



January–March 2021 Interim Report for Sparbanken Skåne AB (publ)

Lund, 28 April 2021

Sparbanken Skåne reported stable financial performance for the first quarter of 2021. The COVID-19 pandemic continued to impact society, but the bank was able to reverse more previous loss allowances. Despite the day-to-day challenges of the pandemic, the underlying recovery of Skåne's market continued.

Sparbanken
Skåne



Q1 financial summary, January–March 2021

(Comparative figures in parentheses refer to Q4, October–December 2020 unless otherwise stated)

- The bank's operating profit for the quarter was SEK 224m (236).
- Net interest income decreased by 2% to SEK 297m (303). The decrease was largely because of decreased margins despite an increase in lending volume.
- Net fee and commission income was down, totalling SEK 138m (151). The decrease was primarily attributable to the positive impact of a one-time payment in the comparative period.
- Expenses excluding credit losses decreased to SEK -224m (-238). The decrease is primarily a result of lower IT expenses.
- Credit losses with an impact on profit were positive in the quarter, totalling SEK +7m (+13).
- Business volume was up SEK 6bn in the quarter, totalling SEK 227bn (221 in December 2020). The increase is primarily a result of the stock market's positive performance.
- Both the capital ratio and the tier 1 capital ratio amounted to 20.2% (20.4 in December 2020).
- The LCR further improved to 264% (256 in December 2020).

Key events in Q1

- The pandemic continued to impact Skåne's residents and businesses. In spite of this, the market performed relatively well in the quarter. The worst economic scenarios from the initial phase of the pandemic have not come true. Instead, the underlying recovery continued.
- The inflow of fund savings was strong during the quarter, which is indicative of solid confidence in the future among savers. However, the level of risk and time horizon are key investment variables to take into account in the current situation.
- Housing prices are trending upwards both in Skåne and nationally. Low interest rates in society and great focus on housing during the pandemic are two factors that explain this trend.

- Skåne's agricultural sector is performing well, according to the Agricultural Barometer presented in March. However, there are indications that investment willingness has declined somewhat.
- The new CEO of Sparbanken Skåne as of 29 March is Rasmus Roos. The previous CEO Bo Bengtsson was elected as the new board chair. The succession of the bank's management announced in 2020 was thus completed.
- A new organisation was devised to further strengthen customer and sustainability focus, create efficient ways of working and enhance our capability to rapidly implement new digital solutions. This organisation will be launched on 1 May 2021.
- In March, Sparbanken Skåne was ranked the sixth best place to work in Sweden in the large companies category by Great Place To Work.

Financial summary, January–March 2021

(Comparative figures in parentheses refer to January–March 2020 unless otherwise stated)

- The bank's operating profit for the quarter was SEK 224m (111).
- Credit losses with an impact on profit were positive in the quarter, totalling SEK +7m (-97). The first quarter of 2020 was heavily impacted by increased allowances for expected credit losses as a result of the COVID-19 pandemic.
- Net interest income decreased by 2% to SEK 297m (301). The decrease was largely because of decreased margins despite an increase in lending volume.
- Net fee and commission income amounted to SEK 138m (121). The increase, which primarily involves securities commissions and fees, is largely a result of the stock market's steady gains following the sharp decline in the first quarter of 2020.
- The bank's expenses increased somewhat, amounting to SEK 224m (221).
- Business volume increased by 15% to SEK 227bn (198 in March 2020).
- Both the capital ratio and the tier 1 capital ratio amounted to 20.2% (19.3 in March 2020).
- The LCR decreased from a high level to 264% (315 in March 2020).



Another stable quarter in challenging times

The COVID-19 pandemic continued to cast its shadow over society. In spite of the challenges, Sparbanken Skåne remains stable and is wrapping up a quarter in which customers were clearly focused on savings. In the spring, the bank will implement an updated organisation to further strengthen customer relations.

At the Annual General Meeting (AGM) on 29 March, the bank completed the succession of the CEO and chairman posts announced in 2020. As a result, I took over as CEO from Bo Bengtsson, who will serve as the new chairman of the board. My most recent previous position was bank manager at Sparbanken Skåne, and I've been familiar with the bank's business since 2005 via previous management roles at Sparbanken Öresund and Sparbanken Finn.

With the end of the first quarter of 2021, we can now look back on a full year with the COVID-19 pandemic in society. The full impact of the pandemic cannot be foreseen yet, but from a strictly financial perspective, we can see that the worst fears from 2020 did not come true. On the contrary, the bank's home market has been relatively stable, despite the challenging situation.

Fund savings on the rise

The stock market experienced a positive trend during the quarter despite a certain degree of macroeconomic turbulence. The inflow of fund savings for Sparbanken Skåne's customers was strong, which indicates confidence in the future and expectations of continued recovery. Recurring monthly savings are always a wise decision from the perspective of personal finances. Although the rapid stock market gains have largely been driven by the gradual normalisation of society, we are in a situation in which it is important for each and every one of us to think through the level of risk and time horizon of our investments.

The bank's loans also performed well during the quarter, especially in its residential mortgage business. The COVID-19 pandemic put housing in focus, which also resulted in rising prices for houses and flats. It's important for prospective buyers to carefully consider their financial scope during and after a housing transaction, ideally in consultation with a professional advisor. Our assessment is that Skåne's housing market is healthy, but we also noted that the price increases over the past year have been substantial.

In total, the bank boosted its business volume by 3 percent in the quarter to SEK 227bn.

Market and profit

Continued low interest rates and stiff competition in both the private and corporate markets put pressure on net interest income, which decreased by 2 percent from the previous quarter. Fee and commission income decreased as well, which was primarily attributable to a one-time payment in the comparative period, while the bank's cost controls remained highly effective.

For the third quarter in a row, the bank was able to reverse previous loss allowances. Our macroeconomic forecast shows a gradual recovery toward a more normal situation in society as vaccinations progress. Industries such as the hotel & restaurant sector and retail are still being hit the hardest by the restrictions. We are naturally keeping a close watch on developments, as the government support measures will need to be changed and eventually phased out.

The Agricultural Barometer (Lantbruksbarometern) report was presented in March and shows that Skåne's agricultural sector is performing well. However, there are indications that investment willingness has declined somewhat, which is likely a result of external uncertainty.

Overall, the bank reported a profit before tax of SEK 224m for the first quarter of 2021. This is down 5 percent from the previous quarter but is double the amount of the same period in the previous year when the bank made substantial allowances for credit losses.

Updated organisation

Over the past months, we have devised a plan to create a new and updated organisation for Sparbanken Skåne. This organisation will be implemented on 1 May and aims to further strengthen our customer focus, create efficient ways of working and enhance our capability to rapidly implement new digital solutions.

We will establish dedicated units for corporate customers and digital channels. Six geographic bank areas will be consolidated into three and sustainability efforts will be intensified. I am confident that this will enable the bank to take the next step in its growth and secure future competitiveness.

The background here involves the external changes that have occurred and are underway in the form of increased digitalisation, faster business processes and more comprehensive sustainability issues. The competition in the banking market and the fact that Sparbanken Skåne has grown steadily since it was founded in 2014 are factors as well. It is noteworthy that this change will not result in any redundancy – it's an offensive initiative through and through. The bank currently has branch offices in 15 of Skåne's municipalities, and advisors are available seven days a week over the phone and internet at our own Customer Service Centre.

Good news for the bank – and customers

At the end of March, we were informed that Great Place to Work ranked Sparbanken Skåne the sixth best place to work in Sweden in the large companies category. The bank has held Great Place to Work Certification since 2018 and has gradually improved its ranking over time. Naturally, we are very pleased with this. We believe that a positive work climate is also reflected in interactions with our customers.

A new brand awareness survey was conducted during the period which showed that awareness of Sparbanken Skåne is on the rise. Our employees are perceived as flexible, considerate and responsive. These opinions give us a fresh dose of inspiration to continue developing.

Healthy finances for our customers is one of our most important missions as a savings bank. Therefore, we renewed our customer offering during the quarter by adding services that help customers improve their financial health. We are working on creating a modern and value-added form of advisory services, and we have already begun to launch pension investment advice directly in the Internet Bank.

Rasmus Roos
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 in 2021. The number of enquiries for forbearance on principal payments continued to decrease, largely because Finansinspektionen (the Swedish Financial Supervisory Authority) decided to discontinue this forbearance as of 31 August. The bank has still not observed any increase in the number of overdue loans.

The corporate market 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. The quarter was characterised by calmness but also low investment willingness from companies and fewer new-construction projects.

COVID-19 pandemic

For information on how the COVID-19 pandemic has impacted the bank's business volume, profit and liquidity so far in the first quarter of 2021, please see the Credit quality and allowances and the Material risks and uncertainties sections below.

Profit

The comparative figures refer to the January–March 2020 period unless stated otherwise.

Operating profit for the first quarter of 2021 amounted to SEK 224m (111). The main factor causing profit to increase year-on-year is that allowances for expected credit losses totalling SEK -97m were charged to profit at 31 March 2020. Credit losses for the first quarter of the year resulted in revenue of SEK +7m.

Operating profit for the quarter is in line with financial targets.

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

Net interest income decreased somewhat (-2 percent) year-on-year, amounting to SEK 297m (301). The decrease was largely because of decreased margins despite an increase in lending volume.

The resolution fee and the deposit insurance fee were charged to net interest income in the amount of SEK -11m (-14).

Fee and commission income for the quarter totalled SEK 148m (133). Loan commissions amounted to SEK 25m (22) and are mainly attributable to commissions from Swedbank Hypotek. Securities commissions and fees amounted to SEK 67m (54), and the increase is largely a result of the stock market's steady gains following the sharp

decline in the first quarter of 2020. Other fee and commission income amounted to SEK 57m (56).

Fee and commission expenses amounted to SEK -10m (-11).

General administrative expenses remained unchanged year-on-year, totalling SEK -198m (-198). Personnel expenses amounted to SEK -121m (-112), and IT expenses were SEK -49m (-55).

Depreciation of tangible assets totalled SEK -4m (-5).

Profit for the quarter after appropriations and tax totalled SEK 176m (87).

Business volume

The comparative figures are for the volume at 31 December 2020 unless otherwise stated.

The bank's total business volume at 31 March 2021 was SEK 227,389m (220,884), a 3 percent increase during the quarter. This change was primarily driven by an SEK 4.0bn increase in the share of the business volume comprising funds and insurance. The change includes positive net savings in funds totalling SEK 0.6bn.

Deposits from the general public were almost completely unchanged, totalling SEK 60,163m (60,159).

The market value of the total brokered fund and insurance volume was SEK 50,059m (46,022). Two of the most significant reasons for the volume gains were the positive stock market performance and positive net savings in funds.

The previous year's positive performance of loans to the general public continued during the year. Loans to the general public at 31 March 2021 totalled SEK 76,786m (75,982). This increase was mainly the result of issuing new loans to both private and corporate customers. 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. The bank's allowances for expected credit losses increased in the first half of 2020 by SEK 91m, but they decreased in the second half of the year, which kept the increase for the full year down to SEK 44m. These loss allowances further decreased somewhat in the first quarter of the year.

For more information, see "Credit quality and allowances" below.

The total loan portfolio brokered to Swedbank Hypotek at 31 March 2021 amounted to SEK 15,777m (15,728).

Credit quality and allowances

The comparative figures refer to 31 December 2020 unless otherwise stated.

As was the case for the third and fourth quarters of 2020, updated macroeconomic scenarios contributed to a decrease in allowances for expected credit losses in the first quarter of this year. The decrease in impairment losses on loans as a result of changes in macroeconomic scenarios amounted to SEK 4m in the first quarter.

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 improved somewhat.
- In Q1, 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.

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- 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 continue to manually make expert adjustments in order to account for this impact. At 31 March, these allowances totalled SEK 32m (33 at 31 December 2020). This also includes 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 March 2021 was SEK 146m (150). The stage 1 loss allowance for the quarter decreased to SEK 32m (34). The stage 2 (loans with a significant increase in credit risk) loss allowance decreased to SEK 33m (37). The stage 3 (credit-impaired loans) loss allowance increased somewhat to SEK 81m (80).

Because of a further decrease in the reserve for expected credit losses, credit losses resulted in revenue of SEK +7m (-97).

With few exceptions, the large allowances for expected credit losses made in the previous years are related to companies, not private customers. Several industries have had difficulties. The bank estimates the greatest loss allowance needs are in the hotel & restaurant, transport, retail and property management sectors. No elevated risk is estimated for other industries at this time. For information about the allowance levels in each industry, please see Note 8.

Industries estimated to be particularly exposed to COVID-19.

At 31/03/2021, SEK million	Loans and commitments	Loss allowances
Hotel and restaurant, including hotel properties	854	38
Transport	561	5
Retail	1,947	30
Property management	16,345	30
Total	19,707	103

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 of 2020 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 the first quarter of the year, the number of applications decreased significantly, falling to half the figure from the final quarter of 2020. 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's guidelines (which apply until 31 August 2021), 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 in recent years. 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.

The bank still does not estimate a risk that 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 0.01 percent (-0.06). Net stage 3 loans accounted for 0.55 percent (0.52) and the allowance ratio for stage 3 loans was 16 percent (17). 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. GDP growth is expected in the second half of 2021, and the forecast has been adjusted up somewhat since the previous quarter. 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 first quarter was down slightly (SEK -2m) from the same period in 2020 (SEK -3m). The amount received for previously incurred credit losses amounted to SEK +2m (+3).

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.

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Funding and liquidity

The bank's liquidity is solid. The bank's main source of funding is deposits, but the bank is also active in the Swedish funding market. In the Swedish capital market, the bank has a covered bond programme and a medium term note (MTN) programme for long-term funding and a certificate of deposit programme for short-term funding. The covered bond programme was rated AAA with a stable outlook by credit rating agency S&P Global, and Sparbanken Skåne's rating is A with a stable outlook.

The bank's liquidity was stable in the first quarter of 2021. The concern that arose in conjunction with COVID-19 in March 2020 shaped the start of the previous year, but this changed gradually in the second quarter and the rest of the year. Liquidity improved throughout 2020 primarily due to an increase in deposits from the general public as customers moved from funds to deposits but also because of increased funding.

The same fluctuations did not occur in the first quarter of 2021, as the bank's customers kept their deposits but also resumed fund savings. However, for the most part, they did not use deposits for this, instead relying on traditional monthly savings. Deposits from the general public were largely unchanged since the start of Q1 2021.

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 in March and April 2020. 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 2020 and Q1 2021. The market recovery continued in the first quarter, and the market can now be considered to be at par with its pre-Covid level.

The bank did not issue covered bonds in the first quarter, because the bank's liquidity remained excellent. Outstanding senior bonds decreased on a net basis by a nominal amount of SEK 459m during 2021 in conjunction with refinancing and an issue at the beginning of the year while MREL bonds were unchanged. Outstanding certificates of deposit were renewed during the period but remained unchanged in terms of outstanding volume at the end of the first quarter.

The bank's outstanding bonds at 31 March amounted to a nominal amount of SEK 6,500m 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.

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 March 2021 amounted to SEK 9,246m (9,779 at 31 December 2020). The liquidity reserves decreased somewhat during the period, primarily as a result of increased lending and decreased funding in conjunction with refinancing at the start of the year. At 31 March, 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 solid and amounted to 264 percent (256 at 31 December 2020).

The loan-to-deposit ratio at 31 March 2021 was 128 percent (126 at year-end 2020).

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

Rating

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

Sparbanken Skåne's covered bond programme is rated AAA with a stable outlook by S&P Global.

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

Capital and capital adequacy

The capital base increased by SEK 9m during the quarter, putting the total value of the capital base on 31 March 2021 at SEK 6,826m (6,817 at year-end 2020).

The total Risk Exposure Amount (REA) increased, primarily due to the growth in lending, amounting to SEK 33,824m (33,380 at year-end 2020).

The credit risk REA at 31 March 2021 totalled SEK 28,038m. SEK 7,813m of this item was calculated using the standardised approach to credit risk and SEK 20,225m was calculated using the Internal Ratings-Based (IRB) approach to credit risk.

The risk-weight floor REA increased as new loans were issued and amounted to SEK 3,451m (3,370 at year-end 2020).

The REA for operational risk at 31 March 2021 amounted to SEK 2,284m (2,164 at year-end 2020).

This put the total capital ratio and CET1 capital ratio at 20.2 percent on 31 March 2021 (20.4 at year-end 2020). 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 1.1bn. The positive impact on the total capital ratio will be approximately 0.7 percentage points. The change is planned for implementation in the second quarter of 2021. The bank's capital situation thus remains strong.

During 2020, Finansinspektionen resolved to reduce the countercyclical capital buffer requirement to 0 percent.

The leverage ratio at 31 March 2021 amounted to 7.1 percent (7.0 at year-end 2020). 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 about a year ago, 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 gross domestic product (GDP) growth for 2020 was negative. 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 improved somewhat.
- In Q1, 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 continue to manually make expert adjustments in order to account for this impact. At 31 March, these allowances totalled SEK 32m (33 at 31 December 2020). This also includes loss allowances in the form of provisions for loan commitments.

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

Baseline scenario	31/03/2021			31/12/2020	
	2021P	2022P	2023P	2021P	2022P
GDP (%)	2.9	3.6	2.3	2.0	3.1
Unemployment (%)	8.7	7.8	7.4	9.2	8.7
Housing price performance (% annual performance)	7.6	5.0	4.6	5.6	4.1
Stibor 3M (%)	-0.05	0.01	0.10	-0.02	0.07

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.

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 quarter. However, it should be noted that the net loss from credit losses incurred during the period was only SEK -2m (-3). 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.

Events after the reporting period

A new organisation has been adopted in order to further strengthen our customer focus, create efficient ways of working and enhance our capability to rapidly implement new digital solutions. This organisation will be launched on 1 May 2021.

Financial ratios	3/2021	12/2020	9/2020	6/2020	3/2020
Volume					
Business volume, millions of SEK	227,389	220,884	214,704	207,627	197,510
Capital and liquidity					
CET1 capital ratio	20.2%	20.4%	19.5%	19.7%	19.3%
Total capital ratio	20.2%	20.4%	19.5%	19.7%	19.3%
Leverage ratio	7.1%	7.0%	6.9%	7.1%	7.2%
Loan-to-deposit ratio	128%	126%	128%	129%	134%
LCR	264%	256%	236%	239%	315%
NSFR	130%	130%	130%	129%	132%
Profit					
Cost/income ratio before credit losses	0.51	0.50	0.49	0.50	0.51
Cost/income ratio after credit losses	0.49	0.52	0.53	0.62	0.74
Return on equity	9.8%	9.4%	9.3%	7.7%	5.3%
Credit-impaired loans and credit losses					
Allowance ratio for stage 3 loans	16%	17%	18%	21%	19%
Net credit-impaired loans (stage 3) as a percentage of total loans to the general public	0.55%	0.52%	0.57%	0.58%	0.83%
Loan loss ratio excluding brokered volume	0.01%	-0.06%	-0.08%	-0.13%	-0.14%
Loan loss ratio including brokered volume	0.01%	-0.05%	-0.07%	-0.11%	-0.11%
Other disclosures					
Average number of employees	502	476	467	492	499

Financial ratio definitions are defined on page 31.

Quarterly comparison

Income statement	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Thousands of SEK					
Net interest income	296,557	302,766	309,821	310,634	301,417
Dividends received	-	-	-	-	760
Net fees and commissions	137,982	151,360	124,602	111,814	121,332
Net gain/loss from financial transactions	5,549	-1,655	2,895	4,828	5,255
Other operating income	497	8,365	442	728	812
Total net interest income and operating income	440,585	460,836	437,760	428,004	429,576
General administrative expenses	-198,115	-215,991	-187,078	-192,222	-197,923
Depreciation and amortisation	-4,040	-3,970	-4,202	-4,556	-4,765
Other expenses	-21,459	-18,057	-11,919	-13,201	-18,240
Credit losses	6,985	12,872	38,285	108	-97,177
Total expenses	-216,629	-225,147	-164,914	-209,871	-318,105
Operating profit/loss	223,956	235,690	272,846	218,133	111,471
Taxes	-48,325	-50,020	-58,294	-46,772	-24,320
Profit/loss for the period	175,631	185,669	214,552	171,361	87,151

Balance sheet	31/03/2021	31/12/2020	30/09/2020	30/06/2020	31/03/2020
Thousands of SEK					
Loans to credit institutions	5,650,991	6,126,543	6,125,854	4,715,752	5,125,264
Loans to the general public	76,785,911	75,981,536	74,954,582	74,374,772	73,577,301
Fixed-income securities	5,382,585	5,389,526	5,345,205	5,095,378	4,830,283
Other assets	4,989,700	5,744,592	4,715,971	5,468,100	1,988,310
Total assets	92,809,187	93,242,198	91,141,612	89,654,002	85,521,158
Liabilities to credit institutions	1,071,630	1,073,534	1,066,375	1,067,948	64,815
Deposits from the general public	60,163,356	60,158,831	58,570,836	57,575,122	54,903,124
Securities issued	23,875,894	24,349,901	24,006,293	23,719,532	23,477,595
Other liabilities	503,375	411,801	437,004	445,741	415,556
Equity	7,194,932	7,248,132	7,061,104	6,845,659	6,660,068
Total liabilities, provisions and equity	92,809,187	93,242,198	91,141,612	89,654,002	85,521,158

Income statement

Income statement	Note	Q1 2021	Q4 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Thousands of SEK								
Interest income		336,817	345,808	-3%	336,817	352,287	-4%	1,428,365
Interest expenses		-40,260	-43,042	-6%	-40,260	-50,870	-21%	-203,727
Net interest income	3	296,557	302,766	-2%	296,557	301,417	-2%	1,224,638
Dividends received		-	-	-	-	760	-	760
Fee and commission income	4	148,402	164,303	-10%	148,402	132,582	12%	559,392
Fee and commission expenses	5	-10,420	-12,943	-19%	-10,420	-11,250	-7%	-50,284
Net gain/loss from financial transactions	6	5,549	-1,655	-	5,549	5,255	6%	11,323
Other operating income		497	8,365	-94%	497	812	-39%	10,347
Total net interest income and operating income		440,585	460,836	-4%	440,585	429,576	3%	1,756,176
General administrative expenses		-198,115	-215,991	-8%	-198,115	-197,923	0%	-793,214
Depreciation of tangible assets		-4,040	-3,970	2%	-4,040	-4,765	-15%	-17,493
Other operating expenses		-21,459	-18,057	19%	-21,459	-18,240	18%	-61,417
Total expenses before credit losses		-223,614	-238,018	-6%	-223,614	-220,928	1%	-872,124
Profit/loss before credit losses		216,971	222,818	-3%	216,971	208,648	4%	884,052
Net credit losses	7	6,985	12,872	-46%	6,985	-97,177	-	-45,912
Operating profit/loss		223,956	235,690	-5%	223,956	111,471	101%	838,140
Tax on profit for the period		-48,325	-50,020	-3%	-48,325	-24,320	99%	-179,406
Profit/loss for the period		175,631	185,669	-5%	175,631	87,151	102%	658,733

Statement of comprehensive income		Q1 2021	Q4 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Thousands of SEK								
Profit/loss for the period		175,631	185,669	-5%	175,631	87,151	102%	658,733
Other comprehensive income								
Items that are or may be reclassified to profit or loss for the period								
Net change in fair value of financial assets measured at fair value through other comprehensive income		3,054	1,729	77%	3,054	-9,935	-	8,646
Change in fair value of financial assets measured at fair value through other comprehensive income, reclassified to profit or loss for the period		-	-	-	-	-2,388	-	-
Change in loss reserve for financial assets measured at fair value through other comprehensive income		-	-	-	-	-	-	-
Tax attributable to items that may be reclassified to profit or loss for the period		-654	-370	77%	-654	2,637	-	-1,850
Other comprehensive income for the period		2,400	1,359	77%	2,400	-9,686	-	6,796
Comprehensive income for the period		178,031	187,028	-5%	178,031	77,465	-	665,529

Balance sheet

Balance sheet	Note	31/03/2021	31/12/2020	Change		31/03/2020
Thousands of SEK						
Assets						
Cash		477	581	-104	-18%	1,077
Treasury bills eligible for refinancing with central banks		2,020,724	2,023,308	-2,584	0%	1,813,379
Loans to credit institutions		5,650,991	6,126,543	-475,552	-8%	5,125,264
Loans to the general public	8	76,785,911	75,981,536	804,375	1%	73,577,301
Bonds and other fixed-income securities		3,361,861	3,366,218	-4,357	0%	3,016,904
Shareholdings and investments		-	-	-	-	4,000
Derivatives		2,057	4,120	-2,063	-50%	9,367
Tangible assets		58,130	60,826	-2,696	-4%	63,179
Current tax assets		4,575,247	5,398,461	-823,214	-15%	1,684,639
Deferred tax assets		18,153	17,721	432	2%	15,361
Other assets		187,822	85,886	101,936	119%	78,039
Prepaid expenses and accrued income		147,814	176,996	-29,182	-16%	132,648
Total assets		92,809,187	93,242,198	-433,011	0%	85,521,158
Liabilities, provisions and equity						
Liabilities to credit institutions		1,071,630	1,073,534	-1,904	0%	64,815
Deposits from the general public	9	60,163,356	60,158,831	4,525	0%	54,903,124
Debt securities issued and related items	10	23,875,894	24,349,901	-474,007	-2%	23,477,595
Derivatives		37,626	71,568	-33,942	-47%	53,430
Other liabilities		161,018	90,849	70,169	77%	59,715
Accrued expenses and deferred income		187,259	131,501	55,758	42%	200,931
Provisions	11	117,472	117,882	-410	0%	101,480
Total liabilities and provisions		85,614,255	85,994,066	-379,811	0%	78,861,090
Equity						
Restricted equity						
Share capital (16,683,364 shares and quotient value SEK 100)		1,668,336	1,668,336	-	-	1,668,336
Statutory reserve		109,196	109,196	-	-	109,196
Total		1,777,532	1,777,532	-	-	1,777,532
Non-restricted equity						
Share premium reserve		3,188,631	3,188,631	-	-	3,188,631
Fair value reserve		10,188	7,788	2,400	31%	-8,694
Retained earnings		2,042,950	1,615,448	427,502	26%	1,615,448
Profit/loss for the period		175,631	658,733	-483,102	-73%	87,151
Total		5,417,400	5,470,600	-53,200	-1%	4,882,536
Total equity		7,194,932	7,248,132	-53,200	-1%	6,660,068
Total liabilities, provisions and equity		92,809,187	93,242,198	-433,011	0%	85,521,158
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Statement of changes in equity

Thousands of SEK	Restricted equity		Non-restricted equity			Total equity	
	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings	Profit/loss for the period	
Balance at 1 January 2021	1,668,336	109,196	3,188,631	7,788	1,615,448	658,733	7,248,132
Appropriation of profit as per AGM resolution							
Amount carried forward	-	-	-	-	427,502	-427,502	-
Transactions with owners in the form of dividends	-	-	-	-	-	-231,231	-231,231
Profit/loss for the period	-	-	-	-	-	175,631	175,631
Other comprehensive income for the period	-	-	-	2,400	-	-	2,400
comprehensive income for the period	-	-	-	-	-	-	178,031
Balance at 31 March 2021	1,668,336	109,196	3,188,631	10,188	2,042,950	175,631	7,194,932
Balance at 1 January 2020	1,668,336	109,196	3,188,631	992	1,118,049	497,399	6,582,603
Appropriation of profit as per AGM resolution							
Amount carried forward	-	-	-	-	497,399	-497,399	-
Transactions with owners in the form of dividends	-	-	-	-	-	-	-
Profit/loss for the year	-	-	-	-	-	658,733	658,733
Other comprehensive income for the year	-	-	-	6,796	-	-	6,796
Comprehensive income for the year	-	-	-	-	-	-	665,529
Balance at 31 December 2020	1,668,336	109,196	3,188,631	7,788	1,615,448	658,733	7,248,132
Balance at 1 January 2020	1,668,336	109,196	3,188,631	992	1,118,049	497,399	6,582,603
Appropriation of profit as per AGM resolution							
Amount carried forward	-	-	-	-	497,399	-497,399	-
Transactions with owners in the form of dividends	-	-	-	-	-	-	-
Profit/loss for the period	-	-	-	-	-	87,151	87,151
Other comprehensive income for the period	-	-	-	-9,686	-	-	-9,686
Comprehensive income for the period	-	-	-	-	-	-	77,465
Balance at 31 March 2020	1,668,336	109,196	3,188,631	-8,694	1,615,448	87,151	6,660,068

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	Jan-Mar 2021	Full year 2020	Jan-Mar 2020
Thousands of SEK			
Cash flows from operating activities			
Operating profit/loss	223,956	838,140	111,471
Net change in amortised cost for the period	75,855	100,120	23,006
Unrealised share of net gain from financial transactions	-49,800	-6,324	-1,518
Depreciation and amortisation	4,040	17,493	4,765
Credit losses	-5,284	53,792	100,048
Tax paid	-26,219	-97,321	-21,470
Cash flows from operating activities before changes in working capital	222,548	905,900	216,302
Cash flow from changes in working capital			
Increase/decrease in loans to the general public (-/+)	-782,555	-4,070,114	-1,736,327
Increase/decrease in securities (-/+)	-15,061	-526,952	36,126
Increase/decrease in deposits from the general public (+/-)	4,525	7,038,423	1,782,716
Increase/decrease in liabilities to credit institutions (+/-)	-1,904	1,013,052	4,333
Net change in other assets and liabilities	54,558	-6,334	80,158
Net cash from operating activities	-517,890	4,353,975	383,308
Cash flows from investing activities			
Disposal/redemption of financial assets	-410	22,370	1,968
Transfer of excess liquidity to tax account	800,000	-5,000,000	-1,200,000
Sale of tangible assets	-	425	-
Acquisition of tangible assets	-1,344	-11,419	-618
Net cash from investing activities	798,246	-4,988,623	-1,198,650
Cash flows from financing activities			
Issue of fixed-income securities	1,302,008	9,765,445	4,716,807
Redemption of fixed-income securities	-1,826,790	-5,910,813	-1,682,265
Dividends paid	-231,231	-	-
Net cash from financing activities	-756,013	3,854,632	3,034,542
Cash flow for the period	-475,657	3,219,984	2,219,200
Cash and cash equivalents at beginning of period	6,127,125	2,907,141	2,907,141
Cash and cash equivalents at end of period	5,651,468	6,127,125	5,126,341
The following subcomponents are included in cash and cash equivalents			
Cash	477	581	1,077
Loans to credit institutions	5,650,991	6,126,543	5,125,264
Balance sheet total	5,651,468	6,127,125	5,126,341
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	337,996	1,402,634	345,245
Interest paid including cost of deposit insurance and fee for resolution fund	-10,564	-172,841	-14,457
Dividends received	-	760	760

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 2020 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".

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-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Thousands of SEK				
Interest income				
Loans to credit institutions	24	754	-97%	608
Loans to the general public	347,125	354,377	-2%	1,440,576
Fixed-income securities	679	2,959	-77%	11,932
Derivatives	-11,010	-5,802	90%	-24,748
Other interest income	-1	-1	0%	-3
Total	336,817	352,287	-4%	1,428,365
Interest expenses				
Liabilities to credit institutions	-2,554	-1,658	54%	-8,490
Deposits from the general public	-10,802	-14,319	-25%	-55,114
– expenses for deposit insurance	-7,227	-11,300	-36%	-41,435
Fixed-income securities	-23,054	-31,990	-28%	-126,925
Other interest expenses	-3,850	-2,903	33%	-13,198
– fee for resolution fund	-3,850	-2,900	33%	-13,192
Total	-40,260	-50,870	-21%	-203,727
Total net interest income	296,557	301,417	-2%	1,224,638

Note 4 Fee and commission income

	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Thousands of SEK				
Payment intermediation fees	16,494	18,419	-10%	86,796
Loan commissions	25,365	22,288	14%	92,432
Deposit commissions	20,372	19,542	4%	83,590
Commissions for financial guarantees issued	453	500	-9%	1,909
Securities commissions and fees	66,773	53,732	24%	226,867
Other fees and commissions	18,945	18,101	5%	67,797
Total	148,402	132,582	12%	559,392

Note 5	Fee and commission expenses	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Thousands of SEK					
	Payment intermediation fees	-6,559	-6,612	-1%	-31,524
	Securities commissions and fees	-2,783	-3,521	-21%	-14,086
	Other fees and commissions	-1,078	-1,117	-3%	-4,674
	Total	-10,420	-11,250	-7%	-50,284

Note 6	Net gain/loss from financial transactions	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Thousands of SEK					
	Fixed-income securities	2,273	2,223	2%	-773
	Other financial instruments	1,794	1,427	26%	6,406
	Exchange rate fluctuations	1,482	1,605	-8%	5,690
	Total	5,549	5,255	6%	11,323

	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020	
Net gain/loss by valuation category					
	Financial assets at fair value through other comprehensive income	2,273	2,223	2%	-773
	Ineffective portion of fair value hedge	153	177	-14%	779
	Derivatives intended for risk management, no hedge accounting	1,641	1,250	31%	5,627
	Change in fair value of derivatives used as hedging instruments in a fair value hedge	29,879	-37,814	-	-62,006
	Change in fair value of hedged item attributable to the hedged risk in fair value hedges	-29,879	37,814	-	62,006
	Exchange rate fluctuations	1,482	1,605	-8%	5,690
	Total	5,549	5,255	6%	11,323

Note 7	Net credit losses	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Thousands of SEK					
Loans at amortised cost					
	Change in provisions – stage 1	1,637	-6,168	-	-14,235
	Change in provisions – stage 2	3,807	-9,416	-	-6,635
	Change in provisions – stage 3	-433	-81,428	-	-20,241
	Total	5,011	-97,012	-	-41,111
	Net cost for the period for incurred losses	-2,235	-3,125	-28%	-7,388
	The amount received for previously incurred credit losses	1,701	2,871	-41%	7,880
	Total credit losses on loans at amortised cost	4,477	-97,266	-	-40,619
Loan commitments and financial guarantee contracts					
	Change in provisions – stage 1	-995	-2,302	-57%	-4,272
	Change in provisions – stage 2	2,575	2,409	7%	-1,862
	Change in provisions – stage 3	928	-18	-	841
	Total credit losses for loan commitments and financial guarantee contracts	2,508	89	-	-5,293
	Total credit losses	6,985	-97,177	-	-45,912

Note 8 Loans to the general public	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK				
Gross carrying amount				
Gross carrying amount at 1 January 2021	71,715,935	3,879,821	476,460	76,072,216
New financial assets	7,987,515	20,320	4,356	8,012,191
Derecognised financial assets	-6,435,148	-226,827	-6,181	-6,668,156
Changes due to changed balances	-415,739	-93,519	-5,033	-514,291
Transfers between stages during the period				
from stage 1 to stage 2	-543,362	543,362	-	0
from stage 1 to stage 3	-5,543	-	5,543	0
from stage 2 to stage 1	490,753	-490,753	-	0
from stage 2 to stage 3	-	-32,557	32,557	0
from stage 3 to stage 2	-	1,588	-1,588	0
from stage 3 to stage 1	64	-	-64	0
Exchange rate fluctuations	147	0	0	147
Gross carrying amount at 31 March 2021	72,794,622	3,601,435	506,050	76,902,107
Loss allowances				
Loss allowances at 1 January 2021	33,522	36,821	79,875	150,218
New financial assets	2,712	233	855	3,800
Derecognised financial assets	-1,864	-1,781	-2,057	-5,702
Changes due to changed balances	-604	-1,099	-1,309	-3,012
Changed risk variables (EAD, PD, LGD)	360	-944	-209	-793
Changes in macroeconomic scenarios	-1,608	-1,121	-128	-2,857
Changes due to manual expert adjustments	192	-1,210	-	-1,018
Changes due to updated models	-	-	-	-
Transfers between stages during the period				
from stage 1 to stage 2	-958	3,550	-	2,592
from stage 1 to stage 3	-3	-	1,471	1,468
from stage 2 to stage 1	133	-812	-	-679
from stage 2 to stage 3	-	-640	2,579	1,939
from stage 3 to stage 1	0	-	-17	-17
from stage 3 to stage 2	-	16	-100	-84
Loss allowances at 31 March 2021	31,882	33,013	80,960	145,855
Carrying amount				
Opening balance at 1 January 2021	71,682,413	3,843,000	396,585	75,921,998
Closing balance at 31 March 2021	72,762,740	3,568,422	425,090	76,756,252
Change in fair value of hedged amount in portfolio hedge				29,659
Total				76,785,911

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

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	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK				
Gross carrying amount				
Gross carrying amount at 1 January 2020	67,796,753	4,034,868	180,416	72,012,037
New financial assets	6,167,207	15,112	2,005	6,184,324
Derecognised financial assets	-3,802,116	-354,253	-8,776	-4,165,145
Changes due to changed balances	-255,552	-25,674	-4,560	-285,786
Transfers between stages during the period				
from stage 1 to stage 2	-1,820,965	1,820,965	-	0
from stage 1 to stage 3	-468,486	-	468,486	0
from stage 2 to stage 1	543,861	-543,861	-	0
from stage 2 to stage 3	-	-112,987	112,987	0
from stage 3 to stage 2	-	438	-438	0
from stage 3 to stage 1	800	-	-800	0
Exchange rate fluctuations	394	0	0	394
Gross carrying amount at 31 March 2020	68,161,896	4,834,608	749,320	73,745,824
Loss allowances				
Loss allowances at 1 January 2020	19,314	30,188	56,859	106,361
New financial assets	3,935	244	619	4,798
Derecognised financial assets	-1,229	-2,074	-2,657	-5,960
Changes due to changed balances	-979	-1,333	-786	-3,098
Changed risk variables (EAD, PD, LGD)	1,518	-1,151	-1,588	-1,221
Changes in macroeconomic scenarios	7,295	4,306	161	11,762
Changes due to updated models	-	-	-	-
Transfers between stages during the period				
from stage 1 to stage 2	-3,464	13,061	-	9,597
from stage 1 to stage 3	-1,321	-	72,527	71,206
from stage 2 to stage 1	410	-1,620	-	-1,210
from stage 2 to stage 3	-	-2,027	13,916	11,889
from stage 3 to stage 1	3	-	-231	-228
from stage 3 to stage 2	-	10	-37	-27
Loss allowances at 31 March 2020	25,482	39,604	138,783	203,869
Carrying amount				
Opening balance at 1 January 2020	67,777,439	4,004,680	123,557	71,905,676
Closing balance at 31 March 2020	68,136,414	4,795,004	610,537	73,541,955
Change in fair value of hedged amount in portfolio hedge				35,346
Total				73,577,301

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Gross carrying amount and loss allowance by sector at 31 March 2021	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
Loans to the general public			
Private customers	42,223,796	16,705	42,207,091
Tenant-owners' associations	2,592,438	1,249	2,591,189
Corporate customers	32,085,873	127,901	31,957,972
Agriculture, fishing, forestry	7,172,314	6,800	7,165,514
Manufacturing	528,746	2,908	525,838
Public sector	877,440	2,328	875,112
Construction	1,872,924	4,910	1,868,014
Retail	1,382,654	23,116	1,359,538
Transport	528,799	4,864	523,935
Hotel and restaurant	460,103	15,707	444,396
Information technology	336,401	102	336,299
Banking and insurance	41,243	196	41,047
Property management	15,547,668	47,561	15,500,107
Service sector	1,848,508	5,204	1,843,304
Other loans to businesses	1,489,073	14,205	1,474,868
Loans to the general public	76,902,107	145,855	76,756,252
Loans to the general public			
Private customers	41,658,866	17,339	41,641,527
Tenant-owners' associations	2,682,617	1,834	2,680,783
Corporate customers	31,730,733	131,045	31,599,688
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
Loans to the general public	76,072,216	150,218	75,921,998

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Gross carrying amount and loss allowance by sector at 31 March 2020	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
Loans to the general public			
Private customers	40,509,297	32,308	40,476,989
Tenant-owners' associations	2,694,733	1,442	2,693,291
Corporate customers	30,541,794	170,119	30,371,675
Agriculture, fishing, forestry	7,053,122	10,802	7,042,320
Manufacturing	555,854	7,769	548,085
Public sector	890,654	3,942	886,712
Construction	1,834,473	4,987	1,829,486
Retail	1,330,820	16,103	1,314,717
Transport	509,423	7,175	502,248
Hotel and restaurant	431,503	31,594	399,909
Information technology	314,883	208	314,675
Banking and insurance	186,652	135	186,517
Property management	13,632,795	68,356	13,564,439
Service sector	1,813,438	4,551	1,808,887
Other loans to businesses	1,988,177	14,497	1,973,680
Loans to the general public	73,745,824	203,869	73,541,955

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Gross carrying amount and loss allowance by stage	31 March 2021	31 December 2020	31 March 2020
Thousands of SEK			
Loans to the general public, private customers and tenant-owners' associations			
Stage 1			
Gross carrying amount	43,085,361	42,393,529	41,240,509
Loss allowances	2,578	2,498	7,970
Carrying amount	43,082,783	42,391,031	41,232,539
Stage 2			
Gross carrying amount	1,694,945	1,915,150	1,921,889
Loss allowances	5,624	6,129	10,417
Carrying amount	1,689,321	1,909,021	1,911,472
Stage 3			
Gross carrying amount	35,928	32,804	41,632
Loss allowances	9,752	10,546	15,363
Carrying amount	26,176	22,258	26,269
Total carrying amount, loans to private customers and tenant-owners' associations	44,798,280	44,322,310	43,170,280
Loans to the general public, corporate customers			
Stage 1			
Gross carrying amount	29,709,260	29,322,406	26,921,387
Loss allowances	29,303	31,024	17,512
Carrying amount	29,679,957	29,291,382	26,903,875
Stage 2			
Gross carrying amount	1,906,491	1,964,672	2,912,719
Loss allowances	27,390	30,691	29,187
Carrying amount	1,879,101	1,933,981	2,883,532
Stage 3			
Gross carrying amount	470,122	443,655	707,688
Loss allowances	71,209	69,330	123,420
Carrying amount	398,913	374,325	584,268
Total carrying amount, loans to corporate customers	31,957,972	31,599,688	30,371,675
Gross carrying amount – stage 1	72,794,622	71,715,935	68,161,896
Gross carrying amount – stage 2	3,601,435	3,879,821	4,834,608
Gross carrying amount – stage 3	506,050	476,460	749,320
Total gross carrying amount	76,902,107	76,072,216	73,745,824
Loss allowance – stage 1	31,882	33,522	25,482
Loss allowance – stage 2	33,013	36,821	39,604
Loss allowance in stage 3	80,960	79,875	138,783
Total loss allowances	145,855	150,218	203,869
Total carrying amount, loans to the general public	76,756,252	75,921,998	73,541,955
Gross stage 3 loans in %	0.66%	0.63%	1.02%
Net stage 3 loans in %	0.55%	0.52%	0.83%
Ratio of loss allowances to stage 1 loans	22%	22%	13%
Ratio of loss allowances to stage 2 loans	23%	25%	19%
Ratio of loss allowances to stage 3 loans	55%	53%	68%
Allowance ratio for stage 1 loans	0.04%	0.05%	0.04%
Allowance ratio for stage 2 loans	0.92%	0.95%	0.82%
Allowance ratio for stage 3 loans	16%	17%	19%
Total allowance ratio for loans	0.19%	0.20%	0.28%

Note 9	Deposits from the general public	31/03/2021	31/12/2020	31/03/2020
Thousands of SEK				
The general public				
	- Swedish currency	59,556,840	59,617,174	54,443,900
	- foreign currency	606,516	541,657	459,224
	Total	60,163,356	60,158,831	54,903,124
Deposits per customer category, excluding bank cheques				
	Public sector	1,924,379	2,125,265	1,605,201
	Corporate sector	12,899,591	13,419,353	10,919,411
	Retail sector	44,801,587	44,379,047	41,702,496
	- sole proprietors	6,562,100	6,680,565	6,486,526
	Other sectors	498,374	197,433	612,402
	Total	60,123,931	60,121,098	54,839,510
Note 10	Debt securities issued and related items	31/03/2021	31/12/2020	31/03/2020
Thousands of SEK				
	Certificates of deposit	499,959	499,418	949,019
	Bond loans	6,512,281	6,971,539	6,312,618
	Covered bonds	15,865,265	15,880,665	15,218,013
	MREL bond	998,389	998,279	997,945
	Total	23,875,894	24,349,901	23,477,595
Changes during the period				
	Issued	1,302,008	9,765,445	4,716,807
	Repurchased	-434,000	-3,701,000	-550,000
	Matured	-1,342,015	-2,141,193	-1,115,861
	Change	-474,007	3,923,252	3,050,946

Note 11	Provisions	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK					
Loss allowances at 1 January 2021		7,745	9,512	14,175	31,432
New loan commitments and financial guarantees		1,112	74	250	1,436
Financial guarantees and loan commitments that are past due		-300	-392	-1,427	-2,119
Changes due to changed loan commitments and similar items		-511	-853	268	-1,096
Changed risk variables (EAD, PD, LGD)		-7	-89	-11	-107
Changes in macroeconomic scenarios		-391	-389	-	-780
Changes due to manual expert adjustments		1,132	-1,045	-	87
Changes due to updated models		-	-	-	-
Transfers between stages during the period					
from stage 1 to stage 2		-57	229	-	172
from stage 1 to stage 3		-	-	-	-
from stage 2 to stage 1		20	-111	-	-91
from stage 2 to stage 3		-	-	-	-
from stage 3 to stage 1		0	-	-8	-8
from stage 3 to stage 2		-	-	-	-
Loss allowances at 31 March 2021		8,743	6,936	13,247	28,926
Provisions for pensions					73,974
Other provisions					14,572
Total					117,472
Loss allowances at 1 January 2020					
New loan commitments and financial guarantees		3,472	7,664	15,016	26,152
Financial guarantees and loan commitments that are past due		-1,150	-3,347	-1,770	-6,267
Changes due to changed loan commitments and similar items		-205	447	307	549
Changed risk variables (EAD, PD, LGD)		677	-1,280	10	-593
Changes in macroeconomic scenarios		-154	-260	-	-414
Changes due to manual expert adjustments		4,402	2,551	-	6,953
Changes due to updated models		-175	-12	-	-187
Transfers between stages during the period					
from stage 1 to stage 2		-810	2,628	-	1,818
from stage 1 to stage 3		-3	-	405	402
from stage 2 to stage 1		60	-330	-	-270
from stage 2 to stage 3		-	-3	18	15
from stage 3 to stage 1		2	-	-471	-469
from stage 3 to stage 2		-	146	-680	-534
Loss allowances at 31 December 2020		7,745	9,512	14,175	31,432
Provisions for pensions					72,288
Other provisions					14,162
Total					117,882

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Loss allowances at 1 January 2020	3,472	7,664	15,016	26,152
New loan commitments and financial guarantees	459	126	29	614
Financial guarantees and loan commitments that are past due	-529	-1,372	-1,004	-2,905
Changes due to changed loan commitments and similar items	-276	-147	1,073	650
Changed risk variables (EAD, PD, LGD)	-129	-767	-395	-1,291
Changes in macroeconomic scenarios	2,690	240	0	2,930
Changes due to updated models	-	-	-	-
Transfers between stages during the period				
from stage 1 to stage 2	-84	289	-	205
from stage 1 to stage 3	-3	-	241	238
from stage 2 to stage 1	174	-764	-	-590
from stage 2 to stage 3	-	-15	87	72
from stage 3 to stage 1	0	-	-1	-1
from stage 3 to stage 2	-	1	-11	-10
Loss allowances at 31 March 2020	5,774	5,255	15,035	26,064
Provisions for pensions				63,425
Other provisions				11,991
Total				101,480

Note 12 Derivatives	31/03/2021		31/12/2020		31/03/2020	
	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value
The bank uses financial hedges to protect itself from interest rate and currency risks. Derivative instruments comprise interest rate swaps, interest rate caps and currency forwards.						
Thousands of SEK						
Derivative instruments with positive fair values						
Fixed-income contracts	110,000	0	185,000	0	230,000	0
Currency contracts	110,981	2,057	119,574	4,120	176,226	9,367
Total derivative instruments with positive fair values	220,981	2,057	304,574	4,120	406,226	9,367
Derivative instruments with negative fair values						
Fixed-income contracts	14,080,000	35,703	13,080,000	67,586	9,676,250	44,375
Currency contracts	110,883	1,923	119,451	3,982	175,357	9,055
Total derivative instruments with negative fair values	14,190,883	37,626	13,199,451	71,568	9,851,607	53,430

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 Financial assets and liabilities

31 March 2021	Carrying amount				Fair value
	Fair value	Amortised cost	Fair value through other comprehensive income		
Thousands of SEK			Debt instruments	Equity instruments	
Cash and balances at central banks	-	477	-	-	477
Treasury bills eligible for refinancing with central banks	-	-	2,020,724	-	2,020,724
Loans to credit institutions	-	5,650,991	-	-	5,650,991
Loans to the general public	-	76,785,911	-	-	76,875,957
Bonds and other fixed-income securities	-	-	3,361,861	-	3,361,861
Derivatives	2,057	-	-	-	2,057
Other assets	-	187,822	-	-	187,822
Accrued income	-	97,647	-	-	97,647
Total	2,057	82,722,848	5,382,585	-	88,197,536
Liabilities to credit institutions	-	1,071,630	-	-	1,071,630
Deposits from the general public	-	60,163,356	-	-	60,164,834
Securities issued	-	23,875,894	-	-	23,875,894
Derivatives	37,626	-	-	-	37,626
Other liabilities	-	149,902	-	-	149,902
Accrued expenses	-	180,449	-	-	180,449
Total	37,626	85,441,231	-	-	85,480,335

31 December 2019	Carrying amount				Fair value
	Fair value	Amortised cost	Fair value through other comprehensive income		
Thousands of SEK			Debt instruments	Equity instruments	
Cash and balances at central banks	-	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
Total	4,120	82,323,304	5,389,526	-	87,828,575
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
Total	71,568	85,786,921	-	-	85,858,962

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31 March 2020	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	-	1,077	-	-	1,077
Treasury bills eligible for refinancing with central banks	-	-	1,813,379	-	1,813,379
Loans to credit institutions	-	5,125,264	-	-	5,125,264
Loans to the general public	-	73,577,301	-	-	74,148,561
Bonds and other fixed-income securities	-	-	3,016,904	-	3,016,904
Shareholdings and investments	-	-	-	4,000	4,000
Derivatives	9,367	-	-	-	9,367
Other assets	-	72,952	-	-	72,952
Accrued income	-	110,090	-	-	110,090
Total	9,367	78,886,684	4,830,283	4,000	84,301,594
Liabilities to credit institutions	-	64,815	-	-	64,815
Deposits from the general public	-	54,903,124	-	-	54,908,428
Securities issued	-	23,477,595	-	-	23,477,595
Derivatives	53,430	-	-	-	53,430
Other liabilities	-	48,751	-	-	48,751
Accrued expenses	-	194,734	-	-	194,734
Total	53,430	78,689,019	-	-	78,747,753

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

31/03/2021

Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	2,020,724	-	-	2,020,724
Bonds and related items	3,361,861	-	-	3,361,861
Other assets – derivatives	-	2,057	-	2,057
Total	5,382,585	2,057	-	5,384,642
Other liabilities – derivatives	-	37,626	-	37,626
Total	-	37,626	-	37,626

31/12/2020

Thousands of SEK	Level 1	Level 2	Level 3	Total
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
Total	5,389,526	4,120	-	5,393,647
Other liabilities – derivatives	-	71,568	-	71,568
Total	-	71,568	-	71,568

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31/03/2020

Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	1,813,379	-	-	1,813,379
Bonds and related items	3,016,904	-	-	3,016,904
Shareholdings and investments	-	-	4,000	4,000
Other assets – derivatives	-	9,367	-	9,367
Total	4,830,283	9,367	4,000	4,843,650
Other liabilities – derivatives	-	53,430	-	53,430
Total	-	53,430	-	53,430

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

Fair value measurement

The main methods and assumptions used to measure the fair value of the financial instruments reported in the table above are summarised as follows:

Financial instruments quoted in active markets

For financial instruments quoted in active markets, fair value measurement is based on the asset's listed bid price on the balance sheet date less transaction expenses (e.g. brokerage) at the time of acquisition. A financial instrument is deemed quoted in an active market if quoted prices are easily available on a stock market, from a trader, broker, trade association or company providing current price information or regulatory authority, and these prices represent actual and regularly occurring market transactions on commercial terms. Any future transaction expenses on disposal are not taken into account. Such instruments can be found in the following balance-sheet items: Treasury bills eligible for refinancing with central banks and Bonds and other fixed-income securities.

Financial instruments not quoted in active markets

Derivative instruments are measured at the fair value received from the counterparty where the fair value is measured using a valuation model established in the market for measuring the type of derivative instrument in question. Fair value measurement of OTC instruments generally uses valuation models based on observable market data. The present value of the cash flows associated with the financial instrument is calculated for measurement of fixed-interest and currency derivatives without option components. The yield curve used for discounting cash flows is based on observable market data, meaning it is derived from quoted relevant interest rates for the respective term when the cash flows are received or paid. Options are measured using generally accepted valuation models, such as Black-Scholes. The models are updated with observable market data relevant to the measurement of the option. This observable market data includes interest rates, currencies, credit risk, volatility, correlations and market liquidity. The fair value of financial instruments classified to a lower level is also measured using valuation models mainly based on observable market data but with some estimates made by the bank 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

	31/03/2021	31/12/2020	31/03/2020
Thousands of SEK			
Pledged assets			
Loans *	20,542,534	20,603,014	19,623,297
Bonds and other fixed-income securities	1,117,415	1,120,020	-
Other pledged assets	102,574	138,988	89,325
Contingent liabilities	673,128	596,437	609,276
Commitments	9,790,376	9,875,446	8,249,347

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

Note 15 Capital adequacy analysis

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

Capital base

Thousands of SEK	31/03/2021	31/12/2020	31/03/2020
CET1 capital	6,826,130	6,816,853	6,408,282
Net capital base	6,826,130	6,816,853	6,408,282

Capital requirement and risk-weighted exposure amount

	Capital requirement		Risk-weighted exposure amount		Capital requirement		Risk-weighted exposure amount	
Minimum capital for credit risk								
- IRB approach	1,617,998	20,224,979	1,601,502	20,018,777	1,574,749	19,684,363		
- standardised approach	625,075	7,813,432	621,120	7,764,003	615,258	7,690,726		
Credit valuation adjustment	4,025	50,313	3,354	41,925	2,840	35,500		
Risk weight floor, residential and commercial properties	276,103	3,451,289	269,580	3,369,747	284,713	3,558,915		
Other REAs	-	-	1,680	21,000	2,400	30,000		
Capital requirement for operational risk	182,734	2,284,180	173,143	2,164,292	173,143	2,164,292		
Total capital requirements and risk-weighted exposure amounts	2,705,935	33,824,193	2,670,380	33,379,744	2,653,104	33,163,796		
CET1 capital ratio	20.2%		20.4%		19.3%			
Tier 1 capital ratio	20.2%		20.4%		19.3%			
Total capital ratio	20.2%		20.4%		19.3%			
Pillar 2 capital requirement	2.0%	691,065	2.2%	738,420	2.2%	713,902		
Total internally assessed capital requirement (excluding buffer requirement)		3,397,000		3,408,800		3,367,005		
Buffer requirement	2.5%	845,605	2.5%	834,494	10,431,170	2.5%	829,095	
- capital conservation buffer	2.5%	845,605	2.5%	834,494	10,431,170	2.5%	829,095	
- countercyclical capital buffer	0.0%	-	0.0%	-	-	0.0%	-	
Total capital requirement including buffer requirement		4,242,605		4,243,294		4,196,100		

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Thousands of SEK	31/03/2021		31/12/2020		31/03/2020	
CET1 capital: Instruments and reserves						
Share capital	1,668,336		1,668,336		1,668,336	
Statutory reserve	109,196		109,196		109,196	
Share premium reserve	3,188,631		3,188,631		3,188,631	
Fair value reserve	-		-		-8,695	
Retained earnings	2,042,950		1,615,448		1,615,448	
Profit attributable to the bank's owners	-		658,733		-	
Deduction for ineligible part of profit for the period or year	-		-231,231		-	
CET1 capital before regulatory adjustments	7,009,113		7,009,113		6,572,916	
CET1 capital: regulatory adjustments						
Value adjustments due to prudent valuation requirements	-5,383		-5,390		-4,830	
Deferred tax assets	-18,153		-17,721		-15,361	
Deduction of IRB provisions (see disclosure below)	-159,447		-169,149		-144,443	
Total regulatory adjustments to CET1 capital	-182,983		-192,260		-164,634	
CET1 capital	6,826,130		6,816,853		6,408,282	
Capital base	6,826,130		6,816,853		6,408,282	
Special disclosures						
IRB Provisions excess(+)/shortfall(-)	-159,447		-169,149		-144,443	
Total IRB provisions (+)	141,264		145,615		145,256	
IRB Expected loss amount (-)	-300,711		-314,764		-289,699	
Capital requirement and risk-weighted exposure amount						
Thousands of SEK	31/03/2021		31/12/2020		31/03/2020	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Credit risk under standardised approach						
Central government or central bank exposures	-	-	-	-	-	-
Regional government and local authority exposures	-	-	-	-	-	-
Public sector entity exposures	-	-	-	-	-	-
Corporate exposures	104,862	1,310,776	99,049	1,238,118	84,713	1,058,916
Retail exposures	229,421	2,867,759	231,239	2,890,485	236,720	2,959,000
Exposures secured by mortgages on immovable property	289,326	3,616,580	288,867	3,610,834	291,385	3,642,313
Items in default	1,465	18,317	1,965	24,566	2,120	26,497
Equity exposures	-	-	-	-	320	4,000

CONTINUED FROM PAGE 29.

	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Credit risk under IRB approach						
Institutional exposures	153,341	1,916,763	166,183	2,077,286	138,948	1,736,854
Corporate exposures	789,496	9,868,703	780,895	9,761,186	773,622	9,670,281
Retail exposures	650,689	8,133,613	635,625	7,945,307	646,099	8,076,240
– mortgage loans	396,608	4,957,604	389,517	4,868,966	387,713	4,846,414
– other loans	254,081	3,176,009	246,107	3,076,341	258,386	3,229,826
Non-credit obligation asset exposures	24,472	305,900	18,800	234,998	16,079	200,988
Total	2,243,073	28,038,411	2,222,622	27,782,780	2,190,007	27,375,089
Credit valuation adjustment	4,025	50,313	3,354	41,925	2,840	35,500
Risk weight floor, residential and commercial properties	276,103	3,451,289	269,580	3,369,747	284,713	3,558,915
Other REAs	-	-	1,680	21,000	2,400	30,000
Operational risk						
	31/03/2021		31/12/2020		31/03/2020	
	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount	Capital requirement	Risk-weighted exposure amount
Standardised approach	182,734	2,284,180	173,143	2,164,292	173,143	2,164,292
Total capital requirement for operational risk	182,734	2,284,180	173,143	2,164,292	173,143	2,164,292
Total capital requirements and risk-weighted exposure amounts	2,705,935	33,824,193	2,670,380	33,379,744	2,653,104	33,163,796

Note 16 Disclosures on related parties and other significant relationships

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

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

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

Lund, 27 April 2021

Rasmus Roos
CEO

Financial ratio definitions

Business volume

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

CET1 capital ratio

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

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

Total capital ratio

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

The capital base comprises the CET1 capital and subordinated liabilities. The regulatory requirement including capital conservation and countercyclical buffers is 10.5%.

Leverage ratio

The bank's leverage ratio is the CET1 capital of the bank expressed as a percentage of the bank's total assets, pledged assets and contingent liabilities. As opposed to the CET1 capital ratio and the total capital ratio, risk weighting of certain assets, pledged assets and contingent liabilities are not taken into consideration. Instead, all exposures are recognised at their nominal amounts.

Loan-to-deposit ratio

Loans to the general public expressed as a percentage of deposits from the general public.

LCR

The Liquidity Coverage Ratio (LCR) is calculated according to the Capital Requirements Regulation (CRR) and Directive (CRD IV). The LCR measures the bank's unencumbered high-quality liquid assets (liquidity reserves) expressed as a percentage of the bank's estimated liquidity needs in a 30 calendar-day liquidity stress scenario.

NSFR

The Net Stable Funding Ratio (NSFR) assigns a weight to the bank's assets and funding based on their maturity. Less liquid assets have a more negative impact on the ratio than those that are more liquid. Funding with a longer maturity has a more positive effect on the ratio than funding with a shorter maturity. The main aim of the ratio is to measure the bank's ability to cope with a stress scenario over a one-year time horizon. If the ratio is over 100%, it means that long-term less liquid assets are funded satisfactorily with stable long-term funding. The metric is governed by the Capital Requirements Regulation (CRR), but no calculation methods have been established yet.

Cost/income ratio before credit losses

The bank's costs (excluding credit losses) expressed as a percentage of the bank's income.

Cost/income ratio after credit losses

The bank's costs (including credit losses) expressed as a percentage of the bank's income.

Cost/income ratio after credit losses excluding dividends, capital gains, impairment losses and goodwill amortisation

The bank's costs excluding impairment losses on financial assets and goodwill amortisation expressed as a percentage of the bank's income excluding dividends and capital gains on disposal of branch offices.

Return on equity

Operating profit net of tax (20.6%) 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 (20.6%), excluding dividends, capital gains on the disposal of branch offices, impairment losses on financial assets and goodwill amortisation, expressed as a percentage of average equity.

Loan loss ratio excluding brokered volume

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

Loan loss ratio including brokered volume

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

Average number of employees

The average number of employees (1,730 hours per employee) has been calculated on the basis of the number of hours worked for the bank.

Gross stage 3 loans in %

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

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

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

Ratio of loss allowances to stage 1 loans

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

Ratio of loss allowances to stage 2 loans

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

Ratio of loss allowances to stage 3 loans

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

Allowance ratio for stage 1, 2 and 3 loans

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

Total allowance ratio for loans

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



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