



# January–September 2017 Interim Report for Sparbanken Skåne AB (publ)

Lund, 1 November 2017

The third quarter of 2017 was eventful for Sparbanken Skåne. A key milestone was reached with the covered bond issue. The bank's financial performance remains strong with an operating profit excluding goodwill amortisation of SEK 176m for the quarter.

Sparbanken  
Skåne





### Q3 financial summary, July–September 2017

- The bank's operating profit for the quarter was SEK 69m (61)
- Operating profit excluding goodwill amortisation for the July–September period totalled SEK 176m (168)
- Net interest income increased by 2%, amounting to SEK 219m (215)
- Net fee and commission income decreased by 3%, totalling SEK 139m (143)
- The bank's expenses decreased by 4% in the quarter, amounting to SEK 297m (308)
- Credit losses totalled SEK +4m (+8)
- The transaction volume was up 1%, totalling SEK 191bn (189)
- The total capital ratio improved in the quarter to 19.9% (19.3)
- The LCR amounted to 303% (187)

(Comparative figures in parentheses refer to Q2, April–June 2017)

### Key events in Q3 2017

- Continuing net interest income improvement, low credit losses and solid cost controls all helped drive profit upwards.
- The transaction volume increased by 1 percent in the quarter primarily driven by increased savings in funds and insurance, and by strong growth for the bank's deposits and loans.
- The first covered bond issue was completed in late September. The bonds command a AAA rating (Standard & Poor's) and attracted strong investor interest. The issue was oversubscribed.

- The bank's five office properties in Kristianstad were sold to Brinova. Long-term agreements to rent the same properties were signed with Brinova in connection with the transaction.
- A decision was made to change the bank's range of cash handling services. In the future, the bank will provide cash handling services under its partnership with Bankomat and under its procedures for service boxes for corporate and association customers.
- The new Internet Bank is now the standard interface when logging in, which means that all customers now have access to this updated interface.
- Positive economic signals are coming in from small businesses in Skåne. Local housing markets also looked strong in the latest housing index.

### Financial summary, January–September 2017

- The bank's operating profit for the January–September period was SEK 180m (74)
- Operating profit excluding goodwill amortisation for the period totalled SEK 501m (395)
- The transaction volume at 30 September 2017 amounted to SEK 191bn (181)
- The total capital ratio was 19.9% (18.7)
- The CET1 capital ratio amounted to 18.1% (16.9)
- The leverage ratio reached 7.5% (7.8)
- The LCR amounted to 303% (197)

(Comparative figures in parentheses refer to January–September 2016)

# An eventful quarter for the bank

## Sparbanken Skåne continues its strong performance. The bank reported a profit (excluding goodwill amortisation and before tax) of SEK 176m for the third quarter of 2017.

Sparbanken Skåne's financial position continued to improve in the third quarter. Net interest income increased and credit losses remain at a low level. Operating profit before tax totalled SEK 69m for the period. The goodwill amortisation from when the bank was founded in 2014 has continued, with an expense of SEK 107m in the quarter.

The transaction volume at 30 September 2017 was SEK 191bn, a 1 percent increase since 30 June 2017. The Stockholm Stock Exchange lost ground in July and August only to recover in September. The stock exchange gains along with a positive net inflow of savings and loans contributed to the volume growth.

### A key milestone

A key milestone was reached in late September when the first covered bond issue was completed. The bond programme commands a AAA credit rating and the first issue targeting the Swedish financial market amounted to three billion Swedish kronor. The offer attracted great interest and the issue was oversubscribed. The bond programme enables us to diversify our borrowing and reduce future funding risks.

An agreement was signed during the quarter with property company Brinova to sell five office properties in Kristianstad. The bank also signed long-term contracts with Brinova to rent the same properties. Customers won't notice any difference, as they will still find us in the same offices in Kristianstad, but from now on we will rent the space, which will be more efficient than owning it.

The bank obtained upgraded ISO 14001:2015 environmental certification in the summer. This certification sets clear requirements for sustainability efforts – especially how we interact with customers, suppliers and owners to positively influence the direction of the world around us.

### Private segment appeal

We are seeing an inflow of new private customers and additional sales to existing customers. Loan volumes in the residential mortgage segment are on the rise and we are confident in the attractiveness of our offering, which combines individually set terms and conditions with personal advice.

With respect to interest rates, the Swedish central bank (Riksbank) decided to leave the repo rate unchanged at -0.5 percent at its Executive Board meetings in July and September. An interest rate hike will likely not be on the agenda until the middle of next year. We currently recommend that residential mortgage customers with small margins in proportion to their finances lock in the interest rate for at least half of the mortgage.

We are confident about the housing market in Skåne and the loans we have provided to bank customers. The latest Swedbank housing index ranks Kristianstad Municipality number one and Hässleholm number three in terms of the housing purchasing power of Swedish households. This means that the ratio of the cost of housing to disposable income is very good in these municipalities.

### More and more customers using digital services

Roll-out of the new Internet Bank continued in collaboration with Swedbank. Now all customers have access to this updated interface, which works equally well whether you log in from a computer, mobile phone or tablet.

We can also report that our partnership with UtbildningsForum in Skåne is progressing well. Since the start of the partnership last year, no less than 35,000 customers have taken courses in digital services, both the bank's services and other services used in the community such as those of Skatteverket (the Swedish Tax Agency) and Försäkringskassan (the Swedish Social Insurance Agency). UtbildningsForum is run by the bank's three foundation owners, Sparbanksstiftelsen Färs & Frosta, Sparbanksstiftelsen Finn and Sparbanksstiftelsen 1826. The courses are encouraging more and more people to make the move to managing their finances digitally.

In the third quarter, customers were informed at our bank branches that we are changing our range of cash handling services. We will continue providing cash handling services under our partnership with Bankomat in relation to ATMs and deposit ATMs and under our procedures for service boxes for corporate and association customers. Manual cash handling services over the counter were discontinued on 20 October. The reason is that the demand for cash has been experiencing a broad-based decrease for a long time. This trend has accelerated rapidly over the past few years.

### Positive signals from businesses

During the period, Sparbanken Skåne, Swedbank and Företagarna (the Swedish Federation of Business Owners) presented the Small Business Barometer (Småföretagsbarometern), which surveys economic conditions. Profitability is on the rise among small businesses in Skåne and employment is trending better than on the national level. The greatest obstacles to further growth were reported as capacity shortages and difficulty finding labour. As much as 37 percent of small businesses in Skåne report having to turn down orders over the past year.

From the bank's perspective, we are experiencing stable demand for corporate products. The foundation of the bank's offering to corporate customers is Bättre Affärer, a package of the most common services for efficient corporate banking. In addition, we provide expertise in everything from financing and insurance to international transactions and capital placement.

### A bank that adds value

Confidence in the future is high in our area of operation and we definitely see Skåne as a growth region. This opens up many opportunities. We aim for our customers to enjoy not only a strong and secure bank with smart services, but also a bank with high availability and personal service.

Our collaboration with the foundation owners gives our community involvement another dimension as the foundations reinvest the bank's profits in the local community. One of the projects run by the foundations this autumn is Playing Nice Online, a partnership with the Friends organisation to support middle schools in Skåne in their anti-cyberbullying efforts.

Sparbanken Skåne promotes positive, sustainable growth in Skåne. What's good for the region is also good for the bank, our employees and our customers.

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.

## 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.

## Branch structure

Over the summer, the bank's operations in Knislinge were moved to its branch in Broby.

The bank will begin renovation of its bank branch in Hörby in the fourth quarter. Once the renovation is complete, the bank's operations in Löberöd will be moved there. This is planned for 2018.

## Transaction volume

The comparative figures are for the volume at 31 December 2016.

The bank's total transaction volume at 30 September 2017 was SEK 191,342m (183,966). The transaction volume increased by 4 percent for the January–September period.

Deposits from the general public increased in the first nine months of the year, totalling SEK 47,706m (45,671) at 30 September 2017.

The market value of total brokered fund and insurance volumes was SEK 42,401m (38,491). The stock exchange performed well on an overall level throughout the year but especially in September. Along with positive net savings in both funds and insurance, this had a positive effect on volumes.

The positive performance of loans to the general public for the entirety of 2016 continued throughout 2017. Loans to the general public at 30 September 2017 amounted to SEK 55,638m (51,058). 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 mainly to corporate customers. The bank's loans continue to maintain excellent credit quality.

The total loan portfolio brokered to Swedbank Hypotek at 30 September 2017 amounted to SEK 26,125m (28,878).

## Borrowing and liquidity

The bank's liquidity is solid. The bank's main source of funding is deposits. The board resolved to commence a covered bond programme denominated in Swedish kronor (SEK) in the third quarter with a limit of SEK 30 billion in order to further diversify the bank's borrowing. The bank has a medium term note (MTN) programme for long-term funding and a certificate of deposit programme for short-term funding. All bonds are listed on the Nasdaq OMX Nordic Stockholm exchange. More information about the bond programmes can be found at [www.sparbankenskane.se](http://www.sparbankenskane.se).

In late September, the bank issued its first covered bond at a nominal amount of SEK 3,000m with a 5-year maturity and a floating interest rate. The covered bond programme is rated AAA with a stable outlook by credit rating agency S&P Global.

Apart from the aforementioned covered bond, the bank's issued bonds at 30 September 2017 totalled SEK 6,700m (total programme SEK 10,000m), and its issued certificates of deposit

amounted to SEK 1,950m (total programme SEK 4,000m).

The bank regularly issued both bonds and certificates of deposit on the Swedish capital market during the year.

Subordinated liabilities, in the form of fixed-term subordinated loans, totalled SEK 500m at 30 September 2017.

The bank has a partnership with the Nordic Investment Bank (NIB), and the loan programme totalled SEK 500m for on-lending to SMEs, small mid-caps, and environmental projects.

The bank's liquidity reserves at 30 September 2017 amounted to SEK 5,680m (6,031). The liquidity reserves consist of assets that can generate liquidity quickly at predictable values and meet the Liquidity Coverage Ratio (LCR) eligibility requirements of Finansinspektionen (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 bank's LCR increased to 303 percent (187 percent at 30 June 2017). This is mainly due to increased inflows in relation to the covered bonds issued.

The loan-to-deposit ratio at 30 September 2017 was 117 percent (112 percent at year-end 2016).

More information about liquidity reserves and liquidity management is provided in periodic disclosures at [www.sparbankenskane.se/om-sparbanken-skane/finansiell-information/likviditet](http://www.sparbankenskane.se/om-sparbanken-skane/finansiell-information/likviditet).

## Rating

Sparbanken Skåne is rated A- with a negative outlook by credit rating agency S&P Global and Sparbanken Skåne's covered bond programme is rated AAA with a stable outlook by credit rating agency S&P Global.

## Profit

The comparative figures refer to the January–September 2016 period.

Operating profit for 2017 totalled SEK 180m (74). Goodwill amortisation continues to impact profit in the amount of SEK 107m per quarter, 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 12 percent in the first nine months of the year, amounting to SEK 641m (572). The lending volume gains have had a positive impact on net interest income during the year, 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 were charged to net interest income in the amount of SEK 47m (33).

Net fee and commission income for the period totalled SEK 422m (384).

Loan commissions amounted to SEK 139m (137) and are mainly attributable to commissions from Swedbank Hypotek. Securities fees came in at SEK 165m (148). This improvement in securities fees was mainly driven by the strong stock market trend and positive net savings in our funds in the first nine months of the year.

Other fee and commission income amounted to SEK 165m (156). Fee and commission expenses totalled SEK -47m (-57).



Other income amounted to SEK 5m (8). Other income includes a capital gain on the disposal of the bank's property in Knislinge. The bank sold off the rest of its property holdings in the third quarter as well. The buyer possession date was in early October, which means the capital gain of approximately SEK 28m will be recognised as revenue in the fourth quarter. The bank has signed an agreement with property owner Brinova to rent these five properties on market conditions with a lease term of up to 10 years.

General administrative expenses for the first nine months of the year were up 5% year-on-year, totalling SEK 536m (512). Higher IT expenses were mainly responsible for this increase. Personnel expenses amounted to SEK 324m (325), and IT expenses were SEK 132m (109).

The total amount for both the depreciation of tangible assets and the amortisation of intangible assets was SEK 343m (344), and amortisation of intangible assets (goodwill) accounted for SEK 321m (321) of this item.

Credit losses for the first nine months of the year resulted in revenue of SEK +17m (+3). See Note 7, Net credit losses, for more information.

Profit for the period after appropriations and tax totalled SEK 130m (52).

#### Capital ratio

The bank added SEK 384m to its capital base during the year, putting the total value of the capital base at SEK 5,639m (5,255) at 30 September 2017. Goodwill is deducted when calculating 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 first nine months of the year via a lower deduction for goodwill and the verified profit for the first half of 2017.

The Risk Exposure Amount (REA) was SEK 28,333m (27,761). 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 increased during the year due to higher excess liquidity.

The REA for credit risk at 30 September 2017 totalled SEK 26,200m. SEK 8,787m of this item was calculated using the Internal Ratings-Based (IRB) approach to credit risk and SEK 17,413m was calculated using the standardised approach to credit risk.

The REA for operational risk at 30 September was SEK 2,132m (2,325) and the REA for credit valuation adjustment amounted to SEK 1m (2).

The total capital ratio was thus 19.9 percent at 30 September 2017 (18.9) and the CET1 capital ratio was 18.1 percent (17.1).

The bank thus improved its capital situation during the year.

The leverage ratio was 7.5 percent (7.8) at 30 September 2017.

For more information about capital adequacy calculations, see Note 15, 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 third quarter of 2017.

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

In October 2016, Finansinspektionen (The Swedish Financial Supervisory Authority) started an investigation into the compliance of several banks with money laundering regulations, including Sparbanken Skåne. The bank received a letter (avstämningsskrivelse) from Finansinspektionen in February outlining a number of deficiencies. The bank has been working to remedy these deficiencies, some of them since the bank was formed. Finansinspektionen has not yet announced a decision on this case, which is currently up for consideration by the Legal Department.

#### Events after the reporting period

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

Financial ratios	9/2017	6/2017	3/2017	12/2016	9/2016
<b>Volume</b>					
Transaction volume, millions of SEK	191,342	189,552	187,339	183,966	181,355
<b>Capital and liquidity</b>					
CET1 capital ratio	18.1%	17.5%	17.4%	17.1%	16.9%
Total capital ratio	19.9%	19.3%	19.2%	18.9%	18.7%
Leverage ratio	7.5%	7.7%	7.7%	7.8%	7.8%
Loan-to-deposit ratio	1.17	1.15	1.16	1.12	1.09
LCR	303%	187%	181%	186%	197%
NSFR	137%	139%	141%	143%	144%
<b>Profit</b>					
Cost/income ratio before credit losses	0.85	0.86	0.87	0.90	0.92
Cost/income ratio after credit losses	0.83	0.85	0.86	0.92	0.92
Cost/income ratio after credit losses excluding dividends, capital gains and goodwill amortisation	0.54	0.55	0.56	0.60	0.59
Return on equity	3.1%	2.9%	2.6%	1.5%	1.3%
Return on equity excluding dividends, capital gains and goodwill amortisation	8.7%	8.5%	8.3%	7.1%	7.0%
<b>Impaired loans and credit losses</b>					
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	0.1%	0.1%	0.2%	0.3%	0.2%
<b>Other disclosures</b>					
Average number of employees	494	516	536	519	511

The financial ratios are defined on page 22.

## Quarterly comparison

Income statement	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Thousands of SEK					
Net interest income	218,680	214,716	207,926	205,645	197,617
Dividends received	-	516	500	4,400	-
Net fees and commissions	139,221	142,828	140,368	152,431	126,421
Net gain/loss from financial transactions	1,567	1,029	6,899	9,534	936
Other operating income	2,336	1,602	937	1,891	1,699
<b>Total net interest income and operating income</b>	<b>361,804</b>	<b>360,691</b>	<b>356,630</b>	<b>373,901</b>	<b>326,673</b>
General administrative expenses	-171,454	-181,847	-182,208	-190,646	-156,564
Depreciation and amortisation	-114,179	-114,415	-114,420	-114,987	-114,860
Other expenses	-11,358	-11,544	-15,290	-16,822	-11,803
Credit losses	4,299	8,081	4,909	-12,447	-920
Impairment losses on financial assets	-	-	-	-200	-
<b>Total expenses</b>	<b>-292,692</b>	<b>-299,725</b>	<b>-307,009</b>	<b>-335,102</b>	<b>-284,147</b>
<b>Operating profit/loss</b>	<b>69,112</b>	<b>60,966</b>	<b>49,621</b>	<b>38,799</b>	<b>42,526</b>
Appropriations	-	-	-	-4,200	-
Taxes	-18,873	-17,010	-13,914	-10,416	-12,710
<b>Profit/loss for the period</b>	<b>50,239</b>	<b>43,956</b>	<b>35,707</b>	<b>24,183</b>	<b>29,816</b>

Balance sheet	30/09/2017	30/06/2017	31/03/2017	31/12/2016	30/09/2016
Thousands of SEK					
Loans to credit institutions	1,290,651	1,694,512	1,564,417	769,340	1,200,947
Loans to the general public	55,638,490	54,457,885	52,773,784	51,058,129	49,080,451
Fixed-income securities	4,364,113	4,469,515	4,466,090	4,684,788	4,706,713
Goodwill	699,012	805,974	912,936	1,019,898	1,126,859
Other assets	4,828,096	1,783,814	1,517,129	1,565,331	1,464,185
<b>Total assets</b>	<b>66,820,362</b>	<b>63,211,700</b>	<b>61,234,356</b>	<b>59,097,486</b>	<b>57,579,155</b>
Liabilities to credit institutions	568,687	581,561	633,100	77,830	107,502
Deposits from the general public	47,705,567	47,184,932	45,608,373	45,671,408	45,076,560
Debt securities issued and subordinated liabilities	12,187,132	9,145,103	8,744,141	7,144,597	6,146,190
Other liabilities	359,967	352,157	352,231	305,467	377,299
Equity	5,999,009	5,947,947	5,896,511	5,898,184	5,871,604
<b>Total liabilities, provisions and equity</b>	<b>66,820,362</b>	<b>63,211,700</b>	<b>61,234,356</b>	<b>59,097,486</b>	<b>57,579,155</b>

# Income statement

Income statement	Note	Q3 2017	Q2 2017	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Thousands of SEK								
Interest income		247,494	246,445	0%	730,525	649,309	13%	879,067
Interest expenses		-28,813	-31,729	-9%	-89,202	-77,022	16%	-101,135
<b>Net interest income</b>	<b>3</b>	<b>218,680</b>	<b>214,716</b>	<b>2%</b>	<b>641,322</b>	<b>572,287</b>	<b>12%</b>	<b>777,932</b>
Dividends received		-	516	-	1,016	8,490	-88%	12,890
Fee and commission income	4	154,096	159,656	-3%	469,058	441,472	6%	610,836
Fee and commission expenses	5	-14,875	-16,828	-12%	-46,641	-57,045	-18%	-73,978
Net gain/loss from financial transactions	6	1,567	1,029	52%	9,495	4,026	-	13,560
Other operating income		2,336	1,602	46%	4,875	8,073	-40%	9,964
<b>Total net interest income and operating income</b>		<b>361,804</b>	<b>360,691</b>	<b>0%</b>	<b>1,079,125</b>	<b>977,303</b>	<b>10%</b>	<b>1,351,204</b>
General administrative expenses		-171,454	-181,847	-6%	-535,509	-512,349	5%	-702,995
Depreciation of tangible assets and amortisation of intangible assets		-114,179	-114,415	0%	-343,014	-343,591	0%	-458,578
Other operating expenses		-11,358	-11,544	-2%	-38,192	-43,736	-13%	-60,558
<b>Total expenses before credit losses</b>		<b>-296,991</b>	<b>-307,806</b>	<b>-4%</b>	<b>-916,715</b>	<b>-899,676</b>	<b>2%</b>	<b>-1,222,131</b>
<b>Profit/loss before credit losses</b>		<b>64,813</b>	<b>52,885</b>	<b>23%</b>	<b>162,410</b>	<b>77,627</b>	<b>-</b>	<b>129,073</b>
Net credit losses	7	4,299	8,081	-47%	17,289	3,152	-	-9,295
Impairment losses on financial assets		-	-	-	-	-6,786	-	-6,986
<b>Operating profit/loss</b>		<b>69,112</b>	<b>60,966</b>	<b>13%</b>	<b>179,699</b>	<b>73,993</b>	<b>-</b>	<b>112,792</b>
Appropriations		-	-	-	-	-	-	-4,200
Tax on profit for the period		-18,873	-17,010	11%	-49,797	-22,280	-	-32,696
<b>Profit/loss for the period</b>		<b>50,239</b>	<b>43,956</b>	<b>14%</b>	<b>129,902</b>	<b>51,713</b>	<b>-</b>	<b>75,896</b>
<b>Statement of comprehensive income</b>								
Thousands of SEK								
<b>Profit/loss for the period</b>		<b>50,239</b>	<b>43,956</b>	<b>14%</b>	<b>129,902</b>	<b>51,713</b>	<b>-</b>	<b>75,896</b>
<b>Other comprehensive income</b>								
<b>Items that are or may be reclassified to profit or loss for the period</b>								
Net change in fair value of available-for-sale financial assets		613	10,031	-94%	6,309	31,037	-80%	37,273
Change in fair value of available-for-sale financial assets reclassified to profit or loss for the period		-2,252	-441	-	-	-1,443	-	-3,163
Tax attributable to financial assets that may be reclassified to profit or loss for the period.		-232	-2,110	-89%	-1,388	-6,828	-80%	-7,504
<b>Other comprehensive income for the period</b>		<b>822</b>	<b>7,480</b>	<b>-89%</b>	<b>4,921</b>	<b>22,766</b>	<b>-78%</b>	<b>26,606</b>
<b>Comprehensive income for the period</b>		<b>51,061</b>	<b>51,436</b>	<b>-1%</b>	<b>134,823</b>	<b>74,479</b>	<b>-</b>	<b>102,502</b>



# Balance sheet

Balance sheet	Note	30/09/2017	31/12/2016	30/09/2016
Thousands of SEK				
<b>Assets</b>				
Cash		21,537	34,176	22,734
Treasury bills and other bills eligible for refinancing with central banks		1,434,361	1,482,361	1,481,602
Loans to credit institutions		1,290,651	769,340	1,200,947
Loans to the general public	8	55,638,490	51,058,129	49,080,451
Bonds and other fixed-income securities		2,929,752	3,202,427	3,225,111
Shareholdings and investments		48,320	44,712	43,935
Shareholdings and investments in group companies		-	100	300
Derivatives		46	218	378
Intangible assets		699,012	1,019,898	1,126,859
Tangible assets		203,618	218,010	220,804
Current tax assets		1,255,136	1,049,628	1,018,242
Other assets	9	3,048,324	5,467	18,396
Prepaid expenses and accrued income		251,115	213,020	139,396
<b>Total assets</b>		<b>66,820,362</b>	<b>59,097,486</b>	<b>57,579,155</b>
<b>Liabilities, provisions and equity</b>				
Liabilities to credit institutions		568,687	77,830	107,502
Deposits from the general public	10	47,705,567	45,671,408	45,076,560
Debt securities issued and related items	11	11,687,132	6,644,597	5,646,190
Derivatives		60,009	87,643	109,726
Deferred tax liabilities		9,038	10,804	10,851
Other liabilities		96,172	68,242	86,683
Accrued expenses and deferred income		147,680	93,723	125,951
Provisions		47,068	45,055	44,088
Subordinated liabilities		500,000	500,000	500,000
<b>Total liabilities and provisions</b>		<b>60,821,353</b>	<b>53,199,302</b>	<b>51,707,551</b>
<b>Equity</b>				
<b>Restricted equity</b>				
Share capital (16,683,364 shares and quotient value SEK 100)		1,668,336	1,668,336	1,668,336
Statutory reserve		109,196	109,196	109,196
<b>Total</b>		<b>1,777,532</b>	<b>1,777,532</b>	<b>1,777,532</b>
<b>Non-restricted equity</b>				
Share premium reserve		3,188,631	3,188,631	3,188,631
Fair value reserve		5,532	611	-1,786
Retained earnings		897,411	855,514	855,514
Profit/loss for the period		129,903	75,896	51,713
<b>Total</b>		<b>4,221,477</b>	<b>4,120,652</b>	<b>4,094,072</b>
<b>Total equity</b>		<b>5,999,009</b>	<b>5,898,184</b>	<b>5,871,604</b>
<b>Total liabilities, provisions and equity</b>		<b>66,820,362</b>	<b>59,097,486</b>	<b>57,579,155</b>
<b>Other notes</b>				
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# 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 period	
<b>Balance at 1 January 2016</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>-25,995</b>	<b>775,663</b>	<b>114,072</b>	<b>5,829,903</b>
<b>Appropriation of profit as per AGM resolution</b>							
Amount carried forward	-	-	-	-	79,851	-79,851	-
Transactions with owners in the form of dividends	-	-	-	-	-	-34,221	-34,221
Profit/loss for the period	-	-	-	-	-	51,713	51,713
Other comprehensive income for the period	-	-	-	24,209	-	-	24,209
Comprehensive income for the period	-	-	-	-	-	-	75,922
<b>Balance at 30 September 2016</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>-1,786</b>	<b>855,514</b>	<b>51,713</b>	<b>5,871,604</b>
<b>Balance at 1 January 2016</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>-25,995</b>	<b>775,663</b>	<b>114,072</b>	<b>5,829,903</b>
<b>Appropriation of profit as per AGM resolution</b>							
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
<b>Balance at 31 December 2016</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>611</b>	<b>855,514</b>	<b>75,896</b>	<b>5,898,184</b>
<b>Balance at 1 January 2017</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>611</b>	<b>855,514</b>	<b>75,896</b>	<b>5,898,184</b>
<b>Appropriation of profit as per AGM resolution</b>							
Amount carried forward	-	-	-	-	41,896	-41,896	-
Transactions with owners in the form of dividends	-	-	-	-	-	-34,000	-34,000
Profit/loss for the period	-	-	-	-	-	129,902	129,902
Other comprehensive income for the period	-	-	-	4,921	-	-	4,921
Comprehensive income for the period	-	-	-	-	-	-	134,824
<b>Balance at 30 September 2017</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>5,532</b>	<b>897,410</b>	<b>129,902</b>	<b>5,999,007</b>

## 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, as in 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, meaning the amount available for distribution to shareholders.

# Statement of cash flows

Indirect method	30/09/2017	31/12/2016	30/09/2016
Thousands of SEK			
<b>Cash flows from operating activities</b>			
Operating profit/loss	179,699	112,792	73,993
Net change in accrued cost for the period	13,195	12,610	9,652
Unrealised share of net gain from financial transactions	-1,499	11,686	17,861
Depreciation and amortisation	343,014	458,578	343,591
Credit losses	-14,429	12,426	-559
Group contributions	0	-4,200	-
Tax paid	-258,459	-1,065,955	-1,023,093
<b>Cash flows from operating activities before changes in working capital</b>	<b>261,521</b>	<b>-462,063</b>	<b>-578,555</b>
<b>Cash flow from changes in working capital</b>			
Increase/decrease in loans to the general public (-/+)	-4,581,510	-9,811,996	-7,805,569
Increase/decrease in securities (-/+)	306,359	709,981	687,879
Increase/decrease in deposits from the general public (+/-)	2,034,159	3,164,095	2,569,247
Increase/decrease in liabilities to credit institutions (+/-)	490,857	-158,448	-128,776
Net change in other assets and liabilities	-2,999,725	-78,954	32,343
<b>Net cash used in operating activities</b>	<b>-4,488,339</b>	<b>-6,637,385</b>	<b>-5,223,431</b>
<b>Cash flows from investing activities</b>			
Disposal/redemption of financial assets	-1,495	44,292	44,102
Sale of tangible assets	523	1,758	1,063
Acquisition of tangible assets	-8,259	-34,796	-28,869
<b>Net cash from (used in) investing activities</b>	<b>-9,231</b>	<b>11,254</b>	<b>16,296</b>
<b>Cash flows from financing activities</b>			
Issue of fixed-income securities	7,590,499	8,444,018	5,796,314
Redemption of fixed-income securities	-2,550,257	-4,495,491	-2,846,618
Dividends paid	-34,000	-34,222	-34,222
<b>Net cash from financing activities</b>	<b>5,006,242</b>	<b>3,914,305</b>	<b>2,915,474</b>
<b>Cash flow for the period</b>	<b>508,672</b>	<b>-2,711,826</b>	<b>-2,291,661</b>
Cash and cash equivalents at beginning of period	803,516	3,515,342	3,515,342
<b>Cash and cash equivalents at end of period</b>	<b>1,312,188</b>	<b>803,516</b>	<b>1,223,681</b>
The following subcomponents are included in cash and cash equivalents			
Cash	21,537	34,176	22,734
Loans to credit institutions	1,290,651	769,340	1,200,947
<b>Balance sheet total</b>	<b>1,312,188</b>	<b>803,516</b>	<b>1,223,681</b>
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	730,525	879,067	649,309
Interest paid including cost of deposit insurance and resolution/stability fee	-89,202	-101,135	-77,022
Dividends received	1,016	12,890	8,490

# 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), Finansinspektionen'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. 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 2016 Annual Report.

The bank sold off its remaining owner-occupied property in the third quarter. The buyer possession date was in early October. This property will continue to be recognised at cost less depreciation in the interim report in accordance with the exemption rules of RFR2.

### New IFRSs and interpretations not yet effective

#### IFRS 9 Financial Instruments

IFRS 9 will be effective for annual periods beginning on or after 1 January 2018 and contains new rules for the recognition of expected credit losses, the classification and measurement of financial assets, and hedge accounting.

The bank continued working on IFRS 9 implementation during the year. The introduction of new rules for recognising expected credit losses will result in the greatest change. The bank expects that impairment for credit losses will increase, which will cause the equity reported to decrease. This in turn will have a negative impact on the bank's capital base. However, much work is being put into proposals to amend the capital adequacy rules by phasing the decrease in reported equity under the new rules into the capital adequacy calculation for a period lasting until 2022. System design and implementation make up a substantial part of the implementation of the new rules for expected credit losses. This system is being developed mainly in collaboration with Swedbank but also with other external suppliers. The bank will gain access to a customised system from system supplier Swedbank in the fourth quarter. The bank has therefore not yet been able to quantify the effects of the new rules.

The bank has also worked on pinpointing a business model and analysing cash flows in its work to implement the new IFRS 9 rules on classification and measurement. Given that this project is not yet complete, the bank has been unable to come to any conclusions about how its accounting policies for 2018 onwards will be affected or if there will be any impact on the bank's capital requirements, capital base and major exposures.

The bank has not made a decision about whether the IFRS 9 hedge accounting policies will be applied as of 2018. The bank's preliminary assessment is that the changes will not impact the amounts reported in the annual report nor have any impact on the capital requirements, capital base and major exposures.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers becomes effective for annual periods beginning on or after 1 January 2018. The standard contains a single model for revenue recognition from contracts with customers not covered by other standards. The bank estimates that the standard will not have any material impact on the bank's financial statements nor its capital requirements, capital base and major exposures, except for expanded disclosure requirements.

#### New IFRS 16 Leases

IFRS 16 Leases will replace the existing IFRSs related to lease recognition starting in 2019, including IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. According to the Swedish Financial Reporting Board, the application of IFRS 16 is not required for single-entity financial reports. Given that the bank only prepares single-entity financial statements and not consolidated financial statements, IFRS 16 will not have any impact on the amounts reported in the financial statements or on the capital requirements, capital base and major exposures.

#### Changed definition of unsettled loans

Unsettled loans have been defined in Note 8 since 1 April 2017 as loans for which interest, repayments and overdrafts have been overdue for more than 90 days. The previous limit was 60 days. This change has only marginally impacted the amounts reported. The comparative figures have not been restated.

## 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.

<b>Note 3</b>	<b>Net interest income</b>	<b>Jan-Sep 2017</b>	<b>Jan-Sep 2016</b>	<b>Full year 2016</b>	
Thousands of SEK					
<b>Interest income</b>					
	Loans to credit institutions	737	483	646	53%
	Loans to the general public	766,998	687,898	933,804	11%
	Fixed-income securities	-5,297	-4,182	-6,062	27%
	Derivatives	-31,912	-36,013	-52,055	-11%
	Other interest expenses	-1	1,123	2,734	-
	<b>Total</b>	<b>730,525</b>	<b>649,309</b>	<b>879,067</b>	<b>13%</b>
	Share of interest income from financial items not measured at fair value through profit or loss	762,437	685,322	931,122	11%
	Share of interest income from impaired loans	4,252	6,180	8,194	-100%
<b>Interest expenses</b>					
	Liabilities to credit institutions	-9,044	-10,481	-12,918	-14%
	Deposits from the general public	-46,222	-44,187	-59,141	5%
	- expenses for deposit insurance	-34,890	-28,277	-38,057	23%
	Fixed-income securities	-16,704	-11,365	-15,046	47%
	Subordinated liabilities	-5,540	-5,882	-7,786	-6%
	Other interest expenses	-11,692	-5,107	-6,244	-
	<b>Total</b>	<b>-89,202</b>	<b>-77,022</b>	<b>-101,135</b>	<b>16%</b>
	Share of interest expenses from financial items not measured at fair value through profit or loss	-89,202	-77,022	-101,135	16%
	<b>Total net interest income</b>	<b>641,322</b>	<b>572,287</b>	<b>777,932</b>	<b>12%</b>

<b>Note 4</b>	<b>Fee and commission income</b>	<b>Jan-Sep 2017</b>	<b>Jan-Sep 2016</b>	<b>Full year 2016</b>	
Thousands of SEK					
	Payment intermediation fees	64,975	67,158	90,431	-3%
	Loan commissions	138,754	137,284	192,692	1%
	Deposit commissions	46,363	39,199	58,941	18%
	Commissions for financial guarantees issued	2,343	2,172	3,013	8%
	Securities fees	165,193	148,158	201,683	11%
	Other fees and commissions	51,430	47,501	64,076	8%
	<b>Total</b>	<b>469,058</b>	<b>441,472</b>	<b>610,836</b>	<b>6%</b>

<b>Note 5</b>	<b>Fee and commission expenses</b>	<b>Jan-Sep 2017</b>	<b>Jan-Sep 2016</b>	<b>Full year 2016</b>	
Thousands of SEK					
	Payment intermediation fees	-27,024	-29,869	-39,408	-10%
	Securities fees	-16,065	-15,556	-21,853	3%
	Other fees and commissions	-3,552	-11,620	-12,717	-69%
	<b>Total</b>	<b>-46,641</b>	<b>-57,045</b>	<b>-73,978</b>	<b>-18%</b>

<b>Note 6</b>	<b>Net gain/loss from financial transactions</b>	<b>Jan-Sep 2017</b>	<b>Jan-Sep 2016</b>	<b>Full year 2016</b>	
Thousands of SEK					
	Shareholdings/investments	34	-102	-4,672	-
	Fixed-income securities	-5,417	11,721	18,503	-
	Other financial instruments	11,222	-9,770	-3,424	-
	Exchange rate fluctuations	3,656	2,177	3,153	68%
	<b>Total</b>	<b>9,495</b>	<b>4,026</b>	<b>13,560</b>	<b>-</b>

	<b>Jan-Sep 2017</b>	<b>Jan-Sep 2016</b>	<b>Full year 2016</b>		
<b>Net gain/net loss by valuation category</b>					
	Financial assets at fair value through profit or loss	-7,669	10,176	10,668	-
	Capital gain on available-for-sale financial assets	2,286	1,443	3,163	58%
	Ineffective portion of fair value hedge	667	775	902	-14%
	Derivatives intended for risk management, no hedge accounting	10,555	-10,545	-4,326	-
	Change in fair value of derivatives used as hedging instruments in a fair value hedge	15,578	1,642	17,405	-
	Change in fair value of hedged item attributable to the hedged risk in fair value hedges	-15,578	-1,642	-17,405	-
	Exchange rate fluctuations	3,656	2,177	3,153	68%
	<b>Total</b>	<b>9,495</b>	<b>4,026</b>	<b>13,560</b>	<b>-</b>

<b>Note 7</b>	<b>Net credit losses</b>	<b>Jan-Sep 2017</b>	<b>Jan-Sep 2016</b>	<b>Full year 2016</b>	
Thousands of SEK					
<b>Specific impairment, individually assessed loans</b>					
	Write-off of realised credit losses for the period	-32,387	-38,018	-60,181	-15%
	Reversal of previous impairment of credit losses recognised as realised losses in the financial statements for the period	30,477	28,845	48,305	6%
	Impairment of credit losses for the period	-25,229	-42,426	-82,945	-41%
	Amount received for previously realised credit losses	2,437	2,396	2,888	2%
	Reversal of impairment of credit losses no longer necessary	63,055	63,593	80,989	-12%
	<b>Net cost for the period for individually assessed loans</b>	<b>38,353</b>	<b>14,390</b>	<b>-10,944</b>	<b>118%</b>
<b>Homogeneous groups of loans assessed in groups with a limited value and similar credit risk</b>					
	Write-off of realised credit losses for the period	-1,809	-3,091	-4,508	-41%
	Amount received for credit losses realised in previous years	423	197	243	-
	Allocation to/release of credit loss reserve	738	608	866	21%
	<b>Net cost for the period for homogenous loans assessed in groups</b>	<b>-648</b>	<b>-2,286</b>	<b>-3,399</b>	<b>-72%</b>
<b>Contingent liabilities</b>					
	Net cost for the period for settlement of guarantees and other contingent liabilities	-20,416	-8,952	5,048	50%
	<b>Net cost for the period for credit losses</b>	<b>17,289</b>	<b>3,152</b>	<b>-9,295</b>	<b>-</b>

**Note 8** Loans to the general public

	30/09/2017	31/12/2016	30/09/2016
Thousands of SEK			
Gross loans			
- public sector	45,938	31,736	32,435
- corporate sector	15,681,824	15,418,106	15,463,140
- retail sector	39,999,726	35,728,748	33,698,482
- sole proprietors	11,134,719	10,778,571	10,370,351
- other sectors	-	-	2,603
<b>Total</b>	<b>55,727,488</b>	<b>51,178,590</b>	<b>49,196,660</b>
Sub-items of gross revenue:			
Unsettled loans included in impaired loans	68,136	102,870	117,766
- corporate sector	29,298	63,779	75,370
- retail sector	38,838	39,091	42,396
Impaired loans	176,711	303,448	293,684
- corporate sector	144,664	249,746	235,325
- retail sector	32,047	53,702	58,359
Subtracted by:			
Specific impairment, individually assessed loans	119,332	165,634	176,889
- corporate sector	100,037	138,612	148,835
- retail sector	19,295	27,022	28,054
Impairment of homogeneous groups of loans assessed in groups	3,743	4,482	4,739
- retail sector	3,743	4,482	4,739
Loans, net carrying amount	55,604,413	51,008,474	49,015,032
Change in fair value of hedged amount in portfolio hedge	34,077	49,655	65,419
<b>Total</b>	<b>55,638,490</b>	<b>51,058,129</b>	<b>49,080,451</b>

## Definitions:

Unsettled loans are loans for which interest, repayments and overdrafts have been overdue for more than 90 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 9** Other assets

Other assets include a receivable from covered bond proceeds amounting to SEK 3,041,220 thousand.

**Note 10** Deposits from the general public

	30/09/2017	31/12/2016	30/09/2016
Thousands of SEK			
The general public			
- Swedish currency	47,391,349	45,361,528	44,784,846
- foreign currency	314,218	309,880	291,714
<b>Total</b>	<b>47,705,567</b>	<b>45,671,408</b>	<b>45,076,560</b>
Deposits per customer category, excluding bank cheques			
Public sector	1,157,442	1,091,190	1,113,743
Corporate sector	8,661,339	8,596,321	7,954,975
Retail sector	37,164,628	35,286,339	35,273,993
- sole proprietors	6,086,782	5,948,002	5,836,320
Other interest expenses	655,833	620,129	663,048
<b>Total</b>	<b>47,639,242</b>	<b>45,593,979</b>	<b>45,005,759</b>

<b>Note 11</b>	<b>Debt securities issued and related items</b>	<b>30/09/2017</b>	<b>31/12/2016</b>	<b>30/09/2016</b>
Thousands of SEK				
	Certificates of deposit	1,950,316	949,995	1,149,956
	Bond loans	6,695,596	5,694,602	4,496,234
	Covered bonds	3,041,220	-	-
	<b>Total</b>	<b>11,687,132</b>	<b>6,644,597</b>	<b>5,646,190</b>
<b>Changes during the period</b>				
		<b>Jan-Sep 2017</b>	<b>Jan-Dec 2016</b>	<b>Jan-Sep 2016</b>
	Issued	7,590,499	8,244,018	5,796,314
	Matured	-2,547,964	-4,297,262	-2,847,965
	<b>Change</b>	<b>5,042,535</b>	<b>3,946,756</b>	<b>2,948,349</b>

<b>Note 12</b>	<b>Derivatives</b>	<b>30/09/2017</b>		<b>31/12/2016</b>	
Sparbanken Skåne uses financial hedges to protect itself from interest rate and currency risks. Derivative instruments comprise interest rate swaps, interest rate caps and currency forwards.					
SEK thousand		<b>Nominal amount</b>	<b>Fair value</b>	<b>Nominal amount</b>	<b>Fair value</b>
<b>Derivative instruments with positive fair values</b>					
	Fixed-income contracts	469,000	47	514,000	218
	<b>Total derivative instruments with positive fair values</b>	<b>469,000</b>	<b>47</b>	<b>514,000</b>	<b>218</b>
<b>Derivative instruments with negative fair values</b>					
	Fixed-income contracts	2,341,200	60,009	2,114,025	87,643
	Currency contracts	313,386	-	396,834	-
	<b>Total derivative instruments with negative fair values</b>	<b>2,654,586</b>	<b>60,009</b>	<b>2,510,859</b>	<b>87,643</b>

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 13 Financial assets and liabilities	30/09/2017			31/12/2016		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Thousands of SEK						
Cash	21,537	21,537	-	34,176	34,176	-
Treasury bills and other bills eligible for refinancing with central banks	1,434,361	1,434,361	-	1,482,361	1,482,361	-
Loans to credit institutions	1,290,651	1,290,651	-	769,340	769,340	-
Loans to the general public	55,953,424	55,638,490	314,934	51,386,766	51,058,129	328,637
Bonds and other fixed-income securities	2,929,752	2,929,752	-	3,202,427	3,202,427	-
Shareholdings and investments	48,320	48,320	-	44,812	44,812	-
Derivatives	46	46	-	218	218	-
Accrued income	220,170	220,170	-	171,173	171,173	-
Other financial assets	7,105	7,105	-	5,469	5,469	-
<b>Total</b>	<b>61,905,366</b>	<b>61,590,432</b>	<b>314,934</b>	<b>57,096,742</b>	<b>56,768,105</b>	<b>328,637</b>
Liabilities to credit institutions	568,687	568,687	-	77,830	77,830	-
Deposits from the general public	47,720,996	47,705,567	15,429	45,683,959	45,671,408	12,551
Debt securities issued and related items	11,687,132	11,687,132	-	6,644,597	6,644,597	-
Derivatives	60,009	60,009	-	87,643	87,643	-
Other financial liabilities	84,333	84,333	-	50,882	50,882	-
Accrued expenses	138,922	138,922	-	90,182	90,182	-
Subordinated liabilities	500,000	500,000	-	500,000	500,000	-
<b>Total</b>	<b>60,760,079</b>	<b>60,744,650</b>	<b>15,429</b>	<b>53,135,093</b>	<b>53,122,542</b>	<b>12,551</b>

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

#### 30/09/2017

Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills and other bills eligible for refinancing with central banks	1,434,361	-	-	1,434,361
Bonds and related items	2,883,242	24,370	22,140	2,929,752
Shareholdings and investments	-	-	48,320	48,320
Other assets - derivatives	-	46	-	46
<b>Total</b>	<b>4,317,603</b>	<b>24,416</b>	<b>70,460</b>	<b>4,412,479</b>
Other liabilities - derivatives	-	60,009	-	60,009
<b>Total</b>	<b>-</b>	<b>60,009</b>	<b>-</b>	<b>60,009</b>

#### 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
<b>Total</b>	<b>4,618,555</b>	<b>35,858</b>	<b>75,405</b>	<b>4,729,818</b>
Other liabilities - derivatives	-	87,643	-	87,643
<b>Total</b>	<b>-</b>	<b>87,643</b>	<b>-</b>	<b>87,643</b>

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 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.

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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	2,214	-2,214
Discount rate	-291	296

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 2017	30,593	44,812	75,405
Disposals	-	-	-
Cost - acquisitions	-	3,508	3,508
Total gains and losses recognised	-	-	-
- recognised in profit for the period	-8,453	-	-8,453
Closing balance at 30 September 2017	22,140	48,320	70,460
Gains and losses recognised in profit or loss for assets included in the closing balance at 30 September 2017	-8,453	-	-8,453

#### 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:

#### 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 fixed-income 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, meaning 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 14 Pledged assets, contingent liabilities and commitments	30/09/2017	31/12/2016	30/9/2016
Thousands of SEK			
Pledged assets			
Loans *	3,924,246	-	-
Other pledged assets	49,259	37,351	36,573
Contingent liabilities	629,816	634,329	634,695
Commitments	6,291,988	6,327,173	6,236,808

\* The pledge is defined as the borrower's nominal debt including accrued interest. Refers to the loans of the total available collateral that are used as the pledge at each point in time.

**Note 15** Capital adequacy analysis

**Capital base**

Thousands of SEK	30/09/2017	31/12/2016	30/9/2016
CET1 capital	5,139,277	4,755,203	4,613,720
Tier 2 capital	500,000	500,000	500,000
<b>Net capital base</b>	<b>5,639,277</b>	<b>5,255,203</b>	<b>5,113,720</b>

**Capital requirements and Risk Exposure Amounts**

	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
- IRB approach	702,964	8,787,047	712,127	8,901,586	689,242	8,615,530
- standardised approach	1,393,070	17,413,376	1,322,630	16,532,870	1,310,563	16,382,041
Capital requirement for operational risk	170,532	2,131,644	185,988	2,324,849	185,988	2,324,849
Credit valuation adjustment	98	1,225	172	2,150	170	2,125
<b>Total capital requirements and Risk Exposure Amounts</b>	<b>2,266,663</b>	<b>28,333,292</b>	<b>2,220,916</b>	<b>27,761,455</b>	<b>2,185,964</b>	<b>27,324,545</b>
CET1 capital ratio	18.1%		17.1%		16.9%	
Tier 1 capital ratio	18.1%		17.1%		16.9%	
<b>Total capital ratio</b>	<b>19.9%</b>		<b>18.9%</b>		<b>18.7%</b>	

**Buffer requirement**

	4.5%	1,133,332	14,166,646	3.5%	1,110,458	13,880,728	4.0%	87,439	1,092,982
- capital conservation buffer	2.5%	708,332	8,854,154	2.5%	694,036	8,675,455	2.5%	54,649	683,114
- countercyclical capital buffer	2.0%	566,666	7,083,323	1.5%	416,422	5,205,273	1.5%	32,789	409,868
CET1 capital available for use as buffer	11.9%	3,372,614		10.9%	3,034,287		8.9%	2,427,756	
<b>Total internally assessed capital requirement (excluding buffer requirement)</b>		<b>3,096,976</b>			<b>2,896,409</b>			<b>2,885,961</b>	

**Capital base**

The board's proposed appropriation of profit is included in the capital base.

Thousands of SEK	30/09/2017	31/12/2016	30/09/2016
<b>CET1 capital: Instruments and reserves</b>			
Share capital	1,668,336	1,668,336	1,668,336
Statutory reserve	109,196	109,196	109,196
Share premium reserve	3,188,631	3,188,631	3,188,631
Fair value reserve	-	-	-1,786
Retained earnings	897,411	855,514	855,514
Verified profit less proposed appropriation of profit and predictable expenses	55,764	41,896	-
<b>CET1 capital before regulatory adjustments</b>	<b>5,919,338</b>	<b>5,863,573</b>	<b>5,819,891</b>
<b>CET1 capital: regulatory adjustments</b>			
Intangible assets, deferred tax assets and value adjustments	-713,652	-1,033,862	-1,141,137
Deduction of IRB provisions (see disclosure below)	-66,409	-74,508	-65,034
<b>Total regulatory adjustments to CET1 capital</b>	<b>-780,061</b>	<b>-1,108,370</b>	<b>-1,206,171</b>
<b>CET1 capital</b>	<b>5,139,277</b>	<b>4,755,203</b>	<b>4,613,720</b>

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	30/09/2017		31/12/2016		30/09/2016	
<b>Tier 2 capital: Instruments</b>						
Fixed-term subordinated loans	500,000		500,000		500,000	
<b>Tier 2 capital</b>	<b>500,000</b>		<b>500,000</b>		<b>500,000</b>	
<b>Capital base</b>	<b>5,639,277</b>		<b>5,255,203</b>		<b>5,113,720</b>	
<b>Special disclosures</b>						
IRB Provisions excess(+)/shortfall(-)	-66,409		-74,508		-65,034	
Total IRB provisions (+)	13,913		31,547		21,507	
IRB Expected loss amount (-)	-80,322		-106,055		-86,541	
<b>Capital requirements and Risk Exposure Amounts</b>						
Thousands of SEK	30/09/2017				30/09/2016	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
<b>Credit risk under standardised approach</b>						
Central government and central bank exposures	-	-	-	-	-	
Regional government and local authority exposures	-	-	-	-	-	
Institutional exposures	5,090	63,628	5,058	63,222	0	
Corporate exposures	376,705	4,708,814	333,232	4,165,404	4,178	52,224
Retail exposures	489,568	6,119,603	504,491	6,306,138	363,880	4,548,504
Exposures secured by mortgages on immovable property	513,632	6,420,399	468,539	5,856,741	491,227	6,140,340
Defaulted items	7,486	93,571	11,309	141,365	438,017	5,475,211
Equity exposures	589	7,361	-	-	-	-
<b>Credit risk under IRB approach</b>						
Institutional exposures	41,254	515,670	31,249	390,608	42,223	527,783
Corporate exposures	333,854	4,173,174	368,073	4,600,909	346,495	4,331,188
Retail exposures	301,488	3,768,606	283,919	3,548,991	271,783	3,397,283
- mortgage loans	171,998	2,149,978	162,125	2,026,567	153,744	1,921,805
- other loans	129,490	1,618,628	121,794	1,522,424	118,038	1,475,478
Non-credit obligation asset exposures	26,368	329,597	28,886	361,078	28,742	359,276
<b>Total</b>	<b>2,096,034</b>	<b>26,200,423</b>	<b>2,034,756</b>	<b>25,434,456</b>	<b>1,999,806</b>	<b>24,997,571</b>
<b>Credit valuation adjustment</b>	<b>98</b>	<b>1,225</b>	<b>172</b>	<b>2,150</b>	<b>170</b>	<b>2,125</b>
<b>Operational risk</b>						
	30/09/2017		31/12/2016		30/09/2016	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Standardised approach	170,532	2,131,644	185,988	2,324,849	185,988	2,324,849
<b>Total capital requirement for operational risk</b>	<b>170,532</b>	<b>2,131,644</b>	<b>185,988</b>	<b>2,324,849</b>	<b>185,988</b>	<b>2,324,849</b>
<b>Total capital requirements and Risk Exposure Amounts</b>	<b>2,266,663</b>	<b>28,333,292</b>	<b>2,220,916</b>	<b>27,761,455</b>	<b>2,185,964</b>	<b>27,324,545</b>

**Note 16** Disclosures on related parties and other significant relationships

The bank's subsidiary 1826 Försäkra AB was discontinued in 2017. The insurance activities previously conducted in the subsidiary 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 directors, senior executives and the 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 as well as Swedbank provided credit loss guarantees for the loan portfolios included in the new bank when Sparbanken Skåne was formed. The credit loss guarantees from savings bank foundations 1826 and Färs and Frosta have expired. The guarantee from savings bank foundation Finn expires on 31 December 2017.

This interim report has not been audited by the bank's auditors.

Lund, 31 October 2017

Bo Bengtsson  
CEO

# 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 2017 is 12.5%.

## 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 memorandum items 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 2017 is 80% 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.





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