25 April 2018

Länsförsäkringar Bank

Interim Report January–March 2018

The period in brief, Group

- Operating profit increased 26% to SEK 443.3 M (352.5) and the return on equity strengthened to 10.5% (9.1).
- Net interest income increased 15% to SEK 1,082 M (940.0).
- Operating income increased 17% to SEK 883.1 M (753.8).
- Operating expenses rose 10% to SEK 426.3 M (386.2).
- Credit losses amounted to SEK 13.4 M (15.1), net, corresponding to a credit loss level of 0.03% (0.03).
- Business volumes increased 13% to SEK 529.5 billion (467.5).
- Deposits rose 9% to SEK 100.4 billion (91.9). Lending increased 16% to SEK 268.6 billion (232.2).
- The Common Equity Tier 1 capital ratio for the consolidated situation amounted to 22.7% (23.3*) on 31 March 2018.
- The number of customers with Länsförsäkringar as their primary bank rose 10%. The number of bank cards increased 12%.
- According to the 2017 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank is the single player on the bank market with the most satisfied retail and corporate customers. Länsförsäkringar Bank also has the most satisfied mortgage customers and corporate customers for property loans according to the 2017 Swedish Quality Index.

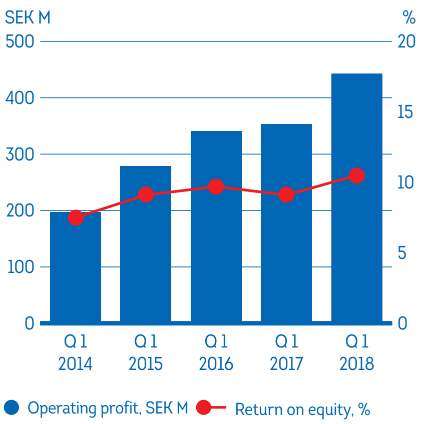
Figures in parentheses pertain to the same period in 2017.
* Refers to 31 December 2017.

President's comment

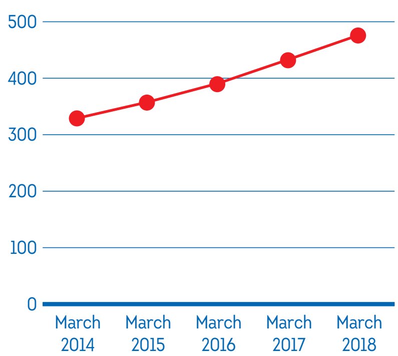
We are pleased to say that Länsförsäkringar Bank continued to perform positively and once again we can report our best ever quarterly results. Business volumes are continuously increasing in all areas. We are maintaining a healthy balance between savings and lending in our business volumes, while the credit quality of the loan portfolio remains high. The number of customers is continuing to increase, showing that customers appreciate our local presence and focus on customer meetings combined with our market-leading digital services. As the new President of Länsförsäkringar Bank, I see excellent opportunities to continue our journey of growth in the Swedish bank market. Based on Länsförsäkringar strong brand and our unique market position, we have an excellent platform for continued expansion. The key to continued success is the tremendous work carried out locally at the regional insurance companies that ultimately results in our high levels of customer satisfaction – an area that we will always give the highest priority.

Sven Eggefalk
President of Länsförsäkringar Bank

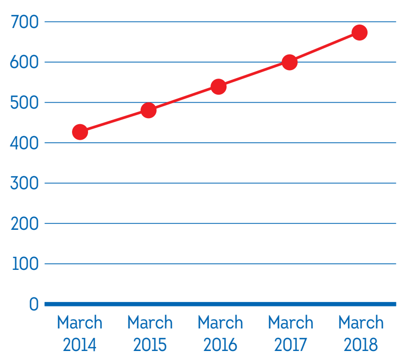
Operating profit and return on equity



Customer trend
Number of primary bank customers, 000s



Card trend
Number of cards, 000s



Länsförsäkringar

lansforsakringar.se/finansielltbank

Key figures

Group	Q 1 2018	Q 4 2017	Q 1 2017	Full-year 2017
Return on equity, %	10.48	10.43	9.14	10.00
Return on total capital, %	0.54	0.55	0.49	0.53
Return on total assets, %	0.42	0.41	0.38	0.41
Investment margin, %	1.33	1.35	1.29	1.32
Cost/income ratio before credit losses	0.48	0.49	0.51	0.49
Common Equity Tier 1 capital ratio, Bank Group, %	24.1	24.3	24.2	24.3
Tier 1 ratio, Bank Group, %	26.6	26.8	26.8	26.8
Total capital ratio, Bank Group, %	31.8	32.1	32.4	32.1
Common Equity Tier 1 capital ratio, consolidated situation, %	22.7	23.3	20.6	23.3
Tier 1 ratio, consolidated situation, %	24.1	24.8	22.6	24.8
Total capital ratio, consolidated situation, %	27.2	28.1	26.8	28.1
Share of credit-impaired loan receivables, %	0.27	–	–	–
Reserve ratio for credit-impaired loan receivables, %	27.7	–	–	–
Reserve ratio credit-impaired loan receivables, incl. withheld remuneration to regional insurance companies, %	36.1	–	–	–
Credit loss level, %	0.03	0.04	0.03	0.02

Income statement, quarterly

Group, SEK M	Q 1 2018	Q 4 2017	Q 3 2017	Q 2 2017	Q 1 2017
Net interest income	1,081.7	1,070.1	1,015.4	970.7	940.0
Net commission	–214.2	–227.8	–194.6	–168.3	–159.6
Net gains/losses from financial items	12.7	–6.3	–7.7	–5.1	–30.3
Other operating income	2.8	47.7	3.8	6.0	3.7
Total operating income	**883.1**	**883.3**	**817.0**	**803.3**	**753.8**
Staff costs	–143.0	–124.6	–128.2	–153.0	–143.2
Other expenses	–283.3	–303.4	–245.9	–259.6	–242.9
Total operating expenses	**–426.3**	**–428.0**	**–374.1**	**–412.6**	**–386.2**
Profit before credit losses	**456.7**	**455.3**	**442.9**	**390.7**	**367.6**
Credit losses, net	-13.4	-22.9	-13.8	-5.9	-15.1
Operating profit	**443.3**	**432.4**	**429.1**	**384.8**	**352.5**

Market commentary

The global economy continued to strengthen during the first quarter of the year. Concerns about rising inflation, interest rates and trade barriers dominated the news. In March, the US administration decided to introduce tariffs on steel and aluminium imports and also announced further plans to impose tariffs on Chinese goods and restrictions on Chinese investments in the US. China responded by introducing similar measures. However, the EU and a number of other countries were granted exemptions from the steel and aluminium tariffs. In real-economic terms, the US economy continued to post a positive trend, particularly the US labour market, mainly driven by the tax reform adopted in December. Confidence indicators suggest that the strong trend will continue, and inflation has started to rise, fuelling expectations of a higher number of rate increases in the US. As expected, the Fed hiked interest rates to the 1.50 – 1.75% interval in March and economic forecasts were revised upwards. The European economy continued to develop favourably, although confidence indicators fell slightly from previously high levels. The Swedish economy continues to perform well and GDP increased at an annualised rate of 3.3% in the fourth quarter. Similar to Europe, confidence indicators declined slightly yet continue to suggest a robust performance. However, the inflation trend was weaker than expected and the salary trend remains slow. In February, the Riksbank revised its inflation forecast downward yet left the interest rate path unchanged, and continued to indicate that it would not raise interest rates until the third quarter of 2018.

Long-term government bond rates rose at the start of the year due to the continued strength of the economy, increasing inflation expectations and hopes that the central banks will ease up slightly earlier. However, the initial increase in interest rates in Europe was wiped out in the quarter due to weaker risk sentiment and concern about trade barriers, as well as a softer approach from the ECB and Riksbank. US long-term interest rates were more resilient in light of the raised expectations from the Fed. Rates on covered bonds fell slightly during the quarter.

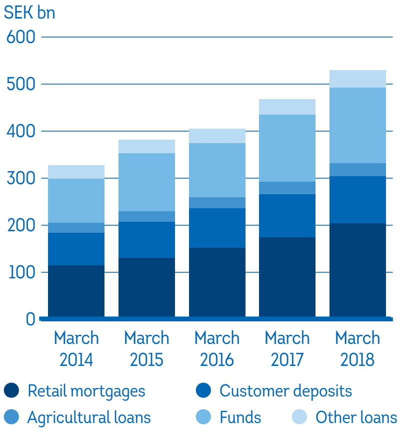
The equities markets saw heightened volatility during the first quarter of the year and following a favourable start to the year, stock market performance was by weighed down by fears of central banks more quickly adopting austere monetary policies and a trade war. The Swedish stock market ended the quarter largely unchanged, whereas the global index had performed more weakly. The SEK weakened against both the EUR and the USD in the quarter. The housing market remained uncertain and the stricter repayment requirements came into effect in March. Housing prices had fallen a total of 6% by the end of March, excluding seasonal changes from the peak of August 2017. The development during the first quarter of the year was mostly unchanged.

First quarter of 2018 compared with first quarter of 2017

Business volumes

Business volumes rose 13%, or SEK 62.0 billion, to SEK 529.5 billion (467.5). Lending increased 16%, or SEK 36.4 billion, to SEK 268.6 billion (232.2), with continued high credit quality. Lending in Länsförsäkringar Hypotek rose 17%, or SEK 29.7 billion, to SEK 203.9 billion (174.2). Lending in Wasa Kredit increased 16% to SEK 22.0 billion (18.9). Deposits increased 9%, or SEK 8.5 billion, to SEK 100.4 billion (91.9). Fund volumes increased 12%, or SEK 17.0 billion, to SEK 160.5 billion (143.5).

Business volumes



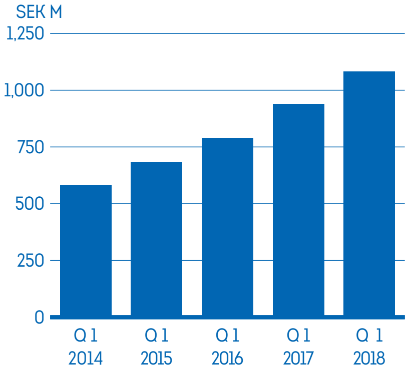
Customers

The number of customers with Länsförsäkringar as their primary bank increased 10% to 476,000 (433,000) and the average number of products per customer was 5. Some 91% of those customers who have the bank as their primary bank are also existing Länsförsäkringar insurance customers. The number of bank cards rose 12% to 668,000 (596,000).

Earnings and profitability

Operating profit rose 26% to SEK 443.3 M (352.5), primarily due to higher net interest income and net gains from financial items. The investment margin strengthened to 1.33% (1.29). Profit before credit losses rose 24% to SEK 456.7 M (367.6). Return on equity strengthened to 10.5% (9.1).

Net interest income



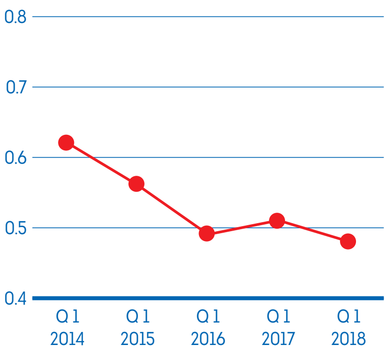
Income

Operating income increased 17% to SEK 883.1 M (753.8), due to higher net interest income. Net interest income rose 15% to SEK 1,082 M (940.0), attributable to higher volumes. Net gains from financial items amounted to SEK 12.7 M (–30.3) due to changes in fair value. Underlying net commission, excluding remuneration paid to the regional insurance companies, increased 16% to SEK 204.2 M (175.9). Net commission amounted to SEK –214.2 M (–159.6), due to increased remuneration to the regional insurance companies based on higher volumes and the strengthened profitability of the business. Commission income fell 29% to SEK 309.7 M (436.0) as a result of reclassification of commission expense of SEK 157.0 M in Länsförsäkringar Fondförvaltning attributable to IFRS 15, recognised as reduced commission income. Commission expense declined in a corresponding amount of SEK 157.0 M.

Expenses

Operating expenses rose 10% to SEK 426.3 M (386.2), mainly due to future-oriented IT investments. The cost/income ratio was 0.48 (0.51) before credit losses and 0.50 (0.53) after credit losses.

Cost/income ratio before loan losses



Credit losses

The Bank Group applies IFRS 9 Financial Instruments from 1 January 2018. This accounting standard replaces IAS 39 and the new model for calculating loss allowances has the largest financial impact on the Bank Group. Under IFRS 9, the loss allowance is based on expected losses. Accordingly, the loss allowance is calculated under IFRS 9 on initial recognition, which differs from the former IAS 39 rules where calculations take place in connection with the occurrence of a specific incurred loss event.

Credit losses amounted to SEK 13.4 M (15.1), net, corresponding to a credit loss level of 0.03% (0.03). Credit-impaired loan receivables amounted to SEK 731.8 M, corresponding to a share of credit-impaired loan receivables of 0.27%. The estimated value of collateral for credit-impaired loan receivables was SEK 458.4 M. The total recognised loss allowance for loan receivables under IFRS 9 amounted to SEK 372.2 M, of which SEK 202.4 M pertained to credit-impaired loan receivables. The reserve ratio for credit-impaired loan receivables amounted to 27.7%. In addition to the recognised loss allowance for loan receivables, SEK 103.1 M of the remuneration to the regional insurance companies' credit-risk commitments for generated business is withheld in accordance with the settlement model. Including the withheld remuneration to the regional insurance companies, the loss allowance for loan receivables totalled SEK 475.3 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to regional insurance companies, amounted to 36.1%.

For further information on the effect of IFRS 9 and credit losses and credit-impaired loan receivables, refer to notes 1, 6, 7 and 13.

Deposits and savings

Deposits from the public increased 9%, or SEK 8.5 billion, to SEK 100.4 billion (91.9). Deposits from small businesses amounted to SEK 10.9 billion (10.9). The total number of deposit accounts increased 10%. On 28 February 2018, the market share of household deposits increased to 4.9% (4.8) according to Statistics Sweden. Fund volumes increased 12%, or SEK 17.0 billion, to SEK 160.5 billion (143.5) attributable to increased inflows and positive changes in value.

Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public increased 16%, or

SEK 36.4 billion, to SEK 268.6 billion (232.2). The credit quality of lending remained high. The weighted average loan-to-value ratio (LTV) of the mortgage portfolio declined to 60% (61). Lending in Länsförsäkringar Hypotek rose 17%, or SEK 29.7 billion, to SEK 203.9 billion (174.2). The percentage of retail mortgages in relation to the total loan portfolio was at 76%. On 28 February 2018, the market share of the segment strengthened to 6.4% (5.9) according to Statistics Sweden.

Agricultural lending increased 6% to SEK 27.2 billion (25.7). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2.3 M (2.3) on 31 March 2018. First-lien mortgages for agricultural properties, which accounted for the entire increase in agricultural loans, increased to SEK 25.6 billion (23.9), corresponding to 94% (93). Agricultural lending is continuing to grow at a slower rate than other loans and its share of total loans is falling. Loans to small businesses totalled SEK 2.0 billion (1.6) on 31 March 2018.

Lending in Wasa Kredit increased 16% to SEK 22.0 billion (18.9).

Loan portfolio, distribution in %

Lending segment, %	31 Mar 2018	31 Mar 2017
Retail mortgages	76	75
Agriculture	10	11
Multi-family housing	3	3,5
Leasing and hire purchase	5,5	6,5
Unsecured loans	4	3
Other	1,5	1
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%	165 545	81,2%
51–60%	19 633	9,6%
61–70%	12 227	6,0%
71–75%	3 255	1,6%
75%+	3 146	1,5%
TOTAL	**203 806**	**100%**

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

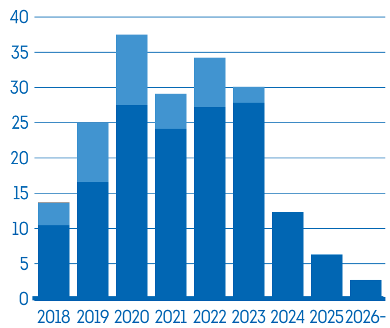
Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 16%, or SEK 26.2 billion, to a nominal SEK 190.8 billion (164.6), of which covered bonds amounted to SEK 154.8 billion (133.8), senior long-term funding to SEK 36.0 billion (29.8) and short-term funding to SEK 0.1 billion (1.1). The average remaining term for the long-term funding was 3.6 years (3.5) on 31 March 2018.

Covered bonds were issued during the quarter at a volume of a nominal SEK 12.4 billion (14.4). Repurchased covered bonds amounted to a nominal SEK 4.2 billion (2.1). No covered bonds matured during the period. Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 3.0 billion (2.9), while maturities amounted to a nominal SEK 2.3 billion (1.9) during the quarter.

Länsförsäkringar Bank issued a subordinated loan of a nominal SEK 1.1 billion in February. In addition, Länsförsäkringar Hypotek issued a seven-year Euro benchmark-covered bond for a nominal EUR 500 M in March. Demand was high and the transaction was well-received by the market.

Maturity profile

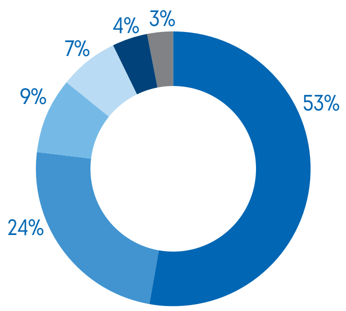


Liquidity

On 31 March 2018, the liquidity reserve totalled SEK 50.6 billion (48.8). 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 March 2018 amounted to 348% (339) according to the European Commission's delegated act. The Net Stable Funding Ratio (NSFR) for the consolidated situation amounted to 116% (116) on 31 March 2018**.

** The calculation is based on Länsförsäkringar Bank's interpretation of the Basel Committee's most recent NSFR proposal. The comparative figure pertains to 31 December 2017.

Liquidity reserve ***



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

*** 99% pertains to 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 Mar 2018	31 Dec 2017
IRB Approach	34,100	34,148
retail exposures	26,973	26,798
exposures to corporates	7,127	7,350
Standardised Approach	17,811	17,643
Operational risks	12,306	11,346
Total REA	66,098	64,379
Common Equity Tier 1 capital	14,989	14,992
Tier 1 capital	15,949	15,936
Total capital	18,002	18,100
Common Equity Tier 1 capital ratio	22.7 %	23.3 %
Tier 1 ratio	24.1 %	24.8 %
Total capital ratio	27.2 %	28.1 %

The Common Equity Tier 1 capital ratio amounted to 22.7% (23.3). One of the main reasons for the change in the Common Equity Tier 1 capital ratio is the annual indexation of capital requirements for operational risk. Common Equity Tier 1 capital was relatively unchanged during the period.

With the transition to IFRS 9, the loss allowance has increased in the Bank Group. This means that retained earnings have declined and the deduction for the IRB deficit has also declined. However, the total effect on own funds is marginal.

Total REA in the consolidated situation on 31 March 2018 amounted to SEK 66,098 M (64,379). REA increased SEK 1,719 M during the quarter, primarily due to the annual indexation of operational risk and an increase in the credit valuation adjustment in the Standardised Approach. The credit quality of lending remained favourable and did not have any material impact on REA for the quarter.

Bank Group (SEK M)	31 Mar 2018	31 Dec 2017
IRB Approach	34,100	34,148
retail exposures	26,973	26,798
exposures to corporates	7,127	7,350
Standardised Approach	8,929	8,701
Operational risks	4,698	4,341
Total REA	49,609	48,432
Common Equity Tier 1 capital	11,980	11,767
Tier 1 capital	13,180	12,967
Total capital	15,770	15,559
Common Equity Tier 1 capital ratio	24.1 %	24.3 %
Tier 1 ratio	26.6 %	26.8 %
Total capital ratio	31.8 %	32.1 %

Internally assessed capital and buffer requirements

The internally assessed capital requirement for the consolidated situation on 31 March 2018 amounted to SEK 7,387 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 of 25% for mortgages entailed a capital requirement of SEK 5,235 M on 31 March 2018. The countercyclical capital buffer of 2% of REA amounted to SEK 1,322 M on 31 March 2018 and the capital conservation buffer of 2.5% of REA to SEK 1,652 M.

The capital used to meet the internal capital requirement including buffer, meaning own funds, amounted to SEK 18,002 M.

The leverage ratio on 31 March 2018 amounted to 4.5% (4.8).

For the Bank Group, the internally assessed capital requirement amounted to SEK 5,959 M and own funds to SEK 15,770 M.

For more information on capital adequacy, see note 11.

[1] The comparative period is 31 December 2017. Periodic information according to the Swedish Financial Supervisory Authority's regulations regarding prudential requirements and capital buffers, (FFFS 2014:12) and regarding management of liquidity risks in credit institutions and investment firms (FFFS 2010:7) is provided in this section, the section on funding and liquidity, and in note 11.

Interest-rate risk

On 31 March 2018, an increase in market interest rates of 1 percentage point would have increased the value of interest-bearing assets and liabilities, including derivatives, by SEK 58.9 M (–10.2).

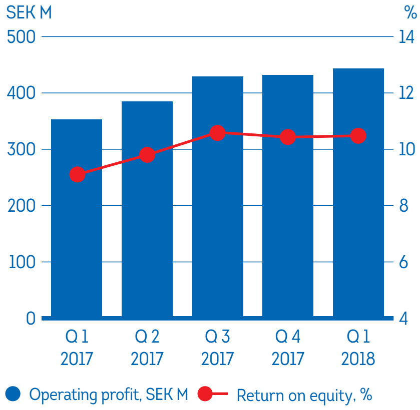
Risks and uncertainties

The operations are characterised by a low risk profile. The Group and the Parent Company are exposed to a number of risks, primarily comprising credit risks, refinancing risks and market risks. The macroeconomic situation in Sweden is critical for credit risk since all loans are granted in Sweden. Market risks primarily comprise interest-rate risks. Credit 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 2017 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

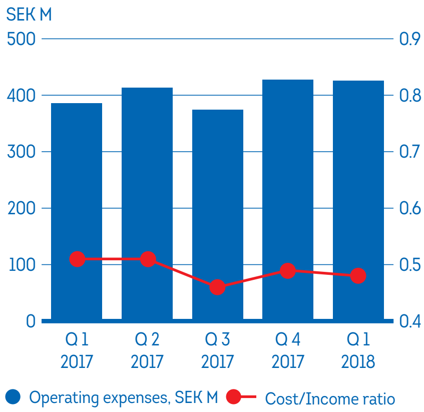
First quarter of 2018 compared with fourth quarter of 2017

Operating profit amounted to SEK 443.3 M (432.4) attributable to higher net interest income and lower credit losses. Return on equity strengthened to 10.5% (10.4). Operating income amounted to SEK 883.1 M (883.3). Net interest income remained largely unchanged at SEK 1,082 M (1,070). The investment margin totalled 1.33% (1.35). Commission income declined to SEK 309.7 M (463.9) and commission expense amounted to SEK 523.8 M (691.8). Net commission amounted to SEK –214.2 M (–227.8). Net gains from financial items amounted to SEK 12.7 M (–6.3). Operating expenses remained largely unchanged at SEK 426.3 M (428.0). The cost/income ratio before credit losses amounted to 0.48 (0.49). Credit losses amounted to SEK 13.4 M (22.9), net.

Operating profit and return on equity



Operating expenses and cost/income ratio



Events after the end of the period

On 2 April 2018, Sven Eggefalk took office as President of Länsförsäkringar Bank. In connection with this, Anders Borgcrantz returned to the position as CFO and Executive Vice President of Länsförsäkringar Bank.

Parent Company

First quarter of 2018 compared with first quarter of 2017

Loans to the public amounted to SEK 42.8 billion (39.0). Deposits from the public increased 9%, or SEK 8.6 billion, to SEK 100.8 billion (92.2). Debt securities in issue rose 19%, or SEK 5.7 billion, to SEK 35.6 billion (29.9). Operating profit rose 14% to SEK 83.5 M (73.4), mainly due to higher net interest income. Net interest income increased 7% to SEK 292.6 M (273.0). Operating income increased 10% to SEK 342.0 M (321.7), due to higher net interest income. Commission income increased 12% to SEK 134.4 M (119.6). Commission expense amounted to SEK 128.7 M (102.1). Operating expenses increased 11% to SEK 272.4 M (244.8). Credit losses amounted to SEK -13.9 M, net, corresponding to a credit loss level of -0.04%.

Subsidiaries

First quarter of 2018 compared with first quarter of 2017

Länsförsäkringar Hypotek

Lending increased 17%, or SEK 29.7 billion, to SEK 203.9 billion (174.2). 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 37% to SEK 236.4 M (172.2) due to higher net interest income and net gains from financial items. Net interest income rose 19% to SEK 585.4 M (490.6), attributable to increased volumes and lower refinancing costs. Operating expenses amounted to SEK 27.7 M (26.3). Credit losses amounted to SEK -0.3 M (-0.7), net, corresponding to a credit loss level of -0.00% (-0.00). The number of retail mortgage customers increased 10% to SEK 260,000 (236,000).

SEK M	31 Mar 2018	31 Mar 2017
Total assets	226,742	199,408
Lending volume	203,879	174,232
Net interest income	585	491
Operating profit	236	172

Wasa Kredit

Wasa Kredit's lending volumes increased 16% to SEK 22.0 billion (18.9). Operating profit increased 8% to SEK 95.4 M (88.5). Net interest income increased 15% to SEK 203.7 M (176.4) due to higher interest income. Operating expenses amounted to SEK 118.8 M (109.4). Credit losses totalled SEK 27.5 M (12.2), net, partly due to the transition to IFRS 9.

SEK M	31 Mar 2018	31 Mar 2017
Total assets	22,614	17,493
Lending volume	21,973	18,931
Net interest income	204	176
Operating profit	95	89

Länsförsäkringar Fondförvaltning

Fund volumes increased 12%, or SEK 17.0 billion, to SEK 160.5 billion (143.5) attributable to increased inflows in the fund business and positive changes in value. The fund offering includes 39 mutual funds under Länsförsäkringar's own brand with various investment orientations and a fund market with external funds. Two new funds were started during the quarter. Three Swedish equities funds are internally managed by Länsförsäkringar Fondförvaltning. Assets under management under Länsförsäkringar's own brand amounted to SEK 139.6 billion (128.6). Operating profit amounted to SEK 28.0 M (18.5).

SEK M	31 Mar 2018	31 Mar 2017
Total assets	613	535
Fund volumes	160,481	143,534
Net flow	1 782	-117
Net commission	68	53
Operating profit	28	19

Income statement – Group

SEK M	Note	Q 1 2018	Q 4 2017	Change	Q 1 2017	Change	Full-Year 2017
Interest income calculated according to the effective interest method		1,250.6	1,219.4	3%	1,058.5	18%	4,568.6
Interest expense		-168.9	-149.3	13%	-118.5	43%	-572.4
Net interest income	3	**1,081.7**	**1,070.1**	**1%**	**940.0**	**15%**	**3,996.3**
Dividends received		0.0	42.2		0.0		42.3
Commission income		309.7	463.9	-33%	436.0	-29%	1,789.4
Commission expense		-523.8	-691.8	-24%	-595.6	-12%	-2,539.7
Net commission income	4	**-214.2**	**-227.8**	**-6%**	**-159.6**	**34%**	**-750.3**
Net gains / losses from financial items	5	12.7	-6.3		-30.3		-49.4
Other operating income		2.8	5.2	-46%	3.7	-24%	18.6
Total operating income		**883.1**	**883.3**		**753.8**	**17%**	**3,257.5**
Staff costs		-143.0	-124.6	15%	-143.2		-549.0
Other administration expenses		-259.4	-276.1	-6%	-221.8	17%	-960.4
Total administration expenses		**-402.4**	**-400.7**		**-365.0**	**10%**	**-1,509.3**
Depreciation / amortisation and impairment of property and equipment / intangible assets		-23.9	-27.3	-12%	-21.1	13%	-91.5
Total operating expenses		**-426.3**	**-428.0**		**-386.2**	**10%**	**-1,600.9**
Profit before credit losses		**456.7**	**455.3**		**367.6**	**24%**	**1,656.6**
Credit losses, net	6	-13.4	-22.9	-41%	-15.1	-11%	-57.7
Operating profit		**443.3**	**432.4**	**3%**	**352.5**	**26%**	**1,598.9**
Tax		-97.5	-105.3	-7%	-77.5	26%	-361.9
Profit for the period		**345.8**	**327.1**	**6%**	**275.0**	**26%**	**1,237.0**

Statement of comprehensive income – Group

SEK M	Q 1 2018	Q 4 2017	Change	Q 1 2017	Change	Full-Year 2017
Profit for the period	**345.8**	**327.1**	**6%**	**275.0**	**26%**	**1,237.0**
Other comprehensive income						
Items that cannot be transferred to the income statement						
Cash-flow hedges	-9.8	14.4		-68.0	-86%	-131.9
Change in fair value of available-for-sale financial assets	3.8	11.7	-68%	-4.7	-6%	56.5
Tax attributable to items that have been transferred or can be transferred to profit for the period	1.3	-5.7		16.0	-81%	16.6
Total	**-4.7**	**20.4**		**-56.7**		**-58.8**
Items that cannot be transferred to profit and loss						
Change in defined-benefit pension plans	-	1.8		-		1.8
Change in fair value of equity instruments measu-red at FVOCI	1.7	-		-		-
Tax attributable to items that cannot be reversed to profit and loss	-0.4	-0.4				-0.4
Total	**1.3**	**1.3**		-		**1.3**
Total other comprehensive income for the period, net after tax	**-3.4**	**21.7**		**-56.7**	-94%	**-57.5**
Comprehensive income for the period	**342.4**	**348.8**	-2%	**218.3**	**57%**	**1,179.5**

Balance sheet – Group

SEK M	Note	31 March 2018	31 Dec 2017	31 March 2017
Assets				
Cash and balances with central banks		13.9	17.0	21.2
Treasury bills and other eligible bills		14,478.2	10,531.5	12,338.2
Loans to credit institutions		4,529.1	265.0	4,113.2
Loans to the public	7	268,610.7	261,444.2	232,186.9
Bonds and other interest-bearing securities		36,744.7	35,717.8	35,778.1
Shares and participations		39.9	38.3	25.8
Derivatives	8	6,870.9	5,125.5	5,703.1
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		245.6	248.0	493.5
Intangible assets		1,095.8	969.3	593.8
Property and equipment		10.8	10.5	8.7
Deferred tax assets		32.2	30.0	17.9
Other assets		466.1	546.8	393.3
Prepaid expenses and accrued income		405.3	422.5	365.9
Total assets		**333,543.0**	**315,366.3**	**292,039.7**
Liabilities and equity				
Due to credit institutions		10,860.5	3,995.9	6,249.4
Deposits and borrowing from the public		100,432.2	99,403.6	91,888.3
Debt securities in issue		197,880.0	188,406.7	168,861.6
Derivatives	8	939.1	1,166.4	1,723.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,258.6	1,200.2	2,766.7
Deferred tax liabilities		508.0	508.0	420.0
Other liabilities		750.1	791.6	518.2
Accrued expenses and deferred income		3,718.8	2,959.1	3,611.0
Provisions		28.3	9.9	12.4
Subordinated liabilities		2,591.6	2,596.5	2,595.7
Total liabilities		**318,967.1**	**301,037.9**	**278,647.0**
Equity				
Share capital		2,864.6	954.9	954.9
Other capital contributed		7,442.5	7,442.5	7,442.5
Reserves		12.4	26.5	27.1
Additional Tier 1 instruments		1,200.0	1,200.0	1,200.0
Retained earnings		2,710.6	3,467.5	3,493.1
Profit for the period		345.8	1,237.0	275.0
Total equity		**14,575.8**	**14,328.4**	**13,392.7**
Total liabilities and equity		**333,543.0**	**315,366.3**	**292,039.7**
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Cash-flow statement in summary, indirect method – Group

SEK M	Jan–Mar 2018	Jan–Mar 2017
Cash and cash equivalents, 1 January	**144.0**	**122.1**
Cash flow from operating activities	168.3	81.9
Cash flow from investing activities	-152.4	-127.8
Cash flow from financing activities	-1.9	0.2
Cash flow for the period	**14.0**	**-45.7**
Cash and cash equivalents, 31 March	**158.0**	**76.4**

Cash and cash equivalents is defined as cash and balances with central banks and loans to credit institutions payable on demand as well as overnight loans and investments with the Riksbank that fall due on the following banking day. The change in cash flow from operating activities was largely due to Loans to the public amounting to SEK - 7,106.5 M (-5,483.5) and Debt securities in issue SEK 7,156.3 M (13,183.7).

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 2017	**954.9**	**7,442.5**	**1,200.0**	**88.2**	**-3.0**	**-1.3**	**2,364.5**	**1,136.5**	**13,182.2**
Profit for the period								275.0	275.0
Other comprehensive income for the period				-3.6	-53.1				-56.7
Comprehensive income for the period				-3.6	-53.1			275.0	218.3
According to resolution by Annual General Meeting							1,136.5	-1,136.5	-
Issued Additional Tier 1 instruments							-7.9		-7.9
Closing balance, 31 March 2017	**954.9**	**7,442.5**	**1,200.0**	**84.6**	**-56.1**	**-1.3**	**3,493.1**	**275.0**	**13,392.7**
Opening balance, 1 April 2017	**954.9**	**7,442.5**	**1,200.0**	**84.6**	**-56.1**	**-1.3**	**3,493.1**	**275.0**	**13,392.7**
Profit for the period								962.0	962.0
Other comprehensive income for the period				47.7	-49.7	1.3			-0.7
Comprehensive income for the period				47.7	-49.7	1.3		962.0	961.3
According to resolution by Annual General Meeting									-
Issued Additional Tier 1 instruments							-25.6		-25.6
Closing balance, 31 December 2017	**954.9**	**7,442.5**	**1,200.0**	**132.3**	**-105.8**	**-**	**3,467.5**	**1,237.0**	**14,328.4**
Opening balance, 1 January 2018	**954.9**	**7,442.5**	**1,200.0**	**132.3**	**-105.8**	**-**	**3,467.5**	**1,237.0**	**14,328.4**
Effect due to change in accounting policy [2]				**-10.8**			**-76.4**		**-87.2**
Opening balance, 1 January 2018 after adjustment for change in accounting policy	**954.9**	**7,442.5**	**1,200.0**	**121.5**	**-105.8**	**-**	**3,391.1**	**1,237.0**	**14,241.2**
Profit for the period								345.8	345.8
Other comprehensive income for the period				4.3	-7.7				-3.4
Comprehensive income for the period				4.3	-7.7			345.8	342.4
According to resolution by Annual General Meeting							1,237.0	-1,237.0	-
Issued Additional Tier 1 instruments							-7.8		-7.8
Bonus issue	1,909.7						-1,909.7		-
Closing balance, 31 March 2018	**2,864.6**	**7,442.5**	**1,200.0**[1]	**125.8**	**-113.5**	**-**	**2,710.6**	**345.8**	**14,575.8**

1 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.

2 Effect due to change in accounting policy from IAS 39 - Financial Instruments: Recognition and measurement to IFRS 9 - Financial Instruments.

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).

AMENDED ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018

From 1 January 2018, the Group applies the following accounting policies for the reporting of financial instruments (IFRS 9) and revenue from contracts with customers (IFRS 15).

IFRS 9 Financial instruments

IFRS 9 has replaced IAS 39 and contains new requirements for the classification and measurement of financial instruments, an expected loss impairment model and simplified conditions for hedge accounting.

Classification and measurement

Financial assets are classified according to one of the three measurement categories: amortised cost, fair value through other comprehensive income or fair value through profit and loss, and are based on the Group's business models for the management of financial assets and the contractual terms of the assets.

The Group's financial assets comprise:

- Equity instruments
- Derivative instruments
- Debt instruments

Equity instruments

An equity instrument is every form of agreement that entails a residual right to a company's assets after deductions for all its liabilities.

The equity instruments that exist in the Bank Group are shares and participations. The Group has decided to apply the option in IFRS 9 entailing that all holdings of a strategic nature are measured at fair value through other comprehensive income.

Gains/losses on the sale of equity instruments measured at fair value through other comprehensive income are recognised as a reclassification in equity and thus do not impact profit and loss.

Derivative instruments

Derivative instruments are measured at fair value through profit and loss unless they are subject to the rules on hedge accounting. Accordingly, IFRS 9 does not entail any change in the recognition of derivative instruments.

Debt instruments

The business model used to manage a debt instrument and its contractual cash flow characteristics determines the classification of a debt instrument.

If a debt instrument is managed in a business model whose target is to realise the instrument's cash flows by obtaining contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, the instrument is measured at amortised cost. The Group has made the assessment that the business model for the items that were in the Loans and receivables category under IAS 39 meets the criteria for being classified at amortised cost according to IFRS 9.

If the business model entails that the cash flows of the debt instrument are realised by both collecting contractual cash flows and by selling, the instrument is measured at fair value through other comprehensive income. The Group's conclusion is that the business model for the holding of treasury bills and other eligible bills, bonds and other interest-bearing securities corresponds to the criteria for being classified at fair value through other comprehensive income. These holdings were classified as Available-for-sale financial assets under IAS 39.

If the objective of the business model is to realise the cash flows of the debt instrument by selling the instrument, it is measured at fair value through profit and loss. The Group does not have any holdings which are held for sale.

A requirement for a financial asset to be measured at amortised cost or fair value through other comprehensive income is that the contractual cash flows solely comprise outstanding payment of the principal and interest on the principal. Financial assets that do not meet the requirement are measured at fair value through profit and loss regardless of the business model to which the asset is attributable.

Gains/losses from the sale of debt instruments are recognised in profit and loss on the row Net gains/losses from financial items.

Financial liabilities

For financial liabilities, the rules in IFRS 9 are primarily the same as the rules in IAS 39, which are described in note 2 of the 2017 Annual Report. The most significant difference relates to items that are voluntarily measured at fair value according to the fair value option. IFRS 9 does not entail any change to the recognition of financial liabilities since the Bank Group has not applied the fair value option. The Bank Group's classification of financial assets and liabilities according to IFRS 9 and the differences compared with IAS 39 are presented in note 13.

Hedge accounting

The Group has decided to apply the option entailing that the rules in IAS 39 will continue to apply for all hedging relationships. The accounting policies for hedge accounting applied by the Group are detailed in note 2 of the 2017 Annual Report.

Expected credit losses

A reserve for credit losses ("loss allowance") is recognised for financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income, financial guarantees and loan commitments. The initial loss allowance is calculated on initial recognition and is subsequently continuously adjusted over the lifetime of the financial asset. Initial recognition is defined in the Group as the time of origination of the financial instrument, meaning when the original loan terms were set. This method differs from IAS 39 when the loss allowance is first calculated when a credit-impairing event occurs.

In the calculation of loss allowance under IFRS 9, the Group takes into consideration several different future scenarios, including macro factors. This is a change compared with IAS 39 where the Group primarily took into consideration the most probable outcome.

Model and definitions

The expected credit loss impairment model is based on dividing the financial assets into 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. 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.
- Stage 3 comprises credit-impaired assets or assets that were credit-impaired on initial recognition. The definition of credit-impaired is consistent with the Bank Group's regulatory definition of default.

Estimating the loss allowance for stage 1 is to correspond to the 12-month expected credit losses (ECL). For stages 2 and 3, estimating the loss allowance is to correspond to lifetime expected credit losses.

The calculations are primarily based on existing internal ratings-based models and take into account prospective information. The loss allowance is achieved by calculating the expected credit loss for the assets' 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 loss allowance 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 lifetime expected credit losses. All calculations of the loss allowance 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 reserve for financial assets measured at amortised cost is recognised as a reduction of the recognised gross amount of the asset. For financial guarantees and loan commitments, the reserve is recognised as a provision. The reserve for debt instruments measured at fair value through other comprehensive income is recognised as the fair value reserve in equity and does not impact the carrying amount of the asset. Derecognition reduces the recognised gross amount of the financial asset.

Loss allowance and derecognition of confirmed credit losses are presented in the income statement as credit losses, net.

Modified loans

Modified loans are defined as loans for which the contractual terms have been changed and the change in terms impacts the time and/or the amount of the contractual cash flows of the receivable. Modified loans are derecognised from the balance sheet if the terms of an existing contract have materially changed. A new loan with the new contractual terms is then recognised in the balance sheet.

Gains or losses arising on a modification are calculated as the difference between the present value of the outstanding cash flows calculated under the changed terms and discounted by the original effective interest rate and the discounted present value of the outstanding original cash flows.

Effect of transition to IFRS 9

The Group applies IFRS 9 retrospectively, which entails that no comparative figures have been restated.

The effect of the transition from IAS 39 to IFRS 9 is recognised as an adjustment of equity (after tax) in the opening balance for 2018, see the table Statement of changes in equity. The effect on the balance sheet is presented in its entirety in note 13. The effect of the transition to IFRS 9 on own funds is marginal and the Group has decided not to apply the capital adequacy rules that permit a phase-in of expected credit losses in own funds.

IFRS 15 Revenue from Contracts with Customers

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). For the Group, this standard encompasses items reported in commission income and other income.

Income is recognised when the performance obligation with the customer has been satisfied, which is when control of the good or service is passed to the customer. The Group's obligations with customers are met on the date of transaction and on an ongoing basis over time. Income for obligations satisfied over time are distributed evenly over the period in which the obligation is fulfilled.

The standard entails the following reclassifications for the Group:

- The portion of the cost for securities commission that is to reduce the transaction price in accordance with IFRS 15 is recognised as a deduction under commission income.

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

NEW IFRS AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED

IFRS 16 Leases

IFRS 16 Leases will replace IAS 17 Leases on 1 January 2019. The largest change entailed by the new standard is that a lessee that currently recognises leases as operating leases is to instead recognise leases in its balance sheet. The Group currently has a project in progress to analyse the effects of the standard.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2017 Annual Report.

Note 2 Segment reporting

Income statement, Jan-Mar 2018, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	292.6	585.4	203.7	0.0	0.0	1,081.7
Commission income	134.4	0.6	52.1	142.7	-20.0	309.7
Commission expense	-128.7	-322.3	-17.9	-74.8	19.8	-523.8
Net gain / loss from financial items	12.7	0.0	-	-	-	12.7
Intra-Group income	32.0	-	0.3	-	-32.3	-
Other income	-0.9	-	3.6	-	-	2.8
Total operating income	**342.0**	**263.8**	**241.7**	**67.9**	**-32.5**	**883.1**
Intra-Group expenses	-0.3	-21.8	-2.9	-7.5	32.5	0.0
Other administration expenses	-252.7	-5.9	-111.5	-32.4	-	-402.4
Depreciation / amortisation and impairment	-19.4	0.0	-4.4	-0.1	-	-23.9
Total operating expenses	**-272.4**	**-27.7**	**-118.8**	**-40.0**	**32.5**	**-426.3**
Profit before credit losses	**69.7**	**236.1**	**122.9**	**28.0**	**0.0**	**456.7**
Credit losses, net	13.9	0.3	-27.5	0.0	0.0	-13.4
Operating profit / loss	**83.6**	**236.4**	**95.4**	**28.0**	**0.0**	**443.3**
Balance sheet 31 March 2018						
Total assets	**170,985.4**	**226,742.4**	**22,613.5**	**613.4**	**-87,411.9**	**333,543.0**
Liabilities	160,286.6	216,076.2	20,106.8	171.6	-77,674.0	318,967.1
Equity	10,698.9	10,666.3	2,506.7	441.8	-9,737.9	14,575.8
Total liabilities and equity	**170,985.4**	**226,742.4**	**22,613.5**	**613.4**	**-87,411.9**	**333,543.0**
Income statement, Jan-Mar 2017, SEK M						
Net interest income	273.0	490.6	176.4	0.0	-	940.0
Net commission	17.5	-259.7	29.9	52.7	0.0	-159.6
Net gain / loss from financial items	2.8	-33.1	0.0	0.0	0.0	-30.3
Intra-Group income	28.3	0.0	0.3	0.0	-28.6	-
Other income	0.1	-	3.6	-	-	3.7
Total operating income	**321.7**	**197.8**	**210.2**	**52.7**	**-28.6**	**753.8**
Intra-Group expenses	2.0	-20.5	-2.8	-7.3	28.6	0.0
Other administration expenses	-228.6	-5.7	-103.9	-26.9	-	-365.0
Depreciation / amortisation and impairment	-18.2	0.0	-2.8	-0.1	-	-21.1
Total operating expenses	**-244.8**	**-26.3**	**-109.4**	**-34.2**	**28.6**	**-386.2**
Profit / loss before loan losses	**76.9**	**171.5**	**100.7**	**18.5**	**-**	**367.6**
Loan losses, net	-3.5	0.7	-12.2	0.0	-	-15.1
Operating profit / loss	**73.4**	**172.2**	**88.5**	**18.5**	**-**	**352.5**
Balance sheet 31 March 2016						
Total assets	**153,373.5**	**199,407.8**	**19,493.1**	**537.6**	**-80,772.3**	**292,039.7**
Liabilities	142,909.9	190,535.8	17,296.9	177.7	-72,273.4	278,647.0
Equity	10,463.6	8,871.9	2,196.2	359.9	-8,498.9	13,392.7
Total liabilities and equity	**153,373.5**	**199,407.8**	**19,493.1**	**537.6**	**-80,772.3**	**292,039.7**

Income 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 1 2018	Q 4 2017	Change	Q 1 2017	Change	Full-Year 2017
Interest income calculated according to the effective interest method						
Loans to credit institutions	-1.3[1]	0.1		-0.9	44%	-2.8,
Loans to the public	1,384.7	1,364.6	1%	1,264.5	10%	5,267.2
Interest-bearing securities	48.9[1]	53.6	-9%	61.4	-20%	224.0,
Derivatives	-181.6	-199.0	-9%	-266.5	-32%	-919.7
Other interest income	0.0	0.0		0.0		-0.1
Total interest income	**1,250.6**	**1,219.4**	**3%**	**1,058.5**	**18%**	**4,568.6**
Interest expense						
Due to credit institutions	7.9[1]	8.3	-5%	6.0	32%	26.5,
Deposits and borrowing from the public	-27.0	-27.5	-2%	-38.0	-29%	-130.4,
Debt securities in issue	-531.6	-502.6	6%	-492.3	8%	-1,984.6
Subordinated liabilities	-14.5	-14.1	3%	-13.3	9%	-55.2
Derivatives	471.9	442.9	7%	466.3	1%	1,791.3
Other interest expense, including government deposit insurance	-75.7	-56.2	35%	-47.2	60%	-220.0
Total interest expense	**-168.9**	**-149.3**	**13%**	**-118.5**	**43%**	**-572.4**
Total net interest income	**1,081.7**	**1,070.1**	**1%**	**940.0**	**15%**	**3,996.3**
Average interest rate on loans to the public during the period, including net leasing, %	2.1	2.1		2.2		2.2
Average interest rate on deposits from the public during the period, %	0.1	0.1		0.2		0.1

[1] Of which negative interest on Loans to credit institutions of SEK -4.1 M, Interest-bearing securities of SEK -14.4 M and Due to credit institutions of SEK 8.0 M.

Note 4 Net commission income

SEK M	Q 1 2018	Q 4 2017	Change	Q 1 2017	Change	Full-Year 2017
Commission income						
Payment mediation	22.4	24.6	-9%	21.6	4%	87.3
Loans	60.2	60.5		54.0	11%	232.1
Deposits	4.6	2.7	70%	3.6	28%	11.3
Securities	156.2	301.9	-48%	294.4	-47%	1,180.7
Cards	53.5	58.6	-9%	45.4	18%	213.2
Remuneration to regional insurance companies	12.1	15.5	-22%	16.9	-28%	64.1
Other commission	0.7	0.2		0.2		0.8
Total commission income	**309.7**	**463.9**	**-33%**	**436.0**	**-29%**	**1,789.4**
Commission expense						
Payment mediation	-33.8	-21.3	59%	-33.5	1%	-125.2
Securities	-14.8	-170.0	-91%	-168.3	-91%	-677.1
Cards	-32.2	-34.7	-7%	-28.3	14%	-117.7
Remuneration to regional insurance companies	-414.7	-438.7	-5%	-331.5	25%	-1,501.7
Management costs	-24.8	-24.3	2%	-31.3	-21%	-107.1
Other commission	-3.5	-2.8	25%	-2.8	25%	-10.9
Total commission expense	**-523.8**	**-691.8**	**-24%**	**-595.6**	**-12%**	**-2,539.7**
Total net commission income	**-214.2**	**-227.8**	**-6%**	**-159.6**	**34%**	**-750.3**

[1] Changes in recognition of commission expense are applied from 1 January 2018 as an effect of IFRS 15. For more information, see accounting policies.

Note 5	Net gains / losses from financial items

SEK M	Q 1 2018	Q 4 2017	Change	Q 1 2017	Change	Full-Year 2017
Interest-bearing assets and liabilities and related derivatives	2.9[1]	-2.2		-38.5		-70.5
Other financial assets and liabilities	1.2	-12.6		0.6	100%	-12.9
Interest compensation	8.6	8.4	2%	7.6	13%	34.0
Total net gains / losses from financial items	**12.7**	**-6.3**		**-30.3**		**-49.4**

[1] The Group applies hedge accounting for foreign currency debt securities in issue. The valuation principle for foreign currency debt securities in issue was changed in the first quarter of 2018. The purpose of this change is to achieve a better match between hedging instruments and hedged items.

Note 6	Credit losses

Net credit losses, SEK M	Q 1 2018	Q 4 2017	Change	Q 1 2017	Change	Full-Year 2017
Change in loss allowance for loan receivables						
Stage 1 (not credit-impaired)	2.8					
Stage 2 (not credit-impaired)	-6.0					
Stage 3 (credit-impaired)	-13.5					
Total change in loss allowance for loan receivables	**-16.7**	**-2.0** [1]		**-4.7** [1]		**-17.3** [1]
Change in 12-month ECL allowance for the year (not credit-impaired)	-25.4	-42.4	-40%	-28.8	-12%	-131.0
Payment received for prior confirmed credit losses	19.0	21.4	-11%	18.4	3%	90.3
Net expense for the period for credit losses for loan receivables	-23.1	**-23.0**		**-15.1**	**53%**	**-58.0**
Change in loss allowance for commitments	0.4	-		-		-
Net expense for other credit losses for the period	9.4	0.1		0.1		0.3
Net expense of the modification result for the period	0.0	-		-		-
Net expense for credit losses for the period	**-13.4**	**-22.9**	**-41%**	**-15.1**	**-11%**	**-57.7**

[1] Refers to change in loss allowance for loan receivables. The change has not been specified by stage since the comparative figures are recognised in accordance with IAS 39.

The settlement model regarding the commitment that the regional insurance companies have for expected credit losses related to the business they have originated, entails that the regional insurance companies cover 80% of the loss allowance requirement on the date when an impairment is identified for Länsförsäkringar Bank AB and Länsförsäkringar Hypotek AB. Off-setting takes place against, and can amount to a maximum of, accrued commission. Remuneration corresponding to 80% of the provision requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. On 31 March 2018, the total loss allowance for loan receivables amounted to SEK 475 M of which the Bank Group's recognised loss allowance for loan receivables accounted for SEK 372 M. The remainder of SEK 103 M was offset against the regional insurance companies' withheld funds, according to the model described above.

Note 7 Loans to the public

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	31 March 2018	31 December 2017	31 March 2017
Public sector	2,256.7	2,014.1	215.1
Corporate sector	18,247.5	18,402.4	17,639.6
Retail sector	248,478.4	241,294.8	214,546.5
Other	0.3	0.3	40.6
Loan to the public before reserves	**268,982.8**	**261,711.6**	**232,441.8**
Loss allowance	-372.2	-267.5	-255.0
Loans to the public	**268,610.7**	**261,444.2**	**232,186.9**
Fixed-interest period			
Remaining term of not more than 3 months	203,604.6	194,248.2	159,409.3
Remaining term of more than 3 months but not more than 1 year	19,092.6	21,624.7	29,609.0
Remaining term of more than 1 year but not more than 5 years	44,301.2	43,675.9	41,696.9
Remaining term of more than 5 years	1,612.3	1,895.4	1,471.7
Loans to the public	**268,610.7**	**261,444.2**	**232,186.9**

Reconciliation of loss allowance	Not credit-impaired		Credit-impaired	
SEK M	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance, 1 January 2018	**-73.2**	**-93.6**	**-188.9**	**-355.7**
Increase due to new or acquired loans	-17.5	-0.9	-0.4	-18.8
Change in loss allowance model or method	3.7	3.1	-0.3	6.6
Decrease due to repayment	7.6	9.9	12.5	30.0
Change due to changed credit risk	9.2	-18.1	-51.4	-60.4
Other adjustments	-	-	-	-
Decrease due to write-off	-	0.0	26.1	26.1
Closing balance, 31 March 2018	**-70.2**	**-99.6**	**-202.4**	**-372.2**
Loans to the public before loss allowances	261,325.1	6,925.9	731.8	268,982.8
Loans to the public after loss allowances	**261,255.0**	**6,826.2**	**529.4**	**268,610.7**

Note 8 Derivatives

	31 March 2018		31 December 2017		31 March 2017	
SEK M	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Derivatives with positive values						
Derivatives in hedge accounting						
Interest-related	127,765.8	1,993.0	117,810.8	1,900.5	106,891.0	2,746.7
Currency-related	41,055.6	4,874.8	35,828.8	3,210.6	27,371.8	2,949.7
Other derivatives						
Currency-related	79.8	3.1	401.8	14.4	303.9	6.7
Total derivatives with positive values	**168,901.2**	**6,870.9**	**154,041.4**	**5,125.5**	**134,566.7**	**5,703.1**
Derivatives with negative values						
Derivatives in hedge accounting						
Interest-related	92,367.0	693.2	102,307.0	805.0	100,532.0	1,252.4
Currency-related	3,926.0	223.5	4,733.5	361.4	9,527.4	464.9
Other derivatives						
Currency-related	1,027.4	22.4	-	-	363.7	6.7
Total derivatives with negative values	**97,320.4**	**939.1**	**107,040.5**	**1,166.4**	**110,423.1**	**1,723.9**

Financial hedging agreements were signed to hedge against interest-rate risks and currency risks stemming from the Group's operations. Hedge accounting is applied to funding, lending, deposits, bonds and other securities. Hedging instruments primarily comprise interest and currency interest-rate swaps.

Note 9	Pledged assets, contingent liabilities and commitments		
SEK M	**31 March 2018**	**31 December 2017**	**31 March 2017**
For own liabilities, pledged assets	215,982.6	203,273.4	181,626.6
Contingent liabilities	35.2	34.5	33.8
Commitments	21,800.5	21,979.4	22,919.4

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

Note 10	Fair value valuation techniques					
	31 March 2018		**31 December 2017**		**31 March 2017**	
SEK M	**Book value**	**Fair value**	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial Assets						
Cash and balances with central banks	13.9	13.9	17.0	17.0	21..2	21.2
Treasury bills and other eligible bills	14,478.2	14,478.2	10,531.5	10,531.5,	12,338.2	12,338.2
Loans to credit institutions	4,529.1	4,529.1	265.0	265.0	4,113.2	4,113.2
Loans to the public	268,610.7	269,443.6	261,444.2,	262,346.0	232,186.9	233,026.8
Bonds and other interest-bearing securities	36,744.7	36,744.7	35,717.8	35,717.8	35,778.1	35,778.1
Shares and participations	39.9	39.9	38.3	38.3	25.8	25.8
Derivatives	6,870.9	6,870.9	5,125.5	5,125.5	5,703.1	5,703.1
Other assets	206.9	206.9	253.5	253.5	187.2	187.2
Total	**331,494.3**	**332,327.2**	**313,392.7**	**314,294.6**	**290,353.7**	**291,193.6**
Financial Liabilities						
Due to credit institutions	10,860.5	10,860.5	3,995.9	3,995.9	6,249.4	6,249.4
Deposits and borrowing from the public	100,432.2	101,742.4	99,403.6	101,169.1	91,888.3	93,157.2
Debt securities in issue	197,880.0	202,641.9	188,406.7	192,362.8	168,861.6	174,250.7
Derivatives	939.1	939.1	1,,166.4	1,166.4	1,723.9	1,723.9
Other liabilities	251.7	251.7	179.3	179.3	157.9	157.9
Subordinated liabilities	2,591.6	2,684.8	2,596.5	2,681.5	2,595.7	2,705.0
Total	**312,955.1**	**319,120.4**	**295,748.4**	**301,555.0**	**271,476.8**	**278,244.1**

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 March2018, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	14,478.2			14,478.2
Bonds and other interest-bearing securities	36,744.7			36,744.7
Shares and participations	0.2	9.4	30.3	39.9
Derivatives		6,870.9		6,870.9
Liabilities				
Derivatives		939.1		939.1
31 December 2016, SEK M				
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
Liabilities				
Derivatives		1,166.4		1,166.4
31 March2017, SEK M				
Assets				
Treasury bills and other eligible bills	12,338.2			12,338.2
Bonds and other interest-bearing securities	35,778.1			35,778.1
Shares and participations	0.2	6.4	19.2	25.8
Derivatives		5,703.1		5,703.1
Other assets			20.0	20.0
Liabilities				
Derivatives		1,723.9		1,723.9

Shares and participations and other assets in Level 3 are measured at fair value. Since there is no active market for these shares, the fair value cannot be calculated reliably based on such a listing. Instead, regular valuations are performed based on, for example, recent company reports and forecast results. 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 is calculated by discounting expected future cash flows.

There were no significant transfers between Level 1 and Level 2 in 2018 or 2017. 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 2018	–	**30.1**
Conversion	–	0.2
Closing balance, 31 March 2018	–	**30.3**
Opening balance 1 January 2017	**20.0**	**19.2**
Acquisition	-	0.9
Conversion to shares	-20.0	20.0
Impairment	**-**	-10.0
Closing balance 31 December 2017	**-**	**30.1**
Opening balance 1 January 2017	20.0	**19.2**
Acquisition	–	–
Closing balance, 31 March 2017	**20.0**	**19.2**

Note 10 Fair Value valuation techniques, continued

Financial instruments measured at amortised cost in the balance sheet

31 March 2018, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Loans to the public		269,443.6		269,443.6
Liabilities				
Deposits and borrowing from the public		101,742.4		101,742.4
Debt securities in issue		202,641.9		202,641.9
Subordinated liabilities		2,684.8		2,684.8
31 December 2017				
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 March 2017				
Assets				
Loans to the public		233,026.8		233,026.8
Liabilities				
Deposits and borrowing from the public		93,157.2		93,157.2
Debt securities in issue		174,250.7		174,250.7
Subordinated liabilities		2,705.0		2,705.0

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 2018 or 2017. 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 Mar 2018	Consolidated situation 31 Dec 2017	Consolidated situation 31 Mar 2017	Bank Group 31 Mar 2018	Bank Group 31 Dec 2017	Bank Group 31 mar 2017
Common Equity Tier 1 capital: instruments and reserves						
Capital instruments and associated share premium reserves	6,513.4	6,513.4	6,513.4	2,864.6	954.9	954.9
Of which: share capital	*1,042.5*	*1,042.5*	*1,042.5*	*2,864.6*	*954.9*	*954.9*
Non-distributed earnings (Retained earnings)	12,053.5	8,781.4	8,807.0	9,869.5	10,626.4	10,659.7
Accumulated Other comprehensive income	4,761.7	5,276.0	5,195.0	295.9	310.1	303.2
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	-123.8	2,550.2	205.2	343.7	1,235.1	273.0
Common Equity Tier 1 capital before legislative adjustments	**23,204.7**	**23,121.0**	**20,720.6**	**13,373.7**	**13,126.5**	**12,190.8**
Common Equity Tier 1 capital: legislative adjustments						
Additional value adjustments	-58.3	-52.1	-53.9	-57.7	-51.4	-53.1
Intangible assets (net after reduction for associated tax liabilities)	-1,872.5	-1,739.3	-1,440.9	-1,095.8	-969.3	-593.8
Fair value reserves related to gains or losses on cash-flow hedges	113.5	105.9	65.1	113.5	105.9	56.1
Negative amounts resulting from the calculation of expected loss amounts	-353.5	-444.3	-395.7	-353.5	-444.3	-395.7
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	-6,045.0	-5,999.3	-6,208.9	-	-	-
Amounts exceeding threshold of 15%	-	-	-18.1	-	-	-
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	-	-	*-17.8*	-	-	-
Of which: deffered tax assets arise from temporary differences	-	-	*-0.3*	-	-	-
Total legislative adjustments of Common Equity Tier 1 capital Common Equity Tier 1 capital	**-8,215.8**	**-8,129.1**	**-8,052.4**	**-1,393.5**	**-1,359.1**	**-986.5**
Common equity Tier 1 capital	**14,988.9**	**14,991.9**	**12,668.2**	**11,980.2**	**11,767.4**	**11,204.3**
Additional Tier 1 instruments: instruments						
Capital instruments and associated share premium reserves	-	-	1,200.0	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*	*1,200.0*
Qualifying Tier 1 instruments included in consolidated Tier 1 capital issued by subsidiaries and held by a third party	960.5	944.3	-	-	-	-
Additional Tier 1 instruments	**960.5**	**944.3**	**1,200.0**	**1,200.0**	**1,200.0**	**1,200.0**
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 instruments)	**15,949.4**	**15,936.2**	**13,868.2**	**13,180.2**	**12,967.4**	**12,404.3**
Tier 2 capital: instruments and provisions						
Capital instruments and associated share premium reserves	-	-	2,591.7	2,589.7	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	2,052.3	2,163.3	-	-	-	-
Tier 2 capital	**2,052.3**	**2,163.3**	**2,591.7**	**2,589.7**	**2,591.7**	**2,591.7**
Total capital (total capital = Tier 1 capital + Tier 2 capital)	**18,001.7**	**18,099.5**	**16,459.9**	**15,769.9**	**15,559.1**	**14,996.0**
Total risk-weighted assets	**66,098.3**	**64,379.2**	**61,480.9**	**49,609.2**	**48,432.2**	**46,241.5**
Capital ratios and buffers						
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	22.7 %	23.3 %	20.6 %	24.1 %	24.3 %	24.2 %
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	24.1 %	24.8 %	22.6 %	26.6 %	26.8 %	26.8 %
Total capital (as a percentage of the total risk-weighted exposure amount)	27.2 %	28.1%	26.8 %	31.8 %	32.1 %	32.4 %
Institution-specific buffer requirements	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %
Of which: capital conservation buffer requirement	*2.5 %*	*2.5 %*	*2.5 %*	*2.5 %*	*2.5 %*	*2.5 %*
Of which: countercyclical capital buffer requirement	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*
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)	18.2 %	18.8 %	16.1 %	19.6 %	19.8 %	19.7 %

Note 11 Capital-adequacy, continued

SEK M	Consolidated situation 31 Mar 2018		Consolidated situation 31 Dec 2017		Consolidated situation 31 Mar 2017		Consolidated situation 31 Mar 2018		Bank Group 31 Dec 2017		Bank Group 31 Mar 2017	
	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment	Risk exposure amount	Capital require-ment
Credit risk according to Standardised Approach												
Exposures to institutions	1,813.4	145.1	1,293.5	103.5	1,373.0	109.8	1,760.9	140.9	1,242.7	99.4	1,316.6	105.3
Exposures to corporates	1,748.3	139.9	1,723.9	137.9	1,773.4	141.9	1,715.8	137.3	1,695.8	135.7	1,730.5	138.4
Retail exposures	1,762.8	141.0	1,730.7	138.5	1,578.7	126.3	1,762.8	141.0	1,730.7	138.5	1,578.7	126.3
Exposures in default	14.3	1.1	56.2	4.5	55.9	4.5	14.3	1.1	56.2	4.5	55.9	4.5
Covered bonds	15.0	1.2	15.0	1.2	30.0	2.4	15.0	1.2	15.0	1.2	30.0	2.4
Exposures to CIU	3,004.9	240.4	2,989.4	239.2	3,068.6	245.5	2,942.9	235.4	2,917.3	233.4	2,984.6	238.8
Exposures to equity	5,308.2	424.7	5,296.0	423.7	4,722.8	377.8	42.3	3.4	40.6	3.2	38.2	3.1
Other items	4,143.6	331.5	4,538.0	363.0	3,923.7	313.9	675.1	54.0	1,002.7	80.2	557.7	44.6
Total capital requirement and risk exposure amount	**17,810.6**	**1,424.8**	**17,642.7**	**1,411.4**	**16,526.1**	**1,322.1**	**8,929.1**	**714.3**	**8,701.0**	**696.1**	**8,292.1**	**663.4**
Credit risk according to IRB Approach												
Retail exposures												
Secured by real estate SME	2,012.5	161.0	2,217.4	177.4	2,286.3	182.9	2,012.5	161.0	2,217.4	177.4	2,286.3	182.9
Secured by real estate non-SME	13,609.9	1,088.8	13,118.6	1,049.5	11,902.7	952.2	13,609.9	1,088.8	13,118.6	1,049.5	11,902.7	952.2
Other SME	4,227.2	338.2	4,375.0	350.0	4,142.7	331.4	4,227.2	338.2	4,375.0	350.0	4,142.7	331.4
Other non-SME	7,123.3	569.9	7,087.4	567.0	6,607.3	528.6	7,123.3	569.9	7,087.4	567.0	6,607.3	528.6
Total retail exposures	**26,972.9**	**2,157.8**	**26,798.4**	**2,143.9**	**24,939.0**	**1,995.1**	**26,972.9**	**2,157.8**	**26,798.4**	**2,143.9**	**24,939.0**	**1,995.1**
Exposures to corporates	7,127.0	570.2	7,349.7	588.0	7,280.8	582.5	7,127.0	570.2	7,349.7	588.0	7,280.8	582.5
Total capital requirement and risk exposure amount	**34,099.9**	**2,728.0**	**34,148.1**	**2,731.8**	**32,219.9**	**2,577.6**	**34,099.9**	**2,728.0**	**34,148.1**	**2,731.8**	**32,219.9**	**2,577.6**
Operational risks												
Standardised Approach	12,305.6	984.4	11,346.2	907.7	11,346.4	907.7	4,697.9	375.8	4,340.9	347.3	4,341.0	347.3
Total capital requirement for operational risk	**12,305.6**	**984.4**	**11,346.2**	**907.7**	**11,346.4**	**907.7**	**4,697.9**	**375.8**	**4,340.9**	**347.3**	**4,341.0**	**347.3**
Total capital requirement for credit valuation adjustments	**1,882.3**	**150.6**	**1,242.2**	**99.4**	**1,388.5**	**111.1**	**1,882.3**	**150.6**	**1,242.2**	**99.4**	**1,388.5**	**111.1**
Total capital requirement and risk exposure amount	**66,098.3**	**5,287.9**	**64,379.2**	**5,150.3**	**61,480.9**	**4,918.5**	**49,609.2**	**3,968.7**	**48,432.2**	**3,874.6**	**46,241.5**	**3,699.3**

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.

Note 13 Financial effect due to change in accounting policy from IAS 39 to IFRS 9

Balance sheet - Group

SEK M	1 January 2018 IAS 39	Adjustment	1 January 2018 IFRS 9
Assets			
Cash and balances with central banks	17.0		17.0
Treasury bills and other eligible bills	10,531.5		10,531.5
Loans to credit institutions	265.0		265.0
Loans to the public	261,444.2	-88.3	261,355.9
Bonds and other interest-bearing securities	35,717.8		35,717.8
Shares and participations	38.3		38.3
Derivatives	5,125.5		5,125.5
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	248.0		248.0
Intangible assets	969.3		969.3
Property and equipment	10.5		10.5
Deferred tax assets	30.0		30.0
Other assets	546.8	33.2	580.0
Prepaid expenses and accrued income	422.5	-5.1	417.4
Total assets	**315,366.3**	**-60.1**	**315,306.2**
Liabilities and equity			
Due to credit institutions	3,995.9		3,995.9
Deposits and borrowing from the public	99,403.6		99,403.6
Debt securities in issue	188,406.7		188,406.7
Derivatives	1,166.4		1,166.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	1,200.2		1,200.4
Deferred tax liabilities	508.0		508.0
Other liabilities	791.6	8.6	800.2
Accrued expenses and deferred income	2,959.1		2,959.1
Provisions	9.9	18.6	28.5
Subordinated liabilities	2,596.5		2,596.5
Total liabilities	**301,037.9**	**27.2**	**301,065.1**
Equity			
Share capital	954.9		954.9
Other capital contributed	7,442.5		7,442.5
Reserves	26.5	-10.8	15.7
Additional Tier 1 instruments	1,200.0		1,200.0
Retained earnings	3,467.5	-76.4	3,391.1
Profit for the period	1,237.0		1,237.0
Total equity	**14,328.4**	**-87.2**	**14,241.2**
Total liabilities and equity	**315,366.3**	**-60.1**	**315,306.2**

The transition from IAS 39 to IFRS 9 entails that the Bank Group's equity declined SEK 87.2 M. The Bank Group's loss allowance increased SEK 88.3 M and the regional insurance companies' commitments for credit losses for generated business increased SEK 33.2 M. The loss allowance for loan commitments and guarantees amounted to SEK 18.6 M.

Note 13 Financial effect due to change in accounting policy from IAS 39 to IFRS 9, cont.

Financial assests and liabilities by category according to IFRS 9

SEK M	Carrying amount 1 January 2018	Category according to IAS 39	Category according to IFRS 9
Assets			
Cash and balances with central banks	17.0	Loans and receivables	Amortised cost
Treasury bills and other eligible bills	10,531.5	Available-for-sale financial assets	FVOCI
Loans to credit institutions	265.0	Loans and receivables	Amortised cost
Loans to the public	261,355.9	Loans and receivables	Amortised cost
Bonds and other interest-bearing securities	35,717.8	Available-for-sale financial assets	FVOCI
Shares and participations	38.3	Available-for-sale financial assets	FVOCI
Derivatives	5,125.5		
of which: hedge accounting	5,111.1	Derivatives for hedge accounting	Derivatives for hedge accounting
of which: other	14.4	Held for trading	FVPL
Other assets	2,255.2	Loans and receivables	Amortised cost
Total assets	**315,306.2**		
Liabilities			
Due to credit institutions	3,995.9	Other financial liabilities	Other financial liabilities
Deposits and borrowing from the public	99,403.6	Other financial liabilities	Other financial liabilities
Debt securities in issue	188,406.7	Other financial liabilities	Other financial liabilities
Derivatives	1,166.4		
of which: hedge accounting	1,166.4	Derivatives for hedge accounting	Derivatives for hedge accounting
of which: other	-	Held for trading	FVPL
Other liabilities	5,496.2	Other financial liabilities	Other financial liabilities
Subordinated liabilities	2,596.5	Other financial liabilities	Other financial liabilities
Total liabilities	**301,065.1**		

Reconciliation of loss allowance for transition to IFRS 9

SEK M	1 January 2018 IAS 39	Adjustment	1 January 2018 IFRS 9
Financial assets measured at amortised cost			
Cash and balances at central banks	-	0.0	0.0
Loans to credit institutions	-	0.0	0.0
Loans to the public	267.5	88.3	335.8
Other assets	-	0.0	0.0
Financial assets measured at FVOCI			
Treasury bills and other eligible bills	-	0.2	0.2
Bonds and other interest-bearing securities	-	0.5	0.5
Loan commitments and other credit commitments	-	18.5	18.5
Guarantees	-	0.1	0.1
Total loss allowance	**267.5**	**107.6**	**375.1**

Income statement – Parent Company

SEK M	Q 1 2018	Q 4 2017	Change	Q 1 2017	Change	Full-Year 2017
Interest income calculated according to the effective interest method	371.5	380.6	-2%	355.4	5%	1,463.9
Interest expense	-78.9	-78.1	1%	-82.4	-4%	-336.7
Net interest income	**292.6**	**302.4**	**-3%**	**273.0**	**7%**	**1,127.2**
Dividends received	0.0	42.2		0.0		42.3
Commission income	134.4	131.4	2%	119.6	12%	490.8
Commission expense	-128.7	-149.6	-14%	-102.1	26%	-467.8
Net commission income	**5.7**	**-18.2**		**17.5**	**-67%**	**22.9**
Net gain / loss from financial items	12.7	-18.1		2.8		-6.4
Other operating income	31.1	29.9	4%	28.3	10%	115.8
Total operating income	**342.0**	**338.3**	**1%**	**321.7**	**6%**	**1,301.9**
Staff costs	-69.6	-54.5	28%	-71.5	-3%	-267.7
Other administration expenses	-183.4	-174.5	5%	-155.0	18%	-661.0
Total administration expenses	**-253.0**	**-229.0**	**10%**	**-226.6**	**12%**	**-928.6**
Depreciation / amortisation and impairment of property and equipment / intangible assets	-19.4	-24.3	-20%	-18.2	7%	-79.0
Total operating expenses	**-272.4**	**-253.2**	**8%**	**-244.8**	**11%**	**-1,007.7**
Profit / loss before credit losses	**69.7**	**85.0**	**-18%**	**76.9**	**-9%**	**294.2**
Credit losses, net	13.9	-7.5		-3.5		-4.6
Operating profit / loss	**83.5**	**77.5**	**8%**	**73.4**	**14%**	**289.6**
Allocation fund	0.0	-90.0		-		-90.0
Tax	-18.4	-2.8		-16.1	14%	-49.4
Profit / loss for the period	**65.1**	**-15.2**		**57.2**	**14%**	**150.2**

Statement of comprehensive income – Parent Company

SEK M	Q 1 2018	Q 4 2017	Change	Q 1 2017	Change	Full-Year 2017
Profit for the period	**65.1**	**-15.2**		**57.2**	**14%**	**150.2**
Other comprehensive income						
Items that are reclassified or may subsequently be reclassified to the income statement						
Cash-flow hedges	1.8	5.0	-64%	-3.1		-5.0
Change in fair value from available-for-sale financial assets	-4.1	14.1		-5.4		49.5
Tax attributable to items that are transferred or can be transferred as income for the period	0.5	-4.2		1.9	21%	-9.8
Total	**-1.8**	**14.9**		**-6.6**	**24%**	**34.7**
Items that cannot be transferred to profit and loss						
Change in fair value of equity instruments measured at FVOCI	1.7	-		-		-
Tax attributable to items that cannot be reversed to profit and loss	-0.4	-		-		-
Total	**1.3**	**-**		**-**		**-**
Total other comprehensive income for the period, net after tax	**-0.5**	**14.9**		**-6.6**	-92%	**34.7**
Comprehensive income for the period	**64.6**	**-0.3**		**50.6**	**28%**	**184.9**

Balance sheet – Parent Company

SEK M	31 Mar 2018	31 Dec 2017	31 Mar 2017
Assets			
Cash and balances with central banks	13.9	17.0	21.2
Treasury bills and other eligible bills	14,478.2	10,531.5	12,338.2
Loans to credit institutions	71,210.4	67,005.7	62,355.1
Loans to the public	42,758.9	42,203.2	39,024.0
Bons and other interest-bearing securities	26,160.3	25,880.0	26,160.1
Shares and participations	39.9	38.3	25.8
Shares and participations within the Group	9,764.0	9,764.0	8,499.0
Derivatives	5,157.4	3,639.1	3,995.6
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	38.1	40.5	78.1
Intangible assets	991.2	873.2	552.8
Property and equipment	3.3	2.8	2.5
Deffered tax assets	2.0	2.4	2.7
Other assets	261.4	278.0	213.9
Prepaid expenses and accrued income	106.5	121.4	104.4
Total assets	**170,985.5**	**160,396.8**	**153,373.5**
Liabilities, provisions and equity			
Due to credit institutions	15,202.9	7,031.4	12,952.6
Deposits and borrowing from the public	100,836.1	99,808.4	92,234.4
Debt securities in issue	35,552.0	35,594.8	29,863.9
Derivatives	4,920.9	3,677.4	4,283.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	69.9	65.5	142.2
Other liabilities	408.6	420.2	204.0
Accrued expenses and deferred income	635.8	500.1	591.2
Provisions	13.3	4.7	7.0
Subordinated liabilities	2,591.6	2,596.5	2,595.7
Total liabilities and provisions	**160,231.2**	**149,699.0**	**142,874.3**
Untaxed reserves	**252.0**	**252.0**	**162.0**
Equity			
Share capital	2,864.6	954.9	954.9
Development Expenditures Fund	18.4	18.4	18.4
Statutory reserve	858.5	730.9	357.7
Additional Tier 1 instruments	1,200.0	1,200.0	1,200.0
Fair value reserves	84.2	95.6	54.3
Retained earnings	5,411.4	7,295.9	7,694.8
Profit for the period	65.1	150.2	57.2
Total equity	**10,502.3**	**10,445.9**	**10,337.2**
Total liabilities, provisions and equity	**170,985.5**	**160,396.8**	**153,373.5**
Notes			
Accounting policies	1		
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Credit losses	3		
Disclosures on related parties	4		
Pledged assets, contingent liabilities and commitments	5		
Financial effect due to change in accounting policy from IAS 39 to IFRS 9	6		

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

SEK M	Jan–Mar 2018	Jan–Mar 2017
Cash and cash equivalents, 1 January	**131.8**	**110.5**
Cash flow from operating activities	95.3	875.3
Cash flow from investing activities	-139.7	-919.5
Cash flow from financing activities	-2.0	0.3
Cash flow for the period	**-46.4**	**-43.9**
Cash and cash equivalents, 31 March	**85.4**	**66.6**

Cash and cash equivalents are defined as cash and balances at central banks and loans due to credit institutions payable on demand as well as overnight loans and investments with the Riksbank that fall due on the following banking day. The change in cash flow from operating activities was largely due to Loans to credit institutions to SEK 8,171.5 M (4,270.5), Debt securities in issue to SEK -348.2 M (836.9) and Loans to credit institutions to SEK -4,266.3 M (1,784.6).

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 2017	**954.9**	**239.9**	**18.4**	**1,200.0**	**64.8**	**-3.9**	**7,635.8**	**184.7**	**10,294.6**
Profit for the period								57.2	57.2
Other comprehensive income for the period					-4.2	-2.4			-6.6
Comprehensive income for the period					*-4.2*	*-2.4*		*57.2*	50.6
According to resolution by Annual General Meeting							184.7	-184.7	-
Issued additional Tier 1 instruments							-7.9		-7.9
Capitalised proprietary development expenditures		117.8					-117.8		-
Closing balance, 31 March 2017	**954.9**	**357.7**	**18.4**	**1,200.0**	**60.6**	**-6.3**	**7,694.8**	**57.2**	**10,337.3**
Opening balance, 1 April 2017	**954.9**	**357.7**	**18.4**	**1,200.0**	**60.6**	**-6.3**	**7,694.8**	**57.2**	**10,337.3**
Profit for the period								93.0	93.0
Other comprehensive income for the period					42.8	-1.5			41.3
Comprehensive income for the period					*42.8*	*-1.5*		*93.0*	*134.3*
According to resolution by Annual General Meeting									-
Issued additional Tier 1 instruments							-25.6		-25.6
Capitalised proprietary development expenditures		373.2					-373.2		-
Closing balance, 31 December 2017	**954.9**	**730.9**	**18.4**	**1,200.0**	**103.4**	**-7.8**	**7,295.9**	**150.2**	**10,445.9**
Opening balance, 1 January 2018	**954.9**	**730.9**	**18.4**	**1,200.0**	**103.4**	**-7.8**	**7,295.9**	**150.2**	**10,445.9**
Effect due to change in accounting policy [2]					**-10.9**		**10.5**		**-0.4**
Opening balance, 1 January 2018 after adjustment for change in accounting policy	**954.9**	**730.9**	**18.4**	**1,200.0**	**92.5**	**-7.8**	**7,306.4**	**150.2**	**10,445.5**
Profit for the period								65.1	65.1
Other comprehensive income for the period					-1.9	1.4			-0.5
Comprehensive income for the period					*-1.9*	*1.4*		*65.1*	64.6
According to resolution by Annual General Meeting							150.2	-150.2	-
Issued Additional Tier 1 instruments							-7.8		-7.8
Capitalised proprietary development expenditures		127.6					-127.6		-
Bonus issue	1,909.7						-1,909.7		-
Closing balance, 31 March 2018	**2,864.6**	**858.5**	**18.4**	**1,200.0** [1]	**90.6**	**-6.4**	**5,411.4**	**65.1**	**10,502.3**

[1] 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.

[2] Effect due to change in accounting policy from IAS 39 - Financial Instruments: Recognition and measurement to IFRS 9 - Financial Instruments.

Notes – Parent Company

All figures in SEK M unless otherwise stated.

Note 1 Accounting policies

Länsförsäkringar Bank AB prepares its accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements.

Amended accounting policies applied from 1 January 2018

The changes in accounting policies applied by the Parent Company from 1 January 2018 correspond to the changes for the Group, with one exception, and are described in the Group's note 1 Accounting policies. The exception compared with the Group is that the change in expected credit losses in items measured at fair value through other comprehensive income is recognised in net gains from financial items. In the Group, this change is recognised in credit losses, net.

The effect on the balance sheet is presented in its entirety in note 6.

NEW IFRS AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED

The impact on capital adequacy due to new or revised IFRS is described in note 1 for the Group.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2017 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 Mar 2018	31 Dec 2017	31 Mar 2017
Common Equity Tier 1 capital: instruments and reserves			
Capital instruments and associated share premium reserves	2,864.6	954.9	954.9
Of which: share capital	*2,864.6*	*954.9*	*954.9*
Non-distributed earnings (Retained earnings)	5,411.4	7,295.9	7,694.8
Accumulated Other comprehensive income	1,157.7	1,041.4	556.7
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	63.0	148.3	55.2
Common Equity Tier 1 capital before legislative adjustments	**9,496.7**	**9,440.5**	**9,261.6**
Common Equity Tier 1 capital: legislative adjustments			
Additional value adjustments	-49.4	-42.7	-45.3
Intangible assets (net after reduction for associated tax liabilities)	-991.2	-873.2	-552.8
Fair value reserves related to gains or losses on cash-flow hedges	6.4	7.8	6.3
Negative amounts resulting from the calculation of expected loss amounts	-79.3	-85.9	-92.0
Total legislative adjustments of Common Equity Tier 1 capital	**-1,113.5**	**-994.0**	**-683.8**
Common Equity Tier 1 capital	**8,383.2**	**8,446.5**	**8,577.8**
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 equity within the meaning of the applicable accounting framework	*1,200.0*	*1,200.0*	*1,200.0*
Additional Tier 1 instruments	**1,200.0**	**1,200.0**	**1,200.0**
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 instruments)	**9,583.2**	**9,646.5**	**9,777.8**
Tier 2 capital: instruments and provisions			
Capital instruments and associated share premium reserves	2,589.7	2,591.7	2,591.7
Adjustment due to credit risk	4.1	13.5	48.7
Tier 2 capital	**2,593.7**	**2,605.2**	**2,640.4**
Total capital (total capital = Tier 1 capital + Tier 2 capital)	**12,176.9**	**12,251.7**	**12,418.1**
Total risk-weighted assets	**26,876.4**	**26,173.8**	**25,607.7**
Capital ratios and buffers			
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	31.2 %	32.3 %	33.5 %
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	35.7 %	36.9 %	38.2 %
Total capital (as a percentage of the total risk-weighted exposure amount)	45.3 %	46.8 %	48.5 %
Institution-specific buffer requirements	9.0 %	9.0 %	9.0 %
Of which: capital conservation buffer requirement	*2.5 %*	*2.5 %*	*2.5 %*
Of which: countercyclical capital buffer requirement	*2.0 %*	*2.0 %*	*2.0 %*
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)	26.7 %	27.8 %	29.0 %

Note 2 Capital-adequacy, continued

SEK M	31 Mar 2018		31 Dec 2017		31 Mar 2017	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk according to Standardised Approach						
Exposures to institutions	1,293.4	103.5	799.7	64.0	796.5	63.7
High risk items	15.0	1.2	15.0	1.2	30.0	2.4
Covered bonds	1,884.5	150.8	1,933.6	154.7	2,022.4	161.8
Equity exposures	10,607.3	848.6	10,605.8	848.5	9,804.0	784.3
Other items	312.7	25.0	465.5	37.2	274.2	21.9
Total capital requirement and risk exposure amount	**14,112.9**	**1,129.0**	**13,819.6**	**1,105.6**	**12,927.2**	**1,034.2**
Credit risk according to IRB Approach						
Retail exposures						
Secured by real estate SME	1,577.1	126.2	1,786.3	142.9	1,835.9	146.9
Secured by real estate non-SME	1,346.7	107.7	1,381.3	110.5	1,399.4	112.0
Other SME	502.9	40.2	500.7	40.1	544.9	44.4
Other non-SME	2,099.8	168.0	2,119.4	169.6	2,388.9	191.1
Total retail exposures	**5,526.6**	**442.1**	**5,787.7**	**463.0**	**6,179.1**	**494.3**
Exposures to corporates	3,929.1	314.3	4,035.0	322.8	3,928.6	314.3
Total capital requirement and risk exposure amount	**9,455.8**	**756.5**	**9,822.7**	**785.8**	**10,107.7**	**808.6**
Operational risks						
Standardised Approach	1,925.7	154.1	1,798.1	143.8	1,798.1	143.8
Total capital requirement for operational risk	**1,925.7**	**154.1**	**1,798.1**	**143.8**	**1,798.1**	**143.8**
Total capital requirement for credit valuation adjustments	**1,382.0**	**110.6**	**733.4**	**58.7**	**774.7**	**62.0**
Total capital requirement and risk exposure amount	**26,876.4**	**2,150.1**	**26,173.8**	**2,093.9**	**25,607.7**	**2,048.6**

Note 3 Credit losses

The settlement model regarding the commitment that the regional insurance companies have for credit losses related to the business they have originated, entails that the regional insurance companies cover 80% of the loss allowance 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 loss allowance requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. On 31 March 2018, the total loss allowance for loan receivables amounted to SEK 102 M of which Länsförsäkringar Bank's recognised loss allowance for loan receivables accounted for SEK 20 M. The remainder of SEK 82 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 Mar 2018	31 Dec 2017	31 Mar 2017
For own liabilities, pledged assets	10,246.6	5,549.0	6,561.8
Contingent liabilities	35.2	34.5	33.7
Commitments	34,730.9	35,693.0	41,531.2

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

Note 6	Financial effect due to change in accounting policy from IAS 39 to IFRS 9

Balance sheet - Group

SEK M	1 January 2018 IAS 39	Adjustment	1 January 2018 IFRS 9
Assets			
Cash and balances with central banks	17.0		17.0
Treasury bills and other eligible bills	10,531.5		10,531.5
Loans to credit institutions	67,005.7	-18.0	66,987.7
Loans to the public	42,203.2	33.9	42,437.1
Bonds and other interest-bearing securities	25,880.0		25,880.0
Shares and participations	38.3		38.3
Shares and participations within the Group	9,764.0		9,764.0
Derivatives	3,639.1		3,639.1
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	40.5		40.5
Intangible assets	873.2		873.2
Property and equipment	2.8		2.8
Deferred tax assets	2.4		2.4
Other assets	278.0	31.0	309.0
Prepaid expenses and accrued income	121.4		121.4
Total assets	**160,396.8**	**46.9**	**160,443.7**
Liabilities and equity			
Due to credit institutions	7,031.4		7,031.4
Deposits and borrowing from the public	99,808.4		99,808.4
Debt securities in issue	35,594.8		35,594.8
Derivatives	3,677.4		3,677.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	65.5		65.5
Other liabilities	420.2	38.3	458.5
Accrued expenses and deferred income	500.1		500.1
Provisions	4.7	9.0	13.7
Subordinated liabilities	2,596.5		2,596.5
Total liabilities	**149,699.0**	**47.3**	**149,746.3**
Untaxed reserves	**252.0**		**252.0**
Equity			
Share capital	954.9		954.9
Reserves	18.4		18.4
Statutory reserve	730.9		730.9
Additional Tier 1 instruments	1,200.0		1,200.0
Fair value reserves	95.6	-10.9	84.7
Retained earnings	7,295.9	10.5	7,306.4
Profit for the period	150.2		150.2
Total equity	**10,445.9**	**-0.4**	**10,445.5**
Total liabilities and equity	**160,396.8**	**46.9**	**160,443.7**

The transition from IAS 39 to IFRS 9 entails that the company's equity declined SEK 0.4 M. The regional insurance companies' commitments for credit losses for generated business increased SEK 31.0 M. The loss allowance for loan commitments and guarantees amounted to SEK 9.0 M.

Not 6 Financial effect due to change in accounting policy from IAS 39 to IFRS 9, Cont.

Financial assests and liabilities by category according to IFRS 9

SEK M	Carrying amount 1 January 2018	Category according to IAS 39	Category according to IFRS 9
Assets			
Cash and balances with central banks	17.0	Loans and receivables	Amortised cost
Treasury bills and other eligible bills	10,531.5	Available-for-sale financial assets	FVOCI
Loans to credit institutions	66,987.7	Loans and receivables	Amortised cost
Loans to the public	42,437.1	Loans and receivables	Amortised cost
Bonds and other interest-bearing securities	25,880.0	Available-for-sale financial assets	FVOCI
Shares and participations	9,802.3	Available-for-sale financial assets	FVOCI
Derivatives	3,639.0		
of which: hedge accounting	426.2	Derivatives for hedge accounting	Derivatives for hedge accounting
of which: other	3,212.8	Held for trading	FVPL
Other assets	1,149.1	Loans and receivables	Amortised cost
Total assets	**160,443.7**		
Liabilities			
Due to credit institutions	7,031.4	Other financial liabilities	Other financial liabilities
Deposits and borrowing from the public	99,808.4	Other financial liabilities	Other financial liabilities
Debt securities in issue	35,594.8	Other financial liabilities	Other financial liabilities
Derivatives	3,677.7		
of which: hedge accounting	478.5	Derivatives for hedge accounting	Derivatives for hedge accounting
of which: other	3,198.9	Held for trading	FVPL
Other liabilities	1,037.8	Other financial liabilities	Other financial liabilities
Subordinated liabilities	2,596.5	Other financial liabilities	Other financial liabilities
Total liabilities	**149,746.3**		

Reconciliation of loss allowance for transition to IFRS 9

SEK M	1 January 2018 IAS 39	Adjustment	1 January 2018 IFRS 9
Financial assets measured at amortised cost			
Cash and balances at central banks	-	0.0	0.0
Loans to credit institutions	-	18.0	18.0
Loans to the public	57.8	-33.9	23.9
Other assets	-	0.0	0.0
Financial assets measured at FVOCI			
Treasury bills and other eligible bills	-	0.2	0.2
Bonds and other interest-bearing securities	-	0.4	0.4
Loan commitments and other credit commitments	-	8.9	8.9
Guarantees	-	0.1	0.1
Total loss allowance	**57.8**	**-6.3**	**51.5**

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, 25 April 2018

Sven Eggefalk
President

Definitions

Glossary

Return on total assets
Profit for the year in relation to average total assets.

Own funds
Own funds comprises the sum of Tier 1 capital and Tier 2 capital, less items indicated in the capital adequacy rules. Own funds in relation to capital requirements.

Credit-impaired loan receivables
Loan receivables that have fallen due, have defaulted on issue or acquisition and thus are in stage 3 of the rules on expected credit losses under IFRS 9.

Common Equity Tier 1 capital
Common Equity Tier 1 capital comprises equity less intangible assets, goodwill, prudent valuation, investments in financial companies and IRB deficit.

Common Equity Tier 1 capital ratio
Common Equity Tier 1 capital in relation to the total risk exposure amount.

Tier 1 capital
The sum of Common Equity Tier 1 capital and Additional Tier 1 instruments.

Tier 1 ratio
Tier 1 capital in relation to the total risk exposure amount.

Risk Exposure Amount
The Risk Exposure Amount comprises assets in the balance sheet and off-balance sheet commitments valued in accordance with credit risk, market risk, operational risk and credit valuation adjustment risk in accordance with the capital adequacy rules.

Loan receivables
Comprises loans to the public and loans to credit institutions.

Fixed-interest period
The agreed period during which the interest rate on an asset or liability is fixed.

Small businesses
Companies with basic business requirements (loans, savings and payments).

Tier 2 capital
Primarily comprises fixed-term subordinated debt.

Total capital ratio
Total own funds in relation to the total risk exposure amount.

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. Investment margin and return on equity show the organisation's earnings in relation to various investment measures. The share of credit-impaired loan receivables, credit losses and performance measures concerning loss allowance are presented to provide an understanding of lending, collateral and credit risk. The common factor for all of the alternative performance measures is that they describe the development of the operations and aim to improve comparability between different periods. The measures may differ from similar performance measures presented by other organisations.

Share of credit-impaired loan receivables
Credit-impaired loan receivables (stage 3) before loss allowance in relation to loans to the public and credit institutions before loss allowance.

Credit loss level
Credit losses, net, for loan receivables in relation to loans to the public and credit institutions after loss allowance.

Investment margin
Net interest income in relation to average total assets.

Reserve ratio for credit-impaired loan receivables
Recognised loss allowance for credit-impaired loan receivables (stage 3) in relation to credit-impaired loan receivables before loss allowance.

Return on equity
Operating profit less standard tax in relation to average equity, adjusted for items in equity recognised in other comprehensive income and for Additional Tier 1 Capital loans.

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 March, 2018 and the three-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. My responsibility is to express a conclusion on this interim report based on my review.

Scope of review

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

Conclusion

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

Stockholm 25 April 2018

Dan Beitner
Authorized Public Accountant

LF 04512 utg 61 Nordic Morning 207382 2018-04

Financial calendar

Interim report January–June Länsförsäkringar Bank	19 July 2018
Interim report January–June Länsförsäkringar Hypotek	19 July 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 25 April 2018 at 12:00 a.m. Swedish time.

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