

# Länsförsäkringar Bank

## Year-end Report 2015

### THE YEAR IN BRIEF, GROUP

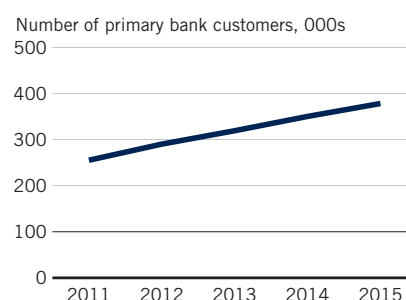
- Operating profit increased 26% to SEK 1,175 M (935) and the return on equity strengthened to 8.9% (8.3).
- Net interest income increased 16% to SEK 2,994 M (2,580).
- Operating income increased 12% to SEK 2,747 M (2,451).
- Operating expenses increased 3% to SEK 1,566 M (1,526).
- Loan losses amounted to SEK 6 M (-10), net, corresponding to loan losses of 0.00% (0.00).
- Business volumes rose 14% to SEK 404 billion (354).
- Deposits increased 9% to SEK 84 billion (77).
- Lending increased 13% to SEK 202 billion (179).
- The Core Tier 1 ratio for the consolidated situation amounted to 21.4% (13.9) on 31 December 2015.
- The number of customers with Länsförsäkringar as their primary bank increased 8% to 378,000 (350,000). The number of cards increased 10% to 466,000 (425,000).
- According to the Swedish Quality Index's 2015 customer satisfaction survey, Länsförsäkringar Bank has Sweden's most satisfied retail customers.

Figures in parentheses pertain to the same period in 2014.

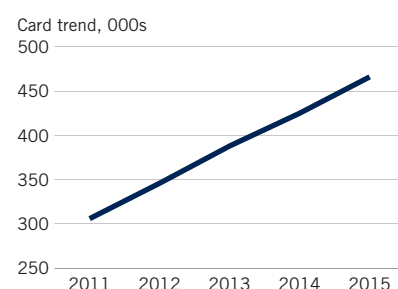
### RIKARD JOSEFSON, PRESIDENT OF LÄNSFÖRSÄKRINGAR BANK:

It is highly gratifying that the bank's excellent performance is continuing. We can report healthy growth in business volumes, we are capturing market shares in both savings and lending, and earnings are continuing to display a strong trend. Housing prices continued to rise, which further emphasises the importance of a healthy mortgage amortization culture, something that we actively encourage. Mortgage amortizations are a good savings alternative for our customers and form a central part of our advisory services to customers. Having the most satisfied retail customers according to the Swedish Quality Index's 2015 customer satisfaction survey, announced in October, is confirmation that our banking operations are of a high quality and we are on the right track. One of the key reasons for our success is the combination of our unique local presence and a strong digital offering. Our app won Sweden's best mobile bank at the Mobilgala in January 2016 and we were awarded the prize for Sweden's best app and mobile site at the Web Service Awards, which also confirms that we have leading-edge digital services.

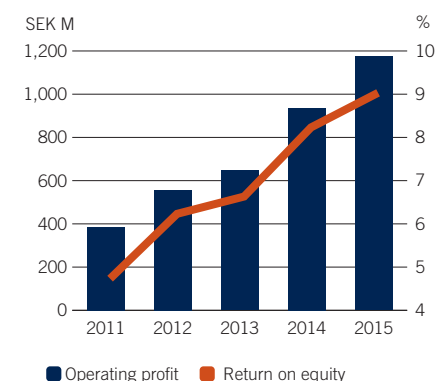
### CUSTOMER TREND



### CARD TREND



### OPERATING PROFIT AND RETURN ON EQUITY



## NYCKELTAL

Koncernen	Q 4 2015	Q 3 2015	Q 4 2014	Full-Year 2015	Full-Year 2014
Return on equity, %	9.10	9.07	8.55	8.94	8.29
Return on total capital, %	0.50	0.50	0.44	0.48	0.42
Investment margin, %	1.29	1.27	1.21	1.22	1.15
Cost/income ratio before loan losses <sup>1</sup>	0.51	0.56	0.56	0.52	0.57
Cost/income ratio before loan losses	0.54	0.58	0.60	0.57	0.62
Core Tier 1 ratio, Bank Group, %	23.7	23.2	16.2	23.7	16.2
Tier 1 ratio, Bank Group, %	26.6	26.0	16.2	26.6	16.2
Total capital ratio, Bank Group, %	32.0	31.5	20.6	32.0	20.6
Core Tier 1 ratio, consolidated situation, %	21.4	20.2	13.9	21.4	13.9
Tier 1 ratio, consolidated situation, %	23.7	22.6	13.9	23.7	13.9
Total capital ratio, consolidated situation, %	28.2	27.3	17.5	28.2	17.5
Percentage of impaired loans, gross, %	0.12	0.13	0.17	0.12	0.17
Reserve ratio in relation to loans, %	0.14	0.15	0.19	0.14	0.19
Loan losses, %	0.03	-0.02	0.03	0.00	0.00

<sup>1</sup> Excluding impairment.

## INCOME STATEMENT, QUARTERLY

Group, SEK M	Q 4 2015	Q 3 2015	Q 2 2015	Q 1 2015	Q 4 2014
Net interest income	805.0	778.3	725.7	685.3	698.7
Net commission	-126.2	-114.3	-120.0	-80.4	-89.3
Net gains/losses from financial items	15.5	19.2	61.4	0.6	52.2
Other operating income	23.1	24.0	21.4	28.7	18.3
<b>Total operating income</b>	<b>717.4</b>	<b>707.3</b>	<b>688.4</b>	<b>634.2</b>	<b>679.9</b>
Staff costs	-114.9	-105.2	-123.3	-118.6	-104.4
Other expenses	-252.4	-271.5	-285.4	-236.1	-259.2
<b>Total operating expenses</b>	<b>-390.7</b>	<b>-412.2</b>	<b>-408.7</b>	<b>-354.7</b>	<b>-410.0</b>
<b>Profit before loan losses</b>	<b>326.7</b>	<b>295.1</b>	<b>279.7</b>	<b>279.5</b>	<b>269.9</b>
Loan losses, net	-15.0	9.0	0.1	-0.3	-14.3
<b>Operating profit</b>	<b>311.7</b>	<b>304.1</b>	<b>279.8</b>	<b>279.3</b>	<b>255.6</b>

## Market commentary

2015 was a year of major fluctuations in the financial markets. Stock-market upswings continued at the start of the year, but greater uncertainty started to make its mark felt in April. A low risk appetite and major fluctuations then prevailed on the financial markets as a result of the, at times, widespread concern for the global economy, primarily driven by uncertainty regarding the Chinese economy and also speculations about if and when the Federal Reserve would raise interest rates. The oil price fell sharply during the year, which led to lower inflation pressure and ultimately pressure on additional easing from the central banks. The US economy performed well during the year and the labour market continued to strengthen. This trend led to the Federal Reserve raising interest rates towards the end of the year, the first rise since 2006. The eurozone economy continued to recover during the year, part-

ly due to the highly expansive measures from the ECB. The stimulus packages implemented by the ECB at the start of the year led to long-term interest rates reaching historically low levels in the spring. Concern about the global economy also impacted more risk-exposed assets with the stock markets generally reporting major fluctuations. The stock markets in Sweden, the US and Europe reported positive returns, while returns for emerging markets fell. Long-term interest rates have risen slightly since reaching a low point in April but have remained low, while heightened uncertainty, combined with poor liquidity in the secondary market, has led to credit spreads widening. The spread for Swedish covered bonds also increased during the year. The Swedish economy performed very well. However, inflation remained very low, which resulted in the highly unusual situation of a negative key interest rate and high growth. This in turn

accentuated the discussion on the housing market where prices are continuing to rise at a fast pace with household indebtedness following suit. The authorities' work on introducing mortgage amortization requirements continued during the year. However, incoming statistics towards the end of the year showed signs of slow down in prices.

## 2015 COMPARED WITH 2014

### Increased business volumes

Business volumes rose 14%, or SEK 50 billion, to SEK 404 billion (354). Lending rose 13%, or SEK 23 billion, to SEK 202 billion (179), with continued high credit quality. Retail mortgages in Länsförsäkringar Hypotek increased 17%, or SEK 21 billion, to SEK 147 billion (126). Deposits increased 9%, or SEK 7 billion, to SEK 84 billion (77). The volume of managed funds increased 9%, or SEK 9 billion, to SEK 109 billion (100).

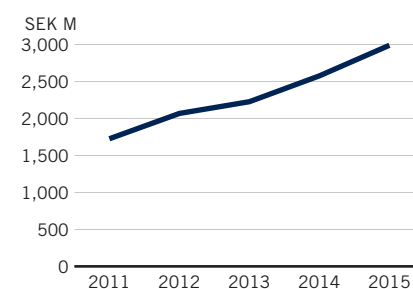
### High inflow of customers

The number of customers with Länsförsäkringar as their primary bank increased 8% to 378,000 (350,000). The average number of products per customer amounted to 5.1 (5.0). Some 93% 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 466,000 (425,000).

### Earnings and profitability

Operating profit rose 26% to SEK 1,175 M (935), due to higher net interest income and increased commission income. The investment margin strengthened to 1.22% (1.15). Profit before loan losses rose 28% to SEK 1,181 M (925). Return on equity strengthened to 8.9% (8.3).

## NET INTEREST INCOME



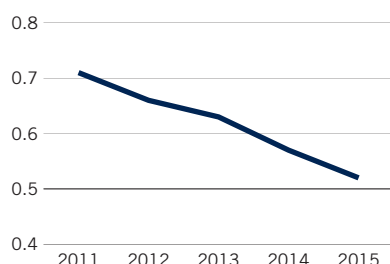
## Income

Operating income rose 12% to SEK 2,747 M (2,451), primarily due to higher net interest income. Net interest income increased 16% to SEK 2,994 M (2,580), attributable to higher volumes and improved margins. Net gains from financial items amounted to SEK 97 M (98). Commission income increased 16% to SEK 1,522 M (1,312) due to higher income in the fund and securities businesses. Net commission amounted to an expense of SEK -441 M (-319). The change in net commission was due to increased remuneration to the regional insurance companies as a result of the healthy volume trend.

## Expenses

Operating expenses amounted to SEK 1,566 M (1,526), up 3%. One of the reasons for the increase was the fund company's higher administration costs related to increased volumes. The cost/income ratio before loan losses amounted to 0.57 (0.62).

### COST/INCOME RATIO BEFORE LOAN LOSSES



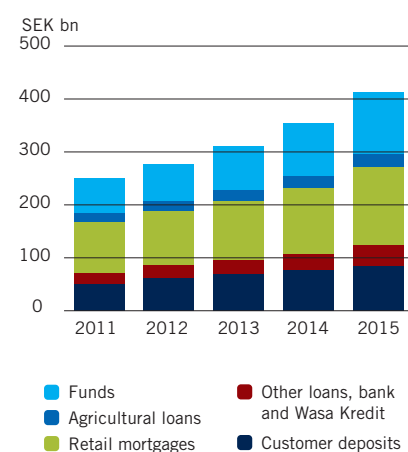
## Loan losses

Loan losses amounted to SEK 6 M (-10), net, corresponding to loan losses of 0.00% (0.00). Impaired loans, gross, amounted to SEK 241 M (316), corresponding to a percentage of impaired loans, gross, of 0.12% (0.17).

The new settlement model, which was introduced on 1 January 2014, regarding the commitment that the regional insurance companies have for loan losses related to the business they have originated, entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by off-setting this against a buffer of accrued commission. The transition to the settlement model means that the Bank Group's credit reserves attributable

to the regional insurance companies' business on the date of introduction will be gradually reversed by SEK 158 M, of which SEK 23 M remained on 31 December 2015. SEK 60 M was reversed during the period. Loan losses before reversal remained low and amounted to SEK 66 M (58), net. Reserves totalled SEK 281 M (344), corresponding to a reserve ratio in relation to loans of 0.14% (0.19). In addition, SEK 107 M of the remuneration to the regional insurance companies is withheld, in accordance with the settlement model described above. The reserve ratio in relation to loans, including the held remuneration to the regional insurance companies, was 0.19% (0.19). For more information regarding loan losses, reserves and impaired loans, see notes 8 and 9.

### BUSINESS VOLUMES



## Deposits and savings

Deposits from the public increased 9%, or SEK 7 billion, to SEK 84 billion (77). Deposits from small businesses amounted to SEK 11 billion (10). The number of deposit accounts increased 7%. On 31 December 2015, the market share for deposits amounted to 4.7% (4.7) according to Statistics Sweden. The fund volumes increased 9%, or SEK 9 billion, to SEK 109 billion (100).

## Loans

All loans are granted in Sweden and in SEK and have a well-diversified geographic distribution. Loans to the public rose 13% to SEK 202 billion (179). The credit quality of lending is high. The weighted average loan-to-value ratio of the mortga-

ge portfolio, LTV, declined to 64% (66). On 31 December 2015, the market share of household lending strengthened to 5.5% (5.2) according to Statistics Sweden. Retail mortgages in Länsförsäkringar Hypotek increased 17%, or SEK 21 billion, to SEK 147 billion (126). The percentage of retail mortgages in relation to the total loan portfolio was at 73%. On 31 December 2015, the market share of retail mortgages strengthened to 5.5% (5.1) according to Statistics Sweden.

Agricultural lending increased 9% to SEK 24 billion (22). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2 M on 31 December 2015. First-lien mortgages for agricultural properties, which accounted for the entire increase in agricultural loans, increased to SEK 22 billion (20), corresponding to 92% (90) of agricultural lending. Agricultural lending is continuing to grow at a lower rate than other loans and its share of total loans is falling. Loans to small businesses totalled SEK 1.5 billion (1.5) on 31 December 2015.

### LOAN PORTFOLIO

Distribution in %

Lending segment, %	31 Dec 2015	31 Dec 2014
Retail mortgages	73	71%
Agriculture	11.9%	12.5%
Multi-family housing	3.9%	4%
Leasing and hire purchase	6.2%	6.5%
Unsecured loans	3.7%	4%
Other	1.3%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue rose 9%, or SEK 11 billion, to a nominal SEK 140 billion (129), of which covered bonds amounted to SEK 110 billion (101), senior unsecured long-term funding to SEK 29 billion (23) and short-term funding to SEK 1 billion (4). The average remaining term for the long-term funding was 3.3 years (2.8) on 31 December 2015.

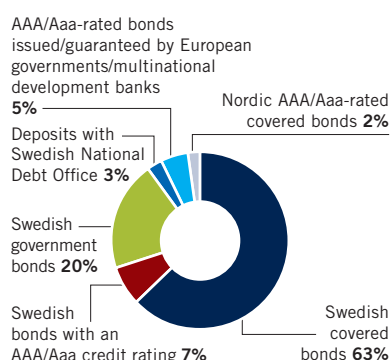
Covered bonds were issued during the period at a volume corresponding to a nominal SEK 35 billion (24), with repurchased covered bonds amounting to a nominal SEK 10 billion (8) and matured

covered bonds to a nominal SEK 16 billion (17) during the period. Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 16 billion (9) during the period.

## Liquidity

On 31 December 2015, the liquidity reserve totalled SEK 43 billion (45), according to the Swedish Bankers' Association's definition. 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 slightly more than two years without needing to secure new funding in the capital market. The Group's Liquidity Coverage Ratio (LCR), according to the Swedish Financial Supervisory Authority's definition, amounted to 251% (221) on 31 December 2015 and was an average of 207% (214) during the fourth quarter of 2015.

## 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.

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 <sup>1)</sup>	Standard & Poor's	AAA/Stable	-
Länsförsäkringar Hypotek <sup>1)</sup>	Moody's	Aaa	-

<sup>1)</sup> Pertains to the company's covered bonds

## 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. In the fourth quarter, the previously applied principle for calculating deductions of investments in financial entities outside the consolidated situation was reassessed. The reassessment resulted in a change to the process applied entailing that the direct deduction in Core Tier 1 capital is reduced, while a larger portion of the investment amount can be risk-weighted at 250%. All in all, this has a positive effect of 0.7% on the Core Tier 1 capital ratio.

## Capital ratio

Consolidated situation (SEK M)	31 Dec 2015	30 Sep 2015
IRB Approach	30,317	30,448
retail exposures	22,989	22,771
exposures to corporates	7,328	7,677
Standardised Approach	11,822	9,281
Total REA	51,724	49,401
Core Tier 1 capital	11,064	9,980
Tier 1 capital	12,264	11,180
Total capital	14,561	13,477
Core Tier 1 ratio	21.4%	20.2%
Tier 1 ratio	23.7%	22.6%
Total capital ratio	28.2%	27.3%

The Risk Exposure Amount (REA) in the consolidated situation totalled SEK 51,724 M (49,401) on 31 December 2015. During the fourth quarter, the increase in REA was primarily driven by the change in investments in financial entities described above. REA attributable to lending was relatively unchanged due to volume growth being counterbalanced by improved credit quality. In Pillar II, the risk weight floor for mortgages of 25% entailed an additional capital requirement of SEK 3,338 M (3,233). Core Tier 1 capital in the fourth quarter was strengthened through profit, mainly generated in the Bank Group, and through a smaller deduction for investments in financial entities outside the consolidated situation. The countercyclical

capital buffer that is to be applied from 13 September 2015 (1.0% of REA) amounted to SEK 517 M. The capital conservation buffer that is to correspond to 2.5% of REA amounted to SEK 1,293 M on 31 December 2015. The leverage ratio on 31 December 2015 amounted to 4.7% according to the applicable rules\*).

\*) Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio.

## Capital ratio, Bank Group

Bank Group (SEK M)	31 Dec 2015	30 Sep 2015
IRB Approach	30,317	30,448
retail exposures	22,989	22,771
exposures to corporates	7,328	7,677
Standardised Approach	6,726	6,451
Total REA	42,239	42,181
Core Tier 1 capital	10,019	9,786
Tier 1 capital	11,219	10,986
Total capital	13,516	13,282
Core Tier 1 ratio	23.7%	23.2%
Tier 1 ratio	26.6%	26.0%
Total capital ratio	32.0%	31.5%

For more information on the calculation of capital adequacy, see note 13.

## Interest-rate risk

On 31 December 2015, 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 -31 (3)M.

## 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. Loan losses remain low and the refinancing of business activities was highly satisfactory. A more detailed description of risks is available in the 2014 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

<sup>1</sup> The comparative period pertains to 30 September 2015.

#### FOURTH QUARTER OF 2015 COMPARED WITH THIRD QUARTER OF 2015

Operating profit amounted to SEK 312 M (304). Return on equity amounted to 9.1% (9.07). Operating income rose 1% to SEK 717 M (707). Net interest income increased 3% to SEK 805 M (778). The investment margin amounted to 1.29% (1.27). Commission income was unchanged at SEK 377 M (378). Commission expenses amounted to SEK 504 M (492). Net commissions amounted to an expense of SEK -126 M (-114). Net gains from financial items amounted to SEK 16 M (19) due to changes in fair value. Operating expenses declined 5% to SEK 391 M (412). The cost/income ratio before loan losses amounted to 0.54 (0.58). Loan losses amounted to SEK 15 M (-9), net.

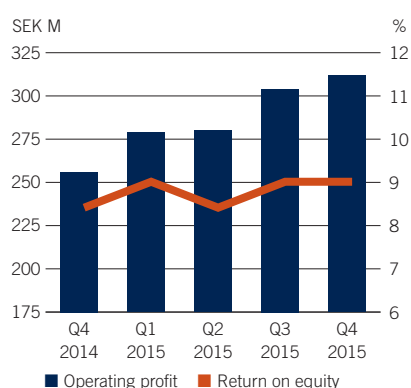
#### Events after the end of the period

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

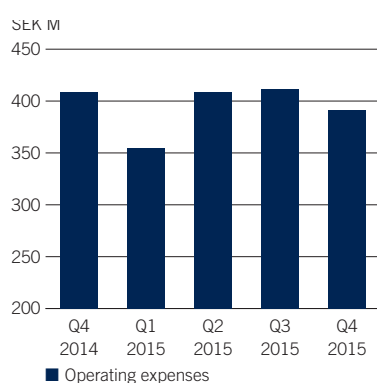
#### Annual Report

The Annual Report will be available on Länsförsäkringar Bank's website during the week commencing 22 February 2016.

#### OPERATING PROFIT AND RETURN ON EQUITY



#### OPERATING EXPENSES



**2015 compared with 2014**

Loans to the public amounted to SEK 39 billion (39). Deposits from the public increased 9%, or SEK 7 billion, to SEK 84 billion (77). Debt securities in issue increased 4%, or SEK 1 billion, to SEK 29 billion (28). Operating profit rose to SEK 210 M (147), attributable to a higher operating income. Net interest income increased 4% to SEK 982 M (948). Operating income increased 6% to SEK 1,014 M (954) due to lower commission expense. Commission income increased 10% to SEK 358 M (324) due to higher income in the card and securities businesses. Commission expense amounted to SEK 462 M (469). Operating expenses declined 1% to SEK 845 M (857).

The new settlement model, which was introduced on 1 January 2014, regarding the commitment that the regional insurance companies have for loan losses related to the business they have originated, entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by off-setting this against a buffer of accrued commission. The transition to the model means that the Parent Company's reserves on the date of introduction will be gradually reversed by SEK 137 M over two years. SEK 52 M was reversed during the period. Loan losses amounted to SEK -41 M (-49), net. Loan losses before reversal remained low and amounted to SEK 11 M (10), net.

**LÄNSFÖRSÄKRINGAR HYPOTEK****2015 compared with 2014**

Retail mortgages rose 17%, or SEK 21 billion, to SEK 147 billion (126). 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 rose 26% to SEK 509 M (405), due to higher net interest income. Net interest income increased 32% to SEK 1,326 M (1,001). Operating expenses amounted to SEK 95 M (91). The new settlement model, which was introduced on 1 January 2014, regarding the commitment that the regional insurance companies have for loan losses related to the business they have originated, entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by off-setting this against a buffer of accrued commission. The transition to the model means that Länsförsäkringar Hypotek's credit reserves on the date of introduction will be gradually reversed by SEK 21 M over two years. SEK 8 M was reversed during the period. Loan losses amounted to SEK -10 M (-11), net, corresponding to loan losses of -0.01% (-0.01). Loan losses before reversal remained low at SEK -2 M (-1), net. The number of retail mortgage customers increased 8% to 216,000 (201,000).

SEK M	31 Dec 2015	31 Dec 2014
Total assets	166,623	148,244
Lending volume	147,056	126,128
Net interest income	1,326	1,001
Operating profit	509	405

**WASA KREDIT****2015 compared with 2014**

Wasa Kredit's Lending volumes increased 9% to SEK 15,981 billion (14,648). Operating profit rose 13% to SEK 346 M (306). The increase was primarily attributable to higher net interest income. Net interest income increased 9%, mainly due to higher stock volumes. Operating expenses amounted to SEK 426 M (417) and loan losses to SEK 57 M (50), net.

SEK M	31 Dec 2015	31 Dec 2014
Total assets	16,402	15,034
Lending volume	15,981	14,648
Net interest income	687	631
Operating profit	346	306

**LÄNSFÖRSÄKRINGAR  
FONDFÖRVALTNING****2015 compared with 2014**

Assets under management in Länsförsäkringar's own funds amounted to SEK 109 billion (100), up 9% year-on-year. The increase was primarily due to the favourable performance of global stock markets in 2015 and also positive net inflows.

SEK M	30 Sep 2015	30 Sep 2014
Total assets	442	333
Assets under management	109,164	99,643
Net flow	2,459	1,727
Net commission	415	340
Operating profit	110	78



## INCOME STATEMENT – GROUP

SEK M	Note	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Interest income	3	1,734.9	1,735.5		1,996.4	-13%	7,083.4	8,523.2	-17%
Interest expense	4	-929.9	-957.2	-3%	-1,297.7	-28%	-4,089.1	-5,942.8	-31%
<b>Net interest income</b>		<b>805.0</b>	<b>778.3</b>	<b>3%</b>	<b>698.7</b>	<b>15%</b>	<b>2,994.3</b>	<b>2,580.4</b>	<b>16%</b>
Dividends received		0.0	0.1		0.0		0.1	0.1	
Commission income	5	377.4	377.5		344.5	10%	1,522.2	1,312.0	16%
Commission expense	6	-503.6	-491.8	2%	-433.8	16%	-1,963.1	-1,631.4	20%
Net gains / losses from financial items	7	15.5	19.2	-19%	52.2	-70%	96.6	97.8	-1%
Other operating income		23.1	24.0	-4%	18.3	26%	97.2	92.0	6%
<b>Total operating income</b>		<b>717.4</b>	<b>707.3</b>	<b>1%</b>	<b>679.9</b>	<b>6%</b>	<b>2,747.3</b>	<b>2,450.9</b>	<b>12%</b>
Staff costs		-114.9	-105.2	9%	-104.4	10%	-462.0	-441.1	5%
Other administration expenses		-252.4	-271.5	-7%	-259.2	-3%	-980.2	-876.1	12%
<b>Total administration expenses</b>		<b>-367.3</b>	<b>-376.7</b>	<b>-2%</b>	<b>-363.6</b>	<b>1%</b>	<b>-1,442.2</b>	<b>-1,317.2</b>	<b>9%</b>
Depreciation / amortisation and impairment of property and equipment / intangible assets		-23.4	-35.5	-34%	-46.4	-50%	-124.1	-209.0	-41%
<b>Total operating expenses</b>		<b>-390.7</b>	<b>-412.2</b>	<b>-5%</b>	<b>-410.0</b>	<b>-5%</b>	<b>-1,566.3</b>	<b>-1,526.2</b>	<b>3%</b>
<b>Profit before loan losses</b>		<b>326.7</b>	<b>295.1</b>	<b>11%</b>	<b>269.9</b>	<b>21%</b>	<b>1,181.0</b>	<b>924.6</b>	<b>28%</b>
Loan losses, net	8	-15.0	9.0		-14.3	5%	-6.1	10.0	
<b>Operating profit</b>		<b>311.7</b>	<b>304.1</b>	<b>2%</b>	<b>255.6</b>	<b>22%</b>	<b>1,174.9</b>	<b>934.6</b>	<b>26%</b>
Tax		-74.9	-79.0	-5%	-73.4	2%	-263.8	-222.8	18%
<b>Profit for the period</b>		<b>236.8</b>	<b>225.1</b>	<b>5%</b>	<b>182.2</b>	<b>30%</b>	<b>911.1</b>	<b>711.9</b>	<b>28%</b>

## STATEMENT OF COMPREHENSIVE INCOME – GROUP

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
<b>Profit for the period</b>	<b>236.8</b>	<b>225.1</b>	<b>5%</b>	<b>182.2</b>	<b>30%</b>	<b>911.1</b>	<b>711.9</b>	<b>28%</b>
<b>Other comprehensive income</b>								
<b>Items that cannot be transferred to the income statement</b>								
Revaluation of defined-benefit pension plans	0.1	-		0.3	-67%	0.1	0.3	-67%
Tax attributable to items that can not be reversed to the income statement	-	-		-0.0		-	-0.0	
<b>Items that may subsequently be reclassified to the income statement</b>								
Cash-flow hedges	-42.5	-8.8		46.4		34.7	60.1	-42%
Change in fair value from available-for-sale financial assets	-4.7	-28.4	-83%	-75.0	-94%	-153.1	2.2	
Reclassification realised securities	0.0	0.0		13.8		-41.2	-2.7	
Tax attributable to items that are rerouted or can be rerouted as income for the period	10.4	8.2	27%	3.3		35.1	-13.2	
<b>Other comprehensive income for the period, net after tax</b>	<b>-36.7</b>	<b>-29.0</b>	<b>27%</b>	<b>-11.2</b>		<b>-124.4</b>	<b>46.7</b>	
<b>Total comprehensive income for the period</b>	<b>200.1</b>	<b>196.1</b>	<b>2%</b>	<b>171.0</b>	<b>17%</b>	<b>786.7</b>	<b>758.6</b>	<b>4%</b>

## BALANCE SHEET – GROUP

SEK M	Note	31 Dec 2015	30 Dec 2014
<b>Assets</b>			
Cash and balances with central banks		21.5	25.8
Treasury bills and other eligible bills		8,824.0	5,409.3
Loans to credit institutions		502.7	1,789.6
Loans to the public	9	201,964.4	179,424.3
Bonds and other interest-bearing securities		31,991.3	36,104.1
Shares and participations		15.5	11.7
Derivatives	10	4,414.4	5,257.6
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		815.3	1,146.5
Intangible assets		306.2	309.6
Property and equipment		9.6	10.3
Deferred tax assets		6.0	8.8
Other assets		512.5	437.6
Prepaid expenses and accrued income		1,696.1	2,245.0
<b>Total assets</b>		<b>251,079.5</b>	<b>232,180.2</b>
<b>Liabilities and equity</b>			
Due to credit institutions		2,954.2	3,390.1
Deposits and borrowing from the public		83,924.8	76,789.7
Debt securities in issue		139,882.1	128,656.4
Derivatives	10	2,394.2	2,591.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		2,899.4	3,824.4
Deferred tax liabilities		296.0	214.2
Other liabilities		695.4	771.7
Accrued expenses and deferred income		3,666.4	4,033.6
Provisions		10.6	11.7
Subordinated liabilities		2,299.7	2,299.7
<b>Total liabilities</b>		<b>239,022.6</b>	<b>222,583.2</b>
<b>Equity</b>			
Share capital, 9,548,708 shares		954.9	954.9
Other capital contributed		7,442.5	6,942.5
Reserves		59.2	183.6
Additional Tier 1 instruments		1,200.0	–
Retained earnings		1,489.2	804.1
Profit for the period		911.1	711.9
<b>Total equity</b>		<b>12,056.9</b>	<b>9,597.0</b>
<b>Total liabilities and equity</b>		<b>251,079.5</b>	<b>232,180.2</b>
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## CASH-FLOW STATEMENT IN SUMMARY, INDIRECT METHOD – GROUP

SEK M	Jan-Dec 2015	Jan-Dec 2014
<b>Cash and cash equivalents, 1 January</b>	<b>1,243.6</b>	<b>5,162.1</b>
Cash flow from operating activities	–978.4	–4,425.6
Cash flow from investing activities	–623.8	–42.9
Cash flow from financing activities	500.0	550.0
<b>Cash flow for the period</b>	<b>–1,102.2</b>	<b>–3,918.5</b>
<b>Cash and cash equivalents, 31 December</b>	<b>141.4</b>	<b>1,243.6</b>

Cash and cash equivalents are defined as cash and balances at central banks, loans to credit institutions payable on demand as well as overnight loans and deposits with the Riksbank maturing the following banking day.

Changes to the cash flow from operating activities are largely attributable to Loans to the public SEK –22,486.0 M (–17,424.6), Debts securities in issue SEK 10,684.9 M (2,967.9), Deposits and borrowing from the public SEK 7,108.3 M (7,569.7), and Bonds and other interest-bearing securities SEK 4,112.8 M (298.0). Changes to the cash flow from financing activities are largely attributable to shareholder's contribution received SEK 500.0 M (550.0) and cashflow from investment activities largely attributable to subordinated loans submitted SEK 500.0 (0.0) M.

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – GROUP

SEK M	Share capital	Other capital contributed	Additional Tier 1 instruments	Reserves			Retained earnings	Profit for the period	Total
				Fair value reserve	Hedge reserve	Defined-benefit pension plans			
<b>Opening balance, 1 January 2014</b>	<b>954.9</b>	<b>6,392.5</b>	<b>–</b>	<b>138.6</b>	<b>–</b>	<b>–1.7</b>	<b>325.3</b>	<b>478.8</b>	<b>8,288.4</b>
Profit for the period								711.9	711.9
Other comprehensive income for the period				–0.5	46.9	0.3			46.7
<i>Comprehensive income for the period</i>				<i>–0.5</i>	<i>46.9</i>	<i>0.3</i>		<i>711.9</i>	<i>758.6</i>
Resolution by Annual General Meeting							478.8	–478.8	–
Conditional shareholders' contribution received		550.0							550.0
<b>Closing balance, 31 December 2014</b>	<b>954.9</b>	<b>6,942.5</b>	<b>–</b>	<b>138.1</b>	<b>46.9</b>	<b>–1.4</b>	<b>804.1</b>	<b>711.9</b>	<b>9,597.0</b>
<b>Opening balance, 1 January 2015</b>	<b>954.9</b>	<b>6,942.5</b>	<b>–</b>	<b>138.1</b>	<b>46.9</b>	<b>–1.4</b>	<b>804.1</b>	<b>711.9</b>	<b>9,597.0</b>
Profit for the period								911.1	911.1
Other comprehensive income for the period				–151.6	27.1	0.1			–124.4
<i>Comprehensive income for the period</i>				<i>–151.6</i>	<i>27.1</i>	<i>0.1</i>		<i>911.1</i>	<i>786.7</i>
Resolution by Annual General Meeting							711.9	–711.9	0
Conditional shareholders' contribution received		500.0							500.0
Issued Additional Tier 1 instruments			1,200.0				–26.8		1,173.2
<b>Closing balance, 31 December 2015</b>	<b>954.9</b>	<b>7,442.5</b>	<b>1,200.0</b>	<b>–13.5</b>	<b>74.0</b>	<b>–1.3</b>	<b>1,489.2</b>	<b>911.1</b>	<b>12,056.9</b>

## NOTES – GROUP

### NOTE 1 ACCOUNTING POLICIES

The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB), and interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. Furthermore, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) (1995:1559), as well as 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). This interim report complies with the requirements of IAS 34, Interim Financial Reporting.

#### **New IFRS and interpretations that have not yet been applied**

IFRS 9 will take effect on 1 January 2018. The part of the standard that pertains to provisions for expected loan losses will affect the institution's capital base. Länsförsäkringar Bank AB currently has an IFRS 9 project in progress, but believes that it is too early to assess the effect on the capital base.

#### **Changes that have impacted the financial statements in 2015**

No accounting standards, which have been published but not yet applied, came into effect during the period that have a significant effect on the consolidated financial statements or capital adequacy and large exposures.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2014 Annual Report.

## NOTE 2 SEGMENT REPORTING

Income statement, Jan-Dec 2015, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	981.8	1,325.6	687.1	-0.2	0.0	2,994.3
Dividends received	0.1	0.0	0.0	0.0	0.0	0.1
Net commission	-104.5	-800.1	48.7	415.0	0.0	-440.9
Net gain / loss from financial items	28.3	68.3	0.0	0.0	0.0	96.6
Intra-Group income	104.5	0.0	1.2	0.1	-105.8	0.0
Other income	4.2	0.1	92.8	0.0	0.1	97.2
<b>Total operating income</b>	<b>1,014.4</b>	<b>593.9</b>	<b>829.8</b>	<b>414.9</b>	<b>-105.7</b>	<b>2,747.3</b>
Intra-Group expenses	7.3	-75.3	-10.4	-27.4	105.8	0.0
Other administration expenses	-750.1	-19.4	-395.0	-277.8	0.1	-1,442.2
Depreciation / amortisation and impairment	-102.5	-0.2	-21.1	-0.3	0.0	-124.1
<b>Total operating expenses</b>	<b>-845.3</b>	<b>-94.9</b>	<b>-426.5</b>	<b>-305.7</b>	<b>105.9</b>	<b>-1,566.3</b>
<b>Profit before loan losses</b>	<b>169.1</b>	<b>499.0</b>	<b>403.3</b>	<b>109.4</b>	<b>0.2</b>	<b>1,181.0</b>
Loan losses, net	41.0	9.8	-56.9	0.0	0.0	-6.1
<b>Operating profit / loss</b>	<b>210.1</b>	<b>508.8</b>	<b>346.4</b>	<b>109.4</b>	<b>0.2</b>	<b>1,174.9</b>

### Balance sheet, 31 December 2015

<b>Total assets</b>	<b>138,215.8</b>	<b>166,622.6</b>	<b>16,402.4</b>	<b>441.9</b>	<b>-70,603.2</b>	<b>251,079.5</b>
Liabilities	128,109.4	159,673.9	14,687.5	156.2	-63,604.4	239,022.6
Equity	10,106.4	6,948.7	1,714.9	285.7	-6,998.8	12,056.9
<b>Total liabilities and equity</b>	<b>138,215.8</b>	<b>166,622.6</b>	<b>16,402.4</b>	<b>441.9</b>	<b>-70,603.2</b>	<b>251,079.5</b>

### Income statement, Jan-Dec 2014, SEK M

Net interest income	947.9	1,001.0	630.7	0.7	0.0	2,580.4
Dividends received	0.1	-	-	-	-	0.1
Net commission	-144.9	-564.4	50.4	339.5	0	-319.4
Net gain / loss from financial items	49.0	48.6	0.1	0.1	-	97.8
Intra-Group income	98.8	-	3.7	-	-102.6	-0.1
Other income	3.2	0.4	88.1	0.6	-	92.0
<b>Total operating income</b>	<b>954.1</b>	<b>485.6</b>	<b>773.0</b>	<b>340.9</b>	<b>-102.6</b>	<b>2,450.9</b>
Intra-Group expenses	4.2	-70.4	-9.8	-26.6	102.6	-
Other administration expenses	-669.8	-20.7	-389.8	-235.7	-1.2	-1,317.2
Depreciation / amortisation and impairment	-190.9	-0.1	-17.6	-0.4	-	-209.0
<b>Total operating expenses</b>	<b>-856.5</b>	<b>-91.2</b>	<b>-417.2</b>	<b>-262.7</b>	<b>101.4</b>	<b>-1,526.2</b>
<b>Profit / loss before loan losses</b>	<b>97.6</b>	<b>394.4</b>	<b>355.6</b>	<b>78.2</b>	<b>-1.2</b>	<b>924.6</b>
Loan losses, net	49.2	10.7	-49.9	-	-	10.0
<b>Operating profit / loss</b>	<b>146.8</b>	<b>405.1</b>	<b>305.7</b>	<b>78.2</b>	<b>-1.2</b>	<b>934.6</b>

### Balance sheet, 31 December 2014

<b>Total assets</b>	<b>126,316.3</b>	<b>148,243.8</b>	<b>15,033.7</b>	<b>333.2</b>	<b>-57,746.8</b>	<b>232,180.2</b>
Liabilities	117,928.9	142,182.2	13,587.0	132.6	-51,247.6	222,583.2
Equity	8,387.4	6,061.6	1,446.7	200.6	-6,499.2	9,597.0
<b>Total liabilities and equity</b>	<b>126,316.3</b>	<b>148,243.8</b>	<b>15,033.7</b>	<b>333.2</b>	<b>-57,746.8</b>	<b>232,180.2</b>

### NOTE 3 INTEREST INCOME

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Loans to credit institutions	-1.6	-2.9	45%	11.9		3.3 <sup>1</sup>	56.4	-94%
Loans to the public	1,230.1	1,236.4	-1%	1,325.6	7%	4,978.4	5,457.6	-9%
Interest-bearing securities	102.1	108.8	-6%	147.2	-31%	464.3 <sup>1</sup>	733.2	-37%
Derivatives	404.3	393.2	3%	509.3	-21%	1,637.3	2,273.6	-28%
Other interest income	0.0	0.0		2.4		0.1	2.4	-96%
<b>Total interest income</b>	<b>1,734.9</b>	<b>1,735.5</b>		<b>1,996.4</b>	<b>-13%</b>	<b>7,083.4</b>	<b>8,523.2</b>	<b>-17%</b>
of which interest income on impaired loans	3.3	2.1		1.7		17.2	19.2	
Average interest rate on loans to the public during the period, including net leasing, %	2.4	2.6		3.0		2.6	3.2	

<sup>1</sup> Of which negative interest on Loans to credit institutions of SEK 11.8 M and Interest-bearing securities of SEK 13.3 M.

### NOTE 4 INTEREST EXPENSE

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Due to credit institutions	1.6	3.5	-54%	-14.9		-1.4 <sup>1</sup>	-27.0	-95%
Deposits and borrowing from the public	-62.1	-68.3	-9%	-128.0	-51%	-308.6	-678.7	-55%
Debt securities in issue	-533.3	-558.5	-5%	-689.8	-23%	-2,347.2	-2,970.2	-21%
Subordinated liabilities	-19.3	-19.5	-1%	-22.3	-13%	-80.6	-93.8	-14%
Derivatives	-287.2	-283.6	1%	-416.3	-31%	-1,224.6	-2,061.3	-41%
Other interest expense, including government deposit insurance	-29.6	-30.8	-4%	-26.4	12%	-126.7	-111.8	13%
<b>Total interest expense</b>	<b>-929.9</b>	<b>-957.2</b>	<b>-3%</b>	<b>-1,297.7</b>	<b>-28%</b>	<b>-4,089.1</b>	<b>-5,942.8</b>	<b>-31%</b>
Average interest rate on deposits from the public during the period, %	0.3	0.3		0.9		0.4	0.9	

<sup>1</sup> Of which negative interest of SEK 11.0 M.

### NOTE 5 COMMISSION INCOME

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Payment mediation	18.9	18.7	1%	19.6	-4%	73.4	80.0	-8%
Loans	29.3	28.4	3%	26.3	11%	112.3	96.7	16%
Deposits	2.9	2.9		2.5	16%	11.9	10.8	10%
Financial guarantees	-	-		-0.4		-	-	
Securities	283.8	283.0		257.3	10%	1,159.8	979.2	18%
Cards	41.9	44.2	-5%	38.2	10%	163.0	142.8	14%
Other commission	0.6	0.3		1.0	-40%	1.8	2.5	-28%
<b>Total commission income</b>	<b>377.4</b>	<b>377.5</b>		<b>344.5</b>	<b>10%</b>	<b>1,522.2</b>	<b>1,312.0</b>	<b>16%</b>

### NOTE 6 COMMISSION EXPENSE

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Payment mediation	-20.6	-22.6	-9%	-20.5		-88.1	-87.7	
Securities	-153.6	-151.1	2%	-142.0	8%	-612.6	-543.9	13%
Cards	-23.9	-22.9	4%	-22.5	6%	-93.9	-77.6	21%
Remuneration to regional insurance companies	-303.1	-292.9	3%	-246.4	23%	-1,159.3	-913.0	27%
Other commission	-2.4	-2.3	4%	-2.4		-9.2	-9.2	
<b>Total commission expense</b>	<b>-503.6</b>	<b>-491.8</b>	<b>2%</b>	<b>-433.8</b>	<b>16%</b>	<b>-1,963.1</b>	<b>-1,631.4</b>	<b>20%</b>

A sub-component of the remuneration to the regional insurance companies was reclassified from 1 January 2015, which reduces the item "Remuneration to the regional insurance companies" under "Commission expense" and "Other operating income". Comparative figures have been restated.

## NOTE 7 NET GAINS / LOSSES FROM FINANCIAL ITEMS

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Interest-bearing assets and liabilities and related derivatives	2.2	4.5	-51%	29.9	-93%	30.6	23.5	30%
Other financial assets and liabilities	0.0	-0.3		0.4		0.5	0.0	
Interest compensation	13.3	15.0	-11%	21.9	-39%	65.5	74.3	-12%
<b>Total net gains / losses from financial items</b>	<b>15.5</b>	<b>19.2</b>	<b>-19%</b>	<b>52.2</b>	<b>-70%</b>	<b>96.6</b>	<b>97.8</b>	<b>-1%</b>

## NOTE 8 LOAN LOSSES AND IMPAIRED LOANS

Net loan losses, SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
<b>Specific reserve for individually assessed loan receivables</b>								
Write-off confirmed loan losses during the year	-34.6	-21.3	62%	-31.4	10%	-111.4	-103.7	7%
Reversed earlier impairment of loan losses recognised as confirmed losses	34.0	21.9	55%	29.6	15%	111.1	101.3	9%
Impairment of loan losses during the year	-26.2	-23.1	13%	-36.9	-29%	-121.5	-123.1	-1%
Payment received for prior confirmed loan losses	3.9	14.6	-73%	13.4	-71%	41.4	35.3	17%
Reversed impairment of loan losses no longer required	0.7	16.2	-96%	5.0		66.6	80.5	-17%
<b>Net expense for the year for individually assessed loan receivables</b>	<b>-22.2</b>	<b>8.3</b>		<b>-20.3</b>	<b>9%</b>	<b>-13.8</b>	<b>-9.7</b>	<b>42%</b>
<b>Collective assessed homogenous groups of loan receivables with limited value and similar credit risk</b>								
Provision/reversal of impairment of loan losses	7.1	0.6		5.0	42%	7.5	18.6	-60%
<b>Net expense for the year for collectively loan receivables</b>	<b>7.1</b>	<b>0.6</b>		<b>5.0</b>	<b>42%</b>	<b>7.5</b>	<b>18.6</b>	<b>-60%</b>
Net expense for the year for fulfilment of guarantees	0.1	0.1		1.0	-90%	0.2	1.1	-82%
<b>Net expense of loan losses for the year</b>	<b>-15.0</b>	<b>9.0</b>		<b>-14.3</b>	<b>5%</b>	<b>-6.1</b>	<b>10.0</b>	
All information pertains to receivables from the public								
<b>Reserve ratios</b>								
Total impaired loans reserve ratio, %	117.6	111.5		109.0		117.6	109.0	
Impaired loans reserve ratio excluding collective impairments, %	84.9	79.4		81.9		84.9	81.9	

Impaired loans, SEK M	31 Dec 2015				31 Dec 2014			
	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net
Corporate sector	73.7	-82.0	-16.5	-24.9	104.9	-92.0	-19.8	-6.9
Retail sector	167.5	-120.4	-61.6	-14.5	211.0	-166.7	-65.8	-21.5
of which private individuals	132.2	-107.3	-45.1	-20.2	152.7	-135.7	-52.7	-35.7
<b>Total</b>	<b>241.1</b>	<b>-202.4</b>	<b>-78.1</b>	<b>-39.4</b>	<b>315.9</b>	<b>-258.7</b>	<b>-85.6</b>	<b>-28.4</b>

The settlement model, which was introduced on 1 January 2014, regarding the commitment that the regional insurance companies have regarding loan losses related to business they have originated entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by an off-set against accrued commissions. On 31 December 2015, the total credit reserve requirement amounted to SEK 388 M, of which the Bank Group's recognised credit reserve amounted to SEK 281 M and the remainder amounting to SEK 107 M was offset against the regional insurance companies' held funds, according to the model described above. The transition to the model means that the Bank Group's credit reserves, attributable to the regional insurance companies business, on the date of introduction will be gradually reversed by SEK 158 M, while SEK 60 M was reversed during the period.

## NOTE 9 LOANS TO THE PUBLIC

Loan receivables are geographically attributable in their entirety to Sweden.

SEK M	31 Dec 2015	31 Dec 2014
<b>Loan to the public before reservations</b>		
Public sector	1,520.1	2,255.7
Corporate sector	16,662.8	15,573.2
Retail sector	184,062.0	161,937.9
Other	0.0	1.8
<b>Total</b>	<b>202,244.9</b>	<b>179,768.6</b>
<b>Reserves</b>	<b>-280.5</b>	<b>-344.3</b>
<b>Loans to the public</b>	<b>201,964.4</b>	<b>179,424.3</b>
Remaining term of not more than 3 months	128,457.5	115,456.2
Remaining term of more than 3 months but not more than 1 year	18,766.6	17,517.0
Remaining term of more than 1 year but not more than 5 years	52,570.3	44,796.6
Remaining term of more than 5 years.	2,170.0	1,654.5
<b>Total</b>	<b>201,964.4</b>	<b>179,424.3</b>

### Definition

Remaining term is defined as the remaining fixed-interest period if the loan has periodically restricted conditions.

## NOTE 10 DERIVATIVES

SEK M	31 Dec 2015		31 Dec 2014	
	Nominal value	Fair value	Nominal value	Fair value
<b>Derivatives with positive values</b>				
<i>Derivatives in hedge accounting</i>				
Interest-related	82,801.0	2,364.6	81,145.0	2,965.6
Currency-related	15,182.2	2,049.0	17,294.7	2,283.8
<i>Other derivatives</i>				
Currency-related	41.1	0.8	133.9	8.2
<b>Total derivatives with positive values</b>	<b>98,024.3</b>	<b>4,414.4</b>	<b>98,573.6</b>	<b>5,257.6</b>
<b>Derivatives with negative values</b>				
<i>Derivatives in hedge accounting</i>				
Interest-related	100,574.0	1,610.4	99,441.0	2,009.2
Currency-related	11,673.7	777.6	14,842.7	582.5
<i>Other derivatives</i>				
Currency-related	803.2	6.2	–	–
<b>Total derivatives with negative values</b>	<b>113,050.9</b>	<b>2,394.2</b>	<b>114,283.7</b>	<b>2,591.7</b>

Länsförsäkringar enters into financial hedging agreements to hedge against the interest-rate risk and currency risk that the Group's funding programmes give rise to. By using derivatives, the company can hedge both the fair value of the bonds issued due to changes in the market interest rate, and hedge cash flows attributable to future flows in foreign currency. Hedging instruments primarily comprise interest and currency interest-rate swaps.

## NOTE 11 PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

SEK M	31 Dec 2015	31 Dec 2014
<b>For own liabilities, pledged assets</b>		
Pledged securities in the Riksbank	2,500.0	2,500.0
Pledged securities in Euroclear	2,000.0	2,000.0
Collateral provided for derivatives	10.0	10.0
Loan receivables, covered bonds	137,484.4	117,267.0
Loan receivables, substitute collateral	8,775.0	11,475.0
Commitments resulting from repurchase transactions	104.7	–
Other collateral for securities	10.0	5.0
<b>Total for own liabilities, pledged assets</b>	<b>150,884.1</b>	<b>133,257.0</b>
<b>Other pledged assets</b>	<b>None</b>	<b>None</b>
<b>Contingent liabilities</b>		
Guarantees	33.5	24.2
Conditional shareholders' contribution	5,290.0	4,790.0
Early retirement at age 62 in accordance with pension agreement	6.1	15.6
<b>Total contingent liabilities</b>	<b>5,329.5</b>	<b>4,829.8</b>
<b>Other commitments</b>		
Loans approved but not disbursed	13,109.9	11,762.9
Unutilised portion of overdraft facilities	2,234.1	2,091.8
Unutilised portion of credit card facilities	1,387.8	1,298.6
<b>Total other commitments</b>	<b>16,731.8</b>	<b>15,153.3</b>



## NOTE 12 FAIR VALUE VALUATION TECHNIQUES

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 and Level 3 refers to prices based on own assumptions and judgements.

SEK M 31 Dec 2015	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Treasury bills and other eligible bills	8,824.0			8,824.0
Bonds and other interest-bearing securities	31,991.3			31,991.3
Shares and participations <sup>1)</sup>			15.5	15.5
Derivatives		4,414.4		4,414.4
<b>Liabilities</b>				
Derivatives		2,394.2		2,394.2
<b>SEK M 31 Dec 2014</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	5,409.3			5,409.3
Bonds and other interest-bearing securities	36,104.1			36,104.1
Shares and participations <sup>1)</sup>			11.7	11.7
Derivatives		5,257.6		5,257.6
<b>Liabilities</b>				
Derivatives		2,591.7		2,591.7

<sup>1)</sup> Unlisted shares and participations held for business purposes are presented in level 3. These items are initially measured at cost and impaired if objective evidence exists to recognise an impairment loss. The assessment is based on the most recent Annual Report and forecasted earnings.

## NOTE 12 FAIR VALUE VALUATION TECHNIQUES, CONTINUED

SEK M	Shares and participations
<b>Opening balance, 1 January 2015</b>	<b>11.7</b>
Total profit and loss recognised:	
– recognised in profit / loss for the year	3.8
Investment of shares	
<b>Closing balance, 31 December 2015</b>	<b>15.5</b>

Profit and loss recognised in net profit for the period pertaining to assets included in the closing balance at 31 December 2015

SEK M	Shares and participations
<b>Opening balance, 1 January 2014</b>	<b>12.1</b>
Total profit and loss recognised:	
– recognised in profit / loss for the year	–0.4
Investment of shares	–
<b>Closing balance, 31 December 2014</b>	<b>11.7</b>

Profit and loss recognised in net profit for the period pertaining to assets included in the closing balance at 31 December 2014

SEK M	31 Dec 2015		31 Dec 2014	
	Book value	Fair value	Book value	Fair value
<b>Assets</b>				
Cash and balances with central banks	21.5	21.5	25.8	25.8
Treasury bills and other eligible bills	8,824.0	8,824.0	5,409.3	5,409.3
Loans to credit institutions	502.7	502.7	1,789.6	1,789.6
Loans to the public	201,964.4	202,784.8	179,424.3	180,926.4
Bonds and other interest-bearing securities	31,991.3	31,991.3	36,104.1	36,104.1
Shares and participations	15.5	15.5	11.7	11.7
Derivatives	4,414.4	4,414.4	5,257.6	5,257.6
Other assets	186.5	186.5	212.0	212.0
<b>Total assets</b>	<b>247,920.3</b>	<b>248,740.7</b>	<b>228,234.4</b>	<b>229,736.5</b>
<b>Liabilities</b>				
Due to credit institutions	2,954.2	2,954.2	3,390.1	3,390.1
Deposits and borrowing from the public	83,924.8	84,107.1	76,789.7	77,297.1
Debt securities in issue	139,882.1	144,105.8	128,656.4	134,741.0
Derivatives	2,394.2	2,394.2	2,591.7	2,591.7
Other liabilities	112.7	112.7	79.4	79.4
Subordinated liabilities	2,299.7	2,362.1	2,299.7	2,427.1
<b>Total liabilities</b>	<b>231,567.7</b>	<b>236,036.1</b>	<b>213,807.0</b>	<b>220,526.4</b>

There were no transfers between Level 1 and Level 2 during the period. There were no transfers from Level 3 during the period. The fair value of cash and balances with central banks, other assets, loans to credit institutions, due to credit institutions and other liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities.

When calculating the fair value of loans to the public and deposits and borrowing from the public, anticipated future cash flows have been discounted using a discount rate set at the current lending rate applied (including discounts).

The main principle for measuring the fair value of debt securities in issue is that the value is measured at prices from external parties at the closing date or the most recent trading date. If external prices are not available or are deemed to deviate from market levels, and for measuring the fair value of subordinated liabilities, a standard method or valuation technique based on the estimated or original issue spread has been utilised.

Derivatives essentially refer to swaps for which fair value has been calculated by discounting expected future cash flows.

Gains and losses are recognised in profit and loss under "net gains/losses from financial items." For information on the determination of fair value, valuation techniques and inputs, see also note Accounting policies.

## NOTE 13 CAPITAL-ADEQUACY ANALYSIS

SEK M	Consolidated situation 31 Dec 2015	Consolidated situation 31 Dec 2014	Bank Group 31 Dec 2015	Bank Group 31 Dec 2014
Total equity	20,138.4	17,143.0	12,056.9	9,597.0
Adjustment for additional Tier 1 capital	-1,200.0	–	-1,200.0	–
Adjustment for accrued dividend for additional Tier 1 capital	-2.1	–	-2.1	–
Intangible assets	-533.0	-421.1	-306.2	-309.6
Goodwill	-371.6	–	–	–
Adjustment for cash flow hedge	-46.4	-15.1	-74.0	-46.8
Adjustment for items to fair value	–	-138.2	–	-138.2
IRB shortfall	-407.8	-478.3	-407.8	-478.3
Adjustment for prudent valuation	-48.7	-50.7	-47.6	-49.4
Deferred tax assets	–	–	–	–
Threshold deductions: Capital contributions to unconsolidated financial entities	-6,465.2	-7,660.4	–	-0.5
Investments outside the financial sector	–	-10.2	–	-10.2
<b>Common Equity Tier 1 capital</b>	<b>11,063.7</b>	<b>8,369.1</b>	<b>10,019.3</b>	<b>8,564.0</b>
Additional Tier 1 capital	1,200.0	–	1,200.0	–
<b>Tier 1 capital</b>	<b>12,263.7</b>	<b>8,369.1</b>	<b>11,219.3</b>	<b>8,564.0</b>
Tier 2 instruments	2,296.8	2,136.8	2,296.8	2,296.8
IRB excess	–	8.1	–	8.1
<b>Tier 2 Capital</b>	<b>2,296.8</b>	<b>2,145.0</b>	<b>2,296.8</b>	<b>2,305.0</b>
<b>Total own funds</b>	<b>14,560.6</b>	<b>10,514.1</b>	<b>13,516.1</b>	<b>10,868.9</b>
<b>Total risk exposure amount to CRD IV</b>	<b>51,724.3</b>	<b>60,249.6</b>	<b>42,239.1</b>	<b>52,822.2</b>
<b>Total requirement CRD IV</b>	<b>4,137.9</b>	<b>4,820.0</b>	<b>3,379.1</b>	<b>4,225.8</b>
Capital requirement for credit risk according to Standardised Approach	945.7	850.1	538.1	616.8
Capital requirement for credit risk according to IRB Approach	2,425.3	3,245.8	2,425.3	3,245.8
Capital requirement for operational risk	631.2	570.1	280.2	209.5
Capital requirement according to credit valuation adjustment	135.7	154.0	135.5	153.7
Core Tier 1 ratio according to CRD IV	21.4%	13.9%	23.7%	16.2%
Tier 1 ratio according to CRD IV	23.7%	13.9%	26.6%	16.2%
Capital adequacy ratio according to CRD IV	28.2%	17.5%	32.0%	20.6%
<b>Special disclosures</b>				
IRB Provisions surplus (+) / deficit (–)	-407.8	-470.2	-407.8	-470.2
– IRB Total provisions (+)	353.3	405.0	353.3	405.0
– IRB Anticipated loss (–)	-761.0	-875.2	-761.0	-875.2
Capital Adequacy Basel I floor	9,847.0	8,642.0	9,678.0	8,578.5
Own funds adjusted according to rules for Basel I floor	14,968.4	10,984.3	13,923.9	11,339.1
Surplus of capital according to Basel I floor	5,121.3	2,342.3	4,245.9	2,760.6

Third quarter 2015 Consolidated situation Minimum capital requirements and buffers	Minimum capital requirement	Capital conservation buffer	Countercyclical buffer	Systemic risk buffer	Total
Core Tier 1 capital	4.5%	2.5%	1.0%	n/a	8.0%
Tier 1 capital	6.0%	2.5%	1.0%	n/a	9.5%
Capital base	8.0%	2.5%	1.0%	n/a	11.5%

<b>SEK M</b>					
Core Tier 1 capital	2,327.6	1,293.1	517.2	n/a	4,137.9
Tier 1 capital	3,103.5	1,293.1	517.2	n/a	4,913.8
Capital base	4,137.9	1,293.1	517.2	n/a	5,948.3
Core tier 1 capital available for use as buffer					16.9%

## NOTE 13 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

	Consolidated situation 31 Dec 2015		Consolidated situation 31 Dec 2014		Bank Group 31 Dec 2015		Bank Group 31 Dec 2014	
	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount
<b>SEK M</b>								
<b>Credit risk according to Standardised Approach</b>								
Exposures to institutions	58.5	731.8	76.8	960.2	53.9	674.0	72.2	902.8
Exposures to corporates	113.5	1,419.3	141.0	1,763.0	111.3	1,391.6	139.2	1,740.1
Retail exposures	96.5	1,206.0	77.1	963.6	96.5	1,206.0	77.1	963.6
Exposures in default	7.7	95.9	11.7	146.2	7.7	95.9	11.7	146.2
Covered bonds	228.2	2,851.9	261.7	3,271.6	220.2	2,752.0	261.7	3,271.6
Exposures to CIU	–	–	13.7	171.3	–	–	–	–
Exposures to equity	329.7	4,120.8	153.0	1,912.5	1.8	22.5	0.2	3.1
Other items	111.7	1,395.9	115.1	1,438.1	46.7	584.1	54.6	682.1
<b>Total capital requirement and risk exposure amount</b>	<b>945.7</b>	<b>11,821.7</b>	<b>850.1</b>	<b>10,626.7</b>	<b>538.1</b>	<b>6,726.3</b>	<b>616.8</b>	<b>7,709.5</b>
<b>Credit risk according to IRB Approach</b>								
<i>Retail exposures</i>								
Exposures secured by real estate collateral	1,050.6	13,132.2	1,751.9	21,898.6	1,050.6	13,132.2	1,751.9	21,898.6
Other retail exposures	788.5	9,856.4	769.1	9,613.3	788.5	9,856.4	769.1	9,613.3
<i>Total retail exposures</i>	<i>1,839.1</i>	<i>22,988.6</i>	<i>2,521.0</i>	<i>31,512.0</i>	<i>1,839.1</i>	<i>22,988.6</i>	<i>2,521.0</i>	<i>31,512.0</i>
Exposures to corporates	586.2	7,327.9	724.8	9,060.6	586.2	7,327.9	724.8	9,060.6
<b>Total capital requirement and risk exposure amount</b>	<b>2,425.3</b>	<b>30,316.5</b>	<b>3,245.8</b>	<b>40,572.5</b>	<b>2,425.3</b>	<b>30,316.5</b>	<b>3,245.8</b>	<b>40,572.5</b>
<b>Operational risks</b>								
Standardised Approach	631.2	7,889.8	209.5	2,619.0	280.2	3,503.1	209.5	2,619.0
Basic indicator approach LFAB	–	–	360.5	4,506.9	–	–	–	–
<b>Total capital requirement for operational risk</b>	<b>631.2</b>	<b>7,889.8</b>	<b>570.1</b>	<b>7,125.9</b>	<b>280.2</b>	<b>3,503.1</b>	<b>209.5</b>	<b>2,619.0</b>
<b>Total capital requirement for credit valuation adjustments</b>	<b>135.7</b>	<b>1,696.3</b>	<b>154.0</b>	<b>1,924.5</b>	<b>135.5</b>	<b>1,693.3</b>	<b>153.7</b>	<b>1,921.1</b>

### Internally assessed capital requirement

The internally assessed capital requirement for the consolidated situation on 31 December 2015 amounted to SEK 4,949 M. The capital meeting the internal capital requirement, meaning the capital base, amounted to SEK 14,561 M. The bank bases its calculation on the methods used to calculate the capital requirement under the framework of Pillar I. For risks not included in Pillar I, known as Pillar II risks, internal models are used to allocate a capital requirement to each risk. For the Bank Group, the internally assessed capital requirement amounted to SEK 4,161 M and the capital base to SEK 13,516 M. In addition to these capital requirements, there is a capital conservation buffer that is used to cover the stress test buffer and business risk.

## NOTE 14 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.

## INCOME STATEMENT – PARENT COMPANY

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
Interest income	733.8	736.4		911.1	–19%	3,034.8	3,655.9	–17%
Interest expense	–463.6	–470.6	–1%	–661.3	–30%	–2,053.0	–2,708.0	–24%
<b>Net interest income</b>	<b>270.2</b>	<b>265.8</b>	<b>2%</b>	<b>249.8</b>	<b>8%</b>	<b>981.8</b>	<b>947.9</b>	<b>4%</b>
Dividends received	0.0	0.1		–		0.1	0.1	
Commission income	88.5	87.4	1%	86.5	2%	357.8	324.0	10%
Commission expense	–134.7	–119.1	13%	–106.9	20%	–462.3	–468.9	–1%
Net gain / loss from financial items	0.0	3.3		18.5		28.3	49.0	–42%
Other operating income	26.5	27.5	–4%	20.7	28%	108.7	102.0	7%
<b>Total operating income</b>	<b>250.5</b>	<b>265.0</b>	<b>–5%</b>	<b>268.6</b>	<b>–5%</b>	<b>1,014.4</b>	<b>954.1</b>	<b>6%</b>
Staff costs	–43.9	–41.1	7%	–39.0	13%	–173.8	–153.8	13%
Other administration expenses	–145.7	–172.7	–16%	–155.6	–6%	–569.0	–511.8	11%
<b>Total administration expenses</b>	<b>–189.6</b>	<b>–213.8</b>	<b>–11%</b>	<b>–194.6</b>	<b>–3%</b>	<b>–742.8</b>	<b>–665.6</b>	<b>12%</b>
Depreciation / amortisation and impairment of property and equipment / intangible assets	–14.1	–31.5	–55%	–37.8	–63%	–102.5	–190.9	–46%
<b>Total operating expenses</b>	<b>–203.7</b>	<b>–245.3</b>	<b>–17%</b>	<b>–232.4</b>	<b>–12%</b>	<b>–845.3</b>	<b>–856.5</b>	<b>–1%</b>
<b>Profit / loss before loan losses</b>	<b>46.8</b>	<b>19.7</b>		<b>36.2</b>	<b>52%</b>	<b>169.1</b>	<b>97.6</b>	<b>73%</b>
Loan losses, net	–7.0	14.8		–4.3	63%	41.0	49.2	–17%
<b>Operating profit / loss</b>	<b>39.8</b>	<b>34.5</b>	<b>15%</b>	<b>31.9</b>	<b>25%</b>	<b>210.1</b>	<b>146.8</b>	<b>43%</b>
Allocation fund	–18.0	–		–35.0		–18.0	–35.0	
Tax	–6.4	–19.7	–68%	–0.1		–56.2	–25.4	
<b>Profit / loss for the period</b>	<b>15.4</b>	<b>14.8</b>	<b>4%</b>	<b>–3.2</b>		<b>135.9</b>	<b>86.4</b>	<b>57%</b>

## STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK M	Q 4 2015	Q 3 2015	Change	Q 4 2014	Change	Jan-Dec 2015	Jan-Dec 2014	Change
<b>Profit / loss for the period</b>	<b>15.4</b>	<b>14.8</b>	<b>5%</b>	<b>–3.2</b>		<b>135.9</b>	<b>86.4</b>	<b>58%</b>
<b>Other comprehensive income</b>								
<b>Items that may subsequently be reclassified to the income statement</b>								
Cash-flow hedges	–1.8	–2.0	–10%	0.3		–3.3	–3.8	–13%
Change in fair value from available-for-sale financial assets	–8.1	–15.9	–49%	–49.4	–84%	–95.1	16.4	
Reclassification realised securities	0.0	0.0		–1.5		–35.2	–13.8	
Tax attributable to items that are rerouted or can be rerouted as income for the period	2.2	3.9	–44%	11.1	–80%	29.4	0.3	
<b>Other comprehensive income for the period, net after tax</b>	<b>–7.7</b>	<b>–14.0</b>	<b>–45%</b>	<b>–39.5</b>	<b>–81%</b>	<b>–104.2</b>	<b>–0.9</b>	
<b>Total comprehensive income for the period</b>	<b>7.7</b>	<b>0.8</b>		<b>–42.7</b>		<b>31.7</b>	<b>85.5</b>	<b>–63%</b>

## BALANCE SHEET – PARENT COMPANY

SEK M	31 Dec 2015	31 Dec 2014
<b>Assets</b>		
Cash and balances with central banks	21.5	25.8
Treasury bills and other eligible bills	8,824.0	5,409.3
Loans to credit institutions	56,129.9	47,377.5
Loans to the public	38,927.6	38,648.6
Bonds and other interest-bearing securities	22,646.5	23,712.2
Shares and participations	15.5	12.0
Shares and participations in Group companies	6,999.0	6,499.0
Derivatives	3,029.3	2,894.5
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	120.4	165.9
Intangible assets	282.5	275.1
Property and equipment	3.6	2.9
Deferred tax assets	1.8	4.2
Other assets	297.7	198.5
Prepaid expenses and accrued income	916.5	1,090.8
<b>Total assets</b>	<b>138,215.8</b>	<b>126,316.3</b>
<b>Liabilities, provisions and equity</b>		
Due to credit institutions	7,020.7	5,665.6
Deposits and borrowing from the public	84,185.4	76,972.9
Debt securities in issue	29,482.3	27,768.4
Derivatives	3,463.7	3,308.9
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	146.9	190.1
Deferred tax liabilities	0.0	–
Other liabilities	264.8	335.2
Accrued expenses and deferred income	1,226.0	1,371.3
Provisions	5.7	6.5
Subordinated liabilities	2,299.7	2,299.7
<b>Total liabilities and provisions</b>	<b>128,095.2</b>	<b>117,918.6</b>
<b>Untaxed reserves</b>	<b>64.9</b>	<b>46.9</b>
<b>Equity</b>		
Share capital, 9,548,708 shares	954.9	954.9
Statutory reserve	18.4	18.4
Additional Tier 1 instruments	1,200.0	–
Fair value reserves	–29.0	75.2
Retained earnings	7,775.5	7,215.9
Profit for the period	135.9	86.4
<b>Total equity</b>	<b>10,055.7</b>	<b>8,350.8</b>
<b>Total liabilities, provisions and equity</b>	<b>138,215.8</b>	<b>126,316.3</b>
<b>Memorandum items</b>		
For own liabilities, pledged assets	4,520.0	4,515.0
Other pledged assets	None	None
Contingent liabilities	5,327.6	4,823.3
Other commitments	25,820.7	25,782.4
<b>Other notes</b>		
Accounting policies	1	
Loan losses and impaired loans	2	
Capital-adequacy analysis	3	
Disclosures on related parties	4	

## CASH-FLOW STATEMENT IN SUMMARY, INDIRECT METHOD – PARENT COMPANY

SEK M	Jan-Dec 2015	Jan-Dec 2014
<b>Cash and cash equivalents, 1 January</b>	<b>1,231.7</b>	<b>5,154.8</b>
Cash flow from operating activities	–493.5	–4,001.3
Cash flow from investing activities	–1 114.1	–471.8
Cash flow from financing activities	500.0	550.0
<b>Cash flow for the period</b>	<b>–1,107.6</b>	<b>–3,923.1</b>
<b>Cash and cash equivalents, 31 December</b>	<b>124.1</b>	<b>1,231.7</b>

Cash and cash equivalents are defined as cash and balances at central banks, loans due to credit institutions payable on demand as well as overnight loans and deposits with the Riksbank maturing the following banking day.

Changes to the cash flow from operating activities are mainly Loans to credit institutions SEK –9,377.2 M (0.0), Deposits and borrowing from the public SEK 7,185.7 M (7,632.2), and to Treasury bills and other eligible bills SEK –3,414.7 M (–1,893.9). Changes to the cash flow from financing activities are attributable to shareholder's contribution received SEK 500.0 M (550.0). Changes to the cash flow from investment activities are attributable to shareholder's contribution submitted SEK 500.0 M (430.0) and subordinated loans SEK 500.0 (0.0) M.

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY

SEK M	Share capital	Other capital contributed	Additional Tier 1 instruments	Reserves		Retained earnings	Profit for the period	Total
				Fair value reserve	Hedge reserve			
<b>Opening balance, 1 January 2014</b>	<b>954.9</b>	<b>18.4</b>	<b>–</b>	<b>76.1</b>	<b>–</b>	<b>6,669.5</b>	<b>–3.6</b>	<b>7,715.3</b>
Profit for the period							86.4	86.4
Other comprehensive income for the period				2.1	–3.0			–0.9
<i>Comprehensive income for the period</i>				<i>2.1</i>	<i>–3.0</i>		<i>86.4</i>	<i>85.5</i>
Resolution by Annual General Meeting						–3.6	3.6	–
Conditional shareholders' contribution received						550.0		550.5
<b>Closing balance, 31 December 2014</b>	<b>954.9</b>	<b>18.4</b>	<b>–</b>	<b>78.2</b>	<b>–3.0</b>	<b>7,215.9</b>	<b>86.4</b>	<b>8,350.8</b>
<b>Opening balance, 1 January 2015</b>	<b>954.9</b>	<b>18.4</b>	<b>–</b>	<b>78.2</b>	<b>–3.0</b>	<b>7,215.9</b>	<b>86.4</b>	<b>8,350.8</b>
Profit for the period							135.9	135.9
Other comprehensive income for the period				–101.6	–2.6			–104.2
<i>Comprehensive income for the period</i>				<i>–101.6</i>	<i>–2.6</i>		<i>135.9</i>	<i>31.7</i>
Resolution by Annual General Meeting						86.4	–86.4	0
Issued additional Tier 1 instruments*			1,200.0			–26.8		1,173.2
Conditional shareholders' contribution received						500.0		500.0
<b>Closing balance, 31 December 2015</b>	<b>954.9</b>	<b>18.4</b>	<b>1,200.0</b>	<b>–23.4</b>	<b>–5.6</b>	<b>7,775.5</b>	<b>135.9</b>	<b>10,055.7</b>

\*In June 2015, Länsförsäkringar Bank AB issued an Additional Tier 1 Capital instrument amounting to SEK 1.2 bn. The loan bears an interest rate corresponding to 3 months Stibor + 3.2 base points, is undated and cannot be repurchased until after five years (complete terms and conditions are available on the bank's website).



## NOTES – PARENT COMPANY

### NOTE 1 ACCOUNTING POLICIES

Länsförsäkringar Bank AB prepares the accounts in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Securities Market Act (2007:528) and the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements regarding listed companies by the Swedish Financial Reporting Board. The regulations in RFR 2 stipulate that the company, in the annual accounts for the legal entity, shall apply all IFRS adopted by EU and statements to the extent that this is possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the link between accounting and taxation. The recommendation stipulates the permissible exceptions from and supplements to IFRS. This interim report complies with the requirements of IAS 34, Interim Financial Reporting.

#### **New IFRS and interpretations that have not yet been applied**

IFRS 9 will take effect on 1 January 2018. The part of the standard that pertains to provisions for expected loan losses will affect the institution's capital base. Länsförsäkringar Bank AB currently has an IFRS 9 project in progress, but believes that it is too early to assess the effect on the capital base.

#### **Changes that have impacted the financial statements in 2015**

No accounting standards, which have been published but not yet applied, came into effect during the period that have a significant effect on the company's financial statements or capital adequacy and large exposures.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2014 Annual Report.

### NOTE 2 LOAN LOSSES AND IMPAIRED LOANS

The settlement model, which was introduced on 1 January 2014, regarding the commitment that the regional insurance companies have regarding loan losses related to business they have originated entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified, by an off-set against accrued commissions. On 31 December 2015, the total credit reserve requirement amounted to SEK 160 M, of which the bank's recognised credit reserve amounted to SEK 66 M and the remainder amounting to SEK 94 M was offset against the regional insurance companies' held funds, according to the model described above. The transition to the new model means that the bank's credit reserves on the date of introduction will be gradually reversed by SEK 137 M, while SEK 52 M was reversed during the period.

### NOTE 3 CAPITAL-ADEQUACY ANALYSIS

SEK M	31 Dec 2015	31 Dec 2014
Total equity	10,055.7	8,350.8
(-) Part of interim profit not eligible	-2.1	-
78 % of untaxed reserves	50.6	36.6
<b>Own funds eligible for capital-adequacy</b>	<b>10,104.2</b>	<b>8,387.4</b>
Intangible assets	-282.5	-275.1
Adjustment for cash flow hedge	5.6	3.0
Adjustment for items at fair value	-	-78.2
IRB shortfall	-124.5	-176.6
Adjustment for prudent valuation	-38.0	-33.0
Deferred tax assets	-	-
Threshold deductions: Capital contributions to unconsolidated financial entities	-	-0.5
Investments outside the financial sector	-	-10.2
Adjustment for Additional Tier 1 capital	-1,200.0	-
<b>Common Equity Tier 1 capital</b>	<b>8,464.9</b>	<b>7,816.7</b>
Additional Tier 1 capital	1,200.0	-
<b>Tier 1 capital</b>	<b>9,664.9</b>	<b>7,816.7</b>
Tier 2 instruments	2,296.8	2,296.8
IRB excess	-	-
<b>Own funds</b>	<b>2,296.8</b>	<b>2,296.8</b>
<b>Total own funds</b>	<b>11,961.7</b>	<b>10,113.5</b>
<b>Total risk exposure amount to CRD IV</b>	<b>23,341.8</b>	<b>25,105.3</b>
<b>Total capital requirement to CRD IV</b>	<b>1,867.3</b>	<b>2,008.4</b>
Capital requirement for credit risk according to Standardised Approach	859.2	788.9
Capital requirement for credit risk according to IRB Approach	839.0	1,081.6
Capital requirement for operational risk	118.5	99.2
Capital requirement	50.7	38.8
<b>Core Tier 1 ratio according to CRD IV</b>	<b>36.3%</b>	<b>31.1%</b>
<b>Tier 1 ratio according to CRD IV</b>	<b>41.4%</b>	<b>31.1%</b>
<b>Capital adequacy ratio according to CRD IV</b>	<b>51.2%</b>	<b>40.3%</b>
<b>Special disclosures</b>		
<b>IRB Provisions surplus (+) /deficit (-)</b>	<b>-124.5</b>	<b>-176.6</b>
- IRB Total provisions (+)	159.9	192.0
- IRB Anticipated loss (-)	-284.4	-368.7
<b>Capital adequacy Basel I floor</b>	<b>3,039.1</b>	<b>2,860.6</b>
Capital requirement Basel I floor	12,086.2	10,290.1
Surplus of capital according to Basel I floor	<b>9,047.1</b>	<b>7,429.5</b>

Minimum capital requirements and buffers	Minimum capital requirement	Capital conservation buffer	Countercyclical buffer	Systemic risk buffer	Total
Core Tier 1 capital	4.5%	2.5%	1.0%	n/a	8.0%
Tier 1 capital	6.0%	2.5%	1.0%	n/a	9.5%
Capital base	8.0%	2.5%	1.0%	n/a	11.5%
<b>SEK M</b>					
Core Tier 1 capital	1,050.4	583.5	233.4	n/a	1,867.3
Tier 1 capital	1,400.5	583.5	233.4	n/a	2,217.5
Capital base	1,867.3	583.5	233.4	n/a	2,684.3
Core Tier 1 capital available for use as buffer					31.8%

### NOTE 3 CAPITAL-ADEQUACY ANALYSIS, CONTINUED

SEK M	31 Dec 2015		31 Dec 2014	
	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount
<b>Credit risk according to Standardised Approach</b>				
Exposures to institutions	23.7	296.6	20.5	256.2
Exposures to corporates	–	–	–	–
Covered bonds	144.3	1,803.4	160.9	2,011.0
Exposures to CIU	–	–	–	–
Exposures to equity	663.1	8,288.4	581.5	7,269.1
Other items	28.1	351.1	26.0	324.5
<b>Total capital requirement and risk exposure amount</b>	<b>859.2</b>	<b>10,739.5</b>	<b>788.9</b>	<b>9,860.8</b>
<b>Credit risk according to IRB Approach</b>				
<i>Retail exposures</i>				
Exposures by real estate collateral	278.1	3,476.7	368.8	4,610.4
Other retail exposures	252.2	3,152.2	283.9	3,548.6
<b>Total retail exposures</b>	<b>530.3</b>	<b>6,628.9</b>	<b>652.7</b>	<b>8,159.1</b>
Exposures to corporates	308.7	3,858.8	428.9	5,361.0
<b>Total capital requirement and risk exposure amount</b>	<b>839.0</b>	<b>10,487.7</b>	<b>1,081.6</b>	<b>13,520.1</b>
<b>Operational risks</b>				
Standardised Approach	118.5	1,481.4	99.2	1,239.7
<b>Total capital requirement for operational risk</b>	<b>118.5</b>	<b>1,481.4</b>	<b>99.2</b>	<b>1,239.7</b>
<b>Total capital requirement for credit valuation adjustments</b>	<b>50.7</b>	<b>633.2</b>	<b>38.8</b>	<b>484.8</b>

#### Internally assessed capital requirement

The internally assessed capital requirement for Länsförsäkringar Bank AB on 31 December 2015 amounted to SEK 2,254 M. The capital meeting the internal capital requirement, meaning the capital base, amounted to SEK 11,962 M. The bank bases its calculation on the methods used to calculate the capital requirement under the framework of Pillar I. For risks not included in Pillar I, known as Pillar II risks, internal models are used to allocate a capital requirement to each risk. In addition to this capital requirement, there is a capital conservation buffer that is used to cover the stress test buffer and business risk.

### NOTE 4 DISCLOSURES ON RELATED PARTIES

Significant agreements for Länsförsäkringar Bank AB are primarily outsourcing agreements with the 23 regional insurance companies and outsourcing agreements with Länsförsäkringar AB regarding development, service, finance and IT. Normal business transactions took place between Group companies as part of the outsourced operations.

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, 10 February 2016

Rikard Josefson  
*President*

## REVIEW REPORT

To the Board of Directors of Länsförsäkringar Bank AB (publ)  
Corporate Registration Number 556401-9878

### Introduction

I have reviewed the interim financial information (interim report) of Länsförsäkringar Bank AB (publ) as per 31 December 2015 and the twelve-month period then ended and a summary of significant accounting policies and other supplementary disclosures. The Board of Directors and the President are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. My responsibility is to express a conclusion on this interim financial information based on my review.

### Scope of Review

I conducted my review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and substantially more limited scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Therefore, a conclusion expressed on the basis of a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

### Conclusion

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

Stockholm, 10 February 2016

Stefan Holmström  
*Authorised Public Accountant*

# Financial calendar

Interim report Länsförsäkringar Bank .....**27 April 2016**

Interim report Länsförsäkringar Hypotek .....**27 April 2016**

This report contains such information that Länsförsäkringar Bank AB (publ) must publish in accordance with the Securities Market Act. The information was submitted for publication on 10 February 2016 at 11:00 a.m. Swedish time.

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## FOR FURTHER INFORMATION, PLEASE CONTACT:

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