



## January–June 2019 Interim Report for Sparbanken Skåne AB (publ)

Lund, 31 July 2019

Sparbanken Skåne continues its strong performance. In the first half of 2019, the bank reported a profit (excluding goodwill amortisation and before tax) of SEK 381m, a 24 percent year-on-year increase. The bank's efforts to renew its operations for the future are progressing, especially in terms of sustainability.



Sparbanken  
Skåne



### Q2 financial summary, April–June 2019

- The bank's operating profit increased in the quarter, totalling SEK 136m (50).
- Operating profit excluding goodwill amortisation for the April–June period totalled SEK 193m (157).
- Net interest income was positively affected by increased volumes and amounted to SEK 280m (230).
- Net fee and commission income amounted to SEK 122m (129).
- Expenses decreased primarily as a result of lower goodwill amortisation and totalled SEK -272m (-313).
- Credit losses amounted to SEK +6m (-1).
- Business volume was up 2% in the quarter, totalling SEK 199bn (195 at March 2019).
- Subordinated liabilities amounting to SEK 500m were redeemed in Q2, which reduced the total capital ratio to 19.7% (21.7 at March 2019).
- The CET1 capital ratio amounted to 19.7% (20.0 at March 2019).
- The LCR was 216% (186 at March 2019), which is still high.

(Comparative figures in parentheses refer to Q2, April–June 2018 unless otherwise specified)

### Financial summary, January–June 2019

- The bank's operating profit for the half year was SEK 217 (93).
- Operating profit excluding goodwill amortisation for the January–June period totalled SEK 381m (307).
- Net interest income increased by 20% to SEK 544m (451).
- Net fee and commission income amounted to SEK 247m (268).
- Expenses decreased primarily as a result of lower goodwill amortisation and totalled SEK 584m (624).
- Business volume increased by 3% to SEK 199bn (193).

- Subordinated liabilities amounting to SEK 500m were redeemed in Q2. Following this redemption, the total capital ratio was 19.7% (19.6).
- The CET1 capital ratio increased to 19.7% (18.0).
- The LCR decreased somewhat to 216% (288), which is still high.

(Comparative figures in parentheses refer to January–June 2018)

### Key events in Q2 2019

- The bank's financial position is strongly improving. Business volume and net interest income are on the rise, cost controls are effective and credit losses remain low.
- The SEK 2.1bn goodwill item from when the bank was founded in 2014 was fully amortised in May. As a result, the operating profit at the bottom line of the income statement will improve significantly compared to previous years.
- Subordinated liabilities amounting to SEK 500m, which were assumed when the bank was founded, were redeemed during the quarter, leaving the bank's capital base to consist solely of equity.
- Several indications of an economic slowdown can be seen around the world, although this has not yet had a noticeable direct impact on the bank's private or corporate markets in Skåne.
- The bank refined its customer offering during the period by adding a new Green Auto Loan, a Solar Loan for solar panels and support for Google Pay.
- Operations at the bank's branches in Lönsboda, Södra Sandby, Tollarp and Tyringe were moved to nearby locations. This change was made because more customers are choosing to use the bank's digital channels instead of physical branches.
- Sparbanken Skåne is transitioning to locally produced solar power. The bank signed a 10-year agreement for electricity with guarantees of origin from Sweden's largest solar park in Sjöbo – a plant that was also named after Sparbanken Skåne.

# A strong quarter for Sparbanken Skåne

**Sparbanken Skåne's performance remained strong in the second quarter of 2019. Earnings are improving while credit losses and risks remain low. The bank is continuously renewing its customer offering for the future and is stepping up its sustainability efforts.**

Equity markets around the world saw both gains and losses in the second quarter. Uncertainty is building from the US-China trade relationship and from general business cycle and interest rate trends. The Stockholm Stock Exchange closed out the April-June period up 4 percent, which helped improve Sparbanken Skåne's securities volume. In addition, the bank reported increases in both deposits and loans and the total business volume for the quarter was up 2 percent from the end of the previous quarter, closing at SEK 199bn at 30 June.

## Secure financial position

Sparbanken Skåne's net interest income for the quarter was up 22 percent year-on-year. This gain was driven by lending volume growth, which is a result of the conversion of loans from external mortgage companies and of continuing stable growth for the bank's residential mortgage business in all of its geographic areas.

Cost controls remain tight and credit losses are low. External signals of an economic slowdown are being detected, but we estimate that this has not yet had any impact on the quality of the bank's loan portfolio.

Operating profit excluding goodwill amortisation before tax was SEK 193m for the second quarter, a 23 percent year-on-year increase.

May marked five years since Sparbanken Skåne was founded in a merger that included three savings banks from Skåne, and the goodwill item dating from then was fully amortised on 20 May this year. Consequently, the bank reported an operating profit before tax for the first half year of SEK 217m, which is a substantial improvement on the operating profit of SEK 93m for the first half of 2018. As a result of the full amortisation of the goodwill item, the operating profit at the bottom line of the income statement will improve significantly compared to previous years.

Sparbanken Skåne is well prepared for the future. We are performing according to the bank's strategic plan and will be able to meet the financial requirements imposed on us by regulators well in advance. A bank that is both strong and secure is able to concentrate on refining products and services.

## Regional stability

Our report on economic conditions in Skåne ("Skånsk konjunktur") presented in May revealed that the high-performing regional economy is beginning to slow down. Employment growth is still positive although slightly weaker than before. Household disposable income in Skåne underperformed the national average, but the housing market has shown stability.

Skåne's businesses have been expanding, adding 34,500 jobs over the past five years. Much of this job growth is driven by small businesses. Geographically, the most jobs were created in Malmö and Helsingborg. The weak Swedish currency benefitted export companies while conversely harming import companies. As a result, the bank must make a point of advising customers carefully on this situation.

Skåne's agricultural sector has regained confidence in the future following last year's extreme drought. In late June, the bank was at Borgeby Field Days, the largest agricultural fair in Northern Europe. Thus far, 2019 growing season conditions have been more normal.

## Adapting to the future

The bank reviewed its branch office structure during the quarter. Today, customers do almost all their banking digitally, whenever

and wherever they want. More and more customers use the bank's phone and internet services that are available seven days a week. This resulted in fewer customers visiting bank branches, and in May operations at four small branches were moved to larger nearby units.

The bank still maintains physical branches in all of the 15 municipalities in which it operates. Going forward, we will be positioned to provide better service at our branches given the greater concentration of resources and expertise. We will continue to support small towns, especially with the help of our partner UtbildningsForum, which regularly organises free finance and digital services classes for the local community.

We launched a Green Auto Loan and a special Solar Loan during the quarter, which are good deals for individuals looking to invest in a green car or their own solar panels. The new Internet Bank is being updated continuously, and customers with our Mastercard can now use Google Pay. We enable young people to shop online with our Mastercard Ung, which is subject to a seven-day limit of SEK 3,000. This limitation has also been introduced for ATM withdrawals from Bankomat to prevent young people from being exploited as money mules by fraudsters.

When talking to our customers before the summer, we placed strong emphasis on being vigilant about fraud attempts. Unfortunately, criminals sometimes contact individuals or businesses and trick them into using their security token or Mobile BankID to steal money. Practices may vary, but the basic rule for protecting yourself is to never disclose codes to or use the token or BankID with a third party.

## Investing in locally produced solar power

Sparbanken Skåne is committed to decisive action in sustainability initiatives. Accordingly, the bank decided to transition to locally produced solar power from Sweden's largest solar park, which was built in Sjöbo. All future electricity used by the bank will have guarantees of origin from this solar park – a plant that was also named after the bank, Sparbanken Skånes Solcellspark. We also see this initiative as a way to help secure access to sustainable electricity in Skåne.

Additionally, the bank has purchased six electric cars. Our goal is to hold internal meetings with as little travel as possible, and when a bus or train is not an option for customer meetings or similar engagements, that's when we recommend an electric car – especially now that they are powered by locally produced solar electricity from Skåne.

During the quarter, our foundation owners teamed up with Skåneidrotten (Skåne Sports Federation) to organise the Sports Leader Gala at Sparbanken Skåne Arena where as many as 250 volunteer sports leaders from regional children and youth clubs were awarded scholarships. The dedication of these leaders has profound significance for the up-and-coming generation.

We collaborate with the savings bank foundations to reinvest part of our profit from banking activities in community development projects. Together we invest in Skåne's future.

Bo Bengtsson  
CEO

# Financial information

At Sparbanken Skåne we have a clear vision – to be a bank that actively delivers simplicity and sustainability every day.

## 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 2018.

The bank's total business volume at 30 June 2019 was SEK 198,948m (189,364), a 5 percent increase during the first half year.

Deposits from the general public totalled SEK 52,955m (51,266). Both private and corporate deposit volumes increased during the half year.

The market value of the total brokered fund and insurance volume was SEK 39,465m (34,728). Net savings in funds and insurance were slightly negative for the first six months of the year. Nevertheless, the positive stock market trend brought the volume up. The Stockholm Stock Exchange gained 15 percent during the half year.

Last year's positive performance of loans to the general public continued throughout the first half of 2019. Loans to the general public at 30 June 2019 amounted to SEK 68,453m (64,077). This increase is the result of moving residential mortgages from the brokered volume to loans on the bank's balance sheet and issuing new loans to both private and corporate customers. The bank's loans continue to maintain excellent credit quality.

The total loan portfolio brokered to Swedbank Hypotek at 30 June 2019 amounted to SEK 18,071m (20,049).

## 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's outstanding covered bonds increased by a nominal amount of SEK 2,750m in the first half year. Outstanding senior bonds increased by SEK 400m during the same period. Outstanding certificates of deposit remain unchanged during the first half year.

The bank's outstanding bonds at 30 June amounted to SEK 6,300m in senior bonds and SEK 11,750m in covered bonds. Outstanding certificates of deposit totalled SEK 950m.

In June, in accordance with authorisation from Finansinspektionen (the Swedish Financial Supervisory Authority), the bank opted for early redemption of subordinated liabilities, in the form of fixed-term subordinated loans.

All bonds are listed on the Nasdaq OMX Nordic Stockholm exchange. More information about the bond programmes can be found at [www.sparbankenskane.se](http://www.sparbankenskane.se).

The bank's loans from the Nordic Investment Bank (NIB), which amounted to SEK 476m at year end, were paid off during the first quarter.

In December 2018, Riksgälden (the Swedish National Debt Office) adopted its annual plans for how banks and other institutions in Sweden should be managed in the event of a

financial 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 is applicable to Sparbanken Skåne as of 2019, is 9.4 percent of the bank's total liabilities and capital base, half of which must be subordinated liabilities. Sparbanken Skåne is well prepared and will be able to meet the requirements stipulated well in advance. The prospectus for the MTN programme was updated and approved by Finansinspektionen in June to enable the bank to issue MREL instruments in the future.

The bank's liquidity reserves at 30 June 2019 amounted to SEK 9,211m (9,435). The liquidity reserves consist of assets that can generate liquidity quickly at predictable values in compliance with Finansinspektionen'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 and fixed-income securities. The liquidity reserves combined with agreed borrowing limits continue to give the bank a strong ability to meet its obligations.

The bank's liquidity coverage ratio (LCR) remains solid despite decreasing somewhat during the year to 216 percent (282 percent at 31 December 2018). This is mainly because the liquidity reserve is smaller but also because of an increase in loans in the bank's own portfolio.

The loan-to-deposit ratio at 30 June 2019 was 129 percent (125 percent at year-end 2018).

More information about liquidity reserves and liquidity management is provided in periodic disclosures at [sparbankenskane.se/finansiellinformation/likviditet](http://sparbankenskane.se/finansiellinformation/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–June 2018 period.

The bank's operating profit for the first half of 2019 was SEK 217m (93). The impact of goodwill amortisation on profit was SEK 164m. Profit for the first half year is in line with expectations. The 20 percent year-on-year improvement in net interest income and continuing effective cost controls give the bank healthy earnings.

Goodwill arising from 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 impacted profit by SEK 428m per year. This item is now fully amortised.

Net interest income improved by 20 percent year-on-year, amounting to SEK 544m (451). The lending volume gains had a positive impact on net interest income during the half year, as did the market interest rate hike.

The resolution fee and deposit insurance were charged to net interest income in the amount of SEK 30m (38).

Fee and commission income for the period totalled SEK 278m (299). Loan commissions amounted to SEK 62m (81) and are mainly attributable to commissions from Swedbank Hypotek. The drop in loan commissions is due to a decrease in the volume brokered to Swedbank Hypotek. Securities fees amounted to SEK 106m (107). Other fee and commission income amounted to SEK 110m (111).

Fee and commission expenses amounted to SEK -31m (-31).



General administrative expenses were up 2 percent year-on-year, totalling SEK 378m (372). Personnel expenses amounted to SEK 227m (224), and IT expenses were SEK 90m (86).

The total amount for both the depreciation of tangible assets and the amortisation of intangible assets was SEK 176m (225), and amortisation of intangible assets (goodwill) accounted for SEK 164m (214) of the total.

Credit losses for 2019 resulted in revenue of SEK 4m (-12).

Profit for the period after appropriations and tax totalled SEK 164m (62).

#### Capital ratio

The bank's capital base decreased by SEK 330m during the half year, putting the total value of the capital base on 30 June 2019 at SEK 6,098m (6,329 at year end). Tier 2 capital decreased by SEK 500m due to the early redemption of subordinated liabilities, which had a negative impact on the capital base. However, the lower deduction for goodwill and the profit for the period had a positive impact on the Common Equity Tier 1 (CET1) capital.

The total Risk Exposure Amount (REA) increased due to the growth in lending, amounting to SEK 30,988m (28,754).

The credit risk REA at 30 June 2019 totalled SEK 26,248m. SEK 8,394m of this item was calculated using the standardised approach to credit risk and SEK 17,854m was calculated using the Internal Ratings-Based (IRB) approach to credit risk.

The risk-weight floor REA increased as residential mortgages were transferred from brokered loans to loans in the bank's own portfolio and amounted to SEK 2,651m (2,355).

The corporate REA increased during the year due to increased lending to this sector.

The operational risk REA at 30 June amounted to SEK 2,049m (2,068).

The total capital ratio was 19.7 percent at 30 June 2019 (22.0), and the CET1 capital ratio was 19.7 percent (20.3). The bank's capital situation thus remains strong.

The leverage ratio amounted to 7.4 percent (7.5) at 30 June. For more information about capital adequacy calculations, see Note 15, Capital adequacy analysis.

#### Risk management and uncertainties

The bank's business is exposed to various risks including 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 incorporates the strategies, processes and reporting procedures required to continuously identify, measure, manage, monitor and report the risks to which the business is exposed. Furthermore, Sparbanken Skåne implements the methods and procedures 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 describing the risk appetite that will shape the bank's activities and the risk limits applicable in each risk area. Risk Management monitors, analyses and reports risks to the board and CEO.

The bank's direct losses attributable to operational risk remained low in the second quarter of 2019. 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 took place after the end of the reporting period.

<b>Financial ratios</b>	<b>6/2019</b>	<b>3/2019</b>	<b>12/2018</b>	<b>9/2018</b>	<b>6/2018</b>
<b>Volume</b>					
Business volume, millions of SEK	198,948	194,933	189,364	196,451	193,305
<b>Capital and liquidity</b>					
CET1 capital ratio	19.7%	20.0%	20.3%	21.6%	18.0%
Total capital ratio	19.7%	21.7%	22.0%	23.5%	19.6%
Leverage ratio	7.4%	7.6%	7.5%	7.3%	7.5%
Loan-to-deposit ratio	1.29	1.29	1.25	1.25	1.23
LCR	216%	186%	282%	277%	288%
NSFR	130%	133%	137%	138%	136%
<b>Profit</b>					
Cost/income ratio before credit losses	0.73	0.79	0.82	0.83	0.86
Cost/income ratio after credit losses	0.73	0.79	0.82	0.83	0.87
Cost/income ratio after credit losses excluding dividends, capital gains and goodwill amortisation	0.52	0.52	0.53	0.54	0.58
Return on equity	5.5	4.2	3.5	3.2	2.4
Return on equity excluding dividends, capital gains and goodwill amortisation	9.6	9.6	9.0	8.7	7.9
<b>Impaired loans and credit losses</b>					
Loan loss ratio excluding brokered volume	0.0%	0.0%	0.0%	0.0%	0.0%
Loan loss ratio including brokered volume	0.0%	0.0%	0.0%	0.0%	0.0%
See also notes 7 and 8 for detailed information concerning IFRS 9.					
<b>Other disclosures</b>					
Average number of employees	495	505	488	485	505

The alternative financial ratios are defined on page 30.

## Quarterly comparison

Income statement	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Thousands of SEK					
Net interest income	279,604	264,146	249,305	246,541	229,941
Dividends received	-	630	-	-	240
Net fees and commissions	122,146	125,013	138,156	130,539	129,056
Net gain/loss from financial transactions	-938	5,192	2,678	4,002	2,774
Other operating income	760	1,045	848	592	1,517
<b>Total net interest income and operating income</b>	<b>401,572</b>	<b>396,026</b>	<b>390,987</b>	<b>381,674</b>	<b>363,528</b>
General administrative expenses	-195,963	-182,122	-188,719	-168,649	-190,752
Depreciation and amortisation	-63,320	-112,966	-112,524	-112,826	-112,747
Other expenses	-12,359	-17,572	-13,116	-15,219	-9,300
Credit losses	5,644	-1,719	13,541	8,925	-691
<b>Total expenses</b>	<b>-265,998</b>	<b>-314,379</b>	<b>-300,818</b>	<b>-287,769</b>	<b>-313,490</b>
<b>Operating profit/loss</b>	<b>135,574</b>	<b>81,647</b>	<b>90,169</b>	<b>93,905</b>	<b>50,038</b>
Taxes	-31,853	-21,568	-24,390	-25,260	-15,461
<b>Profit/loss for the period</b>	<b>103,721</b>	<b>60,079</b>	<b>65,779</b>	<b>68,645</b>	<b>34,577</b>

Balance sheet	30/06/2019	31/03/2019	31/12/2018	30/09/2018	30/06/2018
Thousands of SEK					
Loans to credit institutions	3,149,997	3,000,888	2,893,156	1,731,672	1,705,200
Loans to the general public	68,452,723	66,275,104	64,076,523	63,193,972	61,548,313
Fixed-income securities	5,135,782	4,738,813	4,448,361	4,467,801	4,390,631
Goodwill	-	57,241	164,203	271,165	378,127
Other assets	2,158,972	930,784	3,186,247	4,448,974	2,716,807
<b>Total assets</b>	<b>78,897,474</b>	<b>75,002,830</b>	<b>74,768,490</b>	<b>74,113,584</b>	<b>70,739,078</b>
Liabilities to credit institutions	97,775	78,843	559,261	576,807	570,175
Deposits from the general public	52,954,823	51,529,149	51,265,516	50,604,618	50,237,199
Debt securities issued and subordinated liabilities	19,187,801	16,883,665	16,488,372	16,496,774	13,545,924
Other liabilities	385,715	349,538	301,208	338,051	360,408
Equity	6,271,360	6,161,635	6,154,133	6,097,334	6,025,372
<b>Total liabilities, provisions and equity</b>	<b>78,897,474</b>	<b>75,002,830</b>	<b>74,768,490</b>	<b>74,113,584</b>	<b>70,739,078</b>

# Income statement

Income statement	Note	Q2 2019	Q2 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change	Jan-Dec 2018
Thousands of SEK								
Interest income		322,061	264,569	22%	623,968	516,102	21%	1,066,485
Interest expenses		-42,457	-34,628	23%	-80,218	-64,761	24%	-119,298
<b>Net interest income</b>	<b>3</b>	<b>279,604</b>	<b>229,941</b>	<b>22%</b>	<b>543,750</b>	<b>451,341</b>	<b>20%</b>	<b>947,187</b>
Dividends received		-	240	-	630	940	-33%	940
Fee and commission income	4	138,956	145,954	-5%	278,226	299,136	-7%	601,037
Fee and commission expenses	5	-16,810	-16,898	-1%	-31,067	-30,678	1%	-63,884
Net gain/loss from financial transactions	6	-938	2,774	-	4,254	6,150	-31%	12,830
Other operating income		760	1,517	-50%	1,805	2,029	-11%	3,469
<b>Total net interest income and operating income</b>		<b>401,572</b>	<b>363,528</b>	<b>10%</b>	<b>797,598</b>	<b>728,918</b>	<b>9%</b>	<b>1,501,579</b>
General administrative expenses		-195,963	-190,752	3%	-378,085	-371,886	2%	-729,254
Depreciation of tangible assets and amortisation of intangible assets		-63,320	-112,747	-44%	-176,286	-225,450	-22%	-450,800
Other operating expenses		-12,359	-9,300	33%	-29,931	-26,755	12%	-55,090
<b>Total expenses before credit losses</b>		<b>-271,642</b>	<b>-312,799</b>	<b>-13%</b>	<b>-584,302</b>	<b>-624,091</b>	<b>-6%</b>	<b>-1,235,144</b>
<b>Profit/loss before credit losses</b>		<b>129,930</b>	<b>50,729</b>	<b>-</b>	<b>213,296</b>	<b>104,827</b>	<b>103%</b>	<b>266,435</b>
Net credit losses	7	5,644	-691	-	3,925	-11,812	-	10,654
<b>Operating profit/loss</b>		<b>135,574</b>	<b>50,038</b>	<b>-</b>	<b>217,221</b>	<b>93,015</b>	<b>-</b>	<b>277,089</b>
Tax on profit for the period		-31,853	-15,461	106%	-53,421	-31,007	72%	-80,657
<b>Profit/loss for the period</b>		<b>103,721</b>	<b>34,577</b>	<b>-</b>	<b>163,800</b>	<b>62,008</b>	<b>-</b>	<b>196,432</b>
<b>Statement of comprehensive income</b>								
Thousands of SEK								
<b>Profit/loss for the period</b>		<b>103,721</b>	<b>34,577</b>	<b>-</b>	<b>163,800</b>	<b>62,008</b>	<b>-</b>	<b>196,432</b>
<b>Other comprehensive income</b>								
<b>Items that are or may be reclassified to profit or loss for the period</b>								
Net change in fair value of financial assets measured at fair value through other comprehensive income		4,828	-1,551	-	13,279	-4,579	-	-11,753
Change in fair value of financial assets measured at fair value through other comprehensive income		2,750	127	-	2,723	25	-	10
Change in loss reserve for financial assets measured at fair value through other comprehensive income		-1	-104	-	-329	-175	-	-247
Tax attributable to items that may be reclassified to profit or loss for the period		-1,573	336	-	-3,354	1,040	-	2,638
<b>Other comprehensive income for the period</b>		<b>6,004</b>	<b>-1,192</b>	<b>-</b>	<b>12,319</b>	<b>-3,689</b>	<b>-</b>	<b>-9,352</b>
<b>Comprehensive income for the period</b>		<b>109,725</b>	<b>33,385</b>	<b>-</b>	<b>176,119</b>	<b>58,319</b>	<b>-</b>	<b>187,080</b>



# Balance sheet

Balance sheet	Note	30/06/2019	31/12/2018	Change	30/06/2018
Thousands of SEK				Thousands of SEK	%
<b>Assets</b>					
Cash		1,804	1,960	-156	-8%
Treasury bills eligible for refinancing with central banks		1,430,222	1,129,312	300,910	27%
Loans to credit institutions		3,149,997	2,893,156	256,841	9%
Loans to the general public	8	68,452,723	64,076,523	4,376,200	7%
Bonds and other fixed-income securities		3,705,560	3,319,049	386,511	12%
Shareholdings and investments		4,000	4,000	-	-
Derivatives	12	5,586	5,407	179	3%
Intangible assets		-	164,203	-164,203	-100%
Tangible assets		80,991	88,872	-7,881	-9%
Current tax assets		1,715,137	2,834,231	-1,119,094	-39%
Deferred tax assets		13,072	12,227	845	7%
Other assets		60,044	61,221	-1,177	-2%
Prepaid expenses and accrued income		278,338	178,329	100,009	56%
<b>Total assets</b>		<b>78,897,474</b>	<b>74,768,490</b>	<b>4,128,984</b>	<b>6%</b>
<b>Liabilities, provisions and equity</b>					
Liabilities to credit institutions		97,775	559,261	-461,486	-83%
Deposits from the general public	9	52,954,823	51,265,516	1,689,307	3%
Debt securities issued and related items	10	19,187,801	15,988,372	3,199,429	20%
Derivatives	12	80,556	43,035	37,521	87%
Other liabilities		63,129	86,336	-23,207	-27%
Accrued expenses and deferred income		169,696	101,647	68,049	67%
Provisions	11	72,334	70,190	2,144	3%
Subordinated liabilities		-	500,000	-500,000	-100%
<b>Total liabilities and provisions</b>		<b>72,626,114</b>	<b>68,614,357</b>	<b>4,011,757</b>	<b>6%</b>
<b>Equity</b>					
<b>Restricted equity</b>					
Share capital (16,683,364 shares and quotient value SEK 100)		1,668,336	1,668,336	-	-
Statutory reserve		109,196	109,196	-	-
<b>Total</b>		<b>1,777,532</b>	<b>1,777,532</b>	<b>-</b>	<b>-</b>
<b>Non-restricted equity</b>					
Share premium reserve		3,188,631	3,188,631	-	-
Fair value reserve		6,418	-5,901	12,319	-
Retained earnings		1,134,979	997,439	137,540	14%
Profit/loss for the period		163,800	196,432	-32,632	-17%
<b>Total</b>		<b>4,493,828</b>	<b>4,376,601</b>	<b>117,227</b>	<b>3%</b>
<b>Total equity</b>		<b>6,271,360</b>	<b>6,154,133</b>	<b>117,227</b>	<b>2%</b>
<b>Total liabilities, provisions and equity</b>		<b>78,897,474</b>	<b>74,768,490</b>	<b>4,128,984</b>	<b>6%</b>
<b>Other notes</b>					
Accounting policies	1				
Operating segments	2				
Financial assets and liabilities	13				
Pledged assets, contingent liabilities and commitments	14				
Capital adequacy analysis	15				
Disclosures on related parties and other significant relationships	16				

# Statement of changes in equity

Thousands of SEK	Restricted equity		Non-restricted equity			Total equity	
	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings	Profit/loss for the period	
<b>Balance at 1 January 2019</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>-5,901</b>	<b>997,439</b>	<b>196,432</b>	<b>6,154,133</b>
<b>Appropriation of profit as per AGM resolution</b>							
Amount carried forward	-	-	-	-	137,540	-137,540	-
Transactions with owners in the form of dividends	-	-	-	-	-	-58,892	-58,892
Profit/loss for the period	-	-	-	-	-	163,800	163,800
Other comprehensive income for the period	-	-	-	12,319	-	-	12,319
Comprehensive income for the period	-	-	-	-	-	-	176,119
<b>Balance at 30 June 2019</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>6,418</b>	<b>1,134,979</b>	<b>163,800</b>	<b>6,271,360</b>
<b>Balance at 1 January 2018</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>2,866</b>	<b>897,411</b>	<b>186,856</b>	<b>6,053,296</b>
Adjustment for retroactive IFRS 9 application (net of tax)	-	-	-	585	-30,771	-	-30,186
<b>Adjusted balance at 1 January 2018</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>3,451</b>	<b>866,640</b>	<b>186,856</b>	<b>6,023,110</b>
<b>Appropriation of profit as per AGM resolution</b>							
Amount carried forward	-	-	-	-	130,799	-130,799	-
Transactions with owners in the form of dividends	-	-	-	-	-	-56,057	-56,057
Profit/loss for the period	-	-	-	-	-	196,432	196,432
Other comprehensive income for the period	-	-	-	-9,352	-	-	-9,352
Comprehensive income for the period	-	-	-	-	-	-	187,080
<b>Balance at 31 December 2018</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>-5,901</b>	<b>997,439</b>	<b>196,432</b>	<b>6,154,133</b>
<b>Balance at 1 January 2018</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>2,866</b>	<b>897,411</b>	<b>186,856</b>	<b>6,053,296</b>
Adjustment for retroactive IFRS 9 application (net of tax)	-	-	-	585	-30,771	-	-30,186
<b>Adjusted balance at 1 January 2018</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>3,451</b>	<b>866,640</b>	<b>186,856</b>	<b>6,023,110</b>
<b>Appropriation of profit as per AGM resolution</b>							
Amount carried forward	-	-	-	-	130,799	-130,799	-
Transactions with owners in the form of dividends	-	-	-	-	-	-56,057	-56,057
Profit/loss for the period	-	-	-	-	-	62,008	62,008
Other comprehensive income for the period	-	-	-	-3,689	-	-	-3,689
Comprehensive income for the period	-	-	-	-	-	-	58,319
<b>Balance at 30 June 2018</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>-238</b>	<b>997,439</b>	<b>62,008</b>	<b>6,025,372</b>

## Restricted equity

Restricted equity may not be decreased by paying dividends.

## Statutory reserve

The purpose of the statutory reserve has been to save a share of the net profit not used to cover losses carried forward. The statutory reserve also includes amounts added to the share premium reserve before 1 January 2006.

## Non-restricted equity

### Share premium reserve

When shares are issued at a premium, i.e. the amount paid for the shares exceeds their quotient value, the amount received in excess of the quotient value of the shares is transferred to the share premium reserve. Amounts transferred to the share premium reserve on 1 January 2006 or later are included in non-restricted equity.

### Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of available-for-sale financial assets until the asset is derecognised from the balance sheet.

### Retained earnings

Retained earnings comprise the non-restricted equity of previous years after any dividends are paid. When combined with profit or loss for the year and the fair value reserve, this constitutes total non-restricted equity, meaning the amount available for distribution to shareholders.

# Statement of cash flows

Indirect method	30/06/2019	31/12/2018	30/06/2018
Thousands of SEK			
<b>Cash flows from operating activities</b>			
Operating profit/loss	217,221	277,089	93,015
<b>Adjustment for non-cash items</b>			
Net change in amortised cost for the period	29,007	33,674	10,679
Unrealised share of net gain from financial transactions	-2,116	-22,550	-2,721
Depreciation and amortisation	176,286	450,800	225,450
Credit losses	-20	-3,553	15,714
Tax paid	-38,647	-74,016	464,895
<b>Cash flows from operating activities before changes in working capital</b>	<b>381,731</b>	<b>661,444</b>	<b>807,032</b>
<b>Cash flow from changes in working capital</b>			
Increase/decrease in loans to the general public (-/+)	-4,336,818	-7,168,373	-4,650,036
Increase/decrease in securities (-/+)	-681,443	154,134	212,004
Increase/decrease in deposits from the general public (+/-)	1,689,307	2,624,292	1,595,975
Increase/decrease in liabilities to credit institutions (+/-)	-461,486	-24,995	-14,081
Net change in other assets and liabilities	-53,894	20,364	-40,151
<b>Net cash from operating activities</b>	<b>-3,462,603</b>	<b>-3,733,134</b>	<b>-2,089,257</b>
<b>Cash flows from investing activities</b>			
Disposal/redemption of financial assets (+/-)	2,144	21,877	13,661
Increase/decrease in excess liquidity to tax account (-/+)	1,100,000	-100,000	-
Sale of tangible assets	-	1,816	1,259
Acquisition of tangible assets	-4,202	-17,811	-12,717
<b>Net cash from investing activities</b>	<b>1,097,942</b>	<b>-94,118</b>	<b>2,203</b>
<b>Cash flows from financing activities</b>			
Issue of fixed-income securities	4,868,857	10,624,664	6,417,141
Redemption of fixed-income securities	-2,188,619	-5,343,830	-4,064,107
Dividends paid	-58,892	-56,057	-56,057
<b>Net cash from financing activities</b>	<b>2,621,346</b>	<b>5,224,777</b>	<b>2,296,977</b>
<b>Cash flow for the period</b>	<b>256,685</b>	<b>1,397,525</b>	<b>209,923</b>
Cash and cash equivalents at beginning of period	2,895,116	1,497,591	1,497,591
<b>Cash and cash equivalents at end of period</b>	<b>3,151,801</b>	<b>2,895,116</b>	<b>1,707,514</b>
The following subcomponents are included in cash and cash equivalents			
Cash	1,804	1,960	2,314
Loans to credit institutions	3,149,997	2,893,156	1,705,200
<b>Balance sheet total</b>	<b>3,151,801</b>	<b>2,895,116</b>	<b>1,707,514</b>
Short-term investments have been classified as cash and cash equivalents on the basis of the following criteria			
They have an insignificant risk of changes in value			
They are easily convertible to cash			
They have a maximum term of three months from their acquisition date			
Interest paid and dividends received included in net cash from operating activities			
Interest received	507,644	1,065,775	516,102
Interest paid including cost of deposit insurance and resolution/stability fee	-38,334	-117,196	-64,761
Dividends received	630	1,016	940

# 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 2018 Annual Report.

### New IFRS 16 Leases

IFRS 16 Leases replaces 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.

## 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-Jun 2019	Jan-Jun 2018	Change	Full year 2018
Thousands of SEK				
<b>Interest income</b>				
Loans to credit institutions	2,234	1,356	65%	3,310
Loans to the general public	635,110	537,653	18%	1,105,926
Fixed-income securities	790	-3,985	-	-7,949
Derivatives	-14,165	-18,921	-25%	-34,799
Other interest income	-1	-1	0%	-3
<b>Total</b>	<b>623,968</b>	<b>516,102</b>	<b>21%</b>	<b>1,066,485</b>
- income calculated using the effective interest method	638,133	535,023	19%	1,101,284
<b>Interest expenses</b>				
Liabilities to credit institutions	-6,105	-6,217	-2%	-12,929
Deposits from the general public	-25,622	-29,479	-13%	-47,579
- expenses for deposit insurance	-19,768	-24,140	-18%	-37,298
Fixed-income securities	-33,119	-11,812	-	-23,947
Subordinated liabilities	-4,677	-3,857	21%	-8,045
Other interest expenses	-10,695	-13,396	-20%	-26,798
- fee for resolution fund	-10,694	-13,393	-20%	-26,787
<b>Total</b>	<b>-80,218</b>	<b>-64,761</b>	<b>24%</b>	<b>-119,298</b>
<b>Total net interest income</b>	<b>543,750</b>	<b>451,341</b>	<b>20%</b>	<b>947,187</b>

## Note 4 Fee and commission income

	Jan-Jun 2019	Jan-Jun 2018		Full year 2018
Thousands of SEK				
Payment intermediation fees	36,573	39,206	-7%	76,125
Loan commissions	62,124	81,446	-24%	159,613
Deposit commissions	37,890	33,807	12%	73,896
Commissions for financial guarantees issued	1,152	1,454	-21%	2,676
Securities commissions and fees	105,893	107,071	-1%	216,272
Other fees and commissions	34,594	36,152	-4%	72,455
<b>Total</b>	<b>278,226</b>	<b>299,136</b>	<b>-7%</b>	<b>601,037</b>

<b>Note 5</b>	<b>Fee and commission expenses</b>	<b>Jan-Jun 2019</b>	<b>Jan-Jun 2018</b>		<b>Full year 2018</b>
Thousands of SEK					
	Payment intermediation fees	-17,518	-18,652	-6%	-36,817
	Securities commissions and fees	-11,174	-10,092	11%	-22,655
	Other fees and commissions	-2,375	-1,934	23%	-4,412
	<b>Total</b>	<b>-31,067</b>	<b>-30,678</b>	<b>1%</b>	<b>-63,884</b>

<b>Note 6</b>	<b>Net gain/loss from financial transactions</b>	<b>Jan-Jun 2019</b>	<b>Jan-Jun 2018</b>		<b>Full year 2018</b>
Thousands of SEK					
	Shareholdings/investments	1,900	-	-	2
	Fixed-income securities	-2,394	150	-	-117
	Other financial instruments	2,128	2,569	-17%	7,042
	Exchange rate fluctuations	2,620	3,431	-24%	5,903
	<b>Total</b>	<b>4,254</b>	<b>6,150</b>	<b>-31%</b>	<b>12,830</b>

	<b>Jan-Jun 2019</b>	<b>Jan-Jun 2018</b>		<b>Full year 2018</b>	
<b>Net gain/loss by valuation category</b>					
	Financial assets at fair value through other comprehensive income	-494	150	-	-115
	Ineffective portion of fair value hedge	408	535	-24%	1,034
	Derivatives intended for risk management, no hedge accounting	1,720	2,034	-15%	6,008
	Change in fair value of derivatives used as hedging instruments in a fair value hedge	-39,362	-126	-	9,395
	Change in fair value of hedged item attributable to the hedged risk in fair value hedges	39,362	126	-	-9,395
	Exchange rate fluctuations	2,620	3,431	-24%	5,903
	<b>Total</b>	<b>4,254</b>	<b>6,150</b>	<b>-31%</b>	<b>12,830</b>

<b>Note 7</b>	<b>Net credit losses</b>	<b>Jan-Jun 2019</b>	<b>Jan-Jun 2018</b>		<b>Full year 2018</b>
Thousands of SEK					
<b>Loans at amortised cost</b>					
	Change in provisions – stage 1	-1,638	-7,663	-79%	-5,398
	Change in provisions – stage 2	780	-9,792	-108%	-5,282
	Change in provisions – stage 3	3,769	4,178	-10%	19,118
	<b>Total</b>	<b>2,911</b>	<b>-13,277</b>	<b>-122%</b>	<b>8,438</b>
	Net cost for the period for realised losses	-4,848	-2,870	69%	-5,480
	Amount received for previously realised credit losses	3,905	3,902	0%	7,101
	<b>Total credit losses on loans at amortised cost</b>	<b>1,968</b>	<b>-12,245</b>	<b>-116%</b>	<b>10,059</b>
<b>Loan commitments and financial guarantee contracts</b>					
	Change in provisions – stage 1	-1,635	-487	-	-383
	Change in provisions – stage 2	-35	-1,777	-98%	-816
	Change in provisions – stage 3	3,627	2,697	34%	1,794
	<b>Total credit losses for loan commitments and financial guarantee contracts</b>	<b>1,957</b>	<b>433</b>	<b>-</b>	<b>595</b>
	<b>Total credit losses</b>	<b>3,925</b>	<b>-11,812</b>	<b>-</b>	<b>10,654</b>

<b>Note 8</b> Loans to the general public	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK				
<b>Gross carrying amount</b>				
Gross carrying amount at 1 January 2019	60,678,047	3,322,727	171,166	<b>64,171,940</b>
Gross carrying amount at 30 June 2019	64,698,546	3,603,760	204,700	<b>68,507,006</b>
<b>Loss allowances</b>				
<b>Loss allowances at 1 January 2019</b>	20,333	33,414	61,706	<b>115,453</b>
New financial assets	6,621	1,963	1,674	<b>10,258</b>
Derecognised financial assets	-3,120	-2,719	-8,087	<b>-13,926</b>
Changed risk variables (EAD, PD, LGD)	503	-7,089	-1,661	<b>-8,247</b>
Changes in macroeconomic scenarios	693	148	-391	<b>450</b>
Transfers between stages during the period				
from stage 1 to stage 2	-3,610	10,439	-	<b>6,829</b>
from stage 1 to stage 3	-23	-	1,117	<b>1,094</b>
from stage 2 to stage 1	559	-2,806	-	<b>-2,247</b>
from stage 2 to stage 3	-	-788	6,543	<b>5,755</b>
from stage 3 to stage 1	12	-	-1,071	<b>-1,059</b>
from stage 3 to stage 2	-	71	-754	<b>-683</b>
<b>Loss allowances at 30 June 2019</b>	21,968	32,633	59,076	<b>113,677</b>
<b>Carrying amount</b>				
Closing balance at 1 January 2019	60,657,713	3,289,313	109,461	<b>64,056,487</b>
Closing balance at 30 June 2019	64,676,577	3,571,127	145,621	<b>68,393,325</b>
Change in fair value of hedged amount in portfolio hedge				<b>59,398</b>
<b>Total</b>				<b>68,452,723</b>

CONTINUED FROM PAGE 14.

	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK				
<b>Gross carrying amount</b>				
Gross carrying amount at 1 January 2018	53,917,157	2,952,950	145,761	<b>57,015,868</b>
Gross carrying amount at 30 June 2018	58,173,070	3,253,231	228,246	<b>61,654,547</b>
<b>Loss allowances</b>				
<b>Loss allowances at 1 January 2018</b>	14,922	28,132	77,970	<b>121,024</b>
New financial assets	7,207	1,970	2,248	<b>11,426</b>
Derecognised financial assets	-2,824	-4,785	-5,409	<b>-13,018</b>
Changed risk variables (EAD, PD, LGD)	3,412	3,949	-12,280	<b>-4,919</b>
Changes in macroeconomic scenarios	1,205	1,489	227	<b>2,921</b>
Transfers between stages during the period				
from stage 1 to stage 2	-730	14,778	-	<b>14,048</b>
from stage 1 to stage 3	-135	-	11,198	<b>11,063</b>
from stage 2 to stage 1	733	-5,581	-	<b>-4,848</b>
from stage 2 to stage 3	-	-571	2,969	<b>2,398</b>
from stage 3 to stage 1	3	-	-781	<b>-778</b>
from stage 3 to stage 2	-	31	-637	<b>-605</b>
Other items	-21	-107	-	<b>-128</b>
<b>Loss allowances at 30 June 2018</b>	23,772	39,305	75,505	<b>138,584</b>
<b>Carrying amount</b>				
Opening balance at 1 January 2018	53,902,235	2,924,818	67,791	<b>56,894,844</b>
Closing balance at 30 June 2018	58,150,482	3,215,307	152,968	<b>61,518,757</b>
Change in fair value of hedged amount in portfolio hedge				<b>29,556</b>
<b>Total</b>				<b>61,548,313</b>

CONTINUED FROM PAGE 15.

	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK				
<b>Gross carrying amount</b>				
Gross carrying amount at 1 January 2018	53,917,157	2,952,950	145,761	<b>57,015,868</b>
Gross carrying amount at 31 December 2018	60,678,047	3,322,727	171,166	<b>64,171,940</b>
<b>Loss allowances</b>				
<b>Loss allowances at 1 January 2018</b>	14,922	28,132	77,970	<b>121,024</b>
New financial assets	9,364	3,998	3,335	<b>16,697</b>
Derecognised financial assets	-4,052	-5,987	-5,562	<b>-15,601</b>
Changed risk variables (EAD, PD, LGD)	5,177	-6,148	-17,451	<b>-18,422</b>
Changes in macroeconomic scenarios	2,300	1,950	646	<b>4,896</b>
Transfers between stages during the period				
from stage 1 to stage 2	-4,221	15,776	-	<b>11,555</b>
from stage 1 to stage 3	-3,846	-	3,898	<b>52</b>
from stage 2 to stage 1	700	-3,002	-	<b>-2,302</b>
from stage 2 to stage 3	-	-1,553	1,605	<b>52</b>
from stage 3 to stage 1	7	-	-820	<b>-813</b>
from stage 3 to stage 2	-	340	-1,916	<b>-1,576</b>
Other items	-17	-92	0	<b>-109</b>
<b>Loss allowances at 31 December</b>	20,334	33,414	61,705	<b>115,453</b>
<b>Carrying amount</b>				
Opening balance at 1 January 2018	53,902,235	2,924,818	67,791	<b>56,894,844</b>
Closing balance at 31 December 2018	60,657,713	3,289,313	109,461	<b>64,056,487</b>
Change in fair value of hedged amount in portfolio hedge				<b>20,036</b>
<b>Total</b>				<b>64,076,523</b>

Gross carrying amount and loss allowance by sector at 30 June 2019	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
<b>Loans to the general public</b>			
<b>Private customers</b>	<b>36,829,784</b>	<b>30,769</b>	<b>36,799,015</b>
<b>Tenant-owners' associations</b>	<b>2,069,085</b>	<b>734</b>	<b>2,068,351</b>
<b>Corporate customers</b>	<b>29,608,137</b>	<b>82,178</b>	<b>29,525,959</b>
Agriculture, fishing, forestry	6,853,703	12,416	6,841,287
Manufacturing	586,029	3,378	582,651
Public sector	824,973	1,920	823,053
Construction	1,846,244	6,390	1,839,854
Retail	1,361,840	17,646	1,344,194
Transport	436,874	1,126	435,748
Hotel and restaurant	327,366	1,073	326,293
Information technology	290,639	155	290,484
Banking and insurance	176,338	156	176,182
Property management	13,221,864	21,218	13,200,646
Service sector	1,744,939	8,544	1,736,395
Other loans to businesses	1,937,328	8,156	1,929,172
<b>Loans to the general public</b>	<b>68,507,006</b>	<b>113,681</b>	<b>68,393,325</b>



CONTINUED FROM PAGE 16.

Gross carrying amount and loss allowance by sector at 31 December 2018	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
<b>Loans to the general public</b>			
<b>Private customers</b>	<b>34,547,662</b>	<b>36,358</b>	<b>34,511,304</b>
<b>Tenant-owners' associations</b>	<b>1,824,113</b>	<b>497</b>	<b>1,823,616</b>
<b>Corporate customers</b>	<b>27,800,165</b>	<b>78,598</b>	<b>27,721,567</b>
Agriculture, fishing, forestry	6,484,144	10,365	6,473,779
Manufacturing	552,816	2,652	550,164
Public sector	775,097	1,954	773,143
Construction	1,643,312	4,945	1,638,367
Retail	1,327,122	23,963	1,303,159
Transport	435,807	1,317	434,490
Hotel and restaurant	298,755	1,030	297,725
Information technology	273,560	270	273,290
Banking and insurance	169,089	245	168,844
Property management	12,386,869	14,076	12,372,793
Service sector	1,704,190	9,703	1,694,487
Other loans to businesses	1,749,404	8,078	1,741,326
<b>Loans to the general public</b>	<b>64,171,940</b>	<b>115,453</b>	<b>64,056,487</b>

Gross carrying amount and loss allowance by sector at 30 June 2018	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
<b>Loans to the general public</b>			
<b>Private customers</b>	<b>32,265,306</b>	<b>37,146</b>	<b>32,228,160</b>
<b>Tenant-owners' associations</b>	<b>1,459,565</b>	<b>780</b>	<b>1,458,785</b>
<b>Corporate customers</b>	<b>27,929,676</b>	<b>97,864</b>	<b>27,831,812</b>
Agriculture, fishing, forestry	6,138,485	11,084	6,127,401
Manufacturing	673,409	7,179	666,230
Public sector	770,005	3,101	766,904
Construction	1,597,344	5,375	1,591,969
Retail	1,380,721	32,807	1,347,914
Transport	435,296	2,312	432,984
Hotel and restaurant	270,051	1,115	268,936
Information technology	273,909	332	273,577
Banking and insurance	171,730	326	171,404
Property management	12,372,455	16,420	12,356,035
Service sector	1,700,383	11,033	1,689,350
Other loans to businesses	2,145,888	6,780	2,139,108
<b>Loans to the general public</b>	<b>61,654,547</b>	<b>135,790</b>	<b>61,518,757</b>

CONTINUED FROM PAGE 17.

Gross carrying amount and loss allowance by stage - compared with 2018 closing balance	30 June 2019	31 December 2018	30 June 2018
Thousands of SEK			
<b>Loans to the general public, private customers and tenant-owners' associations</b>			
<b>Stage 1</b>			
Gross carrying amount	37,167,694	34,481,829	32,035,536
Loss allowances	5,242	5,188	5,112
Carrying amount	37,162,452	34,476,641	32,030,424
<b>Stage 2</b>			
Gross carrying amount	1,690,566	1,856,703	1,643,527
Loss allowances	9,429	12,469	12,010
Carrying amount	1,681,137	1,844,234	1,631,517
<b>Stage 3</b>			
Gross carrying amount	40,609	33,243	45,808
Loss allowances	16,832	19,198	20,804
Carrying amount	23,777	14,045	25,004
<b>Total carrying amount</b>	<b>38,867,366</b>	<b>36,334,920</b>	<b>33,686,945</b>
<b>Loans to the general public, corporate customers</b>			
<b>Stage 1</b>			
Gross carrying amount	27,530,852	26,196,218	26,137,534
Loss allowances	16,727	15,145	17,476
Carrying amount	27,514,125	26,181,073	26,120,058
<b>Stage 2</b>			
Gross carrying amount	1,913,194	1,466,024	1,609,704
Loss allowances	23,204	20,945	25,914
Carrying amount	1,889,990	1,445,079	1,583,790
<b>Stage 3</b>			
Gross carrying amount	164,091	137,923	182,438
Loss allowances	42,247	42,508	54,474
Carrying amount	121,844	95,415	127,964
<b>Total carrying amount</b>	<b>29,525,959</b>	<b>27,721,567</b>	<b>27,831,812</b>
Gross carrying amount – stage 1	64,698,546	60,678,047	58,173,070
Gross carrying amount – stage 2	3,603,760	3,322,727	3,253,231
Gross carrying amount – stage 3	204,700	171,166	228,246
<b>Total gross carrying amount</b>	<b>68,507,006</b>	<b>64,171,940</b>	<b>61,654,547</b>
Loss allowance – stage 1	21,969	20,333	22,588
Loss allowance – stage 2	32,633	33,414	37,924
Loss allowance – stage 3	59,079	61,706	75,278
<b>Total loss allowances</b>	<b>113,681</b>	<b>115,453</b>	<b>135,790</b>
<b>Total carrying amount, loans to the general public</b>	<b>68,393,325</b>	<b>64,056,487</b>	<b>61,518,757</b>
Gross stage 3 loans in %	0.3%	0.3%	0.37%
Net stage 3 loans in %	0.2%	0.2%	0.25%
Ratio of loss allowances to stage 1 loans	19.3%	17.6%	16.6%
Ratio of loss allowances to stage 2 loans	28.7%	28.9%	27.9%
Provision ratio for stage 1 loans	0.03%	0.03%	0.04%
Provision ratio for stage 2 loans	0.91%	1.01%	1.17%
Provision ratio for stage 3 loans	28.9%	36.1%	33.0%
Total provision ratio for loans	0.17%	0.18%	0.22%

<b>Note 9</b>	<b>Deposits from the general public</b>	<b>30/06/2019</b>	<b>31/12/2018</b>	<b>30/06/2018</b>
Thousands of SEK				
The general public				
	- Swedish currency	52,472,648	50,816,043	49,711,943
	- foreign currency	482,175	449,473	525,256
	<b>Total</b>	<b>52,954,823</b>	<b>51,265,516</b>	<b>50,237,199</b>
<b>Deposits per customer category, excluding bank cheques</b>				
	Public sector	1,736,625	1,288,615	1,503,164
	Corporate sector	10,143,721	9,700,779	9,513,750
	Retail sector	40,241,966	39,413,278	38,225,916
	– sole proprietors	6,238,407	6,524,502	6,121,246
	Other sectors	776,108	799,230	934,016
	<b>Total</b>	<b>52,898,420</b>	<b>51,201,902</b>	<b>50,176,846</b>
<b>Note 10</b>	<b>Debt securities issued and related items</b>	<b>30/06/2019</b>	<b>31/12/2018</b>	<b>30/06/2018</b>
Thousands of SEK				
	Certificates of deposit	949,229	950,278	1,050,339
	Bond loans	6,308,538	5,906,181	5,907,459
	Covered bonds	11,930,034	9,131,913	6,088,126
	<b>Total</b>	<b>19,187,801</b>	<b>15,988,372</b>	<b>13,045,924</b>
<b>Changes during the period</b>				
		<b>Jan-Jun 2019</b>	<b>Jan-Dec 2018</b>	<b>Jan-Jun 2018</b>
	Issued	4,868,857	10,624,647	6,417,141
	Repurchased	-	-	-
	Matured	-1,669,428	-5,322,108	-4,057,050
	<b>Change</b>	<b>3,199,429</b>	<b>5,302,539</b>	<b>2,360,091</b>

Note 11	Provisions	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK					
<b>Loss allowances at 1 January 2019</b>		1,624	2,238	5,652	<b>9,514</b>
New loan commitments and financial guarantees		1,696	139	125	<b>1,960</b>
Financial guarantees and loan commitments that are past due		-247	-408	-4,395	<b>-5,050</b>
Changed risk variables (EAD, PD, LGD)		-1,017	-513	118	<b>-1,412</b>
Changes in macroeconomic scenarios		1439	141	-91	<b>1,489</b>
Transfers between stages during the period					
from stage 1 to stage 2		-304	1,152	-	<b>848</b>
from stage 1 to stage 3		0	-	1	<b>1</b>
from stage 2 to stage 1		69	-356	-	<b>-287</b>
from stage 2 to stage 3		-	-120	614	<b>494</b>
from stage 3 to stage 1		-	-	-	<b>-</b>
from stage 3 to stage 2		-	-	-	<b>-</b>
<b>Loss allowances at 30 June 2019</b>		3,260	2,273	2,024	<b>7,557</b>
Provisions for pensions					54,555
Other provisions					10,222
<b>Total</b>					<b>72,334</b>
<b>Loss allowances at 1 January 2018</b>		1,241	1,421	7,447	<b>10,109</b>
New loan commitments and financial guarantees		890	648	221	<b>1,759</b>
Financial guarantees and loan commitments that are past due		-430	-230	-3,401	<b>-4,061</b>
Changed risk variables (EAD, PD, LGD)		114	283	173	<b>570</b>
Changes in macroeconomic scenarios		92	87	8	<b>187</b>
Transfers between stages during the period					
from stage 1 to stage 2		-155	1,417	-	<b>1,262</b>
from stage 1 to stage 3		-2	-	326	<b>324</b>
from stage 2 to stage 1		72	-349	-	<b>-277</b>
from stage 2 to stage 3		-	-9	11	<b>2</b>
from stage 3 to stage 1		-	-	-	<b>-</b>
from stage 3 to stage 2		-	16	-27	<b>-11</b>
<b>Loss allowances at 30 June 2018</b>		1,730	3,197	4,750	<b>9,677</b>
Provisions for pensions					47,107
Other provisions					8,552
<b>Total</b>					<b>65,336</b>
<b>Loss allowances at 1 January 2018</b>		1,241	1,421	7,447	<b>10,109</b>
New loan commitments and financial guarantees		861	179	-	<b>1,040</b>
Financial guarantees and loan commitments that are past due		-514	-484	-683	<b>-1,681</b>
Changed risk variables (EAD, PD, LGD)		269	-40	-1,023	<b>-794</b>
Changes in macroeconomic scenarios		100	47	10	<b>157</b>
Transfers between stages during the period					
from stage 1 to stage 2		-351	1,338	-	<b>987</b>
from stage 1 to stage 3		-35	-	35	<b>0</b>
from stage 2 to stage 1		53	-238	-	<b>-185</b>
from stage 2 to stage 3		-	-6	6	<b>0</b>
from stage 3 to stage 1		0	-	-20	<b>-</b>
from stage 3 to stage 2		-	21	-120	<b>-</b>
<b>Loss allowances at 31 December 2018</b>		1,624	2,238	5,652	<b>9,514</b>
Provisions for pensions					51,255
Other provisions					9,421
<b>Total</b>					<b>70,190</b>

**Note 12****Derivatives****30/06/2019****31/12/2018****30/06/2018**

The bank uses financial hedges to protect itself from interest rate and currency risks.

Derivative instruments comprise interest rate swaps, interest rate caps and currency forwards.

Thousands of SEK

	<b>Nominal amount</b>	<b>Fair value</b>	<b>Nominal amount</b>	<b>Fair value</b>	<b>Nominal amount</b>	<b>Fair value</b>
<b>Derivative instruments with positive fair values</b>						
Fixed-income contracts	282,000	0	312,000	13	397,000	8
Currency contracts	192,651	5,586	182,655	5,394	235,064	13,818
<b>Total derivative instruments with positive fair values</b>	<b>474,651</b>	<b>5,586</b>	<b>494,655</b>	<b>5,407</b>	<b>632,064</b>	<b>13,826</b>
<b>Derivative instruments with negative fair values</b>						
Fixed-income contracts	5,836,375	75,363	3,378,325	38,020	2,620,075	50,869
Currency contracts	179,914	5,193	173,779	5,015	228,452	13,175
<b>Total derivative instruments with negative fair values</b>	<b>6,016,289</b>	<b>80,556</b>	<b>3,552,104</b>	<b>43,035</b>	<b>2,848,527</b>	<b>64,044</b>

The bank has entered into interest rate swap contracts to a large extent in order to protect itself from the interest rate risk associated with the fixed-interest loans provided by the bank.

Interest rate cap contracts have been used as reinsurance for loans with floating interest rates for which the bank has guaranteed the customer a maximum interest rate.

Currency forwards are used in operations involving bank customers, where the currency risk is covered using reverse currency forwards with Swedbank.

Note 13 30 June 2019	Financial assets and liabilities				Fair value
	Carrying amount				
	Fair value	Amortised cost	Fair value through other comprehensive income		
Thousands of SEK			Debt instruments	Equity instruments	
Cash and balances at central banks	-	1,804	-	-	1,804
Treasury bills eligible for refinancing with central banks	-	-	1,430,222	-	1,430,222
Loans to credit institutions	-	3,149,997	-	-	3,149,997
Loans to the general public	-	68,452,723	-	-	68,926,961
Bonds and other fixed-income securities	-	-	3,705,560	-	3,705,560
Shareholdings and investments	-	-	-	4,000	4,000
Derivatives	5,586	-	-	-	5,586
Other assets	-	60,044	-	-	60,044
Accrued income	-	253,419	-	-	253,419
<b>Total</b>	<b>5,586</b>	<b>71,917,987</b>	<b>5,135,782</b>	<b>4,000</b>	<b>77,537,593</b>
Liabilities to credit institutions	-	97,775	-	-	97,775
Deposits from the general public	-	52,954,823	-	-	52,959,794
Securities issued	-	19,187,801	-	-	19,187,801
Derivatives	80,556	-	-	-	80,556
Other liabilities	-	63,129	-	-	63,129
Accrued expenses	-	168,718	-	-	168,718
<b>Total</b>	<b>80,556</b>	<b>72,472,246</b>	<b>-</b>	<b>-</b>	<b>72,557,773</b>

  

31 December 2018	Financial assets and liabilities				Fair value
	Carrying amount				
	Fair value	Amortised cost	Fair value through other comprehensive income		
Thousands of SEK			Debt instruments	Equity instruments	
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
<b>Total</b>	<b>5,407</b>	<b>67,188,691</b>	<b>4,448,361</b>	<b>4,000</b>	<b>72,041,139</b>
Liabilities to credit institutions	-	559,261	-	-	559,261
Deposits 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
<b>Total</b>	<b>43,035</b>	<b>68,484,110</b>	<b>-</b>	<b>-</b>	<b>68,532,426</b>

CONTINUED FROM PAGE 22.

30 June 2018	Fair value	Carrying amount		Fair value	
		Amortised cost	Fair value through other comprehensive income		
Thousands of SEK			Debt instruments	Equity instruments	
Cash and balances at central banks	-	2,314	-	-	2,314
Treasury bills eligible for refinancing with central banks	-	-	1,031,345	-	1,031,345
Loans to credit institutions	-	1,705,200	-	-	1,705,200
Loans to the general public	-	61,548,313	-	-	61,916,605
Bonds and other fixed-income securities	-	-	3,359,286	-	3,359,286
Shareholdings and investments	-	-	-	7,361	7,361
Derivatives	13,826	-	-	-	13,826
Other assets	-	53,677	-	-	53,677
Accrued income	-	262,879	-	-	262,879
<b>Total</b>	<b>13,826</b>	<b>63,572,383</b>	<b>4,390,631</b>	<b>7,361</b>	<b>68,352,493</b>
Liabilities to credit institutions	-	570,175	-	-	570,175
Deposits from the general public	-	50,237,199	-	-	50,243,988
Securities issued	-	13,045,924	-	-	13,045,924
Derivatives	64,044	-	-	-	64,044
Other liabilities	-	53,521	-	-	53,521
Accrued expenses	-	153,457	-	-	153,457
Subordinated liabilities	-	500,000	-	-	500,000
<b>Total</b>	<b>64,044</b>	<b>64,560,276</b>	<b>-</b>	<b>-</b>	<b>64,631,109</b>

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

Level 1: Quoted prices in active markets for identical instruments

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the instrument, either directly or indirectly

Level 3: Unobservable inputs for the instrument

**30/06/2019**

Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	1,430,222	-	-	1,430,222
Bonds and related items	3,705,560	-	-	3,705,560
Shareholdings and investments	-	-	4,000	4,000
Other assets – derivatives	-	5,586	-	5,586
<b>Total</b>	<b>5,135,782</b>	<b>5,586</b>	<b>4,000</b>	<b>5,145,368</b>
Other liabilities – derivatives	-	80,556	-	80,556
<b>Total</b>	<b>-</b>	<b>80,556</b>	<b>-</b>	<b>80,556</b>

**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
<b>Total</b>	<b>4,448,361</b>	<b>5,407</b>	<b>4,000</b>	<b>4,457,768</b>
Other liabilities – derivatives	-	43,035	-	43,035
<b>Total</b>	<b>-</b>	<b>43,035</b>	<b>-</b>	<b>43,035</b>

CONTINUED FROM PAGE 23.

**30/06/2018**

Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	1,031,345	-	-	1,031,345
Bonds and related items	3,359,286	-	-	3,359,286
Shareholdings and investments	-	-	7,361	7,361
Other assets – derivatives	-	13,826	-	13,826
<b>Total</b>	<b>4,390,631</b>	<b>13,826</b>	<b>7,361</b>	<b>4,411,818</b>
Other liabilities – derivatives	-	64,044	-	64,044
<b>Total</b>	<b>-</b>	<b>64,044</b>	<b>-</b>	<b>64,044</b>

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	Shareholdings and investments
Opening balance at 1 January 2019	4,000
Disposals	-
Cost – acquisitions	-
Total gains and losses recognised	-
– recognised in profit or loss	-
<b>Closing balance at 30 June 2019</b>	<b>4,000</b>

Gains and losses recognised in profit or loss for assets included in the closing balance at 30 June 2019

-

**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 14** Pledged assets, contingent liabilities and commitments

	30/06/2019	31/12/2018	30/06/2018
Thousands of SEK			
Pledged assets			
Loans *	15,473,344	11,736,753	7,825,648
Other pledged assets	107,455	59,155	54,907
Contingent liabilities	572,280	483,440	580,636
Commitments	9,484,724	8,067,465	7,811,049

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

**Note 15** Capital adequacy analysis**Capital base**

Thousands of SEK	30/06/2019		31/12/2018		30/06/2018				
CET1 capital	6,098,435		5,829,432		5,566,411				
Tier 2 capital	-		500,000		500,000				
<b>Net capital base</b>	<b>6,098,435</b>		<b>6,329,432</b>		<b>6,066,411</b>				
<b>Capital requirement and risk-weighted exposure amount</b>	<b>Capital requirement</b>	<b>Risk-weighted exposure amount</b>	<b>Capital requirement</b>	<b>Risk-weighted exposure amount</b>	<b>Capital requirement</b>	<b>Risk-weighted exposure amount</b>			
Minimum capital for credit risk									
- IRB approach	1,428,350	17,854,371	1,309,312	16,366,399	827,805	10,347,558			
- standardised approach	671,528	8,394,097	634,536	7,931,695	1,482,313	18,528,913			
Credit valuation adjustment	1,306	16,325	817	10,213	1,289	16,113			
Risk weight floor, residential and commercial properties	212,120	2,651,498	188,427	2,355,343	-	-			
Other REAs	1,760	22,000	1,760	22,000	-	-			
Capital requirement for operational risk	163,957	2,049,465	165,479	2,068,482	165,479	2,068,482			
<b>Total capital requirements and risk-weighted exposure amounts</b>	<b>2,479,020</b>	<b>30,987,756</b>	<b>2,300,331</b>	<b>28,754,132</b>	<b>2,476,885</b>	<b>30,961,066</b>			
<b>CET1 capital ratio</b>	<b>19.7%</b>		<b>20.3%</b>		<b>18.0%</b>				
<b>Tier 1 capital ratio</b>	<b>19.7%</b>		<b>20.3%</b>		<b>18.0%</b>				
<b>Total capital ratio</b>	<b>19.7%</b>		<b>22.0%</b>		<b>19.6%</b>				
<b>Buffer requirement</b>	<b>4.5%</b>	<b>1,394,449</b>	<b>17,430,613</b>	<b>4.5%</b>	<b>1,293,936</b>	<b>16,174,199</b>	<b>4.5%</b>	<b>1,393,248</b>	<b>17,415,600</b>
- capital conservation buffer	2.5%	774,694	9,683,674	2.5%	718,853	8,985,666	2.5%	774,027	9,675,333
- countercyclical capital buffer	2.0%	619,755	7,746,939	2.0%	575,083	7,188,533	2.0%	619,221	7,740,267
<b>CET1 capital available for use as buffer</b>	<b>11.7%</b>	<b>3,619,415</b>	<b>14.0%</b>	<b>4,029,101</b>	<b>11.6%</b>	<b>3,589,526</b>			
<b>Pillar 2</b>	<b>2.0%</b>	<b>610,205</b>	<b>2.0%</b>	<b>588,485</b>	<b>2.6%</b>	<b>790,141</b>			
<b>Total internally assessed capital requirement (excluding buffer requirement)</b>		<b>3,089,226</b>		<b>2,888,816</b>		<b>3,267,026</b>			

CONTINUED FROM PAGE 25.

Thousands of SEK	30/06/2019		31/12/2018		30/06/2018	
<b>CET1 capital: Instruments and reserves</b>						
Share capital	1,668,336		1,668,336		1,668,336	
Statutory reserve	109,196		109,196		109,196	
Share premium reserve	3,188,631		3,188,631		3,188,631	
Fair value reserve	-		-5,901		-238	
Retained earnings	1,134,979		997,439		997,439	
Profit attributable to the bank's owners	163,800		196,432		-	
Deduction for ineligible part of profit for the period or year	-49,140		-58,932		43,406	
<b>CET1 capital before regulatory adjustments</b>	<b>6,215,802</b>		<b>6,095,201</b>		<b>6,006,770</b>	
<b>CET1 capital: regulatory adjustments</b>						
Intangible assets	-		-164,203		-378,127	
Value adjustments due to prudent valuation requirements	-5,136		-4,448		-4,391	
Deferred tax assets	-13,072		-12,227		-11,967	
Deduction of IRB provisions (see disclosure below)	-99,159		-84,891		-45,874	
<b>Total regulatory adjustments to CET1 capital</b>	<b>-117,367</b>		<b>-265,769</b>		<b>-440,359</b>	
<b>CET1 capital</b>	<b>6,098,435</b>		<b>5,829,432</b>		<b>5,566,411</b>	
<b>Tier 2 capital: Instruments</b>						
Fixed-term subordinated loans	-		500,000		500,000	
<b>Tier 2 capital</b>	<b>-</b>		<b>500,000</b>		<b>500,000</b>	
<b>Capital base</b>	<b>6,098,435</b>		<b>6,329,432</b>		<b>6,066,411</b>	
<b>Special disclosures</b>						
<b>IRB Provisions excess(+)/shortfall(-)</b>	<b>-99,159</b>		<b>-84,891</b>		<b>-45,874</b>	
Total IRB provisions (+)	87,931		90,015		41,975	
IRB Expected loss amount (-)	-187,090		-174,906		-87,849	
<b>Capital requirement and risk-weighted exposure amount</b>						
Thousands of SEK	30/06/2019		31/12/2018		30/06/2018	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
<b>Credit risk under standardised approach</b>						
Central government and central bank exposures	-	-	-	-	-	-
Regional government and local authority exposures	-	-	-	-	-	-
Institutional exposures	-	-	-	-	8,834	110,420
Corporate exposures	133,415	1,667,686	136,767	1,709,593	383,731	4,796,643
Retail exposures	252,765	3,159,568	215,584	2,694,796	515,506	6,443,828
Exposures secured by mortgages on immovable property	280,581	3,507,263	278,464	3,480,800	563,394	7,042,430
Defaulted items	4,446	55,580	3,400	42,506	10,258	128,231
Equity exposures	320	4,000	320	4,000	589	7,361

CONTINUED FROM PAGE 26.

	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
<b>Credit risk under IRB approach</b>						
Institutional exposures	96,064	1,200,798	87,140	1,089,245	45,238	565,474
Corporate exposures	721,983	9,024,783	620,638	7,757,979	420,046	5,250,579
Retail exposures	592,063	7,400,793	585,492	7,318,656	345,088	4,313,602
– mortgage loans	332,511	4,156,391	319,188	3,989,856	194,239	2,427,982
– other loans	259,552	3,244,402	266,304	3,328,800	150,850	1,885,620
Non-credit obligation asset exposures	18,240	227,997	16,042	200,519	17,432	217,903
<b>Total</b>	<b>2,099,877</b>	<b>26,248,468</b>	<b>1,943,848</b>	<b>24,298,094</b>	<b>2,310,118</b>	<b>28,876,471</b>
<b>Credit valuation adjustment</b>	<b>1,306</b>	<b>16,325</b>	<b>817</b>	<b>10,213</b>	<b>1,289</b>	<b>16,113</b>
<b>Risk weight floor, residential and commercial properties</b>	<b>212,120</b>	<b>2,651,498</b>	<b>188,427</b>	<b>2,355,343</b>	-	-
<b>Other REAs</b>	<b>1,760</b>	<b>22,000</b>	<b>1,760</b>	<b>22,000</b>	-	-
<b>Operational risk</b>						
	<b>30/06/2019</b>		<b>31/12/2018</b>		<b>30/06/2018</b>	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Standardised approach	163,957	2,049,465	165,479	2,068,482	165,479	2,068,482
<b>Total capital requirement for operational risk</b>	<b>163,957</b>	<b>2,049,465</b>	<b>165,479</b>	<b>2,068,482</b>	<b>165,479</b>	<b>2,068,482</b>
<b>Total capital requirements and risk-weighted exposure amounts</b>	<b>2,479,020</b>	<b>30,987,756</b>	<b>2,300,331</b>	<b>28,754,132</b>	<b>2,476,885</b>	<b>30,961,066</b>

**Note 16** 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.

# Signatures of board and CEO

The board and CEO hereby affirm that the January–June 2019 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, 30 July 2019

Bertil Engström  
Chair

Agneta Erfors  
Deputy Chair

Helen Hartman  
Deputy Chair

Pär Frankenius  
Director

Camilla Dahlin  
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

We have reviewed the interim report of Sparbanken Skåne (publ) for the period from 1 January 2019 to 30 June 2019. The board and CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. It is our responsibility to express an opinion on this interim report based on our review engagement.

## Focus and extent of review engagement

We 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 us to obtain assurance that we are aware of all material circumstances that might have been identified if an audit had been conducted. Consequently, the opinion expressed on the basis of a review engagement does not have the same level of certainty as the opinion expressed on the basis of an audit.

## Opinion

On the basis of our review engagement, we have not found any circumstances that give us reason to believe that the interim report has not been prepared in all material respects in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, 30 July 2019

Patrick Honeth  
Authorised Public Accountant

# Alternative financial ratio definitions

## Business volume

The bank's business volume includes the loan volume, which mainly consists of loans to the general public, brokered loans and credit that has been granted but not yet utilised. Business volume also includes the savings volume, comprising deposits from the general public, brokered funds and 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 (21.4%) 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 (21.4%), 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 volume

Credit losses as a percentage of the opening balance of loans to the general public.

## Loan loss ratio including brokered volume

Credit losses as a percentage of the opening balance of loans to the general public and the brokered volume.

## 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.

## Gross stage 3 loans in %

The gross carrying amount in stage 3 as a percentage of the total gross carrying amount for loans to the general public.

## Net stage 3 loans in %

The carrying amount in stage 3 as a percentage of the total carrying amount for loans to the general public.

## Ratio of loss allowances to stage 1 loans

Loss allowance in stage 1 as a percentage of total loss allowances for loans to the general public.

## Ratio of loss allowances to stage 2 loans

Loss allowance in stage 2 as a percentage of total loss allowances for loans to the general public.

## Provision ratio for stage 1, 2 and 3 loans

The loss allowance in each stage as a percentage of the gross carrying amount in each stage for loans to the general public.

## Total provision ratio for loans

Total loss allowances as a percentage of the total gross carrying amount for loans to the general public.



Sparbanken Skåne AB (publ)  
Box 204  
221 00 Lund  
Phone: +46 (0)771-12 20 00  
[sparbankenskane.se](http://sparbankenskane.se)