

# Länsförsäkringar Bank

## Interim report January–June 2019

### The period in brief, Group

- Operating profit increased 8% to SEK 957.8 M (888.2) and the return on equity amounted to 9.8% (10.3).
- Net interest income rose 4% to SEK 2,272 M (2,193).
- Operating income increased 8% to SEK 1,960 M (1,811).
- Operating expenses rose 7% to SEK 933.6 M (873.7).
- Credit losses amounted to SEK 69.0 M (49.0), net, corresponding to a credit loss level of 0.04% (0.04).
- Business volumes increased 12% to SEK 616.6 billion (551.3).
- Deposits rose 11% to SEK 115.9 billion (104.4). Lending increased 9% to SEK 301.7 billion (275.8).
- The Common Equity Tier 1 capital ratio for the Consolidated Situation amounted to 14.6% (15.0%\*) on 30 June 2019.
- The number of customers with Länsförsäkringar as their primary bank rose 9% and the number of bank cards increased 10%.
- In April 2019, Länsförsäkringar Bank completed the final implementation of the project of replacing the bank's IT platform with the new core banking system BaNCS.

Figures in parentheses pertain to the same period in 2018.  
\* Pertains to 31 March 2019.

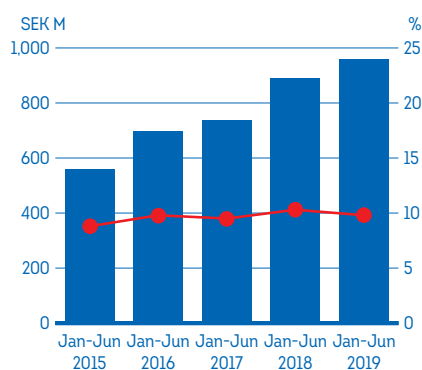
### President's comment

The second quarter of 2019 was yet another successful quarter for Länsförsäkringar's banking operations. Länsförsäkringar Bank reported strong financial earnings and continues to enjoy a high inflow of new customers. We also noted continued positive growth in business volumes in all business segments, which led to stable growth in market shares. A contributing factor to this success is our stated strategy of offering a complete solution in banking and insurance, both locally and digitally. We are convinced that the high level of customer satisfaction is the result of Länsförsäkringar's strong local presence combined with continuous investments in the digital area. We also successfully implemented a new core banking system at the start of the second quarter. The replacement of the system marks a key milestone for Länsförsäkringar Bank and the new modern IT platform will further add to our ability to meet our customers in the digital space and open more opportunities for developing the digital banking services of the future. In addition, Länsförsäkringar's Open Banking platform was launched in June with the aim of building new, innovative services that make everyday life easier and create security and added value for customers.

#### Sven Eggefalk

President of Länsförsäkringar Bank

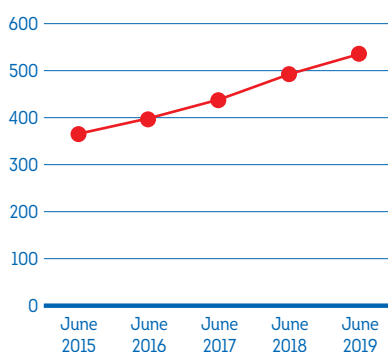
#### Operating profit and return on equity



● Operating profit, SEK M ● Return on equity, %

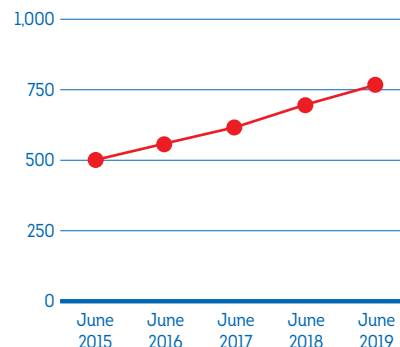
#### Customer trend

Number of primary bank customers, 000s



#### Card trend

Number of cards, 000s



## Key figures

Group	Q2 2019	Q1 2019	Q1 2019	Jan-Jun 2019	Jan-Jun 2018	Full-year 2018
Return on equity, %	9.42	10.21	10.16	9.81	10.32	8.34
Return on total assets, %	0.36	0.41	0.40	0.38	0.41	0.34
Investment margin, %	1.18	1.23	1.28	1.21	1.30	1.30
Cost/income ratio before credit losses	0.49	0.47	0.48	0.48	0.48	0.58
Common Equity Tier 1 capital ratio, Bank Group, %	13.4	13.9	25.9*	13.4	25.9*	14.2
Tier 1 ratio, Bank Group, %	15.6	15.1	28.3*	15.6	28.3*	15.5
Total capital ratio, Bank Group, %	18.1	17.7	33.5*	18.1	33.5*	18.2
Common Equity Tier 1 capital ratio, consolidated situation, %	14.6	15.0	24.7*	14.6	24.7*	15.7
Tier 1 ratio, consolidated situation, %	16.0	15.8	26.1*	16.0	26.1*	16.5
Total capital ratio, consolidated situation, %	17.7	17.6	29.0*	17.7	29.0*	18.3
Share of credit-impaired loan receivables (stage 3), %	0.22	0.18	0.18	0.22	0.18	0.17
Reserve ratio for loan receivables stage 1, %	0.02	0.02	0.03	0.02	0.03	0.02
Reserve ratio for loan receivables stage 2, %	1.52	1.59	1.52	1.52	1.52	1.60
Reserve ratio for loan receivables stage 3, %	29.6	32.0	29.8	29.6	29.8	32.6
Reserve ratio for loan receivables stage 3, incl. withheld remuneration to regional insurance companies, %	34.8	36.7	36.5	34.8	36.5	37.0
Credit loss level, %	0.04	0.04	0.05	0.04	0.04	0.04

\* The capital ratios for periods prior to 31 December 2018 were calculated using the risk weight floor for Swedish mortgages that was previously applied.

## Income statement, quarterly

Group, SEK M	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Net interest income	1,144.3	1,127.4	1,168.9	1,134.8	1,111.7
Net commission	-173.4	-149.1	-191.8	-167.2	-200.1
Net gains/losses from financial items	-0.7	-8.5	1.0	-11.5	11.2
Other operating income	10.3	10.0	33.0	4.8	4.9
<b>Total operating income</b>	<b>980.5</b>	<b>979.8</b>	<b>1,011.1</b>	<b>961.0</b>	<b>927.8</b>
Staff costs	-169.9	-160.7	-140.3	-148.9	-156.1
Other expenses	-306.2	-296.7	-640.0	-375.4	-291.2
<b>Total operating expenses</b>	<b>-476.1</b>	<b>-457.4</b>	<b>-780.3</b>	<b>-524.3</b>	<b>-447.3</b>
<b>Profit before credit losses</b>	<b>504.4</b>	<b>522.4</b>	<b>230.8</b>	<b>436.7</b>	<b>480.5</b>
Credit losses, net	-39.4	-29.6	-30.7	-15.0	-35.6
<b>Operating profit</b>	<b>465.0</b>	<b>492.8</b>	<b>200.1</b>	<b>421.7</b>	<b>444.9</b>

## Market commentary

The second quarter of the year was marked by growing concern about the effects that the further weakening of trade relations between the US and China might have on the global economy. Gloomier growth prospects caused the market to expect new stimulus packages from the central banks, which governed pricing in the financial markets. Incoming economic statistics were mixed but generally lower than expected. These weaker economic signals were mainly reflected in indicators from the manufacturing sector, while the trend in the services sector was better. Brexit was delayed until the end of October, which also presents a risk for the economic outlook.

Risks related to the weakening trade relations between the US and China, weaker economic statistics and continued low inflation led to the central banks changing their rhetoric towards the end of the quarter. The US central bank, the Fed, went from previously saying that it would be patient with interest-rate hikes to indicating that a cut was

on the cards to stimulate the economy. It emerged from the Fed's June meeting that several members believe that a cut in interest rates may be warranted as early as in 2019. The ECB also cited the rising uncertainty in economic activity and made it clear towards the end of the quarter that further stimulus measures remain part of its tools. At its June meeting, the ECB lowered expectations of future rate hikes by announcing that these rises could not be expected until the second half of 2020 at the earliest. Mario Draghi, the outgoing ECB President, went even further during a speech in June stating that additional stimulus will be required should the economic outlook not improve.

Expectations of a new round of stimulus measures from the central banks had a major impact on the financial markets. The equities market ignored economic signals and stock markets reported a very strong end to the quarter. The Stockholm Stock Exchange was up approximately 21% in the first half of 2019, including dividends. Government bond rates

fell again on a broad front, with the German ten-year government bond rate, for example, reaching an all-time low of -0.33% at the end of the second quarter. The Swedish ten-year government bond rate was 0.01% at the end of the quarter. Other longer market interest rates also displayed a similar falling trend, including rates on Swedish covered bonds.

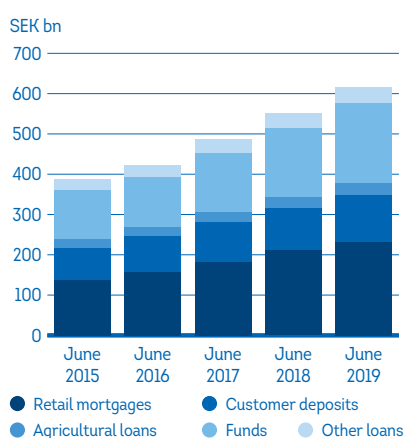
The Swedish economy performed relatively well despite elevated risks in the business environment. Inflation and the labour market trended in line with the Riksbank's forecasts, while GDP growth for the first quarter was stronger than expected. Growth was driven by exports, but private consumption was lower. Household confidence in the economy was slightly lower according to incoming statistics. The housing market and housing prices were stable despite relatively pessimistic households. According to Valueguard's statistics, housing prices had by the end of May, increased 2.6% since the beginning of the year.

# January-June 2019 compared with January-June 2018, Group

## Business volumes

Business volumes rose 12%, or SEK 65.3 billion, to SEK 616.6 billion (551.3). Lending increased 9%, or SEK 25.9 billion, to SEK 301.7 billion (275.8), with continued high credit quality. Lending in Länsförsäkringar Bank rose 6% to SEK 45.6 billion (43.1). Lending in Länsförsäkringar Hypotek increased 11%, or SEK 22.2 billion, to SEK 232.6 billion (210.4). Lending in Wasa Kredit rose 5%, or SEK 1.1 billion, to SEK 23.5 billion (22.4). Deposits increased 11%, or SEK 11.5 billion, to SEK 115.9 billion (104.4). Fund volumes increased 16%, or SEK 27.6 billion, to SEK 199.0 billion (171.1).

## Business volumes



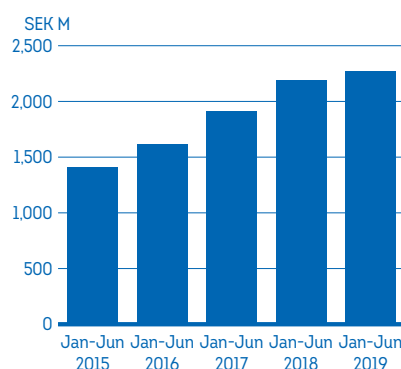
## Customers

The number of customers with Länsförsäkringar as their primary bank increased 9% to 535,000 (492,000) 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 757,000 (687,000).

## Earnings and profitability

Operating profit increased 8% to SEK 957.8 M (888.2), due to higher net interest income. The investment margin amounted to 1.21% (1.30). Profit before credit losses rose 10% to SEK 1,026.8 M (937.2). Return on equity amounted to 9.8% (10.3).

## Net interest income



## Income

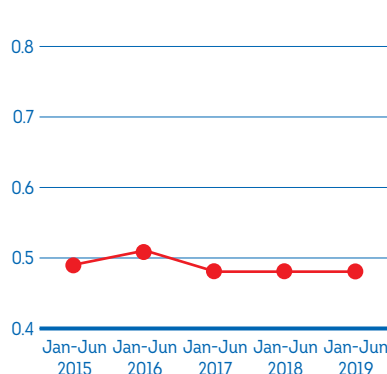
Operating income increased 8% to SEK 1,960 M (1,811), primarily due to higher net interest income. Net interest income rose 4% to SEK 2,272 M (2,193) attributable to higher volumes. Net losses from financial items amounted to SEK -9.2 M (23.9) mainly due to the effects of the repurchase of own bonds.

The strong trend in underlying net commission, excluding remuneration paid to the regional insurance companies, continued, increasing 25% to SEK 460.9 M (368.2). Net commission amounted to SEK -322.5 M (-414.3).

## Expenses

Operating expenses increased 7% to SEK 933.6 M (873.7), mainly as a result of higher staff costs and increased depreciation. The cost/income ratio before credit losses was 0.48 (0.48) and after credit losses was 0.51 (0.51).

## Cost/income ratio before loan losses



## Credit losses

Credit losses in the Bank Group remained low and are attributable to Wasa Kredit. Credit losses amounted to SEK 69.0 M (49.0), net, corresponding to a credit loss level of 0.04% (0.04).

Credit-impaired loan receivables (stage 3) before provisions amounted to SEK 962.8 M, corresponding to a share of credit-impaired loan receivables of 0.22%. The loss allowance for credit-impaired loan receivables was SEK 284.7 M. The reserve ratio for credit-impaired loan receivables amounted to 29.6%. In addition, SEK 50.6 M of the remuneration to the regional insurance companies' credit-risk commitments for generated business, regarding credit-impaired loan receivables, is withheld in accordance with the settlement model. Including the withheld remuneration to the regional insurance companies, the loss allowance for credit-impaired loan receivables totalled SEK 335.3 M. The reserve ratio for credit-impaired loan receivables, including withheld remuneration to regional insurance companies, amounted to 34.8%. The total recognised loss allowance for loan receivables (stages 1-3), including withheld remuneration to the regional insurance companies, amounted to SEK 566.3 M, of which SEK 91.7 M pertained to withheld remuneration to the regional insurance companies in accordance with the settlement model.

## Loss allowance, stage 3

SEK M	30 Jun 2019	30 Jun 2018
Loans to the public	301,670	275,841
Credit-impaired loan receivables (stage 3)	962.8	722.1
Total loss allowance for credit-impaired loan receivables (stage 3), incl. withheld remuneration to regional insurance companies	335.3	263.4
of which loss allowance for credit-impaired loan receivables (stage 3)	284.7	215.3
of which withheld remuneration to regional insurance companies for credit-impaired loan receivables (stage 3)	50.6	48.1

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

## Deposits and savings

Deposits from the public increased 11%, or SEK 11.5 billion, to SEK 115.9 billion (104.4). Deposits from businesses amounted to SEK 12.1 billion (11.1). The number of deposit accounts increased 9%. On 31 May 2019, the market share of household deposits had increased to 5.0% (4.9) according to Statistics Sweden (SCB). Fund volumes increased 16%, or SEK 27.9 billion, to SEK 199.0 billion (171.1) attributable to positive changes in value and increased inflows in the fund business.

## Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public increased 9%, or SEK 25.9 billion, to SEK 301.7 billion (275.8). The credit quality of lending remained high. Lending in Länsförsäkringar Hypotek increased 11%, or SEK 22.2 billion, to SEK 232.6 billion (210.4). The percentage of retail mortgages in relation to the total loan portfolio was 77%. The weighted average loan-to-value ratio (LTV) of the mortgage portfolio amounted to 62% (61). On 31 May 2019, the market share of retail mortgages strengthened to 6.9% (6.6) according to Statistics Sweden. Agricultural lending increased 6% to SEK 29.4 billion (27.6).

Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2.4 M (2.3). First-lien mortgages for agricultural properties increased to SEK 27.8 billion (26.0), corresponding to 95% (94) of agricultural lending. Loans to businesses totalled SEK 2.3 billion (2.0) on 30 June 2019. Lending in Wasa Kredit increased 5% to SEK 23.5 billion (22.4).

### Loan portfolio, distribution in %

Lending segment, %	30 Jun 2019	30 Jun 2018
Retail mortgages	77.3	76.5
Agriculture	9.7	10.0
Multi-family housing	2.5	2.7
Leasing and hire purchase	5.8	6.2
Unsecured loans	2.9	3.1
Other	1.8	1.5
<b>TOTAL</b>	<b>100</b>	<b>100</b>

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

Capital receivable	Total	
	Volume, SEK M	Total, %
Loan-to-value ratio		
0-50%	185,100	79.5%
51-60%	23,121	9.9%
61-70%	15,345	6.6%
71-75%	4,493	1.9%
75%+	4,634	2.0%
<b>TOTAL</b>		<b>100%</b>

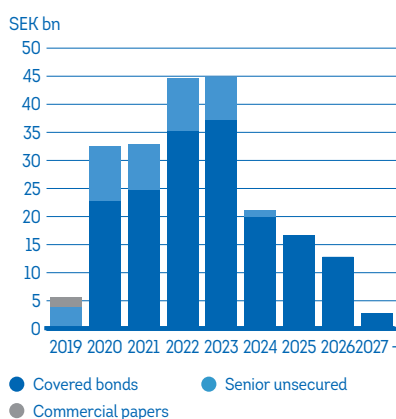
\* Refers to loans with single-family homes, tenant-owned apartments or vacation homes as collateral as per 30 June 2019.

## Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 11%, or SEK 20.9 billion, to a nominal SEK 213.8 billion (192.9), of which covered bonds amounted to SEK 171.6 billion (158.4), senior long-term funding to SEK 40.3 billion (34.4) and short-term funding to SEK 2.0 billion (0.2). The average remaining term for the long-term funding was 3.6 years (3.6) on 30 June 2019.

Covered bonds were issued during the period at a volume of a nominal SEK 20.8 billion (25.2). Repurchases of covered bonds amounted to a nominal SEK 5.7 billion (7.2) and matured covered bonds a nominal SEK 7.5 billion (6.3). Länsförsäkringar Bank issued senior unsecured bonds of a nominal SEK 3.9 billion (4.9) during the period, while maturities amounted to a nominal SEK 2.9 billion (3.7). In April, Länsförsäkringar Bank issued an Additional Tier 1 Capital loan (AT1) of a nominal SEK 1.0 billion. The transaction was well-received by the market and demand from investors was high.

### Maturity profile



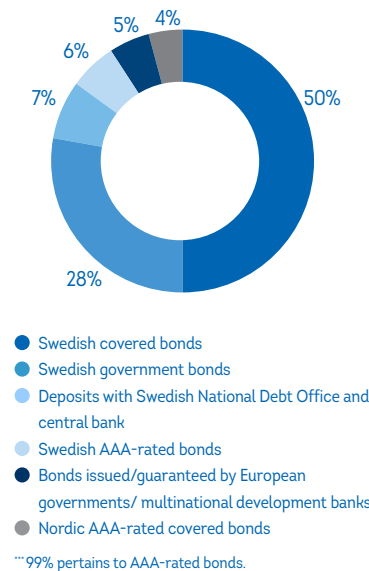
### Liquidity

On 30 June 2019, the liquidity reserve totalled SEK 61.3 billion (52.9). The liquidity reserve is invested in securities with very high credit quality and that are eligible for transactions with the Riksbank and, where applicable, with the ECB. By utilising the liquidity reserve, contractual undertakings can be met for more than three years without needing to secure new funding in the capital

market. The Liquidity Coverage Ratio (LCR) for the Consolidated Situation on 30 June 2019 amounted to 360% (336). The Net Stable Funding Ratio (NSFR) for the Consolidated Situation on 30 June 2019 amounted to 117% (116)\*\*.

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

### Liquidity reserve\*\*\*



### 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<sup>1</sup>

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

## Rating

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A1/Stable	P-1
Länsförsäkringar Hypotek †	Standard & Poor's	AAA/Stable	-
Länsförsäkringar Hypotek †	Moody's	Aaa	-

† Pertains to the company's covered bonds.

Consolidated situation (SEK M)	30 Jun 2019	31 Mar 2019
IRB Approach	38,151	36,046
retail exposures	29,336	28,487
exposures to corporates	8,814	7,558
Standardised Approach	21,009	20,399
Operational risks	13,543	13,543
Additional requirements according to Article 458 CRR	47,799	46,103
Total REA	122,179	117,797
Common Equity Tier 1 capital	17,848	17,688
Tier 1 capital	19,536	18,634
Total capital	21,602	20,715
Common Equity Tier 1 capital ratio	14.6%	15.0%
Tier 1 ratio	16.0%	15.8%
Total capital ratio	17.7%	17.6%
<b>Total capital requirement</b>		
Pillar I	9,774	9,424
Pillar II	2,171	2,357
Combined buffer	5,498	5,301
<b>Capital requirement as a percentage of REA</b>		
Pillar I	8.0%	8.0%
Pillar II	1.8%	2.0%
Combined buffer	4.5%	4.5%

The Common Equity Tier 1 capital ratio for the Consolidated Situation was 14.6% (15.0). The lower Common Equity Tier 1 capital ratio was primarily due to the growth in REA for the quarter.

Total REA in the consolidated situation on 30 June 2019 amounted to SEK 122,179 M (117,797). REA increased SEK 4,382 M in the quarter. The increase was mainly due to the changed internal method for calculating credit risks as a result of the permit received from Finansinspektionen and volume growth in lending leading to an increase in the additional requirement under the framework of Article 458 of CRR. The credit quality of lending remained favourable. The Additional Tier 1 Capital loan (AT1) of a nominal SEK 1.0 billion that was issued by Länsförsäkringar Bank in the beginning of the quarter had a positive impact on own funds.

### Internally assessed capital and buffer requirements

The internally assessed capital requirement for the Consolidated Situation on 30 June 2019 amounted to SEK 11,945 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 2,444 M on 30 June 2019 and the capital conservation buffer of 2.5% of REA to SEK 3,054 M.

The capital used to meet the internal capital requirement including buffer, meaning own funds, amounted to SEK 21,602 M.

The leverage ratio on 30 June 2019 was 4.9% (4.7).

The Common Equity Tier 1 capital ratio for the Bank Group was 13.4% (13.9). Common Equity Tier 1 capital increased SEK 103 M in the quarter. For the Bank Group, the internally assessed capital requirement amounted to SEK 10,230 M and own funds to SEK 18,720 M.

Bank Group (SEK M)	30 Jun 2019	31 Mar 2019
IRB Approach	38,151	36,046
retail exposures	29,336	28,487
exposures to corporates	8,815	7,559
Standardised Approach	10,884	10,362
Operational risks	5,140	5,140
Additional requirements according to Article 458 CRR	47,799	46,103
Total REA	103,651	99,358
Common Equity Tier 1 capital	13,930	13,827
Tier 1 capital	16,130	15,027
Total capital	18,720	17,617
Common Equity Tier 1 capital ratio	13.4%	13.9%
Tier 1 ratio	15.6%	15.1%
Total capital ratio	18.1%	17.7%
<b>Total capital requirement</b>		
Pillar I	8,292	7,949
Pillar II	1,938	2,136
Combined buffer	4,664	4,471
<b>Capital requirement as a percentage of REA</b>		
Pillar I	0.0%	0.0%
Pillar II	0.0%	0.0%
Combined buffer	4.5%	4.5%

For more information on capital adequacy, see note 12.

<sup>1</sup> The comparative period is 31 March 2019. Periodic information according to the Swedish Financial Supervisory Authority's regulations regarding prudential requirements and capital buffers, (FFFS 2014:12) and regarding management of liquidity risks in credit institutions and investment firms (FFFS 2010:7) is provided in this section, the section on funding and liquidity and in note 12.

### Interest-rate risk

On 30 June 2019, an increase in market interest rates of 1 percentage point would have decreased the value of interest-bearing assets and liabilities, including derivatives, by SEK -0.11 M (increased: 65.6).

### Risks and uncertainties

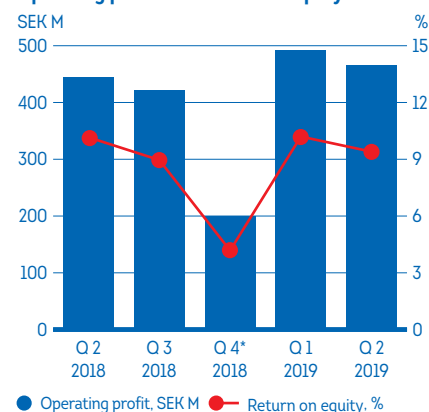
The operations are characterised by a low risk profile. The Group and the Parent Company are exposed to a number of risks, primarily comprising credit risks, refinancing risks and market risks. The macroeconomic situation in Sweden is critical for credit risk

since all loans are granted in Sweden. Market risks primarily comprise interest-rate risks. Credit losses remain low and the refinancing of business activities was highly satisfactory during the year. A more detailed description of risks is available in the 2018 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

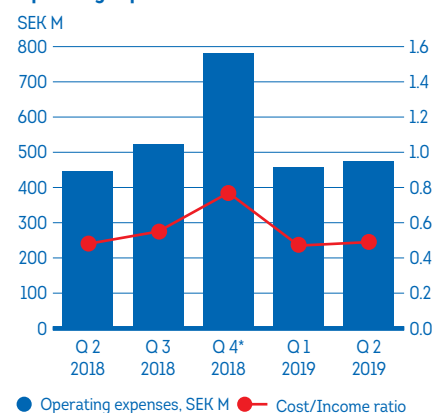
### Second quarter of 2019 compared with first quarter of 2019

Operating profit amounted to SEK 465.0 M (492.8) and the return on equity amounted to 9.4% (10.2). Operating income was SEK 980.5 M (979.8). Net interest income amounted to SEK 1,144 M (1,127). The investment margin was 1.18% (1.23). Commission income amounted to SEK 354.5 M (336.8) and the commission expense to SEK 528.0 M (485.9). Net commission amounted to SEK -173.4 M (-149.1). Net losses from financial items amounted to SEK -0.7 M (-8.5). Operating expenses were SEK 476.1 M (457.4). The cost/income ratio before credit losses amounted to 0.49 (0.47). Credit losses amounted to SEK 39.4 M (29.6), net. SEK M %

#### Operating profit and return on equity



#### Operating expenses and cost/income ratio



\* The fourth quarter of 2018 was impacted by non-recurring items attributable to the replacement of the bank's core banking system.

### Events after the end of the period

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



## Parent Company

### January-June 2019 compared with January-June 2018

Loans to the public increased 6%, or SEK 2.5 billion, to SEK 45.6 billion (43.1). Deposits from the public rose 11%, or SEK 11.5 billion, to SEK 116.3 billion (104.8). Debt securities in issue increased 16% to SEK 41.1 billion (35.4). Operating profit declined 18% to SEK 123.0 M (150.2) due to higher staff costs and increased depreciation. Net interest income increased 3% to SEK 598.6 M (581.9). Operating income rose 5% to SEK 717.6 M (685.8), due to higher net interest income. Commission income increased 10% to SEK 296.0 M (269.6). Commission expense amounted to SEK 261.9

M (246.5). Operating expenses increased 8% to SEK 592.7 M (549.0). Credit losses amounted to SEK 1.9 M (-13.4), net, corresponding to a credit loss level of 0.00% (-0.01).

SEK M	30 Jun 2019	30 Jun 2018
Total assets	195,199	171,608
Lending volume	45,572	43,117
Net interest income	599	582
Credit losses	2	-13
Operating profit	123	150

## Subsidiaries

### January-June 2019 compared with January-June 2018

#### Länsförsäkringar Hypotek

Lending in Länsförsäkringar Hypotek increased 11%, or SEK 22.2 billion, to SEK 232.6 billion (210.4). 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 9% to SEK 587.8 M (541.7), due to higher net interest income. Net interest income increased 6% to SEK 1,270 M (1,198) attributable to higher volumes. Credit losses amounted to SEK -0.5 M (-0.8), net, corresponding to a credit loss level of -0.00% (-0.00). Operating expenses amounted to SEK 58.5 M (54.9). The number of retail mortgage customers increased 4% to 276,000 (266,000).

SEK M	30 Jun 2019	30 Jun 2018
Total assets	258,974	235,641
Lending volume	232,634	210,352
Net interest income	1,270	1,198
Credit losses	-1	-1
Operating profit	588	542

#### Wasa Kredit

Wasa Kredit's lending volumes increased 5% to SEK 23.5 billion (22.4). Operating profit amounted to SEK 170.2 M (178.9) due to lower net interest income. Net interest income was SEK 403.5 M (413.9). Operating expenses amounted to SEK 252.8 M (246.4). Credit losses amounted to SEK 66.1 M (63.9), net.

SEK M	30 Jun 2019	30 Jun 2018
Total assets	24,245	22,967
Lending volume	23,464	22,372
Net interest income	404	414
Credit losses	66	64
Operating profit	170	179

#### Länsförsäkringar Fondförvaltning

Fund volumes increased 16%, or SEK 27.9 billion, to SEK 199.0 billion (171.1) attributable to increased inflows in the fund business and positive changes in value. Operating profit amounted to SEK 78.4 M (16.6). Net commission rose 70% to SEK 171.0 M (100.3). The fund offering includes 38 mutual funds under Länsförsäkringar's own brand with various investment orientations and a fund market with external funds. Managed funds under Länsförsäkringar's own brand amounted to SEK 174.2 billion (148.9).

SEK M	30 Jun 2019	30 Jun 2018
Total assets	759	611
Fund volumes	199,019	171,069
Net flow	5,859	3,977
Net commission	171	100
Operating profit	78	17

## Income statement - Group

SEK M	Note	Q2 2019	Q1 2019	Change	Q2 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change	Full-Year 2018
Interest income		1508.1	1,437.1	5%	1,304.3	16%	2,945.2	2,554.9	15%	5,230.3
Interest expense		-363.8	-309.7	17%	-192.6	89%	-673.5	-361.5	86%	-733.2
<b>Net interest income</b>	3	<b>1,144.3</b>	<b>1,127.4</b>	<b>1%</b>	<b>1,111.7</b>	<b>3%</b>	<b>2,271.7</b>	<b>2,193.4</b>	<b>4%</b>	<b>4,497.1</b>
Dividends received		4.5	0.0		0.1		4.6	0.1		29.9
Commission income		354.5	336.8	5%	280.6	26%	691.3	590.3	17%	1,252.9
Commission expense		-528.0	-485.9	9%	-480.7	10%	-1,013.8	-1,004.6	1%	-2,026.1
<b>Net commission</b>	4	<b>-173.4</b>	<b>-149.1</b>	<b>16%</b>	<b>-200.1</b>	<b>-13%</b>	<b>-322.5</b>	<b>-414.3</b>	<b>-22%</b>	<b>-773.3</b>
Net gains / losses from financial items	5	-0.7	-8.5	-92%	11.2		-9.2	23.9		13.5
Other operating income		5.8	10.0	-42%	4.9	18%	15.8	7.7		15.7
<b>Total operating income</b>		<b>980.5</b>	<b>979.8</b>		<b>927.8</b>	<b>6%</b>	<b>1,960.3</b>	<b>1,810.8</b>	<b>8%</b>	<b>3,782.9</b>
Staff costs		-169.9	-160.7	6%	-156.1	9%	-330.6	-299.1	11%	-588.2
Other administration expenses		-265.8	-263.3	1%	-259.4	2%	-529.2	-518.8	2%	-1,164.7
<b>Total administration expenses</b>		<b>-435.7</b>	<b>-424.0</b>	<b>3%</b>	<b>-415.5</b>	<b>5%</b>	<b>-859.7</b>	<b>-817.9</b>	<b>5%</b>	<b>-1,752.9</b>
Depreciation / amortisation and impairment of property and equipment / intangible assets		-40.4	-33.4	21%	-31.8	27%	-73.8	-55.8	32%	-425.3
<b>Total operating expenses</b>		<b>-476.1</b>	<b>-457.4</b>	<b>4%</b>	<b>-447.3</b>	<b>6%</b>	<b>-933.6</b>	<b>-873.7</b>	<b>7%</b>	<b>-2,178.3</b>
<b>Profit before credit losses</b>		<b>504.4</b>	<b>522.4</b>	<b>-3%</b>	<b>480.5</b>	<b>5%</b>	<b>1,026.8</b>	<b>937.2</b>	<b>10%</b>	<b>1,604.7</b>
Credit losses, net	6	-39.4	-29.6	33%	-35.6	11%	-69.0	-49.0	41%	-94.7
<b>Operating profit</b>		<b>465.0</b>	<b>492.8</b>	<b>-6%</b>	<b>444.9</b>	<b>5%</b>	<b>957.8</b>	<b>888.2</b>	<b>8%</b>	<b>1,510.0</b>
Tax		-113.9	-119.7	-5%	-98.9	15%	-233.6	-196.5	19%	-328.4
<b>Profit for the period</b>		<b>351.1</b>	<b>373.1</b>	<b>-6%</b>	<b>345.9</b>	<b>2%</b>	<b>724.2</b>	<b>691.7</b>	<b>5%</b>	<b>1,181.6</b>

## Statement of comprehensive income - Group

SEK M	Q2 2019	Q1 2019	Change	Q2 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change	Full-Year 2018
<b>Profit for the period</b>	<b>351.1</b>	<b>373.1</b>	<b>-6%</b>	<b>345.9</b>	<b>2%</b>	<b>724.2</b>	<b>691.7</b>	<b>5%</b>	<b>1,181.6</b>
<b>Other comprehensive income</b>									
<b>Items that cannot be transferred to the income statement</b>									
Cash-flow hedges	5.3	-24.7		-62.5		-19.5	-72.3	-73%	-58.1
Change in fair value of debt instruments measured at FVOCI	0.0	61.5		7.2		61.5	11.0		-50.1
Tax attributable to items that have been transferred or can be transferred to profit for the period	-1.1	-9.0	-88%	12.2		-10.1	13.5		23.8
<b>Total</b>	<b>4.2</b>	<b>27.8</b>	<b>-85%</b>	<b>-43.1</b>		<b>31.9</b>	<b>-47.8</b>		<b>-84.4</b>
<b>Items that cannot be transferred to profit and loss</b>									
Change in defined-benefit pension plans	-	-		-		-	-		-
Change in fair value of equity instruments measured at FVOCI	4.4	6.3	-30%	-8.1		10.7	-6.4		-11.0
<b>Tax attributable to items that cannot be reversed to profit and loss</b>	<b>1.2</b>	<b>2.1</b>	<b>-43%</b>	<b>-0.3</b>		<b>3.3</b>	<b>-0.7</b>		<b>0.0</b>
<b>Total</b>	<b>5.6</b>	<b>8.4</b>	<b>-33%</b>	<b>-8.4</b>		<b>14.0</b>	<b>-7.1</b>		<b>-11.0</b>
<b>Total other comprehensive income for the period, net after tax</b>	<b>9.8</b>	<b>36.2</b>	<b>-73%</b>	<b>-51.5</b>		<b>45.9</b>	<b>-54.9</b>		<b>-95.4</b>
<b>Comprehensive income for the period</b>	<b>360.9</b>	<b>409.3</b>	<b>-12%</b>	<b>360.9</b>	<b>23%</b>	<b>770.1</b>	<b>636.8</b>	<b>21%</b>	<b>1,086.2</b>



## Balance sheet - Group

SEK M	Note	30 Jun 2019	31 Dec 2018	30 Jun 2018
<b>Assets</b>				
Cash and balances with central banks		15.4	22.2	14.2
Treasury bills and other eligible bills		21,125.9	10,846.8	15,661.1
Loans to credit institutions	8	3,671.5	4,485.9	3,944.6
Loans to the public	7	301,669.8	289,426.0	275,841.2
Bonds and other interest-bearing securities		42,334.8	36,790.4	36,800.0
Shares and participations		83.5	66.3	40.8
Derivatives	9	10,145.1	6,055.5	7,808.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		513.4	125.2	271.3
Intangible assets		1,266.1	989.6	1,202.5
Property and equipment		59.1	10.1	10.7
Deferred tax assets		99.1	96.1	48.1
Other assets		708.7	560.9	469.8
Prepaid expenses and accrued income		491.0	382.4	470.5
<b>Total assets</b>		<b>382,183.3</b>	<b>349,857.1</b>	<b>342,583.7</b>
<b>Liabilities and equity</b>				
Due to credit institutions		14,246.1	5,992.1	9,881.6
Deposits and borrowing from the public		115,883.8	108,141.7	104,412.2
Debt securities in issue		221,941.5	210,781.1	202,301.7
Derivatives	9	910.4	761.2	1,009.8
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		2,672.6	1,057.8	1,584.9
Deferred tax liabilities		552.9	577.3	508.0
Other liabilities		1,346.5	846.3	751.1
Accrued expenses and deferred income		4,158.0	2,972.4	3,838.4
Provisions		29.0	27.7	29.7
Subordinated liabilities		2,594.2	2,593.1	2,592.2
<b>Total liabilities</b>		<b>364,335.0</b>	<b>333,750.8</b>	<b>326,909.5</b>
<b>Equity</b>				
Share capital		2,864.6	2,864.6	2,864.6
Other capital contributed		7,442.5	7,442.5	7,442.5
Reserves		-32.5	-78.5	-37.9
Additional Tier 1 instruments		2,200.0	1,200.0	1,200.0
Retained earnings		4,649.4	3,495.9	3,513.2
Profit for the period		724.2	1,181.6	691.7
<b>Total equity</b>		<b>17,848.3</b>	<b>16,106.2</b>	<b>15,674.2</b>
<b>Total liabilities and equity</b>		<b>382,183.3</b>	<b>349,857.1</b>	<b>342,583.7</b>
<b>Notes</b>				
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 17 to IFRS 16	14			

## Cash-flow statement in summary, indirect method - Group

SEK M	Jan-Jun 2019	Jan-Jun 2018
<b>Cash and cash equivalents, 1 January</b>	<b>324.5</b>	<b>144.0</b>
<b>Operating activities</b>		
Operating profit	957.8	888.2
Adjustment of non-cash items	912.5	1,350.0
<b>Change in assets of operating activities</b>		
Change in interest-bearing securities	-15,551.4	-6,202.3
Change in loans to the public	-12,248.3	-14,333.6
Change in other assets	692.1	-3,576.0
<b>Change in liabilities of operating activities</b>		
Change in deposits and funding from the public <sup>1)</sup>	7,742.1	5,008.6
Change in debt securities in issue	8,504.9	10,752.4
Change in other liabilities	,8,395.0	5,643.1
<b>Cash flow from operating activities</b>	<b>-595.3</b>	<b>-469.7</b>
<b>Investing activities</b>		
Acquisition of intangible assets	-336.9	-
Sale of intangible assets	-	-286.7
Acquisition of property and equipment	-12.9	-2.4
Sale of property and equipment	-	-
Change in other financial assets	-	-2.6
Shareholders' contributions paid	-	-
<b>Cash flow from investing activities</b>	<b>-349.8</b>	<b>-291.7</b>
<b>Financing activities</b>		
Amortisation of lease liabilities	-11.2	-
Change in issued Additional Tier 1 instruments <sup>1)</sup>	971.9	-16.5
Change in subordinated debt	-	-2.0
Shareholders' contributions received	-	800.0
<b>Cash flow from financing activities</b>	<b>960.7</b>	<b>781.5</b>
<b>Net cash flow for the period</b>	<b>15.6</b>	<b>20.1</b>
<b>Cash and cash equivalents, 30 June</b>	<b>340.1</b>	<b>164.1</b>

<sup>1)</sup> Comparative figures were adjusted since SEK 16.5 M was reclassified from cash flow from operating activities to cash flow from financing activities.

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			Profit for the period	Total
	Share capital	Other capital contributed	Additional Tier 1 instruments <sup>1)</sup>	Fair value reserve	Hedge reserve	Retained earnings		
<b>Opening balance, 1 January 2018</b>	<b>954.9</b>	<b>7,442.5</b>	<b>1,200.0</b>	<b>132.3</b>	<b>-105.8</b>	<b>3,467.5</b>	<b>1,237.0</b>	<b>14,328.4</b>
Effect due to change in accounting policy <sup>2)</sup>				-9.5		-77.7		-87.2
<b>Opening balance, 1 January 2018 after adjustment for change in accounting policy</b>	<b>954.9</b>	<b>7,442.5</b>	<b>1,200.0</b>	<b>122.7</b>	<b>-105.8</b>	<b>3,389.8</b>	<b>1,237.0</b>	<b>14,241.2</b>
Profit for the period							691.7	691.7
Other comprehensive income for the period				1.5	-56.4			-54.9
<b>Comprehensive income for the period</b>				<b>1.5</b>	<b>-56.4</b>		<b>691.7</b>	<b>636.8</b>
According to Board's proposal for resolution by Annual General Meeting						1,237.0	-1,237.0	-
Issued Additional Tier 1 instruments						-16.5		-16.5
Bonus issue	1,909.7					1,909.7		-
Unconditional shareholders' contribution received						800.0		800.0
Realised gain from sale of shares						12.7		12.7
<b>Closing balance, 30 June 2018</b>	<b>2,864.6</b>	<b>7,442.5</b>	<b>1,200.0</b>	<b>124.2</b>	<b>-162.1</b>	<b>3,513.2</b>	<b>691.7</b>	<b>15,674.2</b>
<b>Opening balance, 1 July 2018</b>	<b>2,864.6</b>	<b>7,442.5</b>	<b>1,200.0</b>	<b>124.2</b>	<b>-162.1</b>	<b>3,513.2</b>	<b>691.7</b>	<b>15,674.2</b>
Profit for the period							489.9	489.9
Other comprehensive income for the period				-51.6	11.0			-40.6
<b>Comprehensive income for the period</b>				<b>-51.6</b>	<b>11.0</b>		<b>489.9</b>	<b>449.3</b>
Issued Additional Tier 1 instruments						-17.4		-17.4
<b>Closing balance, 31 December 2018</b>	<b>2,864.6</b>	<b>7,442.5</b>	<b>1,200.0</b>	<b>72.7</b>	<b>-151.2</b>	<b>3,495.9</b>	<b>1,181.6</b>	<b>16,106.2</b>
<b>Opening balance, 1 January 2019</b>	<b>2,864.6</b>	<b>7,442.5</b>	<b>1,200.0</b>	<b>72.7</b>	<b>-151.2</b>	<b>3,495.9</b>	<b>1,181.6</b>	<b>16,106.2</b>
Profit for the period							724.2	724.2
Other comprehensive income for the period				62.4	-16.5			45.9
<b>Comprehensive income for the period</b>				<b>62.4</b>	<b>-16.5</b>		<b>724.2</b>	<b>770.1</b>
According to resolution by Annual General Meeting						1,181.6	-1,181.6	-
Issued Additional Tier 1 instruments			1,000.0			-28.1		971.9
<b>Closing balance, 30 June 2019</b>	<b>2,864.6</b>	<b>7,442.5</b>	<b>2,200.0</b>	<b>135.1</b>	<b>-167.7</b>	<b>4,649.4</b>	<b>724.2</b>	<b>17,848.3</b>

<sup>1)</sup> 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.

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

# Notes – Group

Amounts in SEK million if not otherwise stated. Comparative figures in parent-heses: income-statement items are compared with the immediately preceding quarter, balance-sheet items are compared with the immediately preceding year-end, unless 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).

### JUDGEMENTS AND ESTIMATES

The following judgements and estimates apply in addition to those stated in the 2018 Annual Report. A tax audit pertaining the 2014 fiscal year in Wasa Kredit AB was completed during the period, which resulted in an upward tax adjustment of SEK 84 M. Net profit for the period was positively impacted by a net SEK 5 M due to the dissolution of untaxed reserves. The company has evaluated the implication of the Swedish Tax Agency's decision for subsequent fiscal years. The preliminary assessment is that the additional tax expense will amount to approximately SEK 50 M and that the earning effect is expected to be positive due to the dissolution of untaxed reserves.

Due to the dissolution of the untaxed reserves in Wasa Kredit AB, the deferred tax liabilities in the Bank Group will decline.

### AMENDED ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2019

From 1 January 2019, the Group applies IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments.

#### IFRS 16 Leases

IFRS 16 has replaced IAS 17 and primarily entails changes to accounting of operating leases under which the Group is the lessee and that in accordance with IAS 17 were recognised as a lease expense in profit or loss. IFRS 16 entails changes to accounting by lessees since all leases (with certain exemptions) are to be recognised in the balance sheet as follows: the obligation to make future fixed lease payments as a lease liability and the right to use an underlying asset as a lease asset. The accounting of leases by lessors essentially corresponds to previously applicable policies.

#### Assessment of leases

When a contract is signed, the Group assesses whether it includes a lease. A contract is, or contains, a lease if it conveys the right for the Group to control the use of an identified asset for a period of time in exchange for consideration. The Group has decided to identify the lease components in the Group's lease contracts and does not include non-lease components in its calculation of the lease liability.

Länsförsäkringar AB forward invoices to its subsidiaries for rent for premises at an amount, based on the number of square metres of space used, based on the number of employees. The Bank Group, as a sub-group, has a lease as a lessee but this contract is not recognised in the balance sheet since the lease payments vary over time (meaning it is considered to be a variable lease payment) and such payments may not be included in the calculation of the lease liability.

#### Application of recognition exemption rules

There are exemptions for short-term leases and leases for which the underlying asset is of low value. The Group has decided not to recognise leases in the balance sheet for which the underlying asset has a low value or has a lease term (including periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option) of 12 months or less or that will end within 12 months from the date of initial application of 1 January 2019.

#### Reclassification of leases

The Group recognises its leases in the balance sheet as a right-of-use asset and a lease liability. Right-of-use assets are classified as the corresponding underlying asset would have been presented if it had been owned. Leases pertaining to rent for premises are classified as owner-occupied property in the balance-sheet item other assets and leases that pertain to other forms of equipment, IT servers and cars are classified as property and equipment. The Group's lease liabilities are classified as lease liabilities in the balance-sheet item other liabilities.

#### Effect of transition to IFRS 16

The Group has applied the modified retrospective approach, which entails that comparative information is provided in accordance with IAS 17 and IFRIC 4.

The transition to IFRS 16 entails that the Group has recognised new assets and liabilities for its operating leases as the lessee for primarily rent for premises and various forms of equipment, cars and servers. On initial date of application, the Group recognised the present value of the lease payments outstanding as lease liabilities in the amount of SEK 52.1 M. Right-of-use assets were recognised on transition at an amount corresponding to the lease liabilities (after adjustment for prepaid lease payments recognised on 31 December 2018), which is why the Group does not recognise any adjustment to equity in the opening balance for 2019. The effect of the transition to IFRS 16 on the consolidated balance sheet is presented in its entirety in note 14. The expenses for the Group's leases have changed since the Group recognises depreciation for right-of-use assets and interest expenses for lease liabilities. The Group previously recognised operating lease expenses on a straight-line basis over the lease term and recognised assets (prepaid lease payments) and liabilities (accrued lease payments) only to the extent that a difference existed between the actual lease payments and the expenses recognised.

The effect of the transition to IFRS 16 on own funds is marginal.

#### IFRIC 23 Uncertainty over Income Tax Treatments

The Group applies IFRIC 23 Uncertainty over Income Tax Treatments from 1 January 2019. IFRIC 23 clarifies how IAS 12 is to be applied if there are uncertainties about how tax legislation is to be applied to a certain transaction or under certain circumstances.

The interpretation did not entail any impact on the consolidated financial statements.

In all other respects, the report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2018 Annual Report.

**Note 2 Segment reporting**

Income statement, Jan-Jun 2019, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	598.6	1,269.6	403.5	-	-	2,271.7
Dividends received	4.6	-	-	-	-	4.6
Commission income	296.0	7.6	102.7	336.1	-51.1	691.3
Commission expense	-261.9	-606.5	-31.3	-165.1	51.1	-1,013.8
Net gain / loss from financial items	15.8	-25.0	-	-	-	-9.2
Intra-Group income	62.7	-	0.4	-	-63.1	0.0
Other income	1.9	-	13.9	-	-	15.8
<b>Total operating income</b>	<b>717.6</b>	<b>645.7</b>	<b>489.1</b>	<b>171.0</b>	<b>-63.1</b>	<b>1,960.3</b>
Intra-Group expenses	4.7	-46.2	-5.7	-15.9	63.1	0.0
Other administration expenses	-545.2	-12.2	-236.9	-76.6	11.2	-859.7
Depreciation / amortisation and impairment	-52.1	-0.1	-10.2	-0.1	-11.2	-73.8
<b>Total operating expenses</b>	<b>-592.7</b>	<b>-58.5</b>	<b>-252.8</b>	<b>-92.6</b>	<b>63.0</b>	<b>-933.6</b>
<b>Profit before credit losses</b>	<b>124.9</b>	<b>587.2</b>	<b>236.3</b>	<b>78.4</b>	<b>-0.1</b>	<b>1,026.8</b>
Credit losses, net	-1.9	0.5	-66.1	-	-1.5	-69.0
<b>Operating profit / loss</b>	<b>123.0</b>	<b>587.8</b>	<b>170.2</b>	<b>78.4</b>	<b>-1.6</b>	<b>957.8</b>
<b>Balance sheet 30 June 2019</b>						
<b>Total assets</b>	<b>195,198.8</b>	<b>258,973.6</b>	<b>24,245.2</b>	<b>758.8</b>	<b>-96,993</b>	<b>382,183.3</b>
Liabilities	182,743.7	247,194.5	21,181.1	202.0	-86,966.2	364,335.0
Equity	12,455.1	11,779.1	3,064.1	556.9	-10,026.8	17,848.3
<b>Total liabilities and equity</b>	<b>195,198.8</b>	<b>258,973.6</b>	<b>24,245.2</b>	<b>758.8</b>	<b>-96,993</b>	<b>382,183.3</b>
<b>Income statement, Jan-Jun 2018, SEK M</b>						
Net interest income	581.9	1,197.7	413.9	-	-	2,193.4
Dividends received	0.1	-	-	-	-	0.1
Commission income	269.6	1.3	105.8	255.2	-41.6	590.3
Commission expense	-246.5	-608.3	-36.4	-155.0	41.6	-1,004.6
Net gain / loss from financial items	18.7	5.2	-	-	-	23.9
Intra-Group income	60.0	-	0.3	-	-60.3	-
Other income	2.1	-	5.5	0.0	-	7.6
<b>Total operating income</b>	<b>685.8</b>	<b>595.9</b>	<b>489.2</b>	<b>100.3</b>	<b>-60.3</b>	<b>1,810.8</b>
Intra-Group expenses	4.1	-43.6	-5.8	-15.1	60.3	-
Other administration expenses	-509.6	-11.3	-228.5	-68.5	-	-817.9
Depreciation / amortisation and impairment	-43.5	-0.1	-12.1	-0.2	-	-55.8
<b>Total operating expenses</b>	<b>-549.0</b>	<b>-54.8</b>	<b>-246.4</b>	<b>-83.7</b>	<b>60.3</b>	<b>-873.7</b>
<b>Profit / loss before loan losses</b>	<b>136.8</b>	<b>541.0</b>	<b>242.8</b>	<b>16.6</b>	<b>-</b>	<b>937.2</b>
Credit losses, net	13.4	0.8	-63.9	-	0.8	-49.0
<b>Operating profit / loss</b>	<b>150.2</b>	<b>541.7</b>	<b>178.9</b>	<b>16.6</b>	<b>0.8</b>	<b>888.2</b>
<b>Balance sheet 30 June 2018</b>						
<b>Total assets</b>	<b>171,607.6</b>	<b>235,640.8</b>	<b>22,967.4</b>	<b>611.3</b>	<b>-88,243.3</b>	<b>342,583.7</b>
Liabilities	160,062.2	224,779.8	20,395.6	178.1	-78,506.3	326,909.5
Equity	11,545.3	10,861.0	2,571.8	433.2	-9,737.1	15,674.3
<b>Total liabilities and equity</b>	<b>171,607.6</b>	<b>235,640.8</b>	<b>22,967.4</b>	<b>611.3</b>	<b>-88,243.3</b>	<b>342,583.7</b>

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.

<b>Note 3 Net interest income</b>									
SEK M	Q2 2019	Q1 2019	Change	Q2 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change	Full-Year 2018
<b>Interest income</b>									
Loans to credit institutions	-2.4	-2.9	-17%	-5.3	-55%	-5.3, <sup>1)</sup>	-6.6	-20%	-14.7
Loans to the public	1,550.7	1,509.5	3%	1,413.3	10%	3,060.3	2,797.9	9%	5,673.2
Interest-bearing securities	37.3	33.6	11%	36.5	2%	70.9 <sup>1)</sup>	85.3	-17%	157.2
Derivatives	-77.5	-103.2	-25%	-140.1	-45%	-180.7	-321.7	-44%	-585.4
Other interest income	0.0	0.0		0.0		0.0	0.0		0.0
<b>Total interest income</b>	<b>1,508.1</b>	<b>1,437.1</b>	<b>5%</b>	<b>1,304.3</b>	<b>16%</b>	<b>2,945.2</b>	<b>2,554.9</b>	<b>15%</b>	<b>5,230.3</b>
<b>Interest expense</b>									
Due to credit institutions	8.0	6.0	33%	10.3	-22%	13.9, <sup>1)</sup>	18.2	-24%	41.1
Deposits and borrowing from the public	-30.9	-29.5	5%	-27.8	11%	-60.4	-54.8	10%	-113.2
Debt securities in issue	-570.5	-554.7	3%	-536.4	6%	-1,125.2	-1,068.1	5%	-2,095.8
Subordinated liabilities	-13.4	-12.6	6%	-11.9	13%	-26.0	-26.4	-2%	-50.4
Derivatives	289.9	357.1	-19%	440.5	-34%	647.0	912.5	-29%	1,728.2
Other interest expense, including government deposit insurance	-46.8	-76.0	-38%	-67.3	-30%	-122.8	-143.0	-14%	-242.9
<b>Total interest expense</b>	<b>-363.8</b>	<b>-309.7</b>	<b>17%</b>	<b>-192.6</b>	<b>89%</b>	<b>-673.5</b>	<b>-361.5</b>	<b>86%</b>	<b>-733.2</b>
<b>Total net interest income</b>	<b>1,144.3</b>	<b>1,127.4</b>	<b>1%</b>	<b>1,111.7</b>	<b>3%</b>	<b>2,271.7</b>	<b>2,193.4</b>	<b>4%</b>	<b>4,497.1</b>
Average interest rate on loans to the public during the period, including net leasing, %	2.1	2.1		2.1		2.1	2.1		2.1
Average interest rate on deposits from the public during the period, %	0.1	0.1		0.1		0.1	0.1		0.1

<sup>1)</sup> Of which negative interest on Loans to credit institutions of SEK -9.0 M (-4.0), Interest-bearing securities of SEK -33.7 M (-17.2) and Due to credit institutions of SEK 14.8 M (6.5).

Interest income calculated according to the effective interest method amounts to SEK 1,508.1 M (1,437.1).

<b>Note 4 Net commission</b>									
SEK M	Q2 2019	Q1 2019	Change	Q2 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change	Full-Year 2018
<b>Commission income</b>									
Payment mediation	24.5	31.0	-21%	21.6	13%	55.5	44.0	26%	93.6
Loans	61.4	58.8	4%	62.8	-2%	120.2	123.0	-2%	244.8
Deposits	1.6	4.5	-64%	3.1	-48%	6.0	7.7	-22%	13.5
Securities	184.1	171.7	7%	118.4	55%	355.8	274.5	30%	603.5
Cards	68.3	57.9	18%	61.9	10%	126.2	115.4	9%	248.3
Remuneration to regional insurance companies	14.6	13.3	10%	13.4	9%	27.9	25.5	9%	48.8
Other commission	0.1	-0.3		-0.4		-0.2	0.2		0.3
<b>Total commission income</b>	<b>354.5</b>	<b>336.8</b>	<b>5%</b>	<b>280.6</b>	<b>26%</b>	<b>691.3</b>	<b>590.3</b>	<b>17%</b>	<b>1,252.9</b>
<b>Commission expense</b>									
Payment mediation	-32.9	-29.2	13%	-38.4	-14%	-62.1	-72.2	-15%	-129.3
Securities	-23.0	-20.5	12%	-21.2	8%	-43.5	-36.1	20%	-77.7
Cards	-38.9	-36.2	7%	-35.3	10%	-75.1	-67.5	11%	-135.3
Remuneration to regional insurance companies	-407.7	-375.7	9%	-358.7	14%	-783.5	-773.4	1%	-1,580.5
Management costs	-21.7	-20.7	5%	-23.8	-9%	-42.4	-48.6	-13%	-90.0
Other commission	-3.7	-3.6	3%	-3.4	9%	-7.2	-6.9	4%	-13.3
<b>Total commission expense</b>	<b>-528.0</b>	<b>-485.9</b>	<b>9%</b>	<b>-480.7</b>	<b>10%</b>	<b>-1,013.8</b>	<b>-1,004.6</b>	<b>1%</b>	<b>-2,026.1</b>
<b>Total net commission</b>	<b>-173.4</b>	<b>-149.1</b>	<b>16%</b>	<b>-200.1</b>	<b>-13%</b>	<b>-322.5</b>	<b>-414.3</b>	<b>-22%</b>	<b>-773.3</b>

There are no material uncertainties regarding income or cash flow in the table above since they are settled on an ongoing basis. Outstanding remuneration to the regional insurance companies and securities commission are also settled on an ongoing basis.

For more information, see note 2 Segment reporting.



<b>Note 5</b>	<b>Net gains / losses from financial items</b>								
<b>SEK M</b>	<b>Q2 2019</b>	<b>Q1 2019</b>	<b>Change</b>	<b>Q2 2018</b>	<b>Change</b>	<b>Jan-Jun 2019</b>	<b>Jan-Jun 2018</b>	<b>Change</b>	<b>Full-Year 2018</b>
Interest-bearing assets and liabilities and related derivatives	-7.1	-14.8	-52%	4.9		-21.9	7.8		-16.0
Other financial assets and liabilities	-0.2	0.2		-0.7	-71%	0.0	0.5	-100%	0.7
Interest compensation (refer to items measured at amortised cost)	6.6	6.1	8%	7.0	-6%	12.7	15.6	-19%	28.8
<b>Total net gains / losses from financial items</b>	<b>-0.7</b>	<b>-8.5</b>	<b>-92%</b>	<b>11.2</b>		<b>-9.2</b>	<b>23.9</b>		<b>13.5</b>

<b>Note 6</b>	<b>Credit losses</b>								
<b>Net credit losses, SEK M</b>	<b>Q2 2019</b>	<b>Q1 2019</b>	<b>Change</b>	<b>Q2 2018</b>	<b>Change</b>	<b>Jan-Jun 2019</b>	<b>Jan-Jun 2018</b>	<b>Change</b>	<b>Full-Year 2018</b>
<b>Change in loss allowance for loan receivables</b>									
Stage 1 (not credit-impaired)	-5.1	0.5		-6.7	-24%	-4.6	-3.9	18%	6.3
Stage 2 (not credit-impaired)	1.6	-3.5		-4.8		-1.9	-10.7	-82%	-22.8
Stage 3 (credit-impaired)	-30.2	-12.4		-12.9		-42.7	-26.4	62%	-53.2
<b>Total change in loss allowance for loan receivables</b>	<b>-33.8</b>	<b>-15.4</b>	<b>30%</b>	<b>-24.3</b>	<b>39%</b>	<b>-49.2</b>	<b>-41.1</b>	<b>20%</b>	<b>-69.7</b>
Expense for confirmed credit losses	-27.1	-36.5	-26%	-32.8	-17%	-63.6	-58.2	9%	-119.3
Payment received for prior confirmed credit losses	23.1	22.7	2%	22.8	1%	45.8	41.8	10%	83.7
<b>Net expense for the period for credit losses for loan receivables</b>	<b>-37.9</b>	<b>-29.2</b>	<b>30%</b>	<b>-34.3</b>	<b>10%</b>	<b>-67.0</b>	<b>-57.5</b>	<b>17%</b>	<b>-105.4</b>
Change in loss allowance for commitments	-1.0	-0.1		-1.0		-1.1	-0.6	83%	2.0
Net expense for other credit losses	-0.5	-0.3	67%	-0.3	67%	-0.8	9.1		8.7
Net expense of the modification result	0.0	0.0		0.0		-0.1	0.0		0.0
<b>Net expense for credit losses</b>	<b>-39.4</b>	<b>-29.6</b>	<b>33%</b>	<b>-35.6</b>	<b>11%</b>	<b>-69.0</b>	<b>-49.0</b>	<b>41%</b>	<b>-94.7</b>

The settlement model regarding the commitment that the regional insurance companies have for credit losses entails that the regional insurance companies cover 80 percent 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 percent of the provision requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. During the second quarter 2019, total credit losses amounted to SEK -53.7 M (-26.2), of which the Bank Group's recognised credit losses amounted to SEK -39.4 M (-29.6) and the remainder of SEK -14.3 M (3.4) was settled against remuneration to the regional insurance companies.

<b>Note 7</b>	<b>Loans to the public</b> Loan receivables are geographically attributable in their entirety to Sweden.		
<b>SEK M</b>	<b>30 June 2019</b>	<b>31 December 2018</b>	<b>30 June 2018</b>
Public sector	3,094.0	4,182.0	1,981.6
Corporate sector	19,421.2	18,854.9	18,695.7
Retail sector	279,628.7	266,814.0	255,559.9
Other	0.4	0.4	0.2
<b>Loan to the public before reserves</b>	<b>302,144.4</b>	<b>289,851.4</b>	<b>276,237.5</b>
Loss allowance	-474.6	-425.4	-396.3
<b>Loans to the public</b>	<b>301,669.8</b>	<b>289,426.0</b>	<b>275,841.2</b>

**Note 7** Loans to the public, cont.

Loans to the public Change of loss allowance SEK M	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
<b>Opening balance, 1 January 2019</b>	<b>-66.9</b>	<b>-116.4</b>	<b>-242.1</b>	<b>-425.4</b>
Increase due to new or acquired loans	-30.3	-0.5	-0.5	-31.3
Change in loss allowance model or method	0.0	0.0	0.0	0.0
Decrease due to repayment	14.1	20.6	25.7	60.4
Change due to changed credit risk	10.9	-24.1	-133.8	-147.0
Other adjustments	0.8	2.1	2.2	5.0
Decrease due to write-off	0.0	0.0	63.7	63.7
<b>Closing balance, 30 June 2019</b>	<b>-71.5</b>	<b>-118.3</b>	<b>-284.7</b>	<b>-474.6</b>
Allocation of loss allowance requirement	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to the public before loss allowances</b>	<b>293,387.9</b>	<b>7,793.7</b>	<b>962.8</b>	<b>302,144.4</b>
Credit reserve requirement	-88.8	-142.2	-335.4	-566.3
Withheld remuneration to the regional insurance companies	17.3	23.8	50.6	91.7
<b>Recognised loss allowance</b>	<b>-71.5</b>	<b>-118.3</b>	<b>-284.7</b>	<b>-474.6</b>
<b>Loans to the public</b>	<b>293,316.4</b>	<b>7,675.4</b>	<b>678.1</b>	<b>301,669.8</b>

Loans to the public Change of loss allowance SEK M	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
<b>Opening balance, 1 January 2018</b>	<b>-73.2</b>	<b>-93.6</b>	<b>-188.9</b>	<b>-355.7</b>
Increase due to new or acquired loans <sup>1)</sup>	-32.8	-1.1	-1.5	-35.3
Change in loss allowance model or method	3.5	3.1	-0.2	6.3
Decrease due to repayment <sup>1)</sup>	16.4	18.8	22.1	57.3
Change due to changed credit risk	9.5	-31.5	-106.1	-128.1
Other adjustments <sup>1)</sup>	0.0	-0.1	-	-0.1
Decrease due to write-off	-	0.0	59.3	59.3
<b>Closing balance, 30 June 2018</b>	<b>-76.7</b>	<b>-104.4</b>	<b>-215.3</b>	<b>-396.3</b>
Allocation of loss allowance requirement	Not credit-impaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to the public before loss allowances</b>	<b>268,664.1</b>	<b>6,851.2</b>	<b>722.1</b>	<b>276,237.5</b>
Credit reserve requirement	-94.8	-127.5	-263.4	-485.6
Withheld remuneration to the regional insurance companies	18.1	23.1	48.1	89.3
<b>Recognised loss allowance</b>	<b>-76.7</b>	<b>-104.4</b>	<b>-215.3</b>	<b>-396.3</b>
<b>Loans to the public</b>	<b>268,587.5</b>	<b>6,746.8</b>	<b>506.9</b>	<b>275,841.2</b>

<sup>1)</sup> Comparative figures have been adjusted since revolving short-term credits are now recognised net in the line item other adjustments

The settlement model regarding the commitment that the regional insurance companies have for credit losses entails that the regional insurance companies cover 80 percent 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 percent of the provision requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated.

**Note 8** Loans to credit institutions

On 30 June 2019, Loans to credit institutions amounted to SEK 3,671.5 M (4,485.9) and was included in Stage 1. Loss allowance for credit losses amounted to SEK 0.0 M (0.0).

SEK M	30 June 2019		31 December 2018		30 June 2018	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives with positive values</b>						
<i>Derivatives in hedge accounting</i>						
Interest-related	156,580.0	3,359.6	166,918.8	1,551.8	139,025.0	2,171.5
Currency-related	52,141.0	7,154.8	42,007.5	4,617.2	42,524.6	5,628.0
<i>Other derivatives</i>						
Currency-related	570.1	9.3	-	-	79.8	9.4
<b>Total derivatives with positive values</b>	<b>209,291.1</b>	<b>10,523.7</b>	<b>208,926.3</b>	<b>6,169.0</b>	<b>181,629.4</b>	<b>7,808.9</b>
Offset derivatives with positive values	-37,664.0	-378.6	-31,739.0	-113.5	-	-
<b>Net amount after offset</b>	<b>171,627.1</b>	<b>10,145.1</b>	<b>177,187.3</b>	<b>6,055.5</b>	<b>181,629.4</b>	<b>7,808.9</b>
<b>Derivatives with negative values</b>						
<i>Derivatives in hedge accounting</i>						
Interest-related	114,011.0	1,013.1	70,688.0	428.2	85,218.8	674.9
Currency-related	3,803.6	256.4	10,442.9	445.2	3,941.0	320.1
<i>Other derivatives</i>						
Currency-related	1,324.3	19.5	325.3	1.3	249.3	14.8
<b>Total derivatives with negative values</b>	<b>119,138.9</b>	<b>1,289.0</b>	<b>81,456.2</b>	<b>874.7</b>	<b>89,409.1</b>	<b>1,009.8</b>
Offset derivatives with negative values	-37,664.0	-378.6	-31,739.0	-113.5	-	-
<b>Net amount after offset</b>	<b>81,474.9</b>	<b>910.4</b>	<b>49,717.2</b>	<b>761.2</b>	<b>89,409.1</b>	<b>1,009.8</b>

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.

<b>Note 10 Pledged assets, contingent liabilities and commitments</b>			
<b>SEK M</b>	<b>30 June 2019</b>	<b>31 December 2018</b>	<b>30 June 2018</b>
For own liabilities, pledged assets	246,974.3	227,195.1	220,179.8
Contingent liabilities	27.7	34.7	34.7
Commitments <sup>1)</sup>	22,721.2	20,842.0	23,903.4

<sup>1)</sup> Commitments to related parties amounted to SEK 62.5 M (57.3) for the regional insurance companies and SEK 5.7 M (8.6) for other related parties. Contingent liabilities comprise guarantees. Commitments comprise loans/bank overdraft facilities and card loans approved but not disbursed. For further information regarding loss allowance for commitments, see note 6.

<b>Note 11 Fair value valuation techniques</b>						
<b>SEK M</b>	<b>30 June 2019</b>		<b>31 December 2018</b>		<b>30 June 2018</b>	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
<b>Financial Assets</b>						
Cash and balances with central banks	15.4	15.4	22.2	22.2	14.2	14.2
Treasury bills and other eligible bills	21,125.9	21,125.9	10,846.8	10,846.8	15,661.1	15,661.1
Loans to credit institutions	3,671.5	3,671.5	4,485.9	4,485.9	3,944.6	3,944.6
Loans to the public	301,669.8	302,642.8	289,426.0	290,227.6	275,841.2	276,536.5
Bonds and other interest-bearing securities	42,334.8	42,334.8	36,790.4	36,790.4	36,800.0	36,800.0
Shares and participations	83.5	83.5	66.3	66.3	40.8	40.8
Derivatives	10,145.1	10,145.1	6,055.5	6,055.5	7,808.9	7,808.9
Other assets	255.4	255.4	256.6	256.6	190.2	190.2
<b>Total</b>	<b>379,301.4</b>	<b>380,274.4</b>	<b>347,949.6</b>	<b>348,751.2</b>	<b>340,301.0</b>	<b>340,996.3</b>
<b>Financial Liabilities</b>						
Due to credit institutions	14,246.1	14,246.1	5,992.1	5,992.1	9,881.6	9,881.6
Deposits and borrowing from the public	115,883.8	116,271.8	108,141.7	108,677.4	104,412.2	105,796.8
Debt securities in issue	221,941.5	228,359.7	210,781.1	214,791.8	202,301.7	207,603.7
Derivatives	910.4	910.4	761.2	761.2	1,009.8	1,009.8
Other liabilities	278.5	278.5	183.4	183.4	133.1	133.1
Subordinated liabilities	2,594.2	2,644.7	2,593.1	2,631.7	2,592.2	2,663.5
<b>Total</b>	<b>355,854.6</b>	<b>362,711.2</b>	<b>328,452.5</b>	<b>333,037.6</b>	<b>320,330.6</b>	<b>327,088.5</b>

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**

<b>30 June 2019, SEK M</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Treasury bills and other eligible bills	21,125.9			<b>21,125.9</b>
Bonds and other interest-bearing securities	42,334.8			<b>42,334.8</b>
Shares and participations	10.1	52.7	20.7	<b>83.5</b>
Derivatives		10,145.1		<b>10,145.1</b>
<b>Liabilities</b>				
Derivatives		910.4		<b>910.4</b>
<b>31 December 2018, SEK M</b>				
<b>Assets</b>				
Treasury bills and other eligible bills	10,846.8			<b>10,846.8</b>
Bonds and other interest-bearing securities	36,790.4			<b>36,790.4</b>
Shares and participations	8.2	37.6	20.5	<b>66.3</b>
Derivatives		6,055.5		<b>6,055.5</b>
<b>Liabilities</b>				
Derivatives		761.2		<b>761.2</b>
<b>30 June 2018, SEK M</b>				
<b>Assets</b>				
Treasury bills and other eligible bills	15,661.1			<b>15,661.1</b>
Bonds and other interest-bearing securities	36,800.0			<b>36,800.0</b>
Shares and participations	0.2	20.3	20.3	<b>40.8</b>
Derivatives		7,808.9		<b>7,808.9</b>
<b>Liabilities</b>				
Derivatives		1,009.8		<b>1,009.8</b>

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. No significant transfers took place in 2019 or 2018. No transfers were made from Level 3 in these years.

<b>Change in level 3, SEK M</b>	<b>Shares and participations</b>
<b>Opening balance 1 January 2019</b>	<b>20.5</b>
Recognised in other comprehensive income	0.2
<b>Closing balance, 30 June 2019</b>	<b>20.7</b>
<b>Opening balance 1 January 2018</b>	<b>30.1</b>
Acquisition	0.3
Change in value of shares and participations	-10.0
Recognised in profit for the year	0.2
<b>Closing balance, 31 December 2018</b>	<b>20.5</b>
<b>Opening balance 1 January 2018</b>	<b>30.1</b>
Change in value of shares and participations	-9.8
<b>Closing balance, 30 June 2018</b>	<b>20.3</b>

**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 30 Jun 2019	Consolidated situation 31 Dec 2018	Consolidated situation 30 Jun 2018	Bank Group 30 Jun 2019	Bank Group 31 Dec 2018	Bank Group 30 Jun 2018
<b>Common Equity Tier 1 capital: instruments and reserves</b>						
Capital instruments and associated share premium reserves	6,513.4	6,513.4	6,513.4	2,864.6	2,864.6	2,864.6
<i>Of which: share capital</i>	1,042.5	1,042.5	1,042.5	2,864.6	2,864.6	2,864.6
Non-distributed earnings (Retained earnings)	14,163.9	11,613.1	11,756.5	11,786.7	10,545.9	10,672.2
Accumulated Other comprehensive income	4,944.7	4,938.9	4,794.2	272.8	314.1	245.7
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	443.9	2,488.3	1,652.4	712.5	1,179.5	689.7
<b>Common Equity Tier 1 capital before legislative adjustments</b>	<b>26,065.9</b>	<b>25,553.7</b>	<b>24,716.4</b>	<b>15,636.6</b>	<b>14,904.1</b>	<b>14,472.2</b>
<b>Common Equity Tier 1 capital: legislative adjustments</b>						
Additional value adjustments	-74.6	-54.4	-61.1	-73.5	-53.5	-60.2
Intangible assets (net after reduction for associated tax liabilities)	-1,991.9	-1,734.2	-1,989.4	-1,266.1	-989.6	-1,202.5
Fair value reserves related to gains or losses on cash-flow hedges	167.7	151.2	162.2	167.7	151.2	162.2
Negative amounts resulting from the calculation of expected loss amounts	-534.4	-372.9	-349.5	-534.4	-372.9	-349.5
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	-5,785.2	-5,794.1	-5,900.6	-	-	-
Amounts exceeding threshold of 15%	-	-	-	-	-	-
<i>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</i>	-	-	-	-	-	-
<i>Of which: deferred tax assets arise from temporary differences</i>	-	-	-	-	-	-
<b>Total legislative adjustments of Common Equity Tier 1 capital</b>	<b>-8,218.3</b>	<b>-7,804.4</b>	<b>-8,138.4</b>	<b>-1,706.3</b>	<b>-1,264.8</b>	<b>-1,450.0</b>
<b>Common equity Tier 1 capital</b>	<b>17,847.5</b>	<b>17,749.3</b>	<b>16,578.1</b>	<b>13,930.2</b>	<b>13,639.3</b>	<b>13,022.3</b>
<b>Additional Tier 1 instruments: instruments</b>						
Capital instruments and associated share premium reserves	-	-	-	2,200.0	1,200.0	1,200.0
<i>Of which: classified as equity within the meaning of the applicable accounting framework</i>	-	-	-	2,200.0	1,200.0	1,200.0
Qualifying Tier 1 instruments included in consolidated Tier 1 capital issued by subsidiaries and held by a third party	1,688.7	927.6	920.8	-	-	-
<b>Additional Tier 1 instruments</b>	<b>1,688.7</b>	<b>927.6</b>	<b>920.8</b>	<b>2,200.0</b>	<b>1,200.0</b>	<b>1,200.0</b>
<b>Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 instruments)</b>	<b>19,536.2</b>	<b>18,676.9</b>	<b>17,498.9</b>	<b>16,130.2</b>	<b>14,839.3</b>	<b>14,222.3</b>
<b>Tier 2 capital: instruments and provisions</b>						
Capital instruments and associated share premium reserves	-	-	-	2,589.7	2,589.7	2,589.7
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by a third party	2,066.3	2,035.5	1,997.3	-	-	-
<b>Tier 2 capital</b>	<b>2,066.3</b>	<b>2,035.5</b>	<b>1,997.3</b>	<b>2,589.7</b>	<b>2,589.7</b>	<b>2,589.7</b>
<b>Total capital (total capital = Tier 1 capital + Tier 2 capital)</b>	<b>21,602.5</b>	<b>20,712.4</b>	<b>19,496.2</b>	<b>18,719.9</b>	<b>17,429.0</b>	<b>16,812.0</b>
<b>Total risk-weighted assets</b>	<b>122,179.4</b>	<b>113,283.1</b>	<b>67,156.7</b>	<b>103,651.2</b>	<b>95,927.8</b>	<b>50,197.8</b>
<b>Capital ratios and buffers</b>						
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	14.6%	15.7%	24.7%	13.4%	14.2%	25.9%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	16.0%	16.5%	26.1%	15.6%	15.5%	28.3%
Total capital (as a percentage of the total risk-weighted exposure amount)	17.7%	18.3%	29.0%	18.1%	18.2%	33.5%
Institution-specific buffer requirements	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
<i>Of which: capital conservation buffer requirement</i>	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<i>Of which: countercyclical capital buffer requirement</i>	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<i>Of which: systemic risk buffer requirement</i>	-	-	-	-	-	-
<i>Of which: buffer for globally systemically important institution or for another systemically important institution</i>	-	-	-	-	-	-
Common Equity Tier 1 capital available for use as a buffer (as a percentage of the risk-weighted exposure amount)	9.7%	10.3%	20.1%	8.9%	9.5%	21.4%



**Note 12**
**Capital-adequacy, continued**

SEK M	Consolidated situation 30 Jun 2019		Consolidated situation 31 Dec 2018		Consolidated situation 30 Jun 2018		Bank Group 30 Jun 2019		Bank Group 31 Dec 2018		Bank Group 30 Jun 2018	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
<b>Credit risk according to Standardised Approach</b>												
Exposures to institutions	1,929.2	154.3	1,344.9	107.6	1,756.9	140.6	1,883.8	150.7	1,303.1	104.2	1,713.6	137.1
Exposures to corporates	2,095.1	167.6	2,041.3	163.3	1,848.3	147.9	2,083.3	166.7	2,039.2	163.1	1,845.0	147.6
Retail exposures	2,070.9	165.7	1,978.8	158.3	1,838.3	147.1	2,070.9	165.7	1,978.8	158.3	1,838.3	147.1
Defaulted exposures	34.9	2.8	20.0	1.6	14.6	1.2	34.9	2.8	20.0	1.6	14.6	1.2
High risk items	0.4	0.0	0.4	0.0	-	-	0.4	0.0	0.4	0.0	-	-
Covered bonds	3,550.2	284.0	3,060.1	244.8	3,102.1	248.2	3,440.2	275.2	2,971.0	237.7	3,012.2	241.0
Equity exposures	6,011.2	480.9	5,971.7	477.7	5,680.5	454.4	95.6	7.7	78.4	6.3	53.2	4.3
Other items	5,317.3	425.4	4,736.3	378.9	4,561.0	364.9	1,274.8	102.0	1,014.9	81.2	973.6	77.9
<b>Total capital requirement and risk exposure amount</b>	<b>21,009.3</b>	<b>1,680.7</b>	<b>19,153.6</b>	<b>1,532.3</b>	<b>18,801.7</b>	<b>1,504.1</b>	<b>10,884.1</b>	<b>870.7</b>	<b>9,405.9</b>	<b>752.5</b>	<b>9,450.4</b>	<b>756.0</b>
<b>Credit risk according to IRB Approach</b>												
<i>Retail exposures</i>												
Secured by real estate SME	2,584.4	206.8	1,932.1	154.6	1,959.2	156.7	2,584.4	206.8	1,932.1	154.6	1,959.2	156.7
Secured by real estate non-SME	15,005.8	1,200.5	14,841.4	1,187.3	13,412.0	1,073.0	15,005.8	1,200.5	14,841.4	1,187.3	13,412.0	1,073.0
Other SME	4,690.4	375.2	4,332.5	346.6	4,200.2	336.0	4,690.4	375.2	4,332.5	346.6	4,200.2	336.0
Other non-SME	7,055.6	564.5	6,879.4	550.4	7,014.0	561.1	7,055.6	564.5	6,879.4	550.4	7,014.0	561.1
<b>Total retail exposures</b>	<b>29,336.2</b>	<b>2,346.9</b>	<b>27,985.3</b>	<b>2,238.8</b>	<b>26,585.4</b>	<b>2,126.8</b>	<b>29,336.2</b>	<b>2,346.9</b>	<b>27,985.3</b>	<b>2,238.8</b>	<b>26,585.4</b>	<b>2,126.8</b>
Exposures to corporates	8,814.5	705.2	7,496.3	599.7	7,631.3	610.5	8,814.6	705.2	7,496.3	599.7	7,631.3	610.5
<b>Total capital requirement and risk exposure amount</b>	<b>38,150.7</b>	<b>3,052.1</b>	<b>35,481.6</b>	<b>2,838.5</b>	<b>34,216.7</b>	<b>2,737.3</b>	<b>38,150.8</b>	<b>3,052.1</b>	<b>35,481.6</b>	<b>2,838.5</b>	<b>34,216.7</b>	<b>2,737.3</b>
<b>Operational risks</b>												
Standardised Approach	13,543.1	1,083.4	12,305.6	984.4	12,305.6	984.4	5,140.0	411.2	4,697.9	375.8	4,697.9	375.8
<b>Total capital requirement for operational risk</b>	<b>13,543.1</b>	<b>1,083.4</b>	<b>12,305.6</b>	<b>984.4</b>	<b>12,305.6</b>	<b>984.4</b>	<b>5,140.0</b>	<b>411.2</b>	<b>4,697.9</b>	<b>375.8</b>	<b>4,697.9</b>	<b>375.8</b>
<b>Total capital requirement for credit valuation adjustments</b>	<b>1,677.6</b>	<b>134.2</b>	<b>1,323.4</b>	<b>105.9</b>	<b>1,832.7</b>	<b>146.6</b>	<b>1,677.6</b>	<b>134.2</b>	<b>1,323.4</b>	<b>105.9</b>	<b>1,832.7</b>	<b>146.6</b>
<b>Additional Risk Exposure Amounts according to Article 458 CRR</b>	<b>47,798.7</b>	<b>3,823.9</b>	<b>45,018.9</b>	<b>3,601.5</b>	-	-	<b>47,798.7</b>	<b>3,823.9</b>	<b>45,018.9</b>	<b>3,601.5</b>	-	-
<b>Total capital requirement and risk exposure amount</b>	<b>122,179.4</b>	<b>9,774.3</b>	<b>113,283.1</b>	<b>9,062.6</b>	<b>67,156.7</b>	<b>5,372.5</b>	<b>103,651.2</b>	<b>8,292.1</b>	<b>95,927.8</b>	<b>7,674.2</b>	<b>50,197.8</b>	<b>4,015.8</b>

**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 of change in accounting policy from IAS 17 Leases to IFRS 16 Leases

<b>Group, SEK M</b>	
<b>Future operating lease payments at 31 December 2018</b>	<b>56.4</b>
Exceptions from accounting in balance sheet	
– short-term leases	-
– leases for which the underlying asset has a low value	-4.8
Extension options that it is reasonably certain will be exercised	1.2
<b>Total operating lease payments before discounting at 1 January 2019 is to be recognised in the balance sheet</b>	<b>52.8</b>
Discount effect at 1 January 2019	-0.7
Financial lease liabilities at 31 December 2018	-
<b>Lease liabilities recognised in the balance sheet at 1 January 2019</b>	<b>52.1</b>

On transition to IFRS 16, the Bank Group recognised right-of-use assets and lease liabilities of SEK 52.1 M in the balance sheet, which impacts property and equipment by SEK 47.2 M, other assets by SEK 4.9 M and other liabilities by SEK 52.1 M.

To measure lease liabilities, the Bank Group discounted future lease payments by using an incremental borrowing rate on 1 January 2019. The average incremental borrowing rate applied was 0.02%.

## Income statement - Parent Company

SEK M	Q2 2019	Q1 2019	Change	Q2 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change	Full-Year 2018
Interest income	453.9	424.3	7%	379.2	20%	878.2	750.7	17%	1,542.3
Interest expense	-150.4	-129.3	16%	-89.9	67%	-279.6	-168.8	66%	-308.6
<b>Net interest income</b>	<b>303.5</b>	<b>295.1</b>	<b>3%</b>	<b>289.3</b>	<b>5%</b>	<b>598.6</b>	<b>581.9</b>	<b>3%</b>	<b>1,233.7</b>
Dividends received	4.5	0.0		0.1		4.6	0.1		29.9
Commission income	144.6	151.3	-4%	135.3	7%	296.0	269.6	10%	556.5
Commission expense	-135.7	-126.2	8%	-117.8	15%	-261.9	-246.5	6%	-490.5
<b>Net commission</b>	<b>8.9</b>	<b>25.1</b>	<b>-65%</b>	<b>17.5</b>	<b>-49%</b>	<b>34.0</b>	<b>23.1</b>	<b>47%</b>	<b>66.0</b>
Net gain / loss from financial items	8.6	7.3	19%	6.0	43%	15.8	18.7	-15%	15.4
Other operating income	32.7	32.0	2%	30.9	6%	64.6	62.1	4%	124.9
<b>Total operating income</b>	<b>358.2</b>	<b>359.5</b>		<b>343.8</b>	<b>4%</b>	<b>717.6</b>	<b>685.8</b>	<b>5%</b>	<b>1,470.0</b>
Staff costs	-85.3	-84.4	1%	-75.9	12%	-169.8	-145.5	17%	-290.3
Other administration expenses	-182.6	-188.2	-3%	-176.7	3%	-370.8	-360.1	3%	-840.0
<b>Total administration expenses</b>	<b>-268.0</b>	<b>-272.6</b>	<b>-2%</b>	<b>-252.6</b>	<b>6%</b>	<b>-540.6</b>	<b>-505.6</b>	<b>7%</b>	<b>-1,130.3</b>
Depreciation / amortisation and impairment of property and equipment / intangible assets	-29.5	-22.7	30%	-24.1	22%	-52.1	-43.5	20%	-375.4
<b>Total operating expenses</b>	<b>-297.4</b>	<b>-295.3</b>	<b>1%</b>	<b>-276.7</b>	<b>7%</b>	<b>-592.7</b>	<b>-549.0</b>	<b>8%</b>	<b>-1,505.7</b>
<b>Profit / loss before credit losses</b>	<b>60.8</b>	<b>64.2</b>	<b>-5%</b>	<b>67.1</b>	<b>-9%</b>	<b>124.9</b>	<b>136.8</b>	<b>-9%</b>	<b>-35.7</b>
Credit losses, net	-2.0	0.1		-0.5		-1.9	13.4		15.6
<b>Operating profit / loss</b>	<b>58.7</b>	<b>64.3</b>	<b>-9%</b>	<b>66.6</b>	<b>-12%</b>	<b>123.0</b>	<b>150.2</b>	<b>-18%</b>	<b>-20.1</b>
Appropriations	-	-		-		-	-		-70.0
Tax	-17.1	-22.3	-23%	-14.8	16%	-39.3	-33.2	18%	2.4
<b>Profit / loss for the period</b>	<b>41.7</b>	<b>42.0</b>	<b>-1%</b>	<b>51.8</b>	<b>-20%</b>	<b>83.7</b>	<b>117.0</b>	<b>-28%</b>	<b>-87.7</b>

## Statement of comprehensive income - Parent Company

SEK M	Q2 2019	Q1 2019	Change	Q2 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change	Full-Year 2018
<b>Profit for the period</b>	<b>41.7</b>	<b>42.0</b>	<b>-1%</b>	<b>51.8</b>	<b>-20%</b>	<b>83.7</b>	<b>117.0</b>	<b>-28%</b>	<b>-87.7</b>
<b>Other comprehensive income</b>									
<b>Items that are reclassified or may subsequently be reclassified to the income statement</b>									
Cash-flow hedges	2.1	-4.3		-9.1		-2.2	-7.3	-70%	-14.7
Change in fair value of debt instruments measured at FVOCI	1.2	55.3	-98%	8.0	-85%	56.5	3.9		-41.9
Tax attributable to items that are transferred or can be transferred as income for the period	-0.7	-11.0	-94%	0.2		-11.8	0.7		12.5
<b>Total</b>	<b>2.6</b>	<b>40.0</b>	<b>-94%</b>	<b>-0.9</b>		<b>42.5</b>	<b>-2.7</b>		<b>-44.1</b>
<b>Items that cannot be transferred to profit and loss</b>									
Change in fair value of equity instruments measured at FVOCI	4.4	6.3	-30%	-8.1		10.7	-6.4		-11.0
Tax attributable to items that cannot be reversed to profit and loss	1.2	2.1	-43%	-0.3		3.3	-0.7		0.0
<b>Total</b>	<b>5.6</b>	<b>8.4</b>	<b>-33%</b>	<b>-8.4</b>		<b>14.0</b>	<b>-7.1</b>		<b>-11.0</b>
<b>Total other comprehensive income for the period, net after tax</b>	<b>8.2</b>	<b>48.4</b>	<b>-83%</b>	<b>-9.3</b>		<b>56.5</b>	<b>-9.8</b>		<b>-55.1</b>
<b>Comprehensive income for the period</b>	<b>49.9</b>	<b>90.4</b>	<b>-45%</b>	<b>42.5</b>	<b>17%</b>	<b>140.2</b>	<b>107.2</b>	<b>31%</b>	<b>-142.8</b>

## Balance sheet – Parent Company

SEK M	Note	30 Jun 2019	31 Dec 2018	30 Jun 2018
<b>Assets</b>				
Cash and balances with central banks		15.4	22.2	14.2
Treasury bills and other eligible bills		21,125.9	10,846.8	15,661.1
Loans to credit institutions	3	77,135.2	79,013.9	68,665.3
Loans to the public	4	45,571.9	45,742.5	43,116.5
Bonds and other interest-bearing securities		31,218.5	26,873.7	26,734.6
Shares and participations		83.5	66.3	40.8
Shares and participations within the Group		9,764.0	9,764.0	9,764.0
Derivatives		8,496.5	4,667.2	6,100.1
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		44.8	21.6	40.8
Intangible assets		1,182.6	904.7	1,094.0
Property and equipment		3.9	4.1	3.7
Deferred tax assets		59.2	58.8	6.2
Other assets		379.5	330.9	271.5
Prepaid expenses and accrued income		117.9	89.1	94.9
<b>Total assets</b>		<b>195,198.8</b>	<b>178,405.9</b>	<b>171,607.6</b>
<b>Liabilities, provisions and equity</b>				
Due to credit institutions		13,373.9	10,755.9	10,265.1
Deposits and borrowing from the public		116,271.8	108,539.8	104,813.7
Debt securities in issue		41,124.6	39,586.1	35,421.2
Derivatives		7,902.8	4,482.4	5,753.6
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		58.0	38.1	78.2
Other liabilities		604.5	461.5	416.1
Accrued expenses and deferred income		740.3	532.2	652.7
Provisions		13.0	13.4	14.1
Subordinated liabilities		2,594.2	2,593.1	2,592.2
<b>Total liabilities and provisions</b>		<b>182,683.2</b>	<b>167,002.4</b>	<b>160,006.8</b>
<b>Untaxed reserves</b>		<b>322.0</b>	<b>322.0</b>	<b>252.0</b>
<b>Equity</b>				
Share capital		2,864.6	2,864.6	2,864.6
Statutory reserve		18.4	18.4	18.4
Development Expenditures Fund		1,135.1	833.1	973.5
Additional Tier 1 instruments		2,200.0	1,200.0	1,200.0
Fair value reserves		87.5	30.9	76.1
Retained earnings		5,804.3	6,222.2	6,099.2
Profit for the period		83.7	-87.7	117.0
<b>Total equity</b>		<b>12,193.6</b>	<b>11,081.5</b>	<b>11,348.8</b>
<b>Total liabilities, provisions and equity</b>		<b>195,198.8</b>	<b>178,405.9</b>	<b>171,607.6</b>
<b>Notes</b>				
Accounting policies	1			
Capital-adequacy	2			
Disclosures on related parties	5			
Pledged assets, contingent liabilities and commitments	6			

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

SEK M	Jan-Jun 2019	Jan-Jun 2018
<b>Cash and cash equivalents, 1 January</b>	<b>149.9</b>	<b>131.8</b>
<b>Operating activities</b>		
Operating profit	123.0	150.2
Adjustment of non-cash items	51.0	236.9
<b>Change in assets of operating activities</b>		
Change in interest-bearing securities	-14,347.3	-5,923.8
Change in loans to the public	166.1	-872.4
Change in other assets	1,790.2	-1,708.1
<b>Change in liabilities of operating activities</b>		
Change in deposits and funding from the public <sup>1)</sup>	7,732.1	5,005.3
Change in debt securities in issue	1,085.9	-642.1
Change in other liabilities	2,710.1	3,198.7
<b>Cash flow from operating activities</b>	<b>-689.1</b>	<b>-555.2</b>
<b>Investing activities</b>		
Acquisition of intangible assets	-329.4	-261.4
Sale of intangible assets	-	-
Acquisition of property and equipment	-0.4	-1.4
Sale of property and equipment	-	-
Change in other financial assets	-	-2.6
Shareholders' contribution paid	-	-
<b>Cash flow from investing activities</b>	<b>-329.8</b>	<b>-265.4</b>
<b>Financing activities</b>		
Change in issued Additional Tier 1 instruments <sup>1)</sup>	971.9	-16.5
Change in subordinated debt	-	-2.0
Shareholders' contributions received	-	800.0
<b>Cash flow from financing activities</b>	<b>971.9</b>	<b>781.5</b>
<b>Net cash flow for the period</b>	<b>-47.0</b>	<b>-39.1</b>
<b>Cash and cash equivalents, 30 June</b>	<b>102.9</b>	<b>92.7</b>

<sup>1)</sup> Comparative figures were adjusted since SEK 16.5 M was reclassified from cash flow from operating activities to cash flow from financing activities.

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					Total
	Share capital	Development Expenditures Fund	Statutory Reserve	Additional Tier 1 instruments <sup>1)</sup>	Fair value reserve			Profit for the period		
					Fair value reserve	Hedge reserve	Retained earnings			
<b>Opening balance, 1 January 2018</b>	<b>954.9</b>	<b>730.9</b>	<b>18.4</b>	<b>1,200.0</b>	<b>103.4</b>	<b>-7.8</b>	<b>7,295.9</b>	<b>150.2</b>	<b>10,445.9</b>	
Effect due to change in accounting policy <sup>2)</sup>					-9.6		9.2		-0.4	
<b>Opening balance, 1 January 2018 after adjustment for change in accounting policy</b>	<b>954.9</b>	<b>730.9</b>	<b>18.4</b>	<b>1,200.0</b>	<b>93.8</b>	<b>-7.8</b>	<b>7,305.1</b>	<b>150.2</b>	<b>10,445.5</b>	
Profit for the period								117.0	117.0	
Other comprehensive income for the period					-4.1	-5.7			-9.8	
<b>Comprehensive income for the period</b>					<b>-4.1</b>	<b>-5.7</b>		<b>117.0</b>	<b>107.2</b>	
According to Board's proposal for resolution by Annual General Meeting							150.2	-150.2	-	
Issued Additional Tier 1 instruments							-16.5		-16.5	
Capitalised proprietary development expenditures		242.6					-242.6		-	
Unconditional shareholders' contribution received							800.0		800.0	
Bonus issue	1,909.7						-1,909.7		-	
Realised gain from sale of shares							12.7		12.7	
<b>Closing balance, 30 June 2018</b>	<b>2,864.6</b>	<b>973.4</b>	<b>18.4</b>	<b>1,200.0</b>	<b>89.7</b>	<b>-13.5</b>	<b>6,099.2</b>	<b>117.0</b>	<b>11,348.8</b>	
<b>Opening balance, 1 July 2018</b>	<b>2,864.6</b>	<b>973.4</b>	<b>18.4</b>	<b>1,200.0</b>	<b>89.7</b>	<b>-13.5</b>	<b>6,099.2</b>	<b>117.0</b>	<b>11,348.8</b>	
Profit for the period								-204.7	-204.7	
Other comprehensive income for the period					-39.5	-5.7			-45.2	
<b>Comprehensive income for the period</b>					<b>-39.5</b>	<b>-5.7</b>		<b>-204.7</b>	<b>-249.9</b>	
Issued Additional Tier 1 instruments							-17.4		-17.4	
Capitalised proprietary development expenditures		-140.4					140.4		-	
<b>Closing balance, 31 December 2018</b>	<b>2,864.6</b>	<b>833.1</b>	<b>18.4</b>	<b>1,200.0</b>	<b>50.1</b>	<b>-19.2</b>	<b>6,222.2</b>	<b>-87.7</b>	<b>11,081.5</b>	
<b>Opening balance, 1 January 2019</b>	<b>2,864.6</b>	<b>833.1</b>	<b>18.4</b>	<b>1,200.0</b>	<b>50.1</b>	<b>-19.2</b>	<b>6,222.2</b>	<b>-87.7</b>	<b>11,081.5</b>	
Profit for the period								83.7	83.7	
Other comprehensive income for the period					58.4	-1.9			56.5	
<b>Comprehensive income for the period</b>					<b>58.4</b>	<b>-1.9</b>		<b>83.7</b>	<b>140.2</b>	
According to Board's proposal for resolution by Annual General Meeting							-87.7	87.7	-	
Issued Additional Tier 1 instruments				-1,000.0			-28.1		971.9	
Capitalised proprietary development expenditures		302.0					-302.0		-	
<b>Closing balance, 30 June 2019</b>	<b>2,864.6</b>	<b>1,135.1</b>	<b>18.4</b>	<b>2,200.0</b>	<b>108.5</b>	<b>-21.1</b>	<b>5,804.4</b>	<b>83.7</b>	<b>12,193.6</b>	

<sup>1)</sup> 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.

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



# Notes – Parent Company

All figures in SEK M unless otherwise stated. Comparative figures in parentheses: income-statement items are compared with the immediately preceding quarter, balance-sheet items are compared with the immediately preceding year-end, unless otherwise stated.

<b>Note 1</b>	<b>Accounting policies</b>
---------------	----------------------------

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 2019**

The changes in accounting policies applied by the Parent Company from 1 January 2019 correspond, with the exception of IFRS 16, to the changes for the Group and are described in the Group's note 1 Accounting policies. IFRS 16 replaced IAS 17 Leases on 1 January 2019. The standard primarily entailed that instead of being classified as operating leases as previously, leases where a company in the Group is the lessee are recognised in the balance sheet. IFRS 16 is applied only at Group level.

In all other respects, the report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2018 Annual Report.

**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	30 Jun 2019	31 Dec 2018	30 Jun 2018
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
Capital instruments and associated share premium reserves	2,864.6	2,864.6	2,864.6
<i>Of which: share capital</i>	2,864.6	2,864.6	2,864.6
Non-distributed earnings (Retained earnings)	5,804.3	6,222.2	6,099.2
Accumulated Other comprehensive income	1,492.6	1,134.0	1,264.6
Interim profits, net, after deductions for foreseeable charge and dividends that have been verified by persons independent of the institution	71.9	-89.9	115.0
<b>Common Equity Tier 1 capital before legislative adjustments</b>	<b>10,233.5</b>	<b>10,130.9</b>	<b>10,343.4</b>
<b>Common Equity Tier 1 capital: legislative adjustments</b>			
Additional value adjustments	-67.5	-45.9	-53.1
Intangible assets (net after reduction for associated tax liabilities)	-1,182.6	-904.7	-1,094.0
Fair value reserves related to gains or losses on cash-flow hedges	21.1	19.2	13.5
Negative amounts resulting from the calculation of expected loss amounts	-195.5	-83.0	-81.0
<b>Total legislative adjustments of Common Equity Tier 1 capital</b>	<b>-1,424.5</b>	<b>-1,014.4</b>	<b>-1,214.5</b>
<b>Common Equity Tier 1 capital</b>	<b>8,809.0</b>	<b>9,116.5</b>	<b>9,128.9</b>
<b>Additional Tier 1 instruments: instruments</b>			
Capital instruments and associated share premium reserves	2,200.0	1,200.0	1,200.0
<i>Of which: classified as equity within the meaning of the applicable accounting framework</i>	2,200.0	1,200.0	1,200.0
<b>Additional Tier 1 instruments</b>	<b>2,200.0</b>	<b>1,200.0</b>	<b>1,200.0</b>
<b>Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 instruments)</b>	<b>11,009.0</b>	<b>10,316.5</b>	<b>10,328.9</b>
<b>Tier 2 capital: instruments and provisions</b>			
Capital instruments and associated share premium reserves	2,589.7	2,589.7	2,589.7
Adjustment due to credit risk	0.0	0.3	10.5
<b>Tier 2 capital</b>	<b>2,589.7</b>	<b>2,589.9</b>	<b>2,600.2</b>
<b>Total capital (total capital = Tier 1 capital + Tier 2 capital)</b>	<b>13,598.6</b>	<b>12,906.5</b>	<b>12,929.0</b>
<b>Total risk-weighted assets</b>	<b>32,659.7</b>	<b>30,144.7</b>	<b>27,029.3</b>
<b>Capital ratios and buffers</b>			
Common Equity Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	27.0%	30.2%	33.8%
Tier 1 capital (as a percentage of the total risk-weighted exposure amount)	33.7%	34.2%	38.2%
Total capital (as a percentage of the total risk-weighted exposure amount)	41.6%	42.8%	47.8%
Institution-specific buffer requirements	9.0%	9.0%	9.0%
<i>Of which: capital conservation buffer requirement</i>	2.5%	2.5%	2.5%
<i>Of which: countercyclical capital buffer requirement</i>	2.0%	2.0%	2.0%
<i>Of which: systemic risk buffer requirement</i>	-	-	-
<i>Of which: buffer for globally systemically important institution or for another systemically important institution</i>	-	-	-
Common Equity Tier 1 capital available for use as a buffer (as a percentage of the risk-weighted exposure amount)	22.5%	25.7%	29.3%

<b>Note 2</b>		<b>Capital-adequacy, continued</b>					
		<b>31 Jun 2019</b>		<b>31 Dec 2018</b>		<b>30 Jun 2018</b>	
<b>SEK M</b>		<b>Risk exposure amount</b>	<b>Capital requirement</b>	<b>Risk exposure amount</b>	<b>Capital requirement</b>	<b>Risk exposure amount</b>	<b>Capital requirement</b>
<b>Credit risk according to Standardised Approach</b>							
Exposures to institutions		1,339.5	107.2	879.9	70.4	1,213.3	97.1
Defaulted exposures		0.3	0.0	-	-	-	-
High risk items		0.4	0.0	0.4	0.0	-	-
Covered bonds		2,328.6	186.3	1,979.4	158.3	2,005.7	160.5
Equity exposures		10,660.7	852.9	10,643.5	851.5	10,618.2	849.5
Other items		693.4	55.5	595.3	47.6	449.5	36.0
<b>Total capital requirement and risk exposure amount</b>		<b>15,022.8</b>	<b>1,201.8</b>	<b>14,098.4</b>	<b>1,127.9</b>	<b>14,286.7</b>	<b>1,142.9</b>
<b>Credit risk according to IRB Approach</b>							
<i>Retail exposures</i>							
Secured by real estate SME		2,135.1	170.8	1,590.6	127.3	1,582.7	126.6
Secured by real estate non-SME		1,404.4	112.4	1,454.4	116.3	1,336.6	106.9
Other SME		575.8	46.1	457.0	36.6	475.2	38.0
Other non-SME		1,713.9	137.1	1,814.1	145.1	1,886.5	150.9
<b>Total retail exposures</b>		<b>5,829.2</b>	<b>466.3</b>	<b>5,316.1</b>	<b>425.3</b>	<b>5,281.0</b>	<b>422.5</b>
Exposures to corporates		4,992.8	399.4	4,067.5	325.4	4,174.3	333.9
<b>Total capital requirement and risk exposure amount</b>		<b>10,822.0</b>	<b>865.8</b>	<b>9,383.6</b>	<b>750.7</b>	<b>9,455.3</b>	<b>756.4</b>
<b>Operational risks</b>							
Standardised Approach		2,077.7	166.2	1,925.7	154.1	1,925.7	154.1
<b>Total capital requirement for operational risk</b>		<b>2,077.7</b>	<b>166.2</b>	<b>1,925.7</b>	<b>154.1</b>	<b>1,925.7</b>	<b>154.1</b>
<b>Total capital requirement for credit valuation adjustments</b>		<b>1,241.3</b>	<b>99.3</b>	<b>943.1</b>	<b>75.5</b>	<b>1,361.7</b>	<b>108.9</b>
<b>Additional Risk Exposure Amounts according to Article 458 CRR</b>		<b>3,496.0</b>	<b>297.7</b>	<b>3,793.9</b>	<b>303.5</b>	-	-
<b>Total capital requirement and risk exposure amount</b>		<b>32,659.7</b>	<b>2,612.8</b>	<b>30,144.7</b>	<b>2,411.6</b>	<b>27,029.3</b>	<b>2,162.3</b>

**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 percent 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 percent of the loss allowance requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. On 30 June 2019, the total credit reserve requirement for loan receivables amounted to SEK 86.6 M (64.1) of which Länsförsäkringar Bank's recognised loss allowance for loan receivables accounted for SEK 17.3 M (12.8) and the remainder of SEK 52.0 M (51.3) was settled against the remuneration to the regional insurance companies.

**Note 4** **Loans to credit institutions**

On 30 June 2019, Loans to credit institutions amounted to SEK 77,135.2 M (79,013.9) and was included in Stage 1. Loss allowance for credit losses amounted to SEK 19.6 M (20.2).

**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.

<b>Note 6</b>		<b>Pledged assets, contingent liabilities and commitments</b>		
<b>SEK M</b>		<b>30 June 2019</b>	<b>31 December 2018</b>	<b>30 June 2018</b>
For own liabilities, pledged assets		9,843.5	6,124.4	6,054.1
Contingent liabilities		27.7	34.7	34.7
Commitments <sup>1)</sup>		28,693.0	30,577.3	37,244.6

<sup>1)</sup> Commitments to related parties amounted to SEK 22,971.9 M (25,132.7) for companies within the Bank Group, SEK 51.0 M (51.0) for the regional insurance companies and SEK 5.0 M (5.0) for other related parties.

Contingent liabilities comprise guarantees. Commitments comprise approved but not disbursed loans and approved but unutilised overdraft facilities and card loans.

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, 18 July 2019

Fredrik Bergström  
*Chairman*

Per-Ove Bäckström  
*Board Member*

Anders Grånäs  
*Board Member*

Ingrid Jansson  
*Board Member*

Beatrice Kämpe Nikolausson  
*Board Member*

Bengt-Erik Lindgren  
*Board Member*

Peter Lindgren  
*Board Member*

Anna-Greta Lundh  
*Board Member*

Ellinoora Hoppe  
*Employee Representative*

Mirek Swartz  
*Employee Representative*

Sven Eggefalk  
*President*

# Review report

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

Corp. id. 516401-9878

## Introduction

We have reviewed the condensed interim financial information (interim report) of Länsförsäkringar Bank AB (publ) as of 30 June 2019 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our 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 us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us 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, 18 July 2019

Dan Beitner  
*Authorized Public Accountant  
Auditor in charge*

# Definitions

## Glossary

### Return on total assets

Profit for the year, after tax, 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 (REA)

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.

### 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.

## Financial calendar

Interim report January - September Länsförsäkringar Bank	24 October 2019
Interim report January - September Länsförsäkringar Hypotek	24 October 2019

This report contains such information that Länsförsäkringar Bank AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication on 18 July 2019 at 12:00 a.m. CET.

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