

Länsförsäkringar Bank

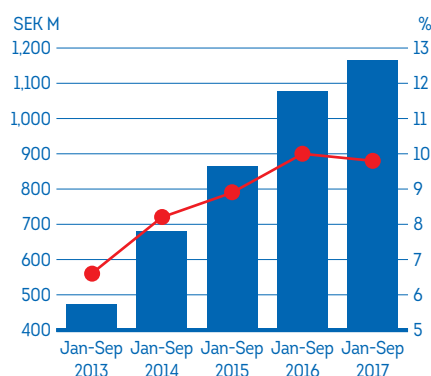
Interim Report January–September 2017

The period in brief, Group

- A number of organisational changes were made on 1 January 2017 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 8% to SEK 1,166 M (1,077) and the return on equity amounted to 9.8% (10.0).
- Net interest income rose 16% to SEK 2,926 M (2,519).
- Operating income increased 11% to SEK 2,374 M (2,145).
- Operating expenses amounted to SEK 1,173 M (1,033).
- Loan losses amounted to SEK 34.8 M (35.2), net, corresponding to a loan loss level of 0.02% (0.02).
- Business volumes increased 13% to SEK 501.1 billion (442.0).
- Deposits rose 10% to SEK 99.3 billion (90.0). Lending increased 15% to SEK 251.7 billion (219.3).
- The Common Equity Tier 1 capital ratio for the consolidated situation amounted to 23.4% (22.8*) on 30 September 2017.
- The number of customers with Länsförsäkringar as their primary bank rose 11% and the number of bank cards increased 12%.
- According to the 2017 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank is the single player on the bank market with the most satisfied retail and corporate customers.

Figures in parentheses pertain to the same period in 2016.
* Pertains to 30 June 2017.

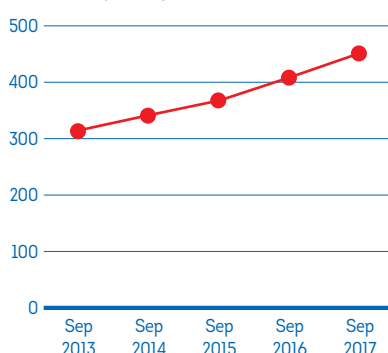
Operating profit and return on equity



● Operating profit, SEK M ● Return on equity, %

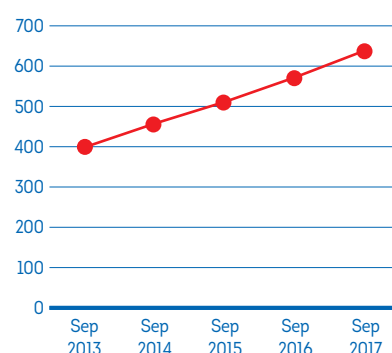
Customer trend

Number of primary bank customers, 000s



Card trend

Number of cards, 000s



President's comment

Länsförsäkringar Bank is continuing to perform strongly and we can report our best ever quarterly results. It is tremendously gratifying that we are once again the single player on the bank market with the most satisfied retail customers and, for the first time, we also have the most satisfied corporate customers according to the Swedish Quality Index's most recent survey that was published in the beginning of October (SKI 2017). The key to our success is the excellent work carried out locally at the regional insurance companies and that results in high customer satisfaction. The healthy customer inflow is confirmation that customers appreciate our strong local presence and focus on customer meetings combined with our market-leading digital banking services. We remain an attractive alternative for new bank customers and our market shares are increasing in both mortgage lending and household deposits, while business volumes trended positively in all product segments.

Anders Borgcrantz

President of Länsförsäkringar Bank

Key figures

Group	Q 3 2017	Q 2 2017	Q 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-Year 2016
Return on equity, %	10.61	9.76	10.32	9.85	10.00	10.09
Return on total capital, %	0.57	0.51	0.55	0.52	0.54	0.54
Investment margin, %	1.34	1.30	1.31	1.31	1.25	1.28
Cost/income ratio before loan losses	0.46	0.51	0.50	0.49	0.48	0.48
Common Equity Tier 1 capital ratio, Bank Group, %	24.2	24.3	24.4	24.2	24.4	24.8
Tier 1 ratio, Bank Group, %	26.7	26.8	27.1	26.7	27.1	27.5
Total capital ratio, Bank Group, %	32.1	32.4	32.8	32.1	32.8	33.4
Core Tier 1 ratio, consolidated situation, %	23.4	22.8	20.8	23.4	20.8	21.2
Tier 1 ratio, consolidated situation, %	25.3	24.7	22.8	25.3	22.8	23.2
Total capital ratio, consolidated situation, %	29.4	28.9	27.1	29.4	27.1	27.6
Percentage of impaired loans, gross, %	0.10	0.11	0.12	0.10	0.12	0.11
Reserve ratio in relation to loans, %	0.10	0.11	0.12	0.10	0.12	0.11
Reserve ratio in relation to loans, incl. withheld remuneration to regional insurance companies, %	0.13	0.15	0.18	0.13	0.18	0.17
Loan loss level, %	0.02	0.01	0.00	0.02	0.02	0.02*

* Includes the dissolution of reserves.

Income statement, quarterly

Group, SEK M	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016	Q 3 2016
Net interest income	1 015.4	970.7	940.0	944.8	900.2
Net commission	-194.6	-168.3	-159.6	-187.3	-183.9
Net gains/losses from financial items	-7.7	-5.1	-30.3	-14.6	1.7
Other operating income	3.9	6.0	3.7	16.0	3.8
Total operating income	817.0	803.3	753.8	758.9	721.8
Staff costs	-128.2	-153.0	-143.2	-114.1	-107.1
Other expenses	-245.9	-259.6	-242.9	-251.8	-232.3
Total operating expenses	-374.1	-412.6	-386.2	-366.0	-339.5
Profit before loan losses	442.9	390.7	367.6	393.0	382.3
Loan losses, net	-13.8	-5.9	-15.1	-2.4	-2.7
Operating profit	429.1	384.8	352.5	390.6	379.7

Market commentary

The global economy continued to strengthen during the third quarter of the year. The rate of growth in the US was high and the economic trend in Europe continued to surprise on the upside. Political uncertainty in Europe abated slightly with the victory of Angela Merkel and the CDU party in the German federal election. The nature of the political risks changed, however, due to Merkel's uncertain mandate to form a government. The largest political risk involves the relationship between the US and North Korea which appears to be increasingly unstable. It is nevertheless difficult to quantify any consequences of an escalated conflict and the market has so far remained relatively calm. Global stock markets reported a weak trend for the summer months but made a slight recovery in September. The performance of the Swedish stock market was weaker than the global index, while emerging markets continued to report a robust performance.

Growth was strong in the US, particularly in the labour market, whereas inflation was

lower than expected. As a result, the market lowered its expectations of the Fed raising interest rates in the quarter, which in turn caused the USD to fall and interest rates to decline, though only to a limited extent. At the Fed meeting in September, Janet Yellen reiterated that the Fed's plan to continue to raise interest rates remained firm, which led to rates increasing and the USD strengthening towards the end of the quarter. The Fed also announced that it will initiate its balance sheet normalisation programme in October. At the end of the quarter, US President Donald Trump presented a tax reform proposal that was well received by the market.

The European economy continued to perform at a surprisingly favourable rate. Recovery was widespread across countries and industries, although inflation remained low. The market started to build up gradual expectations of a less expansive monetary policy from the ECB which strengthened the EUR.

The Swedish economy was solid with high growth figures and strong confidence figu-

res. Next year's finance policy is expected to spur on demand in the economy. Inflation and inflation expectations continued to rise. However, the Riksbank is deferring austerity measures due to the uncertain inflation outlook. The SEK strengthened against the USD but weakened marginally against the EUR in the quarter. Rates on Swedish covered bonds were largely unchanged during the quarter and demand from investors was good.

Adjusted for seasonal effects, housing prices remained unchanged for Sweden as a whole during the quarter. By the end of the year, the government is expected to announce its standpoint on the Financial Supervisory Authority's proposal on stricter mortgage repayment requirements, something that is expected to mainly affect the large metropolitan areas.

Significant changes since 1 January 2017

Länsförsäkringar Bank implemented a number of organisational changes on 1 January 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 for the January-September 2017 period are described below.

Organisational changes

1. The Bank Business Service unit, which performs 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 53 M was charged to staff costs in the January-September 2017 period. 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 8 M in the January-September 2017 period. Net commission improved in an 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 9 M for the January-September 2017 period. The number of employees who joined the Bank Group in this unit is four individuals. Adjusted for the three organisational changes above, the underlying cost increase for Länsförsäkringar Bank was 6.3% for the January-September 2017 period compared with the year-earlier period. 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 January-September 2017 period amounts to SEK 135 M. This action has a neutral effect on earnings.

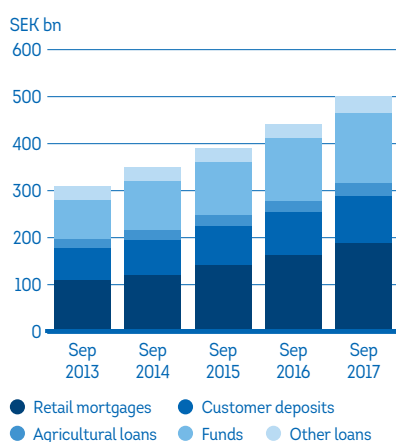
5. Income for Wasa Kredit has been reclassified between the items "Other operating income" and "Commission income." The change entails that income for services rendered that was previously classified as "Other operating income" has now been transferred to "Commission income." Comparative figures have been restated and the effect for the January-September 2017 period amounts to SEK 70 M. This action has a neutral effect on earnings.

January-September 2017 compared with January-September 2016

Business volumes

Business volumes rose 13%, or SEK 59.1 billion, to SEK 501.1 billion (442.0). Lending increased 15%, or SEK 32.4 billion, to SEK 251.7 billion (219.3), with continued high credit quality. Lending in Länsförsäkringar Hypotek rose 16%, or SEK 26.1 billion, to SEK 189.0 billion (162.9). Lending in Wasa Kredit increased 18% to SEK 20.9 billion (17.6). Deposits increased 10%, or SEK 9.3 billion, to SEK 99.3 billion (90.0). Fund volumes increased 13%, or SEK 17.4 billion, to SEK 150.1 billion (132.7).

Business volumes



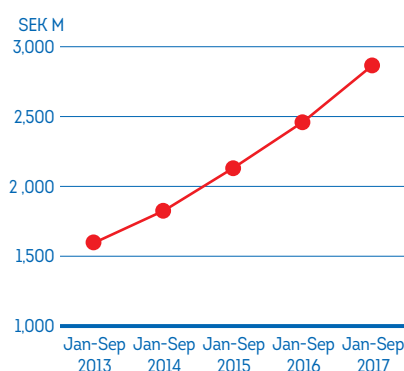
Customers

The number of customers with Länsförsäkringar as their primary bank increased 11% to 451,000 (408,000) and the number of products per customer amounted to 5. 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 632,000 (565,000).

Earnings and profitability

Operating profit increased 8% to SEK 1,166 M (1,077), mainly attributable to higher net interest income. The investment margin strengthened to 1.31% (1.25). Profit before loan losses rose 8% to SEK 1,201 M (1,112). The return on equity amounted to 9.8% (10.0).

Net interest income



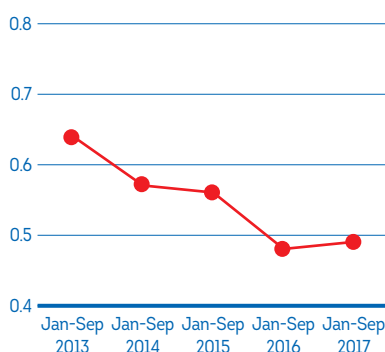
Income

Operating income increased 11% to SEK 2,374 M (2,145), primarily due to higher net interest income. Net interest income rose 16% to SEK 2,926 M (2,519) due to increased volumes and lower refinancing costs. Net losses from financial items amounted to SEK -43.0 M (83.0) due to changes in fair value. Commission income increased 11% to SEK 1,325 M (1,199), as a result of improved securities commission, rising other commission, and remuneration from the regional insurance companies for back office services. Net commission amounted to SEK -522.5 M (-474.6), due to increased remuneration to the regional insurance companies based on higher volumes and the strengthened profitability of the business.

Expenses

Operating expenses amounted to SEK 1,173 M (1,033), up 14%. The increase was mainly attributable to higher staff costs associated with additional personnel since 1 January 2017 from Länsförsäkringar AB as described on page 3 of this report. Adjusted for these organisational changes, the underlying cost increase totalled 6.3%, partly attributable to initiatives for future-oriented IT investments. The cost/income ratio was 0.49 (0.48) before loan losses and 0.51 (0.50) after loan losses.

Cost/income ratio before loan losses



Loan losses

Loan losses amounted to SEK 34.8 M (35.2), net, corresponding to a loan loss level of 0.02% (0.02). Impaired loans, gross, amounted to SEK 260.3 M (265.5), corresponding to a percentage of impaired loans, gross, of 0.10% (0.12). Reserves totalled SEK 265.6 M (275.3), corresponding to a reserve ratio in relation to loans of 0.10% (0.12). In addition, SEK 84.7 M (116.4) of the remuneration 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 0.13% (0.18).

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

Deposits and savings

Deposits from the public increased 10%, or SEK 9.3 billion, to SEK 99.3 billion (90.0). Deposits from small businesses amounted to SEK 10.9 billion (10.8). The number of deposit accounts increased 9%. On 31 August 2017, the market share of household deposits had increased to 4.8% (4.7) according to Statistics Sweden. Fund volumes increased 13%, or SEK 17.4 billion, to SEK 150.1 billion (132.7) attributable to positive changes in value and increased inflows in the fund business.

Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public increased 15%, or SEK 32.4 billion, to SEK 251.7 billion (219.3). The credit quality of lending remained high. The weighted average loan-to-value ratio (LTV) of the Bank Group's mortgage portfolio declined to 59% (60). Lending in Länsförsäkringar Hypotek rose 16%, or SEK 26.1 billion, to SEK 189.0 billion (162.9). The percentage of retail mortgages in relation to the total loan portfolio was at 75%. On 31 August 2017, the market share of retail mortgages had strengthened to 6.1% (5.7) according to Statistics Sweden.

Agricultural lending increased 5% to SEK 26.4 billion (25.2). 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 September 2017. First-lien mortgages for agricultural properties, comprising 93% (92) of agricultural lending, accounted for the entire increase in agricultural loans and increa-

sed to SEK 24.7 billion (23.1). 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 1.8 billion (1.5) on 30 September 2017.

Loan portfolio, distribution in %

Lending segment, %	30 Sep 2017	30 Sep 2016
Retail mortgages	75.2	74.2
Agriculture	10.5	11.5
Multi-family housing	3.1	3.6
Leasing	2.8	3.0
Hire purchase	3.6	3.3
Unsecured loans	3.3	3.5
Other	1.5	0.5
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%	156,002	82.4%
51-60%	17,841	9.4%
61-70%	10,468	5.5%
71-75%	2,593	1.4%
75%+	2,458	1.3%
TOTAL	189,362	100%

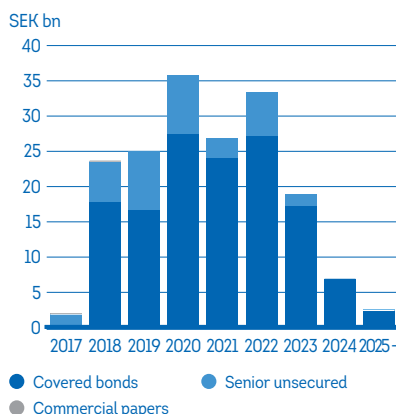
* Refers to loans with single-family homes, tenant-owned apartments or vacation homes as collateral.

Funding

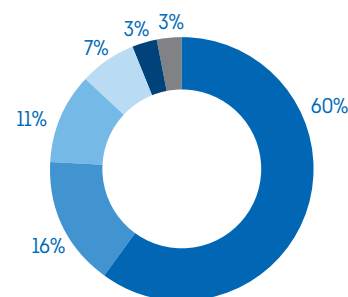
The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 18%, or SEK 27.3 billion, to a nominal SEK 175.5 billion (148.2), of which covered bonds amounted to SEK 139.7 billion (117.3), senior long-term funding to SEK 35.3 billion (29.2) and short-term funding to SEK 0.5 billion (1.8). The average remaining term for the long-term funding was 3.5 years (3.3) on 30 September 2017. Covered bonds were issued during the period at a volume of a nominal SEK 28.9 billion (21.6). Repurchased covered bonds totalled a nominal SEK 3.9 billion (3.3) and matured covered bonds a nominal SEK 6.8 billion (8.0). Länsförsäkringar Bank issued senior unsecured

bonds in the nominal amount of SEK 12.2 billion (7.0) during the period. In September, Länsförsäkringar Bank issued a senior unsecured five-year Euro bond for a nominal EUR 500 M. The transaction was the first step of a long-term strategy to also build up an investor base in the Euro market for senior funding. In addition, Länsförsäkringar Hypotek issued a new Swedish benchmark bond (LFH517) in September, which matures in October 2024.

Maturity profile



Liquidity reserve***



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

***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.

Liquidity

On 30 September 2017, the liquidity reserve totalled SEK 46.9 billion (43.1), 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 more than two 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 173% (192) at 30 September 2017. The Net Stable Funding Ratio (NSFR) for the consolidated situation amounted to 116%** (115) on 30 September 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 30 June 2017.

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.

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.

Consolidated situation (SEK M)	30 Sep 2017	30 Jun 2017
IRB Approach	33,722	33,318
retail exposures	26,090	25,753
exposures to corporates	7,632	7,565
Standardised Approach	17,085	16,650
Operational risks	11,346	11,346
Total REA	63,464	62,430
Common Equity Tier 1 capital	14,835	14,248
Tier 1 capital	16,035	15,448
Total capital	18,627	18,040
Common Equity Tier 1 capital ratio	23.4%	22.8%
Tier 1 ratio	25.3%	24.7%
Total capital ratio	29.4%	28.9%

The Common Equity Tier 1 capital ratio amounted to 23.4% (22.8). Common Equity Tier 1 capital strengthened in the third quarter on the basis of continued profit generated from the Bank Group and dividends of SEK 340.0 M in the Parent Company Länsförsäkringar AB.

Total REA in the consolidated situation on 30 September 2017 amounted to SEK 63,464 M (62,430). REA increased SEK 1,034 M in the quarter, primarily due to loans to the public continuing to increase. The credit quality of lending remained favourable.

Internally assessed capital requirement and buffer

The internally assessed capital requirement for the consolidated situation on 30 September 2017 amounted to SEK 6,262 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 4,878 M as at 30 September 2017. The countercyclical capital buffer of 2% of REA amounted to SEK 1,269 M on 30 September 2017 and the capital conservation buffer of 2.5% of REA to SEK 1,587 M.

The capital meeting the internal capital requirement including buffer, meaning own funds, amounted to SEK 18,627 M.

The leverage ratio on 30 September 2017 amounted to 4.9% (4.9).

For the Bank Group, the internally assessed capital requirement amounted to SEK 4,918 M and own funds to SEK 15,388 M.

Bank Group (SEK M)	30 Sep 2017	30 Jun 2017
IRB Approach	33,722	33,318
retail exposures	26,090	25,753
exposures to corporates	7,632	7,565
Standardised Approach	8,547	8,108
Operational risks	4,341	4,341
Total REA	47,921	46,883
Common Equity Tier 1 capital	11,596	11,384
Tier 1 capital	12,796	12,584
Total capital	15,388	15,176
Common Equity Tier 1 capital ratio	24.2%	24.3%
Tier 1 ratio	26.7%	26.8%
Total capital ratio	32.1%	32.4%

For more information on capital adequacy, see note 11.

¹ The comparative period is 30 June 2017.

Interest-rate risk

On 30 September 2017, an increase in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 58.9 M (decrease: 33.7).

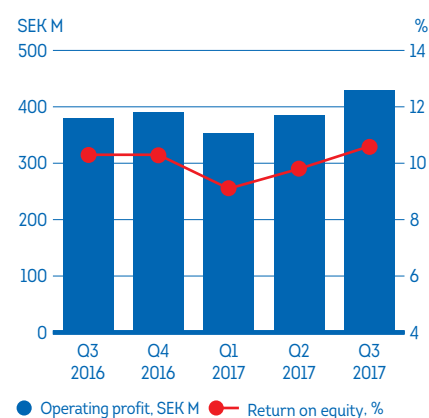
Risks and uncertainties

The operations are characterised by a low risk profile. Bank Group is 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.

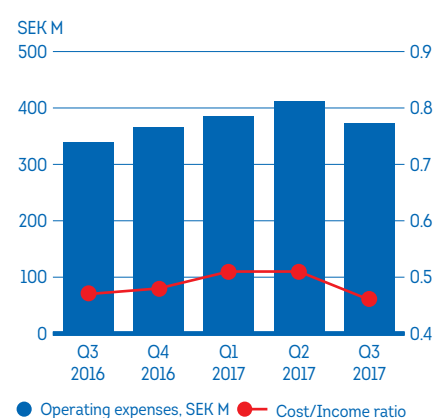
Third quarter of 2017 compared with the second quarter of 2017

Operating profit increased 12% to SEK 429.1 M (384.8) attributable to higher net interest income and lower operating expenses. The return on equity rose to 10.6% (9.8). Operating income increased 2% to SEK 817.0 M (803.3). Net interest income increased 5% to SEK 1,015 M (970.7) as a result of continued positive volume growth. The investment margin strengthened to 1.34% (1.30). Commission income amounted to SEK 445.0 M (444.4) and the commission expense to SEK 639.6 M (612.7). Net commission amounted to SEK -194.6 M (-168.3). Net losses from financial items amounted to SEK -7.7 M (-5.1). Operating expenses declined 9% to SEK 374.1 M (412.6). The cost/income ratio before loan losses amounted to 0.46 (0.51). Loan losses amounted to SEK 13.8 M (5.9), net.

Operating profit and return on equity



Operating expenses and cost/income ratio



Events after the end of the period

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

Parent Company

January–September 2017 compared with January–September 2016

Loans to the public amounted to SEK 41.8 billion (38.8). Deposits from the public increased 10%, or SEK 9.4 billion, to SEK 99.7 billion (90.3). Debt securities in issue increased 16% to SEK 34.9 billion (30.1). Operating profit amounted to SEK 212.1 M (215.0). Net interest income amounted to SEK 824.8 M (816.6). Operating income increased 9% to SEK 963.6 M (884.6), due to higher commission income. Commission income increased 28% to SEK 359.4 M (280.7), attributable to commission

income from the regional insurance companies for costs for the Bank Business Service unit. Commission expense declined 2% to SEK 318.2 M (324.8). Operating expenses amounted to SEK 754.4 M (643.3), mostly attributable to higher staff costs related the re-organisation of personnel from Länsförsäkringar AB to the Bank Business Service unit. Loan losses amounted to SEK -2.9 M (26.3), net, corresponding to a loan loss level of -0.01% (0.09).

Subsidiaries

January–September 2017 compared with January–September 2016

Länsförsäkringar Hypotek

Lending in Länsförsäkringar Hypotek rose 16%, or SEK 26.1 billion, to SEK 189.0 billion (162.9). Retail mortgages up to 75% of the market value of the collateral on the approval date are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit increased 16% to SEK 575.4 M (494.4) due to higher net interest income. Net interest income increased 29% to SEK 1,539 M (1,189), mainly attributable to higher volumes and lower refinancing costs. Loan losses amounted to SEK -0.6 M (-1.0), net, corresponding to a loan loss level of -0.00% (-0.00). The number of retail mortgage customers increased 9% to 248,000 (228,000).

SEK M	30 Sep 2017	30 Sep 2016
Total assets	206,456	186,468
Lending volume	188,978	162,881
Net interest income	1,539	1,189
Operating profit	575	494

Wasa Kredit

Wasa Kredit's lending volumes increased 18% to SEK 20.9 billion (17.6). Operating profit amounted to SEK 308.6 M (306.1). Net interest income rose 10% to SEK 562.2 M (513.1), mainly due to higher interest income. Operating expenses amounted to SEK 320.6 M (304.3) and loan losses, net, were SEK 38.3 M (9.9).

SEK M	30 Sep 2017	30 Sep 2016
Total assets	21,433	18,216
Lending volume	20,876	17,648
Net interest income	562	513
Operating profit	309	306

Länsförsäkringar Fondförvaltning

Fund volumes increased 13%, or SEK 17.4 billion, to SEK 150.1 billion (132.7) attributable to increased inflows in the fund business and positive changes in value. The fund offering includes 38 mutual funds under Länsförsäkringar's own brand with various investment orientations and fund markets with external funds. Three Swedish equities funds are internally managed by Länsförsäkringar Fondförvaltning. Assets under management under Länsförsäkringar's own brand amounted to SEK 132.2 billion (120.4). Operating profit amounted to SEK 70.3 M (61.3).

SEK M	30 Sep 2017	30 Sep 2016
Total assets	564	510
Fund volumes	150,064	132,674
Net flow	1,987	4,442
Net commission	176	154
Operating profit	70	61

Income statement - Group

SEK M	Note	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full-Year 2016
Interest income		1,169.9	1,120.8	4%	1,023.8	14%	3,349.2	2,981.4	12%	4,035.6
Interest expense		-154.5	-150.1	3%	-123.5	25%	-423.1	-462.7	-9%	-572.0
Net interest income	3	1,015.4	970.7	5%	900.3	13%	2,926.2	2,518.7	16%	3,463.5
Dividends received		0.1	0.0		0.2	-50%	0.1	0.2	-50%	0.2
Commission income		445.0	444.4		422.2	5%	1,325.4	1,199.4	11%	1,616.1
Commission expense		-639.6	-612.7	4%	-606.0	6%	-1,847.9	-1,674.0	10%	-2,278.0
Net commission income	4	-194.6	-168.3	16%	-183.8	6%	-522.5	-474.6	10%	-661.9
Net gains / losses from financial items	5	-7.7	-5.1	51%	1.7		-43.0	83.0		68.4
Other operating income		3.8	6.0	-37%	4.9	-22%	13.4	17.7	-24%	33.7
Total operating income		817.0	803.3	2%	723.1	13%	2,374.1	2,145.0	11%	2,903.8
Staff costs		-128.2	-153.0	-16%	-107.1	20%	-424.4	-355.7	19%	-469.8
Other administration expenses		-224.5	-237.9	-6%	-213.0	5%	-684.3	-618.7	11%	-852.7
Total administration expenses		-352.7	-390.8	-10%	-320.2	10%	-1,108.6	-974.4	14%	-1,322.5
Depreciation / amortisation and impairment of property and equipment / intangible assets		-21.4	-21.7	-1%	-20.5	4%	-64.2	-58.6	10%	-76.3
Total operating expenses		-374.1	-412.6	-9%	-340.7	10%	-1,172.9	-1,032.9	14%	-1,398.8
Profit before loan losses		442.9	390.7	13%	382.4	16%	1,201.2	1,112.0	8%	1,505.0
Loan losses, net	6	-13.8	-5.9		-2.7		-34.8	-35.2	-1%	-37.6
Operating profit		429.1	384.8	12%	379.7	13%	1,166.4	1,076.8	8%	1,467.3
Tax		-94.4	-84.7	11%	-83.6	13%	-256.6	-233.8	10%	-330.8
Profit for the period		334.7	300.1	12%	296.1	13%	909.8	843.0	8%	1,136.6

Statement of comprehensive income - Group

SEK M	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full-Year 2016
Profit for the period	334.7	300.1	12%	296.1	13%	909.8	843.0	8%	1,136.6
Other comprehensive income									
Items that cannot be transferred to the income statement									
Cash-flow hedges	-25.8	-52.4	-51%	-37.2	-31%	-146.2	-273		-98.6
Change in fair value of available-for-sale financial assets	-6.1	55.6		58.7		44.8	114.1		130.2
Tax attributable to items that have been transferred or can be transferred to profit for the period	7.0	-0.7		-4.7		22.3	-191		-6.9
Other comprehensive income for the period, net after tax	-24.9	2.5		16.8		-79.1	67.7		24.7
Total comprehensive income for the period	309.8	302.7	2%	312.9	-1%	830.7	910.7	-9%	1,161.3

Balance sheet – Group

SEK M	Note	30 Sep 2017	31 Dec 2016	30 Sep 2016
Assets				
Cash and balances with central banks		17.5	21.6	24.0
Treasury bills and other eligible bills		6,308.1	7,867.2	9,254.6
Loans to credit institutions		8,153.3	280.2	5,684.3
Loans to the public	7	251,667.1	226,705.0	219,289.7
Bonds and other interest-bearing securities		35,898.2	32,809.7	34,530.6
Shares and participations		46.8	25.4	24.3
Derivatives	8	4,534.7	6,216.7	7,361.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		305.4	635.9	914.5
Intangible assets		805.9	488.3	401.6
Property and equipment		10.2	7.8	8.3
Deferred tax assets		34.6	2.7	6.0
Other assets		510.3	505.1	375.6
Prepaid expenses and accrued income		399.5	385.5	411.0
Total assets		308,691.5	275,951.1	278,286.1
Liabilities and equity				
Due to credit institutions		6,040.8	3,872.8	10,153.2
Deposits and borrowing from the public		99,313.7	91,207.1	90,021.9
Debt securities in issue		180,587.5	155,999.5	152,354.1
Derivatives	8	1,225.2	1,894.6	2,198.0
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,396.3	3,191.4	4,626.1
Deferred tax liabilities		420.0	421.6	295.3
Other liabilities		772.4	595.2	655.2
Accrued expenses and deferred income		2,339.2	2,978.8	2,434.0
Provisions		12.0	12.3	11.1
Subordinated liabilities		2,596.2	2,595.4	2,595.2
Total liabilities		294,703.4	262,768.8	265,344.0
Equity				
Share capital		954.9	954.9	954.9
Other capital contributed		7,442.5	7,442.5	7,442.5
Reserves		4.9	83.9	127.0
Additional Tier 1 instruments		1,200.0	1,200.0	1,200.0
Retained earnings		3,476.0	2,364.5	2,374.7
Profit for the period		909.8	1,136.6	843.0
Total equity		13,988.1	13,182.3	12,942.1
Total liabilities and equity		308,691.5	275,951.1	278,286.1
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Cash-flow statement in summary, indirect method - Group

SEK M	Jan-Sep 2017	Jan-Sep 2016
Cash and cash equivalents, 1 January	122.1	141.4
Cash flow from operating activities	364.1	-185.9
Cash flow from investing activities	-404.6	-161.5
Cash flow from financing activities	0.9	295.5
Cash flow for the period	-39.6	-51.9
Cash and cash equivalents, 30 September	82.5	89.5

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 -24,945.9 M (-17,346.0) and Debt securities in issue SEK 24,147.2 M (-11,247.7).

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								843.0	843.0
Other comprehensive income for the period				89.0	-21.3				67.7
<i>Comprehensive income for the period</i>				<i>89.0</i>	<i>-21.3</i>			<i>843.0</i>	<i>910.7</i>
According to resolution by Annual General Meeting							911.1	-911.1	-
Issued Additional Tier 1 instruments							-25.5		-25.5
Closing balance, 30 September 2016	954.9	7,442.5	1,200.0	75.5	52.7	-1.3	2,374.7	843.0	12,942.1
Opening balance, 1 October 2016	954.9	7,442.5	1,200.0	75.5	52.7	-1.3	2,374.7	843.0	12,942.1
Profit for the period								293.5	293.5
Other comprehensive income for the period				12.7	-55.7				-43.0
<i>Comprehensive income for the period</i>				<i>12.7</i>	<i>-55.7</i>			<i>293.5</i>	<i>250.4</i>
Issued Additional Tier 1 instruments							-10.2		-10.2
Closing balance, 31 December 2016	954.9	7,442.5	1,200.0	88.2	-3.0	-1.3	2,364.5	1,136.6	13,182.3
Opening balance, 1 January 2017	954.9	7,442.5	1,200.0	88.2	-3.0	-1.3	2,364.5	1,136.6	13,182.3
Profit for the period								909.8	909.8
Other comprehensive income for the period				35.0	-114.1				-79.1
<i>Comprehensive income for the period</i>				<i>35.0</i>	<i>-114.1</i>			<i>909.8</i>	<i>830.7</i>
According to resolution by Annual General Meeting							1,136.5	-1,136.5	-
Issued Additional Tier 1 instruments							-24.9		-24.9
Closing balance, 30 September 2017	954.9	7,442.5	1,200.0²	123.2	-117.0	-1.3	3,476.0¹	909.8	13,988.1

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 30 September 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 (ÅARKL) (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. The implementation of the system for calculating expected credit losses has reached its final stage and all material assessments and assumptions have been documented and subject to quality assurance. The new impairment regulations are expected to lead to slightly higher reserves for loan losses than under the current rules. The parts of the project on the new accounting rules that involve classification, measurement and hedge accounting are also in the final phase and are not expected to have any material effects on the financial statements. New and updated governance documents and processes affected by the transition to IFRS 9 are being prepared.

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 model for recognising revenue from contracts with customers that is not encompassed by other standards. The Group has performed an analysis of the effects of IFRS 15, and implementation is ongoing. 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 has been published by the IASB and is to be applied from 1 January 2019. The standard has not yet been approved by the EU. 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.

Alternative performance measures

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 provided. Alternative performance measures, such as return on equity, return on total capital, investment margin, cost/income ratio before loan losses, reserve ratio in relation to loans and loan loss level are defined in the 2016 Annual Report.

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-Sep 2017, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	824.8	1,539.1	562.3	0.0	-	2,926.2
Dividends received	0.1	-	-	-	-	0.1
Net commission	41.1	-832.0	92.6	176.3	-0.5	-522.5
Net gain / loss from financial items	11.7	-54.7	-	0.0	0.0	-43.0
Intra-Group income	84.7	-	0.5	-	-85.2	0.0
Other income	1.3	-	12.2	-	0.0	13.4
Total operating income	963.6	652.4	667.5	176.3	-85.7	2,374.1
Intra-Group expenses	6.2	-61.6	-8.4	-21.9	85.7	0.0
Other administration expenses	-705.9	-15.8	-303.1	-83.8	-	-1,108.6
Depreciation / amortisation and impairment	-54.8	-0.1	-9.1	-0.3	-	-64.2
Total operating expenses	-754.4	-77.6	-320.6	-106.0	85.7	-1,172.9
Profit before loan losses	209.2	574.8	347.0	70.3	-	1,201.2
Loan losses, net	2.9	0.6	-38.3	-	-	-34.8
Operating profit / loss	212.1	575.4	308.6	70.3	-	1,166.4
Balance sheet 30 September 2017						
Total assets	157,769.5	206,455.6	21,433.2	563.6	-77,530.4	308,691.5
Liabilities	147,188.3	196,518.0	19,065.3	163.3	-68,231.5	294,703.4
Equity	10,581.2	9,937.6	2,367.9	400.3	-9,298.9	13,988.1
Total liabilities and equity	157,769.5	206,455.6	21,433.2	563.6	-77,530.4	308,691.5
Income statement, Jan-Sep 2016, SEK M						
Net interest income	816.6	1,189.1	513.1	-0.1	0.0	2,518.7
Dividends received	0.2	-	-	-	-	0.2
Net commission	-44.1	-678.3	93.5	154.4	0.0	-474.6
Net gain / loss from financial items	26.9	56.1	0.0	0.0	0.0	83.0
Intra-Group income	80.5	0.0	0.8	0.0	-81.3	0.0
Other income	4.5	0.1	13.0	0.0	0.0	17.7
Total operating income	884.6	567.1	620.4	154.4	-81.3	2,145.0
Intra-Group expenses	6.2	-58.1	-7.8	-21.6	81.3	0.0
Other administration expenses	-599.2	-15.4	-288.7	-71.1	0.0	-974.4
Depreciation / amortisation and impairment	-50.3	-0.1	-7.9	-0.3	0.0	-58.6
Total operating expenses	-643.3	-73.7	-304.3	-92.9	81.3	-1,032.9
Profit / loss before loan losses	241.3	493.4	316.0	61.3	0.0	1,112.0
Loan losses, net	-26.3	1.0	-9.9	0.0	0.0	-35.2
Operating profit / loss	215.0	494.4	306.1	61.3	0.0	1,076.8
Balance sheet 30 September 2016						
Total assets	147,401.1	186,468.1	18,216.0	509.7	-74,308.9	278,286.1
Liabilities	137,071.9	178,544.1	16,262.1	175.9	-66,709.9	265,344.0
Equity	10,329.2	7,924.1	1,953.9	333.8	-7,598.9	12,942.1
Total liabilities and equity	147,401.1	186,468.1	18,216.0	509.7	-74,308.9	278,286.1

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	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full-Year 2016
Interest income									
Loans to credit institutions	-0.8	-1.2	-33%	-1.0	-20%	-2.9 ¹	-4.4	-34%	-3.7
Loans to the public	1,339.7	1,298.4	3%	1,247.0	7%	3,902.6	3,676.1	6%	4,928.6
Interest-bearing securities	52.6	56.3	-7%	79.1	-34%	170.3 ¹	262.3	-35%	330.7
Derivatives	-221.6	-232.7	-5%	-301.4	-26%	-720.7	-952.6	-24%	-1,220.2
Other interest income	-	-0.1		0.0		-0.1	0.0		0.2
Total interest income	1,169.9	1,120.8	4%	1,023.8	14%	3,349.2	2,981.4	12%	4,035.6
Interest expense									
Due to credit institutions	5.5	6.6	-17%	5.6	-2%	18.1 ¹	13.7	32%	20.1
Deposits and borrowing from the public	-29.7	-35.1	-15%	-44.1	-33%	-102.8 ¹	-145.0	-29%	-185.6
Debt securities in issue	-486.4	-503.2	-3%	-489.2	-1%	-1,481.9	-1,524.0	-3%	-2,012.7
Subordinated liabilities	-14.0	-13.8	1%	-13.9	1%	-41.1	-57.6	-29%	-71.5
Derivatives	437.4	444.8	-2%	438.9		1,348.4	1,345.4		1,780.2
Other interest expense, including government deposit insurance	-67.3	-49.4	36%	-20.8		-163.8	-95.1	72%	-102.6
Total interest expense	-154.5	-150.1	3%	-123.5	25%	-423.1	-462.7	-9%	-572.0
Total net interest income	1,015.4	970.7	5%	900.3	13%	2,926.2	2,512.7	16%	3,463.5
Interest income on impaired loans	1.5	1.2		2.4		9.6	13.5		14.7
Average interest rate on loans to the public during the period, including net leasing, %	2.2	2.2		2.3		2.2	2.3		2.3
Average interest rate on deposits from the public during the period, %	0.1	0.2		0.2		0.2	0.2		0.2

¹ Of which negative interest on Loans to credit institutions of SEK -10.8 M, Interest-bearing securities of SEK -43.5 M, Due to credit institutions of SEK 18.1 M and Deposits and borrowing from the public of SEK 2.6 M.

Note 4 Net commission income									
SEK M	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full-Year 2016
Commission income									
Payment mediation	21.3	19.8	8%	20.5	4%	62.7	62.4		84.3
Loans	58.8	58.8		53.6	10%	171.6	157.0	9%	211.1
Deposits	2.6	2.4	8%	2.3	13%	8.6	8.5	1%	11.0
Securities	290.0	294.3	1%	298.8	-3%	878.7	843.8	4%	1,134.4
Cards	56.8	52.3	9%	46.7	22%	154.5	126.5	22%	173.6
Remuneration to regional insurance companies	15.3	16.4	-7%	-		48.6	-		-
Other commission	0.1	0.3	-67%	0.3	-67%	0.6	1.3	-54%	1.7
Total commission income	445.0	444.4		422.2	5%	1,325.4	1,199.4	11%	1,616.1
Commission expense									
Payment mediation	-35.6	-34.8	2%	-24.8	44%	-103.9	-76.0	37%	-103.9
Securities	-166.7	-172.0	-3%	-163.5	2%	-507.1	-457.1	11%	-626.2
Cards	-24.7	-30.0	-18%	-29.3	-16%	-83.0	-75.9	9%	-106.9
Remuneration to regional insurance companies	-384.4	-347.2	11%	-337.7	14%	-1,063.0	-922.2	15%	-1,261.5
Management costs	-25.5	-26.0	-2%	-48.4	-47%	-82.8	-135.1	-39%	-169.0
Other commission	-2.6	-2.7	-4%	-2.5	4%	-8.1	-7.7	5%	-10.4
Total commission expense	-639.6	-612.7	4%	-606.0	6%	-1,847.9	-1,674.0	10%	-2,278.0
Total net commission income	-194.6	-168.3	16%	-183.8	6%	-522.5	-474.6	10%	-661.9

Note 5 Net gains / losses from financial items									
SEK M	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full-Year 2016
Interest-bearing assets and liabilities and related derivatives	-16.7	-13.1	27%	-9.8	70%	-68.3	46.8		23.6
Other financial assets and liabilities	-0.1	-0.8	-88%	0.0		-0.3	0.4		0.2
Interest compensation	9.2	8.8	5%	11.5	-20%	25.6	35.8	-28%	44.6
Total net gains / losses from financial items	-7.7	-5.1	51%	1.7		-43.0	83.0		68.4

Note 6 Loan losses and impaired loans									
Net loan losses, SEK M	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full-Year 2016
Specific reserve for individually assessed loan receivables									
Write-off confirmed loan losses during the year	-29.8	-30.0	-1%	-25.2	18%	-88.5	-87.4	1%	-135.1
Reversed earlier impairment of loan losses recognised as confirmed losses	29.2	29.1		24.9	17%	86.5	86.2		133.3
Impairment of loan losses during the year	-39.1	-40.3	-3%	-32.2	21%	-111.0	-75.7	47%	-140.9
Payment received for prior confirmed loan losses	20.4	30.1	-32%	28.5	-28%	68.9	46.8	47%	66.8
Reversed impairment of loan losses no longer required	2.0	3.1	-35%	2.5	-20%	7.6	9.7	-22%	67.1
Net expense for the year for individually assessed loan receivables	-17.3	-8.0		-1.4		-36.6	-20.4	79%	-8.8
Collective assessed homogenous groups of loan receivables with limited value and similar credit risk									
Provision/reversal of impairment of loan losses	3.4	2.0	70%	-1.4		1.6	-14.9		-29.1
Net expense for the year for collectively assessed receivables	3.4	2.0	70%	-1.4		1.6	-14.9		-29.1
Net expense for the year for fulfillment of guarantees	0.1	0.1		0.0		0.2	0.2		0.3
Net expense of loan losses for the year	-13.8	-5.9		-2.7		-34.8	-35.2	-1%	-37.6
All information pertains to receivables from the public									
Reserve ratios									
Total impaired loans reserve ratio, %	102.0	99.9		103.7		102.0	103.7		104.1
Impaired loans reserve ratio excluding collective impairments, %	61.4	58.2		66.6		61.4	66.6		59.5

Impaired loans, SEK M	30 September 2017				31 December 2016				30 September 2016			
	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net
Corporate sector	74.5	-62.3	-20.0	-7.8	60.9	-49.8	-18.8	-7.7	78.9	-69.5	-17.6	-8.3
Retail sector	185.8	-97.6	-85.7	2.5	179.3	-93.1	-88.4	-2.2	186.6	-112.7	-75.4	-1.4
of which private individuals	159.7	-99.0	-42.9	17.8	147.4	-85.2	-42.1	20.1	149.8	-95.9	-41.6	12.3
Total	260.3	-159.9	-105.7	-5.2	240.2	-142.9	-107.2	-9.9	265.6	-182.2	-93.1	-9.7

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 30 September 2017, the total credit reserve requirement amounted to SEK 350 M, of which the Bank Group's recognised credit reserve accounted for SEK 266 M and the remainder of SEK 85 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	30 September 2017	31 December 2016	30 September 2016
Public sector	1,746.5	1,136.9	512.2
Corporate sector	18,278.2	17,276.0	17,047.8
Retail sector	231,806.0	208,524.0	202,004.8
Other	102.0	18.2	0.2
Loan to the public before reserves	251,932.7	226,955.1	219,565.0
Reserves	-265.6	-250.1	-275.3
Loans to the public	251,667.1	226,705.0	219,289.7
Fixed-interest period			
Remaining term of not more than 3 months	183,370.4	155,156.4	147,717.2
Remaining term of more than 3 months but not more than 1 year	23,200.3	18,017.6	14,953.2
Remaining term of more than 1 year but not more than 5 years	43,183.7	51,468.5	54,490.6
Remaining term of more than 5 years.	1,912.8	2,062.6	2,128.6
Loans to the public	251,667.1	226,705.0	219,289.7

Note 8	Derivatives					
SEK M	30 September 2017		31 December 2016		30 September 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	108,365.4	1,868.0	98,286.0	2,893.8	92,179.0	3,585.9
Currency-related	25,730.8	2,654.2	26,514.1	3,280.5	26,514.1	3,747.6
<i>Other derivatives</i>						
Currency-related	441.2	12.5	303.9	42.4	934.5	28.2
Total derivatives with positive values	134,537.4	4,534.7	125,104.0	6,216.7	119,627.6	7,361.7
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	101,623.0	904.2	97,590.0	1,469.4	96,295.0	1,818.3
Currency-related	14,305.5	319.6	4,935.9	417.9	4,936.0	364.8
<i>Other derivatives</i>						
Currency-related	56.1	1.4	363.8	7.3	165.8	14.9
Total derivatives with negative values	115,984.6	1,225.2	102,889.7	1,894.6	101,396.8	2,198.0

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 9	Pledged assets, contingent liabilities and commitments		
SEK M	30 September 2017	31 December 2016	30 September 2016
For own liabilities, pledged assets	197,243.0	173,186.9	173,020.0
Contingent liabilities	32.0	38.9	37.6
Commitments	23,175.0	19,365.8	19,818.4

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	30 September 2017		31 December 2016		30 September 2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial Assets						
Cash and balances with central banks	175	175	21.6	21.6	24.0	24.0
Treasury bills and other eligible bills	6,308.1	6,308.1	7,867.2	7,867.2	9,254.6	9,254.6
Loans to credit institutions	8,153.3	8,153.3	280.2	280.2	5,684.3	5,684.3
Loans to the public	251,667.1	252,647.6	226,705.0	227,784.0	219,289.7	220,410.7
Bonds and other interest-bearing securities	35,898.2	35,898.2	32,809.7	32,809.7	34,530.6	34,530.6
Shares and participations	46.8	46.8	25.4	25.4	24.3	24.3
Derivatives	4,534.7	4,534.7	6,216.7	6,216.7	7,361.7	7,361.7
Other assets	220.2	220.2	207.3	207.3	172.5	172.5
Total	306,845.9	307,826.4	274,133.1	275,212.1	276,341.7	277,462.7
Financial Liabilities						
Due to credit institutions	6,040.8	6,040.8	3,872.8	3,872.8	10,153.2	10,153.2
Deposits and borrowing from the public	99,313.7	99,805.9	91,207.1	91,644.4	90,021.9	90,542.3
Debt securities in issue	180,587.5	183,494.2	155,999.5	161,185.9	152,354.1	157,699.5
Derivatives	1,225.2	1,225.2	1,894.6	1,894.6	2,198.0	2,198.0
Other liabilities	208.1	208.1	119.7	119.7	116.6	116.6
Subordinated liabilities	2,596.2	2,687.5	2,595.4	2,674.8	2,595.2	2,667.8
Total	289,971.5	293,461.7	255,689.1	261,392.2	257,439.0	263,377.4

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

30 September 2017, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	6,308.1			6,308.1
Bonds and other interest-bearing securities	35,898.2			35,898.2
Shares and participations	0.2	7.4	39.2	46.8
Derivatives		4,534.7		4,534.7
Other assets				
Liabilities				
Derivatives		1,225.2		1,225.2
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
30 September 2016, SEK M				
Assets				
Treasury bills and other eligible bills	9,254.6			9,254.6
Bonds and other interest-bearing securities	34,530.6			34,530.6
Shares and participations	0.1	4.9	19.3	24.3
Derivatives		7,361.7		7,361.7
Liabilities				
Derivatives		2,198.0		2,198.0

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	-20.0 ¹	20.0 ¹
Closing balance, 30 September 2017	0.0	39.2
Opening balance 1 January 2016	-	15.5
Acquisition	20.0 ¹	-
Shareholder contributions	-	3.7
Closing balance 31 December 2016	20.0	19.2
Opening balance 1 January 2016	-	15.5
Shareholder contributions	-	3.7
Closing balance 30 September 2016	-	19.2

¹Refers to investment in Bohemian Wrappsody AB

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

30 September 2017, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Loans to the public		252,647.6		252,647.6
Liabilities				
Deposits and borrowing from the public		99,805.9		99,805.9
Debt securities in issue		183,494.2		183,494.2
Subordinated liabilities		2,687.5		2,687.5
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
30 September 2016				
Assets				
Loans to the public		220,410.7		220,410.7
Liabilities				
Deposits and borrowing from the public		90,542.3		90,542.3
Debt securities in issue		152,699.5		152,699.5
Subordinated liabilities		2,667.8		2,667.8

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.

Note 11	Capital-adequacy					
SEK M	Consolidated situation 30 Sep 2017	Consolidated situation 31 Dec 2016	Consolidated situation 30 Sep 2016	Bank Group 30 Sep 2017	Bank Group 31 Dec 2016	Bank Group 30 Sep 2016
Total equity	25,469.9	23,079.2	22,723.4	13,988.1	13,182.3	12,942.1
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	-1.9	-1.9	-2.0	-1.9	-1.9
Part of interim profit not verified	-40.2	-	-40.9	-	-	-
Intangible assets	-1,279.7	-947.5	-805.7	-805.9	-488.3	-401.6
Goodwill	-371.6	-371.6	-371.6	-	-	-
Adjustment for cash flow hedge	117.5	16.1	-36.1	117.0	3.0	-52.7
IRB Provisions deficit (-)/surplus (+)	-454.0	-393.1	-385.4	-454.0	-393.1	-385.4
Adjustment for prudent valuation	-47.9	-48.3	-53.3	-47.2	-47.4	-52.3
Deferred tax assets	-	-	-	-	-	-
Threshold deductions: financial companies	-6,013.6	-6,218.2	-6,273.4	-	-	-
Minority interest	-1,343.2	-1,297.8	-1,273.4	-	-	-
Common Equity Tier 1 capital	14,835.3	12,616.9	12,281.7	11,596.0	11,054.5	10,848.1
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	16,035.3	13,816.9	13,481.7	12,796.0	12,254.5	12,048.1
Tier 2 instruments	2,591.7	2,591.7	2,556.7	2,591.7	2,591.7	2,556.7
IRB Provisions deficit (-)/surplus (+)	-	-	-	-	-	-
Tier 2 Capital	2,591.7	2,591.7	2,556.7	2,591.7	2,591.7	2,556.7
Total own funds	18,627.0	16,408.6	16,038.4	15,387.7	14,846.2	14,604.8
Total risk exposure amount to CRD IV	63,464.3	59,512.8	59,169.6	47,920.8	44,498.3	44,461.6
Total requirement CRD IV	5,077.1	4,761.0	4,733.6	3,833.7	3,559.9	3,556.9
Capital requirement for credit risk according to Standardised Approach	1,366.8	1,297.7	1,221.4	683.8	641.7	590.1
Capital requirement for credit risk according to IRB Approach	2,697.8	2,491.9	2,482.2	2,697.8	2,491.9	2,482.2
Capital requirement for operational risk	907.7	857.4	857.4	347.3	312.2	312.2
Capital requirement according to credit valuation adjustment	104.9	114.0	172.5	104.9	114.0	172.4
Core Tier 1 ratio according to CRD IV	23.4%	21.2%	20.8%	24.2%	24.8%	24.4%
Tier 1 ratio according to CRD IV	25.3%	23.2%	22.8%	26.7%	27.5%	27.1%
Capital adequacy ratio according to CRD IV	29.4%	27.6%	27.1%	32.1%	33.4%	32.8%
Special disclosures						
IRB Provisions surplus (+) / deficit (-)	-454.0	-393.1	-385.4	-454.0	-393.1	-385.4
- IRB Total provisions (+)	323.4	355.3	353.4	323.4	355.3	353.4
- IRB Anticipated loss (-)	-777.4	-748.5	-738.8	-777.4	-748.5	-738.8
Capital requirement according to Basel I floor	12,469.0	11,253.8	10,996.2	12,122.4	10,911.2	10,667.1
Own funds adjusted according to rules for Basel I floor	19,081.0	16,801.8	16,423.8	15,841.7	15,239.4	14,990.2
Surplus of capital according to Basel I floor	6,612.0	5,548.0	5,427.6	3,719.3	4,328.2	4,323.1
Third quarter 2017 Consolidated situation		Minimum capital requirement	Capital conservation buffer	Countercyclical buffer	Systemic risk buffer	Total
Minimum capital requirements and buffers						
Core Tier 1 capital		4.5%	2.5%	2.0%	n/a	9.0%
Tier 1 capital		6.0%	2.5%	2.0%	n/a	10.5%
Capital base		8.0%	2.5%	2.0%	n/a	12.5%
SEK M						
Core Tier 1 capital		2,855.9	1,586.6	1,269.3	n/a	5,711.8
Tier 1 capital		3,807.8	1,586.6	1,269.3	n/a	6,663.7
Capital base		5,077.1	1,586.6	1,269.3	n/a	7,933.0
Core tier 1 capital available for use as buffer						18.9%

Note 11 Capital-adequacy, continued

SEK M	Consolidated situation 30 Sep 2017		Consolidated situation 31 Dec 2016		Consolidated situation 30 Sep 2016		Bank Group 30 Sep 2017		Bank Group 31 Dec 2016		Bank Group 30 Sep 2016	
	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
Credit risk according to Standardised Approach												
Exposures to institutions	111.1	1,389.2	111.7	1,396.2	77.7	971.3	107.0	1,337.4	107.3	1,340.9	72.7	909.3
Exposures to corporates	149.8	1,872.0	135.8	1,697.1	125.9	1,574.0	147.4	1,842.1	135.8	1,697.1	126.4	1,579.9
Retail exposures	130.4	1,630.2	122.2	1,527.4	114.8	1,435.4	130.4	1,630.2	122.2	1,527.4	114.8	1,435.4
Exposures in default	4.5	56.4	5.1	64.0	4.9	61.0	4.5	56.4	5.1	64.0	4.9	61.0
Covered bonds	2.4	30.0	2.4	30.0	-	-	2.4	30.0	2.4	30.0	-	-
Exposures to CIU	241.1	3,013.8	222.3	2,779.3	233.0	2,912.0	235.3	2,941.8	215.6	2,695.2	225.0	2,812.7
Exposures to equity	420.5	5,256.5	379.9	4,748.6	368.8	4,609.4	3.1	38.6	3.0	38.0	3.0	36.9
Other items	307.0	3,837.2	318.3	3,978.4	296.4	3,705.0	53.7	670.6	50.3	628.8	43.3	541.5
Total capital requirement and risk exposure amount	1,366.8	17,085.3	1,297.7	16,220.9	1,221.4	15,268.0	683.8	8,547.1	641.7	8,021.4	590.1	7,376.7
Credit risk according to IRB Approach												
<i>Retail exposures</i>												
Secured by real estate SME	176.9	2,211.5	178.2	2,226.9	182.3	2,278.8	176.9	2,211.5	178.2	2,226.9	182.3	2,278.8
Secured by real estate non-SME	1,014.9	12,686.3	916.2	11,453.0	890.0	11,124.9	1,014.9	12,686.3	916.2	11,453.0	890.0	11,124.9
Other SME	336.6	4,208.1	320.7	4,008.5	313.0	3,913.1	336.6	4,208.1	320.7	4,008.5	313.0	3,913.1
Other non-SME	558.7	6,983.7	513.8	6,422.1	513.5	6,418.6	558.7	6,983.7	513.8	6,422.1	513.5	6,418.6
Total retail exposures	2,087.2	26,089.5	1,928.8	24,110.4	1,898.8	23,735.4	2,087.2	26,089.5	1,928.8	24,110.4	1,898.8	23,735.4
Exposures to corporates	610.6	7,632.5	563.1	7,038.7	583.4	7,292.1	610.6	7,632.5	563.1	7,038.7	583.4	7,292.1
Total capital requirement and risk exposure amount	2,697.8	33,722.1	2,491.9	31,149.1	2,482.2	31,027.5	2,697.8	33,722.1	2,491.9	31,149.1	2,482.2	31,027.5
Operational risks												
Standardised Approach	907.7	11,346.3	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	11,346.3	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	104.9	1,310.7	114.0	1,425.3	172.5	2,156.7	104.9	1,310.7	114.0	1,425.3	172.4	2,155.0

Note 12 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	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full-Year 2016
Interest income	372.1	355.8	5%	360.2	3%	1,083.3	1,066.7	2%	1,434.1
Interest expense	-98.3	-77.8	26%	-63.8	54%	-258.6	-250.1	3%	-310.3
Net interest income	273.7	278.0	-2%	296.4	-8%	824.8	816.6	1%	1,123.8
Dividends received	0.1	0.0		0.2	-50%	0.1	0.2	-50%	0.2
Commission income	121.1	118.7	2%	95.1	27%	359.4	280.7	28%	378.1
Commission expense	-103.5	-112.7	-8%	-121.7	-15%	-318.2	-324.8	-2%	-438.1
Net commission income	17.6	6.1		-26.5		41.1	-44.1		-60.0
Net gain / loss from financial items	3.6	5.3	-32%	6.8	-47%	11.7	26.9	-57%	29.3
Other operating income	27.8	29.8	-7%	27.6	1%	85.9	85.0	1%	123.5
Total operating income	322.8	319.1	1%	304.5	6%	963.6	884.6	9%	1,216.7
Staff costs	-64.6	-77.0	-16%	-41.7	55%	-213.2	-140.3	52%	-185.7
Other administration expenses	-159.2	-172.3	-8%	-160.5	-1%	-486.5	-452.6	7%	-614.6
Total administration expenses	-223.8	-249.3	-10%	-202.1	11%	-699.7	-593.0	18%	-800.3
Depreciation / amortisation and impairment of property and equipment / intangible assets	-17.6	-19.0	-7%	-17.7	-1%	-54.8	-50.3	9%	-65.0
Total operating expenses	-241.4	-268.2	-10%	-219.9	10%	-754.4	-643.3	17%	-865.3
Profit / loss before loan losses	81.4	50.9	60%	84.6	-4%	209.2	241.3	-13%	351.4
Loan losses net	3.7	2.7	37%	-8.9		2.9	-26.3		-21.6
Operating profit / loss	85.1	53.6	59%	75.7	12%	212.1	215.0	-1%	329.8
Allocation fund	-	-		-		-	2.9		-97.1
Tax	-18.7	-11.8	58%	-16.7	12%	-46.7	-45.3	3%	-48.0
Profit / loss for the period	66.4	41.8	59%	59.0	13%	165.4	172.6	-4%	184.7

Statement of comprehensive income - Parent Company

SEK M	Q3 2017	Q2 2017	Change	Q3 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full-Year 2016
Profit for the period	66.4	41.8	59%	59.0	13%	165.4	172.6	-4%	184.7
Other comprehensive income									
Items that are reclassified or may subsequently be reclassified to the income statement									
Cash-flow hedges	-3.6	-3.2	13%	0.4		-9.9	2.9		2.1
Change in fair value from available-for-sale financial assets	0.5	40.3	-99%	43.7	-99%	35.4	97.2	-64%	113.0
Tax attributable to items that are transferred or can be transferred as income for the period	0.7	-8.2		-9.7		-5.6	-22.0	-75%	-25.3
Other comprehensive income for the period, net after tax	-2.4	28.9		34.4		19.9	78.1	-75%	89.8
Total comprehensive income for the period	64.0	70.7	-9%	93.4	-31%	185.3	250.7	-26%	274.5

Balance sheet – Parent Company

SEK M	30 Sep 2017	31 Dec 2016	30 Sep 2016
Assets			
Cash and balances with central banks	17.5	21.6	24.0
Treasury bills and other eligible bills	6,308.1	7,867.2	9,254.6
Loans to credit institutions	69,705.6	64,183.5	61,716.2
Loans to the public	41,813.9	39,483.6	38,761.2
Bonds and other interest-bearing securities	26,247.3	23,495.8	24,105.6
Shares and participations	46.8	25.4	24.3
Shares and participations in Group companies	9,299.0	7,699.0	7,599.0
Derivatives	3,184.5	4,268.6	5,047.6
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	49.5	99.5	142.2
Intangible assets	738.1	451.9	367.4
Property and equipment	3.1	2.5	2.7
Deferred tax assets	4.2	2.0	1.8
Other assets	261.7	280.9	211.0
Prepaid expenses and accrued income	90.2	126.0	143.6
Total assets	157,769.5	148,007.4	147,401.1
Liabilities, provisions and equity			
Due to credit institutions	5,579.9	8,682.1	7,351.6
Deposits and borrowing from the public	99,654.3	91,505.5	90,322.4
Debt securities in issue	34,871.8	29,111.6	30,079.7
Derivatives	3,350.4	4,552.2	5,431.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	73.8	164.2	235.8
Other liabilities	424.6	366.5	348.3
Accrued expenses and deferred income	595.1	566.3	688.0
Provisions	6.5	7.0	6.1
Subordinated liabilities	2,596.2	2,595.4	2,595.2
Total liabilities and provisions	141,152.7	137,551.0	137,058.2
Untaxed reserves	162.0	162.0	62.0
Equity			
Share capital	954.9	954.9	954.9
Development Expenditures Fund	574.9	18.4	18.4
Statutory reserve	18.4	239.9	134.2
Additional Tier 1 instruments	1,200.0	1,200.0	1,200.0
Fair value reserves	80.8	60.9	49.2
Retained earnings	7,460.5	7,635.8	7,751.7
Profit for the period	165.4	184.7	172.6
Total equity	10,454.9	10,294.5	10,280.8
Total liabilities, provisions and equity	157,769.5	148,007.4	147,401.1
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-Sep 2017	Jan-Sep 2016
Cash and cash equivalents, 1 January	110.5	124.1
Cash flow from operating activities	1,924.2	407.8
Cash flow from investing activities	-1,962.9	-748.0
Cash flow from financing activities	0.8	295.5
Cash flow for the period	-37.9	-44.7
Cash and cash equivalents, 30 September	72.6	79.4

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 Deposits and borrowing from the public amounting to SEK 8,123.9 M (6,111.3). Debt securities in issue to SEK 5,836.5 M (472.1) and Loans to credit institutions to SEK -5,555.9 M (-5,689.2). The change in cash flow from investing activities included a paid shareholders' contribution of SEK -1,600 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								172.6	172.6	
Other comprehensive income for the period					75.9	2.2			78.1	
<i>Comprehensive income for the period</i>					75.9	2.2		172.6	250.7	
According to resolution by Annual General Meeting							135.9	-135.9	-	
Issued additional Tier 1 instruments							-25.5		-25.5	
Capitalised proprietary development expenditures		134.2					-134.2		-	
Closing balance, 30 September 2016	954.9	134.2	18.4	1,200.0	52.5	-3.3	7,751.6	172.6	10,280.8	
Opening balance, 1 October 2016	954.9	134.2	18.4	1,200.0	52.5	-3.3	7,751.6	172.6	10,280.8	
Profit for the period								12.1	12.1	
Other comprehensive income for the period					12.3	-0.6			11.7	
<i>Comprehensive income for the period</i>					12.3	-0.6		12.1	23.8	
Issued additional Tier 1 instruments							-10.2		-10.2	
Capitalised proprietary development expenditures		105.7					-105.7		-	
Closing balance, 31 December 2016	954.9	239.9	18.4	1,200.0	64.8	-3.9	7,635.7	184.7	10,294.5	
Opening balance, 1 January 2017	954.9	239.9	18.4	1,200.0	64.8	-3.9	7,635.7	184.7	10,294.5	
Profit for the period								165.4	165.4	
Other comprehensive income for the period					27.6	-7.7			19.9	
<i>Comprehensive income for the period</i>					27.6	-7.7		165.4	185.3	
According to resolution by Annual General Meeting							184.7	-184.7	-	
Issued additional Tier 1 instruments							-24.9		-24.9	
Capitalised proprietary development expenditures		335.0					-335.0		-	
Closing balance, 30 September 2017	954.9	574.9	18.4	1,200.0²	92.4	-11.7	7,460.5¹	165.4	10,454.9	

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 30 September 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 (ÅRKL), 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	30 Sep 2017	31 Dec 2016	30 Sep 2016		
Total equity	10,454.9	10,294.5	10,280.8		
Unrecognised dividend	-2.0	-1.9	-1.9		
78 % of untaxed reserves	126.4	126.4	48.4		
Own funds eligible for capital-adequacy	10,579.3	10,418.9	10,327.2		
Intangible assets	-738.1	-451.9	-367.4		
Adjustment for cash flow hedge	11.7	3.9	3.3		
IRB Provisions deficit (-)/surplus (+)	-98.8	-85.4	-82.4		
Adjustment for prudent valuation	-38.4	-39.0	-43.1		
Adjustment for Additional Tier 1 capital	-1,200.0	-1,200.0	-1,200.0		
Common Equity Tier 1 capital	8,515.6	8,646.5	8,637.7		
Additional Tier 1 capital	1,200.0	1,200.0	1,200.0		
Tier 1 capital	9,715.6	9,846.5	9,837.7		
Tier 2 instruments	2,591.7	2,591.7	2,556.7		
IRB Provisions deficit (-)/surplus (+)	12.3	27.9	17.8		
Own funds	2,604.0	2,619.6	2,574.5		
Total own funds	12,319.6	12,466.2	12,412.1		
Total risk exposure amount to CRD IV	26,588.7	24,179.9	24,213.6		
Total capital requirement to CRD IV	2,127.1	1,934.4	1,937.1		
Capital requirement for credit risk according to Standardised Approach	1,103.5	960.9	910.3		
Capital requirement for credit risk according to IRB Approach	811.0	782.3	814.4		
Capital requirement for operational risk	143.8	130.5	130.5		
Capital requirement according to credit valuation adjustment	68.8	60.6	81.9		
Core Tier 1 ratio according to CRD IV	32.0%	35.8%	35.7%		
Tier 1 ratio according to CRD IV	36.5%	40.7%	40.6%		
Capital adequacy ratio according to CRD IV	46.3%	51.6%	51.3%		
Special disclosures					
IRB Provisions surplus (+) /deficit (-)	-86.5	-57.4	-64.6		
- IRB Total provisions (+)	127.8	191.0	188.6		
- IRB Anticipated loss (-)	-214.3	-248.4	-253.3		
Capital requirement according to Basel I floor	3,377.6	3,155.3	3,153.8		
Capital base adjusted according to Basel I floor	12,406.1	12,523.6	12,476.8		
Surplus of capital according to Basel I floor	9,028.5	9,368.2	9,323.0		
Minimum capital requirements and buffers	Minimum capital requirement	Capital conservation buffer	Counter-cyclical buffer	Systemic risk buffer	Total
Core Tier 1 capital	4.5%	2.5%	2.0%	n/a	9.0%
Tier 1 capital	6.0%	2.5%	2.0%	n/a	10.5%
Capital base	8.0%	2.5%	2.0%	n/a	12.5%
SEK M					
Core Tier 1 capital	1,196.6	664.7	531.8	n/a	2,393.0
Tier 1 capital	1,595.3	664.7	531.8	n/a	2,791.8
Capital base	2,127.1	664.7	531.8	n/a	3,323.6
Core Tier 1 capital available for use as buffer					27.5%

SEK M	30 Sep 2017		31 Dec 2016		30 Sep 2016	
	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
Note 2 Capital-adequacy, continued						
Credit risk according to Standardised Approach						
Exposures to institutions	71.7	896.8	65.8	822.3	33.3	415.8
Exposures in default	-	0.3	-	-	-	-
High risk items	2.4	30.0	2.4	30.0	-	-
Covered bonds	158.1	1,976.7	141.1	1,763.5	141.6	1,770.2
Equity exposures	848.4	10,604.4	720.3	9,003.8	712.2	8,902.7
Other items	22.8	285.2	31.4	392.1	23.2	290.5
Total capital requirement and risk exposure amount	1,103.5	13,793.4	960.9	12,011.8	910.3	11,379.1
Credit risk according to IRB Approach						
<i>Retail exposures</i>						
Secured by real estate SME	142.4	1,780.6	144.3	1,803.7	148.1	1,851.0
Secured by real estate non-SME	108.4	1,354.6	111.6	1,394.9	109.5	1,369.0
Other SME	39.7	496.3	42.9	536.8	46.2	577.7
Other non-SME	179.1	2,238.9	188.4	2,354.5	192.5	2,406.6
Total retail exposures	469.6	5,870.4	487.2	6,089.9	496.3	6,204.2
Exposures to corporates	341.4	4,267.3	295.1	3,689.0	318.1	3,975.7
Total capital requirement and risk exposure amount	811.0	10,137.7	782.3	9,778.9	814.4	10,179.9
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	68.8	859.5	60.6	758.1	81.9	1,023.4

Note 3 Loan losses and impaired loans

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 30 September 2017, the total credit reserve requirement amounted to SEK 128 M of which the Bank Group's recognised credit reserve accounted for SEK 61 M and the remainder of SEK 67 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	30 Sep 2017	31 Dec 2016	30 Sep 2016
	Note 5 Pledged assets, contingent liabilities and commitments		
For own liabilities, pledged assets	6,580.2	5,049.9	6,301.9
Contingent liabilities	31.9	38.9	37.6
Commitments	39,211.8	34,586.3	36,084.2

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

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, 10 November 2017

Anders Borgcrantz
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 30 september 2017 and the nine-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 10 November 2017

Dan Beitner
Authorized Public Accountant

Financial calendar

Year-end report Länsförsäkringar Bank	9 February 2018
Year-end report Länsförsäkringar Hypotek	9 February 2018

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 November 2017 at 12:00 a.m. Swedish time.

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