

Länsförsäkringar Bank

Credit Update, Q4 2020



Länsförsäkringar Bank in short (31 December 2021)

Fifth largest retail bank in Sweden –
part of the LF Alliance consisting of 23 regional mutual insurance companies (the first founded in 1801)

Full service retail bank –
7.1% market share
mortgages & **5.3%** deposits

Strong local presence –
Distribution network of **128**
branches across Sweden

100% domestic business –
All lending in Sweden and in
SEK

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

Lending: SEK **340**bn *Growth YoY: 11%*

ROE: **8.5 %**

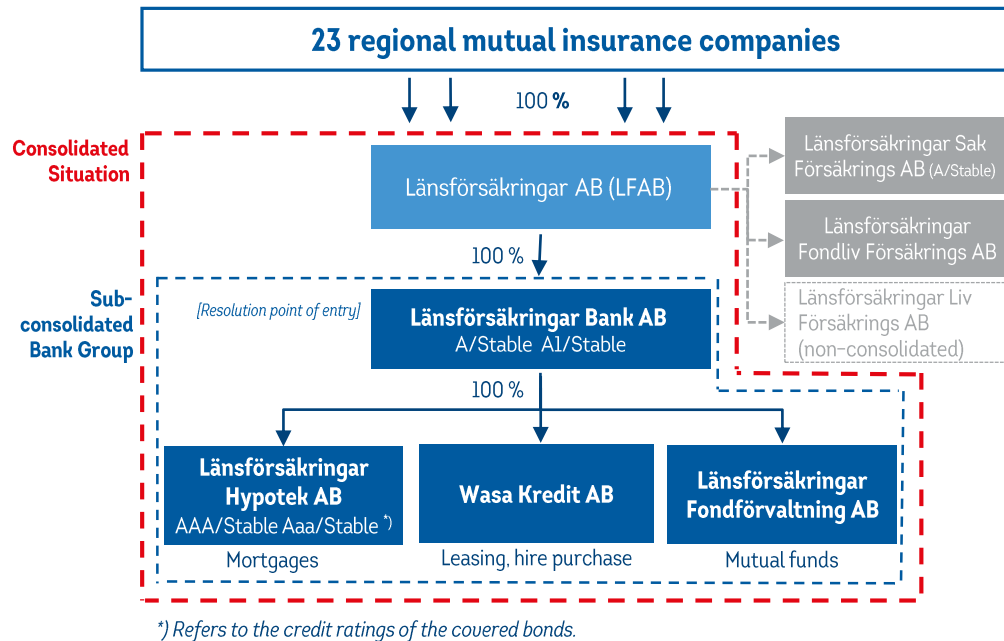
Deposits: SEK **136**bn *Growth YoY: 14%*

CET1 ratio: **16.7 %**

NSFR: **129 %**

Fund volume: SEK **253**bn *Growth YoY: 10%*

Credit loss
level: **0.09 %**



The year in brief

- The end of 2020 was characterized by increased spreading of Covid-19 and renewed protective measures
- At the same time, the roll out of the vaccine programmes is creating optimism with rising asset prices
- Continued focus on supporting our customers
- Sustained market leading customer satisfaction for retail bank customers (according to SKI 2020)
- Good development of the banking business during the year with normal business volume growth
- Less negative macro outlook has contributed to continued low credit losses during Q4
- Solid financial position - strong liquidity and capitalization
- Länsförsäkringar's business model with a clear local profile combined with a strong digital offering makes us well-positioned

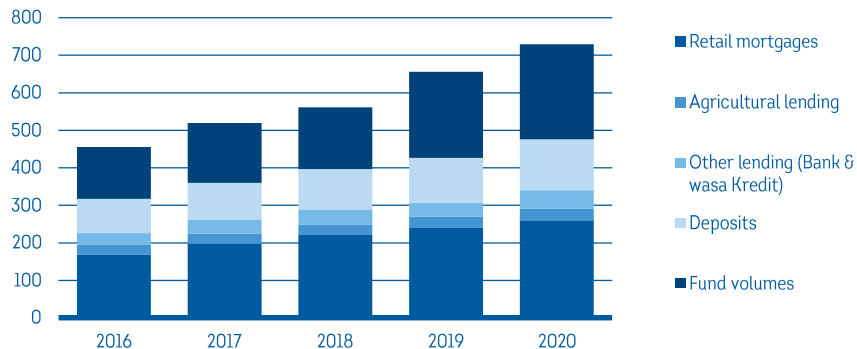
Highlights January – December 2020

- Operating profit amounted to SEK 1,844 M (1,893) and the return on equity amounted to 8.5% (9.5).
- Net interest income rose 5% to SEK 4,845 M (4,617).
- Operating income increased 6% to SEK 4,278 M (4,027). Operating expenses amounted to SEK 2,109 M (1,926).
- Credit losses amounted to SEK 325.5 M (207.2), net, corresponding to a credit loss level of 0.09% (0.06).
- Business volumes increased 11% to SEK 729.4 billion (656.0).
- Deposits rose 14% to SEK 136.4 billion (119.3). Lending increased 11% to SEK 340.0 billion (307.1).
- Fund volume increased 10% to SEK 253.0 billion (229.6).
- Since the third quarter, Länsförsäkringar Bank and its subsidiaries are subject to consolidation at the sub-group level (sub-consolidated basis).
- The Common Equity Tier 1 capital ratio for the Consolidated Situation on 31 December 2020 amounted to 16.7% (16.4*) and for the Bank Group to 14.9% (14.3*).
- The number of customers with Länsförsäkringar as their primary bank increased 6% to 586,000 (553,000).
- According to the 2020 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank remains the leading player in terms of customer satisfaction among retail customers.
- Länsförsäkringar Bank converted issued debit and credit cards to Mastercard during the year.

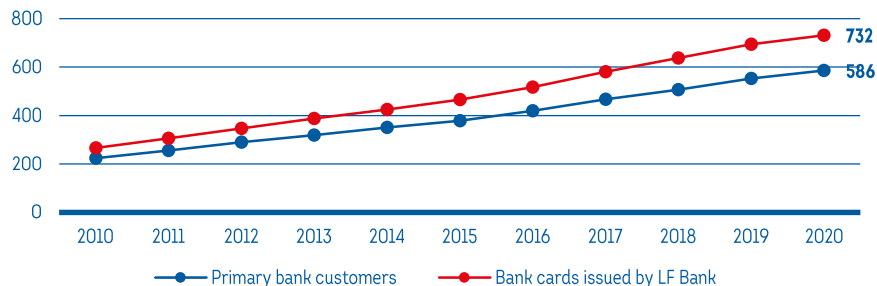
*Figures in parentheses pertain to the same period in 2019. * Pertains to 30 September 2020.*

Market position

Business volumes, SEKbn



Number of customers and cards, 000's



SEKbn	31 Dec 2020	31 Dec 2019	Change
Business volumes	729	656	11%
Retail mortgage lending, LF Hypotek	260	240	8%
Agricultural lending	31,5	29,8	6%
Other lending	49	37	32%
Market share retail mortgage lending % ¹⁾	7,1%	7,0%	0,1
Deposits	136	119	14%
Market share deposits,% ¹⁾	5,3%	5,1%	0,2
Fund volume	253	230	10%

¹⁾ According to data from Statistics Sweden

Income statement 2020

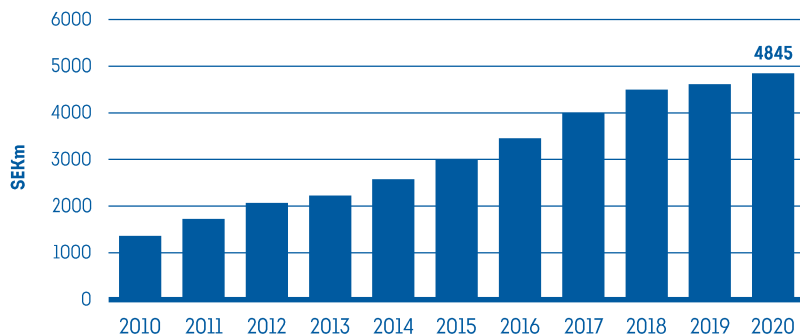
SEKm	2020	2019	Change
Net interest income	4,845	4,617	5%
<i>Underlying net commissions</i>	<i>1,028</i>	<i>977</i>	<i>5%</i>
<i>Remuneration to regional insurance companies</i>	<i>-1,587</i>	<i>-1,613</i>	<i>-2%</i>
Net commissions	-559	-636	-12%
Net gains/losses	-28	15	-
Other income	20	33	-39%
Total operating income	4,278	4,027	6%
Staff costs	-636	-640	-1%
Other expenses	-1,266	-1,115	14%
Depreciation/amortisation	-207	-171	21%
Total operating expenses	-2,109	-1,926	9%
Profit before loan losses	2,169	2,101	3%
Loan losses	-326	-207	57%
Operating profit	1,844	1,894	-3%

Stable quarterly development

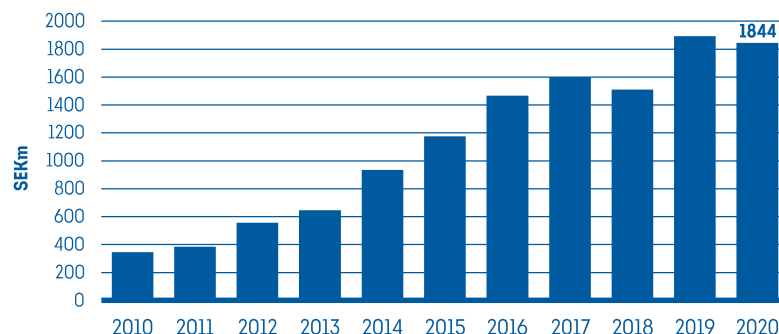
SEKm	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Net interest income	1,222	1,201	1,213	1,210	1,169
Net commissions	-127	-173	-141	-117	-126
Net gains/losses	-16	15	-15	-13	18
Other income	4	5	5	7	4
Total operating income	1,083	1,047	1,061	1,087	1,066
Staff costs	-155	-146	-171	-165	-163
Other expenses	-364	-303	-297	-302	-313
Depreciation/amortisation	-50	-52	-52	-53	-52
Total operating expenses	-569	-501	-521	-519	-528
Profit before loan losses	514	547	541	568	538
Loan losses	-55	-38	-120	-112	-81
Operating profit	457	479	465	493	200

Net interest income development & profitability

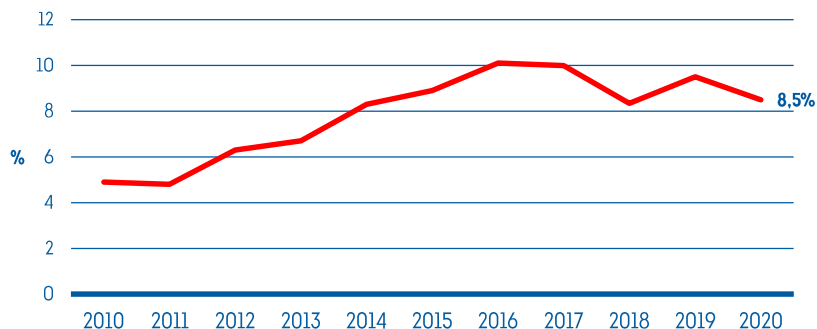
Net interest income



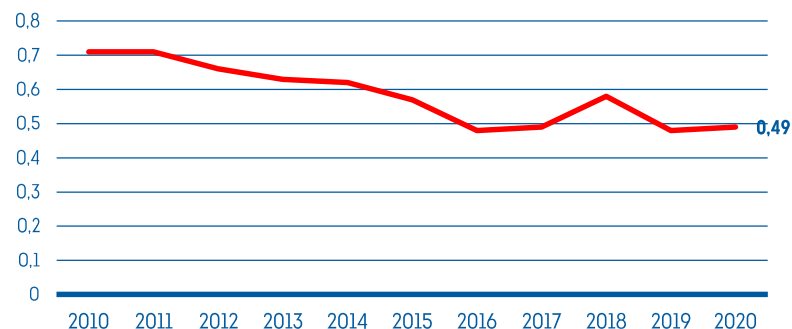
Operating profit



Return on equity



Cost/income-ratio



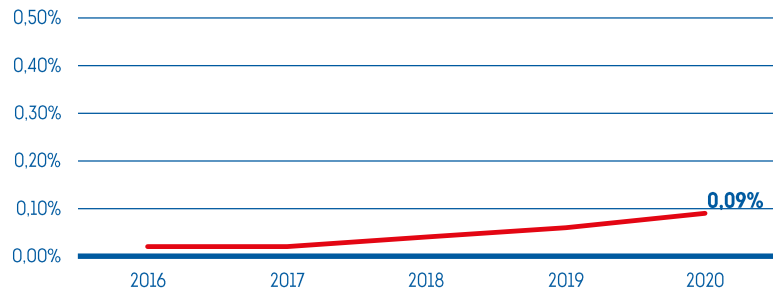
Balance sheet

SEKm	31 Dec 2020	31 Dec 2019	Change
Treasury bills & cash	11,848	19,765	-40%
Loans to credit institutions	2,557	408	-
Loans to the public	340,007	307,099	11%
Bonds and other interest-bearing securities	46,823	42,673	10%
Derivatives	5,414	8,224	-34%
Other asset items	2,962	2,527	17%
Total assets	409,611	380,696	8%
Due to credit institutions	7,403	6,565	13%
Deposits from the public	136,388	119,304	14%
Debt securities in issues	236,138	227,616	4%
Derivatives	1,020	479	-
Other liabilities	6,234	5,658	10%
Subordinated liabilities	2,598	2,595	0%
Equity	19,830	18,479	7%
Total Liabilities & Equity	409,611	380,696	8%

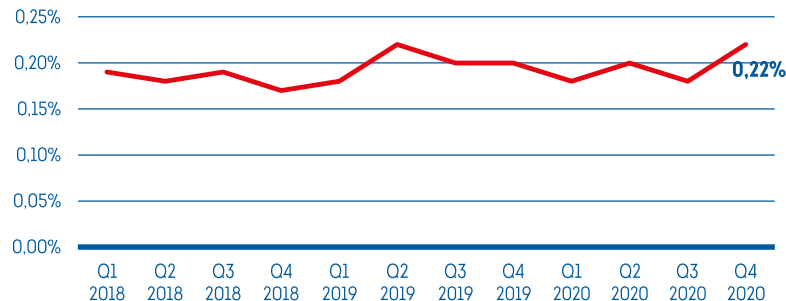
Continued high credit quality

- Loan portfolio only marginally affected by Covid-19
- Minor changes in the macroeconomic scenarios used in the model for calculating expected credit losses in Q4
- Expected loan losses mainly related to Wasa Kredit
- New EBA default definition implemented in Q4
- Credit losses clearly lower in H2 compared to H1
 - SEK 93m during H2 compared to SEK 232m in H1
- Share of credit-impaired loans amounts to 0.22%
- Credit loss level for 2020 amounts to 0.09%
- Uncertainty regarding the macro economic development remains

Credit loss level



Share of credit-impaired loan receivables (stage 3)

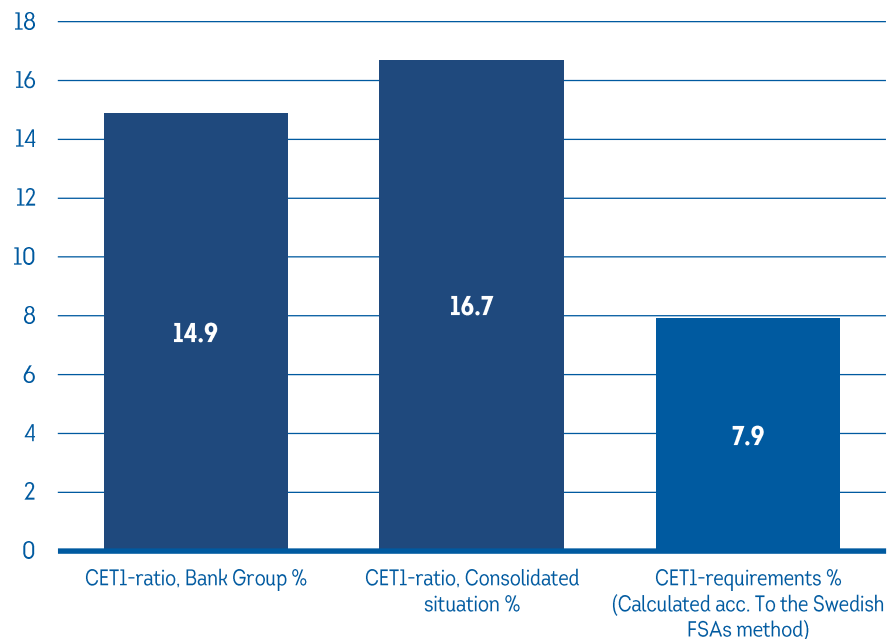


Capital adequacy, Q4 2020

- As of the third quarter 2020, Länsförsäkringar Bank and its subsidiaries are subject to consolidation at the sub-group level (sub-consolidated basis).
- Capital requirements for both the consolidated situation as well as the subgroup
- Better efficiency of externally issued capital instruments
- Issue of a new AT1 instrument of SEK 1.2 billion during Q4
- The Bank's parent company, Länsförsäkringar AB (LFAB), announced in September that the possibilities for a merger between LFAB and LF SAK are being investigated
 - The merger would mean that LF Bank's consolidated situation would consist of the Banking Group (ie identical to the subgroup)
 - The merger would also bring about that externally issued capital instruments by LF Bank would be fully accountable

Capital ratios, Q4 2020

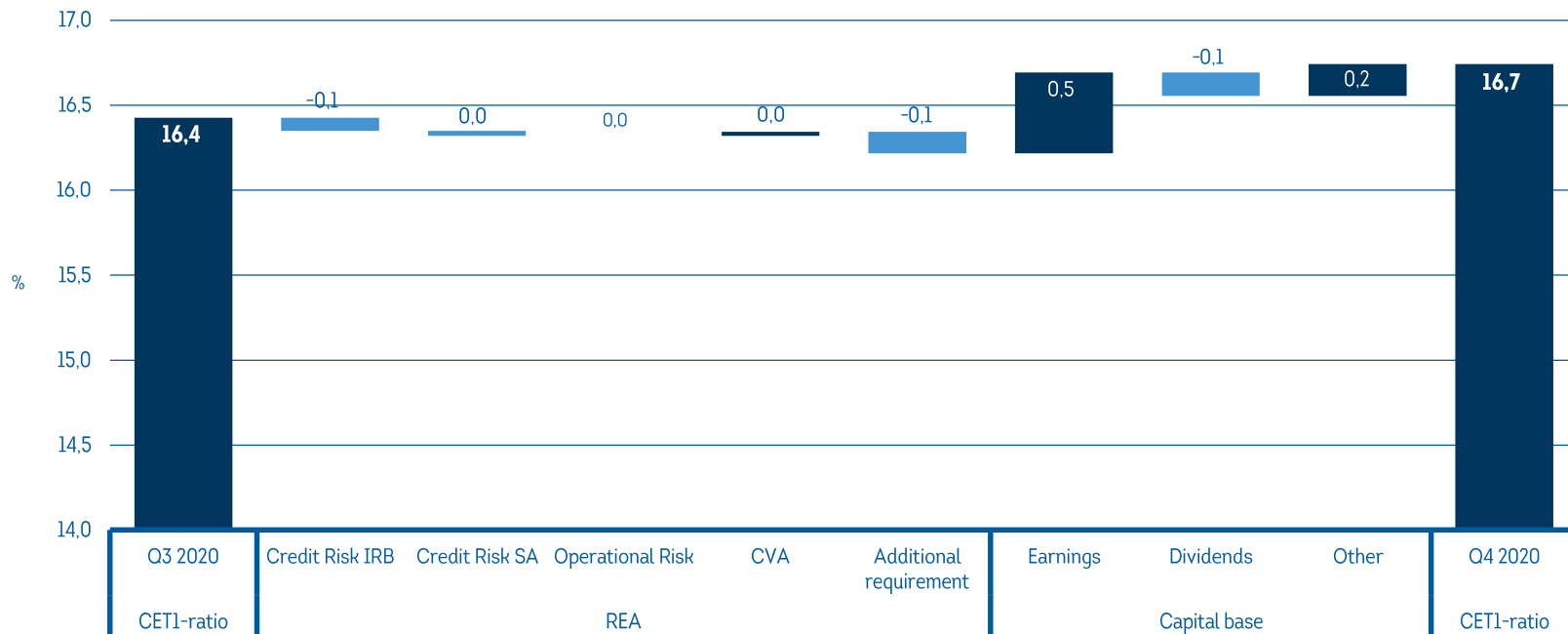
CET-1, %



Capital adequacy	31 Dec 2020	30 Sep 2020
Bank group		
Core tier 1 ratio, %	14.9	14.3
Tier 1 ratio, %	16.9	15.2
Capital adequacy, %	19.3	17.6
Leverage ratio %	4.4	3.9
Consolidated situation		
Core tier 1 ratio, %	16.7	16.4
Tier 1 ratio, %	17.7	17.0
Capital adequacy, %	19.1	18.4
Leverage ratio %	5.3	5.0

CET1-ratio development

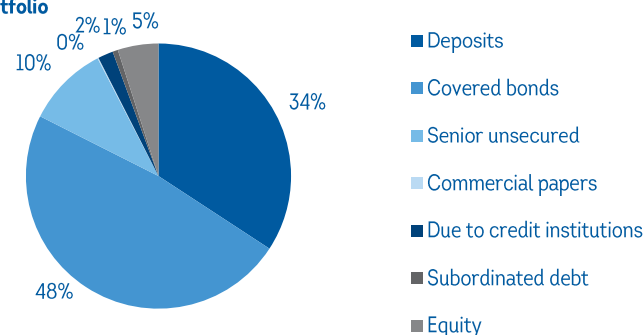
CET1 contribution by component – consolidated situation



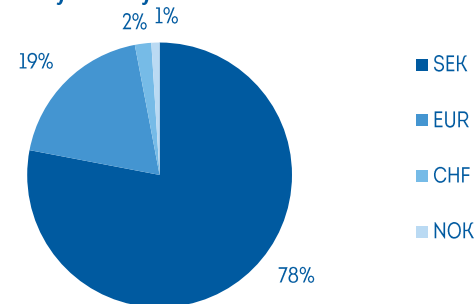
Funding, Q4 2020

- Strong deposit development during 2020 contributed to lower funding requirements during the year
- Focus on the domestic Swedish covered bond market
- No Euro-benchmark covered bond issued during 2020
- Senior preferred volumes issued mainly in Q1 and Q4
- New issues of bench-mark bonds during 2020:
 - *LFH 520, with maturity in September 2027 issued in August*
 - *5Y Euro-senior bench-mark bond issued in February*
- During the year, a volume of SEK 11.0 bn of senior preferred and SEK 38.1 bn of covered bonds respectively have been issued
- There have been no issuances of senior non-preferred during the year due to the extended phase-in period

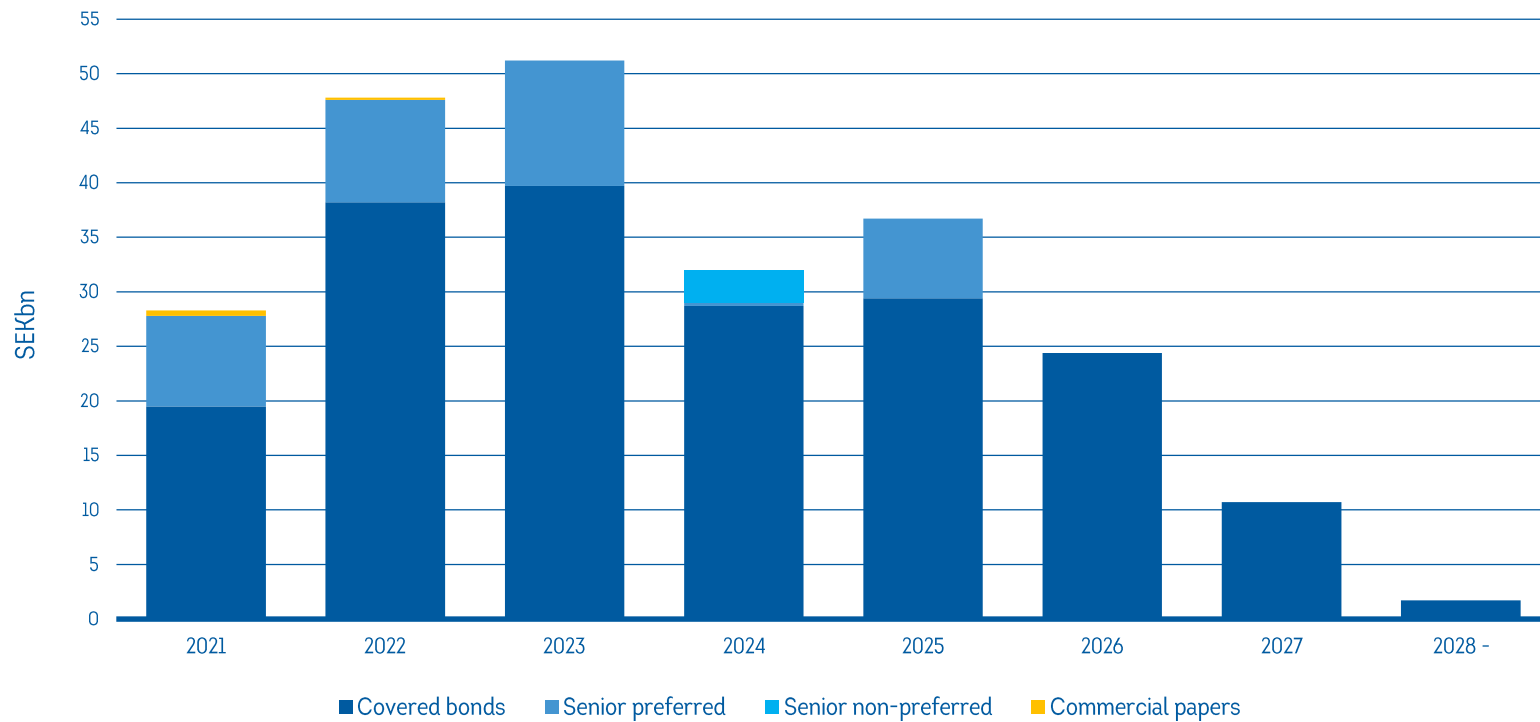
Funding portfolio



Funding sources by currency

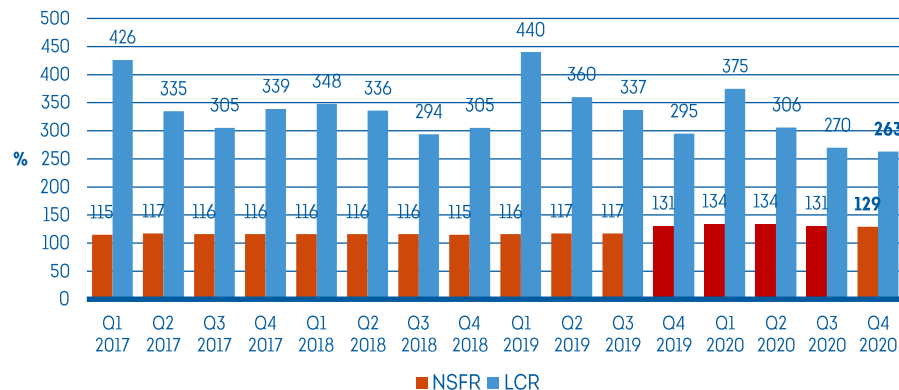


Maturity profile, 31 December 2020



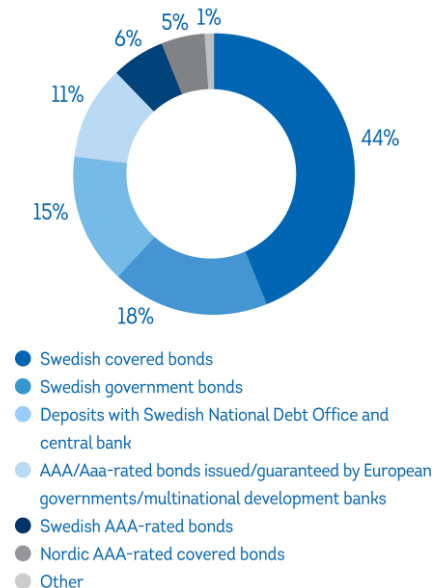
Liquidity Reserve

- Total SEK 64 bn
- Comprises 99% AAA-rated bonds
- Riksbank and/or ECB eligible
- 95% SEK
- Survival horizon of two years
- LCR 263%
- NSFR 129% *



* As of 31 December 2019 the calculation is based on the application of the regulatory requirements according to the upcoming update of the Capital Requirements Regulation.

Liquidity reserve



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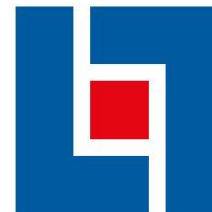
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