



# 2020 Year-End Report

Lund, 29 January 2021

Sparbanken Skåne continued its stable performance despite the COVID-19 pandemic's impact on economic conditions. The bank has focused on being there for customers with advice and support in a time of uncertainty. For full year 2020, the bank reported SEK 838m in profit, a 4 percent year-on-year increase excluding goodwill amortisation and tax.





#### Q4 financial summary, October–December 2020

- The bank's operating profit for the quarter was SEK 236m (202).
- Net interest income increased by 8% to SEK 303m (281), primarily driven by an increase in loan volume.
- Net fee and commission income improved, amounting to SEK 151m (129), primarily as a result of increased payment intermediation and securities fees.
- Expenses excluding credit losses increased somewhat to SEK -238m (-220). The largest increase was attributable to higher IT expenses.
- Credit losses with an impact on profit were positive in the quarter, totalling SEK +13m (+6).
- Business volume was up SEK 6bn in the quarter, totalling SEK 221bn (215 in September 2020). This increase is primarily a result of the stock market's positive performance during the year.
- Both the capital ratio and the tier 1 capital ratio amounted to 20.4% (19.5 in September 2020).
- The LCR further improved to 256% (236 in September 2020).

(Comparative figures in parentheses refer to Q4, October–December 2019 unless otherwise stated)

#### Key events in Q4

- The COVID-19 infection rate accelerated in Skåne over the autumn and winter. This increases the uncertainty regarding the pandemic's long-term impact on society at large as well as on the finances of individuals and businesses.
- Sparbanken Skåne's performance has been stable despite the challenges posed by the pandemic. More previously recognised credit loss allowances were reversed in the quarter. The background for this is an overall more positive future scenario than in Q3.
- The bank's report on economic conditions in Skåne was presented in November. The report found that jobs are still

being created at Skåne's businesses but at a slower rate than before. The findings also included probable future economic challenges for Skåne's municipalities.

- The bank continued renewing its customer offering. This included expanding digital wallet services and enabling customers to chat directly with the bank in our app. On the subject of branch offices, Sparbanken Skåne opened new premises in Simrishamn in December.
- The bank and its foundation owners were involved in several community initiatives during the quarter. These included Sparbanken Skåne's research award, which went to a prominent stroke researcher at Lund University.

#### Financial summary, January–December 2020

- The bank's operating profit for the year was SEK 838m (638).
- Operating profit excluding goodwill amortisation for the January–December period totalled SEK 838m (803).
- Credit losses totalled SEK -46m (+13) because of increased allowances mainly in the first quarter as a result of the COVID-19 pandemic.
- Net interest income increased by 11% to SEK 1,225m (1107), primarily driven by an increase in loan volume.
- Net fee and commission income amounted to SEK 509m (509).
- Expenses decreased primarily as a result of lower goodwill amortisation (which was ended in May 2019) and totalled SEK 872m (1007).
- Business volume increased by 8% to SEK 221bn (205 in December 2019).
- Both the capital ratio and the tier 1 capital ratio amounted to 20.4% (19.7).
- The LCR increased to 256% (186 in December 2019) because of higher cash and cash equivalents resulting from an increase in deposits from the general public during the year.

(Comparative figures in parentheses refer to January–December 2019 unless otherwise stated.)

# Stability for the bank despite external uncertainty

**The fourth quarter for Sparbanken Skåne marked a stable conclusion to a year that stood out as remarkably different. The COVID-19 infection rate has accelerated in Skåne during the autumn and winter, and stricter restrictions have been instituted. Uncertainty remains regarding the pandemic's long-term economic impact on society. The bank has focused on being there for customers with advice and support when needed.**

Skåne was affected relatively mildly by the spring wave of COVID-19 infection. In the winter, the infection rate reached significantly higher levels, and COVID-19's burden on Skåne society is now high.

Sparbanken Skåne already reallocated resources in the spring to be able to meet with more customers digitally. We are seeing a continuing increase in customers choosing this method of contact with the bank, although all branch offices have remained open during the pandemic with service adapted to government social distancing guidelines.

Today, most types of banking transactions can be completed over the phone and the Internet Bank, and, overall, we not only succeeded in maintaining our pre-pandemic level of service to customers during the year but even improved on it. For instance, customers can now chat directly with the bank in our app, and we have started rolling out digital advisory service workflows.

## Increased infection rate causes uncertainty

Although the third quarter was largely characterised by confidence in the future and economic recovery, the fourth quarter brought greater uncertainty. GDP growth for the autumn turned out to be stronger than expected, and vaccines for COVID-19 are now available. At the same time, the accelerated infection rate in Skåne has put pressure on industries already facing difficulties. We haven't seen a dramatic increase in the number of bankruptcies, but there is reason to be wary of the challenges in the hotel, restaurant and event industries along with much of in-store retail.

Sparbanken Skåne did not report any additional credit losses for the fourth quarter and was able to reverse some of the loss allowances made in the spring. The future macroeconomic forecast is based on a faster recovery than in previous scenarios. In the allowances for possible future losses, we took into account the increased infection rate of the past weeks and the uncertainty regarding what will happen when central banks and government authorities around the world scale back their stimulus measures. Overall, we saw a slight decrease in allowance needs for our loan portfolio compared to the end of the third quarter, and we recognised SEK 46m in expenses for credit losses on an accumulated basis for 2020.

The majority of the allowance needs are from the corporate segment, as we have yet to see any negative trends in the private segment. Naturally, we are carefully monitoring developments. We will probably not have a complete picture of the pandemic's economic impact on society for a year or two.

## Financial stability for the bank

The bank's business volume increased by 3 percent during the fourth quarter to SEK 221bn. We've been seeing record-high deposits from the general public as both individuals and companies took a cautious approach to consumption and investments during the year.

In parallel, lending has continued to increase driven by solid growth in residential mortgages – an area in which the bank retains its high market share. The stock market also performed well in the final weeks of the year, contributing to higher volumes for securities, funds and insurance.

Net interest income for the fourth quarter totalled SEK 303m, an 8 percent year-on-year increase. Although growth in residential mortgage volume has been in line with the market, residential mortgage competition is stiff and margins are tight for everyone. One of the main causes of this is the low interest rate environment in Swedish society over the past couple years. For full year 2020, net interest income increased by 11 percent to SEK 1.2bn.

IT expenses closed the year somewhat over budget, while the bank's other administrative and operating expenses were as expected. Profit before tax for the fourth quarter of 2020 totalled SEK 236m, up from SEK 202m for the same period in 2019. Profit for full year 2020 was SEK 838m, which was comparable to the SEK 803m profit before tax and goodwill amortisation reported for the previous year.

## New market offerings

In collaboration with Swedbank Pay, Sparbanken Skåne created a digital gift card solution for use by municipal employees to support local businesses during the COVID-19 crisis. Several municipalities in Skåne used the solution for Christmas shopping by giving the gift card as a Christmas present to their employees for spending at local stores, restaurants and hair salons.

Apple Pay and Samsung Pay were launched for youth customers during the quarter. These digital wallet services had been made available to adult customers beforehand and now this popular offering is being expanded. On the subject of branch offices, the bank opened new premises in Simrishamn in December, an initiative that was well-received by the local market.

Together with our foundation owners, we have been involved in supporting local clubs and associations during the COVID-19 crisis, including those looking to COVID-proof their activities. We also contributed to children and youth activities, made possible a new coach training programme for girls' football and helped clubs looking to organise parent night patrols. Additionally, Sparbanken Skåne's research award went to a prominent stroke researcher at Lund University, and we delighted the children at Skåne University Hospital with extra Christmas presents.

In December, Sparbanken Skåne was certified as a Great Place to Work for the third year in a row. We are very pleased with this certification because we believe that satisfied employees go hand in hand with satisfied customers.

As we now wrap up a year that stood out as remarkably different, I am pleased that, despite this period being a time of uncertainty around us, Sparbanken Skåne was able to really make a difference as a secure and personal savings bank for people, businesses and the local community. In 2021, we will continue working toward sustainable development from a financial, social and environmental perspective. This is the last year for which I will present the bank's results as CEO. In the spring, I will have the pleasure of passing the CEO baton to my successor Rasmus Roos.

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 remained limited. We saw a continued increase in housing prices for both houses and tenant-owner flats in the bank's area of operation during the fourth quarter. The number of enquiries for forbearance on principal payments increased marginally during the fourth quarter in comparison to the third quarter on the heels of the second COVID-19 wave. However, they were not anywhere near the levels seen in the second quarter. The bank has still not observed any increase in the number of overdue loans.

The corporate segment was largely characterised by another quarter of economic recovery and functioning businesses. Even the most exposed industries have not been as bad as previously forecast. In the hotel & restaurant industry, the summer was characterised by the staycation phenomenon with solid demand for the companies' products and services. However, there is still great uncertainty concerning the impact of the second wave and the long-term impact of COVID-19, which can also be seen in the reluctance of companies to invest and in the increased inflow of liquidity we've seen from our corporate segment. Company demand for additional liquidity remains low.

## COVID-19 pandemic

For information on how the COVID-19 pandemic has impacted the bank's business volume, profit and liquidity in 2020, please see the Credit quality and allowances and the Material risks and uncertainties sections below.

## Profit

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

Operating profit for 2020 totalled SEK 838m (638). Goodwill amortisation had a negative impact on profit totalling SEK 164m in the comparative period. Goodwill was fully amortised in May 2019.

Operating profit for the year is in line with financial targets except for the large credit allowances commented on below.

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

Net interest income improved by 11 percent year-on-year, amounting to SEK 1,225m (1107). The loan volume gains had a positive impact on net interest income during the period, as did the market interest rate hike at the start of the year.

The resolution fee and the deposit insurance fee were charged to net interest income in the amount of SEK -55m (-65).

Fee and commission income for the period totalled SEK 559m (558). Loan commissions amounted to SEK 92m (118) 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 227m (219) and the increase was largely due to the stock market gains during the year. Other fee and commission income totalled SEK 240m (221). The increase was mainly attributable to one-time payment intermediation fees for 2020.

Fee and commission expenses amounted to SEK -50m (-49).

General administrative expenses were up year-on-year, totalling SEK -793m (-763), primarily as a result of higher IT expenses. Personnel expenses amounted to SEK -434m (-447), and IT expenses were SEK -236m (-197).

Depreciation of tangible assets totalled SEK -17m (-24).

Amortisation of intangible assets (goodwill) for 2019 was SEK -164m.

Profit for the year after appropriations and tax totalled SEK 659m (497).

## Business volume

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

The bank's total business volume at 31 December 2020 was SEK 220,884m (204,707), an 8 percent increase for the year. This change was primarily driven by an SEK 7.0bn increase in deposits from the general public. Loans also increased during the period by SEK 4.0bn. Despite negative net savings in funds, increased market values of the fund and insurance volume had a positive impact on business volume during the year amounting to SEK 3.9bn.

Deposits from the general public were up 13 percent, totalling SEK 60,159m (53,120). Both private and corporate deposit volumes increased during the year, which had a positive impact on the bank's liquidity. The increase in deposits was partially a result of many of the bank's customers moving their savings from funds to deposits.

The market value of the total brokered fund and insurance volume was SEK 46,022m (42,162). One of the most significant reasons for the volume gains was the positive stock market performance following the plunge in share prices in February and March. We had substantial negative net savings in funds for the year. However, net savings have been positive over the most recent quarters, with a net outflow of SEK 813m for the period.

The previous year's positive performance of loans to the general public continued during the year. Loans to the general public at 31 December 2020 amounted to SEK 75,981m (71,903). This increase was mainly the result of issuing new loans to both private and corporate customers but also of moving some residential mortgages from the brokered volume to loans on the bank's balance sheet. One reason for the increase was the positive property market trend in our area of operation.

The bank's loans continued to maintain excellent credit quality. However, the bank's credit allowances for expected future credit losses increased during the 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 31 December 2020 amounted to SEK 15,728m (15,875).

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### 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. This was mainly due to the increase in allowances for stage 3 expected credit losses. The SEK 82m increase largely comprised individual major risk exposures identified during the period. These loss allowances decreased somewhat in the second quarter, and they decreased in the third and fourth quarters as well, closing the year at SEK 150m on 31 December.

As was the case in the third quarter, the updated macroeconomic scenario resulted in a decrease in loss allowances for the fourth quarter.

This decrease in allowances was justified by improved macroeconomic scenarios and the lack of any noticeable impact on defaults and losses from COVID-19 so far.

- Forecasts for unemployment and GDP rates have improved somewhat overall, but, most significantly, the rates reported for the third quarter outperformed forecasts.
- In the fourth quarter, we moved one quarter closer to the economic recovery in the main macroeconomic scenario, which had a significant impact on the model for calculating expected credit losses.
- Given the major negative impact on both unemployment and GDP, an increase in defaults and losses could have been expected in consideration of the historical correlations on which the model is based. Instead, we have seen historically low default levels for residential mortgages and SMEs despite the economic decline.
- The expected impact has probably been delayed or alleviated by forbearance on principal payments, short-time work and other government support measures.

In the bank's estimate, there is a risk that defaults and losses could increase when this support is phased out. The bank estimates that four industries in particular - hotel & restaurant, transport, retail and property management - are at risk of delayed impact. Therefore, the bank has chosen to manually make expert adjustments, altogether totalling SEK 33m, in order to account for this impact. This also includes increased loss allowances in the form of provisions for loan commitments.

The loss allowance for expected credit losses on loans to the general public at 31 December 2020 was SEK 150m (106). The stage 1 loss allowance for the period increased to SEK 34m (19), which was primarily due to the impact of the expert adjustments to account for the risk of delayed impact. The stage 2 (loans with a significant increase in credit risk) loss allowance increased to SEK 37m (30). This increase was also largely related to the impact of the expert adjustments. The greatest increase during the year was in the stage 3 (credit-impaired loans) loss allowance, which amounted to SEK 80m (57).

As a result of the aforementioned loss allowance increase, credit losses rose sharply, amounting to SEK -46m (+13) for the year. With few exceptions, the large allowances for expected credit losses are related to companies, not private customers. Several industries have had difficulties. The sectors with the greatest difficulties and for which the bank estimates an elevated credit risk are the hotel & restaurant, transport, retail and property management industries. No elevated risk is estimated for other industries at this time. For information about the allowance levels in each industry, please see Note 8.

Credit losses were mainly impacted by the increase in allowances for stage 3 credit losses. The SEK 23m increase largely comprised individual major risk exposures identified during the year.

Industries estimated to be particularly exposed to COVID-19.

At 31/12/2020, SEK million	Loans and commitments	Loss allowances
Hotel and restaurant, including hotel properties	859	38
Transport	583	5
Retail	1,940	32
Property management	15,736	32
<b>Total</b>	<b>19,118</b>	<b>107</b>

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 decisive for issuing loans, which ensures high quality and low risks for both the customer and the bank. In addition, government measures have strengthened the benefits system, such as insurance for illness and unemployment. This mitigates 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 the second quarter as a direct result of the outbreak of the COVID-19 pandemic. In the third quarter, the number of applications fell to almost normal levels, followed by a marginal increase in the fourth quarter. In consideration of the LTV of our residential mortgage portfolio and the expansion of the option to apply for forbearance on principal payments in line with Finansinspektionen (the Swedish Financial Supervisory Authority)'s guidelines, 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 2019. The various government support packages and forbearance on principal payments have probably helped customers to the extent needed to prevent an increase in incurred credit losses.

At this time, the bank does not estimate a risk that residential mortgage defaults and losses will increase when these support packages and forbearance measures are phased out. Therefore, for the time being, the bank does not see a need to make adjustments on account of a risk of delayed impact in relation to the residential mortgage portfolio.

Overall, the credit loss level for the period was -0.06 percent (+0.02). Net stage 3 loans accounted for 0.52 percent (0.17) and the allowance ratio for stage 3 loans was 1.7 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 an economic recovery in 2021. If forecasts for GDP, unemployment and housing prices worsen in 2021, this could result in an increase in loss allowances.

The net cost for incurred losses during the year was down slightly (SEK -7m) from 2019 (SEK -10m). The amount received for previously incurred credit losses during the year amounted to SEK +8m (+7).

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The local branch offices are 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 excellent. 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.

In the beginning of the year, both liquidity and funding were impacted by the global turbulence caused by COVID-19. Liquidity improved throughout the year 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. Deposits increased by 13 percent for full year 2020, amounting to SEK 60,159m. This increase is rooted in both the private and corporate segments.

The Swedish capital market was also impacted by the COVID-19 situation. Issuing bonds and certificates of deposit on the Swedish capital market was very difficult at the start of the period. The market recovered quickly and has been stable again since the end of the second quarter. The bank issued new bonds and also renewed bonds and certificates of deposit during the 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 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.

The bank's outstanding covered bonds increased by a nominal amount of SEK 3,700m during the year. Outstanding senior bonds increased on a net basis by a nominal amount of SEK 650m during 2020 while MREL bonds were unchanged. Outstanding certificates of deposit totalling SEK 450m were redeemed.

The bank's outstanding bonds at 31 December amounted to SEK 6,959m (nominal amount) in MTN programme bonds and SEK

15,700m in covered bonds. Outstanding certificates of deposit totalled SEK 500m. The changes during the year are disclosed in Note 10 Debt securities issued and related items.

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

In December 2020, Riksgälden (the Swedish National Debt Office) adopted its annual plans for how banks and other institutions in Sweden should be managed in the event of a financial crisis. Nine Swedish institutions are currently classified as systemically important and Sparbanken Skåne is one of them. Riksgälden also resolved that the minimum requirement for own funds and eligible liabilities (MREL), which is applicable to Sparbanken Skåne as of 2021, is 7.6 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 31 December 2020 amounted to SEK 9,779m (7,104). The liquidity reserves increased during the period, primarily because of higher cash and cash equivalents due to an increase in deposits from the general public. At 31 December, the liquidity reserves consist of assets that can generate liquidity quickly at predictable values, which 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. The bank's liquidity coverage ratio (LCR) was very solid and amounted to 256 percent (186 at 31 December 2019).

The loan-to-deposit ratio at 31 December 2020 was 126 percent (135 at year-end 2019).

More information about liquidity reserves and liquidity management is provided in periodic disclosures at [sparbankenskane.se/finansinformation/likviditet](http://sparbankenskane.se/finansinformation/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 added SEK 527m to its capital base during the year, putting the total value of the capital base on 31 December 2020 at SEK 6,817m (6,290 at year-end 2019). This increase is primarily due to the profit earned during the year 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 33,380m (31,919 at year-end 2019).

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The credit risk REA at 31 December 2020 totalled SEK 27,783m. SEK 7,764m of this item was calculated using the standardised approach to credit risk and SEK 20,019m 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 3,370m (2,687 at year-end 2019). 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 operational risk REA at 31 December 2020 amounted to SEK 2,164m (2,049 at year-end 2019).

This put the total capital ratio and CET1 capital ratio at 20.4 percent on 31 December 2020 (19.7 at year-end 2019). The bank's capital situation thus remains strong.

As a part of the EU Banking Package, the calculation of the SME discount in Article 501 of the Capital Requirements Regulation was changed. As a result of this change, the bank's REA will decrease by approximately SEK 1.3bn. The positive impact on the total capital ratio will be approximately 0.8 percentage points. The change is planned for implementation in the second quarter of 2021. The bank's capital situation thus remains strong.

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

The leverage ratio at 31 December 2020 amounted to 7.0 percent (7.5 at year-end 2019). 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, the bank has the methods and procedures in place that are required to manage the risks associated with its activities.

The bank's level of risk-taking should be low and limited to what is financially sustainable in relation to the bank's capital buffer and long-term capital targets. The board has adopted a separate policy describing the risk appetite that will shape the bank's activities and the risk limits applicable in each risk area. Risk Management monitors, analyses and reports risks to the board and CEO.

Since the beginning of March, COVID-19 has been impacting most countries of the world. Demand for many goods and services fell sharply and deliveries of intermediate inputs and parts were impacted. Stock markets nosedived but then recovered. There is still great economic turbulence. In Sweden, unemployment and bankruptcies increased, and negative gross domestic product (GDP) growth is estimated 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 will follow developments carefully. With respect to allowances for credit losses, the bank's estimate of loss allowance needs is based on an economic recovery in 2021.

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 on the basis of 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 decrease in allowances was justified by improved macroeconomic scenarios and the lack of any noticeable impact on defaults and losses from COVID-19 so far.

- Forecasts for unemployment and GDP rates have improved somewhat overall, but, most significantly, the rates reported for the third quarter outperformed forecasts.
- In the fourth quarter, we moved one quarter closer to the economic recovery in the main macroeconomic scenario, which had a significant impact on the model for calculating expected credit losses.
- Given the major impact on both unemployment and GDP, an increase in defaults and losses could have been expected in consideration of the historical correlations on which the model is based. Instead, we have seen historically low default levels for residential mortgages and SMEs despite the economic decline.
- The expected impact has probably been delayed or alleviated by forbearance on principal payments, short-time work and other government support measures.

In the bank's estimate, there is a risk that defaults and losses could increase when this support is phased out. The bank estimates that four industries in particular - hotel & restaurant, transport, retail and property management - are at risk of delayed impact. Therefore, the bank has chosen to manually make expert adjustments, altogether totalling SEK 33m, in order to account for this impact. This also includes increased loss allowances in the form of provisions for loan commitments.

The macroeconomic forecasts from the past five quarters for the parameters with the greatest significance for the performance of expected credit losses for the bank are shown in the following table.

Unemployment is somewhat higher in the bank's area of operation, but this does not have a material impact on the calculation of expected credit losses.

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Baseline scenario	31/12/2020				30/09/2020		30/06/2020		31/03/2020		31/12/2019	
	2019	2020F	2021F	2022F	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F
GDP (%)	1.2	-3.7	2.0	3.1	-5.2	3.0	-5.1	1.9	-4.4	3.7	1.0	1.4
Unemployment (%)	6.8	8.4	9.2	8.7	8.6	9.4	9.6	10.3	9.2	8.6	7.1	7.2
Housing price performance (% annual performance)	2.3	6.7	5.6	4.1	5.5	3.5	0.5	-1.5	-0.6	3.3	5.0	5.0
Stibor 3M (%)	-0.03	0.08	-0.02	0.07	0.12	0.07	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 weighting was unchanged.

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 year. However, it should be noted that the net loss from credit losses incurred during the period was only SEK -7m (-10). 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 period. 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 healthy margin.

#### Board dividend proposal

The board proposes a dividend of SEK 13.86 per share, resulting in a total dividend amount of SEK 231.2m. The dividend is equivalent to 20 percent of the cumulative net profit for the 2019-2020 financial years.

#### Annual report and financial calendar

The 2020 annual report will be available (in Swedish) at [sparbankenskane.se](http://sparbankenskane.se) in the week of 15 March (week 11).

The bank will publish interim reports in 2021 on the following dates:

January–March 2021 Interim Report 27 April 2021

April–June 2021 Interim Report 22 July 2021

July–September 2021 Interim Report 26 October 2021

#### Events after the reporting period

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



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Financial ratios	12/2020	9/2020	6/2020	3/2020	12/2019
<b>Volume</b>					
Business volume, millions of SEK	220,884	214,704	207,627	197,510	204,707
<b>Capital and liquidity</b>					
CET1 capital ratio	20.4%	19.5%	19.7%	19.3%	19.7%
Total capital ratio	20.4%	19.5%	19.7%	19.3%	19.7%
Leverage ratio	7.0%	6.9%	7.1%	7.2%	7.5%
Loan-to-deposit ratio	1.26	1.28	1.29	1.34	1.35
LCR	256%	236%	239%	315%	186%
NSFR	130%	130%	129%	132%	130%
<b>Profit</b>					
Cost/income ratio before credit losses	0.50	0.49	0.50	0.51	0.61
Cost/income ratio after credit losses	0.52	0.53	0.62	0.74	0.61
Cost/income ratio after credit losses excluding dividends, capital gains and goodwill amortisation	0.52	0.53	0.62	0.74	0.50
Return on equity	9.4%	9.3%	7.7%	5.3%	7.8%
Return on equity excluding dividends, capital gains and goodwill amortisation	9.4%	9.3%	7.7%	5.3%	9.8%
<b>Credit-impaired loans and credit losses</b>					
Allowance ratio for stage 3 loans	17%	18%	21%	19%	32%
Net credit-impaired loans (stage 3) as a percentage of total loans to the general public	0.52%	0.57%	0.58%	0.83%	0.17%
Loan loss ratio excluding brokered volume	-0.1%	-0.1%	-0.1%	-0.1%	0.0%
Loan loss ratio including brokered volume	-0.1%	-0.1%	-0.1%	-0.1%	0.0%
<b>Other disclosures</b>					
Average number of employees	476	467	492	499	469

The alternative financial ratios are defined on page 28.

## Quarterly comparison

Income statement	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Thousands of SEK					
Net interest income	302,766	309,821	310,634	301,417	280,852
Dividends received	-	-	-	760	-
Net fees and commissions	151,360	124,602	111,814	121,332	128,848
Net gain/loss from financial transactions	-1,655	2,895	4,828	5,255	5,811
Other operating income	8,365	442	728	812	669
<b>Total net interest income and operating income</b>	<b>460,836</b>	<b>437,760</b>	<b>428,004</b>	<b>429,576</b>	<b>416,180</b>
General administrative expenses	-215,991	-187,078	-192,222	-197,923	-199,199
Depreciation and amortisation	-3,970	-4,202	-4,556	-4,765	-5,621
Other expenses	-18,057	-11,919	-13,201	-18,240	-15,571
Credit losses	12,872	38,285	108	-97,177	6,218
<b>Total expenses</b>	<b>-225,147</b>	<b>-164,914</b>	<b>-209,871</b>	<b>-318,105</b>	<b>-214,173</b>
<b>Operating profit/loss</b>	<b>235,690</b>	<b>272,846</b>	<b>218,133</b>	<b>111,471</b>	<b>202,007</b>
Taxes	-50,020	-58,294	-46,772	-24,320	-39,850
<b>Profit/loss for the period</b>	<b>185,669</b>	<b>214,552</b>	<b>171,361</b>	<b>87,151</b>	<b>162,157</b>

Balance sheet	31/12/2020	30/09/2020	30/06/2020	31/03/2020	31/12/2019
Thousands of SEK					
Loans to credit institutions	6,126,543	6,125,854	4,715,752	5,125,264	2,906,020
Loans to the general public	75,981,536	74,954,582	74,374,772	73,577,301	71,903,208
Fixed-income securities	5,389,526	5,345,205	5,095,378	4,830,283	4,885,429
Other assets	5,744,592	4,715,971	5,468,100	1,988,310	803,648
<b>Total assets</b>	<b>93,242,198</b>	<b>91,141,612</b>	<b>89,654,002</b>	<b>85,521,158</b>	<b>80,498,305</b>
Liabilities to credit institutions	1,073,534	1,066,375	1,067,948	64,815	60,482
Deposits from the general public	60,158,831	58,570,836	57,575,122	54,903,124	53,120,408
Securities issued	24,349,901	24,006,293	23,719,532	23,477,595	20,426,649
Other liabilities	411,801	437,004	445,741	415,556	308,163
Equity	7,248,132	7,061,104	6,845,659	6,660,068	6,582,603
<b>Total liabilities, provisions and equity</b>	<b>93,242,198</b>	<b>91,141,612</b>	<b>89,654,002</b>	<b>85,521,158</b>	<b>80,498,305</b>

# Income statement

Income statement	Note	Q4 2020	Q4 2019	Change	Jan-Dec 2020	Jan-Dec 2019	Change
Thousands of SEK							
Interest income		345,808	328,380	5%	1,428,365	1,277,802	12%
Interest expenses		-43,042	-47,528	-9%	-203,727	-170,674	19%
<b>Net interest income</b>	3	<b>302,766</b>	<b>280,852</b>	<b>8%</b>	<b>1,224,638</b>	<b>1,107,128</b>	<b>11%</b>
Dividends received		-	-	-	760	630	21%
Fee and commission income	4	164,303	140,697	17%	559,392	557,896	0%
Fee and commission expenses	5	-12,943	-11,849	9%	-50,284	-49,108	2%
Net gain/loss from financial transactions	6	-1,655	5,811	-	11,323	12,716	-11%
Other operating income		8,365	669	-	10,347	3,122	-
<b>Total net interest income and operating income</b>		<b>460,836</b>	<b>416,180</b>	<b>11%</b>	<b>1,756,176</b>	<b>1,632,384</b>	<b>8%</b>
General administrative expenses		-215,991	-199,199	8%	-793,214	-762,882	4%
Depreciation of tangible assets and amortisation of intangible assets		-3,970	-5,621	-29%	-17,493	-187,921	-91%
Other operating expenses		-18,057	-15,571	16%	-61,417	-56,251	9%
<b>Total expenses before credit losses</b>		<b>-238,018</b>	<b>-220,391</b>	<b>8%</b>	<b>-872,124</b>	<b>-1,007,054</b>	<b>-13%</b>
<b>Profit/loss before credit losses</b>		<b>222,818</b>	<b>195,789</b>	<b>14%</b>	<b>884,052</b>	<b>625,330</b>	<b>41%</b>
Net credit losses	7	12,872	6,218	107%	-45,912	13,025	-
<b>Operating profit/loss</b>		<b>235,690</b>	<b>202,007</b>	<b>17%</b>	<b>838,140</b>	<b>638,355</b>	<b>31%</b>
Tax on profit for the period		-50,020	-39,850	26%	-179,407	-140,956	27%
<b>Profit/loss for the period</b>		<b>185,669</b>	<b>162,157</b>	<b>14%</b>	<b>658,733</b>	<b>497,399</b>	<b>32%</b>

Statement of comprehensive income	Q4 2020	Q4 2019	Change	Jan-Dec 2020	Jan-Dec 2019	Change
Thousands of SEK						
<b>Profit/loss for the period</b>	<b>185,669</b>	<b>162,157</b>	<b>14%</b>	<b>658,733</b>	<b>497,399</b>	-
<b>Other comprehensive income</b>						
<b>Items that are or may be reclassified to profit or loss for the period</b>						
Net change in fair value of financial assets measured at fair value through other comprehensive income	1,728	-758	-	8,646	5,778	50%
Change in fair value of financial assets measured at fair value through other comprehensive income, reclassified to profit or loss for the period	-	-	-	-	2,723	-
Change in loss reserve for financial assets measured at fair value through other comprehensive income	-	666	-	-	336	-
Tax attributable to items that may be reclassified to profit or loss for the period	-	-	-	-1,850	-1,944	-5%
<b>Other comprehensive income for the period</b>	<b>1,728</b>	<b>-92</b>	<b>-</b>	<b>6,796</b>	<b>6,893</b>	<b>-1%</b>
<b>Comprehensive income for the period</b>	<b>187,398</b>	<b>162,065</b>	<b>16%</b>	<b>665,529</b>	<b>504,292</b>	<b>32%</b>

# Balance sheet

Balance sheet	Note	31/12/2020	31/12/2019	Change	
Thousands of SEK				Thousands of SEK	%
<b>Assets</b>					
Cash		581	1,121	-540	-48%
Treasury bills eligible for refinancing with central banks		2,023,308	1,857,824	165,484	9%
Loans to credit institutions		6,126,543	2,906,020	3,220,523	-
Loans to the general public	8	75,981,536	71,903,208	4,078,328	6%
Bonds and other fixed-income securities		3,366,218	3,027,605	338,613	11%
Shareholdings and investments		-	4,000	4,000	-
Derivatives		4,120	5,477	-1,357	-25%
Tangible assets		60,826	67,326	-6,500	-10%
Current tax assets		5,398,461	485,181	4,913,280	-
Deferred tax assets		17,721	14,937	2,784	19%
Other assets		85,886	69,507	16,379	24%
Prepaid expenses and accrued income		176,996	156,099	20,897	13%
<b>Total assets</b>		<b>93,242,198</b>	<b>80,498,305</b>	<b>12,743,893</b>	<b>16%</b>
<b>Liabilities, provisions and equity</b>					
Liabilities to credit institutions		1,073,534	60,482	1,013,052	-
Deposits from the general public	9	60,158,831	53,120,408	7,038,423	13%
Debt securities issued and related items	10	24,349,901	20,426,649	3,923,252	19%
Derivatives		71,568	14,398	57,170	-
Other liabilities		90,849	75,543	15,306	20%
Accrued expenses and deferred income		131,501	118,710	12,791	11%
Provisions	11	117,882	99,512	18,370	18%
<b>Total liabilities and provisions</b>		<b>85,994,066</b>	<b>73,915,702</b>	<b>12,078,364</b>	<b>16%</b>
<b>Equity</b>					
<b>Restricted equity</b>					
Share capital (16,683,364 shares and quotient value SEK 100)		1,668,336	1,668,336	-	-
Statutory reserve		109,196	109,196	-	-
<b>Total</b>		<b>1,777,532</b>	<b>1,777,532</b>	<b>-</b>	<b>-</b>
<b>Non-restricted equity</b>					
Share premium reserve		3,188,631	3,188,631	-	-
Fair value reserve		7,788	992	6,796	-
Retained earnings		1,615,448	1,118,049	497,399	44%
Profit/loss for the year		658,733	497,399	161,334	32%
<b>Total</b>		<b>5,470,600</b>	<b>4,805,071</b>	<b>665,529</b>	<b>14%</b>
<b>Total equity</b>		<b>7,248,132</b>	<b>6,582,603</b>	<b>665,529</b>	<b>10%</b>
<b>Total liabilities, provisions and equity</b>		<b>93,242,198</b>	<b>80,498,305</b>	<b>12,743,893</b>	<b>16%</b>
<b>Other notes</b>					
Accounting policies	1				
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Pledged assets, contingent liabilities and commitments	14				
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Disclosures on related parties and other significant relationships	16				

# Statement of changes in equity

Thousands of SEK	Restricted equity		Non-restricted equity			Total equity	
	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings	Profit/loss for the period	
<b>Balance at 1 January 2019</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>-5,901</b>	<b>997,439</b>	<b>196,432</b>	<b>6,154,133</b>
Adjustment of financial guarantee provision for brokered loans (net of tax)	-	-	-	-	-16,930	-	-16,930
<b>Adjusted balance at 1 January 2019</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>-5,901</b>	<b>980,509</b>	<b>196,432</b>	<b>6,137,203</b>
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
<b>Balance at 31 December 2019</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>992</b>	<b>1,118,049</b>	<b>497,399</b>	<b>6,582,603</b>
<b>Balance at 1 January 2020</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>992</b>	<b>1,118,049</b>	<b>497,399</b>	<b>6,582,603</b>
<b>Appropriation of profit as per AGM resolution</b>							
Amount carried forward	-	-	-	-	497,399	-497,399	-
Transactions with owners in the form of dividends	-	-	-	-	-	-	-
Profit/loss for the year	-	-	-	-	-	658,733	658,733
Other comprehensive income for the year	-	-	-	6,796	-	-	6,796
Comprehensive income for the year	-	-	-	-	-	-	665,529
<b>Balance at 31 December 2020</b>	<b>1,668,336</b>	<b>109,196</b>	<b>3,188,631</b>	<b>7,788</b>	<b>1,615,448</b>	<b>658,733</b>	<b>7,248,132</b>

## Restricted equity

Restricted equity may not be decreased by paying dividends.

## Statutory reserve

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

## Non-restricted equity

### Share premium reserve

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

### Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of 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	2020	2019
Thousands of SEK		
<b>Cash flows from operating activities</b>		
Operating profit/loss	838,140	638,355
<b>Net change in amortised cost for the period</b>	100,120	65,695
Unrealised share of net gain from financial transactions	-6,324	-7,293
Depreciation and amortisation	17,493	187,921
Credit losses	53,792	-5,789
Tax paid	-97,321	-91,951
<b>Cash flows from operating activities before changes in working capital</b>	<b>905,900</b>	<b>786,938</b>
<b>Cash flow from changes in working capital</b>		
Increase/decrease in loans to the general public (-/+)	-4,070,114	-7,864,939
Increase/decrease in securities (-/+)	-526,952	-448,157
Increase/decrease in deposits from the general public (+/-)	7,038,423	1,854,892
Increase/decrease in liabilities to credit institutions (+/-)	1,013,052	-498,779
Net change in other assets and liabilities	-6,334	21,304
<b>Net cash from operating activities</b>	<b>4,353,975</b>	<b>-6,148,741</b>
<b>Cash flows from investing activities</b>		
Disposal/redemption of financial assets	22,370	29,322
Transfer of excess liquidity to tax account	-5,000,000	2,300,000
Sale of tangible assets	425	0
Acquisition of tangible assets	-11,419	-2,172
<b>Net cash from investing activities</b>	<b>-4,988,623</b>	<b>2,327,150</b>
<b>Cash flows from financing activities</b>		
Issue of fixed-income securities	9,765,445	8,682,823
Redemption of fixed-income securities	-5,910,813	-4,790,315
Dividends paid	0	-58,892
<b>Net cash from financing activities</b>	<b>3,854,632</b>	<b>3,833,616</b>
<b>Cash flow for the year</b>	<b>3,219,984</b>	<b>12,025</b>
Cash and cash equivalents at beginning of year	2,907,141	2,895,116
<b>Cash and cash equivalents at end of year</b>	<b>6,127,125</b>	<b>2,907,141</b>
The following subcomponents are included in cash and cash equivalents		
Cash	581	1,121
Loans to credit institutions	6,126,543	2,906,020
<b>Balance sheet total</b>	<b>6,127,125</b>	<b>2,907,141</b>
Short-term investments have been classified as cash and cash equivalents on the basis of the following criteria		
They have an insignificant risk of changes in value		
They are easily convertible to cash		
They have a maximum term of three months from their acquisition date		
Interest paid and dividends received included in net cash from operating activities		
Interest received	1,402,634	1,275,629
Interest paid including cost of deposit insurance and resolution/stability fee	-172,841	-157,780
Dividends received	760	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 during 2019 by SEK 14m. to SEK -49m and general administrative expenses increased by SEK 14m to SEK -763m.

## Note 2 Operating segments

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

## Note 3 Net interest income

	Jan-Dec 2020	Jan-Dec 2019	Change
Thousands of SEK			
<b>Interest income</b>			
Loans to credit institutions	608	4,213	-
Loans to the general public	1,440,576	1,298,376	11%
Fixed-income securities	11,932	3,895	-
Derivatives	-24,748	-28,681	-14%
Other interest income	-3	-1	-
<b>Total</b>	<b>1,428,365</b>	<b>1,277,802</b>	<b>12%</b>
<b>Interest expenses</b>			
Liabilities to credit institutions	-8,490	-12,078	-30%
Deposits from the general public	-55,114	-55,310	0%
– fee for deposit insurance	-41,435	-43,533	-5%
Fixed-income securities	-126,925	-77,217	64%
Subordinated liabilities	-	-4,677	-
Other interest expenses	-13,198	-21,392	-38%
– fee for resolution fund	-13,192	-21,387	-38%
<b>Total</b>	<b>-203,727</b>	<b>-170,674</b>	<b>19%</b>
<b>Total net interest income</b>	<b>1,224,638</b>	<b>1,107,128</b>	<b>11%</b>

## Note 4 Fee and commission income

	Jan-Dec 2020	Jan-Dec 2019	Change
Thousands of SEK			
Payment intermediation fees	86,796	70,358	23%
Loan commissions	92,432	117,891	-22%
Deposit commissions	83,590	80,732	4%
Commissions for financial guarantees issued	1,909	2,226	-14%
Securities commissions and fees	226,867	218,787	4%
Other fees and commissions	67,797	67,902	0%
<b>Total</b>	<b>559,392</b>	<b>557,896</b>	<b>0%</b>

<b>Note 5</b>	<b>Fee and commission expenses</b>	<b>Jan-Dec 2020</b>	<b>Jan-Dec 2019</b>	<b>Change</b>
Thousands of SEK				
	Payment intermediation fees	-31,524	-35,127	-10%
	Securities commissions and fees	-14,086	-9,181	53%
	Other fees and commissions	-4,674	-4,800	-3%
	<b>Total</b>	<b>-50,284</b>	<b>-49,108</b>	<b>2%</b>

<b>Note 6</b>	<b>Net gain/loss from financial transactions</b>	<b>Jan-Dec 2020</b>	<b>Jan-Dec 2019</b>	<b>Change</b>
Thousands of SEK				
	Shareholdings/investments	-	2,800	-
	Fixed-income securities	-773	-3,104	-75%
	Other financial instruments	6,406	7,477	-14%
	Exchange rate fluctuations	5,690	5,543	3%
	<b>Total</b>	<b>11,323</b>	<b>12,716</b>	<b>-11%</b>

	<b>Jan-Dec 2020</b>	<b>Jan-Dec 2019</b>	<b>Change</b>
<b>Net gain/loss by valuation category</b>			
Financial assets at fair value through other comprehensive income	-773	-304	-
Ineffective portion of fair value hedge	779	826	-6%
Derivatives intended for risk management, no hedge accounting	5,627	6,651	-15%
Change in fair value of derivatives used as hedging instruments in a fair value hedge	-62,006	22,503	-
Change in fair value of hedged item attributable to the hedged risk in fair value hedges	62,006	-22,503	-
Exchange rate fluctuations	5,690	5,543	3%
<b>Total</b>	<b>11,323</b>	<b>12,716</b>	<b>-11%</b>

<b>Note 7</b>	<b>Net credit losses</b>	<b>Jan-Dec 2020</b>	<b>Jan-Dec 2019</b>	
Thousands of SEK				
<b>Loans at amortised cost</b>				
	Change in provisions – stage 1	-14,235	1,019	-
	Change in provisions – stage 2	-6,635	3,226	-
	Change in provisions – stage 3	-20,241	6,930	-
	<b>Total</b>	<b>-41,111</b>	<b>11,175</b>	<b>-</b>
	Net cost for the year for realised losses	-7,388	-10,287	-28%
	The amount received for previously incurred credit losses	7,880	7,236	9%
	<b>Total credit losses on loans at amortised cost</b>	<b>-40,619</b>	<b>8,124</b>	<b>-</b>
<b>Loan commitments and financial guarantee contracts</b>				
	Change in provisions – stage 1	-4,272	-934	-
	Change in provisions – stage 2	-1,862	3,819	-
	Change in provisions – stage 3	841	2,016	-58%
	<b>Total credit losses for loan commitments and financial guarantee contracts</b>	<b>-5,293</b>	<b>4,901</b>	<b>-</b>
	<b>Total credit losses</b>	<b>-45,912</b>	<b>13,025</b>	<b>-</b>



Note 8	Loans to the general public	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK					
<b>Gross carrying amount</b>					
<b>Gross carrying amount at 1 January 2020</b>		67,796,753	4,034,868	180,416	<b>72,012,037</b>
New financial assets		20,533,943	792,822	88,114	<b>21,414,879</b>
Derecognised financial assets		-14,547,419	-1,232,414	-27,699	<b>-15,807,532</b>
Changes due to changed balances		-1,387,550	-121,136	-38,324	<b>-1,547,010</b>
Transfers between stages during the period					
from stage 1 to stage 2		-1,747,433	1,747,433	-	<b>0</b>
from stage 1 to stage 3		-173,373	-	173,373	<b>0</b>
from stage 2 to stage 1		1,239,520	-1,239,520	-	<b>0</b>
from stage 2 to stage 3		-	-118,801	118,801	<b>0</b>
from stage 3 to stage 2		-	16,569	-16,569	<b>0</b>
from stage 3 to stage 1		1,652	-	-1,652	<b>0</b>
Exchange rate fluctuations		-158	0	0	<b>-158</b>
<b>Gross carrying amount at 31 December 2020</b>		<b>71,715,935</b>	<b>3,879,821</b>	<b>476,460</b>	<b>76,072,216</b>
<b>Loss allowances</b>					
<b>Loss allowances at 1 January 2020</b>		19,314	30,188	56,859	<b>106,361</b>
New financial assets		6,500	5,070	9,082	<b>20,652</b>
Derecognised financial assets		-4,353	-7,270	-8,615	<b>-20,238</b>
Changes due to changed balances		-852	-2,309	-2,539	<b>-5,700</b>
Changed risk variables (EAD, PD, LGD)		3,005	-4,219	4,219	<b>3,005</b>
Changes in macroeconomic scenarios		-1,738	-3,123	-194	<b>-5,055</b>
Changes due to manual expert adjustments		18,590	7,819	-	<b>26,409</b>
Changes due to updated models		-2,671	-1,453	-5,606	<b>-9,730</b>
Transfers between stages during the period					
from stage 1 to stage 2		-4,468	15,235	-	<b>10,767</b>
from stage 1 to stage 3		-220	-	19,333	<b>19,113</b>
from stage 2 to stage 1		415	-2,386	-	<b>-1,971</b>
from stage 2 to stage 3		-	-1,136	9,633	<b>8,497</b>
from stage 3 to stage 1		0	-	-72	<b>-72</b>
from stage 3 to stage 2		-	405	-2,225	<b>-1,820</b>
<b>Loss allowances at 31 December 2020</b>		<b>33,522</b>	<b>36,821</b>	<b>79,875</b>	<b>150,218</b>
<b>Carrying amount</b>					
<b>Opening balance at 1 January 2020</b>		67,777,439	4,004,680	123,557	<b>71,905,676</b>
<b>Closing balance at 31 December 2020</b>		<b>71,682,413</b>	<b>3,843,000</b>	<b>396,585</b>	<b>75,921,998</b>
<b>Change in fair value of hedged amount in portfolio hedge</b>					<b>59,538</b>
<b>Total</b>					<b>75,981,536</b>

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	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK				
<b>Gross carrying amount</b>	Stage 1	Stage 2	Stage 3	<b>Total</b>
<b>Gross carrying amount at 1 January 2019</b>	60,678,047	3,322,727	171,166	<b>64,171,940</b>
New financial assets	23,174,695	508,965	11,168	<b>23,694,828</b>
Derecognised financial assets	-13,644,955	-674,024	-67,475	<b>-14,386,454</b>
Changes due to changed balances	-1,353,285	-106,878	-8,134	<b>-1,468,297</b>
Transfers between stages during the period				
from stage 1 to stage 2	-2,145,001	2,145,001	-	<b>0</b>
from stage 1 to stage 3	-19,456	-	19,456	<b>0</b>
from stage 2 to stage 1	1,098,556	-1,098,556	-	<b>0</b>
from stage 2 to stage 3	-	-64,947	64,947	<b>0</b>
from stage 3 to stage 2	8,132	-	-8,132	<b>0</b>
from stage 3 to stage 1	-	2,580	-2,580	<b>0</b>
Exchange rate fluctuations	20	0	0	<b>20</b>
<b>Gross carrying amount at 31 December 2019</b>	<b>67,796,753</b>	<b>4,034,868</b>	<b>180,416</b>	<b>72,012,037</b>
<b>Loss allowances</b>				
<b>Loss allowances at 1 January 2019</b>	20,333	33,414	61,706	<b>115,453</b>
New financial assets	8,968	3,362	4,179	<b>16,509</b>
Derecognised financial assets	-5,649	-6,803	-24,519	<b>-36,971</b>
Changes due to changed balances	-1,170	-1,507	-4,123	<b>-6,800</b>
Changed risk variables (EAD, PD, LGD)	2,487	-6,092	6,455	<b>2,850</b>
Changes in macroeconomic scenarios	-1,588	-1,255	-262	<b>-3,105</b>
Changes due to updated models	-397	-348	0	<b>-745</b>
Transfers between stages during the period				
from stage 1 to stage 2	-4,084	14,147	-	<b>10,063</b>
from stage 1 to stage 3	-37	-	3,408	<b>3,371</b>
from stage 2 to stage 1	440	-2,294	-	<b>-1,854</b>
from stage 2 to stage 3	-	-2,479	11,298	<b>8,819</b>
from stage 3 to stage 1	11	-	-1,012	<b>-1,001</b>
from stage 3 to stage 2	-	43	-271	<b>-228</b>
<b>Loss allowances at 31 December 2019</b>	<b>19,314</b>	<b>30,188</b>	<b>56,859</b>	<b>106,361</b>
<b>Carrying amount</b>				
<b>Opening balance at 1 January 2019</b>	60,657,714	3,289,313	109,460	<b>64,056,487</b>
<b>Closing balance at 31 December 2019</b>	<b>67,777,439</b>	<b>4,004,680</b>	<b>123,557</b>	<b>71,905,676</b>
<b>Change in fair value of hedged amount in portfolio hedge</b>				<b>-2,468</b>
<b>Total</b>				<b>71,903,208</b>

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Gross carrying amount and loss allowance by sector at 31 December 2020	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
<b>Loans to the general public</b>			
<b>Private customers</b>	<b>41,658,866</b>	<b>17,339</b>	<b>41,641,527</b>
<b>Tenant-owners' associations</b>	<b>2,682,617</b>	<b>1,834</b>	<b>2,680,783</b>
<b>Corporate customers</b>	<b>31,730,733</b>	<b>131,045</b>	<b>31,599,688</b>
Agriculture, fishing, forestry	7,036,042	5,385	7,030,657
Manufacturing	544,300	3,441	540,858
Public sector	874,761	2,694	872,068
Construction	1,909,115	5,085	1,904,030
Retail	1,405,023	24,953	1,380,070
Transport	530,150	5,188	524,962
Hotel and restaurant	463,937	15,777	448,160
Information technology	335,732	157	335,575
Banking and insurance	26,859	93	26,766
Property management	15,071,768	49,228	15,022,540
Service sector	1,887,119	5,815	1,881,304
Other loans to businesses	1,645,926	13,227	1,632,699
<b>Loans to the general public</b>	<b>76,072,216</b>	<b>150,218</b>	<b>75,921,998</b>

Gross carrying amount and loss allowance by sector at 31 December 2019	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
<b>Loans to the general public</b>			
<b>Private customers</b>	<b>39,563,533</b>	<b>28,076</b>	<b>39,535,457</b>
<b>Tenant-owners' associations</b>	<b>2,379,566</b>	<b>1,141</b>	<b>2,378,425</b>
<b>Corporate customers</b>	<b>30,068,938</b>	<b>77,144</b>	<b>29,991,794</b>
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
<b>Loans to the general public</b>	<b>72,012,037</b>	<b>106,361</b>	<b>71,905,676</b>

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Gross carrying amount and loss allowance by stage	31 December 2020	31 December 2019
Thousands of SEK		
<b>Loans to the general public, private customers and tenant-owners' associations</b>		
<b>Stage 1</b>		
Gross carrying amount	42,393,529	40,047,183
Loss allowances	2,498	5,053
Carrying amount	42,391,031	40,042,130
<b>Stage 2</b>		
Gross carrying amount	1,915,150	1,854,342
Loss allowances	6,129	8,186
Carrying amount	1,909,021	1,846,156
<b>Stage 3</b>		
Gross carrying amount	32,804	41,574
Loss allowances	10,546	15,978
Carrying amount	22,258	25,596
<b>Total carrying amount, loans to private customers and tenant-owners' associations</b>	<b>44,322,310</b>	<b>41,913,882</b>
<b>Loans to the general public, corporate customers</b>		
<b>Stage 1</b>		
Gross carrying amount	29,322,406	27,749,570
Loss allowances	31,024	14,261
Carrying amount	29,291,382	27,735,309
<b>Stage 2</b>		
Gross carrying amount	1,964,672	2,180,526
Loss allowances	30,691	22,002
Carrying amount	1,933,981	2,158,524
<b>Stage 3</b>		
Gross carrying amount	443,655	138,842
Loss allowances	69,330	40,881
Carrying amount	374,325	97,961
<b>Total carrying amount, loans to corporate customers</b>	<b>31,599,688</b>	<b>29,991,794</b>
Gross carrying amount – stage 1	71,715,935	67,796,753
Gross carrying amount – stage 2	3,879,822	4,034,868
Gross carrying amount – stage 3	476,459	180,416
<b>Total gross carrying amount</b>	<b>76,072,216</b>	<b>72,012,037</b>
Loss allowance – stage 1	33,522	19,314
Loss allowance – stage 2	36,820	30,188
Loss allowance in stage 3	79,876	56,859
<b>Total loss allowances</b>	<b>150,218</b>	<b>106,361</b>
<b>Total carrying amount, loans to the general public</b>	<b>75,921,998</b>	<b>71,905,676</b>
Gross stage 3 loans in %	0.63%	0.25%
Net stage 3 loans in %	0.52%	0.17%
Ratio of loss allowances to stage 1 loans	22%	18%
Ratio of loss allowances to stage 2 loans	25%	28%
Allowance ratio for stage 1 loans	0.05%	0.03%
Allowance ratio for stage 2 loans	0.95%	0.75%
Allowance ratio for stage 3 loans	17%	32%
Total allowance ratio for loans	0.20%	0.15%

<b>Note 9</b>	<b>Deposits from the general public</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
Thousands of SEK			
The general public			
	- Swedish currency	59,617,174	52,645,780
	- foreign currency	541,657	474,628
	<b>Total</b>	<b>60,158,831</b>	<b>53,120,408</b>
<b>Deposits per customer category, excluding bank cheques</b>			
	Public sector	2,125,265	1,671,077
	Corporate sector	13,419,353	10,297,516
	Retail sector	44,379,047	40,337,201
	- sole proprietors	6,680,565	6,371,765
	Other sectors	197,433	751,000
	<b>Total</b>	<b>60,121,098</b>	<b>53,056,794</b>

<b>Note 10</b>	<b>Debt securities issued and related items</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
Thousands of SEK			
	Certificates of deposit	499,418	949,332
	Bond loans	6,971,539	6,315,917
	Covered bonds	15,880,665	12,163,564
	MREL bond	998,279	997,836
	<b>Total</b>	<b>24,349,901</b>	<b>20,426,649</b>
<b>Changes during the period</b>			
		<b>Jan-Dec 2020</b>	<b>Jan-Dec 2019</b>
	Issued	9,765,445	8,682,823
	Repurchased	-3,701,000	-500,000
	Matured	-2,141,193	-3,744,546
	<b>Change</b>	<b>3,923,252</b>	<b>4,438,277</b>

<b>Note 11</b>	<b>Provisions</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Thousands of SEK					
	<b>Loss allowances at 1 January 2020</b>	3,472	7,664	15,016	<b>26,152</b>
	New loan commitments and financial guarantees	1,629	1,308	1,340	<b>4,277</b>
	Financial guarantees and loan commitments that are past due	-1,150	-3,347	-1,770	<b>-6,267</b>
	Changes due to changed loan commitments and similar items	-205	447	307	<b>549</b>
	Changed risk variables (EAD, PD, LGD)	677	-1,280	10	<b>-593</b>
	Changes in macroeconomic scenarios	-154	-260	-	<b>-414</b>
	Changes due to manual expert adjustments	4,402	2,551	-	<b>6,953</b>
	Changes due to updated models	-175	-12	-	<b>-187</b>
	Transfers between stages during the period				
	from stage 1 to stage 2	-810	2,628	-	<b>1,818</b>
	from stage 1 to stage 3	-3	-	405	<b>402</b>
	from stage 2 to stage 1	60	-330	-	<b>-270</b>
	from stage 2 to stage 3	-	-3	18	<b>15</b>
	from stage 3 to stage 1	2	-	-471	<b>-469</b>
	from stage 3 to stage 2	-	146	-680	<b>-534</b>
	<b>Loss allowances at 31 December 2020</b>	<b>7,745</b>	<b>9,512</b>	<b>14,175</b>	<b>31,432</b>
	Provisions for pensions				<b>72,288</b>
	Other provisions				<b>14,162</b>
	<b>Total</b>				<b>117,882</b>

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<b>Loss allowances at 31 December 2018</b>	1,624	2,238	5,652	<b>9,514</b>
Adjustment of opening values	912	9,246	11,381	<b>21,539</b>
<b>Loss allowances at 1 January 2019</b>	2,536	11,484	17,033	<b>31,053</b>
New loan commitments and financial guarantees	1,868	317	268	<b>2,453</b>
Financial guarantees and loan commitments that are past due	-756	-4,973	-3,847	<b>-9,576</b>
Changes due to changed loan commitments and similar items	382	827	-146	<b>1,063</b>
Changed risk variables (EAD, PD, LGD)	-10	-939	-392	<b>-1,341</b>
Changes in macroeconomic scenarios	-58	-8	-	<b>-66</b>
Changes due to updated models	89	5	95	<b>189</b>
Transfers between stages during the period				
from stage 1 to stage 2	-631	1,833	-	<b>1,202</b>
from stage 1 to stage 3	-10	-	1,033	<b>1,023</b>
from stage 2 to stage 1	62	-350	-	<b>-288</b>
from stage 2 to stage 3	-	-532	976	<b>444</b>
from stage 3 to stage 1	0	-	-2	<b>-2</b>
from stage 3 to stage 2	-	0	-2	<b>-2</b>
<b>Loss allowances at 31 December 2019</b>	<b>3,472</b>	<b>7,664</b>	<b>15,016</b>	<b>26,152</b>
Provisions for pensions				61,769
Other provisions				11,591
<b>Total</b>				<b>99,512</b>

Note 12 Derivatives	31/12/2020		31/12/2019	
	Nominal amount	Fair value	Nominal amount	Fair value
The bank uses financial hedges to protect itself from interest rate and currency risks. Derivative instruments comprise interest rate swaps, interest rate caps and currency forwards.				
Thousands of SEK				
<b>Derivative instruments with positive fair values</b>				
Fixed-income contracts	185,000	-	240,000	-
Currency contracts	119,574	4,120	146,983	5,477
<b>Total derivative instruments with positive fair values</b>	<b>304,574</b>	<b>4,120</b>	<b>386,983</b>	<b>5,477</b>
<b>Derivative instruments with negative fair values</b>				
Fixed-income contracts	13,080,000	67,586	8,681,625	9,140
Currency contracts	119,451	3,982	145,446	5,258
<b>Total derivative instruments with negative fair values</b>	<b>13,199,451</b>	<b>71,568</b>	<b>8,827,071</b>	<b>14,398</b>

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

Note 13 31 December 2020	Financial assets and liabilities				Fair value
	Carrying amount				
	Fair value	Amortised cost	Fair value through other comprehensive income		
Thousands of SEK			Debt instruments	Equity instruments	
Cash and balances at central banks	-	581	-	-	581
Treasury bills eligible for refinancing with central banks	-	-	2,023,308	-	2,023,308
Loans to credit institutions	-	6,126,543	-	-	6,126,543
Loans to the general public	-	75,981,536	-	-	76,093,160
Bonds and other fixed-income securities	-	-	3,366,218	-	3,366,218
Derivatives	4,120	-	-	-	4,120
Other assets	-	85,886	-	-	85,886
Accrued income	-	128,757	-	-	128,757
	<b>4,120</b>	<b>82,323,304</b>	<b>5,389,526</b>	-	<b>87,828,575</b>
Liabilities to credit institutions	-	1,073,534	-	-	1,073,534
Deposits from the general public	-	60,158,831	-	-	60,159,303
Securities issued	-	24,349,901	-	-	24,349,901
Derivatives	71,568	-	-	-	71,568
Other liabilities	-	74,789	-	-	74,789
Accrued expenses	-	129,867	-	-	129,867
	<b>71,568</b>	<b>85,786,921</b>	-	-	<b>85,858,962</b>

31 December 2019	Financial assets and liabilities				Fair value
	Carrying amount				
	Fair value	Amortised cost	Fair value through other comprehensive income		
Thousands of SEK			Debt instruments	Equity instruments	
Cash and balances at central banks	-	1,121	-	-	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
	<b>5,477</b>	<b>75,002,958</b>	<b>4,885,429</b>	<b>4,000</b>	<b>80,431,825</b>
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
	<b>14,398</b>	<b>73,784,895</b>	-	-	<b>73,803,991</b>

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

Level 1: Quoted prices in active markets for identical instruments

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

Level 3: Unobservable inputs for the instrument

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<b>31/12/2020</b>				
Thousands of SEK	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Treasury bills eligible for refinancing with central banks	2,023,308	-	-	2,023,308
Bonds and related items	3,366,218	-	-	3,366,218
Other assets – derivatives	-	4,120	-	4,120
<b>Total</b>	<b>5,389,526</b>	<b>4,120</b>	<b>-</b>	<b>5,393,647</b>
Other liabilities – derivatives	-	71,568	-	71,568
<b>Total</b>	<b>-</b>	<b>71,568</b>	<b>-</b>	<b>71,568</b>
<b>31/12/2019</b>				
Thousands of SEK	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
<b>Total</b>	<b>4,885,429</b>	<b>5,477</b>	<b>4,000</b>	<b>4,894,906</b>
Other liabilities – derivatives	-	14,398	-	14,398
<b>Total</b>	<b>-</b>	<b>14,398</b>	<b>-</b>	<b>14,398</b>

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

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

Thousands of SEK	<b>Shareholdings and investments</b>	<b>Total</b>
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
<b>Closing balance at 31 December 2020</b>	<b>0</b>	<b>0</b>

#### 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 using observable market data relevant to the fair value measurement including valuation models mainly based on observable market data but with some estimates made by the bank that are considered significant for the fair value measurement.

Structured products are measured at fair value through profit or loss. They are not traded daily in active markets. Instead, the fair values are obtained from counterparties and measured on the basis of the performance of the underlying indices/prices of the respective instruments at the balance sheet date.

The fair value of financial instruments that are not derivative instruments is measured on the basis of future cash flows of principal and interest discounted to current market interest rates at the balance sheet date. In cases where discounted cash flows have been used, future cash flows are calculated using the best estimate of the bank's management.

The fair value of loans with fixed interest rates was measured by discounting expected future cash flows with the discount rate set at the current lending rate applicable.

The carrying amount is deemed to reflect the fair value of trade receivables and payables with a remaining useful life of less than six months.

The fair value of borrowings is measured on the basis of current market interest rates where the original credit spread has been kept constant if there is no clear evidence that a change in the bank's credit rating has led to an observable change in the bank's credit spread.

The fair value of loans and deposits was measured by discounting expected future cash flows with the discount rate set at the current lending or deposit rate applicable. However, the fair value of a liability that is redeemable on demand is not recognised at an amount lower than the amount to be paid on demand and is discounted from the first date that payment of this amount could be demanded.



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

	31/12/2020	31/12/2019
Thousands of SEK		
Pledged assets		
Loans *	20,603,014	15,972,894
Bonds and other fixed-income securities	1,120,020	-
Other pledged assets	138,988	63,169
Contingent liabilities	596,437	636,202
Commitments	9,875,446	8,580,557

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

**Note 15 Capital adequacy analysis**

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

Capital base		31/12/2020		31/12/2019	
Thousands of SEK					
CET1 capital		6,816,853		6,289,848	
<b>Net capital base</b>		<b>6,816,853</b>		<b>6,289,848</b>	
Capital requirement and risk-weighted exposure amount		Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
<b>Minimum capital for credit risk</b>					
- IRB approach		1,601,502	20,018,777	1,556,258	19,453,223
- standardised approach		621,120	7,764,003	612,720	7,659,002
Credit valuation adjustment		3,354	41,925	3,162	39,525
Risk weight floor, residential and commercial properties		269,581	3,369,747	214,987	2,687,339
Other REAs		1,680	21,000	2,400	30,000
Capital requirement for operational risk		173,143	2,164,292	163,957	2,049,465
<b>Total capital requirements and risk-weighted exposure amounts</b>		<b>2,670,380</b>	<b>33,379,744</b>	<b>2,553,484</b>	<b>31,918,554</b>
<b>CET1 capital ratio</b>	<b>20.4%</b>			<b>19.7%</b>	
<b>Tier 1 capital ratio</b>	<b>20.4%</b>			<b>19.7%</b>	
<b>Total capital ratio</b>	<b>20.4%</b>			<b>19.7%</b>	
<b>Pillar 2 capital requirement</b>	2.2%	738,420		1.9%	622,162
<b>Total internally assessed capital requirement (excluding buffer requirement)</b>		3,408,800		3,175,646	
<b>Buffer requirement</b>	<b>2.5%</b>	<b>834,494</b>	<b>10,431,170</b>	<b>5.0%</b>	<b>1,595,928</b>
- capital conservation buffer	2.5%	834,494	10,431,170	2.5%	797,964
- countercyclical capital buffer	0.0%	-	-	2.5%	797,964
<b>Total capital requirement including buffer requirement</b>		<b>4,243,294</b>		<b>4,771,574</b>	

CONTINUED FROM PAGE 25.

Thousands of SEK	31/12/2020		31/12/2019	
<b>CET1 capital: Instruments and reserves</b>				
Share capital	1,668,336		1,668,336	
Statutory reserve	109,196		109,196	
Share premium reserve	3,188,631		3,188,631	
Fair value reserve	-		-	
Retained earnings	1,615,448		1,118,049	
Profit attributable to the bank's owners	658,733		497,399	
Deduction for ineligible part of profit for the period or year	-231,231		-150,150	
<b>CET1 capital before regulatory adjustments</b>	<b>7,009,113</b>		<b>6,431,461</b>	
<b>CET1 capital: regulatory adjustments</b>				
Value adjustments due to prudent valuation requirements	-5,390		-4,885	
Deferred tax assets	-17,721		-14,937	
Deduction of IRB provisions (see disclosure below)	-169,149		-121,791	
<b>Total regulatory adjustments to CET1 capital</b>	<b>-192,260</b>		<b>-141,613</b>	
<b>CET1 capital</b>	<b>6,816,853</b>		<b>6,289,848</b>	
<b>Capital base</b>	<b>6,816,853</b>		<b>6,289,848</b>	
<b>Special disclosures</b>				
<b>IRB Provisions excess(+)/shortfall(-)</b>	<b>-169,149</b>		<b>-120,837</b>	
Total IRB provisions (+)	145,615		90,349	
IRB Expected loss amount (-)	-314,764		-211,186	
<b>Capital requirement and risk-weighted exposure amount</b>				
Thousands of SEK	31/12/2020		31/12/2019	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
<b>Credit risk under standardised approach</b>				
Central government and central bank exposures	-	-	-	-
Regional government and local authority exposures	-	-	-	-
Corporate exposures	99,049	1,238,118	83,377	1,042,218
Retail exposures	231,239	2,890,485	238,136	2,976,701
Exposures secured by mortgages on immovable property	288,867	3,610,834	288,943	3,611,782
Items in default	1,965	24,566	1,944	24,301
Equity exposures	-	-	320	4,000
<b>Credit risk under IRB approach</b>				
Institutional exposures	166,183	2,077,286	89,062	1,113,274
Corporate exposures	780,895	9,761,186	821,135	10,264,188
Retail exposures	635,625	7,945,307	633,111	7,913,888
– mortgage loans	389,517	4,868,966	374,577	4,682,211
– other loans	246,107	3,076,341	258,534	3,231,677
Non-credit obligation asset exposures	18,800	234,998	12,950	161,873
<b>Total</b>	<b>2,222,622</b>	<b>27,782,780</b>	<b>2,168,978</b>	<b>27,112,225</b>

CONTINUED FROM PAGE 26.

Credit valuation adjustment	3,354	41,925	3,162	39,525
Risk weight floor, residential and commercial properties	269,581	3,369,747	214,987	2,687,339
Other REAs	1,680	21,000	2,400	30,000
<b>Operational risk</b>				
	<b>31/12/2020</b>		<b>31/12/2019</b>	
	<b>Capital requirement</b>	<b>Risk-weighted exposure amount</b>	<b>Capital requirement</b>	<b>Risk-weighted exposure amount</b>
Standardised approach	173,143	2,164,292	163,957	2,049,465
<b>Total capital requirement for operational risk</b>	<b>173,143</b>	<b>2,164,292</b>	<b>163,957</b>	<b>2,049,465</b>
<b>Total capital requirements and risk-weighted exposure amounts</b>	<b>2,670,380</b>	<b>33,379,744</b>	<b>2,553,484</b>	<b>31,918,554</b>

#### Note 16 Disclosures on related parties and other significant relationships

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

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

# Alternative financial ratio definitions

## Business volume

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

## CET1 capital ratio

The bank's Common Equity Tier 1 (CET1) capital ratio is the CET1 capital of the bank expressed as a percentage of the risk-weighted exposure amount.

The CET1 capital is equal to the bank's equity less goodwill and IRB provisions.

## Total capital ratio

The bank's total capital ratio is the capital base of the bank expressed as a percentage of the risk-weighted exposure amount.

The capital base comprises the CET1 capital and subordinated liabilities. The regulatory requirement including capital conservation and countercyclical buffers is 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.

## 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.

# Signatures of board and CEO

The board and CEO hereby affirm that the January–December 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 January 2021

Bertil Engström  
Chair

Agneta Erfors  
Deputy Chair

Helene 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 year-end report of Sparbanken Skåne AB (publ) for the period from 1 January 2020 to 31 December 2020. The board and CEO are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act. It is our responsibility to express an opinion on this year-end report based on our review engagement.

## Focus and extent of review engagement

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

## Opinion

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

Lund, 28 January 2021

Patrick Honeth  
Authorised Public Accountant



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