

Länsförsäkringar Bank

Interim report January-September 2014

THE PERIOD IN BRIEF, GROUP

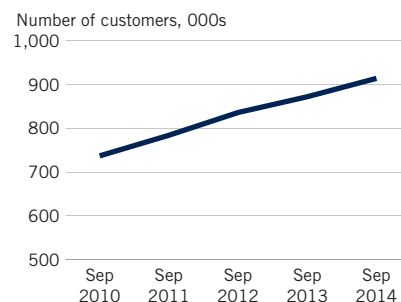
- Operating profit rose 44% to SEK 679 M (472) and the return on equity strengthened to 8.2% (6.6).
- Net interest income increased 14% to SEK 1,882 M (1,652).
- Operating income increased 14% to SEK 1,774 M (1,556).
- Operating expenses excluding impairment increased 3% to SEK 1,019 M (990).
- Loan losses amounted to SEK -22 M (95), net, corresponding to loan losses of -0.02% (0.08).
- Business volumes rose 12% to SEK 343 billion (305).
- Deposits increased 10% to SEK 74 billion (67).
- Lending increased 8% to SEK 172 billion (160).
- The Bank Group's Core Tier 1 ratio amounted to 15.9% on September 30, 2014.
- The number of customers increased 5% to 914,000, the number of bank cards rose 10% to 416,000 and the number of deposit accounts increased 8%.
- According to the Swedish Quality Index's 2014 customer satisfaction survey, Länsförsäkringar once again has Sweden's most satisfied retail bank customers.

Figures in parentheses pertain to the comparative period in 2013.

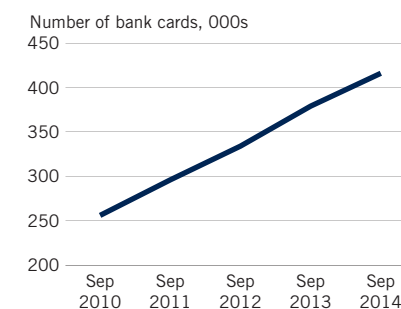
RIKARD JOSEFSON, PRESIDENT OF LÄNSFÖRSÄKRINGAR BANK:

“Retail customers have once again named Länsförsäkringar Bank the bank that they are most satisfied with, showing that our business, which is based on closeness and security, is appreciated by our customers. We are strengthening our position in the bank market with an increased number of customers, and we remain at the forefront of digital services with a focus on service and user-friendliness. Business volumes are increasing, net interest income is being strengthened and we can report strong earnings for the first nine months of the year. It is gratifying that earnings performed well and are in line with our expectations.

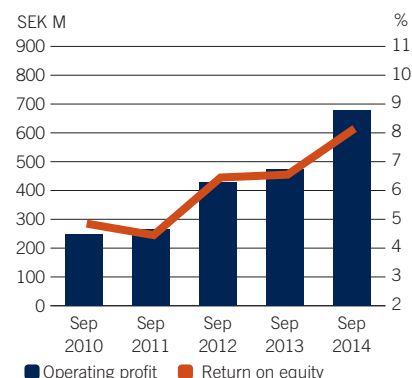
CUSTOMER TREND



BANK CARD TREND



OPERATING PROFIT AND RETURN ON EQUITY



KEY FIGURES

Group	Q 3 2014	Q 2 2014	Q 3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Return on equity, %	8.6	8.5	7.1	8.2	6.6	6.7
Return on total capital, %	0.45	0.41	0.33	0.41	0.30	0.31
Investment margin, %	1.20	1.10	1.05	1.12	1.06	1.06
Cost/income ratio before loan losses*	0.54	0.60	0.62	0.57	0.64	0.63
Cost/income ratio after loan losses*	0.55	0.54	0.68	0.56	0.70	0.69
Cost/income ratio before loan losses	0.58	0.69	0.62	0.63	0.64	0.63
Cost/income ratio after loan losses	0.58	0.62	0.68	0.62	0.70	0.69
Core Tier 1 ratio, %**	15.9	16.0	13.7	15.9	13.7	14.4
Tier 1 ratio, %**	15.9	16.0	14.3	15.9	14.3	14.4
Capital adequacy ratio, %**	20.3	20.5	18.2	20.3	18.2	19.1
Percentage of impaired loans, gross, %	0.18	0.20	0.19	0.18	0.19	0.23
Reserve ratio in relation to loans, %	0.19	0.21	0.25	0.19	0.25	0.25
Loan losses, %	0.00	-0.09	0.08	-0.02	0.08	0.08

* Excluding impairmenttg

** Pertains to the Bank Group

cured bank funding continued to fall. The interest-rate difference between Swedish covered bonds and the government bond curve continued to shrink during the period. Housing prices in Sweden increased 4% during the third 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 3%, while prices of tenant-owned apartments increased 6%.

JANUARY-SEPTEMBER 2014 COMPARED WITH JANUARY-SEPTEMBER 2013

Increased business volumes

Business volumes rose 12%, or SEK 37 billion, to SEK 343 billion (305). Lending rose 8%, or SEK 12 billion, to SEK 172 billion (160). Retail mortgages in Länsförsäkringar Hypotek increased 10%, or SEK 10 billion, to SEK 120 billion (110). Deposits rose 10%, or SEK 7 billion, to SEK 74 billion (67). The volume of managed funds increased 24%, or SEK 19 billion, to SEK 97 billion (78). The increase was primarily due to the favourable performance of global stock markets and also positive net inflows.

High inflow of customers and growing digital channels

The number of customers rose 5% to 914,000 (872,000). The number of customers with Länsförsäkringar as their primary bank increased 9% to 341,000 (314,000) and the number of products per customer amounted to 4.9 (4.8). Some 93% of those customers who have the bank as their primary bank are also existing Länsförsäkringar insurance customers. The number of bank cards rose 10% to 416,000 (379,000).

Länsförsäkringar had 5.3 million mobile logins via its mobile app in September 2014, up 40% compared with September 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.

INCOME STATEMENT, QUARTERLY

Group, SEK M	Q 3 2014	Q 2 2014	Q 1 2014	Q 4 2013	Q 3 2013
Net interest income	673.4	623.7	584.4	578.7	556.5
Net commission	-121.4	-106.9	-79.3	-49.3	-63.2
Net gains/losses from financial items	3.8	43.3	-1.3	-36.1	-6.3
Other operating income	49.6	51.0	53.0	54.1	54.2
Total operating income	605.5	611.1	556.8	547.4	541.2
Staff costs	-104.8	-123.3	-108.5	-105.9	-100.3
Other expenses	-203.8	-295.6	-236.1	-234.8	-234.9
Total operating expenses	-352.6	-418.9	-344.6	-340.7	-335.2
Profit before loan losses	252.9	192.2	212.2	206.7	206.0
Loan losses, net	-1.6	38.7	-15.5	-31.6	-31.8
Profit from participations in associated companies	-	-	-	0.2	-0.1
Operating profit	251.3	231.1	196.7	175.3	174.1

Market development

During the quarter, the performance of the financial markets continued to be characterised by the actions of central banks, as the same time as the US economy continued to outperform the economy in Europe.

Economic data from the US continued to improve during the third quarter. The labour market strengthened, unemployment fell and the Federal Reserve continued to reduce its bond purchases and will completely end this programme in October. Despite the strengthening of the US economy in the third quarter, long-term interest rates remained low. A general downgrade of the outlook for global growth and global inflation, increased geo-political concerns in Ukraine, for example, and increased expectations of further measures from the ECB put downward pressure on interest rates.

It became clear in the third quarter that economic recovery in the eurozone had

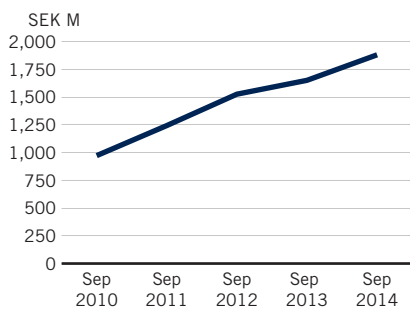
slowed. Persistently low and falling inflation combined with low inflation expectations in Europe led to the ECB cutting interest rates again at its meeting in September and announcing more specific plans regarding its future purchases in the credit market. The market is harbouring doubts about whether the ECB will succeed in expanding its balance sheet to the extent that it would like. This is further adding to speculations that the ECB will be forced to follow in the footsteps of the Federal Reserve and launch a government bond-buying stimulus programme, which has in turn pressed interest rates down. Economic data from Sweden were mixed. In July, the Riksbank decided to reduce interest rates by 0.5 percentage points to 0.25% and it also significantly lowered its forecasted repo rate path. These measures affected the entire Swedish yield curve, with falling rates across the board.

In the credit market, the spreads for both Swedish covered bonds and senior unse-

Earnings and profitability

Profit before loan losses increased 16% to SEK 657 M (566) and operating profit rose 44% to SEK 679 M (472) due to higher net interest income, increased commission income, improved net gains from financial items and lower loan losses. Return on equity strengthened to 8.2% (6.6).

NET INTEREST INCOME



Income

Operating income rose 14% to SEK 1,774 M (1,556), due to higher net interest income, improved net gains from financial items and increased commission income. Net interest income increased 14% to SEK 1,882 M (1,652), mainly attributable to higher volumes and improved margins. The investment margin strengthened to 1.12% (1.06).

Net gains from financial items improved to SEK 46 M (–50), primarily as a result of negative effects of changes in fair value being recognised in the preceding year, combined with the repurchase of own bonds. Commission income increased 15% to SEK 967 M (842) due to higher income in the card and fund business. Net commission amounted to an expense of SEK –308 M (–204), attributable to increased volumes and thus higher remuneration to the regional insurance companies and increased administrative costs in the securities business.

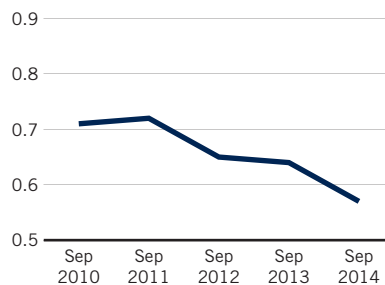
Expenses

Operating expenses excluding impairment increased 3% to SEK 1,019 M (990). Operating expenses including impairment rose 13% to SEK 1,116 M (990), primarily due to impairment of SEK 98 M resulting from changed calculation conditions for certain intangible assets. The increase was also related to the fund company's higher administrative costs related to increased volumes.

The cost/income ratio excluding impairment amounted to 0.57 (0.64) before loan losses and to 0.56 (0.70) after loan losses.

The cost/income ratio was 0.63 (0.64) before loan losses and 0.62 (0.70) after loan losses.

COST/INCOME RATIO BEFORE LOAN LOSSES

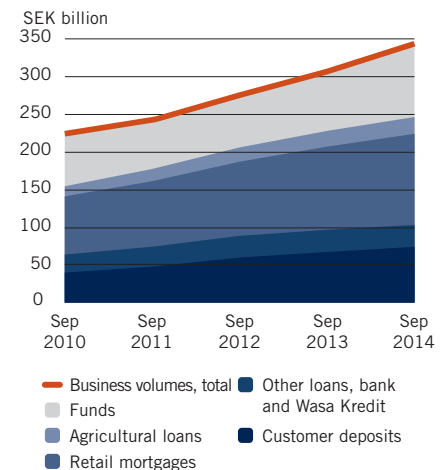


Loan losses

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 the 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 off-setting this against a buffer of 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 67 M was reversed during the period.

Loan losses amounted to SEK –22 M (95), net, corresponding to loan losses of –0.02% (0.08). Loan losses before reversal remained low and amounted to SEK 67 M (63), net. Reserves totalled SEK 347 M (416), corresponding to a reserve ratio in relation to loans of 0.19% (0.25). Impaired loans, gross, amounted to SEK 317 M (309), corresponding to a percentage of impaired loans, gross, of 0.18% (0.19). 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 10% to SEK 74 billion (67), up 6% from year-end 2013. Deposits from small businesses grew to SEK 9.6 billion (8.2). The total number of deposit accounts increased 8%. On August 31, 2014, the market share strengthened to 4.6% (4.5) according to Statistics Sweden.

Fund volumes increased 24% to SEK 97 billion (78). 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 8% to SEK 172 billion (160), up 6% from year-end 2013. Retail mortgages in Länsförsäkringar Hypotek increased 9% to SEK 120 billion (110). On August 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%. On August 31, 2014, the market share of household lending was unchanged at 5%, according to data from Statistics Sweden.

Agricultural lending increased 7% to SEK 22.2 billion (20.8). First-lien mortgages for agricultural properties, which accounted for the entire increase in agricultural loans, increased to SEK 19.7 billion (18.0), corresponding to 88% (87). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural

operations, and the average commitment was low at SEK 1.9 M on September 30, 2014. The rate of increase in agricultural loans is continuing to decline. Loans to small businesses remained unchanged at SEK 1.7 billion on September 30, 2014.

LOAN PORTFOLIO

Lending segment, %	Jun 30, 2014	Sep 30, 2013
Retail mortgages	71	71
Agriculture	13	13
Multi-family housing	3.5	3
Industrial and office properties	0.5	0.4
Total	88	88
Leasing	4	4
Hire purchase	3	4
Total	95	96
Unsecured loans	4	3
Other	1	1
Total	100	100

Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue rose 3% to SEK 122 billion (119), of which senior funding accounted for SEK 27 billion (24) and covered bonds for SEK 95 billion (95). A ten-year CHF transaction was issued during the third quarter. The average remaining term was 3.0 years (2.7) on September 30, 2014. For more information, see Appendix.

Covered bonds were issued during the period at a volume corresponding to a nominal SEK 18.5 billion (17.8), with repurchased covered bonds amounting to a nominal SEK 4.6 billion (5.9) and matured covered bonds to a nominal SEK 16.6 billion (8.1) for the period. Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 7.6 billion (10.5) during the period.

Liquidity

On September 30, 2014, the liquidity reserve totalled SEK 41.6 billion (41.0), 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. The liquidity reserve consists of 74% Swedish covered bonds, 10% other Swedish bonds with a credit rating of AAA/Aaa, 9% Swedish government bonds, 3% AAA/Aaa-rated

bonds issued or guaranteed by European governments and multinational development bank, 3% other Nordic AAA/Aaa-rated covered 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 181% on September 30, 2014 and was an average of 211% (250) during the third quarter of 2014. The LCR in EUR amounted to 483,315% (782) on September 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 Group¹

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 September 30, 2014 amounted to SEK 52,625 M (51,336), corresponding to an increase of SEK 1,289 M during the third quarter. The increase in exposures under the IRB Approach was related to the continued growth in lending. REA for smaller companies rose SEK 346 and lending to households in the form of mortgages in the mortgage institution increased SEK 370 M

during the period. Under the Standardised Approach, REA related to covered bonds increased SEK 367 M during the third quarter. REA for CVA (Credit Value Adjustment) amounted to SEK 2,241 M. The increase from June 30, 2014 was SEK 267 M.

Core Tier 1 capital amounted to SEK 8,382 M (8,194), up SEK 188 M during the third quarter primarily due to generated profit. Tier 1 capital amounted to SEK 8,382 (8,194). The Core Tier 1 ratio amounted to 15.9% (16.0). The capital base was SEK 10,687 M (10,525) and the capital adequacy ratio amounted to 20.3% (20.5). A deduction of SEK 45 M was made during the third quarter due to regulatory requirements regarding prudent valuation of items in the category of fair value. The deduction is to be made from Core Tier 1 capital.

According to the Swedish Financial Supervisory Authority's regulations on prudential requirements and capital buffers decided on June 26, 2014, the capital conservation buffer is to amount to 2.5% of the company's total risk-weighted exposure amount and be covered by Core Tier 1 capital. This corresponds to SEK 1,316 M in the Bank Group.

In Pillar II, the risk weight floor for mortgages was raised from the current level of 15% to 25% in September 2014. To attain this risk weight floor, the capital requirement was increased by SEK 1,394 M.

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

Capital adequacy, consolidated situation¹

With the CRR (575/2013) coming into effect, the consolidated situation also includes the parent mixed financial holding company Länsförsäkringar AB, in addition to the Bank Group. Since the bank maintains the opinion that the actual risk and capital situation is best presented in the Bank Group's capital ratios, the actual risk and capital situation are published in parallel with the capital ratios according to the new consolidated situation. In addition, the bank intends, as previously indicated, to submit a new application to the Financial Supervisory Authority for an exemption from the provision under the Swedish Special Supervision of Credit Institutions and Investment Firms Act.

* Comparative figures refer to June 30, 2014.

The owners expressed their intention in the interim report dated March 31, 2014 to contribute capital so that the bank will remain well-capitalised according to the new consolidated situation.

REA in the consolidated situation on September 30, 2014 amounted to SEK 59,729 M (58,571), up SEK 1,158 M. The increase in exposures under the IRB Approach was related to the continued growth in lending. REA for smaller companies rose SEK 346 and lending to households in the form of mortgages in the mortgage institution increased SEK 370 M during the period. Under the Standardised Approach, exposures to covered bonds increased SEK 367 M during the third quarter.

The Core Tier 1 ratio and Tier 1 ratio amounted to 13.6% (13.5) on September 30, 2014. Core Tier 1 capital and Tier 1 capital amounted to SEK 8,128 (7,936). The capital base was SEK 10,274 M (10,107) and the capital adequacy ratio amounted to 17.2% (17.3). Core Tier 1 capital increased SEK 192 M during the third quarter due to generated profit.

The Capital Requirements Regulation requires that institutions are to apply a prudent valuation to balance-sheet items measured at fair value in the balance sheet. Länsförsäkringar calculates this requirement by applying the simple risk-weight approach, which for the third quarter resulted in a negative effect of SEK 46 M on Core Tier 1 capital.

According to the Swedish Financial Supervisory Authority's regulations on prudential requirements and capital buffers decided on June 26, 2014, the capital conservation buffer is to amount to 2.5% of the company's total risk-weighted exposure amount and be covered by Core Tier 1 capital. This corresponds to SEK 1,493 M in the consolidated situation.

In Pillar II, the risk weight floor for mortgages was raised from the current level of 15% to 25% in September 2014. To attain this risk weight floor, the capital requirement was increased by SEK 1,394 M.

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

Interest-rate risk

On September 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 22 M (29).

Risks and uncertainties

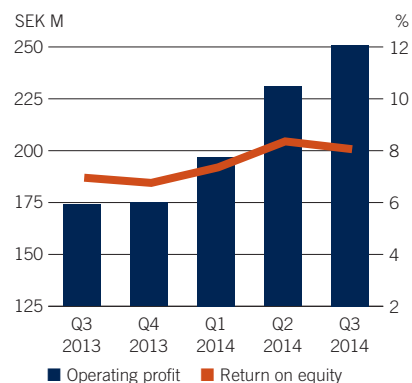
The operations are characterised by a low risk profile. The Group and the Parent Company are exposed to a number of risks, primarily comprising credit risks, refinancing risks and market risks. The macroeconomic situation in Sweden is critical for credit risk since all loans are granted in Sweden. Market 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.

THIRD QUARTER OF 2014 COMPARED WITH SECOND QUARTER OF 2014

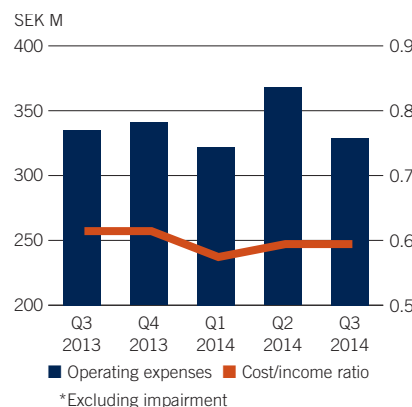
Operating profit increased 9% to SEK 251 M (231). Return on equity strengthened to 8.6% (8.5). Operating income declined 1% to SEK 606 M (611). Net interest income increased 8% to SEK 673 M (624) attributable to improved margins and also higher volumes. The investment margin amounted to 1.12% (1.10). Commission income increased 4% to SEK 338 M (324) due to higher income in the card and fund business. Net commission amounted to an expense of SEK -121 M (-107). Net gains from financial items amounted to SEK 4 M (43) due to repurchases of own bonds. Operating expenses declined 16% to SEK 353 M (419), primarily due to impairment of SEK 28 M resulting from changed calculation conditions for certain intangible assets. Operating expenses excluding impairment fell 11% to SEK 329 M (369). The cost/income ratio excluding impairment amounted to 0.54 (0.60) before loan

losses and to 0.55 (0.54) after loan losses. The cost/income ratio before loan losses amounted to 0.58 (0.69). Loan losses amounted to SEK 2 M (-39), net.

OPERATING PROFIT AND RETURN ON EQUITY



OPERATING EXPENSES AND COST/INCOME RATIO*



Events after the end of the period

On October 17, the bank submitted an application to the Swedish Financial Supervisory Authority for an exemption, under Chapter 4, Section 10 of the Swedish Special Supervision of Credit Institutions and Investment Firms Act, from the requirement that the consolidated situation also include the parent mixed financial holding company Länsförsäkringar AB.

January-September 2014 compared with January-September 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 37 billion (36). Deposits from the public rose 10%, or SEK 7 billion, to SEK 74 billion (67). Debt securities in issue increased 10%, or SEK 2 billion, to SEK 27 billion (25). Operating profit rose to SEK 115 M (-47), attributable to an increased operating income and lower loan losses. Operating income increased 25% to SEK 689 M (552), largely a result of increased net interest income. Net interest income rose 20% to SEK 698 M (581). Commission income increased 8% to SEK 238 M (220) due to higher income in the card and securities business. Commission expense amounted to SEK 439 M (428). Operating expenses rose 17% to SEK 624 M (534), primarily due to impairment of SEK 98 M resulting from changed calculation conditions for certain intangible assets. Operating expenses excluding impairment declined 1% to SEK 526 M (534).

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 the 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 off-setting this against a buffer of accrued commission. 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 57 M was reversed during the period. Loan losses amounted to SEK 50 M (-65), net. Loan losses before reversal remained low and amounted to SEK -7 M (-), net.

LÄNSFÖRSÄKRINGAR HYPOTEK

January-September 2014 compared with January-September 2013

Retail mortgages in the bank's mortgage institution increased 10%, or SEK 10 billion, to SEK 120 billion (110). 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 14% to SEK 283 M (248) attributable to higher net interest income and improved net gains from financial items. Net interest income rose 13% to SEK 720 M (636).

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 the 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 off-setting this against a buffer of accrued commission. 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 10 M was reversed during the period. Loan losses amounted to SEK 11 M (-3.7), net, corresponding to a loan loss of -0.01% (0.00). The number of retail mortgage customers rose 5% to 196,000 (186,000).

SEK M	Sep 30, 2014	Sep 30, 2013
Total assets	141,483	132,003
Lending volume	120,445	109,824
Net interest income	720	636
Operating profit	283	248

WASA KREDIT

January-September 2014 compared with January-September 2013

Lending volumes increased 5% to SEK 14.5 billion (13.7). Operating profit rose 10% to SEK 223 M (203). Net interest income increased 7% to SEK 463 M (433), due to higher lending volumes. Operating expenses declined 1% to SEK 310 M (314) and loan losses amounted to SEK 39 M (26), net.

SEK M	Sep 30, 2014	Sep 30, 2013
Total assets	14,927	14,197
Lending volume	14,452	13,740
Net interest income	463	433
Operating profit	223	203

LÄNSFÖRSÄKRINGAR FOND FÖRVALTNING

January-June 2014 compared with January-June 2013

The volume of managed funds increased 24%, or SEK 19 billion, to SEK 97 billion (78), due to the favourable performance of global stock markets in 2013 and most of 2014, as well as positive net inflows. The company manages 34 (31) mutual funds with various investment orientations. The Emerging Market Index fund was launched during the period. The fund is offered for direct fund savings, IPS, ISK, unit-linked insurance and through the PPM system. Operating profit amounted to SEK 58 M (67).

SEK M	Sep 30, 2014	Sep 30, 2013
Total assets	329	222
Assets under management	96,915	78,478
Net flow	5,082	1,897
Net commission	249	226
Operating profit	58	67

INCOME STATEMENT – GROUP

SEK M	Note	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Interest income	3	2,073.1	2,151.1	-4%	2,409.1	-14%	6,526.8	7,100.9	-8%	9,488.7
Interest expense	4	-1,399.7	-1,527.3	-8%	-1,852.6	-24%	-4,645.1	-5,449.0	-15%	-7,258.3
Net interest income		673.4	623.7	8%	556.5	21%	1,881.7	1,651.9	14%	2,230.4
Dividends received		0.1	-		0.0		0.1	0.0		0.1
Commission income	5	337.9	323.5	4%	287.7	17%	967.4	842.3	15%	1,140.0
Commission expense	6	-459.3	-430.4	7%	-350.9	31%	-1,275.0	-1,045.9	22%	-1,392.9
Net gains / losses from financial items	7	3.8	43.3	-91%	-6.3		45.8	-49.6		-85.7
Other operating income		49.6	51.0	-3%	54.2	-8%	153.6	157.7	-3%	211.8
Total operating income		605.5	611.1	-1%	541.2	12%	1,773.6	1,556.4	14%	2,103.7
Staff costs		-104.8	-123.3	-15%	-100.3	4%	-336.6	-320.7	5%	-426.6
Other administration expenses		-203.8	-223.3	-9%	-210.0	-3%	-616.9	-590.2	5%	-789.8
Total administration expenses		-308.6	-346.6	-11%	-310.3	-1%	-953.5	-910.9	5%	-1,216.4
Depreciation / amortisation and impairment of property and equipment / intangible assets		-44.0	-72.3	-39%	-24.9	77%	-162.6	-79.1	106%	-114.2
Total operating expenses		-352.6	-418.9	-16%	-335.2	5%	-1,116.1	-990.0	13%	-1,330.6
Profit before loan losses		252.9	192.2	32%	206.0	23%	657.5	566.4	16%	773.1
Loan losses, net	8	-1.6	38.7		-31.8	-95%	21.6	-94.8		-126.4
Loss from participations in associated companies		-	0.1		-0.1		0.1	-0.1		0.1
Operating profit		251.3	231.1	9%	174.1	44%	679.2	471.5	44%	646.8
Tax		-55.3	-50.8	9%	-45.7	21%	-149.4	-111.0	35%	-168.0
Profit for the period		196.0	180.3	9%	128.4	53%	529.8	360.5	47%	478.8

STATEMENT OF COMPREHENSIVE INCOME – GROUP

SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Profit for the period	196.0	180.3	9%	128.4	53%	529.8	360.5	47%	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	31.2	19.1	63%	-		13.7	-		-
Change in fair value from available-for-sale financial assets	65.0	16.1	304%	58.7	11%	77.2	31.0	149%	33.5
Reclassification realised securities	-8.2	-4.8	71%	-16.2	-49%	-16.4	-16.4		-17.1
Tax attributable to items that are rerouted or can be rerouted as income for the period	-19.3	-6.7	188%	-9.3	108%	-16.4	-3.2	413%	-3.6
Other comprehensive income for the period, net after tax	68.7	23.7	190%	33.2	107%	58.1	11.4	410%	13.7
Total comprehensive income for the period	264.7	204.0	30%	161.6	64%	587.9	371.9	58%	492.5

BALANCE SHEET – GROUP

SEK M	Note	Sep 30, 2014	Dec 31, 2013	Sep 30, 2013
Assets				
Cash and balances with central banks		27.4	108.5	99.3
Treasury bills and other eligible bills		4,883.4	4,881.4	6,262.8
Loans to credit institutions		6,536.1	5,957.9	5,183.9
Loans to the public	9	172,112.7	162,003.2	159,948.0
Bonds and other interest-bearing securities		33,621.5	35,200.6	33,182.7
Shares and participations		11.0	87.8	201.3
Shares and participations in associated companies		1.2	1.1	1.0
Derivatives	10	3,816.6	1,337.7	1,250.1
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,019.7	550.8	296.4
Intangible assets		315.8	397.1	408.8
Property and equipment		10.6	11.6	9.0
Deferred tax assets		9.2	9.2	12.3
Other assets		441.9	571.1	680.8
Prepaid expenses and accrued income		1,681.5	2,601.5	1,805.6
Total assets		224,488.6	213,719.5	209,342.0
Liabilities and equity				
Due to credit institutions		5,974.2	1,860.6	4,813.2
Deposits and borrowing from the public		73,564.7	69,220.0	66,878.5
Debt securities in issue		123,142.5	123,634.9	119,415.6
Derivatives	10	2,483.0	2,780.3	3,022.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		3,088.6	645.9	359.7
Deferred tax liabilities		143.7	143.7	82.8
Other liabilities		843.9	739.9	812.8
Accrued expenses and deferred income		3,505.3	4,090.2	3,470.4
Provisions		16.6	15.9	18.5
Subordinated liabilities		2,299.8	2,299.7	2,589.8
Total liabilities		215,062.3	205,431.1	201,464.2
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		195.0	136.9	134.6
Retained earnings		804.1	325.3	325.3
Profit for the period		529.8	478.8	360.5
Total equity		9,426.3	8,288.4	7,877.8
Total liabilities and equity		224,488.6	213,719.5	209,342.0
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CASH-FLOW STATEMENT IN SUMMARY, INDIRECT METHOD – GROUP

SEK M	Jan-Sep 2014	Jan-Sep 2013
Cash and cash equivalents, January 1	5,162.1	1,981.3
Cash flow from operating activities	–664.9	412.1
Cash flow from investing activities	–3.5	–232.4
Cash flow from financing activities	550.1	1,015.3
Cash flow for the period	–118.3	1,195.0
Cash and cash equivalents, September 30	5,043.8	3,176.3

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 –10,112.4 M (–10,009.7), Due to credit institutions SEK 5,112.4 M (3,397.4) and to Deposits and borrowing from the public SEK 4,344.7 M (4,482.2). 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	954.9	5,767.5	123.2	–	–107.4	432.7	7,170.9
Profit for the period						360.5	360.5
Other comprehensive income for the period			11.4				11.4
<i>Comprehensive income for the period</i>			<i>11.4</i>			<i>360.5</i>	<i>371.9</i>
Resolution by Annual General Meeting					432.7	–432.7	–
Conditional shareholders' contribution received		335.0					335.0
Closing balance, September 30, 2013	954.9	6,102.5	134.6	–	325.3	360.5	7,877.8
Opening balance, October 1, 2013	954.9	6,102.5	134.6	–	325.3	360.5	7,877.8
Profit for the period						118.3	118.3
Other comprehensive income for the period			2.3				2.3
<i>Comprehensive income for the period</i>			<i>2.3</i>			<i>118.3</i>	<i>120.6</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	954.9	6,392.5	136.9	–	325.3	478.8	8,288.4
Profit for the period						529.8	529.8
Other comprehensive income for the period			47.4	10.7			58.1
<i>Comprehensive income for the period</i>			<i>47.4</i>	<i>10.7</i>		<i>529.8</i>	<i>587.9</i>
Resolution by Annual General Meeting					478.8	–478.8	–
Conditional shareholders' contribution received		550.0					550.0
Closing balance, September 30, 2014	954.9	6,942.5	184.3	10.7	804.1	529.8	9,426.3

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-Sep 2014, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	698.1	719.5	463.4	0.7	0.0	1,881.7
Net commission	-201.2	-392.8	37.1	249.3	0.0	-307.6
Net gain / loss from financial items	30.6	15.0	0.1	0.1	-	45.8
Intra-Group income	76.8	-	3.2	-	-80.0	-
Other income	84.6	0.2	68.8	0.1	-	153.7
Total operating income	688.9	341.9	572.6	250.2	-80.0	1,773.6
Intra-Group expenses	3.0	-52.7	-10.3	-20.0	80.0	-
Other administration expenses	-474.1	-16.6	-290.9	-171.9	-	-953.5
Depreciation / amortisation and impairment	-153.1	-0.1	-9.1	-0.3	-	-162.6
Total operating expenses	-624.2	-69.4	-310.3	-192.2	80.0	-1,116.1
Profit before loan losses	64.7	272.5	262.3	58.0	0.0	657.5
Loan losses, net	50.1	10.7	-39.2	-	-	21.6
Loss from participations in associated companies	-	-	-	-	0.1	0.1
Operating profit / loss	114.8	283.2	223.1	58.0	0.1	679.2

Balance sheet, September 30, 2014

Total assets	124,313.9	141,483.2	14,926.8	329.1	-56,564.4	224,488.6
Liabilities	115,911.2	135,530.8	13,542.5	143.9	-50,066.1	215,062.3
Equity	8,402.7	5,952.4	1,384.3	185.2	-6,498.3	9,426.3
Total liabilities and equity	124,313.9	141,483.2	14,926.8	329.1	-56,564.4	224,488.6

Income statement, Jan-Sep 2013

Net interest income	581.3	636.4	433.2	1.0	0.0	1,651.9
Net commission	-208.1	-258.2	36.0	225.7	1.0	-203.6
Net gain / loss from financial items	9.2	-59.1	0.3	0.0	-	-49.6
Intra-Group income	77.4	-	8.3	-	-85.7	-
Other income	91.8	0.4	65.4	0.1	-	157.7
Total operating income	551.6	319.5	543.2	226.8	-84.7	1,556.4
Intra-Group expenses	-2.5	-50.5	-11.3	-19.9	84.2	-
Other administration expenses	-467.7	-16.9	-287.1	-139.7	0.5	-910.9
Depreciation / amortisation and impairment	-63.3	-0.1	-15.5	-0.2	-	-79.1
Total operating expenses	-533.5	-67.5	-313.9	-159.8	84.7	-990.0
Profit / loss before loan losses	18.1	252.0	229.3	67.0	0.0	566.4
Loan losses, net	-65.3	-3.7	-25.8	-	-	-94.8
Loss from participations in associated companies	-	-	-	-	-0.1	-0.1
Operating profit / loss	-47.2	248.3	203.5	67.0	-0.1	471.5

Balance sheet, September 30, 2013

Total assets	110,498.5	132,264.0	14,197.2	222.5	-47,840.2	209,342.0
Liabilities	103,122.9	127,190.9	13,021.3	100.9	-41,971.8	201,464.2
Equity	7,375.6	5,073.1	1,175.9	121.6	-5,868.4	7,877.8
Total liabilities and equity	110,498.5	132,264.0	14,197.2	222.5	-47,840.2	209,342.0

NOTE 3 INTEREST INCOME

SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Loans to credit institutions	3.4	30.3	-89%	16.2	-79%	44.6	32.2	39%	47.5
Loans to the public	1,367.5	1,378.4	-1%	1,436.7	-5%	4,131.9	4,296.1	-4%	5,734.1
Interest-bearing securities	161.5	198.6	-19%	218.2	-26%	586.0	658.8	-11%	878.4
<i>Derivatives</i>									
Hedge accounting	540.7	543.8	-1%	738.0	-27%	1,764.3	2,113.8	-17%	2,828.7
Total interest income	2,073.1	2,151.1	-4%	2,409.1	-14%	6,526.8	7,100.9	-8%	9,488.7
of which interest income on impaired loans	1.9	-0.2		1.7	12%	11.3	2.8	304%	18.9
Average interest rate on loans to the public during the period, including net leasing, %	3.2	3.3		3.6		3.3	3.7		3.7

NOTE 4 INTEREST EXPENSE

SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Due to credit institutions	8.8	-12.7		-11.3		-12.1	-15.5	-22%	-30.8
Deposits and borrowing from the public	-159.7	-191.2	-16%	-230.5	-31%	-550.8	-701.7	-22%	-924.4
Interest-bearing securities	-696.1	-832.1	-16%	-822.9	-15%	-2,280.3	-2,468.6	-8%	-3,276.0
Subordinated liabilities	-23.3	-24.2	-4%	-28.3	-18%	-71.5	-75.7	-6%	-103.2
<i>Derivatives</i>									
Hedge accounting	-500.0	-439.0	14%	-504.0	-1%	-1,645.0	-1,874.9	-12%	-2,812.1
Non-hedge accounting	-2.1	1.5		-227.9	-99%	-	-232.4		-7.0
Other interest expense, including government deposit insurance	-27.3	-29.6	-7%	-27.7	-1%	-85.4	-80.2	6%	-104.8
Total interest expense	-1,399.7	-1,527.3	-8%	-1,852.6	-24%	-4,645.1	-5,449.0	-15%	-7,258.3
Average interest rate on deposits from the public during the period, %	0.9	1.1		1.4		1.0	1.5		1.4

NOTE 5 COMMISSION INCOME

SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Payment mediation	18.9	18.6	2%	25.7	-26%	60.4	72.8	-17%	94.4
Loans	24.5	23.7	3%	22.3	10%	70.5	68.4	3%	91.2
Deposits	2.6	2.4	8%	2.3	13%	8.2	7.7	6%	10.1
Financial guarantees	0.1	0.1		0.4	-75%	0.4	0.4		0.5
Securities	253.5	242.6	4%	204.2	24%	721.9	600.5	20%	815.7
Cards	37.8	35.6	6%	31.8	19%	104.5	89.0	17%	123.5
Other commission	0.5	0.5		1.0	-50%	1.5	3.5	-57%	4.6
Total commission income	337.9	323.5	4%	287.7	17%	967.4	842.3	15%	1,140.0

NOTE 6 COMMISSION EXPENSE

SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Payment mediation	-26.4	-16.9	56%	-28.8	-8%	-67.2	-80.6	-17%	-113.3
Securities	-144.3	-136.4	6%	-108.8	33%	-402.0	-317.2	27%	-432.5
Cards	-22.2	-20.3	9%	-20.4	9%	-55.1	-60.1	-8%	-81.7
Remuneration to regional insurance companies	-264.1	-254.3	4%	-190.7	39%	-743.9	-582.5	28%	-755.4
Other commission	-2.3	-2.5	8%	-2.2	5%	-6.8	-5.5	24%	-10.0
Total commission expense	-459.3	-430.4	7%	-350.9	31%	-1,275.0	-1,045.9	22%	-1,392.9

NOTE 7 NET GAINS / LOSSES FROM FINANCIAL ITEMS

SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Change in fair value									
Interest-related instruments	145.9	272.0	-46%	-149.1		708.3	-410.3		-382.9
Currency-related instruments	251.1	975.9	-74%	-361.4		1,843.6	-526.9		-118.3
<i>Hedge accounting</i>									
Fair value hedging	-394.2	-1,212.7	-67%	498.3		-2,531.6	881.5		397.6
Capital gains / losses									
Interest-related instruments	-18.7	-7.2	160%	-8.7	115%	-26.9	-34.8	-23%	-38.4
Interest compensation	19.7	15.3	29%	14.6	35%	52.4	40.9	28%	56.3
Total net gains / losses from financial items	3.8	43.3	-91%	-6.3		45.8	-49.6		-85.7

NOTE 8 LOAN LOSSES AND IMPAIRED LOANS

Net loan losses, SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Specific reserve for individually assessed loan receivables									
Write-off confirmed loan losses during the year	-26.2	-24.8	6%	-28.4	-8%	-74.8	-82.1	-8%	-139.6
Reversed earlier impairment of loan losses recognised as confirmed losses	25.3	23.8	6%	26.7	-5%	71.5	80.9	-12%	131.1
Impairment of loan losses during the year	-26.9	-35.5	-24%	-63.5	-58%	-86.3	-218.2	-60%	-307.6
Payment received for prior confirmed loan losses	-5.5	17.8		20.5		21.7	57.5	-62%	109.2
Reversed impairment of loan losses no longer required	28.5	52.8	-46%	9.2	210%	84.8	34.9	-143%	63.5
Net expense for the year for individually assessed loan receivables	-4.8	34.1		-35.5	-86%	16.9	-127.0		-143.4
Collective assessed homogenous groups of loan receivables with limited value and similar credit risk									
Provision/reversal of impairment of loan losses	3.1	4.5	-31%	3.6	-14%	4.5	32.1	-86%	16.8
Net expense for the year for collectively loan receivables	3.1	4.5	-31%	3.6	-14%	4.5	32.1	-86%	16.8
Net expense for the year for fulfilment of guarantees	0.1	0.1		0.1		0.2	0.1		0.2
Net expense of loan losses for the year	-1.6	38.7		-31.8	-95%	21.6	-94.8		-126.4
All information pertains to receivables from the public									
Reserve ratios									
Total impaired loans reserve ratio, %	109.6	108.6		134.7		109.6	134.7		107.2
Impaired loans reserve ratio excluding collective impairments, %	81.0	80.7		105.9		81.0	105.9		80.7

Impaired loans, Mkr	Sep 30, 2014				Dec 31, 2013				Sep 30, 2013			
	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net
Corporate sector	98.6	-88.6	-20.8	-10.8	128.3	-97.1	-24.4	6.7	127.1	-98.7	-22.7	5.7
Retail sector	218.1	-168.0	-69.8	-19.7	265.1	-220.3	-79.8	-35.0	181.5	-228.1	-66.2	-112.8
of which private individuals	148.8	-127.1	-52.1	-30.4	172.4	-124.1	-57.7	-9.4	152.5	-134.6	-61.8	-43.9
Total	316.7	-256.6	-90.6	-30.5	393.4	-317.4	-104.2	-28.3	308.6	-326.8	-88.9	-107.1

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 September 30, 2014, the total credit reserve requirement amounted to SEK 421 M, of which the Bank Group's recognised credit reserve amounted to SEK 347 M and the remainder amounting to SEK 74 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 67 M was reversed during the period.

NOTE 9 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	Sep 30, 2014	Dec 31, 2013	Sep 30, 2013
Loan to the public before reservations			
Public sector	726.1	874.0	884.0
Corporate sector	15,177.6	14,200.2	14,018.3
Retail sector	156,554.4	147,350.1	145,461.4
Other	1.8	0.5	0.0
Total	172,459.9	162,424.8	160,363.7
Reserves	-347.2	-421.6	-415.7
Loans to the public	172,112.7	162,003.2	159,948.0
Remaining term of not more than 3 months	113,625.1	107,149.1	109,619.1
Remaining term of more than 3 months but not more than 1 year	13,762.2	10,874.8	11,681.7
Remaining term of more than 1 year but not more than 5 years	43,369.5	43,042.1	37,836.9
Remaining term of more than 5 years.	1,355.9	937.2	810.3
Total	172,112.7	162,003.2	159,948.0

Definition

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

NOTE 10 DERIVATIVES

Mkr	Sep 30, 2014		Dec 31, 2013		Sep 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	77,870.0	2,424.2	74,045.0	952.8	82,149.0	875.8
Currency-related	22,412.8	1,388.7	5,394.2	371.2	11,174.8	373.6
<i>Other derivatives</i>						
Currency-related	32.5	3.7	69.0	13.7	271.2	0.7
Total derivatives with positive values	100,315.3	3,816.6	79,508.2	1,337.7	93,595.0	1,250.1
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	96,361.0	1,789.5	107,007.0	1,006.6	89,003.0	886.7
Currency-related	15,170.1	692.9	33,698.7	1,773.7	34,127.8	2,136.2
<i>Other derivatives</i>						
Currency-related	92.1	0.6	–	–		
Total derivatives with negative values	111,623.2	2,483.0	140,705.7	2,780.3	123,130.8	3,022.9

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	Sep 30, 2014	Dec 31, 2013	Sep 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	102,440.9	104,506.1	102,440.9
Loan receivables, substitute collateral	11,325.0	16,250.0	16,250.0
Commitments resulting from repurchase transactions	3,675.5	530.5	2,598.5
Other collateral for securities	5.0	5.0	5.0
Total for own liabilities, pledged assets	121,956.4	124,501.6	108,254.4
Other pledged assets	None	None	None
Contingent liabilities			
Guarantees	54.0	56.6	54.5
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	4,868.6	4,321.2	4,036.9
Other commitments			
Loans approved but not disbursed	9,780.4	5,608.0	6,727.4
Unutilised portion of overdraft facilities	1,892.2	1,984.4	1,893.3
Unutilised portion of credit card facilities	1,128.6	1,196.1	999.2
Total other commitments	12,801.2	8,788.5	9,619.9

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 Sep 30, 2014	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	4,883.4			4,883.4
Bonds and other interest-bearing securities	33,621.5			33,621.5
Shares and participations ¹⁾			11.0	11.0
Derivatives		3,816.6		3,816.6
Liabilities				
Derivatives		2,483.0		2,483.0
SEK M Dec 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
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 Sep 30, 2013	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	6,262.8			6,262.8
Bonds and other interest-bearing securities	33,182.7			33,182.7
Shares and participations ¹⁾	190.3		11.0	201.3
Derivatives		1,250.1		1,250.1
Liabilities				
Derivatives		3,022.9		3,022.9

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, September 30, 2014	11.0

Profit and loss recognised in net profit for the period pertaining to assets included in the closing balance at September 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, September 30, 2013	11.0

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

SEK M	Sep 30, 2014		Dec 31, 2013		Sep 30, 2013	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Assets						
Cash and balances with central banks	27.4	27.4	108.5	108.5	99.3	99.3
Treasury bills and other eligible bills	4,883.4	4,883.4	4,881.4	4,881.4	6,262.8	6,262.8
Loans to credit institutions	6,536.1	6,536.1	5,957.9	5,957.9	5,183.9	5,183.9
Loans to the public	172,112.7	173,414.8	162,003.2	162,415.0	159,948.0	160,003.1
Bonds and other interest-bearing securities	33,621.5	33,621.5	35,200.6	35,200.6	33,182.7	33,182.7
Shares and participations	11.0	11.0	87.8	87.8	201.3	201.3
Derivatives	3,816.6	3,816.6	1,337.7	1,337.7	1,250.1	989.4
Other assets	263.6	263.6	239.1	239.1	287.4	287.4
Total assets	221,272.3	222,574.4	209,856.2	210,228.0	206,416.5	206,209.9
Liabilities						
Due to credit institutions	5,974.2	5,974.2	1,860.6	1,860.6	4,813.2	4,552.5
Deposits and borrowing from the public	73,564.7	74,056.9	69,220.0	70,069.6	66,878.5	67,542.0
Debt securities in issue	123,142.5	131,485.5	123,634.9	128,079.9	119,415.6	127,343.7
Derivatives	2,483.0	2,483.0	2,780.3	2,780.3	3,022.9	3,022.9
Other liabilities	46.3	46.3	50.4	50.4	67.0	67.0
Subordinated liabilities	2,299.8	2,420.3	2,299.7	2,427.4	2,589.8	2,687.3
Total liabilities	207,510.5	216,466.2	199,845.9	205,268.2	196,787.0	205,215.4

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, other assets, loans to credit institutions, due to credit institutions and other liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities.

When calculating the fair value of loans to the public and deposits and borrowing from the public, anticipated future cash flows have been discounted using a discount rate set at the current lending rate applied (including discounts).

The main principle for measuring the fair value of debt securities in issue is that the value is measured at prices from external parties at the closing date 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.

Gains and losses are recognised in profit and loss under "net gains/losses from financial items." For information on the determination of fair value, valuation techniques and inputs, see also note 2 Accounting policies in the 2013 Annual Report

NOT 13 CAPITAL-ADEQUACY ANALYSIS

Mkr	Bank Group Basel III Sep 30, 2014	Bank Group Basel III June 30, 2014	Bank Group Basel II Dec 31, 2014	Bank Group Basel II Sep 30, 2013	Consolidated situation Basel III Sep 30, 2014	Consolidated situation Basel III June 30, 2014
Total equity	9,426.3	9,161.5	8,288.4	7,877.8	17,103.0	16,906.9
Part of interim profits not verified		–		–128.4		
Intangible assets	–315.8	–333.3	–397.1	–408.8	–430.1	–448.8
Adjustment for cash flow hedge	–10.7	13.6	–	–	13.5	29.1
Adjustment for items to fair value	–186.0	–141.7	–138.6	–137.2	–186.0	–141.7
IRB shortfall	–476.5	–486.4	–302.4	–300.7	–476.5	–486.4
Adjustment for prudent valuation	–44.8	–	–	–	–46.3	–
Deferred tax assets	–	–9.2	–9.2	–12.3	–7.1	–38.0
Threshold deductions: Capital contributions to unconsolidated financial entities	–0.5	–0.5	–	–	–7,832.3	–7,874.7
Investments outside the financial sector	–10.2	–10.2	–	–	–10.2	–10.3
Common Equity Tier 1 capital	8,381.7	8,193.9	7,441.1	6,890.4	8,127.9	7,936.1
Additional Tier 1 capital	–	–	–	290.0	–	–
Tier 1 capital	8,381.7	8,193.9	7,441.1	7,180.4	8,127.9	7,936.1
Tier 2 instruments	2,296.9	2,296.9	2,296.9	2,296.9	2,136.9	2,136.9
IRB excess	8.8	34.3	–302.4	–300.7	8.8	34.3
Tier 2 Capital	2,305.7	2,331.2	1,994.5	1,996.2	2,145.7	2,171.2
Total own funds	10,687.4	10,525.0	9,435.6	9,176.6	10,273.6	10,107.3
Total risk exposure amount to Basel III	52,624.6	51,335.5	50,465.0	50,355.0	59,729.2	58,571.0
Total requirement Basel III	4,210.0	4,106.8	4,037.2	4,028.4	4,778.3	4,685.7
Capital requirement for credit risk according to Standardised Approach	595.7	567.2	647.2	652.3	803.2	785.1
Capital requirement for credit risk according to IRB Approach	3,225.5	3,172.2	3,211.2	3,197.4	3,225.5	3,172.2
Capital requirement for operational risk	209.5	209.5	178.8	178.8	570.1	570.1
Capital requirement according to credit valuation adjustment	179.3	157.9	–	–	179.6	158.3
Core Tier 1 ratio according to CRD IV	15.9%	16.0%	14.7%	13.7%	13.6%	13.5%
Tier 1 ratio according to CRD IV	15.9%	16.0%	14.7%	14.3%	13.6%	13.5%
Capital adequacy ratio according to CRD IV	20.3%	20.5%	18.7%	18.2%	17.2%	17.3%
Special disclosures						
IRB Provisions surplus (+) / deficit (–)	–467.7	–452.1	–604.8	–601.4	–467.7	–452.1
– IRB Total provisions (+)	398.2	399.1	386.5	376.6	398.2	399.1
– IRB Anticipated loss (–)	–865.9	–851.2	–991.3	–978.0	–865.9	–851.2
Capital Adequacy Basel I floor	8,284.8	8,112.0	7,710.1	7,897.4	8,336.2	8,170.7
Own funds Basel III adjusted according to rules for Basel I floor	11,155.0	10,977.1	10,040.4	9,778.0	10,741.3	10,559.4
Surplus of capital according to Basel I floor	2,870.3	2,865.1	2,330.3	1,880.6	2,405.1	2,388.7

NOT 13 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

Mkr	Bank Group Basel III 2014-09-30		Bank Group Basel III 2014-06-30		Bank Group Basel II 2013-12-31		Bank Group Basel II 2013-09-30		Consolidated situation Basel III 2014-09-30		Consolidated situation Basel III 2014-06-30	
	Capital re- quirement	Risk exposure amount	Capital re- quirement	Risk exposure amount	Capital re- quirement	Risk exposure amount	Capital re- quirement	Risk exposure amount	Capital re- quirement	Risk exposure amount	Capital re- quirement	Risk exposure amount
Credit risk according to Standardised Approach												
Exposures to institutions	90.3	1,128.3	97.9	1,224.3	80.4	1,005.0	83.3	1,041.8	95.0	1,187.6	108.8	1,360.4
Exposures to corporates	141.3	1,766.5	140.6	1,757.5	164.8	2,060.0	161.5	2,019.0	143.6	1,795.0	140.6	1,757.5
Retail exposures	71.5	894.1	66.6	831.9	54.9	686.3	59.4	742.5	71.5	894.1	66.6	831.9
Exposures in default	11.3	140.8	12.9	161.6	–	–	–	–	11.3	140.8	12.9	161.6
Covered bonds	244.6	3,057.6	215.2	2,690.3	292.7	3,658.8	290.8	3,635.6	244.6	3,057.6	215.2	2,690.3
Exposures to CIU	–	–	–	–	6.2	76.9	9.5	118.6	15.8	197.0	11.0	137.0
Exposures to equity	0.2	3.1	0.2	3.1	–	–	–	–	148.9	1,861.1	145.4	1,817.5
Other items	36.4	455.4	33.7	421.3	48.3	603.1	47.7	595.8	72.5	906.6	84.7	1,058.2
Total capital requirement and risk exposure amount	595.7	7,445.8	567.2	7,089.9	647.2	8,090.0	652.3	8,153.2	803.2	10,039.8	785.1	9,814.3
Credit risk according to IRB Approach												
<i>Retail exposures</i>												
Exposures secured by real estate collateral	1,714.1	21,425.7	1,684.5	21,055.7	1,684.8	21,060.0	1,662.8	20,785.5	1,714.1	21,425.7	1,684.5	21,055.7
Other retail exposures	785.8	9,822.0	789.7	9,871.8	789.5	9,868.8	800.8	10,010.2	785.8	9,822.0	789.7	9,871.8
<i>Total retail exposures</i>	<i>2,499.8</i>	<i>31,247.7</i>	<i>2,474.2</i>	<i>30,927.5</i>	<i>2,474.3</i>	<i>30,928.8</i>	<i>2,463.7</i>	<i>30,795.7</i>	<i>2,499.8</i>	<i>31,247.7</i>	<i>2,474.2</i>	<i>30,927.5</i>
Exposures to corporates	725.7	9,071.3	698.0	8,724.9	736.0	9,200.0	733.0	9,162.5	725.7	9,071.3	698.0	8,724.9
Non credit-obligation assets	–	–	–	–	0.9	11.3	0.7	9.0	–	–	–	–
Total capital requirement and risk exposure amount	3,225.5	40,318.9	3,172.2	39,652.4	3,211.2	40,140.0	3,197.4	39,967.3	3,225.5	40,318.9	3,172.2	39,652.4
Operational risks												
Standardised Approach	209.5	2,619.0	209.5	2,619.0	178.8	2,235.0	178.8	2,234.5	209.5	2,619.0	209.5	2,619.0
Basic indicator approach LFAB	–	–	–	–	–	–	–	–	360.5	4,506.9	360.5	4,506.9
Total capital requirement for operational risk	209.5	2,619.0	209.5	2,619.0	178.8	2,235.0	178.8	2,234.5	570.1	7,125.9	570.1	7,125.9
Total capital requirement for credit valuation adjustments	179.3	2,240.8	157.9	1,974.2	–	–	–	–	179.6	2,244.6	158.3	1,978.4

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 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Interest income	868.1	970.2	-11%	904.8	-4%	2,744.8	2,631.0	4%	3,585.1
Interest expense	-613.5	-742.9	-17%	-704.8	-13%	-2,046.7	-2,049.7		-2,789.1
Net interest income	254.6	227.3	12%	200.0	27%	698.1	581.3	20%	796.0
Dividends received	0.1	0.0		0.0		0.1	0.0		0.1
Commission income	78.9	76.9	3%	74.1	6%	237.5	220.4	8%	298.1
Commission expense	-155.0	-145.1	7%	-136.5	14%	-438.7	-428.5	2%	-552.4
Net gain / loss from financial items	10.3	14.2	-27%	8.9	16%	30.6	9.2	233%	19.4
Other operating income	53.8	51.9	4%	55.5	-3%	161.3	169.2	-5%	229.3
Total operating income	242.7	225.2	8%	202.0	20%	688.9	551.6	25%	790.5
Staff costs	-36.4	-40.1	-9%	-33.7	8%	-114.8	-106.7	8%	-142.6
Other administration expenses	-124.3	-125.0	-1%	-127.7	-3%	-356.3	-365.5	-3%	-483.0
Total administration expenses	-160.7	-165.1	-3%	-161.4		-471.1	-470.2		-625.6
Depreciation / amortisation and impairment of property and equipment / intangible assets	-40.8	-69.2	-41%	-19.6	108%	-153.1	-63.3	142%	-82.7
Total operating expenses	-201.5	-234.3	-14%	-181.0	11%	-624.2	-533.5	17%	-708.3
Profit / loss before loan losses	41.2	-9.1		21.0	96%	64.7	18.1	257%	82.2
Loan losses, net	9.5	43.1	-78%	-26.5		50.1	-65.3		-80.1
Operating profit / loss	50.7	34.0	49%	-5.5		114.8	-47.2		2.1
Allocation fund	-	-		-		-	-		-11.9
Tax	-11.2	-7.5	49%	-1.4	700%	-25.2	7.8		6.2
Profit / loss for the period	39.5	26.5	49%	-6.9		89.6	-39.4		-3.6

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK M	Q 3 2014	Q 2 2014	Change	Q 3 2013	Change	Jan-Sep 2014	Jan-Sep 2013	Change	Full-year 2013
Profit / loss for the period	39.5	26.5	49%	-6.9		89.6	-39.4		-3.6
Other comprehensive income									
Items that may subsequently be reclassified to the income statement									
Cash-flow hedges	3.7	2.2	68%	-		-4.1	-		-
Change in fair value from available-for-sale financial assets	37.8	18.7	102%	48.0	-21%	65.9	26.6	148%	45.1
Reclassification realised securities	-5.4	-3.5	54%	-3.4	59%	-12.4	-3.4	265%	-4.1
Tax attributable to items that are rerouted or can be rerouted as income for the period	-7.9	-3.8	108%	-9.8	-19%	-10.9	-5.1	114%	-9.0
Other comprehensive income for the period, net after tax	28.2	13.6	107%	34.8	-19%	38.5	18.1	113%	32.0
Total comprehensive income for the period	67.7	40.1	69%	27.9	143%	128.1	-21.3		28.4

BALANCE SHEET – PARENT COMPANY

SEK M	Sep 30, 2014	Dec 31, 2013	Sep 30, 2013
Assets			
Cash and balances with central banks	27.4	108.5	99.3
Treasury bills and other eligible bills	3,403.4	3,389.5	4,767.3
Loans to credit institutions	51,258.4	44,638.6	43,275.5
Loans to the public	37,215.4	36,007.7	36,383.4
Bonds and other interest-bearing securities	22,907.1	19,824.7	17,738.1
Shares and participations	11.0	87.8	129.6
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	1,662.6	602.7	781.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	143.3	64.8	23.9
Intangible assets	273.5	347.7	344.5
Property and equipment	3.1	2.6	2.2
Deferred tax assets	6.3	6.3	5.4
Other assets	124.1	386.1	411.0
Prepaid expenses and accrued income	778.3	871.2	666.4
Total assets	124,313.9	112,408.2	110,498.5
Liabilities, provisions and equity			
Due to credit institutions	8,583.6	6,099.6	6,299.4
Deposits and borrowing from the public	73,749.2	69,340.6	66,910.6
Debt securities in issue	27,375.9	24,645.5	24,877.9
Derivatives	2,038.6	653.5	727.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	152.1	46.2	37.0
Deferred tax liabilities	–	–	–
Other liabilities	369.5	455.6	430.5
Accrued expenses and deferred income	1,333.4	1,134.2	1,241.7
Provisions	6.5	6.1	8.3
Subordinated liabilities	2,299.8	2,299.7	2,589.8
Total liabilities and provisions	115,908.6	104,681.0	103,122.9
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	114.6	76.1	62.2
Retained earnings	7,215.9	6,669.5	6,379.5
Loss for the period	89.6	–3.6	–39.4
Total equity	8,393.4	7,715.3	7,375.6
Total liabilities, provisions and equity	124,313.9	112,408.2	110,498.5
Memorandum items			
For own liabilities, pledged assets	7,786.0	3,721.3	5,311.2
Other pledged assets	None	None	None
Contingent liabilities	4,850.9	4,303.4	4,016.6
Other commitments	25,771.0	11,349.6	11,008.9
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-Sep 2014	Jan-Sep 2013
Cash and cash equivalents, January 1	5,154.8	1,920.1
Cash flow from operating activities	-232.7	-53.3
Cash flow from investing activities	-432.6	-159.9
Cash flow from financing activities	550.1	1,457.5
Cash flow for the period	-115.2	1,244.3
Cash and cash equivalents, September 30	5,039.6	3,164.4

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 -5,421.5 M (-3 690.7), Bonds and other interest-bearing securities SEK -2,681.0 M (-3,417.1) and to Deposits and borrowing from the public SEK 4,408.5 M (4,375.6). 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						-39.4	-39.4
Other comprehensive income for the period			18.1				18.1
<i>Comprehensive income for the period</i>			<i>18.1</i>			<i>-39.4</i>	<i>-21.3</i>
Resolution by Annual General Meeting					-36.9	36.9	–
Conditional shareholders' contribution received					335.0		335.0
Closing balance, September 30, 2013	954.9	18.4	62.2	–	6,379.5	-39.4	7,375.6
Opening balance, October 1, 2013	954.9	18.4	62.2	–	6,379.5	-39.4	7,375.6
Profit for the period						35.8	35.8
Other comprehensive income for the period			13.9				13.9
<i>Comprehensive income for the period</i>			<i>13.9</i>			<i>35.8</i>	<i>49.7</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						89.6	89.6
Other comprehensive income for the period			41.7	-3.2			38.5
<i>Comprehensive income for the period</i>			<i>41.7</i>	<i>-3.2</i>		<i>89.6</i>	<i>128.1</i>
Resolution by Annual General Meeting					-3.6	3.6	–
Conditional shareholders' contribution received					550.0		550.0
Closing balance, September 30, 2014	954.9	18.4	117.8	-3.2	7,215.9	89.6	8,393.4

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 September 30, 2014, the total credit reserve requirement amounted to SEK 187 M, of which the bank's recognised credit reserve amounted to SEK 123 M and the remainder amounting to SEK 64 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 57 M was reversed during the period.

NOTE 3 CAPITAL-ADEQUACY ANALYSIS

Mkr	Basel III Sep 30, 2014	Basel II Dec 31, 2013	Basel II Sep 30, 2013
Total equity	8,393.4	7,715.3	7,375.6
(-) Part of interim profit not eligible		–	–
78 % of untaxed reserves	9.3	9.3	–
Own funds eligible for capital-adequacy	8,402.7	7,724.6	7,375.6
Intangible assets	–273.5	–347.7	–344.5
Adjustment for cash flow hedge	3.2	–	–
Adjustment for items at fair value	–117.9	–76.1	–62.2
IRB shortfall	–171.4	–137.4	–132.5
Adjustment for prudent valuation	–30.0	–	–
Deferred tax assets	–	–6.3	–5.4
Threshold deductions: Capital contributions to unconsolidated financial entities	–0.5	–	–
Investments outside the financial sector	–10.2	–	–
Common Equity Tier 1 capital	7,802.4	7,157.1	6,831.0
Additional Tier 1 capital	–	–	290.0
Tier 1 capital	7,802.4	7,157.1	7,121.0
Tier 2 instruments	2,296.9	2,296.9	2,296.9
IRB excess	–	–137.4	–132.4
Own funds	2,296.9	2,159.5	2,164.5
Total own funds	10,099.2	9,316.6	9,285.5
Total risk exposure amount to Basel III	25,196.7	18,577.1	19,130.6
Total capital requirement to Basel III	2,015.7	1,486.2	1,530.5
Capital requirement for credit risk according to Standardised Approach	788.7	237.2	246.1
Capital requirement for credit risk according to IRB Approach	1,097.0	1,167.4	1,202.8
Capital requirement for operational risk	99.2	81.6	81.6
Capital requirement	30.8	–	–
Core Tier 1 ratio according to CRD IV	31.0%	38.5%	35.7%
Tier 1 ratio according to CRD IV	31.0%	38.5%	37.2%
Capital adequacy ratio according to CRD IV	40.1%	50.2%	48.5%
Special disclosures			
IRB Provisions surplus (+) /deficit (–)	–171.4	–274.7	–264.9
– IRB Total provisions (+)	187.1	186.8	187.1
– IRB Anticipated loss (–)	–358.5	–461.5	–452.0
Capital adequacy Basel I floor	2,855.9	2,256.3	2,271.6
Capital requirement Basel I floor	10,270.7	9,591.3	9,550.4
Surplus of capital according to Basel I floor	7,414.8	7,335.0	7,278.8

NOT 3 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

Mkr	Basel III Sep 30, 2014		Basel II Dec 31, 2013		Basel II Sep 30, 2013	
	Capital re- quirement	Risk exposure amount	Capital re- quirement	Risk exposure amount	Capital re- quirement	Risk exposure amount
Credit risk according to Standardised Approach						
Exposures to institutions	28.4	355.3	29.2	365.0	34.0	425.1
Exposures to corporates	–	–	–	–	0.0	0.5
Covered bonds	157.5	1,969.3	166.3	2,078.8	165.1	2,063.2
Exposures to CIU			6.2	76.9	9.5	118.6
Exposures to equity	581.5	7,269.0	–	–	–	–
Other items	21.2	264.9	35.6	444.6	37.5	469.0
Total capital requirement and risk exposure amount	788.7	9,858.5	237.2	2,965.2	246.1	3,076.4
Credit risk according to IRB Approach						
<i>Retail exposures</i>						
Exposures by real estate collateral	361.3	4,515.7	413.0	5,162.4	410.3	5,128.4
Other retail exposures	290.1	3,625.7	287.6	3,595.0	293.5	3,668.8
Total retail exposures	651.3	8,141.4	700.6	8,757.4	703.8	8,797.2
Exposures to corporates	445.7	5,571.7	466.6	5,832.2	498.9	6,235.7
Non credit-obligation assets	–	–	0.2	2.6	0.1	1.5
Total capital requirement and risk exposure amount	1,097.0	13,713.1	1,167.4	14,592.1	1,202.8	15,034.5
Operational risks						
Standardised Approach	99.2	1,239.7	81.6	1,019.8	81.6	1,019.8
Total capital requirement for operational risk	99.2	1,239.7	81.6	1,019.8	81.6	1,019.8
Total capital requirement for credit valuation adjustments	30.8	385.5	–	–	–	–

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 interim 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, October 23, 2014

Sten Dunér	Christian Bille	Marianne Björkman	Maria Engholm	Ingrid Ericsson
<i>Chairman of the board</i>	<i>Board member</i>	<i>Board member</i>	<i>Board member</i>	<i>Board member</i>

Ingrid Jansson	Bengt-Erik Lindgren	Susanne Petersson	Örian Söderberg
<i>Board member</i>	<i>Board member</i>	<i>Board member</i>	<i>Board member</i>

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 September 30, 2014 for the nine-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 nine-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 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, October 23, 2014

Stefan Holmström
Authorised Public Accountant

Financial calendar

Year-end report Länsförsäkringar Hypotek **10 February 2015**

Year-end report Länsförsäkringar Bank..... **10 February 2015**

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 October 23, 2014 at 11:00 a.m. Swedish time.

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FOR FURTHER INFORMATION, PLEASE CONTACT:

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