9 February 2018

Länsförsäkringar Bank

Year-end report 2017

The year 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 9% to SEK 1,599 M (1,467) and the return on equity amounted to 10.0% (10.1).
- Net interest income increased 15% to SEK 3,996 M (3,464).
- Operating income increased 12% to SEK 3,258 M (2,904).
- Operating expenses amounted to SEK 1,601 M (1,399).
- Loan losses amounted to SEK 57.7 M (37.6*), net, corresponding to a loan loss level of 0.02% (0.02).
- Business volumes increased 14% to SEK 519.5 billion (456.1).
- Deposits rose 9% to SEK 99.4 billion (91.2). Lending increased 15% to SEK 261.4 billion (226.7).
- The Common Equity Tier 1 capital ratio for the consolidated situation amounted to 23.3% (23.4**) on 31 December 2017.
- The number of customers with Länsförsäkringar as their primary bank rose 11% and the number of cards increased 13%.
- 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. Länsförsäkringar Bank also has the most satisfied mortgage customers and corporate customers for property loans according to the 2017 Swedish Quality Index.

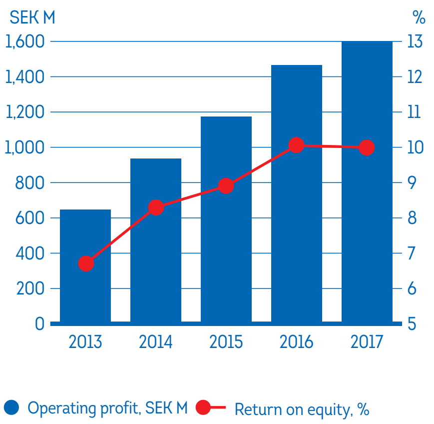
Figures in parentheses pertain to the same period in 2016.
* The comparative figure includes the dissolution of reserves amounting to SEK 23.3 M.
** Pertains to 30 September 2017.

President's comment

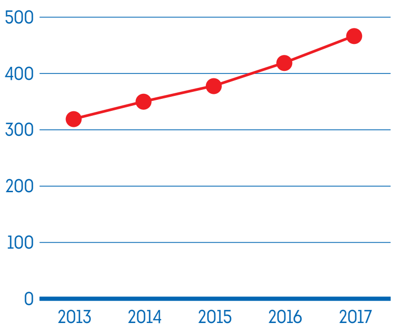
Once again, we report strong earnings and can summarise 2017 as the best year in the bank's history. Net interest income trended favourably during the year and the credit quality of the loan portfolio remains high. Business volumes reported healthy growth and market the position improved in all segments. For the 12th time in the past 14 years, Länsförsäkringar Bank is the single player on the bank market with the most satisfied retail customers. In addition, it is highly gratifying to state that we now also have the most satisfied corporate customers as well as the most satisfied mortgage and property-loan customers according to the 2017 Swedish Quality Index. The continued high customer inflow is ultimately confirmation that customers appreciate our offering. We firmly believe that the combination of our strong local presence and our market-leading digital services will continue to create the conditions for high customer satisfaction and additional inflows of new customers in 2018.

Anders Borgcrantz
President of Länsförsäkringar Bank

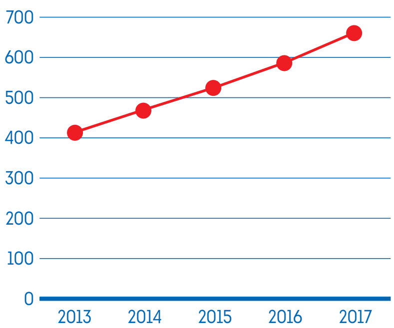
Operating profit and return on equity



Customer trend
Number of primary bank customers, 000s



Card trend
Number of cards, 000s



Länsförsäkringar

lansforsakringar.se/finansielltbank

Key figures

Group	Q 4 2017	Q 3 2017	Q 4 2016	Jan-Dec 2017	Jan-Dec 2016
Return on equity, %	10.43	10.61	10.34	10.00	10.09
Return on total capital, %	0.55	0.57	0.56	0.53	0.54
Investment margin, %	1.35	1.34	1.36	1.32	1.28
Cost/income ratio before loan losses	0.49	0.46	0.48	0.49	0.48
Common Equity Tier 1 capital ratio, Bank Group, %	24.3	24.2	24.8	24.3	24.8
Tier 1 ratio, Bank Group, %	26.8	26.7	27.5	26.8	27.5
Total capital ratio, Bank Group, %	32.1	32.1	33.4	32.1	33.4
Core Tier 1 ratio, consolidated situation, %	23.3	23.4	21.2	23.3	21.2
Tier 1 ratio, consolidated situation, %	24.8	25.3	23.2	24.8	23.2
Total capital ratio, consolidated situation, %	28.1	29.4	27.6	28.1	27.6
Percentage of impaired loans, gross, %	0.11	0.10	0.11	0.11	0.11
Reserve ratio in relation to loans, %	0.10	0.10	0.11	0.10	0.11
Reserve ratio in relation to loans, incl. withheld remuneration to regional insurance companies, %	0.14	0.13	0.17	0.14	0.17
Loan loss level, %	0.04	0.02	0.00*	0.02	0.02*

* Includes the dissolution of reserves.

Income statement, quarterly

Group, SEK M	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017	Q 4 2016
Net interest income	1,070.1	1,015.4	970.7	940.0	944.8
Net commission	-227.8	-194.6	-168.3	-159.6	-187.3
Net gains/losses from financial items	-6.3	-7.7	-5.1	-30.3	-14.6
Other operating income	47.7	3.8	6.0	3.7	16.0
Total operating income	**883.3**	**817.0**	**803.3**	**753.8**	**758.9**
Staff costs	-124.6	-128.2	-153.0	-143.2	-114.1
Other expenses	-303.4	-245.9	-259.6	-242.9	-,251.8
Total operating expenses	**-428.0**	**-374.1**	**-412.6**	**-386.2**	**-366.0**
Profit before loan losses	**455.3**	**442.9**	**390.7**	**367.6**	**393.0**
Loan losses, net	-22.9	-13.8	-5.9	-15.1	-2.4
Operating profit	**432.4**	**429.1**	**384.8**	**352.5**	**390.6**

Market commentary

A sense of optimism prevailed in the economy during 2017, with the global economy growing stronger. The largest surprise was Europe's performance where the economy clearly surged and growth exceeded expectations. However, inflation remained far short of targets, which means that the ECB is expected to maintain its expansive monetary policy. The US economy also trended positively, particularly the strong labour market, although inflation was lower than anticipated, which led to the Fed continuing its austerity measures in monetary policy at a restrained rate and increased interest rates three times. The Republican tax reform slightly raised expectations of US growth in 2018, further fuelling stock market performance. In general, the global economy was surprisingly stable in 2017, particularly in light of the political risks that dominated the news. The UK applied to leave the EU, Germany experienced difficulties in forming a government and the US markedly elevated its tone towards North Korea, while risks in the Middle East increased. Stock markets generally posted a favourable trend for the year, led by emerging markets.

The fixed-income market reported no major fluctuations during the year. Long-term US interest rates moved sideways following a sharp upswing towards the end of 2016, while short-term rates tracked the Fed's three rate hikes. Swedish and European long-term interest rates ended 2017 slightly higher than at the start of the year and short-term rates fell marginally. Rates on Swedish covered bonds fell during the year and demand from investors was good.

The Swedish economy performed strongly during the year; growth was surprisingly positive, the labour market continued to improve and inflation rose. The employment rate is now well above levels prior to the financial crisis of 2008. Nevertheless, the Riksbank decided to wait out interest rate increases, and the repo rate has been negative for almost three years. The SEK strengthened against the USD but weakened against the EUR during the year. Continued expansive signals from the Riksbank, a degree of concern regarding the Swedish housing market and a stronger EUR underpinned this trend. Housing prices generally show seasonal variations with a weaker performance towards the end of the year, yet 2017 reported considerably weaker figures than normal and housing prices, excluding seasonal variations, fell 5.3% in the second half of the year. The Swedish Financial Supervisory Authority's decision to introduce a stricter repayment requirement combined with a temporarily high supply of new-builds may have accelerated this development. Looking forward, the housing market has now become a more distinct risk for the Swedish economy, even though the underlying economic conditions for the households remain unchanged.

Significant changes since 1 January 2017

The Bank Group 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 – December 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 70 M was charged to staff costs in 2017. 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 for 2017. 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 entailed an increased cost of SEK 13 M for 2017. 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 the Bank Group was 6.9% in 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 2017 amounts to SEK 169 M. This action has a neutral effect on earnings.

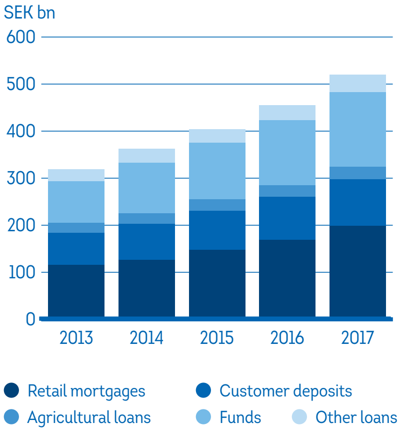
5. Income for Wasa Kredit has been reclassified between the items "Other operating income" and "Commission income." The change entails that income for services rendered that was previously classified as "Other operating income" has now been transferred to "Commission income." Comparative figures have been restated and the effect for the 2017 amounts to SEK 94 M. This action has a neutral effect on earnings.

2017 compared with 2016

Business volumes

Business volumes rose 14%, or SEK 63.4 billion, to SEK 519.5 billion (456.1). Lending increased 15%, or SEK 34.7 billion, to SEK 261.4 billion (226.7), with continued high credit quality. Lending in Länsförsäkringar Hypotek rose 17%, or SEK 28.8 billion, to SEK 197.7 billion (168.9). Lending in Wasa Kredit increased 18% to SEK 21.6 billion (18.3). Deposits increased 9%, or SEK 8.2 billion, to SEK 99.4 billion (91.2). Fund volumes increased 15%, or SEK 20.5 billion, to SEK 158.7 billion (138.2).

Business volumes



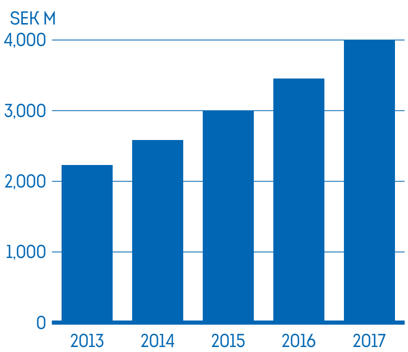
Customers

The number of customers with Länsförsäkringar as their primary bank increased 11% to 467,000 (419,000) and the average number of products per customer was 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 13% to 655,000 (580,000).

Earnings and profitability

Operating profit increased 9% to SEK 1,599 M (1,467), attributable to higher net interest income. The investment margin strengthened to 1.32% (1.28). Profit before loan losses rose 10% to SEK 1,657 M (1,505). The return on equity amounted to 10.0% (10.1).

Net interest income



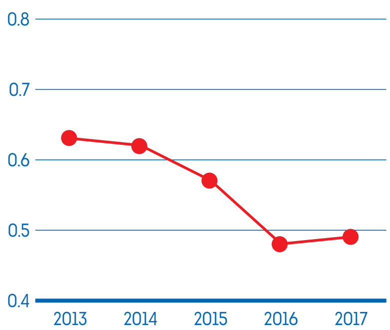
Income

Operating income increased 12% to SEK 3,258 M (2,904), primarily due to higher net interest income. In addition, SEK 42.2 M was received in dividends from the sale of the holding in Visa Europe. Net interest income rose 15% to SEK 3,996 M (3,464) attributable to increased volumes and lower refinancing costs. Net losses from financial items amounted to SEK –49.4 M (68.4) due to changes in fair value. Commission income increased 11% to SEK 1,789 M (1,616), as a result of an improvement in securities commission, a rise in other commission, and commission income from the regional insurance companies for the cost of the Bank Business Service unit. Net commission amounted to SEK –750.3 M (–661.9), 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 1,601 M (1,399), 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 year-end report. Adjusted for these organisational changes, the underlying cost increase totalled 6.9%, due to, for example, initiatives for future-oriented IT investments. The cost/income ratio was 0.49 (0.48) before loan losses and 0.51 (0.49) after loan losses.

Cost/income ratio before loan losses



Loan losses

Loan losses amounted to SEK 57.7 M (37.6*), net, corresponding to a loan loss level of 0.02% (0.02). Impaired loans, gross, amounted to SEK 277.9 M (240.2), corresponding to a percentage of impaired loans, gross, of 0.11% (0.11). Reserves totalled SEK 267.5 M (250.1), corresponding to a reserve ratio in relation to loans of 0.10% (0.11). In addition, SEK 88.2 M (129.6) 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 0.14% (0.17).

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

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

Deposits and savings

Deposits from the public increased 9%, or SEK 8.2 billion, to SEK 99.4 billion (91.2). Deposits from small businesses amounted to SEK 11.2 billion (11.0). The total number of deposit accounts increased 10%. On 31 December 2017, the market share for household deposits according to Statistics Sweden amounted to 4.8% (4.8). Fund volumes increased 15%, or SEK 20.5 billion, to SEK 158.7 billion (138.2) 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 34.7 billion, to SEK 261.4 billion (226.7). The credit quality of lending remained high. The weighted average loan-to-value ratio of the mortgage portfolio, LTV, declined to 60% (61). Lending in Länsförsäkringar Hypotek rose 17%, or SEK 28.8 billion, to SEK 197.7 billion (168.9). The percentage of retail mortgages in relation to the total loan portfolio was at 76%. On 31 December 2017, the market share of retail mortgages had strengthened to 6.3% (5.8) according to Statistics Sweden. Agricultural lending increased 6% to SEK 26.8 billion (25.3). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2.4 M on 31 December 2017. First-lien mortgages for agricultural properties, comprising 94% (93) of agricultural lending, accounted for the entire increase in agricultural loans and increased to SEK 25.3 billion (23.5). 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 31 December 2017.

Lending in Wasa Kredit increased 18% to SEK 21.6 billion (18.3).

Loan portfolio, distribution in %

Lending segment, %	31 Dec 2017	31 Dec 2016
Retail mortgages	75.7	74.4
Agriculture	10.2	11.1
Multi-family housing	3.0	3.5
Leasing and hire purchase	6.4	6.3
Unsecured loans	3.2	3.5
Other	1.5	1.2
TOTAL	**100**	**100**

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

Capital receivable	Total	
Loan-to-value ratio	**Volume, SEK M**	**Total, %**
0–50%	161,440	81.8%
51–60%	18,829	9.5%
61–70%	11,428	5.8%
71–75%	2,961	1.5%
75%+	2,802	1.4%
TOTAL	**197,458**	**100%**

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

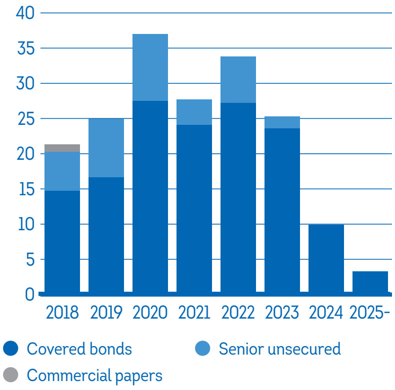
Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 21%, or SEK 34.1 billion, to a nominal SEK 183.0 billion (151.6), of which covered bonds amounted to SEK 146.6 billion (121.6), senior long-term funding to SEK 35.1 billion (28.9) and short-term funding to SEK 1.0 billion (1.1). The average remaining term for the long-term funding was 3.5 years (3.3) on 31 December 2017.

Covered bonds were issued during the year at a volume of a nominal SEK 39.0 billion (31.3). Repurchased covered bonds totalled a nominal SEK 7.2 billion (8.4) and matured covered bonds a nominal SEK 6.8 billion (8.3). Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 14.3 billion (8.1) during the year and senior unsecured bonds of a nominal SEK 7.8 billion (6.7) fell due for payment.

In March, Länsförsäkringar Hypotek issued a seven-year Euro benchmark-covered bond for a nominal EUR 500 M, and in September, Länsförsäkringar Bank issued a five-year senior unsecured 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 two Swedish benchmark bonds during the year, LFH516 and LFH517, which mature in September 2023 and September 2024, respectively.

Maturity profile

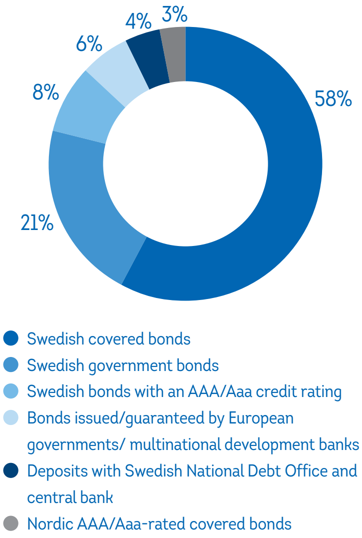


Liquidity

On 31 December 2017, the liquidity reserve totalled SEK 48.1 billion (41.6). 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 Liquidity Coverage Ratio (LCR) for the consolidated situation on 31 December 2017 according to the Swedish Financial Supervisory Authority's definition amounted to 202% (169) and according to the European Commission's delegated act to 339% (342). The Net Stable Funding Ratio (NSFR) for the consolidated situation amounted to 116%** (116) on 31 December 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 September 2017.

Liquidity reserve***



*** Comprising 99% AAA-rated bonds.

Rating

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

Capital adequacy, consolidated situation[1]

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)	31 Dec 2017	30 Sep 2017
IRB Approach	34,148	33,722
retail exposures	26,798	26,090
exposures to corporates	7,350	7,632
Standardised Approach	17,643	17,085
Operational risks	11,346	11,346
Total REA	64,379	63,464
Common Equity Tier 1 capital	14,992	14,835
Tier 1 capital	15,936	16,035
Total capital	18,100	18,627
Common Equity Tier 1 capital ratio	23.3%	23.4%
Tier 1 ratio	24.8%	25.3%
Total capital ratio	28.1%	29.4%

The Common Equity Tier 1 capital ratio amounted to 23.3% (23.4). The Bank Group continued to generate a profit in the fourth quarter. However, a deduction for the expected, proposed dividend from the Parent Company Länsförsäkringar AB to the shareholders of SEK 300 M reduced Common Equity Tier 1 capital.

Tier 1 and Tier 2 capital were impacted by a re-interpretation regarding eligible own funds instruments made in the fourth quarter. In November 2017, the European Banking Authority published an Opinion on an interpretation regarding how own funds instruments are to be credited in own funds. The Opinion clarified the application of the limitation rules on eligible own funds instruments in the consolidated situation. The new interpretation led to the consolidated situation on 31 December 2017 adding only own funds instruments issued externally by Länsförsäkringar Bank to the portion of capital required to cover the capital requirements of Länsförsäkringar Bank and its subsidiaries. On December 31, 2017, the capital requirement is based on the transition rules under Basel 1. Eligible Tier 1 capital amounted to SEK 944 M (1,200) and eligible Tier 2 capital to SEK 2,163 M (2,592) on 31 December 2017.

Total Risk Exposure Amount (REA) in the consolidated situation on 31 December 2017 amounted to SEK 64,379 M (63,464). REA increased SEK 915 M in the quarter, primarily due to loans to the public continuing to increase. The credit quality of lending remained favourable. The total REA for the Bank Group was SEK 48,432 M (47,921) on 31 December 2017.

Bank Group (SEK M)	31 Dec 2017	30 Sep 2017
IRB Approach	34,148	33,722
retail exposures	26,798	26,090
exposures to corporates	7,350	7,632
Standardised Approach	8,701	8,547
Operational risks	4,341	4,341
Total REA	48,432	47,921
Common Equity Tier 1 capital	11,767	11,596
Tier 1 capital	12,967	12,796
Total capital	15,559	15,388
Common Equity Tier 1 capital ratio	24.3%	24.2%
Tier 1 ratio	26.8%	26.7%
Total capital ratio	32.1%	32.1%

Internally assessed capital requirement and buffer

The internally assessed capital requirement for the consolidated situation on 31 December 2017 amounted to SEK 6,367 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 5,077 M on 31 December 2017. The countercyclical capital buffer of 2% of REA amounted to SEK 1,288 M on 31 December 2017 and the capital conservation buffer of 2.5% of REA to SEK 1,609 M.

The capital meeting the internal capital requirement including buffer, meaning own funds, amounted to SEK 18,100 M. The leverage ratio on 31 December 2017 amounted to 4.8% (4.9).

For the Bank Group, the internally assessed capital requirement amounted to SEK 4,984 M and own funds to SEK 15,559 M.

For more information on capital adequacy, see note 11

[1] The comparative period pertains to 30 September 2017.

MREL

In December 2017, the Swedish National Debt Office announced its decision on resolution plans and minimum requirements for own funds and eligible liabilities (MREL) for the ten institutions that have business activities that are deemed to be critical to the Swedish financial system. MREL for the consolidated situation is 6.2% of total liabilities and own funds. This MREL level of 6.2% is divided into a loss absorption amount of 2.6% that is to be covered by own funds instruments and a recapitalisation amount of 3.6% that is to be covered by bail-inable liabilities. According to the decision, the bail-inable liabilities are to be issued by Länsförsäkringar Bank. Bail-inable liabilities includes senior unsecured funding with a remaining term of more than one year. A requirement that bail-inable liabilities are to be subordinated will be gradually phased in over the period until 1 January 2022. The National Debt Office will announce in 2018 whether the consolidated situation will be subject to the subordination requirement. On 31 December 2017, Länsförsäkringar Bank had outstanding senior unsecured funding with a remaining term of more than one year of SEK 28.7 billion, which exceeds MREL by a very high margin.

Interest-rate risk

On 31 December 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 48.7 M (decrease: 16.1).

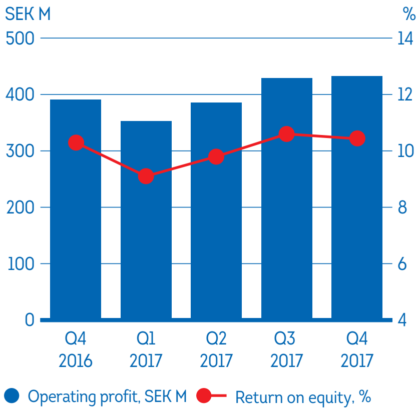
Risks and uncertainties

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.

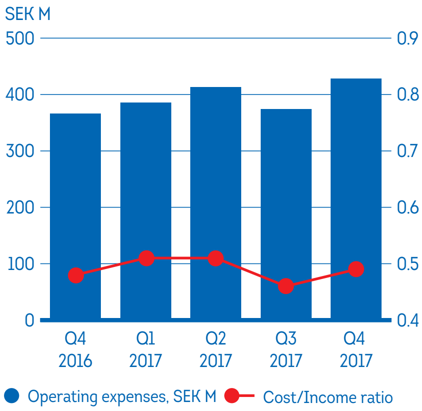
Fourth quarter of 2017 compared with third quarter of 2017

Operating profit amounted to SEK 432.4 M (429.1) attributable to higher net interest income. The return on equity amounted to 10.4% (10.6). Operating income increased 8% to SEK 883.3 M (817.0) due to higher net interest income and dividends received of SEK 42.2 M from the sale of the holding in Visa Europe. Net interest income increased 5% to SEK 1,070 M (1,015) as a result of continued positive volume growth. The investment margin strengthened to 1.35% (1.34). Commission income amounted to SEK 463.9 M (445.0) and the commission expense to SEK 691.8 M (639.6). Net commission amounted to SEK −227.8 M (−194.6). Net losses from financial items amounted to SEK -6.3 M (-7.7). Operating expenses increased 14% to SEK 428.0 M (374.1), mainly due to future-oriented IT investments as well as due to effects from a change on how VAT should be calculated for Wasa Kredit. The cost/income ratio before loan losses amounted to 0.49 (0.46). Loan losses amounted to SEK 22.9 M (13.8), net.

Operating profit and return on equity



Operating expenses and cost/income ratio



Other information

Sven Eggefalk was appointed the new President of Länsförsäkringar Bank AB on 24 November 2017. Sven Eggefalk will take office on 3 April 2018 and succeeds Anders Borgcrantz who was appointed President on 30 June 2017.

Events after the end of the period

On 2 February 2018, Johan Agerman left the position as Board Chairman of Länsförsäkringar Bank. In connection with this, Sören Westin was appointed as Board Chairman of Länsförsäkringar Bank.

Annual Report

The Annual Report will be available on Länsförsäkringar Bank's website on 13 March 2018.

Parent Company

2017 compared with 2016

Loans to the public amounted to SEK 42.2 billion (39.5). Deposits from the public increased 9%, or SEK 8.3 billion, to SEK 99.8 billion (91.5). Debt securities in issue amounted to SEK 35.6 billion (29.1). Operating profit declined 12% to SEK 289.6 M (329.8) due to increased operating expenses. Net interest income amounted to SEK 1,127 M (1,124). Operating income increased 7% to SEK 1,302 M (1,217) due to higher commission income. Commission income increased 30% to SEK 490.8 M (378.1), mainly attributable to commission income from the regional insurance companies for costs for the Bank Business Service unit. Net commission amounted to SEK 22.9 M (–60.0). Operating expenses increased 16% to SEK 1,008 M (865.3), primarily attributable to higher staff costs related the reorganisation of personnel from Länsförsäkringar AB to the Bank Business Service unit. Loan losses amounted to SEK 4.6 M (21.6*), net, corresponding to a loan loss level of 0.01% (0.05).

* The comparative figure includes dissolution of reserves of SEK 20.2 M.

Subsidiaries

2017 compared with 2016

Länsförsäkringar Hypotek

Lending increased 17%, or SEK 28.8 billion, to SEK 197.7 billion (168.9). 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 increased 23% to SEK 813.0 M (658.4), due to higher net interest income. Net interest income rose 28% to SEK 2,101 M (1,647), attributable to higher volumes and lower refinancing costs. Operating expenses amounted to SEK 103.4 M (97.4). Loan losses amounted to SEK 0.0 M (–4.8**), net, corresponding to a loan loss level of 0.00% (–0.00). The number of retail mortgage customers increased 10% to SEK 255,000 (231,000).

** The comparative figure includes the dissolution of reserves amounting to SEK 3.1 M.

SEK M	31 Dec 2017	31 Dec 2016
Total assets	215,337	189,228
Lending volume	197,655	168,948
Net interest income	2,101	1,647
Operating profit	813	658

Wasa Kredit

Wasa Kredit's lending volumes increased 18% to SEK 21.6 billion (18.3). Operating profit amounted to SEK 402.0 M (402.0). Net interest income rose 11% to SEK 768.5 M (692.8). Operating expenses amounted to SEK 453.6 M (413.4) and loan losses, net, were SEK 53.1 M (20.8).

SEK M	31 Dec 2017	31 Dec 2016
Total assets	22,321	18,869
Lending volume	21,586	18,274
Net interest income	768	693
Operating profit	402	402

Länsförsäkringar Fondförvaltning

Fund volumes increased 15%, or SEK 20.5 billion, to SEK 158.7 billion (138.2) attributable to increased inflows in the fund business and positive changes in value in 2017. The fund offering includes 37 mutual funds under Länsförsäkringar's own brand with various investment orientations and a fund market with external funds. Three Swedish equities funds are internally managed by Länsförsäkringar Fondförvaltning. Assets under management under Länsförsäkringar's own brand amounted to SEK 138.5 billion (124.5). Operating profit amounted to SEK 96.2 M (77.2).

SEK M	31 Dec 2017	31 Dec 2016
Total assets	592	520
Fund volumes	158,706	138,192
Net flow	6,337	6,062
Net commission	245	208
Operating profit	96	77

Income statement – Group

SEK M	Note	Q 4 2017	Q 3 2017	Change	Q 4 2016	Change	Jan-Dec 2017	Jan-Dec 2016	Change
Interest income		1,219.4	1,169.9	4%	1,054.1	16%	4,568.6	4,035.6	13%
Interest expense		-149.3	-154.5	-3%	-109.3	37%	-572.4	-572.0	
Net interest income	3	**1,070.1**	**1,015.4**	**5%**	**944.8**	**13%**	**3,996.3**	**3,463.5**	**15%**
Dividends received		42.2	0.1		0.0		42.3	0.2	
Commission income		463.9	445.0	4%	416.7	11%	1,789.4	1,616.1	11%
Commission expense		-691.8	-639.6	8%	-603.9	15%	-2,539.7	-2,278.0	11%
Net commission income	4	**-227.8**	**-194.6**	**17%**	**-187.3**	**22%**	**-750.3**	**-661.9**	**13%**
Net gains / losses from financial items	5	-6.3	-7.7	-18%	-14.6	-57%	-49.4	68.4	
Other operating income		5.2	3.8	37%	16.0	-68%	18.6	33.7	-45%
Total operating income		**883.3**	**817.0**	**8%**	**759.0**	**16%**	**3,257.5**	**2,903.8**	**12%**
Staff costs		-124.6	-128.2	-3%	-114.1	9%	-549.0	-469.8	17%
Other administration expenses		-276.1	-224.5	23%	-234.1	18%	-960.4	-852.7	13%
Total administration expenses		**-400.7**	**-352.7**	**14%**	**-348.2**	**15%**	**-1,509.3**	**-1,322.5**	**14%**
Depreciation / amortisation and impairment of property and equipment / intangible assets		-27.3	-21.4	28%	-17.7	54%	-91.5	-76.3	20%
Total operating expenses		**-428.0**	**-374.1**	**14%**	**-366.0**	**17%**	**-1,600.9**	**-1,398.8**	**14%**
Profit before loan losses		**455.3**	**442.9**	**3%**	**393.0**	**16%**	**1,656.6**	**1,505.0**	**10%**
Loan losses, net	6	-22.9	-13.8	66%	-2.4		-57.7	-37.6	53%
Operating profit		**432.4**	**429.1**	**1%**	**390.6**	**11%**	**1,598.9**	**1,467.3**	**9%**
Tax		-105.3	-94.4	12%	-97.0	9%	-361.9	-330.8	9%
Profit for the period		**327.1**	**334.7**	**-2%**	**293.6**	**11%**	**1,237.0**	**1,136.6**	**9%**

Statement of comprehensive income – Group

Mkr	Q 4 2017	Q 3 2017	Change	Q 4 2016	Change	Jan-Dec 2017	Jan-Dec 2016	Change
Profit for the period	**327.1**	**334.7**	**-2%**	**293.6**	**11%**	**1,237.0**	**1,136.6**	**9%**
Other comprehensive income								
Items that cannot be transferred to the income statement								
Cash-flow hedges	14.4	-25.8		-71.4		-131.9	-98.6	34%
Change in fair value of available-for-sale financial assets	11.7	-6.1		16.0	-27%	56.5	130.2	-57%
Tax attributable to items that have been transfer-red or can be transferred to profit for the period	-5.7	7.0		12.2		16.6	-6.9	
Total	**20.4**	**-24.9**		**-43.2**		**-58.8**	**24.7**	
Items that cannot be transferred to profit and loss								
Chagne in defined-benefit pension plans	1.8	_		-		1.8	-	
Tax attributable to items that cannot be reversed to profit and loss	-0.4	_		-		-0.4	-	
Total	**1.3**	**-**		**-**		**1.3**	**-**	
Total other comprehensive income for the period, net after tax	**21.7**	**-24.9**		**-43.2**		**-57.5**	**-**	
Comprehensive income for the period	**348.8**	**309.8**	**13%**	**250.4**	**39%**	**1,179.5**	**1,161.3**	**2%**

Balance sheet – Group

SEK M	Note	31 Dec 2017	31 Dec 2016
Assets			
Cash and balances with central banks		17.0	21.6
Treasury bills and other eligible bills		10,531.5	7,867.2
Loans to credit institutions		265.0	280.2
Loans to the public	7	261,444.2	226,705.0
Bonds and other interest-bearing securities		35,717.8	32,809.7
Shares and participations		38.3	25.4
Derivatives	8	5,125.5	6,216.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		248.0	635.9
Intangible assets		969.3	488.3
Property and equipment		10.5	7.8
Deferred tax assets		30.0	2.7
Other assets		546.8	505.1
Prepaid expenses and accrued income		422.5	385.5
Total assets		**315,366.3**	**275,951.1**
Liabilities and equity			
Due to credit institutions		3,995.9	3,872.8
Deposits and borrowing from the public		99,403.6	91,207.1
Debt securities in issue		188,406.7	155,999.5
Derivatives	8	1,166.4	1,894.6
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,200.2	3,191.4
Deferred tax liabilities		508.0	421.6
Other liabilities		791.6	595.2
Accrued expenses and deferred income		2,959.1	2,978.8
Provisions		9.9	12.3
Subordinated liabilities		2,596.5	2,595.4
Total liabilities		**301,037.9**	**262,768.8**
Equity			
Share capital		954.9	954.9
Other capital contributed		7,442.5	7,442.5
Reserves		26.5	83.9
Additional Tier 1 instruments		1,200.0	1,200.0
Retained earnings		3,467.5	2,364.5
Profit for the period		1,237.0	1,136.6
Total equity		**14,328.4**	**13,182.3**
Total liabilities and equity		**315,366.3**	**275,951.1**
Notes			
Accounting policies	1		
Segment reporting	2		
Pledged assets, contingent liabilities and commitments	9		
Fair value valuation techniques	10		
Capital-adequacy analysis	11		
Disclosures on related parties	12		

Cash-flow statement in summary, indirect method – Group

SEK M	Jan–Dec 2017	Jan–Dec 2016
Cash and cash equivalents, 1 January	**122.1**	**141.4**
Cash flow from operating activities	600.5	-48.4
Cash flow from investing activities	-588.1	-266.6
Cash flow from financing activities	1.0	295.7
Cash flow for the period	**21.9**	**-19.3**
Cash and cash equivalents, 31 December	**144.0**	**122.1**

Cash and cash equivalents is defined as cash and balances with central banks and loans to credit institutions payable on demand. The change in cash flow from operating activities was largely due to Loans to the public amounting to SEK -34,720.1 M (-24,749.1) and Debt securities in issue SEK 31,673.9 M (15,030.0). The change in cash flow from investing activities was largely due to intangible assets.

Statement of changes in shareholders' equity – Group

				Reserves					
SEK M	Share capital	Other capital contributed	Additional Tier 1 instru-ments	Fair value reserve	Hedge reserve	Defined-benefit pension plans	Retained earnings	Profit for the period	Total
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								1,136.6	1,136.6
Other comprehensive income for the period				101.7	-77.0				24.7
Comprehensive income for the period				*101.7*	*-77.0*			*1,136.6*	*1,161.3*
According to resolution by Annual General Meeting							911.1	-911.1	-
Issued Additional Tier 1 instruments							-35.7		-35.7
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								1,237.0	1,237.0
Other comprehensive income for the period				44.1	-102.9	1.3			-57.5
Comprehensive income for the period				*44.1*	*-102.9*	*1.3*		*1,237.0*	*1,179.5*
According to resolution by Annual General Meeting							1,136.5	-1,136.5	-
Issued Additional Tier 1 instruments							-33.5		-33.5
Closing balance, 31 December 2017	**954.9**	**7,442.5[1]**	**1,200.0[2]**	**132.3**	**-105.8**	**-**	**3,467.5**	**1,237.0**	**14,328.4**

[1] During the quarter, all conditional shareholders' contributions that Länsförsäkringar Bank AB (publ) previously received from Länsförsäkringar AB (publ) were converted to unconditional shareholders' contributions.

[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

This interim report complies with the requirements of IAS 34 Interim Financial Reporting. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of these standards issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. Furthermore, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) (1995:1559) and 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).

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 Group has decided to present financial instruments measured at fair value including accrued interest, which conforms with the classifications in the CRR regulations. The change affected comparative figures in the balance sheet as per 31 December 2016. The affected asset items are: Treasury bills and other eligible bills have increased by SEK 73 M, Bonds and other interest-bearing securities have increased by SEK 388, Derivatives have increased by SEK 662 M and Prepaid expenses and accrued income have declined by SEK 1,123 M. The affected liability items are: Derivatives have increased by SEK 251 M and Accrued expenses and deferred income have declined by SEK 251 M. Comparative figures and performance measures have been updated to the new classification. The change has not affected 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 took effect on 1 January 2018 and largely replaces IAS 39. The standard contains new requirements for the classification and measurement of financial instruments, new hedge accounting rules and an expected loss impairment model. The Group's project to implement the new rules has been completed and the outcome is as follows:

Classification and measurement

Financial assets are to be divided into three measurement categories under IFRS 9. The division into these three categories is based on the Group's business model for the various holdings and the cash flow characteristics that the assets give rise to. The outcome for the Group is:

Financial asset	Fair value through profit and loss	Amortised cost	Fair value through other comprehensive income
Cash and balances with central banks		X	
Treasury bills and other eligible bills			X
Loans to credit institutions		X	
Loans to the public		X	
Bonds and other interest-bearing securities			X
Shares and participations			X
Derivatives	X		
Other financial assets		X	

The transition to IFRS 9 does not entail any material reclassification of financial assets in the Group and thus does not impact the carrying amounts of the assets.

The classification of financial liabilities has not been changed and financial liabilities continue to be measured at amortised cost.

Hedge accounting

In 2017, the Group further analysed the options for hedge accounting under IFRS 9 and decided to make use of the exceptions that entail that the rules in IAS 39 can continue to be applied for all hedging relationships.

Expected credit losses

The impairment model under IFRS 9 encompasses financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income, financial guarantees and loan commitments.

The expected loss impairment model is based on dividing the financial assets in three different stages. Stage 1 comprises assets for which the credit risk has not increased significantly since initial recognition. Stage 2 comprises assets for which the credit risk has increased significantly since initial recognition, but the asset is not credit-impaired. Stage 3 comprises credit-impaired assets. Estimating expected credit losses for stage 1 is to correspond to the 12-month expected credit losses (ECL). For stages 2 and 3, estimating expected credit losses is to correspond to the full lifetime expected credit losses. The approach selected to assess the significant increase in credit risk is to compare PD on the reporting date in question with PD from the initial reporting date. In addition, a credit risk is deemed to have increased significantly for assets that are more than 30 days past due.

The calculations are primarily based on existing internal ratings-based models, but the reporting standard includes the new requirement that the calculations must also take into account prospective information. The provision for the expected credit losses is achieved by calculating the expected credit loss for the asset's contractual cash flows. The present value of the expected credit loss is calculated for every date in each cash flow by multiplying the remaining exposure with the probability of default (PD) and the loss given default (LGD). For stage 1, the expected credit loss is calculated as the present value of the 12-month ECL, while the credit loss for stages 2 and 3 is calculated as the present value of the full lifetime expected credit losses. All calculations of the expected credit losses including estimates of exposure, PD and LGD take into account prospective information and are based on a weighting of at least three different possible macroeconomic scenarios. A number of statistical macro models have been developed to determine how each macroeconomic scenario will affect the expected future exposure, PD and LGD.

The effect of the transition from IAS 39 to IFR 9 is recognised as an adjustment of equity (after tax) in the opening balance for 2018. A calculation of the provision for expected credit losses under IFRS 9 was performed on 1 January 2018. The change in the provision entails that the Bank Group's equity decreased by SEK 83.2 M. For the Parent Company, the change in the provision is that equity decreased by SEK 0.4 M.

The effect on own funds is marginal since the Group applies the IRB Approach to most of its loan portfolio. The Group has decided not to apply the capital adequacy rules that permit a phase-in of expected credit losses in own funds.

The Group does not intend to restate comparative figures for IFRS 9 in future financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaced all previously issued standards and interpretations on income on 1 January 2018. The standard contains a single model for recognising revenue from contracts with customers that is not encompassed by other standards (for example, IFRS 9). The effect of the regulations will not entail any adjustments of opening retained earnings, but the implementation does give rise to a reclassification in the Group's net commission:

- The portion of the cost for securities commission that is to reduce the transaction price in accordance with IFRS 15 will be recognised as a deduction under commission income. Based on amounts for 2017, the reclassification would have entailed the transfer of SEK 630 M from commission expense to commission income.

In addition, the standard stipulates more detailed disclosure requirements regarding revenue from contracts with customers.

The Group will apply the future-oriented transition method, which entails that the Group will recognise the effects of IFRS 15 as an adjustment to the opening balance of retained earnings. No such effects have arisen. The method also means that comparative figures for 2017 will not be restated.

IFRS 16 Leases

IFRS 16 Leases will replace IAS 17 Leases on 1 January 2019. Early adoption is permitted provided that IFRS 15 Revenue from Contracts with Customers is also applied. The Group will not apply the standard in advance. The largest changes entailed by the new standard is that a lessee is to recognise leases in its balance sheet. The Group currently has a project in progress to analyse the effects of the standard.

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-Dec 2017, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	1,127.2	2,100.6	768.5	0.0	-	3,996.3
Dividends received	42.3	-	-	-	-	42.3
Net commission	22.9	-1,141.3	124.0	244.8	-0.8	-750.3
Net gain / loss from financial items	-6.4	-43.0	-	-	-	-49.4
Intra-Group income	112.9	-	0.8	-	-113.7	0.0
Other income	2.9	0.0	15.5	0.1	-	18.6
Total operating income	**1,301.9**	**916.4**	**908.8**	**244.9**	**-114.4**	**3,257.5**
Intra-Group expenses	7.5	-82.2	-10.4	-29.3	144.4	0.0
Other administration expenses	-936.1	-21.0	-431.2	-119.0	-2.0	-1,509.3
Depreciation / amortisation and impairment	-79.0	-0.2	-12.0	-0.4	-	-91.5
Total operating expenses	**-1,007.7**	**-103.4**	**-453.6**	**-148.7**	**112.5**	**-1,600.9**
Profit before loan losses	**294.2**	**813.0**	**455.1**	**96.2**	**-2.0**	**1,656.6**
Loan losses, net	-4.6	0.0	-53.1	0.0	0.0	-57.7
Operating profit / loss	**289.6**	**813.0**	**402.0**	**96.2**	**-2.0**	**1,598.9**
Balance sheet 31 December 2017						
Total assets	**160,396.8**	**215,336.6**	**22,320.7**	**592.0**	**-83,279.9**	**315,366.3**
Liabilities	149,754.4	204,869.4	19,758.0	172.0	-73,515.9	301,037.9
Equity	10,642.4	10,467.3	2,562.7	420.0	-9,764.0	14,328.4
Total liabilities and equity	**160,396.8**	**215,336.6**	**22,320.7**	**592.0**	**-83,279.9**	**315,366.3**
Income statement, Jan-Dec 2016, SEK M						
Net interest income	1,123.8	1,646.9	692.8	0.0	0.0	3,463.5
Dividends received	0.2	0.0	0.0	0.0	0.0	0.2
Net commission	-60.0	-935.2	125.5	207.8	0.0	-661.9
Net gain / loss from financial items	29.3	39.1	0.0	0.0	0.0	68.4
Intra-Group income	107.3	0.0	1.0	0.0	-108.4	0.0
Other income	16.2	0.2	16.9	0.5	0.0	33.7
Total operating income	**1,216.7**	**751.0**	**836.2**	**208.3**	**-108.4**	**2,903.9**
Intra-Group expenses	8.1	-77.5	-10.3	-28.6	108.4	0.0
Other administration expenses	-808.4	-19.7	-392.3	-102.2	0.0	-1,322.6
Depreciation / amortisation and impairment	-65.0	-0.2	-10.8	-0.4	0.0	-76.3
Total operating expenses	**-865.3**	**-97.4**	**-413.4**	**-131.1**	**108.4**	**-1,398.9**
Profit / loss before loan losses	**351.4**	**653.6**	**422.8**	**77.2**	**0.0**	**1,505.0**
Loan losses, net	-21.6	4.8	-20.8	0.0	0.0	-37.6
Operating profit / loss	**329.8**	**658.4**	**402.0**	**77.2**	**0.0**	**1,467.3**
Balance sheet 31 December 2016						
Total assets	**148,007.4**	**189,227.6**	**18,869.1**	**520.0**	**-80,673.1**	**275,951.1**
Liabilities	137,586.6	181,239.9	16,742.0	174.5	-72,974.0	262,768.8
Equity	10,420.8	7,987.7	2,127.2	345.5	-7,699.2	13,182.3
Total liabilities and equity	**148,007.4**	**189,227.6**	**18,869.1**	**520.0**	**-80,673.1**	**275,951.1**

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	Q 4 2017	Q 3 2017	Change	Q 4 2016	Change	Jan-Dec 2017	Jan-Dec 2016	Change
Interest income								
Loans to credit institutions	0.1	-0.8		0.6	-83%	-2.8[1]	-3.7	-24%
Loans to the public	1,364.6	1,339.7	2%	1,252.5	9%	5,267.2	4,928.6	7%
Interest-bearing securities	53.6	52.6	2%	68.4	-22%,	224.0[1]	330.7	-32%
Derivatives	-199.0	-221.6	-10%	-267.6	-26%	-919.7	-1,220.2	-25%
Other interest income	0.0	-		0.2		-0.1	0.2	
Total interest income	**1,219.4**	**1,169.9**	**4%**	**1,054.1**	**16%**	**4,568.6**	**4,035.6**	**13%**
Interest expense								
Due to credit institutions	8.3	5.5	51%	6.4	30%	26.5[1]	20.1	32%
Deposits and borrowing from the public	-27.5	-29.7	-7%	-40.5	-32%	-130.4[1]	-185.6	-30%
Debt securities in issue	-502.6	-486.4	3%	-488.7	3%	-1,984.6	-2,012.7	-1%
Subordinated liabilities	-14.1	-14.0	1%	-13.9	1%	-55.2	-71.5	-23%
Derivatives	442.9	437.4	1%	434.9	2%	1,791.3	1,780.2	1%
Other interest expense, including government deposit insurance	-56.2	-67.3	-16%	-7.5		-220.0	-102.6	
Total interest expense	**-149.3**	**-154.5**	**-3%**	**-109.3**	**37%**	**-572.4**	**-572.0**	
Total net interest income	**1,070.1**	**1,015.4**	**5%**	**944.8**	**13%**	**3,996.3**	**3,463.5**	**15%**
Interest income on impaired loans	1.1	1.5	-27%	1.2	-8%	10.7	14.7	-27%
Average interest rate on loans to the public during the period, including net leasing, %	2.1	2.2	-5%	2.2	-5%	2.2	2.3	-5%
Average interest rate on deposits from the public during the period, %	0.1	0.1		0.2	-50%	0.1	0.2	-50%

[1] Of which negative interest on Loans to credit institutions of SEK -15.5 M, Interest-bearing securities of SEK -57.9 M, Due to credit institutions of SEK 27.1 M and Deposits and borrowing from the public of SEK 2.8 M.

Note 4 Net commission income

SEK M	Q 4 2017	Q 3 2017	Change	Q 4 2016	Change	Jan-Dec 2017	Jan-Dec 2016	Change
Commission income								
Payment mediation	24.6	21.3	15%	21.9	12%	87.3	84.3	4%
Loans	60.5	58.8	3%	54.1	12%	232.1	211.1	10%
Deposits	2.7	2.6	4%	2.5	8%	11.3	11.0	3%
Securities	301.9	290.0	4%	290.7	4%	1,180.7	1,134.4	4%
Cards	58.6	56.8	3%	47.2	24%	213.2	173.6	23%
Remuneration to regional insurance companies	15.5	15.3	1%	-	-	64.1	-	
Other commission	0.2	0.1		0.4	-50%	0.8	1.7	-53%
Total commission income	**463.9**	**445.0**	**4%**	**416.7**	**11%**	**1,789.4**	**1,616.1**	**11%**
Commission expense								
Payment mediation	-21.3	-35.6	-40%	-27.9	-24%	-125.2	-103.9	21%
Securities	-170.0	-166.7	2%	-169.1	1%	-677.1	-626.2	8%
Cards	-34.7	-24.7	40%	-31.0	12%	-117.7	-106.9	10%
Remuneration to regional insurance companies	-438.7	-384.4	14%	-339.3	29%	-1,501.7	-1,261.5	19%
Management costs	-24.3	-25.5	-5%	-33.9	-28%	-107.1	-169.0	-37%
Other commission	-2.8	-2.6	8%	-2.7	4%	-10.9	-10.4	5%
Total commission expense	**-691.8**	**-639.6**	**8%**	**-603.9**	**15%**	**-2,539.7**	**-2,278.0**	**11%**
Total net commission income	**-227.8**	**-194.6**	**17%**	**-187.3**	**22%**	**-750.3**	**-661.9**	**13%**

Note 5 Net gains / losses from financial items

SEK M	Q 4 2017	Q 3 2017	Change	Q 4 2016	Change	Jan-Dec 2017	Jan-Dec 2016	Change
Interest-bearing assets and liabilities and related derivatives	-2.2	-16.7	-87%	-23.2	-91%	-70.5	23.6	
Other financial assets and liabilities	-12.6	-0.1		-0.2		-12.9	0.2	
Interest compensation	8.4	9.2	-9%	8.8	-5%	34.0	44.6	-24%
Total net gains / losses from financial items	**-6.3**	**-7.7**	**-18%**	**-14.6**	**-57%**	**-49.4**	**68.4**	

Not 6 Kreditförluster och osäkra lånefordringar

Net loan losses, SEK M	Q 4 2017	Q 3 2017	Change	Q 4 2016	Change	Jan-Dec 2017	Jan-Dec 2016	Change
Specific reserve for individually assessed loan receivables								
Write-off confirmed loan losses during the year	-42.4	-29.8	42%	-47.7	-11%	-131.0	-135.1	-3%
Reversed earlier impairment of loan losses recognised as confirmed losses	31.9	29.2	9%	47.0	-32%	118.4	133.3	-11%
Impairment of loan losses during the year	-36.5	-39.1	-7%	-65.1	-44%	-147.5	-140.9	5%
Payment received for prior confirmed loan losses	21.4	20.4	5%	20.0	7%	90.3	66.8	35%
Reversed impairment of loan losses no longer required	2.3	2.0	15%	57.4	-96%	9.9	67.1	-85%
Net expense for the year for individually assessed loan receivables	**-23.3**	**-17.3**	**35%**	**11.7**		**-59.9**	**-8.8**	
Collective assessed homogenous groups of loan receivables with limited value and similar credit risk								
Provision/reversal of impairment of loan losses	0.3	3.4	-91%	-14.2		1.9	-29.1	
Net expense for the year for collectively assessed receivables	**0.3**	**3.4**	**-91%**	**-14.2**		**1.9**	**-29.1**	
Net expence for the year for fulfillment of guarantees	0.1	0.1		0.1		0.3	0.3	
Net expense of loan losses for the year	**-22.9**	**-13.8**	**66%**	**-2.4**		**-57.7**	**-37.6**	**53%**
All information pertains to receivables from the public								
Reserve ratios								
Total impaired loans reserve ratio, %	96.2	102.0		104.1		96.2	104.1	
Impaired loans reserve ratio excluding collective impairments, %	58.3	61.4		59.5		58.3	59.5	

	31 December 2017				31 December 2016			
Impaired loans, SEK M	Gross	Individual impair-ments	Collective impair-ments	Net	Gross	Individual impair-ments	Collective impair-ments	Net
Corporate sector	77.2	-67.3	-20.6	-10.7	60.9	-49.8	-18.8	-7.7
Retail sector	200.7	-94.8	-84.8	21.2	179.3	-93.1	-88.4	-2.2
of which private individuals	171.7	-102.3	-45.3	24.1	147.4	-85.2	-42.1	20.1
Total	**277.9**	**-162.1**	**-105.4**	**10.5**	**240.2**	**-142.9**	**-107.2**	**-9.9**

The settlement model regarding the commitment that the regional insurance companies have for loan losses related to the business they have originated, entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified. Off-setting takes place against, and can amount to a maximum of, accrued commission. Remuneration corresponding to 80% of the provision requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. On 31 December 2017 , the total credit reserve requirement amounted to SEK 355 M, of which the Bank Group's recognised credit reserve accounted for SEK 267 M and the remainder of SEK 88 M was offset against the regional insurance companies' withheld funds, according to the model described above.

Note 7 Loans to the public

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	31 December 2017	31 December 2016
Public sector	2,014.1	1,136.9
Corporate sector	18,402.4	17,276.0
Retail sector	241,294.8	208,524.0
Other	0.3	18.2
Loan to the public before reserves	**261,711.6**	**226,955.1**
Reserves	-267.5	-250.1
Loans to the public	**261,444.2**	**226,705.0**
Fixed-interest period		
Remaining term of not more than 3 months	194,248.2	155,156.4
Remaining term of more than 3 months but not more than 1 year	21,624.7	18,017.6
Remaining term of more than 1 year but not more than 5 years	43,675.9	51,468.5
Remaining term of more than 5 years.	1,895.4	2,062.6
Loans to the public	**261,444.2**	**226,705.0**

Note 8 Derivatives

	31 December 2017		31 December 2016	
SEK M	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
Derivatives in hedge accounting				
Interest-related	117,810.8	1,900.5	98,286.0	2,893.8
Currency-related	35,828.8	3,210.6	26,514.1	3,280.5
Other derivatives				
Currency-related	401.8	14.4	303.9	42.4
Total derivatives with positive values	**154,041.4**	**5,125.5**	**125,104.0**	**6,216.7**
Derivatives with negative values				
Derivatives in hedge accounting				
Interest-related	102,307.0	805.0	97,590.0	1,469.4
Currency-related	4,733.5	361.4	4,935.9	417.9
Other derivatives				
Currency-related	-	-	363.8	7.3
Total derivatives with negative values	**107,040.5**	**1,166.4**	**102,889.7**	**1,894.6**

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

Note 9 Pledged assets, contingent liabilities and commitments

SEK M	31 December 2017	31 December 2016
For own liabilities, pledged assets	203,273.4	173,186.9
Contingent liabilities	34.5	38.9
Commitments	21,979.4	19,365.8

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

Note 10 Fair value valuation techniques

SEK M	31 December 2017 Book value	31 December 2017 Fair value	31 December 2016 Book value	31 December 2016 Fair value
Financial Assets				
Cash and balances with central banks	17.0	17.0	21.6	21.6
Treasury bills and other eligible bills	10,531.5	10,531.5	7,867.2	7,867.2
Loans to credit institutions	265.0	265.0	280.2	280.2
Loans to the public	261,444.2	262,346.0	226,705.0	227,784.0
Bonds and other interest-bearing securities	35,717.8	35,717.8	32,809.7	32,809.7
Shares and participations	38.3	38.3	25.4	25.4
Derivatives	5,125.5	5,125.5	6,216.7	6,216.7
Other assets	253.5	253.5	207.3	207.3
Total	**313,392.7**	**314,294.6**	**274,133.1**	**275,212.1**
Financial Liabilities				
Due to credit institutions	3,995.9	3,995.9	3,872.8	3,872.8
Deposits and borrowing from the public	99,403.6	101,169.1	91,207.1	91,644.4
Debt securities in issue	188,406.7	192,362.8	155,999.5	161,185.9
Derivatives	1,166.4	1,166.4	1,894.6	1,894.6
Other liabilities	179.3	179.3	119.7	119.7
Subordinated liabilities	2,596.5	2,681.5	2,595.4	2,674.8
Total	**295,748.4**	**301,555.0**	**255,689.1**	**261,392.2**

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

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

Note 10	Fair Value valuation techniques, continued

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

Level 1 refers to prices determined from prices listed in an active market
Level 2 refers to prices determined by calculated prices of observable market listings
Level 3 refers to prices based on own assumptions and judgements

Financial instruments measured at fair value in the balance sheet

31 December 2017, SEK M	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Treasury bills and other eligible bills	10,531.5			10,531.5
Bonds and other interest-bearing securities	35,717.8			35,717.8
Shares and participations	0.2	7.9	30.1	38.3
Derivatives		5,125.5		5,125.5
Other assets				
Liabilities				
Derivatives		1,166.4		1,166.4
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

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	-	0.9
Conversion to shares	-20.0	20.0
Impairment [1]	-	-10.0
Closing balance, 31 December 2017	**-**	**30.1**
Opening balance 1 January 2016	–	**15.5**
Acquisition	20.0[1]	-
Shareholder contributions	-	3.7
Closing balance 31 December 2016	**20.0**	**19.2**

[1] Refers to investment in Bohemian Wrappsody AB. Due to uncertainty regarding qualitication as a going concern, an impairment of SEK 10 M was recognised in the quarter.

Note 10 Fair Value valuation techniques, continued

Financial instruments measured at amortised cost in the balance sheet

31 December 2017, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Loans to the public		262,346.0		262,346.0
Liabilities				
Deposits and borrowing from the public		101,169.1		101,169.1
Debt securities in issue		192,362.8		192,362.8
Subordinated liabilities		2,681.5		2,681.5
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

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 pubished annual report.

Not 11 Capital-adequacy

Presentation of own funds in accordance with Article 5 of the European Commission Implementing Regulation (EU) No 1423/2013. Rows that are empty in the presentation in accordance with the Regulation have been excluded in the table below to provide a better overview. There are no items encompassed by the provisions applied before Regulation (EU) No 575/2013 or any prescribed residual amounts under the Regulation.

SEK M	Consolidated situation 31 Dec 2017	Consolidated situation 31 Dec 2016	Bank Group 31 Dec 2017	Bank Group 31 Dec 2016
Common Equity Tier 1 capital: instruments and reserves				
Capital instruments and associated share premium reserves	11,314.6	11,314.6	1,238.6	1,231.0
Of which: share capital	*1,042.5*	*1,042.5*	*954.9*	*954.9*
Non-distributed earnings (Retained earnings)	8,781.4	7,246.3	10,626.4	9,531.0
Accumulated Other comprehensive income	474.8	448.3	26.5	83.8
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	2,550.2	1,570.3	1,235.1	1,134.6
Common Equity Tier 1 capital before legislative adjustments	**23,121.0**	**20,579.5**	**13,126.5**	**11,980.4**
Common Equity Tier 1 capital: legislative adjustments				
Additional value adjustments	-52.1	-48.3	-51.4	-47.4
Intangible assets (net after reduction for associated tax liabilities)	-1,739.3	-1,319.1	-969.3	-488.3
Fair value reserves related to gains or losses on cash-flow hedges	105.9	16.1	105.9	3.0
Negative amounts resulting from the calculation of expected loss amounts	-444.3	-393.1	-444.3	-393.1
Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities where the institution does not have a significant investment in those entities	-5,999.3	-6,214.9	-	-
Amounts exceeding threshold of 15%	-	-3.2	-	-
Of which: direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities where the institution does not have a significant investment in those entities	-	*-1.7*	-	-
Of which: deffered tax assets arise from temporary differences	-	*-1.5*	-	-
Total legislative adjustments of Common Equity Tier 1 capital Common Equity Tier 1 capital	**-8,129.1**	**-7,962.6**	**-1,359.1**	**-925.9**
Common equity Tier 1 capital	**14,991.9**	**12,616.9**	**11,767.4**	**11,054.5**
Additional Tier 1 instruments: instruments				
Capital instruments and associated share premium reserves	-	1,200.0	1,200.0	1,200.0
Of which: classified as wquity within the meaning of the applicable accounting framwork	-	*1,200.0*	*1,200.0*	*1,200.0*
Qualifying Tier 1 instruments included in consolidated Tier 1 capital issued by subsidiaries and held by a third party	944.3	-	-	-
Additional Tier 1 instruments	**944.3**	**1,200.0**	**1,200.0**	**1,200.0**
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 instruments)	**15,936.2**	**13,816.9**	**12,967.4**	**12,254.5**
Tier 2 capital: instruments and provisions				
Capital instruments and associated share premium reserves	-	2,591.7	2,591.7	2,591.7
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by a third party	2,163.3	-	-	-
Tier 2 capital	**2,163.3**	**2,591.7**	**2,591.7**	**2,591.7**
Total capital (total capital = Tier 1 capital + Tier 2 capital)	**18,099.5**	**16,408.6**	**15,559.1**	**14,846.2**
Total risk-weighted assets	**64,379.2**	**59,512.8**	**48,432.2**	**44,498.3**
Capital ratios and buffers				
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	23.3%	21.2%	24.3%	24.8%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	24.8%	23.2%	26.8%	27.5%
Total capital (as a percentage of the total risk-weighted exposure amount)	28.1%	27.6%	32.1%	33.4%
Institution-specific buffer requirements	9.0%	8.5%	9.0%	8.5%
Of which: capital conservation buffer requirement	*2.5%*	*2.5%*	*2.5%*	*2.5%*
Of which: countercyclical capital buffer requirement	*2.0%*	*1.5%*	*2.0%*	*1.5%*
Of which: systemic risk buffer requirement	-	-	-	-
Of which: buffer for globally systemically important institution or for another systemically important institution	-	-	-	-
Common Equity Tier 1 capital available for use as a buffer (as a percentage of the risk-weighted exposure amount)	18.8%	16.7%	19.8%	20.3%
Capital requirement according to Basel I floor *)	**12,880.4**	**11,253.8**	**12,511.5**	**10,911.2**
Own funds adjusted according to Basel I floor	18,543.8	16,801.7	16,003.4	15,239.4
Surplus capital according to Basel I floor	**5,663.4**	**5,547.9**	**3,491.9**	**4,328.2**

Note 11 Capital-adequacy, continued

SEK M	Consolidated situation 31 Dec 2017		Consolidated situation 31 Dec 2016		Bank Group 31 Dec 2017		Bank Group 31 Dec 2016	
	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment
Credit risk according to Standardised Approach								
Exposures to institutions	1,293.5	103.5	1,396.2	111.7	1,242.7	99.4	1,340.9	107.3
Exposures to corporates	1,723.9	137.9	1,697.1	135.8	1,695.8	135.7	1,697.1	135.8
Retail exposures	1,730.7	138.5	1,527.4	122.2	1,730.7	138.5	1,527.4	122.2
Exposures in default	56.2	4.5	64.0	5.1	56.2	4.5	64.0	5.1
Covered bonds	15.0	1.2	30.0	2.4	15.0	1.2	30.0	2.4
Exposures to CIU	2,989.4	239.2	2,779.3	222.3	2,917.3	233.4	2,695.2	215.6
Exposures to equity	5,296.0	423.7	4,748.6	379.9	40.6	3.2	38.0	3.0
Other items	4,538.0	363.0	3,978.4	318.3	1,002.7	80.2	628.8	50.3
Total capital requirement and risk exposure amount	**17,642.7**	**1,411.4**	**16,220.9**	**1 297.7**	**8,701.0**	**696.1**	**8,021.4**	**641.7**
Credit risk according to IRB Approach								
Retail exposures								
Secured by real estate SME	2,217.4	177.4	2,226.9	178.2	2,217.4	177.4	2,226.9	178.2
Secured by real estate non-SME	13,118.6	1,049.5	11,453.0	916.2	13,118.6	1,049.5	11,453.0	916.2
Other SME	4,375.0	350.0	4,008.5	320.7	4,375.0	350.0	4,008.5	320.7
Other non-SME	7,087.4	567.0	6,422.1	513.8	7,087.4	567.0	6,422.1	513.8
Total retail exposures	**26,798.4**	**2,143.9**	**24,110.4**	**1 928.8**	**26,798.4**	**2,143.9**	**24,110.4**	**1,928.8**
Exposures to corporates	7,349.7	588.0	7,038.7	563.1	7,349.7	588.0	7,038.7	563.1
Total capital requirement and risk exposure amount	**34,148.1**	**2,731.8**	**31,149.1**	**2 491.9**	**34,148.1**	**2,731.8**	**31,149.1**	**2,491.9**
Operational risks								
Standardised Approach	11,346.2	907.7	10,717.4	857.4	4,340.9	347.3	3,902.5	312.2
Total capital requirement for operational risk	**11,346.2**	**907.7**	**10,717.4**	**857.4**	**4,340.9**	**347.3**	**3,902.5**	**312.2**
Total capital requirement for credit valuation adjustments	**1,242.2**	**99.4**	**1,425.3**	**114.0**	**1,242.2**	**99.4**	**1,425.3**	**114.0**
Total capital requirement and risk exposure amount	**64,379.2**	**5,150.3**	**59,512.8**	**4 761.0**	**48,432.2**	**3,874.6**	**44,498.3**	**3,559.9**

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	Q 4 2017	Q 3 2017	Change	Q 4 2016	Change	Jan-Dec 2017	Jan-Dec 2016	Change
Interest income	380.6	372.1	2%	367.4	4%	1,463.9	1,434.1	2%
Interest expense	-78.1	-98.3	-21%	-60.2	30%	-336.7	-310.3	9%
Net interest income	**302.4**	**273.7**	**10%**	**307.2**	**-2%**	**1,127.2**	**1,123.8**	
Dividends received	42.2	0.1		0.0		42.3	0.2	
Commission income	131.4	121.1	9%	97.4	35%	490.8	378.1	30%
Commission expense	-149.6	-103.5	45%	-113.3	32%	-467.8	-438.1	7%
Net commission income	**-18.2**	**17.6**		**-15.9**	**14%**	**22.9**	**-60.0**	
Net gain / loss from financial items	-18.1	3.6		2.4		-6.4	29.3	
Other operating income	29.9	27.8	8%	38.5	-22%	115.8	123.5	-6%
Total operating income	**338.3**	**322.8**	**5%**	**332.2**	**2%**	**1,301.9**	**1,216.7**	**7%**
Staff costs	-54.5	-64.6	-16%	-45.4	20%	-267.7	-185.7	44%
Other administration expenses	-174.5	-159.2	10%	-161.9	8%	-661.0	-614.6	8%
Total administration expenses	**-229.0**	**-223.8**	**2%**	**-207.3**	**10%**	**-928.6**	**-800.3**	**16%**
Depreciation / amortisation and impairment of property and equipment / intangible assets	-24.3	-17.6	38%	-14.7	65%	-79.0	-65.0	22%
Total operating expenses	**-253.2**	**-241.4**	**5%**	**-222.0**	**14%**	**-1,007.7**	**-865.3**	**16%**
Profit / loss before loan losses	**85.0**	**81.4**	**4%**	**110.2**	**-23%**	**294.2**	**351.4**	**-16%**
Loan losses net	-7.5	3.7		4.7		-4.6	-21.6	-79%
Operating profit / loss	**77.5**	**85.1**	**-9%**	**114.9**	**-33%**	**289.6**	**329.8**	**-12%**
Allocation fund	-90.0	-		-100.0	-10%	-90.0	-97.1	-7%
Tax	-2.8	-18.7	-85%	-2.8		-49.4	-48.0	3%
Profit / loss for the period	**-15.2**	**66.4**		**12.1**		**150.2**	**184.7**	**-19%**

Statement of comprehensive income – Parent Company

SEK M	Q 4 2017	Q 3 2017	Change	Q 4 2016	Change	Jan-Dec 2017	Jan-Dec 2016	Change
Profit for the period	**-15.2**	**66.4**		**12.1**		**150.2**	**184.7**	**-19%**
Other comprehensive income								
Items that are reclassified or may subsequently be reclassified to the income statement								
Cash-flow hedges	5.0	-3.6		-0.8		-5.0	2.1	
Change in fair value from available-for-sale financial assets	14.1	0.5		15.8	-11%	49.5	113.0	-56%
Tax attributable to items that are transferred or can be transferred as income for the period	-4.2	0.7		-3.3	27%	-9.8	-25.3	-61%
Other comprehensive income for the period, net after tax	**14.9**	**-2.4**		**11.7**	**27%**	**34.7**	**89.8**	**-61%**
Total comprehensive income for the period	**-0.3**	**64.0**		**23.8**		**184.9**	**274.5**	**-7%**

Balance sheet – Parent Company

SEK M		31 Dec 2017	31 Dec 2016
Tillgångar			
Cash and balances with central banks		17.0	21.6
Treasury bills and other eligible bills		10,531.5	7,867.2
Loans to credit institutions		67,005.7	64,183.5
Loans to the public		42,203.2	39,483.6
Bons and other interest-bearing securities		25,880.0	23,495.8
Shares and participations		38.3	25.4
Shares and participations within the Group		9,764.0	7,699.0
Derivatives		3,639.1	4,268.6
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		40.5	99.5
Intangible assets		873.2	451.9
Property and equipment		2.8	2.5
Deffered tax assets		2.4	2.0
Other assets		278.0	280.9
Prepaid expenses and accrued income		121.4	126.0
Total assets		**160,396.8**	**148,007.4**
Liabilities, provisions and equity			
Due to credit institutions		7,031.4	8,682.1
Deposits and borrowing from the public		99,808.4	91,505.5
Debt securities in issue		35,594.8	29,111.6
Derivatives		3,677.4	4,552.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		65.5	164.2
Other liabilities		420.2	366.5
Accrued expenses and deferred income		500.1	566.3
Provisions		4.7	7.0
Subordinated liabilities		2,596.5	2,595.4
Total liabilities and provisions		**149,699.0**	**137,551.0**
Untaxed reserves		**252.0**	**162.0**
Equity			
Share capital		954.9	954.9
Development Expenditures Fund		18.4	18.4
Statutory reserve		730.9	239.9
Additional Tier 1 instruments		1,200.0	1,200.0
Fair value reserves		95.6	60.9
Retained earnings		7,295.9	7,635.8
Profit for the period		150.2	184.7
Total equity		**10,445.9**	**10,294.5**
Total liabilities, provisions and equity		**160,396.8**	**148,007.4**
Notes			
Accounting policies	1		
Capital-adequacy	2		
Loan losses and impaired loans	3		
Disclosures on related parties	4		
Pledged assets, contingent liabilities and commitments	5		

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

SEK M	Jan-Dec 2017	Jan-Dec 2016
Cash and cash equivalents, 1 January	**110.5**	**124.1**
Cash flow from operating activities	2,598.8	638.8
Cash flow from investing activities	-2,578.5	-948.1
Cash flow from financing activities	1.0	295.7
Cash flow for the period	**21.3**	**-13.6**
Cash and cash equivalents, 30 September	**131.8**	**110.5**

Cash and cash equivalents are defined as cash and balances at central banks and loans due to credit institutions payable on demand.
The change in cash flow from operating activities was largely due to Deposits and borrowing from the public amounting to SEK 8,269.4 M (7,284.5), Debt securities in issue to SEK 6,420.3 M (-485.4) and Loans to credit institutions to SEK -2,796.2 M (-8,066.2). The change in cash flow from investing activities included a paid shareholders' contribution of SEK -2,065.0 M (-700.0).

Statement of changes in shareholders' equity – Parent Company

SEK M	Restricted equity			Non-restricted equity					
					Fair value reserve				
	Share capital	Development Expenditures Fund	Statutory Reserve	Additional Tier 1 instruments	Fair value reserve	Hedge reserve	Retained earnings	Profit for the period	Total
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								184.7	184.7
Other comprehensive income for the period					88.2	1.6			89.8
Comprehensive income for the period					88.2	*1.6*		*184.7*	*274.5*
According to resolution by Annual General Meeting							135.9	-135.9	-
Issued additional Tier 1 instruments							-35.7		-35.7
Capitalised proprietary development expenditures		239.9					-239.9		-
Closing balance, 31 December 2016	**954.9**	**239.9**	**18.4**	**1,200.0**	**64.8**	**-3.9**	**7,635.8**	**184.7**	**10,294.5**
Opening balance, 1 January 2017	**954.9**	**239.9**	**18.4**	**1,200.0**	**64.8**	**-3.9**	**7,635.8**	**184.7**	**10,294.5**
Profit for the period								150.2	150.2
Other comprehensive income for the period					38.6	-3.9			34.7
Comprehensive income for the period					*38.6*	*-3.9*		*150.2*	184.9
According to resolution by Annual General Meeting							184.7	-184.7	-
Issued additional Tier 1 instruments							-33.5		-33.5
Capitalised proprietary development expenditures		491.1					-491.1		-
Closing balance, 31 December 2017	**954.9**	**730.9**	**18.4**	**1,200.0[2]**	**103.4**	**-7.8**	**7,295.9[1]**	**150.2**	**10,445.9**

[1] During the quarter, all conditional shareholders' contributions that Länsförsäkringar Bank AB (publ) previously received from Länsförsäkringar AB (publ) were converted to unconditional shareholders' contributions.

[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

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 and changes that have affected the financial reports during 2017 are 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.

Not 2 Capital-adequacy

Presentation of own funds in accordance with Article 5 of the European Commission Implementing Regulation (EU) No 1423/2013. There are no items encompassed by the provisions applied before Regulation (EU) No 575/2013 or any prescribed residual amounts under the Regulation.

SEK M	31 Dec 2017	31 Dec 2016
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and associated share premium reserves	1,900.7	1,339.5
Of which: share capital	*954.9*	*954.9*
Non-distributed earnings (Retained earnings)	7,295.9	7,635.8
Accumulated Other comprehensive income	95.6	60.9
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	148.3	182.8
Common Equity Tier 1 capital before legislative adjustments	**9,440.5**	**9,218.9**
Common Equity Tier 1 capital: legislative adjustments		
Additional value adjustments	**-42.7**	**-39.0**
Intangible assets (net after reduction for associated tax liabilities)	-873.2	-451.9
Fair value reserves related to gains or losses on cash-flow hedges	7.8	3.9
Negative amounts resulting from the calculation of expected loss amounts	-85.9	-85.4
Total legislative adjustments of Common Equity Tier 1 capital	**-994.0**	**-572.4**
Common Equity Tier 1 capital	**8,446.5**	**8,646.5**
Additional Tier 1 instruments: instruments		
Capital instruments and associated share premium reserves	1,200.0	1,200.0
Of which: classified as equity within the meaning of the applicable accounting framework	*1,200.0*	*1,200.0*
Additional Tier 1 instruments	**1,200.0**	**1,200.0**
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 instruments)	**9,646.5**	**9,846.5**
Tier 2 capital: instruments and provisions		
Capital instruments and associated share premium reserves	2,591.7	2,591.7
Adjustment due to credit risk	13.5	27.9
Tier 2 capital	**2,605.2**	**2,619.6**
Total capital (total capital = Tier 1 capital + Tier 2 capital)	**12,251.7**	**12,466.2**
Total risk-weighted assets	**26,173.8**	**24,179.9**
Capital ratios and buffers		
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	32.3%	35.8%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	36.9%	40.7%
Total capital (as a percentage of the total risk-weighted exposure amount)	46.8%	51.6%
Institution-specific buffer requirements	9.0%	8.5%
Of which: capital conservation buffer requirement	*2.5%*	*2.5%*
Of which: countercyclical capital buffer requirement	*2.0%*	*1.5%*
Of which: systemic risk buffer requirement	-	-
Of which: buffer for globally systemically important institution or for another systemically important institution	-	-
Common Equity Tier 1 capital available for use as a buffer (as a percentage of the risk-weighted exposure amount)	27.8%	31.3%
Capital requirement according to Basel I floor *)	**3,390.9**	**3,155.5**
Own funds adjusted according to Basel I floor	12,324.1	12,523.7
Surplus capital according to Basel I floor	**8,933.2**	**9,368.2**

From 1 January 2018, the capital requirement under the Basel I floor based Article 500(1) of the Regulation No 575/2013/EU on prudential requirements ceases to apply.

Note 2 Capital-adequacy, continued

SEK M	31 Dec 2017 Risk exposure amount	31 Dec 2017 Capital requirement	31 Dec 2016 Risk exposure amount	31 Dec 2016 Capital requirement
Credit risk according to Standardised Approach				
Exposures to institutions	799.7	64.0	822.3	65.8
High risk items	15.0	1.2	30.0	2.4
Covered bonds	1,933.6	154.7	1,763.5	141.1
Equity exposures	10,605.8	848.5	9,003.8	720.3
Other items	465.5	37.2	392.1	31.4
Total capital requirement and risk exposure amount	**13,819.6**	**1,105.6**	**12,011.8**	**960.9**
Credit risk according to IRB Approach				
Retail exposures				
Secured by real estate SME	1,786.3	142.9	1,803.7	144.3
Secured by real estate non-SME	1,381.3	110.5	1,394.9	111.6
Other SME	500.7	40.1	536.8	42.9
Other non-SME	2,119.4	169.6	2,354.5	188.4
Total retail exposures	**5,787.7**	**463.0**	**6,089.9**	**487.2**
Exposures to corporates	4,035.0	322.8	3,689.9	295.1
Total capital requirement and risk exposure amount	**9,822.7**	**785.8**	**9,778.9**	**782.3**
Operational risks				
Standardised Approach	1,798.1	143.8	1,631.1	130.5
Total capital requirement for operational risk	**1,798.1**	**143.8**	**1,631.1**	**130.5**
Total capital requirement for credit valuation adjustments	**733.4**	**58.7**	**758.1**	**60.6**
Total capital requirement and risk exposure amount	**26,173.8**	**2,093.9**	**24,179.9**	**1,934.4**

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 31 December 2017, the total credit reserve requirement amounted to SEK 126 M of which the Bank Group's recognised credit reserve accounted for SEK 58 M and the remainder of SEK 69 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.

Note 5 Pledged assets, contingent liabilities and commitments

SEK M	31 Dec 2017	31 Dec 2016
For own liabilities, pledged assets	5,549.0	5,049.8
Contingent liabilities	34.5	38.9
Commitments	35,693.0	34,586.5

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, 9 February 2018

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 per 31 December, 2017 and the twelve-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 9 February 2018

Dan Beitner
Authorized Public Accountant

LF 04512 utg 59 Sitrus 207382 2017-11

Financial calendar	
Interim report January–March Länsförsäkringar Bank	25 April 2018
Interim report January–March Länsförsäkringar Hypotek	25 April 2018

This report contains such information that Länsförsäkringar Bank AB (publ) must publish in accordance with the Securities Market Act and EU Market Abuse Regulation. The information was submitted for publication on 9 February 2018 at 12:00 a.m. Swedish time.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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