

Länsförsäkringar Bank

Interim Report January–June 2016

THE PERIOD IN BRIEF, GROUP

- Operating profit increased 24.7% to SEK 697 M (559) and the return on equity strengthened to 9.8% (8.8).
- Net interest income increased 14.4% to SEK 1,615 M (1,411).
- Operating income rose 14.1% to SEK 1,510 M (1,323).
- Operating expenses increased 2.2% to SEK 780 M (763).
- Loan losses amounted to SEK 32 M (0*), net, corresponding to loan losses of 0.03% (0.00).
- Business volumes increased 11.6% to SEK 422.1 billion (378.2).
- Deposits rose 11.9% to SEK 87.6 billion (78.3).
- Lending increased 11.4% to SEK 213.0 billion (191.2).
- The Common Equity Tier 1 capital ratio for the consolidated situation amounted to 20.3% (20.3%**)
- The number of customers with Länsförsäkringar as their primary bank rose 9.0% to 398,000 (365,000), and the number of bank cards increased 10.6% to 492,000 (445,000).

*) The comparative figure includes the dissolution of reserves amounting to SEK 40 M.

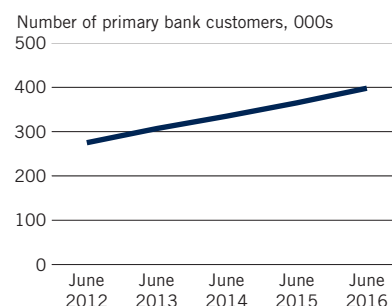
***) Pertains to 31 March 2016.

Figures in parentheses pertain to the same period in 2015.

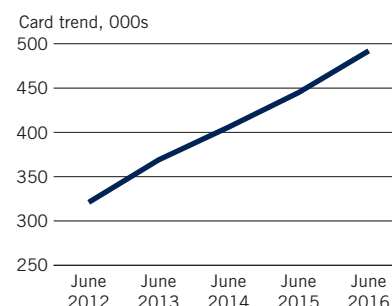
RIKARD JOSEFSON, PRESIDENT OF LÄNSFÖRSÄKRINGAR BANK:

“Länsförsäkringar Bank continued to perform positively and we can again report healthy growth with increased business volumes. The earnings trend is highly favourable and we are again reporting our best ever quarterly results, and at the same time maintaining a strong liquidity and capital situation. The continued high customer inflow confirms that customers appreciate our local presence and our focus on customer meetings combined with our market-leading digital services. In addition to having the most satisfied customers according to the Swedish Quality Index (SKI), we are also very proud to have won the award of “Mobile Bank of the Year” at Mobilgalan and the Web Service Award for “Best Mobile Site and App” during the first six months of the year. Our aim is to maintain our leading position in digital banking services.

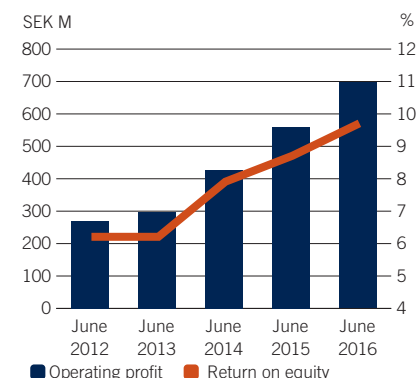
CUSTOMER TREND



CARD TREND



OPERATING PROFIT AND RETURN ON EQUITY



KEY FIGURES

Group	Q 2 2016	Q 1 2016	Q 2 2015	Jan-jun 2016	Jan-jun 2015	Full-Year 2015
Return on equity, %	9.93	9.73	8.52	9.83	8.79	8.94
Return on total capital, %	0.53	0.53	0.46	0.53	0.46	0.48
Investment margin, %	1.24	1.22	1.20	1.23	1.16	1.22
Cost/income ratio before loan losses ¹	0.52	0.51	0.59	0.52	0.58	0.57
Cost/income ratio before loan losses	23.7	23.5	23.0	23.7	23.0	23.7
Common Equity Tier 1 capital ratio, Bank Group, %	26.4	26.2	25.9	26.4	25.9	26.6
Tier 1 ratio, Bank Group, %	32.3	31.4	31.5	32.3	31.5	32.0
Total capital ratio, Bank Group, %	20.3	20.3	19.9	20.3	19.9	21.4
Common Equity Tier 1 capital ratio, consolidated situation, %	22.3	22.4	22.3	22.3	22.3	23.7
Tier 1 ratio, consolidated situation, %	26.7	26.4	27.0	26.7	27.0	28.2
Total capital ratio, consolidated situation, %	0.12	0.12	0.14	0.12	0.14	0.12
Percentage of impaired loans, gross, %	0.12	0.14	0.15	0.12	0.15	0.14
Reserve ratio in relation to loans, %	0.17	0.19	0.20	0.17	0.20	0.19
Loan losses, %	0.02	0.04	0.00*	0.03	0.00*	0.00*

¹ Excluding impairment.

INCOME STATEMENT, QUARTERLY

Group, SEK M	Q 2 2016	Q 1 2016	Q 4 2015	Q 3 2015	Q 2 2015
Net interest income	826.1	788.7	805.0	778.3	725.7
Net commission	-129	-111.5	-126.2	-114.3	-120.0
Net gains from financial items	41.1	40.2	15.5	19.2	61.4
Other operating income	28.3	26.3	23.1	24.0	21.4
Total operating income	766.3	743.7	717.4	707.3	688.4
Staff costs	-125.9	-122.7	-114.9	-105.2	-123.3
Other expenses	-252.0	-241.6	-252.4	-271.5	-285.4
Total operating expenses	-397.5	-382.7	-390.7	-412.2	-408.7
Profit before loan losses	368.8	361.1	326.7	295.1	279.7
Loan losses, net	-12.3	-20.2	-15.0	9.0	0.1
Operating profit	356.4	340.9	311.7	304.1	279.8

Market commentary

The financial markets recovered during the second quarter following a turbulent start to the year, while the real economy generally reported a stable trend. The main drivers underpinning this more stable trend were the additional stimulus packages announced by the ECB at the end of the first quarter. However, the relative calm in the markets was broken by the unexpected result of the UK's referendum on whether to leave the EU, with 52% of the British population voting to leave. As a direct result of this, the equities, interest and currency markets were initially highly volatile given the heightened uncertainty regarding the economic climate, mainly in the UK and the eurozone. Expectations regarding future interest-rate rises were lowered again and put on hold, particularly on the part of the Federal Reserve, due to the market turbulence in the wake of the Brexit result.

Economic data for April and May indicated a clear improvement in the US economy, despite incoming employment figures being weaker than expected for recent months. The eurozone continued to recover on a broad front with both private and public consumption driving growth. Inflation remained low and future measures from the ECB cannot be ruled out if market unrest persists.

The Swedish economy was largely unchanged compared with the first quarter. This strong performance continued to be driven by domestic factors, including a strong construction sector. Turmoil in the financial markets relating to the outcome of the UK referendum on EU membership contributed to a weakening of the SEK and thus reduced the risk of the Riksbank needing to further expand its stimulus measures. After a continued increase in the first months of the year, incoming housing-price figures indicated a somewhat

subdued housing market and a cautious price trend. New legislation regarding mortgage repayment requirements also came into force on 1 June.

Global stock markets were essentially unchanged compared with the end of the first quarter. However, low interest rates continued to fall and, unlike the stock market, did not recover from the initial market fluctuations caused by the Brexit result. Credit spreads for Swedish covered bonds declined during the second quarter and at mid-year were lower compared to before the Brexit referendum.

JANUARY-JUNE 2016 COMPARED WITH JANUARY-JUNE 2015

Increased business volumes

Business volumes rose 11.6%, or SEK 43.9 billion, to SEK 422.1 billion (378.2). Lending increased 11.4%, or SEK 21.8 billion, to SEK 213.0 billion (191.2), with continued high credit quality. Retail mortgages in Länsförsäkringar Hypotek rose 15.0%, or SEK 20.6 billion, to SEK 157.6 billion (137.0). Deposits increased 11.9%, or SEK 9.3 billion, to SEK 87.6 billion (78.3). Fund volumes increased SEK 1.2 billion to SEK 121.8 billion (120.6).

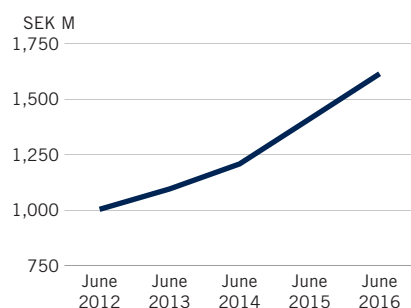
Continued high inflow of customers

The number of customers with Länsförsäkringar as their primary bank increased 9.0% to 398,000 (365,000) and the average number of products per customer amounted to 5.0 (5.0). 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 10.6% to 492,000 (445,000).

Earnings and profitability

Operating profit rose 24.7% to SEK 697 M (559), due to higher net interest income, improved net gains from financial transactions and a low underlying cost increase. The investment margin strengthened to 1.23% (1.16). Profit before loan losses rose 30.6% to SEK 730 M (559). Return on equity strengthened to 9.8% (8.8).

NET INTEREST INCOME



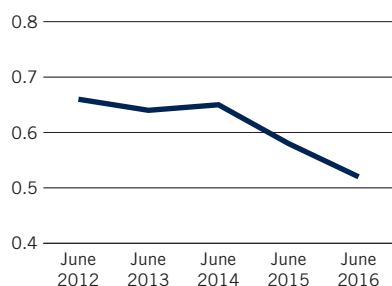
Income

Operating income increased 14.1% to SEK 1,510 M (1,323), primarily due to higher net interest income. Net interest income rose 14.4% to SEK 1,615 M (1,411), attributable to higher volumes and improved margins. Net gains from financial items amounted to SEK 81 M (62). Commission income declined 4.7% to SEK 731 M (767) due to lower fund commission. Net commission amounted to an expense of SEK –241 M (–200).

Expenses

Operating expenses amounted to SEK 780 M (763), up 2.2%. The cost/income ratio was 0.52 (0.58) before loan losses and 0.54 (0.58) after loan losses.

COST/INCOME RATIO BEFORE LOAN LOSSES



Loan losses

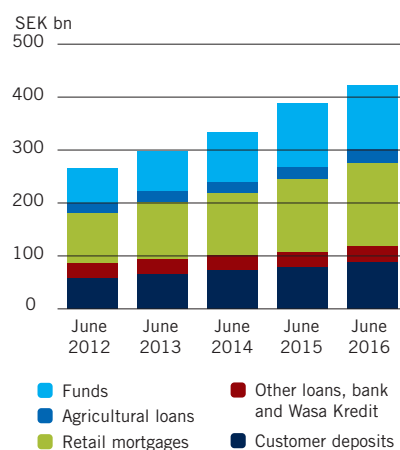
Loan losses amounted to SEK 32 M (0), net, corresponding to loan losses of 0.03% (0.00). No reserves were dissolved according to the settlement model described below during the period. In the year-earlier period, reserves of SEK 40 M were dissolved. Impaired loans, gross, amounted to SEK 264 M (286), corresponding to a percentage of impaired loans, gross, of 0.12% (0.14).

The 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, by off-setting this against a buffer of accrued commission. 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 over two years, of which SEK 23 M remained on 30 June 2016.

Reserves totalled SEK 269 M (312), corresponding to a reserve ratio in relation to loans of 0.12% (0.15). In addition, SEK 101 M (86) of the remuneration to the regional insurance companies, attributable to companies' credit-risk commitments, is withheld, in accordance with the settlement model described above. The reserve ratio in relation to loans, including the held remuneration to the regional insurance companies, was 0.17% (0.20). For more information regarding loan losses, reserves and impaired loans, see notes 7 and 8.

BUSINESS VOLUMES



*) Business volumes comprise the total volume of internally and externally managed funds, agricultural loans, mortgages and other loans in Länsförsäkringar Bank and Wasa Kredit and deposits from the public.

Deposits and savings

Deposits from the public increased 11.9%, or SEK 9.3 billion, to SEK 87.6 billion (78.3). Deposits have increased 4.4% or SEK 3.7 billion since year-end. Deposits from small businesses** amounted to SEK 10.8 billion (9.9). The number of deposit accounts increased 8.0%. On 31 May 2016, the market share for deposits

amounted to 4.7% (4.6) according to Statistics Sweden. Fund volumes increased SEK 1.2 billion to SEK 121.8 billion (120.6).

Loans

All loans are granted in Sweden and in SEK and have a well-diversified geographic distribution. Loans to the public rose 11.4%, or SEK 21.8 billion, to SEK 213.0 billion (191.2), and the increase since year-end was 5.4% or SEK 11 billion. The credit quality of lending remained high.

On 31 May 2016, the market share of household lending had strengthened to 5.6% (5.3) according to Statistics Sweden. Retail mortgages in Länsförsäkringar Hypotek rose 15.0%, or SEK 20.6 billion, to SEK 157.6 billion (137.0), representing 74% of the Bank Group's total lending. On 31 May 2016, the market share of retail mortgages had strengthened to 5.6% (5.3) according to Statistics Sweden. Agricultural lending increased 5% to SEK 24.7 billion (23.4). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2.3 M on 30 June 2016. First-lien mortgages for agricultural properties, which accounted for the entire increase in agricultural loans, increased to SEK 22.6 billion (21.1), corresponding to 91% (90). Agricultural lending is continuing to grow at a lower rate than other loans. Loans to small businesses** totalled SEK 1.5 billion (1.5) on 30 June 2016.

***) Refers to companies with basic needs (loans, savings and payments)

LOAN PORTFOLIO

Distribution in %

Lending segment	30 Jun 2016	31 Mar 2016
Retail mortgages	73,9	71,7
Agriculture	11,6	12,2
Multi-family housing	3,7	4,0
Industrial and office properties	-	0,4
Total	89,2	88,3
Leasing	3,0	3,3
Hire purchase	3,3	3,2
Total	95,5	94,8
Unsecured loans	3,6	4,0
Other	0,5	1,2
Total	100	100

VOLUME OF RETAIL MORTGAGES IN BANK GROUP BY LOAN-TO-VALUE RATIO INTERVAL (LTV)

Capital receivable Loan-to-value ratio, %	Total	
	Volume	Total, %
0-50%	120,698	76.9
51-60%	16,593	10.6
61-70%	12,112	7.7
71-75%	3,813	2.4
75%+	3,727	2.4
Total	156,942	100.0

*) 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. The bank continuously issues covered bonds and senior unsecured bonds to refinance loans due for payment and financing new loans. Debt securities in issue increased 11%, or SEK 14.1 billion, to a nominal SEK 145.7 billion (131.6), of which covered bonds amounted to SEK 115.1 billion (98.5), senior long-term funding to SEK 28.6 billion (29.1) and short-term funding to SEK 2.0 billion (2.2). The average remaining term for the long-term funding was 3.5 years (3.4) on 30 June 2016. In April, Länsförsäkringar Bank issued a subordinated loan (LT2) in SEK for a nominal amount of SEK 1.5 billion, and Länsförsäkringar Hypotek issued a seven-year Euro benchmark covered bond for a nominal amount of EUR 500 M. Both transactions were met with high demand and were well received on the market.

Covered bonds were issued during the period at a volume corresponding to a nominal SEK 18.7 billion (17.1), with repurchased covered bonds amounting to a nominal SEK 2.6 billion (2.2) and matured covered bonds to a nominal SEK 8.0 billion (15.0). Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 4.2 billion (10.8) during the period.

Liquidity

On 30 June 2016, the liquidity reserve amounted to SEK 44.9 billion (38.4), 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 for more than

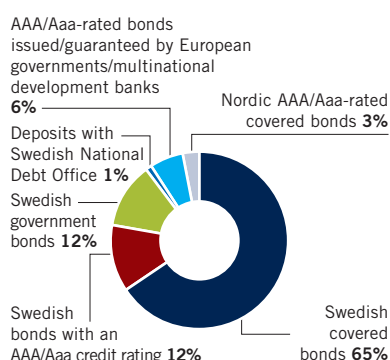
two years can be met without needing to secure new funding in the capital market.

The Group's Liquidity Coverage Ratio (LCR), according to the Swedish Financial Supervisory Authority's definition, amounted to 198% (191) at 30 June 2016.

The Net Stable Funding Ratio (NSFR) for the consolidated situation amounted to 115% (115)** on 30 June 2016.

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

LIQUIDITY RESERVE



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.

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 ¹⁾	Standard & Poor's	AAA/Stable	-
Länsförsäkringar Hypotek ¹⁾	Moody's	Aaa	-

¹⁾ Pertains to the company's covered bonds

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 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 consolidated situation. The bank's appeal of the Swedish

Financial Supervisory Authority's decision dated 6 June 2015 to not grant an exemption from the provision on the consolidated situation under the Swedish Special Supervision of Credit Institutions and Investment Firms Act was dismissed by the Administrative Court in June 2016.

Capital ratio

Consolidated situation (SEK M)	30 Jun 2016	31 Mar 2016
IRB Approach	30,728	30,878
retail exposures	23,481	23,544
exposures to corporates	7,248	7,334
Standardised Approach	15,324	14,551
Operational risks	10,717	10,717
Total REA	58,952	58,132
Common Equity Tier 1 capital	11,955	11,829
Tier 1 capital	13,155	13,029
Total capital	15,746	15,325
Common Equity Tier 1 capital ratio	20.3%	20.3%
Tier 1 ratio	22.3%	22.4%
Total capital ratio	26.7%	26.4%

Total REA in the consolidated situation on 30 June 2016 amounted to SEK 58,952 M (58,132). In the second quarter, REA attributable to lending increased only marginally due to volume growth being counterbalanced by improved credit quality. In Pillar II, the risk weight floor for mortgages of 25% entailed a capital requirement of SEK 3,893 M (3,471).

Common Equity Tier 1 capital in the second quarter was strengthened through profit generated in the Bank Group and the Common Equity Tier 1 capital ratio amounted to 20.3% (20.3).

During the period, Länsförsäkringar Bank AB issued a subordinated loan in SEK in a nominal amount of SEK 1.5 billion that replaced the previous subordinated loan of SEK 1.2 billion. This subordinated loan is included as Tier 2 capital in own funds.

This countercyclical capital buffer (1.5% of REA) amounted to SEK 884 M. This capital conservation buffer that is to correspond to 2.5% of REA amounted to SEK 1,474 M on 30 June 2016.

The leverage ratio on 30 June 2016 amounted to 4.6% (4.8)*.

*) 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.

¹⁾The comparative period pertains to 31 March 2016.

Capital ratio, Bank Group

Bank Group (SEK M)	31 Jun 2016	31 Mar 2016
IRB Approach	30,728	30,878
retail exposures	23,481	23,544
exposures to corporates	7,248	7,334
Standardised Approach	7,534	7,082
Operational risks	3,903	3,903
Total REA	44,345	43,846
Common Equity Tier 1 capital	10,514	10,286
Tier 1 capital	11,714	11,486
Total capital	14,306	13,783
Common Equity Tier 1 capital ratio	23.7%	23.5%
Tier 1 ratio	26.4%	26.2%
Total capital ratio	32.3%	31.4%

For more information on the calculation of capital adequacy, see note 12.

Internally assessed capital requirement and buffer

The internally assessed capital requirement for the consolidated situation on 30 June 2016 amounted to SEK 5,697 M. In addition to this, there is the capital requirement for the risk weight floor for Swedish mortgages, the capital conservation buffer and the countercyclical capital buffer. The capital meeting the internal capital requirement including buffer, meaning own funds, amounted to SEK 15,746 M. 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.

For the Bank Group, the internally assessed capital requirement amounted to SEK 4,396 M and the capital base to SEK 14,306 M.

Interest-rate risk

On 30 June 2016, an increase in market interest rates of 1 percentage point would have decreased the value of interest-bearing assets and liabilities, including derivatives, by SEK 35 M (decrease: 1).

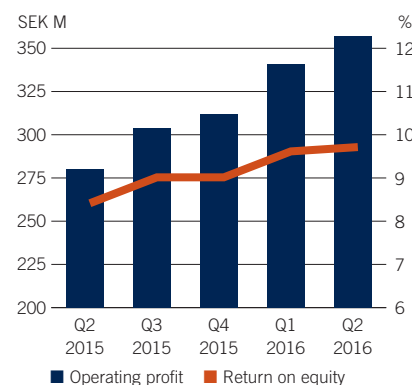
Risks and uncertainties

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 2015 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

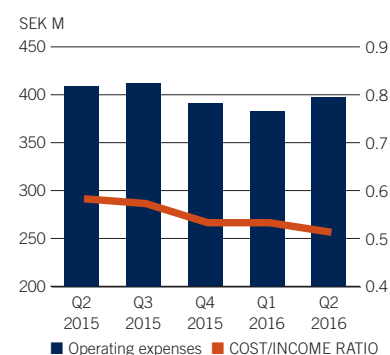
SECOND QUARTER OF 2016 COMPARED WITH FIRST QUARTER OF 2016 Operating profit rose 4.7%, or SEK 16 billion, to SEK 357 billion (341). Return on equity amounted to 9.8% (9.7). Operating income increased 3.0% to SEK 766 M (744). Net interest income increased 4.7% to SEK 826 M (789) due to improved margins and continued positive volume growth. The investment margin amounted to 1.23% (1.22). Commission income increased 6.5% to SEK 377 M (354), mainly attributable to higher volumes and a positive value growth trend in the fund business. Commission expense amounted to SEK 507 M (465) due to increased administration costs in the fund business and higher remuneration to the regional insurance companies.

Net commission amounted to an expense of SEK -129 M (-111). Net gains from financial items amounted to SEK 40 M (40) due to the positive effects of changes in fair value. Operating expenses increased 3.9% to SEK 398 M (383). The cost/income ratio before loan losses was 0.52 (0.51). Loan losses amounted to SEK 12 M (20), net.

OPERATING PROFIT AND RETURN ON EQUITY



OPERATING EXPENSES



Divestment of holdings in Visa Europe

Visa Inc. announced in November 2015 that it intended to acquire Visa Europe Limited. The deal is conditional on obtaining approval from the relevant authorities and is expected to be completed in the third quarter of 2016. In its capacity as member of Visa Sweden Ekonomisk Förening (an economic association), Länsförsäkringar Bank has an indirect part-ownership in Visa Europe, which means that when the deal is completed Länsförsäkringar Bank will receive a portion of the purchase consideration in the form of cash funds and preference shares, and may also receive additional purchase consideration on the condition that certain targets are met. It is currently difficult to assess the total effect of the transaction for Länsförsäkringar Bank since a number of uncertainties remain. Länsförsäkringar Bank will recognise any gains from the deal when all factors have been clarified.

Events after the end of the period

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

January-June 2016 compared with January-June 2015

Loans to the public amounted to SEK 38.4 billion (38.9). Deposits from the public increased 12.1%, or SEK 9.5 billion, to SEK 87.9 billion (78.4). Debt securities in issue rose SEK 0.2 billion to SEK 29.6 billion (29.4).

Operating profit increased to SEK 139 M (136), attributable to a higher operating income and lower loan losses. Net interest income increased 16.6% to SEK 520 M (446). Operating income rose 16.2% to SEK 580 M (499) as a result of higher net interest income. Commission income increased 2.2% to SEK 186 M (182), mainly due to higher income in the card and securities businesses. Commission expense amounted to SEK 203 M (209). Operating expenses increased 6.8% to SEK 423 M (396), primarily as a result of investments in digitisation.

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, 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. No reserves were dissolved during the period. In the year-earlier period, reserves of SEK 35 M were dissolved. Loan losses amounted to SEK 17 M (-33), net, corresponding to a loan loss of 0.09% (-0.13).

LÄNSFÖRSÄKRINGAR HYPOTEK

January-June 2016 compared with January-June 2015

Retail mortgages in Länsförsäkringar Hypotek rose 15.0%, or SEK 20.6 billion, to SEK 157.6 billion (137.0). 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 55.9% to SEK 343 M (220) as a result of higher net interest income. Net interest income increased 21.3% to SEK 763 M (629). Operating expenses increased 4.2% to SEK 50 M (48).

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, 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. No reversals were made during the period. In the year-earlier period, reserves of SEK 5 M were dissolved. Loan losses amounted to SEK -1 M (-6), net, corresponding to loan losses of 0.00% (-0.01). The number of retail mortgage customers increased 7.2% to 224,000 (209,000).

SEK M	30 Jun 2016	30 Jun 2015
Total assets	178,138	155,646
Lending volume	157,625	137,046
Net interest income	763	629
Operating profit	179	343

WASA KREDIT

January-June 2016 compared with January-June 2015

Lending volumes increased 11% to SEK 17.0 billion (15.3). Operating profit rose 15% to SEK 179 M (156). The increase was primarily attributable to lower loan losses. Net interest income remained largely unchanged at SEK 332 M (335). Operating expenses amounted to SEK 212 M (212) and loan losses to SEK 16 M (40), net.

SEK M	30 Jun 2016	30 Jun 2015
Total assets	17,607	15,698
Lending volume	16,970	15,250
Net interest income	332	335
Operating profit	179	156

LÄNSFÖRSÄKRINGAR FOND FÖRVALTNING

January-June 2016 compared with January-June 2015

Fund volumes increased SEK 1.2 billion, to SEK 121.8 billion (120.6). The fund offering includes 38 mutual funds under Länsförsäkringar's own brand with various investment orientations and fund markets with external funds. Funds managed under Länsförsäkringar's own brand amounted to SEK 110.6 billion (110.0). Operating profit amounted to SEK 36 M (48).

SEK M	30 Jun 2016	30 Jun 2015
Total assets	472	389
Fund volume	121,797	120,612
Net flow	2,697	5,017
Net commission	189	208
Operating profit	36	48

INCOME STATEMENT – GROUP

SEK M	Note	Q 2 2016	Q 1 2016	Change	Q 2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full-Year 2015
Interest income	3	983.8	970.0	1%	1,034.7	-5%	1,953.9	2,138.0	-9%	4,130.0
Interest expense	3	-157.8	-181.4	-13%	-309.0	-49%	-339.2	-727.0	-53%	-1,135.7
Net interest income		826.1	788.7	5%	725.7	14%	1,614.8	1,411.0	14%	2,994.3
Dividends received		0.0	0.0		0.0		0.0	-		0.1
Commission income	4	377.4	353.9	7%	395.0	-4%	731.3	767.3	-5%	1,522.2
Commission expense	5	-506.6	-465.4	9%	-515.0	-2%	-972.1	-967.7		-1,963.1
Net gains / losses from financial items	6	41.1	40.2	2%	61.3	-33%	81.3	61.9	31%	96.6
Other operating income		28.3	26.3	8%	21.4	32%	54.6	50.1	9%	97.2
Total operating income		766.3	743.7	3%	688.4	11%	1,509.9	1,322.6	14%	2,747.3
Staff costs		-125.9	-122.7	3%	-123.3	2%	-248.6	-241.9	3%	-462.0
Other administration expenses		-252.0	-241.6	4%	-237.3	6%	-493.6	-456.3	8%	-980.2
Total administration expenses		-377.8	-364.3	4%	-360.6	5%	-742.1	-698.2	6%	-1,442.2
Depreciation / amortisation and impairment of property and equipment / intangible assets		-19.7	-18.4	7%	-48.1	-59%	-38.1	-65.2	-42%	-124.1
Total operating expenses		-397.5	-382.7	4%	-408.7	-3%	-780.2	-763.4	2%	-1,566.3
Profit before loan losses		368.8	361.1	2%	279.7	32%	729.7	559.2	30%	1,181.0
Loan losses, net	7	-12.3	-20.2	-39%	0.1		-32.5	-0.1		-6.1
Operating profit		356.4	340.9	5%	279.8	27%	697.2	559.1	25%	1,174.9
Tax		-75.2	-75.0		-61.6	22%	-150.2	-110.0	37%	-263.8
Profit for the period		281.3	265.9	6%	218.2	29%	547.1	449.1	22%	911.1

STATEMENT OF COMPREHENSIVE INCOME – GROUP

SEK M	Q 2 2016	Q 1 2016	Change	Q 2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full-Year 2015
Profit for the period	281.3	265.9	6%	218.2	29%	547.1	449.1	22%	911.1
Other comprehensive income									
Items that cannot be transferred to the income statement									
Revaluation of defined-benefit pension plans	-	-		-		-	-		0.1
Tax attributable to items that can not be reversed to the income statement	-	-		-		-	-		-
Items that may subsequently be reclassified to the income statement									
Cash-flow hedges	-64.8	74.8		59.6		10.0	86.0	-88%	34.7
Change in fair value of available-for-sale financial assets	38.3	17.0		-124.6		55.3	-161.3		-194.3
Tax attributable to items that have been transferred or can be transferred to profit for the period	5.8	-20.2		14.3	-59%	-14.4	16.6		35.1
Other comprehensive income for the period, net after tax	-20.7	71.6		-50.7	-59%	51.0	-58.7		-124.4
Total comprehensive income for the period	260.6	337.5	-23%	167.5	56%	598.1	390.4	53%	786.7

BALANCE SHEET – GROUP

SEK M	Note	30 Jun 2016	31 Dec 2015	30 Jun 2015
Assets				
Cash and balances with central banks		27.0	21.5	40.1
Treasury bills and other eligible bills		7,579.9	8,824.0	6,334.1
Loans to credit institutions		3,451.5	502.7	12,266.2
Loans to the public	8	213,028.7	201,964.4	191,224.8
Bonds and other interest-bearing securities		36,698.7	31,991.3	30,525.1
Shares and participations		22.8	15.5	15.5
Derivatives	9	6,550.1	4,414.4	5,373.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,051.3	815.3	1,006.6
Intangible assets		368.9	306.2	305.5
Property and equipment		9.1	9.6	10.3
Deferred tax assets		6.0	6.0	8.8
Other assets		462.5	512.5	415.0
Prepaid expenses and accrued income		1,302.7	1,696.1	1,383.2
Total assets		270,559.2	251,079.5	248,908.5
Liabilities and equity				
Due to credit institutions		7,534.8	2,954.2	15,448.0
Deposits and borrowing from the public		87,602.0	83,924.8	78,257.7
Debt securities in issue		149,054.2	139,882.1	131,586.1
Derivatives	9	2,282.1	2,394.2	2,463.0
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		4,768.3	2,899.4	3,066.7
Deferred tax liabilities		295.3	296.0	214.2
Other liabilities		616.0	695.4	732.5
Accrued expenses and deferred income		3,162.8	3,666.4	3,149.6
Provisions		11.0	10.6	12.0
Subordinated liabilities		2,595.0	2,299.7	2,300.0
Total liabilities		257,921.4	239,022.6	237,229.8
Equity				
Share capital, 9,548,708 shares		954.9	954.9	954.9
Other capital contributed		7,442.5	7,442.5	7,442.5
Reserves		110.2	59.2	124.9
Additional Tier 1 instruments		1,200.0	1,200.0	1,200.0
Retained earnings		2,383.2	1,489.2	1,507.3
Profit for the period		547.1	911.1	449.1
Total equity		12,637.8	12,056.9	11,678.7
Total liabilities and equity		270,559.2	251,079.5	248,908.5
Pledged assets, contingent liabilities and commitments	10			
Other notes				
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CASH-FLOW STATEMENT IN SUMMARY, INDIRECT METHOD – GROUP

SEK M	Jan-Jun 2016	Jan-Jun 2015
Cash and cash equivalents, 1 January	141.4	1,243.6
Cash flow from operating activities	-228.8	6,414.3
Cash flow from investing activities	-107.6	-64.9
Cash flow from financing activities	295.3	500.0
Cash flow for the period	-41.1	6,849.4
Cash and cash equivalents, 30 June	100.3	8,093.0

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

Changes to the cash flow from operating activities are largely attributable to Loans to the public SEK -11,077.5 M (-12,948.8), Debt securities issued SEK 8,503.4 M (3,010.9), Due to credit institutions SEK 4,580.6 M (12,005.1) and Bonds and other interest-bearing securities SEK -4,560.7 M (4,812.6)

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 2015	954.9	6,942.5	-	138.1	46.9	-1.4	804.1	711.9	9,597.0
Profit for the period								449.1	449.1
Other comprehensive income for the period				-125.8	67.1				-58.7
<i>Comprehensive income for the period</i>				<i>-125.8</i>	<i>67.1</i>			<i>449.1</i>	<i>390.4</i>
According to Board's proposal for resolution by Annual General Meeting							711.9	-711.9	-
Conditional shareholders' contribution received		500.0							500.0
Issued Additional Tier 1 instruments			1,200.0				-8.7		1,191.3
Closing balance, 30 June 2015	954.9	7,442.5	1,200.0	12.3	114.0	-1.4	1,507.3	449.1	11,678.7
Opening balance, 1 July 2015	954.9	7,442.5	1,200.0	12.3	114.0	-1.4	1,507.3	449.1	11,678.7
Profit for the period								462.0	462.0
Other comprehensive income for the period				-25.8	-40.0	0.1			-65.7
<i>Comprehensive income for the period</i>				<i>-25.8</i>	<i>-40.0</i>	<i>0.1</i>		<i>462.0</i>	<i>396.3</i>
Issued Additional Tier 1 instruments							-18.1		-18.1
Closing balance, 31 December 2015	954.9	7,442.5	1,200.0	-13.5	74.0	-1.3	1,489.2	911.1	12,056.9
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								547.1	547.1
Other comprehensive income for the period				43.2	7.8				51.0
<i>Comprehensive income for the period</i>				<i>43.2</i>	<i>7.8</i>			<i>547.1</i>	<i>598.1</i>
According to Board's proposal for resolution by Annual General Meeting							911.1	-911.1	-
Issued Additional Tier 1 instruments							-17.1		-17.1
Closing balance, 30 June 2016	954.9	7,442.5	1,200.0	29.7	81.8	-1.3	2,383.2	547.1	12,637.8

NOTES – GROUP

NOTE 1 ACCOUNTING POLICIES

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

New IFRS and interpretations that have not yet been applied

IFRS 9 Financial Instruments will take effect on 1 January 2018. The standard contains new requirements for recognition of financial instruments, an expected loss impairment model and requirements for hedge accounting. The bank is working to analyse the financial effects of the new standard in more detail.

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 financial statements, capital adequacy or major exposures.

IFRS 16 Leases will 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.

Changes that have impacted the financial statements in 2016

The European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures came into effect on 3 July 2016. In accordance with these guidelines, disclosures on financial performance measures that are not defined by IFRS have been expanded. Majority of key figures are defined in the 2015 Annual Report. The key figures that are not found in the annual report are defined in the current annual report where the key figure mentioned.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2015 Annual Report.

NOTE 2 SEGMENT REPORTING

Income statement, Jan-Jun 2016, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	520.2	762.9	331.6	0.0	0.0	1,614.8
Dividends received	0.0	0.0	0.0	0.0	0.0	0.0
Net commission	-17.6	-432.8	24.1	185.6	0.0	-240.8
Net gain / loss from financial items	20.1	61.2	0.0	0.0	0.0	81.3
Intra-Group income	53.7	0.0	0.6	0.0	-54.3	0.0
Other income	3.7	0.1	50.8	0.0	0.0	54.6
Total operating income	580.1	391.4	407.1	185.6	-54.3	1,509.9
Intra-Group expenses	4.3	-38.8	-5.2	-14.6	54.3	0.0
Other administration expenses	-395.1	-10.8	-201.8	-134.4	0.0	-742.1
Depreciation / amortisation and impairment	-32.6	-0.1	-5.2	-0.2	0.0	-38.1
Total operating expenses	-423.4	-49.7	-212.2	-149.2	54.3	-780.2
Profit before loan losses	156.7	341.8	194.9	36.4	0.0	729.7
Loan losses, net	-17.4	1.2	-16.3	0.0	0.0	-32.5
Operating profit / loss	139.3	343.0	178.6	36.4	0.0	697.2

Balance sheet, 30 June 2016

Total assets	144,338.9	178,137.8	17,606.5	471.9	-69,995.9	270,559.2
Liabilities	134,094.7	170,314.2	15,752.1	157.4	-62,397.0	257,921.4
Equity	10,244.2	7,823.6	1,854.4	314.5	-7,598.9	12,637.8
Total liabilities and equity	144,338.9	178,137.8	17,606.5	471.9	-69,995.9	270,559.2

Income statement, Jan-Jun 2015, SEK M

Net interest income	445.7	629.3	336.1	-0.1	0.0	1,411.0
Dividends received	0.0	0.0	0.0	0.0	0.0	0.0
Net commission	-26.6	-404.9	22.8	208.3	0.0	-200.4
Net gain / loss from financial items	25.0	36.9	0.0	0.0	0.0	61.9
Intra-Group income	52.1	0.0	0.5	0.1	-52.7	0.0
Other income	2.6	0.0	47.5	0.0	0.0	50.1
Total operating income	498.8	261.3	406.9	208.3	-52.7	1,322.6
Intra-Group expenses	3.6	-37.6	-5.0	-13.7	52.7	0.0
Other administration expenses	-343.0	-10.0	-198.7	-146.7	0.2	-698.2
Depreciation / amortisation and impairment	-56.9	-0.1	-8.0	-0.2	0.0	-65.2
Total operating expenses	-396.3	-47.7	-211.7	-160.6	52.9	-763.4
Profit / loss before loan losses	102.5	213.6	195.2	47.7	0.2	559.2
Loan losses, net	33.2	6.3	-39.6	0.0	0.0	-0.1
Operating profit / loss	135.7	219.9	155.6	47.7	0.2	559.1

Balance sheet, 30 June 2015

Total assets	141,527.5	155,646.2	15,698.5	389.0	-64,352.7	248,908.5
Liabilities	131,425.7	148,875.9	14,130.7	151.2	-57,353.7	237,229.8
Equity	10,101.8	6,770.3	1,567.8	237.8	-6,999.0	11,678.7
Total liabilities and equity	141,527.5	155,646.2	15,698.5	389.0	-64,352.7	248,908.5

NOTE 3 NET INTEREST INCOME

Mkr	Q 2 2016	Q 1 2016	Change	Q 2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full-Year 2015
Interest income									
Loans to credit institutions	-0.7 ¹	2.7	-74%	7.3		-3.4 ¹	7.8		3.3
Loans to the public	1,214.3	1,211.1		1,245.9	-3%	2,425.4	2,511.9	-3%	4,978.4
Interest-bearing securities	90.6 ¹	92.6 ¹	-2%	116.6	-22%	183.2 ¹	253.4	-28%	464.3
Derivatives	-320.3	-331.0	-3%	-335.2	-4%	-651.2	-635.0	3%	-1,316.1
Other interest income	-0.1	0.0		0.1		0.0	0.0		0.1
Total interest income	983.8	970.0	1%	1,034.7	-5%	1,953.9	2,138.0	-9%	4,130.0
Interest expense									
Due to credit institutions	4.5 ¹	3.6	25%	-6.2		8.1 ¹	-6.4		-1.4
Deposits and borrowing from the public	-47.6	-53.4	-11%	-78.3	-39%	-101.0	-178.2	-43%	-308.6
Debt securities in issue	-498.6 ¹	-536.2 ¹	-7%	-589.1	-15%	-1,034.8 ¹	-1,255.4	-18%	-2,347.2
Subordinated liabilities	-24.8	-18.9	31%	-20.4	22%	-43.7	-41.8	5%	-80.6
Derivatives	438.8	467.7	-6%	418.6	5%	906.5	820.6	10%	1,728.8
Other interest expense, including government deposit insurance	-30.0	-44.2	-32%	-33.6	-11%	-74.3	-65.8	13%	-126.7
Total interest expense	-157.8	-181.4	-13%	-309.0	-49%	-339.2	-727.0	-53%	-1,135.7
Total net interest income	826.1	788.7	5%	725.7	14%	1,614.8	1,411.0	14%	2,994.3
Interest income on impaired loans	2.3	8.8		3.1		11.2	9.0		17.2
Average interest rate on loans to the public during the period, including net leasing, %	2.3	2.4		2.7		2.3	2.7		2.6
Average interest rate on deposits from the public during the period, %	0.2	0.3		0.4		0.2	0.5		0.4

¹ Of which negative interest on Loans to credit institutions of SEK -10.2 M, Interest-bearing securities of SEK -12.6 M and Due to credit institutions of SEK 15.7 M and Debts securities in issue of SEK 2.1 M.

Derivative interest rates were reclassified in the second quarter. This change means that derivative interest rates on derivative instruments that commercially hedge interest-bearing assets are classified as interest income, while derivative interest rates that commercially hedge interest-bearing liabilities are classified in the item interest expense. Comparative figures have been restated.

NOTE 4 COMMISSION INCOME

SEK M	Q 2 2016	Q 1 2016	Change	Q 2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full-Year 2015
Payment mediation	23.9	18.0	33%	17.5	37%	41.9	35.8	17%	73.4
Loans	29.9	27.6	9%	28.4	5%	57.5	54.6	5%	112.3
Deposits	2.4	3.8	-38%	2.6	-8%	6.2	6.1	2%	11.9
Securities	278.4	266.6	4%	305.2	-9%	545.0	593.0	-8%	1,159.8
Cards	42.4	37.4	13%	40.8	4%	79.8	76.9	4%	163.0
Other commission	0.0	0.5		0.5		0.5	0.9		1.8
Total commission income	377.4	353.9	7%	395.0	-4%	731.3	767.3	-5%	1,522.2

NOTE 5 COMMISSION EXPENSE

SEK M	Q 2 2016	Q 1 2016	Change	Q 2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full-Year 2015
Payment mediation	-23.4	-22.5	4%	-21.6	8%	-45.9	-44.9	2%	-88.1
Securities	-145.8	-147.8	-1%	-158.9	-8%	-293.6	-307.9	-5%	-612.6
Cards	-24.0	-22.6	6%	-24.7	-3%	-46.7	-47.1	-1%	-93.9
Remuneration to regional insurance companies	-310.9	-269.8	15%	-307.4	1%	-580.7	-563.3	3%	-1,159.3
Other commission	-2.6	-2.7	-3%	-2.4	4%	-5.2	-4.5	16%	-9.2
Total commission expense	-506.7	-465.4	9%	-515.0	-2%	-972.1	-967.7		-1,963.1

NOTE 6 NET GAINS / LOSSES FROM FINANCIAL ITEMS

SEK M	Q 2 2016	Q 1 2016	Change	Q 2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full-Year 2015
Interest-bearing assets and liabilities and related derivatives	26.6	30.0	-11%	37.6	-29%	56.6	23.9		30.6
Other financial assets and liabilities	0.4	0.0		0.5	-20%	0.4	0.8	-50%	0.5
Interest compensation	14.1	10.2	38%	23.2	-39%	24.3	37.2	-35%	65.5
Total net gains / losses from financial items	41.1	40.2	2%	61.3	-33%	81.3	61.9	31%	96.6

NOTE 7 LOAN LOSSES AND IMPAIRED LOANS

Net loan losses, SEK M	Q 2 2016	Q 1 2016	Change	Q 2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full-Year 2015
Specific reserve for individually assessed loan receivables									
Write-off confirmed loan losses during the year	-44.3	-17.9		-31.5	41%	-62.3	-55.5	12%	-111.4
Reversed earlier impairment of loan losses recognised as confirmed losses	43.2	18.2		30.7	41%	61.3	55.2	11%	111.1
Impairment of loan losses during the year	-16.5	-27.0	-39%	-34.6	-52%	-43.6	-72.2	-40%	-121.5
Payment received for prior confirmed loan losses	2.1	16.2	-87%	13.0	-84%	18.3	22.9	-20%	41.4
Reversed impairment of loan losses no longer required	5.4	1.8		24.4	-78%	7.2	49.7	-86%	66.6
Net expense for the year for individually assessed loan receivables	-10.2	-8.8	15%	2.0		-19.0	0.0		-13.8
Collective assessed homogenous groups of loan receivables with limited value and similar credit risk									
Provision/reversal of impairment of loan losses	-2.2	-11.4	-81%	-1.9	16%	-13.6	-0.2		7.5
Net expense for the year for collectively loan receivables	-2.2	-11.4	-81%	-1.9	16%	-13.6	-0.2		7.5
Net expense for the year for fulfillment of guarantees	0.1	0.0	76%	0.0		0.1	0.0		0.2
Net expense of loan losses for the year	-12.3	-20.2	-39%	0.1		-32.5	-0.1		-6.1
All information pertains to receivables from the public									
Reserve ratios									
Total impaired loans reserve ratio, %	101.8	120.1		108.9		101.8	110.0		116.3
Impaired loans reserve ratio excluding collective impairments, %	67.2	84.2		80.7		67.2	81.5		83.9

Impaired loans, SEK M	30 Jun 2016				31 Dec 2015				30 Jun 2015			
	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net
Corporate sector	76.6	-66.0	-18.1	-7.5	73.7	-82.0	-16.5	-24.9	93.1	-98.2	-20.5	-25.6
Retail sector	187.7	-111.5	-73.6	2.7	167.5	-120.4	-61.6	-14.5	193.3	-132.9	-60.3	0.1
of which private individuals	149.6	-97.1	-43.1	9.4	132.2	-107.3	-45.1	-20.2	139.4	-118.6	-47.8	-27.0
Total	264.3	-177.5	-91.7	-4.9	241.1	-202.4	-78.1	-39.4	286.4	-231.1	-80.8	-25.5

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 an off-set against accrued commissions. 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. On 30 June 2016, SEK 23.3 M remained to be reversed for the Bank Group.

NOTE 8 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	30 Jun 2016	31 Dec 2015	30 Jun 2015
Loan to the public before reservations			
Public sector	520.7	1,520.1	1,661.0
Corporate sector	17,020.5	16,662.8	16,476.1
Retail sector	195,756.5	184,062.0	173,398.9
Other	0.2	0.0	0.7
Total	213,297.9	202,244.9	191,536.7
Reserves	-269.2	-280.5	-311.9
Loans to the public	213,028.7	201,964.4	191,224.8
Remaining term of not more than 3 months	140,682.1	128,457.5	122,475.5
Remaining term of more than 3 months but not more than 1 year	15,558.8	18,766.6	17,792.3
Remaining term of more than 1 year but not more than 5 years	54,673.7	52,570.3	48,963.7
Remaining term of more than 5 years.	2,114.1	2,170.0	1,993.3
Total	213,028.7	201,964.4	191,224.8

Definition

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

NOTE 9 DERIVATIVES

SEK M	30 Jun 2016		31 Dec 2015		30 Jun 2015	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
<i>Derivatives in hedge accounting</i>						
Interest-related	97,419.0	3,418.9	82,801.0	2,364.6	86,850.0	2,752.9
Currency-related	26,005.5	3,116.5	15,182.2	2,049.0	17,897.4	2,613.4
<i>Other derivatives</i>						
Currency-related	657.8	14.7	41.1	0.8	365.7	7.0
Total derivatives with positive values	124,082.3	6,550.1	98,024.3	4,414.4	105,113.1	5,373.3
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	92,319.0	1,771.2	100,574.0	1,610.4	93,381.0	1,920.6
Currency-related	5,542.0	490.9	11,673.7	777.6	10,548.9	542.4
<i>Other derivatives</i>						
Currency-related	876.7	20.0	803.2	6.2	-	-
Total derivatives with negative values	98,737.7	2,282.1	113,050.9	2,394.2	103,929.9	2,463.0

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 10 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	30 Jun 2016	31 Dec 2015	30 Jun 2015
For own liabilities, pledged assets			
Pledged securities in the Riksbank	2,500.0	2,500.0	2,500.0
Pledged securities in Euroclear	2,000.0	2,000.0	2,000.0
Collateral provided for derivatives	31.9	18.8	10.0
Loan receivables, covered bonds	148,016.2	137,484.4	127,429.5
Loan receivables, substitute collateral	9,175.0	8,775.0	9,125.0
Commitments resulting from repurchase transactions	3,152.0	104.7	9,727.7
Other collateral for securities	20.0	20.0	5.0
Total for own liabilities, pledged assets	164,895.0	150,902.9	150,797.2
Other pledged assets	None	None	None
Contingent liabilities			
Guarantees	31.9	27.6	26.4
Conditional shareholders' contribution	5,290.0	5,290.0	5,290.0
Early retirement at age 62 in accordance with pension agreement	6.5	6.1	15.8
Total contingent liabilities	5,328.4	5,323.7	5,332.2
Other commitments			
Loans approved but not disbursed	18,396.3	13,109.9	16,078.2
Unutilised portion of overdraft facilities	2,168.7	2,234.1	2,050.4
Unutilised portion of credit card facilities	1,321.5	1,387.8	1,207.8
Total other commitments	21,886.5	16,731.8	19,336.4

NOTE 11 FAIR VALUE VALUATION TECHNIQUES

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

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

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

Level 3 refers to prices based on own assumptions and judgements

SEK M 30 Jun 2016	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	7,579.9			7,579.9
Bonds and other interest-bearing securities	36,698.7			36,698.7
Shares and participations	0.1	4.9	17.7	22.8
Derivatives		6,550.1		6,550.1
Liabilities				
Derivatives		2,282.1		2,282.1
SEK M 31 Dec 2015				
	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	8,824.0			8,824.0
Bonds and other interest-bearing securities	31,991.3			31,991.3
Shares and participations			15.5	15.5
Derivatives		4,414.4		4,414.4
Liabilities				
Derivatives		2,394.2		2,394.2
SEK M 30 Jun 2015				
	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	6,334.1			6,334.1
Bonds and other interest-bearing securities	30,525.1			30,525.1
Shares and participations			15.5	15.5
Derivatives		5,373.3		5,373.3
Liabilities				
Derivatives		2,463.0		2,463.0

There were no significant transfers between Level 1 and Level 2 during the period. There were no transfers from Level 3 during the period.

NOTE 11 FAIR VALUE VALUATION TECHNIQUES, CONTINUED

Change in level 3 SEK M	Shares and participations
Opening balance, 1 January 2016	15.5
Shareholder contributions	2.2
Closing balance, 30 June 2016	17.7
Change in level 3 SEK M	Shares and participations
Opening balance, 1 January 2015	11.7
Shareholder contributions	3.8
Closing balance, 31 December 2015	15.5
Change in level 3 SEK M	Shares and participations
Opening balance, 1 January 2015	11.7
Shareholder contributions	3.8
Closing balance, 30 June 2015	15.5

SEK M	30 Jun 2016		31 Dec 2015		30 Jun 2015	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Assets						
Cash and balances with central banks	27.0	27.0	21.5	21.5	40.1	40.1
Treasury bills and other eligible bills	7,579.9	7,579.9	8,824.0	8,824.0	6,334.1	6,334.1
Loans to credit institutions	3,451.5	3,451.5	502.7	502.7	12,266.2	12,266.2
Loans to the public	213,028.7	214,191.9	201,964.4	202,784.8	191,224.8	192,567.9
Bonds and other interest-bearing securities	36,698.7	36,698.7	31,991.3	31,991.3	30,525.1	30,525.1
Shares and participations	22.8	22.8	15.5	15.5	15.5	15.5
Derivatives	6,550.1	6,550.1	4,414.4	4,414.4	5,373.3	5,373.3
Other assets	262.4	262.4	186.5	186.5	257.8	257.8
Total assets	267,621.1	268,784.3	247,920.3	248,740.7	246,036.9	247,380.0
Liabilities						
Due to credit institutions	7,534.8	7,534.8	2,954.2	2,954.2	15,448.0	15,448.0
Deposits and borrowing from the public	87,602.0	88,569.3	83,924.8	84,107.1	78,257.7	78,560.8
Debt securities in issue	149,054.2	154,525.1	139,882.1	144,105.8	131,586.1	135,445.0
Derivatives	2,282.1	2,282.1	2,394.2	2,394.2	2,463.0	2,463.0
Other liabilities	140.3	140.3	112.7	112.7	65.6	65.6
Subordinated liabilities	2,595.0	2,637.9	2,299.7	2,362.1	2,300.0	2,389.9
Total liabilities	249,208.4	255,689.5	231,567.7	236,036.1	230,120.4	234,372.3

Shares and participations in Level 3 are initially measured at cost since the shares 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. Shares and participations in Level 2 pertain to unquoted Series B shares in a holding with conversion rights to quoted Series A shares without restrictions. Fair value is determined based on the starting price of Series A shares 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.

The fair value of cash and balances with central banks, other assets, loans to credit institutions, due to credit institutions and other liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

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

The main principle for measuring the fair value of debt securities in issue is that the value is measured at prices from external parties on the accounting date or the most recent trading date. If external prices are not available or are deemed to deviate from market levels, and for measuring the fair value of subordinated liabilities, a standard method or valuation technique based on the estimated or original issue spread has been utilised.

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

NOTE 12 CAPITAL-ADEQUACY

SEK M	Consolidated situation 30 Jun 2016	Consolidated situation 31 Dec 2015	Consolidated situation 30 Jun 2015	Bank Group 30 Jun 2016	Bank Group 31 Dec 2015	Bank Group 30 Jun 2015
Total equity	22,420.6	20,138.4	19,501.3	12,637.8	12,056.9	11,678.7
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	-1.9	-2.1	-2.2	-1.9	-2.1	-2.2
Part of interim profit not verified	-24.1			-		
Intangible assets	-729.9	-533.0	-415.9	-368.9	-306.2	-305.5
Goodwill	-371.6	-371.6	-81.3	-	-	-
Adjustment for cash flow hedge	-61.2	-46.4	-	-81.8	-74.0	-113.9
IRB Provisions deficit (-)/surplus (+)	-418.1	-407.8	-428.4	-418.1	-407.8	-428.4
Adjustment for prudent valuation	-54.1	-48.7	-46.3	-53.1	-47.6	-44.7
Deferred tax assets	-	-	-12.2	-	-	-
Threshold deductions: financial companies	-6,323.4	-6,465.2	-7,586.3	-	-	-
Minority interest	-1,281.6	-	-	-	-	-
Common Equity Tier 1 capital	11,954.7	11,063.7	9,728.7	10,514.0	10,019.3	9,584.0
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	13,154.7	12,263.7	10,928.7	11,714.0	11,219.3	10,784.0
Tier 2 instruments	2,591.7	2,296.8	2,296.8	2,591.7	2,296.8	2,296.8
IRB Provisions deficit (-)/surplus (+)	-	-	-	-	-	-
Tier 2 Capital	2,591.7	2,296.8	2,296.8	2,591.7	2,296.8	2,296.8
Total own funds	15,746.4	14,560.6	13,225.6	14,305.7	13,516.1	13,080.8
Total risk exposure amount to CRD IV	58,952.4	51,724.3	48,999.1	44,345.2	42,239.1	41,593.4
Total requirement CRD IV	4,716.2	4,137.9	3,919.9	3,547.6	3,379.1	3,327.5
Capital requirement for credit risk according to Standardised Approach	1,226.0	945.7	760.9	602.7	538.1	519.6
Capital requirement for credit risk according to IRB Approach	2,458.3	2,425.3	2,393.9	2,458.3	2,425.3	2,393.9
Capital requirement for operational risk	857.4	631.2	631.2	312.2	280.2	280.2
Capital requirement according to credit valuation adjustment	174.6	135.7	133.9	174.4	135.5	133.7
Core Tier 1 ratio according to CRD IV	20.3%	21.4%	19.9%	23.7%	23.7%	23.0%
Tier 1 ratio according to CRD IV	22.3%	23.7%	22.3%	26.4%	26.6%	25.9%
Capital adequacy ratio according to CRD IV	26.7%	28.2%	27.0%	32.3%	32.0%	31.5%
Special disclosures						
IRB Provisions surplus (+) / deficit (-)	-418.1	-407.8	-428.4	-418.1	-407.8	-428.4
- IRB Total provisions (+)	333.8	353.3	357.0	333.8	353.3	357.0
- IRB Anticipated loss (-)	-751.9	-761.0	-785.4	-751.9	-761.0	-785.4
Capital requirement according to Basel I floor	10,745.8	9,847.0	9,334.7	10,419.6	9,678.0	9,281.5
Own funds adjusted according to rules for Basel I floor	16,164.6	14,968.4	13,654.0	14,723.8	13,923.9	13,509.2
Surplus of capital according to Basel I floor	5,418.7	5,121.3	4,319.3	4,304.2	4,245.9	4,227.7

Second quarter 2016 Consolidated situation Minimum capital requirements and buffers	Minimum capital requirement	Capital conservation buffer	Countercyclical buffer	Systemic risk buffer	Total
Core Tier 1 capital	4.5%	2.5%	1.5%	n/a	8.5%
Tier 1 capital	6.0%	2.5%	1.5%	n/a	10.0%
Capital base	8.0%	2.5%	1.5%	n/a	12.0%

SEK M	Minimum capital requirement	Capital conservation buffer	Countercyclical buffer	Systemic risk buffer	Total
Core Tier 1 capital	2,652.8	1,473.8	884.3	n/a	5,010.9
Tier 1 capital	3,537.1	1,473.8	884.3	n/a	5,895.2
Capital base	4,716.2	1,473.8	884.3	n/a	7,074.2
Core tier 1 capital available for use as buffer					15.8%

NOTE,12 CAPITAL-ADEQUACY, CONTINUED

SEK,M	Consolidated,situation 30 Jun 2016		Consolidated,situation 31 Dec 2015		Consolidated,situation 30 Jun 2015		Bank Group 31 Mar 2016		Bank Group 30 Jun 2015		Bank Group 30 Jun 2015	
	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
Credit risk according to Standardised Approach												
Exposures to institutions	71.1	888.6	58.5	731.8	65.4	817.9	66.5	831.7	53.9	674.0	60.0	750.4
Exposures to corporates	128.9	1,610.9	113.5	1,419.3	112.9	1,410.7	125.6	1,570.2	111.3	1,391.6	112.9	1,410.7
Retail exposures	110.3	1,378.2	96.5	1,206.0	82.5	1,031.2	110.3	1,378.2	96.5	1,206.0	82.5	1,031.2
Exposures in default	4.7	58.9	7.7	95.9	7.0	87.9	4.7	58.9	7.7	95.9	7.0	87.9
Covered bonds	255.0	3,187.4	228.2	2,851.9	212.1	2,650.8	247.0	3,088.0	220.2	2,752.0	212.1	2,650.8
Exposures to CIU	-	-	-	-	12.4	155.5	-	-	-	-	-	-
Exposures to equity	358.5	4,481.4	329.7	4,120.8	179.3	2,241.0	2.7	33.2	1.8	22.5	1.8	22.5
Other items	297.5	3,719.0	111.7	1,395.9	89.3	1,116.9	45.9	574.2	46.7	584.1	43.4	541.9
Total capital requirement and risk exposure amount	1,226.0	15,324.4	945.7	11,821.7	760.9	9,511.8	602.7	7,534.3	538.1	6,726.3	519.6	6,495.5
Credit risk according to IRB Approach												
<i>Retail exposures</i>												
Exposures secured by real estate collateral	1,065.1	13,313.4	1,050.6	13,132.2	1,005.3	12,566.3	1,065.1	13,313.4	1,050.6	13,132.2	1,005.3	12,566.3
Other retail exposures	813.4	10,167.3	788.5	9,856.4	791.5	9,893.8	813.4	10,167.3	788.5	9,856.4	791.5	9,893.8
<i>Total retail exposures</i>	<i>1,878.5</i>	<i>23,480.6</i>	<i>1,839.1</i>	<i>22,988.6</i>	<i>1,796.8</i>	<i>22,460.1</i>	<i>1,878.5</i>	<i>23,480.6</i>	<i>1,839.1</i>	<i>22,988.6</i>	<i>1,796.8</i>	<i>22,460.1</i>
Exposures to corporates	579.8	7,247.8	586.2	7,327.9	597.1	7,463.9	579.8	7,247.8	586.2	7,327.9	597.1	7,463.9
Total capital requirement and risk exposure amount	2,458.3	30,728.4	2,425.3	30,316.5	2,393.9	29,924.0	2,458.3	30,728.4	2,425.3	30,316.5	2,393.9	29,924.0
Operational risks												
Standardised Approach	857.4	10,717.4	631.2	7,889.8	631.2	7,889.8	312.2	3,902.5	280.2	3,503.1	280.2	3,503.1
Total capital requirement for operational risk	857.4	10,717.4	631.2	7,889.8	631.2	7,889.8	312.2	3,902.5	280.2	3,503.1	280.2	3,503.1
Total capital requirement for credit valuation adjustments	174.6	2,182.2	135.7	1,696.3	133.9	1,673.4	174.4	2,180.0	135.5	1,693.3	133.7	1,670.8

NOTE 13 DISCLOSURES ON RELATED PARTIES

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

INCOME STATEMENT – PARENT COMPANY

SEK,M	Q 2 2016	Q 1 2016	Change	Q 2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full-Year 2015
Interest income	349.9	356.5		372.5		706.5	790.2		1,549.8
Interest expense	-81.6	-104.6		-149.5		-186.3	-344.5		-568.0
Net interest income	268.2	251.9	6%	223.0	20%	520.2	445.7	17%	981.8
Dividends received	0.0	0.0		0.0		0.0	0.0		0.1
Commission income	99.8	85.8	16%	95.2	5%	185.6	181.9	2%	357.8
Commission expense	-96.2	-106.9	-10%	-103.0	-7%	-203.2	-208.5	-3%	-462.3
Net gain / loss from financial items	10.5	9.6	9%	11.5	-9%	20.1	25.0	-20%	28.3
Other operating income	27.7	29.7	-7%	22.7	22%	57.4	54.7	5%	108.7
Total operating income	310.0	270.1	15%	249.4	24%	580.1	498.8	16%	1,014.4
Staff costs	-49.6	-49.1	1%	-46.8	6%	-98.7	-88.8	11%	-173.8
Other administration expenses	-144.4	-147.8	-2%	-126.7	14%	-292.2	-250.6	17%	-569.0
Total administration expenses	-194.0	-196.9	-1%	-173.5	12%	-390.9	-339.4	15%	-742.8
Depreciation / amortisation and impairment of property and equipment / intangible assets	-16.9	-15.6	8%	-43.9	-62%	-32.6	-56.9	-43%	-102.5
Total operating expenses	-210.9	-212.5	-1%	-217.4	-3%	-423.4	-396.3	7%	-845.3
Profit / loss before loan losses	99.0	57.6	72%	32.0		156.7	102.5	53%	169.1
Loan losses net	-7.2	-10.2	-29%	16.5		-17.4	33.2		41.0
Operating profit / loss	91.8	47.4	93%	48.5	89%	139.3	135.7	2%	210.1
Allocation fund	2.9	-		-		2.9	-		-18.0
Tax	-18.2	-10.4	75%	-10.7	70%	-28.6	-30.1	-5%	-56.2
Profit / loss for the period	76.5	37.0		37.8		113.5	105.6	7%	135.9

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK M	Q 2 2016	Q 1 2016	Change	Q 2 2015	Change	Jan-Jun 2016	Jan-Jun 2015	Change	Full-Year 2015
Profit for the period	76.5	37.0		37.8		113.5	105.6	7%	135.9
Other comprehensive income									
Items that may subsequently be reclassified to the income statement									
Cash-flow hedges	-0.8	3.3		0.0		2.5	0.5		-3.3
Change in fair value from available-for-sale financial assets	36.0	17.4		-81.9		53.5	-106.3		-130.3
Tax attributable to items that are rerouted or can be rerouted as income for the period	-7.7	-4.6	67%	18.0		-12.3	23.3		29.4
Other comprehensive income for the period, net after tax	27.6	16.1	71%	-63.9		43.7	-82.5		-104.2
Total comprehensive income for the period	104.1	53.1	96%	-26.1		157.2	23.1		31.7

BALANCE SHEET – PARENT COMPANY

SEK M	30 Jun 2016	31 Dec 2015	30 Jun 2015
Assets			
Cash and balances with central banks	27.0	21.5	40.1
Treasury bills and other eligible bills	7,579.9	8,824.0	6,334.1
Loans to credit institutions	57,825.5	56,129.9	63,397.0
Loans to the public	38,433.5	38,927.6	38,929.0
Bonds and other interest-bearing securities	26,861.1	22,646.5	20,751.8
Shares and participations	22.8	15.5	15.5
Shares and participations in Group companies	7,599.0	6,999.0	6,999.0
Derivatives	4,406.9	3,029.3	3,574.8
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	161.4	120.4	145.6
Intangible assets	337.4	282.5	274.8
Property and equipment	3.1	3.6	3.0
Deferred tax assets	1.8	1.8	4.2
Other assets	246.9	297.7	182.8
Prepaid expenses and accrued income	832.6	916.5	875.8
Total assets	144,338.9	138,215.8	141,527.5
Liabilities, provisions and equity			
Due to credit institutions	7,427.0	7,020.7	15,656.3
Deposits and borrowing from the public	87,908.7	84,185.4	78,434.0
Debt securities in issue	29,593.5	29,482.3	29,391.4
Derivatives	4,909.5	3,463.7	3,975.0
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	245.3	146.9	140.1
Other liabilities	331.7	264.8	288.1
Accrued expenses and deferred income	1,064.3	1,226.0	1,223.8
Provisions	6.0	5.7	6.7
Subordinated liabilities	2,595.0	2,299.7	2,300.0
Total liabilities and provisions	134,081.0	128,095.2	131,415.4
Untaxed reserves	62.0	64.9	46.9
Equity			
Share capital, 9,548,708 shares	954.9	954.9	954.9
Capitalised proprietary development expenditures	87.1	–	–
Statutory reserve	18.4	18.4	18.4
Additional Tier 1 instruments	1,200.0	1,200.0	1,200.0
Fair value reserves	14.7	–29.0	–7.3
Retained earnings	7,807.2	7,775.5	7,793.6
Profit for the period	113.5	135.9	105.6
Total equity	10,195.8	10,055.7	10,065.2
Total liabilities, provisions and equity	144,338.9	138,215.8	141,527.5
Other 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-Jun 2016	Jan-Jun 2015
Cash and cash equivalents, 1 January	124.1	1,231.7
Cash flow from operating activities	363.3	6,910.2
Cash flow from investing activities	-699.2	-559.8
Cash flow from financing activities	295.3	500.0
Cash flow for the period	-40.6	6,850.5
Cash and cash equivalents, 30 June	83.5	8,082.2

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.

Changes to the cash flow from operating activities are mainly Bonds and other interest-bearing securities SEK -4,097.3 M (2,819.2), Deposits and borrowing from the public SEK 3,706.2 M (1,461.1), Loans to credit institutions SEK -1,742.0 M (-9,130.6) and to Treasury bills and other eligible bills SEK 1,235.1 M (-924.8)). Change to the cash flow from investment activities is attributable to shareholder's contribution submitted SEK -600.0 M (-500.0).

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 2015	954.9		18.4		78.2	-3.0	7,215.9	86.4	8,350.8
Profit for the period								105.6	105.6
Other comprehensive income for the period					-82.9	0.4			-82.5
<i>Comprehensive income for the period</i>					<i>-82.9</i>	<i>0.4</i>		<i>105.6</i>	<i>23.1</i>
According to Board's proposal for resolution by Annual General Meeting							86.4	-86.4	
Issued additional Tier 1 instruments*				1,200.0			-8.7		1,191.3
Conditional shareholders' contribution received							500.0		500.0
Closing balance, 30 June 2015	954.9	-	18.4	1,200.0	-4.7	-2.6	7,793.6	105.6	10,065.2
Opening balance, 1 July 2015	954.9	-	18.4	1,200.0	-4.7	-2.6	7,793.6	105.6	10,065.2
Profit for the period								30.3	30.3
Other comprehensive income for the period					-18.7	-3.0			-21.7
<i>Comprehensive income for the period</i>					<i>-18.7</i>	<i>-3.0</i>		<i>30.3</i>	<i>8.6</i>
Issued additional Tier 1 instruments*							-18.1		-18.1
Conditional shareholders' contribution received									
Closing balance, 31 December 2015	954.9	-	18.4	1,200.0	-23.4	-5.6	7,775.5	135.9	10,055.7
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								113.5	113.5
Other comprehensive income for the period					41.7	2.0			43.7
<i>Comprehensive income for the period</i>					<i>41.7</i>	<i>2.0</i>		<i>113.5</i>	<i>157.2</i>
According to Board's proposal for resolution by Annual General Meeting							135.9	-135.9	
Issued additional Tier 1 instruments*							-17.1		-17.1
Capitalised proprietary development expenditures		87.1					-87.1		
Closing balance, 30 June 2016	954.9	87.1	18.4	1,200.0	18.3	-3.6	7,807.2	113.5	10,195.8

*In June 2015, Länsförsäkringar Bank AB issued an Additional Tier 1 Capital instrument amounting to SEK 1.2 bn. The loan bears an interest rate corresponding to 3 months Stibor + 3.2 base points, is undated and cannot be repurchased until after five years (complete terms and conditions are available on the bank's website).

NOTES – PARENT COMPANY

NOTE 1 ACCOUNTING POLICIES

Länsförsäkringar Bank AB prepared its report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), 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.

Changes that have impacted the financial statements in 2016

New rules are applied in the Swedish Annual Accounts Act from 1 January 2016 that entail that amounts corresponding to capitalised expenses for development work are transferred from non-restricted equity to a Development Expenditures Fund.

The impact on capital adequacy due to new or revised IFRS that have not yet been applied by the Parent Company 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 2015 Annual Report.

NOTE 2 CAPITAL-ADEQUACY

SEK M	30 Jun 2016	31 Dec 2015	30 Jun 2015
Total equity	10,195.8	10,055.7	10,065.2
Unrecognised dividend	-1.9	-2.1	-2.2
78 % of untaxed reserves	48.4	50.6	36.6
Own funds eligible for capital-adequacy	10,242.2	10,104.2	10,099.7
Intangible assets	-337.4	-282.5	-274.8
Adjustment for cash flow hedge	3.6	5.6	2.6
IRB Provisions deficit (-)/surplus (+)	-96.2	-124.5	-149.6
Adjustment for prudent valuation	-43.8	-38.0	-34.7
Deferred tax assets	-	-	-
Threshold deductions: financial companies	-	-	-
Investments outside the financial sector	-	-	-
Adjustment for Additional Tier 1 capital	-1,200.0	-1,200.0	-1,200.0
Common Equity Tier 1 capital	8,568.4	8,464.9	8,443.1
Additional Tier 1 capital	1,200.0	1,200.0	1,200.0
Tier 1 capital	9,768.4	9,664.9	9,643.1
Tier 2 instruments	2,591.7	2,296.8	2,296.8
IRB Provisions deficit (-)/surplus (+)	-	-	-
Own funds	2,591.7	2,296.8	2,296.8
Total own funds	12,360.1	11,961.7	11,940.0
Total risk exposure amount to CRD IV	24,747.9	23,341.8	23,460.7
Total capital requirement to CRD IV	1,978.8	1,867.3	1,876.9
Capital requirement for credit risk according to Standardised Approach	936.4	859.2	843.2
Capital requirement for credit risk according to IRB Approach	831.5	839.0	862.3
Capital requirement for operational risk	130.5	118.5	118.5
Capital requirement	81.4	50.7	52.8
Core Tier 1 ratio according to CRD IV	34.6%	36.3%	36.0%
Tier 1 ratio according to CRD IV	39.5%	41.4%	41.1%
Capital adequacy ratio according to CRD IV	49.9%	51.2%	50.9%
Special disclosures			
IRB Provisions surplus (+) /deficit (-)	-96.2	-124.5	-149.6
- IRB Total provisions (+)	169.3	159.9	151.2
- IRB Anticipated loss (-)	-265.5	-284.4	300.8
Capital requirement according to Basel I floor	3,155.2	3,039.1	3,033.0
Capital base adjusted according to Basel I floor	12,456.3	12,086.2	12,089.6
Surplus of capital according to Basel I floor	9,301.2	9,047.1	9,056.6

Minimum capital requirements and buffers	Minimum capital requirement	Capital conservation buffer	Countercyclical buffer	Systemic risk buffer	Total
Core Tier 1 capital	4.5%	2.5%	1.5%	n/a	8.5%
Tier 1 capital	6.0%	2.5%	1.5%	n/a	10.0%
Capital base	8.0%	2.5%	1.5%	n/a	12.0%
SEK M					
Core Tier 1 capital	1,113.7	618.7	371.2	n/a	2,103.6
Tier 1 capital	1,484.9	618.7	371.2	n/a	2,474.8
Capital base	1,979.8	618.7	371.2	n/a	2,969.7
Core Tier 1 capital available for use as buffer					30.1%

NOTE 2 CAPITAL-ADEQUACY, CONTINUED

SEK M	30 Jun 2016		31 Dec 2015		30 Jun 2015	
	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
Credit risk according to Standardised Approach						
Exposures to institutions	30.7	383.1	23.7	296.6	25.2	314.8
Exposures to corporates	–	–	–	–	–	–
Covered bonds	167.5	2,094.1	144.3	1,803.4	132.9	1,661.8
Exposures to CIU	–	–	–	–	–	–
Exposures to equity	711.9	8,899.0	663.1	8,288.4	663.1	8,288.4
Other items	26.3	328.6	28.1	351.1	22.0	275.6
Total capital requirement and risk exposure amount	936.4	11,705.3	859.2	10,739.5	843.2	10,540.5
Credit risk according to IRB Approach						
<i>Retail exposures</i>						
Exposures by real estate collateral	274.8	3,434.7	278.1	3,476.7	269.4	3,367.8
Other retail exposures	247.3	3,091.1	252.2	3,152.2	272.5	3,406.3
Total retail exposures	522.1	6,525.8	530.3	6,628.9	541.9	6,774.0
Exposures to corporates	309.5	3,868.4	308.7	3,858.8	320.4	4,004.8
Total capital requirement and risk exposure amount	831.5	10,394.2	839.0	10,487.7	862.3	10,778.8
Operational risks						
Standardised Approach	130.5	1,631.1	118.5	1,481.4	118.5	1,481.4
Total capital requirement for operational risk	130.5	1,631.1	118.5	1,481.4	118.5	1,481.4
Total capital requirement for credit valuation adjustments	81.4	1,017.3	50.7	633.2	52.8	659.9

NOTE 3 LOAN LOSSES AND IMPAIRED LOANS

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 an off-set against accrued commissions. The transition to the new model means that the bank's credit reserves on the date of introduction will be gradually reversed by SEK 137 M. On 30 June 2016, SEK 20.3 M remained to be reversed.

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.

NOTE 5 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	30 Jun 2016	31 Dec 2015	30 Jun 2015
For own liabilities, pledged assets			
Pledged securities in the Riksbank	2,500.0	2,500.0	2,500.0
Pledged securities in Euroclear	2,000.0	2,000.0	2,000.0
Collateral provided for derivatives	31.9	18.8	10.0
Commitments resulting from repurchase transactions	1,517.0	–	8,844.6
Other collateral for securities	20.0	20.0	5.0
Total for own liabilities, pledged assets	6,068.9	4,538.8	13,359.6
Other pledged assets	None	None	None
Contingent liabilities			
Guarantees	31.9	27.6	26.4
Conditional shareholders' contribution	5,290.0	5,290.0	5,290.0
Early retirement at age 62 in accordance with pension agreement	4.1	4.1	9.1
Total contingent liabilities	5,326.0	5,321.7	5,325.5
Other commitments			
Loans approved but not disbursed	1,882.2	1,686.3	2,141.6
Unutilised portion of overdraft facilities	22,414.9	22,746.6	18,619.6
Unutilised portion of credit card facilities	1,321.5	1,387.8	1,207.8
Total other commitments	25,618.6	25,820.7	21,969.0

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, 20 July 2016

Sten Dunér <i>Chairman of the board</i>	Per-Ove Bäckström <i>Board member</i>	Anders Grånäs <i>Board member</i>	Ingrid Jansson <i>Board member</i>	Beatrice Kämpe Nikolausson <i>Board member</i>
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Bengt-Erik Lindgren <i>Board member</i>	Peter Lindgren <i>Board member</i>	Anna-Greta Lundh <i>Board member</i>	Sören Schelander, <i>Board member</i>	Rikard Josefson <i>President</i>
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Ingrid Ericson
Board member

Mirek Swartz
Board member

REVIEW REPORT

To the Board of Directors of Länsförsäkringar Bank AB (publ)
Corporate Registration Number 556401-9878

Introduction

I have reviewed the interim financial information (interim report) of Länsförsäkringar Bank AB (publ) as per 30 June 2016 and the six-month period then ended and a summary of significant accounting policies and other supplementary disclosures. The Board of Directors and the President are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and substantially more limited 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. Therefore, a conclusion expressed on the basis of a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

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

Stockholm, 20 July 2016

Dan Beitner
Authorised Public Accountant

Financial calendar 2016

Interim report January–September Länsförsäkringar Bank..... **25 October**
Interim report Länsförsäkringar Hypotek **25 October**

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 10 February 2016 at 11:00 a.m. Swedish time.

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