

Authors: Dr Frederik Kunze // Lukas Kühne

Ratings**LF Bank**

	Rating	Outlook
Fitch	-	-
Moody's*	A1	Stable
S&P	A	Stable

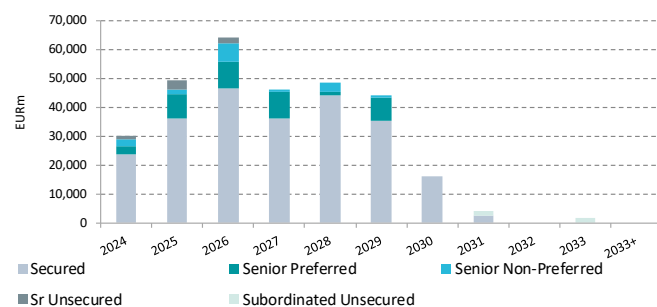
Homepagewww.lansforsakringar.se

*Senior Unsecured/LT Bank Deposits

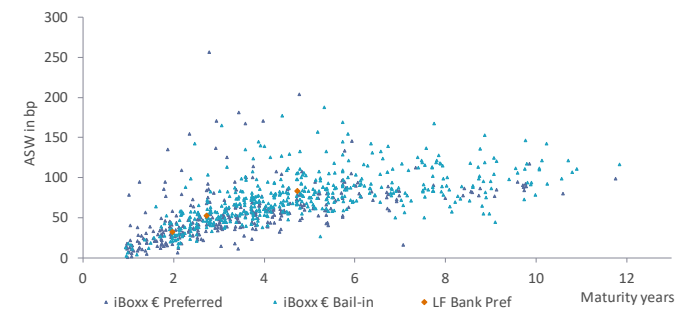
According to Länsförsäkringar Bank (LF Bank) it is one of the largest retail banks in Sweden. It is a wholly owned subsidiary and the banking arm of Länsförsäkringar AB (LF AB). This is owned by 23 customer-owned regional insurers. Together, LF AB and the 23 insurers form the Länsförsäkringar Alliance. The bank has a market share of 5.0% and 7.4% (FY/2023) for retail deposits and private property loans respectively in Sweden. LF Bank reports in the following segments: "Banking Operations" (BO), "Mortgage Institution" (MI), "Finance Company" (FC), "Mutual Funds" (MF) and "Eliminations/Adjustments". MI, FC and MF are organised as separate subsidiaries: Länsförsäkringar Hypotek, Wasa Kredit and Länsförsäkringar Fondförvaltning. The bank's loan portfolio consists primarily of residential mortgage loans (FY/2023: 76.7%) and agricultural loans (8.6%). Commercial property loans account for 0.8% of the total loan portfolio. LF Bank's main sources of funding are covered bonds (FY/2023: 49.8%), deposits (32.4%) and senior unsecured bonds (10.5%). In June 2022, the bank published its Green Bond Framework and has since placed two senior non-preferred green bonds (2022: SEK 2.3bn; 2023: SEK 1.5bn) and one senior preferred green bond (2023: EUR 500m) on the market. According to LF Bank, the volume of assets compliant with the EU taxonomy amounted to SEK 15.8bn as at 31 December 2023, including mainly the financing of energy-efficient real estate.

Balance Sheet

(EURm)	2021Y	2022Y	2023Y
Net Loans to Customers	35,202	34,479	35,545
Total Securities	6,893	5,764	5,957
Total Deposits	14,223	13,764	13,540
Tier 1 Common Capital	1,724	1,658	1,730
Total Assets	43,876	41,043	42,354
Total Risk-weighted Assets	11,300	10,764	11,489

Redemption Profile**Income Statement**

(EURm)	2021Y	2022Y	2023Y
Net Interest Income	479	520	612
Net Fee & Commission Inc.	-33	-48	-132
Net Trading Income	5	0	0
Operating Expense	231	259	270
Credit Commit. Impairment	-33	12	10
Pre-tax Profit	226	194	189

Senior Unsecured Bonds (EUR BMK)**Company Ratios**

	2021Y	2022Y	2023Y
Net Interest Margin	1.14	1.21	1.50
ROAE	8.90	7.47	7.39
Cost-to-Income	50.74	54.71	55.84
Core Tier 1 Ratio	15.26	15.40	15.06
Liquidity Coverage Ratio	354.00	277.00	337.00
IFRS Tier 1 Leverage Ratio	3.95	-	-
NPL/ Loans at Amortised Cost	-	-	-
Reserves/Loans at Amort. Cost	0.15	0.14	0.12

Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Floor Research

Strengths / Opportunities

- Capitalisation
- Group integration
- Credit quality

Risks / Weaknesses

- Profitability
- Dependence on capital market funding
- Market share in a country comparison

Covered Bonds

Authors: Dr Frederik Kunze // Lukas Kühne

Mortgage cover pool with a volume of SEK 304.4bn

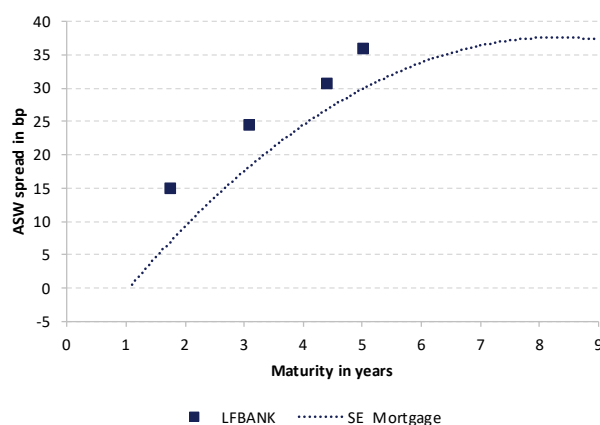
As at the reporting date of 31 December 2023, LF Bank's mortgage-backed cover pool consisted of cover assets with a total volume of SEK 304.4bn (converted as at the reporting date: EUR 27.3bn). The cover assets are offset by issues with a volume of SEK 231.7bn (EUR 20.8bn), resulting in an overcollateralisation ratio of 31.3%. The issuer is represented in the current composition of the iBoxx EUR Covered benchmark index with four bonds. The total volume currently outstanding amounts to EUR 2.0bn (plus a EUR benchmark of EUR 500m maturing in March 2025, which is not included in the iBoxx EUR Covered due to its remaining term).

Programme data

31 December 2023	Mortgage
Covered bonds outstanding	SEK 231,719m (EUR 20,782m)
Cover pool volume	SEK 304,359m (EUR 27,297m)
Current OC (nominal / legal)	31.3% / 2.0%
Type	100% Residential
Main country	100% Sweden
Main region	24.2% West Sweden
Number of loans	448,921
Share top 10 exposures	0.1%
NPL	0.0%
Fixed interest (Cover Pool / CBs)	30.5% / 96.2%
WAL (Cover Pool / CBs)	26.8y / 3.3y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / AAA

Source: Issuer, rating agencies, Bloomberg, NORD/LB Floor Research

Spread overview (BMK) – Sweden



Cover pool with exclusively residential property financing

LF Bank's mortgage cover pool consists exclusively of primary cover assets. In terms of the type of cover assets, the cover pool consists of 100% residential assets. The "owner-occupied homes" category accounted for 97.6% of the total cover assets as at the reporting date of 31 December 2023. The remaining 2.4% of the assets in the cover pool are attributable to the "second home/holiday homes" category. Geographically, the largest share of assets is attributable to the West Sweden region (24.2%), followed by East Sweden (23.8%) and North Sweden (15.1%). In geographical terms, 100% of the cover assets are located in the home market of Sweden. The granularity of the pool is reflected in the number of loans (448,921) and the low proportion of the ten largest exposures (0.1%). The average loan-to-value ratio (on a market value basis) is stated as 60.3%.

Rating and regulatory treatment

LF Bank's mortgage-backed covered bonds each have the highest rating from the rating agencies Standard & Poor's (AAA) and Moody's (Aaa). Based on the rating, a preferred risk weight of 10% is applicable for the issuer's covered bonds in accordance with the CRR. In addition, we believe that the corresponding EUR benchmark market transactions of LF Bank are suitable as Level 1 assets for LCR management purposes. The associated covered bonds are also suitable as collateral in transactions with the ECB and can be marketed under the "European Covered Bond (Premium)" label.

Appendix

Contacts at NORD/LB

Floor Research



Dr. Frederik Kunze

Covered Bonds/Banks

+49 172 354 8977

frederik.kunze@nordlb.de



Dr. Norman Rudschuck, CIAA

SSA/Public Issuers

+49 152 090 24094

norman.rudschuck@nordlb.de



Lukas Kühne

Covered Bonds/Banks

+49 176 152 90932

lukas.kuehne@nordlb.de



Christian Ilchmann

SSA/Public Issuers

+49 157 851 64976

christian.ilchmann@nordlb.de



Lukas-Finn Frese

SSA/Public Issuers

+49 176 152 89759

lukas-finn.frese@nordlb.de

Sales

Institutional Sales	+49 511 9818-9440
Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Institutional Sales MM/FX	+49 511 9818-9460
Fixed Income Relationship Management Europe	+352 452211-515

Origination & Syndicate

Origination FI	+49 511 9818-6600
Origination Corporates	+49 511 361-2911

Treasury

Collat. Management/Repos	+49 511 9818-9200
Liquidity Management	+49 511 9818-9620 +49 511 9818-9650

Trading

Covereds/SSA	+49 511 9818-8040
Financials	+49 511 9818-9490
Governments	+49 511 9818-9660
Länder/Regionen	+49 511 9818-9660
Frequent Issuers	+49 511 9818-9640

Sales Wholesale Customers

Firmenkunden	+49 511 361-4003
Asset Finance	+49 511 361-8150

Relationship Management

Institutionelle Kunden	rm-vs@nordlb.de
Öffentliche Kunden	rm-oek@nordlb.de

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