



2017 Year-End Report

Lund, 31 January 2018

The fourth quarter marked a solid conclusion to an eventful and positive year for Sparbanken Skåne. For full year 2017, the bank reported a profit (excluding goodwill amortisation and before tax) of SEK 676m, with 175m from the fourth quarter.





Q4 financial summary, October–December 2017

Comparative figures in parentheses refer to Q3, July–September 2017

- The bank's operating profit for the quarter was SEK 68m (69)
- Operating profit excluding goodwill amortisation for the October–December period totalled SEK 175m (176)
- Net interest income increased by 2%, amounting to SEK 222m (219)
- Net fee and commission income rose by 7%, totalling SEK 149m (139)
- The bank's expenses were up 14% in the quarter, amounting to SEK 340m (297)
- Credit losses totalled SEK +25m (+4)
- Transaction volume was up 1%, totalling SEK 193bn (191)
- The total capital ratio improved in the quarter to 20.8% (19.9)
- The LCR amounted to 323% (303)

Key events in Q4 2017

- Improved net interest income and low credit losses contributed to the bank's strong financial performance.
- The transaction volume got a boost during the quarter from solid growth in deposits and loans and from increased savings in funds and insurance.
- Samsung Pay was launched during the quarter. The digital wallet allows customers to pay with their smartphones in stores, and will also support online payments in the future.

- Sparbanken Skåne was rated one of ten systemically important banks in Sweden by Riksgälden. This means that the bank is considered highly important to Sweden's financial stability.
- The bank changed its range of cash handling services in October. As of October, cash handling services are provided under the bank's partnership with Bankomat and under its procedures for service boxes for corporate and association customers.
- Standard & Poor's upgraded Sparbanken Skåne's credit rating from A- with a negative outlook to A- with a stable outlook. This gave an additional boost to the bank's competitiveness.
- The bank's three foundation owners awarded project grants to a total of 250 projects run by clubs and associations across Skåne in the year's final application round.

January–December 2017 financial summary

Comparative figures in parentheses refer to January–December 2016

- The bank's operating profit for the January–December 2017 period was SEK 248m (113)
- Operating profit excluding goodwill amortisation for the period totalled SEK 676m (541)
- The transaction volume at 31 December 2017 amounted to SEK 193bn (184)
- The total capital ratio was 20.8% (18.9)
- The CET1 capital ratio amounted to 19.1% (17.1)
- The leverage ratio totalled 7.7% (7.8)
- The LCR amounted to 323% (186)

A solid conclusion to a positive year

Sparbanken Skåne continued to consolidate its position in the fourth quarter of 2017. The transaction volume increased and net interest income improved, leading to a profit (excluding goodwill amortisation and before tax) of SEK 676m for full year 2017, a 25 percent year-on-year increase.

Sparbanken Skåne continues to perform according to plan and is meeting its stated objectives. On 24 November credit rating agency Standard & Poor's upgraded the bank's credit rating from A- with a negative outlook to A- with a stable outlook, which is a testament to the bank's financial strength. This confirms that Sparbanken Skåne is one of Sweden's absolute safest banks.

Deposit and loan volumes continued to increase in the fourth quarter, mainly driven by a positive net flow of savings and loans in the private segment. The transaction volume at 31 December 2017 was SEK 193bn, a 1 percent increase during the quarter and 5 percent on an annual basis. This increase was impressive considering that the Stockholm stock exchange finished the year on a weak trend, which had a negative effect on securities volumes.

Stronger financial performance

Net interest income gained strength gradually throughout 2017, amounting to SEK 863m for the full year, with 222m of that amount earned in the fourth quarter. This represents an 11 percent year-on-year increase for the full year.

The quality of the bank's loan portfolio is excellent. Provisions for credit losses in the amount of SEK 25m were reversed in the fourth quarter. In addition, the bank reported higher IT expenses in the quarter because our supplier recognised all previously capitalized IT expenses relating to Sparbanken Skåne in profit.

The bank's profit (excluding goodwill amortisation and before tax) was SEK 676m for 2017, 175m of which was earned in the fourth quarter. Amortisation of the goodwill item from when the bank was founded in 2014 continued, with an expense of SEK 428m recognised for the year. Profit after goodwill amortisation and before tax totalled SEK 248m for the full year.

A strong market position

Sparbanken Skåne has a strong position in its main market, which consists of 15 municipalities in Skåne, from Osby in the north to Ystad in the south. The combination of individually set terms and conditions and personal advice makes our offering attractive.

Riksgälden (the Swedish National Debt Office) now rates Sparbanken Skåne as one of ten systemically important banks in Sweden, meaning that the bank is considered highly important to Sweden's financial stability. This subjects us to clear requirements, and Riksgälden has also prepared plans of action in the event of a crisis through a resolution.

The residential mortgage market trend attracted much attention over the autumn and winter. The Swedish central bank's (Riksbank) record-low interest rates have been driving up the value of houses and flats, especially in the metropolitan areas of Sweden. Housing indices show that metropolitan-area households have income margins on home purchases below the national average. However, in the case of Sparbanken Skåne, we are confident in our lending to Skåne's housing market, but we are naturally keeping a close watch on developments.

We see a cautious trend in the corporate segment, but we have positive expectations for future regional growth. The Lund area in particular is pursuing aggressive expansion plans, which hold the potential for spill-over effects in most of Skåne.

A modern bank

Samsung Pay was launched during the quarter. The digital wallet allows customers to pay with their smartphones in stores, and will also support online payments in the future. In addition, the virtual assistant on our website was launched in our Internet Bank for private customers, giving them access to automated service 24 hours a day.

The fact that more and more people are choosing digital services represents a clear trend, providing individuals with greater banking flexibility. Qualified advice provided in person is still needed, while demand for manual cash handling services has decreased rapidly.

The bank changed its range of cash handling services in October. Manual cash handling services over the counter were discontinued, with cash handling services provided from then on under the bank's partnership with Bankomat, utilising ATMs for withdrawals and deposits, and its procedures for service boxes for corporate and association customers. Most customers understand the need for this change, but we respect that some individuals, companies and associations may now need to change their procedures. Our partnership with UtbildningsForum plays a key role in this process.

UtbildningsForum i Skåne AB is a company funded by the bank's foundation owners specialising in digital service education, both in banking and in society at large. More than 30,000 people have taken the company's courses in just the last 12 months. The bank's customers were guided into the digital world at these courses, learning about the Internet Bank (Internetbanken), Mobile Bank (Mobilbanken), Mobile Bank ID, Swish, bank cards and digital security.

We have spoken with many customers in the fourth quarter and the year as a whole in connection with our Know Your Customer (KYC) procedures, which are designed to ensure that we know our customers and their financial activities. Specifically, this means that the bank asks questions about accounts and funds to help combat money laundering, terrorist financing and other illegal activities. A final letter (slutskrivelse) was received from Finansinspektionen (the Swedish Financial Supervisory Authority) in November reviewing our KYC activities and highlighting areas for improvement, but the bank was not sanctioned. We are continuing our KYC activities and they will remain important in 2018.

Support for associations

Sparbanken Skåne's ownership structure enables broad community involvement. The majority of the bank's shares are owned by three savings bank foundations based in Skåne, with Swedbank as a smaller yet still significant shareholder. The foundations, Sparbanksstiftelsen Finn, Sparbanksstiftelsen 1826 and Sparbanksstiftelsen Färs & Frosta, ensure that important decisions about the bank are made locally and that part of the bank's profits are reinvested in the community via projects and grants.

The foundations awarded project assistance to local associations in the fourth quarter. Around 250 projects run by clubs and associations across Skåne were awarded a total of SEK 15m.

With the support of our owners, I have great confidence in the bank's financial position and unique offering as we head into 2018. This gives us every opportunity to continue putting our values into practice as an active, personal and dedicated 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.

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

The bank has begun renovation of its bank branch in Hörby. Once the renovation is complete, all operations in Löberöd will be moved there. This is planned for the second quarter of 2018. Customer service and private advisory services will move to Hörby effective 1 February.

Transaction volume

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

The bank's total transaction volume at 31 December 2017 was SEK 193,486m (183,966). The transaction volume increased by 5 percent for the January–December period.

Deposits from the general public rose throughout the year, increasing by 7 percent (SEK 2,970m). This increase came from both private and corporate customers. Deposits from the general public at 31 December 2017 totalled SEK 48,641m (45,671).

The market value of total brokered fund and insurance volumes was SEK 43,698m (38,491). Stock market gains of roughly 7 percent in 2017, along with positive net savings in both funds and insurance, 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 31 December 2017 amounted to SEK 56,953m (51,058). This increase is the result of moving residential mortgages from brokered volumes to the bank's own loan portfolio and of issuing new loans to private customers. The bank's loans continue to maintain excellent credit quality.

The total loan portfolio brokered to Swedbank Hypotek at 31 December 2017 amounted to SEK 24,965m (28,878).

Borrowing and liquidity

The bank's liquidity is solid. The bank's main source of funding is deposits, but the bank is also active in the Swedish funding market. The board resolved to commence a covered bond programme denominated in Swedish kronor (SEK) in the third quarter with a limit of SEK 30bn 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.

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.

The bank reduced its outstanding certificates of deposit in the fourth quarter by SEK 1,000m.

The bank's outstanding bonds at 31 December 2017 totalled SEK 6,700m (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.

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

On 20 December, Riksgälden resolved on plans for managing banks in the event of a crisis, and set minimum requirements for impaired liabilities. Riksgälden determined that the operations of ten financial institutions are critical to the financial system, and Sparbanken Skåne is one of them. As a result, Riksgälden is establishing a resolution plan for the bank and setting a minimum requirement for impaired liabilities. The minimum requirement for impaired liabilities for the bank is 10.7 percent of the bank's total liabilities and capital base as of 1 January 2018.

The bank's liquidity reserves at 31 December 2017 amounted to SEK 8,132m (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 held in tax accounts and fixed-income securities. The liquidity reserves combined with agreed borrowing limits give the bank a strong ability to meet its obligations.

The bank's LCR increased to 323 percent (303 percent at 30 September 2017). This is mainly due to increased inflows in relation to the covered bonds issued.

The loan-to-deposit ratio at 31 December 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/finanssiell-information/likviditet.

Rating

Credit rating agency S&P Global upgraded Sparbanken Skåne's credit rating during the quarter from A- with a negative outlook to A- with a stable outlook. Sparbanken Skåne's covered bond programme is rated AAA with a stable outlook by S&P Global.

Profit

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

Operating profit for 2017 totalled SEK 248m (113). Goodwill amortisation continues to impact profit in the amount of SEK 428m per year, and profit is in line with expectations. The improvement

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in net interest income and reversals of credit losses are the main drivers of the increased profit for 2017.

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 11 percent in 2017, totalling SEK 863m (778). 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 62m (44).

Net fee and commission income for the period totalled SEK 571m (537). Loan commissions amounted to SEK 183m (193) and are mainly attributable to commissions from Swedbank Hypotek. The decrease in loan commissions is due to lower volumes brokered to Swedbank Hypotek. Securities fees amounted to SEK 224m (202). This improvement in securities fees was mainly driven by the strong stock market trend and positive net savings in our funds in 2017.

Other fee and commission income amounted to SEK 227m (216). Fee and commission expenses totalled SEK -62m (-74).

Other income amounted to SEK 34m (10). Other income includes an SEK 29m capital gain on the disposal of all the bank's properties. The bank has signed an agreement with property owner Brinova to rent these five properties at market terms with a lease term of up to 10 years.

General administrative expenses for 2017 were up 6% year-on-year, totalling SEK 748m (703). This increase is mainly due to higher IT expenses, especially higher IT development expenses. Personnel expenses amounted to SEK 439m (443), and IT expenses were SEK 193m (149).

The total amount for both the depreciation of tangible assets and the amortisation of intangible assets was SEK 455m (459), and amortisation of intangible assets (goodwill) accounted for SEK 428m (428) of this item.

Credit losses for 2017 resulted in revenue of SEK +42m (-9). The credit losses reversed are mainly in the corporate sector. See Note 8, Net credit losses, for more information.

Profit for the year after appropriations and tax totalled SEK 187m (76).

Estimated effects of IFRS 9 application on 1 January 2018

The greatest change resulting from the application of the new rules of IFRS 9 Financial Instruments will be in the recognition of expected credit losses. The new impairment rules stipulate that expected credit losses (not only credit losses that have already occurred) must be recognised as of 1 January 2018. The new rules are expected to prompt an increase in the provision for credit losses on loans to the general public in comparison to the previous provision. It is generally expected that the new rules may also cause greater volatility for the bank's reserves, which would then also

be reflected in profit. The bank worked on developing new models for calculating and making provisions for expected credit losses in 2017, and has analysed the magnitude of the quantitative effects on the bank's equity upon IFRS 9 application on 1/1 2018. The negative effect is SEK 40m before tax.

Capital ratio

The bank added SEK 564m to its capital base during the year, putting the total value of the capital base at SEK 5,819m (5,255) at 31 December 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 year via a lower deduction for goodwill and the verified profit for 2017.

The Risk Exposure Amount (REA) was SEK 27,920m (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 31 December 2017 totalled SEK 25,776m. SEK 8,861m of this item was calculated using the Internal Ratings-Based (IRB) approach to credit risk and SEK 16,915m was calculated using the standardised approach to credit risk.

The REA for operational risk at 31 December was SEK 2,132m (2,325) and the REA for credit valuation adjustment amounted to SEK 13m (2).

The total capital ratio was thus 20.8 percent at 31 December 2017 (18.9) and the CET1 capital ratio was 19.1 percent (17.1).

The bank thus improved its capital situation during the year.

The leverage ratio amounted to 7.7 percent (7.8) at 31 December 2017.

For more information about capital adequacy calculations, see Note 14, 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. These policies and instructions are revised annually and readopted.

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 that will shape the bank's activities and the risk limits applicable in each risk area. Risk Management monitors, analyses and reports risks to the board and CEO.

The bank's direct losses attributable to operational risk remained low in the fourth quarter of 2017.

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The bank commands a satisfactory 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 compliance with money laundering regulations by several banks, including Sparbanken Skåne. The bank received a final letter (slutskrivelse) in November stating that the investigation had been closed without any further action. However, several measures for improvement were identified and they will be implemented and followed up by the bank in 2018.

Board dividend proposal

The board proposes a dividend of SEK 3.36 per share, resulting in a

total dividend amount of SEK 56m.

Annual report and financial calendar

The 2017 annual report will be available (in Swedish) at sparbankenskane.se in the week of 5 March (week 10).

The bank will publish interim reports in 2018 on the following dates:

January–March 2018 Interim Report	25 April 2018
April–June 2018 Interim Report	1 August 2018
July–September 2018 Interim Report	24 October 2018

Events after the reporting period

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

Financial ratios	12/2017	9/2017	6/2017	3/2017	12/2016
Volume					
Transaction volume, millions of SEK	193,486	191,342	189,552	187,339	183,966
Capital and liquidity					
CET1 capital ratio	19.1%	18.1%	17.5%	17.4%	17.1%
Total capital ratio	20.8%	19.9%	19.3%	19.2%	18.9%
Leverage ratio	7.7%	7.5%	7.7%	7.7%	7.8%
Loan-to-deposit ratio	1.20	1.17	1.15	1.16	1.12
LCR	323%	303%	187%	181%	186%
NSFR	136%	137%	139%	141%	143%
Profit					
Cost/income ratio before credit losses	0.86	0.85	0.86	0.87	0.90
Cost/income ratio after credit losses	0.83	0.83	0.85	0.86	0.92
Cost/income ratio after credit losses excluding dividends, capital gains and goodwill amortisation	0.54	0.54	0.55	0.56	0.60
Return on equity	3.3%	3.1%	2.9%	2.6%	1.5%
Return on equity excluding dividends, capital gains and goodwill amortisation	9.0%	8.7%	8.5%	8.3%	7.1%
Impaired loans and credit losses					
Loan loss ratio excluding brokered volumes	-0.1%	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%	0.1%	0.2%	0.3%
Other disclosures					
Average number of employees	502	494	516	536	519

The financial ratios are defined on page 22.

Quarterly comparison

Income statement	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Thousands of SEK					
Net interest income	222,012	218,680	214,716	207,926	205,645
Dividends received	-	-	516	500	4,400
Net fees and commissions	149,059	139,221	142,828	140,368	152,431
Net gain/loss from financial transactions	-16,804	1,567	1,029	6,899	9,534
Other operating income	28,920	2,336	1,602	937	1,891
Total net interest income and operating income	383,187	361,804	360,691	356,630	373,901
General administrative expenses	-212,025	-171,454	-181,847	-182,208	-190,646
Depreciation and amortisation	-112,331	-114,179	-114,415	-114,420	-114,987
Other expenses	-15,280	-11,358	-11,544	-15,290	-16,822
Credit losses	24,551	4,299	8,081	4,909	-12,447
Impairment losses on financial assets	-	-	-	-	-200
Total expenses	-315,085	-292,692	-299,725	-307,009	-335,102
Operating profit/loss	68,102	69,112	60,966	49,621	38,799
Appropriations	-	-	-	-	-4,200
Taxes	-11,148	-18,873	-17,010	-13,914	-10,416
Profit/loss for the period	56,954	50,239	43,956	35,707	24,183

Balance sheet	31/12/2017	2017-09-30	2017-06-30	2017-03-31	31/12/2016
Thousands of SEK					
Loans to credit institutions	1,495,612	1,290,651	1,694,512	1,564,417	769,340
Loans to the general public	56,953,441	55,638,490	54,457,885	52,773,784	51,058,129
Fixed-income securities	4,610,236	4,364,113	4,469,515	4,466,090	4,684,788
Goodwill	592,051	699,012	805,974	912,936	1,019,898
Other assets	3,134,802	4,828,096	1,783,814	1,517,129	1,565,331
Total assets	66,786,142	66,820,362	63,211,700	61,234,356	59,097,486
Liabilities to credit institutions	584,256	568,687	581,561	633,100	77,830
Deposits from the general public	48,641,224	47,705,567	47,184,932	45,608,373	45,671,408
Debt securities issued and subordinated liabilities	11,185,833	12,187,132	9,145,103	8,744,141	7,144,597
Other liabilities	321,533	359,967	352,157	352,231	305,467
Equity	6,053,296	5,999,009	5,947,947	5,896,511	5,898,184
Total liabilities, provisions and equity	66,786,142	66,820,362	63,211,700	61,234,356	59,097,486

Income statement

Income statement	Note	Q4 2017	Q4 2016	Change	Jan-Dec 2017	Jan-Dec 2016	Change
Thousands of SEK							
Interest income		261,783	229,758	14%	992,308	879,067	13%
Interest expenses		-39,772	-24,113	65%	-128,974	-101,135	28%
Net interest income	3	222,012	205,645	8%	863,334	777,932	11%
Dividends received		-	4,400	-	1,016	12,890	-92%
Fee and commission income	4	164,405	169,364	-3%	633,463	610,836	4%
Fee and commission expenses	5	-15,346	-16,933	-9%	-61,987	-73,978	-16%
Net gain/loss from financial transactions	6	-16,804	9,534	-	-7,309	13,560	-
Other operating income	7	28,920	1,891	-	33,795	9,964	-
Total net interest income and operating income		383,187	373,901	2%	1,462,312	1,351,204	8%
General administrative expenses		-212,025	-190,646	11%	-747,534	-702,995	6%
Depreciation of tangible assets and amortisation of intangible assets		-112,331	-114,987	-2%	-455,345	-458,578	-1%
Other operating expenses		-15,280	-16,822	-9%	-53,472	-60,558	-12%
Total expenses before credit losses		-339,636	-322,455	5%	-1,256,351	-1,222,131	3%
Profit/loss before credit losses		43,551	51,446	-15%	205,961	129,073	60%
Net credit losses	8	24,551	-12,447	-	41,840	-9,295	-
Impairment losses on financial assets		-	-200	-	-	-6,986	-
Operating profit/loss		68,102	38,799	76%	247,801	112,792	-
Appropriations		-	-4,200	-	-	-4,200	-
Tax on profit for the year		-11,148	-10,416	7%	-60,945	-32,696	86%
Profit/loss for the year		56,954	24,183	-	186,856	75,896	-

Statement of comprehensive income		Q4 2017	Q4 2016	Change	Jan-Dec 2017	Jan-Dec 2016	Change
Thousands of SEK							
Profit/loss for the year		56,954	24,183	-	186,856	75,896	-
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		-287	6,236	-	6,022	37,273	-84%
Change in fair value of available-for-sale financial assets reclassified to profit or loss		-3,131	-1,720	82%	-3,131	-3,163	-1%
Tax attributable to financial assets that may be reclassified to profit or loss.		752	-676	-	-636	-7,504	-92%
Other comprehensive income for the year		-2,666	3,840	-	2,255	26,606	-92%
Comprehensive income for the year		54,288	28,023	94%	189,111	102,502	84%

Balance sheet

Balance sheet	Note	31/12/2017	31/12/2016
Thousands of SEK			
Assets			
Cash		1,979	34,176
Treasury bills eligible for refinancing with central banks		929,790	979,986
Loans to credit institutions		1,495,612	769,340
Loans to the general public	9	56,953,441	51,058,129
Bonds and other fixed-income securities		3,680,446	3,704,802
Shareholdings and investments		7,361	7,361
Shareholdings and investments in group companies		-	100
Derivatives		4,470	218
Intangible assets		592,051	1,019,898
Tangible assets		95,830	218,010
Current tax assets		2,730,857	1,049,628
Deferred tax assets		11,090	-
Other assets		64,633	42,818
Prepaid expenses and accrued income		207,492	213,020
Total assets		66,775,052	59,097,486
Liabilities, provisions and equity			
Liabilities to credit institutions		584,256	77,830
Deposits from the general public	10	48,641,224	45,671,408
Debt securities issued and related items	11	10,685,833	6,644,597
Derivatives		58,770	87,643
Deferred tax liabilities		-	10,804
Other liabilities		100,345	68,242
Accrued expenses and deferred income		99,653	93,723
Provisions		51,675	45,055
Subordinated liabilities		500,000	500,000
Total liabilities and provisions		60,721,756	53,199,302
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		2,866	611
Retained earnings		897,411	855,514
Profit/loss for the year		186,856	75,896
Total		4,275,764	4,120,652
Total equity		6,053,296	5,898,184
Total liabilities, provisions and equity		66,775,052	59,097,486
Other notes			
Accounting policies	1		
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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 year	
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
Balance at 1 January 2017	1,668,336	109,196	3,188,631	611	855,514	75,896	5,898,184
Appropriation of profit as per AGM resolution							
Amount carried forward	-	-	-	-	41,897	-41,896	-
Transactions with owners in the form of dividends	-	-	-	-	-	-34,000	-34,000
Profit/loss for the year	-	-	-	-	-	186,856	186,856
Other comprehensive income for the year	-	-	-	2,255	-	-	2,255
Comprehensive income for the year	-	-	-	-	-	-	134,824
Balance at 31 December 2017	1,668,336	109,196	3,188,631	2,866	897,411	186,856	6,053,296

Restricted equity

Restricted equity may not be decreased by paying dividends.

Statutory reserve

The purpose of the statutory reserve has been 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 constitutes total non-restricted equity, meaning the amount available for distribution to shareholders.

Statement of cash flows

Indirect method	31/12/2017	31/12/2016
Thousands of SEK		
Cash flows from operating activities		
Operating profit/loss	247,801	112,792
Net change in amortised cost for the period	15,925	12,610
Unrealised share of net gain from financial transactions	22,927	11,686
Depreciation and amortisation	455,345	458,578
Credit losses	-38,410	12,426
Group contributions	-	-4,200
Tax paid	-1,764,704	-1,065,955
Cash flows from operating activities before changes in working capital	-1,061,116	-462,063
Cash flow from changes in working capital		
Increase/decrease in loans to the general public (-/+)	-5,877,127	-9,811,996
Increase/decrease in securities (-/+)	26,379	709,981
Increase/decrease in deposits from the general public (+/-)	2,969,816	3,164,095
Increase/decrease in liabilities to credit institutions (+/-)	506,426	-158,448
Net change in other assets and liabilities	22,153	-78,954
Net cash used in operating activities	-3,413,469	-6,637,385
Cash flows from investing activities		
Disposal/redemption of financial assets	6,720	44,292
Sale of tangible assets	136,723	1,758
Acquisition of tangible assets	-42,041	-34,796
Net cash from investing activities	101,402	11,254
Cash flows from financing activities		
Issue of fixed-income securities	8,190,659	8,444,018
Redemption of fixed-income securities	-4,150,517	-4,495,491
Dividends paid	-34,000	-34,222
Net cash from financing activities	4,006,142	3,914,305
Cash flow for the year	694,075	-2,711,826
Cash and cash equivalents at beginning of year	803,516	3,515,342
Cash and cash equivalents at end of year	1,497,591	803,516
The following subcomponents are included in cash and cash equivalents		
Cash	1,979	34,176
Loans to credit institutions	1,495,612	769,340
Balance sheet total	1,497,591	803,516
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	992,308	879,067
Interest paid including cost of deposit insurance and resolution/stability fee	-128,974	-101,135
Dividends received	1,016	12,890

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 IFRSs 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.

New IFRSs and interpretations not yet effective

IFRS 9 Financial Instruments

Estimated effects of IFRS 9 application

Classification and measurement

With respect to the classification and measurement of loans, the bank has determined that the objective of the bank's business model for these assets is to hold the financial asset to collect the contractual cash flows, and that these cash flows give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This means that the bank will continue to recognise and measure loans at amortised cost.

IFRS 9 does not entail any changes in comparison to IAS 39 for the classification and measurement of the bank's financial liabilities.

Expected credit losses

The new impairment rules, which stipulate that expected credit losses (not only credit losses that have already occurred) must be recognised, are expected to prompt an increase in the provision for credit losses on loans in comparison to the previous provision. It is generally expected that the new rules may also cause greater volatility for the bank's reserves, which would then also be reflected in profit. The bank worked on developing new models for calculating and making provisions for expected credit losses in 2017. The differences between the bank's current impairment recognition policies and the policies that will be applied starting on 1 January 2018 include that:

- provisions for credit losses will no longer only be recognised for loans, but also for loan commitments and for investments in debt instruments recognised at fair value via other comprehensive income,
- provisions for credit losses on loans will no longer only be recognised for impaired loans,
- a provision equal to a 12-month expected credit loss will be recognised when a new loan is granted, and that
- a credit loss provision equal to the expected credit losses for the remaining term will be made not only for impaired loans in the event of a substantial increase in credit risk.

Hedge accounting

The bank will continue to apply the same recognition policies as before instead of transitioning to hedge accounting under IFRS 9.

Disclosures

IFRS 9 modifies the disclosure requirements of IFRS 7 Financial Instruments. The bank is currently conducting a gap analysis to identify what changes must be made to meet these requirements. Work is in progress to adapt systems and procedures to meet these requirements.

Estimated effect of IFRS 9 application on the opening balance at 1 January 2018

The bank has analysed the magnitude of the quantitative effects on the bank's equity upon IFRS 9 application on 1 January 2018. The negative effect is SEK 40m before tax. The effect is attributable to the new rules for recognising expected credit losses. The new classification and measurement rules are not expected to have any effect on the bank's equity.

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 or 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 classification of assets

Part of the bank's securities holdings previously recognised as Treasury bills eligible for refinancing with central banks is now recognised as Bonds and other fixed-income securities. The comparative figures have been restated.

The present value of a pension obligation for which the bank has secured the commitment with pledged endowment insurance previously recognised as Shareholdings and investments is now recognised in Other assets. The comparative figures have been restated.

Changed definition of unsettled loans

Unsettled loans have been defined in Note 9 since 9 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.

Note 3	Net interest income	Jan-Dec 2017	Jan-Dec 2016	Change
Thousands of SEK				
Interest income				
	Loans to credit institutions	1,009	646	56%
	Loans to the general public	1,031,021	933,804	10%
	Fixed-income securities	-7,141	-6,062	18%
	Derivatives	-32,580	-52,055	-37%
	Other interest income	-1	2,734	-
	Total	992,308	879,067	13%
	Share of interest income from financial items not measured at fair value through profit or loss	1,024,888	931,122	10%
	Share of interest income from impaired loans	4,550	8,194	-44%
Interest expenses				
	Liabilities to credit institutions	-22,073	-12,918	71%
	Deposits from the general public	-60,875	-59,141	3%
	– expenses for deposit insurance	-46,520	-38,057	22%
	Fixed-income securities	-22,805	-15,046	52%
	Subordinated liabilities	-7,631	-7,786	-2%
	Other interest expenses	-15,590	-6,244	-
	Total	-128,974	-101,135	28%
	Share of interest expenses from financial items not measured at fair value through profit or loss	-128,974	-101,135	28%
	Total net interest income	863,334	777,932	11%

Note 4	Fee and commission income	Jan-Dec 2017	Jan-Dec 2016	
Thousands of SEK				
	Payment intermediation fees	86,726	90,431	-4%
	Loan commissions	182,714	192,692	-5%
	Deposit commissions	67,377	58,941	14%
	Commissions for financial guarantees issued	3,132	3,013	4%
	Securities fees	223,795	201,683	11%
	Other fees and commissions	69,719	64,076	9%
	Total	633,463	610,836	4%

Note 5	Fee and commission expenses	Jan-Dec 2017	Jan-Dec 2016	
Thousands of SEK				
	Payment intermediation fees	-37,209	-39,408	-6%
	Securities fees	-19,711	-21,853	-10%
	Other fees and commissions	-5,067	-12,717	-60%
	Total	-61,987	-73,978	-16%

Note 6	Net gain/loss from financial transactions	Jan-Dec 2017	Jan-Dec 2016	
Thousands of SEK				
	Shareholdings/investments	34	-4,672	-
	Fixed-income securities	-26,109	18,503	-
	Other financial instruments	12,941	-3,424	-
	Exchange rate fluctuations	5,825	3,153	85%
	Total	-7,309	13,560	-

	Jan-Dec 2017	Jan-Dec 2016	
Net gain/loss by valuation category			
Financial assets at fair value through profit or loss	-29,240	10,668	-
Capital gain on available-for-sale financial assets	3,165	3,163	0%
Ineffective portion of fair value hedge	829	902	-8%
Derivatives intended for risk management, no hedge accounting	12,112	-4,326	-
Change in fair value of derivatives used as hedging instruments in a fair value hedge	20,225	17,405	16%
Change in fair value of hedged item attributable to the hedged risk in fair value hedges	-20,225	-17,405	16%
Exchange rate fluctuations	5,825	3,153	85%
Total	-7,309	13,560	-

Note 7 Other operating income

This item includes an SEK 29m capital gain on the disposal of six office properties.

Note 8	Net credit losses	Jan-Dec 2017	Jan-Dec 2016	
Thousands of SEK				
Specific impairment, individually assessed loans				
	Write-off of realised credit losses for the year	-38,425	-60,181	-36%
	Reversal of previous impairment of credit losses recognised as realised losses in the financial statements for the period	34,568	48,305	-28%
	Impairment of credit losses for the year	-24,358	-82,945	-71%
	Amount received for previously realised credit losses	2,953	2,888	2%
	Reversal of impairment of credit losses no longer necessary	88,402	80,989	9%
	Net cost for the year for individually assessed loans	63,140	-10,944	-
Homogeneous groups of loans assessed in groups with a limited value and similar credit risk				
	Write-off of realised credit losses for the year	-3,007	-4,508	-33%
	Amount received for credit losses realised in previous years	477	243	96%
	Allocation to/release of credit loss reserve	1,646	866	90%
	Net cost for the year for homogeneous loans assessed in groups	-884	-3,399	-74%
Contingent liabilities				
	Net cost for the year for settlement of guarantees and other contingent liabilities	-20,416	5,048	-
	Net cost for the year for credit losses	41,840	-9,295	-

Note 9 Loans to the general public	31/12/2017	31/12/2016
Thousands of SEK		
Gross loans		
– public sector	30,315	31,736
– corporate sector	15,337,844	15,418,106
– retail sector	41,647,709	35,728,748
– sole proprietors	11,307,925	10,778,571
Total	57,015,868	51,178,590
Sub-items of gross loans:		
Unsettled loans included in impaired loans	52,204	102,870
– corporate sector	30,278	63,779
– retail sector	21,926	39,091
Impaired loans	135,045	303,448
– corporate sector	105,631	249,746
– retail sector	29,414	53,702
Subtracted by:		
Specific impairment, individually assessed loans	89,021	165,634
– corporate sector	72,296	138,612
– retail sector	16,725	27,022
Impairment of homogeneous groups of loans assessed in groups	2,836	4,482
– retail sector	2,836	4,482
Loans, net carrying amount	56,924,011	51,008,474
Change in fair value of hedged amount in portfolio hedge	29,430	49,655
Total	56,953,441	51,058,129

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 10 Deposits from the general public	31/12/2017	31/12/2016
Thousands of SEK		
The general public		
– Swedish currency	48,329,560	45,361,528
– foreign currency	311,664	309,880
Total	48,641,224	45,671,408
Deposits per customer category, excluding bank cheques		
Public sector	1,480,832	1,091,190
Corporate sector	9,401,892	8,596,321
Retail sector	37,094,204	35,286,339
– sole proprietors	6,245,410	5,948,002
Other sectors	592,640	620,129
Total	48,569,568	45,593,979

Note 11	Debt securities issued and related items	31/12/2017	31/12/2016
Thousands of SEK			
	Certificates of deposit	950,235	949,995
	Bond loans	6,696,387	5,694,602
	Covered bonds	3,039,211	-
	Total	10,685,833	6,644,597
Changes during the period			
		Jan-Dec 2017	Jan-Dec 2016
	Issued	8,190,659	8,244,018
	Matured	-4,149,423	-4,297,262
	Change	4,041,236	3,946,756

Note 12	Derivatives		31/12/2017	31/12/2016	
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					
		Nominal amount	Fair value	Nominal amount	Fair value
Derivative instruments with positive fair values					
	Fixed-income contracts	469,000	29	514,000	218
	Currency contracts	135,777	4,441		
	Total derivative instruments with positive fair values	469,000	4,470	514,000	218
Derivative instruments with negative fair values					
	Fixed-income contracts	2,781,825	54,693	2,114,025	87,643
	Currency contracts	120,602	4,077	396,834	
	Total derivative instruments with negative fair values	3,038,204	58,770	2,510,859	87,643

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

Thousands of SEK	31/12/2017			31/12/2016		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Cash	1,979	1,979	-	34,176	34,176	-
Treasury bills eligible for refinancing with central banks	929,790	929,790	-	1,482,361	1,482,361	-
Loans to credit institutions	1,495,612	1,495,612	-	769,340	769,340	-
Loans to the general public	57,286,746	56,953,441	333,305	51,386,766	51,058,129	328,637
Bonds and other fixed-income securities	3,680,446	3,680,446	-	3,202,427	3,202,427	-
Shareholdings and investments	7,361	7,361	-	44,812	44,812	-
Derivatives	4,470	4,470	-	218	218	-
Accrued income	183,160	183,160	-	171,173	171,173	-
Other financial assets	64,634	64,634	-	5,469	5,469	-
Total	63,654,198	63,320,893	333,305	57,096,742	56,768,105	328,637
Liabilities to credit institutions	584,256	584,256	-	77,830	77,830	-
Deposits from the general public	48,648,836	48,641,224	7,612	45,683,959	45,671,408	12,551
Debt securities issued and related items	10,685,833	10,685,833	-	6,644,597	6,644,597	-
Derivatives	58,770	58,770	-	87,643	87,643	-
Other financial liabilities	84,818	84,818	-	50,882	50,882	-
Accrued expenses	97,736	97,736	-	90,182	90,182	-
Subordinated liabilities	500,000	500,000	-	500,000	500,000	-
Total	60,660,249	60,652,637	7,612	53,135,093	53,122,542	12,551

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

31/12/2017

Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	929,790	-	-	929,790
Bonds and related items	3,680,446	-	-	3,680,446
Shareholdings and investments	-	-	7,361	7,361
Other assets – derivatives	-	4,470	-	4,470
Total	4,610,236	4,470	7,361	4,622,067
Other liabilities – derivatives	-	58,770	-	58,770
Total	-	58,770	-	58,770

31/12/2016

Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	979,986	-	-	979,986
Bonds and related items	3,638,569	35,640	30,593	3,704,802
Shareholdings and investments	-	-	7,361	7,361
Other assets – derivatives	-	218	-	218
Total	4,618,555	35,858	37,954	4,692,367
Other liabilities – derivatives	-	87,643	-	87,643
Total	-	87,643	-	87,643

CONTINUED FROM PAGE 17.

The level 3 heading Bonds includes bonds with lower liquidity. The bank sees these holdings as long-term investments. These bonds are measured by calculating discounted future cash flows.

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	2,030	-2,030
Discount rate	-260	264

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	7,361	37,954
Total gains and losses recognised			
– recognised in profit for the period	-30,593	-	-30,593
Closing balance at 31 December 2017	0	7,361	7,361
Gains and losses recognised in profit or loss for assets included in the closing balance at 31 December 2017	-30,593	-	-30,593

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 exchange, 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: Treasury bills eligible for refinancing with central banks 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 terms 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 to a lower level is also measured using valuation models mainly based on observable market data, but with some estimates made by the bank 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 indices/prices of the respective instruments 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 clear 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

	31/12/2017	31/12/2016
Thousands of SEK		
Pledged assets		
Loans *	3,924,064	-
Other pledged assets	52,200	37,351
Contingent liabilities	647,095	634,329
Commitments	6,241,340	6,327,173

* The pledge is defined as the borrower's nominal debt including accrued interest. It 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	31/12/2017			31/12/2016	
CET1 capital	5,318,886			4,755,203	
Tier 2 capital	500,000			500,000	
Net capital base	5,818,885			5,255,203	
Capital requirements and risk-weighted exposure amounts		Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
- IRB approach		708,886	8,861,076	712,127	8,901,586
- standardised approach		1,353,195	16,914,937	1,322,630	16,532,870
Capital requirement for operational risk		170,532	2,131,644	185,988	2,324,849
Credit valuation adjustment		1,012	12,650	172	2,150
Total capital requirements and risk-weighted exposure amounts		2,233,625	27,920,307	2,220,916	27,761,455
CET1 capital ratio	19.1%			17.1%	
Tier 1 capital ratio	19.1%			17.1%	
Total capital ratio	20.8%			18.9%	
Buffer requirement	4.5%	1,256,297	15,703,716	3.5%	1,110,458
- capital conservation buffer	2.5%	698,008	8,725,096	2.5%	694,036
- countercyclical capital buffer	2.0%	558,290	6,978,620	1.5%	416,422
CET1 capital available for use as buffer	12.8%	3,585,260		10.9%	3,034,287
Total internally assessed capital requirement (excluding buffer requirement)		3,134,634		2,896,409	
Capital base					
The board's proposed appropriation of profit is included in the capital base.					
Thousands of SEK	31/12/2017			31/12/2016	
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	
Retained earnings	897,411			855,514	
Verified profit less proposed appropriation of profit and predictable expenses	130,800			41,896	
CET1 capital before regulatory adjustments	5,994,374			5,863,573	

CONTINUED FROM PAGE 19.

	31/12/2017		31/12/2016	
CET1 capital: regulatory adjustments				
Intangible assets, deferred tax assets and value adjustments	-607,751		-1,033,862	
Deduction of IRB provisions (see disclosure below)	-67,737		-74,508	
Total regulatory adjustments to CET1 capital	-675,488		-1,108,370	
CET1 capital	5,318,886		4,755,203	
Tier 2 capital: Instruments				
Fixed-term subordinated loans	500,000		500,000	
Tier 2 capital	500,000		500,000	
Capital base	5,818,886		5,255,203	
Special disclosures				
IRB Provisions excess(+)/shortfall(-)	-67,737		-74,508	
Total IRB provisions (+)	9,015		31,547	
IRB Expected loss amount (-)	-76,752		-106,055	
Capital requirements and risk-weighted exposure amounts				
Thousands of SEK	31/12/2017		31/12/2016	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Credit risk under standardised approach				
Central government and central bank exposures	-	-	-	-
Regional government and local authority exposures	-	-	-	-
Institutional exposures	5,264	65,800	5,058	63,222
Corporate exposures	334,076	4,175,955	333,232	4,165,404
Retail exposures	445,112	5,563,898	504,491	6,306,138
Exposures secured by mortgages on immovable property	561,953	7,024,411	468,539	5,856,741
Defaulted items	6,201	77,511	11,309	141,365
Equity exposures	589	7,361	-	-
Credit risk under IRB approach				
Institutional exposures	49,539	619,239	31,249	390,608
Corporate exposures	324,176	4,052,196	368,073	4,600,909
Retail exposures	316,973	3,962,159	283,919	3,548,991
– mortgage loans	179,594	2,244,924	162,125	2,026,567
– other loans	137,379	1,717,235	121,794	1,522,424
Non-credit obligation asset exposures	18,199	227,482	28,886	361,078
Total capital requirements and risk-weighted exposure amounts	2,062,081	25,776,013	2,034,756	25,434,456
Credit valuation adjustment	1,012	12,650	172	2,150
Operational risk				
	31/12/2017		31/12/2016	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Standardised approach	170,532	2,131,644	185,988	2,324,849
Total capital requirement for operational risk	170,532	2,131,644	185,988	2,324,849
Total capital requirements and risk-weighted exposure amounts	2,233,625	27,920,307	2,220,916	27,761,455

Note 16 Disclosures on related parties and other significant relationships

The bank's subsidiary 1826 Försäkra AB was dissolved 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 that 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 expired on 31 December 2017.

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.

Signatures of board and CEO

The board and CEO hereby affirm that the January–December 2017 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, 30 January 2018

Bertil Engström
Chair

Agneta Erfors
Deputy Chair

Bo Lundgren
Deputy Chair

Pär Frankenius
Director

Helene Hartman
Director

Tomas Hedberg
Director

Jan Larsson
Director

Johanna Okasmaa Nilsson
Director

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 2017 to 31 December 2017. 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 taking other review engagement measures. 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 might have been identified if an audit had been 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, 30 January 2018

Jan Palmqvist
Authorised Public Accountant





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