



2016 Year-End Report

Lund, 31 January 2017

The fourth quarter of 2016 brought much good news for Sparbanken Skåne. The bank saw continuing increases in transaction volume and reported a profit before goodwill amortisation and tax of SEK 146m for the quarter.





Q4 financial summary, October–December 2016

(Comparative figures in parentheses refer to Q3, July–September 2016)

- The bank's operating profit for the quarter came in at SEK 39m (43)
- Operating profit excluding goodwill amortisation for the October–December period reached SEK 146m (149)
- Net interest income increased by 4%, coming in at SEK 206m (198)
- Net fee and commission income rose by 21%, totalling SEK 152m (126)
- The bank's expenses were up 18% in the quarter, amounting to SEK 335m (284)
- Credit losses totalled SEK 12m (1)
- The transaction volume was up 1.4%, coming in at SEK 184bn (181)
- The total capital ratio was 18.9% (18.7)
- The LCR amounted to 186% (197)

Key events in Q4 2016

- Net interest income continued to perform well in the quarter. The bank's transaction volume increased by 1.4 percent driven by cautious optimism on the stock market. The bank's cost controls are solid, and profit is in line with expectations.
- In December, credit rating agency S&P Global upgraded Sparbanken Skåne's credit rating from BBB+ with a positive outlook to A- with a negative outlook.

- The bank issued SEK 1.5bn under our ongoing MTN programme with senior bonds.
- The bank received confirmation of renewal for its ISO 14001:2004 environmental certification in October.
- The bank's collaboration with its foundation owners on the UtbildningsForum project progressed well in the autumn. The aim of the project is to improve the digital experience of our customers.
- In December, the bank and its foundation owners announced project assistance and sponsorships for 2017. A total of SEK 22m will be reinvested in the community through financial assistance for social and recreational clubs and grants for projects.

January–December 2016 financial summary

(Comparative figures in parentheses refer to January–December 2015)

- The bank's operating profit for the January–December 2016 period reached SEK 113m (166)
- Operating profit excluding goodwill amortisation for the year 2016 came in at SEK 541m (594)
- The transaction volume at 31 December 2016 was SEK 184bn (172)
- The total capital ratio was 18.9% (18.2)
- The CET1 capital ratio equalled 17.1% (16.3)
- The leverage ratio reached 7.8% (7.5)
- The LCR amounted to 186% (463)

Stable performance for Sparbanken Skåne

The fourth quarter brought much good news for Sparbanken Skåne. The bank continues to see gains in net interest income and volume growth is solid. The bank reported a profit (excluding goodwill amortisation and before tax) of SEK 146m for the final quarter of 2016.

The low market interest rates create a challenging environment for conducting banking activities. Sparbanken Skåne is nevertheless reaping the rewards of its efforts to convert loans from external mortgage companies to loans on its own balance sheet. This strengthens net interest income, and operating profit is performing to expectations.

Strong financial position

Amortisation of the goodwill arising when the bank was formed in 2014 is proceeding as planned. Goodwill amortisation was charged to profit or loss in the amount of SEK 107m in the fourth quarter of 2016. Profit before tax came in at SEK 39m for the quarter.

The bank's transaction volume performed well driven by cautious optimism on the stock market despite international political turbulence. The transaction volume reached SEK 184 billion at 31 December, gaining 1.4 percent in the quarter.

Credit losses for the fourth quarter amounted to SEK 12m, but credit losses have remained significantly low throughout 2016. The bank's cost controls are solid, and its risks are low.

The bank's capital situation has strengthened during the year, and efforts to secure long-term funding have progressed in 2016.

Credit rating upgraded

The bank received news in December that credit rating agency Standard & Poor's decided to raise Sparbanken Skåne's credit rating from BBB+ to A-. Standard & Poor's concluded that the bank's merger was successful and it is now a stable entity with a capital base which is continuously strengthened.

This is the result of determined efforts on the parts of the employees, the board and the owners. In practice, this credit rating upgrade gives Sparbanken Skåne better access to the international capital market, where we currently issue bonds and certificates of deposit.

Positive private market trend

In the private segment, the bank's residential mortgage business continues to perform well. We have a strong position in Skåne's residential mortgage market, both in home sales and new housing projects.

The Swedish central bank (Riksbank)'s key interest rate remained unchanged throughout the period, and we expect that it will remain low in 2017, fully in line with the Swedish central bank's forecasts.

The bank's operations in Eslöv were finally consolidated under one roof in newly renovated and modern premises. This marks the completion of all office changes for locations with duplicate branches. The response has been incredibly positive, and we are proud to be able to invest in improvements for our customers – in times when many other banks are being forced to cut back.

Customer teams popular in corporate segment

In the corporate segment, we now fully employ our customer team concept. Our customer teams consist of a handpicked group of specialists who work in the customer's best interests and have expertise in everything from cash management and insurance to wealth management.

We also established corporate expertise at our Customer Service Centre in the autumn. Our corporate customers can now complete all basic bank transactions by calling +46 (0)771-12 20 00. This provides excellent access to the bank enabling both private and corporate customers to receive assistance quickly.

Digitalisation advancing ever faster

Today more channels are used for customer meetings than ever before. In addition to communicating with us by phone or visiting our branch offices, customers can now contact us by using our Internet Bank and social media.

Advancements in technology are driving us toward a digital and cash-free society. Many stores, restaurants and companies no longer accept bills and coins. This trend is rapidly accelerating.

The bank has a positive view of the progress of digitalisation, especially for environmental and security considerations. Cash handling is precisely the area where we as a bank have the greatest opportunity to affect our environmental impact. We also help create safer communities by reducing the amount of cash in circulation.

It is important to provide support to our customers in the digitalisation process. Everyone should benefit from the advantages of managing their personal finances anywhere and at any time. Our partnership with UtbildningsForum is a part of this support. UtbildningsForum is an initiative of the bank's foundation owners.

UtbildningsForum holds free courses for the bank's customers on how to use services such as our Internet Bank (Internetbanken), Mobile Bank (Mobilbanken) and Swish, a mobile POS service.

We view the project as a success not only because of the great interest shown by our customers but also because the European Commission invited UtbildningsForum to Brussels to give a presentation at the Adult Skills Conference.

The savings bank concept today – SEK 22m to clubs

The project assistance from the foundation owners and sponsorship from the bank for 2017 were announced in the weeks before Christmas. A total of SEK 22m will be reinvested in the community through financial assistance to social and recreational clubs and project grants.

This is an important part of the unique savings bank concept. Sparbanken Skåne is a bank that operates locally, close to customers, and we allow our surpluses to go back to the community in collaboration with our foundation owners. In practice, this means that all Sparbanken Skåne customers play a part in fostering community development in Skåne.

Sparbanken Skåne is a rock of stability in a changing world. We come out of 2016 stronger and look forward to continuing to meet the expectations of our customers as a personal and modern savings bank.

Bo Bengtsson
CEO

Financial information

At Sparbanken Skåne we have a clear philosophy – To be there for the people, businesses and communities of our customers. With this clear goal driving us, we created our new bank by bringing together the best of Sparbanken 1826, Färs & Frosta Sparbank and parts of Sparbanken Öresund.

Ownership structure

Sparbanken Skåne AB (publ)'s company registration number is 516401-0091.

The ownership structure of Sparbanken Skåne AB is shown below:

Sparbanksstiftelsen Färs & Frosta	26%
Sparbanksstiftelsen 1826	26%
Sparbanksstiftelsen Finn	26%
Swedbank AB (publ)	22%

The board is headquartered in Lund. The administrative centre is based in Kristianstad.

Transaction volume

The comparative figures are for the volume at 31 December 2015.

The bank's total transaction volume at 31 December 2016 was SEK 183,966m (172,485). Approved credit cards brokered to Entercard were included in Sparbanken Skåne's transaction volume starting in January 2016. The comparative figures were therefore restated. The transaction volume increased by 7 percent in 2016.

Deposits from the general public experienced healthy growth throughout the year, increasing by SEK 3,164m. This increase was mainly due to higher private market savings during the year. Deposits from the general public at 31 December 2016 totalled SEK 45,671m (42,507).

The market value of total brokered fund and insurance volumes was SEK 38,491m (34,776). The first half of 2016 was affected by stock market turbulence, while the second half of the year was characterised by a positive trend mainly in fund and insurance volumes. We observed positive net savings in funds in the second half of the year.

The positive performance of loans to the general public for the entirety of 2015 continued throughout 2016. Loans to the general public at 31 December 2016 came in at SEK 51,008m (41,209). This increase is the result of moving residential mortgages from brokered volumes to the bank's loans to the general public and of issuing new loans to both private and corporate customers. The bank's loans continue to maintain excellent credit quality.

The total loan portfolio brokered to Swedbank Hypotek at 31 December 2016 amounted to SEK 28,878m (36,277). In October, previously brokered mortgage loans were moved from SBAB to Swedbank Hypotek.

Borrowing and liquidity

The bank's liquidity remains solid despite stepping up lending in 2016. The increase in lending was mainly financed via market borrowing and deposit growth. To diversify its funding, the bank has a medium term note (MTN) borrowing programme for long-term funding and a certificate of deposit programme for short-term funding. The bonds are listed on the Nasdaq OMX Nordic Stockholm. More information about the MTN programme can be found at www.sparbankenskane.se.

The bank filed an application with the Swedish Financial Supervisory Authority in early October for authorisation to issue covered bonds as a step in our efforts to strengthen our position on Skåne's residential mortgage market. The bank expects to commence the bond programme in 2017 at the earliest.

In December, Sparbanken Skåne and the Nordic Investment Bank (NIB) agreed on a loan programme totalling SEK 500m for on-lending to SMEs, small mid-caps, and environmental projects.

The bank's issued bonds at 31 December 2016 totalled SEK 5,700m (total programme of SEK 10,000m), and its issued certificates of deposit amounted to SEK 950m (total programme SEK 4,000m). The bank regularly issued both bonds and certificates of deposit on the Swedish capital market during the year. In the fourth quarter, the bank issued SEK 1,500m in new bonds, while outstanding certificates of deposit fell by SEK 200m in the quarter.

Subordinated liabilities, in the form of fixed-term subordinated loans, totalled SEK 500m at 31 December 2016.

The bank's liquidity reserves at 31 December amounted to SEK 6,031m (8,470). The liquidity reserves consist of assets that can generate liquidity quickly at predictable values and meet the Liquidity Coverage Ratio (LCR) eligibility requirements of the Swedish Financial Supervisory Authority (FFFS 2012:6). These assets include short-term loans to credit institutions, funds deposited in tax accounts and interest-bearing securities. The liquidity reserves combined with agreed borrowing limits give the bank excellent payment readiness. The liquidity reserves decreased during the year, which is mainly due to an increase in loans on the bank's own balance sheet.

The loan-to-deposit ratio at 31 December 2016 came in at 112% (97% at year-end 2015).

More information about liquidity reserves and liquidity management is provided in periodic disclosures at www.sparbankenskane.se/om-sparbanken-skane/finansuell-information/likviditet.

Rating

Sparbanken Skåne is rated by credit rating agency S&P Global. The bank's credit rating was upgraded from BBB+ with a positive outlook to A- with a negative outlook in December.

Profit

The comparative figures refer to the January–December 2015 period. In the first quarter of 2015, an SEK 148m capital gain on disposal of our branch offices in Olofström and Karlshamn was included in the bank's operating profit, which makes it difficult to compare these periods between the two years.

Operating profit for 2016 reached SEK 113m (166). Goodwill amortisation continues to impact profit in the amount of SEK 428m for the full year, and profit is in line with expectations.

Goodwill arising on the merger of the three banks in 2014 resulted in a goodwill item of SEK 2,140m. The bank prepares its financial statements in accordance with IFRS subject to restrictions under Swedish law (lagbegränsad IFRS). Under these restrictions, goodwill is amortised over a period of five years. The goodwill item thus impacts profit in the amount of SEK 428m per year.

Net interest income improved by 6% in 2016, reaching SEK 778m (731). The lending volume gains have had a positive impact on net interest income throughout 2016, while the historically low interest rates have negatively affected net interest income, with a lower liquidity reserve yield and lower margins on deposits.

The resolution fee and deposit insurance, amounting to SEK 44m (SEK 56m for stability fee and deposit insurance) in total, were charged to net interest income.

The 'Dividends received' item mainly comprises dividends from the bank's subsidiary 1826 Försäkra AB. Dividends received totalled SEK 13m (1).

Net fee and commission income for the period came in at SEK 537m (547). Loan commissions amounted to SEK 193m (189) and are mainly attributable to commissions from Swedbank Hypotek and SBAB. Securities fees came in at SEK 202m (229). We saw an outflow from our funds in the first half of 2016, but we also saw positive net savings in the second half of the year.

Other fee and commission income reached SEK 216m (211). Fee and commission expenses totalled SEK -74m (-83).

Other income amounted to SEK 10m (SEK 151m, including a capital gain of 148m).

General administrative expenses for 2016 were down 5% year-on-year, totalling SEK 703m (738). This decrease is mainly due to cuts in the cost of premises and other expenses. Personnel expenses amounted to SEK 443m (438) and IT expenses were SEK 149m (149). Other expenses totalled SEK 111m (151).

The total amount for both depreciation of tangible assets and for impairment of intangible assets was SEK 459m (458), and amortisation of intangible assets (goodwill) accounted for SEK 428m (428) of this item.

Credit losses for 2016 totalled SEK -9m (-12). See Note 9, Net credit losses, for more information.

Impairment losses on financial items comprised impairment losses of SEK -7m on shareholdings in our subsidiary 1826 Försäkra AB, and appropriations of SEK -4m comprised group contributions to this subsidiary.

Profit for the year after appropriations and tax came in at SEK 76m (114).

Capital ratio

The bank strengthened its capital base by adding SEK 477m during the year, resulting in the total value of the capital base reaching SEK 5,255m (4,778) at 31 December 2016. Goodwill is deducted from the bank's capital base. Fixed-term subordinated loans totalled SEK 500m and are included in Tier 2 capital.

Common Equity Tier 1 (CET1) capital was bolstered during the year via a lower deduction for goodwill and the inclusion of profit for the year, less the proposed dividend, in the capital base.

The Risk Exposure Amount (REA) was SEK 27,761m (26,261). The REA for exposures secured by mortgages on immovable property increased during the year as residential mortgages were transferred from brokered loans to loans in the bank's own portfolio. The REA for institutions decreased during the year due to lower excess liquidity.

The REA for credit risk at 31 December 2016 totalled SEK 25,434m. SEK 8,901m of this item was calculated using the Internal Ratings-Based (IRB) approach to credit risk and SEK 16,533m was calculated using the standardised approach to credit risk.

The REA for operational risk at 31st December was SEK 2,325m (2,370) and the REA for credit valuation adjustment was equal to SEK 2m (18).

The total capital ratio was 18.9% at 31 December 2016 (18.2) and the CET1 capital ratio was 17.1% (16.3).

The bank's capital situation thus gained strength during the year.

The leverage ratio reached 7.8% (7.5) at 31 December 2016.

For more information about capital adequacy calculations, see Note 17, Capital adequacy analysis.

Risks and uncertainties

The bank's business is exposed to various risks such as credit risk, market risk, liquidity risk and operational risk. The bank's board, which has ultimate responsibility for the bank's internal controls, has put policies and instructions in place for the bank's business to limit and monitor risk-taking in its operations.

The bank's level of risk-taking should be low and limited to what is financially sustainable in relation to the bank's capital buffer and long-term capital targets. The board has adopted a separate policy which describes the risk appetite which will shape the bank's activities and the risk limits applicable in each risk area.

The bank's direct losses attributable to operational risk remained low in the fourth quarter of 2016. The final conversion project for mortgage loans from the former business of Sparbanken Öresund was completed in the quarter, and the results were highly satisfactory. The risk level associated with the merger of the banks in 2014 has thus been further reduced and can now be considered very low.

The bank commands a satisfactory level of capital, which is well suited to the risks posed by the bank's activities and which exceeds the minimum statutory requirements.

Board dividend proposal

The board proposes a dividend of SEK 2.04 per share, resulting in a total dividend amount of SEK 34m.

Annual report and financial calendar

The 2016 annual report will be available (in Swedish) at sparbankenskane.se in the week of 6 March (week 10).

The bank will publish interim reports in 2017 on the following dates:

January–March 2017 Interim Report	26 April 2017
January–June 2017 Interim Report	26 July 2017
January–September 2017 Interim Report	1 November 2017

Events after the reporting period

No events of material significance have taken place after the end of the reporting period.

Financial ratios	12/2016	9/2016	6/2016	3/2016	12/2015
Volume					
Transaction volume, millions of SEK	183,966	181,355	176,375	174,204	172,485
Capital and liquidity					
CET1 capital ratio	17.1%	16.9%	16.6%	16.7%	16.3%
Total capital ratio	18.9%	18.7%	18.4%	18.5%	18.2%
Leverage ratio	7.8%	7.8%	7.2%	7.4%	7.5%
Loan-to-deposit ratio	112%	109%	106%	103%	97%
LCR	186%	197%	407%	345%	463%
NSFR	143%	144%	149%	149%	150%
Profit					
Cost/income ratio before credit losses	0.90	0.92	0.95	1.00	0.88
Cost/income ratio after credit losses	0.92	0.92	0.95	1.00	0.89
Cost/income ratio after credit losses excluding dividends, capital gains, impairment losses and goodwill amortisation	0.60	0.59	0.62	0.66	0.66
Return on equity	1.5	1.3	0.8	0.0	2.2
Return on equity excluding dividends, capital gains, impairment losses and goodwill amortisation	7.1	7.0	6.5	5.7	6.0
Impaired loans and credit losses					
Loan loss ratio excluding brokered volumes	0.0%	0.0%	0.0%	0.0%	0.0%
Loan loss ratio including brokered volumes	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of impaired loans	0.2%	0.2%	0.2%	0.3%	0.4%
Other disclosures					
Average number of employees	519	511	532	523	572

The financial ratios are defined on page 20.

Quarterly comparison

Income statement	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Thousands of SEK					
Net interest income	205,645	197,617	192,059	182,611	184,727
Dividends received	4,400	-	7,940	550	-
Net fees and commissions	152,431	126,421	134,943	123,063	128,118
Net gain/loss from financial transactions	9,534	936	9,964	-6,874	1,550
Other operating income	1,891	1,699	2,011	4,363	468
Total net interest income and operating income	373,901	326,673	346,917	303,713	314,863
General administrative expenses	-190,646	-156,564	-182,627	-173,158	-190,983
Depreciation and amortisation	-114,987	-114,860	-114,355	-114,376	-114,905
Other expenses	-16,822	-11,803	-14,546	-17,387	-17,171
Credit losses	-12,447	-920	2,505	1,567	-16,290
Impairment losses on financial assets	-200	-	-6,786	-	-
Total expenses	-335,102	-284,147	-315,809	-303,354	-339,349
Operating profit/loss	38,799	42,526	31,108	359	-24,486
Appropriations	-4,200	-	-	-	-
Taxes	-10,416	-12,710	-5,762	-3,808	-996
Profit/loss for the period	24,183	29,816	25,346	-3,449	-25,482

Balance sheet	31/12/2016	30/9/2016	30/6/2016	31/3/2016	31/12/2015
Thousands of SEK					
Loans to credit institutions	769,340	1,200,947	3,899,512	3,091,957	3,482,242
Loans to the general public	51,058,129	49,080,451	46,868,563	43,969,492	41,275,964
Interest-bearing securities	4,684,788	4,706,713	4,702,648	5,159,381	5,371,884
Goodwill	1,019,898	1,126,859	1,233,821	1,340,783	1,447,745
Other assets	1,565,331	1,464,185	535,833	498,286	552,858
Total assets	59,097,486	57,579,155	57,240,377	54,059,899	52,130,693
Liabilities to credit institutions	77,830	107,502	171,958	265,917	236,278
Deposits from the general public	45,671,408	45,076,560	44,356,313	42,603,292	42,507,313
Debt securities issued and subordinated liabilities	7,144,597	6,146,190	6,445,315	4,946,477	3,197,841
Other liabilities	305,467	377,299	431,732	443,921	359,358
Equity	5,898,184	5,871,604	5,835,059	5,800,292	5,829,903
Total liabilities, provisions and equity	59,097,486	57,579,155	57,240,377	54,059,899	52,130,693

Income statement

Income statement	Note	Q4 2016	Q4 2015	Change	Jan-Dec 2016	Jan-Dec 2015	Change
Thousands of SEK							
Interest income		229,758	217,201	6%	879,067	867,960	1%
Interest expenses		-24,113	-32,474	-26%	-101,135	-136,493	-26%
Net interest income	3	205,645	184,727	11%	777,932	731,467	6%
Dividends received	4	4,400	-	-	12,890	666	-
Fee and commission income	5	169,364	149,925	13%	610,836	629,993	-3%
Fee and commission expenses	6	-16,933	-21,807	-22%	-73,978	-82,502	-10%
Net gain from financial transactions	7	9,534	1,550	-	13,560	12,946	5%
Other operating income	8	1,891	468	-	9,964	150,836	-
Total net interest income and operating income		373,901	314,863	19%	1,351,204	1,443,406	-6%
General administrative expenses		-190,646	-190,983	0%	-702,995	-738,245	-5%
Depreciation/amortisation of tangible/intangible assets		-114,987	-114,905	0%	-458,578	-458,469	-
Other operating expenses		-16,822	-17,171	-2%	-60,558	-69,041	-12%
Total expenses before credit losses		-322,455	-323,059	0%	-1,222,131	-1,265,755	-3%
Profit/loss before credit losses		51,446	-8,196	-	129,073	177,651	-27%
Net credit losses	9	-12,447	-16,290	-24%	-9,295	-11,817	-
Impairment losses on financial assets	10	-200	-	-	-6,986	-	-
Operating profit/loss		38,799	-24,486	-	112,792	165,834	-32%
Appropriations	11	-4,200	-	-	-4,200	-	-
Tax on profit for the year		-10,416	-996	-	-32,696	-51,762	-
Profit/loss for the year		24,183	-25,482	-	75,896	114,072	-33%

Statement of comprehensive income	Q4 2016	Q4 2015	Change	Jan-Dec 2016	Jan-Dec 2015	Change
Thousands of SEK						
Profit/loss for the year	24,183	-25,482	-	75,896	114,072	-33%
Other comprehensive income						
Items that are or may be reclassified to profit or loss						
Net change in fair value of available-for-sale financial assets	6,236	-1,390	-	37,273	-36,249	-
Change in fair value of available-for-sale financial assets reclassified to profit or loss	-1,720	1,195	-	-3,163	-26,913	-
Tax attributable to financial assets that may be reclassified to profit or loss.	-676	43	-	-7,504	13,896	-
Other comprehensive income for the year	3,840	-152	-	26,606	-49,266	-
Comprehensive income for the year	28,023	-25,634	-	102,502	64,806	58%

Balance sheet

Balance sheet	Note	31/12/2016	31/12/2015
Thousands of SEK			
Assets			
Cash		34,176	33,100
Treasury bills and other bills eligible for refinancing with central banks		1,482,361	1,473,665
Loans to credit institutions		769,340	3,482,242
Loans to the general public	12	51,008,474	41,208,904
Change in fair value of hedged amount in portfolio hedge		49,655	67,060
Bonds and other interest-bearing securities		3,202,427	3,898,219
Shareholdings and investments		44,712	91,647
Shareholdings and investments in group companies		100	7,086
Derivatives		218	1,281
Intangible assets		1,019,898	1,447,745
Tangible assets		218,010	215,703
Current tax assets		1,049,628	22,887
Other assets		5,467	6,582
Prepaid expenses and accrued income		213,020	174,572
Total assets		59,097,486	52,130,693
Liabilities, provisions and equity			
Liabilities to credit institutions		77,830	236,278
Deposits from the general public	13	45,671,408	42,507,313
Debt securities issued and related items		6,644,597	2,697,841
Derivatives		87,643	99,125
Deferred tax liabilities		10,804	9,481
Other liabilities		68,242	65,884
Accrued expenses and deferred income		93,723	137,170
Provisions		45,055	47,698
Subordinated liabilities		500,000	500,000
Total liabilities and provisions		53,199,302	46,300,790
Equity			
Restricted equity			
Share capital (16,683,364 shares and quotient value SEK 100)		1,668,336	1,668,336
Statutory reserve		109,196	109,196
Total		1,777,532	1,777,532
Non-restricted equity			
Share premium reserve		3,188,631	3,188,631
Fair value reserve		611	-25,995
Retained earnings		855,514	775,663
Profit/loss for the year		75,896	114,072
Total		4,120,652	4,052,371
Total equity		5,898,184	5,829,903
Total liabilities, provisions and equity		59,097,486	52,130,693
Other notes			
Accounting policies	1		
Operating segments	2		
Derivatives	14		
Financial assets and liabilities	15		
Pledged assets, contingent liabilities and commitments	16		
Capital adequacy analysis	17		
Disclosures on related parties and other significant relationships	18		

Statement of changes in equity

Thousands of SEK	Restricted equity		Non-restricted equity			Total equity	
	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings	Profit/loss for the year	
Balance at 1 January 2015	1,668,336	109,196	3,188,631	23,271	464,330	311,333	5,765,097
Appropriation of profit as per AGM resolution							
Amount carried forward	-	-	-	-	311,333	-311,333	-
Profit/loss for the year	-	-	-	-	-	114,072	114,072
Other comprehensive income for the year	-	-	-	-49,266	-	-	-49,266
Comprehensive income for the year	-	-	-	-	-	-	64,806
Balance at 31 December 2015	1,668,336	109,196	3,188,631	-25,995	775,663	114,072	5,829,903
Balance at 1 January 2016	1,668,336	109,196	3,188,631	-25,995	775,663	114,072	5,829,903
Appropriation of profit as per AGM resolution							
Amount carried forward	-	-	-	-	79,851	-79,851	-
Transactions with owners in the form of dividends	-	-	-	-	-	-34,221	-34,221
Profit/loss for the year	-	-	-	-	-	75,896	75,896
Other comprehensive income for the year	-	-	-	26,606	-	-	26,606
Comprehensive income for the year	-	-	-	-	-	-	102,502
Balance at 31 December 2016	1,668,336	109,196	3,188,631	611	855,514	75,896	5,898,184

Restricted equity

Restricted equity may not be decreased by dividends.

Statutory reserve

The purpose of the statutory reserve was to save a share of the net profit not used to cover losses carried forward. The statutory reserve also includes amounts added to the share premium reserve before 1 January 2006.

Non-restricted equity

Share premium reserve

When shares are issued at a premium, i.e. the amount paid for the shares exceeds their quotient value, the amount received in excess of the quotient value of the shares is transferred to the share premium reserve. Amounts transferred to the share premium reserve on 1 January 2006 or later are included in non-restricted equity.

Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of available-for-sale financial assets until the asset is derecognised from the balance sheet.

Retained earnings

Retained earnings comprise the non-restricted equity of previous years after any dividends are paid. When combined with profit or loss for the year and the fair value reserve, this is equal to the total non-restricted equity, i.e. the amount available for distribution to shareholders.

Statement of cash flows

Indirect method	31/12/2016	31/12/2015
Thousands of SEK		
Cash flows from operating activities		
Operating profit/loss	112,792	165,834
Net change in accrued cost for the year	12,610	11,082
Unrealised share of net gain from financial transactions	11,686	40,616
Depreciation and amortisation	458,578	458,469
Credit losses	12,426	18,918
Group contributions	-4,200	-
Tax paid	-1,065,955	1,667
Cash flows from operating activities before changes in working capital	-462,063	696,586
Cash flow from changes in working capital		
Increase/decrease in loans to the general public	-9,811,996	-7,961,392
Increase/decrease in securities	709,981	2,276,371
Increase/decrease in deposits from the general public	3,164,095	2,804,581
Increase/decrease in liabilities to credit institutions	-158,448	-327,720
Net change in other assets and liabilities	-78,954	-61,342
Net cash used in operating activities	-6,637,385	-2,572,916
Cash flows from investing activities		
Disposal/redemption of financial assets	44,292	240,480
Cash and cash equivalents in discontinued operations	-	-755,268
Sale of tangible assets	1,758	1,192
Acquisition of tangible assets	-34,796	-49,277
Net cash from (used in) investing activities	11,254	-562,873
Cash flows from financing activities		
Issue of interest-bearing securities	8,444,018	3,147,444
Redemption of interest-bearing securities	-4,495,491	-899,776
Dividends paid	-34,222	-
Net cash from financing activities	3,914,305	2,247,668
Cash flow for the year	-2,711,826	-888,121
Cash and cash equivalents at beginning of year	3,515,342	4,403,463
Cash and cash equivalents at end of year	803,516	3,515,342
The following subcomponents are included in cash and cash equivalents		
Cash	34,176	33,100
Loans to credit institutions	769,340	3,482,242
Balance sheet total	803,516	3,515,342
Short-term investments have been classified as cash and cash equivalents on the basis of the following criteria		
They have an insignificant risk of changes in value		
They are easily convertible to cash		
They have a maximum term of three months from their acquisition date		
Interest paid and dividends received included in net cash from operating activities		
Interest received	879,067	867,960
Interest paid including cost of deposit insurance and resolution/stability fee	-101,135	-136,493
Dividends received	12,890	666

Notes to the income statement and balance sheet

Note 1 Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. In addition, the contents of the interim report are in compliance with the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Supervisory Authority's Regulations and General Guidelines (FFFS 2008:25) on Annual Accounts for Credit Institutions and Securities Companies, and the Swedish Financial Reporting Board's Recommendation RFR 2 Accounting for Legal Entities. Swedish savings banks (sparbank) thus apply adopted IFRS subject to restrictions under Swedish law (lagbegränsad IFRS), namely RFR 2 and FFFS 2008:25. This means that all IFRS adopted by the EU are applied to the extent possible within the scope of the Swedish Annual Accounts Act and in consideration of the relationship between accounting and taxation. The accounting policies and estimates and judgements applied in this interim report are in accordance with those applied in the 2015 Annual Report. Disclosures pursuant to IAS 34 Interim Financial Reporting are made in both the notes and in other parts of the interim report.

Note 2 Operating segments

The bank's business is not divided into operating segments in the bank's internal reporting to its highest decision-making body (the CEO) given that its business is concentrated in banking activities within the bank's geographic area. For more information about operating profit in banking activities, please see Sparbanken Skåne's income statement.

The bank has not prepared consolidated financial statements in light of the exception in the Annual Accounts Act for Credit Institutions and Securities Companies given that the bank's subsidiary is of negligible significance under the requirement to present a true and fair view.

Note 3 Net interest income

	Jan-Dec 2016	Jan-Dec 2015	Change
Thousands of SEK			
Interest income			
Loans to credit institutions	646	594	9%
Loans to the general public	933,804	890,760	5%
Interest-bearing securities	-6,062	25,216	-
Derivatives	-52,055	-49,406	5%
Other interest income	2,734	796	-
Total	879,067	867,960	1%
Share of interest income from financial items not measured at fair value through profit or loss	931,122	917,366	1%
Share of interest income from impaired loans	8,194	11,614	-29%
Interest expenses			
Liabilities to credit institutions	-12,918	-11,211	15%
Deposits from the general public	-59,141	-91,381	-35%
– expenses for deposit insurance	-38,057	-37,160	2%
Interest-bearing securities	-15,046	-4,575	-
Subordinated liabilities	-7,786	-9,729	-20%
Other interest expenses	-6,244	-19,597	-68%
Total	-101,135	-136,493	-26%
Share of interest expenses from financial items not measured at fair value through profit or loss	-101,135	-136,493	-26%
Total net interest income	777,932	731,467	6%

Note 4 Dividends received

The 'Dividends received' item includes dividends from the bank's subsidiary 1826 Försäkra AB in the amount of SEK 12,100 thousand.

Note 5 Fee and commission income

	Jan-Dec 2016	Jan-Dec 2015	Change
Thousands of SEK			
Payment intermediation fees	90,431	78,730	15%
Loan commissions	192,692	189,055	2%
Deposit commissions	58,941	60,534	-3%
Commissions for financial guarantees issued	3,013	2,978	1%
Securities fees	201,683	229,442	-12%
Other fees and commissions	64,076	69,254	-7%
Total	610,836	629,993	-3%

Note 6	Fee and commission expenses	Jan-Dec 2016	Jan-Dec 2015	Change
Thousands of SEK				
	Payment intermediation fees	-39,408	-35,754	10%
	Securities fees	-21,853	-18,486	18%
	Other fees and commissions	-12,717	-28,262	-55%
	Total	-73,978	-82,502	-10%

Note 7	Net gain from financial transactions	Jan-Dec 2016	Jan-Dec 2015	Change
Thousands of SEK				
	Shareholdings/investments	-4,672	200	-
	Interest-bearing securities	18,503	25,729	-28%
	Other financial instruments	-3,424	-19,941	-
	Exchange rate fluctuations	3,153	6,958	-55%
	Total	13,560	12,946	5%

	Jan-Dec 2016	Jan-Dec 2015	Change
Net gain/net loss by valuation category			
Financial assets at fair value through profit or loss	10,668	-10,503	-
Capital gain on available-for-sale financial assets	3,163	26,806	-88%
Capital gain on held-to-maturity investments	-	-1,077	-
Ineffective portion of fair value hedge	902	-15,807	-
Derivatives intended for risk management, no hedge accounting	-4,326	6,569	-
Change in fair value of derivatives used as hedging instruments in a fair value hedge	17,405	33,617	-48%
Change in fair value of hedged item attributable to the hedged risk in fair value hedges	-17,405	-33,617	-48%
Exchange rate fluctuations	3,153	6,958	-55%
Total	13,560	12,946	5%

Note 8 Other operating income

The other operating income for 2015 includes a capital gain of SEK 148 m on disposal of our offices in Olofström and Karlshamn.

Note 9	Net credit losses	Jan-Dec 2016	Jan-Dec 2015	Change
Thousands of SEK				
Specific impairment, individually assessed loans				
	Write-off of realised credit losses for the year	-60,181	-82,063	-27%
	Reversal of previous impairment of credit losses recognised as realised losses in the financial statements for the year	48,305	71,245	-32%
	Impairment of credit losses for the year	-82,945	-62,524	33%
	Amount received for previously realised credit losses	2,888	6,732	-57%
	Reversal of impairment of credit losses no longer necessary	80,989	42,957	-
	Net cost for the year for individually assessed loans	-10,944	-23,653	-
Homogeneous groups of loans assessed in groups with a limited value and similar credit risk				
	Write-off of realised credit losses for the year	-4,508	-2,729	65%
	Amount received for credit losses realised in previous years	243	369	-34%
	Allocation to/release of credit loss reserve	866	-814	-
	Net cost for the year for homogenous loans assessed in groups	-3,399	-3,174	7%
Contingent liabilities				
	Net cost for the year for settlement of guarantees and other contingent liabilities	5,048	15,010	-
	Net cost for the year for credit losses	-9,295	-11,817	-21%

Note 10 Impairment losses on financial assets

The 'Impairment losses on financial assets' item comprises shares in the bank's subsidiary 1826 Försäkra AB.

Note 11 Note 11 Appropriations

The 'Appropriations' item comprises group contributions paid to the bank's subsidiary 1826 Försäkra AB.

Note 12 Loans to the general public

	31/12/2016	31/12/2015
Thousands of SEK		
Gross loans		
- public sector	31,736	33,126
- corporate sector	15,418,106	14,781,319
- retail sector	35,728,748	26,607,087
- sole proprietors	10,778,571	9,192,198
- other sectors	-	2,094
Total	51,178,590	41,423,626
Sub-items of gross revenue:		
Unsettled loans included in impaired loans	102,870	183,224
- corporate sector	63,779	130,089
- retail sector	39,091	53,135
Impaired loans	303,448	383,400
- corporate sector	249,746	314,933
- retail sector	53,702	68,467
Subtracted by:		
Specific impairment, individually assessed loans	165,634	209,112
- corporate sector	138,612	177,126
- retail sector	27,022	31,986
Impairment of homogeneous groups of loans assessed in groups	4,482	5,610
- retail sector	4,482	5,610
Loans, net carrying amount	51,008,474	41,208,904

Definitions:

Unsettled loans are loans for which interest, repayments and overdrafts have been overdue for more than 60 days.

Impaired loans are loans for which it is probable that the payments stipulated in the contract terms and conditions will not be met, and for which the value of the collateral does not sufficiently cover both the principal and interest, including late fees.

Note 13 Deposits from the general public

	31/12/2016	31/12/2015
Thousands of SEK		
The general public		
- Swedish currency	45,361,528	42,201,918
- foreign currency	309,880	305,395
Total	45,671,408	42,507,313
Deposits per customer category, excluding bank cheques		
- public sector	1,091,190	1,228,506
- corporate sector	8,596,321	7,404,371
- retail sector	35,286,339	33,178,710
- sole proprietors	5,948,002	5,975,081
- other sectors	620,129	617,845
Total	45,593,979	42,429,432

Note 14 Derivatives	31/12/2016		31/12/2015	
	Nominal amount	Fair value	Nominal amount	Fair value
The bank uses financial hedges to protect itself from interest rate and currency risks. Derivative instruments comprise interest rate swaps, interest rate caps and currency forwards.				
Thousands of SEK				
Derivative instruments with positive fair values				
Fixed-income contracts	514,000	218	1,125,000	1,248
Currency contracts	-	-	14,112	33
Total derivative instruments with positive fair values	514,000	218	1,139,112	1,281
Derivative instruments with negative fair values				
Fixed-income contracts	2,114,025	87,643	2,068,916	99,125
Currency contracts	396,834	-	664,810	-
Total derivative instruments with negative fair values	2,510,859	87,643	2,733,726	99,125

The bank has entered into interest rate swap contracts to a large extent in order to protect itself from the interest rate risk associated with the fixed-interest loans provided by the bank. Interest rate cap contracts have been used as reinsurance for loans with floating interest rates for which the bank has guaranteed the customer a maximum interest rate. Currency forwards are used in operations involving bank customers, where the currency risk is covered using reverse currency forwards with Swedbank.

Note 15 Financial assets and liabilities	31/12/2016			31/12/2015		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Thousands of SEK						
Cash	34,176	34,176	-	33,100	33,100	-
Treasury bills and other bills eligible for refinancing with central banks	1,482,361	1,482,361	-	1,473,665	1,473,665	-
Loans to credit institutions	769,340	769,340	-	3,482,242	3,482,242	-
Loans to the general public	51,337,111	51,008,474	328,637	41,484,791	41,208,904	275,887
Change in fair value of hedged amount in portfolio hedge	49,655	49,655	-	67,060	67,060	-
Bonds and other interest-bearing securities	3,202,427	3,202,427	-	3,897,988	3,898,219	-231
Shareholdings and investments	44,812	44,812	-	98,733	98,733	-
Derivatives	218	218	-	1,281	1,281	-
Accrued income	171,173	171,173	-	155,140	155,140	-
Other financial assets	5,469	5,469	-	7,087	7,087	-
Total	57,096,742	56,768,105	328,637	50,701,087	50,425,431	275,656
Liabilities to credit institutions	77,830	77,830	-	236,278	236,278	-
Deposits from the general public	45,683,959	45,671,408	12,551	42,520,057	42,507,313	12,744
Debt securities issued and related items	6,644,597	6,644,597	-	2,697,841	2,697,841	-
Derivatives	87,643	87,643	-	99,125	99,125	-
Other financial liabilities	50,882	50,882	-	74,011	74,011	-
Accrued expenses	90,182	90,182	-	130,930	130,930	-
Subordinated liabilities	500,000	500,000	-	500,000	500,000	-
Total	53,135,093	53,122,542	12,551	46,258,242	46,245,498	12,744

The tables below disclose the fair value measurement approach for the financial instruments measured at fair value in the balance sheet. Fair value measurement is categorised into the following three levels:

Level 1: Quoted prices in active markets for identical instruments

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the instrument, either directly or indirectly

Level 3: Unobservable inputs for the instrument

CONTINUED FROM PAGE 15.

31/12/2016				
Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills and other bills eligible for refinancing with central banks	1,482,361	-	-	1,482,361
Bonds and related items	3,136,194	35,640	30,593	3,202,427
Shareholdings and investments	-	-	44,812	44,812
Other assets – derivatives	-	218	-	218
Total	4,618,555	35,858	75,405	4,729,818
Other liabilities – derivatives	-	87,643	-	87,643
Total	-	87,643	-	87,643
31/12/2015				
Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills and other bills eligible for refinancing with central banks	1,473,665	-	-	1,473,665
Bonds and related items	3,723,567	32,720	26,932	3,783,219
Shareholdings and investments	50,683	-	48,050	98,733
Other assets – derivatives	-	1,281	-	1,281
Total	5,247,915	34,001	74,982	5,356,898
Other liabilities – derivatives	-	99,125	-	99,125
Total	-	99,125	-	99,125

The level 3 heading 'Shareholdings and investments' includes endowment insurance which is subject to change due to changes in value and to inflows and outflows of cash. The same heading also includes unlisted shareholdings and investments measured using established valuation models.

The level 3 heading 'Bonds' includes small-cap liquid bonds. The bank sees these holdings as long-term investments. These bonds are measured by calculating discounted future cash flows.

The bank did not have any bonds recognised at amortised cost (HTM) at 31 December 2016. At 31 December 2015, amortised cost was SEK 115,000 thousand and fair value was SEK 114,769 thousand.

The fair value of loans and deposits is stated for disclosure purposes and is attributable to level 3.

A sensitivity analysis was conducted for valuation category 3.

Effect (before tax) of 10 percent increase/decrease in the USD/SEK exchange rate and long-term bond interest rates

Change in fair value, thousands of SEK	+ 10%	- 10%
USD/SEK exchange rate	2,919	-2,919
Discount rate	-315	319

Besides the USD/SEK exchange rate and long-term bond interest rates, the value of level 3 assets is also affected by cash flow in investments.

The table below presents a breakdown of opening and closing balances of financial instruments measured at fair value in the balance sheet on the basis of a valuation technique based on unobservable inputs (level 3).

Thousands of SEK	Bonds	Shareholdings and investments	Total
Opening balance at 1 January 2016	26,932	48,050	74,982
Disposals	-4,162	-	-4,162
Cost – acquisitions	-	3,748	3,748
Total gains and losses recognised			
– recognised in profit for the period	7,823	-6,986	837
Closing balance at 31 December 2016	30,593	44,812	75,405
Gains and losses recognised in profit or loss for assets included in the opening balance at 1 January 2016	7,823	-6,986	837

Fair value measurement

The main methods and assumptions used to measure the fair value of the financial instruments reported in the table above are summarised as follows:

CONTINUED FROM PAGE 16.

Financial instruments quoted in active markets

For financial instruments quoted in active markets, fair value measurement is based on the asset's listed bid price on the balance sheet date less transaction expenses (e.g. brokerage) at the time of acquisition. A financial instrument is deemed quoted in an active market if quoted prices are easily available on a stock market, from a trader, broker, trade association or company providing current price information or regulatory authority, and these prices represent actual and regularly occurring market transactions on commercial terms. Any future transaction expenses on disposal are not taken into account. Such instruments can be found in the following balance-sheet items: 'Shareholdings and investments', and 'Bonds and other interest-bearing securities'.

Financial instruments not quoted in active markets

Derivative instruments are measured at the fair value received from the counterparty where the fair value is measured using a valuation model established in the market for measuring the type of derivative instrument in question. Fair value measurement of OTC instruments generally uses valuation models based on observable market data. The present value of the cash flows associated with the financial instrument is calculated for measurement of fixed-interest and currency derivatives without option components. The yield curve used for discounting cash flows is based on observable market data, i.e. it is derived from quoted relevant interest rates for the respective term when the cash flows are received or paid. Options are measured using generally accepted valuation models, such as Black-Scholes. The models are updated with observable market data relevant to the measurement of the option. This observable market data includes interest rates, currencies, credit risk, volatility, correlations and market liquidity. The fair value of financial instruments classified lower is also measured using valuation models mainly based on observable market data, but with some estimates the entity makes on its own which are considered significant for the fair value measurement.

Structured products are measured at fair value through profit or loss. They are not traded daily in active markets. Instead, the fair values are obtained from counterparties and measured on the basis of the performance of the underlying indexes/prices of the respective instrument at the balance sheet date.

The fair value of financial instruments which are not derivative instruments is measured on the basis of future cash flows of principal and interest discounted to current market interest rates at the balance sheet date. In cases where discounted cash flows have been used, future cash flows are calculated using the best estimate of the bank's management.

The fair value of loans with fixed interest rates was measured by discounting expected future cash flows with the discount rate set at the current lending rate applicable.

The carrying amount is deemed to reflect the fair value of trade receivables and payables with a remaining useful life of less than six months.

The fair value of borrowings is measured on the basis of current market interest rates where the original credit spread has been kept constant if there is no evidence that a change in the bank's credit rating has led to an observable change in the bank's credit spread.

The fair value of loans and deposits was measured by discounting expected future cash flows with the discount rate set at the current lending or deposit rate applicable. However, the fair value of a liability that is redeemable on demand is not recognised at an amount lower than the amount to be paid on demand, and is discounted from the first date that payment of this amount could be demanded.

Note 16	Pledged assets, contingent liabilities and commitments	31/12/2016	31/12/2015
Thousands of SEK			
In the form of pledged assets for internal liabilities and provisions			
	Endowment insurance for pension obligations	37,351	33,603
	Contingent liabilities	634,329	575,347
	Commitments	6,327,173	5,978,986

Note 17 Capital adequacy analysis**Capital base**

Thousands of SEK	31/12/2016		31/12/2015	
CET1 capital	4,755,203		4,278,369	
Tier 2 capital	500,000		500,000	
Net capital base	5,255,203		4,778,369	
Capital requirements and Risk Exposure Amounts	Capital requirement	REA	Capital requirement	REA
Minimum capital requirement for credit risk				
– under IRB approach	712,127	8,901,586	706,065	8,825,813
– under standardised approach	1,322,630	16,532,870	1,203,796	15,047,456
Capital requirement for operational risk	185,988	2,324,849	189,639	2,370,482
Credit valuation adjustment	172	2,150	1,419	17,738
Total capital requirements and Risk Exposure Amounts	2,220,916	27,761,455	2,100,920	26,261,489
CET1 capital ratio	17.1%		16.3%	
Tier 1 capital ratio	17.1%		16.3%	
Total capital ratio	18.9%		18.2%	

CONTINUED FROM PAGE 17.

Thousands of SEK		31/12/2016			31/12/2015	
Buffer requirement	4.0%	88,837	1,110,458	3.5%	73,532	919,152
- capital conservation buffer	2.5%	55,523	694,036	2.5%	52,523	656,537
- countercyclical capital buffer	1.5%	33,314	416,422	1.0%	21,009	262,615
CET1 capital available for use as buffer	10.9%	3,034,287		10.2%	2,677,449	
Total internally assessed capital requirement (excluding buffer requirement)		2,896,409			2,724,047	
Capital base						
The board's proposed appropriation of profit is included in the capital base.						
CET1 capital: Instruments and reserves						
Share capital		1,668,336			1,668,336	
Statutory reserve		109,196			109,196	
Share premium reserve		3,188,631			3,188,631	
Fair value reserve		-			-25,995	
Retained earnings		855,514			775,663	
Verified profit less proposed appropriation of profit and predictable expenses		41,896			79,850	
CET1 capital before regulatory adjustments		5,863,573			5,795,681	
CET1 capital: regulatory adjustments						
Intangible assets, deferred tax assets and value adjustments		-1,033,862			-1,458,705	
Deduction of IRB provisions (see disclosure below)		-74,508			-58,607	
Total regulatory adjustments to CET1 capital		-1,108,370			-1,517,312	
CET1 capital		4,755,203			4,278,369	
Tier 2 capital: Instruments						
Fixed-term subordinated loans		500,000			500,000	
Tier 2 capital		500,000			500,000	
Capital base		5,255,203			4,778,369	
Special disclosures						
IRB Provisions excess(+)/shortfall(-)		-74,508			-58,607	
Total IRB provisions (+)		31,547			24,741	
IRB Expected loss amount (-)		-106,055			-83,348	
Capital requirements and Risk Exposure Amounts						
Thousands of SEK		31/12/2016			31/12/2015	
		Capital requirement	REA		Capital requirement	REA
Credit risk under standardised approach						
Central government or central bank exposures		-	-		-	-
Regional government or local authority exposures		-	-		-	-
Institutional exposures		5,058	63,222		5,160	64,505
Corporate exposures		333,232	4,165,404		350,259	4,378,234
Retail exposures		504,491	6,306,138		479,112	5,988,901
Exposures secured by mortgages on immovable property		468,539	5,856,741		348,946	4,361,825
Exposures in default		11,309	141,365		16,265	203,308
Exposures in the form of units or shares in collective investment undertakings (funds)		-	-		4,055	50,683

CONTINUED FROM PAGE 18.

	Capital requirement	REA	Capital requirement	REA
Credit risk under IRB approach				
Institutional exposures	31,249	390,608	122,512	1,531,394
Corporate exposures	368,073	4,600,909	316,285	3,953,562
Retail exposures	283,919	3,548,991	238,112	2,976,401
– mortgages on immovable property	162,125	2,026,567	129,905	1,623,810
– other loans	121,794	1,522,424	108,207	1,352,591
Non-credit obligation asset exposures	28,886	361,078	29,156	364,456
Total	2,034,756	25,434,456	1,909,862	23,873,269
Credit valuation adjustment	172	2,150	1,419	17,738
Operational risk				
	31/12/2016	REA	31/12/2015	REA
Standardised approach	185,988	2,324,849	189,639	2,370,482
Total operational risk	185,988	2,324,849	189,639	2,370,482
Total capital requirements and Risk Exposure Amounts	2,220,916	27,761,455	2,100,920	26,261,489

Note 18**Disclosures on related parties and other significant relationships**

The bank's subsidiary 1826 Försäkra AB counts as a related legal entity.

1826 Försäkra AB with company registration number 556778-6511 is a wholly-owned subsidiary of Sparbanken Skåne AB (publ). The business of 1826 Försäkra AB included brokerage of insurance and financial services but not activities such as those referred to in the Banking and Financing Business Act (2004:297). Insurance activities were transferred from the subsidiary to the bank effective 1 October 2015 and are now an integral part of the bank.

The bank's related key personnel are board members, senior executives and close family members of these individuals. Transactions with related key personnel have been made on market terms.

The bank collaborates on a large scale with Swedbank AB. This collaboration is governed by a collaboration agreement which is currently valid until 30 June 2020. The agreement covers brokering of mortgage loans to Swedbank Hypotek and brokering of fund & insurance savings, shares, international services and the procurement of IT services.

The three savings bank foundations, 1826, Färs & Frosta and Finn, along with Swedbank, provided credit loss guarantees for the loan portfolios included in the new bank when Sparbanken Skåne was formed.

Definitions

Transaction volume

The bank's transaction volume mainly consists of loans to the general public, brokered loans and credit that has been granted but not yet utilised. Transaction volume also includes savings volumes in the form of deposits from the general public, brokered funds & insurance and customer custody accounts.

CET1 capital ratio

The bank's Common Equity Tier 1 (CET1) capital ratio is the CET1 capital of the bank expressed as a percentage of the Risk Exposure Amount (REA).

The CET1 capital is equal to the bank's equity less goodwill and IRB provisions.

Total capital ratio

The bank's total capital ratio is the capital base of the bank expressed as a percentage of the REA. The capital base comprises the CET1 capital and subordinated liabilities. The regulatory requirement including capital conservation and countercyclical buffers for 2016 was 12%.

Leverage ratio

The bank's leverage ratio is the CET1 capital of the bank expressed as a percentage of the bank's total assets, pledged assets and contingent liabilities. As opposed to the CET1 capital ratio and the total capital ratio, risk weighting of certain assets and contingent liabilities is not taken into consideration. Instead, all exposures are recognised at their nominal amounts.

Loan-to-deposit ratio

Loans to the general public expressed as a percentage of deposits from the general public.

LCR

The Liquidity Coverage Ratio (LCR) is calculated according to the Capital Requirements Regulation (CRR) and Directive (CRD IV). The regulatory requirement for 2016 was 70%, but is increasing gradually and will be 100% starting in 2018. The LCR measures the bank's unencumbered high-quality liquid assets (liquidity reserves) expressed as a percentage of the bank's estimated liquidity needs in a 30 calendar day liquidity stress scenario.

NSFR

The Net Stable Funding Ratio (NSFR) assigns a weight to the bank's assets and funding based on their maturity. Less liquid assets have a more negative impact on the ratio than those that are more liquid. Funding with a longer maturity has a more positive effect on the ratio than funding with a shorter maturity. The main aim of the ratio is to measure the bank's ability to cope with a stress scenario over a one-year time horizon. If the ratio is over 100%, it means that long-term less liquid assets are funded satisfactorily with stable long-term borrowing.

Cost/income ratio before credit losses

The bank's costs (excluding credit losses) expressed as a percentage of the bank's income.

Cost/income ratio after credit losses

The bank's costs (including credit losses) expressed as a percentage of the bank's income.

Cost/income ratio after credit losses excluding dividends, capital gains, impairment losses and goodwill amortisation

The bank's costs excluding impairment losses on financial assets and goodwill amortisation expressed as a percentage of the bank's income excluding dividends and capital gains on disposal of branch offices.

Return on equity

Operating profit net of tax (22%) expressed as a percentage of average equity.

Return on equity excluding dividends, capital gains, impairment losses and goodwill amortisation

The bank's operating profit net of tax (22%), excluding dividends, capital gains on the disposal of branch offices, impairment losses on financial assets and goodwill amortisation, expressed as a percentage of average equity.

Loan loss ratio excluding brokered volumes

Credit losses as a percentage of the opening balance of loans to the general public.

Loan loss ratio including brokered volumes

Credit losses as a percentage of the opening balance of loans to the general public and brokered volumes.

Percentage of impaired loans

Net impaired loans (i.e. taking into account provisions recognised as expenses) as a percentage of loans to the general public.

Average number of employees

The average number of employees (1,730 hours per employee) has been calculated on the basis of the number of hours worked for the bank.

Signatures of board and CEO

The board and CEO hereby affirm that the January–December 2016 Interim Report gives a true and fair view of the bank's business, financial position and results of operations, and describes material risks and uncertainties faced by the bank.

Lund, 31 January 2017

Bertil Engström
Chair

Agneta Erfors
Deputy Chair

Bo Lundgren
Deputy Chair

Pär Frankenius
Board member

Helene Hartman
Board member

Tomas Hedberg
Board member

Jan Larsson
Board member

Johanna Okasmaa Nilsson
Board member

Ingeman Persson
Board member

Ulf Zenk
Board member

Hans Nilsson
Employee representative

Catarina Regebro
Employee representative

Bo Bengtsson
CEO

Auditor's report

Introduction

I have reviewed the year-end report of Sparbanken Skåne AB (publ) for the period from 1 January 2016 to 31 December 2016. The board and CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. It is my responsibility to express an opinion on this interim report based on my review engagement.

Focus and extent of review engagement

I have conducted my review engagement 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 engagement involves making enquiries, mainly to those responsible for financial and accounting issues, performing an analytical review and performing other review procedures. A review engagement has a different focus and is significantly smaller in scale in comparison to the focus and extent of an audit in accordance with the ISA and generally accepted auditing standards. The review procedures performed within the scope of a review engagement do not enable us to obtain assurance that we are aware of all material circumstances that may have been identified if an audit were to be conducted. Consequently, the opinion expressed on the basis of a review engagement does not have the same level of certainty as the opinion expressed on the basis of an audit.

Opinion

On the basis of my review engagement, I have not found any circumstances that give me reason to believe that the interim report has not been prepared in all material respects in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 31 January 2017

Jan Palmqvist
Authorised Public Accountant





Sparbanken Skåne AB (publ)
Street address: Byggmästaregatan 4
Postal address: Box 204, 221 00 Lund, Sweden
Phone: +46 (0)771-12 20 00