

# Länsförsäkringar Bank

## January-March 2014

INTERIM REPORT

### The period in brief, Group

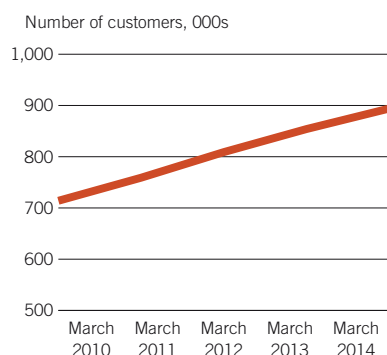
- Operating profit rose 45% to SEK 197 M (136) and the return on equity strengthened to 7.5% (5.9).
- Net interest income rose 7% to SEK 584 M (544).
- Loan losses remained very low and amounted to SEK 16 M (33), corresponding to loan losses of 0.04% (0.08).
- Business volumes rose 11% to SEK 321 billion (290).
- Deposits increased 10% to SEK 70 billion (63).
- Lending increased 7% to SEK 163 billion (152).
- The Core Tier 1 ratio according to Basel III was 14.1% on March 31, 2014.
- The number of customers increased 5% to 894,000, the number of bank cards rose 11% to 396,000 and the number of deposit accounts increased 11% to 1,364,000.

Figures in parentheses pertain to the comparative period in 2013.

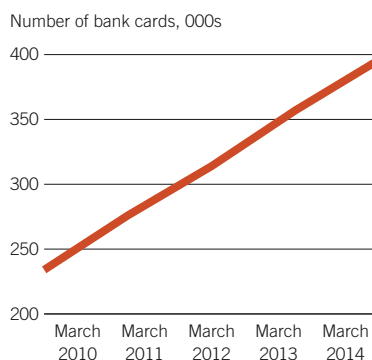
**Rikard Josefson,**  
President of Länsförsäkringar Bank:

*Länsförsäkringar Bank is strengthening its position in the market. Business volumes are increasing and net interest income and earnings displayed a strong performance. At the start of April, we offered a number of new services in our mobile app. For example, we were first to offer customers the option of changing funds in their pension and endowment insurance, which confirms that we have a leading position in digital services. It is also pleasing that for the sixth consecutive year Länsförsäkringar has the best reputation in the financial sector. This shows that our business, which is based on closeness and security for customers, is appreciated by our customers.*

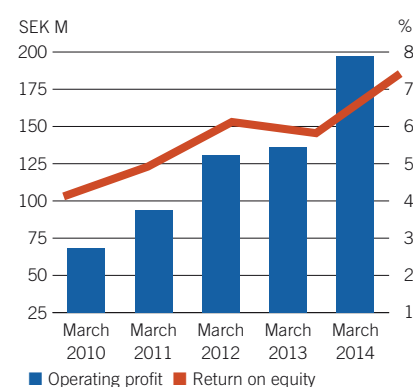
CUSTOMER TREND



BANK CARD TREND



OPERATING PROFIT AND RETURN ON EQUITY



## Key figures

Group	Q 1 2014	Q 4 2013	Q 1 2013	Full-year 2013
Return on equity, %	7.5	6.9	5.9	6.7
Return on total capital, %	0.36	0.33	0.27	0.31
Investment margin, %	1.07	1.09	1.08	1.06
Cost/income ratio before loan losses	0.62	0.62	0.65	0.63
Cost/income ratio after loan losses	0.65	0.68	0.72	0.69
Core Tier 1 ratio according to Basel III, %	14.1	14.4*	–	14.4*
Tier 1 ratio according to Basel III, %	14.1	14.4*	–	14.4*
Capital adequacy ratio according to Basel III, %	18.6	19.1*	–	19.1*
Percentage of impaired loans, gross, %	0.23	0.23	0.16	0.23
Reserve ratio in relation to loans, %	0.25	0.25	0.23	0.25
Loan losses, %	0.04	0.08	0.08	0.08

\*According to Länsförsäkringar Bank's interpretation of the regulations on December 31, 2013.

## Income statement, quarterly

Group, SEK M	Q 1 2014	Q 4 2013	Q 3 2013	Q 2 2013	Q 1 2013
Net interest income	584.4	578.7	556.5	550.9	544.4
Net commission	-79.3	-49.3	-63.2	-76.4	-64.0
Net gains/losses from financial items	-1.3	-36.1	-6.3	4.9	-48.3
Other operating income	53.0	54.1	54.2	54.1	49.4
<b>Total operating income</b>	<b>556.8</b>	<b>547.4</b>	<b>541.2</b>	<b>533.5</b>	<b>481.5</b>
Staff costs	-108.5	-105.9	-100.3	-113.5	-106.9
Other expenses	-236.1	-234.8	-234.9	-228.6	-205.6
<b>Total operating expenses</b>	<b>-344.6</b>	<b>-340.7</b>	<b>-335.2</b>	<b>-342.1</b>	<b>-312.5</b>
<b>Profit before loan losses</b>	<b>212.2</b>	<b>206.7</b>	<b>206.0</b>	<b>191.4</b>	<b>169.0</b>
Loan losses, net	-15.5	-31.6	-31.8	-30.0	-33.1
Profit/loss from participations in associated companies	–	0.2	-0.1	–	–
<b>Operating profit</b>	<b>196.7</b>	<b>175.3</b>	<b>174.1</b>	<b>161.4</b>	<b>135.9</b>

### Market commentary

In the financial markets, the first quarter of the year was characterised by volatility. The exceptionally cold winter in the US contributed to US economic statistics being weaker than expected, which was a negative surprise for the market. This combined with the concern surrounding trends in the emerging economies initially led to global stock markets falling and then recovering at the end of the quarter. The Federal Reserve continued to reduce its asset purchases since the weaker signals from the US economy were considered to be temporary. Despite this, the US interest rate on ten-year bonds fell from 2.5% to 2.1%.

Signals from Europe remained cautiously positive about the economic trend, while inflation remained low. Expecta-

tions regarding additional expansive measures from the European Central Bank increased, which led to further downward pressure on European interest rates.

For Sweden, the economic statistics signalled a relatively strong fourth quarter for 2013, whereas other economic indicators gave mixed signals about the Swedish economy at the start of 2014. Inflation in Sweden also remained low, which pressed down short-term Swedish interest rates due to the higher probability of a further interest-rate cut by the Riksbank. Swedish interest rates with long maturities also fell.

In the credit market, spreads narrowed during the first quarter, which suggests a heightened risk appetite among investors. The Swedish interest rate margins between covered bonds and government bonds narrowed during the quarter.

Housing prices in Sweden increased 9% on an annual basis, which was largely due to rising prices for tenant-owned apartments. According to Valueguard's HOX index, prices of single-family homes rose 7%, while prices of tenant-owned apartments increased 13%.

### First quarter of 2014 compared with first quarter of 2013

#### Increased business volumes

Business volumes increased 11%, or SEK 31 billion, to SEK 321 billion (290). Lending rose 7%, or SEK 11 billion, to SEK 163 billion (152). Retail mortgages in Länsförsäkringar Hypotek increased 9%, or SEK 10 billion, to SEK 114 billion (104). Deposits rose 10%, or SEK 7 billion, to SEK 70 billion (63). The volume of managed funds increased 19%, or SEK 14 billion, to SEK 88 billion (74).

#### High inflow of customers and growing digital channel

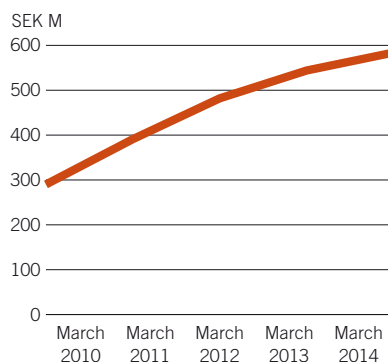
The number of customers rose 5% to 894,000 (854,000). The number of customers with Länsförsäkringar as their primary bank increased 10% to 329,000 (300,000) and the number of products per customer rose to 4.9. Some 94% of those customers who have the bank as their primary bank are also existing insurance customers.

Länsförsäkringar had 4.9 million mobile logins via its mobile app in March 2014, up 69% compared with March 2013. Fund trading accounts for a significant percentage of the mobile app's services.

#### Earnings and profitability

Profit before loan losses increased 26% to SEK 212 M (169) and operating profit rose 45% to SEK 197 M (136) due to improved net gains from financial items, higher net interest income, increased commission income and lower loan losses. Return on equity strengthened to 7.5% (5.9).

## NET INTEREST INCOME



## Income

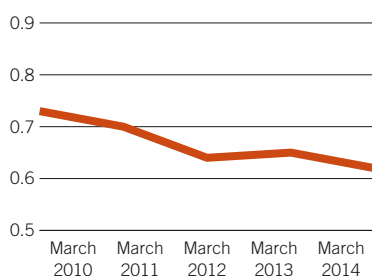
Operating income rose 16% to SEK 557 M (482), primarily due to improved net gains from financial items, higher net interest income and increased commission income. Net interest income increased 7% to SEK 584 M (544), mainly attributable to higher volumes. The investment margin amounted to 1.07% (1.08).

Net gains from financial items resulted in a decrease in expense to SEK 1 M (48). Commission income increased 13% to SEK 306 M (272) due to higher income in the card and fund business. The number of bank cards rose 11% to 396,000 (357,000). Net commission amounted to an expense of SEK 79 M (64).

## Expenses

Operating expenses rose 10% to SEK 345 M (312), primarily due to additional impairment and increased management costs for the fund company. The cost/income ratio before loan losses strengthened to 0.62 (0.65) and the cost/income ratio after loan losses strengthened to 0.65 (0.72).

## COST/INCOME RATIO BEFORE LOAN LOSSES



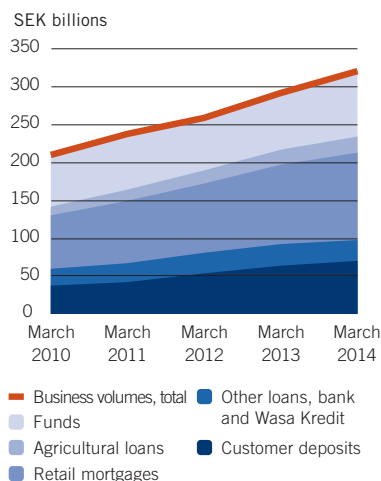
## Loan losses

From January 1, 2014, a new method is applied regarding the commitment that

the regional insurance companies have regarding loan losses related to business they have originated. The new model 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.

Loan losses remained very low and amounted to SEK 16 M (33), net, corresponding to loan losses of 0.04% (0.08). Reserves totalled SEK 423 M (370), corresponding to a reserve ratio in relation to loans of 0.25% (0.23). Impaired loans, gross, amounted to SEK 388 M (269), corresponding to a percentage of impaired loans, gross, of 0.23% (0.16). For more information regarding loan losses, reserves and impaired loans, see notes 8 and 9.

## BUSINESS VOLUMES



## Deposits and savings

Deposits from the public increased 10%, or SEK 7 billion, to SEK 70 billion (63). Deposits from small businesses grew to SEK 8.9 billion (7.4). The total number of deposit accounts increased 11%. On February 28, 2014, the market share strengthened to 4.6% (4.4), according to data from Statistics Sweden.

Fund volumes increased 19%, or SEK 14 billion, to SEK 88 billion (74). Monthly savings in funds performed well, as did fund transfers, Individual Pension Savings (IPS) and the number of securities depositors.

## Loans

All loans are granted in Sweden and in SEK and have a well-diversified geograph-

ic distribution. Loans to the public rose 7%, or SEK 11 billion, to SEK 163 billion (152). Retail mortgages in Länsförsäkringar Hypotek increased 9%, or SEK 10 billion, to SEK 114 billion (104). On February 28, 2014, the market share of household lending strengthened to 5.0% (4.9) according to Statistics Sweden. The market share for retail mortgages amounted to 4.9% (4.8) on February 28, 2014. The percentage of retail mortgages in relation to the total loan portfolio was unchanged at 71%.

Agricultural lending showed a lower rate of increase than previously and rose 7% to SEK 21.1 billion (19.7). First-lien mortgages for agricultural properties, which accounted for the entire increase in agricultural loans, increased to SEK 18.7 billion (17.1), corresponding to 89% (87). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment is low and remained unchanged at SEK 1.8 M on March 31, 2014. Loans to small businesses totalled SEK 0.8 billion (1.0) on March 31, 2014.

## Loan portfolio

Lending segment, %	Mar 31, 2014	Mar 31, 2013
Retail mortgages	71	71
Agriculture	13	13
Multi-family housing	3	3
Industrial and office properties	0.5	0.5
<b>Total</b>	<b>87.5</b>	<b>87.5</b>
Leasing	4	4
Hire purchase	3.5	3.5
<b>Total</b>	<b>95</b>	<b>95</b>
Unsecured loans	4.5	4.5
Other	0.5	0.5
<b>Total</b>	<b>100</b>	<b>100</b>

## Funding

The Group has a low refinancing risk and the maturity structure is highly diversified. Debt securities in issue rose 10%, or SEK 12 billion, to SEK 130 billion (118), of which senior funding accounted for SEK 23 billion (22) and covered bonds increased to SEK 105 billion (90). Länsförsäkringar Hypotek successfully issued a seven-year Euro Covered Bond of EUR 500 M in March.

Covered bonds were issued during the quarter at a volume corresponding to a

nominal SEK 9.5 billion (3.7), with repurchased covered bonds amounting to a nominal SEK 2.9 billion (1.5) and matured covered bonds to a nominal SEK 1.1 billion (2.3) for the period. Länsförsäkrings Bank issued senior unsecured bonds in the nominal amount of SEK 4.8 billion (8.1) during the quarter.

### Liquidity

The liquidity reserve totalled a nominal amount of SEK 52.0 billion (43.6) at March 31, 2014, 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 77% of the liquidity reserve comprises Swedish covered bonds, 13% Swedish government bonds, 5% other Swedish bonds with a credit rating of AAA/Aaa, 4% AAA/Aaa-rated bonds issued or guaranteed by European governments and AAA/Aaa-rated bonds issued by multinational development banks and 1% deposits with the Swedish National Debt Office. By utilising the liquidity reserve, contractual undertakings for about two years can be met without needing to secure new funding in the capital market.

The Group's Liquidity Coverage Ratio (LCR), according to Swedish Financial Supervisory Authority's definition, amounted to 428% (205) on March 31, 2014 and was an average of 251% (250) during the first quarter of 2014. The LCR in EUR amounted to 687,253% (754) on March 31, 2014.

### Rating

Länsförsäkrings Bank's credit rating is A/Stable from Standard & Poor's and A3/Stable from Moody's. Länsförsäkrings 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
Länsförsäkrings Bank	Standard & Poor's	A/Stable	A-1(K-1)
Länsförsäkrings Bank	Moody's	A3/Stable	P-2
Länsförsäkrings Hypotek <sup>1)</sup>	Standard & Poor's	AAA/Stable	–
Länsförsäkrings Hypotek <sup>1)</sup>	Moody's	Aaa	–

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

### Capital adequacy

The Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach is used for all retail exposures and 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 loan portfolio on March 31, 2014, comprised 88% retail credits in accordance with the Advanced IRB Approach.

Calculations of risk exposure amount under CRR now include a new requirement for CVA risk (Credit Valuation Adjustment) regarding OTC derivatives. Risk exposure amount for this item in the Bank Group amounted to SEK 2,171 M on March 31, 2014. Furthermore, the risk exposure amount are impacted by Article 501 of CRR regarding credit risk exposures to small and medium-sized enterprises. This requirement reduced the risk exposure amount by SEK 2,563 M on March 31, 2014.

The Core Tier 1 ratio according to Basel III was 14.1%. Tier 1 capital amounted to SEK 7,255 M and the Tier 1 ratio was 14.1%. The capital base was 9,584 M and the capital adequacy ratio amounted to 18.6%.

With CRR (575/2013) coming into force, Länsförsäkrings Bank will be subject to a change of rules regarding the reporting of capital adequacy regarding the consolidation level. Under CRR, the consolidated situation is to also include the parent mixed financial holding company Länsförsäkrings AB, in addition to the Bank Group. According to the new consolidation level, the Core Tier 1 ratio amounted to 11.3% and the capital adequacy ratio to 15.0%. To better reflect the actual risk and capital situation of the Bank Group, the bank has applied to the Swedish Financial Supervisory Authority for an exemption under CRD IV. A decision on this application had not yet been received when this interim report was prepared. If an exemption is not granted, it is the owner's intention

to contribute capital so that the bank will remain well-capitalised in accordance with the new consolidation method. For more information on the calculation of capital adequacy, see note 13.

### Interest-rate risk

On March 31, 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 21 M (73).

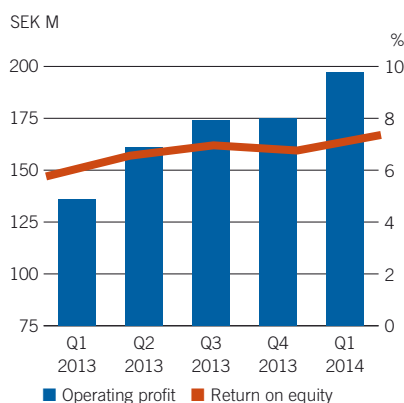
### Risks and uncertainties

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.

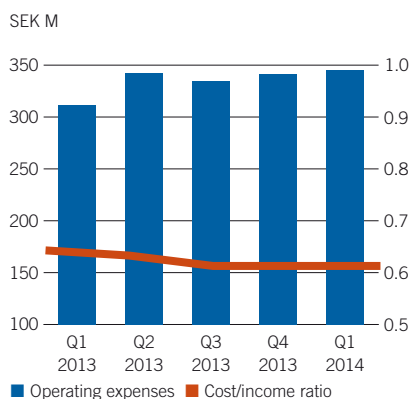
### First quarter of 2014 compared with fourth quarter of 2013

Operating profit rose 12% to SEK 197 M (175). Return on equity strengthened to 7.5% (6.9). Operating income rose 2% to SEK 557 M (547). Net interest income increased 1% to SEK 584 M (579) due to higher volumes and the investment margin amounted to 1.07% (1.09). Commission income increased 3% to SEK 306 M (298) due to higher income in the card and fund business. Net commission amounted to an expense of SEK 79 M (49). Net gains from financial items resulted in a decrease in expense to SEK 1 M (36). Operating expenses increased 1% to SEK 345 M (341) and the cost/income ratio before loan losses remained unchanged at 0.62%. Loan losses amounted to SEK 16 M (32).

#### 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.

### Parent Company

First quarter of 2014 compared with first quarter of 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 10%, or SEK 6 billion, to SEK 70 billion (64). Debt securities in issue fell 10%, or SEK 3 billion, to SEK 25 billion (28). Operating profit rose to SEK 30 M (-24), attributable to a higher net interest income. Operating income rose 28% to SEK 221 M (173), largely as a result of increased net interest income. Net interest income rose 18% to

SEK 216 M (183). Commission income increased 12% to SEK 82 M (73) due to higher income in the card and fund business. Commission expense amounted to SEK 139 M (142). Operating expenses increased 9% to SEK 188 M (172), primarily due to additional impairment. From January 1, 2014, a new method is applied regarding the commitment that the regional insurance companies have regarding loan losses related to business they have originated. The new model 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. Loan losses amounted to SEK 2 M (24), net.

### Subsidiaries

#### Länsförsäkringar Hypotek

First quarter of 2014 compared with first quarter of 2013

Retail mortgages in the bank's mortgage institution increased 9%, or SEK 10 billion, to SEK 114 billion (104). 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 11% to SEK 78 M (70), due to improved net gains from financial items. Net interest income amounted to SEK 222 M (222). From January 1, 2014, a new method is applied regarding the commitment that the regional insurance companies have regarding loan losses related to business they have originated. The new model 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. Loan losses amounted to SEK -1.3 M (1.1), net, corresponding to loan losses of 0.00% (0.00). The number of retail mortgage customers rose 6% to 190,000 (180,000).

SEK M	Mar 31, 2014	Mar 31, 2013
Total assets	142,582	130,368
Lending volume	113,886	104,402
Net interest income	222	222
Operating profit	78	70

### Wasa Kredit

First quarter of 2014 compared with first quarter of 2013

Lending volumes increased 4% to SEK 13.9 billion (13.3). Operating profit increased 1% to SEK 70 M (69). The increase of 5% in net interest income to SEK 146 M (139) was due to the higher lending volume. Operating expenses rose 8% to SEK 103 M (95) and loan losses amounted to SEK 14 M (8), net.

SEK M	Mar 31, 2014	Mar 31, 2013
Total assets	14,324	13,747
Lending volume	13,907	13,318
Net interest income	146	139
Operating profit	70	69

### Länsförsäkringar Fondförvaltning

First quarter of 2014 compared with first quarter of 2013

The volume of managed funds rose 19%, or SEK 14 billion, to SEK 88 billion (74), due to increased growth in value and a positive net flow. The company manages 34 (30) mutual funds with various investment orientations. A new fund Convenient Pension fund was launched during the quarter. Funds are offered for direct fund savings, IPS, ISK, unit-linked insurance and through the PPM system. Operating profit amounted to SEK 19 M (21).

SEK M	Mar 31, 2014	Mar 31, 2013
Total assets	274	168
Assets under management	88,262	74,479
Net flow	2 211	586
Net commission	78	73
Operating profit	19	21

## Income statement – Group

SEK M	Note	Q 1 2014	Q 4 2013	Change	Q 1 2013	Change	Full-year 2013
Interest income	3	2,302.5	2,387.9	–4%	2,386.7	–4%	9,488.7
Interest expense	4	–1,718.1	–1,809.2	–5%	–1,842.3	–7%	–7,258.3
<b>Net interest income</b>		<b>584.4</b>	<b>578.7</b>	<b>1%</b>	<b>544.4</b>	<b>7%</b>	<b>2,230.4</b>
Dividends received		0.0	0.1		0.0		0.1
Commission income	5	306.0	297.7	3%	272.0	13%	1,140.0
Commission expense	6	–385.3	–347.0	11%	–336.0	15%	–1,392.9
Net gains / losses from financial items	7	–1.3	–36.1	–96%	–48.3	–97%	–85.7
Other operating income		53.0	54.1	–2%	49.4	7%	211.8
<b>Total operating income</b>		<b>556.8</b>	<b>547.4</b>	<b>2%</b>	<b>481.5</b>	<b>16%</b>	<b>2,103.7</b>
Staff costs		–108.5	–105.9	2%	–106.9	1%	–426.6
Other administration expenses		–189.8	–199.7	–5%	–178.0	7%	–789.8
<b>Total administration expenses</b>		<b>–298.3</b>	<b>–305.6</b>	<b>–2%</b>	<b>–284.9</b>	<b>5%</b>	<b>–1,216.4</b>
Depreciation / amortisation and impairment of property and equipment / intangible assets		–46.3	–35.1	32%	–27.6	68%	–114.2
<b>Total operating expenses</b>		<b>–344.6</b>	<b>–340.7</b>	<b>1%</b>	<b>–312.5</b>	<b>10%</b>	<b>–1,330.6</b>
<b>Profit before loan losses</b>		<b>212.2</b>	<b>206.7</b>	<b>3%</b>	<b>169.0</b>	<b>26%</b>	<b>773.1</b>
Loan losses, net	8	–15.5	–31.6	–51%	–33.1	–53%	–126.4
Loss from participations in associated companies			0.2				0.1
<b>Operating profit</b>		<b>196.7</b>	<b>175.3</b>	<b>12%</b>	<b>135.9</b>	<b>45%</b>	<b>646.8</b>
Tax		–43.3	–57.0	–24%	–29.9	45%	–168.0
<b>Profit for the period</b>		<b>153.4</b>	<b>118.3</b>	<b>30%</b>	<b>106.0</b>	<b>45%</b>	<b>478.8</b>

## Statement of comprehensive income – Group

SEK M	Q 1 2014	Q 4 2013	Change	Q 1 2013	Change	Full-year 2013
<b>Profit for the period</b>	<b>153.4</b>	<b>118.3</b>	<b>30%</b>	<b>106.0</b>	<b>45%</b>	<b>478.8</b>
<b>Other comprehensive income</b>						
<b>Items that cannot be transferred to the income statement</b>						
Revaluation of defined-benefit pension plans	–	1.1		–		1.1
Tax attributable to items that can not be reversed to the income statement	–	–0.2		–		–0.2
<b>Items that may subsequently be reclassified to the income statement</b>						
Cash-flow hedges	–36.7					
Change in fair value from available-for-sale financial assets	–3.9	2.8		29.3		33.5
Reclassification realised securities	–3.4	–0.9	278%	–3.2	6%	–17.1
Tax attributable to items that are rerouted or can be rerouted as income for the period	9.7	–0.4		–5.7		–3.6
<b>Other comprehensive income for the period, net after tax</b>	<b>–34.3</b>	<b>2.4</b>		<b>20.4</b>	<b>–268%</b>	<b>13.7</b>
<b>Total comprehensive income for the period</b>	<b>119.1</b>	<b>120.7</b>	<b>–1%</b>	<b>126.4</b>	<b>–6%</b>	<b>492.5</b>



## Balance sheet – Group

SEK M	Note	March 31, 2014	Dec 31, 2013	March 31, 2013
<b>Assets</b>				
Cash and balances with central banks		80.5	108.5	122.3
Treasury bills and other eligible bills		7,936.2	4,881.4	5,165.6
Loans to credit institutions		8,042.7	5,957.9	10,371.6
Loans to the public	9	163,392.9	162,003.2	152,471.7
Bonds and other interest-bearing securities		38,467.4	35,200.6	31,380.6
Shares and participations		49.3	87.8	11.0
Shares and participations in associated companies		1.1	1.1	1.0
Derivatives	10	1,894.6	1,337.7	1,685.5
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		704.8	550.8	604.4
Intangible assets		376.6	397.1	434.4
Property and equipment		11.6	11.6	8.7
Deferred tax assets		9.2	9.2	12.3
Other assets		366.6	571.1	655.1
Prepaid expenses and accrued income		2,656.6	2,601.5	2,516.3
<b>Total assets</b>		<b>223,990.1</b>	<b>213,719.5</b>	<b>205,440.5</b>
<b>Liabilities and equity</b>				
Due to credit institutions		5,035.8	1,860.6	3,934.6
Deposits and borrowing from the public		69,824.7	69,220.0	63,466.4
Debt securities in issue		129,891.8	123,634.9	118,005.3
Derivatives	10	2,295.4	2,780.3	3,701.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,643.8	645.9	1,436.2
Deferred tax liabilities		147.9	143.7	82.8
Other liabilities		611.9	739.9	601.1
Accrued expenses and deferred income		3,815.4	4,090.2	3,975.6
Provisions		16.1	15.9	18.1
Subordinated liabilities		2,299.8	2,299.7	2,586.7
<b>Total liabilities</b>		<b>215,582.6</b>	<b>205,431.1</b>	<b>197,808.2</b>
<b>Equity</b>				
Share capital, 9,548,708 shares		954.9	954.9	954.9
Other capital contributed		6,392.5	6,392.5	6,102.5
Other reserves		102.6	136.9	143.6
Retained earnings		804.1	325.3	325.3
Profit for the period		153.4	478.8	106.0
<b>Total equity</b>		<b>8,407.5</b>	<b>8,288.4</b>	<b>7,632.3</b>
<b>Total liabilities and equity</b>		<b>223,990.1</b>	<b>213,719.5</b>	<b>205,440.5</b>
<b>Pledged assets, contingent liabilities and commitments</b>	<b>11</b>			
<b>Other notes</b>				
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## Cash-flow statement in summary, indirect method – Group

SEK M	Jan-Mar 2014	Jan-Mar 2013
<b>Cash and cash equivalents, January 1</b>	<b>5,162.1</b>	<b>1,981.3</b>
Cash flow from operating activities	1,051.4	3,073.8
Cash flow from investing activities	12.7	-15.7
Cash flow from financing activities	0.1	1,012.2
<b>Cash flow for the period</b>	<b>1,064.2</b>	<b>4,070.3</b>
<b>Cash and cash equivalents, March 31</b>	<b>6,226.3</b>	<b>6,051.6</b>

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 Treasury bills SEK -3,021.7 M (40.3) Mkr, Bonds and other interest-bearing securities SEK -3,157.8 M (1,151.2). Due to credit institutions SEK 4,096.6 M (2,464.2) and to Debt securities in issue SEK 5,856.5 M (4,439.4). Changes to the cash flow from financing activities are largely attributable to subordinated debt received SEK 0.1 M (1,074.6).

## Statement of changes in shareholders' equity – Group

SEK M	Share capital	Other capital contributed	Other reserves		Retained earnings	Profit for the period	Total
			Fair value reserve	Hedge reserve			
<b>Opening balance, January 1, 2013</b>							
<b>Updated opening balance, January 1, 2013</b>	<b>954.9</b>	<b>5,767.5</b>	<b>123.2</b>	<b>-</b>	<b>-107.4</b>	<b>432.7</b>	<b>7,170.9</b>
Profit for the period						106.0	106.0
Other comprehensive income for the period			20.4				20.4
<i>Comprehensive income for the period</i>			20.4			106.0	126.4
Resolution by Annual General Meeting					432.7	-432.7	0.0
Conditional shareholders' contribution received		335.0					335.0
<b>Closing balance, March 31, 2013</b>	<b>954.9</b>	<b>6,102.5</b>	<b>143.6</b>		<b>325.3</b>	<b>106.0</b>	<b>7,632.3</b>
<b>Opening balance, April 1, 2013</b>	<b>954.9</b>	<b>6,102.5</b>	<b>143.6</b>	<b>-</b>	<b>325.3</b>	<b>106.0</b>	<b>7,632.3</b>
Profit for the period						372.8	372.8
Other comprehensive income for the period			-6.7				-6.7
<i>Comprehensive income for the period</i>			-6.7			372.8	366.1
Conditional shareholders' contribution received		290.0					290.0
Group contribution paid							
Tax on group contribution paid							
<b>Closing balance, December 31, 2013</b>	<b>954.9</b>	<b>6,392.5</b>	<b>136.9</b>	<b>-</b>	<b>325.3</b>	<b>478.8</b>	<b>8,288.4</b>
<b>Opening balance, January 1, 2014</b>	<b>954.9</b>	<b>6,392.5</b>	<b>136.9</b>	<b>-</b>	<b>325.3</b>	<b>478.8</b>	<b>8,288.4</b>
Profit for the period						153.4	153.4
Other comprehensive income for the period			-5.7	-28.6			-34.3
<i>Comprehensive income for the period</i>			-5.7	-28.6		153.4	119.1
Resolution by Annual General Meeting					478.8	-478.8	
Conditional shareholders' contribution received							
<b>Closing balance, March 31, 2014</b>	<b>954.9</b>	<b>6,392.5</b>	<b>131.2</b>	<b>-28.6</b>	<b>804.1</b>	<b>153.4</b>	<b>8,407.5</b>



## 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), the Swedish Securities Market Act (2007:528), 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**

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

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

##### *Changed accounting policies caused by more relevant and reliable reporting*

No changes to accounting policies have been made in 2014.

##### *New accounting policies caused by new transactions*

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.

##### *Changed estimates and judgements*

From January 1, 2014, a new method is applied regarding the commitment that the regional insurance companies have regarding loan losses related to business they have originated. This new method will affect the level of the credit reserve continuously in 2014 and is applied prospectively in accordance with IAS 8.

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

SEK M Income statement, Jan - Mar 2013	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	216.2	221.6	146.3	0.3	–	584.4
Dividends received	0.0	–	–	–	–	0.0
Net commission	–56.9	–115.5	15.0	78.1	–	–79.3
Net gain / loss from financial items	6.1	–7.4	0.0	0.0	–	–1.3
Intra-Group income	25.6	–	2.3	0.0	–27.9	0.0
Other income	29.9	0.2	22.9	0.0	–	53.0
<b>Total operating income</b>	<b>220.9</b>	<b>98.9</b>	<b>186.5</b>	<b>78.4</b>	<b>–27.9</b>	<b>556.8</b>
Intra-Group expenses	–2.3	–15.5	–3.4	–6.7	27.9	0.0
Other administration expenses	–142.9	–7.0	–96.4	–52.1	–	–298.3
Depreciation / amortisation and impairment	–43.1	–0.0	–3.1	–0.1	–	–46.3
<b>Total operating expenses</b>	<b>–188.3</b>	<b>–22.5</b>	<b>–102.9</b>	<b>–58.9</b>	<b>27.9</b>	<b>–344.6</b>
<b>Profit before loan losses</b>	<b>32.6</b>	<b>76.4</b>	<b>83.7</b>	<b>19.5</b>	<b>–</b>	<b>212.2</b>
Loan losses, net	–2.5	1.3	–14.3	0.0	–	–15.5
Loss from participations in associated companies	–	–	–	–	–	–
<b>Operating profit / loss</b>	<b>30.1</b>	<b>77.7</b>	<b>69.4</b>	<b>19.5</b>	<b>–</b>	<b>196.7</b>
<b>Balance sheet, March 31, 2014</b>						
<b>Total assets</b>	<b>113,533.4</b>	<b>142,582.1</b>	<b>14,324.4</b>	<b>274.3</b>	<b>–46,724.1</b>	<b>223,990.1</b>
Liabilities	105,788.5	136,840.7	13,059.7	119.4	–40,225.7	215,582.6
Equity	7,744.9	5,741.4	1,264.7	154.9	–6,498.4	8,407.5
<b>Total liabilities and equity</b>	<b>113,533.4</b>	<b>142,582.1</b>	<b>14,324.4</b>	<b>274.3</b>	<b>–46,724.1</b>	<b>223,990.1</b>
<b>Income statement, Jan - Mar 2013</b>						
Net interest income	183.1	221.5	139.4	0.4	–	544.4
Net commission	–68.5	–78.9	10.4	72.6	0.4	–64.0
Net gain / loss from financial items	0.9	–49.3	0.1	0.0	–	–48.3
Intra-Group income	29.1	0.0	1.3	0.0	–30.4	0.0
Other income	28.4	0.2	20.8	0.0	–	49.4
<b>Total operating income</b>	<b>173.0</b>	<b>93.5</b>	<b>172.0</b>	<b>73.0</b>	<b>–30.0</b>	<b>481.5</b>
Intra-Group expenses	–0.9	–16.7	–4.7	–7.7	30.0	0.0
Other administration expenses	–149.3	–5.4	–85.5	–44.7	–	–284.9
Depreciation / amortisation and impairment	–22.3	0.0	–5.3	0.0	–	–27.6
<b>Total operating expenses</b>	<b>–172.5</b>	<b>–22.1</b>	<b>–95.5</b>	<b>–52.4</b>	<b>30.0</b>	<b>–312.5</b>
<b>Profit / loss before loan losses</b>	<b>0.5</b>	<b>71.4</b>	<b>76.5</b>	<b>20.6</b>	<b>–</b>	<b>169.0</b>
Loan losses, net	–24.1	–1.1	–7.9	0.0	–	–33.1
<b>Operating profit / loss</b>	<b>–23.6</b>	<b>70.3</b>	<b>68.6</b>	<b>20.6</b>	<b>–</b>	<b>135.9</b>
<b>Balance sheet, March 31, 2013</b>						
<b>Total assets</b>	<b>105,669.0</b>	<b>130,368.1</b>	<b>13,746.8</b>	<b>168.2</b>	<b>–44,511.6</b>	<b>205,440.5</b>
Liabilities	98,279.5	125,412.9	12,593.6	82.9	–38,560.8	197,808.2
Equity	7,389.5	4,955.2	1,153.2	85.3	–5,950.8	7,632.3
<b>Total liabilities and equity</b>	<b>105,669.0</b>	<b>130,368.1</b>	<b>13,746.8</b>	<b>168.2</b>	<b>–44,511.6</b>	<b>205,440.5</b>

### NOTE 3 INTEREST INCOME

SEK M	Q 1 2014	Q 4 2013	Change	Q 1 2013	Change	Full-year 2013
Loans to credit institutions	10.9	15.3	-29%	8.0	36%	47.5
Loans to the public	1,386.0	1,438.0	-4%	1,427.7	-3%	5,734.1
Interest-bearing securities	225.9	219.6	3%	223.1	1%	878.4
<i>Derivatives</i>						
Hedge accounting	679.7	714.9	-5%	727.9	-7%	2,828.7
Non-hedge accounting	0.0	0.0		0.0		0.0
Other interest income	0.0	0.0		0.0		0.0
<b>Total interest income</b>	<b>2,302.5</b>	<b>2,387.9</b>	<b>-4%</b>	<b>2,386.7</b>	<b>-4%</b>	<b>9,488.7</b>
of which interest income on impaired loans	17.8	7.9	125%	1.0		18.9
Average interest rate on loans to the public during the period, including net leasing, %	3.4	3.7		3.8		3.7

### NOTE 4 INTEREST EXPENSE

SEK M	Q 1 2014	Q 4 2013	Change	Q 1 2013	Change	Full-year 2013
Due to credit institutions	-8.3	-15.3	-46%	-8.9	-7%	-30.8
Deposits and borrowing from the public	-199.8	-222.7	-10%	-239.1	-16%	-924.4
Interest-bearing securities	-752.1	-807.4	-7%	-812.1	-7%	-3,276.0
Subordinated liabilities	-24.0	-27.6	-13%	-16.6	45%	-103.2
<i>Derivatives</i>						
Hedge accounting	-706.0	-711.6	-1%	-738.4	-4%	-2,812.1
Non-hedge accounting	0.5	-0.2		-1.7		-7.0
Other interest expense, including government deposit insurance	-28.4	-24.5	-16%	-25.5	11%	-104.8
<b>Total interest expense</b>	<b>-1,718.1</b>	<b>-1,809.2</b>	<b>-5%</b>	<b>-1,842.3</b>	<b>-7%</b>	<b>-7,258.3</b>
Average interest rate on deposits from the public during the period, %	1.2	1.3		1.5		1.4

### NOTE 5 COMMISSION INCOME

SEK M	Q 1 2014	Q 4 2013	Change	Q 1 2013	Change	Full-year 2013
Payment mediation	22.9	21.6	6%	18.2	26%	94.4
Loans	22.2	22.8	-3%	22.5	-1%	91.2
Deposits	3.2	2.4	33%	3.0	7%	10.1
Financial guarantees	0.2	0.1	100%	0.1	100%	0.5
Securities	225.9	215.2	5%	195.2	16%	815.7
Cards	31.1	34.5	-10%	32.0	-3%	123.5
Other commission	0.5	1.1	-55%	1.0	-50%	4.6
<b>Total commission income</b>	<b>306.0</b>	<b>297.7</b>	<b>3%</b>	<b>272.0</b>	<b>12%</b>	<b>1,140.0</b>

Classification in commission income has been adjusted compared with previous periods. The adjustment also include comparative figures.

### NOTE 6 COMMISSION EXPENSE

SEK M	Q 1 2014	Q 4 2013	Change	Q 1 2013	Change	Full-year 2013
Payment mediation	-23.9	-32.7	-27%	-26.4	-9%	-113.3
Securities	-121.3	-115.3	5%	-99.4	-22%	-432.5
Cards	-12.6	-21.6	-42%	-18.5	-32%	-81.7
Remuneration to regional insurance companies	-225.5	-172.9	30%	-188.3	20%	-755.4
Other commission	-2.0	-4.5	-56%	-3.4	-42%	-10.0
<b>Total commission expense</b>	<b>-385.3</b>	<b>-347.0</b>	<b>11%</b>	<b>-336.0</b>	<b>15%</b>	<b>-1,392.9</b>

Classification in commission expense has been adjusted compared with previous periods. The adjustment also include comparative figures.

**NOTE 7 NET GAINS / LOSSES FROM FINANCIAL ITEMS**

SEK M	Q 1 2014	Q 4 2013	Change	Q 1 2013	Change	Full-year 2013
<b>Change in fair value</b>						
Interest-related instruments	290.4	27.4	960%	-60.4		-382.9
Currency-related instruments	616.6	408.5	51%	-931.2		-118.3
<i>Hedge accounting</i>						
Fair value hedging	-924.7	-483.8	91%	945.8		397.6
Inefficiencies in cash-flow hedging	-	-		-		-
<b>Capital gains / losses</b>						
Interest-related instruments	-1.0	-3.6	-72%	-15.3	-93%	-38.4
Interest compensation	17.4	15.4	13%	12.8	36%	56.3
<b>Total net gains / losses from financial items</b>	<b>-1.3</b>	<b>-36.1</b>	<b>-96%</b>	<b>-48.3</b>	<b>-98%</b>	<b>-85.7</b>

**NOTE 8 LOAN LOSSES AND IMPAIRED LOANS**

Net loan losses, SEK M	March 31, 2014	March 31, 2013
<b>Specific reserve for individually assessed loan receivables</b>		
Write-off confirmed loan losses during the year	-23.8	-27.8
Reversed earlier impairment of loan losses recognised as confirmed losses	22.5	23.6
Impairment of loan losses during the year	-23.9	-98.4
Payment received for prior confirmed loan losses	9.4	39.4
Reversed impairment of loan losses no longer required	3.5	10.8
<b>Net expense for the year for individually assessed loan receivables</b>	<b>-12.3</b>	<b>-52.4</b>
<b>Collective assessed homogenous groups of loan receivables with limited value and similar credit risk</b>		
Provision/reversal of impairment of loan losses	-3.2	19.3
<b>Net expense for the year for collectively loan receivables</b>	<b>-3.2</b>	<b>19.3</b>
Net expense for the year for fulfilment of guarantees	0.0	0.0
<b>Net expense of loan losses for the year</b>	<b>-15.5</b>	<b>-33.1</b>

All information pertains to receivables from the public

**Reserve ratios**

Total impaired loans reserve ratio, %	108.9	137.8
Impaired loans reserve ratio excluding collective impairments, %	81.1	99.9

Impaired loans, Mkr	March 31, 2014				March 31, 2013			
	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net
Corporate sector	134.2	-98.2	-26.6	9.4	121.8	-78.2	-26.0	17.6
Retail sector	254.0	-216.5	-81.5	-44.0	147.0	-190.2	-75.8	-119.0
of which private individuals	171.8	-146.7	-63.2	-38.1	153.0	-123.4	-68.1	-38.1
<b>Total</b>	<b>388.2</b>	<b>-314.7</b>	<b>-108.1</b>	<b>-34.6</b>	<b>268.8</b>	<b>-268.4</b>	<b>-101.8</b>	<b>-101.4</b>

From January 1, 2014, a new method is applied regarding the commitment that the regional insurance companies have regarding loan losses related to business they have originated.

**NOTE 9 LOANS TO THE PUBLIC**

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	March 31, 2014	Dec 31, 2013	March 31, 2013
<b>Loan to the public before reservations</b>			
Public sector	245.2	874.0	288.8
Corporate sector	14,408.9	14,200.2	13,369.9
Retail sector	149,161.1	147,350.1	139,183.2
Other	0.5	0.5	0.0
<b>Total</b>	<b>163,815.6</b>	<b>162,424.8</b>	<b>152,841.9</b>
<b>Reserves</b>	<b>-422.8</b>	<b>-421.6</b>	<b>-370.2</b>
<b>Loans to the public</b>	<b>163,392.9</b>	<b>162,003.2</b>	<b>152,471.7</b>
Remaining term of not more than 3 months	105,627.9	107,149.1	103,100.6
Remaining term of more than 3 months but not more than 1 year	11,038.3	10,874.8	15,872.9
Remaining term of more than 1 year but not more than 5 years	45,709.9	43,042.1	32,697.9
Remaining term of more than 5 years.	1,016.8	937.2	800.3
<b>Total</b>	<b>163,392.9</b>	<b>162,003.2</b>	<b>152,471.7</b>

**Definition**

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

**NOTE 10 DERIVATIVES**

SEK M	March 31, 2014		Dec 31, 2013		March 31, 2013	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives with positive values</b>						
<i>Derivatives in hedge accounting</i>						
Interest-related	95,440.7	1,338.0	74,045.0	952.8	75,395.0	1,213.3
Currency-related	7,486.9	544.3	5,394.2	371.2	8,651.5	456.0
<i>Other derivatives</i>						
Currency-related	110.0	12.3	69.0	13.7	353.0	16.2
<b>Total derivatives with positive values</b>	<b>103,037.6</b>	<b>1,894.6</b>	<b>79,508.2</b>	<b>1,337.7</b>	<b>84,399.5</b>	<b>1,685.5</b>
<b>Derivatives with negative values</b>						
<i>Derivatives in hedge accounting</i>						
Interest-related	100,931.0	1,125.2	107,007.0	1,006.6	92,828.8	1,086.1
Currency-related	40,699.9	1,168.9	33,698.7	1,773.7	29,197.9	2,597.5
<i>Other derivatives</i>						
Currency-related	70.1	1.3	–	–	25.0	17.8
<b>Total derivatives with negative values</b>	<b>141,701.0</b>	<b>2,295.4</b>	<b>140,705.7</b>	<b>2,780.3</b>	<b>122,051.7</b>	<b>3,701.4</b>

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	March 31, 2014	Dec 31, 2013	March 31, 2013
<b>For own liabilities, pledged assets</b>			
Pledged securities in the Riksbank	1,900.0	1,900.0	1,900.0
Pledged securities in Euroclear	1,300.0	1,300.0	1,300.0
Collateral provided for derivatives	10.0	10.0	10.0
Loan receivables, covered bonds	106,071.4	104,506.1	97,512.4
Loan receivables, substitute collateral	20,350.0	16,250.0	17,100.0
Commitments resulting from repurchase transactions	2,030.7	530.5	1,354.6
Other collateral for securities	5.0	5.0	5.0
<b>Total for own liabilities, pledged assets</b>	<b>131,667.1</b>	<b>124,501.6</b>	<b>119,182.0</b>
<b>Other pledged assets</b>	<b>None</b>	<b>None</b>	<b>None</b>
<b>Contingent liabilities</b>			
Guarantees	56.0	56.6	54.5
Conditional shareholders' contribution	4,240.0	4,240.0	3,950
Early retirement at age 62 in accordance with pension agreement	24.6	24.6	32.4
<b>Total contingent liabilities</b>	<b>4,320.6</b>	<b>4,321.2</b>	<b>4,036.9</b>
<b>Other commitments</b>			
Loans approved but not disbursed	8,137.6	5,608.0	6,960.4
Unutilised portion of overdraft facilities	1,878.4	1,984.4	2,001.6
Unutilised portion of credit card facilities	1,097.3	1,196.1	968.8
<b>Total other commitments</b>	<b>11,113.3</b>	<b>8,788.5</b>	<b>9,930.8</b>

**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.

<b>SEK M</b> <b>March 31, 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Treasury bills and other eligible bills	7,936.2			7,936.2
Bonds and other interest-bearing securities	38,467.4			38,467.4
Shares and participations <sup>1)</sup>	38.3		11.0	49.3
Derivatives		1,894.6		1,894.6
<b>Liabilities</b>				
Derivatives		2,295.4		2,295.4
<b>SEK M</b> <b>Dec 31, 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<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		1,337.7		1,337.7
<b>Liabilities</b>				
Derivatives		2,780.3		2,780.3
<b>SEK M</b> <b>March 31, 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Treasury bills and other eligible bills	5,165.6			5,165.6
Bonds and other interest-bearing securities	31,380.6			31,380.6
Shares and participations <sup>1)</sup>			11.0	11.0
Derivatives		1,685.5		1,685.5
<b>Liabilities</b>				
Derivatives		3,701.4		3,701.4

<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 forecasted earnings.



**NOTE 12 FAIR VALUE VALUATION TECHNIQUES, CONTINUED**

SEK M	Shares and participations	SEK M	Shares and participations
<b>Opening balance, January 1, 2014</b>	<b>11.0</b>	<b>Opening balance, January 1, 2013</b>	<b>11.0</b>
Total profit and loss recognised:		Total profit and loss recognised:	–
– recognised in profit / loss for the year	–	– recognised in profit / loss for the year	–
Investment of shares	–	Investment of shares	–
<b>Closing balance, March 31, 2014</b>	<b>11.0</b>	<b>Closing balance, March 31, 2013</b>	<b>11.0</b>
Profit and loss recognised in net profit for the period pertaining to assets included in the closing balance at March 31, 2014		Profit and loss recognised in net profit for the period pertaining to assets included in the closing balance at March 31, 2013	

SEK M	Shares and participations
<b>Opening balance, January 1, 2013</b>	<b>11.0</b>
Total profit and loss recognised:	
– recognised in profit / loss for the year	–
Investment of shares	–
<b>Closing balance, December 31, 2013</b>	<b>11.0</b>

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

SEK M	March 31, 2014		Dec 31, 2013		March 31, 2013	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>Assets</b>						
Cash and balances with central banks	80.5	80.5	108.5	108.5	122.3	122.3
Treasury bills and other eligible bills	7,936.2	7,936.2	4,881.4	4,881.4	5,165.6	5,165.6
Loans to credit institutions	8,042.7	8,042.7	5,957.9	5,957.9	10,371.6	10,371.6
Loans to the public	163,392.9	150,308.3	162,003.2	156,228.0	152,471.7	146,190.5
Bonds and other interest-bearing securities	38,467.4	38,467.4	35,200.6	35,200.6	31,380.6	31,380.6
Shares and participations	49.3	49.3	87.8	87.8	11.0	11.0
Derivatives	1,894.6	1,894.6	1,337.7	1,377.7	1,685.5	1,685.5
Accounts receivable	280.2	280.2	239.1	239.1	282.0	282.0
<b>Total assets</b>	<b>220,143.8</b>	<b>207,059.2</b>	<b>209,856.2</b>	<b>204,041.0</b>	<b>201,490.3</b>	<b>195,209.1</b>
<b>Liabilities</b>						
Due to credit institutions	5,035.8	5,035.8	1,860.6	1,860.6	3,934.6	3,934.6
Deposits and borrowing from the public	69,824.7	73,326.9	69,220.0	70,069.6	63,466.4	63,857.7
Debt securities in issue	129,891.8	136,099.6	123,634.9	128,079.9	118,005.3	126,421.2
Derivatives	2,295.4	2,295.4	2,780.3	2,780.3	3,701.4	3,701.4
Accounts payable	79.9	79.9	50.4	50.4	46.8	46.8
Subordinated liabilities	2,299.8	2,438.2	2,299.7	2,427.4	2,586.7	2,799.4
<b>Total liabilities</b>	<b>209,427.4</b>	<b>219,275.8</b>	<b>199,845.9</b>	<b>205,268.2</b>	<b>191,741.2</b>	<b>200,761.1</b>

There were no transfers between Level 1 and Level 2 during the first quarter of 2014 or during 2013. There were no transfers from Level 3 during the first quarter of 2014 or 2013. 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.

**NOTE 13 CAPITAL-ADEQUACY ANALYSIS**

SEK M	Basel III Mar 31, 2014	Basel II Dec 31, 2013	Basel II Mar 31, 2013
Total equity	8,407.5	8,288.4	7,632.3
Deductions:			
(-) Part of interim profit not eligible	-153.4	-	-106.0
Adjustment for cash flow hedge	28.6	-	-
Adjustment for items at fair value	-132.9	-138.6	-146.2
Intangible assets	-376.6	-397.1	-434.4
Deferred tax assets	-9.2	-9.2	-12.3
IRB shortfall	-498.4	-302.4	-261.1
Investments outside the consolidated situation	-10.7	-	-
<b>Common Equity Tier 1 capital</b>	<b>7,254.8</b>	<b>7,441.1</b>	<b>6,672.3</b>
Subordinated debt, perpetual	-	-	290.0
<b>Tier 1 capital</b>	<b>7,254.8</b>	<b>7,441.1</b>	<b>6,962.3</b>
Tier 2 instruments	2,296.9	2,296.9	2,296.9
IRB excess	32.5	-302.4	-261.1
<b>Own funds</b>	<b>9,584.1</b>	<b>9,435.6</b>	<b>8,998.1</b>
 <b>Risk exposure amount according to Basel III</b>	 <b>51,405.1</b>	 <b>50,465.0</b>	 <b>49,222.7</b>
<b>Transitional floor of capital requirement according to Basel I</b>	<b>93,177.6</b>	<b>88,816.1</b>	<b>85,599.1</b>
<b>Capital requirement</b>			
Capital requirement for creditrisk according to Standardised Approach	634.7	647.2	657.6
Capital requirement for creditrisk according to IRB Approach	3,094.5	3,211.3	3,101.4
Capital requirement for operational risk	209.5	178.8	178.8
Capital requirement according to credit valuation adjustment	173.7	-	-
<b>Capital requirement according to Basel III</b>	<b>4,112.4</b>	<b>4,037.2</b>	<b>3,937.8</b>
Adjustments according to Basel I floor	3,341.8	3,068.1	2,910.1
<b>Total capital requirement</b>	<b>7,454.2</b>	<b>7,105.3</b>	<b>6,847.9</b>
<b>Capital Adequacy</b>			
Tier 1 ratio according to Basel III	14.1%	14.7%	14.1%
Core Tier 1 ratio according to Basel II	14.1%	14.7%	13.6%
Capital adequacy ratio according to Basel III	18.6%	18.7%	18.3%
Capital ratio according to Basel III	2.33	2.34	2.29
Tier 1 ratio according to transition rules	7.8%	8.4%	8.1%
Core Tier 1 ratio according to transition rules	7.8%	8.4%	7.8%
Capital adequacy ratio according to transition rules	10.3%	10.6%	10.5%
Capital ratio according to Basel transition rules	1.29	1.33	1.31
<b>Special disclosures</b>			
<b>IRB Provisions surplus (+)/deficit (-)</b>	<b>-466.0</b>	<b>-604.8</b>	<b>-522.2</b>
- IRB Total provisions (+)	391.6	386.5	333.2
- IRB Anticipated loss (-)	-857.6	-991.3	-855.3

**NOTE 13 CAPITAL-ADEQUACY ANALYSIS, CONTINUED**

SEK M	Basel III Mar 31, 2014	Basel II Dec 31, 2013	Basel II Mar 31, 2013
<b>Credit risk according to Standardised Approach</b>			
Exposures to institutions	108.4	80.4	100.4
Exposures to corporates	136.9	164.8	173.5
Retail exposures	60.7	54.9	47.4
Exposures in default	5.7	0.0	0.0
Covered bonds	290.6	292.7	291.8
Other items	32.4	54.4	44.5
<b>Total capital requirement according to Standardised Approach</b>	<b>634.7</b>	<b>647.2</b>	<b>657.6</b>
<b>Credit risk according to IRB Approach</b>			
<i>Retail exposures</i>			
Exposures secured by real estate collateral	1,675.7	1,684.8	1,562.3
Other retail exposures	757.1	789.5	769.9
<b>Total retail exposures</b>	<b>2,432.8</b>	<b>2,474.4</b>	<b>2,332.2</b>
<i>Exposures to corporates</i>			
Non credit-obligation assets	–	0.9	0.7
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>3,094.5</b>	<b>3,211.3</b>	<b>3,101.4</b>
<b>Operational risks</b>			
Standardised Approach	209.5	178.8	178.8
<b>Total capital requirement for operational risk</b>	<b>209.5</b>	<b>178.8</b>	<b>178.8</b>
<b>Credit valuation adjustment</b>			
Standardised Approach	173.7	–	–
<b>Total capital requirement for credit valuation adjustments</b>	<b>173.7</b>	<b>–</b>	<b>–</b>

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

With CRR (575/2013) coming into force, Länsförsäkringar Bank will be subject to a change of rules regarding the reporting of capital adequacy regarding the consolidation level. Under CRR, the consolidated situation is to also include the parent mixed financial holding company Länsförsäkringar AB, in addition to the Bank Group. According to the new consolidation level, the Core Tier 1 ratio amounted to 11.3% and the capital adequacy ratio to 15.0%. To better refer the actual risk and capital situation of the Bank Group, the bank has applied to the Swedish Financial Supervisory Authority for an exemption under CRD IV. A decision on this application had not yet been received when this interim report was prepared. If an exemption is not granted, it is the owner's intention to contribute capital so that the bank will remain well-capitalised in accordance with the new consolidation method.

**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 1 2014	Q 4 2013	Change	Q 1 2013	Change	Full-year 2013
Interest income	906.5	954.1	–5%	843.4	7%	3,585.1
Interest expense	–690.3	–739.4	–7%	–660.3	5%	–2,789.1
<b>Net interest income</b>	<b>216.2</b>	<b>214.7</b>	<b>1%</b>	<b>183.1</b>	<b>18%</b>	<b>796.0</b>
Dividends received	0.0	0.1		0.0		0.1
Commission income	81.7	77.7	5%	73.0	12%	298.1
Commission expense	–138.6	–123.9	12%	–141.5	–2%	–552.4
Net gain / loss from financial items	6.1	10.2	–40%	0.9	578%	19.4
Other operating income	55.5	60.1	–8%	57.5	–3%	229.3
<b>Total operating income</b>	<b>220.9</b>	<b>238.9</b>	<b>–8%</b>	<b>173.0</b>	<b>28%</b>	<b>790.5</b>
Staff costs	–38.3	–35.9	7%	–35.9	7%	–142.6
Other administration expenses	–106.9	–119.5	–11%	–114.3	–6%	–483.0
<b>Total administration expenses</b>	<b>–145.2</b>	<b>–155.4</b>	<b>–7%</b>	<b>–150.2</b>	<b>–3%</b>	<b>–625.6</b>
Depreciation / amortisation and impairment of property and equipment / intangible assets	–43.1	–19.4	122%	–22.3	93%	–82.7
<b>Total operating expenses</b>	<b>–188.3</b>	<b>–174.9</b>	<b>8%</b>	<b>–172.5</b>	<b>9%</b>	<b>–708.3</b>
<b>Profit / loss before loan losses</b>	<b>32.6</b>	<b>64.1</b>	<b>–49%</b>	<b>0.5</b>		<b>82.2</b>
Loan losses, net	–2.5	–14.8	–83%	–24.1	–90%	–80.1
<b>Operating profit / loss</b>	<b>30.1</b>	<b>49.3</b>	<b>–39%</b>	<b>–23.6</b>		<b>2.1</b>
Allocation fund	–	–11.9		–		–11.9
Tax	–6.6	–1.5	340%	5.2		6.2
<b>Profit / loss for the period</b>	<b>23.5</b>	<b>35.9</b>	<b>–35%</b>	<b>–18.4</b>		<b>–3.6</b>

## Statement of comprehensive income – Parent Company

SEK M	Q 1 2014	Q 4 2013	Change	Q 1 2013	Change	Full-year 2013
<b>Profit / loss for the period</b>	<b>23.5</b>	<b>35.9</b>	<b>–35%</b>	<b>–18.4</b>		<b>–3.6</b>
<b>Other comprehensive income</b>						
<b>Items that may subsequently be reclassified to the income statement</b>						
Cash-flow hedges	–10.1					
Change in fair value from available-for-sale financial assets	9.4	18.5	–49%	17.1	–45%	45.1
Reclassification realised securities	–3.4	–0.7	386%	–3.0	13%	–4.1
Tax attributable to items that are rerouted or can be rerouted as income for the period	0.9	–3.9		–3.1		–9.0
<b>Other comprehensive income for the period, net after tax</b>	<b>–3.2</b>	<b>13.9</b>		<b>11.0</b>		<b>32.0</b>
<b>Total comprehensive income for the period</b>	<b>20.3</b>	<b>49.8</b>	<b>–59%</b>	<b>–7.4</b>		<b>28.4</b>

## Balance sheet – Parent Company

SEK M	March 31, 2014	Dec 31, 2013	March 31, 2013
<b>Assets</b>			
Cash and balances with central banks	80.5	108.5	122.3
Treasury bills and other eligible bills	3,732.4	3,389.5	3,640.2
Loans to credit institutions	43,314.9	44,638.6	44,032.0
Loans to the public	35,599.0	36,007.7	34,751.9
Bonds and other interest-bearing securities	21,764.1	19,824.7	14,854.7
Shares and participations	49.3	87.8	11.0
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	661.0	602.7	601.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	95.6	64.8	64.0
Intangible assets	329.4	347.7	360.9
Property and equipment	3.2	2.6	1.5
Deferred tax assets	6.3	6.3	5.4
Other assets	131.0	386.1	409.7
Prepaid expenses and accrued income	1,266.7	871.2	944.1
<b>Total assets</b>	<b>113,533.4</b>	<b>112,408.2</b>	<b>105,669.0</b>
<b>Liabilities, provisions and equity</b>			
Due to credit institutions	5,714.3	6,099.6	1,844.1
Deposits and borrowing from the public	69,943.3	69,340.6	63,503.3
Debt securities in issue	25,148.9	24,645.5	27,979.3
Derivatives	828.9	653.5	661.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	88.2	46.2	76.4
Deferred tax liabilities	–	–	0.0
Other liabilities	264.2	455.6	375.2
Accrued expenses and deferred income	1,492.1	1,134.2	1,245.2
Provisions	6.2	6.1	8.1
Subordinated liabilities	2,299.8	2,299.7	2,586.7
<b>Total liabilities and provisions</b>	<b>105,785.9</b>	<b>104,681.0</b>	<b>98,279.5</b>
<b>Untaxed reserves</b>	<b>11.9</b>	<b>11.9</b>	
<b>Equity</b>			
Share capital, 9,548,708 shares	954.9	954.9	954.9
Statutory reserve	18.4	18.4	18.4
Other reserves	72.9	76.1	55.1
Retained earnings	6,665.9	6,669.5	6,379.5
Loss for the period	23.5	–3.6	–18.4
<b>Total equity</b>	<b>7,735.6</b>	<b>7,715.3</b>	<b>7,389.5</b>
<b>Total liabilities, provisions and equity</b>	<b>113,533.4</b>	<b>112,408.2</b>	<b>105,669.0</b>
<b>Memorandum items</b>			
For own liabilities, pledged assets	4,518.2	3,721.3	3,215.0
Other pledged assets	Inga	Inga	Inga
Contingent liabilities	4,302.8	4,303.4	4,016.6
Other commitments	17,721.6	11,349.6	5,852.2
<b>Other notes</b>			
Accounting policies	1		
Capital-adequacy analysis	2		
Disclosures on related parties	3		

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

SEK M	Jan-Mar 2014	Jan-Mar 2013
<b>Cash and cash equivalents, January 1</b>	<b>5,154.8</b>	<b>1,920.1</b>
Cash flow from operating activities	1,481.7	2,709.9
Cash flow from investing activities	-417	-15.0
Cash flow from financing activities	0.1	1,432.0
<b>Cash flow for the period</b>	<b>1,064.8</b>	<b>4,126.9</b>
<b>Cash and cash equivalents, March 31</b>	<b>6,219.6</b>	<b>6,047.0</b>

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 3,491.2 M (-1,269.3), Other liabilities SEK -1,205.1 M (-307.3) and to Bonds and other interest-bearing securities SEK -1,820.1 M (-459.2). 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 subordinated debt received SEK 0.1 M (1,074.6).

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

SEK M	Share capital	Other capital contributed	Other reserves		Retained earnings	Profit for the period	Total
			Fair value reserve	Hedge reserve			
<b>Opening balance, January 1, 2013</b>	<b>954.9</b>	<b>18.4</b>	<b>44.1</b>	<b>-</b>	<b>6,081.4</b>	<b>-36.9</b>	<b>7,061.9</b>
Profit for the period						-18.4	-18.4
Other comprehensive income for the period			11.0				11.0
<i>Comprehensive income for the period</i>			<i>11.0</i>			<i>-18.4</i>	<i>-7.4</i>
Resolution by Annual General Meeting					-36.9	36.9	-
Conditional shareholders' contribution received					335.0		335.0
Group contribution paid							
Tax on Group contribution paid							
<b>Closing balance, March 31, 2013</b>	<b>954.9</b>	<b>18.4</b>	<b>55.1</b>	<b>-</b>	<b>6,379.5</b>	<b>-18.4</b>	<b>7,389.5</b>
<b>Opening balance, April 1, 2013</b>	<b>954.9</b>	<b>18.4</b>	<b>55.1</b>	<b>-</b>	<b>6,379.5</b>	<b>-18.4</b>	<b>7,389.5</b>
Profit for the period						14.8	14.8
Other comprehensive income for the period			21.0				21.0
<i>Comprehensive income for the period</i>			<i>21.0</i>			<i>14.8</i>	<i>35.8</i>
Conditional shareholders' contribution received							
Group contribution paid					290.0		290.0
<b>Closing balance, December 31, 2013</b>	<b>954.9</b>	<b>18.4</b>	<b>76.1</b>	<b>-</b>	<b>6,669.5</b>	<b>-3.6</b>	<b>7,715.3</b>
<b>Opening balance, January 1, 2014</b>	<b>954.9</b>	<b>18.4</b>	<b>76.1</b>	<b>-</b>	<b>6,669.5</b>	<b>-3.6</b>	<b>7,715.3</b>
Profit for the period						23.5	23.5
Other comprehensive income for the period			4.7	-7.9			-3.2
<i>Comprehensive income for the period</i>			<i>4.7</i>	<i>-7.9</i>		<i>23.5</i>	<i>20.3</i>
Resolution by Annual General Meeting					-3.6	3.6	
Conditional shareholders' contribution received							
<b>Closing balance, March 31, 2014</b>	<b>954.9</b>	<b>18.4</b>	<b>80.8</b>	<b>-7.9</b>	<b>6,665.9</b>	<b>23.5</b>	<b>7,735.6</b>

## 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) (1995:1559), 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.

#### **Changes that have significantly impacted the financial statements in 2014**

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

Amendments to IFRS applicable from 2014 have not had any significant effect on Länsförsäkringar Bank AB's financial statements in 2014.

##### *Changed accounting policies caused by more relevant and reliable reporting*

No changes to accounting policies have been made in 2014.

##### *New accounting policies caused by new transactions*

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.

##### *Changed estimates and judgements*

From January 1, 2014, a new method is applied regarding the commitment that the regional insurance companies have regarding loan losses related to business they have originated. This new method will affect the level of the credit reserve continuously in 2014 and is applied prospectively in accordance with IAS 8.

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 CAPITAL-ADEQUACY ANALYSIS

SEK M	Basel III Mar 31, 2014	Basel II Dec 31, 2013	Basel II Mar 31, 2013
Total equity	7,735.6	7,715.3	7,389.5
78 % of untaxed reserves	9.3	9.3	–
Deductions:			
(-) Part of interim profit not eligible	–23.5		–
Adjustment for cash flow hedge	7.9		
Adjustment for items at fair value	–80.8	–76.1	–55.1
Intangible assets	–329.5	–347.7	–360.9
Deferred tax assets	–6.3	–6.3	–5.4
IRB shortfall	–184.0	–137.4	–97.8
Investments outside the consolidated situation	–10.7	–	–
<b>Common Equity Tier 1 capital</b>	<b>7,117.9</b>	<b>7,157.1</b>	<b>6,870.2</b>
Subordinated debt, perpetual	–	–	290.0
<b>Tier 1 capital</b>	<b>7,117.9</b>	<b>7,157.1</b>	<b>7,160.2</b>
Tier 2 instruments	2,296.9	2,296.9	2,296.9
IRB excess	10.9	–137.4	–97.8
<b>Own funds</b>	<b>9,425.6</b>	<b>9,316.6</b>	<b>9,359.2</b>
<b>Risk exposure amount according to Basel III</b>	<b>33,351.6</b>	<b>18,577.1</b>	<b>18,458.5</b>
<b>Transitional floor of capital requirement according to Basel I</b>	<b>33,351.6</b>	<b>24,770.0</b>	<b>25,053.0</b>
<b>Capital requirement</b>			
Capital requirement for creditrisk according to Standardised Approach	1,422.1	237.2	222.6
Capital requirement for creditrisk according to IRB Approach	1,080.7	1,167.4	1,172.5
Capital requirement for operational risk	99.2	81.6	81.6
Capital requirement according to credit valuation adjustment	66.1	–	–
<b>Capital requirement according to Basel III</b>	<b>2,668.1</b>	<b>1,486.2</b>	<b>1,476.7</b>
Adjustments according to Basel I floor	–	495.4	527.6
<b>Total capital requirement</b>	<b>2,668.1</b>	<b>1,981.6</b>	<b>2,004.2</b>
<b>Capital Adequacy</b>			
Tier 1 ratio according to Basel III	21.3%	38.5%	38.8%
Core Tier 1 ratio according to Basel II	21.3%	38.5%	37.2%
Capital adequacy ratio according to Basel III	28.3%	50.2%	50.7%
Capital ratio according to Basel III	3.53	6.27	6.34
Tier 1 ratio according to transition rules	21.3%	28.9%	28.6%
Core Tier 1 ratio according to transition rules	21.3%	28.9%	27.4%
Capital adequacy ratio according to transition rules	28.3%	37.6%	37.4%
Capital ratio according to Basel transition rules	3.53	4.70	4.67
<b>Special disclosures</b>			
<b>IRB Provisions surplus (+)/deficit (–)</b>	<b>–173.1</b>	<b>–274.7</b>	<b>–195.7</b>
– IRB Total provisions (+)	179.5	186.8	149.9
– IRB Anticipated loss (–)	–352.6	–461.5	–345.6

**NOTE 2 CAPITAL-ADEQUACY ANALYSIS, CONTINUED**

SEK M	Basel III Mar 31, 2014	Basel II Dec 31, 2013	Basel II Mar 31, 2013
<b>Credit risk according to Standardised Approach</b>			
Exposures to institutions	669.7	29.2	26.7
Exposures to corporates	–	–	4.4
Retail exposures	–	–	1.2
Covered bonds	152.3	166.3	155.4
Equity	581.5	–	–
Other items	18.7	41.7	34.8
<b>Total capital requirement according to Standardised Approach</b>	<b>1,422.2</b>	<b>237.2</b>	<b>222.6</b>
<b>Credit risk according to IRB Approach</b>			
<i>Retail exposures</i>			
Exposures secured by real estate collateral	387.4	413.0	393.0
Other retail exposures	284.8	287.6	278.5
<b>Total retail exposures</b>	<b>672.2</b>	<b>700.6</b>	<b>671.4</b>
<i>Exposures to corporates</i>			
Non credit-obligation assets	–	0.2	0.1
<b>Total capital requirement for credit risk according to IRB Approach</b>	<b>1,080.8</b>	<b>1,167.4</b>	<b>1,172.5</b>
<b>Operational risks</b>			
Standardised Approach	99.2	81.6	81.6
<b>Total capital requirement for operational risk</b>	<b>99.2</b>	<b>81.6</b>	<b>81.6</b>
<b>Credit valuation adjustment</b>			
Standardised Approach	66.1	–	–
<b>Total capital requirement for credit valuation adjustments</b>	<b>66.1</b>	<b>–</b>	<b>–</b>

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

**NOTE 3 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 has not been reviewed by the company's auditors.

Stockholm, April 29, 2014

*Rikard Josefson*  
*President*

## Appendix

### BORROWING PROGRAMMES

Programmes	Limit, Nominal	Issued, Jan-Mar, 2014 Nominal, SEK billion	Issued, Jan-Mar, 2013 Nominal, SEK billion	Outstanding, Mar 31, 2014 Nominal, SEK billion	Outstanding, Mar 31, 2013 Nominal, SEK billion	Remaining average term, Mar 31, 2014 Years	Remaining average term, Mar 31, 2013 Years
<b>Länsförsäkringar Bank</b>							
Medium Term Note	SEK 30 billion	3.0	4.4	20.3	21.6	1.5	1.4
Domestic Commercial Paper	SEK 15 billion	1.1	0.7	1.3	3.0	0.3	0.3
Euro Commercial Paper	EUR 1.5 billion	0.5	2.4	0.5	2.7	0.2	0.2
Euro Medium Term Note	EUR 2 billion	0.2	0.6	2.9	0.6	3.1	2.8
<b>Total</b>		<b>4.8</b>	<b>8.1</b>	<b>25.0</b>	<b>27.9</b>	<b>1.6</b>	<b>1.2</b>
<b>Länsförsäkringar Hypotek</b>							
Swedish Covered Benchmark	Unlimited	4.2	1.5	65.5	58.8	3.1	2.8
Medium Term Covered Note	SEK 30 billion	0.2	0	3.9	6.3	1.9	1.7
Euro Medium Term Covered Note	EUR 5 billion	5.1	2.2	35.2	26.0	3.1	2.8
<b>Total</b>		<b>9.5</b>	<b>3.7</b>	<b>104.6</b>	<b>91.1</b>	<b>3.1</b>	<b>2.7</b>
<b>Total Group</b>		<b>14.3</b>	<b>11.8</b>	<b>129.6</b>	<b>119.0</b>	<b>2.8</b>	<b>2.4</b>

### Maturity profile, March 31, 2014

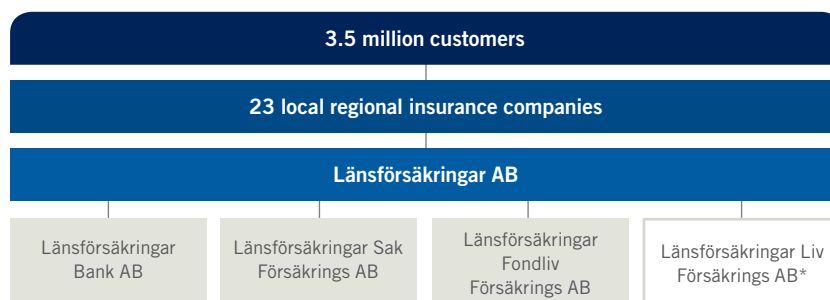
Years, Nominal, SEK billion	2014	2015	2016	2017	2018	2019	>=2020	Total
Covered bonds	15.1	17.6	19.7	15.1	12.2	8.2	16.6	104.6
Senior unsecured funding	4.7	10.7	3.5	2.3	1.1	0.3	0.7	23.2
Commercial papers	1.7	0.1						1.8
<b>Total</b>	<b>21.5</b>	<b>28.4</b>	<b>23.2</b>	<b>17.4</b>	<b>13.3</b>	<b>8.5</b>	<b>17.3</b>	<b>129.6</b>

## Financial calendar

Interim report April-June.....**July 18, 2014**

Interim report July-September ..... **October 23, 2014**

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 April 29, 2014 at 11:00 a.m. Swedish time.



\* The company is operated in accordance with mutual principles and is not consolidated in Länsförsäkringar AB.

The Länsförsäkringar Alliance comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. The Länsförsäkringar Alliance is based on a strong belief in local presence and customer contacts are made at the regional insurance companies. The regional insurance companies offer a wide range of insurance, banking services and other financial solutions for private individuals, corporate customers and agricultural customers. The number of customers amounts to nearly 3.5 million and the Länsförsäkringar Alliance has a joint total of approximately 5,800 employees.

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