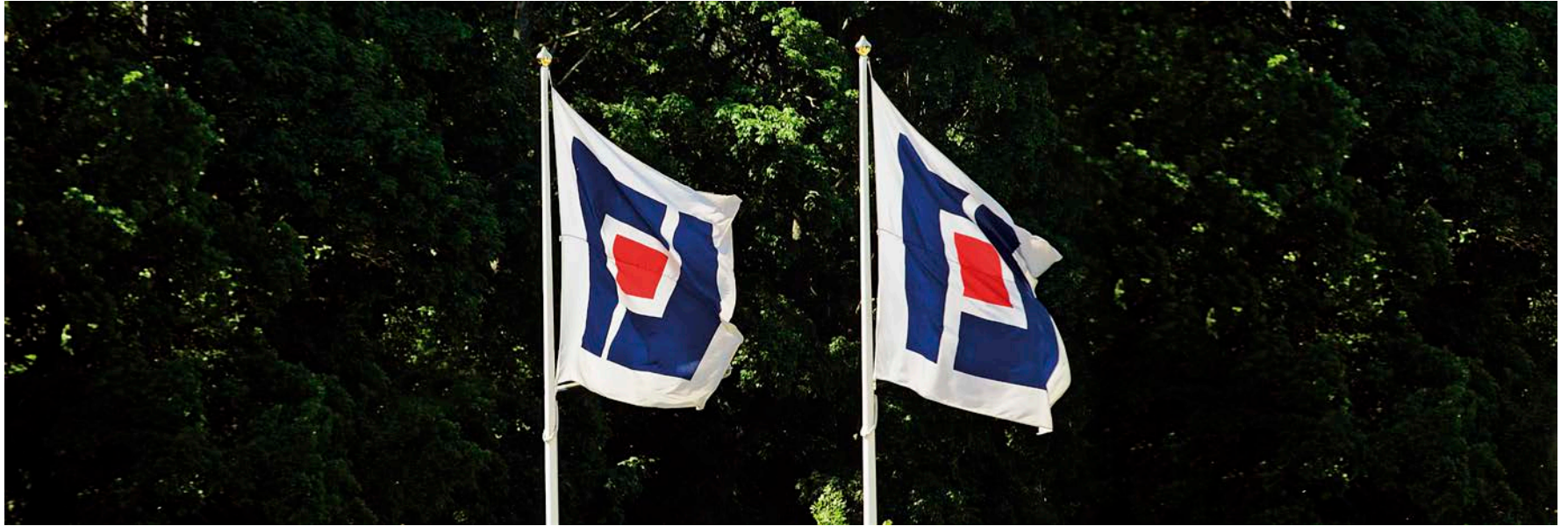


Länsförsäkringar Bank

Credit Update, Q4 2018



Highlights **January – December, 2018**

- Operating profit amounted to SEK 1,510 M (1,599) and the return on equity amounted to 8.3% (10.0).
- Operating profit was impacted by non-recurring items of SEK 407.4 M and the return on equity excluding these costs amounted to 10.6%.
- Net interest income increased 13% to SEK 4,497 M (3,996).
- Operating income rose 16% to SEK 3,783 M (3,258). Operating expenses amounted to SEK 2,178 M (1,601).
- Credit losses amounted to SEK 94.7 M (57.7), net, corresponding to a credit loss level of 0.04% (0.02).
- Business volumes rose 8% to SEK 561.3 billion (519.5).
- Deposits increased 9% to SEK 108.1 billion (99.4). Lending rose 11% to SEK 289.4 billion (261.4).
- The Common Equity Tier 1 capital ratio for the consolidated situation amounted to 15.7% (24.4*) on 31 December 2018.
- The number of customers with Länsförsäkringar as their primary bank increased 9% and the number of cards increased 10%.
- According to the 2018 Swedish Quality Index customer satisfaction survey (SKI 2018), Länsförsäkringar Bank remains the player on the banking market with the most satisfied retail- and mortgage customers.

Figures in parentheses pertain to the same period in 2017.

** Pertains to 30 September 2018. As of 31 December 2018, the application of the risk weight floor for Swedish mortgages will change, which consequently reduces the capital ratios for the current period.*

Strong underlying earnings excluding one-offs

Expenses

- Non-recurring cost items charged to expenses during second half of the year amount to SEK 407 M, of which SEK 352 M are attributable to the final stage of the replacement of the bank's IT-platform.
- The **underlying increase in operating expenses** excluding non-recurring cost items amounts to **11%**.
- The **cost/income ratio** excluding non-recurring cost items amounts to **0.47**.

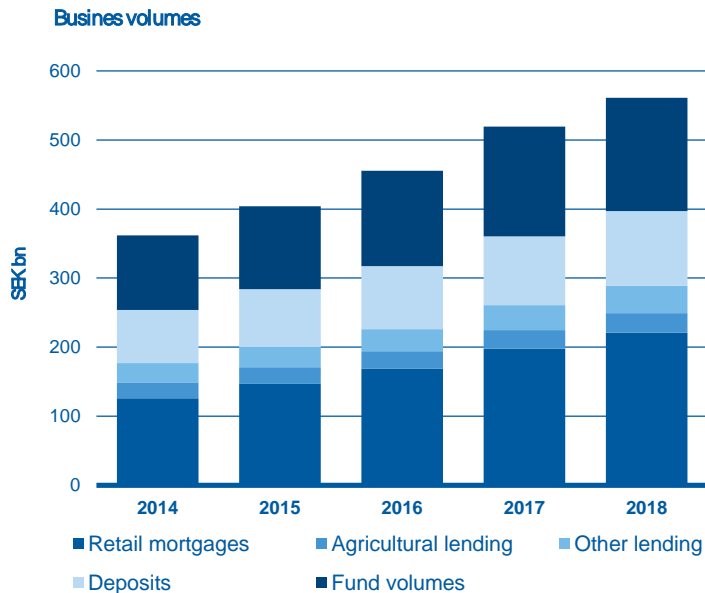
Operating profit

- Underlying earnings excluding one-off items remains very strong.
- Operating profit, excluding non-recurring items, amounts to **SEK 1,917 M**, an increase of **20%**.

Return on equity

- Return of equity, excluding non-recurring items, amounts to **10.6%**.

Strengthened market position



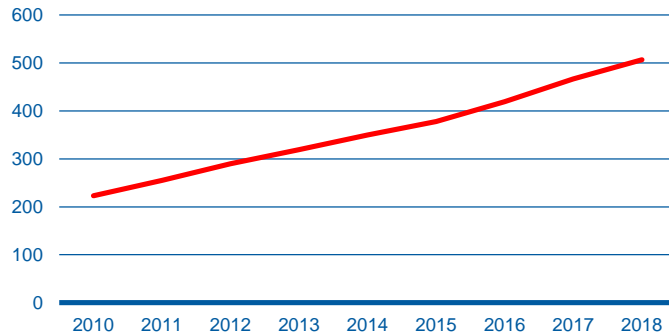
SEKbn	31 Dec 2018	31 Dec 2017	Change
Business volumes	561	520	8%
Retail mortgage lending, LF Hypotek	221	198	12%
Agricultural lending	28.3	26.8	5%
Other lending	40	37	8%
Market share household lending % ¹⁾	6.7%	6.3%	0.4
Deposits	108	99	11%
Market share deposits, % ¹⁾	4.90%	4.83%	-
Fund volume	164	159	3%

¹⁾ According to data from Statistics Sweden

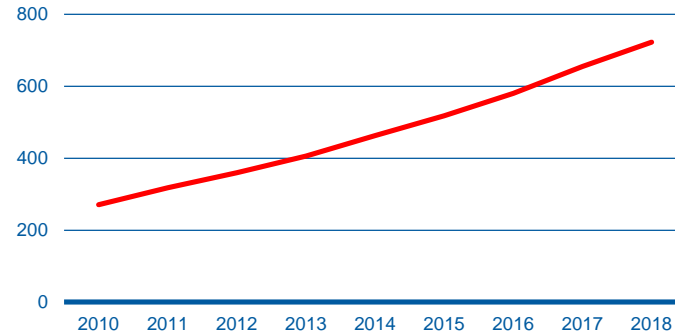
Number of customers and cards

	31 Dec 2018	31 Dec 2017	Change
Primary bank customers	507,000	467,000	9%
Bank cards outstanding	722,000	655,000	10%

Number of primary bank customers, 000's



Number of outstanding bank cards, 000's



Income statement

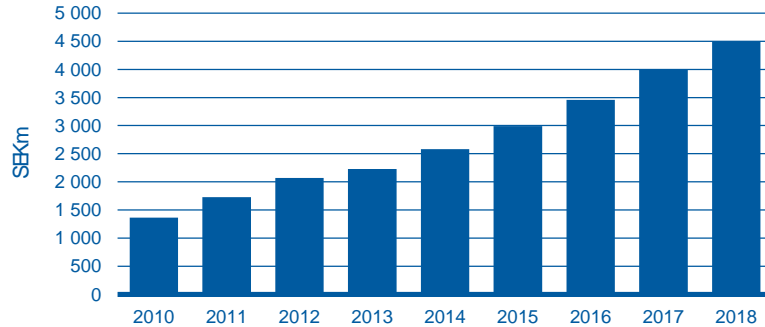
SEKm	2018	2017	Change
Net interest income	4,497	3,996	13%
Net commissions	-773	-750	3%
Net gains/losses	13,5	-49	-
Other income	46	61	-25%
Total operating income	3,783	3,258	16%
Staff costs	-588	-549	7%
Other expenses	-1,165	-960	21%
Depreciation/amortisation	-425	-92	-
Total operating expenses	-2,178	-1,601	36%
Profit before loan losses	1,605	1,657	-3%
Loan losses	-95	-58	64%
Operating profit	1,510	1,599	-6%

Solid quarterly development excl. one-offs

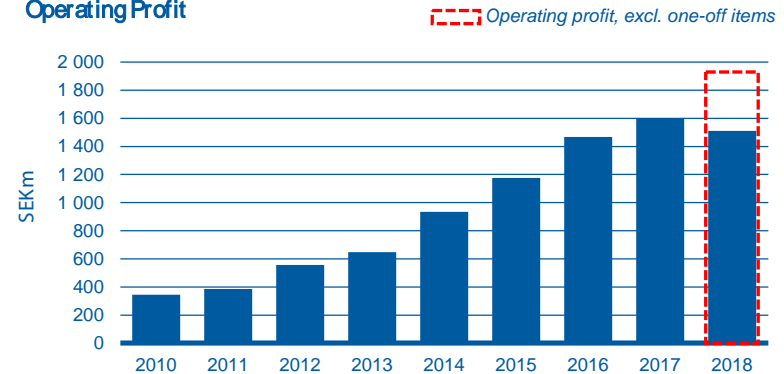
SEKm	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Net interest income	1,169	1,135	1,112	1,082	1,070
Net commissions	-192	-167	-200	-214	-228
Net gains/losses	1	-12	11	13	-6
Other income	33	5	5	3	48
Total operating income	1,011	961	928	883	883
Staff costs	-140	-149	-156	-143	-124
Other expenses	-302	-343	-259	-259	-276
Depreciation/amortisation	-338	-32	-32	-24	-27
Total operating expenses	-780	-524	-447	-426	-428
Profit before loan losses	231	437	481	457	455
Loan losses	-31	-15	-36	-13	-23
Operating profit	200	422	445	443	432

Net interest income development & profitability

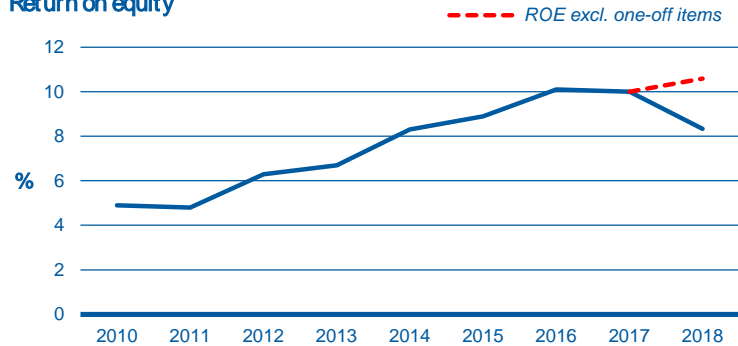
Net Interest Income



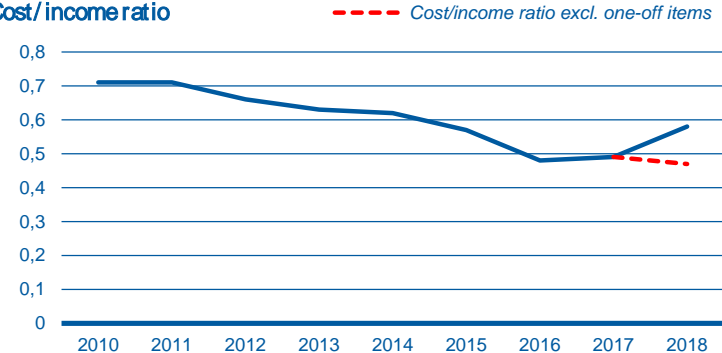
Operating Profit



Return on equity



Cost/income ratio

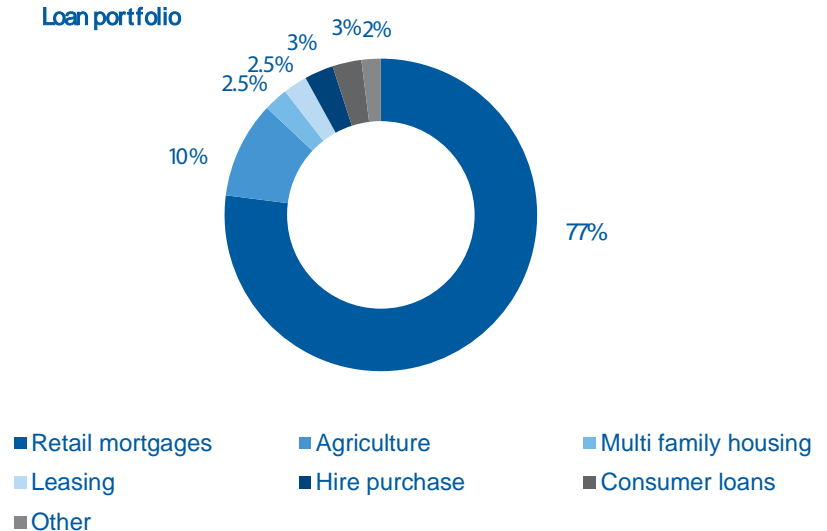


Balance sheet

SEKm	31 Dec 2018	31 Dec 2017	Change
Treasury bills	10,869	10,549	3%
Loans to credit institutions	4,486	265	-
Loans to the public	289,426	261,444	11%
Bonds and other interest bearing securities	36,790	35,718	3%
Derivatives	6,056	5,126	18%
Other asset items	2,230	2,264	-2%
Total assets	349,857	315,366	11%
Due to credit institutions	5,992	3,996	50%
Deposits from the public	108,142	99,403	9%
Debt securities in issues	210,781	188,407	12%
Derivatives	761	1,166	-35%
Other liabilities	5,483	5,470	0%
Subordinated liabilities	2,592	2,596	0%
Equity	16,106	14,328	12%
Total Liabilities & Equity	349,857	315,366	11%

Group loan portfolio, 31 December 2018

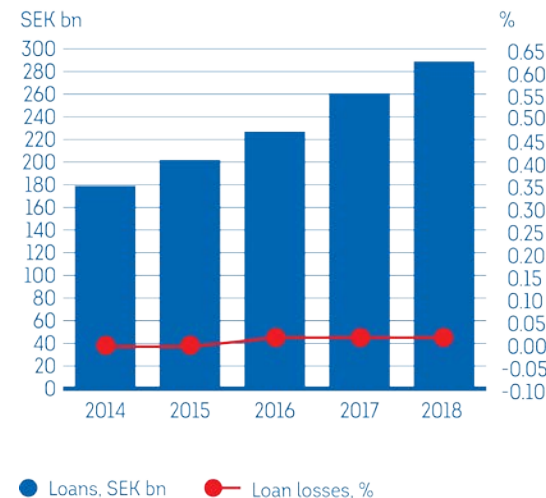
- The loan portfolio amounting to SEK 289 Bn (261) has an excellent credit quality.
- Only lending in Sweden and in SEK.
- Well diversified geographical distribution within Sweden.
- The loan portfolio consists to 77 (76) percent of retail mortgage lending.



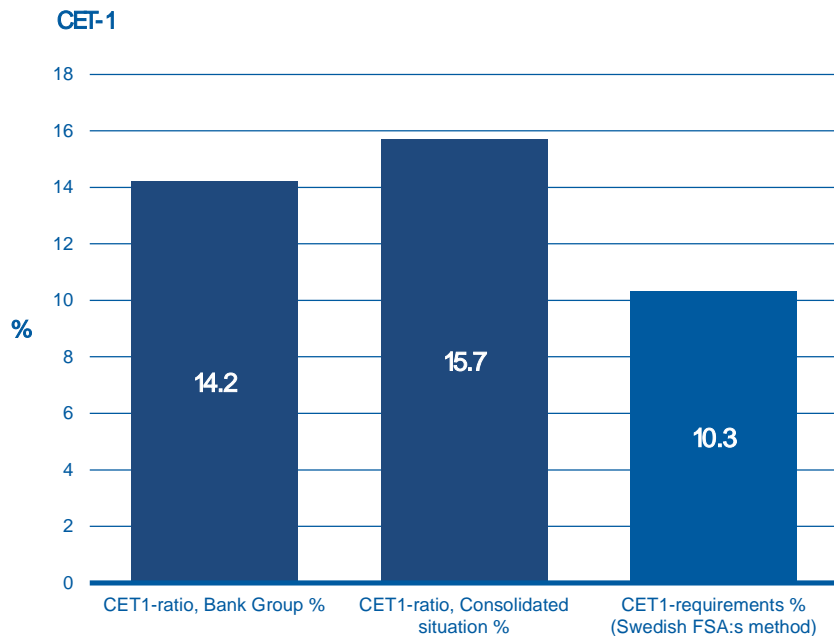
Excellent credit quality

SEKm	31 Mar 2018	30 Jun 2018	30 Sep 2018	31 Dec 2018
Total lending	268,611	275,841	280,419	289,426
Credit-impaired loans (stage-3)	732	722	770	742
Share of credit-impaired loan receivables, %	0.20%	0.18%	0.19%	0.17%
Recognised loss allowance pertained to credit-impaired loan receivables (stage-3)	202	215	235	242
Reserve ratio for credit-impaired loan receivables, %	27.7%	29.8%	29.8%	32.6%
Recognised loss allowance pertained to credit-impaired loan receivables, including withheld remuneration to the regional insurance companies (stage-3)	264	263	270	275
Reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, %	36.1%	36.5%	35.1%	37.0%
Credit losses, net	13.4	49.0	63.9	94.7
Credit loss level, %	0.03%	0.04%	0.03%	0.04%

Loans to the public



Capital position, Q4 2018

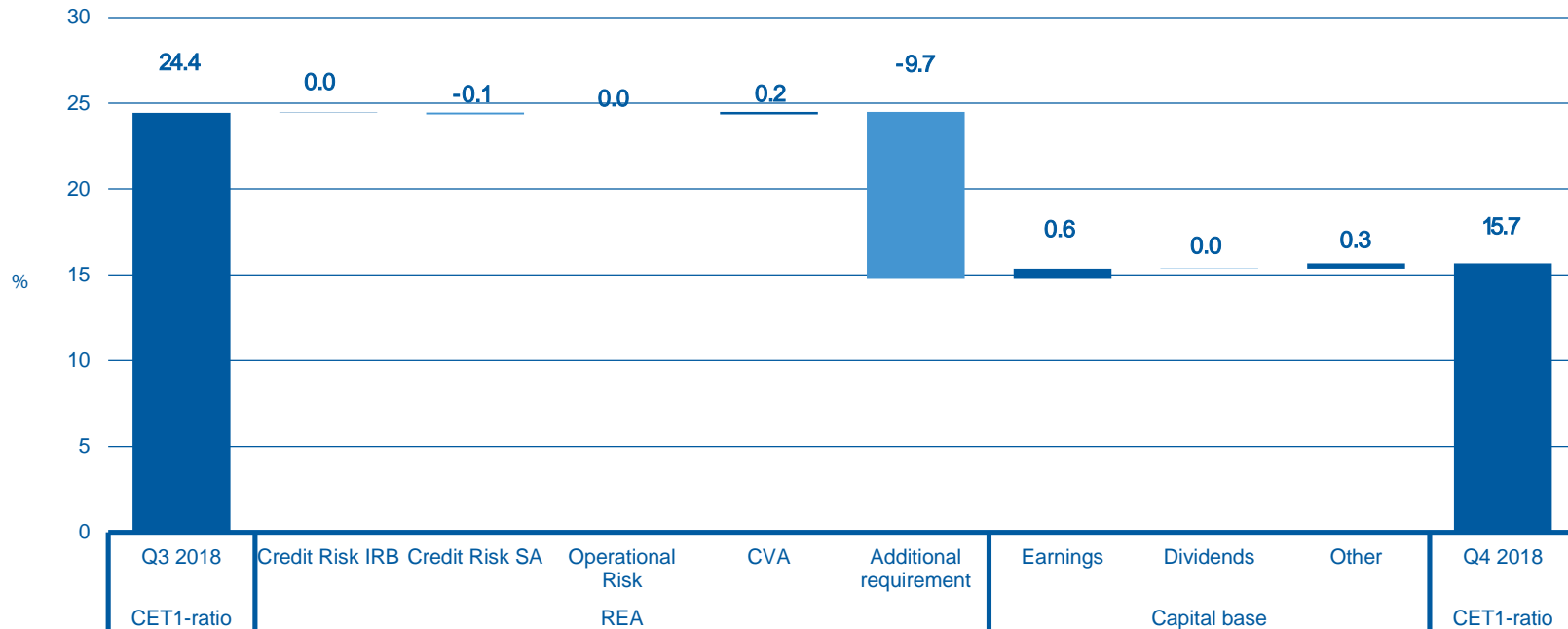


Capital adequacy	31 Dec 2018	30 Sep 2018
Bank group		
Core tier 1 ratio, %	14.2*	25.8
Tier 1 ratio, %	15.5*	28.2
Capital adequacy, %	18.2*	33.2
Consolidated situation		
Core tier 1 ratio, %	15.7*	24.4
Tier 1 ratio, %	16.5*	25.8
Capital adequacy, %	18.3*	28.8
Leverage ratio %	5.1	4.8

* As of 31 December 2018, the application of the risk weight floor for Swedish mortgages will change, which consequently reduces the capital ratios for the current period.

CET1-ratio development

CET1 contribution by component - consolidated situation



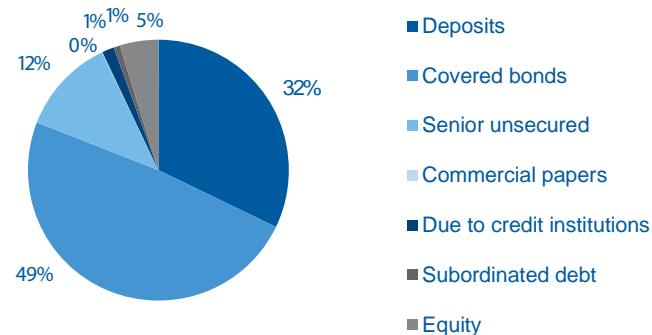
Funding Q4, 2018

Issued volumes during 2018:

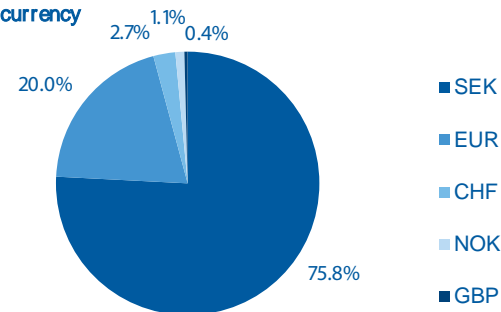
- Senior unsecured: SEK 11.4 bn
- Covered bonds: SEK 40.1 bn

SEKbn	31 Dec 2018	31 Dec 2017
Deposits	108.1	99.4
Covered bonds	164.0	146.6
Senior unsecured	40.0	35.5
Commercial papers	0.3	1.0
Liabilities to credit institutions	5.0	4.0
Sub debt	2.6	2.6
Equity	16.1	14.3
Total	336.1	303.4

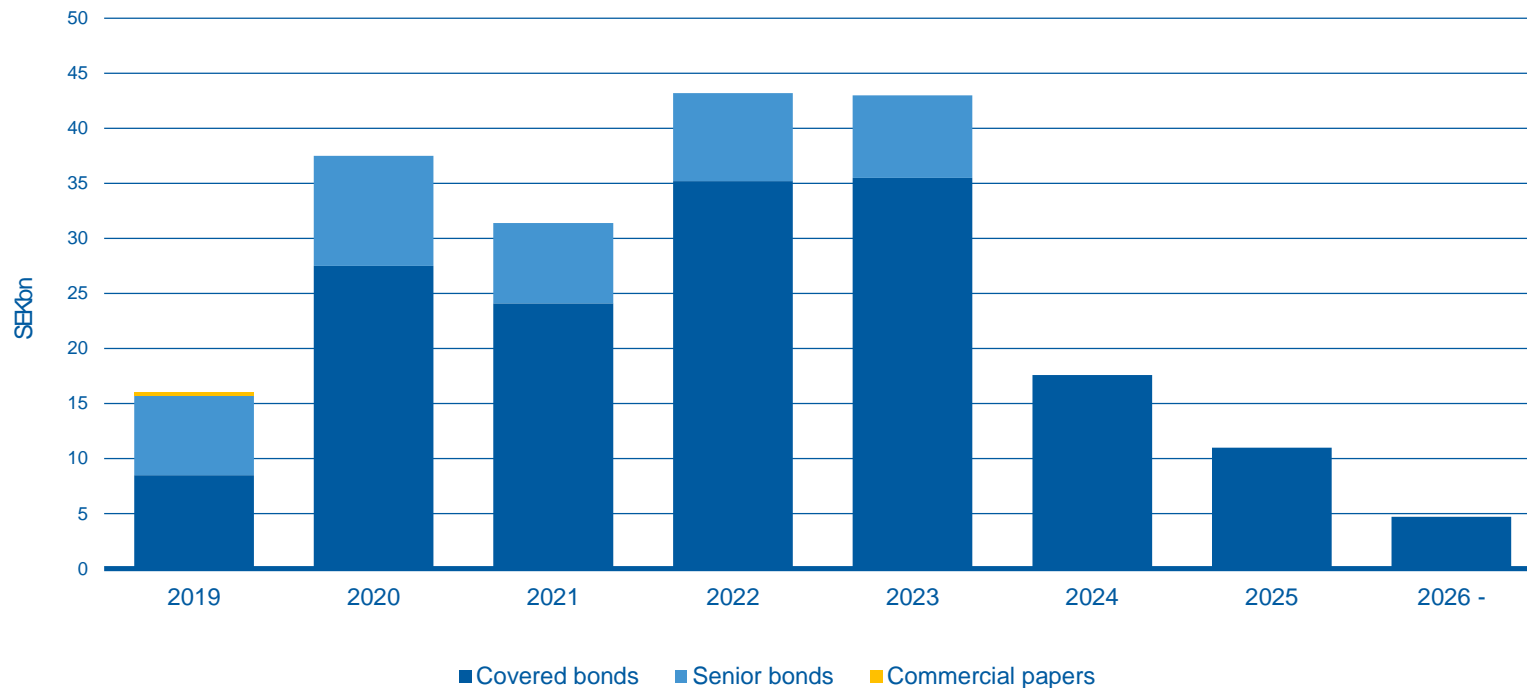
Funding portfolio



Funding sources by currency

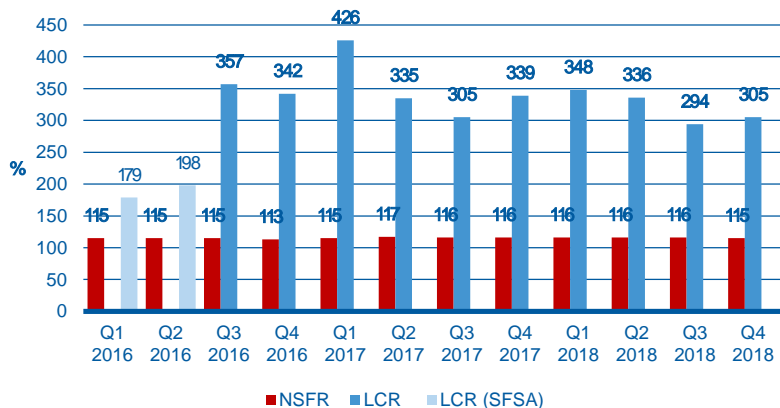


Maturity profile, 31 December 2018

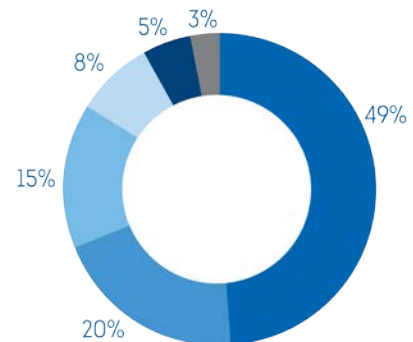


Liquidity Reserve

- Total SEK 54 bn
- Comprises 99% AAA-rated bonds
- Riksbank and/or ECB eligible
- 96% SEK
- Survival horizon over 2 years
- LCR 305%
- NSFR 115%



Liquidity reserve



- Swedish covered bonds
- Swedish government bonds
- Deposits with Swedish National Debt Office and central bank
- Swedish bonds with an AAA/Aaa credit rating
- Bonds issued/guaranteed by European governments/ multinational development banks
- Nordic AAA/Aaa-rated covered bonds

Q1 2019

26 April

