

# Annual Report 2013

LÄNSFÖRSÄKRINGAR BANK

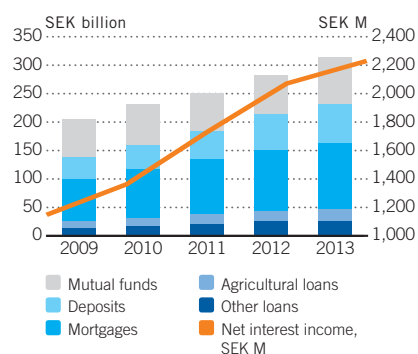
# Länsförsäkringar Bank

## In brief

Länsförsäkringar Bank is the fifth largest retail bank in Sweden with a business volume of SEK 314 billion and 879,000 customers.

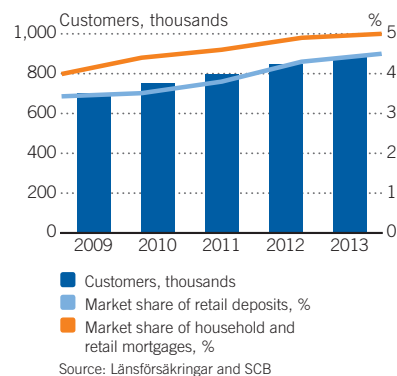


### Business volumes and net interest income



Business volumes have grown on a broad front and at an average of 11% over the past five years. Net interest income has risen at an average of 14% per year over the past five years.

### Customers and market shares



The number of customers has risen an average of 6% per year over the past five years. The market position is continuously strengthened.

Länsförsäkringar Bank is one of the largest banks in Sweden with a business volume of SEK 314 billion and 879,000 customers. The strategy is based on the Länsförsäkringar Alliance's large customer base, a strong brand and local presence through the customer-owned regional insurance companies. Banking services are offered primarily to the 3.5 million customers of the Länsförsäkringar Alli-

ance. Customer contact takes place during personal meetings at 130 of the regional insurance companies' branches throughout Sweden and via digital services and telephone. The aim is, based on low risk, to continue to drive growth in volumes and profitability, have the most satisfied customers and increase the share of customers who have both banking and insurance with Länsförsäkringar. ■

### KEY FIGURES

	2013	2012	2011	2010	2009
Return on equity, %	6.7	6.3	4.8	5.0	4.2
Return on total capital, %	0.31	0.30	0.24	0.24	0.22
Investment margin, %	1.06	1.11	1.07	0.93	0.96
Cost/income ratio before loan losses	0.63	0.66	0.71	0.72	0.76
Cost/income ratio after loan losses	0.69	0.70	0.75	0.75	0.80
Core Tier 1 ratio according to Basel II, %	14.7	13.1	11.5	11.1	11.6
Tier 1 ratio according to Basel II, %	14.7	13.7	12.1	11.8	12.5
Capital adequacy ratio according to Basel II, %	18.7	15.6	14.0	13.5	14.8
Core Tier 1 ratio according to Basel III*, %	14.4	–	–	–	–
Tier 1 ratio according to Basel III*, %	14.4	–	–	–	–
Capital adequacy ratio according to Basel III*, %	19.1	–	–	–	–
Percentage of impaired loans, %	0.23	0.19	0.17	0.17	0.21
Reserve ratio in relation to loans, %	0.25	0.21	0.21	0.24	0.30
Loan losses in relation to lending, %	0.08	0.06	0.04	0.03	0.04

\* According to Länsförsäkringar Bank's current interpretation of the regulations.

### 2013 in brief

**Operating profit** rose 16% to SEK 647 million (555) and the return on equity was 6.7% (6.3).

**Net interest income** increased 8% to SEK 2,230 million (2,071).

**Loan losses** remained very low and amounted to SEK 126 million (91), corresponding to loan losses of 0.08% (0.06).

**Business volumes** increased 11% to SEK 314 billion (283).

**Deposits** rose 11% to SEK 69 billion (62).

**Lending** increased 8% to SEK 162 billion (150).

On December 31, 2013, the **Core Tier 1 ratio** according to Basel II amounted to 14.7% and the Core Tier 1 ratio according to Basel III\* amounted to 14.4%.

**The number of customers** increased 4% to 879,000, the number of bank cards rose 12% to 388,000 and the number of deposit accounts increased 10% to 1,292,000.

\* According to Länsförsäkringar bank's current interpretation of the regulations.



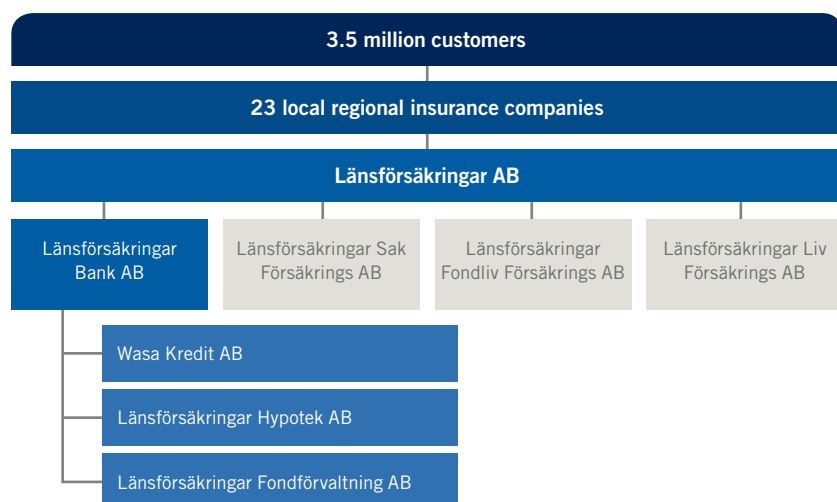


## Länsförsäkringar in brief

# Customer-owned regional insurance companies with local presence

Länsförsäkringar consists of 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB, which is the bank's Parent Company. The regional insurance companies are owned by the insurance customers, and the principles of customer ownership also apply to the banking operations. Customers are provided with a complete offering of banking, insurance and real-estate brokerage services through the regional insurance companies. The basis

is local presence – experience has proven that local decision-making combined with joint administration and business development create substantial added value for customers. Long-term respect for the security of customers is also fundamental. There are no external shareholders and customers' needs and requirements thus comprise Länsförsäkringar's primary task. The Länsförsäkringar Alliance has more than 3.5 million customers and approximately 5,900 employees. ■



# Contents

## Introduction

- 1 The year in brief
- 2 Statement by the President

## Operations

- 4 Strategy and financial position
- 5 Economic environment and market
- 7 Offering
- 9 Loans and credit quality
- 11 Funding and liquidity
- 13 Employees
- 14 Environmental work and sustainability
- 16 Board of Directors' Report
- 21 Corporate Governance Report
- 26 Five-year summary

## Consolidated financial statements

- 28 Income statement
- 28 Statement of comprehensive income
- 28 Balance sheet
- 29 Cash-flow statement
- 30 Statement of changes in shareholders' equity
- 31 Notes to the financial statements

## Financial statements, Parent Company

- 66 Five-year summary
- 68 Income statement
- 68 Statement of comprehensive income
- 68 Balance sheet
- 69 Cash-flow statement
- 70 Statement of changes in shareholders' equity
- 71 Notes to the financial statements
- 85 Audit Report

## Other information

- 86 Board of Directors and auditor
- 87 Executive management
- 88 Definitions
- 88 Financial calendar
- 89 Addresses

# We are the bank close to customers

---

**STATEMENT BY THE PRESIDENT** Länsförsäkringar Bank is performing strongly based on local business operations. All of our operations are based on customer value and we thus take into account the unique situation of each individual customer.

---



## Local customer experience

The Länsförsäkringar Alliance consists of the regional insurance companies, which are owned by the insurance customers, and the jointly owned Länsförsäkringar AB, which is the bank's Parent Company. This means that the principles of customer ownership also apply to the banking operations.

Länsförsäkringar Bank is experiencing strong growth due to the independent, locally customer-owned regional insurance companies with their basis in the local business operations. We can be local, close to the customers and the market, and are at the forefront in terms of digital customer meetings.

All of these elements are summarised in the "Come closer" brand concept that Länsförsäkringar launched during the year. Simply put, we are the bank close to customers.

## Holistic approach to customers

One of the foundations for having a stable bank sector in Sweden is that we have robust households. The subject of an amortisation culture was a topic of debate during the year. Amortisations are important for maintaining healthy and stable household finances and we view it as part of our advisory services. A holistic approach to savings and amortisations is a need both among advisors and in public debate, and Länsförsäkringar takes into account the unique situation of each customer. All of our operations is based on customer value and we want to contribute to our customers' secure private finances.

## Attractive offering that simplifies

We have a strong performance in all of our product areas and we are one of the leaders in digital services. Use of the bank's mobile app increases significantly and many customers now do most of their banking via the app.

In January 2014, we won the Web Service Award for best mobile app for the second consecutive year, and in December 2013, Länsförsäkringar Bank's mobile app received a fantastic review in the Swedish

magazine Mobil. Such praise is a confirmation that we are at the forefront and that our priorities are set based on the customer, which is a success factor and vital to succeeding in the development of digital customer meetings. I am proud that we are winning awards and being ranked so highly, but the most important jury is our customers.

According to Mobil, Länsförsäkringar had the best development in this year's test of bank mobile apps. The reason for winning the award of best mobile app was that Länsförsäkringar's app is a clear app with a simple design easy to use.

The Swish service was launched in the payment area at the start of the year. Swish is a secure and simple payment solution via mobile device that has been highly successful since it simplifies everyday payments between private individuals.

## Responsible investments

Sustainability and responsible investments are of major importance to us today and in the future from both a customer perspective and a national economic perspective. Accordingly, it is pleasing that through Länsförsäkringar Fondförvaltning we signed the United Nations Principles for Responsible Investment (PRI) in November 2013. We will continue our work on setting higher standards and enhancing transparency regarding responsible investments.

## Stable banks

The financial turbulence of recent years has resulted in a series of new rules for banks. The purpose of all of these rules is highly valid since they provide additional stability, transparency and increase consumer protection. For example, capitalisation rules and the EU Crisis Management Directive entail

new rules that we need to comply with. However, many of the regulatory changes are taking place at the same time, which makes it difficult to obtain an overview of the long-term effects on the national economy.

The bank has a high level of preparedness for all of these changes and is well equipped for the future. We will continue to maintain high credit quality in the loan portfolio, favourable capitalisation and a strong liquidity situation.

#### **Quality and service for customers**

One of the challenges for the Länsförsäkringar's banking operations is to increase customer satisfaction even higher. Today we have the highest customer satisfaction among the larger banks – but we are not satisfied with that. We want to have the highest customer satisfaction of all Swedish banks. Our customers appreciate our service, information and advisory services. Expectations of us are increasing and, naturally, we need to act by becoming even better.

We will continue to have a profitable growth and develop what we believe in – being close to our customers, both in personal meetings and in our digital services. In this way, we will – every day – be the best bank that deserves the trust from the most satisfied customers in the market.

*Stockholm, February 2014*



**RIKARD JOSEFSON**

*President*



# Fifth largest Swedish retail bank

## STRATEGY AND FINANCIAL POSITION

Länsförsäkringar Bank is one of Sweden's largest banks and has favourable growth and very satisfied retail customers. The banking operations are conducted only in Sweden and business volumes have grown on a broad front in all areas.

### Strategy and goals

Länsförsäkringar Bank was founded in 1996 and is the fifth largest retail bank in Sweden with a business volume of SEK 314 billion. The banking operations are conducted only in Sweden and business volumes have grown on a broad front in all areas.

The strategy is to offer banking services to the Länsförsäkringar Alliance's customers and leverage Länsförsäkringar's strong brand and local presence through the customer-owned regional insurance companies. Länsförsäkringar has great potential to offer banking services to the 3.5 million customers of the Länsförsäkringar Alliance based on its already strong customer relationships. The main target groups are the 2.9 million retail customers, of which 1.8 million are home-insurance and agricultural customers and small businesses.

The aim is, based on low risk, to continue to have growth in volumes and profitability, have the most satisfied customers and increase the share of customers who have both banking and insurance with Länsförsäkringar.

For eight of the past ten years, Länsförsäkringar Bank has had Sweden's most satisfied retail customers and has more satisfied customers than its four main competitors, the major banks, according to the 2013 Swedish Quality Index. With a comprehensive banking and insurance offering at Länsförsäkringar, customers receive a secure commitment for their private finances.

### 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. Security for customers is inherent in Länsförsäkringar's mission that dates back 200 years.

The bank has low risk tolerance, which provides a stable performance over time. Lending is characterised by low risk and the in-depth, local customer and market knowledge of the regional insurance companies, combined with the conservative view of risk, generates growth with high credit quality.

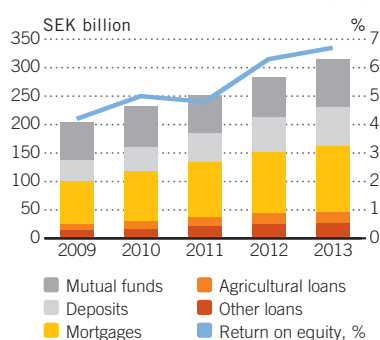
### Customer meetings and local market knowledge

The regional insurance companies are responsible for customer contact. Business decisions are made locally and the regional insurance companies' commitment and network provide broad and in-depth customer and market knowledge. The banking operations' network consists of 130 branches of the regional insurance companies. Personal customer meetings are a high priority at Länsförsäkringar since they create trust and long-term relationships.

### Mobile app and Internetbank simplify

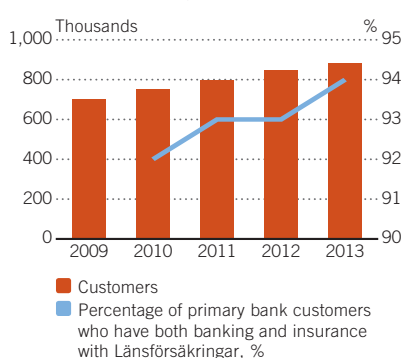
Digital services make it convenient and easy for customers to do their banking. Länsförsäkringar Bank's award-winning mobile app now has more logins than the Internet bank and the number of business transactions performed in both of these channels is increasing. The bank's goal is to be among the leaders of digital services.

Business volumes and return on equity



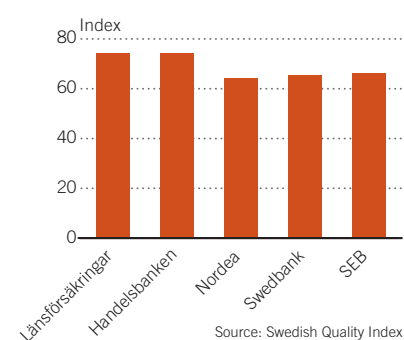
The bank reports healthy growth in volumes and profitability.

Customers and percentage of primary bank customers who have insurance with Länsförsäkringar



The strategy is to offer banking services primarily to the Länsförsäkringar Alliance's 3.5 million customers.

Customer satisfaction, retail banking



Länsförsäkringar has very satisfied bank customers according to the Swedish Quality Index.

## Customer-driven and effective business model

Länsförsäkringar Bank supports the regional insurance companies in their advisory services and sales. Product development takes place in close cooperation between the regional insurance companies and Länsförsäkringar Bank. This cooperation features continuous efficiency enhancements to implement improvements that lead to improved advisory services to customers, more efficient processes and lower costs.

## A strong brand

The bank's successful growth and position in the market is largely based on Länsförsäkringar's strong brand, local presence and customer ownership.

Länsförsäkringar has the highest reputation among banking and insurance companies, according to Nordic Brand's brand ranking and the Reputability Barometer for 2013.

## FACTS IN BRIEF

■ Business volumes: SEK 314 billion

■ Number of customers: 879,000

■ Number of branches offering banking services: 130

■ Percentage of primary bank customers who are also retail mortgage customers: 94%

■ Number of advisors and employees in the banking operations: 780

## Customer satisfaction, retail mortgages



Länsförsäkringar has very satisfied retail mortgage customers according to the Swedish Quality Index.

# Slow global economic recovery

## ECONOMIC ENVIRONMENT AND MARKET

Several of the world's larger economies implemented significant austerity measures. Monetary policies remained highly expansive, which contributed to a slight improvement in growth in 2013 compared with 2012.

## Weak global growth

In 2013, several of the large economies in the world implemented significant austerity measures, particularly eurozone countries and the US, which kept demand down and emerging markets experienced an economic downturn. However, monetary policy remained highly expansive, which contributed to a slight improvement in growth and the value of most classes of asset rose pending both the future recovery of the real economy and a favourable liquidity situation.

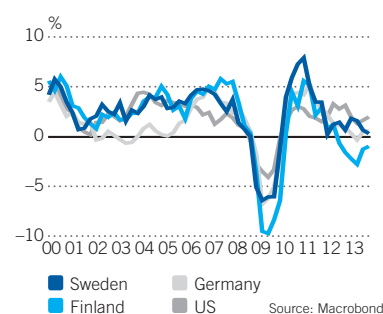
The stock markets experienced major fluctuations during the year. Performance was affected by the highly expansive monetary policies of several central banks, while economic trends remained weak. Global growth was hampered by debt reduction in both the public sector and

among households. Several countries pursued an austere fiscal policy, while private consumption was held back by high savings. The purchase of government and mortgage bonds by the Federal Reserve continued to impact the market.

## Interest-rate trends

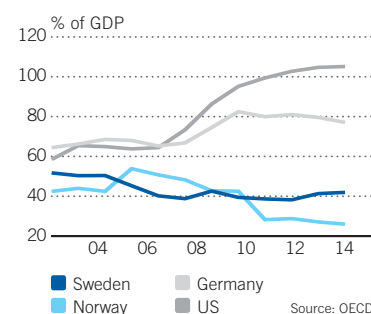
Bond rates were low at the start of the year and subsequently rose gradually, in line with, for example, expectations that the Federal Reserve would reduce its bond-buying stimulus. At the end of 2013, the Federal Reserve announced that it planned to reduce its bond buying from January 2014. Improved economic indicators from the US, and also from Europe, lent support to rising interest rates. However, short-term market interest rates remained low as a result of low key interest rates and

## GDP growth



The Swedish economy displayed a weaker performance during the year.

## Government debt



Swedish government debt is relatively low compared internationally.

also promises from central banks that monetary policy will be kept expansive for a long period of time.

Leading global stock markets posted a strong performance during the year. The Swedish stock market also displayed a strong trend, while the performance of the stock markets in emerging economies was considerably weaker and more volatile. The difference between government bond rates and the interest rate for mortgage bonds and other loans declined during the year.

## Sweden

The Swedish economy performed weakly during the year and unemployment remained relatively high. However, there are signs that the labour market is performing positively with rising employment.

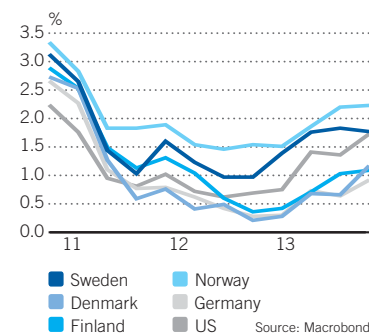
The Riksbank lowered its key interest rate again to 0.75% due to the very low inflation. Accordingly, Swedish monetary

policy is highly expansive. Sweden's government finances remained excellent.

## Housing market

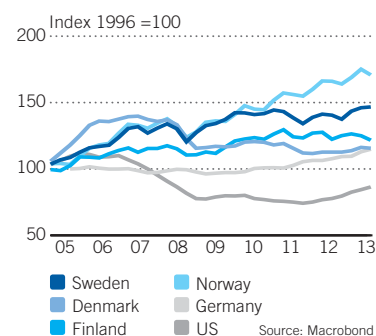
Swedish housing prices continued to rise, primarily due to the strong price trend in tenant-owned apartments in metropolitan areas, except for Malmö. Prices of single-family homes were generally at the same level as three years ago, according to Valueguard's HOX Index. The range of both single-family homes and tenant-owned apartments was unusually low during the year, which is partly the reason for the strong price trend. The continued expansive Swedish monetary policy with low interest rates also resulted in falling mortgage rates, which in the past has been a key factor in the housing price trend. Loans to Swedish households increased 5% during the year, which represents significantly lower growth than in recent years.

## Government bond rates



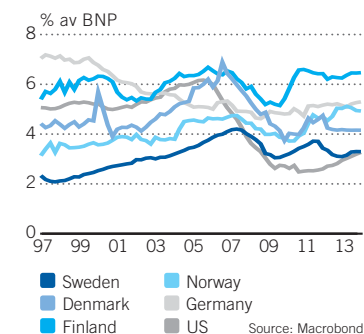
The financial market has a positive view of Sweden, which is particularly shown in Swedish five-year government bond rates.

## Housing-price trends



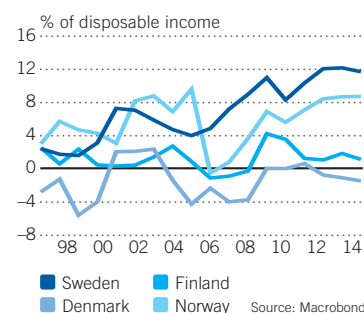
Swedish housing prices increased in 2013, which was largely due to rising prices of tenant-owned apartments.

## Housing construction



Sweden has a huge shortage of housing that will take many years to overcome, caused by low housing investments for nearly 20 years.

## Household savings



Swedish households' savings are high in relation to their disposable incomes.



# Attractive offering

**OFFERING** Länsförsäkringar Bank offers a total offering to private individuals, agricultural customers and small businesses.

## Savings provide security

The bank is growing broadly in the savings area and offers a range of different products. These products include fund savings in various funds, Investment Savings Accounts (ISK) that simplify savings in shares, funds and other types of securities, equities savings, equity-linked bonds and various deposit products.

The advisory services strive to ensure that customers have balanced private finances in which savings and repayments comprise a key element.

The largest portion of the bank's deposits, totalling a market share of 4.5%, comprises household deposits and has risen stably in recent years. The bank's percentage of market growth in household deposits was 8% in 2013.

## Fund and securities savings

Länsförsäkringar has a market share of 3.9% of the fund market and the fund offer-

ing includes some 80 funds, of which more than 30 are under Länsförsäkringar's own brand. The average return for funds during the year amounted to 17%. Valuations are carried out continuously to further enhance the attractiveness of the funds.

Länsförsäkringar is to be a leader while maintaining high quality in sustainable investments and Länsförsäkringar Fondförvaltning has several partnerships for consistently working on these issues. For more information about this, see the section on Environmental work and sustainable investments on page 14.

Trading in equities and other securities is growing steadily among customers and the number of deposits rose during the year. Structured products are also offered, such as equity-linked bonds. The Investment Savings Account (ISK) displayed healthy growth during the year, as did Individual Pension Savings (IPS).

## Lending

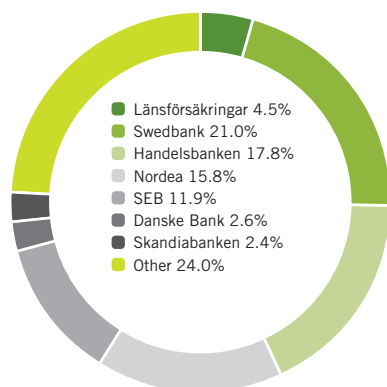
The bank continues to have favourable growth in lending and loans are granted at low risk. The market share for household lending amounted to 5.0%.

The largest product is retail mortgages, which comprises 71% of the loan portfolio. Retail mortgages are mostly granted by Länsförsäkringar Hypotek, which offers mortgages up to 75% of the market value on the granting date, and other mortgages are offered by Länsförsäkringar Bank. The bank also offers loans to tenant-owners' associations and to multi-family housing.

Länsförsäkringar is the fourth largest provider of agricultural loans in Sweden. The bank's agricultural loans are primarily targeted to family-owned agricultural operations that are insurance customers with Länsförsäkringar. The percentage of agricultural customers that have both banking and insurance with Länsförsäkringar was 97% at year-end. On average, agricultural lending has small commitments and the percentage of first-lien mortgages amounted to 89%. Prior to 2008, first-lien mortgages in agricultural lending were offered in collaboration with another provider. Länsförsäkringar has subsequently offered first-lien mortgages. The rate of growth in agricultural lending slowed during the year.

Wasa Kredit offers leasing, hire purchase and unsecured loans and the growth in lending for the year was favourable in a fiercely competitive market.

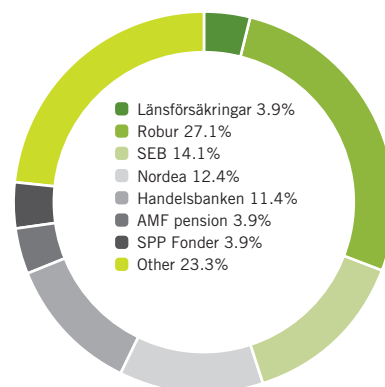
Market shares of deposits in retail market



The market position in retail deposits strengthened from 4.3% to 4.5% during the year.

Source: Statistics Sweden

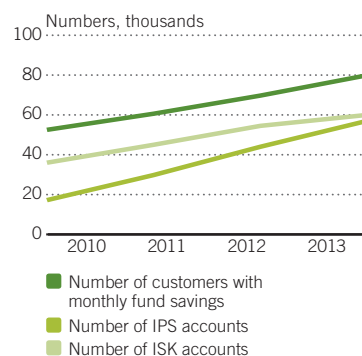
Market shares of fund volumes



Länsförsäkringar holds a 3.9% market share of Swedish fund volumes.

Source: Moneygate

Savings in funds and structured products



Such savings products as Investment Savings Accounts (ISK), Individual Pension Savings (IPS) and monthly fund savings performed well.



## FACTS IN BRIEF

- Deposits from the public: SEK 69 billion, growth 11%
- Loans to the public: SEK 162 billion, growth 8%
- Retail mortgages in the Group: SEK 115 billion, growth 8%
- Agricultural loans: SEK 21 billion, growth 7%
- Fund volumes: SEK 83 billion, growth 18%
- Number of bank cards: 388,000, growth 12%

### Small-business offering

The offering to small businesses performed well, particularly due to robust growth in deposits. Deposits from small businesses rose 15% to SEK 8.6 billion during the year and loans to small businesses increased 6% to SEK 1.7 billion.

### Bank cards and payments

The number of bank cards increased 12% to 388,000 and the card business displayed a

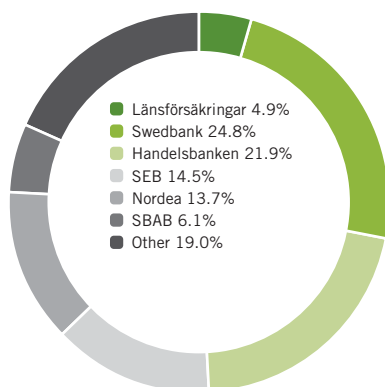
healthy trend during the year. The number of payment transactions increased 16% to 24 million and the number of in-store bank card transactions rose 22% to 15 million. Income from payment mediation continued to increase during the year.

The Swish 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.

### Attractive offering to young people

The bank's offering to young people is highly competitive and one of the best in the Swedish market. The card and payment service offered to young people from the age of 16, comprising a young person's account including a bank card, Internet and telephone banking and digital services – performed well during the year.

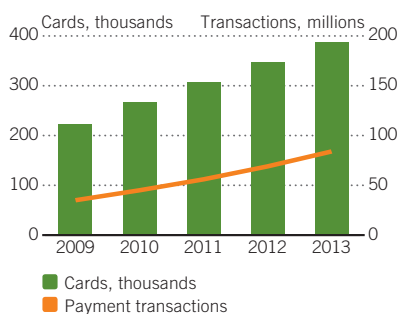
### Market shares of household lending



The market position in household and retail mortgages strengthened from 4.9% to 5.0% during the year.

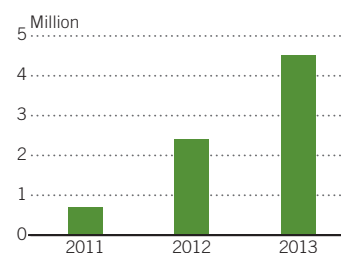
Source: Statistics Sweden

### Bank cards and payment transactions



The number of bank cards and in-store transactions is steadily increasing.

### Mobile app logins per month



Use of the bank's mobile app increased significantly and many customers now do most of their banking via the app.

# Loan portfolio with high credit quality

**LOANS AND CREDIT QUALITY** All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loan origination is primarily directed towards retail mortgages for private individuals and small-scale family-owned agricultural operations with a low risk level.

## Credit process

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loan origination is primarily directed towards retail mortgages for private individuals and small-scale family-owned agricultural operations with a low risk level. Loan are granted based on standardised and stringent credit regulations, and the credit scoring process has integrated system support. In the business model between Länsförsäkringar Bank and the regional insurance companies, there is a strong incentive to maintain excellent credit quality.

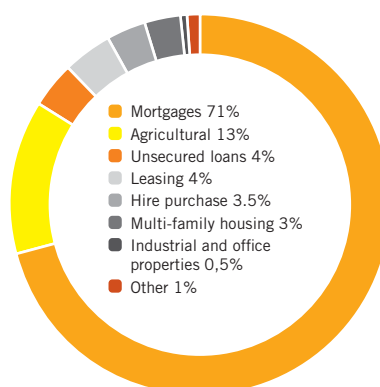
The system support for credit regulations and loan origination, combined with the local customer and market knowledge of the advisors, provides favourable conditions for consistent loan origination and a loan portfolio that maintains high credit quality. The credit regulations impose strict requirements on customers' repayment capacity and the quality of collateral. In connection with credit scoring, the repayment capacity of borrowers and households is stress tested and the quality of the loan portfolio and borrowers' repayment capacity are continuously monitored and reviewed. The bank has amortisation requirements on second-lien mortgages and advises customers to amortise on their first-lien mortgages.

## Mortgages for private individuals

Retail mortgages for private individuals' housing comprises 71% of the loan portfolio.

First-lien mortgages with loan-to-value ratios of up to 75% of the market value account for 92% of retail mortgages. A total of 79% of the collateral for retail mortgages comprises single-family homes and 21% tenant-owned apartments. The average loan per borrower is low at SEK 1 million and 72% of borrowers have a loan commitment of up to SEK 2 million. The weighted average LTV is 67%. Market-value analyses of the collateral in retail mortgages are performed continuously and a market-value update is performed at least once per year for all single-family homes and tenant-owned apartments.

Loans, product distribution



The loan portfolio primarily comprises retail mortgages and agricultural loans.

First-lien mortgages for multi-family housing primarily to tenant-owners' associations amounted to slightly less than 3.5% of the loan portfolio.

## First-lien mortgages to agricultural operations

A total of 89% of loans to the agricultural segment, which accounts for 13% of the loan portfolio, comprises first-lien mortgages. Other agricultural loans pertain to second-lien mortgages and operating credits. Family-owned agricultural operations account for 95% of agricultural lending. The average commitment for each borrower is low at SEK 1.8 million per borrower. Länsförsäkringar's growth in agricultural loans slowed slightly during the year.

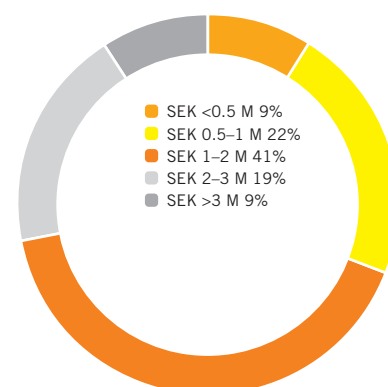
## Leasing, hire purchase and unsecured loans

Leasing, hire purchase and unsecured loan products account for 11.5% of the Group's loan portfolio. Leasing and hire purchase are offered by Wasa Kredit and unsecured loans are offered by both Wasa Kredit and the bank.

## Loans to small businesses

Loans to small businesses amounted to SEK 1.7 billion at year-end, with SEK 0.9 billion pertaining to industrial and office properties and SEK 0.8 billion to operating credits to small businesses. The business is continuing to be developed and the growth in volumes is taking place while maintaining low risk.

Mortgages, distribution of commitments



The average mortgage commitment amounts to SEK 1.0 million and 72% of mortgages have a commitment of up to SEK 2 million.



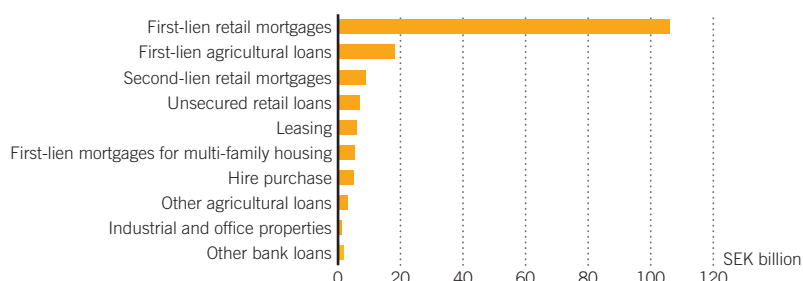
### ► Impairment and impaired loans

The high credit quality of the loan portfolio is a result of loan origination being based on a low risk tolerance. Länsförsäkringar has a conservative model for impairment and impairment remains at a very low level.

Impaired loans, gross, amounted to SEK 393 million, corresponding to a percentage of impaired loans gross in relation to loans of 0.23% at year-end. Impairment amounted to SEK 422 million and the reserve ratio in relation to loans amounted to 0.25%. Loan losses remained low and amounted to SEK 126 million. The loan loss level is low and amounted to 0.08%.

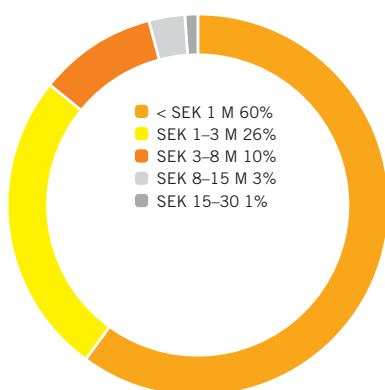
For more information concerning credit risks and credit quality, see note 3 Risks and capital adequacy on page 39. For more information concerning loans, impaired loans and impairment of loan receivables, see note 2 Accounting policies on pages 35–37.

### Loans, product distribution



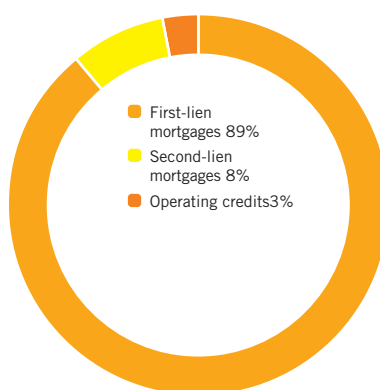
Nearly 88% of the loan portfolio comprises first-lien mortgages for private housing, agriculture, multi-family housing and industrial and office properties.

### Agricultural loans, distribution of commitments



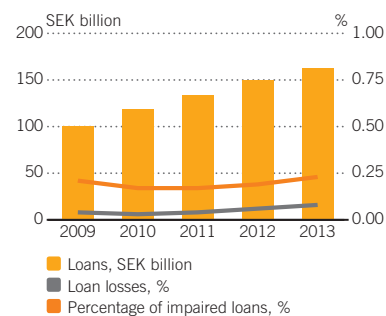
The average agricultural commitment is SEK 1.8 million per counterparty and 86% of agricultural lending has a commitment per counterparty of up to SEK 3 million.

### Agricultural loans, product distribution



A total of 89% of agricultural loans are first-lien mortgages and the percentage of first-lien mortgages has increased steadily since 2008.

### Loans, impaired loans and loan losses



The bank's loan portfolio has a high level of credit quality. Impaired loans and loan losses remain low.

# Strong liquidity

## FUNDING AND LIQUIDITY

The Group's main financing sources comprise deposits and funding with Länsförsäkringar Hypotek's covered bonds, which have the highest credit rating, Aaa/Stable from Moody's, and AAA/Stable from Standard & Poor's.

### Objectives

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

### Financing sources

The Group's main financing sources consists of deposits and funding with Länsförsäkringar Hypotek's covered bonds, which have the highest credit rating, Aaa/Stable from Moody's, and AAA/Stable from Standard & Poor's.

The composition of financing is a natural result of the Group's business model as a retail bank with large mortgage lending operations. Long-term senior funding and short-term commercial paper funding takes place in Länsförsäkringar Bank. The bank endeavours to maintain a sound balance of covered and senior 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 six outstanding benchmark loans with maturities until 2020.

The Swedish covered bond market is one of Europe's largest and most liquid, which

secures excellent access to long-term financing.

### Diversification

Since all assets in the balance sheet are in SEK, the Group has no structural need for financing in foreign currency. However, the bank has chosen to conduct a certain portion of its capital market funding in international markets in an effort to diversify and broaden the investor base. In recent years, funding has taken place through issuance of Euro Benchmark Covered Bonds, which has increased funding diversification and strengthened the brand in both the Swedish and European markets. In addition, diversification takes place through issuances of bonds in primarily NOK and CHF.

### Refinancing and liquidity risk management

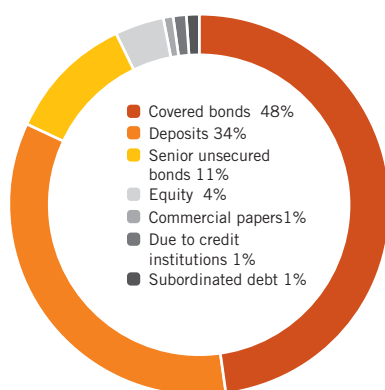
The bank works pro-actively with its outstanding liabilities by repurchasing bonds with short remaining terms against issuance of long-term liabilities as a means of managing and minimising the liquidity and refinancing risk.

The market risks that arise in the lending and funding operations are managed through derivative instruments.

### Deposits

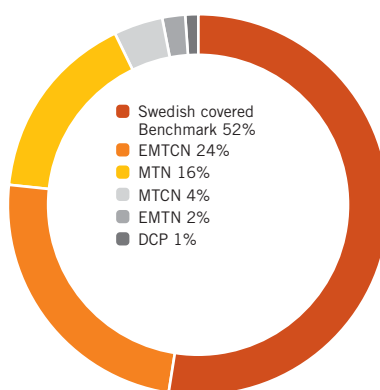
The share of deposits in the Group's total financing continued to increase during the year, amounting to 34% on December 31, 2013. The Group's position in the deposits market was strengthened as a result of the

### Financing sources



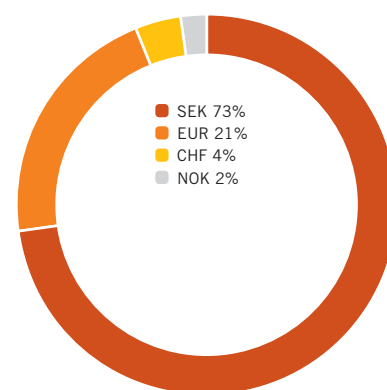
The largest source of financing in the Group is covered bonds, representing 48%.

### Funding by programme



Programme funding primarily takes place with Swedish benchmark bonds, representing 52%.

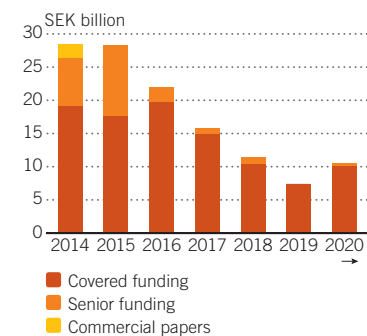
### Funding by currency



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



### Maturity structure



► bank's robust growth in volume and customers. This trend demonstrates that deposits increased more as a percentage than loans during the year.

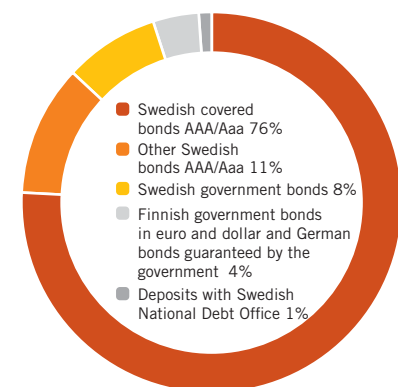
### Funding operations

The Group had highly favourable access to funding in both the Swedish and international markets during the year. During the year, the bank increased the percentage of senior funding while the percentage of covered funding declined. In addition, the bank's issue volumes in 2013 had a longer average maturity than maturities in recent years. Covered bonds were issued at a volume corresponding to a nominal amount of

SEK 22.7 billion and issuances of EUR, CHF and NOK were also launched. During the year, Länsförsäkringar Bank issued senior unsecured bonds for a nominal amount of SEK 11.4 billion in the currencies of SEK, EUR and NOK.

In 2013, Länsförsäkringar Hypotek issued three new covered domestic benchmark loans. The outstanding volume of commercial papers was stable and at year-end, the outstanding volume of the Swedish commercial paper programme amounted to a nominal SEK 3.1 billion and to a corresponding nominal amount of SEK 1.9 billion in the international Euro-Commercial Paper Programme (ECP).

### Liquidity reserve



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

### FUNDING PROGRAMMES, LÄNSFÖRSÄKRINGAR BANK GROUP

Programme SEK billion, Nominal	Limit, Nominal	Issued in 2013	Issued in 2012	Outstanding, Dec 31, 2013	Outstanding, Dec 31, 2012	Remaining average term, Dec 31, 2013, years
Benchmark (Hypotek)	Unlimited	17.0	22.7	64.2	58.8	3.1
MTCN (Hypotek)	SEK 30 billion	–	3.3	4.9	8.7	1.4
EMTCN (Hypotek)	EUR 5 billion	6.5	2.5	30.1	23.8	2.7
<b>Total covered bonds</b>		<b>23.5</b>	<b>28.5</b>	<b>99.2</b>	<b>91.3</b>	<b>2.9</b>
MTN (Bank)	SEK 30 billion	8.1	11.4	19.8	18.2	1.3
EMTN (Bank)	EUR 2 billion	2.7	–	2.7	–	3.4
<b>Total senior unsecured bonds</b>		<b>10.8</b>	<b>11.4</b>	<b>22.5</b>	<b>18.2</b>	<b>1.6</b>
DCP (Bank)	SEK 15 billion	–	–	1.8	3.1	0.2
ECP (Bank)	EUR 1.5 billion	–	–	0.2	1.9	0.0
<b>Total commercial papers</b>		<b>–</b>	<b>–</b>	<b>2.0</b>	<b>5.0</b>	<b>0.2</b>
<b>Total Group</b>		<b>44.3</b>	<b>39.9</b>	<b>123.7</b>	<b>114.5</b>	<b>2.6</b>

## Liquidity

The bank's management of liquidity and financing is characterised by effective long-term planning and a high level of control. 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 and take place within the limits established by the Board in the Financial Policy.

The liquidity reserve totalled SEK 45.9 billion at December 31, 2013, according to the Swedish Bankers' Association's definition. The liquidity reserve is invested in securities with very high credit quality, of which 76% comprises Swedish covered bonds, 11% other Swedish bonds with a credit rating of AAA/Aaa, 8% Swedish government bonds, 4% Finnish government bonds in EUR and USD and German bonds guaranteed by the government and 1% deposits with the Swedish National Debt Office. The average Liquidity Coverage Ratio (LCR) amounted to 230% on December 31, 2013 and amounted to an average of 253% during the fourth quarter of 2013. The LCR in EUR amounted to 1,847% on December 31, 2013.

## Rating

Länsförsäkringar Bank's long-term credit rating is A/Stable from Standard & Poor's and A3/Stable from Moody's. The short-term credit rating is A-1 from Standard & Poor's and P-2 from Moody's.

Länsförsäkringar Hypotek's covered bonds have an unchanged highest rating of Aaa/Stable from Moody's and AAA/Stable from Standard & Poor's. Länsförsäkringar Hypotek is thus one of four issuers in the Swedish market for covered bonds with the highest rating from both Standard & Poor's and Moody's.

# Clear leadership

## EMPLOYEES

A new leader profile was launched in 2013 that focuses on development, change work and employee performance management.

## Employees in 2013

In 2013, the Group had an average of 369 employees, of whom women numbered 176 with an average age of 42 and men numbered 193 with an average age of 43. The bank had 55 employees in management positions. In addition to the employees of the Group, there were 780 bank advisors and bank employees in the 23 the regional insurance companies.

## Leadership from many perspectives

Based on company values, a new leader profile was launched in 2013 that describes expectations for managers. The values of the leader profile are expressed in the forms of attitudes and behaviours in five areas: lead development, lead change, lead employees, lead the business and lead oneself. A leader profile also ensures that managers with the right skills are recruited, developed and promoted. During the year, all managers had their leadership evaluated to create clarity in the requirements and expectations of leadership, strengthens and development areas. The results also form the basis of career planning. The work on introducing the leader profile into the operations will continue in 2014.

## Employees with individual responsibility for development

At Länsförsäkringar, employeeship means that employees assume individual responsibility for their own development based on performance management. Development involves skills, health, improvements to the operations and cost awareness. The basis for employee performance and development, in both the short and

long term, is the business plan and corporate culture. Employees' responsibility for their own development was refined in performance management during the year and the scope is to improve the development opportunities and commitment. An employee profile will be developed in 2014 to further clarify and link employeeship with the leader profile.

A more employee-based change process started to be introduced during the year when Lean was launched and will continue to be implemented in 2014. With the introduction of Lean, there are higher expectations on employee contributions to change work and efficiency enhancements of the operations.

This year's employee survey addressed such areas as commitment, leadership, working group, management and employer attractiveness. The results are relatively high compared with the benchmark in the index for Swedish companies.

## Equality

Part of equality efforts is to establish a more even gender distribution among managers at all levels. The current distribution is 76% men and 24% women. The target figure for 2015 is 50% men and 50% women at all management levels. An even distribution of applications for vacant managerial positions is a prerequisite for achieving this target and in the most recent survey period the figures were 49% women and 51% men. Equal salary levels is a component of equality efforts and the salary levels for women and men at all executive positions were surveyed during the year. An important part of equality is how women and men perceive

▶ equality in the workplace. The target for 2014 is that 80% of women believe that the bank is an equal opportunity workplace compared with 70% in 2013.

### Health and working environment

Maintaining a positive health and working environment is essential for improving performance. The basic outlook is that physical activity at work increases efficiency and improves social cohesion, and that investing in health is an important part of Länsförsäkringar being an attractive employer. It also helps to reduce sick leave. Generous preventive health care benefits are offered and employees can take exercise during working hours. Länsförsäkringar's own fitness facility includes a gym, workout classes and health-inspiring preventive health care activities.

All employees have health care insurance that provides fast access to specialised care. Medical advice and follow-ups are provided through the sickness reporting service and managers can receive professional advice regarding rehabilitation for employees, if required.

### Awards as an attractive employer

Länsförsäkringar has a strong employer brand in the recruitment market and university graduates rank Länsförsäkringar as one of the leaders in the category of "Ideal Employer" in Universum's Career Barometer survey. Länsförsäkringar Bank came in fifth in the Corporate Barometer survey.

Länsförsäkringar was named a "Career Company" by Di.se/Din karriär in 2013. The jury's description of a Career Company is "a company that is committed in its work on being an attractive employer and offers unique challenges and particularly interesting career opportunities."

In addition to participating in labour market days at universities and colleges, a variety of activities are continuously conducted within the Länsförsäkringar Alliance to strengthen the employer brand in the recruitment market.

# Environmental work and sustainable investments

## ENVIRONMENTAL WORK AND SUSTAINABILITY

The aim of the Länsförsäkringar AB Group's environmental work, which the bank is also part of, is to reduce costs, improve customer service and achieve clear environmental gains that contribute to sustainable development for customers and society.

### Joint environmental policy

The Länsförsäkringar AB Group acquired ISO 14001 certification – which guarantees a systematic approach to environmental management – several years ago. Certification takes place in partnership with SFK Certification, with annual follow-up audits that provide opportunities to improve the environmental adaptation of the operations.

### The bank's environmental work

The environmental work of the banking operations is directly linked to the joint environmental policy. The aim of the environmental work is to reduce costs, improve customer service and achieve clear environmental gains that contribute to sustainable development for customers and society.

The bank can primarily impact the environment in such areas as loan origination, the fund company's investment products, paper-based communication and product management with customers, by directing customers to digital services and recycling security code generators and bank cards.

### Credit scoring with environmental responsibility

The credit regulations are consistent with environmental legislation and promote sustainable development. When credit scoring is conducted for business and agricultural customers, the customer's environmental

responsibility is also reviewed to rule out any breaches of environmental law.

### Sustainable investments in fund offering

The fund range will always reflect the fund company's profile as a global and long-term investor. The policy for owner control includes involvement in nominations to boards of directors, participating at general meetings of shareholders and the fund company actively promoting sustainability.

The work on responsible investment is conducted by the Council for Responsible Investment and a couple of additional partnerships were initiated during the year. In November 2013, the fund company became a member of the United Nations Principles for Responsible Investment (UNPRI) to increase the requirements on and transparency of sustainability in funds, both among institutional investors globally and in Länsförsäkringar's own work with its fund managers. In November, the fund company also became a member of Swesif, a cross-industry network forum that promotes and discusses sustainability issues in Sweden.

Länsförsäkringar also has a partnership with GES Investment Services, a company that conducts sustainability screenings of companies regarding their compliance with international conventions (Global Ethical Standard). GES Investment Services also conducts negotiations and lobbies compa-



nies that do not comply with the international conventions. During the year, three companies were excluded from the funds as a result of GES's negotiations not resulting in any improvements at the companies.

#### **Reduced paper-based communication**

In recent years, a large degree of customer communication – traditionally paper-based – has been replaced by digital services, for example, application processes for several of the bank's products. The annual statement to customers will be an online service and the number of printed annual report copies declines every year. The long-standing aim is to increase the percentage of digitally distributed customer documentation by 50%.

#### **Environmentally certified suppliers**

The bank ensures that all bank-product suppliers are environmentally certified, such as ATM suppliers. Continuous efforts are made to encourage the recycling of security code generators and increase the number of online payments.

#### **Green travel and efficient meetings**

For business travel, rail travel takes precedence over flying, wherever possible. The company-car policy approves only environmentally friendly cars and the target of company cars being 100% environmentally friendly, in accordance with the policy's definition of environmentally friendly cars, was achieved. Employees are also offered bicycles and public transport travel cards for local travel during working hours. Investments were made in technical equipment that enable meetings to be held by telephone, video or online to reduce business travel.

#### **Lower energy consumption**

Länssförsäkringar uses the Swedish Society for Nature Conservation's eco-labelled Good Environmental Choice Electricity. Energy efficiency and cost-savings are achieved with smart lighting systems that match lighting to the time of day and the amount of daylight, and the use of LED lighting.

Reviews and efficiency enhancements of electricity, heating and cooling systems are

continuously carried out to reduce the direct impact on the environment due to emissions of carbon dioxide and other substances.

#### **Environmental work on the website and environmental training**

Information about our environmental work is presented on both internal and external Länssförsäkringar websites. All new employees undergo compulsory environmental training. A number of parameters in the Environmental Handbook are reviewed annually during an external environmental audit as a contribution to the sustainable development of society.

For more information about sustainability and environmental activities, see Länssförsäkringar AB's Annual Report, which contains a GRI (Global Reporting Initiative) sustainability report.

# Board of Directors' Report

The Board of Directors and President of Länsförsäkringar Bank AB (publ) hereby submit the Annual Report for 2013.

## GROUP

### 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 16 local insurance companies. All customer contacts are made 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 potential 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. 556549-7020). 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 AB.

Sales, advisory services and customer services are carried out through the 130 (130) 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 volume-based reimbursement system. Another part of the full-service offering is the 152 (150) branches of Länsförsäkringar Fastighetsförmedling throughout Sweden.

### Market commentary

Both the stock markets and fixed-income markets experienced major fluctuations during the year. Performance was affected by the highly expansive monetary policies of several central banks, while economic trends remained weak. Global growth was hampered by debt reduction in both the public sector and among households. Several countries pursued an austere fiscal policy while private consumption was held back by high savings. The purchase of government and mortgage bonds by the Federal Reserve continued to impact the market.

Bond interest rates were low at the start of the year and subsequently rose gradually,

in line with, for example, expectations that the Federal Reserve would reduce its bond-buying stimulus. At the end of 2013, the Federal Reserve announced that it planned to reduce its bond buying from January 2014. Improved economic indicators from the US, and also from Europe, lent support to rising interest rates. However, short-term market interest rates remained low as a result of low key interest rates and also promises from central banks that monetary policy will be kept expansive for a long period of time.

The Swedish economy displayed a weaker performance during the year and unemployment remained relatively high.

At the end of the year, the Riksbank lowered its key interest rate again to 0.75% due to the very low inflation. The difference between government bond rates and the interest rate for mortgage bonds and other loans declined during the year.

Deposits from households in the Swedish market rose 6% during the year and loans to households increased 5%. 2013 was a strong year for mutual fund savings. New savings in funds amounted to SEK 105 billion and the total fund assets in Sweden increased SEK 432 billion to SEK 2,481 billion at the end of the year.

Housing prices in Sweden increased 7% during the year according to Valueguard's

## Länsförsäkringar Bank – part of the Länsförsäkringar Alliance



HOX index, which was largely due to rising prices for tenant-owned apartments. Prices of single-family homes rose 4%, while prices of tenant-owned apartments increased 13%.

### Increased business volumes

Business volumes increased 11%, or SEK 31 billion, to SEK 314 billion (283). Lending rose 8%, or SEK 12 billion, to SEK 162 billion (150). Retail mortgages in Länsförsäkringar Hypotek increased 11%, or SEK 11 billion, to SEK 112 billion (101). Deposits rose 11%, or SEK 7 billion, to SEK 69 billion (62). The volume of managed funds increased 18%, or SEK 13 billion, to SEK 83 billion (70).

### Stable inflow of customers and growing digital service

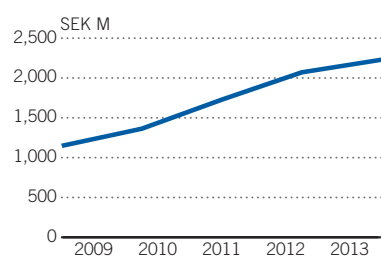
The number of customers rose 4% to 879,000 (847,000). The number of customers with Länsförsäkringar as their primary bank increased 10% to 319,000 (290,000) and the number of products per customer rose to 4.9 (4.8). Some 94% of those customers who have the bank as their primary bank are also existing insurance customers.

Länsförsäkringar had 4.5 million mobile logins via its mobile app in December 2013, up 92% compared with December 2012. Fund trading accounts for a significant percentage of the mobile app's services.

### Earnings and profitability

Profit before loan losses increased 20% to SEK 773 M (647) and operating profit rose 16% to SEK 647 M (555), due to higher net interest income and increased commission income. Return on equity strengthened to 6.7% (6.3).

### Net interest income

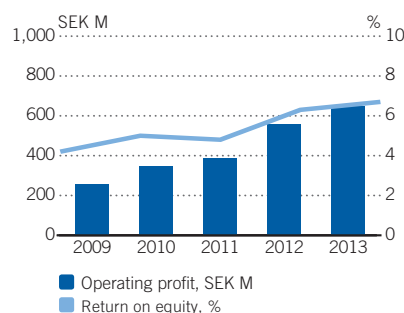


### Income

Operating income increased 12% to SEK 2,104 M (1,882), due to higher net interest income and increased commission income. Net interest income strengthened 8% to SEK 2,230 M (2,071) due to higher lending volumes and margins, while deposit margins and the return on equity had a negative impact on net interest income. The investment margin strengthened to 1.06% (1.11).

Net gains from financial items declined to a loss of SEK 86 M (gain: 5) due to the negative effects of changes in fair value and the repurchase of own debt. Commission income increased 16% to SEK 1,140 M (984) due to higher income from fund, card and securities business. The number of bank cards rose 12% to 388,000 (346,000). Net commission resulted in a decrease in expense of SEK 253 M (385) due to increased commission income.

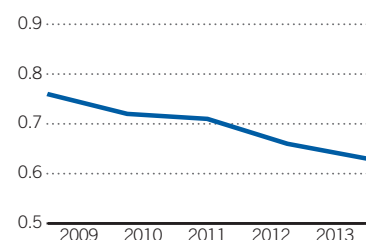
### Operating profit and return on equity



### Expenses

Operating expenses rose 8% to SEK 1,331 M (1,235), primarily due to the fund company's higher administrative expenses, higher staff costs attributable to the finance-company operations, higher depreciation and costs for building up a shared back-office function in the banking operations. The cost/income ratio before loan losses strengthened to 0.63 (0.66) and the cost/income ratio after loan losses strengthened to 0.69 (0.70).

### Cost/income ration before loan losses



### Loan losses

Loan losses remained very low and amounted to SEK 126 M (91), net, corresponding to loan losses of 0.08% (0.06). Reserves totalled SEK 422 M (325), corresponding to a reserve ratio in relation to loans of 0.25% (0.21). Impaired loans, gross, amounted to SEK 393 M (298), corresponding to a percentage of impaired loans of 0.23% (0.19). For more information regarding loan losses, reserves and impaired loans, see notes 17 and 21.

### Deposits and savings

Deposits from the public increased 11% to SEK 69 billion (62). Deposits from small businesses grew to SEK 8.6 billion (7.5) and the number of deposit accounts rose 10%. On December 31, 2013, the market share strengthened to 4.5% (4.3) according to Statistics Sweden.

Fund volumes increased 18%, or SEK 13 billion, to SEK 83 billion (70). Monthly savings in funds performed well, as did fund transfers, Individual Pension Savings (IPS) and the number of securities depositors.

### Loans

Loans to the public rose 8%, or SEK 12 billion, to SEK 162 billion (150). All loans are granted in Sweden and in SEK and have a well-diversified geographic distribution. Retail mortgages in Länsförsäkringar Hypotek increased 11%, or SEK 11 billion, to SEK 112 billion (101). On December 31, 2013, the market share for household lending strengthened to 5.0% (4.9) according to Statistics Sweden. On December 31, 2013, the market share for retail mortgages was 4.9% (4.8).

The percentage of retail mortgages relative to the total loan portfolio was unchanged at 71%. Agricultural lending had a lower rate of increase and rose 7% to SEK 20.7 billion (19.3), of which firstlien mortgages for agricultural properties accounted for SEK 18.3 billion (16.7). First-lien mortgages, mainly to family-owned agricultural operations, accounted for 89% (86) of agricultural lending, and the average agricultural commitment was low at SEK 1.8 M (1.7) on December 31, 2013. Loans to small businesses totalled SEK 1.7 (1.6) billion on December 31, 2013.

<b>LOAN PORTFOLIO</b>		
<b>Lending segment, %</b>	<b>Dec 31, 2013</b>	<b>Dec 31, 2012</b>
Retail mortgages	71%	71%
Agricultural loans	13%	13%
Multi-family housing	3.5%	2.5%
Industrial and office properties	0.5%	0.5%
<b>Total</b>	<b>88%</b>	<b>87%</b>
Leasing	4%	4%
Hire purchase	3%	4%
<b>Total</b>	<b>95%</b>	<b>95%</b>
Personal loans	4%	4%
Other	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Funding

Debt securities in issue rose 8% or SEK 9 billion to SEK 124 billion (114), of which senior funding accounted for SEK 22 billion (18) and covered bonds for SEK 99 billion (91).

The Group has a low refinancing risk and the maturity structure is highly diversified. Long-term financing takes place in the capital market through covered bonds and senior unsecured bonds. During the year, the bank increased the percentage of senior funding and reduced the percentage of covered funding. Issuances took place on average with longer maturities. Funding is diversified by issuances in SEK, EUR, CHF as well as in NOK.

Covered bonds were issued at a volume corresponding to a nominal SEK 23.5 billion (28.5), with repurchased covered bonds amounting to a nominal SEK 7.2 billion (16.0) and matured covered bonds to a nominal SEK 8.4 billion (6.6) for the period.

Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 10.7 billion (11.4) during the period.

## Liquidity

The liquidity reserve totalled a nominal amount of SEK 45.9 billion (40.6) at December 31, 2013, according to the Swedish Bankers' Association's definition. 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 76% of the liquidity reserve consists of Swedish covered bonds, 11% other Swedish bonds with a credit rating of AAA/Aaa, 8% Swedish government bonds, 4% Finnish government bonds in EUR and USD and German bonds guaranteed by the government and 1% deposits with the Swedish National Debt Office. By utilising the liquidity reserve, contractual undertakings for about 1.5 years can be met without needing to secure new funding in the capital market.

The Group's Liquidity Coverage Ratio (LCR) amounted to 230% (277) on December 31, 2013 and was an average of 253% (248) during the fourth quarter of 2013. The LCR in EUR amounted to 1,847% (158) on December 31, 2013.

## Rating

Länsförsäkringar Bank's credit rating is A/Stable from Standard & Poor's and A3/Stable from Moody's. Länsförsäkringar Hypotek's covered bonds have the highest rating of Aaa from Moody's and AAA/Stable from Standard & Poor's.

## Capital adequacy

The Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach is used for all retail exposure and for company and agricultural exposures up to SEK 5 M. The foundation IRB Approach is used for counterparty exposures to corporates and the agricultural sector in excess of SEK 5 M, and the Standardised Approach for other exposures. On December 31, 2013, 88% (88) of the loan portfolio consisted of retail credits in accordance with the Advanced IRB Approach.

The bank is continuously monitoring developments in relation to the implementation of CRR and CRD IV in Sweden and can state that there continues to be uncertainty surrounding a number of areas. A high level of preparedness is in place for the introduction of these regulations.

In December 2013 a subordinated loan from the Parent Company of SEK 290 M was converted into owner's equity, which strengthened the bank's capital base. Core Tier 1 ratio according to Basel II strengthened to 14.7% (13.1). Tier 1 capital amounted to SEK 7,441 M (6,612) and Tier 1 ratio strengthened to 14.7% (13.7). The capital base increased to SEK 9,436 M (7,546) and the capital adequacy ratio strengthened to 18.7% (15.6). According to Basel III, Core Tier 1 ratio amounts to 14.4%, Tier 1 ratio amounts to 14.4% and the capital adequacy ratio amounts to 19.1%. All of the key figures for Basel III are calculated based on the bank's current interpretation of the regulations. For more information on the calculation of capital adequacy, see note 14.

## Employees

In 2013, the Group had an average of 369 employees, of whom women numbered 176 with an average age of 42 and men numbered 193 with an average age of 43. The bank had 55 employees in management positions. In addition to the employees of the Group, there were 780 bank advisors and bank employees in the 23 the regional insurance companies.

Based on company values, a new leader profile was launched in 2013 that describes expectations for managers. The basis for employee performance and development, in both the short and long term, is the business plan and corporate culture. Part of equality efforts is to establish a more even gender distribution among managers at all levels. The current distribution is 76% men and 24% women. The target figure for 2015 is 50% men and 50% women at all management levels.

Maintaining a positive health and working environment is essential for improving performance. The basic outlook is that physical activity at work increases efficiency and improves social cohesion, and that investing in health is an important part of Länsförsäkringar being an attractive employer. It also helps to reduce sick leave. Generous preventive health care benefits are offered and employees can take exercise during working hours. All employees have health care insurance that provides fast access to specialised care.

Länsförsäkringar has a strong employer brand in the recruitment market and univer-

## Rating

<b>Company</b>	<b>Agency</b>	<b>Long-term rating</b>	<b>Short-term rating</b>
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A3/Stable	P-2
Länsförsäkringar Hypotek <sup>1)</sup>	Standard & Poor's	AAA/Stable	—
Länsförsäkringar Hypotek <sup>1)</sup>	Moody's	Aaa	—

<sup>1)</sup> Pertains to the company's covered bonds.

sity graduates rank Länsförsäkringar as one of the leaders in the category of “Ideal Employer” in Universum’s Career Barometer survey. Länsförsäkringar Bank came in fifth in the Corporate Barometer survey.

## Environment

The environmental work of the banking operations is directly linked to the joint environmental policy. The aim of the environmental work is to reduce costs, improve customer service and achieve clear environmental gains that contribute to sustainable development for customers and society.

The bank can primarily impact the environment in such areas as loan origination, the fund company’s investment products, paper-based communication and product management with customers, by directing customers to digital services and recycling security code generators and bank cards. The credit regulations are consistent with environmental legislation and promote sustainable development. When credit scoring is conducted for business and agricultural responsibility is also reviewed to rule out any breaches of environmental law.

The fund range will always reflect the fund company’s profile as a global and long-term investor. The policy for owner control includes involvement in nominations to boards of directors, participating at general meetings of shareholders and the fund company actively promoting sustainability. The work on responsible investment is conducted by the Council for Responsible Investment and a couple of additional partnerships were initiated during the year. In November 2013, the fund company became a member of the United Nations Principles for Responsible Investment (UNPRI) to increase the requirements on and transparency of sustainability in funds, both among institutional investors globally and in Länsförsäkringar’s own work with its fund managers. Länsförsäkringar also has a partnership with GES Investment Services, a company that conducts sustainability screenings of companies regarding their compliance with international conventions (Global Ethical Standard). GES Investment Services also conducts negotiations and lobbies compaequalitycustomers, the customer’s environmental nies that do not comply with the international conventions. During the year, three companies were

excluded from the funds as a result of GES’s negotiations not resulting in any improvements at the companies.

In recent years, a large degree of customer communication, traditionally paper-based, has been replaced by digital services. The long-standing aim is to increase the percentage of digitally distributed customer documentation by 50%. The bank ensures that all bank-product suppliers are environmentally certified, such as ATM- suppliers. For business travel, rail travel takes precedence over flying, wherever possible. The company-car policy approves only environmentally friendly cars and the target of company cars being 100% environmentally friendly, in accordance with the policy’s definition of environmentally friendly cars, was achieved.

## Risks and uncertainties

The operations are characterised by a low risk profile. The Group and the Parent Company are exposed to a number of risks, primarily comprising credit risks, refinancing risks and market risks. The macroeconomic situation in Sweden is critical for credit risk since all loans are granted in Sweden. Market risks primarily comprise interest-rate risks. Loan losses remain low and the refinancing of business activities was highly satisfactory during the year. For information about the risks in the operations, risk and capital management and the principles for risk governance, see note 3 Risks on page 39.

## Expectations regarding future development

The banking operations intend to follow the strategic direction of profitable growth with high credit quality, by further refining existing products and on the basis of maintaining a high level of capitalisation. Growth in lending will take place by paying close attention to changes in the business environment, the financial situation and the prevailing circumstances in the capital market. Strong liquidity will be maintained. The continued market strategy is to conduct sales and customer marketing activities targeting the regional insurance companies’ customers.

## Events after year-end

No significant events took place after the close of the year.

## PARENT COMPANY

All of the Group’s deposits are conducted by the Parent Company. Most of the Group’s lending and funding operations are conducted through the subsidiary Länsförsäkringar Hypotek.

Loans to the public rose 2%, or SEK 1 billion, to SEK 36 billion (35). Deposits from the public increased 11%, or SEK 7 billion, to SEK 69 billion (63). Debt securities in issue rose 6%, or SEK 2 billion, to SEK 25 billion (23).

## Earnings

Operating profit amounted to SEK 2 M (–34). Operating income rose 22% to SEK 791 M (649) largely a result of increased commission income. Net interest income increased 7% to SEK 796 M (743) due to higher volumes. Commission income increased 25% to SEK 298 M (238) due to higher income from securities, card and payment business. Commission expense amounted to SEK 552 M (554). Operating expenses rose 7% to SEK 708 M (660), primarily due to higher depreciation and costs for building up a shared backoffice function in the banking operations. Loan losses remained low at SEK 80 M (22), net.

## PROPOSED APPROPRIATION OF THE PARENT COMPANY’S UNAPPROPRIATED EARNINGS

SEK	
Fair value reserve	76,099,731
Retained earnings	6,044,456,384
Shareholders’ contribution received	625,000,000
Net loss for the year	-3,677,603
<b>Profit to be appropriated</b>	<b>6,741,878,512</b>

The Board of Directors proposes that SEK 6,741,878,512 be carried forward, of which SEK 76,099,731 be allocated to the fair value reserve.

## SUBSIDIARIES

### Länsförsäkringar Hypotek AB

Retail mortgages in the bank's mortgage institution increased 11%, or SEK 11 billion, to SEK 112 billion (101). Retail mortgages up to 75% of the market value of the collateral on the granting date are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit fell 4% to SEK 305 M (319), attributable to net losses from financial items due to the negative effects of changes in fair value and the repurchase of own debt. Net interest income increased 7% to SEK 852 M (796). Loan losses amounted to SEK 6.6 M (2.3), net, corresponding to loan losses of 0.006% (0.002). The number of retail mortgage customers rose 6% to 188,000 (177,000).

Länsförsäkringar Hypotek AB, SEK M	Dec 31, 2013	Dec 31, 2012
Total assets	136,668	127,319
Lending volume	112,143	101,434
Net interest income	852	796
Operating profit	305	319

### Wasa Kredit

Lending volumes increased 4% to SEK 13.9 billion (13.3). Operating profit rose 40% to SEK 250 M (178), largely a result of increased net interest income and lower loan losses. Net interest income increased 9% to SEK 581 M (531), largely due to higher margins and growth in hire purchase and unsecured loans. Operating expenses rose 5% to SEK 431 M (410) and loan losses declined to SEK 40 M (67), net.

Wasa Kredit, SEK M	Dec 31, 2013	Dec 31, 2012
Total assets	14,229	13,703
Lending volume	13,852	13,295
Net interest income	581	531
Operating profit	250	178

### Länsförsäkringar Fondförvaltning

Länsförsäkringar's market share of the Swedish fund market amounted to 3.9% (3.8) on December 31, 2013. The volume of managed funds rose 18%, or SEK 13 billion, to SEK 83 billion (70), due to increased growth in value and a strong net flow during the year. The company manages 33 (30) mutual funds with various investment orientations. Funds are offered for direct fund savings, IPS, ISK, unitlinked insurance and through the PPM system. Operating profit amounted to SEK 91 M (87).

Länsförsäkringar Fondförvaltning, SEK M	Dec 31, 2013	Dec 31, 2012
Total assets	242	235
Assets under management	83,196	70,405
Net flow	3,246	-2,252
Net commission expense	305	273
Operating profit	91	87

For more information on the company's recognised earnings, financial position and average number of employees, see the following income statement, balance sheet, cash-flow statement, changes in shareholders' equity and notes on pages 27–83. See page 26 for the five-year summary. All figures in the Annual Report are reported in SEK M unless otherwise specified.

# Corporate Governance Report

## INTRODUCTION

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 16 local insurance companies. Länsförsäkringar AB, with its subsidiaries and owners, jointly comprise Länsförsäkringar Alliance.

Länsförsäkringar AB is a public limited liability company, and the company's bonds are listed on Nasdaq OMX Stockholm and the Luxembourg Stock Exchange.

Länsförsäkringar Bank complies with the Swedish Code of Corporate Governance (the Code), where appropriate, taking into consideration that the bank is not a stock market 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 24.

## CORPORATE GOVERNANCE

Länsförsäkringar Bank, with 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.

Länsförsäkringar AB has a corporate-governance system, which is based on Länsförsäkringar AB's assignment from the owners. The Bank business unit also has a corporate governance system that ensures satisfactory control and management of the legal entities in the business unit.

The corporate-governance system encompasses a number of components, such as organisational structure, decision-making procedures, division of authorities and responsibilities, risk-management systems and internal-control systems. The risk management system is also to ensure that the legal entities in the business unit are continuously able to identify, manage and report risks. Internal control is based on a system comprising three lines of defence. The first line of defence is the operations, the second the Compliance and Risk Control functions and the third, the Internal Audit function. The second line of defence is independent in relation to the first line

and the third line is independent in relation to the first and second lines.

Other components in the corporate-governance system include the structure for internal rules and regulations, outsourcing policies, suitability requirements pertaining to employees and Board members, as well as continuity plans.

An outline of the governance structure is provided in the diagram on page 22.

## 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 pertaining to the Annual Report, the election of members of the Board and auditors, 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 to Board members presented at the Annual General Meeting is specified for the Chairman, Deputy Chairman and other Board members, and committee work.

## Nomination Committee

### Nomination process

The Annual General Meeting of 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 the Board of Directors and auditors of Länsförsäkringar Bank and other subsidiaries, and fees to these members and auditors. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. The Nomination Committee is responsible for ensuring that a suitability assessment of proposed Board members is performed. The Nomination Committee is to apply established processes and procedures for

the suitability assessment and ensure that suitability assessments of Board members are conducted continuously throughout the current mandate period.

## Nomination Committee prior to 2014 Annual General Meeting

The Nomination Committee consists of Otto Ramel as Chairman, Länsförsäkringar Skåne, Ulf W Eriksson, Länsförsäkringar Värmland, Per-Åke Holgersson, Länsförsäkring Kronoberg, Conny Sandström, Länsförsäkringar Västerbotten and Örian Söderberg, Länsförsäkringar Jönköping since the 2013 Annual General Meeting of Länsförsäkringar AB.

Prior to the Annual General Meeting, the Nomination Committee has

- studied the Board's evaluation of its work,
- studied the Board Chairman's and the Board members' views on the operations, the Board's work and requirements for expertise and experience, and
- reviewed and discussed requirements for expertise and experience with respect to the needs of the operations and regulatory requirements.

Prior to the 2014 Annual General Meeting, the Nomination Committee will

- make a decision regarding the independence of candidates,
- nominate Board members, the Board Chairman and auditors,
- carry out suitability assessments of Board members in accordance with established processes and procedures, and
- propose fees to 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 2012 Annual General Meeting, Stefan Holmström,

KPMG AB, was appointed auditor and Dan Beitner, KPMG AB, deputy auditor for the period until the 2015 Annual General Meeting. Stefan Holmström has previously served as the company's deputy auditor. Alongside Länsförsäkringar Bank, his major audit assignments include Länsförsäkringar AB and Svenska Handelsbanken. Stefan Holmström has no other assignments in any other company that affect his independence in relation to Länsförsäkringar Bank.

The auditor examines Länsförsäkringar Bank's Annual Report and Corporate Governance Report, as well as the administration of the Board and the President. The auditor presented his audit results and observations to the Board once during 2013. The auditor also participates in the meetings of the Board's Audit Committee. Furthermore, the auditor normally meets with representatives of the Swedish Financial Supervisory Authority during the fiscal year. The auditor reviews Länsförsäkringar Bank's six-month accounts and year-end reports.

## Board of Directors

### Composition of the Board of Directors

The Board of Directors of Länsförsäkringar Bank is elected by the Annual General Meeting and, in accordance with the Articles of Association, is to consist of between six and nine Board members elected by the Annual 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, Executive Vice President 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.

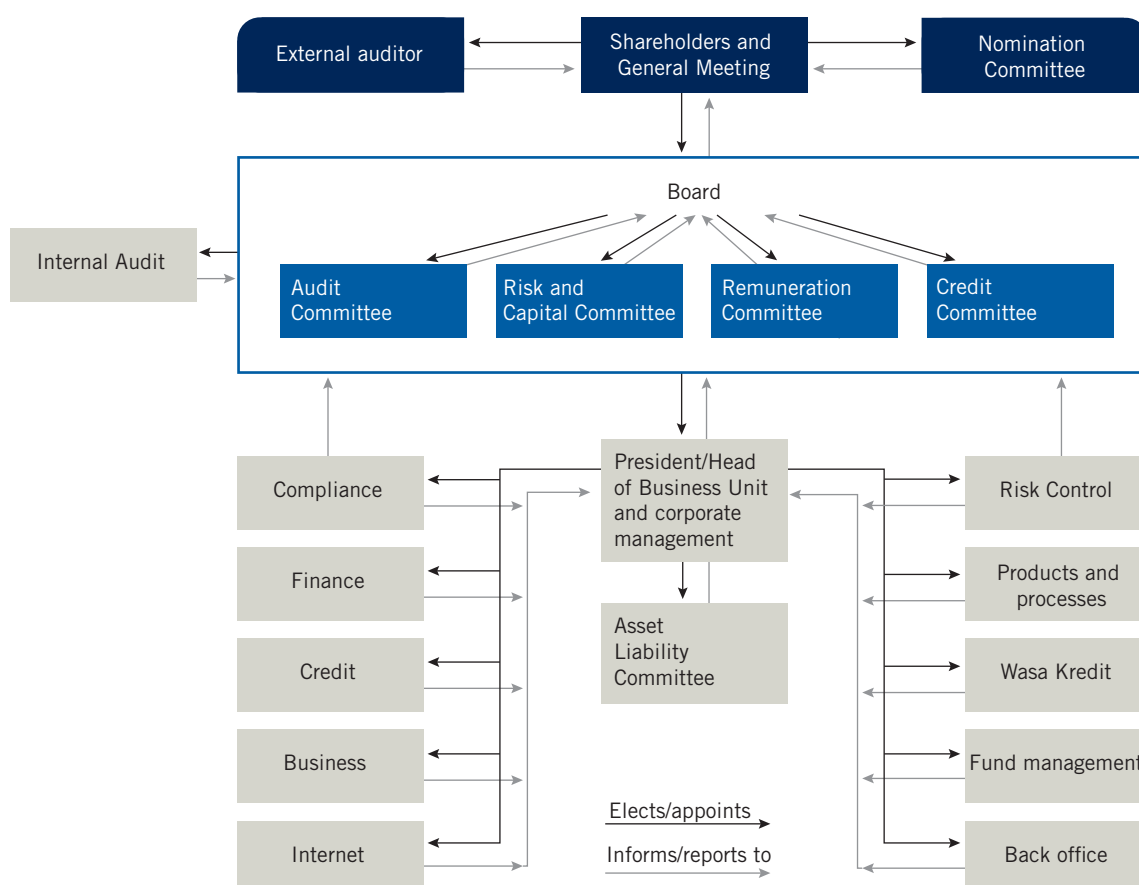
The Board currently comprises ten members and one deputy. Eight of the members were elected by the Annual General Meeting. Two regular members and one deputy were appointed by the trade-union organisations. A presentation of the Board members can be found on page 86.

### Board responsibilities and delegation 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 control and risk management.

Annually, 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

## LÄNSFÖRSÄKRINGAR BANK'S GOVERNANCE STRUCTURE



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, and disqualification.

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, the Board has established that financial reporting is to take place through regular Board meetings.

The Board is also to regularly manage and evaluate the company's and the Group's risk development and risk management. During the year, the Board regularly reviews the company's earnings and sales trends, financial position and risk trends in relation to the business plan and forecasts. The Board receives regular reports from Compliance, Risk Control and Internal Audit. The Board continuously monitors current matters with authorities.

#### 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 has established the company's and the Group's operational structure and clarified the distribution of work duties between the various units and executives in the company and the Group.

In addition to the Board's formal work plan and the company directive, at least once a year the Board establishes its directive for the President as well as a large number of governance documents for the operations.

The Board has established an Audit Committee, a Remuneration Committee, a Risk and Capital Committee and a Credit Committee. The duties of the Committees are determined by the Board in its formal work plan or in separate directives. 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 established at the first scheduled meeting following the Annual General Meeting for the next 18-month period. 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.

During 2013, the Board devoted particular attention to such issues as the new capital adequacy rules and their impact on the operations and the banking operation's future strategy.

The number of Board meetings and members' attendance at these are presented in the table below.

#### Evaluation of the Board's work

Every year, the Board Chairman initiates an evaluation of the Board's work. The 2013 evaluation was based on an electronic

survey completed by the Board members. The results were compiled, reported to and discussed by the Board.

#### Audit Committee

The Audit Committee is responsible for preparing the Board's work in the following areas:

- Monitoring and quality-assuring the company's and Group's financial reporting.
- Monitoring the efficiency of the company's and the Group's internal governance and control.
- The direction, scope and coordination of the Internal Audit function's work.
- Studying the external auditors' observations and evaluating the work, impartiality and independence of the external auditors.
- Outsourced operations.

At the statutory Board meeting following the 2013 Annual General Meeting, Ingemar Larsson was appointed Chairman and Sten Dunér and Bengt-Erik Lindgren were appointed members of the Audit Committee. Ingrid Jansson was appointed a new member of the Audit Committee in December 2013.

The number of Audit Committee meetings and members' attendance at these meetings are presented below.

#### Remuneration Committee

The Remuneration Committee is to prepare issues on remuneration of the President and other members of corporate management

### Meetings and attendance of the Board

The table below shows the number of meetings held in each body since the 2013 Annual General Meeting until December 2013, and the attendance by each Board member:

	Board of Directors	Audit Committee	Remuneration Committee	Risk and Capital Committee	Credit Committee
<b>Total number of meetings</b>	<b>9</b>	<b>6</b>	<b>2</b>	<b>4</b>	<b>4</b>
Sten Dunér	9	5	2	4	3
Christian Bille	9			1	4
Ingrid Ericson	7				
Per-Åke Holgersson	8				
Ingrid Jansson	8				
Ingemar Larsson	9	6	2	3	4
Bengt-Erik Lindgren	8	6			1
Susanne Petersson	9				
Max Rooth	9				
Örian Söderberg	9			3	4
Torleif Carlsson, deputy	5				

and employees with overall responsibility for any of the company's control functions, as well as prepare decisions for measures to monitor application of the remuneration policy.

At the statutory Board meeting following the 2013 Annual General Meeting, Sten Dunér was appointed Chairman, and Ingemar Larsson was appointed member of the Remuneration Committee.

The number of Remuneration Committee meetings and members' attendance at these meetings are presented in the table on page 23.

#### 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 Bank Group's level of risk and capital requirements. The Board subsequently makes decisions on these issues.

At the statutory Board meeting following the 2013 Annual General Meeting, Sten Dunér was appointed Chairman, and Ingemar Larsson, Christian Bille and Örian Söderberg were appointed members of the Risk and Capital Committee.

The number of Risk and Capital Committee meetings and members' attendance at these meetings are presented in the table on page 23.

#### 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.

At the statutory Board meeting following the 2013 Annual General Meeting, Sten Dunér was elected Chairman, and Ingemar Larsson, Bengt-Erik Lindgren, Christian Bille, Örian Söderberg and Rikard Josefson were appointed members of the Credit Committee.

The number of Credit Committee meetings and members' attendance at these meetings are presented in the table on page 24.

#### President and corporate management

Rikard Josefson has served as the President of Länsförsäkringar Bank AB since June 2011. Rikard Josefson was born in 1965 and has worked in the banking sector since 1986.

The organisational structure of the Bank Group is divided into departments. In addition,

there are three control functions: Risk Control, Compliance and Internal Audit. To ensure that the operations of each subsidiary comply with the overall objectives for the Bank Group, the President is the head of the Bank business unit of the Länsförsäkringar AB Group and also, as a general rule, the Chairman of the Board of Länsförsäkringar Bank's subsidiaries.

Corporate management consists of the President and the managers of the departments. Management discusses and decides on matters pertaining to the business unit. The influence of trade-union organisations at Group level is also ensured through management.

The President has established a committee called the Asset Liability Committee (ALCO) to address capital and finance issues. The members of this Committee are appointed by the President. The Committee is governed by a separate instruction.

#### Control functions

##### Internal Audit

The Board appointed an internal audit function independent from the operating activities, with the primary task of ensuring that the scope and direction of the operations agree with the guidelines issued by the Board and that the operations are being conducted towards the targets established by the Board. The internal audit function is also responsible for examining and assessing the organisation of Länsförsäkringar Bank, its procedures, governance and control of the operations. The Board has adopted a separate instruction for the Internal Audit function. This function reports to the Board of Länsförsäkringar Bank.

##### Compliance

The role of compliance is to provide support and control for ensuring that the operations comply with regulatory requirements. The function is to identify and provide information about such issues as risks that may arise due to lack of regulatory compliance, assist in the formulation of internal rules, monitor regulatory compliance and ensure that the operations are informed about new and amended regulations. Compliance risks and action taken are to be regularly reported to the President and Board of Länsförsäkringar Bank and its subsidiaries. Compliance also has a function for counter-acting money laundering.

##### Risk Control

Risk Control is a function for the control and analysis of all of the Bank Group's risks. Risk Control has an independent position in relation to the corporate operations that it controls. Risks and action taken are to be continuously reported to the President and Board of the companies included in the business unit.

#### Deviations from the Code

Länsförsäkringar Bank complies with the applicable sections of the Swedish Code of Corporate Governance taking into consideration that Länsförsäkringar Bank is not a stock-market company. The major deviations from the provisions of the Code and explanations for such deviations are presented below.

##### Nomination Committee and holding of Annual General Meeting

Deviation from the provisions of the Code occurs with respect to the fact that Länsförsäkringar Bank is not a stock-market company and has only one shareholder. For more information, see the section "Shareholders and General Meeting" on page 21.

##### Composition of Board of Directors

Deviation from the provisions of the Code occurs regarding independence of Board members and Committee members. According to the instruction for the Nomination Committee, the Board of Directors is to be appropriately composed with respect to Länsförsäkringar Bank's operations, stage of development and other circumstances, and be characterised by diversity and breadth in terms of the members' competencies, experience and background. It has been decided that these requirements can be fulfilled within the framework of the Länsförsäkringar Alliance.

##### Period of 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.

## Board's report on internal control of financial reporting

Internal control over financial reporting (ICFR) is part of the Group's governance process. ICFR is defined as a process carried out by the Board, management and operations. The process is designed to provide reasonable assurance of the reliability of the financial reporting and ensure that the financial reports comply with applicable laws and regulations and generally accepted accounting principles. The process ensures the Group's ability to identify, measure, monitor and manage risks. The internal control process encompasses all parts of the organisation, including outsourced activi-

ties, and is to be an integral part of each of the Group's operations.

A project is ongoing to strengthen the internal governance and control of financial reporting. The method is based on the established COSO model (Internal Control – Integrated Framework, by the Committee of Sponsoring Organizations of the Treadway Commission) and its five framework components: control environment, risk assessment, control activities, information and communication, and monitoring. The diagram below illustrates the Group's ICFR structure.

In 2013, efforts to implement the ICFR framework were conducted in project form. All elements of the framework were implemented during the year, with the exception of monitoring internal and external control systems. The operations commenced reporting in 2013, and unexpired risk reporting was evaluated by the Group's CFO and Audit Committee. As of 2014, the report will be submitted quarterly to the Audit Committee and both internal and external auditors, who will examine the framework and selected processes.



## Five-year summary for the Group

SEK M	2013	2012	2011	2010	2009
<b>INCOME STATEMENT</b>					
Interest income	9,488.7	10,429.0	9,529.8	5,634.4	5,320.7
Interest expense	-7,258.3	-8,357.9	-7,801.5	-4,271.6	-4,172.4
<b>Net interest income</b>	<b>2,230.4</b>	<b>2,071.1</b>	<b>1,728.3</b>	<b>1,362.8</b>	<b>1,148.3</b>
Net commission expense	-252.9	-384.9	-416.2	-173.4	-109.6
Dividends received	0.1	0.0	0.0	0.2	0.0
Net gains / losses from financial items	-85.7	5.4	9.9	10.0	100.5
Other operating income	211.8	190.3	197.6	168.8	147.5
<b>Total operating income</b>	<b>2,103.7</b>	<b>1,881.9</b>	<b>1,519.6</b>	<b>1,368.4</b>	<b>1,286.7</b>
General administration expenses	-1,216.4	-1,133.3	-1,003.1	-899.2	-916.9
Depreciation/amortisation	-114.2	-101.6	-82.9	-82.3	-75.5
<b>Total expenses before loan losses</b>	<b>-1,330.6</b>	<b>-1,234.9</b>	<b>-1,086.0</b>	<b>-981.5</b>	<b>-992.4</b>
<b>Profit before loan losses</b>	<b>773.1</b>	<b>647.0</b>	<b>433.6</b>	<b>386.9</b>	<b>294.3</b>
Loan losses, net	-126.4	-91.3	-48.2	-41.6	-36.6
<b>Profit from participations in associated companies</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit from banking operations/Operating profit</b>	<b>646.8</b>	<b>555.7</b>	<b>385.4</b>	<b>345.3</b>	<b>257.7</b>
Tax	-168.0	-122.7	-87.6	-100.0	-79.9
<b>Net profit for the year</b>	<b>478.8</b>	<b>433.0</b>	<b>297.8</b>	<b>245.3</b>	<b>177.8</b>
<b>BALANCE SHEET</b>					
Cash and balances with central banks	108.5	109.4	66.9	84.8	80.5
Treasury bills and other eligible bills	4,881.4	5,222.3	8,341.5	4,170.0	1,999.8
Loans to credit institutions	5,957.9	2,852.9	1,706.1	1,529.8	3,215.9
Loans to the public	162,003.2	149,941.9	134,011.3	117,910.2	99,581.6
Bonds and other interest-bearing securities	35,200.6	32,684.7	20,628.2	21,203.3	22,701.1
Shares and participations	87.8	11.0	10.4	10.4	10.4
Shares and participations in associated companies	1.1	0.0	-	-	-
Derivatives	1,077.0	1,874.8	1,566.7	1,041.9	1,231.9
Fair value changes of interest-rate-risk hedged items in portfolio hedge	550.8	878.1	709.9	140.6	767.9
Intangible assets	397.1	445.8	438.6	372.7	329.8
Property and equipment	11.6	9.2	9.7	13.1	18.1
Deferred tax assets	9.2	12.3	6.0	3.1	2.2
Other assets	571.1	558.6	251.2	254.4	265.0
Prepaid expenses and accrued income	2,601.5	2,558.2	2,309.9	1,799.5	1,092.4
<b>Total assets</b>	<b>213,458.8</b>	<b>197,159.2</b>	<b>170,056.4</b>	<b>148,533.8</b>	<b>131,296.6</b>
Due to credit institutions	1,599.9	1,062.9	2,192.0	5,212.3	21,232.4
Deposits and funding from the public	69,220.0	62,396.3	49,610.2	41,590.1	37,365.0
Debt securities in issue	123,634.9	114,263.3	101,279.5	89,248.0	62,016.2
Derivatives	2,780.3	3,104.0	2,458.2	2,093.6	1,195.2
Fair value changes of interest-rate-risk hedged items in portfolio hedge	645.9	2,176.6	1,836.6	-392.4	762.1
Deferred tax liabilities	143.7	83.1	58.7	72.9	65.3
Other liabilities	739.9	1,282.4	991.2	780.6	652.6
Accrued expenses and deferred income	4,090.2	4,112.2	3,791.6	3,130.9	2,046.0
Provisions	15.9	16.8	16.3	18.9	17.6
Subordinated liabilities	2,299.7	1,489.7	1,489.7	1,250.0	1,250.0
Equity	8,288.4	7,171.9	6,332.4	5,528.9	4,694.2
<b>Total liabilities and equity</b>	<b>213,458.8</b>	<b>197,159.2</b>	<b>170,056.4</b>	<b>148,533.8</b>	<b>131,296.6</b>
<b>KEY FIGURES</b>					
Return on equity, %	6.7	6.3	4.8	5.0	4.2
Return on total capital, %	0.31	0.30	0.24	0.24	0.22
Investment margin, %	1.06	1.11	1.07	0.93	0.96
Cost/income ratio before loan losses	0.63	0.66	0.71	0.72	0.76
Cost/income ratio after loan losses	0.69	0.70	0.75	0.75	0.80
Core Tier 1 ratio according to Basel II, %	14.7	13.1	11.5	11.1	11.6
Core Tier 1 ratio according to transition rules, %	8.4	7.6	7.6	7.7	7.7
Core Tier 1 ratio according to Basel III <sup>1)</sup> , %	14.4	-	-	-	-
Tier 1 ratio according to Basel II, %	14.7	13.7	12.1	11.8	12.5
Tier 1 ratio according to transition rules, %	8.4	7.9	8.0	8.2	8.2
Tier 1 ratio according to Basel III <sup>1)</sup> , %	14.4	-	-	-	-
Capital adequacy ratio according to Basel II, %	18.7	15.6	14.0	13.5	14.8
Capital adequacy ratio according to transition rules, %	10.6	9.1	9.3	9.4	9.7
Capital adequacy ratio according to Basel III <sup>1)</sup> , %	19.1	-	-	-	-
Percentage of impaired loans, %	0.23	0.19	0.17	0.17	0.21
Reserve ratio in relation to loans, %	0.25	0.21	0.21	0.24	0.30
Loan losses in relation to lending, %	0.08	0.06	0.04	0.03	0.04

<sup>1)</sup> According to Länsförsäkringar Bank's current interpretation of the regulations.

# Consolidated financial statements

Income statement .....	28	<b>Note 23</b> Bonds and other interest-bearing securities .....	58
Statement of comprehensive income.....	28	<b>Note 24</b> Shares and participations.....	58
Balance sheet .....	28	<b>Note 25</b> Shares and participations in associated companies.....	58
Cash-flow statement .....	29	<b>Note 26</b> Derivatives .....	59
Statement of changes in shareholders' equity .....	30	<b>Note 27</b> Fair value changes of interest-rate-risk hedged items in portfolio hedge.....	59
<b>Note 1</b> Company information .....	31	<b>Note 28</b> Intangible assets.....	59
<b>Note 2</b> Accounting policies .....	31	<b>Note 29</b> Property and equipment .....	60
<b>Note 3</b> Risks and capital adequacy.....	39	<b>Note 30</b> Deferred tax assets and tax liabilities.....	60
<b>Note 4</b> Segment reporting.....	53	<b>Note 31</b> Other assets .....	60
<b>Note 5</b> Interest income .....	54	<b>Note 32</b> Prepaid expenses and accrued income .....	60
<b>Note 6</b> Interest expense .....	54	<b>Note 33</b> Due to credit institutions .....	60
<b>Note 7</b> Dividends received .....	54	<b>Note 34</b> Deposits from the public .....	61
<b>Note 8</b> Commission income .....	54	<b>Note 35</b> Debt securities in issue .....	61
<b>Note 9</b> Commission expense.....	54	<b>Note 36</b> Other liabilities.....	61
<b>Note 10</b> Net gains from financial items .....	54	<b>Note 37</b> Accrued expenses and deferred income.....	61
<b>Note 11</b> Other operating income .....	54	<b>Note 38</b> Provisions .....	61
<b>Note 12</b> Employees, staff costs and remuneration of senior executives .....	54	<b>Note 39</b> Subordinated liabilities.....	62
<b>Note 13</b> Other administration expenses .....	56	<b>Note 40</b> Assets and liabilities, foreign currency .....	62
<b>Note 14</b> Remuneration of auditors .....	56	<b>Note 41</b> Equity according to the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) .....	62
<b>Note 15</b> Operational leasing.....	56	<b>Note 42</b> Pledged assets, contingent liabilities and commitments .....	62
<b>Note 16</b> Depreciation/amortisation and impairment of property and equipment/intangible assets .....	56	<b>Note 43</b> Financial assets and liabilities by category .....	63
<b>Note 17</b> Loan losses, net.....	56	<b>Note 44</b> Fair value valuation techniques .....	64
<b>Note 18</b> Taxes .....	57	<b>Note 45</b> Information about offsetting .....	65
<b>Note 19</b> Treasury bills and other eligible bills.....	57	<b>Note 46</b> Disclosures on related parties, pricing and agreements .....	65
<b>Note 20</b> Loans to credit institutions.....	57	<b>Note 47</b> Events after balance-sheet date.....	65
<b>Note 21</b> Loans to the public .....	57		
<b>Note 22</b> Financial leasing.....	58		

## Consolidated income statement

SEK M	Note	2013	2012
Interest income	5	9,488.7	10,429.0
Interest expense	6	-7,258.3	-8,357.9
<b>Net interest income</b>		<b>2,230.4</b>	<b>2,071.1</b>
Dividends received	7	0.1	0.0
Commission income	8	1,140.0	984.2
Commission expense	9	-1,392.9	-1,369.1
Net gains / losses from financial items	10	-85.7	5.4
Other operating income	11	211.8	190.3
<b>Total operating income</b>		<b>2,103.7</b>	<b>1,881.9</b>
Staff costs	12	-426.6	-397.0
Other administration expenses	13, 14, 15	-789.8	-736.7
<b>Total administration expenses</b>		<b>-1,216.4</b>	<b>-1,133.7</b>
Depreciation/amortisation and impairment of property and equipment/intangible assets	16	-114.2	-101.6
<b>Total operating expenses</b>		<b>-1,330.6</b>	<b>-1,235.3</b>
<b>Profit before loan losses</b>		<b>773.1</b>	<b>646.6</b>
Loan losses, net	17	-126.4	-91.3
<b>Profit from participations in associated companies</b>		<b>0.1</b>	<b>-</b>
<b>Operating profit</b>		<b>646.8</b>	<b>555.3</b>
Tax	18	-168.0	-122.6
<b>Net profit for the year</b>		<b>478.8</b>	<b>432.7</b>

## Consolidated statement of comprehensive income

SEK M	Note	2013	2012
<b>Net profit for the year</b>		<b>478.8</b>	<b>432.7</b>
<b>Other comprehensive income</b>	41		
<b>Items that may subsequently be transferred to profit and loss</b>			
Reclassification of realised securities		-17.1	-38.4
Change in fair value of available-for-sale financial assets		33.5	-19.2
Tax attributable to items that may subsequently be transferred to profit and loss		-3.6	14.9
<b>Total</b>		<b>12.8</b>	<b>-42.7</b>
<b>Items that cannot be transferred to profit and loss</b>			
Revaluation of defined-benefit pension plans		1.1	-3.3
Tax attributable to items that cannot be reversed to profit and loss		-0.2	0.7
<b>Total</b>		<b>0.9</b>	<b>-2.6</b>
<b>Total other comprehensive income for the year, net after tax</b>		<b>13.7</b>	<b>-45.3</b>
<b>Comprehensive income for the year</b>		<b>492.5</b>	<b>387.4</b>

## Consolidated balance sheet

SEK M	Note	Dec 31, 2013	Dec 31, 2012
<b>ASSETS</b>			
Cash and balances with central banks		108.5	109.4
Treasury bills and other eligible bills	19	4,881.4	5,222.3
Loans to credit institutions	20	5,957.9	2,852.9
Loans to the public	21, 22	162,003.2	149,941.9
Bonds and other interest-bearing securities	23	35,200.6	32,684.7
Shares and participations	24	87.8	11.0
Shares and participations in associated companies	25	1.1	0.0
Derivatives	26	1,077.0	1,874.8
Fair value changes of interest-rate-risk hedged items in portfolio hedge	27	550.8	878.1
Intangible assets	28	397.1	445.8
Property and equipment	29	11.6	9.2
Deferred tax assets	30	9.2	12.3
Other assets	31	571.1	558.6
Prepaid expenses and accrued income	32	2,601.5	2,558.2
<b>TOTAL ASSETS</b>		<b>213,458.8</b>	<b>197,159.2</b>
<b>LIABILITIES AND EQUITY</b>			
Due to credit institutions	33	1,599.9	1,062.9
Deposits and funding from the public	34	69,220.0	62,396.3
Debt securities in issue	35	123,634.9	114,263.3
Derivatives	26	2,780.3	3,104.0
Fair value changes of interest-rate-risk hedged items in portfolio hedge	27	645.9	2,176.6
Deferred tax liabilities	30	143.7	82.9
Other liabilities	36	739.9	1,282.4
Accrued expenses and deferred income	37	4,090.2	4,112.2
Provisions	38	15.9	18.0
Subordinated liabilities	39	2,299.7	1,489.7
<b>Total liabilities</b>		<b>205,170.4</b>	<b>189,988.3</b>
<b>Equity</b>	41		
Share capital		954.9	954.9
Other capital contributed		6,392.5	5,767.5
Reserves		136.9	123.2
Retained earnings		325.3	-107.4
Net profit for the year		478.8	432.7
<b>Total equity</b>		<b>8,288.4</b>	<b>7,170.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>213,458.8</b>	<b>197,159.2</b>
Pledged assets, contingent liabilities and commitments	42		
<b>Other notes</b>			
Company information	1		
Accounting policies	2		
Risks and capital adequacy	3		
Segment reporting	4		
Assets and liabilities, foreign currency	40		
Financial assets and liabilities by category	43		
Fair value valuation techniques	44		
Information offsetting	45		
Disclosures on related parties, pricing and agreements	46		
Events after balance-sheet date	47		

## Consolidated cash-flow statement (indirect method)

SEK M	2013	2012
Cash and cash equivalents, January 1	1,981.3	1,369.7
<b>Operating activities</b>		
Operating profit	646.8	555.7
Adjustment of non-cash items	153.1	168.8
<i>Change in assets of operating activities</i>		
Change in treasury bills and other eligible bills	319.1	2,762.1
Change in loans to credit institutions	82.1	-413.7
Change in loans to the public	-12,159.1	-15,997.5
Change in bonds and other interest-bearing securities	-2,766.9	-11,836.1
Change in derivatives	-13.3	-72.8
Change in other assets	-12.6	-307.4
<i>Change in liabilities of operating activities</i>		
Change in due to credit institutions	531.5	-1,293.2
Change in deposits and funding from the public	6,823.8	12,786.1
Change in debt securities in issue	8,776.3	13,821.6
Change in other liabilities	-214.9	451.3
Change in derivatives	133.1	-105.1
<b>Cash flow from operating activities</b>	<b>2,299.0</b>	<b>519.8</b>
<b>Investing activities</b>		
Purchase of property and equipment	-7.0	-5.5
Divestment of property and equipment	-	-
Acquisition of intangible assets	-49.5	-102.8
Divestment of other financial assets	-76.9	-0.5
<b>Cash flow from investing activities</b>	<b>-133.4</b>	<b>-108.8</b>
<b>Financing activities</b>		
Shareholders' contribution received	625.0	742.0
Group contribution paid	-397.4	-563.8
Subordinated debt received	787.6	22.4
Amortisation of subordinated debt	-	-
<b>Cash flow from financing activities</b>	<b>1,015.2</b>	<b>200.6</b>
<b>NET CASH FLOW FOR THE YEAR</b>	<b>3,180.8</b>	<b>611.6</b>
Cash and cash equivalents, December 31	5,162.1	1,981.3

SEK M	2013	2012
<b>Non-cash items</b>		
Depreciation of property and equipment/amortisation of intangible assets	102.8	101.6
Depreciation of property and equipment and intangible assets	-	-
Unrealised portion of net gains from financial items	25.1	-72.5
Impairment of surplus values	2.3	2.3
Loan losses, excluding recoveries	95.5	64.6
Change in accrued expense/income	-71.7	72.3
Provisions	-0.9	0.5
<b>Total non-cash items</b>	<b>153.1</b>	<b>168.8</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and balances with central banks	108.5	109.4
Loans to credit institutions	5,443.0	2,256.0
Due to credit institutions	-389.5	-384.0
<b>Total cash and cash equivalents</b>	<b>5,162.0</b>	<b>1,981.4</b>
Interest received	9,542.2	10,112.9
Interest paid	7,350.8	8,164.7
Gross investments	-56.5	108.3
Income tax paid	-	-

Cash and cash equivalents is defined as cash and balance at central banks, lending and due to credit institutions payable on demand, as well as overnight loans and investments with the Riksbank that mature on the following banking day.

## Consolidated statement of changes in shareholders' equity

SEK M	Share capital	Other capital contributed	Fair value reserve	Defined-benefit pension plans	Retained earnings	Net profit for the year	Total
<b>Opening balance, January 1, 2012</b>	<b>954.9</b>	<b>5,025.5</b>	<b>168.5</b>	<b>–</b>	<b>–114.3</b>	<b>297.8</b>	<b>6,332.4</b>
Adjustment for retrospective application of amended IAS 19					1.9		1.9
Adjusted opening balance, January 1, 2012	954.9	5,025.5	168.5		–112.4	297.8	6,334.3
Net profit for the year						432.7	432.7
Other comprehensive income for the year			–42.7	–2.6			–45.3
<i>Comprehensive income for the year</i>			–42.7	–2.6		432.7	387.4
Resolution by Annual General Meeting					297.8	–297.8	0.0
Group contribution paid					–397.4		–397.4
Tax on Group contribution paid					104.6		104.6
Conditional shareholders' contribution received		742.0					742.0
<b>Closing balance, December 31, 2012</b>	<b>954.9</b>	<b>5,767.5</b>	<b>125.8</b>	<b>–2.6</b>	<b>–107.4</b>	<b>432.7</b>	<b>7,170.9</b>
<b>Opening balance, January 1, 2013</b>	<b>954.9</b>	<b>5,767.5</b>	<b>125.8</b>	<b>–2.6</b>	<b>–107.4</b>	<b>432.7</b>	<b>7,170.9</b>
Net profit for the year						478.8	478.8
Other comprehensive income for the year			12.8	0.9			13.7
<i>Comprehensive income for the year</i>			12.8	0.9		478.8	492.5
Resolution by Annual General Meeting					432.7	–432.7	0.0
Group contribution paid						–	–
Tax on Group contribution paid						–	–
Conditional shareholders' contribution received		625.0					625.0
<b>Closing balance, December 31, 2013</b>	<b>954.9</b>	<b>6,392.5</b>	<b>138.6</b>	<b>–1.7</b>	<b>325.3</b>	<b>478.8</b>	<b>8,288.4</b>

### Other capital contributed

Refers to equity that has been provided by the owners.

### Reserves

The reserves comprise the accumulated net change in fair value of available-for-sale financial assets until the asset is derecognised from the balance sheet. Any impairment losses are recognised in profit and loss.

### Retained earnings, including net profit for the year

Retained earnings, including net profit for the year, includes profit in the Parent Company and subsidiaries. Paid or received Group contributions after tax are also included.

## Notes to the consolidated financial statements

All figures in SEK M unless otherwise stated

### 1 COMPANY INFORMATION

The consolidated financial statements for Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) were presented on December 31, 2013. Länsförsäkringar Bank AB is a bank registered in Sweden, with its registered office in Stockholm. The address of the head office is Tege-luddsvägen 11–13, Stockholm, Sweden. The company is a wholly owned subsidiary of Länsförsäkringar AB (publ) (Corp. Reg. No. 556549-7020) 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 consolidated financial statements for Länsförsäkringar Bank AB (publ) were approved by the Board and President for publication on February 20, 2014. Final approval of the Annual Report will be made by the Parent Company's Annual General Meeting on May 12, 2014.

### 2 ACCOUNTING POLICIES

#### Compliance with standards and legislation

The consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of these standards issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the Swedish Financial Reporting Board's (the Reporting Board) recommendation RFR 1 Supplementary Accounting Rules for Groups and the Reporting Board's statements, certain supplementary regulations in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and the regulations and general advice of the Swedish Financial Supervisory Authority regarding annual accounts for credit institutions and securities companies (FFFS 2008:25, including amendment regulations) 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 Swedish Annual Accounts Act and the Pension Obligations Vesting Act and in certain cases for tax reasons.

#### 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 reporting 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 Swedish kronor. 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 note 44, or when fair value hedge accounting is applied. Financial assets and liabilities measured at fair value comprise derivative instruments, financial instruments classified as financial assets and financial liabilities measured at fair value in profit and loss or as available-for-sale financial assets. The accounting policies for the Group stated below have been applied to all periods presented in the consolidated financial statements, unless otherwise stated.

#### Judgements and estimates

The preparation of accounts in accordance with IFRS requires that management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities presented in the accounts. These judgements and estimates are based on historical experiences and the best information available on the balance-sheet date. The actual outcome may deviate from these judgements and estimates. Estimates and assumptions 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 the period in question and future periods.

#### Critical judgements made in the application of 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:

- The selection of categories and valuation techniques for financial instruments. These are described in the paragraph below on financial instruments.
- The Group's remuneration to the regional insurance companies, which the Group has opted to recognise as commission expense. The regional insurance companies are compensated for their work with Länsförsäkringar Bank's customer-related matters in each of the regional insurance companies' geographic areas. See note 9 Commission expense.

#### Significant sources of estimation uncertainty

Significant sources of uncertainty in estimates mainly comprise impairment requirements for loan losses. Loans identified on an individual basis as impaired, and accordingly on which impairment losses are to be recognised, are measured at the present value of future cash flows discounted by the original effective rate. Information and data collated under the framework of the Group's Internal Ratings-based Approach model are firstly used as support in making estimates of expected future cash flows. Such information is adjusted to a number of factors to provide a neutral estimate of expected cash flows. Secondly, other models are used based on historical experience. Any impairment requirements on loans that are not deemed to require individual impairment loss recognition are identified and assessed collectively. Firstly, a method is used which is based on the information collated and processed under the framework of capital adequacy work, and secondly, estimates are based on historical values and experience-based adjustments of these values to the current situation. Determining that a loss event has occurred for a group of receivables entails higher uncertainty since several different events may have an impact. For a more detailed description, see the section Loans and credit quality on page 10.

#### Changed accounting policies caused by new or amended IFRS and interpretations

The amendments applied by the Group since January 1, 2013 are described below. Other amendments to IFRS applicable from 2013 did not have any significant effect on the consolidated financial statements.

#### Disclosures – Financial instruments

According to the amended IFRS 7, disclosure is to be provided for financial assets and liabilities that have been offset in the balance sheet, see note 45.

## Presentation of statements of comprehensive income

IAS 1 Presentation of Financial Statements. This amendment pertains to the presentation of items in other comprehensive income. The items are to be divided into two categories: items that can be reclassified to net profit for the period and items that cannot be restated in net profit for the period. Examples of items that may subsequently be transferred to profit and loss are translation differences and gains/loss on cash-flow hedges. Items that cannot be transferred are revaluations of defined-benefit pension plans and fair value. Comparative figures are presented according to the new presentation format.

## Defined-benefit pensions

Effective January 1, 2013, the Group changed from recognising actuarial gains and losses according to the corridor method to recognising them in their entirety in other comprehensive income in the period in which they arise, according to IAS 19 Employee Benefits.

The changes were applied retrospectively in accordance with IAS 8 and impacted the financial statements for the current period, the preceding period and accumulated at the start of the comparative period as follows:

SEK M	2012
Change in actuarial gains/loss in other comprehensive income	-3.3
Change in tax attributable to items recognised in other comprehensive income	0.7
Change in comprehensive income for the year	-2.6

SEK M	Dec 31, 2012	Jan 1, 2012
Change in pension commitments	-2.2	-2.6
Change in deferred tax assets	0.5	0.7
Change in reserves	1.7	1.9

## Fair value measurement

From January 1, 2013, the Group applies IFRS 13 Fair Value Measurement. This framework contains a fair value hierarchy comprising three levels of inputs for valuation techniques. The Group started applying this standard before it came into effect, see note 44 Fair value valuation techniques, which means that it will not have any discernible effect on the reporting. The Group has CSA agreements with all derivative counterparties, meaning that the credit risk is small.

## New IFRS and interpretations that have not yet taken effect

The new or amended standards and interpretations described below will not take effect until the next fiscal year, and have not been applied in advance when preparing these financial statements.

- Amended IAS 32 Financial instruments: Presentation This amendment clarifies the principles for offsetting financial assets and liabilities. Assets and liabilities may only be offset in the balance sheet when a legally enforceable right to set off the amounts exists and the intention is to settle the item on a net basis, or to realise the asset and settle the liability simultaneously. The amendment is to be applied to fiscal years beginning on or after January 1, 2014 with retrospective application. Amendment approved by the EU.
- The amendment of IAS 39 (Novation of Derivatives and Continuation of Hedge Accounting) entails that companies can continue with hedge accounting despite the counterparty of the derivative contract having changed due to legislation. The reason for this amendment of OTC derivatives is that the rules have been changed in many countries making it necessary to "novate" certain OTC derivatives to a central counterparty. The amendment is to be applied to fiscal years beginning on or after January 1, 2014 with retrospective application. (The amendment was approved by the EU in the fourth quarter of 2013).
- IFRS 9 Financial Instruments: The IASB has published the first parts of what will jointly comprise the final version of IFRS 9. The first part addresses the classification and measurement of financial assets. The categories of financial assets under IAS 39 will be replaced by two categories: measured at fair value or amortised cost. Amortised cost is to be utilised

for instruments held as part of a business model, the goal of which is to collect the contractual cash flows. These cash flows are to comprise payments of principal and interest on the principal outstanding on specified dates. Other financial assets are to be measured at fair value and the fair value option under IAS 39 will be retained. Changes in fair value are to be recognised in profit, except for changes in the value of equity instruments that are not held for trading and for which a decision has been made to initially recognise the changes in value in other comprehensive income. In November 2012, the IASB published a proposal for changes to the adopted rules for the classification and measurement of financial assets. According to these proposed amendments, which have not yet been adopted, a company is to measure its financial instruments at fair value via other comprehensive income under certain conditions. The IASB has also published the parts of IFRS 9 that pertain to the classification and measurement of financial liabilities.

In November 2013, the IASB published the section of IFRS 9 that addresses hedge accounting. The purpose of this section is to increase the usability of financial statements by relaxing the current hedge accounting requirements provided in IAS 39. The effectiveness requirement of 80-125% currently prescribed by IAS 39 has been removed, as has the requirement for retrospective effectiveness testing, although the prospective effectiveness testing remains in place. Effectiveness testing can be either quantitative or qualitative. IFRS 9 also provides the option of hedging an aggregated exposure (a combination of a derivative and another exposure that may be designated as a hedged item), which was not possible under IAS 39. Certain ineffectiveness, called "cost of hedging," can be recognised in other comprehensive income and includes: change in foreign-currency basis spread, the time value component of options and the forward element of forwards.

The IASB plans to complete the work on correcting the adopted rules for classification and measurement of financial assets, and the ongoing work on new rules for the recognition of expected loan losses during the first half of 2014. The effective date has not yet been decided, but the IASB has announced that it will not be until at least January 1, 2017. The EU has not yet approved IFRS 9 and, accordingly, advance application of this standard is not permitted.

On December 31, 2013, the Group had treasury bills and other eligible bills, as well as bonds and other interest-bearing securities valued at a carrying amount of SEK 40,082.0 M, of which SEK 384.7 M comprises accumulated changes in fair value. Most of these items are subject to hedge accounting. Any reclassification to amortised cost will be made prospectively, as stipulated by the regulations, which means that previously accrued earnings will not be affected. A decision regarding reclassification will not be made until the new hedge accounting regulations have been adopted by the EU. Under IFRS 9, financial liabilities measured at fair value are to be recognised in other comprehensive income. The Group's financial liabilities are recognised at amortised cost, which is why changes in the regulations will not have any effect on the reporting.

- IFRS 10 Consolidated Financial Statements regards the rules for consolidated financial statements and SIC 12 when a special purpose entity (SPE) should be consolidated by a reporting enterprise under the consolidation principles. IFRS 10 introduces a new model for the assessment of whether controlling influences exist for all investments that a company has, and standardised consolidation procedures. The amendment will not lead to any change in recognised amounts. IFRS 10 will be applied to fiscal years beginning on or after January 1, 2014.
- IFRS 12 Disclosure of Interests in Other Entities includes disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The aim of this IFRS is to give the reader a description of what type of company the investment refers to and what type of risks that are associated with this kind of investment. Disclosures are also required about the effect of the investment on the Group's earnings, financial position and cash flow. This change will not affect the consolidated financial state-

ments, except possible additional disclosures. IFRS 12 will be applied to fiscal years beginning on or after January 1, 2014.

- Other than those described above, no other new or revised IFRS and interpretations that have not yet come into effect are expected to have any significant effect on the financial statements.

### Description of significant accounting policies

#### Consolidated financial statements

The consolidated financial statements include the Parent Company and all companies in which Länsförsäkringar Bank directly or indirectly holds a controlling influence. A controlling influence means the direct or indirect right to formulate a company's financial and operational strategies in order to receive financial benefits. This usually involves a requirement of more than 50% of the number of votes per participation, although a company also exercises a controlling influence when it has the right to appoint the majority of Board members.

The subsidiaries are consolidated according to the purchase method, entailing that acquisition of a subsidiary is considered to be a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated cost is determined on the basis of an acquisition analysis performed when the acquisition takes place. Intra-Group receivables and liabilities, income and expenses, and unrealised gains or losses arising from intra-Group transactions between Group companies are eliminated in their entirety when the consolidated financial statements are prepared.

#### Shareholders' contributions

Shareholders' contributions are recognised in the consolidated balance sheet as Other capital contributed.

#### Group contributions

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

#### Untaxed reserves

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

#### Related parties

Legal entities closely related to the Länsförsäkringar Bank Group include companies within the Länsförsäkringar AB Group, companies within the Länsförsäkringar Liv Group, the regional insurance companies, associated companies of the Länsförsäkringar AB Group and other related companies, comprising Länsförsäkringar Mäklarservice AB, Länsförsäkringar Fastighetsförmedling AB, Länsförsäkringar PE Holding AB (publ), Humlegården Holding I AB, Humlegården Holding II AB, Humlegården Holding III AB and Humlegården Fastigheter AB. Related key persons are Board members, senior executives and their close family members. The assessment of whether a close relationship exists or not is based on the financial significance of the relationship and not only ownership. Accordingly, this includes the 23 regional insurance companies, with subsidiaries, and 16 local insurance companies, which together own 100% of Länsförsäkringar AB. The Group has been assigned by the regional insurance companies to conduct operations in areas in which economies of scale constitute a decisive competitive advantage and to provide such service to the regional insurance companies, which, for reasons of efficiency, is to be produced and provided jointly within the Länsförsäkringar AB Group.

#### Accounting of associated companies

Associated companies are companies in which the Group has a significant influence, but not a controlling influence, in operational and financial con-

trol, usually through holdings of participations of between 20% and 50% of the number of votes. Participations in associated companies are recognised in the consolidated financial statements in accordance with the equity method from the date on which the significant influence was obtained. The equity method entails that the value of the shares in the associated companies recognised in the Group corresponds to the Group's participations in the associated companies' equity and consolidated goodwill as well as any other remaining values of consolidated surpluses or deficits. Dividends received from associated companies reduce the carrying amount of the investment. The Group's participations in associated companies' net profit after tax and non-controlling interests adjusted for any depreciation/amortisation, impairment or dissolution of acquired surpluses or deficits are recognised in profit and loss.

A difference arising from the acquisition between the cost of the holding and the owner company's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities are recognised in accordance with IFRS 3 Business Combinations.

When the Group's share of recognised losses in the associated company exceeds the carrying amount of the participations in the Group, the value of the participations is reduced to zero. Losses are also deducted against long-term financial balances without collateral, which in their financial significance comprise the portion of the owner company's net investment in the associated company. Continued losses are not recognised unless a company in the Group has provided guarantees to cover losses arising in the associated company. The equity method is applied until the date on which the significant influence ceases. Unrealised gains arising from transactions with associated companies are eliminated to the extent corresponding to the participation in the company owned by the Group. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that no impairment requirement exists.

The reporting dates and accounting policies for associated companies are the same as those applied in the Group.

#### 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 identified executive management as the Group's chief operating decision maker. Accordingly, for the Länsförsäkringar Bank Group, the reports on the earnings of the various segments of the operations that are received by executive management form the basis of segment reporting. The legal Group structure represents the internal reporting to the President of the Bank Group, meaning that each legal entity comprise a 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 market value at the borrowing date and funding by issuing covered bonds.

The Finance Company segment is Wasa Kredit AB, which conducts the Bank Group's leasing operations. The company also offers hire purchase financing and unsecured loans. The Mutual Funds segment is Länsförsäkringar Fondförvaltning AB, which manages 30 funds with different investment orientations.

Pricing between the Group's segments is based on market conditions. Segment information is provided only for the Group in accordance with IFRS 8.

The Group has no single customer that, by itself, accounts for 10% or more of the Group's income and thus meets the information requirements stipulated in item 34 of IFRS 8.

### Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate in effect 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 and loss as exchange-rate gains or exchange-rate losses.

### Income

Income is recognised when:

- the income can be calculated in a reliable manner,
- it is probable that the financial benefits related to the transaction will accrue to the Group,
- the expenses that have arisen and the expenses that remain to complete the service assignment can be calculated in a reliable manner.

Income is measured at the fair value of the amount that has been received or will be received.

### Interest income, interest expense and dividends

Interest income and interest expense presented in the income statement comprise interest on financial assets and liabilities that is valued at amortised cost, including interest on impaired loans, and interest from available-for-sale financial assets.

Interest income from financial assets measured at fair value in profit and loss according to the fair value option is also recognised here. For interest-rate derivatives that hedge financial assets, paid and accrued interest is recognised as interest income, and for interest-rate derivatives that hedge financial liabilities, these are recognised as part of interest expense. Unrealised changes in the value of derivatives are recognised in the item Net gains from financial items. Interest income on receivables and interest expense on liabilities are calculated and recognised through application of the effective interest method or, if it is considered appropriate, through application of a method that results in interest income or interest expense that is a reasonable estimate of the result that would be achieved using a calculation based on the effective interest method.

Interest income and interest expense include, where appropriate, allocated amounts of fees received, which are included in the calculation of effective interest, transaction costs and any discounts and other differences between the original value of the receivable/liability and the amount settled at maturity. Interest expense includes allocated amounts of issue expenses and similar direct transaction costs for loans raised. Dividends from shares and participations are recognised in the item Dividends received once the right to receive payment has been established.

### Commission income and commission expense

Commission income is attributable to various types of services provided to customers. The manner in which the commission income is recognised depends on the purpose for which the fee was charged. The fees are recognised in income in line with the provision of the services or in conjunction with the performance of a significant activity. Fees charged continuously, such as advising fees and financial guarantees, are recognised as income in the period in which the service was provided. Fees charged for significant activities, for example securities commission and card commission, are recognised in income when the activity has been completed. Commission expense is dependent on the transaction and is recognised in the period in which the services are received. Commission expense attributable to financial assets or financial liabilities not measured at fair value in profit and loss comprises commission to the regional insurance companies.

### Net gains from financial items

The item Net gains 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 interest compensation received when customers pay loans prematurely, are recognised in this item. This item also includes realised and unrealised changes in the value of derivative instruments which 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 fair value of hedged items with regard to hedged risk in the fair value hedge. The ineffective portion of the hedging instrument and exchange-rate changes is also recognised as Net gains/losses from financial items. Net profit/loss on transactions measured at fair value in profit and loss does not include interest or dividends. Realised profit and loss is calculated as the difference between the purchase consideration received and the value in the balance sheet at the time of the sale.

Any impairment losses on available-for-sale financial assets are also recognised in this item.

### Other operating income

Income from assignments is recognised when the financial outcome of performed assignments can be reliably calculated and the financial benefits accrue to the Group. Income is measured at the fair value of the amount that has been received or will be received. Income is paid in the form of cash and cash equivalents. Amounts received on behalf of another entity are not included in the Group's income. The criteria for income recognition are applied individually to each transaction.

### Remuneration of employees

#### *Current remuneration*

Current remuneration of employees is calculated without discount and recognised as an expense when the related services are received. The Group recognises the anticipated cost of bonus payments and other variable remuneration when there is a legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

### Remuneration after termination of employment

#### *Pension plans*

The Group utilises defined-contribution and defined-benefit pension plans. These plans are usually financed through payments from the respective Group company. The Group is generally covered by the FTP plan, which does not depend on any payments from employees. Pension commitments are recognised and measured in accordance with IAS 19 Employee Benefits.

#### *Defined-benefit pension plans*

There is only one defined-benefit pension plan in the Bank Group. This is a pension agreement from 2006 for the insurance industry, by which persons born in 1955 or earlier can voluntarily retire from age 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at age 62. The Group's net commitments for defined-benefit pension plans are calculated separately for each plan by making an estimate of the future remuneration that the employees will have earned over their employment in both current and earlier periods. This remuneration is discounted at a present value. The discount rate is the interest rate on the balance-sheet date of a high-quality corporate bond with a term corresponding to that of the Group's pension commitments. When there is no well-functioning market for such corporate bonds, the market interest rate on mortgage bonds with a corresponding term is used instead. The calculation is performed by a qualified actuary by applying the Projected Unit Credit Method. Actuarial gains and losses may arise in conjunction with the determination of the present value of the commitments. These gains and losses arise either because the actual outcome deviates from the earlier assumption or because the assumptions are changed. Revaluation effects comprise actuarial gains and losses. Revaluation effects are recognised in other comprehensive income. The carrying

amount of pensions and similar commitments recognised in the balance sheet corresponds to the present value of the commitments at year-end. When the remuneration in a plan improves, the share of the increased remuneration attributable to the employee's service in previous periods is recognised directly as an expense in profit and loss. When there is a difference between how the pension cost is determined in the legal entity and in the Group, a provision or receivable pertaining to a special employer's contribution based on this difference is recognised. The present value of the provision and the receivable is not calculated.

All expenses for defined-benefit pension plans are recognised as staff costs in operating profit.

Yield tax recognised is continuously recognised in the period to which the tax pertains and is thus not included in the liability calculation. For funded plans, tax is charged on returns on plan assets and is recognised in other comprehensive income. For unfunded or partly unfunded plans, tax is charged on net profit for the year.

#### *Defined-contribution pension plans*

Defined-contribution pension plans are plans according to which the Group 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.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19, this pension plan entails that a company, as a rule, recognises 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 currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is 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.

#### *Remuneration for termination of employment*

An expense for remuneration in conjunction with the termination of employment is recognised only if the Group is demonstrably obligated, without a realistic possibility of revocation, by a formal detailed plan to terminate employment before the normal time. When remuneration is provided as an offer to encourage voluntary redundancy, an expense is recognised if it is probable that the offer will be accepted and the number of employees who may accept the offer can be reliably estimated.

#### *Impairment*

The carrying amounts of the Group's assets are assessed on every balance-sheet date to determine whether there are any indications of impairment. IAS 36 is applied to impairment assessments for assets that are not tested according to any other standard. These include financial assets tested in accordance with IAS 39 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 there is an indication of an impairment requirement, the recoverable amount of the asset is calculated in accordance with IAS 36. An impairment loss is recognised when an estimated recoverable amount falls below the carrying amount of the asset.

#### *Loan losses*

The item Loan losses comprises confirmed and probable loan losses. Confirmed loan losses pertain to the entire receivable when there is no realistic

possibility of recovery. Probable loan losses pertain to impairment for the year for the loan losses based on a calculated recoverable amount when there is an indication that impairment is required. Recoveries comprise reversed amounts of loan losses that were previously recognised as confirmed. Probable loan losses are reversed when no impairment requirement is deemed to exist. Only the Bank Group's share of confirmed loan losses is recognised. The regional insurance companies' share of confirmed loan losses is settled through remuneration to the regional insurance companies and is recognised on the line "Loan losses."

#### *Tax*

Income tax comprises current tax and deferred tax. Income tax is recognised in profit and 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 the application of the tax rates established 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 following temporary differences are not taken into consideration:

- First reporting of assets and liabilities that are not acquisitions of operations and, at the time of the transaction, do not affect recognised or taxable earnings.
- Temporary differences attributable to participations in subsidiaries not expected to be reversed in the foreseeable future.

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 the 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 and shares and participations. Financial liabilities include debt securities in issue, derivatives with negative market value, deposits and accounts payable. The policies of the Group concerning financial risk are described in the section Risk and capital management 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 this in accordance with the instrument's contractual conditions. A financial liability is derecognised from the balance sheet when the rights in the contract are realised, expire or the company loses control of them. A financial liability is derecognised from the balance sheet when the obligation in the contract is met or extinguished in another manner.

Financial assets and financial liabilities 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. This possibility was not utilised in 2012. Business transactions in the monetary, bond and equities markets are recognised in the balance sheet on the transaction 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 recognised as a commitment in note 42.

In genuine repurchase transactions, the asset remains in the balance sheet of the selling party and payments received are recognised as liabilities. Sold securities are recognised as pledged assets. Leased securities remain in the balance sheet as securities and are recognised as pledged assets.

#### *Measurement*

IAS 39 requires that all financial instruments be measured at fair value when recognised in the balance sheet. A transaction cost is added to financial instruments that are not continuously measured at fair value.

The continuous measurement may be at fair value, cost or amortised cost depending on the category to which the instrument belongs, see the section Classification below. For instruments that are not continuously measured at fair value, there is the option of selecting fair value as the measurement policy, known as the fair value option. The company did not utilise this policy in 2013.

#### *Methods for determining fair value*

##### *Financial instruments listed on an active market*

For financial instruments listed on an active market, fair value is determined based on the listed buying-rate of the asset on the balance-sheet date with no additions for transaction costs, for example, brokerage commission, on the acquisition date. A financial instrument is considered to be listed on an active market if listed prices are readily available on an exchange, from a trader, broker, industry organisation, company providing up-to-date price information or regulatory authority, and these prices represent actual and regularly occurring market transactions based on commercial terms. Any future transaction costs arising in conjunction with divestments are not taken into account. The fair value of financial liabilities is determined based on the listed selling rate. Instruments listed on an active market are found under the balance-sheet items Treasury bills and other eligible bills and Bonds and other interest-bearing securities. The largest portion of the company's securities holding is assigned a fair value at prices listed on an active market.

##### *Financial instruments not listed on an active market*

If the market for a financial instrument is not active, the company determines the fair value by using a valuation technique. The valuation techniques applied are based on market data as far as possible, whereas company-specific information is used as little as possible. The company regularly calibrates its valuation techniques and tests their validity by comparing the outcomes of the valuation techniques with prices from observable, relevant market transactions in the same or similar instruments. Valuation techniques are used for derivative instruments (OTC derivatives). The valuation techniques used for OTC derivatives comprise analyses of discounted cash flows.

The valuation techniques applied are calibrated such that on initial recognition the fair value amounts to the transaction price and changes in fair value are subsequently recognised continuously based on changes that occur in the underlying market-risk parameters.

Holdings of unlisted equities are recognised at cost for cases in which it is not possible to determine fair value reliably. The reason that it may not be possible to measure the fair value of these holdings reliably is that corporate management believes that uncertainty surrounding future cash flows and the risk adjustment required to the discount rate is too great. The company does not intend to divest its unlisted equities in the near future. The carrying amount of unlisted equities whose fair values could not be reliably measured totals SEK 11.0 M (10.4).

#### *Classification*

A financial instrument is classified on initial recognition on the basis of the purpose of the acquisition of the instrument, but also on the options

contained in IAS 39. The classification determines how the financial instrument is measured after the initial recognition as described below.

#### *Financial assets measured at fair value in profit and loss*

This category comprises two sub-groups: Financial assets held for trading and other financial assets that the company has initially decided to place in this category according to the fair value option. Financial instruments in this category are continuously measured at fair value, with changes in value recognised in profit and loss. Transaction costs are expensed immediately. Financial assets held for trading are derivatives that are financial hedging instruments, but for which hedge accounting is not applied. This category is not used for any other purpose.

#### *Loans and receivables*

Loans and receivables are financial assets that are not derivatives, that have fixed or determinable payments and that are not listed on an active market. These receivables are represented by the balance-sheet items Loans to credit institutions, Loans to the public and Other assets in the balance sheet. For further information, see the section Loans and credit quality on page 10.

#### *Held-to-maturity investments*

Held-to-maturity investments are financial assets and comprise interest-bearing securities with fixed or determinable payments and determined terms that are traded on an active market and that the company expressly intends and has the capacity to hold to maturity. Assets in this category are measured at amortised cost.

#### *Available-for-sale financial assets*

The category of available-for-sale financial assets includes financial assets that the company initially decided to classify in this category or financial assets that have not been classified in any other category.

This category includes the Group's liquidity surplus and holdings of shares and participations that are not recognised as subsidiaries.

Assets in this category are continuously measured at fair value, with unrealised changes in value recognised in other comprehensive income and accumulated in the fair value reserve in equity. Assets are recognised in profit and loss once the changes in value have been realised and when any impairment losses arise. Exchange-rate differences for monetary items are recognised in profit and loss. An assessment of whether any impairment has occurred takes place prior to the end of each reporting period. Objective circumstances, such as the credit rating of the issuer and market trends, are taken into account to evaluate future cash flows.

Furthermore, interest on interest-bearing instruments is recognised in accordance with the effective interest method in profit and loss, similar to dividends on shares. Any transaction costs for these instruments will be included in the cost when first recognised and thereafter included in the continuous valuations.

#### *Financial liabilities measured at fair value in profit and loss*

This category includes financial liabilities held for trading and other financial liabilities that the company has initially decided to place in this category according to the fair value option. The company's holding for trading comprises derivatives that are financial hedging instruments, but to which hedge accounting is not applied.

#### *Other financial liabilities*

All of the bank's financial liabilities, excluding derivatives, are included here. The liabilities are valued at amortised cost which, when hedge accounting is applied, is adjusted for changes in fair value regarding the hedged risk. For further information, see the section Hedge accounting below.

#### *Hedge accounting*

The bank's derivative instruments, which comprise interest-rate and cross-currency swaps, and purchased interest caps, have been acquired in

their entirety to hedge the risks of interest and exchange-rate exposure arising during the course of operations. All derivatives are measured at fair value in the balance sheet. To avoid undesirable earnings effects due to financial hedges, the bank has chosen to apply hedge accounting.

The hedge-accounting strategy defined and applied by the company is hedging of fair value in the funding and loan portfolio. Fair value hedge accounting means that the hedged item is measured at fair value with respect to the hedged risk and that the change in fair value is recognised in profit and loss for both the hedging instrument and the hedged item. The change in the value of the derivative is recognised in profit and loss together with the change in the value of the hedged item in profit and loss under the item Net gains from financial items at fair value. Unrealised changes in the value of hedging instruments are recognised in the item Net gains from financial items. Interest coupons (accrued, received and paid) are recognised among interest income if the hedged item is an asset or portfolio of assets or among interest expense if the hedged item is a liability or portfolio of liabilities. The application of portfolio hedging is based on the version of IAS 39 adopted by the EU, known as the carve out version.

To meet the demands of hedge accounting in accordance with IAS 39, an unequivocal connection with the hedged item is required. 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 hedge relationship can be expected to be highly effective and subsequently to have had an effectiveness in the range of 80–125%. In the event that the conditions for hedge accounting are no longer met, the derivative instrument is recognised at fair value with the change in value in profit and loss. For a small number of financial hedges for which the earnings consequence of not applying hedge accounting is deemed more limited, hedge accounting is not applied due to the extra administrative work involved in hedge accounting.

Financial hedges comprise currency risk associated with funding and hedging of interest-rate risk in bonds that carry fixed interest rates. The Group also includes hedges with interest-rate ceilings for interest-rate risk associated with funding at floating interest rates. The loans are recognised at amortised cost and the interest-rate ceiling is recognised at fair value in profit and loss.

The portfolio method that is applied implies that the lending and interest swaps used in the hedging instrument are distributed to various time pockets based on the contractual timing of interest renegotiation or maturity.

Evaluation of hedge relationships occurs at least quarterly on the official reporting occasions, but can also be carried out monthly if required. Each identified hedge relationship is expected to be effective over the entire lifetime of the hedge relationship. Effectiveness is tested using two different methods: one forward-looking (prospective) assessment and one retrospective evaluation. Ineffectiveness is recognised in profit and loss.

## Loans

These assets are measured at amortised cost. Amortised cost is determined based on the effective rate calculated on the acquisition date. Accounts receivable and loan receivables are recognised in the amount at which they are expected to be received, meaning after deductions for any impairment or provisions.

### *Impaired loans*

A loan receivable is considered impaired if the counterparty has a payment that is more than 60 days past due or if there is reason to expect that the counterparty cannot meet its undertaking. The loan receivable is considered impaired to the extent that its whole amount is not covered by collateral.

### *Individual impairments*

For loans for which an individual impairment requirement has been identified, the recoverable amount is valued at the present value of expected future cash flow discounted by the effective interest rate of the receivable according to the latest interest-adjustment date.

An individual impairment loss is recognised according to either an individual assessment or the statistical model when the counterparty has a payment that is more than 60 days past due or if the counterparty, for other reasons such as bankruptcy, a decline in the value of the collateral or reduced repayment capacity, cannot fully meet its undertaking. Accordingly, the estimate of the impairment requirement for these individually identified loans is based on historical experience about cash flows from other borrowers with similar credit-risk characteristics. For leasing and hire purchase, an individual assessment is made of the future cash flow of all customer contracts terminated due to lack of solvency and of non-performing receivables for which an impairment requirement exists.

### *Collective impairments*

Impairment requirements are identified and valued collectively for loans that are not deemed to have any individual impairment requirements for cases in which a measureable decline of expected future cash flows has occurred. Information collected from the framework of the Group's statistical model and historical data on loan loss levels is used to support assessments of expected future cash flows and collective impairment requirements.

For loan receivables in leasing and hire purchase whereby the counterparty has a payment that is more than 20 days past due but where the counterparty is deemed to be able to fulfil the conditions of the contract, the collective impairment requirement is assessed based on historical experience about loan losses from other borrowers with similar credit characteristics.

### *Takeover of collateral*

The banking and mortgage operations took over collateral of very insignificant value. The collateral is directly sold in the event of insolvency. For the leasing and hire purchase operations, collateral that can be sold is taken over. Collateral is valued based on an external valuation and is recognised under reductions in impairment of loan losses.

### *Confirmed losses*

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

## Leasing

Lease agreements are classified in the consolidated financial statements either as financial or operational leasing. Financial leasing exists if the financial risks and benefits associated with ownership have essentially been transferred to the lessee. If this is not the case, then this is a matter of operational leasing. The Bank Group's assets that are leased under financial lease agreements are not recognised as property and equipment since the risks associated with ownership are transferred to the lessee. Instead, the lease agreements are recognised as loans to the lessee 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.

Both the Parent Company and the Group are lessees in the form of internal and external lease contracts classified as operational leasing, where expenses are recognised as rents. In addition, both the Group and Parent Company are, to a limited extent, lessees of company cars and office equipment. These expenses are recognised in their entirety as rental charges. These rental charges are recognised straight line over the leasing period.

The carrying amount of leased assets is tested for impairment in accordance with IAS 36 Impairment of Assets at the end of each fiscal year. The fair value of the asset less selling expenses is calculated and assessed if

there is an indication of an impairment requirement. If it is not possible to calculate this value or if fair value is less than the carrying amount, an assessment of the asset's value in use is also performed. If both these values are less than the carrying amount an impairment is done to the highest of fair value and the value in use.

#### Intangible assets

Intangible assets primarily consists of 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 is commenced when the asset is put into operation. The Group's proprietary intangible assets are recognised only if all of the following conditions are fulfilled:

- There is an identifiable asset.
- It is probable that the developed asset will generate future financial benefits.
- The cost of the asset can be calculated in a reliable manner.
- It is technically and commercially usable, and sufficient resources exist to complete the development and thereafter use or sell the intangible assets.

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 15 years and amortisation takes place straight-line. The periods of amortisation are not category specific and are determined individually for each asset. Useful lives are retested at the end of every fiscal year. Impairment requirements are tested in accordance with IAS 36 Impairment of Assets. Additional expenses for capitalised intangible assets are recognised as an asset in the balance sheet only when these expenses increase the future financial benefits of the specific asset to which they pertain. All other additional expenses are recognised as an expense when they arise. Certain product investments are considered to be long term and have a period of amortisation of 15 years. 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 financial benefits associated with the holding will accrue to the company and that the cost of the asset can be calculated in a reliable manner. 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 and loss. Impairment requirements are 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	5–7 years
Vehicles	5 years
Computer equipment	3–5 years

#### Provisions

A provision is recognised 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 established for future operating expenses. When the effect of a payment is significant, provisions are calculated through the discounting of the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks related to the liability.

#### Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events 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.

#### Loan commitments

A loan commitment can be:

- A one-sided commitment from the company to issue a loan with terms and conditions determined in advance in which the borrower can choose whether he/she wants 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 guarantees are valid for three months and recognised as a commitment under memorandum items. The right to cancel a loan commitment is retained if the customer's credit rating has diminished on the date of payment, which is why no probable loan losses have arisen.

#### Financial guarantees

Guarantee agreements issued by the company, 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 conditions.

Financial guarantee agreements are initially recognised at fair value, which normally means the amount that the company received as compensation for the guarantee issued. When the agreement is subsequently valued, the liability for the financial guarantee is recognised at the higher of the amounts to be recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount that was originally recognised less deductions for accumulated allocations, recognised in accordance with IAS 18 Revenue.

### 3 RISKS AND CAPITAL ADEQUACY

The Group is exposed to risks that are managed in accordance with the guidelines and risk limits produced to meet the risk appetite expressed by the Board. Risk management is performed by the employees working in the banking operations as a natural part of ongoing work, and are monitored by the Group's independent risk control function. Accordingly, duality in risk management is achieved and risk awareness is prevalent in all day-to-day business decisions.

The risks to which the Group is primarily exposed are defined in the table below. As a supplement to these definitions, a qualitative description has been prepared, in which the boundaries in relation to closely related risks, managing risk with risk-reduction measures and future risk exposure are also presented.

<b>Credit risk</b>	Credit risk consists of the counterparty's inability to fulfil its commitments and whereby the Group is affected by a financial loss. Accordingly, credit risk is assigned to the loan portfolio, but credit risk in the liquidity portfolio and derivative exposure are also included in this category.
<b>Market risks</b>	Market risk refers to the risk of loss or lower future earnings due to changes in interest rates and exchange rates.
<b>Liquidity risks</b>	Liquidity risk is defined as the risk that the Group, due to insufficient cash funds, will be unable to fulfil its commitments or only be able to fulfil its commitments by funding at a significantly higher cost than normal or by divesting assets at a substantial deficit price.
<b>Business risks</b>	Business risk comprises earnings risk, strategic risk and reputation risk.
<b>Operational risks</b>	Operational risk is defined as the risk of losses arising due to inappropriate or inadequate internal processes, human error, incorrect systems or external events. Operational risk also includes legal risk and compliance risk.

#### Risk-management system

The 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 carried out by line managers and employees. The operations that are exposed to risk also own the risk, which means that the daily risk management takes place within the operations. All employees assume individual responsibility for working towards a well-functioning risk culture by complying with internal rules regarding the Group's risk-management system.

**The second line of defence** pertains to the Risk Control and Compliance functions, which establish principles and frameworks for risk management. Risk Control checks that there is adequate risk awareness and acceptance for managing risk on a daily basis. Risk Control also has a supportive function and works to ensure that the operations have all the processes, systems and tools necessary for maintaining ongoing risk management.

**The third line of defence** pertains to Internal Audit, which carries out independent, regular examinations of management, systems and internal controls.

Combined, this organisation ensures that the Board has an objective and clear understanding of the overall risk profile of the operations.

The Board is responsible for ensuring that an efficient risk-management system is in place and that it is customised to the Group's risk tolerance and risk appetite. 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 Group's Compliance, Risk Control and Internal Audit functions.

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 meth-

ods, 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's responsibility also includes establishing more detailed regulations for the risk-management system within the framework determined by the Board. The President is to continuously ensure that each unit, including Risk Control, reports to the Board. The President is the Chairman of the Asset Liability Committee (ALCO), which follows up on capital and financial matters arising in the Group.

The Risk Control unit is charged with the operational responsibility for the independent risk control and must thus objectively manage and report risks in the banking operations. The individual responsible for Risk Control is the Chief Risk Officer (CRO) who is directly subordinate to the President and reports directly to the President and Board. Risk Control's areas of responsibility are defined and documented in an instruction prepared by the President.

As a result, this ensures that the Group has an effective and robust system for risk management, which allows continuous evaluation and assessment of the risks associated with the business activities. The system is an integrated part of the decision-making processes and contributes to achieving the operational targets with a high degree of security.

Furthermore, the risk-management system contains strategies, processes and reporting procedures necessary for continuously identifying, measuring, monitoring, managing and reporting the risks associated with the business activities.

The Bank Group's risk-management system is designed not only to comply with regulatory requirements but also to meet internal needs and adhere to sound market practice.

The Group manages and evaluates its exposure to the risks to which its operations are exposed on the basis of:

- Clear and documented internal procedures and control systems.
- Clearly defined and documented responsibilities and authorities.
- Risk-measurement methods and systems support that are customised to the requirements, complexity and size of the operations.
- Regular incident reporting of the operations according to a documented process.
- Sufficient resources and expertise for attaining the desired level of quality in both the business and control activities.
- Documented and communicated contingency and continuity plans.
- Clear instructions for credit risk, operational risk, liquidity risk and market risk that are annually updated and approved by the President and Board. The instruction for operational risks also contains the criteria for dividing the operations and income indicators among the relevant business areas.

#### Credit risk

Credit risk is defined as the risk of losses occurring as a result of 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. The Group calculates credit risks for loans to the public in accordance with the Internal Ratings-based Approach (IRB), except for Wasa Kredit in which only household lending is calculated in accordance with the IRB Approach. The Standardised Approach is used for other exposure classes. The loan portfolio consists entirely of loans in Sweden. For more information regarding credit risks and credit quality, see Loans and credit quality on page 9.

The loan portfolio largely comprises mortgages, mainly with single-family homes as collateral. The high number of exposures are relatively small, meaning that the bank does not have any large exposure to concentration risk. Significant product concentration is found in mortgages. However, this product concentration is in line with the Group's stated risk tolerance and is continuously taken into account in scenarios by separate stress testing of the market values of the properties. The bank has a highly diversified geographic distribution since business activities are conducted in all parts of Sweden.

The bank is to be well-equipped to avoid concentration risks even in the future. For this, the bank has a robust loan-origination process with deci-

sions largely based on internal credit-risk models. A comprehensive process is also applied when introducing new products and sub-markets.

#### Credit process

The banking operations carry out balanced and consistent loan origination, with a strong system support. Loan origination is to achieve favourable and homogeneous credit quality. Origination is primarily targeted toward retail mortgages for private individuals and small-scale family-owned agricultural operations with a low risk level. The maximum lending level for various types of loans and limits for the regional insurance companies' loan origination are stipulated in the Board's guidelines. Decision-making authorities are dependent on the size of the loans. The banking operations impose strict requirements in terms of customer selection, customers' repayment capacity and the quality of collateral.

Credit scoring almost exclusively takes place supported by a central, highly automated credit research system, which includes the integrated sub-processes of quality checks, decision-making steps and risk assessments under the IRB Approach. Loan origination is primarily managed by the regional insurance companies. The credit rules are established by the bank's Board of Directors and apply to all regional insurance companies. Wasa Kredit manages loan origination for the products offered by Wasa Kredit.

The regional insurance companies are knowledgeable about their customers, possess excellent local market awareness and have a full-service customer approach that benefits the entire business. The systems support for integrated risk classification under the IRB Approach, combined with the knowledge and credit responsibility of the regional insurance companies, provides excellent conditions for balanced and consistent loan origination. The regional insurance companies continuously monitor and review the quality of the loan portfolio and borrowers' repayment capacity.

#### 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. Specifically, the IRB system is used in conjunction with:

- Credit process for risk assessment and credit-granting decisions
- Calculation of portfolio reserves
- Calculation of risk-adjusted returns
- Monitoring and reporting to management and the Board
- Calculation of capital requirement
- Capital allocation

Some of the core concepts in the IRB system are described below. The probability of default (PD) is the probability that a counterparty unable to meet its undertaking to the bank within 12 months.

A PD is initially calculated for each counterparty and is to reflect the average proportion of default over several cycles. 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.

Exposure at default (EAD) is the exposure amount that the counterparty is expected to utilise upon default. For commitments completely within the balance sheet, EAD is defined as capital liability and accrued and past due unpaid interest and fees. For commitments off the balance sheet, EAD is calculated by multiplying the counterparty's total granted amount by a conversion factor (CF). These estimates are calculated on the basis of internal information regarding degree of realisation, degree of utilisation and products.

The Group's credit exposure according to the risk-classification scale is presented below. The results show a stable distribution of exposure, with 87% (88) of exposure found in the 1–5 PD grades and deemed to have a PD of less than 1%.

PD grade, SEK M	PD (%)	Dec 31, 2013	Dec 31, 2012
1	0.05	17,753	15,385
2	0.10	21,389	21,665
3	0.20	40,971	37,826
4	0.40	34,016	31,167
5	0.80	23,650	22,357
6	1.60	9,755	8,052
7	3.20	4,591	3,884
8	6.40	2,512	2,323
9	12.80	1,556	1,482
10	25.60	819	755
11	51.20	564	615
Default	100.00	856	753
<b>Total IRB Approach</b>		<b>158,432</b>	<b>146,264</b>
<b>Non IRB classified <sup>1)</sup></b>		<b>3,993</b>	<b>4,003</b>
<b>Loans to the public, gross</b>		<b>162,425</b>	<b>150,267</b>

<sup>1)</sup> This item includes a time-limited exemption from IRB that pertains to exposure in one customer segment with Wasa Kredit.

#### Credit quality

The loan portfolio exclusively consists of loans in Sweden and 71% (71) comprises retail mortgages, meaning lending for private housing in the form of single-family homes and tenant-owned apartments. First-lien mortgages with loan-to-value ratios amounting up to 75% of the market value at the time of origination account for the largest percentage of retail mortgages. Low loan-to-value ratios, combined with a favourable geographic distribution and local presence, are the core pillars in ensuring that the loan portfolio maintains a high level of credit quality. The rules regarding loan origination for mortgages have also been tightened with a maximum loan-to-value ratio of 85%. The average exposure of retail mortgages per counterparty is SEK 1.0 M and only 9% amounts to more than SEK 3 M.

Loans to the agricultural segment accounted for 13% (13) 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 farming businesses. Together with mortgages, this segment accounts for approximately 84% (84) of the total loan portfolio.

Loans for leasing and hire purchase to Swedish households and companies accounted for 7% (8) of the loan portfolio, and comprise collateral in ownership reservations and collateral in leased assets. Loans without collateral, comprising unsecured loans and credit card loans, accounted for 4% (4) of lending.

Maximum credit risk exposure not taking into consideration collateral or any other credit enhancement received, SEK M	Dec 31, 2013	Dec 31, 2012
<i>Credit risk exposure for items recognised in the balance sheet</i>		
Cash and balances with central banks	108	109
Treasury bills and other eligible bills, etc.	4,881	5,222
Loans to credit institutions	5,958	2,853
Loans to the public	162,003	149,942
Bonds and other interest-bearing securities	35,201	32,985
Derivatives	1,077	1,875
Other assets	571	559
<i>Credit risk exposure for memorandum items</i>		
Guarantees	57	55
Loan commitments and other credit commitments	9,319	10,072
<b>Total</b>	<b>219,175</b>	<b>203,672</b>

Risk in the items Loans to credit institutions and Bonds and other interest-bearing securities is managed by assigning each counterparty a maximum exposure amount primarily based on rating and term. The bank did not utilise guarantees or any other credit enhancements during the year.

## Loan portfolio

Lending segment	Dec 31, 2013		Dec 31, 2012	
	SEK M	%	SEK M	%
Retail mortgages	115,251	71	106,667	71
Agricultural loans	20,657	13	19,257	13
Unsecured loans	6,811	4	6,313	4
Leasing	6,276	4	6,256	4
Hire purchase	5,470	3	5,277	4
Multi-family housing	5,788	4	4,382	3
Industrial properties	589	0	491	0
Other	1,583	1	1,624	1
Loans to the public, gross	162,425	100	150,267	100
Provisions	-422		-325	
<b>Total</b>	<b>162,003</b>		<b>149,942</b>	

Collateral is provided for the loans above in the form of mortgage deeds for retail mortgages, agricultural loans, multi-family housing, and industrial properties, and in the form of object collateral for leasing and hire purchase.

Distribution of companies in loan portfolio, SEK M	Retail mortgages	Agricultural	Unsecured loan	Leasing	Hire purchase	Multi-family housing	Industrial properties	Other	Total
Länsförsäkringar Hypotek	105,804	0	0	0	0	5,788	589	12	112,193
Länsförsäkringar Bank	9,447	20,657	4,519	0	0	0	0	1,571	36,194
Wasa Kredit	0	0	2,292	6,276	5,470	0	0	0	14,038
<b>Total</b>	<b>115,251</b>	<b>20,657</b>	<b>6,811</b>	<b>6,276</b>	<b>5,470</b>	<b>5,788</b>	<b>589</b>	<b>1,583</b>	<b>162,425</b>

Essentially all lending that occurs in Länsförsäkringar Hypotek qualifies for inclusion in the covered-bond operations, which are regulated by the Swedish Covered Bonds (Issuance) Act (2003:1223).

## Exposure intervals for mortgages

	Dec 31, 2013			Dec 31, 2012		
	SEK M	%	Average commitment, SEK M	SEK M	%	Average commitment, SEK M
- SEK 0.5 M	10,719	9	0.3	10,291	10	0.3
SEK 0.5 M-SEK 1.0 M	24,773	22	0.7	23,587	22	0.7
SEK 1.0 M-SEK 2.0 M	47,715	41	1.4	44,168	41	1.4
SEK 2.0 M-SEK 3.0 M	21,669	19	2.4	19,785	19	2.4
> SEK 3.0 M	10,375	9	3.7	8,836	8	3.8
<b>Total</b>	<b>115,251</b>	<b>100</b>	<b>1.0</b>	<b>106,667</b>	<b>100</b>	<b>1.0</b>

## Retail mortgages by collateral

Collateral	Dec 31, 2013		Dec 31, 2012	
	SEK M	%	SEK M	%
Single-family and vacation homes	91,272	79	84,803	80
Tenant-owned apartments	23,979	21	21,864	20
<b>Total</b>	<b>115,251</b>	<b>100</b>	<b>106,667</b>	<b>100</b>

## Mortgages by county

County	Dec 31, 2013		Dec 31, 2012	
	SEK M	%	SEK M	%
Blekinge	2,058	2	1,926	2
Dalarna	6,242	5	5,835	6
Gotland	2,472	2	2,285	2
Gävleborg	4,019	4	3,800	4
Halland	5,872	5	5,733	5
Jämtland	2,379	2	2,340	2
Jönköping	4,079	4	3,754	4
Kalmar län	2,640	2	2,388	2
Kronoberg	1,814	2	1,675	2
Norrbottn	1,415	1	1,262	1
Skåne län	12,961	11	12,200	11
Stockholm	17,347	15	16,361	15
Södermanland	3,783	3	3,395	3
Uppsala län	6,294	6	5,834	6
Värmland	1,589	1	1,453	1
Västerbotten	3,837	3	3,490	3
Västernorrland	1,820	2	1,676	2
Västmanland	4,183	4	3,821	4
Västra Götaland	18,878	16	17,357	16
Örebro län	3,901	3	3,399	3
Östergötland	7,668	7	6,683	6
<b>Total</b>	<b>115,251</b>	<b>100</b>	<b>106,667</b>	<b>100</b>

**Exposure intervals for agricultural loans**

	Dec 31, 2013				Dec 31, 2012			
	SEK M	Exposure, %	Counterparty, %	Average commitment, SEK M	SEK M	Exposure, %	Counterparty, %	Average commitment, SEK M
– SEK 1 M	1,978	10	60	0.3	1,873	10	61	0.3
SEK 1.0 M–SEK 3.0 M	5,412	26	26	1.8	4,959	26	25	1.8
SEK 3.0 M–SEK 8.0 M	5,458	26	10	4.7	5,174	27	10	4.7
SEK 8.0 M–SEK 15.0 M	3,562	17	3	10.9	3,287	17	3	10.8
SEK 15 M–SEK 30 M	2,856	14	1	20.1	2,600	13	1	19.8
> SEK 30 M	1,391	7	0	43.5	1,365	7	0	44.0
<b>Total</b>	<b>20,657</b>	<b>100</b>	<b>100</b>	<b>1.8</b>	<b>19,257</b>	<b>100</b>	<b>100</b>	<b>1.7</b>

**Agricultural loans by product**

Product	Dec 31, 2013			Dec 31, 2012		
	SEK M	%	Average commitment, SEK M	SEK M	%	Average commitment, SEK M
First-lien mortgages	18,312	89	2.3	16,660	86	2.3
Second-lien mortgages	1,681	8	0.5	1,914	10	0.6
Operating credits	664	3	0.1	683	4	0.1
<b>Total</b>	<b>20,657</b>	<b>100</b>	<b>1.8</b>	<b>19,257</b>	<b>100</b>	<b>1.7</b>

**Agricultural loans by corporate form**

Corporate form	Dec 31, 2013			Dec 31, 2012		
	SEK M	%	Average commitment, SEK M	SEK M	%	Average commitment, SEK M
Sole proprietorship	19,670	95	1.8	18,233	95	1.8
Limited liability company	793	4	1.4	865	4	1.5
Partnerships and limited partnerships	154	1	0.9	112	1	0.7
Other corporate forms	40	0	0.7	47	0	0.8
<b>Total</b>	<b>20,657</b>	<b>100</b>	<b>1.8</b>	<b>19,257</b>	<b>100</b>	<b>1.7</b>

**Grographic distribution of hire purchase, leasing and unsecured loans**

Region	Dec 31, 2013		Dec 31, 2012	
	SEK M	%	SEK M	%
Western Sweden	3,465	19	3,354	19
Eastern Central Sweden	3,747	20	3,495	20
Stockholm	3,737	20	3,575	20
Southern Sweden	2,525	14	2,414	14
Northern Central Sweden	2,165	12	2,222	12
Småland and islands	1,461	8	1,391	8
Northern Norrland	663	3	633	3
Central Norrland	794	4	762	4
<b>Total</b>	<b>18,557</b>	<b>100</b>	<b>17,846</b>	<b>100</b>

**Exposure intervals for hire purchase, leasing and unsecured loans**

Interval	Dec 31, 2013			Dec 31, 2012		
	SEK M	%	Average commitment, SEK M	SEK M	%	Average commitment, SEK M
– SEK 0.05 M	3,011	16	0.01	2,983	17	0.01
SEK 0.05 M–SEK 0.1 M	3,331	18	0.07	3,301	18	0.07
SEK 0.1 M–SEK 0.2 M	4,842	26	0.14	4,637	26	0.14
SEK 0.2 M–SEK 0.5 M	4,003	22	0.29	3,828	22	0.29
> SEK 0.5 M	3,370	18	1.11	3,097	17	1.09
<b>Total</b>	<b>18,557</b>	<b>100</b>	<b>0.06</b>	<b>17,846</b>	<b>100</b>	<b>0.04</b>

## Impaired loans

Impaired loans amounted to SEK 393 M (298) and the percentage of impaired loans gross to 0.23% (0.19). Loan losses remained very low at SEK 126 M (91), net, corresponding to loan losses of 0.08% (0.06). Impaired loans and loan losses continued to account for a minor percentage of total loans.

Impaired loans by product, SEK M	Group		Parent Company	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Retail mortgages	25.3	5.4	19.2	2.3
Agricultural loans	71.4	4.1	71.4	4.1
Unsecured loans	113.6	112.5	37.9	39.1
Leasing	111.3	115.7	–	–
Hire purchase	46.4	46.5	–	–
Multi-family housing	–	–	–	–
Industrial properties	–	–	–	–
Other	25.4	13.7	25.4	13.6
<b>Total</b>	<b>393.4</b>	<b>297.9</b>	<b>153.9</b>	<b>59.1</b>

Non-performing loan receivables not included in impaired loans, SEK M	Group		Parent Company	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Receivables 10–19 days past due <sup>1)</sup>	1.3	0.8	0.8	0.4
Receivables 20–39 days past due	343.6	472.7	32.2	87.6
Receivables 40–60 days past due	10.0	30.3	0.0	0.1
<b>Total</b>	<b>354.9</b>	<b>503.8</b>	<b>33.0</b>	<b>88.1</b>

<sup>1)</sup> Excluding Wasa Kredit.

Non-performing loan receivables not included in impaired loans, SEK M, specified by company, Dec 31, 2013	Läns- försäkringar		Wasa Kredit	Group
	Bank	Hypotek		
Receivables 10–19 days past due <sup>1)</sup>	0.8	0.5	0.0	1.3
Receivables 20–39 days past due	32.2	43.4	268.0	343.6
Receivables 40–60 days past due	0.0	0.0	10.0	10.0
<b>Total</b>	<b>33.0</b>	<b>43.9</b>	<b>278.0</b>	<b>354.9</b>

<sup>1)</sup> Excluding Wasa Kredit.

A loan receivable is considered impaired if a payment is more than 60 days past due or if there is reason to expect that the counterparty cannot meet its undertaking. The loan receivable is considered impaired to the extent that its whole amount is not covered by collateral. A non-performing loan receivable has a non-performing payment that is more than nine days and up to 60 days past due. This analysis pertains exclusively to loans to the public.

There are no loans within the banking and mortgage operations whose terms were renegotiated during the year and that would otherwise have been recognised as impaired.

Agreements concerning payment plans are made to a limited extent within the leasing and hire purchase operations if it is deemed beneficial for the customer and lessor.

## 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.

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 counterparty. 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. Risk in loans to credit institutions is managed by assigning each counterparty a maximum exposure amount primarily based on rating and term.

Derivatives, fair value, SEK M	Positive values	
	Group Dec 31, 2013	Group Dec 31, 2012
AA-/Aa3	112.7	–
A+/A1	127.8	–
A+/A2	–	518.3
A/Aa2	275.7	188.5
<b>Total</b>	<b>516.2</b>	<b>706.8</b>

Positive and negative values are recognised at net amount per counterparty. Only positive netted values are included in the table.

Bonds and other interest- bearing securities, SEK M	Group		Parent Company	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
AAA/Aaa	35,200.6	32,684.7	19,824.7	14,466.0
<b>Totalt</b>	<b>35,200.6</b>	<b>32,684.7</b>	<b>19,824.7</b>	<b>14,466.0</b>

## Market risk

The overall framework for the financial operations is defined in the Financial Policy adopted by the Board. The Financial Policy stipulates the Board's approach to the management of financial risk. The Financial Policy primarily comprises the management of interest-rate risk and currency risk.

## Interest-rate risk

Interest-rate risk arises if assets, liabilities and derivatives do not have matching fixed-interest periods. Whenever possible, fixed lending should be matched by means of corresponding funding or through interest-rate derivatives. In principle, this means that no time differences should exist. In practice, this is impossible, so the Board has established interest-rate risk limits. However, these limits are so conservative that the basic principle for matching still applies. The Financial Policy defines interest-rate risk as the effect of a parallel shift in the yield curve of 1 percentage point. On December 31, 2013, an increase in market interest rates of 1 percentage point would have resulted in an increase in the value of interest-bearing assets and liabilities, including derivatives, of SEK 42 M (70). The sensitivity analysis includes both market-valued and non-market-valued interest-bearing items and thus does not describe the expected effects on the balance sheet or income statement.

## Currency risk

Currency risk pertains to the risk that assets and liabilities change in value since the value of one currency changes in relation to another currency.

The currency risk pertains to the change in the exchange rate, negative to the Group.

The Group is exposed to this risk in funding in EUR, CHF, NOK and USD, see table below. In line with the risk policy, all funding is swapped to SEK which means that the effect on the income statement is 0 (0) and there are no effects on equity. In cases where exposure is managed with hedging according to IFRS, hedging of fair value is used. For further information, see note 40 Assets and liabilities in foreign currency.

The Group applies a number of supplementary risk measures to market risk, including Value-At-Risk, sensitivity measures and stress tests.

## Liquidity risks

### Liquidity risk and financing strategy

The Group is governed based on the liquidity and financing in the business plan to achieve the Board's low risk tolerance. The strategy is determined annually and is reviewed at least every six months and continuously by the Asset Liability Committee (ALCO), and is updated whenever necessary. Material deviations are immediately reported to the Board. The management of liquidity and financing is assured by effective long-term planning, explicit functional definitions and a high level of control. A satisfactory liquidity reserve ensures that sufficient liquidity is always available. The management and investment of reserves complies with the established limits set out in the Financial Policy, which comprises the framework of the financial operations.

Liquidity risk is defined as the risk of the Group, due to insufficient cash and cash equivalents, being unable to fulfil its commitments or only being able to fulfil its commitments by funding cash and cash equivalents at a significantly higher cost. Liquidity risk also refers to the risk of financial instruments that cannot immediately be converted to cash and cash equivalents without decreasing in value. Liquidity risks pertaining to the risk of financial investments decreasing in value are minimised by essentially investing exclusively in high-liquidity instruments in the form of government securities, covered bonds and mortgage certificates that are pledgeable at the Riksbank and, if necessary, with the ECB and Federal Reserve.

Liquidity risks are to be minimised and prevented as far as possible. Future liquidity requirements and access to funds are secured by preparing accurate forecasts for the next 12-month period. The liquidity strategy is specified in a financing plan containing key figures and targets for fulfil-

ment of the objectives. Liquidity risk limits have been established that reflect the Group's risk appetite. The central measure in the management of liquidity risk comprises the liquidity limit which measures the level of the survival horizon that the Group is to achieve under both stressed and normal circumstances by setting a limit on the negative cash flow that may arise during a certain period of time. To comprehensively analyse liquidity risk, the liquidity limit is supplemented with a number of structural and quantitative risk measures adapted to the Group's risk profile that includes a minimum requirement for unutilised scope (over collateralisation) in the cover pool for the issuance of covered bonds for the purpose of managing price drops in the property market. The analysis is prospective and based on measuring methods accepted in the market, including analysis of future cash flows, scenario analyses and key figures stipulated by authorities. Liquidity risk is measured, controlled and reported on a daily basis. Internal pricing reflects the actual cost of maintaining the required liquidity levels to achieve transparency and correct business governance.

The general objective of the funding operations is to ensure that the Group has, at any given time, a sufficiently strong liquidity position with which to manage turbulent periods in the capital markets, when access to funding is limited or sometimes non-existent. Funding takes place primarily with covered bonds since the majority of the Group's assets comprise Swedish mortgages. The Group has highly diversified funding and a liquidity reserve comprising securities with high liquidity and creditworthiness, which means that the reserve can be rapidly converted into cash and cash equivalents. In addition to these, there are unutilised funding programmes that, in combination, provide opportunities for managing the risk inherent in the difference between the contractual cash flows of assets and liabilities. For more information about the funding programmes, see page 12.

### Liquidity management

The objective of liquidity management is that the Group is, at any given time, to have sufficient cash and cash equivalents with which to fulfil its commitments under both normal and stressed market conditions. Liquidity risk is managed by the Treasury unit and is quantified using liquidity forecasts that contain all financial cash flows and expected cash flows, as well as the net lending increases adopted. The Treasury unit is also responsible for the liquidity reserve. The size and structure of the liquidity reserve are included in daily report reviews, which allows liquidity to be monitored on a daily basis. The liquidity portfolio is dimensioned to be able to handle approximately 12 months of contracted maturities without any new funding activities in the capital market, under all circumstances.

## Currency distribution

SEK billion	Dec 31, 2013					Dec 31, 2012			
	EUR	CHF	NOK	USD	Total	EUR	CHF	NOK	Total
Assets, (translated to SEK, nominal amount)	0.7	–	–	0.5	1.2	0.5	–	–	0.5
Derivatives	–0.7	–	–	–0.5	–1.2	–0.5	–	–	–0.5
Net positions in currency	0	–	–	0	0	0	–	–	0
Liabilities, (translated to SEK, nominal amount)	–24.6	–4.7	–2.5	–	–31.8	–19.1	–3.8	–1.2	–24.1
Derivatives	24.6	4.7	2.5	–	31.8	19.1	3.8	1.2	24.1
Net positions in currency	0	0	0	–	0	0	0	0	0

### *Liquidity reserve*

The size of the liquidity reserve amounts to a minimum of the limits stipulated in the Financial Policy. The CFO performs continuous assessments of the market and market trends. The term “market” refers to competitors, investors, rating agencies and authorities. These assessments provide a basis for the extent to which the reserve is to exceed the established limits. The liquidity reserve totalled a nominal amount of SEK 45.9 billion (40.6) at December 31, 2013, according to the Swedish Bankers’ Association’s definition. 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 and Federal Reserve. A total of 76% of the liquidity reserve comprises Swedish covered bonds, 12% Swedish and Finnish government securities in EUR and USD and German bonds guaranteed by the government, 11% other Swedish bonds with a credit rating of AAA/Aaa and 1% deposits with the Swedish National Debt Office

### *Regulatory changes regarding liquidity*

In conjunction with the introduction of the new CRR/CRD IV capital adequacy rules, it is proposed that two new ratios for liquidity be introduced. A short-term ratio, Liquidity Coverage Ratio (LCR), will be phased in between 2015 and 2019. The ratio means that the Group must be able to handle a 30-day stress test by utilising available cash and cash equivalents. It is proposed that a long-term structural ratio, Net Stable Funding Ratio (NSFR), also be introduced. In brief, the ratio means that the Group must have a sufficient amount of stable assets in relation to the liquidity requirements of these assets over a time horizon of one year. The proposal is for this ratio to be introduced in 2018 but the final content of the ratio and a potential introduction date are currently being discussed.

In 2012, the Swedish Financial Supervisory Authority introduced its own variation of the LCR. The ratio has features similar to the proposed LCR requirement that will be introduced in Europe. Under the Swedish requirement, the LCR is to be achieved separately in EUR and USD, as well as at total level that includes all of the currencies.

On December 31, 2013, the Group’s Swedish LCR amounted to 230% and in EUR 1,847%.

### *Contingency plans*

Plans for managing disruptions that affect the Bank Group’s liquidity are in place and updated annually. A contingency plan group has been appointed and action plans prepared and adopted by the ALCO.

### *General refinancing objectives*

The general objectives of the funding operations are to ensure that the Group has a sufficiently strong liquidity position with which to manage turbulent periods in the capital markets, when access to funding is limited or non-existent. The liquidity risk is controlled and limited on the basis of a survival horizon, meaning how long all known cash flows can be met without access to capital-market financing. In addition, the funding operations are to contribute to overall profitability by ensuring a competitive funding cost in relation to relevant competitors.

### *Strategy for ensuring short and long-term refinancing*

In its funding operations, the bank 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. Regular meetings are held with both Swedish and international investors to ensure that these investors have a clear overview of the operations and that the operations have satisfactory risk management, which means that limits are in place and a long-term interest in and a willingness to invest the Group’s securities over time is created. Funding takes place in a manner that creates a healthy maturity structure and avoids maturity concentrations. The refinancing activities are also based on diversification in terms of a variety of investors and markets. Refinancing primarily takes place in the markets for SEK, EUR, CHF and NOK. The bank endeavours to regularly launch issuances in these markets to maintain investors’ credit lines.

Fixed-interest periods for assets and liabilities  
– Interest-rate exposure

Group 2013, SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
<b>Assets</b>									
Cash and balances with central banks	108.5								108.5
Treasury bills and other eligible bills			352.7	226.0	3,118.5	1,184.2			4,881.4
Loans to credit institutions	5,023.2	161.0	640.9	40.6	83.7	8.5			5,957.9
Loans to the public	78,923.9	28,225.2	5,245.4	5,629.4	36,186.7	6,855.4	937.2		162,003.2
Bonds and other interest-bearing securities			14,137.5		11,538.7	9,254.3	270.1		35,200.6
Other assets								5,307.2	5,307.2
<b>Total assets</b>	<b>84,055.6</b>	<b>28,386.2</b>	<b>20,376.5</b>	<b>5,896.0</b>	<b>50,927.6</b>	<b>17,302.4</b>	<b>1,207.3</b>	<b>5,307.2</b>	<b>213,458.8</b>
<b>Liabilities</b>									
Due to credit institutions	709.6							890.3	1,599.9
Deposits and funding from the public	45,263.3	15,489.2	3,449.6	4,024.6	619.4	373.9			69,220.0
Debt securities in issue	7,077.4	15,776.8	17,880.3	1,817.4	39,758.6	25,004.6	16,246.8	73.0	123,634.9
Other liabilities								8,415.9	8,415.9
Subordinated liabilities		1,545.0					754.7		2,299.7
Equity								8,288.4	8,288.4
<b>Total liabilities and equity</b>	<b>53,050.3</b>	<b>32,811.0</b>	<b>21,329.9</b>	<b>5,842.0</b>	<b>40,378.0</b>	<b>25,378.5</b>	<b>17,001.5</b>	<b>17,667.6</b>	<b>213,458.8</b>
<b>Difference assets and liabilities</b>	<b>31,005.3</b>	<b>-4,424.8</b>	<b>-953.4</b>	<b>54.0</b>	<b>10,549.6</b>	<b>-8,076.1</b>	<b>-15,794.2</b>	<b>12,360.4</b>	
Interest-rate derivatives, nominal values, net	-2,520.1	-25,470.5	1,686.4	-2,539.6	-12,923.3	13,969.4	27,797.8		
<b>Net exposure</b>	<b>28,485.2</b>	<b>-29,895.3</b>	<b>733.0</b>	<b>-2,485.6</b>	<b>-2,373.7</b>	<b>5,893.3</b>	<b>12,003.6</b>	<b>12,360.4</b>	

Group 2012, SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
<b>Assets</b>									
Cash and balances with central banks	109.4								109.4
Treasury bills and other eligible bills		471.8			3,817.2	933.3			5,222.3
Loans to credit institutions	2,497.5	170.6						184.8	2,852.9
Loans to the public	72,897.1	25,463.7	5,332.5	11,136.0	29,435.4	4,884.1	821.3	-28.2	149,941.9
Bonds and other interest-bearing securities			3,142.0	3,226.0	21,163.5	5,153.2			32,684.7
Other assets	15.0							6,333.0	6,348.0
<b>Total assets</b>	<b>75,519.0</b>	<b>26,106.1</b>	<b>8,474.5</b>	<b>14,362.0</b>	<b>54,416.1</b>	<b>10,970.6</b>	<b>821.3</b>	<b>6,489.6</b>	<b>197,159.2</b>
<b>Liabilities</b>									
Due to credit institutions	1,062.9								1,062.9
Deposits and funding from the public	39,544.5	13,773.9	2,152.8	6,003.4	543.0	378.7			62,396.3
Debt securities in issue	1,997.0	3,921.4	4,100.1	11,630.2	54,058.2	33,496.6	4,983.9	75.9	114,263.3
Other liabilities								10,776.1	10,776.1
Subordinated liabilities		735.0					754.7		1,489.7
Equity								7,170.9	7,170.9
<b>Total liabilities and equity</b>	<b>42,604.4</b>	<b>18,430.3</b>	<b>6,252.9</b>	<b>17,633.6</b>	<b>54,601.2</b>	<b>33,875.3</b>	<b>5,738.6</b>	<b>18,022.9</b>	<b>197,159.2</b>
<b>Difference assets and liabilities</b>	<b>32,914.6</b>	<b>7,675.8</b>	<b>2,221.6</b>	<b>-3,271.6</b>	<b>-185.1</b>	<b>-22,904.7</b>	<b>-4,917.3</b>	<b>-11,533.3</b>	
Interest-rate derivatives, nominal values, net	-1,195.2	-3,955.5	-6,897.0	-2,530.0	-32,799.0	23,965.0	3,283.0		
<b>Net exposure</b>	<b>31,719.4</b>	<b>3,720.3</b>	<b>-4,675.4</b>	<b>-5,801.6</b>	<b>-32,984.1</b>	<b>1,060.3</b>	<b>-1,634.3</b>	<b>-11,533.3</b>	

Fixed-interest periods for assets and liabilities  
– Interest-rate exposure

Parent Company 2013, SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
<b>Assets</b>									
Cash and balances with central banks	108.5								108.5
Treasury bills and other eligible bills			352.7	226.0	2,059.7	751.1			3,389.5
Loans to credit institutions	43,703.9	161.0	640.9	40.6	83.7	8.5			44,638.7
Loans to the public	19,366.6	8,680.1	571.5	699.8	5,484.1	1,010.0	195.6		36,007.7
Bonds and other interest-bearing securities			4,570.7		8,395.7	6,588.2	270.1		19,824.3
Other assets								8,439.2	8,439.2
<b>Total assets</b>	<b>63,179.0</b>	<b>8,841.1</b>	<b>6,135.8</b>	<b>966.4</b>	<b>16,023.2</b>	<b>8,357.8</b>	<b>465.7</b>	<b>8,439.2</b>	<b>112,408.2</b>
<b>Liabilities</b>									
Due to credit institutions	5,209.3							890.3	6,099.6
Deposits and funding from the public	45,383.9	15,489.2	3,449.6	4,024.6	619.4	373.9			69,340.6
Debt securities in issue	6,679.5	14,820.2	776.3	647.2	900.2	304.6	444.5	73.0	24,645.4
Other liabilities								2,307.5	2,307.5
Subordinated liabilities		1,545.0					754.7		2,299.7
Equity								7,715.3	7,715.3
<b>Total liabilities and equity</b>	<b>57,272.7</b>	<b>31,854.4</b>	<b>4,225.9</b>	<b>4,671.8</b>	<b>1,519.6</b>	<b>678.5</b>	<b>1,199.2</b>	<b>10,986.1</b>	<b>112,408.2</b>
<b>Difference assets and liabilities</b>	<b>5,906.3</b>	<b>-23,013.3</b>	<b>1,909.9</b>	<b>-3,705.4</b>	<b>14,503.6</b>	<b>7,679.3</b>	<b>-733.5</b>	<b>-2,546.6</b>	
Interest-rate derivatives, nominal values, net	-1,125.6	22,210.1	-3,728.2	3,243.7	-13,598.3	-7,116.0	6.5		
<b>Net exposure</b>	<b>4,780.7</b>	<b>-803.2</b>	<b>-1,818.3</b>	<b>-461.7</b>	<b>905.3</b>	<b>563.3</b>	<b>-727.0</b>	<b>-2,546.6</b>	

Parent Company 2012, SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
<b>Assets</b>									
Cash and balances with central banks	109.4								109.4
Treasury bills and other eligible bills		471.8			2,722.5	483.1			3,677.4
Loans to credit institutions	37,309.9	190.0	426.0	150.0				184.8	38,260.7
Loans to the public	19,170.2	8,683.9	752.8	1,654.6	4,161.5	589.1	200.8		35,212.9
Bonds and other interest-bearing securities			3,142.0	310.1	8,555.6	2,458.3			14,466.0
Other assets								7,776.6	7,776.6
<b>Total assets</b>	<b>56,589.5</b>	<b>9,345.7</b>	<b>4,320.8</b>	<b>2,114.7</b>	<b>15,439.6</b>	<b>3,530.5</b>	<b>200.8</b>	<b>7,961.4</b>	<b>99,503.0</b>
<b>Liabilities</b>									
Due to credit institutions	2,750.4								2,750.4
Deposits and funding from the public	39,683.2	13,773.9	2,152.8	6,003.4	543.0	378.7			62,535.0
Debt securities in issue	1,997.0	1,441.8	2,709.0	5,251.7	10,669.8	1,155.7		75.9	23,300.9
Other liabilities								2,365.1	2,365.1
Subordinated liabilities		735.0					754.7		1,489.7
Equity								7,061.9	7,061.9
<b>Total liabilities and equity</b>	<b>44,430.6</b>	<b>15,950.7</b>	<b>4,861.8</b>	<b>11,255.1</b>	<b>11,212.8</b>	<b>1,534.4</b>	<b>754.7</b>	<b>9,502.9</b>	<b>99,503.0</b>
<b>Difference assets and liabilities</b>	<b>12,158.9</b>	<b>-6,605.0</b>	<b>-541.0</b>	<b>-9,140.4</b>	<b>4,226.8</b>	<b>1,996.1</b>	<b>-553.9</b>	<b>-1,541.5</b>	
Interest-rate derivatives, nominal values, net	-1,770.0	14,618.0	-1,302.0	3,870.0	-13,484.0	-1,770.0	-162.0		
<b>Net exposure</b>	<b>10,388.9</b>	<b>8,013.0</b>	<b>-1,843.0</b>	<b>-5,270.4</b>	<b>-9,257.2</b>	<b>226.1</b>	<b>-715.9</b>	<b>-1,541.5</b>	

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

Group Dec 31, 2013, 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 reco- very period of > 12 months
<b>Assets</b>									
Cash and balances with central banks	108.5						108.5	108.5	
Treasury bills and other eligible bills			574.5	4,096.0			4,670.5	4,881.4	4,096.0
Loans to credit institutions	0.7	5,338.9			766.0		6,105.6	5,957.9	766.0
Loans to the public		1,522.0	5,006.2	10,963.6	146,138.7		163,630.5	162,003.2	157,102.3
Bonds and other interest-bearing securities			13,900.0	19,638.5	250.0		33,788.5	35,200.6	19,888.5
Other assets						5,307.2	5,307.2	5,307.2	
<b>Total assets</b>	<b>109.2</b>	<b>6,860.9</b>	<b>19,480.7</b>	<b>34,698.1</b>	<b>147,154.7</b>	<b>5,307.2</b>	<b>213,610.8</b>	<b>213,458.8</b>	<b>181,852.8</b>
<b>Liabilities</b>									
Due to credit institutions	1,396.6	91.5	281.8	294.8			2,064.7	1,599.9	294.8
Deposits and funding from the public		60,873.6	7,474.3	993.2			69,341.1	69,220.0	993.2
Debt securities in issue		5,348.2	22,633.0	76,680.4	17,954.3		122,615.9	123,634.9	94,634.7
Other liabilities						8,415.9	8,415.9	8,415.9	
Subordinated liabilities				2,300.0			2,300.0	2,299.7	2,300.0
<b>Total liabilities</b>	<b>1,396.6</b>	<b>66,313.3</b>	<b>30,389.1</b>	<b>80,268.4</b>	<b>17,954.3</b>	<b>8,415.9</b>	<b>204,737.6</b>	<b>205,170.4</b>	<b>98,222.7</b>
<b>Difference assets and liabilities</b>	<b>-1,287.4</b>	<b>-59,452.4</b>	<b>-10,908.4</b>	<b>-45,570.3</b>	<b>129,200.4</b>	<b>-3,108.7</b>	<b>8,873.2</b>	<b>8,288.4</b>	
Loans approved but not disbursed		5,608.0					5,608.0		
<b>Total difference, excluding derivatives</b>	<b>-1,287.4</b>	<b>-65,060.4</b>	<b>-10,908.4</b>	<b>-45,570.3</b>	<b>129,200.4</b>	<b>-3,108.7</b>	<b>3,265.2</b>		

Group Dec 31, 2012, 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 reco- very period of > 12 months
<b>Assets</b>									
Cash and balances with central banks	109.4						109.4	109.4	
Treasury bills and other eligible bills		471.7		4,350.0			4,821.7	5,222.3	4,350.0
Loans to credit institutions	113.4	2,646.6					2,760.0	2,852.9	
Loans to the public		1,605.1	5,051.0	10,693.0	134,082.0		151,431.1	149,941.9	131,362.6
Bonds and other interest-bearing securities			6,250.0	24,700.0			30,950.0	32,684.7	24,700.0
Other assets						6,283.7	6,283.7	6,348.0	
<b>Total assets</b>	<b>222.8</b>	<b>4,723.4</b>	<b>11,301.0</b>	<b>39,743.0</b>	<b>134,082.0</b>	<b>6,283.7</b>	<b>196,355.9</b>	<b>197,159.2</b>	<b>160,412.6</b>
<b>Liabilities</b>									
Due to credit institutions	881.4	79.6	222.2	52.2	29.5		1,264.9	1,062.9	
Deposits and funding from the public		55,406.6	8,156.2	921.6			64,484.4	62,396.3	54,124.4
Debt securities in issue		5,765.5	15,222.6	86,482.0	5,399.1		112,869.2	114,263.3	78,302.4
Other liabilities						10,885.1	10,885.1	10,775.1	
Subordinated liabilities					1,490.0	-0.3	1,489.7	1,489.7	1,490.0
<b>Total liabilities</b>	<b>881.4</b>	<b>61,251.7</b>	<b>23,601.0</b>	<b>87,455.8</b>	<b>6,918.6</b>	<b>10,884.8</b>	<b>190,993.3</b>	<b>189,987.3</b>	<b>133,916.8</b>
<b>Difference assets and liabilities</b>	<b>-658.6</b>	<b>-56,528.3</b>	<b>-12,300.0</b>	<b>-47,712.8</b>	<b>127,163.4</b>	<b>-4,601.1</b>	<b>5,362.6</b>	<b>7,171.9</b>	
Loans approved but not disbursed		6,437.2					6,437.2		
<b>Total difference, excluding derivatives</b>	<b>-658.6</b>	<b>-62,965.5</b>	<b>-12,300.0</b>	<b>-47,712.8</b>	<b>127,163.4</b>	<b>-4,601.1</b>	<b>-1,074.6</b>		

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

Parent Company Dec 31, 2013, 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 reco- very period of > 12 months
<b>Assets</b>									
Cash and balances with central banks	108.5						108.5	108.5	
Treasury bills and other eligible bills			574.5	2,696.0			3,270.5	3,389.5	2,696.0
Loans to credit institutions	0.7	5,338.9	37,797.5		766.0		43,903.1	44,638.6	766.0
Loans to the public		258.9	1,541.7	2,051.7	31,633.8		35,486.1	36,007.7	33,685.5
Bonds and other interest-bearing securities			4,500.0	14,188.5	250.0		18,938.5	19,824.7	14,438.5
Other assets						8,439.2	8,439.2	8,439.2	
<b>Total assets</b>	<b>109.2</b>	<b>5,597.8</b>	<b>44,413.7</b>	<b>18,936.2</b>	<b>32,649.8</b>	<b>8,439.2</b>	<b>110,145.9</b>	<b>112,408.2</b>	<b>51,586.0</b>
<b>Liabilities</b>									
Due to credit institutions	1,396.6	4,709.0					6,105.6	6,099.6	
Deposits and funding from the public		60,873.6	7,474.3	993.2			69,341.1	69,340.6	993.2
Debt securities in issue		4,208.2	5,000.0	14,936.9	423.5		24,568.6	24,645.5	15,360.4
Other liabilities						2,307.5	2,307.5	2,307.5	
Subordinated liabilities				2,300.0			2,300.0	2,299.7	2,300.0
<b>Total liabilities</b>	<b>1,396.6</b>	<b>69,790.8</b>	<b>12,474.3</b>	<b>18,230.1</b>	<b>423.5</b>	<b>2,307.5</b>	<b>104,622.8</b>	<b>104,692.9</b>	<b>18,653.6</b>
<b>Difference assets and liabilities</b>	<b>-1,287.4</b>	<b>-64,193.0</b>	<b>31,939.4</b>	<b>706.1</b>	<b>32,226.3</b>	<b>6,131.7</b>	<b>5,523.1</b>	<b>7,715.3</b>	
Loans approved but not disbursed		945.1					945.1		
<b>Total difference, excluding derivatives</b>	<b>-1,287.4</b>	<b>-65,138.1</b>	<b>31,939.4</b>	<b>706.1</b>	<b>32,226.3</b>	<b>6,131.7</b>	<b>4,578.0</b>		

Parent Company Dec 31, 2012, 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 reco- very period of > 12 months
<b>Assets</b>									
Cash and balances with central banks	109.4						109.4	109.4	
Treasury bills and other eligible bills		471.7		2,950.0			3,421.7	3,677.4	2,950.0
Loans to credit institutions	0.7	2,646.6	34,564.5	150.0	616.0		37,977.8	38,260.7	766.0
Loans to the public		376.5	1,680.4	1,949.0	30,663.9		34,669.8	35,212.9	30,906.7
Bonds and other interest-bearing securities			3,400.0	10,350.0			13,750.0	14,466.0	10,350.0
Other assets						7,776.6	7,776.6	7,776.6	
<b>Total assets</b>	<b>110.1</b>	<b>3,494.8</b>	<b>39,644.9</b>	<b>15,399.0</b>	<b>31,279.9</b>	<b>7,776.6</b>	<b>97,705.3</b>	<b>99,503.0</b>	<b>44,972.7</b>
<b>Liabilities</b>									
Due to credit institutions	2,631.1						2,631.1	2,750.4	
Deposits and funding from the public		55,406.6	8,156.2	921.6			64,484.4	62,535.0	54,124.4
Debt securities in issue		3,440.5	7,984.3	11,820.0			23,244.8	23,300.9	8,865.4
Other liabilities						2,365.1	2,365.1	2,365.1	
Subordinated liabilities					1,490.0		1,490.0	1,489.7	1,490.0
<b>Total liabilities</b>	<b>2,631.1</b>	<b>58,847.1</b>	<b>16,140.5</b>	<b>12,741.6</b>	<b>1,490.0</b>	<b>2,365.1</b>	<b>94,215.4</b>	<b>92,441.1</b>	<b>64,479.8</b>
<b>Difference assets and liabilities</b>	<b>-2,521.0</b>	<b>-55,352.3</b>	<b>23,504.4</b>	<b>2,657.4</b>	<b>29,789.9</b>	<b>5,411.5</b>	<b>3,489.9</b>	<b>7,061.9</b>	
Loans approved but not disbursed		1,101.5					1,101.5		
<b>Total difference, excluding derivatives</b>	<b>-2,521.0</b>	<b>-56,453.8</b>	<b>23,504.4</b>	<b>2,657.4</b>	<b>29,789.9</b>	<b>5,411.5</b>	<b>2,388.4</b>		

## Liquidity exposure, derivatives

Group 2013, SEK M	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
<b>Derivatives recognised at fair value in profit and loss</b>					
– Currency	–42.5	85.7	299.4	350.7	693.3
– Interest	–40.3	122.8	608.6	102.7	793.8
<b>Derivatives in hedge accounting</b>					
– Currency	217.1	–126.9	–329.2	298.2	59.2
– Interest	254.8	–559.8	644.7	156.2	495.9
<b>Total difference derivatives</b>	<b>389.1</b>	<b>–478.2</b>	<b>1,223.5</b>	<b>907.8</b>	<b>2,042.2</b>

Group 2012, SEK M	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
<b>Derivatives in hedge accounting</b>					
– Currency	–5.1				–5.1
– Interest	–14.2	–52.6	166.8	0.0	100.0
<b>Other derivatives</b>					
– Currency	132.1	325.6	–931.9	52.3	–421.9
– Interest	156.1	–455.7	871.2	25.3	596.9
<b>Total difference derivatives</b>	<b>268.9</b>	<b>–182.7</b>	<b>106.1</b>	<b>77.6</b>	<b>269.9</b>

Parent Company 2013, SEK M	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
<b>Derivatives at fair value in profit and loss</b>					
– Currency	2.2	–54.6	–279.3	176.7	–155.0
– Interest	2.3	–40.5	–176.8	–40.2	–255.2
<b>Derivatives in hedge accounting</b>					
– Currency	5.3	5.0	44.8	87.4	142.5
– Interest	12.1	–235.9	–508.7	18.4	–714.1
<b>Total difference derivatives</b>	<b>21.9</b>	<b>–326.0</b>	<b>–920.0</b>	<b>242.3</b>	<b>–981.8</b>

Parent Company 2012, SEK M	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
<b>Derivatives in hedge accounting</b>					
– Currency	–5.1	–0.8	0.0	0.0	–5.9
– Interest	0.0				0.0
<b>Other derivatives</b>					
– Currency	5.1				5.1
– Interest	22.0	–247.2	–344.4	–9.9	–579.5
<b>Total difference derivatives</b>	<b>22.0</b>	<b>–248.0</b>	<b>–344.4</b>	<b>–9.9</b>	<b>–580.3</b>

## 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 Group's products and portfolios. A large portion of the banking operations involves retail mortgages. The retail mortgages operations have a low level of volatility and thus a low earnings risk. Business risk is managed in the internal capital adequacy assessment process (ICAAP).

## Operational risk

Operational risk is defined as the risk of losses arising due to inappropriate or unsuccessful internal processes, human error, incorrect systems or external events. This definition also includes legal risk and compliance risk. Based on this definition, operational risk encompasses the entire banking operations.

Operational risk is primarily categorised into the following areas:

- Internal fraud
- External crime
- Damage to physical assets
- Interruptions and disturbances to operations and systems
- Business conditions

- Transaction management and process control
- Working conditions and work environment.

All significant processes in the banking operations perform an analysis of the operational risk associated with the processes. These risk analyses are part of the overall risk assessment carried out in the operations. Since the operations, external environment and threat scenario are constantly changing, the processes must be subject to regular quality assurance. This is carried out to ensure that the risks remain within the Group's tolerance level. Risk analysis is one of the tools used to prepare the basis for decision-making in order to introduce measures for managing significant risks. The purpose of risk analysis is to:

- Identify and reduce significant operational risks
- Plan risk-mitigation activities
- Create awareness of operational risks
- Comply with the Swedish Financial Supervisory Authority's requirements for measuring and assessing operational risk.

Each part of the organisation is responsible for performing an annual risk analysis.

## Incident management

The Group has an IT system for reporting operational risk events and incidents. This system enables all employees to report any incidents. The system automatically divides the incidents into the categories established by the Swedish Financial Supervisory Authority. Risk Control periodically prepares a summary of the incidents in its reports. Incident management is an important part of the Group's operational risk management. Incident statistics contribute to the annual assessment and forecast of operational risk, and enable the company to quickly identify critical problems and act upon these. Serious incidents may lead to a crisis. A crisis may arise, for example, due to fire, IT failure or a similar serious event. The Group works constructively to prevent this type of incident from arising. Business continuity plans have been produced in the operations to support employees and managers in a crisis and if a serious event were to occur. Crisis training is conducted periodically to ensure that the plans are suitable.

## Model for assessing operational risk

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:

- Consequence – how will the operations be affected if the risk occurs?
- Probability – how likely is it that the risk will occur?

These factors are aggregated to determine a risk value for the operational risk. Management of the Group is responsible for performing the risk analyses, meaning identifying and assessing operational risk, within its area of responsibility. All employees have a responsibility to report incidents. Management is responsible for taking action against intolerable risks in their areas of responsibility.

## Compliance risk

Compliance risk pertains to the risk that Länsförsäkringar Bank does not comply with legislation, regulations, ethical guidelines, good market practice or other relevant regulations for the licensable operations and is thus exposed to the risk of incurring sanctions or other remarks from the Swedish Financial Supervisory Authority, negative publicity in the media and a decline in confidence among customers or other stakeholders. The internal regulations contain rules on managing compliance risks, with the central part comprising the Compliance instruction decided on by the Board. The purpose of the internal rules is to ensure that Länsförsäkringar Bank, at any given time, meets the quality and conduct requirements demanded by customers and supervisory authorities.

## CAPITAL

### Internal Capital Adequacy Assessment Process (ICAAP)

The aim of capital planning is to ensure that the Group, at any given time, has a sufficiently large amount of capital in relation to the risks to which the Bank Group is exposed. This is ensured by capital adequacy targets being decided on every year. The capital target is based on an overall assessment of the Group's capital requirements (ICAAP), a buffer of the statutory minimum capital requirements, the owner's yield requirements and external requirements from investors and rating agencies. The established capital target is also to support the development of the operations. A capital forecast is prepared when the capital target is established. The forecast is forward-looking and is to provide an overall view of the Group's capital requirements over both the short and long term. Short term refers to the forthcoming year. The longer capital forecast refers to a period of five years ahead. The purpose of the forecast is to ensure that the Group has a sufficiently large capital base and the correct composition to meet its capital target. The forecast also takes into account the earnings and volume trends and risk changes on the assets side. The capital forecast is followed up four times a year by the ALCO, the Risk and Capital Committee and the Board.

The Group's internal capital adequacy assessment process (ICAAP) is designed based on the requirements of the Basel rules, the requirements established by the Board of Directors for the operations and the internal demands of an increasingly complex business operation. The regulations aimed at the internal capital adequacy assessment processes of financial companies are based on principles and are comprehensive in nature. To a large extent, this means that the Group has the option and an obligation to independently design its process and, in the long run, its scope and level of sophistication. The procedures, implementation and results are to be reported to the Swedish Financial Supervisory Authority annually. The CRO of Länsförsäkringar Bank is responsible for conducting the process work that leads to an internal capital adequacy assessment for the Group and forms the basis for business planning and Board decisions concerning capital targets and capital forecasts.

The process is to be carried out annually and includes the following activities:

- Review of all risks
- Risk assessment
- Stress tests
- Capital calculations

At least once annually, the basic prerequisites for stress tests are to be reviewed by the Board of Directors. This discussion provides guidance for the continuing work involving stress tests. Work on stress tests is based on a number of scenarios and the impact of these scenarios on risk in the Group. For more information, see the Pillar III report Risk and Capital Management in the Länsförsäkringar Bank Group on the website [www.lansforsakringar.se/financialbank](http://www.lansforsakringar.se/financialbank).

Proposals for a new capital requirements directive (CRD IV) and capital requirements regulation (CRR) were adopted by the EU in the summer of 2013. CRR applied immediately in Europe when it came into effect on January 1, 2014. CRD IV includes additional capital adequacy rules that must be introduced on the basis of Swedish law. In September 2013, the Swedish government presented its proposal on the necessary adjustments to Swedish law to implement CRD IV in Sweden. The purpose of the new rules is to make the banks more resilient to financial crisis by imposing demands for a higher proportion of top-quality capital, new rules on liquidity and leverage, better control of risks and expanded supervisory and sanction options.

The minimum capital adequacy requirement under CRR/CRD IV is a total capital adequacy ratio of 8%, a Tier 1 ratio of 6% and a Core Tier 1 ratio of 4.5%. In addition to the minimum requirements, a number of capital buffers are to be introduced, all of which are to comprise Core Tier 1 capital. A capital conservation buffer of 2.5% will be introduced. Supervisory authorities have the possibility of adding a further 2.5% to this in the form of a countercyclical buffer. A systemic risk buffer and a buffer for systemically important institutions can also be added.

On December 31, 2013, the Group's capital adequacy under the forthcoming CRR/CRD IV capital adequacy rules amounted to a Core Tier 1 ratio of 14.4% and a total capital adequacy ratio of 19.1%. For more information, see the Pillar III report Risk and Capital Management in the Länsförsäkringar Bank Group on the website [www.lansforsakringar.se/financialbank](http://www.lansforsakringar.se/financialbank).

**Capital-adequacy analysis, Group**

SEK M	Dec 31, 2013	Dec 31, 2012
<b>Capital base</b>		
Tier 1 capital, gross	8,149.8	7,336.0
Less intangible assets	-397.1	-445.8
Less deferred tax assets	-9.2	-12.3
Less/plus IRB deficit/surplus	-302.4	-265.9
<b>Tier 1 capital, net</b>	<b>7,441.1</b>	<b>6,612.0</b>
<i>Of which, subordinated debt, perpetual</i>	<i>-</i>	<i>-290.0</i>
<i>Total Core Tier 1 capital</i>	<i>7,441.1</i>	<i>6,322.0</i>
Tier 2 capital	2,296.9	1,200.0
Deductions for Tier 2 capital	-302.4	-265.9
<b>Total capital base</b>	<b>9,435.6</b>	<b>7,546.1</b>
<b>Risk-weighted assets according to Basel II</b>	<b>50,465.0</b>	<b>48,359.4</b>
<b>Risk-weighted assets according to transition rules</b>	<b>88,816.1</b>	<b>83,233.6</b>
<b>Capital requirement</b>		
Capital requirement for credit risk according to Standardised Approach	647.2	678.4
Total capital requirement for credit risk according to IRB Approach	3,211.3	3,034.2
Capital requirement for operational risk	178.7	156.2
<b>Capital requirement according to Basel II</b>	<b>4,037.2</b>	<b>3,868.8</b>
Adjustment according to transition rules	3,068.1	2,789.9
<b>Total capital requirement</b>	<b>7,105.3</b>	<b>6,658.7</b>
<b>Capital adequacy</b>		
Tier 1 ratio according to Basel II, %	14.7	13.7
Core Tier 1 ratio according to Basel II, %	14.7	13.1
Capital adequacy ratio according to Basel II, %	18.7	15.6
Capital ratio according to Basel II <sup>1)</sup>	2.34	1.95
Tier 1 ratio according to transition rules, %	8.4	7.9
Core Tier 1 ratio according to transition rules, %	8.4	7.6
Capital adequacy ratio according to transition rules, %	10.6	9.1
Capital ratio according to Basel transition rules <sup>1)</sup>	1.33	1.13
<b>Special disclosures</b>		
IRB Provisions surplus (+)/deficit (-)	-604.8	-531.8
- IRB Total provisions (+)	386.5	291.1
- IRB Anticipated loss (-)	-991.3	-822.9
<b>Capital requirement</b>		
<b>Credit risk according to Standardised Approach</b>		
Exposures to institutions	80.4	104.4
Exposures to corporates	164.8	167.9
Retail exposures	54.9	108.6
Exposures secured on residential property	-	-
Past due items	-	-
Covered bonds	292.7	259.4
Other items	54.4	38.2
<b>Total capital requirement for credit risk according to Standardised Approach</b>	<b>647.2</b>	<b>678.5</b>
<b>Credit risk according to IRB Approach</b>		
<i>Retail exposures</i>		
Exposures secured by real estate collateral	1,684.8	1,537.0
Other retail exposures	789.5	709.3
<i>Total retail exposures</i>	<i>2,474.3</i>	<i>2,246.3</i>
Exposures to corporates	736.0	787.1
Non credit-obligation assets	0.9	0.7
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>3,211.2</b>	<b>3,034.2</b>
<b>Operational risks</b>		
Standardised Approach	178.8	156.2
<b>Total capital requirement for operational risk</b>	<b>178.8</b>	<b>156.2</b>

<sup>1)</sup> Capital ratio = total capital base/total capital requirement.

The capital base includes the Board's proposed appropriation of profit.

In addition to the Parent Company, Länsförsäkringar Bank AB (publ) (516401-9878), the financial corporate group includes the wholly owned and fully consolidated subsidiaries Länsförsäkringar Hypotek AB (publ) (556244-1781), Wasa Kredit AB (556311-9204) and Länsförsäkringar Fondförvaltning AB (publ) (556364-2783).

**Capital-adequacy analysis, Parent Company**

SEK M	Dec 31, 2013	Dec 31, 2012
<b>Capital base</b>		
Tier 1 capital, gross	7,648.4	7,307.7
Less intangible assets	-347.7	-367.6
Less deferred tax assets	-6.3	-5.4
Less/plus IRB deficit/surplus	-137.4	-113.8
<b>Tier 1 capital, net</b>	<b>7,157.1</b>	<b>6,820.9</b>
<i>Of which, subordinated debt, perpetual</i>	<i>-</i>	<i>-290.0</i>
<i>Total Core Tier 1 capital</i>	<i>7,157.1</i>	<i>6,530.9</i>
Tier 2 capital	2,296.9	1,200.0
Deductions for Tier 2 capital	-137.4	-113.8
<b>Total capital base</b>	<b>9,316.6</b>	<b>7,907.1</b>
<b>Risk-weighted assets according to Basel II</b>	<b>18,577.1</b>	<b>18,163.4</b>
<b>Risk-weighted assets according to transition rules</b>	<b>24,770.0</b>	<b>23,875.1</b>
<b>Capital requirement</b>		
Capital requirement for credit risk according to Standardised Approach	237.2	175.2
Total capital requirement for credit risk according to IRB Approach	1,167.4	1,205.9
Capital requirement for operational risk	81.6	72.0
<b>Capital requirement according to Basel II</b>	<b>1,486.2</b>	<b>1,453.1</b>
Adjustment according to transition rules	495.4	456.9
<b>Total capital requirement</b>	<b>1,981.6</b>	<b>1,910.0</b>
<b>Capital adequacy</b>		
Tier 1 ratio according to Basel II, %	38.5	37.6
Core Tier 1 ratio according to Basel II, %	38.5	36.0
Capital adequacy ratio according to Basel II, %	50.2	43.5
Capital ratio according to Basel II <sup>1)</sup>	6.27	5.44
Tier 1 ratio according to transition rules, %	28.9	28.6
Core Tier 1 ratio according to transition rules, %	28.9	27.4
Capital adequacy ratio according to transition rules, %	37.6	33.1
Capital ratio according to Basel transition rules <sup>1)</sup>	4.70	4.14
<b>Special disclosures</b>		
<b>IRB Provisions surplus (+)/deficit (-)</b>	<b>-274.7</b>	<b>-227.5</b>
- IRB Total provisions (+)	186.8	107.3
- IRB Anticipated loss (-)	-461.5	-334.8
<b>Capital requirement</b>		
<b>Credit risk according to Standardised Approach</b>		
Exposures to institutions	29.2	21.6
Exposures to corporates	0.0	4.8
Retail exposures	0.0	9.6
Exposures secured on residential property	-	-
Past due items	-	-
Covered bonds	166.3	109.7
Other items	41.7	29.5
<b>Total capital requirement for credit risk according to Standardised Approach</b>	<b>237.2</b>	<b>175.2</b>
<b>Credit risk according to IRB Approach</b>		
<i>Retail exposures</i>		
Exposures secured by real estate collateral	413.0	414.1
Other retail exposures	287.6	261.3
<b>Total retail exposures</b>	<b>700.6</b>	<b>675.4</b>
Exposures to corporates	466.6	530.3
Non credit-obligation assets	0.2	0.2
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>1,167.4</b>	<b>1,205.9</b>
<b>Operational risks</b>		
Standardised Approach	81.6	72.0
<b>Total capital requirement for operational risk</b>	<b>81.6</b>	<b>72.0</b>

<sup>1)</sup> Capital ratio = total capital base/total capital requirement.

The capital base includes the Board's proposed appropriation of profit.

## 4 SEGMENT REPORTING

Group, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations/ Adjustments	Total
<b>Income statement 2013</b>						
Net interest income	796.0	852.2	580.8	1.4	–	2,230.4
Dividends received	0.1	–	–	–	–	0.1
Net commission	–254.2	–346.0	41.2	304.9	1.2	–252.9
Net gains / losses from financial items	19.4	–105.4	0.3	–	–	–85.7
Intra-Group income	101.8	–	14.3	0.1	–116.2	0.0
Other income	127.4	0.4	84.0	–	0.0	211.8
<b>Total operating income</b>	<b>790.5</b>	<b>401.2</b>	<b>720.6</b>	<b>306.4</b>	<b>–115.0</b>	<b>2,103.7</b>
Intra-Group expenses	–7.1	–67.0	–14.6	–26.4	115.1	0.0
Other administration expenses	–618.5	–22.4	–385.5	–188.4	–1.6	–1,216.4
Depreciation/amortisation and impairment	–82.7	–0.1	–31.1	–0.3	–	–114.2
<b>Total operating expenses</b>	<b>–708.3</b>	<b>–89.5</b>	<b>431.2</b>	<b>–215.1</b>	<b>113.5</b>	<b>–1,330.6</b>
<b>Profit before loan losses</b>	<b>82.2</b>	<b>311.7</b>	<b>289.4</b>	<b>91.3</b>	<b>–1.5</b>	<b>773.1</b>
Loan losses, net	–80.1	–6.6	–39.7	–	–	–126.4
Profit from participations in associated companies	–	–	–	–	0.1	0.1
<b>Operating profit</b>	<b>2.1</b>	<b>305.1</b>	<b>249.7</b>	<b>91.3</b>	<b>–1.4</b>	<b>646.8</b>
<b>Balance sheet, December 31, 2013</b>						
<b>Total assets</b>	<b>112,408.2</b>	<b>136,667.9</b>	<b>14,229.4</b>	<b>242.2</b>	<b>–50,088.9</b>	<b>213,458.8</b>
Liabilities	104,683.6	131,385.9	13,019.0	102.3	–44,020.5	205,170.4
Equity	7,724.6	5,282.0	1,210.4	139.9	–6,068.4	8,288.4
<b>Total liabilities and equity</b>	<b>112,408.2</b>	<b>136,667.9</b>	<b>14,229.4</b>	<b>242.2</b>	<b>–50,088.9</b>	<b>213,458.8</b>
<b>Other information per segment</b>						
Investments	63.2	–	3.6	1.1	–	67.9
<b>Income statement 2012</b>						
Net interest income	742.7	795.6	530.6	2.2	–	2,071.1
Net commission	–316.5	–385.2	42.7	273.0	1.1	–384.9
Net gains from financial items	2.7	2.4	0.3	–	–	5.4
Intra-Group income	104.1	0.0	6.6	0.5	–111.2	0.0
Other income	115.6	0.1	74.1	0.5	0.0	190.3
<b>Total operating income</b>	<b>648.6</b>	<b>412.9</b>	<b>654.3</b>	<b>276.2</b>	<b>–110.1</b>	<b>1,881.9</b>
Intra-Group expenses	–5.9	–67.1	–13.1	–24.0	110.1	0.0
Other administration expenses	–580.8	–24.0	–368.7	–165.3	5.1	–1,133.7
Depreciation/amortisation and impairment	–73.4	–0.1	–28.0	–0.1	–	–101.6
<b>Total operating expenses</b>	<b>–660.1</b>	<b>–91.2</b>	<b>–409.8</b>	<b>–189.4</b>	<b>115.2</b>	<b>–1,235.3</b>
<b>Profit/loss before loan losses</b>	<b>–11.5</b>	<b>321.7</b>	<b>244.5</b>	<b>86.8</b>	<b>5.1</b>	<b>646.6</b>
Loan losses, net	–22.2	–2.3	–66.8	0.0	–	–91.3
<b>Operating profit/loss</b>	<b>–33.7</b>	<b>319.4</b>	<b>177.7</b>	<b>86.8</b>	<b>5.1</b>	<b>555.3</b>
<b>Balance sheet, December 31, 2012</b>						
<b>Total assets</b>	<b>99,503.0</b>	<b>127,318.6</b>	<b>13,703.6</b>	<b>235.0</b>	<b>–43,601.0</b>	<b>197,159.2</b>
Liabilities	92,441.1	122,427.6	12,686.5	165.7	–37,732.6	189,988.3
Equity	7,061.9	4,891.0	1,017.1	69.3	–5,868.4	7,170.9
<b>Total liabilities and equity</b>	<b>99,503.0</b>	<b>127,318.6</b>	<b>13,703.6</b>	<b>235.0</b>	<b>–43,601.0</b>	<b>197,159.2</b>
<b>Other information per segment</b>						
Investments	84.5	0.3	23.1	0.5	–	108.4

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.

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.

## 5 INTEREST INCOME

SEK M	2013	2012
Loans to credit institutions	47.5	39.9
Loans to the public	5,734.1	6,021.2
Interest-bearing securities	878.4	917.0
<i>Derivatives</i>		
Hedge accounting	2,828.7	3,450.9
Non-hedge accounting	–	–
Other interest income	0.0	0.0
<b>Total interest income</b>	<b>9,488.7</b>	<b>10,429.0</b>
of which, interest income on impaired loans	18.9	12.9
of which, interest income from financial items not measured at fair value	5,781.7	6,061.1
Average interest rate on loans to the public during the year, including net leasing, %	3.7	4.3

## 6 INTEREST EXPENSE

SEK M	2013	2012
Due to credit institutions	–30.8	–18.6
Deposits and funding from the public	–924.4	–1,140.3
Interest-bearing securities	–3,276.0	–3,481.5
Subordinated liabilities	–103.2	–75.9
<i>Derivatives</i>		
Hedge accounting	–2,812.1	–3,520.6
Non-hedge accounting	–7.0	–26.3
Other interest expense, including government deposit insurance	–104.8	–94.7
<b>Total interest expense</b>	<b>–7,258.3</b>	<b>–8,357.9</b>
of which, interest expense from financial items not measured at fair value	–4,439.2	–4,811.0
Average interest rate on deposits from the public during the year, %	1.4	2.0

## 7 DIVIDENDS RECEIVED

SEK M	2013	2012
Dividends received on shares	0.1	0.0
<b>Total dividends received</b>	<b>0.1</b>	<b>0.0</b>

## 8 COMMISSION INCOME

SEK M	2013	2012
Payment mediation	94.4	95.4
Loans	91.2	85.0
Deposits	10.1	9.0
Financial guarantees	0.5	0.6
Securities	815.7	696.8
Cards	123.5	93.0
Other commission	4.6	4.4
<b>Total commission income</b>	<b>1,140.0</b>	<b>984.2</b>

## 9 COMMISSION EXPENSE

SEK M	2013	2012
Payment mediation	–113.3	–102.2
Securities	–432.5	–371.8
Cards	–81.7	–87.8
Remuneration to the regional insurance companies	–755.4	–799.0
Other commission	–10.0	–8.3
<b>Total commission expense</b>	<b>–1,392.9</b>	<b>–1,369.1</b>

## 10 NET GAINS/LOSSES FROM FINANCIAL ITEMS

SEK M	2013	2012
<b>Change in fair value</b>		
Interest-related instruments	–479.7	244.4
Currency-related instruments	1,080.9	–786.5
Change in fair value of hedged items	–704.8	515.6
<b>Capital gains/losses</b>		
Interest-related instruments	–38.4	–27.2
Other financial assets	–	–
Interest compensation	56.3	59.1
<b>Total net gains/losses from financial items</b>	<b>–85.7</b>	<b>5.4</b>

SEK M	2013	2012
<b>Profit/loss by measurement category</b>		
Available-for-sale financial assets, realised	51.3	395.8
Derivative assets intended for risk management, non-hedge accounting	2.8	0.4
Other financial assets measured at fair value in profit and loss	–	–
Derivative liabilities intended for risk management, non-hedge accounting	–	–
Derivatives in non-hedge accounting, realised	–	0.0
Derivatives in hedge accounting, realised	45.5	–107.5
Loans and receivables	53.1	56.8
Financial liabilities at amortised cost	–134.1	–316.9
Change in fair value of derivatives that are hedging instruments in a fair value hedge	595.2	–538.8
Change in fair value of hedged items with regard to the hedged risk in fair value hedges	–699.5	515.6
<b>Total</b>	<b>–85.7</b>	<b>5.4</b>

## 11 OTHER OPERATING INCOME

SEK M	2013	2012
Remuneration from the regional insurance companies	135.5	103.2
Other income	76.3	87.1
<b>Total other operating income</b>	<b>211.8</b>	<b>190.3</b>

## 12 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees	2013	2012
Sweden		
Men	193	182
Women	176	181
<b>Total</b>	<b>369</b>	<b>363</b>

Salaries, other remuneration and social security expenses, other employees	2013	2012
Salaries and remuneration	223.8	207.8
of which, variable remuneration	10.6	6.6
Social security expenses	135.6	130.4
of which, pension costs	54.0	52.1
<b>Total</b>	<b>359.4</b>	<b>338.2</b>

Board of Directors and senior executives, number 21 (20)	2013	2012
Salaries and remuneration	23.3	23.2
of which, variable remuneration	0.0	0.0
Social security expenses	19.0	18.9
of which, pension costs	9.4	9.3
<b>Total</b>	<b>42.3</b>	<b>42.1</b>

## 12 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

Total salaries, other remuneration and social security expenses	2013	2012
Salaries and remuneration	247.1	231.0
of which, variable remuneration	10.6	6.6
Social security expenses	154.7	149.3
of which, pension costs	63.4	61.5
<b>Total</b>	<b>401.8</b>	<b>380.3</b>

Länsförsäkringar Bank has about 1,050 individuals who are also employed at Länsförsäkringar Bank and the regional insurance companies. They receive their entire remuneration from their respective regional insurance company.

### Variable remuneration

Commission-based remuneration may be paid to certain employees at Wasa Kredit. The terms and conditions of this remuneration are regulated in collective agreements.

### 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.

### Severance pay

A mutual period of notice of six months applies to the President. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, 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 18 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 (FTF) 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 pension premium is to amount to 35% of the pensionable salary. Pensionable salary refers to fixed salary. In addition to this an endowment insurance is subscribed by the company with a premium of SEK 500,000 each year during five years, starting in 2011. The retirement age for the Executive Vice President is 65 years. The pension is a defined-contribution plan and pension premium is to amount to 35% of the pensionable salary. Pensionable salary refers to fixed salary. The retirement age for the Executive Vice President and other senior executives is between 62 and 65 years. If the age of retirement is 62, the pension between the age of 62 and 65 is a defined-contribution plan. Pension amounting to about 70% of the pensionable salary will be paid. 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 (FTF) 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 senior executives. 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. Total remuneration is to be in line with the industry standard. 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.

	Dec 31, 2013	Dec 31, 2012
<b>Number of women among senior executives, %</b>		
Board members	37	17
Other senior executives	25	37

### Loans to senior executives

	Bank Group		Parent Company Group	
SEK M	2013	2012	2013	2012
<b>Board members</b>	<b>24.3</b>	<b>22.5</b>	<b>56.6</b>	<b>50.1</b>
Of which, loans from Bank	6.5	4.4	15.2	11.6
Of which, loans from Hypotek	17.8	18.1	41.4	38.5
Of which, loans from Wasa Kredit	–	–	–	–
<b>President and Executive Vice Presidents</b>	<b>0.0</b>	<b>0.6</b>	<b>16.9</b>	<b>17.8</b>
Of which, loans from Bank	0.0	0.3	3.5	3.8
Of which, loans from Hypotek	–	–	13.4	13.7
Of which, loans from Wasa Kredit	–	0.3	–	0.3
<b>Senior executives</b>	<b>14.4</b>	<b>8.1</b>	<b>34.2</b>	<b>36.4</b>
Of which, loans from Bank	3.7	1.7	7.3	6.6
Of which, loans from Hypotek	10.7	6.4	26.9	29.8
Of which, loans from Wasa Kredit	–	–	–	–

Loans granted comprise personnel loans and other loans. Personnel loans carry loan terms comparable to what applies to other employees in the Group. The interest rate for personnel loans is the repo rate less 0.5 percentage points, but can never be lower than 0.5 percentage points. The interest benefit is calculated in accordance with the Swedish National Tax Board's rules and is included in other benefits as above. Personnel loans are restricted to SEK 500,000. 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.

### 13 OTHER ADMINISTRATION EXPENSES

SEK M	2013	2012
Costs for premises	-43.3	-37.2
IT costs	-306.5	-274.9
Consultant costs	-39.2	-64.7
Marketing	-18.4	-21.5
Management costs	-129.1	-103.4
Other administration expenses	-253.3	-235.0
<b>Total administration expenses</b>	<b>-789.8</b>	<b>-736.7</b>

### 14 REMUNERATION OF AUDITORS

SEK M	2013	2012
<b>Audit fees</b>		
KPMG		
– Audit assignment	-4.5	-2.9
– Audit activities other than audit assignment	-0.5	-0.4
– Tax advice	-0.3	-0.4
– Other assignments	-0.4	-1.2
Deloitte		
– Audit activities other than audit assignment	–	–
– Other assignments	-0.6	-0.4

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.

### 17 LOAN LOSSES AND IMPAIRED LOANS

SEK M	2013	2012
<b>Specific reserve for individually assessed loan receivables</b>		
Write-off of confirmed loan losses during the year	-139.6	-136.2
Reversed earlier provisions of loan losses recognised in the year-end accounts as confirmed losses	131.1	102.8
Provisions of loan losses during the year	-307.6	-147.7
Payment received for prior confirmed loan losses	109.2	85.4
Reversed provisions of loan losses no longer required	63.5	22.4
Covering of losses from related companies	–	–
<b>Net expense for the year for individually assessed loan receivables</b>	<b>-143.4</b>	<b>-73.3</b>

Reserve ratios	2013	2012
Total impaired loans reserve ratio, %	107.2	109.2
Impaired loans reserve ratio excluding collective impairments, %	80.2	68.6

	Dec 31, 2013				Dec 31, 2012			
	Gross	Individual reserve	Collective reserve	Net	Gross	Individual reserve	Collective reserve	Net
<b>Impaired loans, SEK M</b>								
Corporate sector	128.3	-97.1	-24.4	6.8	118.2	-69.1	-32.4	16.7
Retail sector	265.1	-220.3	-79.8	-35.0	179.7	-135.3	-88.6	-44.2
of which, private	172.4	-124.1	-57.7	-9.4	151.8	-76.3	-79.2	-3.7
<b>Total</b>	<b>393.4</b>	<b>-317.4</b>	<b>-104.2</b>	<b>-28.2</b>	<b>297.9</b>	<b>-204.4</b>	<b>-121.0</b>	<b>-27.5</b>

Sector reporting according to IRB definition.

#### Reconciliation of provisions of loan losses

SEK M	Dec 31, 2013			Dec 31, 2012		
	Individual provisions	Collective provisions	Total	Individual provisions	Collective provisions	Total
<b>Opening balance</b>	<b>-204.4</b>	<b>-121.0</b>	<b>-325.4</b>	<b>-181.9</b>	<b>-101.9</b>	<b>-283.8</b>
Reversed earlier provision of loan losses recognised in the annual accounts as confirmed losses	131.1		131.1	102.8	0.0	102.8
Reversed provision of loan losses no longer required	63.5	16.8	80.3	22.4	-19.1	3.3
Provision of loan losses during the year	-307.6		-307.6	-147.7	0.0	-147.7
<b>Closing balance</b>	<b>-317.4</b>	<b>-104.2</b>	<b>-421.6</b>	<b>-204.4</b>	<b>-121.0</b>	<b>-325.4</b>

### 15 OPERATIONAL LEASING

These agreements pertain to internal and external lease contracts where the Group is the lessee.

SEK M	2013	2012
<b>Lease expenses paid</b>		
Rent for premises	-37.6	-31.5
of which, variable fees	-0.3	-0.7
Leasing fees, company cars	-7.8	-7.5
<b>Future basic rents for irrevocable leasing contracts</b>		
Within 1 year	-20.6	-15.5
Between 1 and 5 years	-2.1	-1.8
<b>Total</b>	<b>-22.7</b>	<b>-17.3</b>

### 16 DEPRECIATION/AMORTISATION AND IMPAIRMENT OF PROPERTY AND EQUIPMENT/INTANGIBLE ASSETS

SEK M	2013	2012
Depreciation of property and equipment	-4.6	-6.1
Amortisation of intangible assets	-98.2	-95.5
<b>Total depreciation/amortisation</b>	<b>-102.8</b>	<b>-101.6</b>
Impairment of intangible assets	-11.4	–
<b>Total depreciation/amortisation and impairment of assets</b>	<b>-114.2</b>	<b>-101.6</b>

All information pertains to receivables from the public.

## 18 TAXES

SEK M	2013	2012
<b>Current tax</b>		
Tax expense for the year	-89.0	-104.6
Adjustment of tax expense pertaining to prior years	-15.3	-
<b>Total current tax</b>	<b>-104.3</b>	<b>-104.6</b>
<b>Deferred tax</b>		
Change in deferred tax expense on temporary differences	-63.7	-18.0
<b>Total deferred tax</b>	<b>-63.7</b>	<b>-18.0</b>
<b>Total recognised tax expense</b>	<b>-168.0</b>	<b>-122.6</b>
<b>Reconciliation of effective tax rate</b>		
Profit before tax	646.8	555.3
Tax in accordance with applicable tax rate for Parent Company	-142.3	-146.0
Tax on non-deductible costs	-9.9	-5.9
Tax on non-taxable income	6.8	0.3
Tax attributable to earlier years	-15.2	-
Tax attributable to changed tax rates	-7.4	13.8
Other	-	15.2
<b>Total tax on net profit for the year</b>	<b>-168.0</b>	<b>-122.6</b>
Applicable tax rate	22%	26.3%
Effective tax rate	26.0%	22.0%
<b>Tax items recognised in other comprehensive income</b>		
Tax on available-for-sale financial assets	-3.6	14.9
Tax on revaluation of defined-benefit pension plans	-0.2	0.7
<b>Total tax attributable to other comprehensive income</b>	<b>-3.8</b>	<b>15.6</b>

SEK M	2013			2012		
	Before tax	Tax	After tax	Before tax	Tax	After tax
<b>Tax attributable to other comprehensive income</b>						
Available-for-sale financial assets	16.4	-3.6	12.8	-57.6	14.9	-42.7

## 19 TREASURY BILLS AND OTHER ELIGIBLE BILLS

SEK M	Dec 31, 2013	Dec 31, 2012
<b>Carrying amount</b>		
Swedish government	3,887.2	4,750.5
German government	320.8	471.8
Finnish government	673.4	-
<b>Total treasury bills and other eligible bills</b>	<b>4,881.4</b>	<b>5,222.3</b>
Fair value	4,881.4	5,222.3
Amortised cost	4,862.0	5,181.1
Nominal value	3,675.0	4,405.0
Remaining term of not more than 1 year	579.0	471.8
Remaining term of more than 1 year	4,302.4	4,750.5

## 20 LOANS TO CREDIT INSTITUTIONS

SEK M	Dec 31, 2013	Dec 31, 2012
Deposits, Swedish banks	-	-
Other loans to credit institutions	5,957.9	2,852.9
<b>Total loans to credit institutions</b>	<b>5,957.9</b>	<b>2,852.9</b>
Payable on demand	541.5	635.0
Remaining term of not more than 3 months	5,416.4	2,217.9
Remaining term of more than 3 months but not more than 1 year	-	-
<b>Total loans to credit institutions</b>	<b>5,957.9</b>	<b>2,852.9</b>

## 21 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	Dec 31, 2013	Dec 31, 2012
<b>Loans to the public before reserves</b>		
Public sector	874.0	982.0
Corporate sector	14,200.2	12,754.8
Retail sector	147,350.1	136,530.5
Other	0.5	0.0
<b>Total</b>	<b>162,424.8</b>	<b>150,267.3</b>
<b>Reserves</b>	<b>-421.6</b>	<b>-325.4</b>
<b>Loans to the public</b>	<b>162,003.2</b>	<b>149,941.9</b>
Remaining term of not more than 3 months	107,149.1	98,332.6
Remaining term of more than 3 months but not more than 1 year	10,874.7	16,468.5
Remaining term of more than 1 year but not more than 5 years	43,042.1	34,319.5
Remaining term of more than 5 years	937.3	821.3
<b>Total</b>	<b>162,003.2</b>	<b>149,941.9</b>

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

For more information about reserves and provisions, see note 17.

## 22 FINANCIAL LEASING

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

Dec 31, 2013, SEK M	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	2,313.0	3,476.3	400.9	6,190.3
Unearned financial income <sup>1)</sup>	368.8	412.9	21.0	802.6
<b>Gross investment</b>	<b>2,681.8</b>	<b>3,889.2</b>	<b>421.9</b>	<b>6,992.9</b>

Dec 31, 2012, SEK M	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	2,258.6	3,528.8	394.1	6,181.5
Unearned financial income <sup>1)</sup>	363.6	399.4	18.0	781.0
<b>Gross investment</b>	<b>2,622.2</b>	<b>3,928.2</b>	<b>412.1</b>	<b>6,962.5</b>

<sup>1)</sup> Attributable to present value calculation.

	2013	2012
Provision for impaired loans pertaining to minimum lease fees	81.4	73.0
Variable portion of leasing fees included in net profit for the year	–	–2.3

Financial leasing is included in loans to the public.

## 23 BONDS AND OTHER INTEREST-BEARING SECURITIES

Issued by organisations other than public bodies

SEK M	Dec 31, 2013	Dec 31, 2012
<b>Carrying amount</b>		
Swedish mortgage institutions (guaranteed by Swedish government)	–	–
Swedish mortgage institutions (not guaranteed)	31,627.1	31,111.7
Other Swedish issuers (not guaranteed)	3,228.5	1,573.0
Other foreign issuers (guaranteed by German government)	192.6	–
Other foreign issuers (not guaranteed)	152.4	–
<b>Total bonds and other interest-bearing securities</b>	<b>35,200.6</b>	<b>32,684.7</b>
Fair value	35,200.6	32,684.7
Amortised cost	34,835.3	32,068.4
Nominal value	33,710.0	30,950.0
<b>Market status</b>		
Securities listed	35,200.6	32,684.7
Remaining term of not more than 1 year	14,137.6	6,368.0
Remaining term of more than 1 year	21,063.0	26,316.7

## 24 SHARES AND PARTICIPATIONS

SEK M	Dec 31, 2013	Dec 31, 2012
Other shares and participations	87.8	11.0
<b>Total shares and participations</b>	<b>87.8</b>	<b>11.0</b>

## 25 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

SEK M	Dec 31, 2013	Dec 31, 2012
Carrying amount at beginning of year	0.0	–
Acquisition of shares in Getswish AB	1.1	0.0
<b>Carrying amount at year-end</b>	<b>1.1</b>	<b>0.0</b>

	Corporate Registration Number	Registered office	Number of shares	Share of equity, %	Carrying amount, Dec 31, 2013	Carrying amount, Dec 31, 2012
Getswish AB	556913-7382	Stockholm	5,000	10.0	1.1	0.0
<b>Total</b>					<b>1.1</b>	<b>0.0</b>

Summary of financial information pertaining to the associated company

	2013	2012
Income	–0.2	–
Earnings	–0.2	–
Assets	144.1	–
Liabilities	133.2	–
Equity	10.9	–

The amounts presented above refer only to the Group's participating interests in associated companies. The shares and participations are unlisted. The associated company applies the calendar year as the fiscal year.

## 26 DERIVATIVES

SEK M	Dec 31, 2013		Dec 31, 2012	
	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives with positive values</b>				
<i>Derivatives in hedge accounting</i>				
Interest	68,685.0	924.0	73,625.0	1,624.4
Currency	5,394.2	371.2	8,651.5	421.2
Collateral received, CSA	–	–260.7	–	–192.9
<i>Other derivatives</i>				
Interest	5,360.0	28.8	2,735.0	17.5
Currency	19.0	13.7	–	4.6
<b>Total derivatives with positive values</b>	<b>79,458.2</b>	<b>1,077.0</b>	<b>85,011.5</b>	<b>1,874.8</b>
Remaining term of not more than 1 year	22,651.2	64.9	15,886.0	193.2
Remaining term of more than 1 year	56,807.0	1,272.8	69,125.5	1,874.5
<b>Derivatives with negative values</b>				
<i>Derivatives in hedge accounting</i>				
Interest	97,932.0	912.7	88,930.0	1,403.2
Currency	24,393.6	1,502.4	26,065.6	1,619.2
<i>Other derivatives</i>				
Interest	9,075.0	93.9	3,215.0	73.0
Currency	9,305.1	271.3	–	8.6
<b>Total derivatives with negative values</b>	<b>140,705.7</b>	<b>2,780.3</b>	<b>118,210.6</b>	<b>3,104.0</b>
Remaining term of not more than 1 year	31,020.0	486.0	32,575.0	218.9
Remaining term of more than 1 year	109,685.7	2,294.3	85,635.6	2,885.1

## 27 FAIR VALUE CHANGES OF INTEREST-RATE RISK HEDGED ITEMS IN PORTFOLIO HEDGE

SEK M	Dec 31, 2013	Dec 31, 2012
<b>Assets</b>		
Carrying amount at beginning of year	878.1	709.9
Changes during the year pertaining to lending	–327.3	168.2
<b>Carrying amount at year-end</b>	<b>550.8</b>	<b>878.1</b>
<b>Liabilities</b>		
Carrying amount at beginning of year	2,176.6	1,836.6
Changes during the year pertaining to lending	–3.9	24.9
Changes during the year pertaining to funding	–1,526.8	315.1
<b>Carrying amount at year-end</b>	<b>645.9</b>	<b>2,176.6</b>

## 28 INTANGIBLE ASSETS

SEK M	Internally developed IT systems		Acquired IT systems		Total	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
<b>Cost</b>						
Opening cost	998.1	895.4	27.9	27.9	1,026.0	923.3
Acquisitions during the year	60.8	102.7	–	–	60.8	102.7
Divestments during the year	–	–	–	–	–	–
<b>Closing cost</b>	<b>1,058.9</b>	<b>998.1</b>	<b>27.9</b>	<b>27.9</b>	<b>1,086.8</b>	<b>1,026.0</b>
<b>Amortisation</b>						
Opening accumulated amortisation	–545.0	–451.5	–26.7	–24.7	–571.7	–476.2
Amortisation for the year	–97.0	–93.5	–1.2	–2.0	–98.2	–95.5
Divestments during the year	–	–	–	–	–	–
<b>Closing accumulated amortisation</b>	<b>–642.0</b>	<b>–545.0</b>	<b>–27.9</b>	<b>–26.7</b>	<b>–669.9</b>	<b>–571.7</b>
<b>Impairment</b>						
Opening accumulated impairment	–8.5	–8.5	–	–	–8.5	–8.5
Impairment for the year <sup>1)</sup>	–11.3	–	–	–	–11.3	–
<b>Closing accumulated impairment</b>	<b>–19.8</b>	<b>–8.5</b>	<b>–</b>	<b>–</b>	<b>–19.8</b>	<b>–8.5</b>
<b>Total intangible assets</b>	<b>397.1</b>	<b>444.6</b>	<b>0.0</b>	<b>1.2</b>	<b>–397.1</b>	<b>445.8</b>

<sup>1)</sup> The impairment pertains to two internally developed systems. Impairments losses were recognised for commercial and technical reasons.

## 29 PROPERTY AND EQUIPMENT

SEK M	Dec 31, 2013	Dec 31, 2012
<b>Equipment</b>		
Opening cost	51.2	73.4
Purchases	7.1	5.7
Sales/scrapping	–	–27.9
<b>Closing cost</b>	<b>58.3</b>	<b>51.2</b>
Opening depreciation	–42.0	–63.7
Sales/scrapping	–	25.7
Depreciation for the year	–4.7	–4.0
<b>Closing accumulated depreciation</b>	<b>–46.7</b>	<b>–42.0</b>
<b>Total property and equipment</b>	<b>11.6</b>	<b>9.2</b>

## 30 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	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Other financial investment assets		–		–		–
Liabilities, provisions	–10.0	–12.3	1.0	0.3	–9.0	–12.0
Untaxed reserves		–	143.5	82.6	143.5	82.6
<b>Deferred tax assets(-)/deferred tax liabilities (+)</b>	<b>–10.0</b>	<b>–12.3</b>	<b>144.5</b>	<b>82.9</b>	<b>134.5</b>	<b>70.6</b>
Offset	0.8	–	–0.8	–	–	–
<b>Net deferred tax assets (-)/deferred tax liabilities (+)</b>	<b>–9.2</b>	<b>–12.3</b>	<b>143.7</b>	<b>82.9</b>	<b>134.5</b>	<b>70.6</b>

The Group has no temporary differences with tax effects in Group companies.

### Change in deferred tax in temporary differences

SEK M	Amount at Jan 1	Recognised in profit and loss	Recognised in other comprehensive income	Amount at Dec 31
<b>2013</b>				
Other financial investment assets				
Liabilities	–12.0	2.8	0.2	–9.0
Untaxed reserves	82.6	60.9	–	143.5
<b>Deferred tax assets (-)/deferred tax liabilities (+)</b>	<b>70.6</b>	<b>63.7</b>	<b>0.2</b>	<b>134.5</b>

SEK M	Amount at Jan 1	Recognised in profit and loss	Recognised in other comprehensive income	Amount at Dec 31
<b>2012</b>				
Other financial investment assets	–	–	–	–
Liabilities	–6.9	–5.1	–	–12.0
Untaxed reserves	59.5	23.1	–	82.6
<b>Deferred tax assets (-)/deferred tax liabilities (+)</b>	<b>52.6</b>	<b>18.0</b>	<b>–</b>	<b>70.6</b>

## 31 OTHER ASSETS

SEK M	Dec 31, 2013	Dec 31, 2012
Accounts receivable	181.4	229.9
Other assets	389.7	328.7
<b>Total other assets</b>	<b>571.1</b>	<b>558.6</b>

## 32 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	Dec 31, 2013	Dec 31, 2012
Accrued interest income	2,432.8	2,486.3
Other accrued income	112.0	11.7
Prepaid expenses	56.7	60.2
<b>Total prepaid expenses and accrued income</b>	<b>2,601.5</b>	<b>2,558.2</b>

## 33 DUE TO CREDIT INSTITUTIONS

SEK M	Dec 31, 2013	Dec 31, 2012
Swedish banks	1,486.2	1009.3
Other Swedish credit institutions	113.7	53.6
<b>Total due to credit institutions</b>	<b>1,599.9</b>	<b>1,062.9</b>
Payable on demand	135.5	102.4
Remaining term of not more than 3 months	1,464.4	960.5
Remaining term of more than 3 months but not more than 1 year	–	–

Genuine repurchase transactions amount to SEK 531.0 M (576.3).

## 34 DEPOSITS FROM THE PUBLIC

SEK M	Dec 31, 2013	Dec 31, 2012
Deposits from insurance companies	4,021.9	3,710.3
Deposits from households	58,665.8	53,220.7
Deposits from other Swedish public	6,532.3	5,465.3
<b>Total deposits from the public</b>	<b>69,220.0</b>	<b>62,396.3</b>
Payable on demand	69,220.0	62,396.3

Fixed-term deposits amount to SEK 33,442.4 (30,587.1). Interest compensation is paid on premature redemption.

## 35 DEBT SECURITIES IN ISSUE

SEK M	Dec 31, 2013	Dec 31, 2012
Commercial papers	2,003.0	5,004.5
Bond loans <sup>1)</sup>	121,558.9	109,182.9
Cashier's cheques issued	73.0	75.9
<b>Total debt securities in issue</b>	<b>123,634.9</b>	<b>114,263.3</b>
Remaining term of not more than 1 year	25,229.5	20,778.9
Remaining term of more than 1 year	98,405.4	93,484.4

<sup>1)</sup> Covered bonds in the Group amount to SEK 98,989 M (90,962).

## 36 OTHER LIABILITIES

SEK M	Dec 31, 2013	Dec 31, 2012
Accounts payable	47.9	75.0
Withheld preliminary tax, customers	63.0	102.3
Unpaid Group contributions	–	397.4
Other liabilities	629.0	707.7
<b>Total other liabilities</b>	<b>739.9</b>	<b>1,282.4</b>

## 37 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	Dec 31, 2013	Dec 31, 2012
Accrued holiday pay	20.4	19.3
Accrued social security expenses	14.9	11.1
Accrued interest expense	3,228.6	3,321.1
Other accrued expenses	570.4	500.8
Prepaid rent	255.9	259.9
<b>Total accrued expenses and deferred income</b>	<b>4,090.2</b>	<b>4,112.2</b>

## 38 PROVISIONS

SEK M	Dec 31, 2013	Dec 31, 2012
Pension provisions	0.6	0.6
Provision for early retirement in accordance with the pension agreement	10.9	13.8
Provision for contractual obligations	0.9	0.9
Other provisions	3.5	2.7
<b>Total provisions</b>	<b>15.9</b>	<b>18.0</b>
<b>Provision for contractual obligations</b>		
Carrying amount at beginning of year	0.9	1.8
Unutilised amount reversed during the year	–	–0.9
<b>Carrying amount at year-end</b>	<b>0.9</b>	<b>0.9</b>

## 38 PROVISIONS, cont.

### Guarantees

Guarantees include leasing guarantees and credit guarantees.

### Defined-benefit pensions

The Group has a defined-benefit pension plan. This is a pension agreement from 2006 for the insurance industry, by which persons born in 1955 or earlier can voluntarily retire at the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at the age of 62.

### Pensions and senior executive benefits

Defined-benefit pension plans	2013	2012
Present value of unfunded commitments	10.9	13.8
<b>Total deficit in defined-benefit pension plans</b>	<b>10.9</b>	<b>13.8</b>
<b>Liabilities in balance sheet</b>	<b>10.9</b>	<b>13.8</b>

### Change in defined-benefit obligation:

At January 1	13.9	10.9
Costs for service during current year	0.5	0.3
Interest expense	0.3	0.1
Costs for service during prior periods and gains and losses from settlement	7.0	2.7
Gain/loss as a result of changed financial assumptions	–0.0	3.1
Experience-based gains	–0.9	–0.4
Special employer's contribution related to revaluations	–0.2	0.7
Payments in conjunction with settlement	–9.5	–3.7
Assumed/transferred pension commitments	–0.2	–
<b>At December 31</b>	<b>10.9</b>	<b>37.7</b>

Actuarial assumption	2013	2012
Discount rate	2.4%	2.3%
Salary increases	2.5%	2.5%
Inflation	1.4%	1.5%
Employee turnover	0.0%	0.0%
Life expectation assumptions	FFFS 2007:31	FFFS 2007:31
Probability of early retirement	30.0%	30.0%

Population	2013	2012
Active	24	30
<b>Total</b>	<b>24</b>	<b>30</b>

### 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 Insurance Industry's Pension Fund (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 2014 for the FTP plan amount to SEK 25.0 M.

	2013	2012
Expenses for defined – contribution plans	54.5	47.4

## 39 SUBORDINATED LIABILITIES

SEK M	Dec 31, 2013	Dec 31, 2012
Subordinated debt, Länsförsäkringar AB	–	290.0
External subordinated debt, listed	2,299.7	1,199.7
<b>Total subordinated liabilities</b>	<b>2,299.7</b>	<b>1,489.7</b>

### Specification of subordinated debt from Länsförsäkringar AB

	Carrying amount	Coupon rate of interest
Subordinated debt external	1,545.0	Variable 3 months
Subordinated debt external	754.7	Fixed
<b>Total subordinated debt</b>	<b>2,299.7</b>	

## 40 ASSETS AND LIABILITIES, FOREIGN CURRENCY

	Dec 31, 2013		Dec 31, 2012	
	Foreign currency	SEK	Foreign currency	SEK
<b>Assets</b>				
Treasury bills				
EUR	75.6	669.5	55.0	471.8
USD	74.6	479.2		
Bonds EUR	10.4	91.9		
<b>Total assets</b>		<b>1,240.6</b>		<b>471.8</b>
<b>Liabilities</b>				
<b>Debt securities in issue</b>				
CHF	648.1	4,711.6	538.5	3,929.1
EUR	2,774.7	25,391.7	2,221.6	20,653.3
NOK	2,399.7	2,773.3	1,000.0	1,177.3
<b>Total liabilities</b>		<b>32,876.6</b>		<b>25,759.7</b>

All amounts are hedged with currency swaps or currency forward contracts.  
For further information, see also Currency risk in note 3 Risks and capital adequacy.

## 41 EQUITY ACCORDING TO SWEDISH ANNUAL ACCOUNTS ACT FOR CREDIT INSTITUTIONS AND SECURITIES COMPANIES (ÅRKL)

SEK M	Dec 31, 2013	Dec 31, 2012
<b>Restricted equity</b>		
Share capital (9,548,708 shares, quotient value SEK 100 per share)	954.9	954.9
Statutory reserve	18.5	18.5
<b>Total restricted equity</b>	<b>973.4</b>	<b>973.4</b>
<b>Non-restricted equity</b>		
Reserves	136.9	123.2
Retained earnings	6,699.3	5,641.6
Net profit for the year	478.8	432.7
<b>Total non-restricted equity</b>	<b>7,315.0</b>	<b>6,197.5</b>
<b>Total equity</b>	<b>8,288.4</b>	<b>7,170.9</b>

### Specification of balance-sheet item Reserves

Fair value reserve	2013	2012
Opening reserve	125.8	168.5
Change in fair value of available-for-sale financial assets	33.5	–19.2
Reclassification adjustments on realised securities	–17.1	–38.4
Tax on available-for-sale financial assets	–3.6	14.9
<b>Closing reserve</b>	<b>138.6</b>	<b>125.8</b>

## 41 EQUITY ACCORDING TO SWEDISH ANNUAL ACCOUNTS ACT FOR CREDIT INSTITUTIONS AND SECURITIES COMPANIES (ÅRKL), cont.

Defined-benefit pension reserve	2013	2012
Opening reserve	–2.6	–
Revaluation of defined-benefit pensions	1.1	–3.3
Tax attributable to revaluation of defined-benefit pensions	–0.2	0.7
<b>Closing reserve</b>	<b>–1.7</b>	<b>–2.6</b>

The other changes in equity for the period and division according to IFRS are contained in Statement of changes in shareholders' equity.

Conditional shareholders' contribution received totalled:

During 2007	325.0
During 2008	500.0
During 2009	400.0
During 2010	850.0
During 2011	798.0
During 2012	742.0
During 2013	625.0
<b>Total</b>	<b>4,240.0</b>

## 42 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	Dec 31, 2013	Dec 31, 2012
<b>For own liabilities, pledged assets</b>		
Pledged securities in the Riksbank	1,900.0	1,900.0
Pledged securities in Euroclear	1,300.0	850.0
Collateral provided for derivatives	10.0	10.0
Loan receivables, covered bonds	104,506.1	95,529.8
Loan receivables, substitute collateral	16,250.0	19,324.1
Commitments resulting from repurchase agreement	530.5	576.3
Other collateral for securities	5.0	5.0
<b>For own liabilities, pledged assets</b>	<b>124,501.6</b>	<b>118,195.2</b>
<b>Other pledged assets</b>	<b>None</b>	<b>None</b>
<b>Contingent liabilities</b>		
Guarantees	56.6	55.1
Unconditional shareholders' contributions	4,240.0	3,615.0
Early retirement at age 62 in accordance with pension agreement, 80%	25.4	32.4
<b>Total contingent liabilities</b>	<b>4,322.0</b>	<b>3,702.5</b>
<b>Commitments</b>		
Loans approved but not disbursed	5,608.0	6,437.1
Unutilised portion of overdraft facilities	1,984.4	2,098.1
Unutilised portion of credit card facilities	1,196.1	961.0
<b>Total other commitments</b>	<b>8,788.5</b>	<b>9,496.2</b>

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.

An assumption regarding the number of employees likely to utilise the option of early retirement was made in determining the contingent liabilities for early retirement according to pension agreements. This assumption was based on historical information. The pension agreement expires in 2017.

Dec 31, 2013 SEK M	Loans and receivables	Financial assets at fair value in profit and loss		Derivatives used in hedge accounting	Available-for-sale financial assets	Held-to-maturity investments	Total carrying amount	Fair value
		Financial assets according to fair value option	Held for trading					
Assets								
Cash and balances at central banks	108.5						108.5	108.5
Treasury bills and other eligible bills					4,881.4		4,881.4	4,881.4
Loans to credit institutions	5,957.9						5,957.9	5,957.9
Loans to the public	162,003.2						162,003.2	156,228.0
Bonds and other interest-bearing securities					35,200.6		35,200.6	35,200.6
Shares and participations					87.8		87.8	87.8
Derivatives			42.5	1,034.5			1,077.0	1,077.0
Accounts receivable	181.4						181.4	181.4
Total assets	168,251.0		42.5	1,034.5	40,169.8		209,497.8	203,722.6

Dec 31, 2013 SEK M	Financial liabilities at fair value in profit and loss		Derivatives used in hedge accounting	Other financial liabilities	Total carrying amount	Fair value
	Financial liabilities according to fair value option	Held for trading				
Liabilities						
Due to credit institutions				1,599.9	1,599.9	1,599.9
Deposits and funding from the public				69,220.0	69,220.0	70,069.6
Debt securities in issue				123,634.9	123,634.9	128,079.9
Derivatives		365.2	2,415.1		2,780.3	2,780.3
Accounts payable				47.9	47.9	47.9
Subordinated liabilities				2,299.7	2,299.7	
Total liabilities		365.2	2,415.1	196,802.4	199,582.7	202,577.6

Dec 31, 2012 SEK M	Loans and receivables	Financial assets at fair value in profit and loss		Derivatives used in hedge accounting	Available-for-sale financial assets	Held-to-maturity investments	Total carrying amount	Fair value
		Financial assets according to fair value option	Held for trading					
Assets								
Cash and balances at central banks	109.4						109.4	109.4
Treasury bills and other eligible bills					5,222.3		5,222.3	5,222.3
Loans to credit institutions	2,852.9						2,852.9	2,852.9
Loans to the public	149,941.9						149,941.9	144,170.2
Bonds and other interest-bearing securities					32,684.7		32,684.7	32,684.7
Shares and participations					11.0		11.0	11.0
Derivatives			22.0	1,852.8			1,874.8	1,874.8
Accounts receivable	229.9						229.9	229.9
Total assets	153,134.1		22.0	1,852.8	37,918.0		192,926.9	187,155.2

Dec 31, 2012 SEK M	Financial liabilities at fair value in profit and loss		Derivatives used in hedge accounting	Other financial liabilities	Total carrying amount	Fair value
	Financial liabilities according to fair value option	Held for trading				
Liabilities						
Due to credit institutions				1,062.9	1,062.9	1,062.9
Deposits and funding from the public				62,396.3	62,396.3	62,731.8
Debt securities in issue				114,263.3	114,263.3	120,592.2
Derivatives		81.6	3,022.4		3,104.0	3,104.0
Accounts payable				75.0	75.0	75.0
Subordinated liabilities				1,489.7	1,489.7	
Total liabilities		81.6	3,022.4	179,287.2	182,391.2	187,565.9

The fair value of cash and balances with central banks, loans to credit institutions, accounts receivable, due to credit institutions and accounts payable comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities, since these assets and liabilities have short terms. When calculating the fair value of deposits and lending, anticipated future cash flows have been discounted using a discount interest rate set at the

current deposit and lending rates applied (including discounts). The main principle for measuring the fair value of debt securities in issue is that the value is measured at prices from external parties at year-end or the most recent trading date. If external prices are not available or are deemed to deviate from market levels, a standard method or valuation technique based on the estimated or original issue spread is utilised.

## Financial instruments measured at fair value in the balance sheet

Dec 31, 2013 SEK M	Instruments with published price quotations (Level 1)	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
<b>Assets</b>				
Treasury bills and other eligible bills	4,881.4			4,881.4
Bonds and other interest-bearing securities	35,200.6			35,200.6
Shares and participations <sup>1)</sup>	76.8		11.0	87.8
Derivatives		1,077.0		1,077.0
<b>Liabilities</b>				
Derivatives		2,780.3		2,780.3
<b>Dec 31, 2012 SEK M</b>				
<b>Assets</b>				
Treasury bills and other eligible bills	5,222.3			5,222.3
Bonds and other interest-bearing securities	32,684.7			32,684.7
Shares and participations <sup>1)</sup>			11.0	11.0
Derivatives		1,874.8		1,874.8
<b>Liabilities</b>				
Derivatives		3,104.0		3,104.0

There were no significant transfers between Level 1 and Level 2 during 2013 or during 2012.  
There were no transfers from Level 3 in 2013 or 2012.

For further information about how the fair value was determined for financial instruments measured at fair value in the balance sheet, and about valuation techniques and inputs, see note 2 Accounting policies. For information about determining the fair value of financial assets and liabilities not measured at fair value in profit and loss, see note 43. Gains and losses are recognised in profit and loss under Net gains / losses from financial items.

## Change in holdings in Level 3

SEK M	Shares and participations
<b>Opening balance, January 1, 2013</b>	<b>11.0</b>
Total profits and losses recognised:	
– recognised in net profit for the year	–
Acquisition of shares	–
<b>Closing balance, December 31, 2013</b>	<b>11.0</b>
<i>Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2013.</i>	
<b>Opening balance, January 1, 2012</b>	<b>10.4</b>
Total profits and losses recognised:	–
– recognised in net profit for the year	–
Acquisition of shares	0.6
<b>Closing balance, December 31, 2012</b>	<b>11.0</b>
<i>Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2012</i>	
	–

<sup>1)</sup> Unlisted shares and participations held for business purposes are presented in Level 3. These items are initially measured at cost and impaired if objective evidence exists to recognise an impairment loss. The assessment is based on the most recent annual report and forecast earnings.

## 45 INFORMATION ABOUT OFFSETTING

The table below contains financial assets and liabilities covered by a legally binding framework agreement regarding netting or a similar agreement but that are not offset in the balance sheet. The company 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.

				Related amounts not offset in the balance sheet			
SEK M Dec 31, 2013	Recognised financial assets, gross	Recognised financial liabilities, gross, offset in the balance sheet	Amounts recognised in the balance sheet	Financial instruments	Paid (+)/Received (–) collateral – securities	Paid (+)/Received (–) cash – collateral	Net amount
Assets							
Derivatives	1,337.7	–260.7	1,077.0	–1,028.7		–8.5	39.8
Repurchase agreements	5,338.9		5,338.9		–5,338.9		0.0
Liabilities							
Derivatives	–2,780.3		–2,780.3	1028.7		77.6	–1,674.0
Repurchase agreements	–531.0		–531.0		531.0		0.0
<b>Total</b>	<b>3,365.3</b>	<b>–260.7</b>	<b>3,104.6</b>	<b>0.0</b>	<b>–4,807.9</b>	<b>69.1</b>	<b>1,634.2</b>

				Related amounts not offset in the balance sheet			
SEK M Dec 31, 2012	Recognised financial assets, gross	Recognised financial liabilities, gross, offset in the balance sheet	Amounts recognised in the balance sheet	Financial instruments	Paid (+)/Received (–) collateral – securities	Paid (+)/Received (–) cash – collateral	Net amount
Assets							
Derivatives	2,067.7	–192.9	1,874.8	–1,653.4			221.4
Repurchase agreements	1,749.5		1,749.5		–1,749.5		0.0
Liabilities							
Derivatives	–3,104.0		–3,104.0	1,653.4		496.0	–954.6
Repurchase agreements	–576.3		–576.3		576.3		0.0
Total	136.9	–192.9	–56.0	0.0	–1,173.2	496.0	–733.2

Counterparty risk in derivative contracts is reduced through netting agreements (ISDA agreements), meaning the netting of positive and negative values in all derivative contracts with the same counterparty. Netting agreements are supplemented with agreements on the provision of collateral for net exposures (CSA agreements). The bank currently has ISDA and CSA agreements with all counterparties.

## 46 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS

### Related parties

Related legal entities include the Länsförsäkringar AB Group's (LFAB) and the Länsförsäkringar Liv Group's companies, associated companies, the 23 regional insurance companies with subsidiaries and other related parties. Other related parties comprise: Länsförsäkringar Mäklarservice, Länsförsäkringar, Fastighetsförmedling AB, PE-Holding AB (publ), Humlegården Holding I AB, Humlegården Holding II AB, Humlegården Holding III AB and Humlegården Fastigheter AB.

From 2006, the local insurance companies that hold shares in Länsförsäkringar AB are considered to be legal entities related to the Alliance.

Related key persons are Board members, senior executives and close family members to these individuals.

### Pricing

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.

### 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.

### Transactions

SEK M	Receivables		Liabilities		Income		Expenses	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	2013	2012	2013	2012
Länsförsäkringar AB (Parent Company)	26.6	24.9	42.7	427.3	0.0	2.3	263.2	268.1
Other companies in the Länsförsäkringar AB Group	0.0	0.7	489.2	819.4	0.0	-12.8	268.7	230.9
Regional insurance companies	30.4	27.2	1,830.3	1,852.7	181.4	126.3	778.0	825.0
Länsförsäkringar Liv Group	–	–	650.9	281.0	–	0.1	80.2	74.7
Other related parties	–	–	18.4	20.3	0.7	0.6	0.2	0.3

For information regarding remuneration of related key persons such as members of the Board of Directors and senior executives, see note 11 concerning staff costs. In all other respects, no transactions took place between these individuals and their family members apart from normal customer transactions.

## 47 EVENTS AFTER BALANCE-SHEET DATE

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

## Five-year summary for the Parent Company

SEK M	2013	2012	2011	2010	2009
<b>INCOME STATEMENT</b>					
Interest income	3,585.1	3,539.8	2,642.2	1,409.3	1,573.0
Interest expense	-2,789.1	-2,797.1	-1,916.2	-904.5	-1,152.5
<b>Net interest income</b>	<b>796.0</b>	<b>742.7</b>	<b>726.0</b>	<b>504.8</b>	<b>420.5</b>
Net commission expense	-254.3	-316.5	-470.6	-279.3	-204.0
Dividends received	0.1	0.0	0.0	0.2	0.0
Group contribution received	-	-	52.8	37.7	-
Net gains from financial items	19.4	2.7	6.2	1.9	23.5
Other operating income	229.3	219.7	226.5	208.4	228.0
<b>Total operating income</b>	<b>790.5</b>	<b>648.6</b>	<b>540.9</b>	<b>473.7</b>	<b>468.0</b>
General administrative expenses	-625.6	-586.7	-496.9	-416.5	-460.3
Depreciation/amortisation	-82.7	-73.4	-61.0	-56.9	-51.5
<b>Total expenses before loan losses</b>	<b>-708.3</b>	<b>-660.1</b>	<b>-557.9</b>	<b>-473.4</b>	<b>-511.8</b>
<b>Profit/loss before loan losses</b>	<b>82.2</b>	<b>-11.5</b>	<b>-17.0</b>	<b>0.3</b>	<b>-43.8</b>
Loan losses, net	-80.1	-22.2	1.1	1.9	7.2
<b>Operating profit/loss</b>	<b>2.1</b>	<b>-33.7</b>	<b>-15.9</b>	<b>2.2</b>	<b>-36.6</b>
Appropriations	-11.9	-	-	-	-
Tax	6.2	-3.2	9.4	-0.3	3.2
<b>Net profit/loss for the year</b>	<b>-3.6</b>	<b>-36.9</b>	<b>-6.5</b>	<b>1.9</b>	<b>-33.4</b>
<b>BALANCE SHEET</b>					
Cash and balances with central banks	108.5	109.4	66.9	84.8	80.5
Treasury bills and other eligible bills	3,389.5	3,677.4	-	1,349.3	1,999.8
Loans to credit institutions	44,638.6	38,260.7	31,029.1	28,344.4	31,721.9
Loans to the public	36,007.7	35,212.9	33,399.9	27,532.5	22,963.3
Bonds and other interest-bearing securities	19,824.7	14,466.0	6,123.7	8,720.0	20,644.4
Shares and participations	6,157.8	5,880.0	5,314.4	4,604.4	3,709.4
Derivatives	602.7	413.3	96.2	45.5	242.1
Fair value changes of interest-rate-risk hedged items in portfolio hedge	64.8	97.0	69.5	14.2	61.3
Intangible assets	347.7	367.6	353.5	283.8	221.2
Property and equipment	2.6	2.1	5.2	8.8	12.5
Deferred tax assets	6.3	5.4	2.7	-	-
Other assets	386.1	316.8	55.1	63.9	89.6
Prepaid expenses and accrued income	871.2	694.4	316.1	304.7	389.9
<b>Total assets</b>	<b>112,408.2</b>	<b>99,503.0</b>	<b>76,832.3</b>	<b>71,356.3</b>	<b>82,135.9</b>
Due to credit institutions	6,099.6	2,750.4	2,171.7	12,363.2	29,955.5
Deposits and funding from the public	69,340.6	62,535.0	49,766.0	41,722.5	37,481.2
Debt securities in issue	24,645.5	23,300.9	15,883.3	9,552.6	7,336.6
Derivatives	653.5	564.5	220.5	228.8	779.9
Fair value changes of interest-rate-risk hedged items in portfolio hedge	46.2	108.9	80.9	-13.5	8.1
Other liabilities	455.6	697.5	241.0	216.0	199.1
Accrued expenses and deferred income	1,134.2	986.2	622.0	478.5	421.3
Provisions	6.1	8.0	5.2	4.8	4.8
Subordinated liabilities	2,299.7	1,489.7	1,489.7	1,250.0	1,250.0
Untaxed reserves	11.9	-	-	-	-
Equity	7,715.3	7,061.9	6,352.0	5,553.4	4,699.4
<b>Total liabilities and equity</b>	<b>112,408.2</b>	<b>99,503.0</b>	<b>76,832.3</b>	<b>71,356.3</b>	<b>82,135.9</b>
<b>KEY FIGURES</b>					
Core Tier 1 ratio according to Basel II, %	38.5	36.0	31.4	29.3	28.1
Core Tier 1 ratio according to transition rules, %	28.9	27.4	28.8	28.0	25.4
Capital adequacy ratio according to transition rules, %	37.6	33.1	35.5	34.4	32.4
Tier 1 ratio according to transition rules, %	28.9	28.6	30.2	29.6	27.0
Capital adequacy ratio according to Basel II, %	50.2	43.5	38.7	35.9	35.9
Tier 1 ratio according to Basel II, %	38.5	37.6	32.9	30.9	29.9

# Financial statements, Parent Company

Income statement .....	68	<b>Note 24</b> Shares and participations in associated companies.....	76
Statement of comprehensive income.....	68	<b>Note 25</b> Shares and participations in group companies .....	76
Balance sheet .....	68	<b>Note 26</b> Derivatives .....	77
Cash-flow statement .....	69	<b>Note 27</b> Fair value changes of interest-rate-risk hedged items in portfolio hedge.....	77
Statement of changes in shareholders' equity .....	70	<b>Note 28</b> Intangible assets.....	77
<b>Note 1</b> Company information .....	71	<b>Note 29</b> Property and equipment .....	78
<b>Note 2</b> Parent company's accounting policies .....	71	<b>Note 30</b> Deferred tax assets and tax liabilities.....	78
<b>Note 3</b> Risks.....	71	<b>Note 31</b> Other assets .....	78
<b>Note 4</b> Segment reporting.....	71	<b>Note 32</b> Prepaid expenses and accrued income .....	78
<b>Note 5</b> Interest income .....	71	<b>Note 33</b> Due to credit institutions .....	78
<b>Note 6</b> Interest expense .....	71	<b>Note 34</b> Deposits from the public .....	78
<b>Note 7</b> Dividends received .....	72	<b>Note 35</b> Debt securities in issue .....	78
<b>Note 8</b> Commission income .....	72	<b>Note 36</b> Other liabilities.....	78
<b>Note 9</b> Commission expense.....	72	<b>Note 37</b> Accrued expenses and deferred income.....	79
<b>Note 10</b> Net gains from financial items .....	72	<b>Note 38</b> Provisions .....	79
<b>Note 11</b> Other operating income .....	72	<b>Note 39</b> Subordinated liabilities.....	79
<b>Note 12</b> Employees, staff costs and remuneration of senior executives .....	72	<b>Note 40</b> Assets and liabilities, foreign currency .....	79
<b>Note 13</b> Other administration expenses .....	74	<b>Note 41</b> Untaxed reserves.....	79
<b>Note 14</b> Remuneration of auditors.....	74	<b>Note 42</b> Equity .....	79
<b>Note 15</b> Operational leasing.....	74	<b>Note 43</b> Pledged assets, contingent liabilities and other commitments.....	80
<b>Note 16</b> Depreciation/amortisation of property and equipment and intangible assets .....	74	<b>Note 44</b> Financial assets and liabilities by category .....	80
<b>Note 17</b> Loan losses, net.....	74	<b>Note 45</b> Fair value valuation techniques .....	81
<b>Note 18</b> Tax on net profit for the year .....	75	<b>Note 46</b> Information about offsetting .....	82
<b>Note 19</b> Treasury bills and other eligible bills.....	75	<b>Note 47</b> Disclosures on related parties, pricing and agreements .....	83
<b>Note 20</b> Loans to credit institutions.....	75	<b>Note 48</b> Events after balance-sheet date.....	83
<b>Note 21</b> Loans to the public .....	75		
<b>Note 22</b> Bonds and other interest-bearing securities .....	76	Statement from the Board .....	84
<b>Note 23</b> Shares and participations.....	76		

## Income statement – Parent Company

SEK M	Note	2013	2012
Interest income	5	3,585.1	3,539.8
Interest expense	6	-2,789.1	-2,797.1
<b>Net interest income</b>		<b>796.0</b>	<b>742.7</b>
Dividends received	7	0.1	0.0
Commission income	8	298.1	237.6
Commission expense	9	-552.4	-554.1
Net gains from financial items	10	19.4	2.7
Other operating income	11	229.3	219.7
<b>Total operating income</b>		<b>790.5</b>	<b>648.6</b>
Staff costs	12	-142.6	-137.0
Other administration expenses	13, 14, 15	-483.0	-449.7
<b>Total administration expenses</b>		<b>-625.6</b>	<b>-586.7</b>
Depreciation/amortisation and impairment of property and equipment/intangible assets	16	-82.7	-73.4
<b>Total operating expenses</b>		<b>-708.3</b>	<b>-660.1</b>
<b>Profit/loss before loan losses</b>		<b>82.2</b>	<b>-11.5</b>
Loan losses, net	17	-80.1	-22.2
<b>Operating profit/loss</b>		<b>2.1</b>	<b>-33.7</b>
Appropriations	41	-11.9	-
Tax	18	6.2	-3.2
<b>Net profit/loss for the year</b>		<b>-3.6</b>	<b>-36.9</b>

## Statement of comprehensive income – Parent Company

SEK M	Note	2013	2012
<b>Net profit/loss for the year</b>		<b>-3.6</b>	<b>-36.9</b>
<b>Other comprehensive income</b>	42		
<b>Items that may subsequently be transferred to profit and loss</b>			
Change in fair value of available-for-sale financial assets		45.1	28.9
Reclassification of realised securities		-4.1	-
Tax attributable to items that may subsequently be transferred to profit and loss		-9.0	-7.6
<b>Total</b>		<b>32.0</b>	<b>21.3</b>
<b>Total other comprehensive income for the year, net after tax</b>		<b>32.0</b>	<b>21.3</b>
<b>Comprehensive income for the year</b>		<b>28.4</b>	<b>-15.6</b>

## Balance sheet – Parent Company

SEK M	Note	Dec 31, 2013	Dec 31, 2012
<b>ASSETS</b>			
Cash and balances with central banks		108.5	109.4
Treasury bills and other eligible bills	19	3,389.5	3,677.4
Loans to credit institutions	20	44,638.6	38,260.7
Loans to the public	21	36,007.7	35,212.9
Bonds and other interest-bearing securities	22	19,824.7	14,466.0
Shares and participations	23	87.8	11.0
Shares and participations in associated companies	24	1.0	0.0
Shares and participations in Group companies	25	6,069.0	5,869.0
Derivatives	26	602.7	413.3
Fair value changes of interest-rate risk hedged items in portfolio hedge	27	64.8	97.0
Intangible assets	28	347.7	367.6
Property and equipment	29	2.6	2.1
Deferred tax assets	30	6.3	5.4
Other assets	31	386.1	316.8
Prepaid expenses and accrued income	32	871.2	694.4
<b>TOTAL ASSETS</b>		<b>112,408.2</b>	<b>99,503.0</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
Due to credit institutions	33	6,099.6	2,750.4
Deposits and funding from the public	34	69,340.6	62,535.0
Debt securities in issue	35	24,645.5	23,300.9
Derivatives	26	653.5	564.5
Fair value changes of interest-rate risk hedged items in portfolio hedge	27	46.2	108.9
Deferred tax liabilities	30	-	-
Other liabilities	36	455.6	697.5
Accrued expenses and deferred income	37	1,134.2	986.2
Provisions	38	6.1	8.0
Subordinated liabilities	39	2,299.7	1,489.7
<b>Total liabilities and provisions</b>		<b>104,681.0</b>	<b>92,441.1</b>
<b>Untaxed reserves</b>	41	<b>11.9</b>	
<b>Equity</b>	42		
Share capital		954.9	954.9
Statutory reserve		18.4	18.4
Fair value reserve		76.1	44.1
Retained earnings		6,669.5	6,081.4
<b>Net profit/loss for the year</b>		<b>-3.6</b>	<b>-36.9</b>
<b>Total equity</b>		<b>7,715.3</b>	<b>7,061.9</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>		<b>112,408.2</b>	<b>99,503.0</b>
<b>Pledged assets, contingent liabilities and commitments</b>	42		
For own liabilities, pledged assets		3,721.3	3,330.0
Other pledged assets		None	None
Contingent liabilities		4,303.4	3,682.2
Other commitments		11,349.6	7,533.7
<b>Other notes</b>			
Company information	1		
Accounting policies	2		
Segment reporting	3		
Assets and liabilities, foreign currency	40		
Financial assets and liabilities by category	44		
Fair value valuation techniques	45		
Information about offsetting	46		
Disclosures on related parties, pricing and agreements	47		
Events after balance-sheet date	48		

## Cash-flow statement, indirect method – Parent Company

SEK M	2013	2012
<b>Cash and cash equivalents, January 1</b>	<b>1,920.2</b>	<b>1,363.9</b>
<b>Operating activities</b>		
Operating profit/loss	2.1	-33.7
Adjustment of non-cash items	99.7	-12.5
<i>Change in assets of operating activities</i>		
Change in treasury bills and other eligible bills	290.4	-3,684.1
Changes in loans to subsidiaries	-3,159.3	-6,584.3
Change in loans to the public	-874.3	-1,822.5
Change in bonds and other interest-bearing securities	-5,398.2	-8,217.4
Change in derivatives	11.0	10.4
Change in other assets	-73.0	-272.5
<i>Change in liabilities of operating activities</i>		
Change in due to credit institutions	3,343.7	414.6
Change in deposits and funding from the public	6,805.6	12,769.0
Change in debt securities in issue	-	7,426.4
Change in other liabilities	1,303.1	438.0
Change in derivatives	-232.5	-20.0
<b>Cash flow from operating activities</b>	<b>2,118.3</b>	<b>411.4</b>
<b>Investing activities</b>		
Acquisition of intangible assets	-60.9	-83.7
Acquisition of property and equipment	-2.3	-0.7
Change in shareholders' contributions paid	-200.0	-565.0
Divestment of other financial assets	-77.9	-0.5
<b>Cash flow from investing activities</b>	<b>-341.1</b>	<b>-649.9</b>
<b>Financing activities</b>		
Shareholders' contribution received	625.0	742.0
Group contribution received	22.4	52.8
Subordinated debt received	810.0	-
Amortisation of subordinated debt	-	-
<b>Cash flow from financing activities</b>	<b>1,457.4</b>	<b>794.8</b>
<b>NET CASH FLOW FOR THE YEAR</b>	<b>3,234.6</b>	<b>556.3</b>
<b>Cash and cash equivalents, December 31</b>	<b>5,154.8</b>	<b>1,920.2</b>

SEK M	2013	2012
<b>Non-cash items</b>		
Depreciation/amortisation	82.7	73.4
Unrealised portion of net gains from financial items	-32.0	-61.5
Loan losses, excluding recoveries	79.5	9.4
Change in accrued expense/income	-28.6	-14.2
Provisions	-1.9	2.8
Group contributions and dividend in income statement	-	-22.4
<b>Total non-cash items</b>	<b>99.7</b>	<b>-12.5</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and balances with central banks	108.5	109.4
Loans to credit institutions <sup>1)</sup>	5,435.8	2,194.8
Due to credit institutions <sup>1)</sup>	-389.5	-384.0
<b>Total cash and cash equivalents</b>	<b>5,154.8</b>	<b>1,920.2</b>
Interest received	3,382.4	3,174.4
Interest paid	2,700.5	2,451.3
Gross investments	-63.2	84.5
Tax paid	0.0	0.0

<sup>1)</sup> Excluding loans/liabilities to subsidiaries.

Cash and cash equivalents is defined as cash and balance at central banks, lending and due to credit institutions payable on demand, as well as overnight loans and investments with the Riksbank that mature on the following banking day.

## Statement of changes in shareholders' equity – Parent Company

SEK M	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Net profit for the year	Total
<b>Opening balance, January 1, 2012</b>	<b>954.9</b>	<b>18.4</b>	<b>22.8</b>	<b>5,362.4</b>	<b>–6.5</b>	<b>6,352.0</b>
Net profit for the year					–36.9	–36.9
Other comprehensive income for the year			21.3			21.3
<i>Comprehensive income for the year</i>			<i>21.3</i>		<i>–36.9</i>	<i>–15.6</i>
Resolution by Annual General Meeting				–6.5	6.5	0.0
Group contribution paid				–22.4		–22.4
Tax effect of Group contribution paid				5.9		5.9
Conditional shareholders' contribution received				742.0		742.0
<b>Closing balance, December 31, 2012</b>	<b>954.9</b>	<b>18.4</b>	<b>44.1</b>	<b>6,081.4</b>	<b>–36.9</b>	<b>7,061.9</b>
<b>Opening balance, January 1, 2013</b>	<b>954.9</b>	<b>18.4</b>	<b>44.1</b>	<b>6,081.4</b>	<b>–36.9</b>	<b>7,061.9</b>
Net profit for the year					–3.6	–3.6
Other comprehensive income for the year			32.0			32.0
<i>Comprehensive income for the year</i>			<i>32.0</i>		<i>–3.6</i>	<i>28.4</i>
Resolution by Annual General Meeting				–36.9	36.9	0.0
Group contribution received				–		–
Tax effect of Group contribution paid				–		–
Conditional shareholders' contribution received				625.0		625.0
<b>Closing balance, December 31, 2013</b>	<b>954.9</b>	<b>18.4</b>	<b>76.1</b>	<b>6,669.5</b>	<b>–3.6</b>	<b>7,715.3</b>

### Statutory reserve

The statutory reserve continues to comprise restricted equity but no new provisions to the statutory reserve are required. The statutory reserve also includes amounts that were added to the share premium reserve prior to January 1, 2006.

### Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of available-for-sale financial assets until the asset is derecognised from the balance sheet.

### Retained earnings, including net profit for the year

Retained earnings, including net profit for the year, includes profit in the Parent Company. Group contributions received and paid after tax and shareholders' contributions received and paid are also included.

## Notes to the Parent Company's financial statements

### 1 COMPANY INFORMATION

The Annual Report for Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) was presented on December 31, 2013. Länsförsäkringar Bank AB is a bank registered in Sweden, with its registered office in Stockholm. The address of the head office is Tegeluddsvägen 11-13, Stockholm, Sweden. The company is a wholly owned subsidiary of Länsförsäkringar AB (publ) (Corp. Reg. No. 556549-7020) 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 February 20, 2014. Final approval of the Annual Report will be made by the Parent Company's Annual General Meeting on May 12, 2014.

### 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.

#### 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 and 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.

#### Group contributions

Group contributions received by the company from a subsidiary are recognised in profit and loss on the line Dividends received, according to the same accounting policies as dividends. Group contributions paid to a subsidiary are recognised as an investment in shares and participations in Group companies. Group contributions that have been paid to other companies in the Länsförsäkringar AB Group are recognised directly against retained earnings less the relevant tax effect.

### 3 RISKS

See note 3 Risks and capital adequacy in the notes to the consolidated financial statements on page 39.

### 4 SEGMENT REPORTING

Segment reporting is only submitted for the Group.

### 5 INTEREST INCOME

SEK M	2013	2012
Loans to credit institutions	864.6	923.9
Loans to the public	1,383.2	1,472.9
Interest-bearing securities	403.7	340.5
<i>Derivatives</i>		
Hedge accounting	736.9	646.8
Non-hedge accounting	196.7	155.7
Other interest income	0.0	0.0
<b>Total interest income</b>	<b>3,585.1</b>	<b>3,539.8</b>
of which, interest income on impaired loans	9.7	3.6
of which, interest income from financial items not measured at fair value	2,247.8	2,396.8
Average interest rate on loans to the public during the year, %	3.9	4.4

### 6 INTEREST EXPENSE

SEK M	2013	2012
Due to credit institutions	-59.8	-44.8
Deposits and funding from the public	-925.1	-1,142.0
Interest-bearing securities	-552.9	-648.2
Subordinated liabilities	-103.2	-75.7
<i>Derivatives</i>		
Hedge accounting	-725.0	-687.3
Non-hedge accounting	-355.2	-141.4
Other interest expense, including government deposit insurance	-67.9	-57.7
<b>Total interest expense</b>	<b>-2,789.1</b>	<b>-2,797.1</b>
of which, interest expense from financial items not measured at fair value	-1,708.9	-1,968.4
Average interest rate on deposits from the public during the year, %	1.4	2.0

## 7 DIVIDENDS RECEIVED

SEK M	2013	2012
Dividends received on shares	0.1	0.0
<b>Total dividends received</b>	<b>0.1</b>	<b>0.0</b>

## 8 COMMISSION INCOME

SEK M	2013	2012
Transfer of payments	94.4	60.5
Loans	9.7	10.5
Deposits	10.1	9.0
Financial guarantees	0.6	0.6
Securities	55.3	27.2
Cards	123.4	125.4
Other commission	4.6	4.4
<b>Total commission income</b>	<b>298.1</b>	<b>237.6</b>

## 9 COMMISSION EXPENSE

SEK M	2013	2012
Payment mediation	-75.8	-62.1
Securities	-14.6	-9.0
Cards	-81.8	-87.8
Remuneration to regional insurance companies	-370.2	-378.9
Other commission	-10.0	-16.3
<b>Total commission expense</b>	<b>-552.4</b>	<b>-554.1</b>

## 10 NET GAINS FROM FINANCIAL ITEMS

SEK M	2013	2012
<b>Change in fair value</b>		
Interest-related instruments	-15.7	-37.8
Currency-related instruments	-4.3	-2.6
Change in fair value of hedged items	23.3	37.5
<b>Capital gains/losses</b>		
Interest-related instruments	5.8	-3.8
Interest compensation	10.3	9.4
<b>Total net gains from financial items</b>	<b>19.4</b>	<b>2.7</b>
<b>SEK M</b>	<b>2013</b>	<b>2012</b>
<b>Profit/loss by measurement category</b>		
Available-for-sale financial assets, realised	10.6	18.8
Derivative assets intended for risk management, non-hedge accounting	2.5	-
Derivatives in non-hedge accounting, realised	-	0.0
Derivatives in hedge accounting, realised	-3.8	-16.6
Other financial assets measured at fair value in profit and loss	-	-
Derivative liabilities intended for risk management, non-hedge accounting	-	-
Loans and receivables	7.1	7.1
Financial liabilities at amortised cost	0.2	-7.4
Change in fair value of derivatives that are hedging instruments in a fair value hedge	-20.4	-36.7
Change in fair value of hedged items with regard to the hedged risk in fair value hedges	23.2	37.5
<b>Total</b>	<b>19.4</b>	<b>2.7</b>

## 11 OTHER OPERATING INCOME

SEK M	2013	2012
Remuneration from the regional insurance companies	135.5	103.2
Other income	93.8	116.5
<b>Total other operating income</b>	<b>229.3</b>	<b>219.7</b>

## 12 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees, Sweden	2013	2012
Men	54	48
Women	55	62
<b>Total number of employees</b>	<b>109</b>	<b>110</b>

Salaries, other remuneration and social security expenses, other employees	2013	2012
Salaries and remuneration	68.1	63.9
of which, variable remuneration	0.0	0.0
Social security expenses	47.0	44.2
of which, pension costs	20.5	18.5
<b>Total</b>	<b>115.1</b>	<b>108.1</b>

Board of Directors and other senior executives, 14 (13)	2013	2012
Salaries and remuneration	10.9	11.4
of which, fixed salary to the President and Executive Vice President	4.2	4.0
of which, variable remuneration to the President and Executive Vice President	0.0	0.0
of which, fixed salary to other senior executives	5.4	6.1
of which, variable salary to other senior executives	0.0	0.0
Social security expenses	8.8	9.1
of which, pension costs	4.3	4.4
<b>Total</b>	<b>19.7</b>	<b>20.5</b>

Total salaries, other remuneration and social security expenses	2013	2012
Salaries and remuneration	79.0	75.3
of which, variable remuneration	0.0	0.0
Social security expenses	55.8	53.3
of which, pension costs	24.8	22.9
<b>Total</b>	<b>134.8</b>	<b>128.6</b>

Länsförsäkringar Bank has about 1,050 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 payable to employee representatives.

### 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.

## 12 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

### Remuneration and other benefits for senior executives

2013, SEK M	Basic salary	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Rikard Josefson, President	4.2		0.0	2.0	6.2	35
Anders Borgcrantz, Executive Vice President	2.6			1.0	3.6	35
Ingemar Larsson, Board member	0.2				0.2	
Örian Söderberg, Board member	0.2				0.2	
Bengt Erik Lindgren, Board member	0.2				0.2	
Per-Åke Holgersson, Board member	0.2				0.2	
Christian Bille, Board member	0.2				0.2	
Ingrid Jansson, Board member	0.1				0.1	
Marie-Susanne Petersson, Board member	0.1				0.1	
Christer Villard, former Board member	0.1				0.1	
<b>Other senior executives (4)</b>						
Parent Company (4)	4.4		0.0	2.0	6.4	34
Subsidiaries (4)	6.5		0.1	2.8	9.4	42
<b>Total 2013</b>	<b>19.0</b>	<b>0</b>	<b>0.1</b>	<b>7.8</b>	<b>26.9</b>	
Total remuneration from Parent Company	9.9	0	0.0	4.0	13.9	
Total remuneration from subsidiaries	9.1	0	0.1	3.7	12.9	

2012, SEK M	Basic salary	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Rikard Josefson, President	4.0		0.0	1.9	5.9	35
Anders Borgcrantz, Executive Vice President	2.5			0.9	3.4	35
Ingemar Larsson, Deputy Chairman	0.3				0.3	
Örian Söderberg, Board member	0.2				0.2	
Christer Villard, Board member	0.2				0.2	
Bengt Erik Lindgren, Board member	0.2				0.2	
Per-Åke Holgersson, Board member	0.2				0.2	
Christian Bille, Board member	0.2				0.2	
Leif Johansson, former Board member	0.1				0.1	
<b>Other senior executives (5)</b>						
Parent Company (5)	6.1		0.1	2.5	8.7	38
Subsidiaries (3)	5.2		0.1	2.5	7.8	45
<b>Total 2012</b>	<b>19.2</b>		<b>0.2</b>	<b>7.8</b>	<b>27.2</b>	
Total remuneration from Parent Company	11.4		0.1	4.4	15.8	
Total remuneration from subsidiaries	7.8		0.1	3.4	11.3	

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% of the pensionable salary. Pensionable salary refers to fixed salary. In addition to this an endowment insurance is subscribed by the company with a premium of SEK 500,000 each year during five years, starting in 2011. The retirement age for the Executive Vice President is 65 years. The pension is a defined-contribution plan and pension premium is to amount to 35% of the pensionable salary. Pensionable salary refers to fixed 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 (FTF) 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 six months applies to the President and one Executive Vice President. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. For other senior executives, the period of notice follows applicable agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) 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 senior executives. 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. Total remuneration is to be in line with the industry standard. 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.

	Dec 31, 2013	Dec 31, 2012
<b>Number of women among senior executives, %</b>		
Board members	30	11
Other senior executives	30	54

## 12 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

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

	Bank Group		Parent Company		Parent Company Group	
	2013	2012	2013	2012	2013	2012
<b>Board members</b>	<b>24.3</b>	<b>22.5</b>	<b>20.4</b>	<b>18.5</b>	<b>56.6</b>	<b>50.1</b>
Of which, loans from Bank	6.5	4.4	6.5	4.4	15.2	11.6
Of which, loans from Hypotek	17.8	18.1	13.9	14.1	41.4	38.5
Of which, loans from Wasa Kredit	–	–	–	–	–	–
<b>President and Executive Vice Presidents</b>	<b>0.0</b>	<b>0.6</b>	<b>–</b>	<b>–</b>	<b>16.9</b>	<b>17.8</b>
Of which, loans from Bank	0.0	0.3	–	–	3.5	3.8
Of which, loans from Hypotek	–	–	–	–	13.4	13.7
Of which, loans from Wasa Kredit	–	0.3	–	–	–	0.3
<b>Senior executives</b>	<b>14.4</b>	<b>8.1</b>	<b>1.7</b>	<b>1.7</b>	<b>34.2</b>	<b>36.4</b>
Of which, loans from Bank	3.7	1.7	0.5	0.5	7.3	6.6
Of which, loans from Hypotek	10.7	6.4	1.2	1.2	26.9	29.8
Of which, loans from Wasa Kredit	–	–	–	–	–	–

Loans granted comprise personnel loans and other loans. Personnel loans carry loan terms comparable to what applies to other employees in the Group. The interest rate for personnel loans is the repo rate less 0.5 percentage points, but can never be lower than 0.5 percentage points. The interest benefit is calculated in accordance with the Swedish National Tax Board's rules and is included in other benefits as above. Personnel loans are restricted to SEK 500,000. 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.

## 13 OTHER ADMINISTRATION EXPENSES

SEK M	2013	2012
Costs for premises	–18.7	–14.0
IT costs	–241.8	–214.1
Consultant costs	–26.2	–45.4
Marketing	–9.7	–13.2
Management costs	–6.6	–5.3
Other administration expenses	–180.0	–157.7
<b>Total administration expenses</b>	<b>–483.0</b>	<b>–449.7</b>

## 14 REMUNERATION OF AUDITORS

SEK M	2013	2012
<b>Audit fees, KPMG</b>		
– Audit assignment	–2.5	–1.7
– Audit activities other than audit assignment	–0.3	–0.3
– Tax advice	–	–
– Other assignments	–0.4	–0.8

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.

## 15 OPERATIONAL LEASING

These agreements pertain to internal and external lease contracts where the Parent Company is the lessee.

SEK M	2013	2012
<b>Lease expenses paid</b>		
Rent for premises	–19.1	–13.9
Leasing fees, company cars	–0.5	–0.5
<b>Future basic rents for irrevocable leasing contracts</b>		
Within 1 year	–19.1	–13.9

## 16 DEPRECIATION/AMORTISATION OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

SEK M	2013	2012
Depreciation of property and equipment	–1.9	–3.8
Amortisation of intangible assets	–80.8	–69.6
<b>Total depreciation/amortisation of assets</b>	<b>–82.7</b>	<b>–73.4</b>

## 17 LOAN LOSSES AND IMPAIRED LOANS

SEK M	2013	2012
<b>Specific reserve for individually assessed loan receivables</b>		
Write-off of confirmed loan losses during the year	–60.7	–60.9
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	55.4	33.7
Impairment of loan losses during the year	–176.2	–54.4
Payment received for prior confirmed loan losses	60.0	47.0
Reversed impairment of loan losses no longer required	36.9	16.9
<b>Net expense for the year for individually assessed receivables</b>	<b>–84.6</b>	<b>–17.7</b>
<i>Collective reserves for individually assessed receivables</i>	–	–
<b>Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk</b>		
Write-off of confirmed loan losses during the year	–	–
Payment received for prior confirmed loan losses	–	–
Provision/reversal of reserve for loan losses	4.3	–5.6
<b>Net expense for the year for collectively assessed receivables</b>	<b>4.3</b>	<b>–5.6</b>
<b>Net expense for the year for fulfilment of guarantees</b>	<b>0.2</b>	<b>1.2</b>
<b>Net expense of loan losses for the year</b>	<b>–80.1</b>	<b>–22.1</b>

All information pertains to receivables from the public.

## 17 LOAN LOSSES AND IMPAIRED LOANS, cont.

Impaired loans, SEK M	Dec 31, 2013				Dec 31, 2012			
	Gross	Individual reserve	Collective reserve	Net	Gross	Individual reserve	Collective reserve	Net
Corporate sector	26.6	-20.2	-1.6	4.8	11.0	-3.5	-4.1	3.4
Retail sector	127.3	-136.2	-28.8	-37.7	48.1	-69.0	-30.6	-51.5
of which, private individuals	56.6	-59.3	-12.0	-14.7	41.4	-28.4	-27.9	-14.9
<b>Total</b>	<b>153.9</b>	<b>-156.4</b>	<b>-30.4</b>	<b>-32.9</b>	<b>59.1</b>	<b>-72.5</b>	<b>-34.7</b>	<b>-48.1</b>

Sector reporting according to IRB definition.

Reconciliation of impairment of loan losses SEK M	Dec 31, 2013			Dec 31, 2012		
	Individual reserve	Collective reserve	Total	Individual reserve	Collective reserve	Total
<b>Opening balance</b>	<b>-72.5</b>	<b>-34.7</b>	<b>-107.3</b>	<b>-68.7</b>	<b>-29.1</b>	<b>-97.8</b>
Reversed earlier provisions of loan losses recognised in the annual accounts as confirmed losses	55.4		55.4	33.7		33.7
Reversed provisions of loan losses no longer required	36.9	4.3	41.2	16.9	-5.6	11.3
Provisions for loan losses during the year	-176.2		-176.2	-54.4		-54.4
<b>Closing balance</b>	<b>-156.4</b>	<b>-30.4</b>	<b>-186.8</b>	<b>-72.5</b>	<b>-34.7</b>	<b>-107.3</b>

## 18 TAX ON NET PROFIT FOR THE YEAR

SEK M	2013	2012
<b>Current tax</b>		
Tax expense/tax income for the year	5.3	-5.9
<b>Total current tax</b>	<b>5.3</b>	<b>-5.9</b>
<b>Deferred tax</b>		
Change in deferred tax expense on temporary differences	0.9	2.7
<b>Total deferred tax</b>	<b>0.9</b>	<b>2.7</b>
<b>Total recognised tax expense</b>	<b>6.2</b>	<b>-3.2</b>
<b>Reconciliation of effective tax rate</b>		
Profit before tax	-9.8	-33.7
Tax in accordance with applicable tax rate for Parent Company	2.2	8.9
Tax on non-deductible costs	-4.1	-3.7
Tax on non-taxable income	3.1	0.3
Tax attributable to changed tax rates	-2.6	-1.1
Tax attributable to earlier years	7.6	0.0
Other	-	-7.6
<b>Total tax on net profit for the year</b>	<b>6.2</b>	<b>-3.2</b>
Applicable tax rate	22.0%	26.3%
Effective tax rate	63.8%	-9.5%
<b>Tax items recognised in other comprehensive income</b>		
Tax on available-for-sale financial assets	-9.0	-7.6

## 19 TREASURY BILLS AND OTHER ELIGIBLE BILLS

SEK M	Dec 31, 2013	Dec 31, 2012
Swedish government	2,395.3	3,205.6
German government	320.8	471.8
Finnish government	673.4	-
<b>Total treasury bills and other eligible bills</b>	<b>3,389.5</b>	<b>3,677.4</b>
Fair value	3,389.5	3,677.4
Amortised cost	3,393.7	3,684.1
Nominal value	2,275.0	3,005.0
Remaining term of not more than 1 year	579.0	471.8
Remaining term of more than 1 year	2,810.5	3,205.6

## 20 LOANS TO CREDIT INSTITUTIONS

SEK M	Dec 31, 2013	Dec 31, 2012
Loans to subsidiaries	38,990.7	35,506.5
Deposits, Swedish banks	-	-
Other loans to credit institutions	5,647.9	2,754.2
<b>Total loans to credit institutions</b>	<b>44,638.6</b>	<b>38,260.7</b>
Payable on demand	511.6	536.3
Remaining term of not more than 3 months	5,416.4	2,222.9
Remaining term of more than 3 months but not more than 1 year	38,013.4	34,660.9
Remaining term of more than 1 year but not more than 5 years	697.2	224.6
Remaining term of more than 5 years	-	616.0
<b>Total loans to credit institutions</b>	<b>44,638.6</b>	<b>38,260.7</b>

Genuine repurchase transactions amounted to SEK 5,338.9 M (1,749.5), of which SEK - M (-) with Group companies.

## 21 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	Dec 31, 2013	Dec 31, 2012
<b>Loans to the public before reserves</b>		
Public sector	618.7	682.0
Corporate sector	1,607.0	1,710.6
Retail sector	33,968.4	32,927.6
Other	0.4	0.0
<b>Total</b>	<b>36,194.5</b>	<b>35,320.2</b>
<b>Reserves</b>	<b>-186.8</b>	<b>-107.3</b>
<b>Loans to the public</b>	<b>36,007.7</b>	<b>35,212.9</b>
Remaining term of not more than 3 months	28,046.7	27,854.1
Remaining term of more than 3 months but not more than 1 year	1,271.3	2,407.3
Remaining term of more than 1 year but not more than 5 years	6,494.1	4,750.6
Remaining term of more than 5 years	195.6	200.9
<b>Total</b>	<b>36,007.7</b>	<b>35,212.9</b>

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

For more information about reserves, see note 17.

## 22 BONDS AND OTHER INTEREST-BEARING SECURITIES

Issued by organisations other than public bodies

SEK M	Dec 31, 2013	Dec 31, 2012
<b>Swedish mortgage institutions (guaranteed by Swedish government)</b>		
Swedish mortgage institutions (not guaranteed)	–	–
Other Swedish issuers (guaranteed by Swedish government)	16,251.2	12,893.0
	3,228.5	1,573.0
Fair value	192.6	–
Amortised cost	152.4	–
<b>Nominal value</b>	<b>19,824.7</b>	<b>14,466.0</b>
Market status	19,824.7	14,466.0
Securities listed	19,641.9	14,243.7
Remaining term of not more than 1 year	18,860.0	13,750.0
<b>Remaining term of more than 1 year</b>		
Securities listed	19,824.7	14,466.0
Remaining term of not more than 1 year	4,570.7	3,452.1
Remaining term of more than 1 year	15,254.0	11,013.9

## 23 SHARES AND PARTICIPATIONS

SEK M	Dec 31, 2013	Dec 31, 2012
Opening amount at beginning of the year	11.0	10.4
Acquisition of shares	76.8	0.6
<b>Carrying amount at year-end</b>	<b>87.8</b>	<b>11.0</b>

## 24 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

SEK M	Dec 31, 2013	Dec 31, 2012
Carrying amount at beginning of year	0.0	–
Acquisition of shares in Getswish AB	1.0	0.0
<b>Carrying amount at year-end</b>	<b>1.0</b>	<b>0.0</b>

	Corporate Registration Number	Registered office	Number of shares	Share of equity, %	Carrying amount, Dec 31, 2013	Carrying amount, Dec 31, 2012
Getswish AB	556913-7382	Stockholm	5,000	10.0	1.0	0.0
<b>Total</b>					<b>1.0</b>	<b>0.0</b>

Summary of financial information pertaining to associated companies

	2013	2012
Income	–0.2	–
Earnings	–0.2	–
Assets	144.1	–
Liabilities	133.2	–
Equity	10.9	–

The amounts presented above refer only to the Group's participating interests in associated companies. The shares and participations are unlisted. All associated companies apply the calendar year as the fiscal year.

## 25 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

The bank has a total of three wholly-owned subsidiaries with registered offices in Stockholm.

SEK M	Dec 31, 2013			Dec 31, 2012		
	Number of shares	Nominal value	Carrying amount	Number of shares	Nominal value	Carrying amount
Wasa Kredit AB (556311-9204)	875,000	87.5	814.8	875,000	87.5	814.8
Länsförsäkringar Hypotek AB (556244-1781)	70,335	70.3	5,089.2	70,335	70.3	4,889.2
Länsförsäkringar Fondförvaltning AB (556364-2783)	15,000	1.5	165.0	15,000	1.5	165.0
<b>Total shares and participations in Group companies</b>			<b>6,069.0</b>			<b>5,869.0</b>

SEK M	2013				2012			
	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	814.8	4,889.2	165.0	5,869.0	787.8	4,351.2	165.0	5,304.0
Conditional shareholders' contribution	–	200.0	–	200.0	27.0	538.0	–	565.0
<b>Carrying amount at year-end</b>	<b>814.8</b>	<b>5,089.2</b>	<b>165.0</b>	<b>6,069.0</b>	<b>814.8</b>	<b>4,889.2</b>	<b>165.0</b>	<b>5,869.0</b>

## 25 SHARES AND PARTICIPATIONS IN GROUP COMPANIES, cont.

	2013		2012	
	Equity	Net profit for the year	Equity	Net profit for the year
<b>Equity (incl. 78% of untaxed reserves) and profit after tax in subsidiaries, SEK M</b>				
Wasa Kredit AB	1,210.4	54.9	1,017.1	19.0
Länsförsäkringar Hypotek AB	5,282.0	159.5	4,891.0	257.3
Länsförsäkringar Fondförvaltning AB	139.9	52.9	69.3	63.5
<b>Total</b>	<b>6,632.3</b>	<b>267.3</b>	<b>5,977.4</b>	<b>339.8</b>

## 26 DERIVATIVES

SEK M	Dec 31, 2013		Dec 31, 2012	
	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives with positive values</b>				
<i>Derivatives in hedge accounting</i>				
Interest	14,582.0	119.0	13,192.0	123.3
Currency	2,394.9	75.9	–	4.1
Collateral received, CSA	–	–	–	–
<i>Other derivatives</i>				
Interest	14,375.0	122.7	7,240.0	94.1
Currency	9,324.1	285.1	4,004.9	191.8
<b>Total derivatives with positive values</b>	<b>40,676.0</b>	<b>602.7</b>	<b>24,439.9</b>	<b>413.3</b>
Remaining term of not more than 1 year	12,221.8	80.8	10,293.0	39.3
Remaining term of more than 1 year	28,454.2	521.9	14,143.9	374.0
<b>Derivatives with negative values</b>				
<i>Derivatives in hedge accounting</i>				
Interest	29,814.0	205.8	26,237.0	274.6
Currency	1,181.2	53.7	4,005.0	187.2
<i>Other derivatives</i>				
Interest	14,375.0	122.7	7,240.0	94.1
Currency	9,305.2	271.3	–	8.6
<b>Total derivatives with negative values</b>	<b>54,675.4</b>	<b>653.5</b>	<b>37,482.0</b>	<b>564.5</b>
Remaining term of not more than 1 year	13,364.2	89.8	11,550.0	79.5
Remaining term of more than 1 year	41,311.2	563.7	25,932.0	485.0

## 27 FAIR VALUE CHANGES OF INTEREST-RATE RISK HEDGED ITEMS IN PORTFOLIO HEDGE

SEK M	Dec 31, 2013	Dec 31, 2012
<b>Assets</b>		
Carrying amount at beginning of year	97.0	69.5
Changes during the year pertaining to lending	–32.2	27.5
<b>Carrying amount at year-end</b>	<b>64.8</b>	<b>97.0</b>
<b>Liabilities</b>		
Carrying amount at beginning of year	108.9	80.9
Changes during the year pertaining to deposits	–3.9	24.8
Changes during the year pertaining to funding	–58.8	3.2
<b>Carrying amount at year-end</b>	<b>46.2</b>	<b>108.9</b>

## 28 INTANGIBLE ASSETS

SEK M	Internally developed IT systems		Acquired IT systems		Total	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
<b>Cost</b>						
Opening cost	807.9	724.2	27.9	27.9	835.8	752.1
Acquisitions during the year	60.9	83.7	–	–	60.9	83.7
Divestments during the year	–	–	–	–	–	–
Closing cost	868.8	807.9	27.9	27.9	896.7	835.8
<b>Amortisation</b>						
Opening accumulated amortisation	–441.5	–373.9	–26.7	–24.7	–468.2	–398.6
Amortisation for the year	–79.6	–67.6	–1.2	–2.0	–80.8	–69.6
Reversed amortisation, divestments	–	–	–	–	–	–
<b>Closing accumulated amortisation</b>	<b>–521.1</b>	<b>–441.5</b>	<b>–27.9</b>	<b>–26.7</b>	<b>–549.0</b>	<b>–468.2</b>
<b>Total intangible assets</b>	<b>347.7</b>	<b>366.4</b>	<b>0.0</b>	<b>1.2</b>	<b>347.7</b>	<b>367.6</b>

## 29 PROPERTY AND EQUIPMENT

SEK M	Dec 31, 2013	Dec 31, 2012
<b>Equipment</b>		
Opening cost	25.2	24.3
Purchases for the year	2.4	0.9
<b>Closing cost</b>	<b>27.6</b>	<b>25.2</b>

SEK M	Dec 31, 2013	Dec 31, 2012
Opening depreciation	-23.1	-19.3
Reversed depreciation, sales/scrapping	-	-
Depreciation for the year	-1.9	-3.8
<b>Closing accumulated depreciation</b>	<b>-25.0</b>	<b>-23.1</b>
<b>Total property and equipment</b>	<b>2.6</b>	<b>2.1</b>

## 30 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	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Other financial investment assets	-	-	-	-	-	-
Liabilities	-7.2	-5.4	0.9	-	-6.3	-5.4
<b>Deferred tax assets(-)/deferred tax liabilities (+)</b>	<b>-7.2</b>	<b>-5.4</b>	<b>0.9</b>	<b>-</b>	<b>-6.3</b>	<b>-5.4</b>
Offset	-	-	-	-	-	-
<b>Net deferred tax assets (-)/deferred tax liabilities (+)</b>	<b>-7.2</b>	<b>-5.4</b>	<b>0.9</b>	<b>-</b>	<b>-6.3</b>	<b>-5.4</b>

The Parent Company has no temporary differences with tax effects in Group companies.

### Change in deferred tax in temporary differences

SEK M	Amount at Jan 1	Recognised in profit and loss	Recognised in other comprehensive income	Amount at Dec 31
<b>2013</b>				
Other financial investment assets	-	-	-	-
Liabilities	-5.4	-0.9	-	-6.3
<b>Deferred tax assets (-) /deferred tax liabilities (+)</b>	<b>-5.4</b>	<b>-0.9</b>	<b>-</b>	<b>-6.3</b>
<b>2012</b>				
Other financial investment assets	-	-	-	-
Liabilities	-2.7	-2.7	-	-5.4
<b>Deferred tax assets (-) /deferred tax liabilities (+)</b>	<b>-2.7</b>	<b>-2.7</b>	<b>-</b>	<b>-5.4</b>

## 31 OTHER ASSETS

SEK M	Dec 31, 2013	Dec 31, 2012
Accounts receivable	9.6	12.8
Other assets	376.5	304.0
<b>Total other assets</b>	<b>386.1</b>	<b>316.8</b>

## 32 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	Dec 31, 2013	Dec 31, 2012
Accrued interest income	815.7	613.0
Other accrued income	39.7	48.4
Prepaid expenses	15.8	33.0
<b>Total prepaid expenses and accrued income</b>	<b>871.2</b>	<b>694.4</b>

## 33 DUE TO CREDIT INSTITUTIONS

SEK M	Dec 31, 2013	Dec 31, 2012
Swedish banks	1,505.1	998.0
Other Swedish credit institutions	4,594.5	1,752.4
<b>Total due to credit institutions</b>	<b>6,099.6</b>	<b>2,750.4</b>
Payable on demand	4,659.4	1,801.2
Remaining term of not more than 3 months	1,440.2	949.2
Remaining term of more than 3 months but not more than 1 year	-	-
<b>Total</b>	<b>6,099.6</b>	<b>2,750.4</b>

Genuine repurchase transactions amounted to SEK 506.3 M (565.0), of which SEK - M (-) with Group companies.

## 34 DEPOSITS FROM THE PUBLIC

SEK M	Dec 31, 2013	Dec 31, 2012
Deposits from insurance companies	4,142.5	3,710.3
Deposits from households	58,665.8	53,220.7
Deposits from other Swedish public	6,532.3	5,604.0
<b>Total deposits from the public</b>	<b>69,340.6</b>	<b>62,535.0</b>
<b>Payable on demand</b>	<b>69,340.6</b>	<b>62,535.0</b>

Fixed-term deposits amount to SEK 33,442.4 (30,587.1). Interest compensation is paid on premature redemption.

## 35 DEBT SECURITIES IN ISSUE

SEK M	Dec 31, 2013	Dec 31, 2012
Commercial papers	2,003.0	5,004.5
Bond loans	22,569.5	18,220.5
Cashier's cheques issued	73.0	75.9
<b>Total debt securities in issue</b>	<b>24,645.5</b>	<b>23,300.9</b>
Remaining term of not more than 1 year	6,474.6	11,475.4
Remaining term of more than 1 year	18,170.9	11,825.5

## 36 OTHER LIABILITIES

SEK M	Dec 31, 2013	Dec 31, 2012
Accounts payable	13.3	35.9
Withheld preliminary tax, customers	63.0	102.3
Other liabilities	379.3	559.3
<b>Total other liabilities</b>	<b>455.6</b>	<b>697.5</b>

## 37 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	Dec 31, 2013	Dec 31, 2012
Accrued holiday pay	6.9	6.6
Accrued social security expenses	12.1	8.7
Accrued interest expense	848.5	759.9
Other accrued expenses and deferred income	266.7	211.0
<b>Total accrued expenses and deferred income</b>	<b>1,134.2</b>	<b>986.2</b>

## 38 PROVISIONS

SEK M	Dec 31, 2013	Dec 31, 2012
Provision for guarantees	0.9	0.9
Provision for early retirement in accordance with the pension agreement	2.9	5.2
Other provisions	2.3	1.9
<b>Total provisions</b>	<b>6.1</b>	<b>8.0</b>
<b>Provision for guarantees</b>		
Carrying amount at beginning of year	0.9	1.8
Unutilised amount reversed during the year	–	–0.9
<b>Carrying amount at year-end</b>	<b>0.9</b>	<b>0.9</b>

### Guarantees

Guarantees include leasing guarantees and credit guarantees.

### Defined-benefit pensions

The Group has a defined-benefit pension plan. The plan is a pension agreement from 2006 for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at the age of 62.

No portion of the amount recognised as Provision for early retirement in accordance with the pension agreement is encompassed by the Pension Obligations Vesting Act.

SEK M	2013	2012
<b>Pension commitments</b>		
Provision for early retirement in accordance with the pension agreement	2.9	5.2
<b>Total pension commitments</b>	<b>2.9</b>	<b>5.2</b>
<b>Assumptions pertaining to defined-benefit commitments:</b>		
Discount rate	0.4%	0.4%
Expected rate of salary increase	0.0%	0.0%
Percentage expected to retire voluntarily at age 62	30.0%	30.0%
<b>Memorandum items</b>	<b>6.7</b>	<b>12.1</b>

### 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 currently 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 2014 for the FTP plan amounted to SEK 11.8 M.

	2013	2012
Expenses for defined-contribution plans	20.6	17.4

## 39 SUBORDINATED LIABILITIES

SEK M	Dec 31, 2013	Dec 31, 2012
Subordinated debt, LFAB	–	290.0
External subordinated debt, listed	2,299.7	1,199.7
<b>Total subordinated liabilities</b>	<b>2,299.7</b>	<b>1,489.7</b>

### Specification of subordinated debt from Länsförsäkringar AB

SEK M	Carrying amount	Coupon rate of interest
Subordinated debt external	1,545.0	Variable 3 months
Subordinated debt external	754.7	Fixed
<b>Total</b>	<b>2,299.7</b>	

## 40 ASSETS AND LIABILITIES, FOREIGN CURRENCY

	Dec 31, 2013		Dec 31, 2012	
	Foreign currency	SEK	Foreign currency	SEK
<b>Assets</b>				
Treasury bills (EUR)				
EUR	75.6	669.5	55.0	471.8
USD	74.6	479.2	–	–
Bond EUR	10.4	91.9	–	–
<b>Total assets</b>		<b>1,240.6</b>		<b>471.8</b>
<b>Liabilities</b>				
<b>Debt securities in issue</b>				
EUR	280.0	2,396.5	225.0	1 925.2
NOK	399.9	444.5	–	–
<b>Total liabilities</b>		<b>2,841.0</b>		<b>1,925.2</b>

All amounts are hedged with currency forward contracts.

## 41 UNTAXED RESERVES

SEK M	Dec 31, 2013	Dec 31, 2012
Tax allocation reserve	11.9	–
<b>Total</b>	<b>11.9</b>	<b>–</b>

\*See also appropriations in the income statement.

## 42 EQUITY

SEK M	Dec 31, 2013	Dec 31, 2012
<b>Restricted equity</b>		
Share capital (9,548,708 shares, quotient value SEK 100 per share)	954.9	954.9
Statutory reserve	18.4	18.4
<b>Total restricted equity</b>	<b>973.3</b>	<b>973.3</b>
<b>Non-restricted equity</b>		
Fair value reserve	76.1	44.1
Retained earnings	6,669.5	6 081.4
Net profit for the year	–3.6	–36.9
<b>Total non-restricted equity</b>	<b>6,742.0</b>	<b>6 088.6</b>
<b>Total equity</b>	<b>7,715.3</b>	<b>7 061.9</b>

### Specification of balance-sheet item Fair value reserve

SEK M	2013	2012
Opening reserve	44.1	22.8
Change in fair value of available-for-sale financial assets	45.1	28.9
Reclassification adjustments on realised securities	–4.1	–
Tax on available-for-sale financial assets	–9.0	–7.6
<b>Closing reserve</b>	<b>76.1</b>	<b>44.1</b>

## 42 EQUITY, cont.

The other changes in equity for the year and division according to IFRS are contained in the Statement of changes in shareholders' equity.

Conditional shareholders' contribution received totalled:

During 2007	325.0
During 2008	500.0
During 2009	400.0
During 2010	850.0
During 2011	798.0
During 2012	742.0
During 2013	625.0
<b>Total</b>	<b>4,240.0</b>

## 43 PLEDGED ASSETS, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

SEK M	Dec 31, 2013	Dec 31, 2012
<b>For own liabilities, pledged assets</b>		
Pledged securities in the Riksbank	1,900.0	1,900.0
Pledged securities in Euroclear	1,300.0	850.0
Collateral provided for derivatives	10.0	10.0
Collateral provided for securities	5.0	5.0
Collateral paid due to repurchase agreement	506.3	565.0
<b>Total pledged assets for own liabilities</b>	<b>3,721.3</b>	<b>3,330.0</b>
<b>Other pledged assets</b>	<b>None</b>	<b>None</b>
<b>Contingent liabilities</b>		
Guarantees	56.6	55.1
Unconditional shareholders' contributions	4,240.0	3,615.0
Early retirement at age 62 in accordance with pension agreement, 80%	6.8	12.1
<b>Total contingent liabilities</b>	<b>4,303.4</b>	<b>3,682.2</b>
<b>Other commitments</b>		
Loans approved but not disbursed	945.1	1,101.5
Unutilised portion of overdraft facilities	9,208.5	5,471.2
Unutilised portion of credit card facilities	1,196.0	961.0
<b>Total other commitments</b>	<b>11,349.6</b>	<b>7,533.7</b>

An assumption regarding the number of employees likely to utilise the option of early retirement was made in determining the contingent liabilities for early retirement according to pension agreements. The assumption is based on historical information. The pension agreement expires in 2017.

## 44 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

Dec 31, 2013 SEK M	Financial assets at fair value in profit and loss				Total carrying amount	Fair value
	Loans and receivables	Financial assets according to fair value option	Held for trading	Derivatives used in hedge accounting		
<b>Assets</b>						
Cash and balances at central banks	108.5				108.5	108.5
Treasury bills and other eligible bills					3,389.5	3,389.5
Loans to credit institutions	44,638.6				44,638.6	44,638.6
Loans to the public	36,007.7				36,007.7	35,554.0
Bonds and other interest-bearing securities					19,824.7	19,824.7
Shares and participations					87.8	87.8
Derivatives			407.8	194.9	602.7	602.7
Accounts receivable	9.6				9.6	9.6
<b>Total assets</b>	<b>80,764.4</b>		<b>407.8</b>	<b>194.9</b>	<b>104,669.1</b>	<b>104,215.4</b>

Dec 31, 2013 SEK M	Financial liabilities at fair value in profit and loss				Total carrying amount	Fair value
	Financial liabilities according to fair value option	Held for trading	Derivatives used in hedge accounting	Other financial liabilities		
<b>Liabilities</b>						
Due to credit institutions				6,099.6	6,099.6	6,099.6
Deposits and funding from the public				69,340.6	69,340.6	70,069.6
Debt securities in issue				24,645.5	24,645.5	25,372.3
Derivatives		394.0	259.5		653.5	653.5
Accounts payable				13.3	13.3	13.3
Subordinated liabilities				2,299.7	2,299.7	
<b>Total liabilities</b>		<b>394.0</b>	<b>259.5</b>	<b>102,398.7</b>	<b>103,052.2</b>	<b>102,208.3</b>

Dec 31, 2012 SEK M	Financial assets at fair value in profit and loss				Available-for-sale financial assets	Held-to-maturity investments	Total carrying amount	Fair value
	Loans and receivables	Financial assets according to fair value option	Held for trading	Derivatives used in hedge accounting				
Assets								
Cash and balances at central banks	109.4						109.4	109.4
Treasury bills and other eligible bills					3,677.4		3,677.4	3,677.4
Loans to credit institutions	38,260.7						38,260.7	38,260.7
Loans to the public	35,212.9						35,212.9	34,664.8
Bonds and other interest-bearing securities					14,466.0		14,466.0	14,466.0
Shares and participations					11.0		11.0	11.0
Derivatives			285.8	127.5			413.3	413.3
Accounts receivable	12.8						12.8	12.8
Total assets	73,595.8		285.8	127.5	18,154.4		92,163.5	91,615.4

Dec 31, 2012 SEK M	Financial liabilities at fair value in profit and loss		Derivatives used in hedge accounting	Other financial liabilities	Total carrying amount	Fair value
	Financial liabilities according to fair value option	Held for trading				
Liabilities						
Due to credit institutions				2,750.4	2,750.4	2,750.4
Deposits and funding from the public				62,535.0	62,535.0	62,870.5
Debt securities in issue				23,300.9	23,300.9	24,497.5
Derivatives		102.7	461.8		564.5	564.5
Accounts payable				68.2	68.2	68.2
Subordinated liabilities				1,489.7	1,489.7	
Total liabilities		102.7	461.8	90,144.2	90,708.7	90,751.1

The fair value of cash and balances with central banks, loans to credit institutions, accounts receivable, due to credit institutions and accounts payable comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities, since these assets and liabilities have short terms. When calculating the fair value of deposits and lending, anticipated future cash flows have been discounted using a discount interest rate set at the

current deposit and lending rates applied (including discounts). The main principle for measuring the fair value of debt securities in issue is that the value is measured at prices from external parties at year-end or the most recent trading date. If external prices are not available or are deemed to deviate from market levels, a standard method or valuation technique based on the estimated or original issue spread is utilised.

## 45 FAIR VALUE VALUATION TECHNIQUES

Financial instruments measured at fair value in the balance sheet.

Dec 31, 2013 SEK M	Instruments with published price quotations (Level 1)	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
<b>Assets</b>				
Treasury bills and other eligible bills	3,389.5			3,389.5
Bonds and other interest-bearing securities	19,824.7			19,824.7
Shares and participations <sup>1)</sup>	76.8		11.0	87.8
Derivatives		602.7		602.7
<b>Liabilities</b>				
Derivatives		653.5		653.5
<b>Dec 31, 2012 SEK M</b>				
<b>Assets</b>				
Treasury bills and other eligible bills	3,677.4			3,677.4
Bonds and other interest-bearing securities	14,466.0			14,466.0
Shares and participations <sup>1)</sup>			11.0	11.0
Derivatives		413.3		413.3
<b>Liabilities</b>				
Derivatives		564.5		564.5

<sup>1)</sup> Unlisted shares and participations held for business purpose are initially measured at cost and impaired if objective evidence exists to recognise an impairment loss. The assessment is based on the most recent Annual Report and forecast earnings.

There were no significant transfers between Level 1 and Level 2 during 2013 or during 2012. There were no transfers from Level 3 in 2013 or 2012.

For further information about how the fair value was determined for financial instruments measured at fair value in the balance sheet, and about valuation techniques and inputs, see note 2 Accounting policies. For information about determining the fair value of financial assets and liabilities not measured at fair value in profit and loss, see note 44.

Gains and losses are recognised in profit and loss under Investment income, net.

### Change in holdings in Level 3

SEK M	Shares and participations
<b>Opening balance, January 1, 2013</b>	<b>11.0</b>
Total profits and losses recognised:	–
– recognised in net profit for the year	–
Acquisition of shares	–
<b>Closing balance, December 31, 2013</b>	<b>11.0</b>
<i>Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2012.</i>	
	–
<b>Opening balance, January 1, 2012</b>	<b>10.4</b>
Total profits and losses recognised:	–
– recognised in net profit for the year	–
Acquisition of shares	0.6
<b>Closing balance, December 31, 2012</b>	<b>11.0</b>
<i>Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at December 31, 2011.</i>	
	–

## 46 INFORMATION ABOUT OFFSETTING

Information per type of instrument. Financial assets and liabilities covered by a legally binding agreement regarding netting or a similar agreement but that are not offset in the balance sheet. The Bank Group has ISDA and CSA agreements with all derivative counterparties,

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.

				Related amounts not offset in the balance sheet			
SEK M Dec 31, 2013	Recognised financial assets, gross	Recognised financial assets, gross, offset in the balance sheet	Amounts recognised in the balance sheet	Financial instruments	Paid (+)/Received (–) collateral – securities	Paid (+)/Received (–) cash – collateral	Net amount
Assets							
Derivatives	602.7		602.7	–248.7			354.0
Repurchase agreements	5,338.9		5,338.9		–5,338.9		0.0
Liabilities							
Derivatives	–653.5		–653.5	248.7		77.6	–327.2
Repurchase agreements	–506.3		–506.3		506.3		0.0
Total	4,781.8		4,781.8	0.0	–4,832.6	77.6	26.8

				Related amounts not offset in the balance sheet			
SEK M Dec 31, 2012	Recognised financial assets, gross	Recognised financial assets, gross, offset in the balance sheet	Amounts recognised in the balance sheet	Financial instruments	Paid (+)/Received (–) collateral – securities	Paid (+)/Received (–) cash – collateral	Net amount
Assets							
Derivatives	413.3		413.3	–153.9			259.4
Repurchase agreements	1,749.5		1,749.5		–1,749.5		0.0
Liabilities							
Derivatives	–564.5		–564.5	153.9		496.0	85.4
Repurchase agreements	–565.0		–565.0		565.0		0.00
Total	1,033.3		1,033.3	0.0	–1,184.5		344.8

Counterparty risk in derivative contracts is reduced through netting agreements (ISDA agreements), meaning the netting of positive and negative values in all derivative contracts with the same counterparty. Netting agreements are supplemented with agreements on the provision of collateral for net exposures (CSA agreements). The bank currently has ISDA and CSA agreements with all counterparties

## 47 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS

### Related parties

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Group's companies, associated companies, the 23 regional insurance companies with subsidiaries and other related parties. Other related parties comprise: Länsförsäkringar Mäklarservice, Länsförsäkringar, Fastighetsförmedling AB, Länsförsäkringar PE-Holding AB (publ), Humlegården Holding I AB, Humlegården Holding II AB, Humlegården Holding III AB and Humlegården Fastigheter AB.

From 2006, the local insurance companies that hold shares in Länsförsäkringar AB are considered to be legal entities related to the Alliance.

Related key persons are Board members, senior executives and close family members to these individuals.

### 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.

### 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.

### Transactions

SEK M	Income		Expenses		Receivables		Liabilities		Commitments	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	2013	2012	2013	2012	2013	2012
Companies in the Bank Group	1,123.2	1,126.8	397.5	179.4	39,439.7	35,817.7	4,860.1	1,913.9	7,224.0	3,373.2
Other companies in the Länsförsäkringar AB Group	–	0.7	199.6	213.3	12.3	25.3	504.2	847.6	–	–
Länsförsäkringar Liv Group	–	–	2.2	1.8	–	–	643.2	275.5	–	–
Regional insurance companies	171.3	115.4	385.9	399.5	30.3	27.2	1,806.8	1,731.6	52.0	156.0
Other related parties	–	–	0.2	0.3	–	–	18.4	20.3	5.0	5.0

For information regarding remuneration of related key persons such as members of the Board of Directors and senior executives, see note 12 concerning staff costs. In all other respects, no transactions took place between these individuals and their family members apart from normal customer transactions.

## 48 EVENTS AFTER BALANCE-SHEET DATE

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

## 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 July 19, 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.

Stockholm, February 20, 2014

Sten Dunér  
*Chairman*

Ingemar Larsson  
*Board member*

Christian Bille  
*Board Member*

Per-Åke Holgersson  
*Board Member*

Ingrid Jansson  
*Board Member*

Bengt-Erik Lindgren  
*Board Member*

Susanne Petersson  
*Board Member*

Örian Söderberg  
*Board Member*

Rikard Josefson  
*President*

Ingrid Ericson  
*Employee Representative*

Max Rooth  
*Employee Representative*

My audit report was submitted on Stockholm, February 20, 2014

Stefan Holmström  
*Authorised Public Accountant*

This Annual Report is a translation of the Swedish Annual Report that has been reviewed by the company's auditors.

## Audit Report

### To the Annual Meeting of Shareholders of Länsförsäkringar Bank AB (publ) Corporate Registration Number 516401-9878

#### Report on the annual accounts and the consolidated accounts

I have audited the annual accounts and the consolidated accounts of Länsförsäkringar Bank AB (publ) for the year 2013. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 16–84.

#### *Responsibilities of the Board of Directors and the President for the annual accounts and the consolidated accounts*

The Board of Directors and the President are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and for the fair presentation of the consolidated accounts in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and the consolidated accounts that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

My responsibility is to express an opinion on these annual accounts and consolidated accounts based on my audit. I conducted my audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and the consolidated accounts are free from significant misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of significant misstatement of the annual accounts and the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and the consolidated accounts.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### *Opinions*

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the Parent Company as of December 31, 2013 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, the consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and of its financial performance and cash flows for the year then ended in accordance with

the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies. A Corporate Governance Report has been prepared. The Board of Director's report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

I therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet of the Parent Company and the Group.

#### Report on other legal and regulatory requirements

In addition to my audit of the annual accounts and the consolidated accounts, I have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Länsförsäkringar Bank AB (publ) for the year 2013.

#### *Responsibilities of the Board of Directors and the President*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act and the Banking and Financing Business Act.

#### *Auditor's responsibility*

My responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. I conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for my opinion on the Board of Directors' proposed appropriations of the company's profit or loss, I examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for my opinion concerning discharge from liability, in addition to my audit of the annual accounts and the consolidated accounts, I examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. I also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Securities Companies, or the Articles of Association.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

#### *Opinions*

I recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Board of Director's report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, February 20, 2014

Stefan Holmström  
Authorised Public Accountant

## Board of Directors



**STEN DUNÉR**

Born 1951. Chairman since 2009. **Title:** President and CEO of Länsförsäkringar AB. **Other Board appointments:** Chairman of Länsförsäkringar Sak and Länsförsäkringar Fondliv, Board member of Länsförsäkringar Liv, Insurance Sweden, the Swedish Insurance Employer's Association (FAO) and Fastighets AB Balder.



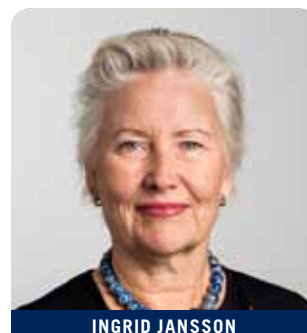
**CHRISTIAN BILLE**

Born 1962. Elected 2010. **Title:** President Länsförsäkringar Halland. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Board member of Länsförsäkringar Halland and Länsförsäkringar Hypotek. **Background:** President of Sparbanken Syd and Operating Manager of Swedbank.



**PER-ÅKE HOLGERSSON**

Born 1953. Elected 2010. **Title:** Chairman of Länsförsäkring Kronoberg. **Education:** Master of Science in Chemical Engineering. **Other Board appointments:** Board member of the SPMA Foundation, Älmeboda LRF and Korro Gård AB. **Background:** Board member LF forskning och framtid and Board member of the Swedish Poultry Meat Association.



**INGRID JANSSON**

Born 1950. Elected 2013. **Title:** Consultant specialising in financial services and leadership. **Education:** Master of Science in Business and Economics. **Other Board appointments:** None. **Background:** Many years of experience in banking, asset management, marketing and business development, and has held senior-level positions.



**INGEMAR LARSSON**

Born 1949. Elected 2008. **Title:** President of Länsförsäkringar Göteborg och Bohuslän. **Education:** Master of Science in Engineering. **Other Board appointments:** Board member of Länsförsäkringar Göteborg och Bohuslän, Wasa Kredit AB and Platzer Fastigheter Holding AB. **Background:** Fire Engineer at Länsförsäkringar AB and President of Länsförsäkringar Förtägservice AB.



**BENGT-ERIK LINDGREN**

Born 1950. Elected 2012. **Title:** Chairman of Länsförsäkringar Bergslagen. **Education:** Bachelor of Economics. **Other Board appointments:** Chairman of Arver Lastbilar AB and Grönklitsgruppen AB. Board member of Nordanå Trä AB, Inlandsinnovation AB and Prevas AB. **Background:** Executive Vice President of Swedbank.



**SUSANNE PETERSSON**

Born 1962. Elected 2013. **Title:** President of Länsförsäkringar Skåne. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Board member of Länsförsäkringar Skåne and P.U.L.S. AB. **Background:** President of Nordea Finans Sverige.



**ÖRIAN SÖDERBERG**

Born 1952. Elected 2009. **Title:** President of Länsförsäkringar Jönköping. **Education:** Master of Laws. **Other Board appointments:** Chairman of Destination Jönköping. Board member of Länsförsäkringar Jönköping and Wasa Kredit AB. **Background:** Executive Vice President of Länsförsäkringar Stockholm and President of Länsförsäkringar Fonder.

## Employee representatives



**INGRID ERICSON**

Born 1958. Elected 2004. Employee representative SACO (Confederation of Professional Associations). **Education:** Master of Science in Business and Economics. **Other Board appointments:** Board member of Länsförsäkringar AB's local SACO Board. **Background:** Product Specialist, Process Developer, Credit Administrator at Länsförsäkringar Bank.



**MAX ROOTH**

Born 1977. Elected 2011. Employee representative FTF (Union of Insurance Employees). **Education:** Bachelor of Arts. **Other Board appointments:** Board member of Länsförsäkringar AB's and Länsförsäkringar Fondförvaltning AB's local FTF Board. **Background:** Segment Manager and Administration Manager at Länsförsäkringar Bank. Project Manager at Wasa Kredit Bank.

**Deputy Board member:**  
Torleif Carlsson

## Secretary of the Board

**Anna Rygaard,**  
Born 1966. Company Lawyer at Länsförsäkringar AB.

## Auditor

**Stefan Holmström,**  
Authorised Public Accountant, KPMG AB.

## Executive management



RIKARD JOSEFSON

Born 1965.  
President.  
Employed since 2011.  
**Education:** Bachelor of Arts.  
**Previous experience:** 25 years of experience in various senior positions at SEB.



ANDERS BORGCRANTZ

Born 1961.  
CFO.  
Employed since 2003.  
**Education:** Master of Science in Business and Economics.  
**Previous experience:** Executive Vice President FöreningsSparbanken, President SPINTAB and Regional Manager at FöreningsSparbanken.



GERT ANDERSSON

Born 1959.  
Head of Product & Process.  
Employed since 2013.  
**Education:** Master of Science in Business and Economics.  
**Previous experience:** Head of Sales area Direct, Head of Sales and Marketing at Wasa Kredit and 25 years of experience in various senior positions at SEB.



SUSANNE BERGH

Born 1969.  
Head of Internet.  
Employed since 2009.  
**Education:** Diploma in marketing.  
**Previous experience:** 20 years at the Länsförsäkringar Alliance, primarily at Agria and Länsförsäkringar AB, most recently in Internet-related positions.



SUSANNE CALNER

Born 1969.  
Head of Credit.  
Employed since 2012.  
**Education:** Master of Science in Business and Economics.  
**Previous experience:** Office Manager at SEB, auditor and management consultant at Andersen.



BENGT CLEMEDTSON

Born 1964.  
Head of Business.  
Employed since 2006.  
**Education:** Master of Science in Business and Economics.  
**Previous experience:** President Skandiabanken Bolån AB.



SVEN EGGEFALK

Born 1969.  
President Wasa Kredit.  
Employed since 2011.  
**Education:** Master of Science in Business and Economics.  
**Previous experience:** 15 years at SEB, most recently as Head of Development and Sales at SEB Retail.



EVA GOTTFRIDSDOTTER  
NILSSON

Born 1960.  
President Länsförsäkringar Fondförvaltning.  
Employed since 2000.  
**Education:** Master of Science in Business and Economics.  
**Previous experience:** President Fondbolaget, CEO Länsförsäkringar Asset Management.



RICHARD LUNDBERG

Born 1976.  
Head of Back Office.  
Employed since 2012.  
**Education:** Studies in chemical engineering.  
**Previous experience:** Head of Sales Support and sales manager at Länsförsäkringar Skåne.



GÖRAN ZAKRISSON

Born 1953.  
Chief Risk Officer.  
Employed since 2004.  
**Education:** Master of Science in Business Economics.  
**Previous experience:** Vice President Swedbank Hypotek, Credit Analyst at Credit Suisse First Boston, Senior Banking Analyst at Fitch and auditor at Ernst & Young.

# Definitions

---

## Capital base

Comprises the sum of Tier 1 and Tier 2 capital and the difference between expected losses and reserves established for probable loan losses.

## Capital adequacy ratio

Closing capital base in relation to the risk-weighted amount at year-end.

## Capital ratio

Capital base in relation to capital requirements.

## Core Tier 1 capital

Tier 1 capital less capital contributions and reserves that may be included in the capital base as Tier 1 capital in accordance with Chapter 3, Section 4 of the Capital Adequacy and Large Exposures Act.

## Core Tier 1 ratio

Core Tier 1 capital in relation to the risk-weighted amount.

## Cost/income ratio

Total expenses in relation to total income. The cost/income ratio is calculated before and after loan losses.

## Fixed-interest term

The agreed period during which the interest rate on an asset or liability is fixed.

## Investment margin

Net interest in relation to average total assets.

## Impaired loans

Receivables for which payments are unlikely to be made in accordance with the agreed contractual terms and after deductions for the value of collateral. A loan receivable is considered impaired if a payment is more than 60 days past due or if the counterparty for other reasons cannot meet its undertaking.

## Impaired loans reserve ratio excluding collective impairments

Individual reserves for loan receivables in relation to impaired loans gross.

## Loan losses, net

Confirmed loan losses and reserves for loan losses less recoveries of receivables and net expense for the year for loan losses for guarantees and other contingent liabilities.

## Loan losses in relation to loans

Net loan losses in relation to the carrying amount of loans to the public and to credit institutions.

## Percentage of impaired loans

Impaired loans in relation to the carrying amount of loans to the public and to credit institutions.

## Reserves in relation to loans

Reserves for impaired loans in relation to the total of loans to the public and loans to credit institutions.

## Return on equity

Operating profit after standard tax as a percentage of average equity, adjusted for changes in value of financial assets that are recognised in equity.

## Return on total capital

Operating profit in relation to average total assets.

## Risk-weighted amount

Total assets in the balance sheet and off-balance sheet commitments valued in accordance with the Capital Adequacy and Large Exposures Act. Volumes are weighted taking into account assessed risk so that they are included in the risk-weighted amount by 0%, 20%, 50% or 100%.

## Tier 1 capital

Comprises equity, excluding fair value reserve and Tier 1 capital contributions, which following approval from the Swedish Financial Supervisory Authority may be included in Tier 1 capital. Deductions are made for intangible assets and deferred tax assets and the difference between expected losses and reserves established for probable loan losses.

## Tier 1 ratio

Tier 1 capital at year-end in relation to the closing risk-weighted amount.

## Tier 2 capital

Primarily comprises fixed-term subordinated debt.

## Total impaired loans reserve ratio

Total reserves for loan receivables in relation to impaired loans gross.

# Financial calendar 2014

---

## First quarter:

Interim report January–March      April 29, 2014

## Second quarter:

Interim report April–June      July 18, 2014

## Third quarter:

Interim report July–September      October 23, 2014

# Addresses

---

**Länsförsäkringar Norrbotten**  
Box 937  
SE-971 28 Luleå  
Visit: Köpmantorget  
Phone: +46 920-24 25 00  
E-mail: info@LFnorrboten.se

**Länsförsäkringar Västerbotten**  
Box 153  
SE-901 04 Umeå  
Visit: Nygatan 19  
Phone: +46 90-10 90 00  
E-mail: info@LFvasterbotten.se

**Länsförsäkringar Jämtland**  
Box 367  
SE-831 25 Östersund  
Visit: Prästgatan 18  
Phone: +46 63-19 33 00  
E-mail: info@lfz.se

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

**Länsförsäkringar Gävleborg**  
Box 206  
SE-801 03 Gävle  
Visit: Slottstorget 3  
Phone: +46 26-14 75 00  
E-mail: info@lfgavleborg.se

**Dalarnas Försäkringsbolag**  
Box 3  
SE-791 21 Falun  
Visit: Slaggatan 9  
Phone: +46 23-930 00  
E-mail: info@dalarnas.se

**Länsförsäkringar Värmland**  
Box 367  
SE-651 09 Karlstad  
Visit: Köpmannagatan 2 A  
Phone: +46 54-775 15 00  
E-mail: info@LFvarmland.se

**Länsförsäkringar Uppsala**  
SE-753 40 Uppsala  
Visit: Stationsgatan 14  
Phone: +46 18-68 55 00  
E-mail: info.uppsala@lansforsakringar.se

**Länsförsäkringar Bergslagen**  
Box 1046  
SE-721 26 Västerås  
Visit: Stora Gatan 41  
Phone: +46 21-19 01 00  
E-mail: info@lfbergslagen.se

**Länsförsäkringar Stockholm**  
SE-115 97 Stockholm  
Visit: Tegeluddsvägen 21  
Phone: +46 8-562 834 00  
E-mail: info.stockholm@lansforsakringar.se

**Länsförsäkringar Södermanland**  
Box 147  
SE-611 24 Nyköping  
Visit: Västra Storgatan 4  
Phone: +46 155-48 40 00  
E-mail: info@lfs.se

**Länsförsäkringar Göteborg och Bohuslän**  
SE-404 84 Gothenburg  
Visit: Lilla Bommen 8  
Phone: +46 31-63 80 00  
E-mail: info@gbg.lansforsakringar.se

**Länsförsäkringar Skaraborg**  
Box 600  
SE-541 29 Skövde  
Visit: Rådhusgatan 8  
Phone: +46 500-77 70 00  
E-mail: info@skaraborg.lansforsakringar.se

**Länsförsäkringar Östgöta**  
Box 400  
SE-581 04 Linköping  
Visit: Platensgatan 11  
Phone: +46 13-29 00 00  
E-mail: info@lfostgota.se

**Länsförsäkringar Älvsborg**  
Box 1107  
SE-462 28 Vänersborg  
Visit: Vallgatan 21  
Phone: +46 521-27 30 00  
E-mail: info@alvsborg.lansforsakringar.se

**Länsförsäkringar Gotland**  
Box 1224  
SE-621 23 Visby  
Visit: Österväg 17  
Phone: +46 498-28 18 50  
E-mail: info@lfgotland.se

**Länsförsäkringar Jönköping**  
Box 623  
SE-551 18 Jönköping  
Visit: Barnarpsgatan 22  
Phone: +46 36-19 90 00  
E-mail: info@lfj.se

**Länsförsäkringar Halland**  
Box 518  
SE-301 80 Halmstad  
Visit: Strandgatan 10  
Phone: +46 35-15 10 00  
E-mail: info@LFhalland.se

**Länsförsäkring Kronoberg**  
Box 1503  
SE-351 15 Växjö  
Visit: Kronobergsgatan 10  
Phone: +46 470-72 00 00  
E-mail: info@lfrkronoberg.se

**Länsförsäkringar Kalmar län**  
Box 748  
SE-391 27 Kalmar  
Visit: Norra Långgatan 17  
Phone: +46 20-66 11 00  
E-mail: info@LFkalmar.se

**Länsförsäkringar Blekinge**  
Box 24  
SE-374 21 Karlshamn  
Visit: Kyrkogatan 21  
Phone: +46 454-30 23 00  
E-mail: info@lfblekinge.se

**Länsförsäkringar Göinge-Kristianstad**  
Box 133  
SE-291 22 Kristianstad  
Visit: Tivoligatan 6  
Phone: +46 44-19 62 00  
E-mail: info.goinge-kristianstad@lansfor-sakringar.se

**Länsförsäkringar Skåne**  
Box 4548  
SE-208 20 Helsingborg  
Visit: Lugna Gatan 82  
Phone: +46 42-633 80 00  
E-mail: info.skane@lansforsakringar.se

## JOINT COMPANIES

**Länsförsäkringar AB**  
SE-106 50 Stockholm  
Visit: Tegeluddsvägen 11–13  
Phone: +46 8-588 400 00  
E-mail: info@lansforsakringar.se

**Länsförsäkringar Liv**  
SE-106 50 Stockholm  
Visit: Tegeluddsvägen 11–13  
Phone: +46 8-588 400 00  
E-mail: info@lansforsakringar.se

**Länsförsäkringar Fondliv**  
SE-106 50 Stockholm  
Visit: Tegeluddsvägen 11–13  
Phone: +46 8-588 400 00  
E-mail: info@lansforsakringar.se

**Länsförsäkringar Sak**  
SE-106 50 Stockholm  
Visit: Tegeluddsvägen 11–13  
Phone: +46 8-588 400 00  
E-mail: info@lansforsakringar.se

**Länsförsäkringar Bank**  
SE-106 50 Stockholm  
Visit: Tegeluddsvägen 11–13  
Phone: +46 8-588 416 00  
E-mail: info@lansforsakringar.se

**Länsförsäkringar Hypotek**  
SE-106 50 Stockholm  
Visit: Tegeluddsvägen 11–13  
Phone: +46 8-588 416 00  
E-mail: info@lansforsakringar.se

**Länsförsäkringar Fondförvaltning**  
SE-106 50 Stockholm  
Visit: Tegeluddsvägen 11–13  
Phone: +46 8-588 400 00  
E-mail: info@lansforsakringar.se

**Länsförsäkringar Fastighetsförmedling**  
Box 742  
SE-251 07 Helsingborg  
Visit: Södergatan 15  
Phone: +46 42-633 98 10  
E-mail: helsingborg@lansfast.se

**Länsförsäkringar Mäklarservice**  
Box 27120  
SE-102 52 Stockholm  
Visit: Tegeluddsvägen 21  
Phone: +46 8-588 490 00  
E-mail: info.maklarservice@lansforsakringar.se

**Wasa Kredit**  
Box 6740  
SE-113 85 Stockholm  
Visit: Tegeluddsvägen 21  
Phone: +46 8-635 38 00  
E-mail: info@wasakredit.se

**Agria Djurförsäkring**  
Box 70306  
SE-107 23 Stockholm  
Visit: Tegeluddsvägen 11–13  
Phone: +46 8-588 421 00  
E-mail: info@agria.se

**Humlegården Fastigheter**  
Box 5182  
SE-102 44 Stockholm  
Visit: Birger Jarlsgatan 25  
Phone: +46 8-678 92 00  
E-mail: info@humlegarden.se

