

Länsförsäkringar Bank

Interim report January-June 2014

THE PERIOD IN BRIEF, GROUP

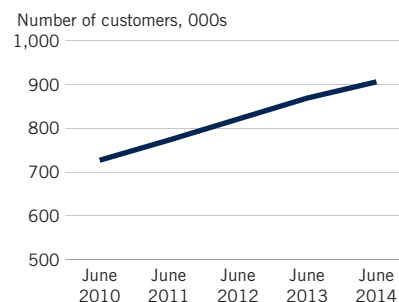
- Operating profit rose 44% to SEK 428 M (297) and the return on equity strengthened to 8.0% (6.3).
- Operating income increased 15% to SEK 1,168 M (1,015).
- Net interest income rose 10% to SEK 1,208 M (1,095).
- Operating expenses excluding additional impairment increased 5% to SEK 690 M (655).
- Loan losses amounted to SEK -23 M (63), net, corresponding to loan losses of -0.03% (0.07). See comments on the new settlement model for loan losses.
- Business volumes rose 12% to SEK 334 billion (298).
- Deposits increased 11% to SEK 73 billion (66).
- Lending increased 7% to SEK 167 billion (157).
- The Bank Group's Core Tier 1 ratio according to Basel III was 16.0% on June 30, 2014.
- The number of customers increased 4% to 906,000, the number of bank cards rose 10% to 406,000 and the number of deposit accounts increased 5%.

Figures in parentheses pertain to the comparative period in 2013.

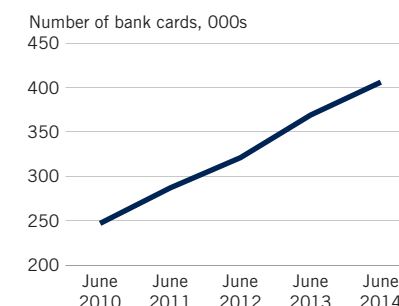
RIKARD JOSEFSON, PRESIDENT OF LÄNSFÖRSÄKRINGAR BANK:

“Länsförsäkringar continued to strengthen its position in the bank market with growing business volumes and strong net interest income and earnings. We are working continuously on offering customers a simple, clear and attractive alternative and we are at the forefront of digital services in terms of both service level and user-friendliness. At the end of the quarter, we were the first in the market to certify all of our mortgage advisors. The loan portfolio, with primarily growth in mortgages to private individuals, has very high credit quality. Financing in the funding market continued to be successful. New regulations are now being introduced rapidly and at full force. It is important that the rules are applied based on a thorough analysis so that, not least, terms of competition are taken into account.

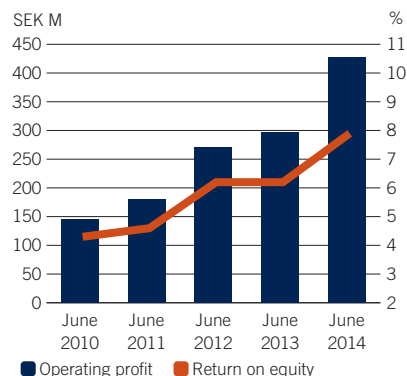
CUSTOMER TREND



BANK CARD TREND



OPERATING PROFIT AND RETURN ON EQUITY



KEY FIGURES

Group	Q 2 2014	Q 1 2014	Q 2 2013	Jan-Jun 2014	Jan-Jun 2013	Full-year 2013
Return on equity, %	8.5	7.5	6.7	8.0	6.3	6.7
Return on total capital, %	0.41	0.36	0.31	0.38	0.29	0.31
Investment margin, %	1.10	1.07	1.04	1.09	1.06	1.06
Cost/income ratio before loan losses*	0.60	0.58	0.64	0.59	0.64	0.63
Cost/income ratio after loan losses*	0.54	0.60	0.70	0.57	0.71	0.69
Cost/income ratio before loan losses	0.69	0.62	0.64	0.65	0.64	0.63
Cost/income ratio after loan losses	0.62	0.65	0.70	0.63	0.71	0.69
Core Tier 1 ratio according to Basel III, %**	16.0	14.1	–	16.0	–	14.4
Tier 1 ratio according to Basel III, %**	16.0	14.1	–	16.0	–	14.4
Capital adequacy ratio according to Basel III, %**	20.5	18.6	–	20.5	–	19.1
Percentage of impaired loans, gross, %	0.20	0.23	0.18	0.20	0.18	0.23
Reserve ratio in relation to loans, %	0.21	0.25	0.23	0.21	0.23	0.25
Loan losses, %	-0.09	0.04	0.07	-0.03	0.07	0.08

* Excluding impairmentt

** Pertains to the Bank Group

INCOME STATEMENT, QUARTERLY

Group, SEK M	Q 2 2014	Q 1 2014	Q 4 2013	Q 3 2013	Q 2 2013
Net interest income	623.7	584.4	578.7	556.5	550.9
Net commission	-106.9	-79.3	-49.3	-63.2	-76.4
Net gains/losses from financial items	43.3	-1.3	-36.1	-6.3	4.9
Other operating income	51.0	53.0	54.1	54.2	54.1
Total operating income	611.1	556.8	547.4	541.2	533.5
Staff costs	-123.3	-108.5	-105.9	-100.3	-113.5
Other expenses	-295.6	-236.1	-234.8	-234.9	-228.6
Total operating expenses	-418.9	-344.6	-340.7	-335.2	-342.1
Profit before loan losses	192.2	212.2	206.7	206.0	191.4
Loan losses, net	38.7	-15.5	-31.6	-31.8	-30.0
Profit from participations in associated companies	–	–	0.2	-0.1	–
Operating profit	231.1	196.7	175.3	174.1	161.4

Market commentary

Economic statistics in the US improved significantly during the second quarter following a weak first quarter, primarily driven by weather effects, and the Federal Reserve continuing to reduce its bond buying programme. Despite the strengthening of the US economy in the second quarter, long-term interest rates remained low. General geo-political concerns in Ukraine, for example, speculation on the heightened interest-rate sensitivity of the economy and increased expectations of further measures from the ECB put downward pressure on interest rates.

Continued low inflation in Europe led to the ECB reducing its key interest rate to 0.15% and deposit rate to -0.1% at its June meeting. Meanwhile, extraordinary measures were announced with the underlying aim of stimulating the circulation of money in the eurozone via the banking system in order to address the strong euro and to stimulate inflation. As a result, in-

terest rates in the eurozone continued to fall. In Sweden, economic recovery continued. Domestic demand in the form of consumption and investments performed at a healthy pace and employment continued to grow. However, inflation remained low, which led to interest rates falling based on high expectations of further cuts from the Riksbank.

In the credit market, spreads continued to narrow during the quarter. The effect could also be seen in the spreads between Swedish covered bonds and the government bond curve, which continued to shrink during the period, primarily for longer maturities.

Housing prices in Sweden increased 1.5% during the second quarter, which was largely due to high demand combined with limited supply of residential properties and low interest rates. According to Valueguard's HOX index, prices of single-family homes rose 2%, while prices of tenant-owned apartments increased 0.8%.

JANUARY-JUNE 2014 COMPARED WITH JANUARY-JUNE 2013

Increased business volumes

Business volumes increased 12%, or SEK 36 billion, to SEK 334 billion (298). Lending rose 7%, or SEK 10 billion, to SEK 167 billion (157). Retail mortgages in Länsförsäkringar Hypotek increased 9%, or SEK 9 billion, to SEK 117 billion (108). Deposits rose 11%, or SEK 7 billion, to SEK 73 billion (66). The volume of managed funds increased 25%, or SEK 18 billion, to SEK 94 billion (76).

High inflow of customers and growing digital channels

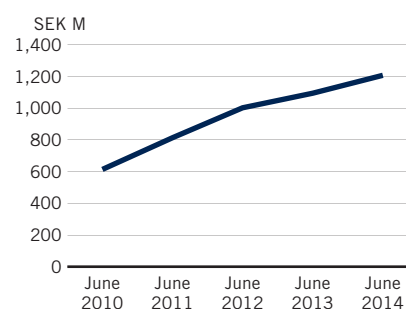
The number of customers rose 4% to 906,000 (869,000). The number of customers with Länsförsäkringar as their primary bank increased 9% to 335,000 (307,000) and the number of products per customer amounted to 4.9. Some 93% of those customers who have the bank as their primary bank are also existing insurance customers. The number of bank cards rose 10% to 406,000 (369,000).

Länsförsäkringar had 5.5 million mobile logins via its mobile app in June 2014, up 50% compared with June 2013. The mobile app contains a wide range of services, such as savings, and fund trading via the mobile app accounts for a significant percentage of total fund trading.

Earnings and profitability

Profit before loan losses increased 12% to SEK 404 M (360) and operating profit rose 44% to SEK 428 M (297) due to higher net interest income, lower loan losses, improved net gains from financial items and increased commission income. The return on equity strengthened to 8.0% (6.3).

NET INTEREST INCOME



Income

Operating income rose 15% to SEK 1,168 M (1,015), due to higher net interest income, improved net gains from financial items and increased commission income. Net interest income increased 10% to SEK 1,208 M (1,095), mainly attributable to higher volumes. The investment margin strengthened to 1.09% (1.06).

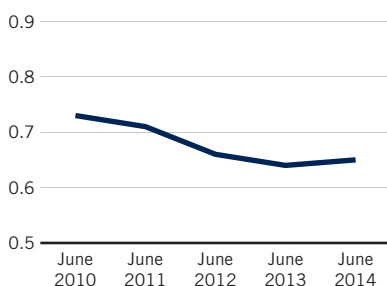
Net gains from financial items improved to SEK 42 M (-43), primarily as a result of negative effects of changes in fair value being reported for the preceding year, combined with the repurchase of own bonds. Commission income increased 14% to SEK 630 M (555) due to higher income in the card and fund business. Net commission amounted to an expense of SEK 186 M (140), attributable to higher remuneration to the regional insurance companies and increased management costs in the securities business.

Expenses

Operating expenses rose 17% to SEK 764 M (655), primarily due to impairment of SEK 74 M resulting from changed calculation conditions for certain intangible assets. The increase was also related to the fund company's higher management costs. Operating expenses excluding impairment increased 5% to SEK 690 M (655). The cost/income ratio excluding additional impairment amounted to 0.59 (0.64) before loan losses and to 0.57 (0.71) after loan losses.

The cost/income ratio before loan losses amounted to 0.65 (0.64) and the cost/income ratio after loan losses strengthened to 0.63 (0.71).

COST/INCOME RATIO BEFORE LOAN LOSSES



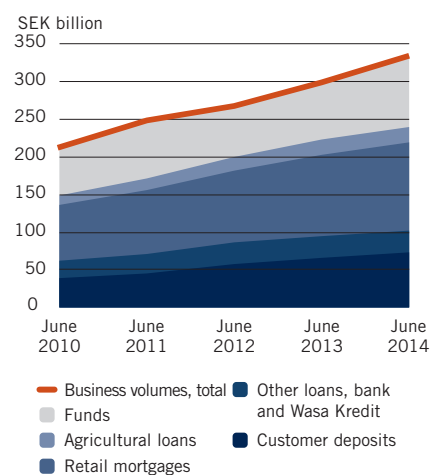
Loan losses

The new settlement model, which was introduced on January 1, 2014, regarding the commitment that the regional insurance

companies have regarding loan losses related to business they have originated entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by an off-set against accrued commissions. The transition to the new model means that the Bank Group's credit reserves attributable to the regional insurance companies' business on the date of introduction will be gradually reversed by SEK 158 M over two years. SEK 50 M was reversed during the period.

Loan losses amounted to SEK -23 M (63), net, corresponding to loan losses of -0.03% (0.07). Loan losses before reversal remained low and amounted to SEK 22 M (63), net. Reserves totalled SEK 377 M (392), corresponding to a reserve ratio in relation to loans of 0.21% (0.23). Impaired loans, gross, amounted to SEK 347 M (300), corresponding to a percentage of impaired loans, gross, of 0.20% (0.18). For more information regarding loan losses, reserves and impaired loans, see notes 8 and 9.

BUSINESS VOLUMES



Deposits and savings

Deposits from the public rose 11% to SEK 73 billion (66), up 5% from year-end 2013. Deposits from small businesses grew to SEK 9.3 billion (8.0). The total number of deposit accounts increased 5%. On May 31, 2014, the market share for deposits had strengthened to 4.6% (4.4) according to Statistics Sweden.

Fund volumes increased 25% to SEK 94 billion (76). Monthly savings in funds performed well, as did fund transfers, Individual Pension Savings (IPS) and the number of securities depositories.

Loans

All loans are granted in Sweden and in SEK and have a well-diversified geographic distribution. Loans to the public rose 7% to SEK 167 billion (157), up 3% from year-end 2013. Retail mortgages in Länsförsäkringar Hypotek increased 9% to SEK 117 billion (108). On May 31, 2014, the market share of household lending was unchanged at 5.0%, according to Statistics Sweden. On May 31, 2014, the market share for retail mortgages was unchanged at 4.9%. The percentage of retail mortgages in relation to the total loan portfolio was at 71%.

Agricultural lending showed a lower rate of increase than previously and rose 6% to SEK 21.6 billion (20.3). First-lien mortgages for agricultural properties, which accounted for the entire increase in agricultural loans, increased to SEK 19.1 billion (17.7), corresponding to 88% (87). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low and remained unchanged at SEK 1.8 M on June 30, 2014. Loans to small businesses remained unchanged at SEK 1.7 billion on June 30, 2014.

LOAN PORTFOLIO

Lending segment, %	Jun 30, 2014	Jun 30, 2013
Retail mortgages	71%	71%
Agriculture	13%	13%
Multi-family housing	3.5%	3%
Industrial and office properties	0.5%	1%
Total	88%	88%
Leasing	3.5%	4%
Hire purchase	3.5%	3.5%
Total	95%	95.5%
Unsecured loans	4.5%	4%
Other	0.5%	0.5%
Total	100%	100%

Funding

The Group has a low refinancing risk and the maturity structure is highly diversified. Debt securities in issue fell 4% to SEK 120 billion (124), of which senior funding accounted for SEK 22 billion (25) and covered bonds for SEK 93 billion (95). During the quarter, a Swedish benchmark bond and a EUR 1 billion three-year Euro Benchmark Covered Bond matured. After handling this maturity concentration, the

maturity structure of capital market funding improved. The average remaining term was 3.0 years (2.2) on June 30, 2014. For more information, see Appendix.

Covered bonds were issued during the period at a volume corresponding to a nominal SEK 13.5 billion (7.1), with repurchased covered bonds amounting to a nominal SEK 4.6 billion (4.5) and matured covered bonds to a nominal SEK 15.3 billion (3.2) for the period. Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 6.0 billion (9.3) during the quarter.

Liquidity

On June 30, 2014, the liquidity reserve amounted to SEK 40.7 billion (46.6), 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 72% of the liquidity reserve comprises Swedish covered bonds, 9% other Swedish bonds with a credit rating of AAA/Aaa, 8% Swedish government bonds, 8% AAA/Aaa-rated bonds issued or guaranteed by European governments and multinational development bank, 2% other AAA/Aaa-rated bonds and 1% deposits with the Swedish National Debt Office. By utilising the liquidity reserve, contractual undertakings for almost two years can be met without needing to secure new funding in the capital market.

The Group's Liquidity Coverage Ratio (LCR), according to the Swedish Financial Supervisory Authority's definition, amounted to 174% on June 30, 2014 and was an average of 306% (229) during the second quarter of 2014. The LCR in EUR amounted to 154% (182) on June 30, 2014.

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.

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

¹⁾ Pertains to the company's covered bonds

Capital adequacy, Bank Group*

The Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach is applied to all retail exposure and to counterparty exposures to corporates and the agricultural sector 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.

The Risk Exposure Amount (REA) in the Bank Group on June 30, 2014 amounted to SEK 51,336 M (51,405). The REA declined SEK 70 M due to lower exposure to institutions and improved credit quality in the private segment. Furthermore, during the period, the bank received permission to apply netting agreements to financial counterparties, which affected REA for counterparty risk and CVA. REA for CVA amounted to SEK 1,974 M, compared with SEK 2,171 M on March 31, 2014.

The Core Tier 1 ratio amounted to 16.0%. Core Tier 1 capital and Tier 1 capital amounted to SEK 8,194 M and the Tier 1 ratio was 16.0%. The capital base was SEK 10,525 M and the capital adequacy ratio amounted to 20.5%. Core Tier 1 capital increased SEK 939 M during the second quarter due to generated profit and shareholders' contributions of SEK 550 M.

For more information on the calculation of capital adequacy, see note 13

Capital adequacy, consolidated situation*

With CRR (575/2013) coming into force, Länsförsäkringar Bank will be subject to a change of rules regarding how the Group is to be consolidated when calculating ca-

pital requirements and reporting capital adequacy. Under CRR, the consolidated situation is to also include the parent mixed financial holding company Länsförsäkringar AB, in addition to the Bank Group. To better reflect the actual risk and capital situation of the Bank Group, Länsförsäkringar AB applied for an exemption according to CRD IV. The Swedish Financial Supervisory Authority announced in its decision of June 30, 2014 that the exemption under CRD IV could not be considered since the regulations would not be incorporated into Swedish law until August 2, 2014. A new application will probably be submitted after August 2, 2014. Since the bank maintains the opinion that the actual risk and capital situation is best presented in the Bank Group's capital ratios, as if the exemption is granted by the Financial Supervisory Authority, these ratios will be published in parallel with the capital ratios according to the new consolidated situation.

The owner's intention, presented in the interim report as of March 31, 2014, is to contribute capital so that the bank will remain well-capitalised according to the new consolidated situation. Länsförsäkringar AB carried out a new share issue of SEK 500 M in June. In addition, an extra dividend was made from Länsförsäkringar Sak to Länsförsäkringar AB amounting to SEK 500 M. These measures strengthen Länsförsäkringar Bank's capital ratios according to the new consolidated situation. Länsförsäkringar AB also paid a conditional shareholders' contribution of SEK 550 M to Länsförsäkringar Bank on June 30, 2014.

REA in the consolidated situation on June 30, 2014 amounted to SEK 58,571 M (58,466). REA increased SEK 105 M and the change was primarily due to a larger share of Länsförsäkringar AB's shareholdings in insurance companies being risk-weighted as a result of higher Core Tier 1 capital.

The Core Tier 1 ratio amounted to 13.5%. Core Tier 1 capital and Tier 1 capital amounted to SEK 7,936 M and the Tier 1 ratio was 13.5%. The capital base was

* Comparative figures refer to March 31, 2014.

SEK 10,107 M and the capital adequacy ratio amounted to 17.3%. Core Tier 1 capital increased SEK 1,359 M during the second quarter due to generated profit and the shareholders' contribution described above.

For more information on the calculation of capital adequacy, see note 13.

Interest-rate risk

On June 30, 2014, an increase in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 20 M (46).

Risks and uncertainties

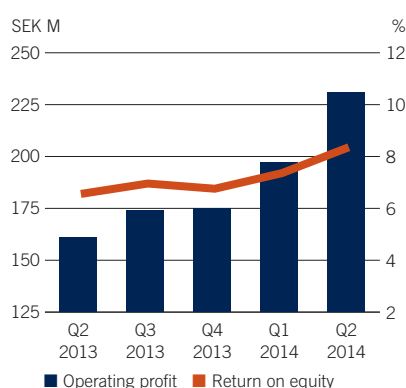
The operations are characterised by a low risk profile. The Group and the Parent Company are exposed to a number of risks, primarily comprising credit risks, refinancing risks and market risks. The macroeconomic situation in Sweden is critical for credit risk since all loans are granted in Sweden. Market risks primarily comprise interest-rate risks. Loan losses remain low and the refinancing of business activities was highly satisfactory during the period. A more detailed description of risks is available in the 2013 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

SECOND QUARTER OF 2014 COMPARED WITH FIRST QUARTER OF 2014

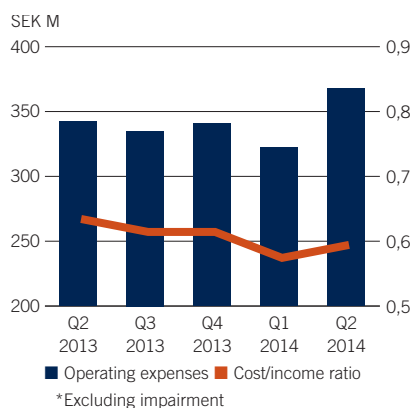
Operating profit rose 17% to SEK 231 M (197). Return on equity strengthened to 8.5% (7.5). Operating income rose 10% to SEK 611 M (557). Net interest income increased 7% to SEK 624 M (584) due to higher volumes and the investment margin strengthened to 1.10% (1.07). Commission income increased 6% to SEK 324 M (306) due to higher income in the card and fund business. Net commission amounted to an expense of SEK 107 M (79). Net gains

from financial items improved to SEK 43 M (-1), due to repurchases of own bonds affecting the preceding quarter. Operating expenses rose 22% to SEK 419 M (345), primarily due to impairment of SEK 50 M resulting from changed calculation conditions for certain intangible assets. Operating expenses excluding impairment increased 7% to SEK 369 M (345). The cost/income ratio excluding additional impairment amounted to 0.60 (0.58) before loan losses and to 0.54 (0.60) after loan losses. The cost/income ratio before loan losses amounted to 0.69 (0.62). Loan losses amounted to SEK -39 M (16), net.

OPERATING PROFIT AND RETURN ON EQUITY



OPERATING EXPENSES AND COST/INCOME RATIO*



Events after the end of the period

No significant events took place after the end of the period.

January-June 2014 compared with January-June 2013

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 73 billion (66). Debt securities in issue fell 11%, or SEK 3 billion, to SEK 26 billion (29). Operating profit rose to SEK 64 M (-42), attributable to an increased operating income and lower loan losses. Operating income rose 28% to SEK 446 M (350), largely a result of increased net interest income. Net interest income rose 16% to SEK 444 M (381). Commission income increased 8% to SEK 159 M (146) due to higher income in the card and securities business. Commission expense amounted to SEK 284 M (292). Operating expenses rose 20% to SEK 423 M (353), primarily due to impairment of SEK 74 M resulting from changed calculation conditions for certain intangible assets. Operating expenses excluding additional impairment declined 1% to SEK 349 M (353).

The new settlement model, which was introduced on January 1, 2014, regarding the commitment that the regional insurance companies have regarding loan losses related to business they have originated entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by an off-set against accrued commissions. The transition to the new model means that the Parent Company's reserves on the date of introduction will be gradually reversed by SEK 137 M over two years. SEK 43 M was reversed during the period. Loan losses amounted to SEK -41 M (39), net. Loan losses before reversal remained low and amounted to SEK -3 M (39), net.

LÄNSFÖRSÄKRINGAR HYPOTEK

January-June 2014 compared with January-June 2013

Retail mortgages in the bank's mortgage institution increased 9%, or SEK 9 billion, to SEK 117 billion (108). 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 rose 15% to SEK 194 M (168) attributable to improved net gains from financial items and higher net interest income. Net interest income increased 9% to SEK 464 M (427).

The new settlement model, which was introduced on January 1, 2014, regarding the commitment that the regional insurance companies have regarding loan losses related to business they have originated entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by an off-set against accrued commissions. The transition to the new model means that the Länsförsäkringar Hypotek's credit reserves on the date of introduction will be gradually reversed by SEK 21 M over two years. SEK 7 M was reversed during the period. Loan losses amounted to SEK -8 M (3), net, corresponding to loan losses of -0.01% (0.01). The number of retail mortgage customers rose 5% to 193,000 (183,000).

SEK M	Jun 30, 2014	Jun 30, 2013
Total assets	138,856	130,672
Lending volume	116,732	107,558
Net interest income	464	427
Operating profit	194	168

WASA KREDIT

January-June 2014 compared with January-June 2013

Lending volumes increased 5% to SEK 14.3 billion (13.6). Operating profit increased 3% to 133 (129) SEK M. Net interest income increased 5% to SEK 300 M (286), due to higher lending volumes. Operating expenses rose 7% to SEK 222 M (208) and loan losses amounted to SEK 29 M (21), net.

SEK M	Jun 30, 2014	Jun 30, 2013
Total assets	14,797	14,079
Lending volume	14,320	13,621
Net interest income	300	286
Operating profit	133	129

LÄNSFÖRSÄKRINGAR FOND FÖRVALTNING

January-June 2014 compared with January-June 2013

The volume of managed funds rose 25%, or SEK 18 billion, to SEK 94 billion (76), due to increased growth in value and a positive net inflow. The company manages 34 (31) mutual funds with various investment orientations. The Convenient Pension and Emerging Market Index were launched during the period. The funds are offered for direct fund savings, IPS, ISK, unit-linked insurance and through the PPM system. Operating profit amounted to SEK 36 M (42).

SEK M	Jun 30, 2014	Jun 30, 2013
Total assets	306	193
Assets under management	94,189	75,572
Net flow	3,587	984
Net commission	162	147
Operating profit	36	42

INCOME STATEMENT – GROUP

SEK M	Note	Q 2 2014	Q 1 2014	Change	Q 2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full-year 2013
Interest income	3	2,151.1	2,302.5	-7%	2,305.1	-7%	4,453.6	4,691.8	-5%	9,488.7
Interest expense	4	-1,527.3	-1,718.1	-11%	-1,754.2	-13%	-3,245.4	-3,596.5	-10%	-7,258.3
Net interest income		623.7	584.4	7%	550.9	13%	1,208.2	1,095.3	10%	2,230.4
Dividends received		-	-	-	-	-	-	-	-	0.1
Commission income	5	323.5	306.0	6%	282.6	14%	629.5	554.6	14%	1,140.0
Commission expense	6	-430.4	-385.3	12%	-359.0	20%	-815.7	-695.0	17%	-1,392.9
Net gains / losses from financial items	7	43.3	-1.3	-	4.9	-	42.0	-43.4	-	-85.7
Other operating income		51.0	53.0	-4%	54.1	-6%	104.0	103.5	0%	211.8
Total operating income		611.1	556.8	10%	533.5	15%	1,168.0	1,015.0	15%	2,103.7
Staff costs		-123.3	-108.5	14%	-113.5	9%	-231.8	-220.4	5%	-426.6
Other administration expenses		-223.3	-189.8	18%	-202.0	11%	-413.1	-380.0	9%	-789.8
Total administration expenses		-346.6	-298.3	16%	-315.5	10%	-644.9	-600.4	7%	-1,216.4
Depreciation / amortisation and impairment of property and equipment / intangible assets		-72.3	-46.3	56%	-26.6	-	-118.6	-54.2	-	-114.2
Total operating expenses		-418.9	-344.6	22%	-342.1	22%	-763.5	-654.6	17%	-1,330.6
Profit before loan losses		192.2	212.2	-9%	191.4	0%	404.5	360.4	12%	773.1
Loan losses, net	8	38.7	-15.5	-	-30.0	-	23.2	-63.1	-	-126.4
Loss from participations in associated companies		0.1	-	-	-	-	0.1	-	-	0.1
Operating profit		231.1	196.7	17%	161.4	43%	427.8	297.3	44%	646.8
Tax		-50.8	-43.3	17%	-35.4	44%	-94.1	-65.3	44%	-168.0
Profit for the period		180.3	153.4	18%	126.0	43%	333.7	232.0	44%	478.8

STATEMENT OF COMPREHENSIVE INCOME – GROUP

SEK M	Q 2 2014	Q 1 2014	Change	Q 2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full-year 2013
Profit for the period	180.3	153.4	18%	126.0	43%	333.7	232.0	44%	478.8
Other comprehensive income									
Items that cannot be transferred to the income statement									
Revaluation of defined-benefit pension plans	-	-	-	-	-	-	-	-	1.1
Tax attributable to items that can not be reversed to the income statement	-	-	-	-	-	-	-	-	-0.2
Items that may subsequently be reclassified to the income statement									
Cash-flow hedges	19.1	-36.7	-	-	-	-17.6	-	-	-
Change in fair value from available-for-sale financial assets	16.1	-3.9	-	-41.3	-	12.2	-12.0	-	33.5
Reclassification realised securities	-4.8	-3.4	41%	-12.8	-63%	-8.2	-16.0	-49%	-17.1
Tax attributable to items that are rerouted or can be rerouted as income for the period	-6.7	9.7	-	11.9	-	3.0	6.2	-52%	-3.6
Other comprehensive income for the period, net after tax	23.7	-34.3	-	-42.2	-	-10.6	-21.8	-51%	13.7
Total comprehensive income for the period	204.0	119.1	71%	83.8	144%	323.1	210.2	54%	492.5

BALANCE SHEET – GROUP

SEK M	Note	Jun 30, 2014	Dec 31, 2013	Jun 30, 2013
Assets				
Cash and balances with central banks		23.4	108.5	102.3
Treasury bills and other eligible bills		6,038.4	4,881.4	6,283.5
Loans to credit institutions		10,717.3	5,957.9	13,436.2
Loans to the public	9	167,240.5	162,003.2	156,609.9
Bonds and other interest-bearing securities		29,673.7	35,200.6	33,233.8
Shares and participations		11.0	87.8	189.4
Shares and participations in associated companies		1.2	1.1	1.0
Derivatives	10	3,191.9	1,337.7	1,472.8
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		913.9	550.8	362.4
Intangible assets		333.3	397.1	420.6
Property and equipment		11.3	11.6	8.1
Deferred tax assets		9.2	9.2	12.3
Other assets		379.3	571.1	649.2
Prepaid expenses and accrued income		1,435.7	2,601.5	1,363.4
Total assets		219,980.1	213,719.5	214,144.9
Liabilities and equity				
Due to credit institutions		7,349.9	1,860.6	6,887.4
Deposits and borrowing from the public		72,783.1	69,220.0	65,515.5
Debt securities in issue		119,787.3	123,634.9	124,475.1
Derivatives	10	2,377.0	2,780.3	2,848.5
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		2,536.6	645.9	546.4
Deferred tax liabilities		143.7	143.7	82.8
Other liabilities		685.2	739.9	703.0
Accrued expenses and deferred income		2,839.6	4,090.2	2,761.9
Provisions		16.2	15.9	18.2
Subordinated liabilities		2,300.0	2,299.7	2,590.0
Total liabilities		210,818.6	205,431.1	206,428.8
Equity				
Share capital, 9,548,708 shares		954.9	954.9	954.9
Other capital contributed		6,942.5	6,392.5	6,102.5
Reserves		126.3	136.9	101.4
Retained earnings		804.1	325.3	325.3
Profit for the period		333.7	478.8	232.0
Total equity		9,161.5	8,288.4	7,716.1
Total liabilities and equity		219,980.1	213,719.5	214,144.9
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CASH-FLOW STATEMENT IN SUMMARY, INDIRECT METHOD – GROUP

SEK M	Jan-Jun 2014	Jan-Jun 2013
Cash and cash equivalents, January 1	5,162.1	1,981.3
Cash flow from operating activities	2,498.6	7,680.8
Cash flow from investing activities	22.2	-206.3
Cash flow from financing activities	550.3	1,015.5
Cash flow for the period	3,071.1	8,490.0
Cash and cash equivalents, June 30	8,233.2	10,471.3

Cash and cash equivalents are defined as cash and balances at central banks, lending and due to credit institutions payable on demand as well as overnight loans and deposits with the Riksbank maturing the following banking day.

Changes to the cash flow from operating activities are largely attributable to Loans to the public SEK -5,2397.7 M (-6,671.1), Bonds and other interest-bearing securities SEK 5,833.5 M (-901.0), Due to credit institutions SEK 6,130.8 M (5,608.4) and to Debt securities in issue SEK -4,982.1 M (9,718.3). Changes to the cash flow from financing activities are largely attributable to shareholder's contribution received SEK 550.0 M (335.0).

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – GROUP

SEK M	Share capital	Other capital contributed	Reserves		Retained earnings	Profit for the period	Total
			Fair value reserve	Hedge reserve			
Opening balance, January 1, 2013							
Updated opening balance, January 1, 2013	954.9	5,767.5	123.2	-	-107.4	432.7	7,170.9
Profit for the period						232.0	232.0
Other comprehensive income for the period			-21.8				-21.8
<i>Comprehensive income for the period</i>			<i>-21.8</i>			<i>232.0</i>	<i>210.2</i>
Resolution by Annual General Meeting					432.7	-432.7	-
Conditional shareholders' contribution received		335.0					335.0
Closing balance, June 30, 2013	954.9	6,102.5	101.4	-	325.3	232.0	7,716.1
Opening balance, July 1, 2013							
Opening balance, July 1, 2013	954.9	6,102.5	101.4	-	325.3	232.0	7,716.1
Profit for the period						246.8	246.8
Other comprehensive income for the period			35.5				35.5
<i>Comprehensive income for the period</i>			<i>35.5</i>			<i>246.8</i>	<i>282.3</i>
Conditional shareholders' contribution received		290.0					290.0
Closing balance, December 31, 2013	954.9	6,392.5	136.9	-	325.3	478.8	8,288.4
Opening balance, January 1, 2014							
Opening balance, January 1, 2014	954.9	6,392.5	136.9	-	325.3	478.8	8,288.4
Profit for the period						333.7	333.7
Other comprehensive income for the period			3.1	-13.7			-10.6
<i>Comprehensive income for the period</i>			<i>3.1</i>	<i>-13.7</i>		<i>333.7</i>	<i>323.1</i>
Resolution by Annual General Meeting					478.8	-478.8	-
Conditional shareholders' contribution received		550.0					550.0
Closing balance, June 30, 2014	954.9	6,942.5	140.0	-13.7	804.1	333.7	9,161.5

NOTES – GROUP

NOTE 1 ACCOUNTING POLICIES

The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB), and interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. Furthermore, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) (1995:1559), as well as the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25) were applied. The Group also applies the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and statements (UFR). This interim report complies with the requirements of IAS 34, Interim Financial Reporting.

Changes that have significantly impacted the financial statements in 2014

Amendments to IFRS applicable from 2014 have not had any significant effect on the consolidated financial statements in 2014.

From 2014, cash-flow hedging is applied to currency risks attributable to future payments in foreign currency related to the foreign funding programmes. Interest and currency interest rate swaps that are hedging instruments in cash-flow hedging are measured at fair value. The change in value is recognised in other comprehensive income and in the cash-flow hedging reserve in equity to the extent that the change in the value of the swap is effective and corresponds to future cash flows attributable to the hedged item. Ineffectiveness is recognised in profit and loss in the item Net gains from financial items. Gains or losses recognised in the cash-flow hedging reserve under equity in other comprehensive income are reclassified and recognised in profit and loss in the same period as the hedged item affects profit and loss. The application of cash-flow hedging affects the financial statements for the period in question.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2013 Annual Report.

NOTE 2 SEGMENT REPORTING

Income statement, Jan-Jun 2014, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	443.5	463.9	300.3	0.5	–	1,208.2
Net commission	-125.1	-253.4	30.5	161.8	–	-186.2
Net gain / loss from financial items	20.3	21.5	0.0	0.2	–	42.0
Intra-Group income	51.2	0.0	2.4	0.0	-53.6	–
Other income	56.2	0.1	47.6	0.1	–	104.0
Total operating income	446.1	232.1	380.8	162.6	-53.6	1,168.0
Intra-Group expenses	1.7	-35.1	-6.9	-13.3	53.6	–
Other administration expenses	-312.0	-10.9	-209.1	-112.9	–	-644.9
Depreciation / amortisation and impairment	-112.3	-0.1	-6.1	-0.1	–	118.6
Total operating expenses	-422.6	-46.1	-222.1	-126.3	53.6	-763.5
Profit before loan losses	23.5	186.0	158.7	36.3	–	404.5
Loan losses, net	40.6	7.9	-25.3	–	–	23.2
Loss from participations in associated companies	–	–	–	–	0.1	0.1
Operating profit / loss	64.1	193.9	133.4	36.3	0.1	427.8

Balance sheet, June 30, 2014

Total assets	123,759.3	138,855.5	14,797.3	305.5	-57,737.5	219,980.1
Liabilities	115,424.4	133,013.2	13,482.8	137.3	-51,239.1	210,818.6
Equity	8,334.9	5,842.3	1,314.5	168.2	-6,498.4	9,161.5
Total liabilities and equity	123,759.3	138,855.5	14,797.3	305.5	-57,737.5	219,980.1

Income statement, Jan-Jun 2013

Net interest income	381.3	427.3	286.1	0.6	–	1,095.3
Net commission	-145.6	-167.6	25.1	147.1	0.6	-140.4
Net gain / loss from financial items	0.3	-43.8	0.1	0.0	–	-43.4
Intra-Group income	53.4	0.0	4.8	0.0	-58.2	–
Other income	60.3	0.2	43.0	0.0	–	103.5
Total operating income	349.7	216.1	359.1	147.7	-57.6	1,015.0
Intra-Group expenses	-4.1	-33.5	-7.9	-12.1	57.6	–
Other administration expenses	-304.8	-11.7	-190.0	-93.9	–	-600.4
Depreciation / amortisation and impairment	-43.7	-0.1	-10.3	-0.1	–	-54.2
Total operating expenses	-352.6	-45.3	-208.2	-106.1	57.6	-654.6
Profit / loss before loan losses	-2.9	170.8	150.9	41.6	–	360.4
Loan losses, net	-38.8	-3.0	-21.3	–	–	-63.1
Operating profit / loss	-41.7	167.8	129.6	41.6	–	297.3

Balance sheet, June 30, 2013

Total assets	113,560.0	130,672.0	14,078.7	192.8	-44,358.6	214,144.9
Liabilities	106,212.4	125,655.1	12,878.1	91.0	-38,407.8	206,428.8
Equity	7,347.6	5,016.9	1,200.6	101.8	-5,950.8	7,716.1
Total liabilities and equity	113,560.0	130,672.0	14,078.7	192.8	-44,358.6	214,144.9

NOTE 3 INTEREST INCOME

SEK M	Q 2 2014	Q 1 2014	Change	Q 2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full-year 2013
Loans to credit institutions	30.3	10.9	178%	8.0	279%	41.2	16.0	158%	47.5
Loans to the public	1,378.4	1,386.0	-1%	1,431.8	-4%	2,764.4	2,859.5	-3%	5,734.1
Interest-bearing securities	198.6	225.9	-12%	217.4	-9%	424.5	440.5	-4%	878.4
<i>Derivatives</i>									
Hedge accounting	543.8	679.7	-20%	647.9	-16%	1,223.5	1,375.8	-11%	2,828.7
Total interest income	2,151.1	2,302.5	-7%	2,305.1	-7%	4,453.6	4,691.8	-5%	9,488.7
of which interest income on impaired loans	-0.2	9.6		0.0		9.4	1.1		18.9
Average interest rate on loans to the public during the period, including net leasing, %	3.3	3.4	-3%	3.7	-11%	3.4	3.8	-11%	3.7

NOTE 4 INTEREST EXPENSE

SEK M	Q 2 2014	Q 1 2014	Change	Q 2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full-year 2013
Due to credit institutions	-12.7	-8.3	53%	4.7	-	-21.0	-4.2	400%	-30.8
Deposits and borrowing from the public	-191.2	-199.8	-4%	-232.1	-18%	-391.0	-471.2	-17%	-924.4
Interest-bearing securities	-832.1	-752.1	11%	-833.7	-	-1,584.2	-1,645.8	-4%	-3,276.0
Subordinated liabilities	-24.2	-24.0	1%	-30.8	-22%	-48.2	-47.4	2%	-103.2
<i>Derivatives</i>									
Hedge accounting	-439.0	-706.0	-38%	-632.5	-31%	-1,145.0	-1,370.9	-16%	-2,812.1
Non-hedge accounting	1.5	0.5	200%	-2.8	-	2.0	-4.5	-	-7.0
Other interest expense, including government deposit insurance	-29.6	-28.4	4%	-27.0	10%	-58.0	-52.5	10%	-104.8
Total interest expense	-1,527.3	-1,718.1	-11%	-1,754.2	-13%	-3,245.4	-3,596.5	-10%	-7,258.3
Average interest rate on deposits from the public during the period, %	1.1	1.2	-8%	1.4	-21%	1.1	1.5	-27%	1.4

NOTE 5 COMMISSION INCOME

SEK M	Q 2 2014	Q 1 2014	Change	Q 2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full-year 2013
Payment mediation	18.6	22.9	-19%	24.5	-24%	41.5	47.1	-12%	94.4
Loans	23.7	22.2	7%	23.6	-	45.9	46.1	-	91.2
Deposits	2.4	3.2	-25%	2.4	-	5.6	5.4	4%	10.1
Financial guarantees	0.1	0.2	-50%	-0.1	-	0.3	0.0	-	0.5
Securities	242.6	225.9	7%	201.2	21%	468.5	396.4	18%	815.7
Cards	35.6	31.1	14%	29.6	20%	66.7	57.1	17%	123.5
Other commission	0.5	0.5		1.4	-64%	1.0	2.5	-60%	4.6
Total commission income	323.5	306.0	6%	282.6	14%	629.5	554.6	14%	1,140.0

NOTE 6 COMMISSION EXPENSE

SEK M	Q 2 2014	Q 1 2014	Change	Q 2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full-year 2013
Payment mediation	-16.9	-23.9	-29%	-23.4	-28%	-40.8	-51.7	-21%	-113.3
Securities	-136.4	-121.3	12%	-109.1	25%	-257.7	-208.5	24%	-432.5
Cards	-20.3	-12.6	61%	-21.2	-4%	-32.9	-39.7	-17%	-81.7
Remuneration to regional insurance companies	-254.3	-225.5	13%	-203.5	25%	-479.8	-391.8	22%	-755.4
Other commission	-2.5	-2.0	25%	-1.8	39%	-4.5	-3.3	36%	-10.0
Total commission expense	-430.4	-385.3	12%	-359.0	20%	-815.7	-695.0	17%	-1,392.9

NOTE 7 NET GAINS / LOSSES FROM FINANCIAL ITEMS

SEK M	Q 2 2014	Q 1 2014	Change	Q 2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full-year 2013
Change in fair value									
Interest-related instruments	272.0	290.4	-6%	-200.8		562.4	-261.2	-	-382.9
Currency-related instruments	975.9	616.6	58%	765.7	28%	1,592.5	-165.5	-	-118.3
<i>Hedge accounting</i>									
Fair value hedging	-1,212.7	-924.7	31%	-562.6	116%	-2,137.4	383.2	-	397.6
Capital gains / losses									
Interest-related instruments	-7.2	-1.0	620%	-10.8	-34%	-8.2	-26.1	-69%	-38.4
Interest compensation	15.3	17.4	-12%	13.4	15%	32.7	26.2	25%	56.3
Total net gains / losses from financial items	43.3	-1.3	-	4.9	-	42.0	-43.4	-	-85.7

NOTE 8 LOAN LOSSES AND IMPAIRED LOANS

Net loan losses, SEK M	Q 2 2014	Q 1 2014	Change	Q 2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full-year 2013
Specific reserve for individually assessed loan receivables									
Write-off confirmed loan losses during the year	-24.8	-23.8	4%	-26.0	-5%	-48.6	-53.8	-10%	-139.6
Reversed earlier impairment of loan losses recognised as confirmed losses	23.8	22.5	6%	30.6	-22%	46.3	54.2	-15%	131.1
Impairment of loan losses during the year	-35.5	-23.9	49%	-76.3	-54%	-59.4	-154.7	-62%	-307.6
Payment received for prior confirmed loan losses	17.8	9.4	89%	17.6	1%	27.2	37.0	-26%	109.2
Reversed impairment of loan losses no longer required	52.8	3.5	-	14.9	254%	56.3	25.7	119%	63.5
Net expense for the year for individually assessed loan receivables	34.1	-12.3	-	-39.2	-187%	21.8	-91.6	-	-143.4
Collective assessed homogenous groups of loan receivables with limited value and similar credit risk									
Provision/reversal of impairment of loan losses	4.5	-3.2	-	9.2	-51%	1.3	28.5	-95%	16.8
Net expense for the year for collectively loan receivables	4.5	-3.2	-	9.2	-51%	1.3	28.5	-95%	16.8
Net expense for the year for fulfilment of guarantees	0.1	0.0	-	0.0	-	0.1	0.0	-	0.2
Net expense of loan losses for the year	38.7	-15.5	-	-30.0	-	23.2	-63.1	-	126.4
All information pertains to receivables from the public									
Reserve ratios									
Total impaired loans reserve ratio, %	108.6	108.9	-	130.7	-17%	108.6	130.7	-17%	107.2
Impaired loans reserve ratio excluding collective impairments, %	80.7	81.1	-	99.8	-19%	80.7	99.8	-19%	80.2

Impaired loans, Mkr	Jun 30, 2014				Dec 31, 2013				Jun 30, 2013			
	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net
Corporate sector	113.6	-28.8	-11.8	73.0	128.3	-97.1	-24.4	6.7	113.9	-86.5	-25.4	2.0
Retail sector	233.6	-251.4	-85.1	-102.9	265.1	-220.3	-79.8	-35.0	185.9	-212.8	-67.1	-94.0
of which private individuals	160.6	-136.9	-54.7	-31.0	172.4	-124.1	-57.7	-9.4	152.7	-131.0	-62.1	-40.4
Total	347.2	-280.2	-96.9	-29.9	393.4	-317.4	-104.2	-28.3	299.8	-299.3	-92.5	-92.0

The new settlement model, which was introduced on January 1, 2014, regarding the commitment that the regional insurance companies have regarding loan losses related to business they have originated entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by an off-set against accrued commissions. On June 30, 2014, the total credit reserve requirement amounted to SEK 422 M, of which the Bank Group's recognised credit reserve amounted to SEK 377 M and the remainder amounting to SEK 45 M was offset against the regional insurance companies' held funds, according to the model described above. The transition to the new model means that the Bank Group's credit reserves, attributable to the regional insurance companies business, on the date of introduction will be gradually reversed by SEK 158 M, while SEK 50 M was reversed during the period.

NOTE 9 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	Jun 30, 2014	Dec 31, 2013	Jun 30, 2013
Loan to the public before reservations			
Public sector	241.2	874.0	285.5
Corporate sector	14,820.1	14,200.2	13,706.7
Retail sector	152,554.5	147,350.1	143,007.3
Other	1.8	0.5	2.2
Total	167,617.6	162,424.8	157,001.7
Reserves	-377.1	-421.6	-391.8
Loans to the public	167,240.5	162,003.2	156,609.9
Remaining term of not more than 3 months	110,504.9	107,149.1	106,851.3
Remaining term of more than 3 months but not more than 1 year	11,391.3	10,874.8	13,069.6
Remaining term of more than 1 year but not more than 5 years	44,298.2	43,042.1	35,909.0
Remaining term of more than 5 years.	1,046.1	937.2	780.0
Total	167,240.5	162,003.2	156,609.9

Definition

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

NOTE 10 DERIVATIVES

Mkr	Jun 30, 2014		Dec 31, 2013		Jun 30, 2013	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
<i>Derivatives in hedge accounting</i>						
Interest-related	80,550.0	2,012.2	74,045.0	952.8	133,682.0	1,071.7
Currency-related	22,412.8	1,178.6	5,394.2	371.2	10,175.6	337.4
<i>Other derivatives</i>						
Currency-related	5.0	1.1	69.0	13.7	2,699.9	63.7
Total derivatives with positive values	102,967.8	3,191.9	79,508.2	1,337.7	146,557.5	1,472.8
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	88,126.0	1,518.6	107,007.0	1,006.6	113,141.0	1,054.9
Currency-related	15,294.4	825.5	33,698.7	1,773.7	40,186.7	1,788.9
<i>Other derivatives</i>						
Currency-related	212.1	32.9	-	-	191.3	4.7
Total derivatives with negative values	103,632.5	2,377.0	140,705.7	2,780.3	153,519.0	2,848.5

Länsförsäkringar enters into financial hedging agreements to hedge against the interest-rate risk and currency risk that the Group's funding programmes give rise to. By using derivatives, the company can hedge both the fair value of the bonds issued due to changes in the market interest rate, and hedge cash flows attributable to future flows in foreign currency. Hedging instruments primarily comprise interest and currency interest-rate swaps.

NOTE 11 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	Jun 30, 2014	Dec 31, 2013	Jun 30, 2013
For own liabilities, pledged assets			
Pledged securities in the Riksbank	2,500.0	1,900.0	1,900.0
Pledged securities in Euroclear	2,000.0	1,300.0	1,300.0
Collateral provided for derivatives	10.0	10.0	10.0
Loan receivables, covered bonds	108,586.1	104,506.1	100,388.2
Loan receivables, substitute collateral	11,151.0	16,250.0	17,500.0
Commitments resulting from repurchase transactions	4,454.2	530.5	3,598.4
Other collateral for securities	5.0	5.0	5.0
Total for own liabilities, pledged assets	128,706.3	124,501.6	124,701.6
Other pledged assets	None	None	None
Contingent liabilities			
Guarantees	56.5	56.6	45.5
Conditional shareholders' contribution	4,790.0	4,240.0	3,950.0
Early retirement at age 62 in accordance with pension agreement	24.6	24.6	32.4
Total contingent liabilities	4,871.1	4,321.2	4,027.9
Other commitments			
Loans approved but not disbursed	10,159.1	5,608.0	8,289.2
Unutilised portion of overdraft facilities	1,914.5	1,984.4	1,973.7
Unutilised portion of credit card facilities	1,092.8	1,196.1	1,139.5
Total other commitments	13,166.4	8,788.5	11,402.4

NOTE 12 FAIR VALUE VALUATION TECHNIQUES

Financial assets and liabilities measured at fair value in the balance sheet are presented in the table based on the valuation techniques applied: Level 1 refers to prices determined from prices listed in an active market, Level 2 refers to prices determined by calculated prices of observable market listings and Level 3 refers to prices based on own assumptions and judgements.

SEK M Jun 30, 2014	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	6,038.4			6,038.4
Bonds and other interest-bearing securities	29,673.7			29,673.7
Shares and participations ¹⁾			11.0	11.0
Derivatives		3,191.9		3,191.9
Liabilities				
Derivatives		2,377.0		2,377.0
SEK M Dec 31, 2013				
	Level 1	Level 2	Level 3	Total
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 ¹⁾	76.8		11.0	87.8
Derivatives		1,337.7		1,337.7
Liabilities				
Derivatives		2,780.3		2,780.3
SEK M Jun 30, 2013				
	Level 1	Level 2	Level 3	Total
Treasury bills and other eligible bills	6,283.5			6,283.5
Bonds and other interest-bearing securities	33,233.8			33,233.8
Shares and participations ¹⁾	178.4		11.0	189.4
Derivatives		1,472.8		1,472.8
Liabilities				
Derivatives		2,848.5		2,848.5

¹⁾ 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 forecasted earnings.

NOTE 12 FAIR VALUE VALUATION TECHNIQUES, CONTINUED

SEK M	Shares and participations
Opening balance, January 1, 2014	11.0
Total profit and loss recognised:	
– recognised in profit / loss for the year	–
Investment of shares	–
Closing balance, June 30, 2014	11.0

Profit and loss recognised in net profit for the period pertaining to assets included in the closing balance at June 30, 2014

Mkr	Aktier och andelar
Opening balance, January 1, 2013	11.0
Total profit and loss recognised:	
– recognised in profit / loss for the year	–
Investment of shares	–
Closing balance, December 31, 2013	11.0

Profit and loss recognised in net profit for the period pertaining to assets included in the closing balance at December 31, 2013

Mkr	Aktier och andelar
Opening balance, January 1, 2013	11.0
Total profit and loss recognised:	–
– recognised in profit / loss for the year	–
Investment of shares	–
Closing balance, June 30, 2013	11.0

Profit and loss recognised in net profit for the period pertaining to assets included in the closing balance at June 30, 2013

SEK M	Jun 30, 2014		Dec 31, 2013		Jun 30, 2013	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Assets						
Cash and balances with central banks	23.4	23.4	108.5	108.5	102.3	102.3
Treasury bills and other eligible bills	6,038.4	6,038.4	4,881.4	4,881.4	6,283.5	6,283.5
Loans to credit institutions	10,717.3	10,717.3	5,957.9	5,957.9	13,436.2	13,436.2
Loans to the public	167,240.5	168,458.4	162,003.2	162,415.0	156,609.9	153,491.0
Bonds and other interest-bearing securities	29,673.7	29,673.7	35,200.6	35,200.6	33,233.8	33,233.8
Shares and participations	11.0	11.0	87.8	87.8	189.4	189.4
Derivatives	3,191.9	3,191.9	1,337.7	1,337.7	1,472.8	1,472.8
Accounts receivable	237.3	237.3	239.1	239.1	274.2	274.2
Total assets	217,133.5	218,351.4	209,856.2	210,228.0	211,602.1	208,483.2
Liabilities						
Due to credit institutions	7,349.9	7,349.9	1,860.6	1,860.6	6,780.0	6,780.0
Deposits and borrowing from the public	72,783.1	72,694.8	69,220.0	70,069.6	65,515.5	66,576.1
Debt securities in issue	119,787.3	128,104.4	123,634.9	128,079.9	124,475.1	130,428.0
Derivatives	2,377.0	2,377.0	2,780.3	2,780.3	2,848.5	2,848.5
Accounts payable	26.4	26.4	50.4	50.4	51.5	51.5
Subordinated liabilities	2,300.0	2,426.7	2,299.7	2,427.4	2,590.0	2,674.8
Total liabilities	204,623.7	212,979.2	199,845.9	205,268.2	202,260.6	209,358.9

There were no transfers between Level 1 and Level 2 during the period. There were no transfers from Level 3 during the period. The fair value of cash and balances with central banks, 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 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 using 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, and for measuring the fair value of subordinated liabilities, a standard method or valuation technique based on the estimated or original issue spread has been utilised.

For information on determination of fair value, valuation techniques and inputs, see also note 2 Accounting policies in the 2013 Annual Report.

NOTE 13 CAPITAL-ADEQUACY ANALYSIS

SEK M	Bankgroup	Bankgroup	Consolidated	Consolidated	Bankgroup	Bankgroup
	Basel III	Basel III	situation	situation	Basel II	Basel II
	Jun 30, 2014	Mar 31, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Mar 31, 2013
Total equity	9 161.5	8 407.5	16 906.9	15 783.8	8 288.4	7 716.1
Deductions:						
(-) Part of interim profit not eligible	–	–153.4	–	–128.7	–	–
Adjustment for cash flow hedge	13.6	28.6	29.1	29.5	–	–
Adjustment for items at fair value	–141.7	–132.9	–141.7	–132.9	–138.6	–104.0
Intangible assets	–333.3	–376.6	–448.8	–494.2	–397.1	–420.6
Deferred tax assets	–9.2	–9.2	–38.0	–13.9	–9.2	–12.3
IRB shortfall	–486.4	–498.4	–486.4	–498.4	–302.4	–276.1
Investments outside the consolidated situation	–10.7	–10.7	–7,885.0	–7,968.2	–	–
Common Equity Tier 1 capital	8,193.9	7,254.8	7,936.1	6,577.0	7 441.1	6,903.1
Subordinated debt, perpetual	–	–	–	–	–	290.0
Tier 1 capital	8,193.9	7,254.8	7,936.1	6,577.0	7 441.1	7,193.1
Tier 2 instruments	2,296.9	2,296.9	2,136.9	2,136.9	2 296.9	2,296.9
IRB excess	34.3	32.5	34.3	32.5	–302.4	–276.1
Own funds	10,525.0	9,584.1	10,107.3	8,746.3	9 435.6	9,213.9
Risk exposure amount according to Basel III	51,335.5	51,405.1	58,571.0	58,465.6	50 465.0	49,630.6
Capital requirement						
Capital requirement for creditrisk according to Standardised Approach	567.2	634.7	785.1	838.5	647.2	667.8
Capital requirement for creditrisk according to IRB Approach	3,172.2	3,094.5	3,172.2	3,094.5	3 211.2	3,123.9
Capital requirement for operational risk	209.5	209.5	570.1	570.1	178.8	178.8
Capital requirement according to credit valuation adjustment	157.9	173.7	158.3	174.2	–	–
Total capital requirement	4,106.8	4,112.4	4,685.7	4,677.2	4 037.2	3,970.5
Capital Adequacy						
Tier 1 ratio according to Basel III	16.0%	14.1%	13.5%	11.3%	14.7%	14.5%
Core Tier 1 ratio according to Basel III	16.0%	14.1%	13.5%	11.3%	14.7%	13.9%
Capital adequacy ratio according to Basel III	20.5%	18.6%	17.3%	15.0%	18.7%	18.6%
Special disclosures						
IRB Provisions surplus (+)/deficit (–)	–452.1	–466.0	–452.1	–466.0	–604.8	–552.2
– IRB Total provisions (+)	399.1	391.6	399.1	391.6	386.5	356.8
– IRB Anticipated loss (–)	–851.2	–857.6	–851.2	–857.6	–991.3	–908.9

NOTE 13 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	Bankgroup Basel III Jun 30, 2014	Bankgroup Basel III Mar 31, 2014	Consolidated situation Basel III Jun 30, 2014	Consolidated situation Basel III Mar 31, 2014	Bankgroup Basel II Dec 31, 2013	Bankgroup Basel II Mar 31, 2013
Credit risk according to Standardised Approach						
Exposures to institutions	97.9	108.4	108.8	132.5	80.4	84.4
Exposures to corporates	140.6	136.9	140.6	136.9	164.8	171.2
Retail exposures	66.6	60.7	66.6	60.7	54.9	56.7
Exposures in default	12.9	5.7	12.9	5.7	0.0	0.0
Covered bonds	215.2	290.6	215.2	295.4	292.7	299.8
Other items	34.0	32.4	241.0	207.3	54.4	55.7
Total capital requirement according to Standardised Approach	567.2	634.7	785.1	838.5	647.2	667.8
Credit risk according to IRB Approach						
<i>Retail exposures</i>						
Exposures secured by real estate collateral	1,684.5	1,675.7	1,684.5	1,675.7	1 684.8	1,631.9
Other retail exposures	789.7	757.1	789.7	757.1	789.5	806.6
Total retail exposures	2,474.2	2,432.8	2,474.2	2,432.7	2 474.3	2,438.5
<i>Exposures to corporates</i>						
Non credit-obligation assets	698.0	661.8	698.0	661.8	736.0	684.8
Non credit-obligation assets	–	–	–	–	0.9	0.6
Total capital requirement for credit risk according to IRB Approach	3,172.2	3,094.5	3,172.2	3,094.5	3 211.2	3,123.9
Operational risks						
Standardised Approach	209.5	209.5	209.5	209.5	178.8	178.8
Basic indicator approach	–	–	360.6	360.6	–	–
Total capital requirement for operational risk	209.5	209.5	570.1	570.1	178.8	178.8
Credit valuation adjustment						
Standardised Approach	157.9	173.7	158.3	174.2	–	–
Total capital requirement for credit valuation adjustments	157.9	173.7	158.3	174.2	–	–
Capital Adequacy Basel I floor						
Capital Adequacy Basel I floor	8,112.0	7,920.2	8,170.7	7,985.9	7,710.1	7,591.1
Own funds Basel III adjusted according to rules for Basel I floor	10,977.1	10,050.1	10,559.4	9,212.3	10,040.4	9,766.1
Surplus of capital according to Basel I floor	2,865.1	2,129.9	2,388.7	1,226.4	2,330.3	2,175.0

The capital base and capital adequacy requirement for the comparative periods of December 31, 2013 and June 30, 2013 has been calculated according to the Basel II rules.

NOTE 14 DISCLOSURES ON RELATED PARTIES

Significant agreements for the Bank Group are primarily outsourcing agreements with the 23 regional insurance companies and outsourcing agreements with Länsförsäkringar AB regarding development, service, finance and IT. The Group's remuneration to the regional insurance companies in accordance with prevailing outsourcing agreements is presented in note 6 Commission expense.

Normal business transactions took place between Group companies as part of the outsourced operations.

INCOME STATEMENT – PARENT COMPANY

SEK M	Q 2 2014	Q 1 2014	Change	Q 2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full-year 2013
Interest income	970.2	906.5	7%	882.6	10%	1,876.7	1,726.2	9%	3,585.1
Interest expense	-742.9	-690.3	8%	-684.5	9%	-1,433.2	-1,344.9	7%	-2,789.1
Net interest income	227.3	216.2	5%	198.1	15%	443.5	381.3	16%	796.0
Dividends received	0.0	0.0	-	0.0	-	0.0	0.0	-	0.1
Commission income	76.9	81.7	-6%	73.3	5%	158.6	146.3	8%	298.1
Commission expense	-145.1	-138.6	5%	-150.4	-4%	-283.7	-291.9	-3%	-552.4
Net gain / loss from financial items	14.2	6.1	-	-0.6	-	20.3	0.3	-	19.4
Other operating income	51.9	55.5	-6%	56.2	-8%	107.4	113.7	-6%	229.3
Total operating income	225.2	220.9	2%	176.6	28%	446.1	349.7	28%	790.5
Staff costs	-40.1	-38.3	5%	-37.0	8%	-78.4	-72.9	8%	-142.6
Other administration expenses	-125.0	-106.9	17%	-121.6	3%	-231.9	-236.0	-2%	-483.0
Total administration expenses	-165.1	-145.2	14%	-158.6	4%	-310.3	-308.9	-	-625.6
Depreciation / amortisation and impairment of property and equipment / intangible assets	-69.2	-43.1	61%	-21.5	-	-112.3	-43.7	157%	-82.7
Total operating expenses	-234.3	-188.3	24%	-180.1	30%	-422.6	-352.6	20%	-708.3
Profit / loss before loan losses	-9.1	32.6	-	-3.5	-	23.5	-2.9	-	82.2
Loan losses, net	43.1	-2.5	-	-14.6	-	40.6	-38.8	-	-80.1
Operating profit / loss	34.0	30.1	13%	-18.1	-	64.1	-41.7	-	2.1
Allocation fund	-	-	-	-	-	-	-	-	-11.9
Tax	-7.5	-6.6	14%	4.0	-	-14.1	9.2	-	6.2
Profit / loss for the period	26.5	23.5	13%	-14.1	-	50.0	-32.5	-	-3.6

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK M	Q 2 2014	Q 1 2014	Change	Q 2 2013	Change	Jan-Jun 2014	Jan-Jun 2013	Change	Full-year 2013
Profit / loss for the period	26.5	23.5	13%	-14.1	-	50.0	-32.5	-	-3.6
Other comprehensive income									
Items that may subsequently be reclassified to the income statement									
Cash-flow hedges	2.2	-10.1	-	-	-	-7.9	-	-	-
Change in fair value from available-for-sale financial assets	18.7	9.4	99%	-35.5	-	28.1	-18.5	-	45.1
Reclassification realised securities	-3.5	-3.4	3%	-	-	-6.9	-3.0	130%	-4.1
Tax attributable to items that are rerouted or can be rerouted as income for the period	-3.8	0.9	-	7.8	-	-2.9	4.7	-	-9.0
Other comprehensive income for the period, net after tax	13.6	-3.2	-	-27.7	-	10.4	-16.8	-	32.0
Total comprehensive income for the period	40.1	20.3	98%	-41.8	-	60.4	-49.3	-	28.4

BALANCE SHEET – PARENT COMPANY

SEK M	Jun 30, 2014	Dec 31, 2013	Jun 30, 2013
Assets			
Cash and balances with central banks	23.4	108.5	102.3
Treasury bills and other eligible bills	3,628.2	3,389.5	4,777.0
Loans to credit institutions	54,566.7	44,638.6	48,584.6
Loans to the public	36,188.9	36,007.7	35,430.6
Bonds and other interest-bearing securities	20,191.7	19,824.7	16,414.0
Shares and participations	11.0	87.8	155.9
Shares and participations in associated companies	1.0	1.0	1.0
Shares and participations in Group companies	6,499.0	6,069.0	5,869.0
Derivatives	1,295.9	602.7	805.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	125.9	64.8	29.9
Intangible assets	288.6	347.7	351.7
Property and equipment	3.3	2.6	1.2
Deferred tax assets	6.3	6.3	5.4
Other assets	129.0	386.1	393.5
Prepaid expenses and accrued income	800.4	871.2	638.6
Total assets	123,759.3	112,408.2	113,560.0
Liabilities, provisions and equity			
Due to credit institutions	10,868.0	6,099.6	6,299.6
Deposits and borrowing from the public	72,899.4	69,340.6	65,549.6
Debt securities in issue	26,131.8	24,645.5	29,459.6
Derivatives	1,619.6	653.5	717.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	127.9	46.2	65.1
Deferred tax liabilities	–	–	–
Other liabilities	258.1	455.6	408.4
Accrued expenses and deferred income	1,210.6	1,134.2	1,114.7
Provisions	6.3	6.1	8.2
Subordinated liabilities	2,300.0	2,299.7	2,590.0
Total liabilities and provisions	115,421.8	104,681.0	106,212.4
Untaxed reserves	11.9	11.9	–
Equity			
Share capital, 9,548,708 shares	954.9	954.9	954.9
Statutory reserve	18.4	18.4	18.4
Fair value reserves	86.5	76.1	27.3
Retained earnings	7,215.9	6,669.5	6,379.5
Loss for the period	50.0	–3.6	–32.5
Total equity	8,325.7	7,715.3	7,347.6
Total liabilities, provisions and equity	123,759.3	112,408.2	113,560.0
Memorandum items			
For own liabilities, pledged assets	8,807.4	3,721.3	6,608.4
Other pledged assets	None	None	None
Contingent liabilities	4,853.4	4,303.4	4,007.6
Other commitments	25,649.4	11,349.6	13,616.9
Other notes			
Accounting policies	1		
Loan losses and impaired loans	2		
Capital-adequacy analysis	3		
Disclosures on related parties	4		

CASH-FLOW STATEMENT IN SUMMARY, INDIRECT METHOD – PARENT COMPANY

SEK M	Jan-Jun 2014	Jan-Jun 2013
Cash and cash equivalents, January 1	5,154.8	1,920.1
Cash flow from operating activities	2,928.6	7,262.2
Cash flow from investing activities	-407.1	-172.7
Cash flow from financing activities	550.3	1,457.7
Cash flow for the period	3,071.8	8,547.2
Cash and cash equivalents, June 30	8,226.6	10,467.3

Cash and cash equivalents are defined as cash and balances at central banks, lending and due to credit institutions payable on demand as well as overnight loans and deposits with the Riksbank maturing the following banking day.

Changes to the cash flow from operating activities are mainly attributable to loans to Group companies SEK -5,763.6 M (-1,683.4), Loans to credit institutions SEK 4,595.0 M (3,440.5) and to Deposits and borrowing from the public SEK 3,558.9 M (3,014.6). Changes to the cash flow from investing activities are mainly attributable to Shares in Group companies SEK -430.0 M (0.0). Changes to the cash flow from financing activities are mainly attributable to shareholder's contribution received SEK 550.0 M (335.0).

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY

SEK M	Share capital	Other capital contributed	Fair value reserves		Retained earnings	Profit for the period	Total
			Fair value reserve	Hedge reserve			
Updated opening balance, January 1, 2013	954.9	18.4	44.1	-	6,081.4	-36.9	7,061.9
Profit for the period						-32.5	-32.5
Other comprehensive income for the period			-16.8				-16.8
<i>Comprehensive income for the period</i>			<i>-16.8</i>			<i>-32.5</i>	<i>-49.3</i>
Resolution by Annual General Meeting					-36.9	36.9	-
Conditional shareholders' contribution received					335.0		335.0
Closing balance, June 30, 2013	954.9	18.4	27.3	-	6,379.5	-32.5	7,347.6
Opening balance, July 1, 2013	954.9	18.4	27.3	-	6,379.5	-32.5	7,347.6
Profit for the period						28.9	28.9
Other comprehensive income for the period			48.8				48.8
<i>Comprehensive income for the period</i>			<i>48.8</i>			<i>28.9</i>	<i>77.7</i>
Conditional shareholders' contribution received					290.0		290.0
Closing balance, December 31, 2013	954.9	18.4	76.1	-	6,669.5	-3.6	7,715.3
Opening balance, January 1, 2014	954.9	18.4	76.1	-	6,669.5	-3.6	7,715.3
Profit for the period						50.0	50.0
Other comprehensive income for the period			16.5	-6.1			10.4
<i>Comprehensive income for the period</i>			<i>16.5</i>	<i>-6.1</i>		<i>50.0</i>	<i>60.4</i>
Resolution by Annual General Meeting					-3.6	3.6	-
Conditional shareholders' contribution received					550.0		550.0
Closing balance, June 30, 2014	954.9	18.4	92.6	-6.1	7,215.9	50.0	8,325.7

NOTES – PARENT COMPANY

NOTE 1 ACCOUNTING POLICIES

Länsförsäkringar Bank AB prepares the accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Securities Market Act (2007:528) and the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements regarding listed companies by the Swedish Financial Reporting Board. The regulations in RFR 2 stipulate that the company, in the annual accounts for the legal entity, shall apply all IFRS adopted by EU and statements to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the link between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS. This interim report complies with the requirements of IAS 34, Interim Financial Reporting.

Changes that have significantly impacted the financial statements in 2014

Amendments to laws, regulations and recommendations applicable from 2014 have not had any significant effect on Länsförsäkringar Bank AB's financial statements in 2014.

From 2014, cash-flow hedging is applied to currency risks attributable to future payments in foreign currency related to the foreign funding programmes. Interest and currency interest rate swaps that are hedging instruments in cash-flow hedging are measured at fair value. The change in value is recognised in other comprehensive income and in the cash-flow hedging reserve in equity to the extent that the change in the value of the swap is effective and corresponds to future cash flows attributable to the hedged item. Ineffectiveness is recognised in profit and loss in the item Net gains from financial items. Gains or losses recognised in the cash-flow hedging reserve under equity in other comprehensive income are reclassified and recognised in profit and loss in the same period as the hedged item affects profit and loss. The application of cash-flow hedging affects the financial statements for the period in question.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2013 Annual Report.

NOTE 2 LOAN LOSSES AND IMPAIRED LOANS

The new settlement model, which was introduced on January 1, 2014, regarding the commitment that the regional insurance companies have regarding loan losses related to business they have originated entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by an off-set against accrued commissions. On June 30, 2014, the total credit reserve requirement amounted to SEK 185 M, of which the bank's recognised credit reserve amounted to SEK 144 M and the remainder amounting to SEK 41 M was offset against the regional insurance companies' held funds, according to the model described above. The transition to the new model means that the bank's credit reserves on the date of introduction will be gradually reversed by SEK 137 M, while SEK 43 M was reversed during the period.

NOTE 3 CAPITAL-ADEQUACY ANALYSIS

SEK M	Basel III	Basel II	Basel II
	Jun 30, 2014	Dec 31, 2013	Jun 30, 2013
Total equity	8,325.6	7 715.3	7,347.6
78 % of untaxed reserves	9.3	9.3	-
Deductions:			
(-) Part of interim profit not eligible	-	-	-
Adjustment for cash flow hedge	6.1	-	-
Adjustment for items at fair value	-92.6	-76.1	-27.3
Intangible assets	-288.6	-347.7	-351.7
Deferred tax assets	-6.3	-6.3	-5.4
IRB shortfall	-173.5	-137.4	-107.2
Investments outside the consolidated situation	-10.7	-	-
Common Equity Tier 1 capital	7,769.3	7 157.1	6,856.0
Subordinated dept, perpetual	-	-	290.0
Tier 1 capital	7,769.3	7 157.1	7,146.0
Tier 2 instruments	2,296.9	2 296.9	2,296.9
IRB excess	16.9	-137.4	-107.2
Own funds	10,083.0	9 316.6	9,335.7
Risk exposure amount according to Basel III	25,034.1	18 577.1	18,648.4
Capital requirement			
Capital requirement for creditrisk according to Standardised Approach	765.3	237.2	249.4
Capital requirement for creditrisk according to IRB Approach	1,109.0	1 167.4	1,160.9
Capital requirement for operational risk	99.2	81.6	81.6
Capital requirement according to credit valuation adjustment	29.2	-	-
Total capital requirement	2,002.7	1 486.2	1,491.9
Capital Adequacy			
Tier 1 ratio according to Basel III	31.0%	38.5%	38.3%
Core Tier 1 ratio according to Basel III	31.0%	38.5%	36.8%
Capital adequacy ratio according to Basel III	40.3%	50.2%	50.1%
Special disclosures			
IRB Provisions surplus (+)/deficit (-)	-156.6	-274.7	-214.3
- IRB Total provisions (+)	184.9	186.8	161.5
- IRB Anticipated loss (-)	-341.5	-461.5	-375.7

NOTE 3 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	Basel III	Basel II	Basel II
	Jun 30, 2014	Dec 31, 2013	Jun 30, 2013
Credit risk according to Standardised Approach			
Exposures to institutions	26.8	29.2	35.5
Exposures to corporates	–	–	1.1
Retail exposures	–	–	2.4
Covered bonds	138.5	166.3	164.0
Equity	581.5	–	–
Other items	18.5	41.7	46.4
Total capital requirement according to Standardised Approach	765.3	237.2	249.4
Credit risk according to IRB Approach			
<i>Retail exposures</i>			
Exposures secured by real estate collateral	386.2	413.0	410.0
Other retail exposures	288.4	287.6	285.3
Total retail exposures	674.6	700.6	695.3
Exposures to corporates	434.4	466.6	465.5
Non credit-obligation assets	–	0.2	0.1
Total capital requirement for credit risk according to IRB Approach	1,109.0	1 167.4	1,160.9
Operational risks			
Standardised Approach	99.2	81.6	81.6
Total capital requirement for operational risk	99.2	81.6	81.6
Credit valuation adjustment			
Standardised Approach	29.2	–	–
Total capital requirement for credit valuation adjustments	29.2	–	–
Capital adequacy Basel I floor			
Capital requirement Basel I floor	2,840.2	2,256.3	2,276.1
Own funds Basel III adjusted according to rules for Basel I floor	10,239.6	9,591.3	9,550.0
Surplus of capital according to Basel I floor	7,399.4	7,335.0	7,273.9

The capital base and capital adequacy requirement for the comparative periods of December 31, 2013 and June 30, 2013 has been calculated according to the Basel II rules.

NOTE 4 DISCLOSURES ON RELATED PARTIES

Significant agreements for Länsförsäkringar Bank AB are primarily outsourcing agreements with the 23 regional insurance companies and outsourcing agreements with Länsförsäkringar AB regarding development, service, finance and IT. Normal business transactions took place between Group companies as part of the outsourced operations.

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

The Board of Directors and President affirm that this half-yearly report provides a true and fair view of the company's and the Group's operations, financial position and earnings and describes the significant risks and uncertainties to which the company and the companies included in the Group are exposed.

Stockholm, July 18, 2014

Sten Dunér <i>Chairman of the board</i>	Christian Bille <i>Board member</i>	Marianne Björkman <i>Board member</i>	Maria Engholm <i>Board member</i>	Ingrid Ericsson <i>Board member</i>
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Ingrid Jansson <i>Board member</i>	Bengt-Erik Lindgren <i>Board member</i>	Susanne Petersson <i>Board member</i>	Örian Söderberg <i>Board member</i>
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Rikard Josefson
President

AUDITOR'S REPORT ON THE REVIEW OF THE INTERIM FINANCIAL INFORMATION

To the Board of Länsförsäkringar Bank AB (publ)

Org nr 556401-9878

Introduction

I have reviewed the half-year interim report of Länsförsäkringar Bank AB (publ) as of June 30, 2014 for the six-month period then ended. The Board of directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act of Credit Institutions and Securities Companies. My responsibility is to express a conclusion on this half-year interim report based on my review.

Scope of Review

I conducted my review in accordance with International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. The procedures performed in a review does not enable me to obtain a level of assurance that would make me aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the half-year interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act of Credit Institutions and Securities Companies for the group and in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies for the parent company.

Stockholm, July 18, 2014

Stefan Holmström
Authorised Public Accountant

APPENDIX

BORROWING PROGRAMMES

Programmes	Limit, Nominal	Issued, Jan-Jun, 2014 Nominal, SEK billion	Issued, Jan-Jun, 2013 Nominal, SEK billion	Outstanding, Jun 30, 2014 Nominal, SEK billion	Outstanding, Jun 30, 2013 Nominal, SEK billion	Remaining average term, Jun 30, 2014 Years	Remaining average term, Jun 30, 2013 Years
Länsförsäkringar Bank							
Medium Term Note	SEK 30 billion	5.8	7.6	19.3	23.4	1.6	1.5
Domestic Commercial Paper	SEK 15 billion	4.3	0.9	3.6	1.2	0.5	0.3
Euro Commercial Paper	EUR 1.5 billion	0.6	5.5	0.1	2.9	0.5	0.2
Euro Medium Term Note	EUR 2 billion	0.2	1.8	2.8	1.8	2.8	2.7
Total		10.9	15.8	25.9	29.3	1.6	1.4
Länsförsäkringar Hypotek							
Swedish Covered Benchmark	Unlimited	8.0	5.0	62.5	59.3	3.2	2.7
Medium Term Covered Note	SEK 30 billion	0.4	-	4.2	5.7	2.0	1.6
Euro Medium Term Covered Note	EUR 5 billion	5.1	2.1	26.1	30.0	3.8	2.2
Total		13.5	7.1	92.8	95.0	3.3	2.5
Total Group		24.4	22.9	118.7	124.3	3.0	2.2

Maturity profile, June 30, 2014

Years, Nominal, SEK billion	2014	2015	2016	2017	2018	2019	>=2020	Totalt
Covered bonds	1.3	17.6	18.2	15.4	13.3	9.5	17.4	92.8
Senior unsecured funding	0.9	10.7	6.2	2.3	1.1	0.3	0.7	22.2
Commercial papers	2.2	1.5						3.7
Total	4.4	29.8	24.4	17.7	14.4	9.8	18.1	118.7

Financial calendar 2014

JULY-SEPTEMBER:

Interim report Länsförsäkringar Hypotek **23 oktober**

Interim report Länsförsäkringar Bank **23 oktober**

This report contains such information that Länsförsäkringar Bank AB (publ) must publish in accordance with the Securities Market Act. The information was submitted for publication on July 18, 2014 at 11:00 a.m. Swedish time.

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FOR FURTHER INFORMATION, PLEASE CONTACT:

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