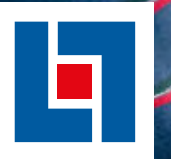


A photograph of a young man and an older man with a beard holding a baby on a balcony. The young man is on the left, wearing a light-colored jacket over a white t-shirt, looking towards the baby. The older man is on the right, wearing a blue and red striped shirt, holding the baby and looking down at it. The baby is wearing a white lace-trimmed outfit. They are outdoors on a balcony with a white railing, with a light-colored building and greenery in the background.

Länsförsäkringar Bank

Annual Report

2022





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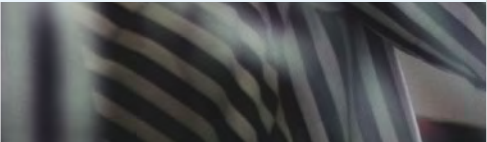
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About Länsförsäkringar Bank

Sweden's fifth largest retail bank

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Länsförsäkringar Bank is a customer-owned retail bank and its strategy is to offer attractive banking services to the customers of the Länsförsäkringar Alliance. Close customer relationships are created at personal meetings at the 115 branches of the regional insurance companies throughout Sweden and via digital services and telephone. The aim is to have the most satisfied customers, maintain healthy growth in volumes and profitability at low risk, and to increase the share of customers who have both banking and insurance with Länsförsäkringar. According to the 2022 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank continues to have the highest customer satisfaction among the major market players for retail customers. Länsförsäkringar Bank is the fifth-largest retail bank in Sweden.

Länsförsäkringar in brief

Länsförsäkringar comprises 23 local, customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB and its subsidiaries. Customers are provided with a complete offering of banking, insurance, pension and real-estate brokerage services through their regional insurance company. The regional insurance companies are owned by the insurance customers – there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary task. Long-term respect for customers' finances and their security is fundamental. The Länsförsäkringar Alliance jointly has slightly more than 3.9 million customers and approximately 8,500 employees.



3.9 million customers

23 local regional insurance companies

Länsförsäkringar AB

Länsförsäkringar Bank AB

**Länsförsäkringar
Hypotek AB**
Retail mortgages

**Länsförsäkringar
Fondförvaltning AB**
Mutual funds

Wasa Kredit AB
Leasing, hire purchase and
unsecured loans





The 2022 fiscal year

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EARNINGS 2022 *Figures in parentheses pertain to 2021*

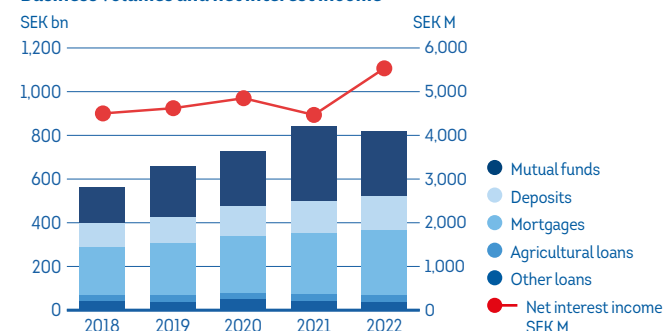
- Operating profit declined 10% to SEK 2,067 M (2,296) and the return on equity amounted to 8.2% (9.8).
- Net interest income increased 14% to SEK 5,528 M (4,863).
- Net commission income, excluding remuneration to the regional insurance companies, remained largely unchanged at SEK 1,329 M (1,332).
- Operating income increased 9% to 5,033 M (4,610).
- Operating expenses declined slightly to SEK 2,510 M (2,523).
- Credit losses amounted to SEK 123 M (–331), net, corresponding to a credit loss level of 0.03% (–0.09).
- Operating profit was impacted by fees levied of SEK 333 M during the year (122), of which risk tax comprised SEK 212 M.
- Business volumes declined 3% to SEK 820 billion (841), due to lower fund volumes resulting from lower market values.
- Deposits increased 5% to SEK 153 billion (146).
- Lending increased 4% to SEK 367 billion* (351).
- The fund volume fell 13% to SEK 299 billion (343) due to lower market values.
- Following the Swedish Financial Supervisory Authority's (FSA) investigation into regulatory compliance of transaction monitoring, the bank received a remark and was ordered to pay an administrative fine of SEK 90 M.
- At year-end, a Group contribution of SEK 400 M gross, or SEK 318 M net, was paid. The Board proposes a dividend for 2022 of SEK 81 M.
- According to the 2022 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank continues to have the highest customer satisfaction among the major market players for retail customers.
- The Common Equity Tier 1 capital ratio for the consolidated situation amounted to 15.4% (15.3) on 31 December 2022.

KEY FIGURES

SEK M	2022	2021	2020	2019	2018
Return on equity, %	8.2	9.8	8.5	9.5	8.3
Return on total assets, %	0.36	0.42	0.35	0.38	0.34
Investment margin, %	1.19	1.09	1.18	1.21	1.30
Cost/income ratio before credit losses	0.50	0.56	0.49	0.48	0.58
Cost/income ratio before credit losses, excluding items affecting comparability	–	0.49	–	–	–
Common Equity Tier 1 capital ratio, consolidated situation ¹⁾ , %	15.4	15.3	16.7	15.4	15.7
Tier 1 ratio, consolidated situation ¹⁾ , %	17.2	17.2	17.7	16.0	16.5
Total capital ratio, consolidated situation ¹⁾ , %	18.5	19.4	19.0	16.6	18.3
Share of credit-impaired loan receivables (stage 3), %	0.15	0.20	0.22	0.20	0.17
Reserve ratio for loan receivables stage 1, %	0.02	0.02	0.05	0.03	0.02
Reserve ratio for loan receivables stage 2, %	1.41	1.32	2.78	1.98	1.60
Reserve ratio for loan receivables stage 3, %	40.9	33.6	35.2	34.6	32.6
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	45.1	38.6	39.9	40.2	37.0
Credit losses in relation to loans, %	0.03	–0.09	0.09	0.06	0.04

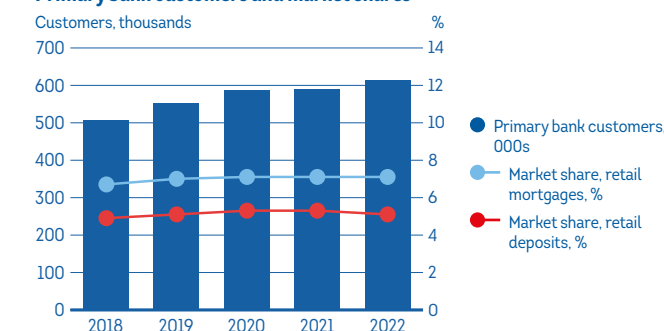
¹⁾ As of 30 June 2021, the consolidated situation comprises Länsförsäkringar Bank and its subsidiaries (the Bank Group).

Business volumes and net interest income



Total business volumes have increased an average of 15% over the past five years. Net interest income has risen an average of 9%.

Primary bank customers and market shares



The number of customers has risen an average of 7% over the past five years. The market position was continuously strengthened.



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2022 in brief



Digitising customer processes – particular focus on lending products

The lending process for consumer loans to the company's customers online or via mobile platforms was completed in 2022, which added value for our customers in these products. The process of digitising more lending processes will continue over the next year, with a particular focus on the mortgage lending process. The equities site was also moved to a new platform during the year, replacing the old platform.

Anti-money laundering and countering financial crime measures are continuing remark and administrative fine from FSA

Länsförsäkringar Bank received a remark and administrative fine from the FSA during the year regarding transaction monitoring and fast transactions.

Measures against financial crime are continuing and were further intensified.

Read more about Anti-money laundering on page 17 and under Other events on page 30.




Länsförsäkringar Bank also had the highest customer satisfaction among the major banks this year.

All of the fund company's funds are green – index fund with new sustainability index

All of the fund company's now promote sustainability and sustainable development, and all funds were "Article 8" funds as per year-end.

During the year, all index funds were also changed over to indexes aligned with the climate targets of the Paris Agreement.

The transfer to funds under own management was mostly completed during the year, resulting in improved profitability.

 Read more on page 9.



Launch of green mortgages and energy efficiency loans

During the year, Länsförsäkringar launched green mortgages and energy efficiency loans to its mortgage borrowers. The process of implementing sustainability throughout the banking operations is under way. This applies to both various products and services and the direction of customer advice meetings.





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**Focus on digitisation
and sustainability in
the year ahead**

Sven Eggefalk
President of Länsförsäkringar Bank

Changed world – Länsförsäkringar Bank's strength prevails

STATEMENT BY THE PRESIDENT

Both geopolitical and macroeconomic uncertainty in the world increased markedly in 2022. We saw substantial increases in key interest rates to curb inflation, which resulted in a more negative macroeconomic outlook and at times also fuelled greater turmoil in the financial markets. Our retail and corporate customers have experienced considerable uncertainty concerning the economic outlook and in many cases have seen costs rise, such as in the form of energy prices, input goods, food prices and interest rates.

The economic recovery that started in 2021 has transformed into more uncertainty. In many cases, this presents major challenges for our customers as costs and interest rates rise.

It is in these difficult times that we see Länsförsäkringar Bank at its very best. With a strong local presence and our roots in non-life insurance, we have a natural closeness to customers and can help provide security and advice on financial matters through the banking services we deliver. Our strong financial position also means that we can continue to do new business and our focus is on continuing to support our customers and provide financial security.

Strong business development and high credit quality

For Länsförsäkringar Bank, the year remained characterised by higher mortgage volumes and

deposits, as well as positive net inflows in our funds. Other lending volumes were stable and total volumes of managed funds declined due to the market performance and falling market values.

Credit quality remained very high. We did not see any clear changes in customers' repayment capacity and we have the utmost confidence in the stability of our mortgage lending. With a focus on customers, we remain meticulous in our credit assessments and acutely aware of the impact of these difficult times on our customers.

Continued growth in the banking operations

The year began with a weak trend in mortgages with a lower share of market growth than we had hoped for. Due to the measures we took to increase the level of activity and raise service levels for our customers, and not least the tremendous efforts of our employees at the regional insurance companies' branches, we could see an improvement, and



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returned to a healthy growth rate, capturing more than our relative market share. Market growth will probably once again be lower than we are used to in 2023 given the economic outlook and performance of the housing market, where activity is expected to be low. Nevertheless, we are well-positioned to continue to grow our mortgage business thanks to all our existing non-life insurance customers who do not yet have their mortgages or other banking business with us. Our high customer satisfaction and the security we provide have the potential to serve as a competitive advantage in more uncertain times.

In the fund business, we continued to see healthy inflows, and we are proud to be one of the companies that performed the best and had a positive net flow over the past year, despite the enormous challenges faced. We saw a decline in volumes managed at the start of the year due to the negative stock market performance, but can now state these volumes have started to rise again as the stock market recovered and due to our continuing positive net inflows. We are proud that all of the funds in Länsförsäkringar's fund company are now light green funds (or "Article 8" funds), which provides strength and an excellent position in terms of the sustainability of our fund business. This is increasingly important for our customers who are becoming more and more interested in investing in sustainable fund options.

The trend in deposits was stable and solid. Deposits increased during the year, although the rate of growth slowed towards the end of the year. Card and payment services also delivered a strong performance, which led to higher commission income.

High rate of development

We are currently in a phase that is intensely focused on development. After replacing our core banking system, we are now concentrating on generating clearer value for our customers and

employees. We are working on digitising our lending process, including the credit scoring system. We successfully launched the first stage during the year – a fully digitised unsecured loan offered to existing customers. Other areas of the lending business, including mortgages, are part of our immediate plans for the future. As we look ahead, we can thus see further developments in digitisation. We also implemented a new securities system during the year, and we are working on implementing new system support for anti-money laundering.

“
I am proud of what we achieved together in 2022.

Sven Eggefall
President of Länsförsäkringar Bank

Increasing focus on sustainability

We continued to advance our positions in sustainability over the past year after having signed the UN Principles for Responsible Banking in 2021.

We launched green mortgages and energy efficiency loans, and our fund range is now completely green. We also initiated our green bond framework and issued our first green bonds during the year, thus marking a key milestone. Sustainability is becoming increasingly important to our customers, and this is where we can leverage Länsförsäkringar's unique position in banking, non-life insurance and life assurance to make a difference for customers. We are working continuously to integrate sustainability into the entire banking operations, from products and services to customer

advice meetings. The focus over the next year will include setting clear targets for how the operations will reduce their climate impact and thus contribute to the low carbon transition. It is also becoming increasingly important to consider climate risks in lending as well as to identify business opportunities where we can help customers in their transition or to improve their energy efficiency.

This is why we are laying the foundation for further developing our climate roadmap so as to integrate sustainability activities into our services and products, which is necessary in order to provide our customers with an attractive offering. We are proud to be part of Länsförsäkringar and all the work undertaken locally to support the community and the world around us. We want to see dynamic rural areas with local retailers and small business, and create the conditions for people to live and work all over Sweden. As a bank, we represent all of Sweden, with the aim of offering all customers the opportunity to manage their personal finances and have financial security. The fact that Länsförsäkringar Bank came second in SQI's sustainability survey among Swedish banks is clear confirmation that our customers rate us highly in this area.

Financial crime has garnered more and more attention in recent years and is now a major problem for society, requiring cooperation between politicians, the authorities and banks. Unfortunately, we are seeing examples of Swedish bank customers becoming victims of fraud. During the year, we continued to allocate resources to the unit at the bank that combats financial crime and money laundering, which is very important for protecting and safeguarding our customers.

In the fourth quarter, the bank received a fine from the Financial Supervisory Authority related to deficiencies in our transaction monitoring. Naturally, we are taking this matter very seriously. We have taken action to live up to high customer expectations and in 2023 we will work intensively

on implementing a new system solution for our transaction monitoring.

Source of stability for customers in an uncertain world

It was gratifying that we could deliver strong results for the full-year 2022 despite the challenging external business environment. Committed and talented employee, healthy earnings, strong credit quality and a stable financial position are fundamental for continuing to be a reliable partner for our customers in the prevailing uncertainty. At Länsförsäkringar, with our local profile close to customers, we are convinced that we can play an important role in supporting and assisting our customers in financial matters in these challenging times.

Our focus on being close to customers and their everyday lives is a hallmark of our offering in banking, insurance and real-estate brokerage. We do this though our local regional insurance companies and combine it with modern digital services.

I am proud of what we achieved together again in 2022. We are the fifth largest retail bank in Sweden with a wide range of products and services. After a slight recovery in economic growth last year, the economy is now facing new challenges ahead in the form of falling growth and high inflation. We can say that now, at the start of 2023, Länsförsäkringar Bank stands strong, even when the world is experiencing great change, and we are continuing to focus on supporting and providing security for our customers.

Stockholm, March 2023

Sven Eggefall
President of Länsförsäkringar Bank



The local and digital bank

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STRATEGY AND FINANCIAL POSITION

Länsförsäkringar Bank is a customer-owned bank with a strong local presence across Sweden and the one with the highest customer satisfaction among the large players in the retail market. Close customer relationships through personal meetings combined with modern digital services make Länsförsäkringar Bank one of Sweden's leading retail banks.

Länsförsäkringar Bank was founded in 1996 and is now the fifth largest retail bank in Sweden with a business volume of SEK 820 billion. The banking operations are conducted only in Sweden and the market position is continuing to steadily strengthen.

Strategy and goals

The strategy is to offer banking services to the Länsförsäkringar Alliance's customers and leverage Länsförsäkringar's strong brand and local presence. The banking operations have a large potential customer base with the Länsförsäkringar Alliance's 3.9 million customers.

One target group is the 3.2 million retail customers, of whom 2.1 million are home-insurance customers. Another target group is agricultural customers and small businesses. The aim is, based on low risk, to maintain healthy growth in volumes and profitability, have the most satisfied customers and more customers who have both banking and insurance with Länsförsäkringar. According to the 2022 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank continues to have the highest customer satisfaction among the major market players for retail customers, a position that Länsförsäkringar Bank has held 17 times over the past 19 years. The high customer satisfaction is confirmation of Länsförsäkringar's clear customer focus and high quality. With Läns-

försäkringar's comprehensive banking and insurance offering, customers receive a complete solution that creates security and added value.

Customer ownership

The Länsförsäkringar Alliance consists of 23 local, customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB, which is the bank's Parent Company. The insurance customers own the regional insurance companies, which means that the principles of customer ownership also apply to the banking operations. Long-term respect for customers' security is fundamental to Länsförsäkringar, since customers are both the principal and owner.

Primary bank customers who are also insurance customers

90%

Lending volume SEK 367 billion¹⁾

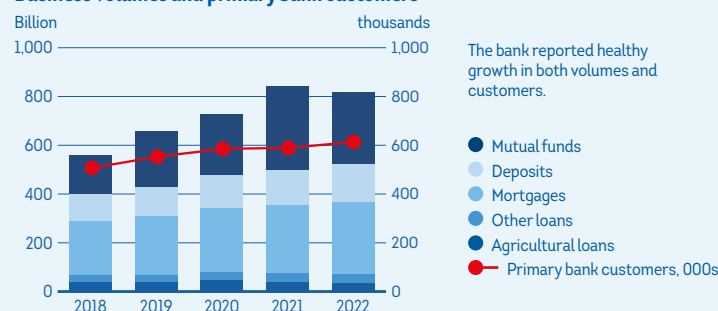
+4%

Number of primary bank customers

612,800

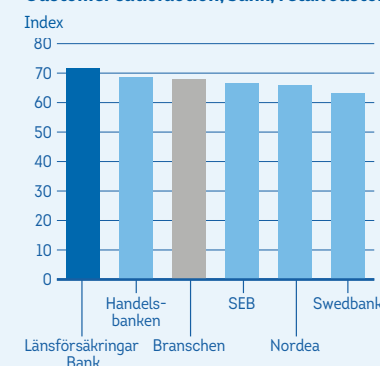
¹⁾ Loans to the public excluding deposits with the Swedish National Debt Office and similar items.

Business volumes and primary bank customers



The bank reported healthy growth in both volumes and customers.

Customer satisfaction, bank, retail customers



According to the 2022 Swedish Quality Index (SQI), Länsförsäkringar Bank continues to have the highest customer satisfaction among the major market players for retail customers.

Source: Swedish Quality Index





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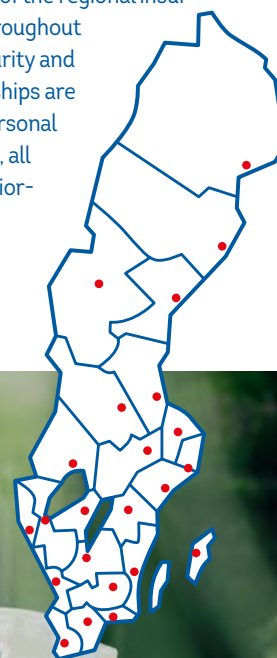
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Leading digital services and strong local presence throughout Sweden

Digital services are a central part of Länsförsäkringar's offering and comprise an important supplement to local customer meetings. The digital services in the mobile app and Internet bank make it convenient and easy for customers to do all their banking. Länsförsäkringar Bank's ambition is to always be at the forefront of digital developments to meet rising customer needs and expectations for a digital and modern range of services. Länsförsäkringar Bank is continuing to invest in the digital area with the ambition of strengthening our presence and enabling further growth through digital channels. The regional insurance companies are responsible for the local business operations and customer relationships.

Business decisions are made locally and the regional insurance companies' commitment and network provide broad in-depth customer and market knowledge. Banking services are offered at the 115 branches of the regional insurance companies throughout Sweden. Trust, security and long-term relationships are created through personal customer meetings, all of which are high priority at Länsförsäkringar.



Länsförsäkringar Bank continues to have the highest customer satisfaction for retail customers

According to the 2022 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank continues to have the highest customer satisfaction among the major market players for retail customers – confirmation of Länsförsäkringar's clear customer focus and high quality.



A strong brand

Länsförsäkringar Bank's successful growth and position in the market is based on the principles of customer ownership as well as Länsförsäkringar's strong brand in banking, insurance and real-estate brokerage.

“A strong local presence and personal meetings combined with modern digital solutions provide a platform for creating high customer value and customer satisfaction.”





A complete offering focusing on customers

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OFFERING

Länsförsäkringar Bank's offering helps customers create financial security and balance in their private finances, based on their individual needs. The personal meeting combined with a strong digital offering jointly present a full-service customer offering in both banking and insurance.

Loans

The bank's lending is continuing to grow stably and maintains low risk. Lending rose 4% to SEK 367 billion in 2022. The largest product is retail mortgages, which comprises 80% of the loan portfolio. Retail mortgages are granted by Länsförsäkringar Hypotek, which offers mortgages up to 85% of the market value. Loans to tenant-owners' associations and to multi-family housing are offered in addition to mortgages. The market share for mortgages amounted to 7.1%.

Länsförsäkringar Bank is one of the largest players in agricultural lending in Sweden and primarily targets family-owned agricultural operations that

are insurance customers with Länsförsäkringar. The average agricultural loan commitment is small and the percentage of first-lien mortgages is 98%.

Wasa Kredit offers leasing, hire purchase and unsecured loans and the performance of the company for the year was favourable. The lending volume was largely unchanged at SEK 25 billion.

Savings

Länsförsäkringar focuses on giving customers secure savings. Customers are offered savings through various types of deposit accounts and also through such products as mutual fund savings, Investment Savings Accounts (ISK) and equities



Lending¹⁾: SEK 367 billion

+4%

Retail mortgages: SEK 292 billion

+5%

Deposits: SEK 153 billion

+5%

Fund volumes: SEK 299 billion

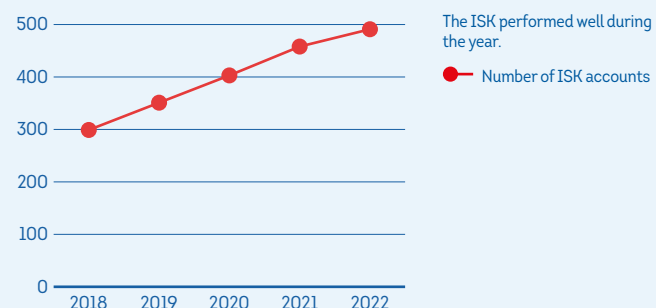
-13%

Funds net inflows: 2.5% inflows

SEK +7.4 bn

Investment Savings Account (ISK)

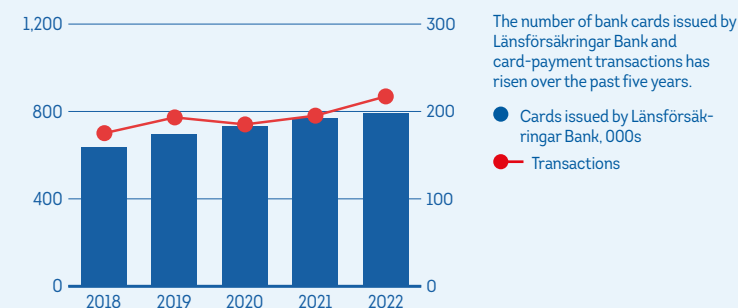
Number, thousands



Bank cards

Number of cards, 000s

millions



¹⁾ Loans to the public excluding deposits with the Swedish National Debt Office and similar items.



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Offering

savings. Customer meetings strive to ensure that customers have secure private finances in which savings and mortgage repayments are key elements. By making mortgage repayments, a customer's private finances can become more balanced over time.

Deposits

Growth in deposits from the public has been stable in recent years and rose 5% to SEK 153 billion in 2022. The market share for household deposits was 5.1% and the number of deposit accounts increased 3%. The ISK displayed healthy growth during the year and the number of ISKs at year-end was 491,000, up 7%.

Funds and securities

Sweden had a challenging 2022. Total fund volumes declined as a result of the market trend and net inflows for the total market were low compared with prior years.

In these difficult times, Länsförsäkringar Fondförvaltning succeeded in continuing to have positive net inflows of a total of SEK 7.4 billion during the year, calculated for the total fund volume, and the market share measured in fund assets was 4.4%.

The fund volume declined 13% to SEK 299 billion due to the market, of which managed funds under own brands amounted to SEK 266 billion. 84% of Länsförsäkringar's funds managed under own brand performed better than their benchmark index in 2022.

The company's most important product development activity in 2022 was that the transfer of funds to own management was essentially completed, resulting in improved profitability.

Another significant activity was that all index funds changed over to indexes aligned with the climate targets of the Paris Agreement.

All of the fund company's funds now promote sustainability and sustainable development, and all funds were "Article 8" funds as per year-end.

Payments and bank cards

Bank cards are continuously developed to offer customers security and a high level of service in their payment services. The number of bank cards issued by Länsförsäkringar Bank increased 3% to 794,600 and the number of card-payment transactions amounted to 215 million. The Swish payment service performed well during the year. Länsförsäkringar Bank, which is one of the drivers of the Swish partnership, owns 10% of the company that manages and develops the service.



Clear focus on sustainability

Länsförsäkringar's funds have a clear sustainability focus. All funds promote sustainability and are "Article 8" funds.

100%

of Länsförsäkringar's own-brand funds were light green, meaning that they promote environmental or social characteristics.

CORPORATE SEGMENT

In the corporate segment, deposits and lending continued to grow, particularly for existing customers in Länsförsäkringar who operate in our priority segments – knowledge and development, green businesses and construction and transportation. Growth in payment services included in the corporate offering was also healthy during the year.

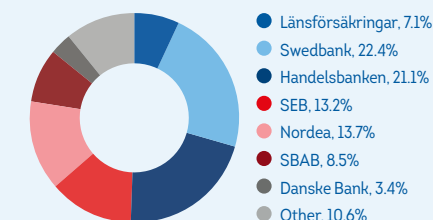
84%

of Länsförsäkringar's funds managed under own brand performed better than their benchmark index in 2022.

MARKET SHARES

Retail mortgages

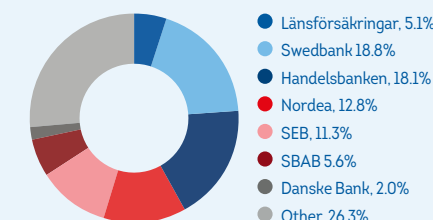
Source: Statistics Sweden



The market position in mortgages amounted to 7.1%.

Retail deposits

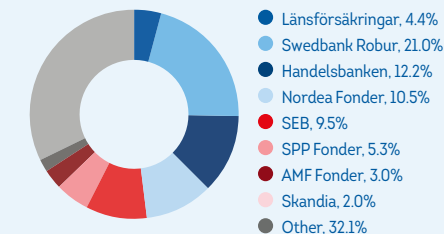
Source: Statistics Sweden



The market position in retail deposits amounted to 5.1%.

Volume of managed funds under Länsförsäkringar's own brand

Source: Moneymate



Länsförsäkringar holds a 4.4% market share of Swedish fund volumes.



Weaker economic climate, high inflation and rising interest rates.

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ECONOMIC ENVIRONMENT AND MARKET

2022 was characterised by a weaker economic climate, high inflation and rapidly rising interest rates, with the central banks raising interest rates considerably to bring down inflation. Following a recovery in 2021, the Swedish economy is headed toward lower GDP in 2023 and house prices have also fallen from the peak noted at the start of 2022.

The outlook for the global economy was gloomier in 2022. Inflation remained high and the central banks of developed economies raised their key interest rates at a very fast pace. This pace of rate hikes has slowed slightly, although the ECB and the Fed have announced that interest rates may continue to be raised well into 2023. There is much uncertainty surrounding how inflation and key interest rates will trend in 2023, and the market is expect-

ing weaker growth with a high risk of an even gloomier outcome.

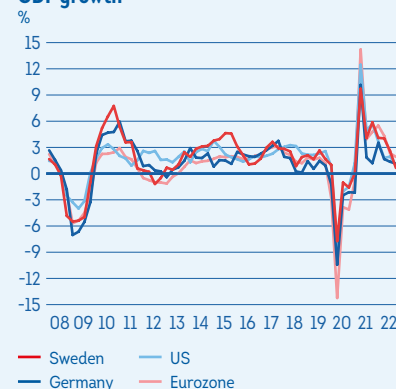
The performance of the US economy continued to be surprisingly strong despite the Fed's rapid pace of key interest rate hikes. Confidence indicators suggest weaker growth, but the trend in the labour market remains strong with surprisingly strong employment figures and salaries increasing rapidly. Inflation was lower than expected in recent reported outcomes, but the

strong trend in the labour market indicates that it will take time to lower inflation to the target of 2% and doing so will require high interest rates. It is expected that the key interest rate will continue to be raised, meaning that the risks of a recession in the US economy have increased considerably.

The eurozone experienced high energy prices, which resulted in inflation of more than 10% and households have lower confidence in the economy. Consumer confidence was at record-break-

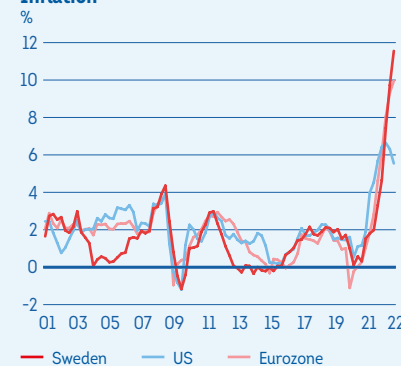
ing low levels due to higher inflation, rising interest rates and an uncertain geopolitical situation. German industry has also suffered from high energy prices and uncertainty about the future. Indicators stabilised in the fourth quarter but continued to suggest a sharp downturn in the eurozone economy. The market expects a weak trend in GDP for the quarters ahead, but the ECB announced that high inflation is expected to result in more interest rate increases in 2023.

GDP growth



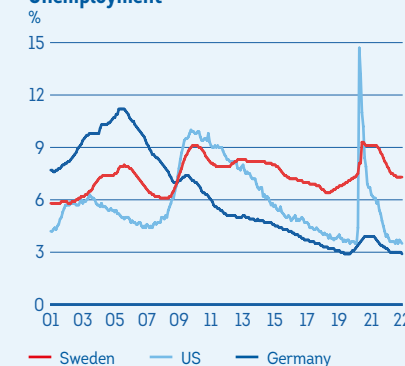
GDP growth declined in 2022 after recovery in the year before. A decrease in GDP is expected in Sweden and other countries for the year ahead.

Inflation



Inflation rose considerably, creating concern in the financial markets.

Unemployment



Unemployment in 2022 was stable but started to rise in Sweden in recent months.



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Economic environment and market

The Swedish economy performed better than expected in the fourth quarter yet is showing clear signs of a significant downturn in the next few quarters. The Economic Tendency Survey said that the Swedish economy was showing much weaker sentiment than normal and that consumer confidence was at a record-breaking low. Inflation remained high and the Riksbank lifted its policy rate to 2.50% in December 2022.

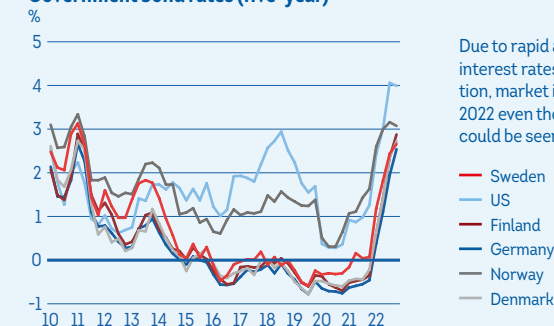
The performance of the financial markets was very weak in 2022, although an upturn was noted in the final quarter of 2022. Looking at the full-year 2022 as a whole, rising interest rates and weaker growth prospects led to a sharp decline in equities markets. The Stockholm Stock Exchange fell 10.2% and the S&P 500 was down 19.6% in 2022. The markets were volatile in the quarter, but stock markets were up and government-backed paper fell on the back of lower inflation than expected in the US economy.

Higher key interest rates led to a rapid increase in market interest rates in developed economies during 2022. Interest on mortgage bonds in Sweden was also affected by a lower risk appetite and the spread between government bonds and mortgage bonds widened during the year.

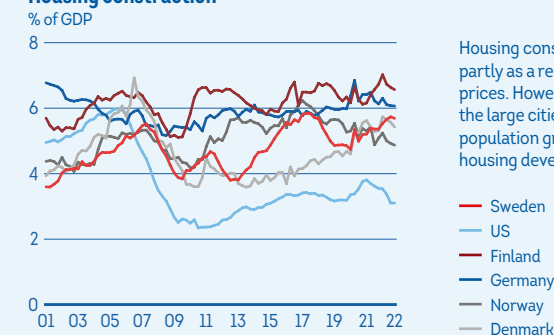
A higher key interest rate and higher interest on mortgage bonds resulted in higher funding costs for banks in Sweden. This is the reason for the significant increase in mortgage rates. Higher mortgage rates and lower consumer confidence led to a rapid slump in the housing market following a strong trend during the pandemic. According to Valueguard's housing index, HOX, house prices have fallen 16% compared with the peak listings in March 2022.



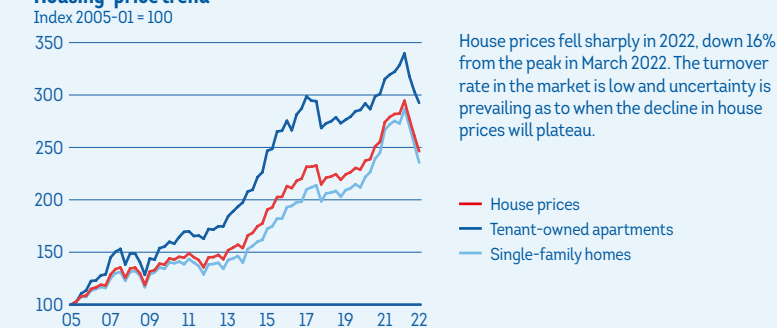
Government bond rates (five-year)



Housing construction



Housing-price trend





Lending with high credit quality

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LOANS AND CREDIT QUALITY

Länsförsäkringar Bank's lending primarily comprises mortgages to private individuals. The risk profile is conservative and the loan portfolio maintains very high credit quality. Lending is well diversified geographically and conducted solely in Sweden and in SEK based on standardised centrally established credit regulations.

Lending

Länsförsäkringar Bank's loans are granted in Sweden and in SEK. Lending to both retail and corporate customers is well distributed geographically, with low average loan commitments per customer. Lending is primarily directed towards retail mortgages for private individuals, small-scale family-owned agricultural operations with a low risk level and finance-company products. Loans are based on standardised credit regulations and most credit decisions are made locally. In the business model between Länsförsäkringar Bank and the regional insurance companies, there is a strong incentive to maintain high credit quality. The high credit quality of the loan portfolio is the result of the low risk profile, credit regulations combined with the credit evaluation process and

local customer and market knowledge. The credit regulations impose strict requirements on customers' repayment capacity and the quality of collateral. The repayment capacity of borrowers is tested as part of the credit process using "left to live on" calculations. These calculations apply a higher interest rate than the actual rate.

Due to the gloomier outlook for companies and households associated with rising inflation, interest rates and costs for electricity and fuel, the Bank Group adjusted the cost of capital in the KALP calculation ("left to live on") for retail customers. Analyses of the potential impact of the gloomier outlook for the Bank Group's customers were regularly carried out in the second half of the year. Both the loan portfolio and value of the collateral are continuously monitored and quality

assured. Wasa Kredit manages the vast majority of its credit decisions through its own credit process without the involvement of the regional insurance companies.

Mortgages for private individuals

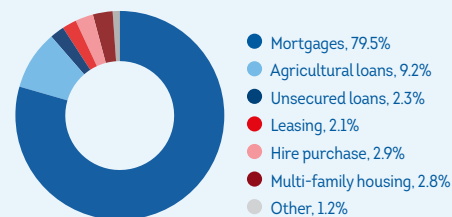
Loans to the public (excluding deposits with the Swedish National Debt Office and similar items) rose 4% to SEK 367 billion in 2022. Retail mortgages for private individuals' housing comprise 80% of the loan portfolio. Retail mortgages of up to 85% of market value are offered to customers via Länsförsäkringar Hypotek. A total of 72% of the collateral for retail mortgages comprises single-family homes. The average loan commitment is low at SEK 1.5 M per borrower. 46% of mortgages have a commitment of less than SEK 2 M. The geo-

graphic spread of lending is diverse, thus resulting in low concentration risk.

The weighted average loan-to-value ratio for mortgage lending amounted to 56%. Market-value analyses of the collateral in retail mortgages are performed continuously and a market-value update is performed at least once per year for all single-family homes and tenant-owned apartments. The values of single-family homes and tenant-owned apartments were updated three times during the year.

It is essential for Länsförsäkringar Bank to continue to maintain high credit quality. Mortgage repayments are a key tool in ensuring that households have stable and secure finances. The number of exemptions from the mortgage repayment requirements increased slightly due to sharply

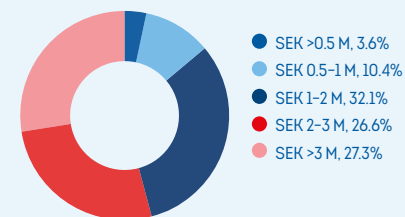
Loans by product



The loan portfolio primarily comprises retail mortgages.

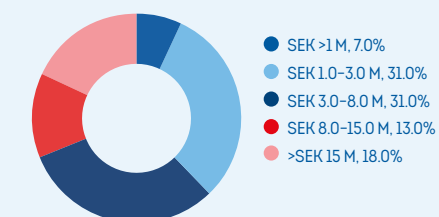
* Loans to the public excluding deposits with the Swedish National Debt Office and similar items.

Retail mortgages by commitment amount



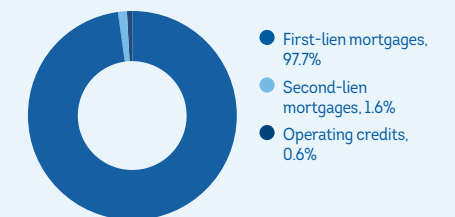
The average mortgage commitment amounted to SEK 1.5 M and just over 46% of mortgages have a commitment up to SEK 2 M.

Agricultural loans by commitment amount



The average agricultural commitment is SEK 2.3 M per counterparty.

Agricultural loans by product



98% of agricultural loans are first-lien mortgages.



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Loans and credit quality

rising costs and higher interest rates for Swedish households, but remain at low levels.

Agricultural loans

Agricultural lending amounted to SEK 34 billion, corresponding to 9% of the total loan portfolio, and 98% comprises first-lien mortgages. The remaining lending comprises second-lien mortgages and operating credits. The average commitment is low at SEK 2.3 M per borrower and almost all agricultural lending is for family-owned agricultural operations. Agricultural lending grew at a lower rate than mortgages during the year.

Leasing, hire purchase and unsecured loans

Wasa Kredit is the Bank Group's finance company that offers leasing and hire purchase financing through both partners in such areas as vehicles, computer/office and machinery, and directly to corporate customers. Wasa Kredit also offers loans and credit card loans to private individuals. Wasa Kredit's lending volume amounts to SEK 25

billion, corresponding to about 7% of total lending. The leasing and hire purchase products jointly represent 5% of the Group's lending. In addition, unsecured loans make up a further just over 2% of lending.

Credit quality and credit losses

The high credit quality of the loan portfolio is a result of lending being based on a low risk tolerance. A condition for full compensation of the regional insurance companies' distribution remuneration by the Bank Group (excluding Wasa Kredit AB) is that the loans generated by each company for the Bank Group are of high quality. If this is not the case, up to 80% of any credit losses is off-set against the accrued remuneration to the regional insurance companies. This settlement account is kept separate and is taken into consideration when the provisions are established.

The credit quality of the loan portfolio remained very high and credit losses in the Bank Group are low. Due to the gloomier forward-look-

ing macroeconomic scenarios that form the basis of the calculations of expected credit losses, the loss allowance increased slightly during the year. In addition, a manual expert adjustment of SEK 21 M was made to the loss allowance for mortgage lending due to the rapid rise in inflation and interest rates and the downturn in house prices.

Wasa Kredit's sale of a volume of credit-impaired and previously written-off receivables was completed in the first quarter of 2022. Credit losses for the year totalled SEK 123 M, net, corresponding to a credit loss level of 0.03%.

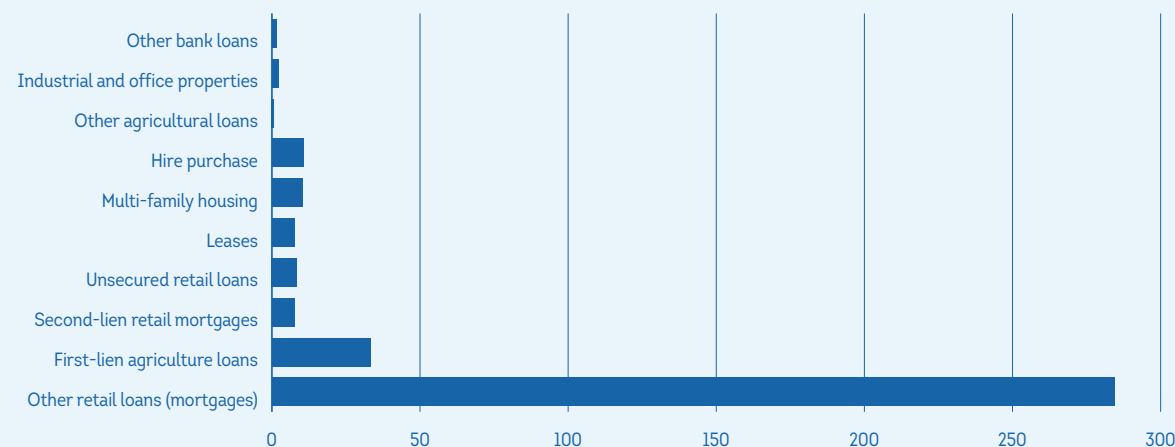
Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 963 M, corresponding to a share of credit-impaired loan receivables of 0.15%. The loss allowance for credit-impaired loan receivables was SEK 394 M. The reserve ratio for credit-impaired loan receivables amounted to 40.9%. In addition, SEK 40 M of the remuneration to the regional insurance companies for credit-impaired loan receivables is withheld in accordance with the settlement model for credit

losses related to the regional insurance companies' commitments for generated business. Including the withheld remuneration to the regional insurance companies, the loss allowance for credit-impaired loan receivables totalled SEK 434 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 45.1% and the total recognised loss allowance was SEK 636 M, of which SEK 80 M pertained to withheld remuneration to regional insurance companies in accordance with the settlement model for credit losses related to the regional insurance companies' commitments for generated business.

For more information concerning credit risks and credit quality, see the section on Credit losses in the Board of Directors' Report on page 27 and note 3 Risks and capital adequacy. For more information on lending, information on the effect of IFRS 9 as well as credit losses and credit-impaired loan receivables, refer to note 12 Credit losses.

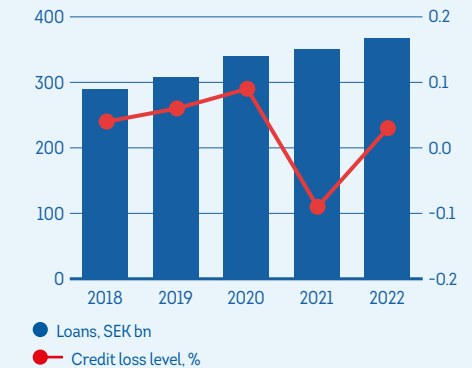
Loans by product

SEK bn



Loans and credit losses

SEK bn



The bank's loan portfolio has high credit quality and credit losses remained very low.



Strong financing and liquidity position

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FUNDING AND LIQUIDITY

Länsförsäkringar Bank's main financing sources are deposits and funding through covered bonds in Länsförsäkringar Hypotek. These covered bonds have the highest possible credit rating, Aaa from Moody's and AAA/Stable from Standard & Poor's (S&P Global Ratings).

Targets

The aim of the funding operations is to ensure that the Group has a sufficiently strong liquidity reserve to manage turbulent periods in capital markets, when funding opportunities are limited or prevailing circumstances render funding impossible. The Group's liquidity risk is controlled on the basis of a survival horizon, meaning how long all known cash flows can be met without access to financing in the capital market.

Financing sources

The composition of financing is a result of the bank being a retail bank with large mortgage lending

operations. Accordingly, the main financing sources are deposits in Länsförsäkringar Bank and funding based on the covered bonds issued by Länsförsäkringar Hypotek. These covered bonds have the highest credit ratings, Aaa from Moody's and AAA/Stable from Standard & Poor's (S&P Global Ratings). Long-term senior funding and short-term funding takes place in Länsförsäkringar Bank. The Group endeavours to maintain a sound balance of covered and senior unsecured funding and all capital market funding is conducted under a number of funding programmes. The single most important source of financing is the Swedish covered bond market, where Läns-

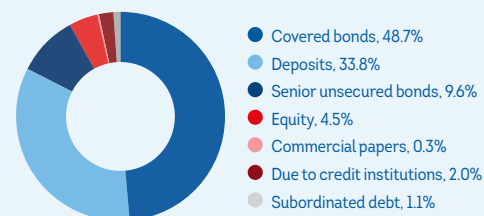
försäkringar Hypotek has a number of outstanding liquid benchmark bonds. At year-end, Länsförsäkringar Hypotek had seven outstanding benchmark loans with maturities until 2029. The Swedish covered bond market is one of Europe's largest and most liquid, which secures good access to long-term financing.

Diversification

Since all lending is in SEK, the Group has no structural need for financing in foreign currency. However, the bank has chosen to conduct a certain portion of its capital market funding in international markets in an effort to diversify and broaden

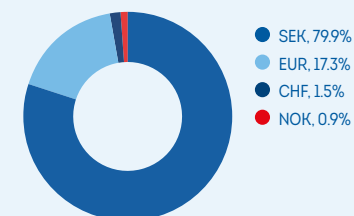
the investor base. Funding has continuously taken place through issuance of Euro benchmark covered bonds. Länsförsäkringar Bank has issued five senior unsecured euro benchmark bonds since September 2017, which is another step in increasing funding diversification and strengthening the brand in both the Swedish and European capital markets. This move establishes Länsförsäkringar Bank as a regular issuer also on the market for senior debt in EUR. In addition, diversification takes place through issuances of bonds, primarily in the currencies of CHF, NOK, GBP and USD. The international markets were primarily used for long maturities.

Financing sources



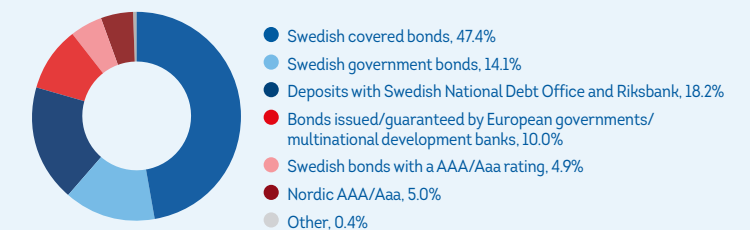
The largest source of financing in the Group is covered bonds, representing about 49%.

Funding by currency



Wholesale funding primarily takes place in the Swedish market and in SEK.

Liquidity reserve*



The liquidity reserve is invested in securities with high credit quality.

*99% pertains to AAA-rated bonds.



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Refinancing and liquidity risk management

The Bank Group works pro-actively with its outstanding liabilities by repurchasing bonds with short remaining terms against issuance of long-term liabilities as a means of managing and minimising the liquidity and refinancing risk. The market risks that arise in the lending and funding operations are managed through derivative instruments.

Deposits

The share of deposits in the Group's total financing amounted to 34% on 31 December 2022. The trend in deposits was favourable during the year, increasing 5%.

Funding operations

Funding activities functioned well during the year and demand from investors was high.

During the year, Länsförsäkringar Hypotek issued a green five-year Euro benchmark covered bond for a nominal EUR 500 M and a new Swedish

covered bond (LFH522), which matures in September 2029. A green bond framework was launched during the year, which enables efficient refinancing of loans to customers with green and energy-efficient assets. The first green bond was also issued during the year – a green senior non-preferred bond in SEK. A total of SEK 4.6 billion in senior non-preferred bonds was issued during the year.

The average remaining term for the long-term financing is 2.1 years for senior unsecured bonds and 3.2 years for covered bonds. A green senior unsecured five-year Euro bond at a nominal EUR 500 M was issued after the end of the year, in January 2023.

Liquidity

Long-term planning and low risk tolerance are the hallmarks of the bank's liquidity and funding management. A satisfactory liquidity reserve is in place to ensure that sufficient liquidity is always avail-

able. The management and investment of the liquidity reserve are conservative.

The liquidity reserve amounted to SEK 71 billion on 31 December 2022. The liquidity reserve is invested in securities with very high credit quality and that are eligible for transactions with the Riksbank and, where appropriate, with the ECB. A total of 47% of the liquidity reserve comprises Swedish covered bonds, 18% deposits with the Swedish National Debt Office and Riksbank, 14% Swedish government bonds, 10% bonds issued or guaranteed by European governments and multinational development banks, 5% other Swedish bonds with an AAA/Aaa credit rating, 5% Nordic AAA/Aaa-rated covered bonds and 0.4% other liquid assets. Slightly more than SEK 3.4 billion of the liquidity reserve comprises green bonds. By utilising the liquidity reserve, contractual undertakings can be met for about two years without needing to secure new funding in the capital market.

The Liquidity Coverage Ratio (LCR) for the consolidated situation on 31 December 2022

amounted to 277%. The Net Stable Funding Ratio (NSFR) for the consolidated situation amounted to 125% on 31 December 2022.

Rating

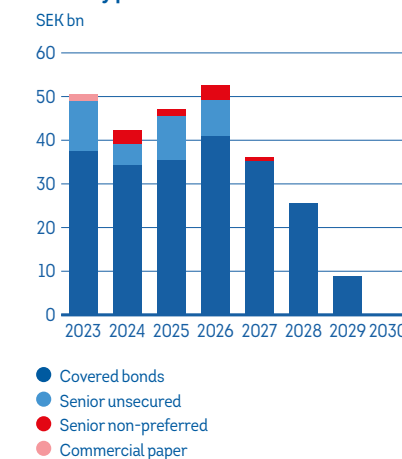
Länsförsäkringar Bank's long-term credit rating is A1/Stable from Moody's and A/Stable from Standard & Poor's. The short-term credit ratings are P-1 from Moody's and A-1 from Standard & Poor's.

Länsförsäkringar Hypotek's covered bonds maintained the highest credit rating of Aaa from Moody's, and AAA/Stable from Standard & Poor's. Länsförsäkringar Hypotek is thus one of three issuers in the Swedish market for covered bonds with the highest rating from both Standard & Poor's and Moody's.

Funding programmes – Bank Group

Programme	Limit, Nominal, bn	Issued 2022, SEK bn	Issued 2021, SEK bn	Outstanding, 31 Dec 2022, SEK bn	Outstanding, 31 Dec 2021, SEK bn	Remaining average term, 31 Dec 2022, years
Benchmark (Hypotek)	Unlimited	32.6	39.7	167.2	165.5	3.3
MTCN (Hypotek)	SEK 30	1.8	1.0	15.7	13.9	2.6
EMTCN (Hypotek)	EUR 6	5.2	5.1	34.8	34.8	2.8
Total covered bonds		39.6	45.8	217.7	214.2	3.2
MTN (Bank)	SEK 40	2.8	7.6	18.5	19.5	1.8
EMTN (Bank)	EUR 4	4.9	6.3	25.1	25.8	2.4
Total senior unsecured bonds		7.7	13.9	43.6	45.3	2.1
DCP (Bank)	SEK 15	0.9	0.4	0.6	0.4	0.2
ECP (Bank)	EUR 1.5	0.8	0.9	0.8	0.2	0.1
Total commercial papers		1.7	1.3	1.4	0.6	0.1
Total Group		49.0	61.0	262.8	260.1	3.0

Maturity profile





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The development of new financial regulations is expected to continue at a rapid pace and will have a major impact on banks moving forward.

Capital adequacy rules

In October 2021, the European Commission published its legislative proposal on finalising the implementation of the Basel III regulations. The purpose of the proposal is to ensure that EU banks become more resilient to potential future economic shocks, while contributing to Europe's recovery from the COVID-19 pandemic and the transition to climate neutrality. The proposal includes restrictions on the use of internal models, changes to the Standardised Approach for both credit and operational risk as well as the introduction of a capital floor of 72.5%. The capital floor entails that the risk-weighted assets for a bank that applied internal models may not, in total, be lower than 72.5% of the risk-weighted amount calculated according to the revised Standardised Approaches. The majority of the new rules are expected to take effect in 2025 with a phase-in period of five years.

In June 2022, the FSA decided to raise the countercyclical capital buffer to 2%. The new buffer will apply from June 2023.

The European Banking Authority (EBA) has prepared new guidelines on banks' internal ratings-based approaches. Swedish banks need to

adapt to these new regulatory changes, which will result in significant changes to models. The FSA has initiated and partly completed its review process of Länsförsäkringar Bank's internal models. Approval for the use of new PD models in the Bank Group and the transition from the Standardised Approach to the IRB Approach for the class of exposures to corporates in Wasa Kredit was obtained in January 2023. A decision on other new models is expected in 2023.

MREL

In December 2022, the Swedish National Debt Office established its annual decisions on resolution plans and minimum requirement for own funds and eligible liabilities (MREL) for the institutions that the Debt Office deems to be systemically important, which includes Länsförsäkringar Bank. MREL is based on the implementation of the new Resolution Act that came into effect in 2021 and includes both a risk-based and a non-risk-based MREL. The Debt Office also decided on individual minimum requirements for Länsförsäkringar Bank's subsidiaries, Länsförsäkringar Hypotek and Wasa Kredit.

Länsförsäkringar Bank is following regulatory developments and is highly prepared and well capitalised for impending changes, even if it is unclear at this stage what the effects of a capital requirement will be.





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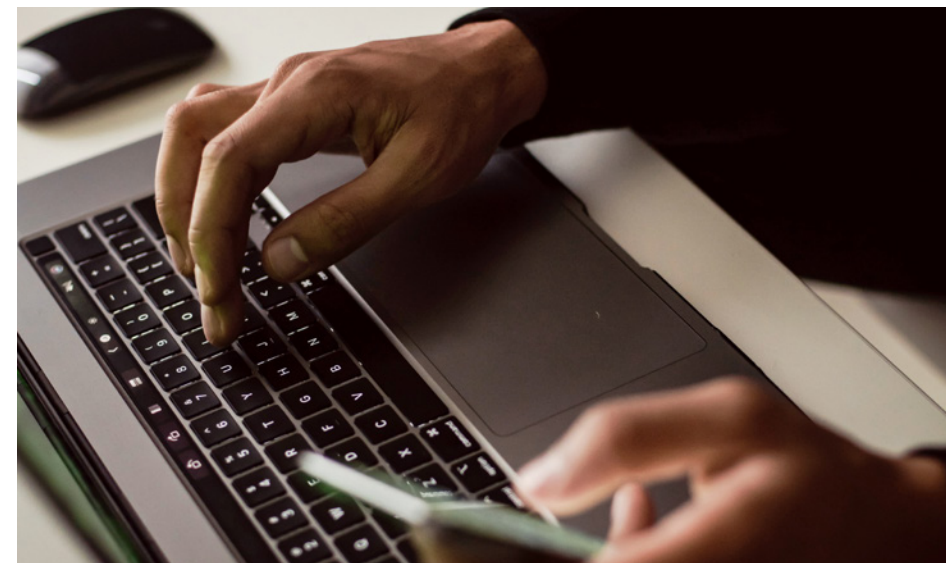
Anti-money laundering and financial crime

Money laundering, financing of terrorism and other financial crime are all global problems that bring significant challenges for society. The priority of these issues has increased over the last decade since the crimes have continuously grown in both extent and complexity. The concepts are also broad and include a number of different types. Money laundering aims to integrate illegal money into the legal economy by "laundering" the money from criminal activity through the financial system. The financing of terrorism includes both making direct donations to terrorism, and also collecting, providing and receiving money and assets for the purpose of financing terrorism. Banks and other financial companies are not protected from this type of crime but are exploited to achieve their criminal objectives.

Fraud is often a predicate to money laundering and in 2022 the number of cases of telephony fraud, known as vishing or voice phishing, continued to increase, with mainly the elderly falling victim. This could take the form of the fraudster calling an elderly person claiming to be from "the bank's security department" and that the bank has received information that the customer has become the victim of fraud. To quickly block their account the customer is encouraged to log in to their bank account using their BankID. The code is entered and the fraudster gains access to the victim's bank accounts and can quickly transfer money to their own account. Länsförsäkringar Bank works continuously together with other banks and the police to jointly stop and combat this

type of crime. This takes place by providing information to customers about the risk of this type of crime as well as real-time systems monitoring to identify and stop suspicious transactions. Länsförsäkringar Bank also works on various forms of restrictions in our products, for example, related to maximum amounts that can be sent and received via Swedish and other methods so as to limit the risk of the product being used for fraud.

Under the Swedish Money Laundering Act, financial companies are to assess, limit and monitor their risks of being utilised to launder money and finance terrorism. They are also to actively identify and report suspicious activities. The rules are comprised of three central pillars: risk assessment, customer due diligence, and monitoring and reporting. The fifth EU Anti-Money Laundering Directive, a revision of the fourth directive, came into effect in January 2020 through implementation in Swedish law and in the regulations of the Swedish Financial Supervisory Authority. The amendments include greater clearer and stricter measures for customer due diligence to be taken for customers in high-risk third countries, protection for whistle-blowers and improving the basis for cooperation and exchanging information between various supervisory authorities. Furthermore, the new law also now includes managing and trading in virtual currencies and legal entities and natural persons that mediate and trade in works of art. Länsförsäkringar Bank does not currently permit trading in Bitcoin.



A government inquiry to strengthen measures to counter money laundering and financing of terrorism is under way, which includes proposals on facilitating cooperation between authorities regarding confidential information and the requirement of reporting the actual beneficial owner when applying to register a legal entity. This information is to be confirmed every year. Finally, the EU will establish a new Anti-Money Laundering Authority (AMLA).

Information security is another area in which the financial sector is continually working to deepen its knowledge and strengthen its systems to detect and prevent this type of crime. Greater focus has been directed to this area following the outbreak of war in Ukraine.

Länsförsäkringar Bank is continuing to regularly invest in improving processes and expertise related to money laundering and financial crime, by enhancing the efficiency of and improving work procedures and by strengthening the organisation with additional resources and personnel. For example, a system has been purchased to automate and enhance the efficiency of collecting and updating customer due diligence and to make it possible to better monitor changes in customer behaviour. The work in this field is led by the Financial Crime Prevention unit (FCP), which is responsible for preventing financial crime. The head of the unit is a member of the bank's management team and reports directly to the President.



Focus on sustainability in customer business

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SUSTAINABILITY

Sustainability activities at Länsförsäkringar Bank follow the Parent Company Länsförsäkringar AB's Group-wide policies and guidelines, with a particular focus on responsible investments in the fund range and responsible lending. Read more in the Group's sustainability report that can be found in Länsförsäkringar AB's 2022 Annual Report and via this link

lansforsakringar.se/arsredovisning2022

Responsible offering

Länsförsäkringar is an important part of the financial system and takes a stance that supports the sustainable development of society and respect for customers' security and value creation based on responsible lending and responsible investments in the fund range.

The bank's target is to be climate-positive by 2045 and contribute to the Länsförsäkringar Alliance's shared sustainability targets. The Bank Group's focus is Scope 3 (customers' impact on the environment and society). Scopes 1 and 2 and handled centrally for the Group by Länsförsäkringar AB. A method for calculating the carbon footprint of the credit portfolio started to be prepared in 2022 and measurements are scheduled to be taken in 2023.

Healthy lending with low sustainability risks

Most of Länsförsäkringar Bank's lending takes place using residential property as collateral. Climate change will probably affect the market value of certain properties. Through its lending, the bank also finances small businesses and agriculture which may involve social and environmental risks, meaning that the bank has an indirect expo-

sure to such risks. Opportunities also exist in lending to finance properties and companies that meet future sustainability requirements and help customers in their climate transition.

Loans are primarily granted to retail customers

Länsförsäkringar Bank is the fifth-largest retail bank in Sweden. Länsförsäkringar Bank's loans are granted in Sweden and in SEK. The bank's largest lending product is mortgages. The geographic spread of lending to both retail and corporate customers is diversified, with low average lending per customer. Lending to companies mainly comprises small businesses that are deemed to have limited environmental and social risks. There are no customers in energy- or emissions-intensive sectors such as large-scale manufacturing, mining operations or fossil fuel extraction and energy production.

Strategic sustainability targets

Target 2022	Outcome 2022	Targets 2023–2024
Launch green mortgages	Sustainability-focused (green) mortgages were launched.	Analyse methods for measuring the carbon footprint of the credit portfolio.
Launch green bonds, volume of green bonds: at least SEK 3 billion in 2022.	Green framework and green bond launched. The volume of green bonds amounted to SEK 2.3 billion, slightly lower than the target due to the bank having lower finance requirements.	A sustainability-focused asset register as a basis for sustainability-focused bonds of at least SEK 15 billion.
The number of sustainability-focused products/services: 4	5	Develop new sustainability-focused financing products.

By concentrating on a sustainability-focused lending offering, Länsförsäkringar can contribute to the UN SDGs.

Read more in Länsförsäkringar AB's sustainability report in the Annual Report.





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Local knowledge reduces credit risk

Länsförsäkringar Bank's loans are based on standardised, centrally established credit regulations and most credit decisions are made by the local regional insurance companies. The high credit quality of the loan portfolio is the result of the low risk appetite, credit regulations and advisors' local customer and market knowledge.

The credit regulations impose strict requirements on customers' repayment capacity and the quality of collateral. In connection with the loan application process, the repayment capacity of borrowers is tested using "left to live on" calculations. These calculations apply a significantly higher interest rate than the actual rate. The loan portfolio and value of the collateral are continuously monitored and quality assured.

Sustainability aspects in lending to companies

Environmental risks, environmental responsibility and livestock farming are governed by various legal requirements and rules controlled by supervisory authorities. The bank's credit scoring follows up such risks based on licensable and non-licensable operations. Additional aspects are also considered, such as ethical livestock farming, the climate impact of the borrower's operations, potential climate risks that could affect the borrower's operations and solvency.

Loans are not granted if a business is considered to have climate or environmental risks that

the borrower cannot handle correctly, or if there are shortcomings in the environmental responsibility of the operations.

The industry, operations and forms of employment are also analysed for lending to businesses so as to assess risks associated with human rights, discrimination, labour, child labour, forced labour, corruption or other criminal activities. No loans are granted to business that the bank believes has the risk of the borrower being unable to comply with laws and regulations in these areas.

Länsförsäkringar Bank does not offer loans or financing to the following sectors:

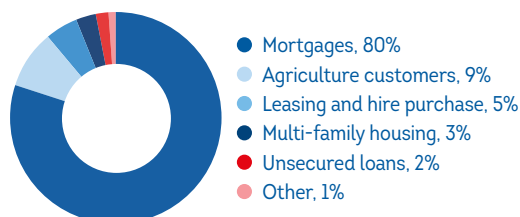
- Extraction and prospecting of fossil fuels (oil, coal and gas).
- Energy production from thermal coal.
- Production of tobacco products.
- Gambling for money (commercial online gambling and gambling companies with land-based casinos)
- Manufacturing of controversial weapons.
- Production of pornographic material.

Sustainability-focused offering to support the transition

Two new sustainability-focused products were launched during the year:

- A sustainability-focused mortgage offering for single-family homes was launched to benefit customers who have low-energy homes, energy class A and B, by providing interest-rate discounts.
- An energy efficiency loan at a lower interest rate that supports customers who want to transition to a better energy class, for example, by installing solar panels or other environmen-

Loan portfolio 31 December 2022*



* Excluding deposits with the Swedish National Debt Office and similar items



Managing climate-related risks and opportunities

STRATEGY

- Diversified loan portfolio with low average lending per customer.
- Loans are primarily granted to retail customers.
- Lending to companies mainly comprises small businesses that are deemed to have limited climate risks.
- Low risk appetite and local customer and market knowledge contribute to low credit risks.
- Help customers in their transition by providing advice and sustainability-focused offerings.

RISK MANAGEMENT

- The effect of climate- and sustainability-related risks on repayment and collateral is to be assessed when granting loans.
- A diversified loan portfolio and strict customer repayment capacity requirements to reduce credit risks.
- Transition finance such as for solar panel solutions for companies and agriculture.
- Offer sustainability-focused mortgages and energy efficiency loans to retail customers.
- No loans are granted to companies in fossil energy production.
- No lending to energy- or emissions-intense sectors such as large-scale manufacturing, mining operations or energy production.
- Carry out scenario analyses of the impact of climate change on the mortgage portfolio.



Read more in the TCFD index in Länsförsäkringar AB's Annual Report.



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The subsidiary Wasa Kredit offers lease and hire purchase financing to companies, and loans and credit card loans to private individuals. The offer is distributed to partners and direct customers. The main target group is properties, construction, retail, motor vehicles and industry. The transition finance offering includes solar panels, battery storage and heat pumps. At the end of 2022, transition finance amounted to 1.2% (1.1) of Wasa Kredit's total loan portfolio.

Funding at low credit risk

Länsförsäkringar Bank's main financing sources are deposits and funding through covered bonds. These covered bonds have the highest credit rating from Moody's and S&P Global Ratings, which indicates a low credit risk. The bank invests in green bonds and on 31 December 2022 its holdings amounted to SEK 3.4 billion (3.6).

Responsible investments in fund range

The policy on responsible investments and corporate governance, the UN Global Compact's principles and the UN Principles for Responsible Investment (PRI) form the basis of the work on responsible investments.

Sustainability integrated in Länsförsäkringar's fund offering

Länsförsäkringar Bank's fund offering includes Länsförsäkringar's own funds and funds from other companies. Some of Länsförsäkringar's own funds are managed internally and others externally. Sustainability analyses of companies are an integrated part of the investment process for the fund company's internally and actively managed funds. These analyses are based on several different external sources that in certain cases are combined with internal analysis. Requirements are set for externally managed own funds on how managers integrate sustainability into their management models. The work and progress of exter-

Strategic sustainability targets

Target 2022

Increase the number of own funds with a carbon intensity that is lower or in line with Paris Aligned Indexes from three to eight funds.

Increase the share of assets in sustainability-focused funds in Länsförsäkringar's own range of total managed assets in 2022 compared with 2021.

Outcome 2022

16 own funds have a carbon intensity that is lower or in line with Paris Aligned Indexes.

The share of total capital in sustainability-focused funds increased from 16% to 18%.

Targets 2023–2030

Increase the share of own funds with a carbon intensity in line with the Paris Aligned Indexes.

By 2030, all own funds are to have a carbon intensity in line with the Paris Aligned Indexes.

Maintain the share of assets in sustainability-focused funds in Länsförsäkringar's own fund range.

With a sustainability-focused savings offerings, Länsförsäkringar can contribute to the UN SDGs.



Read more in Länsförsäkringar AB's sustainability report in the Annual Report.

nal fund managers are monitored continuously. At the end of 2022, all of Länsförsäkringar's own funds were classified as light green funds according to the SFDR, which means that they promote environmental or social characteristics in fund management.

Active corporate governance

Corporate governance includes company dialogues on sustainability topics, active participation in the nomination committees of portfolio companies to influence board compositions and voting at general meetings. A long-term objective is to increase diversity in terms of gender, age and background, on the boards of the portfolio companies. During the annual general meeting season of 2022, the percentage of women board members was 32% in the companies in which Länsförsäkringar Fondförvaltning served on the nomination committee. Länsförsäkringar Fondförvaltning mainly votes at general meetings of the companies in which it

has a substantial holding or where it is important to vote for other reasons. In 2022, Länsförsäkringar Fondförvaltning cast votes at 101 meetings in the Nordic region and the US and was on 20 nomination committees.

Länsförsäkringar Fondförvaltning collaborates with Länsförsäkringar Liv in its work on reactive and proactive sustainability dialogues. A reactive dialogue takes place when a company contravenes, or is suspected of contravening, the Global Compact's principles and international conventions, with the aim of the stopping the company from committing breaches and taking measures to prevent similar incidents from being repeated. If this engagement does not achieve the desired results over time, the holdings in the company may be divested. Individual companies and selected sectors under the investor-led initiative framework are engaged in proactive dialogue to ensure that they are managing and are transparent regarding their material sustain-





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Managing climate-related risks and opportunities

STRATEGY

- Support companies that have started to transition their operations.
- Increase exposure to companies that with their products and services support the transition to a more sustainable and climate-smart society.
- Engage with companies to set science-based climate targets and follow up emissions outcomes.
- Reduce exposure to companies with significant climate emissions, particularly those unwilling to transition and those who risk having stranded assets¹⁾.

RISK MANAGEMENT

- Integrate climate risks and opportunities in the choice of individual investments or external managers.
- Measure the carbon footprint of investments to use as a basis for investment decisions and owner control and engagement.
- Invest in sustainability-focused companies and issues that contribute to climate benefits.
- Manage own index funds using indexes aligned with the climate targets of the Paris Agreement.
- Vote at general meetings and conduct dialogues on climate issues.
- Reduce exposure to companies with fossil fuel activities and companies with high carbon emissions that do not have ambitious climate targets or measures to reduce emissions.



Read more in the TCFD index in Länsförsäkringar AB's Annual Report.

ability risks. Länsförsäkringar AB participated in several investor initiatives in 2022, including:

- Climate Action 100+ - focus on action on climate change.
- FAIRR (Farm Animal Investment Risk & Return) - focus on climate and water risks related to intensive livestock production.
- Access to medicine - focus on access to medicine.
- BBFAW (Business Benchmark on Farm Animal Welfare) - focus on animal welfare.

For internally managed funds, a proactive dialogue is undertaken with certain selected companies on relevant sustainability topics.

Exclusion criteria

To reduce risks and negative impact, a number of exclusion criteria have been defined that are applied to direct investments in Länsförsäkringar's own funds. About ten state-run Russian companies and government bonds from Russia and Belarus were added to the exclusion list in 2022 as a result of the serious violations of human rights and intentional conventions by the invasion of Ukraine. Iran was also added to the list due to its abuse of human rights. The production of pornographic material was also added as an exclusion criterion during the year but had no practical effect on investments since no such companies could be identified.

Limits stated in % refer to the company's maximum sales in that area. Selected energy companies that can demonstrate that they are transitioning from fossil to renewable energy or have set emissions targets aligned with the Paris Agreement can be kept in the investment universe. Länsförsäkringar's website has a list of all criteria, companies and countries.

The following exclusion criteria and turnover limits applied from 31 December 2022 for direct investments made in Länsförsäkringar's own funds:

- Mining and energy companies exposed to thermal coal, max 5%.
- Companies involved in prospecting and extraction of oil and gas, max 5%.
- Manufacturers of tobacco products, max 5%.
- Commercial online gambling companies and land-based casinos, max 5%.
- Controversial weapons.
- Production of pornographic material.
- Companies that contravene international conventions and dialogue does not have the desired results.
- State-controlled listed Russian companies and companies controlled by Russian oligarchs.
- Government bonds issued by countries that overall are not considered to meet fundamental criteria on human rights, democracy and anti-corruption
- Government bonds issued by countries that the EU deems are non-cooperative jurisdictions for tax purposes



¹⁾ Stranded assets means available assets cannot be used for some reason and thus pose a financial risk.



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Minimising climate risks in investments

Länsförsäkringar's target is to reduce the climate footprint of its own funds so that by 2030 their emissions are aligned with the goal of the Paris Agreement to limit global warming to 1.5°C. One of the goals of this work is the more long-term climate target of being climate-positive by 2045. In practice, this involves selecting the most climate-effective companies in each sector and increasing climate-positive investments, avoiding the largest emitters of GHG emissions in the most relevant sectors, supporting companies that have started to transition their operations and engaging in dialogue with companies to discuss climate challenges. During the year, Länsförsäkringar's index funds started to be managed using indexes aligned with the climate targets of the Paris Agreement. This means that the carbon intensity of the funds is 50% lower than a standard equities index, with a 7% intensity reduction every year,

which is the rate required for meeting the Paris Agreement.

Green bonds

A green bond framework was prepared during the year for issuing sustainability-focused bonds that aim to direct capital towards sustainable purposes such as low carbon use, climate resilience and an environmentally sustainable society. The framework was produced in accordance with the ICMA's1) principles and was independently assessed by Sustainalytics2). The framework has been developed with sufficient breadth to allow the inclusion of several green EU Taxonomy projects in the bonds in future. The focus of the first sustainability-focused bonds is single-family homes that are in the top 15% of the national housing stock.

Other categories included in the framework are green buildings, energy efficiency, renewable

energy, sustainable transportation, sustainable forestry and agriculture. At year-end 2022, SEK 13 billion of the bank's total loan portfolio comprised green assets.

Availability and digitisation

With the 23 regional insurance companies, Länsförsäkringar's customers have access to 115 branches throughout Sweden as well as telephone and digital banking services.

88% (73) of bank customers use Länsförsäkringar's app or Internet bank. Länsförsäkringar Bank can increase availability by providing access to its services for people without a Swedish personal identity number.

An important area for enhancing efficiency and improving the customer experience is digitisation. New digitisation initiatives were carried out in 2022, such as digitally signing agreements. Digitisation means a lower impact on the environ-

ment by reducing paper consumption, postal services and the need for customers to travel. The percentage of digitally distributed customer documents was 85% (83) in 2022.

Strategic commitments and stakeholder dialogue

Länsförsäkringar Bank has committed to the UN Principles for Responsible Banking (PRB) and the Swedish Bankers' Association's climate roadmap that was established in 2021. The roadmap is based on the PRB, EU standards and regulations, the Swedish government's climate target of net zero emissions by 2045 and the 2030 Paris Agreement. A central aspect of these commitments is to support and enable the bank customers to transition.

A review and improvement of the bank's strategy and sustainability agenda was initiated in 2021 and a new strategy was laid out in 2022. The strategy, which is part of the business plan, is based on the external expectations of banks, the PRB, the UN SDGs, EU regulations, dialogue with the Swedish Bankers' Association, dialogue with central partners and civil society organisations. Customer expectations have been identified by the Board and the local regional insurance companies.

Sustainability training

All employees in the Länsförsäkringar Bank Group received sustainability training during the year. All members of the Board and management of Länsförsäkringar Bank also received sustainability training.



Tools for personal finances add value

During the year, Länsförsäkringar Bank created a forecast tool, **Ekonomikollen**, that customers can use to calculate how a variety of different factors and choices would affect their personal finances. Customers can calculate and see how their finances would be affected by working part-time, what their long-term household finances will be and how long it will take to achieve various savings goals. The tool also provides support when meeting with customers to help make their finances sustainable and equitable.



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Taxonomy disclosures

The Taxonomy Regulation and the supplementing delegated acts (jointly referred to as the “Taxonomy Regulations”) that came into effect on 1 January 2022 are part of the EU’s action plan to achieve the target of a climate neutral Europe by 2050. The Taxonomy Regulations contain criteria for assessing whether or not economic activities are environmentally sustainable. The regulations are being developed and screening criteria have currently been prepared for two of the EU’s six environmental objectives: environmental objective 1 – climate change mitigation and environmental objective 2 – climate change adaptation. The criteria for the other four environmental objectives was meant to have been completed for the 2022 reporting year but is significantly

delayed and are expected in 2023. Under the Taxonomy Regulations, certain companies are to include information on the extent to which the company’s activities are Taxonomy-eligible and are deemed to be sustainable. For financial companies, this also includes disclosures on whether investments are made in sustainable economic activities.

Special transition rules apply to financial companies such as the Länsförsäkringar AB Group. For the 2021 and 2022 fiscal years, disclosures are to be provided about the activities and whether the Group’s investments are Taxonomy-eligible. Complete disclosures on how the activities and investments meet the criteria are to be provided from 2023.

The table below was prepared based on public information and presents the proportion of Länsförsäkringar AB Group’s assets that are associated with Taxonomy-eligible economic activities.

Credit institutions shall provide disclosures on retail exposures regarding lending for residential properties and vehicles as an activity that is Taxonomy-eligible. In the table below these are included in the column “Exposures to non-NFRD companies” and were identified using the most recently available data from external data sources, primarily Clarity AI.

The Länsförsäkringar AB Group’s strategy for responsible investing and lending and sustainability is stated in the company’s sustainability policy. For investments, the Policy on responsible invest-

ments and corporate governance clarifies the strategy. The aim of the Länsförsäkringar AB Group’s activities in responsible investments is to contribute to sustainable added value based on economic and sustainability-related aspects. The Länsförsäkringar AB Group seeks to encourage all companies in its investment portfolios and funds to comply with principles for responsible business, such as the UN Global Compact, and works on material sustainability topics for the industry. The aim is also to contribute to the UN SDGs and to be climate-positive by 2045.

SEK M

Bank Group	Exposures to Taxonomy-eligible economic activities, SEK M	Exposures to Taxonomy non-eligible economic activities, SEK M	No information available, SEK M	Total assets, SEK M	Percentage of total assets
Financial assets	357,965	60,200		418,165	91
Trading portfolio and on-demand interbank loans on total assets	-	191		191	0
Exposures to central governments, central banks and supranational issuers	n/a	24,109		24,109	5
Derivatives	n/a	8,138		8,138	2
Exposures to companies not subject to NFRD ¹⁾	n/a	8,301		8,301	2
Other assets in the balance sheet ²⁾	-	-1,670		-1,670	0
Total assets	357,965	99,270		457,235	100

¹⁾ NFRD = the EU Non-Financial Reporting Directive, which contains a requirement for a sustainability report for certain large companies that have more than 500 employees.

²⁾ Other assets in the balance sheet are, for example, intangible assets, tangible assets and cash and cash equivalents, which are remeasured on the closing date, which is why negative amounts may arise.



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Responsible employer

The code of culture is the foundation of Länsförsäkringar Bank's corporate culture. Talented and dedicated employees who drive and develop the operations are vital to achieving business objectives. An inclusive culture makes it possible to benefit from diversity.

New forms of working and employment, rapid technological advances and globalisation and the right skills in a changed working life require an effective and active supply of skills. Attracting, retaining and developing the right skills are a prerequisite for Länsförsäkringar's competitiveness. Mental illness and stress-related illnesses are on the rise in society. Digital technology and flexible working hours increase the risk of never-ending work, which presents risks and costs for individuals, employers and society.

Diversity, inclusion and equality

For Länsförsäkringar Bank, working on diversity, inclusion and equality is a matter of business value. It helps strengthen competitiveness and increases profitability. Diversity initiatives also play an important role in being an attractive and responsible employer and broadening the recruitment pool. The importance of an inclusive culture is critical for benefiting from diversity and welcoming different perspectives and approaches. Länsförsäkringar Bank's diversity agenda reflects the law prohibiting discrimination and everything that makes people different and unique. The equality and diversity plan describes standpoints, promotion activities, active measures and action plans. Progress is monitored annually.

A new equality and diversity plan was decided on for 2022–2024 and includes standpoints, promotion activities and action plans. Progress is monitored annually.

Several diversity measures were carried out for all employees in 2022 to raise awareness of diversity and inclusion and to engage and increase participation. EU Diversity Month was celebrated with lectures and preparing new educational and diversity information for the intranet.

A digital training course on skills-based recruitment with respect to discrimination and diversity was launched for managers and recruiters. Training in interview techniques and unprejudiced recruitment is planned for 2023. The aim of the recruitment process is to ensure a more even gender distribution in working groups and managerial positions.

Länsförsäkringar has been a certified employer by the Swedish Migration Agency since 2019, which expedites work permit processing times, thus simplifying recruitment of people without permanent residence permits. Partnerships continue as needed with Swedish for professionals, which offers Swedish-language courses to English-speaking employees, Novare Potential, which aims to help new arrivals enter the Swedish labour market.

The internal network Qnet develops and coaches women managers as part of structured equality measures.

Employees have the option of receiving supplementary salary as a complement to the state parents' allowance.

Diversity and inclusion activities will continue and remain part of the business plan.

Number of women among senior executives

%	31 Dec 2022	31 Dec 2021
Board members	32	27
Other senior executives	55	44

Performance, development and strategic skills supply

Länsförsäkringar wants to build a culture that nurtures a high level of commitment, continuous learning and excellent performance. The definition of performance is what has been attained based on business goals and how the performance has been achieved in line with the code of culture. Employees are responsible for their learning and development.

Managers and employees share a joint responsibility for following up performance, skills, the work environment and health at regular and structured talks during the year. Clarity, follow-ups and feedback are key elements of such talks. This model is also part of systematic work environment activities and includes documenting secondary employment and ensuring that internal guidelines are followed up.

An analysis is performed every year to identify future and current needs for resources and skills based on strategies and business plans. Short- and long-term action plans are set to cover any gaps. Developing leadership that is business-oriented and coaching-based, in which continuous learning, innovation and diversity are key parts, is continuing. Statutory and compulsory Group-



Länsförsäkringar's Universum ranking

In the Universum survey 2022 *Most Attractive Employers in Sweden*, company employees rate their own employer. Länsförsäkringar made it to the top 50 list, coming in 29th. Employees respond to questions in the following areas in the survey: internal identity, satisfaction/recommendation and loyalty.



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wide courses have been arranged, with requirements set based on the employee's occupation, role and work tasks. Individual skills development departments also offer employee and leadership training courses.

During the year, many in-house training courses were organised for Länsförsäkringar's employees. A leadership programme related to the new code of culture was also prepared, and action plans were developed for strategic skills supply and talent frameworks.

Health and work environment

Länsförsäkringar Bank has applied a long-term approach to health and the organisational, social and physical work environment for many years. Proactive work is undertaken to create the conditions to ensure well-being and job satisfaction among employees in a healthy work environment that allows everyone to contribute their commitment, good performance and efficiency in order to attain our business targets. Taking preventive action and striking a healthy work/life balance is important to reducing such stress-related risks.

Managers are responsible for addressing employee work environment and health according to the systematic work-environment process, as well as equality, diversity and discrimination. Employers, managers, employees and health and safety representatives work together on work-environment issues. The organisational and social work environment is regularly monitored to prevent stress and unhealthy workloads in accordance with the Swedish Work Environment Authority's provisions (AFS 2015:4).

The Work Environment and Equality Committee is responsible for overall monitoring of the

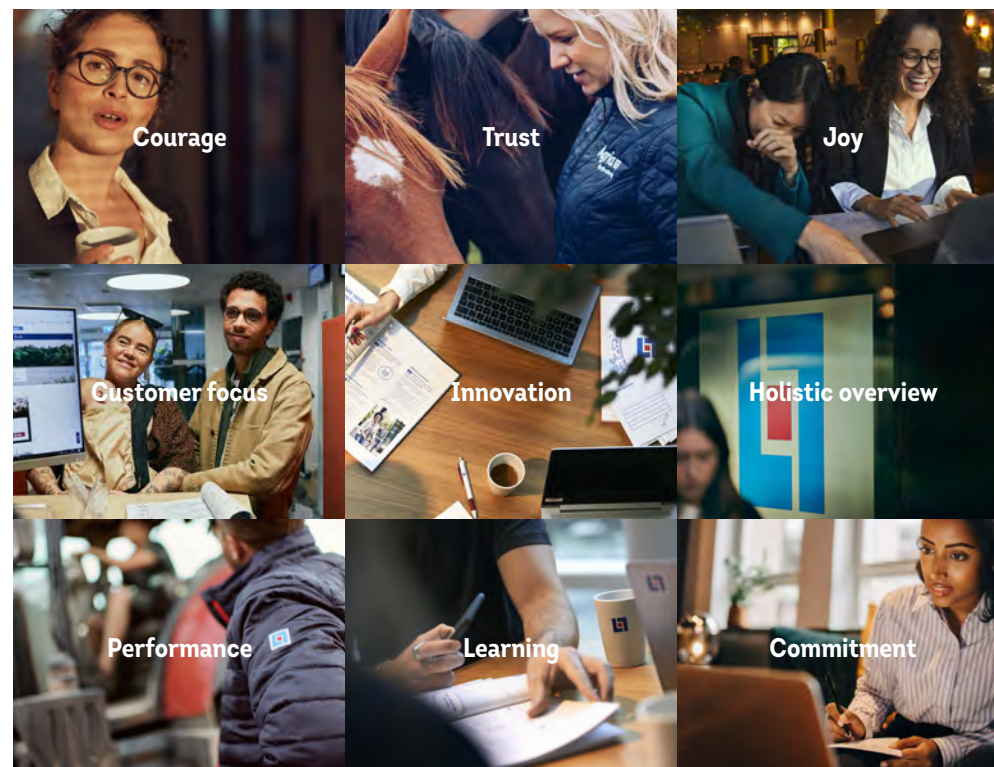
equality and diversity plan, sickness absence, occupational injuries and rehabilitation, and the employee survey. The total sickness absence for Länsförsäkringar Bank in 2022 was 2.7% (2.4).

Cooperation with trade unions takes place through regular meetings and dialogue. All employees of Länsförsäkringar in Sweden are represented by the Work Environment and Equality Committee.

A new work environment course was launched that includes basic occupational health and safety skills and methods to work on these issues. It is primarily intended for managers and health and safety representatives, but is available to all employees. A lecture on alcohol and drug abuse was held for all managers, and a mandatory course on fire safety for all employees was also prepared.

Occupational health care services provide support for rehabilitation, work-related illness, as well as ergonomic advice, regular medical check-ups and counselling for managers in managerial matters. The Länsförsäkringar AB Group has its own health centre for exercise and treatment. All employees are offered one hour of fitness activities during work hours every week as well as a fitness subsidy.

Flexible and activity-based working continued to be rolled out in 2022, enabling employees to work in the way, with the technology and in the place that offer the best support for them to perform their work duties efficiently and sustainably. Länsförsäkringar's office in Stockholm is undergoing extensive remodelling as part of this new work method, and is scheduled for completion in 2023.



The foundation of the code of culture is the corporate culture, conduct and leadership.

A new code of culture was launched in Länsförsäkringar AB in 2022. Work with the code of culture is based on co-creation, a high level of involvement among all employees and a focus on dialogue. All managers and employees were involved in the code of culture during the year and contact meetings were held in all work groups.



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The Board of Directors and President of Länsförsäkringar Bank AB (publ) hereby submit the Annual Report for 2022.

Ownership and Group structure

Länsförsäkringar Bank AB (publ) is part of the Länsförsäkringar AB Group, with Länsförsäkringar AB (publ) as the Parent Company, which is owned by 23 independent and customer-owned regional insurance companies and 14 local insurance companies. All customer contact takes place at the regional insurance companies. Länsförsäkringar AB (publ) is responsible for conducting joint business activities, strategic development activities and providing service. The aim is to establish the conditions for the regional insurance companies to continue to grow and be successful in their respective markets. Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) is 100% owned by Länsförsäkringar AB (publ) (Corp. Reg. No. 502010-9681). The Bank Group comprises the Parent Company Länsförsäkringar Bank AB (publ) and the wholly owned subsidiaries Länsförsäkringar Hypotek AB (publ) (Corp. Reg. No. 556244-1781), Länsförsäkringar Fondförvaltning AB (publ) (Corp. Reg. No. 556364-2783) and Wasa Kredit AB (Corp. Reg. No. 556311-9204). All companies have their registered offices in Stockholm and the abbreviated forms of these company names are used in the remainder of the Board of Directors' Report.

Focus of operations

The operations offer banking services to private individuals, agricultural customers and small businesses. The lending products of leasing, hire purchase and unsecured loans are offered to private individuals and companies through the wholly owned subsidiary Wasa Kredit. Sales and cus-

tomers services are carried out through the 115 branches of the 23 regional insurance companies and via digital services and telephone. The regional insurance companies are reimbursed for sales, administration and customer care through a reimbursement system. Another part of the full-service offering is the 189 branches of Länsförsäkringar Fastighetsförmedling throughout Sweden.

Impact of the war in Ukraine

The war in Ukraine is continuing to impact the outlook for the European economy and the financial markets, which has also contributed to higher inflation and raises both in key interest rates and in market interest rates. Rapidly rising market

interest rates result in the need to pass on the effects of higher financing costs to customers, for example, by raising mortgage rates. Since customers' repayment capacity is assessed using assumptions regarding higher interest rates in the "left to live on" calculation, which is part of the credit evaluation process, mortgage customers are considered to have a solid margin for managing the situation of higher interest rates. Rising rates have contributed to falling house prices and a weaker housing market. The impact of falling house prices is, to date, limited. Activity in the housing market has softened and if house prices continue to fall further, it would lead to even lower lending growth and a lower average loan-to-value ratio in

the mortgage portfolio. The funding markets have continued to function, although uncertainty has widened credit spreads, meaning higher funding costs. The Bank Group has a strong liquidity position and thus the capacity to manage periods of disruption in the funding market. Wider credit spreads also have a negative impact on holdings in the liquidity reserve. The weak stock-market trend during the year negatively impacted the volume of managed funds. However, this contributed to a negative trend in commission income from the fund business.

Geopolitical uncertainty combined with high inflation and rising interest rates result in weaker growth prospects. The regular update of the

Länsförsäkringar Bank – part of the Länsförsäkringar Alliance

3.9 million customers

23 local regional insurance companies

Länsförsäkringar AB

Länsförsäkringar Bank AB

Länsförsäkringar Hypotek AB
Retail mortgages

Länsförsäkringar Fondförvaltning AB
Mutual funds

Wasa Kredit AB
Leasing, hire purchase and unsecured loans



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macroeconomic scenarios led to a slight impact on the loss allowance for expected credit losses. It cannot be ruled out that additional downward revisions of forward-looking macro forecasts in the future will have greater effects on the loss allowance for expected credit losses. Very minor effects were seen for actual or probable credit losses, but it cannot be ruled out that a greater impact on the loss allowance will arise in the future. Since the impact of the war in Ukraine on the income statement, balance sheet and credit quality has been relatively limited to date, the effect in terms of capital adequacy is also limited.

2022 compared with 2021, Group

Business volumes

Business volumes declined 3% from last year-end to SEK 820 billion (841), driven by lower fund volumes resulting from lower market values.

Total lending improved 4% or SEK 16 billion to SEK 367 billion (351) with continued high credit quality. Lending excludes deposits with the Swedish National Debt Office and similar items. Lending in Länsförsäkringar Hypotek increased 7%, or SEK 18 billion, to SEK 297 billion (279). Lending in Wasa Kredit declined 2%, or SEK 0.4 billion, to SEK 25.1 billion (25.6).

Deposits increased 5%, or SEK 7 billion, to SEK 153 billion (146).

The fund volume fell 13% or SEK 44 billion to SEK 299 billion (343), as a result of the market trend and lower market values, while net inflows remained solid.

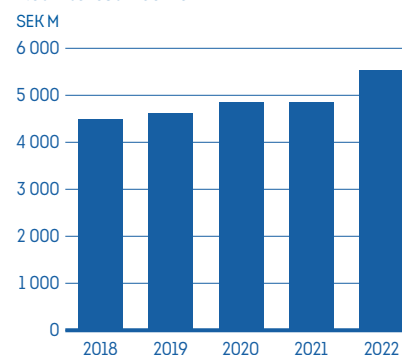
Customers

The number of customers with Länsförsäkringar as their primary bank increased 4% to 612,800 (589,000). Some 90% of those customers who have the bank as their primary bank are also existing Länsförsäkringar insurance customers. The number of bank cards issued by Länsförsäkringar Bank rose 3% to 794,600 (768,100).

Earnings and profitability

Operating profit fell 10% to SEK 2,067 M (2,296). The decline was mainly due to the introduction of the risk tax for banks, the administrative fine from the FSA and the positive effect in the comparative period from the reversed loss allowance. Profit before credit losses and fees levied increased 21% to SEK 2,523 M (2,088). The investment margin amounted to 1.19% (1.12). Return on equity amounted to 8.2% (9.8).

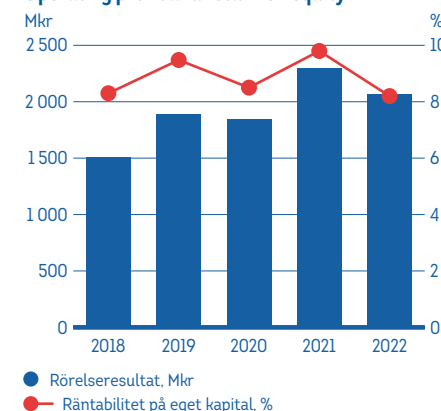
Net interest income



Income

Operating income increased 9% to SEK 5,033 M (4,610) due to higher net interest income, which offset lower net commission income. Net interest income increased 14% to SEK 5,528 M (4,863). Net gains from financial items amounted to SEK 0 M (54). Underlying net commission income, excluding remuneration paid to the regional insurance companies, remained largely unchanged at SEK 1,329 M (1,332). The recognised net commission including remuneration to the regional insurance companies amounted to SEK -508 M (-331).

Operating profit and return on equity

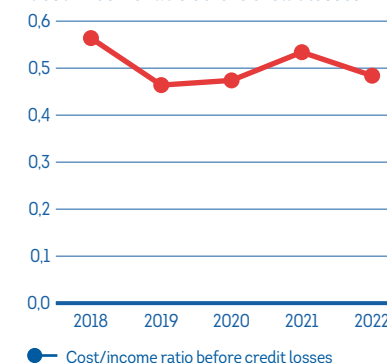


Expenses

Operating expenses declined slightly to SEK 2,510 M (2,523). Expenses for 2022 included higher costs for IT investments related to digitisation and AML-related expenses as well as costs for the administrative fine from the FSA, while 2021 included an impairment loss on intangible assets. The cost/income ratio before credit losses and fees levied amounted to 0.50 (0.55) and the cost/income ratio after credit losses and fees levied amounted to 0.59 (0.50).

As a result of the investigation that the FSA conducted into how the bank complies with the regulations on monitoring and reporting, with a focus on fast transactions and international payments, Länsförsäkringar Bank received a remark in December 2022 and was ordered to pay an administrative fine of SEK 90 M, which is included in expenses for 2022.

Cost/income ratio before credit losses



Credit losses

The credit quality of the loan portfolio remained very high and credit losses in the Bank Group are low. During the fourth quarter, the macroeconomic scenarios for calculating expected credit losses were updated with more negative outlooks for the future, which led to slightly higher loss allowances. Furthermore, a decision was made to make a manual expert adjustment to mortgage lending, which increased the loss allowance by SEK 21 M, in light of the rapidly increasing uncertainty in the business world and its impact on households. Credit losses for 2022 totalled SEK 123 M (-331), net, corresponding to a credit loss level of 0.03% (-0.09). Comparative figures for last year were impacted by reversals of previous loss allowances related to the pandemic.

The impact of the macroeconomic trend on credit quality and the loss allowance has been limited to date. However, it cannot be ruled out that developments may lead to higher loss allowances in the future.

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 963 M, corresponding to a share of credit-impaired loan receivables of 0.15%. The loss allowance for credit-impaired loan receivables was SEK 394 M. The reserve ratio for credit-impaired loan receivables



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amounted to 40.9%. In addition, SEK 40 M of the remuneration to the regional insurance companies regarding credit-impaired loan receivables* is withheld. Including the withheld remuneration to the regional insurance companies, the loss allowance for credit-impaired loan receivables totalled SEK 434 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 45.1% and the total recognised loss allowance was SEK 636 M, of which SEK 80 M pertained to withheld remuneration to the regional insurance companies*.

Credit-impaired loan receivables (stage 3) declined during the year as a result of recovery, closed cases and established agreements as well as ongoing sales of credit-impaired loan receivables in Wasa Kredit AB. However, the reserve ratio for credit-impaired loan receivables increased during the year due to a weak macro-economic climate and as a result of a natural longer average processing time for credit-impaired loan receivables. The trend in loan receivables with higher credit risk (stage 2) was driven by transfers on non-credit-impaired loan receivables (stage 1). The reserve ratio for loan receivables with higher credit risk increased marginally, driven by the weaker macroeconomic climate.

* In accordance with the settlement model for the regional insurance companies' credit-risk commitments for generated business.

Loss allowance, stage 3 and 2

SEK M	31 Dec 2022	31 Dec 2021
Loans to the public	384,104	361,991
Credit-impaired loan receivables (stage 3)	963	1,091
Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to regional insurance companies	434.1	420.6
of which loss allowance for credit-impaired loan receivables (stage 3)	394.1	366.1
of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)	40.0	54.4
Share of credit-impaired loan receivables (stage 3), %	0.15	0.20
Reserve ratio for loan receivables stage 3, including withheld remuneration to the regional insurance companies, %	45.1	38.6
Reserve ratio for loan receivables stage 3, %	40.9	33.6
Loan receivables with higher credit risk (stage 2)	7,247	6,773
Total loss allowance for credit-impaired loan receivables (stage 2), incl. withheld remuneration to regional insurance companies	120.9	100.2
of which loss allowance for credit-impaired loan receivables (stage 2)	102.3	89.2
of which withheld remuneration to regional insurance companies for loan receivables with higher credit risk (stage 2)	18.6	10.9
Share of loans with higher credit risk (stage 2)	1.85	1.84
Reserve ratio for loan receivables with higher credit risk (stage 2), including withheld remuneration to the regional insurance companies, %	1.7	1.5
Reserve ratio for loan receivables stage 2, %	1.4	1.3

For further information on credit losses and credit-impaired loan receivables, refer to notes 2, 3 and 11.

Deposits and savings

Deposits from the public increased 5%, or SEK 7 billion, to SEK 153 billion (146). Deposits from businesses amounted to SEK 15.2 billion (15.5). The total number of deposit accounts increased 3%. On 31 December 2022, the market share of household deposits had declined to 5.1% (5.3) according to Statistics Sweden. Fund volumes fell 13%, or SEK 44 billion, to SEK 299 billion (343), due to negative changes in value but with a continued healthy inflow in the fund business.

Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public rose 4% or SEK 16 billion to SEK 367 billion (351) and maintained a high level of credit quality. Lending excludes deposits with the Swedish National Debt Office and similar lending of SEK 17 billion (11).

Lending in Länsförsäkringar Hypotek increased 7%, or SEK 18 billion, to SEK 297 billion (279). The percentage of retail mortgages in relation to the total loan portfolio was at 79.5%. The weighted average loan-to-value ratio (LTV) of the mortgage portfolio amounted to 56% (57). As of 31 December 2022, the market share of retail mortgages had increased slightly to 7.1% (7.1) according to Statistics Sweden. Green mortgages were launched as a product for customers during the year.

Agricultural lending increased 2% to SEK 33.9 billion (33.1). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2.3 M (2.2). First-lien mortgages for agricultural properties increased to SEK 33.2 billion (32.2), corresponding to 98% (97) of agricul-

tural lending. Lending in Wasa Kredit fell 2% to SEK 25.1 billion (25.6).

Loan portfolio

Lending segment, %	31 Dec 2022	31 Dec 2021
Retail mortgages	79.5	76.7
Agriculture	9.2	9.2
Multi-family housing	2.8	2.5
Leasing and instalments	5.0	5.2
Unsecured loans	2.3	2.5
Other	1.2	3.9
TOTAL	100	100

Volume of retail mortgages in Bank Group by loan-to-value ratio**

Capital receivable	Total	
Loan-to-value ratio	Volume, SEK M	%
0-50%	248,474	85.1%
51-60%	23,035	7.9%
61-70%	12,924	4.4%
71-75%	3,489	1.2%
75%+	3,982	1.4%
TOTAL	291,904	100.0%

** Refers to loans with single-family homes, tenant-owned apartments or vacation homes as collateral on 31 December 2022.

Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 1%, or SEK 2.7 billion, to a nominal SEK 262.8 billion (260.1), of which covered bonds amounted to SEK 217.7 billion (214.2), senior long-term funding to SEK 43.6 billion (45.3) and short-term funding to SEK 1.4 billion (0.6). The average remaining term for long-term funding was 3.0 years (3.1) on 31 December 2022.

Covered bonds were issued in 2022 at a volume of a nominal SEK 39.6 billion (45.8). Repurchases of covered bonds amounted to a nominal SEK 12.5



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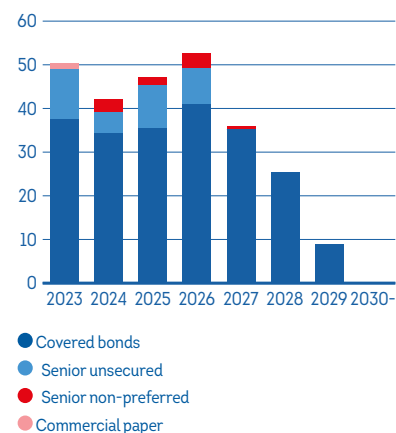
billion (4.5) and matured covered bonds to a nominal SEK 23.6 billion (16.8). Länsförsäkringar Bank issued senior unsecured bonds of a nominal SEK 7.7 billion (13.9) during the period, while maturities amounted to a nominal SEK 9.4 billion (8.3). The total volume of the outstanding senior non-preferred bond was SEK 8.9 billion on 31 December 2022.

In 2022, Länsförsäkringar issued a new covered seven-year benchmark bond in SEK and a covered Euro benchmark bond of EUR 500 M in Länsförsäkringar Hypotek.

Furthermore, Länsförsäkringar Bank launched its green bond framework, which enables efficient refinancing of lending to customers with green and energy-efficient assets. The green framework is available on lansforsakringar.se.

A green senior non-preferred bond was issued during the year at an amount of SEK 2.3 billion, and after the end of the period in January 2023, a green senior preferred Euro bond was issued at an amount of EUR 500 M.

Maturity profile



Liquidity

On 31 December 2022, the liquidity reserve totalled SEK 71.0 billion (85.6). The liquidity reserve is invested in securities with very high credit quality and that are eligible for transactions with the Riksbank and, where appropriate, with the ECB. By utilising the liquidity reserve, contractual undertakings can be met for just over two years without needing to secure new funding in the capital market. The Liquidity Coverage Ratio (LCR) for the Consolidated Situation on 31 December 2022 amounted to 277% (354). The Net Stable Funding Ratio (NSFR) for the Consolidated Situation on 31 December 2022 was 125% (130).

Interest-rate risk

On 31 December 2022, an increase in market interest rates of 1 percentage point would have changed the value of interest-bearing assets and liabilities, including derivatives, by SEK -250 M (-275).

Rating

Länsförsäkringar Bank's credit rating is A/Stable from Standard & Poor's and A1/Stable from Moody's. Länsförsäkringar Hypotek's covered bonds have the highest credit rating of Aaa from Moody's and AAA/Stable from Standard & Poor's.

Capital adequacy

Länsförsäkringar Bank AB's consolidated situation encompasses Länsförsäkringar Bank AB and its subsidiaries, that is to say the Bank Group.

Common Equity Tier 1 capital amounted to SEK 18,469 M (17,730) on 31 December, an increase of SEK 739 M due to profit generation. At year-end, the Parent Company Länsförsäkringar AB paid a Group contribution of SEK 400 M to Länsförsäkringar Bank AB (SEK 318 M net after tax). In addition, a deduction of SEK 81 M for the expected, proposed dividend from the Parent Company Länsförsäk-

ringar Bank AB to the shareholders was made from Common Equity Tier 1 capital at year-end.

Total Risk Exposure Amount (REA) in the consolidated situation on 31 December 2022 amounted to SEK 119,910 M (116,201). Continued growth in lending, primarily to households in the form of mortgages, led to an increase in REA. The credit quality of lending remained favourable.

The Common Equity Tier 1 capital ratio for Länsförsäkringar Bank's consolidated situation was 15.4% (15.3). Total own funds amounted to SEK 22,164 M (22,520) on 31 December 2022. The decrease was primarily due to the FSA granting permission for early redemption of subordinated debt that reduced Tier 2 capital by SEK 1,095 M. The total capital ratio was 18.5% (19.4).

For more information on capital adequacy, see note 3.

* Comparative figures refer to the Bank Group on 31 December 2021

Employees

In 2022, the Bank Group had an average of 688 employees, of whom women numbered 361 and men 327. In addition to the employees of the Bank Group, the 23 regional insurance companies have bank advisors.

Länsförsäkringar Bank's high ambition is to be a responsible and attractive employer, both internally and externally. Commitment, trust, openness and professionalism are the foundation of our corporate culture. Skilled employees who drive and develop the operations are vital to achieving our business objectives. Attracting new and retaining existing employees is of the greatest importance. A focus on diversity, inclusion, skills development, health and a good work environment are key factors in ensuring this.

Sustainability

The Länsförsäkringar AB Group's sustainability work is based on the vision of "Together we create

security and opportunities" and the long-term objective is to be climate-positive by 2045. Länsförsäkringar Bank can reduce its sustainability risks, increase customer value, contribute to the positive development of society and create business value by taking economic, social and environmental aspects into consideration in its business development and business decisions. For more information about sustainability, refer to pages 18-25. Länsförsäkringar is a signatory to the principles of the UN Global Compact and works to contribute to the UN Sustainable Development Goals (SDGs). Länsförsäkringar Bank does not prepare a statutory sustainability report in accordance with Chapter 6, Section 10 of the Swedish Annual Accounts Act. Länsförsäkringar AB prepares a sustainability report for the Group in which Länsförsäkringar Bank is included. The Group's sustainability report is available in Länsförsäkringar AB's 2022 Annual Report, which includes a sustainability report and appendix, see link lansforsakringar.se/arsredovisning2022

Risks and uncertainties

The operations are characterised by a low risk profile. The Bank Group is exposed to a number of risks, primarily comprising credit risks, refinancing risks, market risks and cyber risks as well as risks related to the bank's work on anti-money laundering and measures to counter the financing of terrorism. The macroeconomic situation in Sweden is critical for credit risk since all loans are granted in Sweden. Credit losses remain low and the refinancing of business activities was highly satisfactory during the period. However, it can be stated that the macroeconomic trend is unusually uncertain due to fiscal austerity, for example, which could have further negative effects for households and companies. In addition, it cannot be ruled out that continuing steep declines in house prices could lead to negative effects for households and for the value of collateral in the



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bank's mortgage lending. The geopolitical risks could also result in further macroeconomic consequences and increased cyber and other security risks. For more information about macroeconomic developments and the impact of the war in Ukraine, refer to pages 26-27.

Credit risk comprises the risk of borrowers being unable to meet their financial commitments and that any collateral provided does not cover the receivable. Credit risk also includes counterparty risk and concentration risk. Credit losses remained very low and the refinancing of business activities was highly satisfactory during the year.

Market risks, meaning the risk of a decrease in the company's earnings and equity due to changes in market factors, predominately comprise interest-rate risks and are managed by matching terms and by making use of derivative instruments. The bank has highly diversified funding and a liquidity reserve comprising securities with high liquidity and creditworthiness, which means that the reserve can be rapidly converted into cash and cash equivalents. In addition to these, there are unutilised funding programmes that, in combination, provide opportunities for managing the risk inherent in the difference between the contractual cash flows of assets and liabilities.

Liquidity risk is the risk that the Group is unable to refinance existing assets or is unable to meet increased liquidity demands within a defined period of time. This also includes the risk of being forced to raise loans at unfavourable interest rates or being forced to divest assets at a loss to fulfil its payment commitments. To reduce this risk, the bank has secured a highly diversified range of financiers, financing sources and financing periods, and a sound balance of terms in its financing in relation to maturities in its lending. The financial instruments used to achieve this diversification include interest-rate swaps, bonds and repurchase agreements.

Resources for the bank's work on anti-money laundering and measures to counter the financing of terrorism and other financial crime were further expanded in 2022. Länsförsäkringar Bank is continuing to regularly invest in improving processes and expertise related to these areas, by enhancing the efficiency of and improving work procedures and by strengthening the organisation with additional resources and personnel.

For further information about the risks in the operations, risk and capital management and the principles for risk governance, see note 3 Risks and capital adequacy.

Expectations regarding future development

The banking operations intend to follow the strategic direction of the Group, which involves profitable growth with high credit quality, by further refining existing products. Growth in lending will take place in line with the market strategy primarily via existing customers in the regional insurance companies by paying close attention to changes in the business environment, the financial situation and the prevailing circumstances in the capital market. A healthy liquidity situation and strong capitalisation will continue to be maintained going forward. The year ahead is expected to continue to feature inflation, higher interest rates and a weaker economy, which will affect customers and may slow growth, while slightly higher credit losses cannot be ruled out. The bank's strong financial position creates excellent conditions for continuing to grow and support customers.

Other events

Sweden's parliament, the Riksdag, decided in December 2021 to introduce a risk tax on credit institutions whose liabilities at group level exceed SEK 150 billion. The tax, which in the first year will be 0.05% of the tax base (the total liabilities with certain adjustments), will be applied from the 2022

fiscal year. The Länsförsäkringar Bank Group is affected by this new tax.

In December 2022, the FSA completed its investigation into how the bank complies with the regulations on monitoring and reporting, with a focus on fast transactions and international payments. This investigation first began in June 2021. As a result of the investigation, the FSA issued Länsförsäkringar Bank with a remark in December 2022 and the bank was ordered to pay an administrative fine of SEK 90 M. Länsförsäkringar Bank takes a serious view of the FSA concluding that we have deficiencies in our transaction monitoring. This is unacceptable based on our own standards, customer expectations and regulations. Action has been taken and further measures will be implemented to protect customers and society.

Fredrik Bergström stepped down as the Chairman of Länsförsäkringar Bank AB on 14 February 2022. In connection with this, Malin Rylander Leijon was appointed Board Chairman of Länsförsäkringar Bank AB on 15 February 2022.

Malin Rylander Leijon stepped down as the Chairman of Länsförsäkringar Bank AB on 13 December 2022. In connection with this, Mathias Collén was appointed Board Chairman of Länsförsäkringar Bank AB on 13 December 2022.

In the latter part of 2022, the FSA closed, with no action taken, the investigation into credit assessment processes for consumer credits in Wasa Kredit, that took place in 2020 and for which the FSA had requested a statement from Wasa Kredit in February 2022. The FSA thus has no investigation outstanding into Wasa Kredit.

Events after the end of the period

On 20 January 2023, the FSA approved the Länsförsäkringar Bank Group's application to use new probability of default (PD) models. This approval also includes a transition from the Standardised Approach to the IRB Approach for the class of

exposures to corporates in Wasa Kredit. The decision means that all of the bank's PD models will be replaced by new models. The effect of the implementation is that the new models entail a slight increase in the total risk exposure amount (REA), which will be reported from the first quarter of 2023.

Länsförsäkringar Bank has announced the early redemption of subordinated debt (Tier 2 capital loans) on the first possible redemption date in accordance with the terms of the loans. Redemption took place on the first redemption date, which was 1 March 2023. This subordinated debt has already been deducted from own funds as per 31 December 2022. For further information refer to the section Capital adequacy, Consolidated Situation.

PARENT COMPANY

All of the Group's deposits are conducted by the Parent Company. Most of the Group's lending and funding operations are conducted through the subsidiary Länsförsäkringar Hypotek. Loans to the public, including deposits with the Swedish National Debt Office, increased 7%, or SEK 4 billion, to SEK 62 billion (58). Debt securities in issue amounted to SEK 45.1 billion (45.9).

Earnings

Operating profit amounted to SEK 398 M (-204). Net interest income was SEK 2,106 M (1,281). Commission income rose 8% to SEK 824 M (763). Commission expense amounted to SEK 1,092 M (608). Operating income increased 41% to SEK 2,242 M (1,585). Operating expenses fell 3% to SEK 1,731 M (1,778).

Credit losses amounted to SEK -2 M (-6), net, corresponding to a credit loss level of 0.00% (0.00).



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Proposed appropriation of profit and statement by the Board

The Parent Company's non-restricted equity	SEK
Other reserves	21,739,936
Retained earnings	4,748,744,592
Net profit for the year	386,472,030
Total	5,156,956,559
The Board of Directors proposes that SEK 8.50 per share of the unappropriated earnings in the Parent Company be paid to the owners:	
To be carried forward	5,075,792,541
Total	5,156,956,559

The dividend is calculated on 9,548,708 shares.

The dividend proposal was made taking into consideration the regulations on buffers, restricting risk and transparency in accordance with the Swedish Banking and Financing Business Act and the prudence rule of Chapter 17, Section 3 of the Swedish Companies Act.

The applicable rules on capital adequacy and large exposures entail that at any point in time a company is to have own funds that as a minimum correspond to the total capital requirements for credit risks, market risks and operational risks and capital buffers and also the calculation capital requirement for additionally identified risks in the operations in accordance with the company's internal capital adequacy assessment process. The Parent Company's own funds after the proposed appropriation of profits amount to SEK 11,650 M (13,324), and the overall capital requirement for credit risks, operational risks and buffer amount to SEK 4,392 M (5,246). For the consolidated situation, own funds after the proposed dividend amount to SEK 22,164 M (22,520), and the overall capital requirement for credit risks, operational risks and buffer amount to SEK 16,308 M (12,201).

The Board's assessment is that the proposed dividend will not prevent the company and other

companies included in the Group from fulfilling their short or long-term commitments. The proposed dividend is also not deemed to restrict the company's planned investments or expected liquidity requirements. Accordingly, the Board's overall assessment is that the proposed dividend is justified taking into consideration the demands on the amount of equity in the company and the Group imposed by the nature, scope and risks associated with the operations, and the company's and the Group's capital requirements, liquidity and financial position.

Of total equity, SEK 697 M (274) of the bank's Parent Company and SEK 4,723 M (2,216) of the Bank Group are attributable to assets and liabilities being measured at fair value according to Chapter 4, Section 14a of the Swedish Annual Accounts Act (1995:1554).

For more information on the company's earnings and financial position, refer the following income statement and balance sheet with accompanying notes to the accounts.

SUBSIDIARIES

Länsförsäkringar Hypotek AB

Lending in Länsförsäkringar Hypotek increased 7%, or SEK 18 billion, to SEK 297 billion (279). Retail mortgages can be granted up to 85% of the market value of the collateral on the granting date in Länsförsäkringar Hypotek. Operating profit declined 1% to SEK 1,423 M (1,433). Net interest income fell 3% to SEK 2,692 M (2,796) due to lower margins. Credit losses amounted to SEK 4 M (-4), net, corresponding to a credit loss level of 0.00% (0.00). Operating expenses amounted to SEK 142 M (131). The number of retail mortgage customers was 298,400.

Länsförsäkringar Hypotek AB, SEK M	31 Dec 2022	31 Dec 2021
Total assets	316,329	297,646
Lending volume	296,894	278,523
Net interest income	2,692	2,796
Credit losses	4	-4
Operating profit	1,423	1,433

Wasa Kredit AB

Wasa Kredit's lending volumes declined 2% to SEK 25.1 billion (25.6). Operating profit amounted to SEK 194 M (712). The change was mainly due to the fact that the year-earlier period included reversals of previous loss allowances related to COVID-19. Net interest income amounted to SEK 721 M (786). Operating expenses amounted to SEK 554 M (545). Credit losses totalled SEK 122 M (-318), net. Credit losses for the year were higher than last year due to the figure for 2021 including reversals of previous loss allowances related to COVID-19 and a positive effect from the sale of credit-impaired loan receivables. The reserve ratio for credit-impaired loan receivables amounted to 68.1%, while the total reserve ratio was 2.1%.

In the fourth quarter of 2022, the FSA closed the previously initiated investigation into Wasa Kredit's credit assessments for consumer credits, with no action taken. The FSA thus has no investigation outstanding into Wasa Kredit.

Wasa Kredit, SEK M	31 Dec 2022	31 Dec 2021
Total assets	26,299	26,533
Lending volume	25,123	25,564
Net interest income	721	786
Credit losses	122	-318
Operating profit	194	712

Länsförsäkringar Fondförvaltning

Fund volumes fell 13%, or SEK 44 billion, from the high level at the end of last year to SEK 299 billion (343), due to changes in value. Operating profit declined 14% to SEK 301 M (352). Net commission income fell 5% to SEK 534 M (563). The fund offering includes 38 mutual funds under Länsförsäkringar's own brand with various investment orientations and a fund market with external funds. During the year, all index funds changed over to indexes aligned with the climate targets of the Paris Agreement. Managed funds under Länsförsäkringar's own brand amounted to SEK 266 billion (304). At the end of the year, all of the funds were "Article 8 funds" that promote sustainability.

Länsförsäkringar Fondförvaltning AB, SEK M	31 Dec 2022	31 Dec 2021
Total assets	1,645	1,436
Fund volumes	299,190	343,421
Net flow	7,394	20,250
Net commission income	534	563
Operating profit	301	352



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SEK M	2022	2021	2020	2019	2018 ¹⁾
INCOME STATEMENT					
Net interest income	5,527.9	4,863.1 ²⁾	4,845.4	4,617.4	4,497.1
Net commission income	-507.8	-330.7	-558.8	-636.4	-773.3
Net gains/losses from financial items	0.5	53.6	-28.4	15.4	13.5
Other operating income	11.7	23.8	20.2	30.5	45.6
Total operating income	5,032.9	4,610.3²⁾	4,278.4	4,026.8	3,782.9
Staff costs	-771.1	-712.9	-636.0	-640.1	-588.2
Other administration expenses	-1,512.7	-1,258.3	-1,265.8	-1,114.7	-1,164.7
Depreciation/amortisation and impairment of property and equipment and intangible assets	-226.6	-551.5	-207.3	-171.4	-425.3
Total operating expenses	-2,510.3	-2,522.6	-2,109.1	-1,926.2	-2,178.3
Profit before credit losses and fees levied	2,522.6	2,087.7²⁾	2,169.3	2,100.7	1,604.7
Credit losses, net	-122.8	331.0	-325.5	-207.2	-94.7
Risk tax levied and resolution fee	-333.3	-122.5 ²⁾	-	-	-
Profit before tax	2,066.5	2,296.2	1,843.8	1,893.5	1,510.0
Tax	-403.3	-445.4	-404.4	-453.8	-328.4
Net profit for the year	1,663.2	1,850.8	1,439.4	1,439.7	1,181.6
BALANCE SHEET					
Cash and balances with central banks	4,947.0	14,361.4	53.0	9,831.1	22.2
Treasury bills and other eligible bills	10,856.8	15,526.1	11,795.6	9,934.4	10,846.8
Loans to credit institutions	1,253.4	1,480.1	2,557.3	407.8	4,485.9
Loans to the public	384,103.3	361,991.4	340,006.5	307,099.3	289,426.0
Bonds and other interest-bearing securities	49,969.4	50,424.8	46,822.8	42,673.3	36,790.4
Shares and participations	93.6	88.8	91.2	90.0	66.3
Shares and participations in joint ventures	3.2	-	-	-	-
Derivatives	8,138.3	4,105.7	5,414.1	8,224.3	6,055.5
Fair value changes of interest-rate-risk hedged items in portfolio hedge	-4,846.5	735.3	304.9	4.5	125.2
Intangible assets	1,317.5	1,170.3	1,344.8	1,252.0	989.6
Other assets	824.3	761.0	762.3	744.9	667.1
Prepaid expenses and accrued income	573.6	545.0	458.1	434.3	382.4
Total assets	457,234.8	451,189.9	409,610.6	380,695.8	349,857.1

SEK M	2022	2021	2020	2019	2018 ¹⁾
Due to credit institutions	8,992.0	7,892.0	7,402.8	6,565.4	5,992.1
Deposits and funding from the public	153,340.8	146,264.8	136,387.8	119,303.5	108,141.7
Debt securities in issue	265,667.5	266,867.6	236,137.5	227,615.7	210,781.1
Derivatives	10,442.0	946.6	1,020.2	479.2	761.2
Fair value changes of interest-rate-risk hedged items in portfolio hedge	-12,010.5	375.7	1,809.2	1,241.2	1,057.8
Deferred tax liabilities	570.8	563.2	505.2	439.1	577.3
Other liabilities	1,623.8	992.5	1,049.6	1,009.2	874.0
Accrued expenses and deferred income	3,446.2	2,943.8	2,871.4	2,968.4	2,972.4
Subordinated liabilities	2,596.7	2,594.7	2,597.3	2,595.2	2,593.1
Equity	22,585.5	21,749.0	19,829.7	18,479.0	16,106.2
Total liabilities and equity	457,234.8	451,189.9	409,610.6	380,695.8	349,857.1
KEY FIGURES					
Return on equity, %	8.18	9.78	8.51	9.48	8.34
Return on total assets, %	0.36	0.42	0.35	0.38	0.34
Investment margin, %	1.19	1.12 ²⁾	1.18	1.21	1.30
Cost/income ratio before credit losses and fees levied	0.50	0.55 ²⁾	0.49	0.48	0.58
Common Equity Tier 1 capital ratio, consolidated situation ³⁾ , %	15.4	15.3	16.7	15.4	15.7
Tier 1 ratio, consolidated situation ³⁾ , %	17.2	17.2	17.7	16.0	16.5
Total capital ratio, consolidated situation ³⁾ , %	18.5	19.4	19.0	16.6	18.3
Share of credit-impaired loan receivables (stage 3), %	0.15	0.20	0.22	0.20	0.17
Reserve ratio for loan receivables stage 1, %	0.02	0.02	0.05	0.03	0.02
Reserve ratio for loan receivables stage 2, %	1.41	1.32	2.78	0.98	1.60
Reserve ratio for loan receivables stage 3, %	40.9	33.6	35.2	34.6	32.6
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	45.1	38.6	39.9	40.1	37.0
Credit losses in relation to loans, %	0.03	-0.09	0.09	0.06	0.04

¹⁾ The comparative year 2018 was not restated in connection with the transition to IFRS 16 Leases.

²⁾ Comparative figures have been adjusted since the Resolution fee has been reclassified from Interest expense to Risk tax levied and resolution fee.

³⁾ As of 30 June 2021, the consolidated situation comprises Länsförsäkringar Bank and its subsidiaries (the Bank Group).



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Länsförsäkringar Bank AB (Länsförsäkringar Bank) is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 customer-owned regional insurance companies and 14 local insurance companies. Länsförsäkringar AB and its subsidiaries and owners jointly comprise the Länsförsäkringar Alliance.

Länsförsäkringar Bank is a public limited liability company, and the company's bonds are listed on Nasdaq Stockholm and the Luxembourg Stock Exchange. Länsförsäkringar Bank complies with the applicable parts of the Swedish Corporate Governance Code (the Code). Deviations are primarily due to Länsförsäkringar Bank not being a listed company. Deviations from the provisions of the Code and explanations for such deviations are presented below in the Deviations from the Code section on page 37.

Corporate governance

Länsförsäkringar Bank, and its subsidiaries Länsförsäkringar Fondförvaltning AB (publ), Länsförsäkringar Hypotek AB (publ) and Wasa Kredit AB (Wasa Kredit), comprises the Bank business unit of the Länsförsäkringar AB Group.

The Länsförsäkringar AB Group has a corporate governance system based on the Länsförsäkringar Alliance's strategies, Länsförsäkringar AB's assignment from its owners, Länsförsäkringar AB's long-term direction and on principles for managing the Länsförsäkringar AB Group decided upon by the Board of Länsförsäkringar AB. The risk-based performance management represents the basis of the corporate governance system.

Based on the aforementioned starting points, the corporate governance system consists of the organisation, the internal regulations and internal-control system, while the Bank business unit guarantees the governance and internal control within the business unit within the framework of the corporate governance system.

The Board establishes the operational organisation for the Länsförsäkringar Bank Group, which should be appropriate and transparent, with a clear distribution of responsibilities and duties between the various company bodies and between the so-called lines of defence, and a clear decision and reporting procedure. An internal-control system is integrated into the operational organisation, including a regulatory-compliance system and a risk-management system. Economies of scale are guaranteed within the framework of the organisation via Group-wide functions and outsourced operations, continuity management, efficient systems for reporting and transferring information, information security, management of conflicts of interest and ensuring that Board members and employees are suited to their tasks.

The internal regulations, which comprise governance documents such as policies, guidelines and instructions, represent an important tool for managing the operations. The organisation and distribution of responsibility are determined by the internal regulations, as are the procedures for governance and internal control. The internal regulations are reviewed and decided upon regularly.

Internal control is part of the governance and management of the Bank business unit. Internal control aims to ensure that the organisation is efficient and fit for its purpose, that operations are

conducted in accordance with decided strategies in order to achieve established targets, that financial statements and reporting are reliable, that information systems are managed and operated efficiently and that there is a strong ability to identify, measure, monitor and manage risks and full regulatory compliance. Risk and capital control and capital planning are a part of the internal control. The internal-control process encompasses all parts of the organisation, including outsourced activities, and is an integral part of the organisational structure and decision-making processes. Internal control in the Bank business unit is based on a system comprising three lines of defence, which comprise operations in the first line, functions for compliance and risk control in the second line and an internal audit function in the third line.

The purpose of the risk-management system, which is a part of internal control, is to ensure that the legal entities in the Bank business unit are continuously able to identify, measure, monitor, manage and report risks. Internal control also includes the compliance system that ensures compliance with laws, regulations and other rules, and guarantees that new and amended regulations are monitored and implemented effectively, that the Boards and employees are trained and that risks linked to compliance with external and internal rules can continuously be identified, measured, controlled, managed and reported.

An outline of the governance and reporting structure is provided in the diagram on page 35.

Shareholders and General Meeting

Shareholders exercise their voting rights at the Annual General Meeting, which is the highest deci-

sion-making body. A general meeting is normally held once per year, the Annual General Meeting. Länsförsäkringar AB owns 100% of the share capital and voting rights.

Decisions are made at the Annual General Meeting regarding the Annual Report, the election of members of the Board and auditors, fees and other remuneration to Board members and auditors, and other important matters to be addressed in accordance with laws or the Articles of Association. The proposal for remuneration of Board members is specified for the Chairman and other Board members.

Nomination Committee

Nomination process

The Annual General Meeting of Länsförsäkringar AB appoints a Nomination Committee. The Nomination Committee is charged with the task of presenting proposals regarding the Board of Directors and auditors of Länsförsäkringar AB, and, in consultation with the CEO of Länsförsäkringar AB, proposals regarding, for example, the Board of Directors and auditors of Länsförsäkringar Bank, and fees and other remuneration to these members and auditors.

The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB and new Board members are recruited in accordance with the instructions and established procedures and processes. The Board is to have a sufficient number of Board members based on the size and degree of complexity of the company, and the nature and scope of the operations. With this as the starting point, the Nomination Committee assesses as to whether the Board



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has a suitable composition, with respect to the operations, stage of development and other conditions of the company, that ensures that the overall competencies necessary for the company are in place, characterised by diversity in terms of, for example, age, gender and ethnic origin.

Nomination Committee prior to Annual General Meeting

Since Länsförsäkringar AB's 2021 Annual General Meeting, the Nomination Committee has comprised Göran Trobro as Chairman (Länsförsäkringar Göttinge Kristianstad), Mikael Bergström (Länsförsäkringar Västernorrland), Ulrica Hedman (Länsförsäkringar Uppsala), Bengt Mattsson (Länsförsäkringar Blekinge) and Karin Starrin (Länsförsäkringar Halland). Prior to the Annual General Meeting, the Nomination Committee has: studied the Board's evaluation of its work,

- studied the Board Chairman's view of the operations, the Board's work and skills requirements,
- reviewed and discussed requirements for skills with respect to the needs of the operations and regulatory requirements,
- evaluated the independence of candidates,
- nominated Board members, the Board Chairman and auditors,
- carried out fit and proper assessments of Board members, and
- proposed fees and other remuneration of Board members and auditors.

External auditors

The Annual General Meeting appoints the external auditors. Nominations are made to the Nomination Committee. In accordance with the Articles of Association, Länsförsäkringar Bank is to have between one and three auditors and between zero and three deputy auditors.

Auditors are appointed for a period in office of a maximum of four years. At the 2022 Annual General Meeting, Deloitte AB was appointed as auditor

with Patrick Honeth as auditor in charge. The auditor was appointed for the period up to the 2026 Annual General Meeting. The auditor examines Länsförsäkringar Bank Annual Report, including the corporate governance report, as well as the administration of the Board and the President. The auditor reviews Länsförsäkringar Bank's interim reports. The auditor presented the audit results and observations to the Board once in 2022. The auditor also participates in the meetings of the Board's Audit Committee.

Board of Directors

Composition of Board

The Board of Directors of Länsförsäkringar Bank is elected by the General Meeting and, in accordance with the Articles of Association, is to comprise between six and nine regular Board members elected by the General Meeting, with no more than six deputies. Board members are elected for a mandate period of two years. In addition, members appointed by trade-union organisations are also members of the Board. The President is not a member of the Board. Länsförsäkringar Bank has no time limit for the length of time a member may sit on the Board and no upper age limit for Board members. The Chairman of the Board is appointed by the Annual General Meeting. The President, Chief Financial Officer (CFO) and Board Secretary participate in Board meetings except for matters in which there may be a conflict of interest or when it would otherwise be inappropriate for them to attend. Employees reporting on particular issues attend meetings when they make their presentations.

The Board comprises nine regular members and two deputies. Seven of the members were elected by the General Meeting. Two regular members and two deputies were appointed by the trade-union organisations. The members of the Board are presented on pages 115–116 together with information about their education, previous experience and other Board appointments.

Board responsibilities and allocation of duties

The Board is responsible for the organisation and administration of the company and for handling and making all decisions concerning issues of material significance and of an overall nature relating to the company's operations. The Board appoints, evaluates and dismisses the President, adopts an appropriate executive organisation and the goals and strategies of the operations, and ensures that efficient systems are in place for internal governance and control, as well as risk management. According to the capital adequacy rules, Länsförsäkringar Bank is the responsible institution for the consolidated situation, which comprises the Länsförsäkringar Bank Group.

Every year, the Board adopts a formal work plan. The formal work plan includes regulations on the duties and responsibilities of the Board, its Chairman and its members, the delegation of duties within the Board, the lowest number of Board meetings, procedures for reporting on the operations and financial reports, as well as procedures for Board meetings in terms of notices of meetings and presentations of materials, as well as disqualification and conflicts of interest.

The Board is to continuously remain informed about the performance of the company to be able to continuously assess the company's financial situation and position. Through its formal work plan and a reporting manual, the Board has established that financial reporting is to take place regularly at Board meetings. The Board also regularly manages and evaluates the company's and the Group's risk development and risk management. During the year, the Board regularly monitors the earnings, business volumes, financial position and risk trends in relation to, for example, the business plan and forecasts. The Board receives regular reports from, for example, the central head of function (CFA), Compliance, Risk Management and Internal Audit.

Chairman

According to the formal work plan, the Chairman is to lead the Board's work and ensure that the Board fulfils its duties. The Chairman is also to ensure that the Board meets as required, that Board members are provided with the opportunity to participate in meetings and receive satisfactory information and documentation for decision-making, and apply an appropriate working methodology. On the basis of ongoing contact with the President and in addition to Board meetings, the Chairman is also to keep himself informed of significant events and developments in Länsförsäkringar Bank, and support the President in his work.

Work of the Board

In its formal work plan, the Board has established annually recurring items of business and a standard for its agenda and information and decision-making material. In a company directive, the Board established the company's and the Group's operational structure, clarified the allocation of responsibilities between the various units and executives in the company and Group, and stated how the operations are to be governed and controlled.

In addition to the Board's formal work plan and the company directive, at least once a year the Board establishes its directive for the President as well as a large number of governance documents for the operations. The Board has established an Audit Committee, a Remuneration Committee, a Risk and Capital Committee and a Credit Committee. The duties of the Committees are determined by the Board in separate formal work plans. None of the Committees has any general decision-making mandate, except for the Credit Committee. Each Committee must regularly report on its activities to the Board.

The Board conducts annual strategic seminars and evaluations of the President's work and terms of employment. The Board meets the company's



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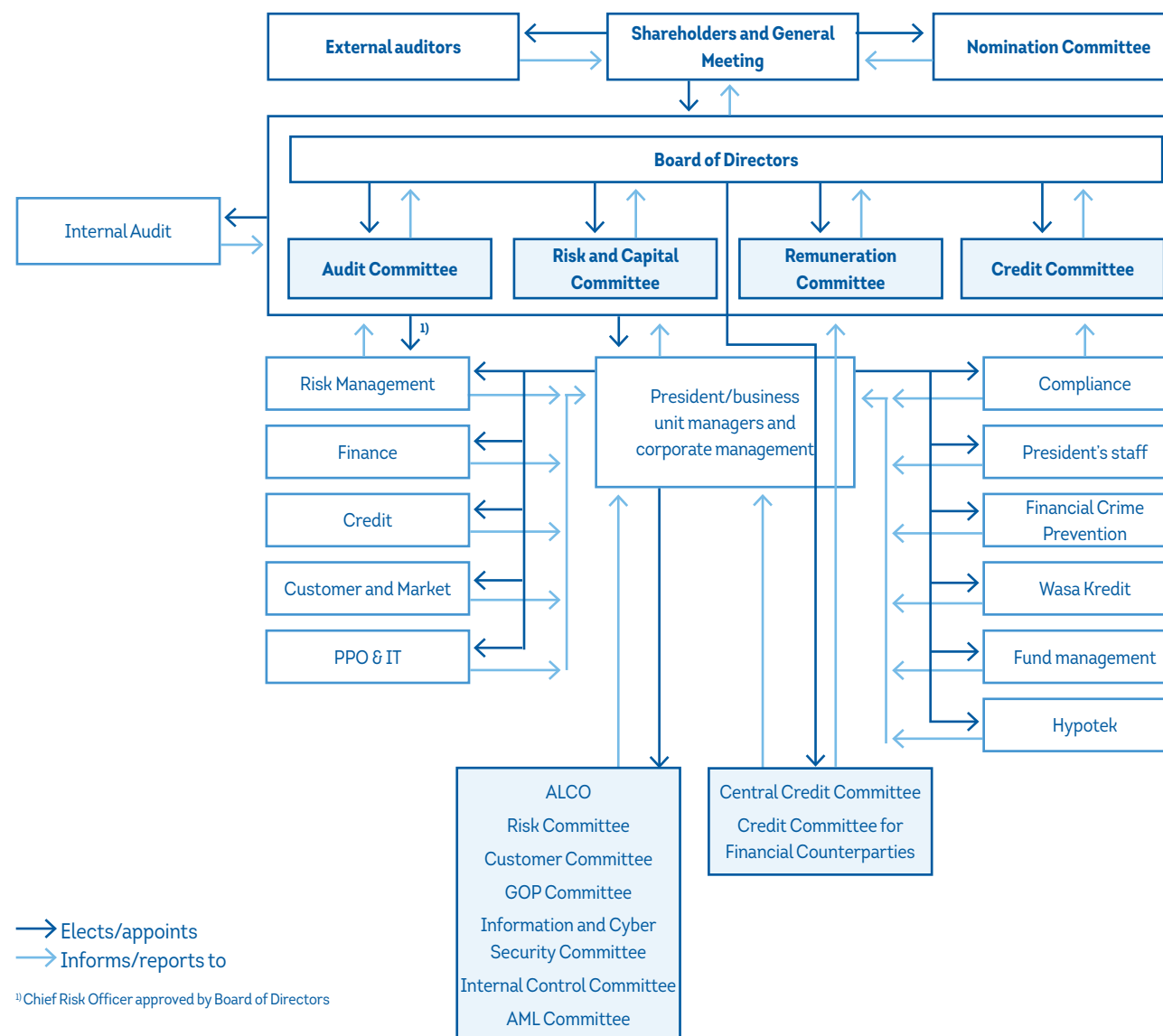
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Länsförsäkringar Bank's governance structure



auditor at least once per year. See also the Audit Committee section below.

The dates of Board meetings are generally established at the first scheduled meeting following the Annual General Meeting for the years ahead. A notice of each meeting, including a preliminary agenda, is sent out about 14 days prior to the meeting. Documentation for the meeting is normally distributed about one week prior to the meeting. All documents and materials presented at the meeting are saved electronically.

In 2022, the Board followed its established plan and gained greater knowledge of areas including sustainability, digitisation, cyber risks and continuity management. The Board also devoted particular attention to such matters as capital and liquidity issues, the credit operations, risks in the operations and major ongoing projects at the bank. The number of Board meetings and members' attendance are presented in the table on page 36.

Evaluation of the Board's work

Every year, the Board Chairman initiates an evaluation of the Board's work. The evaluation is based on an electronic survey completed by the Board members. The results are compiled, reported to and discussed by the Board. The results are submitted to the Nomination Committee.

Audit Committee

The Audit Committee's responsibilities include preparing the Board's work in the following areas:

- Monitoring the company's financial reporting
- Regarding the financial reporting, monitoring the effectiveness of the company's internal control, internal audit and risk management.
- Remaining informed of the audit of the Annual Report and consolidated financial statements.
- Examining and monitoring auditors' impartiality and independence and, in this respect, particularly noting whether the auditors provide the company with any other services than auditing services
- Monitoring the efficiency of the company's and Group's corporate governance system and internal control of the operational risks.



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After the 2022 Annual General Meeting, Ola Evensson was the Chairman of the Audit Committee and Ulrica Hedman and Emil Källström were members of the Committee.

The number of Audit Committee meetings and members' attendance are presented in the table on this page.

Remuneration Committee

The Remuneration Committee is to prepare issues on remuneration of the President and other members of corporate management and employees with overall responsibility for any of the company's control functions, as well as prepare decisions for measures to monitor application of the remuneration policy.

At the statutory Board meeting following the 2022 Annual General Meeting, Malin Rylander Leijon was appointed Chairman, and Anna Christina Norrström was appointed member of the Remuneration Committee. The number of Remuneration Committee meetings and members' attendance are presented in the table on this page.

Risk and Capital Committee

The Risk and Capital Committee is to support the Board in risk and capital adequacy issues and serve as a forum for analysing and holding in-depth discussions on the Länsförsäkringar Bank Group's and the consolidated situation's risk-taking and capital requirements ahead of Board decisions.

After the 2022 Annual General Meeting, Hans Ljungkvist was the Chairman of the Risk and Capital Committee and Niklas Larsson and Anna Christina Norrström were members of the Committee.

The number of Risk and Capital Committee meetings and members' attendance are presented in the table on this page.

Credit Committee

The Credit Committee is to prepare credit issues for amounts within the framework of the Committee's mandate according to an instruction adopted by the Board.

After the 2022 Annual General Meeting, Niklas Larsson was the Chairman of the Credit Committee and Ola Evensson, Hans Ljungkvist and Malin Rylander Leijon were members of the Committee. Malin Rylander Leijon was succeeded by Mathias Collén in December 2022.

The number of Credit Committee meetings and Board members' attendance are presented in the table on this page.

President and corporate management

Sven Eggefalk has been the President since April 2018. Sven Eggefalk was born in 1969 and has worked in the banking and finance sector since 1996. The organisational structure of the Bank Group is divided into departments. In addition, there are the three control functions of Risk Management, Compliance and Internal Audit, and also an AML/CFT Compliance function (CFA). To ensure that the operations of each subsidiary comply with the overall objectives for the Länsförsäkringar Bank Group, the President is the head of the Bank business unit of the Länsförsäkringar AB Group and also the Chairman of the Board of Länsförsä-

kringar Bank's subsidiaries, except for Länsförsäkringar Fondförvaltning AB.

A management team has been established for senior executives to consult with each other and exchange information. The management team, which includes the President and other departmental heads in Länsförsäkringar Bank, discusses and decides on matters relating to Länsförsäkringar Bank. In addition, a number of committees have been established to prepare and make decisions on certain issues. The committees are governed by separate instructions.

Board meetings and attendance

The table below shows the number of meetings held in each body since 2022 and the attendance of each Board member.

	Board of Directors	Audit Committee	Remuneration Committee	Risk and Capital Committee	Credit Committee
Number of meetings	11	9	3	7	19
Mathias Collén ⁴⁾	1				1
Ola Evensson	11	8			17
Ulrica Hedman ¹⁾	6	4			
Emil Källström ¹⁾	5	4			
Niklas Larsson	10			7	19
Hans Ljungkvist	10			7	8
Anna Christina Norrström ¹⁾	6		1	2	
Malin Rylander Leijon ⁵⁾	9		2		12
Fredrik Bergström ⁴⁾	0		1		3
Anna Blom ³⁾	6	3			5
Peter Lindgren ²⁾	5	3		3	
Anders Grånäs ²⁾	5		2	3	
Anette Andersson ¹⁾	5				
Mattias Karlsson	9			5	
Mirek Swartz ²⁾	5				
Lisa-Maria Carensiö	9				
Camilla Lahger	9				

¹⁾ Board member from 2 May 2022 ²⁾ Board member until 2 May 2022 ³⁾ Board member from 30 June 2022 ⁴⁾ Board member until 14 February 2022 ⁵⁾ Board member 15 February 2022–13 Dec 2022

⁴⁾ Board member from 13 December 2022



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Control functions

Internal Audit

Internal Audit is an independent review function that supports the Board in the evaluation of the corporate governance system, including the organisation's risk management, governance and controls. Based on its reviews, Internal Audit is to evaluate and assure that the operations' overall internal governance and control systems are conducted in an efficient manner and that the overall reporting to the Board provides a true and fair view of the operations, that the operations are conducted in accordance with applicable internal and external regulations, and in compliance with the Board's decisions. The Board has adopted a separate instruction for the Internal Audit function. Internal Audit reports to the Board of the companies included in the business unit and to Länsförsäkringar Bank's Audit Committee.

Compliance

Compliance is an independent control function responsible for monitoring and controlling that operations are conducted in full regulatory compliance. The task of the function is to monitor and control regulatory compliance in the licensable operations, and identify and report on risks that may arise as a result of non-compliance with regulatory requirements. Compliance is also to provide support and advice to operations.

Deviations from the Code

The major deviations from the provisions of the Code and explanations for such deviations are presented below.

Nomination Committee, notice, publication of information prior to, and holding an Annual General Meeting.

Deviation from the provisions of the Code occurs with respect to the fact that Länsförsäkringar Bank is not a listed company and has only one shareholder. For more information, refer also to the sections Shareholders and General Meeting and Nomination Committee on pages 33–34.

Composition of Board of Directors

Deviation from the provisions of the Code occurs regarding independence of Board members and Committee members. According to the instruction for the Nomination Committee, the Board of Directors is to be appropriately composed with respect to Länsförsäkringar Bank's operations, stage of development and other circumstances, that ensures the overall competencies necessary are in place, characterised by diversity so as to promote independent opinion and critical questioning. It has been decided that these requirements can be fulfilled within the framework of the Länsförsäkringar Alliance.

Period in office for Board members

Deviation from the provision of the Code occurs in respect of a maximum period of office of one year. The period of office for Board members is, as a general rule, two years. A longer period of office contributes to ensuring continuity and establishing competence within the Board.

Guidelines for remuneration of senior executives adopted by the Meeting

There is a deviation from the Code's provision on evaluating the application of guidelines for remuneration of senior executives that, by law, must be prepared by listed companies. The reason for this deviation is that Länsförsäkringar Bank is not a listed company.





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Internal control over financial reporting

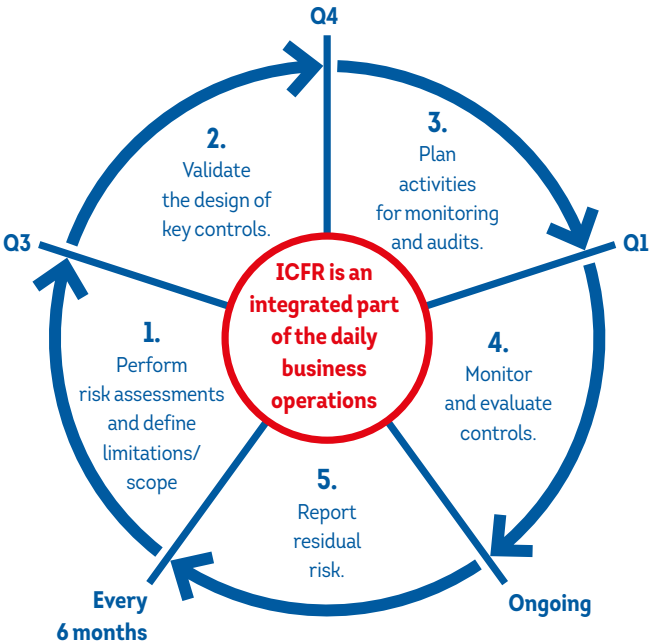
The Board’s responsibility is to ensure that efficient systems are in place to monitor and control the company’s operations and financial position. Internal control over financial reporting (ICFR) is a framework for providing reasonable assurance of the reliability of the financial reporting to management and Board. The ICFR is performed in an annual cycle as shown in the diagram below.

2. VALIDATE THE DESIGN OF KEY CONTROLS

ICFR includes company-wide controls, processes and IT controls. The purpose of these different types of key controls is to manage the risk of material misstatement in the financial reporting. The control structure is based on the processes of the business and is validated every year, together with the responsible control and process owners, to ensure the appropriateness of the controls for managing the risks identified.

1. PERFORM RISK ASSESSMENTS AND DEFINE LIMITATIONS/SCOPE

Risk assessments are performed annually at both Group and legal unit level to identify the risk of material misstatement in financial reporting. The risk assessment provides the basis for determining the legal entities and processes that are to be covered by the ICFR framework. The conclusions from this work are compiled in a report that describes the risk assessment and boundaries for the coming year and is presented to the Audit Committee.



3. PLAN ACTIVITIES FOR MONITORING AND AUDITS

A general plan for the quarterly self-assessments of the controls for the operations is prepared. The plan sets out when this will take place and the controls that will be assessed. The plan also establishes the controls that are to be tested for operational efficiency during the year. The plan is communicated to internal and external audit.

4. MONITOR AND EVALUATE CONTROLS

Monitoring includes, for example, quarterly self-assessment of the completed controls. The monitoring process can identify weaknesses in the ICFR framework, implement compensating controls and introduce improvement measures. The objective is for the Group to reach a monitored level, which entails that standardised controls for managing the risks identified have been implemented with compliance monitored and the results reported to management and the Board.

5. REPORT RESIDUAL RISK

The results of the self-assessments are compiled, aggregated and analysed to determine the risk of material misstatement in financial reporting. These are summarised in a report to the CFO and the Audit Committee. The report describes the residual risk after the controls have been performed together with any compensating controls or other measures adopted to reduce risk in the financial reporting.

In addition to the above, Internal Audit also performs an independent review of selected ICFR risks and controls, in accordance with the plan adopted by the Audit Committee. The results of Internal Audit’s review, and recommendations, are reported regularly to the Audit Committee.

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SEK M	Note	2022	2021
Interest income	5	8,887.3	6,112.8
Interest expense	5	-3,359.4	-1,249.7
Net interest income		5,527.9	4,863.1
Dividends received		0.6	0.5
Commission income	6	1,886.1	1,883.7
Commission expense	6	-2,393.9	-2,214.4
Net commission		-507.8	-330.7
Net gains / losses from financial items	7	0.5	53.6
Other operating income		11.7	23.8
Total operating income		5,032.9	4,610.3
Staff costs	8	-771.1	-712.9
Other administration expenses	9, 10	-1,512.7	-1,258.3
Total administration expenses		-2,283.8	-1,971.2
Depreciation/amortisation and impairment of property and equipment/ intangible assets	12	-226.6	-551.5
Total operating expenses		-2,510.3	-2,522.6
Profit before credit losses		2,522.6	2,087.7
Credit losses, net	11	-122.8	331.0
Share of profit/loss of participating interests		-	-
Risk tax levied and resolution fee ¹⁾		-333.3	-122.5
Operating profit		2,066.5	2,296.2
Tax	13	-403.3	-445.4
Net profit for the year		1,663.2	1,850.8

¹⁾ Comparative figures have been adjusted since the Resolution fee has been reclassified from Interest expense to Risk tax levied and resolution fee.

Statement of comprehensive income – Group

SEK M	2022	2021
Net profit for the year	1,663.2	1,850.8
Other comprehensive income		
Items that have been transferred or can be transferred to profit or loss		
Cash-flow hedges		
of which change in value for the period	6,455.6	2,951.1
of which reclassification to profit or loss	-6,202.9	-2,840.4
Change in fair value of debt instruments measured at FVOCI		
of which change in value for the period	-320.7	94.7
of which reclassification of realised securities to profit or loss	39.7	-5.0
Tax attributable to items that have been transferred or can be transferred to profit or loss	5.8	-41.3
Total	-22.5	159.1
Items that cannot be transferred to profit or loss		
Change in fair value of equity instruments measured at FVOCI	-0.8	-9.0
Tax attributable to items that cannot be reversed to profit or loss	-0.5	-0.4
Total	-1.3	-9.4
Total other comprehensive income for the period, net after tax	-23.8	149.7
Comprehensive income for the year	1,639.4	2,000.5



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SEK M	Note	31 Dec 22	31 Dec 21
ASSETS			
Cash and balances with central banks		4,947.0	14,361.4
Treasury bills and other eligible bills	14	10,856.8	15,526.1
Loans to credit institutions	15	1,253.4	1,480.1
Loans to the public	16, 17	384,104.3	361,991.4
Bonds and other interest-bearing securities	18	49,969.4	50,424.8
Shares and participations		93.6	88.8
Shares and participations in joint ventures		3.2	–
Derivatives	19	8,138.3	4,105.7
Fair value changes of interest-rate-risk hedged items in portfolio hedge	20	–4,846.5	735.3
Intangible assets	21	1,317.5	1,170.3
Property and equipment	22	228.7	121.1
Deferred tax assets	23	12.2	67.9
Other assets	24	583.4	572.0
Prepaid expenses and accrued income	25	573.6	545.0
TOTAL ASSETS		457,234.8	451,189.9

Consolidated balance sheet – Group, cont.

SEK M	Note	31 Dec 22	31 Dec 21
LIABILITIES AND EQUITY			
Due to credit institutions	26	8,992.0	7,892.0
Deposits and funding from the public	27	153,340.8	146,264.8
Debt securities in issue	28	265,667.5	266,867.6
Derivatives	19	10,422.0	946.6
Fair value changes of interest-rate-risk hedged items in portfolio hedge	20	–12,010.5	375.7
Deferred tax liabilities	23	570.8	563.2
Other liabilities	29	1,586.8	927.8
Accrued expenses and deferred income	30	3,446.2	2,943.8
Provisions	31	37.0	64.7
Subordinated liabilities	32	2,596.7	2,594.7
Total liabilities		434,649.3	429,440.9
Equity	33		
Share capital		2,864.6	2,864.6
Other capital contributed		8,242.5	8,242.5
Reserves		35.5	59.3
Additional Tier 1 instruments		2,200.0	2,200.0
Retained earnings		9,242.8	8,382.6
Total equity		22,585.5	21,749.0
TOTAL LIABILITIES AND EQUITY		457,234.8	451,189.9





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Consolidated cash-flow statement (indirect method) – Group

SEK M	Note	2022	2021
Cash and cash equivalents, 1 January		14,720.5	434.5
Operating activities			
Operating profit		2,066.5	2,296.2
Adjustment of non-cash items	39	1,087.9	302.3
Change in assets of operating activities			
Change in interest-bearing securities		2,873.5	-7,767.1
Change in loans to the public		-22,139.0	-21,971.1
Change in other assets		-1,766.8	1,987.6
Change in liabilities of operating activities			
Change in deposits and funding from the public		7,076.0	9,877.0
Change in debt securities in issue		-1,605.2	30,972.2
Change in other liabilities		3,899.4	-949.1
Cash flow from operating activities		-8,507.7	14,748.1
Investing activities			
Acquisitions of intangible assets		-312.3	-327.1
Acquisitions of property and equipment		-13.1	-8.0
Sales of property and equipment		-	-
Change in other financial assets		-3.2	-
Cash flow from investing activities		-328.7	-335.1
Financing activities			
Amortisation of lease liabilities		-53.4	-46.2
Repayment of issued Additional Tier instruments		-	-
Issued Additional Tier instruments		-	-
Change in subordinated debt		-0.0	0.3
Interest on issued Additional Tier instruments		-89.1	-81.2
Dividend paid		-396.3	-
Cash flow from financing activities		-538.7	-127.1
NET CASH FLOW FOR THE YEAR		-9,375.1	14,285.9
Cash and cash equivalents, 31 December	39	5,345.4	14,720.5

Cash and cash equivalents is defined as cash and balances with central banks and loans to credit institutions payable on demand.





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Consolidated statement of changes in shareholders' equity – Group

SEK M	Share Capital	Other capital contributed	Additional Tier 1 instruments ¹⁾	Fair value reserve	Hedge reserv	Retained earnings	Total
Opening balance, 1 January 2021	2,864.6	8,242.5	2,200.0	168.6	-258.9	6,612.9	19,829.7
Profit for the period						1,850.8	1,850.8
Other comprehensive income for the period				61.8	87.9		149.7
Comprehensive income for the period				61.8	87.9	1,850.8	2,000.5
Issued Additional Tier 1 instruments						-81.2	-81.2
Realised gain/loss from sale of shares						0.1	0.1
Closing balance, 31 December 2021	2,864.6	8,242.5	2,200.0	230.4	-171.1	8,382.6	21,749.0
Opening balance, 1 January 2022	2,864.6	8,242.5	2,200.0	230.4	-171.1	8,382.6	21,749.0
Profit for the period						1,663.2	1,663.2
Other comprehensive income for the period				-224.5	200.7		-23.8
Comprehensive income for the period				-224.5	200.7	1,663.2	1,639.4
Dividend paid						-396.3	-396.3
Group contributions paid						-400.0	-400.0
Tax on group contributions paid						82.4	82.4
Issued Additional Tier 1 instruments						-89.1	-89.1
Closing balance, 31 December 2022	2,864.6	8,242.5	2,200.0	5.9	29.6	9,242.8	22,585.5

¹⁾ The issued Tier 1 instrument is deemed to fulfil the conditions of an equity instrument since:

- The instrument, according to the conditions, does not have a set maturity date, meaning that the issuer has an unconditional right to refrain from making repayments.

- The issuer of the instrument has full discretion regarding interest payments, that is to say no obligation to pay interest.





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All figures in SEK M unless otherwise stated.

NOTE 1 COMPANY INFORMATION

The consolidated financial statements for Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) were presented on 31 December 2022. Länsförsäkringar Bank AB (publ) is a bank registered in Sweden, with its registered office in Stockholm. The address of the head office is Tegeluddsvägen 11-13, Stockholm, Sweden. The company is a wholly owned subsidiary of Länsförsäkringar AB (publ) (Corp. Reg. No. 502010-9681) with its registered office in Stockholm. The Parent Company in the largest and smallest Group in which Länsförsäkringar Bank AB (publ) is the subsidiary and in which the consolidated financial statements are prepared is Länsförsäkringar AB (publ), Stockholm.

Name of entity	Länsförsäkringar Bank AB (publ)
Country of incorporation	Sweden
Legal form of entity	Public limited liability company
Domicile of entity	Sweden
Address of registered office of entity	Tegeluddsvägen 11-13, SE-106 50 Stockholm
Description of nature of entity's operations and principal activities	Banking
Name of parent entity	Länsförsäkringar Bank AB (publ)
Name of ultimate parent of group	Länsförsäkringar AB (publ)

NOTE 2 ACCOUNTING POLICIES

COMPLIANCE WITH STANDARDS AND LEGISLATION

The consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of these standards issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the Swedish Financial Reporting Board's (the Reporting Board) recommendation RFR 1 Supplementary Accounting Rules for Groups and the Reporting Board's statements, certain supplementary regulations in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and the regulations and general guidelines of the Swedish Financial Supervisory Authority regarding annual accounts for credit institutions and securities companies (FFFS 2008:25) were applied. The Parent Company applies the same accounting policies as the Group except for the cases described under the Parent Company's note 2 regarding accounting policies. The deviations arising between

the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Annual Accounts Act and the Pension Obligations Vesting Act and, in certain cases, tax legislation.

CONDITIONS RELATING TO THE PREPARATION OF THE PARENT COMPANY'S AND CONSOLIDATED FINANCIAL STATEMENTS

Länsförsäkringar Bank's functional currency is Swedish kronor (SEK), which is also the presentation currency of the Parent Company and the Group. The functional currency is the currency in the primary financial environments in which the Group companies conduct their operations, which means that the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest million (SEK M). The reporting is based on historical cost. Financial assets and liabilities are recognised at amortised cost, except for certain financial assets and liabilities that are measured at fair value, see the note on Fair value valuation techniques, or when fair value hedge accounting is applied. The accounting policies for the Group stated below have been applied to all periods presented in the consolidated financial statements, unless otherwise stated.

JUDGEMENTS AND ESTIMATES

The preparation of accounts in accordance with IFRS requires that management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the carrying amounts of the income, expenses, assets, liabilities and contingent liabilities and provisions presented in the accounts. These judgements and estimates are based on historic experiences and the best information available on the balance-sheet date. The actual outcome may deviate from these judgements and estimates. The estimates and judgements are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects both current and future periods.

Significant judgements applied to the Group's accounting policies

Corporate management discussed with the Audit Committee the performance, selection and disclosures relating to the Group's significant accounting policies and estimates, and the application of these policies and estimates. The critical judgements made in the application and selection of the Group's accounting policies are primarily attributable to:

- Assessment of business models and cash flows for financial instruments. These are described in the section on financial assets and liabilities.

- The primary hedging instrument used when the Bank Group applies cash flow hedging are cross-currency interest rate swaps that are always measured at fair value. The currency component of these swaps is handled as a cash flow hedge of the currency risk and the interest component as a fair value hedge of the interest-rate risk. The hypothetical derivative method is used to measure the effectiveness of these cash flow hedges, which entails that the change in a perfect hypothetical swap is deemed to correspond to the present value of the accumulated change in the expected cash flows for the hedged transaction (the currency component). Critical judgements are required to determine the characteristics of the perfect hypothetical swap.
- Method for calculating expected allowance for expected credit losses This is described below in the section Expected credit losses.

Significant sources of estimation uncertainty

Estimation uncertainty arises in the valuation of expected credit losses since such valuations are based on complex models and assessments. The estimate of expected credit losses is primarily based on models, but an individual assessment is performed for cases in which significant information is available that is not incorporated in these models.

One of the main areas in which important assessments are to be made is the identification of a significant increase in credit risk. Such an assessment of is performed at the end of every reporting period and determines the number of loans transferred from stage 1 to stage 2. An increase in loans in stage 2 entails an increase in the estimated reserves for credit losses ("loss allowances"), while a reduction in loans in stage 2 would have the opposite effect.

Important assessments are also carried out when considering forward-looking information and in the choice of macroeconomic scenarios for calculating expected credit losses. Expected credit losses are to be estimated in a manner that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The estimate is to include information about past events, current conditions and forecasts of future economic conditions. The forward-looking information used to estimate expected credit losses is based on the Group's internal macroeconomic forecasts. These macroeconomic forecasts take into account both internal and external information and correspond to the forward-looking information used for other purposes, such as forecasts and financial planning. At least three potential macroeconomic scenarios are considered when calculating expected credit losses: a base scenario, a more positive scenario and a more negative scenario. A deterioration in the forecast macro variables in each scenario or an increase in the probability of a negative scenario would gener-



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ally entail an increase in the estimated loss allowance. An improvement in the forecast macro variables or an increase in the probability of a positive scenario would instead have the opposite effect on the estimated loss allowance.

SIGNIFICANT EVENTS DURING THE YEAR

The impact of the ongoing war in Ukraine on the financial statements, the capital requirement, own funds and major exposures is described in the Board of Directors' Report and in note 3 Risks and capital adequacy.

AMENDED ACCOUNTING POLICIES APPLIED FROM 2022

Accounting policies due to new fees

The risk tax levied on the Bank Group on the basis of the Swedish Act on Risk Tax on Credit Institutions (2021:1256) is recognised in income successively over the fiscal year and is recognised in profit or loss on a new line: Risk tax levied and resolution fee. Resolution fees that were recognised in net interest income in prior periods have been reclassified to the new income statement line "Risk tax levied and resolution fee." Comparative figures for prior periods have been restated.

Accounting policy due to new holdings

In July, Länsförsäkringar Bank and other parties established a new limited liability company, Tibern AB. The purpose of the company's operations is to own, manage, develop and commercialise the technical IT portal Tambur. This holding has been classified as a joint venture since a joint controlling influence exists. The holding is recognised in the consolidated financial statements in accordance with the equity method.

NEW IFRS AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED

Other than those described above, no other new or revised IFRS and interpretations adopted by the IASB and not yet in force are expected to have any material effect on the financial statements.

DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

The consolidated financial statements include the Parent Company and all companies in which Länsförsäkringar Bank AB directly or indirectly holds a controlling influence. A controlling influence exists when the Parent Company has power over the investee, is exposed to or has rights to variable returns from its involvement and has the ability to use its power over the investee to affect the amount of the investor's returns. Shares that potentially carry voting rights and any de facto control are taken into account in assessing the existence of a controlling influence. Shareholders' contributions are recognised in the consolidated balance sheet as Other capital contributed.

Group contributions

Group contributions that have been paid and received are recognised directly in equity after deductions for their current tax effects since the Group contributions are accounted for according to the policies of dividends and shareholders' contributions.

Untaxed reserves

Untaxed reserves in the consolidated balance sheet have been divided into deferred tax liabilities and equity. Changes in deferred tax liabilities due to changes in untaxed reserves are recognised as deferred tax in the consolidated income statement.

Equity instruments

Instruments in which the Group does not have a contractual obligation to make payment are recognised as equity instruments. Payment to holders of these instruments is recognised in equity. Accordingly, issued shares and Additional Tier 1 instruments are recognised as equity instruments in the balance sheet.

Operating segments

The Group's division of operating segments corresponds to the structure of the internal reports that the Group's chief operating decision maker uses to monitor the operations and allocate resources between operating segments. The Group's chief operating decision maker is Group management. Accordingly, for the Länsförsäkringar Bank Group, the reports on the earnings of the various segments of the operations that are received by Group management form the basis of segment reporting. The legal Group structure reflects the internal reporting to Group management, meaning that every legal entity constitutes one segment. The Bank Group comprises the Parent Company Länsförsäkringar Bank AB, and the wholly owned subsidiaries Länsförsäkringar Hypotek AB, Wasa Kredit AB and Länsförsäkringar Fondförvaltning AB. The Banking Operations segment is Länsförsäkringar Bank AB's business activities, comprising deposits, some funding, payment mediation and lending that is not first-lien mortgages on residential properties. The Mortgage Institution segment is the Länsförsäkringar Hypotek AB's business activities, comprising retail mortgage lending of up to 75% of the market value at the granting date and funding by issuing covered bonds. The Finance Company segment is Wasa Kredit AB, which conducts the Bank Group's leasing operations. The Group also offers hire purchase financing and unsecured loans. The Mutual Funds segment is Länsförsäkringar Fondförvaltning AB, which manages mutual funds with different investment orientations. Segment reporting is only provided for the Group. The Group has no single customer that solely accounts for 10% or more of the Group's income.

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate that applies on the balance-sheet date. Non-monetary assets and liabilities are translated to the rate in effect on the date of the transaction. Exchange-rate differences arising due to the translation of balance-sheet items in foreign currency are recognised in profit or loss under the line item Net gains/losses from financial items as exchange-rate gains or exchange-rate losses.

Revenue from Contracts with Customers

Income from contracts with customers is recognised in profit or loss when all steps of the five-step model have been fulfilled:

- 1) The contract with the customer has been identified
- 2) The performance obligations in the contract have been identified
- 3) The transaction price has been determined
- 4) The transaction price has been allocated to the performance obligations
- 5) Income is recognised as the performance obligations are satisfied

The Group's division of income from contracts with customers in note 6 Net commission income corresponds to the structure of the internal reports that Group management uses to monitor the operations.

Payment mediation and cards

The Bank Group's obligations for payment mediation partly comprise making it possible for customers to make secure and convenient payments and partly involve participating in the payments systems (for example, Visa and bankgiro) required for carrying out the payments. Income for payment mediation is settled in advance in the form of annual fees and continuously with the transactions being performed. The fees received in advance are recognised on settlement as a contract liability and income is subsequently recognised straight-line over the period during which the obligation is satisfied. Continuous income is recognised after the transactions have been completed and is settled either immediately or following a slight delay.

Higher costs for the replacement of the card supplier in 2020 were recognised as Costs to fulfil a contract in the balance-sheet item Prepaid expenses and accrued income. Advance payments received have been recognised as contract liabilities in the balance-sheet item Accrued expenses and deferred income.

Lending commission

Lending commission primarily refers to additional services (land registration certificates and mortgage deeds) that customers can choose when arranging their loans. Income is recognised when the customer receives the service.



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Arrangement fees are recognised as interest income according to the effective interest method.

Lending commission also includes notification and reminder fees for which the Group's obligation is to notify/remind the customer. These fees are recognised as income when the notification or reminder is sent to the customer. Penalty interest is recognised as interest income.

Securities commission

The Group's securities commission is largely attributable to income in Länsförsäkringar Fondförvaltning. A small portion is attributable to Länsförsäkringar Bank. Commission is based on the following obligations:

The Group receives a management fee from the funds that the subsidiary Länsförsäkringar Fondförvaltning AB has undertaken to manage. This management fee is based on the current assets in the funds. Income for this fee is recognised monthly since the obligations is deemed to be satisfied and settled in the following month.

The bank receives a fixed brokerage fee from the customer for each securities transaction. When the transaction has been completed, the obligation is deemed to be satisfied and the fee is recognised as income.

Länsförsäkringar Bank and Länsförsäkringar Fondförvaltning receive remuneration from the trading venues in which they operate. The obligation is to distribute and invest in the funds traded on these trading venues. Income is based on the managed assets that were distributed and invested in the trading venue's funds. Income is recognised every month. Income for the current quarter is settled in the first month of the subsequent quarter.

Länsförsäkringar Fondförvaltning receives remuneration when the company's funds invest in other funds. This remuneration is based on the current managed assets and the obligation is satisfied when the investment in made in the fund. Income is recognised every month and the current quarter's income is settled in the first month of the subsequent quarter. Since fund savers can sell their holdings at any time, no estimate is made of future remuneration amounts.

Remuneration from the regional insurance companies

Remuneration from the regional insurance companies is described in note 38. Disclosures on related parties, pricing and agreements.

The Group applies the exemption entailing that disclosures on outstanding performance obligations attributable to contracts with a term of less than one year are not provided.

Interest income, interest expense and dividends

Interest income and interest expense for financial instruments calculated in accordance with the effective interest method are recognised under net interest income. The effective interest rate includes fees that are deemed to be an integrated part of the effective interest rate for a financial instrument (usually fees that are received as compensation for risk). The effective inter-

est rate corresponds to the rate used to discount contractual future cash flows to the carrying amount of the financial asset or liability. Interest on derivatives that hedge interest-rate and foreign-currency risk is recognised as interest income if the derivative hedges an asset and as interest expense if the derivative hedges a liability. Interest compensation for early redemption of fixed-rate lending and deposits is recognised under Net gains/losses from financial items. Dividends from shares and participations are recognised in the item Dividends received once the right to receive payment has been established.

For assets in stage 3, the interest income is calculated and recognised based on the net carrying amount, meaning after deductions for expected credit losses. For assets in stage 1 and 2, the interest income is calculated and recognised based on the gross carrying amount. See also the section on expected credit losses below.

Negative interest on asset items is recognised as a decrease in interest income. Negative interest on liability items is recognised as a decrease in interest expense. See also note 5 Net interest income.

Net gains/losses from financial items

The item Net gains/losses from financial items contains the realised and unrealised changes in value that occurred as a result of financial transactions. Capital gains/losses on the divestment of financial assets and liabilities, including assets measured at amortised cost (interest compensation received when customers pay loans prematurely), are recognised in this item as well as the result of premiums or discounts on repurchases of own funding. This item also includes realised and unrealised changes in the value of derivative instruments that are financial hedging instruments, but for which hedge accounting is not applied, and unrealised changes in the fair value of derivatives to which fair value hedge accounting is applied, and unrealised changes in the fair value of hedged items with regard to hedged risk in the fair value hedge. The ineffective portion of hedging instruments and exchange-rate changes is also recognised as Net gains/losses from financial items. Net gains/losses on transactions measured at fair value through profit or loss does not include interest or dividends. Realised gains or losses are calculated as the difference between the purchase consideration received and the cost of the asset.

Remuneration of employees

The Group primarily has defined-contribution pension plans. The Group is generally covered by the FTP plan, which does not depend on any payments from employees.

Defined-contribution pension plans

The company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments of defined-contribution plans are recognised as expenses

during the period in which the employee performed the services to which the contributions refer.

The pension agreement for the insurance industry, the FTP plan, is a multi-employer pension plan. The plan is a defined-benefit plan for employees born in 1971 or earlier and a defined-contribution plan for employees born in 1972 or after. The defined-benefit portion is insured through the Insurance Industry's Pension Fund (FPK). This pension plan entails that a company, as a rule, recognises its proportional share of the defined-benefit pension commitment and of the plan assets and expenses associated with the pension commitment. Disclosures are also to be presented in the accounts according to the requirements for defined-benefit pension plans. The FPK is currently unable to provide necessary information, which is why the pension plan above is recognised as a defined-contribution plan.

Nor is any information available on future surpluses and deficits in the plan, and whether these surpluses and deficits would then affect the contributions for the plan in future years.

Remuneration for termination of employment

A cost for remuneration in connection with termination of employment of personnel is recognised at the earliest point in time at which the company can no longer withdraw the offer to the employees or when the company recognises expenses for restructuring. Remuneration expected to be paid after 12 months is recognised at its present value.

Impairment

The carrying amounts of the Group's assets are tested on every balance-sheet date to determine whether there are any indications of impairment. IAS 36 is applied to impairment testing for assets that are not tested according to any other standard. These include financial assets tested in accordance with IFRS 9 Financial Instruments: Recognition and Measurement, and deferred tax assets tested in accordance with IAS 12 Income Taxes. The carrying amounts of the exempted assets above are tested according to the respective standard. The Group continuously assesses assets that are not tested for impairment according to other standards if there are any indications that the assets have declined in value. If it is not possible to determine the significantly independent cash flows for an individual asset, and its fair value less selling expenses cannot be used, the assets are to be grouped when testing for impairment at the lowest value where it is possible to identify the significantly independent cash flows, known as a cash-generating unit. If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated in accordance with IAS 36. The recoverable amount is the higher of fair value less selling expenses and value in use. In the calculation of the value in use, the future cash flow is discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset. Impairment is recognised when an estimated recoverable amount falls below the carrying amount of the asset.



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Impairment of assets under IAS 36's area of application is reversed if there is an indication that the impairment requirement no longer exists and a change has occurred in the assumptions that formed the basis of the calculation of the recoverable amount. A reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, less depreciation/amortisation where applicable, if no impairment had been applied.

Credit losses, net

Credit losses comprise expected credit losses, confirmed credit losses, recoveries of credit losses previously recognised as confirmed and reversals of expected credit losses no longer required. Confirmed credit losses could refer to the entire receivable or parts of it when there is no realistic possibility of recovery. A confirmed credit loss is recognised as a write-off of the gross carrying amount and an add-back of the portion of the allowance for expected credit losses that pertains to a written-off loan or portions of a loan. Recoveries comprise payments of loans that were previously recognised as confirmed credit losses. Expected credit losses are reversed when no impairment requirement is deemed to exist.

Taxes

Income tax comprises current tax and deferred tax. Income tax is recognised in profit or loss, except when the underlying transaction is recognised in other comprehensive income, whereby the related tax effect is recognised in other comprehensive income, or when the underlying transaction is recognised directly against equity with the related tax effect recognised in equity.

Current tax is tax that is to be paid or received in the current year, with application of the tax rates that are decided or decided in practice on the balance-sheet date. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities.

The valuation of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realised or settled. Deferred tax is calculated with application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only recognised to the extent that it is likely that it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Financial assets and liabilities

Financial assets recognised in the balance sheet include loan receivables, interest-bearing securities, derivatives with positive market value, accounts

receivable, and shares and participations. Financial liabilities include debt securities in issue, derivatives with negative market value, deposits, other liabilities (accounts payable) and subordinated liabilities. The policies of the Group concerning financial risk are described in the section Risk and uncertainties in the Board of Directors' Report.

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contract in accordance with the instrument's contractual conditions. A financial asset is derecognised from the balance sheet when the rights in the contract are realised, expire or – when the assets are transferred – the company no longer has any significant risks or benefits from the assets and loses control of them. Derecognition also takes place if a financial asset's or liability's contractual terms have been significantly modified (refer also to the separate section on modified loans below). In cases in which a modification is made to the contractual cash flows as a direct consequence of a reform of a reference rate and the new contractual terms are economically equivalent to the original, no derecognition takes place and the original effective interest rate will be adjusted to reflect the new cash flows.

In genuine repurchase transactions (a sale of interest-bearing securities with an agreement for repurchase at a predetermined price), the asset continues to be recognised in the balance sheet and payment received is recognised as a liability in the balance sheet under the item Due to credit institutions. Sold securities are recognised as pledged assets. For a reversed repurchase transaction (a purchase of interest-bearing securities with an agreement for resale at a predetermined price), the securities are not recognised in the balance sheet. The payment received is recognised instead in the item Loans to credit institutions.

A financial liability is derecognised from the balance sheet when the obligation in the contract is met or extinguished in another manner.

Business transactions in the monetary, bond and equities markets that taken place on demand are recognised in the balance sheet on the trade date, which is the time when the significant risks and rights are transferred between the parties. Deposits and lending transactions are recognised on the settlement date. Loan receivables are recognised in the balance sheet when the loan amount is paid to the borrower. Loan commitments are not recognised in the balance sheet and are instead recognised as commitments; see note 34 Pledged assets, contingent liabilities and commitments.

Financial assets and liabilities are initially measured at fair value plus directly attributable transaction costs, except for assets and liabilities measured at fair value through profit or loss, which are initially measured at fair value.

Offsetting financial assets and liabilities

A financial asset and a financial liability are offset and recognised as a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to settle the item in a net amount or simultaneously realise the asset and settle the liability.

Classification and measurement

All financial assets and liabilities are measured at fair value through profit or loss on the initial valuation date. Subsequent measurement and recognition of changes in value take place depending on the measurement category to which the financial instrument belongs.

The Group's financial assets comprise:

- Debt instruments
- Derivative instruments
- Equity instruments

Financial assets are classified and recognised in one of the following three measurement categories, in accordance with the provisions of IFRS 9:

- 1) amortised cost
- 2) fair value through other comprehensive income
- 3) fair value through profit or loss

Debt instruments

The Group's financial assets that are debt instruments comprise loan receivables, interest-bearing securities and other financial assets.

The business model used to manage a debt instrument and its contractual cash flow characteristics determines the classification of a debt instrument.

A requirement for a financial asset to be measured at amortised cost or fair value through other comprehensive income is that the contractual cash flows solely comprise outstanding payment of the principal and interest on the principal. Debt instruments that do not meet the requirement are measured at fair value through profit or loss regardless of the business model to which the asset is attributable. All debt instruments held in the Group meet these cash flow characteristics. The Group regularly checks that cash flows for the debt instruments measured at amortised cost and fair value through other comprehensive income meet the requirements.

Amortised cost

The Group manages accounts receivable and other financial receivables in a business model whose objective is to realise the assets' cash flows by receiving contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are therefore measured at amortised cost.

Amortised costs refers to the discounted present value of all future payments attributable to the instrument with the discount rate comprising the effective interest rate of the asset on the acquisition date.



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Fair value through other comprehensive income

The Group manages its holdings of treasury bills and other eligible bills and bonds and other interest-bearing securities in a business model whose objective is to realise the assets by both receiving contractual cash flows and through sales. These assets are therefore measured at FVOCI. This recognition means that the assets are continuously measured at fair value through other comprehensive income with the accumulated unrealised changes in values recognised in the fair value reserve. Interest income is recognised in net interest income in profit or loss. If an asset in this category is sold, the previous unrealised gain/loss is reclassified from other comprehensive income to profit or loss and is recognised on the line item net gains/losses from financial items.

Fair value through profit or loss

The Group does not have any debt instruments measured at fair value through profit or loss.

Gains/losses from the sale of debt instruments are recognised in profit or loss.

Derivative instruments

Derivative instruments are measured at fair value through profit or loss unless they are subject to the rules on hedge accounting. Derivatives with positive values are recognised as assets in the consolidated balance sheet and derivatives with negatives values are recognised as liabilities. All of the Group's derivatives are used as hedging instruments, and accordingly the Group does not have any derivatives classified as held for trading.

Equity instruments

An equity instrument is every form of agreement that entails a residual right to a company's assets after deductions for all its liabilities. The equity instruments that exist in the Bank Group comprise shares. Since all holdings are of a strategic nature, the Group makes use of the possibility to recognise these holdings at fair value through other comprehensive income.

Gains/losses on the sale of equity instruments measured at fair value through other comprehensive income are recognised as a transfer in equity from the fair value reserve to retained earnings and thus do not impact profit or loss.

Financial liabilities

The Group's financial liabilities are presented in note 35 Classification of financial assets and liabilities. The Group measures all financial liabilities that are not derivatives at amortised cost.

Reclassification of financial instruments

Financial assets are not normally reclassified after initial recognition. However, a change in business model would entail reclassification.

Methods for determining fair value

The method for determining the fair value of financial instruments follows a hierarchy in which market data is used as far as possible and company-specific information is used as little as possible. The hierarchy for determining fair value is categorised into the following levels, using the following:

Level 1: quoted prices in an active market

Level 2: calculated value based on observable market data

Level 3: own assumptions and judgements.

Financial instruments traded in an active market

For financial instruments traded in an active market, fair value is determined based on the asset's quoted market prices (Level 1). Current bid prices are used for financial assets, and current selling rates without mark-ups for transaction costs and brokerage commission are used for financial liabilities. Any future transaction costs arising in conjunction with divestments are not taken into account.

Financial instruments not traded in an active market

For financial instruments not traded in an active market, the fair value is calculated using various valuation techniques. When valuation techniques are applied, observable inputs are used as far as possible (Level 2). The valuation technique used most is discounted cash flows. If unobservable inputs significantly impact the valuation, the instruments are measured at Level 3. For more information, see note 36 Fair value valuation techniques.

Hedge accounting

The Group's derivatives, which comprise interest-rate and cross-currency swaps, have been acquired in their entirety to hedge the risks of interest and exchange-rate exposure arising during the course of operations. The origin and management of these risks are described in the section Interest-rate risk and currency risk in note 3 Risks and capital adequacy. The Group has decided to continue to apply the rules in IAS 39 for all hedging relationships.

All derivatives are measured at fair value in the statement of financial position. Changes in value are recognised depending on whether the derivative is designated as a hedging instrument and, if this is the case, the type of hedging relationship that the derivative is included in. The Group applies both cash flow hedges and fair value hedges. Hedge accounting is applied only when there is a clear relationship with the hedged item. In addition, it is required that the hedge effectively protects the hedged item, that hedge documentation is prepared and that the effectiveness can be measured reliably. Hedge accounting can only be applied if the hedging relationship can be expected to be highly effective, which means that the ratio between the change in fair value for the hedged risk in the hedged item and the derivative must be in the interval of 80–125%. In the event that the conditions for hedge accounting are no longer met, the derivative is measured at fair value with the change in value through profit or loss, and the hedged item is no longer sub-

ject to remeasurement for cases in which hedging at fair value were previously applied. The effectiveness of hedging relationships are evaluated monthly. Each identified hedging relationship is expected to be effective over the entire lifetime of the relationship. Effectiveness is tested by applying a forward-looking (prospective) assessment and a retrospective evaluation. Ineffectiveness is recognised in profit or loss.

Fair value hedges

The aim of fair value hedges is to protect the Group from undesirable earnings effects caused by exposure to changes in the interest-rate risk associated with recognised assets or liabilities. When applying fair value hedges, the hedged item is measured at fair value regarding its hedged risk. The changes in value that arise are recognised in profit or loss and offset the changes in value arising on the derivative (the hedging instrument).

The Group applies the fair value hedge method to specific portfolios of either funding, deposits or loans bearing fixed interest rates. The Group also applies the fair value hedge method to individual assets in the liquidity portfolio that are classified in the measurement category of fair value through other comprehensive income. The change in the value of the derivative is recognised in profit or loss together with the change in the value of the hedged item regarding the hedged risk under Net gains/losses from financial items. Interest coupons, both unrealised and realised, are recognised as interest income if the hedged item is an asset or portfolio of assets, or as interest expense if the hedged item is a liability or portfolio of liabilities.

Cash flow hedges

The aim of cash flow hedges is to protect the Group from variations in future cash flows attributable to recognised assets and liabilities due to changed market factors. Interest and cross-currency interest rate swaps that are hedging instruments in cash flow hedging are measured at fair value. The change in value is recognised in other comprehensive income and in the cash flow hedge reserve in equity to the extent that the change in the value of the swap is effective and corresponds to future cash flows attributable to the hedged item. Ineffectiveness is recognised in profit or loss in the item Net gains/losses from financial items. Gains or losses recognised in the cash flow hedge reserve under equity through other comprehensive income are reclassified and recognised in profit or loss in the same period as the hedged item affects profit or loss.

Interest Rate Benchmark Reform

The Group applies the exemptions regarding changes to the hedged risk, hedging instrument and hedged item introduced due to the Interest Rate Benchmark Reform (Phase 1 and 2). An alternative benchmark rate is identified as a hedge risk when the Group has a reasonable expectation that it will be a separately identifiable component of a hedged item within 24 months from the date it is identified as a hedged risk for the first time. Hedging docu-



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mentation is updated at the end of the period in which an alternative benchmark rate is designated. Such changes to hedging documentation does not mean that the Group has had to discontinue hedge accounting.

Expected credit losses

Reserves for expected credit losses ("loss allowance") are recognised for financial assets measured at amortised cost, financial lease assets, debt instruments measured at fair value through other comprehensive income, issued financial guarantees and loan commitments. The initial loss allowance is calculated and recognised on initial recognition and is subsequently continuously adjusted over the lifetime of the financial asset. Initial recognition is defined in the Group as the time of origination of the financial instrument, meaning when the original loan terms were set. In the calculation of loss allowance under IFRS 9, the Bank Group takes into consideration several different future scenarios, including macro factors.

Model and definitions

The expected loss impairment model is based on dividing the financial assets into three different stages.

- Stage 1 comprises assets for which the credit risk has not increased significantly since initial recognition.
- Stage 2 comprises assets for which the credit risk has increased significantly since initial recognition, but the asset is not credit-impaired. The Group's method for assessing whether there has been a significant increase in credit risk for loans to the public, and issued financial guarantees and loan commitments, is to compare probability of default (PD) on the reporting date in question with PD from the initial reporting date. In addition, a credit risk is deemed to have increased significantly for assets that are more than 30 days past due. For further information about the assessment of credit risk, refer to the section on sensitivity in calculation of loss allowances in note 3. The Group's method for assessing whether there has been a significant increase in credit risk for loans to credit institutions, and debt instruments measured at fair value through other comprehensive income, is to compare PD based on an external rating on the reporting date in question with PD based on an external rating on the initial reporting date. When there is no longer any significant increase in credit risk since the initial reporting date, the financial asset is transferred back to stage 1.
- Stage 3 comprises credit-impaired assets or assets that were credit-impaired on initial recognition. The definition of credit-impaired is consistent with the Bank Group's regulatory definition of default. A counterparty is considered to be in default if a payment is more than 90 days past due. A counterparty is also considered to be in default if there are other reasons to expect that the counterparty cannot meet its undertakings. Assets that were credit-impaired on the initial reporting date are recognised in stage 3 for their entire term without being transferred to stage 1 or stage 2.

Estimating and recognising the loss allowance for stage 1 corresponds to the 12-month expected credit losses. For stages 2 and 3, estimating and recognising the loss allowance corresponds to the full lifetime expected credit losses.

The estimates of expected credit losses for loans to the public, and issued financial guarantees and loan commitments, are based on existing internal ratings-based models and take into account forward-looking information. The loss allowance is achieved by estimating the expected credit loss for the assets' contractual cash flows. The present value of the expected credit loss is calculated for every date in each cash flow by multiplying the remaining exposure with the probability of default (PD) and the loss given default (LGD). For stage 1, the loss allowance is estimated as the present value of the 12-month ECL, while the credit loss for stages 2 and 3 is estimated as the present value of the full lifetime expected credit losses. All estimates of the loss allowance including estimates of exposure, PD and LGD take into account forward-looking information and are based on a weighting of at least three different possible macroeconomic scenarios. A number of statistical macro models have been developed to determine how each macroeconomic scenario will affect the expected future exposure, PD and LGD. The regional insurance companies' share of the allowance for expected credit losses is not taken into account when determining LGD. The regional insurance companies' share is first considered after determining the total loss allowance for Länsförsäkringar Bank and Länsförsäkringar Hypotek.

The estimates of expected credit losses for loans to credit institutions, and debt instruments measured at fair value through other comprehensive income, start from PD based on the external rating and LGD based on the regulatory amounts under the capital adequacy rules, Regulation (EU) No 575/2013 (CRR). This is because these items are not encompassed by existing, internal ratings-based models.

The assessments used for accounting purposes are in line with those used in the Group's credit risk management.

For accounts receivable, the Group uses the simplified method, which entails that a loss allowance is always measured at an amount corresponding to the full lifetime of the expected credit losses.

Recognition of expected credit losses

Only the Bank Group's share of expected and confirmed credit losses are recognised. The regional insurance companies' share of expected and confirmed credit losses is settled against a buffer of accrued remuneration to the regional insurance companies. A condition for the regional insurance companies to receive full payment of the distribution remuneration is that the loans generated by each company for the Bank Group (excluding Wasa Kredit AB) are of high quality. If this is not the case, up to 80% of any credit losses are off-set against the accrued remuneration to the regional insurance companies. This settlement account is kept separate and is taken into consideration when the provisions are established.

The reserve for financial assets measured at amortised cost is recognised as a reduction of the recognised gross carrying amount of the asset.

For financial guarantees and loan commitments, the reserve is recognised as a provision.

The reserve for debt instruments measured at fair value through other comprehensive income is recognised as the fair value reserve in equity and does not impact the carrying amount of the asset. Derecognition reduces the recognised gross amount of the financial asset.

Loss allowance and derecognition of confirmed credit losses are presented in the income statement as credit losses, net.

Modified loans

Modified loans are defined as loans for which the contractual terms have been changed and the change in terms impacts the time and/or the amount of the contractual cash flows of the receivable. Modified loans are derecognised from the balance sheet if the terms of an existing contract have materially changed. A new loan with the new contractual terms is then recognised in the balance sheet. Gains or losses arising on a modification are calculated as the difference between the present value of the outstanding cash flows calculated under the changed terms and discounted by the original effective interest rate and the discounted present value of the outstanding original cash flows. The corresponding principles are applied to the recognition of modifications of the Group's financial liabilities.

Confirmed losses

Confirmed credit losses are those losses whose amount is finally established through acceptance of a composition proposal, through other claim remissions or through bankruptcy and after all of the collateral has been realised and where the assessment is that the possibility of receiving additional payments is very small. The receivable is then derecognised from the balance sheet and recognised as a confirmed loss in profit or loss on this date.

Leases

Reporting as lessee

The Group recognises all leases (with certain exemptions) in the statement of financial position as follows: the obligation to make future fixed lease payments as a lease liability, and the right to use an underlying asset as a right-of-use asset. When a contract is signed, the Group assesses whether it includes a lease. A contract is, or contains, a lease if it conveys the right for the Group to control the use of an identified asset for a period of time in exchange for consideration. The Group has decided to only identify the lease components in the Group's leases and does not include non-lease components in its calculation of the lease liability.



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Measurement of lease liabilities

Lease liabilities are recognised as the present value of the remaining lease payments in the statement of financial position. When recognised in the accounts, lease payments are divided between repayment of the lease liability and interest expense. The lease liability includes the following lease payments:

- fixed payments (including in-substance fixed payments)
- variable lease payments that depend on an index or rate, initially measured using the index or rates on the commencement date.
- amounts expected to be payable by the lessee under residual value guarantees.

Lease payments that will be paid for extension options that it is reasonably certain will be exercised are also included in the measurement of the liability. This reassessment takes place when there is a significant event or a significant change in circumstances within the Group's control and that affect the current assessment of the term. Extensions are also assessed when the final termination date within the previously assessed term for leases for premises has been passed.

The lease liability is remeasured when there is a change in future lease payments from a change in an index or a rate, amounts expected to be payable under a residual guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination of the underlying asset. The Group is exposed to any future increases in the variable lease payments that depend on an index or a rate that are not included in the lease liability until they come into effect. When adjustments of lease payments that depend on an index or a rate come into effect, the lease liability is remeasured and adjusted against the right-of-use asset.

To calculate the lease liability, lease payments are discounted by the interest rate implicit in the lease. If this rate cannot be readily determined, which is normally the case for the Group's leases, the lessee's incremental borrowing rate is to be used, which is the that rate that an individual lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain the right-of-use asset in a similar economic environment.

Measurement of lease assets

The lease asset is measured at cost and recognised at an amount corresponding to what the lease liability was originally measured at after adjustments for prepaid lease payments and initial direct costs, and costs for restoring the asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis in subsequent periods over the shorter of the useful life and the term from the commencement date. If it is reasonably certain that the Group will exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

Application of exemption rules

The Group has decided not to recognise leases in the statement of financial position for which the underlying asset has a low value or has a lease term (including periods covered by an option to extend the lease if the Group is

reasonably certain to exercise that option) of 12 months or less. The Group recognises lease payments for leases subject to exemption rules as a lease expense straight-line over the term.

Reclassification of leases

The Group recognises its leases in the statement of financial position as a right-of-use asset and a lease liability. Right-of-use assets are classified as the corresponding underlying asset that would have been presented if it had been owned.

Reporting as lessor

Leases are classified in the consolidated financial statements as either finance or operating leases. A finance lease exists if the financial risks and rewards if ownership have substantially been transferred to the lessee. If this is not the case, then this is a matter of operating leases. The Bank Group's assets that are leased under finance leases are not recognised as property and equipment since the risks associated with ownership are transferred to the lessee. Instead, the leases are recognised as loans to the public regarding future leasing fees. Initially, an amount corresponding to the present value of all minimum lease payments to be paid by the lessee is recognised and any guaranteed residual value accrues to the lessor. Payments received from these agreements are recognised in part as repayment of lease receivables, and in part as interest income.

The carrying amounts of lease assets are tested in accordance with IFRS 9. For a description refer to Model and definitions in the section Expected credit losses above.

Intangible assets

Intangible assets primarily comprise proprietary and acquired intangible assets with determinable useful lives that are expected to be of significant value to the operation in future years. These assets are recognised at cost less accumulated amortisation and impairment. Amortisation commences when the asset is ready to be put into operation. The Group's proprietary intangible assets are only recognised if all of the following conditions are met:

- There is an identifiable asset.
- The Group has control of the asset.
- It is probable that the developed asset will generate future economic benefits.
- The cost of the asset can be measured reliably.
- The asset is technically and commercially usable, and there are sufficient resources to complete development and thereafter use or sell the intangible asset.

The carrying amount of proprietary intangible assets includes all directly attributable expenses, such as directly attributable expenses for salaries and materials. The periods of amortisation are determined based on a useful life that varies between three and 20 years and straight-line amortisation is applied. The periods of amortisation are not category-specific and are deter-

mined individually for each asset. Impairment is tested in accordance with IAS 36 Impairment of Assets.

Additional expenses for capitalised intangible assets are recognised as an asset in the balance sheet only when these expenses increase the future economic benefits of the specific asset to which they pertain. All other additional expenses are recognised as an expense when incurred. Certain product investments are considered long-term and have a 20-year amortisation period. Impairment testing and the period of amortisation are reviewed annually.

Property and equipment

Equipment

Property and equipment are recognised as assets in the balance sheet when, based on information available, it is likely that the future economic benefits associated with the holding will flow to the company and that the cost of the asset can be measured reliably. Equipment is recognised at cost less accumulated depreciation and any accumulated impairment. Depreciation according to plan takes place following the straight-line method over the asset's expected useful life, commencing when the asset is put into operation. Depreciation and any scrapping and divestments are recognised in profit or loss. Impairment is tested in accordance with IAS 36 Impairment of Assets. Useful lives are retested at the end of every fiscal year. Useful lives of equipment:

- Office equipment 5 years
- Improvements to leased premises 3–7 years
- Vehicles 5 years
- Computer equipment 3–5 years

Provisions

A provision is reported in the balance sheet when the Group has an existing legal or informal obligation as a result of an event that has occurred and it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made.

A provision differs from other liabilities since there is uncertainty regarding the date of payment and the amount for settling the provision. A restructuring provision is recognised when an established, detailed and formal restructuring plan exists, and the restructuring process has either commenced or been publicly announced. No provisions are made for future operating expenses. Where the effect of when a payment is made is significant, provisions are calculated by discounting the expected future cash flow at a pre-tax interest rate that reflects current market assessments of the time value of money and, where appropriate, the risks related to the liability.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from past events and whose existence is confirmed only by one or more uncertain future events outside the Group's control, or when there is a commitment that is not recognised as a liability or provision because it is probable that an outflow of resources will be required, or cannot be measured with sufficient reliability.



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Loan commitments

A loan commitment can be:

- A unilateral commitment by the company to issue a loan with predetermined terms and conditions in which borrowers can choose whether they want to accept the loan or not, or
- A loan agreement in which both the company and the borrower are subject to terms and conditions for a loan that begins at a certain point in the future.

Loan commitments are not recognised in the balance sheet. Issued irrevocable loan commitments are valid for three months and recognised as a commitment under memorandum items. The right to cancel the loan commitment is retained if the customer's credit rating has diminished on the date of payment.

Financial guarantees

Guarantee agreements issued by the Group, which comprise leasing guarantees and credit guarantees, entail that the company has a commitment to compensate the holder when the holder incurs a loss due to a specific debtor not making due payments to the holder in accordance with original or changed contractual terms. Financial guarantee agreements are initially measured at fair value, which normally means the amount that the company received as compensation for the guarantee issued. The premium received for issued guarantee agreements is recognised as a provision and allocated straight-line over the term of the guarantee. When the agreement is subsequently valued, the liability for the financial guarantee is recognised at the amount to be recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount that was originally recognised less deductions for accumulated allocations.

NOTE 3

RISKS AND CAPITAL ADEQUACY

The Bank Group manages the risks that the operations are or could be expected to be exposed to in accordance with the framework for risk appetite and risk limits set by the Board. Follow-up and continuous evaluation of the risks comprise a natural part of ongoing work in the banking operations and are monitored by the Bank Group's independent risk control function, which is called Risk Management. Accordingly, duality in risk management is achieved and risk awareness is prevalent in all day-to-day business decisions. The risks to which the Bank Group is primarily exposed are defined below.

Credit risk	Credit risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and of any collateral provided not covering the receivable, leading to a loss. Credit risk encompasses lending risk, issuer risk, counterparty risk, settlement risk and creditworthiness risk.
Market risk	Market risk pertains to the risk of loss arising that is directly or indirectly caused by changes in the level or volatility in the market price of assets, liabilities and financial instruments, including losses caused by shortcomings in the matching between assets and liabilities. Market risk includes interest-rate risk, currency risk, credit-spread risk, equities risk, property risk, option risk and pension risk.
Liquidity risk	Liquidity risk is defined as the risk that payment commitments cannot be fulfilled due to insufficient cash funds. Liquidity risk includes structural liquidity risk, financing risk, rollover risk and intraday liquidity risk.
Operational risk	Operational risk refers to the risk of losses arising due to inadequate or failed internal processes, human error, erroneous systems or external events, including legal risks. Operational risk includes product and process risk, personnel risk, security risk, legal risks, compliance risks, IT risks and model risk.
Business risk	Business risk pertains to the risk of lower earnings, higher expenses or loss of confidence from customers or other stakeholders. Business risk encompasses strategic risk, reputation risk and conduct risk.
Climate risk	Climate risk refers to the risks that the consequences of climate change may have on the business activities. Climate risks can materialise either through physical risks, such as more cases of extreme weather and gradually rising sea levels, or through transition risks, such as regulatory, political and market changes related to the transition to a low-carbon society.

Risk-management and internal-control system

The risk-management system consists of strategies, processes, procedures, internal rules, limits, controls and reporting procedures needed to ensure continuously identification, measurement, governance, reporting and control. An effective risk-management system that is an integrated part of decision-making processes ensures a continuous evaluation and assessment of the risks associated with the operations. The Bank Group manages its risk exposure on the basis of:

- Clear and documented descriptions of processes and procedures.

- Clearly defined and documented responsibilities and authorities.
- Risk-measurement methods and system support that are customised to the requirements, complexity and size of the operations.
- Regular incident reporting of the operations according to a documented process.
- Sufficient resources and expertise for attaining the desired level of quality in both the business and control activities.
- Documented and communicated business contingency, continuity and recovery plans.
- Clear instructions for each respective risk area and a documented process for approving new or considerably amended products, services, markets, processes and IT systems, as well as exceptional transactions and major changes to operations and organisation.

Division of roles and responsibilities

The Bank Group's risk management follows the division of roles and responsibilities according to the three lines of defence:

The first line of defence pertains to all risk-management activities performed in the business operations. The operations that are exposed to risk also own the risk, which means that the daily risk management takes place within the operations. The operations are also responsible for ensuring that control processes for monitoring are in place, implemented and reported. All employees assume individual responsibility for working towards a well-functioning risk culture by complying with the established risk-management guidelines and framework.

The second line of defence pertains to the independent Risk Management and Compliance functions, including CFA, which establish principles and frameworks for risk management and regulatory compliance. The role of compliance is to provide support and control to ensure that the operations comply with regulatory requirements. Risk Management controls and monitors arising risks and ensures that risk awareness is being applied and correct and consistent risk management takes place on a daily basis. Risk Management also assists the operations when introducing the procedures, systems and tools required for maintaining this continuous risk management. Risk Management is charged with the operational responsibility for the independent risk control and must thus objectively manage and report risks in the banking operations. Accordingly, duality in risk management and risk control, risk culture and risk awareness is prevalent in all day-to-day business decisions. An independent Chief Risk Officer (CRO) is responsible for Risk Management, whose areas of responsibility are defined and documented in the guidelines adopted by the Board. The CRO is directly subordinate to the President and reports directly to the President, the Risk and Capital Committee, Audit Committee and the Board.



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The third line of defence is Internal Audit, which comprises the Board's support for quality assurance and evaluation of the organisation's risk management, governance and internal controls. Internal Audit performs independent and regular audits to control, evaluate and ensure, for example, the procedures and processes for financial reporting, the operation and management of information systems and the operations' risk-management system.

The Board is responsible for ensuring that an efficient risk-management system is in place and that it is customised to the Bank Group's risk appetite and risk limits through the adoption of relevant governance documents. The Board approves all significant elements of the internal models used within the bank and is also responsible for ensuring that regulatory compliance and risks are managed in a satisfactory manner through the Bank Group's Compliance, Risk Management and Internal Audit control functions. The Risk and Capital Committee supports the Board in risk and capital issues, and prepares cases ahead of Board decisions, for example, regarding market, liquidity, credit and operational risk, and capital and financing matters.

The President is responsible for ensuring that daily management takes place in accordance with the strategies, guidelines and governance documents established by the Board. The President also ensures that the methods, models, systems and processes that form the internal measurement and control of identified risks work in the manner intended and decided by the Board. The President is to continuously ensure relevant reporting from each unit, including Risk Management, to the Board. The President is the Chairman of the Asset Liability Committee (ALCO), whose main task is to follow up on capital and financial matters. The President is also the Chairman of the Risk Committee, whose main task is to monitor risk matters.

Credit risk

Credit risk is defined as the risk of losses arising due to a counterparty not being able to fulfil its commitments to the Group and the risk that the counterparty's pledged collateral will not cover the company's receivables, leading to a loss. The Bank Group calculates credit risks for loans to the public primarily in accordance with the internal ratings-based (IRB) approach. The loan portfolio largely comprises mortgages, mainly with single-family homes as collateral. All lending takes place in Sweden. Concentration risk primarily comprises the lending segment and geographic distribution. Most exposures are relatively small, with a well-diversified geographic spread, meaning that the Bank Group does not have any significant exposure to concentration risk.

Due to the gloomier outlook for companies and households associated with rising inflation, interest rates and costs for electricity and fuel, the Bank Group adjusted the cost of capital in the KALP calculation ("left to live on") for retail customers. Analyses of the potential impact of the gloomier outlook for the Bank Group's customers were regularly carried out in the second half of the year.

Credit process

The banking operations impose strict requirements in terms of customer selection, customers' repayment capacity and the quality of collateral. The Parent Company Länsförsäkringar Bank is responsible for ensuring that loans are granted based on standardised and stringent credit regulations, as well as an integrated credit scoring system in which the Board's adopted guidelines create a foundation for a shared view on lending in the Länsförsäkringar Alliance. Together with the Bank Group, the regional insurance companies continuously monitor and review the quality of the loan portfolio and borrowers' repayment capacity. Combined with system support for risk classification, this leads to balanced and consistent risk control.

The adopted credit regulations form the foundation of all lending and apply for all regional insurance companies and the Bank Group. The size of the loan and level of risk determine the decision level, where the highest instance is the Board and the lowest instance a decision by an advisor. Mandates for granting credit at the respective decision-making instance are set out in the credit regulations.

The credit regulations also set out minimum requirements for underlying documentation for credit-granting decisions. Compliance with the credit regulations is monitored by the regional insurance companies and by the Bank Group.

The credit regulations and credit process, combined with local customer and market knowledge, create a loan portfolio that maintains high credit quality.

IRB system

The IRB system is a core component of the credit process and consists of methods, models, processes, controls and IT systems to support and further develop the quantification of credit risks. The IRB system is specifically used in:

- Credit process for risk assessment and credit-granting decisions
- Calculation of loss allowances
- Monitoring and reporting to management and the Board
- Calculation of capital requirement
- Risk-adjusted pricing

Some of the core concepts in the IRB system are described below. The probability of default (PD) is the probability that a counterparty is unable to meet its undertaking to the bank. A PD with a 12-month horizon is initially calculated for each counterparty and is then adjusted to reflect the average proportion of default over a longer time period. The counterparties are ranked and grouped according to a PD scale comprising 11 risk classes (grades) for non-defaulted counterparties and one risk category for defaulted counterparties. A loss given default (LGD) is the portion of an exposure that is expected to be lost in the event of default.

Exposure at default (EAD) is the exposure amount that the counterparty is expected to have utilised upon default. For off balance-sheet commitments, EAD is calculated by multiplying the counterparty's total granted amount by a conversion factor (CF). The size of the CF is based on internal information regarding the payment percentage, degree of utilisation and products. Länsförsäkringar Bank applied for new PD models in 2020 and new models for LGD and CF in 2021 to adapt to the new standards applicable in the EU. In January 2023, the bank received approval for new PD models, but decisions on its other applications have not yet been received. Länsförsäkringar Bank has already made changes to follow the new definition of default.

Collateral management

Various collateral is used to protect the Bank Group's loan receivables, depending on the type of credit. The collateral in Länsförsäkringar Hypotek largely comprises residential property mortgages as collateral for household lending. For companies, the collateral in Länsförsäkringar Bank and Länsförsäkringar Hypotek primarily comprises mortgages in agricultural properties, commercial properties, industrial properties, multi-family housing and floating charges. For the subsidiary Wasa Kredit AB's loan receivables, the item being financed is used as collateral, mainly vehicles and machinery. The Bank Group requires sureties for certain customers and types of credits.

Collateral is valued on the lending date and regularly updated over the lifetime of the credit, either individually or based on indices. The method and interval of valuations vary depending on the type of collateral, the value of the collateral and the customer's repayment capacity. Several updates were made to market values in 2022. Länsförsäkringar Bank makes use of both internal and external valuers and statistical valuations.

Credit quality

The loan portfolio exclusively comprises loans in Sweden and 76% (77) comprises mortgages with collateral in single-family homes and tenant-owned apartments. Mortgages with loan-to-value ratios up to 75% of the market value at the time the mortgage is granted account for the largest percentage of the retail mortgage portfolio. During the year, the Bank Group changed to offer first-lien mortgages up to 85% of the market value on the granting date. First-lien mortgages are deposited in Länsförsäkringar Hypotek. Low loan-to-value ratios, combined with a well-diversified geographic spread and local presence, are the core pillars in ensuring that the loan portfolio maintains high credit quality.

Loans to the agricultural segment amounted to 8% (9) of the loan portfolio. The lending segment is a complement to the bank's mortgages since a large share pertains to loans to family-owned agricultural businesses.

Loans for leasing and hire purchase to Swedish households and companies accounted for 5% (5) of the loan portfolio, and comprise collateral in leased assets and collateral in the form of reservation of title. Loans without collateral, comprising unsecured loans and credit card loans, amounted to



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2% (3) of lending. Total IRB classified exposure was SEK 363,492 M (348,566), corresponding to 94% (96) of total loans to the public.

The Bank Group's credit risk exposure is primarily secured against direct collateral in real property and tenant-owned apartments, the values and LTV ratios of which are taken into consideration when preparing new mortgages secured by immovable property and also within the framework of the risk-classification system's LGD calculations. Other types of collateral are also considered when determining LGD for other products. A specification of the Bank Group's maximum credit risk exposure for balance-sheet items is presented in the following tables.

Credit risk exposure, SEK M	31 Dec 2022	31 Dec 2021
Credit risk exposure for items recognised in the balance sheet		
Cash and balances with central banks	4,947.0	14,361.4
Treasury bills and other eligible bills, etc.	10,856.8	15,526.1
Loans to credit institutions	1,253.4	1,480.1
<i>of which collateral in repurchase agreements</i>	<i>153.5</i>	<i>875.1</i>
Loans to the public	384,659.9	362,520.4
<i>of which collateral in properties and tenant-owned apartments</i>	<i>339,133.0</i>	<i>322,135.0</i>
Bonds and other interest-bearing securities	49,969.4	50,424.8
Derivative instruments	8,138.3	4,105.7
Other assets	583.4	572.0
Credit risk exposure for memorandum items		
Guarantees	30.5	33.3
Loan commitments and other credit commitments	24,794.5	26,224.2
Total	485,233.2	475,247.9

The table below shows the credit quality of treasury bills and other eligible bills, bonds and other interest-bearing securities, loans to credit institutions and derivatives based on external risk classification.

	Not credit-impaired (Stage 1)	
	31 Dec 2022	31 Dec 2021
Credit risk exposure, SEK M	Gross carry- ing amount	Gross carry- ing amount
Treasury bills and other eligible bills		
AAA-AA	10,856.8	14,624.7
Total	10,856.8	14,624.7
Bonds and other interest-bearing securities		
AAA-AA	49,969.4	50,024.7
Total	49,969.4	50,024.7
Loans to credit institutions		
AAA-AA	125.3	63.7
A	5,045.3	541.3
Total	5,170.6	605.0
Derivatives		
AAA-AA	2,162.5	641.8
A	5,975.7	3,463.8
BBB-BB		
Not risk classified ¹⁾	2,944.8	-
Total	11,083.0	4,105.6

¹⁾ Exposure to central counterparties is recognised without any rating. The entire exposure to central counterparties and banks on 31 December 2022 comprised exposure to Nasdaq Clearing AB. Nasdaq Clearing AB does not have any rating but is a very strong counterparty due to the strict statutory regulations that apply to Nasdaq Clearing AB and other central counterparties. Nasdaq Clearing AB has been certified by the FSA as an EMIR counterparty and is subject to the supervision of the FSA.



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The tables below show the credit quality of loans to the public and for loan commitments and other credit commitments based on the IRB Approach and region and per stage according to the Bank Group's expected loss impairment

Credit risk exposure by internal risk classification, SEK M

	31 Dec 2022			
	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
	Gross carrying amount	Gross carrying amount	Gross carrying amount	Gross carrying amount
Loans to the public				
Internal rating 1-3	229,843.5	1.8	11.8	229,857.0
Internal rating 4-6	120,512.1	188.5	32.6	120,692.1
Internal rating 7-9	5,708.5	4,867.0	18.7	8,869.1
Internal rating 10-11	64.3	1,394.4	25.3	2,601.3
Defaulted	-	-	823.8	1,472.7
Not risk classified	20,321.1	795.8	50.8	21,167.7
Total	376,449.5	7,247.5	962.9	384,659.9

	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
	Credit risk exposure	Credit risk exposure	Credit risk exposure	Credit risk exposure
Loan commitments and other credit commitments				
Internal rating 1-3	9,569.7	0.8	0.3	9,570.8
Internal rating 4-6	8,446.6	24.4	0.5	8,471.5
Internal rating 7-9	988.6	228.4	5.8	1,222.8
Internal rating 10-11	13.8	85.2	4.2	103.2
Defaulted	-	-	15.6	15.6
Not risk classified	5,285.6	118.1	6.8	5,410.6
Total	24,304.3	457.0	33.2	24,794.5

model. See not 2 Accounting policies. Credit exposures that are not risk classified below include overnight deposits to the Swedish National Debt Office and time-limited exemptions that pertain to exposures in Wasa Kredit.

Credit risk exposure by internal risk classification, SEK M

	31 Dec 2021			
	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
	Gross carrying amount	Gross carrying amount	Gross carrying amount	Gross carrying amount
Loans to the public				
Internal rating 1-3	215,699.7	2.0	7.0	215,708.7
Internal rating 4-6	119,759.9	188.8	25.9	119,974.6
Internal rating 7-9	5,898.4	4,727.7	27.3	10,653.4
Internal rating 10-11	45.5	1,180.2	8.7	1,234.4
Defaulted	-	12.7	982.0	994.7
Not risk classified	13,254.0	661.5	39.1	13,954.6
Total	354,657.5	6,772.8	1,090.1	362,520.4

	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
	Credit risk exposure	Credit risk exposure	Credit risk exposure	Credit risk exposure
Loan commitments and other credit commitments				
Internal rating 1-3	11,323.3	0.5	0.1	11,323.8
Internal rating 4-6	8,734.2	23.5	0.1	8,757.7
Internal rating 7-9	1,063.1	323.8	0.2	1,387.2
Internal rating 10-11	3.1	22.3	0.0	25.4
Defaulted	-	-	7.9	7.9
Not risk classified	4,620.7	98.8	2.9	4,722.4
Total	25,744.3	468.8	11.1	26,224.2



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The table below presents loans to the public and loan commitments and credit commitments by region.

Credit risk exposure by region, SEK M	31 Dec 2022			
	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
	Gross carrying amount	Gross carrying amount	Gross carrying amount	Gross carrying amount
Loans to the public				
Western Sweden	82,005.4	1,434.2	199.8	83,639.3
Eastern Central Sweden	77,675.1	1,402.3	183.0	79,260.4
Stockholm	55,944.2	1,395.9	202.4	57,542.5
Southern Sweden	57,516.6	1,080.9	138.0	58,735.5
Northern Central Sweden	32,270.8	524.3	66.9	32,862.1
Småland and islands	40,310.0	800.5	108.5	41,219.0
Northern Norrland	18,348.5	279.7	26.3	18,654.5
Central Norrland	12,378.9	329.7	38.0	12,746.7
Total	376,449.5	7,247.5	962.9	384,659.9
Loan commitments and other credit commitments	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
	Credit risk exposure	Credit risk exposure	Credit risk exposure	Credit risk exposure
Western Sweden	5,397.5	77.0	9.2	5,483.7
Eastern Central Sweden	4,589.3	77.9	4.7	4,671.9
Stockholm	4,413.3	135.7	4.2	4,553.2
Southern Sweden	3,773.2	64.7	3.5	3,841.4
Northern Central Sweden	2,027.4	28.4	7.2	2,062.9
Småland and islands	2,313.7	33.6	3.2	2,350.5
Northern Norrland	909.2	22.4	0.6	932.2
Central Norrland	880.8	17.4	0.6	898.7
Total	24,304.3	457.0	33.2	24,794.5

Credit risk exposure by region, SEK M

	31 Dec 2021			
	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
	Gross carrying amount	Gross carrying amount	Gross carrying amount	Gross carrying amount
Loans to the public				
Western Sweden	77,868.9	1,261.0	233.1	79,362.9
Eastern Central Sweden	74,340.1	1,312.0	228.4	75,880.4
Stockholm	49,432.6	1,284.6	196.0	50,913.1
Southern Sweden	55,586.7	1,003.4	163.0	56,753.1
Northern Central Sweden	30,486.1	518.9	55.0	31,060.0
Småland and islands	37,974.1	806.7	145.7	38,926.5
Northern Norrland	17,252.1	262.9	26.2	17,541.2
Central Norrland	11,717.0	323.3	42.7	12,083.1
Total	354,657.5	6,772.8	1,090.1	362,520.4

Loan commitments and other credit commitments	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
	Credit risk exposure	Credit risk exposure	Credit risk exposure	Credit risk exposure
Western Sweden	5,696.5	73.5	2.3	5,772.3
Eastern Central Sweden	5,440.0	58.5	3.1	5,501.6
Stockholm	4,022.8	133.3	0.8	4,156.8
Southern Sweden	4,174.4	64.0	1.0	4,239.5
Northern Central Sweden	2,124.3	30.6	1.2	2,156.0
Småland and islands	2,356.2	73.6	2.2	2,431.9
Northern Norrland	1,061.7	23.1	0.3	1,085.1
Central Norrland	868.5	12.2	0.3	881.0
Total	25,744.3	468.8	11.1	26,224.2



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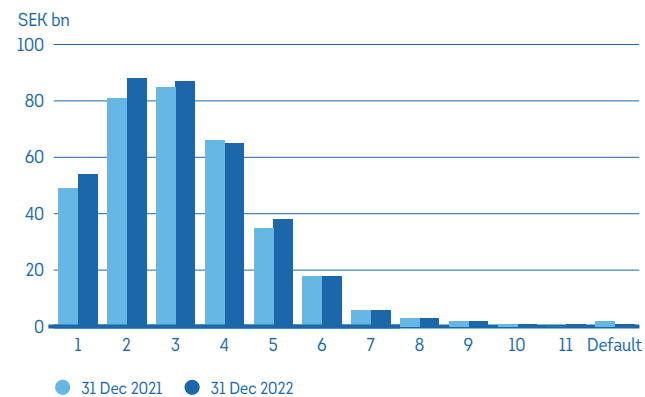
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The Group's credit exposure according to risk class is presented in the diagram below. The results show a distribution of exposure, with 81% (80) found in the best grades 1–4. In addition to the credit exposure below, SEK 21,168 M (13,955) is included in loans to the public which are not graded under the IRB Approach, and which include overnight deposits with the Swedish National Debt Office and time-limited exemptions that pertain to exposures in Wasa Kredit.

Credit exposure by risk class



The table below shows loans to the public. Collateral is provided in the form of mortgage deeds for mortgages, agricultural loans, multi-family housing and industrial properties, while collateral concerning leasing and hire purchase consists of collateral in assets. Most of the item other represents overnight deposits with the Swedish National Debt Office.

Loan portfolio

Lending segment	31 Dec 2022		31 Dec 2021	
	SEK M	%	SEK M	%
Retail mortgages	291,904.3	75.9	277,561.7	76.6
Agriculture	33,924.9	8.8	33,156.1	9.2
Unsecured loans	8,840.6	2.3	9,205.1	2.5
Leases	7,890.7	2.1	7,706.9	2.1
Hire purchase	10,815.1	2.8	11,268.4	3.1
Multi-family housing	10,182.0	2.6	9,170.1	2.5
Industrial properties	1,924.2	0.5	1,572.9	0.4
Other	19,178.1	5.0	12,879.1	3.6
Loans to the public, gross	384,659.9	100.0	362,520.3	100.0
Provisions	-555.7		-528.9	
Total	384,104.2		361,991.4	

92% (93) of the loan portfolio comprises loans in the segments of Retail mortgages, Agricultural loans, Unsecured loans, Leasing and Hire purchase. Loans in these segments specified by region in Sweden and legal entity are presented below.

Loan portfolio by region, SEK M	31 Dec 2022					
	Retail mortgages	%	Agricultural loans	%	Hire purchase, leasing and unsecured loans	%
Western Sweden	67,921.6	23.3	7,546.3	22.2	4,951.5	18.0
Eastern Central Sweden	62,884.7	21.5	8,094.4	23.9	4,761.9	17.3
Stockholm	35,264.6	12.1	103.4	0.3	5,206.1	18.9
Southern Sweden	45,111.9	15.5	6,217.3	18.3	4,104.5	14.9
Northern Central Sweden	26,194.6	9.0	2,085.5	6.1	3,038.4	11.0
Småland and islands	29,578.9	10.1	7,083.3	20.9	2,566.4	9.3
Northern Norrland	14,871.4	5.1	1,378.6	4.1	1,533.0	5.6
Central Norrland	10,076.6	3.5	1,416.1	4.2	1,384.6	5.0
Total	291,904.3	100.0	33,924.9	100.0	27,546.4	100.0
Loan portfolio by company, SEK M						
Länsförsäkringar Hypotek	284,371.6	97.4	-	-	-	-
Länsförsäkringar Bank	7,532.7	2.6	33,925.0	100.0	2,149.8	7.8
Wasa Kredit	-	-	-	-	25,396.6	92.2
Total	291,904.3	100.0	33,925.0	100.0	27,546.4	100.0

	31 Dec 2021					
Loan portfolio by region, SEK M	Retail mortgages	%	Agricultural loans	%	Hire purchase, leasing and unsecured loans	%
Western Sweden	64,190.3	23.1	7,438.3	22.4	5,055.7	17.9
Eastern Central Sweden	59,663.3	21.5	7,879.9	23.8	4,946.2	17.6
Stockholm	35,443.9	12.8	117.5	0.4	5,287.5	18.8
Southern Sweden	42,662.8	15.4	6,180.6	18.6	4,459.9	15.8
Northern Central Sweden	24,616.9	8.9	2,003.8	6.0	3,025.0	10.7
Småland and islands	27,646.7	10.0	6,758.5	20.4	2,592.6	9.2
Northern Norrland	13,903.2	5.0	1,424.4	4.3	1,424.4	5.1
Central Norrland	9,434.6	3.4	1,353.2	4.1	1,389.2	4.9
Total	277,561.7	100.0	33,156.2	100.0	28,180.5	100.0
Loan portfolio by company, SEK M						
Länsförsäkringar Hypotek	267,431.2	96.4	-	-	-	-
Länsförsäkringar Bank	10,130.5	3.6	33,156.2	100.0	2,410.7	8.6
Wasa Kredit	-	-	-	-	25,769.8	91.4
Total	277,561.7	100.0	33,156.2	100.0	28,180.5	100.0



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Credit-impaired loan receivables (stage 3) by type of collateral are presented below. Collateral for credit-impaired loan receivables comprises residential properties, commercial properties, other physical collateral and guarantees.

Credit-impaired loan receivables by collateral, SEK M	31 Dec 2022	31 Dec 2021
Residential properties, including tenant-owned apartments	155.8	194.4
Commercial immovable property	226.1	302.3
Other physical collateral	121.3	154.3
Guarantees	9.3	18.5
Other collateral	–	–
Unsecured loans	450.4	420.6
Total credit-impaired loan receivables	962.9	1,090.1

The retail mortgage portfolio specified by loan-to-value ratio interval is shown below. The average loan commitment for each borrower is low and the relationship between the loan portfolio and the underlying assets expressed as the weighted average loan-to-value (LTV) ratio was 56% (58).

Retail mortgages by loan-to-value ratio interval

Loan-to-value ratio	31 Dec 2022		31 Dec 2021	
	SEK M	%	SEK M	%
0–50%	248,474.5	85.1	234,920.0	84.6
51–60%	23,035.4	7.9	23,455.5	8.5
61–70%	12,923.6	4.4	12,935.8	4.7
71–75%	3,489.1	1.2	3,227.0	1.2
75%–	3,981.7	1.4	3,023.4	1.1
Total	291,904.3	100.0	277,561.7	100.0

Credit losses and non-performing loan receivables

A non-performing loan receivable has a non-performing payment that is more than nine days past due and that is not classified as credit-impaired according to the Bank Group's expected loss impairment model.

The following table shows non-performing receivables by company and the number of days past due.

Non-performing loan receivables that are not credit-impaired, by company

31 Dec 2022, SEK M	Länsförsäkringar Bank	Länsförsäkringar Hypotek	Wasa Kredit	Group
Receivables 10–30 days past due	–	–	28.0	28.0
Receivables 31–60 days past due	8.7	77.2	153.5	239.4
Receivables 61–90 days past due	1.9	28.2	67.0	97.1
Receivables >90 days past due	1.3	28.3	2.8	32.4
Total	11.9	133.7	251.2	396.9

31 Dec 2021, SEK M	Länsförsäkringar Bank	Länsförsäkringar Hypotek	Wasa Kredit	Group
Receivables 10–30 days past due	–	–	11.0	11.0
Receivables 31–60 days past due	7.8	63.4	11.1	82.4
Receivables 61–90 days past due	3.0	21.2	4.4	28.6
Receivables >90 days past due	0.6	17.6	44.5	62.7
Total	11.4	102.2	71.0	184.7

¹⁾ Comparative figures have been adjusted.

A condition for the regional insurance companies' distribution remuneration is that the loans generated by each company for the Bank Group (excluding Wasa Kredit) are of high quality. If this is not the case, up to 80% of any credit losses are off-set against the accrued remuneration to the regional insurance companies. This settlement account is kept separate and is taken into consideration when the provisions are established. On 31 December 2022, the total loss allowance requirement for loans to the public and loan commitments and guarantees amounted to SEK 434 M (421), of which the Bank Group's recognised loss allowance accounted for SEK 394 M (366) and the remainder of SEK 40 M (55) was settled against the regional insurance companies' withheld funds, according to the model described above. The lower loss allowance was primarily due to the gradual improvement of the macroeconomic variables included in the loss allowance model during the year. For more information on loss allowances, refer to note 2 Accounting policies, note 16 Loans to the public and note 34 Pledged assets, contingent liabilities and commitments.

Credit losses totalled SEK 123 M (–331.0), net, corresponding to a credit loss level of 0.03% (–0.09). Credit losses continued to account for a minor percentage of total loans. For more information on credit losses, see note 11 Credit losses.

Collateral was only withdrawn by the subsidiary Wasa Kredit AB during the year. Such collateral primarily comprises vehicles and machinery. A decision to withdraw collateral is made after taking into account the customer's repayment capacity and Section 42 of the Consumer Credit Act, and takes place following documented procedures. The carrying amount on 31 December 2022 was SEK 9 M (5).

Sensitivity in calculation of loss allowances

The assessment of what constitutes a significant increase in credit risk is an important factor in calculating the loss allowance. The Bank Group's assessment is based on the PD change compared with the initial reporting date. The criteria includes a relative threshold of 200% combined with an absolute threshold of 100 basis points and an independent absolute threshold of 500 basis points. In addition, a credit risk is deemed to have increased significantly for assets that are more than 30 days past due. If the relative threshold had been set at 150% instead, the loss allowance would have increased by 0.9%. If the relative threshold had been set at 250% instead, the loss allowance would have declined by 0.6%. The sensitivity analysis includes loss allowance for loans to the public, commitments and guarantees, although the liquidity portfolio and loans to credit institutions are not included since loss allowances for these portfolios are deemed to fall below the materiality threshold for this purpose.

Expected credit losses are to be estimated in a manner that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The estimate is to include information about past events, current conditions and forecasts of future economic conditions. The forward-looking information used to estimate expected credit losses is based on the Group's internal macroeconomic forecasts. These macroeconomic forecasts take into account both internal and external information and correspond to the forward-looking information used for other purposes, such as forecasts and financial planning. Three potential macroeconomic scenarios are considered when calculating expected credit losses: a base scenario that is currently weighted at 60%, and a more positive scenario and a more negative scenario that are both weighted at 20%.



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Macro variables in each scenario

SEK M	Base scenario				Negative scenario				Positive scenario			
	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
House prices, annual change in %	1.98%	4.03%	5.03%	5.03%	-4.12%	4.03%	5.03%	5.03%	8.42%	4.03%	5.03%	5.03%
GDP, annual change in %	-0.87%	1.26%	2.32%	2.24%	-1.51%	0.93%	2.32%	2.24%	-0.22%	1.59%	2.32%	2.24%
Unemployment, level in %	8.15%	8.38%	8.13%	7.29%	8.73%	9.04%	8.62%	7.52%	7.74%	7.92%	7.73%	7.01%

A deterioration in the forecast macro variables in each scenario or an increase in the probability of a negative scenario would generally entail an increase in the estimated loss allowance. An improvement in the forecast macro variables or an increase in the probability of a positive scenario would instead have the opposite effect on the estimated loss allowance. The table below shows the loss allowances that would have been recognised on 31 December 2022 if a positive or a negative macroeconomic scenario assigned a probability of 100% had been used. The sensitivity analysis includes loss allowance for loans to the public, commitments and guarantees.

Sensitivity analysis of loss allowance in a 100% weight positive and negative scenario

Recognised probability-weighted loss allowance, SEK M	Scenario	Loss allowance according to sensitivity analysis, SEK M	Change compared with probability-weighted loss allowance, %
582.1	Positive scenario	566.4	-2.7%
	Negative scenario	601.2	3.3%

Counterparty risk

Counterparty risk is defined as the risk that the Group could suffer losses pertaining to investments in other credit institutions, bank funds or derivative transactions due to counterparties not fulfilling their commitments. Repurchase agreements are included in counterparty risk. Risk in derivative transactions is managed by the company having a number of swap counterparties, all with high ratings and established ISDA agreements. ISDA agreements allow net accounting of positive and negative derivatives, which reduces the risk to the net position per counterpart. For the covered-bond operations, ISDA agreements are in place, as well as accompanying unilateral CSA agreements. CSA agreements involve commitments concerning delivery and receipt of collateral in the event of changes to the included derivatives' market values. Each counterparty is also assigned a maximum exposure amount.

Credit risk exposure for derivatives regarding collateral received and other forms of credit enhancement

	31 Dec 2022					31 Dec 2021
	Collateral					
	Maximum credit risk exposure	Cash and cash equivalents	Securities	Other	Net exposure	Net exposure
SEK M						
AAA-AA	2,162.5	2,170.0	-	-	18.5	56.9
A	5,975.7	5,185.7	-	-	8.4	192.1
Not risk classified	2,944.8	-	-	-	-	-
Total	11,083.0	7,355.7	-	-	26.8	249.1

¹⁾ Comparative figures have been adjusted.

Derivatives and pledged assets are totalled for each legal entity in the Group. Counterparties with positive exposure are included in the table.

Market risk

The overall framework for the financial operations is adopted by the Board in the risk policy. The Board also adopts the risk appetite and limits for market risk. The bank generally has a moderate risk appetite for market risks that are to be minimised as far as reasonably possible. The primary market risks are interest-rate risk and currency risk, which are measured and monitored on a daily basis. The Bank Group applies a number of supplementary risk measures to market risk, such as Value-At-Risk and sensitivity measures.

Interest-rate risk

Interest-rate risk arises when assets, liabilities and derivatives do not have matching fixed-interest periods and this is to be minimised as far as reasonably possible; firstly, fixed-interest periods are matched and secondly interest-rate derivatives are used. Interest-rate risk is managed by the Bank Group's Treasury unit. On 31 December 2022, a parallel shift of 100 basis points in the yield curve would have changed the value of interest-bearing assets and liabilities, including derivatives, by SEK -250.1 M (-275.1). Interest-rate risk is almost exclusively in SEK.

Impact of interest-rate risk

Group, SEK M	31 Dec 2022	31 Dec 2021
Interest-rate risk	-250.1	-275.1
Impacts profit	0.0	0.0
Impacts equity	1.1	2.4
Impacts own funds	1.4	-0.3

Interest-rate risk by currency

Group, SEK M Currency	31 Dec 2022	31 Dec 2021
EUR	2.9	-0.1
CHF	0.0	0.0
NOK	-0.1	0.0
USD	0.0	0.0
SEK	-252.8	-274.9

The table below presents the two scenarios for changes in market interest rates and their impact on net interest income over the next few years.

Net interest income risk

SEK M	31 Dec 2022	31 Dec 2021
Parallel shift, up 100 bp	232.6	226.9
Parallel shift, down 50 bp	-116.3	-122.0

Currency risk

Exposure to foreign-currency risk arises when the Group invests or issues bonds in foreign currency. The bank's policy is not to have any net exposure to foreign-currency risk, which is why risk that arises is managed using currency and cross-currency interest rate swaps.



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Currency distribution, securities and derivatives

31 Dec 2022 Group, SEK M	CHF	EUR	GBP	NOK	USD
Securities (translated at nominal amount to SEK)	-	4,314.6	-	-	78.1
Debt securities in issue (translated at nominal amount to SEK)	-5,630.9	-50,374.6	-	-2,274.1	-812.7
Derivatives (translated at nominal amount to SEK)	5,630.9	46,059.9	-	2,274.1	734.6
Net position in currency (translated at nominal amount to SEK)	0.0	0.0	-	0.0	0.0

Other market risks

In addition to interest-rate and currency risk, the Bank Group has a currency-basis spread risk and a credit-spread risk.

The currency-basis spread risk arises in foreign funding when currency is swapped to SEK and credit-spread risks arise in the liquidity portfolio.

Fixed-interest periods for assets and liabilities – Interest-rate exposure (nominal values, non-interest-bearing assets and liabilities have been excluded)

Group 31 Dec 2022, SEK M	Up to 3 months	3–12 months	1–5 years	More than 5 years	Total
Loans	255,251.3	45,840.8	87,619.1	1,593.4	390,304.6
Bonds, etc.	10,758.0	11,118.8	40,727.7	724.0	63,328.5
Total	266,009.4	56,959.7	128,346.8	2,317.4	453,633.2
Customer deposits	149,334.6	10,934.6	2,063.6	0.0	162,332.8
Debt securities in issue, etc.	30,529.0	42,063.6	163,400.8	34,940.1	270,933.5
Total	179,863.6	52,998.2	165,464.4	34,940.1	433,266.4
Difference assets and liabilities	86,145.7	3,961.5	-37,117.6	-32,622.7	
Interest-rate derivatives, nominal values, net	-55,678.5	-5,394.8	33,651.2	32,486.1	
Net exposure	30,467.2	-1,433.3	-3,466.5	-136.6	

Group 31 Dec 2021, SEK M	Up to 3 months	3–12 months	1–5 years	More than 5 years	Total
Loans	239,260.5	44,977.5	91,638.6	1,956.3	377,832.9
Bonds, etc.	12,244.7	12,686.4	38,292.4	1,624.0	64,847.6
Total	251,505.3	57,663.9	129,931.0	3,580.3	442,680.5
Customer deposits	152,937.2	626.4	593.2	0.0	154,156.8
Debt securities in issue, etc.	31,067.0	40,232.9	159,548.9	36,938.0	267,786.8
Total	184,004.2	40,859.3	160,142.1	36,938.0	421,943.6
Difference assets and liabilities	67,501.1	16,804.6	-30,211.1	-33,357.7	
Interest-rate derivatives, nominal values, net	-35,517.8	-18,889.9	23,569.5	33,729.0	
Net exposure	31,983.3	-2,085.3	-6,641.6	371.3	

31 Dec 2021 Group, SEK M	CHF	EUR	GBP	NOK	USD
Securities (translated at nominal amount to SEK)	-	3,943.4	-	-	285.2
Debt securities in issue (translated at nominal amount to SEK)	-5,157.2	-52,252.4	-613.1	-1,437.4	-117.7
Derivatives (translated at nominal amount to SEK)	5,157.2	48,309.0	613.1	1,437.4	-167.5
Net position in currency (translated at nominal amount to SEK)	0.0	0.0	0.0	0.0	0.0

IBOR and Interest Rate Benchmark Reform

After the financial crisis, global supervisory authorities have focused on interbank offered rates (IBORs) and an international trend is that IBORs are being replaced by or supplemented with alternative risk-free rates (RFRs) to improve the function of the financial market. Currently, there is uncertainty about the timing and exact nature of these changes. The banking operations' primary exposure to IBORs currently comprises contracts that refer to Stibor and Euribor. There are also relationships with USD Libor and Nibor. The exposures to international IBORs refer to the banking operations' funding and liquidity reserve and associated derivative hedging contracts. The Group is reviewing its systems and processes for managing a change of contracts with IBORs.

On 20 April 2020, administration of Stibor was transferred from the Swedish Bankers' Association's wholly owned subsidiary Financial Benchmark Sweden to Swedish Financial Benchmark Facility (SFBF). SFBF is a newly founded, wholly owned Swedish subsidiary of Global Rate Set Systems (GRSS), which actively administers and calculates reference rates according to the Benchmarks Regulation (BMR). SFBF has taken over the task of adjusting Stibor to the BMR. An application for approval was submitted to the FSA on 27 December 2021 Stibor may continue to be used until the FSA announces otherwise. There is currently no indication about when the FSA will make a decision on the application.

In January 2021, the Riksbank started a trial period under which a transaction based alternative reference rate for the shortest maturity was published. The structure of the rate (Swestr), which was preceded by a consultation round, is similar to international examples of alternative reference rates. The trial period has now been concluded and Swestr can be used as a reference rate in financial contracts.

Regarding developments internationally, the Group has no significant exposure to any of the rates that will disappear in the near future and more long-term developments are being monitored. It currently appears that both Euribor and Nibor will continue to exist. USD Libor will continue to be published until 30 June 2023.





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	Nominal amount per IBOR						Total nominal amount
Group 31 Dec 2022, SEK M	Stibor	Euribor	CHF Libor	GBP Libor	USD Libor	Nibor	
Cash flow hedge							
Currency risk							
Cross-currency interest rate swaps	–	50,374.6	–	–	–	2,274.1	52,648.6
Fair value hedge							
Interest-rate risk							
Interest-rate swaps	374,001.0	54,689.2	–	–	78.1	3,331.8	432,100.1

	Nominal amount per IBOR						Total nominal amount
Group 31 Dec 2021, SEK M	Stibor	Euribor	CHF Libor	GBP Libor	USD Libor	Nibor	
Cash flow hedge							
Currency risk							
Cross-currency interest rate swaps	–	52,252.4	4,968.4	613.1	90.5	1,437.4	59,361.8
Fair value hedge							
Interest-rate risk							
Interest-rate swaps	377,275.0	56,195.8	4,968.4	613.1	375.7	1,437.4	440,865.5

	Nominal amount per IBOR						Total nominal amount
Parent Company 31 Dec 2022, SEK M	Stibor	Euribor	CHF Libor	GBP Libor	USD Libor	Nibor	
Cash flow hedge							
Currency risk							
Cross-currency interest rate swaps	–	17,013.9	–	–	–	1,216.4	18,230.3
Fair value hedge							
Interest-rate risk							
Interest-rate swaps	70,311.0	21,328.6	–	–	78.1	1,216.4	92,934.1

	Nominal amount per IBOR						Total nominal amount
Parent Company 31 Dec 2021, SEK M	Stibor	Euribor	CHF Libor	GBP Libor	USD Libor	Nibor	
Cash flow hedge							
Currency risk							
Cross-currency interest rate swaps	–	21,364.3	–	–	90.5	410.7	21,865.5
Fair value hedge							
Interest-rate risk							
Interest-rate swaps	56,973.0	25,307.7	–	–	375.7	410.7	83,067.1



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Hedge accounting – Group

SEK M	Derivatives		Assets		Liabilities		Hedge accounting			
	Nominal amount		Carrying amount		Carrying amount		Change in value for the year		Accumulated changes in value	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	2022	2021	31 Dec 2022	31 Dec 2021
Fair value hedges										
Interest-rate contracts										
Hedged items ²⁾										
Treasury bills and other eligible bills			5,252.7	7,215.0			-390.6	-101.1	-453.5	-38.3
Bonds and other interest-bearing securities			40,526.8	40,625.6			-2,113.5	-394.2	-2,314.6	7.5
Debt securities in issue										
Hedging instruments										
Interest-rate swaps	48,131.0	47,643.0	2,779.5	322.7	1.9	75.3	2,498.6	494.3		
Ineffectiveness ¹⁾							-5.5	-1.0		
Currency contracts										
Hedged items ²⁾										
Treasury bills and other eligible bills			1,020.2	1,029.7			-26.0	5.2	84.1	19.3
Bonds and other interest-bearing securities			3,226.6	3,258.6			-165.9	-13.6	42.7	-52.8
Debt securities in issue					54,760.3	58,914.4	4,084.3	874.1	-3,666.8	-431.6
Hedging instruments										
Cross-currency interest rate swaps	62,672.4	63,242.5	89.4	767.6	3,775.3	165.8	-3,906.4	-861.5		
Ineffectiveness ¹⁾							-14.0	4.2		
Portfolio of fair value hedges										
Interest-rate contracts										
Hedged items										
Loans to the public			141,483.5	161,343.6			-4,470.9	-680.6	-4,846.5	-375.7
Deposits and funding from the public					10,114.0	0.0	36.0	0.0	-36.0	0.0
Debt securities in issue					157,155.5	166,976.8	11,386.0	2,554.3	-12,134.5	-748.4
Hedging instruments										
Interest-rate swaps	337,520.0	329,980.0	4,753.5	1,165.6	12,229.0	1,366.5	-6,929.8	-1,867.8		
Ineffectiveness ¹⁾							21.3	5.9		
Cash flow hedges ³⁾										
Currency contracts										
Hedged items ³⁾							92.7	106.9		
Hedging instruments										
Cross-currency interest rate swaps ⁴⁾	58,279.6	59,361.8	6,222.0	2,747.0	82.7	247.2	-92.7	-106.9		
Ineffectiveness ¹⁾										
Total hedged item			191,509.8	213,472.4	222,029.8	225,891.2	8,432.1	2,351.1	-23,325.1	-1,620.0
Total hedging instruments	506,603.0	500,227.3	13,844.4	5,002.8	16,088.9	1,854.7	-8,430.3	-2,342.0		
Total ineffectiveness							1.8	9.1		

Hedging instruments with positive fair values are recognised in the balance sheet as assets on the line item "derivatives" and hedging instruments with

negative fair values are recognised in the balance sheet as liabilities on the line item "derivatives."

The average fixed interest on outstanding derivatives on 31 December 2022 was 0.9% (0.3).

¹⁾ The ineffectiveness of all hedging relationships is recognised in the line item "Net gains/losses from financial items" in profit or loss.

²⁾ For terminated fair value hedges and cash flow hedges, no accumulated changes in value remain in the balance sheet.

³⁾ The change in value of the hedged item pertains to a perfectly effective hypothetical hedging instrument. Such an instrument is used to determine the effective portion of the hedging instrument, which is recognised in other comprehensive income, and the ineffective portion, which is recognised in the line item "Net gains/losses from financial items" in profit or loss.

⁴⁾ Of changes in value for the year, SEK -6,163.2 M pertains to amounts reclassified to profit or loss. Amounts reclassified to profit or loss for terminated hedging relationships amounted to SEK 0 M.

⁵⁾ Amounts recognised in the hedging reserve are presented in the "Statement of changes in equity." Amounts pertaining to cash flow hedges recognised through other comprehensive income are presented in the "Statement of comprehensive income."

The fixed-interest periods of hedging instrument are presented in the table *Fixed-interest periods for assets and liabilities – interest-rate exposure*. The maturity dates of the instruments are presented in the section Liquidity risk.

The Statement of comprehensive income presents the changes in value of hedging instruments in cash flow hedges for the period and the amount that has been reclassified from equity to profit or loss.

Maturity profile for nominal amounts in hedging instruments

(SEK M)	31 Dec 2022		
	Remaining contractual term		
	<1 year	1-5 years	>5 years
Currency risk			
Nominal amount	13,232.6	39,486.9	5,560.1

(SEK M)	31 Dec 2021		
	Remaining contractual term		
	<1 year	1-5 years	>5 years
Currency risk			
Nominal amount	11,771.9	42,441.9	5,148.0



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Hedge accounting – Parent Company

SEK M	Derivatives		Assets		Liabilities		Hedge accounting			
	Nominal amount		Carrying amount		Carrying amount		Change in value for the year		Accumulated changes in value	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	2022	2021	31 Dec 2022	31 Dec 2021
Fair value hedges										
Interest-rate contracts										
Hedged items ²⁾										
Treasury bills and other eligible bills			5,252.7	7,215.0			-390.6	-101.1	-453.5	-38.3
Bonds and other interest-bearing securities			30,657.1	30,656.9			-1,549.9	-297.9	-1,692.7	7.5
Debt securities in issue										
Hedging instruments										
Interest-rate swaps	37,841.0	37,953.0	2,157.1	257.6	1.9	66.0	1,935.8	398.1		
Ineffectiveness ¹⁾							-4.7	-0.9		
Currency contracts										
Hedged items ²⁾										
Treasury bills and other eligible bills			1,020.2	1,029.7			-26.0	5.2	84.1	19.3
Bonds and other interest-bearing securities			3,226.6	3,258.6			-165.9	-13.6	42.7	-52.8
Debt securities in issue					17,076.1	21,502.7	1,158.5	244.3	-1,165.6	-7.1
Hedging instruments										
Cross-currency interest rate swaps	22,623.1	25,746.1	43.0	97.5	1,344.6	80.0	-972.8	-239.8		
Ineffectiveness ¹⁾							-6.1	-3.9		
Portfolio of fair value hedges										
Interest-rate contracts										
Hedged items										
Loans to the public			10,397.4	11,302.8			-496.2	-79.2	-542.6	-46.4
Deposits and funding from the public					10,114.0	0.0	36.0	0.0	-36.0	0.0
Debt securities in issue					10,693.3	8,555.8	597.3	95.2	-686.7	-89.4
Hedging instruments										
Interest-rate swaps	32,470.0	19,920.0	537.1	65.7	699.1	90.3	-134.6	-15.9		
Ineffectiveness ¹⁾							2.5	0.1		
Cash flow hedges ³⁾										
Currency contracts										
Hedged items ³⁾							-85.0	-28.3		
Hedging instruments										
Cross-currency interest rate swaps ⁴⁾	18,230.3	21,865.5	1,125.7	384.9	19.9	237.4	85.0	28.3		
Ineffectiveness ¹⁾										
Total hedged item			50,554.0	53,463.0	37,883.4	30,058.5	-921.8	-175.4	-4,450.3	-207.0
Total hedging instruments	111,164.4	105,484.6	3,862.9	805.7	2,065.5	473.7	913.5	170.7		
Total ineffectiveness							8.3	-4.7		

Hedging instruments with positive fair values are recognised in the balance sheet as assets on the line item "derivatives" and hedging instruments with

negative fair values are recognised in the balance sheet as liabilities on the line item "derivatives."

The average fixed interest on outstanding derivatives on 31 December 2022 was 0.8% (0.4).

¹⁾The ineffectiveness of all hedging relationships is recognised in the line item "Net gains/losses from financial items" in profit or loss.

²⁾For terminated fair value hedges and cash flow hedges, no accumulated changes in value remain in the balance sheet.

³⁾The change in value of the hedged item pertains to a perfectly effective hypothetical hedging instrument. Such an instrument is used to determine the effective portion of the hedging instrument, which is recognised in other comprehensive income, and the ineffective portion, which is recognised in the line item "Net gains/losses from financial items" in profit or loss.

⁴⁾Of changes in value for the year, SEK -1,067.6 M pertains to amounts reclassified to profit or loss. Amounts reclassified to profit or loss for terminated hedging relationships amounted to SEK 0 M.

⁵⁾Amounts recognised in the hedging reserve are presented in the "Statement of changes in equity." Amounts pertaining to cash flow hedges recognised through other comprehensive income are presented in the "Statement of comprehensive income."

The fixed-interest periods of the hedging instrument are presented in the section Credit losses and non-performing loan receivables. The maturity dates of the instruments are presented in the section Liquidity and financing strategy.

The Statement of comprehensive income presents the changes in value of hedging instruments in cash flow hedges for the period and the amount that has been reclassified from equity to profit or loss.

Maturity profile for nominal amounts in hedging instruments

(SEK M)	31 Dec 2022		
	Remaining contractual term		
	<1 year	1-5 years	>5 years
Currency risk			
Nominal amount	5,983.2	12,247.1	-

(SEK M)	31 Dec 2021		
	Remaining contractual term		
	<1 year	1-5 years	>5 years
Currency risk			
Nominal amount	6,010.8	15,854.7	-

Risks and hedging instruments

The risks hedged and for which hedge accounting is applied are:

- Interest-rate risk, excluding credit-spread risk
- Currency risk

The hedged items are hedged in their entirety for the above risk components.

The Group's derivatives, which comprise interest and cross-currency interest rate swaps, have been acquired in their entirety to hedge the risks of interest and exchange-rate exposure arising during the course of operations. Interest-rate swaps are used to swap fixed interest in SEK to variable interest in SEK. Cross-currency interest rate swaps are used to swap foreign currencies to SEK and fixed foreign interest to variable interest in SEK.



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Determination of economic relationship

Fair value hedges of interest-rate risk

The Group applies the fair value hedge method to specific portfolios of funding, deposits and loans bearing fixed interest rates. The Group also applies the fair value hedge method to assets in the liquidity portfolio that are recognised in the category of Fair value through other comprehensive income.

The following terms have been identified as critical in a fair value hedge of interest-rate risk:

- Nominal amount
- Currency
- Maturity date
- Coupon rate of interest

If the terms correspond, an economic relationship is deemed to exist between the hedged item and the hedging instrument, meaning that the hedging instrument and the hedged item have values that normally develop in opposite directions as a result of changes in the IBOR risk. Effectiveness is assessed by comparing the change in value of the swap with the change in value of the hedged item.

For hedging relationships to which portfolio hedging is applied, each portfolio and the hedging instruments that hedge the portfolio are divided into time brackets. The volume in the hedged item (the portfolio) and the volume in the hedging instrument are compared in each time bracket. If the current volume of the hedged item is less than the volume of the hedging instrument, the difference is removed from the hedging relationship. If the current volume of the hedged item exceeds the volume of the hedging instrument, the surplus portion is not included in the hedging relationship and thus is not remeasured. Hedging relationships are reconciled monthly.

For hedging relationships whereby a one-to-one hedge is applied, the volume in the hedged item always corresponds to the volume in the hedging instrument. The hedge ratio (the ratio in a nominal amount between the hedged item and the hedging instrument) is 1:1 and corresponds to the actual risk management.

The derivative counterparties all have a high credit rating (normally AA) and, as long as this does not change, the credit risk is not deemed to dominate the change in the value of the hedging instrument.

Cash flow hedging of currency risk

The Group applies cash flow hedges for hedging currency risk in the Group's debt securities in issue in foreign currency.

The following terms have been identified as critical in a cash flow hedge of currency risk:

- Nominal amount
- Maturity date

- Benchmark interest rate
- Interest reset date
- The swap swaps the hedged item's currency flows to the Group's functional currency.

If the terms correspond, an economic relationship is expected to exist between the hedged item and the hedging instrument.

The nominal amount of the hypothetical derivative and the hedging instrument are to be the same (a hedge ratio of 1:1). The hedge ratio corresponds to the actual risk management.

The derivative counterparties all have a high credit rating (normally AA) and, as long as this does not change, the credit risk is not deemed to dominate the change in the value.

Sources of ineffectiveness

The ineffectiveness arising in a hedging relationship is recognised in profit or loss. Sources of ineffectiveness in the Group's hedging relationships are described below.

Fair value hedges of interest-rate risk:

The variable leg of the swap does not have a counterpart in the hedged item.

Cash flow hedging of currency risk:

Ineffectiveness arises if the terms of the hypothetical derivative deviate from the hedging instrument at the same time as the change in the value of the hedging instrument exceeds the change in the value of the hypothetical derivative.

Liquidity risk

Liquidity risk is defined as the risk that payment commitments cannot be fulfilled due to insufficient cash funds, or are only able to be fulfilled by funding at a significantly higher cost than normal or by divesting assets at a substantial deficit price.

The Bank Group's risk appetite for liquidity risk is low. Liquidity risk is minimised and prevented by forecasting future liquidity requirements, high access to funds, explicit functional definitions and a high level of control. The Board establishes the risk appetite, liquidity risk limits and the direction of liquidity risk management.

The liquidity coverage ratio for the Bank Group on 31 December 2022 was 277% (354). The Net Stable Funding Ratio (NSFR) for the Bank Group amounted to 125% (130) on 31 December 2022.

Liquidity and financing strategy

The Bank Group's liquidity risk is governed based on the liquidity and financing strategy to comply with the Board's low risk tolerance. The strategy is determined annually and is updated whenever necessary. The liquidity

strategy is specified in a financing plan decided by the Board and contains key figures and targets for fulfilment of the established objectives, which are continuously monitored.

Liquidity risk management

The objective of liquidity management is that the Bank Group, at any given time, is to have sufficient liquid assets with which to fulfil its commitments under both normal and stressed market conditions when access to funding is limited or non-existent. Liquidity risk is managed by the Treasury unit and is quantified using daily liquidity forecasts based on all contracted cash flows and expected business volumes of deposits and lending. The Treasury unit is also responsible for meeting the limits for liquidity risk set by the Board.

The central measure in the management of liquidity risk comprises the Bank Group's "survival horizon," meaning the period of time during which the Bank Group is able to meet its commitments without requiring access to new financing. The liquidity limit for the survival horizon has been set at 12 months. A contingency plan group has been appointed to manage disruptions and action plans are kept up-to-date and approved.

To comprehensively analyse the liquidity risk, a number of quantitative risk measures are in place, including a minimum requirement for unutilised amount in the cover pool for the issuance of covered bonds.

Liquidity reserve

The Bank Group's liquidity reserve comprises securities of very high liquidity, credit quality and investments with the Riksbank or the Swedish National Debt Office. Most of the securities holdings are eligible for transactions with the Riksbank and, where appropriate, with the ECB or the Federal Reserve, and can be quickly converted to liquid assets in order to ensure that sufficient liquidity always remains available.

On 31 December 2022, the liquidity reserve amounted to SEK 71.0 billion (85.6) and 47% (35) of the reserve comprised Swedish covered bonds.

Funding

Assets are financed by deposits from the public and funding via financing in the capital market. Deposits primarily comprise deposits from retail customers who represent the majority of the Bank Group's customers. This type of deposit is generally more stable than deposits from businesses. A large share of the Bank Group's deposits are subject to the government deposit insurance, which also adds stability to the deposit base.

Funding takes place in a manner that creates a sound maturity profile without maturity concentrations, and is broadly diversified in terms of investors and markets. Funding takes place primarily through covered bonds, and mainly in the currencies of SEK and EUR, since the majority of the Bank Group's lending comprises Swedish mortgages. Certain funding also takes place in CHF and NOK.



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In its funding operations, the Bank Group is to act predictably and actively in the market and aim at achieving as high liquidity as possible in outstanding debt to build up long-term confidence among investors. The Bank Group endeavours to regularly launch issuances to achieve healthy diversification

and maintain investors' interests and credit limits. Regular meetings are held with both Swedish and international investors to ensure that these investors have a clear overview of the Bank Group's operations, low risk profile and high-quality risk management.

Liquidity exposure, financial instruments – Remaining term of contract (undiscounted values)

Group 31 Dec 2022, SEK M	On demand	<3 months	>3 months <1 year	>1 year <5 years	>5 years	Without maturity	Total nominal cash flows	Carrying amount	Of which, expected recovery period of >12 months
Assets									
Cash and balances with central banks	4,947.0	-	-	-	-	-	4,947.0	4,947.0	-
Treasury bills and other eligible bills	-	4,885.6	1,683.8	3,939.0	624.0	-	11,132.4	10,856.8	4,563.0
Loans to credit institutions	398.5	854.9	-	-	-	-	1,253.4	1,253.4	-
Loans to the public	-	21,293.4	11,211.7	40,751.0	310,848.1	-	384,104.3	384,104.3	351,599.1
Bonds and other interest-bearing securities	-	2,807.7	7,583.0	41,715.7	100.0	-	52,206.4	49,969.4	41,815.7
Other assets	-	486.4	-	-	-	-	486.4	486.4	-
Total assets	5,345.5	30,328.0	20,478.6	86,405.7	311,572.1	-	454,129.9	451,617.3	397,977.8
Liabilities									
Due to credit institutions	-	8,169.7	-	-	-	-	8,169.7	8,992.0	-
Deposits and funding from the public	135,328.5	5,185.0	10,934.6	1,892.6	-	-	153,340.8	153,340.8	1,892.6
Debt securities in issue	-	2,231.5	50,128.8	181,868.9	34,940.1	-	269,169.3	265,667.5	216,809.0
Lease liabilities	-	2.2	1.0	5.8	-	-	8.9	8.9	5.8
Other liabilities	-	723.9	708.7	-	-	-	1,432.6	1,432.6	-
Subordinated liabilities	-	-	-	1,500.0	-	-	1,500.0	2,596.7	1,500.0
Total liabilities	135,328.5	16,312.3	61,773.2	185,267.3	34,940.1	-	433,621.3	432,038.5	220,207.4
Difference assets and liabilities	-129,983.1	14,015.8	-41,294.6	-98,861.6	276,632.0	-	20,508.5	19,578.8	177,770.4

Group 31 Dec 2021, SEK M	On demand	<3 months	>3 months <1 year	>1 year <5 years	>5 years	Without maturity	Total nominal cash flows	Carrying amount	Of which, expected recovery period of >12 months
Assets									
Cash and balances with central banks	14,361.4	-	-	-	-	-	14,361.4	14,361.4	-
Treasury bills and other eligible bills	-	7,281.0	2,863.4	4,443.1	624.0	-	15,211.4	15,526.1	5,067.1
Loans to credit institutions	358.1	1,122.0	-	-	-	-	1,480.1	1,480.1	-
Loans to the public	-	15,033.6	11,605.3	40,875.6	294,476.9	-	361,991.4	361,991.4	335,352.5
Bonds and other interest-bearing securities	-	1,273.7	8,361.0	39,001.4	1,000.0	-	49,636.1	50,424.8	40,001.4
Other assets	-	480.1	-	-	-	-	480.1	480.1	-
Total assets	14,719.5	25,190.5	22,829.7	84,320.0	296,100.9	-	443,160.6	444,263.9	380,420.9
Liabilities									
Due to credit institutions	-	7,092.2	-	-	-	-	7,092.2	7,892.0	-
Deposits and funding from the public	141,253.7	3,791.5	626.4	593.2	-	-	146,264.8	146,264.8	593.2
Debt securities in issue	-	3,176.5	41,673.4	181,398.9	36,938.0	-	263,186.8	266,867.6	218,336.9
Lease liabilities	-	11.4	30.6	65.5	-	-	107.5	107.5	65.5
Other liabilities	-	479.4	765.1	-	-	-	1,244.5	1,244.5	-
Subordinated liabilities	-	-	-	2,600.0	-	-	2,600.0	2,594.7	2,600.0
Total liabilities	141,253.7	14,550.8	43,095.6	184,657.6	36,938.0	-	420,495.8	424,971.1	221,595.6
Difference assets and liabilities	-126,534.3	10,639.7	-20,265.9	-100,337.6	259,162.9	-	22,664.8	19,292.8	158,825.3





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Liquidity exposure, financial instruments – Remaining term of contract (undiscounted values)

Parent Company 31 Dec 2022, SEK M	On demand	<3 months	>3 months <1 year	>1 year <5 years	>5 years	Without maturity	Total nominal cash flows	Carrying amount	Of which, expected recov- ery period of >12 months
Assets									
Cash and balances with central banks	4,947.0	–	–	–	–	–	4,947.0	4,947.0	–
Treasury bills and other eligible bills	–	4,885.6	1,683.8	3,939.0	624.0	–	11,132.4	10,856.8	4,563.0
Loans to credit institutions	193.4	681.1	28.0	94,057.8	266.2	–	95,226.4	95,226.4	94,325.5
Loans to the public	–	18,025.4	2,539.2	5,770.9	35,751.4	–	62,086.9	62,086.9	41,522.3
Bonds and other interest-bearing securities	–	2,807.7	5,683.0	33,225.7	100.0	–	41,816.4	40,099.7	33,325.7
Other assets	–	36.2	–	–	–	–	36.2	36.2	–
Total assets	5,140.3	26,435.9	9,934.1	136,993.3	36,741.6	–	215,245.2	213,253.0	173,736.5
Liabilities									
Due to credit institutions	7,283.2	3,309.5	–	–	–	–	10,592.7	10,592.7	–
Deposits and funding from the public	136,518.9	5,185.0	10,934.6	1,892.6	–	–	154,531.1	154,531.1	1,892.6
Debt securities in issue	–	2,231.5	11,014.4	32,977.1	–	–	46,223.0	44,913.1	32,977.1
Other liabilities	–	248.5	52.5	–	–	–	300.9	300.9	–
Subordinated liabilities	–	–	–	2,600.0	–	–	2,600.0	2,596.7	2,600.0
Total liabilities	143,802.0	10,974.5	22,001.6	37,469.7	–	–	214,247.8	212,934.6	37,469.7
Difference assets and liabilities	-138,661.7	15,461.5	-12,067.5	99,523.6	36,741.6	–	997.4	318.4	136,266.8

Parent Company 31 Dec 2021, SEK M	On demand	<3 months	>3 months <1 year	>1 year <5 years	>5 years	Without maturity	Total nominal cash flows	Carrying amount	Of which, expected recov- ery period of >12 months
Assets									
Cash and balances with central banks	14,361.4	–	–	–	–	–	14,361.4	14,361.4	–
Treasury bills and other eligible bills	–	7,281.0	2,863.4	4,443.1	624.0	–	15,211.4	15,526.1	5,067.1
Loans to credit institutions	80.3	224.3	3,545.5	75,473.5	12.9	–	79,336.5	79,336.5	75,486.4
Loans to the public	–	11,798.8	3,146.6	7,170.2	35,788.7	–	57,904.4	57,904.4	42,959.0
Bonds and other interest-bearing securities	–	1,273.7	7,261.0	30,711.4	600.0	–	39,846.1	40,456.1	31,311.4
Other assets	–	25.1	–	–	–	–	25.1	25.1	–
Total assets	14,441.7	20,603.0	16,816.5	117,798.2	37,025.6	–	206,685.0	207,609.6	154,823.8
Liabilities									
Due to credit institutions	3,923.5	5,241.7	–	–	–	–	9,165.2	9,964.9	–
Deposits and funding from the public	142,190.9	3,791.5	626.4	593.2	–	–	147,202.0	147,202.0	593.2
Debt securities in issue	–	2,563.3	7,813.4	35,854.7	–	–	46,231.5	46,275.8	35,854.7
Other liabilities	–	128.1	43.6	–	–	–	171.7	171.7	–
Subordinated liabilities	–	–	–	2,600.0	–	–	2,600.0	2,594.7	2,600.0
Total liabilities	146,114.4	11,724.6	8,483.4	39,048.0	–	–	205,370.4	206,209.1	39,048.0
Difference assets and liabilities	-131,672.7	8,878.4	8,333.1	78,750.2	37,025.6	–	1,314.6	1,400.5	115,775.8



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Group 31 Dec 2022, SEK M	<3 months	>3 months <1 year	>1 year <5 years	>5 years	Total nominal cash flows
Derivatives at fair value in profit or loss					
– Currency	–38.6	0.8	0.0	0.0	–37.8
– Interest	–0.1	0.4	0.3	–0.1	0.5
Derivatives in hedging relationships					
– Currency	–302.4	1,947.0	4,348.0	481.7	6,474.3
– Interest	–204.5	460.4	1,529.8	694.3	2,480.1
Total difference derivatives	–545.5	2,408.6	5,878.0	1,175.9	8,917.0

Group 31 Dec 2021, SEK M	<3 months	>3 months <1 year	>1 year <5 years	>5 years	Total nominal cash flows
Derivatives at fair value in profit or loss					
– Currency	0.0	10.6	0.0	0.0	10.6
– Interest	–0.1	0.3	0.3	–0.1	0.4
Derivatives in hedging relationships					
– Currency	107.4	1,030.5	2,233.4	70.0	3,441.4
– Interest	–30.8	547.8	1,447.1	271.7	2,235.8
Total difference derivatives	76.6	1,589.1	3,680.9	341.7	5,688.2

Parent Company 31 Dec 2022, SEK M	<3 months	>3 months <1 year	>1 year <5 years	>5 years	Total nominal cash flows
Derivatives at fair value in profit or loss					
– Currency	–38.6	0.8	0.0	0.0	–37.8
– Interest	–0.1	0.4	0.3	–0.1	0.5
Derivatives in hedging relationships					
– Currency	–159.7	284.8	799.6	0.0	924.7
– Interest	128.3	127.4	–408.2	–12.6	–165.2
Total difference derivatives	–70.2	413.4	391.6	–12.6	722.2

Parent Company 31 Dec 2021, SEK M	<3 months	>3 months <1 year	>1 year <5 years	>5 years	Total nominal cash flows
Derivatives at fair value in profit or loss					
– Currency	0.0	10.6	0.0	0.0	10.6
– Interest	–0.1	0.3	0.3	–0.1	0.4
Derivatives in hedging relationships					
– Currency	–8.6	470.7	–58.7	0.0	403.4
– Interest	–18.9	–64.5	–120.3	–13.2	–216.9
Total difference derivatives	–27.6	417.0	–178.6	–13.3	197.6

Operational risk

Operational risk is defined as the risk of losses arising due to inadequate or failed internal processes, human error, erroneous systems or external events and includes legal risks and compliance risks. Operational risk encompasses the entire banking operations, including outsourced operations.

The Bank Group is to base its assessments of operational risk on products, services, functions, processes and IT systems. The risk assessment is to be followed up against risk outcome (incident reporting).

Risk categories

The Bank Group categorises operational risk into the following risk categories:

- Product and process risks
- Personnel risks
- Legal risks
- Compliance risks
- IT risks
- Security risks
- Model risks

Risk management process

The process for managing operational risk comprise continuous identification, assessment (measurement), management, monitoring and reporting operational risks.

The main stages are described below:

Risk evaluation and monitoring controls for assessing operational risk

Risk evaluation is one of the tools used to identify and assess operational risks that could impact the business and to plan risk-limiting activities and controls that the operations introduce to business processes to management risks. These analyses are part of the operations' overall risk assessment.

Assessment of identified operational risk is based on a model that is applied throughout the operations. Each identified risk is assessed on the following basis:

- Probability – expected number of risk outcomes per year
- Consequence – expected cost each time risks actually materialise.

The assessment of both probability and consequence including considering any existing controls for reducing the risk, meaning residual risk. The combination of probability and consequence provides a quantitative valuation of operational risk. Each manager is responsible for identifying, measuring, monitoring and managing operational risk in their area of responsibility.



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The process owner is responsible for documenting the process and its controls and for identifying, measuring, managing and monitoring operational risk for the process, including its products and services.

The risk methods are regularly evaluated with the aim of minimising the risk of these methods themselves giving rise to significant misjudgements of operational risks.

Risk indicators

The aim for the use of risk indicators is to create conditions for better insight into the Bank Group's risk profile and the risks that are increasing or reducing at that point in time and over time.

Approval process

The Bank Group has a shared process for approving new or significantly changed products, services, markets, processes, IT systems as well as for implementing reorganisations or in the case of exceptional transactions. This process also includes outsourcing activities. The purpose of the approval process is to achieve efficient and appropriate management of the risks that may arise in connection with change work, impact capital, to ensure that products and changes that are approved are compatible with risk strategy and risk appetite and to create customer value.

Incident reporting

The Bank Group has system support for reporting incidents. This system enables all employees to report any incidents. Risk Management periodically prepares a summary of the incidents in its reports. Incident management is an important part of the Bank Group's operational risk management. Incident statistics contribute to the assessment and forecast of operational risk, and enables the company to quickly identify critical problems and act upon these. The responsibility for analysing incidents and taking measures lies with the head of the process or operations.

Follow-up of incidents

Review of incidents that have occurred. Particular emphasis in these reviews is attached to incidents of a more serious nature.

Continuity management

Continuity management involves measures to be taken to manage serious and extensive plan business interruptions, disruptions or crises, how the operations are to be maintained in such cases and the operations' priorities and procedures when returning to normal operations after an interruption or major business disruption. The Bank Group works constructively to prevent and improve the management of this type of incident. Business contingency, continuity and recovery plans have been produced in the operations to support employees and managers in a crisis and if a serious event were to occur.

Exercises are conducted at least once annually to ensure that the plans are suitable.

Capital requirement for operational risk

The Bank Group applies the Standardised Approach to calculate the capital requirement for operational risks. The capital requirement for operational risk is stated in the table Capital-adequacy analysis – overview of total risk exposure amounts in the note Risks and capital adequacy.

Business risk

Business risk primarily comprises earnings risk. Earnings risk is defined as volatility in earnings that creates a risk of lower income due to such factors

as competition or volume reductions. Earnings risk is associated with all of the Bank Group's products and portfolios. A large portion of the banking operations involves retail mortgages. These operations have a low level of volatility and thus a low earnings risk. Business risk is managed in the internal capital and liquidity adequacy assessment process (ICAAP and ILAAP).

Capital

The consolidated situation encompasses: Länsförsäkringar Bank AB (publ), Länsförsäkringar Hypotek AB, Wasa Kredit AB and Länsförsäkringar Fondförvaltning AB. There is no current or foreseen material practical or legal impediment in the consolidated situation for transferring funds from own funds or repayment of liabilities between parent company and subsidiary.

Parent Company's participating interest and consolidation method

Company name	Parent Company's participating interest (%)	Corp. Reg. No.	Consolidation method
Länsförsäkringar Bank AB Parent Company			
Länsförsäkringar Hypotek AB	100	556244-1781	Complete
Länsförsäkringar Fondförvaltning AB	100	556364-2783	Complete
Wasa Kredit AB	100	556311-9204	Complete

Own funds and capital requirements

The capital-adequacy analysis was prepared in accordance with FFFS 2008:25. Under this regulation, an institution is to present the disclosures stipulated in Article 447 of the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation). The capital-adequacy analysis is also to include an overview of the total risk exposure amount in accordance with Article 438 d of the Capital Requirements Regulation.

Other information that is to be disclosed in accordance with Part Eight of the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms is published in <https://www.lansforsakringar.se/stockholm/foretag/om-oss/finansiering/lansforsakringar-bank-ab/>.



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Capital-adequacy analysis – key figures

SEK M	Consolidated Situation	
	31 Dec 2022	31 Dec 2021
Available own funds (amounts)		
Common Equity Tier 1 capital	18,468.8	17,730.0
Tier 1 capital	20,668.8	19,930.0
Total capital	22,163.9	22,519.9
Risk-weighted exposure amounts		
Total risk exposure amount	119,910.2	116,200.6
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 capital ratio (%)	15.4%	15.3%
Tier 1 ratio (%)	17.2%	17.2%
Total capital ratio (%)	18.5%	19.4%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
Additional own funds requirements to address risks other than the risk of excessive leverage of which: to be made up of Common Equity Tier 1 capital (percentage points)	2.1%	0%
of which: to be made up of Tier 1 capital (percentage points)	1.2%	0%
of which: to be made up of Tier 1 capital (percentage points)	1.6%	0%
Total SREP own funds requirements (%)	10.1%	8%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0%	0%
Institution-specific countercyclical capital buffer (%)	1%	0%
Systemic risk buffer (%)	0%	0%
Global Systemically Important Institution buffer (%)	0%	0%
Other Systemically Important Institution buffer (%)	0%	0%
Combined buffer requirement (%)	3.5%	2.5%
Overall capital requirements (%)	13.6%	10.5%
Common Equity Tier 1 capital available after meeting the total SREP own funds requirements (%)	8.4%	10.8%
Leverage ratio		
Total exposure measure	465,690.0	460,319.5
Leverage ratio (%)	4.4%	4.3%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%
of which: to be made up of Common Equity Tier 1 capital (percentage points)	0%	0%
Total SREP leverage ratio requirements (%)	3%	3%

Own funds

Own funds is the total of Tier 1 capital and Tier 2 capital, less items indicated in the capital adequacy rules.

Tier 1 capital comprises the institution's Common Equity Tier 1 capital and a limited share of perpetual subordinated debt (Additional Tier 1 instruments). Common Equity Tier 1 capital comprises equity according to applicable accounting standards after deductions for certain items as defined in the capital adequacy rules.

Tier 2 capital comprises perpetual and dated loans with subordinated preferential rights.

Common Equity Tier 1 capital

Equity comprises share capital, capital contributed, reserves and net profit for the year. During the period, equity included in the Common Equity Tier 1 capital in the Consolidated Situation increased net, primarily due to profit generated from the Bank Group. Profit may be included in Common Equity Tier 1 capital prior to a decision by a general meeting only if approved by the FSA, after deductions have been made for proposed dividends or other foreseeable charges and the company's auditors have verified the profits. At year-end, the Parent Company Länsförsäkringar AB paid a Group contribution of SEK 400 M to Länsförsäkringar Bank AB (SEK 318 M net after tax). In addition, a deduction of SEK 81 M for the expected, proposed dividend from the Parent Company Länsförsäkringar Bank AB to the shareholders was made from Common Equity Tier 1 capital at year-end. Changes in equity attributable to cash flow hedges may not be included in own funds, which is why this effect is excluded. Common Equity Tier 1 capital is also adjusted due to the regulatory requirements regarding prudent valuation of items measured at fair value. Other deductions from Common Equity Tier 1 capital that are applicable to the consolidated situation are intangible assets, IRB deficit and significant holdings in units in the financial sector. Common Equity Tier 1 capital in the Consolidated Situation after applicable deductions amounted to SEK 18,469 M (17,730) on 31 December 2022.

Tier 1 capital

Additional Tier 1 capital in the consolidated situation solely comprises Additional Tier 1 capital. Additional Tier 1 capital is subordinated liabilities which fulfil certain conditions in order to be included as Tier 1 capital when calculating the size of own funds. Länsförsäkringar Bank issued two Additional Tier 1 Capital loans totalling SEK 2,200 M (2,200).



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SEK M	Consolidated Situation	
	31 Dec 2022	31 Dec 2021
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
Leverage ratio buffer requirement (%)	0%	0%
Overall leverage ratio requirement (%)	3%	3%
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value - average)	71,093.9	64,177.1
Cash outflows - Total weighted value	32,025.8	28,024.8
Cash inflows - Total weighted value	7,350.8	7,069.3
Total net cash outflows (adjusted value)	24,675.7	20,955.4
Liquidity coverage ratio (%)	304.68%	312.6%
Net Stable Funding Ratio		
Total available stable funding	376,796.1	388,771.1
Total required stable funding	302,407.8	298,766.4
NSFR (%)	124.6%	130%

Tier 2 capital

Tier 2 capital must be subordinate to other claims of all nonsubordinated creditors, except for equity instruments and Additional Tier 1 capital. Fixed-term subordinated debt that is included may not be covered or guaranteed in any form by an issuing institution or institution in the consolidated situation.

Tier 2 capital comprises fixed-term subordinated debt issued by Länsförsäkringar Bank amounting to SEK 1,495 M (2,590). Länsförsäkringar Bank

has announced the early redemption of subordinated debt (Tier 2 capital loans) on the first possible redemption date in accordance with the terms of the loans. Redemption will take place on the first redemption date, which is 1 March 2023. This subordinated debt has already been deducted from own funds as per 31 December 2022.

Outstanding subordinated loans 31 Dec 2022

Borrower	Loan amount	Loan date	Repayment date	Premature redemption (break-off date)
Additional Tier 1 capital – External				
Länsförsäkringar Bank AB	SEK 1,000 M	10 Apr 2019	Perpetual	10 Apr 2024
Länsförsäkringar Bank AB	SEK 1,200 M	19 Nov 2020	Perpetual	19 Nov 2025
Tier 2 capital – External				
Länsförsäkringar Bank AB (publ) ¹⁾	SEK 400 M	1 Mar 2018	1 Mar 2028	1 Mar 2023
Länsförsäkringar Bank AB (publ) ¹⁾	SEK 700 M	1 Mar 2018	1 Mar 2028	1 Mar 2023
Länsförsäkringar Bank AB (publ)	SEK 1,050 M	25 Feb 2021	25 Feb 2031	25 Feb 2026
Länsförsäkringar Bank AB (publ)	SEK 450 M	25 Feb 2021	25 Feb 2031	25 Feb 2026

¹⁾ These two Tier 2 capital loans were excluded from own funds on 31 December 2022 since, at Länsförsäkringar Bank's request, the FSA granted permission for early redemption of these loans. They remain in the balance sheet as per 31 December 2022 but had been repaid as per the early redemption date of 1 March 2022.

For more detailed information about the most significant elements of the own funds instruments presented in accordance with the European Commission's

Implementing Regulation (EU) No 1423/2013, see the disclosures on own funds on the Länsförsäkringar Bank website.



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Capital requirement

Capital requirements are divided into Pillar I Requirements, which are general minimum requirements for all institutions, and Pillar II Requirements that are based on individual assessments performed by each institution. Alongside

these capital requirements, there are additional capital requirements in the form of a combined buffer.

Capital-adequacy analysis – overview of total risk exposure amounts

SEK M	Consolidated Situation 31 Dec 2022		Consolidated Situation 31 Dec 2021	
	Risk Exposure Amount	Capital requirement	Risk Exposure Amount	Capital requirement
Credit risk (excluding CCR)	111,588.8	8,927.1	108,656.2	8,692.5
of which the Standardised Approach	11,345.0	907.6	11,531.9	922.6
of which the Foundation IRB (F-IRB) Approach	8,855.1	708.4	8,716.3	697.3
of which the Advanced IRB (A-IRB) Approach	30,808.8	2,464.7	30,320.3	2,425.6
of which risk weight floor according to Article 458 CRR	60,579.8	4,846.4	58,087.6	4,647.0
Counterparty credit risk (CCR)	1,920.3	153.6	1,506.0	120.5
of which the Standardised Approach	1,075.1	86.0	823.1	65.8
of which CCP	18.6	1.5	10.6	0.8
of which credit valuation adjustment – CVA	826.6	66.1	672.4	53.8
of which other CCR	–	–	–	–
Operational risk	6,401.1	512.1	6,038.4	483.1
of which the Standardised Approach	6,401.1	512.1	6,038.4	483.1
Total	119,910.2	9,592.8	116,200.6	9,296.0

Minimum capital requirement

The minimum capital requirement under Pillar I is expressed as a percentage of the Risk Exposure Amount (REA). REA in the consolidated situation on 31 December 2022 amounted to SEK 119,910 M (116,201). The increase in REA was mainly attributable continued growth in lending, primarily to households in the form of mortgages, which also increases REA in accordance with the FSA's macroprudential measures under the framework of Article 458 of CRR. REA for operational risk has increased since the preceding year due to the annual upward adjustment of the income included in the calculation according to the Standardised Approach.

Buffer requirement

The consolidated situation is subject to requirements on maintaining a capital conservation buffer and a countercyclical capital buffer. The FSA raised the requirement of the countercyclical capital buffer from 0% to 1% of REA during the year, which corresponded to SEK 1,199 M (0) on 31 December 2022. The capital conservation buffer is to be 2.5% of REA, which corresponded to SEK 2,998 M (2,905) on 31 December 2022. Both buffers are to be covered by Common Equity Tier 1 capital.

Capital management and Internal Capital Adequacy Assessment Process (ICAAP)

The internal capital adequacy assessment process (ICAAP) is designed based on the Pillar II Requirements, the requirements established by the Board of Directors for the operations and the internal demands. The purpose of the process is to assess the capital required for covering all of the risks that the consolidated situation is, or could be, exposed to. The internally assessed capital requirement is to be prospective and ensure healthy capitalisation, and form the basis of short and long-term capital planning. Scenario analyses and stress tests are carried out to assess the capital requirement based on a prospective perspective. The process reviews the risks in the operations and evaluates the methods and models used for quantifying them. The process is to be carried out annually and the prerequisites for stress tests are to be reviewed by the Board at least once annually, which are to guide future work.

Risk-based capital requirements

In Q3 2022, the FSA completed its Supervisory Review and Evaluation Process regarding Pillar 2 Requirements (P2R) for Länsförsäkringar Bank in the Consolidated Situation. The FSA decided on a P2R of 2.1% and a Pillar II Guidance (P2G) of 0.0%. Together, this means a total own funds requirement and P2G of 13.6% on 31 December 2022 compared with the total capital ratio of 18.5%

Risk-based capital requirements, Consolidated Situation	31 Dec 2022		31 Dec 2021	
	SEK M	% of REA	SEK M	% of REA
Own funds requirements Pillar I	9,592.8	8.0%	9,296.1	8.0%
Pillar II Requirements (P2R)	2,518.1	2.1%	0.0	0.0%
Combined buffer requirement	4,196.7	3.5%	2,905.0	2.5%
Pillar II Guidance (P2G)	0.0	0.0%	0.0	0.0%
Overall adequate level of own funds and P2G	16,307.8	13.6%	12,201.1	10.5%

Leverage ratio

The leverage ratio is a non-risk-based metric that establishes a floor for how low the capital requirement can fall in relation to a bank's gross assets.

In Q3 2022, the FSA decided on a P2G for the leverage ratio requirement at group level of 0.15% in addition to the minimum requirement for the leverage ratio of 3.0%, which means that the total leverage ratio requirement and P2G amount to 3.15%. The leverage ratio for the Consolidated Situation was 4.4% (4.3) on 31 December 2022.



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New and amended rules

Impending changes to capital adequacy rules

In October 2021, the European Commission published its legislative proposal on finalising the implementation of the Basel III regulations. The package is named Banking Package 2021 and includes a review of the Capital Requirements Regulation and the Capital Requirements Directive. The purpose of the Banking Package 2021 is to ensure that EU banks become more resilient to potential future economic shocks, while contributing to Europe's recovery from the COVID-19 pandemic and the transition to climate neutrality. The proposal includes restrictions on the use of internal models, changes to the Standardised Approach for both credit and operational risk as well as the introduction of a capital floor of 72.5%. The capital floor entails that the risk-weighted assets for a bank that applies internal models may not, in total, be lower than 72.5% of the risk-weighted amount calculated according to the revised Standardised Approaches. The Commission's proposal entails certain relief compared with the Basel Committee's original proposal. The majority of the new rules are expected to take effect in 2025 with a phase-in period of five years. The temporary reliefs are proposed to apply until 2032. The next step is for the European Parliament and Council to discuss the proposal.

In November 2018, the Swedish Financial Supervisory Authority published a memo on how Swedish banks are to relate to the regulatory review developed by the European Banking Authority (EBA) regarding the banks' use of internal models. The purpose of the EBA's new regulations is to reduce

unwanted variability in capital requirements when using internal models for calculating the capital requirements for credit risk. The banks need to make adjustments to these regulatory changes and apply for significant changes to internal ratings-based approaches (IRB). The FSA is continuing its review process of Länsförsäkringar Bank's internal models. The Länsförsäkringar Bank Group's application to use new probability of default (PD) models was approved on 20 January 2023. The decision means that all of the bank's PD models will be replaced by new models. The effect of the implementation is that the new models entail a slight increase in the total risk exposure amount (REA), which will be reported from the first quarter of 2023.

In June 2022, the FSA decided to raise the countercyclical capital buffer to 2%. The new buffer applies from June 2023. Länsförsäkringar Bank is following regulatory developments and is highly prepared and well capitalised for impending changes, even if it is unclear at this stage what the effects of a capital requirement will be.

Crisis management

Sweden has had new rules for managing failing banks since 2016. These rules are based on the Crisis Management Directive. The key aim is to prevent banks' problems from becoming a burden for the tax payer. The rules establish a special procedure for handling a failing institution without putting it into bankruptcy. This procedure is called resolution. It means that the government, through the National Debt Office, can take control of the failing bank. The Debt Office has a number of tools available to reconstruct or discontinue

banks in a structured manner. To facilitate efficient resolution, the Debt Office has prepared resolution plans for the institutions that it considers have critical operations for the financial system. As part of its work, the Debt Office will determine minimum requirements for own funds and eligible liabilities (MREL) that can be used to cover losses in a failing institution. In December 2022, the Debt Office announced its decisions on resolution plans and minimum requirements for own funds and eligible liabilities for the institutions that have business activities that are deemed to be critical to the Swedish financial system, including Länsförsäkringar Bank. The Debt Office decides on MREL at group level every year. The debt issued that may be used to meet some of the requirements are to be issued by Länsförsäkringar Bank. In addition, the Debt Office also made a decision on MREL for the individual institutions Länsförsäkringar Bank (Parent Company), Länsförsäkringar Hypotek and Wasa Kredit.

The new Resolution Act came into effect in July 2021 and is based on the requirements introduced through the EU's revisions to the Bank Recovery and Resolution Directive (BRRD II). The requirements are based on Länsförsäkringar Bank's capital requirement and comprise a risk-weight and a non-risk-weight requirement. In December 2022, the Debt Office decided on MREL according to the new requirements. For the consolidated situation, the risk-weighted requirement is 22.7% of REA, and the non-risk-weighted requirement is 5% of the exposure amount for the leverage ratio. These requirements will be phased in and must be fully met by 1 January 2024.





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NOTE 4 SEGMENT REPORTING

Group, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations/ Adjustments	Total
Income statement 2022						
Net interest income	2,105.8	2,691.8	720.6	9.7	-0.0	5,527.9
Dividends received	250.6	-	-	-	-250.0	0.6
Total commission income	823.5	35.9	186.3	1,016.2	-175.7	1,886.1
Total commission expense	-1,092.2	-919.6	-65.2	-492.4	175.6	-2,393.9
Net gains / losses from financial items	26.0	-25.5	-	-	0.0	0.5
Intra-Group income	146.1	0.0	3.3	0.3	-149.8	-
Other income	-18.0	0.0	29.5	0.2	-	11.7
Total operating income	2,241.7	1,782.7	874.4	534.0	-399.9	5,032.9
Intra-Group expenses	6.9	-110.0	-12.3	-34.6	149.9	-
Other administration expenses	-1,587.5	-32.3	-519.3	-198.0	53.4	-2,283.8
Depreciation/amortisation and impairment	-150.1	-0.1	-22.3	-0.3	-53.8	-226.6
Total operating expenses	-1,730.7	-142.4	-553.9	-232.9	149.5	-2,510.3
Profit before credit losses, risk tax levied and resolution fee	511.0	1,640.3	320.6	301.2	-250.4	2,522.6
Credit losses, net	2.5	-4.1	-121.8	-	0.6	-122.8
Share of profit/loss of participating interests	-	-	-	-	-	-
Risk tax levied and resolution fee	-115.3	-213.5	-4.5	-	0.0	-333.3
Operating profit	398.3	1,422.7	194.2	301.2	-249.8	2,066.5
Balance sheet, 31 December 2022						
Total assets	239,474.9	316,329.2	26,299.3	1,644.9	-126,513.5	457,234.8
Liabilities	227,837.9	300,632.2	22,434.8	324.2	-116,579.8	434,649.3
Equity	11,637.0	15,670.0	3,864.4	1,320.7	-9,933.8	22,585.4
Total liabilities and equity	239,474.9	316,329.2	26,299.3	1,644.9	-126,513.5	457,234.8

Income and assets are attributable in their entirety to Sweden. The segment distribution per legal entity reflects the internal reporting to the chief operating decision maker, i.e. The Group's chief operating decision maker. The legal structure within Länsförsäkringar Bank Group is in line with the product offering to external customers. The portion of assets and liabilities that is not distributed per segment comprise Group-wide eliminations within the Bank Group. For more information, see the section on operating segment under note 2 and note 6 Net commission.

Group, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations/ Adjustments	Total
Income statement 2021						
Net interest income ¹⁾	1,281.4	2,795.6	786.3	-0.2	-0.1	4,863.1
Dividends received	0.5	-	-	-	-	0.5
Total commission income	763.0	37.3	190.8	1,080.7	-188.0	1,883.7
Total commission expense	-607.6	-1,213.0	-62.0	-517.7	185.8	-2,214.4
Net gains / losses from financial items	13.6	40.1	-	-	-	53.6
Intra-Group income	136.6	0.1	3.2	-	-139.9	-
Other income	-2.4	-	26.1	0.0	-	23.8
Total operating income¹⁾	1,585.1	1,660.0	944.5	562.9	-142.1	4,610.3
Intra-Group expenses	7.3	-102.8	-11.7	-34.8	142.0	-
Other administration expenses	-1,302.1	-27.9	-511.5	-176.0	46.2	-1,971.2
Depreciation/amortisation and impairment	-483.2	-0.2	-21.6	-0.3	-46.2	-551.5
Total operating expenses	-1,778.1	-130.8	-544.8	-211.1	142.1	-2,522.6
Profit before credit losses, risk tax levied and resolution fee¹⁾	-193.0	1,529.2	399.7	351.8	0.0	2,087.7
Credit losses, net	5.9	4.2	317.5	-	3.5	331.0
Share of profit/loss of participating interests	-	-	-	-	-	-
Risk tax levied and resolution fee	-17.1	-100.0	-5.4	-	-	-122.5
Operating profit	-204.2	1,433.4	711.8	351.8	3.5	2,296.2
Balance sheet, 31 December 2021						
Total assets	223,786.9	297,646.1	26,533.4	1,436.4	-98,213.0	451,189.9
Liabilities	211,504.7	283,180.4	22,880.7	352.6	-88,477.5	429,440.9
Equity	12,282.2	14,465.7	3,652.7	1,083.8	-9,735.4	21,749.0
Total liabilities and equity	223,786.9	297,646.1	26,533.4	1,436.4	-98,213.0	451,189.9

¹⁾ Comparative figures have been adjusted since the Resolution fee has been reclassified from Interest expense to Risk tax levied and resolution fee.





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NOTE 5 NET INTEREST INCOME

SEK M	2022	2021
Interest income		
Loans to credit institutions ¹⁾	143.3	8.1
Loans to the public	7,858.9	6,351.1
Interest-bearing securities ¹⁾	329.5	141.8
Derivatives	555.4	-388.1
Other interest income	0.1	-
Total interest income according to the effective interest method	8,887.3	6,112.8
Interest expense		
Due to credit institutions ¹⁾	-82.1	-3.5
Deposits and borrowing from the public	-367.4	-148.1
Debt securities in issue ²⁾	-2,392.5	-1,848.9
Subordinated liabilities	-44.7	-42.6
Derivatives	-356.3	860.1
Other interest expense	-116.3	-66.7
Total interest expense according to the effective interest method	-3,359.4	-1,249.7
Total net interest income	5,527.9	4,863.1
Average interest rate on loans to the public during the period, including net leasing, %	2.2	1.9
Average interest rate on deposits from the public during the period, %	0.2	0.1

¹⁾ Of which negative interest on Loans to credit institutions of SEK 0,0 M (0,0), Interest-bearing securities of SEK -29,5 M (-30,4) and Due to credit institutions of SEK 4,3 M (10,3) M.

²⁾ Interest expense for senior non-priority debt amounts to SEK 95,5 (25,7) M.

NOTE 6 NET COMMISSION

SEK M	2022	2021
Commission income		
Payment mediation	153.7	145.8
Loans	243.8	236.1
Deposits	5.0	4.9
Securities	1,061.5	1,126.2
Cards	351.0	294.2
Remuneration from the regional insurance companies	74.7	63.7
Other commission	-3.5	12.8
Total commission income ¹⁾	1,886.1	1,883.7
Commission expense		
Payment mediation	-156.1	-149.0
Securities	-119.9	-131.4
Cards	-159.9	-143.4
Remuneration to the regional insurance companies	-1,837.2	-1,662.9
Management costs	-104.9	-109.1
Other commission	-15.9	-18.6
Total commission expense	-2,393.9	-2,214.4
Total net commission income	-507.8	-330.7

¹⁾ Refers to revenue from contracts with customers.

For more information, see note 2, Accounting policies and note 4 Segment reporting.

NOTE 8 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees	2022	2021
Sweden		
Men	327	304
Women	361	334
Total	688	638

Salaries, other remuneration and social security expenses, other employees	2022	2021
Salaries and remuneration	-461.1	-423.2
of which, variable remuneration	-	-
Social security expenses	-248.0	-234.4
of which, pension costs	-84.3	-84.0
Total	-709.1	-657.7

NOTE 7 NET GAINS/LOSSES FROM FINANCIAL ITEMS

SEK M	2022	2021
Interest-bearing assets and liabilities and related derivatives	-62.6	0.4
Other financial assets and liabilities	54.0	6.3
Interest compensation (refers to items measured at amortised cost)	9.1	47.0
Total net gains/losses from financial items	0.5	53.6

SEK M	2022	2021
Profit/loss by measurement category		
Financial assets measured at FVPL	54.0	6.3
Financial assets measured at amortised cost	8.2	46.5
Financial liabilities measured at amortised cost	-41.8	-16.5
Financial assets measured at FVOCI	-39.5	5.0
Hedge accounting at fair value	1.8	9.1
Ineffectiveness of cash-flow hedges	-	-
Exchange-rate effect	17.8	3.2
Total	0.5	53.6

Board of Directories and senior executives, number 22 (21)	2022	2021
Salaries and remuneration	-32.3	-29.9
of which, variable remuneration	-	-
Social security expenses	-28.9	-22.5
of which, pension costs	-14.9	-10.3
Total	-61.2	-52.4

Total salaries, other remuneration and social security expenses SEK M	2022	2021
Salaries and remuneration	-493.3	-453.1
of which, variable remuneration	-	-
Social security expenses	-276.9	-256.9
of which, pension costs	-99.1	-94.3
Total	-770.2	-710.0



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NOTE 8, CONT.

EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Länsförsäkringar Bank has about 1,900 individuals who are also employed at Länsförsäkringar Bank and the regional insurance companies. They receive their entire remuneration from their respective regional insurance company.

Remuneration of senior executives

Remuneration of the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. For more information, refer to the Parent Company's note 9.

Severance pay

A mutual period of notice of 6 months applies to the President. If termination of employment is issued by the company, severance pay corresponding to 12 months' salary will be paid to the President, in addition to the period of notice. A mutual period of notice of six months applies for other senior executives. If termination of employment is issued by the company, severance pay corresponding to 12 months' salary will also be paid, in addition to the period of notice. Otherwise, the period of notice for other senior executives follows the terms and conditions of the collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (Forena) and the Swedish Confederation of Professional Associations (SACO).

Pensions

The retirement age for the President is 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. The retirement age for other senior executives is 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary. The retirement age for a senior executive is 62. The pension between 62 and 65 is a defined-contribution plan and the pension premium is to amount to 14% of the monthly salary. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (Forena) and the Swedish Confederation of Professional Associations (SACO). The retirement age for other senior executives is 65. The terms comply with pension agreements between the FAO and the Forena/SACO. Furthermore, an additional pension premium corresponding to one price base amount per year is paid every year for each senior executive. One senior executive has an agreement for an additional pension provision corresponding to 12% of the executive's monthly salary.

Preparation and decision-making process applied in relation to the issue of remuneration of senior executives

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration of corporate management. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. The Board decides on remuneration and other terms of employment for corporate management and employees with overall responsibility for one of the company's control functions.

Composition of Remuneration Committee

The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan.

Policies for remuneration of senior executives

Senior executives in the Länsförsäkringar AB Group are to have market-based employment terms and conditions. The total remuneration must be on par with the industry. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

Pensions should comply with the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Other benefits

In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual health care insurance and other benefits offered to all employees.

Preparation and decision-making process applied in relation to the issue of remuneration of senior executives

Remuneration to the President is determined by the Remuneration Committee and thereafter confirmed by the Board. Remuneration to other senior executives is determined by the President in accordance with the policies for salaries and conditions for senior executives.

Number of women among senior executives, %	31 Dec 22	31 Dec 21
Board members	32	27
Other senior executives	55	44

Loans to senior executives

	Bank Group		Parent Company Group	
SEK M	2022	2021 ¹⁾	2022	2021 ¹⁾
Board members	50.3	49.9	83.9	98.7
of which, loans from Bank	4.2	8.2	8.9	15.7
of which, loans from Hypotek	46.1	41.8	75.0	82.8
of which, loans from Wasa Kredit	–	–	–	0.3
President and Executive Vice Presidents	1.3	2.5	23.9	15.6
of which, loans from Bank	–	0.5	0.5	1.5
of which, loans from Hypotek	1.3	2.0	23.3	13.7
of which, loans from Wasa Kredit	–	–	0.1	0.3
Senior executives	16.6	9.1	41.8	28.7
of which, loans from Bank	1.1	1.7	2.4	2.8
of which, loans from Hypotek	15.1	7.4	38.1	25.9
of which, loans from Wasa Kredit	0.4	0.0	0.4	0.0

¹⁾ Comparative numbers have been adjusted.

Loans granted comprise personnel loans and other loans. Personnel loans carry loan terms comparable to what applies to other employees in the Group. The interest rate for personnel loans is the repo rate less 0.5 percentage points, but can never be lower than 0.5 percentage points. The interest benefit is calculated in accordance with the Swedish National Tax Board's rules and is included in other benefits as above. Personnel loans are restricted to SEK 0.5 M. The terms and conditions of other loans are market-based.

The Group has not pledged assets, other collateral or assumed any liability undertaking for the benefit of any senior executive.

Remuneration Policy

In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2011:1) regarding remuneration policies in credit institutions, investment firms and fund management companies, the Board of Directors is to adopt a Remuneration Policy. It is intended that a statement of remuneration in the company be published on the website when the Annual Report is published.

NOTE 9

OTHER ADMINISTRATION EXPENSES

SEK M	2022	2021
Costs for premises	–63.0	–63.6
IT costs	–680.4	–597.8
Consultant costs	–193.9	–205.4
Marketing	–42.3	–44.6
Management costs	–27.8	–26.4
Other administration expenses	–505.2	–320.4
Total administration expenses	–1,512.7	–1,258.3

NOTE 10

REMUNERATION OF AUDITORS

SEK M	2022	2021
Deloitte AB, audit assignment	–6.8	–
Deloitte AB, audit activities in addition to the audit assignment	–	–
Deloitte AB, tax advice	–	–
Deloitte AB, other assignments	–	–
KPMG AB, audit assignment	–0.6	–5.0
KPMG AB, audit activities in addition to the audit assignment	–1.0	–1.1
KPMG AB, tax advice	–	–
KPMG AB, other assignments	–0.4	–0.3
Total fees and remuneration of auditors	–8.8	–6.4

Audit assignment pertains to a statutory review of the Annual Report and accounts, as well as the administration by the Board of Directors and President. Audit activities other than audit assignment pertain to various types of quality-assurance services, such as reviews of the administration, Articles of Association, regulations or agreements that result in reports or certificates. Other assignments pertain to activities that are not included in the above-mentioned items, for example, legal consultations alongside audit activities and that are not attributable to tax consultancy services.



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NOTE 11 CREDIT LOSSES, NET

SEK M	2022	2021
Change in loss allowance for loan receivables		
Stage 1 (not credit-impaired)	14.3	93.5
Stage 2 (not credit-impaired)	-13.1	120.4
Stage 3 (credit-impaired)	-27.4	38.9
Total change in loss allowance for loan receivables	-26.2	252.7
Expense for confirmed credit losses	-193.3	-241.9
Payment received for prior confirmed credit losses	103.6	307.7
Net expense for the period for credit losses for loan receivables	-115.9	318.6
Change in loss allowance for commitments	-3.6	19.3
Net expense for other credit losses	-3.0	-6.6
Net expense of the modification result	-0.3	-0.3
Net expense for credit losses	-122.8	331.0

A condition for full payment of the regional insurance companies' distribution remuneration by the Bank Group is that the loans generated by each regional insurance company for the Bank Group (excluding Wasa Kredit AB) are of high quality. If this is not the case, up to 80% of any credit losses are off-set against the accrued remuneration to the regional insurance companies. This model for settlement of credit losses is kept separate and is taken into consideration when the provisions are established. In 2022, total credit losses amounted to SEK -132.5 M (385.1), of which the Bank Group's recognised credit losses amounted to SEK -122.8 M (331.0) and the remainder of SEK -12.5 (54.0) M was settled against remuneration to the regional insurance companies. The comparative figures for 2021 were positively impacted by SEK 264.5 M as a result of Wasa Kredit's sale of credit-impaired and previously written-off receivables.

Loss allowance

SEK M	31 Dec 22	31 Dec 21
Financial assets measured at amortised cost		
Cash and balances at central banks	-	-
Loans to credit institutions	-	0.0
Loans to the public	555.7	528.9
Other assets	-	-
Financial assets measured at FVOCI		
Treasury bills and other eligible bills	0.2	0.3
Bonds and other interest-bearing securities	0.7	0.8
Provisions		
Commitments	26.4	23.3
Guarantees	0.1	0.1
Total loss allowance	583.1	553.4

All exposures are in stage 1 except for loans to the public and commitments which have exposure in all three stages. For more information about the change in loss allowance for loans to the public and commitments, refer to notes 16 and 34.

NOTE 12 DEPRECIATION/AMORTISATION AND IMPAIRMENT OF PROPERTY AND EQUIPMENT/INTANGIBLE ASSETS

SEK M	2022	2021
Depreciation of property and equipment	-7.6	-3.7
Depreciation of right-of-use assets	-53.8	-46.2
Amortisation of intangible assets	-165.2	-195.8
Total depreciation/amortisation	-226.6	-245.7
Impairment of intangible assets	-	-305.8
Total depreciation/amortisation and impairment of assets	-226.6	-551.5

For more information, see note 21 Intangible assets.

NOTE 13 TAXES

SEK M	2022	2021
Current tax		
Tax expense for the year	-392.1	-378.9
Adjustment of tax expense pertaining to prior years	0.0	-
Total current tax	-392.1	-378.9
Deferred tax		
Change in deferred tax expense on temporary differences	-11.3	-66.6
Total deferred tax	-11.3	-66.6
Total recognised tax expense	-403.3	-445.4
Reconciliation of effective tax rate		
Profit before tax	2,066.5	2,296.2
Tax in accordance with applicable tax rate for Parent Company	-425.7	-473.0
Tax on non-deductible costs	-38.3	-26.9
Tax on non-taxable income	27.7	51.8
Tax attributable to changed tax rate	-	-
Tax attributable to changed tax rates	-54.0	-
Tax attributable to earlier years	-0.1	2.5
Other ¹⁾	87.2	-
Total tax on net profit for the year	-403.3	-445.4
Applicable tax rate	20.6%	20.6%
Effective tax rate	19.5%	19.4%
Tax items recognised in other comprehensive income		
Tax on financial assets measured at fair value through other comprehensive income	57.4	-18.9
Tax on cash flow hedges	-52.1	-22.8
Total tax attributable to other comprehensive income	5.3	-41.7

¹⁾Attributable to the Swedish parliament's decision on temporary tax reduction for property and equipment acquired in 2021.

NOTE 14 TREASURY BILLS AND OTHER ELIGIBLE BILLS

SEK M	31 Dec 22	31 Dec 21
Carrying amount		
Swedish government	10,274.5	14,967.5
German government	449.5	427.9
Finnish government	132.8	130.7
Total treasury bills and other eligible bills	10,856.8	15,526.1
Fair value	10,856.8	15,526.1
Amortised cost	11,206.0	15,480.8
Nominal value	11,132.4	15,211.4

For loss allowance, see note 11.

NOTE 15 LOANS TO CREDIT INSTITUTIONS

SEK M	31 Dec 22	31 Dec 21
Loans to credit institutions	1,253.4	1,480.1
Total loans to credit institutions	1,253.4	1,480.1

For loss allowance, see note 11.

NOTE 16 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	31 Dec 22	31 Dec 21
Public sector	8,149.2	10,295.2
Corporate sector	23,695.8	22,420.3
Retail sector	343,950.7	329,436.5
Other	8,864.2	368.3
Loan to the public before reserves	384,659.9	362,520.4
Reserves	-555.7	-528.9
Loans to the public	384,104.3	361,991.4
Fixed-interest period		
Remaining term of not more than 3 months	128,516.2	215,310.9
Remaining term of more than 3 months but not more than 1 year	148,220.9	47,253.8
Remaining term of more than 1 year but not more than 5 years	105,103.6	97,704.5
Remaining term of more than 5 years	2,263.6	1,722.2
Loans to the public	384,104.3	361,991.4

Remaining term is defined as the remaining fixed-income period if the loan has periodically restricted conditions.



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NOTE 16, CONT. LOANS TO THE PUBLIC

Loans to the public per segment

31 December 2022	Gross carrying amount				Loss allowances				Carrying net amount
Allocation per stage, SEK M	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Loans to the public
Länsförsäkringar Hypotek AB	294,285.1	2,456.0	162.6	296,903.7	-4.2	-2.6	-2.4	-9.2	296,894.5
Länsförsäkringar Bank AB	60,427.3	1,434.0	236.4	62,097.7	-1.2	-2.0	-7.6	-10.8	62,086.9
Wasa Kredit AB	21,737.1	3,357.5	563.8	25,658.5	-53.9	-97.7	-384.1	-535.6	25,122.9
Total	376,449.5	7,247.5	962.9	384,659.9	-59.3	-102.3	-394.1	-555.7	384,104.3

31 December 2021	Gross carrying amount				Loss allowances				Carrying net amount
Allocation per stage, SEK M	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Loans to the public
Länsförsäkringar Hypotek AB	276,393.8	1,932.5	200.2	278,526.5	-1.5	-0.8	-1.4	-3.7	278,522.8
Länsförsäkringar Bank AB	55,966.1	1,625.7	328.1	57,920.0	-1.4	-2.0	-12.2	-15.6	57,904.4
Wasa Kredit AB	22,297.5	3,214.6	561.7	26,073.9	-70.6	-86.5	-352.5	-509.6	25,564.2
Total	354,657.5	6,772.8	1,090.1	362,520.4	-73.5	-89.2	-366.1	-528.9	361,991.4



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NOTE 16, CONT. LOANS TO THE PUBLIC

Reconciliation of gross carrying amount and loss allowance

SEK M	Not credit-impaired				Credit-impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross carry-ing amount	Loss allowance	Gross carry-ing amount	Loss allowance	Gross carry-ing amount	Loss allowance	Gross carry-ing amount	Loss allowance
Opening balance 1 Jan 2021	332,096.2	-167.0	7,541.1	-209.6	1,150.9	-405.0	340,788.2	-781.7
New loans	82,706.2	-82.4	85.0	-1.1	10.7	-0.5	82,802.0	-84.0
Changes:								
Change in loss allowance model or method	-	0.0	-	0.1	-	0.0	-	0.1
Repayment	-58,179.0	71.2	-2,053.1	77.0	-292.2	73.5	-60,524.3	221.7
Change in risk parameters	-	-6.8	-	9.7	-	-121.1	-	-118.2
Other	-132.0	1.9	-58.4	4.2	-90.1	1.0	-280.5	7.0
Sale	-	-	-	-	-	67.2	-	67.2
Transfer between stages:								
Transfer from stage 1 to stage 2	-4,595.2	40.0	4,595.2	-52.7	-	-	-	-12.7
Transfer from stage 2 to stage 1	3,000.1	-4.5	-3,000.1	6.4	-	-	-	1.9
Transfer to stage 3	-309.2	74.4	-383.3	78.0	692.5	-242.3	0.0	-89.9
Transfer from stage 3	70.3	-0.2	46.4	-1.3	-116.7	14.8	-	13.3
Write-off	-	-	-	-	-265.1	246.4	-265.1	246.4
Closing balance 31 Dec 2021	354,657.5	-73.5	6,772.8	-89.2	1,090.1	-366.1	362,520.4	-528.9
Opening balance 1 Jan 2022	354,657.5	-73.5	6,772.8	-89.2	1,090.1	-366.1	362,520.4	-528.9
New loans	91,855.6	-48.0	86.6	-0.3	13.2	-0.4	91,955.5	-48.6
Changes:								
Change in loss allowance model or method	-	4.4	-	6.5	-	0.8	-	11.7
Repayment	-67,105.3	31.8	-1,849.8	28.0	-290.3	79.3	-69,245.4	139.1
Change in risk parameters	-	-14.8	-	14.0	-	-98.1	-	-99.0
Other	-250.0	1.2	-57.5	1.8	-14.4	0.3	-322.0	3.3
Sale	-0.3	0.0	-20.1	2.8	-34.1	9.5	-54.5	12.4
Transfer between stages:								
Transfer from stage 1 to stage 2	-5,160.1	42.5	5,160.1	-72.0	-	-	-	-29.5
Transfer from stage 2 to stage 1	2,642.8	-3.1	-2,642.8	6.4	-	-	-	3.4
Transfer to stage 3	-265.7	0.4	-259.8	0.9	525.5	-199.3	-	-198.0
Transfer from stage 3	75.1	-0.1	58.0	-1.2	-133.1	13.0	-	11.7
Write-off	-	-	-	-	-194.1	166.9	-194.1	166.9
Closing balance 31 Dec 2022	376,449.5	-59.3	7,247.5	-102.3	962.9	-394.1	384,659.9	-555.7

	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Loans to the public before loss allowances 2021	354,657.5	6,772.8	1,090.1	362,520.4
Credit reserve requirement	-85.3	-100.2	-420.6	-606.1
Withheld remuneration to the regional insurance companies	11.8	10.9	54.4	77.1
Recognised loss allowance	-73.5	-89.2	-366.1	-528.9
Loans to the public 2021	354,583.9	6,683.6	723.9	361,991.4
Loans to the public before loss allowances 2022	376,449.5	7,247.5	962.9	384,659.9
Credit reserve requirement	-80.7	-120.9	-434.1	-635.7
Withheld remuneration to the regional insurance companies	21.4	18.6	40.0	80.0
Recognised loss allowance	-59.3	-102.3	-394.1	-555.7
Loans to the public 2022	376,390.2	7,145.2	568.8	384,104.3

A condition for full payment of the regional insurance companies' distribution remuneration by the Bank Group is that the loans generated by each regional insurance company for the Bank Group (excluding Wasa Kredit AB) are of high quality. If this is not the case, up to 80% of any credit losses are off-set against the accrued remuneration to the regional insurance companies. This model for settlement of credit losses is kept separate and is taken into consideration when the provisions are established.

The recognised loss allowance for the year changed by SEK 26.7 M (-252.7).

The increase is primarily attributable to Wasa Kredit AB and is mainly due to transfers to stage 2 and 3 and negative changes in risk parameters.

The contractual amounts outstanding for financial assets that were written off during the period and that are still encompassed by compliance measured amount to SEK 240.6 (398.6) M on 31 December 2022.

Modified loan receivables in loans to the public, SEK M	31 Dec 22	31 Dec 21
Loan receivables modified during the period that were in stages 2 and 3 when they were modified		
mortised cost before modification	66.5	174.1
modification gain/loss	0.0	0.0
Gross carrying amount for loan receivables that have been modified since initial recognition and on the modification date were in stage 2 or 3 and that were transferred to stage 1 during the period	45.1	236.5



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NOTE 17 FINANCIAL LEASING

Financial lease agreements specified by maturity structure where the Group is the lessor.

31 Dec 2022, SEK M	Up to 1 year	1-5 years	More than 5 years	Total
Present value of future minimum lease fees	2,562.8	4,162.4	1,016.7	7,741.9
Unearned financial income ¹⁾	723.8	972.7	141.7	1,838.2
Gross investment	3,286.6	5,135.1	1,158.5	9,580.2

31 Dec 2021, SEK M	Up to 1 year	1-5 years	More than 5 years	Total
Present value of future minimum lease fees	2,558.9	4,135.1	861.6	7,555.6
Unearned financial income ¹⁾	536.3	730.3	105.0	1,371.6
Gross investment	3,095.2	4,865.4	966.6	8,927.2

¹⁾ Attributable to present value calculation.

	2022	2021
Provision for impaired loans pertaining to minimum lease fees	148.7	151.3
Financial income from net investments in leases	381.6	331.3
Gains or losses on sales	22.9	19.9
Variable portion of leasing fees included in net profit for the year	7.3	7.2

Minimum lease fees are payments, excluding variable fees, service charges and taxes that are made by the lessee to the lessor over the leasing period, with additions for any amount that is guaranteed by the lessee or a related party to the lessee.

Variable fees comprise the portion of leasing fees that are not fixed and that are calculated based on factors other than only the passage of time.

Financial leasing is included in loans to the public.

NOTE 18 BONDS AND OTHER INTEREST-BEARING SECURITIES

Issued by organisations other than public bodies.

SEK M	31 Dec 22	31 Dec 21
Carrying amount		
Swedish mortgage institutions (not guaranteed)	35,963.4	33,918.3
Other Swedish issuers	3,936.8	4,859.0
Other foreign issuers (guaranteed by German government)	1,473.6	1,725.5
Other foreign issuers (not guaranteed)	8,595.6	9,922.0
Total bonds and other interest-bearing securities	49,969.4	50,424.8
Fair value	49,969.4	50,424.8
Amortised cost	51,965.6	48,737.7
Nominal value	52,206.4	49,636.1
Market status		
Securities listed	49,969.4	50,024.7
Securities unlisted	-	400.0

For loss allowance, see note 11.

NOTE 19 DERIVATIVES

SEK M	31 Dec 22		31 Dec 21	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
<i>Derivatives in hedge accounting</i>				
Interest-related	187,131.0	7,532.9	225,836.0	1,488.2
Currency-related	30,246.8	3,548.8	40,577.9	3,514.6
<i>Other derivatives</i>				
Currency-related	156.3	1.3	188.8	11.0
Total derivatives with positive values	217,534.1	11,083.1	266,602.7	5,013.8
Offset derivatives with positive values	-55,221.0	-2,944.8	-101,994.0	-908.1
Net amount after offset	162,313.1	8,138.3	164,608.7	4,105.7
Derivatives with negative values				
<i>Derivatives in hedge accounting</i>				
Interest-related	198,520.0	12,231.0	158,787.0	1,441.8
Currency-related	33,483.3	1,095.4	24,039.3	412.9
<i>Other derivatives</i>				
Currency-related	656.4	40.5	27.1	0.0
Total derivatives with negative values	232,659.7	13,366.9	182,853.4	1,854.7
Offset derivatives with negative values	-55,221.0	-2,944.8	-101,994.0	-908.1
Net amount after offset	177,438.7	10,422.0	80,859.4	946.6

Financial hedging agreements were signed to hedge against interest-rate risks and currency risks stemming from the Group's operations. Hedge accounting is applied to funding, lending, deposits, bonds and other securities. Hedging instruments primarily comprise interest and currency interest-rate swaps.



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NOTE 20 FAIR VALUE CHANGES OF INTEREST-RATE RISK HEDGED ITEMS IN PORTFOLIO HEDGE

SEK M	31 Dec 22	31 Dec 21
Assets		
Carrying amount at beginning of year	735.3	304.9
Changes during the year pertaining to lending	-4,846.5	-304.9
Changes during the year pertaining to borrowing	-735.3	735.3
Changes during the year pertaining to deposits	-	-
Carrying amount at year-end	-4,846.5	735.3
Liabilities		
Carrying amount at beginning of year	375.7	1,809.1
Changes during the year pertaining to lending	-36.0	-
Changes during the year pertaining to funding	-11,974.5	-1,809.1
Changes during the year pertaining to borrowing	-375.7	375.7
Carrying amount at year-end	-12,010.5	375.7

NOTE 21 INTANGIBLE ASSETS

SEK M	Internally developed IT systems		Acquired IT systems		Total	
	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21
Cost						
Opening cost	3,240.6	2,913.7	4.4	4.4	3,245.0	2,918.2
Acquisitions during the year	312.3	327.1	-	-	312.3	327.1
Divestments during the year	-	-	-	-	-	-
Disposals during the year	-88.1	-0.3	-	-	-88.1	-0.3
Reclassification during the year	-31.6	-	-	-	-31.6	-
Closing cost	3,433.3	3,240.6	4.4	4.4	3,437.7	3,245.0
Amortisation						
Opening accumulated amortisation	-1,271.8	-1,076.3	-4.4	-4.4	-1,276.3	-1,080.7
Amortisation for the year	-165.2	-195.8	-	-	-165.2	-195.8
Divestments during the year	-	-	-	-	-	-
Disposals during the year	71.2	0.2	-	-	71.2	0.2
Reclassification during the year	-0.1	-	-	-	-0.1	-
Closing accumulated amortisation	-1,365.9	-1,271.8	-4.4	-4.4	-1,370.3	-1,276.3
Impairment						
Opening accumulated impairment	-798.4	-492.6	-	-	-798.4	-492.6
Impairment for the year	-	-305.8	-	-	-	-305.8
Disposals during the year	16.9	-	-	-	16.9	-
Reclassification during the year	31.6	-	-	-	31.6	-
Disposals during the year	-	-	-	-	-	-
Closing accumulated impairment	-749.9	-798.4	-	-	-749.9	-798.4
Total intangible assets	1,317.5	1,170.3	-	-	1,317.5	1,170.3

NOTE 22 PROPERTY AND EQUIPMENT

SEK M	31 Dec 22	31 Dec 21
Equipment		
Opening cost	38.6	40.8
Purchases	13.7	9.5
Sales/disposals	-14.5	-11.6
Closing cost	37.9	38.6
Opening depreciation	-25.3	-31.8
Sales/scrapping	13.9	10.1
Depreciation for the year	-7.6	-3.7
Closing accumulated depreciation	-19.1	-25.3
Right-of-use assets (excl premises)	209.9	107.8
Total property and equipment	228.7	121.1

The Group as lessee

Property and equipment comprises both owned and leased assets that do not meet the definition of owner-occupied property. The Group is the lessee of underlying assets in the form of leases for premises, vehicles, IT hardware and other types of equipment.

Right-of-use assets 2022	Premises	Vehicles	IT hardware	Total
Depreciation for the period	-6.1	-7.0	-40.7	-53.8
Carrying amount, 31 December	7.1	1.8	201.0	209.9

Right-of-use assets 2021	Premises	Vehicles	IT hardware	Total
Depreciation for the period	-5.4	-6.4	-34.4	-46.2
Carrying amount, 31 December	15.5	1.5	90.7	107.8

Right-of-use assets arose during 2022 at an initial carrying amount of SEK 109.7 M.

Lease liabilities

The Group's lease liabilities are recognised under other liabilities in the balance sheet and are presented in the Group's note 29 Other liabilities. Future lease payments paid by the Group over the remaining contracted term are presented in the maturity analysis for disclosures to the Group's liquidity risk in note 3 Risks and capital adequacy.

Amounts recognised in statement of comprehensive income	2022	2021
Interest expense for lease liabilities	0.0	-0.1
Variable fees not included in calculation of lease liability	39.6	-38.5
Costs for short-term leases	-	-
Costs for low-value leases (excluding short-term leases of low-value assets)	-7.1	-7.5

Variable fees in the Group refer to lease payments for rent of internal premises and change over time based on the space used depending on the number of employees.

Amounts recognised in cash-flow statement	2022	2021
Total cash outflow for leases	-20.8	-92.3



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NOTE 23 DEFERRED TAX ASSETS AND TAX LIABILITIES

Recognised deferred tax assets and tax liabilities are attributable to the following:

SEK M	Deferred tax assets		Deferred tax liabilities		Net	
	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21
Intangible assets	-11.1	-22.7	-	-	-11.1	-22.7
Cash flow hedges	-	-44.4	7.7	-	7.7	-44.4
Liabilities, provisions	-1.1	-0.8	-	-	-1.1	-0.8
Other assets	-	-	54.0	-	54.0	-
Untaxed reserves	-	-	509.0	563.2	509.0	563.2
Deferred tax assets (-)/deferred tax liabilities (+)	-12.2	-67.9	570.8	563.2	558.6	495.3

Change in deferred tax in temporary differences

SEK M	Amount at 1 Jan	Recognised in profit or loss	Recognised in other comprehensive income	Amount at 31 Dec
2022				
Intangible assets	-22.7	11.6	-	-11.1
Cash flow hedges	-44.4	-	52.1	7.7
Liabilities, provisions	-0.8	-0.2	-	-1.1
Other assets	-	54.0	-	54.0
Untaxed reserves	563.2	-54.1	-	509.0
Deferred tax assets (-)/deferred tax liabilities (+)	495.3	11.3	52.1	558.6
2021				
Intangible assets	-31.4	8.7	-	-22.7
Cash flow hedges	-67.2	-	22.8	-44.4
Liabilities, provisions	-0.7	-0.1	-	-0.8
Untaxed reserves	505.2	58.0	-	563.2
Deferred tax assets (-)/deferred tax liabilities (+)	405.9	66.6	22.8	495.3

NOTE 24 OTHER ASSETS

SEK M	31 Dec 22	31 Dec 21
Accounts receivable ¹⁾	183.4	192.7
Other assets	400.0	379.3
Total other assets	583.4	572.0

¹⁾ Refers to revenue from contracts with customers.

In its calculation of loss allowance for other financial assets, the Group uses the simplified method that is described in more detail in note 2. For loss allowance, see note 11.

NOTE 25 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	31 Dec 22	31 Dec 21
Accrued interest income	60.0	36.2
Other accrued income ¹⁾	272.8	283.5
Recognised assets from expenses for completing an agreement	-	9.2
Prepaid expenses	240.8	216.2
Total prepaid expenses and accrued income	573.6	545.0

¹⁾ Refers to revenue from contracts with customers.

Recognised assets from expenses for completing an agreement referred 2021 to adjusting Länsförsäkringar bank's card system from Visa till Mastercard, including expenses for replacement cards. The expenses have been deemed necessary to enable the change and have therefore been reported as an asset. The period of depreciation was 2.5 years for the replacement cards. The economic life was based on the lease and the service life of the replacement cards. Depreciation of SEK 9.2 M (13.4) was recognised in 2022.

NOTE 26 DUE TO CREDIT INSTITUTIONS

SEK M	31 Dec 22	31 Dec 21
The Riksbank	-	2,000
Swedish banks	8,992.0	5,892.0
Other Swedish credit institutions	-	-
Total due to credit institutions	8,992.0	7,892.0
Payable on demand	1.2	43.3

Genuine repurchase transactions amount to SEK 153.5 M (1,532.76).

NOTE 27 DEPOSITS FROM THE PUBLIC

SEK M	31 Dec 22	31 Dec 21
Deposits from insurance companies	4,296.7	4,558.8
Deposits from households	130,806.0	124,753.6
Deposits from other Swedish public	18,238.0	16,952.5
Total deposits from the public	153,340.8	146,264.8

Fixed-term deposits amount to SEK 21,392.6 M (5,791.3). Interest compensation is paid on premature redemption.

NOTE 28 DEBT SECURITIES IN ISSUE

SEK M	31 Dec 22	31 Dec 21
Commercial papers	1,406.6	616.6
Bond loans	255,407.6	261,967.3
<i>of which covered bonds</i>	<i>220,754.4</i>	<i>220,591.8</i>
Senior non-preferred debt	8,832.6	4,258.5
<i>of which green bonds</i>	<i>2,296.5</i>	<i>-</i>
Cashier's cheques issued	20.7	25.2
Total debt securities in issue	265,667.5	266,867.6



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NOTE 29 OTHER LIABILITIES

SEK M	31 Dec 22	31 Dec 21
Accounts payable	138.5	147.5
Withheld preliminary tax, customers	71.5	46.7
Leas liabilities	210.5	107.9
Other liabilities	1,166.3	625.7
Total other liabilities	1,586.8	927.8

NOTE 30 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	31 Dec 22	31 Dec 21
Accrued interest expense	1,093.8	938.3
Accrued remuneration of regional insurance companies	1,386.2	1,177.9
Prepaid rent	248.3	244.0
Contract liabilities	44.7	57.8
Other accrued expenses and deferred income	673.2	525.9
Total accrued expenses and deferred income	3,446.2	2,943.8

Contract liabilities refer to advance payments that Länsförsäkringar Bank received when its card provider was replaced. The contract liabilities will be reduced over time in line with the bank meeting the pre-established transactions volumes. The contract liability decreased SEK 13.1 M during the year, which corresponds to this year's dissolution.

NOTE 31 PROVISIONS

SEK M	31 Dec 22	31 Dec 21
Pension provisions	1.7	1.6
Loss allowance for commitments	26.4	23.3
Other provisions	8.9	39.9
Total provisions	37.0	64.7

For the change in loss allowance for commitments, refer to note 34.

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan includes all company employees except for a few employees who have individual solutions. The pension agreement for the insurance industry, the FTP plan, through insurance with the FPK, is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that, as a rule, a company is to recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure is also to be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is unable to provide the necessary information on this, which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 34 of IAS 19. Nor is any information available on future surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

The Group's expected fees in 2023 for the FTP plan amount to SEK 27.0 M.

	2022	2021
Expenses for defined – contribution plans	89.0	87.8

NOTE 32 SUBORDINATED LIABILITIES

SEK M	31 Dec 22	31 Dec 21
External subordinated debt with three-month floating interest rates	1,747.8	1,746.6
External subordinated debt with a fixed interest rate	848.9	848.1
Total subordinated liabilities	2,596.7	2,594.7

The subordinated loans listed and can be redeemed 1 March 2023 and 25 February 2026 at the earliest. These loans fall due on 1 March 2028 and 25 February 2031. During 31 December 22 the interest on the variable loans were 3.6 (1.1) percent and 3.4 (0.9) percent. The interest rate on fixed loans is 1.8 percent and 1.2 percent. For more information, see note 3 Risks and capital adequacy.

Early redemption of subordinated debt of SEK 1.1 billion will take place in March 2023 in accordance with approval from the FSA.

NOTE 33 EQUITY ACCORDING TO THE SWEDISH ANNUAL ACCOUNTS ACT FOR CREDIT INSTITUTIONS AND SECURITIES COMPANIES (ÄRKL)

SEK M	31 Dec 22	31 Dec 21
Restricted equity		
Share capital	2,864.6	2,864.6
Development expenditures fund	1,360.0	1,211.2
Statutory reserve	18.4	18.4
Total restricted equity	4,243.0	4,094.2
Non-restricted equity		
Reserves	35.5	59.3
Additional Tier 1 instruments	2,200.0	2,200.0
Retained earnings	14,443.8	13,544.7
Net profit for the year	1,663.2	1,850.8
Total non-restricted equity	18,342.5	17,654.8
Total equity	22,585.5	21,749.0

Reserves refer to the fair value reserve and the hedging reserve.

The fair value reserve comprises the accumulated net change in financial assets measured at fair value through other comprehensive income until the asset is derecognised from the balance sheet.

The hedging reserve comprises hedging of currency risk in future cash flows for the company's debt securities in issue in foreign currency.

The other changes in equity for the period and division according to IFRS are presented in the Statement of changes in equity.

Share capital comprises 9,548,708 (9,548,708) shares with a quotient value of SEK 300 (300).



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NOTE 34 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	31 Dec 22	31 Dec 21
For own liabilities, pledged assets		
Pledged securities in the central bank	2,354.3	4,552.5
Pledged securities in Euroclear	1,893.4	2,039.5
Collateral provided for derivatives	9,543.6	592.6
Securities collateral paid, derivatives	2,910.6	2,873.8
Loan receivables, covered bonds	282,069.1	266,886.7
Loan receivables, substitute collateral	10,390.0	9,790.0
Commitments resulting from repurchase agreement	153.5	1,532.7
Other collateral for securities	–	34.8
For own liabilities, pledged assets	309,314.5	288,302.4
Contingent liabilities		
Financial guarantees	30.5	33.3
Total contingent liabilities	30.5	33.3
Commitments		
Loans approved but not disbursed	19,669.4	21,107.4
Unutilised portion of overdraft facilities	3,041.8	3,180.4
Unutilised portion of credit card facilities	2,083.3	1,936.4
Total other commitments	24,794.5	26,224.2

Loans to the public were provided as collateral for issuance of covered bonds and mortgage bonds. In the event of the company's insolvency, bond holders have preferential rights to the assets that are registered as cover pool. Other pledged securities will be transferred to the pledgee in the event of bankruptcy.

For information on pledged assets, contingent liabilities and commitments for related parties, see note 38. For loss allowance for financial guarantees, see note 11.

Reconciliation of reported gross carrying amount and loss allowance for commitments

SEK M	Not credit-impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Credit risk exposure	Loss allowance	Credit risk exposure	Loss allowance	Credit risk exposure	Loss allowance	Credit risk exposure	Loss allowance
Opening balance, 1 Jan 2021	24,883.0	-32.2	379.0	-9.0	11.6	-1.4	25,273.6	-42.6
New loan commitments and increase in existing loan commitments	103,446.1	-22.3	81.3	-5.2	6.4	-14.5	103,533.8	-42.0
Changes:								
Change in loss allowance model or method	–	0.1	–	0.0	–	0.0	–	0.1
Net change in existing loan commitments and credit commitments (utilised and repaid)	-49,747.7	10.7	-125.7	2.8	-2.0	2.3	-49,875.5	15.8
Change in risk parameters	–	10.6	–	3.4	–	-0.5	–	13.5
Transfer of loan commitments and credit commitments:								
Transfer from stage 1 to stage 2	-615.9	3.9	615.9	-5.2	–	–	–	-1.4
Transfer from stage 2 to stage 1	140.7	-0.8	-140.7	1.1	–	–	–	0.3
Transfer to stage 3	-13.3	1.2	-2.2	0.5	14.9	-2.2	-0.5	-0.5
Transfer from stage 3	3.1	-0.1	1.0	0.0	-4.1	0.4	–	0.3
Expired loan commitments	-52,351.7	14.1	-339.8	5.8	-15.6	13.4	-52,707.1	33.3
Closing balance 31 Dec 2021	25,744.3	-14.8	468.7	-5.9	11.1	-2.5	26,224.2	-23.3
Opening balance, 1 Jan 2022								
New loan commitments and increase in existing loan commitments	65,292.5	-12.1	80.0	-3.1	18.1	-11.5	65,390.6	-26.8
Changes:								
Change in loss allowance model or method	–	5.9	–	1.9	–	0.5	–	8.3
Net change in existing loan commitments and credit commitments (utilised and repaid)	-21,341.8	3.5	-109.8	1.0	-8.1	3.3	-21,459.7	7.8
Change in risk parameters	–	-1.6	–	-0.3	–	0.0	–	-1.9
Transfer of loan commitments and credit commitments:								
Transfer from stage 1 to stage 2	-482.6	3.2	482.6	-6.8	–	–	–	-3.5
Transfer from stage 2 to stage 1	192.1	-0.8	-192.1	1.3	–	–	–	0.5
Transfer to stage 3	-33.0	0.4	-8.3	0.7	41.3	-5.9	–	-4.8
Transfer from stage 3	3.6	–	0.8	-0.1	-4.4	0.3	0.0	0.2
Expired loan commitments	-45,070.7	5.7	-265.0	1.9	-24.9	9.4	-45,360.6	17.0
Closing balance 31 Dec 2022	24,304.3	-10.7	457.0	-9.3	33.2	-6.3	24,794.5	-26.4

The loss allowance decreased by SEK 3.1 M (-19.3) during the year. The increase is mainly due to transfers to stage 2 and 3.

On 31 December 2022 the total loss allowance for commitments amounted to SEK 36.3 M (30.5), of which the Group's recognised loss allowance amounted to SEK 26.4 M (23.3) and the remainder of SEK 9.9 M (7.2) was settled against remuneration to the regional insurance companies. For more information on the distribution remuneration model, refer to note 16, Loans to the public.



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NOTE 35 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

31 Dec 2022, SEK M	Financial assets measured at FVPL		Financial assets measured at amortised cost	Financial assets measured at FVOCI		Total carrying value	Fair value
	Measured at fair value through profit or loss	Derivatives used in hedge accounting		Debt instruments valued at fair value through other comprehensive income	Equity instruments		
Assets							
Cash and balances with central banks			4,947.0			4,947.0	4,947.0
Treasury bills and other eligible bills				10,856.8		10,856.8	10,856.8
Loans to credit institutions			1,253.4			1,253.4	1,253.4
Loans to the public			384,104.3			384,104.3	380,162.2
Bonds and other interest-bearing securities				49,969.4		49,969.4	49,969.4
Shares and participations	43.3				50.3	93.6	93.6
Derivatives	1.3	8,137.0				8,138.3	8,138.3
Other assets			289.7			289.7	289.7
Prepaid expenses and accrued income			455.3			455.3	455.3
Total assets	44.6	8,137.0	391,049.7	60,826.2	50.3	460,107.8	456,165.7

31 Dec 2022, SEK M	Financial liabilities measured FVPL		Financial liabilities measured at amortised cost	Total carrying value	Fair value
	Measured at fair value through profit or loss	Derivatives used in hedge accounting			
Liabilities					
Due to credit institutions			8,992.0	8,992.0	8,992.0
Deposits and funding from the public			153,340.8	153,340.8	154,568.1
Debt securities in issue			265,667.5	265,667.5	253,521.2
Derivatives	40.5	10,381.5		10,422.0	10,422.0
Other liabilities			433.4	433.4	433.4
Subordinated liabilities			2,596.7	2,596.7	2,428.0
Accrued expenses and deferred income			1,451.1	1,451.1	1,451.1
Total liabilities	40.5	10,381.5	432,481.5	442,903.5	431,815.8



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NOTE 35, CONT.

CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

31 Dec 2021, SEK M	Financial assets measured at FVPL		Financial assets measured at amortised cost	Financial assets measured at FVOCI		Total carrying value	Fair value
	Measured at fair value through profit or loss	Derivatives used in hedge accounting		Debt instruments valued at fair value through other comprehensive income	Equity instruments		
Assets							
Cash and balances with central banks			14,361.4			14,361.4	14,361.4
Treasury bills and other eligible bills				15,526.1		15,526.1	15,526.1
Loans to credit institutions			1,480.1			1,480.1	1,480.1
Loans to the public			361,991.4			361,991.4	362,274.3
Bonds and other interest-bearing securities				50,424.8		50,424.8	50,424.8
Shares and participations	37.7				51.1	88.8	88.8
Derivatives	11.0	4,094.7				4,105.7	4,105.7
Other assets			215.4			215.4	215.4
Prepaid expenses and accrued income			287.6			287.6	287.6
Total assets	48.7	4,094.7	378,335.9	65,950.9	51.1	448,481.3	448,764.2

31 Dec 2021, SEK M	Financial liabilities measured FVPL		Financial liabilities measured at amortised cost	Total carrying value	Fair value
	Measured at fair value through profit or loss	Derivatives used in hedge accounting			
Liabilities					
Due to credit institutions			7,892.0	7,892.0	7,892.0
Deposits and funding from the public			146,264.8	146,264.8	147,223.7
Debt securities in issue			266,867.6	266,867.6	268,928.3
Derivatives	0.0	946.6		946.6	946.6
Other liabilities			353.6	353.6	353.6
Subordinated liabilities			2,594.7	2,594.7	2,592.8
Accrued expenses and deferred income			938.4	938.4	938.4
Total liabilities	0.0	946.6	424,911.1	425,857.7	428,875.4

¹⁾ Comparative figures have been adjusted.

The carrying amount of cash and balances with central banks, treasury bills and other eligible bills, loan to credit institutions, other asset, prepaid expenses and accrued income, due to credit institutions, other liabilities and accrued expenses and deferred income comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short term. Gains and losses are recognised in profit or loss under "net gains/losses from financial items". The only result arising on the derecognition of assets recognised at amortised cost is interest compensation received. For more information, refer to note 7.

NOTE 36

FAIR VALUE VALUATION TECHNIQUES

Level 1 refers to prices determined from prices listed in an active market
Level 2 refers to prices determined by calculated prices of observable market listings
Level 3 refers to prices based on own assumptions and judgements

Financial instruments measured at fair value in the balance sheet

31 Dec 2022 SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	6,273.0	4,583.8		10,856.8
Bonds and other interest-bearing securities	49,969.4			49,969.4
Shares and participations	8.1	23.2	62.3	93.6
Derivatives		8,138.3		8,138.3
Liabilities				
Derivatives		10,422.0		10,422.0

31 Dec 2021 SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	8,645.0	6,881.1		15,526.1
Bonds and other interest-bearing securities	50,024.8	400.0		50,424.8
Shares and participations	11.3	20.8	56.7	88.8
Derivatives		4,105.7		4,105.7
Liabilities				
Derivatives		946.6		946.6

Länsförsäkringar Bank AB holds shares and participations that cannot be reliably measured based on listing in an active market. Instead, regular valuations are performed based on, for example, recent company reports and forecast results. The fair value of Level 2 shares and participations that pertain to unlisted Series B shares in Mastercard Incorporated (MA) is measured based on the price of the Series A share on the balance-sheet date. Derivatives in Level 2 essentially refer to swaps for which fair value is calculated by discounting expected future cash flows.

Commercial paper recognised as "Treasury bills and other eligible bills" and "Bonds and other interest-bearing securities" was previously classified in Level 1 but due to a reinterpretation in the second quarter of 2022 is now classified as Level 2. The valuation was determined by calculated prices of observable market data. Comparative figures have been adjusted and the transfers amounted to SEK 7.3 billion.

Due to a reinterpretation, holdings of shares and participations with conversion rights for listed Series A shares in Level 2 were transferred from Level 2 to Level 3 in the first quarter of 2021. Holdings in Level 3 primarily comprise holdings of a strategic nature.



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NOTE 36, CONT. FAIR VALUE VALUATION TECHNIQUES

Change in Level 3

SEK M	Shares and participations
Opening balance, 1 January 2021	20.6
Transferred from Level 2 to Level 3	34.4
Divestments	-1.4
Recognised through profit or loss	3.3
Recognised in other comprehensive income	-0.2
Closing balance, 31 December 2021	56.7

Opening balance, 1 January 2022	56.7
Recognised through profit or loss	5.6
Recognised in other comprehensive income	0.0
Closing balance, 31 December 2022	62.3

Financial instruments measured at amortised cost in the balance sheet

31 Dec 2022 SEK M	Level 1	Level 2	Level 3	Total
Assets				
Loans to the public		380,162.2	380,162.2	
Liabilities				
Deposits and borrowing from the public		154,568.1	154,568.1	
Debt securities in issue		253,521.2	253,251.2	
Subordinated liabilities		2,428.0	2,428.0	

31 Dec 2021 SEK M	Level 1	Level 2	Level 3	Total
Assets				
Loans to the public		362,274.3	362,274.3	
Liabilities				
Deposits and borrowing from the public		147,223.7	147,223.7	
Debt securities in issue		268,928.3	268,928.3	
Subordinated liabilities		2,592.8	2,592.8	

Fair values of deposits from the public (Level 2) and loans to the public (Level 3) have been calculated using discounted expected cash flows where the discount rates applied are the current deposit and lending rates (including discounts). No other significant transfers took place in 2022 or 2021.

Fair value for debt securities in issue and subordinated liabilities (Level 2) is determined based on quoted prices. Parts of debt securities in issue that are considered to be illiquid are adjusted based on expected current issue prices. Commercial papers do not have external market prices and the fair value is determined based on the yield curve of each currency.

For further information about how the fair value was determined for financial instruments measured at fair value, and about valuation techniques and inputs, see also the note 2 on Accounting policies.

NOTE 37 INFORMATION ABOUT OFFSETTING

The table below contains financial assets and liabilities covered by a legally binding framework netting agreement or a similar agreement but that is not offset in the balance sheet. The Bank Group has ISDA and CSA agreements with all derivative counterparties and corresponding netting agreements for repurchase agreements, which means that all exposures are covered by both types of agreements. The framework netting agreement entails that parties are to settle their exposures net (meaning that receivables are offset against liabilities) in the event of a serious credit incident.

Financial assets and liabilities that are offset or subject to netting agreements						
SEK M 31 Dec 2021	Gross amount	Offset in balance sheet	Net amount in balance sheet	Related amounts not offset in the balance sheet		
				Netting framework agreement	Collateral Received (-) / Pledged (+)	Net amount
Assets						
Derivatives	5,013.8	-908.1	4,105.7	-126.9	-3,516.3	462.5
Repurchase agreements	875.1	-	875.1	-	-875.1	0.0
Liabilities						
Derivatives	-1,854.7	908.1	-946.6	126.9	592.6	-227.2
Repurchase agreements	-1,532.7	-	1,532.7	-	1,532.7	0.0
Total	2,501.5	-	2,501.5	-	-2,266.1	235.4
SEK M 31 Dec 2022						
Assets						
Derivatives	11,083.1	-2,944.8	8,138.3	-	-7,916.9	221.4
Repurchase agreements	153.5	-	153.5	-	-153.5	0.0
Liabilities						
Derivatives	-13,366.9	2,944.8	-10,422.0	-	9,543.6	-878.5
Repurchase agreements	-153.5	-	-153.5	-	153.5	0.0
Total	-2,283.8	-	-2,283.8	-	1,626.7	-657.1



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NOTE 38 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS

Related parties

Related legal entities to the Länsförsäkringar Bank Group include companies within the Länsförsäkringar AB Group and companies within the Länsförsäkringar Liv Group. In addition, the Group makes a broader interpretation of those considered to be "related legal entities" than the definition of related parties stipulated in the regulations. The assessment of whether a close relationship exists or not is based on the financial significance of the relationship and not only the share of ownership in a company. Accordingly, the 23 regional insurance companies, with their subsidiaries, and the 14 local insurance companies are defined as related parties since they jointly own 100% of the Parent Company Länsförsäkringar AB. Other related parties also include Länsförsäkringar Mäklar-service AB, Länsförsäkringar Fastighetsförmedling AB and Humlegården Fastigheter AB since these companies are wholly owned in the Länsförsäkringar Alliance. Related key persons are Board members, senior executives and their close family members.

Transactions SEK M	Receivables		Liabilities		Income		Expenses		Commitments	
	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21	2022	2021	2022	2021	2022	2021
Länsförsäkringar AB (Parent Company)	2.7	3.2	1,757.9	1,587.4	6.6	9.0	762.0	691.2	-	-
Other companies in the Länsförsäkringar AB Group	0.2	-	358.1	262.8	-9.5	-3.4	653.0	686.5	-	-
Regional insurance companies	67.8	44.9	5,127.6	5,010.7	134.2	121.6	1,872.4	1,667.8	82.1	78.4
Länsförsäkringar Liv Group	-	-	1,241.0	725.9	-	-	66.1	80.4	-	-
Other related parties	10.7	13.4	66.7	52.1	3.5	3.7	0.0	0.0	8.2	5.9

For information regarding remuneration of related key persons such as members of the Board of Directors and senior executives, see note 8 concerning staff costs. In all other

Agreements

Significant agreements for the Bank Group are primarily assignment agreements with the 23 regional insurance companies and assignment agreements with Länsförsäkringar AB regarding development, service, finance and IT. Commission income from outsourcing agreements with the regional insurance companies refers to support and back office services performed by the Bank Group. Income is recognised on an ongoing basis according to managed volumes and is adjusted to actual volumes every quarter.

Pricing, preparation and decision-making process

The price level of the goods and services that the Bank Group purchases and sells within the Länsförsäkringar Alliance is determined by Länsförsäkringar AB's corporate management once a year in conjunction with the adoption of the business plan.

respects, no transactions took place between these individuals and their family members apart from normal customer transactions.

NOTE 39 SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOW

	2022	2021
Interest and dividends		
Interest received	9,436.2	6,289.4
Interest paid	-3,399.6	-1,507.8
Adjustment for non-cash items		
Depreciation of property and equipment/amortisation of intangible assets	226.6	245.6
Impairment of property and equipment and intangible assets	-	305.8
Unrealised portion of net gains/losses from financial items	862.9	-245.7
Credit losses, excluding recoveries	26.2	-13.8
Other	-27.7	10.3
Total non-cash items	1,087.9	302.2
Cash and cash equivalents		
Cash and balances with central banks	4,947.0	14,361.4
Loans to credit institutions	398.4	359.1
Total cash and cash equivalents	5,345.4	14,720.5

NOTE 40 EVENTS AFTER BALANCE-SHEET DATE

On 20 January 2023, the FSA approved the Länsförsäkringar Bank Group's application to use new probability of default (PD) models. This approval also includes a transition from the Standardised Approach to the IRB Approach for the class of exposures to corporates in Wasa Kredit. The decision means that all of the bank's PD models will be replaced by new models. The effect of the implementation is that the new models entail a slight increase in the total risk exposure amount (REA), which will be reported from the first quarter of 2023.

Länsförsäkringar Bank has announced the early redemption of subordinated debt (Tier 2 capital loans) on the first possible redemption date in accordance with the terms of the loans. Redemption will take place on the first redemption date, which is 1 March 2023. This subordinated debt has already been deducted from own funds as per 31 December 2022. For more information, see note 3 Risks and capital adequacy.

It was announced on 30 January 2023 that Åsa Wallenberg will be the new head, and President, of Länsförsäkringar Fondförvaltning AB. She will take office in June.



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SEK M	2022	2021	2020	2019	2018
INCOME STATEMENT					
Net interest income	2,105.8	1,281.4 ¹⁾	1,413.6	1,283.8	1,233.7
Dividends received	250.6	0.5	0.5	4.7	29.9
Net commission	-268.8	155.4	5.8	22.2	66.0
Net gains/losses from financial items	26.0	13.6	-6.2	12.0	15.4
Other operating income	128.1	134.3	129.7	125.7	124.9
Total operating income	2,241.7	1,585.1¹⁾	1,543.3	1,448.3	1,470.0
Staff costs	-426.8	-391.1	-329.0	-327.5	-290.3
General administrative expenses	-1,153.7	-903.7	-939.2	-793.6	-840.0
Depreciation/amortisation	-150.1	-483.2	-146.3	-125.1	-375.4
Total operating expenses	-1,730.7	-1,778.1	-1,414.5	-1,246.2	-1,505.7
Profit/loss before credit losses	511.0	-193.0¹⁾	128.8	202.1	-35.7
Credit losses, net	2.5	5.9	-8.0	-5.2	15.6
Risk tax levied and resolution fees ¹⁾	-115.3	-17.1 ¹⁾	-	-	-
Operating profit/loss	398.3	-204.2	120.8	196.9	-20.1
Appropriations	130.0	145.1	-20.0	-51.1	-70.0
Tax	-141.8	5.7	-33.3	-46.5	2.4
Net profit/loss for the year	386.5	-53.4	67.4	99.3	-87.7

¹⁾ Comparative figures have been adjusted since the Resolution fee has been reclassified from Interest expense to Risk tax levied and resolution fee.

Five-year summary for the Parent Company, cont.

SEK M	2022	2021	2020	2019	2018
BALANCE SHEET					
Cash and balances with central banks	4,947.0	14,361.4	53.0	9,831.1	22.2
Treasury bills and other eligible bills	10,856.8	15,526.1	11,795.6	9,934.4	10,846.8
Loans to credit institutions	95,226.4	79,336.5	86,704.7	78,862.7	79,013.9
Loans to the public	62,086.9	57,904.4	55,302.2	42,800.0	45,742.5
Bonds and other interest-bearing securities	40,099.7	40,456.1	36,148.4	32,369.3	26,873.7
Shares and participations	10,059.3	9,852.8	9,855.2	9,854.0	9,830.3
Derivatives	15,031.3	4,613.9	4,470.0	6,738.8	4,667.2
Fair value changes of interest-rate-risk hedged items in portfolio hedge	-542.6	76.2	32.8	4.5	21.6
Intangible assets	1,261.8	1,120.0	1,276.7	1,173.3	904.7
Other assets	287.5	403.7	360.0	378.2	393.8
Prepaid expenses and accrued income	160.8	135.9	106.1	80.7	89.1
Total assets	239,474.9	223,786.9	206,104.6	192,027.1	178,405.9
Due to credit institutions	10,592.7	9,964.9	7,869.4	10,864.9	10,755.9
Deposits and funding from the public	154,531.1	147,202.0	137,035.6	119,783.2	108,539.8
Debt securities in issue	44,913.1	46,275.8	40,276.0	39,115.0	39,586.1
Derivatives	13,272.6	4,270.4	4,624.5	6,187.5	4,482.4
Fair value changes of interest-rate-risk hedged items in portfolio hedge	-562.7	46.4	9.1	-	38.1
Other liabilities	1,072.3	466.7	523.5	376.3	474.9
Accrued expenses and deferred income	1,396.7	630.1	630.5	595.2	532.2
Subordinated liabilities	2,596.7	2,594.7	2,597.3	2,595.2	2,593.1
Equity and untaxed reserves	11,662.3	12,335.8	12,538.6	12,509.8	11,403.5
Total liabilities, equity and untaxed reserves	239,474.9	223,786.9	206,104.6	192,027.1	178,405.9
KEY FIGURES					
Return on total assets, %	0.17	-0.08	0.04	0.07	-0.02
Common Equity Tier 1 capital ratio, %	26.1	17.1	28.4	27.4	30.2
Capital adequacy ratio, %	33.3	21.5	35.2	34.3	34.2
Tier 1 ratio, %	38.2	26.7	43.1	42.3	42.8

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Income statement – Parent Company

SEK M	Not	2022	2021
Interest income	5	3,344.9	1,871.6
Interest expense ¹⁾	5	-1,239.1	-590.1
Net interest income		2,105.8	1,281.4
Dividends received		250.6	0.5
Commission income	6	823.5	763.0
Commission expense	6	-1,092.2	-607.6
Net commission		-268.8	155.4
Net gains/losses from financial items	7	26.0	13.6
Other operating income	8	128.1	134.3
Total operating income		2,241.7	1,585.1
Staff costs	9	-426.8	-391.1
Other administration expenses	10, 11, 12	-1,153.7	-903.7
Total administration expenses		-1,580.6	-1,294.8
Depreciation/amortisation and impairment of property and equipment/ intangible assets	13	-150.1	-483.2
Total operating expenses		-1,730.7	-1,778.1
Profit/loss before credit losses		511.0	-193.0
Credit losses, net	14	2.5	5.9
Risk tax levied and resolution fees ¹⁾		-115.3	-17.1
Operating profit/loss		398.3	-204.2
Appropriations	35	130.0	145.1
Tax	15	-141.8	5.7
Net profit/loss for the year		386.5	-53.4

¹⁾ Comparative figures have been adjusted since the Resolution fee has been reclassified from Interest expense to Risk tax levied and resolution fee.

Statement of comprehensive income – Parent Company

SEK M	2022	2021
Net profit for the year	386.5	-53.4
Other comprehensive income		
Items that have been transferred or can be transferred to profit or loss		
Cash-flow hedges		
of which change in value for the period	1,171.8	271.2
of which reclassification to profit or loss	-1,107.3	-242.7
Change in fair value of debt instruments measured at FVOCI		
of which change in value for the period	-262.6	85.1
of which reclassification of realised securities to profit or loss	39.7	-5.0
Tax attributable to items that have been transferred or can be transferred to profit or loss	32.6	-22.4
Total	-125.8	86.2
Items that cannot be transferred to profit or loss		
Change in fair value of equity instruments measured at FVOCI	-0.8	-9.0
Tax attributable to items that cannot be reversed to profit or loss	-0.5	-0.4
Total	-1.3	-9.4
Total other comprehensive income for the year, net after tax	-127.1	76.8
Comprehensive income for the year	259.4	23.4

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SEK M	Note	31 Dec 22	31 Dec 21
ASSETS			
Cash and balances with central banks		4,947.0	14,361.4
Treasury bills and other eligible bills	16	10,856.8	15,526.1
Loans to credit institutions	17	95,226.4	79,336.5
Loans to the public	18	62,086.9	57,904.4
Bonds and other interest-bearing securities	19	40,099.7	40,456.1
Shares and participations		93.6	88.8
Shares and participations in joint ventures		3.2	–
Shares and participations in Group companies	20	9,962.5	9,764.0
Derivatives	21	15,031.3	4,613.9
Fair value changes of interest-rate risk hedged items in portfolio hedge	22	–542.6	76.2
Intangible assets	23	1,261.8	1,120.0
Property and equipment	24	9.4	9.0
Deferred tax assets	25	11.4	31.6
Other assets	26	266.7	363.1
Prepaid expenses and accrued income	27	160.8	135.9
TOTAL ASSETS		239,474.9	223,786.9
LIABILITIES, PROVISIONS AND EQUITY			
Due to credit institutions	28	10,592.7	9,964.9
Deposits and funding from the public	29	154,531.1	147,202.0
Debt securities in issue	30	44,913.1	46,275.8
Derivatives	21	13,272.6	4,270.4
Fair value changes of interest-rate risk hedged items in portfolio hedge	22	–562.7	46.4
Deferred tax liabilities		4.7	–
Other liabilities	31	1,052.0	448.8
Accrued expenses and deferred income	32	1396.7	630.1
Provisions	33	15.6	17.9
Subordinated liabilities	34	2,596.7	2,594.7
Total liabilities and provisions		227,812.6	211,451.1
Untaxed reserves		118.0	248.0

Balance sheet – Parent Company, cont.

SEK M	Note	31 Dec 22	31 Dec 21
Equity			
<i>Restricted equity</i>	36		
Share capital		2,864.6	2,864.6
Statutory reserve		18.4	18.4
Development Expenditures Fund		1,304.3	1,162.6
<i>Total restricted equity</i>		<i>4,187.3</i>	<i>4,045.6</i>
<i>Non-restricted equity</i>			
Additional Tier 1 instruments		2,200.0	2,200.0
Fair value reserves		21.7	148.8
Retained earnings		4,748.7	5,746.8
Net profit/loss for the year		386.5	–53.4
<i>Total non-restricted equity</i>		<i>7,357.0</i>	<i>8,042.3</i>
Total equity		11,544.3	12,087.8
TOTAL LIABILITIES, PROVISIONS AND EQUITY		239,474.9	223,786.9



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Cash-flow statement, indirect method – Parent Company

SEK M	Note	2022	2021
Cash and cash equivalents, 1 January		14,441.6	178.0
Operating activities			
Operating profit/loss		398.3	-204.2
Adjustment of non-cash items	43	-532.7	750.6
Change in assets of operating activities			
Change in interest-bearing securities		3,427.5	-8,401.4
Change in loans to the public		-4,180.0	-2,589.7
Change in other assets		-15,786.5	7,271.7
Change in liabilities of operating activities			
Change in deposits and funding from the public		7,329.1	10,166.4
Change in debt securities in issue		-1,053.5	5,686.0
Change in other liabilities		2,074.9	1,997.6
Cash flow from operating activities		-8,323.0	14,677.0
Investing activities			
Acquisition of intangible assets		-287.7	-325.5
Acquisition of property and equipment		-4.6	-7.1
Change in other financial assets		-201.7	-
Cash flow from investing activities		-494.0	-332.6
Financing activities			
Issued Additional Tier 1 capital instruments		-	-
Repayment of issued Additional Tier 1 instruments		-	-
Interest on Additional Tier 1 instruments		-89.1	-81.2
Change in subordinated debt		-0.0	0.3
Dividend paid		-396.3	-
Cash flow from financing activities		-485.4	-80.9
NET CASH FLOW FOR THE YEAR		-9,302.4	14,263.6
Cash and cash equivalents, 31 December	43	5,139.2	14,441.6

Cash and cash equivalents are defined as cash and balances at central banks and loans due to credit institutions payable on demand.



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SEK M	Restricted equity			Non-restricted equity					
	Share capital	Development expenditures fund	Other capital contributed	Additional Tier 1 instruments ¹⁾	Fair value reserve		Retained earnings	Net profit for the year	Total
					Fair value reserve	Hedge reserve			
Opening balance, 1 January 2021	2,864.6	1,276.8	18.4	2,200.0	127.6	-55.6	5,646.3	67.4	12,145.5
Profit for the period								-53.4	-53.4
Other comprehensive income for the period					54.2	22.6			76.8
Comprehensive income for the period					54.2	22.6		-53.4	23.5
According to resolution by Annual General Meeting							67.4	-67.4	-
Issued Additional Tier 1 instruments							-81.2		-81.2
Capitalised proprietary development expenditures		-114.2					114.2		-
Realised gain/loss from sale of shares							0.1		0.1
Closing balance, 31 December 2021	2,864.6	1,162.6	18.4	2,200.0	181.8	-33.0	5,746.8	-53.4	12,087.8
Opening balance, 1 January 2022	2,864.6	1,162.6	18.4	2,200.0	181.8	-33.0	5,746.8	-53.4	12,087.8
Profit for the period								386.5	386.5
Other comprehensive income for the period					-178.3	51.2			-127.1
Comprehensive income for the period					-178.3	51.2		386.5	259.4
According to resolution by Annual General Meeting							-53.4	53.4	-
Dividend paid							-396.3		-396.3
Group contributions paid							-400.0		-400.0
Tax on group contributions paid							82.4		82.4
Issued Additional Tier 1 instruments							-89.1		-89.1
Capitalised proprietary development expenditures		141.7					-141.7		-
Closing balance, 31 December 2022	2,864.6	1,304.3	18.4	2,200.0	3.5	18.3	4,748.7	386.5	11,544.3

¹⁾ The issued Tier 1 instrument is deemed to fulfil the conditions of an equity instrument since:

• The instrument, according to the conditions, does not have a set maturity date, meaning that the issuer has an unconditional right to refrain from making repayments.

• The issuer of the instrument has full discretion regarding interest payments, that is to say no obligation to pay interest.





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All figures in SEK M unless otherwise stated.

NOTE 1 COMPANY INFORMATION

The Annual Report for Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) was presented on 31 December, 2022. Länsförsäkringar Bank AB is a bank registered in Sweden, with its registered office in Stockholm. The address of the head office is Tegeluddsvägen 11-13, Stockholm, Sweden. The company is a wholly owned subsidiary of Länsförsäkringar AB (publ) (Corp. Reg. No. 502010-9681) with its registered office in Stockholm. The Parent Company in the largest and smallest Group in which Länsförsäkringar Bank AB (publ) is the subsidiary and in which the consolidated financial statements are prepared is Länsförsäkringar AB (publ), Stockholm. The Annual Report for Länsförsäkringar Bank (publ) was approved by the Board and President for publication on 16 March, 2023. Final approval of the Annual Report will be made by the Parent Company's Annual General Meeting on 24 April, 2023.

NOTE 2 PARENT COMPANY'S ACCOUNTING POLICIES

The accounting policies stated below for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements. The Parent Company prepares its accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÄRKL), the Swedish Financial Supervisory Authority's regulations and general guidelines on annual reports in credit institutions and securities companies (FFFS 2008:25), including amendment regulations and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The rules in RFR 2 stipulate that the Parent Company, in the annual accounts for the legal entity, is to apply all IFRS and statements adopted by the EU to the extent that this is possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act and taking into consideration the connection between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS.

DIFFERENCES BETWEEN THE GROUP'S AND THE PARENT COMPANY'S ACCOUNTING POLICIES

The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Annual Accounts Act for Credit Institutions and Securities Companies and the Pension Obligations Vesting Act and in certain cases for tax reasons. The main deviations compared with the Group's policies are described below.

AMENDED ACCOUNTING POLICIES APPLIED FROM 2021

No accounting standards, which have been published but not yet applied, came into effect during the period that have a material effect on the company's financial statements.

DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

Remuneration of employees

Defined-benefit pension plans

The Parent Company applies different policies for the taxation of defined-benefit plans to those stipulated in IAS 19. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervisory Authority, which is a requirement for rights to tax deductions. The most significant differences compared with the IAS 19 regulations are the determination of the discount rate, that the defined-benefit commitment is calculated based on current salary levels without any assumptions concerning future salary increases, and that all actuarial gains and losses are recognised in profit or loss when they arise.

Subsidiaries

Shares and participations in subsidiaries are recognised at cost. Transaction costs are included in the carrying amount of holdings in subsidiaries.

Shareholders' contributions

Shareholders' contributions are recognised directly against the equity of the recipient and in shares and participations in Group companies of the donor.

NEW IFRS AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED

The impact on capital adequacy due to new or revised IFRS is described in note 2 for the Group.

NOTE 3 RISKS AND CAPITAL ADEQUACY

See note 3 Risks and capital adequacy.

NOTE 4 SEGMENT REPORTING

Segment reporting is only submitted for the Group.

NOTE 5 NET INTEREST INCOME

SEK M	2022	2021
Interest income		
Loans to credit institutions ¹⁾	1,731.8	923.9
Loans to the public	1,216.0	993.2
Interest-bearing securities ¹⁾	275.1	105.0
Derivatives	121.9	-150.5
Other interest income	0.0	-
Total interest income	3,344.9	1,871.6
Interest expense		
Due to credit institutions ¹⁾	-132.9	-62.8
Deposits and funding from the public	-375.9	-148.1
Debt securities in issue ²⁾	-431.5	-287.1
Subordinated liabilities	-44.7	-42.6
Derivatives	-138.7	16.3
Other interest expense, including government deposit insurance	-115.4	-65.8
Total interest expense	-1,239.1	-590.1
Total net interest income	2,105.8	1,281.4
Average interest rate on loans to the public during the period, including net leasing, %	2.6	2.1
Average interest rate on deposits from the public during the period, %	0.2	0.1

¹⁾ of which negative interest on Loans to credit institutions of SEK 0.0 M (0.0). Interest-bearing securities of SEK -29.4 M (-30.2) and Due to credit institutions of SEK 4.0 M (10.1).

²⁾ Interest expenses on non-preferred senior debt amounts to SEK 95.5 M (25.7).



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NOTE 6 NET COMMISSION

SEK M	2022	2021
Commission income		
Payment mediation	153.7	145.8
Loans	6.5	8.0
Deposits	5.0	4.9
Securities	195.0	208.5
Cards	351.0	294.2
Remuneration from the regional insurance companies	100.6	88.8
Other commission	11.8	12.8
Total commission income¹⁾	823.5	763.0
Commission expense		
Payment mediation	-109.2	-106.8
Securities	-11.3	-26.8
Cards	-159.9	-143.4
Remuneration to regional insurance companies	-796.0	-312.0
Other commission	-15.9	-18.6
Total commission expense	-1,092.2	-607.6
Total net commission	-268.8	155.4

¹⁾ Refers to revenue from contracts with customers.

NOTE 7 NET GAINS/LOSSES FROM FINANCIAL ITEMS

SEK M	2022	2021
Interest-bearing assets and liabilities and related derivatives	-30.0	3.4
Other financial assets and liabilities	54.0	6.3
Interest compensation (refers to items measured at amortised cost)	2.0	3.9
Total net gains/losses from financial items	26.0	13.6

SEK M	31 Dec 22	31 Dec 21
Profit/loss by measurement category		
Financial assets measured at FVPL	54.0	6.3
Financial assets measured at amortised cost	1.2	3.5
Financial liabilities measured at amortised cost	0.8	0.3
Financial assets measured at FVOCI	-39.5	5.0
Hedge accounting at fair value	-8.3	-4.7
Ineffectiveness of cash-flow hedges	-	-
Exchange-rate effect	17.8	3.2
Total	26.0	13.6

NOTE 8 OTHER OPERATING INCOME

SEK M	2022	2021
Remuneration from the regional insurance companies	146.1	136.6
Other income including inventory change ¹⁾	-18.0	-2.4
Total other operating income	128.1	134.3

¹⁾ Refers to revenue from contracts with customers.

NOTE 9 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees, Sweden	2022	2021
Men	173	156
Women	226	204
Total number of employees	399	360

Salaries, other remuneration and social security expenses, other employees, SEK M	2022	2021
Salaries and remuneration	-249.2	-223.3
of which, variable remuneration	-	-
Social security expenses	-135.3	-123.5
of which, pension costs	-44.8	-43.0
Total	-384.5	-346.8

Board of Directors and other senior executives, 17 (18) SEK M	2022	2021
Salaries and remuneration	-21.5	-21.0
of which, fixed salary to the President	-4.9	-4.8
of which, variable remuneration to the President	-	-
of which, fixed salary to other senior executives	-14.2	-13.5
of which, variable salary to other senior executives	-	-
Social security expenses	-15.5	-14.7
of which, pension costs	-6.8	-6.4
Total	-37.0	-35.7

Total salaries, other remuneration and social security expenses, SEK M	2022	2021
Salaries and remuneration	-270.8	-244.2
of which, variable remuneration	-	-
Social security expenses	-150.8	-138.2
of which, pension costs	-51.6	-49.3
Total	-421.5	-382.4

Länsförsäkringar Bank has about 1,900 individuals who are also employed at Länsförsäkringar Bank and the regional insurance companies. They receive their entire remuneration from their respective regional insurance company.

Remuneration of the Board

Directors' fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. No fee is paid to employee representatives or Members of the Board within Länsförsäkringar AB Group.

Remuneration of senior executives

Remuneration of the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Senior executives are the individuals who, together with the President, comprise corporate management.



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NOTE 9, CONT. EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Remuneration and other benefits for senior executives

2022 SEK M	Basic salary	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Sven Eggefalk, President	4.8	–	0.1	1.7	6.6	35
Anna Christina Norrström, Board member	0.2	–	–	–	0.2	–
Hans Ljungkvist, Board member	0.4	–	–	–	0.4	–
Ola Evensson, Board member	0.4	–	–	–	0.4	–
Ulrica Hedman, Board member	0.2	–	–	–	0.2	–
Emil Källström, Board member	0.3	–	–	–	0.3	–
Niklas Larsson, Board member	0.4	–	–	–	0.4	–
Anders Grånäs, former Board member	0.1	–	–	–	0.1	–
Peter Lindgren, former Board member	0.2	–	–	–	0.2	–
Anna Blom, former Board member	0.2	–	–	–	0.2	–
Other senior executives						
Parent Company (7)	13.9	–	0.2	5.1	19.3	38
Subsidiaries (4) ¹⁾	9.1	–	0.0	6.9	16.0	95
Total 2022	30.4	–	0.3	13.7	44.4	
Total remuneration from Parent Company	21.3	–	0.3	6.8	28.4	
Total remuneration from subsidiaries	9.1	–	0.0	6.9	16.0	

2021 SEK M	Basic salary	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Sven Eggefalk, President	4.7	–	0.1	1.7	6.5	35
Anders Borgcrantz, Executive Vice President Jan-Feb ¹⁾	0.5	–	–	0.2	0.7	35
Peter Lindgren, Board member	0.5	–	–	–	0.5	–
Hans Ljungkvist, Board member	0.2	–	–	–	0.2	–
Ola Evensson, Board member	0.4	–	–	–	0.4	–
Anders Grånäs, Board member	0.3	–	–	–	0.3	–
Anna Blom, Board member	0.4	–	–	–	0.4	–
Ulrika Messing, Board member	0.2	–	–	–	0.2	–
Niklas Larsson, Board member	0.2	–	–	–	0.2	–
Lennart Käll, former Board member	0.2	–	–	–	0.2	–
Per-Ove Bäckström, former Board member	0.1	–	–	–	0.1	–
Ingrid Jansson, former Board member	0.2	–	–	–	0.2	–
Other senior executives						
Parent Company (7)	13.2	–	0.3	4.7	18.2	35
Subsidiaries (3) ¹⁾	8.1	–	0.1	3.6	11.8	45
Total 2021	29.2	–	0.5	10.1	39.8	
Total remuneration from Parent Company	20.6	–	0.4	6.4	27.3	
Total remuneration from subsidiaries	8.6	–	0.1	3.8	12.5	

¹⁾ The employees receive salary and remuneration from subsidiaries and are not included in the total for the Board and senior executives in the table of "Salaries, other remuneration and social security expenses" on the preceding page.

Pension costs pertain to the impact on net profit for the year.

Pensions

The retirement age for the President is 65. The pension is a defined-contribution plan and pension premium is to amount to 35 percent of monthly salary. One senior executive has an agreement for an additional pension provision corresponding to 12 percent of the executive's monthly salary. The retirement age for other senior executives is 65. The terms comply with pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (Forena) and the Swedish Confederation of Professional Associations (SACO). Furthermore, an additional pension premium corresponding to one price base amount per year is paid every year.

Severance pay

A mutual period of notice of 6 months applies to the President. If termination of employment is issued by the company, severance pay corresponding to 12 months' salary will be paid to the President. For other senior executives, the period of notice follows applicable agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (Forena) and the Swedish Confederation of Professional Associations (SACO).

Preparation and decision-making process applied in relation to the issue of remuneration of senior executives

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration of corporate management. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. The Board decides on remuneration and other terms of employment for corporate management and employees with overall responsibility for one of the company's control functions.

Composition of Remuneration Committee

The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan. The Remuneration Committee comprises the Chairman and one Board member.

Policies for remuneration of senior executives

Senior executives in the Länsförsäkringar AB Group are to have market-based employment terms and conditions. The total remuneration must be on par with the industry. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

Pensions should comply with the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (Forena) and the Swedish Confederation of Professional Associations (SACO).



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Other benefits

In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual health care insurance and other benefits offered to all employees.

Number of women among senior executives, %	31 Dec 22	31 Dec 21
Board members	30	20
Other senior executives	38	36

Loans to the Board of Directors, Presidents/Executive Vice Presidents and other senior executives

	Bank Group		Parent Company		Parent Company Group	
	2022	2021 ¹⁾	2022	2021 ¹⁾	2022	2021 ¹⁾
Board members	50.3	49.9	11.5	10.4	83.9	98.7
of which, loans from Bank	4.2	8.2	2.4	2.1	8.9	15.7
of which, loans from Hypotek	46.1	41.2	9.1	8.3	75.0	82.8
of which, loans from Wasa Kredit	-	-	-	-	-	0.3
President and Executive Vice Presidents	1.3	2.5	9.9	4.4	23.9	15.6
of which, loans from Bank	-	0.5	-	0.5	0.5	1.5
of which, loans from Hypotek	1.3	2.0	9.9	3.9	23.3	13.7
of which, loans from Wasa Kredit	-	-	-	-	0.1	0.3
Senior executives	16.6	9.1	10.8	12.9	41.8	28.7
of which, loans from Bank	1.1	1.7	-	0.5	2.4	2.8
of which, loans from Hypotek	15.1	7.4	10.8	12.4	39.1	25.9
of which, loans from Wasa Kredit	0.4	0.0	-	-	0.4	0.0

1) Comparative numbers have been adjusted.

Loans granted comprise personnel loans and unsecured loans. Personnel loans and unsecured loans carry terms comparable to what applies for other customers. Interest for personnel loans is set based on the interest rate that the 10% of the best customers have received for their fixed-interest periods for the past month. The interest for unsecured loans is the government funding rate on 30 November last year, plus 1%. The terms and conditions of other loans are market-based. The Group has not pledged

assets, other collateral or assumed any liability undertaking for the benefit of any senior executive.

Remuneration Policy

In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2011:1) regarding remuneration policies in credit institutions, investment firms and fund management companies, the Board of Directors is to adopt a Remuneration Policy. It is intended that a statement of remuneration in the company is to be published on the website when the Annual Report is published.

NOTE 10 OTHER ADMINISTRATION EXPENSES

SEK M	2022	2021
Costs for premises	-37.9	-37.9
IT costs	-564.9	-479.7
Consultant costs	-147.9	-159.4
Marketing	-33.0	-32.2
Management costs	-14.3	-12.5
Other administration expenses	-355.8	-182.0
Total administration expenses	-1,153.7	-903.7

NOTE 11 REMUNERATION OF AUDITORS

SEK M	2022	2021
Deloitte AB, audit assignment	-3.6	-
Deloitte AB, audit activities in addition to the audit assignment	-	-
Deloitte AB, tax advice	-	-
Deloitte AB, other assignments	-	-
KPMG AB, audit assignment	-0.4	-2.4
KPMG AB, audit activities in addition to the audit assignment	-0.8	-0.4
KPMG AB, tax advice	-	-
KPMG AB, other assignments	-0.4	-0.3
Total fees and remunerations of auditors	-5.1	-3.1

Audit assignment pertains to a review of the Annual Report and accounting, as well as the Board's and President's administration. Audit activities other than audit assignment pertain to various types of quality-assurance services, such as reviews of the administration, Articles of Association, regulations or agreements that result in reports or certificates. Other assignments pertain to activities that are not included in the abovementioned items, for example, legal consultations alongside audit activities and that are not attributable to tax consultancy services.

NOTE 12 LEASING

These agreements pertain to internal and external lease contracts where the Parent Company is the lessee.

SEK M	2022	2021
Lease expenses paid		
Rent for premises	-29.1	-27.9
of which, variable fees	-20.5	-20.1
Leasing fees, company cars	-	-
Other leasing fees	-45.7	-40.0
Future basic rents for irrevocable leasing contracts		
Within 1 year	-43.1	-41.2
Between 1 and 5 years	-43.1	-72.8
Total future minimum lease fees	-86.2	-114.0

NOTE 13 DEPRECIATION/AMORTISATION AND IMPAIRMENT OF PROPERTY AND EQUIPMENT/INTANGIBLE ASSETS

SEK M	2022	2021
Depreciation of property and equipment	-4.2	-1.1
Amortisation of intangible assets	146.0	-176.3
Total depreciation/amortisation	150.1	-177.4
Impairment of intangible assets	-	-305.8
Total depreciation/amortisation and impairment of assets	-150.1	-483.2

More information on impairment is available in note 23 Intangible assets.



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NOTE 14 CREDIT LOSSES, NET

SEK M	2022	2021
Change in loss allowance for loan receivables		
Stage 1 (not credit-impaired)	-2.5	8.1
Stage 2 (not credit-impaired)	-0.1	4.5
Stage 3 (credit-impaired)	5.2	-0.2
Total change in loss allowance for loan receivables	2.6	12.4
Expense for confirmed credit losses	-2.0	1.9
Payment received for prior confirmed credit losses	4.0	2.8
Net expense for the period for credit losses for loan receivables	4.5	17.2
Change in loss allowance for commitments	1.0	-4.6
Net expense for other credit losses	-3.0	-6.6
Net expense of the modification result	0.0	0.0
Net expense for credit losses	2.5	5.9

A condition for full payment of the regional insurance companies distribution remuneration by Länsförsäkringar Bank AB is that the loans generated by each regional insurance company for Länsförsäkringar Bank AB are of high quality. If this is not the case, up to 80% of any credit losses are off-set against the accrued remuneration to the regional insurance companies. This model for settlement of credit losses is kept separate and is taken into consideration when the provisions are established. In 2022, total credit losses amounted to SEK 12.3 M (45.8), of which the company's recognised credit losses amounted to SEK 2.5 M (5.9) and the remainder of SEK 9.8 M (39.8) was settled against remuneration to the regional insurance companies.

Loss allowance

SEK M	31 Dec 22	31 Dec 21
Financial assets measured at amortised cost		
Cash and balances at central banks	-	-
Loans to credit institutions	21.2	18.5
Loans to the public	10.8	15.6
Other assets	-	-
Financial assets measured at FVOCI		
Treasury bills and other eligible bills	0.2	0.3
Bonds and other interest-bearing securities	0.7	0.8
Provisions		
Commitments and guarantees	10.4	11.9
Total loss allowance	43.3	47.0

All exposures are in stage 1 except for loans to the public and commitments which have exposure in all three stages. For more information about the change in loss allowance for loans to the public and commitments, see notes 18 and 37.

NOTE 15 TAX ON NET PROFIT FOR THE YEAR

SEK M	2022	2021
Current tax		
Tax expense/tax income for the year	-130.2	14.8
Adjustment of tax expense pertaining to prior years	-	-
Total current tax	-130.2	14.8
Deferred tax		
Change in deferred tax expense on temporary differences	-11.6	-9.0
Total deferred tax	-11.6	-9.0
Total recognised tax expense	-141.8	5.7
Reconciliation of effective tax rate		
Profit before tax	528.3	-59.1
Tax in accordance with applicable tax rate	-108.8	12.2
Tax on non-deductible costs	-33.1	-17.3
Tax on non-taxable income	1.7	10.9
Deferred tax pertaining to temporary differences	-1.6	-1.8
Tax attributable to earlier years	0.0	1.8
Total tax on net profit for the year	-141.8	5.7
Applicable tax rate	20.6%	20.6%
Effective tax rate	26.8%	9.7%
Tax items recognised in other comprehensive income		
Tax on financial assets measured at fair value through other comprehensive income	45.4	-16.9
Tax on cash flow hedges	-13.3	-5.9
Total tax attributable to other comprehensive income	32.1	22.8

NOTE 16 TREASURY BILLS AND OTHER ELIGIBLE BILLS

SEK M	31 Dec 22	31 Dec 21
Swedish government	10,274.5	14,967.5
German government	449.5	427.9
Finnish government	132.8	130.7
Total treasury bills and other eligible bills	10,856.8	15,526.1
Fair value	10,856.8	15,526.1
Amortised cost	11,206.0	15,480.8
Nominal value	11,132.4	15,211.4

For loss allowance, see note 14.

NOTE 17 LOANS TO CREDIT INSTITUTIONS

SEK M	31 Dec 22	31 Dec 21
Loans to subsidiaries	94,315.6	79,001.5
Other loans to credit institutions	910.8	335.0
Total loans to credit institutions	95,226.4	79,336.5

For loss allowance, see note 14.

NOTE 18 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	31 Dec 22	31 Dec 21
Public sector	8,000.6	10,151.7
Corporate sector	1,690.3	1,814.0
Retail sector	43,542.7	45,586.0
Other	8,864.2	368.3
Loans to the public before reserves	62,097.7	57,920.0
Reserves	-10.8	-15.6
Loans to the public	62,086.9	57,904.4
Fixed-interest period		
Remaining term of not more than 3 months	38,699.5	47,021.4
Remaining term of more than 3 months but not more than 1 year	14,305.2	2,495.2
Remaining term of more than 1 year but not more than 5 years	8,779.1	7,998.8
Remaining term of more than 5 years	303.1	389.0
Total loans to the public	62,086.9	57,904.4

Remaining term is defined as the remaining fixed-income period if the loan has periodically restricted conditions.

**NOTE 18. CONT. LOANS TO THE PUBLIC****Reconciliation of gross carrying amount and loss allowance**

	Not credit-impaired				Credit-impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
SEK M								
Opening balance 1 Jan 2021	53,375.9	-7.3	1,658.2	-6.5	293.9	-12.0	55,328.0	-25.8
New loans	17,900.8	-2.0	8.3	-0.0	8.8	-0.5	17,917.9	-2.5
Changes:								
Change in loss allowance model or method	-	0.0	-	0.0	-	0.0	-	0.0
Repayment	-15,204.2	2.1	-261.2	0.9	-80.3	3.9	-15,545.6	6.8
Change in risk parameters	-	4.2	-	4.0	-	-2.1	-	6.1
Other	248.6	-0.1	-10.2	0.1	-3.4	0.4	235.0	0.4
Transfer between stages:								
Transfer from stage 1 to stage 2	-1,078.9	0.7	1,078.9	-1.0	-	-	-	-0.2
Transfer from stage 2 to stage 1	733.9	0.0	-733.9	0.1	-	-	-	0.1
Transfer to stage 3	-42.5	0.9	-124.2	0.5	166.7	-4.6	-	-3.2
Transfer from stage 3	32.5	0.0	9.8	0.0	-42.3	0.7	-	0.6
Write-off	-	-	-	-	-15.3	2.1	-15.3	2.1
Closing balance 31 Dec 2021	55,966.1	-1.4	1,625.7	-2.0	328.1	-12.2	57,920.0	-15.6
Opening balance 1 Jan 2022	55,966.1	-1.4	1,625.7	-2.0	328.1	-12.2	57,920.0	-15.6
New loans	22,860.8	-1.0	48.0	0.0	5.2	-0.3	22,914.0	-1.4
Changes:								
Change in loss allowance model or method	-	-0.1	-	0.0	-	-0.1	-	-0.2
Repayment	-18,361.5	0.6	-302.3	0.4	-98.9	3.6	-18,762.7	4.6
Change in risk parameters	-	-0.4	-	0.0	-	0.4	-	0.0
Other	71.4	0.0	-13.4	0.0	-9.5	0.2	48.4	0.2
Transfer between stages:								
Transfer from stage 1 to stage 2	-864.3	0.6	864.3	-1.1	-	-	-	-0.5
Transfer from stage 2 to stage 1	777.5	0.0	-777.5	0.2	-	-	-	0.2
Transfer to stage 3	-38.2	0.6	-30.0	0.5	68.3	-2.8	-	-1.8
Transfer from stage 3	15.4	0.0	19.3	-	-34.7	0.5	-	0.5
Write-off	-	-	-	-	-22.0	3.2	-22.0	3.2
Closing balance 31 Dec 2022	60,427.3	-1.2	1,434.0	-2.0	236.4	-7.6	62,097.7	-10.8

	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Loans to the public before loss allowances 2021	55,966.1	1,625.7	328.1	57,920.0
Credit reserve requirement	-7.1	-9.8	-61.2	-78.1
Withheld remuneration to the regional insurance companies	5.7	7.9	48.9	62.5
Recognised loss allowance	-1.4	-2.0	-12.2	-15.6
Loans to the public 2021	55,964.7	1,623.8	315.9	57,904.4
Loans to the public before loss allowances 2022	60,427.3	1,434.0	236.4	62,097.7
Credit reserve requirement	-6.2	-10.2	-37.8	-54.1
Withheld remuneration to the regional insurance companies	5.0	8.1	30.2	43.3
Recognised loss allowance	-1.2	-2.0	-7.6	-10.8
Loans to the public 2022	60,426.1	1,432.0	228.9	62,086.9

A condition for full payment of the regional insurance companies' distribution remuneration by Länsförsäkringar Bank AB is that the loans generated by each regional insurance company for Länsförsäkringar Bank AB are of high quality. If this is not the case, up to 80% of any credit losses are off-set against the accrued remuneration to the regional insurance companies. This model for settlement of credit losses is kept separate and is taken into consideration when the provisions are established.

On 31 December 2022, the contractual amounts outstanding for financial assets that were written off during the period and that are still encompassed by compliance measured amount to SEK 21.2 M (11.7).

The loss allowance declined SEK -4.8 M (-10.2) during the year, mainly due to repayments of existing credits.

Modified loan receivables in loans to the public, SEK M	31 Dec 22	31 Dec 21
Loan receivables modified during the period that were in stages 2 and 3 when they were modified		
mortised cost before modification	35.0	55.3
modification gain/loss	-	0.0
Gross carrying amount for loan receivables that have been modified since initial recognition and on the modification date were in stage 2 or 3 and that were transferred to stage 1 during the period	12.3	38.6



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NOTE 19 BONDS AND OTHER INTEREST-BEARING SECURITIES

SEK M	31 Dec 22	31 Dec 21
Carrying amount		
Swedish mortgage institutions (not guaranteed)	26,093.7	23,949.7
Other Swedish issuers (not guaranteed)	3,936.8	4,858.9
Other foreign issuers (guaranteed by German government)	1,473.6	1,725.5
Other foreign issuers (not guaranteed)	8,595.6	9,922.0
Total bonds and other interest-bearing securities	40,099.7	40,456.1
Fair value	40,099.7	40,456.1
Amortised cost	41,497.6	38,794.8
Nominal value	41,816.4	39,846.1
Market status		
Securities listed	40,099.7	40,056.1
Securities unlisted	–	400.0

For loss allowance, see note 14.

NOTE 20 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

SEK M	31 Dec 22			31 Dec 21		
	Number of shares	Nominal value	Carrying amount	Number of shares	Nominal value	Carrying amount
Wasa Kredit AB (556311-9204)	875,000	100 kr/aktie	1,039.8	875,000	100 kr/aktie	1,039.8
Länsförsäkringar Hypotek AB (556244-1781)	70,335	44,500 kr/aktie	8,757.7	70,335	44,500 kr/aktie	8,559.2
Länsförsäkringar Fondförvaltning AB (556364-2783)	15,000	100 kr/aktie	165.0	15,000	100 kr/aktie	165.0
Total shares and participations in Group companies			9,962.5			9,764.0

SEK M	2022				2021			
	Wasa Kredit AB	Länsförsäkringar Hypotek AB	Länsförsäkringar Fondförvaltning AB	Total	Wasa Kredit AB	Länsförsäkringar Hypotek AB	Länsförsäkringar Fondförvaltning AB	Total
Carrying amount at beginning of year	1,039.8	8,559.2	165.0	9,764.0	1,039.8	8,559.2	165.0	9,764.0
Unconditional shareholders' contribution	–	198.5	–	198.5	–	–	–	–
Carrying amount at year-end	1,039.8	8,757.7	165.0	9,962.5	1,039.8	8,559.2	165.0	9,764.0





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NOTE 21 DERIVATIVES

SEK M	31 Dec 22		31 Dec 21	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
<i>Derivatives in hedge accounting</i>				
Interest-related	50,921.0	2,694.2	32,251.0	323.2
Currency-related	6,877.8	281.5	8,229.6	482.4
Other derivatives				
Interest-related	156,140.0	11,211.6	151,300.0	1,760.8
Currency-related	39,147.9	3,788.7	36,658.4	2,955.5
Total derivatives with positive values	253,086.7	17,976.1	228,439.0	5,521.9
Offset derivatives with positive values	-55,221.0	-2,944.8	-101,994.0	-908.1
Net amount after offset	197,865.7	15,031.3	126,445.0	4,613.9
Derivatives with negative values				
<i>Derivatives in hedge accounting</i>				
Interest-related	19,390.0	701.1	25,622.0	156.3
Currency-related	15,745.2	477.3	17,864.5	317.4
Other derivatives				
Interest-related	156,140.0	11,211.1	151,300.0	1,760.3
Currency-related	39,648.0	3,827.9	36,496.8	2,944.5
Total derivatives with negative values	230,923.2	16,217.4	231,283.3	5,178.5
Offset derivatives with negative values	-55,221.0	-2,944.8	-101,994.0	-908.1
Net amount after offset	175,702.2	13,272.6	129,289.3	4,270.4

Financial hedging agreements were signed to hedge against interest-rate risks and currency risks stemming from the Group's operations. Hedge accounting is applied to

funding, lending, deposits, bonds and other securities. Hedging instruments primarily comprise interest and currency interest-rate swaps.

NOTE 22 FAIR VALUE CHANGES OF INTEREST-RATE RISK HEDGED ITEMS IN PORTFOLIO HEDGE

SEK M	31 Dec 22	31 Dec 21
Assets		
Carrying amount at beginning of year	76.2	32.8
Changes during the year pertaining to lending	-542.6	-32.8
Changes during the year pertaining to borrowing	-76.2	76.2
Changes during the year pertaining to deposits	-	-
Carrying amount at year-end	-542.6	76.2
Liabilities		
Carrying amount at beginning of year	46.4	9.1
Changes during the year pertaining to deposits	-36.0	-
Changes during the year pertaining to funding	-526.7	-9.1
Changes during the year pertaining to lending	-46.4	46.4
Carrying amount at year-end	-562.7	46.4



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NOTE 23 INTANGIBLE ASSETS

SEK M	Internally developed IT systems		Acquired IT systems		Total	
	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21
Cost						
Opening cost	2,916.0	2,590.8	4.4	4.4	2,920.4	2,595.2
Acquisitions during the year	287.7	325.5	–	–	287.7	325.5
Disposals during the year	–	–0.3	–	–	–	–0.3
Closing cost	3,203.7	2,916.0	4.4	4.4	3,208.2	2,920.4
Amortisation						
Opening accumulated amortisation	–1,052.2	–876.2	–4.4	–4.4	–1,056.6	–880.6
Disposals during the year	–	0.2	–	–	–	0.2
Amortisation for the year	–146.0	–176.3	–	–	–146.0	–176.3
Closing accumulated amortisation	–1,198.2	–1,052.2	–4.4	–4.4	–1,202.6	–1,056.6
Impairments						
Opening accumulated impairments	–743.8	–437.9	–	–	–743.8	–437.9
Disposals during the year	–	–	–	–	–	–
Impairments for the year	–	–305.8	–	–	–	–305.8
Closing accumulated impairments	–743.8	–743.8	–	–	–743.8	–743.8
Total intangible assets	1,261.8	1,120.0	–	–	1,261.8	1,120.0

NOTE 24 PROPERTY AND EQUIPMENT

SEK M	31 Dec 22	31 Dec 21
Equipment		
Opening cost	10.8	5.4
Sales/Disposals for the year	–1.7	–2.6
Purchases for the year	5.1	8.0
Closing cost	14.2	10.8
Opening depreciation	–1.9	–2.4
Reversed depreciation, sales/scrapping	1.2	1.7
Deprecation for the year	–4.2	–1.1
Closing accumulated depreciation	–4.8	–1.9
Total property and equipment	9.4	9.0



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NOTE 25 DEFERRED TAX ASSETS AND TAX LIABILITIES

SEK M	Deferred tax assets		Deferred tax liabilities		Net	
	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21
Intangible assets	-11.1	-22.7	-	-	-11.1	-22.7
Cash flow hedges	-	-8.6	4.7	-	4.7	-8.6
Liabilities, provisions	-0.3	-0.3	-	-	-0.3	-0.3
Deferred tax assets(-)/deferred tax liabilities (+)	-11.4	-31.6	4.7	-	-6.7	-31.6
Net deferred tax assets (-)/deferred tax liabilities (+)	-11.4	-31.6	4.7	-	-6.7	-31.6

The Parent Company has no temporary differences with tax effects in Group companies.

Change in deferred tax in temporary differences

SEK M	Amount at 1 Jan	Recognised in profit or loss	Recognised in other comprehensive income	Amount at 31 Dec
2022				
Intangible assets	-22.7	11.6	-	-11.1
Cash flow hedges	-8.6	-	13.3	4.7
Liabilities, provisions	-0.3	0.0	-	-0.3
Deferred tax assets(-)/deferred tax liabilities (+)	-31.6	11.6	13.3	-6.7
2021				
Intangible assets	-31.4	8.7	-	-22.7
Cash flow hedges	-14.4	-	5.9	-8.6
Liabilities, provisions	-0.7	0.3	-	-0.3
Deferred tax assets(-)/deferred tax liabilities (+)	-46.5	9.0	5.9	-31.6

NOTE 26 OTHER ASSETS

SEK M	31 Dec 22	31 Dec 21
Accounts receivable ¹⁾	10.6	9.5
Other assets	256.1	353.6
Total other assets	266.7	363.1

¹⁾ Refers to revenue from contracts with customers.

In its calculation of loss allowance for other financial assets, the company uses the simplified method that is described in more detail in the Group's note 2 Accounting policies. For loss allowance, see note 14.

NOTE 27 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	31 Dec 22	31 Dec 21
Accrued interest income	27.2	16.5
Other accrued income ¹⁾	43.7	48.0
Recognised assets from expenses for completing an agreement	-	9.2
Prepaid expenses	89.9	62.2
Total prepaid expenses and accrued income	160.8	135.9

¹⁾ Refers to revenue from contracts with customers.

Recognised assets from expenses for completing an agreement refer to adjusting Länsförsäkringar bank's card system from Visa till Mastercard, including expenses for replacement cards. The expenses have been deemed necessary to enable the change and have therefore been reported as an asset. The period of depreciation is 2.5 years for the replacement cards. The economic life is based on the lease and the service life of the replacement cards. Depreciation of SEK 9.2 M (13.4) was recognised in 2022.

NOTE 28 DUE TO CREDIT INSTITUTIONS

SEK M	31 Dec 22	31 Dec 21
The Riksbank	-	2,000.0
Swedish banks	4,121.6	4,041.5
Other Swedish credit institutions	6,471.1	3,923.4
Total due to credit institutions	10,592.7	9,964.9

NOTE 29 DEPOSITS AND FUNDING FROM THE PUBLIC

SEK M	31 Dec 22	31 Dec 21
Deposits from insurance companies	5,487.0	5,496.0
Deposits from households	130,806.1	124,753.6
Deposits from other Swedish public	18,238.0	16,952.5
Total deposits from the public	154,531.1	147,202.0

Fixed-term deposits amount to SEK 21,392.6 M (5,791.3). Interest compensation is paid on premature redemption.

NOTE 30 DEBT SECURITIES IN ISSUE

SEK M	31 Dec 22	31 Dec 21
Commercial papers	1,406.6	616.6
Bond loans	34,653.2	41,375.5
Senior non-preferred debt	8,832.6	4,258.5
<i>of which, green bonds</i>	2,296.5	-
Cashier's cheques issued	20.7	25.2
Total debt securities in issue	44,913.1	46,275.8

NOTE 31 OTHER LIABILITIES

SEK M	31 Dec 22	31 Dec 21
Accounts payable	64.4	73.1
Withheld preliminary tax, customers	71.5	46.7
Other liabilities	916.1	328.9
Total other liabilities	1,052.0	448.8



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NOTE 32 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	31 Dec 22	31 Dec 21
Accrued interest expense	222.1	96.5
Accrued remuneration of regional insurance companies	741.1	270.3
Contract liabilities	44.7	57.8
Other accrued expenses and deferred income	388.8	205.5
Total accrued expenses and deferred income	1,396.7	630.1

Contract liabilities refer to advance payments that Länsförsäkringar Bank received when its card provider was replaced. The contract liabilities will be reduced over time in line with the bank meeting the pre-established transactions volumes. The contract liability decreased SEK 13.1 M during the year, which corresponds to this year's dissolution.

NOTE 33 PROVISIONS

SEK M	31 Dec 22	31 Dec 21
Loss allowance for commitments	10.4	11.8
Other provisions	5.2	6.1
Total provisions	15.6	17.9

For the change in loss allowance for commitments, see note 37.

Defined-contribution pension plans

The company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments to defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few employees who have individual solutions. The pension agreement for the insurance industry, the FTP plan, through insurance with the FPK, is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that, as a rule, a company is to recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure is also to be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is unable to provide the necessary information on this, which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 34 of IAS 19. Nor is any information available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years. The company's expected fees in 2023 for the FTP plan amount to SEK 13.8 M.

	2022	2021
Expenses for defined-contribution plans	48.4	46.8

NOTE 34 SUBORDINATED LIABILITIES

SEK M	31 Dec 22	31 Dec 21
External subordinated debt with three-month floating interest rate	1,747.8	1,746.6
External subordinated debt, listed	848.9	848.1
Total subordinated liabilities	2,596.7	2,594.7

The subordinated loans listed and can be redeemed 1 March 2023 and 25 February 2026 at the earliest. These loans fall due on 1 March 2028 and 25 February 2031. During 31 December 2022 the interest on the variable loans were 3.6 (1.1) percent and 3.4 (0.9) percent. The interest rate on fixed loans is 1.8 percent and 1.2 percent. For more information, see note 3 Risks and capital adequacy.

Early redemption of subordinated debt of SEK 1.1 billion will take place in March 2023 in accordance with approval from the FSA.

NOTE 35 UNTAXED RESERVES

SEK M	31 Dec 22	31 Dec 21
Tax allocation reserve	118.0	248.0
Total	118.0	248.0

NOTE 36 EQUITY

SEK M	31 Dec 22	31 Dec 21
Restricted equity		
Share capital	2,864.6	2,864.6
Development Expenditures Fund	1,304.3	1,162.6
Statutory reserve	18.4	18.4
Total restricted equity	4,187.3	4,045.6
Non-restricted equity		
Fair value reserve	21.7	148.8
Additional Tier 1 instruments	2,200.0	2,200.0
Retained earnings	4,748.7	5,746.8
Net profit for the year	386.5	-53.4
Total non-restricted equity	7,357.0	8,042.3
Total equity	11,544.3	12,087.8

Reserves refer to the fair value reserve and the hedging reserve.

The fair value reserve comprises the accumulated net change in financial assets measured at fair value through other comprehensive income until the asset is derecognised from the balance sheet

The hedging reserve comprises hedging of currency risk in future cash flows for the company's debt securities in issue in foreign currency

The other changes in equity for the period are presented in the Statement of changes in equity.

Share capital comprises 9,548,708 (9,548,708) shares with a quotient value of SEK 300 (300).

Proposed appropriation of profit

The following profit is at the disposal of the Annual General Meeting:

SEK	31 Dec 22	31 Dec 21
Other reserves	21,739,936	148,840,419
Retained earnings	4,748,744,592	5,746,799,292
Net profit for the year	386,472,030	-53,354,136
Profit to be appropriated	5,156,956,559	5,842,285,574

The Board of Directors proposes the following appropriation:		
SEK 8.50 (41.50) per share to be paid to the shareholders	81,164,018	396,271,382
To be carried forward	5,075,792,541	5,446,014,192
Total	5,156,956,559	5,842,285,574

The dividend is calculated on 9,548,708 shares.

The dividend proposal was made taking into consideration the regulations on buffers, restricting risk and transparency in accordance with the Swedish Banking and Financing Business Act and the prudence rule of Chapter 17, Section 3 of the Swedish Companies Act.

The applicable rules on capital adequacy and large exposures entail that at any point in time a company is to have own funds that as a minimum correspond to the total capital requirements for credit risks, market risks and operational risks and capital buffers and also the calculation capital requirement for additionally identified risks in the operations in accordance with the company's internal capital adequacy assessment process. The Parent Company's own funds after the proposed appropriation of profits amount to SEK 11,649.5 M (13,324.3) and the overall capital requirement for credit risks, operational risks and buffer amount to SEK 4,392.4 M (5,245.8). For the consolidated situation, own funds after the proposed dividend amount to SEK 22,163.9 M (22,519.9), and the overall capital requirement for credit risks, operational risks and buffer amount to SEK 16,307.8 M (12,201.1).

The Board's assessment is that the proposed dividend will not prevent the company and other companies included in the Group from fulfilling their short or long-term commitments. The proposed dividend is also not deemed to restrict the company's planned investments or expected liquidity requirements. Accordingly, the Board's overall assessment is that the proposed dividend is justified taking into consideration the demands on the amount of equity in the company and the Group imposed by the nature, scope and risks associated with the operations, and the company's and the Group's capital requirements, liquidity and financial position.

Of total equity, SEK 696.8 M (274.3) of the bank's Parent Company and SEK 4,722.9 M (2,215.9) of the Bank Group are attributable to assets and liabilities being measured at fair value according to Chapter 4, Section 14a of the Swedish Annual Accounts Act (1995:1554).

For more information on the company's earnings and financial position, refer the income statement and balance sheet in the annual account with accompanying notes to the accounts.



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NOTE 37 PLEDGED ASSETS, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

SEK M	31 Dec 22	31 Dec 21
For own liabilities, pledged assets		
Pledged securities in the central bank	2,354.3	4,552.5
Pledged securities in Euroclear	1,893.4	2,039.5
Cash collateral paid, derivatives	9,543.6	592.6
Securities collateral paid, derivatives	2,910.6	2,873.8
Other collateral for securities	-	34.8
Total pledged assets for own liabilities	16,701.9	10,093.1
Contingent liabilities		
Financial guarantees	30.5	33.3
Total contingent liabilities	30.5	33.3
Other commitments		
Loans approved but not disbursed	536.5	976.2
Unutilised portion of overdraft facilities	49,018.2	55,760.1
Unutilised portion of credit card facilities	2,083.3	1,936.4
Total other commitments	51,638.0	58,672.6

Loans to the public were provided as collateral for issuance of covered bonds and mortgage bonds. In the event of the company's insolvency, bond holders have preferential rights to the assets that are registered as cover pool. Other pledged securities will be transferred to the pledgee in the event of bankruptcy.

For information on pledged assets, contingent liabilities and commitments to related parties, see note 42. For loss allowance for financial guarantees, see note 14.

Reconciliation of gross carrying amount and loss allowance for commitments

SEK M	Not credit-impaired				Credit impaired		Total	
	Stage 1 Credit risk exposure	Loss allowance	Stage 2 Credit risk exposure	Loss allowance	Stage 3 Credit risk exposure	Loss allowance	Credit risk exposure	Loss allowance
Opening balance, 1 Jan 2021	34,369.0	-6.2	105.7	-0.5	9.9	-0.5	34,484.6	-7.2
New loan commitments and increase in existing loan commitments	31,676.7	-1.0	23.5	-0.2	4.7	-0.4	31,704.9	-1.6
Changes:								
Change in loss allowance model or method	-	0.1	-	0.0	-	0.0	-	0.1
Net change in existing loan commitments and credit commitments (utilised and repaid)	-4,328.4	-5.4	-23.0	0.1	-1.8	0.1	-4,353.1	-5.2
Change in risk parameters	-	0.5	-	0.3	-	-0.1	-	0.7
Transfer of loan commitments and credit commitments:								
Transfer from stage 1 to stage 2	-208.3	0.4	208.3	-0.7	-	-	-	-0.3
Transfer from stage 2 to stage 1	56.7	0.0	-56.7	0.1	-	-	-	0.0
Transfer to stage 3	-10.0	0.2	-1.9	0.0	11.8	-0.5	-	-0.2
Transfer from stage 3	1.8	0.0	0.1	0.0	-1.9	0.0	-	0.0
Expired loan commitments	-3,086.4	0.9	-62.6	0.2	-14.6	0.8	-3,163.7	1.9
Closing balance 31 Dec 2021	58,471.1	-10.5	193.4	-0.7	8.2	-0.6	58,672.6	-11.8
Opening balance, 1 Jan 2022	58,471.1	-10.5	193.4	-0.7	8.2	-0.6	58,672.6	-11.8
New loan commitments and increase in existing loan commitments	5,347.3	-0.4	28.6	-0.1	10.5	-0.6	5,386.4	-1.0
Changes:								
Change in loss allowance model or method	-	0.0	-	0.0	-	0.0	-	0.0
Net change in existing loan commitments and credit commitments (utilised and repaid)	-9,866.8	2.2	-59.7	0.1	-2.1	0.5	-9,928.6	2.7
Change in risk parameters	-	-0.1	-	-0.5	-	-0.3	-	-0.8
Transfer of loan commitments and credit commitments:								
Transfer from stage 1 to stage 2	-82.0	0.1	82.0	-0.1	-	-	-	-0.1
Transfer from stage 2 to stage 1	68.2	0.0	-68.2	0.0	-	-	-	0.0
Transfer to stage 3	-8.8	0.1	-0.9	0.0	9.8	-0.4	-	-0.2
Transfer from stage 3	0.7	0.0	0.1	0.0	-0.8	0.0	-	0.0
Expired loan commitments	-2,447.7	0.2	-35.5	0.0	-9.3	0.5	-2,492.5	0.8
Closing balance 31 Dec 2022	51,481.9	-8.4	139.7	-1.2	16.3	-0.8	51,638.0	-10.4

Loss allowance increased by SEK 1.4 M (4.6) during the year due to changes in existing loan commitments and credit commitments and loan commitments.

On 31 December 2022, the total loss allowance for commitments amounted to SEK 15.4 M (18.7), of which the company's recognised loss allowance amounted to SEK 10.4

M (11.8) and the remainder of SEK 5.0 M (6.8) was settled against remuneration to the regional insurance companies. For more information on the distribution remuneration model, refer to note 18 Loans to the public.



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NOTE 38 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

31 Dec 22, SEK M	Financial assets measured at FVPL		Financial assets measured at amortised cost	Financial assets measured at FVOCI		Total carrying amount	Fair value
	Measured at FVPL	Derivatives used in hedge accounting		Debt instruments measured at FVOCI	Equity instruments		
Assets							
Cash and balances with central banks			4,947.0			4,947.0	4,947.0
Treasury bills and other eligible bills				10,856.8		10,856.8	10,856.8
Loans to credit institutions			95,226.4			95,226.4	95,226.4
Loans to the public			62,086.9			62,086.9	61,727.6
Bonds and other interest-bearing securities				40,099.7		40,099.7	40,099.7
Shares and participations	43.3				50.3	93.6	93.6
Derivatives	12,055.6	2,975.7				15,031.3	15,031.3
Other assets			10.6			10.6	10.6
Prepaid expenses and accrued income			27.1			27.1	27.1
Total assets	12,098.9	2,975.7	162,298.0	50,956.6	50.3	228,379.4	228,020.1

31 Dec 22, SEK M	Financial liabilities measured FVPL		Financial liabilities measured at amortised cost	Total carrying amount	Fair value
	Measured at FVPL	Derivatives used in hedge accounting			
Liabilities					
Due to credit institutions			10,592.7	10,592.7	10,592.7
Deposits and funding from the public			154,531.1	154,531.1	154,568.1
Debt securities in issue			44,913.1	44,913.1	44,271.2
Derivatives	12,094.2	1,178.4			
Other liabilities			89.1	89.1	89.1
Subordinated liabilities			2,596.7	2,596.7	2,428.0
Accrued expenses and deferred income			222.1	222.1	222.1
Total liabilities	12,094.2	1,178.4	212,944.8	226,217.4	225,443.7





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NOTE 38, CONT.

CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

31 Dec 21, SEK M	Financial assets measured at FVPL		Financial assets measured at amortised cost	Financial assets measured at FVOCI		Total carrying amount	Fair value
	Measured at FVPL	Derivatives used in hedge accounting		Debt instruments measured at FVOCI	Equity instruments		
Assets							
Cash and balances with central banks			14,361.4			14,361.4	14,361.4
Treasury bills and other eligible bills				15,526.1		15,526.1	15,526.1
Loans to credit institutions			79,336.5			79,336.5	79,336.5
Loans to the public			57,904.4			57,904.4	57,980.7
Bonds and other interest-bearing securities				40,456.1		40,456.1	40,456.1
Shares and participations	37.7				51.1	88.8	88.8
Derivatives	3,808.2	805.7				4,613.9	4,613.9
Other assets			9.5			9.5	9.5
Prepaid expenses and accrued income			16.7			16.7	16.7
Total assets	3,845.9	805.7	151,628.5	55,982.2	51.1	212,313.4	212,389.6

31 Dec 21, SEK M	Financial liabilities measured FVPL		Financial liabilities measured at amortised cost	Total carrying amount	Fair value
	Measured at FVPL	Derivatives used in hedge accounting			
Liabilities					
Due to credit institutions			9,964.9	9,964.9	9,964.9
Deposits and funding from the public			147,202.0	147,202.0	147,223.7
Debt securities in issue			46,275.8	46,275.8	46,502.4
Derivatives	3,796.7	473.7		4,270.4	4,270.4
Other liabilities			80.9	80.9	80.9
Subordinated liabilities			2,594.7	2,594.7	2,592.8
Accrued expenses and deferred income			96.7	96.7	96.7
Total liabilities	3,796.7	473.7	206,215.0	210,485.4	210,731.8

NOTE 39

FAIR VALUE VALUATION TECHNIQUES

Financial assets and liabilities measured at fair value in the balance sheet are presented in the table based on the valuation techniques applied:

Level 1 refers to prices determined from prices listed in an active market

Level 2 refers to prices determined by calculated prices of observable market listings

Level 3 refers to prices based on own assumptions and judgements

Financial instruments measured at fair value in the balance sheet

31 Dec 22 SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	6,273.0	4,583.8		10,856.8
Bonds and other interest-bearing securities	40,099.7			40,099.7
Shares and participations	8.1	23.2	62.3	93.6
Derivatives		15,031		15,031
Liabilities				
Derivatives		13,272.6		13,272.6

31 Dec 21 SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	8,645.0	6,881.1		15,526.1
Bonds and other interest-bearing securities	40,056.1	400.0		40,456.1
Shares and participations	11.3	20.8	56.7	88.8
Derivatives		4,613.9		4,613.9
Liabilities				
Derivatives		4,270.4		4,270.4

Länsförsäkringar Bank AB holds shares and participations that cannot be reliably measured based on listing in an active market. Instead, regular valuations are performed based on, for example, recent company reports and forecast results. The fair value of Level 2 shares and participations that pertain to unlisted Series B shares in Mastercard Incorporated (MA) is measured based on the price of the Series A share on the balance-sheet date. Derivatives in Level 2 essentially refer to swaps for which fair value is calculated by discounting expected future cash flows. Commercial paper recognised as "Treasury bills and other eligible bills" and "Bonds and other interest-bearing securities" was previously classified in Level 1 but due to a reinterpretation in the second quarter of 2022 is now classified as Level 2. The valuation was determined by calculated prices of observable market data. Comparative figures have been adjusted and the transfers amounted to SEK 7.3 billion. Holdings in Level 3 primarily comprise holdings of a strategic nature.



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NOTE 39, CONT. FAIR VALUE VALUATION TECHNIQUES

Change in holdings in Level 3

SEK M	Shares and participations
Opening balance, 1 January 2021	20.6
Transferred from Level 2 to Level 3	34.4
Divestments	-1.4
Recognised through profit and loss	3.3
Recognised in other comprehensive income	-0.2
Closing balance, 31 December 2021	56.7

Opening balance, 1 January 2022	56.7
Recognised through profit and loss	5.6
Recognised in other comprehensive income	0.0
Closing balance, 31 December 2022	62.3

Financial instruments measured at amortised cost in the balance sheet

31 Dec 22	Level 1	Level 2	Level 3	Total
Assets				
Loans to the public			61,727.6	61,727.6
Liabilities				
Deposits and borrowing from the public		154,568.1		154,568.1
Debt securities in issue		44,271.2		44,271.2
Subordinated liabilities		2,428.0		2,428.0

31 Dec 21	Level 1	Level 2	Level 3	Total
Assets				
Loans to the public			57,980.7	57,980.7
Liabilities				
Deposits and borrowing from the public		147,223.7		147,223.7
Debt securities in issue		46,502.4		46,502.4
Subordinated liabilities		2,592.8		2,592.8

Fair values of deposits from the public (Level 2) and loans to the public (Level 3) have been calculated using discounted expected cash flows where the discount rates applied are the current deposit and lending rates (including discounts). No other significant transfers took place in 2022 or 2021.

Fair value for debt securities in issue and subordinated liabilities (Level 2) is determined based on quoted prices. Parts of debt securities in issue that are considered to be illiquid are adjusted based on expected current issue prices. Commercial papers do not have external market prices and the fair value is determined based on the yield curve of each currency.

For further information about how the fair value was determined for financial instruments measured at fair value, and about valuation techniques and inputs, see also the note 2 on Accounting policies.

NOTE 40 INFORMATION ABOUT OFFSETTING

The table below contains financial assets and liabilities covered by a legally binding framework netting agreement or a similar agreement but that is not offset in the balance sheet. The Bank Group has ISDA and CSA agreements with all derivative counterparties and corresponding netting agreements for repurchase agreements,

which means that all exposures are covered by both types of agreements. The framework netting agreement entails that parties are to settle their exposures net (meaning that receivables are offset against liabilities) in the event of a serious credit incident.

Financial assets and liabilities that are offset or subject to netting agreements						
31 Dec 2021 SEK M	Gross amount	Offset in balance sheet	Net amount in balance sheet	Related amounts not offset in the balance sheet		
				Netting framework agreement	Collateral Received (-) / Pledged (+)	Net amount
Assets						
Derivatives	5,521.9	-908.1	4,613.9	-1,107.9	-3,198.5	307.5
Liabilities						
Derivatives	-5,178.5	908.1	-4,270.4	1,107.9	592.6	-2,570.0
Total	343.4	-	343.4	-	-2,605.9	-2,262.5
31 Dec 2022 SEK M						
Assets						
Derivatives	17,976.1	-2,944.8	15,031.3	-3,255.4	-3,299.3	8,476.6
Liabilities						
Derivatives	-16,217.4	2,944.8	-13,272.6	3,255.4	9,543.6	-473.6
Total	1,758.7	-	1,758.7	-	6,244.3	8,003.0



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NOTE 41 CAPITAL-ADEQUACY ANALYSIS

Capital-adequacy analysis – key metrics

SEK M	31 Dec 22	31 Dec 21
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	7,954.4	8,534.4
Tier 1 capital	10,154.4	10,734.4
Total capital	11,649.5	13,324.3
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	30,481.8	49,960.4
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	26.1%	17.1%
Tier 1 capital	33.3%	21.5%
Total capital	38.2%	26.7%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.9%	0%
of which: to be made up of CET1 capital (percentage points)	1.6%	0%
of which: to be made up of Tier 1 capital (percentage points)	2.2%	0%
Total SREP own funds requirements (%)	10.9%	8%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0%	
Institution specific countercyclical capital buffer (%)	1%	0%
Systemic risk buffer (%)	0%	0%
Global Systemically Important Institution buffer (%)	0%	0%
Other Systemically Important Institution buffer (%)	0%	0%
Combined buffer requirement (%)	3.5%	2.5%
Overall capital requirements (%)	14.4%	10.5%
CET1 available after meeting the total SREP own funds requirements (%)	20.0%	12.6%
Leverage ratio		
Leverage ratio total exposure measure	143,784.5	225,528.3
Leverage ratio (%)	7.10%	4.8%

SEK M	31 Dec 22	31 Dec 21
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)		
Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%
of which: to be made up of CET1 capital (percentage points)	0%	0%
Total SREP leverage ratio requirements (%)	3%	3%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
Leverage ratio buffer requirement (%)	0%	0%
Overall leverage ratio requirements (%)	3%	3%
Liquidity Coverage Ratio (12 months average)		
Total high-quality liquid assets (HQLA) (Weighted value - average)	62,224.6	55,753.5
Cash outflows - Total weighted value	57,264.1	46,275.1
Cash inflows - Total weighted value	10,996.5	7,313.6
Total net cash outflows (adjusted value)	46,267.7	38,961.4
Liquidity coverage ratio (%)	152.4%	148.2%
Net Stable Funding Ratio		
Total available stable funding	180,246.6	180,134.9
Total required stable funding	107,654.1	96,544.3
NSFR ratio (%)	167%	187%



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NOTE 41, CONT. CAPITAL-ADEQUACY ANALYSIS

Capital-adequacy analysis - overview of risk weighted exposure amounts

SEK M	Risk weighted exposure amounts		Total own funds requirements	
	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21
Credit risk (excluding CCR)	27,514.0	46,142.5	2,201.1	3,691.4
Of which: the standardised approach	13,913.8	31,562.3	1,113.1	2,525.0
Of which: the foundation IRB (FIRB) approach	4,050.1	4,362.5	324.0	349.0
Of which: the advanced IRB (AIRB) approach	5,279.9	5,750.6	422.4	460.1
Of which: risk exposure amounts according to Article 458 CRR	4,270.2	4,467.1	341.6	357.4
Counterparty credit risk	683.4	1,592.7	54.7	127.4
Of which: the standardised approach	372.0	1,102.5	29.8	88.2
Of which: exposures to a CCP	18.6	10.6	1.5	0.8
Of which: credit valuation adjustment - CVA	292.8	479.6	23.4	38.4
Of which: other CCR	-	-	-	-
Operational risk	2,284.4	2,225.2	182.8	178.0
Of which standardised approach	2,284.4	2,225.2	182.8	178.0
Total	30,481.8	49,960.4	2,438.5	3,996.8

Risk-based capital requirements, Länsförsäkringar Bank AB	31 Dec 22		31 Dec 21	
	SEK M	% of REA	SEK M	% of REA
Own funds requirements Pillar I	2,438.5	8.0%	3,997.0	8.0%
Pillar II Requirements (P2R)	887.0	2.9%	0.0	0.0%
Combined buffer requirement	1,066.9	3.5%	1,249.0	2.5%
Pillar II Guidance (P2G)	0.0	0.0%	0.0	0.0%
Overall adequate level of own funds and P2G	4,392.4	14.4%	5,246.0	10.5%





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NOTE 42 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS

Related parties

Related legal entities to Länsförsäkringar Bank AB include companies within the Länsförsäkringar AB Group and companies within the Länsförsäkringar Liv Group. In addition, the company makes a broader interpretation of those considered to be "related legal entities" than the definition of related parties stipulated in the regulations. The assessment of whether a close relationship exists or not is based on the financial significance of the relationship and not only the share of ownership in a company. Accordingly, the 23 regional insurance companies, with their subsidiaries, and the 14 local insurance companies are defined as related parties since they jointly own 100% of the Parent Company Länsförsäkringar AB. Other related parties also include Länsförsäkringar Mäklarservice AB, Länsförsäkringar Fastighetsförmedling AB and Humlegården Fastigheter AB since these companies are wholly owned in the Länsförsäkringar Alliance. Related key persons are Board members, senior executives and their close family members.

Agreements

Significant agreements for the Parent Company are primarily assignment agreements with the 23 regional insurance companies and assignment agreements regarding development, service, finance and IT. The Parent Company has agreements with its subsidiaries for Group-wide services.

Commission income from outsourcing agreements with the regional insurance companies refers to support and back office services performed by the Bank Group. Income is recognised on an ongoing basis according to managed volumes and is adjusted to actual volumes every quarter.

Pricing

The price level of the goods and services that Länsförsäkringar Bank AB purchases and sells within the Länsförsäkringar Alliance is determined by Länsförsäkringar AB's corporate management once a year in conjunction with the adoption of the business plan.

Transactions, SEK M	Income		Expenses		Receivables		Liabilities		Commitments	
	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21	2022	2021	2022	2021	2022	2021
Companies in the Bank Group	2,176.1	1,246.4	367.3	749.4	105,844.1	80,129.6	10,925.0	8,437.1	45,976.4	52,579.7
Other companies in the Länsförsäkringar AB Group	0.5	0.3	629.2	554.6	2.8	1.1	2,049.0	1,773.1	-	-
Länsförsäkringar Liv Group	-	-	7.3	-	-	-	1,236.0	718.7	-	-
Regional insurance companies	114.2	105.6	827.8	313.0	5.7	5.3	4,462.7	4,080.4	51.0	51.0
Other related parties	0.2	0.2	-	-	-	-	66.7	52.1	5.0	5.0

For information regarding remuneration of related key persons such as members of the Board of Directors and senior executives, see note 9. Employees, staff costs and remuneration of senior executives. In all other respects, no transactions took place

between these individuals and their family members apart from normal customer transactions.

NOTE 43 SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOW

	2022	2021
Interest and dividends		
Interest received	3,559.7	1,954.8
Interest paid	-1,293.0	-711.6
Adjustment for non-cash items		
Depreciation of property and equipment/amortisation of intangible assets	150.1	177.4
Impairment of property and equipment and intangible assets	-	305.8
Unrealised portion of net gains/losses from financial items	-678.6	272.0
Credit losses, excluding recoveries	-2.0	-9.0
Change in accrued expense/income	-	-
Other	-2.3	4.2
Total non-cash items	-532.7	750.6
Cash and cash equivalents		
Cash and balances with central banks	4,947.0	14,361.4
Loans to credit institutions	192.3	80.2
Total cash and cash equivalents	5,139.2	14,441.6

NOTE 44 EVENTS AFTER BALANCE-SHEET DATE

On 20 January 2023, the FSA approved the Länsförsäkringar Bank Group's application to use new probability of default (PD) models. This approval also includes a transition from the Standardised Approach to the IRB Approach for the class of exposures to corporates in Wasa Kredit. The decision means that all of the bank's PD models will be replaced by new models. The effect of the implementation is that the new models entail a slight increase in the total risk exposure amount (REA), which will be reported from the first quarter of 2023.

Länsförsäkringar Bank has announced the early redemption of subordinated debt (Tier 2 capital loans) on the first possible redemption date in accordance with the terms of the loans. Redemption will take place on the first redemption date, which is 1 March 2023. This subordinated debt has already been deducted from own funds as per 31 December 2022.



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Statement from the Board

The Board and President affirm that this Annual Report was prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements were prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and the Council issued on 19 July 2002 on the application of international accounting standards. The Annual Report and consolidated financial statements provide a true and fair

view of the Parent Company's and the Group's financial position and earnings. The Board of Directors' Report provides a true and fair overview of the Group's and the Parent Company's operations, financial position and earnings, and describes the significant risks and uncertainties to which the Parent Company and the companies included in the Group are exposed.

The Annual Report and consolidated financial statements were approved for publication by the Board of Directors on 16 March 2023. The Group's statement of income, statement of comprehensive income and statement of financial position, as well as the Parent Company's income statement and balance sheet are subject to approval by the Annual General Meeting to be held on April 24, 2023.

Stockholm, the date stated on the electronic signature.

Mathias Collén
Chair of the Board

Ola Evensson
Board member

Ulrica Hedman
Board member

Emil Källström
Board member

Niklas Larsson
Board member

Hans Ljungkvist
Board member

Anna Christina Norrström
Board member

Anette Andersson
Employee representative

Mattias Karlsson
Employee representative

Sven Eggefalk
President

Our audit report was submitted on the date set out by the electronic signature.

Deloitte AB

Patrick Honeth
Authorised public accountant



Auditor's report

To the general meeting of the shareholders of Länsförsäkringar Bank AB (publ), corporate identity number 516401-9878

Translation from the Swedish original

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Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Länsförsäkringar Bank AB (publ) for the financial year 2022-01-01 - 2022-12-31 except for the corporate governance statement on page 33-38. The annual accounts and consolidated accounts of the company are included on pages 26-111 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions

and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 33-38. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Provisions for expected credit losses

Description of risk	Our audit procedures
<p>Accounting and valuation of loan receivables according to IFRS 9 is an area that largely affects Länsförsäkringar Banks financial reporting. IFRS 9 requires significant assessments to determine the size of the provisions for expected credit losses.</p> <p>Key areas of judgment include:</p> <ul style="list-style-type: none">▪ The interpretation of the requirements for determining the size of the provision for expected losses, which are reflected in the bank's model for calculating expected credit losses.▪ Identification of exposures with a significant deterioration in credit quality.▪ Assumptions that are applied in the model for calculating expected credit losses, such as the counterparty's financial position, expected future cash flows and forward-looking macroeconomic factors. <p>As of December 31, 2022, lending to the public for the Group (Parent Company) amounted to SEK 384 660 (62 098) million, with provisions for expected loan losses of SEK 556 (11) million, after taking into account the off-set against accrued remuneration to the regional insurance companies according to the distribution model.</p> <p>Given the significant share of the total assets, the impact that the inherent uncertainty and subjectivity involved in the assessment of the need for provisions, and since the disclosure requirements are significant, we consider this to be a key audit matter for our audit.</p> <p>The description of accounting principles for provisions for expected credit losses are included in note 2. Other related information on credit risk are included in note 3 and detailed information in note 11 and 16 in the annual report. For the parent company, the corresponding notes are 2, 14 and 18.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none">▪ We have evaluated that relevant controls within the lending process have been appropriately designed, including controls for credit decision, credit review and identification and determination of the loans to be provisioned for.▪ We have evaluated the modelling techniques and model methods against the requirements of IFRS 9. We have examined the appropriateness of the models developed for the calculation of the reserve for expected credit losses. We have involved our specialists in credit risk modeling in assessing whether credit risk modeling decisions are consistent with the requirements of IFRS 9. We have evaluated material assumptions and calculation methods and ensured the completeness of input data to the models.▪ We examined a selection of credit commitments in detail and designed measures to evaluate whether credit commitments with a significant deterioration in credit quality are identified in time, and for significant commitments within stage 3 evaluated management assessment of the recoverable amount.▪ We assessed the completeness and reliability of the disclosures relating to provisions for expected credit losses to assess compliance with disclosure requirements included in IFRS.

Other matter

The audit of the annual accounts for 2021 was performed by another auditor who submitted an auditor's report dated March 11, 2022, with unmodified opinions in the Report on the annual accounts.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.



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Valuation of financial instruments at fair value

Description of risk	Our audit procedures
<p>The Group's (Parent Company's) financial instruments recorded at fair value consist of treasury bills and other eligible bills, bonds and other interest-bearing securities, shares and participations and derivatives and amount to SEK 69 058 (66 081) million in assets and to SEK 10 442 (13 273) in liabilities as of 31 December 2022.</p> <p>The main risk associated with valuation of financial instruments at fair value relates to financial instruments categorized as level 2 and 3 in accordance with the guiding principles in IFRS 13, that is, financial instruments where quoted prices on an active market are missing. In note 36 (note 39) it is disclosed that the recorded value of financial instruments categorized as level 2 amount to SEK 12 745 (19 638) million in assets and to SEK 10 422 (13 273) million in liabilities and that financial instruments categorized as level 3 amount to SEK 62 (62) million.</p> <p>Determination of fair value in accordance with level 2 and 3 is made via valuation techniques that builds on assumptions, estimates and judgements and on significant elements of input data that are not observable in the market. Incorrect assumptions, estimates and judgements in connection with these valuations and/or incorrect input data can affect the valuation to a significant extent. Therefore, this is deemed to be a key audit area in our audit.</p> <p>Please refer to the section on accounting principles in note 2, the section on risks and risk management with regards to assumptions, estimates and judgements in note 3 as wells as associated disclosures with regards to financial instruments recorded at fair value in note 35 and 36 (note 38 and 39) for further details.</p>	<p>Our procedures have included, but not been limited to:</p> <ul style="list-style-type: none">■ We have tested selected control activities associated with valuation of financial instruments at fair value.■ We have tested general IT-controls associated with systems and applications deemed as critical for the data that form the basis for the valuation of financial instruments at fair value.■ We have, on a sample basis, reviewed input data used in connection with the valuation of financial instruments at fair value, including prices, exchange rates and data used for discounting purposes vis-à-vis data from external suppliers of financial market data and reconciled holdings against statements from the custodians. In addition, we have assessed that the choice of valuation method has been made in accordance with established standards and industry practice.■ We have also evaluated whether disclosures associated with financial instruments recorded at fair value are fair and complete based on the Group's (Parent Company's) accounting principles.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-25 and 115-120. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair

presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated

accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: <https://www.revisorsinspektionen.se/revisornsansvar>. This description forms part of the auditor's report.

Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Länsförsäkringar Bank AB (publ) for the financial year 2022-01-01 - 2022-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance

with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.



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The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at

the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

The Auditor's Examination of the Corporate Governance Statement

The Board of Directors is responsible for that the corporate governance statement on pages 33-38 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard Rev 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Deloitte AB, was appointed auditor of Länsförsäkringar Bank AB by the general meeting of the shareholders on the 2022-05-02 and has been the company's auditor since 2022-05-02.

Stockholm

Deloitte AB

Patrick Honeth
Authorised public accountant





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Board of Directors



MATHIAS COLLÉN

Chairman. Born 1981.
President and CEO of Länsförsäkringar AB. Elected 2022.*

Education: M.Sc. in Business and Economics, School of Business, Economics and Law at University of Gothenburg.

Other Board appointments: Chairman of Länsförsäkringar Fondliv and Agria Djurförsäkring. Board member of Länsförsäkringar Liv, Länsförsäkringar Mäklar-service, Insurance Industry's Pension Fund and Eurapco.

Previous experience: President of Länsförsäkringar Fondliv, Head of Commercial Business area at Länsförsäkringar Stockholm and senior positions at Livförsäkringsbolaget Skandia.

* Fredrik Bergström was Chairman of the Board until 14 February 2022, after which he was succeeded by Malin Rylander Leijon until 12 December 2022.



OLA EVENSSON

Born 1965. President of Länsförsäkringar Älvsborg. Elected 2020.

Education: Economics studies, Karlstad University. Business management, Stockholm School of Economics.

Other Board appointments: Chairman of Älvsborgs Larmcentral AB, Board member of Humlegården Fastigheter AB, Länsförsäkringar Trygghetstjänster AB, Skadedjursbekämpning i Väst AB and LFant AB.

Previous experience: President of Fryksdalens Sparbank 2004–2018. BTC Manager American Express, Business Area Manager at Swedbank.



ULRIKA HEDMAN

Born 1974. President of Länsförsäkringar Uppsala. Elected 2022.

Education: Degree from Mid Sweden University, Campus Östersund, business administration IFL-Stockholm School of Economics Executive Education.

Other Board appointments: Member of the Nomination Committee of Länsförsäkringar AB, Board member of Drivhuset.

Previous experience: Managerial positions at Länsförsäkringar Sak AB, Länsförsäkringar AB and Trygg Hansa. Board appointments in Länsförsäkringar Fondliv, Wasa Kredit and Fredens Hus.



EMIL KÄLLSTRÖM

Born 1987. President of SEKAB BioFuel Industries AB. Elected 2022.

Education: Bachelor of Business Administration from the Stockholm School of Economics.

Other Board appointments: Board member of Alma folkhögskola.

Previous experience: Member of the Board of Centre Party, Economic policy spokesperson for Centre Party, member of parliament, Board member of Riksbankens Jubileumsfond.



NIKLAS LARSSON

Born 1970. President of Länsförsäkringar Göinge-Kristianstad. Elected 2021.

Education: M.Sc. in Business Administration and Economics at School of Business and Economics at Växjö University.

Other Board appointments: LF Affärs-service Sydost AB and subsidiary of Länsförsäkringar Göinge-Kristianstad.

Previous experience: Head of Credits and Risk and Regional Head, SEB. Business Area Manager Bank and Sales, Ikanobanken.

Auditor: Deloitte AB, with Patrick Honeth as auditor in charge.



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Board of Directors



HANS LJUNGKVIST

Born 1952. Chairman of Länsförsäkringar Göteborg och Bohuslän. Elected 2021.

Education: Post-secondary education in auditing, banking and taxation as well as business administration and law from Umeå University.

Other Board appointments: Chairman of AB Tornstaden and Crepido AB.

Previous experience: Senior positions at various Swedish listed companies for more than 20 years, mainly in finance and industry.



ANNA CHRISTINA NORRSTRÖM

Born 1952. Chairman i Länsförsäkringar Bergslagen. Elected 2022.

Education: Economics at University of Gävle.

Other Board appointments: Chairman of Länsförsäkringar Bergslagen Fastigheter AB, Board member of Hällefors Tierp Skogar AB and FastighetsAB Congress i Västerås AB.

Previous experience: President of Länsförsäkringar Uppsala., senior positions at Länsförsäkringar Gävleborg.

Employee representatives



ANETTE ANDERSSON

Born 1962. Credit processor Corporate Borrow & Special Employee representative. Elected 2022.

Education: Credit-related education, SwedSec licence.

Other Board appointments: Board member of Forena Stockholm Länsförsäkringar.

Previous experience: Positions in retail and corporate at Länsförsäkringar Bank and Swedbank.



MATTIAS KARLSSON

Born 1974. Senior credit analyst. Employee representative. Elected 2020.

Education: M.Sc. in Engineering, Chalmers University of Technology.

Other Board appointments: Board member of Wasa Kredit AB.

Previous experience: Various senior positions at Länsförsäkringar AB. Management consultant.

Deputy: Camilla Lahger.

Deputy: Lisa-Maria Carensjö

Secretary of the Board: Anna Rygaard. Born 1966. Company Lawyer at Länsförsäkringar AB.

Auditor: Deloitte AB, with Patrick Honeth as auditor in charge.



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SVEN EGGEFALK

Born 1969. President. Employed 2018.

Education: B.A. in Economics, North Park University Chicago.

Previous experience: President of Länsförsäkringar Östgöta, President of Wasa Kredit AB, 15 years at SEB in various senior positions.



MARTIN RYDIN

Born 1968. CFO. Employed since 2012.

Education: Legal studies, Stockholm University.

Previous experience: Head of Treasury Länsförsäkringar Bank, Head of Long Term Funding Swedbank.



SUSANNE CALNER

Born 1969. Head of President's staff. Employed since 2012.

Education: M.Sc. in Business and Economics.

Previous experience: Office Manager at SEB, auditor and management consultant at Andersen.



BENGT CLEMEDTSON

Born 1964. Head of Customer and Market. Employed since 2006.

Education: M.Sc. in Business and Economics, Stockholm University.

Previous experience: Asset Management at Skandia, President of Skandiabanken Bolån AB.



EVA GOTTFRIDSDOTTER NILSSON*

Born 1960. President of Länsförsäkringar Fondförvaltning AB. Employed since 2000.

Education: M.Sc. in Business and Economics.

Previous experience: President of Länsförsäkringar Fondförvaltning AB since 2007, prior to that CFO of Länsförsäkringar Kapitalförvaltning.



THOMAS HÖGVÅG

Born 1968. President of Wasa Kredit AB. Employed 2018.

Education: Educational courses via Stockholm School of Economics.

Previous experience: SEB, FOREX Bank and management consult.



ANDERS LARSSON

Born 1965. President of Länsförsäkringar Hypotek AB. Employed since 1997.

Education: M.Sc. in Business and Economics.

Previous experience: Head of Staff Länsförsäkringar Hypotek AB, Head of Treasury, Head of Finance and Finance Manager Länsförsäkringar Bank.



LOUISE LINDGREN

Born 1959. CRO. Employed 2014.

Education: M.Sc. in Business and Economics.

Previous experience: 17 years at Nordea, most recently as Head of Group Capital, Head of Financial Risk Management at PWC, Head of Fixed Income Trading at Citibank.



MICHAEL PATRING

Born 1975. Head of Credit Employed 2017.

Education: M.Sc. in Business and Economics.

Previous experience: Branch manager SEB and Swedbank.

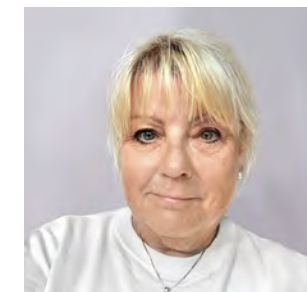


TOBIAS TERNSTEDT

Born 1972. Head of Product, Process, Operations & IT. Employed 2010.

Education: M.Sc. in Computer and Information Science, Faculty of Engineering LTH at Lund University.

Previous experience: 20 years' experience from IT, mainly in banking and finance.



ELLINOR ÖRTEGREN JOHANSON

Born 1958. Head of Financial Crime Prevention Employed since 2020.

Education: LL.M. Stockholm University.

Previous experience: Head of Legal Nordic Arval S.A, Head of Legal Department Forex Bank, senior positions at SEB, Swedbank and Alfred Berg/BNP Paribas.

* Eva Gottfridsdotter Nilsson, President of Länsförsäkringar Fondförvaltning AB, has decided to retire in 2023, and will be succeeded by Åsa Wallenberg, who will join the Board in mid-2023.



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Definitions

GLOSSARY

Return on total assets

Profit for the year in relation to average total assets.

Own funds

Own funds comprises the sum of Tier 1 capital and Tier 2 capital, less items indicated in the capital adequacy rules. Own funds in relation to capital requirements.

Credit-impaired loan receivables

Loan receivables that have fallen due, have defaulted on issue or acquisition and thus are in stage 3 of the rules on expected credit losses under IFRS 9.

Common Equity Tier 1 capital

Common Equity Tier 1 capital comprises equity less intangible assets, goodwill, prudent valuation, investments in financial companies and IRB deficit.

Common Equity Tier 1 capital ratio

Common Equity Tier 1 capital in relation to the total risk exposure amount.

Liquidity Coverage Ratio

Qualitative liquid assets in relation to their net cash outflow measured over a period of 30 days.

Loan receivables

Comprises loans to the public and loans to credit institutions.

Tier 1 capital

The sum of Common Equity Tier 1 capital and Additional Tier 1 instruments.

Tier 1 ratio

Tier 1 capital in relation to the total risk exposure amount.

Risk Exposure Amount

The Risk Exposure Amount comprises assets in the balance sheet and off-balance sheet commitments valued in accordance with credit risk, market risk, operational risk and credit valuation adjustment risk in accordance with the capital adequacy rules.

Fixed-interest period

The agreed period during which the interest rate on an asset or liability is fixed.

Small businesses

Companies with basic business requirements (loans, savings and payments).

Tier 2 capital

Tier 2 capital primarily comprises fixed-term subordinated debt.

Total capital ratio

Total own funds in relation to the total risk exposure amount.

ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures came into effect on 3 July 2016. In accordance with these guidelines, disclosures on financial performance measures that are not defined by IFRS have been provided. Business volumes, cost/income ratio, investment margin and return on equity show the organisation's earnings in relation to various investment measures. The share of credit-impaired loan receivables, credit losses and performance measures concerning provisions are presented to provide an understanding of lending, collateral and credit risk. The common factor for all of the alternative performance measures is that they describe the development of the operations and aim to improve comparability between different periods. The measures may differ from similar performance measures presented by other organisations.

Business volumes

The total volume of internally and externally managed funds, agricultural loans, mortgages and other loans in Länsförsäkringar Bank and Wasa Kredit and deposits from the public.

Share of credit-impaired loan receivables

Credit-impaired loan receivables (stage 3) after provisions in relation to loans to the public and credit institutions before provisions.

Return on total capital

Operating profit in relation to average total assets.

Loan-to-value ratio

Refers to loans with single-family homes, tenant-owned apartments or vacation homes as collateral.

Cost/income ratio

Total expenses in relation to total income. The cost/income ratio is calculated before and after credit losses.

Credit loss level

Credit losses, net, for loan receivables (on an annual basis) in relation to loans to the public and credit institutions after provisions at the end of the period.

Investment margin

Net interest income in relation to average total assets.

Reserve ratio for loan receivables

Recognised provisions for loan receivables in relation till loan receivables before deductions for provisions.

Return on equity

Operating profit less standard tax in relation to average equity, adjusted for items in equity recognised in other comprehensive income and for Additional Tier 1 Capital loans.



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Interim report

January–March 2023.....25 April

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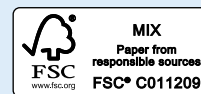
Interim report

January–June 2023.....21 July

Third quarter

Interim report

January–September 2023.....27 October



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