

2014



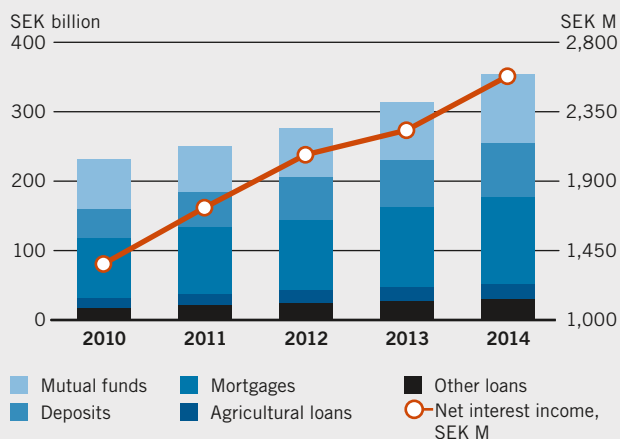
ANNUAL REPORT

Länsförsäkringar
Bank

LÄNSFÖRSÄKRINGAR BANK

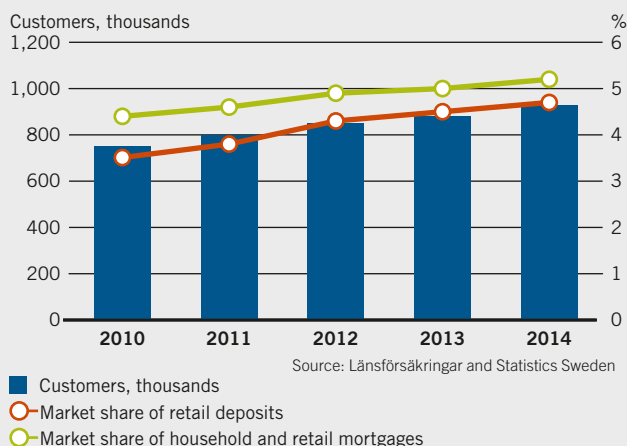
THE 2014 FISCAL YEAR

Business volumes and net interest income



Total business volumes have increased an average of 17% over the past five years. Net interest income has risen an average of 18%.

Customers and market shares



Source: Länsförsäkringar and Statistics Sweden

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

Key figures

	2014	2013	2012	2011	2010
Return on equity, %	8.3	6.7	6.3	4.8	5.0
Return on total capital, %	0.42	0.31	0.30	0.24	0.24
Investment margin, %	1.15	1.06	1.11	1.07	0.93
Cost/income ratio before loan losses	0.62	0.63	0.66	0.71	0.72
Cost/income ratio after loan losses	0.62	0.69	0.70	0.75	0.75
Core Tier 1 ratio, %	16.2	14.4 ¹⁾	13.1 ²⁾	11.5 ²⁾	11.1 ²⁾
Tier 1 ratio, %	16.2	14.4 ¹⁾	13.7 ²⁾	12.1 ²⁾	11.8 ²⁾
Capital adequacy ratio, %	20.6	19.1 ¹⁾	15.6 ²⁾	14.0 ²⁾	13.5 ²⁾
Percentage of impaired loans, %	0.17	0.23	0.19	0.17	0.17
Reserve ratio in relation to loans, %	0.19	0.25	0.21	0.21	0.24
Loan losses in relation to loans, %	0.00	0.08	0.06	0.04	0.03

¹⁾ According to Länsförsäkringar Bank's interpretation of the regulations at the time.

²⁾ According to Basel II.

2014 in brief

Operating profit increased 45% to SEK 935 million (647) and return on equity amounted to 8.3% (6.7).

Net interest income increased 16% to SEK 2,580 M (2,230).

Loan losses remained low at SEK –7 million (126), net, corresponding to a loan loss of 0.00% (0.08).

Business volumes increased 13% to SEK 354 billion (314).

Deposits rose 11% to SEK 77 billion (69).

Lending increased 11% to SEK 179 billion (162).

On 31 December 2014, the **Bank Group's Core Tier 1 ratio** amounted to 16.2%.

The number of customers increased 5% to 927,000, the number of bank cards rose 10% to 425,000 and the number of deposit accounts increased 8%.

SEK **354** billion

927,000

Bank of the Year with Sweden's most satisfied retail customers

Länsförsäkringar Bank is the fifth largest retail bank in Sweden with a business volume of SEK 354 billion and 927,000 customers. The strategy is to offer the Länsförsäkringar Alliance's customers attractive banking services. Close customer relationships are created during personal meetings at 128 of the regional insurance companies' branches throughout Sweden and via digital services and telephone. The aim is to have the most

satisfied customers, maintain healthy growth in volumes and profitability at low risk, and to increase the share of customers who have both banking and insurance with Länsförsäkringar. Länsförsäkringar has Sweden's most satisfied retail bank customers according to the Swedish Quality Index, and was named 2014 Bank of the Year by Swedish financial magazine Privata Affärer.

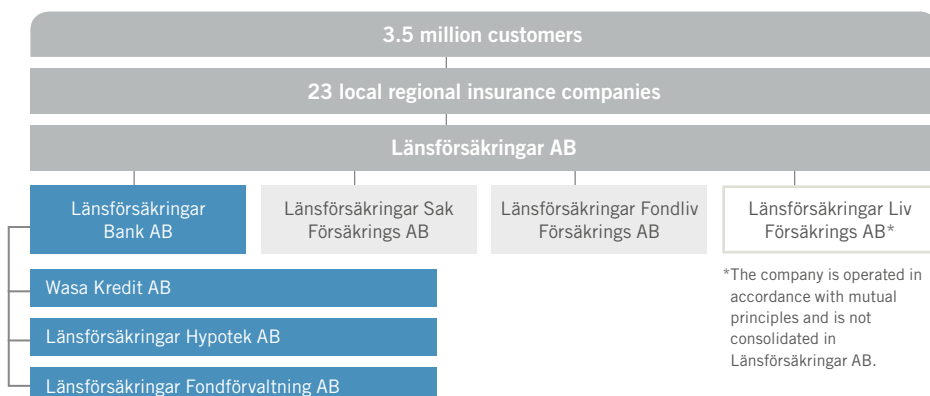


LÄNSFÖRSÄKRINGAR IN BRIEF

Local companies with customers who are owners and the only principal

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB with subsidiaries. Customers are provided with a complete solution for banking, insurance, pension and real-estate brokerage services through the regional insurance companies. The regional insurance companies are owned by

the insurance customers – there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary task. Long-term respect for customers' money and their security is fundamental. The Länsförsäkringar Alliance jointly has slightly more than 3.5 million customers and approximately 5,900 employees.



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A local and digital Bank of the Year

Statement by the President. The local presence and attractive offering are the foundation of our success – we are the customer-owned bank with Sweden’s most satisfied retail customers.

It was with great joy and pride that we received the award of 2014 Bank of the Year from Swedish financial magazine *Privata Affärer*. The jury, consisting of business journalists and industry players, examined and analysed the banks, while bank customers also had their say. The jury’s commendation was as follows: “The smallest ‘major’ bank is expanding without any growing pains and giving profits back to satisfied customers.” This is confirmation that our strategy based on customer ownership and local presence is highly successful. It is also the foundation of our successful growth. We are the bank with the highest growth and we are succeeding as a competitive full-service bank in the retail segment without losing the benefits of being a smaller-scale player. In the autumn of 2014, the annual survey performed by the Swedish Quality Index (SQI) once again revealed that Länsförsäkringar has Sweden’s most satisfied retail bank customers. For a long time, we have been building a unique platform with a strong, local full-service offering based on making banking as straight-forward, quick and personal as possible for our customers, thus creating security and clarity. The SQI survey showed that modern-day bank customers have very high demands on service levels, banking services and that the interaction between bank personnel and the customer is central and must be perceived to be positive.

Continued favourable performance in 2014

We can report strong operating profit and net interest income and volume grew during the year in both lending and deposits. Fund volumes at year-end totalled SEK 100 billion due to positive market growth and positive inflows. Customers have increasingly chosen to save in index funds in recent years. Accordingly, to offer customers one of the best fund offerings in the market, we lowered our fees for index funds by 50% from the start of the year.

We see healthy growth in lending, while we are maintaining high credit quality. We have conservative and consistent loan origination that has given us a high-quality loan portfolio. All loans are granted in Sweden and in SEK. Most borrowers are households across Sweden who take out loans for their single-family homes or tenant-owned apartments. We continue to post a favourable trend in the agricultural sector, with our loan portfolio mainly comprising smaller family-owned agricultural operations. The bank has a stable credit rating due to its favourable capitalisation, high credit quality and stable liquidity situation, which combined with growth and improved profitability provide sustainability and low risk.

Historically low interest rates

The Swedish economy is continuing to perform more strongly than large parts of Europe, while inflation and inflation

expectations are at low levels. The falling inflation expectations made the Riksbank at the beginning of 2015 to lower its repo rate to negative which also affected other market interest rates. Most indications suggest that these historically low interest rates will continue for a long time to come. Low interest rates intensify focus on development in the housing market, which continued to feature rising prices during the year. The housing price trend and household indebtedness are highly significant, not only for the private finances of households but also for the national economy as a whole. This trend imposes new demands on customers and also us as a bank. Our operations are based on customer value and we want to help our customers achieve financial security.

Responsible mortgage advice

In 2014, Länsförsäkringar was the first in the market to certify all of its mortgage advisors. Interest on mortgages is the largest expense for many households, meaning that a mortgage has the greatest impact on customers’ financial security. By certifying our mortgage advisors we can ensure a high level of security in our advisory services and strengthen consumer protection. Sound advice provides a platform for customers to make decisions that result in secure and stable private finances, which ultimately leads to satisfied customers. We are convinced that what is good for customers in the long term is also good for us as a bank. It is ultimately an issue of trust in banks.

Regulatory developments

The aim of the extensive regulatory developments taking place in the market is to create stability and transparency. Basel III

was introduced during the year, and we made substantial investments to implement the rules into our operations. This type of regulatory development is a continuous process, and with the successful implementation of Basel III, we will be well-equipped for future developments.

Loan volumes to households during the year increased, while the housing price trend in Sweden, particularly in metropolitan areas, rose sharply. The housing market is not currently functioning optimally since there is a short supply of residential properties and high demand. This requires action in the future, not least the construction of more rental properties. Unfortunately, we cannot see such measures being taken at the current time, which means that the problem will remain unless political decisions are made to change the situation.

At Länsförsäkringar, we believe that mortgage repayments are positive and we welcome regulations that are logical for customers and generate the desired effect, namely creating a better culture of mortgage repayments in Sweden. However, it is absolutely essential to take into account the financial situation of individual customers – we must consider whether the same repayment requirements are to be made on all customers.

Symbiosis of local and digital

With 23 customer-owned regional insurance companies, we have a local presence throughout Sweden, which allows us to get to know our customers, and our customers to get to know us. The bank exists for its customers, not the other way round. Customer behaviour is changing rapidly in line with technological developments. Consequently, it is very important to also meet customers in digital channels and our

aim is to be the leader in this area. In January 2015, we won the Web Service Award for best online interface and today most of our meetings with customers take place digitally. An average customer now logs in 33 times a month and 45% of all of our customers' fund management activities take place via mobile device.

However, meeting customers digitally is not a substitute for a meeting in person. In many cases, the curiosity generated from the digital channel leads the customer to a personal meeting at the bank branch. We firmly believe that personal customer meeting and local proximity combined with digital channels are the keys to continued high customer satisfaction and robust growth in the banking operations.

Continued growth

The reviews and awards we have received during the year prove that the priorities we

are making – based on customer needs – are the right ones. Our customers appreciate our service level and we will continue generating healthy growth in volumes and profitability at low risk, and developing what we believe in – being close to our customers, both in personal customer meetings and in our digital services. In this way, we will do our utmost to continue to be the customer-owned bank with Sweden's most satisfied retail customers in the future.

Stockholm, February 2015



RIKARD JOSEFSON

President



Strong position in the market

Strategy and financial position. Länsförsäkringar

Bank is the fifth largest retail bank in Sweden and growth remained high. Our success is based on security and closeness to customers – Länsförsäkringar is a customer-owned bank with a local presence through the 23 regional insurance companies.

Strategy and goals

Länsförsäkringar Bank was founded in 1996 and is the fifth largest retail bank in Sweden with a business volume of SEK 354 billion. The banking operations are conducted only in Sweden and business volumes have grown in all areas.

The strategy is to offer banking services to the Länsförsäkringar Alliance's customers and leverage Länsförsäkringar's strong

brand and local presence through the customer-owned regional insurance companies. The banking operations have a large potential customer base with the Länsförsäkringar Alliance's 3.5 million customers. The main target groups are the 2.9 million retail customers, of whom 1.8 million are home-insurance customers. Other target groups are agricultural customers and small businesses. The aim is, based on low risk, to maintain healthy growth in volumes and profitability, have the most satisfied customers and increase the share of customers who have both banking and insurance with Länsförsäkringar.

For eight of the past ten years, Länsförsäkringar Bank has had Sweden's most satisfied retail customers, according to the 2014 Swedish Quality Index. Länsförsäkringar Bank was named 2014 Bank

of the Year by the Swedish financial magazine Privata Affärer. With a comprehensive banking and insurance offering from Länsförsäkringar, customers receive a secure, total solution for their private finances.

Customer ownership

The Länsförsäkringar Alliance consists of 23 local, customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB, which is the bank's Parent Company. The insurance customers own the regional insurance companies, which means that the principles of customer ownership also apply to the banking operations. Long-term respect for customers' security is fundamental to Länsförsäkringar, since customers are both the principal and owner.

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

FACTS IN BRIEF

Business volumes

SEK 354 billion

GROWTH 13%

Number of customers

927,000

GROWTH 5%

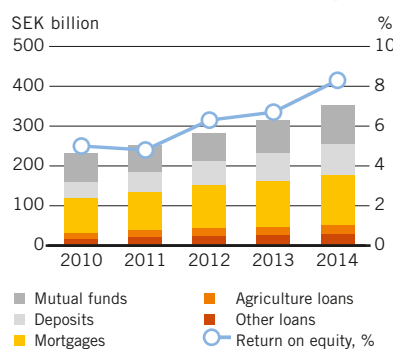
Percentage of primary bank customers who are also insurance customers

PERCENT 93%

Number of branches offering banking services

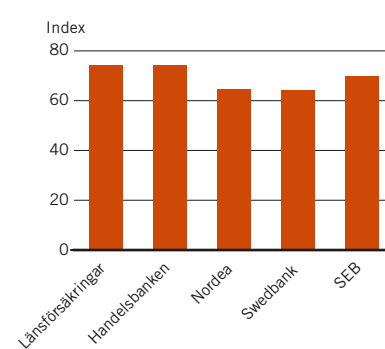
NUMBER 128

Business volumes and return on equity



The bank reported healthy growth in volumes and profitability.

Customer satisfaction, retail banking



Source: Swedish Quality Index

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

Sweden stable in uncertain economic environment

Customer meetings and local market knowledge

The regional insurance companies are responsible for local business and customer relationships. Business decisions are made locally and the regional insurance companies' commitment and network provide broad and in-depth customer and market knowledge. The banking operations' network comprises the 128 branches of the regional insurance companies, situated across Sweden. Trust, security and long-term relationships – high priorities at Länsförsäkringar – are created through personal customer meetings.

Mobile app and Internet bank simplify

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

Customer-driven and effective business model

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

A strong brand

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

Economic environment and market. Following the decline in growth in the US at the start of 2014 due to the cold winter, the country's economic performance presented a positive surprise, and more than offset the gloomy start to the year. However, the signals of European performance weakened during the autumn. From a global perspective, 2014 was characterised by geopolitical uncertainty in the Middle East and Ukraine, greater tension with Russia, bankruptcy negotiations with Argentina and falling prices of commodities, with a particular focus on oil.

Global growth in 2014 was mainly driven by the positive performance of the US economy. The US labour market improved at a healthy rate, which meant that the Federal Reserve was able to discontinue its bond buying programme in October. The eurozone continued to suffer in the wake of the financial crisis. Weak demand driven by an austere fiscal policy and debt absorption led to a very weak trend in both growth and inflation. Accordingly, the ECB lowered its key

interest rate to 0.05% and introduced a negative Deposit Facility Rate, while starting to rigorously bolster its balance sheet, on the basis of targeted lending to banks and asset purchase programmes in the form of, for example, covered bonds. The ECB also announced that it was prepared to implement further quantitative easing. China continued to grapple with the core problem of the Chinese economy, namely the transition from export-based to domestically driven demand



and substantial economic imbalances. The risks related to bad loans in China's aggregated credit stock proved to be manageable during the year.

The Swedish economy continued to perform well in relation to the eurozone. The growth and employment trends were relatively positive. Similar to the preceding year, continued relatively high unemployment was largely due to the sharp increase in the labour force. Inflation again continued to surprise negatively and was negative for the full-year 2014. As a result, the Riksbank was once again

forced to take action and lower its key interest rate to zero, and it also announced that it expected to maintain a zero interest rate until 2016.

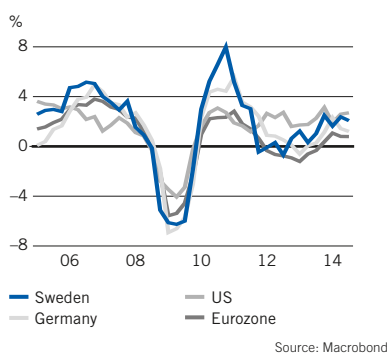
Global stock markets rose during the year, led by the US. The Swedish stock market was strong, while the performance of emerging markets was more mixed, with India at the top end of the scale and Brazil at the bottom. The difference between government bond rates and interest rates on covered bonds, and also other credit bonds, continued to shrink in both Sweden and Europe. However, the sharp

decline in the price of oil resulted in rising interest-rate differences in the US due to the increasing credit risk in the energy sector. In the credit market, the spreads for both Swedish covered bonds and senior bank funding continued to narrow.

The prices of single-family homes and tenant-owned apartment increased 15% for the full-year 2014, according to Valueguard's HOX Index, which was largely due to high demand combined with a limited supply of residential properties and low interest rates.

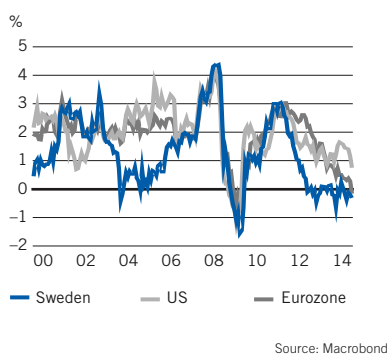
MARKET FACTS

GDP growth



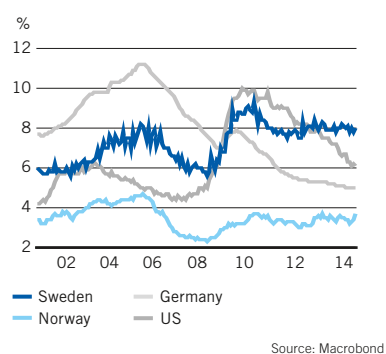
The Swedish economy showed a weakly positive performance during the year.

Inflation



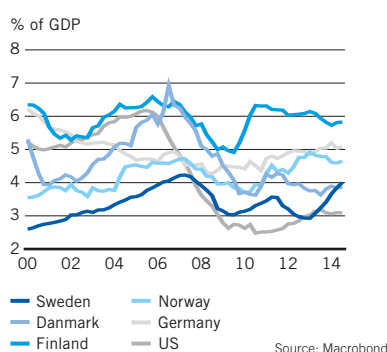
Inflation in Sweden remains low and is far below the Riksbank's target of 2%.

Unemployment



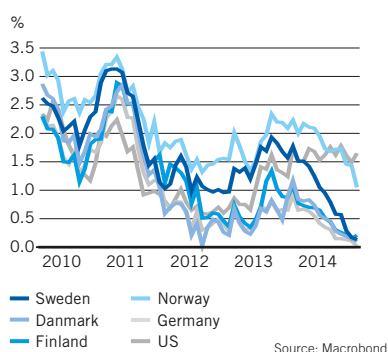
The labour supply in Sweden continued to grow during the year, which contributed to an unchanged high level of unemployment.

Housing construction



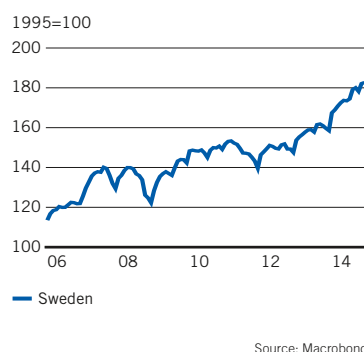
Sweden has a huge shortage of housing that will take many years to overcome, caused by low housing construction for nearly 20 years.

Government bond rates (five year)



The financial market has a positive view of Sweden which, combined with low inflation, contributed to falling Swedish government bond rates.

Housing-price trends



Swedish housing prices continued to rise in 2014, due to high demand combined with a limited supply of residential properties and low interest rates.

Creating security for customers

Offering. The operations are based on customer needs and continuous work is performed to broaden and adjust the offering to create financial security for customers. Savings and mortgage repayments are key elements of customers having well-balanced private finances.

FACTS IN BRIEF

Deposits from the public
SEK 77 billion

GROWTH **11%**

Loans to the public
SEK 179 billion

GROWTH **11%**

Mortgages in the Group
SEK 126 billion

GROWTH **12%**

Agricultural loans
SEK 22 billion

GROWTH **5%**

Fund volumes
SEK 100 billion

GROWTH **20%**

Number of bank cards
425,000

GROWTH **10%**

Savings

Länsförsäkringar focuses on giving customers secure savings. For example, customers are offered savings in the form of fixed-interest and savings accounts, and also through such products as mutual fund savings, Investment Savings Accounts (ISK) and equities savings. The advisory services strive to ensure that customers have well-balanced private finances in which savings and mortgage repayments comprise key elements. Customers' private finances become more secure by making mortgage repayments.

Deposits

Deposits from the public rose 11% and have increased stably in recent years. The market share amounted to 4.7% and the number of deposit accounts increased 8%. The Investment Savings Account (ISK) displayed healthy growth during the year.

Fund and securities

Sweden's fund market grew sharply in 2014. A net total of SEK 153 billion was saved in funds during the year. Länsförsäkringar Fondförvaltning holds a market share of 3.8%, and the fund offering includes some 80 funds, of which slightly more than 30 are under Länsförsäkringar's own brand. Two new funds were started during the year, two fund managers were replaced and two funds were discontinued. The funds generated an average total return of 18% for the year.

The volume of managed funds increased 20% to SEK 100 billion during the year. A number of new services were launched in the mobile app, for instance, the bank was the first in the market to offer customers the option of managing fund savings, changing, purchasing and selling funds and shares, thus consolidating the strong position in digital services. Trading in equities and other securities is growing steadily among customers and the number of deposits rose during the year. Structured products are also offered, such as equity-linked bonds.

Lending

Länsförsäkringar was the first Swedish bank that licensed all of its mortgage advisors in 2014. Such licensing exams, which are based on proficiency requirements of the EU Mortgage Credit Directive, strengthen consumer protection and entail greater security for customers.

The bank's lending operations are continuing to grow stably and according to plan. Loans are granted at low risk. The market share for household lending amounted to 5.2%. The percentage of bank customers that have both banking and insurance with Länsförsäkringar was 93% at year-end. The largest product is retail mortgages, which comprises 71% of the loan portfolio. Retail mortgages are mostly granted by Länsförsäkringar Hypotek, which offers mortgages up to 75% of the market value on the granting date, and any surplus mortgage portions are offered by Länsförsäkringar Bank. The maximum loan-to-value ratio was 85% of the market value. The bank offers loans to tenant-owners' associations and to multi-family housing.

Länsförsäkringar is the fourth largest provider of agricultural loans in Sweden. The bank's agricultural loans are primarily targeted to family-owned agricultural operations that are insurance customers with Länsförsäkringar. The percentage of agricultural customers that have both banking and insurance with Länsförsäkringar was 95% at year-end. On average, agricultural lending comprises small commitments and the percentage of first-lien mortgages amounted to 90%. During the year, agricultural lending continued to grow at a lower rate than other lending.

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

Payments and bank cards

Bank cards are continuously developed to offer customers security and a high level of service in their payment services. The number of bank cards increased 10% to 425,000 and the number of payment transactions by card rose 15% to 103 million. In-store bank card transactions increased 16% to 97 million transactions.

The Swish service, which allows private individuals to send payments

directly to the recipient's account number using a mobile telephone number, performed well during the year. Länsförsäkringar Bank, which is one of the drivers of the Swish partnership, owns 10% of the company that manages and develops the service.

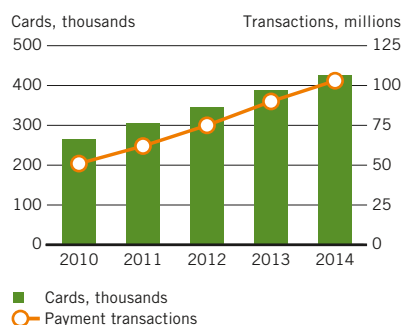
Business segment

Deposits in the business segment continued to grow. The largest increase was noted in deposits in trading and investment accounts, which reported strong growth of 25% for the year. Deposits from small businesses rose 10% to SEK 9.5 billion during the year and loans to small businesses amounted to SEK 1.5 billion.

Offering to young people

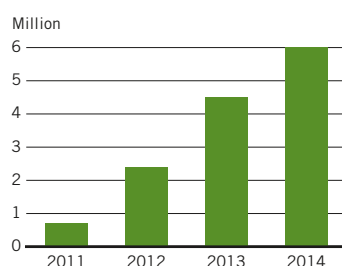
The bank's offering to young people directed to teenagers aged 12–17 is one of the best in the market. The young person's bank card makes everyday life easy, with purchases and cash withdrawals immediately debited from the relevant account. A card and payment service is offered to young people from the age of 16, comprising a young person's account and bank card, Internet and telephone banking and digital services. The account is connected to the Swish service, which means that money can be sent and received via mobile telephone. The offering to young people performed well during the year.

Card payment transactions



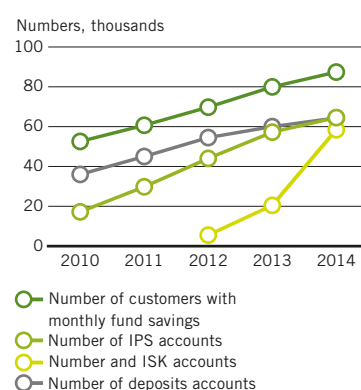
The number of bank cards and payment transactions by card is steadily increasing.

Mobile app logins per month



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

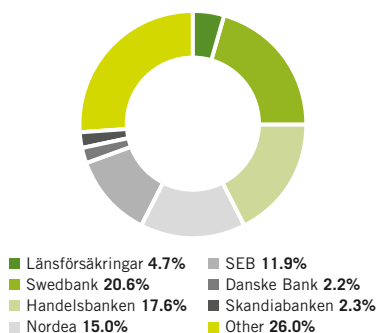
Savings in funds and structured products



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

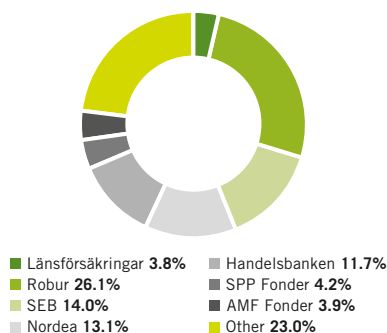
MARKET SHARES

Deposits in retail market



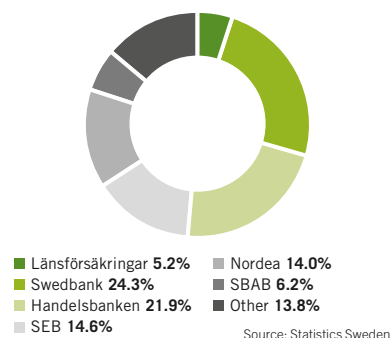
The market position in retail deposits strengthened from 4.5% to 4.7% during the year.

Fund volumes



Länsförsäkringar holds a 3.8% market share of Swedish fund volumes.

Household and retail mortgages



The market position in household and retail mortgages strengthened from 5.0% to 5.2% during the year.

Loan portfolio with high credit quality

Loans and credit quality. All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans are primarily directed towards retail mortgages for private individuals.

Credit process

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

The credit regulations, based on a conservative risk appetite, combined with the credit scoring process and advisors' local customer and market knowledge, create a loan portfolio that maintains high credit quality. The credit regulations impose strict requirements on customers' repayment capacity and the quality of collateral. In connection with credit scoring, borrowers' repayment capacity is tested using "left to live on" calculations. These calculations apply a significantly higher interest rate than the actual rate. Particular emphasis is placed on repaying mortgages, and the bank has specific repayment requirements for second-lien mortgages and also advises customers to make repayments on their first-lien mortgages. The quality of the loan portfolio and value of the collateral are continuously monitored and reviewed.

Mortgages for private individuals

Loans to the public amounted to SEK 179 billion. Retail mortgages for private individuals' housing comprises 71% of the loan portfolio. First-lien mortgages, meaning loans of up to 75% of the market value, account for 93% of retail mortgages. The maximum loan-to-value ratio is 85% of the value. A total of 79% of the collateral for retail mortgages comprises single-family homes and 21% tenant-owned apartments. The average loan commitment is low at SEK 1 million per borrower. 70% of borrowers have a commitment of less than SEK 2 million. The weighted average loan-to-value (LTV) ratio amounted to 66%. Market-value analyses of the collateral in retail mortgages are performed continuously and a market-value update is performed at least once per year for all single-family homes and tenant-owned apartments.

First-lien mortgages for multi-family housing primarily to tenant-owners' associations amounted to slightly less than 3.9% of the loan portfolio.

First-lien mortgages to agricultural operations

A total of 90% of loans to the agricultural segment, which accounts for 12.5% of the loan portfolio, comprises first-lien mortgages. The remaining agricultural lending comprises second-lien mortgages and operating credits. Family-owned agricultural operations account for 95% of agri-

cultural lending. The average commitment is low at SEK 1.9 million per borrower. During the year, agricultural lending continued to grow at a lower rate than other lending.

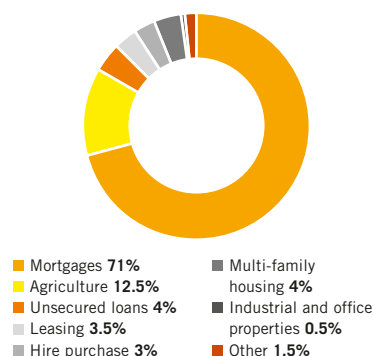
Leasing, hire purchase and unsecured loans

Leasing, hire purchase and unsecured loan products account for 10.8% of the Group's loan portfolio. Leasing and hire purchase are offered by Wasa Kredit and unsecured loans are offered by both Wasa Kredit and the bank.

Loans to small businesses

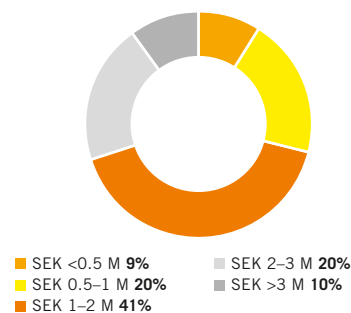
Loans to small businesses totalled SEK 1.5 billion at year-end, of which SEK 0.8 billion comprised first-lien mortgages for industrial and office properties and SEK 0.7 billion comprised operating credits to small businesses. The business is continuing to be developed while maintaining low risk.

Loans, product distribution



The loan portfolio primarily comprises retail mortgages and agricultural loans.

Retail mortgages, distribution of commitments



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

Impairment and impaired loans

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

A new settlement model was introduced on 1 January 2014 regarding the commitment that the regional insurance companies have regarding loan losses related to the business they have originated. The model 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 settlement 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 million over two

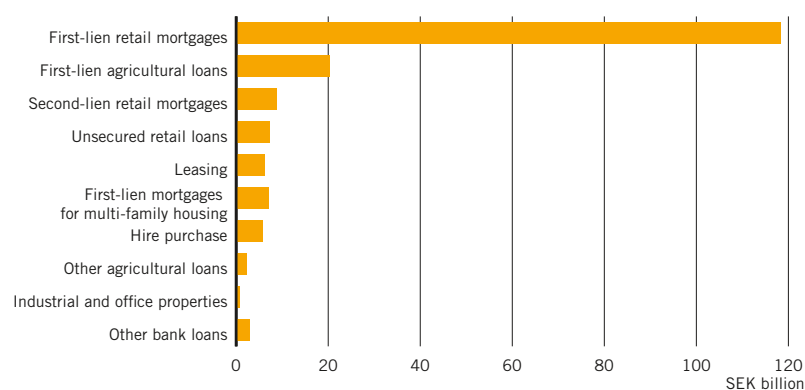
years. SEK 67 million was reversed during the year.

Loan losses amounted to SEK –7 million (126), net, corresponding to a loan loss of 0.00% (0.08). Loan losses before reversal remained low and amounted to SEK 60 million (126), net. Reserves totalled SEK 344 million (422), corresponding to a reserve ratio in relation to loans of 0.19% (0.25). In addition, SEK 80 million of the remuneration to the regional insurance companies is withheld, in accordance with the settlement model described above.

For more information concerning credit risks and credit quality, see note 3 Risks and capital adequacy on pages 41–56. For more information concerning loans, impaired loans and impairment of loan receivables, see note 2 Accounting policies on pages 34–40.

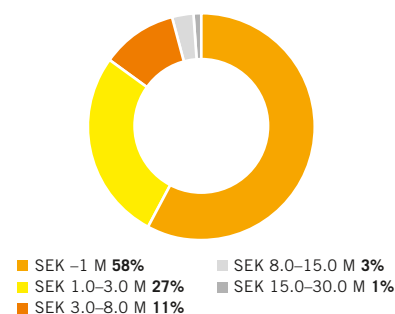


Loans, product distribution



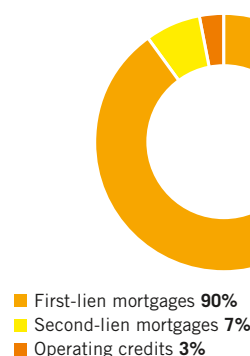
Nearly 81% of the loan portfolio comprises first-lien mortgages for private housing, agriculture, multi-family housing and industrial and office properties.

Agricultural loans, distribution of commitments



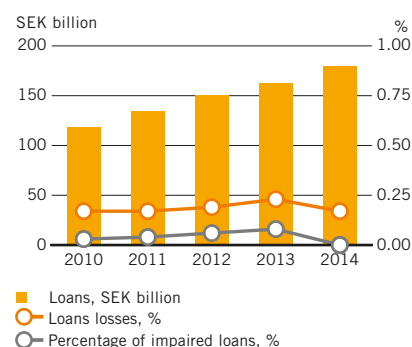
The average agricultural commitment is SEK 1.9 million per counterparty and 85% of agricultural lending has a commitment per counterparty of up to SEK 3 million.

Agricultural loans, product distribution



A total of 90% of agricultural loans are first-lien mortgages and the percentage of first-lien mortgages has increased steadily since 2008.

Loans, impaired loans and loan losses



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

Strong liquidity

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

Objectives

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

Financing sources

The composition of financing is a result of the bank being a retail bank with large mortgage lending operations. Accordingly, the main financing sources are deposits in Länsförsäkringar Bank and funding based on Länsförsäkringar Hypotek's covered bonds. These covered bonds have the highest credit ratings, Aaa from Moody's and AAA/Stable from Standard & Poor's. Long-term senior funding and short-term commercial paper funding takes place in Länsförsäkringar Bank. The Group endeavours to maintain a sound balance of covered and senior funding and all capital market funding is conducted under a number of funding programmes. The single most important source of financing is the Swedish covered bond market, where Länsförsäkringar Hypotek has a number of outstanding liquid benchmark bonds. At year-end, Länsförsäkringar Hypotek had six outstanding benchmark loans with maturities until 2020.

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

which ensures good access to long-term financing.

Diversification

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

Refinancing and liquidity risk management

The Group works pro-actively with its outstanding liabilities by repurchasing bonds with short remaining terms against issuance of long-term liabilities as a means of managing and minimising the liquidity and refinancing risk. The market risks that arise in the lending and funding operations are managed through derivative instruments.

Deposits

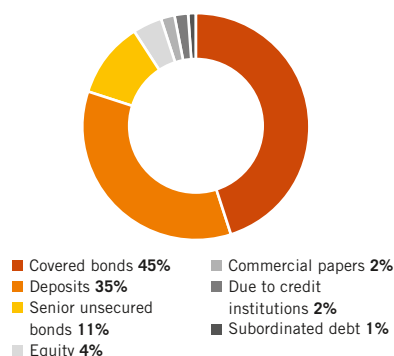
The share of deposits in the Group's total financing continued to increase during the year, amounting to 35% on 31 December

2014. The Group's position in the deposits market was strengthened as a result of the bank's robust growth in volume and customers. This trend demonstrates that deposits increased more as a percentage than loans during the year.

Funding operations

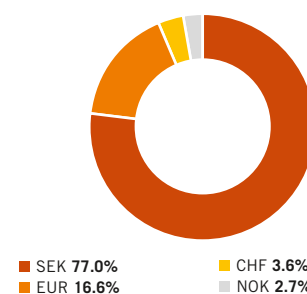
The Group had highly favourable access to funding in both the Swedish and inter-

Financing sources



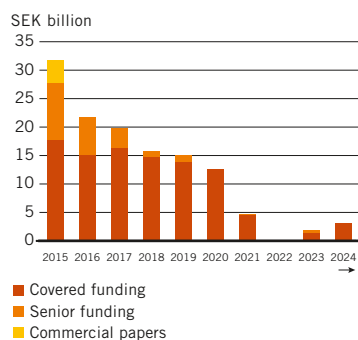
The largest source of financing in the Group is covered bonds, representing 45%.

Funding by currency

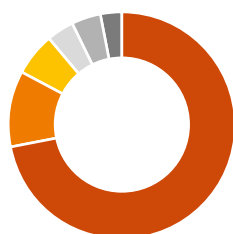


Programme funding primarily takes place in the Swedish market and in SEK.

Maturity structure

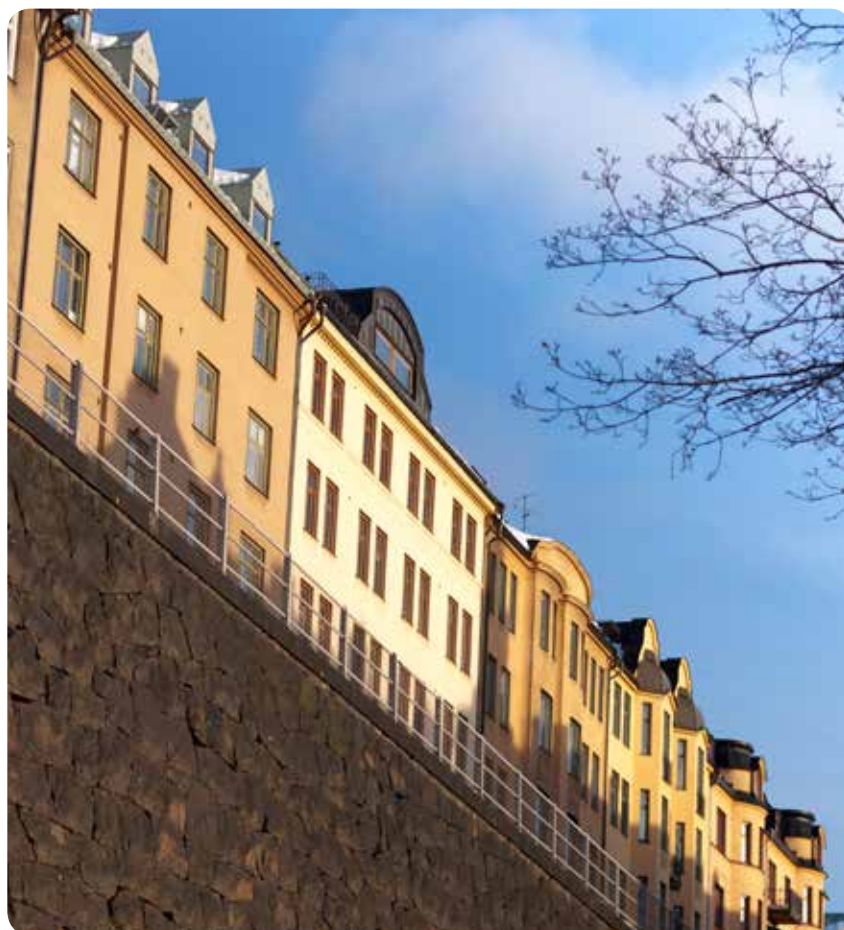


Liquidity reserve



- Swedish covered bonds AAA/Aaa 72%
- Swedish government bonds 11%
- Other Swedish bonds AAA/Aaa 6%
- Deposits with Swedish National Debt 4%
- AAA/Aaa-rated bonds issued or guaranteed by European states and multinational development 4%
- Nordic AAA/Aaa-rated cover bonds 3%

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



national markets during the year. The liabilities falling due during the year were replaced by new liabilities at lower funding costs than in the past. During the year, the bank increased the percentage of senior funding while the percentage of covered funding declined. Also, the bonds issued by the bank in 2014 continue to have longer average maturities than other maturities in recent years. Covered bonds were issued at a volume corresponding to

a nominal amount of SEK 23.9 billion and issuances of EUR, CHF and NOK were also launched. During the year, Länsförsäkringar Bank issued senior unsecured bonds for a nominal amount of SEK 8.7 billion in the currencies of SEK, EUR and NOK.

In 2014, Länsförsäkringar Hypotek issued one new covered domestic benchmark loan. The outstanding volume of commercial paper programmes was stable

and at year-end the outstanding volume of the Swedish commercial paper programme amounted to a nominal SEK 4.0 billion and to a corresponding nominal amount of SEK 0.1 billion in the international Euro-Commercial Paper Programme (ECP).

Liquidity

The bank's management of liquidity and financing is characterised by effective

FUNDING PROGRAMMES, LÄNSFÖRSÄKRINGAR BANK GROUP

Programme SEK billion, Nominal	Limit, Nominal	Issued in 2014	Issued in 2013	Outstanding, 31 Dec 2014	Outstanding, 31 Dec 2013	Remaining average term, 31 Dec 2014, years
Benchmark (Hypotek)	Unlimited	16.6	17.0	67.8	64.2	3.0
MTCN (Hypotek)	SEK 30 billion	1.1	–	4.9	4.9	2.8
EMTCN (Hypotek)	EUR 5 billion	6.2	6.5	26.0	30.1	3.8
Total covered bonds		23.9	23.5	98.7	99.2	3.2
MTN (Bank)	SEK 30 billion	8.5	8.1	20.5	19.8	1.5
EMTN (Bank)	EUR 2 billion	0.2	2.7	2.9	2.7	2.3
Total senior unsecured bonds		8.7	10.8	23.4	22.5	1.6
DCP (Bank)	SEK 15 billion	–	–	4.0	1.8	0.3
ECP (Bank)	EUR 1.5 billion	–	–	0.1	0.2	0.3
Total commercial papers		–	–	4.1	2.0	0.3
Total Group		42.2	44.3	126.1	123.7	2.8

long-term planning and a high level of control. A satisfactory liquidity reserve is in place to ensure that sufficient liquidity is always available. The management and investment of the liquidity reserve are conservative and take place within the limits established by the Board in the Financial Policy.

According to the Swedish Bankers' Association's definition, the liquidity reserve amounted to SEK 45 billion at 31 December 2014. The liquidity reserve is invested in securities with very high credit quality and that are eligible for transactions with the Riksbank and, where appropriate, with the ECB. A total of 72% of the liquidity reserve comprises Swedish covered bonds, 6% other Swedish bonds with a credit rating of AAA/Aaa, 11% Swedish government bonds, 4% AAA/Aaa-rated bonds issued or guaranteed by European governments and multinational development banks, 3% other Nordic AAA/Aaa-rated covered bonds and 4% investments with the Swedish National Debt Office. By utilising the liquidity reserve, contractual undertakings for just under 1.5 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 192% (230) at 31 December 2014. The LCR in EUR amounted to 535,297% (1,847) at 31 December 2014.

Rating

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

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

Stronger commitment

Employees. The work on creating efficient, business-driven and value-based operations is generating results – today Länsförsäkringar Bank has a stronger commitment and more satisfied employees and managers that most other banks in the market.

Employees in 2014

In 2014, the Bank Group had 380 employees, of whom women numbered 174 and men 206. The average age for both men and women was 43. The bank has 61 employees in managerial positions. In addition to the employees of the Group, there were 792 bank advisors and employees in the 23 the regional insurance companies.

Dedicated employees

Competent leadership, active change management, a positive work environment and dedicated employees are important prerequisites and focus areas. The 2014 employee survey revealed that employees believe that the company has largely succeeded in living up to these ambitions.

Employeeeship

Employeeeship at Länsförsäkringar means taking responsibility for one's own performance, competencies and health, which is stated in the personnel policy and the company's performance management work model. The basis for all employee performance and development, in both the short and long term, is the business plan and values.

Employeeeship also involves actively making improvements to the operations, for example, based on the Lean activities that have been introduced throughout the organisation. The purpose of introducing Lean is to develop the company's overall work on continuous improvements,

which will lead to more satisfied customers, enhanced efficiency and profitability.

Leadership

A clearly defined leader profile provides guidance for the company's leaders. This leader profile, which was produced in 2013, was developed further in 2014 and introduced into the operations.

An employee profile based on values was drawn up in 2014 with participation from both employees and managers. The aim of this profile is for it to help clarify employee responsibility in terms of performance, competencies and health. The employee profile will be introduced into the operations in 2015.





Environmental work and responsible investments

Environmental work and sustainability. The Länsförsäkringar AB Group is to contribute to the sustainable development of society by being a proactive and forward-thinking banking, pension and insurance company. These efforts are to contribute to greater value for customers.

Equality

Another key issue followed up in the employee survey is that Länsförsäkringar AB is perceived to be an equal opportunity workplace by both women and men.

Health and working environment

Maintaining positive health and a good working environment is essential for improving performance and is continuously followed up in talks between managers and employees and in the annual employee survey. The basic approach is that physical activity at work increases efficiency, reduces sickness absence and improves social cohesion, and investing in health is an important part of being an attractive employer. Generous preventive health care benefits are offered and employees can exercise for one hour a week during working hours.

All employees have health care insurance that provides rapid access to private health care. This insurance entitles employees to medical consultations, personal counselling and preventive health services. Managers have a responsibility for rehabilitation of their employees, and action plans are produced together with occupational health care services to help employees return to work as soon as possible.

Joint environmental policy

The Länsförsäkringar AB Group takes an environmental approach through the organisation by reducing its impact on the environment and ensuring that its operating activities are environmentally compatible. The Länsförsäkringar AB Group's environmental management system has had ISO 14001 certification since 2004. All regional insurance companies also hold ISO 14001 certification. This certification means that, for example, the company has a structure and sustainable method for working in environmental issues integrated into the operating activities.

The bank's environmental work

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

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

Responsible loan origination

Of the bank's borrowers, environmental and social risks are mainly found among agricultural customers and small businesses. Risk management activities take place in the credit scoring for these target groups. Environmental risks can affect both the repayment capacity of the borrower and the value of any collateral provided, and the loan application is rejected if the environmental risk is too high. If the borrower's operations contain risks regarding human rights, labour law, corruption or other criminal activities, the economic risks are assessed, taking into account whether the risk should lead to the loan application being rejected.

Responsible investments in fund range

Länsförsäkringar Fondförvaltning invests in a large number of companies all over the world. To remain sustainable and competitive, the companies in which investments are made are to manage risks and opportunities related to business ethics, the environment and social issues in a responsible manner.

Länsförsäkringar Fondförvaltning works together with external experts in this work on responsible investments. An analysis process is used to identify companies that contravene international conventions and norms. The aim of this work is to use dialogue to encourage

companies that breach internationally accepted conventions and guidelines to stop such contraventions and take preventive action. If these dialogues do not achieve any results, Länsförsäkringar Fondförvaltning can, as a last resort, decide to divest its holdings in the company.

Digitisation

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

Environmentally certified suppliers

The bank ensures that all bank-product suppliers are environmentally certified. Continuous efforts are made to encourage the recycling of security code generators and increase the number of payments via the Internet and mobile app.

Green travel and efficient meetings

For business travel, journeys by rail take precedence over flying, wherever possible. Employees are also offered bicycles and public transport travel cards for business travel in the local area. Investments have been made in technical equipment that will enable meetings to be held by telephone, video or online to reduce business travel.

Lower energy consumption

Länsförsäkringar uses the Swedish Society for Nature Conservation's eco-labelled Good Environmental Choice Electricity. Reviews and efficiency enhancements of electricity, and heating and cooling systems are continuously carried out to reduce the direct impact on the environment due to emissions of carbon dioxide and other substances.

Environmental work on the website and environmental training

Information about Länsförsäkringar's environmental work is presented on both internal and external websites. All new

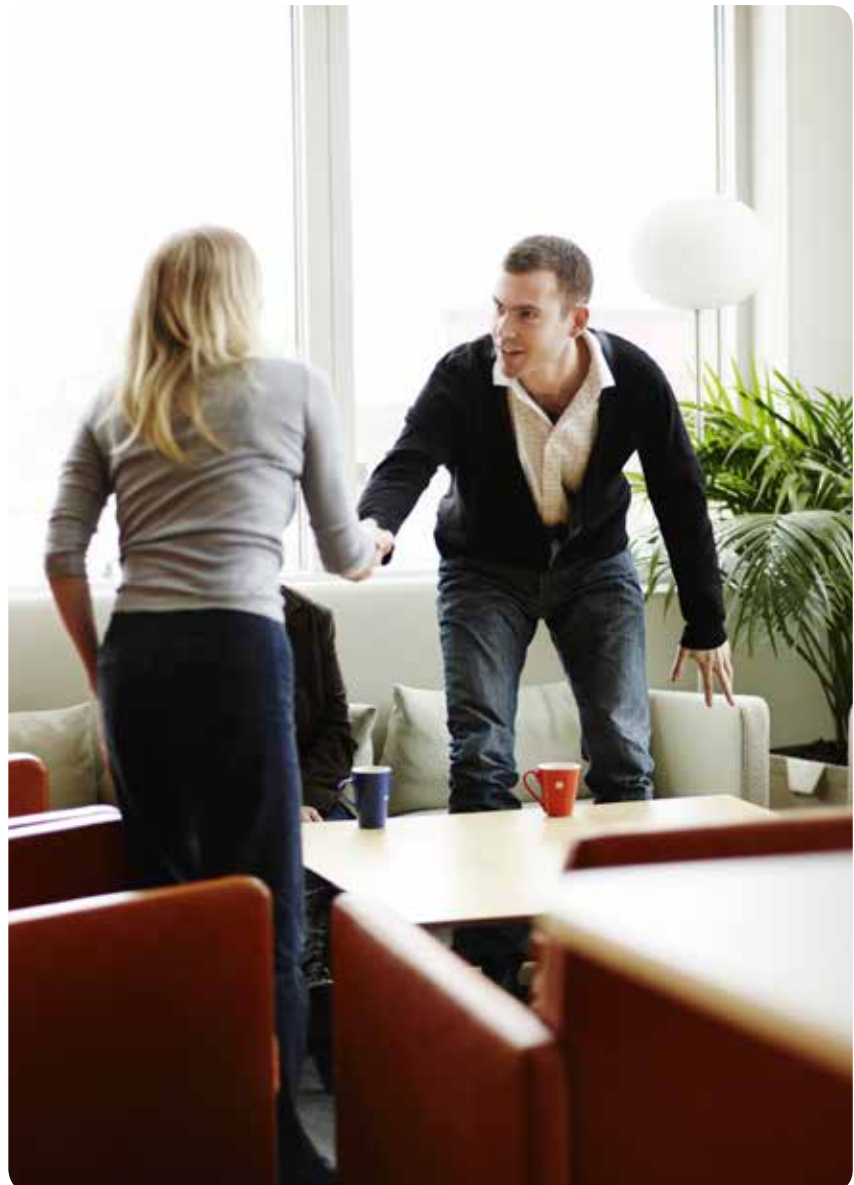
employees undergo compulsory environmental training. A number of parameters in the Environmental Handbook are reviewed annually during an external environmental audit as a contribution to the sustainable development of society.

Partnership with ECPAT

Länsförsäkringar Bank has a partnership with ECPAT in Sweden (End Child Prostitution, Child Pornography, and Trafficking of Children for Sexual Purposes), which is part of the international network of ECPAT International. ECPAT works to prevent and eliminate child prostitution, child pornography and the trafficking of

children for sexual purposes. The aim of this partnership, which takes place under the framework of the Swedish Financial Coalition Against Child Pornography, is to prevent the commercial exploration of children by impeding and preventing abuse of the Swedish payment system for buying and selling child pornography.

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



BOARD OF DIRECTORS' REPORT

The Board of Directors and President of Länsförsäkringar Bank AB (publ) hereby submit the Annual Report for 2014.

GROUP

Ownership and Group structure

Länsförsäkringar Bank AB (publ) is part of the Länsförsäkringar AB Group, with Länsförsäkringar AB (publ) as the Parent Company, which is owned by 23 independent and customer-owned regional insurance companies and 16 local insurance companies. All customer contact takes place at the regional insurance companies. Länsförsäkringar AB (publ) is responsible for conducting joint business activities, strategic development activities and providing service. The aim is to establish the conditions for the regional insurance companies to continue to grow and be successful in their respective markets.

Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) is 100% owned by Länsförsäkringar AB (publ) (Corp. Reg. No. 556549-7020). The Bank Group comprises the Parent Company Länsförsäkringar Bank AB (publ) and the wholly owned subsidiaries Länsförsäkringar Hypotek AB (publ) (Corp. Reg. No. 556244-1781), Länsförsäkringar Fondförvaltning AB (publ) (Corp. Reg. No. 556364-2783) and Wasa Kredit AB (Corp. Reg. No. 556311-9204). All companies have their registered offices in Stockholm and the abbreviated forms of these company names are used in the remainder of the Board of Directors' Report.

Focus of operations

The operations offer banking services to private individuals, agricultural customers and small businesses. The lending products of leasing, hire purchase and unsecured loans are offered to private individuals and companies through the wholly

owned subsidiary Wasa Kredit AB. Sales, advisory services and customer services are carried out through the 128 branches of the 23 regional insurance companies and via digital services and telephone. The regional insurance companies are reimbursed for sales, administration and customer care through a volume-based reimbursement system. Another part of the full-service offering is the 154 branches of Länsförsäkringar Fastighetsförmedling throughout Sweden.

Market commentary

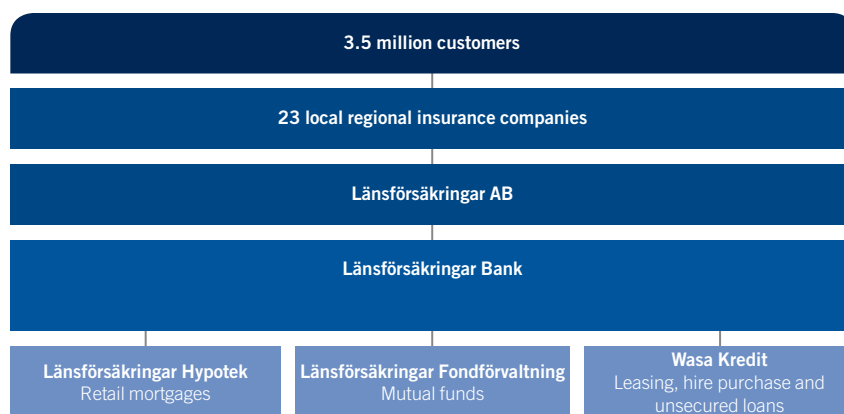
Global growth in 2014 was mainly driven by the positive performance of the US economy. The US labour market improved at a healthy rate, which meant that the Federal Reserve was able to discontinue its bond buying programme in October.

The eurozone continued to suffer in the wake of the financial crisis. Weak demand driven by an austere fiscal policy and debt absorption led to a very weak trend for both growth and inflation. Accordingly, the ECB lowered its key interest rate to 0.05% and introduced a negative Deposit Facility Rate, while starting to rigorously bolster its balance sheet, on the basis of targeted lending to banks and asset purchase programmes in the form of, for

example, covered bonds. The ECB also announced that it was prepared to implement further quantitative easing. China continued to grapple with the core problem of the Chinese economy, namely the transition from export-based to domestically driven demand and substantial economic imbalances. The risks related to bad loans in China's aggregated credit stock proved to be manageable during the year. The Swedish economy continued to perform well in relation to the eurozone. Growth and employment trends were relatively positive. Similar to the preceding year, continued relatively high unemployment was largely due to the sharp increase in the labour force. Inflation again continued to surprise negatively and was negative for the full-year 2014. As a result, the Riksbank was once again forced to take action and lower its key interest rate to zero, and it also announced that it expected to maintain a zero interest rate until 2016.

Global stock markets rose during the year, led by the US. The Swedish stock market was strong, while the performance of emerging markets was more mixed, with India at the top end of the scale and Brazil at the bottom. The difference between government bond rates and interest rates on covered bonds, and also other

Länsförsäkringar Bank – part of the Länsförsäkringar Alliance



credit bonds, continued to shrink in both Sweden and Europe. However, the sharp decline in the price of oil resulted in rising interest-rate differences in the US due to the increasing credit risk in the energy sector. In the credit market, the spreads for both Swedish covered bonds and senior bank funding continued to narrow. The prices of single-family homes and tenant-owned apartments increased 15% for the full-year 2014, according to Valueguard's HOX Index, which was largely due to high demand combined with a limited supply of residential properties and low interest rates.

Increased business volumes

Business volumes increased 13%, or SEK 40 bn, to SEK 354 bn (314). Lending rose 11%, or SEK 17 billion, to SEK 179 billion (162) with continued high credit quality. Retail mortgages in Länsförsäkringar Hypotek increased 12%, or SEK 14 bn, to SEK 126 bn (112). Deposits rose 11%, or SEK 8 bn, to SEK 77 bn (69). The volume of managed funds increased 20%, or SEK 17 billion, to SEK 100 billion (83). The increase was primarily due to the positive growth in market value and positive inflows.

High inflow of customers and growing digital channels

The number of customers rose 5% to 927,000 (879,000). The number of customers with Länsförsäkringar as their primary bank increased 10% to 350,000 (319,000) and the number of products per customer rose to 5 (4.9). 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 425,000 (388,000).

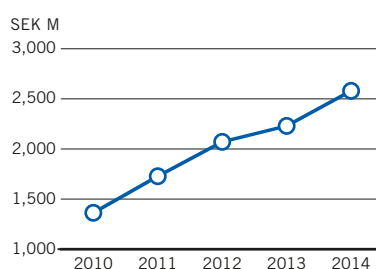
Länsförsäkringar had 6 million logins via its mobile app in December 2014, up 33% compared with December 2013. The

mobile app contains a wide range of services, such as savings, and fund trading via the mobile app accounts for a significant percentage of total fund trading.

Earnings and profitability

Profit before loan losses increased 20% to SEK 927 M (773) and operating profit rose 45% to SEK 935 M (647) due to higher net interest income, increased commission income, improved net gains from financial items and lower loan losses. Return on equity strengthened to 8.3% (6.7).

Net interest income



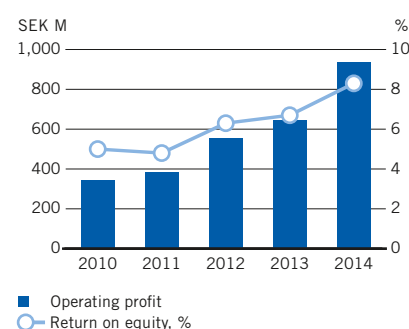
Income

Operating income rose 17% to SEK 2,454 M (2,104), due to higher net interest income, improved net gains from financial items and increased commission income. Net interest income increased 16% to SEK 2,580 M (2,230), mainly attributable to higher volumes and improved margins. The investment margin strengthened to 1.15% (1.06).

Net gains from financial items improved to SEK 98 M (–86), 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 1,312 M (1,140) due to higher income in the card and fund business. Net commission amounted to an expense of SEK –424 M (–253), attributable to higher remuneration to the regional insurance companies related to higher

business volumes and increased profitability, and increased management costs in the securities business.

Operating profit and return on equity

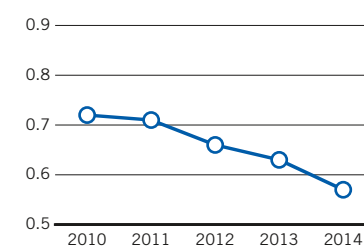


Expenses

Operating expenses excluding impairment increased 6% to SEK 1,403 M (1,319). Operating expenses including impairment rose 15% to SEK 1,526 M (1,331), primarily due to impairment of SEK 123 M resulting from changed calculation conditions for certain intangible assets. Part of the increase was also related to the fund company's higher administration costs related to increased volumes.

The cost/income ratio excluding impairment amounted to 0.57 (0.63) before loan losses and to 0.57 (0.69) after loan losses. The cost/income ratio was 0.62 (0.63) before loan losses and 0.62 (0.69) after loan losses.

Cost/income ratio before loan losses



Loan losses

The settlement model, which was introduced on 1 January 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 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 year.

Loan losses amounted to SEK –7 M (126), net, corresponding to loan losses of 0.00% (0.08). Loan losses before reversal remained low and amounted to SEK 60 M (126), net. Reserves totalled SEK 344 M (422), corresponding to a reserve ratio in relation to loans of 0.19% (0.25). In addition, SEK 80 M of the remuneration to the regional insurance companies is withheld, in accordance with the settlement model described above. Impaired loans, gross, amounted to SEK 316 M (393), corresponding to a percentage of impaired loans, gross, of 0.17% (0.23).

For more information regarding loan losses, reserves and impaired loans, see Not 17.

Deposits and savings

Deposits from the public rose 11% during the year to SEK 77 bn (69) and the total number of deposit accounts increased 8%. Deposits from small businesses amounted to SEK 9.5 bn (8.6). On 31 December 2014, the market share strengthened to 4.7% (4.5) according to Statistics Sweden. Fund volumes increased 20% to SEK 100 bn (83). 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 increased 11% to SEK 179 bn (162). On 31 December 2014, the market share of household lending was 5.2% (5.0), according to data from Statistics Sweden. Retail mortgages in Länsförsäkringar Hypotek increased 12% to SEK 126 bn (112). The percentage of retail mortgages in relation to the total loan portfolio was at 71%. The market share for retail mortgages on 31 December 2014 was 5.1% (4.9), according to data from Statistics Sweden. Agricultural lending increased 5% to SEK 22 bn (21). First-lien mortgages for agricultural properties, which accounted for the entire increase in agricultural loans, increased to SEK 20 bn (18), corresponding to 90% (89). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 1.9 M on 31 December 2014. Agricultural lending is continuing to grow at a lower rate than other loans. Loans to small businesses remained unchanged SEK 1.5 bn (1.7) on 31 December 2014.

LOAN PORTFOLIO Lending segment, %	31 Dec 2014	31 Dec 2013
Retail mortgages	71%	71%
Agricultural loans	12.5%	13%
Multi-family housing	4%	3.5%
Industrial and office properties	0.5%	0.5%
Total	88%	88%
Leasing	3.5%	4%
Hire purchase	3%	3%
Total	94.5%	95%
Unsecured loans	4%	4%
Other	1.5%	1%
Total	100%	100%

Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 4% to

SEK 129 bn (124), of which covered bonds amounted to SEK 101 bn (99), senior, long-term funding to a nominal SEK 23 bn (22) and short-term funding to SEK 4 bn (2). The average remaining term for the long-term funding was 2.8 years (2.6) on 31 December 2014.

Covered bonds were issued during the year at a volume corresponding to a nominal SEK 24 billion (23.5), repurchased covered bonds to a nominal SEK 8 billion (7) and matured covered bonds to a nominal SEK 17 billion (8) during the year. Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 9 bn (11) during the year.

Liquidity

On 31 December 2014, the liquidity reserve totalled SEK 45 bn (46), according to the Swedish Bankers' Association's definition. The liquidity reserve is invested in securities with very high credit quality and that are eligible for transactions with the Riksbank and, where appropriate, with the ECB. A total of 72% of the liquidity reserve comprises Swedish covered bonds, 6% other Swedish bonds with a credit rating of AAA/Aaa, 11% Swedish government bonds, 4% deposits with the Swedish National Debt Office, 4% AAA/Aaa-rated bonds issued or guaranteed by European governments and multinational development banks and 3% other Nordic AAA/Aaa-rated covered bonds. By utilising the liquidity reserve, contractual undertakings for just under 1.5 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 192% (230) on 31 December 2014 and was an average of 214% (253) during the fourth quarter of 2014. The LCR in EUR amounted to 535,297% (1,847) on 31 December 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.

Capital adequacy, Bank Group

The Group applies the Internal Ratings-based Approach (IRB Approach). The advanced IRB Approach is applied to all retail exposure and to most of the counterparty exposures to corporates and the agricultural sector. The foundation IRB Approach is used for other counterparty exposures to corporates and the agricultural sector, and the Standardised Approach for other exposures. The Risk Exposure Amount (REA) in the Bank Group on 31 December 2014 amounted to SEK 52,882 M (50,465). The total REA for 2014 was primarily driven by the CVA (Credit Value Adjustment) introduced through Basel III. REA for CVA amounted to SEK 1,921 M. The increase in exposures under the IRB Approach was related to the continued growth in lending. REA related to households in the form of mortgages increased SEK 839 M during the period, while REA for smaller companies fell SEK 140 M. REA under the Standardised Approach declined SEK 380 M, which was largely due to lower exposure in covered bonds.

Common Equity tier 1 capital amounted to SEK 8,564 M (7,441). The increase in Core Tier 1 capital primarily comprised generated profit of SEK 712 M and a capital contribution of SEK 550 M during the first six months of the year. Tier 1 capital amounted to SEK 8,564 (7,441). The Core Tier 1 ratio and Tier 1 ratio amounted to 16.2% (14.7) at the end of the period. The capital base amounted to SEK 10,869 M (9,436) and the capital adequacy ratio was 20.6% (18.7) at the end of the

period. With the introduction of Basel III, most of the deductions that could previously be made in Tier 2 capital have been moved to Common Equity tier 1 capital. The greatest impact on Länsförsäkringar is the IRB deficit, which was previously a 50% deduction in Tier 2 capital but is now deducted in its entirety in Common Equity tier 1 capital. A deduction of SEK 49 M was made during the year due to regulatory requirements regarding prudent valuation of items in the category of fair value. The deduction is made against Common Equity tier 1 capital.

According to the Swedish Financial Supervisory Authority's regulations on prudential requirements and capital buffers, decided in June 2014, the capital conservation buffer is to amount to 2.5% of the company's total risk-weighted exposure amount and be covered by Common Equity tier 1 capital. This corresponds to SEK 1,320 M in the Bank Group. In Pillar II, the risk weight floor for mortgages was raised to 25% from September 2014. To attain this risk weight floor, the capital requirement was increased by SEK 1,132 M. For more information on the calculation of capital adequacy, see Note 13.

Capital adequacy, consolidated situation¹⁾

With the CRR (Capital Requirement Regulation 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. As previously stated in the company's reports, the bank has submitted 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. The owners expressed their intention in the interim report dated 31 March 2014 to ensure that the bank will remain well-capitalised according to the new consolidated situation.

REA in the consolidated situation on 31 December 2014 amounted to SEK 60,250 M (59,729). The increase in REA for the quarter under the IRB Approach remained related to the continued growth in lending, primarily to households in the form of mortgages which rose SEK 473 M during the period. Under the Standardised Approach, REA increased a total of SEK 587 during the period, primarily due to increases in the exposure classes of covered bonds and other assets. Common Equity tier 1 capital and Tier 1 capital amounted to SEK 8,369 M (8,128). The Core Tier 1 ratio and the Tier 1 ratio amounted to 13.9% (13.6) on 31 December 2014. The capital base was SEK 10,514 M (10,274) and the capital adequacy ratio amounted to 17.5% (17.2). The increase in Core Tier 1 capital primarily comprised profit generated in the Bank Group.

A deduction of SEK 51 M was added during the year due to regulatory requirements for prudent valuation of items in the fair value category. The deduction is made against Common Equity tier 1 capital. According to the Swedish Financial Supervisory Authority's regulations on prudential requirements and capital buffers, decided in June 2014, the capital conservation buffer is to amount to 2.5% of the company's total risk-weighted exposure amount and be covered by Common Equity tier 1 capital. This corresponds to SEK 1,506 M in the consolidated situation. In Pillar II, the risk weight floor for mortgages was raised to 25% from September 2014. To attain this risk weight floor, the capital requirement was increased by SEK 1,132 M.

¹⁾ The comparative period pertains to 30 September 2014.

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

Employees

In 2014, the Group had an average of 413 (369) employees, of whom women numbered 202 (176) with an average age of 43 and men numbered 211 (193) with an average age of 43. The bank has 61 employees in managerial positions. In addition to the employees of the Group, there were 792 bank advisors and employees in the 23 the regional insurance companies on 31 December 2014.

Competent leadership, active change management, a positive work environment and dedicated employees are important prerequisites and focus areas. The 2014 employee survey revealed that employees believe that the company has largely succeeded in living up to these ambitions.

Employeeeship at Länsförsäkringar AB means taking responsibility for one's own performance, competencies and health, which is stated in the personnel policy and the company's performance management work model. The basis for all employee performance and development, in both the short and long term, is the business plan and values. Employees receive feedback on their performance at monthly follow-up talks with their immediate manager.

Employeeeship also involves actively making improvements to the operations, for example, based on the Lean activities that have been introduced throughout the organisation. The purpose of introducing Lean is to develop the company's overall work on continuous improvements, which will lead to more satisfied customers, enhanced efficiency and profitability.

A clearly defined leader profile provide guidance for the company's leaders. This leader profile, which was produced in 2013, was developed further in 2014 and introduced into the operations.

An employee profile based on values was drawn up in 2014 with participation

from both employees and managers. The aim of this profile is for it to help clarify employee responsibility in terms of performance, competencies and health. The employee profile will be introduced into the operations in 2015.

Another key issue followed up in the employee survey is that Länsförsäkringar AB is perceived to be an equal opportunity workplace by both women and men.

Environment and sustainable investments

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

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

Through its funds, Länsförsäkringar Fondförvaltning is invested in a large number of companies all over the world. To remain sustainable and competitive, the companies in which investments are made should manage risks and opportunities related to business ethics, the environment and social issues in a responsible manner. Länsförsäkringar Fondförvaltning works together with external experts in this work on responsible investments. An analysis process is used to identify

companies that contravene international conventions and norms. The aim of this work is, based on dialogue, to encourage companies that breach internationally accepted conventions and guidelines to stop such contraventions and take preventive action to prevent future violations happening again. If these dialogues do not achieve any results, Länsförsäkringar Fondförvaltning can, as a last resort, decide to divest its holdings in the company.

In recent years, a large degree of customer communication – traditionally paper-based – has been replaced by digital services. The long-standing aim is to increase the amount of digitally distributed customer information by 50%. The bank ensures that all bank-product suppliers are environmentally certified. For business travel, rail travel takes precedence over flying, wherever possible.

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, market risks and liquidity risks. The macroeconomic situation in Sweden is critical for credit risk, since all loans are granted in Sweden. Credit risk comprises the risk of borrowers being unable to meet their financial commitments and that any collateral provided does not cover the receivable. Credit risk also includes counterparty risk and concentration risk. Loan losses remained very low and the refinancing of business activities was highly satisfactory during the year.

Market risks, the risk of a decrease in the company's earnings and equity due to changes in market factors, predominately comprise interest-rate risks and are managed by matching terms and by making use of derivative instruments. The bank has highly diversified funding and a liquidity reserve comprising securities with high liquidity and creditworthiness,

which means that the reserve can be rapidly converted into cash and cash equivalents. In addition to these, there are unutilised funding programmes that, in combination, provide opportunities for managing the risk inherent in the difference between the contractual cash flows of assets and liabilities.

Liquidity risk is the risk that the Group is unable to refinance existing assets or is unable to meet increased liquidity demands within a defined period of time. This also includes the risk of being forced to raise loans at unfavourable interest rates or being forced to divest assets at a loss to fulfil its payment commitments. To reduce this risk, the bank has achieved a highly diversified range of financiers, financing sources and financing periods, and a sound balance of terms in its financing in relation to maturities in its lending. The financial instruments used to achieve this diversification include interest-rate swaps, bonds and repurchase agreements.

For further information about the risks in the operations, risk and capital management and the principles for risk governance, see note 3 Risks on page 41.

Expectations regarding future development

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

Events after year-end

The Board of Directors of Länsförsäkringar AB decided at a Board meeting on

10 February 2015 to pay a shareholders' contribution of SEK 500 M to Länsförsäkringar Bank during the first quarter of 2015.

Calculated proforma as if the contribution had been paid on 31 December 2014, the shareholders' contribution entails that the Bank Group's Core Tier 1 ratio is raised from 16.2% to 17.2%.

In addition, the Tier 1 ratio, calculated proforma, increases from 16.2% to 17.2% and the capital adequacy ratio is raised proforma from 20.6% to 21.5%.

On 18 February 2015, the Riksbank lower its repo rate to -0.10 percent due to continued low inflation and falling inflation expectations.

PARENT COMPANY

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

Loans to the public rose 7%, or SEK 3 bn, to SEK 39 bn (36). Deposits from the public increased 11%, or SEK 8 bn, to SEK 77 bn (69). Debt securities in issue rose 13%, or SEK 3 bn, to SEK 28 bn (25).

Earnings

Operating profit rose to SEK 147 M (2). Operating income increased 21% to SEK 957 M (791), largely a result of increased net interest income. Net interest income rose 19% to SEK 948 M (796). Commission income increased 9% to SEK 324 M (298) due to higher income in the card and securities business. Commission expense amounted to SEK 573 M (552). Operating expenses rose 21% to SEK 857 M (708), primarily due to impairment of SEK 123 M resulting from changed calculation conditions for certain intangible assets. Operating expenses excluding impairment increased 4% to SEK 734 M (708).

The new settlement model, which was introduced on 1 January 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 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 year. Loan losses amounted to SEK -47 M (80), net. Loan losses before reversal remained low and amounted to SEK 10 M (80), net.

PROPOSED APPROPRIATION OF THE PARENT COMPANY'S UNAPPROPRIATED EARNINGS

SEK	
Other reserves	75,209,448
Retained earnings	7,215,906,000
Net profit for the year	86,419,220
Profit to be appropriated	7,377,534,668

The Board proposes that SEK 7,377,534,668 be carried forward.

SUBSIDIARIES

Länsförsäkringar Hypotek AB

Retail mortgages in the bank's mortgage institution increased 12%, or SEK 14 bn, to SEK 126 bn (112). 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 33% to SEK 405 M (305) attributable to higher net interest income and improved net gains from financial items. Net interest income rose 17% to SEK 1,001 M (852).

The new settlement model, which was introduced on 1 January 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 model means that 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 year. Loan losses amounted to SEK –11 M (7), net, corresponding to loan losses of –0.01% (0.01). Loan losses before reversal remained low and amounted to SEK –1 M (7), net. The number of retail mortgage customers rose 7% to 201,000 (188,000).

Länsförsäkringar Hypotek AB, SEK M	31 Dec 2014	31 Dec 2013
Total assets	148,244	136,668
Lending volume	126,128	112,143
Net interest income	1,001	852
Operating profit	405	305

Wasa Kredit

Lending volumes increased 5% to SEK 15 bn (14). Operating profit rose 22% to SEK 306 M (250), largely a result of increased net interest income and lower expenses. Net interest income increased 9% to SEK 631 M (581), due to higher margins and growth in hire purchase and unsecured loans. Operating expenses declined 3% to SEK 417 M (431) and loan losses amounted to SEK 50 M (40), net.

Wasa Kredit, SEK M	31 Dec 2014	31 Dec 2013
Total assets	15,034	14,229
Lending volume	14,648	13,852
Net interest income	631	581
Operating profit	306	250

Länsförsäkringar Fondförvaltning

The volume of managed funds increased 20%, or SEK 16 bn, to SEK 100 bn (83), due to a positive trend in value growth and positive net flow. The company manages 33 (33) mutual funds with various investment orientations. The funds are available as direct fund savings, IPS, ISK, unit-linked insurance and through the PPM system. Operating profit amounted to SEK 78 M (91).

Länsförsäkringar Fondförvaltning AB, SEK M	31 Dec 2014	31 Dec 2013
Total assets	333	242
Assets under management	99,643	83,196
Net flow	1,727	3,246
Net commission	340	305
Operating profit	78	91

Five-year summary for the Group

SEK M	2014	2013	2012	2011	2010
INCOME STATEMENT					
Interest income	8,523.2	9,488.7	10,429.0	9,529.8	5,634.4
Interest expense	-5,942.8	-7,258.3	-8,357.9	-7,801.5	-4,271.6
Net interest income	2,580.4	2,230.4	2,071.1	1,728.3	1,362.8
Net commission expense	-423.8	-252.9	-384.9	-416.2	-173.4
Dividends received	0.1	0.1	0.0	0.0	0.2
Net gains / losses from financial items	97.8	-85.7	5.4	9.9	10.0
Other operating income	199.1	211.8	190.3	197.6	168.8
Total operating income	2,453.6	2,103.7	1,881.9	1,519.6	1,368.4
General administration expenses	-1,317.2	-1,216.3	-1,133.7	-1,003.1	-899.2
Depreciation/amortisation	-209.0	-114.2	-101.6	-82.9	-82.3
Total expenses before loan losses	-1,526.2	-1,330.5	-1,235.3	-1,086.0	-981.5
Profit before loan losses	927.3	773.2	646.6	433.6	386.9
Loan losses, net	7.3	-126.4	-91.3	-48.2	-41.6
Profit from banking operations/Operating profit	934.6	646.8	555.3	385.4	345.3
Tax	-222.8	-168.0	-122.6	-87.6	-100.0
Net profit for the year	711.9	478.8	432.7	297.8	245.3
BALANCE SHEET					
Cash and balances with central banks	25.8	108.5	109.4	66.9	84.8
Treasury bills and other eligible bills	5,409.3	4,881.4	5,222.3	8,341.5	4,170.0
Loans to credit institutions	1,789.6	5,957.9	2,852.9	1,706.1	1,529.8
Loans to the public	179,424.3	162,003.2	149,941.9	134,011.3	117,910.2
Bonds and other interest-bearing securities	36,104.1	35,200.6	32,684.7	20,628.2	21,203.3
Shares and participations	11.7	88.9	11.0	10.4	10.4
Derivatives	5,257.6	1,337.7	1,874.8	1,566.7	1,041.9
Fair value changes of interest-rate-risk hedged items in portfolio hedge	1,146.5	550.8	878.1	709.9	140.6
Intangible assets	309.6	397.1	445.8	438.6	372.7
Property and equipment	10.3	11.6	9.2	9.7	13.1
Deferred tax assets	8.8	9.2	12.3	6.0	3.1
Other assets	437.6	571.1	558.6	251.2	254.4
Prepaid expenses and accrued income	2,245.0	2,601.5	2,558.2	2,309.9	1,799.5
Total assets	232,180.2	213,719.5	197,159.2	170,056.4	148,533.8
Due to credit institutions	3,390.1	1,860.6	1,062.9	2,192.0	5,212.3
Deposits and funding from the public	76,789.7	69,220.0	62,396.3	49,610.2	41,590.1
Debt securities in issue	128,656.4	123,634.9	114,263.3	101,279.5	89,248.0
Derivatives	2,591.7	2,780.3	3,104.0	2,458.2	2,093.6
Fair value changes of interest-rate-risk hedged items in portfolio hedge	3,824.4	645.9	2,176.6	1,836.6	-392.4
Deferred tax liabilities	214.2	143.7	82.9	58.7	72.9
Other liabilities	771.7	739.9	1,282.4	991.2	780.6
Accrued expenses and deferred income	4,033.6	4,090.2	4,112.2	3,791.6	3,130.9
Provisions	11.7	15.9	18.0	16.3	18.9
Subordinated liabilities	2,299.7	2,299.7	1,489.7	1,489.7	1,250.0
Equity	9,597.0	8,288.4	7,171.9	6,332.4	5,528.9
Total liabilities and equity	232,180.2	213,719.5	197,159.2	170,056.4	148,533.8
KEY FIGURES					
Return on equity, %	8.3	6.7	6.3	4.8	5.0
Return on total capital, %	0.42	0.31	0.30	0.24	0.24
Investment margin, %	1.15	1.06	1.11	1.07	0.93
Cost/income ratio before loan losses	0.62	0.63	0.66	0.71	0.72
Cost/income ratio after loan losses	0.62	0.69	0.70	0.75	0.75
Core Tier 1 ratio, %	16.2	14.4 ¹⁾	13.1 ²⁾	11.5 ²⁾	11.1 ²⁾
Tier 1 ratio, %	16.2	14.4 ¹⁾	13.7 ²⁾	12.1 ²⁾	11.8 ²⁾
Capital adequacy ratio, %	20.6	19.1 ¹⁾	15.6 ²⁾	14.0 ²⁾	13.5 ²⁾
Percentage of impaired loans, %	0.17	0.23	0.19	0.17	0.17
Reserve ratio in relation to loans, %	0.19	0.25	0.21	0.21	0.24
Loan losses in relation to lending, %	0.00	0.08	0.06	0.04	0.03

¹⁾ According to Länsförsäkringar Bank's current interpretation of the regulations.

²⁾ According to Basel II.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Länsförsäkringar Bank AB (Länsförsäkringar Bank) is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 customer-owned regional insurance companies and 16 local insurance companies. Länsförsäkringar AB, with its subsidiaries and owners, jointly comprise the Länsförsäkringar Alliance.

Länsförsäkringar Bank is a public limited liability company, and the company's bonds are listed on Nasdaq Stockholm and the Luxembourg Stock Exchange. Länsförsäkringar Bank complies with the applicable parts of the Swedish Corporate Governance Code (the Code). Deviations are primarily due to Länsförsäkringar Bank not being a stock-market company. Deviations from the provisions of the Code and explanations for such deviations are presented below in the Deviations from the Code section on page 28.

CORPORATE GOVERNANCE

Länsförsäkringar Bank, with its subsidiaries Länsförsäkringar Fondförvaltning AB (publ), Länsförsäkringar Hypotek AB (publ) and Wasa Kredit AB (Wasa Kredit), comprises the Bank business unit of the Länsförsäkringar AB Group.

The Länsförsäkringar AB Group has a corporate-governance system based on Länsförsäkringar AB's assignment from its owners. The Bank business unit aims to ensure satisfactory control and management of the unit within the framework of the corporate-governance system.

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

and the third, the Internal Audit function.

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

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

An outline of the governance and reporting structure is provided in the diagram on page 29.

SHAREHOLDERS AND GENERAL MEETING

Shareholders exercise their voting rights at the Annual General Meeting, which is the highest decision-making body. A general meeting is normally held once per year, the Annual General Meeting. Länsförsäkringar AB owns 100% of the share capital and voting rights.

Decisions are made at the Annual General Meeting regarding the Annual Report, the election of members of the Board and auditors, fees and other remuneration to Board members and auditors, and other important matters to be addressed in accordance with laws or the Articles of Association. The proposal for remuneration to Board members is specified for the Chairman and other Board members.

NOMINATION COMMITTEE

Nomination process

The Annual General Meeting of Länsförsäkringar AB appoints a Nomination Committee. The Nomination Committee is charged with the task of presenting proposals regarding the Board of Directors and auditors of Länsförsäkringar AB, and, in consultation with the CEO of Länsförsäkringar AB, proposals regarding, for example, the Board of Directors and auditors of Länsförsäkringar Bank, and fees and other remuneration to these members and auditors.

The Nomination Committee is also responsible for ensuring that a suitability

assessment of proposed Board members is performed. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. New Board members are recruited in accordance with the Nomination Committee's instructions and established procedures and processes. When recruiting new Board members prior to the 2015 Annual General Meeting, the diversity policy established in 2014 will also be applied, according to which a minimum age, gender, geographic origin, educational and professional background are to be considered in order to promote independent views and a critical and questioning attitude in the Boardroom. See also the section on Suitability assessment of the Board of Directors and the President on page 28.

Nomination Committee prior to 2015 Annual General Meeting

The Nomination Committee has comprised Otto Ramel as Chairman (Länsförsäkringar Skåne), Ulf W Eriksson (Länsförsäkringar Värmland), Per-Åke Holgersson (Länsförsäkring Kronoberg), Conny Sandström (Länsförsäkringar Västerbotten) and Örian Söderberg (Länsförsäkringar Jönköping) since the 2014 Annual General Meeting of Länsförsäkringar AB.

Prior to the Annual General Meeting, the Nomination Committee has:

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

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

- make a decision regarding the independence of candidates,
- nominate Board members, the Board Chairman and auditors,

- carry out suitability assessments of Board members, and
- propose fees and other remuneration to Board members and auditors.

EXTERNAL AUDITORS

The Annual General Meeting appoints the external auditors. Nominations are made to the Nomination Committee. In accordance with the Articles of Association, Länsförsäkringar Bank is to have between one and three auditors and between zero and three deputy auditors. Auditors are appointed for a period in office of a maximum of four years. At the 2012 Annual General Meeting, Stefan Holmström, KPMG AB, was appointed auditor and Dan Beitner, KPMG AB, deputy auditor for the period until the 2015 Annual General Meeting.

The auditor examines Länsförsäkringar Bank's Annual Report and Corporate

Governance Report, as well as the administration of the Board and the President. The auditor presented his audit results and observations to the Board once during 2014. The auditor also participates in the meetings of the Board's Audit Committee. The auditor reviewed Länsförsäkringar Bank's Interim Report for the first sixmonth, for the ninemonth period, and the year-end report.

BOARD OF DIRECTORS

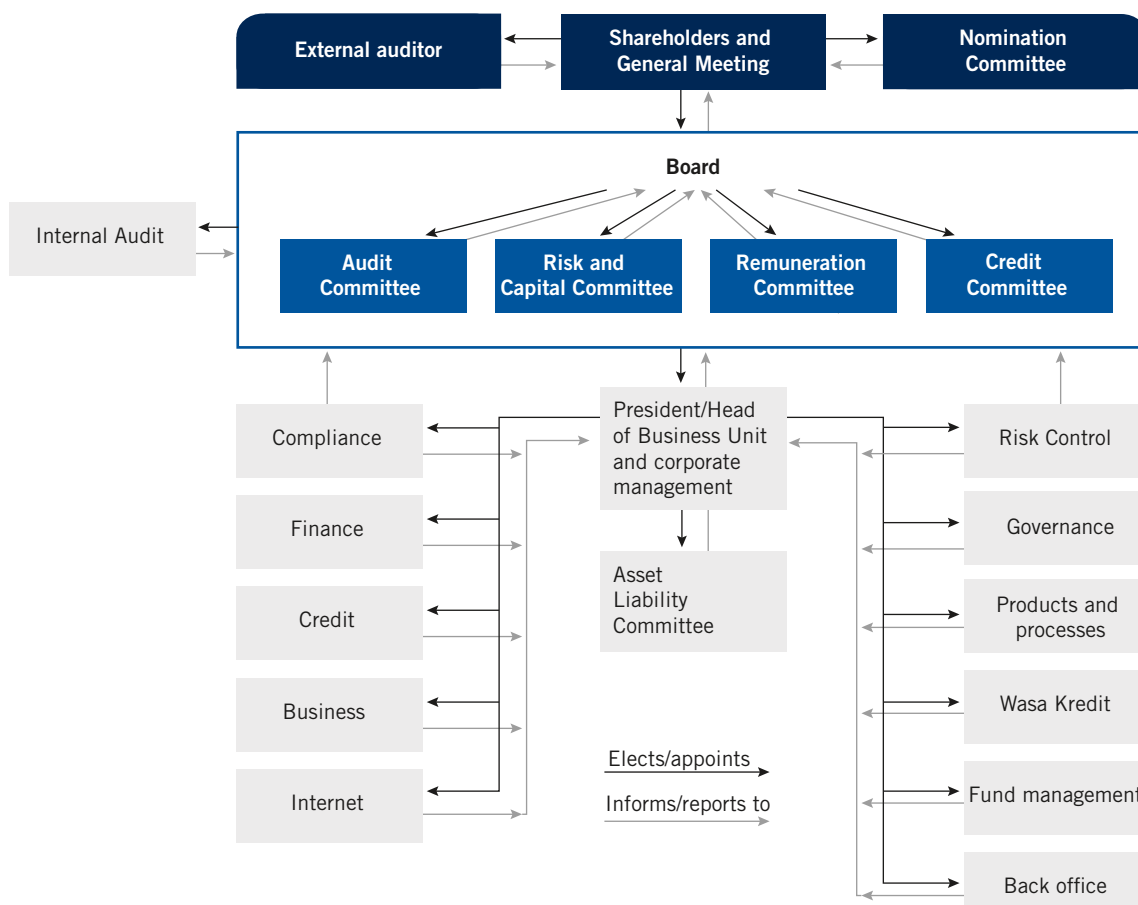
Composition of Board of Directors

The Board of Directors of Länsförsäkringar Bank is elected by the Annual General Meeting and, in accordance with the Articles of Association, is to comprise between six and nine Board members elected by the Annual General Meeting, with no more than six deputies. Board members are elected for a mandate period of two years. In addition, members

appointed by trade-union organisations are also members of the Board. The President is not a member of the Board. Länsförsäkringar Bank has no time limit for the length of time a member may sit on the Board and no upper age limit for Board members. The Chairman of the Board appointed by the Annual General Meeting. The President, Executive Vice President and Board Secretary participate in Board meetings except for matters in which there may be a conflict of interest or when it would otherwise be inappropriate for them to attend. Employees reporting on particular issues attend meetings when they make their presentations.

The Board currently comprises nine members and one deputy. Seven of the members were elected by the Annual General Meeting. Two regular members and one deputy were appointed by the

Länsförsäkringar Bank's Governance Structure



trade-union organisations. A presentation of the Board members can be found on page 89.

Board responsibilities and delegation of duties

The Board is responsible for the organisation and administration of the company and for handling and making all decisions concerning issues of material significance and of an overall nature relating to the company's operations. The Board appoints, evaluates and dismisses the President, adopts an appropriate executive organisation and the goals and strategies of the operations, and ensures that efficient systems are in place for internal control and risk management. Under the new capital adequacy rules, the Board of Directors of Länsförsäkringar Bank is responsible, from a supervisory and reporting perspective, for the consolidated situation, which besides the Länsförsäkringar Bank Group also includes the Parent Company Länsförsäkringar AB.

Every year, the Board adopts a formal work plan. The formal work plan includes regulations on the duties and responsibilities of the Board, its Chairman and its members, the delegation of duties within the Board, the lowest number of Board meetings, procedures for reporting on the operations and financial reports, as well as procedures for Board meetings in terms of notices of meetings and presentations of materials, as well as disqualification.

The Board is to continuously remain informed about the performance of the company to be able to continuously assess the company's financial situation and position. Through its formal work plan and a reporting manual, the Board has established that financial reporting is to take place regularly at Board meetings.

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

Audit. The Board continuously monitors current matters with authorities.

Chairman

According to the formal work plan, the Chairman is to lead the Board's work and ensure that the Board fulfils its duties. The Chairman is also to ensure that the Board meets as required, that Board members are provided with the opportunity to participate in meetings and receive satisfactory information and documentation for decision-making, and apply an appropriate working methodology. On the basis of ongoing contact with the President and in addition to Board meetings, the Chairman is also to keep himself informed of significant events and developments in Länsförsäkringar Bank, and support the President in his work.

Work of the board

In its formal work plan, the Board has established annually recurring items of business and a standard for its agenda and information and decision-making material. In a company directive, the Board has established the company's and the Group's operational structure and clarified the distribution of work duties between the various units and executives in the company and the Group.

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

The Board has established an Audit Committee, a Remuneration Committee, a Risk and Capital Committee and a Credit Committee. The duties of the Committees are determined by the Board in its separate formal work plan or directives. None of the Committees has any general decision-making mandate, except for the Credit Committee. Each Committee must regularly report on its activities to the Board.

The Board conducts annual strategic seminars and evaluations of the President's work and terms of employment. The Board meets the company's auditor at least once per year. See also the Audit Committee section below.

The dates of Board meetings are established at the first scheduled meeting following the Annual General Meeting for the next 18-month period. A notice of each meeting, including a preliminary agenda, is sent out about 14 days prior to the meeting. Documentation for the meeting is normally distributed about one week prior to the meeting. All documents and materials presented at the meeting are saved electronically.

Board meetings and attendance

The table below shows the number of meetings held in each body since the 2014 Annual General Meeting until December 2014, and the attendance by each Board member:

	Board of Directors	Audit Committee	Remuneration Committee	Risk and Capital Committee	Credit Committee
Total number of meetings	6	5	0	3	7
Sten Dunér	6	5		2	5
Christian Bille	6			2	7
Marianne Björkman	6				
Maria Engholm	6				
Ingrid Ericson	6				
Ingrid Jansson	5	4			
Bengt-Erik Lindgren	6	5			6
Susanne Petersson	6	4			5
Örian Söderberg	6			3	4
Torleif Carlsson, suppl.	4				

During 2014, the Board devoted particular attention to such issues as the new capital adequacy rules and their impact on the operations and the banking operations' future strategy.

The number of Board meetings and members' attendance at these are presented in the table on page 26.

Evaluation of the Board's work

Every year, the Board Chairman initiates an evaluation of the Board's work. The 2014 evaluation was based on an electronic survey completed by the Board members. The results were compiled, reported to and discussed by the Board. The results were submitted to the Nomination Committee

Audit Committee

The Audit Committee's responsibilities include preparing the Board's work in the following areas:

- Monitoring the company's financial reporting.
- In terms of the financial reporting, monitoring the efficiency of the company's internal control, internal audit and risk management.
- Remaining informed of the audit of the Annual Report and consolidated financial statements.
- Examining and monitoring auditors' impartiality and independence and, in this respect, devoting particular attention to any services other than auditing services that the auditor provides to the company.
- Monitoring the efficiency of the company's and Group's corporate-governance system and internal control of the operational risks.

At the statutory Board meeting following the 2014 Annual General Meeting, Ingrid Jansson was appointed Chairman and Sten Dunér, Bengt-Erik Lindgren and Susanne Petersson were appointed members of the Audit Committee.

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

Remuneration Committee

The Remuneration Committee is to prepare issues on remuneration of the President and other members of corporate management and employees with overall responsibility for any of the company's control functions, as well as prepare decisions for measures to monitor application of the remuneration policy.

At the statutory Board meeting following the 2014 Annual General Meeting, Sten Dunér was appointed Chairman, and Örian Söderberg Larsson was appointed member of the Remuneration Committee.

The number of Remuneration Committee meetings and members' attendance at these meetings are presented in the table on page 26.

Risk and Capital Committee

The Risk and Capital Committee is to support the Board in risk and capital adequacy issues and serve as a forum for analysing and holding in-depth discussions on the Bank Group's level of risk and capital requirements. The Board subsequently makes decisions on these issues.

At the statutory Board meeting following the 2014 Annual General Meeting, Sten Dunér was appointed Chairman, and Christian Bille and Örian Söderberg were appointed members of the Risk and Capital Committee.

The number of Risk and Capital Committee meetings and members' attendance at these meetings are presented in the table on page 26.

Credit Committee

The Credit Committee is to prepare credit issues for amounts within the framework of the Committee's mandate according to an instruction adopted by the Board.

At the statutory Board meeting following the 2014 Annual General Meeting, Sten Dunér was elected Chairman, and Bengt-Erik Lindgren, Christian Bille, Örian Söderberg, Susanne Petersson and Rikard Josefson were appointed members of the Credit Committee.

The number of Credit Committee meetings and Board members' attendance at

these meetings are presented in the table on page 26.

PRESIDENT AND CORPORATE MANAGEMENT

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

The organisational structure of the Bank Group is divided into departments. In addition, there are the three control functions of Risk Control, Compliance and Internal Audit, and also a Governance function. To ensure that the operations of each subsidiary comply with the overall objectives for the Bank Group, the President is the head of the Bank business unit of the Länsförsäkringar AB Group and also, as a general rule, the Chairman of the Board of each subsidiary.

Corporate management comprises the President and the heads of the departments and the Head of Risk Control. Management discusses and decides on matters pertaining to the business unit.

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

CONTROL FUNCTIONS

Internal Audit

Internal Audit is an independent review function that comprises the Board's support in the evaluation of the corporate-governance system, including the organisation's risk management, governance and controls. Based on its reviews, Internal Audit is to evaluate and assure that the operations' overall internal governance and control systems are conducted in an efficient manner and that the overall reporting to the Board provides a true and fair view of the operations, that the operations are conducted in accordance with applicable internal and external regulations, and in compliance with the Board's decisions and intentions. The Board has

adopted a separate instruction for the Internal Audit function. Internal Audit reports to the Board of the companies included in the business unit and to Länsförsäkringar Bank's Audit Committee.

Compliance

The role of compliance is to provide support and control for ensuring that the operations comply with regulatory requirements. The function is to identify and provide information about such issues as risks that may arise due to non-compliance with regulations, assist in the formulation of internal rules, monitor regulatory compliance and ensure that the operations are informed about new and amended regulations. Compliance risks and actions taken are reported regularly to the President and the Board of Directors of the companies included in the business unit. Compliance also has a function for counteracting money laundering.

Risk Control

Risk Control is a function for the control and analysis of all of the Bank Group's risks. Risk Control has an independent position in relation to the corporate operations that it controls. The function is led by a risk manager. Risks and action taken are to be continuously reported to the President and Board of the companies included in the business unit. Operational risk is also continuously reported to the Audit Committee and other risks to the Risk and Capital Committee of Länsförsäkringar Bank.

SUITABILITY ASSESSMENT OF THE BOARD OF DIRECTORS AND THE PRESIDENT

A suitability assessment is conducted in conjunction with the appointment of Board members and the President. An assessment is also conducted annually, and when necessary, to ensure that the individuals in the above-mentioned positions are, at any given time, suitable for their assignments. The suitability assessment is conducted in accordance with

established guidelines for suitability assessments. The suitability assessment is conducted with regard to the person's qualifications, knowledge and experience as well as reputation and integrity.

Board members are assessed on the basis of material received from the person to whom the suitability assessment pertains. Based on the company's operations, stage of development and other circumstances, the assessment also considers relevant training and experience, as well as professional experience in senior positions. In addition to the qualifications, knowledge and experience of individual Board members, the Board is assessed in its entirety to ensure that it possesses the competence required for leading and managing the company.

A person considered unsuitable according to an assessment will not be appointed or employed. If an already appointed person is considered no longer suitable for his or her duties according to a suitability assessment, the company is to adopt measures to ensure that the person in question either meets the suitability requirements or is replaced.

The assessment is that all Board members and the President fully satisfy the requirements for qualifications, knowledge and experience, as well as reputation and integrity.

DEVIATIONS FROM THE CODE

The major deviations from the provisions of the Code and explanations for such deviations are presented below.

Nomination Committee, notice and holding of Annual General Meeting

Deviation from the provisions of the Code occurs with respect to the fact that Länsförsäkringar Bank is not a stock-market company and has only one shareholder. For more information, see the sections entitled "Shareholders and General Meeting" and "Nomination Committee" on page 24.

Composition of Board of Directors

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

Period in office for Board members

Deviation from the provision of the Code occurs in respect of a maximum period of office of one year. The period of office for Board members is, as a general rule, two years. A longer period of office contributes to ensuring continuity and establishing competence within the Board.

Board's report on internal control over financial reporting

Internal control over financial reporting (ICFR) is a process for evaluating the reliability of financial reporting. Work with this process began in 2013 and the Group

works continuously to develop the methodology. The ICFR process is performed in an annual cycle as shown in the diagram below.

2. Validate the design of expected controls

Internal control over financial reporting includes Group-wide controls, as well as process and IT controls. The purpose of the controls is to reduce the risk of misstatement in financial reporting.

The control structure is regularly communicated to the relevant individuals in the organisation to clarify the division of responsibilities.

1. Perform risk assessments and define limitations/scope

Risk assessments are performed annually at Group and legal unit level to identify the risk of material misstatement in financial reporting. The risk assessment provides the basis for determining the units, processes and systems that are to be covered by the ICFR process. The conclusions from the risk assessments are compiled in an annual scoping report in which the scope and goal scenario for the coming year is described and presented to the Audit Committee.

3. Plan activities for monitoring and audits

A plan for the quarterly self-assessment is produced and communicated with the operations. The plan sets out when the assessment will take place, the controls that will be assessed and the person responsible for the assessment. ICFR will be subject to review by both an internal and external audit. The first annual meeting to coordinate the reviews of both internal and external auditors was held in 2014.

4. Monitor and evaluate controls

Monitoring includes, for example, quarterly self-assessment of the completed controls. The monitoring process can identify weaknesses in the ICFR process, implement compensating controls and introduce improvement measures. The process also includes evaluating the controls and their effectiveness. The objective is for the Group to reach a monitored level.

5. Report ICFR residual risk

The results of the self-assessment are compiled and analysed to determine the risk of misstatement in financial reporting. These are summarised in a report to the Group's CFO and the Audit Committee. The report describes the residual risk after the self-assessment, and the compensating controls adopted by the operations to reduce risk in financial reporting. The report contributes to transparency in the organisation and shows how the implementation of ICFR is progressing. The report also provides an important basis for prioritisation in the continuing process.



In addition to the process described above, Internal Audit also performs an independent review of selected ICFR risks and controls, in accordance with the plan adopted by the Audit Committee. The results of Internal Audit's review, and recommendations, are reported regularly to the Audit Committee.

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Consolidated income statement

SEK M	Note	2014	2013
Interest income	5	8,523.2	9,488.7
Interest expense	6	-5,942.8	-7,258.3
Net interest income		2,580.4	2,230.4
Dividends received	7	0.1	0.1
Commission income	8	1,312.0	1,140.0
Commission expense	9	-1,735.8	-1,392.9
Net gains / losses from financial items	10	97.8	-85.7
Other operating income	11	199.1	211.8
Total operating income		2,453.6	2,103.7
Staff costs	12	-441.1	-426.6
Other administration expenses	13, 14, 15	-876.1	-789.7
Total administration expenses		-1,317.2	-1,216.3
Depreciation/amortisation and impairment of property and equipment/intangible assets	16	-209.0	-114.2
Total operating expenses		-1,526.2	-1,330.5
Profit before loan losses		927.3	773.2
Loan losses, net	17	7.3	-126.4
Operating profit		934.6	646.8
Tax	18	-222.8	-168.0
Net profit for the year		711.9	478.8

Consolidated statement of comprehensive income

SEK M	2014	2013
Profit for the period	711.9	478.8
Other comprehensive income		
Items that may subsequently be transferred to profit and loss		
Cash-flow hedges		
Change in value for the period	1,062.5	-
Reclassification to profit and loss	-1,002.4	-
Change in fair value of available-for-sale financial assets		
Change in value for the period	2.2	33.5
Reclassification of realised securities	-2.7	-17.1
Tax attributable to items that may subsequently be transferred to profit and loss	-13.2	-3.6
Total	46.4	12.8
Items that cannot be transferred to profit and loss		
Revaluation of defined-benefit pension plans	0.3	1.1
Tax attributable to items that cannot be reversed to profit and loss	-0.0	-0.2
Other comprehensive income for the period, net after tax	46.7	13.7
Total comprehensive income for the period	758.6	492.5

Consolidated balance sheet

SEK M	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Cash and balances with central banks		25.8	108.5
Treasury bills and other eligible bills	19	5,409.3	4,881.4
Loans to credit institutions	20	1,789.6	5,957.9
Loans to the public	21, 22	179,424.3	162,003.2
Bonds and other interest-bearing securities	23	36,104.1	35,200.6
Shares and participations	24	11.7	88.9
Derivatives	25	5,257.6	1,337.7
Fair value changes of interest-rate-risk hedged items in portfolio hedge	26	1,146.5	550.8
Intangible assets	27	309.6	397.1
Property and equipment	28	10.3	11.6
Deferred tax assets	29	8.8	9.2
Other assets	30	437.6	571.1
Prepaid expenses and accrued income	31	2,245.0	2,601.5
TOTAL ASSETS		232,180.2	213,719.5
LIABILITIES AND EQUITY			
Due to credit institutions	32	3,390.1	1,860.6
Deposits and funding from the public	33	76,789.7	69,220.0
Debt securities in issue	34	128,656.4	123,634.9
Derivatives	25	2,591.7	2,780.3
Fair value changes of interest-rate-risk hedged items in portfolio hedge	26	3,824.4	645.9
Deferred tax liabilities	29	214.2	143.7
Other liabilities	35	771.7	739.9
Accrued expenses and deferred income	36	4,033.6	4,090.2
Provisions	37	11.7	15.9
Subordinated liabilities	38	2,299.7	2,299.7
Total liabilities		222,583.2	205,431.1
Equity	39		
Share capital		954.9	954.9
Other capital contributed		6,942.5	6,392.5
Reserves		183.6	136.9
Retained earnings		804.1	325.3
Net profit for the year		711.9	478.8
Total equity		9,597.0	8,288.4
TOTAL LIABILITIES AND EQUITY		232,180.2	213,719.5
Pledged assets, contingent liabilities and commitments	40		
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Consolidated cash-flow statement (indirect method)

SEK M	2014	2013
Cash and cash equivalents, 1 January	5,162.1	1,981.3
Operating activities		
Operating profit	934.6	646.8
Adjustment of non-cash items	346.1	153.1
<i>Change in assets of operating activities</i>		
Change in treasury bills and other eligible bills	-425.7	319.1
Change in loans to credit institutions	632.7	82.1
Change in loans to the public	-17,424.6	-12,159.1
Change in bonds and other interest-bearing securities	-298.0	-2,766.9
Change in derivatives	1,792.4	-13.3
Change in other assets	133.3	-12.6
<i>Change in liabilities of operating activities</i>		
Change in due to credit institutions	2,970.3	531.5
Change in deposits and funding from the public	7,569.7	6,823.8
Change in debt securities in issue	2,967.9	8,776.3
Change in other liabilities	-1,622.2	-214.9
Change in derivatives	-2,002.1	133.1
Cash flow from operating activities	-4,425.5	2,299.0
Investing activities		
Purchase of property and equipment	-2.6	-7.0
Acquisition of intangible assets	-117.5	-49.5
Divestment of other financial assets	77.2	-76.9
Cash flow from investing activities	-42.9	-133.4
Financing activities		
Shareholders' contribution received	550.0	625.0
Group contribution paid	-	-397.4
Subordinated debt received	-	787.6
Cash flow from financing activities	550.0	1,015.2
NET CASH FLOW FOR THE YEAR	-3,918.4	3,180.8
Cash and cash equivalents, 31 December	1,243.6	5,162.1

SEK M	2014	2013
Non-cash items		
Depreciation of property and equipment/amortisation of intangible assets	80.9	102.8
Depreciation of property and equipment and intangible assets	128.1	-
Unrealised portion of net gains from financial items	-162.0	25.1
Impairment of surplus values	2.3	2.3
Loan losses, excluding recoveries	1.2	95.5
Change in accrued expense/income	299.8	-71.7
Provisions	-4.2	-0.9
Total non-cash items	346.1	153.1
Cash and cash equivalents comprise:		
Cash and balances with central banks	25.8	108.5
Loans to credit institutions	1,627.1	5,443.0
Due to credit institutions	-409.3	-389.5
Total cash and cash equivalents	1,243.6	5,162.0
Interest received	8,955.6	9,542.2
Interest paid	-6,551.7	7,350.8
Gross investments	-120.5	-56.5
Income tax paid	-	-

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

Consolidated statement of changes in shareholders' equity

SEK M	Share capital	Other capital contributed	Reserves			Retained earnings	Net profit for the year	Total
			Fair value reserve	Hedge reserve	Defined-benefit pension plans			
Opening balance, 1 January 2013	954.9	5,767.5	125.8	–	–2.6	–107.4	432.7	7,170.9
Net profit for the year							478.8	478.8
Other comprehensive income for the year			12.8		0.9			13.7
<i>Comprehensive income for the year</i>			<i>12.8</i>		<i>0.9</i>		<i>478.8</i>	<i>492.5</i>
Resolution by Annual General Meeting						432.7	–432.7	–
Conditional shareholders' contribution received		625.0						625.0
Closing balance, 31 December 2013	954.9	6,392.5	138.6	–	–1.7	325.3	478.8	8,288.4
Opening balance, 1 January 2014	954.9	6,392.5	138.6	–	–1.7	325.3	478.8	8,288.4
Net profit for the year							711.9	711.9
Other comprehensive income for the year			–0.5	46.9	0.3			46.7
<i>Comprehensive income for the year</i>			<i>–0.5</i>	<i>46.9</i>	<i>0.3</i>		<i>711.9</i>	<i>758.6</i>
Resolution by Annual General Meeting						478.8	–478.8	–
Conditional shareholders' contribution received		550.0						550.0
Closing balance, 31 December 2014	954.9	6,942.5	138.1	46.9	–1.4	804.1	711.9	9,597.0

Notes to the consolidated financial statements

All figures in SEK M unless otherwise stated.

1 COMPANY INFORMATION

The consolidated financial statements for Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) were presented on 31 December 2014. Länsförsäkringar Bank AB is a bank registered in Sweden, with its registered office in Stockholm. The address of the head office is Tegelvägen 11–13, Stockholm, Sweden. The company is a wholly owned subsidiary of Länsförsäkringar AB (publ) (Corp. Reg. No. 556549-7020) with its registered office in Stockholm. The Parent Company is the largest and smallest Group in which Länsförsäkringar Bank AB (publ) is the subsidiary and in which the consolidated financial statements are prepared is Länsförsäkringar AB (publ), Stockholm. The consolidated financial statements for Länsförsäkringar Bank AB (publ) were approved by the Board and President for publication on 19 February 2015. Final approval of the Annual Report will be made by the Parent Company's Annual General Meeting on 18 May 2015.

2 ACCOUNTING POLICIES

Compliance with standards and legislation

The consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of these standards issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the Swedish Financial Reporting Board's (the Reporting Board) recommendation RFR 1 Supplementary Accounting Rules for Groups and the Reporting Board's statements, certain supplementary regulations in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and the regulations and general guidelines of the Swedish Financial Supervisory Authority regarding annual accounts for credit institutions and securities companies (FFFS 2008:25) were applied. The Parent Company applies the same accounting policies as the Group except for the cases described under the Parent Company's note 2 regarding accounting policies. The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and in certain cases for tax reasons.

Conditions relating to the preparation of the Parent Company's and consolidated financial statements

Länsförsäkringar Bank's functional currency is Swedish kronor (SEK), which is also the presentation currency of the Parent Company and the Group. The functional currency is the currency in the primary financial environments in which the Group companies conduct their operations, which means that the financial statements are presented in Swedish kronor. All amounts, unless otherwise stated, are rounded to the nearest million (SEK M). The reporting is based on historical cost. Financial assets and liabilities are recognised at amortised cost, except for certain financial assets and liabilities that are measured at fair value, see the note on Fair value valuation techniques, or when fair value hedge accounting is applied. The accounting policies for the Group stated below have been applied to all periods presented in the consolidated financial statements, unless otherwise stated.

Judgements and estimates

The preparation of accounts in accordance with IFRS requires that management make judgements and estimates, and make assumptions that

affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities presented in the accounts. These judgements and estimates are based on historic experiences and the best information available on the balance-sheet date. The actual outcome may deviate from these judgements and estimates. Estimates and judgements are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

Critical judgements made in the application of the Group's accounting policies

Corporate management discussed with the Audit Committee the performance, selection and disclosures relating to the Group's significant accounting policies and estimates, and the application of these policies and estimates. The critical judgements made in the application and selection of the Group's accounting policies are primarily attributable to:

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

Significant sources of estimation uncertainty

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

Changed accounting policies caused by new or amended IFRS and interpretations

The amendments applied by the Group since 1 January 2014 are described below. Other amendments to or new IFRS applicable from 2014 did not have any significant effect on the consolidated financial statements.

Consolidated financial statements

From 1 January 2014, the Group applies IFRS 10 Consolidated Financial Statements. This has entailed that the principle for determining whether a controlling influence exists in an investee has been amended. The IFRS model for determining when a controlling influence exists is based on (i) the power over the investee, (ii) the exposure to variable returns from

its involvement with the investee and (iii) the ability to use power over the investee to affect the amount of the investor's returns.

Classification of financial instruments

Amendment in IAS 32 Financial Instruments: Presentation to clarify the principles for when financial assets and liabilities may be offset. Assets and liabilities may only be offset in the balance sheet when a legally enforceable right to set off the amounts exists and the intention is to settle the item on a net basis, or to realise the asset and settle the liability simultaneously. The amendment did not have any impact on the consolidated financial statements.

Hedge accounting

Amendment in IAS 39 regarding novation of OTC derivatives from several counterparties in derivative contracts to a central counterparty entails that companies can continue hedge accounting despite the counterparty of the derivative contract having changed due to legislation. The reason for this amendment of OTC derivatives is that the rules have been changed in many countries making it necessary to novate certain OTC derivatives to a central counterparty. The amendment did not impact the company's financial statements.

New IFRS and interpretations that have not yet been applied

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

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The ISAB has finalised IFRS 9, which contains new requirements for recognition and measurement of financial instruments, an expected loss impairment model and simplified requirements for hedge accounting. IFRS 9 will take effect on 1 January 2018 and early adoption is permitted provided that the EU adopts the standard. The EU plans to approve the standard in 2015.

The categories of financial assets under IAS 39 will be replaced by three categories: assets measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification into these three categories is based on the company's business model for the various holdings and the cash flow characteristics that the assets give rise to. The fair value option may be applied to debt instruments if doing so eliminates or significantly reduces an "accounting mismatch." Equity instruments are to be measured at fair value through profit and loss, with the option of recognising changes in value not held for trading in other comprehensive income instead.

The rules regarding financial liabilities are largely consistent with the IAS 39 rules, except for financial liabilities that are voluntarily measured at fair value according to the fair value option. The change in value for these liabilities is to be divided into changes attributable to own creditworthiness and changes in reference interest rate.

The impairment model requires recognition of the 12-month expected credit losses on initial recognition and, in the event of a significant increase in the credit risk, the loss allowance is to correspond to the full lifetime expected credit losses. The hedge accounting rules include simplified effectiveness testing and an expansion of eligible hedging instruments and eligible hedged items.

The company has not yet completed its evaluation of the effects of IFRS 9. Neither has the company decided whether to apply early adoption of the new principles since IFRS 9 has not yet been approved by the EU.

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

Description of significant accounting policies

Consolidated financial statements

The consolidated financial statements include the Parent Company and all companies in which Länsförsäkringar Bank AB directly or indirectly

holds a controlling influence. A controlling influence means the direct or indirect right to formulate a company's financial and operational strategies in order to receive financial benefits. This usually involves a requirement of more than 50% of the number of votes per participation, although a company also exercises a controlling influence when it has the right to appoint the majority of Board members. A controlling influence exists when the Parent Company has power over the investee, is exposed to or has rights to variable returns from its involvement and has the ability to use its power over the investee to affect the amount of the investor's returns. Shares that potentially carry voting rights and any factor control are taken into account in assessing the existence of a controlling influence.

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

Group contributions

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

Untaxed reserves

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

Related parties

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

Accounting of associated companies

Associated companies are companies in which the Group has a significant influence, but not a controlling influence, and are recognised in accordance with the equity method. The equity method entails that the participations are recognised at cost with additions for changes in the company's net assets.

Operating segments

The Group's division of operating segments corresponds to the structure of the internal reports that the Group's chief operating decision maker uses to monitor the operations and allocate resources between operating segments. The Group identified executive management as the Group's chief operating decision maker. Accordingly, for the Länsförsäkringar Bank Group, the reports on the earnings of the various segments of the operations that are received by executive management form the basis of segment reporting. The legal Group structure represents the internal reporting to the President of the Bank Group, meaning that each legal entity comprise a segment. The Bank Group comprises the Parent Company Länsförsäkringar Bank

AB, and the wholly owned subsidiaries Länsförsäkringar Hypotek AB, Wasa Kredit AB and Länsförsäkringar Fondförvaltning AB.

The Banking Operations segment is Länsförsäkringar Bank AB's business activities, comprising deposits, some funding, payment mediation and lending that is not first-lien mortgages on residential properties. The Mortgage Institution segment is the Länsförsäkringar Hypotek AB's business activities, comprising retail mortgage lending of up to 75% of market value at the granting date and funding by issuing covered bonds.

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

Pricing between the Group's segments is based on market conditions. Segment information is provided only for the Group.

The Group has no single customer that, by itself, accounts for 10% or more of the Group's income.

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate that applies on the balance-sheet date. Non-monetary assets and liabilities are translated to the rate in effect on the date of the transaction. Exchange-rate differences arising due to the translation of balance-sheet items in foreign currency are recognised in profit and loss as exchange-rate gains or exchange-rate losses.

Income

Income is recognised when:

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

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

Interest income, interest expense and dividends

Interest income and interest expense for financial instruments calculated in accordance with the effective interest method are recognised under net interest income. The effective interest rate corresponds to the rate used to discount contractual future cash flows to the carrying amount of the financial asset or liability. Interest on derivatives that hedge interest-rate and foreign-currency risk is recognised under net interest income. Interest compensation for early redemption of fixed-income lending and deposits is recognised under Net gains from financial items. Dividends from shares and participations are recognised in the item Dividends received once the right to receive payment has been established.

Commission income and commission expense

Commission income is attributable to various types of services provided to customers. The manner in which the commission income is recognised depends on the purpose for which the fee was charged. The fees are recognised in income in line with the provision of the services or in conjunction with the performance of a significant activity. Fees charged continuously, such as advising fees and financial guarantees, are recognised as income in the period in which the service was provided. Fees charged for significant activities, for example securities commission and card commission, are recognised in income when the activity has been completed. Commission expense is dependent on the transaction and is recognised in the period in which the services are received.

Commission expense attributable to financial assets or financial liabilities

not measured at fair value in profit and loss comprises commission to the regional insurance companies.

Net gains from financial items

The item Net gains from financial items contains the realised and unrealised changes in value that occurred as a result of financial transactions. Capital gains/losses on the divestment of financial assets and liabilities, including interest compensation received when customers pay loans prematurely, are recognised in this item. This item also includes realised and unrealised changes in the value of derivative instruments which are financial hedging instruments, but for which hedge accounting is not applied, and unrealised changes in the fair value of derivatives to which fair value hedge accounting is applied, and unrealised changes in fair value of hedged items with regard to hedged risk in the fair value hedge. The ineffective portion of the hedging instrument and exchange-rate changes is also recognised as Net gains/losses from financial items. Net profit/losses on transactions measured at fair value in profit and loss does not include interest or dividends. Realised profit and loss is calculated as the difference between the purchase consideration received and the cost of the asset.

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

Other operating income

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

Remuneration of employees

Current remuneration

Current remuneration of employees is calculated without discount and recognised as an expense when the related services are received.

Remuneration after termination of employment

Pension plans

The Group utilises defined-contribution and defined-benefit pension plans. These plans are usually financed through payments from the respective Group company. The Group is generally covered by the FTP plan, which does not depend on any payments from employees.

Defined-benefit pension plans

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

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

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

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

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the Group pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19, this pension plan entails that a company, as a rule, recognises its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure is also be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 34 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

Remuneration for termination of employment

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

Impairment

The carrying amounts of the Group's assets are assessed on every balance-sheet date to determine whether there are any indications of impairment. IAS 36 is applied to impairment assessments for assets that are not tested according to any other standard. These include financial assets tested in accordance with IAS 39 Financial Instruments: Recognition and Measurement, and deferred tax assets tested in accordance with IAS 12 Income Taxes. The carrying amounts of the exempted assets above are tested according to the respective standard. The Group continuously assesses assets that are not tested for impairment according to other standards if there are any indications that the assets have declined in value. If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated in accordance with IAS 36. An impairment loss is recognised when an estimated recoverable amount falls below the carrying amount of the asset.

Loan losses

The item Loan losses comprises confirmed loan losses, probable loan losses, recoveries of loan losses that were previously recognised as con-

firmed and reversals of probable loan losses no longer required. Confirmed loan losses pertain to the entire receivable when there is no realistic possibility of recovery. Probable loan losses pertain to impairment for the year for the loan losses based on a calculated recoverable amount when there is an indication that impairment is required. Recoveries comprise reversed amounts of loan losses that were previously recognised as confirmed. Probable loan losses are reversed when no impairment requirement is deemed to exist. Only the Bank Group's share of probable and confirmed loan losses are recognised. The regional insurance companies' share of probable and confirmed loan losses is settled against accrued commission. The settlement model, which was introduced on 1 January 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 means of an off-set against accrued commissions.

Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in profit and loss, except when the underlying transaction is recognised in other comprehensive income, whereby the related tax effect is recognised in other comprehensive income, or when the underlying transaction is recognised directly against equity with the related tax effect recognised in equity.

Current tax is tax that is to be paid or received in the current year, with the application of the tax rates that are decided or decided in practice on the balance-sheet date. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. The following temporary differences are not taken into consideration:

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

The valuation of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realised or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only recognised to the extent that it is likely that it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Financial assets and liabilities

Financial assets recognised in the balance sheet include loan receivables, interest-bearing securities, derivatives with positive market value, accounts receivable, and shares and participations. Financial liabilities include debt securities in issue, derivatives with negative market value, deposits and accounts payable. The policies of the Group concerning financial risk are described in the section Risk and capital management in the Board of Directors' Report.

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contract in accordance with the instrument's contractual conditions. A financial liability is derecognised from the balance sheet when the rights in the contract are realised, expire or the company loses control of them. A financial liability is derecognised from the balance sheet when the obligation in the contract is met or extinguished in another manner.

Business transactions in the monetary, bond and equities markets are recognised in the balance sheet on the transaction date, which is the time when the significant risks and rights are transferred between the parties. Deposits and lending transactions are recognised on the settlement date. Loan receivables are recognised in the balance sheet when the loan amount is paid to the borrower. Loan commitments are recognised as commitments, see the note on Pledged assets, contingent liabilities and commitments.

Offsetting financial assets and liabilities

A financial asset and a financial liability are offset and recognised as a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to settle the item in a net amount or simultaneously realise the asset and settle the liability.

Recognition of repurchase transactions (repurchase agreements)

In genuine repurchase transactions (a sale of interest-bearing securities with an agreement for repurchase at a predetermined price), the asset continues to be recognised in the balance sheet and payment received is recognised as a liability in the balance sheet under the item Due to credit institutions. Sold securities are recognised as pledged assets. For a reversed repurchase transaction (a purchase of interest-bearing securities with an agreement for resale at a predetermined price), the securities are not recognised in the balance sheet. The payment received is recognised instead in the item Loans to credit institutions.

Measurement

All financial assets and liabilities are measured at fair value in profit and loss on initial valuation date. Subsequent measurement and recognition of changes in value take place depending on the measurement category to which the financial instrument belongs. The Group's financial instrument are divided into the following measurement categories:

- Financial assets at fair value in profit and loss
- Loans and receivables
- Held-to-maturity investments
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value in profit and loss
- Other financial liabilities

Methods for determining fair value

The method for determining the fair value of financial instruments follows a hierarchy in which market data is used as far as possible and company-specific information is used a little as possible. For disclosure purposes, fair value is categorised into the following levels, with fair value determined using:

Level 1: listed prices in an active market

Level 2: calculated values based on observable market data

Level 3: own assumptions and judgements.

Financial instruments traded in an active market

For financial instruments traded in an active market, fair value is determined based on the asset's quoted market prices (Level 1). Current bid prices are used for financial assets, and current selling rates without mark-ups for transaction costs and brokerage commission are used for financial liabilities. Any future transaction costs arising in conjunction with divestments are not taken into account.

Financial instruments not traded in an active market

For financial instruments not traded in an active market, the fair value is calculated using various valuation techniques. When valuation techniques are applied, observable inputs are used as far as possible (Level 2). The valuation technique used most is discounted cash flows. Holdings in unlisted shares and participations are measured at equity per share based on the most recent company report (Level 3).

Classification

Financial instruments are classified and measured in accordance with the description provided below.

Financial assets measured at fair value in profit and loss

Assets held for trading

This category comprises financial assets held for trading and that are measured at fair value with changes in value recognised in profit and loss under Net gains from financial transactions. This category includes share options, fund units and derivatives that are not included in hedge accounting.

Derivatives used in hedge accounting

This category contains derivative instruments used to financially eliminate interest-rate risk and currency risk, that are intended to be held until the final maturity date and that are included in hedge accounting. The principle for recognising unrealised and realised gains or losses depends on the type of hedging model applied. See the section on Hedge accounting.

Held-to-maturity investments

Investments held to maturity are financial assets where there is an intention and capacity to hold the asset to maturity. This category contains financial assets with fixed or determinable payment flows and determined terms. Held-to-maturity investments are measured at amortised cost using the effective interest method.

Loans and receivables

Loans and receivables are financial assets that have fixed or determinable payment flows and that are not listed in an active market. Loans and receivables are measured at amortised cost calculated using the effective interest method, taking into account deductions for confirmed loan losses and reserves for probable loan losses. Other receivables that are not loan receivables and not interest-bearing are measured at cost less estimated non-collectable amounts.

Available-for-sale financial assets

Available-for-sale financial assets include either financial assets that have not been classified in any other category or financial assets that the company initially decided to classify in this category. This category includes the Group's liquidity surplus. Available-for-sale financial assets are measured at fair value and gains and losses that arise due to changes in value are recognised in other comprehensive income and accumulated in equity. For sales or impairment of available-for-sale financial assets, the accumulated gain or loss, which was previously recognised in equity, is recognised in profit and loss. Interest on interest-bearing available-for-sale financial assets, and dividends from shares, are recognised in profit and loss by applying the effective interest method. The category also includes unlisted holdings, the fair value of which cannot be determined reliably and that are measured at cost.

Financial liabilities measured at fair value in profit and loss

Assets held for trading

Financial liabilities classified as fair value in profit and loss are held for trading. These financial liabilities are measured at fair value with changes in value recognised in profit and loss under Net gains from financial transactions.

Derivatives used in hedge accounting

This category contains derivative instruments used to financially eliminate interest-rate risk and currency risk, that are intended to be held until the final maturity date and that are included in hedge accounting. The principle for recognising unrealised and realised gains or losses depends on the type of hedging model applied. See the section on Hedge accounting.

Other financial liabilities

Other financial liabilities include the Group's deposits and funding, and due to credit institutions. Other financial liabilities are recognised at amortised cost in accordance with the effective interest method.

Hedge accounting

The Group's derivatives, which comprise interest-rate and cross-currency swaps and purchased interest caps, have been acquired in their entirety to hedge the risks of interest and exchange-rate exposure arising during the course of operations. All derivatives are measured at fair value in the statement of financial position. Changes in value are recognised depending on whether the derivative is designated as a hedging instrument and, if this is the case, the type of hedge relationship that the derivative is included in. The Group applies both cash-flow hedges and fair-value hedges. To meet the demands of hedge accounting in accordance with IAS 39, an unequivocal connection with the hedged item is required. In addition, it is required that the hedge effectively protects the hedged item, that hedge documentation is prepared and that the effectiveness can be measured reliably. Hedge accounting can only be applied if the hedge relationship can be expected to be highly effective. In the event that the conditions for hedge accounting are no longer met, the derivative instrument is recognised at fair value with the change in value in profit and loss. Hedge relationships are evaluated monthly. Each identified hedge relationship is expected to be effective over the entire lifetime of the relationship. Effectiveness is tested by applying a forward-looking (prospective) assessment and a retrospective evaluation. Ineffectiveness is recognised in profit and loss.

Fair-value hedges

The aim of fair-value hedges is to protect the Group from undesirable earnings effects caused by exposure to changes in the interest-rate risk associated with recognised assets or liabilities. When applying fair-value hedges, the hedged item is measured at fair value regarding its hedged risk. The changes in value that arise are recognised in profit and loss and are counterbalanced by the changes in value arising on the derivative (the hedging instrument).

The Group applies the fair-value hedge method to specific portfolios of funding, deposits and loans that carry fixed interest rates. The Group also applies the fair-value hedge method to assets in the liquidity portfolio that are classified in the category of Available-for-sale financial assets. The change in the value of the derivative is recognised in profit and loss together with the change in the value of the hedged item under Net gains from financial items. Unrealised changes in the value of hedging instruments are also recognised in the item Net gains from financial items. Interest coupons, both unrealised and realised, are recognised among interest income if the hedged item is an asset or portfolio of assets, or among interest expense if the hedged item is a liability or portfolio of liabilities.

Cash-flow hedges

The Group applies cash-flow hedges for hedging currency risk in the Group's debt securities in issue in foreign currency. 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.

Loans

These assets are measured at amortised cost. Amortised cost is determined based on the effective interest rate calculated on the acquisition date. Accounts receivable and loan receivables are recognised in the

amount at which they are expected to be received, meaning after deductions for impairment.

Impaired loans

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

Individual impairments

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

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

Collective impairments

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

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

Takeover of collateral

The banking and mortgage operations took over collateral of very insignificant value.

Confirmed losses

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

Leasing

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

leasing fees. Initially, an amount corresponding to the present value of all minimum lease payments to be paid by the lessee is recognised and any guaranteed residual value accrues to the lessor. Payments received from these agreements are recognised in part as repayment of lease receivables, and in part as interest income.

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

The carrying amount of leased assets is tested for impairment in accordance with IAS 36 Impairment of Assets at the end of each fiscal year. The fair value of the asset less selling expenses is calculated and assessed if there is an indication of an impairment requirement. If it is not possible to calculate this value or if fair value is less than the carrying amount, an assessment of the asset's value in use is also performed. If both these values are less than the carrying amount, impairment takes place at the highest of fair value and the value in use.

Intangible assets

Intangible assets primarily comprise proprietary and acquired intangible assets with determinable useful lives that are expected to be of significant value to the operation in future years. These assets are recognised at cost less accumulated amortisation and impairment.

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

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

The carrying amount of proprietary intangible assets includes all directly attributable expenses, such as directly attributable expenses for salaries and materials. The periods of amortisation are determined based on a useful life that varies between three and 15 years and amortisation takes place straight-line. The periods of amortisation are not category specific and are determined individually for each asset. Useful lives are retested at the end of every fiscal year. Impairment requirements are tested in accordance with IAS 36 Impairment of Assets. Additional expenses for capitalised intangible assets are recognised as an asset in the balance sheet only when these expenses increase the future financial benefits of the specific asset to which they pertain. All other additional expenses are recognised as an expense when they arise. Certain product investments are considered to be long term and have a period of amortisation of 15 years. Impairment testing and the period of amortisation are reviewed annually.

Property and equipment

Equipment

Property and equipment are recognised as assets in the balance sheet when, based on information available, it is likely that the future financial benefits associated with the holding will accrue to the company and that the cost of the asset can be calculated in a reliable manner. Equipment is recognised at cost less accumulated depreciation and any accumulated impairment. Depreciation according to plan takes place following the straight-line method over the asset's expected useful life, commencing when the asset is put into operation. Depreciation and any scrapping and divestments are recognised in profit and loss. Impairment requirements

are tested in accordance with IAS 36 Impairment of Assets. Useful lives are retested at the end of every fiscal year.

Useful lives of equipment:

Office equipment	5 years
Improvements to leased premises	5–7 years
Vehicles	5 years
Computer equipment	3–5 years

Provisions

A provision is recognised in the balance sheet when the Group has an existing legal or informal obligation as a result of an event that has occurred, and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate of the amount can be made. A provision differs from other liabilities since there is uncertainty regarding the date of payment and the amount for settling the provision.

A restructuring provision is recognised when an established, detailed and formal restructuring plan exists, and the restructuring process has either commenced or been publicly announced. No provisions are established for future operating expenses. Where the effect of when a payment is made is significant, provisions are calculated by discounting the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks related to the liability.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is probable that an outflow of resources will be required.

Loan commitments

A loan commitment can be:

- A one-sided commitment from the company to issue a loan with terms and conditions determined in advance in which the borrower can choose whether he/she wants to accept the loan or not, or
- A loan agreement in which both the company and the borrower are subject to terms and conditions for a loan that begins at a certain point in the future.

Loan commitments are not recognised in the balance sheet. Issued irrevocable loan commitments are valid for three months and recognised as a commitment under memorandum items. The right to cancel a loan commitment is retained if the customer's credit rating has diminished on the date of payment, which is why no probable loan losses have arisen.

Financial guarantees

Guarantee agreements issued by the company, which comprise leasing guarantees and credit guarantees, entail that the company has a commitment to compensate the holder when the holder incurs a loss due to a specific debtor not making due payments to the holder in accordance with original or change contractual conditions.

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

3 RISKS AND CAPITAL ADEQUACY

The Group is exposed to risks that are managed in accordance with the framework set by the Board for risk appetite and risk limits. Follow-up of the risks defined under this framework comprises a natural part of ongoing work in banking operations and is monitored by the Group's independent risk control function. Accordingly, duality in risk management is achieved and risk awareness is prevalent in all day-to-day business decisions. The risks to which the Group is primarily exposed are defined below.

Credit risk	Credit risk consists of the counterparty's inability to fulfil its commitments and whereby the company is affected by a financial loss. Credit risk includes lending risk, liquidity and derivative exposures.
Market risks	Market risk refers to the risk of loss or lower future earnings due to changes in interest rates and exchange rates.
Liquidity risks	Liquidity risk is defined as the risk that the Group, due to insufficient cash funds, will be unable to fulfil its commitments or only be able to fulfil its commitments by funding at a significantly higher cost than normal or by divesting assets at a substantial deficit price.
Business risks	Business risk comprises earnings risk, strategic risk and reputation risk.
Operational risks	Operational risk is defined as the risk of losses arising due to inappropriate or faulty internal processes and systems as well as human error or external events, and includes legal and compliance risks.

Risk-management system

The Group's risk management follows the division of roles and responsibilities according to the three lines of defence:

The first line of defence pertains to all risk-management activities performed in the business operations. The operations that are exposed to risk also own the risk, which means that the daily risk management takes place within the operations. The operations' are also responsible for ensuring that control processes for monitoring are in place, implemented and reported. All employees assume individual responsibility for working towards a well-functioning risk culture by complying with the Group's risk-management system, which comprises a risk framework and risk-management processes.

The second line of defence pertains to the Risk Control and Compliance functions, which establish principles and frameworks for risk management and regulatory compliance. Risk Control checks that there is adequate risk awareness and acceptance for managing risk on a daily basis. Risk Control also has a supportive function when the operations implement the processes, systems and tools necessary for maintaining ongoing risk management. The role of compliance is to provide support and control to ensure that the operations comply with regulatory requirements.

The third line of defence pertains to Internal Audit, which comprises the Board's support in quality assurance and evaluation of the organisation's risk management, governance and internal controls, and which carries out independent, regular examinations of management, systems and internal controls. Combined, this structure ensures that the Board has an objective and clear understanding of the overall risk profile of the operations.

The Board is responsible for ensuring that an efficient risk-management system is in place and that it is customised to the Group's risk appetite and risk limits through the adoption of relevant governance documents. The Board approves all significant elements of the internal models used within the bank and is also responsible for ensuring that regulatory compliance and risks are managed in a satisfactory manner through the Group's Compliance, Risk Control and Internal Audit functions. The Risk and Capital Committee supports the Board in risk and capital issues, and prepares cases ahead of Board decisions that pertain to market and liquidity risk, credit risk, capital and internal capital adequacy assessment.

The President is responsible for ensuring that daily management takes place in accordance with the strategies, guidelines and governance documents established by the Board. The President also ensures that the methods, models, systems and processes that form the internal measurement and control of identified risks work in the manner intended and decided by the Board. The President is to continuously ensure relevant reporting from each unit, including Risk Control, to the Board. The President is the Chairman of the Asset Liability Committee (ALCO), which follows up on capital and financial matters arising in the Group.

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

This ensures that the Group has an effective and robust system for risk management, which allows continuous evaluation and assessment of the risks associated with the business activities. The system is an integral part of the decision-making processes.

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

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

- Clear and documented descriptions of processes and procedures.
- Clearly defined and documented responsibilities and authorities.
- Risk-measurement methods and system support that are customised to the requirements, complexity and size of the operations.
- Regular incident reporting of the operations according to a documented process.
- Sufficient resources and expertise for attaining the desired level of quality in both the business and control activities.
- Documented and communicated business contingency, continuity and recovery plans.
- Clear instructions for each respective risk area and approval process.

In 2014, the Group prepared a recovery plan for restoration of its financial situation following a significant deterioration.

Credit risk

Credit risk is defined as the risk of losses arising due to a counterparty not being able to fulfil its commitments to the Group and the risk that the counterparty's pledged collateral will not cover the company's receivables. The Group calculates credit risks for loans to the public in accordance with the IRB Approach except with regard to business lending through Wasa Kredit. The Standardised Approach is used for other exposure classes. The loan portfolio consists entirely of loans in Sweden. For more information regarding credit risks and credit quality, see Loans and credit quality on page 9.

The loan portfolio largely comprises mortgages, mainly with single-family homes as collateral. The high number of exposures are relatively small, meaning that the Bank Group does not have any significant exposure to concentration risk. The Bank Group has a highly diversified geographic distribution since business activities are conducted in all parts of Sweden. The Bank Group has a robust loan-origination process whereby decisions can be guided with the help of internal credit-risk models. A formalised and documented process is also applied when introducing new products and sub-markets where the impact on credit risk is given particular consideration.

Credit process

The banking operations impose strict requirements in terms of customer selection, the customers' repayment capacity and the quality of collateral.

Länsförsäkringar Bank is responsible for ensuring that loan origination is carried out according to uniform procedures based on the Board's adopted

guidelines and forms a foundation for a shared view on loan origination. Together with Länsförsäkringar Bank and its subsidiaries, the regional insurance companies continuously monitor and review the quality of the loan portfolio and borrowers' repayment capacity. Combined with system support for risk classification, this leads to balanced and consistent loan origination.

The shared credit regulations adopted by the Board form the foundation for all loan origination and apply for all regional insurance companies as well as Länsförsäkringar Bank and its subsidiaries. The size of the loan and level of risk determine the decision level, where the highest instance is the Board and the lowest instance a decision at local level. Mandates for granting credit at the respective decision-making instance are set out in the credit regulations.

The credit regulations also set out minimum requirements for underlying documentation for credit-granting decisions. Compliance with the credit regulations is followed up by the regional insurance companies and by Länsförsäkringar Bank and its subsidiaries.

The credit regulations and credit process, combined with local customer and market knowledge, create a loan portfolio that maintains high credit quality.

IRB system

The IRB system is a core component of the credit process and consists of methods, models, processes, controls and IT systems to support and further develop the quantification of credit risks. Specifically, the IRB system is used in conjunction with:

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

Some of the central concepts in the IRB system are described below. The probability of default (PD) is the probability that a counterparty is unable to meet its undertaking to the bank. A PD with a 12-month horizon is initially calculated for each counterparty and is then adjusted to reflect the average proportion of default over a longer time period. The counterparties are ranked and grouped according to a PD scale comprising 11 risk classes (grades) for non-defaulted counterparties and one risk category for defaulted counterparties. A loss given default (LGD) is the portion of an exposure that is expected to be lost in the event of default.

Exposure at default (EAD) is the exposure amount that the counterparty is expected to utilise upon default. For off balance-sheet commitments, EAD is calculated by multiplying the counterparty's total granted amount by a conversion factor (CF). These estimates are calculated on the basis of internal information regarding degree of realisation, degree of utilisation and products.

The average loan commitment for each borrower is low. The relationship between the loan portfolio and the underlying assets expressed as the weighted average loan-to-value (LTV) ratio, was 66%.

Credit quality

The loan portfolio exclusively comprises loans in Sweden and 71% (71) comprises retail mortgages, meaning lending for private housing in the form of single-family homes and tenant-owned apartments. First-lien mortgages with loan-to-value ratios amounting up to 75% of the market value at the time of origination account for the largest percentage of retail mortgages. Low loan-to-value ratios, combined with a favourable geographic distribution and local presence, are the core pillars in ensuring that the loan portfolio maintains a high level of credit quality. The rules regarding loan origination for mortgages have a maximum loan-to-value ratio of 85%. The average exposure of retail mortgages per counterparty is SEK 1.0 M and only 10% amounts to more than SEK 3 M.

Loans to the agricultural segment accounted for 13% (13) of the loan portfolio. The lending segment is a complement to the bank's mortgages

since a large share pertains to loans to family-owned farming businesses. Together with mortgages, this segment accounts for approximately 84% (84) of the total loan portfolio.

Loans for leasing and hire purchase to Swedish households and companies accounted for 6% (7) of the loan portfolio, and comprise collateral in ownership reservations and collateral in leased assets. Loans without collateral, comprising unsecured loans and credit card loans, correspond to 4% (4) of lending. Total IRB exposure was SEK 174,158 M (158,432), corresponding to 96.9% (97.5) of total loans to the public.

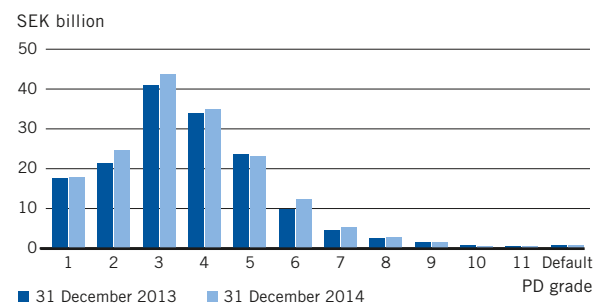
The Bank Group's credit-risk exposure is primarily secured against direct collateral in real property and tenant-owned apartments, the values and LTV ratios of which are taken into consideration when preparing new loans and also within the framework of the risk-classification system's LGD calculations. To a lesser extent, other types of collateral occur and are also taken into consideration in LGD calculations.

Maximum credit-risk exposure not taking into consideration collateral or any other credit enhancement received, SEK M	31 Dec 2014	31 Dec 2013
<i>Credit risk exposure for items recognised in the balance sheet</i>		
Cash and balances with central banks	26	108
Treasury bills and other eligible bills, etc.	5,409	4,881
Loans to credit institutions	1,790	5,958
Loans to the public	179,424	162,003
Bonds and other interest-bearing securities	36,104	35,201
Derivatives	5,258	1,077
Other assets	438	571
<i>Credit risk exposure for memorandum items</i>		
Guarantees	24	57
Loan commitments and other credit commitments	15,153	10,659
Total	243,625	220,515

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

Bonds and other interest-bearing securities, SEK M	Group		Parent Company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
AAA/Aaa	36,104.1	35,200.6	23,712.2	19,824.7
Total	36,104.1	35,200.6	23,712.2	19,824.7

The Group's credit exposure according to risk class is presented below. The results show a distribution of exposure, with 72% (72) of exposure found in the PD grades 1–4 and deemed to have a PD of less than 0.5%. Exposure is increasing, particularly in the lowest PD grades 1–4. Overall, on 31 December 2014, the distribution of exposure had shifted slightly toward the lower PD grades compared with the year-earlier period, which means a year-on-year improvement in credit quality.



In addition to the above credit exposure, SEK 5,611 M (3,993) is included in loans to the public which are not graded under the IRB Approach, and which include a time-limited exemption that pertains to exposure in one customer segment with Wasa Kredit.

Collateral is provided for the items below in the form of mortgage deeds for mortgages, agricultural lending, multi-family housing and industrial properties, and collateral in assets for leasing and hire purchase. The item Other has increased due to overnight deposits with the Swedish National Debt Office.

Loan portfolio

Lending segment	31 Dec 2014		31 Dec 2013	
	SEK M	%	SEK M	%
Retail mortgages	127,274	71	115,251	71
Agricultural loans	22,454	13	20,657	13
Unsecured loans	7,333	4	6,811	4
Leasing	6,268	3	6,276	4
Hire purchase	5,797	3	5,470	3
Multi-family housing	7,145	4	5,788	4
Industrial properties	624	0	589	0
Other	2,874	2	1,583	1
Loans to the public, gross	179,769	100	162,425	100
Provisions	-344		-422	
Total	179,424		162,003	

The following table shows lending distributed across the Group companies. Essentially all lending that occurs in Länsförsäkringar Bank and Länsförsäkringar Hypotek comprises lending secured against property, while most lending at Wasa Kredit comprises leasing and hire-purchase loans.

Distribution of companies in loan portfolio, SEK M	Retail mortgages	Agricultural	Unsecured loan	Leasing	Hire purchase	Multi-family housing	Industrial properties	Other	Total
Länsförsäkringar Hypotek	118,389	0	0	0	0	7,145	624	9	126,167
Länsförsäkringar Bank	8,885	22,454	4,565	0	0	0	0	2,865	38,769
Wasa Kredit	0	0	2,768	6,268	5,797	0	0	0	14,833
Total	127,274	22,454	7,333	6,268	5,797	7,145	624	2,874	179,769

The following table shows mortgages distributed according to the size of the commitment. The distribution of commitments by type of collateral is unchanged compared with last year, see following table.

Retail mortgages, distribution of commitments	31 Dec 2014			31 Dec 2013		
	SEK M	%	Average commitment, SEK M	SEK M	%	Average commitment, SEK M
- SEK 0.5 M	10,937	9	0.3	10,719	9	0.3
SEK 0.5 M-SEK 1.0 M	25,907	20	0.7	24,773	22	0.7
SEK 1.0 M-SEK 2.0 M	52,159	41	1.4	47,715	41	1.4
SEK 2.0 M-SEK 3.0 M	25,153	20	2.4	21,669	19	2.4
> SEK 3.0 M	13,118	10	3.8	10,375	9	3.7
Total	127,274	100	1.0	115,251	100	1.0

The following table shows the distribution of retail mortgages by type of collateral. The distribution between single-family homes, vacation homes and tenant-owned apartments remains unchanged between the years.

Retail mortgages by collateral

Collateral	31 Dec 2014		31 Dec 2013	
	SEK M	%	SEK M	%
Single-family and vacation homes	100,425	79	91,272	79
Tenant-owned apartments	26,849	21	23,979	21
Total	127,274	100	115,251	100

The distribution of the retail mortgage portfolio across Swedish counties is shown below. The distribution is stable with some concentration to counties with large metropolitan areas.

Mortgages by county	31 Dec 2014		31 Dec 2013	
	SEK M	%	SEK M	%
Blekinge	2,275	2	2,058	2
Dalarna	6,794	5	6,242	5
Gotland	2,620	2	2,472	2
Gävleborg	4,268	3	4,019	4
Halland	6,189	5	5,872	5
Jämtland	2,529	2	2,379	2
Jönköping	4,496	4	4,079	4
Kalmar län	2,944	2	2,640	2
Kronoberg	2,071	2	1,814	2
Norrbottn	1,706	1	1,415	1
Skåne län	14,335	11	12,961	11
Stockholm	18,336	15	17,347	15
Södermanland	4,176	3	3,783	3
Uppsala län	6,888	5	6,294	6
Värmland	1,841	1	1,589	1
Västerbotten	4,323	3	3,837	3
Västernorrland	2,106	2	1,820	2
Västmanland	4,555	4	4,183	4
Västra Götaland	21,565	17	18,878	16
Örebro län	4,440	4	3,901	3
Östergötland	8,817	7	7,668	7
Total	127,274	100	115,251	100

The distribution of agricultural loans by regions in Sweden is shown below.

Geographic distribution of hire purchase, leasing and unsecured loans

Region	31 Dec 2014		31 Dec 2013	
	SEK M	%	SEK M	%
Western Sweden	4,772	23	4,241	23
Eastern Central Sweden	5,292	26	4,845	26
Stockholm	105	1	112	1
Southern Sweden	3,841	19	3,417	19
Northern Central Sweden	973	5	866	5
Småland and islands	3,693	18	3,354	18
Northern Norrland	844	4	751	4
Central Norrland	758	4	726	4
Total	20,278	100	18,312	100

The following table shows the distribution of agricultural loans by size of commitment. The distribution remains stable compared with last year apart from a slight decline in the proportion of commitments larger than SEK 15.0 M since 31 December 2013. In terms of commitments distributed by product type in the following table, there has been an increase in first-lien mortgages and a slight decrease in other lending products.

Exposure intervals for agricultural loans

	31 Dec 2014				31 Dec 2013			
	SEK M	Exposure, %	Counterparty, %	Average commitment, SEK M	SEK M	Exposure, %	Counterparty, %	Average commitment, SEK M
– SEK 1 M	2,069	9	58	0.3	1,978	10	60	0.3
SEK 1.0 M–SEK 3.0 M	5,909	26	27	1.8	5,412	26	26	1.8
SEK 3.0 M–SEK 8.0 M	6,029	27	11	4.7	5,458	26	10	4.7
SEK 8.0 M–SEK 15.0 M	3,901	18	3	10.9	3,562	17	3	10.9
SEK 15 M–SEK 30 M	2,912	13	1	19.7	2,856	14	1	20.1
> SEK 30 M	1,634	7	0	43.0	1,391	7	0	43.5
Total	22,454	100	100	1.9	20,657	100	100	1.8

Agricultural loans by product

Product	31 Dec 2014			31 Dec 2013		
	SEK M	%	Average commitment, SEK M	SEK M	%	Average commitment, SEK M
First-lien mortgages	20,278	90	2.4	18,312	89	2.3
Second-lien mortgages	1,559	7	0.5	1,681	8	0.5
Operating credits	617	3	0.1	664	3	0.1
Total	22,454	100	1.9	20,657	100	1.8

Geographic distribution of hire-purchase, leasing and unsecured loans

Region	31 Dec 2014		31 Dec 2013	
	SEK M	%	SEK M	%
Western Sweden	3,560	18	3,465	19
Eastern Central Sweden	3,946	20	3,747	20
Stockholm	4,051	21	3,737	20
Southern Sweden	2,708	14	2,525	14
Northern Central Sweden	2,114	11	2,165	12
Småland and islands	1,575	8	1,461	8
Northern Norrland	687	4	663	3
Central Norrland	757	4	794	4
Total	19,398	100	18,557	100

Exposure intervals for hire purchase, leasing and unsecured loans

Interval	31 Dec 2014			31 Dec 2013		
	SEK M	%	Average commitment, SEK M	SEK M	%	Average commitment, SEK M
– SEK 0.05 M	2,918	15	0.02	3,011	16	0.01
SEK 0.05 M–SEK 0.1 M	3,394	17	0.07	3,331	18	0.07
SEK 0.1 M–SEK 0.2 M	4,960	26	0.15	4,842	26	0.14
SEK 0.2 M–SEK 0.5 M	4,330	22	0.29	4,003	22	0.29
> SEK 0.5 M	3,796	20	1.11	3,370	18	1.11
Total	19,398	100	0.07	18,557	100	0.06

Impaired loans

Impaired loans amounted to SEK 316 M (393) and the percentage of impaired loans gross was 0.17% (0.23). Loan losses remained very low at SEK -7.3 M (126) net, corresponding to a loan loss level of 0.00% (0.08). Impaired loans and loan losses continued to account for a minor percentage of total loans.

Impaired loans by product, SEK M	Group		Parent Company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Retail mortgages	9.6	25.3	9.3	19.2
Agricultural loans	34.4	71.4	34.3	71.4
Unsecured loans	124.9	113.6	23.8	37.9
Leasing	85.8	111.3	–	–
Hire purchase	39.0	46.4	–	–
Multi-family housing	–	–	–	–
Industrial properties	–	–	–	–
Other	22.3	25.4	22.3	25.4
Total	315.9	393.4	89.7	153.9

Non-performing loan receivables not included in impaired loans, SEK M	Group		Parent Company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Receivables 10–19 days past due ¹⁾	0.1	1.3	0.1	0.8
Receivables 20–39 days past due	329.0	343.6	35.3	32.2
Receivables 40–60 days past due	19.6	10.0	16.6	0.0
Total	348.7	354.9	52.0	33.0

¹⁾ Excluding Wasa Kredit.

Non-performing loan receivables not included in impaired loans, SEK M, specified by company, 31 Dec 2014	Läns- försäkringar Bank	Läns- försäkringar Hypotek	Wasa Kredit	Group
Receivables 10–19 days past due ¹⁾	0.1	0.0	0.0	0.1
Receivables 20–39 days past due	35.3	40.0	253.7	329.0
Receivables 40–60 days past due	16.6	0.0	3.0	19.6
Total	52.0	40.0	256.7	348.7

¹⁾ Excluding Wasa Kredit.

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

Individual impairments are made for loans in default and for loans where an individual assessment indicates a need for impairment. The main rule is that when a loss is confirmed for a loan/borrower, a corresponding separate impairment of the full amount of the confirmed loss is made for the loan/borrower.

The principle for individual impairments is based on an individual assessment decided by the Central Credit Committee, the Head of Work-out at Credit and/or the Credit Manager. For each loan/borrower, individual assessments of any impairment requirements are updated at least once each year and also in the case of any significant change in the size of the commitment and/or the value of the collateral. Valuations based on statements of authorised appraisers form the basis of assessments of reserve requirements and pertain to both properties and other types of collateral.

The main rule is that when a loss is confirmed on a loan/borrower, a corresponding separate impairment of the full amount of the confirmed loss is made for the loan/borrower.

Collateral is only withdrawn by the subsidiary Wasa Kredit AB. Such collateral primarily comprises vehicles and machinery.

A decision to withdraw collateral is made after taking into account the customer's repayment capacity and Section 42 of the Consumer Credit Act, and takes place following documented procedures. The carrying amount in 2014 was SEK 104 M.

The settlement model, which was introduced on 1 January 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 means of an off-set against accrued commissions. On 31 December 2014, the total credit reserve requirement amounted to SEK 424 M, of which the Bank Group's recognised credit reserve accounted for SEK 344 M and the remainder of SEK 80 M was offset against the regional insurance companies' held funds, according to the model described above. The transition to the settlement 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. SEK 67 M was reversed during the period.

Counterparty risk

Counterparty risk is defined as the risk that the Group could suffer losses pertaining to investments in other credit institutions, bank funds or derivative transactions due to counterparties not fulfilling their commitments. Repurchase agreements are included in counterparty risk. Risk in derivative transactions is managed by the company having a number of swap counterparties, all with high ratings and established ISDA agreements. ISDA agreements allow net accounting of positive and negative derivatives, which reduces the risk to the net position per counterparty. For the covered-bond operations, ISDA agreements are in place, as well as accompanying unilateral CSA agreements. CSA agreements involve commitments concerning delivery and receipt of collateral in the event of changes to the included derivatives' market values. Each counterparty is also assigned a maximum exposure amount.

Fair value of derivatives, SEK M	Group	
	31 Dec 2014	31 Dec 2013
AA-/Aa3	1,015.3	141.2
A+/A1	118.4	132.8
A+	7.4	0.0
A+/A2	56.7	16.8
A/Aa2	119.3	0.0
Total	1,317.0	290.9

Derivatives and pledged assets are totalled for each legal entity in the Group. Counterparties with positive exposure are included in the table. The method has been changed since 2013 and the figures for 2013 have been updated.

Market risk

The overall framework for the financial operations is adopted by the Board in the risk policy. The Board also adopts the risk appetite and limits for market risk. The Bank Group applies a number of supplementary risk measures to market risk, including Value-At-Risk, sensitivity measures and stress tests. The primary market risks are interest-rate risk and currency risk. These risks are measured and monitored on a daily basis.

Interest-rate risk

Interest-rate risk arises when assets, liabilities and derivatives do not have matching fixed-interest periods. Firstly, the fixed lending is matched with the corresponding funding and, secondly, interest-rate swaps are used. In principle, this means that no time differences should exist, although in practice this is not possible. However, the Board's limits are so conservative that the basic principle for matching still applies. Interest-rate risk is managed by the bank's Treasury unit in accordance with the instructions issued by the President.

Interest-rate risk is measured as the effect of a 1-percentage-point, upward parallel shift in the yield curve. On 31 December 2014, an increase

in market interest rates of 100 basis points would have resulted in an increase in the value of interest-bearing assets and liabilities, including derivatives, of SEK 2,4 M (42).

IMPACT OF INTEREST-RATE RISK

Group, SEK M	31 Dec 2014
Interest-rate risk	2.4
Impacts profit	-9.9
Impacts equity	0.2
Impacts capital base	-9.9

INTEREST-RATE RISK PER CURRENCY

Group, SEK M Currency	31 Dec 2014
EUR	-0.2
CHF	0.0
NOK	-0.1
USD	0.0
SEK	2.6

Currency risk

Currency risk arises when assets and liabilities are not matched at the currency level. The risk pertains to a negative change in exchange rates. The bank is exposed to this risk in foreign funding. Currency risk is managed in conjunction with funding by swapping all foreign funding to SEK. In cases where exposure is managed with hedging according to IFRS, hedging of fair value is used.

CURRENCY DISTRIBUTION, SECURITIES AND DERIVATIVES

Group, SEK M	31 Dec 2014			
	EUR	CHF	NOK	USD
Securities (translated at nominal amount to SEK)	1,089.3			321.0
Liabilities (translated at nominal amount to SEK)	-21,701.7	-5,120.9	-3,132.3	-39.1
Derivatives (translated at nominal amount to SEK)	20,612.3	5,120.9	3,132.3	-281.8
Net position in currency (translated at nominal amount to SEK)	0.0	0.0	0.0	0.0

Group, SEK M	31 Dec 2013			
	EUR	CHF	NOK	USD
Securities (translated at nominal amount to SEK)	752.3	0.0	0.0	481.7
Liabilities (translated at nominal amount to SEK)	-24,603.1	-4,694.4	-2,540.7	0.0
Derivatives (translated at nominal amount to SEK)	23,850.8	4,694.4	2,540.7	-481.7
Net position in currency (translated at nominal amount to SEK)	0.0	0.0	0.0	0.0

Other market risks

In addition to interest-rate and currency risk, the Bank Group has a currency-basis spread risk and a credit-spread risk. The currency-basis spread risk arises in foreign funding when currency is swapped to SEK. Credit-spread risks arise in the liquidity portfolio.

Liquidity risks

Liquidity risk arises in all of the banking operations, primarily on the basis of term differences between assets and liabilities. The Bank Group's aim is to minimise and prevent liquidity risks as far as possible. The management of liquidity and financing is assured by effective long-term planning, explicit functional definitions and a high level of control.

The Group has highly diversified funding and a liquidity reserve comprising securities with high liquidity and creditworthiness, which means that the reserve can be rapidly converted into cash and cash equivalents. In addition, there is unutilised scope in Länsförsäkringar Hypotek's cover pool for issuing covered bonds, which combined provide opportunities for

managing the risks arising on the basis of the difference between the contractual cash flows of assets and liabilities.

Liquidity and financing strategy

The Bank Group's liquidity risk is governed based on the liquidity and financing strategy to comply with the Board's low risk tolerance. The strategy is determined annually and is updated whenever necessary. The liquidity strategy is specified in a financing plan decided by the Board and based on known contracted cash flows and the expected trend in business volumes. The financing plan contains key figures and targets for fulfilment of the objectives. Outcomes of the funding operations are monitored against the financing plan by at every ALCO and Board meeting.

The actual cost of the liquidity risk that arises in the Bank Group's operations is to reflect the internal pricing in order to create transparency and correct business governance.

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

Liquidity risk management

The objective of liquidity management is that the bank, at any given time, is to have sufficient cash and cash equivalents with which to fulfil its commitments under both normal and stressed market conditions. Liquidity risk is managed by the Treasury unit and is quantified using daily liquidity forecasts based on all contracted cash flows and expected business volumes of deposits and lending.

Liquidity risk limits have been established that reflect the Group's risk appetite. The central measure in the management of the Group's liquidity risk comprises the Bank Group's "survival horizon," meaning the period of time during which the Bank Group is able to meet its commitments without requiring access to new financing. The liquidity limit for the survival horizon has been set at 12 months, meaning the period of time during which the Bank Group must be able to meet 12 months of contractual outflows without requiring access to new funding in the capital market.

To comprehensively analyse the liquidity risk, the liquidity limit is supplemented with a number of structural and quantitative risk measures adapted to the Group's risk profile, including a minimum requirement for unutilised scope (overcollateralisation) in the cover pool for the issuance of covered bonds for the purpose of managing price drops in the property market. The analysis is prospective and based on measurement methods accepted in the market, including analysis of future cash flows, scenario analyses and key figures stipulated by authorities. Liquidity risk is measured, controlled and reported on a daily basis.

Liquidity reserve

A satisfactory liquidity reserve ensures that sufficient liquidity is always available. The Treasury unit monitors and manages the liquidity reserve on a daily basis and is responsible for the amount of the reserve totalling the volume required to meet the limits set by the Board. The liquidity reserve is invested in securities with very high credit quality, most of which are eligible for transactions with the Riksbank and, where appropriate, with the ECB or the Federal Reserve. In total, this means that the reserve can be quickly converted to cash and cash equivalents without any appreciable losses.

On 31 December 2014, the liquidity reserve amounted to SEK 44.1 bn (45.9), according to the Swedish Bankers' Association's definition, and 72% (72) of the reserve comprise covered bonds. All deposits in the liquidity reserve are of very high credit quality.

Financing

The general objectives of the funding operations are to ensure that the Bank Group has a sufficiently strong liquidity position with which to manage turbulent periods in the capital markets, when access to funding is limited or non-existent. In addition, the funding operations are to contribute to overall profitability by ensuring a competitive funding cost in relation to relevant competitors.

Funding takes place in a manner that creates a healthy maturity profile and avoids maturity concentrations. The refinancing activities are based on diversification in terms of a variety of investors and markets. Funding takes place primarily with covered bonds since the majority of the Group's assets comprise Swedish mortgages. Refinancing primarily takes place in the markets for SEK and EUR, but certain funding also takes place in CHF and NOK. The Bank Group endeavours to regularly launch issuances in these markets to achieve healthy diversification and maintain investors' interests and credit limits.

In its funding operations, the Bank Group is to act predictably and actively in the market and aim at achieving as high liquidity as possible in outstanding debt to build up long-term confidence among investors.

Regular meetings are held with both Swedish and international investors to ensure that these investors have a clear overview of the Bank Group's operations, low risk profile and high-quality risk management. These proactive efforts ensure that investment limits are in place with investors, and promotes a long-term interest in and desire to invest in the Bank Group's securities over time.

For more information about the funding programmes, see page 12.

External reporting requirements

Under Swedish Liquidity Coverage Ratio (LCR) requirements, the Group's LCR on 31 December 2014 amounted to 221% (230) of the total level and to 68,580% (1,847) in EUR.

FIXED-INTEREST PERIODS FOR ASSETS AND LIABILITIES – INTEREST-RATE EXPOSURE

Group 2014, SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
Assets									
Cash and balances with central banks	25.8	0	0	0	0	0	0	0	25.8
Treasury bills and other eligible bills	0.0	0	0	2,877	1,548	984	0	0	5,409.3
Loans to credit institutions	1,747.6	0.0	0.0	42.0	0.0	0	0	0.0	1,789.6
Loans to the public	74,396.9	41,059.3	4,829.7	12,687.3	35,496.1	9,300.6	1,654.5	0.0	179,424.3
Bonds and other interest-bearing securities	0.2	2,836	1,679.0	3,881.8	14,819.9	12,276.5	611	0	36,104.1
Other assets	0	0	0	0	0	0	0	9,427.3	9,427.3
Total assets	76,170.4	43,895.6	6,508.6	19,487.7	51,864.4	22,561.2	2,265.0	9,427.3	232,180.2
Liabilities									
Due to credit institutions	3,390.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,390.0
Deposits and funding from the public	52,414.3	15,064.9	6,280.4	1,609.4	1,046.0	374.7	0.0	0.0	76,789.7
Debt securities in issue	1,285.9	15,402.0	9,604.5	6,527.2	43,697.8	30,142.5	21,996.5	0.0	128,656.4
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11,447.3	11,447.3
Subordinated liabilities	0.0	0.0	0.0	20.1	1,179.6	1,100.0	0.0	0.0	2,299.7
Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,597.0	9,597.0
Total liabilities and equity	57,090.2	30,466.9	15,884.9	8,156.8	45,923.3	31,617.2	21,996.5	21,044.3	232,180.2
Difference assets and liabilities	19,080.2	13,428.7	-9,376.3	11,330.9	5,941.1	-9,056.0	-19,731.5	-11,617.1	
Interest-rate derivatives, nominal values, net	-4,751.7	1,306.5	1,634.7	-14,872.2	-15,767.0	12,369.7	21,100.8		
Net exposure	14,328.4	14,735.2	-7,741.5	-3,541.3	-9,826.0	3,313.7	1,369.3	-11,617.1	

Group 2013, SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
Assets									
Cash and balances with central banks	108.5								108.5
Treasury bills and other eligible bills			352.7	226.0	3,118.5	1,184.2			4,881.4
Loans to credit institutions	5,023.2	161.0	640.9	40.6	83.7	8.5		0.0	5,957.9
Loans to the public	78,923.9	28,225.2	5,245.4	5,629.4	36,186.7	6,855.4	937.2	0.0	162,003.2
Bonds and other interest-bearing securities		0.0	14,137.5		11,538.7	9,254.3	270.1		35,200.6
Other assets								5,307.2	5,307.2
Total assets	84,055.6	28,386.2	20,376.5	5,896.0	50,927.6	17,302.4	1,207.3	5,307.2	213,458.8
Liabilities									
Due to credit institutions	709.6							890.3	1,599.9
Deposits and funding from the public	45,263.3	15,489.2	3,449.6	4,024.6	619.4	373.9			69,220.0
Debt securities in issue	7,077.4	15,776.8	17,880.3	1,817.4	39,758.6	25,004.6	16,246.8	73.0	123,634.9
Other liabilities								8,415.9	8,415.9
Subordinated liabilities		1,545.0					754.7		2,299.7
Equity								8,288.4	8,288.4
Total liabilities and equity	53,050.3	32,811.0	21,329.9	5,842.0	40,378.0	25,378.5	17,001.5	17,667.6	213,458.8
Difference assets and liabilities	31,005.3	-4,424.8	-953.4	54.0	10,549.6	-8,076.1	-15,794.2	-12,360.4	
Interest-rate derivatives, nominal values, net	-2,520.1	-25,470.5	1,686.4	-2,539.6	-12,923.3	13,969.4	27,797.8		
Net exposure	28,485.2	-29,895.3	733.0	-2,485.6	-2,373.7	5,893.3	12,003.6	-12,360.4	

**FIXED-INTEREST PERIODS FOR ASSETS AND LIABILITIES
– INTEREST-RATE EXPOSURE**

Parent Company 2014, SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total
Assets									
Cash and balances with central banks	25.8								25.8
Treasury bills and other eligible bills		0.2	0.0	2,876.5	1,548.4	984.2			5,409.3
Loans to credit institutions	46,479.2			78.4	50.5	468.4	301.0		47,377.5
Loans to the public	21,133.1	8,863.3	161.5	2,572.4	4,787.7	947.3	183.4	0.0	38,648.6
Bonds and other interest-bearing securities	0.2	2,026.6	1,423.7	2,890.1	9,119.8	7,641.2	610.6		23,712.2
Other assets								11,143.0	11,143.0
Total assets	67,638.3	10,890.1	1,585.2	8,417.5	15,506.3	10,041.1	1,094.9	11,143.0	126,316.3
Liabilities									
Due to credit institutions	5,665.6							0.0	5,665.6
Deposits and funding from the public	52,597.4	15,064.9	6,280.4	1,609.4	1,046.0	374.7	0.0	0.0	76,972.8
Debt securities in issue	454.7	5,114.2	4,090.4	4,703.1	10,469.5	2,254.4	682.2		27,768.4
Other liabilities								5,259.0	5,259.0
Subordinated liabilities				20.1	1,179.6	1,100.0	0.0		2,299.7
Equity								8,350.8	8,350.8
Total liabilities and equity	58,717.7	20,179.0	10,370.8	6,332.7	12,695.0	3,729.1	682.2	13,609.7	126,316.3
Difference assets and liabilities	8,920.6	-9,289.0	-8,785.6	2,084.8	2,811.3	6,311.9	412.7	-2,466.7	
Interest-rate derivatives, nominal values, net	-3,161.1	23,192.8	3,094.7	-5,727.0	-10,432.0	-6,747.9	25.6		
Net exposure	5,759.4	13,903.8	-5,690.9	-3,642.2	-7,620.7	-436.0	438.4	-2,466.7	

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

LIQUIDITY EXPOSURE, FINANCIAL INSTRUMENTS
– REMAINING TERM OF CONTRACT (UNDISCOUNTED VALUES)

Group 31 Dec 2014, SEK M	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Without maturity	Total nominal cash flows	Carrying amount	Of which, expected recovery period of > 12 months
Assets									
Cash and balances with central banks	25.8	0.0	0.0	0.0	0.0	0.0	25.8	25.8	0.0
Treasury bills and other eligible bills	0.0	0.0	2,800.0	2,391.3	0.0	0.0	5,191.3	5,409.3	5,191.3
Loans to credit institutions	105.9	1,683.6	0.0	0.0	0.0	0.0	1,789.6	1,789.6	0.0
Loans to the public	0.0	3,588.6	5,053.3	11,479.0	161,514.8	0.0	181,635.7	179,424.3	178,047.1
Bonds and other interest-bearing securities	0.0	2,800.0	5,400.0	25,066.0	550.0	0.0	33,816.0	36,104.1	31,016.0
Other assets	0.0	106.4	0.0	0.0	0.0	9,320.9	9,427.3	9,427.3	9,320.9
Total assets	131.7	8,178.6	13,253.3	38,936.3	162,064.8	9,320.9	231,885.7	232,180.2	223,575.3
Liabilities									
Due to credit institutions	2,298.6	1,091.5	0.0	0.0	0.0	0.0	3,390.1	3,390.1	0.0
Deposits and funding from the public	0.0	67,479.2	7,889.9	1,420.7	0.0	0.0	76,789.7	76,789.7	9,310.5
Debt securities in issue	0.0	16,501.2	15,295.1	72,389.4	22,959.3	0.0	127,145.0	128,656.4	110,643.9
Other liabilities	0.0	99.1	22.4	0.0	42.7	11,447.3	11,611.5	11,447.3	11,512.4
Subordinated liabilities	0.0	0.0	0.0	2,300.0	0.0	0.0	2,300.0	2,299.7	2,300.0
Total liabilities	2,298.6	85,170.8	23,207.4	76,110.1	23,002.0	11,447.3	221,236.3	222,583.2	133,766.8
Difference assets and liabilities	-2,166.9	-76,992.2	-9,954.1	-37,173.8	139,062.9	-2,126.5	10,649.4	9,597.0	89,808.5
Loans approved but not disbursed		11,762.9					11,762.9		
Total difference, excluding derivatives	-2,166.9	-88,755.1	-9,954.1	-37,173.8	139,062.9	-2,126.5	-1,113.5	9,597.0	

Group 31 Dec 2013, SEK M	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Without maturity	Total nominal cash flows	Carrying amount	Of which, expected recovery period of > 12 months
Assets									
Cash and balances with central banks	108.5						108.5	108.5	
Treasury bills and other eligible bills		5,338.9	574.5	4,096.0			10,009.4	4,881.4	4,096.0
Loans to credit institutions	0.7	1,522.0		10,963.6	766.0		13,252.3	5,957.9	766.0
Loans to the public			5,006.2	19,638.5	146,138.7		170,783.4	162,003.2	157,102.3
Bonds and other interest-bearing securities			13,900.0		250.0		14,150.0	35,200.6	19,888.5
Other assets						5,307.2	5,307.2	5,307.2	
Total assets	109.2	6,860.9	19,480.7	34,698.1	147,154.7	5,307.2	213,610.8	213,458.8	181,852.8
Liabilities									
Due to credit institutions	1,396.6	91.5	281.8	294.8			2,064.7	1,599.9	294.8
Deposits and funding from the public		60,873.6	7,474.3	993.2			69,341.1	69,220.0	993.2
Debt securities in issue		5,348.2	22,633.0	76,680.4	17,954.3		122,615.9	123,634.9	94,634.7
Other liabilities						8,415.9	8,415.9	8,415.9	
Subordinated liabilities				2,300.0			2,300.0	2,299.7	2,300.0
Total liabilities	1,396.6	66,313.3	30,389.1	80,268.4	17,954.3	8,415.9	204,737.6	205,170.4	98,222.7
Difference assets and liabilities	-1,287.4	-59,452.4	-10,908.4	-45,570.3	129,200.4	-3,108.7	8,873.2	8,288.4	
Loans approved but not disbursed		7,478.5					7,478.5		
Total difference, excluding derivatives	-1,287.4	-66,930.9	-10,908.4	-45,570.3	129,200.4	-3,108.7	1,394.7		

A conservative assumption was made regarding deposits from the public without fixed terms; the assumed term is within three months.
The measurement method for loans approved but not disbursed has been updated. The figures for 2013 have been updated.

LIQUIDITY EXPOSURE, FINANCIAL INSTRUMENTS
– REMAINING TERM OF CONTRACT (UNDISCOUNTED VALUES)

Parent Company 31 Dec 2014, SEK M	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Without maturity	Total nominal cash flows	Carrying amount	Of which, expected recovery period of > 12 months
Assets									
Cash and balances with central banks	25.8						25.8	25.8	
Treasury bills and other eligible bills			2,800	2,391			5,191	5,409	2,391.3
Loans to credit institutions	0.0	46,479.8	78.4	515.5	304.4		47,378	47,377.5	819.9
Loans to the public		2,295.7	1,537.3	2,147.2	32,668.3		38,648.6	38,648.6	32,881.9
Bonds and other interest-bearing securities		2,000	4,200.0	15,591.0	550.0		22,341	23,712.2	16,141.0
Other assets						11,143.0	11,143	11,143.0	0.0
Total assets	25.8	50,775.6	8,615.7	20,645.0	33,522.7	11,143.0	124,727.8	126,316.3	52,234.1
Liabilities									
Due to credit institutions	0.0	5,665.6					5,665.6	5,665.6	
Deposits and funding from the public	0.0	67,662.0	7,889.9	1,420.7	0.0		76,972.6	76,972.8	63,455.5
Debt securities in issue		5,502.6	8,775.4	12,702.7	717.6		27,698.3	27,768.4	13,420.4
Other liabilities		0.0				5,259.2	5,259.2	5,259.2	0.0
Subordinated liabilities				2,300.0	0.0		2,300.0	2,299.7	2,300.0
Total liabilities	0.0	78,830.2	16,665.2	16,423.4	717.6	5,259.2	117,895.7	117,965.5	79,175.9
Difference assets and liabilities	25.8	-28,054.7	-8,049.5	4,221.6	32,805.1	5,883.8	6,832.1	8,350.8	
Loans approved but not disbursed		2,634.5					2,634.5		
Total difference, excluding derivatives	25.8	-30,689.1	-8,049.5	4,221.6	32,805.1	5,883.8	4,197.6	8,350.8	

A conservative assumption was made regarding deposits from the public without fixed terms; the assumed term is within three months.

Parent Company 31 Dec 2013, SEK M	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Without maturity	Total nominal cash flows	Carrying amount	Of which, expected recovery period of > 12 months
Assets									
Cash and balances with central banks	108.5						108.5	108.5	
Treasury bills and other eligible bills			574.5	2,696.0			3,270.5	3,389.5	2,696.0
Loans to credit institutions	0.7	5,338.9	37,797.5		766.0		43,903.1	44,638.6	766.0
Loans to the public		258.9	1,541.7	2,051.7	31,633.8		35,486.1	36,007.7	33,685.5
Bonds and other interest-bearing securities			4,500.0	14,188.5	250.0		18,938.5	19,824.7	14,438.5
Other assets						8,439.2	8,439.2	8,439.2	
Total assets	109.2	5,597.8	44,413.7	18,936.2	32,649.8	8,439.2	110,145.9	112,408.2	51,586.0
Liabilities									
Due to credit institutions	1,396.6	4,709.0					6,105.6	6,099.6	
Deposits and funding from the public		60,873.6	7,474.3	993.2			69,341.1	69,340.6	993.2
Debt securities in issue		4,208.2	5,000.0	14,936.9	423.5		24,568.6	24,645.5	15,360.4
Other liabilities						2,307.5	2,307.5	2,307.5	
Subordinated liabilities				2,300.0			2,300.0	2,299.7	2,300.0
Total liabilities	1,396.6	69,790.8	12,474.3	18,230.1	423.5	2,307.5	104,622.8	104,692.9	18,653.6
Difference assets and liabilities	-1,287.4	-64,193.0	31,939.4	706.1	32,226.3	6,131.7	5,523.1	7,715.3	
Loans approved but not disbursed		945.1					945.1		
Total difference, excluding derivatives	-1,287.4	-65,138.1	31,939.4	706.1	32,226.3	6,131.7	4,578.0		

A conservative assumption was made regarding deposits from the public without fixed terms; the assumed term is within three months.

LIQUIDITY EXPOSURE, DERIVATIVES

Group 2014, SEK M	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives recognised at fair value in profit and loss					
– Currency	6.7	1.3		0.0	8.0
– Interest	0.0	–0.1	–0.4	–0.3	–0.7
Derivatives in hedge accounting					
– Currency	136.6	306.0	961.9	1,440.7	2,845.3
– Interest	131.2	–69.7	1,542.9	264.1	1,868.4
Total difference derivatives	274.5	237.6	2,504.4	1,704.5	4,720.9

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

Parent Company 2014, SEK M	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Total nominal cash flows
Derivatives at fair value in profit and loss					
– Currency	6.7	1.3		0.0	8.0
– Interest	–0.1	–0.1	–0.4	–0.3	–0.8
Derivatives in hedge accounting					
– Currency	64.6	50.1	43.7	42.0	200.5
– Interest	–0.6	–251.6	–444.1	4.0	–692.3
Total difference derivatives	70.6	–200.3	–400.7	45.7	–484.7

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

Operational risks

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

The Group is to base its assessments of operational risk on products, services, functions, processes and IT systems. The risk assessment is to be followed up against risk outcome (incident reporting).

Types of risk

The Group categorises operational risk into the following risk types:

Process and product risk	Encompasses the operational risk that may arise in the business and support processes that the bank has. Also includes the risk attributable to the product offerings to customers.
Personnel risks	Encompasses risks attributable to the bank's personnel. This includes risks regarding staffing levels, skills and conflicts of interest.
Legal risks	Encompasses risks that the bank faces due to its legal commitments. This may include risks arising as a result of agreements or in the bank's regulatory compliance (compliance risk).
IT risks	Encompasses the risks that may arise in the bank's IT environment, such as the risk of IT failures and IT security risks.
Security risks	Encompasses the risk of the bank and its customers being the victim of external crime. This includes fraud or threats. The risk of internal fraud is also included in this risk area.

Risk assessment

Assessments of fundamental risk management take place based on the following:

- Self-assessments and monitoring of controls – Self-assessments are one of the tools used to identify operational risks and to plan risk-limiting measures.
- Follow-up of incidents – Review of incidents that have occurred. Particular emphasis in these reviews is attached to incidents of a more serious nature.
- Risk or scenario analyses – More in-depth analysis of particular operational risk areas based on, for example, rare and serious incidents or changes in the external environment.
- Review of the approval process – Review of the operational risks identified when producing new products, services, processes and IT systems or when implementing organisational changes.

Assessment of identified operational risk is based on a model that is applied throughout the operations. Each identified risk is assessed on the following basis:

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

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

The risk methods are regularly evaluated with the aim of minimising the risk of these methods themselves giving rise to significant misjudgements of operational risks.

This may be implemented, for example, by comparing the results of self-assessments with incidents that have occurred or by relating incident information to recognised cost items.

Incident reporting

The Group has an IT system for reporting operational risk events and incidents. This system enables all employees to report any incidents. The system automatically divides the incidents into the categories established by the Swedish Financial Supervisory Authority. Risk Control periodically prepares a summary of the incidents in its reports. Incident management is an important part of the Group's operational risk management. Incident statistics contribute to the assessment and forecast of operational risk, and enables the company to quickly identify critical problems and act upon these.

Continuity management

Serious incidents may lead to a crisis. A crisis may arise, for example, due to fire, IT failure or similar serious event. The Group works constructively to prevent this type of incident from arising. Business contingency, continuity and recovery plans have been produced in the operations to support employees and managers in a crisis and if a serious event were to occur. Crisis training is conducted periodically to ensure that the plans are suitable.

Business risk

Business risk primarily comprises earnings risks. Earnings risk is defined as volatility in earnings that creates a risk of lower income due to such factors as competition or volume reductions. Earnings risk is associated with all of the Group's products and portfolios. A large portion of the banking operations involves retail mortgages. These operations have a low level of volatility and thus a low earnings risk. Business risk is managed in the internal capital adequacy assessment process (ICAAP).

CAPITAL

Internal Capital Adequacy Assessment Process (ICAAP)

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. The owners expressed their intention in the interim report dated 31 March 2014 the Bank Group was to remain well-capitalised according to the new consolidated situation. The sections below refer throughout to the consolidated situation, both as regards the internal capital adequacy assessment process and capital adequacy.

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

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

At least once annually, the prerequisites for stress tests are to be reviewed by the Board. This discussion provides guidance for the continuing work involving stress tests. Work on stress tests is based on a number of scenarios and the impact of these scenarios on risk in the Group. The aim of capital planning is to ensure that the Group, at any given time, has a suffi-

ciently large amount of capital in relation to the risks to which the consolidated situation is exposed. A capital forecast is continuously prepared. The forecast is prospective and is to provide an overall view of the capital requirements over both the long and the short term. The purpose of the forecast is to ensure that the Group has a sufficiently large capital base with regard to its earnings and volume trend and risks changes on the asset side.

The Basel III rules were introduced in Sweden during the year when the Capital Requirements Regulation (CRR) came into effect on 1 January and the Capital Requirements Directive (CRDIV) was incorporated into Swedish law on 2 August by virtue of the Special Supervision of Credit Institutions and Investment Firms Act (2014:968), the Capital Buffers Act (2014:966) (2014:966) and the Special Supervision and Capital Buffers Ordinance (2014:993). With CRR coming into effect, the Group is subject to new rules regarding consolidated supervision. Under the framework of calculating the capital base and capital base requirements, the Bank Group is to consolidated with the parent mixed financial holding company Länsförsäkringar AB. The incorporation of CRDIV into Swedish law entails that Swedish banks must maintain a capital conservation buffer of 2.5% of the risk exposure amount in Common Equity Tier 1 capital. In addition, a countercyclical capital buffer of between 0% and 2.5% and countercyclical capital buffers for systemically important banks will apply. The Swedish Financial Supervisory Authority decided on 8 September that the countercyclical capital buffer for Sweden would be activated and the buffer amount would be 1%. This buffer amount is to be applied from 13 September 2015. In connection with this, the Financial Supervisory Authority also decided to raise the already existing risk weight floor for Swedish mortgages from 15% to 25%. This risk weight floor is applied under the framework of Pillar II and applied to exposures secured by real estate collateral within the retail exposure class. Due to the increase in the risk weight floor, the Bank Group needs to withhold an additional SEK 1,132 M in capital.

On 31 December 2014, the Bank Group's capital adequacy amounted to a Core Tier 1 ratio of 16.2% (14.7) and total capital adequacy ratio of 20.6% (18.7). For the consolidated situation, capital adequacy amounted to a Core Tier 1 ratio of 13.9% (and a total capital adequacy ratio of 17.4%.

For more information, see the Pillar III report Risk and Capital Management in the Länsförsäkringar Bank Group on the website.

Capital base and capital requirements

Consolidated situation

Länsförsäkringar Bank AB is the Parent Company of the Bank Group, which includes the wholly owned subsidiaries Länsförsäkringar Hypotek AB, Wasa Kredit AB and Länsförsäkringar Fondförvaltning AB. All companies have their registered offices in Stockholm.

With the introduction of the capital requirements regulation (CRR) and the capital requirements directive (CRD IV), and in the context of capital adequacy, the financial corporate group as defined by the capital requirements directive is subject to the consolidated capital requirement. For Länsförsäkringar Bank AB, this financial corporate group is known as the "consolidated situation" and encompasses the parent mixed financial holding company Länsförsäkringar AB, as well as the Bank Group. In addition to Länsförsäkringar Bank AB, Länsförsäkringar AB has the subsidiaries of Länsförsäkringar Fondliv Försäkrings AB, Länsförsäkringar Sak Försäkrings AB and Länsförsäkringar Liv Försäkrings AB. These companies are not included in the consolidated situation since they are subject to the solvency rules for insurance companies instead of the capital requirements directive. This means that Länsförsäkringar AB's holdings in these companies are deducted from the capital base or are risk-weighted in accordance with applicable rules.

CARRYING AMOUNT OF SUBSIDIARIES, CONSOLIDATED SITUATION

Company name	Carrying amount, SEK M	Participating interest	Corporate Registration Number	Consolidation
Länsförsäkringar Bank AB	7,929.6	100%	516401-9878	Complete
Länsförsäkringar Hypotek AB	5,519.2	100%	556244-1781	Complete
Länsförsäkringar Fondförvaltnings AB	165.0	100%	556364-2783	Complete
Wasa Kredit AB	814.8	100%	556311-9204	Complete
Länsförsäkringar Fondliv Försäkrings AB (publ)	5,205.4	100%	516401-8219	Deducted from the capital base
Länsförsäkringar Sak Försäkrings AB (publ)	3,206.5	100%	502010-9681	Deducted from the capital base
Länsförsäkringar Liv Försäkrings AB (publ)	8.2	100%	516401-6627	Deducted from the capital base

OWN FUNDS AND CAPITAL REQUIREMENTS

SEK M	Bank Group, 31 Dec 2014	Bank Group, 31 Dec 2013	Consolidated situation, 31 Dec 2014	Consolidated situation, 31 Dec 2013
Equity	9,597.0	8,288.4	17,143.0	15,783.8
of which, share capital	954.9	954.9	1,006.6	975.0
of which, share premium reserve			4,906.7	4,438.4
of which, retained earnings	804.1	325.3	4,772.9	4,772.9
of which, accumulated comprehensive income	183.6	136.9	151.9	101.6
of which, other reserves	6,942.5	6,392.5	4,801.3	4,801.3
of which, net profit for the period	711.9	478.8	1,503.6	694.6
Non-verified profit	–	–	–	–128.7
Foreseeable charge or dividend	0	0	0	0
Equity for capital adequacy	9,597		17,143.0	
Intangible assets	–309.6	–397.1	–421.1	–494.2
Cash-flow hedges	–46.8	–	–15.1	29.5
Unrealised changes in value of financial assets	–138.2	–138.6	–138.2	–132.9
IRB Provisions deficit (–)/surplus (+)	–478.3	–302.4	–478.3	–498.4
Adjustments for prudent valuation	–49.4	–	–50.7	–
Deferred tax assets	–	–9.2	–	–13.9
Threshold deduction: financial companies (10%)	–0.5	–	–7,660.4	–7,958.0
Qualifying holdings outside the financial sector	–10.2	–	–10.2	–10.2
Common Equity Tier 1 capital	8,564.0	7,441.1	8,369.1	6,577.0
Additional Tier 1 capital instruments	–	–	–	–
Tier 1 capital	8,564.0	7,441.1	8,369.1	6,577.0
Tier 2 capital instruments	2,296.8	2,296.9	2,136.8	2,136.9
IRB Provisions deficit (–)/surplus (+)	8.1	–302.4	8.1	32.5
Tier 2 capital	2,305.0	1,994.5	2,145.0	2,169.4
Total own funds	10,868.9	9,435.6	10,514.1	8,746.3
Total risk exposure amount according to Basel III	52,822.2	50,465.0	60,249.6	58,465.6
Total capital requirement according to Basel III	4,225.8	4,037.2	4,820.0	4,677.2
Capital requirement for credit risk according to Standardised Approach	616.8	647.2	850.1	838.5
Capital requirement for credit risk according to IRB Approach	3,245.8	3,211.2	3,245.8	3,094.4
Capital requirement for operational risk	209.5	178.8	570.1	570.1
Capital requirement for credit valuation adjustment	153.7	–	154.0	174.2
Common Equity Tier 1 capital ratio CRD IV	16.2%	14.7%	13.9%	11.3%
Tier 1 ratio CRD IV	16.2%	14.7%	13.9%	11.3%
Total capital ratio CRD IV	20.6%	18.7%	17.5%	15.0%
Special disclosures				
IRB Provisions surplus (+)/deficit (–)	–470.2	–604.8	–470.2	–465.9
– IRB Total provisions (+)	405.0	386.5	405.0	391.6
– IRB Anticipated loss (–)	–875.2	–991.3	–875.2	–857.5
Capital requirement according to Basel I floor	8,578.5	7,710.1	8,642.0	7,985.9
Capital base adjusted according to Basel I floor	11,339.1	10,040.4	10,984.3	9,212.2
Surplus capital according to Basel I floor	2,760.6	2,330.3	2,342.3	1,226.3

	Minimum capital requirement	Capital conservation buffer	Countercyclical buffer	Systemic risk buffer	Total
Minimum capital requirements and buffers					
%					
Common Equity Tier 1 capital	4.5%	2.5%	n/a	n/a	7.0%
Tier 1 capital	6.0%	2.5%	n/a	n/a	8.5%
Capital base	8.0%	2.5%	n/a	n/a	10.5%
SEK M					
Common Equity Tier 1 capital	2,711	1,506	n/a	n/a	4,217
Tier 1 capital	3,615	1,506	n/a	n/a	5,121
Capital base	4,820	1,506	n/a	n/a	6,326

SEK M	Bank Group, 31 Dec 2014		Bank Group, 31 Dec 2013		Consolidated situation, 31 Dec 2014		Consolidated situation, 31 March 2014	
	Capital requirement	Risk Exposure Amount	Capital requirement	Risk Exposure Amount	Capital requirement	Risk Exposure Amount	Capital requirement	Risk Exposure Amount
Credit risk according to Standardised Approach								
Exposures to institutions	72.2	902.8	80.4	1,005.0	76.8	960.2	129.2	1,615.1
Exposures to corporates	139.2	1,740.1	164.8	2,060.0	141.0	1,763.0	136.9	1,711.8
Retail exposures	77.1	963.6	54.9	686.3	77.1	963.6	60.7	758.6
Defaulted exposures	11.7	146.2	–	–	11.7	146.2	5.7	70.7
Covered bonds	261.7	3,271.6	292.7	3,658.8	261.7	3,271.6	290.6	3,632.4
Exposures to CIUs	–	–	6.2	76.9	13.7	171.3	18.3	228.4
Equity exposures	0.2	3.1	–	–	153.0	1,912.5	121.3	1,516.4
Other items	54.6	682.1	48.3	603.1	115.1	1,438.1	75.9	948.3
Total capital requirement and Risk Exposure Amount	616.8	7,709.5	647.2	8,090.0	850.1	10,626.7	838.5	10,481.6
Credit risk according to IRB Approach								
<i>Retail exposures</i>								
Exposures secured by real estate collateral	1,751.9	21,898.6	1,684.8	21,060.0	1,751.9	21,898.6	1,665.7	20,821.0
Other retail exposures	769.1	9,613.6	789.5	9,868.8	769.1	9,613.3	767.0	9,587.6
<i>Total retail exposures</i>	<i>2,521.0</i>	<i>31,512.0</i>	<i>2,474.3</i>	<i>30,928.8</i>	<i>2,521.0</i>	<i>31,512.0</i>	<i>2,432.7</i>	<i>30,408.6</i>
Exposures to corporates	724.8	9,060.6	736.0	9,200.0	724.8	9,060.6	661.8	8,272.0
Non credit-obligation assets	–	–	0.9	11.3	–	–	–	–
Total capital requirement and Risk Exposure Amount	3,245.8	40,572.5	3,211.2	40,140.0	3,245.8	40,572.5	3,094.4	38,680.5
Operational risk								
Standardised Approach	209.5	2,619.0	178.8	2,235.0	209.5	2,619.0	209.5	2,619.0
Basic Indicator approach, Länsförsäkringar AB	–	–	–	–	360.5	4,506.9	360.5	4,506.9
Total capital requirement for operational risk	209.5	2,619.0	178.8	2,235.0	570.1	7,125.9	570.1	7,125.9
Credit valuation adjustment, Standardised Approach	153.7	1,921.1	–	–	154.0	1,924.5	174.2	2,177.7

Capital base

The capital base comprises the capital used to cover the regulatory capital requirement defined in CRR/CRD and is based on equity according to currently applicable accounting rules. Only capital from companies included in the consolidated situation may be included in the capital base. (See page 51 for a description of the consolidated situation)

The capital base is the total of Tier 1 capital and Tier 2 capital, less items stated in the capital adequacy rules. Tier 1 capital may be equated to the institution's approved capital (Common Equity Tier 1 capital) and a limited share of perpetual subordinated debt (Tier 1 capital instruments). Common Equity Tier 1 capital is defined as eligible capital, the institution's paid share capital, certain eligible reserves such as retained earnings and other reserves according to currently applicable accounting standards, after statutory deductions directly from Tier 1 capital: intangible assets, deferred tax receivables, IRB deficit and investments in financial companies. Profit may be included if it has been verified and deductions have been made for the proposed dividends or other related expenses. Common Equity Tier 1 capital is to be readily available to absorb losses and is the most subordinated receivable in the event of liquidation.

Tier 2 capital may comprise perpetual and dated subordinated loans. A limited portion of the reserve surplus regarding IRB items can also be included as Tier 2 capital. The basic principle for subordinated liabilities in the capital base is the order of priority in the event of default or bankruptcy. Tier 2 capital must be subordinate to the bank's deposits and also to liabilities to non-priority creditors and subordinated liabilities are to essentially be repaid after all other liabilities, but before liabilities to shareholders.

Common Equity Tier 1 capital

Equity comprises share capital, capital contributed and reserves. Net profit for the year is included in the amount of SEK 1,504 M without deductions for dividends in accordance with the Board's proposed appropriation of profits. During the year, equity increased net due to dividends received, new capital and net profit for the year. Changes in equity attributable to cash-flow hedges, negative SEK 15.1 M (pos: 29.5), may not be included in the capital base, which is why this effect is adjusted in Common Equity Tier 1 capital. The same applies to the item "Unrealised changes in value of financial assets" which is related to available-for-sale financial assets, in the amount of SEK 138.2 M (132.9).

Adjustments for the IRB deficit when, according to the accounts, the reserves are less than the calculated expected loss of the capital adequacy, are to be made within Common Equity Tier 1 capital. If the reserves exceed the anticipated loss, a limited portion may be included in the Tier 2 capital (maximum 0.6% of IRB REA). On 31 December 2014, SEK 478.3 M was deducted from Common Equity Tier 1 capital and SEK 8.1 M was included in Tier 2 capital. Common Equity Tier 1 capital includes a deduction of SEK 50.7 M, which arose due to the regulatory requirements regarding prudent valuation of items in the category of fair value. This deduction complies with Article 105 of CRR.

Deferred tax assets recognised in the balance sheet are to reduce Common Equity Tier 1 capital if they meet certain criteria and exceed certain threshold amounts. The deferred tax assets that existed on 31 December 2014 in the companies in the consolidated situation did not give rise to any deductions in the capital base. Recognised intangible assets and goodwill, where applicable, are also designed to reduce Common Equity Tier 1 capital. The entire deduction in the consolidated situation pertains to intangible assets, SEK 421.1 M.

The rules stipulate that, deductions for investments in financial companies are to be made in Tier 1 capital if the invested capital exceeds 10% of the Common Equity Tier 1

capital. Amounts under the threshold are risk-weighted and assigned a risk weight of 250%. The deduction in the financial corporate group derives from Länsförsäkringar AB's holdings in the insurance sector. The total carrying amount of these holdings that is deducted from Common Equity Tier 1 capital amounted to SEK 7,660.4 M on 31 December 2014.

There are no outstanding financial instruments that are included as Additional Tier 1 instruments, which means that the amounts for Common Equity Tier 1 capital and Tier 1 capital were the same on 31 December 2014.

Tier 2 capital

Tier 2 capital must be subordinate to other receivables from the company, except for equity instruments and Additional Tier 1 instruments. Fixed-term subordinated debt that is included may not be covered or guaranteed in any form by an issuing institution or institution in the consolidated situation.

Except for a small amount from the surplus from IRB Provisions (see above), Tier 2 capital exclusively comprises fixed-term subordinated debt, of which externally investment amounts totalled SEK 2,300 M. These loans meet the CRR/CRD IV requirements for being included in the capital base as Tier 2 capital. However, due to the transition rules, a deduction of SEK 160 M is made in the consolidated situation on consolidation according to the new group rules.

Borrower	Loan amount	Loan date	Repayment date	Premature redemption (break-off date)
Tier 2 – External				
LF Bank	SEK 1,100,000,000	28 March 2013	28 March 2023	28 March 2018
LF Bank	SEK 445,000,000	30 Jun 2011	30 Jun 2021	30 Jun 2016
LF Bank	SEK 755,000,000	30 Jun 2011	30 Jun 2021	30 Jun 2016

More detailed information about outstanding loans can be found on the bank's website.

Minimum requirements for capital adequacy

The Risk Exposure Amount is calculated in accordance with the EU's capital requirements directive and ordinance.

Länsförsäkringar calculates all retail exposures in accordance with the Advanced Internal Ratings-based Approach (IRB). This means that a considerable portion of its credit-risk exposure is calculated using a method that aims to identify and classify risk for each individual counterparty, which includes own estimates of LGDs, PDs and CFs. The foundation IRB Approach (F-IRB) is used for exposures to corporates. The Standardised Approach is applied to all of the other exposure classes.

Through the transition rules, a minimum level is also calculated that corresponds to a capital requirement based on 80% of the risk-weighted assets under the former Basel I rules.

The Basic Indicator approach for operational risk is used in Länsförsäkringar AB, while the Standardised Approach is used for other companies.

Counterparty risk is included in the above with a capital requirement corresponding to SEK 67 M and a Risk Exposure Amount corresponding to SEK 840 M and includes derivatives and repurchase agreements.

REA

REA in the consolidated situation on 31 December 2014 amounted to SEK 60,250 M (58,466). The increase in risk exposure under the IRB Approach remained related to the continued growth in lending, primarily to households in the form of mortgages which rose SEK 1,078 M during the period. Under the Standardised Approach, REA increased a total of SEK 145 M during the period, which was primarily driven by increased lending in Wasa Kredit's retail exposures and equities exposure related to Länsförsäkringar AB's holdings in insurance companies. The increase was counterbalanced by a lower holding in covered bonds and lower risk exposures to institutions and exposure credit valuation adjustment risk. The latter exposure is due to the bank receiving permission during the year to apply credit-risk reducing netting agreements in its capital-adequacy calculations for the most

significant derivative counterparties in Länsförsäkringar Bank and Hypotek. REA for CVA amounted to SEK 1,925 M (2,178).

Buffer requirement

Alongside the Pillar I capital requirements, there are a number of additional capital requirements in the form of a combined buffer. Of these requirements, a capital conservation buffer corresponding to 2.5%, or SEK 1,506 M, applies to Länsförsäkringar on 31 December 2014. A countercyclical buffer and a systemic risk buffer will be introduced this year.

The various capital requirements are described in more detailed in Risk and Capital Management in Länsförsäkringar Bank AB, which is available from the company's website.

4 SEGMENT REPORTING

Group, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations/ Adjustments	Total
Income statement 2014						
Net interest income	947.9	1,001.0	630.7	0.7	0.0	2,580.4
Dividends received	0.1	–	–	–	–	0.1
Net commission	–249.1	–564.4	50.2	339.5	–	–423.8
Net gains / losses from financial items	49.0	48.6	0.1	0.1	–	97.8
Intra-Group income	98.8	–	3.7	–	–102.6	–
Other income	110.1	0.4	88.1	0.6	–	199.1
Total operating income	956.8	485.6	772.8	340.9	–102.6	2,453.6
Intra-Group expenses	4.2	–70.4	–9.8	–26.6	102.6	–
Other administration expenses	–669.8	–20.7	–389.8	–235.7	–1.2	–1,317.2
Depreciation/amortisation and impairment	–190.9	–0.1	–17.6	–0.4	–	–209.0
Total operating expenses	–856.5	–91.2	–417.2	–262.7	101.4	–1,526.2
Profit before loan losses	100.3	394.4	355.6	78.2	–1.2	927.3
Loan losses, net	46.5	10.7	–49.9	–	–	7.3
Operating profit	146.8	405.1	305.7	78.2	–1.2	934.6
Balance sheet, December 31, 2014						
Total assets	126,316.3	148,243.8	15,033.7	333.2	–57,746.8	232,180.2
Liabilities	117,928.9	142,182.2	13,587.0	132.6	–51,247.6	222,583.2
Equity	8,387.4	6,061.6	1,446.7	200.6	–6,499.2	9,597.0
Total liabilities and equity	126,316.3	148,243.8	15,033.7	333.2	–57,746.8	232,180.2
Other information per segment						
Investments	118.7	0.2	1.6	–	–	120.5
Income statement 2013						
Net interest income	796.0	852.2	580.8	1.4	–	2,230.4
Dividends received	0.1	–	–	–	–	0.1
Net commission	–254.2	–346.0	41.2	304.9	1.2	–252.9
Net gains / losses from financial items	19.4	–105.4	0.3	–	–	–85.7
Intra-Group income	101.8	–	14.3	0.1	–116.2	–
Other income	127.4	0.4	84.0	–	0.0	211.8
Total operating income	790.5	401.2	720.6	306.4	–115.0	2,103.7
Intra-Group expenses	–7.1	–67.0	–14.6	–26.4	115.1	–
Other administration expenses	–618.5	–22.4	–385.5	–188.4	–1.5	–1,216.4
Depreciation/amortisation and impairment	–82.7	–0.1	–31.1	–0.3	–	–114.2
Total operating expenses	–708.3	–89.5	431.2	–215.1	113.5	–1,330.6
Profit before loan losses	82.2	311.7	289.4	91.3	–1.4	773.1
Loan losses, net	–80.1	–6.6	–39.7	–	–	–126.4
Operating profit	2.1	305.1	249.7	91.3	–1.4	646.8
Balance sheet, December 31, 2013						
Total assets	112,408.2	136,667.9	14,229.4	242.2	–50,088.9	213,458.8
Liabilities	104,683.6	131,385.9	13,019.0	102.3	–44,020.5	205,170.4
Equity	7,724.6	5,282.0	1,210.4	139.9	–6,068.4	8,288.4
Total liabilities and equity	112,408.2	136,667.9	14,229.4	242.2	–50,088.9	213,458.8
Other information per segment						
Investments	63.2	–	3.6	1.1	–	67.9

Income and assets are attributable in their entirety to Sweden. The segment distribution per legal entity reflects the internal reporting to the chief operating decision maker.

The legal structure within Länsförsäkringar Bank Group is in line with the product offering to external customers. The portion of assets and liabilities that is not distributed per segment comprise Group-wide eliminations within the Bank Group.

5 INTEREST INCOME

SEK M	2014	2013
Loans to credit institutions	56.4	47.5
Loans to the public	5,457.6	5,734.1
Interest-bearing securities	733.2	878.4
Derivatives	2,273.6	2,828.7
Other interest income	2.4	0.0
Total interest income	8,523.2	9,488.7
of which, interest income on impaired loans	9.7	18.9
Average interest rate on loans to the public during the year, including net leasing, %	3.2	3.7

6 INTEREST EXPENSE

SEK M	2014	2013
Due to credit institutions	-27.0	-30.8
Deposits and funding from the public	-678.7	-924.4
Interest-bearing securities	-2,970.2	-3,276.0
Subordinated liabilities	-93.8	-103.2
Derivatives	-2,061.3	-2,819.1
Other interest expense, including government deposit insurance	-111.8	-104.8
Total interest expense	-5,942.8	-7,258.3
Average interest rate on deposits from the public during the year, %	0.9	1.4

7 DIVIDENDS RECEIVED

SEK M	2014	2013
Dividends received on shares	0.1	0.1
Total dividends received	0.1	0.1

8 COMMISSION INCOME

SEK M	2014	2013
Payment mediation	80.0	94.4
Loans	96.7	91.2
Deposits	10.8	10.1
Financial guarantees	0.0	0.5
Securities	979.2	815.7
Cards	142.8	123.5
Other commission	2.5	4.6
Total commission income	1,312.0	1,140.0

9 COMMISSION EXPENSE

SEK M	2014	2013
Payment mediation	-87.7	-113.3
Securities	-543.9	-432.5
Cards	-77.6	-81.7
Remuneration to the regional insurance companies	-1,017.4	-755.4
Other commission	-9.2	-10.0
Total commission expense	-1,735.8	-1,392.9

10 NET GAINS/LOSSES FROM FINANCIAL ITEMS

SEK M	2014	2013
Interest-bearing assets and liabilities and related derivatives	23.5	-143.7
Other financial assets and liabilities	0.0	1.7
Interest compensation	74.3	56.3
Total net gains/losses from financial items	97.8	-85.7

SEK M	2014	2013
Profit/loss by measurement category		
Derivatives intended for risk management, non-hedge accounting	-0.2	0.3
Loans and receivables	69.1	53.1
Available-for-sale financial assets, realised	33.0	6.0
Other financial liabilities	-67.3	-41.2
Hedge accounting at fair value		
– Change in value of hedged item	-2,032.3	1,012.9
– Change in value of hedging instrument	2,087.5	-1,123.9
Exchange-rate effect	8.0	7.1
Total	97.8	-85.7

11 OTHER OPERATING INCOME

SEK M	2014	2013
Remuneration from the regional insurance companies	131.8	135.5
Other income	67.3	76.3
Total other operating income	199.1	211.8

12 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees	2014	2013
Sweden		
Men	206	193
Women	174	176
Total	380	369

Salaries, other remuneration and social security expenses, other employees	2014	2013
Salaries and remuneration	225.0	223.8
of which, variable remuneration	5.3	10.6
Social security expenses	137.0	135.6
of which, pension costs	56.4	54.0
Total	362.0	359.4

Board of Directors and senior executives, number 21 (20)	2014	2013
Salaries and remuneration	26.2	23.3
of which, variable remuneration	0.0	0.0
Social security expenses	25.4	19.0
of which, pension costs	13.8	9.4
Total	51.6	42.3

Total salaries, other remuneration and social security expenses	2014	2013
Salaries and remuneration	251.1	247.1
of which, variable remuneration	5.3	10.6
Social security expenses	162.5	154.7
of which, pension costs	70.2	63.4
Total	413.6	401.8

Länsförsäkringar Bank has about 1,350 individuals who are also employed at Länsförsäkringar Bank and the regional insurance companies. They receive their entire remuneration from their respective regional insurance company.

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

Variable remuneration

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

Remuneration of senior executives

Remuneration of the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration.

Severance pay

A mutual period of notice of six months applies to the President. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. A mutual period of notice of six months applies for other senior executives. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will also be paid, in addition to the period of notice. Otherwise, the period of notice for other senior executives follows the terms and conditions of the collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Pensions

The retirement age for the President is 65. The pension is a defined-contribution plan and pension premium is to amount to 35% of the pensionable salary. Pensionable salary refers to fixed salary. In addition to this an endowment insurance is subscribed by the company with a premium of SEK 500,000 each year during five years, starting in 2011. The retirement age for the Executive Vice President is 65 years. The pension is a defined-contribution plan and pension premium is to amount to 35% of the monthly salary. The retirement age for the Executive Vice President and other senior executives is between 62 and 65 years. If the age of retirement is 62, the pension between the age of 62 and 65 is a defined-contribution plan. Pension amounting to about 70% of the pensionable salary will be paid. Pension from the age of 65 is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for other senior executives is 65 years. The pension is subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). Furthermore, an additional pension premium corresponding to one price base amount is paid every year for each senior executive. One senior executive has an agreement for an additional pension provision corresponding to 12% of the executive's monthly salary.

Preparation and decision-making process applied in relation to the issue of remuneration of senior executives

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration of senior executives. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. The Board decides on remuneration and other terms of employment for corporate management and employees with overall responsibility for one of the company's control functions.

Composition of Remuneration Committee

The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan.

Policies for remuneration of senior executives

Senior executives in the Länsförsäkringar AB Group are to have market-based employment terms and conditions. Total remuneration is to be in line with the industry standard. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

Pensions should comply with the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Other benefits

In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual health care insurance and other benefits offered to all employees.

Preparation and decision-making process applied in relation to the issue of remuneration of senior executives

Remuneration to the President is determined by the Remuneration Committee and thereafter confirmed by the Board. Remuneration to other senior executives is determined by the President in accordance with the policies for salaries and conditions for senior executives.

Number of women among senior executives, %	31 Dec 2014	31 Dec 2013
Board members	39	37
Other senior executives	32	25

Loans to senior executives

SEK M	Bank Group		Parent Company Group	
	2014	2013	2014	2013
Board members	15.7	24.3	51.7	56.6
Of which, loans from Bank	6.5	6.5	15.3	15.2
Of which, loans from Hypotek	9.2	17.8	36.4	41.4
Of which, loans from Wasa Kredit	–	–	–	–
President and Executive Vice Presidents	0.0	0.0	14.8	16.9
Of which, loans from Bank	0.0	0.0	3.0	3.5
Of which, loans from Hypotek	–	–	11.8	13.4
Of which, loans from Wasa Kredit	–	–	–	–
Senior executives	21.2	14.4	51.9	34.2
Of which, loans from Bank	4.7	3.7	10.4	7.3
Of which, loans from Hypotek	16.5	10.7	41.5	26.9
Of which, loans from Wasa Kredit	–	–	–	–

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

The Group has not pledged assets, other collateral or assumed any liability undertaking for the benefit of any senior executive.

Remuneration Policy

In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2011:1) regarding remuneration policies in credit institutions, investment firms and fund management companies, the Board of Directors is to adopt a Remuneration Policy. It is intended that a statement of remuneration in the company be published on the website when the Annual Report is published.

13 OTHER ADMINISTRATION EXPENSES

SEK M	2014	2013
Costs for premises	–44.8	–43.3
IT costs	–316.7	–306.5
Consultant costs	–63.3	–39.2
Marketing	–22.2	–18.4
Management costs	–168.0	–129.1
Other administration expenses	–261.1	–253.3
Total administration expenses	–876.1	–789.7

14 REMUNERATION OF AUDITORS

SEK M	2014	2013
Audit fees		
KPMG		
– Audit assignment	–4.7	–4.5
– Audit activities other than audit assignment	–2.0	–0.9
– Tax advice	–0.5	–0.3
– Other assignments	–0.2	–0.4
Deloitte		
– Other assignments	–0.6	–0.6

Audit assignment pertains to a review of the Annual Report and accounting, as well as the Board's and President's administration. Audit activities other than audit assignment pertain to various types of quality-assurance services, such as reviews of the administration, Articles of Association, regulations or agreements that result in reports or certificates. Other assignments pertain to activities that are not included in the abovementioned items, for example, legal consultations alongside audit activities and that are not attributable to tax consultancy services.

15 OPERATIONAL LEASING

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

SEK M	2014	2013
Lease expenses paid		
Rent for premises	-42.5	-37.6
of which, variable fees	-0.3	-0.3
Leasing fees, company cars	-7.6	-7.8
Future basic rents for irrevocable leasing contracts		
Within 1 year	-25.8	-20.6
Between 1 and 5 years	-3.1	-2.1
Total	-28.9	-22.7

17 LOAN LOSSES AND IMPAIRED LOANS

SEK M	2014	2013
Specific reserve for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	-106.4	-139.6
Reversed earlier provisions of loan losses recognised in the year-end accounts as confirmed losses	101.3	131.1
Provisions of loan losses during the year	-123.1	-307.6
Payment received for prior confirmed loan losses	35.3	109.2
Reversed provisions of loan losses no longer required	80.5	63.5
Covering of losses from related companies	-	-
Net expense for the year for individually assessed loan receivables	-12.4	-143.4
Collective reserves for individually assessed receivables	-	-
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk		
Provision/reversal of reserve for loan losses	18.6	16.8
Net expense for the year for collectively assessed receivables	18.6	16.8
Net expense for the year for fulfilment of guarantees	1.1	0.2
Net expense of loan losses for the year	7.3	-126.4

All information pertains to receivables from the public.

Reserve ratios	2014	2013
Total impaired loans reserve ratio, %	109.0	107.2
Impaired loans reserve ratio excluding collective impairments, %	81.9	80.2

Impaired loans, SEK M	31 Dec 2014				31 Dec 2013			
	Gross	Individual reserve	Collective reserve	Net	Gross	Individual reserve	Collective reserve	Net
Corporate sector	104.9	-92.0	-19.8	-6.9	128.3	-97.1	-24.4	6.7
Retail sector	211.0	-166.7	-65.8	-21.5	265.1	-220.3	-79.8	-35.0
of which, private	152.7	-135.7	-52.7	-35.7	172.4	-124.1	-57.7	-9.4
Total	315.9	-258.7	-85.6	-28.4	393.4	-317.4	-104.2	-28.3

Sector reporting according to IRB definition.

Reconciliation of provisions of loan losses	31 Dec 2014			31 Dec 2013		
	Individual provisions	Collective provisions	Total	Individual provisions	Collective provisions	Total
SEK M						
Opening balance	-317.4	-104.2	-421.6	-204.4	-121.0	-325.4
Reversed earlier provision of loan losses recognised in the annual accounts as confirmed losses	101.3	-	101.3	131.1	-	131.1
Reversed provision of loan losses no longer required	80.5	18.6	99.1	63.5	16.8	80.3
Provision of loan losses during the year	-123.1	-	-123.1	-307.6	-	-307.6
Closing balance	-258.7	-85.6	-344.3	-317.4	-104.2	-421.6

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

SEK M	2014	2013
Depreciation of property and equipment	-4.0	-4.6
Amortisation of intangible assets	-77.0	-98.2
Total depreciation/amortisation	-81.0	-102.8
Impairment of intangible assets	-128.0	-11.4
Total depreciation/amortisation and impairment of assets	-209.0	-114.2

18 TAXES

SEK M	2014	2013
Current tax		
Tax expense for the year	-151.9	-89.0
Adjustment of tax expense pertaining to prior years	–	-15.3
Total current tax	-151.9	-104.3
Deferred tax		
Change in deferred tax expense on temporary differences	-70.9	-63.7
Total deferred tax	-70.9	-63.7
Total recognised tax expense	-222.8	-168.0
Reconciliation of effective tax rate		
Profit before tax	934.6	646.8
Tax in accordance with applicable tax rate for Parent Company	-205.7	-142.3
Tax on non-deductible costs	-17.1	-9.9
Tax on non-taxable income	-0.0	6.8
Tax attributable to earlier years	–	-15.2
Tax attributable to changed tax rates	–	-7.4
Total tax on net profit for the year	-222.8	-168.0
Applicable tax rate	22%	22%
Effective tax rate	23.8%	26.0%
Tax items recognised in other comprehensive income		
Tax on available-for-sale financial assets	0.0	-3.6
Tax on cash flow hedges	-13.2	–
Tax on revaluation of defined-benefit pension plans	-0.0	-0.2
Total tax attributable to other comprehensive income	-13.2	-3.8

SEK M	2014			2013		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Tax attributable to other comprehensive income						
Available-for-sale financial assets	-0.5	0.0	-0.5	16.4	-3.6	12.8
Cash flow hedges	60.1	-13.2	46.9	–	–	–
Defined-benefit pension plans	0.3	-0.0	0.3	1.1	-0.2	0.9

19 TREASURY BILLS AND OTHER ELIGIBLE BILLS

SEK M	31 Dec 2014	31 Dec 2013
Carrying amount		
Swedish government	4,926.1	3,887.2
German government	–	320.8
Finnish government	483.2	673.4
Total treasury bills and other eligible bills	5,409.3	4,881.4
Fair value	5,409.3	4,881.4
Amortised cost	5,287.6	4,862.0
Nominal value	4,556.0	3,675.0
Remaining term of not more than 1 year	2,875.9	579.0
Remaining term of more than 1 year	2,533.4	4,302.4

20 LOANS TO CREDIT INSTITUTIONS

SEK M	31 Dec 2014	31 Dec 2013
Other loans to credit institutions	1,789.6	5,957.9
Total loans to credit institutions	1,789.6	5,957.9
Payable on demand	224.4	541.5
Remaining term of not more than 3 months	1,565.2	5,416.4
Remaining term of more than 3 months but not more than 1 year	–	–
Total loans to credit institutions	1,789.6	5,957.9

Genuine repurchase transactions amount to SEK 1,500.9 (5,338.9).

21 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	31 Dec 2014	31 Dec 2013
Loans to the public before reserves		
Public sector	2,255.7	874.0
Corporate sector	15,573.2	14,200.2
Retail sector	161,937.9	147,350.1
Other	1.8	0.5
Total	179,768.6	162,424.8
Reserves	-344.3	-421.6
Loans to the public	179,424.3	162,003.2
Remaining term of not more than 3 months	115,456.2	107,149.1
Remaining term of more than 3 months but not more than 1 year	17,517.0	10,874.7
Remaining term of more than 1 year but not more than 5 years	44,796.6	43,042.1
Remaining term of more than 5 years	1,654.5	937.3
Total	179,424.3	162,003.2

Remaining term is defined as the remaining fixed-income period if the loan has periodically restricted conditions. For more information about reserves and provisions, see note Loan losses and impaired loans.

22 FINANCIAL LEASING

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

31 Dec 2014, SEK M	Up to 1 year	1–5 years	More than 5 years	Total
Present value of future minimum lease fees	2,273.7	3,484.4	428.9	6,187.0
Unearned financial income ¹⁾	327.2	367.9	19.4	714.6
Gross investment	2,600.9	3,852.3	448.3	6,901.6

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

¹⁾ Attributable to present value calculation.

	2014	2013
Provision for impaired loans pertaining to minimum lease fees	104.2	81.4
Variable portion of leasing fees included in net profit for the year	-3.6	–

Minimum lease fees are payments, excluding variable fees, service charges and taxes that are made by the lessee to the lessor over the leasing period, with additions for any amount that is guaranteed by the lessee or a related party to the lessee.

Variable fees comprise the portion of leasing fees that are not fixed and that are calculated based on factors other than only the passage of time.

Financial leasing is included in loans to the public.

23 BONDS AND OTHER INTEREST-BEARING SECURITIES

Issued by organisations other than public bodies

SEK M	31 Dec 2014	31 Dec 2013
Carrying amount		
Swedish mortgage institutions (not guaranteed)	31,141.0	31,627.1
Other Swedish issuers (not guaranteed)	3,862.8	3,228.5
Other foreign issuers (guaranteed by German government)	738.7	192.6
Other foreign issuers (not guaranteed)	361.6	152.4
Total bonds and other interest-bearing securities	36,104.1	35,200.6
Fair value	36,104.1	35,200.6
Amortised cost	35,133.3	34,835.3
Nominal value	33,197.1	33,710.0
Market status		
Securities listed	36,104.1	35,200.6
Remaining term of not more than 1 year	8,367.7	14,137.6
Remaining term of more than 1 year	27,736.4	21,063.0

24 SHARES AND PARTICIPATIONS

SEK M	31 Dec 2014	31 Dec 2013
Other shares and participations	11.7	88.9
Total shares and participations	11.7	88.9

25 DERIVATIVES

SEK M	31 Dec 2014		31 Dec 2013	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
<i>Derivatives in hedge accounting</i>				
Interest	81,145.0	2,965.6	74,045.0	952.8
Currency	17,294.7	2,283.8	5,394.2	371.2
<i>Other derivatives</i>				
Currency	133.9	8.2	69.0	13.7
Total derivatives with positive values	98,573.6	5,257.6	79,508.2	1,337.7
Remaining term of not more than 1 year	16,579.4	349.5	22,701.2	64.9
Remaining term of more than 1 year	81,994.2	4,908.1	56,807.0	1,272.8
Derivatives with negative values				
<i>Derivatives in hedge accounting</i>				
Interest	99,441.0	2,009.2	107,007.0	1,006.6
Currency	14,842.7	582.5	33,698.7	1,773.7
Total derivatives with negative values	114,283.7	2,591.7	140,705.7	2,780.3
Remaining term of not more than 1 year	45,924.1	512.6	31,020.0	486.0
Remaining term of more than 1 year	68,359.6	2,079.2	109,685.7	2,294.3

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

SEK M	31 Dec 2014	31 Dec 2013
Assets		
Carrying amount at beginning of year	550.8	878.1
Changes during the year pertaining to lending	595.7	-327.3
Carrying amount at year-end	1,146.5	550.8
Liabilities		
Carrying amount at beginning of year	645.9	2,176.6
Changes during the year pertaining to lending	47.1	-3.9
Changes during the year pertaining to funding	3,131.4	-1,526.8
Carrying amount at year-end	3,824.4	645.9

27 INTANGIBLE ASSETS

SEK M	Internally developed IT systems		Acquired IT systems		Total	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Cost						
Opening cost	1,058.9	998.1	27.9	27.9	1,086.8	1,026.0
Acquisitions during the year	117.5	60.8	-	-	117.5	60.8
Divestments during the year	-	-	-	-	-	-
Closing cost	1,176.4	1,058.9	27.9	27.9	1,204.3	1,086.8
Amortisation						
Opening accumulated amortisation	-642.0	-545.0	-27.9	-26.7	-669.9	-571.7
Amortisation for the year	-77.0	-97.0	-	-1.2	-77.0	-98.2
Divestments during the year	-	-	-	-	-	-
Closing accumulated amortisation	-719.0	-642.0	-27.9	-27.9	-746.9	-669.9
Impairment						
Opening accumulated impairment	-19.8	-8.5	-	-	-19.8	-8.5
Impairment for the year ¹⁾	-128.0	-11.3	-	-	-128.0	-11.3
Closing accumulated impairment	-147.8	-19.8	-	-	-147.8	-19.8
Total intangible assets	309.6	397.1	0.0	0.0	309.6	-397.1

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

28 PROPERTY AND EQUIPMENT

SEK M	31 Dec 2014	31 Dec 2013
Equipment		
Opening cost	58.3	51.2
Purchases	2.8	7.1
Sales/scraping	-14.9	-
Closing cost	46.2	58.3
Opening depreciation	-46.7	-42.0
Sales/scraping	14.8	-
Depreciation for the year	-4.0	-4.7
Closing accumulated depreciation	-35.9	-46.7
Total property and equipment	10.3	11.6

29 DEFERRED TAX ASSETS AND TAX LIABILITIES

Recognised deferred tax assets and tax liabilities are attributable to the following:

SEK M	Deferred tax assets		Deferred tax liabilities		Net	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Other financial investment assets						
Liabilities, provisions	-8.8	-10.0	0.0	1.0	-8.8	-9.0
Untaxed reserves	-	-	214.2	143.5	214.2	143.5
Deferred tax assets(-)/deferred tax liabilities (+)	-8.8	-10.0	214.2	144.5	205.4	134.5
Offset	-	0.8	-	-0.8	-	-
Net deferred tax assets (-)/deferred tax liabilities (+)	-8.8	-9.2	214.2	143.7	205.4	134.5

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

Change in deferred tax in temporary differences

SEK M	Amount at Jan 1	Recognised in profit and loss	Recognised in other comprehensive income	Amount at Dec 31
2014				
Liabilities	-9.0	0.2	0.0	-8.8
Untaxed reserves	143.5	70.7	-	214.2
Deferred tax assets (-)/deferred tax liabilities (+)	134.5	70.9	0.0	205.4

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

30 OTHER ASSETS

SEK M	31 Dec 2014	31 Dec 2013
Accounts receivable	212.0	181.4
Other assets	225.6	389.7
Total other assets	437.6	571.1

31 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	31 Dec 2014	31 Dec 2013
Accrued interest income	2,000.4	2,432.8
Other accrued income	185.3	112.0
Prepaid expenses	59.3	56.7
Total prepaid expenses and accrued income	2,245.0	2,601.5

32 DUE TO CREDIT INSTITUTIONS

SEK M	31 Dec 2014	31 Dec 2013
Swedish banks	3,041.5	1,486.2
Other Swedish credit institutions	348.6	374.4
Total due to credit institutions	3,390.1	1,860.6
Payable on demand	138.5	135.5
Remaining term of not more than 3 months	2,990.9	1,725.1
Remaining term of more than 3 months but not more than 1 year	260.7	-

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

33 DEPOSITS FROM THE PUBLIC

SEK M	31 Dec 2014	31 Dec 2013
Deposits from insurance companies	5,142.4	4,021.9
Deposits from households	63,924.9	58,665.8
Deposits from other Swedish public	7,722.4	6,532.3
Total deposits from the public	76,789.7	69,220.0
Payable on demand	76,789.7	69,220.0

Fixed-term deposits amount to SEK 32,119.0 M (33,442.4). Interest compensation is paid on premature redemption.

34 DEBT SECURITIES IN ISSUE

SEK M	31 Dec 2014	31 Dec 2013
Commercial papers	4,087.4	2,003.0
Bond loans ¹⁾	124,498.5	121,558.9
Cashier's cheques issued	70.5	73.0
Total debt securities in issue	128,656.4	123,634.9
Remaining term of not more than 1 year	31,824.1	25,229.5
Remaining term of more than 1 year	96,832.3	98,405.4

¹⁾ Covered bonds in the Group amount to SEK 100,888 M (98,989).

35 OTHER LIABILITIES

SEK M	31 Dec 2014	31 Dec 2013
Accounts payable	79.4	47.9
Withheld preliminary tax, customers	39.7	63.0
Other liabilities	652.6	629.0
Total other liabilities	771.7	739.9

36 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	31 Dec 2014	31 Dec 2013
Accrued holiday pay	24.1	20.4
Accrued social security expenses	22.2	14.9
Accrued interest expense	2,619.7	3,228.6
Other accrued expenses	1,125.0	570.4
Prepaid rent	242.6	255.9
Total accrued expenses and deferred income	4,033.6	4,090.2

37 PROVISIONS

SEK M	31 Dec 2014	31 Dec 2013
Pension provisions	0.6	0.6
Provision for early retirement in accordance with the pension agreement	6.7	10.9
Provision for contractual obligations	–	0.9
Other provisions	4.4	3.5
Total provisions	11.7	15.9
Provision for contractual obligations		
Carrying amount at beginning of year	0.9	0.9
Unutilised amount reversed during the year	–0.9	–
Carrying amount at year-end	–	0.9

Guarantees

Guarantees include leasing guarantees and credit guarantees.

Defined-benefit pensions

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

37 PROVISIONS, cont.

Pensions and senior executive benefits

Defined-benefit pension plans	2014	2013
Present value of unfunded commitments	6.7	10.9
Total deficit in defined-benefit pension plans	6.7	10.9
Liabilities in balance sheet	6.7	10.9

Change in defined-benefit obligation:

At 1 January	10.9	13.9
Costs for service during current year	0.4	0.5
Interest expense	0.3	0.3
Costs for service during prior periods and gains and losses from settlement	3.6	7.0
Gain/loss as a result of changed financial assumptions	–0.1	–0.0
Experience-based gains	–0.2	–0.9
Special employer's contribution related to revaluations	–0.1	–0.2
Payments in conjunction with settlement	–8.1	–9.5
Assumed/transferred pension commitments	–	–0.2
At 31 December	6.7	10.9

Actuarial assumption	2014	2013
Discount rate	0.9%	2.4%
Salary increases	2.5%	2.5%
Inflation	1.4%	1.4%
Employee turnover	0.0%	0.0%
Life expectation assumptions	FFFS 2007:31	FFFS 2007:31
Probability of early retirement	30.0%	30.0%

Population	2014	2013
Active	17	24
Total	17	24

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan includes all company employees except for a few employees who have individual solutions. The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK), is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that, as a rule, a company is to recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure is also to be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is unable to provide the necessary information on this, which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 34 of IAS 19. Nor is any information available on future surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years. The Group's expected fees in 2015 for the FTP plan amount to SEK 27.3 M.

	2014	2013
Expenses for defined – contribution plans	53.8	54.5

38 SUBORDINATED LIABILITIES

SEK M	31 Dec 2014	31 Dec 2013
External subordinated debt, listed	2,299.7	2,299.7
Total subordinated liabilities	2,299.7	2,299.7

Specification of subordinated debt from Länsförsäkringar AB

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

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

SEK M	31 Dec 2014	31 Dec 2013
Restricted equity		
Share capital (9,548,708 shares, quotient value SEK 100 per share)	954.9	954.9
Statutory reserve	18.5	18.5
Total restricted equity	973.4	973.4
Non-restricted equity		
Reserves	183.6	136.9
Retained earnings	7,728.1	6,699.3
Net profit for the year	711.9	478.8
Total non-restricted equity	8,623.6	7,315.0
Total equity	9,597.0	8,288.4

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

Conditional shareholders' contribution received totalled:

During 2008	500.0
During 2009	400.0
During 2010	850.0
During 2011	798.0
During 2012	742.0
During 2013	625.0
During 2014	550.0
Total	4,465.0

40 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	31 Dec 2014	31 Dec 2013
For own liabilities, pledged assets		
Pledged securities in the Riksbank	2,500.0	1,900.0
Pledged securities in Euroclear	2,000.0	1,300.0
Collateral provided for derivatives	10.0	10.0
Loan receivables, covered bonds	117,267.0	104,506.1
Loan receivables, substitute collateral	11,475.0	16,250.0
Commitments resulting from repurchase agreement	–	530.5
Other collateral for securities	5.0	5.0
For own liabilities, pledged assets	133,257.0	124,501.6
Other pledged assets	None	None
Contingent liabilities		
Guarantees	24.2	56.6
Unconditional shareholders' contributions	4,790.0	4,240.0
Early retirement at age 62 in accordance with pension agreement, 70%	15.6	25.4
Total contingent liabilities	4,829.8	4,322.0
Commitments		
Loans approved but not disbursed	11,762.9	7,478.5
Unutilised portion of overdraft facilities	2,091.8	1,984.4
Unutilised portion of credit card facilities	1,298.6	1,196.1
Total other commitments	15,153.3	10,659.0

Loans to the public were provided as collateral for issuance of covered bonds and mortgage bonds. In the event of the company's insolvency, bond holders have preferential rights to the assets that are registered as cover pool. Other pledged securities will be transferred to the pledgee in the event of bankruptcy.

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

31 Dec 2014 SEK M	Financial assets at fair value in profit and loss				Total	Fair value
	Held for trading	Derivatives used in hedge accounting	Loans and receivables	Available-for-sale financial assets		
Assets						
Cash and balances with central banks			25.8		25.8	25.8
Treasury bills and other eligible bills				5,409.3	5,409.3	5,409.3
Loans to credit institutions			1,789.6		1,789.6	1,789.6
Loans to the public			179,424.3		179,424.3	180,926.4
Bonds and other interest-bearing securities				36,104.1	36,104.1	36,104.1
Shares and participations				11.7	11.7	11.7
Derivatives	8.2	5,249.4			5,257.6	5,257.6
Other assets			212.0		212.0	212.0
Total assets	8.2	5,249.4	181,451.7	41,525.1	228,234.4	229,736.5

31 Dec 2014 SEK M	Financial liabilities at fair value in profit and loss			Total	Fair value
	Held for trading	Derivatives used in hedge accounting	Other financial liabilities		
Liabilities					
Due to credit institutions			3,390.1	3,390.1	3,390.1
Deposits and funding from the public			76,789.7	76,789.7	77,297.1
Debt securities in issue			128,656.4	128,656.4	134,741.0
Derivatives		2,591.7		2,591.7	2,591.7
Others liabilities			79.4	79.4	79.4
Subordinated liabilities			2,299.7	2,299.7	2,427.1
Total liabilities		2,591.7	211,215.3	213,807.0	220,526.4

31 Dec 2013 SEK M	Financial assets at fair value in profit and loss				Total	Fair value
	Held for trading	Derivatives used in hedge accounting	Loans and receivables	Available-for-sale financial assets		
Assets						
Cash and balances with central banks			108.5		108.5	108.5
Treasury bills and other eligible bills				4,881.4	4,881.4	4,881.4
Loans to credit institutions			5,957.9		5,957.9	5,957.9
Loans to the public			162,003.2		162,003.2	162,415.0
Bonds and other interest-bearing securities				35,200.6	35,200.6	35,200.6
Shares and participations				88.9	88.9	88.9
Derivatives	42.5	1,295.2			1,337.7	1,337.7
Other assets			239.1		239.1	239.1
Total assets	42.5	1,295.2	168,308.7	40,170.9	209,817.3	210,229.1

31 Dec 2013 SEK M	Financial liabilities at fair value in profit and loss			Total	Fair value
	Held for trading	Derivatives used in hedge accounting	Other financial liabilities		
Liabilities					
Due to credit institutions			1,860.6	1,860.6	1,860.6
Deposits and funding from the public			69,220.0	69,220.0	70,069.6
Debt securities in issue			123,634.9	123,634.9	128,079.9
Derivatives		365.2	2,415.1	2,780.3	2,780.3
Others liabilities			50.4	50.4	50.4
Subordinated liabilities			2,299.7	2,299.7	2,427.4
Total liabilities		365.2	2,415.1	196,802.4	205,268.2

The fair value of cash and balances with central banks, loans to credit institutions, accounts receivable, due to credit institutions and accounts payable comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities, since these assets and liabilities have short terms. When calculating the fair value of deposits and lending, anticipated future cash flows have been discounted using a discount interest rate set at the current deposit and lending rates applied (including discounts). The main principle for measuring the fair value of debt securities in issue is that the value is measured at prices from external parties at year-end or the most recent trading date. If external prices are not available or are deemed to deviate from market levels, a standard method or valuation technique based on the estimated or original issue spread is utilised.

42 FAIR VALUE VALUATION TECHNIQUES

Financial instruments measured at fair value in the balance sheet

31 Dec 2014 SEK M	Instruments with published price quotations (Level 1)	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
Assets				
Treasury bills and other eligible bills	5,409.3			5,409.3
Bonds and other interest-bearing securities	36,104.1			36,104.1
Shares and participations ¹⁾			11.7	11.7
Derivatives		5,257.6		5,257.6
Liabilities				
Derivatives		2,591.7		2,591.7
31 Dec 2013 SEK M	Instruments with published price quotations (Level 1)	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
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		12.1	88.9
Derivatives		1,077.0		1,077.0
Liabilities				
Derivatives		2,780.3		2,780.3

There were no significant transfers between Level 1 and Level 2 during 2014 or during 2013.
There were no transfers from Level 3 in 2014 or 2013.

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

Change in holdings in Level 3

SEK M	Shares and participations
Opening balance, 1 January 2014	12.1
Total profits and losses recognised:	
– recognised in net profit for the year	–0.4
Acquisition of shares	
Closing balance, 31 December 2014	11.7
<i>Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at 31 December 2014.</i>	
Opening balance, 1 January 2013	11.0
Total profits and losses recognised:	
– recognised in net profit for the year	–
Acquisition of shares	1.1
Closing balance, 31 December 2013	12.1
<i>Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at 31 December 2013.</i>	
	–

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 forecast earnings.

43 INFORMATION ABOUT OFFSETTING

The table below contains financial assets and liabilities covered by a legally binding framework netting agreement or a similar agreement but that is not offset in the balance sheet. The Bank Group has ISDA and CSA agreements with all derivative counterparties and corresponding netting agreements for repurchase agreements, which means that all exposures

are covered by both types of agreements. The framework netting agreement entails that parties are to settle their exposures net (meaning that receivables are offset against liabilities) in the event of a serious credit incident.

Financial assets and liabilities that are offset or subject to netting agreements						
SEK M 31 Dec 2014	Gross amount	Offset in balance sheet	Net amount in balance sheet	Related amounts not offset in the balance sheet		Net amount
				Netting framework agreement	“Collateral Received (–) / Pledged (+)”	
Assets						
Derivatives	5,257.6	–	5,257.6	–2,159.4	–2,076.7	1,021.6
Reversed repurchase agreements	1,500.9	–	1,500.9	–	–1,500.9	0.0
Liabilities						
Derivatives	–2,591.7	–	–2,591.7	2,159.4	23.5	–408.9
Repurchase agreements	–	–	–	–	–	–
Total	4,166.8	–	4,166.8	0.0	–3,554.1	612.7

Financial assets and liabilities that are offset or subject to netting agreements						
SEK M 31 Dec 2013	Gross amount	Offset in balance sheet	Net amount in balance sheet	Related amounts not offset in the balance sheet		Net amount
				Netting framework agreement	“Collateral Received (–) / Pledged (+)”	
Assets						
Derivatives	1,337.7	–	1,337.7	–1,093.7	251.9	495.9
Reversed repurchase agreements	5,338.9	–	5,338.9	–	–5,338.9	0.0
Liabilities						
Derivatives	–2,780.3	–	–2,780.3	1,093.7	77.6	–1,609.0
Repurchase agreements	–531.0	–	–531.0	–	531.0	0.0
Total	3,365.3	–	3,365.3	0.0	–4,478.4	–1,113.1

44 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS

Related parties

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

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

Pricing

The price level of the goods and services that the Bank Group purchases and sells within the Länsförsäkringar Alliance is determined by Länsförsäkringar AB's corporate management once a year in conjunction with the adoption of the business plan.

Agreements

Significant agreements for the Bank Group are primarily assignment agreements with the 23 regional insurance companies and assignment agreements with Länsförsäkringar AB regarding development, service, finance and IT.

Transactions

SEK M	Receivables		Liabilities		Income		Expenses		Commitments	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	2014	2013	2014	2013	2014	2013
Länsförsäkringar AB (Parent Company)	28.6	26.6	388.9	42.7	2.2	–	343.4	263.2	–	–
Other companies in the Länsförsäkringar AB Group	–	–	630.2	489.2	–	–	318.3	268.7	–	–
Regional insurance companies	181.2	52.3	4,611.5	1,830.3	131.9	181.4	1,029.4	778.0	52	52
Länsförsäkringar Liv Group	–	–	531.8	650.9	–	–	100.1	80.2	–	–
Other related parties	–	–	25.2	18.4	0.7	0.7	0.1	0.2	5	5

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

45 EVENTS AFTER BALANCE-SHEET DATE

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

Five-year summary for the Parent Company

SEK M	2014	2013	2012	2011	2010
INCOME STATEMENT					
Interest income	3,655.9	3,585.1	3,539.8	2,642.2	1,409.3
Interest expense	-2,708.0	-2,789.1	-2,797.1	-1,916.2	-904.5
Net interest income	947.9	796.0	742.7	726.0	504.8
Net commission expense	-249.1	-254.3	-316.5	-470.6	-279.3
Dividends received	0.1	0.1	0.0	0.0	0.2
Group contribution received	-	-	-	52.8	37.7
Net gains from financial items	49.0	19.4	2.7	6.2	1.9
Other operating income	208.9	229.3	219.7	226.5	208.4
Total operating income	956.8	790.5	648.6	540.9	473.7
General administrative expenses	-665.6	-625.6	-586.7	-496.9	-416.5
Depreciation/amortisation	-190.9	-82.7	-73.4	-61.0	-56.9
Total expenses before loan losses	-856.5	-708.3	-660.1	-557.9	-473.4
Profit/loss before loan losses	100.3	82.2	-11.5	-17.0	0.3
Loan losses, net	46.5	-80.1	-22.2	1.1	1.9
Operating profit/loss	146.8	2.1	-33.7	-15.9	2.2
Appropriations	-35.0	-11.9	-	-	-
Tax	-25.4	6.2	-3.2	9.4	-0.3
Net profit/loss for the year	86.4	-3.6	-36.9	-6.5	1.9
BALANCE SHEET					
Cash and balances with central banks	25.8	108.5	109.4	66.9	84.8
Treasury bills and other eligible bills	5,409.3	3,389.5	3,677.4	-	1,349.3
Loans to credit institutions	47,377.5	44,638.6	38,260.7	31,029.1	28,344.4
Loans to the public	38,648.6	36,007.7	35,212.9	33,399.9	27,532.5
Bonds and other interest-bearing securities	23,712.2	19,824.7	14,466.0	6,123.7	8,720.0
Shares and participations	6,511.0	6,157.8	5,880.0	5,314.4	4,604.4
Derivatives	2,894.5	602.7	413.3	96.2	45.5
Fair value changes of interest-rate-risk hedged items in portfolio hedge	165.9	64.8	97.0	69.5	14.2
Intangible assets	275.1	347.7	367.6	353.5	283.8
Property and equipment	2.9	2.6	2.1	5.2	8.8
Deferred tax assets	4.2	6.3	5.4	2.7	-
Other assets	198.5	386.1	316.8	55.1	63.9
Prepaid expenses and accrued income	1,090.8	871.2	694.4	316.1	304.7
Total assets	126,316.3	112,408.2	99,503.0	76,832.3	71,356.3
Due to credit institutions	5,665.6	6,099.6	2,750.4	2,171.7	12,363.2
Deposits and funding from the public	76,972.9	69,340.6	62,535.0	49,766.0	41,722.5
Debt securities in issue	27,768.4	24,645.5	23,300.9	15,883.3	9,552.6
Derivatives	3,308.9	653.5	564.5	220.5	228.8
Fair value changes of interest-rate-risk hedged items in portfolio hedge	190.1	46.2	108.9	80.9	-13.5
Other liabilities	335.2	455.6	697.5	241.0	216.0
Accrued expenses and deferred income	1,371.3	1,134.2	986.2	622.0	478.5
Provisions	6.5	6.1	8.0	5.2	4.8
Subordinated liabilities	2,299.7	2,299.7	1,489.7	1,489.7	1,250.0
Untaxed reserves	46.9	11.9	-	-	-
Equity	8,350.8	7,715.3	7,061.9	6,352.0	5,553.4
Total liabilities and equity	126,316.3	112,408.2	99,503.0	76,832.3	71,356.3
KEY FIGURES					
Core Tier 1 ratio according to Basel III, %	31.1	38.5 ¹⁾	36.0 ¹⁾	31.4 ¹⁾	29.3 ¹⁾
Capital adequacy ratio according to Basel III, %	40.3	50.2 ¹⁾	43.5 ¹⁾	38.7 ¹⁾	35.9 ¹⁾
Tier 1 ratio according to Basel III, %	31.1	38.5 ¹⁾	37.6 ¹⁾	32.9 ¹⁾	30.9 ¹⁾

¹⁾ According to Basel II.

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Income statement – Parent Company

SEK M	Note	2014	2013
Interest income	5	3,655.9	3,585.1
Interest expense	6	-2,708.0	-2,789.1
Net interest income		947.9	796.0
Dividends received	7	0.1	0.1
Commission income	8	324.0	298.1
Commission expense	9	-573.1	-552.4
Net gains from financial items	10	49.0	19.4
Other operating income	11	208.9	229.3
Total operating income		956.8	790.5
Staff costs	12	-153.8	-142.6
Other administration expenses	13, 14, 15	-511.8	-483.0
Total administration expenses		-665.6	-625.6
Depreciation/amortisation and impairment of property and equipment/intangible assets	16	-190.9	-82.7
Total operating expenses		-856.5	-708.3
Profit/loss before loan losses		100.3	82.2
Loan losses, net	17	46.5	-80.1
Operating profit/loss		146.8	2.1
Appropriations	39	-35.0	-11.9
Tax	18	-25.4	6.2
Net profit/loss for the year		86.4	-3.6

Statement of comprehensive income – Parent Company

SEK M	2014	2013
Net profit/loss for the year	86.4	-3.6
Other comprehensive income		
Items that may subsequently be transferred to profit and loss		
Cash-flow hedges		
Change in value for the period	222.9	-
Reclassification to profit and loss	-226.7	-
Change in fair value of available-for-sale financial assets		
Change in value for the period	16.4	45.1
Reclassification of realised securities	-13.8	-4.1
Tax attributable to items that may subsequently be transferred to profit and loss	0.3	-9.0
Total other comprehensive income for the year, net after tax	-0.9	32.0
Comprehensive income for the year	85.5	28.4

Balance sheet – Parent Company

SEK M	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Cash and balances with central banks		25.8	108.5
Treasury bills and other eligible bills	19	5,409.3	3,389.5
Loans to credit institutions	20	47,377.5	44,638.6
Loans to the public	21	38,648.6	36,007.7
Bonds and other interest-bearing securities	22	23,712.2	19,824.7
Shares and participations	23	12.0	88.8
Shares and participations in Group companies	24	6,499.0	6,069.0
Derivatives	25	2,894.5	602.7
Fair value changes of interest-rate risk hedged items in portfolio hedge	26	165.9	64.8
Intangible assets	27	275.1	347.7
Property and equipment	28	2.9	2.6
Deferred tax assets	29	4.2	6.3
Other assets	30	198.5	386.1
Prepaid expenses and accrued income	31	1,090.8	871.2
TOTAL ASSETS		126,316.3	112,408.2
LIABILITIES, PROVISIONS AND EQUITY			
Due to credit institutions	32	5,665.6	6,099.6
Deposits and funding from the public	33	76,972.9	69,340.6
Debt securities in issue	34	27,768.4	24,645.5
Derivatives	25	3,308.9	653.5
Fair value changes of interest-rate risk hedged items in portfolio hedge	26	190.1	46.2
Other liabilities	35	335.2	455.6
Accrued expenses and deferred income	36	1,371.3	1,134.2
Provisions	37	6.5	6.1
Subordinated liabilities	38	2,299.7	2,299.7
Total liabilities and provisions		117,918.6	104,681.0
Untaxed reserves	39	46.9	11.9
Equity	40		
Share capital		954.9	954.9
Statutory reserve		18.4	18.4
Fair value reserve		75.2	76.1
Retained earnings		7,215.9	6,669.5
Net profit/loss for the year		86.4	-3.6
Total equity		8,350.8	7,715.3
TOTAL LIABILITIES, PROVISIONS AND EQUITY		126,316.3	112,408.2
Pledged assets, contingent liabilities and commitments	41		
For own liabilities, pledged assets		4,515.0	3,721.3
Other pledged assets		None	None
Contingent liabilities		4,823.3	4,303.4
Other commitments		25,782.4	11,349.6
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Cash-flow statement, indirect method – Parent Company

SEK M	2014	2013
Cash and cash equivalents, 1 January	5,154.8	1,920.2
Operating activities		
Operating profit/loss	146.8	2.1
Adjustment of non-cash items	87.5	99.7
<i>Change in assets of operating activities</i>		
Change in treasury bills and other eligible bills	-1,893.9	290.4
Changes in loans to subsidiaries	-5,079.4	-3,159.3
Change in loans to the public	-2,574.4	-874.3
Change in bonds and other interest-bearing securities	-3,447.1	-5,398.2
Change in derivatives	0.0	11.0
Change in other assets	164.4	-73.0
<i>Change in liabilities of operating activities</i>		
Change in due to credit institutions	-453.8	3,343.7
Change in deposits and funding from the public	7,632.2	6,805.6
Change in debt securities in issue	2,996.8	-
Change in other liabilities	-1,609.2	1,303.1
Change in derivatives	28.8	-232.5
Cash flow from operating activities	-4,001.3	2,118.3
Investing activities		
Acquisition of intangible assets	-117.5	-60.9
Acquisition of property and equipment	-1.2	-2.3
Change in shareholders' contributions paid	-430.0	-200.0
Divestment of other financial assets	76.9	-77.9
Cash flow from investing activities	-471.8	-341.1
Financing activities		
Shareholders' contribution received	550.0	625.0
Group contribution received	-	22.4
Subordinated debt received	-	810.0
Amortisation of subordinated debt	-	-
Cash flow from financing activities	550.0	1,457.4
NET CASH FLOW FOR THE YEAR	-3,923.1	3,234.6
Cash and cash equivalents, 31 December	1,231.7	5,154.8

SEK M	2014	2013
Non-cash items		
Depreciation/amortisation	68.3	82.7
Impairments	122.6	-
Unrealised portion of net gains from financial items	-54.8	-32.0
Loan losses, excluding recoveries	-66.5	79.5
Change in accrued expense/income	17.5	-28.6
Provisions	0.4	-1.9
Total non-cash items	87.5	99.7
Cash and cash equivalents comprise:		
Cash and balances with central banks	25.8	108.5
Loans to credit institutions ¹⁾	1,615.2	5,435.8
Due to credit institutions ¹⁾	-409.3	-389.5
Total cash and cash equivalents	1,231.7	5,154.8
Interest received	3,495.6	3,382.4
Interest paid	-2,687.3	2,700.5
Gross investments	-118.7	-63.2
Tax paid	-	-

¹⁾ Excluding loans/liabilities to subsidiaries.

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

Statement of changes in shareholders' equity – Parent Company

SEK M	Share capital	Statutory reserve	Fair value reserve	Hedge reserve	Retained earnings	Net profit for the year	Total
Opening balance, 1 January 2013	954.9	18.4	44.1	–	6,081.4	–36.9	7,061.9
Net profit for the year						–3.6	–3.6
Other comprehensive income for the year			32.0				32.0
<i>Comprehensive income for the year</i>			<i>32.0</i>			<i>–3.6</i>	<i>28.4</i>
Resolution by Annual General Meeting					–36.9	36.9	0.0
Group contribution received					–		–
Tax effect of Group contribution paid					–		–
Conditional shareholders' contribution received					625.0		625.0
Closing balance, 31 December 2013	954.9	18.4	76.1	–	6,669.5	–3.6	7,715.3
Opening balance, 1 January 2014	954.9	18.4	76.1	–	6,669.5	–3.6	7,715.3
Net profit for the year						86.4	86.4
Other comprehensive income for the year			2.1	–3.0			–0.9
<i>Comprehensive income for the year</i>			<i>2.1</i>	<i>–3.0</i>		<i>86.4</i>	<i>85.5</i>
Resolution by Annual General Meeting					–3.6	3.6	–
Group contribution received							
Tax effect of Group contribution paid							
Conditional shareholders' contribution received					550.0		550.0
Closing balance, 31 December 2014	954.9	18.4	78.2	–3.0	7,215.9	86.4	8,350.8

Notes to the Parent Company's financial statements

1 COMPANY INFORMATION

The Annual Report for Länsförsäkringar Bank AB (publ) (Corp. Reg. No. 516401-9878) was presented on 31 December, 2014. Länsförsäkringar Bank AB is a bank registered in Sweden, with its registered office in Stockholm. The address of the head office is Tegeluddsvägen 11–13, Stockholm, Sweden. The company is a wholly owned subsidiary of Länsförsäkringar AB (publ) (Corp. Reg. No. 556549-7020) with its registered office in Stockholm. The Parent Company in the largest and smallest Group in which Länsförsäkringar Bank AB (publ) is the subsidiary and in which the consolidated financial statements are prepared is Länsförsäkringar AB (publ), Stockholm. The Annual Report for Länsförsäkringar Bank (publ) was approved by the Board and President for publication on 19 February, 2015. Final approval of the Annual Report will be made by the Parent Company's Annual General Meeting on 18 May, 2015.

2 PARENT COMPANY'S ACCOUNTING POLICIES

The accounting policies stated below for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements. The Parent Company prepares its accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Financial Supervisory Authority's regulations and general guidelines on annual reports in credit institutions and securities companies (FFFS 2008:25), including amendment regulations and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The rules in RFR 2 stipulate that the Parent Company, in the annual accounts for the legal entity, is to apply all IFRS and statements adopted by the EU to the extent that this is possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act and taking into consideration the connection between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS.

Differences between the Group's and the Parent Company's accounting policies

The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Annual Accounts Act for Credit Institutions and Securities Companies and the Pension Obligations Vesting Act and in certain cases for tax reasons. The main deviations compared with the Group's policies are described below.

Remuneration of employees

Defined-benefit pension plans

The Parent Company applies different policies for the taxation of defined-benefit plans to those stipulated in IAS 19. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervisory Authority, which is a requirement for rights to tax deductions. The most significant differences compared with the IAS 19 regulations are the determination of the discount rate, that the defined-benefit commitment is calculated based on current salary levels without any assumptions concerning future salary increases, and that all actuarial gains and losses are recognised in profit and loss when they arise.

Subsidiaries

Shares and participations in subsidiaries are recognised at cost. Transaction costs are included in the carrying amount of holdings in subsidiaries.

Shareholders' contributions

Shareholders' contributions are recognised directly against the equity of the recipient and in shares and participations in Group companies of the donor.

Group contributions

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

3 RISKS

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

4 SEGMENT REPORTING

Segment reporting is only submitted for the Group.

5 INTEREST INCOME

SEK M	2014	2013
Loans to credit institutions	735.5	864.6
Loans to the public	1,300.3	1,383.2
Interest-bearing securities	427.2	403.7
Derivatives	1,190.5	933.6
Other interest income	2.4	0.0
Total interest income	3,655.9	3,585.1
of which, interest income on impaired loans	3.2	9.7
Average interest rate on loans to the public during the year, %	3.6	3.9

6 INTEREST EXPENSE

SEK M	2014	2013
Due to credit institutions	-60.8	-59.8
Deposits and funding from the public	-679.2	-925.1
Interest-bearing securities	-411.8	-552.9
Subordinated liabilities	-93.8	-103.2
Derivatives	-1,389.5	-1,080.2
Other interest expense, including government deposit insurance	-72.9	-67.9
Total interest expense	-2,708.0	-2,789.1
Average interest rate on deposits from the public during the year, %	0.9	1.4

7 DIVIDENDS RECEIVED

SEK M	2014	2013
Dividends received on shares	0.1	0.1
Total dividends received	0.1	0.1

8 COMMISSION INCOME

SEK M	2014	2013
Transfer of payments	80.0	94.4
Loans	13.3	9.7
Deposits	10.8	10.1
Financial guarantees	0.0	0.6
Securities	74.7	55.3
Cards	142.8	123.4
Other commission	2.4	4.6
Total commission income	324.0	298.1

9 COMMISSION EXPENSE

SEK M	2014	2013
Payment mediation	-57.4	-75.8
Securities	-22.8	-14.6
Cards	-77.7	-81.8
Remuneration to regional insurance companies	-386.3	-370.2
Other commission	-28.9	-10.0
Total commission expense	-573.1	-552.4

10 NET GAINS FROM FINANCIAL ITEMS

SEK M	2014	2013
Interest-bearing assets and liabilities and related derivatives	35.7	7.5
Other financial assets and liabilities	0.0	1.6
Interest compensation	13.3	10.3
Total net gains from financial items	49.0	19.4

SEK M	2014	2013
Profit/loss by measurement category		
Derivative assets intended for risk management, non-hedge accounting	0.0	0.0
Loans and receivables	7.9	7.1
Available-for-sale financial assets, realised	39.1	5.9
Other financial liabilities	0.7	3.1
Hedge accounting at fair value		
– Change in value of hedged item	495.1	121.2
– Change in value of hedging instrument	-493.2	-121.4
Exchange-rate effect	-0.6	3.5
Total	49.0	19.4

11 OTHER OPERATING INCOME

SEK M	2014	2013
Remuneration from the regional insurance companies	123.5	135.5
Other income	85.4	93.8
Total other operating income	208.9	229.3

12 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees, Sweden	2014	2013
Men	61	54
Women	58	55
Total number of employees	119	109

Salaries, other remuneration and social security expenses, other employees	2014	2013
Salaries and remuneration	75.2	68.1
of which, variable remuneration	0.0	0.0
Social security expenses	49.7	47.0
of which, pension costs	20.7	20.5
Total	124.9	115.1

Board of Directors and other senior executives, 14 (13)	2014	2013
Salaries and remuneration	12.2	10.9
of which, fixed salary to the President and Executive Vice President	4.4	4.2
of which, variable remuneration to the President and Executive Vice President	0.0	0.0
of which, fixed salary to other senior executives	6.2	5.4
of which, variable salary to other senior executives	0.0	0.0
Social security expenses	9.5	8.8
of which, pension costs	4.5	4.3
Total	21.7	19.7

Total salaries, other remuneration and social security expenses	2014	2013
Salaries and remuneration	87.4	79.0
of which, variable remuneration	0.0	0.0
Social security expenses	59.1	55.8
of which, pension costs	25.2	24.8
Total	146.5	134.8

Länsförsäkringar Bank has about 1,350 individuals who are also employed at Länsförsäkringar Bank and the regional insurance companies. They receive their entire remuneration from their respective regional insurance company.

Remuneration of the Board

Directors' fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. No fee is payable to employee representatives.

Remuneration of senior executives

Remuneration of the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Senior executives are the individuals who, together with the President, comprise corporate management.

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

Remuneration and other benefits for senior executives

2014, SEK M	Basic salary	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Rikard Josefson, President	4.4		0.0	2.0	6.4	35
Anders Borgcrantz, Executive Vice President	2.7			1.0	3.7	35
Örian Söderberg, Board member	0.3				0.3	
Bengt Erik Lindgren, Board member	0.3				0.3	
Christian Bille, Board member	0.3				0.3	
Ingrid Jansson, Board member	0.3				0.3	
Marie-Susanne Petersson, Board member	0.3				0.3	
Maria Engholm, Board member	0.1				0.1	
Per-Åke Holgersson, former Board member	0.1				0.1	
Ingemar Larsson, former Board member	0.1				0.1	
Other senior executives (4)						
Parent Company (4)	6.2		0.0	2.5	8.7	40
Subsidiaries (4)	6.8		0.1	2.9	9.8	42
Total 2014	21.7		0.2	8.4	30.3	
Total remuneration from Parent Company	12.2		0.1	4.5	16.7	
Total remuneration from subsidiaries	9.5		0.1	3.9	13.5	

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

Pension costs pertain to the impact on net profit for the year.

Pensions

The retirement age for the President is 65. The pension is a defined-contribution plan and pension premium is to amount to 35% of the pensionable salary. Pensionable salary refers to fixed salary. In addition to this an endowment insurance is subscribed by the company with a premium of SEK 500,000 each year during five years, starting in 2011. The retirement age for the Executive Vice President is 65 years. The pension is a defined-contribution plan and pension premium is to amount to 35% of the pensionable salary. Pensionable salary refers to fixed salary. One senior executive has an agreement for an additional pension provision corresponding to 12% of the executive's monthly salary. The retirement age for other senior executives is 65. The terms comply with pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). Furthermore, an additional pension premium corresponding to one price base amount is paid every year for each senior executive.

Severance pay

A mutual period of notice of six months applies to the President and one Executive Vice President. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. For other senior executives, the period of notice follows applicable agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Preparation and decision-making process applied in relation to the issue of remuneration of senior executives

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration of senior executives. The Remuneration Committee prepares important remuneration decisions and decisions on measures for follow-

ing up the application of the Remuneration Policy. The Board decides on remuneration and other terms of employment for corporate management and employees with overall responsibility for one of the company's control functions.

Composition of Remuneration Committee

The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan. The Remuneration Committee comprises the Chairman and one Board member.

Policies for remuneration of senior executives

Senior executives in the Länsförsäkringar AB Group are to have market-based employment terms and conditions. Total remuneration is to be in line with the industry standard. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

Pensions should comply with the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Other benefits

In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual health care insurance and other benefits offered to all employees.

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

Number of women among senior executives, %	31 Dec 2014	31 Dec 2013
Board members	56	30
Other senior executives	40	30

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

	Bank Group		Parent Company		Parent Company Group	
	2014	2013	2014	2013	2014	2013
Board members	15.7	24.3	8.0	20.4	51.7	56.6
Of which, loans from Bank	6.5	6.5	3.5	6.5	15.3	15.2
Of which, loans from Hypotek	9.2	17.8	4.5	13.9	36.4	41.4
Of which, loans from Wasa Kredit	–	–	–	–	–	–
President and Executive Vice Presidents	0.0	0.0	–	–	14.8	16.9
Of which, loans from Bank	0.0	0.0	–	–	3.0	3.5
Of which, loans from Hypotek	–	–	–	–	11.8	13.4
Of which, loans from Wasa Kredit	–	–	–	–	–	–
Senior executives	21.2	14.4	4.3	1.7	51.9	34.2
Of which, loans from Bank	4.7	3.7	1.0	0.5	10.4	7.3
Of which, loans from Hypotek	16.5	10.7	3.3	1.2	41.5	26.9
Of which, loans from Wasa Kredit	–	–	–	–	–	–

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

The Group has not pledged assets, other collateral or assumed any liability undertaking for the benefit of any senior executive.

Remuneration Policy

In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2011:1) regarding remuneration policies in credit institutions, investment firms and fund management companies, the Board of Directors is to adopt a Remuneration Policy. It is intended that a statement of remuneration in the company is to be published on the website when the Annual Report is published.

13 OTHER ADMINISTRATION EXPENSES

SEK M	2014	2013
Costs for premises	–19.1	–18.7
IT costs	–240.6	–241.8
Consultant costs	–48.2	–26.2
Marketing	–12.8	–9.7
Management costs	–9.6	–6.6
Other administration expenses	–181.5	–180.0
Total administration expenses	–511.8	–483.0

14 REMUNERATION OF AUDITORS

SEK M	2014	2013
Audit fees, KPMG		
– Audit assignment	–2.6	–2.5
– Audit activities other than audit assignment	–0.9	–0.3
– Tax advice	–	–
– Other assignments	–0.1	–0.4

Audit assignment pertains to a review of the Annual Report and accounting, as well as the Board's and President's administration. Audit activities other than audit assignment pertain to various types of quality-assurance services, such as reviews of the administration, Articles of Association, regulations or agreements that result in reports or certificates. Other assignments pertain to activities that are not included in the abovementioned items, for example, legal consultations alongside audit activities and that are not attributable to tax consultancy services.

15 OPERATIONAL LEASING

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

SEK M	2014	2013
Lease expenses paid		
Rent for premises	–19.0	–19.1
Leasing fees, company cars	–0.1	–0.5
Future basic rents for irrevocable leasing contracts		
Within 1 year	–19.0	–19.1

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

SEK M	2014	2013
Depreciation of property and equipment	–0.8	–1.9
Amortisation of intangible assets	–67.5	–80.8
Total depreciation/amortisation	–68.3	–82.7
Impairment of intangible assets	–122.6	–
Total depreciation/amortisation and impairment of assets	–190.9	–82.7

17 LOAN LOSSES AND IMPAIRED LOANS

SEK M	2014	2013
Specific reserve for individually assessed loan receivables		
Write-off of confirmed loan losses during the year	–19.1	–60.7
Reversed earlier impairment of loan losses recognised in the annual accounts as confirmed losses	14.9	55.4
Impairment of loan losses during the year	–24.2	–176.2
Payment received for prior confirmed loan losses	–2.0	60.0
Reversed impairment of loan losses no longer required	66.0	36.9
Net expense for the year for individually assessed receivables	35.6	–84.6
<i>Collective reserves for individually assessed receivables</i>	–	–
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk		
Write-off of confirmed loan losses during the year	–	–
Payment received for prior confirmed loan losses	–	–
Provision/reversal of reserve for loan losses	9.8	4.3
Net expense for the year for collectively assessed receivables	9.8	4.3
Net expense for the year for fulfilment of guarantees	1.1	0.2
Net expense of loan losses for the year	46.5	–80.1

All information pertains to receivables from the public.

17 LOAN LOSSES AND IMPAIRED LOANS, cont.

Impaired loans, SEK M	31 Dec 2014				31 Dec 2013			
	Gross	Individual reserve	Collective reserve	Net	Gross	Individual reserve	Collective reserve	Net
Corporate sector	27.1	-18.2	-1.1	7.8	26.6	-20.2	-1.6	4.8
Retail sector	62.6	-81.5	-19.5	-38.4	127.3	-136.2	-28.8	-37.7
of which, private individuals	33.0	-36.7	-6.7	-10.4	56.6	-59.3	-12.0	-14.7
Total	89.7	-99.7	-20.6	-30.6	153.9	-156.4	-30.4	-32.9

Reconciliation of impairment of loan losses

SEK M	31 Dec 2014			31 Dec 2013		
	Individual reserve	Collective reserve	Total	Individual reserve	Collective reserve	Total
Opening balance	-156.4	-30.4	-186.8	-72.5	-34.7	-107.3
Reversed earlier provisions of loan losses recognised in the annual accounts as confirmed losses	14.9	-	14.9	55.4	-	55.4
Reversed provisions of loan losses no longer required	66.0	9.8	75.8	36.9	4.3	41.2
Provisions for loan losses during the year	-24.2	-	-24.2	-176.2	-	-176.2
Closing balance	-99.7	-20.6	-120.3	-156.4	-30.4	-186.8

18 TAX ON NET PROFIT FOR THE YEAR

SEK M	2014	2013
Current tax		
Tax expense/tax income for the year	-23.3	5.3
Total current tax	-23.3	5.3
Deferred tax		
Change in deferred tax expense on temporary differences	-2.1	0.9
Total deferred tax	-2.1	0.9
Total recognised tax expense	-25.4	6.2
Reconciliation of effective tax rate		
Profit before tax	111.8	-9.8
Tax in accordance with applicable tax rate for Parent Company	-24.6	2.2
Tax on non-deductible costs	-0.8	-4.1
Tax on non-taxable income	0.0	3.1
Tax attributable to changed tax rates	-	-2.6
Tax attributable to earlier years	-	7.6
Total tax on net profit for the year	-25.4	6.2
Applicable tax rate	22.0%	22.0%
Effective tax rate	22.7%	63.8%
Tax items recognised in other comprehensive income		
Tax on cash flow hedges	0.8	-
Tax on available-for-sale financial assets	-0.5	-9.0

19 TREASURY BILLS AND OTHER ELIGIBLE BILLS

SEK M	31 Dec 2014	31 Dec 2013
Swedish government	4,926.2	2,395.3
German government	-	320.8
Finnish government	483.1	673.4
Total treasury bills and other eligible bills	5,409.3	3,389.5
Fair value	5,409.3	3,389.5
Amortised cost	5,287.6	3,393.7
Nominal value	4,556.0	2,275.0
Remaining term of not more than 1 year	2,875.9	579.0
Remaining term of more than 1 year	2,533.4	2,810.5

20 LOANS TO CREDIT INSTITUTIONS

SEK M	31 Dec 2014	31 Dec 2013
Loans to subsidiaries	45,656.5	38,990.7
Other loans to credit institutions	1,721.0	5,647.9
Total loans to credit institutions	47,377.5	44,638.6
Payable on demand	1,635.9	511.6
Remaining term of not more than 3 months	1,565.2	5,416.4
Remaining term of more than 3 months but not more than 1 year	43,356.5	38,013.4
Remaining term of more than 1 year but not more than 5 years	518.9	697.2
Remaining term of more than 5 years	301.0	-
Total loans to credit institutions	47,377.5	44,638.6

Genuine repurchase transactions amounted to SEK 1,500.1 M (5,338.9), none of them with Group companies.

21 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	31 Dec 2014	31 Dec 2013
Loans to the public before reserves		
Public sector	2,014.1	618.7
Corporate sector	1,527.0	1,607.0
Retail sector	35,226.1	33,968.4
Other	1.7	0.4
Total	38,768.9	36,194.5
Reserves	-120.3	-186.8
Loans to the public	38,648.6	36,007.7
Remaining term of not more than 3 months	29,996.4	28,046.7
Remaining term of more than 3 months but not more than 1 year	2,733.9	1,271.3
Remaining term of more than 1 year but not more than 5 years	5,734.9	6,494.1
Remaining term of more than 5 years	183.4	195.6
Total	38,648.6	36,007.7

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

For more information about reserves, see note Loan losses and impaired loans.

22 BONDS AND OTHER INTEREST-BEARING SECURITIES

Issued by organisations other than public bodies

SEK M	31 Dec 2014	31 Dec 2013
Carrying amount		
Swedish mortgage institutions (not guaranteed)	18,749.1	16,251.2
Other Swedish issuers (not guaranteed)	3,862.8	3,228.5
Other foreign issuers (guaranteed by German government)	738.7	192.6
Other foreign issuers (not guaranteed)	361.6	152.4
Total bonds and other interest-bearing securities	23,712.2	19,824.7
Fair value	23,712.2	19,824.7
Amortised cost	23,089.1	19,641.9
Nominal value	21,722.0	18,860.0
Market status		
Securities listed	23,712.2	19,824.7
Remaining term of not more than 1 year	6,315.9	4,570.7
Remaining term of more than 1 year	17,396.3	15,254.0

23 SHARES AND PARTICIPATIONS

SEK M	31 Dec 2014	31 Dec 2013
Opening amount at beginning of the year	88.8	11.0
Acquisition of shares	–	77.8
Sales during the year	–76.8	–
Carrying amount at year-end	12.0	88.8

24 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

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

SEK M	31 Dec 2014			31 Dec 2013		
	Number of shares	Nominal value	Carrying amount	Number of shares	Nominal value	Carrying amount
Wasa Kredit AB (556311-9204)	875,000	87.5	814.8	875,000	87.5	814.8
Länsförsäkringar Hypotek AB (556244-1781)	70,335	70.3	5,519.2	70,335	70.3	5,089.2
Länsförsäkringar Fondförvaltning AB (556364-2783)	15,000	1.5	165.0	15,000	1.5	165.0
Total shares and participations in Group companies			6,499.0			6,069.0

SEK M	2014				2013			
	Wasa Kredit AB	Länsförsäkringar Hypotek AB	Länsförsäkringar Fondförvaltning AB	Total	Wasa Kredit AB	Länsförsäkringar Hypotek AB	Länsförsäkringar Fondförvaltning AB	Total
Carrying amount at beginning of year	814.8	5,089.2	165.0	6,069.0	814.8	4,889.2	165.0	5,869.0
Conditional shareholders' contribution	–	430.0	–	430.0	–	200.0	–	200.0
Carrying amount at year-end	814.8	5,519.20	165.0	6,499.0	814.8	5,089.2	165.0	6,069.0

Equity (incl. 78% of untaxed reserves) and profit after tax in subsidiaries, SEK M	2014		2013	
	Equity	Net profit for the year	Equity	Net profit for the year
Wasa Kredit AB	1,446.6	119.6	1,210.4	54.9
Länsförsäkringar Hypotek AB	6,061.6	211.2	5,282.0	159.5
Länsförsäkringar Fondförvaltning AB	200.6	45.1	139.9	52.9
Total	7,708.8	375.9	6,632.3	267.3

25 DERIVATIVES

SEK M	31 Dec 2014		31 Dec 2013	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
<i>Derivatives in hedge accounting</i>				
Interest	15,640.0	148.0	14,582.0	119.0
Currency	2,852.7	274.3	2,394.9	75.9
<i>Other derivatives</i>				
Interest	42,445.0	1,474.9	14,375.0	122.7
Currency	7,864.6	997.3	9,324.1	285.1
Total derivatives with positive values	68,802.3	2,894.5	40,676.0	602.7
Remaining term of not more than 1 year	22,889.5	196.5	12,221.8	80.8
Remaining term of more than 1 year	45,912.8	2,698.0	28,454.2	521.9
Derivatives with negative values				
<i>Derivatives in hedge accounting</i>				
Interest	36,676.0	695.6	29,814.0	205.8
Currency	1,294.8	149.2	1,181.2	53.7
<i>Other derivatives</i>				
Interest	42,445.0	1,475.1	14,375.0	122.7
Currency	7,730.8	989.0	9,305.2	271.3
Total derivatives with negative values	88,146.6	3,308.9	54,675.4	653.5
Remaining term of not more than 1 year	26,417.0	105.8	13,364.2	89.8
Remaining term of more than 1 year	61,729.6	3,203.1	41,311.2	563.7

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

SEK M	31 Dec 2014	31 Dec 2013
Assets		
Carrying amount at beginning of year	64.8	97.0
Changes during the year pertaining to lending	101.1	-32.2
Carrying amount at year-end	165.9	64.8
Liabilities		
Carrying amount at beginning of year	46.2	108.9
Changes during the year pertaining to deposits	47.1	-3.9
Changes during the year pertaining to funding	96.8	-58.8
Carrying amount at year-end	190.1	46.2

27 INTANGIBLE ASSETS

SEK M	Internally developed IT systems		Acquired IT systems		Total	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Cost						
Opening cost	868.8	807.9	27.9	27.9	896.7	835.8
Acquisitions during the year	117.5	60.9	-	-	117.5	60.9
Divestments during the year	-	-	-	-	-	-
Closing cost	986.3	868.8	27.9	27.9	1,014.2	896.7
Amortisation						
Opening accumulated amortisation	-521.1	-441.5	-27.9	-26.7	-549.0	-468.2
Amortisation for the year	-67.5	-79.6	-	-1.2	-67.5	-80.8
Reversed amortisation, divestments	-	-	-	-	-	-
Closing accumulated amortisation	-588.6	-521.1	-27.9	-27.9	-616.5	-549.0
Impairments						
Opening accumulated impairments	-	-	-	-	-	-
Impairments for the year	-122.6	-	-	-	-122.6	-
Closing accumulated impairments	-122.6	-	-	-	-122.6	-
Total intangible assets	275.1	347.7	-	-	275.1	347.7

28 PROPERTY AND EQUIPMENT

SEK M	31 Dec 2014	31 Dec 2013
Equipment		
Opening cost	27.6	25.2
Sales/Disposals for the year	-5.1	-
Purchases for the year	1.1	2.4
Closing cost	23.6	27.6
Opening depreciation	-25.0	-23.1
Reversed depreciation, sales/scraping	5.1	-
Depreciation for the year	-0.8	-1.9
Closing accumulated depreciation	-20.7	-25.0
Total property and equipment	2.9	2.6

29 DEFERRED TAX ASSETS AND TAX LIABILITIES

Recognised deferred tax assets and tax liabilities are attributable to the following:

SEK M	Deferred tax assets		Deferred tax liabilities		Net	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Liabilities	-4.2	-7.2	-	0.9	-4.2	-6.3
Deferred tax assets(-)/deferred tax liabilities (+)	-4.2	-7.2	-	0.9	-4.2	-6.3
Net deferred tax assets (-)/deferred tax liabilities (+)	-4.2	-7.2	-	0.9	-4.2	-6.3

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

Change in deferred tax in temporary differences

SEK M	Amount at 1 Jan	Recognised in profit and loss	Recognised in other comprehensive income	Amount at 31 Dec
2014				
Other financial investment assets	-	-	-	-
Liabilities	-6.3	2.1	-	-4.2
Deferred tax assets (-) /deferred tax liabilities (+)	-6.3	2.1	-	-4.2
2013				
Other financial investment assets	-	-	-	-
Liabilities	-5.4	-0.9	-	-6.3
Deferred tax assets (-) /deferred tax liabilities (+)	-5.4	-0.9	-	-6.3

30 OTHER ASSETS

SEK M	31 Dec 2014	31 Dec 2013
Accounts receivable	9.2	9.6
Other assets	189.3	376.5
Total other assets	198.5	386.1

31 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	31 Dec 2014	31 Dec 2013
Accrued interest income	976.0	815.7
Other accrued income	98.3	39.7
Prepaid expenses	16.5	15.8
Total prepaid expenses and accrued income	1,090.8	871.2

32 DUE TO CREDIT INSTITUTIONS

SEK M	31 Dec 2014	31 Dec 2013
Swedish banks	3,041.5	1,505.1
Other Swedish credit institutions	2,624.1	4,594.5
Total due to credit institutions	5,665.6	6,099.6
Payable on demand	2,674.7	4,659.4
Remaining term of not more than 3 months	2,990.9	1,440.2
Remaining term of more than 3 months but not more than 1 year	-	-
Total	5,665.6	6,099.6

Genuine repurchase transactions amounted to SEK – M (506.3), none of them with Group companies.

33 DEPOSITS FROM THE PUBLIC

SEK M	31 Dec 2014	31 Dec 2013
Deposits from insurance companies	5,325.6	4,142.5
Deposits from households	63,924.9	58,665.8
Deposits from other Swedish public	7,722.4	6,532.3
Total deposits from the public	76,972.9	69,340.6
Payable on demand	76,972.9	69,340.6

Fixed-term deposits amount to SEK 32,119.0 (33,442.4). Interest compensation is paid on premature redemption.

34 DEBT SECURITIES IN ISSUE

SEK M	31 Dec 2014	31 Dec 2013
Commercial papers	4,087.4	2,003.0
Bond loans	23,610.5	22,569.5
Cashier's cheques issued	70.5	73.0
Total debt securities in issue	27,768.4	24,645.5
Remaining term of not more than 1 year	14,342.6	6,474.6
Remaining term of more than 1 year	13,425.8	18,170.9

35 OTHER LIABILITIES

SEK M	31 Dec 2014	31 Dec 2013
Accounts payable	43.9	13.3
Withheld preliminary tax, customers	39.7	63.0
Other liabilities	246.0	378.6
Current tax liability	5.6	0.7
Total other liabilities	335.2	455.6

36 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	31 Dec 2014	31 Dec 2013
Accrued holiday pay	8.3	6.9
Accrued social security expenses	18.8	12.1
Accrued interest expense	869.2	848.5
Other accrued expenses and deferred income	475.0	266.7
Total accrued expenses and deferred income	1,371.3	1,134.2

37 PROVISIONS

SEK M	31 Dec 2014	31 Dec 2013
Provision for guarantees	–	0.9
Provision for early retirement in accordance with the pension agreement	3.9	2.9
Other provisions	2.6	2.3
Total provisions	6.5	6.1
Provision for guarantees		
Carrying amount at beginning of year	0.9	0.9
Unutilised amount reversed during the year	–0.9	–
Carrying amount at year-end	–	0.9

Guarantees

Guarantees include leasing guarantees and credit guarantees.

Defined-benefit pensions

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

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

SEK M	2014	2013
Pension commitments		
Provision for early retirement in accordance with the pension agreement	3.9	2.9
Total pension commitments	3.9	2.9
Assumptions pertaining to defined-benefit commitments:		
Discount rate	0.5%	0.4%
Expected rate of salary increase	2.5%	2.5%
Percentage expected to retire voluntarily at age 62	30.0%	30.0%
Memorandum items	9.1	6.8

Defined-contribution pension plans

The company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments to defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few employees who have individual solutions. The pension agreement for the insurance industry, the FTP plan, through insurance with the FPK, is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that, as a rule, a company is to recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure is also to be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is currently unable to provide the necessary information on this, which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 34 of IAS 19. Nor is any information available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years. The company's expected fees in 2015 for the FTP plan amount to SEK 12.3 M.

	2014	2013
Expenses for defined-contribution plans	21.2	20.6

38 SUBORDINATED LIABILITIES

SEK M	31 Dec 2014	31 Dec 2013
External subordinated debt, listed	2,299.7	2,299.7
Total subordinated liabilities	2,299.7	2,299.7

Specification of subordinated debt from Länsförsäkringar AB

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

39 UNTAXED RESERVES

SEK M	31 Dec 2014	31 Dec 2013
Tax allocation reserve	46.9	11.9
Total	46.9	11.9

See also appropriations in the income statement.

40 EQUITY

SEK M	31 Dec 2014	31 Dec 2013
Restricted equity		
Share capital (9,548,708 shares, quotient value SEK 100 per share)	954.9	954.9
Statutory reserve	18.4	18.4
Total restricted equity	973.3	973.3
Non-restricted equity		
Fair value reserve	75.2	76.1
Retained earnings	7,215.9	6,669.5
Net profit for the year	86.4	–3.6
Total non-restricted equity	7,377.5	6,742.0
Total equity	8,350.8	7,715.3

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

Conditional shareholders' contribution received totalled:

During 2008	500.0
During 2009	400.0
During 2010	850.0
During 2011	798.0
During 2012	742.0
During 2013	625.0
During 2014	550.0
Total	4,465.0

41 PLEDGED ASSETS, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

SEK M	31 Dec 2014	31 Dec 2013
For own liabilities, pledged assets		
Pledged securities in the Riksbank	2,500.0	1,900.0
Pledged securities in Euroclear	2,000.0	1,300.0
Collateral provided for derivatives	10.0	10.0
Collateral provided for securities	5.0	5.0
Collateral paid due to repurchase agreement	–	506.3
Total pledged assets for own liabilities	4,515.0	3,721.3
Other pledged assets	None	None
Contingent liabilities		
Guarantees	24.2	56.6
Unconditional shareholders' contributions	4,790.0	4,240.0
Early retirement at age 62 in accordance with pension agreement, 70%	9.1	6.8
Total contingent liabilities	4,823.3	4,303.4
Other commitments		
Loans approved but not disbursed	1,670.2	945.1
Unutilised portion of overdraft facilities	22,813.6	9,208.5
Unutilised portion of credit card facilities	1,298.6	1,196.0
Total other commitments	25,782.4	11,349.6

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

42 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets at fair value in profit and loss						
31 Dec 2014 SEK M	Held for trading	Derivatives used in hedge accounting	Loans and receivables	Available-for- sale financial assets	Total	Fair value
Assets						
Cash and balances with central banks			25.8		25.8	25.8
Treasury bills and other eligible bills				5,409.3	5,409.3	5,409.3
Loans to credit institutions			47,377.5		47,377.5	47,377.5
Loans to the public			38,648.6		38,648.6	38,934.3
Bonds and other interest-bearing securities				23,712.2	23,712.2	23,712.2
Shares and participations				12.0	12.0	12.0
Derivatives	128.7	2,765.8			2,894.5	2,894.5
Other assets			9.2		9.2	9.2
Total assets	128.7	2,765.8	86,061.1	29,133.5	118,089.1	118,374.8
Financial liabilities at fair value in profit and loss						
31 Dec 2014 SEK M	Held for trading	Derivatives used in hedge accounting	Other financial liabilities		Total	Fair value
Liabilities						
Due to credit institutions				5,665.6	5,665.6	5,665.6
Deposits and funding from the public				76,972.9	76,972.9	78,424.5
Debt securities in issue				27,768.4	27,768.4	28,021.2
Derivatives	2,464.1	844.8			3,308.9	3,308.9
Other liabilities				246.0	246.0	246.0
Subordinated liabilities				2,299.7	2,299.7	2,299.7
Other liabilities	2,464.1	844.9	112,952.6		116,261.5	117,965.9

	Financial assets at fair value in profit and loss					
31 Dec 2013 SEK M	Held for trading	Derivatives used in hedge accounting	Loans and receivables	Available-for- sale financial assets	Total	Fair value
Assets						
Cash and balances with central banks			108.5		108.5	108.5
Treasury bills and other eligible bills				3,389.5	3,389.5	3,389.5
Loans to credit institutions			44,638.6		44,638.6	44,638.6
Loans to the public			36,007.7		36,007.7	35,554.0
Bonds and other interest-bearing securities				19,824.7	19,824.7	19,824.7
Shares and participations				87.8	87.8	87.8
Derivatives	407.8	194.9			602.7	602.7
Other assets			9.6		9.6	9.6
Total assets	407.8	194.9	80,764.4	23,302.0	104,669.1	104,215.4
Financial liabilities at fair value in profit and loss						
31 Dec 2013 SEK M	Held for trading	Derivatives used in hedge accounting	Other financial liabilities		Total	Fair value
Liabilities						
Due to credit institutions				6,099.6	6,099.6	6,099.6
Deposits and funding from the public				69,340.6	69,340.6	70,069.6
Debt securities in issue				24,645.5	24,645.5	25,372.3
Derivatives	394.0	259.5			653.5	653.5
Other liabilities				13.3	13.3	13.3
Subordinated liabilities				2,299.7	2,299.7	2,427.4
Other liabilities	394.0	259.5	102,398.7		103,052.2	104,635.7

The fair value of cash and balances with central banks, loans to credit institutions, accounts receivable, due to credit institutions and accounts payable comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities, since these assets and liabilities have short terms. When calculating the fair value of deposits and lending, anticipated future cash flows have been discounted using a discount interest rate set at the current deposit and lending rates applied (including discounts). The main principle for measuring the fair value of debt securities in issue is that the value is measured at prices from external parties at year-end or the most recent trading date. If external prices are not available or are deemed to deviate from market levels, a standard method or valuation technique based on the estimated or original issue spread is utilised.

43 FAIR VALUE VALUATION TECHNIQUES

Financial instruments measured at fair value in the balance sheet.

31 Dec 2014 SEK M	Instruments with published price quotations (Level 1)	Valuation techniques based on observable market prices (Level 2)	Valuation techniques based on unobservable market prices (Level 3)	Total
Assets				
Treasury bills and other eligible bills	5,409.3			5,409.3
Bonds and other interest-bearing securities	23,712.2			23,712.2
Shares and participations ¹⁾			12.0	12.0
Derivatives		2,894.5		2,894.5
Liabilities				
Derivatives		3,308.9		3,308.9
31 Dec 2013 SEK M				
Assets				
Treasury bills and other eligible bills	3,389.5			3,389.5
Bonds and other interest-bearing securities	19,824.7			19,824.7
Shares and participations ¹⁾	76.8		12.0	88.8
Derivatives		602.7		602.7
Liabilities				
Derivatives		653.5		653.5

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

There were no significant transfers between Level 1 and Level 2 during 2014 or during 2013. There were no transfers from Level 3 in 2014 or 2013.

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

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

Change in holdings in Level 3

SEK M	Shares and participations	SEK M	Shares and participations
Opening balance, 1 January 2014	12.0	Opening balance, 1 January 2013	12.1
Total profits and losses recognised:	–	Total profits and losses recognised:	–
– recognised in net profit for the year	–	– recognised in net profit for the year	–0.1
Acquisition of shares	–	Acquisition of shares	–
Closing balance, 31 December 2014	12.0	Closing balance, 31 December 2013	12.0
<i>Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at 31 December 2013.</i>		<i>Profits and losses recognised in net profit for the year pertaining to assets included in the closing balance at 31 December 2012.</i>	
	–		–

44 INFORMATION ABOUT OFFSETTING

The table below contains financial assets and liabilities covered by a legally binding framework netting agreement or a similar agreement but that is not offset in the balance sheet. The Bank Group has ISDA and CSA agreements with all derivative counterparties and corresponding netting agreements for repurchase agreements, which means that all exposures are covered by both types of agreements. The framework netting agreement entails that parties are to settle their exposures net (meaning that receivables are offset against liabilities) in the event of a serious credit incident.

	Financial assets and liabilities that are offset or subject to netting agreements					
				Related amounts not offset in the balance sheet		
SEK M 31 Dec 2014	Gross amount	Offset in balance sheet	Net amount in balance sheet	Netting framework agreement	"Collateral Received (–) / Pledged (+)"	Net amount
Assets						
Derivatives	2,894.5	–	2,894.5	–1,078.5	–1,816.0	0.0
Reversed repurchase agreements	1,500.1	–	1,500.1	–	–1,500.1	0.0
Liabilities						
Derivatives	–3,308.9	–	–3,308.9	1,078.5	1,503.5	–726.9
Repurchase agreements	–	–	–	–	–	–
Total	1,085.7	–	1,085.7	0.0	–1,812.6	–726.9

Financial assets and liabilities that are offset or subject to netting agreements

SEK M 31 Dec 2013	Gross amount	Offset in balance sheet	Net amount in balance sheet	Related amounts not offset in the balance sheet		Net amount
				Netting framework agreement	"Collateral Received (-) / Pledged (+)"	
Assets						
Derivatives	602.7	–	602.7	–248.7	–	354.0
Reversed repurchase agreements	5,338.9	–	5,338.9	–	–5,338.9	0.0
Liabilities						
Derivatives	–653.5	–	–653.5	248.7	77.6	–327.2
Repurchase agreements	–	–	–506.3	–	506.3	0.0
Total	4,781.8	–	4,781.8	0.0	–4,755.0	26.8

Capital base and capital requirements

SEK M	Basel III 31 Dec 2014	Basel II 31 Dec 2013
Equity	8,350.8	7,715.3
of which, share capital	954.9	954.9
of which, other reserves	18.4	18.4
of which, retained earnings	7,215.9	6,669.5
of which, accumulated comprehensive income	75.2	76.1
of which, net profit/loss for the period	86.4	–3.6
Non-verified profit	–	–
78% of untaxed reserves	36.6	9.3
Equity for capital adequacy	8,387.4	7,724.6
Intangible assets	–275.1	–347.7
Cash-flow hedges	3.0	–
Unrealised changes in value of financial assets	–78.2	–76.1
IRB Provisions deficit (–)/surplus (+)	–176.6	–137.4
Adjustments for prudent valuation	–33.0	–
Deferred tax assets	–	–6.3
Threshold deduction: financial companies	–0.5	–
Qualifying holdings outside the financial sector	–10.2	–
Common Equity tier 1 capital	7,816.7	7,157.1
Additional tier 1 capital instruments	–	–
Tier 1 capital	7,816.7	7,157.1
Tier 2 capital instruments	2,296.8	2,296.9
IRB Provisions deficit (–)/surplus (+)	–	–137.4
Tier 2 capital	2,296.8	2,159.5
Total own funds	10,113.5	9,316.6
Total Risk Exposure Amount according to Basel III	25,105.3	18,577.1
Total capital requirement according to Basel III	2,008.4	1,486.2
Capital requirement for credit risk according to Standardised Approach	788.9	237.2
Capital requirement for credit risk according to IRB Approach	1,081.6	1,167.4
Capital requirement for operational risk	99.2	81.6
Capital requirement for credit valuation adjustment	38.8	–
Common Equity tier 1 capital ratio CRD IV	31.1%	38.5%
Tier 1 ratio CRD IV	31.1%	38.5%
Total capital ratio CRD IV	40.3%	50.2%
Special disclosures		
IRB Provisions surplus (+)/deficit (–)	–176.6	–274.7
– IRB Total provisions (+)	192.0	186.8
– IRB Anticipated loss (–)	–368.6	–461.5
Capital requirement according to Basel I floor	2,860.6	2,256.3
Capital base adjusted according to Basel I floor	10,290.1	9,591.3
Surplus capital according to Basel I floor	7,429.5	7,335.0

SEK M	Basel III 31 Dec 2014		Basel II 31 Dec 2013	
	Capital requirement	Risk Exposure Amount	Capital requirement	Risk Exposure Amount
Credit risk according to Standardised Approach				
Exposures to institutions	20.5	256.2	29.2	365.0
Exposures to corporates	–	–	–	–
Covered bonds	160.9	2,011.0	166.3	2,078.8
Exposures to CIUs	–	–	6.2	76.9
Equity exposures	581.5	7,269.1	–	–
Other items	26.0	324.5	35.6	444.6
Total capital requirement and Risk Exposure Amount	788.9	9,860.8	237.2	2,965.2
Credit risk according to IRB Approach				
<i>Retail exposures</i>				
Exposures secured by real estate collateral	368.8	4,610.4	413.0	5,162.4
Other retail exposures	283.9	3,548.6	287.6	3,595.0
Total retail exposures	652.7	8,159.1	700.6	8,757.4
Exposures to corporates	428.9	5,361.0	466.6	5,832.2
Non credit-obligation assets	–	–	0.2	2.6
Total capital requirement and Risk Exposure Amount	1,081.6	13,520.1	1,167.4	14,592.1
Operational risk				
Standardised Approach	99.2	1,239.7	81.6	1,019.8
Total capital requirement for operational risk	99.2	1,239.7	81.6	1,019.8
Credit valuation adjustment, Standardised Approach	38.8	484.8	–	–

For more information about risk and capital adequacy, see note 3 for the Bank Group.

46 DISCLOSURES ON RELATED PARTIES, PRICING AND AGREEMENTS

Related parties

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

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

Pricing

The price level of the goods and services that Länsförsäkringar Bank AB purchases and sells within the Länsförsäkringar Alliance is determined by Länsförsäkringar AB's corporate management once a year in conjunction with the adoption of the business plan.

Agreements

Significant agreements for the Parent Company are primarily assignment agreements with the 23 regional insurance companies and assignment agreements regarding development, service, finance and IT. The Parent Company has agreements with its subsidiaries for Group-wide services.

Transactions

SEK M	Income		Expenses		Receivables		Liabilities		Commitments	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	2014	2013	2014	2013	2014	2013
Companies in the Bank Group	1,062.5	1,123.2	672.8	397.5	45,876.0	39,439.7	5,371.0	4,860.1	20,721.8	7,224.0
Other companies in the Länsförsäkringar AB Group	3.7	–	257.7	199.6	22.6	12.3	1,261.1	504.2	–	–
Länsförsäkringar Liv Group	–	–	1.2	2.2	–	–	523.7	643.2	–	–
Regional insurance companies	123.6	171.3	413.3	385.9	156.3	30.3	4,158.5	1,806.8	52.0	52.0
Other related parties	–	–	0.1	0.2	–	–	25.2	18.4	5.0	5.0

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

47 EVENTS AFTER BALANCE-SHEET DATE

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

Statement from the Board

The Board and President affirm that this Annual Report was prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements were prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and the Council issued on July 19, 2002 on the application of international accounting standards. The Annual Report and consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Board of Directors' Report provides a true and fair overview of the Group's and the Parent Company's operations, financial position and earnings, and describes the significant risks and uncertainties to which the Parent Company and the companies included in the Group are exposed.

Stockholm, 19 February 2015

Sten Dunér
Chairman

Christian Billie
Board Member

Maria Engblom
Board Member

Ingrid Jansson
Board Member

Bengt-Erik Lindgren
Board Member

Susanne Petersson
Board Member

Örian Söderberg
Board Member

Rikard Josefson
President

Ingrid Ericson
Employee Representative

Marianne Björkman
Employee Representative

My audit report was submitted on Stockholm, 19 February 2015

Stefan Holmström
Authorised Public Accountant

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

Audit Report

To the annual meeting of the shareholders of Länsförsäkringar Bank AB (publ), corp. id 556401-9878

Report on the annual accounts and the consolidated accounts

I have audited the annual accounts and consolidated accounts of Länsförsäkringar Bank AB (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 16–87.

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

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

Auditor's responsibility

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

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

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

Opinions

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of its financial per-

formance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

I therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to my audit of the annual accounts and consolidated accounts, I have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Länsförsäkringar Bank AB (publ) for the year 2014.

Responsibilities of the Board of Directors and the President

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

Auditor's responsibility

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

As basis for my opinion on the Board of Directors proposed appropriations of the company's profit or loss I examined whether the proposal is in accordance with the Companies Act.

As basis for my opinion concerning discharge from liability, in addition to my audit of the annual accounts and consolidated accounts, I examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. I also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Securities Companies, or the Articles of Association.

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

Opinions

I recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 19 February 2015

Stefan Holmström
Authorised Public Accountant

Board of Directors



Sten Dunér

Chairman.
Born 1951. Employed since 1982. President Länsförsäkringar AB. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Länsförsäkringar Sak and Länsförsäkringar Fondliv, board member of Länsförsäkringar Liv, Insurance Sweden, the Swedish Insurance Employer's Association (FAO) and Fastighets AB Balder. **Background:** CFO and other senior positions at Länsförsäkringar AB.



Christian Bille

Born 1962. President Länsförsäkringar Halland. Elected 2010. **Education:** Bachelor of Science in Business and Economics. **Other Board appointments:** Board member of Länsförsäkringar Halland and Länsförsäkringar Hypotek. **Background:** President of Sparbanken Syd and Operating Manager of Swedbank.



Maria Engholm

Born 1967. President HSB Dalarna. Elected 2014. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Dalarnas Försäkringsbolag AB, Dalarnas Försäkringsbolags Förvaltnings AB. **Background:** Pr. Leader at Triple Steelix, president of Folke i Borlänge AB, Local and Regional Director of Region Siljan, board member of Sparbanken Dalarna.



Ingrid Jansson

Born 1950. Consultant specialising in financial services and leadership. Elected 2013. **Education:** Master of Science in Business and Economics. **Other Board appointments:** None. **Background:** Many years of experience in banking, asset management, marketing and business development, and has held senior-level positions.



Bengt-Erik Lindgren

Born 1950. Chairman of Länsförsäkringar Bergslagen. Elected 2012. **Education:** Bachelor of Economics. **Other Board appointments:** Chairman of Grönklitsgruppen AB. Board member of Nordanå Trä AB, Inlandsinnovation AB and Prevas AB. **Background:** Executive Vice President of Swedbank.



Susanne Petersson

Born 1962. President of Länsförsäkringar Skåne. Elected 2013. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Board member of Länsförsäkringar Skåne, Länsförsäkringar Wasa Kredit, Läshem AB and P.U.L.S. AB. Deputy Board member of FAO Service AB. **Background:** President of Nordea Finance Sverige.



Örian Söderberg

Born 1952. President of Länsförsäkringar Jönköping. Elected 2009. **Education:** Master of Laws. **Other Board appointments:** Chairman of Destination Jönköping. Board member of Länsförsäkringar Jönköping and Länsförsäkringar Wasa Kredit. **Background:** Executive Vice President of Länsförsäkringar Stockholm and President of Länsförsäkringar Fonder.

Employee representatives



Ingrid Ericson

Born 1958. Employee representative. Elected 2004. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Board member of Länsförsäkringar AB's local SACO Board. **Background:** Product Specialist, Process Developer, Credit Administrator at Länsförsäkringar Bank.



Marianne Björkman

Born 1955. Employee representative. Elected 2014. **Education:** Studies in business administration and Law. **Other Board appointments:** Board member of Länsförsäkringar AB local FTF Board. **Background:** Credit Specialist member of the Banks Central Credit Committee, group manager and project manager at IT Wasa Kredit.

Deputy Board member:
Torleif Carlsson

Secretary of the Board

Anna Rygaard

Born 1966. Company Lawyer at Länsförsäkringar AB.

Auditor

Stefan Holmström

Authorised Public Accountant, KPMG AB.

Executive management



Rikard Josefson

Born 1965. President.
Employed since 2011.
Education: Bachelor of Arts.
Previous experience: 25 years of experience in various senior positions at SEB.



Anders Borgcrantz

Born 1961. CFO.
Employed since 2003.
Education: Master of Science in Business and Economics.
Previous experience: Executive Vice President FöreningsSparbanken, President SPINTAB and Regional Manager at FöreningsSparbanken.



Gert Andersson

Born 1959. Head of Product & Process.
Employed since 2013. **Education:** Upper secondary diploma in Economics. **Previous experience:** Head of Sales area Direct, Head of Sales and Marketing at Wasa Kredit and 25 years of experience in various senior positions at SEB.



Susanne Bergh

Born 1969. Head of Internet.
Employed since 2009.
Education: Diploma in marketing.
Previous experience: 20 years at the Länsförsäkringar Alliance, primarily at Agria and Länsförsäkringar AB, most recently in Internet-related positions.



Pia Bergman

Born 1963. Human resources director. Employed 2014.
Education: Bachelor of Arts. **Previous experience:** 25 years of Human Resources experience in retail, IT and banking.



Susanne Calner

Born 1969. Head of Credit.
Employed since 2012.
Education: Master of Science in Business and Economics.
Previous experience: Office Manager at SEB, auditor and management consultant at Andersen.



Bengt Clemedtson

Born 1964. Head of Business.
Employed since 2006.
Education: Master of Science in Business and Economics.
Previous experience: President Skandiabanken Bolån AB.



Sven Eggefalk

Born 1969. President Wasa Kredit.
Employed since 2011.
Education: Master of Science in Business and Economics.
Previous experience: 15 years at SEB, most recently as Head of Development and Sales at SEB Retail.



Eva Gottfridsdotter Nilsson

Born 1960. President Länsförsäkringar Fondförvaltning. Employed since 2000.
Education: Master of Science in Business and Economics.
Previous experience: President Fondbolaget, CEO Länsförsäkringar Asset Management.



Louise Lindgren

Born 1959. Chief Risk Officer. Employed 2014.
Education: Master of Science in Business and Economics. **Previous experience:** 17 years at Nordea, most recently as Head of Group Capital, Head of Financial Risk Management at PWC, Head of Fixed Income Trading at Citibank.



Richard Lundberg

Born 1976. Head of Back Office. Employed since 2012.
Education: Studies in chemical engineering. **Previous experience:** Head of Sales Support and sales manager at Länsförsäkringar Skåne.

Definitions

Capital base

Comprises the sum of Tier 1 and Tier 2 capital and the difference between expected losses and reserves established for probable loan losses.

Capital adequacy ratio

Closing capital base in relation to the risk-weighted amount at year-end.

Capital ratio

Capital base in relation to capital requirements.

Common Equity tier 1 capital

Total Tier 1 capital excluding Additional Tier 1 instruments.

Core Tier 1 ratio

Common Equity tier 1 capital in relation to the risk-weighted amount.

Cost/income ratio

Total expenses in relation to total income. The cost/income ratio is calculated before and after loan losses.

Fixed-interest term

The agreed period during which the interest rate on an asset or liability is fixed.

Investment margin

Net interest in relation to average total assets.

Impaired loans

Receivables for which payments are unlikely to be made in accordance with the agreed contractual terms and after deductions for the value of collateral. A loan receivable is considered impaired if a payment is more than 60 days past due or if the counterparty for other reasons cannot meet its undertaking.

Impaired loans reserve ratio excluding collective impairments

Individual reserves for loan receivables in relation to impaired loans gross.

Loan losses, net

Confirmed loan losses and reserves for loan losses less recoveries of receivables and net expense for the year for loan losses for guarantees and other contingent liabilities.

Loan losses in relation to loans

Net loan losses in relation to the carrying amount of loans to the public and to credit institutions.

Percentage of impaired loans

Impaired loans in relation to the carrying amount of loans to the public and to credit institutions.

Reserves in relation to loans

Reserves for impaired loans in relation to the total of loans to the public and loans to credit institutions.

Return on equity

Operating profit after standard tax as a percentage of average equity, adjusted for changes in value of financial assets that are recognised in equity.

Return on total capital

Operating profit in relation to average total assets.

Risk Exposure Amount

The Risk Exposure Amount is calculated by multiplying an institution's capital requirement for all assets in the balance sheet, off balance sheet items, operational risk and credit valuation adjustment risk by 12.5.

Risk-weighted amount

Total assets in the balance sheet and off-balance sheet commitments valued in accordance with the Capital Adequacy and Large Exposures Act. Volumes are weighted taking into account assessed risk so that they are included in the risk-weighted amount by 0%, 20%, 50% or 100%.

Tier 1 capital

Tier 1 capital is part of the capital base and comprises equity and Additional Tier 1 instruments. Deductions are made for such items as deferred tax assets, goodwill and other intangible assets, investments in financial companies and the difference between expected losses and reserves established for probable loan losses.

Tier 1 ratio

Tier 1 capital at year-end in relation to the closing risk-weighted amount.

Tier 2 capital

Primarily comprises fixed-term subordinated debt.

Total impaired loans reserve ratio

Total reserves for loan receivables in relation to impaired loans gross.

Financial calendar 2015

First quarter:

Interim report January–March 29 April 2015

Second quarter:

Interim report April–June 17 July 2015

Third quarter:

Interim report July–September 21 October 2015

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Production: Länsförsäkringar Bank in cooperation with Hallvarsson & Halvarsson.
Photo: Länsförsäkringar's image bank, Johnér, Jimmy Eriksson. Print: GöteborgsTryckeriet. We print on environmentally friendly paper.
Translation: The Bugli Company AB.

