

Länsförsäkringar Bank

Year-end report 2016

The year in brief, Group

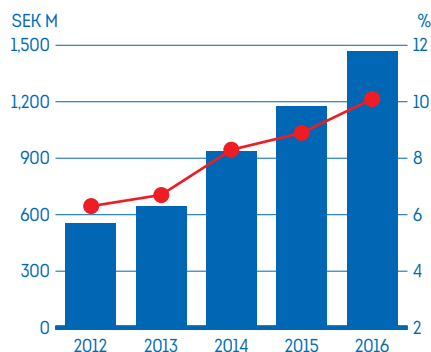
- Operating profit increased 25% to SEK 1,467 (1,175) and the return on equity strengthened to 10.1% (8.9).
- Net interest income increased 15% to SEK 3,455 M (2,994).
- Operating income increased 12% to SEK 3,073 M (2,747).
- Operating expenses amounted to SEK 1,568 M (1,566).
- Loan losses amounted to SEK 37.6 M (6.1)*, net, corresponding to a loan loss level of 0.02% (0.00).
- Business volumes increased 13% to SEK 455.1 billion (404.3).
- Deposits increased 9% to SEK 91.2 billion (83.9).
- Lending increased 12% to SEK 226.7 billion (202.0).
- The Common Equity Tier 1 capital ratio for the consolidated situation amounted to 21.2% (20.8**) on 31 December 2016.
- The number of customers with Länsförsäkringar as their primary bank rose 11% to 419,000 (378,000), and the number of bank cards increased 11% to 517,000 (466,000).
- According to the Swedish Quality Index's (SKI) 2016 customer satisfaction survey, Länsförsäkringar Bank has Sweden's most satisfied retail bank customers.
- Länsförsäkringar Bank was awarded "Mobile Bank of the Year" at Mobilgalan and "Best Mobile Site and App" at the Web Service Award in 2016.

* Includes the dissolution of reserves of SEK 23.3 M (60.0).

** Pertains to 30 September 2016.

Figures in parentheses pertain to the same period in 2015.

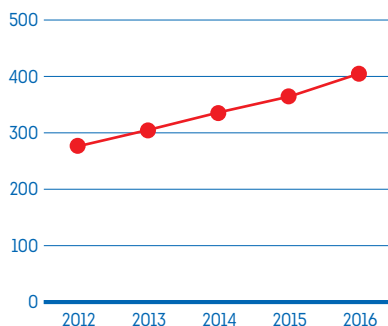
Operating profit and return on equity



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

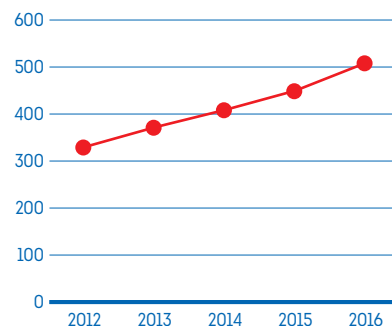
Customer trend

Number of primary bank customers, 000s



Card trend

Card trend, 000s



President's comment

It is very pleasing to conclude that the positive performance of the bank continued during the fourth quarter and we can once again report our best ever results in the bank's 20th year of operations. Business volumes increased in all product segments and the profitability of the business improved. Lending growth remained high, with continued high credit quality and low loan losses. Our capitalisation is strong, while we are maintaining a highly favourable liquidity situation. We are strengthening our position in the bank market with an increased number of customers and are the fifth largest retail bank in Sweden. The combination of our strong local presence, our market-leading digital services and personal customer meetings again resulted in Länsförsäkringar Bank having the most satisfied retail bank customers according to the Swedish Quality Index (SKI 2016).

Rikard Josefson

President of Länsförsäkringar Bank

Key figures

Group	Q 4 2016	Q 3 2016	Q 4 2015	Jan-Dec 2016	Jan-Dec 2015
Return on equity, %	10.34	10.32	9.10	10.09	8.94
Return on total capital, %	0.56	0.55	0.50	0.54	0.48
Investment margin, %	1.36	1.31	1.29	1.28	1.22
Cost/income ratio before loan losses	0.50	0.50	0.54	0.51	0.57
Common Equity Tier 1 capital ratio, Bank Group, %	24.8	24.4	23.7	24.8	23.7
Tier 1 ratio, Bank Group, %	27.5	27.1	26.6	27.5	26.6
Total capital ratio, Bank Group, %	33.4	32.8	32.0	33.4	32.0
Core Tier 1 ratio, consolidated situation, %	21.2	20.8	21.4	21.2	21.4
Tier 1 ratio, consolidated situation, %	23.2	22.8	23.7	23.2	23.7
Total capital ratio, consolidated situation, %	27.6	27.1	28.2	27.6	28.2
Percentage of impaired loans, gross, %	0.11	0.12	0.12	0.11	0.12
Reserve ratio in relation to loans, %	0.11	0.12	0.14	0.11	0.14
Reserve ratio in relation to loans, incl. withheld remuneration to regional insurance companies, %	0.17	0.18	0.19	0.17	0.19
Loan loss level, %	0.00*	0.00	0.03	0.02*	0.00*

* Includes the dissolution of reserves.

Income statement, quarterly

Group, SEK M	Q 4 2016	Q 3 2016	Q 2 2016	Q 1 2016	Q 4 2015
Net interest income	942.0	898.1	826.1	788.7	805.0
Net commission	-171.7	-154.8	-129.2	-111.5	-126.2
Net gains/losses from financial items	-14.6	1.7	41.1	40.2	15.5
Other operating income	37.1	25.2	28.3	26.3	23.1
Total operating income	792.9	770.3	766.3	743.7	717.4
Staff costs	-114.1	-107.1	-125.9	-122.7	-114.9
Other expenses	-285.7	-280.7	-271.7	-260.0	-275.8
Total operating expenses	-399.9	-387.8	-397.5	-382.7	-390.7
Profit before loan losses	393.0	382.4	368.8	361.1	326.7
Loan losses, net	-2.4	-2.7	-12.3	-20.2	-15.0
Operating profit	390.6	379.7	356.4	340.9	311.7

Market commentary

2016 was an eventful year of political uncertainty, but it also started with economic unease and a sharp decline in the oil price. Fears about the global economy, particularly regarding growth prospects for China, impacted the financial markets in the form of both stock-market downturns and falls in interest rates. Despite initial market concern, global growth for 2016 appears to be only slightly lower than initially expected at the start of the year. This slightly weaker trend was primarily the result of lower growth than anticipated in the US, although this was offset by, for example, China's more positive performance. This allowed the Federal Reserve to cautiously continue to normalise its monetary policy and raise its key interest rate at the end of the year, only the second increase since 2006. Europe continued to recover during the year, partly due to the ECB's highly expansive measures, such as com-

mencing its corporate sector purchase program. The political situation was also a key focal point of the year. The UK voted to leave the European Union and the Republican candidate Donald Trump won the US presidential election. It is more difficult to predict the long-term implications, even though market reactions following the EU referendum in the UK were short-lived and reactions after the US presidential election limited. Trump's victory at the polls impacted market expectations of growth and inflation in the US for the next few years. Greater fiscal stimulus packages are expected to strengthen growth in an economic climate that is already booming, which thus increases the risk of higher inflation and interest rates.

Global long-term interest rates rose in the autumn from historically low, and in certain cases negative, levels, an upswing that accelerated after the US presidential elec-

tion. Interest rates for covered bonds fell during the year and investor demand was high. The majority of the world's equities markets reported positive returns for the year and the stock-market trend in the US and emerging markets was particularly favourable measured in SEK.

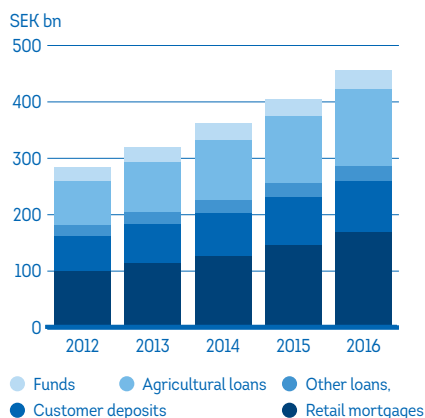
The Swedish economy continued to perform at a healthy rate and was largely in line with expectations. However, inflation presented a negative surprise, and means that we are now in the unusual situation of having a more expansive monetary policy despite Sweden experiencing an economic boom. Housing prices continued to rise but the rate gradually declined over the course of the year.

2016 compared with 2015

Increased business volumes

Business volumes rose 13%, or SEK 50.8 billion, to SEK 455.1 billion (404.3). Lending increased 12%, or SEK 24.7 billion, to SEK 226.7 billion (202.0), with continued high credit quality. Lending in Länsförsäkringar Hypotek rose 15%, or SEK 21.8 billion, to SEK 168.9 billion (147.1). Lending in Wasa Kredit increased 14% to SEK 18.3 billion (16.0). Deposits increased 9%, or SEK 7.3 billion, to SEK 91.2 billion (83.9). Fund volumes increased 15%, or SEK 18.4 billion, to SEK 138.2 billion (119.8).

Business volumes*



*Business volumes comprise the total volume of internally and externally managed funds, agricultural loans, mortgages and other loans in Länsförsäkringar Bank and Wasa Kredit and deposits from the public.

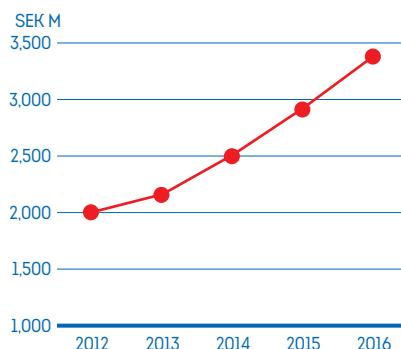
High inflow of customers

The number of customers with Länsförsäkringar as their primary bank increased 11% to 419,000 (378,000) and the average number of products per customer amounted to 5.0. Some 92% of those customers who have the bank as their primary bank are also existing Länsförsäkringar insurance customers. The number of bank cards rose 11% to 517,000 (466,000).

Earnings and profitability

Operating profit increased 25% to SEK 1,467 M (1,175), attributable to higher net interest income. The investment margin strengthened to 1.28% (1.22). Profit before loan losses rose 27% to SEK 1,505 M (1,181). Return on equity strengthened to 10.1% (8.9).

Net interest income



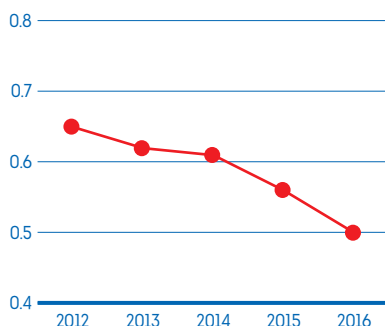
Income

Operating income increased 12% to SEK 3,073 M (2,747), primarily due to higher net interest income. Net interest income rose 15% to SEK 3,455 M (2,994), due to higher volumes and lower refinancing costs. Net gains from financial items amounted to SEK 68.4 M (96.6). Commission income was SEK 1,523 M (1,522). Net commission amounted to SEK -567.5 M (-440.9), as a result of increased remuneration to the regional insurance companies due to higher volumes and the strengthened profitability of the business.

Expenses

Operating expenses remained largely unchanged at SEK 1,568 M (1,566). The cost/income ratio was 0.51 (0.57) before loan losses and 0.52 (0.57) after loan losses.

Cost/income ratio before loan losses



Loan losses

Loan losses amounted to SEK 37.6 M (6.1), net, corresponding to a loan loss level of 0.02% (0.00). Reserves of SEK 23.3 M were dissolved during the period, according to the settlement model described below. In the year-earlier period, reserves of SEK 60.0 M were dissolved. Impaired loans, gross, amounted to SEK 240.2 M (241.1), corresponding to a percentage of impaired loans, gross, of 0.11% (0.12).

The 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 158.3 M, of which SEK 0 M remained on 31 December 2016. Loan losses before dissolution of reserves amounted to SEK 60.6 M (66.1), net, corresponding to a loan loss level of 0.03% (0.03). Reserves totalled SEK 250.1 M (280.5), corresponding to a reserve ratio in relation to loans of 0.11% (0.14). In addition, SEK 129.6 M (107.0) attributable to the regional insurance companies' credit-risk commitments is withheld in accordance with the settlement model described above. The reserve ratio in relation to loans, including withheld remuneration to the regional insurance companies, was 0.17% (0.19).

For more information regarding loan losses, reserves and impaired loans, see notes 7 and 8.

Deposits and savings

Deposits from the public increased 9%, or SEK 7.3 billion, to SEK 91.2 billion (83.9). Deposits from small businesses amounted to SEK 11.0 billion (10.7). The number of deposit accounts increased 8%. On 31 December 2016, the market share for household deposits amounted to 4.8% (4.7) according to Statistics Sweden. Fund volumes increased 15%, or SEK 18.4 billion, to SEK 138.2 billion (119.8).

Loans

All loans are granted in Sweden and in SEK and have a well-diversified geographic distribution. Loans to the public rose 12% to SEK 226.7 billion (202.0). The credit quality of lending remained high. The weighted average loan-to-value ratio of the mortgage portfolio, LTV, declined to 61% (64). On 31 December 2016, the market share of household lending strengthened to 5.8% (5.5) according to Statistics Sweden. Lending in Länsförsäkringar Hypotek rose 15%, or SEK 21.8 billion, to SEK 168.9 billion (147.1). The percentage of retail mortgages in relation to the total loan portfolio was at 74%. On 31 December 2016, the

market share of retail mortgages strengthened to 5.8% (5.5) according to Statistics Sweden.

Agricultural lending increased 5% to SEK 25.3 billion (24.0). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2.3 M on 31 December 2016. First-lien mortgages for agricultural properties, comprising 93% (92) of agricultural lending, accounted for the entire increase in agricultural loans and increased to SEK 23.5 billion (22.0). 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 (1.4) on 31 December 2016.

* Refers to companies with basic business requirements (loans, savings and payments)

Loan portfolio, distribution in %

Lending segment, %	31 Dec 2016	31 Dec 2015
Retail mortgages	74.4	73.0
Agriculture	11.1	11.9
Multi-family housing	3.5	3.9
Leasing and hire purchase	6.3	6.2
Unsecured loans	3.5	3.7
Other	1.2	1.3
TOTAL	100	100

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

Capital receivable		Total
Loan-to-value ratio	Volume, SEK M	Total, %
0-50%	135,867	80.4%
51-60%	16,327	9.7%
61-70%	10,735	6.3%
71-75%	3,022	1.8%
75%+	2,977	1.8%
TOTAL	168,375	100%

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

Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 11%, or SEK 14.0 billion, to a nominal SEK 151.6 billion (137.6), of which covered bonds amounted to SEK 121.6 billion (107.0), senior long-term funding to SEK 28.9 billion (29.2) and short-term funding to SEK 1.1 billion (1.3). The average remaining term for the long-term funding was 3.3 years (3.3) on 31 December 2016.

Covered bonds were issued during the period at a volume corresponding to a nominal SEK 31.3 billion (34.6), with repurchased covered bonds amounting to a nominal SEK 8.4 billion (10.0) and matured covered bonds to a nominal SEK 8.3 billion (16.3). Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 8.1 billion (15.9) during the period and senior unsecured bonds of a nominal SEK 6.7 billion (10.1) fell due for payment.

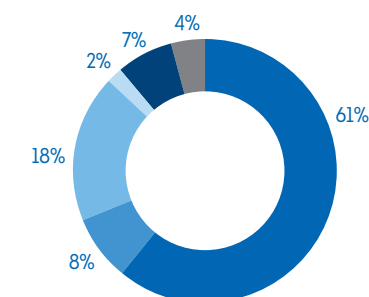
Liquidity

On 31 December 2016, the liquidity reserve totalled SEK 41.6 billion (42.5), 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 more than two years without needing to secure new funding in the capital market. The Group's Liquidity Coverage Ratio (LCR) for the consolidated situation, according to the Swedish Financial Supervisory Authority's definition, amounted to 169% (251) at 31 December 2016.

The Net Stable Funding Ratio (NSFR) for the consolidated situation amounted to 113%*** (115) on 31 December 2016.

*** The calculation is based on Länsförsäkringar Bank's interpretation of the Basel Committee's most recent Net Stable Funding Ratio proposal. The comparative figure pertains to 30 September 2016.

Liquidity reserve†



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

† Comprising 99% AAA-rated bonds.

Rating

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

Capital adequacy, consolidated situation¹

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

Consolidated situation (SEK M)	31 Dec 2016	30 Sept 2016
IRB Approach	31,149	31,027
retail exposures	24,110	23,735
exposures to corporates	7,039	7,292
Standardised Approach	16,221	15,268
Operational risks	10,717	10,717
Total REA	59,513	59,170
Common Equity Tier 1 capital	12,617	12,282
Tier 1 capital	13,817	13,482
Total capital	16,409	16,038
Common Equity Tier 1 capital ratio	21.2%	20.8%
Tier 1 ratio	23.2%	22.8%
Total capital ratio	27.6%	27.1%

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 ¹	Standard & Poor's	AAA/Stable	-
Länsförsäkringar Hypotek ¹	Moody's	Aaa	-

¹ Pertains to the company's covered bonds.

Total REA in the consolidated situation amounted to SEK 59,513 M (59,170) on 31 December 2016. In the fourth quarter, loans to the public increased SEK 7.4 billion, but the volume growth was counterbalanced by improved credit quality, meaning that the increase in REA remained at SEK 375 M for IRB retail exposures. Common Equity Tier 1 capital in the fourth quarter was strengthened through profit generated in the Bank Group and the Common Equity Tier 1 capital ratio amounted to 21.2% (20.8). In Pillar II, the risk weight floor for mortgages of 25% entailed a capital requirement of SEK 4,134 M (3,987).

The countercyclical capital buffer (1.5% of REA) totalled SEK 893 M. This capital conservation buffer that is to correspond to 2.5% of REA amounted to SEK 1,488 M on 31 December 2016. The leverage ratio on 31 December 2016 amounted to 4.7%* (4.6).

* According to 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.

¹ The comparative period pertains to 30 September 2016.

Capital ratio, Bank Group

Bank Group (SEK M)	31 Dec 2016	30 Sept 2016
IRB Approach	31,149	31,027
retail exposures	24,110	23,735
exposures to corporates	7,039	7,292
Standardised Approach	8,021	7,377
Operational risks	3,902	3,902
Total REA	44,498	44,462
Common Equity Tier 1 capital	11,054	10,848
Tier 1 capital	12,254	12,048
Total capital	14,846	14,605
Common Equity Tier 1 capital ratio	24.8%	24.4%
Tier 1 ratio	27.5%	27.1%
Total capital ratio	33.4%	32.8%

For more information on the calculation of capital adequacy, see note 12.

Internally assessed capital requirement and buffer

The internally assessed capital requirement for the consolidated situation on 31 December 2016 amounted to SEK 5,914 M. This amount includes an assessment of the increased capital requirement due to the application of the Swedish Financial Supervisory Authority's new assessment method for the probability of default for exposures to corporates. The Bank Group has applied to apply a model compatible with this method. In addition to this, there is the capital requirement

for the risk weight floor for Swedish mortgages, the capital conservation buffer and the countercyclical capital buffer. The capital meeting the internal capital requirement including buffer, own funds, amounted to SEK 16,409 M. 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. For the Bank Group, the internally assessed capital requirement amounted to SEK 4,581 M and own funds to SEK 14,846 M.

Interest-rate risk

On 31 December 2016, an increase in market interest rates of 1 percentage point would have reduced the value of interest-bearing assets and liabilities, including derivatives, by SEK 16.1 M (decrease: 31.2).

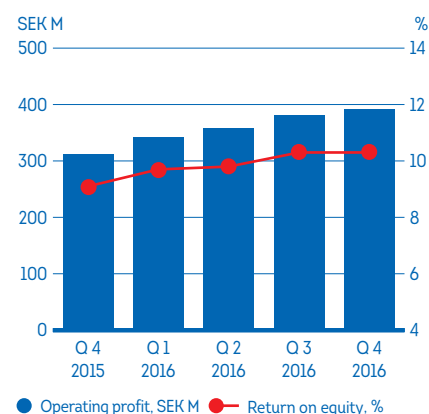
Risks and uncertainties

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 2015 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

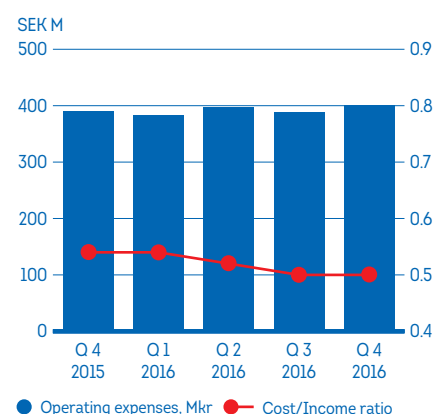
Fourth quarter of 2016 compared with third quarter of 2016

Operating profit increased 3%, or SEK 10.9 billion, to SEK 390.6 billion (379.7). The return on equity amounted to 10.3% (10.3). Operating income amounted to SEK 792.9 M (770.3). Net interest income increased 5% to SEK 942.0 M (898.1) due to lower refinancing costs and continued positive volume growth. The investment margin strengthened to 1.36% (1.31). Commission income amounted to SEK 392.8 M (398.4) and the commission expense to SEK 564.5 M (553.2). Net commission amounted to SEK -171.7 M (-154.8). Net losses from financial items amounted to SEK -14.6 M (1.7) due to changes in fair value. Operating expenses increased 3% to SEK 399.9 M (387.8). The cost/income ratio before loan losses was 0.50 (0.50). Loan losses amounted to SEK 2.4 M (2.7), net.

Operating profit and return on equity



Operating expenses



Events after the end of the period

Johan Agerman took office as the new Board Chairman of Länsförsäkringar Bank on 9 January 2017. He succeeds Sten Dunér who has retired.

Annual Report

The Annual Report will be available on Länsförsäkringar Bank's website on 22 February 2017.

Parent Company

2016 compared with 2015

Loans to the public amounted to SEK 39.5 billion (38.9). Deposits from the public increased 9%, or SEK 7.3 billion, to SEK 91.5 billion (84.2). Debt securities in issue amounted to SEK 29.1 billion (29.4). Operating profit increased 57% to SEK 329.8 M (210.1) due to higher operating income and lower refinancing costs. Net interest income rose 14% to SEK 1,123.8 M (981.8). Operating income increased 20% to SEK 1,216.7 M (1,014.4), due to higher net interest income and increased commission income. Commission income increased 6% to SEK 378.1 M (357.8) as a result of higher income in the card and securities business.

Net commission amounted to SEK -60.0 M (-104.5). Operating expenses amounted to SEK 865.3 M (845.3).

The 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 137.3 M. Reserves of SEK 20.2 M were dissolved during the period. In the year-earlier period, reserves of SEK 52.0 M were dissolved. Loan losses amounted to SEK -21.6 M (-41.0), net, corresponding to a loan loss level of 0.05% (-0.10). Loan losses before dissolution of reserves remained low at SEK 41.8 M (11.0), net.

Subsidiaries

2016 compared with 2015

Länsförsäkringar Hypotek

Lending increased 15%, or SEK 21.8 billion, to SEK 168.9 billion (147.1). 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 29% to SEK 658.4 M (508.8), due to higher net interest income. Net interest income rose 24% to SEK 1,646.9 M (1,325.6), attributable to higher volumes and lower refinancing costs. Operating expenses amounted to SEK 97.4 M (94.9).

The 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 21.0 M. Reserves of SEK 3.1 M were dissolved during the period. In the year-earlier period, reserves of SEK 8.0 M were dissolved. Loan losses amounted to SEK -4.8 M (-9.8), net, corresponding to a

loan loss level of -0.00% (-0.01). Loan losses before reversal remained low at SEK -1.7 M (1.8), net. The number of retail mortgage customers increased 7% to 231,000 (216,000).

SEK M	31 Dec 2016	31 Dec 2015
Total assets	189,228	166,623
Lending volume	168,948	147,056
Net interest income	1,647	1,326
Operating profit	658	509

Wasa Kredit

Wasa Kredit's lending volumes increased 14% to SEK 18.3 billion (16.0). Operating profit rose 16% to SEK 402.0 M (346.2). The increase was primarily attributable to reduced operating expenses and lower loan losses. Net interest income remained largely unchanged at SEK 684.1 M (687.0). Operating expenses declined 3% to SEK 413.3 M (426.4) and loan losses, net, were SEK 20.8 M (56.9).

SEK M	31 Dec 2016	31 Dec 2015
Total assets	18 869	16 402
Lending volume	18 274	15 981
Net interest income	684	687
Operating profit	402	346

Länsförsäkringar Fondförvaltning

Fund volumes increased 15%, or SEK 18.4 billion, to SEK 138.2 billion (119.8) attributable to increased inflows in the fund business and positive changes in value in 2016. The fund offering includes 39 mutual funds under Länsförsäkringar's own brand with various investment orientations and a fund market with external funds. Assets under management under Länsförsäkringar's own brand amounted to SEK 124.5 billion (109.2). Operating profit amounted to SEK 77.2 M (109.6). Since the end of the third quarter of 2016, two Swedish equities fund are internally managed by Länsförsäkringar Fondförvaltning.

SEK M	31 Dec 2016	31 Dec 2015
Total assets	520	442
Fund volumes	138,192	119,762
Net flow	6,062	3,393
Net commission	377	415
Operating profit	77	110

Income statement - Group

SEK M	Note	Q 4 2016	Q 3 2016	Change	Q 4 2015	Change	Jan-Dec 2016	Jan-Dec 2015	Change
Interest income	3	1,051.3	1,021.6	3%	996.2	6%	4,026.8	4,130.0	-2%
Interest expense	3	-109.3	-123.5	-11%	-191.2	-43%	-572.0	-1,135.7	-50%
Net interest income		942.0	898.1	5%	805.0	17%	3,454.8	2,994.3	15%
Dividends received		0.0	0.2		0.0		0.2	0.1	
Commission income	4	392.8	398.4	-1%	377.4	4%	1,522.5	1,522.2	
Commission expense	5	-564.5	-553.2	2%	-503.6	12%	-2,090.0	-1,963.1	6%
Net gains / losses from financial items	6	-14.6	1.7		15.5		68.4	96.6	-29%
Other operating income		37.1	25.2	47%	23.1	59%	116.9	97.2	20%
Total operating income		792.9	770.3	3%	717.4	10%	3,072.9	2,747.3	12%
Staff costs		-114.1	-107.1	7%	-114.9	-1%	-469.8	-462.0	2%
Other administration expenses		-268.0	-260.2	3%	-252.4	6%	-1,021.7	-980.2	4%
Total administration expenses		-382.1	-367.3	4%	-367.3	4%	-1,491.6	-1,442.2	3%
Depreciation / amortisation and impairment of property and equipment / intangible assets		-17.7	-20.5	-14%	-23.4	-24%	-76.3	-124.1	-39%
Total operating expenses		-399.9	-387.8	3%	-390.7	2%	-1,567.9	-1,566.3	
Profit before loan losses		393.0	382.4	3%	326.7	20%	1,505.0	1,181.0	27%
Loan losses, net	7	-2.4	-2.7	-11%	-15.0	-84%	-37.6	-6.1	
Operating profit		390.6	379.7	3%	311.7	25%	1,467.3	1,174.9	25%
Tax		-97.0	-83.6	16%	-74.9	30%	-330.8	-263.8	25%
Profit for the period		293.6	296.1	-1%	236.8	24%	1,136.6	911.1	25%

Statement of comprehensive income - Group

SEK M	Q 4 2016	Q 3 2016	Change	Q 4 2015	Change	Jan-Dec 2016	Jan-Dec 2015	Change
Profit for the period	293.6	296.1	-1%	236.8	24%	1,136.6	911.1	25%
Other comprehensive income								
Items that cannot be transferred to the income statement								
Revaluation of defined-benefit pension plans	-	-		0.1		-	0.1	
Tax attributable to items that can not be reversed to the income statement	-	-		-		-	-	
Items that are reclassified or may subsequently be reclassified to the income statement								
Cash-flow hedges	-71.4	-37.2	92%	-42.5	68%	-98.6	34.7	
Change in fair value of available-for-sale financial assets	16.0	58.7	-73%	-4.7		130.2	-194.3	
Tax attributable to items that have been transferred or can be transferred to profit for the period	12.2	-4.7		10.4	17%	-6.9	35.1	
Other comprehensive income for the period, net after tax	-43.2	16.8		-36.7	18%	24.7	-124.4	
Total comprehensive income for the period	250.4	312.9	-20%	200.1	25%	1,161.3	786.7	48%

Balance sheet – Group

SEK M	Note	31 Dec 2016	31 Dec 2015
Assets			
Cash and balances with central banks		21.6	21.5
Treasury bills and other eligible bills		7,794.4	8,824.0
Loans to credit institutions		280.2	502.7
Loans to the public	8	226,705.0	201,964.4
Bonds and other interest-bearing securities		32,421.5	31,991.3
Shares and participations		25.4	15.5
Derivatives	9	5,554.3	4,414.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		635.9	815.3
Intangible assets		488.3	306.2
Property and equipment		7.8	9.6
Deferred tax assets		2.7	6.0
Other assets		505.1	512.5
Prepaid expenses and accrued income		1,508.9	1,696.1
Total assets		275,951.1	251,079.5
Liabilities and equity			
Due to credit institutions		3,872.8	2,954.2
Deposits and borrowing from the public		91,207.1	83,924.8
Debt securities in issue		155,999.5	139,882.1
Derivatives	9	1,643.6	2,394.2
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		3,191.4	2,899.4
Deferred tax liabilities		421.6	296.0
Other liabilities		595.2	695.4
Accrued expenses and deferred income		3,229.8	3,666.4
Provisions		12.3	10.6
Subordinated liabilities		2,595.4	2,299.7
Total liabilities		262,768.8	239,022.6
Equity			
Share capital, 9,548,708 shares		954.9	954.9
Other capital contributed		7,442.5	7,442.5
Reserves		83.9	59.2
Additional Tier 1 instruments		1,200.0	1,200.0
Retained earnings		2,364.5	1,489.2
Profit for the period		1,136.6	911.1
Total equity		13,182.3	12,056.9
Total liabilities and equity		275,951.1	251,079.5
Notes			
Accounting policies	1		
Segment reporting	2		
Pledged assets, contingent liabilities and commitments	10		
Fair value valuation techniques	11		
Capital-adequacy analysis	12		
Disclosures on related parties	13		

Cash-flow statement in summary, indirect method - Group

SEK M	Jan-Dec 2016	Jan-Dec 2015
Cash and cash equivalents, 1 January	141.4	1,243.6
Cash flow from operating activities	-48.4	-1,477.0
Cash flow from investing activities	-266.6	-125.2
Cash flow from financing activities	295.7	500.0
Cash flow for the period	-19.3	-1,102.2
Cash and cash equivalents, 31 December	122.1	141.4

Cash and cash equivalents is defined as cash and balances with central banks, loans to credit institutions payable on demand as well as overnight loans and investments with the Riksbank that mature on the following banking day.

The change in cash flow from operating activities was largely due to Loans to the public amounting to SEK -24,749.1 M (-22,486.0), Debt securities in issue SEK 15,030.0 M (10,684.9) and Deposits and funding from the public SEK 7,246.6 M (7,108.3). The change in cash flow from financing activities was due to subordinated liabilities during the year and shareholders' contributions from the Parent Company in the preceding year.

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			
Opening balance, 1 January 2015	954.9	6,942.5	-	138.1	46.9	-1.4	804.1	711.9	9,597.0
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>
According to resolution by Annual General Meeting							711.9	-711.9	-
Conditional shareholders' contribution received		500.0 ¹							500.0
Issued Additional Tier 1 instruments			1,200.0 ²				-26.8 ³		1,173.2
Closing balance, 31 December 2015	954.9	7,442.5	1,200.0	-13.5	74.0	-1.3	1,489.2	911.1	12,056.9
Opening balance, 1 January 2016	954.9	7,442.5	1,200.0	-13.5	74.0	-1.3	1,489.2	911.1	12,056.9
Profit for the period								1,136.6	1,136.6
Other comprehensive income for the period				101.7	-77.0				24.7
<i>Comprehensive income for the period</i>				<i>101.7</i>	<i>-77.0</i>			<i>1,136.6</i>	<i>1,161.3</i>
According to resolution by Annual General Meeting							911.1	-911.1	-
Issued Additional Tier 1 instruments							-35.7 ³		-35.7
Closing balance, 31 December 2016	954.9	7,442.5	1,200.0	88.2	-3.0	-1.3	2,364.5	1,136.6	13,182.3

¹ The shareholders' contributions that have been paid are conditional and the Parent Company Länsförsäkringar AB (publ) is entitled to receive repayment of the contributions from the unappropriated earnings of Länsförsäkringar Bank AB (publ), provided that approval is obtained from the general meeting. On 31 December 2016, the amount of the conditional shareholders' contribution received was SEK 5,290 M (5,290).

² 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.

³ Of which issue expenses of SEK -10.6 M (-8.7).

Notes – Group

Amounts in SEK million if not otherwise stated.

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 Financial Instruments will take effect on 1 January 2018. The standard contains new requirements for recognition of financial instruments, an expected loss impairment model and requirements for hedge accounting. The bank is working to analyse the financial effects of the new standard in more detail.

IFRS 15 Revenue from Contracts with Customers will take effect on 1 January 2018. The standard contains a single, five-step model for recognising revenue from contracts with customers that is not encompassed by other standards. The assessment is that the standard will not have any significant effect on the financial statements, capital adequacy or major exposures in the Group.

IFRS 16 Leases will take effect on 1 January 2019. The largest change entailed by the new standard is that a lessee is to recognise leases in the balance sheet.

Changes that have impacted the financial statements in 2016

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 expanded. Majority of key figures are defined in the 2015 Annual Report. The key figures that are not found in the annual report are defined in the current annual report where the key figure mentioned.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2015 Annual Report.

Note 2	Segment reporting					
Income statement, Jan-Dec 2016, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	1,123.8	1,646.9	684.1	0.0	0.0	3,454.8
Dividends received	0.2	0.0	0.0	0.0	0.0	0.2
Net commission	-60.0	-935.2	51.0	376.8	0.0	-567.4
Net gain / loss from financial items	29.3	39.1	0.0	0.0	0.0	68.4
Intra-Group income	107.3	0.0	1.0	0.0	-108.4	0.0
Other income	16.2	0.2	100.1	0.5	0.0	116.9
Total operating income	1,216.7	751.0	836.2	377.3	-108.4	3,072.9
Intra-Group expenses	8.1	-77.5	-10.3	-28.6	108.4	0.0
Other administration expenses	-808.4	-19.7	-392.3	-271.2	0.0	-1,491.6
Depreciation / amortisation and impairment	-65.0	-0.2	-10.8	-0.4	0.0	-76.3
Total operating expenses	-865.3	-97.4	-413.4	-300.1	108.4	-1,567.9
Profit before loan losses	351.4	653.6	422.8	77.2	0.0	1,505.0
Loan losses, net	-21.6	4.8	-20.8	0.0	0.0	-37.6
Operating profit / loss	329.8	658.4	402.0	77.2	0.0	1,467.3
Balance sheet 31 December 2016						
Total assets	148,007.4	189,227.6	18,869.1	520.0	-80,673.1	275,951.1
Liabilities	137,586.6	181,239.9	16,742.0	174.5	-72,974.0	262,768.8
Equity	10,420.8	7,987.7	2,127.2	345.5	-7,699.2	13,182.3
Total liabilities and equity	148,007.4	189,227.6	18,869.1	520.0	-80,673.1	275,951.1
Income statement, Jan-Dec 2015, SEK M						
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
Total operating income	1,014.4	593.9	829.8	414.9	-105.7	2,747.3
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
Total operating expenses	-845.3	-94.9	-426.5	-305.7	105.9	-1,566.3
Profit / loss before loan losses	169.1	499.0	403.3	109.4	0.0	1,181.0
Loan losses, net	41.0	9.8	-56.9	0.0	0.0	-6.1
Operating profit / loss	210.1	508.8	346.4	109.4	0.0	1,174.9
Balance sheet 31 December 2015						
Total assets	138,215.8	166,622.6	16,402.4	441.9	-70,603.2	251,079.5
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
Total liabilities and equity	138,215.8	166,622.6	16,402.4	441.9	-70,603.2	251,079.5

Income and assets are attributable in their entirety to Sweden. The segment distribution per legal entity reflects the internal reporting to the chief operating decision maker. The legal structure within Länsförsäkringar Bank Group is in line with the product offering to external customers. The portion of assets and liabilities that is not distributed per segment comprises intra-Group eliminations within the Bank Group.

Note 3 Net interest income								
SEK M	Q 4 2016	Q 3 2016	Change	Q 4 2015	Change	Jan-Dec 2016	Jan-Dec 2015	Change
Interest income								
Loans to credit institutions	0.6	-1.0		-1.6		-3.7 ¹	3.3	
Loans to the public	1,249.7	1,244.8		1,230.1	2%	4,919.9	4,978.4	-1%
Interest-bearing securities	68.4	79.1	-14%	102.1	-33%	330.7 ¹	464.3	-29%
Derivatives	-267.6	-301.4	-11%	-334.4	-20%	-1,220.2	-1,316.1	-7%
Other interest income	0.2	0.0		0.0		0.2	0.1	
Total interest income	1,051.3	1,021.6	3%	996.2	6%	4,026.8	4,130.0	-2%
Interest expense								
Due to credit institutions	6.4	5.6	14%	1.6		20.1 ¹	-1.4	
Deposits and borrowing from the public	-40.5	-44.1	-8%	-62.1	-35%	-185.6	-308.6	-40%
Debt securities in issue	-488.7	-489.2		-533.3	-8%	-2,012.7 ¹	-2,347.2	-14%
Subordinated liabilities	-13.9	-13.9		-19.3	-28%	-71.5	-80.6	-11%
Derivatives	434.9	438.9	-1%	451.5	-4%	1,780.2	1,728.8	3%
Other interest expense, including government deposit insurance	-7.5	-20.8	-64%	-29.6	-75%	-102.6	-126.7	-19%
Total interest expense	-109.3	-123.5	-11%	-191.2	-43%	-572.0	-1,135.7	-50%
Total net interest income	942.0	898.1	5%	805.0	17%	3,454.8	2,994.3	15%
Interest income on impaired loans	1.2	2.4		3.3		14.7	17.2	
Average interest rate on loans to the public during the period, including net leasing, %	2.2	2.3		2.4		2.3	2.6	
Average interest rate on deposits from the public during the period, %	0.2	0.2		0.3		0.2	0.4	

¹ Of which negative interest on Loans to credit institutions of SEK -20.1 M, Interest-bearing securities of SEK -30.6 M, Due to credit institutions of SEK 38.4 M and Debts securities in issue of SEK 7.5 M.

Note 4 Commission income								
SEK M	Q 4 2016	Q 3 2016	Change	Q 4 2015	Change	Jan-Dec 2016	Jan-Dec 2015	Change
Payment mediation	21.9	20.5	7%	18.9	16%	84.3	73.4	15%
Loans	30.2	29.8	1%	29.3	3%	117.6	112.3	5%
Deposits	2.5	2.3	9%	2.9	-14%	11.0	11.9	-8%
Securities	290.7	298.8	-3%	283.8	2%	1,134.4	1,159.8	-2%
Cards	47.2	46.7	1%	41.9	13%	173.6	163.0	7%
Other commission	0.4	0.3	33%	0.6	-33%	1.7	1.8	-6%
Total commission income	392.8	398.4	-1%	377.4	4%	1,522.5	1,522.2	

Note 5 Commission expense								
SEK M	Q 4 2016	Q 3 2016	Change	Q 4 2015	Change	Jan-Dec 2016	Jan-Dec 2015	Change
Payment mediation	-24.4	-22.5	8%	-20.6	18%	-92.8	-88.1	5%
Securities	-169.1	-163.5	3%	-153.6	10%	-626.2	-612.6	2%
Cards	-31.0	-29.3	6%	-23.9	30%	-106.9	-93.9	14%
Remuneration to regional insurance companies	-337.3	-335.5	1%	-303.1	11%	-1,253.5	-1,159.3	8%
Other commission	-2.7	-2.5	8%	-2.4	13%	-10.4	-9.2	13%
Total commission expense	-564.5	-553.2	2%	-503.6	12%	-2,090.0	-1,963.1	6%

Note 6	Net gains / losses from financial items							
SEK M	Q 4 2016	Q 3 2016	Change	Q 4 2015	Change	Jan-Dec 2016	Jan-Dec 2015	Change
Interest-bearing assets and liabilities and related derivatives	-23.2	-9.8		2.2		23.6	30.6	-23%
Other financial assets and liabilities	-0.2	0.0		0.0		0.2	0.5	-60%
Interest compensation	8.8	11.5	-23%	13.3	-34%	44.6	65.5	-32%
Total net gains / losses from financial items	-14.6	1.7		15.5		68.4	96.6	-29%

Note 7	Loan losses and impaired loans							
Net loan losses, SEK M	Q 4 2016	Q 3 2016	Change	Q 4 2015	Change	Jan-Dec 2016	Jan-Dec 2015	Change
Specific reserve for individually assessed loan receivables								
Write-off confirmed loan losses during the year	-47.7	-25.2	90%	-34.6	38%	-135.1	-111.4	21%
Reversed earlier impairment of loan losses recognised as confirmed losses	47.0	24.9	89%	34.0	38%	133.3	111.1	20%
Impairment of loan losses during the year	-65.1	-32.2		-26.2		-140.9	-121.5	16%
Payment received for prior confirmed loan losses	20.0	28.5	-30%	3.9		66.8	41.4	61%
Reversed impairment of loan losses no longer required	57.4	2.5		0.7		67.1	66.6	1%
Net expense for the year for individually assessed loan receivables	11.7	-1.4		-22.2		-8.8	-13.8	-36%
Collective assessed homogenous groups of loan receivables with limited value and similar credit risk								
Provision/reversal of impairment of loan losses	-14.2	-1.4		7.1		-29.1	7.5	
Net expense for the year for collectively assessed receivables	-14.2	-1.4		7.1		-29.1	7.5	
Net expense for the year for fulfillment of guarantees	0.1	0.0		0.1	-3%	0.3	0.2	29%
Net expense of loan losses for the year	-2.4	-2.7	-11%	-15.0	-84%	-37.6	-6.1	
All information pertains to receivables from the public								
Reserve ratios								
Total impaired loans reserve ratio, %	104.1	103.7		117.6		104.1	116.3	
Impaired loans reserve ratio excluding collective impairments, %	59.5	66.6		84.9		59.5	83.9	

Impaired loans, SEK M	31 December 2016				31 December 2015			
	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net
Corporate sector	60.9	-49.8	-18.8	-7.7	73.7	-82.0	-16.5	-24.9
Retail sector	179.3	-93.1	-88.4	-2.2	167.5	-120.4	-61.6	-14.5
of which private individuals	147.4	-85.2	-42.1	20.1	132.2	-107.3	-45.1	-20.2
Total	240.2	-142.9	-107.2	-9.9	241.1	-202.4	-78.1	-39.4

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. Off-setting takes place against, and can amount to a maximum of, accrued commission. Remuneration corresponding to 80% of the provision requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. On 31 December 2016, the total credit reserve requirement amounted to SEK 380 M, of which the Bank Group's recognised credit reserve accounted for SEK 250 M and the remainder of SEK 130 M was offset against the regional insurance companies' withheld funds, according to the model described above.

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 was gradually reversed by SEK 158 million. The final reversal took place in the fourth quarter of 2016 and a total of SEK 23.3 M (60) was reversed in 2016.

Note 8	Loans to the public Loan receivables are geographically attributable in their entirety to Sweden.		
SEK M		31 December 2016	31 December 2015
Public sector		1,136.9	1,520.1
Corporate sector		17,276.0	16,662.8
Retail sector		208,524.0	184,062.0
Other		18.2	0.0
Loan to the public before reserves		226,955.1	202,244.9
Reserves		-250.1	-280.5
Loans to the public		226,705.0	201,964.4
Fixed-interest period			
Remaining term of not more than 3 months		155,156.4	128,457.5
Remaining term of more than 3 months but not more than 1 year		18,017.6	18,766.6
Remaining term of more than 1 year but not more than 5 years		51,468.5	52,570.3
Remaining term of more than 5 years.		2,062.6	2,170.0
Loans to the public		226,705.0	201,964.4

Note 9	Derivatives			
SEK M	31 December 2016		31 December 2015	
	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values				
Derivatives in hedge accounting				
Interest-related	99,641.0	2,418.4	82,801.0	2,364.6
Currency-related	26,514.1	3,097.6	15,182.2	2,049.0
Other derivatives				
Currency-related	303.9	38.3	41.1	0.8
Total derivatives with positive values	126,459.0	5,554.3	98,024.3	4,414.4
Derivatives with negative values				
Derivatives in hedge accounting				
Interest-related	96,235.0	1,232.5	100,574.0	1,610.4
Currency-related	4,935.9	403.4	11,673.7	777.6
Other derivatives				
Currency-related	363.8	7.7	803.2	6.2
Total derivatives with negative values	101,534.7	1,643.6	113,050.9	2,394.2

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 10	Pledged assets, contingent liabilities and commitments	
SEK M	31 December 2016	31 December 2015
For own liabilities, pledged assets		
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	15.2	18.8
Securities collateral paid, derivatives	200.0	-
Loan receivables, covered bonds	159,446.3	137,484.4
Loan receivables, substitute collateral	8,675.0	8,775.0
Collateral pledged due to repurchase agreements	15.7	104.7
Other collateral for securities	10.0	20.0
Total for own liabilities, pledged assets	172,862.1	150,902.9
Other pledged assets	None	None
Contingent liabilities		
<i>Contingent liabilities</i>		
Guarantees	38.9	27.6
Total contingent liabilities	38.9	27.6
<i>Commitments</i>		
Loans approved but not disbursed	15,530.5	13,109.9
Overdraft facilities approved but not utilised	2,309.1	2,234.1
Card loans approved but not utilised	1,526.2	1,387.8
Total commitments	19,365.8	16,731.8

SEK M	Fair value valuation techniques			
	31 December 2016		31 December 2015	
	Book value	Fair value	Book value	Fair value
Financial Assets				
Cash and balances with central banks	21.6	21.6	21.5	21.5
Treasury bills and other eligible bills	7,794.4	7,794.4	8,824.0	8,824.0
Loans to credit institutions	280.2	280.2	502.7	502.7
Loans to the public	226,705.0	227,784.0	201,964.4	202,784.8
Bonds and other interest-bearing securities	32,421.5	32,421.5	31,991.3	31,991.3
Shares and participations	25.4	25.4	15.5	15.5
Derivatives	5,554.3	5,554.3	4,414.4	4,414.4
Other assets	207.3	207.3	186.5	186.5
Total	273,009.7	274,088.7	247,920.3	248,740.7
Financial Liabilities				
Due to credit institutions	3,872.8	3,872.8	2,954.2	2,954.2
Deposits and borrowing from the public	91,207.1	91,644.4	83,924.8	84,107.1
Debt securities in issue	155,999.5	161,185.9	139,882.1	144,105.8
Derivatives	1,643.6	1,643.6	2,394.2	2,394.2
Other liabilities	119.7	119.7	112.7	112.7
Subordinated liabilities	2,595.4	2,674.8	2,299.7	2,362.1
Total	255,438.1	261,141.2	231,567.7	236,036.1

The carrying amount of cash and balances with central banks, treasury bills and other eligible bills, loans to credit institutions, other assets, due to credit institutions and other liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

Gains and losses are recognised in profit and loss under "net gains from financial items."

Note 11 Fair Value valuation techniques, continued

Financial assets and liabilities measured at fair value in the balance sheet are presented in the table based on the valuation techniques applied:

Level 1 refers to prices determined from prices listed in an active market

Level 2 refers to prices determined by calculated prices of observable market listings

Level 3 refers to prices based on own assumptions and judgements

Financial instruments measured at fair value in the balance sheet

31 December 2016, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	7,794.4			7,794.4
Bonds and other interest-bearing securities	32,421.5			32,421.5
Shares and participations	0.2	6.0	19.2	25.4
Derivatives		5,554.3		5,554.3
Other assets			20.0	20.0
Liabilities				
Derivatives		1,643.6		1,643.6
31 December 2015, SEK M				
Assets				
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			15.5	15.5
Derivatives		4,414.4		4,414.4
Liabilities				
Derivatives		2,394.2		2,394.2

Shares and participations and other assets in Level 3 are initially measured at cost since the holdings cannot be reliably measured at fair value, and impaired if objective evidence exists to recognise an impairment loss. The assessment is based on the most recent Annual Report and forecast earnings. The fair value of Level 2 shares and participations that pertain to unquoted Series B shares with conversion rights to quoted Series A shares without restrictions is measured based on the price of the Series A share on the balance-sheet date. Derivatives in Level 2 essentially refer to swaps for which fair value has been calculated by discounting expected future cash flows.

There were no significant transfers between Level 1 and Level 2 in 2016 or 2015. There were also no transfers from Level 3 in these years.

Change in level 3, SEK M	Other assets	Shares and participations
Opening balance 1 January 2016	–	15.5
Acquisition	20.0 ¹	3.7
Closing balance, 31 December 2016	20.0	19.2
Opening balance 1 January 2015	–	11.7
Shareholder contributions		3.8
Closing balance 31 December 2015	–	15.5

¹Refers to investment in Bohemian Wrappsody AB

Note 11	Fair Value valuation techniques, continued			
Financial instruments measured at amortised cost in the balance sheet				
31 December 2016, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Loans to the public		227,784.0		227,784.0
Liabilities				
Deposits and borrowing from the public		91,644.4		91,644.4
Debt securities in issue		161,185.9		161,185.9
Subordinated liabilities		2,674.7		2,674.7
31 December 2015				
Assets				
Loans to the public		202,784.8		202,784.8
Liabilities				
Deposits and borrowing from the public		84,107.1		84,107.1
Debt securities in issue		144,105.8		144,105.8
Subordinated liabilities		2,362.1		2,362.1

When calculating the fair value of deposits and funding from the public and loans to the public, anticipated cash flows have been discounted using a discount rate set at the current deposit and lending rates applied (including discounts). Fair value for debt securities in issue and subordinated liabilities is determined based on quoted prices. Parts of debt securities in issue that are considered to be illiquid are adjusted based on expected current issue prices. Commercial papers do not have external market prices and the fair value is determined based on the yield curve of each currency.

There were no significant transfers between Level 1 and Level 2 in 2016 or 2015. There were also no transfers from Level 3 in these years.

For further information about how the fair value was determined for financial instruments measured at fair value, and about valuation techniques and inputs, see also the note on Accounting policies.

Note 12 Capital-adequacy					
SEK M		Consolidated situation 31 Dec 2016	Consolidated situation 31 Dec 2015	Bank Group 31 Dec 2016	Bank Group 31 Dec 2015
Total equity		23,079.2	20,138.4	13,182.3	12,056.9
Adjustment for additional Tier 1 capital		-1,200.0	-1,200.0	-1,200.0	-1,200.0
Adjustment for accrued dividend for additional Tier 1 capital		-1.9	-2.1	-1.9	-2.1
Part of interim profit not verified		-	-	-	-
Intangible assets		-947.5	-533.0	-488.3	-306.2
Goodwill		-371.6	-371.6	-	-
Adjustment for cash flow hedge		16.1	-46.4	3.0	-74.0
IRB Provisions deficit (-)/surplus (+)		-393.1	-407.8	-393.1	-407.8
Adjustment for prudent valuation		-48.3	-48.7	-47.4	-47.6
Deferred tax assets		-	-	-	-
Threshold deductions: financial companies		-6,218.2	-6,465.2	-	-
Minority interest		-1,297.8	-	-	-
Common Equity Tier 1 capital		12,616.9	11,063.7	11,054.5	10,019.3
Additional Tier 1 capital		1,200.0	1,200.0	1,200.0	1,200.0
Tier 1 capital		13,816.9	12,263.7	12,254.5	11,219.3
Tier 2 instruments		2,591.7	2,296.8	2,591.7	2,296.8
IRB Provisions deficit (-)/surplus (+)		-	-	-	-
Tier 2 Capital		2,591.7	2,296.8	2,591.7	2,296.8
Total own funds		16,408.6	14,560.6	14,846.2	13,516.1
Total risk exposure amount to CRD IV		59,512.8	51,724.3	44,498.3	42,239.1
Total requirement CRD IV		4,761.0	4,137.9	3,559.9	3,379.1
Capital requirement for credit risk according to Standardised Approach		1,297.7	945.7	641.7	538.1
Capital requirement for credit risk according to IRB Approach		2,491.9	2,425.3	2,491.9	2,425.3
Capital requirement for operational risk		857.4	631.2	312.2	280.2
Capital requirement according to credit valuation adjustment		114.0	135.7	114.0	135.5
Core Tier 1 ratio according to CRD IV		21.2%	21.4%	24.8%	23.7%
Tier 1 ratio according to CRD IV		23.2%	23.7%	27.5%	26.6%
Capital adequacy ratio according to CRD IV		27.6%	28.2%	33.4%	32.0%
Special disclosures					
IRB Provisions surplus (+) / deficit (-)		-393.1	-407.8	-393.1	-407.8
- IRB Total provisions (+)		355.3	353.3	355.3	353.3
- IRB Anticipated loss (-)		-748.5	-761.0	-748.5	-761.0
Capital requirement according to Basel I floor		11,253.8	9,847.0	10,911.2	9,678.0
Own funds adjusted according to rules for Basel I floor		16,801.8	14,968.4	15,239.4	13,923.9
Surplus of capital according to Basel I floor		5,548.0	5,121.3	4,328.2	4,245.9
Fourth quarter 2016 Consolidated situation					
Minimum capital requirements and buffers		Minimum capital requirement	Capital conservation buffer	Countercyclical buffer	Systemic risk buffer
Core Tier 1 capital		4.5%	2.5%	1.5%	n/a
Tier 1 capital		6.0%	2.5%	1.5%	n/a
Capital base		8.0%	2.5%	1.5%	n/a
SEK M					
Core Tier 1 capital		2 678.1	1,487.8	892.7	n/a
Tier 1 capital		3 570.8	1,487.8	892.7	n/a
Capital base		4 761.0	1,487.8	892.7	n/a
Core tier 1 capital available for use as buffer					16.7%

Note 12	Capital-adequacy, continued							
SEK M	Consolidated situation 31 Dec 2016		Consolidated situation 31 Dec 2015		Bank Group 31 Dec 2016		Bank Group 31 Dec 2015	
	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount
Credit risk according to Standardised Approach								
Exposures to institutions	111.7	1,396.2	58.5	731.8	107.3	1,340.9	53.9	674.0
Exposures to corporates	135.8	1,697.1	113.5	1,419.3	135.8	1,697.1	111.3	1,391.6
Retail exposures	122.2	1,527.4	96.5	1,206.0	122.2	1,527.4	96.5	1,206.0
Exposures in default	5.1	64.0	7.7	95.9	5.1	64.0	7.7	95.9
Covered bonds	2.4	30.0	-	-	2.4	30.0	-	-
Exposures to CIU	222.3	2,779.3	228.2	2,851.9	215.6	2,695.2	220.2	2,752.0
Exposures to equity	379.9	4,748.6	329.7	4,120.8	3.0	38.0	1.8	22.5
Other items	318.3	3,978.4	111.7	1,395.9	50.3	628.8	46.7	584.1
Total capital requirement and risk exposure amount	1,297.7	16,220.9	945.7	11,821.7	641.7	8,021.4	538.1	6,726.3
Credit risk according to IRB Approach								
Retail exposures								
Exposures secured by real estate collateral	178.2	2,226.9	200.2	2,502.5	178.2	2,226.9	200.2	2,502.5
Other retail exposures	916.2	11,453.0	850.4	10,629.7	916.2	11,453.0	850.4	10,629.7
Other retail exposures, small and medium-sized businesses	320.7	4,008.5	325.3	4,065.9	320.7	4,008.5	325.3	4,065.9
Other retail exposures	513.8	6,422.1	463.2	5,790.5	513.8	6,422.1	463.2	5,790.5
Total retail exposures	1,928.8	24,110.4	1,839.1	22,988.6	1,928.8	24,110.4	1,839.1	22,988.6
Exposures to corporates	563.1	7,038.7	586.2	7,327.9	563.1	7,038.7	586.2	7,327.9
Total capital requirement and risk exposure amount	2,491.9	31,149.1	2,425.3	30,316.5	2,491.9	31,149.1	2,425.3	30,316.5
Operational risks								
Standardised Approach	857.4	10,717.4	631.2	7,898.8	312.2	3,902.5	280.2	3,503.1
Total capital requirement for operational risk	857.4	10,717.4	631.2	7,889.8	312.2	3,902.5	280.2	3,503.1
Total capital requirement for credit valuation adjustments	114.0	1,425.3	135.7	1,696.3	114.0	1,425.3	135.5	1,693.3

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.

Income statement – Parent Company

SEK M	Q 4 2016	Q 3 2016	Change	Q 4 2015	Change	Jan-Dec 2016	Jan-Dec 2015	Change
Interest income	367.4	360.2	2%	378.9	-3%	1,434.1	1,549.8	-7%
Interest expense	-60.2	-63.8	-6%	-108.7	-45%	-310.3	-568.0	-45%
Net interest income	307.2	296.4	4%	270.2	14%	1,123.8	981.8	14%
Dividends received	0.0	0.2		0.0		0.2	0.1	
Commission income	97.4	95.1	2%	88.5	10%	378.1	357.8	6%
Commission expense	-113.3	-121.7	-7%	-134.7	-16%	-438.1	-462.3	-5%
Net gain / loss from financial items	2.4	6.8	-65%	0.0		29.3	28.3	4%
Other operating income	38.5	27.6	39%	26.5	45%	123.5	108.7	14%
Total operating income	332.2	304.5	9%	250.5	33%	1,216.7	1,014.4	20%
Staff costs	-45.4	-41.7	9%	-43.9	3%	-185.7	-173.8	7%
Other administration expenses	-161.9	-160.5	1%	-145.7	11%	-614.6	-569.0	8%
Total administration expenses	-207.3	-202.1	3%	-189.6	9%	-800.3	-742.8	8%
Depreciation / amortisation and impairment of property and equipment / intangible assets	-14.7	-17.7	-17%	-14.1	4%	-65.0	-102.5	-37%
Total operating expenses	-222.0	-219.9	1%	-203.7	9%	-865.3	-845.3	2%
Profit / loss before loan losses	110.2	84.6	30%	46.8		351.4	169.1	
Loan losses net	4.7	-8.9		-7.0		-21.6	41.0	
Operating profit / loss	114.9	75.7	52%	39.8		329.8	210.1	57%
Allocation fund	-100.0	-		-18.0		-97.1	-18.0	
Tax	-2.8	-16.7	-83%	-6.4	-56%	-48.0	-56.2	-15%
Profit / loss for the period	12.1	59.0	-79%	15.4	-21%	184.7	135.9	36%

Statement of comprehensive income – Parent Company

SEK M	Q 4 2016	Q 3 2016	Change	Q 4 2015	Change	Jan-Dec 2016	Jan-Dec 2015	Change
Profit for the period	12.1	59.0	-79%	15.4	-21%	184.7	135.9	36%
Other comprehensive income								
Items that are reclassified or may subsequently be reclassified to the income statement								
Cash-flow hedges	-0.8	0.4		-1.8		2.1	-3.3	
Change in fair value from available-for-sale financial assets	15.8	43.7	-64%	-8.1		113.0	-130.3	
Tax attributable to items that are transferred or can be transferred as income for the period	-3.3	-9.7	-66%	2.2		-25.3	29.4	
Other comprehensive income for the period, net after tax	11.7	34.4	-66%	-7.7		89.8	-104.2	
Total comprehensive income for the period	23.8	93.4	-75%	7.7		274.5	31.7	

Balance sheet – Parent Company

SEK M	31 Dec 2016	31 Dec 2015
Assets		
Cash and balances with central banks	21.6	21.5
Treasury bills and other eligible bills	7,794.4	8,824.0
Loans to credit institutions	64,183.5	56,129.9
Loans to the public	39,483.6	38,927.6
Bonds and other interest-bearing securities	23,220.1	22,646.5
Shares and participations	25.4	15.5
Shares and participations in Group companies	7,699.0	6,999.0
Derivatives	3,870.3	3,029.3
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	99.5	120.4
Intangible assets	451.9	282.5
Property and equipment	2.5	3.6
Deferred tax assets	2.0	1.8
Other assets	280.9	297.7
Prepaid expenses and accrued income	872.8	916.5
Total assets	148,007.4	138,215.8
Liabilities, provisions and equity		
Due to credit institutions	8,682.1	7,020.7
Deposits and borrowing from the public	91,505.5	84,185.4
Debt securities in issue	29,111.6	29,482.3
Derivatives	4,128.9	3,463.7
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	164.2	146.9
Other liabilities	366.5	264.8
Accrued expenses and deferred income	989.6	1,226.0
Provisions	7.0	5.7
Subordinated liabilities	2,595.4	2,299.7
Total liabilities and provisions	137,551.0	128,095.2
Untaxed reserves	162.0	64.9
Equity		
Share capital, 9,548,708 shares	954.9	954.9
Capitalised proprietary development expenditures	239.9	-
Statutory reserve	18.4	18.4
Additional Tier 1 instruments	1,200.0	1,200.0
Fair value reserves	60.9	-29.0
Retained earnings	7,635.8	7,775.5
Profit for the period	184.7	135.9
Total equity	10,294.5	10,055.7
Total liabilities, provisions and equity	148,007.4	138,215.8
Notes		
Accounting policies	1	
Capital-adequacy	2	
Loan losses and impaired loans	3	
Disclosures on related parties	4	
Pledged assets, contingent liabilities and commitments	5	

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

SEK M	Jan-Dec 2016	Jan-Dec 2015
Cash and cash equivalents, 1 January	124.1	1,231.7
Cash flow from operating activities	638.8	-493.5
Cash flow from investing activities	-948.1	-1,114.1
Cash flow from financing activities	295.7	500.0
Cash flow for the period	-13.6	-1,107.6
Cash and cash equivalents, 31 December	110.5	124.1

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.

The change in cash flow from operating activities was largely due to Loans to credit institutions amounting to SEK -8,155.2 M (-9,377.2). Deposits and funding from the public to SEK 7,284.5 M (7,632.2) and Treasury bills and other eligible bills to SEK 1,089.5 M (-3,414.7). The change in cash flow from investing activities included a paid shareholders' contribution of SEK -700.0 M (-500.0). The change in cash flow from financing activities was due to subordinated liabilities during the year and shareholders' contributions from the Parent Company in the preceding year.

Statement of changes in shareholders' equity – Parent Company

Mkr	Restricted equity			Non-restricted equity					
	Share capital	Develop- ment Expenditu- res Fund	Statutory Reserve	Additional Tier 1 instru- ments	Fair value reserve			Profit for the period	Total
					Fair value reserve	Hedge reserve	Retained earnings		
Opening balance, 1 January 2015	954.9		18.4	-	78.2	-3.0	7,215.9	86.4	8,350.8
Profit for the period								135.9	135.9
Other comprehensive income for the period					-101.6	-2.6			-104.2
Comprehensive income for the period					-101.6	-2.6		135.9	31.7
According to resolution by Annual General Meeting							86.4	-86.4	-
Issued additional Tier 1 instruments				1,200.0 ²			-26.8 ³		1,173.2
Conditional shareholders' contribution received							500.0 ¹		500.0
Closing balance, 31 December 2015	954.9	-	18.4	1,200.0	-23.4	-5.6	7,775.5	135.9	10,055.7
Opening balance, 1 January 2016	954.9	-	18.4	1,200.0	-23.4	-5.6	7,775.5	135.9	10,055.7
Profit for the period								184.7	184.7
Other comprehensive income for the period					88.2	1.6			89.8
Comprehensive income for the period					88.2	1.6		184.7	274.5
According to resolution by Annual General Meeting							135.9	-135.9	-
Issued additional Tier 1 instruments ²							-35.7 ³		-35.7
Capitalised proprietary development expenditures		239.9					-239.9		-
Closing balance, 31 December 2016	954.9	239.9	18.4	1,200.0	64.8	-3.9	7,635.8	184.7	10,294.5

¹ The shareholders' contributions that have been paid are conditional and the Parent Company Länsförsäkringar AB (publ) is entitled to receive repayment of the contributions from the unappropriated earnings of Länsförsäkringar Bank AB (publ), provided that approval is obtained from the general meeting. On 31 December 2016, the amount of the conditional shareholders' contribution received was SEK 5,290 M (5,290).

² 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.

³ Of which issue expenses of SEK -10.6 M (-8.7).

Notes – Parent Company

Amounts in SEK million if not otherwise stated.

Note 1	Accounting policies
---------------	----------------------------

Länsförsäkringar Bank AB prepared its report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Securities Market Act (2007:528), and the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2008:25). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued pertaining to listed companies.

Changes that have impacted the financial statements in 2016

New rules are applied in the Swedish Annual Accounts Act from 1 January 2016 that entail that amounts corresponding to capitalised expenses for development work are transferred from non-restricted equity to a Development Expenditures Fund. The impact on capital adequacy due to new or revised IFRS that have not yet been applied by the Parent Company is described in note 1 for the Group.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2015 Annual Report.

Note 2	Capital-adequacy				
SEK M				31 Dec 2016	31 Dec 2015
Total equity				10,294.5	10,055.7
Unrecognised dividend				-1.9	-2.1
78 % of untaxed reserves				126.4	50.6
Own funds eligible for capital-adequacy				10,418.9	10,104.2
Intangible assets				-451.9	-282.5
Adjustment for cash flow hedge				3.9	5.6
IRB Provisions deficit (-)/surplus (+)				-85.4	-124.5
Adjustment for prudent valuation				-39.0	-38.0
Adjustment for Additional Tier 1 capital				-1,200.0	-1,200.0
Common Equity Tier 1 capital				8,646.5	8,464.9
Additional Tier 1 capital				1,200.0	1,200.0
Tier 1 capital				9,846.5	9,664.9
Tier 2 instruments				2,591.7	2,296.8
IRB Provisions deficit (-)/surplus (+)				27.9	-
Own funds				2,619.6	2,296.8
Total own funds				12,466.2	11,961.7
Total risk exposure amount to CRD IV				24,179.9	23,341.8
Total capital requirement to CRD IV				1,934.4	1,867.3
Capital requirement for credit risk according to Standardised Approach				960.9	859.2
Capital requirement for credit risk according to IRB Approach				782.3	839.0
Capital requirement for operational risk				130.5	118.5
Capital requirement				60.6	50.7
Core Tier 1 ratio according to CRD IV				35.8%	36.3%
Tier 1 ratio according to CRD IV				40.7%	41.4%
Capital adequacy ratio according to CRD IV				51.6%	51.2%
Special disclosures					
IRB Provisions surplus (+) /deficit (-)				-57.4	-124.5
- IRB Total provisions (+)				191.0	159.9
- IRB Anticipated loss (-)				-248.4	-284.4
Capital requirement according to Basel I floor				3,155.3	3,039.1
Capital base adjusted according to Basel I floor				12,523.6	12,086.2
Surplus of capital according to Basel I floor				9,368.2	9,047.1
Minimum capital requirements and buffers	Minimum capital requirement	Capital conservation buffer	Counter-cyclical buffer	Systemic risk buffer	Total
Core Tier 1 capital	4.5%	2.5%	1.5%	n/a	8.5%
Tier 1 capital	6.0%	2.5%	1.5%	n/a	10.0%
Capital base	8.0%	2.5%	1.5%	n/a	12.0%
SEK M					
Core Tier 1 capital	1,088.1	604.5	362.7	n/a	2,055.3
Tier 1 capital	1,450.8	604.5	362.7	n/a	2,418.0
Capital base	1,934.4	604.5	362.7	n/a	2,901.6
Core Tier 1 capital available for use as buffer					27.3%

Note 2	Capital-adequacy, continued				
		30 Dec 2016		31 Dec 2015	
SEK M		Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount
Credit risk according to Standardised Approach					
Exposures to institutions		65.8	822.3	23.7	296.6
High risk items		2.4	30.0	–	–
Covered bonds		141.1	1,763.5	144.3	1,803.4
Equity exposures		720.3	9,003.8	663.1	8,288.4
Other items		31.4	392.1	28.1	351.1
Total capital requirement and risk exposure amount		960.9	12,011.8	859.2	10,739.5
Credit risk according to IRB Approach					
Retail exposures					
Secured by immovable property, small and medium-sized businesses		144.3	1,803.7	159.3	1,990.7
Secured by immovable property, other		111.6	1,394.9	118.9	1,485.9
Other retail exposures, small and medium-sized businesses		42.9	536.8	41.6	520.5
Other retail exposures		188.4	2,354.5	210.5	2,631.8
Total retail exposures		487.2	6,089.9	530.3	6,628.9
Exposures to corporates		295.1	3,689.0	308.7	3,858.8
Total capital requirement and risk exposure amount		782.3	9,778.9	839.0	10,487.7
Operational risks					
Standardised Approach		130.5	1,631.1	118.5	1,481.4
Total capital requirement for operational risk		130.5	1,631.1	118.5	1,481.4
Total capital requirement for credit valuation adjustments		60.6	758.1	50.7	633.2

Note 3 Loan losses and impaired loans

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. Off-setting takes place against, and can amount to a maximum of, accrued commission. Remuneration corresponding to 80% of the provision requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. On 31 December 2016, the total credit reserve requirement amounted to SEK 191 M of which the Bank Group's recognised credit reserve accounted for SEK 78 M and the remainder of SEK 113 M was offset against the regional insurance companies' withheld funds, according to the model described above.

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 was gradually reversed by SEK 137 M. The final reversal took place in the fourth quarter of 2016 and a total of SEK 20 (52) M was reversed in 2016.

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.

Note 5	Pledged assets, contingent liabilities and commitments	
Mkr	31 Dec 2016	31 Dec 2015
For own liabilities, pledged assets		
Pledged securities in the Riksbank	2,500.0	2,500.0
Pledged securities in Euroclear	2,000.0	2,000.0
Cash collateral paid, derivatives	15.2	18.8
Securities collateral paid, derivatives	200.0	-
Collateral pledged due to repurchase agreements	-	-
Other collateral for securities	10.0	20.0
Total for own liabilities, pledged assets	4,725.2	4,538.8
Other pledged assets	Inga	Inga
Contingent liabilities		
<i>Contingent liabilities</i>		
Guarantees	38.9	27.6
Total contingent liabilities	38.9	27.6
<i>Commitments</i>		
Loans approved but not disbursed	1,279.1	1,686.3
Overdraft facilities approved but not utilised	31,781.0	22,746.6
Card loans approved but not utilised	1,526.2	1,387.8
Total commitments	34,586.3	25,820.7

This interim report is a translation of the Swedish interim report that has not 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 2017

Rikard Josefson
President

Financial calendar

Interim report January–March för Länsförsäkringar Bank 5 May 2017

Interim report January–March för Länsförsäkringar Hypotek 5 May 2017

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 2017 at 12:00 a.m. Swedish time.

FOR FURTHER INFORMATION, PLEASE CONTACT:

Rikard Josefson, President Länsförsäkringar Bank AB,
rikard.josefson@lansforsakringar.se, +46 (0)8-588 410 75, +46 (0)70-206 69 55

Anders Borgcrantz, Vice Executive President and CFO, Länsförsäkringar Bank AB
anders.borgcrantz@lansforsakringar.se, +46 (0)8-588 412 51, +46 (0)73-964 12 51

Martin Rydin, Vice Executive President, Länsförsäkringar Bank AB,
martin.rydin@lansforsakringar.se, +46 (0)8-588 412 79, +46 (0)73-964 28 23

Länsförsäkringar Bank AB (publ),
Corporate Registration Number 516401-9878
Street address: Tegeluddsvägen 11-13
Postal address: SE-106 50 Stockholm
Telephone: +46 (0)8-588 400 00