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

Lund, 24 October 2018

Sparbanken Skåne continues to perform well. In the third quarter of 2018, the bank reported a profit (excluding goodwill amortisation and before tax) of SEK 201m, a 14 percent year-on-year increase. This was driven by strong credit quality, improved net interest income and effective cost controls.

Q3 financial summary, July–September 2018

- The bank's operating profit increased in the quarter, totalling SEK 94m (50)
- Operating profit excluding goodwill amortisation for the July-September period totalled SEK 201m (157)
- Net interest income was affected positively by increased volumes and amounted to SEK 247m (230)
- Net fee and commission income amounted to SEK 131m (129)
- Expenses decreased in the quarter and totalled SEK -297m (-313)
- Credit losses amounted to SEK 9m (-1)
- Business volume was up 2% in the quarter, totalling SEK 196bn (193)
- The total capital ratio (calculated including the positive effect of the extended IRB authorisation in the loan portfolio) increased in the quarter to 23.5% (19.6)
- The LCR was 277% (288)

(Comparative figures in parentheses refer to Q2, April-June 2018)

Key events in Q3 2018

- Net interest income improved, primarily as an effect of strong growth in the bank's own residential mortgage portfolio. When combined with stable expenses, this helped increase earnings.
- Credit losses were low and net recoveries were recognised for the period. The bank's credit quality is considered good.
- The collaboration agreement with Swedbank was extended during the quarter to 30 June 2024.
- A third emission was conducted under Sparbanken Skåne's covered bond programme. The issue was well received by the market.
- New corporate service packages are in the launch phase. Their purpose is to create turnkey solutions that make it easy for customers to find just the right services for their needs.
- Due to the current interest rates set by the Swedish central bank, the bank must take a long-term approach in its advisory services. This applies in particular to housing transactions and investments.
- Sparbanken Skåne's collaboration with UtbildningsForum, a company funded by the bank's three foundation owners, continues to play a key role in the bank's offering. Together, Sparbanken Skåne and UtbildningsForum are breaking digital barriers for thousands of people.

Financial summary, January–September 2018

- The bank's operating profit for the January–September 2018 period was SEK 187m (180)
- Operating profit excluding goodwill amortisation for the period totalled SEK 508m (501)
- New IFRS 9 accounting rules were applied effective 1 January 2018, which impacted areas such as the calculation of credit losses. These amounted to SEK -3m (+17)
- The total capital ratio was 23.5% (19.9)
- The CET1 capital ratio amounted to 21.6% (18.1)
- The leverage ratio totalled 7.3% (7.5)
- The LCR was 277% (303)

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

Continuing strong performance for the bank

Sparbanken Skåne continues to perform well. In the third quarter, we renewed our corporate offering, refined our digital services and got involved in new community projects. This is all driven by our long-term approach to our surrounding community.

The general elections left Sweden in an uncertain political situation, but the equity markets have not shown any significant reaction. After posting gains in July and August, the stock market largely held its ground in September, which contributed to stronger securities volumes for the bank. Combined with solid growth in deposits and in the residential mortgage portfolio, this led to a 2 percent increase in business volume during the quarter to a total of SEK 196bn.

However, a direct comparison of the business volume with the previous year is misleading because of the new EU directive implemented in January 2018, MiFID II, which affects the recognition of Swedish Premium Pension System savings. Adjusted for this effect, business volume increased by 6 percent year-on-year.

Stable financial position

Sparbanken Skåne's net interest income performed well, both as an effect of increased lending volumes and the conversion of loans from external mortgage companies to loans on its own balance sheet. In terms of total net interest income, the bank saw a year-on-year increase of 13 percent to SEK 247m in the third quarter.

The bank's credit losses remain low, which, along with effective cost controls, contributed to a profit (excluding goodwill amortisation and before tax) of SEK 201m, a 14 percent year-on-year increase.

Amortisation of the goodwill item from when Sparbanken Skåne was founded in 2014 is continuing as scheduled and was charged to profit for the quarter in the amount of SEK 107m. Profit after goodwill amortisation was SEK 94m.

A positive private market trend

The bank continued to expand its residential mortgage activities in the quarter. Our offering is attractive with transparent communications about the maximum price for new customers. We collaborate with estate agents and housing developers by being available at showings. Here we meet potential homebuyers, which often leads to more in-depth discussions based on their individual situation.

The first key interest rate hike from the Swedish central bank (Riksbank) in over seven years is likely not far off. However, the low interest rate environment per se will probably endure for a relatively long time. It is noteworthy that we now have a generation of homebuyers that have not experienced what we would consider normal interest rate levels.

This clearly demands a long-term perspective in the bank's advisory services. It is crucial for households to take the possibility of increased housing costs in the future into account. As a bank, we also have an important part to play in making customers aware of the relationship between risk and return, especially in a situation where traditional fixed-income investments provide negligible returns.

Services that add value

In the autumn we introduced the Easy Fund Selector (Enkla Fondhjälpen), an online guide where customers can find the right funds for long-term investments based on their individual needs. In addition, Swedbank Robur Global Impact, a sustainability fund launched in May, was well received by the market. As of the end of Q3, Sparbanken Skåne customers have invested SEK 28m.

Both Easy Fund Selector and Global Impact are offered in collaboration with Swedbank, our most important partner with which we share IT systems and product ranges. Our partnership with Entercard is another example of how our products and services give our customers a sense of security. When Primera Air (which was primarily a charter airline) recently went bankrupt, customers who had paid for their flights with their Mastercard credit card were able to dispute the purchase and get a refund.

New corporate packages

In the third quarter, the bank began launching its new corporate packages consisting of turnkey solutions that combine key services for companies and associations. The bank currently offers three package variants that make it easy for customers to find just the right solution for their needs.

- Basic. Includes services such as the Internet Bank, a corporate account, a bankgiro number and access to our Corporate Customer Centre. Perfect for associations and small businesses.
- Plus. Includes all services in Basic plus the Visa Business Card, an invoicing service and identity protection for businesses. Perfect for most companies and also includes a discount on a wireless credit card terminal.
- Accounting. The same contents as Plus with the addition of e-accounting.

During the period, the bank has been in contact with customers in the agricultural sector in particular. The summer drought was the worst in 200 years and we always strive for a close dialogue with our customers, so that we can work together to find the best solution to problems that may arise.

Breaking digital barriers

A recently published report entitled Swedes and the Internet in 2018 (Svenskarna och internet 2018) found that hundreds of thousands of residents experience exclusion from digital society. Especially in consideration of this, we see our collaboration with UtbildningsForum in a very positive light. Under this partnership, we join forces to break down these digital barriers by providing digital service education, both in banking and in society at large.

More than 70,000 people have taken these courses since they were started a little over two years ago. Digital security is a core part of the programme. For example, Mobile BankID is currently used in many parts of society, but it's important to remember that a BankID is a valuable and there are scammers out there who want to use them to steal people's money. The bank makes a point of informing customers never to use their Mobile BankID or security token at the request of someone who has contacted them. Mobile BankID has also been upgraded with an extra identity verification step using QR codes to reduce the risk of fraud.

Projects that make a difference

In collaboration with the bank's three foundation owners, Sparbankstiftelsen 1826, Sparbankstiftelsen Finn and Sparbankstiftelsen Färs & Frosta, we were involved in several exciting projects during the quarter. These included inviting socially challenged families to a Sweden-Spain handball party at Malmö Arena in October, an initiative in support of increased inclusion in society.

A new project called Sparbanken Skåne's Archaeology School was started during the period as well. This initiative gives thousands of fifth-graders the chance to leave their desks for a day and learn about archaeology first-hand at Uppåkra Archaeological Centre. This highly popular project is made possible by the savings bank concept, where a key part is to reinvest in the region with the share of profit from banking activities that is not retained to secure the bank's future.

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 30 September 2018 was SEK 196,451m (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 7bn at year-end). When adjusted for the effect of the Swedish Premium Pension System, business volume increased by 5 percent in the January–September period.

Deposits from the general public totalled SEK 50,605m (48,641), a 4 percent increase in the first nine months of the year. This increase is rooted in both the private and corporate segments.

The market value of total brokered fund and insurance volumes was SEK 39,577m (43,698). As of 1 January 2018, customer volumes from Swedish Premium Pension System savings are no longer included in brokered volumes, making year-end volumes incomparable. Our net savings in funds and insurance for the first nine months of the year were positive, especially in fixed-income investments.

The positive performance of loans to the general public continued in 2018. Loans to the general public at 30 September 2018 amounted to SEK 63,194m (56,953). This increase is the result of moving residential mortgages from brokered volumes to the bank's own balance sheet, along with the issue of new residential mortgages to private customers and of new loans to corporate customers. The bank's loans continue to maintain excellent credit quality.

The total loan portfolio brokered to Swedbank Hypotek at 30 September 2018 amounted to SEK 21,628m (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 covered bond programme was rated AAA with a stable outlook by credit rating agency S&P Global.

The bank issued covered bonds at a nominal amount of SEK 6,000m during the year. Outstanding senior bonds decreased by SEK 800m during the same period. Outstanding certificates of deposit remain unchanged.

The bank's outstanding bonds at 30 September amounted to SEK 5,900m in senior bonds and SEK 9,000m in covered bonds. Outstanding certificates of deposit totalled SEK 950m.

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 30 September 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.

In December 2017, Riksgälden (the Swedish National Debt Office) decided how banks should be managed 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. Riksgälden established a resolution plan for the bank and set 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, half of which must be subordinated liabilities. Sparbanken Skåne is well prepared for this and will be able to meet the requirements stipulated well in advance.

The bank's liquidity reserves at 30 September 2018 amounted to SEK 9,495m (7,967). The liquidity reserves consist of assets that can generate liquidity quickly at predictable values in compliance with Finansinspektionen (the Swedish Financial Supervisory Authority)'s regulations regarding management of liquidity risks in credit institutions and investment firms (FFFS 2010:7). 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 liquidity coverage ratio (LCR) decreased slightly during the year to 277 percent (323 percent at 31 December 2017). This is mainly due to the increase in loans in the bank's own portfolio.

The loan-to-deposit ratio at 30 September 2018 was 125 percent (117 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–September 2017 period.

The year-to-date operating profit totalled SEK 187m (180), and the bank's profit for the first nine months of the year is in line with expectations. The 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 nine months of 2018 amounted to SEK -3m (+17).

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 9 percent year-on-year, amounting to SEK 698m (641). 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 48m (47).

Net fee and commission income for the period totalled SEK 399m (422). Loan commissions amounted to SEK 121m (139) 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 162m (165).

Other fee and commission income amounted to SEK 166m (165). Fee and commission expenses totalled SEK -50m (-47).

General administrative expenses were up slightly year-on-year, totalling SEK 541m (536). Personnel expenses amounted to SEK 323m (324), and IT expenses were SEK 129m (132).

The total amount for both the depreciation of tangible assets and the amortisation of intangible assets was SEK 338m (343), and amortisation of intangible assets (goodwill) accounted for SEK 321m (321) of this item.

Profit for the period after appropriations and tax totalled SEK 131m (130).

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

Comparative figures in parentheses refer to 31 December 2017.

On 7 May, Finansinspektionen granted the bank authorisation to calculate capital requirements for credit risks in accordance with the IRB approach for the loan portfolio of the former Sparbanken 1826. Sparbanken Skåne previously received authorisation to calculate capital requirements for credit risks in accordance with the IRB approach for the loan portfolio of the former Färs & Frosta Sparbank. With the authorisation received in May, approximately 2/3 of the loan portfolio can be recognised using the IRB approach going forward.

As a result of the new situation, the Risk Exposure Amount (REA) decreased by approximately SEK 4bn.

The bank added approximately SEK 315m to its capital base during the first nine months of the year, putting the total value of the capital base on 30 September 2018 at SEK 6,134m (5,819). 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 profit for the first half of the year.

The REA decreased, totalling SEK 26,122m (27,920).

The REA for credit risk at 30 September 2018 totalled SEK 23,959m. SEK 16,164m of this item was calculated using the Internal Ratings-Based (IRB) approach to credit risk and SEK 7,795m was calculated using the standardised approach to credit risk.

The REA for operational risk at 30 September amounted to SEK 2,068m (2,132).

The total capital ratio was thus 23.5 percent at 30 September 2018 (20.8) and the CET1 capital ratio was 21.6 percent (19.1).

The bank's capital position remains strong.

The leverage ratio amounted to 7.3 percent (7.7) at 30 September.

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

Risks and uncertainties

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

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 were low in the third 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	9/2018	6/2018	3/2018	12/2017	9/2017
Volume					
Business volume, millions of SEK	196,451	193,305	187,313	193,486	191,342
Capital and liquidity					
CET1 capital ratio	21.6%	18.0%	19.1%	19.1%	18.1%
Total capital ratio	23.5%	19.6%	20.9%	20.8%	19.9%
Leverage ratio	7.3%	7.5%	7.5%	7.7%	7.5%
Loan-to-deposit ratio	1.25	1.23	1.22	1.17	1.17
LCR	277%	288%	258%	323%	303%
NSFR	138%	136%	138%	136%	137%
Profit					
Cost/income ratio before credit losses	0.83	0.86	0.85	0.86	0.85
Cost/income ratio after credit losses	0.83	0.87	0.88	0.83	0.83
Cost/income ratio after credit losses excluding dividends, capital gains and goodwill amortisation	0.54	0.58	0.59	0.54	0.54
Return on equity	3.2	2.4	2.2	3.3	3.1
Return on equity excluding dividends, capital gains and goodwill amortisation	8.7	7.9	7.7	9.0	8.7
Impaired loans and credit losses					
Loan loss ratio excluding brokered volumes	0.0%	0.0%	0.0%	0.1%	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%
Other disclosures					
Average number of employees	485	505	517	502	494

The financial ratios are defined on page 26.

* See Note 9 for detailed information concerning IFRS 9.

Quarterly comparison

Income statement	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Thousands of SEK					
Net interest income	246,541	229,941	221,400	222,012	218,680
Dividends received	-	240	700	-	-
Net fees and commissions	130,539	129,056	139,402	149,059	139,221
Net gain/loss from financial transactions	4,002	2,774	3,376	-16,804	1,567
Other operating income	592	1,517	512	28,920	2,336
Total net interest income and operating income	**381,674**	**363,528**	**365,390**	**383,187**	**361,804**
General administrative expenses	-168,649	-190,752	-181,134	-212,025	-171,454
Depreciation and amortisation	-112,826	-112,747	-112,703	-112,331	-114,179
Other expenses	-15,219	-9,300	-17,455	-15,280	-11,358
Credit losses	8,925	-691	-11,121	24,551	4,299
Total expenses	**-287,769**	**-313,490**	**-322,413**	**-315,085**	**-292,692**
Operating profit/loss	**93,905**	**50,038**	**42,977**	**68,102**	**69,112**
Taxes	-25,260	-15,461	-15,546	-11,148	-18,873
Profit/loss for the period	**68,645**	**34,577**	**27,431**	**56,954**	**50,239**

Balance sheet	30/09/2018	30/06/2018	31/03/2018	31/12/2017	30/09/2017
Thousands of SEK					
Loans to credit institutions	1,731,672	1,705,200	825,299	1,495,612	1,290,651
Loans to the general public	63,193,972	61,548,313	58,885,290	56,953,441	55,638,490
Fixed-income securities	4,467,801	4,390,631	4,347,864	4,610,236	4,364,113
Goodwill	271,165	378,127	485,089	592,051	699,012
Other assets	4,448,974	2,716,807	5,732,443	3,123,712	4,828,096
Total assets	**74,113,584**	**70,739,078**	**70,275,985**	**66,775,052**	**66,820,362**
Liabilities to credit institutions	576,807	570,175	575,555	584,256	568,687
Deposits from the general public	50,604,618	50,237,199	48,441,346	48,641,224	47,705,567
Debt securities issued and subordinated liabilities	16,496,774	13,545,924	14,901,174	11,185,833	12,187,132
Other liabilities	338,051	360,408	365,923	310,443	359,967
Equity	6,097,334	6,025,372	5,991,987	6,053,296	5,999,009
Total liabilities, provisions and equity	**74,113,584**	**70,739,078**	**70,275,985**	**66,775,052**	**66,820,362**

Income statement

Income statement	Note	Q3 2018	Q2 2018	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Thousands of SEK								
Interest income		272,005	264,569	3%	788,107	730,525	8%	992,308
Interest expenses		-25,464	-34,628	-26%	-90,225	-89,202	1%	-128,974
Net interest income	3	**246,541**	**229,941**	**7%**	**697,882**	**641,322**	**9%**	**863,334**
Dividends received		-	240	-	940	1,016	-7%	1,016
Fee and commission income	4	149,700	145,954	3%	448,836	469,058	-4%	633,463
Fee and commission expenses	5	-19,161	-16,898	13%	-49,839	-46,641	7%	-61,987
Net gain/loss from financial transactions	6	4,002	2,774	44%	10,152	9,495	7%	-7,309
Other operating income	7	592	1,517	-61%	2,621	4,875	-46%	33,795
Total net interest income and operating income		**381,674**	**363,528**	**5%**	**1,110,592**	**1,079,125**	**3%**	**1,462,312**
General administrative expenses		-168,649	-190,752	-12%	-540,535	-535,509	1%	-747,534
Depreciation of tangible assets and amortisation of intangible assets		-112,826	-112,747	0%	-338,276	-343,014	-1%	-455,345
Other operating expenses		-15,219	-9,300	64%	-41,974	-38,192	10%	-53,472
Total expenses before credit losses		**-296,694**	**-312,799**	**-5%**	**-920,785**	**-916,715**	**0%**	**-1,256,351**
Profit/loss before credit losses		**84,980**	**50,729**	**68%**	**189,807**	**162,410**	**17%**	**205,961**
Net credit losses	8	8,925	-691	-	-2,887	17,289	-	41,840
Operating profit/loss		**93,905**	**50,038**	**88%**	**186,920**	**179,699**	**4%**	**247,801**
Tax on profit for the period		-25,260	-15,461	63%	-56,267	-49,797	13%	-60,945
Profit/loss for the period		**68,645**	**34,577**	**99%**	**130,653**	**129,902**	**1%**	**186,856**

Statement of comprehensive income	Note	Q3 2018	Q2 2018	Change	Jan-Sep 2018	Jan-Sep 2017	Change	Full year 2017
Thousands of SEK								
Profit/loss for the period		**68,645**	**34,577**	**99%**	**130,653**	**129,902**	**1%**	**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		3,890	-1,551	-	-690	6,309	-	6,022
Change in fair value of financial assets measured at fair value through other comprehensive income		-15	127	-	10	-	-	-3,131
Change in loss reserve for financial assets measured at fair value through other comprehensive income		378	-104	-	203	-	-	-
Tax attributable to items that may be reclassified to profit or loss for the period		-936	336	-	105	-1,388	-	-636
Other comprehensive income for the period		**3,317**	**-1,192**	**-**	**-372**	**4,921**	**-**	**2,255**
Comprehensive income for the period		**71,962**	**33,385**	**-**	**130,281**	**134,823**	**-3%**	**189,111**

Balance sheet

Balance sheet	Note	30/09/2018	31/12/2017	30/09/2017
Thousands of SEK				
Assets				
Cash		1,944	1,979	21,537
Treasury bills eligible for refinancing with central banks		1,031,235	929,790	931,286
Loans to credit institutions		1,731,672	1,495,612	1,290,651
Loans to the general public	9	63,193,972	56,953,441	55,638,490
Bonds and other fixed-income securities		3,436,566	3,680,446	3,432,827
Shareholdings and investments		7,361	7,361	7,361
Derivatives		11,018	4,470	46
Intangible assets		271,165	592,051	699,012
Tangible assets		90,633	95,830	203,618
Current tax assets		4,037,518	2,730,857	1,255,136
Deferred tax assets		11,622	11,090	-
Other assets	10	55,925	64,633	3,089,283
Prepaid expenses and accrued income		232,953	207,492	251,115
Total assets		**74,113,584**	**66,775,052**	**66,820,362**
Liabilities, provisions and equity				
Liabilities to credit institutions		576,807	584,256	568,687
Deposits from the general public	11	50,604,618	48,641,224	47,705,567
Debt securities issued and related items	12	15,996,774	10,685,833	11,687,132
Derivatives		47,413	58,770	60,009
Deferred tax liabilities		-	-	9,038
Other liabilities		78,491	100,345	96,172
Accrued expenses and deferred income		144,580	99,653	147,680
Provisions	13	67,567	51,675	47,068
Subordinated liabilities		500,000	500,000	500,000
Total liabilities and provisions		**68,016,250**	**60,721,756**	**60,821,353**
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		3,079	2,866	5,532
Retained earnings		997,439	897,411	897,411
Profit/loss for the period		130,653	186,856	129,903
Total		**4,319,802**	**4,275,764**	**4,221,477**
Total equity		**6,097,334**	**6,053,296**	**5,999,009**
Total liabilities, provisions and equity		**74,113,584**	**66,775,052**	**66,820,362**
Other notes				
Accounting policies	1			
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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	-	-	-	-	-	129,902	129,902
Other comprehensive income for the period	-	-	-	4,921	-	-	4,921
Comprehensive income for the period	-	-	-	-	-	-	134,824
Balance at 30 September 2017	**1,668,336**	**109,196**	**3,188,631**	**5,532**	**897,410**	**129,902**	**5,999,007**
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	-	-	-	-	-	130,653	130,653
Other comprehensive income for the period	-	-	-	-372	-	-	-372
Comprehensive income for the period	-	-	-	-	-	-	130,281
Balance at 30 September 2018	**1,668,336**	**109,196**	**3,188,631**	**3,079**	**997,439**	**130,653**	**6,097,334**

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 financial assets at fair value through other comprehensive income 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	30/09/2018	31/12/2017	30/09/2017
Thousands of SEK			
Cash flows from operating activities			
Operating profit/loss	186,920	247,801	179,699
Net change in amortised cost for the period	23,500	15,925	13,195
Unrealised share of net gain from financial transactions	-21,259	22,927	-1,499
Depreciation and amortisation	338,276	455,345	343,014
Credit losses	8,554	-38,410	-14,429
Tax paid	-1,354,841	-1,764,704	-258,459
Cash flows from operating activities before changes in working capital	**-818,850**	**-1,061,116**	**261,521**
Cash flow from changes in working capital			
Increase/decrease in loans to the general public (-/+)	6,299,787	-5,877,127	-4,581,510
Increase/decrease in securities (-/+)	148,016	26,379	306,359
Increase/decrease in deposits from the general public (+/-)	1,963,394	2,969,816	2,034,159
Increase/decrease in liabilities to credit institutions (+/-)	-7,449	506,426	490,857
Net change in other assets and liabilities	5,458	22,153	-2,999,725
Net cash from operating activities	**-5,009,218**	**-3,413,469**	**-4,488,339**
Cash flows from investing activities			
Disposal/redemption of financial assets	15,892	6,720	-1,495
Sale of tangible assets	1,816	136,723	523
Acquisition of tangible assets	-14,009	-42,041	-8,259
Net cash from investing activities	**3,699**	**101,402**	**-9,231**
Cash flows from financing activities			
Issue of fixed-income securities	10,124,524	8,190,659	7,590,499
Redemption of fixed-income securities	-4,826,923	-4,150,517	-2,550,257
Dividends paid	-56,057	-34,000	-34,000
Net cash from financing activities	**5,241,544**	**4,006,142**	**5,006,242**
Cash flow for the period	**236,025**	**694,075**	**508,672**
Cash and cash equivalents at beginning of period	1,497,591	803,516	803,516
Cash and cash equivalents at end of period	**1,733,616**	**1,497,591**	**1,312,188**
The following subcomponents are included in cash and cash equivalents			
Cash	1,944	1,979	21,537
Loans to credit institutions	1,731,672	1,495,612	1,290,651
Balance sheet total	**1,733,616**	**1,497,591**	**1,312,188**
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	788,107	992,308	730,525
Interest paid including cost of deposit insurance and resolution/stability fee	-90,225	-128,974	-89,202
Dividends received	940	1,016	1,016

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. The bank thus applies 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 except for the exceptions disclosed below.

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.

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 financial 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 to financial liabilities. 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 such as loan commitments provided (including 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.

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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 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 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 financial reports. 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.

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**

* Recognised under IAS 39 as available-for-sale assets and now recognised under IFRS 9 at fair value through other comprehensive income. The effect of IFRS 9 application on these assets in terms of expected credit losses amounted to SEK 585 thousand.

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IFRS 15 Revenue from Contracts with Customers
IFRS 15 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 standard does not have any material impact on the bank's financial statements or its capital requirements, capital base and major exposures.

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

Note 2 Operating segments

The bank's business is not divided into operating segments in the bank's internal reporting to its highest decision-making body (the CEO) given that its business is concentrated in banking activities within the bank's geographic area.

Note 3 Net interest income

	Jan-Sep 2018	Jan-Sep 2017	Full year 2017	Change
Thousands of SEK				
Interest income				
Loans to credit institutions	2,268	737	1,009	-
Loans to the general public	818,595	766,998	1,031,021	7%
Fixed-income securities	-5,926	-5,297	-7,141	12%
Derivatives	-26,828	-31,912	-32,580	-16%
Other interest income	-2	-1	-1	-
Total	**788,107**	**730,525**	**992,308**	**8%**
Interest expenses				
Liabilities to credit institutions	-9,375	-9,044	-22,073	4%
Deposits from the general public	-35,817	-46,222	-60,875	-23%
– expenses for deposit insurance	-27,974	-34,890	-46,520	-20%
Fixed-income securities	-18,972	-16,704	-22,805	14%
Subordinated liabilities	-5,961	-5,540	-7,631	8%
Other interest income	-20,100	-11,692	-15,590	72%
– fee for resolution fund	-20,090	-11,689	-15,587	72%
Total	**-90,225**	**-89,202**	**-128,974**	**1%**
Total net interest income	**697,882**	**641,322**	**863,334**	**9%**

Note 4 Fee and commission income

	Jan-Sep 2018	Jan-Sep 2017	Full year 2017	Change
Thousands of SEK				
Payment intermediation fees	58,510	64,975	86,726	-10%
Loan commissions	120,964	138,754	182,714	-13%
Deposit commissions	51,247	46,363	67,377	11%
Commissions for financial guarantees issued	2,069	2,343	3,132	-12%
Securities commissions and fees	162,200	165,193	223,795	-2%
Other fees and commissions	53,846	51,430	69,719	5%
Total	**448,836**	**469,058**	**633,463**	**-4%**

Note 5 Fee and commission expenses	Jan-Sep 2018	Jan-Sep 2017	Full year 2017	Change
Thousands of SEK				
Payment intermediation fees	-27,977	-27,024	-37,209	4%
Securities commissions and fees	-18,643	-16,065	-19,711	16%
Other fees and commissions	-3,219	-3,552	-5,067	-9%
Total	**-49,839**	**-46,641**	**-61,987**	**7%**

Note 6 Net gain/loss from financial transactions	Jan-Sep 2018	Jan-Sep 2017	Full year 2017	Change
Thousands of SEK				
Shareholdings/investments	-	34	34	-
Fixed-income securities	-157	-5,417	-26,109	-
Other financial instruments	5,610	11,222	12,941	-50%
Exchange rate fluctuations	4,699	3,656	5,825	29%
Total	**10,152**	**9,495**	**-7,309**	**7%**

	Jan-Sep 2018	Jan-Sep 2017	Full year 2017	Change
Net gain/loss by valuation category				
Financial assets at fair value through other comprehensive income	-157	-	-	-
Financial assets at fair value through profit or loss (IAS 39)	-	-4,534	-29,240	-
Capital gain on available-for-sale financial assets (IAS 39)	-	475	3,165	-
Ineffective portion of fair value hedge	795	449	829	77%
Derivatives intended for risk management, no hedge accounting	4,815	9,100	12,112	-47%
Change in fair value of derivatives used as hedging instruments in a fair value hedge	11,251	-10,631	20,225	-
Change in fair value of hedged item attributable to the hedged risk in fair value hedges	-11,251	10,631	-20,225	-
Exchange rate fluctuations	4,699	2,438	5,825	93%
Total	**10,152**	**7,928**	**-7,309**	**28%**

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	Jan-Sep 2018
Thousands of SEK	
Loans at amortised cost	
Change in provisions – stage 1	-6,213
Change in provisions – stage 2	-9,520
Change in provisions – stage 3	11,724
Total	**-4,009**
Net cost for the period for realised losses	-4,772
Amount received for previously realised credit losses	5,667
Total credit losses on loans at amortised cost	**-3,114**
Loan commitments and financial guarantee contracts	
Change in provisions – stage 1	-293
Change in provisions – stage 2	-1,185
Change in provisions – stage 3	1,705
Total credit losses for loan commitments and financial guarantee contracts	**227**
Total credit losses	**-2,887**

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		Jan-Sep 2017	Full year 2017
Thousands of SEK			
Specific impairment, individually assessed loans			
Write-off of realised credit losses for the period		-32,387	-38,425
Reversal of previous impairment of credit losses recognised as realised losses in the financial statements for the period		30,477	34,568
Impairment of credit losses for the period		-25,229	-24,358
Amount received for previously realised credit losses		2,437	2,953
Reversal of impairment of credit losses no longer necessary		63,055	88,402
Net cost for the period for individually assessed loans		38,353	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		-1,809	-3,007
Amount received for credit losses realised in previous years		423	477
Allocation to/release of credit loss reserve		738	1,646
Net cost for the period for homogeneous loans assessed in groups		-648	-884
Contingent liabilities			
Net cost for the period for settlement of guarantees and other contingent liabilities		-20,416	-20,416
Net cost for the period for credit losses		**17,289**	**41,840**

Note 9 Loans to the general public	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK				
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 30 September 2018	59,751,727	3,354,665	196,666	**63,303,059**
Loss allowances				
Loss allowances at 1 January 2018	14,922	28,132	77,970	**121,024**
New financial assets	7,636	3,519	2,888	**14,043**
Derecognised financial assets	-2,886	-4,733	-4,689	**-12,308**
Changed risk variables (EAD, PD, LGD)	7,731	-4,711	-17,679	**-14,659**
Changes in macroeconomic scenarios	3,738	2,902	482	**7,122**
Transfers between stages during the period				
from stage 1 to stage 2	-4,885	17,469	-	**12,584**
from stage 1 to stage 3	-5,868	-	9,386	**3,518**
from stage 2 to stage 1	772	-3,432	-	**-2,660**
from stage 2 to stage 3	-	-1,665	2,426	**761**
from stage 3 to stage 1	6	-	-788	**-782**
from stage 3 to stage 2	-	268	-1,531	**-1,263**
Exchange rate fluctuations	0	0	-	**0**
Other items	-18	-98	0	**-116**
Loss allowances at 30 September	21,148	37,651	68,465	**127,264**
Carrying amount				
Opening balance at 1 January 2018	53,902,235	2,924,818	67,791	**56,894,844**
Closing balance at 30 September 2018	59,730,579	3,317,014	128,201	**63,175,794**
Change in fair value of hedged amount in portfolio hedge				**18,178**
Total				**63,193,972**

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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	**39,994,568**	**44,278**	**39,950,290**
Residential mortgages	37,002,677	35,490	36,967,187
Tenant-owners' associations	1,588,892	561	1,588,331
Other sectors	1,402,999	8,227	1,394,772
Corporate customers	**23,308,490**	**82,987**	**23,225,504**
Agriculture, fishing, forestry	4,904,657	8,809	4,895,848
Manufacturing	545,041	4,189	540,853
Public sector	498,064	2,410	495,654
Construction	1,217,546	5,079	1,212,467
Retail	1,034,687	27,809	1,006,878
Transport	327,755	2,265	325,490
Hotel and restaurant	163,398	916	162,482
Information technology	86,740	85	86,655
Banking and insurance	159,728	285	159,443
Property management	12,160,078	13,559	12,146,519
Service sector	728,906	9,185	719,722
Other loans to businesses	1,481,889	8,396	1,473,494
Loans to the general public	**63,303,059**	**127,265**	**63,175,794**

Gross carrying amount and loss allowance by stage – comparison with opening balance	30 September 2018	1 January 2018
Thousands of SEK		
Loans to the general public, private customers		
Stage 1		
Gross carrying amount	38,021,852	33,069,907
Loss allowances	6,846	4,657
Carrying amount	38,015,006	33,065,250
Stage 2		
Gross carrying amount	1,919,842	1,816,736
Loss allowances	13,216	10,411
Carrying amount	1,906,626	1,806,325
Stage 3		
Gross carrying amount	52,874	55,842
Loss allowances	24,216	30,431
Carrying amount	28,658	25,411
Total carrying amount, loans to private customers	**39,950,290**	**34,896,986**
Loans to the general public, corporate customers		
Stage 1		
Gross carrying amount	21,729,875	20,847,250
Loss allowances	14,302	10,265
Carrying amount	21,715,573	20,836,985
Stage 2		
Gross carrying amount	1,434,823	1,136,214
Loss allowances	24,436	17,721
Carrying amount	1,410,388	1,118,493
Stage 3		
Gross carrying amount	143,792	89,919
Loss allowances	44,249	47,539
Carrying amount	99,543	42,380
Total carrying amount, loans to corporate customers	**23,225,504**	**21,997,858**

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	30 September 2018	1 January 2018
Gross carrying amount – stage 1	59,751,727	53,917,157
Gross carrying amount – stage 2	3,354,665	2,952,950
Gross carrying amount – stage 3	196,666	145,761
Total gross carrying amount	**63,303,059**	**57,015,868**
Loss allowance – stage 1	21,148	14,922
Loss allowance – stage 2	37,651	28,132
Loss allowance – stage 3	68,465	77,970
Total loss allowances	**127,265**	**121,024**
Total carrying amount, loans to the general public	**63,175,794**	**56,894,844**
Gross stage 3 loans in %	0.31%	0.26%
Net stage 3 loans in %	0.20%	0.12%
Ratio of loss allowances to stage 1 loans	17%	12%
Ratio of loss allowances to stage 2 loans	30%	23%
Provision ratio for stage 1 loans	0.04%	0.03%
Provision ratio for stage 2 loans	1.12%	0.95%
Provision ratio for stage 3 loans	35%	54%
Total provision ratio for loans	0.20%	0.21%

IFRS 9 loss allowances at 30 September and 1 January 2018 in comparison with IAS 39 on 31 December and 30 September 2017	30/09/2018	01/01/2018	31/12/2017	30/09/2017
Thousands of SEK				
Impairment losses – stages 1–2				
12-month loss allowance (stage 1)	21,148	14,922	-	-
Full lifetime loss allowance (stage 2)	37,651	28,132	-	-
Impairment losses – stage 3 and under IAS 39	**68,465**	**77,970**	**91,857**	**123,075**
Total impairment losses	**127,264**	**121,024**	**91,857**	**162,507**

	31/12/2017	30/09/2017
Thousands of SEK		
Gross loans		
public sector	30,315	45,938
corporate sector	15,337,844	15,681,824
retail sector	41,647,709	39,999,726
– sole proprietors	11,307,925	11,134,719
Total	**57,015,868**	**55,727,488**
Sub-items of gross loans:		
Unsettled loans included in impaired loans	**52,204**	**68,136**
– corporate sector	30,278	29,298
– retail sector	21,926	38,838
Impaired loans	**135,045**	**176,711**
– corporate sector	105,631	144,664
– retail sector	29,414	32,047
Subtracted by:		
Specific impairment, individually assessed loans	**89,021**	**119,332**
– corporate sector	72,296	100,037
– retail sector	16,725	19,295
Impairment of homogeneous groups of loans assessed in groups	**2,836**	**3,743**
– retail sector	2,836	3,743
Homogeneous impairment, individually assessed loans	**0**	**0**
Loans, net carrying amount	56,924,011	55,604,413
Change in fair value of hedged amount in portfolio hedge	**29,430**	**34,077**
Total	**56,953,441**	**55,638,490**

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Definitions (2017):

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 Other assets

Other assets in Q1 2018 include a receivable from covered bond proceeds amounting to SEK 3,762m.
Other assets in Q3 2017 include a receivable from covered bond proceeds amounting to SEK 3,041m.

Note 11 Deposits from the general public

Deposits from the general public	30/09/2018	31/12/2017	30/09/2017
Thousands of SEK			
The general public			
– Swedish currency	50,154,703	48,329,560	47,391,349
– foreign currency	449,915	311,664	314,218
Total	**50,604,618**	**48,641,224**	**47,705,567**
Deposits per customer category, excluding bank cheques			
Public sector	1,436,511	1,480,832	1,157,442
Corporate sector	9,514,866	9,401,892	8,661,339
Retail sector	38,800,807	37,094,204	37,164,628
– sole proprietors	6,217,996	6,245,410	6,086,782
Other interest income	793,041	592,640	655,833
Total	**50,545,225**	**48,569,568**	**47,639,242**

Note 12 Debt securities issued and related items

Debt securities issued and related items	30/09/2018	31/12/2017	30/09/2017
Thousands of SEK			
Certificates of deposit	950,279	950,235	1,950,316
Bond loans	5,906,820	6,696,387	6,695,596
Covered bonds	9,139,675	3,039,211	3,041,220
Total	**15,996,774**	**10,685,833**	**11,687,132**
Changes during the period	Jan–Sep 2018	Jan–Dec 2017	Jan–Sep 2017
Issued	10,124,507	8,190,659	7,590,499
Repurchased	-	-	-
Matured	-4,813,566	-4,149,423	-2,547,964
Change	**5,310,941**	**4,041,236**	**5,042,535**

Note 13 Provisions

Provisions	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK				
Loss allowances at 1 January 2018	1,241	1,421	7,447	10,109
New loan commitments and financial guarantees	669	149	1,224	2,042
Financial guarantees and loan commitments that are past due	-356	-279	-491	-1,126
Changed risk variables (EAD, PD, LGD)	510	-82	-2,759	-2,331
Changes in macroeconomic scenarios	118	81	13	212
Transfers between stages during the period				
from stage 1 to stage 2	-432	1,636	-	1,204
from stage 1 to stage 3	-283	-	298	15
from stage 2 to stage 1	68	-312	-	-244
from stage 2 to stage 3	-	-9	11	2
from stage 3 to stage 1	-	-	-	-
from stage 3 to stage 2	-	-	-	-
Loss allowances at 30 September	**1,535**	**2,605**	**5,743**	**9,883**
Other provisions				57,684
Total				**67,567**

IFRS 9 loss allowances at 30 September and 1 January 2018 in comparison with IAS 39 on 31 December and 30 September 2017	30/09/2018	01/01/2018	31/12/2017	30/09/2017
Thousands of SEK				
Impairment losses – stages 1–2				
12-month loss allowance (stage 1)	1,535	1,241	-	-
Full lifetime loss allowance (stage 2)	2,605	1,421	-	-
Impairment losses – stage 3 and under IAS 39	**5,743**	**7,447**	**-**	**-**
Total impairment losses	**9,883**	**10,109**	**-**	**-**

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.

	30/09/2018		31/12/2017	
Thousands of SEK	Nominal amount	Fair value	Nominal amount	Fair value
Derivative instruments with positive fair values				
Fixed-income contracts	317,000	0	469,000	29
Currency contracts	299,140	11,018	135,777	4,441
Total derivative instruments with positive fair values	**616,140**	**11,018**	**604,777**	**4,470**
Derivative instruments with negative fair values				
Fixed-income contracts	2,708,700	36,942	2,781,825	54,693
Currency contracts	248,946	10,471	120,602	4,077
Total derivative instruments with negative fair values	**2,957,646**	**47,413**	**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
30 September 2018	**Fair value**	**Amortised cost**	**Fair value through other comprehensive income**		
			Debt instruments	**Equity instruments**	
Thousands of SEK					
Cash and balances at central banks	-	1,944	-	-	1,944
Treasury bills eligible for refinancing with central banks	-	-	1,031,235	-	1,031,235
Loans to credit institutions	-	1,731,672	-	-	1,731,672
Loans to the general public	-	63,193,972	-	-	63,540,291
Bonds and other fixed-income securities	-	-	3,436,566	-	3,436,566
Shareholdings and investments	-	-	-	7,361	7,361
Derivatives	11,018	-	-	-	11,018
Other assets	-	55,924	-	-	55,924
Accrued income	-	211,087	-	-	211,087
	11,018	**65,194,599**	**4,467,801**	**7,361**	**70,027,098**
Liabilities to credit institutions	-	576,807	-	-	576,807
Deposits and borrowings from the general public	-	50,604,618	-	-	50,610,406
Securities issued	-	15,996,774	-	-	15,996,774
Derivatives	47,413	-	-	-	47,413
Other liabilities	-	67,243	-	-	67,243
Accrued expenses	-	135,539	-	-	135,539
Subordinated liabilities	-	500,000	-	-	500,000
	47,413	**67,880,981**	**-**	**-**	**67,934,182**

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	31/12/2017		
	Fair value	**Carrying amount**	**Difference**
Thousands of SEK			
Cash	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	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**

	30/09/2017		
	Fair value	**Carrying amount**	**Difference**
Thousands of SEK			
Cash	21,537	21,537	-
Treasury bills eligible for refinancing with central banks	1,434,361	1,434,361	-
Loans to credit institutions	1,290,651	1,290,651	-
Loans to the general public	55,953,424	55,638,490	314,934
Bonds and other fixed-income securities	2,929,752	2,929,752	-
Shareholdings and investments	48,320	48,320	-
Derivatives	46	46	-
Accrued income	220,170	220,170	-
Other financial assets	7,105	7,105	-
Total	**61,905,366**	**61,590,432**	**314,934**
Liabilities to credit institutions	568,687	568,687	-
Deposits from the general public	47,720,996	47,705,567	15,429
Debt securities issued and related items	11,687,132	11,687,132	-
Derivatives	60,009	60,009	-
Other financial liabilities	84,333	84,333	-
Accrued expenses	138,922	138,922	-
Subordinated liabilities	500,000	500,000	-
Total	**60,760,079**	**60,744,650**	**15,429**

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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30/09/2018

Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	1,031,235	-	-	1,031,235
Bonds and related items	3,436,566	-	-	3,436,566
Shareholdings and investments	-	-	7,361	7,361
Other assets – derivatives	-	11,018	-	11,018
Total	**4,467,801**	**11,018**	**7,361**	**4,486,180**
Other liabilities – derivatives	-	47,413	-	47,413
Total	**-**	**47,413**	**-**	**47,413**

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 30 September 2018	**-**	**7,361**	**7,361**
Gains and losses recognised in profit or loss for assets included in the closing balance at 30 September 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.

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.

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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

Thousands of SEK	30/09/2018	31/12/2017	30/09/2017
Pledged assets			
Loans *	11,789,375	3,924,064	3,924,246
Other pledged assets	53,437	52,200	49,259
Contingent liabilities	474,060	647,095	629,816
Commitments	7,693,434	6,307,059	6,291,988

* 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		30/09/2018			31/12/2017			30/09/2017	
CET1 capital		5,634,436			5,318,886			5,139,277	
Tier 2 capital		500,000			500,000			500,000	
Net capital base		**6,134,436**			**5,818,886**			**5,639,277**	
Capital requirement and risk-weighted exposure amount		**Capital requirement**	**Risk-weighted exposure amount**		**Capital requirement**	**Risk-weighted exposure amount**		**Capital requirement**	**Risk-weighted exposure amount**
Minimum capital for credit risk									
– IRB approach		1,293,130	16,164,127		708,886	8,861,076		702,964	8,787,047
– standardised approach		623,571	7,794,636		1,353,195	16,914,937		1,393,070	17,413,376
Capital requirement for operational risk		165,479	2,068,482		170,532	2,131,644		170,532	2,131,644
Credit valuation adjustment		772	9,650		1,012	12,650		98	1,225
Other REAs		6,800	85,000		-	-		-	-
Total capital requirements and risk-weighted exposure amounts		**2,089,752**	**26,121,895**		**2,233,625**	**27,920,307**		**2,266,663**	**28,333,292**
CET1 capital ratio	**21.6%**			**19.1%**			**18.1%**		
Tier 1 capital ratio	**21.6%**			**19.1%**			**18.1%**		
Total capital ratio	**23.5%**			**20.8%**			**19.9%**		
Buffer requirement	**4.5%**	**1,175,485**	**14,693,566**	**4.5%**	**1,256,297**	**15,703,716**	**4.5%**	**1,274,998**	**15,937,477**
– capital conservation buffer	2.5%	653,047	8,163,092	2.5%	698,008	8,725,096	2.5%	708,332	8,854,154
– countercyclical capital buffer	2.0%	522,438	6,530,474	2.0%	558,290	6,978,620	2.0%	566,666	7,083,323
CET1 capital available for use as buffer	**15.5%**	**4,044,684**		**12.8%**	**3,585,261**		**11.9%**	**3,372,614**	
Total internally assessed capital requirement (excluding buffer requirement)		**2,962,179**			**3,134,634**			**3,096,976**	

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Capital base

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

Thousands of SEK	30/09/2018	31/12/2017	30/09/2017
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
Retained earnings	997,439	897,411	897,411
Verified profit less proposed appropriation of profit and predictable expenses	43,406	130,800	55,764
CET1 capital before regulatory adjustments	**6,007,008**	**5,994,374**	**5,919,338**
CET1 capital: regulatory adjustments			
Intangible assets, deferred tax assets and value adjustments	-287,255	-607,751	-713,652
Deduction of IRB provisions (see disclosure below)	-85,317	-67,737	-66,409
Total regulatory adjustments to CET1 capital	**-372,572**	**-675,488**	**-780,061**
CET1 capital	**5,634,436**	**5,318,886**	**5,139,277**
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	**6,134,436**	**5,818,886**	**5,639,277**
Special disclosures			
IRB Provisions excess(+)/shortfall(-)	**-85,317**	**-67,737**	**-66,409**
Total IRB provisions (+)	104,483	9,015	13,913
IRB Expected loss amount (-)	-189,800	-76,752	-80,322

Capital requirement and risk-weighted exposure amount

Thousands of SEK	30/09/2018		31/12/2017		30/09/2017	
	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	-	-	5,264	65,800	5,090	63,628
Corporate exposures	130,643	1,633,042	334,076	4,175,955	376,705	4,708,814
Retail exposures	209,863	2,623,286	445,112	5,563,898	489,568	6,119,603
Exposures secured by mortgages on immovable property	278,692	3,483,646	561,953	7,024,411	513,632	6,420,399
Defaulted items	3,784	47,301	6,201	77,511	7,486	93,571
Equity exposures	589	7,361	589	7,361	589	7,361

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	30/09/2018		31/12/2017		30/09/2017	
	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	60,315	753,943	49,539	619,239	41,254	515,670
Corporate exposures	666,147	8,326,839	324,176	4,052,196	333,854	4,173,174
Retail exposures	550,789	6,884,867	316,973	3,962,159	301,488	3,768,606
– mortgage loans	299,665	3,745,811	179,594	2,244,924	171,998	2,149,978
– other loans	251,124	3,139,056	137,379	1,717,235	129,490	1,618,628
Non-credit obligation asset exposures	15,878	198,478	18,199	227,482	26,368	329,597
Total	**1,916,701**	**23,958,763**	**2,062,081**	**25,776,013**	**2,096,034**	**26,200,423**
Credit valuation adjustment	**772**	**9,650**	**1,012**	**12,650**	**98**	**1,225**
Other REAs	**6,800**	**85,000**	-	-	-	-

Operational risk

	30/09/2018		31/12/2017		30/09/2017	
	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-weighted exposure amounts	**2,082,952**	**26,121,895**	**2,233,625**	**27,920,307**	**2,266,663**	**28,333,292**

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 valid until 30 June 2024. 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, 23 October 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-weighted exposure amount.

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 risk-weighted exposure amount.

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, pledged 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 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. The metric is governed by the Capital Requirements Regulation (CRR), but no calculation methods have been established yet.

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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