

Länsförsäkringar Bank

Interim Report January–March 2017

The period in brief, Group

- A number of organisational changes were made during the period whereby operations were transferred from the Parent Company, Länsförsäkringar AB, to the Bank Group. A total of 116 full-time employees joined the Bank Group.
- Operating profit increased 3% to SEK 352.5 M (340.9) and the return on equity amounted to 9.1% (9.7).
- Net interest income increased 19% to SEK 940.0 M (790.7).
- Operating income increased 7% to SEK 753.8 M (701.4).
- Operating expenses rose 13% to SEK 386.2 M (340.4).
- Loan losses amounted to SEK 15.1 M (20.2), net, corresponding to a loan loss level of 0.03% (0.04).
- Business volumes increased 16% to SEK 467.5 billion (404.5).
- Deposits increased 9% to SEK 91.9 billion (84.5). Lending increased 13% to SEK 232.2 billion (206.0).
- The Common Equity Tier 1 capital ratio for the consolidated situation amounted to 20.6% (21.2*) on 31 March 2017.
- The number of customers with Länsförsäkringar as their primary bank rose 11%. The number of bank cards increased 12%.

* Refers to 31 December 2016.
Figures in parentheses pertain to the same period in 2016.

President's comment

Länsförsäkringar Bank is continuing to perform positively with strong net interest income and good underlying cost control. The Bank Business Service unit and the Economic Research Department were transferred from the Parent Company to the Bank Group during the quarter. In addition, three managers were employed at Länsförsäkringar Fondförvaltning to manage internally managed funds. The number of employees increased by 116 individuals. Business volumes are continuously increasing in all areas and the growth of the loan portfolio remained favourable with high credit quality. The healthy customer inflow is confirmation that customers appreciate the combination of our local presence and focus on customer meetings combined with our market-leading digital services. Our market shares are continuing to increase in both household deposits and mortgages. We are consolidating our position as the leading bank in digital services and in January, we won the Web Service Award for "Best Mobile Site and App" for the second consecutive year.

Rikard Josefson

President of Länsförsäkringar Bank

Operating profit and return on equity



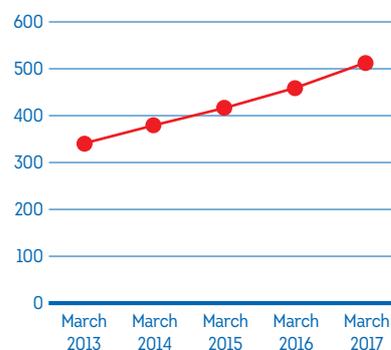
Customer trend

Number of primary bank customers, 000s



Card trend

Card trend, 000s



Key figures

Group	Q1 2017	Q4 2016	Q1 2016	Full-Year 2016
Return on equity, %	9.14	10.34	9.73	10.09
Return on total capital, %	0.49	0.56	0.53	0.54
Investment margin, %	1.29	1.36	1.22	1.28
Cost/income ratio before loan losses	0.51	0.48	0.49	0.48
Common Equity Tier 1 capital ratio, Bank Group, %	24.2	24.8	23.5	24.8
Tier 1 ratio, Bank Group, %	26.8	27.5	26.2	27.5
Total capital ratio, Bank Group, %	32.4	33.4	31.4	33.4
Core Tier 1 ratio, consolidated situation, %	20.6	21.2	20.3	21.2
Tier 1 ratio, consolidated situation, %	22.6	23.2	22.4	23.2
Total capital ratio, consolidated situation, %	26.8	27.6	26.4	27.6
Percentage of impaired loans, gross, %	0.10	0.11	0.12	0.11
Reserve ratio in relation to loans, %	0.11	0.11	0.14	0.11
Reserve ratio in relation to loans, incl. withheld remuneration to regional insurance companies, %	0.16	0.17	0.20	0.17
Loan loss level, %	0.03	0.00*	0.04	0.02*

* Includes the dissolution of reserves.

Income statement, quarterly

Group, SEK M	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Net interest income	940.0	944.8	900.2	827.8	790.7
Net commission	-159.6	-187.3	-183.9	-153.7	-136.9
Net gains/losses from financial items	-30.3	-14.6	1.7	41.1	40.2
Other operating income	3.7	16.0	3.8	5.4	7.4
Total operating income	753.8	758.9	721.8	720.5	701.4
Staff costs	-143.2	-114.1	-107.1	-125.9	-122.7
Other expenses	-242.9	-251.8	-232.3	-226.0	-217.7
Total operating expenses	-386.2	-366.0	-339.5	-352.9	-340.4
Profit before loan losses	367.6	393.0	382.3	368.7	361.1
Loan losses, net	-15.1	-2.4	-2.7	-12.3	-20.2
Operating profit	352.5	390.6	379.7	356.3	340.9

Market commentary

An optimistic outlook on growth characterised the first quarter of the year, which was reflected in the financial markets. Global stock markets rose in pace with the increasing optimism among companies and households, and were boosted by strong incoming economic data. The political climate remains unclear; at the end of March, the UK formally applied to leave the EU and uncertainty surrounds the outcome of President Trump's first budget proposal and the French presidential election.

With historically low volatility, the fixed-income market was stable during the period. Short-term interest rates increased as a result of the Federal Reserve raising the rate in March and market expectations of future raises. Long-term interest rates were largely unchanged which, given the strong stock-market trend and favourable economic climate, could indicate that doubts remain regarding future pressure on inflation. The ECB did not change its key interest rate or the deposit facility rate in the quarter and continued the pace of its corporate sector

purchase programme. But the March meeting concluded that the risk profile had improved. The market interpreted this as the ECB moving slowly towards an interest-rate hike and that the next step could be discontinuing the bond-purchasing stimulus, which led to a rise in European interest rates. However, continued low core inflation and high unemployment rates mean that stimulus measures are still warranted. The Riksbank did not alter its key interest rate or bond-buying programme at its February meeting, but extended the mandate that facilitates a quick intervention on the foreign exchange market to October. The Riksbank still expects to raise the rate in the second quarter of 2018. Rates on covered bonds were largely unchanged during the quarter and demand from investors was high.

The real-economic performance at the start of the year was mostly positive. Growth figures for the fourth quarter of 2016 were revised upward, indicating the sustained strength of the global economic climate. Le-

ading indicators also suggest initial healthy growth. However, hopes of a rapid fiscal stimulus in the US were diminished, although strong private demand means that the economic outlook remains positive nevertheless. The tight labour market could hamper the rate of growth in the future. The economic scenario for Europe was somewhat brighter than previously; neither Brexit nor prevailing political uncertainty seem to have burdened companies and households - on the contrary, they are increasingly positive.

Optimism in Sweden is high and the domestic economy is improving. The inflation trend has generally surpassed expectations, with the upturn mainly driven by rising energy and food prices. Underlying inflation remains very low in Europe, Sweden included. The SEK strengthened marginally against the USD in the quarter, while the SEK/EUR rate was largely unchanged. Housing prices continued to rise again in the quarter following a slightly more cautious end to 2016.

Significant changes in first quarter of 2017

Länsförsäkringar Bank implemented a number of organisational changes in the first quarter of 2017 to develop the governance of the operations and to further enhance cost control.

Reclassifications in the accounts have also been made in order to better reflect the banking operations and their underlying performance. As a result, certain items have been changed in the income statement. Comparative figures for the reclassifications in the accounts have been restated to facilitate comparison between the periods. The changes have a neutral effect on earnings. The underlying earnings and cost trend remain favourable.

The changes made and their effects on costs and earnings are described below.

Organisational changes

1. The Bank Business Service unit, which provides back office services, was transferred from the Parent Company, Länsförsäkringar AB, to Länsförsäkringar Bank on 1 January 2017. This action resulted in the number of employees in the Bank Group increasing by 109 individuals. The cost for Bank Business Service of SEK 15 M was charged to staff costs in the first quarter. The cost in the same amount is invoiced to the regional insurance companies and recognised as commission income. This action has a neutral effect on earnings.

2. Part of previously externally outsourced fund management in Länsförsäkringar Fondförvaltning has been taken over by the company itself, for which three fund managers were employed. Services were previously purchased via external managers and recognised in the item administration costs. This is charged to the item staff costs from 1 January, and amounted to SEK 3 M in the first quarter. Net commission improved in the same amount, attributable to the cost that Länsförsäkringar Fondförvaltning previously incurred for external managers. This action has a continuously positive effect on earnings.

3. The Economic Research Department, which provides the Bank Group and Länsförsäkringar AB with services in macroeconomic analysis, was transferred from Länsförsäkringar AB to Länsförsäkringar Bank's operations, and will entail an increased cost of SEK 2 M for the quarter. The number of employees who joined the Bank Group in this unit amounts to four individuals.

Adjusted for the three organisational changes above, the underlying cost increase for Länsförsäkringar Bank totals 7.6%. The effect on the number of employees in the Bank Group was a total increase of 116 individuals.

Reclassifications in the accounts

4. Administration costs for Länsförsäkringar Fondförvaltning have been reclassified between "Other administration expenses" and "Commission expense." Comparative figures have been restated and the effect for the first quarter amounts to SEK 42 M. This action has a neutral effect on earnings.

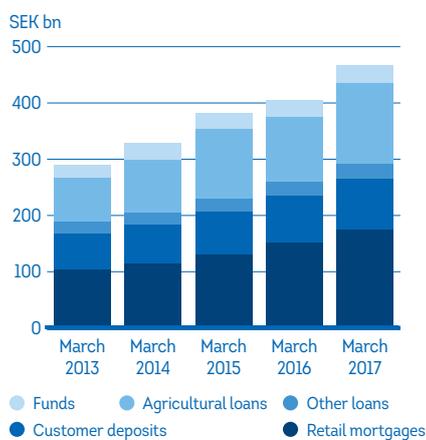
5. Income relating to Wasa Kredit has been reclassified between the items "Other operating income" and "Commission income." The change entails that income for services rendered that was previously classified as "Other operating income" has now been transferred to "Commission income." Comparative figures have been restated and the effect for the first quarter amounts to SEK 24 M. This action has a neutral effect on earnings.

First quarter of 2017 compared with first quarter of 2016

Business volumes

Business volumes rose 16%, or SEK 63 billion, to SEK 467.5 billion (404.5). Lending increased 13%, or SEK 26.2 billion, to SEK 232.2 billion (206.0), with continued high credit quality. Lending in Länsförsäkringar Hypotek rose 15%, or SEK 23.1 billion, to SEK 174.2 billion (151.1). Lending in Wasa Kredit increased 16% to SEK 18.9 billion (16.3). Deposits increased 9%, or SEK 7.4 billion, to SEK 91.9 billion (84.5). Fund volumes increased 25%, or SEK 28.7 billion, to SEK 143.5 billion (114.8).

Business volumes



Customers

The number of customers with Länsförsäkringar as their primary bank increased 11% to 432,000 (390,000) and the average number of products per customer was 5.0. Some 92% of those customers who have the bank as their primary bank are also existing Länsförsäkringar insurance customers. The number of bank cards rose 12% to 596,000 (531,000).

Earnings and profitability

Operating profit increased 3% to SEK 352.5 M (340.9), primarily as a result of higher net interest income and weaker net gains from financial items. The investment margin strengthened to 1.29% (1.22). Profit before loan losses rose 2% to SEK 367.6 M (361.1). The return on equity was 9.1% (9.7).

Net interest income



Income

Operating income increased 7% to SEK 753.8 M (701.4), due to higher net interest income. Net interest income rose 19% to SEK 940.0 M (790.7), attributable to increased volumes and lower refinancing costs. Net losses from financial items amounted to SEK -30.3 M (40.2) due to changes in fair value. Commission income increased 16% to SEK 436.0 M (374.4), as a result of improved securities commission, rising other commission, and remuneration from the regional insurance companies for back office services provided by the Bank Business Service unit. Net commission amounted to SEK -159.6 M (-136.9), due to increased remuneration to the regional insurance companies based on higher volumes and the strengthened profitability of the business.

Expenses

Operating expenses increased 13% to SEK 386.2 M (340.4), mostly attributable to higher staff costs associated with additional personnel from Länsförsäkringar AB to the Bank Business Service unit and the Economic Research Department, and the recruitment of new fund managers at Länsförsäkringar Fondförvaltning. Adjusted for the above organisational changes, the underlying cost increase totalled 7.6%. The cost/income ratio was 0.51 (0.49) before loan losses and 0.53 (0.51) after loan losses.

Cost/income ratio before loan losses



Loan losses

Loan losses amounted to SEK 15.1 M (20.2), net, corresponding to a loan loss level of 0.03% (0.04). Impaired loans, gross, amounted to SEK 237.9 M (248.9), corresponding to a percentage of impaired loans, gross, of 0.10% (0.12).

Reserves totalled SEK 255.0 M (299.0), corresponding to a reserve ratio in relation to loans of 0.11% (0.14). In addition, SEK 121.6 M (113.8) of the remuneration attributable to the regional insurance companies' credit-risk commitments for generated business is withheld in accordance with the settlement model. The reserve ratio in relation to loans, including withheld remuneration to the regional insurance companies, was 0.16% (0.20).

For more information regarding loan losses, reserves and impaired loans, see notes 6 and 7.

Deposits and savings

Deposits from the public increased 9%, or SEK 7.4 billion, to SEK 91.9 billion (84.5). Deposits from small businesses amounted to SEK 10.9 billion (10.5). The number of deposit accounts increased 8%. On 28 February 2017, the market share of household deposits had increased to 4.8% (4.7) according to Statistics Sweden. Fund volumes increased 25%, or SEK 28.7 billion, to SEK 143.5 billion (114.8) attributable to increased inflows and positive changes in value.

Loans

All loans are granted in Sweden and in SEK and have a well-diversified geographic distribution. Loans to the public increased 13%, or SEK 26.2 billion, to SEK 232.2 billion (206.0). The credit quality of lending remained high. The weighted average loan-to-value ratio (LTV) of the mortgage portfolio declined to 61% (64). Lending in Länsförsäkringar Hypotek rose 15%, or SEK 23.1 billion, to SEK 174.2 billion (151.1).

The percentage of retail mortgages in relation to the total loan portfolio was at 75%. On 28 February 2017, the market share of retail mortgages had strengthened to 5.9% (5.5) according to Statistics Sweden.

Agricultural lending increased 6% to SEK 25.7 billion (24.3). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2.3 M (2.4) on 31 March 2017. First-lien mortgages for agricultural properties, which accounted for the entire increase in agricultural loans, in-

creased to SEK 23.9 billion (22.3), corresponding to 93% (92). Agricultural lending is continuing to grow at a lower rate than other loans and its share of total loans is falling. Loans to small businesses totalled SEK 1.6 billion (1.5) on 31 March 2017.

Loan portfolio, distribution in %

Lending segment, %	31 Mar 2017	31 Mar 2016
Retail mortgages	75	73
Agriculture	11	12
Multi-family housing	3.5	4
Leasing	3	3
Hire purchase	3.5	3
Unsecured loans	3	4
Other	1	1
TOTAL	100	100

Volume of retail mortgages in Bank Group by loan-to-value ratio*

Loan-to-value ratio	Capital receivable	
	Volume, SEK M	Total, %
0-50%	139,354	80.1
51-60%	16,955	9.7
61-70%	11,321	6.5
71-75%	3,230	1.9
75%+	3,160	1.8
TOTAL	168,375	100%

* Refers to loans with single-family homes, tenant-owned apartments or vacation homes as collateral.

Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 20%, or SEK 27.4 billion, to a nominal SEK 164.6 billion (137.2), of which covered bonds amounted to SEK 133.8 billion (106.8), senior long-term funding to SEK 29.8 billion (28.9) and short-term funding to SEK 1.1 billion (1.5). The average remaining term for the long-term funding was 3.5 years (3.4) on 31 March 2017.

Covered bonds were issued during the quarter at a volume of a nominal SEK 14.4 billion (7.9). Repurchased covered bonds totalled a nominal SEK 2.1 billion (0.1) and matured covered bonds a nominal SEK 0.0 billion (8.0). Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 2.9 billion (1.2) during the quarter and senior unsecured bonds of a nominal SEK 1.9 billion (1.5) fell due for payment. In March, Länsförsäkringar Hypotek issued a seven-year Euro benchmark-covered bond for a nominal EUR 500 M. Demand was high and the transaction was well-received by the market. In addition, Länsförsäkringar Hypotek issued a new Swedish benchmark bond (LF516) during the period, which matures in September 2023.

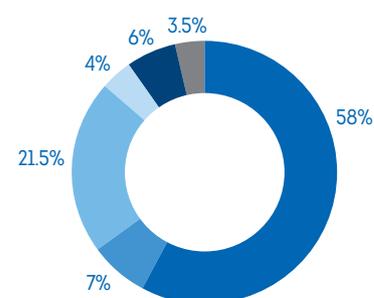
Liquidity

On 31 March 2017, the liquidity reserve totalled SEK 48.8 billion (39.1), 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 applicable, with the ECB. By utilising the liquidity reserve, contractual undertakings can be met for almost three years without needing to secure new funding in the capital market. The Group's Liquidity Coverage Ratio (LCR) for the consolidated situation, according to the Swedish Financial Supervisory Authority's definition, amounted to 245% (179) at 31 March 2017.

The Net Stable Funding Ratio (NSFR) for the consolidated situation amounted to 115%** (113) on 31 March 2017.

** The calculation is based on Länsförsäkringar Bank's interpretation of the Basel Committee's most recent Net Stable Funding Ratio proposal. The comparative figure pertains to 31 December 2016.

Liquidity reserve***



- Nordic AAA/Aaa-rated covered bonds
- Swedish covered bonds
- Swedish bonds with an AAA/Aaa credit rating
- Swedish government bonds
- Deposits with Swedish National Debt Office
- Bonds issued/guaranteed by European governments/ multinational development banks

*** Comprising 99% AAA-rated bonds.

Rating

Länsförsäkringar Bank's credit rating is A/Stable from Standard & Poor's and A1/Stable from Moody's. Länsförsäkringar Hypotek's covered bonds have the highest credit rating of Aaa from Moody's and AAA/Stable from Standard & Poor's.

Capital adequacy, consolidated situation¹

In accordance with the CRR (575/2013), the consolidated situation includes the parent mixed financial holding company Länsförsäkringar AB, in addition to the Bank Group. Since the bank is of 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 consolidated situation.

Consolidated situation (SEK M)	31 Mar 2017	31 Dec 2016
IRB Approach	32,220	31,149
retail exposures	24,939	24,110
exposures to corporates	7,281	7,039
Standardised Approach	16,526	16,221
Operational risks	11,346	10,717
Total REA	61,481	59,513
Common Equity Tier 1 capital	12,668	12,617
Tier 1 capital	13,868	13,817
Total capital	16,460	16,409
Common Equity/Tier 1 capital ratio	20.6%	21.2%
Tier 1 ratio	22.6%	23.2%
Total capital ratio	26.8%	27.6%

Rating

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A1/Stable	P-1
Länsförsäkringar Hypotek [†]	Standard & Poor's	AAA/Stable	-
Länsförsäkringar Hypotek [†]	Moody's	Aaa	-

[†] Pertains to the company's covered bonds.

The Common Equity Tier 1 capital ratio amounted to 20.6% (21.2). Common Equity Tier 1 capital strengthened in the first quarter on the basis of profit generated in the Bank Group, although the deduction of intangible assets comprising IT investments contributed to a slight decline in the growth of own funds.

Total REA in the consolidated situation on 31 March 2017 amounted to SEK 61,481 M (59,513). Loans to the public in the first quarter increased SEK 5.5 billion with credit quality remaining unchanged, which entailed a SEK 829 M increase in REA for IRB retail exposures. Another large portion of the total increase in REA, SEK 629 M, related to operational risk. This increase was due to the annual upward adjustment of the average calculation data.

¹ The comparative period is 31 December 2016.

Internally assessed capital requirement and buffer

The internally assessed capital requirement for the consolidated situation on 31 March 2017 amounted to SEK 6,111 M, comprising the minimum capital requirement under Pillar I and the capital requirement for risks managed under Pillar II. The internally assessed capital requirement is calculated based on the methods and models used to calculate the capital requirement under the framework of Pillar I. Internal models are used for Pillar II risks.

In addition to this, there is the capital requirement for the risk weight floor for Swedish mortgages, the countercyclical capital buffer and the capital conservation buffer. The risk weight floor for mortgages of 25% entailed a capital requirement of SEK 4,285 M as at 31 March 2017. The countercyclical capital buffer of 2% of REA amounted to SEK 1,230 M on 31 March 2017 and the capital conservation buffer of 2.5% of REA to SEK 1,537 M.

The capital meeting the internal capital requirement including buffer, own funds, amounted to SEK 16,460 M.

The leverage ratio on 31 March 2017 amounted to 4.5%* (4.7).

For the Bank Group, the internally assessed capital requirement amounted to SEK 4,725 M and own funds to SEK 14,996 M.

* According to Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio.

Capital ratio, Bank Group

Bank Group (SEK M)	31 Mar 2017	31 Dec 2016
IRB Approach	32,220	31,149
retail exposures	24,939	24,110
exposures to corporates	7,281	7,039
Standardised Approach	8,292	8,021
Operational risks	4,341	3,902
Total REA	46,241	44,498
Common Equity Tier 1 capital	11,204	11,054
Tier 1 capital	12,404	12,254
Total capital	14,996	14,846
Common Equity Tier 1 capital ratio	24.2%	24.8%
Tier 1 ratio	26.8%	27.5%
Total capital ratio	32.4%	33.4%

For more information on the calculation of capital adequacy, see Note 11.

Interest-rate risk

On 31 March 2017, an increase in market interest rates of 1 percentage point would have reduced the value of interest-bearing assets and liabilities, including derivatives, by SEK 10.2 M (decrease: 16.8).

Risks and uncertainties

The operations are characterised by a low risk profile. The Group and the Parent Company are exposed to a number of risks, primarily comprising credit risks, refinancing risks and market risks. The macroeconomic situation in Sweden is critical for credit risk since all loans are granted in Sweden. Market risks primarily comprise interest-rate risks. Loan losses remain low and the refinancing of business activities was highly satisfactory during the year. A more detailed description of risks is available in the 2016 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

First quarter of 2017 compared with fourth quarter of 2016

Operating profit decreased 10% to SEK 352.5 M (390.6), primarily due to higher operating expenses associated with the organisational changes and lower net gains from financial items. The return on equity amounted to 9.1% (10.3). Operating income amounted to SEK 753.8 M (759.0). The underlying trend in net interest income was strong, but was marginally weaker at SEK 940.0 M (944.8) due to higher resolution fees and higher fees for the

government deposit insurance of a total of SEK 39.1 M. The investment margin amounted to 1.29% (1.36). Commission income amounted to SEK 436.0 M (416.7) and the commission expense to SEK 595.6 M (603.9). Net commission amounted to SEK -159.6 M (-187.3). Net losses from financial items amounted to SEK -30.3 M (-14.6) due to changes in fair value. Operating expenses increased 6% to SEK 386.2 M (366.0), mostly attributable to higher staff costs associated with additional personnel from Länsförsäkringar AB to the Bank Business Service unit and the Economic Research Department, and the recruitment of new fund managers at Länsförsäkringar Fondförvaltning. The cost/income ratio before loan losses amounted to 0.51 (0.48). Loan losses amounted to SEK 15.1 M (2.4**), net.

** The comparative figure includes dissolution of reserves of SEK 23.3 M.

Operating profit and return on equity



Operating expenses



Events after the end of the period

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

Parent Company

First quarter of 2017 compared with first quarter of 2016

Loans to the public amounted to SEK 39.0 billion (38.6). Deposits from the public increased 9%, or SEK 7.4 billion, to SEK 92.2 billion (84.8). Debt securities in issue increased 2%, or SEK 0.6 billion, to SEK 29.9 billion (29.3). Operating profit rose 55% to SEK 73.4 M (47.4), mainly due to higher net interest income. Net interest income increased 8% to SEK 273.0 M (251.9). Operating income rose 19% to SEK 321.7 M (270.1), due to increased net interest income and higher commission income. Commission income increased 39% to SEK 119.6 M (85.8). Commission expense

amounted to SEK 102.1 M (106.9). Operating expenses increased 15% to SEK 244.8 M (212.5), mostly attributable to higher staff costs related the reorganisation of personnel from Länsförsäkringar AB to the Bank Business Service unit.

Loan losses amounted to SEK 3.5 M (10.2), net, corresponding to a loan loss level of 0.03% (0.10).

Subsidiaries

First quarter of 2017 compared with first quarter of 2016

Länsförsäkringar Hypotek

Lending increased 15%, or SEK 23.1 billion, to SEK 174.2 billion (151.1). 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 decreased 8% to SEK 172.2 M (187.3) due to increased commission expense and weaker net losses from financial items. Net interest income rose 32% to SEK 490.6 M (371.9), attributable to increased volumes and lower refinancing costs. Operating expenses amounted to SEK 26.3 M (24.0).

Loan losses amounted to SEK -0.7 M (-0.1), net, corresponding to a loan loss level of -0.00% (-0.00). The number of retail mortgage customers increased 8% to 236,000 (219,000).

SEK M	31 Mar 2017	31 Mar 2016
Total assets	199,408	169,917
Lending volume	174,232	151,147
Net interest income	491	372
Operating profit	172	187

Wasa Kredit

Wasa Kredit's lending volumes increased 16% to SEK 18.9 billion (16.3). Operating profit declined 2% to SEK 88.5 M (90.4). The decline was primarily attributable to increased operating expenses. Net interest income increased 6% to SEK 176.4 M (166.9) due to higher interest income. Operating expenses amounted to SEK 109.4 M (100.7) and loan losses, net, were SEK 12.2 M (10.1).

SEK M	31 Mar 2017	31 Mar 2016
Total assets	17,493	17,017
Lending volume	18,931	16,265
Net interest income	176	167
Operating profit	89	90

Länsförsäkringar Fondförvaltning

Fund volumes increased 25%, or SEK 28.7 billion, to SEK 143.5 billion (114.8) attributable to increased inflows in the fund business and positive changes in value. The fund offering includes 39 mutual funds under Länsförsäkringar's own brand with various investment orientations and a fund market with external funds. Assets under management under Länsförsäkringar's own brand amounted to SEK 128.6 billion (103.9). Operating profit amounted to SEK 18.5 M (15.8). Since the end of the third quarter of 2016, two Swedish equities fund are internally managed by Länsförsäkringar Fondförvaltning.

SEK M	31 Mar 2017	31 Mar 2016
Total assets	535	446
Fund volumes	143,534	114,778
Net flow	-117	-1,849
Net commission	53	46
Operating profit	19	16

Income statement - Group

SEK M	Note	Q1 2017	Q4 2016	Change	Q1 2016	Change	Full-Year 2016
Interest income		1,058.5	1,054.1		972.1	9%	4,035.6
Interest expense		-118.5	-109.3	8%	-181.4	-35%	-572.0
Net interest income	3	940.0	944.8	-1%	790.7	19%	3,463.5
Dividends received		0.0	0.0		0.0		0.2
Commission income		436.0	416.7	5%	374.4	16%	1,616.1
Commission expense		-595.6	-603.9	-1%	-511.3	16%	-2,278.0
Net commission income	4	-159.6	-187.3	-15%	-136.9	17%	-661.9
Net gains / losses from financial items	5	-30.3	-14.6		40.2		68.4
Other operating income		3.7	16.0	-77%	7.4	-50%	33.7
Total operating income		753.8	759.0	-1%	701.4	7%	2,903.8
Staff costs		-143.2	-114.1	26%	-122.7	17%	-469.8
Other administration expenses		-221.8	-234.1	-5%	-199.3	11%	-852.7
Total administration expenses		-365.0	-348.2	5%	-322.0	13%	-1,322.5
Depreciation / amortisation and impairment of property and equipment / intangible assets		-21.1	-17.7	19%	-18.4	15%	-76.3
Total operating expenses		-386.2	-366.0	6%	-340.4	13%	-1,398.8
Profit before loan losses		367.6	393.0	-6%	361.1	2%	1,505.0
Loan losses, net	6	-15.1	-2.4		-20.2	-25%	-37.6
Operating profit		352.5	390.6	-10%	340.9	3%	1,467.3
Tax		-77.5	-97.0	-20%	-75.0	3%	-330.8
Profit for the period		275.0	293.6	-6%	265.9	3%	1,136.6

Statement of comprehensive income - Group

SEK M	Q1 2017	Q4 2016	Change	Q1 2016	Change	Full-Year 2016
Profit for the period	275.0	293.6	-6%	265.9	3%	1,136.6
Other comprehensive income						
Items that cannot be transferred to the income statement						
Cash-flow hedges	-68.0	-71.4	-5%	74.8		-98.6
Change in fair value of available-for-sale financial assets	-4.7	16.0		17.0		130.2
Tax attributable to items that have been transferred or can be transferred to profit for the period	16.0	12.2	31%	-20.2		-6.9
Other comprehensive income for the period, net after tax	-56.7	-43.2	31%	71.6		24.7
Total comprehensive income for the period	218.3	250.4	-13%	337.5	-35%	1,161.3

Balance sheet – Group

SEK M	Note	31 Mar 2017	31 Dec 2016	31 Mar 2016
Assets				
Cash and balances with central banks		21.2	21.6	22.6
Treasury bills and other eligible bills		12,338.2	7,867.2	4,616.8
Loans to credit institutions		4,113.2	280.2	5,842.4
Loans to the public	7	232,186.9	226,705.0	205,981.4
Bonds and other interest-bearing securities		35,778.1	32,809.7	33,600.6
Shares and participations		25.8	25.4	22.8
Derivatives	8	5,703.1	6,216.7	6,358.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		493.5	635.9	1,023.3
Intangible assets		593.8	488.3	313.3
Property and equipment		8.7	7.8	9.2
Deferred tax assets		17.9	2.7	6.0
Other assets		393.3	505.1	434.4
Prepaid expenses and accrued income		365.9	385.5	345.7
Total assets		292,039.7	275,951.1	258,576.6
Liabilities and equity				
Due to credit institutions		6,249.4	3,872.8	8,101.9
Deposits and borrowing from the public		91,888.3	91,207.1	84,494.2
Debt securities in issue		168,861.6	155,999.5	139,924.9
Derivatives	8	1,723.9	1,894.6	2,718.1
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		2,766.7	3,191.4	4,075.3
Deferred tax liabilities		420.0	421.6	296.0
Other liabilities		518.2	595.2	688.0
Accrued expenses and deferred income		3,611.0	2,978.8	3,581.8
Provisions		12.4	12.3	10.8
Subordinated liabilities		2,595.7	2,595.4	2,299.8
Total liabilities		278,647.0	262,768.8	246,190.8
Equity				
Share capital		954.9	954.9	954.9
Other capital contributed		7,442.5	7,442.5	7,442.5
Reserves		27.1	83.9	130.9
Additional Tier 1 instruments		1,200.0	1,200.0	1,200.0
Retained earnings		3,493.1	2,364.5	2,391.7
Profit for the period		275.0	1,136.6	265.9
Total equity		13,392.7	13,182.3	12,385.8
Total liabilities and equity		292,039.7	275,951.1	258,576.6
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Cash-flow statement in summary, indirect method - Group

SEK M	Jan-Mar 2017	Jan-Mar 2016
Cash and cash equivalents, 1 January	122.1	141.4
Cash flow from operating activities	81.9	-38.6
Cash flow from investing activities	-127.8	-32.3
Cash flow from financing activities	0.2	0.0
Cash flow for the period	-45.7	-70.9
Cash and cash equivalents, 31 March	76.4	70.5

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

The change in cash flow from operating activities was largely due to Loans to the public amounting to SEK -5,483.5 M (-4,035.6), Debt securities in issue SEK 13,183.7 M (-135.9) and Treasury bills -4,507.5 M (4,291.1).

Statement of changes in shareholders' equity - Group

SEK M	Share capital	Other capital contributed	Additional Tier 1 instruments	Reserves			Retained earnings	Profit for the period	Total
				Fair value reserve	Hedge reserve	Defined-benefit pension plans			
Opening balance, 1 January 2016	954.9	7,442.5	1,200.0	-13.5	74.0	-1.3	1,489.2	911.1	12,056.9
Profit for the period								265.9	265.9
Other comprehensive income for the period				13.3	58.4				71.6
<i>Comprehensive income for the period</i>				<i>13.3</i>	<i>58.4</i>			<i>265.9</i>	<i>337.5</i>
According to Board's proposal for resolution by Annual General Meeting							911.1	-911.1	-
Issued Additional Tier 1 instruments ²							-8.6		-8.6
Closing balance, 31 March 2016	954.9	7,442.5	1,200.0	-0.2	132.4	-1.3	2,391.7	265.9	12,385.8
Opening balance, 1 April 2016	954.9	7,442.5	1,200.0	-0.2	132.4	-1.3	2,391.7	265.9	12,385.8
Profit for the period								870.6	870.6
Other comprehensive income for the period				88.4	-135.4				-47.0
<i>Comprehensive income for the period</i>				<i>88.4</i>	<i>-135.4</i>			<i>870.6</i>	<i>823.5</i>
According to Board's proposal for resolution by Annual General Meeting									-
Issued Additional Tier 1 instruments ²							-27.1		-27.1
Closing balance, 31 December 2016	954.9	7,442.5	1,200.0	88.2	-3.0	-1.3	2,364.5	1,136.5	13,182.2
Opening balance, 1 January 2017	954.9	7,442.5	1,200.0	88.2	-3.0	-1.3	2,364.5	1,136.5	13,182.2
Profit for the period								275.0	275.0
Other comprehensive income for the period				-3.6	-53.1				-56.7
<i>Comprehensive income for the period</i>				<i>-3.6</i>	<i>-53.1</i>			<i>275.0</i>	<i>218.3</i>
According to Board's proposal for resolution by Annual General Meeting							1,136.5	-1,136.5	-
Issued Additional Tier 1 instruments ²							-7.9		-7.9
Closing balance, 31 March 2017	954.9	7,442.5¹	1,200.0	84.6	-56.1	-1.3	3,493.1	275.0	13,392.7

¹ The shareholders' contributions that have been paid are conditional and the Parent Company Länsförsäkringar AB (publ) is entitled to receive repayment of the contributions from the unappropriated earnings of Länsförsäkringar Bank AB (publ), provided that approval is obtained from the general meeting. On 31 March 2017, the amount of the conditional shareholders' contribution received was SEK 5,290 M (5,290).

² The issued Tier 1 instrument is deemed to fulfil the conditions of an equity instrument since:

- The instrument, according to the conditions, does not have a set maturity date, meaning that the issuer has an unconditional right to refrain from making repayments.
- The issuer of the instrument has full discretion regarding interest payments, that is to say no obligation to pay interest.

Notes - Group

Amounts in SEK million if not otherwise stated.

Note 1 Accounting policies

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

Changes to 2017 reporting

The following changes and reclassifications have been made to the income statement and balance sheet from 1 January 2017:

1. The bank has decided to present financial instruments measured at fair value including accrued interest, which conforms with the classifications in the CRR regulations. The change has affected the comparative figures in the balance sheet as of 2016-12-31. Assets that have been affected are: Treasury bills and other eligible bills has increased with SEK 73 M, Bonds and other interest-bearing securities has increased with SEK 388 M, Derivatives has increased with SEK 662 M and Prepaid expenses and accrued income has decreased with SEK 1,123 M. Liabilities that have been affected are: Derivatives has increased with SEK 251 M and Accrued expenses and deferred income decreased with SEK 251 M. Comparative figures and performance measures have been updated to the new classification. The change has not affect equity.
2. Income has been reclassified between the items Other operating income and Commission income. The change entails that income for services rendered that was previously classified as "Other operating income" has now been transferred to "Commission income." Comparative figures including performance measures have been restated and the full-year effect amounts to SEK 94 M. The change has no effect on earnings.
3. Administration costs have been reclassified between "Other administration expenses" and "Commission expense." Comparative figures including performance measures have been restated and the full-year effect amounts to SEK 169 M. The change has no effect on earnings.

NEW IFRS AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED

IFRS 9 Financial instruments

IFRS 9 Financial Instruments will take effect on 1 January 2018. The standard contains new requirements for the classification and measurement of financial instruments, an expected loss impairment model and hedge accounting rules. The bank's project on implementing the new accounting regulations is progressing according to plan. A key milestone in the project is the implementation of a system solution for calculating expected credit losses. The system is currently being tested and is scheduled to be completed in the next quarter. A method for integrating prospective information in the model has been prepared and other standpoints and definitions based on the credit loss rules have been established. The parts of the project that involve classification, measurement and hedge accounting are in the final phase.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers will take effect on 1 January 2018. The standard contains a single, five-step model for recognising revenue from contracts with customers that is not encompassed by other standards. The assessment is that the standard will not have any significant effect on the consolidated financial statements except for enhanced disclosure requirements.

IFRS 16 Leases

IFRS 16 Leases is expected to take effect on 1 January 2019. The largest changes entailed by the new standard is that a lessee is to recognise leases in the balance sheet. The Group is currently analysing the effects of the rules.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2016 Annual Report.

Note 2	Segment reporting					
Income statement, Jan-Mar 2017, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	273.0	490.6	176.4	0.0	-	940.0
Net commission	17.5	-259.7	29.9	52.7	0.0	-159.6
Net gain / loss from financial items	2.8	-33.1	0.0	0.0	0.0	-30.3
Intra-Group income	28.3	0.0	0.3	0.0	-28.6	-
Other income	0.1	-	3.6	-	-	3.7
Total operating income	321.7	197.8	210.2	52.7	-28.6	753.8
Intra-Group expenses	2.0	-20.5	-2.8	-7.3	28.6	0.0
Other administration expenses	-228.6	-5.7	-103.9	-26.9	-	-365.0
Depreciation / amortisation and impairment	-18.2	0.0	-2.8	-0.1	-	-21.1
Total operating expenses	-244.8	-26.3	-109.4	-34.2	28.6	-386.2
Profit before loan losses	76.9	171.5	100.7	18.5	-	367.6
Loan losses, net	-3.5	0.7	-12.2	0.0	-	-15.1
Operating profit / loss	73.4	172.2	88.5	18.5	-	352.5
Balance sheet 31 March 2017						
Total assets	153,373.5	199,407.8	19,493.1	537.6	-80,772.3	292,039.7
Liabilities	142,909.9	190,535.8	17,296.9	177.7	-72,273.4	278,647.0
Equity	10,463.6	8,871.9	2,196.2	359.9	-8,498.9	13,392.7
Total liabilities and equity	153,373.5	199,407.8	19,493.1	537.6	-80,772.3	292,039.7
Income statement, Jan-Mar 2016, SEK M						
Net interest income	251.9	371.9	166.9	0.0	0.0	790.7
Net commission	-21.1	-191.3	29.0	46.5	0.0	-136.9
Net gain / loss from financial items	9.6	30.6	0.0	0.0	0.0	40.2
Intra-Group income	26.8	0.0	0.3	0.0	-27.2	0.0
Other income	2.8	0.1	4.5	0.0	0.0	7.4
Total operating income	270.1	211.2	200.8	46.5	-27.2	701.4
Intra-Group expenses	2.1	-19.4	-2.6	-7.3	27.2	0.0
Other administration expenses	-199.0	-4.6	-95.1	-23.3	0.0	-322.0
Depreciation / amortisation and impairment	-15.6	0.0	-2.6	-0.1	0.0	-18.4
Total operating expenses	-212.5	-24.0	-100.3	-30.7	27.2	-340.4
Profit / loss before loan losses	57.6	187.2	100.5	15.8	0.0	361.1
Loan losses, net	-10.2	0.1	-10.1	0.0	0.0	-20.2
Operating profit / loss	47.4	187.3	90.4	15.8	0.0	340.9
Balance sheet 31 March 2016						
Total assets	141,311.4	169,916.9	17,017.1	446.0	-70,144.9	258,576.6
Liabilities	131,160.5	162,166.7	15,231.5	148.1	-62,516.0	246,190.8
Equity	10,151.0	7,750.2	1,785.6	298.0	-7,598.9	12,385.8
Total liabilities and equity	141,311.4	169,916.9	17,017.1	446.0	-70,114.9	258,576.6

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 comprises intra-Group eliminations within the Bank Group.

Note 3		Net interest income				
SEK M	Q1 2017	Q4 2016	Change	Q1 2016	Change	Full-Year 2016
Interest income						
Loans to credit institutions	-0.9 ¹	0.6		-2.7	-67%	-3.7
Loans to the public	1,264.5	1,252.5	1%	1,213.2	4%	4,928.6
Interest-bearing securities	61.4 ¹	68.4	-10%	92.6	-34%	330.7
Derivatives	-266.5	-267.6		-331.0	-19%	-1,220.2
Other interest income	0.0	0.2		0.0		0.2
Total interest income	1,058.5	1,054.1		972.1	9%	4,035.6
Interest expense						
Due to credit institutions	6.0 ¹	6.4	-6%	3.6	67%	20.1
Deposits and borrowing from the public	-38.0	-40.5	-6%	-53.4	-29%	-185.6
Debt securities in issue	-492.3	-488.7	1%	-536.2	-8%	-2,012.7
Subordinated liabilities	-13.3	-13.9	-4%	-18.9	-30%	-71.5
Derivatives	466.3	434.9	7%	467.6		1,780.2
Other interest expense, including government deposit insurance	-47.2	-7.5		-44.2	7%	-102.6
Total interest expense	-118.5	-109.3	8%	-181.4	-35%	-572.0
Total net interest income	940.0	944.8		790.7	19%	3,463.5
Interest income on impaired loans	6.9	1.2		8.8	-22%	14.7
Average interest rate on loans to the public during the period, including net leasing, %	2.2	2.2		2.4		2.3
Average interest rate on deposits from the public during the period, %	0.2	0.2		0.3	-33%	0.2

¹ Of which negative interest on Loans to credit institutions of SEK -5.0 M, Interest-bearing securities of SEK -12.1 M and Due to credit institutions of SEK 6.3 M.

Note 4		Net commission income				
SEK M	Q1 2017	Q4 2016	Change	Q1 2016	Change	Full-Year 2016
Commission income						
Payment mediation	21.6	21.9	-1%	18.0	20%	84.3
Loans	54.0	54.1		48.1	12%	211.1
Deposits	3.6	2.5	44%	3.8	-5%	11.0
Securities	294.4	290.7	1%	266.6	10%	1,134.4
Cards	45.4	47.2	-4%	37.4	21%	173.6
Remuneration to regional insurance companies	16.9	-		-		-
Other commission	0.2	0.4	-50%	0.5	-60%	1.7
Total commission income	436.0	416.7	5%	374.4	16%	1,616.1
Commission expense						
Payment mediation	-33.5	-27.9	20%	-24.8	35%	-103.9
Securities	-168.3	-169.1		-147.8	14%	-626.2
Cards	-28.3	-31.0	-9%	-22.6	25%	-106.9
Remuneration to regional insurance companies	-331.5	-339.3	-2%	-271.5	22%	-1,261.5
Management costs	-31.3	-33.9	-8%	-41.9	-25%	-169.0
Other commission	-2.8	-2.7	4%	-2.7	4%	-10.4
Total commission expense	-595.6	-603.9	-1%	-511.3	16%	-2,278.0
Total net commission income	-159.6	-187.3	-15%	-136.9	17%	-661.9

Note 5 Net gains / losses from financial items						
SEK M	Q1 2017	Q4 2016	Change	Q1 2016	Change	Full-Year 2016
Interest-bearing assets and liabilities and related derivatives	-38.5	-23.2	66%	30.0		23.6
Other financial assets and liabilities	0.6	-0.2		0.0		0.2
Interest compensation	7.6	8.8	-14%	10.2	-25%	44.6
Total net gains / losses from financial items	-30.3	-14.6		40.2		68.4

Note 6 Loan losses and impaired loans						
Net loan losses, SEK M	Q1 2017	Q4 2016	Change	Q1 2016	Change	Full-Year 2016
Specific reserve for individually assessed loan receivables						
Write-off confirmed loan losses during the year	-28.8	-47.7	-40%	-17.9	61%	-135.1
Reversed earlier impairment of loan losses recognised as confirmed losses	28.2	47.0	-40%	18.2	55%	133.3
Impairment of loan losses during the year	-31.6	-65.1	-51%	-27.0	17%	-140.9
Payment received for prior confirmed loan losses	18.4	20.0	-8%	16.2	14%	66.8
Reversed impairment of loan losses no longer required	2.5	57.4	-96%	1.8	39%	67.1
Net expense for the year for individually assessed loan receivables	-11.4	11.7		-8.8	28%	-8.8
Collective assessed homogenous groups of loan receivables with limited value and similar credit risk						
Provision/reversal of impairment of loan losses	-3.8	-14.2	-73%	-11.4	-67%	-29.1
Net expense for the year for collectively assessed receivables	-3.8	-14.2	-73%	-11.4	-67%	-29.1
Net expense for the year for fulfillment of guarantees	0.1	0.1		0.0		0.3
Net expense of loan losses for the year	-15.1	-2.4		-20.2	-25%	-37.6
All information pertains to receivables from the public						
Reserve ratios						
Total impaired loans reserve ratio, %	107.2	104.1		120.1		104.1
Impaired loans reserve ratio excluding collective impairments, %	60.5	59.5		84.2		59.5

Impaired loans, SEK M	31 March 2017				31 December 2016				31 March 2016			
	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net
Corporate sector	63.2	-53.4	-19.3	-9.5	60.9	-49.8	-18.8	-7.7	77.9	-81.4	-19.2	-22.7
Retail sector	174.7	-90.5	-91.7	-7.5	179.3	-93.1	-88.4	-2.2	171.0	-128.1	-70.3	-27.4
of which private individuals	143.6	-86.7	-41.6	15.3	147.4	-85.2	-42.1	20.1	150.6	-115.6	-45.9	-10.9
Total	237.9	-143.9	-111.1	-17.0	240.2	-142.9	-107.2	-9.9	248.9	-209.5	-89.5	-50.1

The settlement model regarding the commitment that the regional insurance companies have for 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. Off-setting takes place against, and can amount to a maximum of, accrued commission. Remuneration corresponding to 80% of the provision requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. On 31 March 2017, the total credit reserve requirement amounted to SEK 377 M, of which the Bank Group's recognised credit reserve accounted for SEK 255 M and the remainder of SEK 122 M was offset against the regional insurance companies' withheld funds, according to the model described above.

Note 7	Loans to the public Loan receivables are geographically attributable in their entirety to Sweden.		
SEK M	31 March 2017	31 December 2016	31 March 2016
Public sector	215.1	1,136.9	995.2
Corporate sector	17,639.6	17,276.0	16,805.1
Retail sector	214,546.5	208,524.0	188,480.0
Other	40.6	18.2	0.1
Loan to the public before reserves	232,441.8	226,955.1	206,280.4
Reserves	-255.0	-250.1	-299.0
Loans to the public	232,186.9	226,705.0	205,981.4
Fixed-interest period			
Remaining term of not more than 3 months	159,409.3	155,156.4	133,348.6
Remaining term of more than 3 months but not more than 1 year	29,609.0	18,017.6	20,053.0
Remaining term of more than 1 year but not more than 5 years	41,696.9	51,468.5	51,020.6
Remaining term of more than 5 years.	1,471.7	2,062.6	1,559.2
Loans to the public	232,186.9	226,705.0	205,981.4

Note 8	Derivatives					
SEK M	31 March 2017		31 December 2016		31 March 2016	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
<i>Derivatives in hedge accounting</i>						
Interest-related	106,891.0	2,746.7	98,286.0	2,893.8	83,457.0	3,701.6
Currency-related	27,371.8	2,949.7	26,514.1	3,280.5	21,348.4	2,656.7
<i>Other derivatives</i>						
Currency-related	303.9	6.7	303.9	42.4	-	-
Total derivatives with positive values	134,566.7	5,703.1	125,104.0	6,216.7	104,805.4	6,358.3
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	100,532.0	1,252.4	97,590.0	1,469.4	98,364.0	2,089.3
Currency-related	9,527.4	464.9	4,935.9	417.9	5,916.9	581.9
<i>Other derivatives</i>						
Currency-related	363.7	6.7	363.8	7.3	1,033.1	46.9
Total derivatives with negative values	110,423.1	1,723.9	102,889.7	1,894.6	105,314.0	2,718.1

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

Note 9	Pledged assets, contingent liabilities and commitments		
SEK M	31 March 2017	31 December 2016	31 March 2016
For own liabilities, pledged assets	181,626.6	173,186.9	158,922.2
Contingent liabilities	33.8	38.9	27.0
Commitments	22,919.4	19,365.8	19,925.3

Contingent liabilities comprise contingent liabilities, which in turn comprise guarantees. Assumptions comprises loans/bank overdraft facilities and card loans approved but not disbursed.

Note 10**Fair value valuation techniques**

SEK M	31 March 2017		31 December 2016		31 March 2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial Assets						
Cash and balances with central banks	21.2	21.2	21.6	21.6	22.6	22.6
Treasury bills and other eligible bills	12,338.2	12,338.2	7,867.2	7,867.2	4,616.8	4,616.8
Loans to credit institutions	4,113.2	4,113.2	280.2	280.2	5,842.4	5,842.4
Loans to the public	232,186.9	233,026.8	226,705.0	227,784.0	205,981.4	207,000.3
Bonds and other interest-bearing securities	35,778.1	35,778.1	32,809.7	32,809.7	33,600.6	33,600.6
Shares and participations	25.8	25.8	25.4	25.4	22.8	22.8
Derivatives	5,703.1	5,703.1	6,216.7	6,216.7	6,358.3	6,358.3
Other assets	187.2	187.2	207.3	207.3	283.8	283.8
Total	290,353.7	291,193.6	274,133.1	275,212.1	256,728.7	257,747.6
Financial Liabilities						
Due to credit institutions	6,249.4	6,249.4	3,872.8	3,872.8	8,101.9	8,101.9
Deposits and borrowing from the public	91,888.3	93,157.2	91,207.1	91,644.4	84,494.2	84,675.1
Debt securities in issue	168,861.6	174,250.7	155,999.5	161,185.9	139,924.9	144,472.2
Derivatives	1,723.9	1,723.9	1,894.6	1,894.6	2,718.1	2,718.1
Other liabilities	157.9	157.9	119.7	119.7	125.8	125.8
Subordinated liabilities	2,595.7	2,705.0	2,595.4	2,674.8	2,299.8	2,357.7
Total	271,476.8	278,244.1	255,689.1	261,392.2	237,664.7	242,450.8

The carrying amount of cash and balances with central banks, treasury bills and other eligible bills, loans to credit institutions, other assets, due to credit institutions and other liabilities 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.

Gains and losses are recognised in profit and loss under "net gains from financial items."

Note 10 Fair Value valuation techniques, continued

Financial assets and liabilities measured at fair value in the balance sheet are presented in the table based on the valuation techniques applied:

Level 1 refers to prices determined from prices listed in an active market

Level 2 refers to prices determined by calculated prices of observable market listings

Level 3 refers to prices based on own assumptions and judgements

Financial instruments measured at fair value in the balance sheet

31 March 2017, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	12,338.2			12,338.2
Bonds and other interest-bearing securities	35,778.1			35,778.1
Shares and participations	0.2	6.4	19.2	25.8
Derivatives		5,703.1		5,703.1
Other assets			20.0	20.0
Liabilities				
Derivatives		1,723.9		1,723.9
31 December 2016, SEK M				
Assets				
Treasury bills and other eligible bills	7,867.2			7,867.2
Bonds and other interest-bearing securities	32,809.7			32,809.7
Shares and participations	0.2	6.0	19.2	25.4
Derivatives		6,216.7		6,216.7
Other assets			20.0	20.0
Liabilities				
Derivatives		1,894.6		1,894.6
31 March 2016, SEK M				
Assets				
Treasury bills and other eligible bills	4,616.8			4,616.8
Bonds and other interest-bearing securities	33,600.6			33,600.6
Shares and participations	0.1	4.9	17.7	22.8
Derivatives		6,358.3		6,358.3
Liabilities				
Derivatives		2,718.1		2,718.1

Shares and participations and other assets in Level 3 are initially measured at cost since the holdings cannot be reliably measured at fair value, and impaired if objective evidence exists to recognise an impairment loss. The assessment is based on the most recent Annual Report and forecast earnings. The fair value of Level 2 shares and participations that pertain to unquoted Series B shares with conversion rights to quoted Series A shares without restrictions is measured based on the price of the Series A share on the balance-sheet date. Derivatives in Level 2 essentially refer to swaps for which fair value has been calculated by discounting expected future cash flows. There were no significant transfers between Level 1 and Level 2 in 2017 or 2016. There were also no transfers from Level 3 in these years.

Change in level 3, SEK M	Other assets	Shares and participations
Opening balance 1 January 2017	20.0	19.2
Acquisition	-	-
Closing balance, 31 March 2017	20.0	19.2
Opening balance 1 January 2016	-	15.5
Acquisition	20.0 ¹	3.7
Closing balance 31 December 2016	20.0	19.2
Opening balance 1 January 2016	-	15.5
Shareholder contributions	-	2.2
Closing balance 31 March 2016	-	17.7

¹Refers to investment in Bohemian Wrappsody AB

Note 10 Fair Value valuation techniques, continued**Financial instruments measured at amortised cost in the balance sheet**

31 March 2017, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Loans to the public		233,026.8		233,026.8
Liabilities				
Deposits and borrowing from the public		93,157.2		93,157.2
Debt securities in issue		174,250.7		174,250.7
Subordinated liabilities		2,705.0		2,705.0
31 December 2016				
Assets				
Loans to the public		227,784.0		227,784.0
Liabilities				
Deposits and borrowing from the public		91,644.4		91,644.4
Debt securities in issue		161,185.9		161,185.9
Subordinated liabilities		2,674.8		2,674.8
31 March 2016				
Assets				
Loans to the public		207,000.3		207,000.3
Liabilities				
Deposits and borrowing from the public		84,675.1		84,675.1
Debt securities in issue		144,472.2		144,472.2
Subordinated liabilities		2,357.7		2,357.7

When calculating the fair value of deposits and funding from the public and loans to the public, anticipated cash flows have been discounted using a discount rate set at the current deposit and lending rates applied (including discounts). Fair value for debt securities in issue and subordinated liabilities is determined based on quoted prices. Parts of debt securities in issue that are considered to be illiquid are adjusted based on expected current issue prices. Commercial papers do not have external market prices and the fair value is determined based on the yield curve of each currency.

There were no significant transfers between Level 1 and Level 2 in 2017 or 2016. There were also no transfers from Level 3 in these years.

For further information about how the fair value was determined for financial instruments measured at fair value, and about valuation techniques and inputs, see also the note on Accounting policies in the most recently published annual report.

¹Refers to investment in Bohemian Wrappsody AB

Note 11	Capital-adequacy					
SEK M	Consolidated situation 31 Mar 2017	Consolidated situation 31 Dec 2016	Consolidated situation 31 Mar 2016	Bank Group 31 Mar 2017	Bank Group 31 Dec 2016	Bank Group 31 Mar 2016
Total equity	23,253.6	23,079.2	22,089.9	13,392.7	13,182.3	12,385.8
Adjustment for additional Tier 1 capital	-1,200.0	-1,200.0	-1,200.0	-1,200.0	-1,200.0	-1,200.0
Adjustment for accrued dividend for additional Tier 1 capital	-2.0	-1.9	-2.0	-2.0	-1.9	-2.0
Part of interim profit not verified	-13.0	-	-1.4	-	-	-
Intangible assets	-1,069.3	-947.5	-580.8	-593.8	-488.3	-313.3
Goodwill	-371.6	-371.6	-371.6	-	-	-
Adjustment for cash flow hedge	65.1	16.1	-108.8	56.1	3.0	-132.4
IRB Provisions deficit (-)/surplus (+)	-395.7	-393.1	-406.9	-395.7	-393.1	-406.9
Adjustment for prudent valuation	-53.9	-48.3	-46.5	-53.1	-47.4	-45.5
Deferred tax assets	-	-	-	-	-	-
Threshold deductions: financial companies	-6,227.0	-6,218.2	-6,348.0	-	-	-
Minority interest	-1,318.0	-1,297.8	-1,195.3	-	-	-
Common Equity Tier 1 capital	12,668.2	12,616.9	11,828.6	11,204.3	11,054.5	10,285.7
Additional Tier 1 capital	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
Tier 1 capital	13,868.2	13,816.9	13,028.6	12,404.3	12,254.5	11,485.7
Tier 2 instruments	2,591.7	2,591.7	2,296.8	2,591.7	2,591.7	2,296.8
IRB Provisions deficit (-)/surplus (+)	-	-	-	-	-	-
Tier 2 Capital	2,591.7	2,591.7	2,296.8	2,591.7	2,591.7	2,296.8
Total own funds	16,459.9	16,408.6	15,325.4	14,996.0	14,846.2	13,782.5
Total risk exposure amount to CRD IV	61,480.9	59,512.8	58,132.2	46,241.5	44,498.3	43,846.0
Total requirement CRD IV	4,918.5	4,761.0	4,650.6	3,699.3	3,559.9	3,507.7
Capital requirement for credit risk according to Standardised Approach	1,322.1	1,297.7	1,164.1	663.4	641.7	566.6
Capital requirement for credit risk according to IRB Approach	2,577.6	2,491.9	2,470.2	2,577.6	2,491.9	2,470.2
Capital requirement for operational risk	907.7	857.4	857.4	347.3	312.2	312.2
Capital requirement according to credit valuation adjustment	111.1	114.0	158.9	111.1	114.0	158.7
Core Tier 1 ratio according to CRD IV	20.6%	21.2%	20.3%	24.2%	24.8%	23.5%
Tier 1 ratio according to CRD IV	22.6%	23.2%	22.4%	26.8%	27.5%	26.2%
Capital adequacy ratio according to CRD IV	26.8%	27.6%	26.4%	32.4%	33.4%	31.4%
Special disclosures						
IRB Provisions surplus (+) / deficit (-)	-395.7	-393.1	-406.9	-395.7	-393.1	-406.9
- IRB Total provisions (+)	355.4	355.3	375.5	355.4	355.3	375.5
- IRB Anticipated loss (-)	-751.0	-748.5	-782.4	-751.0	-748.5	-782.4
Capital requirement according to Basel I floor	11,652.5	11,253.8	10,304.0	11,311.1	10,911.2	9,995.8
Own funds adjusted according to rules for Basel I floor	16,855.6	16,801.8	15,732.4	15,391.6	15,239.4	14,189.5
Surplus of capital according to Basel I floor	5,203.0	5,548.0	5,428.4	4,080.5	4,328.2	4,193.7
First quarter 2017 Consolidated situation		Minimum capital requirement		Countercyclical buffer	Systemic risk buffer	Total
Minimum capital requirements and buffers						
Core Tier 1 capital		4.5%	2.5%	2.0%	n/a	8.5%
Tier 1 capital		6.0%	2.5%	2.0%	n/a	10.0%
Capital base		8.0%	2.5%	2.0%	n/a	12.0%
SEK M						
Core Tier 1 capital		2,766.6	1,537.0	1,229.6	n/a	5,533.3
Tier 1 capital		3,688.9	1,537.0	1,229.6	n/a	6,455.5
Capital base		4,918.5	1,537.0	1,229.6	n/a	7,685.1
Core tier 1 capital available for use as buffer						16.1%

SEK M	Consolidated situation 31 Mar 2017		Consolidated situation 31 Dec 2016		Consolidated situation 31 Mar 2016		Bank Group 31 Mar 2017		Bank Group 31 Dec 2016		Bank Group 31 Mar 2016	
	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount
	Note 11	Capital-adequacy, continued										
Credit risk according to Standardised Approach												
Exposures to institutions	109.8	1,373.0	111.7	1,396.2	63.6	794.8	105.3	1,316.6	107.3	1,340.9	59.0	737.7
Exposures to corporates	141.9	1,773.4	135.8	1,697.1	128.1	1,601.3	138.4	1,730.5	135.8	1,697.1	125.7	1,571.3
Retail exposures	126.3	1,578.7	122.2	1,527.4	106.5	1,331.3	126.3	1,578.7	122.2	1,527.4	106.5	1,331.3
Exposures in default	4.5	55.9	5.1	64.0	6.0	74.6	4.5	55.9	5.1	64.0	6.0	74.6
Covered bonds	2.4	30.0	2.4	30.0	-	-	2.4	30.0	2.4	30.0	-	-
Exposures to CIU	245.5	3,068.6	222.3	2,779.3	236.0	2,950.2	238.8	2,984.6	215.6	2,695.2	228.0	2,849.7
Exposures to equity	377.8	4,722.8	379.9	4,748.6	353.6	4,420.4	3.1	38.2	3.0	38.0	2.7	33.2
Other items	313.9	3,923.7	318.3	3,978.4	270.3	3,378.2	44.6	557.7	50.3	628.8	38.7	484.3
Total capital requirement and risk exposure amount	1,322.1	16,526.1	1,297.7	16,220.9	1,164.1	14,550.9	663.4	8,292.1	641.7	8,021.4	566.6	7,082.2
Credit risk according to IRB Approach												
<i>Retail exposures</i>												
Exposures secured by real estate collateral	182.9	2,286.3	178.2	2,226.9	189.3	2,366.6	182.9	2,286.3	178.2	2,226.9	189.3	2,366.6
Other retail exposures	952.2	11,902.7	916.2	11,453.0	891.5	11,143.7	952.2	11,902.7	916.2	11,453.0	891.5	11,143.7
Other retail exposures, small and medium-sized businesses	331.4	4,142.7	320.7	4,008.5	309.2	3,864.8	331.4	4,142.7	320.7	4,008.5	309.2	3,864.8
Other retail exposures	528.6	6,607.3	513.8	6,422.1	493.5	6,169.0	528.6	6,607.3	513.8	6,422.1	493.5	6,169.0
Total retail exposures	1,995.1	24,939.0	1,928.8	24,110.4	1,883.5	23,544.2	1,995.1	24,939.0	1,928.8	24,110.4	1,883.5	23,544.2
Exposures to corporates	582.5	7,280.8	563.1	7,038.7	586.7	7,333.8	582.5	7,280.8	563.1	7,038.7	586.7	7,333.8
Total capital requirement and risk exposure amount	2,577.6	32,219.9	2,491.9	31,149.1	2,470.2	30,878.0	2,577.6	32,219.9	2,491.9	31,149.1	2,470.2	30,878.0
Operational risks												
Standardised Approach	907.7	11,346.4	857.4	10,717.4	857.4	10,717.4	347.3	4,341.0	312.2	3,902.5	312.2	3,902.5
Total capital requirement for operational risk	907.7	11,346.4	857.4	10,717.4	857.4	10,717.4	347.3	4,341.0	312.2	3,902.5	312.2	3,902.5
Total capital requirement for credit valuation adjustments	111.1	1,388.5	114.0	1,425.3	158.9	1,985.9	111.1	1,388.5	114.0	1,425.3	158.7	1,983.3

Note 12	Disclosures on related parties
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Significant agreements for the Bank Group are primarily outsourcing agreements with the 23 regional insurance companies and outsourcing agreements with Länsförsäkringar AB regarding development, service, finance and IT. The Group's remuneration to the regional insurance companies in accordance with prevailing outsourcing agreements is presented in note Commission expense. Normal business transactions took place between Group companies as part of the outsourced operations.

Income statement - Parent Company

SEK M	Q1 2017	Q4 2016	Change	Q1 2016	Change	Full-Year 2016
Interest income	355.4	367.4	-3%	356.5		1,434.1
Interest expense	-82.4	-60.2	37%	-104.6	-21%	-310.3
Net interest income	273.0	307.2	-11%	251.9	8%	1,123.8
Dividends received	0.0	0.0		0.0		0.2
Commission income	119.6	97.4	23%	85.8	39%	378.1
Commission expense	-102.1	-113.3	-10%	-106.9	-4%	-438.1
Net commission income	17.5	-15.9		-21.1		-60.0
Net gain / loss from financial items	2.8	2.4	17%	9.6	-71%	29.3
Other operating income	28.3	38.5	-26%	29.7	-5%	123.5
Total operating income	321.7	332.2	-3%	270.1	19%	1,216.7
Staff costs	-71.5	-45.4	57%	-49.1	46%	-185.7
Other administration expenses	-155.0	-161.9	-4%	-147.8	5%	-614.6
Total administration expenses	-226.6	-207.3	9%	-196.9	15%	-800.3
Depreciation / amortisation and impairment of property and equipment / intangible assets	-18.2	-14.7	24%	-15.6	17%	-65.0
Total operating expenses	-244.8	-222.0	10%	-212.5	15%	-865.3
Profit / loss before loan losses	76.9	110.2	-30%	57.6	34%	351.4
Loan losses net	-3.5	4.7		-10.2	-66%	-21.6
Operating profit / loss	73.4	114.9	-36%	47.4	55%	329.8
Allocation fund	-	-100.0		-		-97.1
Tax	-16.1	-2.8		-10.4	55%	-48.0
Profit / loss for the period	57.2	12.1		37.0	55%	184.7

Statement of comprehensive income - Parent Company

SEK M	Q1 2017	Q4 2016	Change	Q1 2016	Change	Full-Year 2016
Profit for the period	57.2	12.1		37.0		184.7
Other comprehensive income						
Items that are reclassified or may subsequently be reclassified to the income statement						
Cash-flow hedges	-3.1	-0.8		3.3		2.1
Change in fair value from available-for-sale financial assets	-5.4	15.8		17.4		113.0
Tax attributable to items that are transferred or can be transferred as income for the period	1.9	-3.3		-4.6		-25.3
Other comprehensive income for the period, net after tax	-6.6	11.7		16.1		89.8
Total comprehensive income for the period	50.6	23.8		53.1		274.5

Balance sheet – Parent Company

SEK M	31 Mar 2017	31 Dec 2016	31 Mar 2016
Assets			
Cash and balances with central banks	21.2	21.6	22.6
Treasury bills and other eligible bills	12,338.2	7,867.2	4,616.8
Loans to credit institutions	62,355.1	64,183.5	61,502.4
Loans to the public	39,024.0	39,483.6	38,570.3
Bonds and other interest-bearing securities	26,160.1	23,495.8	24,097.4
Shares and participations	25.8	25.4	22.8
Shares and participations in Group companies	8,499.0	7,699.0	7,599.0
Derivatives	3,995.6	4,268.6	4,123.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	78.1	99.5	155.1
Intangible assets	552.8	451.9	287.0
Property and equipment	2.5	2.5	2.9
Deferred tax assets	2.7	2.0	1.8
Other assets	213.9	280.9	188.9
Prepaid expenses and accrued income	104.4	126.0	120.6
Total assets	153,373.5	148,007.4	141,311.4
Liabilities, provisions and equity			
Due to credit institutions	12,952.6	8,682.1	8,848.0
Deposits and borrowing from the public	92,234.4	91,505.5	84,753.0
Debt securities in issue	29,863.9	29,111.6	29,302.0
Derivatives	4,283.2	4,552.2	4,690.1
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	142.2	164.2	206.6
Other liabilities	204.0	366.5	300.9
Accrued expenses and deferred income	591.2	566.3	740.0
Provisions	7.0	7.0	5.9
Subordinated liabilities	2,595.7	2,595.4	2,299.8
Total liabilities and provisions	142,874.3	137,551.0	131,146.2
Untaxed reserves	162.0	162.0	64.9
Equity			
Share capital	954.9	954.9	954.9
Capitalised proprietary development expenditures	18.4	18.4	18.4
Statutory reserve	357.7	239.9	1,200.0
Additional Tier 1 instruments	1,200.0	1,200.0	-12.7
Fair value reserves	54.3	60.9	19.9
Retained earnings	7,694.8	7,635.8	7,882.9
Profit for the period	57.2	184.7	37.0
Total equity	10,337.2	10,294.5	10,100.3
Total liabilities, provisions and equity	153,373.5	148,007.4	141,311.4
Notes			
Accounting policies	1		
Capital-adequacy	2		
Loan losses and impaired loans	3		
Disclosures on related parties	4		
Pledged assets, contingent liabilities and commitments	5		

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

SEK M	Jan-Mar 2017	Jan-Mar 2016
Cash and cash equivalents, 1 January	110.5	124.1
Cash flow from operating activities	875.3	556.0
Cash flow from investing activities	-919.5	-622.8
Cash flow from financing activities	0.3	0.0
Cash flow for the period	-43.9	-66.8
Cash and cash equivalents, 31 March	66.6	57.3

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

The change in cash flow from operating activities was largely due to Loans to credit institutions amounting to SEK 4,270.5 M (1,827.3), Bonds and other interest-bearing securities to SEK -2,738.1 M (-1,063.6) and Treasury bills to SEK -4,507.5 (4,291.1). The change in cash flow from investing activities included a paid shareholders' contribution of SEK -800 M (-600).

Statement of changes in shareholders' equity - Parent Company

SEK M	Restricted equity				Non-restricted equity					Total
	Share capital	Development Expenditures Fund	Statutory Reserve	Additional Tier 1 instruments	Fair value reserve			Profit for the period		
					Fair value reserve	Hedge reserve	Retained earnings			
Opening balance, 1 January 2016	954.9	-	18.4	1,200.0	-23.4	-5.6	7,775.5	135.9	10,055.7	
Profit for the period								37.0	37.0	
Other comprehensive income for the period					13.5	2.6			16.1	
<i>Comprehensive income for the period</i>					13.5	2.6		37.0	53.1	
According to Board's proposal for resolution by Annual General Meeting							135.9	-135.9	-	
Issued additional Tier 1 instruments ²								-8.6	-8.6	
Conditional shareholders' contribution received		19.9						-19.9	-	
Closing balance, 31 March 2016	954.9	19.9	18.4	1,200.0	-9.8	-3.0	7,882.9	37.0	10,100.3	
Opening balance, 1 April 2016	954.9	19.9	18.4	1,200.0	-9.8	-3.0	7,882.9	37.0	10,100.3	
Profit for the period								147.7	147.7	
Other comprehensive income for the period					74.7	-0.9			73.8	
<i>Comprehensive income for the period</i>					74.7	-0.9		147.7	221.5	
According to Board's proposal for resolution by Annual General Meeting									-	
Issued additional Tier 1 instruments ²								-27.1	-27.1	
Conditional shareholders' contribution received		220.0						-220.0	-	
Closing balance, 31 December 2016	954.9	239.9	18.4	1,200.0	64.8	-3.9	7,635.7	184.7	10,294.6	
Opening balance, 1 January 2017	954.9	239.9	18.4	1,200.0	64.8	-3.9	7,635.7	184.7	10,294.6	
Profit for the period								57.2	57.2	
Other comprehensive income for the period					-4.2	-2.4			-6.6	
<i>Comprehensive income for the period</i>					-4.2	-2.4		57.2	-50.6	
According to Board's proposal for resolution by Annual General Meeting							184.7	-184.7	-	
Issued additional Tier 1 instruments ²								-7.9	-7.9	
Capitalised proprietary development expenditures		117.8						-117.8	-	
Closing balance, 31 March 2017	954.9	357.7	18.4	1,200.0	60.6	-6.3	7,694.7¹	57.2	10,337.3	

¹ The shareholders' contributions that have been paid are conditional and the Parent Company Länsförsäkringar AB (publ) is entitled to receive repayment of the contributions from the unappropriated earnings of Länsförsäkringar Bank AB (publ), provided that approval is obtained from the general meeting. On 31 March 2017, the amount of the conditional shareholders' contribution received was SEK 5,290 M (5,290).

² The issued Tier 1 instrument is deemed to fulfil the conditions of an equity instrument since:

- The instrument, according to the conditions, does not have a set maturity date, meaning that the issuer has an unconditional right to refrain from making repayments.
- The issuer of the instrument has full discretion regarding interest payments, that is to say no obligation to pay interest.

Notes – Parent Company

Amounts in SEK million if not otherwise stated.

Note 1	Accounting policies
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Länsförsäkringar Bank AB prepared its report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅARKL), the Swedish Securities Market Act (2007:528), and the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2008:25). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued pertaining to listed companies.

The impact on capital adequacy due to new or revised IFRS that have not yet been applied is described in note 1 for the Group.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2016 Annual Report.

Note 2	Capital-adequacy				
SEK M	31 Mar 2017	31 Dec 2016	31 Mar 2016		
Total equity	10,337.2	10,294.5	10,100.3		
Unrecognised dividend	-2.0	-1.9	-2.0		
78 % of untaxed reserves	126.4	126.4	50.6		
Own funds eligible for capital-adequacy	10,461.5	10,418.9	10,148.9		
Intangible assets	-552.8	-451.9	-287.0		
Adjustment for cash flow hedge	6.3	3.9	3.0		
IRB Provisions deficit (-)/surplus (+)	-92.0	-85.4	-111.6		
Adjustment for prudent valuation	-45.3	-39.0	-35.9		
Adjustment for Additional Tier 1 capital	-1,200.0	-1,200.0	-1,200.0		
Common Equity Tier 1 capital	8,577.8	8,646.5	8,517.5		
Additional Tier 1 capital	1,200.0	1,200.0	1,200.0		
Tier 1 capital	9,777.8	9,846.5	9,717.5		
Tier 2 instruments	2,591.7	2,591.7	2,296.8		
IRB Provisions deficit (-)/surplus (+)	48.7	27.9	-		
Own funds	2,640.4	2,619.6	2,296.8		
Total own funds	12,418.1	12,466.2	12,014.3		
Total risk exposure amount to CRD IV	25,607.7	24,179.9	24,161.9		
Total capital requirement to CRD IV	2,048.6	1,934.4	1,933.0		
Capital requirement for credit risk according to Standardised Approach	1,034.2	960.9	908.5		
Capital requirement for credit risk according to IRB Approach	808.6	782.3	839.5		
Capital requirement for operational risk	143.8	130.5	130.5		
Capital requirement	62.0	60.6	54.5		
Core Tier 1 ratio according to CRD IV	33.5%	35.8%	35.3%		
Tier 1 ratio according to CRD IV	38.2%	40.7%	40.2%		
Capital adequacy ratio according to CRD IV	48.5%	51.6%	49.7%		
Special disclosures					
IRB Provisions surplus (+) /deficit (-)	-43.3	-57.4	-111.6		
- IRB Total provisions (+)	186.1	191.0	175.5		
- IRB Anticipated loss (-)	-229.4	-248.4	-287.0		
Capital requirement according to Basel I floor	3,262.3	3,155.3	3,096.6		
Capital base adjusted according to Basel I floor	12,461.4	12,523.6	12,125.9		
Surplus of capital according to Basel I floor	9,199.1	9,368.2	9,029.2		
	Minimum capital requirement	Capital conservation buffer	Counter-cyclical buffer	Systemic risk buffer	Total
Minimum capital requirements and buffers					
Core Tier 1 capital	4.5%	2.5%	2.0%	n/a	8.5%
Tier 1 capital	6.0%	2.5%	2.0%	n/a	10.0%
Capital base	8.0%	2.5%	2.0%	n/a	12.0%
SEK M					
Core Tier 1 capital	1,152.4	640.2	512.2	n/a	2,304.7
Tier 1 capital	1,536.5	640.2	512.2	n/a	2,688.8
Capital base	2,048.6	640.2	512.2	n/a	3,201.0
Core Tier 1 capital available for use as buffer					29.0%

SEK M	31 Mar 2017		31 Dec 2016		31 Mar 2016	
	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
Capital-adequacy, continued						
Credit risk according to Standardised Approach						
Exposures to institutions	63.7	796.5	65.8	822.3	24.7	308.6
High risk items	2.4	30.0	2.4	30.0	-	-
Covered bonds	161.8	2,022.4	141.1	1,763.5	152.0	1,899.4
Equity exposures	784.3	9,804.0	720.3	9,003.8	711.9	8,899.0
Other items	21.9	274.2	31.4	392.1	20.0	249.6
Total capital requirement and risk exposure amount	1,034.2	12,927.2	960.9	12,011.8	908.5	11,356.6
Credit risk according to IRB Approach						
<i>Retail exposures</i>						
Secured by immovable property, small and medium-sized businesses	146.9	1,835.9	144.3	1,803.7	150.9	1,886.6
Secured by immovable property, other	112.0	1,399.4	111.6	1,394.9	125.5	1,568.8
Other retail exposures, small and medium-sized businesses	44.4	554.9	42.9	536.8	45.4	567.8
Other retail exposures	191.1	2,388.9	188.4	2,354.5	209.7	2,621.8
Total retail exposures	494.3	6,179.1	487.2	6,089.9	531.6	6,644.9
Exposures to corporates	314.3	3,928.6	295.1	3,689.0	307.9	3,848.7
Total capital requirement and risk exposure amount	808.6	10,107.7	782.3	9,778.9	839.5	10,493.6
Operational risks						
Standardised Approach	143.8	1,798.1	130.5	1,631.1	130.5	1,631.1
Total capital requirement for operational risk	143.8	1,798.1	130.5	1,631.1	130.5	1,631.1
Total capital requirement for credit valuation adjustments	62.0	774.7	60.6	758.1	54.5	680.7

Note 3 Loan losses and impaired loans

The new settlement model, which was introduced on 1 January 2014, regarding the commitment that the regional insurance companies have for 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. Off-setting takes place against, and can amount to a maximum of, accrued commission. Remuneration corresponding to 80% of the provision requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. On 31 March 2017, the total credit reserve requirement amounted to SEK 186 M of which the Bank Group's recognised credit reserve accounted for SEK 80 M and the remainder of SEK 106 M was offset against the regional insurance companies' withheld funds, according to the model described above.

Note 4 Disclosures on related parties

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

SEK M	31 Mar 2017	31 Dec 2016	31 Mar 2016
	Note 5 Pledged assets, contingent liabilities and commitments		
For own liabilities, pledged assets	6,561.8	5,049.9	7,709.8
Contingent liabilities	33.7	38.9	27.0
Commitments	41,531.2	34,586.3	24,690.7

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

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

Stockholm, 5 May 2017

Rikard Josefson
President

Review report

To the Board of Directors of Länsförsäkringar Bank AB (publ)

Corp. id. 516401-9878

Introduction

I have reviewed the summary interim financial information (interim report) of Länsförsäkringar Bank AB (publ) as of 31 March 2017 and the three-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. My responsibility is to express a conclusion on this interim report based on my review.

Scope of review

I conducted my review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies, and for the Parent Company in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 5 May 2017

Dan Beitner
Authorized Public Accountant

Financial calendar

Interim report January–June för Länsförsäkringar Bank 10 August 2017

Interim report January–June för Länsförsäkringar Hypotek 10 August 2017

This report contains such information that Länsförsäkringar Bank AB (publ) must publish in accordance with the Securities Market Act. The information was submitted for publication on 5 May 2017 at 12:00 a.m. Swedish time.

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