19 July 2018

Länsförsäkringar Bank

Interim Report January–June 2018

The period in brief, Group

- Operating profit increased 20% to SEK 888.2 M (737.3) and the return on equity amounted to 10.3% (9.5).
- Net interest income rose 15% to SEK 2,193 M (1,911).
- Operating income increased 16% to SEK 1,811 M (1,557).
- Operating expenses rose 9% to SEK 873.7 M (798.8).
- Credit losses amounted to SEK 49.0 M (21.0), net, corresponding to a credit loss level of 0.04% (0.02).
- Business volumes increased 13% to SEK 551.4 billion (486.4).
- Deposits rose 8% to SEK 104.4 billion (97.1). Lending increased 14% to SEK 275.8 billion (242.2).
- The Common Equity Tier 1 capital ratio for the consolidated situation amounted to 24.7% (22.7%*) on 30 June 2018.
- Länsförsäkringar Bank received a shareholders' contribution of SEK 800 M from the Parent Company Länsförsäkringar AB during the period.
- The number of customers with Länsförsäkringar as their primary bank rose 12% and the number of bank cards increased 13%.

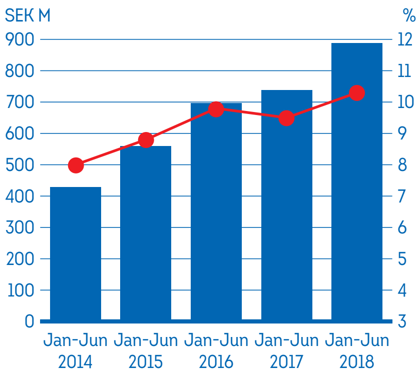
Figures in parentheses pertain to the same period in 2017.
* Pertains to 31 March 2018.

President's comment

Länsförsäkringar Bank continued to perform positively and business volumes increased in all segments. Growth was stable while the credit quality of the loan portfolio remained high with very low credit losses. The inflow of new customers was steady, which is confirmation that customers value Länsförsäkringar's offering, as can be clearly seen in the sustained high customer satisfaction level. Our market shares continued to increase in both household deposits and mortgages and we strengthened our position as the fifth largest retail bank in Sweden. The bank is currently in an intense IT development phase that will provide opportunities in the future to further scale up the development of the digital offering. The Swedish economy continued to perform well and we see that the housing market is now more stable, which is advantageous for our business model with clear local presence and close customer relationships combined with smart digital solutions.

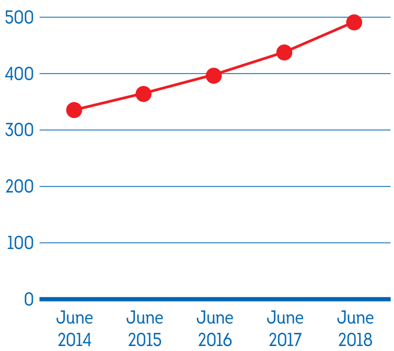
Sven Eggefalk
President of Länsförsäkringar Bank

Operating profit and return on equity

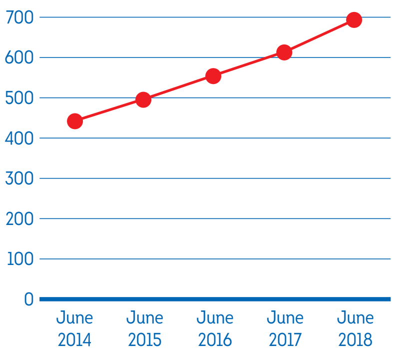


Operating profit, SEK M — Return on equity, %

Customer trend
Number of primary bank customers, 000s



Card trend
Number of cards, 000s



Länsförsäkringar

lansforsakringar.se/finansielltbank

Key figures

Group	Q 2 2018	Q 1 2017	Q 2 2017	Jan-jun 2018	Jan-jun 2017	Full-year 2017
Return on equity, %	10.16	10.48	9.76	10.32	9.45	10.00
Return on total capital, %	0.51	0.54	0.51	0.53	0.50	0.53
Return on total assets, %	0.40	0.42	0.40	0.41	0.39	0.41
Investment margin, %	1.28	1.33	1.30	1.30	1.30	1.32
Cost/income ratio before credit losses	0.48	0.48	0.51	0.48	0.51	0.49
Common Equity Tier 1 capital ratio, Bank Group, %	25.9	24.1	24.3	25.9	24.3	24.3
Tier 1 ratio, Bank Group, %	28.3	26.6	26.8	28.3	26.8	26.8
Total capital ratio, Bank Group, %	33.5	31.8	32.4	33.5	32.4	32.1
Common Equity Tier 1 capital ratio, consolidated situation, %	24.7	22.7	22.8	24.7	22.8	23.3
Tier 1 ratio, consolidated situation, %	26.1	24.1	24.7	26.1	24.7	24.8
Total capital ratio, consolidated situation, %	29.0	27.2	28.9	29.0	28.9	28.1
Share of credit-impaired loan receivables (stage 3), %	0.18	0.19	–	0.18	–	–
Reserve ratio for loan receivables stage 1, %	0.03	0.03	–	0.03	–	–
Reserve ratio for loan receivables stage 2, %	1.52	1.44	–	1.52	–	–
Reserve ratio for loan receivables stage 3, %	29.8	27.7	–	29.8	–	–
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	36.5	36.1	–	36.5	–	–
Credit loss level, %	0.05	0.03	0.01	0.04	0.02	0.02

Income statement, quarterly

Group, SEK M	Q 2 2018	Q 1 2018	Q 4 2017	Q 3 2017	Q 2 2017
Net interest income	1,111.7	1,081.7	1,070.1	1,015.4	970.7
Net commission	-200.1	-214.2	-227.8	-194.6	-168.3
Net gains/losses from financial items	11.2	12.7	-6.3	-7.7	-5.1
Other operating income	4.9	2.8	47.7	3.8	6.0
Total operating income	**927.8**	**883.1**	**883.3**	**817.0**	**803.3**
Staff costs	-156.1	-143.0	-124.6	-128.2	-153.0
Other expenses	-291.2	-283.3	-303.4	-245.9	-259.6
Total operating expenses	**-447.3**	**-426.3**	**-428.0**	**-374.1**	**-412.6**
Profit before credit losses	**480.5**	**456.7**	**455.3**	**442.9**	**390.7**
Credit losses, net	-35.6	-13.4	-22.9	-13.8	-5.9
Operating profit	**444.9**	**443.3**	**432.4**	**429.1**	**384.8**

Market commentary

The global economy continued to strengthen in the second quarter, even though confidence indicators levelled off. Second-quarter news was dominated by the US stepping up its rhetoric on protectionist action and greater concern about the effects of a trade war. The measures that have been introduced and announced to date are not expected to present any great threat to the global economy, even though the risk of an escalating conflict has increased. The political tone in Europe was more uncertain driven by the election result in Italy. The new government coalition went to the polls on pursuing an expansive fiscal policy that risks increasing the deficit and government debt.

The US economy and particularly the labour market continued to report strong figures. Inflation continued to rise and the US Federal Reserve is expected to continue to restrict its monetary policy. US long-term interest rates rose slightly in the second quarter. The development in the Eurozone was somewhat weaker, although the labour market continued to strengthen and monetary policy remained supportive. Long-term European government bond rates fell across the board due to heightened political uncertainty, while Italian government bond rates rose relatively sharply. The ECB announced that it will phase out its asset purchase programme at year-end and the key interest rate will remain unchanged for at least another year. Swedish government bond rates and rates on Swedish covered bonds also dipped during the second quarter.

The Swedish economy continued to perform well. Confidence indicators followed the international trend and levelled off, yet suggest a continued robust performance. Growth is expected to fall slightly on the back of lower housing investments. The Consumer Price Index with fixed interest rate (CPIF) rose an average of 2.0% in the second quarter, where the inflation trend is driven by both rising energy prices and the weak SEK. Underlying pressure on inflation remains low however. The Riksbank did not alter the repo rate in July and continued to indicate a rate rise in the fourth quarter of 2018. Uncertainty surrounding pressure on inflation remains and the market expects slower rate hikes than the Riksbank.

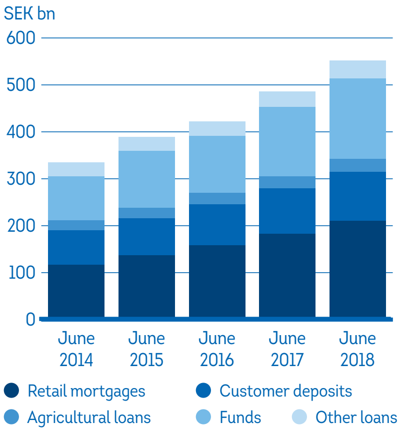
The equities markets were generally weighed down by trade conflicts. However, the trend on the US stock market was more positive than European stock markets as a result of expectations of higher growth in the US, while Europe was impeded by greater political uncertainty. Emerging markets performed weakly in the second quarter, while the Stockholm stock exchange rose slightly. The SEK weakened against both the EUR and the USD in the second quarter. Housing prices increased slightly during the second quarter, although the situation in the housing market remains uncertain.

January-June 2018 compared with January-June 2017

Business volumes

Business volumes rose 13%, or SEK 65.0 billion, to SEK 551.4 billion (486.4). Lending increased 14%, or SEK 33.6 billion, to SEK 275.8 billion (242.2), with continued high credit quality. Lending in Länsförsäkringar Hypotek rose 16%, or SEK 28.4 billion, to SEK 210.4 billion (182.0). Lending in Wasa Kredit increased 11%, or SEK 2.3 billion, to SEK 22.4 billion (20.1). Deposits increased 8%, or SEK 7.3 billion, to SEK 104.4 billion (97.1). Fund volumes increased 16%, or SEK 24.0 billion, to SEK 171.1 billion (147.1).

Business volumes



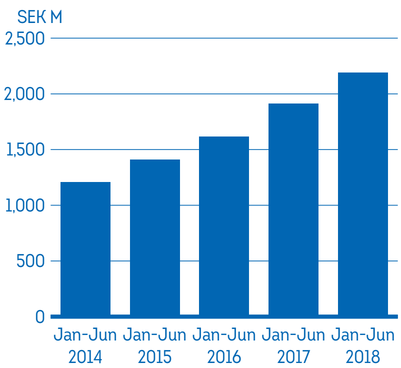
Customers

The number of customers with Länsförsäkringar as their primary bank increased 12% to 492,000 (438,000) 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 13% to 687,000 (607,000).

Earnings and profitability

Operating profit increased 20% to SEK 888.2 M (737.3) due to higher net interest income. The investment margin strengthened to 1.30% (1.30). Profit before credit losses rose 24% to SEK 937.2 M (758.4). Return on equity amounted to 10.3% (9.5).

Net interest income



Income

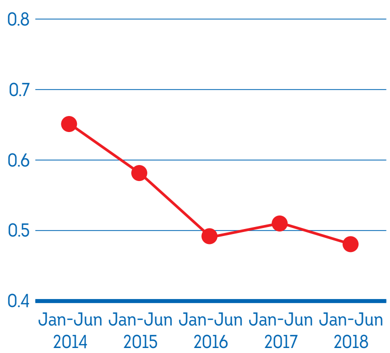
Operating income increased 16% to SEK 1,811 M (1,557), primarily due to higher net interest income. Net interest income rose 15% to SEK 2,193 M (1,911) attributable to higher volumes. Net gains from financial items amounted to SEK 23.9 M (-35.3) due to changes in fair value. Underlying net commission, excluding remuneration paid to the regional insurance companies, increased 3% to SEK 368.2 M (359.1).

Net commission amounted to SEK -414.3 M (-327.9), due to increased remuneration to the regional insurance companies based on higher volumes and the strengthened profitability of the business. Commission income fell 33% to SEK 590.3 M (880.4) as a result of reclassification of commission expense of SEK 321.7 M in Länsförsäkringar Fondförvaltning attributable to IFRS 15. Commission expense declined in a corresponding amount.

Expenses

Operating expenses rose 9% to SEK 873.7 M (798.8), mainly due to future-oriented IT investments. The cost/income ratio was 0.48 (0.51) before credit losses and 0.51 (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 replaced IAS 39 and the new model for calculating loss allowances had 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 49.0 M (21.0), net, corresponding to a credit loss level of 0.04% (0.02). Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 722.1 M, corresponding to a share of credit-impaired loan receivables of 0.18%. The estimated value of collateral for credit-impaired loan receivables was SEK 416.6 M. The total recognised loss allowance for loan receivables under IFRS 9 amounted to SEK 396.3 M, of which SEK 215.3 M pertained to credit-impaired loan receivables. The reserve ratio for credit-impaired loan receivables amounted to 29.8%. In addition to the recognised loss allowance for loan receivables, SEK 89.3 M of the remuneration to the regional insurance companies' credit-risk commitments for generated business is withheld in accordance with the settlement model, of which SEK 48.1 M pertains to credit-impaired loan receivables. Including the withheld remuneration to the regional insurance companies, the loss allowance for loan receivables totalled SEK 485.6 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to regional insurance companies, amounted to 36.5%.

For further information on the effect of IFRS 9 and credit losses and credit-impaired loan receivables, refer to notes 1, 6, 7 and 8.

Deposits and savings

Deposits from the public increased 8%, or SEK 7.3 billion, to SEK 104.4 billion (97.1). Deposits from small businesses amounted to SEK 11.1 billion (11.1). The number of deposit accounts increased 9%. On 31 May 2018, the market share of household deposits had increased to 4.9% (4.8) according to Statistics Sweden. Fund volumes increased 16%, or SEK 24.0 billion, to SEK 171.1 billion (147.1) attributable to positive changes in value and increased inflows in the fund business.

Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public increased 14%, or SEK 33.6 billion, to SEK 275.8 billion (242.2). The credit quality of lending remained high. The weighted average loan-to-value ratio (LTV) of the Bank Group's mortgage portfolio declined to 61% (62). Lending in Länsförsäkringar Hypotek rose 16%, or SEK 28.4 billion, to SEK 210.4 billion (182.0). The percentage of retail mortgages in relation to the total loan portfolio was at 77%. On 31 May 2018, the market share of the segment strengthened to 6.6% (6.0) according to Statistics Sweden.

Agricultural lending increased 6% to SEK

27.6 billion (26.0). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2.3 M on 30 June 2018. First-lien mortgages for agricultural properties, comprising 94% (93) of agricultural lending, accounted for the entire increase in agricultural loans and increased to SEK 26.0 billion (24.2). Agricultural lending is continuing to grow at a lower rate than other loans and its share of total loans is falling. Loans to small businesses totalled SEK 2.0 billion (1.7) on 30 June 2018.

Lending in Wasa Kredit increased 11% to SEK 22.4 billion (20.1).

Loan portfolio, distribution in %

Lending segment, %	30 Jun 2018	30 Jun 2017
Retail mortgages	76.5	75.2
Agriculture	10.0	10.7
Multi-family housing	2.7	3.3
Leasing and hire purchase	6.2	6.5
Unsecured loans	3.1	3.4
Other	1.5	0.9
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%	169,989	80.7%
51–60%	20,523	9.7%
61–70%	13,091	6.2%
71–75%	3,579	1.7%
75%+	3,467	1.6%
TOTAL	**210,649**	**100.0%**

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

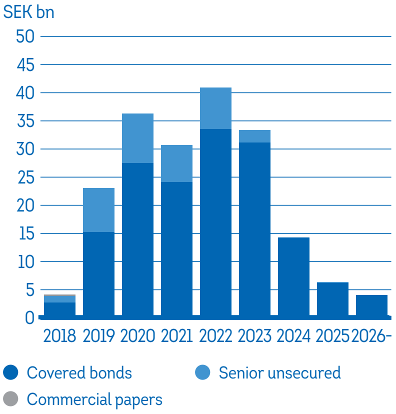
Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 16%, or SEK 27.2 billion, to a nominal SEK 192.9 billion (165.0), of which covered bonds amounted to SEK 158.4 billion (133.8), senior long-term funding to SEK 34.4 billion (30.1) and short-term funding to SEK 0.2 billion (1.1). The average remaining term for the long-term funding was 3.6 years (3.5) on 30 June 2018.

Covered bonds were issued during the period at a volume of a nominal SEK 25.2 billion (20.0). Repurchased covered bonds totalled a nominal SEK 7.2 billion (2.1) and matured covered bonds a nominal SEK 6.3 billion (5.7). Länsförsäkringar Bank issued senior unsecured bonds of a nominal SEK 4.9 billion (5.2) during the period, while maturities amounted to a nominal SEK 3.7 billion (3.7). In March, Länsförsäkringar Hypotek issued a seven-year Euro benchmark covered bond for a nominal EUR 500 M.

The Swedish National Debt Office decided in June that the liabilities that Länsförsäkringar Bank in the consolidated situation uses to meet the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) are to be subordinated. The volume of subordinated liabilities must be built up by 2022.

Maturity profile

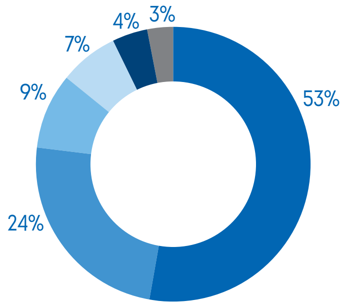


Liquidity

On 30 June 2018, the liquidity reserve totalled SEK 52.9 billion (45.0). 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 30 June 2018 amounted to 336% (335) according to the European Commission's delegated act. The Net Stable Funding Ratio (NSFR) for the consolidated situation amounted to 116%** (116) on 30 June 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 March 2018.

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.

Consolidated situation (SEK M)	30 Jun 2018	31 Mar 2018
IRB Approach	34,217	34,100
retail exposures	26,585	26,973
exposures to corporates	7,631	7,127
Standardised Approach	18,802	17,811
Operational risks	12,306	12,306
Total REA	67,157	66,098
Common Equity Tier 1 capital	16,578	14,989
Tier 1 capital	17,506	15,949
Total capital	19,496	18,002
Common Equity Tier 1 capital ratio	24.7%	22.7%
Tier 1 ratio	26.1%	24.1%
Total capital ratio	29.0%	27.2%

The Common Equity Tier 1 capital ratio for the consolidated situation was 24.7% (22.7). The higher Common Equity Tier 1 capital ratio was largely due to dividends received from the insurance subsidiaries to Länsförsäkringar AB.

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.

Total REA in the consolidated situation on 30 June 2018 amounted to SEK 67,157 M (66,098). REA increased SEK 1,059 M in the quarter, primarily due to volume growth in lending. The credit quality of lending remained favourable and did not have any material impact on REA for the quarter.

Bank Group (SEK M)	30 Jun 2018	31 Mar 2018
IRB Approach	34,217	34,100
retail exposures	26,585	26,973
exposures to corporates	7,631	7,127
Standardised Approach	9,450	8,929
Operational risks	4,698	4,698
Total REA	50,198	49,609
Common Equity Tier 1 capital	13,022	11,980
Tier 1 capital	14,222	13,180
Total capital	16,812	15,770
Common Equity Tier 1 capital ratio	25.9%	24.1%
Tier 1 ratio	28.3%	26.6%
Total capital ratio	33.5%	31.8%

Internally assessed capital and buffer requirements

The internally assessed capital requirement for the consolidated situation on 30 June 2018 amounted to SEK 7,483 M, comprising the minimum capital requirement under Pillar I and the capital requirement for risks managed under Pillar II. The internally assessed capital requirement is calculated based on the methods and models used to calculate the capital requirement under the framework of Pillar I. Internal models are used for Pillar II risks.

In addition to this, there is the capital requirement for the risk weight floor for Swedish mortgages, the countercyclical capital buffer and the capital conservation buffer. The risk weight floor for mortgages of 25% entailed a capital requirement of SEK 5,511 M as at 30 June 2018. The Swedish Financial Supervisory Authority has proposed changing the method for application of the current risk weight floor by replacing the Pillar II requirement with Pillar I. The change is proposed to enter into force on 31 December 2018. The countercyclical capital buffer of 2% of REA amounted to SEK 1,343 M on 30 June 2018 and the capital conservation buffer of 2.5% of REA to SEK 1,679 M.

The capital used to meet the internal capital requirement including buffer, meaning own funds, amounted to SEK 19,496 M. The leverage ratio on 30 June 2018 amounted to 4.8% (4.5).

The Common Equity Tier 1 capital ratio for the Bank Group was 25.9% (24.1). Common Equity Tier 1 capital increased SEK 1,042 M during the quarter, primarily due to the shareholders' contribution of SEK 800 M received from Länsförsäkringar AB. For the Bank Group, the internally assessed capital requirement amounted to SEK 6,014 M and own funds to SEK 16,812 M.

For more information on capital adequacy, see note 12.

[1] The comparative period pertains to 31 March 2018. 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 sections on funding and liquidity, and in note 12.

Interest-rate risk

On 30 June 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 65.6 M (–26.9).

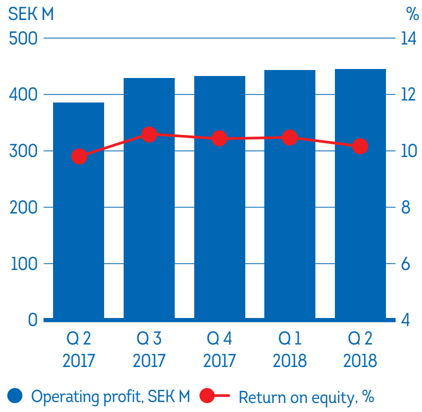
Risks and uncertainties

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.

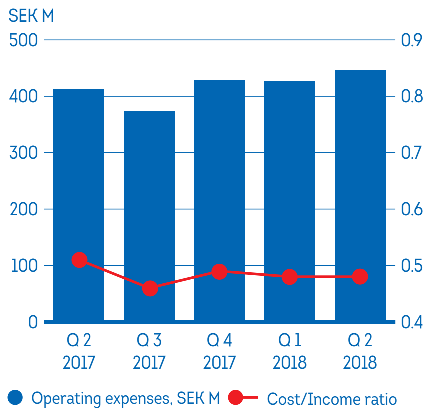
Second quarter of 2018 compared with first quarter of 2018

Operating profit amounted to SEK 444.9 M (443.3). Return on equity amounted to 10.2% (10.5). Operating income amounted to SEK 927.8 M (883.1). Net interest income increased 3% to SEK 1,112 M (1,082). The investment margin strengthened to 1.28% (1.33). Commission income declined to SEK 280.6 M (309.7) and commission expense declined to SEK 480.7 M (523.8). Net commission amounted to SEK –200.1 M (–214.2). Net gains from financial items amounted to SEK 11.2 M (12.7). Operating expenses increased 5% to SEK 447.3 M (426.3). The cost/income ratio before credit losses amounted to 0.48 (0.48). Credit losses amounted to SEK 35.6 M (13.4), net.

Operating profit and return on equity



Operating expenses and cost/income ratio



Other events

On 2 April 2018, Sven Eggefalk took office as President of Länsförsäkringar Bank. In connection with this, Anders Borgcrantz returned to his position of CFO and Executive Vice President of Länsförsäkringar Bank. Marie Lundberg, President of Wasa Kredit, resigned on 26 June and will leave Wasa Kredit in September 2018.

Länsförsäkringar Bank sold its participations in UC AB to Asiakastieto Group Plc in April 2018. Länsförsäkringar Bank received SEK 3.7 M in cash and 31,782 shares in Asiakastieto Group Plc. The transaction was completed 29 June 2018.

Events after the end of the period

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

Parent Company

January-June 2018 compared with January-June 2017

Loans to the public amounted to SEK 43.1 billion (40.2). Deposits from the public increased 7%, or SEK 7.3 billion, to SEK 104.8 billion (97.5). Debt securities in issue increased 17% to SEK 35.4 billion (30.2). Operating profit rose 18% to SEK 150.2 M (127.0) due to higher net interest income and increased net gains from financial items. Net interest income increased 6% to SEK 581.9 M (551.0). Operating income rose 7% to SEK 685.8 M (640.9), due to higher net interest income. Commission income increased 13% to SEK 269.6 M (238.3). Commission expense amounted to SEK 246.5 M (214.7). Operating expenses increased 7% to SEK 549.0 M (513.1). Credit losses amounted to SEK -13.4 M (-0.8), net, corresponding to a credit loss level of -0.01% (-0.00).

Subsidiaries

January-June 2018 compared with January-June 2017

Länsförsäkringar Hypotek

Lending in Länsförsäkringar Hypotek rose 16%, or SEK 28.4 billion, to SEK 210.4 billion (182.0). Retail mortgages up to 75% of the market value of the collateral on the granting date are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit increased 43% to SEK 541.7 M (377.8) due to higher net interest income. Net interest income increased 20% to SEK 1,198 M (998.7) attributable to higher volumes and lower refinancing costs. Credit losses amounted to SEK -0.8 M (-1.4), net, corresponding to a credit loss level of -0.00% (-0.00). Operating expenses amounted to SEK 54.9 M (52.2). The number of retail mortgage customers increased 10% to SEK 266,000 (242,000).

SEK M	30 Jun 2018	30 Jun 2017
Total assets	235,641	201,277
Lending volume	210,353	181,988
Net interest income	1,198	999
Operating profit	542	378

Wasa Kredit

Wasa Kredit's lending volumes increased 11% to SEK 22.4 billion (20.1). Operating profit declined 5% to SEK 178.9 M (188.7), mainly due to increased credit losses. Net interest income increased 15% to SEK 413.9 M (361.0) attributable to higher interest income. Operating expenses amounted to SEK 246.4 M (219.4). Credit losses totalled SEK 63.9 M (21.6), net, partly due to the transition to IFRS 9.

SEK M	30 Jun 2018	30 Jun 2017
Total assets	22,967	20,590
Lending volume	22,372	20,087
Net interest income	414	361
Operating profit	179	189

Länsförsäkringar Fondförvaltning

Fund volumes increased 16%, or SEK 24.0 billion, to SEK 171.1 billion (147.1) attributable to positive changes in value and increased inflows in the fund business. 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 period. Three Swedish equities funds are internally managed by Länsförsäkringar Fondförvaltning. Assets under management under Länsförsäkringar's own brand amounted to SEK 148.9 billion (130.5). Operating profit amounted to SEK 16.6 M (43.9).

SEK M	30 Jun 2018	30 Jun 2017
Total assets	611	545
Fund volumes	171,069	147,118
Net flow	3,977	536
Net commission	100	115
Operating profit	17	44

Income statement – Group

SEK M	Note	Q 2 2018	Q 1 2018	Change	Q 2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full-Year 2017
Interest income		1,304.3	1,250.6	4%	1,120.8	16%	2,554.9	2,179.3	17%	4,568.6
Interest expense		-192.6	-168.9	14%	-150.1	28%	-361.5	-268.6	35%	-572.4
Net interest income	3	**1,111.7**	**1,081.7**	**3%**	**970.7**	**15%**	**2,193.4**	**1,910.7**	**15%**	**3,996.3**
Dividends received		0.1	0.0		0.0		0.1	0.0		42.3
Commission income		280.6	309.7	-9%	444.4	-37%	590.3	880.4	-33%	1,789.4
Commission expense		-480.7	-523.8	-8%	-612.7	-22%	-1,004.6	-1,208.3	-17%	-2,539.7
Net commission income	4	**-200.1**	**-214.2**	**-7%**	**-168.3**	**19%**	**-414.3**	**-327.9**	**26%**	**-750.3**
Net gains / losses from financial items	5	11.2	12.7	-12%	-5.1		23.9	-35.3		-49.4
Other operating income		4.9	2.8	75%	6.0	-18%	7.7	9.6	-20%	18.6
Total operating income		**927.8**	**883.1**	**5%**	**803.3**	**15%**	**1,810.8**	**1,557.1**	**16%**	**3,257.5**
Staff costs		-156.1	-143.0	9%	-153.0	2%	-299.1	-296.2	1%	-549.0
Other administration expenses		-259.4	-259.4	0%	-237.9	9%	-518.8	-459.7	13%	-960.4
Total administration expenses		**-415.5**	**-402.4**	**3%**	**-390.8**	**6%**	**-817.9**	**-755.9**	**8%**	**-1,509.3**
Depreciation / amortisation and impairment of property and equipment / intangible assets		-31.8	-23.9	33%	-21.7	47%	-55.8	-42.9	30%	-91.5
Total operating expenses		**-447.3**	**-426.3**	**5%**	**-412.6**	**8%**	**-873.7**	**-798.8**	**9%**	**-1,600.9**
Profit before credit losses		**480.5**	**456.7**	**5%**	**390.7**	**23%**	**937.2**	**758.4**	**24%**	**1,656.6**
Credit losses, net	6	-35.6	-13.4		-5.9		-49.0	-21.0		-57.7
Operating profit		**444.9**	**443.3**	**0%**	**384.8**	**16%**	**888.2**	**737.3**	**20%**	**1,598.9**
Tax		-98.9	-97.5	1%	-84.7	17%	-196.5	-162.2	21%	-361.9
Profit for the period		**345.9**	**345.8**	**0%**	**300.1**	**15%**	**691.7**	**575.2**	**20%**	**1,237.0**

Statement of comprehensive income – Group

SEK M	Q 2 2018	Q 1 2018	Change	Q 2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full-Year 2017
Profit for the period	**345.9**	**345.8**	**0%**	**300.2**	**15%**	**691.7**	**575.2**	**20%**	**1,237.0**
Other comprehensive income									
Items that cannot be transferred to the income statement									
Cash-flow hedges	-62.5	-9.8		-52.4	19%	-72.3	-120.4	-40%	-131.9
Change in fair value of available-for-sale financial assets	7.2	3.8	89%	55.6	-87%	11.0	50.9	-78%	56.5
Tax attributable to items that have been transferred or can be transferred to profit for the period	12.2	1.3		-0.7		13.5	15.3	-12%	16.6
Total	**-43.1**	**-4.7**		**2.5**		**-47.8**	**-54.2**	**-12%**	**-58.8**
Items that cannot be transferred to profit and loss									
Change in defined-benefit pension plans	-	-		-		-	-		1.8
Change in fair value of equity instruments measured at FVOCI	-8.1	1.7		-		-6.4	-		-
Tax attributable to items that cannot be reversed to profit and loss	-0.3	-0.4	-25%	-		-0.7	-		-0.4
Total	**-8.4**	**1.3**				**-7.1**	**-**		**1.3**
Total other comprehensive income for the period, net after tax	**-51.5**	**-3.4**				**-54.9**	**-**		**-57.5**
Comprehensive income for the period	**294.4**	**342.4**	**-14%**	**302.7**	**-3%**	**636.8**	**521.0**	**22%**	**1,179.5**

Balance sheet – Group

SEK M	Note	30 Jun 2018	31 Dec 2017	30 Jun 2017
Assets				
Cash and balances with central banks		14.2	17.0	19.9
Treasury bills and other eligible bills		15,661.1	10,531.5	13,697.6
Loans to credit institutions	8	3,944.6	265.0	3,328.4
Loans to the public	7	275,841.2	261,444.2	242,249.0
Bonds and other interest-bearing securities		36,800.0	35,717.8	33,773.7
Shares and participations		40.8	38.3	26.0
Derivatives	9	7,808.9	5,125.5	5,002.1
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		271.3	248.0	392.6
Intangible assets		1,202.5	969.3	703.7
Property and equipment		10.7	10.5	8.4
Deferred tax assets		48.1	30.0	28.9
Other assets		469.8	546.8	417.6
Prepaid expenses and accrued income		470.5	422.5	442.9
Total assets		**342,583.7**	**315,366.3**	**300,090.7**
Liabilities and equity				
Due to credit institutions		9,881.6	3,995.9	9,195.8
Deposits and borrowing from the public		104,412.2	99,403.6	97,144.0
Debt securities in issue		202,301.7	188,406.7	169,160.6
Derivatives	9	1,009.8	1,166.4	1,679.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,584.9	1,200.2	2,295.4
Deferred tax liabilities		508.0	508.0	420.0
Other liabilities		751.1	791.6	725.1
Accrued expenses and deferred income		3,838.4	2,959.1	3,175.7
Provisions		29.7	9.9	11.9
Subordinated liabilities		2,592.2	2,596.5	2,596.0
Total liabilities		**326,909.5**	**301,037.9**	**286,403.8**
Equity				
Share capital		2,864.6	954.9	954.9
Other capital contributed		7,442.5	7,442.5	7,442.5
Reserves		-37.9	26.5	29.6
Additional Tier 1 instruments		1,200.0	1,200.0	1,200.0
Retained earnings		3,513.2	3,467.5	3,484.7
Profit for the period		691.7	1,237.0	575.2
Total equity		**15,674.2**	**14,328.4**	**13,686.9**
Total liabilities and equity		**342,583.7**	**315,366.3**	**300,090.7**
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Cash-flow statement in summary, indirect method – Group

SEK M	Jan–Jun 2018	Jan–Jun 2017
Cash and cash equivalents, 1 January	**144.0**	**122.1**
Operating activities		
Operating profit	888.2	737.3
Adjustment of non-cash items	1,350.0	631.8
Change in assets of operating activities		
Change in interest-bearing securities	-6,202.3	-7,144.5
Change in loans to the public	-14,333.6	-15,534.6
Change in other assets	-3,576.0	-3,022.3
Change in liabilites of operating activities		
Change in deposits and funding from the public	4,992.1	5,920.7
Change in debt securitites in issue	10,752.4	13,329.1
Change in other liabilities	5,643.1	5,311.7
Cash flow from operating activities	**-486.2**	**229.1**
Investing activities		
Change in property and equipment	-2.4	-2.6
Change in intangible assets	-286.7	-256.1
Change in other financial assets	-2.6	-0.6
Shareholders' contributions paid	-	-
Cash flow from investing activities	**-291.7**	**-259.3**
Financing activities		
Amortisation of subordinated debt	-	-
Change in subordinated debt	-2.0	0.5
Shareholders' contributions received	800.0	0.0
Cash flow from financing activities	**798.0**	**0.5**
Net cash flow for the period	**20.1**	**-29.8**
Cash and cash equivalents, 30 June	**164.1**	**92.3**

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.

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								575.2	575.2
Other comprehensive income for the period				39.7	-93.9	0.0			-54.2
Comprehensive income for the period				*39.7*	*-93.9*	*0.0*		*575.2*	*521.0*
According to resolution by Annual General Meeting							1,136.5	-1,136.5	-
Issued Additional Tier 1 instruments							-16.3		-16.3
Closing balance, 30 June 2017	**954.9**	**7,442.5**	**1,200.0**	**127.9**	**-96.9**	**-1.3**	**3,484.7**	**575.2**	**13,686.9**
Opening balance, 1 July 2017	**954.9**	**7,442.5**	**1,200.0**	**127.9**	**-96.9**	**-1.3**	**3,484.7**	**575.2**	**13,686.9**
Profit for the period								661.8	661.8
Other comprehensive income for the period				4.4	-8.9	1.3			-3.2
Comprehensive income for the period				*4.4*	*-8.9*	*1.3*		*661.8*	*658.6*
Issued Additional Tier 1 instruments							-17.2		-17.2
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]				**-9.5**			**-77.7**		**-87.2**
Opening balance, 1 January 2018 after adjustment for change in accounting policy	**954.9**	**7,442.5**	**1,200.0**	**122.7**	**-105.8**	**-**	**3,389.8**	**1,237.0**	**14,241.2**
Profit for the period								691.7	691.7
Other comprehensive income for the period				1.5	-56.4				-54.9
Comprehensive income for the period				*1.5*	*-56.4*			*691.7*	*636.8*
According to resolution by Annual General Meeting							1,237.0	-1,237.0	-
Issued Additional Tier 1 instruments							-16.5		-16.5
Unconditional shareholders' contribution recevied [3]							800.0		800.0
Bonus issue	1,909.7						-1,909.7		-
Realised gain from sale of shares							12.7		12.7
Closing balance, 30 June 2018	**2,864.6**	**7,442.5**	**1,200.0[1]**	**124.2**	**-162.1**	**-**	**3,513.2**	**691.7**	**15,674.2**

[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.

[3] Länsförsäkringar Bank AB (publ) has received an unconditional shareholders' contribution from Länsförsäkringar AB (publ) during the quarter.

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 (IFRS IC) 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 14.

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. Under IAS 39, reserves for financial guarantees, loan commitments and debt instruments measured at fair value through other comprehensive income are also not calculated.

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 company applies IFRS 9 retrospectively but, in line with the transitional measures, comparative figures have not 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 standard primarily entails that the leases in which the Group is the lessee and that are currently classified as operating leases will instead need to be recognised in the balance sheet.

The Group will apply the transition method modified retrospectively, which entails that the marginal lending rate on the transition on 1 January 2019 is used to calculate the lease liability and that the comparative year is recognised according to the current IAS 17. Lease assets recognised in the balance sheet on transition will correspond to the lease liability. In connection with the transition, the Group will present the material leases that were previously classified as operating leases in the balance sheet.

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-Jun 2018, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	581.9	1,197.7	413.9	-	-	2,193.4
Dividends received	0.1	-	-	-	-	0.1
Commission income	269.6	1.3	105.8	255.2	-41.6	590.3
Commission expense	-246.5	-608.3	-36.4	-155.0	41.6	-1,004.6
Net gain / loss from financial items	18.7	5.2	-	-	-	23.9
Intra-Group income	60.0	-	0.3	-	-60.3	-
Other income	2.1	-	5.5	0.0	-	7.6
Total operating income	**685.8**	**595.9**	**489.2**	**100.3**	**-60.3**	**1,810.8**
Intra-Group expenses	4.1	-43.6	-5.8	-15.1	60.3	-
Other administration expenses	-509.6	-11.3	-228.5	-68.5	-	-817.9
Depreciation / amortisation and impairment	-43.5	-0.1	-12.1	-0.2	-	-55.8
Total operating expenses	**-549.0**	**-54.8**	**-246.4**	**-83.7**	**60.3**	**-873.7**
Profit before credit losses	**136.8**	**541.0**	**242.8**	**16.6**	**-**	**937.2**
Credit losses, net	13.4	0.8	-63.9	-	0.8	-49.0
Operating profit / loss	**150.2**	**541.7**	**178.9**	**16.6**	**0.8**	**888.2**
Balance sheet 30 June 2018						
Total assets	**171,607.6**	**235,640.8**	**22,967.4**	**611.3**	**-88,243.3**	**342,583.7**
Liabilities	160,062.2	224,779.8	20,395.6	178.1	-78,506.3	326,909.5
Equity	11,545.3	10,861.0	2,571.8	433.2	-9,737.1	15,674.3
Total liabilities and equity	**171,607.6**	**235,640.8**	**22,967.4**	**611.3**	**-88,243.3**	**342,583.7**
Income statement, Jan-Jun 2017, SEK M						
Net interest income	551.0	998.7	361.0,	0.0	0.0	1,910.7
Net commission	23.6	-526.7	60.3	115.1	-0.1	-327.9
Net gain / loss from financial items	8.1	-43.5	0.0	0.0	0.0	-35.3
Intra-Group income	56.4	0.0	0.4	0.0	-56.9	0.0
Other income	1.7	0.0	8.0	0.0	0.0	9.6
Total operating income	**640.9**	**428.6**	**429.7**	**115.1**	**-57.1**	**1,557.1**
Intra-Group expenses	4.1	-41.1	-5.6	-14.5	57.1	0.0
Other administration expenses	-480.0	-11.0	-208.4	-56.5	0.0	-755.9
Depreciation / amortisation and impairment	37.2	-0.1	-5.4	-0.2	0.0	-42.9
Total operating expenses	**-513.1**	**-52.2**	**-219.4**	**-71.2**	**57.1**	**-798.8**
Profit / loss before loan losses	**127.8**	**376.4**	**210.3**	**43.9**	**0.0**	**758.4**
Loan losses, net	-0.8	1.4	-21.6	0.0	0.0	-21.0
Operating profit / loss	**127.0**	**377.8**	**188.7**	**43.9**	**0.0**	**737.3**
Balance sheet 30 June 2016						
Total assets	**155,545.8**	**201,276.5**	**20,589.9**	**548.0**	**-77,869.3**	**300,090.7**
Liabilities	145,019.9	192,270.6	18,315.5	168.3	-69,370.4	286,403.8
Equity	10,525.9	9,005.9	2,274.3	379.7	-8,498.9	13,686.9
Total liabilities and equity	**155,545.8**	**201,276.5**	**20,589.9**	**548.0**	**-77,869.3**	**300,090.7**

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.

For more information see note 4 Net commission income.

Note 3 Net interest income

SEK M	Q 2 2018	Q 1 2018	Change	Q 2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full-Year 2017
Interest income									
Loans to credit institutions	-5.3	-1.3		-1.2		-6.6[1]	-2.1		-2.8
Loans to the public	1,413.3	1,384.7	2%	1,298.4	9%	2,797.9	2,562.9	9%	5,267.2
Interest-bearing securities	36.5	48.9	-25%	56.3	-35%	85.3[1]	117.7	-28%	224.0
Derivatives	-140.1	-181.6	-23%	-232.7	-40%	-321.7	-499.2	-36%	-919.7
Other interest income	0.0	0.0		-0.1		0.0	-0.1		-0.1
Total interest income	**1,304.3**	**1,250.6**	**4%**	**1,120.8**	**16%**	**2,554.9**	**2,179.3**	**17%**	**4,568.6**
Interest expense									
Due to credit institutions	10.3	7.9	30%	6.6	56%	18.2[1]	12.6	44%	26.5
Deposits and borrowing from the public	-27.8	-27.0	3%	-35.1	-21%	-54.8	-73.1	-25%	-130.4
Debt securities in issue	-536.4	-531.6	1%	-503.2	7%	-1,068.1	-995.5	7%	-1,984.6
Subordinated liabilities	-11.9	-14.5	-18%	-13.8	-14%	-26.4	-27.1	-3%	-55.2
Derivatives	440.5	471.9	-7%	444.8	-1%	912.5	911.1		1,791.3
Other interest expense, including government deposit insurance	-67.3	-75.7	-11%	-49.4	36%	-143.0	-96.5	48%	-220.0
Total interest expense	**-192.6**	**-168.9**	**14%**	**-150.1**	**28%**	**-361.5**	**-268.6**	**35%**	**-572.4**
Total net interest income	**1,111.7**	**1,081.7**	**3%**	**970.7**	**15%**	**2,193.4**	**1,910.7**	**15%**	**3,996.3**
Average interest rate on loans to the public during the period, including net leasing, %	2.1	2.1		2.2		2.1	2.2		2.2
Average interest rate on deposits from the public during the period, %	0.1	0.1		0.2		0.1	0.2		0.1

[1] Of which negative interest on Loans to credit institutions of SEK -11.0 M, Interest-bearing securities of SEK -37 M and Due to credit institutions of SEK 18.0 M.

Interest income calculated according to the effective interest method amounts to 1 304.3 M (1,250,6).

Note 4 Net commission income

SEK M	Q 2 2018	Q 1 2018	Change	Q 2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full-Year 2017
Commission income									
Payment mediation	21.6	22.4	-4%	19.8	9%	44.0	41.4	6%	87.3
Loans	62.8	60.2	4%	58.8	7%	123.0	112.8	9%	232.1
Deposits	3.1	4.6	-33%	2.4	29%	7.7	6.0	28%	11.3
Securities[1]	118.4	156.2	-24%	294.3	-60%	274.5	588.7	-53%	1,180.7
Cards	61.9	53.5	16%	52.3	18%	115.4	97.7	18%	213.2
Remuneration to regional insurance companies	13.4	12.1	11%	16.4	-18%	25.5	33.3	-23%	64.1
Other commission	-0.4	0.7	-33%	0.3	33%	0.2	0.5	-60%	0.8
Total commission income	**280.6**	**309.7**	**-9%**	**444.4**	**-37%**	**590.3**	**880.4**	**-33%**	**1,789.4**
Commission expense									
Payment mediation	-38.4	-33.8	14%	-34.8	10%	-72.2	-68.4	6%	-125.2
Securities	-21.2	-14.8	43%	-172.0	-88%	-36.1	-340.3	-89%	-677.1
Cards	-35.3	-32.2	10%	-30.0	18%	-67.5	-58.3	16%	-117.7
Remuneration to regional insurance companies	-358.7	-414.7	-14%	-347.2	3%	-773.4	-678.6	14%	-1,501.7
Management costs	-23.8	-24.8	-4%	-26.0	-8%	-48.6	-57.3	-15%	-107.1
Other commission	-3.4	-3.5	-3%	-2.7	26%	-6.9	-5.5	25%	-10.9
Total commission expense	**-480.7**	**-523.8**	**-8%**	**-612.7**	**-22%**	**-1,004.6**	**-1,208.3**	**-17%**	**-2,539.7**
Total net commission income	**-200.1**	**-214.2**	**-7%**	**-168.3**	**19%**	**-414.3**	**-327.9**	**26%**	**-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.

For more information see note 2 Segment reporting.

Note 5 Net gains / losses from financial items

SEK M	Q 2 2018	Q 1 2018	Change	Q 2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full-Year 2017
Interest-bearing assets and liabilities and related derivatives	4.9	2.9	69%	-13.1		7.8	-51.6		-70.5
Other financial assets and liabilities	-0.7	1.2		-0.8	-13%	0.5	-0.2		-12.9
Interest compensation (refer to items measured at amortised cost)	7.0	8.6	-19%	8.8	-21%	15.6	16.5	-5%	34.0
Total net gains / losses from financial items	**11.2**	**12.7**	-12%	**-5.1**		**23.9**	**-35.3**		**-49.4**

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 2 2018	Q 1 2018	Change	Q 2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full-Year 2017
Change in loss allowance for loan receivables									
Stage 1 (not credit-impaired)	-6.7	2.8				-3.9			
Stage 2 (not credit-impaired)	-4.8	-6.0	-20%			-10.7			
Stage 3 (credit-impaired)	-12.9	-13.5	-4%			-26.4			
Total change in loss allowance for loan receivables	**-24.3**	**-16.7**	**46%**	**-6.1**[1]		**-41.1**	**-10.8**[1]		**-17.3**[1]
Expense for confirmed credit losses	-32.8	-25.4	29%	-30.0	9%	-58.2	-58.8	-1%	-131.0
Payment received for prior confirmed credit losses	22.8	19.0	20%	30.1	-24%	41.8	48.5	-14%	90.3
Net expense for the period for credit losses for loan receivables	**-34.3**	**-23.1**	**48%**	**-6.0**		**-57.5**	**-21.1**		**-58.0**
Change in loss allowance for commitments	-1.0	0.4		-		-0.6	-		-
Net expense for other credit losses for the period	-0.3	9.4		0.1		9.1	0.1		0.3
Net expense of the modification result for the period	0.0	0.0		-		0.0	-		-
Net expense for credit losses for the period	**-35.6**	**-13.4**		**-5.9**		**-49.0**	**-21.0**		**-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.

Note 7 Loans to the public

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	30 June 2018	31 December 2017	31 June 2017
Public sector	1,981.6	2,014.1	597.9
Corporate sector	18,695.7	18,402.4	18,126.4
Retail sector	255,559.9	241,294.8	223,745.9
Other	0.2	0.3	39.9
Loan to the public before reserves	**276,237.5**	**261,711.6**	242,510.1
Loss allowance	-396.3	-267.5	-261.1
Loans to the public	**275,841.2**	**261,444.2**	**242,249.0**

Loans to the public **Change 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	-32.8	-1.1	-1.5	-35.3
Change in loss allowance model or method	3.5	3.1	-0.2	6.3
Decrease due to repayment	16.4	18.8	22.1	57.3
Change due to changed credit risk	9.5	-31.5	-106.1	-128.1
Other adjustments	0.0	-0.1	-	-0.1
Decrease due to write-off	-	0.0	59.3	59.3
Closing balance, 30 June 2018	**-76.7**	**-104.4**	**-215.3**	**-396.3**

	Not credit-impaired		**Credit-impaired**	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to the public before loss allowances	268,664.1	6,851.2	722.1	276,237.5
Loss allowance	-76.7	-104.4	-215.3	-396.3
Loans to the public	**268,587.5**	**6,746.8**	**506.9**	**275,841.2**
Withheld remuneration to the regional insurance companies	18.1	23.1	48.1	89.3

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 30 June 2018, the total loss allowance for loan receivables amounted to SEK 485.6 M of which the Bank Group's recognised loss allowance for loan receivables accounted for SEK 396.3 M. The remainder of SEK 89.3 M was offset against the regional insurance companies' withheld funds, according to the model described above.

Note 8 Loans to credit institutions

On 30 June 2018, Loans to credit institutions amounted to 3 944.6 M and was included in Stage 1. Loss allowance for credit losses amounted to 0 M.

Note 9 Derivatives

SEK M	30 June 2018		31 December 2017		30 June 2017	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
Derivatives in hedge accounting						
Interest-related	139,025.0	2,171.5	117,810.8	1,900.5	100,631.0	2,191.2
Currency-related	42,524.6	5,628.0	35,828.8	3,210.6	26,883.2	2,810.9
Other derivatives						
Currency-related	79.8	9.4	401.8	14.4	-	-
Total derivatives with positive values	**181,629.4**	**7,808.9**	**154,041.4**	**5,125.5**	**127,514.2**	**5,002.1**
Derivatives with negative values						
Derivatives in hedge accounting						
Interest-related	85,218.8	674.9	102,307.0	805.0	105,117.0	1,117.4
Currency-related	3,941.0	320.1	4,733.5	361.4	10,297.0	513.7
Other derivatives						
Currency-related	249.3	14.8	-	-	1,066.5	48.2
Total derivatives with negative values	**89,409.1**	**1,009.8**	**107,040.5**	**1,166.4**	**116,480.6**	**1,679.3**

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 10	Pledged assets, contingent liabilities and commitments		
SEK M	**30 June 2018**	**31 December 2017**	**30 June 2017**
For own liabilities, pledged assets	220,179.8	203,273.4	190,433.3
Contingent liabilities	34.7	34.5	34.4
Commitments	23,903.4	21,979.4	23,133.7

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

For further information regarding loss allowance for commitments see note 6.

Note 11	Fair value valuation techniques					
	30 June 2018		**31 December 2017**		**30 June 2017**	
SEK M	**Book value**	**Fair value**	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial Assets						
Cash and balances with central banks	14.2	14.2	17.0	17.0	19.9	19.9
Treasury bills and other eligible bills	15,661.1	15,661.1	10,531.5	10,531.5	13,697.6	13,697.6
Loans to credit institutions	3,944.6	3,944.6	265.0	265.0	3,328.4	3,328.4
Loans to the public	275,841.2	276,536.5	261,444.2	262,346.0	242,249.0	243,286.1
Bonds and other interest-bearing securities	36,800.0	36,800.0	35,717.8	35,717.8	33,773.7	33,773.7
Shares and participations	40.8	40.8	38.3	38.3	26.0	26.0
Derivatives	7,808.9	7,808.9	5,125.5	5,125.5	5,002.1	5,002.1
Other assets	190.2	190.2	253.5	253.5	183.9	183.9
Total	**340,301.0**	**340,996.3**	**313,392.7**	**314,294.6**	**298,280.6**	**299,317.7**
Financial Liabilities						
Due to credit institutions	9,881.6	9,881.6	3,995.9	3,995.9	9,195.8	9,195.8
Deposits and borrowing from the public	104,412.2	105,796.8	99,403.6	101,169.1	97,144.0	97,647.6
Debt securities in issue	202,301.7	207,603.7	188,406.7	192,362.8	169,160.6	174,023.0
Derivatives	1,009.8	1,009.8	1,166.4	1,166.4	1,679.3	1,679.3
Other liabilities	133.1	133.1	179.3	179.3	112.2	112.2
Subordinated liabilities	2,592.2	2,663.5	2,596.5	2,681.5	2,596.0	2,682.2
Total	**320,330.6**	**327,088.5**	**295,748.4**	**301,555.0**	**279,887.9**	**285,340.1**

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.

Note 11 Fair Value valuation techniques, continued

Financial assets and liabilities measured at fair value in the balance sheet are presented in the table based on the valuation techniques applied:
Level 1 refers to prices determined from prices listed in an active market
Level 2 refers to prices determined by calculated prices of observable market listings
Level 3 refers to prices based on own assumptions and judgements

Financial instruments measured at fair value in the balance sheet

30 June 2018, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	15,661.1			15,661.1
Bonds and other interest-bearing securities	36,800.0			36,800.0
Shares and participations	0.2	20.3	20.3	40.8
Derivatives		7,808.9		7,808.9
Liabilities				
Derivatives		1,009.8		1,009.8
31 December 2017, 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
30 June 2017, SEK M				
Assets				
Treasury bills and other eligible bills	13,697.6			13,697.6
Bonds and other interest-bearing securities	33,773.7			33,773.7
Shares and participations	0.2	6.6	19.2	26.0
Derivatives		5,002.1		5,002.1
Other assets			20.0	20.0
Liabilities				
Derivatives		1,679.3		1,679.3

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**
Change in value of shares and participations	–	-9.8
Closing balance, 30 June 2018	–	**20.3**
Opening balance 1 January 2017	**20.0**	**19.2**
Acquisition	-	0.9
Conversion to shares	-20.0	20.0
Change in value of shares and participations	-	-10.0
Closing balance 31 December 2017	-	**30.1**
Opening balance 1 January 2017	**20.0**	**19.2**
Acquisition	–	–
Closing balance, 30 June 2017	**20.0**	**19.2**

Not 12 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 30 Jun 2018	Consolidated situation 31 Dec 2017	Consolidated situation 30 Jun 2017	Bank Group 30 Jun 2018	Bank Group 31 Dec 2017	Bank Group 30 Jun 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)	11,756.5	8,781.4	8,798.6	10,672.2	10,626.4	10,651.2
Accumulated Other comprehensive income	4,794.2	5,276.0	5,234.7	245.7	310.1	305.7
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	1,652.4	2,550.2	1,714.9	689.7	1,235.1	573.2
Common Equity Tier 1 capital before legislative adjustments	**24,716.4**	**23,121.0**	**22,261.6**	**14,472.2**	**13,126.5**	**12,485.0**
Common Equity Tier 1 capital: legislative adjustments						
Additional value adjustments	-61.1	-52.1	-53.6	-60.2	-51.4	-52.9
Intangible assets (net after reduction for associated tax liabilities)	-1,989.4	-1,739.3	-1,553.7	-1,202.5	-969.3	-703.7
Fair value reserves related to gains or losses on cash-flow hedges	162.2	105.9	102.1	162.2	105.9	96.9
Negative amounts resulting from the calculation of expected loss amounts	-349.5	-444.3	-441.4	-349.5	-444.3	-441.4
Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities where the institution does not have a significant investment in those entities	-5,900.6	-5,999.3	-6,066.9	-	-	-
Amounts exceeding threshold of 15%	-	-	-	-	-	-
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	-	-	-	-	-	-
Of which: deffered tax assets arise from temporary differences	-	-	-	-	-	-
Total legislative adjustments of Common Equity Tier 1 capital Common Equity Tier 1 capital	**-8,138.4**	**-8,129.1**	**-8,013.5**	**-1,450.0**	**-1,359.1**	**-1,101.1**
Common equity Tier 1 capital	**16,578.1**	**14,991.9**	**14,248.1**	**13,022.3**	**11,767.4**	**11,383.9**
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	920.8	944.3	-	-	-	-
Additional Tier 1 instruments	**920.8**	**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)	**17,498.9**	**15,936.2**	**15,448.1**	**14,222.3**	**12,967.4**	**12,583.9**
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	1,997.3	2,163.3	-	-	-	-
Tier 2 capital	**1,997.3**	**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)	**19,496.2**	**18,099.5**	**18,039.8**	**16,812.0**	**15,559.1**	**15,175.6**
Total risk-weighted assets	**67,156.7**	**64,379.2**	**62,430.2**	**50,197.8**	**48,432.2**	**46,882.9**
Capital ratios and buffers						
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	24.7 %	23.3 %	22.8 %	25.9 %	24.3 %	24.3 %
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	26.1 %	24.8 %	24.7 %	28.3 %	26.8 %	26.8 %
Total capital (as a percentage of the total risk-weighted exposure amount)	29.0 %	28.1%	28.9 %	33.5 %	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)	20.2 %	18.8 %	18.3 %	21.4 %	19.8 %	19.8 %

Note 12 Capital-adequacy, continued

SEK M	Consolidated situation 30 Jun 2018		Consolidated situation 31 Dec 2017		Consolidated situation 30 Jun 2017		Consolidated situation 30 Jun 2018		Bank Group 31 Dec 2017		Bank Group 30 Jun 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	1,756.9	140.6	1,293.5	103.5	1,136.2	90.9	1,713.6	137.1	1,242.7	99.4	1,091.3	87.3
Exposures to corporates	1,848.3	147.9	1,723.9	137.9	1,906.1	152.5	1,845.0	147.6	1,695.8	135.7	1,874.9	150.0
Retail exposures	1,838.3	147.1	1,730.7	138.5	1,568.0	125.4	1,838.3	147.1	1,730.7	138.5	1,568.0	125.4
Exposures in default	14.6	1.2	56.2	4.5	74.6	6.0	14.6	1.2	56.2	4.5	74.6	6.0
Covered bonds	-	-	15.0	1.2	30.0	2.4	-	-	15.0	1.2	30.0	2.4
Exposures to CIU	3,102.1	248.2	2,989.4	239.2	2,821.7	225.7	3,012.2	241.0	2,917.3	233.4	2,749.2	219.9
Exposures to equity	5,680.5	454.4	5,296.0	423.7	5,116.0	409.3	53.2	4.3	40.6	3.2	31.6	2.5
Other items	4,561.0	364.9	4,538.0	363.0	3,997.7	319.8	973.6	77.9	1,002.7	80.2	688.7	55.1
Total capital requirement and risk exposure amount	**18,801.7**	**1,504.1**	**17,642.7**	**1,411.4**	**16,650.3**	**1332.0**	**9,450.4**	**756.0**	**8,701.0**	**696.1**	**8,108.3**	**648.7**
Credit risk according to IRB Approach												
Retail exposures												
Secured by real estate SME	1,959.2	156.7	2,217.4	177.4	2,240.5	179.2	1,959.2	156.7	2,217.4	177.4	2,240.5	179.2
Secured by real estate non-SME	13,412.0	1,073.0	13,118.6	1,049.5	12,326.0	986.1	13,412.0	1,073.0	13,118.6	1,049.5	12,326.0	986.1
Other SME	4,200.2	336.0	4,375.0	350.0	4,220.9	337.7	4,200.2	336.0	4,375.0	350.0	4,220.9	337.7
Other non-SME	7,014.0	561.1	7,087.4	567.0	6,965.8	557.3	7,014.0	561.1	7,087.4	567.0	6,965.8	557.3
Total retail exposures	**26,585.4**	**2,126.8**	**26,798.4**	**2,143.9**	**25,753.2**	**2,060.3**	**26,585.4**	**2,126.8**	**26,798.4**	**2,143.9**	**25,753.2**	**2,060.3**
Exposures to corporates	7,631.3	610.5	7,349.7	588.0	7,564.9	605.2	7,631.3	610.5	7,349.7	588.0	7,564.9	605.2
Total capital requirement and risk exposure amount	**34,216.7**	**2,737.3**	**34,148.1**	**2,731.8**	**33,318.1**	**2,665.4**	**34,216.7**	**2,737.3**	**34,148.1**	**2,731.8**	**33,318.1**	**2,665.4**
Operational risks												
Standardised Approach	12,305.6	984.4	11,346.2	907.7	11,346.3	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**	**11,346.3**	**907.7**	**4,697.9**	**375.8**	**4,340.9**	**347.3**	**4,341.0**	**347.3**
Total capital requirement for credit valuation adjustments	**1,832.7**	**146.6**	**1,242.2**	**99.4**	**1,115.5**	**89.2**	**1,832.7**	**146.6**	**1,242.2**	**99.4**	**1,115.5**	**89.2**
Total capital requirement and risk exposure amount	**67,156.7**	**5,372.5**	**64,379.2**	**5,150.3**	**62,430.2**	**4,994.4**	**50,197.8**	**4,015.8**	**48,432.2**	**3,874.6**	**46,882.9**	**3,750.6**

Note 13 Disclosures on related parties

Significant agreements for the Bank Group are primarily outsourcing agreements with the 23 regional insurance companies and outsourcing ag-reements 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 14 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 14 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	253.5	Loans and receivables	Amortised cost
Total assets	**313,304.5**		
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	179.3	Other financial liabilities	Other financial liabilities
Subordinated liabilities	2,596.5	Other financial liabilities	Other financial liabilities
Total liabilities	**295,748.4**		

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	355.8
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 2 2018	Q 1 2018	Change	Q 2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full-Year 2017
Interest income	379.2	371.5	2%	355.8	7%	750.7	711.3	6%	1,463.9
Interest expense	-89.9	-78.9	14%	-77.8	16%	-168.8	-160.2	5%	-336.7
Net interest income	**289.3**	**292.6**	**-1%**	**278.0**	**4%**	**581.9**	**551.0**	**6%**	**1,127.2**
Dividends received	0.1	0.0		0.0		0.1	0.0		42.3
Commission income	135.3	134.4	1%	118.7	14%	269.6	238.3	13%	490.8
Commission expense	-117.8	-128.7	-8%	-112.7	5%	-246.5	-214.7	15%	-467.8
Net commission income	**17.5**	**5.7**		**6.1**		**23.1**	**23.6**	**-2%**	**22.9**
Net gain / loss from financial items	6.0	12.7	-53%	5.3	13%	18.7	8.1		-6.4
Other operating income	30.9	31.1	-1%	29.8	4%	62.1	58.1	7%	115.8
Total operating income	**343.8**	**342.0**	**1%**	**319.1**	**8%**	**685.8**	**640.9**	**7%**	**1,301.9**
Staff costs	-75.9	-69.6	9%	-77.0	-1%	-145.5	-148.5	-2%	-267.7
Other administration expenses	-176.7	-183.4	-4%	-172.3	3%	-360.1	-327.3	10%	-661.0
Total administration expenses	**-252.6**	**-253.0**		**-249.3**	**1%**	**-505.6**	**-475.9**	**6%**	**-928.6**
Depreciation / amortisation and impairment of property and equipment / intangible assets	-24.1	-19.4	24%	-19.0	27%	-43.5	-37.2	17%	-79.0
Total operating expenses	**-276.7**	**-272.4**	**2%**	**-268.2**	**3%**	**-549.0**	**-513.1**	**7%**	**-1,007.7**
Profit / loss before credit losses	**67.1**	**69.7**	**-4%**	**50.9**	**32%**	**136.8**	**127.8**	**7%**	**294.2**
Credit losses, net	-0.5	13.9		2.7		13.4	-0.8		-4.6
Operating profit / loss	**66.6**	**83.5**	**-20%**	**53.6**	**24%**	**150.2**	**127.0**	**18%**	**289.6**
Appropriations	-	-		-		-	-	-	-90.0
Tax	-14.8	-18.4	-20%	-11.8	25%	-33.2	-27.9	19%	-49.4
Profit / loss for the period	**51.8**	**65.1**	**-20%**	**41.8**	**24%**	**117.0**	**99.0**	**18%**	**150.2**

Statement of comprehensive income – Parent Company

SEK M	Q 2 2018	Q 1 2018	Change	Q 2 2017	Change	Jan-Jun 2018	Jan-Jun 2017	Change	Full-Year 2017
Profit for the period	**51.8**	**65.1**	**-20%**	**41.8**	**24%**	**117.0**	**99.0**	**18%**	**150.2**
Other comprehensive income									
Items that are reclassified or may subsequently be reclassified to the income statement									
Cash-flow hedges	-9.1	1.8		-3.2		-7.3	-6.3	16%	-5.0
Change in fair value from available-for-sale financial assets	8.0	-4.1		40.3	-80%	3.9	34.9	-89%	49.5
Tax attributable to items that are transferred or can be transferred as income for the period	0.2	0.5	-60%	-8.2		0.7	-6.3		-9.8
Total	**-0.9**	**-1.8**	**-50%**	**28.9**		**-2.7**	**22.3**		**34.7**
Items that cannot be transferred to profit and loss									
Change in fair value of equity instruments measured at FVOCI	-8.1	1.7		-		-6.4	-		-
Tax attributable to items that cannot be reversed to profit and loss	-0.3	-0.4	-25%	-		-0.7	-		-
Total	**-8.4**	**1.3**		**-**		**-7.1**	**-**		**-**
Total other comprehensive income for the period, net after tax	**-9.3**	**-0.5**		**28.9**		**-9.8**	**22.3**		**34.7**
Comprehensive income for the period	**42.5**	**64.6**	**-34%**	**70.7**	**-40%**	**107.2**	**121.3**	**-12%**	**184.9**

Balance sheet – Parent Company

SEK M	30 Jun 2018	31 Dec 2017	30 Jun 2017
Assets			
Cash and balances with central banks	14.2	17.0	19.9
Treasury bills and other eligible bills	15,661.1	10,531.5	13,697.6
Loans to credit institutions	68,665.3	67,005.7	63,041.5
Loans to the public	43,116.5	42,203.2	40,174.5
Bons and other interest-bearing securities	26,734.6	25,880.0	25,464.2
Shares and participations	40.8	38.3	26.0
Shares and participations within the Group	9,764.0	9,764.0	8,499.0
Derivatives	6,100.1	3,639.1	3,559.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	40.8	40.5	62.7
Intangible assets	1,094.0	873.2	651.2
Property and equipment	3.7	2.8	2.4
Deffered tax assets	6.2	2.4	3.4
Other assets	271.5	278.0	243.5
Prepaid expenses and accrued income	94.9	121.4	100.1
Total assets	**171,607.6**	**160,396.8**	**155,545.8**
Liabilities, provisions and equity			
Due to credit institutions	10,265.1	7,031.4	9,742.5
Deposits and borrowing from the public	104,813.7	99,808.4	97,487.0
Debt securities in issue	35,421.2	35,594.8	30,202.4
Derivatives	5,753.6	3,677.4	3,797.6
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	78.2	65.5	129.8
Other liabilities	416.1	420.2	437.9
Accrued expenses and deferred income	652.7	500.1	584.6
Provisions	14.1	4.7	6.4
Subordinated liabilities	2,592.2	2,596.5	2,596.0
Total liabilities and provisions	**160,006.8**	**149,699.0**	**144,984.3**
Untaxed reserves	**252.0**	**252.0**	**162.0**
Equity			
Share capital	2,864.6	954.9	954.9
Statutory reserve	18.4	18.4	18.4
Development Expenditures Fund	973.5	730.9	475.0
Additional Tier 1 instruments	1,200.0	1,200.0	1,200.0
Fair value reserves	76.1	95.6	83.2
Retained earnings	6,099.2	7,295.9	7,569.0
Profit for the period	117.0	150.2	99.0
Total equity	**11,348.8**	**10,445.9**	**10,399.5**
Total liabilities, provisions and equity	**171,607.6**	**160,396.8**	**155,545.8**
Notes			
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Cash-flow statement in summary, indirect method – Parent Company

SEK M	Jan–Jun 2018	Jan–Jun 2017
Cash and cash equivalents, 1 January	**131.8**	**110.5**
Operating activities		
Operating profit	150.2	127.0
Adjustment of non-cash items	236.9	241.0
Change in assets of operating activities		
Change in interest-bearing securities	-5,923.8	-8,116.4
Change in loans to the public	-872.4	-681.4
Change in other assets	-1,708.1	1,118.0
Change in liabilities of operating activities		
Change in deposits and funding from the public	4,988.8	5,965.1
Change in debt securities in issue	-642.1	1,223.7
Change in other liabilities	3,198.7	1,130.4
Cash flow from operating activities	**-571.7**	**1,007.4**
Investing activities		
Change in property and equipment	-1.4	-0.4
Change in intangible assets	-261.4	-235.9
Change in other financial assets	-2.6	-0.6
Shareholders' contributions paid	-	-800.0
Cash flow from investing activites	**-265.4**	**-1,036.9**
Financing activites		
Amortisation of subordinated debt	-	-
Change in subordinated debt	-2.0	0.5
Shareholders' contributions received	800.0	-
Cash flow from financing activities	**798.0**	**0.5**
Net cash flow for the period	**-39.1**	**-29.0**
Cash and cash equivalents, 30 June	**92.7**	**81.5**

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.

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								99.0	99.0
Other comprehensive income for the period					27.2	-4.9			22.3
Comprehensive income for the period					*27.2*	*-4.9*		*99.0*	121.3
According to resolution by Annual General Meeting							184.7	-184.7	-
Issued additional Tier 1 instruments							-16.3		-16.3
Capitalised proprietary development expenditures		235.2					-235.2		-
Closing balance, 30 June 2017	**954.9**	**475.0**	**18.4**	**1,200.0**	**92.0**	**-8.8**	**7,569.0**	**99.0**	**10,399.5**
Opening balance, 1 July 2017	**954.9**	**475.0**	**18.4**	**1,200.0**	**92.0**	**-8.8**	**7,569.0**	**99.0**	**10,399.5**
Profit for the period								51.2	51.2
Other comprehensive income for the period					11.4	1.0			12.4
Comprehensive income for the period					*11.4*	*1.0*		*51.2*	*63.6*
Issued additional Tier 1 instruments							-17.2		-17.2
Capitalised proprietary development expenditures		255.9					-255.9		-
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]					**-9.6**		**9.2**		**-0.4**
Opening balance, 1 January 2018 after adjustment for change in accounting policy	**954.9**	**730.9**	**18.4**	**1,200.0**	**93.8**	**-7.8**	**7,305.1**	**150.2**	**10,445.5**
Profit for the period								117.0	117.0
Other comprehensive income for the period					-4.1	-5.7			-9.8
Comprehensive income for the period					*-4.1*	*-5.7*		*117.0*	107.2
According to resolution by Annual General Meeting							150.2	-150.2	-
Issued Additional Tier 1 instruments							-16.5		-16.5
Capitalised proprietary development expenditures		242.6					-242.6		-
Unconditional shareholders' contribution recevied [3]							800.0		800.0
Bonus issue	1,909.7						-1,909.7		-
Realised gain from sale of shares							12.7		12.7
Closing balance, 30 June 2018	**2,864.6**	**973.4**	**18.4**	**1,200.0**[1]	**89.7**	**-13.5**	**6,099.2**	**117.0**	**11,348.8**

[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.

[3] Länsförsäkringar Bank AB (publ) has received an unconditional shareholders' contribution from Länsförsäkringar AB (publ) during the quarter.

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	30 Jan 2018	31 Dec 2017	30 Jan 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)	6,099.2	7,295.9	7,569.0
Accumulated Other comprehensive income	1,264.6	1,041.4	703.0
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	115.0	148.3	97.1
Common Equity Tier 1 capital before legislative adjustments	**10,343.4**	**9,440.5**	**9,324.0**
Common Equity Tier 1 capital: legislative adjustments			
Additional value adjustments	-53.1	-42.7	-45.7
Intangible assets (net after reduction for associated tax liabilities)	-1,094.0	-873.2	-651.2
Fair value reserves related to gains or losses on cash-flow hedges	13.5	7.8	8.8
Negative amounts resulting from the calculation of expected loss amounts	-81.0	-85.9	-102.8
Total legislative adjustments of Common Equity Tier 1 capital	**-1,214.5**	**-994.0**	**-790.9**
Common Equity Tier 1 capital	**9,128.9**	**8,446.5**	**8,533.0**
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)	**10,328.9**	**9,646.5**	**9,733.0**
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	10.5	13.5	25.4
Tier 2 capital	**2,600.2**	**2,605.2**	**2,617.1**
Total capital (total capital = Tier 1 capital + Tier 2 capital)	**12,929.0**	**12,251.7**	**12,350.2**
Total risk-weighted assets	**27,029.3**	**26,173.8**	**25,269.3**
Capital ratios and buffers			
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	33.8%	32.3%	33.8%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	38.2%	36.9%	38.5%
Total capital (as a percentage of the total risk-weighted exposure amount)	47.8%	46.8%	48.9%
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)	29.3%	27.8%	29.3%

Note 2 Capital-adequacy, continued

SEK M	30 Jun 2018 Risk exposure amount	30 Jun 2018 Capital requirement	31 Dec 2017 Risk exposure amount	31 Dec 2017 Capital requirement	30 Jun 2017 Risk exposure amount	30 Jun 2017 Capital requirement
Credit risk according to Standardised Approach						
Exposures to institutions	1,213.3	97.1	799.7	64.0	611.7	48.9
High risk items	-	-	15.0	1.2	30.0	2.4
Covered bonds	2,005.7	160.5	1,933.6	154.7	1,918.3	153.5
Equity exposures	10,618.2	849.5	10,605.8	848.5	9,797.4	783.8
Other items	449.5	36.0	465.5	37.2	300.9	24.1
Total capital requirement and risk exposure amount	**14,286.7**	**1,142.9**	**13,819.6**	**1,105.6**	**12,658.2**	**1,012.7**
Credit risk according to IRB Approach						
Retail exposures						
Secured by real estate SME	1,582.7	126.6	1,786.3	142.9	1,835.7	146.9
Secured by real estate non-SME	1,336.6	106.9	1,381.3	110.5	1,398.9	111.9
Other SME	475.2	38.0	500.7	40.1	512.2	41.0
Other non-SME	1,886.5	150.9	2,119.4	169.6	2,303.9	184.3
Total retail exposures	**5,281.0**	**422.5**	**5,787.7**	**463.0**	**6,050.6**	**484.0**
Exposures to corporates	4,174.3	333.9	4,035.0	322.8	4,217.6	337.4
Total capital requirement and risk exposure amount	**9,455.3**	**756.4**	**9,822.7**	**785.8**	**10,268.2**	**821.5**
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	**1,361.7**	**108.9**	**733.4**	**58.7**	**544.7**	**43.6**
Total capital requirement and risk exposure amount	**27,029.3**	**2,162.3**	**26,173.8**	**2,093.9**	**25,269.3**	**2,021.5**

Note 3 Loans to the public

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 30 June 2018, the total loss allowance for loan receivables amounted to SEK 84.9 M of which Länsförsäkringar Bank's recognised loss allowance for loan receivables accounted for SEK 17.0 M. The remainder of SEK 67.9 M was offset against the regional insurance companies' withheld funds, according to the model described above.

Note 4 Loans to credit institutions

On 30 June 2018, Loans to credit institutions amounted to 68,665.3 M and was included in Stage 1. Loss allowance for credit losses amounted to 18.5 M.

Note 5 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 6 Pledged assets, contingent liabilities and commitments

SEK M	30 Jun 2018	31 Dec 2017	30 Jun 2017
For own liabilities, pledged assets	6,054.1	5,549.0	7,956.9
Contingent liabilities	34.7	34.5	34.4
Commitments	37,244.6	35,693.0	38,710.1

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

Note 7 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 7 **Financial effect due to change in accounting policy from IAS 39 to IFRS 9, Cont.**

Financial assets 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	3,639.1		
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	18,3	Loans and receivables	Amortised cost
Total assets	**159,313.0**		
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	93,7	Other financial liabilities	Other financial liabilities
Subordinated liabilities	2,596.5	Other financial liabilities	Other financial liabilities
Total liabilities	**148,802.5**		

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, 19 July 2018

Sören Westin
Chairman

Per-Ove Bäckström
Board Member

Anders Grånäs
Board Member

Ingrid Jansson
Board Member

Beatrice Kämpe Nikolausson
Board Member

Bengt-Erik Lindgren
Board Member

Peter Lindgren
Board Member

Anna-Greta Lundh
Board Member

Ellinoora Hoppe
Employee Representative

Mirek Swartz
Employee Representative

Sven Eggefalk
President

Review report

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

Corp. id. 516401-9878

Introduction

I have reviewed the summary interim financial information (interim report) of Länsförsäkringar Bank AB (publ) as per 30 June, 2018 and the six-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 19 July 2018

Dan Beitner
Authorized Public Accountant

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) after 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 loan receivables
Recognised loss allowance for loan receivables in relation to 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.

LF 04512 utg 62 Nordic Morning 207382 2018-07

Financial calendar

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

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