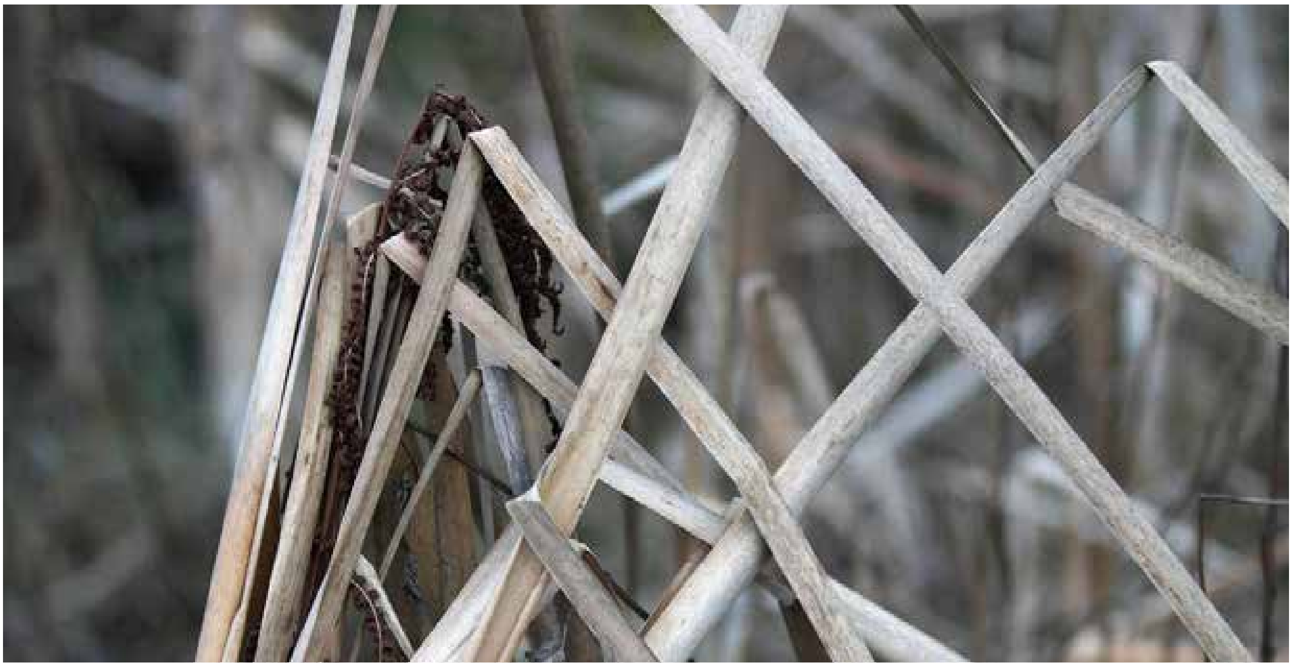
Sparbanken Skåne

2018 Year-End Report

Lund, 30 January 2019

Sparbanken Skåne closed out 2018 with improved net interest income, effective cost controls and continuing low credit losses. The bank refined its customer offering during the year and further strengthened its financial position. Profit (excluding goodwill amortisation and before tax) was SEK 705m for 2018, 197m of which was earned in the fourth quarter.



Q4 financial summary, October–December 2018

- The bank's operating profit increased to SEK 90m (68)
- Operating profit excluding goodwill amortisation for the October–December period totalled SEK 197m (175)
- Net interest income was affected positively by increased volumes and amounted to SEK 249m (222)
- Net fee and commission income amounted to SEK 138m (149)
- Expenses decreased to SEK -314m (-340)
- Credit losses resulted in revenue of SEK +14m (+25)
- Business volume was up 2% year-on-year, totalling SEK 189bn (adjusted for the effect of the Swedish Premium Pension System volumes)
- The total capital ratio (calculated including the negative effect of the changed method of applying the risk weight floor and the positive effect of the extended IRB authorisation in the loan portfolio) increased to 22.0% (20.8)
- The LCR amounted to 282% (323)

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

Key events in Q4 2018

- Continuing net interest income improvement and effective cost controls contributed to the bank's strong financial performance. Credit losses were low and net recoveries were recognised for the period. Operating profit excluding goodwill amortisation increased by twelve percent year-on-year in the fourth quarter.
- The bank's securities volumes and, consequently, its business volume were impacted negatively by the decline of the Stockholm stock exchange during the quarter.
- Riksgälden (the Swedish National Debt Office) renewed its classification of Sparbanken Skåne as a systemically important bank, meaning that the bank is considered highly important to Sweden's financial system.
- The Swedish central bank (Riksbank) resolved to raise the repo rate by 0.25 percentage points on 19 December. This was its first interest rate hike since 2011. The current state of interest rates demands particularly strong emphasis on a long-term approach in the bank's advisory services. This applies in particular to credit checks and investment strategies.
- The bank's new corporate service packages have been well received by the market. Their purpose is to offer turnkey solutions that make it easy for customers to find just the right services for their needs.
- In November, Sparbanken Skåne published a report on economic conditions in Skåne ("Skånsk konjunktur"), which is intended to help enhance knowledge of economic trends in our region.
- The bank was awarded Great Place to Work Certification.
- Sparbanken Skåne is investing in the future. In collaboration with the foundation owners, the bank has given back in many ways, including by supporting Swedish fundraising TV and radio program Musikhjälpen, several clubs and associations across Skåne, Stroke Awareness Day and the renovation of AF Borgen.

Financial summary, January–December 2018

- The bank's operating profit for the January–December 2018 period was SEK 277m (248)
- Operating profit excluding goodwill amortisation for the period totalled SEK 705m (676)
- 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 +11m (+42)
- The total capital ratio was 22.0% (20.8)
- The CET1 capital ratio amounted to 20.3% (19.1)
- The leverage ratio totalled 7.5% (7.7)
- The business volume at 31 December 2018 was SEK 189bn (186)

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

A stable quarter to wrap up a strong year

Sparbanken Skåne closed out 2018 on a stable footing with improved net interest income, effective cost controls and continuing low credit losses. Profit (excluding goodwill amortisation and before tax) was SEK 705m for the full year, a four percent year-on-year increase.

In 2018, Sparbanken Skåne further strengthened its financial and market positions. We achieved this in a world with storm clouds on the horizon both nationally and internationally.

Most analysts agree that the economy's growth has peaked, or at least is about to. The Swedish parliamentary situation was fraught with uncertainty throughout the autumn. In addition, concern over Brexit, international trade conflicts and the earning trends of listed companies have had a negative impact on the Stockholm stock exchange. In the fourth quarter, the stock market fell by more than ten percent, which had a negative impact on Sparbanken Skåne's securities volumes. Despite solid growth in deposits, the bank's business volume decreased by four percent during the quarter (compared with the third quarter) to SEK 189bn at the end of the year.

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 two percent year-on-year.

Continuing net interest income improvement

In December, the Swedish central bank resolved to raise the repo rate by 0.25 percentage points. As a result, the repo rate remains negative, but this still signals that the rate is on its way up after a period of record low levels.

Sparbanken Skåne's net interest income is performing well, both as a result of increased lending volumes and the conversion of loans from external mortgage companies to loans on its own balance sheet.

Net interest income improved by twelve percent year-on-year, totalling SEK 249m in the fourth quarter. For full year 2018, net interest income increased by ten percent to SEK 947m.

Amortisation of the goodwill item from when Sparbanken Skåne was founded in 2014 is continuing as scheduled and was charged to profit for the year in the amount of SEK 428m. Profit after goodwill amortisation thus totalled SEK 277m for the full year. The bank's financial ratios also continued to perform well.

Advisory services, offerings and procedures

With the stock market heading down and interest rates heading up, the bank must place particularly strong emphasis on a clear and long-term approach in its advisory services. As a savings bank, we have an important part to play in making customers aware of the relationship between risk and return in investments, especially in a situation where traditional fixed-income investments provide negligible returns. It's also crucial that households expect higher costs for loans in the future.

Skåne's housing market has generally been characterised by great stability while house and flat prices have taken a downward turn in Sweden as a whole. This and much more can be found in Sparbanken Skåne's new report on economic conditions in Skåne, "Skånsk konjunktur", which was published in November. The goal of the report is to help enhance knowledge of economic trends in our region. Skåne is heading toward its lowest unemployment figure in ten years, but the region does face overall growth challenges.

Meanwhile, the bank has seen a positive response to its upgraded corporate package featuring turnkey solutions for companies and associations. We currently offer three packages with partially overlapping services that make it easy for customers to find just the right solution for their needs.

In the fourth quarter, the bank also decided to extend its offer to non-profit associations to try mobile payment service Swish free of charge for six months or for the first 10,000 Swish transactions received. This offer will be valid for the entirety of 2019. The reason we do this is because we want to further increase the availability of digital payment services in society.

Over the past year, we made efforts to ensure the bank's compliance with KYC requirements. Specifically, this means that the bank routinely asks its customers questions about accounts and funds. This is designed to ensure that we know our customers and their financial activities.

Know your customer (KYC) is a tool for combating money laundering, terrorist financing and other illegal activities. The bank engages in these efforts throughout its organisation. In the fourth quarter, we also established a special unit for coordinating day-to-day actions to prevent money laundering and terrorist financing.

Proud of the savings bank concept

In the beginning of December, the bank was awarded Great Place to Work Certification. This is a testament to our hard work since Sparbanken Skåne was established nearly five years ago. The results of our autumn employee survey were also excellent, revealing that our employees are proud of where they work.

Part of this pride comes from our involvement in the community in our role as a savings bank. We work with several hundred associations and clubs across Skåne that help move our community in a positive direction. Additionally, part of the bank's profit is reinvested in social causes via our foundation owners.

During the quarter, the foundation granted financial assistance for over 250 project ideas across Skåne. In addition to this, Sparbanksstiftelsen Färs & Frosta got involved in Lund's Stroke Awareness Day (Strokedagen), a day of lectures open to the general public, while Sparbanksstiftelsen Finn contributed to the renovation of Lund's celebrated conference and meeting venue AF Borgen. Also, a ski club near Kristianstad (Vångabergets slalomklubb) was able to commence the construction of a new children's area following a grant from Sparbanksstiftelsen 1826. Ultimately, all the bank's customers play a part in helping the savings bank concept live on.

We estimate that the bank's strong performance will continue into 2019. Our successes empower us to be a secure, personal and modern savings bank for people, businesses and the local community.

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 December 2018 was SEK 189,364m (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 2017). When adjusted for the effect of the Swedish Premium Pension System volumes, business volume increased by 2 percent in the January–December period.

Deposits from the general public totalled SEK 51,266m (48,641), a 5 percent increase for 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 34,728m (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 2017 volumes incomparable with year-end 2018. The 2018 stock market decline of approximately 8 percent had a negative impact on the bank's volumes. Net savings in insurance had a positive impact on the volumes.

The strong performance of loans to the general public continued in 2018. Loans to the general public at 31 December 2018 amounted to SEK 64,077m (56,953). This increase is mainly the result of moving residential mortgages from brokered volumes to loans in the bank's own balance sheet. The bank's loans continue to maintain excellent credit quality.

The total loan portfolio brokered to Swedbank Hypotek at 31 December 2018 amounted to SEK 20,049m (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 31 December 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 31 December 2018.

The bank has a partnership with the Nordic Investment Bank (NIB) for on-lending to SMEs, small mid-caps, and environmental projects. This loan programme totalled SEK 476m.

In December 2018, the Swedish National Debt Office (Riksgälden) adopted its annual plans for how banks and other institutions in Sweden should be managed in the event of a crisis. Nine Swedish institutions are currently classified as systemically important and Sparbanken Skåne is one of them. Riksgälden also resolved that the minimum requirement for own funds and eligible liabilities (MREL), which will apply to Sparbanken Skåne starting in 2019, will be 9.4 percent of the bank's total liabilities and capital base, half of which must be subordinated liabilities. Sparbanken Skåne is well prepared for this requirement and will be able to meet the requirements stipulated well in advance.

The bank's liquidity reserves at 31 December 2018 amounted to SEK 9,435m (8,132). 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) remains solid despite decreasing slightly during the year to 282 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 31 December 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–December 2017 period.

Operating profit for 2018 totalled SEK 277m (248). Goodwill amortisation continues to impact profit in the amount of SEK 428m per year, and profit for the year is in line with expectations. The improvement in net interest income, effective cost controls and low credit losses give the bank healthy earnings.

CONTINUED ON PAGE 5.

CONTINUED FROM PAGE 4.

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 2018 resulted in revenue of SEK +11m (+42).

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. The goodwill item will be fully amortised in 2019.

Net interest income improved by 10 percent year-on-year, totalling SEK 947m (863). The lending volume gains have had a positive impact on net interest income during the year. The historically low interest rates have negatively affected net interest income, with a lower liquidity reserve yield and lower margins on deposits.

The Swedish central bank resolved to raise the repo rate by 0.25 percentage points on 19 December. This was its first interest rate hike since 2011.

The resolution fee and deposit insurance were charged to net interest income in the amount of SEK 64m (62).

Net fee and commission income for 2018 totalled SEK 537m (571). Loan commissions amounted to SEK 160m (183) 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 216m (224).

Other fee and commission income amounted to SEK 225m (227).

Fee and commission expenses totalled SEK -64m (-62).

General administrative expenses for 2018 were down 2%, totalling SEK 729m (748). Personnel expenses amounted to SEK 431m (439), and IT expenses were SEK 182m (193).

The total amount for both the depreciation of tangible assets and the amortisation of intangible assets was SEK 451m (455), and amortisation of intangible assets (goodwill) accounted for SEK 428m (428) of this item.

Profit for the year after appropriations and tax totalled SEK 196m (187).

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.

The bank added SEK 510m to its capital base during the year, putting the total value of the capital base at SEK 6,329m (5,819) at 31 December 2018. 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 2018.

The Risk Exposure Amount (REA) was SEK 28,754m (27,920).

The REA for credit risk at 31 December 2018 totalled SEK 26,686m. SEK 16,366m of this item was calculated using the Internal Ratings-Based (IRB) approach to credit risk and SEK 7,932m was calculated using the standardised approach. The REA for operational risk at 31 December amounted to SEK 2,068m (2,132).

The total capital ratio was thus 22.0 percent at 31 December 2018 (20.8) and the CET1 capital ratio was 20.3 percent (19.1). The capital ratio was negatively affected in 2018 by the change in the risk weight floor application method and positively by the extension of the IRB authorisation in the loan portfolio. The REA for the risk weight floor for residential and commercial properties in Pillar 1 as of 31 December was SEK 2,355m. This risk exposure was previously taken into account in internally assessed capital needs. The REA decreased by approximately SEK 4bn as a result of the new IRB authorisation.

The bank's capital position remains strong.

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

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

Risks and uncertainties

Sparbanken Skåne mainly operates in Skåne. 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 risk management system contains the strategies, processes and reporting procedures required to continuously identify, measure, manage, monitor and report the risks to which the business is exposed. Sparbanken Skåne has implemented such methods and procedures as are required to manage the risks associated with its activities.

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.

CONTINUED ON PAGE 6.

CONTINUED FROM PAGE 5.

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

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

Board dividend proposal

The board proposes a dividend of SEK 3.53 per share, resulting in a total dividend amount of SEK 58.9m.

Annual report and financial calendar

The 2018 annual report will be available (in Swedish) at sparbankenskane.se in the week of 4 March (week 10).

The bank will publish interim reports in 2019 on the following dates:

January–March 2019 Interim Report	24 April 2019
January–June 2019 Interim Report	31 July 2019
July–September 2019 Interim Report	30 October 2019

Events after the reporting period

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

Alternative financial ratios	12/2018	9/2018	6/2018	3/2018	12/2017
Volume					
Business volume, millions of SEK	189,364	196,451	193,305	187,313	193,486
Capital and liquidity					
CET1 capital ratio	20.3%	21.6%	18.0%	19.1%	19.1%
Total capital ratio	22.0%	23.5%	19.6%	20.9%	20.8%
Leverage ratio	7.5%	7.3%	7.5%	7.5%	7.7%
Loan-to-deposit ratio	1.25	1.25	1.23	1.22	1.17
LCR	282%	277%	288%	258%	323%
NSFR	137%	138%	136%	138%	136%
Profit					
Cost/income ratio before credit losses	0.82	0.83	0.86	0.85	0.86
Cost/income ratio after credit losses	0.82	0.83	0.87	0.88	0.83
Cost/income ratio after credit losses excluding dividends, capital gains and goodwill amortisation	0.53	0.54	0.58	0.59	0.54
Return on equity	3.5	3.2	2.4	2.2	3.3
Return on equity excluding dividends, capital gains and goodwill amortisation	9.0	8.7	7.9	7.7	9.0
Impaired loans and credit losses					
Loan loss ratio excluding brokered volumes	0.0%	0.0%	0.0%	0.0%	0.1%
Loan loss ratio including brokered volumes	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of impaired loans	*	*	*	*	0.1%
Other disclosures					
Average number of employees	485	485	505	517	502

The alternative financial ratios are defined on page 26.

* See Note 8 for detailed information concerning IFRS 9.

Quarterly comparison

Income statement	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Thousands of SEK					
Net interest income	249,305	246,541	229,941	221,400	222,012
Dividends received	-	-	240	700	-
Net fees and commissions	138,156	130,539	129,056	139,402	149,059
Net gain/loss from financial transactions	2,678	4,002	2,774	3,376	-16,804
Other operating income	848	592	1,517	512	28,920
Total net interest income and operating income	**390,987**	**381,674**	**363,528**	**365,390**	**383,187**
General administrative expenses	-188,719	-168,649	-190,752	-181,134	-212,025
Depreciation and amortisation	-112,524	-112,826	-112,747	-112,703	-112,331
Other expenses	-13,116	-15,219	-9,300	-17,455	-15,280
Credit losses	13,541	8,925	-691	-11,121	24,551
Total expenses	**-300,818**	**-287,769**	**-313,490**	**-322,413**	**-315,085**
Operating profit/loss	**90,169**	**93,905**	**50,038**	**42,977**	**68,102**
Taxes	-24,390	-25,260	-15,461	-15,546	-11,148
Profit/loss for the period	**65,779**	**68,645**	**34,577**	**27,431**	**56,954**

Balance sheet	31/12/2018	30/09/2018	30/06/2018	31/03/2018	31/12/2017
Thousands of SEK					
Loans to credit institutions	2,893,156	1,731,672	1,705,200	825,299	1,495,612
Loans to the general public	64,076,523	63,193,972	61,548,313	58,885,290	56,953,441
Fixed-income securities	4,448,361	4,467,801	4,390,631	4,347,864	4,610,236
Goodwill	164,203	271,165	378,127	485,089	592,051
Other assets	3,186,247	4,448,974	2,716,807	5,732,443	3,123,712
Total assets	**74,768,490**	**74,113,584**	**70,739,078**	**70,275,985**	**66,775,052**
Liabilities to credit institutions	559,261	576,807	570,175	575,555	584,256
Deposits from the general public	51,265,516	50,604,618	50,237,199	48,441,346	48,641,224
Debt securities issued and subordinated liabilities	16,488,372	16,496,774	13,545,924	14,901,174	11,185,833
Other liabilities	301,208	338,051	360,408	365,923	310,443
Equity	6,154,133	6,097,334	6,025,372	5,991,987	6,053,296
Total liabilities, provisions and equity	**74,768,490**	**74,113,584**	**70,739,078**	**70,275,985**	**66,775,052**

Income statement

Income statement	Note	Q4 2018	Q4 2017	Change	Jan-Dec 2018	Jan-Dec 2017	Change
Thousands of SEK							
Interest income		278,378	261,783	6%	1,066,485	992,308	7%
Interest expenses		-29,073	-39,772	-27%	-119,298	-128,974	-8%
Net interest income	3	**249,305**	**222,012**	**12%**	**947,187**	**863,334**	**10%**
Dividends received		-	-	-	940	1,016	-7%
Fee and commission income	4	152,201	164,405	-7%	601,037	633,463	-5%
Fee and commission expenses	5	-14,045	-15,346	-8%	-63,884	-61,987	3%
Net gain/loss from financial transactions	6	2,678	-16,804	-	12,830	-7,309	-
Other operating income	7	848	28,920	-97%	3,469	33,795	-90%
Total net interest income and operating income		**390,987**	**383,107**	**2%**	**1,501,579**	**1,462,312**	**3%**
General administrative expenses		-188,719	-212,025	-11%	-729,254	-747,534	-2%
Depreciation of tangible assets and amortisation of intangible assets		-112,524	-112,331	0%	-450,800	-455,345	-1%
Other operating expenses		-13,116	-15,280	-14%	-55,090	-53,472	3%
Total expenses before credit losses		**-314,359**	**-339,636**	**-7%**	**-1,235,144**	**-1,256,351**	**-2%**
Profit/loss before credit losses		**76,628**	**43,551**	**76%**	**266,435**	**205,961**	**29%**
Net credit losses	8	13,541	24,551	-45%	10,654	41,840	-75%
Operating profit/loss		**90,169**	**68,102**	**32%**	**277,089**	**247,801**	**12%**
Tax on profit for the period		-24,390	-11,148	-	-80,657	-60,945	32%
Profit/loss for the period		**65,779**	**56,954**	**15%**	**196,432**	**186,856**	**5%**

Statement of comprehensive income	Q4 2018	Q4 2017	Change	Jan-Dec 2018	Jan-Dec 2017	Change
Thousands of SEK						
Profit/loss for the period	**65,779**	**56,954**	**15%**	**196,432**	**186,856**	**5%**
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	-11,557	-287	-	-12,247	6,022	-
Change in fair value of financial assets measured at fair value through other comprehensive income, reclassified to profit or loss for the period	-	-3,131	-	10	-3,131	-
Change in loss reserve for financial assets measured at fair value through other comprehensive income	44	-	-	247	-	-
Tax attributable to items that may be reclassified to profit or loss for the period	-	752	-	2,638	-636	-
Other comprehensive income for the period	**-11,513**	**-2,666**	**-**	**-9,352**	**2,255**	**-**
Comprehensive income for the period	**54,266**	**54,288**	**0%**	**187,080**	**189,111**	**-1%**

Balance sheet

Balance sheet	Note	31/12/2018	31/12/2017
Thousands of SEK			
Assets			
Cash		1,960	1,979
Treasury bills eligible for refinancing with central banks		1,129,312	929,790
Loans to credit institutions		2,893,156	1,495,612
Loans to the general public	9	64,076,523	56,953,441
Bonds and other fixed-income securities		3,319,049	3,680,446
Shareholdings and investments		4,000	7,361
Derivatives		5,407	4,470
Intangible assets		164,203	592,051
Tangible assets		88,872	95,830
Current tax assets		2,834,231	2,730,857
Deferred tax assets		12,227	11,090
Other assets		61,221	64,633
Prepaid expenses and accrued income		178,329	207,492
Total assets		**74,768,490**	**66,775,052**
Liabilities, provisions and equity			
Liabilities to credit institutions		559,261	584,256
Deposits from the general public	10	51,265,516	48,641,224
Debt securities issued and related items	11	15,988,372	10,685,833
Derivatives		43,035	58,770
Other liabilities		86,336	100,345
Accrued expenses and deferred income		101,647	99,653
Provisions	12	70,190	51,675
Subordinated liabilities		500,000	500,000
Total liabilities and provisions		**68,614,357**	**60,721,756**
Equity			
Restricted equity			
Share capital (16,683,364 shares and quotient value SEK 100)		1,668,336	1,668,336
Statutory reserve		109,196	109,196
Total		**1,777,532**	**1,777,532**
Non-restricted equity			
Share premium reserve		3,188,631	3,188,631
Fair value reserve		-5,901	2,866
Retained earnings		997,439	897,411
Profit/loss for the period		196,432	186,856
Total		**4,376,601**	**4,275,764**
Total equity		**6,154,133**	**6,053,296**
Total liabilities, provisions and equity		**74,768,490**	**66,775,052**
Other notes			
Accounting policies	1		
Operating segments	2		
Derivatives	13		
Financial assets and liabilities	14		
Pledged assets, contingent liabilities and commitments	15		
Capital adequacy analysis	16		
Disclosures on related parties and other significant relationships	17		

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 year	
Balance at 1 January 2017	**1,668,336**	**109,196**	**3,188,631**	**611**	**855,514**	**75,896**	**5,898,184**
Appropriation of profit as per AGM resolution							
Amount carried forward	-	-	-	-	41,897	-41,896	-
Transactions with owners in the form of dividends	-	-	-	-	-	-34,000	-34,000
Profit/loss for the year	-	-	-	-	-	186,856	186,856
Other comprehensive income for the year	-	-	-	2,255	-	-	2,255
Comprehensive income for the year	-	-	-	-	-	-	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 year	-	-	-	-	-	196,432	196,432
Other comprehensive income for the year	-	-	-	-9,352	-	-	-9,352
Comprehensive income for the year	-	-	-	-	-	-	187,080
Balance at 31 December 2018	**1,668,336**	**109,196**	**3,188,631**	**-5,901**	**997,439**	**196,432**	**6,154,133**

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	31/12/2018	31/12/2017
Thousands of SEK		
Cash flows from operating activities		
Operating profit/loss	277,089	247,801
Net change in amortised cost for the period	33,674	15,925
Unrealised share of net gain from financial transactions	-22,550	22,927
Depreciation and amortisation	450,800	455,345
Credit losses	-3,553	-38,410
Tax paid	-74,016	-64,704
Cash flows from operating activities before changes in working capital	**561,444**	**-1,061,116**
Cash flow from changes in working capital		
Increase/decrease in loans to the general public (-/+)	-7,168,373	-5,877,127
Increase/decrease in securities (-/+)	154,134	26,379
Increase/decrease in deposits from the general public (+/-)	2,624,292	2,969,816
Increase/decrease in liabilities to credit institutions (+/-)	-24,995	506,426
Net change in other assets and liabilities	20,364	22,153
Net cash from operating activities	**-3,733,134**	**-1,713,469**
Cash flows from investing activities		
Disposal/redemption of financial assets	21,877	6,720
Transfer of excess liquidity to tax account	-100,000	-1,700,000
Sale of tangible assets	1,816	136,723
Acquisition of tangible assets	-17,811	-42,041
Net cash from investing activities	**-94,118**	**-1,598,598**
Cash flows from financing activities		
Issue of fixed-income securities	10,624,664	8,190,659
Redemption of fixed-income securities	-5,343,830	-4,150,517
Dividends paid	-56,057	-34,000
Net cash from financing activities	**5,224,777**	**4,006,142**
Cash flow for the year	**1,397,525**	**694,075**
Cash and cash equivalents at beginning of year	1,497,591	803,516
Cash and cash equivalents at end of year	**2,895,116**	**1,497,591**
The following subcomponents are included in cash and cash equivalents		
Cash	1,960	1,979
Loans to credit institutions	2,893,156	1,495,612
Balance sheet total	**2,895,116**	**1,497,591**
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	1,066,485	992,308
Interest paid including cost of deposit insurance and resolution/stability fee	-119,298	-128,974
Dividends received	940	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.

CONTINUED ON PAGE 13.

CONTINUED FROM PAGE 12.

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.

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 opted to continue applying the IAS 39 hedge accounting rules upon application of IFRS 9.

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 thequantitative 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.

CONTINUED ON PAGE 14.

CONTINUED FROM PAGE 13.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 Revenue from Contracts with Customers came into effect on 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

Thousands of SEK	Jan-Dec 2018	Jan-Dec 2017	Change
Interest income			
Loans to credit institutions	3,310	1,009	-
Loans to the general public	1,105,926	1,031,021	7%
Fixed-income securities	-7,949	-7,141	11%
Derivatives	-34,799	-32,580	7%
Other interest income	-3	-1	88%
Total	**1,066,485**	**992,308**	**7%**
Interest expenses			
Liabilities to credit institutions	-12,929	-22,073	-41%
Deposits from the general public	-47,579	-60,875	-22%
– expenses for deposit insurance	-37,298	-46,520	-20%
Fixed-income securities	-23,947	-22,805	5%
Subordinated liabilities	-8,045	-7,631	5%
Other interest expenses	-26,798	-15,590	72%
– fee for resolution fund	-26,787	-15,587	72%
Total	**-119,298**	**-128,974**	**-8%**
Total net interest income	**947,187**	**863,334**	**10%**

Note 4 Fee and commission income

Thousands of SEK	Jan-Dec 2018	Jan-Dec 2017	Change
Payment intermediation fees	76,125	86,726	-12%
Loan commissions	159,613	182,714	-13%
Deposit commissions	73,896	67,377	10%
Commissions for financial guarantees issued	2,676	3,132	-15%
Securities commissions and fees	216,272	223,795	-3%
Other fees and commissions	72,455	69,719	4%
Total	**601,037**	**633,463**	**-5%**

Note 5 Fee and commission expenses	Jan-Dec 2018	Jan-Dec 2017	Change
Thousands of SEK			
Payment intermediation fees	-36,817	-37,209	-1%
Securities commissions and fees	-22,655	-19,711	15%
Other fees and commissions	-4,412	-5,067	-13%
Total	**-63,884**	**-61,987**	**3%**

Note 6 Net gain/loss from financial transactions	Jan-Dec 2018	Jan-Dec 2017	Change
Thousands of SEK			
Shareholdings/investments	2	34	-
Fixed-income securities	-117	-26,109	-
Other financial instruments	7,042	12,941	-46%
Exchange rate fluctuations	5,903	5,825	1%
Total	**12,830**	**-7,309**	**-**

	Jan-Dec 2018	Jan-Dec 2017	Change
Net gain/loss by valuation category			
Financial assets at fair value through other comprehensive income	-115	-	-
Financial assets at fair value through profit or loss (IAS 39)	-	-29,240	-
Capital gain on available-for-sale financial assets (IAS 39)	-	3,165	-
Ineffective portion of fair value hedge	1,034	829	25%
Derivatives intended for risk management, no hedge accounting	6,008	12,112	-50%
Change in fair value of derivatives used as hedging instruments in a fair value hedge	9,395	20,225	-54%
Change in fair value of hedged item attributable to the hedged risk in fair value hedges	-9,395	-20,225	-54%
Exchange rate fluctuations	5,903	5,825	1%
Total	**12,830**	**-7,309**	**-**

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-Dec 2018
Thousands of SEK	
Loans at amortised cost	
Change in provisions – stage 1	-5,398
Change in provisions – stage 2	-5,282
Change in provisions – stage 3	19,118
Total	**8,438**
Net cost for the year for realised losses	-5,480
Amount received for previously realised credit losses	7,101
Total credit losses on loans at amortised cost	**10,059**
Loan commitments and financial guarantee contracts	
Change in provisions – stage 1	-383
Change in provisions – stage 2	-816
Change in provisions – stage 3	1,794
Total credit losses for loan commitments and financial guarantee contracts	**595**
Total credit losses	**10,654**

CONTINUED ON PAGE 16.

CONTINUED FROM PAGE 15.

		Jan-Dec 2017
Thousands of SEK		
Specific impairment, individually assessed loans		
Write-off of realised credit losses for the year		-38,425
Reversal of previous impairment of credit losses recognised as realised losses in the financial statements for the year		34,568
Impairment of credit losses for the year		-24,358
Amount received for previously realised credit losses		2,953
Reversal of impairment of credit losses no longer necessary		88,402
Net cost for the year for individually assessed loans		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 year		-3,007
Amount received for credit losses realised in previous years		477
Allocation to/release of credit loss reserve		1,646
Net cost for the year for homogenous loans assessed in groups		-884
Contingent liabilities		
Net cost for the year for settlement of guarantees and other contingent liabilities		-20,416
Net cost for the year for credit losses		**41,840**

Note 9 Loans to the general public

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 31 December 2018	60,678,047	3,322,727	171,166	**64,171,940**
Loss allowances				
Loss allowances at 1 January 2018	14,922	28,132	77,970	**121,024**
New financial assets	9,364	3,998	3,335	**16,697**
Derecognised financial assets	-4,052	-5,987	-5,562	**-15,601**
Changed risk variables (EAD, PD, LGD)	5,177	-6,148	-17,451	**-18,422**
Changes in macroeconomic scenarios	2,300	1,950	646	**4,896**
Transfers between stages during the period				
from stage 1 to stage 2	-4,221	15,776	-	**11,555**
from stage 1 to stage 3	-3,846	-	3,898	**52**
from stage 2 to stage 1	700	-3,002	-	**-2,302**
from stage 2 to stage 3	-	-1,553	1,605	**52**
from stage 3 to stage 1	7	-	-820	**-813**
from stage 3 to stage 2	-	340	-1,916	**-1,576**
Other items	-17	-92	0	**-109**
Loss allowances at 31 December	20,334	33,414	61,705	**115,453**
Carrying amount				
Opening balance at 1 January 2018	53,902,235	2,924,818	67,791	**56,894,844**
Closing balance at 31 December 2018	60,657,713	3,289,313	109,461	**64,056,487**
Change in fair value of hedged amount in portfolio hedge				**20,036**
Total				**64,076,523**

CONTINUED ON PAGE 17.

CONTINUED FROM PAGE 16.

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	**41,582,762**	**42,339**	**41,540,423**
Residential mortgages	38,353,413	34,155	38,319,258
Tenant-owners' associations	1,824,113	497	1,823,616
Other items	1,405,236	7,687	1,397,549
Corporate customers	**22,589,178**	**73,114**	**22,516,064**
Agriculture, fishing, forestry	5,048,009	8,854	5,039,155
Manufacturing	421,036	2,513	418,523
Public sector	477,251	1,641	475,610
Construction	1,118,235	4,392	1,113,843
Retail	962,730	23,580	939,150
Transport	325,625	1,201	324,424
Hotel and restaurant	189,868	916	188,952
Information technology	86,519	73	86,446
Banking and insurance	168,531	244	168,287
Property management	12,012,808	13,682	11,999,126
Service sector	706,046	8,652	697,394
Other loans to businesses	1,072,520	7,366	1,065,154
Loans to the general public	**64,171,940**	**115,453**	**64,056,487**

Gross carrying amount and loss allowance by stage – comparison with opening balance	**31 December 2018**	**1 January 2018**
Thousands of SEK		
Loans to the general public, private customers		
Stage 1		
Gross carrying amount	39,400,757	33,069,907
Loss allowances	5,949	4,657
Carrying amount	39,394,808	33,065,250
Stage 2		
Gross carrying amount	2,135,749	1,816,736
Loss allowances	13,573	10,411
Carrying amount	2,122,176	1,806,325
Stage 3		
Gross carrying amount	46,257	55,842
Loss allowances	22,818	30,431
Carrying amount	23,439	25,411
Total carrying amount, loans to private customers	**41,540,423**	**34,896,986**
Loans to the general public, corporate customers		
Stage 1		
Gross carrying amount	21,277,290	20,847,250
Loss allowances	14,385	10,265
Carrying amount	21,262,905	20,836,985
Stage 2		
Gross carrying amount	1,186,978	1,136,214
Loss allowances	19,841	17,721
Carrying amount	1,167,137	1,118,493
Stage 3		
Gross carrying amount	124,909	89,919
Loss allowances	38,887	47,539
Carrying amount	86,022	42,380
Total carrying amount, loans to corporate customers	**22,516,064**	**21,997,858**

CONTINUED ON PAGE 18.

CONTINUED FROM PAGE 17.

	31 December 2018	1 January 2018
Gross carrying amount – stage 1	60,678,047	53,917,157
Gross carrying amount – stage 2	3,322,727	2,952,950
Gross carrying amount – stage 3	171,166	145,761
Total gross carrying amount	**64,171,940**	**57,015,868**
Loss allowance – stage 1	20,334	14,922
Loss allowance – stage 2	33,414	28,132
Loss allowance – stage 3	61,705	77,970
Total loss allowances	**115,453**	**121,024**
Total carrying amount, loans to the general public	**64,056,487**	**56,894,844**
Gross stage 3 loans in %	0.27%	0.26%
Net stage 3 loans in %	0.17%	0.12%
Ratio of loss allowances to stage 1 loans	18%	12%
Ratio of loss allowances to stage 2 loans	29%	23%
Provision ratio for stage 1 loans	0.03%	0.03%
Provision ratio for stage 2 loans	1.01%	0.95%
Provision ratio for stage 3 loans	36%	53%
Total provision ratio for loans	0.18%	0.21%

IFRS 9 loss allowances at 31 December and 1 January 2018 in comparison with IAS 39 on 31 December 2017	**31/12/2018**	**2018-01-01**	**31/12/2017**
Thousands of SEK			
Impairment losses – stages 1–2			
12-month loss allowance (stage 1)	20,334	14,922	-
Full lifetime loss allowance (stage 2)	33,414	28,132	-
Impairment losses – stage 3 and under IAS 39	**61,705**	**77,970**	**91,857**
Total impairment losses	**115,453**	**121,024**	**91,857**

	31/12/2017
Thousands of SEK	
Gross loans	
– public sector	30,315
– corporate sector	15,337,844
– retail sector	41,647,709
– sole proprietors	11,307,925
Total	**57,015,868**
Sub-items of gross loans:	
Unsettled loans included in impaired loans	**52,204**
– corporate sector	30,278
– retail sector	21,926
Impaired loans	**135,045**
– corporate sector	105,631
– retail sector	29,414
Subtracted by:	
Specific impairment, individually assessed loans	**89,021**
– corporate sector	72,296
– retail sector	16,725
Impairment of homogeneous groups of loans assessed in groups	**2,836**
– retail sector	2,836
Homogeneous impairment, individually assessed loans	**-**
Loans, net carrying amount	56,924,011
Change in fair value of hedged amount in portfolio hedge	**29,430**
Total	**56,953,441**

CONTINUED ON PAGE 19.

CONTINUED FROM PAGE 18.

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 Deposits from the general public

Thousands of SEK	31/12/2018	31/12/2017
The general public		
– Swedish currency	50,816,043	48,329,560
– foreign currency	449,473	311,664
Total	**51,265,516**	**48,641,224**
Deposits per customer category, excluding bank cheques		
Public sector	1,288,615	1,480,832
Corporate sector	9,700,779	9,401,892
Retail sector	39,413,278	37,094,204
– sole proprietors	6,524,502	6,245,410
Other sectors	799,230	592,640
Total	**51,201,902**	**48,569,568**

Note 11 Debt securities issued and related items

Thousands of SEK	31/12/2018	31/12/2017
Certificates of deposit	950,278	950,235
Bond loans	5,906,181	6,696,387
Covered bonds	9,131,913	3,039,211
Total	**15,988,372**	**10,685,833**
Changes during the period	Jan–Dec 2018	Jan–Dec 2017
Issued	10,624,647	8,190,659
Repurchased	-	-
Matured	-5,322,108	-4,149,423
Change	**5,302,539**	**4,041,236**

Note 12 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 and financial guarantees	861	179	-	**1,040**
Financial guarantees and loan commitments that are past due	-514	-484	-683	**-1,681**
Changed risk variables (EAD, PD, LGD)	269	-40	-1,023	**-794**
Changes in macroeconomic scenarios	100	47	10	**157**
Transfers between stages during the period				
from stage 1 to stage 2	-351	1,338	-	**987**
from stage 1 to stage 3	-35	-	35	**0**
from stage 2 to stage 1	53	-238	-	**-185**
from stage 2 to stage 3	-	-6	6	**0**
from stage 3 to stage 1	0	-	-20	**-20**
from stage 3 to stage 2	-	21	-120	**-99**
Loss allowances at 31 December	1,624	2,238	5,652	**9,514**
Other provisions				**60,676**
Total				**70,190**

CONTINUED ON PAGE 20.

CONTINUED FROM PAGE 19.

IFRS 9 loss allowances at 31 December and 1 January 2018 in comparison with IAS 39 on 31 December 2017	31/12/2018	2018-01-01	31/12/2017
Thousands of SEK			
Impairment losses – stages 1–2			
12-month loss allowance (stage 1)	1,624	1,241	-
Full lifetime loss allowance (stage 2)	2,238	1,421	-
Impairment losses – stage 3 and under IAS 39	**5,652**	**7,447**	**-**
Total impairment losses	**9,514**	**10,109**	**-**

Note 13 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.

	31/12/2018		31/12/2017	
Thousands of SEK	Nominal amount	Fair value	Nominal amount	Fair value
Derivative instruments with positive fair values				
Fixed-income contracts	312,000	13	469,000	29
Currency contracts	182,655	5,394	135,777	4,441
Total derivative instruments with positive fair values	**494,655**	**5,407**	**604,777**	**4,470**
Derivative instruments with negative fair values				
Fixed-income contracts	3,378,325	38,020	2,781,825	54,693
Currency contracts	173,779	5,015	120,602	4,077
Total derivative instruments with negative fair values	**3,552,104**	**43,035**	**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 14 Financial assets and liabilities

	Carrying amount				Fair value
31 December 2018	**Fair value**	**Amortised cost**	**Fair value through other comprehensive income**		
			Debt instruments	**Equity instruments**	
Thousands of SEK					
Cash and balances at central banks	-	1,960	-	-	1,960
Treasury bills eligible for refinancing with central banks	-	-	1,129,312	-	1,129,312
Loans to credit institutions	-	2,893,156	-	-	2,893,156
Loans to the general public	-	64,076,523	-	-	64,471,203
Bonds and other fixed-income securities	-	-	3,319,049	-	3,319,049
Shareholdings and investments	-	-	-	4,000	4,000
Derivatives	5,407	-	-	-	5,407
Other assets	-	61,221	-	-	61,221
Accrued income	-	155,831	-	-	155,831
	5,407	**67,188,691**	**4,448,361**	**4,000**	**72,041,139**
Liabilities to credit institutions	-	559,261	-	-	559,261
Deposits and borrowings from the general public	-	51,265,516	-	-	51,270,797
Securities issued	-	15,988,372	-	-	15,988,372
Derivatives	43,035	-	-	-	43,035
Other liabilities	-	70,862	-	-	70,862
Accrued expenses	-	100,099	-	-	100,099
Subordinated liabilities	-	500,000	-	-	500,000
	43,035	**68,484,110**	**-**	**-**	**68,532,933**

CONTINUED ON PAGE 21.

CONTINUED FROM PAGE 20.

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**

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

Level 1: Quoted prices in active markets for identical instruments
Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the instrument, either directly or indirectly
Level 3: Unobservable inputs for the instrument

31/12/2018

Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	1,129,312	-	-	1,129,312
Bonds and related items	3,319,049	-	-	3,319,049
Shareholdings and investments	-	-	4,000	4,000
Other assets – derivatives	-	5,407	-	5,407
Total	**4,448,361**	**5,407**	**4,000**	**4,457,768**
Other liabilities – derivatives	-	43,035	-	43,035
Total	**-**	**43,035**	**-**	**43,035**

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.

CONTINUED ON PAGE 22.

CONTINUED FROM PAGE 21.

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	-	3,361	3,361
Cost – acquisitions	-	-3,361	-3,361
Total gains and losses recognised	-	-	-
– recognised in profit or loss	-	-	-
Closing balance at 31 December 2018	**-**	**4,000**	**4,000**
Gains and losses recognised in profit or loss for assets included in the closing balance at 31 December 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.

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 15 Pledged assets, contingent liabilities and commitments

	31/12/2018	31/12/2017
Thousands of SEK		
Pledged assets		
Loans *	11,736,753	3,924,064
Other pledged assets	59,155	52,200
Contingent liabilities	483,440	647,095
Commitments	8,067,465	6,307,059

* 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 16 Capital adequacy analysis

Capital base		
Thousands of SEK	**31/12/2018**	**31/12/2017**
CET1 capital	5,829,432	5,318,886
Tier 2 capital	500,000	500,000
Net capital base	**6,329,432**	**5,818,886**

Capital requirements and risk-weighted exposure amounts	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Minimum capital for credit risk				
– IRB approach	1,309,312	16,366,399	708,886	8,861,076
– standardised approach	634,536	7,931,695	1,353,195	16,914,937
Credit valuation adjustment	817	10,213	1,012	12,650
Risk weight floor, residential and commercial properties	188,427	2,355,343	-	-
Other REAs	1,760	22,000	-	-
Capital requirement for operational risk	165,479	2,068,482	170,532	2,131,644
Total capital requirements and risk-weighted exposure amounts	**2,300,331**	**28,754,132**	**2,233,625**	**27,920,307**

CET1 capital ratio	**20.3%**			**19.1%**		
Tier 1 capital ratio	**20.3%**			**19.1%**		
Total capital ratio	**22.0%**			**20.8%**		
Buffer requirement	**4.5%**	**1,293,936**	**16,174,199**	**4.5%**	**1,256,297**	**15,703,716**
– capital conservation buffer	2.5%	718,853	8,985,666	2.5%	698,008	8,725,096
– countercyclical capital buffer	2.0%	575,083	7,188,533	2.0%	558,290	6,978,620
CET1 capital available for use as buffer	**14.0%**	**4,029,101**		**12.8%**	**3,585,261**	
Total internally assessed capital requirement (excluding buffer requirement)		**2,888,816**			**3,134,634**	

Capital base

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

Thousands of SEK	**31/12/2018**	**31/12/2017**
CET1 capital: Instruments and reserves		
Share capital	1,668,336	1,668,336
Statutory reserve	109,196	109,196
Share premium reserve	3,188,631	3,188,631
Fair value reserve	-5,901	-
Retained earnings	997,439	897,411
Profit attributable to the bank's owners	196,432	186,856
Deduction for ineligible part of profit for the year	-58,932	-56,056
CET1 capital before regulatory adjustments	**6,095,201**	**5,994,374**
CET1 capital: regulatory adjustments		
Intangible assets, deferred tax assets and value adjustments	-180,878	-607,751
Deduction of IRB provisions (see disclosure below)	-84,891	-67,737
Total regulatory adjustments to CET1 capital	**-265,769**	**-675,488**

CONTINUED ON PAGE 24.

CONTINUED FROM PAGE 23.

	31/12/2018	31/12/2017
CET1 capital	**5,829,432**	**5,318,886**
Tier 2 capital: Instruments		
Fixed-term subordinated loans	500,000	500,000
Tier 2 capital	**500,000**	**500,000**
Capital base	**6,329,432**	**5,818,886**
Special disclosures		
IRB Provisions excess(+)/shortfall(-)	**-84,891**	**-67,737**
Total IRB provisions (+)	90,015	9,015
IRB Expected loss amount (-)	-174,906	-76,752

Capital requirement and risk-weighted exposure amount

Thousands of SEK	31/12/2018		31/12/2017	
	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
Corporate exposures	136,767	1,709,593	334,076	4,175,955
Retail exposures	215,584	2,694,796	445,112	5,563,898
Exposures secured by mortgages on immovable property	278,464	3,480,800	561,953	7,024,411
Defaulted items	3,400	42,506	6,201	77,511
Equity exposures	320	4,000	589	7,361
Credit risk under IRB approach				
Institutional exposures	87,140	1,089,245	49,539	619,239
Corporate exposures	620,638	7,757,979	324,176	4,052,196
Retail exposures	585,492	7,318,656	316,973	3,962,159
– mortgage loans	319,188	3,989,856	179,594	2,244,924
– other loans	266,304	3,328,800	137,379	1,717,235
Non-credit obligation asset exposures	16,042	200,519	18,199	227,482
Total	**1,943,848**	**24,298,094**	**2,062,081**	**25,776,013**
Credit valuation adjustment	**817**	**10,213**	**1,012**	**12,650**
Risk weight floor, residential and commercial properties	**188,427**	**2,355,343**	**-**	**-**
Other REAs	**1,760**	**22,000**	**-**	**-**

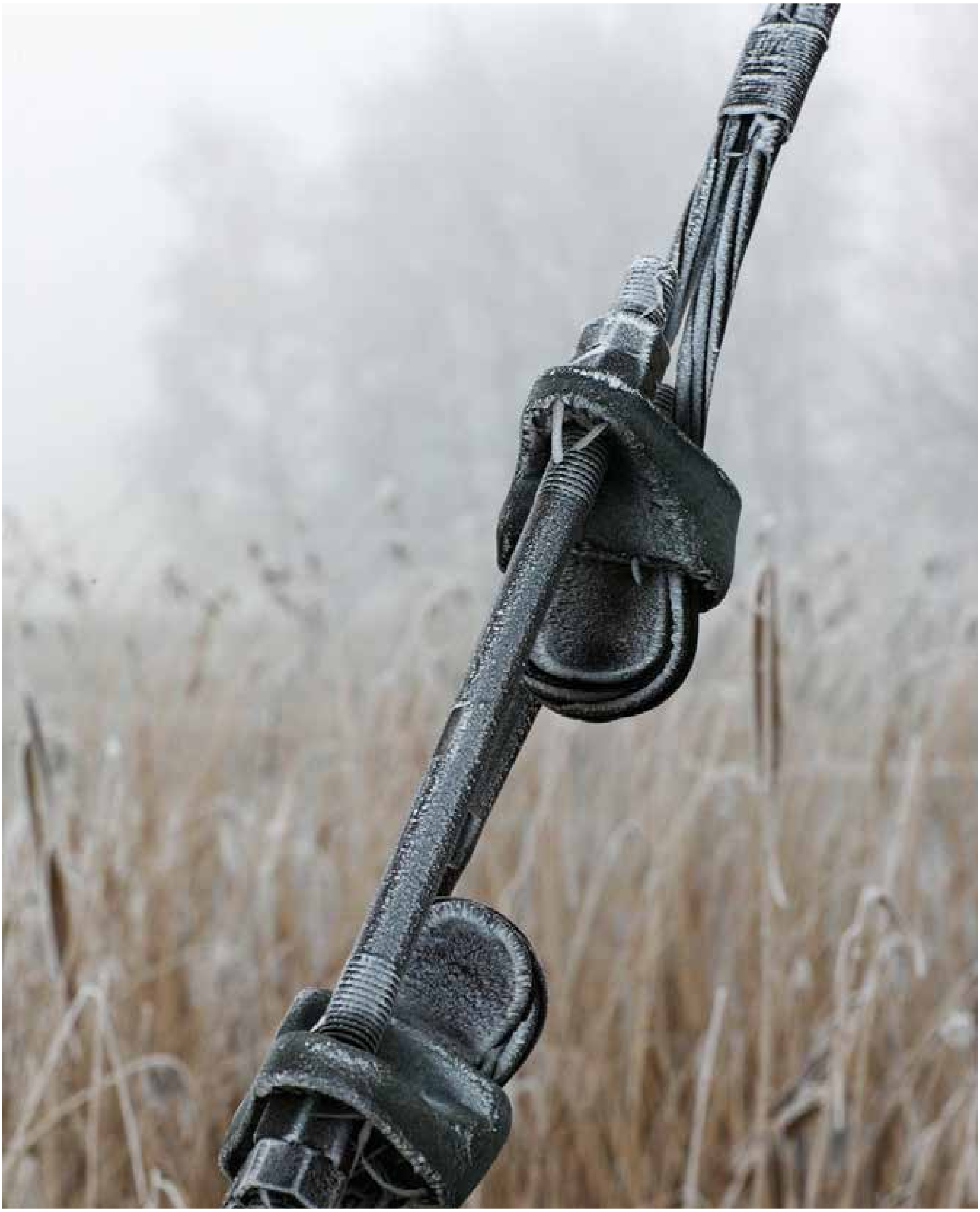
Operational risk

	31/12/2018		31/12/2017	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Standardised approach	165,479	2,068,482	170,532	2,131,644
Total capital requirement for operational risk	**165,479**	**2,068,482**	**170,532**	**2,131,644**
Total capital requirements and risk-weighted exposure amounts	**2,300,331**	**28,754,132**	**2,233,625**	**27,920,307**

Note 17 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.



Alternative financial ratio 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.

Signatures of board and CEO

The board and CEO hereby affirm that the January–December 2018 Interim Report provides a true and fair view of the bank's business, financial position and results of operations, and describes material risks and uncertainties faced by the bank.

Lund, 29 January 2019

Bertil Engström
Chair

Agneta Erfors
Deputy Chair

Bo Lundgren
Deputy Chair

Pär Frankenius
Director

Helene Hartman
Director

Tomas Hedberg
Director

Jan Larsson
Director

Johanna Okasmaa Nilsson
Director

Hans Nilsson
Employee representative

Catarina Regebro
Employee representative

Bo Bengtsson
CEO

Auditor's report

Introduction

I have reviewed the year-end report of Sparbanken Skåne AB (publ) for the period from 1 January 2018 to 31 December 2018. The board and CEO are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. It is my responsibility to express an opinion on this year-end report based on my review engagement.

Focus and extent of review engagement

I have conducted our review engagement in accordance with the International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review engagement involves making enquiries, mainly to those responsible for financial and accounting issues, performing an analytical review and taking other review engagement measures. A review engagement has a different focus and is significantly smaller in scale in comparison to the focus and extent of an audit in accordance with the ISA and generally accepted auditing standards. The review procedures performed within the scope of a review engagement do not enable me to obtain assurance that I am aware of all material circumstances that may have been identified if an audit were to be conducted. Consequently, the opinion expressed on the basis of a review engagement does not have the same level of certainty as the opinion expressed on the basis of an audit.

Opinion

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

Stockholm, 29 January 2019

Jan Palmqvist
Authorised Public Accountant

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