



January– June 2020 Interim Report for Sparbanken Skåne AB (publ)

Lund, 29 July 2020

The second quarter of 2020 was characterised by the COVID-19 pandemic and its impact on society. Sparbanken Skåne is financially stable in these trying times, and its highest priority is supporting its customers through the crisis.



Sparbanken
Skåne



Q2 financial summary, April–June 2020

- The bank's operating profit for the quarter was SEK 218m (136).
- Operating profit excluding goodwill amortisation for the April–June period totalled SEK 218m (193).
- Net interest income increased by 11% to SEK 311m (280), primarily driven by an increase in loan volume.
- Net fee and commission income amounted to SEK 112m (126).
- Expenses excluding goodwill amortisation decreased slightly to SEK -210m (-219).
- Credit losses with an impact on profit were unchanged in the quarter, totalling SEK 0m (+5).
- Business volume increased by SEK 10bn in the quarter, totalling SEK 208bn (198 at March 2020). This increase is primarily a result of the stock market's recovery following its decline in the first quarter.
- Both the capital ratio and the tier 1 capital ratio amounted to 19.7% (19.3 in March 2020).
- The LCR amounted to 239% (315 in March 2020).

(Comparative figures in parentheses refer to Q2, April–June 2019 unless otherwise specified)

Financial summary, January–June 2020

- The bank's operating profit for the half year was SEK 330m (217).
- Operating profit excluding goodwill amortisation for the January–June period totalled SEK 330m (381).
- Credit losses totalled SEK -97m (+4) because of increased allowances in the first quarter as a result of the COVID-19 pandemic.
- Net interest income increased by 13% to SEK 612m (544), primarily driven by an increase in loan volume.
- Net fee and commission income amounted to SEK 233m (254).
- Expenses decreased primarily as a result of lower goodwill amortisation (which was ended in May 2019) and totalled SEK 431m (591).
- Business volume increased by 2% to SEK 208bn (205 in December 2019).

- Both the capital ratio and the tier 1 capital ratio amounted to 19.7% (19.7).
- The LCR increased to 239% (186 in December 2019) as a result of increased cash and cash equivalents because of an increase in deposits from the general public during the half year.

(Comparative figures in parentheses refer to January–June 2019 unless otherwise specified)

Key events in Q2

- The COVID-19 pandemic continues to challenge Skåne society. The bank's highest priority is supporting its customers through the crisis. During the period, many customers chose digital modes of communication with the bank while branch offices were kept open as usual.
- The bank did not recognise any credit losses with an impact on profit during the quarter. Expenses for credit losses remained at SEK 97m since the first quarter. This includes allowances based on an updated macroeconomic scenario premised on a somewhat slower recovery than the forecast made for the previous interim report.
- Sparbanken Skåne presented its report on economic conditions in Skåne "Skånsk konjunktur", which showed that Skåne is not the Swedish metropolitan region hit hardest by COVID-19 in terms of layoffs, increased unemployment and short-time work. There are also major differences within Skåne.
- Rasmus Roos has been appointed the bank's new CEO. As previously announced, he will take office in conjunction with the AGM on 29 March 2021, when current CEO Bo Bengtsson is willing to stand for election as the new board chair.
- To assure its funding, the bank has secured access to the Swedish central bank's loan facilities and is also participating in Riksgälden's loan guarantee programme.
- A covered bond issue was completed during the quarter.
- In June Standard & Poor's confirmed its credit rating for Sparbanken Skåne, A with a stable outlook, in conjunction with its annual rating report on the bank.
- Great Place to Work ranked Sparbanken Skåne as Sweden's seventh best place to work in the large companies category.

Bank well-equipped in trying times

The second quarter of 2020 continued to be largely characterised by the COVID-19 pandemic and its impact on society. Sparbanken Skåne remains stable, and its highest priority is helping its customers make smart and sustainable decisions during the crisis. Personal financial advice in digital channels increased by 25 percent in the quarter.

The novel coronavirus (COVID-19) forced the imposition of extensive lockdowns throughout the world. What appeared to be a controlled economic slowdown at the start of 2020 turned into a screeching halt for the economy. Restrictions began to be eased in June, but much damage had already been done.

The COVID-19 crisis is a matter of human destiny, from both a health and an economic perspective. Worry, sorrow and hardships surround us all. Business owners have seen their life's work destroyed, in some cases resulting in major layoffs, which ultimately impacts personal finances.

Close contact with customers in digital channels

We are now in one of the most severe crises of our generation. Like all other banks, Sparbanken Skåne has a key role to play, now and in the future.

From a strictly economic perspective, what we are seeing is a lockdown crisis. Banks have a key role to play in this crisis by bridging short-term difficulties for companies that are healthy under normal circumstances. With a strong financial position, Sparbanken Skåne is well able to support both private and corporate customers.

Our strategy has been to start with the customer's individual circumstances and needs and come up with effective and sustainable solutions in dialogue with the customer. For example, residential mortgage customers who have lost their jobs can apply directly online for a twelve-month forbearance on principal payments.

We have realigned our organisation to help more customers digitally. We have kept our branch offices open as usual but we have taken action to ensure social distancing in line with government guidelines. During the April-June period, the total number of contacts for financial advice over the phone and internet increased by 25 percent year-on-year.

A financially secure bank

The Stockholm Stock Exchange continued its recovery during the quarter following its widespread losses in February and March, which helped improve the bank's fund and securities volumes. Deposits also performed well, and business volume increased by a total of 5 percent compared with 31 March 2020 to SEK 208m.

Net interest income for the period totalled SEK 612m, a 13 percent year-on-year increase primarily driven by an increase in loan volume in the bank's own balance sheet.

The bank is well prepared for credit losses in conjunction with the COVID-19 crisis. No credit losses with an impact on profit were recognised for the quarter. Expenses for credit losses remained at SEK 97m since the first quarter. This includes allowances based on an updated macroeconomic scenario premised on a somewhat slower recovery than the forecast for the previous interim report. In addition, we reviewed and analysed our credit exposures during the quarter and, overall, we do not see any major change in risk for our loan portfolio. In some cases, we have estimated a slight decrease in allowance needs.

The bank's other administrative and operating expenses were as expected. Profit before tax for Q2 2020 totalled SEK 218m, which was comparable to the SEK 193m profit excluding goodwill amortisation reported for the same quarter of the previous year. The goodwill item referred to was fully amortised in summer 2019, which means direct profit comparisons with the previous year will be possible starting in the second half of this year.

In terms of funding, we saw the bond market pick up pace during the quarter after grinding to a halt in conjunction with the outbreak of the virus. Sparbanken Skåne has also secured access to the Swedish central bank (Riksbanken)'s loan facilities and is participating in Riksgälden (the Swedish National Debt Office)'s loan guarantee programme. Overall, we feel confident about the bank's funding.

A serious but stable market situation

So far, the COVID-19 crisis has not caused as much of an increase in unemployment, layoffs and short-time work in Skåne as in regions like Stockholm and Gothenburg. This is shown by the bank's own report on economic conditions in Skåne, "Skånsk konjunktur", which was presented in June.

It is also noteworthy that unemployment was higher than in Stockholm and Västra Götaland counties before the outbreak of the virus. The analysis shows that the COVID-19 crisis affected different parts of Skåne to varying degrees, which is largely due to the region's industry structure. Economically, the western side of Skåne has been hit the hardest so far.

Despite the rapid deterioration of economic conditions, no signs of a collapse have been seen on the housing market. The pandemic has impacted both supply and demand, but so far without leaving any major mark on pricing for houses and flats. Nevertheless, the decline that is observable is clearest in the Malmö tenant-owner flat market.

At the same time, we cannot ignore the fact that over 70,000 people in Skåne saw a change in their work situation during the spring, either being put on short-time work or becoming newly unemployed. In industries such as retail, transport and the hotel & restaurant sector, the situation is strained, while the agricultural sector seems to be heading for a good season.

Any assessment of these circumstances must consider that the national economy is now supported by several monetary policy measures that must eventually be phased out. In other words, the situation is serious but stable at the moment, and we expect to have further information about the pandemic's impact on the region during the autumn. By then, the robustness of the rapid stock market recovery will have also been put to the test.

Next CEO selected

At the end of June, the board appointed Rasmus Roos to serve as the next CEO of Sparbanken Skåne. Rasmus currently serves as bank manager in Lund and will take office as CEO in conjunction with the Annual General Meeting (AGM) on 29 March 2021, which is when I am willing to stand for election as the bank's new board chair if selected by the nomination committee.

I am delighted that we were able to fill the position internally. As the new CEO, Rasmus will bring energy and new ideas while we preserve both the expertise and corporate culture we've built up in the bank.

In April, Great Place to Work ranked Sparbanken Skåne as Sweden's seventh best place to work in the large companies category. This serves as further proof that we are heading in the right direction. I believe that our employees take great pride in working at a modern savings bank that gets involved extensively in community and environmental issues.

Our fruitful collaboration with our three foundation owners plays a key part in this. Together we are investing in Skåne's future.

Bo Bengtsson
CEO

Financial information

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

Ownership structure

Sparbanken Skåne AB (publ)'s company registration number is 516401-0091. The ownership structure of Sparbanken Skåne AB is shown below:

Sparbanksstiftelsen Färs & Frosta	26%
Sparbanksstiftelsen 1826	26%
Sparbanksstiftelsen Finn	26%
Swedbank AB (publ)	22%

The board is headquartered in Lund. The administrative centre is based in Kristianstad.

Market performance

The impact of COVID-19 on the housing market has been limited so far. The total number of residential properties sold in Sweden reached record highs in the first half of the year despite the COVID-19 pandemic, which is a testament to the strength of the housing market. All types of housing were on the rise: houses, tenant-owner flats and holiday cottages. In the bank's area of operation, house market prices performed positively over the past quarter while tenant-owner flats saw a marginal decrease by 1-2 percentage points.

In the corporate segment, activity levels have been low in terms of new investments in consideration of the uncertainty caused by the COVID-19 pandemic. Many corporate customers reported better performance in the second quarter than was feared in March when the pandemic paralysed society. The various government support packages, including temporary decreases in employer's contributions, short-time work and business transition support (omställningsstöd), along with temporary forbearance on principal payments have met many companies' liquidity needs. So far, the bank has not seen many enquiries for government guarantee loans or for other liquidity assistance as a result of COVID-19.

COVID-19 pandemic

For information on how the COVID-19 pandemic has impacted the bank's business volume and profit in the first half of the year, please see the Credit quality and allowances and the Material risks and uncertainties sections below.

Profit

The comparative figures refer to the January–June 2019 period.

The bank's operating profit for the first half of 2020 was SEK 330m (217). Goodwill amortisation had a negative impact on profit totalling SEK 164m in the comparative period. No goodwill amortisation was recognised for 2020.

Operating profit for the half year was in line with expectations except for the large credit allowances commented on below.

The year-on-year improvement in net interest income and continued cost controls gave the bank healthy earnings before credit losses.

Net interest income improved by 13 percent year-on-year, amounting to SEK 612m (544). The lending volume gains had a positive impact on net interest income during the half year, as did the market interest rate hike.

The resolution fee and deposit insurance were charged to net interest income in the amount of SEK -27m (-30).

Fee and commission income for the first half of the year totalled SEK 257m (279). Loan commissions amounted to SEK 41m (63) and are mainly attributable to commissions from Swedbank Hypotek. The drop in loan commissions is due to a decrease in the volume brokered to Swedbank Hypotek. Securities fees amounted to SEK 106m (106). Other fee and commission income amounted to SEK 110m (110).

Fee and commission expenses amounted to SEK -24m (-25).

General administrative expenses were up slightly year-on-year, totalling SEK -390m (-384), primarily as a result of higher IT expenses. Personnel expenses amounted to SEK -222m (-227), and IT expenses were SEK -107m (-96).

Depreciation of tangible assets totalled SEK -9m (-12).

Amortisation of intangible assets (goodwill) for the comparative period was SEK -164m.

Profit for the period after appropriations and tax totalled SEK 259m (164).

Business volume

The comparative figures are for the volume at 31 December 2019.

The bank's total business volume at 30 June 2020 was SEK 207,627m (204,707), a 2 percent increase during the half year. This change was primarily driven by an increase in deposits from the general public. Much of the increase was attributable to customers selling fund units in March. Lending increased as well. However, negative net savings in funds had a negative impact on business volume. Decreased market values for fund and insurance volumes also had a negative impact on business volume during the half year, even though the stock market recovered in the second quarter.

Deposits from the general public were up 8 percent, totalling SEK 57,575m (53,120). Both private and corporate deposit volumes increased during the half year. Much of the increase was attributable to customers selling fund units in March, but the increase in deposits continued in the second quarter as well.

The market value of the total brokered fund and insurance volume was SEK 40,111m (42,162). A major reason for the volume decreases was the negative stock market trend, especially in March. During the half year, we also had substantial negative net savings in funds (SEK 1.1bn).

The strong performance of loans to the general public from last year continued into this half year. Loans to the general public at 30 June 2020 amounted to SEK 74,375m (71,903). This increase was mainly the result of issuing new loans to both private and corporate customers but also of moving residential mortgages from the brokered volume to loans on the bank's balance sheet.

The bank's loans continued to maintain excellent credit quality. However, the bank's loss allowances for expected credit losses increased significantly during the half year. This was caused by uncertainty primarily in certain corporate sectors due to the COVID-19 pandemic. For more information, see "Credit quality and allowances" below.

The total loan portfolio brokered to Swedbank Hypotek at 30 June 2020 amounted to SEK 15,332m (15,875).

Credit quality and allowances

The loss allowances for loans to the general public increased sharply in the first quarter of the year from SEK 106m to SEK 204m. These loss allowances decreased somewhat in the second quarter, closing the quarter at SEK 197m on 30 June.

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The updated macroeconomic scenario resulted in an SEK 11m increase in loss allowances during the second quarter. This also includes loss allowances in the form of provisions for loan commitments.

The cumulative impact of the updated macroeconomic scenario for the first half year was an SEK 26m increase in loss allowances. Compared with the first quarter, the more negative forecasts for GDP and unemployment are the main reasons for the increase in loss allowances.

The loss allowance for expected credit losses on loans to the general public at 30 June 2020 was SEK 197m (106). The stage 1 loss allowance increased to SEK 39m (19), which was primarily due to the impact of the updated macroeconomic scenario. The stage 2 (loans with a significant increase in credit risk) loss allowance increased to SEK 47m (30). The greatest increase for the half year was in the stage 3 (credit-impaired loans) loss allowance, which amounted to SEK 112m (57).

As a result of the aforementioned loss allowance increase, credit losses rose sharply, amounting to SEK -97m (+4) for the first half year. With few exceptions, the large allowances for expected credit losses are related to companies, not private customers. Several industries have had difficulties. The bank estimates the greatest loss allowance needs are in the hotel & restaurant, manufacturing, transport and retail sectors. No elevated risk is estimated for other industries at this time. For information about the allowance levels in each industry, please see Note 8.

The credit losses were mainly impacted by the increase in allowances for stage 3 credit losses. The SEK 55m increase largely comprised individual major risk exposures identified during the period.

Industries particularly exposed to COVID-19:

At 6/30/2020, SEK million	Loans	Loss allowances
Hotel and restaurant, including hotel properties	893	60
Manufacturing	581	5
Transport	457	4
Retail	1,397	18
Total	3,328	87

The residential mortgage portfolio, which accounts for over 60 percent of the bank's total loans on its own balance sheet, is high in quality and its historical credit losses are very low. The long-term repayment capacity of customers is a decisive factor for issuing loans, which ensures high quality and low risks for both the customer and the bank. In addition, government measures, such as the strengthened benefits system and insurance for illness and unemployment, have mitigated potential negative effects at the household level. The average LTV for the residential mortgage portfolio was 54 percent.

The number of applications for forbearance on principal payments was highest in April and then steadily declined to a nearly normal level in June. In total, the bank has processed some 2,000 applications for forbearance on principal payments from the private segment. In consideration of the LTV of our residential mortgage portfolio and the expansion of the option to apply for forbearance on principal payments from Finansinspektionen (the Swedish Financial Supervisory Authority), we estimate that this credit risk is limited. The bank has not observed any increase in the number of overdue loans, which are at par with the levels observed at year-end. The various government support packages and forbearance on principal payments have probably helped keep the bank at a low level overall in terms of incurred credit losses.

Overall, the credit loss level for the first half of the year was -0.13 percent (+0.02). Net stage 3 loans accounted for 0.58 percent (0.17) and the allowance ratio for stage 3 loans was 21 percent

(32). The low allowance ratio for stage 3 loans is because some major exposures are estimated to be largely secured with adequate collateral.

The bank's estimate of loss allowance needs is based on a certain degree of economic recovery in the second half of 2020.

The net cost for incurred losses during the period was at par (SEK -5m) with the first half of 2019. The amount received for previously incurred credit losses during the period remained at par with the previous year, SEK +5m (+4).

The local branch office is responsible for tracking the bank's credit exposures. This includes calling attention to and acting on any potentially elevated risk identified. KYC information about local circumstances is a key factor for all exposure tracking. System-generated information or other information indicating potentially elevated risk is subject to analysis and reasonability assessments without delay, ultimately leading to an opinion on whether there is an elevated risk.

In addition to IT systems, key account managers will use their own means to search for information such as contacting the borrower, obtaining new financial statement information, monitoring events in local markets and generally tracking both macroeconomic and industry trends.

The bank's loss allowance practices for expected credit losses are based on updating customers' risk classifications on an ongoing basis. Based on these risk assessments, the bank uses action plans prioritising customers with elevated credit risk.

Funding 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, and Sparbanken Skåne's rating is A with a stable outlook.

During the first half of the year, both liquidity and funding were impacted by the global turbulence caused by COVID-19. Despite the turbulence, liquidity was up for the period primarily due to an increase in deposits from the general public but also because of increased funding. As the stock market turbulence began in March, many of the bank's customers moved their savings from funds to deposits. The move from funds to deposits stopped in the second quarter, but deposits are continuing to increase overall. This increase is rooted in both the private and corporate segments. Deposits increased by 8 percent in the half year, amounting to SEK 57,555m.

The Swedish capital market was also impacted by the COVID-19 situation. Issuing bonds and certificates of deposit was very difficult at the start of the period, but the market recovered at the end of the period and stabilised. The bank issued new bonds and also renewed bonds and certificates of deposit during the first half year.

In the second quarter, the bank applied for and was approved as a temporary monetary policy counterparty by the Swedish central bank. The bank also applied to the Swedish central bank for an SEK 1,000m loan for onward lending to SMEs. The loan was disbursed in June with a two-year maturity and was recognised on the balance sheet under liabilities to credit institutions.

The bank's outstanding covered bonds increased by a nominal amount of SEK 700m during the second quarter. Outstanding senior bonds and MREL bonds remained unchanged. Outstanding certificates of deposit totalling SEK 450m were redeemed.

The bank's outstanding bonds at 30 June amounted to SEK 7,300m in MTN programme bonds and SEK 15,700m in covered bonds. Outstanding certificates of deposit totalled SEK 500m. The changes during the quarter are disclosed in Note 10 Debt securities issued and related items.

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All bonds are listed on the Nasdaq OMX Nordic Stockholm exchange. More information about the bond programmes can be found at www.sparbankenskane.se.

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.

On 7 April 2020, Riksgälden announced an extension of the subordination phase-in period for banks to meet MREL with own funds and subordinated liabilities from 2022 to 2024.

The bank's liquidity reserves at 30 June 2020 amounted to SEK 9,257m (7,104). The liquidity reserves increased during the half year, primarily because of higher cash and cash equivalents due to an increase in deposits from the general public. At 30 June, the liquidity reserves consisted 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, and the refinancing risk is limited because the next bond maturity date is in October 2020. The bank's liquidity coverage ratio (LCR) was very solid and amounted to 239 percent (186 at 31 December 2019).

The loan-to-deposit ratio at 30 June 2020 was 129 percent (135 at year-end 2019).

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

Rating

Sparbanken Skåne's credit rating from credit rating agency S&P Global was confirmed in the second quarter in connection with the agency's annual report, and the bank was assessed a rating of A with a stable outlook.

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+.

Capital and capital adequacy

The bank's capital base increased by SEK 328m during the half year, putting the total value of the capital base on 30 June 2020 at SEK 6,618m (6,290 at year end). This increase is primarily due to the profit earned during the period and the cancellation of the previously proposed dividend for 2019.

The total Risk Exposure Amount (REA) increased due to the growth in lending, amounting to SEK 33,557m (31,919 at year-end).

The credit risk REA at 30 June 2020 totalled SEK 27,470m. SEK 7,874m of this item was calculated using the standardised approach to credit risk and SEK 19,596m was calculated using the Internal Ratings-Based (IRB) approach to credit risk.

The risk-weight floor REA increased as new loans were issued and residential mortgages were transferred from brokered loans to loans in the bank's own portfolio. The risk-weight floor REA amounted to SEK 3,860m (2,687 at year-end). Another reason for this increase was that the bank's residential mortgage commitments are now treated as secured by residential properties, making them subject to the risk weight floor.

The REA for operational risk at 30 June 2020 amounted to SEK 2,164m (2,049 at year-end).

The total capital ratio and CET1 capital ratio totalled 19.7 percent at 30 June 2020 (19.7 at year-end). The bank's capital situation thus remains strong.

Finansinspektionen resolved to reduce the countercyclical capital buffer requirement to 0 percent (2.5).

The leverage ratio at 30 June 2020 was 7.1 percent (7.5 at year-end). 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 has implemented 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 shapes 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.

In March, the COVID-19 pandemic spread to and impacted most countries of the world. Demand for many goods and services fell sharply and deliveries of intermediate inputs and parts were impacted. Stock markets initially nosedived but then recovered. There is still great economic turbulence. In Sweden, unemployment and bankruptcies increased, and there are fears of negative gross domestic product (GDP) growth for the year. At the same time, most national governments, including the Swedish government, have taken major economic measures to cope with the economic consequences of the pandemic. How extensive this pandemic will be going forward is very difficult to estimate. The bank is monitoring developments carefully. With respect to allowances for credit losses, the bank's estimate of loss allowance needs is based on a certain degree of economic recovery in the second half of 2020. If we end up in a more negative scenario, the bank's estimate of loss allowance needs could result in additional credit allowances in the second half of the year.

In 2018, the bank started applying new methods and policies for the recognition of expected credit losses (IFRS 9). The new policies and methods aim to predict and measure what credit losses may occur in the future for existing loans. The policies take into account both information known at the balance sheet date and estimated future scenarios. The bank's loss allowance practices for expected credit losses are based on updating customers' risk classifications on an ongoing basis. Based on these risk assessments, the bank uses action plans prioritising customers with elevated credit risk.

The bank monitors macroeconomic developments on an ongoing basis. This includes defining forward-looking macroeconomic scenarios for various portfolio segments and translating these into macroeconomic forecasts. The macro parameters with the greatest significance for the performance of expected credit losses for the bank are changes in GDP, unemployment, housing prices and the general state of interest rates. The more negative forecasts (compared with 31 March) for GDP and unemployment are the main reasons for the increase in loss allowances based on the second-quarter macroeconomic scenario.

Unemployment is higher in the bank's area of operation than the national average. Given that sensitivity analyses have shown that this higher level does not impact the loss level, the national average was used to calculate expected credit losses.

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	30/06/2020	30/06/2020	30/06/2020	31/03/2020	31/03/2020	31/12/2019	31/12/2019
Baseline scenario	2019	2020F	2021F	2020F	2021F	2020F	2021F
GDP (%)	1.2	-5.1	1.7	-4.4	3.7	1.0	1.4
Unemployment (%)	6.8	9.6	10.3	9.2	8.6	7.1	7.2
Housing price performance (% annual performance)	2.3	0.5	-1.5	-0.6	3.3	5.0	5.0
Stibor 3M (%)	-0.03	0.18	0.17	-0.04	-0.02	0.15	0.15

In addition to the above baseline scenarios, a positive and a negative scenario were also used and then weighted based on probability along with the baseline scenarios. The baseline scenario was assigned a weight of 66.6 percent in the probability-weighted estimates of expected credit losses. The negative and positive scenarios were each weighted at 16.7 percent.

The allowances for expected credit losses are based on the bank's estimate and forecast of future performance for several factors. As a result, the estimates and allowances are based on a high degree of uncertainty. The future outcome of incurred credit losses could turn out to be more or less than the allowances recognised during the half year. It should be noted that the net loss from credit losses incurred during the period was only SEK -5m (-5). For more information about recognised credit losses, please see notes 7 and 8.

The bank's direct losses attributable to operational risk remained low in the first half of 2020. 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 by a substantial margin.

Other events during the quarter

At the end of June, the board appointed Rasmus Roos to serve as the next CEO of Sparbanken Skåne. Rasmus currently serves as bank manager in Lund and will take office as CEO in conjunction with the AGM on 29 March 2021. Current CEO Bo Bengtsson is willing to stand for election as the bank's new board chair if selected by the nomination committee.

Events after the reporting period

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

Financial ratios	6/2020	3/2020	12/2019	9/2019	6/2019
Volume					
Business volume, millions of SEK	207,627	197,510	204,707	199,719	198,948
Capital and liquidity					
CET1 capital ratio	19.7%	19.3%	19.7%	19.4%	19.7%
Total capital ratio	19.7%	19.3%	19.7%	19.4%	19.7%
Leverage ratio	7.1%	7.2%	7.5%	7.3%	7.4%
Loan-to-deposit ratio	129%	134%	135%	132%	129%
LCR	239%	315%	186%	215%	216%
NSFR	129%	132%	130%	130%	130%
Profit					
Cost/income ratio before credit losses	0.50	0.51	0.61	0.64	0.73
Cost/income ratio after credit losses	0.62	0.74	0.61	0.64	0.73
Cost/income ratio after credit losses excluding dividends, capital gains and goodwill amortisation	0.62	0.74	0.50	0.50	0.52
Return on equity	7.7%	5.3%	7.8%	7.3%	5.5%
Return on equity excluding dividends, capital gains and goodwill amortisation	7.7%	5.3%	9.8%	10.0%	9.6%
Credit-impaired loans and credit losses					
Allowance ratio for stage 3 loans	21%	19%	32%	31%	29%
Net credit-impaired loans (stage 3) as a percentage of total loans to the general public	0.58%	0.83%	0.17%	0.18%	0.21%
Loan loss ratio excluding brokered volume	-0.13%	-0.14%	0.02%	0.01%	0.01%
Loan loss ratio including brokered volume	-0.11%	-0.11%	0.02%	0.01%	0.00%
Other disclosures					
Average number of employees	492	499	469	463	495

The financial ratios are defined on page 33.

Quarterly comparison

Income statement	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Thousands of SEK					
Net interest income	310,634	301,417	280,852	282,526	279,604
Dividends received	-	760	-	-	-
Net fees and commissions	111,814	121,332	128,023	126,940	125,694
Net gain/loss from financial transactions	4,828	5,255	5,811	2,651	-938
Other operating income	728	812	669	648	760
Total net interest income and operating income	428,004	429,576	415,355	412,765	405,120
General administrative expenses	-192,222	-197,923	-199,199	-179,317	-199,104
Depreciation and amortisation	-4,556	-4,765	-5,621	-6,014	-63,320
Other expenses	-13,201	-18,240	-15,571	-10,749	-12,359
Credit losses	108	-97,177	6,218	2,442	5,237
Total expenses	-209,871	-318,105	-214,173	-193,638	-269,546
Operating profit/loss	218,133	111,471	201,182	219,127	135,574
Taxes	-46,772	-24,320	-39,850	-47,685	-31,853
Profit/loss for the period	171,361	87,151	162,157	171,442	103,721

Balance sheet	30/06/2020	31/03/2020	31/12/2019	30/09/2019	30/06/2019
Thousands of SEK					
Loans to credit institutions	4,715,752	5,125,264	2,906,020	3,612,812	3,149,997
Loans to the general public	74,374,772	73,577,301	71,903,208	69,629,495	68,452,723
Fixed-income securities	5,095,378	4,830,283	4,885,429	4,691,625	5,135,782
Other assets	5,468,100	1,988,310	803,648	1,495,166	2,163,581
Total assets	89,654,002	85,521,158	80,498,305	79,429,098	78,902,083
Liabilities to credit institutions	1,067,948	64,815	60,482	65,904	97,775
Deposits from the general public	57,575,122	54,903,124	53,120,408	52,600,156	52,954,823
Debt securities issued and subordinated liabilities	23,719,532	23,477,595	20,426,649	19,939,533	19,187,801
Other liabilities	445,741	415,556	308,163	386,004	407,254
Equity	6,845,659	6,660,068	6,582,603	6,437,501	6,254,430
Total liabilities, provisions and equity	89,654,002	85,521,158	80,498,305	79,429,098	78,902,083

Income statement

Income statement	Note	Q2 2020	Q2 2019	Change	Jan-Jun 2020	Jan-Jun 2019	Change	Jan-Dec 2019
Thousands of SEK								
Interest income		368,920	322,061	15%	721,207	623,968	16%	1,277,802
Interest expenses		-58,286	-42,457	37%	-109,156	-80,218	36%	-170,674
Net interest income	3	310,634	279,604	11%	612,051	543,750	13%	1,107,128
Dividends received		-	-	-	760	630	21%	630
Fee and commission income	4	124,610	139,363	-11%	257,192	278,611	-8%	557,896
Fee and commission expenses	5	-12,796	-13,669	-6%	-24,046	-24,786	-3%	-49,108
Net gain/loss from financial transactions	6	4,828	-938	-	10,083	4,254	-	12,716
Other operating income		728	760	-4%	1,540	1,805	-15%	3,122
Total net interest income and operating income		428,004	405,120	6%	857,580	804,264	7%	1,632,384
General administrative expenses		-192,222	-199,104	-3%	-390,145	-384,366	2%	-762,882
Depreciation of tangible assets and amortisation of intangible assets		-4,556	-63,320	-93%	-9,321	-176,286	-95%	-187,921
Other operating expenses		-13,201	-12,359	7%	-31,441	-29,931	5%	-56,251
Total expenses before credit losses		-209,979	-274,783	-24%	-430,907	-590,583	-27%	-1,007,054
Profit/loss before credit losses		218,025	130,337	67%	426,673	213,681	-	625,330
Net credit losses	7	108	5,237	-98%	-97,069	3,540	-	13,025
Operating profit/loss		218,133	135,574	61%	329,604	217,221	52%	638,355
Tax on profit for the period		-46,772	-31,853	47%	-71,092	-53,421	33%	-140,956
Profit/loss for the period		171,361	103,721	65%	258,512	163,800	58%	497,399

Statement of comprehensive income		Q2 2020	Q2 2019	Change	Jan-Jun 2020	Jan-Jun 2019	Change	Jan-Dec 2019
Thousands of SEK								
Profit/loss for the period		171,361	103,721	65%	258,512	163,800	58%	497,399
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		18,104	5,484	-	5,781	13,279	-56%	5,778
Change in fair value of financial assets measured at fair value through other comprehensive income, reclassified to profit or loss for the period.		-	2,750	-	-	2,723	-	2,723
Change in loss reserve for financial assets measured at fair value through other comprehensive income		-	-657	-	-	-329	-	336
Tax attributable to items that may be reclassified to profit or loss for the period		-3,874	-1,573	-	-1,237	-3,354	-63%	-1,944
Other comprehensive income for the period		14,230	6,004	-	4,544	12,319	-63%	6,893
Comprehensive income for the period		185,591	109,725	69%	263,056	176,119	49%	504,292

Balance sheet

Balance sheet	Note	30/06/2020	31/12/2019	Change		30/06/2019
Thousands of SEK						
Assets						
Cash		902	1,121	-219	-20%	1,804
Treasury bills eligible for refinancing with central banks		1,814,871	1,857,824	-42,953	-2%	1,430,222
Loans to credit institutions		4,715,752	2,906,020	1,809,732	62%	3,149,997
Loans to the general public	8	74,374,772	71,903,208	2,471,564	3%	68,452,723
Bonds and other fixed-income securities		3,280,507	3,027,605	252,902	8%	3,705,560
Shareholdings and investments		-	4,000	-	-	4,000
Derivatives		3,040	5,477	-2,437	-44%	5,586
Tangible assets		60,820	67,326	-6,506	-10%	80,991
Current tax assets		5,184,198	485,181	4,699,017	-	1,720,146
Deferred tax assets		15,802	14,937	865	6%	13,072
Other assets		43,996	69,507	-25,511	-37%	60,044
Prepaid expenses and accrued income		159,342	156,099	3,243	2%	278,338
Total assets		89,654,002	80,498,305	9,159,697	11%	78,902,483
Liabilities, provisions and equity						
Liabilities to credit institutions		1,067,948	60,482	1,007,466	-	97,775
Deposits from the general public	9	57,575,122	53,120,408	4,454,714	8%	52,954,823
Debt securities issued and related items	10	23,719,532	20,426,649	3,292,883	16%	19,187,801
Derivatives		80,346	14,398	65,948	-	80,556
Other liabilities		55,863	75,543	-19,680	-26%	63,129
Accrued expenses and deferred income		198,225	118,710	79,515	67%	169,696
Provisions	11	111,307	99,512	11,795	12%	93,873
Total liabilities and provisions		82,808,343	73,915,702	8,892,641	12%	72,647,653
Equity						
Restricted equity						
Share capital (16,683,364 shares and quotient value SEK 100)		1,668,336	1,668,336	-	-	1,668,336
Statutory reserve		109,196	109,196	-	-	109,196
Total		1,777,532	1,777,532	-	-	1,777,532
Non-restricted equity						
Share premium reserve		3,188,631	3,188,631	-	-	3,188,631
Fair value reserve		5,536	992	4,544	-	6,418
Retained earnings		1,615,448	1,118,049	497,399	44%	1,118,049
Profit/loss for the period		258,512	497,399	-238,887	-48%	163,800
Total		5,068,127	4,805,071	263,056	5%	4,476,898
Total equity		6,845,659	6,582,603	263,056	4%	6,254,430
Total liabilities, provisions and equity		89,654,002	80,498,305	9,155,697	11%	78,902,083
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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 2020	1,668,336	109,196	3,188,631	992	1,118,049	497,399	6,582,603
Appropriation of profit as per AGM resolution							
Amount carried forward	-	-	-	-	497,399	-497,399	-
Transactions with owners in the form of dividends	-	-	-	-	-	-	-
Profit/loss for the period	-	-	-	-	-	258,512	258,512
Other comprehensive income for the period	-	-	-	4,544	-	-	4,544
comprehensive income for the period	-	-	-	-	-	-	263,056
Balance at 30 June 2020	1,668,336	109,196	3,188,631	5,536	1,615,448	258,512	6,845,659
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
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 period	-	-	-	-	-	163,800	163,800
Other comprehensive income for the period	-	-	-	12,319	-	-	12,319
Comprehensive income for the period	-	-	-	-	-	-	176,119
Balance at 30 June 2019	1,668,336	109,196	3,188,631	6,418	1,118,049	163,800	6,254,430

Restricted equity

Restricted equity may not be decreased by paying dividends.

Statutory reserve

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

Non-restricted equity

Share premium reserve

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

Fair value reserve

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

Retained earnings

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

Statement of cash flows

Indirect method	30/06/2020	31/12/2019	30/06/2019
Thousands of SEK			
Cash flows from operating activities			
Operating profit/loss	329,604	638,355	217,221
Net change in amortised cost for the period	50,334	65,695	29,007
Unrealised share of net gain from financial transactions	-2,816	-7,293	-2,116
Depreciation and amortisation	4,556	187,921	176,286
Credit losses	102,051	-5,789	-20
Tax paid	-72,256	-91,951	-38,647
Cash flows from operating activities before changes in working capital	411,473	786,938	381,731
Cash flow from changes in working capital			
Increase/decrease in loans to the general public (-/+)	-2,500,599	-7,864,939	-4,336,818
Increase/decrease in securities (-/+)	-220,165	-448,157	-681,443
Increase/decrease in deposits from the general public (+/-)	4,454,714	1,854,892	1,689,307
Increase/decrease in liabilities to credit institutions (+/-)	1,007,466	-498,779	-461,486
Net change in other assets and liabilities	80,288	21,304	-53,894
Net cash from operating activities	3,233,177	-6,148,741	-3,462,603
Cash flows from investing activities			
Disposal/redemption of financial assets	15,795	29,322	2,144
Transfer of excess liquidity to tax account	-4,700,000	2,300,000	1,100,000
Sale of tangible assets	-	-	-
Acquisition of tangible assets	1,950	-2,172	-4,202
Net cash from investing activities	-4,682,255	2,327,150	1,097,942
Cash flows from financing activities			
Issue of fixed-income securities	6,653,647	8,682,823	4,868,857
Redemption of fixed-income securities	-3,395,056	-4,790,315	-2,188,619
Dividends paid	-	-58,892	-58,892
Net cash from financing activities	3,258,591	3,833,616	2,621,346
Cash flow for the period	1,809,513	12,025	256,685
Cash and cash equivalents at beginning of period	2,907,141	2,895,116	2,895,116
Cash and cash equivalents at end of period	4,716,654	2,907,141	3,151,801
The following subcomponents are included in cash and cash equivalents			
Cash	902	1,121	1,804
Loans to credit institutions	4,715,752	2,906,020	3,149,997
Balance sheet total	4,716,654	2,907,141	3,151,801
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	704,087	1,275,629	507,644
Interest paid including cost of deposit insurance and fee for resolution fund	-59,668	-157,780	-38,334
Dividends received	760	630	630

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 2019 Annual Report Except for the following comments in relation to Note 3 Risks.

Updated comments on credit risk can be found under "Credit quality and allowances".

Updated comments on liquidity risk can be found under "Funding and liquidity".

Comments on the impact of COVID-19 can be found under "Risks and uncertainties".

In 2020, the following change was made to the accounting policies applied by the bank. The recognition of expenses for securities commissions and fees previously included certain expenses now recognised as IT expenses. This change was applied retroactively to 2019 but not to earlier financial years. As a result, fee and commission expenses decreased in the first half of 2019 by SEK 6m to SEK 25m and general administrative expenses increased by SEK 6m to SEK 384m.

Note 2 Operating segments

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

Note 3 Net interest income

	Jan-Jun 2020	Jan-Jun 2019	Change	Full year 2019
Thousands of SEK				
Interest income				
Loans to credit institutions	1,137	2,234	-49%	4,213
Loans to the general public	720,008	635,110	13%	1,298,376
Fixed-income securities	7,775	790	-	3,895
Derivatives	-7,711	-14,165	-46%	-28,681
Other interest income	-2	-1	-	-1
Total	721,207	623,968	16%	1,277,802
Interest expenses				
Liabilities to credit institutions	-3,933	-6,105	-36%	-12,078
Deposits from the general public	-27,185	-25,622	6%	-55,310
– expenses for deposit insurance	-20,786	-19,768	5%	-43,533
Fixed-income securities	-71,439	-33,119	-	-77,217
Subordinated liabilities	-	-4,677	-	-4,677
Other interest expenses	-6,599	-10,695	-38%	-21,392
– fee for resolution fund	-6,596	-10,694	-38%	-21,387
Total	-109,156	-80,218	36%	-170,674
Total net interest income	612,051	543,750	13%	1,107,128

Note 4 Fee and commission income

	Jan-Jun 2020	Jan-Jun 2019	Change	Full year 2019
Thousands of SEK				
Payment intermediation fees	35,329	36,573	-3%	70,358
Loan commissions	41,431	62,509	-34%	117,891
Deposit commissions	39,210	37,890	3%	80,732
Commissions for financial guarantees issued	1,003	1,152	-13%	2,226
Securities commissions and fees	106,016	105,893	0%	218,787
Other fees and commissions	34,203	34,594	-1%	67,902
Total	257,192	278,611	-8%	557,896

Note 5	Fee and commission expenses	Jan-Jun 2020	Jan-Jun 2019	Change	Full year 2019
Thousands of SEK					
	Payment intermediation fees	-14,925	-17,518	-15%	-35,127
	Securities commissions and fees	-6,964	-4,893	42%	-9,181
	Other fees and commissions	-2,157	-2,375	-9%	-4,800
	Total	-24,046	-24,786	-3%	-49,108

Note 6	Net gain/loss from financial transactions	Jan-Jun 2020	Jan-Jun 2019	Change	Full year 2019
Thousands of SEK					
	Shareholdings/investments	4,388	1,900	-	2,800
	Fixed-income securities	-165	-2,394	-	-3,104
	Other financial instruments	2,772	2,128	30%	7,477
	Exchange rate fluctuations	3,088	2,620	18%	5,543
	Total	10,083	4,254	-	12,716

	Jan-Jun 2020	Jan-Jun 2019	Change	Full year 2019	
Net gain/loss by valuation category					
	Financial assets at fair value through other comprehensive income	4,223	-494	-	-304
	Ineffective portion of fair value hedge	384	408	-6%	826
	Derivatives intended for risk management, no hedge accounting	2,388	1,720	39%	6,651
	Change in fair value of derivatives used as hedging instruments in a fair value hedge	-73,016	-39,362	85%	22,503
	Change in fair value of hedged item attributable to the hedged risk in fair value hedges	73,016	39,362	85%	-22,503
	Exchange rate fluctuations	3,088	2,620	18%	5,543
	Total	10,083	4,254	-	12,716

Note 7	Net credit losses	Jan-Jun 2020	Jan-Jun 2019	Change	Full year 2019
Thousands of SEK					
Loans at amortised cost					
	Change in provisions – stage 1	-19,880	-1,638	-	1,019
	Change in provisions – stage 2	-16,344	780	-	3,226
	Change in provisions – stage 3	-53,414	3,769	-	6,930
	Total	-89,638	2,911	-	11,175
	Net cost for the period for incurred losses	-4,810	-5,306	-9%	-10,287
	Amount received for previously incurred credit losses	4,982	3,978	25%	7,236
	Total credit losses on loans at amortised cost	-89,466	1,583	-	8,124
Loan commitments and financial guarantee contracts					
	Change in provisions – stage 1	-4,294	-1,635	-	-934
	Change in provisions – stage 2	-2,154	-35	-	3,819
	Change in provisions – stage 3	-1,155	3,627	-	2,016
	Total credit losses for loan commitments and financial guarantee contracts	-7,603	1,957	-	4,901
	Total credit losses	-97,069	3,540	-	13,025

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 2020	67,796,753	4,034,868	180,416	72,012,037
New financial assets	10,919,324	124,441	87,190	11,130,955
Derecognised financial assets	-7,277,803	-517,169	-15,630	-7,810,602
Changes due to changed balances	-749,334	-71,395	-10,522	-831,251
Transfers between stages during the period				
from stage 1 to stage 2	-1,560,738	1,560,738	-	0
from stage 1 to stage 3	-179,479	-	179,479	0
from stage 2 to stage 1	1,091,739	-1,091,739	-	0
from stage 2 to stage 3	-	-125,415	125,415	0
from stage 3 to stage 2	-	4,247	-4,247	0
from stage 3 to stage 1	762	-	-762	0
Exchange rate fluctuations	24	-	-	24
Gross carrying amount at 30 June 2020	70,041,248	3,918,576	541,339	74,501,163
Loss allowances				
Loss allowances at 1 January 2020	19,314	30,188	56,859	106,361
New financial assets	8,866	2,434	33,512	44,812
Derecognised financial assets	-2,371	-3,379	-3,985	-9,735
Changes due to changed balances	-771	-1,858	-999	-3,628
Changed risk variables (EAD, PD, LGD)	7,677	-4,394	-33,996	-30,713
Changes in macroeconomic scenarios	16,616	5,920	274	22,810
Changes due to updated models	86	350	-	436
Transfers between stages during the period				
from stage 1 to stage 2	-10,583	21,962	-	11,379
from stage 1 to stage 3	-921	-	45,277	44,356
from stage 2 to stage 1	929	-3,237	-	-2,308
from stage 2 to stage 3	-	-1,541	15,209	13,668
from stage 3 to stage 1	2	-	-230	-227
from stage 3 to stage 2	-	86	-357	-271
Loss allowances at 30 June 2020	38,844	46,531	111,564	196,939
Carrying amount				
Opening balance at 1 January 2020	67,777,439	4,004,680	123,557	71,905,676
Closing balance at 30 June 2020	70,002,404	3,872,045	429,775	74,304,224
Change in fair value of hedged amount in portfolio hedge				70,548
Total				74,374,772

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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 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	-	-
from stage 1 to stage 3	-19,456	-	19,456	-
from stage 2 to stage 1	1,098,556	-1,098,556	-	-
from stage 2 to stage 3	-	-64,947	64,947	-
from stage 3 to stage 2	-	2,580	-2,580	-
from stage 3 to stage 1	8,132	-	-8,132	-
Exchange rate fluctuations	20	-	-	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				
Gross carrying amount at 1 January 2019	60,678,047	3,322,727	171,166	64,171,940
New financial assets	12,566,320	133,520	3,955	12,703,795
Derecognised financial assets	-7,524,511	-290,079	-14,405	-7,828,995
Changes due to changed balances	-465,379	-61,756	-12,745	-539,880
Transfers between stages during the period				
from stage 1 to stage 2	-1,446,937	1,446,937		0
from stage 1 to stage 3	-8,762		8,762	0
from stage 2 to stage 1	891,538	-891,538		0
from stage 2 to stage 3		-60,304	60,304	0
from stage 3 to stage 2		4,253	-4,253	0
from stage 3 to stage 1	8,087		-8,087	0
Exchange rate fluctuations	142	0	0	142
Gross carrying amount at 30 June 2019	64,698,545	3,603,760	204,697	68,507,002
Loss allowances				
Loss allowances at 1 January 2019	20,334	33,414	61,705	115,453
New financial assets	6,621	1,963	1,674	10,258
Derecognised financial assets	-3,120	-2,719	-8,085	-13,924
Changes due to changed balances	-937	-862	-4,275	-6,074
Changed risk variables (EAD, PD, LGD)	1,443	-4,636	-557	-3,750
Changes in macroeconomic scenarios	-124	195	114	185
Changes due to updated models	818	-47	-505	266
Transfers between stages during the period				
from stage 1 to stage 2	-3,610	10,439	-	6,829
from stage 1 to stage 3	-28	-	1,121	1,093
from stage 2 to stage 1	559	-2,806	-	-2,247
from stage 2 to stage 3	-	-2,379	9,709	7,330
from stage 3 to stage 1	12	-	-1,071	-1,059
from stage 3 to stage 2	-	71	-754	-683
Loss allowances at 30 June 2019	21,968	32,633	59,076	113,677
Carrying amount				
Opening balance at 1 January 2019	60,657,713	3,289,313	109,461	64,056,487
Closing balance at 30 June 2019	64,676,577	3,571,127	145,621	68,393,325
Change in fair value of hedged amount in portfolio hedge				59,398
Total				68,452,723

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Gross carrying amount and loss allowance by sector at 30 June 2020	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
Loans to the general public			
Private customers	40,874,374	32,010	40,842,364
Tenant-owners' associations	2,842,930	2,957	2,839,973
Corporate customers	30,783,859	161,972	30,621,887
Agriculture, fishing, forestry	7,069,908	11,833	7,058,075
Manufacturing	580,817	5,118	575,699
Public sector	922,342	4,128	918,214
Construction	1,855,307	8,696	1,846,611
Retail	1,396,884	18,250	1,378,634
Transport	522,637	4,547	518,090
Hotel and restaurant	457,832	41,473	416,359
Information technology	327,754	238	327,516
Banking and insurance	185,175	179	184,996
Property management	14,022,444	43,314	13,979,130
Service sector	1,874,500	9,515	1,864,985
Other loans to businesses	1,568,259	14,681	1,553,578
Loans to the general public	74,501,163	196,939	74,304,224

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

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Gross carrying amount and loss allowance by sector at 30 June 2019	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
Loans to the general public			
Private customers	36,829,780	30,765	36,799,015
Tenant-owners' associations	2,069,085	734	2,068,351
Corporate customers	29,608,137	82,178	29,525,959
Agriculture, fishing, forestry	6,853,703	12,416	6,841,287
Manufacturing	586,029	3,378	582,651
Public sector	824,973	1,920	823,053
Construction	1,846,244	6,390	1,839,854
Retail	1,361,840	17,646	1,344,194
Transport	436,874	1,126	435,748
Hotel and restaurant	327,366	1,073	326,293
Information technology	290,639	155	290,484
Banking and insurance	176,338	156	176,182
Property management	13,221,864	21,218	13,200,646
Service sector	1,744,939	8,544	1,736,395
Other loans to businesses	1,937,328	8,156	1,929,172
Loans to the general public	68,507,002	113,677	68,393,325

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Gross carrying amount and loss allowance by stage	30 June 2020	31 December 2019	30 June 2019
Thousands of SEK			
Loans to the general public, private customers and tenant-owners' associations			
Stage 1			
Gross carrying amount	41,790,550	40,047,183	37,167,694
Loss allowances	9,460	5,053	5,242
Carrying amount	41,781,090	40,042,130	37,162,452
Stage 2			
Gross carrying amount	1,887,118	1,854,342	1,690,566
Loss allowances	11,259	8,186	9,429
Carrying amount	1,875,859	1,846,156	1,681,137
Stage 3			
Gross carrying amount	39,636	41,574	40,609
Loss allowances	14,248	15,978	16,832
Carrying amount	25,388	25,596	23,777
Total carrying amount, loans to private customers and tenant-owners' associations	43,682,337	41,913,882	38,867,366
Loans to the general public, corporate customers			
Stage 1			
Gross carrying amount	28,250,697	27,749,570	27,530,852
Loss allowances	29,384	14,261	16,727
Carrying amount	28,221,313	27,735,309	27,514,125
Stage 2			
Gross carrying amount	2,031,459	2,180,526	1,913,194
Loss allowances	35,272	22,002	23,204
Carrying amount	1,996,187	2,158,524	1,889,990
Stage 3			
Gross carrying amount	501,703	138,842	164,091
Loss allowances	97,316	40,881	42,247
Carrying amount	404,387	97,961	121,844
Total carrying amount, loans to corporate customers	30,621,887	29,991,794	29,525,959
Gross carrying amount – stage 1	70,041,247	67,796,753	64,698,546
Gross carrying amount – stage 2	3,918,577	4,034,868	3,603,760
Gross carrying amount – stage 3	541,339	180,416	204,700
Total gross carrying amount	74,501,163	72,012,037	68,507,006
Loss allowance – stage 1	38,844	19,314	21,969
Loss allowance – stage 2	46,531	30,188	32,633
Loss allowance – stage 3	111,564	56,859	59,079
Total loss allowances	196,939	106,361	113,681
Total carrying amount, loans to the general public	74,304,224	71,905,676	68,393,325
Gross stage 3 loans in %	0.73%	0.25%	0.30%
Net stage 3 loans in %	0.58%	0.17%	0.21%
Ratio of loss allowances to stage 1 loans	20%	18%	19%
Ratio of loss allowances to stage 2 loans	24%	28%	29%
Ratio of loss allowances to stage 3 loans	56%	54%	52%
Allowance ratio for stage 1 loans	0.06%	0.03%	0.03%
Allowance ratio for stage 2 loans	1.19%	0.75%	0.91%
Allowance ratio for stage 3 loans	21%	32%	29%
Total Allowance ratio for loans	0.26%	0.15%	0.17%

Note 9	Deposits from the general public	30/06/2020	31/12/2019	30/06/2019
Thousands of SEK				
The general public				
	- Swedish currency	57,019,725	52,645,780	52,472,648
	- foreign currency	555,397	474,628	482,175
	Total	57,575,122	53,120,408	52,954,823
Deposits per customer category, excluding bank cheques				
	Public sector	1,928,744	1,671,077	1,736,625
	Corporate sector	11,940,868	10,297,516	10,143,721
	Retail sector	43,158,905	40,337,201	40,241,966
	- sole proprietors	6,502,918	6,371,765	6,238,407
	Other sectors	482,991	751,000	776,108
	Total	57,511,508	53,056,794	52,898,420
Note 10	Debt securities issued and related items	30/06/2020	31/12/2019	30/06/2019
Thousands of SEK				
	Certificates of deposit	499,323	949,332	949,229
	Bond loans	6,310,025	6,315,917	6,308,538
	Covered bonds	15,912,128	12,163,564	11,930,034
	MREL bond	998,055	997,836	-
	Total	23,719,532	20,426,649	19,187,801
Changes during the period				
	Issued	6,653,647	8,682,823	4,868,857
	Repurchased	-1,778,798	-500,000	-
	Matured	-1,581,966	-3,744,546	-1,669,428
	Change	3,292,883	4,438,277	3,199,429

Note 11 Provisions	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK				
Loss allowances at 1 January 2020	3,472	7,664	15,016	26,152
New loan commitments and financial guarantees	3,238	414	2	3,654
Financial guarantees and loan commitments that are past due	-876	-1,384	-1,182	-3,442
Changes due to changed loan commitments and similar items	-144	801	2,028	2,685
Changed risk variables (EAD, PD, LGD)	1,867	-1,632	-52	183
Changes in macroeconomic scenarios	2,341	397	0	2,738
Changes due to updated models	-	-	-	-
Transfers between stages during the period				
from stage 1 to stage 2	-2,089	3,874	-	1,785
from stage 1 to stage 3	-159	-	817	658
from stage 2 to stage 1	116	-433	-	-317
from stage 2 to stage 3	-	-2	14	12
from stage 3 to stage 1	-	-	-	0
from stage 3 to stage 2	-	115	-472	-357
Loss allowances at 30 June 2020	7,766	9,814	16,171	33,751
Provisions for pensions				65,147
Other provisions				12,409
Total				111,307
Loss allowances at 31 December 2018				
	1,624	2,238	5,652	9,514
Adjustment of opening values	912	9,246	11,381	21,539
Loss allowances at 1 January 2019	2,536	11,484	17,033	31,053
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	89	5	95	189
Transfers between stages during the period				
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	-	-	-2	-2
from stage 3 to stage 2	-	-	-2	-2
Loss allowances at 31 December 2019	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 31 December 2018	1,624	2,238	5,652	9,514
Adjustment of opening values	912	9,246	11,381	21,539
Loss allowances at 1 January 2019	2,536	11,484	17,033	31,053
New loan commitments and financial guarantees	1,696	139	125	1,960
Financial guarantees and loan commitments that are past due	-247	-408	-4,394	-5,049
Changes due to changed loan commitments and similar items	-652	387	287	22
Changed risk variables (EAD, PD, LGD)	-366	-925	-384	-1,675
Changes in macroeconomic scenarios	103	24	-	127
Changes due to updated models	1,335	117	-91	1,361
Transfers between stages during the period				
from stage 1 to stage 2	-304	1,152	-	848
from stage 1 to stage 3	-	-	1	1
from stage 2 to stage 1	69	-356	-	-287
from stage 2 to stage 3	-	-94	829	735
from stage 3 to stage 1	-	-	-	-
from stage 3 to stage 2	-	-	-	-
Loss allowances at 30 June 2019	4,170	11,520	13,406	29,096
Provisions for pensions				54,555
Other provisions				10,222
Total				93,873

Note 12 Derivatives	30/06/2020		31/12/2019		30/06/2019	
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	230,000	-	240,000	-	282,000	-
Currency contracts	130,279	3,040	146,983	5,477	192,651	5,586
Total derivative instruments with positive fair values	360,279	3,040	386,983	5,477	474,651	5,586
Derivative instruments with negative fair values						
Fixed-income contracts	10,425,875	77,570	8,681,625	9,140	5,836,375	75,363
Currency contracts	117,755	2,776	145,446	5,258	179,914	5,193
Total derivative instruments with negative fair values	10,543,630	80,346	8,827,071	14,398	6,016,289	80,556

The bank has entered into interest rate swap contracts to a large extent in order to protect itself from the interest rate risk associated with the fixed-interest loans provided by the bank. Interest rate cap contracts have been used as reinsurance for loans with floating interest rates for which the bank has guaranteed the customer a maximum interest rate. Currency forwards are used in operations involving bank customers, where the currency risk is covered using reverse currency forwards with Swedbank.

Note 13 30 June 2020	Financial assets and liabilities				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	-	902	-	-	-	902	
Treasury bills eligible for refinancing with central banks	-	-	1,814,871	-	-	1,814,871	
Loans to credit institutions	-	4,715,752	-	-	-	4,715,752	
Loans to the general public	-	74,374,772	-	-	-	74,958,044	
Bonds and other fixed-income securities	-	-	3,280,507	-	-	3,280,507	
Shareholdings and investments	-	-	-	-	-	-	
Derivatives	3,040	-	-	-	-	3,040	
Other assets	-	72,525	-	-	-	72,525	
Accrued income	-	132,800	-	-	-	132,800	
Total	3,040	79,296,751	5,095,378	-	-	84,978,441	
Liabilities to credit institutions	-	1,067,948	-	-	-	1,067,948	
Deposits from the general public	-	57,575,122	-	-	-	57,582,390	
Securities issued	-	23,719,532	-	-	-	23,719,532	
Derivatives	80,346	-	-	-	-	80,346	
Other liabilities	-	44,222	-	-	-	44,222	
Accrued expenses	-	193,701	-	-	-	193,701	
Total	80,346	82,600,525	-	-	-	82,688,139	

31 December 2019	Financial assets and liabilities				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	
Total	5,477	75,002,958	4,885,429	4,000	-	80,431,825	
Liabilities to credit institutions	-	60,482	-	-	-	60,482	
Deposits 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	
Total	14,398	73,784,895	-	-	-	73,803,991	

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30 June 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	-	1,804	-	-	1,804
Treasury bills eligible for refinancing with central banks	-	-	1,430,222	-	1,430,222
Loans to credit institutions	-	3,149,997	-	-	3,149,997
Loans to the general public	-	68,452,723	-	-	68,926,961
Bonds and other fixed-income securities	-	-	3,705,560	-	3,705,560
Shareholdings and investments	-	-	-	4,000	4,000
Derivatives	5,586	-	-	-	5,586
Other assets	-	60,044	-	-	60,044
Accrued income	-	253,419	-	-	253,419
Total	5,586	71,917,987	5,135,782	4,000	77,537,593
Liabilities to credit institutions	-	97,775	-	-	97,775
Deposits from the general public	-	52,954,823	-	-	52,959,794
Securities issued	-	19,187,801	-	-	19,187,801
Derivatives	80,556	-	-	-	80,556
Other liabilities	-	63,129	-	-	63,129
Accrued expenses	-	168,718	-	-	168,718
Total	80,556	72,472,246	-	-	72,557,773

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

Level 1: Quoted prices in active markets for identical instruments

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

Level 3: Unobservable inputs for the instrument

30/06/2020

Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	1,814,871	-	-	1,814,871
Bonds and related items	3,280,507	-	-	3,280,507
Shareholdings and investments	-	-	-	-
Other assets – derivatives	-	3,040	-	3,040
Total	5,095,378	3,040	0	5,098,418
Other liabilities – derivatives	-	80,346	-	80,346
Total	-	80,346	-	80,346

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

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30/06/2019				
Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	1,430,222	-	-	1,430,222
Bonds and related items	3,705,560	-	-	3,705,560
Shareholdings and investments	-	-	4,000	4,000
Other assets – derivatives	-	5,586	-	5,586
Total	5,135,782	5,586	4,000	5,145,368
Other liabilities – derivatives	-	80,556	-	80,556
Total	-	80,556	-	80,556

The level 3 heading 'Shareholdings and investments' include unlisted shareholdings and investments measured using established valuation models. These shareholdings were sold in the first half of 2020.

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	Total
Opening balance at 1 January 2020	4,000	4,000
Disposals	-6,000	-6,000
Cost – acquisitions	4,000	4,000
Total gains and losses recognised	2,000	2,000
– recognised in profit or loss	2,000	2,000
Closing balance at 30 June 2020	0	0
Gains and losses recognised in profit or loss for assets included in the closing balance at 30 June 2020	2,000	2,000

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

	30/06/2020	31/12/2019	30/06/2019
Thousands of SEK			
Pledged assets			
Loans *	20,551,091	15,972,894	15,473,344
Bonds and other fixed-income securities	1,121,865	-	-
Other pledged assets	128,247	63,169	107,455
Contingent liabilities	631,606	636,202	572,280
Commitments	9,391,430	8,580,557	9,484,724

* 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

Thousands of SEK	30/06/2020	31/12/2019	30/06/2019
CET1 capital	6,617,803	6,289,848	6,098,435
Net capital base	6,617,803	6,289,848	6,098,435

Capital requirement and risk-weighted exposure amount

	30/06/2020		31/12/2019		30/06/2019	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Minimum capital for credit risk						
– IRB approach	1,567,675	19,595,936	1,556,258	19,453,223	1,428,350	17,854,371
– standardised approach	629,943	7,874,283	612,720	7,659,002	671,528	8,394,097
Credit valuation adjustment	2,629	32,863	3,162	39,525	1,306	16,325
Risk weight floor, residential and commercial properties	308,770	3,859,619	214,987	2,687,339	212,120	2,651,498
Other REAs	2,400	30,000	2,400	30,000	1,760	22,000
Capital requirement for operational risk	173,143	2,164,292	163,957	2,049,465	163,957	2,049,465
Total capital requirements and risk-weighted exposure amounts	2,684,559	33,556,993	2,553,484	31,918,554	2,479,020	30,987,756
CET1 capital ratio	19.7%		19.7%		19.7%	
Tier 1 capital ratio	19.7%		19.7%		19.7%	
Total capital ratio	19.7%		19.7%		19.7%	
Pillar 2 capital requirement	2.0%	683,711	1.9%	622,162	2.0%	610,205
Total internally assessed capital requirement (excluding buffer requirement)	3,368,270		3,175,646		3,089,226	
Buffer requirement	2.5%	838,925	5.0%	1,595,928	4.5%	1,394,449
– capital conservation buffer	2.5%	838,925	2.5%	797,964	2.5%	774,694
– countercyclical capital buffer	0.0%	-	2.5%	797,964	2.0%	619,755
Total capital requirement including buffer requirement	4,207,195		4,771,574		4,483,675	

CONTINUED FROM PAGE 28.

Thousands of SEK	30/06/2020		31/12/2019		30/06/2019	
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	-		-		-	
Retained earnings	1,615,448		1,118,049		1,134,979	
Profit attributable to the bank's owners	258,512		497,399		163,800	
Deduction for ineligible part of profit for the period or year	-51,702		-150,150		-49,140	
CET1 capital before regulatory adjustments	6,788,421		6,431,461		6,215,802	
CET1 capital: regulatory adjustments						
Intangible assets	-		-		-	
Value adjustments due to prudent valuation requirements	-5,095		-4,885		-5,136	
Deferred tax assets	-15,802		-14,937		-13,072	
Deduction of IRB provisions (see disclosure below)	-149,721		-121,791		-99,159	
Total regulatory adjustments to CET1 capital	-170,618		-141,613		-117,367	
CET1 capital	6,617,803		6,289,848		6,098,435	
Capital base	6,617,803		6,289,848		6,098,435	
Special disclosures						
IRB Provisions excess(+)/shortfall(-)	-149,721		-120,837		-99,159	
Total IRB provisions (+)	192,369		90,349		87,931	
IRB Expected loss amount (-)	-342,090		-211,186		-187,090	
Capital requirement and risk-weighted exposure amount						
Thousands of SEK	30/06/2020		31/12/2019		30/06/2019	
	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	-	-	-	-	-	-
Corporate exposures	96,157	1,201,967	83,377	1,042,218	133,415	1,667,686
Retail exposures	238,686	2,983,570	238,136	2,976,701	252,765	3,159,568
Exposures secured by mortgages on immovable property	293,141	3,664,261	288,943	3,611,782	280,581	3,507,263
Items in default	1,959	24,485	1,944	24,301	4,446	55,580
Equity exposures	-	-	320	4,000	320	4,000

CONTINUED FROM PAGE 29.

	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	130,707	1,633,833	89,062	1,113,274	96,064	1,200,798
Corporate exposures	780,530	9,756,629	821,135	10,264,188	721,983	9,024,783
Retail exposures	637,943	7,974,292	633,111	7,913,888	592,063	7,400,793
– mortgage loans	385,198	4,814,976	374,577	4,682,211	332,511	4,156,391
– other loans	252,745	3,159,316	258,534	3,231,677	259,552	3,244,402
Non-credit obligation asset exposures	18,495	231,182	12,950	161,873	18,240	227,997
Total	2,197,618	27,470,219	2,168,978	27,112,225	2,099,877	26,248,468
Credit valuation adjustment	2,629	32,863	3,162	39,525	1,306	16,325
Risk weight floor, residential and commercial properties	308,770	3,859,619	214,987	2,687,339	212,120	2,651,498
Other REAs	2,400	30,000	2,400	30,000	1,760	22,000
Operational risk						
	30/06/2020		31/12/2019		30/06/2019	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Standardised approach	173,143	2,164,292	163,957	2,049,465	163,957	2,049,465
Total capital requirement for operational risk	173,143	2,164,292	163,957	2,049,465	163,957	2,049,465
Total capital requirements and risk-weighted exposure amounts	2,684,559	33,556,993	2,553,484	31,918,554	2,479,020	30,987,756

Note 16 Disclosures on related parties and other significant relationships

The bank's related key personnel are directors, senior executives and the close family members of these individuals. Transactions with related key personnel have been made on market terms.

The bank collaborates on a large scale with Swedbank AB. This collaboration is governed by a collaboration agreement that is valid until 30 June 2024. The agreement covers brokering of mortgage loans to Swedbank Hypotek and brokering of fund & insurance savings, shares, international services and the procurement of IT services.

Signatures of board and CEO

The board and CEO hereby affirm that the January–June 2020 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 July 2020

Bertil Engström
Chair

Agneta Erfors
Deputy Chair

Helen Hartman
Deputy Chair

Pär Frankenius
Director

Camilla Dahlin
Director

Tomas Hedberg
Director

Jan Larsson
Director

Johanna Okasmaa Nilsson
Director

Hans Nilsson
Employee representative

Catarina Regebro
Employee representative

Bo Bengtsson
CEO

Auditor's report

Introduction

We have reviewed the interim report of Sparbanken Skåne AB (publ) for the period from 1 January 2020 to 30 June 2020. The board and CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. It is our responsibility to express an opinion on this interim report based on our review engagement.

Focus and extent of review engagement

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

Opinion

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

Stockholm, 28 July 2020

Deloitte AB

Patrick Honeth
Authorised Public Accountant

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 any 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 10.5%.

Leverage ratio

The bank's leverage ratio is the CET1 capital of the bank expressed as a percentage of the bank's total assets, pledged assets and contingent liabilities. As opposed to the CET1 capital ratio and the total capital ratio, risk weighting of certain assets, pledged assets and contingent liabilities 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 funding. 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.

Ratio of loss allowances to stage 3 loans

Loss allowance in stage 3 as a percentage of total loss allowances for loans to the general public.

Allowance 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 allowance ratio for loans

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



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