25 October 2018

Länsförsäkringar Bank

Interim Report January–September 2018

The period in brief, Group

- Operating profit increased 12% to SEK 1,310 M (1,166) and the return on equity amounted to 9.8% (9.8).
- Net interest income rose 14% to SEK 3,328 M (2,926).
- Operating income increased 17% to SEK 2,772 M (2,374).
- Operating expenses amounted to SEK 1,398 M (1,173).
- Credit losses amounted to SEK 63.9 M (34.8), net, corresponding to a credit loss level of 0.03% (0.02).
- Business volumes increased 13% to SEK 563.8 billion (501.1).
- Deposits rose 6% to SEK 105.1 billion (99.3). Lending increased 11% to SEK 280.4 billion (251.7).
- Fund volumes increased 19% to SEK 178.3 billion (150.1).
- The Common Equity Tier 1 capital ratio for the consolidated situation amounted to 24.4% (24.7*) on 30 September 2018.
- The number of customers with Länsförsäkringar as their primary bank rose 12% and the number of bank cards increased 11%.
- According to the 2018 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank is again the player with the most satisfied retail customers.

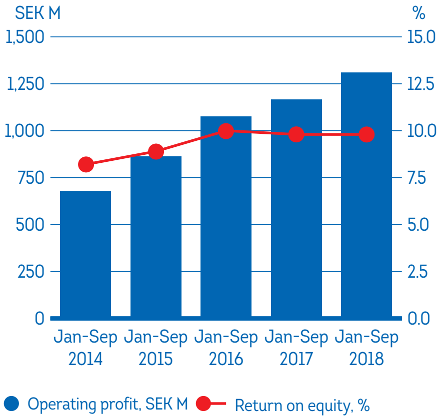
Figures in parentheses pertain to the same period in 2017.
* Pertains to 30 June 2018.

President's comment

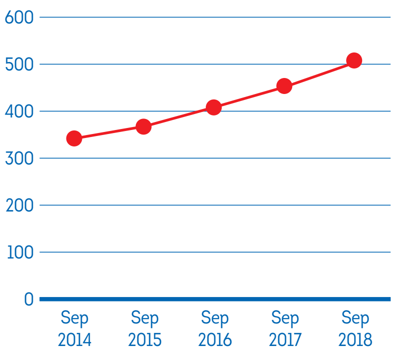
We are delighted to once again announce that Länsförsäkringar Bank has Sweden's most satisfied retail customers. At the start of October, the 2018 Swedish Quality Index named Länsförsäkringar Bank the player on the bank market with the most satisfied retail customers for the 13th time in the past 15 years. We firmly believe that the combination of our strong local presence and our market-leading digital services is the main reason for this recurring high customer satisfaction rating and is ultimately confirmation that customers appreciate our offering. Länsförsäkringar Bank's positive performance continued. Net interest income performed strongly and the profitability of our business is high, while the very high credit quality of the loan portfolio was sustained. We are in the final stage of an intense period of IT development that will enable a major shift in our ability to develop our digital offering in the future. The final stage of this project was charged to expenses for the current quarter and will also impact the subsequent quarter.

Sven Eggefalk
President of Länsförsäkringar Bank

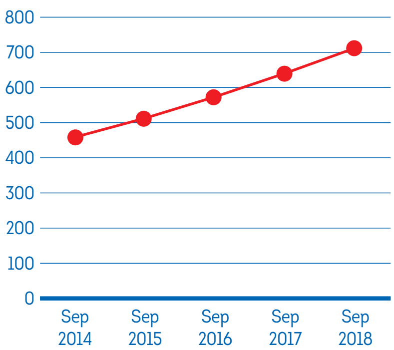
Operating profit and return on equity



Customer trend
Number of primary bank customers, 000s



Card trend
Number of cards, 000s



Länsförsäkringar

lansforsakringar.se/finansielltbank

Key figures

Group	Q 3 2018	Q 2 2017	Q 3 2017	Jan-Sep 2018	Jan-Sep 2017	Full-year 2017
Return on equity, %	8.96	10.16	10.61	9.84	9.85	10.00
Return on total capital, %	0.47	0.51	0.57	0.51	0.52	0.53
Return on total assets, %	0.37	0.40	0.44	0.40	0.41	0.41
Investment margin, %	1.28	1.28	1.34	1.29	1.31	1.32
Cost/income ratio before credit losses	0.55	0.48	0.46	0.50	0.49	0.49
Common Equity Tier 1 capital ratio, Bank Group, %	25.8	25.9	24.2	25.8	24.2	24.3
Tier 1 ratio, Bank Group, %	28.2	28.3	26.7	28.2	26.7	26.8
Total capital ratio, Bank Group, %	33.2	33.5	32.1	33.2	32.1	32.1
Common Equity Tier 1 capital ratio, consolidated situation, %	24.4	24.7	23.4	24.4	23.4	23.3
Tier 1 ratio, consolidated situation, %	25.8	26.1	25.3	25.8	25.3	24.8
Total capital ratio, consolidated situation, %	28.8	29.0	29.4	28.8	29.4	28.1
Share of credit-impaired loan receivables (stage 3), %	0.19	0.18	–	0.19	–	–
Reserve ratio for loan receivables stage 1, %	0.03	0.03	–	0.03	–	–
Reserve ratio for loan receivables stage 2, %	1.42	1.52	–	1.42	–	–
Reserve ratio for loan receivables stage 3, %	30.5	29.8	–	30.5	–	–
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	35.1	36.5	–	35.1	–	–
Credit loss level, %	0.02	0.05	0.02	0.03	0.02	0.02

Income statement, quarterly

Group, SEK M	Q 3 2018	Q 2 2018	Q 1 2018	Q 4 2017	Q 3 2017
Net interest income	1,134.8	1,111.7	1,081.7	1,070.1	1,015.4
Net commission	-167.2	-200.1	-214.2	-227.8	-194.6
Net gains/losses from financial items	-11.5	11.2	12.7	-6.3	-7.7
Other operating income	4.8	4.9	2.8	47.7	3.8
Total operating income	**961.0**	**927.8**	**883.1**	**883.3**	**817.0**
Staff costs	-148.9	-156.1	-143.0	-124.6	-128.2
Other expenses	-375.4	-291.2	-283.3	-303.4	-245.9
Total operating expenses	**-524.3**	**-447.3**	**-426.3**	**-428.0**	**-374.1**
Profit before credit losses	**436.7**	**480.5**	**456.7**	**455.3**	**442.9**
Credit losses, net	-15.0	-35.6	-13.4	-22.9	-13.8
Operating profit	**421.7**	**444.9**	**443.3**	**432.4**	**429.1**

Market commentary

The global economy continued to strengthen during the third quarter of the year despite the dominating news of a drawn-out trade war between the US and China, sluggish Brexit negotiations, concern about Italy's government finances and unrest in emerging markets driven in part by the strong USD.

The US economy was strong, supported by its expansive fiscal policy. Inflation was stable and salaries rose, albeit at a modest rate, which combined with the strong economy prompted the Federal Reserve in September to lift its key interest rate for the third time this year. Further tightening in monetary policy is expected to gradually continue. The European economy continued to strengthen with growth surpassing the trend, despite a slight downturn in the growth rate during the year. Monetary policy remains supportive and the ECB has its sights set on unwinding its asset purchase programme after the end of the year and is not expected to raise interest rates until after the summer of 2019. In Italy, unease concerning the government's economic policy and the effects on its finances led to higher government bond rates.

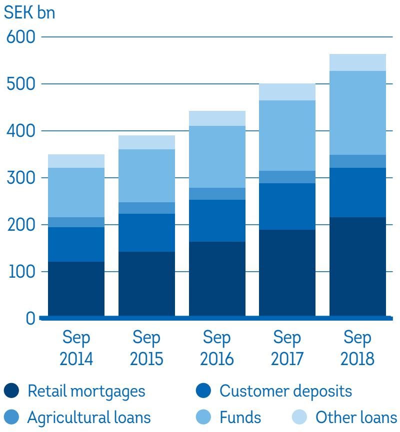
The favourable economic climate in Sweden persisted, although growth is expected to fall mainly on the back of lower housing investments. The CPIF-based inflation rate remained around the Riksbank's target, but price increases are being largely driven by rising energy prices and the trend in underlying inflation was weaker than the Riksbank had anticipated. However, the Riksbank is focusing on the strong economy and stable inflation expectations and is indicating that it intends to raise interest rates in December or February. The change in tone of the Riksbank's view of future rate rises helped strengthen the SEK against both the USD and the EUR. The uncertain parliamentary situation in Sweden following the election did not have any appreciable effect on the financial market since fiscal policy is not expected to change to any great extent by the government that is formed.

On the whole, long-term government bond rates rose in the third quarter, mainly due to the central banks continuing to indicate a firmer belief that the economy is developing in the right direction, which could result in monetary stimulus packages continuing to be dialled down. Rates on covered bonds also increased during the quarter. The equities markets performed strongly on a global level in the third quarter and the Stockholm Stock Exchange and US stock markets were stronger than the global index, while emerging markets and Europe performed more weakly. The stabilising trend for housing prices continued and the price level increased slightly during the quarter.

January-September 2018 compared with January-September 2017

Business volumes
Business volumes rose 13%, or SEK 62.7 billion, to SEK 563.8 billion (501.1). Lending increased 11%, or SEK 28.7 billion, to SEK 280.4 billion (251.7), with continued high credit quality. Lending in Länsförsäkringar Hypotek rose 14%, or SEK 26.6 billion, to SEK 215.6 billion (189.0). Lending in Wasa Kredit increased 7%, or SEK 1.5 billion, to SEK 22.4 billion (20.9). Deposits increased 6%, or SEK 5.8 billion, to SEK 105.1 billion (99.3). Fund volumes increased 19%, or SEK 28.2 billion, to SEK 178.3 billion (150.1).

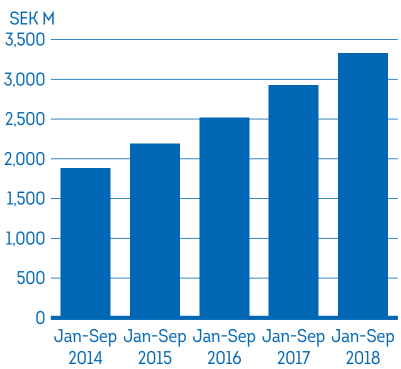
Business volumes



Customers
The number of customers with Länsförsäkringar as their primary bank increased 12% to 503,000 (451,000) and the number of products per customer amounted to five. 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 11% to 704,000 (632,000).

Earnings and profitability
Operating profit increased 12% to SEK 1,310 M (1,166), primarily due to higher net interest income. The investment margin amounted to 1.29% (1.31). Profit before credit losses rose 14% to SEK 1,374 M (1,201). Return on equity amounted to 9.8% (9.8).

Net interest income

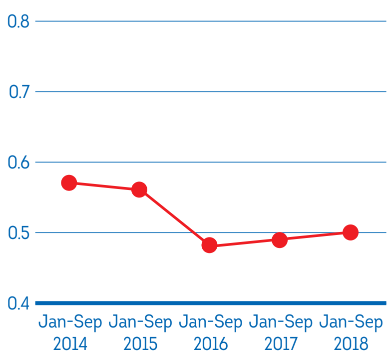


Income
Operating income increased 17% to SEK 2,772 M (2,374), primarily due to higher net interest income. Net interest income increased 14% to SEK 3,328 M (2,926), mainly attributable to higher volumes. Net gains from financial items amounted to SEK 12.4 M (–43.0) due to changes in fair value. Underlying net commission, excluding remuneration paid to the regional insurance companies, increased 6% to SEK 588.7 M (553.3).

Net commission amounted to SEK –581.5 M (–522.5), due to increased remuneration to the regional insurance companies based on higher volumes and the strengthened profitability of the business. Commission income decreased 30% to SEK 924.2 M (1,325) mainly as a result of reclassification of commission expense of SEK 527.4 M in Länsförsäkringar Fondförvaltning attributable to IFRS 15. Commission expense declined in a corresponding amount.

Expenses
Operating expenses rose 19% to SEK 1,398 M (1,173). Work on replacing the bank's platform for deposits, lending and payments is reaching the end stage and is currently in an intense phase. The new platform will mean a major shift in our ability to develop the digital offering and enable the bank to further advance its position in this area. The final stage of the project charged SEK 98.1 M to expenses in the third quarter. The underlying increase, excluding these expenses, was 9%. Expenses are also expected to be at a higher level in the fourth quarter. The cost/income ratio was 0.50 (0.49) before credit losses and 0.53 (0.51) after credit losses. The cost/income ratio before credit losses excluding IT investments amounted to 0.47.

Cost/income ratio before loan losses



Credit losses
Credit losses in the Bank Group remained low and are mainly attributable to Wasa Kredit. Credit losses amounted to SEK 63.9 M (34.8), net, corresponding to a credit loss level of 0.03% (0.02).

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-impaired loan receivables (stage 3) before provisions amounted to SEK 769.6 M, corresponding to a share of credit-impaired loan receivables of 0.19%. The estimated value of collateral for credit-impaired loan receivables was SEK 455.7 M. The total recognised loss allowance for loan receivables under IFRS 9 amounted to SEK 406.5 M, of which SEK 235.1 M pertained to credit-impaired loan receivables. The reserve ratio for credit-impaired loan receivables amounted to 30.5%. In addition to the recognised loss allowance for loan receivables, SEK 73.3 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 34.8 M pertains to credit-impaired loan receivables. Including the withheld remuneration to the regional insurance companies, the loss allowance for loan receivables totalled SEK 479.9 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to regional insurance companies, amounted to 35.1%.

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

Deposits and savings
Deposits from the public increased 6%, or SEK 5.8 billion, to SEK 105.1 billion (99.3). Deposits from small businesses amounted to SEK 11.1 billion (10.9). The number of deposit accounts increased 9%. On 31 August 2018, the market share of household deposits had increased to 4.9% (4.8) according to Statistics Sweden. Fund volumes increased 19%, or SEK 28.2 billion, to SEK 178.3 billion (150.1) 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 11%, or SEK 28.7 billion, to SEK 280.4 billion (251.7). The credit quality of lending remained high. The weighted average loan-to-value ratio (LTV) of the Bank Group's mortgage portfolio amounted to 61% (59). Lending in Länsförsäkringar Hypotek rose 14%, or SEK 26.6 billion, to SEK 215.6 billion (189.0). The percentage of retail mortgages in relation to the total loan portfolio was at 77%. On 31 August 2018, the market share of retail mortgages had strengthened to 6.6% (6.1) according to Statistics Sweden. Agricultural lending increased 6% to SEK 28.1 billion (26.5).

Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2.3 M. First-lien mortgages for agricultural properties amounted to SEK 26.4 billion (24.7), corresponding to 94% (93) of agricultural lending. 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 2.1 billion (1.8) on 30 September 2018. Lending in Wasa Kredit increased 7% to SEK 22.4 billion (20.9).

Loan portfolio, distribution in %

Lending segment, %	30 Sep 2018	30 Sep 2017
Retail mortgages	77.1	75.2
Agriculture	10.0	10.5
Multi-family housing	2.7	3.1
Leasing and hire purchase	6.0	6.4
Unsecured loans	3.1	3.3
Other	1.1	1.5
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%	173,765	80.5%
51–60%	20,935	9.7%
61–70%	13,246	6.1%
71–75%	3,808	1.8%
75%+	4,087	1.9%
TOTAL	**215,840**	**100.0%**

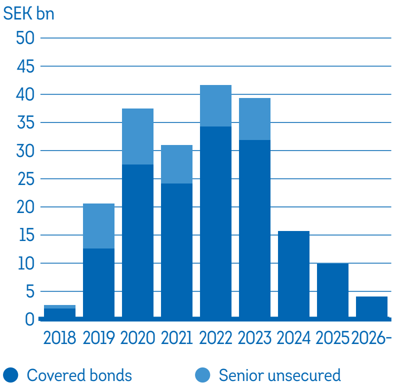
* Refers to loans with single-family homes, tenant-owned apartments or vacation homes as collateral.

Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 15%, or SEK 26.3 billion, to a nominal SEK 201.8 billion (175.5), of which covered bonds amounted to SEK 161.6 billion (139.7), senior long-term funding to SEK 40.2 billion (35.3) and short-term funding to SEK 0.0 billion (0.5). The average remaining term for the long-term funding was 3.6 years (3.5) on 30 September 2018.

Covered bonds were issued during the period at a volume of a nominal SEK 31.8 billion (28.9). Repurchased covered bonds totalled a nominal SEK 9.8 billion (3.9) and matured covered bonds a nominal SEK 7.0 billion (6.8). Länsförsäkringar Bank issued senior unsecured bonds of a nominal SEK 10.4 billion (12.2) during the period, while maturities amounted to a nominal SEK 5.6 billion (6.9). In September, Länsförsäkringar Bank issued a senior unsecured five-year Euro bond for a nominal EUR 500 M. The transaction was an additional step in a long-term strategy to also build up an investor base in the Euro market for senior funding. 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

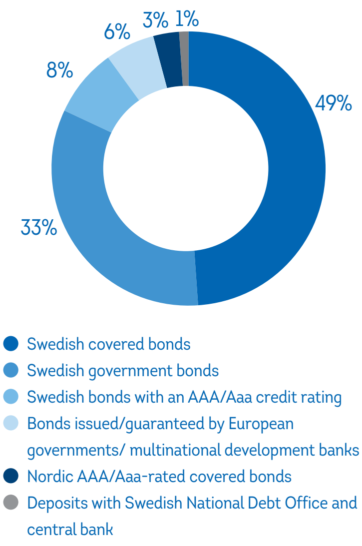


Liquidity

On 30 September 2018, the liquidity reserve totalled SEK 53.6 billion (46.9). 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 September 2018 amounted to 294% (305). The Net Stable Funding Ratio (NSFR) for the consolidated situation on 30 September 2018 amounted to 116%** (116).

** The calculation is based on Länsförsäkringar Bank's interpretation of the Basel Committee's most recent NSFR proposal. The comparative figure pertains to 30 June 2018.

Liquidity reserve***



*** 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.

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.

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 Sep 2018	30 Jun 2018
IRB Approach	35,512	34,217
retail exposures	27,761	26,585
exposures to corporates	7,751	7,631
Standardised Approach	18,824	18,802
Operational risks	12,306	12,306
Total REA	68,403	67,157
Common Equity Tier 1 capital	16,722	16,578
Tier 1 capital	17,668	17,506
Total capital	19,734	19,496
Common Equity Tier 1 capital ratio	24.4%	24.7%
Tier 1 ratio	25.8%	26.1%
Total capital ratio	28.8%	29.0%

The Common Equity Tier 1 capital ratio for the consolidated situation was 24.4% (24.7).

On 30 September 2018, the total Risk Exposure Amount (REA) for the consolidated situation amounted to SEK 68,403 M (67,157). REA increased SEK 1,246 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.

Internally assessed capital and buffer requirements

The internally assessed capital requirement for the consolidated situation on 30 September 2018 amounted to SEK 7,728 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 5,498 M as at 30 September 2018. The Swedish Financial Supervisory Authority decided to change the method for application of the current risk weight floor by replacing the Pillar II requirement with Pillar I. The change will enter into force on 31 December 2018. The countercyclical capital buffer of 2% of REA amounted to SEK 1,368 M on 30 September 2018 and the capital conservation buffer of 2.5% of REA to SEK 1,710 M.

The capital used to meet the internal capital requirement including buffer, meaning own funds, amounted to SEK 19,734 M.

The leverage ratio on 30 September 2018 amounted to 4.8% (4.8).

Bank Group (SEK M)	30 Sep 2018	30 Jun 2018
IRB Approach	35,512	34,217
retail exposures	27,761	26,585
exposures to corporates	7,751	7,631
Standardised Approach	9,516	9,450
Operational risks	4,698	4,698
Total REA	51,487	50,198
Common Equity Tier 1 capital	13,309	13,022
Tier 1 capital	14,509	14,222
Total capital	17,098	16,812
Common Equity Tier 1 capital ratio	25.8%	25.9%
Tier 1 ratio	28.2%	28.3%
Total capital ratio	33.2%	33.5%

The Common Equity Tier 1 capital ratio for the Bank Group was 25.8% (25.9). For the Bank Group, the internally assessed capital requirement amounted to SEK 6,264 M and own funds to SEK 17,098 M.

For more information on capital adequacy, see note 12.

[1] The comparative period pertains to 30 June 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 September 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 83.4 M (58.9).

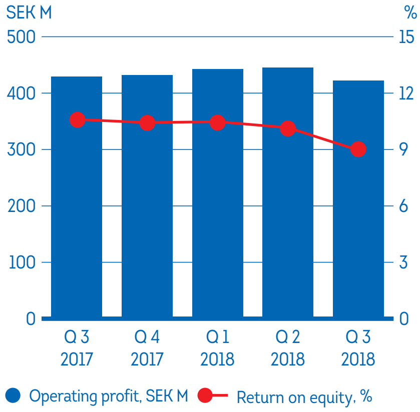
Risks and uncertainties

The operations are characterised by a low risk profile. The Bank Group is exposed to a number of risks, primarily comprising credit risks, refinancing risks and market risks. The macroeconomic situation in Sweden is critical for credit risk since all loans are granted in Sweden. Market risks primarily comprise interest-rate risks. 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.

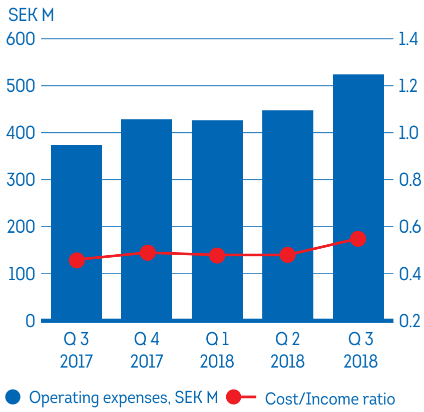
Third quarter of 2018 compared with second quarter of 2018

Operating profit amounted to SEK 421.7 M (444.9). Return on equity amounted to 9.0% (10.2). Operating income increased 4% to SEK 961.0 M (927.8). Net interest income increased 2% to SEK 1,135 M (1,112). The investment margin amounted to 1.28% (1.28). Commission income increased 19% to SEK 333.8 M (280.6) and commission expense amounted to SEK 501.0 M (480.7). Net commission amounted to SEK –167.2 M (–200.1). Net losses from financial items amounted to SEK –11.5 M (gains: 11.2). Operating expenses increased 17% to SEK 524.3 M (447.3). The cost/income ratio before credit losses amounted to 0.55 (0.48). Credit losses amounted to SEK 15.0 M (35.6), net.

Operating profit and return on equity



Operating expenses and cost/income ratio



Other events

Fredrik Bergström became the new Chairman of Länsförsäkringar Bank on 10 September 2018.

Events after the end of the period

On 8 October 2018 Thomas Högväg took office as the new President of Wasa Kredit.

Parent Company

January-September 2018 compared with January-September 2017

Loans to the public amounted to SEK 42.4 billion (41.8). Deposits from the public increased 6%, or SEK 5.8 billion, to SEK 105.5 billion (99.7). Debt securities in issue increased 14% to SEK 39.7 billion (34.9). Operating profit amounted to SEK 144.3 M (212.1). Net interest income amounted to SEK 883.0 M (824.8). Operating income rose 8% to SEK 1,045 M (963.6). Commission income increased 15% to SEK 413.0 M (359.4). Commission expense amounted to SEK 367.8 M (318.2). Operating expenses rose 22% to SEK 916.8 M (754.4), mainly due to higher expenses related to the final stage of the ongoing project to replace the IT platform. Credit losses amounted to SEK -16.3 M (-2.9), net, corresponding to a credit loss level of -0.01% (-0.01).

The risks and uncertainties of the Parent Company coincide with the Bank Group's as described on page 6.

Subsidiaries

January-September 2018 compared with January-September 2017

Länsförsäkringar Hypotek

Lending in Länsförsäkringar Hypotek rose 14%, or SEK 26.6 billion, to SEK 215.6 billion (189.0). 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 42% to SEK 819.1 M (575.4) due to higher net interest income. Net interest income increased 18% to SEK 1,822 M (1,539), mainly attributable to higher volumes and lower refinancing costs. Credit losses amounted to SEK -1.2 M (-0.6), net, corresponding to a credit loss level of -0.00% (-0.00). The number of retail mortgage customers rose 9% to 270,000 (248,000).

SEK M	30 Sep 2018	30 Sep 2017
Total assets	240,480	206,456
Lending volume	215,637	188,978
Net interest income	1,822	1,539
Operating profit	819	575

Wasa Kredit

Wasa Kredit's lending volumes increased 7% to SEK 22.4 billion (20.9). Operating profit amounted to SEK 291.4 M (308.6). Net interest income rose 11% to SEK 623.5 M (562.2), mainly due to increased volumes. Operating expenses amounted to SEK 363.9 M (320.6). Credit losses totalled SEK 82.3 M (38.3), net, partly due to the transition to IFRS 9.

SEK M	30 Sep 2018	30 Sep 2017
Total assets	23,159	21,433
Lending volume	22,408	20,876
Net interest income	624	562
Operating profit	291	309

Länsförsäkringar Fondförvaltning

Fund volumes increased 19%, or SEK 28.2 billion, to SEK 178.3 billion (150.1) attributable to positive changes in value and increased inflows in the fund business. The fund offering includes 38 mutual funds under Länsförsäkringar's own brand with various investment orientations and a fund market with external funds. Three Swedish equities funds are internally managed by Länsförsäkringar Fondförvaltning. Assets under management under Länsförsäkringar's own brand amounted to SEK 155.5 billion (132.2). Operating profit amounted to SEK 54.3 M (70.3).

SEK M	30 Sep 2018	30 Sep 2017
Total assets	658	564,,
Fund volumes	178,273	150,064
Net flow	5,459	1,987
Net commission	181	176
Operating profit	54	70

Income statement – Group

SEK M	Note	Q 3 2018	Q 2 2018	Change	Q 3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full-Year 2017
Interest income		1,334.8	1,304.3	2%	1,169.9	14%	3,889.7	3,349.2	16%	4,568.6
Interest expense		-200.0	-192.6	4%	-154.5	29%	-561.5	-423.1	33%	-572.4
Net interest income	3	**1,134.8**	**1,111.7**	**2%**	**1,015.4**	**12%**	**3,328.2**	**2,926.2**	**14%**	**3,996.3**
Dividends received		-	0.1		0.1		0.1	0.1		42.3
Commission income		333.8	280.6	19%	445.0	-25%	924.2	1,325.4	-30%	1,789.4
Commission expense		-501.0	-480.7	4%	-639.6	-22%	-1,505.6	-1,847.9	-19%	-2,539.7
Net commission income	4	**-167.2**	**-200.1**	**-16%**	**-194.6**	**-14%**	**-581.5**	**-522.5**	**11%**	**-750.3**
Net gains / losses from financial items	5	-11.5	11.2		-7.7	49%	12.4	-43.0		-49.4
Other operating income		4.8	4.9	-2%	3.8	26%	12.5	13.4	-7%	18.6
Total operating income		**961.0**	**927.8**	**4%**	**817.0**	**18%**	**2,771.8**	**2,374.1**	**17%**	**3,257.5**
Staff costs		-148.9	-156.1	-5%	-128.2	16%	-447.9	-424.4	6%	-549.0
Other administration expenses		-343.5	-259.4	32%	-224.5	53%	-862.4	-684.3	26%	-960.4
Total administration expenses		**-492.4**	**-415.5**	**19%**	**-352.7**	**40%**	**-1,310.3**	**-1,108.6**	**18%**	**-1,509.3**
Depreciation / amortisation and impairment of property and equipment / intangible assets		-31.9	-31.8		-21.4	49%	-87.7	-64.2	37%	-91.5
Total operating expenses		**-524.3**	**-447.3**	**17%**	**-374.1**	**40%**	**-1,398.0**	**-1,172.9**	**19%**	**-1,600.9**
Profit before credit losses		**436.7**	**480.5**	**-9%**	**442.9**	**-1%**	**1,373.8**	**1,201.2**	**14%**	**1,656.6**
Credit losses, net	6	-15.0	-35.6	-58%	-13.8	9%	-63.9	-34.8	84%	-57.7
Operating profit		**421.7**	**444.9**	**-5%**	**429.1**	**-2%**	**1,309.9**	**1,166.4**	**12%**	**1,598.9**
Tax		-92.8	-98.9	-6%	-94.4	-2%	-289.2	-256.6	13%	-361.9
Profit for the period		**328.9**	**345.9**	**-5%**	**334.7**	**-2%**	**1,020.6**	**909.8**	**12%**	**1,237.0**

Statement of comprehensive income – Group

SEK M	Q 3 2018	Q 2 2018	Change	Q 3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full-Year 2017
Profit for the period	**328.9**	**345.9**	**-5%**	**334.7**	**-2%**	**1,020.6**	**909.8**	**12%**	**1,237.0**
Other comprehensive income									
Items that cannot be transferred to the income statement									
Cash-flow hedges	15.2	-62.5		-25.8		-57.1	-146.2	-61%	-131.9
Change in fair value of debt instruments measured at FVOCI	-29.0	7.2		-6.1		-17.9	44.8		56.5
Tax attributable to items that have been transferred or can be transferred to profit for the period	3.0	12.2	-75%	7.0	-57%	16.5	22.3	-26%	16.6
Total	**-10.8**	**-43.1**	**-75%**	**-24.9**	**-57%**	**-58.5**	**-79.1**	**-26%**	**-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	1.6	-8.1		-		-4.8	-		-
Tax attributable to items that cannot be reversed to profit and loss	-0.3	-0.3		-		-1.1	-		-0.4
Total	**1.3**	**-8.4**		-		**-5.9**	-		**1.3**
Total other comprehensive income for the period, net after tax	**-9.5**	**-51.5**	**-82%**	**-24.9**	**-62%**	**-64.3**	**-79.1**	**-19%**	**-57.5**
Comprehensive income for the period	**319.4**	**294.4**	**8%**	**309.8**	**3%**	**956.2**	**830.7**	**15%**	**1,179.5**

Balance sheet – Group

SEK M	Note	30 Sep 2018	31 Dec 2017	30 Sep 2017
Assets				
Cash and balances with central banks		22.0	17.0	17.5
Treasury bills and other eligible bills		17,927.7	10,531.5	6,308.1
Loans to credit institutions	8	6,155.2	265.0	8,153.3
Loans to the public	7	280,419.4	261,444.2	251,667.1
Bonds and other interest-bearing securities		36,301.0	35,717.8	35,898.2
Shares and participations		42.4	38.3	46.8
Derivatives	9	6,220.5	5,125.5	4,534.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		141.3	248.0	305.4
Intangible assets		1,185.0	969.3	805.9
Property and equipment		10.4	10.5	10.2
Deferred tax assets		44.8	30.0	34.6
Other assets		576.5	546.8	510.3
Prepaid expenses and accrued income		448.3	422.5	399.5
Total assets		**349,494.4**	**315,366.3**	**308,691.5**
Liabilities and equity				
Due to credit institutions		11,326.3	3,995.9	6,040.8
Deposits and borrowing from the public		105,086.0	99,403.6	99,313.7
Debt securities in issue		209,125.8	188,406.7	180,587.5
Derivatives	9	882.6	1,166.4	1,225.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		739.5	1,200.2	1,396.3
Deferred tax liabilities		507.9	508.0	420.0
Other liabilities		817.6	791.6	772.4
Accrued expenses and deferred income		2,403.4	2,959.1	2,339.2
Provisions		27.4	9.9	12.0
Subordinated liabilities		2,592.7	2,596.5	2,596.2
Total liabilities		**333,509.4**	**301,037.9**	**294,703.4**
Equity				
Share capital		2,864.6	954.9	954.9
Other capital contributed		7,442.5	7,442.5	7,442.5
Reserves		-47.3	26.5	4.9
Additional Tier 1 instruments		1,200.0	1,200.0	1,200.0
Retained earnings		3,504.6	3,467.5	3,476.0
Profit for the period		1,020.6	1,237.0	909.8
Total equity		**15,984.9**	**14,328.4**	**13,988.1**
Total liabilities and equity		**349,494.4**	**315,366.3**	**308,691.5**
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Cash-flow statement in summary, indirect method – Group

SEK M	Jan–Sep 2018	Jan–Sep 2017
Cash and cash equivalents, 1 January	**144.0**	**122.1**
Operating activities		
Operating profit	1,309.9	1,166.3
Adjustment of non-cash items	-51.7	-384.0
Change in assets of operating activities		
Change in interest-bearing securities	-8,151.5	-1,864.8
Change in loans to the public	-18,907.8	-24,945.9
Change in other assets	-5,862.5	-7,947.2
Change in liabilites of operating activities		
Change in deposits and funding from the public	5,657.3	8,081.8
Change in debt securitites in issue	18,505.7	24,147.2
Change in other liabilities	7,068.7	2,110.8
Cash flow from operating activities	**-432.0**	**364.1**
Investing activities		
Change in property and equipment	-3.2	-5.5
Change in intangible assets	-300.1	-377.7
Change in other financial assets	-4.2	-21.4
Shareholders' contributions paid	-	-
Cash flow from investing activities	**-307.4**	**-404.6**
Financing activities		
Amortisation of subordinated debt		-
Change in subordinated debt	-2.0	0.8
Shareholders' contributions received	800.0	0.1
Cash flow from financing activities	**798.0**	**0.9**
Net cash flow for the period	**58.6**	**-39.6**
Cash and cash equivalents, 30 September	**202.6**	**82.5**

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 Swedish central bank that fall due on the following banking day.

Statement of changes in shareholders' equity – Group

SEK M	Share capital	Other capital contributed	Additional Tier 1 instru-ments	Reserves: Fair value reserve	Reserves: Hedge reserve	Reserves: 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								909.8	909.8
Other comprehensive income for the period				35.0	-114.1				-79.1
Comprehensive income for the period				*35.0*	*-114.1*			*909.8*	*830.7*
According to resolution by Annual General Meeting							1,136.5	-1,136.5	-
Issued Additional Tier 1 instruments							-24.9		-24.9
Closing balance, 30 September 2017	**954.9**	**7,442.5**	**1,200.0**	**123.2**	**-117.1**	**-1.3**	**3,476.0**	**909.8**	**13,988.1**
Opening balance, 1 October 2017	**954.9**	**7,442.5**	**1,200.0**	**123.2**	**-117.1**	**-1.3**	**3,476.0**	**909.8**	**13,988.1**
Profit for the period								327.2	327.2
Other comprehensive income for the period				9.1	11.3	1.3			21.7
Comprehensive income for the period				*9.1*	*11.3*	*1.3*		*327.2*	*348.9*
Issued Additional Tier 1 instruments							-8.5		-8.5
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								1,020.6	1,020.6
Other comprehensive income for the period				-19.8	-44.5				-64.3
Comprehensive income for the period				*-19.8*	*-44.5*			*1,020.6*	*956.3*
According to resolution by Annual General Meeting							1,237.0	-1,237.0	-
Issued Additional Tier 1 instruments							-25.2		-25.2
Unconditional shareholders' contribution recevied							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 September 2018	**2,864.6**	**7,442.5**	**1,200.0 [1]**	**102.9**	**-150.3**	**-**	**3,504.6**	**1,020.6**	**15,984.9**

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. However, hedge accounting takes place in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

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 probability of default (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.

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.

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.

Note 2 Segment reporting

Income statement, Jan-Sep 2018, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	883.0	1,821.7	623.5	-	-	3,328.2
Dividends received	0.1	-	-	-	-	0.1
Commission income	413.0	1.9	159.0	415.6	-65.3	924.2
Commission expense	-367.8	-913.8	-54.5	-234.8	65.3	-1,505.6
Net gain / loss from financial items	23.1	-10.7	-	-	-	12.4
Intra-Group income	89.8	-	0.7	-	-90.5	-
Other income	3.6	-	8.8	-	-	12.5
Total operating income	**1,044.8**	**899.2**	**737.5**	**180.8**	**-90.5**	**2,771.8**
Intra-Group expenses	6.1	-65.3	-8.7	-22.6	90.5	-
Other administration expenses	-855.5	-15.9	-335.3	-103.7	-	-1,310.3
Depreciation / amortisation and impairment	-67.4	-0.1	-19.9	-0.2	-	-87.7
Total operating expenses	**-916.8**	**-81.3**	**-363.9**	**-126.5**	**90.5**	**-1,398.0**
Profit before credit losses	**128.0**	**817.9**	**373.6**	**54.3**	-	**1,373.8**
Credit losses, net	16.3	1.2	-82.3	-	0.8	-63.9
Operating profit / loss	**144.3**	**819.1**	**291.4**	**54.3**	**0.8**	**1,309.9**
Balance sheet 30 September 2018						
Total assets	**173,744.5**	**240,480.2**	**23,158.7**	**657.7**	**-88,546.7**	**349,494.4**
Liabilities	162,229.3	229,395.4	20,499.1	195.2	-78,809.7	333,509.4
Equity	11,515.1	11,084.8	2,659.6	462.6	-9,737.1	15,984.9
Total liabilities and equity	**173,744.5**	**240,480.2**	**23,158.7**	**657.7**	**-88,546.7**	**349,494.4**
Income statement, Jan-Sep 2017, SEK M						
Net interest income	824.8	1,539.1	562.3	0.0	-	2,926.2
Dividends received	0.1	-	-	-	-	0.1
Net commission	41.1	-832.0	92.6	176.3	-0.5	-522.5
Net gain / loss from financial items	11.7	-54.7	-	0.0	0.0	-43.0
Intra-Group income	84.7	-	0.5	-	-85.2	0.0
Other income	1.3	-	12.2	-	0.0	13.4
Total operating income	**963.6**	**652.4**	**667.5**	**176.3**	**-85.7**	**2,374.1**
Intra-Group expenses	6.2	-61.6	-8.4	-21.9	85.7	0.0
Other administration expenses	-705.9	-15.8	-303.1	-83.8	-	-1,108.6
Depreciation / amortisation and impairment	-54.8	-0.1	-9.1	-0.3	-	-64.2
Total operating expenses	**-754.4**	**-77.6**	**-320.6**	**-106.0**	**85.7**	**-1,172.9**
Profit / loss before loan losses	**209.2**	**574.8**	**347.0**	**70.3**	**-**	**1,201.2**
Loan losses, net	2.9	0.6	-38.3	-	-	-34.8
Operating profit / loss	**212.1**	**575.4**	**308.6**	**70.3**	**-**	**1,166.4**
Balance sheet 30 September 2017						
Total assets	**157,769.5**	**206,455.6**	**21,433.2**	**563.6**	**-77,530.4**	**308,691.5**
Liabilities	147,188.3	196,518.0	19,065.3	163.3	-68,231.5	294,703.4
Equity	10,581.2	9,937.6	2,367.9	400.3	-9,298.9	13,988.1
Total liabilities and equity	**157,769.5**	**206,455.6**	**21,433.2**	**563.6**	**-77,530.4**	**308,691.5**

Income 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 3 2018	Q 2 2018	Change	Q 3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full-Year 2017
Interest income									
Loans to credit institutions	-4.8	-5.3	-9%	-0.8		-11.4[1]	-2.9		-2.8
Loans to the public	1,431.8	1,413.3	1%	1,339.7	7%	4,229.7	3,902.6	8%	5,267.2
Interest-bearing securities	39.4	36.5	8%	52.6	-25%	124.8[1]	170.3	-27%	224.0
Derivatives	-131.6	-140.1	-6%	-221.6	-41%	-453.3	-720.7	-37%	-919.7
Other interest income	0.0	0.0		-		0.0	-0.1		-0.1
Total interest income	**1,334.8**	**1,304.3**	**2%**	**1,169.9**	**14%**	**3,889.7**	**3,349.2**	**16%**	**4,568.6**
Interest expense									
Due to credit institutions	12.1	10.3	17%	5.5		30.3[1]	18.1	67%	26.5
Deposits and borrowing from the public	-28.8	-27.8	4%	-29.7	-3%	-83.6	-102.8	-19%	-130.4
Debt securities in issue	-521.3	-536.4	-3%	-486.4	7%	-1,589.4	-1,481.9	7%	-1,984.6
Subordinated liabilities	-12.1	-11.9	2%	-14.0	-14%	-38.5	-41.1	-6%	-55.2
Derivatives	417.4	440.5	-5%	437.4	-5%	1,329.9	1,348.4	-1%	1,791.3
Other interest expense, including government deposit insurance	-67.3	-67.3		-67.3		-210.2	-163.8	28%	-220.0
Total interest expense	**-200.0**	**-192.6**	**4%**	**-154.5**	**29%**	**-561.5**	**-423.1**	**33%**	**-572.4**
Total net interest income	**1,134.8**	**1,111.7**	**2%**	**1,015.4**	**12%**	**3,328.2**	**2,926.2**	**14%**	**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		0.1		0.1	0.2		0.1

[1] Of which negative interest on Loans to credit institutions of SEK -19.4 M, Interest-bearing securities of SEK -56.5 M and Due to credit institutions of SEK 30.2 M.

Interest income calculated according to the effective interest method amounts to SEK 1,334.8 M (1,304.3).

Note 4 Net commission income

SEK M	Q 3 2018	Q 2 2018	Change	Q 3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full-Year 2017
Commission income									
Payment mediation	23.2	21.6	7%	21.3	9%	67.2	62.7	7%	87.3
Loans	62.0	62.8	-1%	58.8	5%	185.0	171.6	8%	232.1
Deposits	2.9	3.1	-6%	2.6	12%	10.6	8.6	23%	11.3
Securities[1]	164.0	118.4	39%	290.0	-43%	438.5	878.7	-50%	1,180.7
Cards	66.0	61.9	7%	56.8	16%	181.4	154.5	17%	213.2
Remuneration to regional insurance companies	15.8	13.4	18%	15.3	3%	41.3	48.6	-15%	64.1
Other commission	0.0	-0.4		0.1		0.2	0.6	-67%	0.8
Total commission income	**333.8**	**280.6**	**19%**	**445.0**	**-25%**	**924.2**	**1,325.4**	**-30%**	**1,789.4**
Commission expense									
Payment mediation	-37.4	-38.4	3%	-35.6	5%	-109.6	-103.9	5%	-125.2
Securities	-20.3	-21.2	-4%	-166.7	-88%	-56.4	-507.1	-89%	-677.1
Cards	-37.3	-35.3	6%	-24.7	51%	-104.7	-83.0	26%	-117.1
Remuneration to regional insurance companies	-382.1	-358.7	7%	-384.4	-1%	-1,155.5	-1,063.0	9%	-1,501.7
Management costs	-20.6	-23.8	-13%	-25.5	-19%	-69.2	-82.8	-16%	-107.1
Other commission	-3.3	-3.4	-3%	-2.6	27%	-10.1	-8.1	25%	-10.9
Total commission expense	**-501.0**	**-480.7**	**4%**	**-639.6**	**-22%**	**-1,505.6**	**-1,847.9**	**-19%**	**-2,539.7**
Total net commission income	**-167.2**	**-200.1**	**-16%**	**-194.6**	**-14%**	**-581.5**	**-522.5**	**11%**	**-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 3 2018	Q 2 2018	Change	Q 3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full-Year 2017
Interest-bearing assets and liabilities and related derivatives	-18.2	4.9		-16.7	9%	-10.4	-68.3	-85%	-70.5
Other financial assets and liabilities	0.0	-0.7		-0.1		0.5	-0.3		-12.9
Interest compensation (refer to items measured at amortised cost)	6.7	7.0	-4%	9.2	-27%	22.3	25.6	-13%	34.0
Total net gains / losses from financial items	**-11.5**	**11.2**		**-7.7**	**49%**	**12.4**	**-43.0**		**-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 3 2018	Q 2 2018	Change	Q 3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full-Year 2017
Change in loss allowance for loan receivables									
Stage 1 (not credit-impaired)	6.7	-6.7				2.7			
Stage 2 (not credit-impaired)	3.3	-4.8				-7.4			
Stage 3 (credit-impaired)	-19.8	-12.9	53%			-46.2			
Total change in loss allowance for loan receivables	**-9.8**	**-24.3**	**-60%**	**-4.5**[1]		**-50.9**	**-15.3**[1]		**-17.3**[1]
Expense for confirmed credit losses	-28.9	-32.8	-12%	-29.8	-3%	-87.1	-88.5	-2%	-131.0
Payment received for prior confirmed credit losses	22.0	22.8	-4%	20.4	8%	63.8	68.9	-7%	90.3
Net expense for the period for credit losses for loan receivables	**-16.7**	**-34.3**	**-51%**	**-13.9**	**20%**	**-74.2**	**-34.9**		**-58.0**
Change in loss allowance for commitments	2.0	-1.0		-		1.4	-		-
Net expense for other credit losses	-0.3	-0.3		0.1		8.8	0.2		0.3
Net expense of the modification result	-	0.0		-		0.0	-		-
Net expense for credit losses	**-15.0**	**-35.6**	**-58%**	**-13.8**	**9%**	**-63.9**	**-34.8**	**84%**	**-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 September 2018	31 December 2017	30 September 2017
Public sector	883.0	2,014.1	1,746.5
Corporate sector	18,649.9	18,402.4	18,278.2
Retail sector	261,225.3	241,294.8	231,806.0
Other	67.7	0.3	102.0
Loan to the public before reserves	**280,825.9**	**261,711.6**	**251,932.7**
Loss allowance	-406.5	-267.5	-265.6
Loans to the public	**280,419.4**	**261,444.2**	**251,667.1**

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	-46.8	-1.2	-1.6	-49.6
Change in loss allowance model or method	3.2	3.0	-0.2	6.1
Decrease due to repayment	25.6	26.2	28.6	80.5
Change due to changed credit risk	20.7	-35.4	-163.7	-178.4
Other adjustments	0.0	0.0	-	0.0
Decrease due to write-off	0.0	0.0	90.7	90.7
Closing balance, 30 September 2018	**-70.4**	**-101.0**	**-235.1**	**-406.5**

	Not credit-impaired		Credit-impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to the public before loss allowances	272,962.3	7,093.9	769.6	280,825.9
Loss allowance	-70.4	-101.0	-235.1	-406.5
Loans to the public	**272,891.9**	**6,992.9**	**534.5**	**280,419.4**
Withheld remuneration to the regional insurance companies	16.6	21.9	34.8	73.4

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 September 2018, the total loss allowance for loan receivables amounted to SEK 479.9 M of which the Bank Group's recognised loss allowance for loan receivables accounted for SEK 406.5 M. The remainder of SEK 73.4 M was offset against the regional insurance companies' withheld funds, according to the model described above.

Note 8 Loans to credit institutions

On 30 September 2018, Loans to credit institutions amounted to SEK 6,155.2 M and was included in Stage 1. Loss allowance for credit losses amounted to SEK 0 M.

Note 9 Derivatives

SEK M	30 September 2018		31 December 2017		30 September 2017	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
Derivatives in hedge accounting						
Interest-related	128,448.8	1,163.7	117,810.8	1,900.5	108,365.4	1,868.0
Currency-related	42,836.6	5,056.8	35,828.8	3,210.6	25,730.8	2,654.2
Other derivatives						
Currency-related	-	-	401.8	14.4	441.2	12.5
Total derivatives with positive values	**171,285.4**	**6,220.5**	**154,041.4**	**5,125.5**	**134,537.4**	**4,534.7**
Derivatives with negative values						
Derivatives in hedge accounting						
Interest-related	101,750.0	554.5	102,307.0	805.0	101,623.0	904.2
Currency-related	8,739.7	316.3	4,733.5	361.4	14,305.5	319.6
Other derivatives						
Currency-related	249.3	11.8	-	-	56.1	1.4
Total derivatives with negative values	**110,739.0**	**882.6**	**107,040.5**	**1,166.4**	**115,984.6**	**1,225.2**

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 September 2018	31 December 2017	30 September 2017
For own liabilities, pledged assets	226,567.7	203,273.4	197,243.0
Contingent liabilities	33.5	34.5	32.0
Commitments	22,284.4	21,979.4	23,175.0

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 September 2018		31 December 2017		30 September 2017	
SEK M	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial Assets						
Cash and balances with central banks	22.0	22.0	17.0	17.0	17.5	17.5
Treasury bills and other eligible bills	17,927.7	17,927.7	10,531.5	10,531.5	6,308.1	6,308.1
Loans to credit institutions	6,155.2	6,155.2	265.0	265.0	8,153.3	8,153.3
Loans to the public	280,419.4	281,160.8	261,444.2	262,346.0	251,667.1	252,647.6
Bonds and other interest-bearing securities	36,301.0	36,301.0	35,717.8	35,717.8	35,898.2	35,898.2
Shares and participations	42.4	42.4	38.3	38.3	46.8	46.8
Derivatives	6,220.5	6,220.5	5,125.5	5,125.5	4,534.7	4,534.7
Other assets	257.6	257.6	253.5	253.5	220.2	220.2
Total	**347,345.8**	**348,087.2**	**313,392.7**	**314,294.6**	**306,845.9**	**307,826.4**
Financial Liabilities						
Due to credit institutions	11,326.3	11,326.3	3,995.9	3,995.9	6,040.8	6,040.8
Deposits and borrowing from the public	105,086.0	105,588.5	99,403.6	101,169.1	99,313.7	99,805.9
Debt securities in issue	209,125.8	212,063.1	188,406.7	192,362.8	180,587.5	183,494.2
Derivatives	882.6	882.6	1,166.4	1,166.4	1,225.2	1,225.2
Other liabilities	139.0	139.0	179.3	179.3	208.1	208.1
Subordinated liabilities	2,592.7	2,651.0	2,596.5	2,681.5	2,596.2	2,687.5
Total	**329,152.4**	**332,650.5**	**295,748.4**	**301,555.0**	**289,971.5**	**293,461.7**

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 September 2018, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	17,927.7			17,927.7
Bonds and other interest-bearing securities	36,301.0			36,301.0
Shares and participations	9.5	12.6	20.3	42.4
Derivatives		6,220.5		6,220.5
Liabilities				
Derivatives		882.6		882.6
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 September 2017, SEK M				
Assets				
Treasury bills and other eligible bills	6,308.1			6,308.1
Bonds and other interest-bearing securities	35,898.2			35,898.2
Shares and participations	0.2	7.4	39.2	46.8
Derivatives		4,534.7		4,534.7
Other assets				
Liabilities				
Derivatives		1,225.2		1,225.2

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.

In the third quarter of 2018, a transfer of SEK 9.2 M took place from Level 2 to Level 1 since the holding became listed. No other significant transfers took place in 2018 or 2017. No transfers were made 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 September 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	-20.0	20.0
Closing balance, 30 September 2017	**0.0**	**39.2**

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 Sep 2018	Consolidated situation 31 Dec 2017	Consolidated situation 30 Sep 2017	Bank Group 30 Sep 2018	Bank Group 31 Dec 2017	Bank Group 30 Sep 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)	11,675.7	8,781.4	8.790.0	10,663.5	10,626.4	10,642.6
Accumulated Other comprehensive income	4,855.6	5,276.0	5,214.5	236.2	310.1	280.8
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	1,831.7	2,550.2	2,366.8	1,018.6	1,235.1	907.9
Common Equity Tier 1 capital before legislative adjustments	**24,876.4**	**23,121.0**	**22,884.6**	**14,783.0**	**13,126.5**	**12,786.1**
Common Equity Tier 1 capital: legislative adjustments						
Additional value adjustments	-61.5	-52.1	-47.9	-60.6	-51.4	-47.2
Intangible assets (net after reduction for associated tax liabilities)	-1,976.9	-1,739.3	-1,651.3	-1,185.0	-969.3	-805.9
Fair value reserves related to gains or losses on cash-flow hedges	150.4	105.9	117.5	150.4	105.9	117.0
Negative amounts resulting from the calculation of expected loss amounts	-379.0	-444.3	-454.0	-379.0	-444.3	-454.0
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	-5,887.5	-5,999.3	-6,013.6	-	-	-
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	**-8,154.6**	**-8,129.1**	**-8,049.3**	**-,1,474.2**	**-1,359.1**	**-1,190.1**
Common equity Tier 1 capital	**16,721.8**	**14,991.9**	**14,835.4**	**13,308.8**	**11,767.4**	**11,596.0**
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	946.2	944.3	-	-	-	-
Additional Tier 1 instruments	**946.2**	**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)	**17,668.0**	**15,936.2**	**16,035.4**	**14,508.8**	**12,967.4**	**12,796.0**
Tier 2 capital: instruments and provisions						
Capital instruments and associated share premium reserves	-	-	2,591.7	2,589.7	2,591.7	2,591.7
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by a third party	2,065.9	2,163.3	-	-	-	-
Tier 2 capital	**2,065.9**	**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)	**19,734.0**	**18,099.5**	**18,627.0**	**17,098.4**	**15,559.1**	**15,387.7**
Total risk-weighted assets	**68,403.4**	**64,379.2**	**62,430.2**	**51,487.5**	**48,432.2**	**47,920.8**
Capital ratios and buffers						
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	24.4%	23.3%	23.8%	25.8%	24.3%	24.2%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	25.8%	24.8%	25.7%	28.2%	26.8%	26.7%
Total capital (as a percentage of the total risk-weighted exposure amount)	28.8%	28.1%	29.8%	33.2%	32.1%	32.1%
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)	19.8%	18.8%	19.3%	21.3%	19.8%	19.7%

Note 12	Capital-adequacy, continued

SEK M	Consolidated situation 30 Sep 2018		Consolidated situation 31 Dec 2017		Consolidated situation 30 Sep 2017		Consolidated situation 30 Sep 2018		Bank Group 31 Dec 2017		Bank Group 30 Sep 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	1,764.9	141.2	1,293.5	103.5	1,389.2	111.1	1,719.2	137.5	1,242.7	99.4	1,337.4	107.0
Exposures to corporates	1,980.4	158.4	1,723.9	137.9	1,872.0	149.8	1,953.5	156.3	1,695.8	135.7	1,842.1	147.4
Retail exposures	1,924.5	154.0	1,730.7	138.5	1,630.2	130.4	1,924.5	154.0	1,730.7	138.5	1,630.2	130.4
Exposures in default	19.5	1.6	56.2	4.5	56.4	4.5	19.5	1.6	56.2	4.5	56.4	4.5
Covered bonds	-	-	15.0	1.2	30.0	2.4	-	-	15.0	1.2	30.0	2.4
Exposures to CIU	3,016.7	241.3	2,989.4	239.2	3,013.8	241.1	2,927.5	234.2	2,917.3	233.4	2,941.8	235.3
Exposures to equity	5,714.7	457.2	5,296.0	423.7	5,265.5	420.5	54.8	4.4	40.6	3.2	38.6	3.1
Other items	4,403.1	352.2	4,538.0	363.0	3,837.2	307.0	916.7	73.3	1,002.7	80.2	670.6	53.7
Total capital requirement and risk exposure amount	**18,823.9**	**1,505.9**	**17,642.7**	**1,411.4**	**17,085.3**	**1,366.8**	**9,515.6**	**761.3**	**8,701.0**	**696.1**	**8,547.1**	**683.8**
Credit risk according to IRB Approach												
Retail exposures												
Secured by real estate SME	1,949.1	155.9	2,217.4	177.4	2,211.5	176.9	1,949.1	155.9	2,217.4	177.4	2,211.5	176.9
Secured by real estate non-SME	14,551.9	1,164.2	13,118.6	1,049.5	12,686.3	1,014.9	14,551.9	1,164.2	13,118.6	1,049.5	12,686.3	1,014.9
Other SME	4,268.9	341.5	4,375.0	350.0	4,208.1	336.6	4,268.9	341.5	4,375.0	350.0	4,208.1	336.6
Other non-SME	6,991.4	559.3	7,087.4	567.0	6,983.7	558.7	6,991.4	559.3	7,087.4	567.0	6,983.7	558.7
Total retail exposures	**27,761.2**	**2,220.9**	**26,798.4**	**2,143.9**	**26,089.5**	**2,087.2**	**27,761.2**	**2,220.9**	**26,798.4**	**2,143.9**	**26,089.5**	**2,087.2**
Exposures to corporates	7,750.8	620.1	7,349.7	588.0	7,632.5	610.6	7,750.8	620.1	7,349.7	588.0	610.6	7,632.5
Total capital requirement and risk exposure amount	**35,512.1**	**2,841.0**	**34,148.1**	**2,731.8**	**33,722.1**	**2,697.8**	**35,512.1**	**2,841.0**	**34,148.1**	**2,731.8**	**33,722.1**	**2,697.8**
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	373.3
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**	**373.3**
Total capital requirement for credit valuation adjustments	**1,761.8**	**140.9**	**1,242.2**	**99.4**	**1,310.7**	**104.9**	**1,761.8**	**140.9**	**1,242.2**	**99.4**	**1,310.7**	**104.9**
Total capital requirement and risk exposure amount	**68,403.4**	**5,472.3**	**64,379.2**	**5,150.3**	**63,464.3**	**5,077.1**	**51,487.5**	**4,119.0**	**48,432.2**	**3,874.6**	**47,920.8**	**3,833.7**

Note 13 Disclosures on related parties

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

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 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	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 3 2018	Q 2 2018	Change	Q 3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full-Year 2017
Interest income	389.4	379.2	3%	372.1	5%	1,140.1	1,083.3	5%	1,463.9
Interest expense	-88.3	-89.9	-2%	-98.3	-10%	-257.1	-258.6	-1%	-336.7
Net interest income	**301.1**	**289.3**	**4%**	**273.7**	**10%**	**883.0**	**824.8**	**7%**	**1,127.2**
Dividends received	-	0.1		0.1		0.1	0.1		42.3
Commission income	143.3	135.3	6%	121.1	18%	413.0	359.4	15%	490.8
Commission expense	-121.3	-117.8	3%	-103.5	17%	-367.8	-318.2	16%	-467.8
Net commission income	**22.0**	**17.5**	**26%**	**17.6**	**25%**	**45.1**	**41.1**	**10%**	**22.9**
Net gain / loss from financial items	4.4	6.0	-27%	3.6	22%	23.1	11.7	97%	-6.4
Other operating income	31.4	30.9	2%	27.8	13%	93.5	85.9	9%	115.8
Total operating income	**359.0**	**343.8**	**4%**	**322.8**	**11%**	**1,044.8**	**963.6**	**8%**	**1,301.9**
Staff costs	-78.9	-75.9	4%	-64.6	22%	-224.4	-213.2	5%	-267.7
Other administration expenses	-264.9	-176.7	50%	-159.2	66%	-625.0	-486.5	28%	-661.0
Total administration expenses	**-343.8**	**-252.6**	**36%**	**-223.8**	**54%**	**-849.4**	**-699.7**	**21%**	**-928.6**
Depreciation / amortisation and impairment of property and equipment / intangible assets	-24.0	-24.1	0%	-17.6	36%	-67.4	-54.8	23%	-79.0
Total operating expenses	**-367.8**	**-276.7**	**33%**	**-241.4**	**52%**	**-916.8**	**-754.4**	**22%**	**-1,007.7**
Profit / loss before credit losses	**-8.8**	**67.1**		**81.4**		**128.0**	**209.2**	**-39%**	**294.2**
Credit losses, net	2.9	-0.5		3.7	-22%	16.3	2.9		-4.6
Operating profit / loss	**-5.9**	**66.6**		**85.1**		**144.3**	**212.1**	**-32%**	**289.6**
Appropriations	-	-		-		-	-		-90.0
Tax	1.3	-14.8		-18.7		-31.9	-46.7	-32%	-49.4
Profit / loss for the period	**-4.6**	**51.8**		**66.4**		**112.4**	**165.4**	**-32%**	**150.2**

Statement of comprehensive income – Parent Company

SEK M	Q 3 2018	Q 2 2018	Change	Q 3 2017	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full-Year 2017
Profit for the period	**-4.6**	**51.8**		**66.4**		**112.4**	**165.4**	**-32%**	**150.2**
Other comprehensive income									
Items that are reclassified or may subsequently be reclassified to the income statement									
Cash-flow hedges	-2.6	-9.1	-71%	-3.6	-28%	-10.0	-9.9	1%	-5.0
Change in fair value of debt instruments measured at FVOCI	-20.7	8.0		0.5		-16.8	35.4		49.5
Tax attributable to items that are transferred or can be transferred as income for the period	5.1	0.2		0.7		5.9	-5.6		-9.8
Total	**-18.2**	**-0.9**		**-2.4**		**-20.9**	**19.9**		**34.7**
Items that cannot be transferred to profit and loss									
Change in fair value of equity instruments mea-sured at FVOCI	1.6	-8.1		-		-4.8	-		-
Tax attributable to items that cannot be reversed to profit and loss	-0.3	-0.3		-		-1.1	-		-
Total	**1.3**	**-8.4**		-		**-5.9**	-		**-**
Total other comprehensive income for the period, net after tax	**-16.9**	**-9.3**	**82%**	**-2.4**		**-26.8**	**19.9**		**34.7**
Comprehensive income for the period	**-21.5**	**42.5**		**64.0**		**85.6**	**185.3**	**-54%**	**184.9**

Balance sheet – Parent Company

SEK M	30 Sep 2018	31 Dec 2017	30 Sep 2017
Assets			
Cash and balances with central banks	22.0	17.0	17.5
Treasury bills and other eligible bills	17,927.7	10,531.5	6,308.1
Loans to credit institutions	71,124.1	67,005.7	69,705.6
Loans to the public	42,374.2	42,203.2	41,813.9
Bons and other interest-bearing securities	26,090.3	25,880.0	26,247.3
Shares and participations	42.4	38.3	46.8
Shares and participations within the Group	9,764.0	9,764.0	9,299.0
Derivatives	4,873.6	3,639.1	3,184.5
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	24.4	40.5	49.5
Intangible assets	1,079.0	873.2	738.1
Property and equipment	4.2	2.8	3.1
Deffered tax assets	6.8	2.4	4.2
Other assets	318.5	278.0	261.7
Prepaid expenses and accrued income	93.4	121.4	90.2
Total assets	**173,744.5**	**160,396.8**	**157,769.5**
Liabilities, provisions and equity			
Due to credit institutions	8,709.7	7,031.4	5,579.9
Deposits and borrowing from the public	105,486.5	99,808.4	99,654.3
Debt securities in issue	39,677.9	35,594.8	34,871.8
Derivatives	4,550.7	3,677.4	3,350.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	44.2	65.5	73.8
Other liabilities	443.8	420.2	424.6
Accrued expenses and deferred income	655.1	500.1	595.1
Provisions	13.3	4.7	6.5
Subordinated liabilities	2,592.7	2,596.5	2,596.2
Total liabilities and provisions	**162,173.9**	**149,699.0**	**141,152.7**
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	970.8	730.9	574.9
Additional Tier 1 instruments	1,200.0	1,200.0	1,200.0
Fair value reserves	59.2	95.6	80.8
Retained earnings	6,093.2	7,295.9	7,460.5
Profit for the period	112.4	150.2	165.4
Total equity	**11,318.6**	**10,445.9**	**10,454.9**
Total liabilities, provisions and equity	**173,744.5**	**160,396.8**	**157,769.5**
Notes			
Accounting policies	1		
Capital-adequacy	2		
Loans to the public	3		
Loans to credit institution	4		
Disclosures on related parties	5		
Pledged assets, contingent liabilities and commitments	6		
Financial effect due to change in accounting policy from IAS 39 to IFRS 9	7		

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

SEK M	Jan–Sep 2018	Jan–Sep 2017
Cash and cash equivalents, 1 January	**131.8**	**110.5**
Operating activities		
Operating profit	144.3	212.1
Adjustment of non-cash items	178.9	131.0
Change in assets of operating activities		
Change in interest-bearing securities	-7,693.2	-1,429.3
Change in loans to the public	-126.1	-2,313.6
Change in other assets	-4,234.8	-5,571.7
Change in liabilities of operating activities		
Change in deposits and funding from the public	5,652.9	8,123.9
Change in debt securities in issue	3,830.4	5,836.5
Change in other liabilities	1,675.4	-3,064.6
Cash flow from operating activities	**-572.1**	**1,924.2**
Investing activities		
Change in property and equipment	-2.2	-1.2
Change in intangible assets	-270.5	-340.2
Change in other financial assets	-4.2	-21.4
Shareholders' contributions paid	-	-1,600.0
Cash flow from investing activites	**-276.9**	**1,962.9**
Financing activites		
Amortisation of subordinated debt	-	-
Change in subordinated debt	-2.0	0.8
Shareholders' contributions received	800.0	-
Cash flow from financing activities	**798.0**	**0.8**
Net cash flow for the period	**-51.0**	**-37.9**
Cash and cash equivalents, 30 September	**80.8**	**72.6**

Cash and cash equivalents are defined as cash and balances at central banks and loans due to credit institutions payable on demand as well as overnight loans and investments with the Swedish central bank 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								165.4	165.4
Other comprehensive income for the period					27.6	-7.7			19.9
Comprehensive income for the period					*27.6*	*-7.7*		*165.4*	185.3
According to resolution by Annual General Meeting							184.7	-184.7	-
Issued additional Tier 1 instruments							-24.9		-24.9
Capitalised proprietary development expenditures		335.0					-335.0		-
Closing balance, 30 September 2017	**954.9**	**574.9**	**18.4**	**1,200.0**	**92.4**	**-11.7**	**7,460.5**	**165.4**	**10,454.9**
Opening balance, 1 October 2017	**954.9**	**574.9**	**18.4**	**1,200.0**	**92.4**	**-11.7**	**7,460.5**	**165.4**	**10,454.9**
Profit for the period								-15.2	-15.2
Other comprehensive income for the period					11.0	3.8			14.8
Comprehensive income for the period					*11.0*	*3.8*		*-15.2*	*-0.4*
Issued additional Tier 1 instruments							-8.5		-8.5
Capitalised proprietary development expenditures		156.1					-156.1		-
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								112.4	112.4
Other comprehensive income for the period					-19.0	-7.8			-26.8
Comprehensive income for the period					*-19.0*	*-7.8*		*112.4*	85.6
According to resolution by Annual General Meeting							150.2	-150.2	-
Issued Additional Tier 1 instruments							-25.2		-25.2
Capitalised proprietary development expenditures		239.9					-239.9		-
Unconditional shareholders' contribution recevied							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 September 2018	**2,864.6**	**970.8**	**18.4**	**1,200.0[1]**	**74.8**	**-15.6**	**6,093.2**	**112.4**	**11,318.6**

[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. However, hedge accounting takes place in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

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.

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.

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.

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 Sep 2018	31 Dec 2017	30 Sep 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)	6,093.2	7,295.9	7,460.5
Accumulated Other comprehensive income	1,245.0	1,041.4	800.4
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	110.4	148.3	163.5
Common Equity Tier 1 capital before legislative adjustments	**10,313.1**	**9,440.5**	**9,379.2**
Common Equity Tier 1 capital: legislative adjustments			
Additional value adjustments	-52.9	-42.7	-38.4
Intangible assets (net after reduction for associated tax liabilities)	-1,079.0	-873.2	-738.1
Fair value reserves related to gains or losses on cash-flow hedges	15.6	7.8	11.7
Negative amounts resulting from the calculation of expected loss amounts	-86.4	-85.9	-98.8
Total legislative adjustments of Common Equity Tier 1 capital	**-1,202.7**	**-994.0**	**-863.7**
Common Equity Tier 1 capital	**9,110.4**	**8,446.5**	**8,515.6**
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)	**10,310.4**	**9,646.5**	**9,715.6**
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	0.0	13.5	12.3
Tier 2 capital	**2,589.7**	**2,605.2**	**2,604.0**
Total capital (total capital = Tier 1 capital + Tier 2 capital)	**12,900.1**	**12,251.7**	**12,319.5**
Total risk-weighted assets	**27,122.0**	**26,173.8**	**26,588.7**
Capital ratios and buffers			
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	33.6 %	32.3 %	32.0 %
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	38.0 %	36.9 %	36.5 %
Total capital (as a percentage of the total risk-weighted exposure amount)	47.6 %	46.8 %	46.3 %
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)	29.1 %	27.8 %	27.5 %

Note 2 Capital-adequacy, continued

SEK M	30 Sep 2018 Risk exposure amount	30 Sep 2018 Capital requirement	31 Dec 2017 Risk exposure amount	31 Dec 2017 Capital requirement	30 Sep 2017 Risk exposure amount	30 Sep 2017 Capital requirement
Credit risk according to Standardised Approach						
Exposures to institutions	1,227.4	98.2	799.7	64.0	896.8	71.7
Defaulted exposures	-	-	-	-	0.3	-
High risk items	-	-	15.0	1.2	30.0	2.4
Covered bonds	1,906.4	152.5	1,933.6	154.7	1,976.7	158.1
Equity exposures	10,620.0	849.6	10,605.8	848.5	10,604.4	848.4
Other items	453.8	36.3	465.5	37.2	285.2	22.8
Total capital requirement and risk exposure amount	**14,207.6**	**1,136.6**	**13,819.6**	**1,105.6**	**13,793.4**	**1,103.5**
Credit risk according to IRB Approach						
Retail exposures						
Secured by real estate SME	1,598.6	127.9	1,786.3	142.9	1,780.6	142.4
Secured by real estate non-SME	1,441.7	115.3	1,381.3	110.5	1,354.6	108.4
Other SME	475.9	38.1	500.7	40.1	496.3	39.7
Other non-SME	1,846.6	147.7	2,119.4	169.6	2,238.9	179.1
Total retail exposures	**5,362.8**	**429.0**	**5,787.7**	**463.0**	**5,870.4**	**469.6**
Exposures to corporates	4,269.2	341.5	4,035.0	322.8	4,267.3	341.4
Total capital requirement and risk exposure amount	**9,632.0**	**770.6**	**9,822.7**	**785.8**	**10,137.7**	**811.0**
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	**1,356.7**	**108.5**	**733.4**	**58.7**	**859.5**	**68.8**
Total capital requirement and risk exposure amount	**27,122.0**	**2,169.8**	**26,173.8**	**2,093.9**	**26,588.7**	**2,127.1**

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 September 2018, the total loss allowance for loan receivables amounted to SEK 64.9 M of which Länsförsäkringar Bank's recognised loss allowance for loan receivables accounted for SEK 13.0 M. The remainder of SEK 51.9 M was offset against the regional insurance companies' withheld funds, according to the model described above.

Note 4 Loans to credit institutions

On 30 September 2018, Loans to credit institutions amounted to SEK 71,124.1 M and was included in Stage 1. Loss allowance for credit losses amounted to SEK 19.2 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 Sep 2018	31 Dec 2017	30 Sep 2017
For own liabilities, pledged assets	6,267.0	5,549.0	6,580.2
Contingent liabilities	33.5	34.5	31.9
Commitments	34,370.3	35,693.0	39,211.8

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

Note 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	-9.6	86.0
Retained earnings	7,295.9	9.2	7,305.1
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, 25 October 2018

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

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

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

Stockholm 25 October 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.

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Financial calendar

Year-end report Länsförsäkringar Bank	7 February 2019
Year-end report Länsförsäkringar Hypotek	7 February 2019

This report contains such information that Länsförsäkringar Bank AB (publ) must publish in accordance with the Securities Market Act and EU Market Abuse Regulation. The information was submitted for publication on 25 October 2018 at 12:00 a.m. Swedish time.

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