7 February 2019

Länsförsäkringar Bank

Year-end report 2018

The year in brief, Group

- Operating profit amounted to SEK 1,510 M (1,599) and the return on equity amounted to 8.3% (10.0).
- Operating profit was impacted by non-recurring items of SEK 407.4 M and the return on equity excluding these costs amounted to 10.6%.
- Net interest income increased 13% to SEK 4,497 M (3,996).
- Operating income rose 16% to SEK 3,783 M (3,258).
- Operating expenses amounted to SEK 2,178 M (1,601).
- Credit losses amounted to SEK 94.7 M (57.7), net, corresponding to a credit loss level of 0.04% (0.02).
- Business volumes rose 8% to SEK 561.3 billion (519.5).
- Deposits increased 9% to SEK 108.1 billion (99.4). Lending rose 11% to SEK 289.4 billion (261.4).
- The Common Equity Tier 1 capital ratio for the consolidated situation amounted to 15.7% (24.4*) on 31 December 2018.
- The number of customers with Länsförsäkringar as their primary bank increased 9% and the number of cards increased 10%.
- According to the 2018 Swedish Quality Index customer satisfaction survey, Länsförsäkringar Bank remains the player on the banking market with the most satisfied retail customers. Länsförsäkringar Bank also has the most satisfied mortgage customers according to the 2018 Swedish Quality Index.

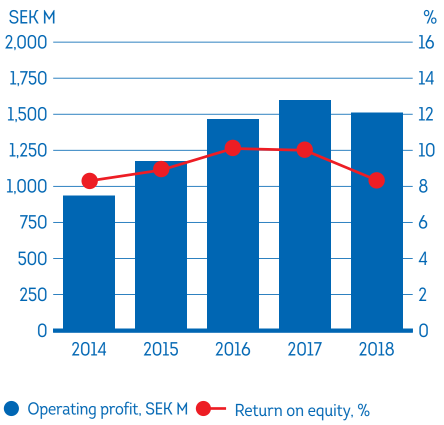
Figures in parentheses pertain to the same period in 2017.
* Pertains to 30 September 2018. As of 31 December 2018, the application of the risk weight floor for Swedish mortgages will change, which consequently reduces the capital ratios for the current period.

President's comment

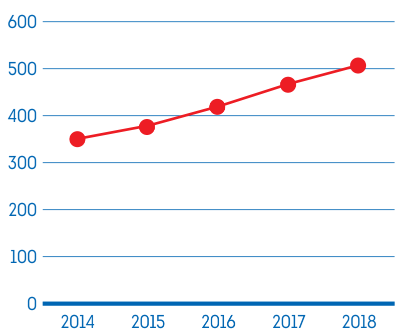
We are delighted to state that Länsförsäkringar Bank continues to have Sweden's most satisfied retail and mortgage customers according to the 2018 Swedish Quality Index. This award clearly shows that customers view Länsförsäkringar as one of the leading players on the Swedish banking market. As a result, Länsförsäkringar Bank can sum up yet another strong year in which its solid performance continued. Business volumes are growing in all product segments and the credit quality of the loan portfolio is high. We have a good balance between savings and lending in our business volumes, and our market shares are continuously increasing. Earnings were impacted by non-recurring items related to the final stage of the replacement of the bank's IT platform. Excluding these costs, the underlying earnings trend and profitability in the banking business remained very strong. The new platform will provide new opportunities to further develop our leading position in digital services. Alongside our strong local presence and personal meetings, where we offer both banking and insurance, this is one of the cornerstones of our strategy and one of the main reasons for the consistently high customer satisfaction as well as a key factor for continued growth in 2019.

Sven Eggefalk
President of Länsförsäkringar Bank

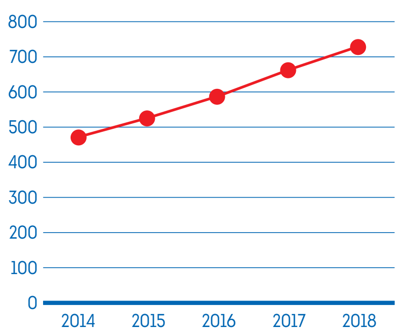
Operating profit and return on equity



Customer trend
Number of primary bank customers, 000s



Card trend
Number of cards, 000s



Länsförsäkringar

lansforsakringar.se/finansielltbank

Key figures

Group	Q 4 2018	Q 3 2018	Q 4 2017	Jan-Dec 2018	Jan-Dec 2017
Return on equity, %	4.18	8.96	10.43	8.34	10.00
Return on total capital, %	0.23	0.47	0.55	0.44	0.53
Return on total assets, %	0.18	0.37	0.41	0.34	0.41
Investment margin, %	1.32	1.28	1.35	1.30	1.32
Cost/income ratio before credit losses	0.77	0.55	0.49	0.58	0.49
Common Equity Tier 1 capital ratio, Bank Group, %	14.2*	25.8	24.3	14.2*	24.3
Tier 1 ratio, Bank Group, %	15.5*	28.2	26.8	15.5*	26.8
Total capital ratio, Bank Group, %	18.2*	33.2	32.1	18.2*	32.1
Common Equity Tier 1 capital ratio, consolidated situation, %	15.7*	24.4	23.3	15.7*	23.3
Tier 1 ratio, consolidated situation, %	16.5*	25.8	24.8	16.5*	24.8
Total capital ratio, consolidated situation, %	18.3*	28.8	28.1	18.3*	28.1
Share of credit-impaired loan receivables (stage 3), %	0.17	0.19	–	0.17	–
Reserve ratio for loan receivables stage 1, %	0.02	0.03	–	0.02	–
Reserve ratio for loan receivables stage 2, %	1.60	1.42	–	1.60	–
Reserve ratio for loan receivables stage 3, %	32.6	30.5	–	32.6	–
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	37.0	35.1	–	37.0	–
Credit loss level, %	0.04	0.02	0.04	0.04	0.02

* As of 31 December 2018, the application of the risk weight floor for Swedish mortgages will change, which consequently reduces the capital ratios for the current period.

Income statement, quarterly

Group, SEK M	Q 4 2018	Q 3 2018	Q 2 2018	Q 1 2018	Q 4 2017
Net interest income	1,168.9	1,134.8	1,111.7	1,081.7	1,070.1
Net commission	-191.8	-167.2	-200.1	-214.2	-227.8
Net gains/losses from financial items	1.0	-11.5	11.2	12.7	-6.3
Other operating income	33.0	4.8	4.9	2.8	47.7
Total operating income	**1,011.1**	**961.0**	**927.8**	**883.1**	**883.3**
Staff costs	-140.3	-148.9	-156.1	-143.0	-124.6
Other expenses	-640.0	-375.4	-291.2	-283.3	-303.4
Total operating expenses	**-780.3**	**-524.3**	**-447.3**	**-426.3**	**-428.0**
Profit before credit losses	**230.8**	**436.7**	**480.5**	**456.7**	**455.3**
Credit losses, net	-30.7	-15.0	-35.6	-13.4	-22.9
Operating profit	**200.1**	**421.7**	**444.9**	**443.3**	**432.4**

Market commentary

The global economy performed relatively well in 2018, with growth of just under 4%. However, global growth slowed in the second half of the year following the economic boom and high growth in GDP of the last few years. The US reported the strongest trend with healthy GDP growth and high confidence among both consumers and companies. The most important driver was the expansive fiscal policy that includes tax reductions.

The Fed lifted its key interest rate by 0.25 percentage points four times during the year and has indicated that two additional hikes can be expected in 2019. The US economy is expected to contract going forward in line with both fiscal and monetary policy becoming less expansive. Growth in China declined slightly in 2018, mainly driven by new regulations that slowed credit growth. Due to the weaker economic outlook, both fiscal and monetary policy changed track in a more expansive direction in a bid to stimulate the economy. The growth rate in the Eurozone clearly decelerated but is still expected to end up at close to 2%. The ECB left its key interest rate unchanged at 0% during the year and indicated that the first hike would not be until the second half of 2019 at the earliest. Nonetheless, the ECB unwound its monetary stimulus programmes by gradually reducing its net purchases of bonds and subsequently ended them at the end of the year.

2018 was a significantly more dramatic year for the financial markets than the real economy appeared to suggest. The trend in the financial markets for the first three quarters of the year was relatively stable, but the last quarter was dominated by uncertainty and considerably higher volatility. The change in sentiment was driven by such factors as concern for growth related to the trade war between the US and China, uncertainty surrounding Brexit and Italy's government finances. Stock markets tumbled sharply in the fourth quarter and the Stockholm Stock Exchange ended the full-year at almost minus 8%. This trend resulted in lower expectations about future key interest rates, falling long-term government bond rates and greater differences between rates for corporate and government bonds. Rates on covered bonds also declined during the year.

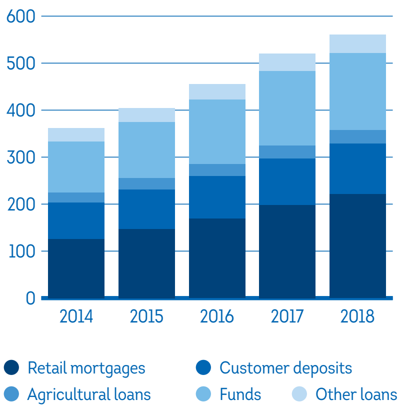
The Swedish economy performed relatively well, with both growth and employment reporting positive trends, and unemployment declined despite a growing labour force. The housing market stabilised during the year following a weaker initial trend and housing prices are expected to have risen slightly for the country as a whole. Construction was strong at the start of the year, but later slowed and is expected to end with about the same number of completed housing units as in 2017. In December, the Riksbank raised the repo rate by 0.25 percentage points to -0.25% since inflation and inflation expectations were deemed to have established at about 2%.

2018 compared with 2017

Business volumes

Business volumes rose 8%, or SEK 41.8 billion, to SEK 561.3 billion (519.5). Lending increased 11%, or SEK 28.0 billion, to SEK 289.4 billion (261.4), with continued high credit quality. Lending in Länsförsäkringar Bank rose 8% to SEK 45.7 billion (42.2). Lending in Länsförsäkringar Hypotek increased 12%, or SEK 23.4 billion, to SEK 221.1 billion (197.7). Lending in Wasa Kredit rose 5% to SEK 22.6 billion (21.6). Deposits increased 9%, or SEK 8.7 billion, to SEK 108.1 billion (99.4). Fund volumes increased 3%, or SEK 5.4 billion, to SEK 164.1 billion (158.7).

Business volumes



Customers

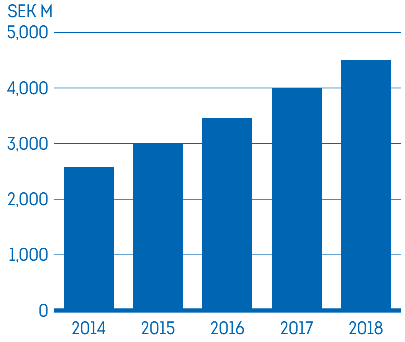
The number of customers with Länsförsäkringar as their primary bank increased 9% to 507,000 (467,000) and the average number of products per customer was five. Some 91% of those customers who have the bank as their primary bank are also existing Länsförsäkringar insurance customers. The number of bank cards rose 10% to 722,000 (655,000).

Earnings and profitability

Operating profit amounted to SEK 1,510 M (1,599). Operating profit was 6% lower, mainly due to costs of SEK 407.4 M charged to earnings in the second half of the year, most of which was attributable to the final stage of the replacement of the bank's platform for deposits, lending and payments. The underlying earnings trend remained favourable and operating profit, excluding the non-recurring items affecting comparability above, amounted to SEK 1,917 M, up 20%.

The investment margin amounted to 1.30% (1.32). Profit before credit losses was SEK 1,605 M (1,657). Return on equity amounted to 8.3% (10.0) and was impacted by the abovementioned non-recurring costs. Return on equity excluding these costs was 10.6%.

Net interest income



Income

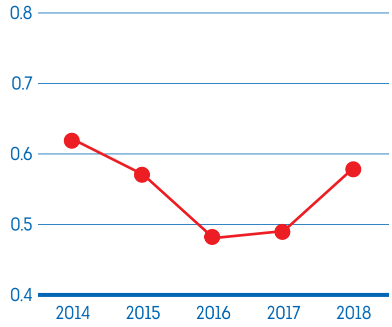
Operating income increased 16% to SEK 3,783 M (3,258), primarily due to higher net interest income. Net interest income rose 13% to SEK 4,497 M (3,996), mainly attributable to higher volumes. Net gains from financial items amounted to SEK 13.5 M (–49.4) due to changes in fair value. Net commission amounted to SEK –773.3 M (–750.3), due to increased remuneration to the regional insurance companies based on higher volumes and the strengthened profitability of the business. Underlying net commission, excluding remuneration paid to the regional insurance companies, increased 7% to SEK 807.3 M (751.4). As a result of the introduction of IFRS 15 Revenue from Contracts with Customers, commission expense was reclassified in Länsförsäkringar Fondförvaltning in the amount of SEK 685.0 M and is instead recognised as a reduction in commission income.

Expenses

Operating expenses increased to SEK 2,178 M (1,601), mainly due to the replacement of the bank's platform for deposits, lending and payments. The project is reaching the final stage and is currently in an intense phase. The new platform will mean a major shift in Länsförsäkringar Bank's ability to develop the digital offering and create opportunities to further advance the bank's position in this area. The value of the asset was assessed in conjunction with the conclusion of the project and for this reason intangible assets were impaired in the amount of SEK 254.0 M, which was charged to earnings for the fourth quarter of 2018. The final stage of the project also charged SEK 98.1 M to expenses in the third quarter of 2018, meaning that the total non-recurring costs for this project amounted to SEK 352.1 M. The underlying cost increase excluding all non-recurring costs of SEK 407.4 M was 11%. Länsförsäkringar Bank will transition to the new platform during the second quarter of 2019.

The cost/income ratio before credit losses amounted to 0.58 (0.49). Excluding non-recurring costs of SEK 407.4 M, the cost/income ratio before credit losses was 0.47. The cost/income ratio after credit losses amounted to 0.60 (0.51).

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 94.7 M (57.7), net, corresponding to a credit loss level of 0.04% (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 741.6 M, corresponding to a share of credit-impaired loan receivables of 0.17%. The estimated value of collateral for credit-impaired loan receivables was SEK 451.8 M. The total recognised loss allowance for loan receivables under IFRS 9 amounted to SEK 425.4 M, of which SEK 242.1 M pertained to credit-impaired loan receivables. The reserve ratio for credit-impaired loan receivables amounted to 32.6%. In addition to the recognised loss allowance for loan receivables, SEK 73.5 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 32.6

M pertains to credit-impaired loan receivables. Including the withheld remuneration to the regional insurance companies, the loss allowance for loan receivables totalled SEK 498.9 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to regional insurance companies, amounted to 37.0%.

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, primarily comprising household deposits, increased 9%, or SEK 8.7 billion, to SEK 108.1 billion (99.4). Deposits from small businesses amounted to SEK 11.6 billion (11.2). The number of deposit accounts increased 8%. On 31 December 2018, the market share for household deposits was 4.9% (4.8) according to Statistics Sweden. Fund volumes increased 3%, or SEK 5.4 billion, to SEK 164.1 billion (158.7) attributable to increased inflows in the fund business and changes in value. The negative changes in value were offset by a higher net inflow to Länsförsäkringar Fondförvaltning's funds during the year.

Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public increased 11%, or SEK 28.0 billion, to SEK 289.4 billion (261.4). The credit quality of lending remained high. Lending in Länsförsäkringar Hypotek increased 12%, or SEK 23.4 billion, to SEK 221.1 billion (197.7). The percentage of retail mortgages in relation to the total loan portfolio was at 77%. The weighted average loan-to-value ratio (LTV) of the mortgage portfolio amounted to 61% (60). On 31 December 2018, the market share of retail mortgages had strengthened to 6.7% (6.3) according to Statistics Sweden.

Agricultural lending increased 5% to SEK 28.3 billion (26.8). 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 increased to SEK 26.9 billion (25.3), corresponding to 95% (94) of agricultural lending.

Loans to small businesses in Länsförsäkringar Bank amounted to SEK 2.1 billion (1.8) on 31 December 2018. Lending in Wasa Kredit rose 5% to SEK 22.6 billion (21.6).

Loan portfolio, distribution in %

Lending segment, %	31 Dec 2018	31 Dec 2017
Retail mortgages	76.6	75.7
Agriculture	9.8	10.2
Multi-family housing	2.6	3.0
Leasing and hire purchase	5.9	6.4
Unsecured loans	3.0	3.2
Other	2.1	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%	177,573	80.1%
51–60%	21,704	9.8%
61–70%	14,002	6.3%
71–75%	4,085	1.8%
75%+	4,366	2.0%
TOTAL	**221,729**	**100%**

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

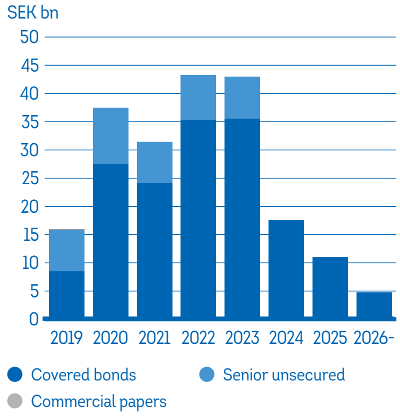
Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 12%, or SEK 21.3 billion, to a nominal SEK 204.3 billion (183.0), of which covered bonds amounted to SEK 164.0 billion (146.6), senior long-term funding to SEK 40.0 billion (35.1) and short-term funding to SEK 0.3 billion (1.0). The average remaining term for the long-term funding was 3.5 years (3.5) on 31 December 2018. Covered bonds were issued during the year at a volume of a nominal SEK 40.1 billion (39.0). Repurchases of covered bonds amounted to a nominal SEK 13.9 billion (7.2) and matured covered bonds to a nominal SEK 8.8 billion (6.8). Länsförsäkringar Bank issued senior unsecured bonds of a nominal SEK 11.4 billion (14.3) during the year, while maturities amounted to a nominal SEK 5.7 billion (7.8).

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.

In December, the Debt Office established its annual decisions on resolution plans and MREL for the institutions that the Debt Office deems to be systemically important, which includes Länsförsäkringar Bank. The Debt Office also decided on individual minimum requirements for Länsförsäkringar Bank's subsidiaries, Länsförsäkringar Hypotek and Wasa Kredit, that will start to apply in 2019.

Maturity profile



Liquidity

On 31 December 2018, the liquidity reserve amounted to SEK 54.4 billion (48.1). The liquidity reserve is invested in securities with very high credit quality and that are eligible for transactions with the Riksbank and, where applicable, with the ECB. By utilising the liquidity reserve, contractual undertakings can be met for more than two years without needing to secure new funding in the capital market. The Liquidity Coverage Ratio (LCR) for the consolidated situation on 31 December 2018 amounted to 305% (339). The Net Stable Funding Ratio (NSFR) for the consolidated situation on 31 December 2018 amounted to 115%** (116).

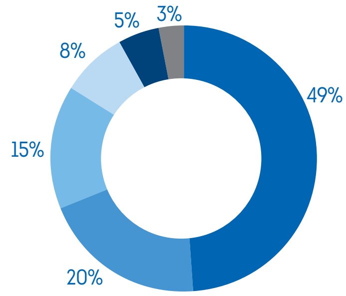
** The calculation is based on Länsförsäkringar Bank's interpretation of the Basel Committee's most recent NSFR proposal.

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.

Liquidity reserve*



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

*99% pertains to AAA-rated bonds.

Rating

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

Capital adequacy, consolidated situation[1]

In accordance with the CRR (575/2013), the consolidated situation includes the parent mixed financial holding company Länsförsäkringar AB, in addition to the Bank Group. Since the bank is of the opinion that the actual risk and capital situation is best presented in the Bank Group's capital ratios, the actual risk and capital situation are published in parallel with the capital ratios according to the consolidated situation.

Consolidated situation (SEK M)	31 Dec 2018	30 Sep 2018
IRB Approach	35,482	35,512
retail exposures	27,985	27,761
exposures to corporates	7,496	7,751
Standardised Approach	19,154	18,824
Operational risks	12,306	12,306
Additional requirements according to Article 458 CRR	45,019	-
Total REA	113,283	68,403
Common Equity Tier 1 capital	17,749	16,722
Tier 1 capital	18,677	17,668
Total capital	20,712	19,734
Common Equity Tier 1 capital ratio	15.7%	24.4%
Tier 1 ratio	16.5%	25.8%
Total capital ratio	18.3%	28.8%

Total Risk Exposure Amount (REA) in the consolidated situation on 31 December 2018 amounted to SEK 113,283 M (68,403). The increase was attributable to the Swedish Financial Supervisory Authority's introduction of additional macroprudential measures under the framework of Article 458 in CRR to counteract asset bubbles in the residential property sector. The application of these measures entails that the risk weight floor of 25% that was previously applied in Pillar II is now recognised as a Risk Exposure Amount in Pillar I and thus impacts the minimum capital requirement and applicable capital buffers. The credit quality of lending remained favourable and did not have any material impact on REA for the quarter.

Common Equity Tier 1 capital increased and amounted to SEK 17,749 M (16,722) on 31 December 2018. Own funds mainly increased as a result of profit generation and lower deductions for intangible assets. The Common Equity Tier 1 capital ratio in the consolidated situation declined to 15.7% (24.4) during the quarter due to the additional requirement above. Excluding the requirement, the Common Equity Tier 1 capital ratio amounted to 26.0%.

Internally assessed capital and buffer requirements

The internally assessed capital requirement for the consolidated situation on 31 December 2018 amounted to SEK 11,290 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 are capital requirements for the countercyclical capital buffer and the capital conservation buffer. The countercyclical capital buffer of 2% of REA amounted to SEK 2,266 M (1,368) on 31 December 2018 and the capital conservation buffer of 2.5% of REA to SEK 2,832 M (1,710). Previously, there was also an additional capital requirement for the risk weight floor for Swedish mortgages under the framework of Pillar II. Since this requirement has been transferred to Pillar I, the amount is now reflected in the minimum capital requirement and the additional buffer requirements. This transfer did not have any effect on the level of the consolidated situation's total capital requirements. Excluding the above additional requirement, the countercyclical capital buffer amounted to SEK 1,365 M and the capital conservation buffer to SEK 1,707 M.

The capital used to meet the internal capital requirement including buffer, meaning own funds, amounted to SEK 20,712 M.

The leverage ratio on 31 December 2018 amounted to 5.1% (4.8).

The Common Equity Tier 1 capital ratio for the Bank Group was 14.2% (25.8). For the Bank Group, the internally assessed capital requirement amounted to SEK 9,786 M and own funds to SEK 17,429 M.

Bank Group (SEK M)	31 Dec 2018	30 Sep 2018
IRB Approach	35,482	35,512
retail exposures	27,985	27,761
exposures to corporates	7,496	7,751
Standardised Approach	9,406	9,516
Operational risks	4,698	4,698
Additional requirements according to Article 458 CRR	45,019	-
Total REA	95,928	51,487
Common Equity Tier 1 capital	13,639	13,309
Tier 1 capital	14,839	14,509
Total capital	17,429	17,098
Common Equity Tier 1 capital ratio	14.2%	25.8%
Tier 1 ratio	15.5%	28.2%
Total capital ratio	18.2%	33.2%

For more information on capital adequacy, see note 12.

[1] The comparative period pertains to 30 September 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 31 December 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 50.3 M (48.7).

Risks and uncertainties

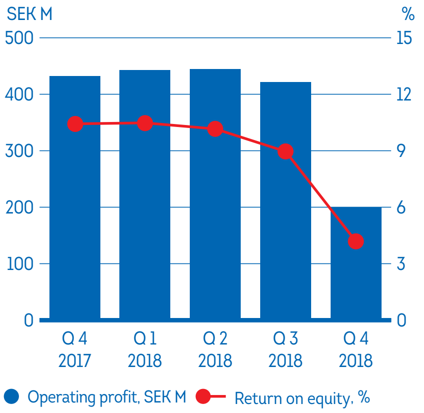
The operations are characterised by a low risk profile. The Bank Group is exposed to a number of risks, primarily comprising credit risks, refinancing risks and market risks. The macroeconomic situation in Sweden is critical for credit risk since all loans are granted in Sweden. Market risks primarily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

Fourth quarter of 2018 compared with third quarter of 2018

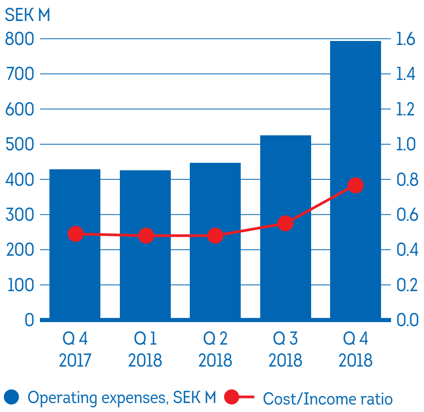
Operating profit amounted to SEK 200.1 M (421.7). The decline was mainly attributable to non-recurring costs of SEK 307.3, with most of this amount (SEK 254.0) pertaining to the impairment of intangible assets related to the ongoing project to replace the bank's IT platform. Return on equity amounted to 4.1% (9.0) and was impacted by these impairments. Excluding these non-recurring items, return on equity was 10.6%. Operating income rose 5% to SEK 1,011 M (961.0) attributable to higher net interest income. Net interest income increased 3% to SEK 1,169 M (1,135).

The investment margin strengthened to 1.32% (1.28). Commission income amounted to SEK 328.7 M (333.8) and the commission expense to SEK 520.5 M (501.0). Net commission amounted to SEK –191.8 M (167.2). Net gains from financial items amounted to SEK 1.0 M (–11.5). Operating expenses amounted to SEK 780.3 M (524.3) and this increase was mainly due to impairment of SEK 254.0 on intangible assets related to the ongoing project to replace the bank's IT platform. The cost/income ratio before credit losses amounted to 0.77 (0.55). Credit losses amounted to SEK 30.7 M (15.0), net.

Operating profit and return on equity



Operating expenses and cost/income ratio



Other events

On 2 April 2018, Sven Eggefalk took office as President of Länsförsäkringar Bank. Fredrik Bergström became the new Chairman of Länsförsäkringar Bank on 10 September 2018. On 8 October 2018, Thomas Högväg took office as the new President of Wasa Kredit and joined the bank's management group. On 1 November 2018, Tobias Ternstedt, Head of IT, was appointed a member of the bank's management group.

Events after the end of the period

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

Annual Report

The Annual Report will be available on Länsförsäkringar Bank's website on 27 March 2019.

Parent Company

2018 compared with 2017

Loans to the public amounted to SEK 45.7 billion (42.2). Deposits from the public increased 9%, or SEK 8.7 billion, to SEK 108.5 billion (99.8). Debt securities in issue amounted to SEK 39.6 billion (35.6). Operating loss amounted to SEK -20.1 M (289.6) and was mainly due to increased operating expenses as a result of the impairment of SEK 254.0 on intangible assets related to the ongoing project to replace the bank's IT platform. Net interest income increased 9% to SEK 1,234 M (1,127). Operating income increased 13% to SEK 1,470 M (1,302), due to strong net interest income and higher commission income. Commission income increased 13% to SEK 556.5 M (490.8). Net commission amounted to SEK 66.0 M (22.9). Operating expenses amounted to SEK 1,506 M (1,008) and this increase was mainly due to impairment of SEK 254.0 on intangible assets related to the ongoing project to replace the bank's IT platform. Credit losses amounted to SEK -15.6 M (4.6), net, corresponding to a credit loss level of -0.01% (0.01).

Subsidiaries

2018 compared 2017

Länsförsäkringar Hypotek

Lending increased 12%, or SEK 23.4 billion, to SEK 221.1 billion (197.7). 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 33% to SEK 1,084 M (813.0), due to higher net interest income. Net interest income rose 16% to SEK 2,434 M (2,101), attributable to higher volumes and lower refinancing costs. Operating expenses amounted to SEK 109.0 M (103.4). Credit losses amounted to SEK -1.3 M (0.0), net, corresponding to a credit loss level of -0.00% (0.00). The number of retail mortgage customers increased 7% to 274,000 (255,000).

SEK M	31 Dec 2018	31 Dec 2017
Total assets	241,368	215,337
Lending volume	221,108	197,655
Net interest income	2,434	2,101
Operating profit	1,084	819

Wasa Kredit

Wasa Kredit's lending volumes increased 5% to SEK 22.6 billion (21.6). Operating profit amounted to SEK 359.9 M (402.0) and was charged with items including non-recurring costs in the form of impairment of SEK 23.2 on intangible assets. Net interest income increased 8% to SEK 829.8 M (768.5), driven by increased volumes. Operating expenses amounted to SEK 509.9 M (453.6) and credit losses totalled SEK 112.4 M (53.1), net, partly due to the transition to IFRS 9.

SEK M	31 Dec 2018	31 Dec 2017
Total assets	23,376	22,321
Lending volume	22,576	21,586
Net interest income	830	768
Operating profit	360	402

Länsförsäkringar Fondförvaltning

Fund volumes increased 3%, or SEK 5.4 billion, to SEK 164.1 billion (158.7) attributable to increased inflows in the fund business and positive changes in value in 2018. 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 143.2 billion (138.5). Operating profit amounted to SEK 85.1 M (96.2).

SEK M	31 Dec 2018	31 Dec 2017
Total assets	688	592
Fund volumes	164,076	158,706
Net flow	8,441	6,337
Net commission	259	245
Operating profit	85	96

Income statement – Group

SEK M	Note	Q 4 2018	Q 3 2018	Change	Q 4 2017	Change	Jan-Dec 2018	Jan-Dec 2017	Change
Interest income		1,340.6	1,334.8		1,219.4	10%	5,230.3	4,568.6	14%
Interest expense		-171.6	-200.0	-14%	-149.3	15%	-733.2	-572.4	28%
Net interest income	**3**	**1,168.9**	**1,134.8**	**3%**	**1,070.1**	**9%**	**4,497.1**	**3,996.3**	**13%**
Dividends received		29.8	-		42.2	-29%	29.9	42.3	-29%
Commission income		328.7	333.8	-2%	463.9	-29%	1,252.9	1,789.4	-30%
Commission expense		-520.5	-501.0	4%	-691.8	-25%	-2,026.1	-2,539.7	-20%
Net commission income	**4**	**-191.8**	**-167.2**	**15%**	**-227.8**	**-16%**	**-773.3**	**-750.3**	**3%**
Net gains / losses from financial items	5	1.0	-11.5		-6.3		13.5	-49.4	
Other operating income		3.2	4.8	-33%	5.2	-38%	15.7	18.6	-16%
Total operating income		**1,011.1**	**961.0**	**5%**	**883.3**	**14%**	**3,782.9**	**3,257.5**	**16%**
Staff costs		-140.3	-148.9	-6%	-124.6	13%	-588.2	-549.0	7%
Other administration expenses		-302.3	-343.5	-12%	-276.1	9%	-1,164.7	-960.4	21%
Total administration expenses		**-442.6**	**-492.4**	**-10%**	**-400.7**	**10%**	**-1,752.9**	**-1,509.3**	**16%**
Depreciation / amortisation and impairment of property and equipment / intangible assets		-337.7	-31.9		-27.3		-425.3	-91.5	
Total operating expenses		**-780.3**	**-524.3**	**49%**	**-428.0**	**82%**	**-2,178.3**	**-1,600.9**	**36%**
Profit before credit losses		**230.8**	**436.7**	**-47%**	**455.3**	**-49%**	**1,604.7**	**1,656.6**	**-3%**
Credit losses, net	6	-30.7	-15.0		-22.9	34%	-94.7	-57.7	64%
Operating profit		**200.1**	**421.7**	**-53%**	**432.4**	**-54%**	**1,510.0**	**1,598.9**	**-6%**
Tax		-39.2	-92.8	-58%	-105.3	-63%	-328.4	-361.9	-9%
Profit for the period		**161.0**	**328.9**	**-51%**	**327.1**	**-51%**	**1,181.6**	**1,237.0**	**-4%**

Statement of comprehensive income – Group

SEK M	Q 4 2018	Q 3 2018	Change	Q 4 2017	Change	Jan-Dec 2018	Jan-Dec 2017	Change
Profit for the period	**161.0**	**328.9**	**-51%**	**327.1**	**-51%**	**1,181.6**	**1,237.0**	**-4%**
Other comprehensive income								
Items that cannot be transferred to the income statement								
Cash-flow hedges	-1.1	15.2		14.4		-58.1	-131.9	-56%
Change in fair value of debt instruments measured at FVOCI	-32.2	-29.0	11%	11.7		-50.1	56.5	
Tax attributable to items that have been transferred or can be transferred to profit for the period	7.3	3.0		-5.7		23.8	16.6	43%
Total	**-26.0**	**-10.8**		**20.4**		**-84.4**	**-58.8**	**44%**
Items that cannot be transferred to profit and loss								
Change in defined-benefit pension plans	-	-		1.8		-	1.8	
Change in fair value of equity instruments measured at FVOCI	-6.2	1.6		-		-11.0	-	
Tax attributable to items that cannot be reversed to profit and loss	1.1	-0.3		-0.4		0.0	-0.4	
Total	**-5.1**	**1.3**		**1.3**		**-11.0**	**1.3**	
Total other comprehensive income for the period, net after tax	**-31.1**	**-9.5**		**21.7**		**-95.4**	**-57.5**	**66%**
Comprehensive income for the period	**129.9**	**319.4**	**-59%**	**348.8**	**-63%**	**1,086.2**	**1,179.5**	**-8%**

Balance sheet – Group

SEK M	Note	31 Dec 2018	31 Dec 2017
Assets			
Cash and balances with central banks		22.2	17.0
Treasury bills and other eligible bills		10,846.8	10,531.5
Loans to credit institutions	8	4,485.9	265.0
Loans to the public	7	289,426.0	261,444.2
Bonds and other interest-bearing securities		36,790.4	35,717.8
Shares and participations		66.3	38.3
Derivatives	9	6,055.5	5,125.5
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		125.2	248.0
Intangible assets		989.6	969.3
Property and equipment		10.1	10.5
Deferred tax assets		96.1	30.0
Other assets		560.9	546.8
Prepaid expenses and accrued income		382.4	422.5
Total assets		**349,857.1**	**315,366.3**
Liabilities and equity			
Due to credit institutions		5,992.1	3,995.9
Deposits and borrowing from the public		108,141.7	99,403.6
Debt securities in issue		210,781.1	188,406.7
Derivatives	9	761.2	1,166.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		1,057.8	1,200.2
Deferred tax liabilities		577.3	508.0
Other liabilities		846.3	791.6
Accrued expenses and deferred income		2,972.4	2,959.1
Provisions		27.7	9.9
Subordinated liabilities		2,593.1	2,596.5
Total liabilities		**333,750.8**	**301,037.9**
Equity			
Share capital		2,864.6	954.9
Other capital contributed		7,442.5	7,442.5
Reserves		-78.5	26.5
Additional Tier 1 instruments		1,200.0	1,200.0
Retained earnings		3,495.9	3,467.5
Profit for the period		1,181.6	1,237.0
Total equity		**16,106.2**	**14,328.4**
Total liabilities and equity		**349,857.1**	**315,366.3**
Notes			
Accounting policies	1		
Segment reporting	2		
Pledged assets. contingent liabilities and commitments	10		
Fair value valuation techniques	11		
Capital-adequacy analysis	12		
Disclosures on related parties	13		
Financial effect due to change in accounting policy from IAS 39 to IFRS 9	14		

Cash-flow statement in summary, indirect method – Group

SEK M	Jan–Dec 2018	Jan–Dec 2017
Cash and cash equivalents, 1 January	**144.0**	**122.1**
Operating activities		
Operating profit	1,510.0	1598.8
Adjustment of non-cash items	397.4	-64.5
Change in assets of operating activities		
Change in interest-bearing securities	-1,647.3	-5,973.8
Change in loans to the public	-27,914.5	-34,720.1
Change in other assets	-4,055.9	-135.0
Change in liabilites of operating activities		
Change in deposits and funding from the public	8,704.3	8,163.0
Change in debt securitites in issue	21,084.1	31,673.9
Change in other liabilities	1,749.6	66.7
Cash flow from operating activities	**-172.4**	**609.0**
Investing activities		
Change in property and equipment	-4.0	-7.0
Change in intangible assets	-441.2	-568.2
Change in other financial assets	-	-12.9
Shareholders' contributions paid	-	-
Cash flow from investing activities	**-445.3**	**-588.1**
Financing activities		
Amortisation of subordinated debt	-	-
Change in subordinated debt	-1.8	1.0
Shareholders' contributions received	800.0	-
Cash flow from financing activities	**798.2**	**1.0**
Net cash flow for the period	**180.5**	**21.9**
Cash and cash equivalents, 31 December	**324.5**	**144.0**

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				Reserves					
	Share capital	Other capital contributed	Additional Tier 1 instru-ments[1]	Fair value reserve	Hedge reserve	Defined-benefit pension plans	Retained earnings	Profit for the period	Total
Opening balance, 1 January 2017	**954.9**	**7,442.5**	**1,200.0**	**88.2**	**-3.0**	**-1.3**	**2,364.5**	**1,136.6**	**13,182.3**
Profit for the period								1,237.0	1,237.0
Other comprehensive income for the period				44.1	-102.9	1.3			-57.5
Comprehensive income for the period				**44.1**	**-102.9**	**1.3**		**1,237.0**	**1,179.5**
According to resolution by Annual General Meeting							1,136.5	-1,136.5	-
Issued Additional Tier 1 instruments							-33.5		-33.5
Closing balance, 31 December 2017	**954.9**	**7,442.5**	**1,200.0**	**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								1,181.6	1,181.6
Other comprehensive income for the period				-50.0	-45.4				-95.4
Comprehensive income for the period				**-50.0**	**-45.4**			**1,181.6**	**1,086.2**
According to resolution by Annual General Meeting							1,237.0	-1,237.0	-
Issued Additional Tier 1 instruments							-33.9		-33.9
Unconditional shareholders' contribution recevied[3]							800.0		800.0
Bonus issue	1,909.7						-1,909.7		-
Realised gain from sale of shares							12.7		12.7
Closing balance, 31 December 2018	**2,864.6**	**7,442.5**	**1,200.0**	**72.7**	**-151.2**	**-**	**3,495.9**	**1,181.6**	**16,106.2**

1 The issued Tier 1 instrument is deemed to fulfil the conditions of an equity instrument since:
- The instrument, according to the conditions, does not have a set maturity date, meaning that the issuer has an unconditional right to refrain from making repayments.
- The issuer of the instrument has full discretion regarding interest payments, that is to say no obligation to pay interest.

2 Effect due to change in accounting policy from IAS 39 - Financial Instruments: Recognition and measurement to IFRS 9 - Financial Instruments. However, hedge accounting takes place in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

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

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 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 will replace IAS 17 Leases on 1 January 2019. The standard primarily entails that instead of being classified as operating leases, the leases in which the Group is the lessee will be recognised in the balance sheet. In connection with the transition, the Group will recognise the leases that were previously classified as operating leases in the balance sheet except for leases of a low value and leases with a term of less than 12 months.

The Group will apply the modified retrospective approach, which entails that the incremental borrowing 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, which is why no adjustment to equity arises for the opening balance 2019. Based on the Group's leases on the transition date, IFRS 16 is not expected to entail any material impact on the Group's financial position.

Note 2 Segment reporting

Income statement, Jan-Dec 2018, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	1,233.7	2,433.6	829.8	-	0.0	4,497.1
Dividends received	29.9	-	-	-	-	29.9
Commission income	556.5	2.5	209.8	572.5	-88.4	1,252.9
Commission expense	-490.5	-1,242.1	-68.8	-313.2	88.4	-2,026.1
Net gain / loss from financial items	15.4	-1.9	-	-	0.0	13.5
Intra-Group income	119.8	-	0.9	-	-120.7	-
Other income	5.1	0.0	10.5	0.0	0.0	15.7
Total operating income	**1,470.0**	**1,192.1**	**982.2**	**259.4**	**-120.7**	**3,782.9**
Intra-Group expenses	8.1	-87.1	-11.6	-30.1	120.7	-
Other administration expenses	-1,138.4	-21.8	-448.9	-143.9	0.0	-1,752.9
Depreciation / amortisation and impairment	-375.4	-0.2	-49.5	-0.3	-	-425.3
Total operating expenses	**-1,505.7**	**-109.0**	**-509.9**	**-174.3**	**120.7**	**-2,178.3**
Profit before credit losses	**-35.7**	**1,083.0**	**472.2**	**85.1**	-	**1,604.7**
Credit losses, net	15.6	1.3	-112.4	-	0.8	-94.7
Operating profit / loss	**-20.1**	**1,084.4**	**359.9**	**85.1**	**0.8**	**1,510.0**
Balance sheet 31 December 2018						
Total assets	**178,405.9**	**241,368.0**	**23,376.4**	**687.5**	**-93,980.7**	**349,857.1**
Liabilities	167,062.9	230,034.0	20,417.1	192.3	-83,955.5	333,750.8
Equity	11,342.9	11,334.0	2,959.3	495.2	-10,025.2	16,106.2
Total liabilities and equity	**178,405.9**	**241,368.0**	**23,376.4**	**687.5**	**-93,980.7**	**349,857.1**
Income statement, Jan-Dec 2017, SEK M						
Net interest income	1,127.2	2,100.6	768.5	0.0	-	3,996.3
Dividends received	42.3	-	-	-	-	42.3
Net commission	22.9	-1,141.3	124.0	244.8	-0.8	-750.3
Net gain / loss from financial items	-6.4	-43.0	-	-	-	-49.4
Intra-Group income	112.9	-	0.8	-	-113.7	0.0
Other income	2.9	0.0	15.5	0.1	-	18.6
Total operating income	**1,301.9**	**916.4**	**908.8**	**244.9**	**-114.4**	**3,257.5**
Intra-Group expenses	7.5	-82.2	-10.4	-29.3	144.4	0.0
Other administration expenses	-936.1	-21.0	-431.2	-119.0	-2.0	-1,509.3
Depreciation / amortisation and impairment	-79.0	-0.2	-12.0	-0.4	-	-91.5
Total operating expenses	**-1,007.7**	**-103.4**	**-453.6**	**-148.7**	**112.5**	**-1,600.9**
Profit / loss before loan losses	**294.2**	**813.0**	**455.1**	**96.2**	**-2.0**	**1,656.6**
Loan losses, net	-4.6	0.0	-53.1	0.0	0.0	-57.7
Operating profit / loss	**289.6**	**813.0**	**402.0**	**96.2**	**-2.0**	**1,598.9**
Balance sheet 31 December 2017						
Total assets	**160,396.8**	**215,336.6**	**22,320.7**	**592.0**	**-83,279.9**	**315,366.3**
Liabilities	149,754.4	204,869.4	19,758.0	172.0	-73,515.9	301,037.9
Equity	10,642.4	10,467.3	2,562.7	420.0	-9,764.0	14,328.4
Total liabilities and equity	**160,396.8**	**215,336.6**	**22,320.7**	**592.0**	**-83,279.9**	**315,366.3**

Income 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 4 2018	Q 3 2018	Change	Q 4 2017	Change	Jan-Dec 2018	Jan-Dec 2017	Change
Interest income								
Loans to credit institutions	-3.3	-4.8	-31%	0.1		-14.7[1]	-2.8	
Loans to the public	1,443.5	1,431.8	1%	1,364.6	6%	5,673.2	5,267.2	8%
Interest-bearing securities	32.5	39.4	-18%	53.6	-39%	157.2[1]	224.0	-30%
Derivatives	-132.1	-131.6		-199.0	-34%	-585.4	-919.7	-36%
Other interest income	0.0	0.0		0.0		0.0	-0.1	
Total interest income	**1,340.6**	**1,334.8**		**1,219.4**	**10%**	**5,230.3**	**4,568.6**	**14%**
Interest expense								
Due to credit institutions	10.7	12.1	-12%	8.3	29%	41.1[1]	26.5	55%
Deposits and borrowing from the public	-29.6	-28.8	3%	-27.5	8%	-113.2	-130.4,	-13%
Debt securities in issue	-506.5	-521.3	-3%	-502.6	1%	-2,095.8	-1,984.6	6%
Subordinated liabilities	-11.9	-12.1	-2%	-14.1	-16%	-50.4	-55.2	-9%
Derivatives	398.3	417.4	-5%	442.9	-10%	1,728.2	1,791.3	-4%
Other interest expense, including government deposit insurance	-32.7	-67.3	-51%	-56.2	-42%	-242.9	-220.0	10%
Total interest expense	**-171.6**	**-200.0**	**-14%**	**-149.3**	**15%**	**-733.2**	**-572.4**	**28%**
Total net interest income	**1,168.9**	**1,134.8**	**3%**	**1,070.1**	**9%**	**4,497.1**	**3,996.3**	**13%**
Average interest rate on loans to the public during the period, including net leasing, %	2.1	2.1		2.1		2.1	2.2	
Average interest rate on deposits from the public during the period, %	0.1	0.1		0.1		0.1	0.1	

[1] Of which negative interest on Loans to credit institutions of SEK -26.4 M, Interest-bearing securities of SEK -74.1 M and Due to credit institutions of SEK 41.2 M. Interest income calculated according to the effective interest method amounts to SEK 1,340.6 M (1,334.8).

Note 4 Net commission income

SEK M	Q 4 2018	Q 3 2018	Change	Q 4 2017	Change	Jan-Dec 2018	Jan-Dec 2017	Change
Commission income								
Payment mediation	26.4	23.2	14%	24.6	7%	93.6	87.3	7%
Loans	59.8	62.0	-4%	60.5	-1%	244.8	232.1	5%
Deposits	2.9	2.9		2.7	7%	13.5	11.3	19%
Securities [1]	165.0	164.0	1%	301.9	-45%	603.5	1,180.7	-49%
Cards	66.9	66.0	1%	58.6	14%	248.3	213.2	16%
Remuneration to regional insurance companies	7.5	15.8	-53%	15.5	-52%	48.8	64.1	-24%
Other commission	0.1	0.0		0.2	-50%	0.3	0.8	-63%
Total commission income	**328.7**	**333.8**	**-2%**	**463.9**	**-29%**	**1,252.9**	**1,789.4**	**-30%**
Commission expense								
Payment mediation	-19.7	-37.4	-47%	-21.3	-8%	-129.3	-125.2	3%
Securities [1]	-21.3	-20.3	5%	-170.0	-87%	-77.7	-677.1	-89%
Cards	-30.6	-37.3	-18%	-34.7	-12%	-135.3	-117.1	16%
Remuneration to regional insurance companies	-425.0	-382.1	11%	-438.7	-3%	-1,580.5	-1,501.7	5%
Management costs	-20.8	-20.6	1%	-24.3	-14%	-90.0	-107.1	-16%
Other commission	-3.2	-3.3	-3%	-2.8	14%	-13.3	-10.9	22%
Total commission expense	**-520.5**	**-501.0**	**4%**	**-691.8**	**-25%**	**-2,026.1**	**-2,539.7**	**-20%**
Total net commission income	**-191.8**	**-167.2**	**15%**	**-227.8**	**-16%**	**-773.3**	**-750.3**	**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 4 2018	Q 3 2018	Change	Q 4 2017	Change	Jan-Dec 2018	Jan-Dec 2017	Change
Interest-bearing assets and liabilities and related derivatives	-5.7	-18.2	-69%	-2.2		-16.0	-70.5	-77%
Other financial assets and liabilities	0.2	0.0		-12.6		0.7	-12.9	
Interest compensation (refer to items measured at amortised cost)	6.5	6.7	-3%	8.4	-23%	28.8	34.0	-15%
Total net gains / losses from financial items	**1.0**	**-11.5**		**-6.3**		**13.5**	**-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 4 2018	Q 3 2018	Change	Q 4 2017	Change	Jan-Dec 2018	Jan-Dec 2017	Change
Change in loss allowance for loan receivables								
Stage 1 (not credit-impaired)	3.5	6.7	-48%			6.3		
Stage 2 (not credit-impaired)	-15.4	3.3				-22.8		
Stage 3 (credit-impaired)	-7.0	-19.8	-65%			-53.2		
Total change in loss allowance for loan receivables	**-18.9**	**-9.8**	**93%**	**-2.0**[1]		**-69.7**	**-17.3**[1]	
Expense for confirmed credit losses	-32.2	-28.9	11%	-42.4	-24%	-119.3	-131.0	-9%
Payment received for prior confirmed credit losses	19.9	22.0	-10%	21.4	-7%	83.7	90.3	-7%
Net expense for the period for credit losses for loan receivables	**-31.2**	**-16.7**	**87%**	**-23.0**	**36%**	**-105.4**	**-58.0**	**82%**
Change in loss allowance for commitments	0.6	2.0	-70%	-		2.0	-	
Net expense for other credit losses	-0.1	-0.3	-67%	0.1		8.7	0.3	
Net expense of the modification result	0.0	-		-		0.0	-	
Net expense for credit losses	**-30.7**	**-15.0**		**-22.9**	**34%**	**-94.7**	**-57.7**	**64%**

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

The settlement model regarding the commitment that the regional insurance companies have for credit losses entails that the regional insurance companies cover 80 procent 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 procent of the provision requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. In 2018, total credit losses amounted to SEK -75.3 M, of which the Bank Group's recognised credit losses amounted to SEK -94.7 M and the remainder of SEK 19.4 M was settled against remuneration to the regional insurance companies.

Note 7	**Loans to the public** Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	31 December 2018	31 December 2017
Public sector	4,182.0	2,014.1
Corporate sector	18,854.9	18,402.4
Retail sector	266,814.0	241,294.8
Other	0.4	0.3
Loan to the public before reserves	**289,851.4**	**261,711.6**
Loss allowance	-425.4	-267.5
Loans to the public	**289,426.0**	**261,444.2**

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	-61.1	-1.3	-2.1	-64.5
Change in loss allowance model or method	3.1	2.9	-0.2	5.8
Decrease due to repayment	35.0	33.2	34.4	102.6
Change due to changed credit risk	29.4	-57.5	-207.3	-235.5
Other adjustments	0.0	-0.1	0.0	-0.1
Decrease due to write-off	-	-	122.0	122.0
Closing balance, 31 December 2018	**-66.9**	**-116.4**	**-242.1**	**-425.4**
	Not credit-impaired		**Credit-impaired**	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to the public before loss allowances	**281,826.7**	**7,283.1**	**741.6**	**289,851.4**
Credit reserve requirement	-85.1	-139.1	-274.7	-498.9
Withheld remuneration to the regional insurance companies	18.2	22.7	32.6	73.5
Recognised loss allowance	**-66.9**	**-116.4**	**-242.1**	**-425.4**
Loans to the public	**281,759.8**	**7,166.7**	**499.5**	**289,426.0**

The settlement model regarding the commitment that the regional insurance companies have for credit losses entails that the regional insurance companies cover 80 procent 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 procent of the provision requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. On 31 December 2018, the total credit reserve requirement for loan receivables amounted to SEK 498.9 M of which the Bank Group's recognised loss allowance for loan receivables accounted for SEK 425.4 M and the remainder of SEK 73.5 M was settled against the remuneration to the regional insurance companies.

Note 8	**Loans to credit institutions**

On 31 December 2018, Loans to credit institutions amounted to SEK 4,485.9 M and was included in Stage 1. Loss allowance for credit losses amounted to SEK 0 M.

Note 9 Derivatives

SEK M	31 December 2018 Nominal value	31 December 2018 Fair value	31 December 2017 Nominal value	31 December 2017 Fair value
Derivatives with positive values				
Derivatives in hedge accounting				
Interest-related	166,918.8	1,551.8	117,810.8	1,900.5
Currency-related	42,007.5	4,617.2	35,828.8	3,210.6
Other derivatives				
Currency-related	-	-	401.8	14.4
Total derivatives with positive values	**208,926.3**	**6,169.0**	**154,041.4**	**5,125.5**
Offset derivatives with positive values	-31,739.0	-113.5	-	-
Net amount after offset	**177,187.3**	**6,055.5**	**154,041.4**	**5,125.5**
Derivatives with negative values				
Derivatives in hedge accounting				
Interest-related	70,688.0	428.2	102,307.0	805.0
Currency-related	10,442.9	445.2	4,733.5	361.4
Other derivatives				
Currency-related	325.3	1.3	-	-
Total derivatives with negative values	**81,456.2**	**874.7**	**107,040.5**	**1,166.4**
Offset derivatives with negative values	-31,739.0	-113.5	-	-
Net amount after offset	**49,717.2**	**761.2**	**107,040.5**	**1,166.4**

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	31 December 2018	31 December 2017
For own liabilities, pledged assets	227,195.1	203,273.4
Contingent liabilities	34.7	34.5
Commitments	20,842.0	21,979.4

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

	31 December 2018		31 December 2017	
SEK M	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial Assets				
Cash and balances with central banks	22.2	22.2	17.0	17.0
Treasury bills and other eligible bills	10,846.8	10,846.8	10,531.5	10,531.5
Loans to credit institutions	4,485.9	4,485.9	265.0	265.0
Loans to the public	289,426.0	290,227.6	261,444.2	262,346.0
Bonds and other interest-bearing securities	36,790.4	36,790.4	35,717.8	35,717.8
Shares and participations	66.3	66.3	38.3	38.3
Derivatives	6,055.5	6,055.5	5,125.5	5,125.5
Other assets	256.6	256.6	253.5	253.5
Total	**347,949.6**	**348,751.2**	**313,392.7**	**314,294.6**
Financial Liabilities				
Due to credit institutions	5,992.1	5,992.1	3,995.9	3,995.9
Deposits and borrowing from the public	108,141.7	108,677.4	99,403.6	101,169.1
Debt securities in issue	210,781.1	214,791.8	188,406.7	192,362.8
Derivatives	761.2	761.2	1,166.4	1,166.4
Other liabilities	183.4	183.4	179.3	179.3
Subordinated liabilities	2,593.1	2,631.7	2,596.5	2,681.5
Total	**328,452.5**	**333,037.6**	**295,748.4**	**301,555.0**

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

31 December 2018, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	10,846.8			10,846.8
Bonds and other interest-bearing securities	36,790.4			36,790.4
Shares and participations	8.2	37.6	20.5	66.3
Derivatives		6,055.5		6,055.5
Liabilities				
Derivatives		761.2		761.2
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

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 and C 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**
Acquisition	-	0.3
Change in value of shares and participations	-	-10.0
Recognised in profit for the year	-	0.2
Closing balance, 31 December 2018	**-**	**20.5**
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**

Note 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 31 Dec 2018	Consolidated situation 31 Dec 2017	Bank Group 31 Dec 2018	Bank Group 31 Dec 2017
Common Equity Tier 1 capital: instruments and reserves				
Capital instruments and associated share premium reserves	6,513.4	6,513.4	2,864.6	954.9
Of which: share capital	*1,042.5*	*1,042.5*	*2,864.6*	*954.9*
Non-distributed earnings (Retained earnings)	11,613.1	8,781.4	10,545.9	10,626.4
Accumulated Other comprehensive income	4,938.9	5,276.0	314.1	310.1
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	2,488.3	2,550.2	1,179.5	1,235.1
Common Equity Tier 1 capital before legislative adjustments	**25,553.7**	**23,121.0**	**14,904.1**	**13,126.5**
Common Equity Tier 1 capital: legislative adjustments				
Additional value adjustments	-54.4	-52.1	-53.5	-51.4
Intangible assets (net after reduction for associated tax liabilities)	-1,734.2	-1,739.3	-989.6	-969.3
Fair value reserves related to gains or losses on cash-flow hedges	151.2	105.9	151.2	105.9
Negative amounts resulting from the calculation of expected loss amounts	-372.9	-444.3	-372.9	-444.3
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	-5,794.1	-5,999.3	-	-
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	**-7,804.4**	**-8,129.1**	**-1,264.8**	**-1,359.1**
Common equity Tier 1 capital	**17,749.3**	**14,991.9**	**13,639.3**	**11,767.4**
Additional Tier 1 instruments: instruments				
Capital instruments and associated share premium reserves	-	-	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*
Qualifying Tier 1 instruments included in consolidated Tier 1 capital issued by subsidiaries and held by a third party	*927.6*	944.3	-	-
Additional Tier 1 instruments	**927.6**	**944.3**	**1,200.0**	**1,200.0**
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 instruments)	**18,676.9**	**15,936.2**	**14,839.3**	**12,967.4**
Tier 2 capital: instruments and provisions				
Capital instruments and associated share premium reserves	-	-	2,589.7	2,591.7
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by a third party	*2,035.5*	2,163.3	-	-
Tier 2 capital	**2,035.5**	**2,163.3**	**2,589.7**	**2,591.7**
Total capital (total capital = Tier 1 capital + Tier 2 capital)	**20,712.4**	**18,099.5**	**17,429.0**	**15,559.1**
Total risk-weighted assets	**113,283.1**	**64,379.2**	**95,927.8**	**48,432.2**
Capital ratios and buffers				
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	15.7%	23.3%	14.2%	24.3%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	16.5%	24.8%	15.5%	26.8%
Total capital (as a percentage of the total risk-weighted exposure amount)	18.3%	28.1%	18.2%	32.1%
Institution-specific buffer requirements	9.0%	9.0%	9.0%	9.0%
Of which: capital conservation buffer requirement	*2.5%*	*2.5%*	*2.5%*	*2.5,%*
Of which: countercyclical capital buffer requirement	*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)	10.3%	18.8%	9.5%	19.8%

Note 12 Capital-adequacy, continued

SEK M	Consolidated situation 31 Dec 2018		Consolidated situation 31 Dec 2017		Bank Group 31 Dec 2018		Bank Group 31 Dec 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
Credit risk according to Standardised Approach								
Exposures to institutions	1,344.9	107.6	1,293.5	103.5	1,303.1	104.2	1,242.7	99.4
Exposures to corporates	2,041.3	163.3	1,723.9	137.9	2,039.2	163.1	1,695.8	135.7
Retail exposures	1,978.8	158.3	1,730.7	138.5	1,978.8	158.3	1,730.7	138.5
Exposures in default	20.0	1.6	56.2	4.5	20.0	1.6	56.2	4.5
Covered bonds	0.4	0.0	15.0	1.2	0.4	0.0	15.0	1.2
Exposures to CIU	3,060.1	244.8	2,989.4	239.2	2,971.0	237.7	2,917.3	233.4
Exposures to equity	5,971.7	477.7	5,296.0	423.7	78.4	6.3	40.6	3.2
Other items	4,736.3	378.9	4,538.0	363.0	1,014.9	81.2	1,002.7	80.2
Total capital requirement and risk exposure amount	**19,153.6**	**1,532.3**	**17,642.7**	**1,411.4**	**9,405.9**	**752.5**	**8,701.0**	**696.1**
Credit risk according to IRB Approach								
Retail exposures								
Secured by real estate SME	1,932.1	154.6	2,217.4	177.4	1,932.1	154.6	2,217.4	177.4
Secured by real estate non-SME	14,841.4	1,187.3	13,118.6	1,049.5	14,841.4	1,187.3	13,118.6	1,049.5
Other SME	4,332.5	346.6	4,375.0	350.0	4,332.5	346.6	4,375.0	350.0
Other non-SME	6,879.4	550.4	7,087.4	567.0	6,879.4	550.4	7,087.4	567.0
Total retail exposures	**27,985.3**	**2,238.8**	**26,798.4**	**2,143.9**	**27,985.3**	**2,238.8**	**26,798.4**	**2,143.9**
Exposures to corporates	7,496.3	599.7	7,349.7	588.0	7,496.3	599.7	7,349.7	588.0
Total capital requirement and risk exposure amount	**35,481.6**	**2,838.5**	**34,148.1**	**2,731.8**	**35,481.6**	**2,838.5**	**34,148.1**	**2,731.8**
Operational risks								
Standardised Approach	12,305.6	984.4	11,346.2	907.7	4,697.9	375.8	4,340.9	347.3
Total capital requirement for operational risk	**12,305.6**	**984.4**	**11,346.2**	**907.7**	**4,697.9**	**375.8**	**4,340.9**	**347.3**
Total capital requirement for credit valuation adjustments	**1,323.4**	**105.9**	**1,242.2**	**99.4**	**1,323.4**	**105.9**	**1,242.2**	**99.4**
Additional Risk Exposure Amounts according to Article 458 CRR	**45,018.9**	**3,601.5**	**-**	**-**	**45,018.9**	**3,601.5**	**-**	**-**
Total capital requirement and risk exposure amount	**113,283.1**	**9,062.6**	**64,379.2**	**5,150.3**	**95,927.8**	**7,674.2**	**48,432.2**	**3,874.6**

Note 13 Disclosures on related parties

Significant agreements for the Bank Group are primarily outsourcing agreements with the 23 regional insurance companies and outsourcing 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 assests and liabilities by category according to IFRS 9

SEK M	Carrying amount 1 January 2018	Category according to IAS 39	Category according to IFRS 9
Assets			
Cash and balances with central banks	17.0	Loans and receivables	Amortised cost
Treasury bills and other eligible bills	10,531.5	Available-for-sale financial assets	FVOCI
Loans to credit institutions	265.0	Loans and receivables	Amortised cost
Loans to the public	261,355.9	Loans and receivables	Amortised cost
Bonds and other interest-bearing securities	35,717.8	Available-for-sale financial assets	FVOCI
Shares and participations	38.3	Available-for-sale financial assets	FVOCI
Derivatives	5,125.5		
of which: hedge accounting	5,111.1	Derivatives for hedge accounting	Derivatives for hedge accounting
of which: other	14.4	Held for trading	FVPL
Other assets	253.5	Loans and receivables	Amortised cost
Total assets	**313,304.5**		

The classification of financial liabilities was not changed in connection with the transition to IFRS 9 and they continue to be measured at amortised cost.

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 4 2018	Q 3 2018	Change	Q 4 2017	Change	Jan-Dec 2018	Jan-Dec 2017	Change
Interest income	402.2	389.4	3%	380.6	6%	1,542.3	1,463.9	5%
Interest expense	-51.5	-88.3	-42%	-78.1	-34%	-308.6	-336.7	-8%
Net interest income	**350.8**	**301.1**	**17%**	**302.4**	**16%**	**1,233.7**	**1,127.2**	**9%**
Dividends received	29.8	-		42.2	-29%	29.9	42.3	-29%
Commission income	143.6	143.3		131.4	9%	556.5	490.8	13%
Commission expense	-122.7	-121.3	1%	-149.6	-18%	-490.5	-467.8	5%
Net commission income	**20.9**	**22.0**	**-5%**	**-18.2**		**66.0**	**22.9**	
Net gain / loss from financial items	-7.7	4.4		-18.1	-57%	15.4	-6.4	
Other operating income	31.4	31.4		29.9	5%	124.9	115.8	8%
Total operating income	**425.2**	**359.0**	**18%**	**338.3**	**26%**	**1,470.0**	**1,301.9**	**13%**
Staff costs	-65.9	-78.9	-16%	-54.5	21%	-290.3	-267.7	8%
Other administration expenses	-215.0	-264.9	-19%	-174.5	23%	-840.0	-661.0	27%
Total administration expenses	**-280.9**	**-343.8**	**-18%**	**-229.0**	**23%**	**-1,130.3**	**-928.6**	**22%**
Depreciation / amortisation and impairment of property and equipment / intangible assets	-308.0	-24.0		-24.3		-375.4	-79.0	
Total operating expenses	**-588.9**	**-367.8**	**60%**	**-253.2**		**-1,505.7**	**-1,007.7**	**49%**
Profit / loss before credit losses	**-163.7**	**-8.8**		**85.0**		**-35.7**	**294.2**	
Credit losses, net	-0.7	2.9		-7.5	-91%	15.6	-4.6	
Operating profit / loss	**-164.4**	**-5.9**		**77.5**		**-20.1**	**289.6**	
Appropriations	-70.0	-		-90.0	-22%	-70.0	-90.0	-22%
Tax	34.2	1.3		-2.8		2.4	-49.4	
Profit / loss for the period	**-200.2**	**-4.6**		**-15.2**		**-87.7**	**150.2**	

Statement of comprehensive income – Parent Company

SEK M	Q 4 2018	Q 3 2018	Change	Q 4 2017	Change	Jan-Dec 2018	Jan-Dec 2017	Change
Profit for the period	**-200.2**	**-4.6**		**-15.2**		**-87.7**	**150.2**	
Other comprehensive income								
Items that are reclassified or may subsequently be reclassified to the income statement								
Cash-flow hedges	-4.7	-2.6	81%	5.0		-14.7	-5.0	
Change in fair value of debt instruments measured at FVOCI	-25.1	-20.7	21%	14.1		-41.9	49.5	
Tax attributable to items that are transferred or can be transferred as income for the period	6.6	5.1	29%	-4.2		12.5	-9.8	
Total	**-23.2**	**-18.2**	**27%**	**14.9**		**-44.1**	**34.7**	
Items that cannot be transferred to profit and loss								
Change in fair value of equity instruments measured at FVOCI	-6.2	1.6		-		-11.0	-	
Tax attributable to items that cannot be reversed to profit and loss	1.1	-0.3		-		0.0	-	
Total	**-5.1**	**1.3**		-		-11.0	**-**	
Total other comprehensive income for the period, net after tax	**-28.3**	**-16.9**	**67%**	**14.9**		**-55.1**	**34.7**	
Comprehensive income for the period	**-228.5**	**-21.5**		**-0.3**		**-142.8**	**184.9**	

Balance sheet – Parent Company

SEK M		31 Dec 2018	31 Dec 2017
Assets			
Cash and balances with central banks		22.2	17.0
Treasury bills and other eligible bills		10,846.8	10,531.5
Loans to credit institutions		79,013.9	67,005.7
Loans to the public		45,742.5	42,203.2
Bons and other interest-bearing securities		26,873.7	25,880.0
Shares and participations		66.3	38.3
Shares and participations within the Group		9,764.0	9,764.0
Derivatives		4,667.2	3,639.1
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		21.6	40.5
Intangible assets		904.7	873.2
Property and equipment		4.1	2.8
Deffered tax assets		58.8	2.4
Other assets		330.9	278.0
Prepaid expenses and accrued income		89.1	121.4
Total assets		**178,405.9**	**160,396.8**
Liabilities, provisions and equity			
Due to credit institutions		10,755.9	7,031.4
Deposits and borrowing from the public		108,539.8	99,808.4
Debt securities in issue		39,586.1	35,594.8
Derivatives		4,482.4	3,677.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		38.1	65.5
Other liabilities		461.5	420.2
Accrued expenses and deferred income		532.2	500.1
Provisions		13.4	4.7
Subordinated liabilities		2,593.1	2,596.5
Total liabilities and provisions		**167,002.4**	**149,699.0**
Untaxed reserves		**322.0**	**252.0**
Equity			
Share capital		2,864.6	954.9
Statutory reserve		18.4	18.4
Development Expenditures Fund		833.1	730.9
Additional Tier 1 instruments		1,200.0	1,200.0
Fair value reserves		30.9	95.6
Retained earnings		6,222.2	7,295.9
Profit for the period		-87.7	150.2
Total equity		**11,081.5**	**10,445.9**
Total liabilities, provisions and equity		**178,405.9**	**160,396.8**
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–Dec 2018	Jan–Dec 2017
Cash and cash equivalents, 1 January	**131.8**	**110.5**
Operating activities		
Operating profit	-20.1	289.6
Adjustment of non-cash items	56.5	-25.9
Change in assets of operating activities		
Change in interest-bearing securities	-1,532.4	-5,322.3
Change in loans to the public	-3,494.2	-2,699.7
Change in other assets	-12,121.2	-2,709.8
Change in liabilities of operating activities		
Change in deposits and funding from the public	8,697.5	8,269.4
Change in debt securities in issue	3,976.6	6,420.3
Change in other liabilities	3,779.8	-1,622.7
Cash flow from operating activities	**-657.6**	**2,598.8**
Investing activities		
Change in property and equipment	-2.4	-1.2
Change in intangible assets	-119.8	-499.4
Change in other financial assets	0.0	-12.9
Shareholders' contributions paid	0.0	-2,065.0
Cash flow from investing activites	**-122.2**	**-2,578.5**
Financing activites		
Amortisation of subordinated debt	-	-
Change in subordinated debt	-2.0	1.0
Shareholders' contributions received	800.0	-
Cash flow from financing activities	**798.0**	**1.0**
Net cash flow for the period	**18.1**	**21.3**
Cash and cash equivalents, 31 December	**149.9**	**131.8**

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[1]	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**	**10,294.5**
Profit for the period								150.2	150.2
Other comprehensive income for the period					38.6	-3.9			34.7
Comprehensive income for the period					**38.6**	**-3.9**		**150.2**	**184.9**
According to resolution by Annual General Meeting							184.7	-184.7	-
Issued additional Tier 1 instruments							-33.5		-33.5
Capitalised proprietary development expenditures		491.1					-491.1		-
Closing balance, 31 December 2017	**954.9**	**730.9**	**18.4**	**1,200.0**	**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								-87.7	-87.7
Other comprehensive income for the period					-43.6	-11.4			-55.1
Comprehensive income for the period					**-43.6**	**-11.4**		**-87.7**	**-142.8**
According to resolution by Annual General Meeting							150.2	-150.2	-
Issued Additional Tier 1 instruments							-33.9		-33.9
Capitalised proprietary development expenditures		102.2					-102.2		-
Unconditional shareholders' contribution received[3]							800.0		800.0
Bonus issue	1,909.7						-1,909.7		-
Realised gain from sale of shares							12.7		12.7
Closing balance, 31 December 2018	**2,864.6**	**833.1**	**18.4**	**1,200.0**	**50.1**	**-19.2**	**6,222.2**	**-87.7**	**11,081.5**

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.

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

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 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.

IFRS 16 will replace IAS 17 Leases on 1 January 2019. The standard primarily entails that instead of being classified as operating leases, the leases in which a company in the Group is the lessee will be recognised in the balance sheet. IFRS 16 will only be applied at Group level.

Note 2	**Capital-adequacy**

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

SEK M	31 Dec 2018	31 Dec 2017
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and associated share premium reserves	2,864.6	954.9
Of which: share capital	*2,864.6*	*954.9*
Non-distributed earnings (Retained earnings)	6,222.2	7,295.9
Accumulated Other comprehensive income	1,134.0	1,041.4
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	-89.9	148.3
Common Equity Tier 1 capital before legislative adjustments	**10,130.9**	**9,440.5**
Common Equity Tier 1 capital: legislative adjustments		
Additional value adjustments	-45.9	-42.7
Intangible assets (net after reduction for associated tax liabilities)	-904.7	-873.2
Fair value reserves related to gains or losses on cash-flow hedges	19.2	7.8
Negative amounts resulting from the calculation of expected loss amounts	-83.0	-85.9
Total legislative adjustments of Common Equity Tier 1 capital	**-1,014.4**	**-994.0**
Common Equity Tier 1 capital	**9,116.5**	**8,446.5**
Additional Tier 1 instruments: instruments		
Capital instruments and associated share premium reserves	1,200.0	1,200.0
Of which: classified as equity within the meaning of the applicable accounting framework	*1,200.0*	*1,200.0*
Additional Tier 1 instruments	**1,200.0**	**1,200.0**
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 instruments)	**10,316.5**	**9,646.5**
Tier 2 capital: instruments and provisions		
Capital instruments and associated share premium reserves	2,589.9	2,591.7
Adjustment due to credit risk	0.3	13.5
Tier 2 capital	**2,590.2**	**2,605.2**
Total capital (total capital = Tier 1 capital + Tier 2 capital)	**12,906.7**	**12,251.7**
Total risk-weighted assets	**30,144.7**	**26,173.8**
Capital ratios and buffers		
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	30.2%	32.3%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	34.2%	36.9%
Total capital (as a percentage of the total risk-weighted exposure amount)	42.8%	46.8%
Institution-specific buffer requirements	9.0%	9.0%
Of which: capital conservation buffer requirement	*2.5%*	*2.5%*
Of which: countercyclical capital buffer requirement	*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)	25.7%	27.8%

Note 2 Capital-adequacy, continued

SEK M	31 Dec 2018 Risk exposure amount	31 Dec 2018 Capital requirement	31 Dec 2017 Risk exposure amount	31 Dec 2017 Capital requirement
Credit risk according to Standardised Approach				
Exposures to institutions	879.9	70.4	799.7	64.0
Defaulted exposures	0.0	0.0	-	-
High risk items	0.4	0.0	15.0	1.2
Covered bonds	1,979.4	158.3	1,933.6	154.7
Equity exposures	10,643.5	851.5	10,605.8	848.5
Other items	595.3	47.6	465.5	37.2
Total capital requirement and risk exposure amount	**14,098.4**	**1,127.9**	**13,819.6**	**1,105.6**
Credit risk according to IRB Approach				
Retail exposures				
Secured by real estate SME	1,590.6	127.3	1,786.3	142.9
Secured by real estate non-SME	1,454.4	116.3	1,381.3	110.5
Other SME	457.0	36.6	500.7	40.1
Other non-SME	1,814.1	145.1	2,119.4	169.6
Total retail exposures	**5,316.1**	**425.3**	**5,787.7**	**463.0**
Exposures to corporates	4,067.5	325.4	4,035.0	322.8
Total capital requirement and risk exposure amount	**9,383.6**	**750.7**	**9,822.7**	**785.8**
Operational risks				
Standardised Approach	1,925.7	154.1	1,798.1	143.8
Total capital requirement for operational risk	**1,925.7**	**154.1**	**1,798.1**	**143.8**
Total capital requirement for credit valuation adjustments	**943.1**	**75.5**	**733.4**	**58.7**
Additional Risk Exposure Amounts according to Article 458 CRR	**3,793.9**	**303.5**	**-**	**-**
Total capital requirement and risk exposure amount	**30,144.7**	**2,411.6**	**26,173.8**	**2,093.9**

Note 3 Loans to the public

The settlement model regarding the commitment that the regional insurance companies have for credit losses entails that the regional insurance companies cover 80 procent 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 procent of the loss allowance requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. On 31 December 2018, the total credit reserve requirement for loan receivables amounted to SEK 64.1 M of which Länsförsäkringar Bank's recognised loss allowance for loan receivables accounted for SEK 12.8 M and the remainder of SEK 51.3 M was settled against the remuneration to the regional insurance companies.

Note 4 Loans to credit institutions

On 31 December 2018, Loans to credit institutions amounted to SEK 79,013.9 M and was included in Stage 1. Loss allowance for credit losses amounted to SEK 20.2 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	31 Dec 2018	31 Dec 2017
For own liabilities, pledged assets	6,124.4	5,549.0
Contingent liabilities	34.7	34.5
Commitments	30,577.2	35,693.0

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

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.

Note 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**		

The classification of financial liabilities was not changed in connection with the transition to IFRS 9 and they continue to be measured at amortised cost.

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, 7 February 2019

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

Scope of review

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

Conclusion

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

Stockholm, 7 February 2019

Dan Beitner
Authorized Public Accountant

Definitions

Glossary

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

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

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

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

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

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

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

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

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

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

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

Tier 2 capital
Primarily comprises fixed-term subordinated debt.

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

Alternative performance measures

The European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures came into effect on 3 July 2016. In accordance with these guidelines, disclosures on financial performance measures that are not defined by IFRS have been provided. Investment margin and return on equity show the organisation's earnings in relation to various investment measures. The share of credit-impaired loan receivables, credit losses and performance measures concerning loss allowance are presented to provide an understanding of lending, collateral and credit risk. The common factor for all of the alternative performance measures is that they describe the development of the operations and aim to improve comparability between different periods. The measures may differ from similar performance measures presented by other organisations.

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

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

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

Reserve ratio for loan receivables
Recognised loss allowance for loan receivables in relation to loan receivables before loss allowance.

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

LF 04512 utg 64 Nordic Morning 2019-02

Financial calendar

Interim report Länsförsäkringar Bank	26 April 2019
Interim report Länsförsäkringar Hypotek	26 April 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 7 February 2019 at 12:00 a.m. Swedish time.

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