



2019 Year-End Report

Lund, 29 January 2020

The fourth quarter of 2019 marked a positive end to a strong year for Sparbanken Skåne. Both business volume and net interest income improved while continued effective cost controls drove a profit before tax of SEK 202m for the quarter, a two percent year-on-year increase excluding goodwill amortisation. For full year 2019, operating profit excluding goodwill amortisation amounted to SEK 803m.





Q4 financial summary, October–December 2019

- The bank's operating profit increased in the quarter, totalling SEK 202m (90).
- Net interest income was positively affected by increased loan volume, amounting to SEK 281m (249).
- Net fee and commission income amounted to SEK 125m (138).
- Expenses decreased primarily as a result of lower goodwill amortisation and totalled SEK -216m (-314).
- Credit losses amounted to SEK +6m (+14).
- Business volume was up in the quarter, totalling SEK 205bn (200 at September 2019).
- Both the capital ratio and the tier 1 capital ratio amounted to 19.7% (19.4 at September 2019).
- The LCR amounted to 186% (215 at September 2019).

(Comparative figures in parentheses refer to Q4, October–December 2018 unless otherwise stated.)

Key events in Q4 2019

- The bank's financial position continued to experience positive growth. The bank saw gains in net interest income and operating profit while costs stayed on track and credit losses were very low.
- Interest in the bank's residential mortgage offering is high. During the quarter, residential mortgage volumes rose by over one billion Swedish kronor. In total, the bank's business volume increased by three percent.
- Riksgälden renewed its classification of Sparbanken Skåne as one of nine Swedish institutions that are important to the financial system. Riksgälden also set the minimum requirement for own funds and eligible liabilities (MREL) for 2020.

- The bank issued its first MREL bond in October. This bond was also a green bond that raised funds to finance and refinance lending for purposes with clear sustainability benefits. The issue was received by the market with great interest.
- The indications of an economic slowdown are becoming increasingly clear in Skåne as well. This was shown by "Skånsk konjunktur", the bank's report published in November. However, the bank has not observed any deterioration in the quality of its loan portfolio.
- Sparbanken Skåne continued to get involved in the community. A Future Day event was organised for the business community in Skåne in collaboration with the foundation owners. One of the highlights was the awarding of two new business awards.

Financial summary, January–December 2019

- The bank's operating profit for the period was SEK 638m (277).
- Operating profit excluding goodwill amortisation for the January–December period totalled SEK 803m (705).
- Net interest income increased by 17% to SEK 1,107m (947).
- Net fee and commission income amounted to SEK 495m (538).
- Expenses decreased primarily as a result of lower goodwill amortisation and totalled SEK -993m (-1,235).
- Business volume increased by 8% to SEK 205bn (189).
- Subordinated liabilities amounting to SEK 500m were redeemed in the period. Following this redemption, the total capital ratio was 19.7% (22.0).
- The tier 1 capital ratio decreased to 19.7% (20.3).
- The LCR decreased to 186% (282), which is still high.

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

Positive end to a strong year

The fourth quarter of 2019 marked a positive end to a year with a high level of activity for Sparbanken Skåne. Business volume and net interest income improved during the quarter, while cost controls continued to be effective and credit losses remained low. The bank exhibited strong growth in its residential mortgage business and also issued its first green bond during the quarter.

In December, the Swedish central bank resolved to raise the repo rate to zero percent after nearly five years of negative interest rates. This marks another step towards a more normal interest rate level and is a welcome decision from a social perspective. Despite being under pressure, the Swedish krona recovered somewhat in the fourth quarter. However, global economic trends continue to create uncertainty and we can see that interest rates remain low despite the rate hike.

When talking to our customers, we make clear that this interest rate situation will not last forever. Borrowers should take the possibility of increased costs into account. For savings and investments, it's important to see the relationships between risk and return when looking for ways of saving beyond the traditional interest-bearing account.

Volume and profit up

The Stockholm Stock Exchange closed out the year with an eight percent gain in the fourth quarter, which gave a boost to Sparbanken Skåne's fund, insurance and securities volumes. The bank also performed well in lending, gaining over one billion Swedish kronor in new residential mortgage volumes in three months. This was driven by concerted efforts where we clearly showcased our collective residential mortgage offering with the message "Låna skånskt" (borrow local in Skåne). In total, the bank boosted its business volume by three percent in the quarter to SEK 205bn.

Net interest income for the fourth quarter was up 13 percent year-on-year. This increase was primarily driven by lending volume growth, which, in addition to growth in residential mortgages, was a result of the conversion of loans from external mortgage companies to loans on the bank's own balance sheet.

Cost controls continued to be effective and credit losses remained low. Operating profit before tax was SEK 202m for the quarter, a two percent year-on-year increase, excluding goodwill amortisation. The final amortisation of the goodwill item created when the bank was founded in 2014 was recognised as an expense just before the summer. This will impact direct comparisons with previous years for a while.

For 2019 as a whole, operating profit excluding goodwill amortisation totalled SEK 803m, a 14 percent year-on-year increase, marking the strongest profit ever in the bank's five-year history.

Prepared for the future

Riksgälden (the Swedish National Debt Office) renewed its classification of Sparbanken Skåne as one of nine Swedish institutions that are important to the financial system. Riksgälden also set the minimum requirement for own funds and eligible liabilities (MREL) applicable to Sparbanken Skåne and the other institutions for 2020.

Sparbanken Skåne will be able to meet this and other regulatory requirements well in advance. The bank issued its first MREL bond in October, raising one billion Swedish kronor in eligible funds for the bank.

This bond was also a green bond – a new initiative to fund customer loans for projects with clear sustainability benefits in areas such as renewable energy production, organic farming, sustainable transport and climate-smart properties. With our green bond

initiative, we are seeking to play our part in raising awareness of what is needed in the transition to a more sustainable society.

During the quarter we also continued renewing our offering to make life easier for our customers. For example, we teamed up with Swedbank to launch Apple Pay, a payment service many have been eagerly awaiting.

Regional stability

In November, we published the year's second edition of "Skånsk konjunktur" – Sparbanken Skåne's own report on economic conditions in Skåne. We found that the signals of an economic slowdown became increasingly clear in our region as well. Jobs are still being created, but growth has waned.

The report also shows that we increasingly travel to get to work here in Skåne. Commuting in the region increased by 21 percent in ten years, and now four in ten work in a municipality other than the one in which they live. From the bank's perspective, we see this mobility as something positive, both for individuals who can find a stimulating job and for businesses that can leverage the right skills for continuing development.

Skåne's housing market exhibited stability in our rolling 12-month analysis, with small price increases for both houses and flats. In addition, the economic slowdown that has started to be seen has not had any impact on the quality of the bank's loan portfolio so far.

"Skånsk konjunktur" is produced by the bank in collaboration with Øresundsinstittuttet and our three foundation owners, Sparbanksstiftelsen Finn, Sparbanksstiftelsen Färs & Frosta and Sparbanksstiftelsen 1826.

Together with the foundations, the bank participates in several community development projects aiming to make the Skåne of tomorrow a little better. For example, we organised Future Day (Framtidsdag), an event in November for the business community in Skåne packed with inspiration, exciting activities and lectures. Over 250 attendees listened to renowned speakers such as former Swedish prime minister Fredrik Reinfeldt and behaviourist Lovisa Sterner, who both shared their take on the challenges of the future. In addition, two new business awards were handed out to successful entrepreneurs and intrepeneurs in Skåne.

2019 was a year in which the bank further consolidated its position. We are close to our long-term return on equity target of ten percent. Our customer offering has been updated continuously to create value in the market. We are well positioned to meet 2020 and the expectations placed on a modern savings bank for the local community.

In conclusion, I would like to highlight that the bank was recertified as a Great Place to Work in the fourth quarter. This was preceded by an employee survey in which as many as 89 percent of employees responded that Sparbanken Skåne is a very good place to work. 94 percent also expressed pride in how we contribute to the local community in our role as a savings bank.

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 31 December 2019 was SEK 204,707m (189,364), an 8 percent increase for 2019 as a whole. This growth was mainly due to an increase in lending volume and increased volume for funds and insurance.

Deposits from the general public were up 4 percent, totalling SEK 53,120m (51,266). Both private and corporate customers accounted for this increase in deposits.

The market value of the total brokered fund and insurance volume was SEK 42,162m (34,728). The biggest reason for the volume gains was the strong stock market trend during the year. Over the year, our net savings in insurance were positive but in funds they were negative.

The previous year's positive performance of loans to the general public continued throughout 2019. Loans to the general public at 31 December 2019 amounted to SEK 71,903m (64,077). This increase was 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 31 December 2019 amounted to SEK 15,892m (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. Sparbanken Skåne is rated A- with a stable outlook.

The bank's outstanding covered bonds increased by a nominal amount of SEK 3,000m in 2019. Outstanding senior bonds increased by SEK 400m during the same period. Outstanding certificates of deposit remained unchanged. In October, the bank issued its first MREL bond (a senior non-preferred bond) for SEK 1,000m with a five-year maturity. The bond was subject to the green framework that the bank devised in the fourth quarter. This is the first step for the bank to meet Riksgälden's MREL requirements in future years.

The framework required for issuing green bonds in the Swedish capital market was devised in collaboration 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 loans to customers for purposes with clear sustainability benefits.

The bank's outstanding MTN programme bonds at 31 December amounted to SEK 7,300m and SEK 12,000m for covered bonds. Outstanding certificates of deposit totalled SEK 950m. The changes during the year are disclosed in Note 10 Debt securities issued and related items.

In June 2019, in accordance with authorisation from Finansinspektionen, the bank opted for early redemption of subordinated liabilities, in the form of fixed-term subordinated loans, totalling SEK 500m.

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 2019, Riksgälden 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 2020, is 7.5 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 in preparation for the bank to issue MREL instruments in 2019.

The bank's liquidity reserves at 31 December 2019 amounted to SEK 7,104m (9,435). The liquidity reserves decreased during the year because the bank redefined the assets includable in the liquidity reserves and because the bank used part of its liquidity for lending growth during the year. At 31 December, the liquidity reserves consist of assets that can generate liquidity quickly at predictable values. The bank's liquidity reserves are calculated 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 186 percent (282 percent at 31 December 2018).

The loan-to-deposit ratio at 31 December 2019 was 135 percent (125 percent at year-end 2018).

More information about liquidity reserves and liquidity management is provided in periodic disclosures at sparbankenskane.se/finansinformation/likviditet.

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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 Global rated the senior non-preferred bond issued under the MTN programme at BBB+.

Profit

The comparative figures refer to the January–December 2018 period.

Operating profit for 2019 totalled SEK 638m (277). The impact of goodwill amortisation on profit was SEK 164m. Profit is in line with expectations for the year. The 17 percent year-on-year improvement in net interest income, effective cost controls and low credit losses 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 164m in 2019 and SEK 428m in previous years. This item is now fully amortised.

Net interest income improved by 17 percent year-on-year, amounting to SEK 1,107m (947). 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 65m (64).

Fee and commission income amounted to SEK 558m (602). Loan commissions amounted to SEK 118m (160) 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 219m (216) and were impacted positively during the year by the stock market gains in 2019. Other fee and commission income amounted to SEK 221m (225).

Fee and commission expenses amounted to SEK -63m (-64).

General administrative expenses were up three percent year-on-year, totalling SEK -749m (-729). Personnel expenses amounted to SEK -447m (-437), and IT expenses were SEK -183m (-182).

The total amount for both the depreciation of tangible assets and the amortisation of intangible assets was SEK -188m (-451), and amortisation of intangible assets (goodwill) accounted for SEK -164m (-428) of the total. The goodwill item in the balance sheet was fully amortised at the end of H1 2019.

Credit losses for 2019 resulted in revenue of SEK 13m (+10). The reversal of stage 3 provisions and the amount received for previously realised credit losses had a positive impact on the item.

Profit for the year after appropriations and tax totalled SEK 497m (196).

Capital ratio

The bank's capital base decreased by SEK 40m during the year, putting the total value of the capital base on 31 December 2019 at SEK 6,290m (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 31,919m (28,754). The credit risk REA at 31 December 2019 totalled SEK 27,112. SEK 7,659m of this item was calculated using the standardised approach to credit risk and SEK 19,453m 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 2,687m (2,355). The corporate REA also increased during the year due to increased lending to this sector. The operational risk REA at 31 December amounted to SEK 2,049m (2,068). The total capital ratio was thus 19.7 percent at 31 December 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 at 31 December amounted to 7.5 percent (7.5). 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 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 fourth 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.

Board dividend proposal

The board proposes a dividend of SEK 9 per share, resulting in a total dividend amount of SEK 150.2m.

Annual report and financial calendar

The 2019 annual report will be available (in Swedish) at sparbankenskane.se in the week of 9 March (week 11).

The bank will publish interim reports in 2020 on the following dates:

January–March 2020 Interim Report	29 April 2020
January–June 2020 Interim Report	29 July 2020
July–September 2020 Interim Report	28 October 2020

Events after the reporting period

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

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Financial ratios	12/2019	9/2019	6/2019	3/2019	12/2018
Volume					
Business volume, millions of SEK	204,707	199,719	198,948	194,933	189,364
Capital and liquidity					
CET1 capital ratio	19.7%	19.4%	19.7%	20.0%	20.3%
Total capital ratio	19.7%	19.4%	19.7%	21.7%	22.0%
Leverage ratio	7.5%	7.3%	7.4%	7.6%	7.5%
Loan-to-deposit ratio	1.35	1.32	1.29	1.29	1.25
LCR	186%	215%	216%	186%	282%
NSFR	130%	130%	130%	133%	137%
Profit					
Cost/income ratio before credit losses	0.61	0.64	0.73	0.79	0.82
Cost/income ratio after credit losses	0.61	0.64	0.73	0.79	0.82
Cost/income ratio after credit losses excluding dividends, capital gains and goodwill amortisation	0.50	0.50	0.52	0.52	0.53
Return on equity	7.8	7.3	5.5	4.2	3.5
Return on equity excluding dividends, capital gains and goodwill amortisation	9.8	10.0	9.6	9.6	9.0
Credit-impaired loans and credit losses					
Provision ratio for stage 3 loans	32%	31%	29%	33%	36%
Net credit-impaired loans (stage 3) as a percentage of total loans to the general public	0.17%	0.18%	0.21%	0.18%	0.17%
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%
Other disclosures					
Average number of employees	469	463	495	505	488

The alternative financial ratios are defined on page 25.

Quarterly comparison

Income statement	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Thousands of SEK					
Net interest income	280,852	282,526	279,604	264,146	249,305
Dividends received	-	-	-	630	-
Net fees and commissions	124,642	123,359	122,146	125,013	138,156
Net gain/loss from financial transactions	5,811	2,651	-938	5,192	2,678
Other operating income	669	648	760	1,045	848
Total net interest income and operating income	411,974	409,184	401,572	396,026	390,987
General administrative expenses	-194,993	-176,176	-195,963	-182,122	-188,719
Depreciation and amortisation	-5,621	-6,014	-63,320	-112,966	-112,524
Other expenses	-15,571	-10,749	-12,359	-17,572	-13,116
Credit losses	6,218	2,882	5,644	-1,719	13,541
Total expenses	-209,967	-190,057	-265,998	-314,379	-300,818
Operating profit/loss	202,007	219,127	135,574	81,647	90,169
Taxes	-39,850	-47,685	-31,853	-21,568	-24,390
Profit/loss for the period	162,157	171,442	103,721	60,079	65,779

Balance sheet	31/12/2019	30/09/2019	30/06/2019	31/03/2019	31/12/2018
Thousands of SEK					
Loans to credit institutions	2,906,020	3,612,812	3,149,997	3,000,888	2,893,156
Loans to the general public	71,903,208	69,629,495	68,452,723	66,275,104	64,076,523
Fixed-income securities	4,885,429	4,691,625	5,135,782	4,738,813	4,448,361
Goodwill	-	-	-	57,241	164,203
Other assets	803,648	1,495,166	2,158,972	930,784	3,186,247
Total assets	80,498,305	79,429,098	78,897,474	75,002,830	74,768,490
Liabilities to credit institutions	60,482	65,904	97,775	78,843	559,261
Deposits from the general public	53,120,408	52,600,156	52,954,823	51,529,149	51,265,516
Debt securities issued and subordinated liabilities	20,426,649	19,939,533	19,187,801	16,883,665	16,488,372
Other liabilities	308,163	386,004	385,715	349,538	301,208
Equity	6,582,603	6,437,501	6,271,360	6,161,635	6,154,133
Total liabilities, provisions and equity	80,498,305	79,429,098	78,897,474	75,002,830	74,768,490

Income statement

Income statement	Note	Q4 2019	Q4 2018	Change	Jan-Dec 2019	Jan-Dec 2018	Change
Thousands of SEK							
Interest income		328,380	278,378	18%	1,277,802	1,066,485	20%
Interest expenses		-47,528	-29,073	63%	-170,674	-119,298	43%
Net interest income	3	280,852	249,305	13%	1,107,128	947,187	17%
Dividends received		0	0	-	630	940	-33%
Fee and commission income	4	140,697	152,201	-8%	557,896	601,671	-7%
Fee and commission expenses	5	-16,055	-14,045	14%	-62,736	-63,884	-2%
Net gain/loss from financial transactions	6	5,811	2,678	-	12,716	12,830	-1%
Other operating income		669	848	-21%	3,122	3,469	-10%
Total net interest income and operating income		411,974	390,987	5%	1,618,756	1,502,213	8%
General administrative expenses		-194,993	-188,719	3%	-749,254	-729,254	3%
Depreciation of tangible assets and amortisation of intangible assets		-5,621	-112,524	-95%	-187,921	-450,800	-58%
Other operating expenses		-15,571	-13,116	19%	-56,251	-55,090	2%
Total expenses before credit losses		-216,185	-314,359	-31%	-993,426	-1,235,144	-20%
Profit/loss before credit losses		195,789	76,628	-	625,330	267,069	-
Net credit losses	7	6,218	13,541	-54%	13,025	10,020	30%
Operating profit/loss		202,007	90,169	-	638,355	277,089	-
Tax on profit for the period		-39,850	-24,390	63%	-140,956	-80,657	75%
Profit/loss for the period		162,157	65,779	-	497,399	196,432	-

Statement of comprehensive income	Q4 2019	Q4 2018	Change	Jan-Dec 2019	Jan-Dec 2018	Change
Thousands of SEK						
Profit/loss for the period	162,157	65,779	-	497,399	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	-758	-11,557	-93%	5,778	-12,247	-
Change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	2,723	10	-
Change in loss reserve for financial assets measured at fair value through other comprehensive income	666	44	-	336	247	36%
Tax attributable to items that may be reclassified to profit or loss for the period	-	-	-	-1,944	2,638	-
Other comprehensive income for the period	-92	-11,513	-99%	6,893	-9,352	-
Comprehensive income for the period	162,065	54,266	-	504,292	187,080	-

Balance sheet

Balance sheet	Note	31/12/2019	31/12/2018	Change	
Thousands of SEK				Thousands of SEK	%
Assets					
Cash		1,121	1,960	-839	-43%
Treasury bills eligible for refinancing with central banks		1,857,824	1,129,312	728,512	65%
Loans to credit institutions		2,906,020	2,893,156	12,864	-
Loans to the general public	8	71,903,208	64,076,523	7,826,685	12%
Bonds and other fixed-income securities		3,027,605	3,319,049	-291,444	-9%
Shareholdings and investments		4,000	4,000	-	-
Derivatives	12	5,477	5,407	70	1%
Intangible assets		-	164,203	-164,203	-
Tangible assets		67,326	88,872	-21,546	-24%
Current tax assets		485,181	2,834,231	-2,349,050	-83%
Deferred tax assets		14,937	12,227	2,710	22%
Other assets		69,507	61,221	8,286	14%
Prepaid expenses and accrued income		156,099	178,329	-22,230	-12%
Total assets		80,498,305	74,768,490	5,729,815	8%
Liabilities, provisions and equity					
Liabilities to credit institutions		60,482	559,261	-498,779	-89%
Deposits from the general public	9	53,120,408	51,265,516	1,854,892	4%
Debt securities issued and related items	10	20,426,649	15,988,372	4,438,277	28%
Derivatives	12	14,398	43,035	-28,637	-67%
Other liabilities		75,543	86,336	-10,793	-13%
Accrued expenses and deferred income		118,710	101,647	17,063	17%
Provisions	11	99,512	70,190	29,322	42%
Subordinated liabilities		-	500,000	-500,000	-
Total liabilities and provisions		73,915,702	68,614,357	5,301,345	8%
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		992	-5,901	6,893	-
Retained earnings		1,118,049	997,439	120,610	12%
Profit/loss for the period		497,399	196,432	300,967	-
Total		4,805,071	4,376,601	428,470	10%
Total equity		6,582,603	6,154,133	428,470	7%
Total liabilities, provisions and equity		80,498,305	74,768,490	5,729,815	8%
Other notes					
Accounting policies	1				
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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 2018	1,668,336	109,196	3,188,631	3,451	866,640	186,856	6,023,110
Appropriation of profit as per AGM resolution							
Amount carried forward	-	-	-	-	130,799	-130,799	-
Transactions with owners in the form of dividends	-	-	-	-	-	-56,057	-56,057
Profit/loss for the year	-	-	-	-	-	196,432	196,432
Other comprehensive income for the year	-	-	-	-9,352	-	-	-9,352
Comprehensive income for the year	-	-	-	-	-	-	187,080
Balance at 31 December 2018	1,668,336	109,196	3,188,631	-5,901	997,439	196,432	6,154,133
Balance at 1 January 2019	1,668,336	109,196	3,188,631	-5,901	997,439	196,432	6,154,133
Adjustment of financial guarantee provision for brokered loans (net of tax)	-	-	-	-	-16,930	-	-16,930
Adjusted balance at 1 January 2019	1,668,336	109,196	3,188,631	-5,901	980,509	196,432	6,137,203
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 year	-	-	-	-	-	497,399	497,399
Other comprehensive income for the year	-	-	-	6,893	-	-	6,893
Comprehensive income for the year	-	-	-	-	-	-	504,292
Balance at 31 December 2019	1,668,336	109,196	3,188,631	992	1,118,049	497,399	6,582,603

Restricted equity

Restricted equity may not be decreased by paying dividends.

Statutory reserve

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

Non-restricted equity

Share premium reserve

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

Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of financial assets at fair value through other comprehensive income until the asset is derecognised from the balance sheet.

Retained earnings

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

Statement of cash flows

Indirect method	31/12/2019	31/12/2018
Thousands of SEK		
Cash flows from operating activities		
Operating profit/loss	638,355	277,089
Net change in amortised cost for the period	65,695	33,674
Unrealised share of net gain from financial transactions	-7,293	-22,550
Depreciation and amortisation	187,921	450,800
Credit losses	-5,789	-3,553
Tax paid	-91,951	-74,016
Cash flows from operating activities before changes in working capital	786,938	661,444
Cash flow from changes in working capital		
Increase/decrease in loans to the general public (-/+)	-7,864,939	-7,168,373
Increase/decrease in securities (-/+)	-448,157	154,134
Increase/decrease in deposits from the general public (+/-)	1,854,892	2,624,292
Increase/decrease in liabilities to credit institutions (+/-)	-498,779	-24,995
Net change in other assets and liabilities	21,304	20,364
Net cash from operating activities	-6,148,741	-3,733,134
Cash flows from investing activities		
Disposal/redemption of financial assets	29,322	21,877
Transfer of excess liquidity to tax account	2,300,000	-100,000
Sale of tangible assets	0	1,816
Acquisition of tangible assets	-2,172	-17,811
Net cash from investing activities	2,327,150	-94,118
Cash flows from financing activities		
Issue of fixed-income securities	8,682,823	10,624,664
Redemption of fixed-income securities	-4,790,315	-5,343,830
Dividends paid	-58,892	-56,057
Net cash from financing activities	3,833,616	5,224,777
Cash flow for the year	12,025	1,397,525
Cash and cash equivalents at beginning of year	2,895,116	1,497,591
Cash and cash equivalents at end of year	2,907,141	2,895,116
The following subcomponents are included in cash and cash equivalents		
Cash	1,121	1,960
Loans to credit institutions	2,906,020	2,893,156
Balance sheet total	2,907,141	2,895,116
Short-term investments have been classified as cash and cash equivalents on the basis of the following criteria		
They have an insignificant risk of changes in value		
They are easily convertible to cash		
They have a maximum term of three months from their acquisition date		
Interest paid and dividends received included in net cash from operating activities		
Interest received	1,275,629	1,065,775
Interest paid including cost of deposit insurance and resolution/stability fee	-157,780	-117,196
Dividends received	630	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 on Annual Accounts for Credit Institutions and Securities Companies (FFFS 2008:25), 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.

Adjustment of financial guarantee provision for brokered loans

During the calendar year, the bank adjusted its financial guarantee provision for brokered loans. The accumulated amount for the reserve at 31 December 2018 (SEK 21,539 thousand) was adjusted to retained earnings at 1 January 2019. Changes to the reserve for expected credit losses on brokered loans were recognised as reversed credit losses in the income statement (SEK 4,065 thousand) for the 2019 financial year.

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-Dec 2019	Jan-Dec 2018	Change
Thousands of SEK			
Interest income			
Loans to credit institutions	4,213	3,310	27%
Loans to the general public	1,298,376	1,105,926	17%
Fixed-income securities	3,895	-7,949	-
Derivatives	-28,681	-34,799	-18%
Other interest income	-1	-3	-60%
Total	1,277,802	1,066,485	20%
Interest expenses			
Liabilities to credit institutions	-12,078	-12,929	-7%
Deposits from the general public	-55,310	-47,579	16%
– expenses for deposit insurance	-43,533	-37,298	17%
Fixed-income securities	-77,217	-23,947	-
Subordinated liabilities	-4,677	-8,045	-42%
Other interest expenses	-21,392	-26,798	-20%
– fee for resolution fund	-21,387	-26,787	-20%
Total	-170,674	-119,298	43%
Total net interest income	1,107,128	947,187	17%

Note 4 Fee and commission income

	Jan-Dec 2019	Jan-Dec 2019	Change
Thousands of SEK			
Payment intermediation fees	70,358	76,125	-8%
Loan commissions	117,891	160,247	-26%
Deposit commissions	80,732	73,896	9%
Commissions for financial guarantees issued	2,226	2,676	-17%
Securities commissions and fees	218,787	216,272	1%
Other fees and commissions	67,902	72,455	-6%
Total	557,896	601,671	-7%

Note 5	Fee and commission expenses	Jan-Dec 2019	Jan-Dec 2018	Change
Thousands of SEK				
	Payment intermediation fees	-35,127	-36,817	-5%
	Securities commissions and fees	-22,809	-22,655	1%
	Other fees and commissions	-4,800	-4,412	9%
	Total	-62,736	-63,884	-2%

Note 6	Net gain/loss from financial transactions	Jan-Dec 2019	Jan-Dec 2018	Change
Thousands of SEK				
	Shareholdings/investments	2,800	-	-
	Fixed-income securities	-3,104	-115	-
	Other financial instruments	7,477	7,042	6%
	Exchange rate fluctuations	5,543	5,903	-6%
	Total	12,716	12,830	-1%

	Jan-Dec 2019	Jan-Dec 2018	Change
Net gain/loss by valuation category			
Financial assets at fair value through other comprehensive income	-304	-115	-
Ineffective portion of fair value hedge	826	1,034	-20%
Derivatives intended for risk management, no hedge accounting	6,651	6,008	11%
Change in fair value of derivatives used as hedging instruments in a fair value hedge	22,503	9,395	-
Change in fair value of hedged item attributable to the hedged risk in fair value hedges	-22,503	-9,395	-
Exchange rate fluctuations	5,543	5,903	-6%
Total	12,716	12,830	-1%

Note 7	Net credit losses	Jan-Dec 2019	Jan-Sep 2018	
Thousands of SEK				
Loans at amortised cost				
	Change in provisions – stage 1	1,019	-5,398	-
	Change in provisions – stage 2	3,226	-5,282	-
	Change in provisions – stage 3	6,930	19,118	-64%
	Total	11,175	8,438	32%
	Net cost for the year for realised losses	-10,287	-6,348	62%
	Amount received for previously realised credit losses	7,236	7,335	-1%
	Total credit losses on loans at amortised cost	8,124	9,425	-14%
Loan commitments and financial guarantee contracts				
	Change in provisions – stage 1	-934	-383	-
	Change in provisions – stage 2	3,819	-816	-
	Change in provisions – stage 3	2,016	1,794	12%
	Total credit losses for loan commitments and financial guarantee contracts	4,901	595	-
	Total credit losses	13,025	10,020	30%

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
New financial assets	23,174,695	508,965	11,168	23,694,828
Derecognised financial assets	-13,644,955	-674,024	-67,475	-14,386,454
Changes due to changed balances	-1,353,285	-106,878	-8,134	-1,468,297
Transfers between stages during the period				
from stage 1 to stage 2	-2,145,001	2,145,001	-	0
from stage 1 to stage 3	-19,456	-	19,456	0
from stage 2 to stage 1	1,098,556	-1,098,556	-	0
from stage 2 to stage 3	-	-64,947	64,947	0
from stage 3 to stage 2	8,132	-	-8,132	0
from stage 3 to stage 1	-	2,580	-2,580	0
Exchange rate fluctuations	20	0	0	20
Gross carrying amount at 31 December 2019	67,796,753	4,034,868	180,416	72,012,037
Loss allowances				
Loss allowances at 1 January 2019	20,333	33,414	61,706	115,453
New financial assets	8,968	3,362	4,179	16,509
Derecognised financial assets	-5,649	-6,803	-24,519	-36,971
Changes due to changed balances	-1,170	-1,507	-4,123	-6,800
Changed risk variables (EAD, PD, LGD)	2,487	-6,092	6,455	2,850
Changes in macroeconomic scenarios	-1,588	-1,255	-262	-3,105
Changes due to updated models	-397	-348	0	-745
Transfers between stages during the period				
from stage 1 to stage 2	-4,084	14,147	-	10,063
from stage 1 to stage 3	-37	-	3,408	3,371
from stage 2 to stage 1	440	-2,294	-	-1,854
from stage 2 to stage 3	-	-2,479	11,298	8,819
from stage 3 to stage 1	11	-	-1,012	-1,001
from stage 3 to stage 2	-	43	-271	-228
Loss allowances at 31 December 2019	19,314	30,188	56,859	106,361
Carrying amount				
Opening balance at 1 January 2019	60,657,714	3,289,313	109,460	64,056,487
Closing balance at 31 December 2019	67,777,439	4,004,680	123,557	71,905,676
Change in fair value of hedged amount in portfolio hedge				-2,468
Total				71,903,208

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	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK				
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2018	53,917,157	2,952,950	145,761	57,015,868
New financial assets	21,732,195	473,320	23,343	22,228,858
Derecognised financial assets	-12,847,899	-687,387	-15,182	-13,550,468
Changes due to changed balances	-1,534,937	23,102	-10,484	-1,522,319
Transfers between stages during the period				
from stage 1 to stage 2	-1,666,992	1,666,992	-	0
from stage 1 to stage 3	-31,765	-	31,765	0
from stage 2 to stage 1	1,106,264	-1,106,264	-	0
from stage 2 to stage 3	-	-9,747	9,747	0
from stage 3 to stage 2	4,023	-	-4,023	0
from stage 3 to stage 1	-	9,761	-9,761	0
Exchange rate fluctuations	1	0	0	1
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	77,971	121,025
New financial assets	9,364	3,998	3,335	16,697
Derecognised financial assets	-4,052	-5,987	-5,562	-15,601
Changes due to changed balances	-5194	-4032	-8628	-17,854
Changed risk variables (EAD, PD, LGD)	10,371	-2,116	-9,747	-1,492
Changes in macroeconomic scenarios	2,300	1,950	646	4,896
Changes due to updated models	-17	-92	0	-109
Transfers between stages during the period				
from stage 1 to stage 2	-4,221	15,776	-	10,063
from stage 1 to stage 3	-3,846	-	3,898	3,371
from stage 2 to stage 1	700	-3,002	-	-1,854
from stage 2 to stage 3	-	-1,553	1,605	8,819
from stage 3 to stage 1	7	-	-494	-1,001
from stage 3 to stage 2	-	340	-1,319	-228
Loss allowances at 31 December 2018	20,334	33,414	61,705	115,453
Carrying amount				
Opening balance at 1 January 2018	53,902,235	2,924,818	67,790	56,894,843
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

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Gross carrying amount and loss allowance by sector at 31 December 2019	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
Loans to the general public			
Private customers	39,563,533	28,076	39,535,457
Tenant-owners' associations	2,379,566	1,141	2,378,425
Corporate customers	30,068,938	77,144	29,991,794
Agriculture, fishing, forestry	7,033,937	9,973	7,023,964
Manufacturing	562,312	2,688	559,624
Public sector	820,930	3,634	817,296
Construction	1,813,815	3,994	1,809,821
Retail	1,353,033	15,813	1,337,220
Transport	445,477	1,735	443,742
Hotel and restaurant	375,798	1,243	374,555
Information technology	310,712	145	310,567
Banking and insurance	179,493	116	179,377
Property management	13,619,856	19,112	13,600,744
Service sector	1,812,628	4,305	1,808,323
Other loans to businesses	1,740,947	14,386	1,726,561
Loans to the general public	72,012,037	106,361	71,905,676

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

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Gross carrying amount and loss allowance by stage	31 December 2019	31 December 2018
Thousands of SEK		
Loans to the general public, private customers		
Stage 1		
Gross carrying amount	40,047,183	34,481,829
Loss allowances	5,053	5,188
Carrying amount	40,042,130	34,476,641
Stage 2		
Gross carrying amount	1,854,342	1,856,703
Loss allowances	8,186	12,469
Carrying amount	1,846,156	1,844,234
Stage 3		
Gross carrying amount	41,574	33,243
Loss allowances	15,978	19,198
Carrying amount	25,596	14,045
Total carrying amount, loans to private customers	41,913,882	36,334,920
Loans to the general public, corporate customers		
Stage 1		
Gross carrying amount	27,749,570	26,196,218
Loss allowances	14,261	15,145
Carrying amount	27,735,309	26,181,073
Stage 2		
Gross carrying amount	2,180,526	1,466,024
Loss allowances	22,002	20,945
Carrying amount	2,158,524	1,445,079
Stage 3		
Gross carrying amount	138,842	137,923
Loss allowances	40,881	42,508
Carrying amount	97,961	95,415
Total carrying amount, loans to corporate customers	29,991,794	27,721,567
Gross carrying amount – stage 1	67,796,753	60,678,047
Gross carrying amount – stage 2	4,034,868	3,322,727
Gross carrying amount – stage 3	180,416	171,166
Total gross carrying amount	72,012,037	64,171,940
Loss allowance – stage 1	19,314	20,333
Loss allowance – stage 2	30,188	33,414
Loss allowance – stage 3	56,859	61,706
Total loss allowances	106,361	115,453
Total carrying amount, loans to the general public	71,905,676	64,056,487
Gross stage 3 loans in %	0.25%	0.27%
Net stage 3 loans in %	0.17%	0.17%
Ratio of loss allowances to stage 1 loans	18%	18%
Ratio of loss allowances to stage 2 loans	28%	29%
Provision ratio for stage 1 loans	0.03%	0.03%
Provision ratio for stage 2 loans	0.75%	1.01%
Provision ratio for stage 3 loans	32%	36%
Total provision ratio for loans	0.15%	0.18%

Note 9	Deposits from the general public	31/12/2019	31/12/2018
Thousands of SEK			
The general public			
-	Swedish currency	52,645,780	50,816,043
-	foreign currency	474,628	449,473
Total		53,120,408	51,265,516
Deposits per customer category, excluding bank cheques			
	Public sector	1,671,077	1,288,615
	Corporate sector	10,297,516	9,700,779
	Retail sector	40,337,201	39,413,278
	- sole proprietors	6,371,765	6,524,502
	Other sectors	751,000	799,230
Total		53,056,794	51,201,902

Note 10	Debt securities issued and related items	31/12/2019	31/12/2018
Thousands of SEK			
	Certificates of deposit	949,332	950,278
	Bond loans	6,315,917	5,906,181
	Covered bonds	12,163,564	9,131,913
	MREL bond	997,836	-
Total		20,426,649	15,988,372
Changes during the period			
		Jan-Dec 2019	Jan-Dec 2018
	Issued	8,682,823	10,624,647
	Repurchased	-500,000	-
	Matured	-3,744,546	-5,322,108
Change		4,438,277	5,302,539

Note 11	Provisions	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK					
Loss allowances at 31 December 2018					
	Adjustment of opening values	912	9,246	11,381	21,539
Loss allowances at 1 January 2019					
	New loan commitments and financial guarantees	1,868	317	268	2,453
	Financial guarantees and loan commitments that are past due	-756	-4,973	-3,847	-9,576
	Changes due to changed loan commitments and similar items	382	827	-146	1,063
	Changed risk variables (EAD, PD, LGD)	-10	-939	-392	-1,341
	Changes in macroeconomic scenarios	-58	-8	-	-66
	Changes due to updated models	-	-	-	-
	Transfers between stages during the period	89	5	95	189
	from stage 1 to stage 2	-631	1,833	-	1,202
	from stage 1 to stage 3	-10	-	1,033	1,023
	from stage 2 to stage 1	62	-350	-	-288
	from stage 2 to stage 3	-	-532	976	444
	from stage 3 to stage 1	0	-	-2	-2
	from stage 3 to stage 2	-	0	-2	-2
Loss allowances at 31 December		3,472	7,664	15,016	26,152
	Provisions for pensions				61,769
	Other provisions				11,591
Total					99,512

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Loss allowances at 1 January 2018	1,241	1,421	7,447	10,109
New loan commitments and financial guarantees	861	179	-	1,040
Financial guarantees and loan commitments that are past due	-513	-484	-684	-1,681
Changes due to changed loan commitments and similar items	193	514	-185	522
Changed risk variables (EAD, PD, LGD)	76	-554	-837	-1,315
Changes in macroeconomic scenarios	100	47	10	157
Changes due to updated models	-1	-	-	-1
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	-	-	-20	-20
from stage 3 to stage 2	-	21	-120	-99
Loss allowances at 31 December 2018	1,624	2,238	5,652	9,514
Provisions for pensions				51,255
Other provisions				9,421
Total				70,190

Note 12 Derivatives	31/12/2019		31/12/2018	
	Nominal amount	Fair value	Nominal amount	Fair value
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				
Derivative instruments with positive fair values				
Fixed-income contracts	240,000	0	312,000	13
Currency contracts	146,983	5,477	182,655	5,394
Total derivative instruments with positive fair values	386,983	5,477	494,655	5,407
Derivative instruments with negative fair values				
Fixed-income contracts	8,681,625	9,140	3,378,325	38,020
Currency contracts	145,446	5,258	173,779	5,015
Total derivative instruments with negative fair values	8,827,071	14,398	3,552,104	43,035

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 31 December 2019	Carrying amount				Fair value
	Fair value	Amortised cost	Fair value through other comprehensive income		
Thousands of SEK			Debt instruments	Equity instruments	
Cash and balances at central banks	-	1,121	-	-	1,121
Treasury bills eligible for refinancing with central banks	-	-	1,857,824	-	1,857,824
Loans to credit institutions	-	2,906,020	-	-	2,906,020
Loans to the general public	-	71,903,208	-	-	72,437,169
Bonds and other fixed-income securities	-	-	3,027,605	-	3,027,605
Shareholdings and investments	-	-	-	4,000	4,000
Derivatives	5,477	-	-	-	5,477
Other assets	-	69,508	-	-	69,508
Accrued income	-	123,101	-	-	123,101
	5,477	75,002,958	4,885,429	4,000	80,431,825
Liabilities to credit institutions	-	60,482	-	-	60,482
Deposits and borrowings from the general public	-	53,120,408	-	-	53,125,106
Securities issued	-	20,426,649	-	-	20,426,649
Derivatives	14,398	-	-	-	14,398
Other liabilities	-	60,430	-	-	60,430
Accrued expenses	-	116,926	-	-	116,926
Subordinated liabilities	-	0	-	-	0
	14,398	73,784,895	-	-	73,803,991

31 December 2018	Carrying amount				Fair value
	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
	5,407	67,188,691	4,448,361	4,000	72,041,139
Liabilities to credit institutions	-	559,261	-	-	559,261
Deposits and borrowings from the general public	-	51,265,516	-	-	51,270,797
Securities issued	-	15,988,372	-	-	15,988,372
Derivatives	43,035	-	-	-	43,035
Other liabilities	-	70,862	-	-	70,862
Accrued expenses	-	100,099	-	-	100,099
Subordinated liabilities	-	500,000	-	-	500,000
	43,035	68,484,110	-	-	68,532,426

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

Level 1: Quoted prices in active markets for identical instruments

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

Level 3: Unobservable inputs for the instrument

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31/12/2019				
Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	1,857,824	-	-	1,857,824
Bonds and related items	3,027,605	-	-	3,027,605
Shareholdings and investments	-	-	4,000	4,000
Other assets – derivatives	-	5,477	-	5,477
Total	4,885,429	5,477	4,000	4,894,906
Other liabilities – derivatives	-	14,398	-	14,398
Total	-	14,398	-	14,398
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

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

The table below presents a breakdown of opening and closing balances of financial instruments measured at fair value in the balance sheet on the basis of a valuation technique based on unobservable inputs (level 3).

Thousands of SEK	Bonds	Shareholdings and investments	Total
Opening balance at 1 January 2019	-	4,000	4,000
Disposals	-	-	0
Cost – acquisitions	-	-	0
Total gains and losses recognised	-	-	0
– recognised in profit or loss	-	-	0
Closing balance at 31 December 2019	-	4,000	4,000
Gains and losses recognised in profit or loss for assets included in the closing balance at 31 December 2019	-	0	0

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.

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 using observable market data relevant to the fair value measurement including 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.

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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	31/12/2019	31/12/2018
Thousands of SEK			
Pledged assets			
	Loans *	15,972,894	11,736,753
	Other pledged assets	63,169	59,155
	Contingent liabilities	636,202	483,440
	Commitments	8,580,557	8,067,465

* 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

The disclosures in this note are made in compliance with Finansinspektionen's Regulations and General Guidelines on Annual Accounts for Credit Institutions and Securities Companies (FFFS 2008:25) and Finansinspektionen's Regulations Regarding Prudential Requirements and Capital Buffers (FFFS 2014:12). Other disclosures required under Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on Prudential Requirements for Credit Institutions and Investment Firms ("the Capital Requirements Regulation") and regulations supplementing the Capital Requirements Regulation are made on the bank's website (sparbankenskane.se).

Capital base		31/12/2019		31/12/2018	
Thousands of SEK					
	CET1 capital	6,289,848		5,829,432	
	Tier 2 capital	-		500,000	
	Net capital base	6,289,848		6,329,432	
Capital requirements and risk-weighted exposure amounts		Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Minimum capital for credit risk					
	- IRB approach	1,556,258	19,453,223	1,309,312	16,366,399
	- standardised approach	612,720	7,659,002	634,536	7,931,695
	Credit valuation adjustment	3,162	39,525	817	10,213
	Risk weight floor, residential and commercial properties	214,987	2,687,339	188,427	2,355,343
	Other REAs	2,400	30,000	1,760	22,000
	Capital requirement for operational risk	163,957	2,049,465	165,479	2,068,482
	Total capital requirements and risk-weighted exposure amounts	2,553,484	31,918,554	2,300,331	28,754,132
	CET1 capital ratio	19.7%		20.3%	
	Tier 1 capital ratio	19.7%		20.3%	
	Total capital ratio	19.7%		22.0%	
	Pillar 2 capital requirement	1.9%	622,162	2.0%	588,485
	Total internally assessed capital requirement (excluding buffer requirement)		3,175,646		2,888,816
	Buffer requirement	5.0%	1,595,928	4.5%	1,293,936
	- capital conservation buffer	2.5%	797,964	2.5%	718,853
	- countercyclical capital buffer	2.5%	797,964	2.0%	575,083
	Total capital requirement including buffer requirement		4,771,574		4,182,752

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Thousands of SEK	31/12/2019	31/12/2018
CET1 capital: Instruments and reserves		
Share capital	1,668,336	1,668,336
Statutory reserve	109,196	109,196
Share premium reserve	3,188,631	3,188,631
Fair value reserve	-	-5,901
Retained earnings	1,118,049	997,439
Profit attributable to the bank's owners	497,399	196,432
Deduction for ineligible part of profit for the period or year	-150,150	-58,932
CET1 capital before regulatory adjustments	6,431,461	6,095,201
CET1 capital: regulatory adjustments		
Intangible assets	-	-164,203
Value adjustments due to prudent valuation requirements	-4,885	-4,448
Deferred tax assets	-14,937	-12,227
Deduction of IRB provisions (see disclosure below)	-121,791	-84,891
Total regulatory adjustments to CET1 capital	-141,613	-265,769
CET1 capital	6,289,848	5,829,432
Tier 2 capital: Instruments		
Fixed-term subordinated loans	-	500,000
Tier 2 capital	-	500,000
Capital base	6,289,848	6,329,432
Special disclosures		
IRB Provisions excess(+)/shortfall(-)	-120,837	-84,891
Total IRB provisions (+)	90,349	90,015
IRB Expected loss amount (-)	-211,186	-174,906

Capital requirement and risk-weighted exposure amount

Thousands of SEK	31/12/2019		31/12/2018	
	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	83,377	1,042,218	136,767	1,709,593
Retail exposures	238,136	2,976,701	215,584	2,694,796
Exposures secured by mortgages on immovable property	288,943	3,611,782	278,464	3,480,800
Items in default	1,944	24,301	3,400	42,506
Equity exposures	320	4,000	320	4,000

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Credit risk under IRB approach				
Institutional exposures	89,062	1,113,274	87,140	1,089,245
Corporate exposures	821,135	10,264,188	620,638	7,757,979
Retail exposures	633,111	7,913,888	585,492	7,318,656
– mortgage loans	374,577	4,682,211	319,188	3,989,856
– other loans	258,534	3,231,677	266,304	3,328,800
Non-credit obligation asset exposures	12,950	161,873	16,042	200,519
Total	2,168,978	27,112,225	1,943,848	24,298,094
Credit valuation adjustment	3,162	39,525	817	10,213
Risk weight floor, residential and commercial properties	214,987	2,687,339	188,427	2,355,343
Other REAs	2,400	30,000	1,760	22,000
Operational risk				
	31/12/2019		31/12/2018	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Standardised approach	163,957	2,049,465	165,479	2,068,482
Total capital requirement for operational risk	163,957	2,049,465	165,479	2,068,482
Total capital requirements and risk-weighted exposure amounts	2,553,484	31,918,554	2,300,331	28,754,132

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.

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 and credit-impaired loans (stage 3) as a percentage of total loans to the general public

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.

Signatures of board and CEO

The board and CEO hereby affirm that the January–December 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, 28 January 2020

Bertil Engström
Chair

Agneta Erfors
Deputy Chair

Helene Hartman
Deputy Chair

Camilla Dahlin
Director

Pär Frankenius
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 year-end report of Sparbanken Skåne AB (publ) for the period from 1 January 2019 to 31 December 2019. The board and CEO are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). It is our responsibility to express an opinion on this year-end 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 year-end report has not been prepared in all material respects in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559).

Stockholm, 28 January 2020
Deloitte AB

Patrick Honeth
Authorised Public Accountant



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