



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

Lund, 23 July 2021

Skåne's economic recovery continued in the second quarter and Sparbanken Skåne was able to reverse more previous loss allowances made in conjunction with the pandemic. This had a positive effect on earnings, as the bank reported a profit before tax of SEK 233m for the quarter, a 4 percent increase from the first quarter.



Sparbanken
Skåne



Q2 financial summary, April–June 2021

(Comparative figures in parentheses refer to Q1, January–March 2021 unless otherwise specified)

- The bank's operating profit for the quarter was SEK 233m (224).
- Net interest income decreased by 3% to SEK 288m (297). The decrease was largely because of decreased margins despite an increase in lending volume.
- Net fee and commission income was up, totalling SEK 147m (138). The increase was primarily attributable to the positive impact of a one-time payment for loan provisions in Q2.
- Expenses excluding credit losses increased somewhat to SEK -230m (-224). The increase is primarily a result of higher IT expenses.
- Credit losses with an impact on profit were positive in the quarter, totalling SEK +26m (+7).
- Business volume was up SEK 8bn in the quarter, totalling SEK 234bn. The increase is primarily a result of the stock market's positive performance and an increase in deposits from the general public.
- Both the capital ratio and the tier 1 capital ratio amounted to 21.2%.
- The LCR decreased from a high level to 206%.

Key events in Q2

- The market continued to recover following the substantial slowdown in the initial phase of the pandemic. Society is slowly and gradually returning to a more normal life. The worst economic scenarios from the initial phase of the pandemic have not come true.
- The bank's residential mortgage business performed strongly in the quarter and the bank engages in funding both new construction projects and existing home transactions. Housing market prices have increased rapidly and, in certain areas, significantly. As a result, the bank recommends that customers continue to both make principal payments and save to secure their finances.
- Skåne's industry has generally coped with the COVID-19 crisis better than industry in other Swedish metropolitan areas. However, long-term unemployment and social exclusion in some parts of Skåne still pose challenges. This is shown by the bank's report on economic conditions in Skåne, which was presented in May.

- A new organisational structure for the bank was launched on 1 May to further strengthen customer focus, step up sustainability efforts, create efficient ways of working and enhance our capability to rapidly implement new digital solutions.
- Patricia Håkansson was appointed head of sustainability. Her most recent prior position was group head of the bank's accounting and finance department. In her new role, she will report directly to Deputy CEO Johan Fjellner.
- Sparbanken Skåne's solar park on the outskirts of Sjöbo is being expanded to treble production capacity, retaking the position as Sweden's largest solar park. Sparbanken Skåne is the bank funding the venture, which is operated by Svea Solar and private entrepreneurs and investors.

Financial summary, January–June 2021

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

- The bank's operating profit for the period was SEK 457m (330).
- Credit losses with an impact on profit were positive in the half year totalling SEK +32m (-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 5% to SEK 584m (612). The decrease was largely because of decreased margins despite an increase in lending volume.
- Net fee and commission income amounted to SEK 285m (233). 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. Loan commissions for loans brokered to Swedbank Hypotek also increased.
- The bank's expenses increased, amounting to SEK 453m (431). Much of this increase was due to higher personnel expenses.
- Business volume increased by 14% to SEK 234bn over the past 12 months.
- Both the capital ratio and the tier 1 capital ratio amounted to 21.2%.
- The LCR decreased from a high level to 206%.



A quarter of recovery and focus on the future

Skåne's economic recovery continued in the second quarter. Sparbanken Skåne reported stable financial performance and was able to reverse more loss allowances made previously during the pandemic. The bank launched an updated organisational structure to fully meet tomorrow's expectations for a modern, customer-focused and sustainability-centric savings bank.

The second quarter of 2021 was characterised by market recovery following the substantial slowdown in the initial phase of the pandemic. As vaccinations have progressed, society has begun to return to a more normal life. Although the return to normal is happening slowly and gradually for both residents and businesses, we still see an impact in areas such as the region's labour market.

Skåne got through the crisis better

In many ways, Skåne's industry has coped with the COVID-19 crisis better than industry in other Swedish metropolitan areas. This is shown by the bank's report on economic conditions in Skåne, "Skånsk konjunktur", in which we analysed the year of Covid, 2020. We also saw a rapid rate of decrease in unemployment in Spring 2021, which is indicative of a strong recovery. However, long-term unemployment and social exclusion in some parts of Skåne still pose challenges. Furthermore, the report found that the rapid price increases in the housing market pose both risks and financial challenges for new homeowners and those in the market for their own home.

Our advice to residential mortgage customers at this time is to both make principal payments and save. We are in a situation in which minor inflation contributes to reducing the real value of debt for residential mortgages. Principal payments (amortisation) are the most important tool for reducing debt and, although interest rates currently look to be stable in the coming years, it would be wise for those purchasing homes at today's price levels to also set aside money in a monthly savings account to ensure their budget will be in order next time they need to review their loans.

Financial stability for the bank

Sparbanken Skåne's business volume increased by 4 percent during the quarter to SEK 234bn. This was primarily driven by an increase in fund and securities volumes, which were impacted positively by the stock market gains. The bank's residential mortgage business also performed well, contributing to the growth in volume. We are confident in the attractiveness of our residential mortgage offering in terms of both pricing and service. The bank engages in funding both new construction projects and existing home transactions. In the corporate segment, we see continuing recovery and improving liquidity, which are driving an increase in deposits, although customers remain somewhat cautious with investments. In the private segment, we see that the lack of travel due to the pandemic during the spring and early summer are contributing to an increase in customer deposits.

However, competition is stiff, with tight margins for residential mortgages. Interest rates are under pressure in the corporate segment as well, and the market is also somewhat cautious as a result of the pandemic. In total, the bank's net interest income for the second quarter decreased by 3 percent from the first quarter.

Net fee and commission income performed well, which, along with effective cost controls, offset the impact of the decrease in net interest income on the bank's earnings.

The bank was able to reverse more previous allowances for credit losses during the period. Our macroeconomic forecast shows a gradual recovery toward a more normal economic situation. Industries such as the hotel & restaurant sector and retail are still being hit the hardest by the pandemic and restrictions. We are naturally keeping a close watch on developments and are wary of the challenges that many businesses are still facing, especially as government support measures will need to be phased out.

Sparbanken Skåne reported a profit of SEK 233m for the second quarter, a 4 percent increase from the first quarter. On a year-on-year basis, the increase was 7 percent.

Updated organisational structure

We renewed our organisation during the quarter to fully meet future expectations and demands for a modern and sustainable savings bank. We have established new dedicated units for corporate customers and digital channels. We're going from six bank areas to three and bringing both greater clarity and intensity to our sustainability efforts.

Our new organisation was launched on 1 May, giving us a stronger customer focus and more efficient ways of working throughout our business. The background here involves the external changes that have occurred and are underway in the form of faster business processes and increased digitalisation, but despite an increasingly rapid rate of change and stiff competition in the banking market, Sparbanken Skåne has grown steadily since it was founded in 2014.

The bank appointed Patricia Håkansson to serve as head of sustainability. Her most recent prior position was group head of the bank's accounting and finance department. In her new role, she will report directly to Deputy CEO Johan Fjelkner.

In other sustainability news, Sparbanken Skåne's Solcellspark is being expanded. In the summer, the solar park on the outskirts of Sjöbo's production capacity will be trebled, going from 6 GWh of annual electricity generation to 19 GWh, enough to provide 3,000 homes with sustainable energy. Sparbanken Skåne is the bank funding the venture, which is operated by Svea Solar and private entrepreneurs and investors. All of the electricity the bank uses has guarantees of origin from this plant, which has been the case for some time.

In conclusion, I would like to highlight the bank's excellent collaboration with its three foundation owners. We teamed up with RF-SISU Skåne and two other foundations in Skåne in the spring to award amateur sports leader grants to those who made extraordinary contributions to youth sports. No less than 250 volunteer sports leaders in various parts of the region were awarded grants for their outstanding efforts. We know that the pandemic has hit clubs and associations hard, and we hope that everyone who has been affected in some way feels our support as a savings 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. Finansinspektionen (the Swedish Financial Supervisory Authority)'s decision not to extend the exemption from the mortgage amortisation requirement after August resulted in a substantial decline in the number of enquiries for forbearance on principal payments. Borrowers who were granted forbearance on principal payments early on in the initial phase of the pandemic resumed their principal payments in the second quarter of 2021. 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 and, overall, the measures taken have prevented negative performance of credit losses. We are now also beginning to see the investment willingness of businesses and new construction projects of property companies regain momentum.

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 half of 2021, please see the Credit quality and allowances and the Material risks and uncertainties sections below.

Comparison of Q2 2021 profit with Q1 2021 profit

The comparative figures refer to the January–March 2021 period unless stated otherwise.

Operating profit for the second quarter of 2021 amounted to SEK 233m (224). The main factor causing profit to increase from the previous quarter is that the bank was able to reverse more allowances for expected credit losses.

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

The improvement in fee and commission income from the previous quarter and continued effective cost controls gave the bank healthy earnings before credit losses.

Net interest income decreased somewhat (-3 percent) from the previous quarter, amounting to SEK 288m (297). 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 -18m (-11).

Fee and commission income for the quarter totalled SEK 161m (148). Loan commissions amounted to SEK 35m (25) and are mainly attributable to commissions from Swedbank Hypotek. These commissions were positively impacted by a one-time payment of SEK 10m. Securities commissions and fees amounted to SEK 71m (67), and the change is largely a result of the stock market's continued steady gains following the sharp decline in the first quarter of 2020. Other fee and commission income totalled SEK 55m (56).

Fee and commission expenses amounted to SEK -14m (-10).

General administrative expenses were up from the previous quarter, totalling SEK -213m (-198). The increase is primarily a result of higher IT expenses because development expenses are not incurred linearly over the year. These amounted to SEK -62m (-49). Personnel expenses were SEK -125m (-121).

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

Profit for the quarter after appropriations and tax totalled SEK 187m (176).

H1 2021 profit compared with H1 2020 profit

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

Net interest income decreased somewhat (-5 percent) year-on-year, amounting to SEK 584m (612). 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 -29m (-27).

Fee and commission income for the half year totalled SEK 309m (257). Loan commissions amounted to SEK 60m (41) and are mainly attributable to commissions from Swedbank Hypotek. The increase is largely attributable to a one-time payment of SEK 10m. Securities commissions and fees amounted to SEK 138m (106), 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 111m (110).

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

General administrative expenses were up year-on-year, totalling SEK -411m (-390). The increase is primarily a result of higher personnel expenses. This was due to a general salary increase and to a deliberate and planned expansion of the bank's staff to meet market demands. Personnel expenses amounted to SEK -246m (-222), and IT expenses were SEK -111m (-107).

Depreciation of tangible assets totalled SEK -8m (-9).

Profit for the half year after appropriations and tax totalled SEK 362m (259).

Business volume

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

The bank's total business volume at 30 June 2021 was SEK 234bn (219), a 7 percent increase during the half year. This change was primarily driven by an SEK 7bn increase in the share of the business volume comprising funds and insurance. The change includes positive net savings totalling SEK 0.8bn.

Deposits from the general public, both private and corporate customers, increased during the first half year, amounting to SEK 63bn (60).

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The market value of the total brokered fund and insurance volume was SEK 53bn (46). 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 first half year. Loans to the general public at 30 June 2021 amounted to SEK 78bn (76). This increase was 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. The allowances decreased further in the first half of 2021. For more information, see "Credit quality and allowances" below.

The total loan portfolio brokered to Swedbank Hypotek at 30 June 2021 amounted to SEK 16bn, a 0.2bn increase.

Credit quality and allowances

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

For the fourth quarter in a row, updated macroeconomic scenarios contributed to a decrease in allowances for expected credit losses. The decrease in impairment losses on loans as a result of changes in macroeconomic scenarios amounted to SEK 7m in total for the half year. This also includes loss allowances in the form of provisions for loan commitments. For more information, see "Significant risks and uncertainties" below.

In the bank's estimate, there is still a certain degree of 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 30 June, these allowances totalled SEK 27m (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 30 June 2021 was SEK 125m (150). The stage 1 loss allowance for the half year decreased to SEK 27m (34). The stage 2 (loans with a significant increase in credit risk) loss allowance decreased to SEK 27m (37). The stage 3 (credit-impaired loans) loss allowance also decreased to SEK 72m (80).

Because of a further decrease in the reserve for expected credit losses, credit losses resulted in recovery of SEK +32m (-97 at 30 June 2020).

With few exceptions, the large allowances for expected credit losses made in 2020 were related to companies, not private customers. The bank estimates the greatest loss allowance needs are in hotel & restaurant, transport, retail and property management and that, as of 30 June 2021, these sectors are still subject to a certain degree of risk of delayed impact. 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 particularly exposed to COVID-19:

At 30/06/2021, SEK million	Loans and commitments	Loss allowances
Hotel and restaurant, incl. hotel properties	854	35
Transport	580	5
Retail	1,966	22
Property management	16,633	24
Total	20,033	86

The combined allowances for the four industries above decreased from SEK 103m to SEK 86m over the past quarter.

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, which enabled a low level of credit losses. This mitigates potential negative effects at the household level. The average LTV for the residential mortgage portfolio was 52 percent.

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 the bank's customers.

The bank still estimates that the risk is low 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 +0.04 percent (-0.06). Net stage 3 loans accounted for 0.53 percent (0.52) and the allowance ratio for stage 3 loans was 15 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 a continued 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 half year was down slightly (SEK -4m) from the same period in 2020 (SEK -5m). The amount received for previously incurred credit losses amounted to SEK +4m (+5).

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.

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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 stable and 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.

The bank's liquidity was very stable in both the first and second quarters 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 during the rest of the year. Liquidity improved throughout 2020 as a result of customer savings increasing due to a decrease in consumption and as a result of customers moving their holdings from funds to deposits but also because of increased funding.

We did not see the same fluctuations in the first quarter of 2021, as the bank's customers kept their deposits but also resumed their fund savings. This has largely taken the form of traditional monthly savings accounts. In the second quarter, deposits regained their momentum, increasing significantly, and savings in funds continued to increase as well. Deposits from the general public were largely unchanged in the first quarter of 2021 while increasing by approximately SEK 3bn in the second quarter.

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 of 2020. The bank issued new bonds and also renewed bonds and certificates of deposit in both 2020 and the first half of 2021. The market recovery continued in the first half of the year, 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 half of the year because the bank's liquidity remained excellent. Outstanding senior bonds decreased on a net basis by a nominal amount of SEK 1,193m during 2021, with SEK 459m of this amount coming in conjunction with refinancing and an issue in the first quarter and SEK 734m in the second quarter. The bank's MREL bonds remained unchanged in anticipation of a clarification on how the MREL requirement will be calculated going forward. A consultation memorandum was submitted by Riksgälden (the Swedish National Debt Office) on 2 July 2021 that results in a decrease in the senior bonds needed to meet the MREL requirement for Sparbanken Skåne at present. Along with the bank's excellent liquidity situation, this explains why the bank decreased its outstanding senior bonds. Outstanding certificates of deposit were renewed during the period but remained unchanged in terms of outstanding volume at the end of the second quarter compared with 31 December 2020.

The bank's outstanding bonds at 30 June were valued at a nominal amount of SEK 5,766m 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 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 in 2021, is 7.6 percent of the bank's total liabilities and capital base, half of which currently must be subordinated liabilities. Sparbanken Skåne is well prepared to meet these requirements by a large margin and will also be able to meet the requirements stipulated by the new proposal from Riksgälden. The bank's outstanding MREL bonds at 30 June amounted to SEK 1,000m, which is unchanged from 31 December 2020.

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, which is also clarified in Riksgälden's new proposal.

The bank's liquidity reserves at 30 June 2021 amounted to SEK 10,951m (9,779 at 31 December 2020). The liquidity reserves increased during the period, primarily because of a substantial increase in deposits, which mainly took place in the second quarter. At the same time, lending increased in the private segment while largely remaining unchanged in the corporate segment. In addition, the bank reduced its funding in conjunction with two refinancing transactions in the first half year on account of the bank's strong liquidity situation. At 30 June, 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 206 percent (256 at 31 December 2020).

The loan-to-deposit ratio at 30 June 2021 was 122 percent (126 at 31 December 2020).

More information about liquidity reserves and liquidity management is provided in periodic disclosures at 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's capital base increased by SEK 329m during the first half year, putting the total value of the capital base on 30 June 2021 at SEK 7,146m (6,817 at year-end 2020).

The total Risk Exposure Amount (REA) increased, primarily due to the growth in lending, amounting to SEK 33,756m (33,380 at year-end 2020). However, the implementation of the SME discount reduced the REA, which is commented on below.

The credit risk REA at 30 June 2021 totalled SEK 27,182m. SEK 7,762m of this item was calculated using the standardised approach to credit risk and SEK 19,420m was calculated using the Internal Ratings-Based (IRB) approach to credit risk.

The risk-weight floor REA increased as new loans were issued but also as a result of the SME discount, amounting to SEK 4,091m (3,370 at year-end 2020).

The REA for operational risk at 30 June 2021 totalled SEK 2,284m (2,164 at year-end 2020).

As a result, the total capital ratio and CET1 capital ratio amounted to 21.2 percent at 30 June 2021 (20.4 at year-end 2020). The bank's capital situation thus remains strong.

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As a part of the EU Banking Package, the calculation of the SME discount in Article 501 of the Capital Requirements Regulation was changed. This change was implemented as of the second quarter of 2021 and resulted in a decrease in the bank's REA by approximately SEK 1.4bn. The bank's capital situation thus remains strong.

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

The leverage ratio at 30 June 2021 was 7.1 percent (7.0 at year-end 2020). For more information about capital adequacy calculations, see Note 15, Capital adequacy analysis.

In 2021, Finansinspektionen did not conduct any supervisory review and evaluation (as per the Credit Institutions and Securities Companies Special Supervision Act) of the bank.

In the context of such a supervisory review and evaluation of a credit institution, Finansinspektionen determines appropriate capital base levels for the institution. Finansinspektionen will notify the institution of the difference between these levels and the capital base requirements under the Capital Requirements Regulation, the aforementioned Supervision Act and the Capital Buffers Act (2014:966).

Significant 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 at least once a year.

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 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 difficult to estimate. The bank will continue to follow developments. 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). These 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 the strong recovery of the Swedish economy in the first half of the year and the lack of any noticeable impact on defaults and losses from COVID-19 so far.

- In Q2, we moved one quarter further into the economic recovery in the main macroeconomic scenario, which now only comprises recovery.
- Given the major negative impact of COVID-19 on both unemployment and GDP in 2020, 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 for SMEs.
- 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 still a certain degree of 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 30 June, these allowances totalled SEK 27m (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.

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.

	30/06/2021	30/06/2021	30/06/2021	31/03/2021	31/03/2021	31/03/2021	31/12/2020	31/12/2020
Baseline scenario	2021F	2022F	2023F	2021F	2022F	2023F	2021F	2022F
GDP (%)	3.7	3.5	1.9	2.9	3.6	2.3	2.0	3.1
Unemployment (%)	8.8	7.7	7.4	8.7	7.8	7.4	9.2	8.7
Housing price performance (% annual performance)	9.2	2.6	4.9	7.6	5.0	4.6	5.6	4.1
Stibor 3M (%)	-0.01	0.08	0.23	-0.05	0.01	0.10	-0.02	0.07

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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 half year. However, it should be noted that the net loss from credit

losses incurred during the period was only SEK -4m (-5). For more information about recognised credit losses, please see notes 7 and 8.

The bank's direct losses attributable to operational risk remained low in the 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

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

Financial ratios	06/2021	03/2021	12/2020	09/2020	06/2020
Volume					
Business volume*, millions of SEK	234,396	225,775	219,258	213,045	205,850
Capital and liquidity					
CET1 capital ratio	21.2%	20.2%	20.4%	19.5%	19.7%
Total capital ratio	21.2%	20.2%	20.4%	19.5%	19.7%
Loan-to-deposit ratio	122%	126%	126%	128%	129%
Leverage ratio					
Total leverage exposure	100,959	96,651	96,975	94,876	93,477
Leverage ratio	7.1%	7.1%	7.0%	6.9%	7.1%
Total leverage ratio requirement	3.0%	-	-	-	-
LCR					
Total high-quality liquid assets (weighted value – average)	3,926	3,961	4,050	4,147	4,231
Liquidity outflows – total weighted value	6,463	6,204	6,048	5,956	5,823
Liquidity inflows – total weighted value	6,174	5,550	5,273	4,701	4,190
Total net liquidity outflows (adjusted value)	1,629	1,560	1,646	1,823	1,865
LCR	206%	264%	256%	236%	239%
Stable NSFR					
Total available stable funding	85,034	81,645	81,829	80,321	79,560
Total required stable funding	64,986	62,938	62,925	61,787	61,586
Net stable funding ratio (NSFR)	131%	130%	130%	130%	129%
Profit					
Cost/income ratio before credit losses	0.52	0.51	0.50	0.49	0.50
Cost/income ratio after credit losses	0.48	0.49	0.52	0.53	0.62
Return on equity	9.9%	9.8%	9.4%	9.3%	7.7%
Credit-impaired loans and credit losses					
Allowance ratio for stage 3 loans	15%	16%	17%	18%	21%
Net credit-impaired loans (stage 3) as a percentage of total loans to the general public	0.53%	0.55%	0.52%	0.57%	0.58%
Loan loss ratio excluding brokered volume	0.04%	-0.01%	-0.06%	-0.08%	-0.13%
Loan loss ratio including brokered volume	0.04%	-0.01%	-0.05%	-0.07%	-0.11%
Other disclosures					
Average number of employees	497	502	476	467	492

*) The definition of business volume was changed effective 06/2021. The comparative periods have been restated.

The financial ratios are defined on page 34.

Quarterly comparison

Income statement	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Thousands of SEK					
Net interest income	287,701	296,557	302,766	309,821	310,634
Net fees and commissions	146,813	137,982	151,360	124,602	111,814
Net gain/loss from financial transactions	2,489	5,549	-1,655	2,895	4,828
Other operating income	493	497	8,365	442	728
Total net interest income and operating income	437,496	440,585	460,836	437,760	428,004
General administrative expenses	-212,794	-198,115	-215,991	-187,078	-192,222
Depreciation and amortisation	-4,170	-4,040	-3,970	-4,202	-4,556
Other operating expenses	-12,654	-21,459	-18,057	-11,919	-13,201
Credit losses	25,502	6,985	12,872	38,285	108
Total expenses	-204,116	-216,629	-225,147	-164,914	-209,871
Operating profit/loss	233,380	223,956	235,690	272,846	218,133
Taxes	-46,795	-48,325	-50,020	-58,294	-46,772
Profit/loss for the period	186,585	175,631	185,669	214,552	171,361

Balance sheet	30/06/2021	31/03/2021	31/12/2020	30/09/2020	30/06/2020
Thousands of SEK					
Loans to credit institutions	7,452,038	5,650,991	6,126,543	6,125,854	4,715,752
Loans to the general public	77,600,533	76,785,911	75,981,536	74,954,582	74,374,772
Fixed-income securities	5,381,531	5,382,585	5,389,526	5,345,205	5,095,378
Other assets	4,930,790	4,989,700	5,744,592	4,715,971	5,468,100
Total assets	95,364,891	92,809,187	93,242,198	91,141,612	89,654,002
Liabilities to credit institutions	1,069,333	1,071,630	1,073,534	1,066,375	1,067,948
Deposits from the general public	63,383,474	60,163,356	60,158,831	58,570,836	57,575,122
Securities issued	23,127,188	23,875,894	24,349,901	24,006,293	23,719,532
Other liabilities	405,413	503,375	411,801	437,004	445,741
Equity	7,379,483	7,194,932	7,248,132	7,061,104	6,845,659
Total liabilities, provisions and equity	95,364,891	92,809,187	93,242,198	91,141,612	89,654,002

Income statement

Income statement	Note	Q2 2021	Q1 2021	Change	Jan–Jun 2021	Jan–Jun 2020	Change	Full year 2020
Thousands of SEK								
Interest income		335,562	336,817	0%	672,379	721,207	-7%	1,428,365
Interest expenses		-47,861	-40,260	19%	-88,121	-109,156	-19%	-203,727
Net interest income	3	287,701	296,557	-3%	584,258	612,051	-5%	1,224,638
Dividends received		-	-	-	-	760	-100%	760
Fee and commission income	4	160,843	148,402	8%	309,245	257,192	20%	559,392
Fee and commission expenses	5	-14,030	-10,420	35%	-24,450	-24,046	2%	-50,284
Net gain/loss from financial transactions	6	2,489	5,549	-55%	8,038	10,083	-20%	11,323
Other operating income		493	497	-1%	990	1,540	-36%	10,347
Total net interest income and operating income		437,496	440,585	-1%	878,081	857,580	2%	1,756,176
General administrative expenses		-212,794	-198,115	7%	-410,909	-390,145	5%	-793,214
Depreciation of tangible assets		-4,170	-4,040	3%	-8,210	-9,321	-12%	-17,493
Other operating expenses		-12,654	-21,459	-41%	-34,113	-31,441	8%	-61,417
Total expenses before credit losses		-229,618	-223,614	3%	-453,232	-430,907	5%	-872,124
Profit/loss before credit losses		207,878	216,971	-4%	424,849	426,673	0%	884,052
Net credit losses	7	25,502	6,985	-	32,487	-97,069	-	-45,912
Operating profit/loss		233,380	223,956	4%	457,336	329,604	39%	838,140
Tax on profit for the period		-46,795	-48,325	-3%	-95,120	-71,092	34%	-179,406
Profit/loss for the period		186,585	175,631	6%	362,216	258,512	40%	658,733
Statement of comprehensive income								
Thousands of SEK								
Profit/loss for the period		186,585	175,631	6%	362,216	258,512	40%	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		-2,593	3,054	-	461	5,781	-92%	8,646
Tax attributable to items that may be reclassified to profit or loss for the period		559	-654	-	-95	-1,237	-92%	-1,850
Other comprehensive income for the period		-2,034	2,400	-	366	4,544	-92%	6,796
Comprehensive income for the period		184,551	178,031	4%	362,582	263,056	38%	665,529

Balance sheet

Balance sheet	Note	30/06/2021	31/12/2020	Change	30/06/2020	
Thousands of SEK						
Assets						
Cash		647	581	65	11%	902
Treasury bills eligible for refinancing with central banks		2,017,320	2,023,308	-5,988	0%	1,814,871
Loans to credit institutions		7,452,038	6,126,543	1,325,494	22%	4,715,752
Loans to the general public	8	77,600,533	75,981,536	1,618,997	2%	74,374,772
Bonds and other fixed-income securities		3,364,211	3,366,218	-2,007	0%	3,280,507
Derivatives		1,068	4,120	-3,052	-74%	3,040
Tangible assets		58,906	60,826	-1,920	-3%	60,820
Current tax assets		4,571,136	5,398,461	-827,325	-15%	5,184,198
Deferred tax assets		18,763	17,721	1,041	6%	15,802
Other assets		83,422	85,886	-2,464	-3%	43,996
Prepaid expenses and accrued income		196,848	176,996	19,853	11%	159,342
Total assets		95,364,891	93,242,198	2,122,694	2%	89,654,002
Liabilities, provisions and equity						
Liabilities to credit institutions		1,069,333	1,073,534	-4,201	0%	1,067,948
Deposits from the general public	9	63,383,474	60,158,831	3,224,644	5%	57,575,122
Debt securities issued and related items	10	23,127,188	24,349,901	-1,222,712	-5%	23,719,532
Derivatives		18,205	71,568	-53,363	-75%	80,346
Other liabilities		70,772	90,849	-20,077	-22%	55,863
Accrued expenses and deferred income		199,538	131,501	68,037	52%	198,225
Provisions	11	116,898	117,882	-984	-1%	111,307
Total liabilities and provisions		87,985,409	85,994,066	1,991,343	2%	82,808,343
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		8,154	7,788	366	5%	5,536
Retained earnings		2,042,950	1,615,448	427,502	26%	1,615,448
Profit/loss for the period		362,216	658,733	-296,517	-45%	258,512
Total		5,601,951	5,470,600	131,351	2%	5,068,127
Total equity		7,379,483	7,248,132	131,351	2%	6,845,659
Total liabilities, provisions and equity		95,364,891	93,242,198	2,122,694	2%	89,654,002
Other notes						
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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	-	-	-	-	-	362,216	362,216
Other comprehensive income for the period	-	-	-	366	-	-	366
comprehensive income for the period	-	-	-	-	-	-	362,582
Balance at 30 June 2021	1,668,336	109,196	3,188,631	8,154	2,042,950	362,216	7,379,483
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	-	-	-	-	-	258,512	258,512
Other comprehensive income for the period	-	-	-	4,544	-	-	4,544
Comprehensive income for the period	-	-	-	-	-	-	263,056
Balance at 30 June 2020	1,668,336	109,196	3,188,631	5,536	1,615,448	258,512	6,845,659

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–Jun 2021	Full year 2020	Jan–Jun 2020
Thousands of SEK			
Cash flows from operating activities			
Operating profit/loss	457,336	838,140	329,604
Net change in amortised cost for the period	52,995	100,120	50,334
Unrealised share of net gain from financial transactions	-3,176	-6,324	-2,816
Depreciation and amortisation	4,170	17,493	4,556
Credit losses	-28,086	53,792	102,051
Tax paid	-68,940	-97,321	-72,256
Cash flows from operating activities before changes in working capital	414,299	905,900	411,473
Cash flow from changes in working capital			
Increase/decrease in loans to the general public (-/+)	-1,638,220	-4,070,114	-2,500,599
Increase/decrease in securities (-/+)	-10,841	-526,952	-220,165
Increase/decrease in deposits from the general public (+/-)	3,224,644	7,038,423	4,454,714
Increase/decrease in liabilities to credit institutions (+/-)	-4,201	1,013,052	1,007,466
Net change in other assets and liabilities	30,746	-6,334	80,288
Net cash from operating activities	2,016,427	4,353,975	3,233,177
Cash flows from investing activities			
Disposal/redemption of financial assets	-984	22,370	15,795
Transfer of excess liquidity to tax account	800,000	-5,000,000	-4,700,000
Sale of tangible assets	-	3,325	2,900
Acquisition of tangible assets	-2,250	-14,318	-950
Net cash from investing activities	796,766	-4,988,623	-4,682,255
Cash flows from financing activities			
Issue of fixed-income securities	2,505,018	9,765,445	6,653,647
Redemption of fixed-income securities	-3,761,420	-5,910,813	-3,395,056
Dividends paid	-231,231	-	-
Net cash from financing activities	-1,487,632	3,854,632	3,258,591
Cash flow for the period	1,325,560	3,219,984	1,809,513
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	7,452,685	6,127,125	4,716,654
The following subcomponents are included in cash and cash equivalents			
Cash	647	581	902
Loans to credit institutions	7,452,038	6,126,543	4,715,752
Balance sheet total	7,452,685	6,127,125	4,716,654
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	671,046	1,402,634	704,087
Interest paid including cost of deposit insurance and fee for resolution fund	-99,551	-172,841	-59,668
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 "Significant 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–Jun 2021	Jan–Jun 2020	Change	Full year 2020
Thousands of SEK				
Interest income				
Loans to credit institutions	45	1,137	-96%	608
Loans to the general public	691,282	720,008	-4%	1,440,576
Fixed-income securities	1,989	7,775	-74%	11,932
Derivatives	-20,936	-7,711	-	-24,748
Other interest income	-1	-2	-50%	-3
Total	672,379	721,207	-7%	1,428,365
Interest expenses				
Liabilities to credit institutions	-5,341	-3,933	36%	-8,490
Deposits from the general public	-26,343	-27,185	-3%	-55,114
– fee for deposit insurance	-19,477	-20,786	-6%	-41,435
Fixed-income securities	-47,334	-71,439	-34%	-126,925
Other interest expenses	-9,103	-6,599	38%	-13,198
– fee for resolution fund	-9,103	-6,596	38%	-13,192
Total	-88,121	-109,156	-19%	-203,727
Total net interest income	584,258	612,051	-5%	1,224,638

Note 4 Fee and commission income

	Jan–Jun 2021	Jan–Jun 2020	Change	Full year 2020
Thousands of SEK				
Payment intermediation fees	31,251	35,329	-12%	86,796
Loan commissions	59,905	41,431	45%	92,432
Deposit commissions	41,133	39,210	5%	83,590
Commissions for financial guarantees issued	921	1,003	-8%	1,909
Securities commissions and fees	137,980	106,016	30%	226,867
Other fees and commissions	38,055	34,203	11%	67,797
Total	309,245	257,192	20%	559,392

Note 5	Fee and commission expenses	Jan–Jun 2021	Jan–Jun 2020	Change	Full year 2020
Thousands of SEK					
	Payment intermediation fees	-17,202	-14,925	15%	-31,524
	Securities commissions and fees	-4,708	-6,964	-32%	-14,086
	Other fees and commissions	-2,540	-2,157	18%	-4,674
	Total	-24,450	-24,046	2%	-50,284

Note 6	Net gain/loss from financial transactions	Jan–Jun 2021	Jan–Jun 2020	Change	Full year 2020
Thousands of SEK					
	Shareholdings/investments	-	4,388	-	-
	Fixed-income securities	1,646	-165	-	-773
	Other financial instruments	3,154	2,772	14%	6,406
	Exchange rate fluctuations	3,238	3,088	5%	5,690
	Total	8,038	10,083	-20%	11,323

	Jan–Jun 2021	Jan–Jun 2020	Change	Full year 2020	
Net gain/loss by valuation category					
	Financial assets at fair value through other comprehensive income	1,646	4,223	-61%	-773
	Ineffective portion of fair value hedge	230	384	-40%	779
	Derivatives intended for risk management, no hedge accounting	2,924	2,388	22%	5,627
	Change in fair value of derivatives used as hedging instruments in a fair value hedge	47,309	-73,016	-	-62,006
	Change in fair value of hedged item attributable to the hedged risk in fair value hedges	-47,309	73,016	-	62,006
	Exchange rate fluctuations	3,238	3,088	5%	5,690
	Total	8,038	10,083	-20%	11,323

Note 7	Net credit losses	Jan–Jun 2021	Jan–Jun 2020	Change	Full year 2020
Thousands of SEK					
Loans at amortised cost					
	Change in provisions – stage 1	6,912	-19,880	-	-14,235
	Change in provisions – stage 2	10,291	-16,344	-	-6,635
	Change in provisions – stage 3	9,149	-53,414	-	-20,241
	Total	26,352	-89,638	-	-41,111
	Net cost for the period for incurred losses	-4,307	-4,810	-10%	-7,388
	The amount received for previously incurred credit losses	4,401	4,982	-12%	7,880
	Total credit losses on loans at amortised cost	26,446	-89,466	-	-40,619
Loan commitments and financial guarantee contracts					
	Change in provisions – stage 1	-597	-4,294	-86%	-4,272
	Change in provisions – stage 2	4,674	-2,154	-	-1,862
	Change in provisions – stage 3	1,964	-1,155	-	841
	Total credit losses for loan commitments and financial guarantee contracts	6,041	-7,603	-	-5,293
	Total credit losses	32,487	-97,069	-	-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		13,232,284	154,560	1,288	13,388,132
Derecognised financial assets		-10,327,165	-544,871	-13,403	-10,885,439
Changes due to changed balances		-828,176	-21,249	-12,079	-861,504
Transfers between stages during the period					
from stage 1 to stage 2		-918,317	918,317	-	-
from stage 1 to stage 3		-3,559	-	3,559	-
from stage 2 to stage 1		883,645	-883,645	-	-
from stage 2 to stage 3		-	-38,674	38,674	-
from stage 3 to stage 2		-	2,672	-2,672	-
from stage 3 to stage 1		5,934	-	-5,934	-
Exchange rate fluctuations		49	0	0	49
Gross carrying amount at 30 June 2021		73,760,630	3,466,931	485,893	77,713,454
Loss allowances					
Loss allowances at 1 January 2021		33,522	36,821	79,875	150,218
New financial assets		3,780	971	676	5,427
Derecognised financial assets		-3,202	-3,081	-3,954	-10,237
Changes due to changed balances		-554	-1,704	-1,779	-4,037
Changed risk variables (EAD, PD, LGD)		184	-3,986	-6,435	-10,237
Changes in macroeconomic scenarios		-3,218	-2,888	-108	-6,214
Changes due to manual expert adjustments		-2,695	-2,320	-	-5,015
Changes due to updated models		-	-	-	-
Transfers between stages during the period					
from stage 1 to stage 2		-1,427	5,027	-	3,600
from stage 1 to stage 3		-3	-	1,359	1,356
from stage 2 to stage 1		231	-1,634	-	-1,403
from stage 2 to stage 3		-	-732	3,525	2,793
from stage 3 to stage 1		5	-	-897	-892
from stage 3 to stage 2		-	55	-264	-209
Loss allowances at 30 June 2021		26,623	26,529	71,998	125,150
Carrying amount					
Opening balance at 1 January 2021		71,682,413	3,843,000	396,585	75,921,998
Closing balance at 30 June 2021		73,734,007	3,440,402	413,895	77,588,304
Change in fair value of hedged amount in portfolio hedge					12,229
Total					77,600,533

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	Stage 1	Stage 2	Stage 3	Total
Thousands of SEK				
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 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	-	-
from stage 1 to stage 3	-173,373	-	173,373	-
from stage 2 to stage 1	1,239,520	-1,239,520	-	-
from stage 2 to stage 3	-	-118,801	118,801	-
from stage 3 to stage 2	-	16,569	-16,569	-
from stage 3 to stage 1	1,652	-	-1,652	-
Exchange rate fluctuations	-158	-	-	-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	10,919,324	124,441	87,190	11,130,955
Derecognised financial assets	-7,277,803	-517,169	-15,630	-7,810,602
Changes due to changed balances	-749,334	-71,395	-10,522	-831,251
Transfers between stages during the period				
from stage 1 to stage 2	-1,560,738	1,560,738	-	-
from stage 1 to stage 3	-179,479	-	179,479	-
from stage 2 to stage 1	1,091,739	-1,091,739	-	-
from stage 2 to stage 3	-	-125,415	125,415	-
from stage 3 to stage 2	-	4,247	-4,247	-
from stage 3 to stage 1	762	-	-762	-
Exchange rate fluctuations	24	0	0	24
Gross carrying amount at 30 June 2020	70,041,248	3,918,576	541,339	74,501,163
Loss allowances				
Loss allowances at 1 January 2020	19,314	30,188	56,859	106,361
New financial assets	8,866	2,434	33,512	44,812
Derecognised financial assets	-2,371	-3,379	-3,985	-9,735
Changes due to changed balances	-771	-1,858	-999	-3,628
Changed risk variables (EAD, PD, LGD)	7,677	-4,394	-33,996	-30,713
Changes in macroeconomic scenarios	16,616	5,920	274	22,810
Changes due to updated models	86	350	0	436
Transfers between stages during the period				
from stage 1 to stage 2	-10,583	21,962	-	11,379
from stage 1 to stage 3	-921	-	45,277	44,356
from stage 2 to stage 1	929	-3,237	-	-2,308
from stage 2 to stage 3	-	-1,541	15,209	13,668
from stage 3 to stage 1	2	-	-230	-228
from stage 3 to stage 2	-	86	-357	-271
Loss allowances at 30 June 2020	38,844	46,531	111,564	196,939
Carrying amount				
Opening balance at 1 January 2020	67,777,439	4,004,680	123,557	71,905,676
Closing balance at 30 June 2020	70,002,404	3,872,045	429,775	74,304,224
Change in fair value of hedged amount in portfolio hedge				70,548
Total				74,374,772

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Gross carrying amount and loss allowance by sector at 30 June 2021	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
Loans to the general public			
Private customers	42,880,377	15,364	42,865,013
Tenant-owners' associations	2,470,696	946	2,469,750
Corporate customers	32,362,381	108,840	32,253,541
Agriculture, fishing, forestry	7,058,322	6,076	7,052,246
Manufacturing	511,590	2,556	509,034
Public sector	897,201	2,875	894,326
Construction	1,951,514	4,551	1,946,963
Retail	1,350,758	16,462	1,334,296
Transport	546,568	4,130	542,438
Hotel and restaurant	457,310	15,208	442,102
Information technology	349,193	191	349,002
Banking and insurance	51,076	196	50,880
Property management	15,771,265	40,988	15,730,277
Service sector	1,844,343	2,645	1,841,698
Other loans to businesses	1,573,241	12,962	1,560,279
Loans to the general public	77,713,454	125,150	77,588,304

Gross carrying amount and loss allowance by sector at 31 December 2020	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
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 30 June 2020	Gross carrying amount	Loss allowance	Net carrying amount
Thousands of SEK			
Loans to the general public			
Private customers	40,874,374	32,010	40,842,364
Tenant-owners' associations	2,842,930	2,957	2,839,973
Corporate customers	30,783,859	161,972	30,621,887
Agriculture, fishing, forestry	7,069,908	11,833	7,058,075
Manufacturing	580,817	5,118	575,699
Public sector	922,342	4,128	918,214
Construction	1,855,307	8,696	1,846,611
Retail	1,396,884	18,250	1,378,634
Transport	522,637	4,547	518,090
Hotel and restaurant	457,832	41,473	416,359
Information technology	327,754	238	327,516
Banking and insurance	185,175	179	184,996
Property management	14,022,444	43,314	13,979,130
Service sector	1,874,500	9,515	1,864,985
Other loans to businesses	1,568,259	14,681	1,553,578
Loans to the general public	74,501,163	196,939	74,304,224

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Gross carrying amount and loss allowance by stage	30 June 2021	31 December 2020	30 June 2020
Thousands of SEK			
Loans to the general public, private customers and tenant-owners' associations			
Stage 1			
Gross carrying amount	43,680,512	42,393,529	41,790,550
Loss allowances	1,838	2,498	9,460
Carrying amount	43,678,674	42,391,031	41,781,090
Stage 2			
Gross carrying amount	1,639,916	1,915,150	1,887,118
Loss allowances	4,650	6,129	11,259
Carrying amount	1,635,266	1,909,021	1,875,859
Stage 3			
Gross carrying amount	30,646	32,804	39,636
Loss allowances	9,823	10,546	14,248
Carrying amount	20,823	22,258	25,388
Total carrying amount, loans to private customers and tenant-owners' associations	45,334,763	44,322,310	43,682,337
Loans to the general public, corporate customers			
Stage 1			
Gross carrying amount	30,080,118	29,322,406	28,250,697
Loss allowances	24,783	31,024	29,384
Carrying amount	30,055,335	29,291,382	28,221,313
Stage 2			
Gross carrying amount	1,827,015	1,964,672	2,031,459
Loss allowances	21,880	30,691	35,272
Carrying amount	1,805,135	1,933,981	1,996,187
Stage 3			
Gross carrying amount	455,247	443,655	501,703
Loss allowances	62,176	69,330	97,316
Carrying amount	393,071	374,325	404,387
Total carrying amount, loans to corporate customers	32,253,541	31,599,688	30,621,887
Gross carrying amount – stage 1	73,760,630	71,715,935	70,041,247
Gross carrying amount – stage 2	3,466,931	3,879,822	3,918,577
Gross carrying amount – stage 3	485,893	476,459	541,339
Total gross carrying amount	77,713,454	76,072,216	74,501,163
Loss allowance – stage 1	26,621	33,522	38,844
Loss allowance – stage 2	26,530	36,820	46,531
Loss allowance in stage 3	71,999	79,876	111,564
Total loss allowances	125,150	150,218	196,939
Total carrying amount, loans to the general public	77,588,304	75,921,998	74,304,224
Gross stage 3 loans in %	0.63%	0.63%	0.73%
Net stage 3 loans in %	0.53%	0.52%	0.58%
Ratio of loss allowances to stage 1 loans	21%	22%	20%
Ratio of loss allowances to stage 2 loans	21%	25%	24%
Ratio of loss allowances to stage 3 loans	58%	53%	56%
Allowance ratio for stage 1 loans	0.04%	0.05%	0.06%
Allowance ratio for stage 2 loans	0.77%	0.95%	1.19%
Allowance ratio for stage 3 loans	15%	17%	21%
Total allowance ratio for loans	0.16%	0.20%	0.26%

Note 9	Deposits from the general public	30/06/2021	31/12/2020	30/06/2020
Thousands of SEK				
The general public				
	– Swedish currency	62,590,237	59,617,174	57,019,725
	– foreign currency	793,237	541,657	555,397
	Total	63,383,474	60,158,831	57,575,122
Deposits per customer category, excluding bank cheques				
	Public sector	2,432,499	2,125,265	1,928,744
	Corporate sector	13,971,355	13,419,353	11,940,868
	Retail sector	46,458,651	44,379,047	43,158,905
	– sole proprietors	6,800,562	6,680,565	6,502,918
	Other sectors	488,310	197,433	482,991
	Total	63,350,815	60,121,098	57,511,508
Note 10	Debt securities issued and related items	30/06/2021	31/12/2020	30/06/2020
Thousands of SEK				
	Certificates of deposit	499,949	499,418	499,323
	Bond loans	5,779,055	6,971,539	6,310,025
	Covered bonds	15,849,685	15,880,665	15,912,128
	MREL bond	998,500	998,279	998,055
	Total	23,127,188	24,349,901	23,719,532
Changes during the period				
	Issued	2,505,018	9,765,445	6,653,647
	Repurchased	-1,133,000	-3,701,000	-1,778,798
	Matured	-2,594,731	-2,141,193	-1,581,966
	Change	-1,222,713	3,923,252	3,292,883

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		1,923	198	208	2,329
Financial guarantees and loan commitments that are past due		-897	-1,619	-2,302	-4,818
Changes due to changed loan commitments and similar items		-511	-541	81	-971
Changed risk variables (EAD, PD, LGD)		-7	-816	43	-780
Changes in macroeconomic scenarios		-592	-500	0	-1,092
Changes due to manual expert adjustments		713	-1,475	0	-762
Changes due to updated models		-	-	-	-
Transfers between stages during the period					
from stage 1 to stage 2		-56	244	-	188
from stage 1 to stage 3		-	-	-	-
from stage 2 to stage 1		24	-162	-	-138
from stage 2 to stage 3		-	-3	13	10
from stage 3 to stage 1		0	-	-7	-7
from stage 3 to stage 2		-	-	-	-
Loss allowances at 30 June 2021		8,342	4,838	12,211	25,391
Provisions for pensions					76,357
Other provisions					15,150
Total					116,898
Loss allowances at 1 January 2020					
New loan commitments and financial guarantees		1,629	1,308	1,340	4,277
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	3,238	414	2	3,654
Financial guarantees and loan commitments that are past due	-876	-1,384	-1,182	-3,442
Changes due to changed loan commitments and similar items	-144	801	2,028	2,685
Changed risk variables (EAD, PD, LGD)	1,867	-1,632	-52	183
Changes in macroeconomic scenarios	2,341	397	0	2,738
Changes due to updated models	-	-	-	-
Transfers between stages during the period				
from stage 1 to stage 2	-2,089	3,874	-	1,785
from stage 1 to stage 3	-159	-	817	658
from stage 2 to stage 1	116	-433	-	-317
from stage 2 to stage 3	-	-2	14	12
from stage 3 to stage 1	-	-	-	-
from stage 3 to stage 2	-	115	-472	-357
Loss allowances at 30 June 2020	7,766	9,814	16,171	33,751
Provisions for pensions				65,147
Other provisions				12,409
Total				111,307

Note 12	Derivatives	30/06/2021		31/12/2020		30/06/2020	
	The bank uses financial hedges to protect itself from interest rate and currency risks. Derivative instruments comprise interest rate swaps, interest rate caps and currency forwards. Thousands of SEK	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value
	Derivative instruments with positive fair values						
	Fixed-income contracts	75,000	0	185,000	0	230,000	0
	Currency contracts	104,313	1,068	119,574	4,120	130,279	3,040
	Total derivative instruments with positive fair values	179,313	1,068	304,574	4,120	360,279	3,040
	Derivative instruments with negative fair values						
	Fixed-income contracts	15,660,000	17,297	13,080,000	67,586	10,425,875	77,570
	Currency contracts	94,217	908	119,451	3,982	117,755	2,776
	Total derivative instruments with negative fair values	15,754,217	18,205	13,199,451	71,568	10,543,630	80,346

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.

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30 June 2020	Carrying amount				Fair value
	Fair value	Amortised cost	Fair value through other comprehensive income		
Thousands of SEK			Debt instruments	Equity instruments	
Cash and balances at central banks	-	902	-	-	902
Treasury bills eligible for refinancing with central banks	-	-	1,814,871	-	1,814,871
Loans to credit institutions	-	4,715,752	-	-	4,715,752
Loans to the general public	-	74,374,772	-	-	74,958,044
Bonds and other fixed-income securities	-	-	3,280,507	-	3,280,507
Derivatives	3,040	-	-	-	3,040
Other assets	-	72,525	-	-	72,525
Accrued income	-	132,800	-	-	132,800
Total	3,040	79,296,751	5,095,378	-	84,978,441
Liabilities to credit institutions	-	1,067,948	-	-	1,067,948
Deposits from the general public	-	57,575,122	-	-	57,582,390
Securities issued	-	23,719,532	-	-	23,719,532
Derivatives	80,346	-	-	-	80,346
Other liabilities	-	44,222	-	-	44,222
Accrued expenses	-	193,701	-	-	193,701
Total	80,346	82,600,525	-	-	82,688,139

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

Level 1: Quoted prices in active markets for identical instruments

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

Level 3: Unobservable inputs for the instrument

30/06/2021

Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	2,017,320	-	-	2,017,320
Bonds and related items	3,364,211	-	-	3,364,211
Other assets – derivatives	-	1,068	-	1,068
Total	5,381,531	1,068	-	5,382,599
Other liabilities – derivatives	-	18,205	-	18,205
Total	-	18,205	-	18,205

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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30/06/2020				
Thousands of SEK	Level 1	Level 2	Level 3	Total
Treasury bills eligible for refinancing with central banks	1,814,871	-	-	1,814,871
Bonds and related items	3,280,507	-	-	3,280,507
Other assets – derivatives	-	3,040	-	3,040
Total	5,095,378	3,040	-	5,098,418
Other liabilities – derivatives	-	80,346	-	80,346
Total	-	80,346	-	80,346

Fair value measurement

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

Financial instruments quoted in active markets

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

Financial instruments not quoted in active markets

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

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

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

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

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

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

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

Note 14 Pledged assets, contingent liabilities and commitments

	30/06/2021	31/12/2020	30/06/2020
Thousands of SEK			
Pledged assets			
Loans *	20,667,471	20,603,014	20,551,091
Bonds and other fixed-income securities	1,114,510	1,120,020	1,121,865
Other pledged assets	87,156	138,988	128,247
Contingent liabilities	688,781	596,437	631,606
Commitments	11,837,889	9,875,446	9,391,430

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

Note 15 Capital adequacy analysis

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

Capital base

Thousands of SEK	30/06/2021	31/12/2020	30/06/2020
CET1 capital	7,145,943	6,816,853	6,617,803
Net capital base	7,145,943	6,816,853	6,617,803

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	1,553,615	19,420,192	1,601,502	20,018,777	1,567,675	19,595,936		
– standardised approach	620,923	7,761,532	621,120	7,764,003	629,943	7,874,283		
Credit valuation adjustment	15,921	199,013	3,354	41,925	2,629	32,863		
Risk weight floor, residential and commercial properties	327,255	4,090,685	269,580	3,369,747	308,770	3,859,619		
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	2,700,448	33,755,601	2,670,380	33,379,744	2,684,559	33,556,993		
CET1 capital ratio	21.2%		20.4%		19.7%			
Tier 1 capital ratio	21.2%		20.4%		19.7%			
Total capital ratio	21.2%		20.4%		19.7%			
Pillar 2 capital requirement	2.3%	766,732	2.2%	738,420	2.0%	683,711		
Total internally assessed capital requirement (excluding buffer requirement)		3,467,180		3,408,800		3,368,270		
Buffer requirement	2.5%	843,890	2.5%	834,494	2.5%	838,925		
– capital conservation buffer	2.5%	843,890	2.5%	834,494	2.5%	838,925		
– countercyclical capital buffer	0.0%	-	0.0%	-	0.0%	-		
Total capital requirement including buffer requirement		4,311,070		4,243,294		4,207,195		
Available CET1 capital after meeting total capital base requirements for supervisory review and evaluation process (in %)	8.4%	2,834,873	7.7%	2,573,559	7.2%	2,410,608		

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Thousands of SEK	30/06/2021		31/12/2020		30/06/2020	
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	-		-		-	
Retained earnings	2,042,950		1,615,448		1,615,448	
Profit attributable to the bank's owners	362,216		658,733		258,512	
Deduction for ineligible part of profit for the period or year	-72,443		-231,231		-51,702	
CET1 capital before regulatory adjustments	7,298,886		7,009,113		6,788,421	
CET1 capital: regulatory adjustments						
Value adjustments due to prudent valuation requirements	-5,382		-5,390		-5,095	
Deferred tax assets	-18,763		-17,721		-15,802	
Deduction of IRB provisions (see disclosure below)	-128,798		-169,149		-149,721	
Total regulatory adjustments to CET1 capital	-152,943		-192,260		-170,618	
CET1 capital	7,145,943		6,816,853		6,617,803	
Capital base	7,145,943		6,816,853		6,617,803	
Special disclosures						
IRB Provisions excess(+)/shortfall(-)	-128,798		-169,149		-149,721	
Total IRB provisions (+)	123,441		145,615		192,369	
IRB Expected loss amount (-)	-252,239		-314,764		-342,090	
Capital requirement and risk-weighted exposure amount						
Thousands of SEK	30/06/2021		31/12/2020		30/06/2020	
	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 and central bank exposures	-	-	-	-	-	-
Regional government and local authority exposures	-	-	-	-	-	-
Public sector entity exposures	-	-	-	-	-	-
Corporate exposures	92,345	1,154,317	99,049	1,238,118	96,157	1,201,967
Retail exposures	238,060	2,975,750	231,239	2,890,485	238,686	2,983,570
Exposures secured by mortgages on immovable property	289,802	3,622,524	288,867	3,610,834	293,141	3,664,261
Items in default	715	8,941	1,965	24,566	1,959	24,485

CONTINUED FROM PAGE 30.

	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	187,978	2,349,724	166,183	2,077,286	130,707	1,633,833
Corporate exposures	724,048	9,050,594	780,895	9,761,186	780,530	9,756,629
Retail exposures	627,013	7,837,659	635,625	7,945,307	637,943	7,974,292
– mortgage loans	360,118	4,501,481	389,517	4,868,966	385,198	4,814,976
– other loans	266,894	3,336,178	246,107	3,076,341	252,745	3,159,316
Non-credit obligation asset exposures	14,577	182,215	18,800	234,998	18,495	231,182
Total	2,174,538	27,181,724	2,222,622	27,782,780	2,197,618	27,470,219
Credit valuation adjustment	15,921	199,013	3,354	41,925	2,629	32,863
Risk weight floor, residential and commercial properties	327,255	4,090,685	269,580	3,369,747	308,770	3,859,619
Other REAs	-	-	1,680	21,000	2,400	30,000
Operational risk						
	30/06/2021		31/12/2020		30/06/2020	
	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	2,700,448	33,755,601	2,670,380	33,379,744	2,684,559	33,556,993

Note 16 Disclosures on related parties and other significant relationships

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

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

Signatures of board and CEO

The board and CEO hereby affirm that the January–June 2021 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, 22 July 2021

Bo Bengtsson
Chair

Jan Larsson
Deputy Chair

Camilla Dahlin
Deputy Chair

Agneta Erfors
Director

Christian Karlsson
Director

Johanna Okasmaa Nilsson
Director

Stefan Prahł
Director

Elin Betschart
Employee representative

Catarina Regebro
Employee representative

Rasmus Roos
CEO

Auditor's report

Introduction

We have reviewed the condensed interim financial information (interim report) of Sparbanken Skåne (publ) at 30 June 2021 and the six-month period ended on that date. The board and CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. It is our responsibility to express an opinion on this interim report based on our review engagement.

Focus and extent of review engagement

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

Opinion

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

Stockholm, 22 July 2021
Deloitte AB

Patrick Honeth
Authorised Public Accountant

Financial ratio definitions

Business volume

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

CET1 capital ratio

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

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

Total capital ratio

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

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

Loan-to-deposit ratio

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

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 is not taken into consideration. Instead, all exposures are recognised at their nominal amounts. Taken together, these exposures comprise the "Total leverage exposure". The EU Banking Package implements a leverage ratio requirement intended to serve as a safeguard for how low the capital requirement may be. The leverage ratio requirement is 3 percent.

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. These liquidity needs take into account estimated liquidity outflows and inflows.

Stable 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 percent, 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).

The NSFR is calculated by expressing total available stable funding as a percentage of total required stable funding.

Cost/income ratio before credit losses

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

Cost/income ratio after credit losses

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

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

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

Return on equity

Operating profit net of tax (21.4%) expressed as a percentage of average equity.

Return on equity excluding dividends, capital gains, impairment losses and goodwill amortisation

The bank's operating profit net of tax (21.4%), excluding dividends, capital gains on the disposal of branch offices, impairment losses on financial assets and goodwill amortisation, expressed as a percentage of average equity.

Loan loss ratio excluding brokered volume

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

Loan loss ratio including brokered volume

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

Average number of employees

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

Gross stage 3 loans in %

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

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

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

Ratio of loss allowances to stage 1 loans

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

Ratio of loss allowances to stage 2 loans

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

Ratio of loss allowances to stage 3 loans

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

Allowance ratio for stage 1, 2 and 3 loans

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

Total allowance ratio for loans

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



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