

Länsförsäkringar Bank

Inaugural SEK Senior Non Preferred Issue, September 2019



Introducing LF Bank (as per 30 June 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 **302**bn
Growth YoY: 9 %

Strong asset quality

Credit loss level: **0.04 %**

Deposits

SEK **116**bn
Growth YoY: 11 %

Solid financial position

ROE: **9.8 %**

CET1 ratio: **14.6 %**

NSFR: **117 %**

Fund volume

SEK **199**bn
Growth YoY: 16 %

LF Bank inaugural Senior Non Preferred

Transaction rationale

- Comply with the MREL requirements set by the SNDO
- Ensuring a smooth build up of the SNP volume needed by end of 2021
- Part of the funding plan for 2019
- Supports rating agencies assessments (mainly Moody's LGF)



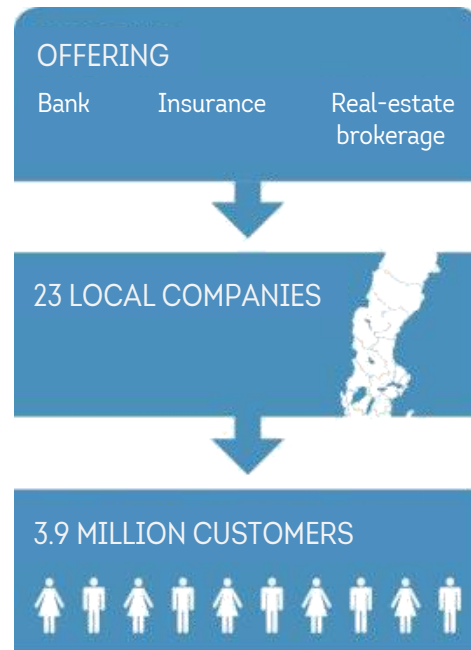
Länsförsäkringar Alliance

Länsförsäkringar Alliance

Largest insurance group in Sweden

- 1801, the first regional mutual insurance company was formed
- Länsförsäkringar is one of the strongest financial brands on the Swedish market
- Länsförsäkringar Alliance has more than 3.9 million customers in 23 regional insurance companies with approximately 6,700 employees
- Market leader with around 30 percent of the Swedish non-life insurance market...

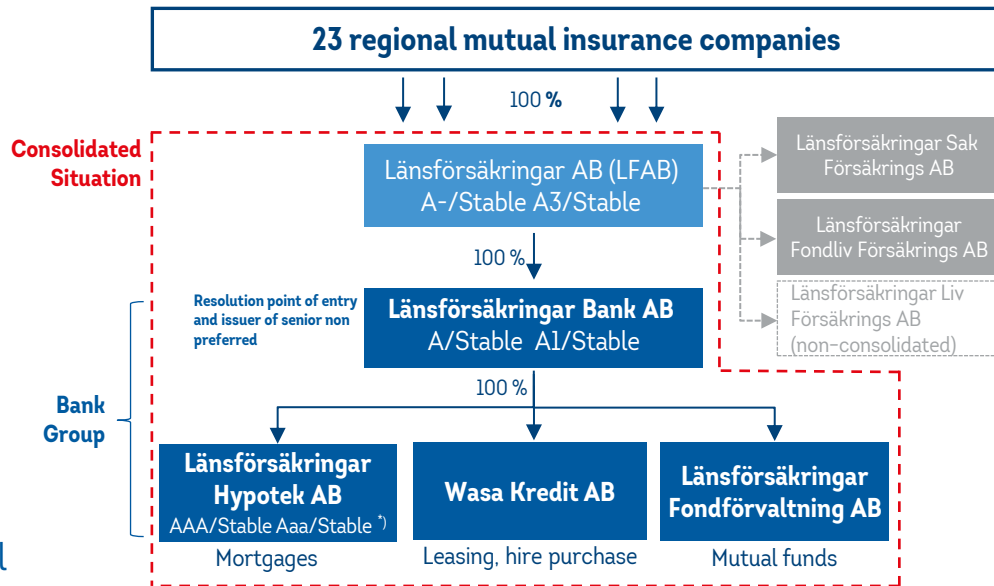
...and almost a third of the Swedish population are customers...



Länsförsäkringar Alliance (cont.)

Group structure benefiting from economies of scale

- Major part of the Group's financial operations are managed by LFAB
- The joint brand of the Alliance is managed and owned by LFAB
- All principal IT-system are developed, serviced and owned by LFAB
- Structure for efficient decision-making
- Commissions paid out of LFAB:s bank and insurance subsidiaries to the regional companies for bank, non-life and life insurance
- LFAB is the sole service provider to the regional companies



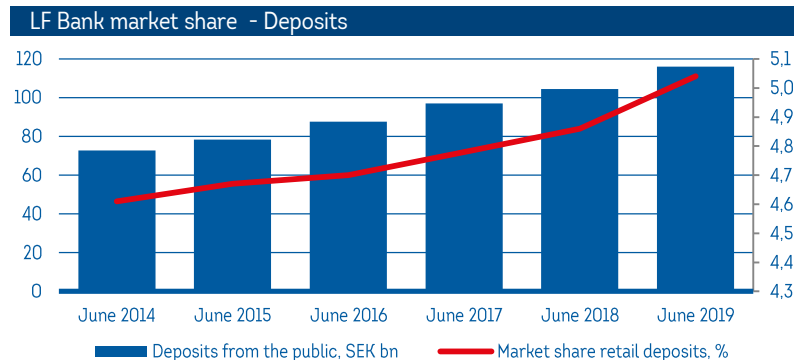
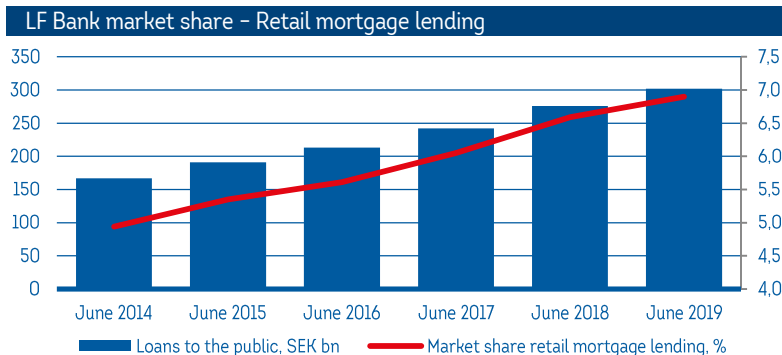
*) Refers to the credit ratings of the covered bonds.



LF Bank Group

The fifth largest retail bank in Sweden

- Full-service retail bank
- Good market coverage with distribution network of 128 branches throughout Sweden
- Low risk profile, loan portfolio consists mainly of retail mortgages, 77 percent
- The number of products per customer amount to 5
- Market shares increasing in all areas
- A/Stable from S&P and A1/Stable from Moody's



Source: Länsförsäkringar and Statistics Sweden

Strategy

Positioned to capitalise on large insurance customer base

- Large insurance customer base:
 - 3.9 m customers of which
 - 3.2 m are retail customers, and
 - 2.4 m are home insurance customers
- The mortgage offering, an entry product and a strongly integrated component of the bank offering
- Add other retail products like cards, deposits and long term savings, e.g. mutual funds. Continuous growth in products per customer
- A total of 91 percent of bank customers, with Länsförsäkringar as their primary bank, are also existing insurance customers to Länsförsäkringar
- Built on existing infrastructure, a strong brand, a large customer base, local market presence, the personal meeting and extensive digital banking services

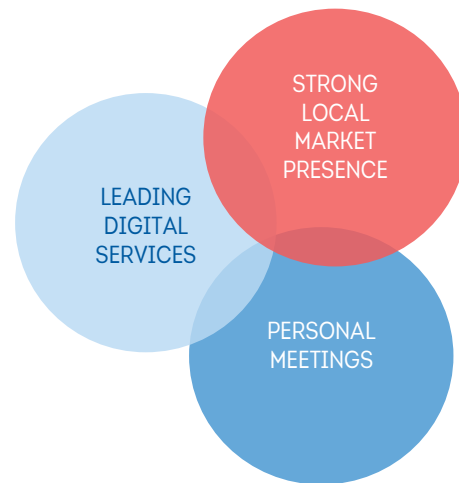
Business model

Local knowledge combined with central credit policy

- Loans are originated by the branches of the regional insurance companies
- Most of the credit decisions are taken locally
- The credit policy of LF Bank is applied
- LF Bank is paying commissions to the regional insurance companies for the business they originate
- Loan loss agreement with regional insurance companies where they cover 80% of credit losses related to business they have originated
- Strong incentive for high credit quality

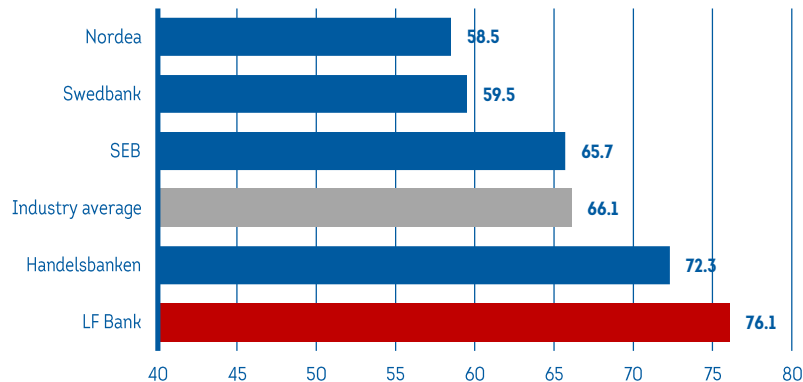
Strong customer satisfaction & leading digital banking services

- A strong local presence with focus on personal meetings combined with highly integrated digital banking services yields best in class customer satisfaction
- According to the 2018 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank is the player on the bank market with the most satisfied retail bank- and mortgage customers
- Länsförsäkringar Bank has been ranked 1st, 13 of the last 15 years in terms of the highest customer satisfaction for retail bank customers
- In March 2019, Länsförsäkringar Fondförvaltning was named Best Overall Fund House, Sweden 2019 by the global fund analyst firm Morningstar
- LF Banks mobile app was been awarded a number of prizes in recent years, amongst them as the best mobile bank at the Swedish Mobile Awards and the price for Sweden's best bank app and mobile site three consecutive years at the Web Service Awards, most recently in January 2018

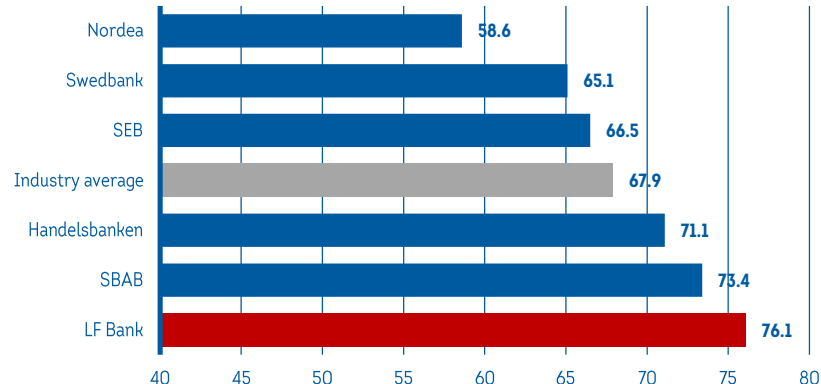


Market leading customer satisfaction

Customer satisfaction – private customers



Customer satisfaction – retail mortgage customers

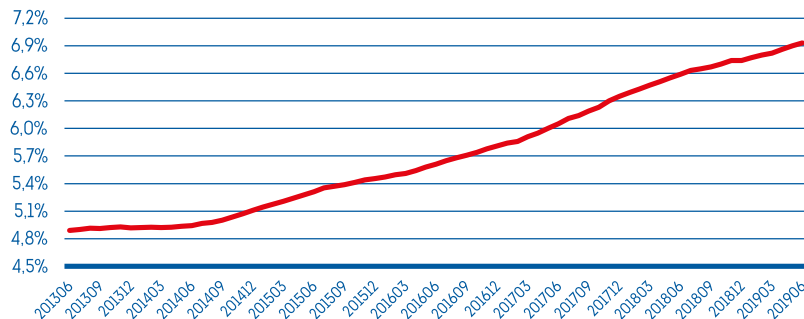


Source: 2018 Swedish Quality Index customer satisfaction survey (SKI 2018)

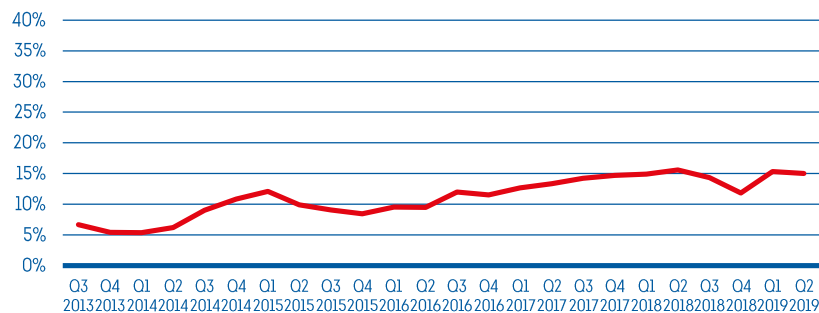
Stable mortgage market strategy

Increasing market shares with sustained high credit quality

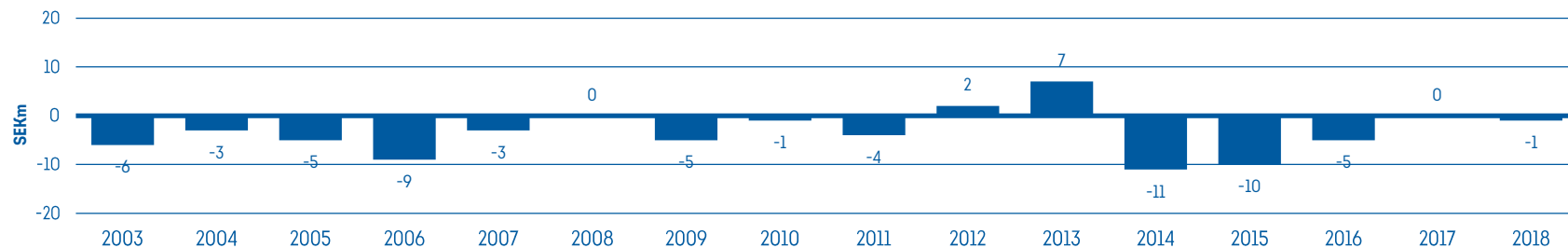
LF:s market share mortgage lending



LF:s market share new mortgage lending

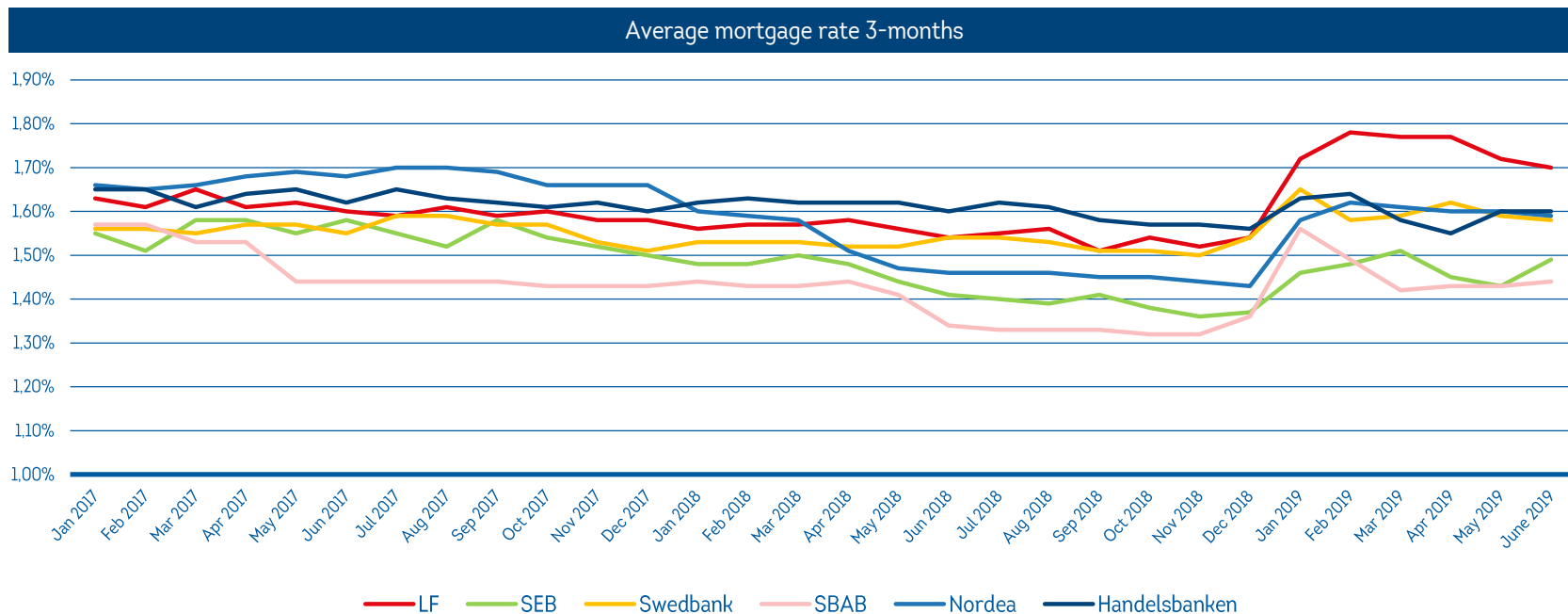


Negligible loan losses in LF Hypoteks mortgage lending since 2003



Mortgage rate comparison

Gaining market shares without being aggressive on price

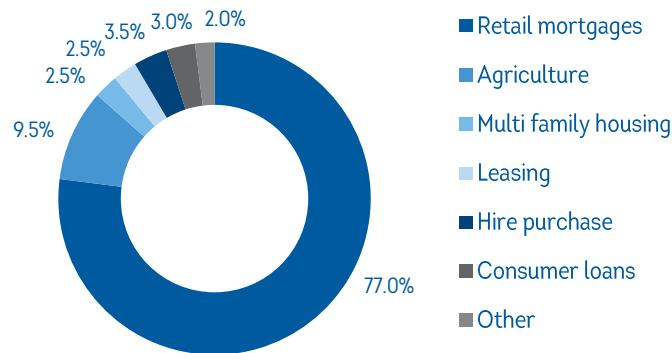


Source: Swedish FSA

Group loan portfolio, 30 June 2019

- The loan portfolio amounting to SEK 302Bn (276) has an excellent credit quality.
- Only lending in Sweden and in SEK.
- Well diversified geographical distribution within Sweden.
- The loan portfolio consists to 77 (77) percent of retail mortgage lending.
- 95% of total lending is collateralized (90 real estate and 5% other collateral).

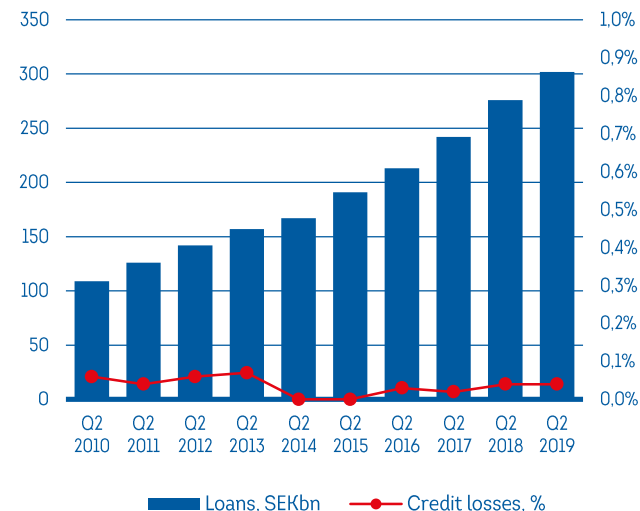
Loan portfolio



	Loans to the public (SEKbn)	Operating profit (SEKm)	Loan losses (SEKm)
<i>LF Bank</i>	46	123	2
<i>LF Hypotek</i>	233	588	-1
<i>Wasa Kredit</i>	23	170	66
	302	881	67

Excellent credit quality

SEKm	30 Jun 2018	30 Sep 2018	31 Dec 2018	31 Mar 2019	30 Jun 2019
Total lending	275,841	280,419	289,426	294,333	301,670
Credit-impaired loans (stage-3)	722	770	742	794	963
Total loss allowance pertained to credit-impaired loan receivables, including withheld remuneration to the regional insurance companies (stage-3)	263	270	275	291	335
<i>of which loss allowance pertained to credit-impaired loan receivables (stage-3)</i>	215	235	242	254	285
<i>of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)</i>	48	35	33	37	51
Total reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, %	36.5%	35.1%	37.0%	36.7%	34.8%
Credit loss level, %	0.04%	0.03%	0.04%	0.04%	0.04%





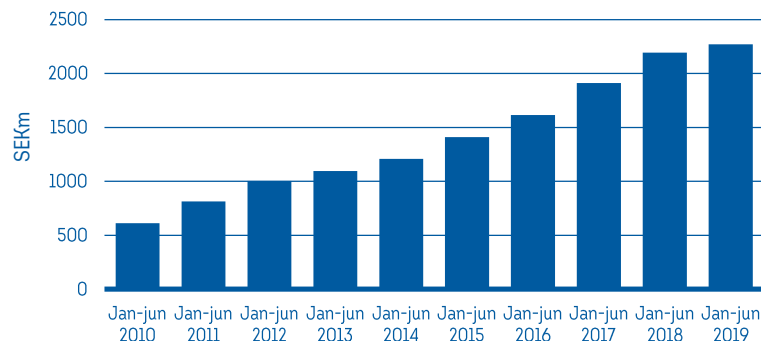
Q2 2019 Results

Income statement

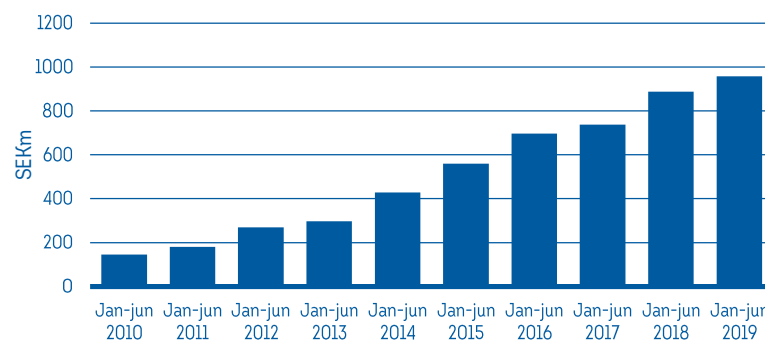
SEKm	Jan – Jun 2019	Jan – Jun 2018	Change
Net interest income	2,272	2,193	4%
Net commissions	-323	-414	-22%
Net gains/losses	-9	24	-
Other income	20	8	-
Total operating income	1,960	1,811	8%
Staff costs	-331	-299	11%
Other expenses	-529	-519	2%
Depreciation/amortisation	-74	-56	32%
Total operating expenses	-934	-874	7%
Profit before loan losses	1,027	937	10%
Loan losses	-69	-49	41%
Operating profit	958	888	8%

Net interest income development & profitability

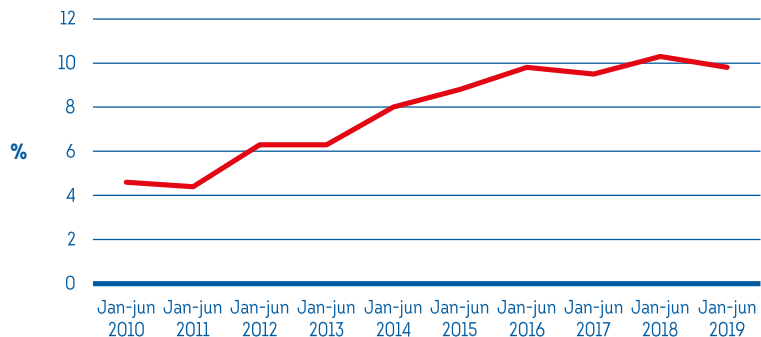
Net interest income



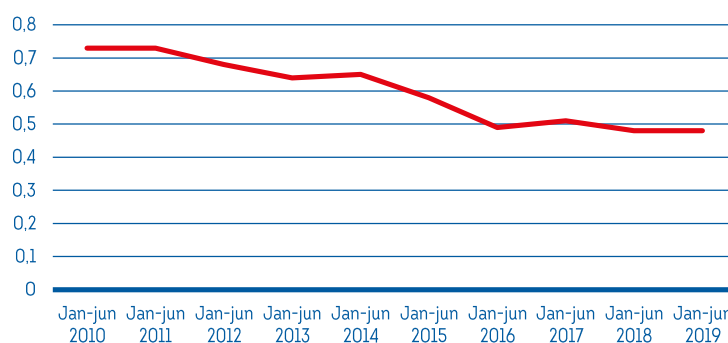
Operating profit



Return on equity



Cost/Income ratio

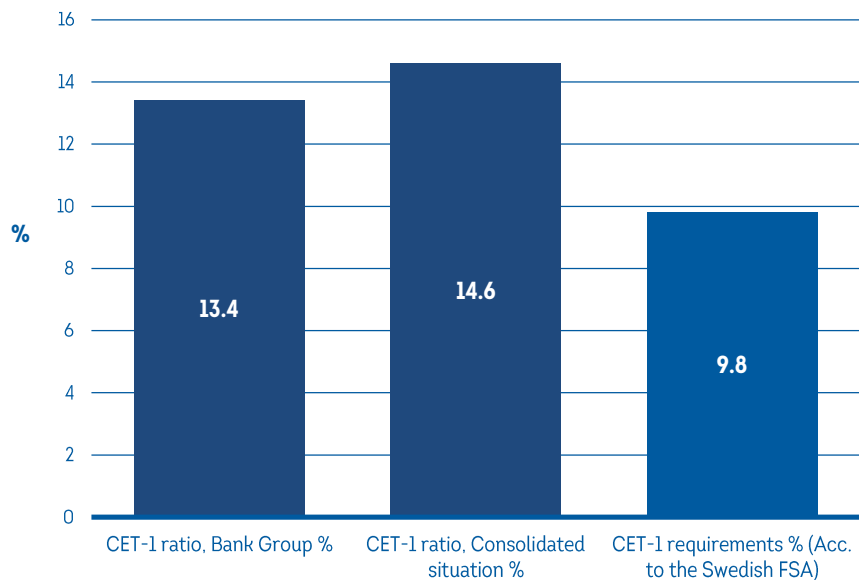




Capital Adequacy & Rating

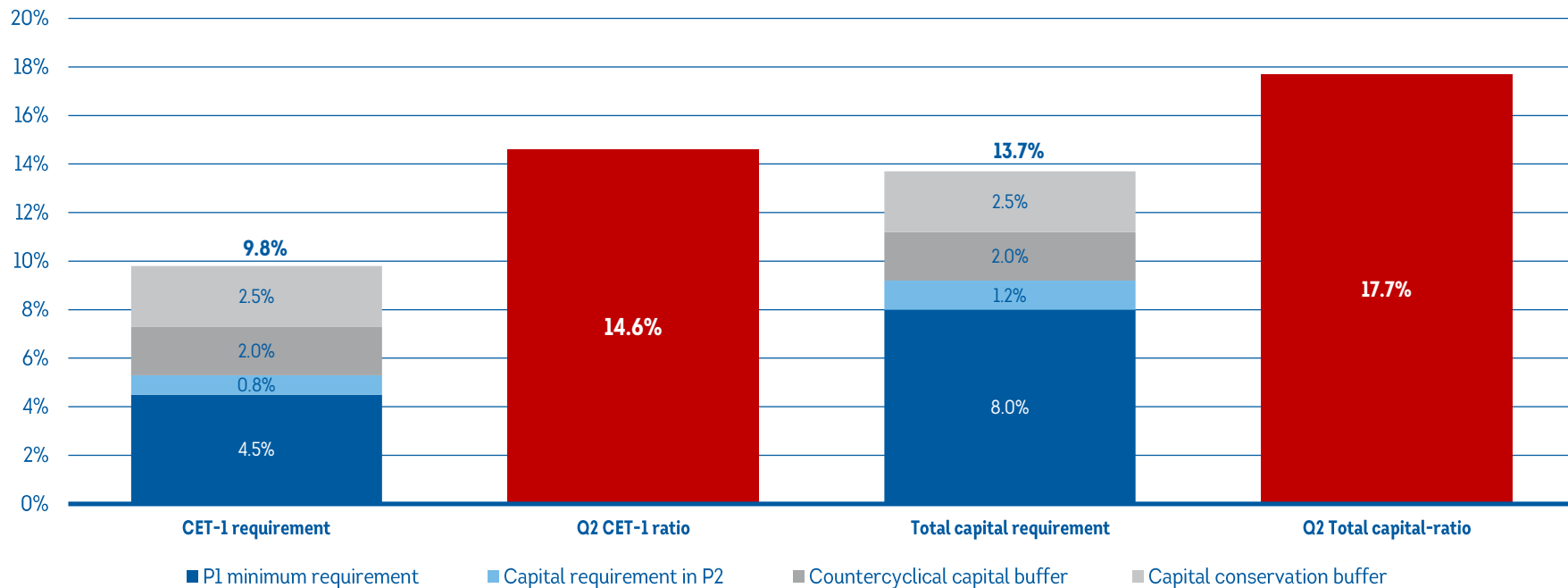
Capital position, Q2 2019

CET-1



Capital adequacy	30 June 2019	31 March 2019
Bank group		
Core tier 1 ratio, %	13.4	13.9
Tier 1 ratio, %	15.6	15.1
Capital adequacy, %	18.1	17.7
Consolidated situation		
Core tier 1 ratio, %	14.6	15.0
Tier 1 ratio, %	16.0	15.8
Capital adequacy, %	17.7	17.6
Leverage ratio %	4.9	4.7

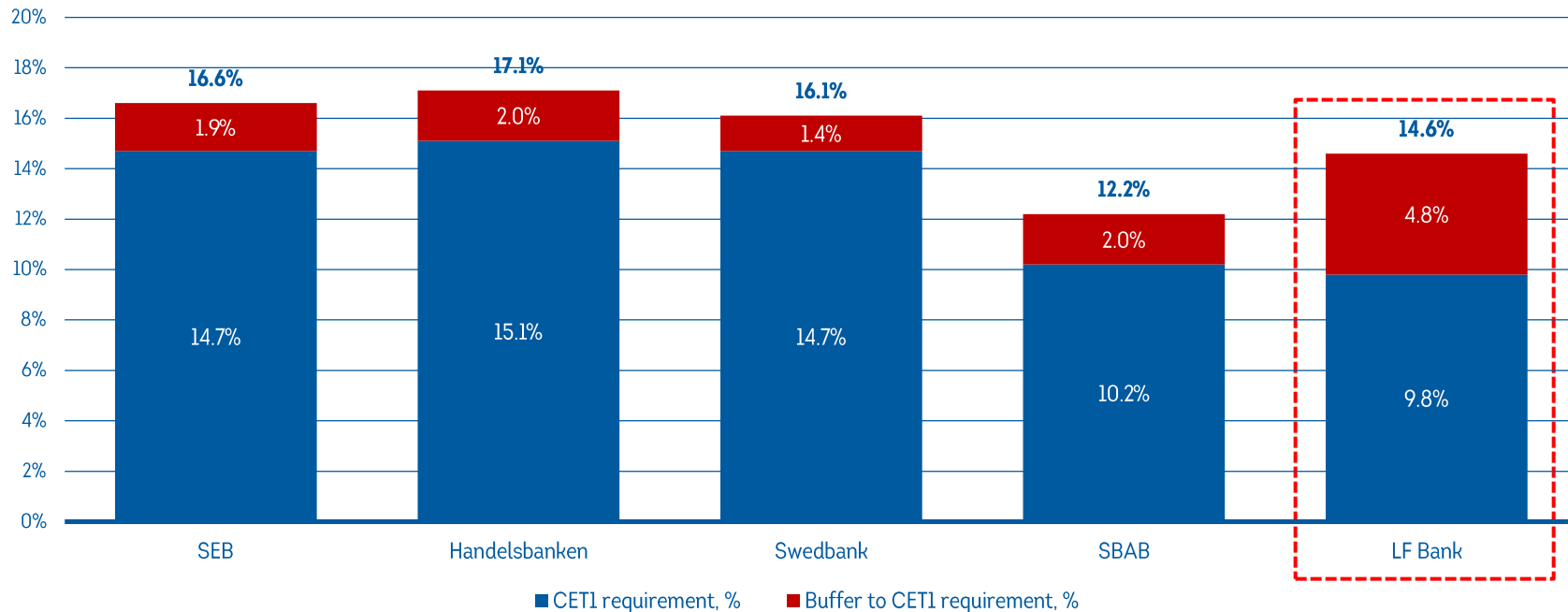
Composition of Länsförsäkringar Bank's CET1 and total capital ratio requirements Q2 2019



Source: Länsförsäkringar Bank AB

CET1 requirements for Swedish Banks, Q2 2019

LF Bank operates with the largest buffer to the CET1 requirement compared to its main peers following the move of the risk weight floor from Pillar 1 to Pillar 2



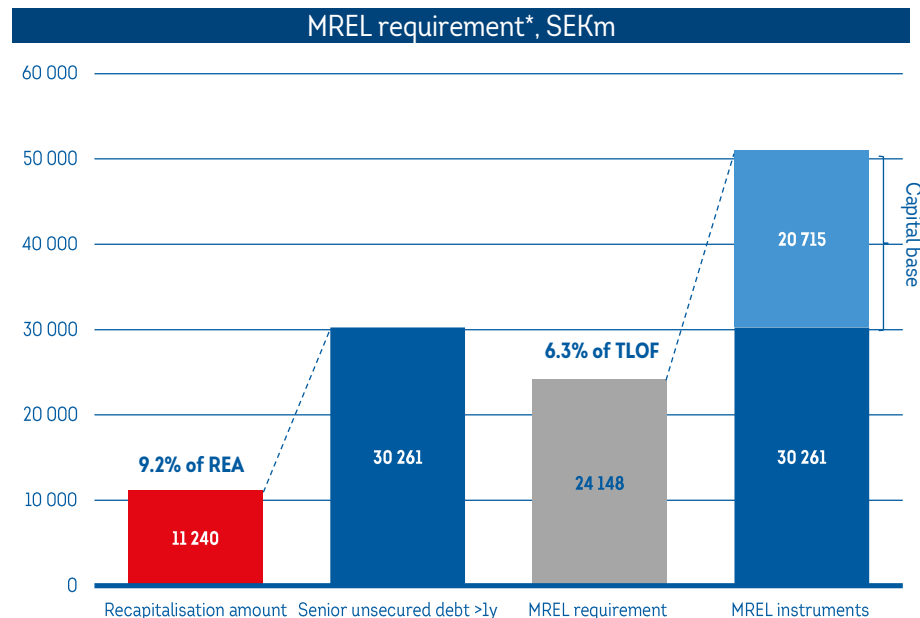
Source: Länsförsäkringar Bank AB; Swedish FSA, Capital requirements for the Swedish banks, Q2 2019

MREL-requirement Q2 2019

- In June 2018 SNDO decided that the subordination requirement shall also apply to the six medium-sized institutions that are critical for the financial system
- Phase in period for subordinated MREL-debt, senior non preferred, until end of 2021
- Requirements for 2019 decided by SNDO in Dec 2018
 - MREL requirement of 6.3% of Total Liabilities and Own Funds (TLOF), divided in a loss absorption amount and a recapitalisation amount (RCA)
 - RCA needs to be covered by senior non preferred debt from end 2021
 - RCA equals total capital requirements less combined buffers and amounts SEK 11.2 bn as of Q2 2019
 - Existing senior unsecured debt with remaining maturity exceeding one year will be eligible until end of 2021
- Balance sheet growth will add to the requirement
- Need for a buffer on top of the requirement
- Implementation of BRRD2 could have an impact on future needs for senior non preferred

MREL-requirement and expected SNP need

- Expected total need of senior non preferred (requirement + buffer) of approximately SEK 14-15 bn by end of 2021
- The layer of senior non preferred will be gradually build up
- Expected to replace around one third of existing senior unsecured
- Main focus on the SEK market



* Based on balance sheet as per 2019-06-30

Rating overview

Senior Unsecured Rating - Länsförsäkringar Bank		
S&P Global Ratings	A	Stable Outlook
MOODY'S INVESTORS SERVICE	A1	Stable Outlook

MOODY'S INVESTORS SERVICE		S&P Global Ratings	
Investment Grade	Aaa	AAA	
	Aa1	AA+	
	Aa2	AA	
	Aa3	AA-	
	A1	A+	
	A2	A	<i>Snr. Pref</i>
	A3	A-	<i>SNP</i>
	Baa1*	BBB+	<i>T2</i>
	Baa2	BBB	
	Baa3	BBB-	<i>AT1</i>
Non Investment Grade	Ba1	BB+	
	Ba2	BB	
	[...]	[...]	

* Expected rating (LF Bank assumption)

Expected rating vs. peers

MOODY'S
INVESTORS SERVICE

	Adjusted Financial Profile	Qualitative Adjustments	Resulting BCA Change	Assigned BCA	Affiliate Support	Adjusted BCA	SNP Adjustments	SNP Rating
Danske Bank	baa2	-	baa1-baa3	baa1	-	baa1	-1	baa2
Nykredit	a2	-1	a2-baa1	baa1	-	baa1	n/a	n/a
Nordea	a3	-	a2-baa1	a3	-	a3	-1	baa1
SEB	a3	-	a2-baa1	a3	-	a3	n/a	n/a
Handelsbanken	a3	+1	a1-a3	a2	-	a2	-1	a3
Swedbank	a3	-	a2-baa1	a3	-	a3	n/a	n/a
SBAB!	a3	-1	a3-baa1	baa1	-	baa1	-1	baa2
Länsförsäkringar	a3	-	a2-baa1	a3	-	a3	-1	baa1*

* Expected rating (LF Bank assumption)

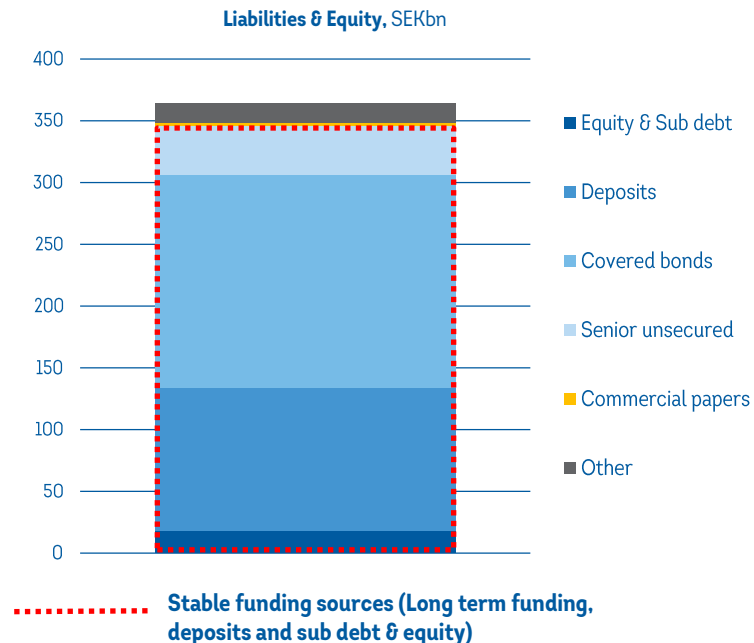
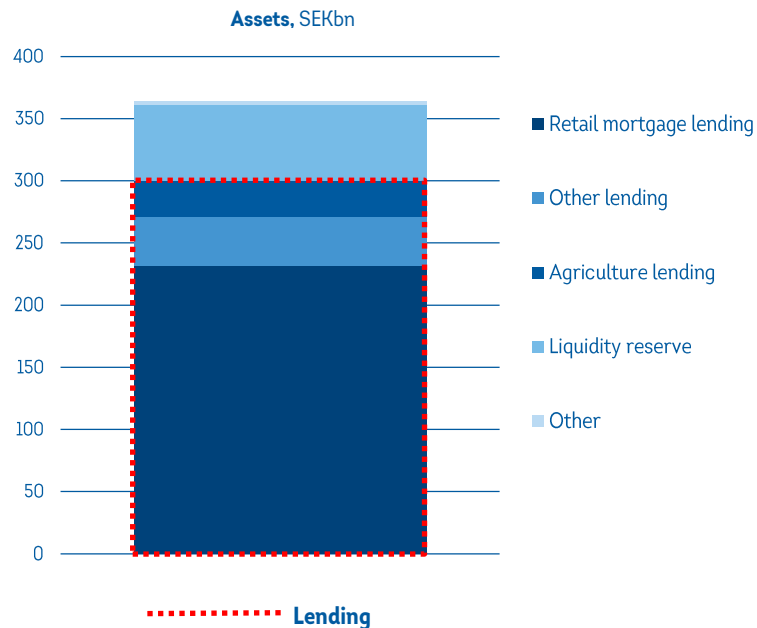
S&P Global
Ratings

	Anchor	Business Position	Capital & Earnings	Risk Position	Funding & Liquidity	SACP	SNP Adjustments	SNP Rating
Danske Bank	bbb+	Strong (+1)	Strong (+1)	Moderate (-1)	Avg/adequate (0)	a-	-1	BBB+
Nykredit	bbb+	Adequate (0)	Strong (+1)	Adequate (0)	Avg/adequate (0)	a-	-1	BBB+
Nordea	a-	Strong (+1)	Strong (+1)	Adequate (0)	Avg/adequate (0)	a+	-1	A
SEB	a-	Adequate (0)	Strong (+1)	Adequate (0)	Avg/adequate (0)	a	n/a	n/a
Handelsbanken	a-	Strong (+1)	Adequate (0)	Strong (+1)	Avg/adequate (0)	a+	-1	A
Swedbank	a-	Strong (+1)	Strong (+1)	Adequate (0)	Avg/adequate (0)	a+	n/a	n/a
SBAB!	a-	Moderate (-1)	Strong (+1)	Adequate (0)	Avg/adequate (0)	a-	-1	BBB+
Länsförsäkringar	a-	Moderate (-1)	Strong (+1)	Adequate (0)	Avg/adequate (0)	a-	-	A-



Funding & Liquidity

Balance sheet structure, 30 June 2019



Funding strategy

- Funding and liquidity managed from a survival horizon perspective
- Low internal risk tolerance
- Deposits and covered bonds main funding sources given business mix
- Senior unsecured debt important tool to maintain sufficient cover pool OC and to finance liquidity reserve
- Sound mix of instruments (Senior/Covered)
- No structural need for funding in foreign currency
- Diversification of funding markets
 - Regular issuer in the Euro benchmark covered bond market
 - Building a EUR-benchmark senior unsecured curve
 - Active in CHF, NOK, USD & GBP markets
- Liquid domestic covered bond curve
 - ➡ Tap issuance
 - ➡ Ensures market access

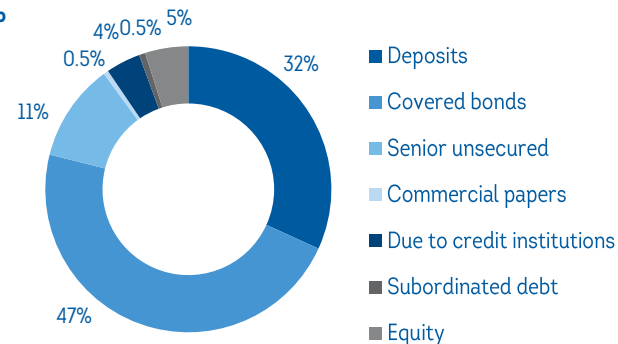
Funding Q2, 2019

Issued volumes during H1-2019:

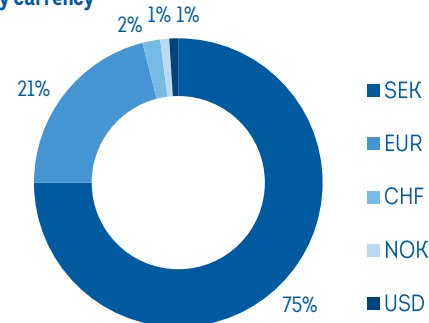
- Senior unsecured: SEK 3.9 bn
- Covered bonds: SEK 20.9 bn
(including 7Y EUR 500m and new Sw. covered bond, LFH519)

SEKbn	30 June 2019	30 June 2018
Deposits	115.9	104.4
Covered bonds	171.6	154.8
Senior unsecured	40.3	34.4
Commercial papers	2.0	0.2
Liabilities to credit institutions	14.2	9.9
Sub debt	2.6	2.6
Equity	17.8	15.7
Total	364.4	322.0

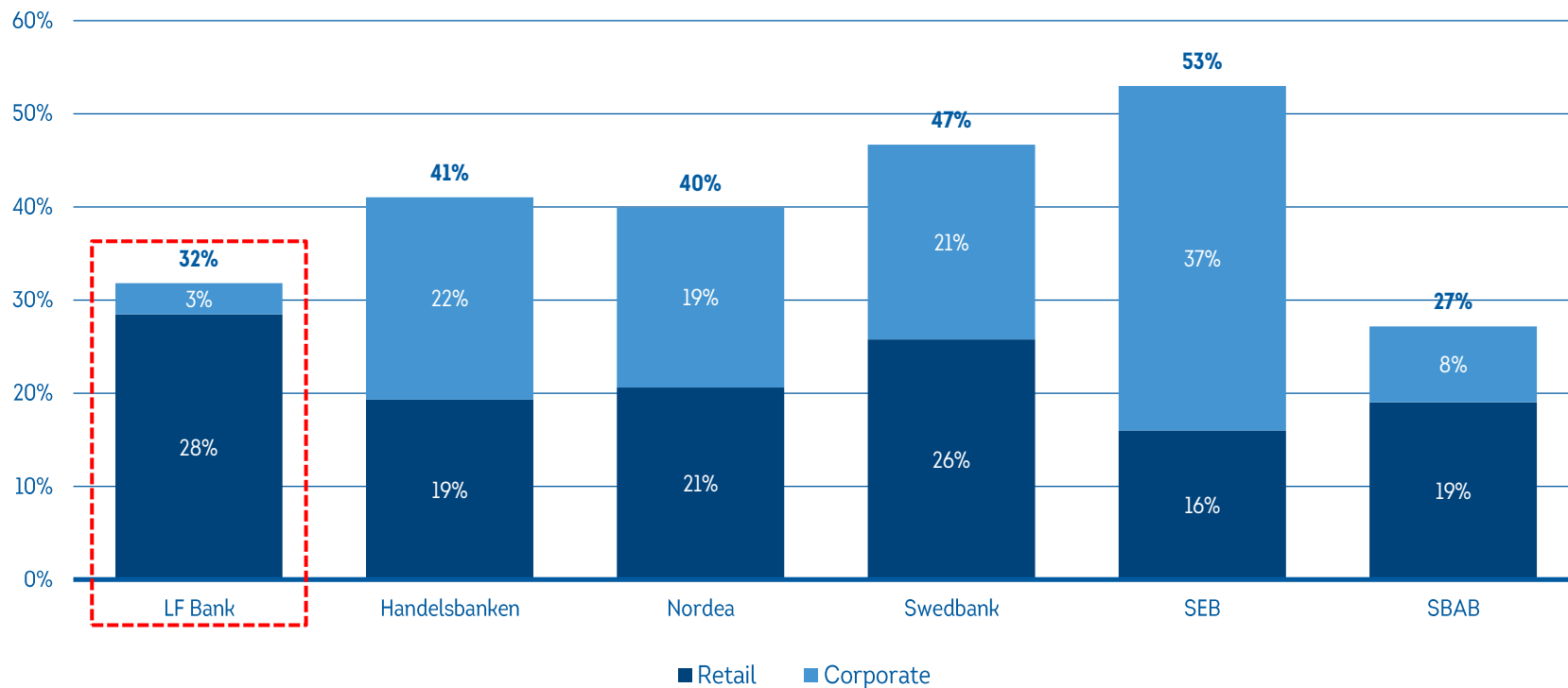
Funding portfolio



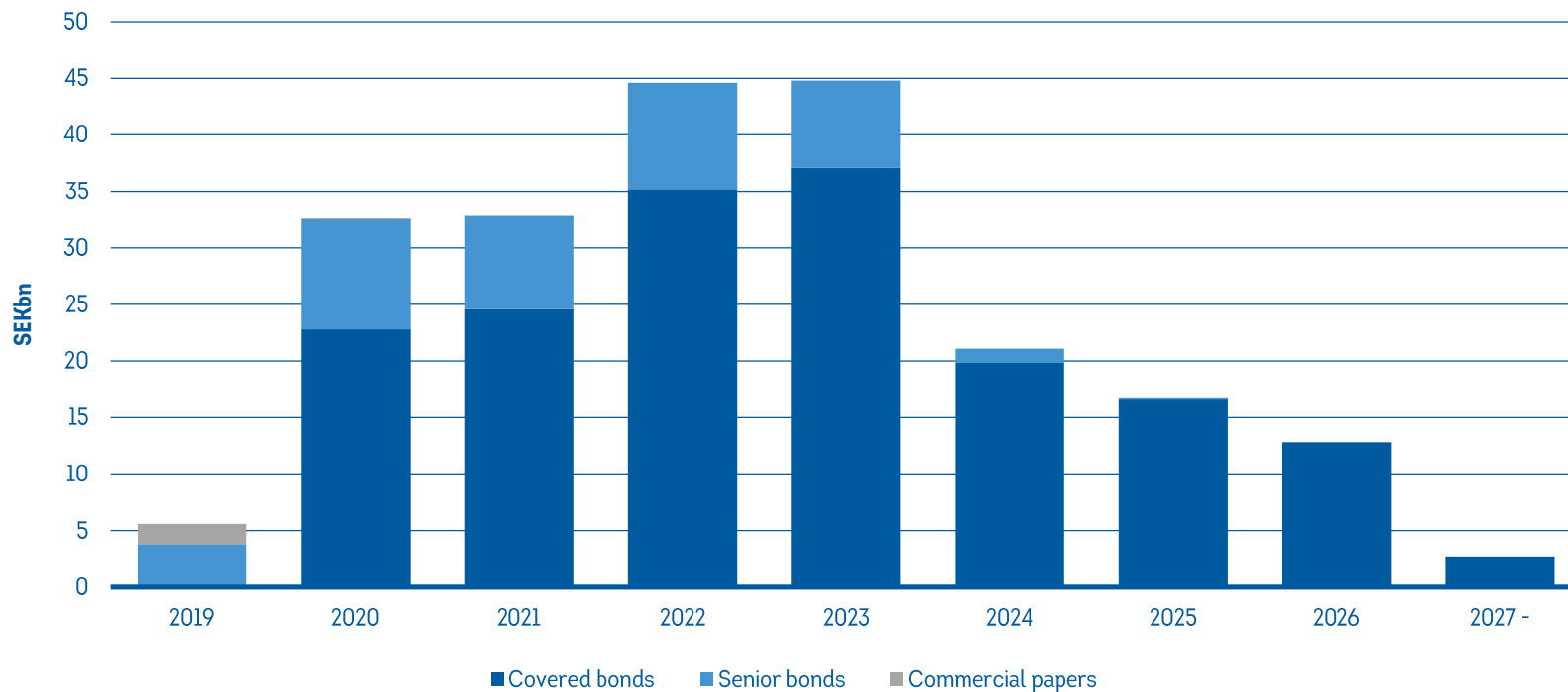
Funding sources by currency



Deposit share of funding sources by segment, Q2 2019

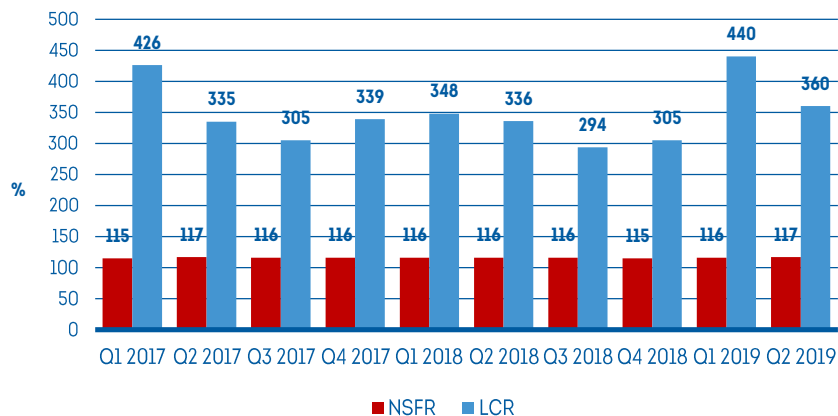


Maturity profile, 30 June 2019

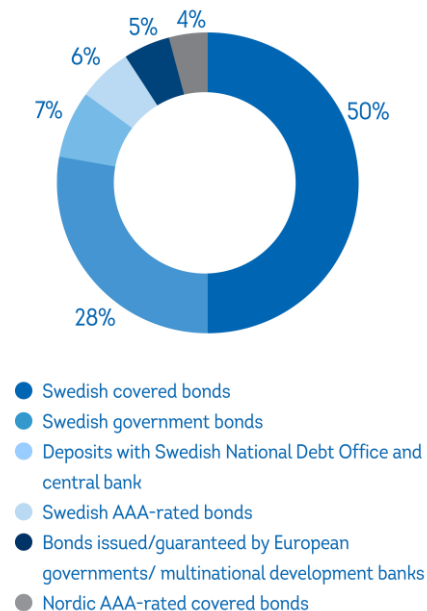


Liquidity Reserve

- Total SEK 61 bn
- Comprises 99% AAA-rated bonds
- Riksbank and/or ECB eligible
- 96% SEK
- Survival horizon over 3 years
- LCR 360%
- NSFR 117%



Liquidity reserve



Summary of Terms and Conditions

Terms & Conditions	
Issuer	Länsförsäkringar Bank AB (publ)
Expected issue rating	Baa1 / A- by Moody's and S&P
Currency	SEK
Size	Benchmark size
Maturity	5 year, fixed and/or floating
Status	Senior Non-Preferred Notes
Interest rate	[TBD]% or 3mS+[TBD], payable [annually/quarterly] in arrear on [TBD] in each year/quarter
Redemption	100.00% of the Nominal Amount
Early Redemption	Call option if certain events occur, e.g. an Eligible Liabilities Event (please refer to 6 (I) in the T&C's in Base Prospectus)
Substitution and Variation	The terms may be substituted or varied if certain events occur, e.g. an Eligible Liabilities Event, or to ensure the effectiveness and enforceability of the contractual recognition of Swedish statutory bail-in powers
Statutory Bail-In	Noteholders will be bound by the exercise of any Bail-in Power by the Swedish National Debt Office and accept that rights may be varied
Listing	Luxembourg Stock Exchange
Documentation	€3bn EMTN programme, updated 14 June 2019
Governing Law	English law, except law for status governed by the Kingdom of Sweden
Target market	Eligible counterparties and professional clients only
Denomination	SEK 2 million + 1 million

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