



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

Lund, 30 October 2019

Sparbanken Skåne's performance remained strong in the third quarter of 2019. New services have made customers' everyday lives easier, and the bank has taken the next step in its sustainability efforts. Profit before tax was SEK 219m for the quarter, a 9 percent year-on-year increase excluding goodwill amortisation.



Sparbanken
Skåne





Q3 financial summary, July–September 2019

- The bank's operating profit increased in the quarter, totalling SEK 219m (94).
- Operating profit excluding goodwill amortisation for the July–September period totalled SEK 219m (201).
- Net interest income was positively affected by the increased loan volume and amounted to SEK 283m (247).
- Net fee and commission income amounted to SEK 123m (131).
- Expenses decreased primarily as a result of lower goodwill amortisation and totalled SEK -193m (-297).
- Credit losses amounted to SEK +3m (+9).
- Business volume was up in the quarter, totalling SEK 200bn (199 at June 2019).
- Both the capital ratio and the tier 1 capital ratio amounted to 19.4% (19.7 at June 2019).
- The LCR amounted to 215% (216 at June 2019).

(Comparative figures in parentheses refer to Q3, July–September 2018 unless otherwise stated)

Key events in Q3 2019

- The bank's financial position continued to experience positive growth. Net interest income and operating profit were on the rise, cost discipline was strong and credit losses remained low.
- The third quarter of 2019 was the first full quarter without amortisation of the goodwill item charged to profit or loss since the bank was founded in 2014. The item was fully amortised in May 2019, causing direct comparisons with the previous year to show significant improvements at the profit level.

- Finansinspektionen announced in September that Sparbanken Skåne will be upgraded to supervisory category 2 for 2020. The purpose of this categorisation is to show how Finansinspektionen applies the principle of proportionality in its supervisory process.
- Indications of an economic slowdown around the world are becoming clearer, although this has not yet had any tangible impact on the bank's loan portfolio.
- Sparbanken Skåne is initiating a programme for green bonds in the Swedish capital market, and a framework for this was devised during the quarter. The bonds will fund lending for purposes with clear sustainability benefits.
- In the third quarter, the bank engaged in several community activities in collaboration with its foundation owners. Among these activities, the bank is planning Future Day, an event in November for the business community in Skåne.

Financial summary, January–September 2019

- The bank's operating profit for the period was SEK 436 (187).
- Operating profit excluding goodwill amortisation for the January–September period totalled SEK 600m (508).
- Net interest income increased by 18% to SEK 826m (698).
- Net fee and commission income amounted to SEK 371m (399).
- Expenses decreased primarily as a result of lower goodwill amortisation and totalled SEK 777m (921).
- Business volume increased by 2% to SEK 200bn (196).
- Subordinated liabilities amounting to SEK 500m were redeemed in the period. Following this redemption, the total capital ratio was 19.4% (23.5).
- The tier 1 capital ratio decreased to 19.4% (21.6).
- The LCR decreased to 215% (277), which is still high.

(Comparative figures in parentheses refer to January–September 2018 unless otherwise stated.)

Continued positive performance for the bank

Sparbanken Skåne continued its stable and positive performance. In the third quarter of 2019, the bank bolstered its earnings and improved its operating profit while maintaining low credit losses and effective cost controls. New services have made customers' everyday lives easier, and the bank has taken the next step in its sustainability efforts.

Concerns surrounding Brexit, an economic slowdown and strained US-China trade relations have put downward pressure on equity markets, while international signals of continuing low interest rate policies going forward have had a positive impact on equity trading. The third quarter saw both ups and downs on the Stockholm Stock Exchange, which closed out the quarter with a slight gain.

Sparbanken Skåne's fund, insurance and securities volumes followed suit and were up slightly. Combined with continuing growth in loans, this contributed to a 0.3 percent increase in business volume during the quarter, reaching SEK 200bn.

Strong financial performance

Net interest income for the quarter was up 15 percent year-on-year. This gain was primarily driven by lending volume growth, which was a result of the conversion of loans from external mortgage companies to loans on the bank's own balance sheet and the growth in the bank's residential mortgage business in all of its geographic areas.

Cost controls remained effective, with the actual figure just under the budgeted amount. At the same time, credit losses remained low. Operating profit before tax was SEK 219m for the quarter, a 9 percent year-on-year increase excluding goodwill amortisation. The third quarter of 2019 is the first quarter without amortisation of the goodwill item charged to profit or loss in the five years since the bank was founded in May 2014. This makes the income statement clearer, although direct comparisons with the previous year will show very large improvements at the profit level for some time going forward.

In late September, Finansinspektionen (the Swedish Financial Supervisory Authority) announced that Sparbanken Skåne will be upgraded to supervisory category 2 for the 2020 calendar year (up from category 3). The purpose of this categorisation is to show how Finansinspektionen applies the principle of proportionality in its supervisory process. In its memorandum, Finansinspektionen underlines that the new categorisation is in line with Riksgälden's (the Swedish National Debt Office's) assessment of Sparbanken Skåne as a systemically important bank. This decision does not change the authority's working methods in other respects.

Market stability

In the private market, we see great interest in the bank's residential mortgage offering. House and flat transactions picked up after a period of less activity over the summer.

We also saw increases in people choosing to make equity transactions through Sparbanken Skåne. We adjusted our brokerage pricing in the spring and are in line with the lowest rates in the market. In addition to an unmistakable increase in new customers, we have also seen more transactions from existing customers.

In the corporate segment, demand is somewhat cautious. The signals of a global economic slowdown are becoming increasingly clear, but we estimate that this has not yet had any impact on the quality of the bank's loan portfolio. However, we are prepared for the possibility that weaker economic conditions could lead to a slight increase in credit losses.

Following last year's extreme drought, the 2019 growing season has been extra important to many agricultural customers. Although the 2019 summer months were warm, growing conditions were more normal than last year.

New features for the future

During the quarter, we continued our efforts to renew and simplify our customer offering. More corporate customers gained access to the new corporate Internet Bank. Additionally, we further developed our app and will be launching Apple Pay in the near future.

The bank's new Solar Loan for solar panels and our Green Auto Loan for environmentally-friendly cars were well-received by the market. We consider ourselves an attractive partner for sustainable investments in both the private and corporate segments.

In parallel, the bank decided to proceed with green bonds in the Swedish capital market. A framework was devised during the quarter and the first successful issue was conducted in the beginning of October.

The green bonds magnify our sustainability efforts and put a brighter spotlight on future environmental concerns together with investors and customers. The bonds will fund lending for purposes with clear sustainability benefits in areas such as renewable energy production, organic farming, sustainable transport and climate-smart properties.

We conducted many activities over the summer and autumn months together with our three foundation owners. Our collaboration with the foundations allows part of our profit from banking activities to be invested in community development initiatives. Youth exercise programmes, entertainment at sheltered housing, sing-alongs at several locations and new windbreaks along the Skåneleden trail are just a few examples.

We are also planning Future Day (Framtidsdag), an event in November for the business community in Skåne with inspiring lectures and an awards ceremony for successful entrepreneurs and intrapreneurs. The event will be held at Ideon Gateway on 21 November and we hope to see you there.

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 September 2019 was SEK 199,719m (189,364), a 5 percent increase for the year.

Deposits from the general public totalled SEK 52,600m (51,266). Both private and corporate deposit volumes increased during the period.

The market value of the total brokered fund and insurance volume was SEK 40,217m (34,728). For the first nine months of the year, our net savings in insurance were positive while in funds they were somewhat negative. The Stockholm Stock Exchange gained 17 percent during the period.

The strong performance of loans to the general public from last year continued into 2019. Loans to the general public at 30 September 2019 amounted to SEK 69,629m (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 September 2019 amounted to SEK 17,041m (20,049).

Borrowing and liquidity

The bank's liquidity is solid. The bank is largely funded by deposits from the general public, 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 3,000m in 2019. Outstanding senior bonds increased by SEK 900m during the same period. Outstanding certificates of deposit remained unchanged.

The bank's outstanding bonds at 30 September amounted to SEK 6,800m in senior bonds and SEK 12,000m in covered bonds. Outstanding certificates of deposit totalled SEK 950m.

In June, in accordance with authorisation from Finansinspektionen, 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.

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 set the minimum requirement for own funds and eligible liabilities (MREL), which is applicable to Sparbanken Skåne as of 2019. This MREL is 9.4 percent of the bank's total liabilities and capital base, one-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 2019.

After the end of the reporting period, the first MREL bond (a senior non-preferred bond) was issued for SEK 1,000m with a five-year maturity. The bond was subject to the green framework that the bank devised in the third quarter. The bond was well-received by the market and was oversubscribed. This is the first step for the bank to meet Riksgälden's MREL requirements in future years.

The bank's liquidity reserves at 30 September 2019 amounted to SEK 7,533m (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 during the year to 215 percent (282 percent at 31 December 2018). This is mainly due to the increase in loans on the bank's own balance sheet.

The loan-to-deposit ratio at 30 September 2019 was 132 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.

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.

S&P is expected to rate the senior non-preferred bond issued under the MTN programme at BBB+.

Profit

The comparative figures refer to the January-September 2018 period.

Operating profit for the first 9 months of 2019 totalled SEK 436m (187). The impact of goodwill amortisation on profit was SEK 164m. Profit for the period is in line with expectations. The 18 percent year-on-year improvement in net interest income and continued effective cost controls gave 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 was fully amortised in May.

Net interest income improved by 18 percent year-on-year, amounting to SEK 826m (698). The loan volume gains had a positive impact on net interest income during the period, as did the market interest rate hike at the start of the year.

The resolution fee and deposit insurance were charged to net interest income in the amount of SEK 46m (48).



Fee and commission income for the period totalled SEK 417m (449). Loan commissions amounted to SEK 92m (121) 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 161m (162). Other fee and commission income amounted to SEK 165m (166).

Fee and commission expenses amounted to SEK -47m (-50).

General administrative expenses were up 3 percent year-on-year, totalling SEK 554m (541). Personnel expenses amounted to SEK 324m (323), and IT expenses were SEK 143m (129).

The total amount for both the depreciation of tangible assets and the amortisation of intangible assets was SEK -182m (-338), and amortisation of intangible assets (goodwill) accounted for SEK -164m (-321) of the total.

Credit losses for 2019 resulted in revenue of SEK 7m (-3).

Profit for the period after appropriations and tax totalled SEK 335m (131).

Capital ratio

The bank's capital base decreased by SEK 241m during the year, putting the total value of the capital base on 30 September 2019 at SEK 6,088m (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 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 31,331m (28,754).

The REA for credit risk at 30 September 2019 totalled SEK 26,620m. SEK 7,465m of this item was calculated using the standardised approach to credit risk and SEK 19,155m 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 on the bank's own balance sheet and amounted to SEK 2,618m (2,355).

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

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

The total capital ratio was thus 19.4 percent at 30 September 2019 (22.0) and the CET1 capital ratio was 19.4 percent (20.3). The bank's capital situation thus remains strong.

The leverage ratio amounted to 7.3 percent (7.5) at 30 September. For more information about capital adequacy calculations, see Note 15, Capital adequacy analysis.

Risks and uncertainties

The bank's business is exposed to various risks such as credit risk, market risk, liquidity risk and operational risk.

The bank's board, which has ultimate responsibility for the bank's internal controls, has put policies and instructions in place for the bank's business to limit and monitor risk-taking in its operations. These policies and instructions are revised and adopted annually.

The 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 uses 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 third 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

At the end of the quarter, the bank devised a framework for issuing green bonds in the Swedish capital market with Swedbank as its structuring advisor. The framework is based on the Green Bond Principles. The bank has ordered and received an independent assessment from Cicero on both the framework and on the green assets to be financed or refinanced. The bonds will fund lending for purposes with clear sustainability benefits.

On 14 October, the first green MREL bond (a senior non-preferred bond) was issued for SEK 1,000m with a five-year maturity. The issue was highly successful with the bond well-received by the market and the issue oversubscribed.

Financial ratios	9/2019	6/2019	3/2019	12/2018	9/2018
Volume					
Business volume, millions of SEK	199,719	198,948	194,933	189,364	196,451
Capital and liquidity					
CET1 capital ratio	19.4%	19.7%	20.0%	20.3%	21.6%
Total capital ratio	19.4%	19.7%	21.7%	22.0%	23.5%
Leverage ratio	7.3%	7.4%	7.6%	7.5%	7.3%
Loan-to-deposit ratio	1.32	1.29	1.29	1.25	1.25
LCR	215%	216%	186%	282%	277%
NSFR	130%	130%	133%	137%	138%
Profit					
Cost/income ratio before credit losses	0.64	0.73	0.79	0.82	0.83
Cost/income ratio after credit losses	0.64	0.73	0.79	0.82	0.83
Cost/income ratio after credit losses excluding dividends, capital gains and goodwill amortisation	0.50	0.52	0.52	0.53	0.54
Return on equity	7.3	5.5	4.2	3.5	3.2
Return on equity excluding dividends, capital gains and goodwill amortisation	10.0	9.6	9.6	9.0	8.7
Impaired loans and credit losses					
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, 8 and 11 for detailed information concerning IFRS 9.					
Other disclosures					
Average number of employees	468	495	505	488	485
The financial ratios are defined on page 28.					

Quarterly comparison

Income statement	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Thousands of SEK					
Net interest income	282,526	279,604	264,146	249,305	246,541
Dividends received	-	-	630	-	-
Net fees and commissions	123,359	122,146	125,013	138,156	130,539
Net gain/loss from financial transactions	2,651	-938	5,192	2,678	4,002
Other operating income	648	760	1,045	848	592
Total net interest income and operating income	409,184	401,572	396,026	390,987	381,674
General administrative expenses	-176,176	-195,963	-182,122	-188,719	-168,649
Depreciation and amortisation	-6,014	-63,320	-112,966	-112,524	-112,826
Other expenses	-10,749	-12,359	-17,572	-13,116	-15,219
Credit losses	2,882	5,644	-1,719	13,541	8,925
Total expenses	-190,057	-265,998	-314,379	-300,818	-287,769
Operating profit/loss	219,127	135,574	81,647	90,169	93,905
Taxes	-47,685	-31,853	-21,568	-24,390	-25,260
Profit/loss for the period	171,442	103,721	60,079	65,779	68,645

Balance sheet	30/09/2019	30/06/2019	31/03/2019	31/12/2018	30/09/2018
Thousands of SEK					
Loans to credit institutions	3,612,812	3,149,997	3,000,888	2,893,156	1,731,672
Loans to the general public	69,629,495	68,452,723	66,275,104	64,076,523	63,193,972
Fixed-income securities	4,691,625	5,135,782	4,738,813	4,448,361	4,467,801
Goodwill	-	-	57,241	164,203	271,165
Other assets	1,495,166	2,158,972	930,784	3,186,247	4,448,974
Total assets	79,429,098	78,897,474	75,002,830	74,768,490	74,113,584
Liabilities to credit institutions	65,904	97,775	78,843	559,261	576,807
Deposits from the general public	52,600,156	52,954,823	51,529,149	51,265,516	50,604,618
Debt securities issued and subordinated liabilities	19,939,533	19,187,801	16,883,665	16,488,372	16,496,774
Other liabilities	386,004	385,715	349,538	301,208	338,051
Equity	6,437,501	6,271,360	6,161,635	6,154,133	6,097,334
Total liabilities, provisions and equity	79,429,098	78,897,474	75,002,830	74,768,490	74,113,584

Income statement

Income statement	Note	Q3 2019	Q3 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change	Jan-Dec 2018
Thousands of SEK								
Interest income		325,454	272,005	20%	949,422	788,107	20%	1,066,485
Interest expenses		-42,928	-25,464	69%	-123,146	-90,225	36%	-119,298
Net interest income	3	282,526	246,541	15%	826,276	697,882	18%	947,187
Dividends received		-	-	-	630	940	-33%	940
Fee and commission income	4	138,973	149,700	-7%	417,199	448,836	-7%	601,037
Fee and commission expenses	5	-15,614	-19,161	-19%	-46,681	-49,839	-6%	-63,884
Net gain/loss from financial transactions	6	2,651	4,002	-34%	6,905	10,152	-32%	12,830
Other operating income		648	592	9%	2,453	2,621	-6%	3,469
Total net interest income and operating income		409,184	381,674	7%	1,206,782	1,110,592	9%	1,501,579
General administrative expenses		-176,176	-168,649	4%	-554,261	-540,535	3%	-729,254
Depreciation of tangible assets and amortisation of intangible assets		-6,014	-112,826	-95%	-182,300	-338,276	-46%	-450,800
Other operating expenses		-10,749	-15,219	-29%	-40,680	-41,974	-3%	-55,090
Total expenses before credit losses		-192,939	-296,694	-35%	-777,241	-920,785	-16%	-1,235,144
Profit/loss before credit losses		216,245	84,980	-	429,541	189,807	126%	266,435
Net credit losses	7	2,882	8,925	-68%	6,807	-2,887	-	10,654
Operating profit/loss		219,127	93,905	-	436,348	186,920	-	277,089
Tax on profit for the period		-47,685	-25,260	89%	-101,106	-56,267	80%	-80,657
Profit/loss for the period		171,442	68,645	-	335,242	130,653	-	196,432
Statement of comprehensive income								
Thousands of SEK								
Profit/loss for the period		171,442	68,645	-	335,242	130,653	-	196,432
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		-6,743	3,890	-	6,536	-284	-	-11,753
Change in fair value of financial assets measured at fair value through other comprehensive income		-	-15	-	2,723	10	-	10
Change in loss reserve for financial assets measured at fair value through other comprehensive income		-1	378	-	-330	-203	-	-247
Tax attributable to items that may be reclassified to profit or loss for the period		1,443	-936	-	-1,911	105	-	2,638
Other comprehensive income for the period		-5,301	3,317	-	7,018	-372	-	-9,352
Comprehensive income for the period		166,141	71,962	-	342,260	130,281	-	187,080

Balance sheet

Balance sheet	Note	30/09/2019	31/12/2018	Change	30/09/2018
Thousands of SEK				Thousands of SEK	%
Assets					
Cash		1,442	1,960	-518	-26%
Treasury bills eligible for refinancing with central banks		1,634,899	1,129,312	505,587	45%
Loans to credit institutions		3,612,812	2,893,156	719,656	25%
Loans to the general public	8	69,629,495	64,076,523	5,552,972	9%
Bonds and other fixed-income securities		3,056,726	3,319,049	-262,323	-8%
Shareholdings and investments		4,000	4,000	-	-
Derivatives	12	6,776	5,407	1,369	25%
Intangible assets		-	164,203	-164,203	-100%
Tangible assets		74,109	88,872	-14,763	-17%
Current tax assets		1,195,179	2,834,231	-1,639,052	-58%
Deferred tax assets		13,499	12,227	1,272	10%
Other assets		63,016	61,221	1,795	3%
Prepaid expenses and accrued income		137,145	178,329	-41,184	-23%
Total assets		79,429,098	74,768,490	4,660,608	6%
Liabilities, provisions and equity					
Liabilities to credit institutions		65,904	559,261	-493,357	-88%
Deposits from the general public	9	52,600,156	51,265,516	1,334,640	3%
Debt securities issued and related items	10	19,939,533	15,988,372	3,951,161	25%
Derivatives	12	87,177	43,035	44,142	103%
Other liabilities		55,218	86,336	-31,118	-36%
Accrued expenses and deferred income		167,496	101,647	65,849	65%
Provisions	11	76,113	70,190	5,923	8%
Subordinated liabilities		-	500,000	-500,000	-100%
Total liabilities and provisions		72,991,597	68,614,357	4,377,240	6%
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		1,117	-5,901	7,018	-
Retained earnings		1,134,979	997,439	137,540	14%
Profit/loss for the period		335,242	196,432	138,810	71%
Total		4,659,969	4,376,601	283,368	6%
Total equity		6,437,501	6,154,133	283,368	5%
Total liabilities, provisions and equity		79,429,098	74,768,490	4,660,608	6%
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Statement of changes in equity

Thousands of SEK	Restricted equity		Non-restricted equity			Total equity	
	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings	Profit/loss for the period	
Balance at 1 January 2019	1,668,336	109,196	3,188,631	-5,901	997,439	196,432	6,154,133
Appropriation of profit as per AGM resolution							
Amount carried forward	-	-	-	-	137,540	-137,540	-
Transactions with owners in the form of dividends	-	-	-	-	-	-58,892	-58,892
Profit/loss for the period	-	-	-	-	-	335,242	335,242
Other comprehensive income for the period	-	-	-	7,018	-	-	7,018
Comprehensive income for the period	-	-	-	-	-	-	342,260
Balance at 30 September 2019	1,668,336	109,196	3,188,631	1,117	1,134,979	335,242	6,437,501
Balance at 1 January 2018							
	1,668,336	109,196	3,188,631	2,866	897,411	186,856	6,053,296
Adjustment for retroactive IFRS 9 application (net of tax)	-	-	-	585	-30,771	-	-30,186
Adjusted balance at 1 January 2018	1,668,336	109,196	3,188,631	3,451	866,640	186,856	6,023,110
Appropriation of profit as per AGM resolution							
Amount carried forward	-	-	-	-	130,799	-130,799	-
Transactions with owners in the form of dividends	-	-	-	-	-	-56,057	-56,057
Profit/loss for the period	-	-	-	-	-	196,432	196,432
Other comprehensive income for the period	-	-	-	-9,352	-	-	-9,352
Comprehensive income for the period	-	-	-	-	-	-	187,080
Balance at 31 December 2018	1,668,336	109,196	3,188,631	-5,901	997,439	196,432	6,154,133
Balance at 1 January 2018							
	1,668,336	109,196	3,188,631	2,866	897,411	186,856	6,053,296
Adjustment for retroactive IFRS 9 application (net of tax)	-	-	-	585	-30,771	-	-30,186
Adjusted balance at 1 January 2018	1,668,336	109,196	3,188,631	3,451	866,640	186,856	6,023,110
Appropriation of profit as per AGM resolution							
Amount carried forward	-	-	-	-	130,799	-130,799	-
Transactions with owners in the form of dividends	-	-	-	-	-	-56,057	-56,057
Profit/loss for the period	-	-	-	-	-	130,653	130,653
Other comprehensive income for the period	-	-	-	-372	-	-	-372
Comprehensive income for the period	-	-	-	-	-	-	130,281
Balance at 30 September 2018	1,668,336	109,196	3,188,631	3,079	997,439	130,653	6,097,334

Restricted equity

Restricted equity may not be decreased by paying dividends.

Statutory reserve

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

Non-restricted equity

Share premium reserve

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

Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of 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	30/09/2019	31/12/2018	30/09/2018
Thousands of SEK			
Cash flows from operating activities			
Operating profit/loss	436,348	277,089	186,920
Adjustment for non-cash items			
Net change in amortised cost for the period	46,444	33,674	23,500
Unrealised share of net gain from financial transactions	2,647	-22,550	-21,259
Depreciation and amortisation	182,300	450,800	338,276
Credit losses	-1,077	-3,553	8,554
Tax paid	-65,251	-74,016	-1,354,841
Cash flows from operating activities before changes in working capital	601,411	661,444	-818,850
Cash flow from changes in working capital			
Increase/decrease in loans to the general public (-/+)	-5,512,533	-7,168,373	-6,299,787
Increase/decrease in securities (-/+)	-248,933	154,134	148,016
Increase/decrease in deposits from the general public (+/-)	1,334,640	2,624,292	1,963,394
Increase/decrease in liabilities to credit institutions (+/-)	-493,357	-24,995	-7,449
Net change in other assets and liabilities	74,884	20,364	5,458
Net cash from operating activities	-4,243,888	-3,733,134	-5,009,218
Cash flows from investing activities			
Disposal/redemption of financial assets (+/-)	5,923	21,877	15,892
Increase/decrease in excess liquidity to tax account (-/+)	1,600,000	-100,000	-
Sale of tangible assets	-	1,816	1816
Acquisition of tangible assets	-3,334	-17,811	-14,009
Net cash from investing activities	1,602,589	-94,118	3,699
Cash flows from financing activities			
Issue of fixed-income securities	6,682,290	10,624,664	10,124,524
Redemption of fixed-income securities	-3,262,961	-5,343,830	-4,826,923
Dividends paid	-58,892	-56,057	-56,057
Net cash from financing activities	3,360,437	5,224,777	5,241,544
Cash flow for the period	719,138	1,397,525	236,025
Cash and cash equivalents at beginning of period	2,895,116	1,497,591	1,497,591
Cash and cash equivalents at end of period	3,614,254	2,895,116	1,733,616
The following subcomponents are included in cash and cash equivalents			
Cash	1,442	1,960	1,944
Loans to credit institutions	3,612,812	2,893,156	1,731,672
Balance sheet total	3,614,254	2,895,116	1,733,616
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	939,973	1,065,775	788,107
Interest paid including cost of deposit insurance and resolution/stability fee	-73,664	-117,196	-90,225
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-Sep 2019	Jan-Sep 2018	Change	Full year 2018
Thousands of SEK				
Interest income				
Loans to credit institutions	3,410	2,268	50%	3,310
Loans to the general public	965,183	818,595	18%	1,105,926
Fixed-income securities	2,284	-5,926	-	-7,949
Derivatives	-21,454	-26,828	-20%	-34,799
Other interest income	-1	-2	-50%	-3
Total	949,422	788,107	20%	1,066,485
- income calculated using the effective interest method	970,876	814,935	19%	1,101,284
Interest expenses				
Liabilities to credit institutions	-9,139	-9,375	-3%	-12,929
Deposits from the general public	-38,618	-35,817	8%	-47,579
- expenses for deposit insurance	-29,652	-27,974	6%	-37,298
Fixed-income securities	-54,668	-18,972	-	-23,947
Subordinated liabilities	-4,677	-5,961	-22%	-8,045
Other interest expenses	-16,044	-20,100	-20%	-26,798
- fee for resolution fund	-16,041	-20,090	-20%	-26,787
Total	-123,146	-90,225	36%	-119,298
Total net interest income	826,276	697,882	18%	947,187

Note 4 Fee and commission income

	Jan-Sep 2019	Jan-Sep 2018		Full year 2018
Thousands of SEK				
Payment intermediation fees	55,050	58,510	-6%	76,125
Loan commissions	91,529	120,964	-24%	159,613
Deposit commissions	56,927	51,247	11%	73,896
Commissions for financial guarantees issued	1,710	2,069	-17%	2,676
Securities commissions and fees	161,006	162,200	-1%	216,272
Other fees and commissions	50,977	53,846	-5%	72,455
Total	417,199	448,836	-7%	601,037

Note 5	Fee and commission expenses	Jan-Sep 2019	Jan-Sep 2018		Full year 2018
Thousands of SEK					
	Payment intermediation fees	-26,124	-27,977	-7%	-36,817
	Securities commissions and fees	-17,022	-18,643	-9%	-22,655
	Other fees and commissions	-3,535	-3,219	10%	-4,412
	Total	-46,681	-49,839	-6%	-63,884

Note 6	Net gain/loss from financial transactions	Jan-Sep 2019	Jan-Sep 2018		Full year 2018
Thousands of SEK					
	Shareholdings/investments	1,900	-	-	2
	Fixed-income securities	-3,109	-157	-	-117
	Other financial instruments	4,084	5,610	-27%	7,042
	Exchange rate fluctuations	4,030	4,699	-14%	5,903
	Total	6,905	10,152	-32%	12,830

	Jan-Sep 2019	Jan-Sep 2018		Full year 2018	
Net gain/loss by valuation category					
	Financial assets at fair value through other comprehensive income	-1,209	-157	-	-115
	Ineffective portion of fair value hedge	624	795	-22%	1,034
	Derivatives intended for risk management, no hedge accounting	3,460	4,815	-28%	6,008
	Change in fair value of derivatives used as hedging instruments in a fair value hedge	-45,999	11,251	-	9,395
	Change in fair value of hedged item attributable to the hedged risk in fair value hedges	45,999	-11,251	-	-9,395
	Exchange rate fluctuations	4,030	4,699	-14%	5,903
	Total	6,905	10,152	-32%	12,830

Note 7	Net credit losses	Jan-Sep 2019	Jan-Sep 2018		Full year 2018
Thousands of SEK					
Loans at amortised cost					
	Change in provisions – stage 1	232	-6,213	-104%	-5,398
	Change in provisions – stage 2	1,038	-9,520	-111%	-5,282
	Change in provisions – stage 3	6,311	11,724	-46%	19,118
	Total	7,581	-4,009	-289%	8,438
	Net cost for the period for realised losses	-6,759	-4,772	42%	-5,480
	Amount received for previously realised credit losses	5,730	5,667	1%	7,101
	Total credit losses on loans at amortised cost	6,552	-3,114	-310%	10,059
Loan commitments and financial guarantee contracts					
	Change in provisions – stage 1	-2,384	-293	-	-383
	Change in provisions – stage 2	-569	-1,185	-52%	-816
	Change in provisions – stage 3	3,208	1,705	88%	1,794
	Total credit losses for loan commitments and financial guarantee contracts	255	227	12%	595
	Total credit losses	6,807	-2,887	-	10,654

Note 8 Loans to the general public	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK				
Gross carrying amount				
Gross carrying amount at 1 January 2019	60,678,047	3,322,727	171,166	64,171,940
Gross carrying amount at 30 September 2019	65,418,682	4,069,896	184,361	69,672,939
Loss allowances				
Loss allowances at 1 January 2019	20,333	33,414	61,706	115,453
New financial assets	7,286	3,246	1,901	12,433
Derecognised financial assets	-4,279	-4,549	-17,568	-26,396
Changed risk variables (EAD, PD, LGD)	472	-5,948	931	-4,545
Changes in macroeconomic scenarios	-86	-863	-327	-1,276
Transfers between stages during the period				
from stage 1 to stage 2	-4,137	12,422	-	8,285
from stage 1 to stage 3	-53	-	1,969	1,916
from stage 2 to stage 1	550	-2,678	-	-2,128
from stage 2 to stage 3	-	-2,754	10,504	7,750
from stage 3 to stage 1	13	-	-1,070	-1,057
from stage 3 to stage 2	-	88	-1,044	-956
Loss allowances at 30 September 2019	20,099	32,378	57,002	109,479
Carrying amount				
Closing balance at 1 January 2019	60,657,714	3,289,313	109,460	64,056,487
Closing balance at 30 September 2019	65,398,582	4,037,520	127,358	69,563,460
Change in fair value of hedged amount in portfolio hedge				66,035
Total				69,629,495

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	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK				
Gross carrying amount				
Gross carrying amount at 1 January 2018	53,917,157	2,952,950	145,761	57,015,868
Gross carrying amount at 30 September 2018	59,751,727	3,354,665	196,666	63,303,059
Loss allowances				
Loss allowances at 1 January 2018	14,922	28,132	77,970	121,024
New financial assets	7,636	3,519	2,888	14,043
Derecognised financial assets	-2,886	-4,733	-4,689	-12,308
Changed risk variables (EAD, PD, LGD)	7,731	-4,711	-17,679	-14,659
Changes in macroeconomic scenarios	3,738	2,902	482	7,122
Transfers between stages during the period				
from stage 1 to stage 2	-4,885	17,469	-	12,584
from stage 1 to stage 3	-5,868	-	9,386	3,518
from stage 2 to stage 1	772	-3,432	-	-2,660
from stage 2 to stage 3	-	-1,665	2,426	761
from stage 3 to stage 1	6	-	-788	-782
from stage 3 to stage 2	-	268	-1,531	-1,263
Other items	-18	-98	0	-116
Loss allowances at 30 September 2018	21,148	37,651	68,465	127,264
Carrying amount				
Opening balance at 1 January 2018	53,902,235	2,924,818	67,791	56,894,844
Closing balance at 30 September 2018	59,730,579	3,317,014	128,201	63,175,794
Change in fair value of hedged amount in portfolio hedge				18,178
Total				63,193,972

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	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

Gross carrying amount and loss allowance by sector at 30 September 2019	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
Loans to the general public			
Private customers	37,832,183	30,632	37,801,551
Tenant-owners' associations	2,160,428	675	2,159,753
Corporate customers	29,680,328	78,172	29,602,156
Agriculture, fishing, forestry	6,936,021	10,409	6,926,412
Manufacturing	566,584	2,998	563,586
Public sector	837,878	2,034	835,844
Construction	1,843,000	4,675	1,838,325
Retail	1,353,113	14,911	1,338,202
Transport	452,846	1,214	451,632
Hotel and restaurant	345,901	1,274	344,627
Information technology	298,944	262	298,682
Banking and insurance	181,239	139	181,100
Property management	13,106,028	18,932	13,087,096
Service sector	1,767,957	4,307	1,763,650
Other loans to businesses	1,990,017	17,017	1,973,000
Loans to the general public	69,672,939	109,479	69,563,460

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Gross carrying amount and loss allowance by sector at 31 December 2018	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
Loans to the general public			
Private customers	34,547,662	36,358	34,511,304
Tenant-owners' associations	1,824,113	497	1,823,616
Corporate customers	27,800,165	78,598	27,721,567
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
Loans to the general public	64,171,940	115,453	64,056,487

Gross carrying amount and loss allowance by sector at 30 September 2018	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
Loans to the general public			
Private customers	33,294,231	37,899	33,256,332
Tenant-owners' associations	1,588,892	561	1,588,331
Corporate customers	28,419,936	88,805	28,331,131
Agriculture, fishing, forestry	6,315,391	10,415	6,304,976
Manufacturing	676,112	4,338	671,774
Public sector	778,000	2,728	775,272
Construction	1,690,175	5,617	1,684,558
Retail	1,410,548	28,237	1,382,311
Transport	436,751	2,389	434,362
Hotel and restaurant	271,525	1,040	270,485
Information technology	268,014	291	267,723
Banking and insurance	160,293	286	160,007
Property management	12,576,143	14,033	12,562,110
Service sector	1,691,329	10,280	1,681,049
Other loans to businesses	2,145,655	9,151	2,136,504
Loans to the general public	63,303,059	127,265	63,175,794

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Gross carrying amount and loss allowance by stage - compared with 2018 closing balance and with 30 September 2018	30/09/2019	31/12/2018	30/09/2018
Thousands of SEK			
Loans to the general public, private customers and tenant-owners' associations			
Stage 1			
Gross carrying amount	38,190,086	34,481,829	33,184,637
Loss allowances	5,272	5,188	5,912
Carrying amount	38,184,814	34,476,641	33,178,725
Stage 2			
Gross carrying amount	1,757,128	1,856,703	1,660,173
Loss allowances	8,753	12,469	12,154
Carrying amount	1,748,375	1,844,234	1,648,019
Stage 3			
Gross carrying amount	45,397	33,243	38,313
Loss allowances	17,282	19,198	20,394
Carrying amount	28,115	14,045	17,919
Total carrying amount	39,961,304	36,334,920	34,844,663
Loans to the general public, corporate customers			
Stage 1			
Gross carrying amount	27,228,596	26,196,218	26,567,091
Loss allowances	14,828	15,145	15,236
Carrying amount	27,213,768	26,181,073	26,551,855
Stage 2			
Gross carrying amount	2,312,768	1,466,024	1,694,492
Loss allowances	23,623	20,945	25,498
Carrying amount	2,289,145	1,445,079	1,668,994
Stage 3			
Gross carrying amount	138,964	137,923	158,353
Loss allowances	39,721	42,508	48,071
Carrying amount	99,243	95,415	110,282
Total carrying amount	29,602,156	27,721,567	28,331,131
Gross carrying amount – stage 1	65,418,682	60,678,047	59,751,728
Gross carrying amount – stage 2	4,069,896	3,322,727	3,354,665
Gross carrying amount – stage 3	184,361	171,166	196,666
Total gross carrying amount	69,672,939	64,171,940	63,303,059
Loss allowance – stage 1	20,100	20,333	21,148
Loss allowance – stage 2	32,376	33,414	37,652
Loss allowance – stage 3	57,003	61,706	68,465
Total loss allowances	109,479	115,453	127,265
Total carrying amount, loans to the general public	69,563,460	64,056,487	63,175,794
Gross stage 3 loans in %	0.26%	0.27%	0.31%
Net stage 3 loans in %	0.18%	0.17%	0.20%
Ratio of loss allowances to stage 1 loans	18.4%	17.6%	16.6%
Ratio of loss allowances to stage 2 loans	29.6%	28.9%	29.6%
Provision ratio for stage 1 loans	0.03%	0.03%	0.04%
Provision ratio for stage 2 loans	0.80%	1.01%	1.12%
Provision ratio for stage 3 loans	30.9%	36.1%	34.8%
Total provision ratio for loans	0.16%	0.18%	0.20%

Note 9	Deposits from the general public	30/09/2019	31/12/2018	30/09/2018
Thousands of SEK				
The general public				
	- Swedish currency	52,126,615	50,816,043	50,154,703
	- foreign currency	473,541	449,473	449,915
	Total	52,600,156	51,265,516	50,604,618
Deposits per customer category, excluding bank cheques				
	Public sector	1,695,446	1,288,615	1,436,511
	Corporate sector	10,018,172	9,700,779	9,514,866
	Retail sector	39,983,115	39,413,278	38,800,807
	- sole proprietors	6,281,010	6,524,502	6,217,996
	Other sectors	850,062	799,230	793,041
	Total	52,546,795	51,201,902	50,545,225
Note 10	Debt securities issued and related items	30/09/2019	31/12/2018	30/09/2018
Thousands of SEK				
	Certificates of deposit	949,266	950,278	950,279
	Bond loans	6,815,343	5,906,181	5,906,820
	Covered bonds	12,174,924	9,131,913	9,139,675
	Total	19,939,533	15,988,372	15,996,774
Changes during the period				
		Jan-Sep 2019	Jan-Dec 2018	Jan-Sep 2018
	Issued	6,682,290	10,624,647	10,124,507
	Repurchased	-499,250	-	-
	Matured	-2,231,879	-5,322,108	-4,813,566
	Change	3,951,161	5,302,539	5,310,941

Note 11	Provisions	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK					
Loss allowances at 1 January 2019		1,624	2,238	5,652	9,514
New loan commitments and financial guarantees		2,865	382	912	4,159
Financial guarantees and loan commitments that are past due		-446	-547	-4,423	-5,416
Changed risk variables (EAD, PD, LGD)		1	-650	-24	-673
Changes in macroeconomic scenarios		360	68	-97	331
Transfers between stages during the period					
from stage 1 to stage 2		-457	1,702	-	1,245
from stage 1 to stage 3		-2	-	237	235
from stage 2 to stage 1		63	-335	-	-272
from stage 2 to stage 3		-	-52	189	137
from stage 3 to stage 1		-	-	-	-
from stage 3 to stage 2		-	-	-	-
Loss allowances at 30 September 2019		4,008	2,806	2,446	9,260
Provisions for pensions					56,226
Other provisions					10,627
Total					76,113
2018					
Loss allowances at 1 January 2018		1,241	1,421	7,447	10,109
New loan commitments and financial guarantees		669	149	1,224	2,042
Financial guarantees and loan commitments that are past due		-356	-279	-491	-1,126
Changed risk variables (EAD, PD, LGD)		510	-82	-2,759	-2,331
Changes in macroeconomic scenarios		118	81	13	212
Transfers between stages during the period					
from stage 1 to stage 2		-432	1,636	-	1,204
from stage 1 to stage 3		-283	-	298	15
from stage 2 to stage 1		68	-312	-	-244
from stage 2 to stage 3		-	-9	11	2
from stage 3 to stage 1		-	-	-	-
from stage 3 to stage 2		-	-	-	0
Loss allowances at 30 September 2018		1,535	2,605	5,743	9,883
Provisions for pensions					48,737
Other provisions					8,947
Total					67,567
2017					
Loss allowances at 1 January 2017		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	-
from stage 3 to stage 2		-	21	-120	-
Loss allowances at 31 December 2017		1,624	2,238	5,652	9,514
Provisions for pensions					51,255
Other provisions					9,421
Total					70,190

Note 12	Derivatives	30/09/2019		31/12/2018		30/09/2018	
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							
		Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value
Derivative instruments with positive fair values							
Fixed-income contracts							
		240,000	0	312,000	13	317,000	0
Currency contracts							
		166,349	6,776	182,655	5,394	299,140	11,018
Total derivative instruments with positive fair values		406,349	6,776	494,655	5,407	616,140	11,018
Derivative instruments with negative fair values							
Fixed-income contracts							
		6,894,000	80,712	3,378,325	38,020	2,708,700	36,942
Currency contracts							
		165,449	6,465	173,779	5,015	248,946	10,471
Total derivative instruments with negative fair values		7,059,449	87,177	3,552,104	43,035	2,957,646	47,413

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 September 2019	Financial assets and liabilities				Fair value
	Carrying amount				
Thousands of SEK	Fair value	Amortised cost	Fair value through other comprehensive income		
			Debt instruments	Equity instruments	
Cash and balances at central banks	-	1,442	-	-	1,442
Treasury bills eligible for refinancing with central banks	-	-	1,634,899	-	1,634,899
Loans to credit institutions	-	3,612,812	-	-	3,612,812
Loans to the general public	-	69,629,495	-	-	70,139,061
Bonds and other fixed-income securities	-	-	3,056,726	-	3,056,726
Shareholdings and investments	-	-	-	4,000	4,000
Derivatives	6,776	-	-	-	6,776
Other assets	-	63,016	-	-	63,016
Accrued income	-	112,226	-	-	112,226
Total	6,776	73,418,991	4,691,625	4,000	78,630,958
Liabilities to credit institutions	-	65,904	-	-	65,904
Deposits from the general public	-	52,600,156	-	-	52,605,101
Securities issued	-	19,939,533	-	-	19,939,533
Derivatives	87,177	-	-	-	87,177
Other liabilities	-	55,218	-	-	55,218
Accrued expenses	-	166,518	-	-	166,518
Total	87,177	72,827,329	-	-	72,919,451

31 December 2018	Financial assets and liabilities				Fair value
	Carrying amount				
Thousands of SEK	Fair value	Amortised cost	Fair value through other comprehensive income		
			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
Total	5,407	67,188,691	4,448,361	4,000	72,041,139
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
Total	43,035	68,484,110	-	-	68,532,426

CONTINUED FROM PAGE 22.

30 September 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	-	1,944	-	-	1,944
Treasury bills eligible for refinancing with central banks	-	-	1,031,235	-	1,031,235
Loans to credit institutions	-	1,731,672	-	-	1,731,672
Loans to the general public	-	63,193,972	-	-	63,540,291
Bonds and other fixed-income securities	-	-	3,436,566	-	3,436,566
Shareholdings and investments	-	-	-	7,361	7,361
Derivatives	11,018	-	-	-	11,018
Other assets	-	55,924	-	-	55,924
Accrued income	-	211,087	-	-	211,087
Total	11,018	65,194,599	4,467,801	7,361	70,027,098
Liabilities to credit institutions	-	576,807	-	-	576,807
Deposits from the general public	-	50,604,618	-	-	50,610,406
Securities issued	-	15,996,774	-	-	15,996,774
Derivatives	47,413	-	-	-	47,413
Other liabilities	-	67,243	-	-	67,243
Accrued expenses	-	135,539	-	-	135,539
Subordinated liabilities	-	500,000	-	-	500,000
Total	47,413	67,880,981	-	-	67,934,182

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

30/09/2019

Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	1,634,899	-	-	1,634,899
Bonds and related items	3,056,726	-	-	3,056,726
Shareholdings and investments	-	-	4,000	4,000
Other assets – derivatives	-	6,776	-	6,776
Total	4,691,625	6,776	4,000	4,702,401
Other liabilities – derivatives	-	87,177	-	87,177
Total	-	87,177	-	87,177

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

CONTINUED FROM PAGE 23.

30/09/2018

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

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	-
Closing balance at 30 September 2019	4,000

Gains and losses recognised in profit or loss for assets included in the closing balance at 30 September 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, including 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 that 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 that 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

	30/09/2019	31/12/2018	30/09/2018
Thousands of SEK			
Pledged assets			
Loans *	15,748,382	11,736,753	11,789,375
Other pledged assets	112,926	59,155	53,437
Contingent liabilities	515,639	483,440	474,060
Commitments	9,663,007	8,067,465	7,693,434

* 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	30/09/2019	31/12/2018	30/09/2018
CET1 capital	6,087,595	5,829,432	5,634,436
Tier 2 capital	-	500,000	500,000
Net capital base	6,087,595	6,329,432	6,134,436

Capital requirement and risk-weighted exposure amount

	Capital requirement		Risk-weighted exposure amount		Capital requirement		Risk-weighted exposure amount	
Minimum capital for credit risk								
- IRB approach	1,532,428	19,155,344	1,309,312	16,366,399	1,293,130	16,164,127		
- standardised approach	597,187	7,464,832	634,536	7,931,695	623,571	7,794,636		
Credit valuation adjustment	1,730	21,625	817	10,213	772	9,650		
Risk weight floor, residential and commercial properties	209,417	2,617,716	188,427	2,355,343	-	-		
Other REAs	1,760	22,000	1,760	22,000	6,800	85,000		
Capital requirement for operational risk	163,957	2,049,465	165,479	2,068,482	165,479	2,068,482		
Total capital requirements and risk-weighted exposure amounts	2,506,479	31,330,982	2,300,331	28,754,132	2,089,752	26,121,895		

CET1 capital ratio	19.4%	20.3%	21.6%
Tier 1 capital ratio	19.4%	20.3%	21.6%
Total capital ratio	19.4%	22.0%	23.5%

Pillar 2 capital requirement	2.0%	630,401	2.0%	588,485	3.3%	860,427
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Total internally assessed capital requirement (excluding buffer requirement)	3,136,880	2,888,816	2,950,179
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Buffer requirement	5.0%	1,566,549	19,581,864	4.5%	1,293,936	16,174,199	4.5%	1,175,485	14,693,566
- capital conservation buffer	2.5%	783,275	9,790,932	2.5%	718,853	8,985,666	2.5%	653,047	8,163,092
- countercyclical capital buffer	2.5%	783,275	9,790,932	2.0%	575,083	7,188,533	2.0%	522,438	6,530,474

Total capital requirement including buffer requirement	4,703,429	4,182,752	4,125,664
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Thousands of SEK	30/09/2019		31/12/2018		30/09/2018	
CET1 capital: Instruments and reserves						
Share capital	1,668,336		1,668,336		1,668,336	
Statutory reserve	109,196		109,196		109,196	
Share premium reserve	3,188,631		3,188,631		3,188,631	
Fair value reserve	-		-5,901		-	
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	
CET1 capital before regulatory adjustments	6,215,802		6,095,201		6,007,008	
CET1 capital: regulatory adjustments						
Intangible assets	-		-164,203		-287,255	
Value adjustments due to prudent valuation requirements	-4,692		-4,448			
Deferred tax assets	-13,499		-12,227			
Deduction of IRB provisions (see disclosure below)	-110,016		-84,891		-85,317	
Total regulatory adjustments to CET1 capital	-128,207		-265,769		-372,572	
CET1 capital	6,087,595		5,829,432		5,634,436	
Tier 2 capital: Instruments						
Fixed-term subordinated loans	-		500,000		500,000	
Tier 2 capital	-		500,000		500,000	
Capital base	6,087,595		6,329,432		6,134,436	
Special disclosures						
IRB Provisions excess(+)/shortfall(-)	-110,016		-84,891		-85,317	
Total IRB provisions (+)	91,964		90,015		104,483	
IRB Expected loss amount (-)	-201,980		-174,906		-189,800	
Capital requirement and risk-weighted exposure amount						
Thousands of SEK	30/09/2019		31/12/2018		30/09/2018	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Credit risk under standardised approach						
Central government and central bank exposures	-	-	-	-	-	-
Regional government and local authority exposures	-	-	-	-	-	-
Institutional exposures	-	-	-	-	-	-
Corporate exposures	73,331	916,642	136,767	1,709,593	130,643	1,633,042
Retail exposures	242,992	3,037,402	215,584	2,694,796	209,863	2,623,286
Exposures secured by mortgages on immovable property	278,363	3,479,537	278,464	3,480,800	278,692	3,483,646
Defaulted items	2,180	27,251	3,400	42,506	3,784	47,301
Equity exposures	320	4,000	320	4,000	589	7,361

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	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Credit risk under IRB approach						
Institutional exposures	104,837	1,310,468	87,140	1,089,245	60,315	753,943
Corporate exposures	781,729	9,771,614	620,638	7,757,979	666,147	8,326,839
Retail exposures	627,462	7,843,271	585,492	7,318,656	550,789	6,884,867
– mortgage loans	353,581	4,419,768	319,188	3,989,856	299,665	3,745,811
– other loans	273,880	3,423,503	266,304	3,328,800	251,124	3,139,056
Non-credit obligation asset exposures	18,399	229,991	16,042	200,519	15,878	198,478
Total	2,129,614	26,620,176	1,943,848	24,298,094	1,916,701	23,958,763
Credit valuation adjustment	1,730	21,625	817	10,213	772	9,650
Risk weight floor, residential and commercial properties	209,417	2,617,716	188,427	2,355,343	-	-
Other REAs	1,760	22,000	1,760	22,000	6,800	85,000
Operational risk						
	30/09/2019		31/12/2018		30/09/2018	
	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
Total capital requirement for operational risk	163,957	2,049,465	165,479	2,068,482	165,479	2,068,482
Total capital requirements and risk-weighted exposure amounts	2,506,479	31,330,982	2,300,331	28,754,132	2,082,952	26,121,895

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.

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

Lund, 29 October 2019

Bo Bengtsson
CEO

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 13%.

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 are 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