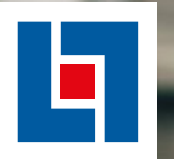


A man with glasses and a light blue shirt is smiling and looking towards a woman on his left. They are standing on a bridge with a metal railing, with a cityscape in the background. The woman is partially visible on the left side of the frame.

Länsförsäkringar Bank
Annual Report

2023



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About Länsförsäkringar Bank

Sweden's fifth largest retail bank

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 2023 Swedish Quality Index (SQI) customer satisfac-

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 cus-

tomers – 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 8,700 employees.

Länsförsäkringar Bank is Sweden's fifth largest retail bank and a full-service bank offering everything from deposit and payment services, mortgages and other loan services and various savings products, to being one of Sweden's largest fund managers that offers a broad range of funds all of which promote sustainability and sustainable development.

tomers – 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 8,700 employees.

3.9 million customers

23 local regional insurance companies

Länsförsäkringar AB

Länsförsäkringar Bank AB

**Länsförsäkringar
Hypotek AB**

Household mortgages

**Länsförsäkringar
Fondförvaltningar AB**

Mutual fund

Wasa Kredit AB

Leasing, hire purchase and
unsecured loans



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The year in figures

NET PROFIT FOR THE YEAR

- Operating profit rose 5% to SEK 2,168 M (2,067) and the return on equity amounted to 8.1% (8.2).
- Net interest income increased 27% to SEK 7,023 M (5,528).
- Net commission income, excluding remuneration to the regional insurance companies, increased 6% to SEK 1,405 M (1,329).
- Operating income increased 10% to SEK 5,542 M (5,033).
- Operating expenses increased 14% to SEK 2,869 M (2,510), including an impairment of intangible assets of SEK 165 M (0). Excluding this impairment, operating expenses increased 8%.
- Credit losses amounted to SEK 114 M (123), net, corresponding to a credit loss level of 0.03% (0.03).
- Operating profit was impacted by fees levied of SEK 391 M during the year (333), of which risk tax comprised SEK 254 M (212).
- Business volumes increased 10% to SEK 901 billion (820) due to higher mortgage and fund volumes.
- Lending increased 4% to SEK 382 billion* (367).
- Deposits fell 2% to SEK 151 billion (153).
- The fund volume increased 23% to SEK 368 billion (299) due to a very strong net inflow and a favourable trend in market values.
- A Group contribution of SEK 200 M gross (SEK 159 M net after tax) was paid at year-end. The Board proposes a dividend for 2023 of SEK 241 M.
- According to the 2023 Swedish Quality Index (SQI) customer satisfaction survey, Länsförsäkringar Bank continues to have the highest customer satisfaction among the major market players for retail customers and the highest placing in SKI's sustainability ranking among retail customers.
- The Common Equity Tier 1 capital ratio for the consolidated situation amounted to 15.1% (15.4) on 31 December 2023.

Figures in parentheses pertain to 2022.

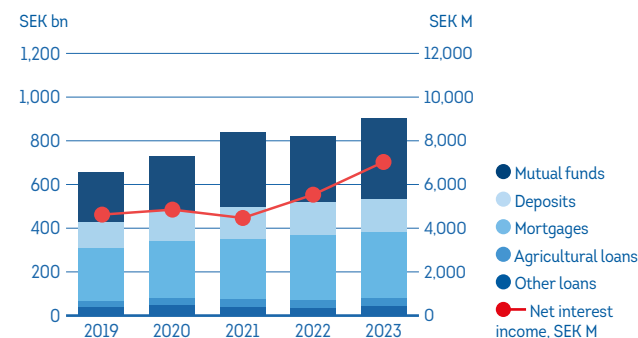
* Loans to the public excluding deposits with the Swedish National Debt Office and similar items.

KEY FIGURES

	2023	2022	2021	2020	2019
Return on equity, %	8.1	8.2	9.8	8.5	9.5
Return on total assets, %	0.35	0.36	0.42	0.35	0.38
Investment margin, %	1.47	1.19	1.09	1.18	1.21
Cost/income ratio before credit losses	0.52	0.50	0.56	0.49	0.48
Cost/income ratio before credit losses, excluding items affecting comparability	0.49	–	0.49	–	–
Common Equity Tier 1 capital ratio, consolidated situation ¹⁾ , %	15.1	15.4	15.3	16.7	15.4
Tier 1 ratio, consolidated situation ¹⁾ , %	16.8	17.2	17.2	17.7	16.0
Total capital ratio, consolidated situation ¹⁾ , %	19.2	18.5	19.4	19.0	16.6
Share of credit-impaired loan receivables gross (stage 3), %	0.29	0.25	0.30	0.34	0.30
Share of credit-impaired loan receivables net (stage 3), %	0.21	0.15	0.20	0.22	0.20
Reserve ratio for loan receivables stage 1, %	0.01	0.02	0.02	0.05	0.03
Reserve ratio for loan receivables stage 2, %	1.74	1.41	1.32	2.78	1.98
Reserve ratio for loan receivables stage 3, %	28.0	40.9	33.6	35.2	34.6
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	34.1	45.1	38.6	39.9	40.2
Credit losses in relation to loans, %	0.03	0.03	–0.09	0.09	0.06

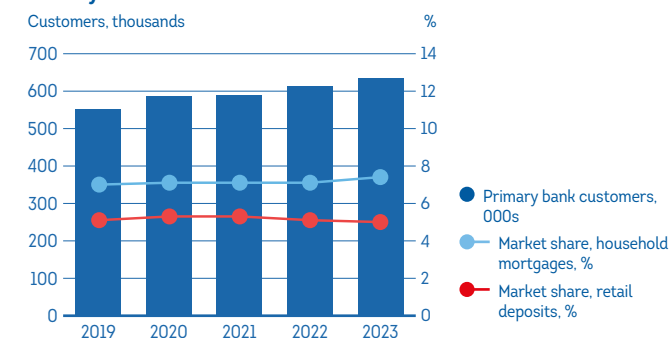
¹⁾ As of 30 June 2021, the consolidated situation comprises Länsförsäkringar Bank and its subsidiaries (the Bank Group).

Business volumes and net interest income



Total business volumes have increased an average of 10% 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 5% over the past five years. The market position was continuously strengthened.

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2023 in brief

Top-rate customer satisfaction – closeness to customers extra important in difficult times

Länsförsäkringar Bank focuses on low risks, diverse business and a strong, local profile close to customers with roots in non-life insurance. We could continue to stand strong in what was often a tough year for our customers and direct our full attention to supporting our customers with financial services and advice in order to create sustainable financial security and opportunities.

Länsförsäkringar Bank again topped the Swedish Quality Index's SKI Bank customer satisfaction survey, winning first place in the SKI sustainability index rating and in consumer loans, and high rankings in both mortgages and savings for retail customers. This can be seen as confirmation that customers appreciate our customer-centric profile and our local focus.



Social commitment

Länsförsäkringar Bank is continuing to regularly invest in improving processes and expertise related to money laundering and financial crime. For example, a system is currently being implemented that was purchased to automate and enhance the efficiency of collecting and updating customer due diligence.



Investments in digitisation further improve customer offering

An important area for enhancing efficiency and improving the customer experience is digitisation. New digitisation initiatives were carried out in 2023, such as digitally signing agreements. Digitisation means a lower impact on the environment by reducing paper consumption, postal services and the need for customers to travel. The percentage of digitally distributed customer documents was 84% in 2023.



Continued focus on sustainability

Länsförsäkringar offers green mortgages and energy efficiency loans to its mortgage borrowers. The process of implementing sustainability throughout the banking operations is continuing. This applies to both various products and services and the direction of customer advice meetings. In fund management, one fund was classified as dark green, known as "Article 9 fund," meaning that the investments have a sustainability objective.

Highest net inflow to funds out of all players in Sweden in 2023

Länsförsäkringar fonder had the highest net inflow in the industry in 2023. The net flow amounted to SEK 23 billion, compared with the entire Swedish fund market, which had a net inflow of SEK 97 billion. In 2023, the Länsförsäkringar Globala Mål Index fund was also classified as a dark green fund (Article 9) under the SFDR. The fund is managed according to an index that is optimised to benefit companies that clearly contribute to the UN's 17 SDGs, while keeping the carbon intensity at a low level.



Healthy growth in mortgages

The bank with the highest net growth in 2023

Länsförsäkringar took the largest share of new lending in the mortgage market in 2023, and its market share in household mortgages increased further during the year to 7.4%.

Increase in funds

23%

Increase in mortgages

4%

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Satisfied customers and stable results in an uncertain world

STATEMENT BY THE PRESIDENT

We are leaving behind a year characterised by an uncertain world and continued fiscal austerity by the world's central banks, which affects both households and companies. It is gratifying and important in this environment to deliver stable results for 2023 and maintain a strong financial position in order to continue to be there for and support our customers with financial services and advice. We are continuing to advance our positions and capture market share through healthy growth in the mortgage business and a very strong net inflow into our funds.



We can summarise a year that featured gradually more positive sentiment in the financial markets, at the same time as numerous underlying factors continued to show clear signs of a recession. Inflation in Sweden is declining and the Riksbank's monetary policy austerity should start to ease moving forward. Meanwhile, GDP has fallen and unemployment has risen slightly, which contributed to continuing uncertainty. Added to this, we have growing geopolitical instability and an ongoing threat to the climate, which means it is easy to understand that

households and companies are uncertain about the future.

Top-rate customer satisfaction again

In a year like this, it is particularly reassuring to be a bank with low risks, diverse business and the strength of our local profile, close to customers and with roots in non-life insurance. We continue to have very high credit quality and a loan portfolio with extremely small exposure to commercial properties.

It is particularly important that we have a financially strong position in uncertain times, which enables us to direct our full attention to

supporting our customers with financial services and advice in order to create sustainable financial security and opportunities.

Therefore, it is very gratifying that Länsförsäkringar Bank again topped the Swedish Quality Index's SKI Bank customer satisfaction survey. We see our first place in the SKI sustainability index ranking and in consumer loans, together with high rankings both in mortgages and in savings for retail customers, as confirmation that customers appreciate our customer-centric profile and our local focus. Strong customer satisfaction means that we are well positioned for further growth.

Healthy growth in mortgages

House prices were largely unchanged during the year in a market that continued to see low turnover and low demand for credit, which resulted in low volume growth in the mortgage market. At the same time, we continued to be successful and capture the highest market shares. Viewed in terms of the full-year, we reported the highest mortgage volume of growth of all banks, indicating that customers appreciate our local presence and offering.

Our success is based on a high level of activity with customers locally, which has helped us to achieve mortgage growth of 4% while the overall

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market has grown far less than that. At the same time, we are investing heavily in digitising our mortgage process in order to make it more efficient. We hope that by making the process quicker and more efficient in the future, we will be able to provide customers with even faster answers and better service, which offers many opportunities for us to continue to capture market shares.

Best net fund inflow in the Swedish market

We have a diversified banking business with savings volumes exceeding lending volumes. It was also pleasing that our savings offering performed well with a very strong trend in funds, driven by a strong net inflow and successful fund management. We have been the company in the Swedish fund market that had the highest net inflow and captured the largest portion of the market over the past year, which is also reflected in increased market shares.

We have a wide range of savings products, both in the form of different savings accounts and other forms of savings, and in the form of a wide range of green actively managed funds as well as index funds.

Continued focus on sustainability

Sustainability is central to us, as part of Länsförsäkringar and ultimately a customer-owned company. Having signed the UN Principles for Responsible Banking, we are continuing to focus on sustainability. As part of our customer offering, we offer green mortgages and energy efficiency loans, and our own fund offering is now a fully green fund offering. During the year, one of our funds was also classified as the first dark green fund, known as an Article 9 fund, which means that the investments have sustainability as their objective, which is yet another important step in our offering.

We have also continued to issue green bonds, which is an important part of our funding and offering to capital market investors.

Sustainability is becoming increasingly important for our customers and this is where, with Länsförsäkringar's local presence and unique position in banking and non-life and life insurance, we can make a difference for customers. We are working continuously to integrate sustainability throughout our banking operations, from products and services to the focus of advisory meetings.

The focus in the year ahead will include the reporting of the carbon footprint of our operations, including customer operations. We have joined the PCAF and will use its carbon footprint measurement method in our lending. We will also continue to work on the targets for how the business will reduce its climate impact and thus contribute to a green transition.

It is important to account for climate risks in lending, and also to identify business opportunities where we can help customers in their transition or to be energy efficient. We also conduct ongoing stress tests to determine the sensitivity of our lending to climate risks. We strive to integrate sustainability into our services and products, which is a prerequisite for presenting attractive offers to our customers.

Local presence and close customer relationships

We are proud to be part of Länsförsäkringar and everything that is done locally to support society and the world around us. We want life in the countryside to thrive, with local shops and small businesses, and help make it possible for people to live and work all over Sweden. As a bank, we represent all of Sweden, and our ambition is to offer all customers an opportunity to manage their private finances and have a sense of financial security.

Clear confirmation that customers give us high ratings in this area is that Länsförsäkringar Bank was ranked first in Swedish Quality Index's sustainability survey of Swedish banks this year.

It is clear that financial crime has received more and more attention in recent years and is now a major social problem that requires the cooperation of politicians, the authorities and banks. Unfortunately, we are seeing examples of Swedish bank customers being targeted by fraud. During the year, we have worked actively to provide customers with information, with both a bank-wide campaign called "can't fool me" and a number of local activities. We have continued to allocate resources to the unit at the bank that works to combat financial crime and money laundering, which is of great importance for protecting and safeguarding our customers. We have also taken steps to meet the high expectations of our customers and are currently implementing a new system solution for our transaction monitoring.

Strong financial position and stable earnings

Our financial position remains very strong, with robust capital and liquidity key figures. In 2023, we also received a positive outlook for our credit rating from S&P when Länsförsäkringar AB secured a positive rating outlook.

We stand strong with our continuing stable earnings, very high credit quality and committed employees, and this provides an important foundation for our long-term growth and our opportunities to assist customers with their private finances and financial topics.

Stockholm, March 2024

Sven Eggefall
President of Länsförsäkringar Bank



With our attractive customer offerings and our strong organisation, it is gratifying that customers give us the highest rating and that we can report such stable results.

Sven Eggefall
President of Länsförsäkringar Bank

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The local and digital bank

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 901 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 2023 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 18 times over the past 20 years. Länsförsäkringar Bank also has the very highest sustainability ranking among retail customers.



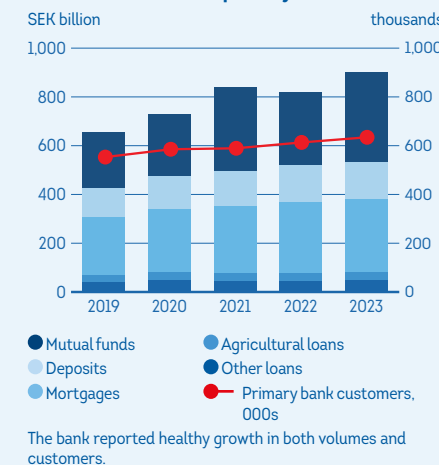
The high customer satisfaction is confirmation of Länsförsäkringar's clear customer focus and high quality. With Länsförsäkringar's comprehensive banking and insurance offering, customers receive a complete solution that creates security and added value.

Customer ownership

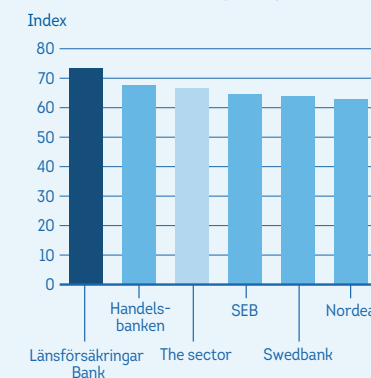
The Länsförsäkringar Alliance consists of 23 local, customer-owned regional insurance companies

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.

Business volumes and primary bank customers



Customer satisfaction, bank, retail customers



According to the Swedish Quality Index (SQI 2023), 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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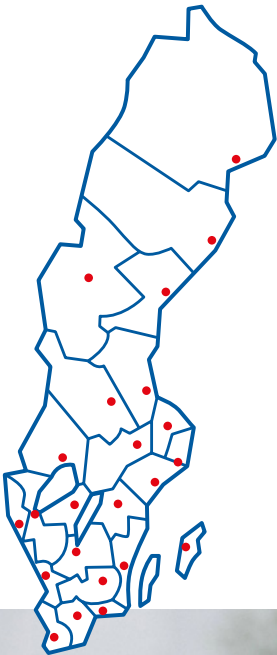
Other information



Leading digital services and strong local presence throughout Sweden

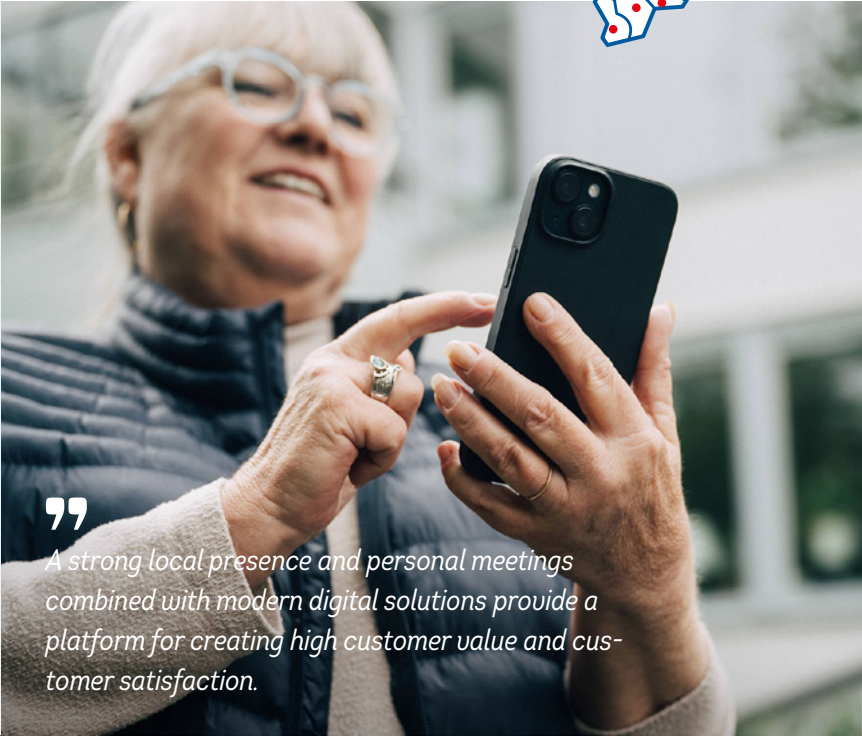
Digital services are a central part of Länsförsäkringar's offering and comprise an important supplement to local customer meetings. The digital services in the mobile app and Internet bank make it convenient and easy for customers to do all their banking. Länsförsäkringar Bank's ambition is to always 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 its presence and enabling further growth through digital channels. In 2023, the bank developed a digital mortgage application

process to further enhance its customer service. 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.



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.

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

According to the 2023 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 – and also the very highest sustainability ranking among retail customers in the SKI survey.



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A complete offering focusing on customers

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 382 billion in 2023. The largest product is household mortgages, which comprises about 80% of the loan portfolio. Household 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 household mortgages increased again during the year to 7.4%.

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 development of the operations for the year was favourable. Lending volumes increased 3% to just under SEK 26 billion.

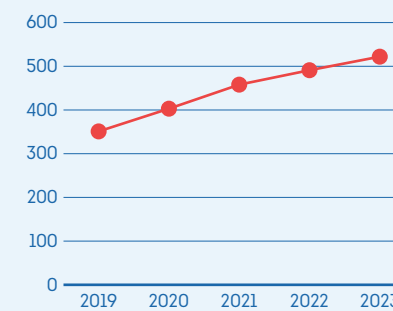
Savings

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 savings. Customer meetings strive to



Investment Savings Account (ISK)

Number, thousands



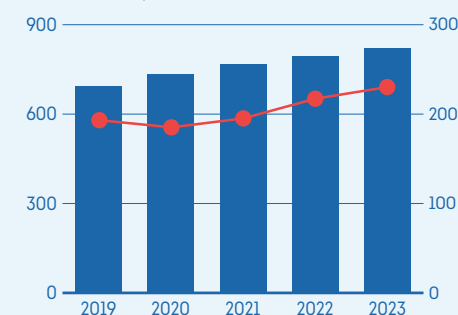
● Number of ISK accounts

The ISK performed well during the year.

Bank cards

Number of cards, 000s

millions



● Cards issued by Länsförsäkringar Bank, 000s

● Transactions

The number of bank cards issued by Länsförsäkringar Bank and card-payment transactions have risen steadily over the past five years.

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ensure that customers have secure private finances in which savings and mortgage repayments are key elements. By making mortgage repayments, customers' private finances can become more balanced over time.

Deposits

More than 80% of deposits from the public comprise deposits from retail customers and this rate remained stable in 2023. Total deposits from the public declined 2% in 2023 to SEK 151 billion, mainly due to the decline in deposits from businesses. The market share for household deposits was 5.0% and the number of deposit accounts increased 7%. The Investment Savings Account (ISK) displayed healthy growth during the year and the number of ISKs at year-end was 522,000, up 6%.

Funds and securities

In 2023, Länsförsäkringar Fondförvaltning succeeded in becoming the company in the Swedish fund market that had the highest positive net inflows – a total of SEK 22.4 billion during the year, calculated for the total fund volume, and the market share measured in fund assets increased to 4.8%.

The fund volume increased 23% to SEK 368 billion as a result of the strong net inflow and favourable trends in market values, of which managed funds under own brands amounted to SEK 331 billion. 53% of Länsförsäkringar's funds managed under own brand performed better than their benchmark index over the past three years.

In 2023, the Länsförsäkringar Globala Mål Index fund was also classified as a dark green fund (Article 9) under the SFDR. The fund is managed according to an index that is optimised to benefit companies that clearly contribute to the UN's 17 SDGs, while keeping the carbon intensity at a low level. All of the fund company's funds now promote sustainability and sustainable development, and are "Article 8" funds.

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.

53%

of Länsförsäkringar's funds managed under own brand performed better than their benchmark index over the past three years.



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 or in one case dark green, meaning that they promote environmental or social characteristics, or have sustainable investment as their objective.

Payments and bank cards

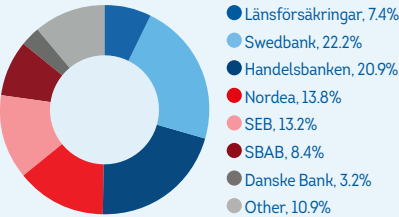
Bank cards are continuously developed to offer customers security and a high level of service in their payment services. The number of bank cards issued by Länsförsäkringar Bank increased 3% to 820,600 and the number of card-payment transactions amounted to 230 million. The Swish payment service performed 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.



Market shares

Household mortgages

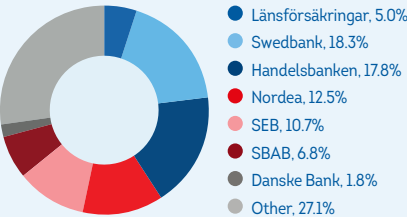
Source: Statistics Sweden



The market position in household mortgages increased to 7.4%.

Retail deposits

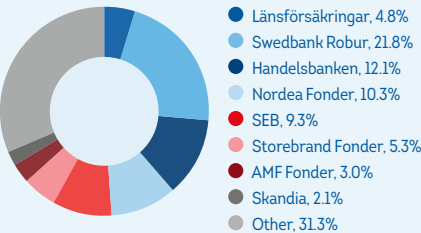
Source: Statistics Sweden



The market position in retail deposits amounted to 5.0%.

Volume of managed funds under Länsförsäkringar's own brand

Source: Moneymate



Länsförsäkringar holds a 4.8% market share of Swedish fund volumes.

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Weaker economic climate, high inflation and rising interest rates

ECONOMIC ENVIRONMENT AND MARKET

Sentiment in the financial markets was varied in 2023, while the economic outlook weakened somewhat during the year. Towards the end of the year, there was optimism in the financial markets, with falling market interest rates and sharp stock-market upturns. The primary reason was that inflation continued to fall in several advanced economies, which presented opportunities for the central banks to start lowering interest rates in 2024.

Sentiment in the financial markets varied greatly in 2023, while the economic outlook weakened somewhat during the year. Towards the end of the year, there was optimism in the financial markets, with falling market interest rates and sharp stock-market upturns. The primary reason was that inflation continued to fall in several advanced economies, which presented opportunities for the central banks to start lowering interest rates in 2024.

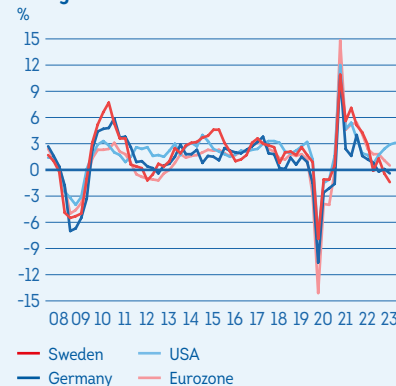
Meanwhile, the global economy continued to show its resilience and there are increasing signals that more central banks could succeed in curbing inflation without triggering a serious recession.

The US economy remained strong despite rapid rate rises by the Federal Reserve (Fed). Growth exceeded expectations and employment continued to increase. At the same time, signs can be seen of economic activity starting to ease,

which in this context can be seen as positive since it contributes to lower inflation. There was a clear downward trend in inflation in the second half of 2023, giving the Fed the opportunity to start lowering interest rates in 2024. Fed forecasts indicate that the interest rate could be lowered up to three times during the year, while the financial markets are considerably more optimistic and expect the key interest rate to be lowered even further.

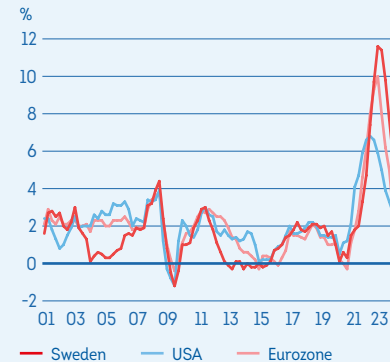
The economic climate in the eurozone remained weak. GDP shrank in the third quarter and economic statistics suggest a further decline in the fourth quarter, which is technically considered a recession. The situation in Germany was particularly weak due to the slowdown in industry. The situation in the service sector is also deteriorating quickly as the effects of rate hikes are becoming more apparent in the economy. The outlook for 2024 is slightly brighter, although we continue

GDP growth



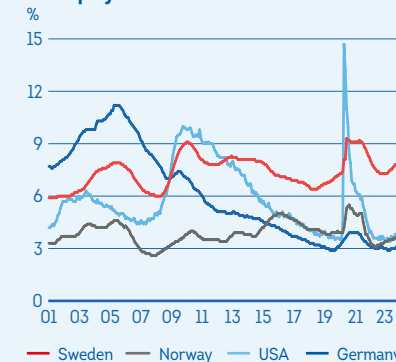
Source: Macrobond

Inflation



Source: Macrobond

Unemployment



Source: Macrobond

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to expect sluggish growth in the first half of the year. Inflation continued to fall and is expected to give the European Central Bank (ECB) scope to implement economic stimulus packages. Despite this, the ECB has been restrictive in its communication on interest-rate cuts. However, the market believes that interest rates could start to be lowered in mid-2024.

Sweden is in an economic downturn but the economy has, to date, performed better than anticipated. GDP shrank in the third quarter and confidence indicators suggest that we will continue to see a weak trend. There was a relatively sharp increase in unemployment in the third quarter that has since stabilised. The labour market reported a surprisingly positive trend and employment rose in the fourth quarter. Inflation in Sweden has also fallen and December statistics showed a continuing downward trend. The Riksbank is thought to have finished raising interest rates, and the market expects the first cut in the middle of 2024. However, negative inflationary surprises cannot be ruled out.

Lower inflation and expectations of rate cuts by the central banks combined with the resilience of the US economy coloured the sentiment in the financial markets at the end of 2023. Long-term bond interest rates fell sharply and the equities market reported a strong upswing. Including dividends and in local currency, the MSCI AC World Index increased 21.7% and the US S&P 500 Index 26.0% in 2023. The Stockholm Stock Exchange was up 17.2% in 2023. In the bond market, both Swedish and international interest rates ended the fourth quarter at lower levels. The Swedish ten-year government bond rate was 2.0% at year-end, which is the lowest level since February 2023, and a decline of one whole percentage point since the start of the fourth quarter.

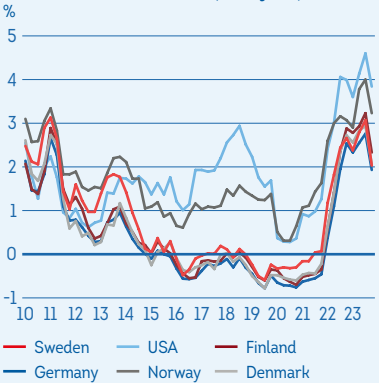
Mortgage bond rates in Sweden also fell in the fourth quarter and the difference between government bond and mortgage bond rates reported a considerable decline. The lowest difference since the start of 2022 was reached at year-end.

Despite higher mortgage rates and household pessimism, Swedish house prices were largely

unchanged in 2023. The outlook for the housing market remains uncertain.



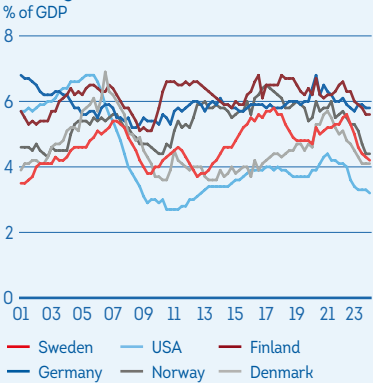
Government bond rates (five-year)



Source: Macrobond

Due to rapid and substantial rises in key interest rates by central banks to curb inflation, market interest rates remained high in 2023 and a downturn started to be seen in recent months.

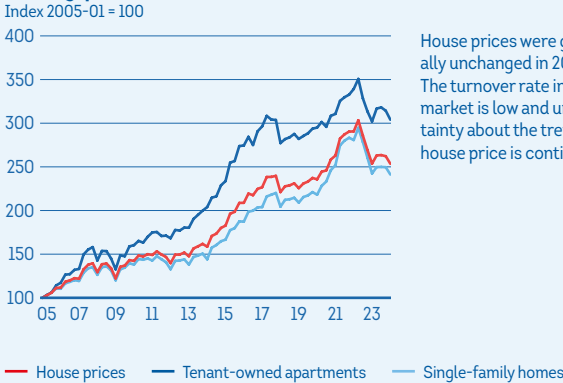
Housing construction



Source: Macrobond

Housing construction slowed during the year, partly as a result of trend in house prices. However, the shortage of housing in the large cities remains significant due to high population growth and many years of low new housing development.

Housing-price trend



Source: Macrobond

House prices were generally unchanged in 2023. The turnover rate in the market is low and uncertainty about the trend in house price is continuing.

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Lending with high credit quality

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 a standardised centrally established credit framework.

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 household mortgages for private individuals, small-scale family-owned agricultural operations with a low risk level and finance-company products. Loans are based on a standardised credit framework 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, the credit framework combined with the credit evaluation process and local customer and market knowledge. The credit framework 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.

As a result of the more difficult conditions for companies and households during the year, the Bank Group adjusted the operating and maintenance costs for home and the minimum amount that retail customers should have left to live on after costs have been deducted. The potential impact of the more difficult conditions on the Bank Group's customers was regularly analysed during the year. The interest rate resilience requirements for the commercial property segment, which represents a very small share of the Bank Group's lending, were raised to withstand higher interest rates and costs. 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

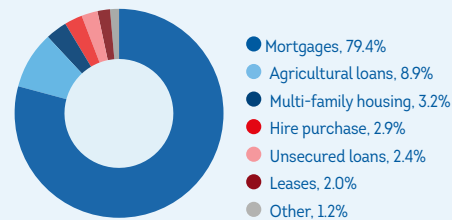
Loans to the public (excluding deposits with the Swedish National Debt Office and similar items)

rose 4% to SEK 382 billion in 2023. Household mortgages for private individuals' housing comprise about 80% of the loan portfolio. Household mortgages of up to 85% of market value are offered to customers via Länsförsäkringar Hypotek. A total of 74% of the collateral for household mortgages comprises single-family homes. The average loan commitment is low at SEK 1.5 M per borrower. 45% of mortgages have a commitment of less than SEK 2 M. The geographic spread of lending is diverse, thus resulting in low concentration risk.

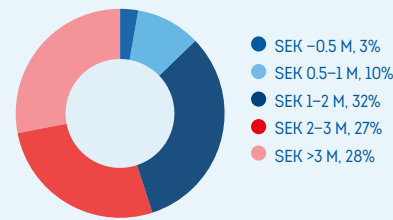
The weighted average loan-to-value ratio for mortgage lending amounted to 63%. Market-value analyses of the collateral in household mortgages are performed continuously and a market-value update is performed quarterly during the year.

It is essential for Länsförsäkringar Bank to continue to maintain high credit quality. Mortgage repayments are a key tool in ensuring that house-

Loans by product

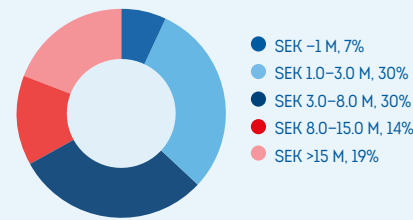


Household mortgages by commitment amount



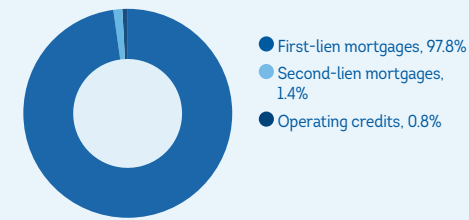
The average mortgage commitment amounted to SEK 1.5 M and 45% of mortgages have a commitment up to SEK 2 M.

Agricultural loans by commitment amount



The average agricultural commitment is SEK 2.4 M per counterparty.

Agricultural loans by product



98% of agricultural loans are first-lien mortgages.

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holds have stable and secure finances. The number of exemptions from the mortgage repayment requirements increased during the year due to the higher costs for Swedish households.

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 2.4 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 just under SEK 26 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.

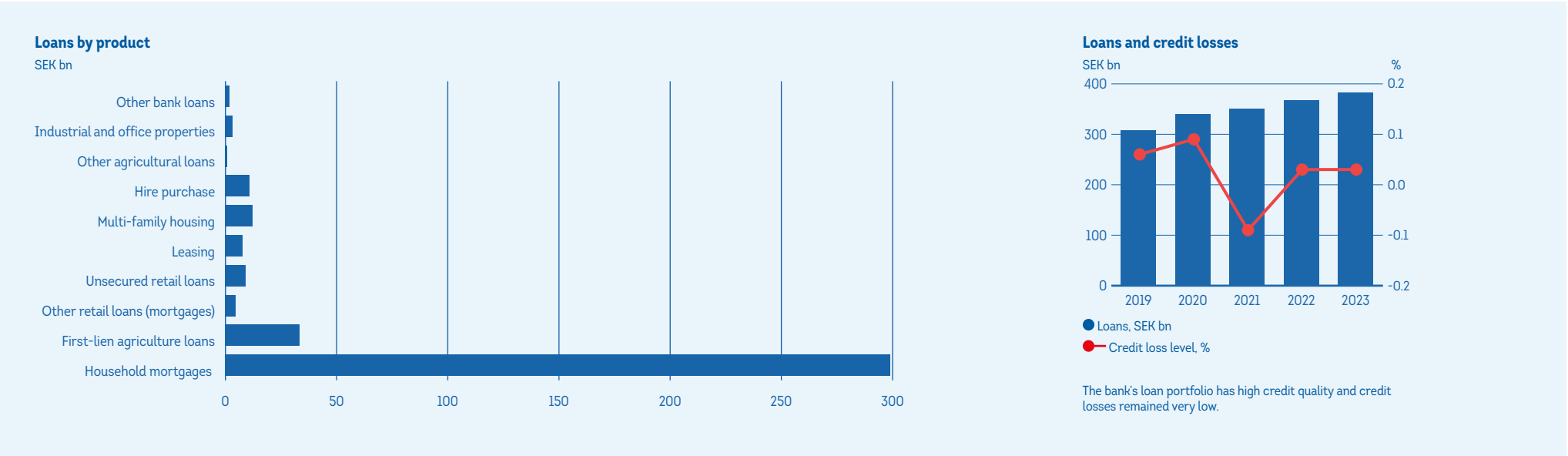
The credit quality of the loan portfolio remained very high and credit losses in the Bank Group are low. Customers demonstrated high resilience to increased interest rates and higher costs. The share of customers making late payments remains very low.

Credit losses for the full-year 2023 amounted to SEK 114 M, corresponding to a credit loss level of 0.03%.

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 1,147 M, corresponding to a share of credit-impaired loan receivables of 0.29% gross before provisions and 0.21% net after provisions. The loss allowance for credit-impaired loan receivables was SEK 321 M. The reserve ratio for credit-impaired loan receivables amounted to 28.0%. In addition, SEK 70 M of the remuneration to the regional insurance companies for credit-impaired loan receivables was withheld in accordance with the settlement model for credit losses related to the regional insurance companies' commitments for gener-

ated business. Including the withheld remuneration to the regional insurance companies, the loss allowance for credit-impaired loan receivables totalled SEK 391 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 34.1%. The total recognised loss allowance was SEK 590 M, of which SEK 116 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 26 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.



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Strong financing and liquidity position

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).

Länsförsäkringar Bank's credit rating from Standard & Poor's was given a positive outlook in November 2023, in connection with the Parent Company Länsförsäkringar AB receiving a positive outlook. Länsförsäkringar Bank's long-term credit rating is thus A1/Stable from Moody's and A/Positive from Standard & Poor's.

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

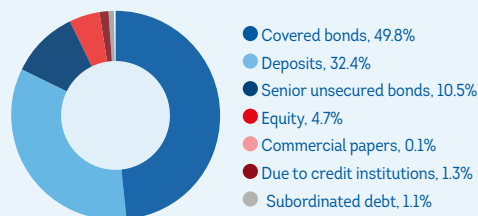
capital market funding is conducted under a number of funding programmes. The single most important source of financing is the Swedish covered bond market, where Länsförsäkringar Hypotek has a number of outstanding liquid benchmark bonds. At year-end, Länsförsäkringar Hypotek had seven outstanding benchmark loans with maturities until 2030. 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 cer-

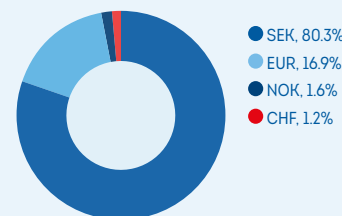
tain portion of its capital market funding in international markets in an effort to diversify and broaden the investor base. Funding has continuously taken place through issuance of Euro benchmark covered bonds. Länsförsäkringar Bank has issued six senior unsecured euro benchmark bonds since September 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



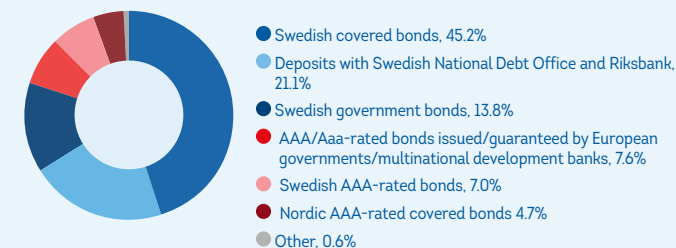
The largest source of financing in the Group is covered bonds, representing about 50%.

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.

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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 32% on 31 December 2023. The trend in deposits was stable during the year, and was down 2% mainly in deposits from businesses.

Funding operations

Funding activities functioned well during the year and demand from investors was high. During the year, Länsförsäkringar Hypotek issued a six-year Euro benchmark covered bond for a nominal EUR 500 M and a new Swedish cov-

ered bond (LFH523) that matures in September 2030. 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 3.3 years for covered bonds. A senior unsecured five-year Euro bond at a nominal EUR 500 M was issued after the end of the year, in January 2024.

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 available. The management and investment of the liquidity reserve are conservative. The liquidity reserve amounted to SEK 75 billion on 31 December 2023. 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 45% of the liquidity reserve comprises

Swedish covered bonds, 21% deposits with the Swedish National Debt Office and Riksbank, 14% Swedish government bonds, 8% bonds issued or guaranteed by European governments and multinational development banks, 7% other Swedish bonds with an AAA/Aaa credit rating, 5% Nordic AAA/Aaa-rated covered bonds and 1% other liquid assets. SEK 4.2 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 2023 amounted to 337%. The Net Stable Funding Ratio (NSFR) for the consolidated situation amounted to 128% on 31 December 2023.

Rating

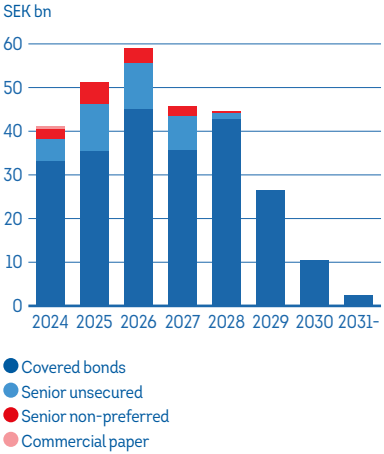
Länsförsäkringar Bank's credit rating from Standard & Poor's was given a positive outlook in

November 2023, in connection with the Parent Company Länsförsäkringar AB receiving a positive outlook. Länsförsäkringar Bank's long-term credit rating is thus A1/Stable from Moody's and A/Positive 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 2023, SEK bn	Issued 2022, SEK bn	Outstanding, 31 Dec 2023, SEK bn	Outstanding, 31 Dec 2022, SEK bn	Remaining average term, 31 Dec 2023, years
Benchmark (Hypotek)	Unlimited	41.6	32.6	181.7	167.2	3.4
MTCN (Hypotek)	SEK 30	2.3	1.8	12.1	15.7	3.0
EMTCN (Hypotek)	EUR 6	8.1	5.2	37.3	34.8	3.1
Total covered bonds		51.9	39.6	231.2	217.7	3.3
MTN (Bank)	SEK 40	6.2	2.8	18.8	18.5	2.0
EMTN (Bank)	EUR 4	11.1	4.9	30.1	25.1	2.2
Total senior unsecured bonds		17.3	7.7	48.9	43.6	2.1
DCP (Bank)	SEK 15	0.9	0.9	0.0	0.6	-
ECP (Bank)	EUR 1.5	1.3	0.8	0.6	0.8	0.4
Total commercial papers		2.2	1.7	0.6	1.4	0.4
Total Group		71.4	49.0	280.6	262.8	3.1

Maturity profile



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Regulatory development Länsförsäkringar Bank

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 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 majority of the new rules are expected to take effect in 2025 with a phase-in period of up to seven years.

In December 2023, the FSA decided to extend the current risk weight floor for Swedish mortgages by two years from 31 December 2023 until 30 December 2025, and decided to leave the countercyclical capital buffer unchanged. The buffer rate of 2% which started to apply on 22 June 2023, will continue to apply.

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 is continuing its review process of Länsförsäkringar Bank's internal models.

MREL

In December 2023, 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. MREL applies in full from 1 January 2024 and Länsförsäkringar Bank meets the requirements by a solid margin.

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 2023 there was a significant increase in the number of cases of telephony fraud with mainly the elderly falling victim. This includes vishing and voicephishing, as well as spoofing. There are many different variants, for instance, it could take the form of the fraudster calling an elderly person claiming to be from “the police” or “the bank’s security department” or another bank saying that they have received information that the customer has become the victim of fraud. Spoofing can mean that fraudsters have managed to “copy” a bank’s phone number to make it look like the bank is calling. The fraudsters inform the customer that they have seen signs of suspected fraud in the customer’s account and offer to “help” the customer in different ways, such as by blocking their account or transferring money to a “safe account.”

The government initiated a collaboration between Sweden’s six largest banks, including Länsförsäkringar Bank, and the police to jointly

stop and combat this type of crime. Action is already taking place, such as by providing information to customers about the risk of this type of crime and by systems monitoring or applying other ways of limiting options for fraudsters to transfer money.

To limit opportunities for criminals to cheat customers, we are working to find new ways of working to increase customer protection. It also involves identifying possible legal loopholes and the need for further initiatives by legislators. Länsförsäkringar Bank’s activities include introducing new functionality for existing services. We already have good experience from introducing country blocks on cards, continuously reviewing different limits and enhancing our surveillance capacity together with other measures.

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. Länsförsäk-

ringar 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 is currently being implemented that was 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.

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Focus on sustainability in customer business

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 2023 Annual Report and via this link

lansforsakringar.se/annualreport/2023

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 are handled centrally for the Group by Länsförsäkringar AB. A method for calculating the carbon footprint of the credit portfolio is currently underway.

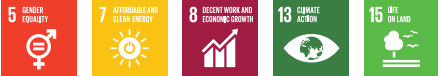
Healthy lending with low sustainability risks
Most of Länsförsäkringar Bank's lending takes place using residential property as collateral. Through its lending, the bank also finances small businesses and agriculture which may involve social and environmental risks, meaning that the bank has an indirect exposure to such risks. Climate change could probably affect the market value of certain properties or other assets. Länsförsäkringar Bank manages these risks by

attaching great importance to customers' repayment capacity in its lending and by including assessments of potential climate change impacts in the credit assessment. Opportunities also exist in lending to finance properties and companies that meet future sustainability requirements and help customers in their climate transition.

Strategic sustainability targets

Target 2023	Outcome 2023	Targets 2024–2025
Analyse methods for measuring parts of the carbon footprint of the credit portfolio.	✔ Method for measurement during preparation - linked to the PCAF Reporting Standard.	Measure the carbon footprint of the credit portfolio and adopt medium-term carbon footprint targets.
A sustainability-focused asset register as a basis for sustainability-focused bonds of at least SEK 15 billion.	✔ A sustainability-focused asset register as a basis for sustainability-focused bonds with SEK 15 billion in assets.	Increase the volume of the sustainability-focused asset register as a basis for sustainability-focused bonds.
Develop new sustainability-focused financing products.	✔ Expanded and improved green mortgages and energy loan products.	Further develop sustainability-focused financing products.

By concentrating on a sustainability-focused lending offering, Länsförsäkringar can contribute to the UN SDGs.
 Read more in the sustainability report in Länsförsäkringar AB's Annual Report.



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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-intensive 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.

Loans are primarily granted to retail customers

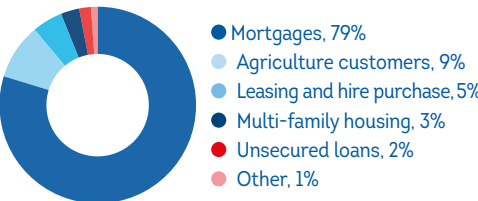
Länsförsäkringar Bank is the fifth-largest retail bank in Sweden. Länsförsäkringar Bank's loans are granted in Sweden and in SEK. The bank's largest lending product is mortgages. The geographic spread of lending to both retail and corporate customers is diversified, with low average lending per customer. 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.

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.

Loan portfolio 31 December 2023*



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

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:

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- 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 environmentally friendly sources of heating, or by remodeling, renovating or insulating their home.

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 2023, transition finance amounted to 5.7%* (1.2) 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 2023 its holdings amounted to SEK 4.2 billion (3.4).

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.

During the year, one of Länsförsäkringar's own

Strategic sustainability targets

Target 2023	Outcome 2023	Targets 2024–2030
Increase the share of own funds with a carbon intensity in line with the Paris Aligned Indexes.	28 own funds (38) have a carbon intensity that is lower or in line with Paris Aligned Indexes.	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.	The share of total capital in sustainability-focused funds fell to 18% (20).	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 the sustainability report in Länsförsäkringar AB's Annual Report.

funds was reclassified as dark green (Article 9), meaning that it has sustainability as its objective. The remaining 37 funds are classified as light green (Article 8) which means that they promote environmental or social characteristics in the management of the funds.

Active corporate governance

Corporate governance includes company dialogues on sustainability matters, 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 2023, the percentage of women board members was 37% 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 2023, Länsförsäkringar Fondförvaltning cast votes at 105 meetings in the Nordic region and the US and was on 18 nomination committees.

Länsförsäkringar Fondförvaltning collaborates with Länsförsäkringar Liv in conducting reactive and proactive dialogues on sustainability. When a company violates, or is suspected of violating, the Global Compact's principles and international conventions, reactive dialogues are conducted with the company with the aim of ending the violation and taking preventive measures to prevent similar incidents from recurring. If, over time,

such engagement efforts do not achieve the desired results, the holding could be divested. Proactive dialogue is conducted with individual companies and selected sectors under the frameworks of investor-led initiatives to ensure that they are managing and are transparent in their material sustainability risks. In 2023, Länsförsäkringar AB participated in several investor-led initiatives, including:

- Climate Action 100+ – focus on climate emissions.
- FAIRR (Farm Animal Investment Risk & Return) – focus on climate and water risks in the food sector.
- Access to Medicine Foundation – focus on access to medicine.
- BBFAW (Business Benchmark on Farm Animal Welfare) – focus on animal welfare.

*) Leasing and hire purchase financing for companies including M1 vehicles with emissions of 0–49 grams of CO2/km.

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Managing climate-related risks and opportunities

STRATEGY	RISK MANAGEMENT
<ul style="list-style-type: none">Support companies that have started to transition their operations.Increase exposure to companies that with their products, services and projects, 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, especially those unwilling to transition and those who risk having stranded assets³⁾.	<ul style="list-style-type: none">Integrate climate risks and opportunities when choosing 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 sustainable 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.

³⁾ Stranded assets means available assets cannot be used for some reason and thus pose a financial risk.

In 2023, Länsförsäkringar has joined the newly started initiative Nature Action 100. The aim is to engage companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. During the year, Länsförsäkringar also joined the Mining 2030 initiative, which focuses on material risks in the mining industry on a global level.

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

Exclusion criteria

In order to reduce risks and negative impacts, a number of exclusion criteria have been defined and are applied to direct investments in Länsförsäkringar's own funds. Limits expressed as percentages refer to the company's maximum sales from that area. Selected energy companies that can demonstrate that they are transitioning from fossil to renewable energy or have set emis-

sions targets aligned with the Paris Agreement can be kept in the investment universe. A list of all criteria, companies and countries is available on the Länsförsäkringar website.

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. Länsförsäkringar's index funds are managed using indexes aligned with the climate

The following exclusion criteria and turnover limits applied from 31 December 2023 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.

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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.

At the end of 2023, one of Länsförsäkringar's own funds was classified as dark green under Article 9 and the remaining 37 own funds as light green under Article 8 and all of the traditionally managed life-assurance and guarantee products were classified as light green funds under Article 8 of the Sustainable Finance Disclosure Regulation (SFDR).

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 2023, SEK 15 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.

82% 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 2023, such as digitally signing agreements. Digitisation means a lower impact on the environment by reducing paper consumption, postal services and the need for customers to travel. The percentage of digitally distributed customer documents was 84% in 2023.

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.



Continuing focus on digitisation

An important area for enhancing efficiency and improving the customer experience is digitisation. Digitisation means a lower impact on the environment by reducing paper consumption, postal services and the need for customers to travel. The percentage of digitally distributed customer documents was 84% in 2023. The percentage of digitally signed contracts was 70% in 2023.

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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 pre-requisite 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 for 2022–2024 includes standpoints, promotion activities and action plans. Progress is monitored annually.

EU diversity measures were carried out for all employees in 2023 to raise awareness of diversity and inclusion and to engage and increase participation. Important topics were highlighted through several lectures and a lecture was conducted for relevant parties in recruitment focusing on inclusive, competence-based and unprejudiced recruitment.

The aim of the recruitment process is to ensure a more even gender distribution in working groups and managerial positions. The share of working groups in Länsförsäkringar with a 40–60 ratio of men and women was 26% (28) in 2023. Efforts to reverse this trend and achieve the target are continuing in 2024.

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. We also collaborate with Novare Potential with the aim of leading new arrivals into 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.



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

Number of women among senior executives

%	31 Dec 2023	31 Dec 2022
Board members	30	32
Other senior executives	50	55

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-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.

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 2023 was 2.7% (2.8).

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

A work environment course that includes basic occupational health and safety skills and methods to work on these issues is in place. During the year, a new course was launched concerning the impact of labour law and measures to be taken. These courses are primarily intended for managers and health and safety representatives, but is available to all employees. Mandatory fire safety training is carried out annually by all


employees. A voluntary digital training course in cardiopulmonary resuscitation (CPR) is offered to all employees from 2023.

All employees with a contract period longer than six months are automatically covered by Länsförsäkringar's health care insurance, which is paid for by the employer and subject to fringe-benefit tax. If necessary, an agreement is in place with occupational health care services, which can provide support for rehabilitation, work-related illness, as well as ergonomic advice, regular medical check-ups and counselling for managers in managerial matters. Länsförsäkringar AB has its own health centre for exercise, training and subsidised massages.


Physiotherapy, naprapathy and personal trainers are also available. 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 enables 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. Support and guidance for managers is available in change management for leadership in a flexible working life and team group development tools. Länsförsäkringar AB's office in Stockholm underwent extensive remodelling as part of this new work method, which was concluded in 2023.


Our culture code




We have the *courage* to test something out and make decisions




We *trust* each other and believe in everyone's ability to lead




We have *fun*, share our success and support each other




We know our *customers* and the business well




We are *curious* and innovative and think in *new ways*




We work together for the *entire company*



We are *driven* and like to *perform our best*



We want to *learn* and share our knowledge with each other



We are *committed* to our customers and our society

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

Work under the framework of the code of culture at Länsförsäkringar 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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Board of Directors' Report

The Board of Directors and President of Länsförsäkringar Bank AB (publ) hereby submit the Annual Report for 2023.

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

customer 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 183 branches of Länsförsäkringar Fastighetsförmedling throughout Sweden.

2023 compared with 2022, Group Business volumes

Business volumes increased 10% from year-end to SEK 901 billion (820), driven by higher fund volumes and mortgage volumes.

Total lending improved 4% or SEK 15 billion to SEK 382 billion (367) with continued high credit quality. Lending excludes deposits with the Swedish National Debt Office and similar items of SEK 13 billion (17). Lending in Länsförsäkringar Hypotek increased 6%, or SEK 17 billion, to SEK 314 billion (297). Lending in Wasa Kredit increased 3%, or SEK 0.8 billion, to SEK 25.9 billion (25.1).

Deposits decreased 2%, or SEK 3 billion, to SEK 151 billion (153).

The fund volume increased 23% or SEK 69 billion to SEK 368 billion (299) due to a continued very strong net inflow and favourable market trend.

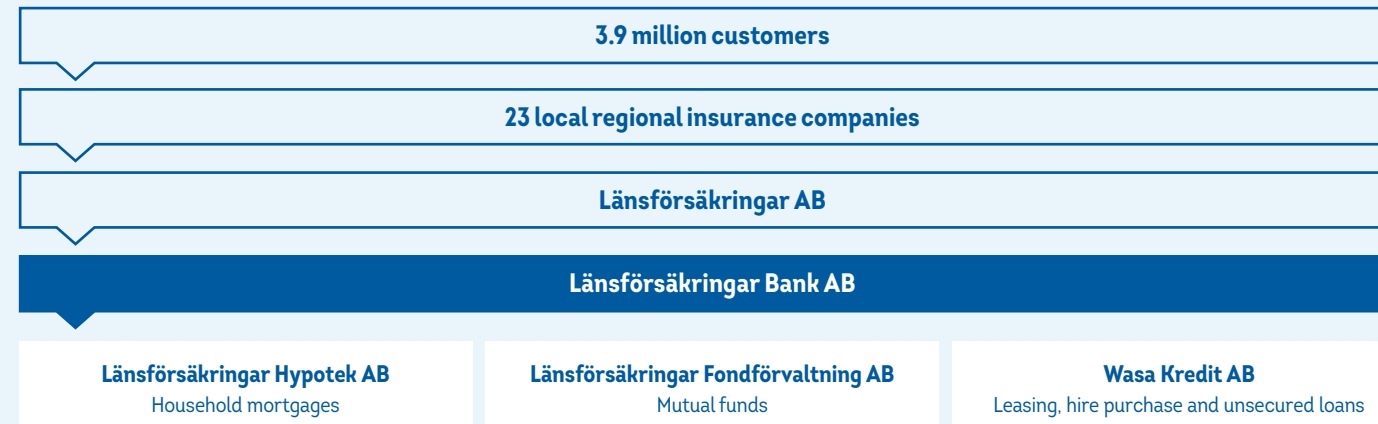
Customers

The number of customers with Länsförsäkringar as their primary bank rose 4% to 634,500 (612,800). 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 820,600 (794,600).

Earnings and profitability

Operating profit increased 5% to SEK 2,168 M (2,067). The increase was primarily attributable to improved net interest income. Profit before credit losses and fees levied increased 6% to SEK 2,673 M (2,523). The investment margin amounted to 1.47% (1.19). Return on equity amounted to 8.1% (8.2).

Länsförsäkringar Bank – part of the Länsförsäkringar Alliance



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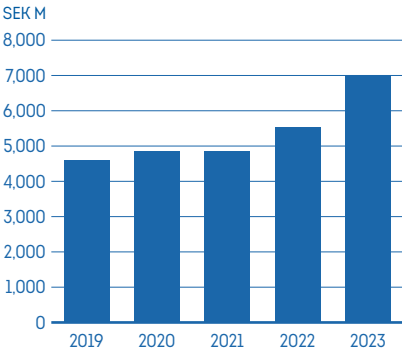
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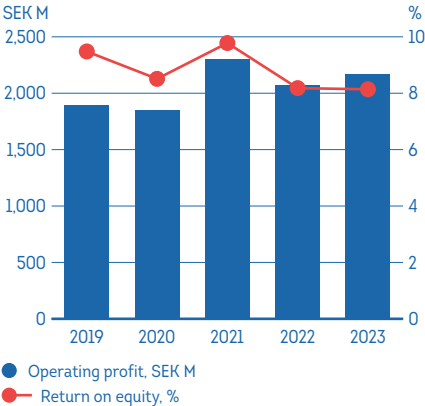
Net interest income



Income

Operating income increased 10% to SEK 5,542 M (5,033) due to higher net interest income, which offset lower net commission income. Net interest income increased 27% to SEK 7,023 M (5,528). Net gains from financial items amounted to SEK 1 M (0). The underlying net commission income, excluding remuneration paid to the regional insurance companies, increased 6% to SEK 1,405 M (1,329). The recognised net commission income including remuneration to the regional insurance companies amounted to SEK -1,511 M (-508).

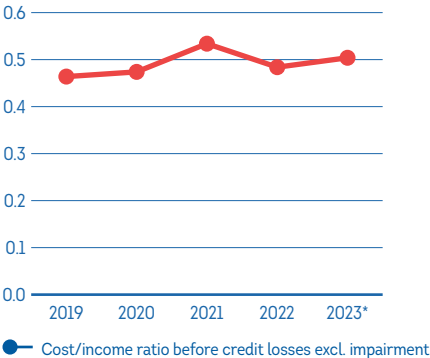
Operating profit and return on equity



Expenses

Operating expenses rose 14% to SEK 2,869 M (2,510). An impairment of SEK 165 M was recognised for intangible assets in the fourth quarter of 2023, and related to the development of the P27 payment platform and an e-commerce platform in Wasa Kredit. Excluding this impairment, operating expenses increased 8%. Increases in expenses continued to be affected by a high rate of IT development related to, for example, digitisation and AML. A slightly higher share of IT development has also been expensed. At the same time, inflation impacted expenses. The cost/income ratio before credit losses and fees levied amounted to 0.52 (0.50). Excluding the impairment of intangible assets, the cost/income ratio was 0.49. The cost/income ratio after credit losses and fees levied amounted to 0.61 (0.59).

Cost/income ratio before credit losses



* Including an impairment of intangible assets of SEK 165 M. The cost/income ratio excluding this impairment was 0.49 in 2023.

Credit losses

The credit quality of the loan portfolio remained very high and credit losses in the Bank Group are low. Customers demonstrated high resilience to increased interest rates and higher costs. The share of customers making late payments remains very low.

Credit losses for the full-year 2023 amounted to SEK 114 M (123), corresponding to a credit loss level of 0.03% (0.03). Credit losses in the first quarter was impacted by such factors as positive earnings effect of SEK 56 M from the divestment of credit-impaired loan receivables in Wasa Kredit and the effects of the implementation of new PD models and LGD estimates.

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 increased to SEK 1,147 M (963), corresponding to a share of credit-impaired loan receivables of 0.29% gross and net after provisions to 0.21% (0.15). The loss allowance for credit-impaired loan receivables was SEK 321 M (394).

The reserve ratio for credit-impaired loan receivables amounted to 28.0%. In addition, SEK 70 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 391 M (434). The reserve ratio for credit-impaired loan receivables, including withheld remuneration to the regional insurance companies, amounted to 34.1%, and the total recognised loss allowance was SEK 590 M, of which SEK 116 M refers to withheld remuneration to the regional insurance companies*.

Loan receivables with higher credit risk (stage 2) fell to SEK 6,528 M (7,247). The loss allowance for loan receivables (stage 2) was SEK 114 M (102) excluding and SEK 147 M (121) including withheld remuneration to the regional insurance companies.

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

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Loss allowance, stage 3 and 2

SEK M	31 Dec 2023	31 Dec 2022
Loans to the public	395,117	384,104
Credit-impaired loan receivables (stage 3)	1,147	963
Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to the regional insurance companies	391.3	434.1
of which loss allowance for credit-impaired loan receivables (stage 3)	320.9	394.1
of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)	70.3	40.0
Share of credit-impaired loan receivables gross (stage 3), %	0.29	0.25
Share of credit-impaired loan receivables net (stage 3), %	0.21	0.15
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	34.1	45.1
Reserve ratio for loan receivables stage 3, %	28.0	40.9
Loan receivables with higher credit risk (stage 2)	6,528	7,247
Total loss allowance for loan receivables with higher credit risk (stage 2), incl. withheld remuneration to regional insurance companies	146.6	120.9
of which loss allowance for loan receivables with higher credit risk (stage 2)	113.6	102.3
of which withheld remuneration to regional insurance companies for loan receivables with higher credit risk (stage 2)	33.1	18.6
Share of loans with higher credit risk (stage 2), %	1.62	1.85
Reserve ratio for loan receivables with higher credit risk (stage 2), incl. withheld remuneration to regional insurance companies, %	2.2	1.7
Reserve ratio for loan receivables stage 2, %	1.7	1.4

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 decreased 2%, or SEK 3 billion, to SEK 151 billion (153). Deposits from businesses amounted to SEK 13.4 billion (15.2). The total number of deposit accounts increased 7%. On 31 December 2023, the market share of household deposits had declined to 5.0% (5.1) according to Statistics Sweden. The fund volume increased 23% or SEK 69 billion to SEK 368 billion (299) due to a continued very strong net inflow and favourable market trend.

Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public rose 4% or SEK 15 billion to SEK 382 billion (367) and maintained a high level of credit quality. Lending excludes deposits with the Swedish National Debt Office and similar lending of SEK 13 billion (17).

Lending in Länsförsäkringar Hypotek increased 6%, or SEK 17 billion, to SEK 314 billion (297). The percentage of household mortgages in relation to the total loan portfolio was at 79.4%. The weighted average loan-to-value ratio (LTV) of the mortgage portfolio amounted to 63% (56). As of 31 December 2023, the market share of household mortgages had increased to 7.4% (7.1) according to Statistics Sweden. Green mortgages were launched as a product for customers during the year.

Agricultural lending increased 1% to SEK 34.1 billion (33.9). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2.4 M (2.3). First-lien mortgages for agricultural properties increased to SEK 33.4 billion (33.2), corresponding to 98% (98) of agri-

cultural lending. Lending in Wasa Kredit rose 3% to SEK 25.9 billion (25.1).

Loan portfolio

Lending segment, %	31 Dec 2023	31 Dec 2022
Household mortgages	79.4	79.5
Agriculture	8.9	9.2
Multi-family housing	3.2	2.8
Leasing and hire purchase	4.9	5.0
Unsecured loans	2.4	2.3
Other	1.2	1.2
TOTAL	100	100

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

Capital receivable	Total	
	Volume, SEK M	%
Loan-to-value ratio		
0-50%	241,201	79.5%
51-60%	28,181	9.3%
61-70%	18,768	6.2%
71-75%	6,118	2.0%
76-80%	4,316	1.4%
80%-	4,960	1.6%
TOTAL	303,544	100.0%

** Refers to loans with single-family homes, tenant-owned apartments or vacation homes as collateral on 31 December 2023.

Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 7%, or SEK 2.7 billion, to a nominal SEK 281 billion (263), of which covered bonds amounted to SEK 231 billion (218), senior long-term funding to SEK 49 billion (44) and short-term funding to SEK 0.6 billion (1.4). The average remaining term for long-term funding was 3.2 years (3.0) on 31 December 2023. Covered bonds were issued in 2023 at a volume of a nominal SEK 51.9 billion (39.6). Repurchases of covered bonds amounted to a nominal SEK 9.8

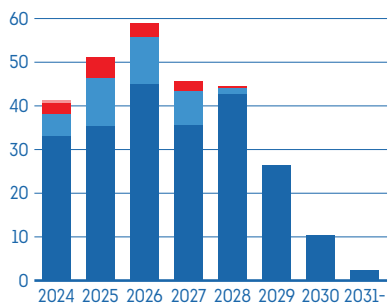


billion (12.5) and matured covered bonds to a nominal SEK 28.7 billion (23.6). Länsförsäkringar Bank issued senior unsecured bonds of a nominal SEK 17.3 billion (7.7) during the period, while maturities amounted to a nominal SEK 11.5 billion (9.4). The total volume of senior non-preferred bonds outstanding, which also qualify as MREL, amounted to SEK 11.0 billion (8.9) on 31 December 2023.

In 2023, Länsförsäkringar issued a new covered seven-year benchmark bond in SEK and a covered six-year Euro benchmark bond of EUR 500 M in Länsförsäkringar Hypotek.

A green senior preferred Euro bond was issued during the year at an amount of EUR 500 M, and a green senior non-preferred bond in SEK was issued at an amount of SEK 1.5 billion.

Maturity profile



- Covered bonds
- Senior unsecured preferred
- Senior non-preferred
- Commercial paper

Liquidity

On 31 December 2023, the liquidity reserve totalled SEK 75 billion (71). About 25% of the liquidity reserve is invested in short-term deposits with the Riksbank and the Swedish National Debt Office, and the remainder is invested in securities with very high credit quality that are eligible for transactions with the Riksbank and,

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where appropriate, with the ECB. 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 2023 amounted to 337% (277). The Net Stable Funding Ratio (NSFR) for the Consolidated Situation on 31 December 2023 was 128% (125).

Interest-rate risk

On 31 December 2023, 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 –238 M (–250).

Rating

Länsförsäkringar Bank's credit rating from Standard & Poor's was given a positive outlook in November 2023, in connection with the Parent Company Länsförsäkringar AB also receiving a positive outlook.

Länsförsäkringar Bank's credit rating is thus A/Positive 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.

In the first quarter of 2023, Finansinspektionen (the Swedish Financial Supervisory Authority, FSA) approved the Länsförsäkringar Bank Group's application to use new probability of default (PD) models and to 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 were replaced by new models, which took place in the first quarter of 2023. The effect of the implementation is that the new models was a slight increase in the total risk exposure amount (REA).

On 31 December 2023, the Common Equity Tier 1 capital amounted to SEK 19,229 M (18,469), up SEK 760 M mainly due to generated profit. At year-end, the Parent Company Länsförsäkringar AB paid a Group contribution of SEK 200 M to Länsförsäkringar Bank AB (SEK 159 M net after tax). In addition, a deduction of SEK 241 M for the expected, proposed dividend from the Parent Company Länsförsäkringar Bank AB to the shareholder was made from Common Equity Tier 1 capital at year-end.

Total Risk Exposure Amount (REA) in the consolidated situation on 31 December 2023 amounted to SEK 127,710 M (119,910). The increase in REA was mainly due to the continued implementation of the new models described above and the continued growth in lending, primarily to households in the form of mortgages. The credit quality of lending remained favourable.

The Common Equity Tier 1 capital ratio for Länsförsäkringar Bank's consolidated situation was 15.1% (15.4). Total own funds amounted to SEK 24,519 M (22,164) on 31 December 2023. The increase in total own funds was mainly due to the issue of a Tier 2 loan of SEK 1.6 billion during the year. The total capital ratio was 19.2% (18.5).

For more information on capital adequacy, see note 3.

* Comparative figures refer to the Bank Group on 31 December 2022

Employees


In 2023, the Bank Group had an average of 775 employees (688), of whom women numbered 391 and men 384. 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 18-24. 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. Taxonomy disclosures for Länsförsäkringar Bank can be found on pages 115-127. 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 2023 Annual Report, which includes a sustainability report and appendix, see:

 lansforsakringar.se/annualreport/2023

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 bank's mortgage lending.

The currently high geopolitical risks, which have further risen with recent developments in the Middle East, could also result in further macroeconomic consequences and increased cyber and other security risks. For more information about macroeconomic developments, refer to pages 10-11.

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

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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 2023. 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. A new transaction monitoring system support started to be implemented during the year and is currently ongoing.

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 be dominated by interest rates and inflation and a weaker economy, which could affect customers and could impact 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.

Events after the end of the period

After the end of the period, on 16 January 2024, Länsförsäkringar Bank issued an SEK-denominated Additional Tier 1 instrument (AT1 bond), with a perpetual term and a first possible redemption date in 2029, with a volume of SEK 1,350 M.

On 9 February 2024, Ulrica Hedman stepped down from her position as a Board member of Länsförsäkringar Bank when she resigned as the President of Länsförsäkringar Uppsala to take up another position at Swedbank.

PARENT COMPANY

All the Group's deposits take place in 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, declined to SEK 55 billion (62). Debt securities in issue amounted to SEK 49 billion (45).

Earnings

Operating profit amounted to SEK 291 M (398). Net interest income increased to SEK 3,943 M (2,106). Commission income rose to SEK 943 M (824). Commission expense increased to SEK 2,870 M (1,092) due to a higher net interest income. Operating income increased 7% to SEK 2,393 M (2,242). Operating expenses rose 12% to SEK 1,945 (1,731).

Credit losses amounted to SEK 11 M (-2), net, corresponding to a credit loss level of 0.01% (0.00).

Proposed appropriation of profit and statement by the Board

The Parent Company's non-restricted equity	SEK
Other reserves	-44,118,901
Retained earnings	4,755,304,940
Net profit for the year	184,983,995
Total	4,896,170,034
The Board of Directors proposes that SEK 25.25 per share (8.50) of the unappropriated earnings in the Parent Company be paid to the owners:	
	241,104,877
To be carried forward	4,655,065,157
Total	4,896,170,034

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 12,722 M (11,650), and the overall capital requirement for credit risks, operational risks and buffer amount to SEK 4,925 M (4,392). For the consolidated situation, own funds after the proposed dividend amount to SEK 24,519 M (22,164), and the overall capital requirement for credit risks, operational risks and buffer amount to SEK 18,646 M (16,308).

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 383 M (697) of the bank's Parent Company and SEK 4,184 M (4,723) of the Bank Group are attributable to assets and liabilities being measured at fair value according to

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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 6%, or SEK 17 billion, to SEK 314 billion (297). Household mortgages can be granted up to 85% of the market value of the collateral on the granting date in Länsförsäkringar Hypotek. Operating profit increased 14% to SEK 1,629 M (1,423). Net interest income fell 15% to SEK 2,285 M (2,692) due to lower investment margins. Credit losses amounted to SEK 2 M (4), net, corresponding to a credit loss level of 0.00% (0.00). Operating expenses amounted to SEK 142 M (142). The total number of customers was 305,800.

Länsförsäkringar Hypotek AB, SEK M	31 Dec 2023	31 Dec 2022
Total assets	335,415	316,329
Lending volume	314,247	296,894
Net interest income	2,285	2,692
Credit losses	2	4
Operating profit	1,629	1,423

Wasa Kredit AB

Wasa Kredit's lending volumes increased 3% to SEK 25.9 billion (25.1). Operating profit amounted to SEK 109 M (194). The change was primarily attributable to higher operating expenses. Net interest income amounted to SEK 744 M (721). Operating expenses amounted to SEK 687 M (554). Credit losses amounted to SEK 106 M (122), net. Credit losses for the year include a positive effect of SEK 56 M from the divestment of credit-impaired loan receivables in the first quarter. The reserve ratio for credit-impaired loan receivables amounted to 57.5%, while the total reserve ratio was 1.7%.

Wasa Kredit, SEK M	31 Dec 2023	31 Dec 2022
Total assets	26,660	26,299
Lending volume	25,852	25,123
Net interest income	744	721
Credit losses	106	122
Operating profit	109	194

Länsförsäkringar Fondförvaltning

The fund volume increased 23% or SEK 69 billion from last year to SEK 368 billion (299) due to a continued strong net inflow and favourable trends in market values. Operating profit increased 11% to SEK 335 M (301). Total income increased 11% to SEK 592 M (534).

The fund offering includes 38 mutual funds under Länsförsäkringar's own brand with various investment orientations and a fund market with external funds. Managed funds under Länsförsäkringar's own brand amounted to SEK 331 billion (266). All of the funds were "Article 8 funds" that promote sustainability, and in one case one fund is an "Article 9 fund", which received this classification during the year and means that its has sustainable investment as its objective.

Länsförsäkringar Fondförvaltning AB, SEK M	31 Dec 2023	31 Dec 2022
Total assets	1,896	1,645
Fund volumes	367,809	299,190
Net flow	22,374	7,394
Total income	592	534
Operating profit	335	301

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SEK M	2023	2022	2021	2020	2019
INCOME STATEMENT					
Net interest income	7,023.2	5,527.9	4,863.1 ¹⁾	4,845.4	4,617.4
Net commission income	-1,511.2	-507.8	-330.7	-558.8	-636.4
Net gains/losses from financial items	0.8	0.5	53.6	-28.4	15.4
Other operating income	28.4	11.7	23.8	20.2	30.5
Total operating income	5,541.9	5,032.9	4,610.3¹⁾	4,278.4	4,026.8
Staff costs	-887.9	-771.1	-712.9	-636.0	-640.1
Other administration expenses	-1,630.7	-1,512.7	-1,258.3	-1,265.8	-1,114.7
Depreciation/amortisation and impairment of property and equipment and intangible assets	-350.0	-226.6	-551.5	-207.3	-171.4
Total operating expenses	-2,868.7	-2,510.3	-2,522.6	-2,109.1	-1,926.2
Profit before credit losses and fees levied	2,673.2	2,522.6	2,087.7¹⁾	2,169.3	2,100.7
Credit losses, net	-114.2	-122.8	331.0	-325.5	-207.2
Share of profit/loss of participating interests	-0.4	-	-	-	-
Risk tax levied and resolution fee	-390.6	-333.3	-122.5 ¹⁾	-	-
Profit before tax	2,168.1	2,066.5	2,296.2	1,843.8	1,893.5
Tax	-446.6	-403.3	-445.4	-404.4	-453.8
Net profit for the year	1,721.5	1,663.2	1,850.8	1,439.4	1,439.7
BALANCE SHEET					
Cash and balances with central banks	5,786.5	4,947.0	14,361.4	53.0	9,831.1
Treasury bills and other eligible bills	11,183.2	10,856.8	15,526.1	11,795.6	9,934.4
Loans to credit institutions	878.0	1,253.4	1,480.1	2,557.3	407.8
Loans to the public	395,116.5	384,103.3	361,991.4	340,006.5	307,099.3
Bonds and other interest-bearing securities	51,522.6	49,969.4	50,424.8	46,822.8	42,673.3
Shares and participations	106.4	93.6	88.8	91.2	90.0
Shares and participations in joint ventures	5.1	3.2	-	-	-
Derivatives	4,963.9	8,138.3	4,105.7	5,414.1	8,224.3
Fair value changes of interest-rate-risk hedged items in portfolio hedge	-1,553.2	-4,846.5	735.3	304.9	4.5
Intangible assets	1,351.2	1,317.5	1,170.3	1,344.8	1,252.0
Other assets	878.0	824.3	761.0	762.3	744.9
Prepaid expenses and accrued income	568.9	573.6	545.0	458.1	434.3
Total assets	470,807.1	457,234.8	451,189.9	409,610.6	380,695.8

SEK M	2023	2022	2021	2020	2019
Due to credit institutions	5,895.4	8,992.0	7,892.0	7,402.8	6,565.4
Deposits and funding from the public	150,506.6	153,340.8	146,264.8	136,387.8	119,303.5
Debt securities in issue	280,195.4	265,667.5	266,867.6	236,137.5	227,615.7
Derivatives	4,114.1	10,442.0	946.6	1,020.2	479.2
Fair value changes of interest-rate-risk hedged items in portfolio hedge	-4,196.7	-12,010.5	375.7	1,809.2	1,241.2
Deferred tax liabilities	612.7	570.8	563.2	505.2	439.1
Other liabilities	1,633.4	1,623.8	992.5	1,049.6	1,009.2
Accrued expenses and deferred income	5,117.1	3,446.2	2,943.8	2,871.4	2,968.4
Subordinated liabilities	3,093.3	2,596.7	2,594.7	2,597.3	2,595.2
Equity	23,788.3	22,585.5	21,749.0	19,829.7	18,479.0
Total liabilities and equity	470,807.1	457,234.8	451,189.9	409,610.6	380,695.8
KEY FIGURES					
Return on equity, %	8.15	8.18	9.78	8.51	9.48
Return on total assets, %	0.35	0.36	0.42	0.35	0.38
Investment margin, %	1.47	1.19	1.12 ¹⁾	1.18	1.21
Cost/income ratio before credit losses and fees levied	0.52	0.50	0.55 ¹⁾	0.49	0.48
Common Equity Tier 1 capital ratio, consolidated situation ²⁾ , %	15.1	15.4	15.3	16.7	15.4
Tier 1 ratio, consolidated situation ²⁾ , %	16.8	17.2	17.2	17.7	16.0
Total capital ratio, consolidated situation ²⁾ , %	19.2	18.5	19.4	19.0	16.6
Share of credit-impaired loan receivables gross (stage 3), %	0.29	0.25	0.30	0.34	0.30
Share of credit-impaired loan receivables (stage 3), %	0.21	0.15	0.20	0.22	0.20
Reserve ratio for loan receivables stage 1, %	0.01	0.02	0.02	0.05	0.03
Reserve ratio for loan receivables stage 2, %	1.74	1.41	1.32	2.78	0.98
Reserve ratio for loan receivables stage 3, %	28.0	40.9	33.6	35.2	34.6
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	34.1	45.1	38.6	39.9	40.1
Credit losses in relation to loans, %	0.03	0.03	-0.09	0.09	0.06

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

²⁾ 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 36.

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 identity, 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 34.

Shareholders and General Meeting

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

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plexity 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 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 2023 Annual General Meeting, the Nomination Committee has comprised Göran Trobro as Chairman (Länsförsäkringar Göinge Kristianstad), Mikael Bergström (Länsförsäkringar Västernorrland), Ulrica Hedman (Länsförsäkringar Uppsala), Bengt Mattsson (Länsförsäkringar Blekinge) and Anna Christina Norrström (Länsförsäkringar Bergslagen). 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 2023. The auditor also participates in the meetings of the Board's Audit Committee.

Board of Directors
Composition of the 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 in 2023 was comprised of ten regular members and two deputies. Eight 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 126–127 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, etc. The Board receives regular reports from, for example, the Compliance function, Risk Management and Internal Audit as well as the central head of function (CFA).

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

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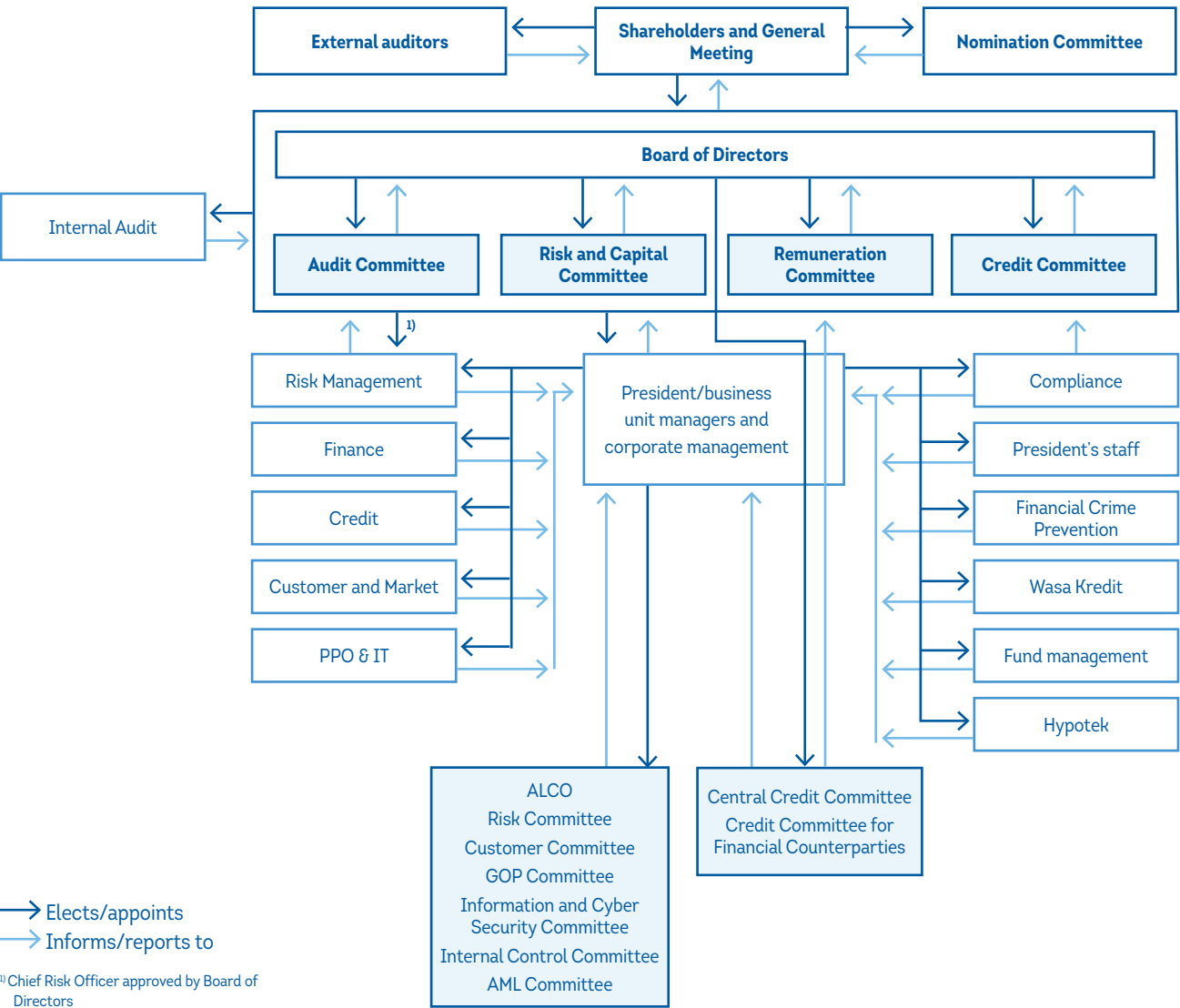
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Länsförsäkringar Bank's governance structure



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 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 2023, the Board followed its established plan and gained greater knowledge of areas including sustainability, information security and cybersecurity, money laundering and terrorism financing, internal risk classification and recovery and resolution regulations. The Board also devoted particular attention to such matters as money laundering and terrorism financing, 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 35.

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.

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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.

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.

Mathias Collén and Anna Christina Norrström have been members of the Remuneration Committee since 2022.

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.

Board meetings and attendance

The table below shows the number of meetings held in each body since 2023 and the attendance of each Board member.

	Board of Directors	Audit Committee	Remuneration Committee	Risk and Capital Committee	Credit Committee
Number of meetings	10	8	3	6	20
Mathias Collén ¹⁾	10		3		6
Mikael Bergström ²⁾	5				11
Ola Evensson	10	8			14
Ulrica Hedman	9	8			
Emil Källström	9	8			
Niklas Larsson	10			6	20
Hans Ljungkvist	10			5	16
Anna Christina Norrström	10			4	
Anette Andersson	10				
Mattias Karlsson ³⁾	10		3	3	
Lisa-Maria Carensjö	5				
Camilla Lahger	5				

¹⁾ Member of the Risk and Capital Committee until 24 April 2023 ²⁾ Member until 24 April 2023 ³⁾ Member of the Risk and Capital Committee until 24 April 2023

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 2023 Annual General Meeting, Niklas Larsson was the Chairman of the Credit Committee and Ola Evensson, Hans Ljungkvist and Mikael Bergström were members of the Committee.

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, has a B.A. in Economics 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, Internal Audit, and Compliance function as well as a central head of function (CFA). To ensure that the operations of

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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 Länsförsäkringar 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.

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 function

The compliance function is an independent control function responsible for monitoring and controlling compliance in the that licensable opera-

tions. The function is to identify and report on risks that may arise as a result of non-compliance with regulations and present recommendation for action. The compliance function is also to provide support and advice to the operations on compliance risks.

Risk Management

Risk Management provides support to the Board, President, management and the rest of the operations for fulfilling their responsibility of ensuring that proper risk management and risk control have been carried out for all operations and for determining whether risks are managed in line with the risk framework established by the Board. Risk Management is to carry out its activities separately and independently from the business activities. The head of Risk Management is also the Chief Risk Officer of Länsförsäkringar Bank and is responsible for assessing if the risk framework for risk management in the Group is effective and fit for purpose. Risks and actions taken are reported continuously to the President and the Board of Directors of all of the companies that are included in the business unit. Risks are also regularly reported to the Risk and Capital Committee and, as regards operational risks, also to the Audit Committee of Länsförsäkringar Bank.

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 32–33.

Composition of the Board

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

The 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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Consolidated income statement – Group

SEK M	Note	2023	2022
Interest income	5	20,682.2	8,887.3
Interest expense	5	-13,659.0	-3,359.4
Net interest income		7,023.2	5,527.9
Dividends received		0.6	0.6
Commission income	6	2,078.7	1,886.1
Commission expense	6	-3,589.9	-2,393.9
Net commission		-1,511.2	-507.8
Net gains / losses from financial items	7	0.8	0.5
Other operating income		28.4	11.7
Total operating income		5,541.9	5,032.9
Staff costs	8	-887.9	-771.1
Other administration expenses	9, 10	-1,630.7	-1,512.7
Total administration expenses		-2,518.6	-2,283.8
Depreciation/amortisation and impairment of property and equipment/ intangible assets	12	-350.0	-226.6
Total operating expenses		-2,868.7	-2,510.3
Profit before credit losses		2,673.2	2,522.6
Credit losses, net	11	-114.2	-122.8
Share of profit/loss of participating interests		-0.4	-
Risk tax levied and resolution fee ¹⁾		-390.6	-333.3
Operating profit		2,168.1	2,066.5
Tax	13	-446.6	-403.3
Net profit for the year		1,721.5	1,663.2

Statement of comprehensive income – Group

SEK M	2023	2022
Net profit for the year	1 721.5	1,663.2
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	4,160.7	6,455.6
of which reclassification to profit or loss	-4,273.0	-6,202.9
Change in fair value of debt instruments measured at FVOCI		
of which change in value for the period	-52.4	-320.7
of which reclassification of realised securities to profit or loss	0.7	39.7
Tax attributable to items that have been transferred or can be transferred to profit or loss	33.8	5.8
Total	-130.2	-22.5
Items that cannot be transferred to profit or loss		
Change in fair value of equity instruments measured at FVOCI	3.6	-0.8
Tax attributable to items that cannot be reversed to profit or loss	-0.9	-0.5
Total	2.7	-1.3
Total other comprehensive income for the period, net after tax	-127.5	-23.8
Comprehensive income for the year	1,594.0	1,639.4

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Consolidated balance sheet – Group

SEK M	Note	31 Dec 23	31 Dec 22
ASSETS			
Cash and balances with central banks		5,786.5	4,947.0
Treasury bills and other eligible bills	14	11,183.2	10,856.8
Loans to credit institutions	15	878.0	1,253.4
Loans to the public	16, 17	395,116.5	384,104.3
Bonds and other interest-bearing securities	18	51,522.6	49,969.4
Shares and participations		106.4	93.6
Shares and participations in joint ventures		5.1	3.2
Derivatives	19	4,963.9	8,138.3
Fair value changes of interest-rate-risk hedged items in portfolio hedge	20	-1,553.2	-4,846.5
Intangible assets	21	1,351.2	1,317.5
Property and equipment	22	121.0	228.7
Deferred tax assets	23	16.3	12.2
Other assets	24	740.7	583.4
Prepaid expenses and accrued income	25	568.9	573.6
TOTAL ASSETS		470,807.1	457,234.8

Consolidated balance sheet – Group

SEK M	Note	31 Dec 23	31 Dec 22
LIABILITIES AND EQUITY			
Due to credit institutions	26	5,895.4	8,992.0
Deposits and funding from the public	27	150,506.6	153,340.8
Debt securities in issue	28	280,195.4	265,667.5
Derivatives	19	4,114.1	10,422.0
Fair value changes of interest-rate-risk hedged items in portfolio hedge	20	-4,196.7	-12,010.5
Deferred tax liabilities	23	612.7	570.8
Other liabilities	29	1,633.4	1,586.8
Accrued expenses and deferred income	30	5,117.1	3,446.2
Provisions	31	47.6	37.0
Subordinated liabilities	32	3,093.3	2,596.7
Total liabilities		447,018.8	434,649.3
Equity	33		
Share capital		2,864.6	2,864.6
Other capital contributed		8,242.5	8,242.5
Reserves		-91.9	35.5
Additional Tier 1 instruments		2,200.0	2,200.0
Retained earnings		10,573.1	9,242.8
Total equity		23,788.3	22,585.5
TOTAL LIABILITIES AND EQUITY		470,807.1	457,234.8

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Consolidated cash-flow statement (indirect method) – Group

SEK M	Note	2023	2022
Cash and cash equivalents, 1 January		5,345.4	14,720.5
Operating activities			
Operating profit		2,168.1	2,066.5
Adjustment of non-cash items	39	63.0	1,087.9
Change in assets of operating activities			
Change in interest-bearing securities		-145.6	2,873.5
Change in loans to the public		-10,930.1	-22,139.0
Change in other assets		2,730.3	-1,766.8
Change in liabilities of operating activities			
Change in deposits and funding from the public		-2,834.2	7,076.0
Change in debt securities in issue		14,020.1	-1,605.2
Change in other liabilities		-3,901.0	3,899.4
Cash flow from operating activities		1,170.4	-8,507.7
Investing activities			
Acquisitions of intangible assets		-360.4	-312.3
Acquisitions of property and equipment		-110.6	-13.1
Change in other financial assets		-2.3	-3.2
Cash flow from investing activities		-473.2	-328.7
Financing activities			
Amortisation of lease liabilities		-11.5	-53.4
Interest on issued Additional Tier instruments		-151.2	-89.1
Change in subordinated debt		1,601.3	-
Repayment of issued Additional Tier instruments		-1,101.3	-
Dividend paid		-81.2	-396.3
Cash flow from financing activities		256.1	-538.7
NET CASH FLOW FOR THE YEAR		953.3	-9,375.1
Cash and cash equivalents, 31 December	39	6,298.7	5,345.4

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 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
Opening balance, 1 January 2023	2,864.6	8,242.5	2,200.0	5.9	29.6	9,242.8	22,585.5
Profit for the period						1,721.5	1,721.5
Other comprehensive income for the period				-38.3	-89.2		-127.5
Comprehensive income for the period				-38.3	-89.2	1,721.5	1,594.0
Dividend paid						-81.2	-81.2
Group contributions paid						-200.0	-200.0
Tax on group contributions paid						41.2	41.2
Issued Additional Tier 1 instruments						-151.2	-151.2
Closing balance, 31 December 2023	2,864.6	8,245.5	2,200.0	-32.4	-59.6	10,573.1	23,788.3

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 consolidated financial statements for Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) were presented on 31 December 2023. 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 (ÄRKL) and the regulations and general guidelines of Finansinspektionen (the Swedish Financial Supervisory Authority, FSA) 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. The Länsförsäkringar Bank Group does not prepare a statutory sustainability report but is instead included in Länsförsäkringar AB's Sustainability Report for the Group.

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 estimates and judgements, 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 estimates and judgements are based on historic experiences and the best information available on the balance-sheet date. The actual outcome may deviate from these estimates and judgements. 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.
- The subsidiary Wasa Kredit has an ongoing tax case with the Swedish Tax Agency for which the inflow of economic benefits is deemed to be probable. Additional information about the contingent asset is found in note 34 Pledged assets, contingent liabilities, commitments and contingent assets.

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 plan-

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ning. 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 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.

In addition to the uncertainty described above, there is also uncertainty associated with the measurement of contingent assets, refer to note 34 Pledged assets, contingent liabilities, commitments and contingent assets. An estimate of the financial effect of contingent assets is calculated using the principles for provisions under IAS 37.

AMENDED ACCOUNTING POLICIES APPLIED FROM 2023
IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules
The IASB published International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) in May 2023. The amendments endorsed by the EU on 9 November 2023 include a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to the introduction the Pillar Two Model Rules. They also include disclosure requirements for periods in which the rules have been enacted or substantively enacted, but are not yet in effect. Under the requirements, disclosures are to be presented for known or reasonably estimable information that helps users of financial statements understand the entity's exposure to income taxes arising from the Pillar Two Model Rules under this legislation. For further information, refer to note 13 Taxes.

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
Consolidation principles

Subsidiaries
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.

Joint ventures
Holdings in joint ventures are companies in which the Group shares a controlling influence. Participations in joint ventures are recognised in accordance with the equity method from the date on which the joint controlling influence was obtained.

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. 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

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ognised 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 is 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 interest 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. Refer also to 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.

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.

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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, lease receivables 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.

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.

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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 subject 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 documentation 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, finance 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.

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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. The Bank Group-wide definition of default includes a trial period of at least three months from the date on which no default indicators are active any more. During this trial period, a credit remains in default and in stage 3. After the trial period, the credit returns to stage 2 or 1 when no longer in default. 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 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.

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.

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

The carrying amounts for operating lease assets are tested in accordance with IAS 36, refer to the section on Impairment 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 determined individually for each asset. Impairment is tested in accordance with IAS 36, refer to the section on Impairment.

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
- Operating lease assets 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, 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 and compliance risks. Operational risk includes product and process risk, personnel risk, security risk, legal risk, compliance risk, IT risk 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 acute or chronic 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 documented procedures and processes.
- 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. The main task of the Risk Committee is to monitor risk.

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 increase in costs for companies and households, the Bank Group adjusted its standardised operating figures and “left to live on” amounts in its calculations for companies and households. Credit risks in the Bank Group’s lending are regularly analysed.

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. Approval for new PD models was received in January 2023, but decisions on 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 2023. Länsförsäkringar Bank makes use of both internal and external valuers and statistical valuations.

Credit quality

The loan portfolio exclusively comprises loans in Sweden and 77% (76) 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. First-lien mortgages up to 85% of the market value 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. To ensure that the market values of the Bank Group’s collateral in residential properties were as up-to-date as possible, these market values were updated every quarter during the year.

Loans to the agricultural segment amounted to 9% (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

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collateral, comprising unsecured loans and credit card loans, amounted to 2% (2) of lending. Total IRB classified exposure was SEK 380,606 M (363,492), corresponding to 96% (94) 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 2023	31 Dec 2022
Credit risk exposure for items recognised in the balance sheet		
Cash and balances with central banks	5,786.5	4,947.0
Treasury bills and other eligible bills, etc.	11,183.2	10,856.8
Loans to credit institutions	878.0	1,253.4
<i>of which collateral in repurchase agreements</i>	<i>108.8</i>	<i>153.5</i>
Loans to the public	395,590.0	384,659.9
<i>of which collateral in properties and tenant-owned apartments</i>	<i>354,500.5</i>	<i>339,133.0</i>
Bonds and other interest-bearing securities	51,522.6	49,969.4
Derivative instruments	4,963.9	8,138.3
Other assets	740.7	583.4
Credit risk exposure for memorandum items		
Guarantees	42.2	30.5
Loan commitments and other credit commitments	23,775.9	24,794.5
Total	494,483.0	485,233.2

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 2023	31 Dec 2022
	Gross carry- ing amount	Gross carry- ing amount
Credit risk exposure, SEK M		
Treasury bills and other eligible bills		
AAA-AA	9,525.0	10,856.8
Total	9,525.0	10,856.8
Bonds and other interest-bearing securities		
AAA-AA	51,522.6	49,969.4
Total	51,522.6	49,969.4
Loans to credit institutions		
AAA-AA	193.1	125.3
A	576.1	5,045.3
Total	769.1	5,170.6
Derivatives		
AAA-AA	1,438.9	2,162.5
A	3,525.1	5,975.7
Not risk classified ¹⁾	3,843.1	2,944.8
Total	8,807.0	11,083.0

¹⁾ Exposure to central counterparties is recognised without any rating. The entire exposure to central counterparties and banks on 31 December 2023 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 per stage according to the Bank Group's expected loss impairment 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 2023			
	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	276,864.9	9.1	14.9	276,888.9
Internal rating 4-6	72,276.5	102.2	15.9	72,394.6
Internal rating 7-9	23,490.6	2,098.3	7.9	25,596.8
Internal rating 10-11	1,200.5	4,006.9	14.2	5,221.6
Defaulted	-	-	504.1	504.1
Not risk classified	14,082.3	311.3	590.4	14,984.0
Total	387,914.8	6,527.8	1,147.4	395,590.0

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
Internal rating 1-3	12,226.6	-	0.1	12,226.7
Internal rating 4-6	5,394.8	1.5	0.5	5,396.8
Internal rating 7-9	2,318.8	82.9	1.0	2,402.7
Internal rating 10-11	156.2	128.7	7.5	292.4
Defaulted	-	-	-	-
Not risk classified	3,247.5	196.7	13.2	3,457.4
Total	23,343.9	409.8	22.2	23,775.9

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

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
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

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The tables below present loans to the public and loan commitments and credit commitments by region and stage.

Credit risk exposure by region, SEK M	31 Dec 2023			
	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	88,156.8	1,198.2	217.2	89,572.2
Eastern Central Sweden	80,214.6	1,208.0	227.5	81,650.1
Stockholm	51,834.5	1,272.9	257.2	53,364.6
Southern Sweden	59,869.2	994.0	147.0	61,010.2
Northern Central Sweden	33,160.7	641.6	71.2	33,873.5
Småland and islands	42,275.3	625.8	154.9	43,056.0
Northern Norrland	19,323.7	295.0	31.1	19,649.8
Central Norrland	13,080.0	292.3	41.3	13,413.6
Total	387,914.8	6,527.8	1,147.4	395,590.0
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	5,079.8	65.8	2.0	5,147.6
Eastern Central Sweden	4,519.8	85.5	3.6	4,608.9
Stockholm	4,090.6	86.1	7.2	4,183.9
Southern Sweden	3,878.8	48.7	2.3	3,929.8
Northern Central Sweden	1,808.8	40.3	1.8	1,850.9
Småland and islands	2,213.1	37.5	1.3	2,251.9
Northern Norrland	982.1	20.8	0.7	1,003.6
Central Norrland	770.9	25.1	3.3	799.3
Total	23,343.9	409.8	22.2	23,775.9

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

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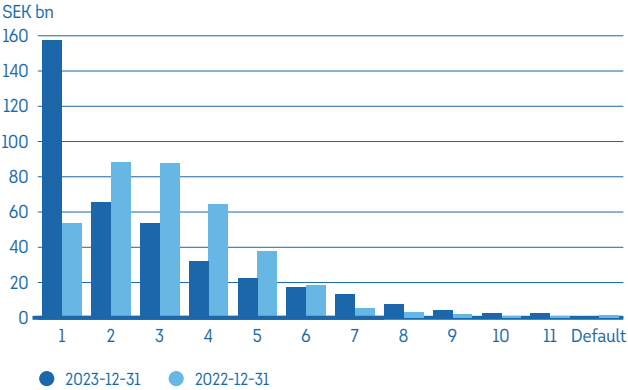
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The Group’s credit exposure according to risk class is presented in the diagram below. The results show a distribution of exposure, with 81% (81) found in the best grades 1–4. The distributions are not directly comparable between the years since several changes during the year had an effect. New PD models were introduced after receiving approval from the FSA, which provide a slightly different risk profile. In addition, the risk level for each risk class was changed during the year, with the classes generally having a lower risk for this year’s outcome. In addition to the credit exposure below, SEK 14,984 M (21,168) 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

	31 Dec 2023		31 Dec 2022	
Lending segment	SEK M	%	SEK M	%
Retail mortgages	303,553.7	76.7	291,904.3	75.9
Agriculture	34,140.6	8.6	33,924.9	8.8
Unsecured loans	9,269.0	2.3	8,840.6	2.3
Leases	7,994.5	2.0	7,890.7	2.1
Hire purchase	11,000.7	2.8	10,815.1	2.8
Multi-family housing	12,255.6	3.1	10,182.0	2.6
Industrial properties	2,677.4	0.7	1,924.2	0.5
Other	14,698.5	3.7	19,178.1	5.0
Loans to the public, gross	395,590.0	100.0	384,659.9	100.0

	31 Dec 2023		31 Dec 2022	
Lending segment	SEK M	%	SEK M	%
Provisions	-473.4		-555.7	
Total	395,116.6		384,104.2	

93% (92) 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.

31 Dec 2023					
Loan portfolio by region, SEK M	Retail mortgages	%	Agricultural loans	%	Hire purchase, leasing and unsecured loans
Western Sweden	73,053.3	24.1	7,619.9	22.3	5,113.1
Eastern Central Sweden	64,736.1	21.3	8,269.3	24.2	4,906.8
Stockholm	34,436.7	11.3	101.1	0.3	5,159.0
Southern Sweden	46,792.8	15.4	6,182.4	18.1	4,041.5
Northern Central Sweden	26,982.2	8.9	2,062.0	6.0	3,221.7
Småland and islands	31,150.0	10.3	7,165.0	21.0	2,682.7
Northern Norrland	15,795.1	5.2	1,295.9	3.8	1,702.1
Central Norrland	10,607.5	3.5	1,445.0	4.2	1,437.4
Total	303,553.7	100.0	34,140.6	100.0	28,264.2
Loan portfolio by company, SEK M					
Länsförsäkringar Hypotek	298,870.1	98.5	-	-	-
Länsförsäkringar Bank	4,683.6	1.5	34,140.6	100.0	2,069.8
Wasa Kredit	-	-	-	-	26,194.4
Total	303,553.7	100.0	34,140.6	100.0	28,264.2

31 Dec 2022					
Loan portfolio by region, SEK M	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
Eastern Central Sweden	62,884.7	21.5	8,094.4	23.9	4,761.9
Stockholm	35,264.6	12.1	103.4	0.3	5,206.1
Southern Sweden	45,111.9	15.5	6,217.3	18.3	4,104.5
Northern Central Sweden	26,194.6	9.0	2,085.5	6.1	3,038.4
Småland and islands	29,578.9	10.1	7,083.3	20.9	2,566.4
Northern Norrland	14,871.4	5.1	1,378.6	4.1	1,533.0
Central Norrland	10,076.6	3.5	1,416.1	4.2	1,384.6
Total	291,904.3	100.0	33,924.9	100.0	27,546.4
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
Wasa Kredit	-	-	-	-	25,396.6
Total	291,904.3	100.0	33,925.0	100.0	27,546.4

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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 2023	31 Dec 2022
Residential properties, including tenant-owned apartments	267.2	155.8
Commercial immovable property	333.8	226.1
Other physical collateral	173.6	121.3
Guarantees	9.3	9.3
Other collateral	-	-
Unsecured loans	363.5	450.4
Total credit-impaired loan receivables	1,147.4	962.9

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 63% (56).

Retail mortgages by loan-to-value ratio interval				
Loan-to-value ratio	31 Dec 2023		31 Dec 2022	
	SEK M	%	SEK M	%
0-50 %	241,208.9	79.5	248,474.5	85.1
51-60 %	28,181.9	9.3	23,035.4	7.9
61-70 %	18,768.5	6.2	12,923.6	4.4
71-75 %	6,117.7	2.0	3,489.1	1.2
75%-	9,276.7	3.1	3,981.7	1.4
Total	303,553.7	100.0	291,904.3	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 2023, SEK M	Länsförsäkringar Bank		Länsförsäkringar Hypotek		Wasa Kredit	Group
Receivables 10-30 days past due	0.0	-			243.5	243.5
Receivables 31-60 days past due	16.9	123.3			115.6	255.8
Receivables 61-90 days past due	5.2	35.6			6.5	47.3
Receivables >90 days past due	9.0	42.5			-	51.5
Total	31.1	201.4			365.6	598.1

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

A condition for the regional insurance companies' 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 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. On 31 December 2023, the total loss allowance requirement for loans to the public and loan commitments and guarantees amounted to SEK 619 M (668), of which the Bank Group's recognised loss allowance accounted for SEK 497 M (582) and the remainder of SEK 122 M (86) was settled against the regional insurance companies' withheld funds, according to the model described above. The lower loss allowance was mainly the result of the divestment of credit-impaired loan receivables in Wasa Kredit. 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 114 M (123), net, corresponding to a credit loss level of 0.03% (0.03). 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 2023 was SEK 13 M (9).

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 default risk between the reporting date compared with the initial reporting date. A relative threshold of 200% combined with an absolute threshold of 100 basis points is applied to credits granted before February 2023. The corresponding thresholds for credits granted after February 2023 are 300% and 200 basis points, respectively. An absolute, independent threshold of 500 basis points is applied to all credits regardless of the granting date. In addition, a credit risk is deemed to have increased significantly for assets that are more than 30 days past due. If the relative thresholds had declined by 50 percentage points, the loss allowance would increase by 0.8%, and if the relative thresholds had instead been 50 percentage points higher, the loss allowance would reduce 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 Bank 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			
	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
House prices, annual change in %	2.98%	4.03%	4.03%	4.00%	-4.14%	4.03%	4.03%	4.00%	10.57%	4.03%	4.03%	4.00%
GDP, annual change in %	0.57%	3.19%	3.03%	2.00%	-0.25%	3.04%	3.36%	2.00%	1.47%	3.33%	2.70%	2.00%
Unemployment, level in %	8.48%	8.37%	7.68%	7.00%	8.95%	8.86%	7.88%	7.00%	7.94%	7.81%	7.16%	7.00%

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 2023 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, %
497.2	Positive scenario	482.1	-3.0
	Negative scenario	514.6	3.5

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

SEK M	31 Dec 2023					31 Dec 2022
	Collateral				Net exposure	Net exposure
	Maximum credit risk exposure	Cash and cash equivalents	Securities	Other		
AAA-AA	1,438.9	1,112.1	-	-	80.9	18.5
A	3,525.1	2,772.5	-	-	212.8	8.4
Not risk classified	3,843.1	-	-	-	0.0	-
Total	8,807.0	3,884.6	0.0	0.0	293.7	26.8

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

Market risks

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 2023, 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 -238.1 M (-250.1). Interest-rate risk is almost exclusively in SEK.

Impact of interest-rate risk

Group, SEK M	31 Dec 2023	31 Dec 2022
Interest-rate risk	-238.1	-250.1
Impacts profit	0.0	0.0
Impacts equity	6.6	1.1
Impacts own funds	1.8	1.4

Interest-rate risk by currency

Group, SEK M Currency	31 Dec 2023	31 Dec 2022
EUR	-0.2	2.9
CHF	0.0	0.0
NOK	-0.1	-0.1
USD	0.0	0.0
SEK	-237.7	-252.8

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 2023	31 Dec 2022
Parallel shift, up 100 bp	371.7	232.6
Parallel shift, down 100 bp	-371.7	-232.6

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. A sensitivity analysis of the bank's currency risk is not presented since the currency risk is deemed to fall below the materiality threshold.

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Currency distribution, securities and derivatives

31 Dec 2023 Group, SEK M	CHF	EUR	GBP	NOK	USD
Securities (translated at nominal amount to SEK)	-	4,336.1	-	-	-
Debt securities in issue (translated at nominal amount to SEK)	-4,729.7	-50,708.5	-	-4,227.3	-30.2
Derivatives (translated at nominal amount to SEK)	4,729.7	46,372.4	-	4,227.3	30.2
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 2023, SEK M	Up to 3 months	3–12 months	1–5 years	More than 5 years	Total
Loans	297,424.3	41,313.2	62,244.9	798.6	401,781.0
Bonds, etc.	10,876.7	15,613.0	37,199.4	424.0	64,113.1
Total	308,300.9	56,926.3	99,444.3	1,222.6	465,894.1
Deposits	137,172.5	18,256.8	972.6	0.0	156,401.9
Debt securities in issue	34,319.6	31,319.8	182,683.8	39,273.3	287,596.5
Total	171,492.1	49,576.6	183,656.4	39,273.3	443,998.4
Difference assets and liabilities	136,808.8	7,349.6	-84,212.1	-38,050.7	
Interest-rate derivatives, nominal values, net	-109,614.3	-6,480.9	81,697.4	37,929.3	
Net exposure	27,194.6	868.7	-2,514.7	-121.4	

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
Deposits	149,334.6	10,934.6	2,063.6	0.0	162,332.8
Debt securities in issue	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	

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 links to 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). In April 2023, the SFBF received permission from the FSA to act as a Stibor administrator in accordance with the EU Benchmarks Regulation. This means that Stibor may continued to be used as a benchmark.

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 ended in August 2021 and it has been possible to use Swestr as a benchmark in financial contracts since 1 September 2021.

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 stopped being published on 30 June 2023.

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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 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	2023	2022	31 Dec 2023	31 Dec 2022
Fair value hedges										
Interest-rate contracts										
Hedged items ²⁾										
Treasury bills and other eligible bills			6,707.5	5,252.7			251.0	-390.6	-248.4	-453.5
Bonds and other interest-bearing securities			40,492.2	40,526.8			1,373.4	-2,113.5	-954.9	-2,314.6
Debt securities in issue										
Hedging instruments										
Interest-rate swaps	48,053.0	48,131.0	1,412.8	2,779.5	282.1	1.9	-1,614.6	2,498.6		
Ineffectiveness ¹⁾							9.9	-5.5		
Currency contracts										
Hedged items ²⁾										
Treasury bills and other eligible bills			477.0	1,020.2			8.6	-26.0	-12.9	84.1
Bonds and other interest-bearing securities			3,791.2	3,226.6			62.2	-165.9	43.8	42.7
Debt securities in issue					57,601.9	54,760.3	-1,965.4	4,084.3	-1,701.4	-3,666.8
Hedging instruments										
Cross-currency interest rate swaps	63,184.5	62,672.4	661.6	89.4	2,055.1	3,775.3	1,900.4	-3,906.4		
Ineffectiveness ¹⁾							5.9	-14.0		
Portfolio of fair value hedges										
Interest-rate contracts										
Hedged items										
Loans to the public			109,366.8	141,483.5			3,293.3	-4,470.9	-1,553.2	-4,846.5
Deposits and funding from the public					18,615.7	10,114.0	-51.6	36.0	15.7	-36.0
Debt securities in issue					181,336.4	157,155.5	-7,770.9	11,386.0	-4,363.6	-12,134.5
Hedging instruments										
Interest-rate swaps	326,700.0	337,520.0	4,360.5	4,753.5	7,294.7	12,229.0	4,498.4	-6,929.8		
Ineffectiveness ¹⁾							-30.8	21.3		
Cash flow hedges ³⁾										
Currency contracts										
Hedged items ³⁾							-91.9	92.7		
Hedging instruments										
Cross-currency interest rate swaps ⁴⁾	59,126.7	58,279.6	4,600.0	6,222.0	540.8	82.7	91.9	-92.7		
Ineffectiveness ¹⁾										
Total hedged item			160,834.6	191,509.8	257,554.0	222,029.8	-4,891.2	8,432.1	-8,774.9	-23,325.1
Total hedging instruments	497,064.3	506,603.0	11,034.7	13,844.4	10,172.7	16,088.9	4,876.1	-8,430.3		
Total ineffectiveness							-15.1	1.8		

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 2023 was 1.6% (0.9).

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 -4,273.0 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.

(SEK M)	31 Dec 2023		
	Remaining contractual term		
	<1 year	1-5 years	>5 years
Currency risk			
Nominal amount	7,362.3	42,436.8	8,057.0

(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

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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 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	2023	2022	31 Dec 2023	31 Dec 2022
Fair value hedges										
Interest-rate contracts										
Hedged items ²⁾										
Treasury bills and other eligible bills			6,707.5	5,252.7			251.0	-390.6	-248.4	-453.5
Bonds and other interest-bearing securities			29,995.1	30,657.1			994.7	-1,549.9	-711.4	-1,692.7
Debt securities in issue										
Hedging instruments										
Interest-rate swaps	37,263.0	37,841.0	1,103.8	2,157.1	214.3	1.9	-1,237.6	1,935.8		
Ineffectiveness ¹⁾							8.1	-4.7		
Currency contracts										
Hedged items ²⁾										
Treasury bills and other eligible bills			477.0	1,020.2			8.6	-26.0	-12.9	84.1
Bonds and other interest-bearing securities			3,791.2	3,226.6			62.2	-165.9	43.8	42.7
Debt securities in issue					17,410.4	17,076.1	-607.1	1,158.5	-558.5	-1,165.6
Hedging instruments										
Cross-currency interest rate swaps	22,113.1	22,623.1	302.3	43.0	756.5	1,344.6	540.5	-972.8		
Ineffectiveness ¹⁾							4.2	-6.1		
Portfolio of fair value hedges										
Interest-rate contracts										
Hedged items										
Loans to the public			7,227.9	10,397.4			310.5	-496.2	-232.1	-542.6
Deposits and funding from the public					18,615.7	10,114.0	-51.6	36.0	15.7	-36.0
Debt securities in issue					13,927.0	10,693.3	-408.7	597.3	-278.0	-686.7
Hedging instruments										
Interest-rate swaps	40,265.0	32,470.0	609.0	537.1	428.1	699.1	147.6	-134.6		
Ineffectiveness ¹⁾							-2.3	2.5		
Cash flow hedges ³⁾										
Currency contracts										
Hedged items ³⁾							38.7	-85.0		
Hedging instruments										
Cross-currency interest rate swaps ⁴⁾	18,055.3	18,230.3	796.7	1,125.7	196.0	19.9	-38.7	85.0		
Ineffectiveness ¹⁾										
Total hedged item			48,198.7	50,554.0	49,953.1	37,883.4	598.3	-921.8	-1,981.8	-4,450.3
Total hedging instruments	117,696.4	111,164.4	2,811.8	3,862.9	1,594.9	2,065.5	-588.3	913.5		
Total ineffectiveness							10.0	-8.3		

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 2023 was 1.0% (0.8).

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 -655.3 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.”

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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 2023		
	Remaining contractual term		
	<1 year	1-5 years	>5 years
Currency risk			
Nominal amount	–	17,777.0	–

(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	–

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.

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.

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The Bank Group's liquidity coverage ratio (LCR), which expresses the ratio between the Bank Group's liquidity buffer and the net cash outflows in a stressed scenario for a 30-day period, amounted to 337% (277) on 31 December 2023. The Net Stable Funding Ratio (NSFR), which expresses the ratio between available stable funding and stable funding requirements, for the Bank Group was 128% (125) on 31 December 2023. Both the Bank Group's LCR and NSFR well exceed the legal requirements of 100% per ratio.

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. To generate

liquidity during periods of financial stress, the Bank Group can utilise issues of covered bonds and activate other liquidity-generating measures.

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 2023, the liquidity reserve amounted to SEK 74.6 billion (71.0) and 45% (47) 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.

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.

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

Group 31 Dec 2023, 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	5,786.0	–	–	–	–	–	5,786.0	5,786.5	–
Treasury bills and other eligible bills	–	4,400.0	1,439.2	5,434.0	124.0	–	11,397.1	11,183.2	5,558.0
Loans to credit institutions	512.3	365.7	–	–	–	–	878.0	878.0	–
Loans to the public	–	16,860.0	10,677.9	40,380.0	327,198.5	–	395,116.5	395,116.5	367,578.6
Bonds and other interest-bearing securities	–	2,506.7	13,959.9	35,949.4	300.0	–	52,716.0	51,522.6	36,249.4
Other assets	–	639.7	–	–	–	–	639.7	639.7	–
Total assets	6,298.3	24,772.1	26,077.0	81,763.5	327,622.5	–	466,533.3	465,126.5	409,386.0
Liabilities									
Due to credit institutions	0.2	4,594.8	–	–	–	–	4,595.0	5,895.4	–
Deposits and funding from the public	110,337.1	20,941.2	18,256.8	970.8	0.7	–	150,506.6	150,506.6	971.5
Debt securities in issue	–	6,616.2	36,070.1	203,284.4	39,187.0	–	285,157.8	280,195.4	242,471.4
Lease liabilities	–	0.5	1.2	1.5	–	–	3.1	3.1	1.5
Other liabilities	–	1,610.9	1,076.0	–	–	–	2,686.9	2,686.9	–
Subordinated liabilities	–	–	–	3,100.0	–	–	3,100.0	3,093.3	3,100.0
Total liabilities	110,337.2	33,763.6	55,404.1	207,356.7	39,187.7	–	446,049.4	442,380.7	246,544.4
Difference assets and liabilities	-104,038.9	-8,991.5	-29,327.2	-125,593.2	288,434.8	–	20,483.9	22,745.9	162,841.6

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

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

Parent Company 31 Dec 2023, 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	5,786.0	–	–	–	–	–	5,786.0	5,786.5	–
Treasury bills and other eligible bills	–	4,400.0	1,439.2	5,434.0	124.0	–	11,397.1	11,183.2	5,558.0
Loans to credit institutions	224.3	223.0	71.2	102,749.3	209.1	–	103,476.9	103,473.7	102,958.4
Loans to the public	–	13,459.4	1,948.8	4,476.9	35,234.5	–	55,119.7	55,119.7	39,711.4
Bonds and other interest-bearing securities	–	2,306.7	10,519.9	28,899.4	200.0	–	41,926.0	41,025.6	29,099.4
Other assets	–	49.5	–	–	–	–	49.5	49.5	–
Total assets	6,010.3	20,438.7	13,979.0	141,559.6	35,767.7	–	217,755.2	216,638.1	177,327.3
Liabilities									
Due to credit institutions	5,367.7	2,526.9	–	–	–	–	7,894.6	9,185.5	–
Deposits and funding from the public	111,657.4	20,941.2	18,256.8	970.8	0.7	–	151,826.9	151,826.9	971.5
Debt securities in issue	–	1,050.0	6,919.1	42,235.3	–	–	50,204.3	49,474.6	42,235.3
Other liabilities	–	961.0	83.7	–	–	–	1,044.6	1,044.6	–
Subordinated liabilities	–	–	–	3,100.0	–	–	3,100.0	3,093.3	3,100.0
Total liabilities	117,025.1	25,479.1	25,259.5	46,306.1	0.7	–	214,070.5	214,624.9	46,306.8
Difference assets and liabilities	-111,014.9	-5,040.4	-11,280.5	95,253.6	35,766.9	–	3,684.7	2,013.2	131,020.5

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

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Liquidity exposure, derivatives

Group 31 Dec 2023, 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	–16.6	0.0	0.0	–16.6
– Interest	–0.1	–0.1	–0.4	–0.1	–0.7
Derivatives in hedging relationships					
– Currency	514.7	978.3	5,043.3	383.4	6,919.6
– Interest	–980.9	1,269.6	5,815.1	1,223.7	7,327.5
Total difference derivatives	–466.3	2,231.0	10,858.0	1,607.0	14,229.8

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

Parent Company 31 Dec 2023, 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	–16.6	0.0	0.0	–16.6
– Interest	–0.1	–0.1	–0.4	–0.1	–0.7
Derivatives in hedging relationships					
– Currency	44.6	–60.5	1,324.3	0.0	1,308.3
– Interest	202.5	352.3	–224.2	–11.1	319.5
Total difference derivatives	247.0	275.0	1,099.7	–11.2	1,610.5

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

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. 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.

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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).

Climate risk

Climate risk refers to the risks that the negative consequences of climate change may have. 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. Climate risk is, however, a separate risk category that impacts and can be found in the other risk categories. Accordingly, the management of climate risk and risk-reduction measures mostly take place in the other risk categories. Climate stress testing for single-family homes, vacation homes, tenant-owned apartments and agricultural properties was carried out focusing on physical and chronic risk, for example, rising sea levels and flooding risks. The stress tests did not reveal

any credit concentrations related to climate risks. Risk indicators related to climate risk were also introduced in the operations and are used to regularly monitor exposure to climate risk.

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 (%)	Corporate Registration Number	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/finansieellt/lansforsakringar-bank-ab/>.

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Capital-adequacy analysis – key figures

SEK M	Consolidated Situation	
	31 Dec 2023	31 Dec 2022
Available own funds (amounts)		
Common Equity Tier 1 capital	19,228.7	18,468.8
Tier 1 capital	21,428.7	20,668.8
Total capital	24,518.6	22,163.9
Risk-weighted exposure amount		
Total risk exposure amount	127,709.7	119,910.2
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 capital ratio, %	15.1%	15.4%
Tier 1 ratio (%)	16.8%	17.2%
Total capital ratio (%)	19.2%	18.5%
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	2.1%	2.1%
of which: to be made up of Common Equity Tier 1 capital (percentage points)	1.2%	1.2%
of which: to be made up of Tier 1 capital (percentage points)	1.6%	1.6%
Total SREP own funds requirements (%)	10.1%	10.1%
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 (%)	2%	1%
Systemic risk buffer (%)	0%	0%
Global Systemically Important Institution buffer (%)	0%	0%
Other Systemically Important Institution buffer (%)	0%	0%
Combined buffer requirement (%)	4.5%	3.5%
Overall capital requirements (%)	14.6%	13.6%
Common Equity Tier 1 capital available after meeting the total SREP own funds requirements (%)	9.1%	8.4%
Leverage ratio		
Total exposure measure	483,374.6	465,690.0
Leverage ratio (%)	4.4%	4.4%
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 19,229 M (18,469) on 31 December 2023.

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 2023	31 Dec 2022
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 (HOLA) (weighted value – average)	68,091.9	71,093.9
Cash outflows - Total weighted value	28,472.0	32,025.8
Cash inflows - Total weighted value	7,257.3	7,350.1
Total net cash outflows (adjusted value)	21,214.7	24,675.7
Liquidity coverage ratio (%)	336.32%	304.68%
Net Stable Funding Ratio		
Total available stable funding	406,478.6	376,796.1
Total required stable funding	316,695.3	302,407.8
NSFR (%)	128.4%	124.6%

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 3,090 M (1,495).

Outstanding subordinated loans 31 Dec 2023

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)	SEK 450 M	25 Feb 2021	25 Feb 2031	25 Feb 2026
Länsförsäkringar Bank AB (publ)	SEK 1,050 M	25 Feb 2021	25 Feb 2031	25 Feb 2026
Länsförsäkringar Bank AB (publ)	SEK 850 M	1 Mar 2023	1 Mar 2033	1 Mar 2028
Länsförsäkringar Bank AB (publ)	SEK 750 M	1 Mar 2023	1 Mar 2033	1 Mar 2028

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 2023		Consolidated Situation 31 Dec 2022	
	Risk Exposure Amount	Capital requirement	Risk Exposure Amount	Capital requirement
Credit risk (excluding CCR)	119,238.9	9,539.1	111,588.8	8,927.1
of which the Standardised Approach	8,164.0	653.1	11,345.0	907.6
of which the Foundation IRB (F-IRB) Approach	15,758.2	1,260.7	8,855.1	708.4
of which the Advanced IRB (A-IRB) Approach	23,913.8	1,913.1	30,808.8	2,464.7
of which risk weight floor according to Article 458 CRR	71,383.7	5,710.7	60,579.8	4,846.4
Counterparty credit risk (CCR)	1,498.3	119.9	1,920.3	153.6
of which the Standardised Approach	820.4	65.6	1,075.1	86.0
of which CCP	15.5	1.2	18.6	1.5
of which credit valuation adjustment – CVA	662.3	53.0	826.6	66.1
of which other CCR			-	-
Operational risk	6,972.5	557.8	6,401.1	512.1
of which the Standardised Approach	6,972.5	557.8	6,401.1	512.1
Total	127,709.7	10,216.8	119,910.2	9,592.8

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 2023 amounted to SEK 127,710 M (119,910). The Länsförsäkringar Bank Group's application to use new probability of default (PD) models was approved in the first quarter of 2023. The decision meant that all of the bank's PD models were replaced by new models. The implementation of the new models resulted in a slight increase in the total risk exposure amount. Otherwise, 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 1% to 2% of REA during the year, which corresponded to SEK 2,554 M (1,199) on 31 December 2023. The capital conservation buffer is to be 2.5% of REA, which corresponded to

SEK 3,193 M (2,998) on 31 December 2023. 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 14.6% on 31 December 2023 compared with the total capital ratio of 19.2%

Risk-based capital requirements, Consolidated Situation	31 Dec 2023		31 Dec 2022	
	SEK M	% of REA	SEK M	% of REA
Own funds requirements (Pillar I)	10,216.8	8.0%	9,592.8	8.0%
Pillar II Requirements (P2R)	2,681.9	2.1%	2,518.1	2.1%
Combined buffer requirement	5,746.9	4.5%	4,196.7	3.5%
Pillar II Guidance (P2G)	0.0	0.0%	0.0	0.0%
Overall adequate level of own funds and P2G	18,645.6	14.6%	16,307.8	13.6%

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% (4.4) on 31 December 2023.

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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 applied internal models may not, in total, be lower than 72.5% of the risk-weighted amount calculated according to the revised Standardised Approaches. A political agreement was reached between the Council and the European Parliament in June 2023. Following further technical negotiations in the autumn of 2023, the Banking Package was approved by the EU Member States on 6 December 2023, and the European Parliament is also expected to approve the agreed rules shortly. The majority of the changes to the Capital Requirements Regulation will come into effect on 1 January 2025 with a phase-in period of five years. The Capital Requirements Directive will be implemented in Swedish law 18 months after it has been formally endorsed by the EU. The structure and application of capital requirements for Swedish banks will be reviewed by the FSA.

In November 2018, the FSA 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 in the first quarter of 2023. The decision means that all of the bank's PD models were replaced by new models. The effect of the implementation is that the new models was a slight increase in the total risk exposure amount (REA). A decision on new LGD models is expected in 2024.

In December 2023, the FSA announced its decision to leave the counter-cyclical capital buffer rate unchanged. The buffer rate of 2% which started to apply on 22 June 2023, will continue to apply. 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 2023, 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 2023, 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 6.0% of the exposure amount for the leverage ratio. These requirements must be fully met by 1 January 2024. In addition to MREL, the European Banking Authority's (EBA) guidelines on resolvability, which came into effect on 1 January 2024, must also be met.

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NOTE 4 SEGMENT REPORTING

Group, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations/ Adjustments	Total
Income statement 2023						
Net interest income	3,942.7	2,284.8	744.2	51.5	0.0	7,023.2
Dividends received	200.6	–	–	–	–200.0	0.6
Total commission income	943.1	27.6	255.2	1,034.8	–182.0	2,078.7
Total commission expense	–2,869.5	–277.8	–129.8	–494.9	182.0	–3,589.9
Net gains / losses from financial items	23.4	–22.6	–	–	–	0.8
Intra-Group income	156.3	–	4.4	0.0	–160.8	–
Other income	–4.1	–	32.5	0.0	–	28.4
Total operating income	2,392.6	2,012.0	906.5	591.5	–360.8	5,541.9
Intra-Group expenses	6.1	–114.4	–15.1	–37.4	160.8	–
Other administration expenses	–1,655.4	–27.1	–629.2	–218.5	11.5	–2,518.6
Depreciation/amortisation and impairment	–296.1	–0.1	–42.6	–0.3	–11.0	–350.0
Total operating expenses	–1,945.3	–141.5	–686.9	–256.2	161.3	–2,868.7
Profit before credit losses, risk tax levied and resolution fee	447.2	1,870.5	219.7	335.3	–199.5	2,673.2
Credit losses, net	–11.0	–2.0	–105.8	0.0	4.5	–114.2
Share of profit/loss of participating interests	0.0	0.0	0.0	0.0	–0.4	–0.4
Risk tax levied and resolution fee	–145.7	–239.7	–5.2	0.0	0.0	–390.6
Operating profit	290.6	1,628.8	108.7	335.3	–195.4	2,168.1
Balance sheet, 31 December 2023						
Total assets	237,154.5	335,415.1	26,660.1	1,896.7	–130,319.2	470,807.1
Liabilities	225,768.0	318,652.3	22,677.9	310.6	–120,390.1	447,018.8
Equity	11,386.4	16,762.8	3,982.1	1,586.1	–9,929.1	23,788.4
Total liabilities and equity	237,154.5	335,415.1	26,660.1	1,896.7	–130,319.2	470,807.1

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 2022						
Net interest income ¹⁾	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 fee¹⁾	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

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NOTE 5 NET INTEREST INCOME

SEK M	2023	2022
Interest income		
Loans to credit institutions	440.6	143.3
Loans to the public	14,622.6	7,858.9
Interest-bearing securities ¹⁾	1,252.3	329.5
Derivatives	4,366.5	555.4
Other interest income	0.2	0.1
Total interest income according to the effective interest method	20,682.2	8,887.3
Interest expense		
Due to credit institutions ¹⁾	-306.6	-82.1
Deposits and borrowing from the public	-2,429.1	-367.4
Debt securities in issue ²⁾	-4,667.8	-2,392.5
Subordinated liabilities	-131.1	-44.7
Derivatives	-6,031.4	-356.3
Other interest expense	-93.0	-116.3
Total interest expense according to the effective interest method	-13,659.0	-3,359.4
Total net interest income	7,023.2	5,527.9
Average interest rate on loans to the public during the period, including net leasing, %	3.9	2.2
Average interest rate on deposits from the public during the period, %	1.6	0.2

¹⁾ Of which negative interest, Interest-bearing securities of SEK -18,7 M (-29,5) and Due to credit institutions of SEK 0.0 M (4,3) M.
²⁾ Interest expense for senior non-priority debt amounts to SEK 517,4 (95,5) M.

NOTE 6 NET COMMISSION

SEK M	2023	2022
Commission income		
Payment mediation	171.6	153.7
Loans	295.2	243.8
Deposits	3.1	5.0
Securities	1,083.2	1,061.5
Cards	377.2	351.0
Remuneration from the regional insurance companies	132.4	74.7
Other commission	16.1	-3.5
Total commission income ¹⁾	2,078.7	1,886.1
Commission expense		
Payment mediation	-176.9	-156.1
Securities	-121.0	-119.9
Cards	-189.1	-159.9
Remuneration to the regional insurance companies	-2,916.4	-1,837.2
Management costs	-97.3	-104.9
Other commission	-89.1	-15.9
Total commission expense	-3,589.9	-2,393.9
Total net commission income	-1,511.2	-507.8

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	2023	2022
Sweden		
Men	384	327
Women	391	361
Total	775	688
Salaries, other remuneration and social security expenses, other employees	2023	2022
Salaries and remuneration	-536.0	-461.1
of which, variable remuneration	-	-
Social security expenses	-278.2	-248.0
of which, pension costs	-88.5	-84.3
Total	-814.2	-709.1

NOTE 7 NET GAINS/LOSSES FROM FINANCIAL ITEMS

SEK M	2023	2022
Interest-bearing assets and liabilities and related derivatives	-11.4	-62.6
Other financial assets and liabilities	8.0	54.0
Interest compensation (refers to items measured at amortised cost)	4.2	9.1
Total net gains/losses from financial items	0.8	0.5
SEK M	2023	2022
Profit/loss by measurement category		
Financial assets measured at FVPL	8.1	54.0
Financial assets measured at amortised cost	0.8	8.2
Financial liabilities measured at amortised cost	4.3	-41.8
Financial assets measured at FVOCI	-0.9	-39.5
Hedge accounting at fair value	-15.1	1.8
Ineffectiveness of cash-flow hedges	-	-
Exchange-rate effect	3.6	17.8
Total	0.8	0.5

Board of Directories and senior executives, number 22 (21)	2023	2022
Salaries and remuneration	-32.6	-32.3
of which, variable remuneration	-	-
Social security expenses	-24.0	-28.9
of which, pension costs	-11.3	-14.9
Total	-56.9	-61.2

Total salaries, other remuneration and social security expenses SEK M	2023	2022
Salaries and remuneration	-568.6	-493.3
of which, variable remuneration	-	-
Social security expenses	-302.2	-276.9
of which, pension costs	-99.8	-99.1
Total	-870.8	-770.2

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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 23	31 Dec 22
Board members	30	32
Other senior executives	50	55

Loans to senior executives

	Bank Group		Parent Company Group	
SEK M	2023	2022	2023	2022
Board members	67.3	50.3	136.0	83.9
of which, loans from Bank	1.7	4.2	12.7	8.9
of which, loans from Hypotek	65.5	46.1	123.2	75.0
of which, loans from Wasa Kredit	0.1	-	0.1	-
President and Executive Vice Presidents	-	1.3	29.7	23.9
of which, loans from Bank	-	-	0.2	0.5
of which, loans from Hypotek	-	1.3	29.5	23.3
of which, loans from Wasa Kredit	-	-	-	0.1
Senior executives	40.7	16.6	66.5	41.8
of which, loans from Bank	0.8	1.1	0.9	2.4
of which, loans from Hypotek	39.9	15.1	65.6	38.1
of which, loans from Wasa Kredit	-	0.4	0.0	0.4

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 be published on the website when the Annual Report is published.

NOTE 9 OTHER ADMINISTRATION EXPENSES

SEK M	2023	2022
Costs for premises	-86.1	-63.0
IT costs	-916.4	-680.4
Consultant costs	-177.8	-193.9
Marketing	-46.5	-42.3
Management costs	-34.2	-27.8
Other administration expenses	-369.7	-505.2
Total administration expenses	-1,630.7	-1,512.7

NOTE 10 REMUNERATION OF AUDITORS

SEK M	2023	2022
Deloitte AB, audit assignment	-10.5	-6.8
Deloitte AB, audit activities in addition to the audit assignment	-0.8	-
Deloitte AB, tax advice	-	-
Deloitte AB, other assignments	-	-
KPMG AB, audit assignment	-	-0.6
KPMG AB, audit activities in addition to the audit assignment	-	-1.0
KPMG AB, tax advice	-	-
KPMG AB, other assignments	-	-0.4
Total fees and remuneration of auditors	-11.2	-8.8

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	2023	2022
Change in loss allowance for loan receivables		
Stage 1 (not credit-impaired)	20.3	14.3
Stage 2 (not credit-impaired)	-11.2	-13.1
Stage 3 (credit-impaired)	73.1	-27.4
Total change in loss allowance for loan receivables	82.1	-26.2
Expense for confirmed credit losses	-283.6	-193.3
Payment received for prior confirmed credit losses	88.1	103.6
Net expense for the period for credit losses for loan receivables	-113.3	-115.9
Change in loss allowance for commitments	2.7	-3.6
Net expense for other credit losses	-3.2	-3.0
Net expense of the modification result	-0.4	-0.3
Net expense for credit losses	-114.2	-122.8

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 2023, total credit losses amounted to SEK -161.1 M (-132.5), of which the Bank Group's recognised credit losses amounted to SEK -1114.2 M (-122.8) and the remainder of SEK -46.9 (-12.5) M was settled against remuneration to the regional insurance companies. Last year in 2022, Wasa Kredit AB sold its credit-impaired receivables for the products of unsecured loans and credit cards.

Loss allowance

SEK M	31 Dec 23	31 Dec 22
Financial assets measured at amortised cost		
Cash and balances at central banks	-	-
Loans to credit institutions	-	-
Loans to the public	473.4	555.7
Other assets	-	-
Financial assets measured at FVOCI		
Treasury bills and other eligible bills	0.3	0.2
Bonds and other interest-bearing securities	0.9	0.7
Provisions		
Commitments	23.8	26.4
Guarantees	0.1	0.1
Total loss allowance	498.4	583.1

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	2023	2022
Depreciation of property and equipment	-9.0	-7.6
Depreciation of right-of-use assets	-11.0	-53.8
Amortisation of intangible assets	-161.8	-165.2
Depreciation of operating lease assets	-3.4	-
Total depreciation/amortisation	-185.2	-226.6
Impairment of intangible assets	-164.8	-
Total depreciation/amortisation and impairment of assets	-350.0	-226.6

For more information, see note 21 Intangible assets.

NOTE 13 TAXES

SEK M	2023	2022
Current tax		
Tax expense for the year	-386.7	-392.1
Adjustment of tax expense pertaining to prior years	1.0	0.0
Total current tax	-385.7	-392.1
Deferred tax		
Change in deferred tax expense on temporary differences	-60.9	-11.3
Total deferred tax	-60.9	-11.3
Total recognised tax expense	-446.6	-403.3
Reconciliation of effective tax rate		
Profit before tax	2 168.1	2 066.5
Tax in accordance with applicable tax rate for Parent Company	-446.6	-425.7
Tax on non-deductible costs	-42.6	-38.3
Tax on non-taxable income	22.9	27.7
Tax attributable to changed tax rate	-	-
Tax attributable to changed tax rates	-3.3	-54.0
Tax attributable to earlier years	1.2	-0.1
Other ¹⁾	21.9	87.2
Total tax on net profit for the year	-446.6	-403.3
Applicable tax rate	20.6%	20.6%
Effective tax rate	20.6%	19.5%
Tax items recognised in other comprehensive income		
Tax on financial assets measured at fair value through other comprehensive income	9.8	57.4
Tax on cash flow hedges	23.1	-52.1
Total tax attributable to other comprehensive income	32.9	5.3

¹⁾ Attributable to the Swedish parliament's decision on temporary tax reduction for property and equipment acquired in 2021.

Law on top-up tax for companies in large groups

The Länsförsäkringar AB Group is subject to the law on top-up tax for companies in large groups (the "Top-up Tax Act") that comes into force on 1 January 2024. This Act means that companies in the Länsförsäkringar AB Group may be obliged to pay a top-up tax for the difference between a minimum rate of 15% and the effective tax rate calculated according to the Top-up Tax Act for each country in which the Group operates. As per 31 December 2023, the Länsförsäkringar AB Group pays corporate tax of more than 15% in all its countries of operation, except for Ireland where Capstone Financial Services Ltd and Agria's Irish branch both pay corporate tax of 12.5%. Corporate tax that is less than the minimum tax rate of 15% is an indicator that operations may be liable to pay top-up tax. Countries of operation with a nominal corporate tax rate of at least 15% could still be subject to top-up tax since the calculation of the effective tax rate per country depends on specific adjustments. Accordingly, it is too early to state whether Länsförsäkringar Bank will be liable to pay top-up tax due to the complex legislation. The Länsförsäkringar AB Group is currently evaluating its exposure to top-up tax, including the application of temporary simplification rules, and it is not yet possible to estimate the outcome with reasonable certainty. However, calculations based on the financial outcome for 2023 indicate that the Group could apply the simplification rules, meaning that no top-up tax would be paid for the 2024-2026 fiscal years. The option of applying simplification rules is not established until the financial outcome of each year is known. For this reason, the company is applying the compulsory exemption in IAS 12 Income Taxes in its Annual Report regarding the presentation and reporting of disclosures on deferred tax that could arise as a result of Pillar II.

NOTE 14 TREASURY BILLS AND OTHER ELIGIBLE BILLS

SEK M	31 Dec 23	31 Dec 22
Carrying amount		
Swedish government	10,706.2	10,274.5
German government	341.0	449.5
Finnish government	136.0	132.8
Total treasury bills and other eligible bills	11,183.2	10,856.8
Fair value	11,183.2	10,856.8
Amortised cost	11,425.5	11,206.0
Nominal value	11,397.1	11,132.4

For loss allowance, see note 11.

NOTE 15 LOANS TO CREDIT INSTITUTIONS

SEK M	31 Dec 23	31 Dec 22
Loans to credit institutions	878.0	1,253.4
Total loans to credit institutions	878.0	1,253.4

For loss allowance, see note 11.

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NOTE 16 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	31 Dec 23	31 Dec 22
Public sector	10,187.7	8,149.2
Corporate sector	26,764.7	23,695.8
Retail sector	356,009.5	343,950.7
Other	2,628.1	8,864.2
Loan to the public before reserves	395,590.0	384,659.9
Reserves	-473.4	-555.7
Loans to the public	395,116.5	384,104.3
Fixed-interest period		
Remaining term of not more than 3 months	135,766.9	128,516.2
Remaining term of more than 3 months but not more than 1 year	181,097.4	148,220.9
Remaining term of more than 1 year but not more than 5 years	76,877.2	105,103.6
Remaining term of more than 5 years	1,375.0	2,263.6
Loans to the public	395,116.5	384,104.3

Remaining term is defined as the remaining fixed-income period if the loan has periodically restricted conditions.

NOTE 16, CONT. LOANS TO THE PUBLIC

Loans to the public per segment

31 December 2023	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	311,495.9	2,435.1	327.1	314,258.1	-2.1	-4.0	-5.2	-11.3	314,246.8
Länsförsäkringar Bank AB	53,678.3	1,166.4	292.8	55,137.5	-1.1	-4.3	-12.4	-17.8	55,119.7
Wasa Kredit AB	22,740.7	2,926.2	527.5	26,194.4	-35.7	-105.3	-303.3	-444.3	25,750.1
Total	387,914.8	6,527.8	1,147.4	395,590.0	-39.0	-113.6	-320.9	-473.4	395,116.5

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

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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 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
Opening balance 1 Jan 2023	376,449.5	-59.3	7,247.5	-102.3	962.9	-394.1	384,659.9	-555.7
New loans	67,838.7	-31.2	47.7	-0.4	7.7	-0.9	67,894.1	-32.5
Changes:								
Change in loss allowance model or method	-	9.1	-	14.0	-	9.5	-	-
Repayment	-54,639.2	19.8	-1,653.7	25.0	-201.1	81.9	-56,494.1	126.7
Change in risk parameters	-	-105.4	-	-59.2	-	-69.6	-	-234.1
Other	92.5	0.5	-62.1	1.8	-4.1	1.2	26.2	3.5
Sale	-0.3	0.0	-81.2	12.4	-263.9	152.6	-345.4	165.0
Transfer between stages:								
Transfer from stage 1 to stage 2	-4,813.1	42.1	4,813.1	-79.7	-	-	-	-37.6
Transfer from stage 2 to stage 1	3,480.5	-3.8	-3,480.5	11.6	-	-	-	7.8
Transfer to stage 3	-553.8	89.3	-348.7	64.3	902.5	-232.9	-	-79.3
Transfer from stage 3	60.1	0.0	45.5	-1.0	-105.6	7.7	-	6.7
Write-off	-	-	-	-	-150.8	123.6	-150.8	123.6
Closing balance 31 Dec 2023	387,914.9	-39.0	6,527.6	-113.6	1,147.4	-320.9	395,590.0	-473.4

	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
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
Loans to the public before loss allowances 2023	387,914.8	6,527.8	1,147.4	395,590.0
Credit reserve requirement	-51.8	-146.6	-391.3	-589.7
Withheld remuneration to the regional insurance companies	12.9	33.1	70.3	116.3
Recognised loss allowance	-39.0	-113.6	-320.9	-473.4
Loans to the public 2023	387,875.8	6,414.2	826.5	395,116.5

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 82.2 M (-26.7). The decrease was primarily attributable to Wasa Kredit AB, and mainly due to sales of loan receivables in stage 3. The contractual amounts outstanding for financial assets that were written off during the year and that are still encompassed by compliance measures amount to SEK 166.5 M (240.6) as per 31 December 2023.

Modified loan receivables in loans to the public, SEK M	31 Dec 23	31 Dec 22
Loan receivables modified during the period that were in stages 2 and 3 when they were modified		
mortised cost before modification	100.5	66.5
modification gain/loss	-0.4	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	62.3	45.1

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NOTE 17 FINANCIAL LEASING

Financial lease agreements specified by maturity structure where the Group is the lessor.

31 Dec 2023, SEK M	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	2,411.5	3,897.5	1,465.9	7,774.9
Unearned financial income ¹⁾	1,013.0	1,393.4	333.3	2,739.7
Gross investment	3,424.5	5,290.9	1,799.2	10,514.6

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	4,161.4	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

¹⁾ Attributable to present value calculation.

	2023	2022
Provision for impaired loans pertaining to minimum lease fees	157.2	148.7
Finacial income from net investments in leases	585.6	381.6
Gains or losses on sales	22.6	22.9

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 23	31 Dec 22
Carrying amount		
Swedish mortgage institutions (not guaranteed)	36,936.2	35,963.4
Other Swedish issuers	6,010.3	3,936.8
Other foreign issuers (guaranteed by German government)	1,521.2	1,473.6
Other foreign issuers (not guaranteed)	7,054.8	8,595.6
Total bonds and other interest-bearing securities	51,522.6	49,969.4
Fair value	51,522.6	49,969.4
Amortised cost	51,431.1	51,965.6
Nominal value	52,716.0	52,206.4
Market status		
Securities listed	51,522.6	49,969.4
Securities unlisted	-	-

For loss allowance, see note 11.

NOTE 19 DERIVATIVES

	31 Dec 23		31 Dec 22	
	Nominal value	Fair value	Nominal value	Fair value
SEK M				
Derivatives with positive values				
Derivatives in hedge accounting				
Interest-related	178,977.0	5,773.2	187,131.0	7,532.9
Currency-related	54,430.9	3,033.8	30,246.8	3,548.8
Other derivatives				
Currency-related	-	-	156.3	1.3
Total derivatives with positive values	233,407.9	8,807.0	217,534.1	11,083.1
Offset derivatives with positive values	-102,034.0	-3,843.1	-55,221.0	-2,944.8
Net amount after offset	131,373.9	4,963.9	162,313.1	8,138.3
Derivatives with negative values				
Derivatives in hedge accounting				
Interest-related	195,646.0	7,576.8	198,520.0	12,231.0
Currency-related	10,024.3	368.2	33,483.3	1,095.4
Other derivatives				
Currency-related	569.1	12.1	656.4	40.5
Total derivatives with negative values	206,239.3	7,957.2	232,659.7	13,366.9
Offset derivatives with negative values	-102,034.0	-3,843.1	-55,221.0	-2,944.8
Net amount after offset	104,205.3	4,114.1	177,438.7	10,422.0

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 23	31 Dec 22
Assets		
Carrying amount at beginning of year	-4,846.5	735.3
Changes during the year pertaining to lending	3,293.3	-4,846.5
Changes during the year pertaining to borrowing	-	-735.3
Carrying amount at year-end	-1,553.2	-4,846.5
Liabilities		
Carrying amount at beginning of year	-12,010.5	375.7
Changes during the year pertaining to lending	399.9	-36.0
Changes during the year pertaining to funding	7,413.9	-11,974.5
Changes during the year pertaining to borrowing	-	-375.7
Carrying amount at year-end	-4,196.7	-12,010.5

NOTE 21 INTANGIBLE ASSETS

SEK M	Internally developed IT systems		Acquired IT systems		Total	
	31 Dec 23	31 Dec 22	31 Dec 23	31 Dec 22	31 Dec 23	31 Dec 22
Cost						
Opening cost	3,433.3	3,240.6	4.4	4.4	3,437.7	3,245.0
Acquisitions during the year	360.4	312.3	-	-	360.4	312.3
Divestments during the year	-	-	-	-	-	-
Disposals during the year	-7.2	-88.1	-	-	-7.2	-88.1
Reclassification during the year	-	-31.6	-	-	-	-31.6
Closing cost	3,786.5	3,433.3	4.4	4.4	3,790.9	3,437.7
Amortisation						
Opening accumulated amortisation	-1,365.9	-1,271.8	-4.4	-4.4	-1,370.3	-1,276.3
Amortisation for the year	-161.8	-165.2	-	-	-161.8	-165.2
Divestments during the year	-	-	-	-	-	-
Disposals during the year	7.2	71.2	-	-	7.2	71.2
Reclassification during the year	-	-0.1	-	-	-	-0.1
Closing accumulated amortisation	-1,520.5	-1,365.9	-4.4	-4.4	-1,524.9	-1,370.3
Impairment						
Opening accumulated impairment	-749.9	-798.4	-	-	-749.9	-798.4
Impairment for the year	-164.8	-	-	-	-164.8	-
Disposals during the year	-	16.9	-	-	-	16.9
Reclassification during the year	-	31.6	-	-	-	31.6
Disposals during the year	-	-	-	-	-	-
Closing accumulated impairment	-914.7	-749.9	-	-	-914.7	-749.9
Total intangible assets	1,351.2	1,317.5	-	-	1,351.2	1,317.5

NOTE 22 PROPERTY AND EQUIPMENT

2023	Operating lease assets	Other	Total
COST			
Opening cost, 1 January		37.9	37.9
Acquisitions	105.2	6.1	111.3
Divestments/disposals		-10.3	-10.3
Closing cost, 31 December	105.2	33.6	138.8
Depreciation and impairment			
Opening accumulated depreciation, 1 January		-19.1	-19.1
Depreciation	-3.4	-9.0	-12.4
Divestments/disposals		9.6	9.6
Closing accumulated depreciation, 31 December	-3.4	-18.5	-21.8
Right-of-use assets			4.0
Carrying amount, 31 December	101.8	15.1	121.0

2022	Operating lease assets	Other	Total
Cost			
Opening cost, 1 January		38.6	38.6
Acquisitions		13.7	13.7
Divestments/disposals		-14.5	-14.5
Closing cost, 31 December	-	37.8	37.8
Depreciation and impairment			
Opening accumulated depreciation, 1 January i		-25.3	-25.3
Depreciation		-7.6	-7.6
Divestments/disposals		13.9	13.9
Closing accumulated depreciation, 31 December	-	-19.0	-19.0
Right-of-use assets			209.9
Carrying amount, 31 December			228.7

The Group as lessor
Operating lease assets refer to cars. For finance leases, refer to note 17.

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NOTE 22 PROPERTY AND EQUIPMENT, CONT.

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 2023	Premises	Vehicles	IT hardware	Total
Depreciation for the period	-1.9	-8.4	-0.7	-11.0
Carrying amount, 31 December	3.1	-	0.9	4.0

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 arose during 2023 at an initial carrying amount of SEK 1.6 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	2023	2022
Interest expense for lease liabilities	0.0	0.0
Variable fees not included in calculation of lease liability	41.7	39.6
Costs for short-term leases		-
Costs for low-value leases (excluding short-term leases of low-value assets)	-7.3	-7.1

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	2023	2022
Total cash outflow for leases	- 22.9	-20.8

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 23	31 Dec 22	31 Dec 23	31 Dec 22	31 Dec 23	31 Dec 22
Intangible assets	-0.6	-11.1	-	-	-0.6	-11.1
Cash flow hedges	-15.4	-	-	7.7	-15.4	7.7
Liabilities, provisions	-0.3	-1.1	-	-	-0.3	-1.1
Other assets	-	-	57.3	54.0	57.3	54.0
Untaxed reserves	-	-	555.4	509.0	555.4	509.0
Deferred tax assets (-)/deferred tax liabilities (+)	-16.3	-12.2	612.7	570.8	596.4	558.6

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
2023				
Intangible assets	-11.1	10.5	-	-0.6
Cash flow hedges	7.7	-	-23.1	-15.4
Liabilities, provisions	-1.1	0.8	-	-0.3
Other assets	54.0	3.3	-	57.3
Untaxed reserves	509.0	46.4	-	555.4
Deferred tax assets (-)/deferred tax liabilities (+)	558.6	60.9	-23.1	596.4
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

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NOTE 24 OTHER ASSETS

SEK M	31 Dec 23	31 Dec 22
Accounts receivable ¹⁾	335.8	183.4
Other assets	404.9	400.0
Total other assets	740.7	583.4

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 23	31 Dec 22
Accrued interest income	89.1	60.0
Other accrued income ¹⁾	246.3	272.8
Prepaid expenses	233.5	240.8
Total prepaid expenses and accrued income	568.9	573.6

¹⁾ Refers to revenue from contracts with customers.

NOTE 26 DUE TO CREDIT INSTITUTIONS

SEK M	31 Dec 23	31 Dec 22
The Riksbank	-	-
Swedish banks	5,895.4	8,992.0
Other Swedish credit institutions	-	-
Total due to credit institutions	5,895.4	8,992.0
Payable on demand	5.0	1.2

Genuine repurchase transactions amount to SEK 492.1 M (153.5).

NOTE 27 DEPOSITS FROM THE PUBLIC

SEK M	31 Dec 23	31 Dec 22
Deposits from insurance companies	2,989.4	4,296.7
Deposits from households	128,189.8	130,806.0
Deposits from other Swedish public	19,327.4	18,238.0
Total deposits from the public	150,506.6	153,340.8

Fixed-term deposits amount to SEK 42,757.9 M (21,392.6). Interest compensation is paid on premature redemption.

NOTE 28 DEBT SECURITIES IN ISSUE

SEK M	31 Dec 23	31 Dec 22
Commercial papers	565.1	1,406.6
Bond loans	266,140.4	255,407.6
<i>of which covered bonds</i>	<i>230,720.8</i>	<i>220,754.4</i>
Senior non-preferred debt	13,472.6	8,832.6
<i>of which green bonds</i>	<i>9,392.8</i>	<i>2,296.5</i>
Cashier's cheques issued	17.3	20.7
Total debt securities in issue	280,195.4	265,667.5

NOTE 29 OTHER LIABILITIES

SEK M	31 Dec 23	31 Dec 22
Accounts payable	135.9	138.5
Withheld preliminary tax, customers	392.6	71.5
Leas liabilities	4.0	210.5
Other liabilities	1,100.9	1,166.3
Total other liabilities	1,633.4	1,586.8

NOTE 30 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	31 Dec 23	31 Dec 22
Accrued interest expense	2,114.3	1,093.8
Accrued remuneration of regional insurance companies	1,867.3	1,386.2
Prepaid rent	273.2	248.3
Contract liabilities	31.7	44.7
Other accrued expenses and deferred income	830.7	673.2
Total accrued expenses and deferred income	5,117.1	3,446.2

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 23	31 Dec 22
Pension provisions	2.4	1.7
Loss allowance for commitments	23.8	26.4
Other provisions	21.4	8.9
Total provisions	47.6	37.0

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 2024 for the FTP plan amount to SEK 34.3 M.

	2023	2022
Expenses for defined – contribution plans	92.4	89.0

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NOTE 32 SUBORDINATED LIABILITIES

SEK M	31 Dec 23	31 Dec 22
External subordinated debt with three-month floating interest rates	1,896.2	1,747.8
External subordinated debt with a fixed interest rate	1,197.0	848.9
Total subordinated liabilities	3,093.3	2,596.7

The subordinated loans listed and can be redeemed 25 February 2026 and 1 March 2028 at the earliest. These loans fall due on 25 February 2031 and 1 March 2033. During 31 Dec ember 23 the interest on the variable loans were 5,1 (3.4) percent and 5,9 (3.6) percent. The interest rate on fixed loans is 1.2 percent and 4.9 percent. For more information, see note 3 Risks and capital adequacy.

NOTE 33 EQUITY ACCORDING TO THE SWEDISH ANNUAL ACCOUNTS
ACT FOR CREDIT INSTITUTIONS AND SECURITIES COMPANIES
(ÅRKL)

SEK M	31 Dec 23	31 Dec 22
Restricted equity		
Share capital	2,864.6	2,864.6
Development expenditures fund	1,351.2	1,360.0
Statutory reserve	18.4	18.4
Total restricted equity	4,234.2	4,243.0
Non-restricted equity		
Reserves	-92.0	35.5
Additional Tier 1 instruments	2,200.0	2,200.0
Retained earnings	15,724.6	14,443.8
Net profit for the year	1,721.5	1,663.2
Total non-restricted equity	19,554.1	18,342.5
Total equity	23,788.3	22,585.5

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 derecog-nised 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, COMMITMENTS AND CONTINGENT ASSETS

SEK M	31 Dec 23	31 Dec 22
For own liabilities, pledged assets		
Pledged securities in the central bank	2,369.6	2,354.3
Pledged securities in Euroclear	1,913.0	1,893.4
Collateral provided for derivatives	2,846.9	9,543.6
Securities collateral paid, derivatives	4,025.9	2,910.6
Loan receivables, covered bonds	293,568.6	282,069.1
Loan receivables, substitute collateral	10,790.0	10,390.0
Commitments resulting from repurchase agreement	492.1	153.5
Other collateral for securities	-	-
For own liabilities, pledged assets	316,006.2	309,314.5
Contingent liabilities		
Financial guarantees	42.2	30.5
Total contingent liabilities	42.2	30.5
Commitments		
Loans approved but not disbursed	19,012.6	19,669.4
Unutilised portion of overdraft facilities	2,647.2	3,041.8
Unutilised portion of credit card facilities	2,116.0	2,083.3
Total other commitments	23,775.9	24,794.5

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.

Contingent assets

The subsidiary Wasa Kredit has an ongoing tax case with the Swedish Tax Agency regarding the repayment of value added tax and a final ruling is expected in 2024. The tax case is the result of a decision by the Supreme Administrative Court in October 2023, entailing that Wasa Kredit will probably recover input VAT for the 2017–2023 fiscal years. The company's current assessment is that between SEK 130 and 160 M will be received.

SEK M	Reconciliation of reported gross carrying amount and loss allowance for commitments									
	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	Credit risk exposure	Loss allowance	Credit risk exposure	Loss allowance
Opening balance, 1 Jan 2022	25,744.3	-14.8	468.7	-5.9	11.1	-2.5	26,224.2	-23.3		
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 2021	24,304.3	-10.7	457.0	-9.3	33.2	-6.3	24,794.5	-26.4		
Opening balance, 1 Jan 2023	24 304.3	-10.7	457.0	-9.3	33.2	-6.3	24 794.5	-26.4		
New loan commitments and increase in existing loan commitments	77,457.3	-6.8	89.6	-3.1	7.6	-15.9	77,554.5	-25.9		
Changes:										
Change in loss allowance model or method	0.0	3.5	0.0	1.5	0.0	0.3	0.0	5.4		
Net change in existing loan commitments and credit commitments (utilised and repaid)	-30,044.8	2.6	-87.2	1.2	-8.8	1.5	-30,140.8	5.4		
Change in risk parameters	0.0	-3.7	0.0	1.0	0.0	6.0	0.0	3.4		
Transfer of loan commitments and credit commitments:										
Transfer from stage 1 to stage 2	-474.1	3.2	474.1	-9.9	0.0	0.0	0.0	-6.7		
Transfer from stage 2 to stage 1	327.0	-3.6	-327.0	4.8	0.0	0.0	0.0	1.2		
Transfer to stage 3	-32.4	0.5	-9.1	0.6	41.4	-4.2	0.0	-3.1		
Transfer from stage 3	10.3	-0.6	3.8	-0.2	-14.1	1.3	0.0	0.5		
Expired loan commitments	-48,203.8	8.6	-191.5	2.0	-37.1	11.8	-48,432.3	22.4		
Closing balance 31 Dec 2022	23,343.8	-6.9	409.8	-11.4	22.2	-5.5	23,775.9	-23.8		

The loss allowance declined SEK 2.6 M (3.1) during the year. The decrease was mainly due to past due loan commitments. On 31 December 2023 the total loss allowance for commitments amounted to SEK 29.6 M (36.3), of which the Group's recognised loss allowance amounted to SEK 23.8 M (26.4) and the remainder of SEK 5.8 M (9.9) was settled against

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NOTE 35 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

31 Dec 2023, SEK M	Financial assets measured at FVPL			Financial assets measured at FVOCI		Total carrying value	Fair value
	Measured at fair value through profit or loss	Derivatives used in hedge accounting	Financial assets measured at amortised cost	Debt instruments valued at fair value through other comprehensive income	Equity instruments		
Assets							
Cash and balances with central banks			5,786.5			5,786.5	5,786.5
Treasury bills and other eligible bills				11,183.2		11,183.2	11,183.2
Loans to credit institutions			878.0			878.0	878.0
Loans to the public			395,116.5			395,116.5	392,343.2
Bonds and other interest-bearing securities				51,522.6		51,522.6	51,522.6
Shares and participations	52.4				53.9	106.4	106.4
Derivatives		4,963.9				4,963.9	4,963.9
Other assets			335.8			335.8	335.8
Prepaid expenses and accrued income			303.6			303.6	303.6
Total assets	52.4	4,963.9	402,420.5	62,705.8	53.9	470,196.6	467,423.3

31 Dec 2023, 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			5,895.4	5,895.4	5,895.4
Deposits and funding from the public			150,506.6	150,506.6	152,238.6
Debt securities in issue			280,195.4	280,195.4	277,041.7
Derivatives	12.1	4,102.0		4,114.1	4,114.1
Other liabilities			209.5	209.5	209.5
Subordinated liabilities			3,093.3	3,093.3	3,077.2
Accrued expenses and deferred income			2,375.1	2,375.1	2,375.1
Total liabilities	12.1	4,102.0	442,275.2	446,389.3	444,951.5

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NOTE 35, CONT. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

31 Dec 2022, SEK M	Financial assets measured at FVPL		Financial assets measured at FVOCI		Total carrying value	Fair value
	Measured at fair value through profit or loss	Derivatives used in hedge accounting	Financial assets measured at amortised cost	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			183.4		183.4	183.4
Prepaid expenses and accrued income			303.23		303.2	303.2
Total assets	44.6	8,137.0	390,791.3	60,826.2 50.3	459,849.3	455,907.3

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			492.2	492.2	492.2
Subordinated liabilities			2,596.7	2,596.7	2,428.0
Accrued expenses and deferred income			1,342.1	1,342.1	1,342.1
Total liabilities	40.5	10,381.5	432,431.3	442,790.3	431,702.6

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 2023 SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	7,184.5	3,998.7		11,183.2
Bonds and other interest-bearing securities	51,522.6	-		51,522.6
Shares and participations	7.5	27.5	71.4	106.4
Derivatives		4,963.9		4,963.9
Liabilities				
Derivatives		4,114.1		4,114.1

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

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. 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 2022	56.7
Recognised through profit or loss	5.6
Recognised in other comprehensive income	0.0
Closing balance, 31 December 2022	62.3

Opening balance, 1 January 2023	62.3
Recognised through profit or loss	9.1
Recognised in other comprehensive income	-0.1
Closing balance, 31 December 2023	71.4

Financial instruments measured at amortised cost in the balance sheet

31 Dec 2023 SEK M	Level 1	Level 2	Level 3	Total
Assets				
Loans to the public			392,343.2	392,343.2
Liabilities				
Deposits and borrowing from the public		152,238.6		152,238.6
Debt securities in issue		277,041.7		277,041.7
Subordinated liabilities		3,077.2		3,077.2

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

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 2023 or 2022.

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 2022	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	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
SEK M 31 Dec 2023						
Assets						
Derivatives	8,807.0	-3,843.1	4,963.9	-	-4,102.8	861.2
Repurchase agreements	108.8	-	108.8	-	-108.8	0.0
Liabilities						
Derivatives	-7,957.2	3,843.1	-4,114.1	-	2,846.3	-1,267.8
Repurchase agreements	-492.1	-	-492.1	-	492.1	0.0
Total	466.6	-	466.6	-	-873.2	-406.6

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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 23	31 Dec 22	31 Dec 23	31 Dec 22	2023	2022	2023	2022	2023	2022
Länsförsäkringar AB (Parent Company)	1.4	2.7	1,642.7	1,757.9	14.7	6.6	1,011.3	762.0	-	-
Other companies in the Länsförsäkringar AB Group	-	0.2	289.7	358.1	0.1	-9.5	667.9	653.0	-	-
Regional insurance companies	82.6	67.8	4,797.2	5,127.6	195.1	134.2	3,033.2	1,872.4	13.2	82.1
Länsförsäkringar Liv Group	0.2	-	1,947.8	1,241.0	-	-	100.2	66.1	-	-
Other related parties	17.8	10.7	72.4	66.7	4.5	3.5	2.4	0.0	7.0	8.2

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

	2023	2022
Interest and dividends		
Interest received	19,726.8	9,436.2
Interest paid	-11,957.6	-3,399.6
Adjustment for non-cash items		
Depreciation of property and equipment/amortisation of intangible assets	185.2	226.6
Impairment of property and equipment and intangible assets	164.8	-
Unrealised portion of net gains/losses from financial items	-215.9	862.9
Credit losses, excluding recoveries	-82.1	26.2
Other	11.0	-27.7
Total non-cash items	63.0	1,087.9
Cash and cash equivalents		
Cash and balances with central banks	5,786.5	4,947.0
Loans to credit institutions	512.2	398.4
Total cash and cash equivalents	6,298.7	5,345.4

NOTE 40 EVENTS AFTER BALANCE-SHEET DATE

No significant events took place after the balance-sheet date.

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Five-year summary for the Parent Company

SEK M	2023	2022	2021	2020	2019
INCOME STATEMENT					
Net interest income	3,942.7	2,105.8	1,281.4 ¹⁾	1,413.6	1,283.8
Dividends received	200.6	250.6	0.5	0.5	4.7
Net commission	-1,926.4	-268.8	155.4	5.8	22.2
Net gains/losses from financial items	23.4	26.0	13.6	-6.2	12.0
Other operating income	152.2	128.1	134.3	129.7	125.7
Total operating income	2,392.6	2,241.7	1,585.1¹⁾	1,543.3	1,448.3
Staff costs	-515.2	-426.8	-391.1	-329.0	-327.5
General administrative expenses	-1,134.1	-1,153.7	-903.7	-939.2	-793.6
Depreciation/amortisation	-296.1	-150.1	-483.2	-146.3	-125.1
Total operating expenses	-1,945.3	-1,730.7	-1,778.1	-1,414.5	-1,246.2
Profit/loss before credit losses	447.2	511.0	-193.0¹⁾	128.8	202.1
Credit losses, net	-11.0	2.5	5.9	-8.0	-5.2
Risk tax levied and resolution fees ¹⁾	-145.7	-115.3	-17.1 ¹⁾	-	-
Operating profit/loss	290.6	398.3	-204.2	120.8	196.9
Appropriations	-27.0	130.0	145.1	-20.0	-51.1
Tax	-78.6	-141.8	5.7	-33.3	-46.5
Net profit/loss for the year	185.0	386.5	-53.4	67.4	99.3

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	2023	2022	2021	2020	2019
BALANCE SHEET					
Cash and balances with central banks	5,786.5	4,947.0	14,361.4	53.0	9,831.1
Treasury bills and other eligible bills	11,183.2	10,856.8	15,526.1	11,795.6	9,934.4
Loans to credit institutions	103,473.7	95,226.4	79,336.5	86,704.7	78,862.7
Loans to the public	55,119.7	62,086.9	57,904.4	55,302.2	42,800.0
Bonds and other interest-bearing securities	41,025.6	40,099.7	40,456.1	36,148.4	32,369.3
Shares and participations	10,074.4	10,059.3	9,852.8	9,855.2	9,854.0
Derivatives	8,954.6	15,031.3	4,613.9	4,470.0	6,738.8
Fair value changes of interest-rate-risk hedged items in portfolio hedge	-232.1	-542.6	76.2	32.8	4.5
Intangible assets	1,293.1	1,261.8	1,120.0	1,276.7	1,173.3
Other assets	312.5	287.5	403.7	360.0	378.2
Prepaid expenses and accrued income	163.5	160.8	135.9	106.1	80.7
Total assets	237,154.5	239,474.9	223,786.9	206,104.6	192,027.1
Due to credit institutions	9,185.5	10,592.7	9,964.9	7,869.4	10,864.9
Deposits and funding from the public	151,826.9	154,531.1	147,202.0	137,035.6	119,783.2
Debt securities in issue	49,474.6	44,913.1	46,275.8	40,276.0	39,115.0
Derivatives	7,750.5	13,272.6	4,270.4	4,624.5	6,187.5
Fair value changes of interest-rate-risk hedged items in portfolio hedge	-111.1	-562.7	46.4	9.1	-
Other liabilities	1,206.7	1,072.3	466.7	523.5	376.3
Accrued expenses and deferred income	3,293.3	1,396.7	630.1	630.5	595.2
Subordinated liabilities	3,093.3	2,596.7	2,594.7	2,597.3	2,595.2
Equity and untaxed reserves	11,417.3	11,662.3	12,335.8	12,538.6	12,509.8
Total liabilities, equity and untaxed reserves	237,154.5	239,474.9	223,786.9	206,104.6	192,027.1
KEY FIGURES					
Return on total assets, %	0.08	0.17	-0.08	0.04	0.07
Common Equity Tier 1 capital ratio, %	23.3	26.1	17.1	28.4	27.4
Capital adequacy ratio, %	30.1	33.3	21.5	35.2	34.3
Tier 1 ratio, %	39.8	38.2	26.7	43.1	42.3

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Income statement – Parent Company

SEK M	Note	2023	2022
Interest income	5	9,636.8	3,344.9
Interest expense	5	-5,694.1	-1,239.1
Net interest income		3,942.7	2,105.8
Dividends received		200.6	250.6
Commission income	6	943.1	823.5
Commission expense	6	-2,869.4	-1,092.2
Net commission		-1,926.4	-268.8
Net gains/losses from financial items	7	23.4	26.0
Other operating income	8	152.2	128.1
Total operating income		2,392.6	2,241.7
Staff costs	9	-515.2	-426.8
Other administration expenses	10, 11, 12	-1,134.1	-1,153.7
Total administration expenses		-1,649.3	-1,580.6
Depreciation/amortisation and impairment of property and equipment/ intangible assets	13	-296.1	-150.1
Total operating expenses		-1,945.3	-1,730.7
Profit/loss before credit losses		447.2	511.0
Credit losses, net	14	-11.0	2.5
Risk tax levied and resolution fees ¹⁾		-145.7	-115.3
Operating profit/loss		290.6	398.3
Appropriations	35	-27.0	130.0
Tax	15	-78.6	-141.8
Net profit/loss for the year		185.0	386.5

Statement of comprehensive income – Parent Company

SEK M	2023	2022
Net profit for the year	185.0	386.5
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	620.2	1,171.8
of which reclassification to profit or loss	-655.3	-1,107.3
Change in fair value of debt instruments measured at FVOCI		
of which change in value for the period	-52.1	-262.6
of which reclassification of realised securities to profit or loss	0.7	39.7
Tax attributable to items that have been transferred or can be transferred to profit or loss	17.8	32.6
Total	-68.6	-125.8
Items that cannot be transferred to profit or loss		
Change in fair value of equity instruments measured at FVOCI	3.6	-0.8
Tax attributable to items that cannot be reversed to profit or loss	-0.9	-0.5
Total	2.7	-1.3
Total other comprehensive income for the year, net after tax	-65.9	-127.1
Comprehensive income for the year	119.1	259.4

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Balance sheet – Parent Company

SEK M	Note	31 Dec 23	31 Dec 22
ASSETS			
Cash and balances with central banks		5,786.5	4,947.0
Treasury bills and other eligible bills	16	11,183.2	10,856.8
Loans to credit institutions	17	103,473.7	95,226.4
Loans to the public	18	55,119.7	62,086.9
Bonds and other interest-bearing securities	19	41,025.6	40,099.7
Shares and participations		106.4	93.6
Shares and participations in joint ventures		5.5	3.2
Shares and participations in Group companies	20	9,962.5	9,962.5
Derivatives	21	8,954.6	15,031.3
Fair value changes of interest-rate risk hedged items in portfolio hedge	22	-232.1	-542.6
Intangible assets	23	1,293.1	1,261.8
Property and equipment	24	6.4	9.4
Deferred tax assets	25	3.4	11.4
Other assets	26	302.7	266.7
Prepaid expenses and accrued income	27	163.5	160.8
TOTAL ASSETS		237,154.5	239,474.9
LIABILITIES, PROVISIONS AND EQUITY			
Due to credit institutions	28	9,185.5	10,592.7
Deposits and funding from the public	29	151,826.9	154,531.1
Debt securities in issue	30	49,474.6	44,913.1
Derivatives	21	7,750.5	13,272.6
Fair value changes of interest-rate risk hedged items in portfolio hedge	22	-111.1	-562.7
Deferred tax liabilities		-	4.7
Other liabilities	31	1,206.7	1,052.0
Accrued expenses and deferred income	32	3,293.3	1396.7
Provisions	33	17.6	15.6
Subordinated liabilities	34	3,093.3	2,596.7
Total liabilities and provisions		225,737.2	227,812.6
Untaxed reserves		145.0	118.0

Balance sheet – Parent Company, cont.

SEK M	Note	31 Dec 23	31 Dec 22
Equity			
<i>Restricted equity</i>	36		
Share capital		2,864.6	2,864.6
Statutory reserve		18.4	18.4
Development Expenditures Fund		1,293.1	1,304.3
<i>Total restricted equity</i>		<i>4,176.1</i>	<i>4,187.3</i>
<i>Non-restricted equity</i>			
Additional Tier 1 instruments		2,200.0	2,200.0
Fair value reserves		-44.1	21.7
Retained earnings		4,755.3	4,748.7
Net profit/loss for the year		185.0	386.5
<i>Total non-restricted equity</i>		<i>7,096.2</i>	<i>7,357.0</i>
Total equity		11,272.3	11,544.3
TOTAL LIABILITIES, PROVISIONS AND EQUITY		237,154.5	239,474.9

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Cash-flow statement, indirect method – Parent Company

SEK M	Note	2023	2022
Cash and cash equivalents, 1 January		5,139.2	14,441.6
Operating activities			
Operating profit/loss		290.6	398.3
Adjustment of non-cash items	43	-343.5	-532.7
Change in assets of operating activities			
Change in interest-bearing securities		69.8	3,427.5
Change in loans to the public		6,958.2	-4,180.0
Change in other assets		-8,254.3	-15,786.5
Change in liabilities of operating activities			
Change in deposits and funding from the public		-2,704.2	7,329.1
Change in debt securities in issue		4,282.3	-1,053.5
Change in other liabilities		626.8	2,074.9
Cash flow from operating activities		925.6	-8,323.0
Investing activities			
Acquisition of intangible assets		-323.2	-287.7
Acquisition of property and equipment		-1.2	-4.6
Change in other financial assets		-2.3	-201.7
Cash flow from investing activities		-326.7	-494.0
Financing activities			
Interest on Additional Tier 1 instruments		-151.2	-89.1
Issued Additional Tier 1 capital instruments		1,601.3	-
Repayment of issued Additional Tier 1 instruments		-1,101.3	-
Dividend paid		-81.2	-396.3
Cash flow from financing activities		267.6	-485.4
NET CASH FLOW FOR THE YEAR		866.6	-9,302.4
Cash and cash equivalents, 31 December	43	6,005.8	5,139.2

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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Statement of changes in shareholders' equity – Parent Company

SEK M	Restricted equity			Non-restricted equity						Total
	Share capital	Development expenditures fund	Other capital contributed	Additional Tier 1 instruments ¹⁾	Fair value reserve		Retained earnings	Net profit for the year		
					Fair value reserve	Hedge reserve				
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	
Opening balance, 1 January 2023	2,864.6	1,304.3	18.4	2,200.0	3.5	18.3	4,748.7	386.5	11,544.3	
Profit for the period								185.0	185.0	
Other comprehensive income for the period					-38.0	-27.8			-65.9	
Comprehensive income for the period					-38.0	-27.8		185.0	119.1	
According to resolution by Annual General Meeting							386.5	-386.5	-	
Dividend paid							-81.2		-81.2	
Group contributions paid							-200.0		-200.0	
Tax on group contributions paid							41.2		41.2	
Issued Additional Tier 1 instruments							-151.2		-151.2	
Capitalised proprietary development expenditures		-11.2					11.2		-	
Closing balance, 31 December 2023	2,864.6	1,293.1	18.4	2,200.0	-34.5	-9.6	4,755.3	185.0	11,272.3	

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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Notes to the Parent Company’s financial statement

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 Tegelluddsvägen 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 15 March, 2024. Final approval of the Annual Report will be made by the Parent Company’s Annual General Meeting on 13 May, 2024.

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 (ÅRKL), 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 2023

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	2023	2022
Interest income		
Loans to credit institutions ¹⁾	5,024.2	1,731.8
Loans to the public	2,144.9	1,216.0
Interest-bearing securities ¹⁾	1,143.2	275.1
Derivatives	1,324.4	121.9
Other interest income	0.0	0.0
Total interest income	9,636.8	3,344.9
Interest expense		
Due to credit institutions ¹⁾	-734.9	-132.9
Deposits and funding from the public	-2,471.9	-375.9
Debt securities in issue ²⁾	-1,343.1	-431.5
Subordinated liabilities	-131.1	-44.7
Derivatives	-920.7	-138.7
Other interest expense, including government deposit insurance	-92.5	-115.4
Total interest expense	-5,694.1	-1,239.1
Total net interest income	3,942.7	2,105.8
Average interest rate on loans to the public during the period, including net leasing, %	4.9	2.6
Average interest rate on deposits from the public during the period, %	1.6	0.2

¹⁾ of which Interest-bearing securities of SEK -18.7 M (-29.4) and Due to credit institutions of SEK 0.0 M (4.0).

²⁾ Interest expenses on non-preferred senior debt amounts to SEK 517.4 M (95.5).

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NOTE 6 NET COMMISSION

SEK M	2023	2022
Commission income		
Payment mediation	171.6	153.7
Loans	14.2	6.5
Deposits	3.1	5.0
Securities	198.6	195.0
Cards	377.2	351.0
Remuneration from the regional insurance companies	164.2	100.6
Other commission	14.2	11.8
Total commission income ¹⁾	943.1	823.5
Commission expense		
Payment mediation	-129.5	-109.2
Securities	-7.9	-11.3
Cards	-189.1	-159.9
Remuneration to regional insurance companies	-2,517.0	-796.0
Other commission	-25.9	-15.9
Total commission expense	-2,869.4	-1,092.2
Total net commission	-1,926.4	-268.8

¹⁾ Refers to revenue from contracts with customers.

NOTE 7 NET GAINS/LOSSES FROM FINANCIAL ITEMS

SEK M	2023	2022
Interest-bearing assets and liabilities and related derivatives	11.9	-30.0
Other financial assets and liabilities	8.0	54.0
Interest compensation (refers to items measured at amortised cost)	3.5	2.0
Total net gains/losses from financial items	23.4	26.0

SEK M	31 Dec 23	31 Dec 22
Profit/loss by measurement category		
Financial assets measured at FVPL	8.1	54.0
Financial assets measured at amortised cost	0.2	1.2
Financial liabilities measured at amortised cost	3.4	0.8
Financial assets measured at FVOCI	-0.9	-39.5
Hedge accounting at fair value	10.0	-8.3
Ineffectiveness of cash-flow hedges	-	-
Exchange-rate effect	2.6	17.8
Total	23.4	26.0

NOTE 8 OTHER OPERATING INCOME

SEK M	2023	2022
Remuneration from the regional insurance companies	156.3	146.1
Other income including inventory change ¹⁾	-4.1	-18.0
Total other operating income	152.2	128.1

¹⁾ Refers to revenue from contracts with customers.

NOTE 9 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees, Sweden	2023	2022
Men	218	173
Women	248	226
Total number of employees	466	399

Salaries, other remuneration and social security expenses, other employees, SEK M	2023	2022
Salaries and remuneration	-300.9	-249.2
of which, variable remuneration	-	-
Social security expenses	-157.3	-135.3
of which, pension costs	-49.2	-44.8
Total	-458.2	-384.5

Board of Directors and other senior executives, 15 (17) SEK M	2023	2022
Salaries and remuneration	-22.8	-21.5
of which, fixed salary to the President	-5.1	-4.9
of which, variable remuneration to the President	-	-
of which, fixed salary to other senior executives	-14.6	-14.2
of which, variable salary to other senior executives	-	-
Social security expenses	-15.9	-15.5
of which, pension costs	-6.9	-6.8
Total	-38.8	-37.0

Total salaries, other remuneration and social security expenses, SEK M	2023	2022
Salaries and remuneration	-323.8	-270.8
of which, variable remuneration	-	-
Social security expenses	-173.2	-150.8
of which, pension costs	-56.0	-51.6
Total	-496.9	-421.5

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

2023 SEK M	Basic salary	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Sven Eggefalk, President	5.0	–	0.1	1.8	6.9	35
Anna Christina Norrström, Board member	0.4	–	–	–	0.4	–
Hans Ljungkvist, Board member	0.6	–	–	–	0.6	–
Ola Evensson, Board member	0.5	–	–	–	0.5	–
Mikael Bergström, Board member	0.2	–	–	–	0.2	–
Ulrica Hedman, Board member	0.4	–	–	–	0.4	–
Emil Källström, Board member	0.5	–	–	–	0.5	–
Niklas Larsson, Board member	0.5	–	–	–	0.5	–
Other senior executives						
Parent Company (7)	14.4		0.1	5.1	19.6	35
Subsidiaries (4) ¹⁾	8.1	–	0.2	3.9	12.3	47
Total 2023	30.7	–	0.4	10.7	41.8	
Total remuneration from Parent Company	22.5	–	0.2	6.9	29.6	
Total remuneration from subsidiaries	8.1	–	0.2	3.9	12.3	

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	

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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NOTE 9, CONT. EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

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 23	31 Dec 22
Board members	30	30
Other senior executives	38	38

Loans to the Board of Directors, Presidents/Executive Vice Presidents and other senior executives

	Bank Group		Parent Company		Parent Company Group	
	2023	2022	2023	2022	2023	2022
Board members	67.3	50.3	25.0	11.5	136.0	83.9
of which, loans from Bank	1.7	4.2	2.9	2.4	12.7	8.9
of which, loans from Hypotek	65.5	46.1	22.1	9.1	123.2	75.0
of which, loans from Wasa Kredit	0.1	-	-	-	0.1	-
President and Executive Vice Presidents	-	1.3	16.2	9.9	29.7	23.9
of which, loans from Bank	-	-	0.2	-	0.2	0.5
of which, loans from Hypotek	-	1.3	16.0	9.9	29.5	23.3
of which, loans from Wasa Kredit	-	-	-	-	-	0.1
Senior executives	40.7	16.6	14.3	10.8	66.5	41.8
of which, loans from Bank	0.8	1.1	-	-	0.9	2.4
of which, loans from Hypotek	39.9	15.1	14.3	10.8	65.6	39.1
of which, loans from Wasa Kredit	-	0.4	-	-	-	0.4

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	2023	2022
Costs for premises	-49.7	-37.9
IT costs	-708.8	-564.9
Consultant costs	-125.5	-147.9
Marketing	-36.3	-33.0
Management costs	-16.3	-14.3
Other administration expenses	-197.4	-355.8
Total administration expenses	-1,134.1	-1,153.7

NOTE 11 REMUNERATION OF AUDITORS

SEK M	2023	2022
Deloitte AB, audit assignment	-5.3	-3.6
Deloitte AB, audit activities in addition to the audit assignment	-0.4	-
Deloitte AB, tax advice	-	-
Deloitte AB, other assignments	-	-
KPMG AB, audit assignment	-	-0.4
KPMG AB, audit activities in addition to the audit assignment	-	-0.8
KPMG AB, tax advice	-	-
KPMG AB, other assignments	-	-0.4
Total fees and remunerations of auditors	-5.6	-5.1

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	2023	2022
Lease expenses paid		
Rent for premises	-30.8	-29.1
of which, variable fees	-22.2	-20.5
Leasing fees, company cars	-	-
Other leasing fees	-13.4	-45.7
Future basic rents for irrevocable leasing contracts		
Within 1 year	-0.7	-43.1
Between 1 and 5 years	-0.7	-43.1
Total future minimum lease fees	-1.4	-86.2

NOTE 13 DEPRECIATION/AMORTISATION AND IMPAIRMENT OF PROPERTY AND EQUIPMENT/INTANGIBLE ASSETS

SEK M	2023	2022
Depreciation of property and equipment	-4.1	-4.2
Amortisation of intangible assets	-147.6	146.0
Total depreciation/amortisation	-151.7	150.1
Impairment of intangible assets	-144.4	-
Total depreciation/amortisation and impairment of assets	-296.1	-150.1

More information on impairment is available in note 23 Intangible assets.

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NOTE 14 CREDIT LOSSES, NET

SEK M	2023	2022
Change in loss allowance for loan receivables		
Stage 1 (not credit-impaired)	-1.9	-2.5
Stage 2 (not credit-impaired)	-2.3	-0.1
Stage 3 (credit-impaired)	-4.9	5.2
Total change in loss allowance for loan receivables	-9.1	2.6
Expense for confirmed credit losses	-1.8	-2.0
Payment received for prior confirmed credit losses	2.6	4.0
Net expense for the period for credit losses for loan receivables	-8.3	4.5
Change in loss allowance for commitments	-1.5	1.0
Net expense for other credit losses	-1.2	-3.0
Net expense of the modification result	0.0	0.0
Net expense for credit losses	-11.0	2.5

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 2023, total credit losses amounted to SEK -42.7 M (12.3), of which the company's recognised credit losses amounted to SEK -11.0 M (2.5) and the remainder of SEK -31.7 M (9.8) was settled against remuneration to the regional insurance companies.

Loss allowance

SEK M	31 Dec 23	31 Dec 22
Financial assets measured at amortised cost		
Cash and balances at central banks	-	-
Loans to credit institutions	23.1	21.2
Loans to the public	17.8	10.8
Other assets	-	-
Financial assets measured at FVOCI		
Treasury bills and other eligible bills	0.3	0.2
Bonds and other interest-bearing securities	0.8	0.7
Provisions		
Commitments and guarantees	12.0	10.4
Total loss allowance	54.0	43.3

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	2023	2022
Current tax		
Tax expense/tax income for the year	-68.1	-130.2
Adjustment of tax expense pertaining to prior years		-
Total current tax	-68.1	-130.2
Deferred tax		
Change in deferred tax expense on temporary differences	-10.5	-11.6
Total deferred tax	-10.5	-11.6
Total recognised tax expense	-78.6	-141.8
Reconciliation of effective tax rate		
Profit before tax	263.6	528.3
Tax in accordance with applicable tax rate	-54.3	-108.8
Tax on non-deductible costs	-31.8	-33.1
Tax on non-taxable income	7.1	1.7
Deferred tax pertaining to temporary differences	-	-1.6
Tax attributable to earlier years	0.2	0.0
Total tax on net profit for the year	-78.6	-141.8
Applicable tax rate	20.6	20.6%
Effective tax rate	29.8	26.8%
Tax items recognised in other comprehensive income		
Tax on financial assets measured at fair value through other comprehensive income	9.7	45.4
Tax on cash flow hedges	7.2	-13.3
Total tax attributable to other comprehensive income	16.9	32.1

For more information regarding Law on top-up tax for companies in large groups, see note 13 in Financial statements – Group.

NOTE 16 TREASURY BILLS AND OTHER ELIGIBLE BILLS

SEK M	31 Dec 23	31 Dec 22
Swedish government	10,706.2	10,274.5
German government	341.0	449.5
Finnish government	136.0	132.8
Total treasury bills and other eligible bills	11,183.2	10,856.8
Fair value	11,183.2	10,856.8
Amortised cost	11,425.5	11,206.0
Nominal value	11,397.1	11,132.4

For loss allowance, see note 14.

NOTE 17 LOANS TO CREDIT INSTITUTIONS

SEK M	31 Dec 23	31 Dec 22
Loans to subsidiaries	102,997.4	94,315.6
Other loans to credit institutions	476.3	910.8
Total loans to credit institutions	103,473.7	95,226.4

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 23	31 Dec 22
Public sector	10,000.6	8,000.6
Corporate sector	1,822.5	1,690.3
Retail sector	40,686.4	43,542.7
Other	2,628.1	8,864.2
Loans to the public before reserves	55,137.5	62,097.7
Reserves	-17.8	-10.8
Loans to the public	55,119.7	62,086.9
Fixed-interest period		
Remaining term of not more than 3 months	32,608.3	38,699.5
Remaining term of more than 3 months but not more than 1 year	15,391.7	14,305.2
Remaining term of more than 1 year but not more than 5 years	6,954.7	8,779.1
Remaining term of more than 5 years	165.0	303.1
Total loans to the public	55,119.7	62,086.9

Remaining term is defined as the remaining fixed-income period if the loan has periodically restricted conditions.

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NOTE 18, 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		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
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
Opening balance 1 Jan 2023	60,427.3	-1.2	1,434.0	-2.0	236.4	-7.6	62,097.7	-10.8
New loans	6,149.7	-0.7	3.6	-	2.6	-0.3	6,155.8	-1.0
Changes:								
Change in loss allowance model or method	-	-1.1	-	-2.1	-	-1.5	-	-4.6
Repayment	-13,074.2	0.6	-225.6	0.4	-34.0	1.4	-13,333.8	2.5
Change in risk parameters	-	-4.1	-	0.3	-	-0.3	-	-4.1
Other	232.7	0.0	-2.6	0.0	-1.1	0.2	229.0	0.3
Transfer between stages:								
Transfer from stage 1 to stage 2	-826.4	0.9	826.4	-2.5	-	-	-	-1.5
Transfer from stage 2 to stage 1	835.3	-0.1	-835.3	0.4	-	-	-	0.3
Transfer to stage 3	-106.6	4.4	-46.8	1.2	153.5	-7.5	-	-1.9
Transfer from stage 3	40.6	0.0	12.8	-0.1	-53.4	1.2	-	1.1
Write-off	-	-	-	-	-11.2	1.9	-11.2	1.9
Closing balance 31 Dec 2023	53,678.3	-1.1	1,166.4	-4.3	292.8	-12.4	55,137.5	-17.8

	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
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
Loans to the public before loss allowances 2023	53,678.3	1,166.4	292.8	55,137.5
Credit reserve requirement	-5.6	-21.5	-61.9	-89.1
Withheld remuneration to the regional insurance companies	4.5	17.2	49.6	71.3
Recognised loss allowance	-1.1	-4.3	-12.4	-17.8
Loans to the public 2023	53,677.1	1,162.1	280.4	55,119.7

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 2023, 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 9.1 M (21.2).

The loss allowance declined SEK -7.0 M (-4.8) during the year, mainly due to repayments of existing credits.

Modified loan receivables in loans to the public, SEK M	31 Dec 23	31 Dec 22
Loan receivables modified during the period that were in stages 2 and 3 when they were modified		
mortised cost before modification	29.7	35.0
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	43.6	12.3

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NOTE 19 BONDS AND OTHER INTEREST-BEARING SECURITIES

SEK M	31 Dec 23	31 Dec 22
Carrying amount		
Swedish mortgage institutions (not guaranteed)	26,439.2	26,093.7
Other Swedish issuers (not guaranteed)	6,010.3	3,936.8
Other foreign issuers (guaranteed by German government)	1,521.2	1,473.6
Other foreign issuers (not guaranteed)	7,054.8	8,595.6
Total bonds and other interest-bearing securities	41,025.6	40,099.7
Fair value	41,025.6	40,099.7
Amortised cost	40,719.0	41,497.6
Nominal value	41,926.0	41,816.4
Market status		
Securities listed	41,025.6	40,099.7
Securities unlisted	-	-

For loss allowance, see note 14.

NOTE 20 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

SEK M	31 Dec 23			31 Dec 22		
	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	8,757.7
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			9,962.5

SEK M	2023				2022			
	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	8,757.7	165.0	9,962.5	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	8,757.7	165.0	9,962.5

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NOTE 21 DERIVATIVES

SEK M	31 Dec 23		31 Dec 22	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
<i>Derivatives in hedge accounting</i>				
Interest-related	54,547.0	1,712.8	50,921.0	2,694.2
Currency-related	19,203.6	301.8	6,877.8	281.5
Other derivatives				
Interest-related	166,200.0	7,955.9	156,140.0	11,211.6
Currency-related	40,079.1	2,827.1	39,147.9	3,788.7
Total derivatives with positive values	280,029.7	12,797.6	253,086.7	17,976.1
Offset derivatives with positive values	-102,034.0	-3,843.1	-55,221.0	-2,944.8
Net amount after offset	177,995.7	8,954.6	197,865.7	15,031.3
Derivatives with negative values				
<i>Derivatives in hedge accounting</i>				
Interest-related	22,981.0	642.4	19,390.0	701.1
Currency-related	3,187.8	155.3	15,745.2	477.3
Other derivatives				
Interest-related	166,200.0	7,956.5	156,140.0	11,211.1
Currency-related	40,648.2	2,839.3	39,648.0	3,827.9
Total derivatives with negative values	233,017.0	11,593.5	230,923.2	16,217.4
Offset derivatives with negative values	-102,034.0	-3,834.1	-55,221.0	-2,944.8
Net amount after offset	130,983.0	7,750.5	175,702.2	13,272.6

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.

NOTE 22 FAIR VALUE CHANGES OF INTEREST-RATE RISK HEDGED ITEMS IN PORTFOLIO HEDGE

SEK M	31 Dec 23	31 Dec 22
Assets		
Carrying amount at beginning of year	-542.6	76.2
Changes during the year pertaining to lending	310.5	-542.6
Changes during the year pertaining to borrowing	-	-76.2
Carrying amount at year-end	-232.1	-542.6
Liabilities		
Carrying amount at beginning of year	-562.7	46.4
Changes during the year pertaining to deposits	399.9	-36.0
Changes during the year pertaining to funding	51.6	-526.7
Changes during the year pertaining to lending	-	-46.4
Carrying amount at year-end	-111.1	-562.7

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NOTE 23 INTANGIBLE ASSETS

SEK M	Internally developed IT systems		Acquired IT systems		Total	
	31 Dec 23	31 Dec 22	31 Dec 23	31 Dec 22	31 Dec 23	31 Dec 22
Cost						
Opening cost	3,203.7	2,916.0	4.4	4.4	3,208.2	2,920.4
Acquisitions during the year	323.2	287.7	-	-	323.2	287.7
Disposals during the year	-	-	-	-	-	-
Closing cost	3,527.0	3,203.7	4.4	4.4	3,531.4	3,208.2
Amortisation						
Opening accumulated amortisation	-1,198.2	-1,052.2	-4.4	-4.4	-1,202.6	-1,056.6
Disposals during the year	-	-	-	-	-	-
Amortisation for the year	-147.6	-146.0	-	-	-147.6	-146.0
Closing accumulated amortisation	-1,345.7	-1,198.2	-4.4	-4.4	-1,350.2	-1,202.6
Impairments						
Opening accumulated impairments	-743.8	-743.8	-	-	-743.8	-743.8
Disposals during the year	-	-	-	-	-	-
Impairments for the year	-144.4	-	-	-	-144.4	-
Closing accumulated impairments	-888.1	-743.8	-	-	-888.1	-743.8
Total intangible assets	1,293.1	1,261.8	-	-	1,293.1	1,261.8

NOTE 24 PROPERTY AND EQUIPMENT

SEK M	31 Dec 23	31 Dec 22
Equipment		
Opening cost	14.2	10.8
Sales/Disposals for the year	-0.4	-1.7
Purchases for the year	1.2	5.1
Closing cost	15.0	14.2
Opening depreciation	-4.8	-1.9
Reversed depreciation, sales/scrapping	0.3	1.2
Deprecation for the year	-4.1	-4.2
Closing accumulated depreciation	-8.6	-4.8
Total property and equipment	6.4	9.4

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NOTE 25 DEFERRED TAX ASSETS AND TAX LIABILITIES

SEK M	Deferred tax assets		Deferred tax liabilities		Net	
	31 Dec 23	31 Dec 22	31 Dec 23	31 Dec 22	31 Dec 23	31 Dec 22
Intangible assets	-0.6	-11.1	-	-	-0.6	-11.1
Cash flow hedges	-2.5	-	-	4.7	-2.5	4.7
Liabilities, provisions	-0.3	-0.3	-	-	-0.3	-0.3
Deferred tax assets(-)/deferred tax liabilities (+)	-3.4	-11.4	-	4.7	-3.4	-6.7
Net deferred tax assets (-)/deferred tax liabilities (+)	-3.4	-11.4	-	4.7	-3.4	-6.7

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
2023				
Intangible assets	-11.1	10.5	-	-0.6
Cash flow hedges	4.7	-	-7.2	-2.5
Liabilities, provisions	-0.3	-	-	-0.3
Deferred tax assets(-)/deferred tax liabilities (+)	-6.7	10.5	-7.2	-3.4
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

NOTE 26 OTHER ASSETS

SEK M	31 Dec 23	31 Dec 22
Accounts receivable ¹⁾	15.3	10.6
Other assets	287.4	256.1
Total other assets	302.7	266.7

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 23	31 Dec 22
Accrued interest income	39.1	27.2
Other accrued income ¹⁾	49.2	43.7
Prepaid expenses	75.2	89.9
Total prepaid expenses and accrued income	163.5	160.8

¹⁾ Refers to revenue from contracts with customers.

NOTE 28 DUE TO CREDIT INSTITUTIONS

SEK M	31 Dec 23	31 Dec 22
The Riksbank	-	-
Swedish banks	3,818.0	4,121.6
Other Swedish credit institutions	5,367.5	6,471.1
Total due to credit institutions	9,185.5	10,592.7

NOTE 29 DEPOSITS AND FUNDING FROM THE PUBLIC

SEK M	31 Dec 23	31 Dec 22
Deposits from insurance companies	4,309.8	5,487.0
Deposits from households	128,189.8	130,806.1
Deposits from other Swedish public	19,327.4	18,238.0
Total deposits from the public	151,826.9	154,531.1

Fixed-term deposits amount to SEK 42,757.9 M (21,392.6). Interest compensation is paid on premature redemption.

NOTE 30 DEBT SECURITIES IN ISSUE

SEK M	31 Dec 23	31 Dec 22
Commercial papers	565.1	1,406.6
Bond loans	35,419.5	34,653.2
Senior non-preferred debt	13,472.6	8,832.6
of which, green bonds	9,392.8	2,296.5
Cashier's cheques issued	17.3	20.7
Total debt securities in issue	49,474.6	44,913.1

NOTE 31 OTHER LIABILITIES

SEK M	31 Dec 23	31 Dec 22
Accounts payable	97.0	64.4
Withheld preliminary tax, customers	392.6	71.5
Other liabilities	717.2	916.1
Total other liabilities	1,206.7	1,052.0

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NOTE 32 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	31 Dec 23	31 Dec 22
Accrued interest expense	947.4	222.1
Accrued remuneration of regional insurance companies	1,855.7	741.1
Contract liabilities	31.7	44.7
Other accrued expenses and deferred income	458.5	388.8
Total accrued expenses and deferred income	3,293.3	1,396.7

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 23	31 Dec 22
Loss allowance for commitments	12.0	10.4
Other provisions	5.6	5.2
Total provisions	17.6	15.6

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 2024 for the FTP plan amount to SEK 18.6 M.

	2023	2022
Expenses for defined-contribution plans	51.7	48.4

NOTE 34 SUBORDINATED LIABILITIES

SEK M	31 Dec 23	31 Dec 22
External subordinated debt with three-month floating interest rate	1,896.2	1,747.8
External subordinated debt, listed	1,197.0	848.9
Total subordinated liabilities	3,093.3	2,596.7

The subordinated loans listed and can be redeemed 25 February 2026 and 1 March 2028 at the earliest. These loans fall due on 25 February 2031 and 1 March 2033. During 31 December 2023 the interest on the variable loans were 5.1 (3.4) percent and 5.9 (3.6) percent. The interest rate on fixed loans is 1.2 percent and 4.9 percent. For more information, see note 3 Risks and capital adequacy.

NOTE 35 UNTAXED RESERVES

SEK M	31 Dec 23	31 Dec 22
Tax allocation reserve	145.0	118.0
Total	145.0	118.0

NOTE 36 EQUITY

SEK M	31 Dec 23	31 Dec 22
Restricted equity		
Share capital	2,864.6	2,864.6
Development Expenditures Fund	1,293.1	1,304.3
Statutory reserve	18.4	18.4
Total restricted equity	4,176.1	4,187.3
Non-restricted equity		
Fair value reserve	-44.1	21.7
Additional Tier 1 instruments	2,200.0	2,200.0
Retained earnings	4,755.3	4,748.7
Net profit for the year	185.0	386.5
Total non-restricted equity	7,096.2	7,357.0
Total equity	11,272.3	11,544.3

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 23	31 Dec 22
Other reserves	-44,118,901	21,739,936
Retained earnings	4,755,304,940	4,748,744,592
Net profit for the year	184,983,995	386,472,030
Profit to be appropriated	4,896,170,034	5,156,956,559

The Board of Directors proposes the following appropriation:

SEK 25.25 (8.50) per share to be paid to the shareholders	241,104,877	81,164,018
To be carried forward	4,655,065,157	5,075,792,541
Total	4,896,170,034	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 12,721.7 M (11,649.5) and the overall capital requirement for credit risks, operational risks and buffer amount to SEK 4,925.1 M (4,392.4). For the consolidated situation, own funds after the proposed dividend amount to SEK 24,518.6 M (22,163.9), and the overall capital requirement for credit risks, operational risks and buffer amount to SEK 18,645.6 M (16,307.8).

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 382.7 M (696.8) of the bank’s Parent Company and SEK 4,183.8 M (4,722.9) 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 23	31 Dec 22
For own liabilities, pledged assets		
Pledged securities in the central bank	2,369.6	2,354.3
Pledged securities in Euroclear	1,913.0	1,893.4
Cash collateral paid, derivatives	2,846.9	9,543.6
Securities collateral paid, derivatives	4,025.9	2,910.6
Other collateral for securities	-	-
Total pledged assets for own liabilities	11,155.5	16,701.9
Contingent liabilities		
Financial guarantees	42.2	30.5
Total contingent liabilities	42.2	30.5
Other commitments		
Loans approved but not disbursed	474.1	536.5
Unutilised portion of overdraft facilities	59,997.4	49,018.2
Unutilised portion of credit card facilities	2,116.0	2,083.3
Total other commitments	62,587.5	51,638.0

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		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 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
Opening balance, 1 Jan 2023	51,481.9	-8.4	139.7	-1.2	16.3	-0.8	51,638.0	-10.4
New loan commitments and increase in existing loan commitments	14,997.8	-0.2	17.2	-0.1	3.1	-0.3	15,018.1	-0.5
Changes:								
Change in loss allowance model or method	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	-0.3
Net change in existing loan commitments and credit commitments (utilised and repaid)	-2,225.0	-2.5	-19.7	0.1	-2.4	0.1	-2,277.1	-2.4
Change in risk parameters	0.0	-0.1	0.0	0.1	0.0	-0.3	0.0	-0.3
Transfer of loan commitments and credit commitments:								
Transfer from stage 1 to stage 2	-130.6	0.1	130.6	-0.4	0.0	0.0	0.0	-0.2
Transfer from stage 2 to stage 1	113.9	-1.1	-113.9	1.1	0.0	0.0	0.0	0.1
Transfer to stage 3	-16.9	0.1	-1.5	0.0	18.4	-0.3	0.0	-0.2
Transfer from stage 3	7.1	0.0	0.8	0.0	-8.0	0.3	0.0	0.3
Expired loan commitments	-1,733.1	1.2	-39.0	0.0	-19.2	0.7	-1,791.4	1.9
Closing balance 31 Dec 2023	62,465.1	-10.9	114.3	-0.4	8.1	-0.7	62,587.5	-12.0

Loss allowance increased by SEK 1.6 M (1.4) during the year due to changes in existing loan commitments and credit commitments and loan commitments.

On 31 December 2023, the total loss allowance for commitments amounted to SEK 17.3 M (15.4), of which the company's recognised loss allowance amounted to SEK 12.0 M (10.4) and the remainder of SEK 5.3 M (5.0) 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 23, SEK M	Financial assets measured at FVPL		Financial assets measured at FVOCI		Total carrying amount	Fair value
	Measured at FVPL	Derivatives used in hedge accounting	Financial assets measured at amortised cost	Debt instruments measured at FVOCI	Equity instruments	
Assets						
Cash and balances with central banks			5,786.5		5,786.5	5,786.5
Treasury bills and other eligible bills				11,183.2		11,183.2
Loans to credit institutions			103,473.7		103,473.7	103,473.7
Loans to the public			55,119.7		55,119.7	54,841.5
Bonds and other interest-bearing securities				41,025.6		41,025.6
Shares and participations	52.4			53.9	106.4	106.4
Derivatives	6,939.9	2,014.6			8,954.6	8,954.6
Other assets			15.3		15.3	15.3
Prepaid expenses and accrued income			39.1		39.1	39.1
Total assets	6,992.2	2,014.6	164,434.2	52,208.8	225,703.9	225,425.7

31 Dec 23, 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			9,185.5	9,185.5	9,185.5
Deposits and funding from the public			151,826.9	151,826.9	152,238.6
Debt securities in issue			49,474.6	49,474.6	49,767.8
Derivatives	6,952.7	797.7		7,750.5	7,750.5
Other liabilities			106.7	106.7	106.7
Subordinated liabilities			3,093.3	3,093.3	3,077.2
Accrued expenses and deferred income			947.4	947.4	947.4
Total liabilities	6,952.7	797.7	214,634.4	222,384.9	223,073.7

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NOTE 38, CONT. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

31 Dec 22, SEK M	Financial assets measured at FVPL		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
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
Loans to the public					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
Prepaid expenses and accrued income					27.1	27.1
Total assets	12,098.9	2,975.7	162,298.0	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

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 23 SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	7,184.5	3,998.7		11,183.2
Bonds and other interest-bearing securities	41,025.6	–		41,025.6
Shares and participations	7.5	27.5	71.4	106.4
Derivatives		8,954.6		8,954.6
Liabilities				
Derivatives		7,750.5		7,750.5

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

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. 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 2022	56.7
Recognised through profit and loss	5.6
Recognised in other comprehensiv income	0.0
Closing balance, 31 December 2022	62.3
Opening balance, 1 January 2023	62.3
Recognised through profit and loss	9.1
Recognised in other comprehensiv income	-0.1
Closing balance, 31 December 2023	71.4

Financial instruments measured at amortised cost in the balance sheet

31 Dec 23	Level 1	Level 2	Level 3	Total
Assets				
Loans to the public			54,841.5	54,841.5
Liabilities				
Deposits and borrowing from the public		152,238.6		152,238.6
Debt securities in issue		49,767.8		49,767.8
Subordinated liabilities		3,077.2		3,077.2

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

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 2023 or 2022.

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 2022 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	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
31 Dec 2023 SEK M						
Assets						
Derivatives	12,797.6	-3,843.1	8,954.6	-4,715.4	-2,517.5	1,721.7
Liabilities						
Derivatives	-11,593.5	3,843.1	-7,750.5	4,715.4	2,846.3	-188.8
Total	1,204.1	-		-	328.8	1,532.9

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NOTE 41 CAPITAL-ADEQUACY ANALYSIS

Capital-adequacy analysis – key metrics

SEK M	31 Dec 23	31 Dec 22
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	7,431.7	7,954.4
Tier 1 capital	9,631.7	10,154.4
Total capital	12,721.7	11,649.5
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	31,960.3	30,481.8
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	23.3%	26.1%
Tier 1 capital	30.1%	33.3%
Total capital	39.8%	38.2%
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%	2.9%
of which: to be made up of CET1 capital (percentage points)	1.6%	1.6%
of which: to be made up of Tier 1 capital (percentage points)	2.2%	2.2%
Total SREP own funds requirements (%)	10.9%	10.9%
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%	0%
Institution specific countercyclical capital buffer (%)	2%	1%
Systemic risk buffer (%)	0%	0%
Global Systemically Important Institution buffer (%)	0%	0%
Other Systemically Important Institution buffer (%)	0%	0%
Combined buffer requirement (%)	4.5%	3.5%
Overall capital requirements (%)	15.4%	14.4%
CET1 available after meeting the total SREP own funds requirements (%)	17.1%	20.0%
Leverage ratio		
Leverage ratio total exposure measure	136,410.6	143,784.5
Leverage ratio (%)	7.1%	7.1%

SEK M	31 Dec 23	31 Dec 22
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)	59,060.3	62,224.6
Cash outflows – Total weighted value	55,758.0	57,264.1
Cash inflows – Total weighted value	13,211.8	10,996.5
Total net cash outflows (adjusted value)	44,975.7	46,267.7
Liquidity coverage ratio (%)	149.7%	152.4%
Net Stable Funding Ratio		
Total available stable funding	186,668.6	180,246.6
Total required stable funding	108,508.5	107,654.1
NSFR ratio (%)	172%	167%

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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 23	31 Dec 22	31 Dec 23	31 Dec 22
Credit risk (excluding CCR)	27,989.2	27,514.0	2,239.1	2,201.1
Of which: the standardised approach	13,883.8	13,913.8	1,110.7	1,113.1
Of which: the foundation IRB (FIRB) approach	5,441.8	4,050.1	435.3	324.0
Of which: the advanced IRB (AIRB) approach	4,118.5	5,279.9	329.5	422.4
Of which: risk exposure amounts according to Article 458 CRR	4,545.1	4,270.2	363.6	341.6
Counterparty credit risk	1,221.6	683.4	97.7	54.7
Of which: the standardised approach	584.2	372.0	46.7	29.8
Of which: exposures to a CCP	15.5	18.6	1.2	1.5
Of which: credit valuation adjustment – CVA	621.9	292.8	49.8	23.4
Of which: other CCR	-	-	-	-
Foreign-currency risk	-	-	-	-
Operational risk	2,749.4	2,284.4	220.0	182.8
Of which standardised approach	2,749.4	2,284.4	220.0	182.8
Total	31,960.3	30,481.8	2,556.8	2,438.5

	31 Dec 23		31 Dec 22	
	SEK M	% of REA	SEK M	% of REA
Risk-based capital requirements, Länsförsäkringar Bank AB				
Own funds requirements Pillar I	2,556.8	8.0%	2,438.5	8.0%
Pillar II Requirements (P2R)	930.0	2.9%	887.0	2.9%
Combined buffer requirement	1,438.2	4.5%	1,066.9	3.5%
Pillar II Guidance (P2G)	0.0	0.0%	0.0	0.0%
Overall adequate level of own funds and P2G	4,925.1	15.4%	4,392.4	14.4%

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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.

Transactions, SEK M	Income		Expenses		Receivables		Liabilities		Commitments	
	31 Dec 23	31 Dec 22	31 Dec 23	31 Dec 22	2023	2022	2023	2022	2023	2022
Companies in the Bank Group	5,169.7	2,176.1	-2,645.4	367.3	108,956.4	105,844.1	11,414.0	10,925.0	57,350.2	45,976.4
Other companies in the Länsförsäkringar AB Group	1.0	0.5	774.8	629.2	-	2.8	1,856.3	2,049.0	-	-
Länsförsäkringar Liv Group	-	-	45.8	7.3	-	-	1,941.1	1,236.0	-	-
Regional insurance companies	168.1	114.2	2,625.8	827.8	-	5.7	4,764.1	4,462.7	1.0	51.0
Other related parties	0.2	0.2	2.4	-	-	-	72.4	66.7	6.4	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

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.

between these individuals and their family members apart from normal customer transactions.

NOTE 43 SUPPLEMENTARY INFORMATION TO STATEMENT OF CASH FLOW

	2023	2022
Interest and dividends		
Interest received	8,864.6	3,559.7
Interest paid	-4,756.3	-1,293.0
Adjustment for non-cash items		
Depreciation of property and equipment/amortisation of intangible assets	151.7	150.1
Impairment of property and equipment and intangible assets	144.4	-
Unrealised portion of net gains/losses from financial items	-646.2	-678.6
Credit losses, excluding recoveries	4.5	-2.0
Change in accrued expense/income	-	-
Other	2.0	-2.3
Total non-cash items	-343.5	-532.7
Cash and cash equivalents		
Cash and balances with central banks	5,786.5	4,947.0
Loans to credit institutions	219.4	192.3
Total cash and cash equivalents	6,005.8	5,139.2

NOTE 44 EVENTS AFTER BALANCE-SHEET DATE

No significant events took place after the balance-sheet date.

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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 15 March 2024. 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 13 May 2024.

Stockholm, the date stated on the electronic signature.

Mathias Collén
Chair of the Board

Mikael Bergström
Board member

Ola Evensson
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

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To the general meeting of the shareholders of Länsförsäkringar Bank AB (publ), corporate identity number 516401-9878
Translation from the Swedish original

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 2023-01-01 - 2023-12-31 except for the corporate governance statement on page 32-37. The annual accounts and consolidated accounts of the company are included on pages 25-110 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 2023 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 2023 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 32-37. 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.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and 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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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.

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, 2023, lending to the public for the Group (Parent Company) amounted to SEK 395 590 (55 137) million, with provisions for expected loan losses of SEK 473 (18) 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.

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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 67 776 (61 270) million in assets and to SEK 4 114 (8 955) in liabilities as of 31 December 2023.</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 8 990 (12 981) million in assets and to SEK 4 114 (7 751) million in liabilities and that financial instruments categorized as level 3 amount to SEK 71 (71) 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 processes and gone through control activities associated with 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 1-24 and 115-133. 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 2023-01-01 - 2023-12-31 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 32-37 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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Taxonomy disclosures

The Taxonomy Regulation (the “Taxonomy rules”) is part of the EU’s action plan to achieve the target of a climate neutral Europe by 2050. The Taxonomy rules express six environmental objectives and contain classification criteria to assess whether an economic activity substantially contributes to these objectives and can thus be considered environmentally sustainable. The regulations also require companies to submit specific Taxonomy-related disclosures and over the past two years the financial undertakings subject to the rules have provided simplified reporting under transition rules. This year, for the first time, financial undertakings are reporting without transition rules.

The reporting requirements entail that companies must provide information about the extent to which the company’s economic activities are eligible under the Taxonomy’s technical screening criteria and the extent to which the activities qualify as environmentally sustainable (“Taxonomy-aligned”). To meet the criteria, the activity must substantially contribute to at least one of the EU’s six environmental objectives while doing no significant harm to any of the other five environmental objectives. The company must also meet certain minimum requirements on social sustainability, known as minimum safeguards, related to, for example, human rights, competition law, bribery and corruption. For financial undertakings, the reporting requirements also

include information on the proportion of their investments that finance Taxonomy-aligned activities. The technical screening criteria for environmental objectives 1 and 2 are already in place, but the criteria for the four remaining environmental objectives have been delayed. According to the transitional measures, these are to be included in the reporting from this year, which means that undertakings are to report on whether they qualify under the criteria. The delayed technical screening criteria do not apply to the activities of financial undertakings and therefore will not have an impact on the Taxonomy disclosures that financial undertakings provide about their own activities. The Taxonomy disclosures on invest-

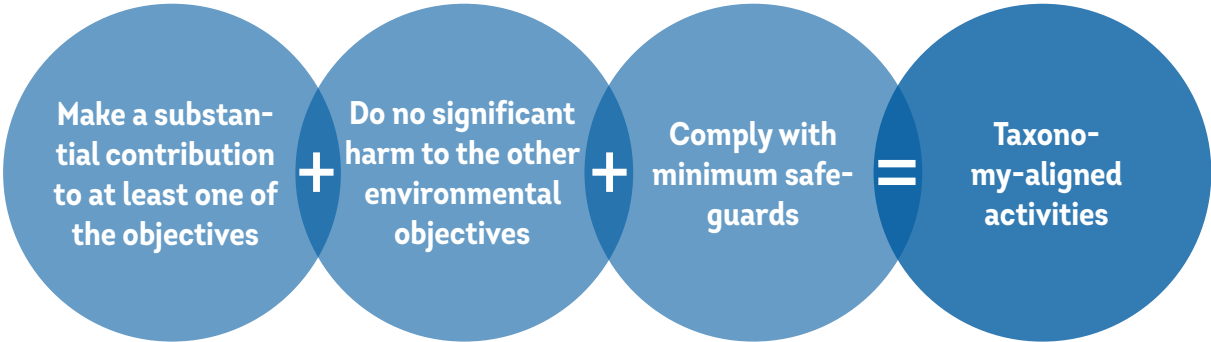
ments made by financial undertakings will also not be affected this year, but only next year. This is because these disclosures are based on Taxonomy disclosures from counterparties and reporting from the counterparties was not available at the time of preparation of this Annual Report.

Make a substantial contribution to the environmental objectives and do no significant harm to the other environmental objectives
An activity that meets the criteria for contributing substantially to at least one of the environmental objectives may not be considered Taxonomy-aligned if it does significant harm to the other environmental objectives. Significant

harm to the other environmental objective is specified in the technical screening criteria of the Taxonomy Regulation. For the Länsförsäkringar AB Group, there are criteria for assessing Taxonomy alignment in the non-life insurance operations and in the criteria for buildings and property and vehicles in the banking operations’ financing of household mortgages.

Sustainability part of Länsförsäkringar AB’s business strategy
In order to improve security for our customers, it is vitally important that we reduce the risk of incurring a claim. Every claim that can be avoided means a gain not only for the environment, but also for the individual and society as a whole. For

THE TAXONOMY’S 6 ENVIRONMENTAL OBJECTIVES
1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems



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this reason, claims prevention is a priority for Länsförsäkringar AB. It is important when a claim does occur to have knowledge about the impact on the climate and limit the impact on the environment, for example, by setting requirements for sustainable repairs. One of Länsförsäkringar AB's key targets for the year ahead is to continue to develop its claims-prevention activities that reduce the risk of claims being incurred. Länsförsäkringar AB will also continue to develop know-how in measuring and understanding the impact on the environment when claims are incurred, and integrate circular economy principles into the insurance offering.

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

The investments for which the Länsförsäkringar AB Group bears the risk have targets for a minimum proportion of sustainable investments in accordance with the definition in the SFDR. The SFDR's definition of sustainable investments is broader than the Taxonomy rules' definition of environmentally sustainable economic activities. In terms of the investments for which policy-holders bear the risk (unit-linked insurance assets), the Länsförsäkringar AB Group has targets for the minimum number of sustainability-focused funds in the fund range and the share of managers who have made climate commitments in line with the Paris Agreement. The sustainability-focused funds either have sustainability as their objective or are funds that promote environmental or social characteristics according to the criteria of the SFDR and have a primary strategy of selecting responsible companies, have defined sustainability objectives and can demonstrate clear sustainability impacts.

The Taxonomy Regulation is taken into account by making Taxonomy alignment one of several assessment factors in classifying sustainable investments and in the fund selection process. Regular communication takes place with customers about how Länsförsäkringar AB works with responsible investments through Länsförsäkringar AB's website and in customer information, such as advance-sale information and annual statements.

Minimum safeguards

The Taxonomy Regulation's requirements on minimum safeguards mean that the Länsförsäkringar AB Group complies with the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights of the eight fundamental conventions set out in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work and the international human rights framework. The Länsförsäkringar AB Group believes that the Group meets the requirements for minimum safeguards in the four identified core areas.

Human rights and combating corruption and bribery

The Länsförsäkringar AB Group has governance documents and Codes of Conduct for employees, suppliers and other business partners that regulate how the Group's employees and its business partners and suppliers (and their subcontractors) are to act in relation to human rights and combating corruption and bribery. In addition to previous processes for investment screening, lending and supplier sustainability audits, a Group-wide method was established in 2023 to identify, assess and, where necessary, take action on human rights and combating

bribery and corruption. The methodology takes a risk-based approach and encompasses our own operations, our suppliers and other business partners as well as our customers. The risk assessment determines which counterparties are audited and the methodology outlines possible activities to stop, prevent and minimise the impact on right holders, whistleblowing, and external and internal monitoring of identified remedial action. A mapping of additional suppliers and other business partners was carried out in 2023 and the risk assessment is expected to be completed in the first quarter of 2024. The process of integrating risk assessment into the business operations and activities such as reporting, remediation and whistleblowing will continue in 2024.

Taxation

The Länsförsäkringar AB Group's tax policy states that the key features of the Group's approach and conduct as regards tax issues are to be regulatory compliance, responsibility and transparency. Taxes are to be managed in accordance with the purpose of the legislation and in accordance with the applicable laws and rules. Tax is to be paid at the right time and correct tax reporting is to be submitted.

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Fair competition

Fair competition is specified in the Group's Code of Conduct, including supporting guidelines.

Taxonomy-eligible and Taxonomy-aligned banking operations

The bank-specific tables have been prepared in accordance with the templates of the Taxonomy rules, with the exception of disclosures on the green asset ratio on the flow of loans for which the availability of data has been challenging, which is why the table is not included in this year's reporting. Most of the tables are presented in two versions, turnover based and CapEx based, since this is how non-financial counterparties present their Taxonomy reporting on which the bank's reporting is based. Banks are to report on the proportion of their lending and investments (excluding investments in central governments, central banks and supranational issuers) that is

Taxonomy-eligible and the proportion that is Taxonomy-aligned. The reporting is to be based on what counterparties have published in their Taxonomy reporting. 63% of the Länsförsäkringar Bank Group's assets are covered in the calculation of Taxonomy-aligned assets. The Bank Group's Taxonomy-aligned activities amounted to SEK 15,755 M and primarily comprise household mortgages in energy-efficient homes. The Bank's reporting of corporate lending and investments is based on how the counterparty has reported Taxonomy-eligibility and alignment. The reporting requirements do not apply to small and medium-sized cooperations or cooperations outside the EU. Since the majority of the Bank Group's non-household customers are agricultural and small business customers, only a limited part of the Bank Group's activities beyond household mortgages and car loans are Taxonomy-eligible.

Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

MSEK		Total environmentally sustainable assets	KPI	KPI	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)
Main KPI	Green asset ratio (GAR) stock	15,755	4%	3%	63%	19%	6%
MSEK		Assets under management	KPI	KPI	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V)
Additional KPIs	Green Asset Ratio (GAR) (flow)	-	-	-			
	Financial guarantees	-	-	-			
	Assets under management	313	1%	1%			

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Assets for the calculation of the green asset ratio

The following two tables show the proportion of the banking operations' assets that are Taxonomy-eligible and Taxonomy-aligned. Underlying data for Taxonomy eligibility and Taxonomy alignment in relation to the environmental objectives of *climate change mitigation and climate change adaptation* for financial and non-financial counterparties subject to the reporting requirements has been provided by Clarity AI based on the counterparties' sustainability reports as of 2022. For those counterparties that have not published any information on green assets based on CapEx, the corresponding information based on turnover has been used.

Taxonomy alignment for household loans with collateral in residential properties was calculated according to the technical screening criterion 7.7 of the Taxonomy rules for properties built before 31 December 2020. Under the Taxonomy rules, the property must have a valid energy declaration with energy class A or be among the top 15% of properties in Sweden with the lowest energy performance according to an internal model. This internal model is based on energy performance from an approved energy declaration registered with the Swedish National Board of Housing, Building and Planning, normalised to building regulations BBR29 using a weighting factor based on statistics from the Swedish Energy Agency.

The threshold for the top 15% most energy-efficient single-family homes was developed by Chalmers Industriteknik. Properties considered to have a physical risk according to the internal model are excluded from Taxonomy alignment since mitigating measures for physical risk cannot be proven.

Household loans for renovation purposes under technical screening criterion 7.2 are considered to be Taxonomy-eligible but not Taxonomy-aligned since it was not possible to assess whether they do significant harm to the other five environmental objectives due to the lack of underlying data. It is likely that data availability will improve over time as market practices evolve, which means that it will be possible to assess whether the criteria for doing no significant harm to the other five environmental objectives are met.

Motor vehicle loans include hire purchase and finance leases related to motor vehicles. Under technical screening criterion 6.5 of the Taxonomy rules, loans for certain types of vehicles are eligible. Car loans are also not considered to be Taxonomy-aligned due to the lack of underlying data to assess the criteria for whether they do significant harm to the other environmental objectives. Market practice for data availability is also expected to evolve over time in this respect.

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Assets for the calculation of GAR based on turnover

Mkr	Total (gross) carrying amount	Climate Change Mitigation					Climate Change Adaptation					1)	TOTAL																																																																																																																																																																																																																																																																																																																																																																																																																	
		Of which towards taxonomy relevant sectors (taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling			Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling																																																																																																																																																																																																																																																																																																																																																																																																														
GAR – Covered assets in both numerator and denominator																																																																																																																																																																																																																																																																																																																																																																																																																														

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Assets for the calculation of GAR based on turnover (cont.)

	Total (gross) carrying amount	Climate Change Mitigation					Climate Change Adaptation					1)	TOTAL				
		Of which towards taxonomy relevant sectors (taxonomy-eligible)	Of which environmentally sustainable (taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Of which towards taxonomy relevant sectors (taxonomy-eligible)	Of which environmentally sustainable (taxonomy-aligned)	Of which Use of Proceeds	Of which enabling			Of which environmentally sustainable (taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	
MSEK																	
Assets excluded from the numerator for GAR calculation (covered in the denominator)	43,081	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Financial and Non-financial undertakings	37,043																
SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	36,649																
Loans and advances	29,159																
of which loans collateralised by commercial immovable property																	
of which building renovation loans																	
Debt securities	7,378																
Equity instruments	112																
Non-EU country counterparties not subject to NFRD disclosure obligations	394																
Loans and advances																	
Debt securities	394																
Equity instruments																	
Derivatives	3,411																
On demand interbank loans	297																
Cash and cash-related assets	-																
Other categories of assets (e.g. Goodwill, commodities etc.)	2,330																
Total GAR assets	442,594	322,068	15,755	-	-	-	-	-	-	-	-		322,068	-	-	-	
Assets not covered for GAR calculation	28,688																
Central governments and Supranational issuers	18,903																
Central banks exposure	9,785																
Trading book																	
Total assets	471,282	322,068	15,755	-	-	-	-	-	-	-	-		322,068	15,755	-	-	-
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																	
Financial guarantees	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	
Assets under management	49,329	1,760	313	-	76	347	110	0	-	109		1,870	314	-	76	456	
Of which debt securities	14,491	516	51	-	19	74	49	0	-	49		565	51	-	19	123	
Of which equity instruments	34,838	1,244	262	-	57	272	61	0	-	61		1,305	262	-	57	333	

1) Since the counterparties have not reported Taxonomy disclosures for environmental objectives 3-6 in the preparation of the table, there is no counterparty data to report, and the rows relating to environmental objective 3-6 have therefore been hidden in this year's table.

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Assets for the calculation of GAR based on CapEx

	Climate Change Mitigation						Climate Change Adaptation				1)	TOTAL				
	Total (gross) carrying amount	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which Use of Proceeds	Of which transitional	Of which enabling	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling			Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling
MSEK																
GAR – Covered assets in both numerator and denominator																
Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	399,513	322,069	15,755	-	-	-	-	-	-	-		322,069	15,755	-	-	-
Financial undertakings	42,939	19,958	279	-	-	-	-	-	-	-		19,958	279	-	-	-
Credit institutions	41,447	19,830	279	-	-	-	-	-	-	-		19,830	279	-	-	-
Loans and advances	587	226	-	-	-	-	-	-	-	-		226	-	-	-	-
Debt securities, including UoP	40,860	19,604	279	-	-	-	-	-	-	-		19,604	279	-	-	-
Equity instruments	-	-	-		-	-	-	-		-		-	-		-	-
Other financial corporations	1,492	128	-	-	-	-	-	-	-	-		128	-	-	-	-
of which investment firms	1,373	55	-	-	-	-	-	-	-	-		55	-	-	-	-
Loans and advances	4	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Debt securities, including UoP	1,370	55	-	-	-	-	-	-	-	-		55	-	-	-	-
Equity instruments	-	-	-		-	-	-	-		-		-	-		-	-
of which management companies	1	1	-	-	-	-	-	-	-	-		1	-	-	-	-
Loans and advances	1	1	-	-	-	-	-	-	-	-		1	-	-	-	-
Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Equity instruments	-	-	-		-	-	-	-		-		-	-		-	-
of which insurance undertakings	117	72	-	-	-	-	-	-	-	-		72	-	-	-	-
Loans and advances	117	72	-	-	-	-	-	-	-	-		72	-	-	-	-
Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Equity instruments	-	-	-	-	-	-	-	-	-	-		-	-		-	-
Non-financial undertakings	25	16	0	-	-	-	-	-	-	-		16	0	-	-	-
Loans and advances	25	16	0	-	-	-	-	-	-	-		16	-	-	-	-
Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Equity instruments	-	-	-		-	-	-	-		-		-	-		-	-
Households	356,550	302,095	15,476	-	-	-	-	-	-	-		302,095	15,476	-	-	-
of which loans collateralised by residential immovable property	276,524	276,524	15,476	-	-	-	-	-	-	-		276,524	15,476	-	-	-
of which building renovation loans	23,195	23,195	-	-	-	-	-	-	-	-		23,195	-	-	-	-
of which motor vehicle loans	2,376	2,376	-	-	-	-					2,376	-	-	-	-	-
Local governments financing	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Housing financing	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Other local government financing	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-

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Assets for the calculation of GAR based on CapEx (cont.)

	Total (gross) carrying amount	Climate Change Mitigation						Climate Change Adaptation				1)	TOTAL				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which Use of Proceeds	Of which transitional	Of which enabling	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling			Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	
MSEK																	
Assets excluded from the numerator for GAR calculation (covered in the denominator)	43,081	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Financial and Non-financial undertakings	37,043																
SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	36,649																
Loans and advances	29,184																
of which loans collateralised by commercial immovable property																	
of which building renovation loans																	
Debt securities	7,378																
Equity instruments	112																
Non-EU country counterparties not subject to NFRD disclosure obligations	394																
Loans and advances																	
Debt securities	394																
Equity instruments																	
Derivatives	3,411																
On demand interbank loans	297																
Cash and cash-related assets	-																
Other categories of assets (e.g. Goodwill, commodities etc.)	2,330																
Total GAR assets	442,594	322,069	15,755	-	-	-	-	-	-	-	-		322,069	15,755	-	-	-
Assets not covered for GAR calculation	28,688																
Central governments and Supranational issuers	18,903																
Central banks exposure	9,785																
Trading book																	
Total assets	471,282	322,069	15,755	-	-	-	-	-	-	-	-		322,069	15,755	-	-	-
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																	
Financial guarantees	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Assets under management	49,329	1,569	394	-	153	281	21	0	-	-	-		1,590	394	-	153	281
Of which debt securities	14,491	85	85	-	27	78	0	0	-	1			85	85	-	27	79
Of which equity instruments	34,838	1,484	308	-	126	203	21	0	-	2			1,505	309	-	126	205

¹⁾ Since the counterparties have not reported Taxonomy disclosures for environmental objectives 3-6 in the preparation of the table, there is no counterparty data to report, and the rows relating to environmental objective 3-6 have therefore been hidden in this year's table.

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Green asset ratio – sector information

The table below shows the green asset ratio for non-financial counterparties that are subject to the disclosure requirements of the Taxonomy rules, broken down by the counterparty's main economic activity (NACE). All counterpartys have reported that the ratios that are Taxonomy-eligible relate to environmental objective 1 climate change mitigation.

GAR sector information – Turnover

Uppdelning i sektorer – NACE på fyrsiffrig-nivå (kod och namn)	Climate change mitigation				1)	TOTAL			
	Non financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD			Non financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD	
	Gross carrying amount MSEK	Of which environmen- tally sustainable	Gross carrying amount MSEK	Of which environmen- tally sustainable		Gross carrying amount MSEK	Of which environmen- tally sustainable	Gross carrying amount MSEK	Of which environmen- tally sustainable
C28.2.4 – Manufacture of power-driven hand tools	0	0				0	0		
C29.1.0 – Manufacture of motor vehicles	0	0				0	0		
C30.1.2 – Building of pleasure and sporting boats	0	-				0	-		
C30.3.0 – Manufacture of air and spacecraft and related machinery	1	0				1	0		
G47.1.9 – Other retail sale in non-specialised stores	0	-				0	-		
J58.2.1 – Publishing of computer games	0	-				0	-		
J58.2.9 – Other software publishing	2	-				2	-		
J63.1.1 – Data processing, hosting and related activities	1	-				1	-		
L68.2.0 – Renting and operating of own or leased real estate	10	0				10	0		
M70.1.0 – Activities of head offices	8	0				8	0		
M70.2.2 – Business and other management consultancy activities	2	-				2	-		

GAR sector information – CapEx

Uppdelning i sektorer – NACE på fyrsiffrig-nivå (kod och namn)	Climate change mitigation				1)	TOTAL			
	Non financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD			Non financial corporates (subject to NFRD)		SMEs and other NFC not subject to NFRD	
	Gross carrying amount MSEK	Of which environmen- tally sustainable	Gross carrying amount MSEK	Of which environmen- tally sustainable		Gross carrying amount MSEK	Of which environmen- tally sustainable	Gross carrying amount MSEK	Of which environmen- tally sustainable
C28.2.4 – Manufacture of power-driven hand tools	0	0				0	0		
C29.1.0 – Manufacture of motor vehicles	0	0				0	0		
C30.1.2 – Building of pleasure and sporting boats	0	-				0	-		
C30.3.0 – Manufacture of air and spacecraft and related machinery	1	0				1	0		
G47.1.9 – Other retail sale in non-specialised stores	0	-				0	-		
J58.2.1 – Publishing of computer games	0	-				0	-		
J58.2.9 – Other software publishing	2	-				2	-		
J63.1.1 – Data processing, hosting and related activities	1	-				1	-		
L68.2.0 – Renting and operating of own or leased real estate	10	0				10	0		
M70.1.0 – Activities of head offices	8	0				8	0		
M70.2.2 – Business and other management consultancy activities	2	-				2	-		

1) Since the counterpartys have not reported Taxonomy disclosures for environmental objectives 3-6 in the preparation of the table, there is no counterparty data to report, and the rows relating to environmental objective 3-6 have therefore been hidden in this year's table.

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GAR stock

The tables below show the percentage distribution of the two tables above for calculating the green asset ratio

GAR KPI stock – Turnover

% (compared to total covered assets in the denominator)	Climate Change Mitigation					Climate change adaptation					1)	TOTAL						
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which transitional	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered	Proportion of total assets covered	
GAR – Covered assets in both numerator and denominator																		
Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	73%	4%	-	-	-	-	-	-	-	-	73%	4%	-	-	-	-	68%	
Financial undertakings	5%	0%	-	-	-	-	-	-	-	-	5%	0%	-	-	-	-	4%	
Credit institutions	4%	0%	-	-	-	-	-	-	-	-	4%	0%	-	-	-	-	4%	
Loans and advances	0%	-	-	-	-	-	-	-	-	-	0%	-	-	-	-	-	0%	
Debt securities, including UoP	4%	0%	-	-	-	-	-	-	-	-	4%	0%	-	-	-	-	4%	
Equity instruments	-			-	-	-	-			-	-		-	-	-	-	-	
Other financial corporations	0%	-	-	-	-	-	-	-	-	-	0%	-	-	-	-	-	0%	
of which investment firms	0%	-	-	-	-	-	-	-	-	-	0%	-	-	-	-	-	-	
Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Debt securities, including UoP	0%	-	-	-	-	-	-	-	-	-	0%	-	-	-	-	-	-	
Equity instruments	-	-		-	-	-	-			-	-		-	-	-	-	-	
of which management companies	0%	-	-	-	-	-	-	-	-	-	0%	-	-	-	-	-	-	
Loans and advances	0%	-	-	-	-	-	-	-	-	-	0%	-	-	-	-	-	-	
Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
of which insurance undertakings	0%	-	-	-	-	-	-	-	-	-	0%	-	-	-	-	-	-	
Loans and advances	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equity instruments	-	-		-	-	-	-			-	-		-	-	-	-	-	
Non-financial undertakings	0%	0%	-	-	-	-	-	-	-	-	0%	0%	-	-	-	-	0%	
Loans and advances	0%	0%	-	-	-	-	-	-	-	-	0%	0%	-	-	-	-	-	
Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equity instruments	-	-		-	-	-	-			-	-		-	-	-	-	-	
Households	68%	3%	-	-	-	-	-	-	-	-	68%	3%	-	-	-	-	64%	
of which loans collateralised by residential immovable property	62%	3%	-	-	-	-	-	-	-	-	62%	3%	-	-	-	-	59%	
of which building renovation loans	5%	-	-	-	-	-	-	-	-	-	5%	-	-	-	-	-	4%	
of which motor vehicle loans	1%	-	-	-	-						1%	-					1%	
Local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total GAR assets	73%	4%									73%	4%					68%	

1) Since the counterparties have not reported Taxonomy disclosures for environmental objectives 3-6 in the preparation of the table, there is no counterparty data to report, and the rows relating to environmental objective 3-6 have therefore been hidden in this year's table.

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GAR KPI stock

	Climate Change Mitigation					Climate change Adaptation				1)	TOTAL						
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which use of Proceeds	Of which enabling		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered	Proportion of total assets covered
% (compared to total covered assets in the denominator)																	
Andelen gröna tillgångar - Täckta tillgångar i både täljare och nämnare																	
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	73%	4%	-	-	-	-	-	-	-		73%	4%	-	-	-	-	68%
Financial undertakings	5%	0%	-	-	-	-	-	-	-		5%	0%	-	-	-	-	4%
Credit institutions	4%	0%	-	-	-	-	-	-	-		4%	0%	-	-	-	-	4%
Loans and advances	0%	-	-	-	-	-	-	-	-		0%	-	-	-	-	-	0%
Debt securities, including UoP	4%	0%	-	-	-	-	-	-	-		4%	0%	-	-	-	-	4%
Equity instruments	-	-		-	-	-	-		-		-	-		-	-	-	-
Other financial corporations	0%	-	-	-	-	-	-	-	-		0%	-	-	-	-	-	0%
of which investment firms	0%	-	-	-	-	-	-	-	-		0%	-	-	-	-	-	0%
Loans and advances	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
Debt securities, including UoP	0%	-	-	-	-	-	-	-	-		0%	-	-	-	-	-	0%
Equity instruments	-	-		-	-	-	-		-		-	-		-	-	-	-
of which management companies	0%	-	-	-	-	-	-	-	-		0%	-	-	-	-	-	0%
Loans and advances	0%	-	-	-	-	-	-	-	-		0%	-	-	-	-	-	0%
Debt securities, including UoP	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
Equity instruments	-	-		-	-	-	-		-		-	-		-	-	-	-
of which insurance undertakings	0%	-	-	-	-	-	-	-	-		0%	-	-	-	-	-	0%
Loans and advances	0%	-	-	-	-	-	-	-	-		0%	-	-	-	-	-	0%
Debt securities, including UoP	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
Equity instruments	-	-		-	-	-	-		-		-	-		-	-	-	-
Non-financial undertakings	0%	0%	-	-	-	-	-	-	-		0%	0%	-	-	-	-	0%
Loans and advances	0%	0%	-	-	-	-	-	-	-		0%	0%	-	-	-	-	0%
Debt securities, including UoP	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
Equity instruments	-	-		-	-	-	-		-		-	-		-	-	-	-
Households	68%	3%	-	-	-	-	-	-	-		68%	3%	-	-	-	-	64%
of which loans collateralised by residential immovable property	62%	3%	-	-	-	-	-	-	-		62%	3%	-	-	-	-	59%
of which building renovation loans	5%	-	-	-	-	-	-	-	-		5%	-	-	-	-	-	5%
of which motor vehicle loans	1%	-	-	-	-						1%	-					1%
Local governments financing	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
Housing financing	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
Other local government financing	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
Total GAR assets	73%	4%									73%	4%					68%

1) Since the counterparties have not reported Taxonomy disclosures for environmental objectives 3-6 in the preparation of the table, there is no counterparty data to report, and the rows relating to environmental objective 3-6 have therefore been hidden in this year's table.

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Off-balance sheet exposures

The tables below show the off-balance sheet green asset ratio according to Table 1 for turnover in relation to all assets on the balance sheet. Ingen av motparterna till de finansiella garantier omfattas av taxonomiregelverket.

5. KPI off-balance sheet exposures based on turnover

	Climate Change Mitigation					Climate Change Adaptation				1)	TOTAL				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling
% (compared to total eligible off-balance sheet assets)															
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-		-	-	-	-	-
2 Assets under management (AuM KPI)	4%	1%	-	0%	1%	0%	0%	-	0%		4%	1%	-	0%	1%

5. KPI off-balance sheet exposures based on CapEx

	Climate Change Mitigation					Climate Change Adaptation				1)	TOTAL				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling
% (compared to total eligible off-balance sheet assets)															
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-		-	-	-	-	-
2 Assets under management (AuM KPI)	3%	1%		0%	1%	0%	0%		0%		3%	1%	-	0%	1%

1) Since the counterparties have not reported Taxonomy disclosures for environmental objectives 3-6 in the preparation of the table, there is no counterparty data to report, and the rows relating to environmental objective 3-6 have therefore been hidden in this year's table.

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The banking operations do not have any exposure to nuclear and fossil gas related activities.

Nuclear energy and fossil gas related activities

Nuclear energy related activities	Banking operations
The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
Fossil gas related activities	
The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

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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, Insurance Sweden, the Insurance Industry's Pension Fund and Eurapco.

Previous experience: President of Länsförsäkringar Fondliv, Head of Business at Länsförsäkringar Fondliv, Head of Commercial Business area at Länsförsäkringar Stockholm and senior positions at Livförsäkringsbolaget Skandia.



MIKAEL BERGSTRÖM

Born 1962. President of LF Västernorrland.
Elected 2023.

Education: M.Sc. in Business and Economics from Stockholm School of Economics.

Other Board appointments: Member of the Nomination Committee of Länsförsäkringar AB, Board member of Länsförsäkringar Trygghetstjänster AB.

Previous experience: Regional manager and other senior positions at Nordea 2000–2014, President and other senior positions in the construction materials industry.



OLA EVENSSON

Born 1965. President of Länsförsäkringar Ålusborg. Elected 2020.

Education: Economics studies, Karlstad University. Business management, Stockholm School of Economics.

Other Board appointments: Chairman of LFant AB and Supersejlf AB, Board member of Humlegården Fastigheter AB and Skadedjursbekämpning i Väst AB.

Previous experience: President of Fryksdalens Sparbank 2004–2018. BTC Manager American Express, Business Area Manager at Swedbank.



EMIL KÄLLSTRÖM

Born 1987. President of SEKAB Biofuels & Chemicals AB. Elected 2022. Independent Board member in relation to the bank, bank management and shareholders.

Education: Bachelor of Business Administration from the Stockholm School of Economics.

Other Board appointments: Member of the Chalmers University of Technology Foundation, member of IKEM.

Previous experience: Member of parliament, Member of the Board of Centre Party, Economic policy spokesperson for Centre Party, Board member of Riksbankens Jubileumsfond.



NIKLAS LARSSON

Born 1970. President of LF Göinge-Kristianstad. Elected 2021.

Education: M.Sc. in Business Administration and Economics at School of Business and Economics at Växjö University.

Other Board appointments: Board member of Länsförsäkringar Fondförvaltning AB, LF Affärsservice Sydost AB and subsidiaries of LF Göinge-Kristianstad.

Previous experience: Head of Credits and Risk and Regional Head, SEB. Business Area Manager Bank and Sales, Ikano Bank.

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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, Board member of Humlegården Fastigheter 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 of Länsförsäkringar Bergslagen. Elected 2022.

Education: Economics at University of Gävle.

Other Board appointments: Chairman of Länsförsäkringar Bergslagen Fastigheter AB, Fastighets AB Congress i Västerås and Stiftelsen Samariterhemmet Diakoni i Uppsala, Board member of Hällefors Tierp Skogar AB and Lansa Fastigheter AB.

Previous experience: President of LF Uppsala, senior positions at Länsförsäkringar Gävleborg.

Employee representatives



ANETTE ANDERSSON

Born 1962. Credit processor Corporate Lending & 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 risk analyst. Employee representative. Elected 2020.

Education: M.Sc. in Engineering, Chalmers University of Technology.

Other Board appointments: Board member of Wasa Kredit AB, deputy board member of Länsförsäkringar Fondförvaltning AB.

Previous experience: Various senior positions at Länsförsäkringar AB. Management consultant.

Board members 2023: Ulrica Hedman was a Board member for all of 2023 and stepped down from the Board on 9 February 2024 when she resigned as the President of LF Uppsala to take up another position at Swedbank.

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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Executive management



SVEN EGGEFALK

Born 1969. President. Employed in 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 in 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 in 2012.

Education: M.Sc. in Business and Economics, Stockholm University.

Previous experience: Head of Credit Länsförsäkringar Bank AB, Branch Manager at SEB, auditor and management consultant at Andersen.



BENGT CLEMEDTSON

Born 1964. Head of Customer and Market. Employed in 2006.

Education: M.Sc. in Business and Economics, Stockholm University.

Previous experience: Asset Management at Skandia, President of Skandiabanken Bolån AB.



ÅSA WALLENBERG*

Born 1972. President of Länsförsäkringar Fondförvaltning AB. Employed in 2023.

Education: Bachelor of.Sc. in Business and Economics.

Previous experience: President of Storebrand Fonder and Head of Funds at Storebrand Asset Management, senior positions at SPP Pension & Försäkring AB and Eniro AB.



THOMAS HÖGVÄG

Born 1968. President of Wasa Kredit AB. Employed in 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 in 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.



MARKUS GUSTAFSSON*

Born 1978. CRO. Employed in 2021.

Education: M.Sc. in Engineering.

Previous experience: Ten years of experience in Risk Management at Länsförsäkringar Bank and Wasa Kredit, Investment Manager at Intrum Sweden and management consultant.



MICHAEL PATRING

Born 1975. Head of Credit. Employed in 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 in 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 in 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.

* Åsa Wallenberg took office as President of Länsförsäkringar Fondförvaltning AB in mid-2023 and succeeded Eva Gottfridsdotter Nilsson, who decided to retire in 2023.

** Markus Gustafsson took office as CRO on 1 February 2024, succeeding Louise Lindgren, who decided to retire in the first half of 2024.

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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, gross and net

Credit-impaired loan receivables (stage 3) before (gross) and after (net) 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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Addresses

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E-mail: info@LFvasterbotten.se

LF Jämtland

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SE-831 25 Östersund
Visit: Prästgatan 18
Tel: +46 63 19 33 00
E-mail: info@lfz.se

LF Västernorrland

Box 164
SE-871 24 Härnösand
Visit: Köpmangatan 13
Tel: +46 611 36 53 00
E-mail: info@lfy.se

LF Gävleborg

Box 206
SE-801 03 Gävle
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Tel: +46 26 14 75 00
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LF Dalarnas

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Visit: Slaggatan 7
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LF Värmland

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LF Uppsala

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LF Stockholm

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LF Sörmland

Box 147
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LF Skaraborg

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SE-541 29 Skövde
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SE-462 28 Vänersborg
Visit: Vallgatan 21
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LF Blekinge

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LF Göinge-Kristianstad

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LF Skåne

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JOINT COMPANIES

Länsförsäkringar AB

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Länsförsäkringar Hypotek

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Länsförsäkringar Fondförvaltning

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Wasa Kredit

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Agria Djurförsäkring

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Länsförsäkringar Fastighetsförmedling

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Humlegården Fastigheter

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30411 0123



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