

**Skandiabanken  
Aktiebolag (publ)  
Interim Report  
January–June 2014**



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Skandia includes the parent company, Livförsäkringsbolaget Skandia, ömsesidigt, Försäkringsaktiebolaget Skandia (publ) and Skandiabanken Aktiebolag (publ), with a branch in Norway.

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## Half-year summary

- Income for the first half of 2014 amounted to SEK 866 million (709).
- Operating profit for the first half of 2014 totalled SEK 307 million (161).
- Loan losses during the first half of the year amounted to SEK 9 million (14).
- Lending increased by SEK 7,565 million during the first half of the year, to SEK 85,459 million (77,894).
- Surplus liquidity amounted to SEK 24,701 million as per 30 June, compared with SEK 19,153 million at the start of the year.
- The total capital ratio was 12.9% as per 30 June, compared with 13.5% at the start of the year.

*Publication dates*

29 October Interim report Jan.–Sept. 2014

# CEO's message

Since the start of the year our bank has grown 10% larger, and we have increased our market shares. We are on track to achieve the goal of being a bank that is twice as big by 2018, and since 1 January 2013, when we set this target, we have grown by 46%, based on lending to the general public.

Overall we have nearly doubled the bank's operating profit. This is due quite simply to the fact that we are considerably larger than we were a year ago, at the same time that our cost control is working. We have maintained our overheads despite strong growth and investments in the changeover of the core banking system. While this project has entailed substantial costs, it is on track and once it is completed in 2015, it will result in greater efficiency and lower our annual costs going forward.

I would like to highlight three achievements in the Swedish operations during the period of major strategic importance. But first, I want to comment on a setback that I take with utmost seriousness. At the end of June we were issued a citation and a fine by the Swedish Financial Supervisory Authority for deficiencies in our information and fees in connection with advisory services. We were already working on remedying these deficiencies in early 2013, when the Swedish Financial Supervisory Authority conducted its review, but certainly they should never have existed in the first place.

And now for our achievements.

In May we introduced a loyalty programme in alliance with SAS EuroBonus which rewards our customers when they use their cards – but also when they save, have a loan, or do their personal banking with Skandia. Our goal was that 10,000 customers would sign up by year-end; we exceeded this in less than two months. This is a great show of confidence from our customers and gives us a good foundation for cross-selling and upselling.

The net inflow to the Bank's fund platform has increased to the highest level ever – reaching SEK 810 million between January and June – which is a doubling many times over compared with the level of SEK 105 million during the same period a year ago. We are surpassing our goals by a wide margin, and I am proud that so many customers are choosing to transfer their savings to us.

Third, we have finally launched Sweden's first, open, personalised home mortgage rates, which have had an incredibly positive reception. The number of home mortgage applications in Sweden has risen steadily since the launch in April, and during June we received 44% more applications than in the same month a year ago. It will take a couple of months before we see the degree to which these applications result in paid-out mortgage volumes. We know that many people have discovered that they can use Skandia's open mortgage rates to put pressure on their old banks, since it takes less than a minute to receive a fair quote from us, without having to negotiate or even call us. This is fundamentally good, since we want to give more power to the consumer in the home mortgage market – plus, many are discovering that they can get a better rate from us. But of course, this may adversely affect our level of payments in the short-term perspective. Over the long term we believe that open and transparent rates are a winning concept.

In Norway, our banking business is growing in line with our ambitions. We continue to sell more home mortgages, and it is this business that is the main driver of our strong performance. We also gained more customers in Norway during the first half of the year, and our customers are more active and are using our banking services more than previously.

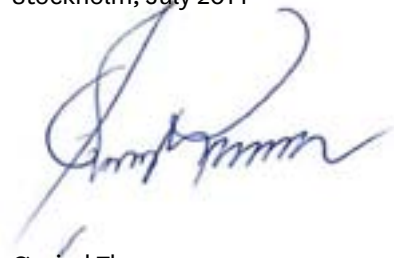
A high level of customer satisfaction and our strong brand are key explanations for our favourable performance in Norway. During the first half of the

year we were rated as the most highly preferred banking and financial institution in Norway by RepTrac. And for the thirteenth year in a row, our Norwegian banking customers – through the Norwegian Customer Barometer – have shown that we are the bank that they are most satisfied with in the country. I am very proud of our success in coupling this with good profitability and motivated employees.

In both Norway and Sweden we have launched an entirely new mobile banking platform, with a new design. This is the first step in a renewal project that will be completed next year, with the goal of providing a superior banking experience. The feedback we have received from our customers indicates that we are on the right track.

Looking forward, our home mortgage growth will be central, but above all we want to offer the entire pallet of services and products offered by Skandia. Growth is important, as profitability in Sweden is under pressure from extremely low interest rates and tight margins.

Stockholm, July 2014

A handwritten signature in blue ink, appearing to read 'Øyvind Thomassen', is written over a light blue horizontal line.

Øyvind Thomassen  
*Head of Banking, Skandia*

# Board of Directors' report

## Introduction

Skandiabanken Aktiebolag (publ), reg. no. 516401-9738 ("Skandiabanken" or "the Bank"), domiciled in Stockholm, Sweden, was established on 1 July 1994 and is a wholly owned subsidiary of Försäkringsaktiebolaget Skandia (publ), reg. no. 502017-3083.

## Organisation and operations

Skandiabanken conducts business in Sweden and Norway. The business is broken down into the operating segments "Sweden banking" and "Norway banking", the latter of which is conducted via a branch in Bergen, Norway.

Skandiabanken conducts banking business in the Swedish and Norwegian retail markets and offers lending to individuals primarily in the form of home mortgages, personal loans, lines of credit and credit card credits, custody account lending and deposits. In addition to the lending and deposit activities, the Bank offers equity trading and fund trading services.

## Significant events during the period

In January an unconditional shareholder contribution of SEK 256 million was received to strengthen the capital base.

Skandia has entered into an alliance with SAS EuroBonus. Effective 8 May 2014, under certain conditions and through the partnership with SAS EuroBonus, Skandia customers will be able to earn EuroBonus points when they use Skandia's products to do their personal banking. Points earned can then be used to pay for air travel, hotel stays, rental cars and purchases on SAS webshop.

In April 2014 Skandiabanken introduced home mortgage rates with openly published discounts. With the new rates, Skandiabanken is Sweden's first bank to offer entirely open discounts based on the customer's total financial situation. Customers who qualify for a discount receive it automatically, without having to negotiate, and the discounts are not phased out after a certain period of time. Apart from attracting new customers, the Bank also hopes to empower consumers in the home mortgage market.

During the period, the Swedish Financial Supervisory Authority issued the Bank a citation and fine. The reason is that the Bank previously had deficiencies related to information and fees for its banking advisory services. An action plan had been initiated already before the Swedish Financial Supervisory Authority's citation and has resulted in a changed fee structure for Skandia's advisers, clearer information for customers, and an increase in training activities. The Swedish Financial Supervisory Authority's remarks are now being reviewed in detail to ensure that no deficiencies remain.

## Profit for the period January–June 2014 compared with January–June 2013

Operating profit before tax increased by SEK 146 million to SEK 307 million (161). Profit was dominated by the contribution from the Norwegian operations. The earnings improvement can be credited primarily to stronger net interest income.

## Income

The Bank's net interest income grew by SEK 147 million to SEK 688 million (541). The increase is mainly attributable to the strong growth in volume of home mortgages. The Swedish home mortgage market continues to be characterised by fierce competition, and together with falling market interest rates, the increase in net interest income has been driven mainly by the Norwegian operations.

Net fee and commission income of SEK 116 million (116) was unchanged compared with the corresponding period a year ago. During the first half of the year, the Bank decided to reclassify certain costs from other administrative expenses to fee and commission expenses in order to create clearer reporting and thus a more accurate picture of the Bank's commission-driven business. The comparison figures for the preceding year have been recalculated according to the new classification, see Note 1, Accounting policies.

Net financial items increased by SEK 15 million to SEK 35 million (20). The higher outcome is mainly attributable to a capital gain from the sale of shares in VISA.

**Operating income**

SEK million	2014 Jan.-June	2013 Jan.-June	Change, %
Net interest income	688	541	27%
Net fee and commission income	116	116	0%
Net financial items	35	20	75%
Other operating income	27	32	-16%
<b>Total operating income</b>	<b>866</b>	<b>709</b>	<b>22%</b>

**Expenses**

Expenses increased to SEK 550 million (534) during the first half of 2014, partly owing to the SEK 10 million fine levied by the Swedish Financial Supervisory Authority and higher staff costs.

As part of the strategy to double the balance sheet by 2018, the Bank is pursuing an ambitious investment programme called "Core bank". As part of this programme, Skandiabanken is currently carrying out a project aimed at changing the Bank's sub-ledger, i.e., the IT system for bank accounts, cards and payment services. The new system is planned to be operating by 2015. The investment cost to date amounts to SEK 203 million. The investment costs is being capitalised and reported as an intangible assets on the Bank's balance sheet.

**Expenses before loan losses**

SEK million	2014 Jan.-June	2013 Jan.-June	Change, %
Staff costs	-191	-176	9%
Other administrative expenses <sup>1</sup>	-314	-325	-3%
Depreciation	-1	-1	0%
Other operating expenses	-44	-32	38%
<b>Total expenses before loan losses</b>	<b>-550</b>	<b>-534</b>	<b>3%</b>

<sup>1</sup> Recalculated as a result of reclassification, see Note 1, Accounting policies.

**Loan losses**

Net loan losses decreased by SEK 5 million to SEK -9 million (-14). Loan losses continue to be at a low level, and the outcome improved through the recovery of SEK 13 million in loan losses in Sweden. The losses are mainly in the Norwegian operation, where unsecured loans make up a larger share of lending to the general public than in Sweden.

Impaired loans, net, also decreased compared with the corresponding period a year ago, to SEK 43 million (59).

**Loan losses and impaired loans**

SEK million	2014 Jan.-June	2013 Jan.-June	Change, %
Loan losses	-9	-14	-36%
Impaired loans, net	43	59	-27%
Impaired loans, net, as % of lending to the general public	0.05%	0.09%	-44%

**Balance sheet, liquidity and managed assets in funds**

The strong volume growth during the first half of the year was generated mainly by lending against security. Lending to the general public grew by SEK 7,565 million during the first half of the year, to SEK 85,459 million (77,894). Deposit volumes from the general public grew by SEK 6,360 million and now amount to SEK 82,037 million (75,677), driven mainly by a larger inflow to the Bank's high-yield account in the Norwegian operation.

Surplus liquidity increased during the period to SEK 24,701 million (19,153) as per 30 June.

Since 2011 Skandiabanken has had long-term and short-term credit ratings of A3 and P-2 with a stable outlook, respectively, from the credit rating agency Moody's.

Managed assets in funds in the banking operations increased as a result of a positive change in value and an inflow of new capital from customers. Net asset value grew by SEK 3,453 million compared with the start of 2014, to SEK 20,789 million (17,336).

#### Balance sheet, liquidity and managed assets, 30 June 2014 compared with 31 December 2013

SEK million	2014 30 June	2013 30 Dec.	Change, %
Balance sheet total	111,888	98,597	13%
Lending to the general public	85,459	77,894	10%
of which, Sweden	34,175	31,917	7%
of which, Norway	51,284	45,977	12%
Deposits from the general public	82,037	75,677	8%
of which, Sweden	35,563	35,673	0%
of which, Norway	46,474	40,004	16%
External borrowing	22,966	16,864	36%
of which, Sweden	8,082	7,694	5%
of which, Norway	14,884	9,170	62%
Total liquidity buffer <sup>1</sup>	24,701	19,153	29%
Liquidity buffer <sup>2</sup>	21,949	16,034	37%
Deposit-to-loan ratio	96%	97%	-1%
Managed assets in funds (NAV)	20,789	17,336	20%

<sup>1</sup> Balances with the Central Bank of Sweden and Central Bank of Norway, short-term lending and deposits to/from credit institutions and fixed-income securities excluding assets pledged for borrowing from the Central Bank of Sweden.

<sup>2</sup> In accordance with the Swedish Financial Supervisory Authority's regulations regarding management of liquidity risks in credit institutions and investment firms (FFFS 2010:7).

#### Capital base and capital adequacy

The total capital ratio decreased to 12.9% (13.5%) compared with the level at 31 December 2013. The Tier 1 capital ratio decreased to 10.6% (10.9%) during the same period.

	2014 30 June	2013 30 Dec.
Total capital ratio <sup>1</sup>	12.9%	13.5%
Tier 1 capital ratio <sup>2</sup>	10.6%	10.9%
Core Tier 1 capital ratio <sup>2</sup>	10.6%	10.9%
Capital adequacy requirement, SEK million	3,214	2,859
Risk-weighted exposure, SEK million	40,179	35,734
Capital adequacy quotient	1.6	1.7

<sup>1</sup> The total capital ratio corresponds to the capital adequacy concept according to Basel II.

<sup>2</sup> The Bank's Core Tier 1 capital consists of equity less items that may not be included in the capital base, such as intangible assets and deferred tax assets, which are dependent on future profitability. The Bank does not have any Tier 1 capital contributions, which entails that its Core Tier 1 capital is equal to its Tier 1 capital.

#### Risks and risk management

Skandiabanken conducts banking business in the retail market in Sweden and Norway. The economic situation in Sweden remained favourable during the first half of 2014. The same applied in Norway, even though the oil boom is over. Growth in both countries is expected to be dampened, with stable or slightly lower unemployment in Sweden in 2014. There is a risk that the economic trend may be negatively affected by macroeconomic and political developments in the Bank's operating environment. Although interest rates are expected to be stable going forward, there is a risk for further interest rate cuts in response to the inflationary trend, despite forecasts indicating that the central banks will be slowly raising their interest rates during 2015. Further interest rate reductions could have a negative impact on the Bank's earnings capacity and above all on net interest income.

The new EU capital adequacy rules took effect on 1 January 2014. Some of the rules are being incorporated into Swedish law, and most of these take effect on 2 August 2014. In addition to two new laws and amendments to a number of existing ones, the Swedish Financial Supervisory Authority has, through these mandates, drawn up new regulations governing the capital base, the capital base requirement, large exposures, liquidity, reporting, disclosures of information and liquidity buffers. In addition, the Swedish Financial Supervisory Authority has proposed that the countercyclical buffer be activated at a level of 1%, with effect from 13 September 2015. The Norwegian Financial Supervisory Authority intends to activate the buffer at the same level. Since the Norwegian authorities have not yet decided how the new capital adequacy rules will be implemented in their entirety in Norwegian law and the extent to what branches of foreign credit institutions will be covered by the rules, there is still some uncertainty regarding how this may affect the Bank. In addition, the Bank's risk management is also affected by the Swedish Financial Supervisory Authority's new guidelines on governance, risk management and control, which took effect in April 2014, and by new guidelines on the management of operational risks and information security, which took effect in June 2014.

For further information about Skandiabanken's risks and risk management, see Note 37 in the 2013 Annual Report.

#### **Events after the balance sheet date**

No significant events have taken place after the end of the interim reporting period.



# Key ratios

	2014	2013	2014	2013	2013
	Q2	Q2	Jan.-June	Jan.-June	Full year
Return on equity, % <sup>7</sup>	9.25	7.54	10.31	7.22	6.23
Cost/income ratio before loan losses <sup>1,9</sup>	0.67	0.75	0.63	0.75	0.77
Total capital ratio, % <sup>2,8</sup>	12.9	13.7	12.9	13.7	13.5
Tier 1 capital ratio, % <sup>3</sup>	10.6	9.9	10.6	9.9	10.9
Provision level for impaired loans % <sup>4</sup>	70.5	58.8	70.5	58.8	64.2
Share of impaired loans, net, % <sup>5</sup>	0.05	0.09	0.05	0.09	0.06
Loan loss ratio, % <sup>6</sup>	0.02	0.02	0.03	0.05	0.07
Average number of employees	485	455	485	453	457

<sup>1</sup> Total costs before loan losses in relation to total operating income.

<sup>2</sup> Capital base in relation to risk-weighted assets.

<sup>3</sup> Tier 1 capital in relation to risk-weighted assets.

<sup>4</sup> Provisions for loan losses in relation to impaired loans, gross.

<sup>5</sup> Impaired loans, net, in relation to total lending to the general public, excl. loans to the Swedish National Debt Office.

<sup>6</sup> Loan losses in relation to lending to the general public, excl. loans to the Swedish National Debt Office.

<sup>7</sup> Profit after tax in relation to average equity. Group contributions are excluded from the calculation.

<sup>8</sup> Total capital ratio corresponds to the capital adequacy concept according to Basel II.

<sup>9</sup> Recalculated as a result of reclassification, see Note 1, Accounting policies.

# Income statement, quarterly

	2014	2014	2013	2013	2013
SEK million	Q2	Q1	Q4	Q3	Q2
Net interest income	354	334	301	276	273
Fee and commission income <sup>1</sup>	57	59	61	75	57
Net financial income <sup>1</sup>	30	5	-1	10	17
Other operating income	12	15	18	14	14
<b>Total operating income</b>	<b>453</b>	<b>413</b>	<b>379</b>	<b>375</b>	<b>361</b>
Staff costs	-101	-90	-99	-91	-89
Other operating expenses <sup>1</sup>	-202	-157	-226	-174	-182
<b>Total expenses before loan losses</b>	<b>-303</b>	<b>-247</b>	<b>-325</b>	<b>-265</b>	<b>-271</b>
<b>Profit before loan losses</b>	<b>150</b>	<b>166</b>	<b>54</b>	<b>110</b>	<b>90</b>
Loan losses, net	-3	-6	-10	-17	-6
<b>Operating profit</b>	<b>147</b>	<b>160</b>	<b>44</b>	<b>93</b>	<b>84</b>

<sup>1</sup> Recalculated as a result of reclassification, see Note 1, Accounting policies.

# Income statement

SEK million	Note	2014 Q2	2013 Q2	2014 Jan.-June	2013 Jan.-June	2013 Full year
Interest income	3	823	644	1,597	1,285	2,710
Interest expense	3	-469	-371	-909	-744	-1,592
Dividends received		0	0	0	0	0
Fee and commission income <sup>1</sup>	4	112	95	224	210	445
Fee and commission expense <sup>1</sup>	4	-55	-38	-108	-94	-193
Net financial income <sup>1</sup>	5	30	17	35	20	29
Other operating income		12	14	27	32	64
<b>Total operating income</b>		<b>453</b>	<b>361</b>	<b>866</b>	<b>709</b>	<b>1,463</b>
General administrative expenses						
Staff costs		-101	-89	-191	-176	-366
Other administrative expenses <sup>1</sup>		-178	-165	-314	-325	-687
Depreciation, amortisation and impairment of tangible and intangible assets		-1	0	-1	-1	-3
Other operating expenses		-23	-17	-44	-32	-68
<b>Total expenses before loan losses</b>		<b>-303</b>	<b>-271</b>	<b>-550</b>	<b>-534</b>	<b>-1,124</b>
<b>Profit before loan losses</b>		<b>150</b>	<b>90</b>	<b>316</b>	<b>175</b>	<b>339</b>
Loan losses, net	6	-3	-6	-9	-14	-41
<b>Operating profit</b>		<b>147</b>	<b>84</b>	<b>307</b>	<b>161</b>	<b>298</b>
Appropriations, group contributions		—	—	—	—	147
<b>Profit before tax</b>		<b>147</b>	<b>84</b>	<b>307</b>	<b>161</b>	<b>445</b>
Tax on profit for the period		-43	-24	-85	-45	-118
<b>Net profit for the period</b>		<b>104</b>	<b>60</b>	<b>222</b>	<b>116</b>	<b>327</b>

<sup>1</sup> Recalculated as a result of reclassification, see Note 1, Accounting policies.

# Statement of comprehensive income

SEK million	2014 Q2	2013 Q2	2014 Jan.-June	2013 Jan.-June	2013 Full year
<b>Net profit for the period</b>	<b>104</b>	<b>60</b>	<b>222</b>	<b>116</b>	<b>327</b>
<b>Other comprehensive income</b>					
<b>Items that cannot be reclassified to profit for the period</b>					
Revaluation of defined benefit pensions <sup>1</sup>	—	—	—	—	6
Taxes attributable to revaluation of defined benefit pensions <sup>1</sup>	—	—	—	—	3
<b>Items that have been reclassified or can be reclassified to profit for the period</b>					
Available-for-sale financial assets	-24	-5	-16	-21	-27
Tax attributable to available-for-sale financial assets	6	2	4	6	7
Hedge of net investment	0	0	0	0	0
Translation difference <sup>2</sup>	8	-13	43	-72	-132
Tax attributable to translation difference	-2	—	-10	—	29
<b>Total other comprehensive income after tax</b>	<b>-12</b>	<b>-16</b>	<b>21</b>	<b>-87</b>	<b>-114</b>
<b>Comprehensive income for the period after tax</b>	<b>92</b>	<b>44</b>	<b>243</b>	<b>29</b>	<b>213</b>

<sup>1</sup> Pertains to locally reported Norwegian pension plans.

<sup>2</sup> Pertains to exchange rate differences that arise from translation of the Norwegian operation's financial statements to the company's reporting currency.

# Balance sheet

SEK million

Assets	Note	30/6/2014	31/12/2013	30/6/2013
Cash and cash balances with central banks		606	544	629
Eligible treasury bills, etc.		7,781	6,207	6,346
Lending to credit institutions		3,801	1,384	3,126
Lending to the general public	7	85,459	77,894	64,901
Fair value of portfolio hedge of interest rate risk		150	71	42
Bonds and other fixed-income securities		13,007	11,559	12,267
Shares and participations, etc.		11	64	56
Intangible non-current assets		203	95	19
Property, plant and equipment		4	5	5
Current tax assets		—	24	20
Deferred tax assets		21	17	11
Other assets		646	574	361
Prepaid expenses and accrued income		199	159	157
<b>Total assets</b>		<b>111,888</b>	<b>98,597</b>	<b>87,940</b>

SEK million

Liabilities and provisions	Note	30/6/2014	31/12/2013	30/6/2013
Due to credit institutions		105	68	185
Deposits and borrowing from the general public		82,037	75,677	78,978
Issued securities, etc.	8	22,966	16,864	3,355
Current tax liabilities		89	85	68
Other liabilities		809	593	512
Accrued expenses and deferred income		379	307	315
Provisions for pensions		57	56	64
Subordinated liabilities		900	900	1,200
<b>Total liabilities and provisions</b>		<b>107,342</b>	<b>94,550</b>	<b>84,677</b>
Share capital		400	400	400
Other reserves				
- Statutory reserve		81	81	81
- Total fair value reserve		-37	-68	-3
Retained earnings		3,880	3,307	2,669
Profit for the period		222	327	116
<b>Total equity</b>		<b>4,546</b>	<b>4,047</b>	<b>3,263</b>
<b>Total liabilities, provisions and equity</b>		<b>111,888</b>	<b>98,597</b>	<b>87,940</b>

# Statement of changes in equity

SEK million	Restricted equity		Unrestricted equity					Total equity
	Share capital	Statutory reserve	Total fair value reserve <sup>1</sup>		Total	Defined benefit pension plans <sup>2</sup>	Retained earnings	
			Fair value reserve	Translation reserve				
<b>Opening equity 2013</b>	<b>400</b>	<b>81</b>	<b>65</b>	<b>19</b>	<b>84</b>	<b>-1</b>	<b>2,670</b>	<b>3,234</b>
Profit for the period	—	—	—	—	—	—	116	116
Other comprehensive income for the period	—	—	-15	-72	-87	—	—	-87
<b>Comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>-15</b>	<b>-72</b>	<b>-87</b>	<b>—</b>	<b>116</b>	<b>29</b>
<b>Closing equity, 30 June 2013</b>	<b>400</b>	<b>81</b>	<b>50</b>	<b>-53</b>	<b>-3</b>	<b>-1</b>	<b>2,786</b>	<b>3,263</b>
<b>Opening equity 2013</b>	<b>400</b>	<b>81</b>	<b>65</b>	<b>19</b>	<b>84</b>	<b>-1</b>	<b>2,670</b>	<b>3,234</b>
Profit for the year	—	—	—	—	—	—	327	327
Other comprehensive income for the year	—	—	-20	-132	-152	9	29	-114
<b>Comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>-20</b>	<b>-132</b>	<b>-152</b>	<b>9</b>	<b>356</b>	<b>213</b>
Shareholder contribution received	—	—	—	—	—	—	600	600
<b>Closing equity, 31 December 2013</b>	<b>400</b>	<b>81</b>	<b>45</b>	<b>-113</b>	<b>-68</b>	<b>8</b>	<b>3,626</b>	<b>4,047</b>
<b>Opening equity 2014</b>	<b>400</b>	<b>81</b>	<b>45</b>	<b>-113</b>	<b>-68</b>	<b>8</b>	<b>3,626</b>	<b>4,047</b>
Profit for the period	—	—	—	—	—	—	222	222
Other comprehensive income for the period	—	—	-12	43	31	—	-10	21
<b>Comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>-12</b>	<b>43</b>	<b>31</b>	<b>0</b>	<b>212</b>	<b>243</b>
Shareholder contribution received	—	—	—	—	—	—	256	256
<b>Closing equity, 30 June 2014</b>	<b>400</b>	<b>81</b>	<b>33</b>	<b>-70</b>	<b>-37</b>	<b>8</b>	<b>4,094</b>	<b>4,546</b>

<sup>1</sup> The total fair value reserve includes unrealised gains/losses attributable to available-for-sale financial assets, hedge of net investment and translation difference.

<sup>2</sup> Pertains to locally reported Norwegian pension plans.

# Cash flow statement

SEK million	2014	2013	2013
	Jan.-June	Jan.-June	Full year
Cash flow from operating activities	2,269	2,690	783
Cash flow from investing activities	-108	-19	-98
Cash flow from financing activities <sup>1, 2</sup>	246	23	269
<b>Cash flow for the period</b>	<b>2,407</b>	<b>2,694</b>	<b>954</b>
Cash and cash equivalents at start of period	1,860	979	979
Exchange rate differences in cash and cash equivalents	35	-103	-73
Cash flow for the period	2,407	2,694	954
<b>Cash and cash equivalents at end of period</b>	<b>4,302</b>	<b>3,570</b>	<b>1,860</b>

<sup>1</sup> No dividend was paid to the parent company Försäkringsaktiebolaget Skandia (publ) in 2014 or 2013.

<sup>2</sup> Group contributions rendered and received are classified as financing activities.

Cash and cash equivalents are defined as cash, clearing and settlement claims and liabilities, account balances in other banks and overnight loans with original terms of less than three days.

# Notes

All amounts in **SEK million**, unless indicated otherwise.

## Note 1 Accounting policies

The interim report for Skandiabanken Aktiebolag (publ) ("Skandiabanken" or "the Bank") pertains to the period 1 January–30 June 2014. Skandiabanken is domiciled in Stockholm, Sweden, with registered number 516401-9738.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The financial statements have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Investment Firms (1995:1559) and the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports of credit institutions and investment firms (FFFS 2008:25). Skandiabanken also applies recommendation RFR 2 issued by the Swedish Financial Reporting Board, "Accounting for Legal Entities". In accordance with these instructions, generation guidelines and recommendations, Skandiabanken applies so-called legally limited IFRS. This means that all International Financial Reporting Standards (IFRSs) endorsed by the EU as well as accompanying interpretations issued by the IFRS Interpretations Committee (IFRIC) are applied as far as possible within the framework of Swedish legislation and taking into account the connection between reporting and taxation.

The same accounting policies and calculation methods have been applied in the interim report as those described in the 2013 Annual Report, Note 1, with the following additions regarding changed accounting policies in 2014.

### Fee and commission income and expenses

Reporting of fee and commission income and expenses was partly reclassified during the first half of 2014. The aim is to provide a more accurate view of Net fee and commission income. Income from payment intermediation fees and expenses pertaining to securities, card and payment intermediation fees that were previously reported under Net financial items and Administrative expenses, respectively, have been reclassified to Net fee and commission income and Net fee and commission expenses, respectively.

### Financial effects pertaining to comparison figures for 2013

Reclassification to:	2013			2013		
	Jan.-June	Jan.-June	Jan.-June	Full year	Full year	Full year
	Before reclassification	Reclassification	After reclassification	Before reclassification	Reclassification	After reclassification
<b>Net fee and commission income</b>						
Payment intermediation fees	130	15	145	280	30	310
Commissions on lending	0	—	0	1	—	1
Commissions on deposits	0	—	0	1	—	1
Commissions on securities	64	—	64	131	—	131
Other commissions	1	—	1	2	—	2
<b>Total fee and commission income</b>	<b>195</b>	<b>15</b>	<b>210</b>	<b>415</b>	<b>30</b>	<b>445</b>
<b>Net fee and commission expenses</b>						
Payment intermediation fees	-22	-42	-64	-52	-80	-132
Commissions on securities	-7	-11	-18	-16	-20	-36
Other commissions	-6	-6	-12	-14	-11	-25
<b>Total fee and commission expenses</b>	<b>-35</b>	<b>-59</b>	<b>-94</b>	<b>-82</b>	<b>-111</b>	<b>-193</b>
<b>Net fee and commission income</b>	<b>160</b>	<b>-44</b>	<b>116</b>	<b>333</b>	<b>-81</b>	<b>252</b>
<b>Reclassification from:</b>						
<b>Net financial income</b>						
Exchange rate movements	16	-15	1	28	-30	-2
<b>General administrative expenses</b>						
Other administrative expenses	-384	59	-325	-798	111	-687



## Note 2 Reporting of operating segments

	Sweden Banking		Norway Banking		Eliminations and recalculations Banking		Total Banking	
	2014 Jan.-June	2013 Jan.-June	2014 Jan.-June	2013 Jan.-June	2014 Jan.-June	2013 Jan.-June	2014 Jan.-June	2013 Jan.-June
<b>SEK million</b>								
<b>Income statements</b>								
Net interest income	240	255	448	286	—	—	688	541
Net fee and commission income <sup>1</sup>	42	39	74	77	—	—	116	116
Net financial items <sup>1</sup>	11	3	24	17	—	—	35	20
Other operating income	34	42	0	—	-7	-10	27	32
<b>Total operating income</b>	<b>327</b>	<b>339</b>	<b>546</b>	<b>380</b>	<b>-7</b>	<b>-10</b>	<b>866</b>	<b>709</b>
Staff costs	-102	-100	-89	-76	—	—	-191	-176
Other administrative expenses <sup>1</sup>	-193	-205	-128	-130	7	10	-314	-325
Depreciation of tangible assets <sup>2</sup>	0	0	-1	-1	—	—	-1	-1
Amortisation of intangible assets	-25	-19	-19	-13	—	—	-44	-32
<b>Other operating expenses</b>	<b>-320</b>	<b>-324</b>	<b>-237</b>	<b>-220</b>	<b>7</b>	<b>10</b>	<b>-550</b>	<b>-534</b>
Loan losses, net <sup>3</sup>	5	-3	-14	-11	—	—	-9	-14
<b>Operating profit</b>	<b>12</b>	<b>12</b>	<b>295</b>	<b>149</b>	<b>—</b>	<b>—</b>	<b>307</b>	<b>161</b>
<b>Profit before tax</b>	<b>12</b>	<b>12</b>	<b>295</b>	<b>149</b>	<b>—</b>	<b>—</b>	<b>307</b>	<b>161</b>
Tax on profit for the period	-5	-3	-80	-42	—	—	-85	-45
<b>Net profit for the period</b>	<b>7</b>	<b>9</b>	<b>215</b>	<b>107</b>	<b>—</b>	<b>—</b>	<b>222</b>	<b>116</b>
External income	299	341	543	406	—	—	842	747
Internal income <sup>4</sup>	21	18	3	3	—	—	24	21
Internal expenses <sup>4</sup>	-3	-5	-21	-16	—	—	-24	-21
<b>COMPREHENSIVE INCOME</b>								
<b>Net profit for period</b>	<b>7</b>	<b>9</b>	<b>215</b>	<b>107</b>	<b>—</b>	<b>—</b>	<b>222</b>	<b>116</b>
<b>Other comprehensive income</b>								
<b>Items that have been or can be reclassified to profit for the period</b>								
Change in value of available-for-sale financial assets	-5	-3	-11	-18	—	—	-16	-21
Tax attributable to change in value of available-for-sale financial assets	1	1	3	5	—	—	4	6
Hedge of net investment	0	0	—	—	—	—	0	0
Translation difference	—	—	—	—	43	-72	43	-72
Tax attributable to translation difference	—	—	—	—	-10	—	-10	—
<b>Total other comprehensive income after tax</b>	<b>-4</b>	<b>-2</b>	<b>-8</b>	<b>-13</b>	<b>33</b>	<b>-72</b>	<b>21</b>	<b>-87</b>
<b>Comprehensive income for the period after tax</b>	<b>3</b>	<b>7</b>	<b>207</b>	<b>94</b>	<b>33</b>	<b>-72</b>	<b>243</b>	<b>29</b>

## Footnotes to segment reporting table

<sup>1</sup> Recalculated as a result of reclassification, see Note 1, Accounting policies.

<sup>2</sup> No impairment is recognised for tangible assets.

<sup>3</sup> Negative loan losses in Sweden in 2014 as a result of the sale of written-off credits.

<sup>4</sup> Internal income and expenses are included on the lines "Operating income", "Staff costs" and "Other administrative expenses".

Cont. Note 2, Reporting of operating segments

SEK billion	Sweden Banking			Norway Banking			Eliminations and recalculations Banking			Total Banking		
	2014 30 June	2013 31 Dec.	2013 30 June	2014 30 June	2013 31 Dec.	2013 30 June	2014 30 June	2013 31 Dec.	2013 30 June	2014 30 June	2013 31 Dec.	2013 30 June
<b>Balance sheets</b>												
<b>Assets</b>												
Lending to the general public	34.2	31.9	29.0	51.3	46.0	35.9	—	—	—	85.5	77.9	64.9
Other assets	13.5	15.3	12.2	13.4	8.4	11.3	-0.5	-3.0	-0.5	26.4	20.7	23.0
<b>Total assets</b>	<b>47.7</b>	<b>47.2</b>	<b>41.2</b>	<b>64.7</b>	<b>54.4</b>	<b>47.2</b>	<b>-0.5</b>	<b>-3.0</b>	<b>-0.5</b>	<b>111.9</b>	<b>98.6</b>	<b>87.9</b>
<b>Liabilities</b>												
Deposits and borrowing from the general public	35.6	35.7	35.9	46.4	40.0	43.1	—	—	—	82.0	75.7	79.0
Issued securities	8.1	7.7	1.7	14.9	9.2	1.7	—	—	—	23.0	16.9	3.4
Other liabilities	1.8	1.5	1.9	1.0	3.5	0.9	-0.5	-3.0	-0.5	2.3	2.0	2.3
<b>Total liabilities</b>	<b>45.5</b>	<b>44.9</b>	<b>39.5</b>	<b>62.3</b>	<b>52.7</b>	<b>45.7</b>	<b>-0.5</b>	<b>-3.0</b>	<b>-0.5</b>	<b>107.3</b>	<b>94.6</b>	<b>84.7</b>
<b>Equity</b>	<b>2.2</b>	<b>2.3</b>	<b>1.7</b>	<b>2.4</b>	<b>1.7</b>	<b>1.5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4.6</b>	<b>4.0</b>	<b>3.2</b>
<b>Total liabilities and equity</b>	<b>47.7</b>	<b>47.2</b>	<b>41.2</b>	<b>64.7</b>	<b>54.4</b>	<b>47.2</b>	<b>-0.5</b>	<b>-3.0</b>	<b>-0.5</b>	<b>111.9</b>	<b>98.6</b>	<b>87.9</b>
<b>Key ratios</b>												
Investment margin % <sup>1</sup>	1.03	1.17	1.26	1.47	1.36	1.34	—	—	—	1.27	1.26	1.33
C/I ratio after loan losses <sup>2, 5</sup>	0.98	1.00	0.96	0.35	0.58	0.58	1.0	1.0	1.0	0.63	0.77	0.75
Loan loss ratio, % <sup>3, 4</sup>	-0.03	0.03	0.02	0.06	0.11	0.07	—	—	—	0.03	0.07	0.05
Number of customers, thousands	451	450	447	380	374	367	—	—	—	831	824	814
Average number of employees	287	277	276	198	180	177	—	—	—	485	457	453

#### Footnotes to segment reporting table

<sup>1</sup> Net interest income as % of average volume (balance sheet total).

<sup>2</sup> Expenses excl. loan losses in relation to operating income.

<sup>3</sup> Loan losses as % of opening balance of lending to the general public.

<sup>4</sup> Negative loan losses in Sweden in 2014 as a result of the sale of credits.

<sup>5</sup> Recalculated as a result of reclassification, see Note 1, Accounting policies.

**Note 3 Net interest income**

	2014	2013		2014	2013		2013
	Q2	Q2	%	Jan.-June	Jan.-June	%	Full year
Lending to credit institutions	8	6	33%	18	11	64%	24
Lending to the general public	739	551	34%	1,430	1,077	33%	2,327
Fixed-income securities	79	87	-9%	155	197	-21%	351
Other	0	0	—	0	0	—	0
<b>Total interest income<sup>1</sup></b>	<b>826</b>	<b>644</b>	<b>28%</b>	<b>1,603</b>	<b>1,285</b>	<b>25%</b>	<b>2,702</b>
Due to credit institutions	-5	-2	150%	-12	-3	300%	-2
Deposits and borrowing from the general public	-352	-348	1%	-690	-699	-1%	-1,417
Issued securities	-108	-10	980%	-198	-19	942%	-122
Subordinated liabilities	-5	-7	-29%	-10	-15	-33%	-28
Other	-2	-4	-50%	-5	-8	-38%	-15
<b>Total interest expenses<sup>1</sup></b>	<b>-472</b>	<b>-371</b>	<b>27%</b>	<b>-915</b>	<b>-744</b>	<b>23%</b>	<b>-1,584</b>
<b>Net interest income<sup>1</sup></b>	<b>354</b>	<b>273</b>	<b>30%</b>	<b>688</b>	<b>541</b>	<b>27%</b>	<b>1,118</b>

<sup>1</sup>The deviation in the sum of interest income and interest expense compared with the income statement pertains to interest expenses attributable to hedge instruments, which in the note are transferred to interest income to provide a more accurate picture.

**Note 4 Net fee and commission income**

	2014	2013		2014	2013		2013
	Q2	Q2	%	Jan.-June	Jan.-June	%	Full year
Payment intermediation fees <sup>1</sup>	75	63	19%	148	145	2%	310
Commissions on lending	1	0	—	1	0	—	1
Commissions on deposits	0	0	—	0	0	—	1
Commissions on securities	36	32	13%	74	64	16%	131
Other commissions	0	0	—	1	1	0%	2
<b>Total fee and commission income</b>	<b>112</b>	<b>95</b>	<b>18%</b>	<b>224</b>	<b>210</b>	<b>7%</b>	<b>445</b>
Payment intermediation fees <sup>1</sup>	-36	-24	50%	-71	-64	11%	-132
Commissions on securities <sup>1</sup>	-8	-8	0%	-19	-18	6%	-36
Other commissions <sup>1</sup>	-11	-6	84%	-18	-12	50%	-25
<b>Total fee and commission expenses</b>	<b>-55</b>	<b>-38</b>	<b>45%</b>	<b>-108</b>	<b>-94</b>	<b>15%</b>	<b>-193</b>
<b>Net fee and commission income</b>	<b>57</b>	<b>57</b>	<b>0%</b>	<b>116</b>	<b>116</b>	<b>0%</b>	<b>252</b>

<sup>1</sup> Recalculated as a result of reclassification, see Note 1, Accounting policies.

**Note 5 Net financial income**

	2014	2013		2014	2013		2013
	Q2	Q2	%	Jan.-June	Jan.-June	%	Full year
<b>Financial assets at fair value classified as held for trading</b>	<b>30</b>	<b>-1</b>	<b>—</b>	<b>30</b>	<b>-1</b>	<b>—</b>	<b>0</b>
- Shares and participations, and other equity instruments	30	0	—	30	0	—	0
- Interest-bearing derivatives, change in value	0	-1	-100%	0	-1	-100%	0
<b>Available-for-sale financial assets</b>	<b>5</b>	<b>16</b>	<b>-69%</b>	<b>5</b>	<b>20</b>	<b>-75%</b>	<b>31</b>
- Fixed-income securities, change in value	5	16	-69%	5	20	-75%	31
<b>Hedge accounting<sup>1</sup></b>	<b>-6</b>	<b>1</b>	<b>-700%</b>	<b>-1</b>	<b>0</b>	<b>—</b>	<b>0</b>
- Change in value of hedged item	38	-44	-186%	78	-90	-187%	-61
- Change in value of hedge instrument	-44	45	-198%	-79	90	-188%	61
<b>Exchange rate movements<sup>2</sup></b>	<b>1</b>	<b>1</b>	<b>0%</b>	<b>1</b>	<b>1</b>	<b>0%</b>	<b>-2</b>
<b>Total</b>	<b>30</b>	<b>17</b>	<b>76%</b>	<b>35</b>	<b>20</b>	<b>75%</b>	<b>29</b>

<sup>1</sup> Pertains to the outcome of hedge accounting of fair value of portfolio hedge of interest rate risk.

<sup>2</sup> Recalculated as a result of reclassification, see Note 1, Accounting policies.

**Note 6 Loan losses, net**

	2014	2013		2014	2013		2013
	Q2	Q2	%	Jan.-June	Jan.-June	%	Full year
<b>Specific provision for individually assessed loan receivables</b>							
The period's write-off of confirmed loan losses	-1	-2	-50%	-4	-6	-33%	-10
Reversal of provisions for probable loan losses in previous years that are reported as confirmed loan losses in the period's accounts	1	2	-50%	5	7	-29%	11
The period's provision for probable loan losses	-3	-2	50%	-9	-8	13%	-15
Paid in from confirmed loan losses in previous years	7	0	—	8	0	—	0
Reversal of provisions for probable loan losses which are no longer necessary	0	4	-100%	1	6	-83%	10
<b>Net expense for the period for individually assessed loan receivables</b>	<b>4</b>	<b>2</b>	<b>100%</b>	<b>1</b>	<b>-1</b>	<b>-200%</b>	<b>-4</b>
<b>Portfolio provisions for loans individually assessed as not being impaired</b>							
The period's change in provision for individually assessed loan receivables	1	0	—	1	0	—	-5
The period's change in provision for collectively assessed homogenous groups of loan receivables	-2	0	—	-2	0	—	0
<b>The period's change in portfolio provisions for loans individually assessed as not being impaired</b>	<b>-1</b>	<b>0</b>	<b>—</b>	<b>-1</b>	<b>0</b>	<b>—</b>	<b>-5</b>
<b>Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk</b>							
The period's write-off of confirmed loan losses	-9	-9	0%	-15	-16	-6%	-28
Paid in from confirmed loan losses in previous years	6	2	200%	12	6	100%	8
Provision/reversal for collectively assessed homogenous groups of loan receivables	-3	-1	200%	-6	-3	100%	-12
<b>Net expense for the period for collectively assessed homogeneous groups of loan receivables</b>	<b>-6</b>	<b>-8</b>	<b>-25%</b>	<b>-9</b>	<b>-13</b>	<b>-31%</b>	<b>-32</b>
<b>Net loan losses for the period</b>	<b>-3</b>	<b>-6</b>	<b>-50%</b>	<b>-9</b>	<b>-14</b>	<b>-36%</b>	<b>-41</b>

**Note 7 Lending to the general public**

	30/6/2014	31/12/2013	30/6/2013
Amortised cost	85,562	77,986	64,985
Provision for impaired loans	-103	-92	-84
<b>Total lending to the general public</b>	<b>85,459</b>	<b>77,894</b>	<b>64,901</b>
<b>Loan receivables broken down by geographic region</b>			
<b>Loan receivables at amortised cost (before provision for loan losses)</b>			
Sweden	34,184	31,929	28,995
Norway	51,378	46,057	35,990
<b>Specific provisions for individually assessed loan receivables</b>			
Sweden	4	6	8
Norway	16	11	10
<b>Collective provisions for individually assessed loan receivables</b>			
Sweden	1	1	0
Norway	7	6	2
<b>Provisions for collectively assessed homogenous groups of loan receivables</b>			
Sweden	4	5	5
Norway	71	63	59
<b>Total provisions</b>	<b>103</b>	<b>92</b>	<b>84</b>
Sweden	9	12	13
Norway	94	80	71
<b>Loan receivables at amortised cost (after provisions for loan losses)</b>			
Sweden	34,175	31,917	28,982
Norway	51,284	45,977	35,919
<b>Impaired loans broken down by geographic region (after provisions for probable loan losses)</b>			
Sweden	14	17	17
Norway	29	30	42

**Note 8 Issued securities, etc.**

	30/6/2014	31/12/2013	30/6/2013
Commercial paper	2,826	4,568	697
Bond issues	4,113	3,729	2,658
Covered bonds	16,027	8,567	—
<b>Total issued securities</b>	<b>22,966</b>	<b>16,864</b>	<b>3,355</b>
Remaining maturity max. 1 year			
	5,665	5,279	2,855
Remaining maturity longer than 1 year			
	17,301	11,585	500
Skandiabanken issues and repurchases own-issued debt instruments as part of the funding of its operations.			
Following is an account of such activities during the period:			
Issued during the period			
	10,085	19,034	2,037
Repurchased			
	331	152	—
Matured			
	3,926	3,784	982

## Note 9 Disclosures of derivative instruments

### Breakdown of derivative instruments by type of hedge relationship

	30/6/2014			31/12/2013			30/6/2013		
	Assets at fair value	Liabilities at fair value	Nominal amount	Assets at fair value	Liabilities at fair value	Nominal amount	Assets at fair value	Liabilities at fair value	Nominal amount
<b>Derivative instruments held for trading</b>									
<b>Foreign exchange derivatives</b>									
Swaps	0	0	6	0	0	19	0	0	15
Forward agreements	0	0	0	0	0	3	0	0	17
<b>Derivative instruments held for fair value hedges</b>									
<b>Interest rate derivatives</b>									
Swaps	0	151	10,585	8	79	12,305	23	66	11,265
<b>Derivative instruments for hedges of net investments in foreign operations</b>									
<b>Foreign exchange derivatives</b>									
Swaps	22	0	1,156	66	0	3,365	12	0	659
<b>Total derivative instruments broken down by assets and liabilities</b>									
Interest rate derivatives	0	151	10,585	8	79	12,305	23	66	11,265
Foreign exchange derivatives	22	0	1,162	66	0	3,387	12	0	691
<b>Total</b>	<b>22</b>	<b>151</b>	<b>11,747</b>	<b>74</b>	<b>79</b>	<b>15,692</b>	<b>35</b>	<b>66</b>	<b>11,956</b>

## Note 10 Financial assets and liabilities that are offset or subject to netting agreements

	Financial assets and liabilities that are offset or subject to netting agreements							
	Gross amount	Offset	Net amount on balance sheet	Related agreements		Net amount	Assets and liabilities that are not subject to netting agreements	Total on balance sheet
Master netting agreement				Collateral received/pledged				
<b>30/6/2014</b>								
Derivatives	22	—	22	-22	—	0	—	22
<b>Assets</b>	<b>22</b>	<b>—</b>	<b>22</b>	<b>-22</b>	<b>—</b>	<b>0</b>	<b>—</b>	<b>22</b>
Derivatives	151	—	151	-22	-66	63	—	151
<b>Liabilities</b>	<b>151</b>	<b>—</b>	<b>151</b>	<b>-22</b>	<b>-66</b>	<b>63</b>	<b>—</b>	<b>151</b>
<b>31/12/2013</b>								
Derivatives	1	—	1	-1	—	0	73	74
<b>Assets</b>	<b>1</b>	<b>—</b>	<b>1</b>	<b>-1</b>	<b>—</b>	<b>0</b>	<b>73</b>	<b>74</b>
Derivatives	17	—	17	-1	-16	0	62	79
<b>Liabilities</b>	<b>17</b>	<b>—</b>	<b>17</b>	<b>-1</b>	<b>-16</b>	<b>0</b>	<b>62</b>	<b>79</b>
<b>30/6/2013</b>								
Derivatives	2	—	2	—	—	2	33	35
<b>Assets</b>	<b>2</b>	<b>—</b>	<b>2</b>	<b>—</b>	<b>—</b>	<b>2</b>	<b>33</b>	<b>35</b>
Derivatives	—	—	—	—	—	—	66	66
<b>Liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>66</b>	<b>66</b>

The table shows reported financial assets and liabilities that are presented net on the balance sheet or that have potential rights associated with legally binding master netting agreements or similar agreements, such as ISDA agreements, along with related collateral. The net amount shows the exposure under normal business conditions both in the event of a suspension of payments or insolvency. Financial assets and liabilities are reported net on the balance sheet when Skandiabanken has a legal right to report transactions net, under normal business conditions and in the event of an insolvency, and there is an intention to make a net payment or realise the asset and make payment for the liability at the same time. Financial assets and liabilities that are subject to legally binding master netting agreements or similar agreements that are not presented net on the balance sheet are arrangements that ordinarily come into force in the event of an insolvency or suspension of payments, but not under normal business conditions or arrangements in which Skandiabanken does not have the divest the instruments simultaneously.

**Note 11 Related party disclosures**

Disclosures regarding related parties pertain to dealings and transactions with Livförsäkringsbolaget Skandia, ömsesidigt, Försäkringsaktiebolaget Skandia (publ) and other sister companies within the Skandia group. All transactions are carried out at market terms. Related parties to the group also include board members and senior executives of Skandiabanken, the Skandia group, and external companies in which senior executives have control.

**Related party transactions**

Customary business transactions were carried out during the period between group companies in Skandia as a part of the outsourced operations.

Lending, deposits and borrowing are priced at specific interest rates with a going-rate interest rate mark-up. In 2014 Skandiabanken received a capital contribution of SEK 256 million from the parent company Försäkringsaktiebolaget Skandia (publ). Subordinated loans amount to SEK 900 million and pertain to loans from Livförsäkringsbolaget Skandia, ömsesidigt. In January 2014, the previous subordinated loan from Försäkringsaktiebolaget Skandia (publ) was settled in cash and replaced with the new loan with the same terms.

Net interest income includes interest income from the interest rate compensation that arises when Skandiabanken provides favourable borrowing terms to employees of the Skandia group. It also includes interest on the subordinated loans.

Other income also includes, among other things, fees for administration and compensation for services performed for other companies in the Skandia group. Costs for IT and premises, among other things, pertain to outsourced operations and are reported as Administrative expenses in the income statement.

**Note 12 Pledged assets, contingent liabilities and other commitments**

	30/6/2014	31/12/2013	30/6/2013
Assets pledged for own liabilities – mortgage loans	22,301	20,377	—
Other pledged assets	5,981	5,385	4,415
Commitments	27,988	22,892	29,934



### Note 13 Measurement of financial assets and liabilities at fair value

	30/6/2014			31/12/2013			30/6/2013		
	Instruments with published price quotations in an active market	Valuation techniques based on observable market data	Total	Instruments with published price quotations in an active market	Valuation techniques based on observable market data	Total	Instruments with published price quotations in an active market	Valuation techniques based on observable market data	Total
Assets	Level 1	Level 2	Total	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial assets at fair value through profit or loss</b>									
<b>Held for trading</b>									
Shares and participations	—	1	1	0	10	10	0	10	10
Derivative instruments	—	22	22	—	74	74	—	35	35
<b>Available-for-sale financial assets</b>									
Eligible treasury bills, etc.	—	7,781	7,781	—	6,207	6,207	—	6,346	6,346
Bonds and other fixed-income securities	3,084	9,922	13,006	2,004	9,555	11,559	—	12,267	12,267
Shares and participations	—	10	10	31	23	54	8	38	46
<b>Total</b>	<b>3,084</b>	<b>17,736</b>	<b>20,820</b>	<b>2,035</b>	<b>15,869</b>	<b>17,904</b>	<b>8</b>	<b>18,696</b>	<b>18,704</b>
<b>Liabilities</b>									
<b>Held for trading</b>									
Other	3	—	3	1	—	1	2	—	2
Derivative instruments	—	151	151	—	79	79	—	66	66
<b>Total</b>	<b>3</b>	<b>151</b>	<b>154</b>	<b>1</b>	<b>79</b>	<b>80</b>	<b>2</b>	<b>66</b>	<b>68</b>

All financial assets and liabilities measured at fair value are classified in a fair value hierarchy that reflects how observable prices or other inputs are included in the valuation techniques that are used. Transfers between levels in the hierarchy may take place when there are indications that the market conditions have changed, such as liquidity. Level 1 pertains to quoted prices that are readily available to numerous parties that provide price information and that represent actual and regularly recurring transactions. These include treasuries and other fixed-income securities that are actively traded. Level 2 pertains to valuation models that are based on observable market quotations. These include fixed-income securities and interest rate and foreign exchange derivatives. The market quotations that are used for valuations in Level 1 and Level 2 include average daily closing buy or sell prices obtained from external sources. As part of the valuation process, a validation is performed of used prices. Should the market undergo a dramatic change – as a whole or with respect to certain assets or issuers – further reviews would be performed to ensure a correct valuation. No reclassifications were made during the period. No assets or liabilities are valued at Level 3.

When measuring financial assets and liabilities at fair value, an assessment is made prior to each quarter if the valuations pertain to quoted prices that represent actual and regularly occurring transactions or not. The securities are thereafter classified in Level 1 or Level 2.

For a description of the various levels, see Note 1, Accounting policies, point 7, Financial instruments – classification and valuation, in the 2013 Annual Report.

**Note 14 Capital adequacy analysis**

Capital adequacy metrics	30/6/2014	31/12/2013	30/6/2013
Total capital ratio <sup>1</sup>	12.9%	13.5%	13.7%
Tier 1 capital ratio	10.6%	10.9%	9.9%
Core Tier 1 capital ratio	10.6%	10.9%	9.9%
Capital adequacy quotient	1.6	1.7	1.7
<b>Capital base</b>			
Equity according to most recent year-end book closing, 31 December	4,047	4,047	3,263
Verified profit for the period	222	—	0
Shareholder contribution	256	—	—
Other comprehensive income <sup>2</sup>	21	—	—
<b>Equity</b>	<b>4,546</b>	<b>4,047</b>	<b>3,263</b>
Less: intangible assets	-203	-95	-19
Less: deferred tax assets	-21	-17	-11
Less: price adjustment	-21	-1	-1
Less: unrealised loss on available-for-sale financial assets	-33	-45	-49
<b>Core Tier 1 capital</b>	<b>4,268</b>	<b>3,889</b>	<b>3,183</b>
Other Tier 1 capital	0	0	0
<b>Tier 1 capital</b>	<b>4,268</b>	<b>3,889</b>	<b>3,183</b>
Perpetual subordinated debt	900	900	900
Dated subordinated debt	—	—	300
Unrealised gains on available-for-sale financial assets, equities	—	26	19
<b>Tier 2 capital</b>	<b>900</b>	<b>926</b>	<b>1,219</b>
<b>Capital base</b>	<b>5,168</b>	<b>4,815</b>	<b>4,402</b>
<b>Risk-weighted exposures/basis for calculating capital requirement</b>			
Credit risk	36,647	32,235	28,356
Currency risk	212	207	104
CVA risk	28	—	—
Operational risk	3,292	3,292	3,642
<b>Total risk-weighted exposures</b>	<b>40,179</b>	<b>35,734</b>	<b>32,102</b>

Capital requirement	30/6/2014	31/12/2013	30/6/2013
Credit risk	2,932	2,579	2,269
Currency risk	17	17	8
CVA risk	2	—	—
Operational risk	263	263	291
<b>Total minimum capital requirement</b>	<b>3,214</b>	<b>2,859</b>	<b>2,568</b>

<sup>1</sup>Total capital ratio corresponds to the capital adequacy concept according to Basel II.

<sup>2</sup>Other comprehensive income is reported separately in Core Tier 1 capital in accordance with EU Regulation No. 575/2013.

**Applied rules and regulations**

The calculation of capital requirements is carried out in accordance with the Capital Adequacy and Large Exposures Act (2006:1371), the Swedish Financial Supervisory Authority's regulations and general guidelines regarding capital adequacy and large exposures (FFFS 2007:1), EU regulation No. 575/2013, and the Swedish Financial Supervisory Authority's regulations regarding prudential requirements for credit institutions and investment firms, which complement the EU regulation. The results are derived from calculations in accordance with the statutory minimum capital requirement, referred to as Pillar I, for credit risk, market risk and operational risk.

Disclosures of periodic information are made in accordance with the Swedish Financial Supervisory Authority's regulations and general guidelines on public disclosure of information concerning capital adequacy and risk management (FFFS 2007:5), with terms and expressions adapted to EU Regulation No. 575/2013. See [www.skandiabanken.se/Om\\_oss/Investor\\_Relations/Information\\_om\\_kapitaltackning\\_och\\_riskhantering/2014/1406](http://www.skandiabanken.se/Om_oss/Investor_Relations/Information_om_kapitaltackning_och_riskhantering/2014/1406) Periodisk information – kapitaltäckning.

Skandiabanken applies the standardised approach in calculating credit risk. This means that when using the standardised approach, 17 exposure classes are used along with a number of different risk weights within each respective class. The capital requirement for currency risks comprises all balance sheet items and off balance sheet items stated at current market value and recalculated to Swedish kronor using the exchange rate in effect on the balance sheet date. Eight per cent of the total net position in foreign currency is estimated to make up the capital requirement for most of the exposures. For closely related currencies, a lower capital requirement of 4% is used for matched positions. The capital requirement for Credit Valuation Adjustment risk (CVA risk) is calculated using the standardised approach. The capital requirement for operational risk is calculated using the basic indicator approach, which entails a capital requirement equal to 15% of average operating income for the three most recent financial years. Skandiabanken has permission from the Swedish Financial Supervisory Authority to calculate capital requirement for the trading account in accordance with the rules applied for credit risk.

In accordance with a decision by the Swedish Financial Supervisory Authority dated 26 May 2014, the Bank has obtained approval to use its half-year profit in its calculation of the capital base, provided that the company's auditors can validate the interim surplus and that deductions for any dividends and foreseeable costs have been made in accordance with EU Regulation No. 575/2013 and that the calculation of these has been performed in accordance with EU Regulation 241/2014. Deloitte AB has performed the review referred to above.

**Note 15 Events after the balance sheet date**

No significant events have taken place after the balance sheet date.

# Signatures

The Board of Directors and CEO certify that the interim report gives a true and fair presentation of the company's operations, position and result of operations, and describes significant risks and uncertainties that the group faces.

Stockholm, 28 July 2014

Niklas Midby  
*Chairman of the Board*

Anne Ask

Johanna Rolin Moreno

Björn Fernström

Ann-Charlotte Stjerna

Anna-Carin Söderblom Agius

Bengt-Åke Fagerman

Marek Rydén

Lars-Göran Orrevall

Peter Rydell

Øyvind Thomassen  
*CEO*

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This interim report has not been reviewed by the company's auditors.

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