Skandiabanken Aktiebolag (publ)
Annual Report 2015

skandia

Contents

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Condensed results for the year

Year in review – Skandiabanken including the Norwegian operation, which was separated on 5 October 2015.

- Operating income in 2015 totalled SEK 1,567 million (1,770).
- Operating profit for 2015 was SEK 97 million (574).
- Loan losses in 2015 totalled SEK -27 million, net (-41).
- On 5 October 2015 the Norwegian operation was transferred to Skandiabanken ASA and its subsidiary, Skandiabanken Boligkreditt AS. Skandiabanken ASA was introduced on the Oslo Stock Exchange on 2 November 2015. At year-end 2015 the company was an associated company of Skandia Mutual.

Year in review – Skandiabanken's Swedish operation. Comparison figures for 2014 include only the Swedish operation.

- Operating income in 2015 totalled SEK 772 million (679).
- Operating profit for 2015 was SEK -292 million (12). Operating profit was charged with an impairment loss of SEK -246 million.
- Loan losses in 2015 totalled SEK -6 million, net (2).
- Lending as per 31 December 2015 amounted to SEK 46,608 million (42,359).
- During 2015 the Swedish operation increased its capital market funding by SEK 5,711 million to SEK 17,336 million (11,626) as per 31 December 2015.
- Total liquidity amounted to SEK 11,075 million (9,363).

Highlights 2015

- During the year, lending volume to the general public in the Swedish operation increased by 15%. Since 2013, when Skandiabanken set the target to double lending volume in five years, volume has increased by 61%.
- In the Swedish Quality Index (SQI), which measures customer satisfaction, Skandiabanken earned a score of 71.7, up 1.9 from the preceding year.
- Managed assets in funds in Sweden increased by 18% during the year, despite weak stock market performance during the second half of the year.

Financial calendar

22 April 2016	*Annual General Meeting*
28 April 2016	*Interim report Jan.–March 2016*
9 August 2016	*Interim report Jan.–June 2016*
27 October 2016	*Interim report Jan.–Sept. 2016*
16 February 2017	*Year-end report 2016*

CEO's message

Two important milestones were passed during 2015. The new bank platform was put in operation in March, and the separation of the Norwegian operation was completed through the Initial Public Offering (IPO) in November.

Through the new bank platform we share technology with other banks, which simplifies service development so that our customers gain a modern and flexible bank that is also cost-effective. Unfortunately, the changeover gave rise to technical challenges associated with card purchases. The stability of the bank platform is extremely important, and we will continue our work on ensuring high operating reliability for our customers.

The investment in the new platform was more costly than estimated due to the project's complexity. As a result, an impairment loss of SEK 246 million recognised during the fourth quarter.

The IPO for the Norwegian bank was carried out after determining that the market conditions were considered to be right. The IPO and separation of the Norwegian bank entails that focus can now be concentrated on the Swedish operation's growth.

Profitability of the Swedish operation remains negative, mainly driven by growing pressure on margins in recent years. The work on increasing volumes in both deposits and lending continues. In addition to this, continued review is being conducted of the operation's cost structure.

The Bank's growth during the fourth quarter remained strong. Above all we saw strong growth in home mortgage volumes, and net interest income grew by approximately SEK 11 million compared with the preceding quarter. However, growth in home mortgage volume for the full year flattened out slightly compared with 2014, although it is still good. In 2013 we set a target to double lending volume in five years' time, and by year-end 2015 we had increased our volume by 61%.

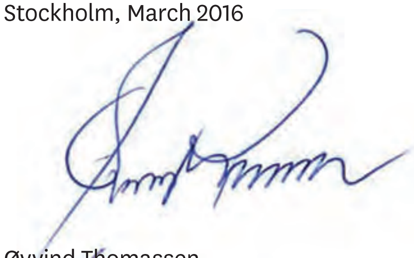
Our price model for home mortgages has worked well, and we will now continue along our beaten path towards a customer-focused operation with simple offerings at an attractive price. We are satisfied to be able to offer our customers a predictable and transparent alternative.

In the Swedish Quality Index (SQI) measurement of customer satisfaction carried out during the year, we earned a score of 71.7 (69.8). We are proud to have achieved this high score, as satisfied customers are critical for our continued growth.

Growth in assets managed in funds, i.e., the inflow to funds, was favourable during the year, and the value increased by SEK 3.4 billion. However, the turbulence in the stock market during the second half of the year resulted in a decrease in the value of our customers' total assets in securities.

As a result of investments in technology and focus on the Swedish market during the year, we are well prepared for the future. I look forward to an exciting year and the challenges ahead.

Stockholm, March 2016



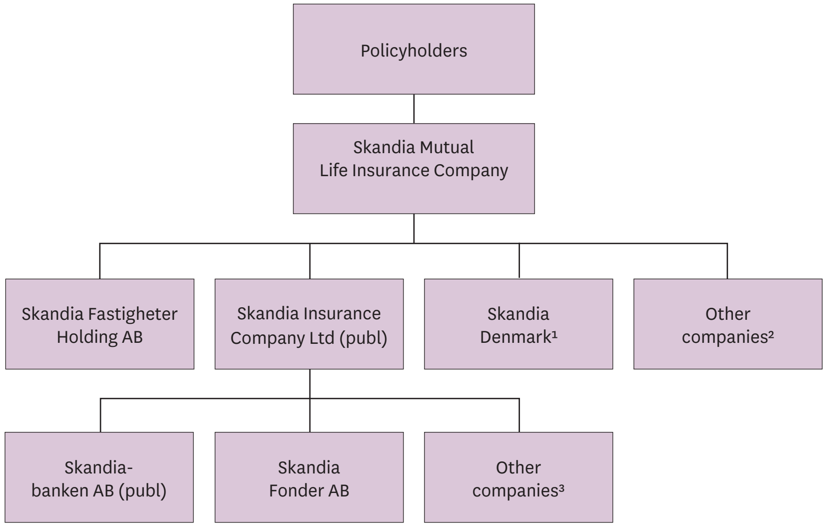
Øyvind Thomassen
Head of Banking, Skandia

Board of Directors' report

Organisation and operations
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 Skandia Insurance Company Ltd (publ), corporate identity number 502017-3083 ("Skandia AB"). Skandia Mutual Life Insurance Company ("Skandia Mutual") is the parent company of the Skandia group.

Skandiabanken conducts business in Sweden. Business was also conducted in Norway until 5 October 2015.

General illustration of the Skandia group



[1] Includes Skandia Asset Management Fondsmaeglerselskab A/S, Skandia A/S and Skandia Link Livsforsikring A/S.
[2] Includes Skandia Försäljning AB, Skandia Investment Management AB, Thule Operations Center I UAB, Thule Operations Center II UAB, Skandikon Administration AB and Skandikon Pensionsadministration AB. In addition, Skandia Mutual Life Insurance Company, together with Skandia Fonder AB, owns the shares in Thule Fund SA, SICAV-SIF.
[3] Other companies owned by Skandia Insurance Company Ltd (publ) pertains to Skandia Capital AB and Skandia Informationsteknologi AB.

Skandiabanken conducts retail banking business 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. Skandiabanken also offers services for equity trading, fund trading and discretionary asset management.

Significant events during the year
New bank platform
During the first quarter a new bank platform was implemented in the Swedish operation to promote growth and efficient processes. In December a partial impairment loss of SEK 246 million was recognised, as it proved difficult from a long-term valuation horizon to justify the carrying amount of this investment on the balance sheet. After the impairment loss and depreciation for the year, the value of this intangible asset is SEK 155 million.

Capital contribution
During the year, an unconditional capital contribution of SEK 1,667 million (981) was received from the parent company Skandia AB to strengthen the capital base.

Separation of the Norwegian banking operation
In January 2015 it was announced that Skandia was planning an Initial Public Offering (IPO) for the Bank's Norwegian operation on the Oslo Stock Exchange. In May the concession (banking licence) was received as a Norwegian bank. Pursuant to a decision at a creditors' meeting in September in Oslo, a borrower's exchange was made from Skandiabanken AB to Skandiabanken ASA on 5 October 2015 for the non-covered bonds. In addition, covered bonds issued by Skandiabanken AB were replaced with covered bonds issued by Skandiabanken Boligkreditt AS, in accordance with Norwegian law.

On 5 October 2015 the operations of Skandiabanken's Norwegian branch were transferred to Skandiabanken ASA and its wholly owned mortgage company, Skandiabanken Boligkreditt AS. The transfer did not affect Skandiabanken's earnings, since the transaction was handled pursuant to civil law as a value transfer to the parent company, Skandia AB, and pursuant to tax law as a partial demerger in accordance with Ch. 38 a. of the Income Tax Act (*Inkomstskattelagen (1999:1229)*). The original Norwegian branch remains under Skandiabanken but is currently being discontinued.

Financial review

Profit for 2015 compared with 2014

Skandiabanken's profit is derived mainly from net interest income, where home mortgages are by far the largest source of revenue. Operating profit before appropriations and tax amounted to SEK 97 million (574) in 2015. This amount includes profit of SEK 284 million from the Norwegian operation for the period 1 January–5 October 2015. The lower result is mainly attributable to the separation of the Norwegian operation and impairment loss of SEK 246 million for the Bank's new bank platform.

Operating profit for the Swedish operation, which amounted to SEK -292 million (12), was affected by higher costs and the impairment loss of SEK 246 million for the new bank platform.

Operating income

SEK million	2015 Full year	2014 Full year	Change, %
Net interest income	1,286	1,418	-9%
Net fee and commission income	233	260	-10%
Net financial income	-14	41	-134%
Other operating income	62	51	22%
Total operating income	**1,567**	**1,770**	**-11%**

Geographical breakdown – profit for the period

SEK million	Sweden 2015 Full year	Norway 2015 Full year	Elimination 2015 Full year	Total 2015 Full year
Net interest income	541	745	—	1,286
Net fee and commission income	100	133	—	233
Net financial income	-3	-13	2	-14
Other operating income	134	0	-72	62
Total operating income	**772**	**865**	**-70**	**1,567**
Staff costs	-240	-150	—	-390
Other administrative expenses	-486	-273	70	-689
Depreciation/amortisation of tangible and intangible assets	-34	-1	—	-35
Impairment of intangible assets	-246	—	—	-246
Other operating expenses	-52	-31	—	-83
Total expenses before loan losses	**-1,058**	**-455**	**70**	**-1,443**
Loan losses	-6	-21	—	-27
Operating profit/loss	**-292**	**389**	**—**	**97**
Appropriations, Group contributions	491	—	—	491
Profit before tax	**199**	**389**	**—**	**588**
Tax on profit for the year	-24	-105	—	-129
Profit for the year	**175**	**284**	**—**	**459**

Geographical breakdown – balance sheet

SEK million Assets	Sweden 31/12/2015	Norway[1] 31/12/2015	Total 31/12/2015
Cash and cash balances with central banks	21	—	21
Eligible treasury bills, etc.	4,524	—	4,524
Lending to credit institutions	315	96	411
Lending to the general public	46,608	—	46,608
Fair value of portfolio hedge of interest rate risk	117	—	117
Bonds and other fixed-income securities	6,253	—	6,253
Shares and participations, etc.	10	—	10
Intangible and tangible assets	161	—	161
Other assets	753	—	753
Total assets	**58,762**	**96**	**58,858**
Liabilities and provisions			
Due to credit institutions	79	—	79
Deposits and borrowing from the general public	35,911	—	35,911
Issued securities, etc.	17,336	—	17,336
Other liabilities	473	96	569
Subordinated liabilities	900	—	900
Total liabilities and provisions	**54,699**	**96**	**54,795**
Total equity	**4,063**	**0**	**4,063**
Total liabilities, provisions and equity	**58,762**	**96**	**58,858**

[1] Pertains to the original branch, which is currently being discontinued. See also note 28.

Net interest income

Skandiabanken's net interest income decreased by SEK 132 million compared with the preceding year, to SEK 1,286 million (1,418). The decrease is attributable to the separation of the Norwegian banking operation as per 5 October. The Norwegian operation had strong volume growth with good margins, which generated a positive development in net interest income.

Lending in the Swedish operation, excluding loans to the Swedish National Debt Office, increased by SEK 6,177 million during the year, to SEK 46,316 million (40,139). Despite this favourable volume growth, net interest income did not grow at the same pace due to narrower margins. In 2016 this volume growth is expected to have a larger positive effect on net interest income. This is because the Bank has entered the new year with higher volume and improved margins in connection with a lower borrowing cost and more stable level of offered home mortgage rates.

The prevailing level of interest rates is having a favourable effect on the Bank's interest expense, despite an increase in deposits from the general public in the Swedish operation by SEK 692 million, to SEK 35,911 million (35,219).

Net fee and commission income

Net fee and commission income – total for both operations – decreased by SEK 27 million to SEK 233 million (260) as a result of the separation.

Despite the noted problems with debit cards, where the Bank decided to compensate all card customers in the form of three fee-free months, net fee and commission income in the Swedish operation increased by SEK 1 million to SEK 100 million (99). The increase is mainly attributable to a larger number of equity trading transactions and greater activity in customers' fund trading.

Net financial income

Net financial income decreased by SEK -55 million during the year to SEK -14 million (41). In the Norwegian operation, repurchases of issued securities had a negative impact on net financial income by SEK 9 million. The repurchases were carried out as part of preparations for the IPO. Realised gains on sales of fixed-income securities and instruments decreased by SEK 14 million compared with 2014. The corresponding item in 2014 pertained mainly to a realised gain of approximately SEK 33 million on the sale shares in VISA.

Other operating income

Other operating income increased by SEK 11 million to SEK 62 million (51). Other operating income consists mainly of services sold to other Skandia companies.

Expenses before loan losses

SEK million	2015 Full year	2014 Full year	Change, %
Staff costs	-390	-407	-4%
Other administrative expenses	-689	-661	4%
Depreciation/amortisation	-35	-2	—
Impairment losses	-246	—	—
Other operating expenses	-83	-85	-2%
Total expenses before loan losses	**-1,443**	**-1,155**	**25%**

Expenses increased compared with the preceding year, to SEK 1,443 million (1,155). The increase was mainly attributable to the impairment loss of SEK 246 million for the Swedish bank platform.

Costs in the Swedish operation amounted to SEK 1,058 million (668). In addition to the impairment loss, amortisation also increased as a result of the start-up of the new bank platform in March.

Staff costs and other administrative expenses

Staff costs for the Bank in total decreased during the year to SEK 390 million (407) as a result of the separation of the Norwegian operation. In the Swedish operation, staff costs increased as a result of a greater number of employees, mainly associated with changes in Skandia, where functions that were previously performed within other group companies were transferred to the Bank.

Administrative expenses increased by SEK 28 million to SEK 689 million (661), which is mainly explained by costs associated with the separation of the Norwegian operation and costs for the new bank platform. In the Swedish operation, administrative expenses amounted to SEK 486 million (399). Because of the licence agreement for the old bank platform, the Bank had double costs from March to September.

Other operating expenses

Other operating expenses decreased by SEK 2 million to SEK 83 million (85) as a result of the separation. Operating expenses in the Swedish operation increased as a result of higher marketing costs.

Loan losses

Loan losses and impaired loans

SEK million	2015 Full year	2014 Full year	Change
Loan losses	-27	-41	14
of which, confirmed loan losses	-22	-35	13
of which, paid in towards confirmed loan losses from previous years	8	22	-14
of which, provisions	-13	-28	15
Loan losses as % of opening balance of lending to the general public	0.03%	0.05%	-0.02
Lending to the general public[1]	46,608	95,558	-48,950
Impaired loans, gross	33	174	-141
Provisions on the balance sheet	12	114	-102
Impaired loans, net	21	60	-39
Impaired loans, net, as % of lending to the general public	0.05%	0.06%	-0.06

[1] Including placement of SEK 292 million (2,220) with the Swedish National Debt Office.

Net loan losses decreased compared with the preceding year, to SEK -27 million (-41). Loan losses have thus remained at continued low levels. Loans losses stem mainly from the Norwegian operation, where unsecured loans account for a greater share of lending to the general public than in Sweden.

Loan losses for the Swedish operation totalled SEK -6 million (2) and have thus returned to more normal levels following the preceding year's positive outcome as a result of the sale of SEK 10 million in impaired loans.

The loan loss ratio, i.e., loan losses in relation to the opening balance of lending to the general public, decreased to 0.03% (0.05%). The change is mainly attributable to the decrease in loan losses in Norway. The loan loss ratio for the Swedish banking operation increased to 0.01% (-0.01%), while the loan loss ratio for the Norwegian banking operation decreased to 0.04% (0.09%).

Impaired loans, net, decreased compared with a year ago to SEK 21 million (60). In the Swedish operation, net impaired loans decreased by SEK 1 million to SEK 21 million (22).

Tax charge for the year

The tax charge for the year was SEK 129 million (162), a decrease of SEK 33 million. The tax charge represents an effective tax rate of 22.0% (28.0%). The deviation in the preceding year from the Swedish tax rate of 22.0% was mainly due to a higher tax rate in Norway.

Comprehensive income

SEK million	2015	2014
Profit for the year	**459**	**417**
Other comprehensive income		
Items that cannot be reclassified to profit or loss for the year		
Revaluation of defined benefit pensions[1]	-1	-6
Tax attributable to revaluation of defined benefit pensions[1]	0	2
Items that have been reclassified or can be reclassified to profit or loss for the year		
Available-for-sale financial assets	-59	-21
Taxes attributable to available-for-sale financial assets	14	5
Hedge of net investment	0	0
Translation difference[2]	-107	-37
Tax attributable to translation difference	24	8
Total other comprehensive income after tax	**-129**	**-49**
Comprehensive income for the year after tax	**330**	**368**

[1] Pertains to locally reported Norwegian pension plans.

[2] Pertains to exchange rate differences that arise upon translation of the Norwegian operation's financial statements to the company's reporting currency.

Comprehensive income after tax amounted to SEK 330 million (368) and consists of profit as per the income statement, totalling SEK 459 million (417), plus income and expenses reported in other comprehensive income, which totalled SEK -129 million (-49).

Other comprehensive income for the year amounted to SEK -129 million (-49). Other comprehensive income pertains mainly to the year's change in translation differences after tax of SEK -83 million (-29), and to unrealised gains of SEK -45 million (-16) after tax. The unrealised gains pertain to holdings of fixed-income securities classified as available-for-sale financial assets. Translation differences pertain to the currency effects that arose upon translation of the Norwegian operation's financial statements to Skandiabanken's reporting currency.

Balance sheet, liquidity and managed assets, 2015 compared with 2014

SEK million	2015 31 Dec.	2014 31 Dec.	Change, %
Balance sheet total	58,858	115,107	-49%
Lending to the general public[1]	46,608	95,558	-51%
of which, Sweden	*46,608*	*42,358*	*10%*
of which, Norway	*—*	*53,200*	*-100%*
Deposits from the general public	35,911	79,518	-55%
of which, Sweden	*35,911*	*35,219*	*2%*
of which, Norway	*—*	*44,299*	*-100%*
External borrowing	17,336	28,007	-38%
of which, Sweden	*17,336*	*11,627*	*49%*
of which, Norway	*—*	*16,380*	*-100%*
Liquidity buffer[2]	9,803	20,212	-51%
Total liquidity[3]	11,075	20,337	-46%
Deposit-to-loan ratio[4]	78%	85%	-9%
Managed assets in funds (NAV)	21,681	23,311	-7%
of which, Sweden	*21,691*	*18,317*	*18%*
of which, Norway	*—*	*4,994*	*-100%*

[1] Including placements of SEK 292 million (2,220) with the Swedish National Debt Office and SEK — million (120) with Skandia Capital AB.

[2] In accordance with the Financial Supervisory Authority's rules for managing liquidity risk (FFFS 2010:7).

[3] 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 classified as available-for-sale financial assets, excluding assets pledged for borrowing from the Central Bank of Sweden.

[4] Excluding placements of SEK 292 million (2,220) with the Swedish National Debt Office.

The balance sheet total decreased to SEK 58,858 million (115,107), as the Norwegian operation is no longer included. Compared with the preceding year, the balance sheet total for the Swedish operation increased from SEK 51,160 million to SEK 58,858 million.

Assets increased as a result of favourable growth in lending to the general public and a higher volume of eligible treasury bills and bonds. The corresponding increase in liabilities and equity is mainly explained by a larger volume of issued securities, an increase in deposits from the general public, and the capital contribution from the parent company.

Lending and deposits

Lending to the general public, excluding loans to the Swedish National Debt Office, amounted to SEK 46,316 million (93,338). In the Swedish operation, volume growth was favourable, rising 15%, or SEK 6,177 million. Home mortgages account for the largest share of lending on the balance sheet, totalling SEK 45,542 million. This growth can be credited primarily to the competitive mortgage rates offered by the Bank. In addition, since 2014 the Bank has a new, transparent price model with clear criteria, which continues to be attractive among customers.

Deposit volumes decreased during the year to SEK 35,911 million (79,518). In Sweden, deposits grew by SEK 692 million compared with a year ago.

Liquidity, funding and credit ratings

Skandiabanken's total liquidity amounted to SEK 11,075 million (20,337), which corresponds to 31% (26%) of total deposits. Total liquidity consists of deposits with central banks, short-term lending to credit institutions and liquid, fixed-income securities that can be converted to cash on short notice. Of total liquidity, SEK 9,803 million (20,212) qualifies as the liquidity buffer in accordance with the Financial Supervisory Authority's rules for managing liquidity risk (FFFS 2010:7). The deposit-to-loan ratio was 78% (85%).

Skandiabanken's capital market funding amounted to SEK 17,336 million (28,007), corresponding to 29% (24%) of the balance sheet total.

In May 2015 the credit rating agency Moody's upgraded Skandiabanken's credit rating from A3/P-2 to A2/P-2, with a negative outlook.

Further information about the liquidity buffer and liquidity management is provided in the yearly report entitled "1512 Annual information about capital adequacy and risk management", see www.skandiabanken.se under Mer om oss, Finansiell information.

Managed assets in funds

Managed assets in funds in the Swedish banking operation increased by SEK 3,364 million to SEK 21,681 million (18,317) at year-end. The net inflow for the year amounted to SEK 2,361 million, and the remaining increase in managed assets in funds was attributable to changes in market value, by SEK 1,003 million. Managed assets in funds were negatively affected during the second half of 2015 by the weaker stock market performance.

Capital base and capital adequacy

	2015 31 Dec.	2014 31 Dec.
Total capital ratio	21.4%	14.2%
Tier 1 capital ratio[1]	16.9%	12.0%
Common Equity Tier 1 capital ratio[1]	16.9%	12.0%
Capital adequacy requirement, SEK million	1,599	3,333
Total risk-weighted exposure, SEK million	19,987	41,667

[1] The Bank's Common Equity 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 Common Equity Tier 1 capital is equal to its Tier 1 capital.

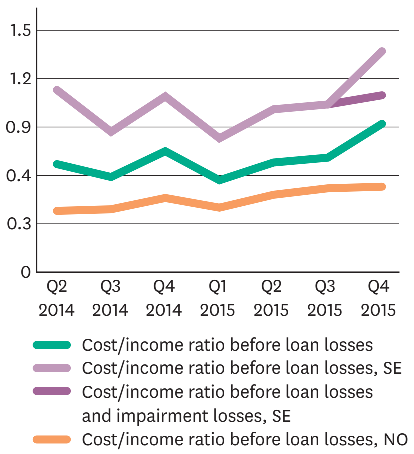
The total capital ratio increased to 21.4% (14.2%) compared with the level at 31 December 2014, while the Tier 1 capital ratio increased during the same period to 16.9% (12.0%). The comparison figures for 2014 pertain to the Bank including the Norwegian branch. The increase is mainly attributable to a strengthening of the capital base during the year through a shareholder contribution. Calculation of the capital base includes a deduction of SEK 491 million from profit for the year. This amount corresponds to the group contribution received but not fully paid. Profit in the calculation of the capital base amounted to SEK -32 million.

Risk-weighted exposures decreased in connection with the separation of the Norwegian operation, to SEK 19,987 million (41,667). Credit risk exposure in the Swedish operation increased during the year, mainly owning to higher credit exposure with collateral in real estate. The risk-weighted exposure to both operational risk and currency risk decreased as a result of the separation.

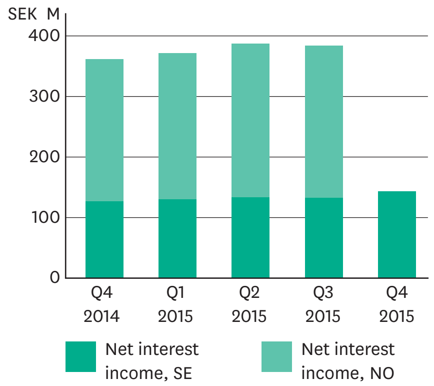
The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 491 million be paid, corresponding to the 2015 Group contribution. See the proposed distribution of profit on page 18.

Capital ratios and risk-weighted exposures as per 31 December pertain to calculations in accordance with the statutory minimum capital requirement (Pillar I) for credit risk, settlement risk, currency risk, operational risk and credit valuation adjustment (CVA) risk. Skandiabanken uses the standardised approach in calculating credit risk and CVA risk, while the capital requirement for operational risk is calculated using the basic indicator approach. In addition to the statutory minimum capital adequacy requirement according to Pillar I, the

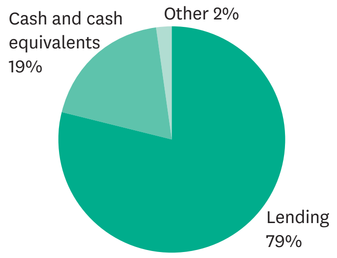
Cost/income ratio before loan losses



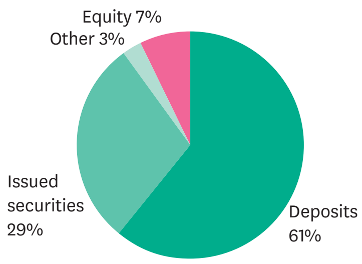
Net interest income



Assets 31/12/2015



Liabilities 31/12/2015



Bank holds capital to meet the applicable buffer requirement. The Bank also holds capital to cover the capital requirement as per the Bank's Internal Capital Adequacy Assessment Process (ICAAP).

Further information about capital adequacy is provided in note 36 of the Annual Report and in a separate Pillar III report entitled "1512 Annual information about capital adequacy and risk management", see www.skandiabanken.se under Mer om oss, Finansiell information.

Risks and risk management

Skandiabanken's total credit exposure, in accordance with the capital adequacy rules, amounted to SEK 59,826 million (114,743), of which 77.9% (77.4%) pertained to home mortgages for private individuals. Lending is conducted in accordance with the rules that took effect in 2010, entailing that customers may borrow a maximum of 85% of a home's value. In addition, as a rule, an amortisation plan is required for the portion of a home mortgage in excess of 75% of the loan-to-value ratio for new lending. Skandiabanken has traditionally had a restrictive stance toward lending, entailing low loan-to-value ratios among the Bank's customers and low loan losses. As a result, Skandiabanken expects to maintain good resilience to any declines in property values.

Skandiabanken's credit exposure to investments of total liquidity amounted to SEK 11,075 million (20,337). The Bank's total liquidity is invested in fixed-income securities with good credit quality and market liquidity.

Liquidity risk is expected to continue to be low in view of the forecast surplus of deposits and favourable opportunities for external borrowing in the capital market.

A description of risks and risk management is provided in note 37. Information on capital adequacy and risk management (Pillar III) is provided in a more extensive yearly report ("1512 Annual information about capital adequacy and risk management – Pillar III"). See www.skandiabanken.se under Mer om oss, Finansiell information.

Disputes

Skandiabanken is party to a number of disputes, the scope of which is to be regarded as normal in view of the business conducted. Most of the disputes pertain to minor amounts and are judged to not have a material impact on the company's financial position. In cases of disputes involving larger amounts, an assessment is performed of the likely economic outcome and the need for a possible provision.

Sustainability

Skandiabanken is covered by Skandia's sustainability work. For Skandia, corporate social responsibility entails incorporating sustainability into the business activities and conducting work in accordance with our values, which guide us to think in the longer perspective. Skandia's sustainability work encompasses responsibility in the social, environmental and economic domains. The sustainability policy serves as guidance in this work and applies for all employees in the group. Skandia's sustainability policy is grounded in the principles laid out in the following:

- The UN Global Compact
- The UN Universal Declaration of Human Rights
- ILO conventions that Sweden has bound itself to applying
- The OECD's guidelines for multinational enterprises
- The UN Convention on the Rights of the Child

Skandia's sustainability strategy aims to integrate environmental, social and economic sustainability in all parts of its operations. Areas identified as important are transparency and long-term approach to customer relationships, environmental concerns, the company's role as a long-term employer, and business ethics. In 2015 work continued on setting measureable goals and conducting continuous follow-up as part of the operations' business planning. Numerous initiatives have also been carried out to increase the quality of sustainability work in the area of responsible investment. Environmental concerns are a natural part of Skandia's sustainability work, and the group does not conduct any operations requiring a permit or notification pursuant to the Environmental Code. Skandia describes its sustainability work every year in the group's sustainability report, which follows the GRI G4 standard for sustainability reporting.

Employees

Skandiabanken's employees in brief

In 2015 Skandiabanken had an average of 475 (490) employees, of whom 56% (55%) were women. The share of women in managerial positions was 41% (43%), and the average age of all employees was 37 (36). Employee turnover was slightly higher than a year ago and was 14% (10%) at year-end.

New conditions created by price pressure, changed customer behaviours and new rules and regulations are putting demands on our ability to adapt ways of working, competencies and overheads. Our absolute most important resource for meeting these challenges and building tomorrow's Skandia is our employees' commitment and willingness to change. A further challenge is posed by the record-fast digital development, where we must ensure an internal understanding for how this development changes our work duties and work flows. Employees must be given the right conditions to manage a changed customer interface at the same time that, going forward, everyone must take responsibility for improving efficiency in their own work processes.

Variable remuneration and profit-sharing foundation

Except for the Skandianen profit-sharing foundation and similar profit-sharing systems in Norway, all remuneration of Skandiabanken's employees is in the form of fixed salary. For further details about remuneration and benefits, see note 7.

Events after the balance sheet date

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

Rules and regulations

Skandiabanken continues to be affected by the extensive regulatory development in the banking and securities sectors. Following is a description of some of the rules and regulations that took effect in 2015 or that will take effect in 2016 or later.

On 1 January 2015, new requirements were added to the Money Laundering and Terrorist Financing (Prevention) Act (2009:62). The new requirements entail, among other things, that the Bank must perform controls of persons in political positions who reside in Sweden. Skandiabanken has changed its processes to meet the new requirements.

Directive 2014/59/EU, establishing a framework for the recovery and resolution of credit institutions and investment firms (the Crisis Management Directive), which was published in June 2014, was implemented into Swedish law on 1 February 2016. In connection with this, a minimum requirement was set for eligible liabilities in relation to total liabilities and the capital base. The Swedish National Debt Office, which is the regulatory authority in this area, will decide in 2016 on the size of the minimum requirement at the institutional level.

Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property (the Mortgage Credit Directive) was published on 4 February 2014. Swedish implementation has been delayed, and enactment of the new legislation will not take place until late 2016/early 2017. On 29 January 2015 a study (SOU 2015:2) was published on how the directive will be implemented into Swedish law. The proposed stipulations pertain to, among other things, requirements on marketing and general information about home mortgages as well as requirements for advance information on a special, standardised EU form. Skandiabanken has begun work on adapting its operations to the forthcoming rules.

On 12 June 2014 the new securities rules and regulations at the EU level were published, entailing among other things stricter rules for consumer protection, transparency, reporting and organisational requirements. The new rules are laid out in Directive 2014/65/EU and EU Regulation No 600/2014 on markets in financial instruments (referred to as MiFID II and MiFIR, respectively). The stipulations implemented as a result of MiFID II are to be applied starting on 3 January 2017, and MiFIR is to be applied from the same date. Complementary rules are also being drawn up by the European Securities and Markets Authority (ESMA). In addition to MiFID II and MiFIR, Directive 2014/57/EU on criminal sanctions for insider dealing and market manipulation and Regulation (EU) No. 596/2014 on market abuse (referred to as the Market Abuse Directive (MAD) and Market Abuse Regulation (MAR), respectively) were published on 12 June 2014. The directive is to be implemented into Swedish law by 3 July 2016 at the latest, and the regulation is to be applied as from the same date. The regulations address insider trading, unlawful disclosure of insider information and market manipulation and obligations regarding the public disclosure of insider information, among other things. The EU will likely decide to push back implementation of MiFID II and MiFIR until 3 January 2018. On 29 January 2015 the Swedish Securities Market Study (SOU 2015:2) was published, including a recommendation on how MiFID II should be implemented into Swedish law. The study recommends, among other things, introducing a prohibition against commissions in connection with financial advisory services. Skandiabanken will be affected by this, as the Bank uses tied agents and conducts discretionary portfolio management. Depending on the how the lawmakers choose to formulate the prohibition against commissions, the Bank will need to adapt its business model. Skandiabanken has begun work on adapting its operations to the new rules.

The new countercyclical buffer rate of 1% that was decided on by the Swedish Financial Supervisory Authority in September 2014 took effect on 13 September 2015. This required buffer will be raised to 1.5% starting on 27 June 2016. On 14 March 2016 the Financial Supervisory Authority decided on a further increase in the countercyclical buffer rate, to 2%, starting on 19 March 2017. In its capital planning Skandiabanken is taking into account the decided on and proposed increases in this buffer.

On 18 December 2015 the Financial Supervisory Authority published a new proposal requiring amortisation of home mortgages. According to the proposal, new home mortgagees will be required to amortise their home mortgages down to 50% of the home's value. According to the proposal, new home mortgages that exceed 70% of the home's value will have to be amortised down by a minimum of 2% (of the total home mortgage) per year and by a minimum of 1% (of the total home mortgage) per year for mortgages that amount to between 50% and 70% of the home's value. The amortisation requirement is to apply for new home mortgages taken out on or after 1 June 2016. Skandiabanken has begun work on adapting its operations to the new rules. Skandiabanken estimates that the new amortisation requirement will give rise to higher costs for adapting routines and internal systems, and for training staff. Before the amortisation requirement takes effect, demand for home mortgages will likely increase, especially with respect to increases to existing mortgages. After implementation of the amortisation requirement, demand will likely decrease somewhat. An increase in customers who amortise may over the long term result in a slight decrease in interest income.

Directive 2015/2366/EU on payment services in the internal market (the new Payment Services Directive) was published on 23 December 2015. The directive is to be implemented into Swedish law by 13 January 2018 at the latest. The directive replaces the previous payment services directive from 2007, which has been revised in several respects. Among other things, new payment services are brought into scope, the technical requirements have been updated, and third-party payment service providers will be regulated. During 2016 Skandiabanken will analyse the effect of the directive on the Bank's operations.

A requirement to report a leverage ratio to the Financial Supervisory Authority was introduced on 1 January 2014. Thus far there is no legal, minimum requirement for a bank's leverage ratio. The Basel Committee has recommended that a leverage ratio of 3% take effect as a binding measure starting in 2018. Skandiabanken is monitoring developments in this area. On 1 January 2015, a requirement was enacted for financial institutions to provide yearly information on their leverage ratios. For Skandiabanken this means that the leverage ratio is included in the annual report for the year ended 31 December 2015.

Work is currently being conducted internationally on the issue of capital requirements. Among other things, the Basel Committee is working to improve comparability between banks' capital ratios. This work involves changes in standardised methods for calculating capital requirements for credit, market and operational risks. In December 2015 the Basel Committee published a revised proposal for a new standardised method for calculating the capital requirement for credit risk. Skandiabanken has analysed the proposal and is of the opinion that, in its current form, it would result in a higher capital requirement for the Bank.

Our external business environment and anticipated future development
The banking industry is characterised now more than ever by a business environment that is evolving at an accelerating pace. We see three strong factors which together are driving the transformation of the industry and strengthening each other: new rules and regulations, improved technical conditions, and higher demands from customers for accessibility and transparency. Together these factors are creating better conditions for our customers to plan their personal economies. They are also putting greater demands on the industry to create new opportunities to guide customers in a direction they prefer and that we continuously develop the business model in order to meet our customers' expectations. The Bank's home mortgage model is a good example of this.

Naturally, the digitalisation that is currently taking place in society is also affecting the banking industry with full force. Above all, digitalisation is changing the market conditions in the industry through new technical opportunities, and new players and business opportunities that both complement and challenge traditional actors. Continuously greater access to information is leading to changed customer behaviours, as customers adopt expectations and put higher demands on simple solutions and easily accessible service via the digital interface. Customers today expect to be able to buy products and services whenever and wherever without having to mind opening hours or visiting a physical store. The same applies for customers' personal finances, which they expect to be able to actively manage themselves whether at home at the kitchen table or while on vacation. In cases where customers are seeking personal contact, even this interaction can be handled quite well digitally. New technologies such as chats, social media and meetings by videolink offer opportunities for effective customer interaction. Having digital technology that works fast and simply without disruptions and delays is entirely decisive for customer satisfaction. Expanded digital use also entails higher expectations for digital functionality. With digitalisation comes a host of opportunities. Communicating with our customers digitally offers greater opportunities to customer adaptation, plus it is more cost-effective and better for the environment. Skandia is well equipped for accelerated digitalisation and the new conditions this will create. What is of central importance for us is to ensure our competitive strength and ability to deliver in an increasingly digitalised business model. We have therefore, with a starting point in our digital strategy, drawn up an action plan for our continued digitalisation during the next three years. The Bank's change of platform in 2015 was one step in this development.

On 11 February 2016 the Central Bank of Sweden (Riksbanken) announced its decision to lower the repo rate by 0.15 percentage points to -0.50%. According to Riksbanken's forecast, the repo rate is expected to remain at about the same level at least another year, but Riksbanken has not ruled out yet another rate cut. In Sweden, the economy continues to strengthen, and unemployment is falling. Inflation is showing a weak, rising trend from low levels, but is not really accelerating. According to Riksbanken, GDP growth is expected to rise as a result of the sharp increase in the number of asylum-seekers. In addition, Riksbanken is of the opinion that unemployment will fall further. Developments in the Bank's external business environment also appear to be improving, but inflation continues to be low in many countries, as well as interest rates.

Visa Inc. announced on 2 November 2015 that it plans to acquire Visa Europe (a member-owned organisation) as part of its ambition to create a global Visa company. The transaction consists in part of an advance payment and in part of a contingent earn-out payment based on earnings four years after the deal is concluded. The deal is conditional upon regulatory approvals and is therefore expected to be completed during the second quarter of 2016. Skandiabanken will receive compensation in connection with the deal's closing, however, the exact date, the final consideration, and the share of contingent consideration is still uncertain.

Five-year summary

KEY RATIOS

Volume development	**2015**	**2014**	**2013**	**2012**[1]	**2011**
Lending to the general public, SEK million	46,608	95,558	77,894	60,011	53,393
Change during the year	-51%	23%	33%	12%	-1%
Total deposits and borrowing from the general public, SEK million	35,911	79,518	75,677	77,365	71,302
Change during the year	-46%	5%	-2%	9%	13%
Issued securities, SEK million	17,336	28,007	16,864	1,826	—
Change during the year	-11%	66%	823%	—	—
Capital adequacy measures					
Total capital ratio:					
Capital base as % of risk-weighted assets	21.4%	14.2%	13.5%	14.6%	14.7%
Tier 1 capital ratio:					
Tier 1 capital as % of risk-weighted assets	16.9%	12.0%	10.9%	10.6%	10.2%
Key ratios, earnings					
Investment margin:					
Net interest income as % of average volume (balance sheet total)	1.10%	1.31%	1.26%	1.39%	1.43%
Earnings capacity:					
Operating profit excl. loan losses as % of average volume (balance sheet total)	0.22%	0.57%	0.38%	0.53%	0.29%
Return on assets:					
Net profit divided by the balance sheet total	0.78%	0.36%	0.33%	0.36%	0.18%
Return on total capital:					
Operating profit as % of average volume (balance sheet total)	0.18%	0.53%	0.34%	0.52%	0.24%
Return on equity:[2]					
Operating profit after actual tax as % of average equity	1.61%	8.74%	6.23%	7.59%	5.25%

Key ratios, earnings (cont.)	**2015**	**2014**	**2013**	**2012**[1]	**2011**
Cost/income ratio before loan losses and impairment of intangible assets:[2 3]					
Total costs excl. loan losses an impairment of intangible assets in relation to operating income	0.76	0.65	0.77	0.79	0.90
Cost/income ratio after loan losses and excl. impairment of intangible assets:[2 3]					
Total costs incl. loan losses but excluding impairment of intangible assets in relation to operating income	0.78	0.68	0.80	0.79	0.92
Impaired loans					
Provision level for impaired loans:					
Provision for probable loan losses as % of impaired loans before provision	35.4%	65.2%	64.2%	53.9%	62.3%
Share of impaired loans:					
Impaired loans, net, as % of total lending to the general public and credit institutions (excl. banks)	0.05%	0.06%	0.06%	0.13%	0.15%
Loan loss ratio:					
Loan losses as % of opening balance of lending to the general public, credit institutions (excl. banks), and credit guarantees	0.03%	0.05%	0.07%	0.01%	0.06%
Other data					
Number of customers, thousands	453	830	824	808	803
Average number of employees	475	490	457	453	993

[1] Figures for 2012 were recalculated in 2013 due to a changed accounting policy for defined benefit pensions in Norway.

[2] The capital gain of SEK 94 million from the sale of Skandia Fonder AB has been excluded from the calculation of key ratios for 2012.

[3] The comparison figure for 2013 has been changed due to recalculation of provisions in 2014.

Five-year summary

INCOME STATEMENTS AND BALANCE SHEETS FOR 2011–2015, FIVE-YEAR SUMMARY (SEK MILLION)

Income statement	2015	2014	2013	2012[2]	2011
Interest income	2,252	3,186	2,710	2,838	2,552
Interest expense	-966	-1,768	-1,592	-1,719	-1,515
Net fee and commission income[1]	233	260	252	327	349
Net financial income[1]	-14	41	29	47	14
Other operating income	62	51	64	168	779
Total operating income	**1,567**	**1,770**	**1,463**	**1,661**	**2,179**
Staff costs	-390	-407	-366	-367	-869
Other administrative expenses[1]	-689	-661	-687	-829	-1,047
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets	-281	-2	-3	-6	-9
Other operating expenses	-83	-85	-68	-33	-73
Total expenses before loan losses	**-1,443**	**-1,155**	**-1,124**	**-1,235**	**-1,998**
Loan losses, net	-27	-41	-41	-7	-34
Operating profit	**97**	**574**	**298**	**419**	**147**
Group contributions	491	5	147	-31	24
Profit before taxes	**588**	**579**	**445**	**388**	**171**
Taxes	-129	-162	-118	-85	-30
Net profit for the year	**459**	**417**	**327**	**303**	**141**

Balance sheet	2015	2014	2013	2012	2011
Cash and cash balances with central banks	21	636	544	424	696
Eligible treasury bills, etc.	4,524	8,110	6,207	5,826	2,441
Lending to credit institutions	411	1,252	1,384	654	1,916
Lending to the general public	46,608	95,558	77,894	60,011	53,393
Fair value of portfolio hedge of interest rate risk	117	184	71	132	68
Bonds and other fixed-income securities	6,253	8,467	11,559	17,025	17,177
Shares and participations	10	13	64	50	79
Intangible assets and property, plant and equipment	161	335	100	6	15
Other assets	753	552	774	510	905
Total assets	**58,858**	**115,107**	**98,597**	**84,638**	**76,690**
Due to credit institutions	79	100	68	99	43
Deposits and borrowing from the general public	35,911	79,518	75,677	77,365	71,302
Issued securities, etc.	17,336	28,007	16,864	1,826	—
Other liabilities	569	1,186	1,041	914	1,301
Subordinated liabilities	900	900	900	1,200	1,200
Total liabilities	**54,795**	**109,711**	**94,550**	**81,404**	**73,846**
Equity	**4,063**	**5,396**	**4,047**	**3,234**	**2,844**
Total liabilities and equity	**58,858**	**115,107**	**98,597**	**84,638**	**76,690**

[1] The comparison figure for 2013 has been changed due to a reclassification in 2014.

[2] Figures for 2012 were recalculated in 2013 due to a changed accounting policy for defined benefit pensions in Norway, see note 1.

Five-year summary, operations in Sweden

KEY RATIOS

Volume development	2015	2014	2013	2012[1]	2011[3]
Lending to the general public, SEK million	46,608	42,359	31,917	28,973	26,408
Change during the year	10%	33%	17%	10%	-1%
Total deposits and borrowing from the general public, SEK million	35,911	35,219	35,673	36,545	33,138
Change during the year	2%	-1%	-2%	10%	8%
Issued securities, SEK million	17,336	11,627	7,694	1,244	—
Change during the year	49%	51%	519%	—	—
Key ratios, earnings					
Investment margin:					
Net interest income as % of average volume (balance sheet total)	0.97%	1.05%	1.17%	1.51%	1.54%
Earnings capacity:					
Operating profit excl. loan losses as % of average volume (balance sheet total)	-0.51%	0.02%	-0.01%	0.20%	0.02%
Return on assets:					
Net profit divided by the balance sheet total	0.30%	0.02%	0.23%	0.29%	0.10%
Return on total capital:					
Operating profit as % of average volume (balance sheet total)	-0.52%	0.03%	-0.02%	0.19%	-0.01%
Return on equity:[1 3]					
Operating profit after actual tax as % of average equity	-5.42%	0.27%	-0.41%	2.82%	0.90%
Cost/income ratio before loan losses and impairment of intangible assets:[2]					
Total costs excl. loan losses an impairment of intangible assets in relation to operating income	1.05	0.98	1.00	0.91	0.99
Cost/income ratio after loan losses and excl. impairment of intangible assets:[2]					
Total costs incl. loan losses but excluding impairment of intangible assets in relation to operating income	1.06	0.98	1.01	0.91	1.00

Impaired loans	2015	2014	2013	2012[1]	2011[3]
Provision level for impaired loans:					
Provision for probable loan losses as % of impaired loans before provision	35.4%	31.6%	41.4%	42.2%	36.6%
Share of impaired loans:					
Impaired loans, net, as % of total lending to the general public and credit institutions (excl. banks)	0.05%	0.05%	0.06%	0.10%	0.13%
Loan loss ratio:					
Loan losses as % of opening balance of lending to the general public, credit institutions (excl. banks), and credit guarantees	0.01%	-0.01%	0.03%	0.01%	0.04%
Other data					
Number of customers, thousands	453	452	450	445	443
Average number of employees	306	289	277	272	802

[1] The capital gain of SEK 94 million from the sale of Skandia Fonder AB has been excluded from the calculation of key ratios for 2012.

[2] The comparison figure for 2013 has been changed due to recalculation in 2013.

[3] Includes advisory business, which was included in the parent company in 2011.

Five-year summary, operations in Sweden

INCOME STATEMENTS AND BALANCE SHEETS FOR 2011–2015, FIVE-YEAR SUMMARY (SEK MILLION)

Income statement	2015	2014	2013	2012[2]	2011[3]
Interest income	723	927	1,025	1,258	1,120
Interest expense	-182	-430	-525	-681	-584
Net fee and commission income[1]	100	99	84	130	140
Net financial income[1]	-3	18	10	25	-1
Other operating income	134	65	84	196	793
Total operating income	**772**	**679**	**678**	**928**	**1,468**
Staff costs	-240	-220	-205	-207	-706
Other administrative expenses[1]	-486	-399	-429	-538	-712
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets	-280	0	0	-1	-2
Other operating expenses	-52	-49	-45	-12	-40
Total expenses before loan losses	**-1,058**	**-668**	**-679**	**-758**	**-1,460**
Loan losses, net	-6	2	-7	-4	-11
Operating profit/loss	**-292**	**13**	**-8**	**166**	**-3**
Group contributions	491	5	147	-31	24
Profit before taxes	**199**	**18**	**139**	**135**	**21**
Taxes	-24	-6	-31	-14	11
Net profit for the year	**175**	**12**	**108**	**121**	**32**

Balance sheet	2015	2014	2013	2012	2011[3]
Cash and cash balances with central banks	21	23	15	15	12
Eligible treasury bills, etc.	4,524	2,972	3,171	2,149	1,495
Lending to credit institutions	315	771	4,257	640	716
Lending to the general public	46,608	42,359	31,917	28,973	26,408
Fair value of portfolio hedge of interest rate risk	117	184	71	132	68
Bonds and other fixed-income securities	6,253	4,149	7,106	9,073	7,427
Shares and participations	10	11	32	27	63
Intangible assets and property, plant and equipment	161	332	97	1	7
Other assets	753	359	514	366	407
Total assets	**58,762**	**51,160**	**47,180**	**41,376**	**36,603**
Due to credit institutions	79	88	56	77	36
Deposits and borrowing from the general public	35,911	35,219	35,673	36,545	33,138
Issued securities, etc.	17,336	11,627	7,694	1,244	—
Other liabilities	473	728	565	583	703
Subordinated liabilities	900	900	900	1 200	1 200
Total liabilities	**54,699**	**48,562**	**44,888**	**39,649**	**35,077**
Equity	4,063	2,598	2,292	1,727	1,826
Total liabilities and equity	**58,762**	**51,160**	**47,180**	**41,376**	**36,903**

[1] The comparison figure for 2013 has been changed due to a reclassification in 2014.

[2] Figures for 2012 were recalculated in 2013 due to a changed accounting policy for defined benefit pensions in Norway, see note 1.

[3] Includes advisory business, which was included in the parent company in 2011.

Distribution of profit

(Amounts in SEK)

Distribution of Skandiabanken's unrestricted equity	**SEK**
Total fair value reserve	-17,561,861
Retained earnings	3,139,382,503
Net profit for the year	459,428,301
Unrestricted equity	**3,581,248,943**
The Board of Directors proposes that this amount be distributed as follows:	
Dividend to the shareholders of SEK 122.7753 per share	491,101,252
To be carried forward	3,090,147,691
	3,581,248,943
If this proposal is approved, the company's reported equity will consist of:	
Share capital	400,000,000
Statutory reserve	81,399,910
Total fair value reserve	-17,561,861
Retained earnings	3,107,709, 552
	3,571,547,601

The proposed dividend corresponds to 13.71% of Skandiabanken's unrestricted equity and amounts to SEK 491 million. It has been proposed that the Annual General Meeting resolve in favour of execution of the dividend through payment of SEK 491 million. The Board of Directors is authorised to determine the date of payment.

At year-end, Skandiabanken's capital base exceeded the statutory capital requirement (including buffer requirement) by SEK 1,986 million. Skandiabanken's financial position does not give rise to any other assessment than that Skandiabanken can be expected to meet its obligations in both the short and long terms. The Board's opinion is that Skandiabanken's equity, as reported in the Annual Report, is sufficiently large in relation to the scope and risks of the business. With respect to Skandiabanken's result of operations and position in general, please refer to the following income statement and balance sheet as well as the accompanying notes to the accounts.

The Board is of the opinion that the proposed dividend is justified in view of the requirements that the nature, scope and risks of the business put on the company's equity, consolidation need, liquidity and position in general.

Income statement

SEK million	Note	2015	2014
Interest income	3	2,252	3,186
Interest expense	3	-966	-1,768
Dividends received		—	0
Fee and commission income	4	451	480
Fee and commission expense	4	-218	-220
Net financial income	5	-14	41
Other operating income	6	62	51
Total operating income		**1,567**	**1,770**
General administrative expenses			
Staff costs	7	-390	-407
Other administrative expenses	8	-689	-661
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets	9	-281	-2
Other operating expenses	10	-83	-85
Total expenses before loan losses		**-1,443**	**-1,155**
Profit before loan losses		**124**	**615**
Net loan losses	11	-27	-41
Operating profit		**97**	**574**
Group contributions		491	5
Profit before tax		**588**	**579**
Income tax expense	12	-129	-162
Net profit for the year		**459**	**417**

Statement of comprehensive income

SEK million	2015	2014
Net profit for the year	**459**	**417**
Other comprehensive income		
Items that cannot be reclassified to profit or loss for the year		
Revaluation of defined benefit pensions[1]	-1	-6
Tax attributable to revaluation of defined benefit pensions[1]	0	2
Items that have been reclassified or can be reclassified to profit or loss for the year		
Available-for-sale financial assets	-59	-21
Tax attributable to available-for-sale financial assets	14	5
Hedge of net investment	0	0
Translation difference[2]	-107	-37
Tax attributable to translation difference	24	8
Total other comprehensive income after tax	**-129**	**-49**
Total comprehensive income after tax	**330**	**368**

[1] Pertains to locally reported Norwegian pension plans.

[2] Pertains to exchange rate differences that arise from translation of the Norwegian operation's financial statements to the company's reporting currency.

Balance sheet

31 December, SEK million

Assets	Note	2015	2014
Cash and cash balances with central banks	13	21	636
Eligible treasury bills, etc.	14	4,524	8,110
Lending to credit institutions	15	411	1,252
Lending to the general public	16	46,608	95,558
Fair value of portfolio hedge of interest rate risk	17	117	184
Bonds and other fixed-income securities	18	6,253	8,467
Shares and participations, etc.	19	10	13
Intangible non-current assets	20	159	331
Property, plant and equipment	21	2	4
Current tax assets	22	16	10
Deferred tax assets	22	18	17
Other assets	23	685	329
Prepaid expenses and accrued income	24	34	196
Total assets		**58,858**	**115,107**

Liabilities and provisions	Note	2015	2014
Due to credit institutions	25	79	100
Deposits and borrowing from the general public	26	35,911	79,518
Issued securities, etc.	27	17,336	28,007
Current tax liabilities	28	96	145
Other liabilities	29	350	672
Accrued expenses and deferred income	30	110	310
Provisions for pensions	31	13	59
Subordinated liabilities	32	900	900
Total liabilities and provisions		**54,795**	**109,711**
Share capital		400	400
Other reserves			
- Statutory reserve		81	81
- Total fair value reserve		-17	-121
Retained earnings		3,140	4,619
Profit for the year		459	417
Total equity	42	**4,063**	**5,396**
Total liabilities, provisions and equity		**58,858**	**115,107**

Memorandum items		2015	2014
Pledged assets for own liabilities – home mortgages	34	16,815	27,313
Other pledged assets	34	3,661	7,779
Commitments	34	14,058	27,958

Statement of changes in equity

	Restricted equity		Unrestricted equity					
			Total fair value reserve[1]					
SEK million	Share capital	Statutory reserve	Fair value reserve	Translation reserve	Total	Defined benefit pension plans	Retained earnings	Total equity
Opening equity 2014	**400**	**81**	**45**	**-113**	**-68**	**8**	**3,626**	**4,047**
Profit for the year	—	—	—	—	—	—	417	417
Reclassification upon disposal to income statement before tax for fair value reserve	—	—	-13	—	-13	—	—	-13
Unrealised change in value before tax, fair value reserve	—	—	-8	—	-8	—	—	-8
Tax attributable to fair value reserve	—	—	5	—	5	—	—	5
Revaluation of defined benefit pensions[2]	—	—	—	—	—	-6	—	-6
Tax attributable to revaluation of defined benefit pensions[2]	—	—	—	—	—	2	—	2
Change in hedge of net investment in foreign currency	—	—	—	0	0	—	—	0
Change in translation difference	—	—	—	-37	-37	—	—	-37
Tax on change in translation difference	—	—	—	—	0	—	8	8
Comprehensive income for the year	—	—	**-16**	**-37**	**-53**	**-4**	**425**	**368**
Shareholder contribution received	—	—	—	—	—	—	981	981
Closing equity 2014	**400**	**81**	**29**	**-150**	**-121**	**4**	**5,032**	**5,396**
Opening equity 2015	**400**	**81**	**29**	**-150**	**-121**	**4**	**5,032**	**5,396**
Profit for the year	—	—	—	—	—	—	459	459
Reclassification upon disposal to income statement before tax for fair value reserve	—	—	-2	—	-2	—	—	-2
Unrealised change in value before tax, fair value reserve	—	—	-57	—	-57	—	—	-57
Tax attributable to fair value reserve	—	—	14	—	14	—	—	14
Revaluation of defined benefit pensions[2]	—	—	—	—	—	-1	—	-1
Tax attributable to revaluation of defined benefit pensions[2]	—	—	—	—	—	0	—	0
Change in hedge of net investment in foreign currency	—	—	—	0	0	—	—	0
Change in translation difference	—	—	—	-107	-107	—	—	-107
Tax on change in translation difference	—	—	—	—	0	—	24	24
Comprehensive income for the year	—	—	**-45**	**-107**	**-152**	**-1**	**483**	**330**
Shareholder contribution received	—	—	—	—	—	—	1,667	1,667
Demerger result, Norwegian operation	—	—	-1	257	256	-3	-3,583	-3,330
Closing equity 2015	**400**	**81**	**-17**	**—**	**-17**	**—**	**3,599**	**4,063**

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

[2] Pertains to locally reported Norwegian pension plans.

Cash flow statement

CASH FLOW STATEMENT (indirect method), SEK million

Operating activities	**2015**	**2014**
Operating profit	588	579
of which, interest paid in	*2,360*	*3,182*
of which, interest paid out	*-953*	*-1,756*
Adjustment for non-cash items:		
Unrealised portion of net financial income:	1	2
Depreciation, amortisation and impairment charges		
- depreciation of property, plant and equipment	35	2
- amortisation and impairment of intangible assets	246	0
Loan losses	35	63
Group contributions from/to parent company	-491	-5
Provisions for defined benefit pension plans	1	1
Income tax paid	-155	-70
Cash flow from operating activities before changes in assets and liabilities in operating activities	**260**	**572**
Decrease (+)/increase (-) in lending to the general public	-9,055	-18,698
Decrease (+)/increase (-) in holdings of fixed-income securities and equities	-1,015	988
Decrease (-)/increase (+) in deposits and borrowing from the general public	3,885	5,043
Decrease (-)/increase (+) in issued securities	2,685	11,586
Change in other assets and other liabilities	-87	-406
Cash flow from operating activities	**-3,327**	**-915**
Investing activities		
Purchases of property, plant and equipment	-3	-1
Sales of property, plant and equipment	0	0
Purchases of intangible non-current assets	-107	-235
Separation of Norwegian operation	320	—
Cash flow from investing activities	**210**	**-236**

Financing activities[2]	**2015**	**2014**
Shareholder contribution	1,667	981
Cash-settled group contribution preceding year (paid/received)	5	147
Dividend paid[1]	—	—
Cash flow from financing activities	**1,672**	**1,128**
Cash flow for the year	**-1,445**	**-23**
Of which, Norwegian banking operation	*-996*	*3,553*
Cash and cash equivalents at start of year	1,788	1,860
Exchange rate difference in cash and cash equivalents	10	-49
Cash and cash equivalents at end of year	353	1,788
Change for the year	**-1,445**	**-23**
Cash and cash equivalents		
Cash and cash balances with central banks	21	636
Lending to credit institutions	411	1,252
Due to credit institutions	-79	-100
Cash and cash equivalents	**353**	**1,788**
Of which, Norwegian banking operation	*96*	*1,082*

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

[1] No dividend was paid to the parent company Skandia Insurance Company Ltd (publ) in 2015 or 2014.

[2] Group contributions rendered and received are classified as financing activities.

Notes

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

Notes index

1. Significant accounting and valuation policies

Contents

1. General information
This annual report for Skandiabanken Aktiebolag (publ), corporate identity number 516401-9738, pertains to the period 1 January–31 December 2015. Skandiabanken's registered office is in Stockholm, Sweden. The address of the head offices is Lindhagensgatan 86, Stockholm. The annual report was approved for publication by the Board of Directors on 16 March 2016. The income statement and balance sheet are subject to adoption by the Annual General Meeting, which is scheduled to be held on 22 April 2016.

Skandia Mutual Life Insurance Company, corporate identity number 516406-0948 and with registered office in Stockholm, prepares consolidated financial statements for the entire Skandia group, which includes Skandiabanken.

2. Basis of preparation
The annual report for 2015 has been prepared in conformity with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the Swedish Financial Supervisory Authority's regulations and general guidelines on an¬nual reports of credit institutions and securities companies (FFFS 2008:25). Skandiabanken also applies recommendation RFR 2 Accounting for Legal Entities, issued by the Swedish Financial Reporting Board (RFR). In accordance with these regulations and general guidelines, 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.

Skandiabanken's functional currency is Swedish kronor (SEK), and Skandiabanken's financial statements are presented in Swedish kronor, rounded off to the nearest million. The accounting policies presented below have been applied consistently for all periods presented in the financial statements, unless indicated otherwise.

3. Changed accounting policies
New and amended IFRSs for the 2015 financial year
IFRSs endorsed by the European Commission shall be applied. A few amendments have been made that took effect in 2015. These pertain to, among other things, the interpretation pronouncement IFRIC 21 – Levies, which provides guidance on when to recognise a liability for a levy. The interpretation clarifies that a liability for a levy shall be recognised when an obligating event for the recognition of a levy occurs. The changes have not had any effect on Skandiabanken's reporting.

New and amended IFRSs for financial years starting in 2016 or later
A number of new or amended standards and interpretations do not take effect until future financial years and have not been applied prospectively in the preparation of these financial statements. To the extent that anticipated effects on the financial statements of application of the following new or amended standards and interpretations are not described below, the new rules are judged to not have any material impact on Skandiabanken's financial statements.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments introduces new requirements for classification and valuation of financial assets as well as derecognition of such. IFRS 9 is to be applied for financial years that begin on 1 January 2018 or later. The standard has not yet been endorsed by the EU, however. In December 2011, IFRS 7 was amended, entailing expanded disclosure requirements in the period that IFRS 9 was first applied. The main requirements in IFRS 9 are described below.

According to IFRS 9, all reported financial assets covered by IAS 39 Financial Instruments: Recognition and Measurement are to continue to be measured either at amortised cost or at fair value. Financial assets that are held in a business model whose objective is to receive contractual cash flows, and instruments that only have contractual cash flows in the form of principal and interest on outstanding principal, are to be measured at amortised cost at the end of the reporting period. All other financial assets are to be measured at fair value through profit or loss or in other comprehensive income.

The impact of IFRS 9 with respect to classification and valuation of financial liabilities is related mainly to changes in fair value that are due to changes in credit risk for a financial liability. According to IFRS 9, for financial liabilities classified at fair value through profit or loss, the amount of the change in fair value that is due to a change in credit risk for the liability shall be recognised in other comprehensive income. This applies under the condition that recognition of the effects of the change in the liability's credit risk in other comprehensive income does not give rise to or increase a mismatch in the reporting of profit. Changes in fair value that are due to the liability's credit risk will not be reclassified to profit or loss in the following period. Under the current provisions of IAS 39, the entire amount of the change in fair value is recognised in the income statement.

Cont. note 1 – Significant accounting and valuation policies

IFRS 9 also includes new policies for recognising impairment. The new policies entail that the Bank is to calculate provisions for loan losses based on anticipated loan losses rather than on confirmed loan losses. This entails recognition of a year's anticipated loss already on the initial reporting occasion. In the event of a significant increase in credit risk, the impairment amount shall correspond to the loan losses that are expected to arise during the remaining term of the loan.

The policies for hedge accounting in IFRS 9 have also been amended and create greater opportunities to couple hedge activities with the actual risk management. The retrospective calculations of the effectiveness of hedges are replaced by more qualitative assessments. Company management is of the opinion that application of IFRS 9 will affect the reported amounts of financial assets and liabilities. A detailed analysis has not yet been performed of the effects upon application, and these can therefore not yet be quantified.

IFRS 15 Revenue from Contracts with Customers

This standard shall be applied for financial years that begin on 1 January 2018 or later. The intention is that the standard will replace existing standards and pronouncements about revenue recognition. A cohesive model for revenue recognition is proposed regardless of sector and type of transaction. This will take place in a five-step model which, in short, entails that an entity is to recognise revenue in pace with performance of obligations under contracts. For each customer contract, an entity shall identify performance obligations for each product or service and thereafter set a transaction price that is to be allocated to the respective performance obligations. Revenue shall thereafter be recognised when the entity satisfies the performance obligation. The standard will have a limited impact on Skandiabanken. IFRS 15 will entail greater disclosure requirements, however.

4. Important sources of uncertainty in estimations and critical assessments

When preparing the financial statements, company management must in certain cases rely on estimations and assessments. These are based on previous experience and assumptions that are considered to be fair and reasonable. The estimations and assessments affect reported amounts on both the balance sheet and in the income statement as well as assumptions off the balance sheet. The most important assumptions about the future and sources of uncertainty that may affect reported amounts of assets and liabilities are related to:

- Provisions for impaired loans
- Pensions in Norway
- Intangible assets
- Financial instruments at fair value

Provisions for impaired loans

The value of impaired loans is assessed after estimating future cash flows while taking into account the borrower's ability to pay and estimations of the fair value of any collateral.

The loan receivables that entail the greatest uncertainty in valuations – per individual undertaking – consist of individually assessed loan receivables, which for Skandiabanken consist mainly of home mortgage loans. During the financial year, SEK 0 million (0.5) was reversed for individually assessed loan receivables, where there was no longer a need for provisions compared with the same period a year ago.

For assessments of loan receivables that are measured collectively – primarily bank account lines of credit, credit card credits, personal loans and car instalment loans – valuation is based on historical experience of default, which leads to uncertainty in determining the need for provisions. Moreover, in the Norwegian operations, there is a need for longer processing times due to legal requirements, entailing that there is greater uncertainty about when in time these credits will be realised.

Pensions in Norway

Calculation of pension obligations for the Bank's Norwegian pension liabilities in accordance with Norwegian rules involves numerous assumptions that are set by company management each year for calculations of future cash flows. The assumptions are revised during the year in connection with significant changes. Important estimations are made with respect to the life expectancy of persons entitled to pensions and future increases in their salaries and benefits, in addition to assumptions about staff turnover. These estimations are based on knowledge about the insurance portfolio and the company's previous experience, while increases in benefits are in line with macroeconomic factors such as assumptions about future inflation. The reported pension liability is a calculation of the present value of the combined, anticipated future cash flow for pension payments. The present value calculation uses an assumed discount rate of 2.0% (2.7%). The discount rate has a significant impact on the reported liability, and it is of utmost importance that generally accepted methods are used when setting the discount rate based on relevant market interest rates.

Intangible assets

In 2015 Skandiabanken concluded an extensive implementation of a new banking system. The system was put in operation in spring 2015 and is expected to generate future financial benefit. In view of this, the associated development costs have been recognised as an intangible asset. Each year, or whenever there is an indication of a decline in value, impairment testing is conducted to calculate the investment's recoverable amount. This is done by calculating the investment's value in use based on a cash flow model for the smallest cash generating unit that the new bank system supports. The Bank's five-year business plan is used as a basis for calculating value in use, since the system is used for the entire Bank's operations. Company management's estimation of the assumptions for future volumes, cost-savings, tied-up capital, the discount rate used (10.7% compared with 10.6% in the preceding year) and continued growth in the years immediately following the plan period are of great significance. The discount rate is determined in accordance with market principles. An analysis was performed of the business plan adopted by the Board of Directors for the coming five-year period, and a need to recognise impairment was identified, since the investment that was required for the system was greater than the recoverable amount. For further information about the impairment charge, see note 9.

Financial instruments at fair value

There is some uncertainty in the valuation of financial instruments, as their valuation is affected by the prevailing market conditions and level of interest rates, which can change quickly.

5. Segment reporting

Segment reporting is presented based on the internal reporting that is provided to the chief operating decision maker (CODM). Segment reporting corresponds to the internal reporting that is continuously done to Skandiabanken's CEO and which constitutes documentation for decisions on allocation of resources to the segments and follow-up of the segments' results of operations and position.

Cont. note 1 – Significant accounting and valuation policies

The criteria for identification of an operating segment is that it conducts business activities that generate revenues and incur expenses, that the results and position are regularly reviewed by the CODM as a basis for decisions, and that discrete financial information is available. An operating segment has similar characteristics, such as regarding the nature of products and services, processes, customer categories, distribution, how the services are performed, and the impact of various rules and regulations. Quantitative thresholds exist for when information for an operating segment is to be reported. Separate information is provided for a segment when

- its operating revenue accounts for 10% or more of the combined revenue of all operating segments,
- its reported profit or loss is 10% or more of the absolute amount of the total profit of all operating segments that did not report a loss, or
- the total loss for a segment that did not report a profit or the segment's assets amounts to 10% or more of the combined assets of all operating segments.

Up until 5 October 2015 Skandiabanken had two segments: Sweden banking and Norway banking. On 5 October 2015, the Norwegian banking operation was separated. Reported revenues in the respective countries and operating segments are derived from the country in which the company has its domicile; no business is conducted across national borders.

In accordance with the reporting to the CODM, interest income and interest expenses are reported net on the line Net interest income, and similarly, fee and commission income and fee and commission expenses are reported net on the line Net fee and commission income.

In reporting the outcome for the segments, the same accounting policies are used as for the financial statements in general.

6. Transactions in foreign currency

Transactions in foreign currency are initially reported in the respective unit based on the unit's functional currency using the exchange rate in effect on the transaction date. By functional currency is meant the currency in the countries in which Skandiabanken conducts business – Sweden and Norway.

Monetary assets and liabilities in foreign currency are recalculated as per the balance sheet date using the exchange rate in effect on the balance sheet date. Nonmonetary assets and liabilities carried at historic cost are recalculated using the exchange rate in effect on the date of the transaction. Exchange rate differences that arise are included in profit or loss for the period.

Exchange rate movements are reported in operating profit under the heading Net financial income.

Recalculation of the branch's income statement and balance sheet

Skandiabanken's reporting currency is Swedish kronor (SEK). Through 5 October 2015 Skandiabanken conducted operations through a branch in Norway, entailing that the company had two functional currencies in 2015.

The income statement and balance sheet of the foreign operation has been recalculated from its functional currency to Swedish kronor. Assets and liabilities were valued at the exchange rate in effect on the balance sheet date. Revenues and expenses were recalculated at the average exchange rate during the period. The translation differences that arose are reported in other comprehensive income as a translation reserve. Upon separation of the operation, the accumulated translation difference was recognised in profit or loss with accumulated effects of currency hedges.

7. Financial instruments – classification and valuation

Financial instruments reported on the balance sheet include, on the assets side, loan receivables, financial assets at fair value, and available-for-sale financial assets. Among liabilities and equity are included trade payables, issued securities, loan liabilities and financial liabilities at fair value.

Trade date vs. settlement date recognition

Spot and derivative transactions in the money, bond, equity and currency markets are recognised and derecognised from the balance sheet as per the trade date; for other financial assets and liabilities, settlement date accounting is used.

The principles for derecognition of financial assets from the balance sheet, for which trade date accounting is not applied, are that they are derecognised when the contractual rights to the cash flows cease to apply or have been transferred to another counterparty. This is normally done when the counterparty has paid consideration for the asset. Derecognition of financial liabilities, for which trade date accounting is not applied, is done when Skandiabanken has repaid the liability.

Gross and net accounting

Assets and liabilities are reported gross except for in cases where there is a legal right and intention to divest these in net amounts. For example, net accounting is done under the heading "Lending to or deposits from credit institutions", for divestment via a clearing institution.

Initial reporting and valuation

When a financial asset or financial liability is reported for the first time, it is stated at fair value. For financial assets or liabilities that do not belong to the category "financial assets or financial liabilities at fair value through profit or loss", transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are included.

Classification and valuation

Financial instruments are classified and valued after their initial reporting under financial assets and financial liabilities in accordance with description below. No reclassification between categories was done during the year.

Financial assets

Loan receivables and trade receivables

Loan receivables are carried at amortised cost using the effective interest method, taking into account deduction for confirmed loan losses and provisions for probable loan losses. Loan receivables are derecognised from the balance sheet when they are prematurely redeemed or when a loan loss has been confirmed. Other receivables than loan receivables that are not interest-bearing are carried at cost less calculated, non-recoverable amounts.

Financial assets at fair value through profit or loss

Financial assets that are classified as Financial assets at fair value through profit or loss are held for trading and are stated at fair value with changes in value reported through profit or loss under Net financial income. This category includes equities, fund units and derivatives. Interest income on these instruments is reported in Net interest income.

Cont. note 1 – Significant accounting and valuation policies

Measurement at fair value is done using officially quoted prices in an active market, and the fair value is based on the bid rate on the balance sheet date without addition for transaction costs at the time of acquisition. If valuation is not done using officially quoted prices, valuation of financial instruments is done with the help of various valuation techniques. A description of how fair value is determined is provided in the section "Methods for determining fair value" below.

Derivatives

Derivative instruments are used to economically eliminate interest rate risk and currency risk, and are intended to be held until maturity. Issued securities that are dissolved after the dissolution period that is standard practice in the market are also reported as derivatives.

Valuation is done individually at fair value. Interest rate derivatives are valued by discounting future cash flows using a current interest rate curve along with currency swaps and currency forward contracts at the current forward rate on the balance sheet date. The principle of recognising the unrealised or realised profit or loss depends on whether the derivative is designated as a hedging instrument or not, and if so, which hedge accounting category is applied, see the section "Hedge accounting" below. Profits and losses from derivatives that are not used as hedge instruments for hedge accounting are reported in the income statement under Net financial income.

Available-for-sale financial assets

Skandiabanken applies this category for fixed-income securities (primarily for investments of total liquidity), which are normally held to maturity, but where there is a possibility if needed to dispose of all or part of the holding in advance, and for a minor holding of shares. Measurement is done at fair value, with unrealised changes in value reported in other comprehensive income. Upon disposal, realised changes in value are recognised in the income statement on the line "Net financial income" and are thereby transferred away from other comprehensive income. Interest is reported in the income statement on the line "Interest income", calculated in accordance with the effective interest method. Impairment and any exchange rate movements are reported directly in the income statement on the line "Net financial income".

For disclosure of various methods for determining fair value, see the section "Methods for determining fair value" below.

Loan losses and impairment of financial assets

Financial assets classified as "Loan receivables and trade receivables" and "Available-for-sale financial assets" are tested for impairment. First, an assessment is made of whether the financial asset is deemed to be impaired according to criteria for determining the need to recognise impairment, and thereafter a determination of the financial asset's value is made.

Loan receivables carried at amortised cost

a) Non-performing loans

All receivables in which interest, principal or overdrafts are more than 60 days past due are reported as non-performing loans. In calculating the grace period, the original due date is used as the starting point without taking any respite from payment into account.

b) Non-performing loans that are not judged to be impaired

Non-performing loans that are not considered to be impaired consist of loans for which adequate collateral exists. Reporting of interest is done as for non-performing loans, see below.

c) Impaired loans

An impaired loan is a non-performing loan for which there is inadequate collateral to cover both the principal and interest including late charges.

Modified loans exist when Skandiabanken has granted a concession due to the borrower's deteriorated financial position or when the borrower encounters other financial difficulties. Loans that are subject to modification/renegotiation are not classified as impaired if the borrower, after the modification, is judged to be able to fulfil the renegotiated contract terms.

Interest income on non-performing loans is reported at the loan's original effective interest rate.

d) Determination of when a need to recognise impairment exists

Skandiabanken determines whether there is objective evidence of impairment in the following ways:

1) Individually for financial assets that are significant individually
2) Collectively for financial assets that are not significant individually, which are called "homogenous groups of loans with limited value and similar credit risk"
3) On a portfolio valuation basis for loan losses that have not been individually identified as impaired

Objective evidence exists for categories 1) and 2) in accordance with the definition of impaired loans, i.e., when the loan has not been paid within 60 days and in cases where the loan is judged to be impaired for other reasons, for example, when the value of the collateral has decreased or in the event of insolvency of the borrower.

If there is no objective evidence of impairment in accordance with categories 1) or 2), then the asset is included in category 3). This category refers to groups of financial assets with similar credit risk characteristics, and a judgement is made collectively of the need to recognise impairment for the respective categories of assets. As an indicator of whether objective evidence exists of lower cash flows in a category, Skandiabanken measures the response to payment reminders for this category. Provisions for this type are made in such way that the likelihood of the loan becoming a confirmed loss is calculated based on the response to payment reminders and is applied for the category of loans that are 1-60 days past due. Another indicator consists of changes in the risk classification for a category in which the assets are included in an internal risk classification system. Any impairment is in such case based on the estimated, anticipated loss for the loans that have not already been individually assessed.

In cases where no need to recognise impairment exists, the loan is classified as "Non-performing loans that are not judged to be impaired", and loans for which a need to recognise impairment has been determined are classified as "Impaired loans".

Cont. note 1 – Significant accounting and valuation policies

e) Valuation of impaired loans and provisions for loan losses
A provision for loan losses is calculated based on the entire, remaining receivable. Provisions for loan losses are reported in a separate provision account on the balance sheet and are included as a sub-item under “Lending to the general public”, and the corresponding opposite item is reported in the income statement under “Loan losses, net”. Reversals/dissolutions for probable loan losses, where a need for provisions no longer exists, are made when it has been determined that the credit quality has improved, amounts past due have been settled, and there is no longer reason to expect that the contractual terms will not be met.

Calculation of provisions for loan losses – individual assessment for financial assets that are significant individually
For impaired loans that are significant individually, impairment is calculated as the difference between the loan’s carrying amount and the present value of estimated future cash flows discounted to the financial asset’s original effective interest rate, i.e., the effective interest rate that was calculated on the initial reporting occasion. This category pertains primarily to mortgage loans secured by real estate. This means that when the recoverable value is taken into account, the market value of the collateral is also assessed.

Calculation of provisions for loan losses – loans that are not individually significant
The need for provisions is calculated in accordance with a standard formula for homogenous groups of loans with limited value and similar credit risk. However, these loans are identified individually. The method is based on previous experience with the size of loan losses for the credits in question and an estimation of probable outcome. A standard provision of 10%-30% is made for credit risks where the receivable is past due more than 60 days, 20%-60% after 90 days, and a maximum of 90% after 180 days.

Calculating provisions for loan losses – collective individual assessment for individually significant loans and loans that are not individually significant
When calculating the need for provisions for loan receivables that cannot be attributable to individual loans, these are grouped according to their credit characteristics, e.g., home mortgages, account lines of credit, credit card credits, personal loans, etc. For the respective categories, a probability is calculated of the degree to which they will be confirmed. The calculation is based either on changes in the payment status or changes in the risk class.

f) Write-off and recovery of confirmed loan losses
Losses in which a bankruptcy trustee has provided an estimation of distributions in a bankruptcy proceeding, a proposal for composition has been accepted, or a concession has been made for a receivable in some other way – after recovering the value of any collateral and where it has been determined that no recovery can be achieved – are reported as write-offs of confirmed loan losses for the year. Amounts written off reduce the principal of the loan and are reported against the write-off of confirmed loan losses in the income statement taking into account previous provisions. Concessions of amounts in connection with a modification are always reported as confirmed.

Impairment of available-for-sale financial assets
A determination is made of whether there is objective evidence that anticipated cash flows will decrease and thereby lead to a need to recognise impairment. Objective evidence of a need to recognise impairment can include a downgrade in credit rating by a credit rating agency, Skandiabanken obtaining knowledge about a potential, future insolvency of a counterparty, or difficulties arising in the market to divest the asset. An indication of the latter can be a sharp increase in credit spreads that is not of a temporary character.

Unrealised gains or losses for available-for-sale financial assets are recognised in other comprehensive income. When an impairment loss is recognised for these assets, a transfer is made from other comprehensive income to the income statement, where it is reported on the line “Net financial income”. The amount transferred to the income statement corresponds to the difference between the cost and the fair value of the instrument, less previous impairment losses.

A reversal of an impairment loss as a result of an increase in fair value is not made for equity instruments. However, for fixed-income securities, a reversal of impairment is made through profit or loss in cases where the fair value has increased.

Hedge accounting
Hedged items
At Skandiabanken, hedged items consist both of individual assets and liabilities and portfolios of assets and liabilities. Two types of hedges are currently used: hedges made at fair value for lending at fixed interest rates (portfolio hedge at fair value), and hedges for net investments in foreign operations (applies only for part of net investments in the Norwegian branch through 5 October 2015).

Effectiveness of hedges
In order to be able to apply hedge accounting, the hedge must have a high degree of effectiveness. A hedge is considered to be effective if, upon its inception and during the entire term, it can be expected that changes in fair value of the hedged item will be essentially neutralised by changes in the fair value of the hedge instrument. The outcome is to be within the range of 80%-125%. When subsequently determining the effectiveness of a hedge, Skandiabanken measures hedge instruments at fair value and compares the change of this value with the change in the fair value of the hedged item while taking into account the hedged risk. Measurement of the effectiveness is done on a cumulative basis. If the hedge condition does not meet the requirements, hedge accounting is concluded and the unrealised value of the derivative is reported through profit or loss as previously, while the hedged item is now instead carried at amortised cost.

Derivatives that constitute hedge instruments are classified in two categories, depending on the purpose of the hedge:
Portfolio hedge at fair value
Portfolio hedges at fair value are used for exposures to interest rate risk attributable to lending at fixed interest rates. Changes in the fair value of the hedged item are reported on a separate line on the balance sheet, “Fair value of portfolio hedge of interest rate risk”. Changes in the fair value of derivatives (interest rate swaps) used as hedge instruments are reported on the balance sheet under “Financial assets at fair value” or “Financial liabilities at fair value”, depending on the outcome. In the income statement, the outcomes for the hedged item and the hedge instrument are reported separately under the item “Net financial income”. The aim of hedge accounting is that changes in fair value of the hedged item and the hedge instrument essentially offset each other, if the hedge is effective.

Hedge of net investments in foreign operations (Norwegian branch)
Currency swaps are held to hedge currency risks on the balance sheet attributable to net investments in foreign operations. The effective portion of a hedge is reported in other comprehensive income, and the ineffective portion is reported in profit or loss. Upon disposal of the operation, the portion that was previously effective is reported in profit or loss.

Cont. note 1 – Significant accounting and valuation policies

Financial liabilities

Financial liabilities where changes in fair value are reported through profit or loss
Financial liabilities classified as “Fair value through profit or loss” are held for trading. Reporting is done at fair value, with changes in value reported through profit or loss under “Net financial income”. Derivative liabilities are reported under this category.

Other financial liabilities
Interest-bearing liabilities
Deposits, issued securities and other interest-bearing liabilities are reported at amortised cost. Interest expenses for the period pertain to interest calculated in accordance with the effective interest method.

Other liabilities
Trade accounts payable and other noninterest-bearing liabilities are reported at their nominal value.

Methods for determining fair value
The methods for determining the fair value of financial instruments adhere to a hierarchy entailing that market information is used as far as possible, and company-specific information as little as possible. For disclosure purposes, fair value is then broken down into the following levels for Skandiabanken:

Level 1: Valuation of quoted prices in an active market
Level 2: Calculated values that are based on observable market quotations for similar instruments
Level 3: Calculated values that are based on assumptions and estimations, and on observable market quotations where such suitable quotations are available. No assets or liabilities are valued at Level 3

By quoted prices in an active market, Skandiabanken means that quoted prices are easily available on an exchange, from a broker or similar, and these prices represent actual and regularly recurring transactions conducted on an arm’s length basis. If no active market exists, various valuation techniques are used which are based on observable market quotations as far as possible.

8. Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and costs directly attributable to the asset to put it in place and in condition to be utilised in accordance with the purpose of its acquisition. Depreciation is reported in the income statement on a linear basis over the anticipated useful life. Anticipated useful life for equipment has been estimated to be five years. Applied useful lives, residual values and depreciation methods are reconsidered yearly.

The profit or loss that arises upon disposal or retirement of an asset is calculated as the difference between the sales revenue and the asset’s carrying amount, and is reported in the income statement.

9. Intangible assets

Other intangible assets

Skandiabanken has other intangible assets with finite useful lives, which are reported at cost less accumulated amortisation and impairment losses. These assets consist of nonrecurring infrastructural charges, assets in the form of customer contracts taken over, and acquired and/or proprietary IT systems and software that are judged to have significant value for the operations in coming years.

Intangible assets are reported on the balance sheet only if all conditions have been fulfilled:
• The asset is identifiable
• The asset will likely generate future economic benefit
• Skandiabanken has control over the asset in the form of legal rights

Anticipated useful life varies between five and ten years. Fees that pertain to maintenance and/or development of existing systems are reported as an expense in the income statement.

10. Impairment of intangible assets and property, plant and equipment

The carrying amount of Skandiabanken’s assets is reviewed at every balance sheet date to determine if there is any indication of a decline in value. If such indication exists, the asset’s recoverable amount is calculated, which is the higher of the asset’s net sales value and value in use. When determining value in use, the anticipated future cash flows are discounted to present value using a discount rate before tax which reflects the current market rate of interest and the risk attributable to the asset. An impairment loss is recognised when the carrying amount of the asset or its cash generating unit exceeds the recoverable value. Impairment losses are expensed in the income statement.

In cases where it has been determined that a need to recognise impairment no longer exists, the impairment loss is reversed.

11. Provisions for pensions

Skandiabanken’s pension benefits are secured through insurance solutions consisting of both defined contribution and defined benefit pension plans, which are reported as an expense in the income statement for the period the costs pertains to. Defined contribution pension plans are classified as plans in which the company’s obligation is limited to the contributions the company has undertaken to pay. In such case, the size of the employee’s pension is based on the contributions paid in by the company and the investment return generated on the contributions. By defined benefit pension is meant that the employee is guaranteed a set post-retirement pension that is based on his or her final salary.

Skandiabanken applies the rules of the Pension Obligations Vesting Act (1967:531) and the Swedish Financial Accounting Board (RFR) for employee pension obligations in Sweden. This entails that the rules in IAS 19 regarding defined contribution pension plans do not need to be applied by legal entities, and instead, the so-called simplification rule can be applied instead. For Skandiabanken’s employees in Sweden this entails that defined benefit plans are reported as defined contribution plans. Pension obligations in the Norwegian branch are reported in accordance with local Norwegian rules, where defined benefit obligations are carried on the balance sheet. For the Norwegian obligations, the employees’ service cost and the net interest on the defined benefit pension liability are reported as an expense in the income statement, and effects of revaluations are reported in other comprehensive income. The pension liability is reported as a provision on the balance sheet.

Cont. note 1 – Significant accounting and valuation policies

12. Other provisions
Provisions are reported on the balance sheet when an obligation has arisen as a result of events that have occurred and the amount can be calculated reliably and it is probable that the obligation will be settled. A provision for restructuring is reported when a detailed and formal restructuring plan has been adopted and the restructuring has either been started or been publicly announced. No provision is made for future operating expenses.

13. Recognition of revenues and expenses
Revenues consist of the fair value of payments that have been received or are required for services that have been provided in the ordinary business activities, net after VAT.

Interest income and interest expenses
For financial instruments that are not measured at fair value through profit or loss, interest income and interest expenses are reported using the effective interest method. The effective interest method entails that all transaction costs and fee revenues that are included in effective interest are allocated over the financial instrument's anticipated term. Interest attributable to hedge instruments that hedge interest rate risk and currency risk is reported in net interest income. Differences in interest upon early redemption of lending and deposits at fixed interest rates are also reported in net interest income.

Fee and commission income and fee and commission expenses
Payment intermediation fees consist of transaction-based fees, which are reported when the transaction is performed. Allocation is made to the period that the revenue and expense pertain to.

Arrangement fees and transaction costs for creating or acquiring a financial asset or liability that is not classified as measured at fair value through profit or loss are deferred and reported instead as an adjustment of the effective interest. These fees and transaction costs are thus not reported as fee and commission income or expense, but as interest income or interest expense.

Securities commissions received that pertain mainly to brokerage fees, compensation for sales of securities and asset management fees, as well as commissions on lending and deposits, are reported as revenue when the service has been rendered and provided to the customer. Other fee and commission income consists of compensation received for distribution of insurance and compensation associated with the SAS/Eurobonus loyalty programme that is further invoiced in the Skandia group. Other fee and commission expenses consist of costs for points rewarded under the SAS/Eurobonus loyalty programme. The expense is recognised in pace with the fee and commission income that generates the points.

Net financial income
Realised and unrealised changes in value attributable to financial transactions classified as held for trading and hedge accounting are reported under this item. Capital gains or losses arising from the sale of available-for-sale financial assets are reported under this heading.

The items pertain to changes in the value of shareholdings, fixed-income securities and interest-related derivatives, changes in value pertaining to hedge accounting, and exchange rate movements.

Staff costs
Short-term remuneration of employees consists of fixed and variable salaries and associated social security costs and payroll tax as well as other short-term staff costs. By short-term remuneration is meant that the amount is payable within twelve months after the end of the period in which the employee has performed the services.

Remuneration of employees who have been given notice of termination leads to an obligation at the date of notice. This obligation is reported as a liability on the balance sheet and as an expense under the item "Staff costs". Agreed-upon remuneration in connection with a notice of termination can entail that the employee receives a number of months' salary without any work obligation. Such remuneration is immediately expensed.

Pension costs
In the income statement, pensions costs consist of pension premiums for defined contribution and defined benefit pension plans. In addition to these are the cost for the Norwegian defined benefit pension plans in accordance with local Norwegian rules, consisting of the sum of current service cost and past service cost, and net interest on the defined benefit liability.

14. Taxes
Income taxes consist of current and deferred tax. Current tax is reported for the year's taxable profit and is calculated individually for Sweden and the Norwegian branch in accordance with the tax rules in the respective countries. Skandiabanken's current tax liability is calculated using the tax rates that have been decided on or have in practice been decided on. Current tax also includes adjustments of current tax attributable to previous periods.

Deferred tax assets and tax liabilities pertain to tax attributable to taxable, temporary differences, which refers to the difference between an asset's or liability's carrying amount and its taxable residual value on the balance sheet date. Deferred tax is reported in accordance with the so-called balance sheet method. Deferred tax liabilities and tax assets are reported for all taxable temporary differences, and deferred tax assets are reported when it is likely that the amounts can be used to offset taxable surpluses.

The carrying amount of deferred tax assets is tested on every accounting occasion and is reduced to the extent that it is no longer likely that sufficient taxable surpluses will be available to be used entirely or partly against the deferred tax asset. Valuation of deferred tax is based on how the carrying amount of assets or liabilities is expected to be realised or settled. Deferred tax is calculated using the tax rates and according to the tax rules that have been decided on or have in practice been decided on at the balance sheet date.

Current and deferred tax are reported in the income statement, in other comprehensive income, or directly in equity, depending on how the underlying transaction is reported.

Offsetting of current tax assets and tax liabilities, and for deferred tax assets and tax liabilities, is done when a legal right to offsetting exists.

Cont. note 1 – Significant accounting and valuation policies

15. Operating leases
Leasing fees paid under operating leases are reported in the income statement on a linear basis over the term of the lease. For Skandiabanken, this item pertains to rents of premises and leasing costs for cars.

16. Pledged assets, obligations and contingent liabilities
Pledged assets for own liabilities
Pledged assets for the covered bond programme are reported here. A pledged asset consists of a home mortgage and possibly additional security in the form of other financial instruments. Under Skandiabanken's covered bond programme, two separate groupings of pledged assets have been established. One serves as collateral for the SEK-denominated bonds backed only by Swedish home mortgages, and one as collateral consisting only of Norwegian home mortgages. Both the Swedish and Norwegian bonds are issued under the same programme and in accordance with Swedish laws for covered bonds. The value of the respective groupings of pledged assets must amount to the outstanding bond liability at any given time. The bondholders have preferential rights, backed by the groupings of pledged assets, to the funds that would be collected from these home mortgage assets in the event of a bankruptcy.

Other pledged assets
Other pledged assets pertain to pledged assets for other items than for own liabilities reported on the balance sheet.

Bonds pledged with the Central Bank of Sweden and the Central Bank of Norway are reported as other pledged assets. The pledged value pertains to the book value of the bonds. Security is pledged for intra-day limits and pertaining to payment on the next day. Central bank accounts are used for all clearing sales between the banks, and security is required from the first krona for any negative balances in the respective accounts. In cases where a payment obligation is not fulfilled, the Central Bank of Sweden and the Central Bank of Norway have the opportunity to immediately utilise pledged securities. Pledged assets also include cash security pledged for derivative trading under ISDA Master Agreements.

Commitments
Commitments consist of granted but unutilised credits, such as mortgage loans, lines of credit, credit card credits and granted custody account credits that are reported at their nominal, granted amount less any amortised cost on the utilised loan amounts.

Contingent liabilities
Contingent liabilities include obligations that stem from events that have occurred but which do not meet the requirements to be reported as liabilities or provisions, since it is not likely that an outflow will be required or the obligation cannot be calculated with sufficient reliability. In cases where a need exists to utilise guarantee commitments, either a provision or liability is reported on the balance sheet, and a cost is reported in the income statement.

17. Cash flow statement
Cash flow from operating activities indicates Skandiabanken's main line of business, i.e., lending and deposits, and investments in fixed-income securities. Cash and cash equivalents pertain to cash, clearing receivables and clearing liabilities, account balances in other banks, and overnight loans with an original term of less than three days.

18. Group contributions and shareholder contributions
Group contributions are reported in accordance with RFR 2 Accounting for Legal Entities – Alternative Rule. Group contributions received and rendered by Skandiabanken are reported as appropriations. Shareholder contributions received are reported in equity.

19. Discontinued operations
Reporting of discontinued operations is not done in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, as consideration is given to the requirements on presentation format in the Annual Accounts Act for Credit Institutions and Securities Companies. Corresponding information is instead provided in a note.

2. Reporting of operating segments

SEK million	Sweden Banking		Norway Banking		Eliminations and recalculations, Banking		Total Banking	
Income statements	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Net interest income	541	497	745	921	—	—	1,286	1,418
Net fee and commission income	100	99	133	161	—	—	233	260
Net financial income	-3	18	-13	23	2	—	-14	41
Other operating income	134	65	0	3	-72	-17	62	51
Operating income	**772**	**679**	**865**	**1,108**	**-70**	**-17**	**1,567**	**1,770**
Staff costs	-240	-220	-150	-188	—	1	-390	-407
Other administrative expenses	-486	-399	-273	-278	70	16	-689	-661
Depreciation/amortisation of property, plant and equipment, and intangible assets[1]	-34	0	-1	-2	—	—	-35	-2
Impairment of intangible assets	-246	—	—	—	—	—	-246	—
Other operating expenses	-52	-49	-31	-36	—	—	-83	-85
Expenses before loan losses	**-1,058**	**-668**	**-455**	**-504**	**70**	**17**	**-1,443**	**-1,155**
Net loan losses	-6	2	-21	-43	—	—	-27	-41
Operating profit/loss	**-292**	**13**	**389**	**561**	**—**	**—**	**97**	**574**
Appropriations, group contributions	491	5	—	—	—	—	491	5
Profit before tax	**199**	**18**	**389**	**561**	**—**	**—**	**588**	**579**
Income tax expense	-24	-6	-105	-156	—	—	-129	-162
Profit for the year	**175**	**12**	**284**	**405**	**—**	**—**	**459**	**417**
External income	614	626	862	1,100	—	—	1,476	1,726
Internal income[2]	86	37	5	7	—	—	91	44
Internal expenses[2]	-7	-7	-84	-37	—	—	-91	-44
COMPREHENSIVE INCOME								
Net profit for the year	**175**	**12**	**284**	**405**	—	—	**459**	**417**

Footnotes to segment reporting table

[1] No impairment losses have been recognised for property, plant and equipment.

[2] Internal income and expenses are included in the lines “Net interest income”, “Fee and commission income”, “Other operating expenses” and ”Other administrative expenses”.

Cont. note 2. Reporting of operating segments

SEK million	Sweden Banking		Norway Banking		Eliminations and recalculations, Banking		Total Banking	
Income statements	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Other comprehensive income								
Items that cannot be reclassified to profit or loss for the year								
Revaluation of defined benefit pensions	—	—	-1	-6	—	—	-1	-6
Taxes attributable to revaluation of defined benefit pensions	—	—	0	2	—	—	0	2
Items that have been or can be reclassified to profit or loss for the year								
Change in value of available-for-sale financial assets	-43	-13	-16	-8	—	—	-59	-21
Hedge of net investment	—	—	—	—	—	—	0	0
Translation difference	—	—	—	—	-107	-37	-107	-37
Tax attributable to translation difference	—	—	—	—	24	8	24	8
Tax attributable to changes in value of available-for-sale financial assets	10	3	4	2	—	—	14	5
Total	**-33**	**-10**	**-13**	**-10**	**-83**	**-29**	**-129**	**-49**
Comprehensive income for the year after tax	**142**	**2**	**271**	**395**	**-83**	**-29**	**330**	**368**

	Sweden Banking		Norway Banking		Eliminations and recalculations, Banking		Total Banking	
SEK billion	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Balance sheets	**31 Dec.**	**31 Dec.**	**31 Dec.**	**31 Dec.**	**31 Dec.**	**31 Dec.**	**31 Dec.**	**31 Dec.**
Assets								
Lending to the general public[1]	46.6	42.4	—	53.2	—	—	46.6	95.6
Other assets	12.2	8.8	0.1	11.2	—	-0.5	12.3	19.5
Total assets	**58.8**	**51.2**	**0.1**	**64.4**	—	**-0.5**	**58.9**	**115.1**
Liabilities								
Deposits and borrowing from the general public	35.9	35.2	—	44.3	—	—	35.9	79.5
Issued securities	17.3	11.6	—	16.4	—	—	17.3	28.0
Other liabilities	1.5	1.8	0.1	0.9	—	-0.5	1.6	2.2
Total liabilities	**54.7**	**48.6**	**0.1**	**61.6**	—	**-0.5**	**54.8**	**109.7**
Equity	**4.1**	**2.6**	**0.0**	**2.8**	—	—	**4.1**	**5.4**
Total liabilities and equity	**58.8**	**51.2**	**0.1**	**64.4**	—	**-0.5**	**58.9**	**115.1**

[1] Swedish banking operations, including placements of SEK 0.3 billion (2.2) with the Swedish National Debt Office and of — (SEK 0.1 billion) with Skandia Capital AB.

Cont. note 2. Reporting of operating segments

Key ratios	Sweden Banking 2015 31 Dec.	Sweden Banking 2014 31 Dec.	Norway Banking 2015 31 Dec.	Norway Banking 2014 31 Dec.	Eliminations and recalculations, Banking 2015 31 Dec.	Eliminations and recalculations, Banking 2014 31 Dec.	Total Banking 2015 31 Dec.	Total Banking 2014 31 Dec.
Investment margin, %[1]	0.97	1.05	1.63	1.52	—	—	1.10	1.31
C/I ratio before loan losses and impairment of intangible assets[2]	1.05	0.98	0.53	0.45	1.00	1.00	0.76	0.65
Loan loss ratio, %[3] [4]	0.01	-0.01	0.05	0.09	—	—	0.05	0.05
Number of customers, thousands	453	452	—	378	—	—	453	830
Average number of employees[5]	306	289	169	201	—	—	475	490

Footnotes to segment reporting table

[1] Net interest income as % of average volume (balance sheet total).

[2] Costs excl. loan losses and impairment of intangible assets in relation to operating income.

[3] Loan losses as % of opening balance of lending to the general public.

[4] Positive loan loss ratio in Sweden in 2014 due to the sale of written-off credits.

[5] Calculated for the period up until the separation of the Norwegian operation for the full year 2015.

Reporting of operating segments

Skandiabanken in Sweden and Norway (in Norway until 5 October 2015) conducts banking business in the retail market and offers lending to individuals primarily in the form of home mortgages, personal loans, account lines of credit and credit card credits, custody account lending, and deposits. In addition to the lending and deposit operations, the Bank offers services for equity trading, mutual funds and discretionary asset management.

Internal revenues for the “Sweden banking” segment pertain to interest attributable to lending to Skandiabanken’s Norwegian branch, i.e., the “Norway banking” segment. Interest pertains primarily to internal subordinated loans issued in connection with allocations of capital. Internal lending, deposits and borrowing are priced according to specific interest rates with a going rate interest rate mark-up. In other respects, minor payments are made between the segments for internally performed services, which are priced on a cost-price basis.

Information on major customers

By major customers is meant customers that generate revenue that accounts for 10% or more of the company’s total revenue under “Total operating income”. Invoicing to other companies in the Skandia group does not exceed the 10% threshold. For further information, see note 41 – Related party disclosures.

Government subsidies

Skandiabanken did not receive any government subsidies for the 2014 or 2015 financial years.

3. Net interest income

	2015		2014	
	Interest	Average interest rate	Interest	Average interest rate
Lending to credit institutions	8	0.26%	12	0.82%
Lending to the general public[1]	2,117	2.22%	2,866	3.39%
Fixed-income securities	121	0.69%	294	1.54%
Other	4	0.63%	1	0%
Total interest income[2]	**2,250**	**1.93%**	**3,173**	**2.94%**
Due to credit institutions	-22	2.61%	-1	1.36%
Deposits and borrowing from the general public	-709	0.94%	-1,322	1.77%
Issued securities	-220	0.75%	-404	1.75%
Subordinated liabilities	-11	1.19%	-18	2.04%
Other	-2	0.02%	-10	0.12%
Total interest expense[2]	**-964**	**0.83%**	**-1,755**	**1.64%**
Total[2]	**1,286**	**1.10%**	**1,418**	**1.30%**
Of which, Norwegian operation	*745*	*1.22%*	*921*	*3.00%*

Interest income from financial instruments that are not measured at fair value through profit or loss amounts to SEK 2,390 million (3,279). Interest expenses from financial instruments that are not measured at fair value through profit or loss amount to SEK 987 million (1,768).

[1] Interest income on impaired loans amounted to SEK 2 million (5).

[2] The deviation in total interest income and expense compared with the income statement amounts to SEK 2 million (13) and pertains to interest expenses attributable to hedge instruments, which in the note are transferred to interest income to provide a more accurate picture while taking into account the purpose of the hedges.

4. Net fee and commission income

	2015	2014
Payment intermediation fees	244	313
Commissions on lending	1	1
Commissions on deposits	2	1
Commissions on securities	188	157
Other commissions	16	8
Total fee and commission income	**451**	**480**
Payment intermediation fees	-113	-140
Commissions on securities	-48	-41
Other commissions	-57	-39
Total fee and commission expenses	**-218**	**-220**
Net fee and commission income	**233**	**260**
Of which, Norwegian operation	*133*	*161*

Commissions derived from financial assets and liabilities that are not measured at fair value and that are not included in the determination of interest in accordance with the effective interest rate method amount to SEK 247 million (314) for fee and commission income and SEK 113 million (138) for fee and commission expenses.

Commissions derived from asset management operations that involve custody or investments of assets for the benefit of customers and that are not included in the determination of interest in accordance with the effective interest rate method amount to SEK 188 million (157) for fee and commission income and SEK 48 million (41) for fee and commission expenses.

5. Net financial income

	2015	2014
Financial assets at fair value classified as held for trading	**0**	**32**
- Share dividends	—	0
- Shares and participations and other equity instruments, change in value, etc.	0	33
- Interest-bearing derivatives, change in value	0	-1
Available-for-sale financial assets	**0**	**14**
- Fixed-income securities, change in value	0	14
Repurchases of issued securities	**-11**	**-3**
Hedge accounting[1]	**-1**	**-1**
- Change in value of hedged item	-66	113
- Change in value of hedged instruments	65	-114
Exchange rate movements	**-2**	**-1**
Total	**-14**	**41**
Of which, Norwegian operation	*-13*	*23*

[1] Pertains to outcome of hedge accounting of fair value of portfolio hedge of interest rate risk.

Total net result for available-for-sale financial assets[1]	**2015**	**2014**
Unrealised gain/loss recognised in other comprehensive income[2]		
Reclassification of realised gains/losses from other comprehensive income to net profit for the year	-2	-13
Unrealised changes in value	-57	-8
Total profit in other comprehensive income	**-59**	**-21**
Realised gains/losses recognised in profit or loss[3]		
Reclassification of realised gains/losses from other comprehensive income to net profit for the year	2	13
Gain/loss realised directly in profit or loss	-13	-3
Total realised gain/loss in profit or loss	**-11**	**10**
Total	**-70**	**-11**
Of which, Norwegian operation	*8*	*-5*

[1] Total result for available-for-sale financial assets is divided into:

[2] Other comprehensive income, consisting of a) reclassification of unrealised changes in value on disposal from the fair value reserve via other comprehensive income to profit or loss and b) unrealised changes in value of remaining holdings on the balance sheet date.

[3] Realised gains and/or losses recognised in profit or loss consist of a) realised gains or losses on holdings acquired in previous financial years and which have been reclassified upon disposal from the fair value reserve via other comprehensive income to profit or loss and b) realised gains or losses on holdings that have been acquired and disposed of during the current financial year.

6. Other operating income

	2015	2014
Revenues from group companies within the Skandiabanken group[1]	59	46
Other income	3	5
Total	**62**	**51**
Of which, Norwegian operation	*0*	*3*

[1] For detailed information, see note 41, Related party disclosures.

7. Staff costs

	2015	2014
Salaries and remuneration	-245	-255
Defined benefit pensions	-15	-15
Defined contribution pensions	-22	-23
Payroll tax	-8	-8
Social security costs	-68	-64
Variable remuneration[1]	-18	-17
Other staff costs	-14	-25
Total	**-390**	**-407**
Of which, Norwegian operation	*-150*	*-188*

[1] By variable remuneration is meant the Skandianen profit-sharing foundation for employees in Sweden and a similar profit-sharing system in Norway.

Average number	2015					2014				
of employees	Women		Men		Total	Women		Men		Total
Sweden	173	57%	133	43%	306	158	55%	131	45%	289
Norway	94	56%	75	44%	169	112	56%	89	44%	201
Total	**267**	**55%**	**208**	**45%**	**475**	**270**	**55%**	**220**	**45%**	**490**

Gender breakdown	2015					2014				
as per 31 December	Women		Men		Total	Women		Men		Total
Board of Directors	5	45%	6	55%	11	6	50%	6	50%	12
CEO and other members of executive management	4	57%	3	43%	7	1	20%	4	80%	5

2015 SEK thousand Sweden	Base salary/directors' fees	Variable remuneration	Other benefits and remuneration	Pension cost	Total
Niklas Midby, Chairman of the Board	842	—	—	—	842
Peter Rydell, director	35	—	—	—	35
Björn Fernström, director	35	—	—	—	35
Christer Löfdahl, director	450	—	—	—	450
Niklas Johansson, director	146	—	—	—	146
Øyvind Thomassen, CEO[1]	3,583	—	84	1,164	4,831
Bengt-Olof Lalér, Deputy CEO	2,215	17	72	959	3,263
Other senior executives (6 persons)	8,229	85	2,679	2,726	13,719
Other employees who influence the company's level of risk (11 persons)[2]	8,326	188	308	2,351	11,173
Other employees (287 persons)	118,431	5,843	10,013	18,530	152,817
Total	**142,292**	**6,133**	**13,156**	**25,730**	**187,311**
Norway					
Øyvind Thomassen, CEO	—	—	—	—	—
Other senior executives (1 persons)	1,747	188	242	203	2,380
Other employees who influence the company's level of risk (21 persons)[2]	12,319	1,394	2,884	1,754	18,351
Other employees (147 persons)	82,325	10,058	2,335	9,677	104,395
Total	**96,391**	**11,640**	**5,461**	**11,634**	**125,126**
Total					
Niklas Midby, Chairman of the Board	842	—	—	—	842
Peter Rydell, director	35	—	—	—	35
Björn Fernström, director	35	—	—	—	35
Christer Löfdahl, director	450	—	—	—	450
Niklas Johansson, director	146	—	—	—	146
Øyvind Thomassen, CEO[1]	3,583	—	84	1,164	4,831
Bengt-Olof Lalér, Deputy CEO	2,215	17	72	959	3,263
Other senior executives (7 persons)	9,976	273	2,921	2,929	16,099
Other employees who influence the company's level of risk (32 persons)[2]	20,645	1,582	3,192	4,105	29,524
Other employees (434 persons)	200,756	15,901	12,348	28,207	257,212
Total	**238,683**	**17,773**	**18,617**	**37,364**	**312,437**

Directors' fees pertain to full-year amounts approved by the Annual General Meeting. For information on which period the board members served on the Board, see the Corporate Governance Report.

[1] The reduction in fees is mainly attributable to housing subsidy received in 2014 (as a result of relocation from Norway).

[2] Risk-takers as per the definition below.

Cont. note 7. Staff costs

2014 **SEK thousand** **Sweden**	**Base salary/directors' fees**	**Variable remuneration**	**Other benefits and remuneration**	**Pension cost**	**Total**
Niklas Midby, Chairman of the Board	800	—	—	—	800
Peter Rydell, director	350	—	—	—	350
Björn Fernström, director	350	—	—	—	350
Øyvind Thomassen, CEO	3,956	—	797	1,108	5,861
Jonas Holmberg, Deputy CEO	2,254	7	122	1,151	3,534
Bengt-Olof Nilsson Lalér, Deputy CEO	2,230	7	72	894	3,203
Other senior executives (1 person)	2,005	7	140	1,001	3,153
Other employees who influence the company's level of risk (11 persons)[1]	9,930	79	619	3,670	14,298
Other employees (274 persons)	107,979	2,339	11,086	13,737	135,141
Total	**129,854**	**2,439**	**12,836**	**21,561**	**166,690**

Norway					
Øyvind Thomassen, CEO	—	—	—	—	—
Other senior executives (1 person)	2,370	289	225	237	3,121
Other employees who influence the company's level of risk (15 persons)[1]	15,865	1,928	1,600	1,998	21,391
Other employees (185 persons)	103,859	12,896	2,752	13,866	133,373
Total	**122,094**	**15,113**	**4,577**	**16,101**	**157,885**

Total					
Niklas Midby, Chairman of the Board	800	—	—	—	800
Peter Rydell, director	350	—	—	—	350
Björn Fernström, director	350	—	—	—	350
Øyvind Thomassen, CEO 1'	3,956	—	797	1,108	5,861
Jonas Holmberg, Deputy CEO	2,254	7	122	1,151	3,534
Bengt-Olof Lalér, Deputy CEO	2,230	7	72	894	3,203
Other senior executives (2 persons)	4,375	296	365	1,238	6,274
Other employees who influence the company's level of risk (26 persons)[1]	25,795	2,007	2,219	5,668	35,689
Other employees (459 persons)	211,838	15,235	13,838	27,603	268,514
Total	**251,948**	**17,552**	**17,413**	**37,662**	**324,575**

[1] Risk-takers as per the definition below.

Remuneration policy

The remuneration policy adopted by Skandiabanken's board of directors stipulates, among other things, that employee remuneration shall be structured to take into account the importance that operations are cost-effective and competitive. The remuneration system shall encourage long-term value creation for Skandiabanken with a well balanced risk horizon. Remuneration of employees of Skandiabanken shall be business-led, individually based and differentiated, and shall be based on:

- The employee's performance, experience and competence as well as behaviour in accordance with Skandia's values. Consideration shall also be given to the employee's commitment, ability to cooperate, and development of own other others' competence
- The market, i.e., what other companies pay for similar work duties in what can be regarded as the employee's potential job market
- The degree of difficulty and responsibility of the position (work duties)

Skandiabanken's remuneration policy shall be reviewed yearly to ensure that it evolves in pace with changes in the company's environment.

Risk analysis

Before a decision is made on the remuneration system or significant changes to it, an analysis is conducted of how the system affects the risks that Skandiabanken is exposed to and how these risks are managed. Skandiabanken's Chief Risk Officer has specific responsibility for this assessment.

The risk analysis, which serves as the basis for Skandiabanken's remuneration policy, includes a description of the structure and content of remuneration programmes for Skandiabanken's employees, how Skandiabanken's remuneration policy is to be applied, and an analysis of the process for identifying employees who can influence the company's level of risk. This analysis also includes a description of Skandiabanken's system for risk governance and risk management.

The performed risk analysis shows that Skandiabanken's remuneration policy and remuneration system support effective risk management in the company and do not encourage excessive risk-taking. The following parts of the remuneration system are important components that have affected the result of the analysis:

- Skandiabanken's remuneration committee, which is a permanent board committee tasked with conducting preparatory drafting work on benefits for employees of Skandiabanken. Through this, the Board is considered able to make conscious, active decisions on remuneration matters.
- Except for Skandianen for employees in Sweden and a similar profit-sharing system in Norway, all remuneration of Skandiabanken's employees is in the form of fixed salary.
- Clear processes for approval of salary adjustments, including the so-called four-eyes principle, entailing that approval must be obtained from the manager's manager.

Drafting and decision-making processs

Skandiabanken has a remuneration committee, which is a permanent board committee consisting of two board members. During the year, Frans Lindelöw took over after Bengt-Åke Fagerman, and at year-end the committee's members were Frans Lindelöw and Niklas Midby. The CEO and head of salaries and benefits at Skandia are co-opted to the committee to the extent requested by the committee. The Remuneration Committee held five meetings during the year.

The Remuneration Committee is tasked with conducting drafting work for important matters

Cont. note 7. Staff costs

regarding remuneration of employees of Skandiabanken. This includes, among other things, conducting drafting work for the Board's decisions on remuneration and other terms of employment for the CEO, other members of management and, where applicable, other employees who report directly to the Board or the CEO. The Board's decision on remuneration of the CEO must be approved by Skandia Mutual's remuneration committee before such decision can be executed. Decisions on remuneration of other employees of Skandiabanken are to be made in accordance with the so-called four eyes principle that is applied within the Skandia group.

Decisions on remuneration of – where applicable – employees who have overall responsibility for any of Skandiabanken's control functions (functions for risk governance and risk control, compliance, and internal audit or similar) are to be made by the Board of Directors.

Remuneration components

Remuneration consists of one or more of the following components:

- Monthly salary, i.e., fixed salary that is paid out monthly
- Skandianen, which is a profit-sharing foundation. For employees in Sweden, except for the CEO, a yearly allocation is made to Skandianen based on Skandia's financial result. For employees in Norway, remuneration corresponding to a maximum of one and a half month's salary could be payable for 2015
- Pension plans in Skandiabanken consist mainly of retirement benefits under the collective agreement in the insurance industry (FTP), and in certain cases additional retirement benefits for senior executives. Pension plans for employees in Norway are either defined benefit or defined contribution solutions
- Other benefits, e.g., company car, private healthcare insurance, subsidised interest rates and fitness subsidy

No employee of Skandiabanken is entitled to individual, variable remuneration.

Salaries and fees

Fees are payable to the Chairman of the Board and other board members in accordance with a decision by the Annual General Meeting. No fees are payable to board members who are employees of Skandia. The CEO's remuneration consists of a fixed base salary, while the remuneration for the deputy CEO and other senior executives consists of a fixed, base salary and payment from Skandianen as described below.

No employee received remuneration in excess of EUR 1 million during the financial year. Four employees received extra remuneration in connection with their recruitment. The total amount of this remuneration in 2015 was SEK 661 thousand. The main reason for the extra remuneration was to compensate the individuals for forfeited variable remuneration from their former employers.

Skandianen

For all employees in Sweden, except for the CEO, remuneration corresponding to a maximum of 125% of one-half of the Price Base Amount may be payable through an allocation to the Skandianen profit-sharing foundation. The primary aim of Skandianen is to serve as a vehicle for profit-sharing, i.e., if Skandia does well, then a financial reward is passed on to Skandia's employees. The aim is also to instil an understanding among Skandia's employees for the group's most important key performance indicators. In 2015, grants from Skandianen were steered by the following five KPIs: total return compared with peer competitors; customer satisfaction; net customer cash flow; the number of "total" customer ("helkunder"); and administrative expenses. Grants from Skandianen are not at employees' disposal until the fifth year after the year of grant. For 2015 the maximum allocation can amount to SEK 27,800 per employee. For employees in Norway, payment could amount to a maximum of one and a half month's salary for 2015.

Change in liability for variable remuneration

SEK thousand	Executive management	Other employees who can influence the company's level of risk	Other employees	Total	Of which, deferred remuneration
Opening balance, 1 January 2014	**4,164**	**2,611**	**14,132**	**20,907**	**4,786**
Exchange rate difference	-24	-26	-130	-180	
Estimated provision for earned variable remuneration in 2014	327	2,031	19,168	21,526	
Payment of remuneration earned in previous years[1]	-758	-1,543	-9,380	-11,681	
Adjustment of remuneration from previous years	-514	260	-4,347	-4,601	
Closing balance, 31 December 2014	**3,195**	**3,333**	**19,443**	**25,971**	**4,445**
Exchange rate difference	-146	-260	-1,232	-1,638	
Estimated provision for earned variable remuneration in 2015	324	1,674	16,503	18,501	
Payment of remuneration earned in previous years[1]	-2,634	-2,824	-15,287	-20,745	
Separation of Norwegian operation	-363	-1,832	-9,716	-11,911	
Adjustment of remuneration from previous years	698	264	-2,849	-1,887	
Closing balance, 31 December 2015	**1,074**	**355**	**6,862**	**8,291**	**949**

[1] Payment of deferred variable remuneration and provision to the Skandianen profit-sharing foundation and similar profit-sharing system in Norway.

Percentage allocation of variable remuneration

	2015	**2014**
Cash variable remuneration	—	—
Other[1]	100%	100%
	100%	**100%**

[1] Pertains to the Skandianen profit-sharing foundation for employees in Sweden and a similar profit-sharing system in Norway.

Cont. note 7. Staff costs

Occupational pensions for the CEO and deputy CEO
Skandiabanken's CEO has retirement benefits in accordance with the FTP plan, department 1 (occupational pension plan for insurance industry employees). The pension plan is a defined contribution solution. For his level of pensionable salary higher than 30 times the Income Base Amount, a premium of 7% is paid on top of contributions paid under the FTP plan. The year's pension cost in relation to pensionable remuneration was 32% (28%).

Pension costs for the deputy CEO are both defined benefit and defined contribution solutions and are vested through insurance. The deputy CEO has benefits in accordance with the FTP plan, department 2. This plan is mainly a defined benefit solution with a maximum benefit equivalent to 65% of pensionable salary. The retirement age is 65, as for others in the FTP plan.

For the deputy CEO, in addition to contributions paid under the FTP plan, a premium is paid that corresponds to 37% of the level of pensionable salary above the plan's cap of 30 times the Income Base Amount.

The year's defined contribution pension cost for the deputy CEO in relation to pensionable remuneration was 9% (29%), and the defined benefit pension cost in relation to pensionable remuneration was 36% (15%).

Occupational pensions for other senior executives
Pension plans for other senior executives in Sweden consist of pension benefits under the collective agreement for employees in the insurance industry (FTP). As for other executives, the retirement age is 65.

The pension plans for other senior executives in Norway are defined benefit solutions. The retirement age is 67. For defined benefit pension plans, the maximum benefit is 66% of pensionable salary.

For other senior executives, the year's defined contribution pension cost in relation to pensionable remuneration was 21% (30%). The year's defined benefit pension cost in relation to pensionable remuneration was 1% (8%).

Pension cost in relation to pensionable salary

	2015		2014	
	Defined contribution	**Defined benefit**	**Defined contribution**	**Defined benefit**
CEO	32%	—	28%	—
Deputy CEO, 1 person (2)	9%	36%	29%	15%
Other senior executives, 7 persons (2)	21%	1%	30%	8%

Terms of notice and severance pay
In the event Skandiabanken serves notice, the CEO is entitled to salary during the notice period, which is six months. In addition, the CEO is entitled to severance pay corresponding to six months' salary.

For the deputy CEO, in the event Skandiabanken serves notice, the executive is entitled to salary during the notice period, which is six months. The deputy CEO is entitled to severance pay corresponding to six months' salary.

Other senior executives have notice periods in accordance with applicable collective agreements and are not entitled to severance pay.

Severance pay

	2015				2014			
SEK thousand	**Executive management**	**Other employees who can influence the company's level of risk**	**Other employees**	**Total**	**Executive management**	**Other employees who can influence the company's level of risk**	**Other employees**	**Total**
Expensed amounts for severance pay								
Severance pay	2,411	—	1,040	**3,451**	—	—	1,628	**1,628**
Number of persons	2	—	6	**8**	—	—	5	**5**
Amount paid out during the year								
Severance pay	—	—	1,423	**1,423**	—	—	1,245	**1,245**
Pledged amounts:								
Severance pay	2,784	—	—	**2,784**	2,784	—	—	**2,784**
Number of persons covered by such pledge	2	—	—	**2**	2	—	—	**2**
Maximum individually pledged amount	1,719	—	—	**1,719**	1,719	—	—	**1,719**

Cont. note 7. Staff costs

Loans

Skandiabanken offers employer loans to employees of Skandiabanken as well as of other Skandia group companies in Sweden. Employer loans are granted for amounts of up to a maximum of 35 times the Price Base Amount, or approximately SEK 1.5 million. The employee is taxed for the benefit of the loan on a continuing basis, based on the government lending rate set by the Swedish Tax Agency on 30 November in the year before the tax year, plus one percentage point, less the contracted interest rate. Skandiabanken pays social security costs on this interest rate subsidy for the persons employed by Skandiabanken.

For loans of amounts higher than 35 times the Base Amount, market rates of interest are used. Customary credit checks are made for all loans.

Loans to persons in executive positions[1]

SEK thousand	2015	2014
Board members and deputy board members in the Skandia group	1,664	1,650
CEOs and deputy CEOs in the Skandia group	7,972	5,042
Other senior executives in the Skandia group	63,516	57,620
of whom, board members and deputy board members of Skandiabanken	—	—
of whom, the CEO and deputy CEOs of Skandiabanken	*30*	*763*
of whom, other senior executives of Skandiabanken	*4,232*	*2,586*

[1] Loans granted have been made by Skandiabanken. All loans pertain to loans with adequate collateral or guarantees, except for other loans of SEK 6 thousand (232) and unsecured loans totalling SEK 586 thousand (538), of a granted amount of SEK 1,955 thousand (1,664).
The terms of the loans are in agreement with what is normally applied for lending to the general public or to other group employees.
Skandiabanken or the group companies have not pledged collateral or entered into any contingent liabilities for the benefit of the persons reported

Employees who can influence Skandiabanken's level of risk

Skandiabanken has identified the employees who can have a significant influence on Skandiabanken's level of risk and are thus covered by special stipulations on risk adjustment ("Specially Regulated Staff"). Specially Regulated Staff include the following categories:

- executive management
- employees in senior strategic functions
- employees responsible for control functions
- risk-takers

By risk-takers is meant employees who belong to a personnel category which, in the course of their work, can exercise significant influence over Skandiabanken's level of risk – normally employees who can enter into agreements or accept positions on behalf of Skandiabanken or in some other way influence Skandiabanken's risks.

The employees identified to be in the category of Specially Regulated Staff are evaluated on a continuous basis by Skandiabanken and may thus, in view of the influence they could have on Skandiabanken's level of risk, change from time to time.

Lock-in of variable remuneration for certain employees and risk-adjusted payment

Skandiabanken has employees who were previously entitled to variable remuneration that will be paid out in future years. For these employees, which Skandiabanken has identified as risk-takers, the agreed-upon terms at the time of the decision on the variable remuneration was that payment of 60% of the variable remuneration would be deferred for three years.

Before the deferred amount is paid out, the amount is to be risk-adjusted, i.e., the profit that the remuneration is based on must be validated and evaluated. This means that the variable remuneration may be reduced if it is subsequently learned that the employee, profit centre or Skandiabanken did not meet the set performance criteria. A provision is made on the balance sheet for the deferred portion of the risk-takers' variable remuneration. The reserved amount changes during the lock-in period to the same extent that the value of Skandia Mutual's financial assets change.

Skandiabanken's board of directors has the right to unilaterally decide that the right to payment of the deferred remuneration shall be voided in the event of such extraordinary circumstances that entail that the company's financial stability is jeopardised or that the performance criteria were not rightfully met.

8. Other administrative expenses

	2015	2014
Cost of premises	-48	-49
IT costs	-108	-124
Fees and purchased services	-411	-374
Telecom and postage costs	-17	-26
Office expenses	-2	-4
Operating and transaction costs	-90	-56
Other administrative expenses	-13	-28
Total	**-689**	**-661**
Of which, Norwegian operation	*-273*	*-278*

The amounts above include SEK -362 million (-417) for outsourced services, see note 41.

Contracted rents

In its capacity as lessee, Skandiabanken has entered into a number of lease agreements for rents of premises, which are broken down below based on their expiration dates.

Breakdown 2015	**<1 year**	**1-5 years**	**> 5 years**	**Total**
Rents for premises	—	—	—	—

Breakdown 2014	**<1 year**	**1-5 years**	**> 5 years**	**Total**
Rents for premises	14	58	79	151

Audit costs	**2015**	**2014**
Audit assignment		
- Deloitte	-3	-2
Total audit assignment	**-3**	**-2**
Other assignments		
Auditing activities in addition to audit assignment – Deloitte	—	—
Other services – Deloitte	-1	-3
Total costs for other assignments	**-1**	**-3**

By audit assignment is meant review of the annual report, consolidated accounts, bookkeeping, the Board's and CEO's administration, other duties that are incumbent on the company's auditor to perform, and consulting or other services that result from observations from such review or execution of such other duties.

9. Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets

	2015	2014
Property, plant and equipment		
Depreciation		
- Equipment	-2	-2
Intangible assets		
Amortisation		
- Intangible assets	-33	0
Impairment losses		
- Intangible assets[1]	-246	—
Total	**-281**	**-2**
Of which, Norwegian operation	*-1*	*-2*

[1] Pertains to partial impairment loss for banking platform.

10. Other operating expenses

	2015	2014
Advertising and marketing	-83	-85
Total	**-83**	**-85**
Of which, Norwegian operation	*-31*	*-36*

11. Loan losses, net

	2015	2014
Specific provision for individually assessed loan receivables		
The year's write-off of confirmed loan losses	-2	-4
Reversal of provisions for probable loan losses in previous financial years which are reported as confirmed loan losses in the year's accounts	2	4
The year's provision for probable loan losses	-8	-16
Paid in from confirmed loan losses in previous years	1	8
Reversal of provisions for probable loan losses which are no longer necessary	4	3
Net expense for the year for individually assessed loan receivables	**-3**	**-5**
Portfolio provisions for loans individually assessed loans as not being impaired		
The year's change in provision for individually assessed loan receivables	0	-2
The year's change in provision for collectively assessed homogenous groups of loan receivables	0	0
The year's change in portfolio provisions for loans individually assessed as not being impaired	**0**	**-2**
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk		
The year's write-off of confirmed loan losses	-20	-31
Paid in from confirmed loan losses in previous years	7	14
Provision/dissolution for collectively assessed homogenous groups of loan receivables	-11	-17
Net expense for the year for collectively assessed homogeneous groups of loan receivables	**-24**	**-34**
Net loan losses for the year	**-27**	**-41**
Of which, Norwegian operation	*-21*	*-43*

12. Income tax expense

The following components are included in the tax expense:	**2015**	**2014**
Current tax		
- Tax on profit for the year	-129	-159
- Tax on previous years' profits	0	3
Deferred tax[1]	0	-6
Total	**-129**	**-162**
Of which, Norwegian operation	*-105*	*-156*

Correlation between income tax expense and reported profit before tax		
Reported profit after appropriations but before tax	588	579
Tax according to applicable tax rate of 22.0%	-129	-127
Tax effect of non-deductible expenses/tax-exempt income	-1	-3
Tax effect of differences in taxation between countries	-15	-28
Current tax pertaining to previous years	16	-4
Total	**-129**	**-162**
Average effective tax rate	22.0%	28.0%

[1] **Deferred tax broken down by type of temporary difference**		
Tax effect attributable to temporary differences in pensions	0	-6
Tax effect attributable to other temporary differences	0	0
Total	**0**	**-6**
Of which, Norwegian operation	*0*	*-7*

13. Cash and cash balances with central banks

	2015	2014
Central Bank of Sweden, payable on demand	21	22
Foreign central banks, payable on demand	—	614
Total	**21**	**636**
Of which, Norwegian operation	*—*	*614*

14. Eligible treasury bills, etc.

Outstanding loans broken down by counterparty, net book value	2015	2014
Swedish government	300	—
Swedish municipalities	4,224	3,756
Foreign municipalities	—	4,354
Total	**4,524**	**8,110**
Nominal value	4,527	8,092
Of which, Norwegian operation	*—*	*5,139*
Average remaining maturity, years	2.1	2.1
Average remaining term of fixed interest, years	0.2	0.2

15. Lending to credit institutions

Outstanding loans broken down by counterparty, net book value	2015	2014
Foreign central banks	—	731
Swedish credit institutions	251	218
Foreign credit institutions	160	303
Total	**411**	**1,252**
Of which, Norwegian operation	*96*	*943*

Outstanding loans broken down by remaining maturity, net book value	2015	2014
Payable on demand	411	1,252
Total	**411**	**1,252**
Average remaining maturity, years	0.0	0.0

16. Lending to the general public

	2015	2014
Amortised cost[1]	46,620	95,672
Provision for impaired loans	-12	-114
Total	**46,608**	**95,558**

a) Lending broken down by remaining maturity	2015	2014
Payable on demand	—	1
Maximum 3 months	35,577	30,321
Longer than 3 months but max 1 year	2,956	6,646
Longer than 1 year but max 5 years	5,635	14,884
Longer than 5 years	2,440	43,706
Total	**46,608**	**95,558**
Average remaining maturity, years	1.5	11.4

b) Impaired loans and provisions	2015	2014
Impaired loans, gross	**33**	**174**
Specific provisions for individually assessed loan receivables	-1	-25
Provision for collectively assessed homogenous groups of loan receivables with limited value	-9	-81
Collective provisions for individually assessed loan receivables	-2	-8
Total provisions for impaired loans	-12	-114
Total impaired loans, net	**21**	**60**

Non-performing loans that are not judged to be impaired amounted to SEK 21 million (60). Non-performing loans that are not judged to be impaired refers to loans for which adequate collateral exists.

Cont. note 16. Lending to the general public

c) Loan receivables broken down by geographic region	2015	2014
Loan receivables at amortised cost (before provision for loan losses)[1]	**46,620**	**95,672**
Sweden[1]	46,620	42,370
Norway	—	53,302
Specific provisions for individually assessed loan receivables	**1**	**25**
Sweden	1	4
Norway	—	21
Collective provisions for individually assessed loan receivables	**2**	**8**
Sweden	2	2
Norway	—	6
Provisions for collectively assessed homogenous groups of loan receivables	**9**	**81**
Sweden	9	6
Norway	—	75
Total provisions	**12**	**114**
Sweden	12	12
Norway	—	102
Loan receivables at amortised cost (after provision for loan losses)[1]	**46,608**	**95,558**
Sweden[1]	46,608	42,358
Norway	—	53,200
Impaired loans broken down by geographic region		
Impaired loans (after provision for probable loan losses)	**21**	**60**
Sweden	21	22
Norway	—	38

[1] 1 Including placements of SEK 292 million (2,220) with the Swedish National Debt Office and – (SEK 120 million) with Skandia Capital AB.

d) Reconciliation of provisions for loan losses	2015	2014
Opening balance, provisions	**114**	**92**
Specific provisions		
Opening balance	**25**	**17**
Confirmed loan losses during the year	-1	-4
Provisions	9	17
Reversals	-5	-3
Changes recognised in the income statement	**3**	**10**
Translation difference	-2	-1
Separation of Norwegian operation	-24	—
Reclassifications	-1	-1
Closing balance	**1**	**25**
Collective provisions		
Opening balance	**89**	**75**
Net change in provisions recognised in the income statement	10	18
Translation difference	-5	-2
Separation of Norwegian operation	-82	—
Reclassifications	-1	-2
Closing balance	**11**	**89**
Provisions, closing balance	**12**	**114**

17. Fair value of portfolio hedge of interest rate risk

	2015	2014
Opening balance	184	71
Change in value of hedged item	-67	113
Closing balance	**117**	**184**
Of which, Norwegian operation	—	—

The fair value of portfolio hedge of interest rate risk pertains to the change in value of the hedged asset. For Skandiabanken, this pertains to interest rate risk attributable to lending at fixed interest rates. For further information, see note 5, Net financial income and note 38, Disclosures of derivative instruments.

18. Bonds and other fixed-income securities

Available-for-sale financial assets	**2015**	**2014**
Issued by public entities	580	—
Issued by other borrowers	5,673	8,467
Total	**6,253**	**8,467**
Of which, Norwegian operation	—	*4,318*

Issuers		
Swedish municipalities	580	—
Swedish credit institutions	4,058	2,346
Other Swedish issuers	50	—
Foreign credit institutions	1,565	5,646
Other foreign issuers	—	475
Total	**6,253**	**8,467**

Remaining maturity		
Maximum 1 year	2,072	1,741
Longer than 1 year but max 5 years	4,181	6,726
Total	**6,253**	**8,467**

Average remaining maturity, years	1,9	2,5
Average remaining fixed interest term, years	0,2	0,1
of which, listed securities	*5,227*	*8,342*
of which, unlisted securities	*1,026*	*125*
Pledged as security for the benefit of the Central Bank of Sweden	3,414	4,019
Pledged as security for the benefit of the Central Bank of Norway	—	3,446

19. Shares and participations, etc.

Financial assets at fair value	**2015**	**2014**
Listed shares and participations	0	0
Unlisted shares and participations	0	1
Total	**0**	**1**

The holding is classified as held for trading.

Available-for-sale financial assets		
Listed shares	—	—
Unlisted shares and participations	10	12
Total	**10**	**12**

Total	**10**	**13**
Of which, Norwegian operation	—	*3*

20. Intangible assets

Other intangible assets	2015				2014			
Cost	**Proprietary IT systems**	**Acquired IT systems**	**Other intangible assets**	**Total**	**Proprietary IT systems**	**Acquired IT systems**	**Other intangible assets**	**Total**
Opening cost	326	39	39	404	95	39	35	169
Exchange rate differences	—	-2	-2	-4	—	0	-1	-1
Reclassification	—	—	—	—	—	—	—	—
Separation of Norwegian operation	—	-37	-32	-69	—	—	—	—
Acquisitions during the year	107	—	—	107	231	—	5	236
Closing cost	**433**	—	**5**	**438**	**326**	**39**	**39**	**404**
Accumulated amortisation and impairment								
Opening accumulated amortisation	—	-39	-34	-73	—	-39	-35	-74
Exchange rate differences	—	2	2	4	—	0	1	1
Separation of Norwegian operation	—	37	32	69	—	—	—	—
Current year's amortisation	-32	—	-1	-33	—	—	—	—
Current year's impairment[1]	-246	—	0	-246	—	—	0	0
Closing accumulated amortisation and impairment	**-278**	—	**-1**	**-279**	**—**	**-39**	**-34**	**-73**
Net carrying amount	**155**	—	**4**	**159**	**326**	**—**	**5**	**331**
Of which, Norwegian operation	—	—	—	—	—	—	—	—

[1] Pertains to partial impairment of banking platform.

Anticipated useful life is 5 years for acquired IT systems and 10 years for proprietary IT systems. With respect to "other intangible assets", which refers to infrastructural charges attributable to the Norwegian banking operation and assets in the form of customer agreements taken over by the Swedish operation, the estimated useful life is 5 years.

21. Property, plant and equipment

Cost	2015	2014
Opening cost	18	23
Exchange rate differences	-1	0
Acquisitions during the year	3	1
Separation of Norwegian operation	-13	—
Sales during the year[1]	-4	-6
Closing cost	**3**	**18**
Accumulated depreciation		
Opening accumulated depreciation	-14	-18
Exchange rate differences	1	0
Current year's depreciation	-2	-2
Separation of Norwegian operation	10	—
Accumulated depreciation on current year's sales[1]	4	6
Closing accumulated depreciation	**-1**	**-14**
Net carrying amount	**2**	**4**
Of which, Norwegian operation	*—*	*3*

[1] Including disposals.

22. Current and deferred tax assets

	2015	2014
Current tax assets	16	10
Deferred tax assets, net[1]	18	17
Total	**34**	**27**
Of which, Norwegian operation	*—*	*8*
[1] Deferred tax assets, net, with changes recognised in profit or loss, broken down by type of temporary difference		
Deferred tax assets/liabilities attributable to financial instruments	0	0
Deferred tax assets attributable to intangible assets and to property, plant and equipment	0	0
Deferred tax assets attributable to pensions	11	15
Deferred tax assets attributable to provisions	2	3
Total	**13**	**18**
Deferred taxes, net, recognised in other comprehensive income, broken down by type of temporary difference		
Deferred tax liabilities attributable to unrealised gains/losses on available-for-sale financial assets	5	-9
Deferred tax assets attributable to pensions	0	8
Total	**5**	**-1**
Total	**18**	**17**
Of which, Norwegian operation	*—*	*8*

In cases where there is a difference between assets' and liabilities' reported and tax values, a temporary difference exists, which is reported as deferred tax.

23. Other assets

	2015	2014
Securities settlement claims	193	265
Derivative instruments[1]	10	32
Trade receivables	8	25
Other[2]	475	10
Provision for probable loan losses	-1	-3
Total	**685**	**329**
Of which, Norwegian operation	*—*	*102*

[1] For further information about derivative instruments, see note 38.

[2] For 2015, including receivable from Skandia Mutual pertaining to group contribution.

24. Prepaid expenses and accrued income

	2015	2014
Accrued interest	12	120
Provision for loan losses, interest	0	-2
Other accrued income	18	26
Prepaid expenses	4	52
Total	**34**	**196**
Of which, Norwegian operation	—	*113*

25. Due to credit institutions

Outstanding amounts broken down by counterparty, net book value	**2015**	**2014**
Swedish credit institutions	79	87
Foreign credit institutions	—	13
Total	**79**	**100**
Of which, Norwegian operation, after elimination	—	*12*

Outstanding amounts broken down by remaining maturity, net book value		
Payable on demand	79	100
Total	**79**	**100**
Average remaining maturity, years	0.0	0.0

26. Deposits and borrowing from the general public

Deposits broken down by remaining term, book value	**2015**	**2014**
Payable on demand	34,185	76,851
Maximum 3 months	1,101	1,499
Longer than 3 months but max 1 year	435	798
Longer than 1 year but max 5 years	190	370
Total	**35,911**	**79,518**
Of which, Norwegian operation	—	*44,299*
Average remaining maturity, years	0.0	00

No borrowing existed as per the balance sheet date.

27. Issued securities, etc.

	2015	2014
Commercial paper	2,040	2,248
Bond issues	3,052	6,012
Covered bonds	12,244	19,747
Total	**17,336**	**28,007**
Of which, Norwegian operation	—	*16,380*
Remaining maturity max 1 year	3,580	4,636
Of which, Norwegian operation	—	*1 237*
Remaining maturity longer than 1 year	13,756	23,371
Of which, Norwegian operation	—	*15,143*

Discounting instruments are reported inclusive of accrued interest as per the balance sheet date.

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 January-December:

Issued during the year	13,090	21,547
Repurchased	-3,652	-1,938
Matured	-6,629	-8,282
Separation of Norwegian operation	-12,640	—
Translation difference	-840	-184
Change for the year	**-10,671**	**11,143**

28. Current tax liabilities

	2015	2014
Current tax liabilities	96	145
Total	**96**	**145**
Of which, Norwegian operation	*96*	*145*

29. Other liabilities

	2015	2014
Securities settlement liabilities	129	319
Derivative instruments[1]	126	189
Trade accounts payable	13	43
Other	82	121
Total	**350**	**672**
Of which, Norwegian operation	*—*	*133*

[1] For further information about derivative instruments, see note 38.

30. Accrued expenses and deferred income

	2015	2014
Accrued interest	65	191
Accrued staff costs	28	72
Other accrued expenses	17	47
Deferred income	0	0
Total	**110**	**310**
Of which, Norwegian operation	*—*	*164*

31. Provisions for pensions

Pension plans incl. payroll tax:	2015	2014
Opening balance	**59**	**56**
Exchange rate differences	-4	-1
Current year's provision	1	1
Amount utilised during the year	-1	-1
Revaluation of pension obligation[1]	1	-1
Separation of Norwegian operation	1	5
Closing balance	-44	—
Of which, Norwegian operation	**13**	**59**
Varav verksamhet Norge	*—*	*45*

Defined benefit pension plans amounted to SEK 2 million (42), of which SEK 2 million (2) pertained to early retirement pension obligations. Of this total, SEK 5 million (11) pertains to payroll tax for defined benefit pension plans, of which SEK 0 million (1) pertains to early retirement pensions, and SEK 6 million (6) pertains to payroll tax for defined contribution pension plans, of which no amount pertained to early retirement pensions.

[1] Pertains to the Norwegian pension plan.

For further information on reporting of defined benefit pension plans, see note 7, Staff costs.

Skandiabanken has secured the employees' pension plans in Sweden and Norway. In Sweden, pension plans consist mainly of retirement benefits provided under the collective agreement for the occupational pension insurance plan for salaried employees in the insurance industry (the FTP plan), and to a certain degree of supplementary retirement benefits for senior executives. The pension plans consist mainly of retirement pension, disability pension and family pension. The corresponding situation exists in Norway – the pension plans are provided under collective pension agreements and have the corresponding scope as the Swedish plans.

Skandiabanken's pension plans are funded through payment of insurance premiums – in Sweden primarily to Skandia Mutual and in Norway to Nordea. The pension obligation also includes a defined benefit liability pertaining to certain employees' right to early retirement. Under the applicable collective agreement, employees in this category have the right to early retirement at 62 years of age. The pension obligation that has been secured through company-owned endowment insurance policies is not carried as a liability on the balance sheet, but is reported as a memorandum item. The value of this pension obligation corresponds to the cash surrender value of the endowment insurance policies. As a consequence of reporting the pension obligations pledged through endowment insurance policies, the endowment insurance policies are not reported as an asset on the balance sheet. The endowment insurance policies are pledged to the benefit of the persons entitled to the pensions and are thus reported as pledged assets. The value of the pledged assets corresponds to the cash surrender value of the endowment insurance policies. For contributions to the endowment insurance policies, the premiums are reported as a pension cost. A provision is made on the balance sheet for payroll tax on pension obligations secured through company-owned endowment insurance policies.

In the income statement, the costs consist of pension premiums for defined contribution and defined benefit pension plans along with the associated payroll tax. In addition to this, the cost for the Norwegian defined benefit pension plans is also reported, in accordance with local Norwegian rules, and pertains to the sum of past and the current year's service cost, and net interest on the defined benefit liability. Effects of revaluations are reported in other comprehensive income and pertain to the Norwegian obligation.

32. Subordinated liabilities

	2015	2014
Perpetual subordinated loans[1]	900	900
Total	**900**	**900**
Of which, Norwegian operation	—	—

2015

Nominal amount	Interest terms	Due date
900	3 mth Stibor +1.25%	Perpetual

2014

Nominal amount	Interest terms	Due date
900	3 mth Stibor +1.25%	Perpetual

[1] As per 2 January 2014, the perpetual subordinated loans from Skandia AB have been repaid, and new perpetual subordinated loans with corresponding terms were provided by Skandia Mutual.

The interest due date is quarterly for all loans.

OTHER DISCLOSURES

33. Disclosures of income broken down by geographic area

	Sweden		Norway		Total	
	2015	2014	2015	2014	2015	2014
Interest income	709	906	1,543	2,280	2,252	3,186
Dividends received	—	0	—	0	—	0
Fee and commission income	238	195	213	285	451	480
Net financial items	-3	18	-11	23	-14	41
Other operating income	62	49	0	2	62	51
Total	**1,006**	**1,168**	**1,745**	**2,590**	**2,751**	**3,758**

34. Pledged assets, contingent liabilities and commitments

Assets pledged for own liabilities	2015	2014
Assets pledged for covered bonds – home mortgages[1]	16,815	27,313
Total	**16,815**	**27,313**
Of which, Norwegian operation	—	*17,286*

[1] Pledged assets consist of home mortgages and any additional collateral in the form of other financial instruments. The value of the respective forms of collateral shall at any given time amount to a minimum of the outstanding bond liability. See note 1, Accounting policies, for further information.

Other pledged assets	2015	2014
Bonds pledged with the Central Bank of Sweden and the Central Bank of Norway[1]	3,414	7,465
Cash[2]	200	271
Endowment insurance policies pledged as security for pension obligations[3]	47	43
Total	**3,661**	**7,779**
Of which, Norwegian operation	—	*3,994*

Other pledged assets pertain to assets pledged for other items than for own liabilities reported on the balance sheet.

[1] The pledged value pertains to the bonds' carrying amount. Security is pledged for intra-day limits and pertaining to next-day settlement. The accounts with the central banks are used for all clearing settlement between the banks, and security is required from the start for any negative balances that arise in the respective accounts. In the event the payment obligation is not met, the Central Bank of Sweden and the Central Bank of Norway have the opportunity to immediately use pledged securities.

[2] Cash is pledged as security to SEB for Skandiabanken's undertakings on the stock exchange, i.e., exchanges of equities with liquid assets. In the event Skandiabanken should fail to meet its obligations on the stock exchange, EMCF, which is a Central Clearing Party, will exercise a margin call from SEB for Skandiabanken's cash as per the above. Cash has also been pledged as security for leases for premises. Cash is pledged as security to Danske bank, Swedbank, Nordea Bank Finland Plc and Skandia Capital AB for Skandiabanken's interest rate swaps.

[3] See below with respect to contingent liabilities for pension obligations.

Contingent liabilities	2015	2014
Pension obligations[1]	—	—
Total	—	—
Of which, Norwegian operation	—	—

[1] Skandiabanken has pension obligations totalling SEK 47 million (43) that are not carried on the balance sheet, which are covered by the value of company-owned endowment insurance policies. See "Other pledged assets" above.

Commitments	2015	2014
Unutilised part of granted overdraft facilities	1,934	7,699
Granted but not paid-out credits	12,124	20,259
Total	**14,058**	**27,958**
Of which, Norwegian operation	—	*17,129*

All commitments are stated in nominal amounts.

35. Complaints and disputes

Skandiabanken is party to a few complaints and legal disputes. In cases where Skandiabanken believes that these may result in payment of financial compensation or where it is believed that a disputed repayment may not be received, a provision has been made after reviewing each individual case.

For other disputes that have not been expensed or taken up as a contingent liability, the level of uncertainty is so high that it is not possible to estimate their possible outcome.

36. Information on capital adequacy

The comparison figures as per 31 December 2014 pertain to Skandiabanken including the Norwegian branch.

Common Equity Tier 1 capital: Instruments and reserves	**2015**	**2014**
Equity instruments and accompanying share premium reserves	400	400
Undistributed earnings	3,333	4,628
Accumulated other comprehensive income	-129	-49
Net profit for the year after deducting foreseeable costs and dividends that have been verified by persons with an impartial position	-32	417
Common Equity Tier 1 capital before regulatory adjustments	**3,572**	**5,396**
Additional value adjustments	-12	-16
Intangible assets	-159	-331
Deferred tax assets arising as a result of temporary differences	-18	-17
Regulatory changes pertaining to unrealised gains	—	-29
Combined regulatory adjustments of Common Equity Tier 1 capital	**-189**	**-393**
Common Equity Tier 1 capital[1]	**3,383**	**5,003**
Tier 1 capital contribution: instruments	**—**	**—**
Tier 1 capital[2]	**3,383**	**5,003**
Tier 2 capital: instruments and provisions		
Equity instruments and accompanying share premium reserves	900	900
Tier 2 capital before regulatory adjustments	**900**	**900**
Total regulatory adjustments of Tier 2 capital	**—**	**—**
Tier 2 capital[3]	**900**	**900**
Total capital	**4,283**	**5,903**
Total risk-weighted exposure[4]	**19,987**	**41,667**

Capital ratios and buffers	**2015**	**2014**
Common Equity Tier 1 capital[5]	16.9%	12.0%
Tier 1 capital[6]	16.9%	12.0%
Total capital[7]	21.4%	14.2%
Institution-specific buffer requirement (Common Equity Tier 1 capital requirement according to Pillar I and buffer requirement) as a percentage of risk-weighted exposure[8]	8.0%	7.0%
Of which: capital conservation buffer requirement	2.5%	2.5%
Of which: countercyclical buffer requirement	1.0%	—
Available Common Equity Tier 1 capital to be used as buffer, as a percentage of risk-weighted exposure[9]	10.9%	6.0%
Amounts below threshold value		
Direct holdings of equity in units in the financial sector in which the institution does not have any material investment	10	12
Risk-weighted exposure amount		
Credit risk	18,633	38,063
Settlement risk	0	0
Currency risk	24	545
CVA risk	17	24
Operational risk	1,313	3,035
Total risk-weighted exposure	**19,987**	**41,667**
Capital base requirement[10]		
Credit risk	1,491	3,045
Settlement risk	0	0
Currency risk	2	43
CVA risk	1	2
Operational risk	105	243
Total minimum capital base requirement	**1,599**	**3,333**
Leverage ratio[11]	**5.5%**	**4.3%**

The revised interpretation of the buffer requirement and available Common Equity Tier 1 capital is presented for 2014.

Cont. note 36. Information on capital adequacy

Specification of capital base requirement for credit risks

31 December	**2015**		**2014**	
Exponeringsklasser	**Risk-weighted assets**	**Capital base require-ment[10]**	**Risk-weighted assets**	**Capital base require-ment[10]**
1 Exposures to governments and central banks	0	0	0	0
2 Exposures to regional governments or local authorities	0	0	873	70
3 Exposures to public sector entities	—	—	—	—
4 Exposures to multilateral development banks	—	—	0	0
5 Exposures to international organisa-tions	—	—	—	—
6 Exposure to institutions	282	23	253	20
of which, counterparty risk	13	1	9	1
7 Exposure to corporates	597	48	762	61
of which, counterparty risk	0	0	57	5
8 Retail exposures	534	43	2,850	227
9 Exposures secured by mortgages on immovable property	16,443	1,315	32,076	2,566
of which, residential properties	16,443	1,315	32,076	2,566
of which, commercial properties	—	—	—	—
10 Exposures in default	48	4	145	12
11 Exposures associated with particularly high risk	—	—	—	—
12 Exposures in the form of covered bonds	528	42	721	58
13 Securitisation positions	—	—	—	—
14 Exposure to institutions and corporates with short-term credit ratings	—	—	—	—
15 Exposures in the form of collective investment undertakings (CIUs)	49	4	98	8
16 Equity exposures	10	1	12	1
17 Other items	142	11	273	22
Total	**18,633**	**1,491**	**38,063**	**3,045**
Of which, Norwegian operation	—	—	*22,073*	*1,766*

The comparison figures as per 31 December 2015 pertain to Skandiabanken including the Norwegian branch.

Definitions and concepts

1 Common Equity Tier 1 capital consists of equity less items that may not be included in the capital base, such as intangible assets, deferred tax assets, value adjustments and, in 2014, unrealised gains on securities classified as available-for-sale financial assets. Deduction is also made for value adjustments according to the European Banking Authority's simplified approach for financial instruments measured at fair value (EBA/RTS/2014/06/rev 1). Profit for the period or year is included in cases where external auditors have verified the profit and permission has been granted by the Financial Supervisory Authority. Deduction is made for foreseeable charges and any dividends according to Commission Delegated Regulation (EU) 241/2014. The loss for the period is always included in the capital base.

2 Tier 1 capital consists of Common Equity Tier 1 capital and other Tier 1 capital. Skandiabanken does not have any Tier 1 capital supplements, which entails that Common Equity Tier 1 capital is equal to Tier 1 capital.

3 Tier 2 capital consists of perpetual subordinated debt. Subordinated loans can only be repaid if Skandiabanken declares bankruptcy or goes into liquidation, or with the consent of the Financial Supervisory Authority.

4 By total risk-weighted exposure is meant the sum of exposures to credit risk, settlement risk, currency risk, credit value adjustment (CVA) risk and operational risk that has been assessed and risk-weighted in accordance with capital adequacy rules. By exposures is meant asset items on the balance sheet and off balance sheet obligations. The value of exposures for off-balance obligations corresponds to 0%-100% of the nominal amount, depending on the risk in the obligation.

5 The Common Equity Tier 1 capital ratio is the ratio between Common Equity Tier 1 capital and the risk-weighted exposure, expressed as a percentage. The statutory, minimum level according to the Regulation (EU) No 575/2013 (Pillar I) is 4.5% before the buffer requirement.

6 The Tier 1 capital ratio is the ratio between Tier 1 capital and the risk-weighted exposure, expressed as a percentage. The statutory minimum level according to Regulation (EU) No 575/2013 (Pillar I) is 6%.

7 The total capital ratio is the ratio between total capital and the risk-weighted exposure, expressed as a percentage. The statutory minimum level according to Regulation (EU) No 575/2013 (Pillar I) is 8%.

8 Institution-specific buffer requirement pertains to the sum of the Common Equity Tier I capital requirement according to Regulation (EU) No 575/2013, plus applicable buffer requirements. Specified as a percentage of risk-weighted exposure.

9 Common Equity Tier 1 capital available as a buffer refers to Common Equity Tier 1 capital after deduction for the capital used to meet the capital base requirement according to Pillar I. Specified as a percentage of risk-weighted exposure.

10 The capital base requirement pertains to the Pillar I requirement, which is 8% of the risk-weighted exposure.

11 The leverage ratio is a non-risk-weighted measure that specifies the ratio between Tier 1 capital and total assets, including off balance sheet items.

Cont. note 36. Information on capital adequacy

Table of the most important parts of equity instruments

Line	Information	Common Equity Tier 1 capital	Tier 2 capital
1	Issuer	Skandiabanken Aktiebolag (publ)	Skandiabanken Aktiebolag (publ)
3	Governing law(s) for instrument	Swedish law	Swedish law
	Legal treatment		
4	Transitional rules according to Capital Requirements Regulation	Common Equity Tier 1 capital	Tier 2 capital
5	Stipulations in Capital Requirements Regulation after transitional period	Common Equity Tier 1 capital	Tier 2 capital
6	Acceptable at individual/group (sub-group) level/individual and group (sub-group) level	Individual	Individual
7	Type of instrument (types to be specified by each jurisdiction)	Common Equity Tier 1 capital according to Regulation (EU) No 575/2013 Article 28	Tier 2 capital according to Regulation (EU) No 575/2013 Article 63
8	Amounts reported in statutory capital (currency in environments, according to most recent reporting date)	SEK 400,000,000	SEK 900,000,000
9	Instrument's nominal amount	SEK 400,000,000	SEK 900,000,000
9a	Issue price	n.a.	100%
9b	Redemption price	n.a.	100%
10	Reporting classification	Equity	Debt – amortised cost
11	Original issue date	9 June 1994	2 January 2014
12	Perpetual or time-specific	Perpetual	Perpetual
13	Original due date	No due date	No due date
14	Issuer's redemption right covered by requirement for advance permission from regulatory authority	No	Yes
15	Discretionary redemption date, conditional redemption date and redemption amount	n.a.	2 January 2019
16	Subsequent redemption date, where applicable	n.a.	Yearly on 30 March, 30 June, 30 September, 31 December after 1 February 2019
	Coupons/dividends		
17	Fixed or floating interest/coupon	n.a.	Floating
18	Coupon interest and any accompanying index	n.a.	STIBOR + 125 bps
19	Existence of dividend prohibition	No	No
20a	Entirely discretionary, partly discretionary, or obligatory (regarding point in time)	Entirely discretionary	Partly discretionary
20b	Entirely discretionary, partly discretionary, or obligatory (regarding amount)	Entirely discretionary	Partly discretionary
21	Existence of step-up or other incentive for redemption	n.a.	No
22	Non-accumulative or non-convertible	Non-accumulative	Non-accumulative
23	Convertible or non-convertible	Non-convertible	Convertible
24	If convertible, conversion trigger(s)	n.a.	To avoid liquidation, Skandiabanken has the right to utilise all or parts of the loan's principal including accrued interest, by converting the sum of a conditional shareholder contribution
25	If convertible, fully or partly	n.a.	Fully or partly
27	If convertible, obligatory or voluntary conversion	n.a.	At the issuer's discretion
30	Write-down components	No	No
35	Position in prioritisation hierarchy for liquidation (specify type of instrument that is directly higher in ranking)	Tier 2 capital (because Other Tier 1 capital is zero)	Prioritised debt
36	Parts from transitional period that do not meet requirements	No	No

n.a. – Not applicable.

Cont. note 36. Information on capital adequacy

Applied rules and regulations
Calculation of the capital base and capital base requirements is carried out in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, Commission Delegated Regulation (EU) No 241/2014 supplementing the Prudential Requirements Regulation with regard to regulatory technical standards for capital base requirements, the Act on Capital Buffers (2014:966), and the Financial Supervisory Authority's regulations and general guidelines on regulatory requirements and capital buffers (FFFS 2014:12). The outcome pertains to calculations in accordance with the statutory minimum requirement for capital, referred to as Pillar I, for credit risk, settlement risk, market risk, operational risk and credit valuation adjustment (CVA) risk, and the capital requirement in accordance with the combined buffer requirement.

Disclosures in this note are provided in accordance with Regulation (EU) No 575/2013, Commission Implementing Regulation (EU) No 1423/2013 laying down technical standards with regard to disclosure of own funds for institutions according to Regulation (EU) No 575/2013, the Financial Supervisory Authority's regulations and general guidelines regarding annual reports of credit institutions and securities firms (FFFS 2008:25), and the Financial Supervisory Authority's regulations on regulatory requirements and capital buffers. Detailed information about these rules and regulations is provided in a separate Pillar III report, see www.skandiabanken.se under Mer om oss, Finansiell information, 2015, 1512 Årlig information – kapitaltäckning och riskhantering.

Skandiabanken applies the standardised approach in calculating the capital base requirement for 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 of them. Credit risk is calculated for all asset items on and off the balance sheet that are not deducted from the capital base. The capital base 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. The capital base requirement for the creditworthiness adjustment risk is calculated according to the standardised approach and pertains to positions in OTC derivatives. The capital base requirement for operational risk is calculated according to the basic indicator approach, which entails a capital base requirement equal to 15% of average operating income for the three most recent financial years. The capital base requirement for market risks in the trading account is calculated in accordance with the rules for credit risk. The combined buffer requirement amounts to 3.5% of the risk-weighted exposure and consists of a capital conservation buffer of 2.5% and a countercyclical buffer of 1%.

The Bank's internally assessed capital requirement as per 31 December 2015 is SEK 591 million, which is calculated with the support of Economic Capital models (EC models).

As a complementary capital measure, a leverage ratio is calculated in accordance with Regulation (EU) No 575/2013 and Commission Delegated Regulation (EU) 2015/62 amending Regulation (EU) No 575/2013 with regard to the leverage ratio. The leverage ratio is an exposure measure that does not take into account the risk in the assets, but instead measures Tier 1 capital in relation to total assets. The leverage ratio is expressed as a percentage. The Basel Committee is still working on the final formulation of this measure. A binding leverage ratio is expected to be introduced in 2018.

In a decision by the Financial Supervisory Authority, Skandiabanken has received permission to include its yearly surplus in the calculation of its capital base, provided that the Bank's auditors can verify the surplus and that deductions are made for any dividends and predictable charges made in accordance with Regulation (EU) No 575/2013 and that the calculations of these have been made in accordance with the Commission Delegated Regulation (EU) 241/2014 complementing Regulation (EU) No 575/2013 with respect to technical standards with regard to disclosure of own funds. Deloitte AB has performed the verification referred to above as per 31 December 2015.

Transfers of funds from the capital base and settlement of liabilities between the parent company and subsidiaries
Transfers of funds from the capital base, such as in the form of a dividend, may be made pursuant to Regulation (EU) No 575/2013, the Banking and Financing Business Act (2004:297), the Companies Act (2005:551), the Act on Capital Buffers and the Financial Supervisory Authority's regulations and general guidelines.

Strategy, methods and processes for capital allocation
The minimum capital requirement set out in Regulation (EU) No 575/2013 (Pillar I), is 8%. Added to this is the combined buffer requirement. On top of these requirements, the Bank holds capital to cover the total capital requirement that results from the Bank's internal capital adequacy assessment process (ICAAP), which is performed under Pillar II. The ICAAP aims to illuminate risks that could possibly be underestimated when calculating the capital base requirement according to Pillar I and to identify other significant risks than those regulated by Regulation (EU) No 575/2013, which are reported on above. The ICAAP is based on Skandiabanken's business plan, current and forthcoming regulatory requirements, and various scenario analyses.

The Financial Supervisory Authority oversees and evaluates the Bank's risk management to ensure that sufficient capital is retained for the significant risks that Skandiabanken is exposed to. For disclosures on risk management goals and guidelines, see note 37, Risks and risk management – financial instruments and other risks.

37. Risks and risk management – financial instruments and other risks

37.1 Goals and policy
All business is exposed to risks, and the goal and policy of Skandiabanken is to limit the effect of these risks on earnings. Skandiabanken has low risk tolerance, and all volume growth is conducted under controlled and cognisant risk-taking. The risk management practices are designed to maintain balance between risk and the return to the shareholder. This is achieved, for example, by using various financial instruments to reduce financial risk and by actively managing risks through supervision, continuous monitoring and control.

37.2 Risk organisation and governance

Board of Directors
Skandiabanken's board of directors has ultimate responsibility for the Bank's level of risk and determination of its capital requirement. The Board stipulates guidelines for the CEO with respect to risk governance and risk management, risk control, reporting, etc., by issuing policies and instructions. The Board is thus the ultimate owner of Skandiabanken's risk management system and is responsible for ensuring that Skandiabanken has good internal control. A large part of the Board's work is conducted in board committees, which have been established in order to – within specifically defined parameters – examine certain areas, such as financial reporting, risk management, risk control and internal capital adequacy, etc., and for conducting preparatory work in these areas ahead of board meetings.

The Board's Risk and Audit Committee
The Board's Risk and Audit Committee is tasked with reviewing – on behalf of the Board – management's recommendations regarding risk management and risk control, particularly with respect to the structure and implementation of Skandiabanken's risk framework, the quality and effectiveness of internal control, risk appetite limits, risk profiles and the capital planning process, as well as the result of the internal capital adequacy assessment process (ICAAP). The committee is also tasked with assisting the Board in fulfilling its responsibility to continuously assess Skandiabanken's financial situation and ensure that the company's organisation is structured in such a way that the bookkeeping, treasury management and the company's financial conditions in general are controlled in a secure manner. The committee is to decide on such matters that the Board has delegated to the committee.

CEO and the CEO's committees
Skandiabanken's CEO has overarching operational responsibility for governance, management and control of Skandiabanken's risks and reports to the Board of Directors. The CEO is responsible for conveying and implementing the Board's views on risk management and risk control, and for ensuring that a well-working system of internal control is implemented within the organisation. Based on the Board's overarching governance documents, the CEO issues more detailed instructions for the operative governance, management and control of Skandiabanken's risks. In addition, through the organisation the CEO has delegated parts of his operational responsibility for risk management to the company's unit managers. Overall risk management and control is conducted under the CEO's direction.

ALCO
The Asset & Liability Committee (ALCO) is tasked with monitoring Skandiabanken's current and future risk and capital situation. The committee has a composition of members that enables discussions aimed at optimising risk management and ensuring that proactive and effective actions are taken. The committee addresses future risk, funding and capital strategies as well as liquidity issues, Skandiabanken's capital structure, and all risks that affect Skandiabanken's capital, liquidity and financial stability.

ALCO reviews the monthly risk report. In addition, the committee recommends the level of risk limits to the Board for decision as well as methods for risk measurement and allocation of internal capital among the operations. ALCO consists of the following members: the CEO, the Deputy CEO, the Chief Financial Officer (CFO), the Head of Treasury and the Chief Risk Officer (CRO). The committee is to conduct at least ten meetings per year.

Credit Committee
The Credit Committee is tasked with monitoring Skandiabanken's current and future credit risk situation, defining which rules are to apply for lending, and for granting major and/or complex loans. The committee has a composition of expertise and experience that enables discussions on the quality of the aggregate credit portfolio and on which lending decisions should be made so as to maintain loan losses within approved limits. Continuous monitoring and reporting of credit risks are re-reported on a recurring basis to ALCO for discussions.

The Credit Committee consists of the following members: the Head of Credits, the COO, the Head of the Låna ("Borrow") product area, the Head of the Spara ("Save") product area, the Head of Banking & Securities Administration, and the CFO.

Risk Control function
The Risk Control function is responsible for control, compilation, analysis and reporting of all of Skandiabanken's risks. The Risk Control function's responsibility covers – among other areas – credit risk, counterparty risk, market risk, liquidity risk, operational risk, business risk and strategic risk. The Risk Control function is also tasked with monitoring and challenging Skandiabanken's risk management and risk reporting by validating that they are performed in a correct and suitable manner. The Risk Control function is directly subordinate to Skandiabanken's Chief Risk Officer (CRO). The CRO reports to Skandiabanken's CEO, the Board of Directors and the CRO of Skandia Mutual.

Compliance function
The Compliance function is responsible for identifying, assessing, controlling and reporting risks for sanctions, significant financial losses or harm to the Bank's reputation as a result of defective compliance pertaining to operations subject to permits and licences (compliance risks). The function is also responsible for providing advice and support on compliance issues.

The Compliance function is outsourced under an outsourcing agreement to Skandia Mutual, where a Chief Compliance Officer (CCO) has been appointed on behalf of Skandiabanken within Skandia Mutual's Compliance function. The CCO reports to Skandiabanken's CEO and board on Skandiabanken's compliance on a regular basis.

Operations outsourced under outsourcing agreements
The Security, HR and IT functions are handled by Skandia Mutual under outsourcing agreements and in accordance with instructions issued by Skandiabanken's board of directors. Skandia Mutual's and Skandiabanken's risk control units are responsible for the continuing follow-up of risks in the outsourced units.

Cont. note 37. Risks and risk management – financial instruments and other risks

Operations
The risks in Skandiabanken's business are to be continuously identified, managed, controlled and reported to persons responsible in the line organisation for the respective business, product and process areas. The methodology used by Skandiabanken to identify and evaluate its risks is based on a Risk Self Assessment model. Internal Audit's annual audit plan is based on identified risks in the business activities.

Internal capital adequacy assessment process (ICAAP)
The internal capital adequacy assessment process analyses all significant risks that Skandiabanken is or may be exposed to, based on established business, funding and operational plans. Stress tests and scenario analyses are based on a number of macro- and micro-scenarios in an effort to analyse the effect of unfavourable conditions on the Bank's capital requirement. This aggregate risk assessment then forms the base for the capital planning. This entails that Skandiabanken retains capital for the significant risks for which capital is judged to constitute a vital risk-absorbing element. The single largest risk for which capital is not reserved is liquidity risk, since the Bank is of the opinion that this risk cannot be managed by reserving additional capital. Liquidity risk is managed through established, proactive processes for monitoring and escalating, controls and funding plans, and by policies and limits set by the Board of Directors.

37.3 Delegation of risk and control responsibility – three lines of defence

Internal control
Skandiabanken's operations are to be distinguished by good internal control. Skandiabanken's internal control is built upon an operations-adapted application of the three lines of defence principle. The three lines of defence make up the general foundation for the company's risk management, risk control and compliance. The three lines of defence principle aims to clarify the division of responsibility for risk and compliance in Skandiabanken and distinguishes between

- the first line of defence, which governs and controls the business (along with its risks and requirements for compliance),
- the functions of the second line of defence, which monitor and control business governance and control of risks and compliance in the first line of defence, and
- the functions of the third line of defence, which evaluate the company's overall management of risk and compliance.

Following is an overview of the duties and responsibilities in the respective lines of defence.

Business responsibility – first line of defence
The operational business units make up the first line of defence, entailing that the business units themselves are responsible for governance of the operations and control of the risks that exist therein. In other words, the operating business units have full responsibility for business control and the risks that arise in their own operations.

The operating business units' responsibility lies primarily in taking a risk inventory (including risks attributable to noncompliance), reporting and managing risks and violations of internal or external rules and regulations, evaluating and measuring these risks, and implementing policy documents for the business unit and continuously ensuring compliance with external and internal rules and regulations.

Skandiabanken's functions in the second line of defence
The second line of defence is responsible for independently monitoring risks and compliance, and for performing an overall analysis and reporting of Skandiabanken's risks. The second line of defence maintains principles and frameworks for the risk management performed by the first line of defence and validates the first line's methods and models for risk measurement and control. The second line of defence is also responsible for challenging the first line's work. Skandiabanken's CRO supports the CEO in the management of certain overall risks and in the management of new risks in cases where methods and models for the first line's risk management are not yet in place. The organisation and governance of operations and of persons in the second line of defence may not be structured in such a way that it jeopardises or risks jeopardising its requirements for independence/impartiality.

Skandiabanken's second line of defence consists of the Risk Control function, the CRO and the Compliance function. The company's board of directors adopts policies that regulate the areas of responsibility, work duties and reporting routines for these functions/roles in more detail.

Skandiabanken's functions in the third line of defence
The third line of defence comprises the functions that are responsible for conducting independent evaluation of the work performed in the first and second lines of defence. Internal Audit makes up the third line of defence.

The Internal Audit function is functionally independent and serves in an oversight and to some extent advisory role, and is responsible for evaluating and thereby improving Skandiabanken's operations. The Internal Audit function is directly subordinate to Skandiabanken's board of directors and is organisationally entirely segregated from Skandiabanken's other operations.

Skandiabanken's board of directors adopts a policy for the Internal Audit function, which specifies its areas of responsibility, work duties and reporting routines.

37.4 Credit risk and credit quality
Credit risk pertains to the risk that individuals, companies, financial institutions or other parties will be unable to meet their obligations and that any collateral will be insufficient to cover Skandiabanken's receivable.

Governance of credit risk
Ultimate responsibility for Skandiabanken's credit risk rests with the Board of Directors, while the CEO is responsible for continuing administration. The CEO has delegated responsibility for credit risk associated with lending to the general public to the Head of Credits. Responsibility for credit risk with respect to total liquidity and large exposures has been delegated by the CEO to the CFO.

The CRO has overarching responsibility for governance and control of credit risk. ALCO is responsible for monitoring Skandiabanken's risk, liquidity and capital situation. Recommendations for changes to policies and limits are made at least once a year to the Board's Risk and Audit Committee after review by Skandiabanken's ALCO and Credit Committees. The Credit Committee decides on specific credit matters and addresses credit-related regulatory matters and decision-making criteria for lending. The Board's Risk and Audit Committee is responsible for reviewing and approving strategies, models and guidelines for Skandiabanken's management of credit risk at least once a year.

Cont. note 37. Risks and risk management – financial instruments and other risks

Managing and measuring credit risk

Management of credit risk depends on whether the credit risk stems from lending to the general public in the form of retail exposures or from other exposures, mainly investments of liquidity.

Skandiabanken's lending to the general public consists of retail exposures to private individuals, primarily in the form of home mortgage loans secured by real estate or tenant-owner rights, instalment loans, personal loans, lines of credit, credit card credits and custody account lending. Loan receivables such as personal loans, lines of credit and credit card credits consist mostly of a large number of homogeneous loans with limited amounts and a large diversification of risk.

Risk is managed by assessing all credit applications based on an evaluation of the credit applicant's ability to pay, financial situation, and the value of the collateral pledged. Risk is further managed by taking into account the borrower's total business with the Bank, including business with any co-signers. The assessment is for the most part handled through an automated credit approval system based on a credit scoring program.

Skandiabanken's management of credit risks for retail exposures is designed to reduce loan losses, and the objective is that loan receivables will consist – as far as possible – of a large number of credits with low risk and a wide diversification of risk. Table 1, "Credit risk exposure, gross and net", shows the low level of credit risk for lending to the general public. Excluding loans to the Swedish National Debt Office, the credit exposure amounted to SEK 46 billion (93) before taking market-valued collateral into account and to SEK 1 billion (3) after taking collateral into account. The credit quality of financial assets that have neither fallen due for payment nor need to be written down is considered to be good, and loan losses remain low.

Skandiabanken holds surplus liquidity, which is invested in short-term lending and fixed-income securities with counterparties consisting of governments, municipalities, institutions and companies. In addition, Skandiabanken has exposures to derivative counterparties. Credit risk is managed by assessing the exposures based on an evaluation of the counterparty's ability to pay, financial situation, and the value of any collateral pledged. In contrast to retail exposures, assessment of the creditworthiness of counterparties is always done through a manual routine. The Board of Directors has delegated these assessments to the Asset & Liability Committee (ALCO). Holdings of fixed-income securities constitute Skandiabanken's liquidity buffer. For further information, see below under point 37.6, Liquidity risk.

Concentration risks pertain to risks attributable to financial instruments with similar characteristics and which may be affected in a similar way by changes in the external business environment. Skandiabanken monitors concentrations from various perspectives, such as geographic distribution per country and within each country, and large exposures to individual customers and entities, and groups of customers and entities that are related to each other. The breakdown of total credit risk exposure, including off-balance obligations carried at their nominal amount, amounted to 79% (77%) for mortgage loans for private individuals (primarily in major metropolitan areas), 8% (6%) for exposures to credit institutions (of which 88% (92%) pertained to covered bonds), 4% (8%) for other retail credits, 7% (8%) for government and municipal exposures, and 0% (0%) for exposures to corporates regarding investments. See the following table for credit risks.

Counterparty risk arises out of the credit risk in Skandiabanken's transactions in interest rate and foreign exchange derivatives. Counterparty risks are measured and limited in accordance with applicable internal processes.

When calculating counterparty risk for capital adequacy assessment purposes, the market valuation method is used – without taking netting into account – where an amount is added to the market value to reflect any potential change in future credit exposure during the term of the derivative in question. ISDA Master Agreements have been entered into with all derivative counterparties. All ISDA Master Agreements also have associated CSA Agreements that regulate the pledging of collateral to reduce counterparty risk. For further information about financial assets and liabilities that are offset or subject to netting agreements, see note 39. The total counterparty exposure amounted to SEK 38 million (72), of which SEK 10 million (32) consists of a positive market value and SEK 28 million (40) of potential future credit exposure. Disclosures of credit risks are provided in the following table on credit risks.

Table 1 – Credit exposure, gross and net

	2015			2014		
	Credit risk exposure after provisions	**Value of collateral**	**Credit risk exposure after deductions for collateral**	**Credit risk exposure after provisions**	**Value of collateral**	**Credit risk exposure after deductions for collateral**
Lending to the general public						
- Real estate	2	2	—	2	2	—
- Other	5	7	—	126	126	—
Corporates	**7**	**9**	**—**	**128**	**128**	**—**
- Vehicle financing	—	—	—	1,568	2,052	—
- Houses and vacation homes	27,817	76,431	37	64,743	172,631	826
- Tenant-owner apartments	17,659	41,060	2	23,848	55,495	19
- Other real estate	62	195	—	713	933	—
- Other	771	132	640	2,338	166	2,172
Private individuals	**46,309**	**117,818**	**679**	**93,210**	**231,277**	**3,017**
Public sector						
Swedish National Debt Office	**292**	**—**	**292**	**2,220**	**—**	**2,220**
Total lending to the general public	**46,608**	**117,827**	**971**	**95,558**	**231,405**	**5,237**
Of which, Norwegian operation	—	—	—	*53,200*	*135,937*	*2,118*

Cont. note 37. Risks and risk management – financial instruments and other risks

	2015			2014		
	Credit risk exposure after provisions	Value of collateral	Credit risk exposure after deductions for collateral	Credit risk exposure after provisions	Value of collateral	Credit risk exposure after deductions for collateral
Lending to credit institutions[2]						
- AAA	—	—	—	731	—	731
Governments	**—**	**—**	**—**	**731**	**—**	**731**
- AAA	100	—	100	—	—	—
- AA	0	—	0	—	—	—
- A	306	—	306	478	—	478
- No rating	5	—	5	43	—	43
Institutions	**411**	**—**	**411**	**521**	**—**	**521**
Total lending to credit institutions[1 2]	**411**	**—**	**411**	**1,252**	**—**	**1,252**
Of which, Norwegian operation	*96*	—	*96*	*943*	—	*943*
Fixed-income securities[3]						
- AAA	1,827	—	1,827	1,975	651	1,325
- AA+	3,277	—	3,277	2,432	—	2,432
- No rating	—	—	—	4,354	—	4,354
Governments and municipalities	**5,104**	**—**	**5,104**	**8,761**	**651**	**8,111**
- AAA	5,328	—	5,328	7,216	—	7,216
- AA	—	—	—	—	—	—
- BBB	295	—	295	—	—	—
- No rating	—	—	—	125	—	125
Institutions	**5,623**	**—**	**5,623**	**7,341**	**—**	**7,341**
- AAA	—	—	—	475	—	475
- AA	50	—	50	—	—	—
Corporates	**50**	**—**	**50**	**475**	**—**	**475**
Total fixed-income securities[1 3]	**10,777**	**—**	**10,777**	**16,577**	**651**	**15,927**
Of which, Norwegian operation	—	—	—	*9,457*	*176*	*9,281*

	2015			2014		
	Credit risk exposure after provisions	Value of collateral	Credit risk exposure after deductions for collateral	Credit risk exposure after provisions	Value of collateral	Credit risk exposure after deductions for collateral
Derivatives						
- AAA – AA-	6	—	6	—	—	—
- A+ – AA-	4	—	4	—	—	—
Institutions	**10**	**—**	**10**	**—**	**—**	**—**
- No rating	0	—	0	32	—	32
Corporates	**0**	**—**	**0**	**32**	**—**	**32**
Total derivatives	**10**	**—**	**10**	**32**	**—**	**32**
Of which, Norwegian operation	—	—	—	—	—	—
Total on balance sheet	**57,806**	**117,827**	**12,169**	**113,419**	**232,056**	**22,448**
Of which, Norwegian operation	—	—	—	*63,600*	*136,113*	*12,342*
Derivatives, possible change in credit exposure	28	—	28	40	—	40
Unutilised part of granted overdraft facilities	1,934	—	1,934	7,699	—	7,699
Other credit commitments	12,124	—	12,124	20,259	—	20,259
Total off balance sheet	**14,086**	**—**	**14,086**	**27,998**	**—**	**27,998**
Of which, Norwegian operation	—	—	—	*14,674*	—	*14,674*
Total	**71,892**	**117,827**	**26,255**	**141,417**	**232,056**	**50,446**
Of which, Norwegian operation	—	—	—	*78,274*	*136,113*	*27,016*

By credit exposure is meant receivables and other investments, including loans, securities, derivatives and off-balance sheet loan commitments. Shares, property, plant and equipment, and intangible assets are not included.

[1] Credit ratings from Standard and Poor's, Moody's and Fitch. Exposures are grouped in the table according to the credit ratings of the respective securities. Where such are lacking, the counterparties' credit ratings are used, and in cases where the exposure is guaranteed, the credit rating of the party that issued the guarantee is used. If three credit ratings are available for an exposure or counterparty, the two best are chosen; if these differ, the lower of the two is chosen. If two credit ratings are available, the lower one is chosen.

[2] Lending to credit institutions comprises receivables from central banks and credit institutions with set maturities.

[3] Fixed-income securities classified as available-for-sale financial assets.

Cont. note 37. Risks and risk management – financial instruments and other risks

Breakdown of collateral for lending to the general public

To reduce credit risk and concentration risk related to loan receivables, Skandiabanken has collateral in the form of mortgage deeds or tenant-owner rights for mortgage loans. For custody account lending, collateral is held in the form of stocks. Information on the value of collateral is provided the table “Breakdown of collateral for lending to the general public”. External market valuations of collateral have been obtained for mortgage lending. Surety bonds are stated in their nominal amounts. See the table below for a breakdown of the various categories of collateral.

Table 2 – Breakdown of collateral for lending to the general public

2015	Mortgage deeds	Surety	Other collateral	Total value of collateral	Value of collateral for non-performing loans	Value of collateral for impaired loans
- Real estate	2	—	—	2	—	—
- Other	—	—	7	7	0	—
Total corporates	**2**	**—**	**7**	**9**	**0**	**—**
- Vehicle financing	—	—	—	0	3	2
- Houses and vacation homes	76,430	—	1	76,431	95	13
- Tenant-owner apartments	—	—	41,060	41,060	433	8
- Other real estate	195	—	—	195	—	—
- Other	12	45	75	132	3	—
Total, private individuals	**76,637**	**45**	**41,136**	**117,818**	**534**	**23**
Total collateral	**76,639**	**45**	**41,143**	**117,827**	**534**	**23**
Of which, Norwegian operation	—	—	—	—	—	—
2014						
- Real estate	2	—	—	2	—	—
- Other	—	—	126	126	0	—
Total corporates	**2**	**—**	**126**	**128**	**0**	**—**
- Vehicle financing	2,052	—	—	2,052	3	2
- Houses and vacation homes	172,630	—	1	172,631	95	13
- Tenant-owner apartments	23,320	—	32,175	55,495	433	8
- Other real estate	933	—	—	933	—	—
- Other	15	44	107	166	3	—
Total, private individuals	**198,950**	**44**	**32,283**	**231,277**	**534**	**23**
Total collateral	**198,952**	**44**	**32,409**	**231,405**	**534**	**23**
Of which, Norwegian operation	*135,937*	—	—	*135,937*	*66*	*22*

Credit quality

Information about credit quality is provided with a breakdown into lending to the general public and other exposures.

Lending to the general public amounted to SEK 46 billion (93), excluding loans to the Swedish National Debt Office. For home mortgage loans, totalling SEK 45 billion (89), Skandiabanken uses a risk classification system to show the credit quality.

The risk classification system consists of a number of systems, process and methods that are used to quantify credit risk. For retail exposures, estimations are made of the probability of default (PD), loss given default (LGD) and exposure at default (EAD). This classification is based on statistical models, and to estimate PD it takes such factors into account as payment history, the number of co-signers, and funds held in deposit. On the basis of the models’ outcome, non-defaulted exposures are designated into one of seven risk classes, where risk class 1 constitutes the lowest risk and risk class 7 the highest risk. Defaulted credits are designated a special risk class for defaulted credits. LGD is based mainly on the loan-to-value ratio, i.e., the value of the collateral in relation to the size of the loan.

Skandiabanken’s risk classification system is under development and currently covers retail exposures with collateral in real estate, which is the single largest type of exposure. The risk classification system will be expanded in the future to also cover other retail exposures.

Table 3 – Lending to the general public before provisions – home mortgage

	2015				2014			
class	**Sweden**	**Norway**	**Total**	**Share**	**Sweden**	**Norway**	**Total**	**Share**
	11,411	—	11,411	0.25	17,063	26,767	43,830	0.50
2	14,231	—	14,231	0.31	17,475	12,524	29,999	0.34
3	11,875	—	11,875	0.26	2,002	2,606	4,608	0.05
4	3,338	—	3,338	0.08	2,293	6,008	8,301	0.09
5	2,268	—	2,268	0.05	222	832	1,054	0.01
6	1,037	—	1,037	0.02	83	664	747	0.01
7	911	—	911	0.02	2	33	35	0.00
8	204	—	204	0.01	—	—	—	—
9	155	—	155	0.00	—	—	—	—
Default	41	—	41	0.00	35	78	113	0.00
Total	**45,471**	**—**	**45,471**	**1.00**	**39,175**	**49,512**	**88,687**	**1.00**

In February 2015 Skandiabanken further developed its risk class scale from seven to nine risk classes, excluding default.

For disclosures of credit quality pertaining to lending to credit institutions and fixed-income securities, see Table 1 and exposures pertaining to lending to the credit institutions and fixed-income securities, and the description of Skandiabanken’s liquidity buffer under point 37.6 below, “Liquidity risk”.

Cont. note 37. Risks and risk management – financial instruments and other risks

Non-performing loans and impaired loans

The level of loan losses, i.e., loan losses in relation to total lending to the general public, was 0.03% (0.06%). Impaired loans, net, i.e., impaired loans after deducting provisions for probable loan losses, amounted to 0.05% (0.06%) of lending. Non-performing loans for which full collateral exists are presented and grouped according to maturity in the following table. For a more detailed description of non-performing loans and impaired loans, see note 1, Accounting policies. Disclosures of lending and provisions broken down into Sweden and Norway are provided in note 16, Lending to the general public.

Table 4 – Non-performing loans[1]

31 December 2015	60 days or less	>60 days	>90 days <180 days	>180 days <360 days	>360 days	Total
Corporates						
- Other	0	—	—	—	—	0
Corporates	**0**	**—**	**—**	**—**	**—**	**0**
Private individuals						
- Vehicle financing	—	—	—	—	—	—
- Houses and vacation homes	768	7	9	—	2	786
- Tenant-owner apartments	533	2	—	1	—	536
- Other real estate	—	—	—	—	—	—
- Other	9	—	—	—	—	9
Private individuals	**1,310**	**9**	**9**	**1**	**2**	**1,331**
Total lending to the general public	**1,310**	**9**	**9**	**1**	**2**	**1,331**
Of which, Norwegian operation	—	—	—	—	—	—
31 December 2014						
Corporates						
- Other	0	—	—	—	—	0
Corporates	**0**	**—**	**—**	**—**	**—**	**0**
Private individuals						
- Vehicle financing	3	—	—	—	—	3
- Houses and vacation homes[2]	765	12	10	2	21	810
- Tenant-owner apartments	418	2	5	4	3	432
- Other	48	—	—	—	—	48
Private individuals	**1,234**	**14**	**15**	**6**	**24**	**1,293**
Total lending to the general public	**1,234**	**14**	**15**	**6**	**24**	**1,293**
Of which, Norwegian operation	*63*	*11*	*8*	*6*	*23*	*111*

[1] Pertains to non-performing loans for which full collateral exists and which consequently are not impaired loans.
[2] The comparison figure for 2014 has been adjusted.

Table 5 – Impaired loans

	Impaired loans before provisions		Provisions	
	2015	**2014**	**2015**	**2014**
Private individuals				
- Vehicle financing	—	12	—	11
- Houses and vacation homes	21	57	2	24
- Tenant-owner apartments	—	13	0	7
- Other real estate	—	—	—	—
- Other	12	94	10	72
Private individuals	**33**	**176**	**12**	**114**
Lending to the general public	**33**	**176**	**12**	**114**
Of which, Norwegian operation	—	*140*	—	*102*

Concessions

Loan receivables that have been granted concessions during the past two years amounted to 0.23% (0.20%) of lending to the general public. The definition of concessions corresponds to Regulation (EU) No 680/214 laying down technical standards with regard to supervisory reporting of institutions according to Regulation (EU) 575/2013. Accumulated provisions for loan receivables that have been granted a concession amounted to SEK 3 million as per December 2015. The comparison figure for 2014 has been adjusted due to a reinterpretation of the regulation.

Utilisation of collateral

Skandiabanken has not utilised any collateral obtained that meets the criteria to be reported as an asset on the balance sheet as per 31 December 2015 and 31 December 2014.

37.5 Market risk

Market risk pertains to the risk that Skandiabanken's value or earnings will be negatively impacted by changes in interest rates, exchange rates or share prices. Skandiabanken has a low market risk appetite and is exposed to market risks primarily in the form of interest rate and currency risk. Skandiabanken has a limited trading account to enable equity and fund trading, and currency risk and price risk exist only to a limited extent.

37.5.1 Interest rate risk

Interest rate risk arises in connection with a mismatch of fixed-interest periods for assets, liabilities and derivative instruments, and the fair value or future cash flows are subsequently affected by changes in market interest rates.

Governance of interest rate risk

Ultimate responsibility for Skandiabanken's interest rate risk lies with the Board of Directors, while the CEO is responsible for continuing administration. The CEO has delegated responsibility for interest rate risk to the CFO of Skandiabanken.

Skandiabanken's Chief Risk Officer (CRO) is responsible for independent risk control of interest rate risks, which includes analysis and control as well as model validation.

Cont. note 37. Risks and risk management – financial instruments and other risks

Management and measurement of interest rate risk

Skandiabanken has the objective that the income statement should reflect the actual banking activities as far as possible and be affected only to a limited extent by external factors, such as temporary fluctuations in market interest rates. Most of Skandiabanken's deposits and lending after risk coverage are short-term, which means that interest rates can be adjusted if the situation in the money markets so requires. The interest rate risk that arises from home mortgage loans at fixed rates of interest is reduced through interest rate swaps. The table below shows interest-bearing assets and liabilities on the balance sheet.

Table 6 – Interest rate risk – interest rate fixing periods for assets and liabilities

31 December 2015 **Assets**	**0-1 month**	**1-3 mos**	**3-6 mos**	**6-12 mos**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**5-7 yrs**	**Non-interest**	**Total**
Interest-bearing assets											
Cash	21	—	—	—	—	—	—	—	—	—	21
Eligible treasury bills	611	3,913	—	—	—	—	—	—	—	—	4,524
Lending to credit institutions	411	—	—	—	—	—	—	—	—	—	411
Lending to the general public	14,123	24,794	818	1,554	1,383	2,971	189	776	—	—	46,608
Bonds and other fixed-income securities	1,633	4,620	—	—	—	—	—	—	—	—	6,253
Total interest-bearing assets	**16,799**	**33,327**	**818**	**1,554**	**1,383**	**2,971**	**189**	**776**	**—**	**—**	**57,817**
Noninterest-bearing assets	—	—	—	—	—	—	—	—	—	1,041	1,041
Total assets	**16,799**	**33,327**	**818**	**1,554**	**1,383**	**2,971**	**189**	**776**	**—**	**1,041**	**58,858**
Of which, Norwegian operation	*96*	—	—	—	—	—	—	—	—	—	*96*
Interest-bearing liabilities											
Deposits and borrowing from the general public	34,537	727	278	158	90	47	37	15	—	—	35,889
Issued securities, etc.	6,112	9,731	640	350	—	503	—	—	—	—	17,336
Subordinated liabilities	—	900	—	—	—	—	—	—	—	—	900
Total interest-bearing liabilities	**40,649**	**11,358**	**918**	**508**	**90**	**550**	**37**	**15**	**—**	**—**	**54,125**
Noninterest-bearing liabilities and equity	—	—	—	—	—	—	—	—	—	4,733	4,733
Total liabilities and equity	**40,649**	**11,358**	**918**	**508**	**90**	**550**	**37**	**15**	**—**	**4,733**	**58,858**
Of which, Norwegian operation	—	—	—	—	—	—	—	—	—	*96*	*96*
Interest rate swaps											
Short positions	2 490	6,270	—	—	—	500	—	—	—	—	9,260
Long positions	10	1,965	100	2,000	1,355	2,790	280	760	—	—	9,260
Difference, assets and liabilities	**-21,370**	**26,274**	**-200**	**-954**	**-62**	**131**	**-128**	**1**	**—**	**-3,692**	**—**
Of which, Norwegian operation	*96*	—	—	—	—	—	—	—	—	*-96*	—

Cont. note 37. Risks and risk management – financial instruments and other risks

31 December 2014

Assets	0-1 month	1-3 mos	3-6 mos	6-12 mos	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-7 yrs	Non-interest	Total
Interest-bearing assets											
Cash	616	—	—	—	—	—	—	—	—	—	616
Eligible treasury bills	911	5,646	888	665	—	—	—	—	—	—	8,110
Lending to credit institutions	1,229	—	—	—	—	—	—	—	—	—	1,229
Lending to the general public	14,115	72,209	1,125	2,907	2,584	1,070	1,363	185	—	—	95,558
Bonds and other fixed-income securities	2,696	5,319	452	—	—	—	—	—	—	—	8,467
Total interest-bearing assets	**19,567**	**83,174**	**2,465**	**3,572**	**2,584**	**1,070**	**1,363**	**185**	**—**	**—**	**113,980**
Noninterest-bearing assets	—	—	—	—	—	—	—	—	—	1,127	1,127
Total assets	**19,567**	**83,174**	**2,465**	**3,572**	**2,584**	**1,070**	**1,363**	**185**	**—**	**1,127**	**115,107**
Of which, Norwegian operation	*3,761*	*58,897*	*889*	*665*	—	—	—	—	—	*227*	*64,439*
Interest-bearing liabilities											
Deposits and borrowing from the general public	33,072	45,247	486	312	253	44	38	34	—	—	79,486
Issued securities, etc.	10,134	17,374	499	—	—	—	—	—	—	—	28,007
Subordinated liabilities	—	900	—	—	—	—	—	—	—	—	900
Total interest-bearing liabilities	**43,206**	**63,521**	**985**	**312**	**253**	**44**	**38**	**34**	**—**	**—**	**108,393**
Noninterest-bearing liabilities and equity	—	—	—	—	—	—	—	—	—	6,714	6,714
Total liabilities and equity	**43,206**	**63,521**	**985**	**312**	**253**	**44**	**38**	**34**	**—**	**6,714**	**115 107**
Of which, Norwegian operation	*7,084*	*53 595*	—	—	—	—	—	—	—	*3,760*	*64,439*
Interest rate swaps											
Short positions	3,140	7,015	—	—	—	—	—	—	—	—	10,155
Long positions	—	1,685	495	2,825	2,575	955	1,440	180	—	—	10,155
Difference, assets and liabilities	**-20,499**	**24,983**	**985**	**435**	**-244**	**71**	**-115**	**-29**	**—**	**-5,587**	**0**
Of which, Norwegian operation	*-3,323*	*5 302*	*889*	*665*	—	—	—	—	—	*-3 533*	*0*

Skandiabanken's risk policy defines interest rate risk as the effect of a parallel shift in the interest rate curve caused by a 2 percentage point increase. As per 31 December 2015 such a parallel shift would have resulted in a theoretical revaluation of the balance sheet by SEK 106 million (65), net, in negative earnings effect. The table above shows interest-bearing assets and liabilities on the balance sheet.

In addition, Skandiabanken quantifies interest rate risk using a model that simulates the historically worst, modelled outcome of a number of non-parallel shifts in the interest rate curve based on historical observations. The calculation includes all interest-bearing assets and liabilities, including derivatives, that mature or are subject to an interest rate adjustment within one year. It is estimated that an immediate and permanent increase in market interest rates by 2 percentage points would result in a positive effect on net interest income by SEK 20 million (38). For instruments carried at fair value through other comprehensive income, the effect is estimated to be a decrease in other comprehensive income by SEK 32 million (58).

Cont. note 37. Risks and risk management – financial instruments and other risks

Hedging strategy for interest rate risks

Skandiabanken adheres to the main principle to hedge lending at fixed interest rates using interest rate swaps. Such hedging is done using the 3-month Stibor rate as the adjustable rate, which provides sufficient protection for the fixed interest periods that are usually referred to as the "general level of interest rates". The hedges are taken out monthly unless the volume differs from the normal, and during the current month an unhedged balance accumulates, but it is not large enough to warrant a change in the hedging periodicity. Holdings of and issues of fixed-income securities with longer terms generally have a variable interest rate structure, and securities bearing fixed interest are handled with matched borrowings or derivatives.

The change in value of hedged items amounted to SEK -66 million (113) as per 31 December, and the corresponding change in value of hedge instruments was SEK 65 million (-114). The unrealised market valuation of hedge accounting is reported under "Net financial items" and amounted to SEK -1 million (-1). The effectiveness of hedges was 101.9% (100.8%), which meets the conditions for when hedge accounting may be applied.

37.5.2 Currency risk

Currency risk arises through a mismatch of assets and liabilities in foreign currencies and when the fair value or cash flows are affected by changes in exchange rates.

Governance of currency risk

Ultimate responsibility for Skandiabanken's currency risk lies with the Board of Directors, while the CEO is responsible for continuing administration. The CEO has delegated responsibility for currency risk to the CFO of Skandiabanken.

Skandiabanken's Chief Risk Officer (CRO) is responsible for independent risk control of currency risk, which includes analysis and control, and model validation.

Management and measurement of currency risk

Skandiabanken has as its objective that the income statement should not be affected by currency movements. Currency risks that arise in connection with trading for the benefit of customers, i.e., fund and equity trading in international markets, and currency exposures that arise via customer activities, such as banking transactions, are hedged with currency forward contracts and currency swaps. Foreign exchange derivatives are included in the items Other assets and Other liabilities in table 7. See note 38 for further information.

Currency risk is calculated for all exposures in foreign currencies pertaining to assets, liabilities and off-balance sheet obligations. The positions are measured at current market value and are translated to SEK at the exchange rate in effect on the balance sheet date.

The total net exposure to currency risk for capital requirement purposes on 31 December was SEK 24 million (547). A change in value of the Swedish krona against foreign currencies by 5 percentage points would affect equity by SEK 1 million (3). This means that the corresponding sensitivity analysis based on the average exchange rate for the period would affect the income statement by SEK 2 million (26).

Table 7 – Assets and liabilities distributed among important currencies

	2015				2014			
Assets	**SEK**	**NOK**	**Other currencies[1]**	**Total**	**SEK**	**NOK**	**Other currencies[1]**	**Total**
Cash and cash balances with central banks	6	—	15	21	3	613	20	636
Eligible treasury bills, etc.	4,524	—	—	4,524	2,971	5,139	—	8,110
Lending to credit institutions	276	96	39	411	273	957	22	1,252
Lending to the general public	46,608	—	—	46,608	42,359	53,199	—	95,558
Fair value of portfolio hedge of interest rate risk	117	—	—	117	184	—	—	184
Bonds and other fixed-income securities	6,253	—	—	6,253	4,149	4,318	—	8,467
Other assets	915	1	8	924	669	204	27	900
Total assets	**58,699**	**97**	**62**	**58,858**	**50,608**	**64,430**	**69**	**115,107**
Of which, Norwegian operation (excl. eliminations)	—	*96*	—	*96*	—	*64,439*	—	*64,439*
Liabilities and equity								
Liabilities to credit institutions	79	—	—	79	88	12	0	100
Deposits and borrowing from the general public	35,880	—	31	35,911	35,186	44,299	33	79,518
Issued securities	17,336	—	—	17,336	11,627	16,380	—	28,007
Other liabilities including equity	4,531	96	5	4,632	3,875	2,688	19	6,582
Subordinated liabilities	900	—	—	900	900	—	—	900
Total liabilities and equity	**58,726**	**96**	**36**	**58,858**	**51,676**	**63,379**	**52**	**115,107**
Of which, Norwegian operation (excl. eliminations)	—	*96*	—	*96*		*64,439*		*64,439*

[1] Pertains mainly to EUR.

Cont. note 37. Risks and risk management – financial instruments and other risks

Prior to the separation of the Norwegian operation, Skandiabanken had a long strategic currency position against the Norwegian krona which was attributable to retained earnings in the Norwegian branch. This item was not hedged and could affect other comprehensive income.

This means that the corresponding sensitivity analysis based on the period's average exchange rate affects the income statement by SEK 2 million (26).

Negative translation differences decreased comprehensive income for the year by SEK -83 million (-28) after tax and pertain to exchange rate differences that arise when translating the financial statements of foreign operations to Skandiabanken's reporting currency.

37.6 Liquidity risk

The definition of liquidity risk is broken down into refinancing risk and market liquidity risk. Refinancing risk is the risk of not being able to meet payment obligations on the due date without a substantially elevated cost of obtaining means of payment. Market liquidity risk pertains to the risk of not being able to realise positions at anticipated market prices in cases where the market is not sufficiently liquid or is not effective due to disruptions.

Governance of liquidity risk

Ultimate responsibility for Skandiabanken's liquidity risk lies with the Board of Directors. The CEO is responsible for continuing administration, which includes liquidity management.

The CEO has delegated responsibility for liquidity risk to the CFO of Skandiabanken.

With respect to liquidity management, Skandiabanken's Chief Risk Officer (CRO) is responsible for liquidity risk control, which includes analysis, control, reporting and model validation.

Management of liquidity risk

Treasury is responsible for the daily liquidity management for operations. Liquidity is funded by and invested in Swedish kronor (SEK).

Management of intraday liquidity involves monitoring the Bank's pledged collateral with the Central Bank of Sweden in the aim of ensuring that the Bank meets its obligations in the Swedish payments system.

Short-term liquidity is managed in the interbank market through continuous monitoring of known, future inflows and outflows combined with a forecast of anticipated flows based on an analysis of customer behaviours. The ensure that Skandiabanken is not overly dependent on short-term funding, Treasury operates within limits for the maximum daily borrowing need. To ensure that Skandiabanken is not overly dependent on a few deposit customers, Treasury works within limits set by the Board of Directors for deposit concentration. Concentration is measured in terms of deposits from individual customers and deposits from the 10 largest customers.

Liquidity management includes daily stress tests, forecasting of liquidity and funding needs, investment of liquidity, liquidity preparedness plans and an annual scenario analysis within the framework of the annual internal capital and liquidity adequacy assessment. This assessment entails a thorough evaluation of all components that together make up and/or support the Bank's liquidity management framework.

Liquidity buffer

To ensure preparedness in situations in which Skandiabanken is in an urgent need of liquidity, Skandiabanken maintains a liquidity buffer. The liquidity buffer consists of available funds that are at Treasury's disposal and that are acceptable as collateral by the Central Bank of Sweden. This ensures that Skandiabanken is able to convert assets to cash at short notice. As per 31 December 2015, the liquidity buffer amounted to SEK 9.8 billion (20.2), which corresponded to 89% (99%) of Skandiabanken's total liquidity. The corresponding liquidity buffer for Skandiabanken Sweden for 2014 was SEK 9.2 billion.

Treasury also disposes over other liquidity that does not meet the requirement to qualify as part of the liquidity buffer, but which can also be used to ensure the Bank's ability to pay. However, these securities are expected to require longer time to sell and/or can be sold at a higher cost compared with the assets in the liquidity buffer.

Total liquidity amounted to SEK 11.1 billion (20.3) at year-end. The corresponding total liquidity for Skandiabanken Sweden in 2014 was SEK 9.4 billion. Securities making up total liquidity, apart from balances with and lending to central banks and governments, consist of covered bonds, bonds and commercial paper, and have good credit quality. Of the holdings, 59% (56%) were rated AAA, 35% (17%) were rated AA, 3% (0%) were rated BBB, 3% (27%) had no external long-term credit rating. Exposures without long-term credit ratings consist exclusively of Swedish municipalities. The credit ratings are based on ratings published by Standard & Poor's, Moody's and Fitch.

Measurement of liquidity risk

Treasury measures liquidity risk on an intraday basis as well as on a short-term and long-term basis.

Treasury measures the liquidity buffer's capacity to meet the need for liquidity in a stressed scenario during the next 30 days using the standard regulatory metric liquidity coverage ratio (LCR). The liquidity coverage ratio, defined in accordance with FFFS 2012:6, was 233% (193%) as per 31 December 2015.

Skandiabanken's long-term/structural liquidity risk is measured and managed on a monthly basis via various metrics. Treasury measures the funding gap over a one-year horizon, which is calculated as the difference between maturing assets and liabilities, and off-balance sheet items, and is to be based on contractual maturities where applicable, and in other cases anticipated maturities. The measure highlights the gap in the Bank's funding profile. As per 31 December the Bank had a liquidity surplus of SEK 8.3 billion (8.1) on a one-year horizon, which corresponds to an accumulated net cash flow in excess of three years.

This measure is complemented by a standard regulatory metric for structural liquidity risk, the net stable funding ratio (NSFR), which measures a bank's capacity to match long-term illiquid lending with long-term borrowing. As per 31 December the Bank had an NSF ratio, defined in accordance with the Basel Committee's definition, of 1.36 (1.41), which indicates a funding profile that amply meets the long-term lending.

Stress tests

Stress tests are performed on a daily basis to ensure that the level of the liquidity buffer is sufficient to resist a stressed scenario. The stress test defines how long the liquidity buffer would last under exceptional company-specific as well as market-wide stress events, i.e., the number

Cont. note 37. Risks and risk management – financial instruments and other risks

of days that Skandiabanken is expected to be able to cover a stressed outflow of liquidity based on its existing liquidity buffer. By company-specific stress events is meant assumptions for e.g., exceptionally large outflows of deposits and an increased degree of utilisation of granted but not utilised credit promises. By market-wide stress events is meant disruptions in the capital markets that would affect the ability to obtain funding and increased demands to pledge security for the Bank's derivative exposures. The test covers both stressed contractual and stressed anticipated flows for items both on and off the balance sheet. As per 31 December Skandiabanken's survival horizon was 115 days (48).

Table 8 – Liquidity buffer[1]

	31 December 2015				31 December 2014[2]			
	SEK	**NOK**	**EUR**	**Total**	**SEK**	**NOK**	**EUR**	**Total**
1 Cash and balances with and lending to central banks and governments	298	—	15	313	2,223	1,345	20	3,588
2 Lending to other banks, intraday loans	—	—	—	—	—	172	—	172
3 Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	300	—	—	300	575	478	—	1 053
4 Securities issued or guaranteed by municipalities or other public sector entities	4,223	—	—	4,223	2,972	5 211	—	8 183
5 Covered bonds issued by other banks or institutions	4,982	—	—	4,982	3,449	3 767	—	7 216
6 Covered bonds issued by own bank or related unit	—	—	—	—	—	—	—	—
7 Securities issued by non-financial corporates	—	—	—	—	—	—	—	—
8 Securities issued by financial corporates, excl. covered bonds	—	—	—	—	—	—	—	—
9 All other securities	—	—	—	—	—	—	—	—
Total liquidity buffer	**9,803**	—	**15**	**9,818**	**9,219**	**10,973**	**20**	**20,212**
Of which, Norwegian operation	—	—	—	—	—	*10,973*	—	*10,973*

[1] The liquidity buffer is managed in accordance with the Financial Supervisory Authority's guidelines (2010:7) on management of liquidity risk for credit institutions and securities firms. In the table above, the liquidity buffer is presented according to the Swedish Bankers' Association's presentation format. The liquidity buffer consists of assets at the disposal of the Treasury function. The assets are eligible as collateral with central banks and are not claimed as collateral. The holdings are carried at current market value and receive a risk weight of 0%-20% in accordance with Regulation (EU) No 575/2013.

[2] The note amounts are adjusted line for line.

Table 9 – Contracted non-discounted cash flows

	2015					
SEK million	**Payable upon demand**	**Remaining maturity <3 mos**	**Remaining maturity >3 mos but <1 yr**	**Remaining maturity >1 year but >5 yrs**	**Remaining maturity >5 yrs**	**Total**
Financial assets						
Eligible treasury bills, etc.	—	4,400	77	—	—	4,477
Lending to credit institutions	426	5	—	—	—	431
Lending to the general public	—	36,520	2,583	5,772	2,500	47,375
Bonds and other fixed-income securities	—	5,282	1,025	—	—	6,307
Total	**426**	**46,207**	**3,685**	**5,772**	**2,500**	**58,590**
Of which, Norwegian operation	*96*	—	—	—	—	*96*
Financial liabilities						
Due to credit institutions	—	79	—	—	—	79
Deposits and borrowing from the general public	34,185	1,470	438	198	—	36,291
Issued securities, etc.	—	15,797	990	504	—	17,291
Other liabilities	—	443	—	—	—	443
Subordinated loans	—	902	—	—	—	902
Total	**34,185**	**18,691**	**1,428**	**702**	—	**55,006**
Of which, Norwegian operation	—	*96*	—	—	—	*96*
Derivative instruments						
Cash inflow	—	2,495	—	4,200	—	6,695
Cash outflow	—	20,981	69,972	93,611	—	184,564
Net	**—**	**-18,486**	**69,972**	**93,611**	**—**	**-177,869**
Of which, Norwegian operation	—	—	—	—	—	—
Unutilised part of granted overdraft facilities	1,934	—	—	—	—	1,934
Granted but not utilised credits	12,124	—	—	—	—	12,124
Total off-balance items	**14,058**	**—**	**—**	**—**	**—**	**14,058**
Of which, Norwegian operation	—	—	—	—	—	—

Cont. note 37. Risks and risk management – financial instruments and other risks

SEK million	Payable upon demand	Remaining maturity <3 mos	Remaining maturity >3 mos but <1 yr	Remaining maturity >1 year but >5 yrs	Remaining maturity >5 yrs	Total
	2014					
Financial assets						
Eligible treasury bills, etc.	—	6,566	1,573	—	—	8,139
Lending to credit institutions	348	904	—	—	—	1,252
Lending to the general public	—	21,095	6,486	20,343	51,422	99,346
Bonds and other fixed-income securities	—	7,997	481	—	—	8,478
Total	**348**	**36,562**	**8,540**	**20,343**	**51,422**	**117,215**
Of which, Norwegian operation	*40*	*9,635*	*3,880*	*12,406*	*49,080*	*75,041*
Financial liabilities						
Due to credit institutions	—	100	—	—	—	100
Deposits and borrowing from the general public	76,851	1,501	803	391	—	79,546
Issued securities, etc.	—	27,572	500	—	—	28,072
Other liabilities	—	997	—	—	—	997
Subordinated loans	—	903	—	—	—	903
Total	**76,851**	**31,073**	**1,303**	**391**	—	**109,618**
Of which, Norwegian operation	*44,299*	*16,457*	—	—	—	*60,756*
Derivative instruments						
Cash inflow	1,185	311	—	—	—	1,496
Cash outflow	1,200	428	150	—	—	1,778
Net	**-15**	**-117**	**150**	**—**	**—**	**-282**
Of which, Norwegian operation	—	—	—	—	—	—
Unutilised part of granted overdraft facilities	7,699	—	—	—	—	7,699
Granted but not utilised credits	20,259	—	—	—	—	20,259
Total off-balance items	**27,958**	**—**	**—**	**—**	**—**	**27,958**
Of which, Norwegian operation	*14,674*	—	—	—	—	*14,674*

37.7 Operational risk

Operational risk is defined as the risk of loss due to inappropriate or failed processes, human error, defective systems or external events. The definition also includes legal risk, i.e., the risk that agreements or other legal contracts cannot be executed in accordance with their stipulated conditions, or that legal processes will be initiated which could adversely affect the Bank's operations, and compliance risk, i.e., the risk for noncompliance with external and internal rules and regulations.

Governance of operational risk

Ultimate responsibility for Skandiabanken's operational risk lies with the Board of Directors, while the CEO is responsible for continuing administration. Since the respective departmental managers have an operational responsibility in parity with their management responsibility, the responsibility for risks is in practice delegated to the departmental managers.

The CRO has overarching responsibility for control of operational risk. ALCO is responsible for monitoring Skandiabanken's risk, liquidity and capital situation. Recommendations for changes in policies and risk tolerance limits are made at least once a year to the Board's Risk and Audit Committee, after consideration by Skandiabanken's ALCO. The Board's Risk and Audit Committee is responsible for reviewing and approving strategies and guidelines for Skandiabanken's management of operational risk at least once a year.

Managing and measuring operational risk

Operational risks can essentially only be managed through preventive and loss reduction measures. Skandiabanken manages operational risks through various types of preventive measures and security arrangements as well as through continuity planning aimed at dealing with any negative situations that may arise for Skandiabanken as effectively as possible. Effects of operational risks commonly manifest themselves in the form of costs or reputational losses.

The goal is to live up to the high demands on reliability, security, efficiency, quality and trust that the Board, executive management, customers, investors, employees and other internal and external stakeholders put on Skandiabanken and its products, services and information. Watchwords in Skandiabanken's operations are safety, high accessibility, security and high-quality service. Skandiabanken works actively with raising awareness about operational risks in the operations in an effort to avoid or reduce unanticipated losses.

The Bank's internal rules, including preparedness plans, describe preventive and loss limiting measures. Policies are set by the Board of Directors, while instructions are set by the CEO. Threats and risks that could affect Skandiabanken are analysed on a continuous basis. In its management of operational risk, Skandiabanken provides tools for identifying, assessing and reporting risks and incidents.

Aside from policies, instructions, routines and job descriptions, Skandiabanken uses an extensive self assessment process for operational risks. This self assessment aims to identify operational risks and quantify any losses that may be incurred. This work results in action plans whose implementation is subject to continuous monitoring. The assessment is performed annually, with quarterly updates and follow-up.

Cont. note 37. Risks and risk management – financial instruments and other risks

As support for risk management, Skandiabanken has a system for reporting and monitoring incidents. All incidents – realised as well unrealised – are reported in the system. All incidents are followed up, and actions are taken to prevent the incident from occurring again.

37.8 Business risk, reputation risk and strategic risk

Business risk is the risk that earnings will deteriorate mainly as a result of changes in volumes, interest rate margins or other price changes associated with lending, deposits and the investment portfolio, as well as a lower level of net fee and commission income, and that earnings will not be sufficient to cover costs. Business risk also includes reputation risk, which is the risk of harm to Skandiabanken's reputation caused by factors such as harmful rumours about Skandiabanken or Skandia in general, or by problems discovered in operations, major projects, etc. Losses attributable to reputation can have a significant impact on market shares and profitability.
By strategic risk at Skandiabanken is meant the long-term risk associated with erroneous or bad business decisions, inappropriate or improper execution of decisions, or a lack of responsiveness to changes in society, regulatory systems or the industry.

Governance of business risk, reputation risk and strategic risk

Overall responsibility for Skandiabanken's business risk, reputation risk and strategic risk lies with the Board of Directors, while the CEO is responsible for continuing administration. All risk appetite limits and changes in policies are decided by the Board of Directors. All matters with a potentially negative impact on Skandiabanken's reputation are addressed by the Risk Control function and are reported to Skandiabanken's management and board as well as to the Chief Risk Officer (CRO) of Skandia AB and the CRO of Skandia Mutual.

Managing and measuring business risk, reputation risk and strategic risk

Business risk and reputation risk

Business risk is managed by ensuring a diversification of revenues, such as net interest income and net fee and commission income, since both would most likely not fall simultaneously, by maintaining stability of revenue generation, and by cost control.

Measurement of business risk excludes changes attributable to loan losses as well as other risks, such as market risks and operational risks, which are covered by the assessments described in points 37.4-37.7. Skandiabanken includes reputation risk and strategic risk in business risk even though they cannot be specifically measured and isolated as individual risks. When measuring business risk, consideration is given to the historic trend in net interest income/expense, net fee and commission income, and general overheads, and thus previous effects of reputation risks are included in the outcome.

The scope of business risk is affected by variations attributable to net interest income/expense and net fee and commission income. Some costs change in pace with revenues based on volumes and transactions, while others can be considered to be variable without being volume- or transaction-dependent, while yet others are regarded as fixed costs. The breakdown between variable and fixed costs affects management's ability to influence potential losses of revenue in the near term.

Processes exist for managing potential reputation risk and for ensuring that the risk is managed at the appropriate management level within the organisation. Skandiabanken's reputation in the market is monitored on a continuous basis.

Strategic risk

Strategic risks arise in connection with situations involving decisions and major changes (internal or external), such as erroneous or bad business decisions that affect Skandiabanken in the long term. Strategic risks are managed on an overarching level for the entire Skandia group.

Strategic risks can often only be managed through good analysis and good planning ahead of decisions and implementation of changes in operations. Consequently, strategic risks are often managed as part of Skandiabanken's strategic and business planning process. Even though certain risk mitigation measures can be taken, it is often difficult to entirely avoid strategic risks, which are an integral part of all business activities.

37.9 Remuneration risk

Remuneration risk pertains to all forms of employee remuneration. The risk is associated with the design of the remuneration system to the extent that it does not promote effective risk management and encourages excessive risk-taking, which could have adverse effects on earnings and capital.

Governance of remuneration risk

The Board of Directors has adopted an overarching remuneration policy, which aims to promote sound and effective risk management and counteract excessive risk-taking at Skandiabanken. Decisions on remuneration of employees who have overarching responsibility for any of Skandiabanken's control functions (the functions for risk control, compliance, internal audit or similar) are to be made by the Board of Directors. Board decisions on remuneration of the CEO must also be approved by Skandia Mutual's remuneration committee.

The Board has a remuneration committee tasked with conducting drafting work on important matters concerning remuneration of Skandiabanken's employees and for deciding on measures for monitoring the application of Skandiabanken's remuneration policy.

Cont. note 37. Risks and risk management – financial instruments and other risks

Management and measurement of remuneration risk

As part of its efforts to manage remuneration risk, Skandiabanken has a remuneration policy for all employees that is revised yearly.

No employees of Skandiabanken are entitled to any form of variable remuneration.

For all employees in Sweden, except for the CEO, an allocation may be made to the Skandianen profit-sharing foundation in a maximum amount equivalent to 125% of half the Price Base Amount. For 2015 the maximum allocation can amount to SEK 27,800 per employee. The size of the allocation is based on the Skandia group's financial results. For employees in Norway, an allocation corresponding to a maximum of 1.5 months' salary may be made for 2015.

Before a decision is made on the remuneration system or significant changes in it, an analysis is performed of how the system affects the risks that Skandiabanken is exposed to and how these risks are managed. Skandiabanken's CRO has special responsibility for this assessment.

Skandiabanken's risk analysis of the remuneration system covers a description of risk management and control systems at Skandiabanken – mainly risk categories, including reputation risk with respect to remuneration systems, risk tolerance and the remuneration instructions, and the process of identifying "specially regulated staff", who are defined as employees who can influence Skandiabanken's level of risk.

In view of the information provided in the remuneration instructions, together with the assumption that the risk management and control system is being adhered to, at present it is believed that no risks exist with respect to the remuneration system.

Further disclosures in accordance with Regulation (EU) No 575/2013 and the Financial Supervisory Authority's regulations and general guidelines on regulatory requirements and capital buffers (FFFS 2014:12) are provided on Skandiabanken's website: www.skandiabanken.se under Mer om oss, Finansiell Information, Redogörelse för ersättningar, 2015 Redogörelse ersättningar Skandiabanken.

38. Disclosures of derivative instruments

Breakdown of derivative instruments by type of hedge relationship

	2015			2014		
Derivatives held for trading	**Assets at fair value**	**Liabilities at fair value**	**Nominal amount**	**Assets at fair value**	**Liabilities at fair value**	**Nominal amount**
Foreign exchange derivatives						
Swaps	0	0	4	0	0	9
Forward agreements	—	—	—	—	0	2
Derivatives held for fair value hedges						
Interest rate derivatives						
Swaps	10	126	9,260	—	185	10,155
Derivatives for hedges of net investments in foreign operations						
Foreign exchange derivatives						
Swaps	—	—	—	32	4	1,488
Total derivatives broken down by assets and liabilities						
Interest rate derivatives	10	126	9,260	0	185	10,155
Foreign exchange derivatives	0	0	4	32	4	1,499
Total	**10**	**126**	**9,264**	**32**	**189**	**11,654**

Skandiabanken Norway has not had derivatives on its balance sheet.

Interest rate swaps are held to hedge interest rate risks associated with lending to the general public at fixed interest rates. Of the Bank's lending, 82% (89%) is at variable interest rates that are adjusted to movements in market interest rates within three months. The remaining credits have interest rates that are fixed for set periods of up to 5 years. The Bank's funding is handled in all essential respects through deposits and borrowing at variable interest rates, however, some funding is also conducted through deposits and borrowing at fixed interest rates and through equity.

Foreign exchange derivatives are held primarily as a hedge against currency risks on the balance sheet associated with net investments in foreign operations. In connection with the separation from the Norwegian operation, these foreign exchange derivatives have expired.

For disclosures on terms of interest rate derivatives, see table 6 in note 37, Interest rate fixing periods. Interest rate risk, net interest income risk and all foreign exchange derivatives have terms with maturity in three months.

39. Financial assets and liabilities that are offset or subject to netting agreements

	Financial assets and liabilities that are offset or subject to netting agreements			Related agreements				
2015	**Gross amount**	**Offset**	**Net amount on balance sheet**	**Master netting agreement**	**Collateral received/ pledged**	**Net amount**	**Assets and liabilities that are not subject to netting agreements**	**Total on balance sheet**
Derivatives	10	—	10	-10	—	0	—	10
Assets	**10**	**—**	**10**	**-10**	**—**	**0**	**—**	**10**
Derivatives	126	—	126	-10	-113	3	—	126
Liabilities	**126**	**—**	**126**	**-10**	**-113**	**3**	**—**	**126**
2014								
Derivatives	32	—	32	-32	—	0	—	32
Assets	**32**	**—**	**32**	**-32**	**—**	**0**	**—**	**32**
Derivatives	189	—	189	-32	-157	0	—	189
Liabilities	**189**	**—**	**189**	**-32**	**-157**	**0**	**—**	**189**

Skandiabanken Norway has not had derivatives on its balance sheet

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 Master Agreements, along with related collateral. The net amount shows the exposure under normal business conditions both in the event of a suspension in 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 than 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. The Bank has not received or pledged collateral that can be used without the default of the counterparty.

40. Classification and measurement of financial assets and liabilities

a) Classification and measurement of financial assets and liabilities

31 December 2015 Assets	Measured at fair value through profit or loss, held for trading	Derivatives in hedge accounting	Financial assets held to maturity	Loans and trade receivables	Available-for-sale financial assets	Financial assets at amortised cost	Nonfinancial assets and liabilities	Book value	Fair value
Cash and cash balances with central banks	—	—	—	21	—	—	—	**21**	**21**
Eligible treasury bills, etc.	—	—	—	—	4,524	—	—	**4,524**	**4,524**
Lending to credit institutions	—	—	—	411	—	—	—	**411**	**411**
Lending to the general public	—	—	—	46,608	—	—	—	**46,608**	**46,704**
Fair value of portfolio hedge of interest rate risk	—	117	—	—	—	—	—	**117**	**117**
Bonds and other fixed-income securities	—	—	—	—	6,253	—	—	**6,253**	**6,253**
Shares and participations	0	—	—	—	10	—	—	**10**	**10**
Intangible assets	—	—	—	—	—	—	159	**159**	**159**
Property, plant and equipment	—	—	—	—	—	—	2	**2**	**2**
Current tax assets	—	—	—	—	—	—	16	**16**	**16**
Deferred tax liabilities	—	—	—	—	—	—	18	**18**	**18**
Other assets	—	10	—	675	—	—	—	**685**	**685**
Prepaid expenses and accrued income	—	—	—	34	—	—	—	**34**	**34**
Total assets	**0**	**127**	—	**47,749**	**10,787**	—	**195**	**58,858**	**58,954**
Of which, Norwegian operation	—	—	—	*96*	—	—	—	*96*	*96*
Liabilities									
Due to credit institutions	—	—	—	—	—	79	—	**79**	**79**
Deposits and borrowing from the general public	—	—	—	—	—	35,911	—	**35,911**	**35,911**
Issued securities, etc.	—	—	—	—	—	17,336	—	**17,336**	**17,262**
Current tax liabilities	—	—	—	—	—	—	96	**96**	**96**
Other liabilities	0	126	—	—	—	224	—	**350**	**350**
Accrued expenses and deferred income	—	—	—	—	—	65	45	**110**	**110**
Provisions for pensions	—	—	—	—	—	—	13	**13**	**13**
Subordinated liabilities	—	—	—	—	—	900	—	**900**	**900**
Total liabilities	**0**	**126**	**—**	**—**	**—**	**54,515**	**154**	**54,795**	**54,721**
Of which, Norwegian operation	—	—	—	—	—	—	*96*	*96*	*96*

Cont. note 40. Classification and measurement of financial assets and liabilities

31 December 2014 **Assets**	**Measured at fair value through profit or loss, held for trading**	**Derivatives in hedge accounting**	**Financial assets held to maturity**	**Loans and trade receivables**	**Available-for-sale financial assets**	**Financial assets at amortised cost**	**Nonfinancial assets and liabilities**	**Book value**	**Fair value**
Cash and cash balances with central banks	—	—	—	636	—	—	—	**636**	**636**
Eligible treasury bills, etc.	—	—	—	—	8,110	—	—	**8,110**	**8,110**
Lending to credit institutions	—	—	—	1,252	—	—	—	**1,252**	**1,252**
Lending to the general public	—	—	—	95,558	—	—	—	**95,558**	**95,698**
Fair value of portfolio hedge of interest rate risk	—	184	—	—	—	—	—	**184**	**184**
Bonds and other fixed-income securities	—	—	—	—	8,467	—	—	**8,467**	**8,467**
Shares and participations	1	—	—	—	12	—	—	**13**	**13**
Intangible assets	—	—	—	—	—	—	331	**331**	**331**
Property, plant and equipment	—	—	—	—	—	—	4	**4**	**4**
Current tax assets	—	—	—	—	—	—	10	**10**	**10**
Deferred tax liabilities	—	—	—	—	—	—	17	**17**	**17**
Other assets	—	32	—	297	—	—	—	**329**	**329**
Prepaid expenses and accrued income	—	—	—	196	—	—	—	**196**	**196**
Total assets	**1**	**216**	—	**97,939**	**16,589**	—	**362**	**115,107**	**115,247**
Of which, Norwegian operation	—	—	—	*54,970*	*9,459*	—	*10*	*64,439*	*64,439*
Liabilities									
Due to credit institutions	—	—	—	—	—	100	—	**100**	**100**
Deposits and borrowing from the general public	—	—	—	—	—	79,518	—	**79,518**	**79,518**
Issued securities, etc.[1]	—	—	—	—	—	28,007	—	**28,007**	**28,228**
Current tax liabilities	—	—	—	—	—	—	145	**145**	**145**
Other liabilities	0	189	—	—	—	483	—	**672**	**672**
Provisions for pensions	—	—	—	—	—	192	118	**310**	**310**
Subordinated liabilities	—	—	—	—	—	—	59	**59**	**59**
Total liabilities	—	—	—	—	—	900	—	**900**	**900**
Of which, Norwegian operation	**0**	**189**	**—**	**—**	**—**	**109,200**	**322**	**109,711**	**109,932**
Varav verksamhet Norge	—	—	—	—	—	*61,332*	*309*	*61,641*	*61,730*

[1] Fair value for 2014 has been adjusted.

Financial instruments where the book value is considered to be equal to fair value

Book value is considered to be equal to fair value for the following items: payment instruments, lending to the general public at variable interest rates or at interest rates that are fixed for up to three months, deposits from the general public, other current receivables and liabilities with variable interest, such as lending to credit institutions and deposits from credit institutions, issued securities, and other noninterest-bearing current receivables and liabilities. With respect to deposits at fixed rates of interest, fair value is considered to be equal to book value, taking into consideration that no discounting effect exists, since funds held are payable upon demand.

Determining the fair value of lending at fixed interest rates with book value at amortised cost

Lending at fixed interest rates pertains to loans with terms of fixed interest ranging from 1 to 5 years and is carried at amortised cost. In calculating fair value for these loans, the market rate of interest used is Skandiabanken's new-lending rate for corresponding fixed interest periods for discounting future interest income.

Cont. note 40. Classification and measurement of financial assets and liabilities

b) Financial assets and liabilities at fair value

	2015			2014		
	Instruments with published price quotations in an active market	**Valuation techniques based on observable market data**		**Instruments with published price quotations in an active market**	**Valuation techniques based on observable market data**	
Assets	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Financial assets at fair value through						
profit or loss						
Held for trading						
Shares and participations	0	0	0	0	1	1
Hedge accounting						
Derivative instruments	—	10	10	—	32	32
Available-for-sale financial assets						
Eligible treasury bills, etc.	—	4,524	4,524	—	8,110	8,110
Bonds and other fixed-income securities	1,458	4,795	6,253	2,889	5,578	8,467
Total	**1,458**	**9,329**	**10,787**	**2,889**	**13,721**	**16,610**
Of which, Norwegian operation	—	—	—	*2 788*	*6,668*	*9,456*
Liabilities						
Held for trading						
Other	1	—	1	0	—	0
Hedge accounting						
Derivative instruments	—	126	126	—	189	189
Total	**1**	**126**	**127**	**0**	**189**	**189**
Of which, Norwegian operation	—	—	—	—	—	—

All financial assets and liabilities measured at fair value are classified in a fair value hierarchy that reflects observable prices or other inputs in the valuation techniques that are used. Prior to each quarter, an assessment is made as to whether the valuations pertain to quoted prices that represent actual and regularly recurring transactions or not. Transfers between levels in the hierarchy may take place when there are indications that the market conditions, such as liquidity, have changed. During the year, two holdings of SEK 645 million and SEK 212 million, respectively, were transferred from Level 1 to Level 2, as the liquidity of the securities was judged to have improved. The transferred value pertains to the market value at the end of the period.

Level 1 pertains to quoted prices that are readily available to numerous parties that provide price information and that represent actual and frequent transactions. These include treasuries and other fixed-income securities that are actively traded. Level 2 consists almost exclusively of holdings measured at quoted prices, but where the market is considered to be less active. In other respects, Level 2 includes interest rate and foreign exchange derivatives that are not traded on any exchange. For these holdings, valuation models are used that are based on observable market quotations of interest rates or exchange rates. No assets or liabilities are valued at Level 3. The market quotations that are used for valuations in Level 1 and Level 2 consist of 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.

For a description of the various levels, see note 1, Accounting policies, point 7.

41. Related party disclosures

Disclosures about related parties pertain to dealings and transactions with companies in the Skandia group. 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. Except for companies within Skandia, no transactions are conducted other than normal customer transactions at an arm's length basis with these persons and companies. Transactions are conducted with companies within Skandia based on market price, where indicated below. Otherwise, the transactions are conducted on a cost price basis.

Disclosures about remuneration of senior executives are provided in note 7, Staff costs.

Reorganisation and restructuring

During the year, changes took place in the category of persons considered to be related parties through purchases and sales of a number of companies. These changes have not involved any changes in process or pricing mechanisms for function agreements between the various parties within the group. In May 2015 the Norwegian company Skandiabanken ASA along with its accompanying subsidiary Skandiabanken Boligkreditt AS was acquired by Skandia AB. On 5 October the operation of the Norwegian branch of Skandiabanken was transferred to the Norwegian companies. The Norwegian companies were then transferred from Skandia AB to Skandia Mutual through a distribution in kind of the shares on 5 October 2015. On 4 November 2015 the Norwegian bank was introduced on the Oslo Stock Exchange. As per 31 December 2015 Skandia Mutual owned 30% of the company. In May 2015 Skandia Mutual established the Lithuanian companies Thule Operations Center I UAB and Thule Operations Center II UAB. On 31 October 2015, the Danish company Skandia Livforsikring A A/S was sold.

	2015		2014	
Operating income	**Skandia AB**	**Other group companies**	**Skandia AB**	**Other group companies**
Net interest income	0	-18	-9	-54
Net fee and commission income	5	27	8	29
Net financial items	0	94	—	-38
Other operating income	37	22	33	13
Total income	**42**	**125**	**32**	**-50**
Operating expenses				
Other administrative expenses	—	-362	—	-417
Other operating expenses	—	-52	—	-48
Total expenses	—	**-414**	—	**-465**

	2015		2014[2]	
Assets	**Skandia AB**	**Other group companies**	**Skandia AB**	**Other group companies**
Lending to the general public	—	—	—	121
Derivative instruments	—	0	—	32
Other assets	2	473	6	1
Total assets	**2**	**473**	**6**	**154**
Liabilities				
Deposits and borrowing from the general public	2,372	9	2,804	—
Derivative instruments	—	0	—	97
Other liabilities	39	-4	40	74
Subordinated liabilities[1]	—	900	—	900
Total liabilities	**2,411**	**905**	**2,844**	1,071

[1] The counterparty is Skandia Mutual.
[2] Certain figures were omitted in the 2014 Annual Report on the liabilities side. These have been corrected above.

Lending, deposits and investments

Skandiabanken invoices interest differential compensation to other group companies for loans to employees of those companies. The compensation corresponds to the difference between the market interest rate and the interest rate offered to the employee. Interest income pertains primarily to the above-mentioned interest differential compensation that arises in connection with Skandiabanken's provision of favourable loans to Skandia employees.

Interest expense pertains primarily to interest on subordinated loans from Skandia Mutual, which are priced according to a specific interest rate with a going-rate interest rate mark-up.

Interest expense also pertains to Skandiabanken's payment of interest on custody account deposits plus interest differential compensation to Skandia AB for custody account deposits pertaining to so-called custody account insurance, which is a service offered by Skandia AB. Customers can invest in various securities within a single custody account, of which part can be placed in custody deposit accounts with Skandiabanken. Interest on the deposited funds pertains to the interest accruing to Skandia AB's customers within their custody account insurance. The difference between the customer's interest rate and the internally set interest rate, which is to correspond to a market rate of interest, is paid as interest differential compensation to Skandia AB.

Lending, deposits and borrowing are priced according to specific interest rates with a going-rate interest mark-up.

As per 31 December 2015 the parent company Skandia AB had no lending to Skandiabanken, compared with SEK 400 million at year-end 2014.

Cont. note 41. Related party disclosures

Securities – equity trading and mutual fund trading
Skandiabanken pays commissions to Skandia Mutual for going-rate distribution compensation. This payment flow was previously made to Skandia Försäljning AB, but was changed in connection with the transfer of the advisory business to Skandia Mutual. In addition to this distribution compensation, fixed commissions are paid for advisory business. Commissions received for Skandia AB's custody account insurance service are passed on in their entirety to Skandia AB. Skandiabanken charges Skandia AB an administrative fee, which is reported under "Other operating income".

Other operating income for services performed
Other operating income consists of fees paid to companies in the Skandia group for services performed for customer service and marketing functions, which are priced according to degree of use and cost price.

Following the separation of the Norwegian operation, the Bank provides treasury, finance and securities services to Skandiabanken ASA. Skandiabanken ASA is included in the Skandia group as an associated company as per 31 December 2015. These services are regulated in a service agreement at market terms during a limited period of time.

Other administrative expenses
Other administrative expenses pertain mainly to purchased services, IT costs, costs for premises and costs for occupational pensions underwritten by Skandia Mutual.

Other group companies
Exposures to interest rate risk and currency risk are hedged using derivative instruments. Costs for the instruments are reported as interest expense and net financial income/expense. Derivative transactions are handled through the group company Skandia Capital AB, among others.

Skandiabanken receives going-rate distribution compensation regarding mutual funds from Skandia Fonder AB.

Skandia Mutual provides occupational pensions to employees of Skandia. These pension benefits are based on agreements in the Swedish labour market, and premiums are paid by the respective companies in the group. In total, Skandiabanken has paid SEK 26 million (23) in premiums to Skandia Mutual.

Payments from other group companies associated with costs for the SAS EuroBonus card loyalty programme are reported under "Net fee and commission income". SAS EuroBonus points are generated by a customer's total business with Skandia, and the costs are allocated thereafter. The partnership with SAS EuroBonus was introduced in 2014, and payments from group companies amounted to approximately SEK 14 million (6) in 2015.

Capital contributions and group contributions
In 2015 Skandiabanken received an unconditional capital contribution of SEK 1,667 million from the parent company Skandia AB. In 2015 the Bank also received a group contribution of SEK 491 million from Skandia Mutual.

42. Supplementary disclosures pertaining to equity

Share capital
The total number of fully paid shares was 4 million (4) with a share quota value of SEK 100. By share quota value is meant the share capital divided by the number of shares outstanding. Holders of common shares are entitled to the dividend set by the Annual General Meeting, and their shareholding entitles them to voting rights of one vote per share at the Annual General Meeting.

Retained earnings
Retained earnings include shareholder contributions from the parent company Skandia AB.

Dividend
No dividend was paid to the parent company Skandia AB in 2014 or 2015, in accordance with decisions made by the Annual General Meetings on 21 May 2014 and 24 April 2015, respectively.

Total fair value reserve
Fair value reserve
The fair value reserve includes unrealised changes in the value of available-for-sale financial assets. Skandiabanken uses this category for fixed-income securities and for shareholdings. Upon divestment, unrealised changes in value are reclassified in the income statement. Disclosures regarding reclassifications are provided in note 5, Net financial income.

Translation reserve
The translation reserve pertains to exchange rate differences arising from translation of foreign operations' financial statements to the group's reporting currency and exchange rate differences pertaining to hedges of net investments in foreign currency. Upon divestment, unrealised changes in value are reclassified in the income statement.

Defined benefit pension plans
This item includes revaluations of the Norwegian pension obligation and associated deferred tax reported in accordance with local rules in Norway.

43. Events after the balance sheet date

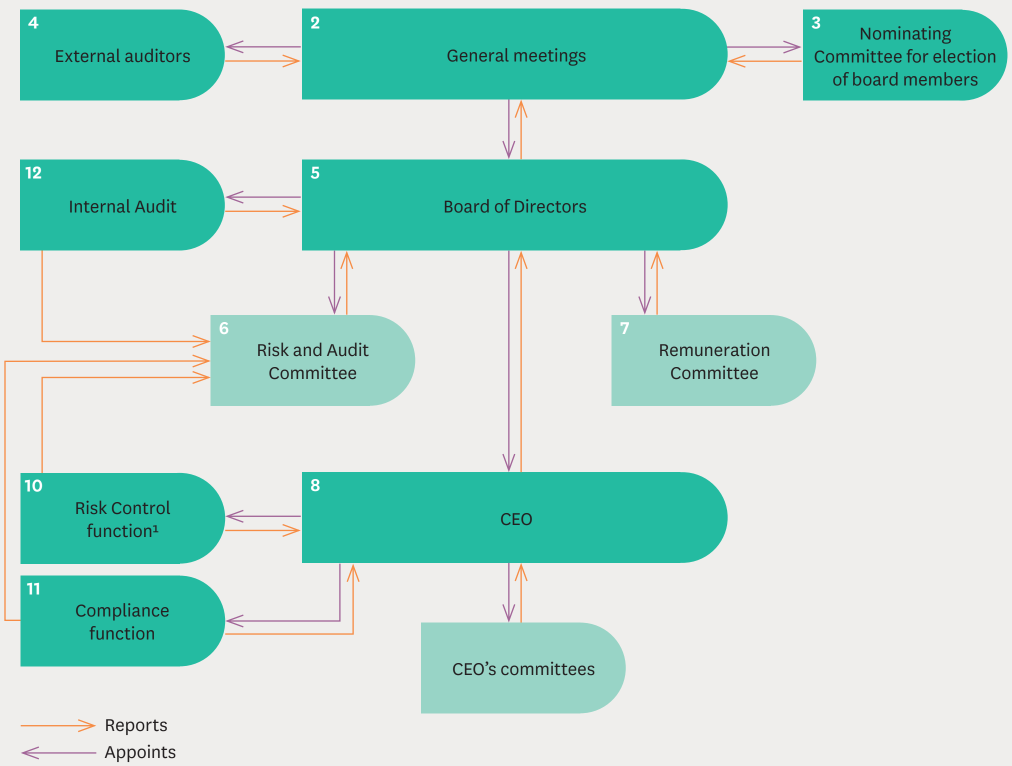
No significant events have taken place after the balance sheet date.

Corporate governance report

The company
Skandiabanken Aktiebolag (publ) (“Skandiabanken” or “the Company”) is owned by Skandia Insurance Company Ltd (publ) (“Skandia AB”), which in turn is owned by Skandia Mutual Life Insurance Company (“Skandia Mutual”). Skandia Mutual was established on 28 June 2013, and on 1 January 2014 it acquired the operations that were conducted up until that date by Skandia AB. In connection with the acquisition, Skandia Mutual became the parent company of a group of companies that conducts financial operations. The Skandia group provides insurance, banking and fund products in Sweden and Denmark. Skandia is owned by its customers.

Skandia’s corporate governance in general – governance for value creation
Corporate governance concerns how companies are to be run to ensure that the owners’, but also the customers’ and employees’ interests, are safeguarded. The overarching objective is to increase value for the owners and in this way meet the requirements that the owners have on their invested capital. The central external and internal governance instruments for Skandiabanken are the Banking and Financing Business Act, the Financial Supervisory Authority’s regulations and general guidelines, the Swedish Corporate Governance Code (“the Code”), the owner’s instructions adopted by the Annual General Meeting, the Articles of Association, the Board’s Rules of Procedure, instructions for the Board’s committees, the CEO’s instructions, and other policies and instructions. Skandiabanken’s board of directors is responsible for the company’s organisation and the administration of its affairs. The CEO is responsible for ensuring that the continuing administration of the company is conducted in accordance with the Board’s guidelines and instructions. The Chairman of the Board sets, in dialogue with the CEO, the agenda for board meetings and is responsible for producing information and decision-making documentation for board meetings. In addition, the CEO makes sure that the board members receive information about Skandiabanken’s development to be able to make well-informed decisions.

Overall description of corporate governance at Skandiabanken



¹ The CRO is appointed by the Board of Directors.

1. Owner
Skandiabanken is owned by Skandia Insurance Company Ltd (publ) ("Skandia AB"), which is turn is owned by Skandia Mutual Life Insurance Company ("Skandia Mutual").

2. General meetings
General meetings are Skandiabanken's highest decision-making body. At general meetings, the shareholders make decisions in accordance with the rules in the Swedish Companies Act and the Company's Articles of Association. At the Annual General Meeting, the income statement and balance sheet are adopted, and the Company's auditors and board members are appointed. Three (3) general meetings were held in 2015.

Governance documents adopted by the general meeting
The general meeting adopts the Company's Articles of Association. According to the Articles of Association, the object of Skandiabanken's business is to conduct banking operations. In addition, the Company may conduct financial operations and operations with a natural connection with these operations. Further, the Company may conduct retirement savings business and insurance intermediation.

The general meeting is to decide on an owner instruction that lays out the values and overarching principles that are to guide the Company's operations. The ownership instruction shall be designed in such a manner that the Board's responsibility for operations is not encumbered by detailed stipulations from the general meeting. The instruction shall also be a dynamic document that evolves over time. This means that the owner instruction, after any amendments, shall be adopted yearly at the Annual General Meeting. The owner instruction stipulates that the Board's primary duty is to safeguard Skandiabanken's protective interest, i.e., to ensure that the Company is in compliance with requirements laid out in the internal and external rules and regulations that apply for the Company. In the performance of its duties, the Board shall therefore particularly challenge management and owners on matters regarding corporate governance and regulatory issues, whereby the Board shall take the Company's and owners' interests into account, as expressed in the business plan and strategy, among other things. In addition, the Board shall adopt a strategy and business plan for the Company that is compatible with the overall strategy and business plan of the Skandia group.

The general meeting shall also decide on an instruction for the Company's nominating committee. This instruction stipulates the Nominating Committee's composition and duties.

3. Nominating Committee for Board of Directors
The Nominating Committee for the Board of Directors recommends candidates for election to the Board. The Nominating Committee works according to the basic principle that the Board as a whole shall have good insight into and the ability to live up to the requirements on company governance and risk management that exist for the board of a credit institution. The Board's composition shall have a good breadth of expertise, experience and backgrounds. The Nominating Committee also focuses on ensuring that the Board's committees are adequately staffed. The Nominating Committee for the Board of Directors consists of Niklas Midby, Chairman of the Board, and Frans Lindelöw, board member and CEO. Frans Lindelöw has been appointed by the company's owner, Skandia Mutual.

4. Auditors
At the 2015 Annual General Meeting, the accounting firm Deloitte AB, with Authorised Public Accountant Patrick Honeth as Auditor-in-Charge, was appointed as Skandiabanken's auditor for a term through the end of the 2016 AGM. Patrick Honeth is also the auditor for Amfa Bank, Bluestep, EnterCard, Sparbanken Rekarne, Swedbank Hypotek and Skandia Fonder AB. In 2015 Deloitte AB performed auditing and audit-related services for Skandiabanken.

The external auditors' work is coordinated with Skandiabanken's internal audit.

5. Board of Directors
The Board of Directors consists of Niklas Midby (Chairman), Christer Löfdahl, Niklas Johansson, Frans Lindelöw, Ann-Charlotte Stjerna, Marek Rydén and Bengt-Åke Fagerman. In addition, the Board also includes the employee representatives Johanna Rolin Moreno and Erika Hagwall.

According to the Banking and Financing Business Act (2004:297), the Board of Directors is responsible for the company's organisation and administration. It decides on the company's strategic direction, which is to be compatible with Skandia's overarching strategy, appoints the CEO and establishes guidelines. The Board is responsible for ensuring that suitable internal rules are in place for risk management and risk control, and in connection with the development of the business strategy, it has performed a risk analysis. The Board's duties also include ensuring satisfactory control over the bookkeeping and treasury management. The Board continuously monitors Skandiabanken's operations and financial performance.

In addition, the Board deals with and decides on matters concerning remuneration of senior executives of Skandiabanken. The Board's decision-making authority is restricted by the General Meeting's exclusive right to decide on certain matters and its opportunity to decide on other matters that are not explicitly part of the Board's or CEO's area of expertise. Special legal rules also apply with respect to disqualification/conflicts of interest.

The Board evaluates its work yearly in the aim of developing its work methods and effectiveness. The past year's evaluation was discussed at the board meeting held on 10 December 2015.

The Board's handling of the owner instructions
Like Skandia Mutual, Skandiabanken has opted to adhere to the Swedish Corporate Governance Code ("the Code"). The aim of the Code's rules is to develop corporate governance and promote trust in business and industry. The basic idea is to apply the Code according to its "comply or explain" principle, i.e., that departures from the Code are permissible, but must be explained. The rules that the Board has chosen to depart from in the application of the Code as well as the explanations are provided below.

Governance documents adopted by the Board
The Board has adopted Rules of Procedure, including mandates for the CEO and instructions for board committees. The Company conducts its operations in accordance with the manual for governance of subsidiaries that has been adopted by Skandia Mutual and which aims to combine good governance and control with opportunities for effective and flexible administration of operations in the Skandia group. The manual sets parameters for corporate governance and has been adopted by all companies in the Skandia group.

The Board's work in 2015
Skandiabanken's board held 20 meetings in 2015, of which eight (8) were held by circulation. Apart from the CEO's reports and financial reports, among other things, the agenda focused on strategic projects. The number of meetings in 2015 was unusually large, as the Board's work during the year involved the separation of the Norwegian operation.

Aside from these major matters, the Board also addressed continuing items of business, decided on policies, and adopted the Bank's business plan. In addition, the Board analysed and addressed the extensive new rules and regulations affecting the company's operations.

The Chairman's role
The Chairman leads the work of the Board and maintains continuous contact with the CEO. In his contacts with the CEO, the Chairman's duty is to serve as a discussion partner and monitor the Company's ongoing development and matters of a strategic nature. The Chairman is responsible for ensuring that the Board's work is well organised and is conducted in an effective manner. This entails, among other things, that the Board is regularly updated on Skandiabanken's operations and receives appropriate training and adequate decision-making documentation in order to be able to work effectively. The Chairman is responsible for ensuring that the Board's decisions are executed and takes the initiative for the Board's annual evaluation of its work.

Division of duties within the Board
The Board of Directors has two committees whose main duties are described in the section below. The committees serve in a preparatory, drafting role and do not make decisions other than in cases where the Board has delegated the decision-making authority to the committee. The committees' duties are set by the Board in special instructions. Special rules apply with regard to chairmanship of the committees as well as to directors' independence in relation to the Company.

Overview of board members' attendance at board and committee meetings in 2015

Board members	Board meetings (20)	Risk and Audit Committee[1] (9)	Remuneration Committee (5)	Risk and ICAAP Committee[1] (8)	Audit Committee[1] (2)
Niklas Midby	20	8	5	Not a member	Not a member
Christer Löfdahl[3]	12	7	Not a member	Not a member	Not a member
Marek Rydén	18	8	Not a member	Not a member	1
Bengt-Åke Fagerman[2]	19	Not a member	4	3	2
Frans Lindelöw[3]	2	Not a member	1	Not a member	Not a member
Niklas Johansson[3]	2	0	Not a member	Not a member	Not a member
Ann-Charlotte Stjerna	19	Not a member	Not a member	Not a member	Not a member
Johanna Rolin Moreno	18	Not a member	Not a member	Not a member	Not a member
Erika Hagwall[3]	5	Not a member	Not a member	Not a member	Not a member
Peter Rydell[4]	9	2	Not a member	8	2
Björn Fernström[4]	9	2	Not a member	8	2
Lars-Göran Orrevall[4]	17	8	Not a member	7	Not a member
Anne Ask[4]	14	Not a member	Not a member	Not a member	Not a member

The total number of meetings held in 2015 is indicated in parentheses.

[1] The Risk and Audit Committee was formed on 22 May 2015 through the combination of the Risk and ICAAP Committee and the Audit Committee. The Risk and Audit Committee thereafter held nine (9) meetings.

[2] Bengt-Åke Fagerman left the Remuneration Committee on 27 November 2015.

[3] Christer Löfdahl joined the Board on 22 June 2015, and Erik Hagwall joined the Board on 23 September 2015. Frans Lindelöw and Niklas Johansson both joined the Board on 27 November 2015.

[4] Peter Rydell and Björn Fernström left the Board on 6 July 2015, Lars-Göran Orrevall left the Board on 27 November 2015, and Anne Ask left the Board on 23 September 2015.

The Code

Rule	Departure	Comment
1 – Shareholders' meetings	Not applicable	Skandiabanken does not adhere to the Code's rules on shareholders' meetings, since the company has only one owner.
9.1 – Remuneration of the board and executive management	Not applicable	Skandiabanken applies the Financial Supervisory Authority's guidelines covering remuneration policies of credit institutions, etc. (FFFS 2011:1), and is not covered by this rule.

Regular members of Skandiabanken's board of directors

Niklas Midby
Chairman and independent member of Skandiabanken's board since 2011. Born 1959. M.Sc. Econ., Stockholm School of Economics. Partner and owner of Consiglio Capital AB. Other assignments include directorships with Skandiabanken ASA (Chairman), OX2 Group AB, Resscapital AB (Chairman) and others.

Former Executive Vice President of OM Gruppen (Nasdaq OMX), active in foreign investment banks and strategic consultant at BCG.

Christer Löfdahl
Non-independent member of Skandiabanken's board since June 2015. Born 1959. M.Sc. Econ., Stockholm University, and coursework at the International Institute for Management Development (IMD) in Lausanne, Switzerland. Partner and owner of CTL Konsulterna Löfdahl AB. Director of Skandia Mutual Life Insurance Company.

Former CEO of Max Matthiessen and Catella, and CFO of SBAB.

Marek Rydén
Non-independent member of Skandiabanken's board since 2012. Born 1969. Studies in economics and technical physics at Uppsala University. Skandia employee since 1996. CFO of Skandia since 2009. Holds several board assignments for companies in the Skandia group.

Former Head of Skandia Link and Head of Business Control. Served as actuary and controller in Germany and Latin America.

Bengt-Åke Fagerman
Non-independent member of Skandiabanken's board since 2012. Born 1954. M.Sc. Econ., Stockholm University. Skandia employee since 1978. Senior Adviser to Skandia's Group CEO. Chairman of Insurance Sweden and of the Swedish Insurance Industry Employer Association (FAO).

Previously held executive positions in the Skandia group, including as Group CEO from 2012 to 2015.

Frans Lindelöw
Non-independent member of Skandiabanken's board since 2015. Born 1962. B.Sc. Econ., Stockholm University. Skandia employee since 2015. Group CEO of Skandia since 2015.

Former CEO of Carnegie Investment Bank AB, and previously served in management roles for Nordea and HSBC Bank, among others.

Niklas Johansson
Independent member of Skandiabanken's board since 2015. Born 1961. B.Sc. Social Sciences, Linköping University.

Former CEO of Carnegie Investment Bank AB, and previously served in management roles for the Swedish Ministry of Finance, Evli bank, Skandia and Crédit Agricole.

Ann-Charlotte Stjerna
Non-independent member of Skandiabanken's board since 2012. Born 1972. M. Pol. Sc., University of Gothenburg. Skandia employee since 1999. CEO of Skandia AB since 2012. Holds several board assignments for companies in the Skandia group.

Former CRO of Skandia's Nordic division, Head of Business Analysis for Skandia Link, and controller in group functions.

Johanna Rolin Moreno
Non-independent member (employee representative) of Skandiabanken's board since 2011. Born 1975. Skandia employee since 1999. Has worked full time as elected employee representative since 2008. Head Occupational Safety Ombudsman at Skandia since 2012. Chairperson for Skandia FTF (union for employees in the insurance and finance industries) Klubb Väster association since 2012 and member of Skandia's FTF association since 2010.

Erika Hagwall
Non-independent member (employee representative) of Skandiabanken's board since 2015. Born 1971. Skandia employee since 2008. Currently employed in the securities unit of the Bank's Middle Office. Member of Skandia chapter of the Swedish Confederation of Professional Associations (SACO) since 2015.

Deputy members of Skandiabanken's board of directors

Anne Ask
Deputy member (employee representative) of Skandiabanken's board since 2015. Born 1956. Degree in International Economics, Linköping University. Skandia employee since 1986. Has worked full time as elected employee representative since 2015. Chairperson of the Swedish Confederation of Professional Associations (SACO), Skandia chapter. Employee representative on Skandia Mutual's board since 2012, and on Skandiabanken's board since 2004.

Former Head of Internal Audit for Skandia and employee representative for Skandia AB from 2004–2012.

Ingrid Laurén Heumann
Deputy member (employee representative) of Skandiabanken's board since 2015. Born 1964. Skandiabanken employee since 1995. Currently employed in clearing and finance administration at the Bank. Coordinating work environment ombudsman for Stockholm, Linköping and Mälardalen. Elected employee representative of FTF (union for employees in the insurance and finance industries) since 2011. Member of Skandia FTF Klubb Öster association since 2014 and member of Skandia's FTF association since 2015.

6. Risk and Audit Committee
The Risk and Audit Committee is a permanent board committee tasked with supporting the Board's work by conducting preparatory drafting of matters ahead of board meetings related to risk management and internal control as well as bookkeeping, accounting, financial control and monitoring of Skandiabanken. The committee is thereby responsible for monitoring risk management and risk control, particularly with respect to the quality and effectiveness of internal controls, risk appetite limits, risk profile, compliance and capital planning process, and also the result of the Bank's internal capital adequacy assessment process (ICAAP). In addition, the committee is responsible for supervising the Company's financial reporting and the effectiveness of the Company's internal control and internal audit. Finally, the committee is tasked with keeping itself informed about the audit of the annual report and with supervising the impartiality of the external auditor.

The Risk and Audit Committee is composed four board members, of whom two are independent and one has accounting or auditing experience. The CEO, the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Chief Compliance Officer (CCO), other senior executives of the Company, the Head of Internal Audit, and representatives of the AGM-elected auditors shall participate on the committee to the extent it determines.

The Risk and Audit Committee was formed on 22 May 2015 through the combination of the Risk and ICAAP Committee and the Audit Committee. The Risk and Audit Committee now handles all of the issues that were previously handled by these two former committees, and held nine (9) meetings during the year. The Risk and Audit Committee's members are Niklas Midby, Christer Löfdahl, Marek Rydén and Niklas Johansson.

7. Remuneration Committee
The Remuneration Committee conducts preparatory drafting work on remuneration issues concerning senior executives of Skandiabanken, among other things. The committee's duties include drafting and recommending remuneration principles for the CEO as well as the CEO's recommendations for remuneration of executives and others who report directly to Skandiabanken's board.

The Remuneration Committee is appointed by the Board and shall consist of at least two board members. The Board also appoints the committee chair. The CEO and Head of HR are to be co-opted to the committee to the extent requested by the committee. In addition, the CRO shall be co-opted with respect to the evaluation and follow-up of the remuneration policy's impact on the risks that Skandiabanken is exposed to and its management of these. The Remuneration Committee held five (5) meetings during the year. Its members are Niklas Midby and Frans Lindelöw.

8. CEO and bank management
The CEO is responsible for the Company's continuing administration in accordance with the guidelines and instructions issued by the Board. The CEO is the executive with ultimate responsibility for ensuring that the Board's strategic direction and that other decisions are implemented and adhered to in the product and business areas, and that risk management, governance, IT systems, the organisation and processes are satisfactory. The CEO represents Skandiabanken externally on various matters, and the CEO's work is evaluated on a regular basis by the Board of Directors. The CEO is a member of Skandia's executive management and of the relevant joint-group committees and forums established by the CEO of Skandia Mutual.

The CEO can delegate his decision-making authority to subordinate employees, both within the framework of his decision-making mandate for the continuing operations and with respect to the decision-making authority that the CEO has been entrusted with by the Board on top of this mandate. A subordinate employee may, in turn, delegate the decision-making authority that has been delegated to him or her. Even though such authority may have been delegated, responsibility for a delegated decision or task rests with the person who has delegated the decision-making authority or task, insomuch as no other stipulations apply under compelling law. This means that it is incumbent upon the senior employee to follow-up the execution of the delegated responsibility and to question or overrule a decision where warranted.

In addition to the overarching principles for Skandiabanken's corporate governance, which are laid out in Skandiabanken's owner instructions that have been adopted by a general meeting of Skandiabanken and in the Board's Rules of Procedure, the CEO has decided on more detailed rules for the governance and organisational structure. These rules stipulate how the CEO has delegated his decision-making authority to employees who report directly to him.

The CEO has appointed a bank management team, and the division of responsibilities within this team is regulated in the mandates for the respective executives. The CEO leads the work of the bank's management and makes decisions after consulting with the members of the bank management. The CEO has not delegated any decision-making authority to the members of the bank management, and thus it is ultimately the CEO who decides on matters addressed by the bank management. Apart from the CEO, the bank management includes the Deputy CEO, the Chief Risk Officer (CRO), the Chief Operating Officer (COO), the general counsel and the Head of Business Development. The Chief Compliance Officer (CCO), the Head of Treasury and the HR Business Partner are co-opted members of the bank management. The bank management meets on a regular basis and addresses matters pertaining to corporate governance, reporting and strategy, among other things. In addition, the bank management conducts preparatory work on matters that require a decision by the Board of Directors, and assists the CEO on executing decisions made by the Board.

The CEO has established a number of committees to deal with specific areas pertaining to the Bank. Examples of such committees established by the CEO are the Credit Committee, the Price and Interest Committee, the Risk Committee and the Regulatory Forum.

Skandiabanken's management
Øyvind Thomassen
CEO of Skandiabanken since 2010. Born 1962, M.Sc. Econ., Norwegian School of Economics, Bergen. Skandia employee since 1988. Head of Skandiabanken's Norwegian branch 1999–2009. Former CEO of Vesta Finans AS.

Previous directorships for companies in Old Mutual Skandia Retail Europe. Øyvind Thomassen has no ownership interests in companies with which Skandiabanken has significant business dealings.

Bengt-Olof Lalér
Deputy CEO, born 1957, Skandia employee since 2009.

Lennart Erlandson
Chief Financial Officer, born 1966, Skandia employee since 2015.

Johanna Cerwall
Chief Operating Officer, born 1962, Skandia employee since 2015.

Elisabeth Erikson
Head of Business Development, born 1974, Skandia employee since 1996.

Lisa Lindholm
General Counsel, born 1976, Skandia employee since 2011.

Lisbeth Alainentalo
Chief Risk Officer, born 1970, Skandia employee since 2015.

Executives co-opted to Skandiabanken's management
Vasiliki Hammarbäck
Chief Compliance Officer, born 1977, Skandia employee since 2012.

Cecilia Bernström
HR Business Partner, born 1975, Skandia employee since 2009.

Ouisem Samoud
Head of Treasury, born 1978, Skandia employee since 2001.

9. Internal control – general and financial internal control

A credit institution is to have a system of internal control comprising a function for risk control, a function for compliance, and a function for internal audit.

Skandiabanken's internal control is built upon a business-adapted application of the three lines of defence principle, unless otherwise specifically indicated. These make up the general foundation for the operations' risk management, risk control and compliance. The three lines of defence principle aims to clarify the division of responsibilities for risk and compliance within Skandiabanken:

- The business activities as such make up the first line of defence. It includes employees who best know the customers and the specific market, and can thereby govern and control their business along with its risks and requirements for compliance. The first line of defence handles, among other things, financial internal control, which is described in more detail below. The framework for this work is regulated by the instructions laid out by the CEO for financial accounting and reporting.
- The functions of the second line of defence (risk and compliance) monitor and control business governance and the control of risks and compliance of the first line of defence.
- The function of the third line of defence (internal audit) evaluates Skandiabanken's overall management of risk and compliance as well as internal governance and control.

The risk control, compliance and internal audit functions are described in more detail under sections 10-12.

Internal control over financial reporting
Skandiabanken's work with risk and internal control over financial reporting is based on the framework applied by Skandia and which has been established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework has been formulated to ensure that financial reporting and accounting are correct and reliable in all essential respects, and that they are performed in accordance with applicable laws and regulations, accounting standards and other requirements. This framework is referred to as Financial Internal Control (FIC) within Skandia and is based on five components of internal control: Control Environment, Risk Analysis, Control Activities, Information & Communication, and Monitoring.

The framework for this work is regulated in Skandiabanken's policy for financial accounting and reporting, which has been adopted by the Board of Directors. FIC encompasses more than 400 unique controls, with approximately 150 control owners and approximately 40 process owners. Self assessment, monitoring and supervision of controls are done in a group-wide Governance Risk & Control (GRC) system.

Skandia's CFO serves as the ultimate client and decision-maker for the FIC framework. Assisting the CFO is a steering committee made up of the CFOs of the respective subsidiaries, the Head of Finance Operations, the Head of IT Security, and the Head of Risk and Compliance. The effectiveness of the framework, any current deficiencies, action plans and the result of yearly activities are reported on a continuous basis to the FIC steering committee. See below. The respective CFOs then report onwards to their respective companies' risk and audit committees.

Control Environment
The control environment is the foundation for internal control, since its encompasses the culture that the Board and management communicate and that individual employees strive for. The control environment consists of Skandia's and Skandiabanken's ethical values and integrity, competence, management philosophy, organisational structure, responsibility and authorisations, policies and instructions, and guidelines. It also builds upon individual employees' risk and control awareness and their ability to maintain satisfactory internal control in their daily work. The Board has adopted a number of policies, and the CEO has issued a number of instructions, to maintain good internal control over financial reporting.

Risk Assessment
Risk assessment is conducted both quantitatively – from an income statement and balance sheet perspective – and qualitatively, to identify processes with high inherent risk. Ultimately the Risk and Audit Committee is responsible for ensuring that the FIC framework manages the most significant risks for errors in the financial reporting. A delineation is performed to identify which units, types of financial reports and IT systems are significant for Skandiabanken. A process owner is designated for every process, who is responsible for ensuring that material risks in the process are identified and satisfactorily managed through effective control activities. Every process and control activity is then risk-evaluated as low, medium or high, which then steers the degree of follow-up.

Control Activities
Control activities, which aim to prevent, discover and remedy errors and deviations, exist at all levels and in all parts of the organisation. There are three control categories within the FIC framework: company-wide controls, financial controls and general IT controls.

- Company-wide controls: Controls that capture compliance with the Board's and management's directives for the entire operation. These are controls related to the Company's control environment, which sets the framework for other control components. They include, for example, controls of updated and adopted policies, instructions and guidelines, regularly recurring decision-making forums, and management's supervision and delegation.
- Financial controls: These comprise FIC controls in support and business processes that manage risks with a direct or indirect impact on the quality of the financial accounting and reporting. The controls are formulated to address the inherent risk in the respective materially significant account and/or financial report, to ensure that the relevant accounting claims are taken into account. Financial controls also encompass End User Computing (EUC) controls, i.e., controls of PC-based applications that are administered in the operations. EUC applications can include spreadsheets, user-controlled databases, and other user-controlled applications. EUC controls in the FIC framework encompass EUC controls of critical data coupled to the financial reporting.
- General IT controls: These comprise controls coupled to system authorisations, access protection and controls in connection with system development. General IT controls encompass the systems, applications and databases that the IT department is responsible for and which generate and process data that is considered to be critical for Skandiabanken's financial accounting and reporting.

Every control has a designated control owner who performs the control on a regular basis and documents it. The control owner evaluates the continuing structure of the control, i.e., its ability to address risk (design), and implementation of the control (operational effectiveness).

Information & Communication
Every day decisions are made based on information that is obtained from internal and external sources, and information is a given and natural part of all components in the framework. Effective internal communication is important for ensuring correct financial reporting. Deficiencies in the framework and incurred incidents serve as a natural source for improvement of controls, which are communicated on a regular basis to process heads and steering committees. Risks, incidents, deficiencies and controls are addressed together in the group-wide GRC system to enable a composite picture of risks in the financial reporting.

Policies, guidelines and manuals coupled to the financial reporting are published internally on the Company's intranet. Financial information is provided externally on a regular basis through annual reports, interim reports and press releases.

Monitoring
The Risk and Audit Committee monitors, on a quarterly basis, the effectiveness of the framework and any current deficiencies, and ensures that actions are taken. In high-risk processes, independent testing is conducted yearly of the design and operational effectiveness of controls with the highest risk. Testing can be performed by external audit or Internal Audit. The yearly testing is regarded as a quality assurance of the control-owners' own self assessments, as testing is performed of controls that are considered to be effective through the control-owners' own evaluations. The results of this work are presented to the FIC steering committee and to the Risk and Audit Committee.

10. Risk control function
Skandiabanken has a centrally situated, independent unit for risk governance and risk control. The department handles the Company's risk management system, consisting of the strategies, processes and reporting routines that are needed to ensure that Skandiabanken can continuously identify, assess, monitor, manage and report risks. In this context the department draws up guidelines, methods and tools for the operations' risk management, and follows up the operations' risk management and control. The CRO is responsible to the CEO for overall governance and control of Skandiabanken's risks. The CRO is also responsible for presenting an independent, factual and aggregated picture of Skandiabanken's risks to the CEO, bank management, and the Board of Directors.

11. Compliance function
The Compliance function is responsible for reporting to the Board and CEO on matters concerning compliance with the Banking and Financing Business Act, among other laws and statutes. In the addition, the function is to advise the Company's board and CEO on the prevention of compliance deficiencies, assessing the consequences of changes in rules and regulations that are applicable for the Company, and for identifying and assessing risks for deficient compliance. The Compliance function is to develop, support and deliver needed compliance services and similar to Skandiabanken. The CCO is to provide an independent, factual and aggregated picture of Skandiabanken's compliance risk to the CEO, bank management and the Board of Directors. To optimise the effectiveness of compliance activities in the Skandia group, the Compliance function is organisationally placed in Skandia Mutual.

12. Internal Audit
Assisting the Board in monitoring activities is Internal Audit, which is independent in relation to operations. Skandiabanken's internal audit function is directly subordinate to the Board's Risk and Audit Committee and is organisationally separated from the operations. Internal Audit's work is risk-based and is conducted in accordance with an audit plan that stretches over several years and is set by the Board of Directors. Internal Audit's work involves reviewing and evaluating the system of internal governance and control along with its effectiveness, including the risk management and compliance functions. Internal Audit coordinates its activities with Skandiabanken's external auditors and other control functions in order to avoid duplication of work. The Head of Internal Audit reports directly to the Board of Directors, submits periodic reports to the Board, and keeps the CEO informed on a regular basis. Reports to the Board and CEO cover the results of reviews as well as recommendations arising out of reviews. To optimise the effectiveness of internal audit activities in the Skandia group, the function is organisationally placed in Skandia Mutual.

Signatures

The Board of Directors and CEO certify that the Annual Report has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and generally accepted accounting principles in Sweden. The Annual Report provides a true and fair view of Skandiabanken's financial position and results of operations.

The statutory administration report provides a true and fair view of Skandiabanken's operations, financial position and results of operations, and describes material risks and uncertainties facing Skandiabanken.

Stockholm, 16 March 2016

The Board of Directors approves the Annual Report as per the above date, and final adoption will be done at the Annual General Meeting on 22 April 2016.

Niklas Midby
Chairman of the Board

Bengt-Åke Fagerman

Erika Hagwall

Niklas Johansson

Frans Lindelöw

Christer Löfdahl

Johanna Rolin Moreno

Marek Rydén

Ann-Charlotte Stjerna

Øyvind Thomassen
CEO

Our audit report was submitted on 16 March 2016

Deloitte AB

Patrick Honeth
Authorised Public Accountant

Auditors' report

To the Annual General Meeting of Skandiabanken Aktiebolag (publ)
Corporate identity number 516401-9738

Report on the annual accounts
We have audited the annual accounts of Skandiabanken Aktiebolag (publ) for the year 2015. The annual accounts of the company are included in the printed version of this document on pages 1–77 and pages 86–89.

Responsibilities of the Board of Directors and the CEO for the annual accounts
The board of directors and the CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with Annual Accounts Act for Credit Institutions and Securities Companies, and for such internal control that the board of directors and the CEO determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors and the CEO, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Financial Institutions and Securities Companies and present fairly, in all material respects, the financial position of Skandiabanken Aktiebolag (publ) as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Financial Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 75–85. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the board of directors and the CEO of Skandiabanken Aktiebolag (publ) for the year 2015. We have also performed a statutory review of the corporate governance statement.

Responsibilities of the board of directors and the CEO
The board of directors is responsible for the proposal for appropriations of the company's profit or loss, and the board of directors and the CEO are responsible for administration under the Companies

Act and the Banking and Financing Business Act, and for preparing the corporate governance statement on pages 75–85 in accordance with the Annual Accounts Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the board of directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the board of directors or the CEO is liable to the company. We also examined whether any member of the board of directors or the CEO has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Financial Institutions and Securities Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Furthermore, we have read the corporate governance statement, and based on that reading and our knowledge of the company we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions
We recommend to the annual meeting of shareholders that the profit be handled in accordance with the proposal in the statutory administration report and that the members of the board of directors and the CEO be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts.

Stockholm, 16 March 2016
Deloitte AB

Patrick Honeth
Authorised Public Accountant

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