January–March 2018 Interim Report for Sparbanken Skåne AB (publ)

Lund, 25 April 2018

Sparbanken Skåne continues its stable performance. In the first quarter of 2018, the bank reported a profit (excluding goodwill amortisation and before tax) of SEK 150m.

Sparbanken Skåne

Q1 financial summary, January–March 2018

- The bank's operating profit for the quarter was SEK 43m (68).
- Operating profit excluding goodwill amortisation for the January–March period totalled SEK 150m (175).
- Net interest income was impacted by this quarter having fewer days than the previous quarter, yet it was still largely unchanged at SEK 221m (222).
- Net fee and commission income amounted to SEK 139m (149).
- The bank's expenses decreased by 8% in the quarter, amounting to SEK 311m (340).
- New IFRS 9 accounting rules on provisioning for expected credit losses were applied effective 1 January 2018. Credit losses for the quarter totalled SEK -11m (+25). The increase reported is mainly attributable to IFRS 9 application.
- As of 1 January 2018, volumes from the Swedish Premium Pension System are no longer included in the bank's business volume (SEK 9bn). This resulted in a 3% decrease in the business volume, which amounted to SEK 187bn (193bn). When adjusted for this effect, the business volume increased in the quarter by 0.5%.
- The total capital ratio improved in the quarter to 20.9% (20.8).
- The LCR decreased to 258% (323), which is still high.

(Comparative figures in parentheses refer to Q4, October–December 2017)

Key events in Q1 2018

- The bank's underlying earnings continue to perform well. The bank's cost controls are effective and net interest income remains stable.
- Continuing strong credit demand in the residential mortgage segment. The stricter mortgage amortisation requirement impacts relatively few of the bank's borrowers.
- During the quarter, Sparbanken Skåne issued senior bonds and a second covered bond. These issues were well received by the market and oversubscribed.
- A show of strength from the agricultural sector in southern Sweden. More farmers consider their profitability to be good, according to the Agricultural Barometer.
- New Internet Bank version adds capabilities in the digital loan process. Sparbanken Skåne is at the forefront of digital technology. For example, more than half of all residential mortgage commitments issued are now fully digital.
- Several initiatives from the bank's three foundation owners during the quarter. Together, Sparbanken Skåne and the foundations are bringing the savings bank concept into the future.

Financial summary, January–March 2018

- The bank's operating profit for January–March 2018 was SEK 43m (50)
- Operating profit excluding goodwill amortisation for the period totalled SEK 150m (157)
- Credit losses amounted to SEK -11m (+5)
- The total capital ratio was 20.9% (19.2)
- The CET1 capital ratio amounted to 19.1% (17.4)
- The leverage ratio totalled 7.5% (7.7)
- The LCR was 258% (181)

(Comparative figures in parentheses refer to January–March 2017)

A strong start to the year

For Sparbanken Skåne, 2018 picked up right where 2017 left off – with stable net interest income performance and effective cost controls. In the first quarter, we continued to renew our digital offering, while our collaboration with our foundation owners made a tangible difference in many ways throughout our area of operation.

The Stockholm stock exchange got off to a weak start in 2018, which had a negative impact on the bank's securities volumes. Nevertheless, the bank's loans performed well and the business volume amounted to SEK 187bn at the end of March. However, a direct comparison with the previous quarter is misleading because of the new EU directive, MiFID II, which affects the recognition of Swedish Premium Pension System savings. Adjusted for this, the business volume experienced a 0.5 percent increase.

Stable earnings

In terms of earnings, Sparbanken Skåne continues to reap the rewards of its efforts to convert loans from external mortgage companies to loans on its own balance sheet. Net interest income performed well in the quarter, totalling SEK 221m, a 6 percent year-on-year increase. The bank's operating expenses were down slightly year-on-year.

Credit losses for the quarter amounted to SEK 11m. Comparison with previous periods is affected by rule changes here as well. The application of IFRS 9 results in a slightly different way of calculating provisioned credit losses, and the reported increase in credit losses from last year is mainly attributable to this.

In total, Sparbanken Skåne reported a profit (excluding goodwill amortisation and before tax) of SEK 150m for the quarter. Amortisation of the goodwill item from when the bank was founded in 2014 is continuing as scheduled and was charged to profit for the period in the amount of SEK 107m. Profit after goodwill amortisation was SEK 43m.

The private and corporate markets

We have observed only minor fluctuations in price and supply in Skåne's housing market. We continue to experience strong demand for credit driven by an underlying interest in living in the region. Municipalities such as Hässleholm and Kristianstad stand out in terms of purchasing power in housing transactions. According to Boindex, a housing index presented by our partner Swedbank, Hässleholm and Kristianstad are both in the top 5 nationally, which indicates balance in household finances.

New rules have also been implemented for residential mortgages. The stricter mortgage amortisation requirement set by the Swedish government, which aims to reduce household debt and interest sensitivity, entered into force on 1 March. Relatively few of the bank's borrowers are affected, but we naturally need to take the new rules into consideration.

New sales of products and services are generally performing well. Our efforts during the period included addressing pension savings with our customers. A new survey shows that women save less for their pension than men, which creates a clear mandate for our advisors to help achieve gender equality in personal finances.

The agricultural sector in southern Sweden has also made a show of strength. More farmers consider their profitability to be good than those who consider their profitability to be poor. Skåne and Halland reported the highest number of businesses who made investments in machinery over the past year according to the Agricultural Barometer (Lantbruksbarometern), a survey measuring economic conditions that we presented in the middle of March in collaboration with Swedbank and LRF Konsult.

On the cutting edge

The bank continually refines its digital offering. In January, a new version of our Internet Bank was released with increased capabilities in the digital loan process. For example, more than half of all residential mortgage commitments issued are now fully digital.

In comparison with other savings banks in Sweden, we see that Sparbanken Skåne's customers are at the forefront of digital technology. Together, we are thus well equipped for the future.

In this context, I would also like to highlight our partnership with UtbildningsForum, a company funded by the bank's foundation owners specialising in education in the use of digital services such as Mobile BankID, Swish and the Internet Bank. UtbildningsForum supports our customers in transitioning to digital services and its courses are very popular.

We are now talking to our customers about the importance of being vigilant about fraud attempts. Unfortunately, scammers sometimes pretend to be the bank in order to steal money or valuable information. It is important to be aware that the bank will never call or send emails asking for codes or personal data.

Long-term commitment

Nurturing our relationships and taking a long-term approach to the world around us are requirements for success. We see Skåne as a growth region with many possibilities – and it goes without saying that we also want to contribute to a bright future for us and for future generations.

The first quarter saw several promising initiatives from the bank's three foundation owners, Sparbanksstiftelsen Färs & Frosta, Sparbanksstiftelsen Finn and Sparbanksstiftelsen 1826. Together, we are bringing the savings bank concept into the future. One of the ways we do this is that the foundations reinvest the profit of the bank into the local community.

The initiatives that have received financial assistance include the renewal of Stora torg in Eslöv and environmental efforts at Hanö Bight. The foundations also run several of their own projects, such as Spending the Day with Farm Animals, where primary school students gain free admission to Skåne Djurpark (Zoo) or get to visit an upper secondary school of natural resource management in Skåne. The project has over 4,000 children participating this spring.

Sparbanken Skåne published its first sustainability report at the end of February. The report highlights several of the bank's key working areas and outlines our approach to sustainable business, HR issues, ethics, environmental awareness and social responsibility – all to contribute to sustainable development.

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.

Business volume

The comparative figures are for the volume at 31 December 2017.

The bank's total business volume at 31 March 2018 was SEK 187,313m (193,486). As of 1 January 2018, volumes from the Swedish Premium Pension System, which is administered by the Premium Pension Authority (PPM), are no longer included in Sparbanken Skåne's business volume (SEK 9bn at year-end). When adjusted for the effect of the Swedish Premium Pension System, the business volume increased by 0.5% during the quarter.

Deposits from the general public totalled SEK 48,441m (48,641). Private customer deposit volumes increased during the quarter, while corporate volumes decreased in the same period.

The market value of total brokered fund and insurance volumes was SEK 37,027m (43,698). As of 1 January 2018, customer volumes from Swedish Premium Pension System savings are no longer included in brokered volumes, rendering the volumes at year-end incomparable. Our net savings in funds and insurance for the first three months of the year were positive, especially in fixed-income investments.

The positive performance of loans to the general public in 2017 continued throughout the first quarter of 2018. Deposits from the general public at 31 March 2018 totalled SEK 58,885m (56,953). This increase is the result of moving residential mortgages from brokered volumes to the bank's loans to the general public and of issuing new loans to both private and corporate customers. The bank's loans continue to maintain excellent credit quality.

The total loan portfolio brokered to Swedbank Hypotek at 31 March 2018 amounted to SEK 23,971m (24,965).

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. In the Swedish capital market, the bank has a covered bond programme and a medium term note (MTN) programme for long-term funding and a certificate of deposit programme for short-term funding.

The bank increased outstanding certificates of deposit during the quarter by SEK 100m. Outstanding senior bonds increased by SEK 600m during the same period.

In late March, the bank issued its second 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's outstanding bonds at 31 March amounted to SEK 7,200m in senior bonds and SEK 6,000m in covered bonds. Outstanding certificates of deposit totalled SEK 1,050m.

All bonds are listed on the Nasdaq OMX Nordic Stockholm exchange. More information about the bond programmes can be found at www.sparbankenskane.se.

Subordinated liabilities, in the form of fixed-term subordinated loans, totalled SEK 500m at 31 March 2018.

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 (the Swedish National Debt Office) adopted plans for managing banks in the event of a crisis and set a minimum requirement for eligible liabilities. Riksgälden determined that the operations of ten financial institutions are critical to the financial system, and Sparbanken Skåne is one of them. This means that Riksgälden establishes a resolution plan for the bank and sets a minimum requirement for eligible liabilities. The minimum requirement for the bank's eligible liabilities 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 March 2018 amounted to SEK 6,162m (7,967). 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 decreased in the quarter to 258 percent (323 percent at 31 December 2017), which is still high. This is mainly due to the increase in loans in the bank's own portfolio.

The loan-to-deposit ratio at 31 March 2018 was 122 percent (120 percent at year-end 2017).

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

Rating

Sparbanken Skåne is rated A- with a stable outlook by S&P Global. 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–March 2017 period.

Operating profit for the first quarter of 2018 amounted to SEK 43m (50). Goodwill amortisation continues to impact profit by SEK 107m per quarter, and profit for the first quarter is in line with expectations. The 6 percent year-on-year improvement in net interest income and effective cost controls give the bank healthy earnings.

New IFRS 9 accounting rules were applied effective 1 January 2018. The SEK -30m one-off effect of application of the new accounting policies was recognised in equity; more information on credit losses and loans to the general public is disclosed in the notes. Credit losses for the first quarter of 2018 amounted to SEK -11m (+5).

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 by SEK 428m per year.

Net interest income improved by 6 percent year-on-year, amounting to SEK 221m (208). 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 17m (16).

Net fee and commission income for the period totalled SEK 139m (140). Loan commissions amounted to SEK 43m (46) and are mainly attributable to commissions from Swedbank Hypotek. The decrease in loan commissions is due to lower volumes brokered to Swedbank Hypotek. Securities commissions and fees amounted to SEK 54m (54).

Other fee and commission income amounted to SEK 56m (55). Fee and commission expenses totalled SEK -14m (-15).

General administrative expenses were down year-on-year, totalling SEK 181m (182). Personnel expenses amounted to SEK 110m (111), and IT expenses were SEK 44m (44).

The total amount for both the depreciation of tangible assets and the amortisation of intangible assets was SEK 113m (114), and amortisation of intangible assets (goodwill) accounted for SEK 107m (107) of this item.

Profit for the period after appropriations and tax totalled SEK 27m (36).

Effects of IFRS 9 application

The greatest change resulting from the application of the new rules of IFRS 9 Financial Instruments was in the recognition of expected credit losses. The new impairment rules stipulate that expected credit losses (not only credit losses that have already been incurred) must be recognised as of 1 January 2018. The negative effect of initial IFRS 9 application at 1 January 2018 on the bank's equity was SEK -30m after tax.

Capital ratio

The bank added approximately SEK 100m to its capital base during the quarter, putting the total value of the capital base on 31 March 2018 at SEK 5,920m (5,819 at year-end). 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 quarter via a lower deduction for goodwill.

The Risk Exposure Amount (REA) was SEK 28,313m (27,920). The REA for exposures secured by mortgages on immovable property increased as residential mortgages were transferred from brokered loans to loans in the bank's own portfolio. The REA for institutions decreased during the year due to lower excess liquidity.

The REA for credit risk at 31 March 2018 totalled SEK 26,232m. SEK 8,797m of this item was calculated using the Internal Ratings-Based (IRB) approach to credit risk and SEK 17,435m was calculated using the standardised approach to credit risk.

The REA for operational risk at 31 March was SEK 2,068m (2,131) and the REA for credit valuation adjustment amounted to SEK 12m (13).

The total capital ratio was thus 20.9 percent at 31 March 2018 (20.8) and the CET1 capital ratio was 19.1 percent (19.1).

The bank's capital situation thus remains strong.

The leverage ratio amounted to 7.5 percent (7.7) at 31 March.

For more information about capital adequacy calculations, see Note 16, 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.

The bank's direct losses attributable to operational risk remained low in the first quarter of 2018.

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.

Events after the reporting period

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

Financial ratios

	3/2018	12/2017	9/2017	6/2017	3/2017
Volume					
Business volume, millions of SEK	187,313	193,486	191,342	189,552	187,339
Capital and liquidity					
CET1 capital ratio	19.1%	19.1%	18.1%	17.5%	17.4%
Total capital ratio	20.9%	20.8%	19.9%	19.3%	19.2%
Leverage ratio	7.5%	7.7%	7.5%	7.7%	7.7%
Loan-to-deposit ratio	1.22	1.20	1.17	1.15	1.16
LCR	258%	323%	303%	187%	181%
NSFR	138%	136%	137%	139%	141%
Profit					
Cost/income ratio before credit losses	0.85	0.86	0.85	0.86	0.87
Cost/income ratio after credit losses	0.88	0.83	0.83	0.85	0.86
Cost/income ratio after credit losses excluding dividends, capital gains and goodwill amortisation	0.59	0.54	0.54	0.55	0.56
Return on equity	2.2	3.3	3.1	2.9	2.6
Return on equity excluding dividends, capital gains and goodwill amortisation	7.7	9.0	8.7	8.5	8.3
Impaired loans and credit losses					
Loan loss ratio excluding brokered volumes	0.0%	0.1%	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%
Other disclosures					
Average number of employees	517	502	494	516	536

The financial ratios are defined on page 26.

* See Note 9 for detailed information concerning IFRS 9.

Quarterly comparison

Income statement	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Thousands of SEK					
Net interest income	221,400	222,012	218,680	214,716	207,926
Dividends received	700	-	-	516	500
Net fees and commissions	139,402	149,059	139,221	142,828	140,368
Net gain/loss from financial transactions	3,376	-16,804	1,567	1,029	6,899
Other operating income	512	28,920	2,336	1,602	937
Total net interest income and operating income	**365,390**	**383,187**	**361,804**	**360,691**	**356,630**
General administrative expenses	-181,134	-212,025	-171,454	-181,847	-182,208
Depreciation and amortisation	-112,703	-112,331	-114,179	-114,415	-114,420
Other expenses	-17,455	-15,280	-11,358	-11,544	-15,290
Credit losses	-11,121	24,551	4,299	8,081	4,909
Impairment losses on financial assets	-	-	-	-	-
Total expenses	**-322,413**	**-315,085**	**-292,692**	**-299,725**	**-307,009**
Operating profit/loss	**42,977**	**68,102**	**69,112**	**60,966**	**49,621**
Appropriations	-	-	-	-	-
Taxes	-15,546	-11,148	-18,873	-17,010	-13,914
Profit/loss for the period	**27,431**	**56,954**	**50,239**	**43,956**	**35,707**

Balance sheet	31/03/2018	31/12/2017	30/09/2017	30/6/2017	31/03/2017
Thousands of SEK					
Loans to credit institutions	825,299	1,495,612	1,290,651	1,694,512	1,564,417
Loans to the general public	58,885,290	56,953,441	55,638,490	54,457,885	52,773,784
Fixed-income securities	4,347,864	4,610,236	4,364,113	4,469,515	4,466,090
Goodwill	485,089	592,051	699,012	805,974	912,936
Other assets	5,732,443	3,123,712	4,828,096	1,783,814	1,517,129
Total assets	**70,275,985**	**66,775,052**	**66,820,362**	**63,211,700**	**61,234,356**
Liabilities to credit institutions	575,555	584,256	568,687	581,561	633,100
Deposits from the general public	48,441,346	48,641,224	47,705,567	47,184,932	45,608,373
Debt securities issued and subordinated liabilities	14,901,174	11,185,833	12,187,132	9,145,103	8,744,141
Other liabilities	365,923	310,443	359,967	352,157	352,231
Equity	5,991,987	6,053,296	5,999,009	5,947,947	5,896,511
Total liabilities, provisions and equity	**70,275,985**	**66,775,052**	**66,820,362**	**63,211,700**	**61,234,356**

Income statement

Income statement	Note	Q1 2018	Q1 2017	Jan-Dec 2017	Change
Thousands of SEK					
Interest income		251,533	236,586	992,308	6%
Interest expenses		-30,133	-28,660	-128,974	5%
Net interest income	**3**	**221,400**	**207,926**	**863,334**	**6%**
Dividends received		700	500	1,016	40%
Fee and commission income	4	153,182	155,306	633,463	-1%
Fee and commission expenses	5	-13,780	-14,938	-61,987	-8%
Net gain/loss from financial transactions	6	3,376	6,899	-7,309	-
Other operating income	7	512	937	33,795	-45%
Total net interest income and operating income		**365,390**	**356,630**	**1,462,312**	**2%**
General administrative expenses		-181,134	-182,208	-747,534	-1%
Depreciation of tangible assets and amortisation of intangible assets		-112,703	-114,420	-455,345	-2%
Other operating expenses		-17,455	-15,290	-53,472	14%
Total expenses before credit losses		**-311,292**	**-311,918**	**-1,256,351**	**0%**
Profit/loss before credit losses		**54,098**	**44,712**	**205,961**	**21%**
Net credit losses	8	-11,121	4,909	41,840	-
Operating profit/loss		**42,977**	**49,621**	**247,801**	**-13%**
Appropriations		-	-	-	-
Tax on profit for the period		-15,546	-13,914	-60,945	12%
Profit/loss for the period		**27,431**	**35,707**	**186,856**	**-23%**

Statement of comprehensive income	Q1 2018	Q1 2017	Jan-Dec 2017	Change
Thousands of SEK				
Profit/loss for the period	**27,431**	**35,707**	**186,856**	**-**
Other comprehensive income				
Items that are or may be reclassified to profit or loss for the period				
Net change in fair value of financial assets measured at fair value through other comprehensive income	-3,028	-4,335	6,022	-
Change in fair value of financial assets measured at fair value through other comprehensive income	-102	-	-3,131	-
Change in loss reserve for financial assets measured at fair value through other comprehensive income	-71	-	-	-
Tax attributable to items that may be reclassified to profit or loss for the period	704	954	-636	-
Other comprehensive income for the period	**-2,497**	**-3,381**	**2,255**	**-**
Comprehensive income for the period	**24,934**	**32,326**	**189,111**	**-**

Balance sheet

Balance sheet	Note	31/03/2018	31/12/2017	31/03/2017
Thousands of SEK				
Assets				
Cash		1,965	1,979	29,452
Treasury bills eligible for refinancing with central banks		1,031,881	929,790	1,430,810
Loans to credit institutions		825,299	1,495,612	1,564,417
Loans to the general public	9	58,885,290	56,953,441	52,773,784
Bonds and other fixed-income securities		3,315,983	3,680,446	3,035,280
Shareholdings and investments		7,361	7,361	46,646
Derivatives		4,453	4,470	181
Intangible assets		485,089	592,051	912,936
Tangible assets		96,603	95,830	211,740
Current tax assets		1,543,251	2,730,857	1,055,416
Deferred tax assets		11,536	11,090	
Other assets	10	3,830,752	64,633	6,954
Prepaid expenses and accrued income		236,522	207,492	166,740
Total assets		**70,275,985**	**66,775,052**	**61,234,356**
Liabilities, provisions and equity				
Liabilities to credit institutions		575,555	584,256	633,100
Deposits from the general public	11	48,441,346	48,641,224	45,608,373
Debt securities issued and related items	12	14,401,174	10,685,833	8,244,141
Derivatives		54,815	58,770	77,906
Deferred tax liabilities		0	0	9,777
Other liabilities		93,167	100,345	64,548
Accrued expenses and deferred income		152,407	99,653	154,440
Provisions	13	65,534	51,675	45,560
Subordinated liabilities		500,000	500,000	500,000
Total liabilities and provisions		**64,283,998**	**60,721,756**	**55,337,845**
Equity				
Restricted equity				
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
Total		**1,777,532**	**1,777,532**	**1,777,532**
Non-restricted equity				
Share premium reserve		3,188,631	3,188,631	3,188,631
Fair value reserve		954	2,866	-2,770
Retained earnings		997,439	897,411	897,411
Profit/loss for the period		27,431	186,856	35,707
Total		**4,214,455**	**4,275,764**	**4,118,979**
Total equity		**5,991,987**	**6,053,296**	**5,896,511**
Total liabilities, provisions and equity		**70,275,985**	**66,775,052**	**61,234,356**
Other notes				
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Statement of changes in equity

	Restricted equity		Non-restricted equity				Total equity
Thousands of SEK	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings	Profit/loss for the period	
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	-	-	-	-	41,896	-41,896	-
Transactions with owners in the form of dividends	-	-	-	-	-	-34,000	-34,000
Profit/loss for the period	-	-	-	-	-	35,707	35,707
Other comprehensive income for the period	-	-	-	-3,381	-	-	-3,381
Comprehensive income for the period	-	-	-	-	-	-	32,326
Balance at 31 March 2017	**1,668,336**	**109,196**	**3,188,631**	**-2,770**	**897,410**	**35,707**	**5,896,510**
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 period	-	-	-	-	-	186,856	186,856
Other comprehensive income for the period	-	-	-	2,255	-	-	2,255
Comprehensive income for the period	-	-	-	-	-	-	189,111
Balance at 31 December 2017	**1,668,336**	**109,196**	**3,188,631**	**2,866**	**897,411**	**186,856**	**6,053,296**
Balance at 1 January 2018	**1,668,336**	**109,196**	**3,188,631**	**2,866**	**897,411**	**186,856**	**6,053,296**
Adjustment for retroactive IFRS 9 application (net of tax)	-	-	-	585	-30,771	-	-30,186
Adjusted balance at 1 January 2018	1,668,336	109,196	3,188,631	3,451	866,640	186,856	6,023,110
Appropriation of profit as per AGM resolution							
Amount carried forward	-	-	-	-	130,799	-130,799	-
Transactions with owners in the form of dividends	-	-	-	-	-	-56,057	-56,057
Profit/loss for the period	-	-	-	-	-	27,431	27,431
Other comprehensive income for the period	-	-	-	-2,497	-	-	-2,497
Comprehensive income for the period	-	-	-	-	-	-	24,934
Balance at 31 March 2018	**1,668,336**	**109,196**	**3,188,631**	**954**	**997,439**	**27,431**	**5,991,987**

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	31/03/2018	31/12/2017	31/03/2017
Thousands of SEK			
Cash flows from operating activities			
Operating profit/loss	42,977	247,801	49,621
Net change in amortised cost for the period	5,111	15,925	4,526
Unrealised share of net gain from financial transactions	-3,705	22,927	-2,880
Depreciation and amortisation	112,703	455,345	114,420
Credit losses	13,213	-38,410	-4,265
Group contributions	-	-	-
Tax paid	1,180,832	-1,764,704	-19,775
Cash flows from operating activities before changes in working capital	**1,351,131**	**-1,061,116**	**141,647**
Cash flow from changes in working capital			
Increase/decrease in loans to the general public (-/+)	-1,984,512	-5,877,127	-1,714,927
Increase/decrease in securities (-/+)	256,427	26,379	207,243
Increase/decrease in deposits from the general public (+/-)	-199,878	2,969,816	-63,035
Increase/decrease in liabilities to credit institutions (+/-)	-8,701	506,426	555,270
Net change in other assets and liabilities	-694,156	22,153	101,813
Net cash from operating activities	**-1,279,689**	**-3,413,469**	**-771,989**
Cash flows from investing activities			
Disposal/redemption of financial assets	13,859	6,720	-1,329
Sale of tangible assets	905	136,723	200
Acquisition of tangible assets	-7,419	-42,041	-1,388
Net cash from investing activities	**7,345**	**101,402**	**-2,517**
Cash flows from financing activities			
Issue of fixed-income securities	2,861,348	8,190,659	2,048,885
Redemption of fixed-income securities	-2,203,274	-4,150,517	-450,026
Dividends paid	-56,057	-34,000	-34,000
Net cash from financing activities	**602,017**	**4,006,142**	**1,564,859**
Cash flow for the period	**-670,327**	**694,075**	**790,353**
Cash and cash equivalents at beginning of period	1,497,591	803,516	803,516
Cash and cash equivalents at end of period	**827,264**	**1,497,591**	**1,593,869**
The following subcomponents are included in cash and cash equivalents			
Cash	1,965	1,979	29,452
Loans to credit institutions	825,299	1,495,612	1,564,417
Balance sheet total	**827,264**	**1,497,591**	**1,593,869**
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	251,533	992,308	236,586
Interest paid including cost of deposit insurance and resolution/stability fee	-30,133	-128,974	-28,660
Dividends received	700	1,016	500

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 2017 Annual Report.

Changes to accounting policies caused by new or amended IFRSs

During the financial year, the bank changed its financial asset classification, measurement and impairment policies as a result of IFRS 9 becoming effective on 1 January 2018.

Classification and measurement

The bank's new financial asset classification and measurement policies are based on an assessment of both (i) the bank's business model for managing financial assets and (ii) the characteristics of the contractual cash flows of the financial asset.

Assets classified under IAS 39 as available-for-sale assets are now classified under IFRS 9 as financial assets measured at fair value through other comprehensive income.

The following financial assets are measured at fair value through other comprehensive income on the basis that the objective of the bank's business model for these financial assets can be achieved by holding the financial assets to collect their contractual cash flows and selling them, and that the contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding:

- Treasury bills eligible for refinancing with central banks
- Bonds and other fixed-income securities

The following financial assets are measured at amortised cost on the basis that the bank's business model for these assets is to hold the financial assets to collect the contractual cash flows, and that the contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding:

- Cash and balances at central banks
- Loans to credit institutions
- Loans to the general public

These assets were also measured at amortised cost under previous policies.

The bank measures financial assets in the form of structured products at fair value through profit or loss. These financial assets contain embedded derivatives and thus do not pass the cash flow characteristics test, which means they are recognised at fair value through profit or loss.

The liability policies are the same as in IAS 39 except for liabilities for which the fair value option is applied. The bank does not apply this option. Financial liabilities mainly consist of deposits from the general public, issued securities and liabilities to credit institutions, which are recognised at amortised cost, and of derivatives with negative market values recognised at fair value through profit or loss. IFRS 9 does not result in any changes in how liabilities are recognised.

Impairment

The new accounting policies stipulate that expected credit losses also be recognised instead of only incurred credit losses on impaired loans as before. The new accounting policies stipulate provisioning for losses not only on loans to the general public, but also on all balance sheet items recognised at amortised cost. Provisions are also recognised for losses on fixed-income securities recognised at fair value through other comprehensive income (see above) and on off-balance sheet exposures, loan commitments (such as unutilised overdraft facilities) and financial guarantees issued.

Recognition of expected credit losses – loans to the general public

Loss allowance calculations rely on data generated in existing internal risk classification models, and the contractual cash flows of the assets are used to calculate the loss allowances. The present value of the expected credit loss is calculated for each date in the cash flow of the respective assets by multiplying the expected exposure at default (EAD) by the probability of default (PD) and the loss given default (LGD). Although these parameters have the same names as when internal ratings-based models are applied for capital adequacy purposes, the parameters have been set in a different way for accounting purposes to reflect neutral and objective assumptions about cash flows and expected losses. The original effective rate of the exposure is used as the discount rate if the exposure has a fixed interest rate, and the current floating interest rate of the exposure is used if it has a floating interest rate. The parameters take into account forward-looking information, and they are produced by weighing at least three different potential macroeconomic scenarios. The type of macro parameter used depends on the type of exposure the calculation is for. Examples of macro parameters used are unemployment, property prices and interest rate levels.

The bank recognises the present value of 12-month expected credit losses on initial recognition (stage 1). The loss allowance for full lifetime expected credit losses will instead be calculated and recognised if the credit risk of an exposure has increased significantly since initial recognition (stage 2). A significant increase in credit risk is deemed to have occurred since initial recognition when the current internal credit rating is significantly worse than the original according to internally established criteria or when contractual payments are more than 30 days past due. If the internal rating has improved sufficiently at a later stage to the extent that there is no longer a significant increase in the credit risk when compared with the rating at initial recognition, the loan will be moved back to stage 1.

As before, a loss allowance will be recognised for the remaining term of credit-impaired exposures (previously referred to as impaired loans) when one or more events have occurred with a negative impact on the estimated future cash flows of the financial asset (stage 3). A loan is considered credit-impaired based on the same criteria as previous policies for the definition of impaired loans, in other words, when payments are more than 90 days past due or when there is other evidence in the form of observable data about the following events:

a) Significant financial difficulty of the issuer or borrower.
b) A breach of contract, such as a default or past-due event.
c) The lenders for economic or contractual reasons relating to the borrower's financial difficulty granted the borrower a concession that would not otherwise be considered.
d) It becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Recognition of expected credit losses – fixed-income securities

The bank also recognises loss allowances for those fixed-income securities which are recognised at fair value in the balance sheet. The bank's general approach for calculating loss allowances for fixed-income securities is the same as for deposits to the general public. However, the sources of information about the parameters used, PD, LGD and EAD, differ. The PD is derived from the external rating of the securities and the externally available information from credit rating agencies Moody's and Standard and Poor's on the risk of default with which this rating is associated. The LGD factor is determined by whether the security is hedged, other preferential rights and the type of counterparty. Given that statistics for defaults and losses given default for the type of counterparties whose securities the bank has invested in are only available on a very limited basis, the LGD factor is determined on the basis of expert judgment with a combination of

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information from Swedbank and Moody's. The 12-month statistically expected credit loss is recognised on initial recognition (stage 1). A significant increase in credit risk is considered to have occurred subsequently upon sufficient deterioration of the external rating, and the full lifetime expected credit losses are then recognised (stage 2). If the external rating has improved sufficiently at a later stage to the extent that there is no longer a significant increase in the credit risk when compared with the rating at initial recognition, the security will be moved back to stage 1.

Recognition of expected credit losses – loans to credit institutions

The bank's loans to credit institutions also fall within the scope of application for the recognition of expected credit losses. Given that all loans to credit institutions are repayable on demand and the bank only grants loans to Swedish credit institutions with high ratings, the expected credit losses are only insignificant in amount.

Interest income recognition

Interest income is recognised on the basis of the net carrying amount of the assets in stage 3 and the gross carrying amount (in other words, excluding loss allowances) of assets in stages 1–2. This results in an accounting policy change and that previously unrecognised interest income on impaired loans is now recognised as an asset in the balance sheet and has a positive impact on equity.

Recognition in income statement and balance sheet

Loss allowances are recognised in the balance sheet as follows:

- For assets recognised at amortised cost: as impairment losses on the carrying amount of the assets
- For loan commitments and financial guarantees issued: on the balance sheet under Provisions
- For investments in debt instruments recognised at fair value through other comprehensive income: directly in the fair value reserve

Changes in loss allowances are recognised in the income statement on the Net credit losses line, with the exception of fixed-income securities recognised at fair value through other comprehensive income where changes in loss allowances are recognised in the net gain or loss from financial transactions.

Hedge accounting

The bank has not transitioned to IFRS 9 hedge accounting policies and continues to apply the policies of IAS 39.

Disclosures

IFRS 9 has modified the disclosure requirements of IFRS 7 Financial Instruments with respect to the disclosures to be made in the annual report. The changes will render several previous disclosures unnecessary while necessitating several new disclosures, mainly with respect to expected credit losses. Disclosures on hedge accounting are also affected, although the bank continues to apply hedge accounting under the provisions of IAS 39.

Quantitative impact of IFRS 9 application

The transition to IFRS 9 accounting has been applied to the opening balance for the 2018 financial year. No comparative figures have been restated. See the table below for information about the quantitative impact of the new accounting policies.
The effect of IFRS 9 application in terms of expected credit losses amounted to SEK 585 thousand.
* Recognised under IAS 39 as available-for-sale assets and now recognised under IFRS 9 at fair value through other comprehensive income.

Assets	**IAS 39 carrying amount 31 December 2017**	**Expected credit losses**	**IFRS 9 carrying amount 1 January 2018**
Thousands of SEK			
Financial assets			
Cash and balances at central banks	1,979		1,979
Treasury bills eligible for refinancing with central banks*	929,790		929,790
Loans to credit institutions	1,495,612		1,495,612
Loans to the general public	56,953,441	-29,167	56,924,274
Bonds and other fixed-income securities*	3,680,446		3,680,446
Shareholdings and investments*	7,361		7,361
Derivatives	4,470		4,470
Accrued income	183,160	575	183,735
Other financial assets	64,634		64,634
Non-financial assets	3,454,159	8,514	3,462,673
Total assets	**66,775,052**	**-20,078**	**66,754,974**
Liabilities			
Provisions	51,675	10,109	61,784
Other liabilities	60,670,081		60,670,081
Total liabilities	**60,721,756**	**10,109**	**60,731,865**
Equity	6,053,296	-30,187	6,023,109
Liabilities and equity	**66,775,052**	**-20,078**	**66,754,974**

Estimated effects of IFRS 15 application

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 has conducted an assessment of the new rules on the basis of principles such as the following:

- Identification of the contracts that may be affected.
- Analysis of how consideration from contracts is calculated and how the uncertainty regarding the amount of the total consideration should be managed.
- Analysis of when and how revenue should be recognised.

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.

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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

	Q1 2018	Q1 2017	Full year 2017	Change
Thousands of SEK				
Interest income				
Loans to credit institutions	479	200	1,009	-
Loans to the general public	263,543	249,783	1,031,021	6%
Fixed-income securities	-2,165	-1,967	-7,141	10%
Derivatives	-10,324	-11,430	-32,580	-10%
Other interest income	0	0	-1	-
Total	**251,533**	**236,586**	**992,308**	**6%**
Share of interest income from financial items not measured at fair value through profit or loss	261,857	248,016	1,024,888	6%
interest income from stage 3 loans	703	2,289	4,550	-69%
Interest expenses				
Liabilities to credit institutions	-2,879	-2,397	-22,073	20%
Deposits from the general public	-14,860	-16,404	-60,875	-9%
– expenses for deposit insurance	-12,070	-12,313	-46,520	-2%
Fixed-income securities	-5,255	-4,353	-22,805	21%
Subordinated liabilities	-1,807	-1,730	-7,631	4%
Other interest income	-5,332	-3,776	-15,590	41%
Total	**-30,133**	**-28,660**	**-128,974**	**5%**
Share of interest expenses from financial items not measured at fair value through profit or loss	-30,133	-28,660	-128,974	5%
Total net interest income	**221,400**	**207,926**	**863,334**	**6%**

Note 4 Fee and commission income

	Q1 2018	Q1 2017	Full year 2017	Change
Thousands of SEK				
Payment intermediation fees	20,413	22,201	86,726	-8%
Loan commissions	43,382	46,488	182,714	-7%
Deposit commissions	16,626	14,902	67,377	12%
Commissions for financial guarantees issued	811	810	3,132	0%
Securities commissions and fees	53,677	54,091	223,795	-1%
Other fees and commissions	18,273	16,814	69,719	9%
Total	**153,182**	**155,306**	**633,463**	**-1%**

Note 5 Fee and commission expenses	Q1 2018	Q1 2017	Full year 2017	Change
Thousands of SEK				
Payment intermediation fees	-7,676	-7,536	-37,209	2%
Securities commissions and fees	-5,138	-6,301	-19,711	-18%
Other fees and commissions	-966	-1,101	-5,067	-12%
Total	**-13,780**	**-14,938**	**-61,987**	**-8%**

Note 6 Net gain/loss from financial transactions	Q1 2018	Q1 2017	Full year 2017	Change
Thousands of SEK				
Shareholdings/investments	-	34	34	-
Fixed-income securities	173	-1,227	-26,109	-
Other financial instruments	1,505	6,907	12,941	-78%
Exchange rate fluctuations	1,698	1,185	5,825	43%
Total	**3,376**	**6,899**	**-7,309**	**-51%**

	Q1 2018	Q1 2017	Full year 2017	Change
Net gain/loss by valuation category				
Financial assets at fair value through other comprehensive income	173			-
Financial assets at fair value through profit or loss (IAS 39)		-1,227	-29,240	-
Capital gain on available-for-sale financial assets (IAS 39)		34	3,165	-
Ineffective portion of fair value hedge	294	244	829	20%
Derivatives intended for risk management, no hedge accounting	1,211	6,663	12,112	-82%
Change in fair value of derivatives used as hedging instruments in a fair value hedge	2,200	3,537	20,225	-38%
Change in fair value of hedged item attributable to the hedged risk in fair value hedges	-2,200	-3,537	-20,225	-38%
Exchange rate fluctuations	1,698	1,185	5,825	43%
Total	**3,376**	**6,899**	**-7,309**	**-51%**

Note 7 Other operating income

For the 2017 full year, this item includes an SEK 29m capital gain on the disposal of six office properties.

Note 8 Net credit losses	Q1 2018
Thousands of SEK	
Loans at amortised cost	
Change in provisions – stage 1	-5,283
Change in provisions – stage 2	-5,869
Change in provisions – stage 3	1,095
Total	**-10,057**
Net cost for the period for realised losses	-1,431
Amount received for previously realised credit losses	2,092
Total credit losses on loans at amortised cost	**-9,396**
Loan commitments and financial guarantee contracts	
Change in provisions – stage 1	-58
Change in provisions – stage 2	-1,391
Change in provisions – stage 3	-276
Total credit losses for loan commitments and financial guarantee contracts	**-1,725**
Total credit losses	**-11,121**

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		Q1 2017	Full year 2017
Thousands of SEK			
Specific impairment, individually assessed loans			
Write-off of realised credit losses for the period		-3,847	-38,425
Reversal of previous impairment of credit losses recognised as realised losses in the financial statements for the period		3,544	34,568
Impairment of credit losses for the period		-1,881	-24,358
Amount received for previously realised credit losses		528	2,953
Reversal of impairment of credit losses no longer necessary		5,457	88,402
Net cost for the period for individually assessed loans		3,801	63,140
Homogeneous groups of loans assessed in groups with a limited value and similar credit risk			
Write-off of realised credit losses for the period		**-687**	**-3,007**
Amount received for credit losses realised in previous years		**116**	**477**
Allocation to/release of credit loss reserve		**488**	**1,646**
Net cost for the period for homogeneous loans assessed in groups		**-83**	**-884**
Contingent liabilities			
Net cost for the period for settlement of guarantees and other contingent liabilities		**1,191**	**-20,416**
Net cost for the period for credit losses		**4,909**	**41,840**

Note 9 Loans to the general public

Thousands of SEK	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount at 1 January 2018	53,917,157	2,952,950	145,761	**57,015,868**
Gross carrying amount at 31 March 2018	55,671,943	3,135,302	182,617	**58,989,862**
Loss allowances				
Loss allowances at 1 January 2018	14,922	28,132	77,970	**121,024**
New financial assets	2,336	1,393	3,860	**7,589**
Derecognised financial assets	-1,090	-3,511	-5,737	**-10,338**
Changed risk variables (EAD, PD, LGD)	4,295	3,295	-4,684	**2,906**
Transfers between stages during the period				
from stage 1 to stage 2	-603	8,163	-	**7,560**
from stage 1 to stage 3	-101	-	3,834	**3,733**
from stage 2 to stage 1	441	-3,064	-	**-2,623**
from stage 2 to stage 3	-	-408	2,358	**1,951**
from stage 3 to stage 2	-	-	-	**-**
from stage 3 to stage 1	-	-	-	**-**
Loss allowances at 31 March	20,200	34,001	77,601	**131,802**
Carrying amount				
Opening balance at 1 January 2018	53,902,235	2,924,818	67,791	**56,894,844**
Closing balance at 31 March 2018	55,651,744	3,101,301	105,015	**58,858,060**
Change in fair value of hedged amount in portfolio hedge				**27,230**
Total				**58,885,290**

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Gross carrying amount and loss allowance by sector	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
Loans to the general public			
Private customers	**37,192,384**	**43,719**	**37,148,665**
Residential mortgages	34,482,868	34,287	34,448,581
Tenant-owners' associations	1,304,275	645	1,303,630
Other sectors	1,405,241	8,788	1,396,454
Corporate customers	**21,797,478**	**88,083**	**21,709,395**
Agriculture, fishing, forestry	4,619,084	13,101	4,605,983
Manufacturing	553,813	3,746	550,067
Public sector	518,587	3,254	515,332
Construction	1,114,993	5,438	1,109,555
Retail	1,053,851	27,352	1,026,499
Transport	338,985	1,988	336,997
Hotel and restaurant	171,525	962	170,563
Information technology	87,311	74	87,237
Banking and insurance	172,565	281	172,284
Property management	11,153,907	15,920	11,137,987
Service sector	728,135	10,942	717,193
Other loans to businesses	1,284,723	5,024	1,279,699
Loans to the general public	**58,989,862**	**131,802**	**58,858,060**

Gross carrying amount and loss allowance by stage – comparison with opening balance	31 March 2018	1 January 2018
Thousands of SEK		
Loans to the general public, private customers		
Stage 1		
Gross carrying amount	35,280,346	33,069,907
Loss allowances	5,020	4,657
Carrying amount	35,275,326	33,065,250
Stage 2		
Gross carrying amount	1,851,190	1,816,736
Loss allowances	11,784	10,411
Carrying amount	1,839,406	1,806,325
Stage 3		
Gross carrying amount	60,847	55,842
Loss allowances	26,915	30,431
Carrying amount	33,932	25,411
Total carrying amount, loans to private customers	**37,148,664**	**34,896,986**
Loans to the general public, corporate customers		
Stage 1		
Gross carrying amount	20,391,597	20,847,250
Loss allowances	15,179	10,265
Carrying amount	20,376,418	20,836,985
Stage 2		
Gross carrying amount	1,284,112	1,136,214
Loss allowances	22,217	17,721
Carrying amount	1,261,895	1,118,493
Stage 3		
Gross carrying amount	121,770	89,919
Loss allowances	50,687	47,539
Carrying amount	71,083	42,380
Total carrying amount, loans to corporate customers	**21,709,396**	**21,997,858**

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Gross carrying amount – stage 1	55,671,943	53,917,157
Gross carrying amount – stage 2	3,135,302	2,952,950
Gross carrying amount – stage 3	182,617	145,761
Total gross carrying amount	**58,989,862**	**57,015,868**
Loss allowance – stage 1	20,199	14,922
Loss allowance – stage 2	34,001	28,132
Loss allowance – stage 3	77,602	77,970
Total loss allowances	**131,802**	**121,024**
Total carrying amount, loans to the general public	**58,858,060**	**56,894,844**
Gross stage 3 loans in %	0.3%	0.3%
Net stage 3 loans in %	0.2%	0.1%
Ratio of loss allowances to stage 1 loans	15%	12%
Ratio of loss allowances to stage 2 loans	26%	23%

IFRS loss allowances on 31 March and 1 January 2018 compared with IAS 39 on 31 December and 31 March 2017	31/03/2018	01/01/2018	31/12/2017	31/03/2017
Thousands of SEK				
Impairment losses – stages 1–2				
12-month loss allowance (stage 1)	20,200	14,922	-	-
Full lifetime loss allowance (stage 2)	34,001	28,132	-	-
Impairment losses – stage 3 and under IAS 39	**77,602**	**77,970**	**91,857**	**162,507**
Total impairment losses	**131,803**	**121,024**	**91,857**	**162,507**

	31/12/2017	31/03/2017
Thousands of SEK		
Gross loans		
– public sector	30,315	31,488
– corporate sector	15,337,844	15,617,805
– retail sector	41,647,709	37,240,880
– sole proprietors	11,307,925	10,946,087
– other sectors	-	-
Total	**57,015,868**	**52,890,173**
Sub-items of gross loans:		
Unsettled loans included in impaired loans	**52,204**	**106,389**
– corporate sector	30,278	69,153
– retail sector	21,926	37,236
Impaired loans	**135,045**	**280,566**
– corporate sector	105,631	233,274
– retail sector	29,414	47,292
Subtracted by:		
Specific impairment, individually assessed loans	**89,021**	**158,514**
– corporate sector	72,296	133,501
– retail sector	16,725	25,013
Impairment of homogeneous groups of loans assessed in groups	**2,836**	**3,993**
– retail sector	2,836	3,993
Loans, net carrying amount	**56,924,011**	**52,727,666**
Change in fair value of hedged amount in portfolio hedge	29,430	46,118
Total	**56,953,441**	**52,773,784**

Definitions (2017):

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

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

Note 10 Other assets

Other assets include a receivable from covered bond proceeds amounting to SEK 3,762,001 thousand.

Note 11 Deposits from the general public

Thousands of SEK	31/03/2018	31/12/2017	31/03/2017
The general public			
– Swedish currency	47,981,492	48,329,560	45,376,133
– foreign currency	459,854	311,664	232,240
Total	**48,441,346**	**48,641,224**	**45,608,373**

Deposits per customer category, excluding bank cheques			
Public sector	1,264,988	1,480,832	1,032,755
Corporate sector	9,400,126	9,401,892	8,604,313
Retail sector	37,316,716	37,094,204	35,346,589
– sole proprietors	6,127,076	6,245,410	5,808,097
Other interest income	395,415	592,640	553,851
Total	**48,377,245**	**48,569,568**	**45,537,508**

Note 12 Debt securities issued and related items

Thousands of SEK	31/03/2018	31/12/2017	31/03/2017
Certificates of deposit	1,050,337	950,235	1,550,117
Bond loans	7,258,007	6,696,387	6,694,023
Covered bonds	6,092,830	3,039,211	-
Total	**14,401,174**	**10,685,833**	**8,244,140**

Changes during the period	Jan–Mar 2018	Jan–Dec 2017	Jan–Mar 2017
Issued	5,913,905	8,190,659	2,049,843
Matured	-2,198,564	-4,149,423	-450,000
Change	**3,715,341**	**4,041,236**	**1,599,843**

Note 13 Provisions

Thousands of SEK	Stage 1	Stage 2	Stage 3	Total
Loss allowances at 1 January 2018	1,241	1,421	7,447	10,109
New loan commitments	355	448	906	1,709
Financial guarantees and loan commitments that are past due or have been sold	-298	-239	-1,232	-1,770
Changed risk variables (EAD, PD, LGD)	82	298	383	762
Transfers between stages during the period				
from stage 1 to stage 2	-135	1,084	-	949
from stage 1 to stage 3	-1	-	143	142
from stage 2 to stage 1	55	-190	-	-136
from stage 2 to stage 3	-	-9	77	68
from stage 3 to stage 2	-	-	-	-
from stage 3 to stage 1	-	-	-	-
Loss allowances at 31 March	**1,300**	**2,811**	**7,723**	**11,834**
Other provisions				53,700
Total				**65,534**

Note 14 Derivatives

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.

	31/03/2018		31/12/2017	
Thousands of SEK	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
Derivative instruments with positive fair values				
Fixed-income contracts	464,000	11	469,000	29
Currency contracts	189,966	4,441	135,777	4,441
Total derivative instruments with positive fair values	**653,966**	**4,452**	**604,777**	**4,470**
Derivative instruments with negative fair values				
Fixed-income contracts	2,618,450	50,737	2,781,825	54,693
Currency contracts	188,220	4,077	120,602	4,077
Total derivative instruments with negative fair values	**2,806,670**	**54,814**	**2,902,427**	**58,770**

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

Note 15 Financial assets and liabilities

	Carrying amount			Fair value
31 March 2018	**Fair value**	**Amortised cost**	**Fair value through other comprehensive income**	
Thousands of SEK				
Cash and balances at central banks		1,965		1,965
Treasury bills eligible for refinancing with central banks			1,031,881	1,031,881
Loans to credit institutions		825,299		825,299
Loans to the general public		58,885,290		59,232,335
Bonds and other fixed-income securities			3,315,983	3,315,983
Shareholdings and investments			7,361	7,361
Derivatives	4,453			4,453
Other assets		68,712		68,712
Accrued income		213,349		213,349
	4,453	**59,994,615**	**4,355,225**	**64,701,338**
Liabilities to credit institutions		575,555		575,555
Deposits and borrowings from the general public		48,441,346		48,447,540
Securities issued		14,401,174		14,401,174
Derivatives	54,815			54,815
Other liabilities		85,763		85,763
Accrued expenses		126,016		126,016
Subordinated liabilities		500,000		500,000
	54,815	**64,129,854**	**0**	**64,190,863**

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	31/12/2017		
	Fair value	**Carrying amount**	**Difference**
Thousands of SEK			
Treasury bills eligible for refinancing with central banks	929,790	929,790	-
Loans to credit institutions	1,495,612	1,495,612	-
Loans to the general public	57,286,746	56,953,441	333,305
Bonds and other fixed-income securities	3,680,446	3,680,446	-
Shareholdings and investments	7,361	7,361	-
Derivatives	4,470	4,470	-
Accrued income	183,160	183,160	-
Other financial assets	64,634	64,634	-
Total	**63,654,198**	**63,320,893**	**333,305**
Liabilities to credit institutions	584,256	584,256	-
Deposits from the general public	48,648,836	48,641,224	7,612
Debt securities issued and related items	10,685,833	10,685,833	-
Derivatives	58,770	58,770	-
Other financial liabilities	84,818	84,818	-
Accrued expenses	97,736	97,736	-
Subordinated liabilities	500,000	500,000	-
Total	**60,660,249**	**60,652,637**	**7,612**

	31/03/2017		
	Fair value	**Carrying amount**	**Difference**
Thousands of SEK			
Cash	29,452	29,452	-
Treasury bills eligible for refinancing with central banks	1,430,810	1,430,810	-
Loans to credit institutions	1,564,417	1,564,417	-
Loans to the general public	53,078,203	52,773,784	304,419
Bonds and other fixed-income securities	3,035,280	3,035,280	-
Shareholdings and investments	46,646	46,646	-
Derivatives	181	181	-
Accrued income	147,073	147,073	-
Other financial assets	6,955	6,955	-
Total	**59,339,017**	**59,034,598**	**304,419**
Liabilities to credit institutions	633,100	633,100	-
Deposits from the general public	45,617,739	45,608,373	9,366
Debt securities issued and related items	8,244,141	8,244,141	-
Derivatives	77,906	77,906	-
Other financial liabilities	52,287	52,287	-
Accrued expenses	127,952	127,952	-
Subordinated liabilities	500,000	500,000	-
Total	**55,253,125**	**55,243,759**	**9,366**

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

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31/03/2018

Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	1,031,881	-	-	1,031,881
Bonds and related items	3,315,983	-	-	3,315,983
Shareholdings and investments	-	-	7,361	7,361
Other assets – derivatives	-	4,453	-	4,453
Total	**4,347,864**	**4,453**	**7,361**	**4,359,678**
Other liabilities – derivatives	-	54,815	-	54,815
Total	**-**	**54,815**	**-**	**54,815**

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**

The level 3 heading 'Shareholdings and investments' include unlisted shareholdings and investments measured using established valuation models.

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 2018	-	7,361	7,361
Disposals	-	-	-
Cost – acquisitions	-	-	-
Total gains and losses recognised	-	-	-
– recognised in profit or loss	-	-	-
Closing balance at 31 March 2018	**-**	**7,361**	**7,361**
Gains and losses recognised in profit or loss for assets included in the closing balance at 31 March 2018	-	-	-

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: 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 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 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.

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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 16 Pledged assets, contingent liabilities and commitments

	31/03/2018	31/12/2017	31/03/2017
Thousands of SEK			
Pledged assets			
Loans *	7,825,749	3,924,064	-
Other pledged assets	53,230	52,200	39,288
Contingent liabilities	572,626	647,095	600,371
Commitments	6,383,659	6,241,340	6,058,169

* 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 17 Capital adequacy analysis

Capital base									
Thousands of SEK		31/03/2018			31/12/2017			31/03/2017	
CET1 capital		5,419,603			5,318,886			4,855,105	
Tier 2 capital		500,000			500,000			500,000	
Net capital base		**5,919,603**			**5,818,886**			**5,355,105**	
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		703,758	8,796,974		708,886	8,861,076		747,743	9,346,791
– standardised approach		1,394,792	17,434,903		1,353,195	16,914,937		1,307,285	16,341,061
Capital requirement for operational risk		165,479	2,068,482		170,532	2,131,644		170,532	2,131,644
Credit valuation adjustment		993	12,413		1,012	12,650		599	7,488
Total capital requirements and risk exposure amounts		**2,265,022**	**28,312,772**		**2,233,625**	**27,920,307**		**2,226,159**	**27,826,984**
CET1 capital ratio	**19.1%**			**19.1%**			**17.4%**		
Tier 1 capital ratio	**19.1%**			**19.1%**			**17.4%**		
Total capital ratio	**20.9%**			**20.8%**			**19.2%**		
Buffer requirement	**4.5%**	**1,274,075**	**15,925,934**	**4.5%**	**1,256,297**	**15,703,716**	**4.5%**	**1,252,214**	**15,652,679**
– capital conservation buffer	2.5%	707,819	8,847,741	2.5%	698,008	8,725,096	2.5%	695,675	8,695,933
– countercyclical capital buffer	2.0%	566,255	7,078,193	2.0%	558,290	6,978,620	2.0%	556,540	6,956,746
CET1 capital available for use as buffer	**12.9%**	**3,654,581**		**12.8%**	**3,585,261**		**11.2%**	**3,128,946**	
Total internally assessed capital requirement (excluding buffer requirement)		**3,172,676**			**3,134,634**			**3,020,421**	

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Capital base

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

Thousands of SEK	31/03/2018	31/12/2017	31/03/2017
CET1 capital: Instruments and reserves			
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	-	-	-2,770
Retained earnings	997,439	897,411	897,411
Verified profit less proposed appropriation of profit and predictable expenses	-	130,800	-
CET1 capital before regulatory adjustments	**5,963,602**	**5,994,374**	**5,860,804**
CET1 capital: regulatory adjustments			
Intangible assets, deferred tax assets and value adjustments	-501,122	-607,751	-927,194
Deduction of IRB provisions (see disclosure below)	-42,877	-67,737	-78,505
Total regulatory adjustments to CET1 capital	**-543,999**	**-675,488**	**-1,005,699**
CET1 capital	**5,419,603**	**5,318,886**	**4,855,105**
Tier 2 capital: Instruments			
Fixed-term subordinated loans	500,000	500,000	500,000
Tier 2 capital	**500,000**	**500,000**	**500,000**
Capital base	**5,919,603**	**5,818,886**	**5,355,105**
Special disclosures			
IRB Provisions excess(+)/shortfall(-)	**-42,877**	**-67,737**	**-78,505**
Total IRB provisions (+)	31,193	9,015	29,870
IRB Expected loss amount (-)	-74,070	-76,752	-108,375

Capital requirements and risk exposure amounts

Thousands of SEK	31/03/2018		31/12/2017		31/03/2017	
	Capital requirement	**Risk-weighted exposure amount**	**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	7,666	95,830	5,264	65,800	4,999	62,485
Corporate exposures	354,350	4,429,369	334,076	4,175,955	327,552	4,094,406
Retail exposures	451,720	5,646,500	445,112	5,563,898	454,036	5,675,446
Exposures secured by mortgages on immovable property	571,185	7,139,815	561,953	7,024,411	510,788	6,384,849
Defaulted items	9,282	116,028	6,201	77,511	9,910	123,875
Equity exposures	589	7,361	589	7,361	-	-

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	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Credit risk under IRB approach						
Institutional exposures	25,539	319,243	49,539	619,239	49,069	613,358
Corporate exposures	333,307	4,166,336	324,176	4,052,196	381,612	4,770,155
Retail exposures	326,959	4,086,988	316,973	3,962,159	289,146	3,614,319
– mortgage loans	185,022	2,312,772	179,594	2,244,924	164,955	2,061,942
– other loans	141,937	1,774,216	137,379	1,717,235	124,190	1,552,377
Non-credit obligation asset exposures	17,953	224,407	18,199	227,482	27,917	348,959
Total	**2,097,961**	**26,231,877**	**2,062,081**	**25,776,013**	**2,055,028**	**25,687,852**
Credit valuation adjustment	**993**	**12,413**	**1,012**	**12,650**	**599**	**7,488**

Operational risk

	31/03/2018		31/12/2017		31/03/2017	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Standardised approach	165,479	2,068,482	170,532	2,131,644	170,532	2,131,644
Total capital requirement for operational risk	**165,479**	**2,068,482**	**170,532**	**2,131,644**	**170,532**	**2,131,644**
Total capital requirements and risk exposure amounts	**2,264,433**	**28,312,772**	**2,233,625**	**27,920,307**	**2,226,159**	**27,826,984**

Note 18 Disclosures on related parties and other significant relationships

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.

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

Lund, 24 April 2018

Bo Bengtsson
CEO

Definitions

Business volume
The bank's business volume mainly consists of loans to the general public, brokered loans and credit that has been granted but not yet utilised. Business 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 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 contingent liabilities is not taken into consideration. Instead, all exposures are recognised at their nominal amounts.

Loan-to-deposit ratio
Loans to the general public expressed as a percentage of deposits from the general public.

LCR
The Liquidity Coverage Ratio (LCR) is calculated according to the Capital Requirements Regulation (CRR) and Directive (CRD IV). The regulatory requirement is 100%. 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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