Skandiabanken Aktiebolag (publ)
Annual Report 2014

Contents

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Condensed results for the year

- Operating income in 2014 totalled SEK 1,770 million (1,463).
- Operating profit for 2014 was SEK 574 million (298).
- Loan losses in 2014 totalled SEK -41 million, net (-41).
- Lending increased by SEK 17,664 million (19,493) in 2014 to SEK 95,558 million (77,894).
- Total liquidity strengthened further to SEK 20,337 million (19,153).
- During 2014 Skandiabanken increased its capital market funding to a value of SEK 28,007 million (16,864 million).
- The total capital ratio at 31 December 2014 was 14.2 percent (13.5).

Highlights 2014

- Skandiabanken came closer to the goal set in 2013 to double the Bank's balance sheet through continued strong growth (23%) in lending for the full year.
- We are also proud about the distinctions we received as "Senior bank of the year 2014" and "Innovation of the year" in Sweden for being the first bank in Sweden to do away with the old list rates for home mortgages. Instead, the average mortgage rate is now published on Skandiabanken's website.
- The net inflow to Skandiabanken's fund platform in Sweden increased to a record high SEK 1,354 million (73). This exceeded our expectations, and we are very pleased that so many customers have chosen to transfer their savings to us.
- Skandiabanken is very proud to have the most satisfied customers for the 13th year in a row in Norway, according to Norway's customer barometer survey.

CEO’s message

In 2014 we saw rapid growth particularly in home mortgage volumes. Our efforts to listen to our customers’ requests and introduce a transparent home mortgage model with open terms have generated results. The number of home mortgage applications in Sweden grew by a full 45 percent compared with a year ago, and our decision to be the first bank to post customers’ average home mortgage rates was awarded as “Innovation of the year” by the private finance magazine *Privata Affärer*. We see this as validation that we truly work for the customers’ best interests.

Skandia’s Swedish banking business is a cornerstone in the group’s efforts to develop the private market in Sweden. Attractive home mortgages are one way of enticing more people to be total customers of the Bank. Growing in the savings segment is another way of achieving the goal of having more total bank customers, and in the area of fund savings we saw growth far above expectations, with a net inflow of SEK 1,354 million to the fund platform, compared with SEK 73 million a year ago.

In Norway, we continued to grow in line with our plans, both with respect to lending and the number of customers. Lending increased by nearly 2 billion Norwegian kronor between the third and fourth quarters, and by 17 percent for the full year. In 2014 the Norwegian bank gained 25,000 new customers.

Against the background of the strong growth in the Norwegian operations, the time is now right to determine if the Norwegian bank can achieve more robust growth on its own. Skandia has therefore begun evaluating the prospects for an initial public offering (IPO) for Skandiabanken in Norway. Separating the Norwegian bank is part of our strategy to invest aggressively in the Swedish market, where the majority of Skandia’s customers are.

During the year we also dedicated considerable energy into preparations for the shift in the Swedish banking platform, which we will be carrying out during the first quarter of 2015. We are doing this in order to be even faster at meeting our customers’ needs while gaining the ability to offer new and improved functions. The new platform will also enable us to achieve higher cost efficiency.

As a result of these investments and growth, Skandiabanken also received a number of capital contributions during the year. This is a natural part of our journey to double Skandia’s balance sheet – measured in terms of lending to the general public – from the end of December 2012 until the end of December 2017. Since setting this goal we have increased the balance sheet by 64 percent.

Stockholm, March 2015

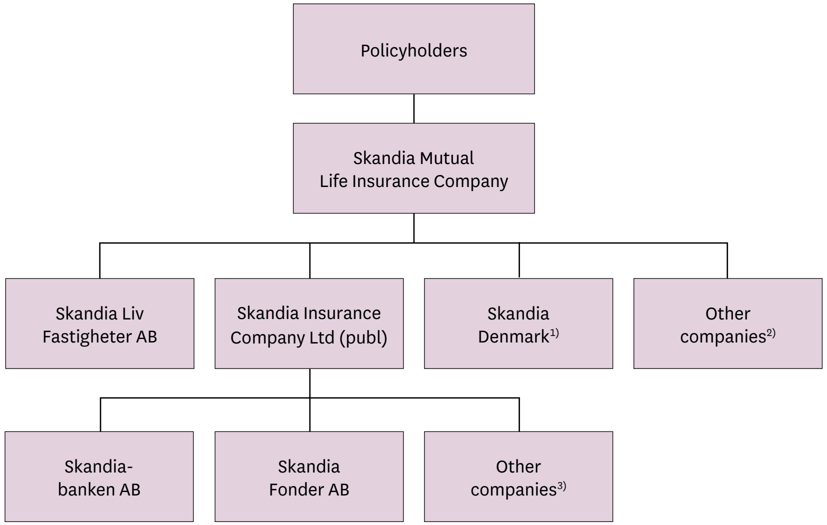
Øyvind Thomassen
Head of Banking, Skandia

Board of Directors' report

Organisation and operations
Skandiabanken Aktiebolag (publ), corporate identity number 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 and Norway. The business is broken down into the operating segments "Sweden banking" and "Norway banking", the latter of which is conducted via a branch in Bergen, Norway.

General illustration of the Skandia group



[1] Includes Skandia Livforsikring A A/S, Skandia Asset Management Fondsmaeglerselskab A/S, Skandia A/S and Skandia Link Livsforsikring A/S.
[2] Includes Skandia Försäljning AB, Skandia Investment Management AB, Skandikon Administration AB and Skandikon Pensionsadministration AB. In addition, Skandia Mutual Life Insurance Company, together with Skandia Fonder AB, owns 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 banking business in the Swedish and Norwegian retail markets and offers lending to individuals primarily in the form of home mortgages, personal loans, lines of credit and credit card credits, custody account lending and deposits. Skandiabanken also offers services for equity trading, fund trading and discretionary asset management.

Significant events during the year
Open discounts show home mortgage rates with full transparency
In April Skandiabanken introduced a new initiative for its home mortgage rates by introducing open discounts. With the new price model, Skandiabanken was Sweden's first bank to offer open individual discounts based on a number of different criteria. The discounts have no "best before" date, and a customer who qualifies for a discount receives it automatically, without having to negotiate. In addition to attracting new customers, the goal is to contribute to a home mortgage market that works more according to the customers' terms than the banks'.

More accurate picture of average interest rate for home mortgages
In September Skandiabanken began publishing customers' average home mortgage rates. Our aim is to give a more transparent picture of the interest rate that customers pay compared with the prevailing rates in the market. The mortgage rate discount is reported together with the current market rate according to the most common fixed interest period, three months.

Home mortgages and pension savings earn SAS EuroBonus points
Under a new alliance with SAS EuroBonus that was started during the spring, Skandia's customers earn EuroBonus points on all of their financial dealings with Skandia. They can then use these points to pay for flights, hotel accommodations, rental cars and purchases from SAS's webshop.

Discretionary asset management strengthens personal savings offering
In September Skandiabanken took over the discretionary asset management services for private customers from DNB Asset Management (DNB). DNB and the Bank have previously worked in close collaboration on administration of portfolios and securities trading. The acquisition is part of Skandiabanken's strategy to strengthen its offering in the area of private savings.

Capital contributions

In 2014 Skandiabanken received unconditional capital contributions totalling SEK 981 million (600) from its parent company Skandia AB.

Expanded MTN programme

As a complement to its other funding, the Bank expanded the framework for its non-covered bond (MTN) programme to SEK 5 billion. This expanded framework improves Skandiabanken's opportunities to grow and provides greater flexibility by further diversifying the Bank's funding sources.

Citation from Financial Supervisory Authority

In June the Financial Supervisory Authority issued Skandiabanken a citation and fine for SEK 10 million for deficiencies related to information and fees in connection with advisory activities in the banking operations. An action plan had been initiated prior to the Financial Supervisory Authority's citation and has led to a preliminary review of customer documentation, clearer information to customers and an increase in training, among other things.

Financial review

Profit for 2014 compared with 2013

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 574 million (298) in 2014.

The higher profit in 2014 compared with 2013 is attributable to strong net interest income in Norway and low loan losses in both Sweden and Norway. Net interest income was higher than in the preceding year mainly as a result of strong sales growth for home mortgages in the Norwegian operation. The Swedish operation broke a sales record during the year for home mortgages, but despite this strong level of new lending, net interest income decreased slightly due to lower margins. During the year, the Norwegian operation continued to grow through increased lending – mainly home mortgages – but not at the expense of lower margins, which strengthened earnings compared with a year earlier.

Earnings in the Swedish operation came under pressure from lower margins on lending combined with an increase in staff and project costs. The prevailing level of interest rates and the introduction of a new price model for home mortgages has had a negative impact on the net interest margin, which was offset by strong volume growth.

During 2015, continued favourable home mortgage growth is expected to have an impact on net interest income, as the Bank is entering the year with a higher volume but a maintained interest margin. At the same time, costs are being reviewed to improve the profitability of the Swedish operation. Implementation of a new banking platform will enable cost-effective growth, economies of scale and potential synergies with some 130 other banks.

Operating income

SEK million	2014 Jan-Dec	2013 Jan-Dec	Change, %
Net interest income	1,418	1,118	27%
Net fee and commission income[1]	260	252	3%
Net financial income[1]	41	29	41%
Other income	51	64	-20%
Total operating income	**1,770**	**1,463**	**21%**

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

Net interest income

Skandiabanken's net interest income increased by SEK 300 million compared with the preceding year, to SEK 1,418 million (1,118). The increase is attributable to strong volume growth in lending to the general public, with improved margins in the Norwegian operation.

The strong growth in lending to the general public has been driven by a favourable price point in the lending market for Skandiabanken in Norway without having to narrow margins. As a result, net interest income in Norway performed strongly during the year. In the Swedish market, home mortgage sales volume increased sharply compared with the preceding year – mainly during the second half – but due to lower margins, net interest income decreased slightly. Lending to the general public grew by a total of SEK 17,664 million during the year, to SEK 95,558 million (77,894) as per 31 December, with Norway accounting for 56 percent of volume and Sweden 44 percent.

Deposits from the general public increased by SEK 3,841 million to SEK 79,518 million (75,677) through a steady inflow to high-yield accounts in the Norwegian operation. Deposits in the Swedish operation decreased as a result of low interest rates, while the Skandia Account continued to generate growth.

Total liquidity in Skandiabanken is invested in local currency in the respective countries. During the year, total liquidity grew by SEK 1,184 million to SEK 20,337 million (19,153).

Net fee and commission income

Net fee and commission income increased by SEK 8 million during the year to SEK 260 million (252). The increase is attributable to the stock market rise and a positive net inflow during the year, which affected fund commissions. In 2014 Skandiabanken decided to reclassify certain costs from other administrative expenses to net fee and commission income in order to provide clearer reporting and thus a more accurate picture of the Bank's commission-driven business. The comparison figures for the preceding year have been recalculated in accordance with the new classification, see note 1, Accounting Policies.

Net financial income

Net financial income increased by SEK 12 million during the year, to SEK 41 million (29). The higher outcome for 2014 is attributable to the sale of shares in VISA, for SEK 33 million. Realised gains from sales of fixed-income securities decreased by SEK 22 million to SEK 10 million (32).

Other operating income

Other operating income decreased by SEK 13 million to SEK 51 million (64). Other operating income consists of services sold to other Skandia companies, which decreased as a result of prioritisation of major projects within the Bank.

Expenses before loan losses

SEK million	2014 Jan-Dec	2013 Jan-Dec	Change, %
Staff costs	-407	-366	11%
Other administrative expenses[1]	-661	-687	-4%
Depreciation	-2	-3	-33%
Other operating expenses	-85	-68	25%
Total expenses before loan losses	**-1,155**	**-1,124**	**3%**

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

Expenses increased marginally compared with the preceding year, to SEK 1,115 million (1,124). This cost increase was mainly driven high higher staff costs, higher costs for projects, and the fine of SEK 10 million assessed by the Financial Supervisory Authority.

The cost increase during the year was 3%, and most of the increase stems from the Norwegian operation, where the average number of employees and thus staff costs have risen more than in the Swedish operation. Marketing costs also rose during the year, which affected cost development in the Norwegian operation negatively. In the Swedish operation, on the other hand, costs were approximately 2% lower than a year ago, despite higher staff costs. These were compensated by lower administrative expenses.

Staff costs and other administrative expenses

Staff costs increased during the year to SEK 407 million (366) as a result of an increase in the number of employees.

Administrative expenses decreased by SEK 26 million to SEK 661 million (687) as a result of greater capitalisation of costs for the new Core Bank platform. The Bank is conducting this project with the aim of changing its general ledger, i.e., the IT system for bank accounts, cards and payment services.

In 2014 Skandiabanken decided to reclassify certain costs from administrative expenses to fee and commission expenses in order to gain clearer reporting and thus a more accurate picture of the Bank's commission-driven business. The comparison figure for the preceding year has been recalculated in accordance with the new classification, see note 1, Accounting Policies.

Other operating expenses

Other operating expenses increased by SEK 17 million to SEK 85 million (68) and pertained mainly to marketing costs associated with several campaigns that were conducted during the year with respect to the brand as well as products and services.

Loan losses

SEK million (unless indicated otherwise)	2014 Jan-Dec	2013 Jan-Dec	Change, %
Loan losses	-41	-41	0
of which, confirmed loan losses	*-35*	*-38*	*3*
of which, paid in towards confirmed loan losses from previous years	*22*	*8*	*14*
of which, provisions	*-28*	*-11*	*-17*
Loan losses as % of opening balance of lending to the general public	0.05%	0.07%	-0.01
Lending to the general public[1]	95,558	77,894	17,664
Impaired loans, gross	174	139	35
Provisions on the balance sheet	114	92	22
Impaired loans, net	60	47	13
Impaired loans, net, as % of lending to the general public	0.06%	0.07%	-0.01

[1] Excluding loans of SEK 2,220 million (0) to the Swedish National Debt Office.

Net loan losses were unchanged compared with the preceding year and amounted to SEK -41 million (-41). Loan losses have remained at continued low levels, and the Swedish operation posted a positive outcome of SEK 2 million (-7) as a result of the sale of SEK 10 million in impaired loans during the year. The losses for the year were thus mainly attributable to the Norwegian operation, where unsecured loans account for a greater share of lending to the general public than in Sweden.

Impaired loans, net, increased compared with a year ago to SEK 60 million (47). In the Swedish operation, impaired loans, net, increased by SEK 5 million to SEK 22 million (17). The change pertained primarily to home mortgages. In the Norwegian operation, impaired loans, net, increased by SEK 8 million to SEK 38 million (30). The change is mainly attributable to home mortgages.

The loan loss ratio, i.e., loan losses in relation to the opening balance of lending to the general public, decreased to 0.05 (0.07) percent. The loan loss ratio decreased to -0.01 (0.03) percent for the Swedish banking operation and to 0.09 (0.11) percent for the Norwegian banking operation.

Tax charge for the year

The tax charge for the year was SEK 162 million (118), an increase of SEK 44 million. The tax charge represents an effective tax rate of 28.0 (26.5) percent. The deviation from the Swedish tax rate of 22.0 percent is mainly due to a higher tax rate in Norway.

Comprehensive income for the year

Statement of comprehensive income SEK million	2014 Jan-Dec	2013 Jan-Dec	Change, %
Profit for the year	**417**	**327**	**90**
Other comprehensive income			
Items that cannot be reclassified to profit or loss for the year			
Revaluation of defined benefit pensions	-6	6	-12
Tax attributable to revaluation of defined benefit pensions	2	3	-1
Items that have been reclassified or can be reclassified to profit or loss for the year			
Available-for-sale financial assets	-21	-27	6
Taxes attributable to available-for-sale financial assets	5	7	-2
Hedge of net investment	0	0	0
Translation difference	-37	-132	95
Tax attributable to translation difference	8	29	-21
Total other comprehensive income after tax	**-49**	**-114**	**65**
Comprehensive income for the year after tax	**368**	**213**	**155**

Comprehensive income after tax amounted to SEK 368 million (213) and consists of profit as per the income statement, totalling SEK 417 million (327), plus income and expenses reported in other comprehensive income, which totalled SEK -49 million (-114). An account of the outcome for the year attributable to the income statement is commented on above.

Other comprehensive income for the year amounted to SEK -49 million (-114). The improvement is mainly attributable to the year's change in translation differences after tax of SEK 74 million, to SEK -29 million (-103), and to unrealised gains of SEK -21 million (-27). The unrealised gains pertain to holdings of fixed-income securities classified as available-for-sale financial assets. Translation differences pertain to exchange rate differences that arise upon conversion of the Norwegian operation's financial statements to Skandiabanken's reporting currency.

Balance sheet, liquidity and managed assets, 2014 compared with 2013

SEK million	2014 Jan-Dec	2013 Jan-Dec	Change, %
Balance sheet total	115,107	98,597	17%
Lending to the general public[1]	95,558	77,894	23%
of which, Sweden	*42,359*	*31,917*	*33%*
of which, Norway	*53,199*	*45,977*	*16%*
Deposits from the general public	79,518	75,677	5%
of which, Sweden	*35,219*	*35,673*	*-1%*
of which, Norway	*44,299*	*40,004*	*11%*
External borrowing	28,007	16,864	66%
of which, Sweden	*11,627*	*7,694*	*51%*
of which, Norway	*16,380*	*9,170*	*79%*
Liquidity buffer[2]	20,212	16,034	26%
Total liquidity[3]	20,337	19,153	6%
Deposit-to-loan ratio[4]	85%	97%	-12%
Managed assets in funds (NAV)	23,311	17,336	34%

[1] Excluding loans of SEK 2,220 million (0) to the Swedish National Debt Office and loans of SEK 120 million (0) to Skandia Capital AB.

[2] In accordance with the Financial Supervisory Authority's rules for managing liquidity risk (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 (AFS) financial assets, excluding assets pledged for borrowing from the Central Bank of Sweden.

[4] Excluding loans of SEK 2,220 million (0) to the Swedish National Debt Office.

The balance sheet total increased by SEK 16,510 million to SEK 115,107 million (98,597). The balance sheet includes Skandiabanken's operations in Norway. The currency effect of translation to Swedish kronor decreased total assets by SEK 897 million compared with the preceding year. During the year, SEK 231 million was invested in the Core Bank platform, where the investment cost is capitalised and recognised as an intangible asset on the Bank's balance sheet. The system will be put in operation in 2015, and the intangible asset will be amortised over a period of ten years. Total liquidity increased during the year to SEK 20,337 million (19,153).

Lending and deposits

During the year volume growth was generated mainly by lending against security – and home mortgages in particular – and both Sweden and Norway showed favourable growth in lending. Lending to the general public increased by SEK 17,664 million during the year, to SEK 95,558 million (77,894). The strong growth was mainly driven by the Norwegian operation, while Sweden also had strong growth in lending, mainly home mortgages. One of the factors credited with the volume growth in Sweden was Skandiabanken's implementation of a new, transparent price model with clear criteria, which customers have found attractive.

Deposit volumes increased slightly during the year, to SEK 79,518 million (75,677). Deposit volumes were strong in Norway, mainly driven by a steady inflow to high-yield accounts. In Sweden, deposits decreased marginally compared with a year earlier, while the "Skandia Account", created for customers receiving insurance disbursements, showed volume growth as a result of favourable terms.

Liquidity, funding and credit ratings

Skandiabanken's total liquidity amounted to SEK 20,337 million (19,153), which corresponds to 26 (25) percent of the Bank's 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 20,212 million (16,034) qualifies as the liquidity buffer in accordance with the Financial Supervisory Authority's rules for managing liquidity risk (FFFS 2010:7). In short, the rules require that securities included in the liquidity buffer must be eligible with the central banks and that only intraday lending to banks may be included. The deposit-to-loan ratio was 85 (97) percent. The decrease in the ratio is attributable to the change in Skandiabanken's funding structure, where the share of capital market funding in relation to total funding has increased as a means of financing the Bank's growth.

Skandiabanken has had a capital market programme in place since 2013 in both Sweden and Norway to enable the issuance of commercial paper, non-covered bonds and covered bonds. As per 31 December 2014 Skandiabanken had SEK 11,627 million (7,694) and NOK 15,688 million (8,662) in outstanding capital market funding. The increase during the year is in line with Skandiabanken's long-term growth target.

Since 2011 Skandiabanken has had long-term and short-term credit ratings of A3 and P-2, respectively, with a stable outlook from the credit rating agency Moody's. Both the Norwegian and Swedish covered bonds are issued under Skandiabanken's covered bond programme, which is subject to Swedish law. The programme has been assigned the highest credit rating, Aaa, from Moody's.

Further information about the liquidity buffer and liquidity management is provided in the yearly report entitled "1412 Årlig information - kapitaltäckning och riskhantering", see www.skandiabanken.se/Om Skandia/Finansiell-info/Information om kapitaltäckning och riskhantering.

Managed assets in funds

Managed assets in funds in the banking operations increased by SEK 5,975 million during the year to SEK 23,311 million (17,336) at year-end.

The increase is explained by a positive change in value during the year in customers' fund holdings combined with an improved net inflow of SEK 1,881 million, mainly in Sweden, but also in Norway. The net inflow includes customers' purchases and sales of fund units as well as transfers of existing fund holdings to and from Skandiabanken.

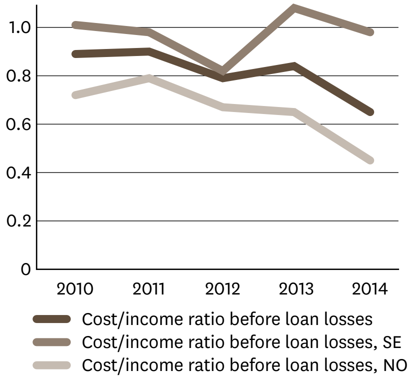
Capital base and capital adequacy

	2014 31 Dec	2013 31 Dec
Total capital ratio	14.2%	13.5%
Tier 1 capital ratio[1]	12.0%	10.9%
Common Equity Tier 1 capital ratio[1]	12.0%	10.9%
Capital adequacy requirement, SEK million	3,333	2,859
Total risk-weighted exposure, SEK million	41,667	35,734

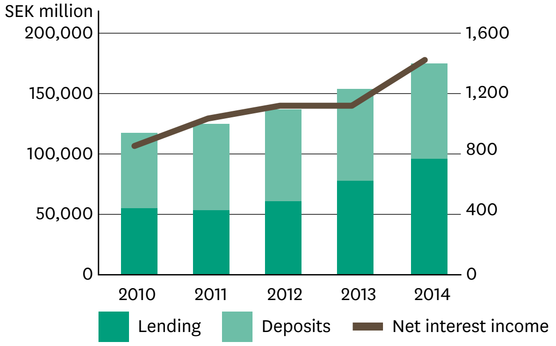
[1] The Bank's Common Equity Tier 1 capital consists of equity less items that may not be included in the capital base, such as intangible assets and deferred tax assets, which are dependent on future profitability. The Bank does not have any Tier 1 capital contributions, which entails that its Common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

The total capital ratio increased to 14.2 (13.5) percent compared with the level at 31 December 2013, while the Tier 1 capital ratio increased during the same period to 12.0 (10.9) percent. Both the total capital ratio and the Tier 1 capital ratio strengthened as a result of, among other things, an increase in equity through capital contributions totalling SEK 981 million. Tier 1 capital thus accounts for a greater share of the capital base than in previous years.

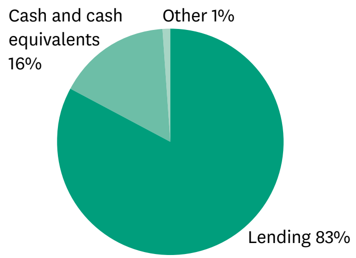
Cost/income ratio before loan losses



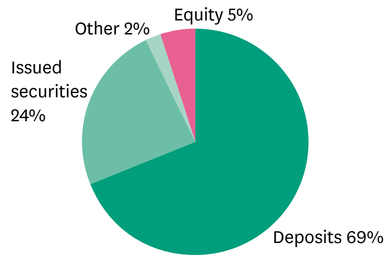
Deposits, lending and net interest income



Assets 2014



Liabilities 2014



Risk-weighted exposures increased by SEK 5,933 million to SEK 41,667 million (35,734). Of the increase, SEK 5,828 million pertained to credit risk exposures. The change is mainly attributable to an increase in credit exposures with collateral in real estate. Risk-weighted exposures to currency risk increased by SEK 338 million to SEK 545 million (207). The capital adequacy requirement for operational risk decreased by SEK 20 million to SEK 243 million (263). The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the 2014 financial year. See the proposed distribution of profit on page 16.

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. In addition to the capital requirements under Pillar I, the Bank holds capital for the combined buffer requirement. 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, requirements may be made for a higher capital base, which is handled under Pillar II in the Internal Capital Adequacy Assessment Process (ICAAP). In its internal capital adequacy assessment, the Bank makes an internal assessment of its total capital requirement, entailing that Skandiabanken holds capital also for other material risks than those regulated under Pillar I. In addition, further consideration is given to the applicable buffer requirements and Skandiabanken's future business plans.

As a result of an analysis performed of off balance sheet obligations in March 2015, going forward the Bank will apply a conversion factor of 50 percent for approved but not paid out home mortgage credits in Sweden and Norway. A conversion factor of 50 percent as per 31 December 2014 would have entailed an increase in the risk-weighted amount to SEK 42,312 million (the reported risk-weighted exposure as per 31 December 2014 was SEK 41,667), which in turn would have entailed a Common Equity Tier 1 capital ratio of 11.8 percent.

Further information about capital adequacy is provided in note 36 of the annual report and in a separate Pillar III report entitled "1412 Årlig information - kapitaltäckning och riskhantering", see www.skandiabanken.se/Om Skandia/Finansiell-info/Information om kapitaltäckning och riskhantering.

Risks and risk management
Skandiabanken's total credit exposure, in accordance with the capital adequacy rules, amounted to SEK 114,743 million (98,669), of which 77.4 (74.3) percent 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 percent 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 percent 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 increased to SEK 20,337 million (19,153). Skandiabanken'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 (1412 Annual information about capital adequacy and risk management – Pillar III). See www.skandiabanken.se/Om Skandia/Finansiell-info/Information om kapitaltäckning och riskhantering/1412 Årlig information - kapitaltäckning och riskhantering.

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

Skandia has a sustainability strategy that is aligned with its overall business strategy. Development shall be pursued by integrating environmental, social and economic sustainability in all parts of operations. In 2014 work was begun on a broader front to set measureable goals and conduct continuous monitoring as part of the operations' business planning for the coming year.

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 has described its sustainability work every year since 2011 in the group's sustainability report, which includes a description of the work conducted by Skandia and the group's future ambitions along with relevant key ratios. Skandia's sustainability reporting follows the GRI G4 standard for sustainability reporting and is available on Skandiabanken's website: www.skandiabanken.se.

Culture
We work in an industry in which a market governed by rules and regulations puts high demands on our competence. The employees' knowledge is therefore decisive for our competitive strength. For this reason, an analysis of the group's competence succession is critical for our success, and the work of identifying competence gaps and on taking action in this area was intensified in 2014. Moreover, our ambition to be a leading player puts demands on development of managers and employees as well as on a company culture with a solid values foundation. This is ensured through structured work on competence development upon employees' introduction and in their current roles as well as in their ability to take on new roles. Skandia also maintains a sharp focus and has a good structure for working with continuous development of its company culture and ensuring that as employees we live in accordance with this.

Our employees' health, but also our organisation's ability to generate results and develop, is dependent on a sound work environment. This is characterised by, among other things, good leadership, involvement, clarity of goals and proactive well-being initiatives. Examples of preventive measures are the private healthcare insurance that Skandia offers all employees and proactive, systematic work environment initiatives at the departmental, team and individual levels.

Employees
Skandiabanken's employees in brief
In 2014 Skandiabanken had an average of 490 (457) employees, of whom 55 (55) percent were women. The share of women in managerial positions was 43 (40) percent, and the average age of all employees was 36 (37). Employee turnover was slightly lower than a year ago and was 10 (12) percent at year-end.

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 a fixed salary. For further details about remuneration and benefits, see note 7.

Events after the balance sheet date
In January 2015 it was announced that Skandia is evaluating an initial public offering (IPO) for Skandiabanken's Norwegian operation with the goal of promoting growth and development. Skandiabanken has performed well in Norway, and the time is now suitable to determine if the Norwegian bank can achieve more robust development on its own.

Separating the Norwegian bank is part of the strategy to invest aggressively in the Swedish market, where the majority of Skandia's customer are. The study is expected to be completed during the spring.

Based on the business plan and the growing volume of home mortgage loans, Skandiabanken will receive an unconditional shareholder contribution of SEK 414 million during the first quarter of 2015.

Rules and regulations

Skandiabanken continues to be affected to a high degree by the extensive drafting of regulations in the banking and securities sectors. Following is a description of some of the rules and regulations that took effect in 2014 or that will take effect in 2015 or later.

On 1 January 2014 new capital adequacy requirements took effect which entail, among other things, stricter capital requirements for Swedish banks. The new rules are set out in EU Regulation no. 575/2013 and in the Capital Requirements Directive (2013/36/EU), which have been incorporated into Swedish law. Going forward, complementary rules in the form of technical standards and guidelines from the European Banking Authority are expected, which may require the Bank to make certain adjustments in its methods for calculating its capital requirement.

Directive 2014/59/EU, establishing a framework for the recovery and resolution of credit institutions and investment firms, was published in June 2014. Swedish implementation of the directive has been delayed, however, in its guidelines and general advice on governance, risk management and control of credit institutions (FFFS 2014:1), the Swedish Financial Supervisory Authority has already implemented requirements that banks have a recovery plan for restoration of their financial position in the event of a dramatic financial stress. In view of this, Skandiabanken has drawn up a recovery plan that has been submitted to the Financial Supervisory Authority.

The Financial Supervisory Authority's guidelines and general advice on governance, risk management and control of credit institutions, which apply as from 1 April 2014, cover – among other things – independent control functions, internal rules, routines and processes that companies are required to have to ensure good governance, risk management and control. In view of these new guidelines, Skandiabanken has reviewed and adjusted certain parts of the Bank's governance and organisation.

In addition, the Financial Supervisory Authority's guidelines and general advice on management of operational risks (FFFS 2014:4) took effect on 1 June 2014. The guidelines regulate, among other things, the Board of Director's and CEO's responsibilities, management of operational risks in the business with respect to processes, legal risks, personnel, security, the approval process and continuity planning, among other things. The guidelines also include requirements for the Bank's securities business and currency trading. As a result of the new requirements set out in the guidelines, the Bank has developed its process for new products and made significant changes in its operations.

The Financial Supervisory Authority's new guidelines and general advice on information security, IT and deposit systems also took effect on 1 June 2014. As a result of these guidelines the Bank has developed its governance and control of outsourced IT operations.

In July 2014, as part of the Swedish government's work on improving the effectiveness of work on preventing money laundering, the Money Laundering and Terrorist Financing (Prevention) Act (2009:62) was amended. One result of this is that the Bank has implemented routines to handle the new requirement to restrict disposal over certain funds.

In May 2014 the new securities directive at the EU level was published, which contains stricter rules for customer protection. The new rules are laid out in EU Regulation No. 600/2014 and Directive (2014/65/EU) on markets in financial instruments, which are to be applied starting on 3 January 2017. Complementary rules are also being drawn up by the European Securities and Markets Authority (ESMA). On 30 January 2015, a study (SOU 2015:2) was published on how the directive should be implemented in Swedish law. The Bank has begun work on adapting its operations to the new rules.

To strengthen consumer protection in the home mortgage market, the Financial Supervisory Authority has issued new rules requiring all banks to report an average of the interest rate paid by home mortgage customers. The rules will take effect on 1 June 2015. Prior to this Skandiabanken had already been posting the average interest rate for its home mortgage loans.

In November 2014 the Financial Supervisory Authority published a memo outlining its views on instituting an amortisation requirement for home mortgages. The Financial Supervisory Authority intends to propose that new home mortgage customers be required to amortise their home mortgages down to a 50 percent loan-to-value (LTV). According to the memo, loans are to be amortised by a minimum of 2 percent yearly down to a 70 percent LTV, and thereafter by a minimum of 1 percent yearly to an LTV of 50 percent. The forthcoming amortisation requirement may result in a slowing of the rise in home prices and a weakening in demand for home mortgages. The new rules will take effect in 2015.

Our operating environment and anticipated future development
The general economic recovery is continuing, but the trend in the euro area is still dampened compared with the USA and the UK. Oil prices have fallen sharply, entailing that inflation forecasts are lower than previously. The geopolitical uncertainty in the euro area has had a negative impact on investment, which entails a risk for continued subdued growth and exports in the Nordic countries. At its October meeting the Central Bank of Sweden (Riksbanken) cut its repo rate to zero in response to low inflation and the sluggish economic recovery in the country's operating environment. This level was left unchanged at Riksbanken's December meeting. In February 2015 Riksbanken cut its repo rate further, to -0.10 percent, which has never happened before. Riksbanken is of the opinion that as long as inflation is so low, it will not raise its repo rate until sometime during the second half of 2016, at which time inflation is expected to be near 2 percent. Meanwhile, the economy continues to improve, and the economic trend is in line with Riksbanken's forecasts, yet Riksbanken has made it clear that it is prepared to take further actions if the inflation target is not met. The dramatically lower price of oil and poorer growth outlook for the Norwegian economy prompted Norway's central bank to lower its key rate by 0.25 percentage point to 1.25 percent in December. Monetary policy analyses at present indicate that this rate will remain unchanged, or even lower, through the end of 2016. Interest rate cuts may have a negative impact on the Bank's earnings capacity, particularly net interest income. In Sweden, unemployment is expected to decrease somewhat in 2015, while in Norway it is expected to remain at historically low levels.

Changes in the market put greater demands on Skandiabanken to formulate more compelling offers. The Bank is affected to a high degree by developments in the global economy and regulations, and not least by changes in customers' behaviours. The banking and insurance industry is highly regulated by laws and regulations at the same time that customers are increasingly demanding more openness and transparency. The regulations in the market are aimed at reducing risks in the banking system and achieving a high level of consumer protection. Skandia is closely monitoring developments in order to adapt its operations in a correct, cost-effective and customer-friendly manner. During the year Skandiabanken launched a home mortgage model that is both open and transparent, and was the first bank to publish the average home mortgage rate offered to its home mortgage customers on its website.

The macroeconomic environment and more long-term consumer trends in general are also having an impact on the savings market. More and more savers are turning to savings forms with lower risk and higher guarantees – even Investment Savings Accounts (ISK) have gained a stronger position as an alternative to other forms of saving. Due to the change in risk appetite, interest in equities is falling in favour of mutual funds, particularly mixed funds, where customers obtain advice for allocations between equities and fixed-income securities. In general, customers are making higher demands for low costs associated with their savings, which is leading to greater interest in index-linked funds, among other things. Indications are high that the market will continue to be characterised by customers' need for security, both in their choice of products and their need for assistance and advice. Skandia has a wide array of products and offers advisory services in order to be able to meet customers' varying risk appetites and product need in the best way possible. The continued low interest rates in the market are also having an impact on deposit yields. This is making ordinary deposit accounts less attractive, and a greater shift towards fund savings could be seen in 2014.

For further information about the Bank's risks and risk management, see note 37.

Five-year summary

KEY RATIOS

Volume development	**2014**	**2013**	**2012[1]**	**2011**	**2010**
Lending to the general public, SEK million	95,558	77,894	60,011	53,393	53,985
Change during the year	23%	33%	12%	-1%	11%
Total deposits and borrowing from the general public, SEK million	79,518	75,677	77,365	71,302	62,969
Change during the year	5%	-2%	9%	13%	2%
Issued securities, SEK million	28,007	16,864	1,826	—	—
Change during the year	66%	823%	100%	—	—
Capital adequacy measures					
Total capital ratio:					
Capital base as % of risk-weighted assets	14.2%	13.5%	14.6%	14.7%	14.5%
Tier 1 capital ratio:					
Tier 1 capital as % of risk-weighted assets	12.0%	10.9%	10.6%	10.2%	10.0%
Key ratios, earnings					
Investment margin:					
Net interest income as % of average volume (balance sheet total)	1.31%	1.26%	1.39%	1.43%	1.25%
Earnings capacity:					
Operating profit excl. loan losses as % of average volume (balance sheet total)	0.57%	0.38%	0.53%	0.29%	0.33%
Return on total capital:					
Operating profit as % of average volume (balance sheet total)	0.53%	0.34%	0.52%	0.24%	0.27%
Return on assets[2]	0.36%	0.33%	0.36%	0.18%	0.24%
Return on equity:[3]					
Operating profit after actual tax as % of average equity	8.74%	6.23%	7.59%	5.25%	4.87%

Key ratios, earnings (cont.)	**2014**	**2013**	**2012**	**2011**	**2010**
Cost/income ratio before loan losses:[3, 4]					
Total costs excl. loan losses in relation to operating income	0.65	0.77	0.79	0.90	0.89
Cost/income ratio after loan losses:[3, 4]					
Total costs incl. loan losses in relation to operating income	0.68	0.80	0.79	0.92	0.91
Impaired loans					
Provision level for impaired loans:					
Provision for probable loan losses as % of impaired loans before provision	65.2%	64.2%	53.9%	62.3%	70.1%
Share of impaired loans:					
Impaired loans, net, as % of total lending to the general public and credit institutions (excl. banks)	0.06%	0.06%	0.13%	0.15%	0.09%
Loan loss ratio:					
Loan losses as % of opening balance of lending to the general public, credit institutions (excl. banks), and credit guarantees	0.05%	0.07%	0.01%	0.06%	0.09%

Other data	**2014**	**2013**	**2012**	**2011**	**2010**
Number of customers, thousands	830	824	808	803	787
Average number of employees	490	457	453	993	1,141
Of whom, in continuing operations	490	457	453	515	1,141
Of whom, in discontinued operations	—	—	—	478	—

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

[2] Net profit divided by the balance sheet total.

[3] 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.

[4] The comparison figure for 2013 has been changed due to recalculation, see note 1, Accounting policies.

Five-year summary

INCOME STATEMENTS AND BALANCE SHEETS FOR 2010–2014, FIVE-YEAR SUMMARY (SEK million)

INCOME STATEMENT	2014	2013	2012[2]	2011	2010
Interest income	3,186	2,710	2,838	2,552	1,750
Interest expense	-1,768	-1,592	-1,719	-1,515	-903
Net fee and commission income[1]	260	252	327	349	372
Net financial income[1]	41	29	47	14	55
Other operating income	51	64	168	779	852
Total operating income	**1,770**	**1,463**	**1,661**	**2,179**	**2,126**
Staff costs	-407	-366	-367	-869	-843
Other administrative expenses[1]	-661	-687	-829	-1,047	-995
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets	-2	-3	-6	-9	-9
Other operating expenses	-85	-68	-33	-73	-53
Total expenses before loan losses	**-1,155**	**-1,124**	**-1,235**	**-1,998**	**-1,900**
Loan losses, net	-41	-41	-7	-34	-42
Operating profit	**574**	**298**	**419**	**147**	**184**
Appropriations, net[3]	5	147	-31	24	40
Profit before taxes	**579**	**445**	**388**	**171**	**224**
Taxes	-162	-118	-85	-30	-62
Net profit for the year	**417**	**327**	**303**	**141**	**162**

BALANCE SHEET	2014	2013	2012	2011	2010
Cash and cash balances with central banks	636	544	424	696	493
Eligible treasury bills, etc.	8,110	6,207	5,826	2,441	—
Lending to credit institutions	1,252	1,384	654	1,916	263
Lending to the general public	95,558	77,894	60,011	53,393	53,985
Fair value of portfolio hedge of interest rate risk	184	71	132	68	5
Bonds and other fixed-income securities	8,467	11,559	17,025	17,177	12,376
Shares and participations	13	64	50	79	72
Intangible assets and property, plant and equipment	335	100	6	15	20
Other assets	552	774	510	905	788
Total assets	**115,107**	**98,597**	**84,638**	**76,690**	**68,002**
Due to credit institutions	100	68	99	43	52
Deposits and borrowing from the general public	79,518	75,677	77,365	71,302	62,969
Issued securities, etc.	28,007	16,864	1,826	—	—
Other liabilities	1,186	1,041	914	1,301	1,105
Subordinated liabilities	900	900	1,200	1,200	1,200
Total liabilities	**109,711**	**94,550**	**81,404**	**73,846**	**65,326**
Total equity	**5,396**	**4,047**	**3,234**	**2,844**	**2,676**
Total liabilities and equity	**115,107**	**98,597**	**84,638**	**76,690**	**68,002**

[1] The comparison figure has been changed due to a reclassification. See note 1, Accounting policies.

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

[3] Pertains to group contributions.

Distribution of profit

(Amounts in SEK)

The following amount is available for distribution by the Annual General Meeting:	**SEK**
Total fair value reserve	-120,523,557
Retained earnings	4,618,158,985
Net profit for the year	417,086,282
Unrestricted equity	**4,914,721,710**
The Board of Directors proposes that this amount be distributed as follows:	
Dividend to the shareholders	—
To be carried forward	4,914,721,710

With respect to Ch. 6 § 2 p. 2 of the Annual Accounts Act for Credit Institutions and Securities Companies, the Board is of the opinion that the company's equity is sufficiently large in relation to the scope and risk of operations.

Income statement

SEK million	Note	2014	2013
Interest income	3	3,186	2,710
Interest expense	3	-1,768	-1,592
Dividends received		0	0
Fee and commission income[1]	4	480	445
Fee and commission expense[1]	4	-220	-193
Net financial income[1]	5	41	29
Other operating income	6	51	64
Total operating income		**1,770**	**1,463**
General administrative expenses			
Staff costs	7	-407	-366
Other administrative expenses[1]	8	-661	-687
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets	9	-2	-3
Other operating expenses	10	-85	-68
Total expenses before loan losses		**-1,155**	**-1,124**
Profit before loan losses		**615**	**339**
Net loan losses	11	-41	-41
Operating profit		**574**	**298**
Appropriations, group contributions		5	147
Profit before tax		**579**	**445**
Income tax expense	12	-162	-118
Net profit for the year		**417**	**327**

[1] Recalculated due to a reclassification, see note 1, Accounting policies.

Statement of comprehensive income

SEK million	2014	2013
Net profit for the year	**417**	**327**
Other comprehensive income		
Items that cannot be reclassified to profit or loss for the year		
Revaluation of defined benefit pensions[1]	-6	6
Tax attributable to revaluation of defined benefit pensions[1]	2	3
Items that have been reclassified or can be reclassified to profit or loss for the year		
Available-for-sale financial assets	-21	-27
Tax attributable to available-for-sale financial assets	5	7
Hedge of net investment	0	0
Translation difference[2]	-37	-132
Tax attributable to translation difference	8	29
Total other comprehensive income after tax	**-49**	**-114**
Total comprehensive income after tax	**368**	**213**

[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	2014	2013
Cash and cash balances with central banks	13	636	544
Eligible treasury bills, etc.	14	8,110	6,207
Lending to credit institutions	15	1,252	1,384
Lending to the general public	16	95,558	77,894
Fair value of portfolio hedge of interest rate risk	17	184	71
Bonds and other fixed-income securities	18	8,467	11,559
Shares and participations, etc.	19	13	64
Intangible non-current assets	20	331	95
Property, plant and equipment	21	4	5
Current tax assets	22	10	24
Deferred tax assets	22	17	17
Other assets	23	329	574
Prepaid expenses and accrued income	24	196	159
Total assets		**115,107**	**98,597**

Liabilities and provisions	Not	2014	2013
Due to credit institutions	25	100	68
Deposits and borrowing from the general public	26	79,518	75,677
Issued securities, etc.	27	28,007	16,864
Current tax liabilities	28	145	85
Other liabilities	29	672	593
Accrued expenses and deferred income	30	310	307
Provisions for pensions	31	59	56
Subordinated liabilities	32	900	900
Total liabilities and provisions		**109,711**	**94,550**
Share capital		400	400
Other reserves			
- Statutory reserve		81	81
- Total fair value reserve		-121	-68
Retained earnings		4,619	3,307
Profit for the year		417	327
Total equity	**42**	**5,396**	**4,047**
Total liabilities, provisions and equity		**115,107**	**98,597**

Memorandum items		2014	2013
Pledged assets for own liabilities – home mortgages	34	27,313	20,377
Other pledged assets	34	7,779	5,385
Commitments	34	27,958	22,892

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 2013	**400**	**81**	**65**	**19**	**84**	**-1**	**2,670**	**3,234**
Profit for the year	—	—	—	—	—	—	327	327
Reclassification upon disposal to income statement before tax for fair value reserve	—	—	-31	—	-31	—	—	-31
Unrealised change in value before tax, fair value reserve	—	—	4	—	4	—	—	4
Tax attributable to fair value reserve	—	—	7	—	7	—	—	7
Revaluation of defined benefit pensions[2]	—	—	—	—	—	6	—	6
Tax attributable to revaluation of defined benefit pensions[2]	—	—	—	—	—	3	—	3
Change in hedge of net investment in foreign currency	—	—	—	0	0	—	—	0
Change in translation difference	—	—	—	-132	-132	—	—	-132
Tax on change in translation difference	—	—	—		0	—	29	29
Comprehensive income for the year	—	—	**-20**	**-132**	**-152**	**9**	**356**	**213**
Shareholder contribution received	—	—	—	—	—	—	600	600
Closing equity 2013	**400**	**81**	**45**	**-113**	**-68**	**8**	**3,626**	**4,047**
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**

[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	**2014**	**2013**
Operating profit	579	445
of which, interest paid in	*3,182*	*2,696*
of which, interest paid out	*-1,756*	*-1,572*
Adjustment for non-cash items:		
Unrealised portion of net financial income:	2	1
Depreciation, amortisation and impairment charges		
- depreciation, amortisation and impairment of property, plant and equipment and intangible assets	2	3
Loan losses	63	50
Group contributions from/to parent company	-5	-147
Provisions for defined benefit pension plans	1	1
Income tax paid	-70	-105
Cash flow from operating activities before changes in assets and liabilities of operating activities	**572**	**248**
Decrease (+)/increase (-) in lending to the general public	-18,698	-21,628
Decrease (+)/increase (-) in holdings of fixed-income securities and equities	988	4,195
Decrease (+)/increase (-) in other assets	-413	130
Decrease (-)/increase (+) in deposits and borrowing from the general public	5,043	2,203
Decrease (-)/increase (+) in issued securities	11,586	15,500
Decrease (-)/increase (+) in other liabilities	7	135
Cash flow from operating activities	**-915**	**783**
Investing activities		
Purchases of property, plant and equipment	-1	-3
Sales of property, plant and equipment	0	0
Purchases of intangible non-current assets	-235	-95
Cash flow from investing activities	**-236**	**-98**

Financing activities[2]	**2014**	**2013**
Shareholder contributions	981	600
Repayment of subordinated loan	0	-300
Cash-settled group contribution preceding year (paid/received)	147	-31
Dividend paid[1]	—	—
Cash flow from financing activities	**1,128**	**269**
Cash flow for the year	**-23**	**954**
Cash and cash equivalents at start of year	1,860	979
Exchange rate difference in cash and cash equivalents	-49	-73
Cash and cash equivalents at end of year	1,788	1,860
Change for the year	**-23**	**954**
Cash and cash equivalents		
Cash and cash balances with central banks	636	544
Lending to credit institutions	1,252	1,384
Due to credit institutions	-100	-68
Cash and cash equivalents	**1,788**	**1,860**

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 2014 or 2013.

[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 2014. Skandiabanken's registered office is in Stockholm, Sweden. The address of the head offices is Lindhagengatan 86, Stockholm. The annual report was approved for publication by the Board of Directors on 11 March 2015. The income statement and balance sheet are subject to adoption by the Annual General Meeting, which is scheduled to be held on 24 April 2015.

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 2014 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 annual 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 2014 financial year

IFRSs endorsed by the European Commission shall be applied. A few amendments have been made that took effect in 2014. These have not had any material effect on Skandiabanken's accounting.

Other changes

Fee and commission income and expense

Reporting of fee and commission income and expense was partly reclassified in 2014 in order to provide a more accurate picture of net fee and commission income and expense. Revenue derived from payment intermediation fees as well as expenses pertaining to securities, card and payment intermediation fees, which were previously reported under Net financial income and Administrative expenses, respectively, have been reclassified to Fee and commission income and fee and commission expense, respectively.

Financial effect on comparison figures for 2013:

	2013 full year		
Reclassification to:	**Before reclassification**	**Reclassification**	**After reclassification**
Fee and commission income			
Payment intermediation fees	280	30	310
Commissions on lending	1	—	1
Commissions on deposits	1	—	1
Commissions on securities	131	—	131
Other commissions	2	—	2
Total fee and commission income	**415**	**30**	**445**
Payment intermediation fees	-52	-80	-132
Commissions on securities	-16	-20	-36
Other commissions	-14	-11	-25
Total fee and commission expenses	**-82**	**-111**	**-193**
Net fee and commission income	**333**	**-81**	**252**
Reclassification from:			
Net financial income			
Currency movements	28	-30	-2
General administrative expenses			
Other administrative expenses	-798	111	-687

Cont. note 1 – Significant accounting and valuation policies

New and amended IFRSs for financial years starting in 2015 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 15 Revenue from Contracts with Customers
The idea is that a single 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. For Skandiabanken, it is mainly revenue from Net fee and commission income that is affected. The initial estimation is that the standard will have a small impact on Skandiabanken. IFRS 15 will entail greater disclosure requirements, however.

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.

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. 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 Skandiabanken's financial assets in the financial statements, particularly with respect to Skandiabanken's provisions for loan losses. A detailed analysis has not yet been performed of the effects upon application, and these can therefore not yet be quantified.

4. Important sources of uncertainty in estimations and critical assessments
When preparing the financial statements, company management must in certain case 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 in both the balance sheet and 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 0.5 million (10) 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. Based on existing knowledge about the assumptions in the Norwegian operation, the outcome for the following financial year may entail a significant adjustment of the carrying amount of collectively assessed loan receivables. However, such adjustment entails that, for loans confirmed as loan losses, a dissolution is made for essentially the same amount, which entails that the net effect is not expected to be material.

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 2.7 percent. 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.

Cont. note 1 – Significant accounting and valuation policies

Intangible assets

In 2013 Skandiabanken started an extensive project aimed at implementing a new banking system. The system is scheduled to be 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 for the cash generating unit is used as a basis for calculating value in use. Company management's estimation of the assumptions for future volumes, cost-savings, tied-up capital, the discount rate used (10.6 percent compared with 9.6 percent in the preceding year) and a growth factor (2 percent) after the plan period are of great significance. In a sensitivity analysis in which the discount rate is increased by 1 percent or where the business plan is achieved to 80 percent, a need arises to recognise impairment of the asset.

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.

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 percent or more of the combined revenue of all operating segments,
- its reported profit or loss is 10 percent 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 percent or more of the combined assets of all operating segments.

Skandiabanken has two segments: Sweden banking and Norway banking. 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.

Currency 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). Skandiabanken conducts operations through a branch in Norway, entailing that the company has two functional currencies.

The income statement and balance sheet of the foreign operation is recalculated from its functional currency to Swedish kronor. Assets and liabilities are valued at the exchange rate in effect on the balance sheet date. Revenues and expenses are recalculated at the average exchange rate during the period. The translation differences that arise are reported in other comprehensive income as a translation reserve. Upon divestment of an operation, the accumulated translation difference is 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 versus settlement date reporting

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

Cont. note 1 – Significant accounting and valuation policies

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.

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 of 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 problems. 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

Cont. note 1 – Significant accounting and valuation policies

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”.

e) Valuation of impaired loans and provisions for loan losses
A provision for credit risks 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 10-30percent is made for credit risks where the receivable is past due more than 60 days, 20-60 percent after 90 days, and a maximum of 90percent 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. Hedges are made at fair value for lending at fixed interest rates (portfolio hedge at fair value) and for net investments in foreign operations (applies only for part of net investments in the Norwegian branch).

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 percent. 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

Cont. note 1 – Significant accounting and valuation policies

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.

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 has been estimated to be three years for IT equipment and five years for other equipment. 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 three and five 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 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) for employee pension obligations in Sweden. 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 Bank’s Norwegian obligations, the employees’ service cost and the net interest on the defined benefit pension liability are reported as an expense in the income state-

Cont. note 1 – Significant accounting and valuation policies

ment, and effects of revaluations are reported in other comprehensive income. The pension liability is reported as a provision on the balance sheet.

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 reported immediately as an expense.

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.

Cont. note 1 – Significant accounting and valuation policies

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.

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.

2. Reporting of operating segments

SEK million	Sweden Banking		Norway Banking		Eliminations and recalculations, Banking		Total Banking	
Income statements	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Net interest income	497	500	921	618	—	—	1,418	1,118
Net fee and commission income[3]	99	84	161	168	—	—	260	252
Net financial income[3]	18	10	23	19	—	—	41	29
Other operating income	65	84	3	3	-17	-23	51	64
Operating income	**679**	**678**	**1,108**	**808**	**-17**	**-23**	**1,770**	**1,463**
Staff costs	-220	-205	-188	-164	1	3	-407	-366
Other administrative expenses[3]	-399	-429	-278	-278	16	20	-661	-687
Depreciation/amortisation of property, plant and equipment, and intangible assets[1]	0	0	-2	-3	—	—	-2	-3
Other operating expenses	-49	-45	-36	-23	—	—	-85	-68
Expenses before loan losses	**-668**	**-679**	**-504**	**-468**	**17**	**23**	**-1,155**	**-1,124**
Net loan losses	2	-7	-43	-34	—	—	-41	-41
Operating profit	**13**	**-8**	**561**	**306**	**—**	**—**	**574**	**298**
Appropriations, group contributions	5	147	—	—	—	—	5	147
Profit before tax	**18**	**139**	**561**	**306**	**—**	**—**	**579**	**445**
Income tax expense	-6	-31	-156	-87	—	—	-162	-118
Profit for the year	**12**	**108**	**405**	**219**	**—**	**—**	**417**	**327**
External income	626	608	1,100	797	—	—	1,726	1,405
Internal income[2]	37	50	7	8	—	—	44	58
Internal expenses[2]	-7	-8	-37	-50	—	—	-44	-58
COMPREHENSIVE INCOME								
Net profit for the year	**12**	**108**	**405**	**219**	**—**	**—**	**417**	**327**

Footnotes to segment reporting table

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

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

[3] Recalculated due to reclassification, see note 1, Accounting policies.

Cont. note 2. Reporting of operating segments

SEK million	Sweden Banking		Norway Banking		Eliminations and recalculations, Banking		Total Banking	
Income statements	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Other comprehensive income								
Items that cannot be reclassified to profit or loss for the year								
Revaluation of defined benefit pensions	—	—	-6	6	—	—	-6	6
Taxes attributable to revaluation of defined benefit pensions	—	—	2	3	—	—	2	3
Items that have or can be reclassified to profit or loss for the year								
Change in value of available-for-sale financial assets	-13	-9	-8	-18	—	—	-21	-27
Hedge of net investment	0	0	—	—	—	—	0	0
Translation difference	—	—	—	—	-37	-132	-37	-132
Tax attributable to translation difference	—	—	—	—	8	29	8	29
Tax attributable to changes in value of available-for-sale financial assets	3	2	2	5	—	—	5	7
Total	**-10**	**-7**	**-10**	**-4**	**-29**	**-103**	**-49**	**-114**
Comprehensive income for the year after tax	**2**	**101**	**395**	**215**	**-29**	**-103**	**368**	**213**

	Sweden Banking		Norway Banking		Eliminations and recalculations, Banking		Total Banking	
SEK billion	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
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]	42.4	31.9	53.2	46.0	—	—	95.6	77.9
Other assets	8.8	15.3	11.2	8.4	-0.5	-3.0	19.5	20.7
Total assets	**51.2**	**47.2**	**64.4**	**54.4**	**-0.5**	**-3.0**	**115.1**	**98.6**
Liabilities								
Deposits and borrowing from the general public	35.2	35.7	44.3	40.0	—	—	79.5	75.7
Issued securities	11.6	7.7	16.4	9.2	—	—	28.0	16.9
Other liabilities	1.8	1.5	0.9	3.5	-0.5	-3.0	2.2	2.0
Total liabilities	**48.6**	**44.9**	**61.6**	**52.7**	**-0.5**	**-3.0**	**109.7**	**94.6**
Equity	**2.6**	**2.3**	**2.8**	**1.7**	—	—	**5.4**	**4.0**
Total liabilities and equity	**51.2**	**47.2**	**64.4**	**54.4**	**-0.5**	**-3.0**	**115.1**	**98.6**

[1] Swedish banking operations, including loans of SEK 2.2 billion (0) to the Swedish National Debt Office and of SEK 0.1 billion (0) to Skandia Capital AB.

Cont. note 2. Reporting of operating segments

Key ratios	Sweden Banking 2014 31 Dec	Sweden Banking 2013 31 Dec	Norway Banking 2014 31 Dec	Norway Banking 2013 31 Dec	Eliminations and recalculations, Banking 2014 31 Dec	Eliminations and recalculations, Banking 2013 31 Dec	Total Banking 2014 31 Dec	Total Banking 2013 31 Dec
Investment margin, %[1]	1.05	1.17	1.52	1.36	—	—	1.31	1.26
C/I ratio before loan losses [2, 4]	0.98	1.00	0.45	0.58	1.0	1.0	0.65	0.77
Loan loss ratio, %[3]	-0.01	0.03	0.09	0.11	—	—	0.05	0.07
Number of customers, thousands	452	450	378	374	—	—	830	824
Average number of employees	289	277	201	180	—	—	490	457

Footnotes to segment reporting table

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

[2] Costs incl. loan losses in relation to operating income.

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

[4] The comparison figure for 2013 has been changed due to a reclassification.

Reporting of operating segments

Skandiabanken conducts banking business in the retail market in Sweden and Norway 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”. For Skandiabanken, previously this pertained to revenue from group companies outside of Skandiabanken – primarily Skandia AB and Skandia Mutual. 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 2013 or 2014 financial years.

3. Net interest income

	2014		2013	
	Interest	Average interest rate	Interest	Average interest rate
Lending to credit institutions	12	0.82%	24	1.04%
Lending to the general public[1]	2,866	3.39%	2,327	3.58%
Fixed-income securities	294	1.54%	351	1.91%
Other	1	0%	0	0%
Total interest income[2]	**3,173**	**2.94%**	**2,702**	**3.07%**
Due to credit institutions	-1	1.36%	-2	1.28%
Deposits and borrowing from the general public	-1,322	1.77%	-1,417	1.94%
Issued securities	-404	1.75%	-122	1.86%
Subordinated liabilities	-18	2.04%	-28	2.48%
Other	-10	0.12%	-15	0.26%
Total interest expense[2]	**-1,755**	**1.64%**	**-1,584**	**1.81%**
Total[2]	**1,418**	**1.30%**	**1,118**	**1.26%**

Interest income from financial instruments that are not measured at fair value through profit or loss amounts to SEK 3,279 million (2,791). Interest expenses from financial instruments that are not measured at fair value through profit or loss amount to SEK 1,768 million (1,592).

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

[2] The deviation in total interest income and expense compared with the income statement amounts to SEK 13 million (8) 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

	2014	2013
Payment intermediation fees[1]	313	310
Commissions on lending	1	1
Commissions on deposits	1	1
Commissions on securities	157	131
Other commissions	8	2
Total fee and commission income	**480**	**445**
Payment intermediation fees[1]	-140	-132
Commissions on securities[1]	-41	-36
Other commissions[1]	-39	-25
Total fee and commission expenses	**-220**	**-193**
Net fee and commission income	**260**	**252**

[1] Recalculated compared with previous periods, see note 1, Accounting policies.

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 amounts to SEK 314 million (281) for fee and commission income and SEK 138 million (51) 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 157 million (132) for fee and commission income and SEK 41 million (16) for fee and commission expenses.

5. Net financial income

	2014	2013
Financial assets at fair value classified as held for trading	**32**	**0**
- Share dividends	0	0
- Shares and participations and other equity instruments, change in value, etc.	33	0
- Interest-bearing derivatives, change in value	-1	0
Available-for-sale financial assets	**11**	**31**
- Fixed-income securities, change in value	11	31
Hedge accounting[1]	**-1**	**0**
- Change in value of hedged item	113	-61
- Change in value of hedged instruments	-114	61
Exchange rate movements[2]	**-1**	**-2**
Total	**41**	**29**

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

[2] Recalculated compared with previous periods, see note 1, Accounting policies.

Total net result for available-for-sale financial assets[1]	**2014**	**2013**
Unrealised gain/loss recognised in other comprehensive income[2]		
Reclassification of realised gains/losses from other comprehensive income to net profit for the year	-13	-31
Unrealised changes in value	-8	4
Total profit in other comprehensive income	**-21**	**-27**
Realised gains/losses recognised in profit or loss[3]		
Reclassification of realised gains/losses from other comprehensive income to net profit for the year	13	31
Gain/loss realised directly in profit or loss	-3	1
Total realised gain/loss in profit or loss	**10**	**32**
Total	**-11**	**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.
Realised gains and/or losses recognised in profit or loss consist of a) reclassification of unrealised changes in value upon disposal from the fair value reserve via other comprehensive income to profit or loss and b) realised gains on holdings acquired and disposed of during the current financial year.

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

6. Other operating income

	2014	2013
Revenues from group companies within the Skandia group[1]	46	61
Other income	5	3
Total	**51**	**64**

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

7. Staff costs

	2014	2013
Salaries and remuneration	-255	-235
Defined benefit pensions	-15	-17
Defined contribution pensions	-23	-24
Payroll tax	-8	-8
Social security costs	-64	-57
Variable remuneration[1]	-17	-10
Other staff costs	-25	-15
Total	**-407**	**-366**

[1] By variable remuneration is meant the Skandianen profit-sharing foundation for employees in Sweden and a similar profit-sharing system in Norway. The figure for 2013 also includes the dissolution of an excessively high provision for cash variable remuneration for 2012.

Average number	2014					2013				
of employees	**Women**		**Men**		**Total**	**Women**		**Men**		**Total**
Sverige	158	55%	131	45%	289	151	54%	127	46%	278
Norge	112	56%	89	44%	201	99	56%	80	44%	179
Total	**270**	**55%**	**220**	**45%**	**490**	**250**	**55%**	**207**	**45%**	**457**

Gender breakdown	2014					2013				
as per 31 December	**Women**		**Men**		**Total**	**Women**		**Men**		**Total**
Board of Directors	6	50%	6	50%	12	6	46%	7	54%	13
CEO and other members of executive management	1	20%	4	80%	5	1	20%	4	80%	5

2014

SEK thousand Totalt	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 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, Skandiabanken	**251,948**	**17,552**	**17,413**	**37,662**	**324,575**
of which, Sweden	*129,853*	*2,439*	*12,836*	*21,561*	*166,689*
of which, Norway	*122,095*	*15,113*	*4,577*	*16,101*	*157,886*

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

Cont. note 7. Staff costs

2013

SEK thousand **Totalt**	**Base salary/ directors' fees**	**Variable remunera-tion**	**Other benefits and remu-neration**	**Pension cost**	**Total**
Niklas Midby, Chairman of the Board	600	—	—	—	600
Magnus Beer, director	350	—	—	—	350
Peter Rydell, director	21	—	—	—	21
Björn Fernström, director	22	—	—	—	22
Øyvind Thomassen, CEO¹	5,198	—	127	446	5,771
Jonas Holmberg, Deputy CEO	2,230	38	85	1,066	3,419
Bengt-Olof Lalér, Deputy CEO	2,202	36	71	749	3,058
Other senior executives (2 persons)	4,103	418	255	876	5,652
Other employees who influence the company's level of risk (25 persons)²	24,579	2,695	1,030	5,471	33,775
Other employees (427 persons)	191,788	7,330	13,558	31,962	244,638
Total, Skandiabanken	**231,093**	**10,517**	**15,126**	**40,570**	**297,306**
of which, Sweden	*119,461*	*4,050*	*10,253*	*24,892*	*158,656*
of which, Norway	*111,632*	*6,467*	*4,873*	*15,678*	*138,650*

¹ In 2013 the CEO was transferred from Norway to Sweden. The amounts thus pertain to remuneration from both Skandiabanken Norway and Skandiabanken Sweden.

² 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 completed risk analysis, together with the assumption that the risk management and control system are being complied with, shows in summary 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:

- A remuneration committee in Skandia Mutual, which is a permanent board committee tasked with conducting preparatory drafting work on benefits for employees of Skandia Mutual and its subsidiaries, and the introduction of a specially appointed member for remuneration matters in the subsidiaries. Through this, the Board is considered to be able to make conscious, active decisions on remuneration matters. The process also ensures transparency in the design of remuneration for the CEO and his management team and for the subsidiaries.
- 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 process

Skandiabanken established a remuneration committee in 2014. The Remuneration Committee is a permanent board committee consisting of two board members, Bengt-Åke Fagerman and Niklas Midby. The CEO and head of Human Resources are co-opted to the committee to the extent requested by the committee.

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

Cont. note 7. Staff costs

Components of remuneration

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 may be payable for 2014
- 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 CEOs and other senior executives consists of a fixed, base salary and payment from Skandianen as described below.

As a result of the transfer of Skandiabanken's CEO from Norway to Sweden in 2013, he was entitled to a monthly, taxable housing subsidy of SEK 93,000, gross, for a limited period of time through April 2014.

Skandianen

For all employees in Sweden, except for the CEO, remuneration corresponding to a maximum of 125 percent of one-half of the Price Base Amount may be payable through an allocation to the Skandianen profit-sharing foundation. This remuneration is not at the employee's disposal until the fifth year after the year in which it was earned, at the earliest. For 2014 the maximum allocation can amount to SEK 27,750 per employee. For employees in Norway, payment can amount to a maximum of one and a half month's salary for 2014.

Share-based payments

The share-based remuneration programmes that have existed in Skandiabanken were a part of the group-wide remuneration programmes offered by the former owner Old Mutual. In connection with Skandia Mutual's acquisition of Skandia AB in 2012, these programmes have been concluded, and any earned options and shares (except for the 2010 earnings year) were transferred to the employees.

The last grant of shares was made in 2011 for the 2010 earnings year. A total of 32,558 shares were granted. On account of rules stipulated by the Financial Supervisory Authority's regulations on remuneration systems in credit institutions, securities companies and fund companies that have permits for discretionary portfolio management (FFFS 2011:1), this remuneration was deferred and transferred to the employees in April 2014. Skandiabanken has no additional costs for the remuneration programmes.

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 2013	**4,315**	**2,074**	**13,295**	**19,684**	**4,167**
Exchange rate difference	-173	-132	-786	-1,091	
Estimated provision for earned variable remuneration in 2013	232	1,396	13,571	15,199	
Payment of remuneration earned in previous years[1]	-462	-1,949	-5,474	-7,885	
Adjustment of remuneration from previous years	252	1,222	-6,474	-5,000	
Closing balance, 31 December 2013	**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**

[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

	2014	2013
Cash variable remuneration[1]	0%	-4%
Other[2]	100%	104%
	100%	**100%**

[1] Pertains to the dissolution of an excessively high provision from 2012.

[2] 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 CEOs
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 percent is paid on top of contributions paid under the FTP plan. The year's pension cost in relation to pensionable remuneration was 28 percent.

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

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

The year's defined contribution pension cost in relation to pensionable remuneration was 29 (25) percent for both deputy CEOs. The year's defined benefit pension cost in relation to pensionable remuneration was 15 (15) percent.

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 percent of pensionable salary.

For other senior executives, the year's defined contribution pension cost in relation to pensionable remuneration was 30 (20) percent. The year's defined benefit pension cost in relation to pensionable remuneration was 8 (8) percent.

Pension cost in relation to pensionable salary

	2014		2013	
	Defined contribution	Defined benefit	Defined contribution	Defined benefit
CEO	28%	—	11%	7%
Deputy CEOs	29%	15%	25%	15%
Other senior executives, 2 (2) persons	30%	8%	20%	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 CEOs, in the event Skandiabanken serves notice, the executives are entitled to salary during the notice period, which is six months. One 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

	2014				2013			
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	—	—	1,628	1,628	—	—	2,403	2,403
Number of persons	—	—	5	5	—	—	3	3
Amount paid out during the year								
Severance pay	—	—	1,245	1,245	—	—	2,403	2,403
Pledged amounts:								
Severance pay	2,784	—	—	2,784	2,755	—	—	2,755
Number of persons covered by such pledge	2	—	—	2	2	—	—	2
Maximum individually pledged amount	1,719	—	—	1,719	1,700	—	—	1,700

Cont. note 7. Staff costs

Loans

Skandiabanken offers employer loans to employees of Skandiabanken as well as of other group companies in Skandia. Regardless of which company the employee works for or whether the employee is classified as a related party or not, the same terms are applied for everyone. 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	2014	2013
Board members and deputy board members in the Skandia group[2]	1,650	2,133
CEOs and deputy CEOs in the Skandia group	5,042	9,291
Other senior executives in the Skandia group	57,620	45,758
of whom, board members and deputy board members of Skandiabanken[2]	—	—
of whom, the CEO and deputy CEOs of Skandiabanken	*763*	*788*
of whom, other senior executives of Skandiabanken	*2,586*	*3,333*

[1] Loans granted have been made by Skandiabanken. All loans pertain to loans with adequate collateral or guarantees, except for other loans of SEK 232 thousand (243) and unsecured loans totalling SEK 538 thousand (417), of a granted amount of SEK 1,664 thousand (1,827).
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.

[2] Loans to board members who are employed by the group are excluded here, as their loans are not dependent on their role as a board member. The figures for 2013 have therefore been recalculated.

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 percent 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 secured 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

	2014	2013
Cost of premises	-49	-48
IT costs[1]	-124	-124
Fees and purchased services[1]	-374	-417
Telecom and postage costs[1]	-26	-26
Office expenses	-4	-3
Operating and transaction costs[1]	-56	-59
Other administrative expenses[1]	-28	-10
Total	**-661**	**-687**

[1] Amounts recalculated compared with previous periods, see note 1, Accounting policies.

The amounts above include SEK -417 million (-387) for outsourced services, see note 41

Contracted rents

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

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

Breakdown 2013	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Rents for premises	11	44	59	114

Audit costs	**2014**	**2013**
Audit assignment		
- Deloitte	-2	-2
Total audit assignment	**-2**	**-2**
Other assignments		
Other services – Deloitte	-3	-1
Total costs for other assignments	**-3**	**-1**

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

	2014	2013
Property, plant and equipment		
Depreciation		
- Equipment	-2	-3
Intangible assets		
Amortisation		
- Intangible assets	0	0
Total	**-2**	**-3**

10. Other operating expenses

	2014	2013
Advertising and marketing	-85	-68
Total	**-85**	**-68**

11. Loan losses, net

	2014	2013
Specific provision for individually assessed loan receivables		
The year's write-off of confirmed loan losses	-4	-10
Reversal of provisions for probable loan losses in previous financial years which are reported as confirmed loan losses in the year's accounts	4	11
The year's provision for probable loan losses	-16	-15
Paid in from confirmed loan losses in previous years	8	0
Reversal of provisions for probable loan losses which are no longer necessary	3	10
Net expense for the year for individually assessed loan receivables	**-5**	**-4**
Portfolio provisions for loans individually assessed loans as not being impaired		
The year's change in provision for individually assessed loan receivables	-7	-5
The year's change in provision for collectively assessed homogenous groups of loan receivables	5	0
The year's change in portfolio provisions for loans individually assessed as not being impaired	**-2**	**-5**
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk		
The year's write-off of confirmed loan losses	-31	-28
Paid in from confirmed loan losses in previous years	14	8
Provision/dissolution for collectively assessed homogenous groups of loan receivables	-17	-12
Net expense for the year for collectively assessed homogeneous groups of loan receivables	**-34**	**-32**
Net loan losses for the year	**-41**	**-41**

12. Income tax expense

The following components are included in the tax expense:	2014	2013
Current tax		
- Tax on profit for the year	-159	-118
- Tax on previous years' profits	3	-2
Deferred tax[1]	-6	2
Total	**-162**	**-118**

Correlation between income tax expense and reported profit before tax	2014	2013
Reported profit after appropriations but before tax	579	445
Tax according to applicable tax rate of 22.0%	-127	-98
Tax effect of tax-exempt income	0	1
Tax effect of non-deductible expenses	-4	-1
Tax effect of changed application of deferred tax on temporary differences for endowment insurance policies	1	0
Effect of change in tax rate to 27.0% in Norway	—	0
Tax effect of differences in taxation between countries	-28	-18
Current tax pertaining to previous years	-4	-2
Total	**-162**	**-118**
Average effective tax rate	28.0%	26.5%

[1] Deferred tax broken down by type of temporary difference		
Tax effect attributable to temporary differences in financial instruments	0	0
Tax effect attributable to temporary differences in intangible non-current assets and in property, plant and equipment	0	0
Tax effect attributable to temporary differences in pensions	-6	2
Tax effect attributable to temporary differences in provisions	0	0
Total	**-6**	**2**

13. Cash and cash balances with central banks

	2014	2013
Central Bank of Sweden, payable on demand	22	15
Foreign central banks, payable on demand	614	529
Total	**636**	**544**

14. Eligible treasury bills, etc.

Outstanding loans broken down by counterparty, net book value	2014	2013
Swedish municipalities	3,756	4,432
Foreign municipalities	4,354	1,775
Total	**8,110**	**6,207**
Nominal value	8,092	6,200
Average remaining maturity, years	2.1	1.8
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	2014	2013
Central Bank of Sweden	—	843
Foreign central banks	731	—
Swedish credit institutions	218	403
Foreign credit institutions	303	138
Total	**1,252**	**1,384**

Outstanding loans broken down by remaining maturity, net book value	2014	2013
Payable on demand	1,252	1,384
Total	**1,252**	**1,384**
Average remaining maturity, years	0.0	0.0

16. Lending to the general public

	2014	2013
Amortised cost[1]	95,672	77,986
Provision for impaired loans	-114	-92
Total	**95,558**	**77,894**

a) Lending broken down by remaining maturity	**2014**	**2013**
Payable on demand	1	19
Maximum 3 months	30,321	19,825
Longer than 3 months but max 1 year	6,646	8,263
Longer than 1 year but max 5 years	14,884	11,732
Longer than 5 years	43,706	38,055
Total	**95,558**	**77,894**
Average remaining maturity, years	11.4	12.1

b) Impaired loans and provisions	**2014**	**2013**
Impaired loans, gross	174	139
Specific provisions for individually assessed loan receivables	-25	-17
Provision for collectively assessed homogenous groups of loan receivables with limited value	-81	-68
Collective provisions for individually assessed loan receivables	-8	-7
Total provisions for impaired loans	-114	-92
Total impaired loans, net	**60**	**47**

Non-performing loans that are not judged to be impaired amounted to SEK 60 million (54). Non-performing loans that are not judged to be impaired refers to loans for which adequate collateral exists.

c) Loan receivables broken down by geographic region	**2014**	**2013**
Loan receivables at amortised cost (before provision for loan losses)[1]	**95,672**	**77,986**
Sweden[1]	42,370	31,929
Norway	53,302	46,057
Specific provisions for individually assessed loan receivables	**25**	**17**
Sweden	4	6
Norway	21	11
Collective provisions for individually assessed loan receivables	**8**	**7**
Sweden	2	1
Norway	6	6
Provisions for collectively assessed homogenous groups of loan receivables	**81**	**68**
Sweden	6	5
Norway	75	63
Total provisions	**114**	**92**
Sweden	12	12
Norway	102	80
Loan receivables at amortised cost (after provision for loan losses)[1]	**95,558**	**77,894**
Sweden[1]	42,358	31,917
Norway	53,200	45,977
Impaired loans broken down by geographic region		
Impaired loans (after provision for probable loan losses)	**60**	**47**
Sweden	22	17
Norway	38	30

[1] Including loans of SEK 2,220 million (0) to the Swedish National Debt Office and a loan of SEK 120 million (0) to Skandia Capital AB.

d) Reconciliation of provisions for loan losses	**2014**	**2013**
Opening balance, provisions	**92**	**91**
Specific provisions		
Opening balance	**17**	**22**
Confirmed loan losses during the year	-4	-11
Provisions	17	15
Reversals	-3	-10
Changes recognised in the income statement	**10**	**-6**
Translation difference	-1	-1
Reclassifications	-1	2
Closing balance	**25**	**17**
Collective provisions		
Opening balance	**75**	**69**
Net change in provisions recognised in the income statement	18	13
Translation difference	-2	-7
Reclassifications	-2	—
Closing balance	**89**	**75**
Provisions, closing balance	**114**	**92**

17. Fair value of portfolio hedge of interest rate risk

	2014	2013
Opening balance	71	132
Change in value of hedged item	113	-61
Closing balance	**184**	**71**

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	**2014**	**2013**
Issued by public entities	—	270
Issued by other borrowers	8,467	11,289
Total	**8,467**	**11,559**
Issuers		
Swedish municipalities	—	270
Swedish credit institutions	2,346	4,783
Foreign credit institutions	5,646	6,135
Other foreign issuers	475	371
Total	**8,467**	**11,559**
Remaining maturity		
Maximum 1 year	1,741	4,511
Longer than 1 year but max 5 years	6,726	7,048
Total	**8,467**	**11,559**

Total holdings of available-for-sale financial assets and financial assets held to maturity, broken down by issuer	**2014**	**2013**
Issued by public entities	—	270
Issued by other borrowers	8,467	11,289
Total	**8,467**	**11,559**
Average remaining maturity, years	2.5	1.7
Average remaining fixed interest term, years	0.1	0.1
of which, listed securities	*8,342*	*10,560*
of which, unlisted securities	*125*	*999*
Pledged as security for the benefit of the Central Bank of Sweden	4,019	2,599
Pledged as security for the benefit of the Central Bank of Norway	3,446	2,676

19. Shares and participations, etc.

Financial assets at fair value	**2014**	**2013**
Listed shares and participations	0	0
Unlisted shares and participations	1	10
Total	**1**	**10**
The holding is classified as held for trading.		
Available-for-sale financial assets		
Listed shares	—	54
Unlisted shares and participations	12	—
Total	**12**	**54**
Total	**13**	**64**

20. Intangible assets

Other intangible assets	2014				2013			
Cost	**Acquired IT systems under development**	**Acquired IT systems**	**Other intangible assets**	**Total**	**Acquired IT systems under development**	**Acquired IT systems**	**Other intangible assets**	**Total**
Opening cost	95	39	35	169	—	43	38	81
Exchange rate differences	—	0	-1	-1	—	-4	-3	-7
Acquisitions during the year	231	—	5	236	95	—	—	95
Closing cost	**326**	**39**	**39**	**404**	**95**	**39**	**35**	**169**
Accumulated amortisation and impairment								
Opening accumulated amortisation	—	-39	-35	-74	—	-43	-38	-81
Exchange rate differences	—	0	1	1	—	4	3	7
Current year's amortisation	—	—	0	0	—	—	0	0
Closing accumulated amortisation and impairment	**—**	**-39**	**-34**	**-73**	**—**	**-39**	**-35**	**-74**
Net carrying amount	**326**	**—**	**5**	**331**	**95**	**—**	**0**	**95**

Anticipated useful life varies from 3 to 5 years for acquired 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 operations, the estimated useful life is 5 years.

21. Property, plant and equipment

Cost	**2014**	**2013**
Opening cost	23	27
Exchange rate differences	0	-2
Acquisitions during the year	1	3
Sales during the year[1]	-6	-5
Closing cost	**18**	**23**
Accumulated depreciation	**2014**	**2013**
Opening accumulated depreciation	-18	-21
Exchange rate differences	0	2
Current year's depreciation	-2	-3
Accumulated depreciation on current year's sales[1]	6	4
Closing accumulated depreciation	**-14**	**-18**
Net carrying amount	**4**	**5**

[1] Including disposals.

22. Current and deferred tax assets

	2014	2013
Current tax assets	10	24
Deferred tax assets, net[1]	17	17
Total	**27**	**41**

[1] **Deferred tax assets, net, with changes recognised in profit or loss, broken down by type of temporary difference**	**2014**	**2013**
Deferred tax assets attributable to financial instruments	0	0
Deferred tax liabilities attributable to financial instruments	0	0
Deferred tax assets attributable to intangible assets and to property, plant and equipment	0	1
Deferred tax assets attributable to pensions	15	21
Deferred tax assets attributable to provisions	3	2
Total	**18**	**24**
Deferred taxes, net, recognised in other comprehensive income, broken down by type of temporary difference		
Deferred tax liabilities attributable to unrealised gains on available-for-sale financial assets	-9	-14
Deferred tax assets attributable to pensions	8	7
Total	**-1**	**-7**
Total	**17**	**17**

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

	2014	2013
Securities settlement claims	265	399
Derivative instruments[1]	32	74
Trade receivables	25	28
Other	10	76
Provision for probable loan losses	-3	-3
Total	**329**	**574**

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

24. Prepaid expenses and accrued income

	2014	2013
Accrued interest	120	123
Provision for loan losses, interest	-2	-1
Other accrued income	26	19
Prepaid expenses	52	18
Total	**196**	**159**

25. Due to credit institutions

Outstanding amounts broken down by counterparty, net book value	**2014**	**2013**
Swedish credit institutions	87	54
Foreign credit institutions	13	14
Total	**100**	**68**

Outstanding amounts broken down by remaining maturity, net book value	**2014**	**2013**
Payable on demand	100	68
Total	**100**	**68**
Average remaining maturity, years	0.0	0.0

26. Deposits and borrowing from the general public

Deposits broken down by remaining term, book value	**2014**	**2013**
Payable on demand	76,851	71,977
Maximum 3 months	1,499	2,387
Longer than 3 months but max 1 year	798	940
Longer than 1 year but max 5 years	370	373
Total	**79,518**	**75,677**
Average remaining maturity, years	0.0	0.0

No borrowing existed as per the balance sheet date.

27. Issued securities, etc.

	2014	2013
Commercial paper	2,248	4,568
Bond issues	6,012	3,729
Covered bonds	19,747	8,567
Total	**28,007**	**16,864**
Remaining maturity max 1 year	4,636	5,279
Remaining maturity longer than 1 year	23,371	11,585

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	21,547	19,034
Repurchased	-1,938	-152
Matured	-8,282	-3,784
Translation difference	-184	-60

28. Current tax liabilities

	2014	2013
Current tax liabilities	145	85
Total	**145**	**85**

29. Other liabilities

	2014	2013
Securities settlement liabilities	319	354
Derivative instruments[1]	189	79
Trade accounts payable	43	40
Other	121	120
Total	**672**	**593**

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

30. Accrued expenses and deferred income

	2014	2013
Accrued interest	191	212
Accrued staff costs	72	59
Other accrued expenses	47	35
Deferred income	0	1
Total	**310**	**307**

31. Provisions for pensions

Pension plans incl. payroll tax:	2014	2013
Opening balance	**56**	**56**
Exchange rate differences	-1	-5
Current year's provision	1	1
Amount utilised during the year	-1	-1
Revaluation of pension obligation[1]	-1	—
Reclassification[2]	5	-5
Amount reversed during the year	—	10
Closing balance	**59**	**56**

Defined benefit pension plans amounted to SEK 42 million (40), of which SEK 2 million (4) pertained to early retirement pension obligations. Of this total, SEK 11 million (15) pertains to payroll tax for defined benefit pension plans, of which SEK 1 million (1) pertains to early retirement pensions, and SEK 6 million (1) 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.

[2] Reclassification from other liabilities to pension provisions pertains to payroll tax for endowment insurance policies.

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 that is set to zero. This is explained by the fact that the value of these pension obligations corresponds to the cash surrender value of the endowment insurance policies. As a consequence of the reporting of the pension obligations secured through endowment insurance, the endowment insurance policies are not carried 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

	2014	2013
Perpetual subordinated loans[1]	900	900
Total	**900**	**900**

2014

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

2013

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	
	2014	2013	2014	2013	2014	2013
Interest income	906	995	2,280	1,715	3,186	2,710
Dividends received	0	0	0	0	0	0
Fee and commission income	195	168	285	277	480	445
Net financial items	18	11	23	18	41	29
Other operating income	49	64	2	0	51	64
Total	**1,168**	**1,238**	**2,590**	**2,010**	**3,758**	**3,248**

34. Pledged assets, contingent liabilities and commitments

Assets pledged for own liabilities	2014	2013
Assets pledged for covered bonds – home mortgages[1]	27,313	20,377
Total	**27,313**	**20,377**

[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	2014	2013
Bonds pledged with the Central Bank of Sweden and the Central Bank of Norway[1]	7,465	5,276
Cash[2]	271	68
Endowment insurance policies pledged as security for pension obligations[3]	43	41
Total	**7,779**	**5,385**

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 and Skandia Capital AB for Skandiabanken's interest rate swaps.

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

Contingent liabilities	2014	2013
Pension obligations[1]	—	—
Total	**—**	**—**

[1] Skandiabanken has pension obligations totalling SEK 43 million (41) 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	2014	2013
Unutilised part of granted overdraft facilities	7,699	7,037
Other credit commitments	20,259	15,855
Total	**27,958**	**22,892**

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

Common Equity Tier 1 capital: Instruments and reserves	31/12/2014	31/12/2013[11]
Equity instruments and accompanying share premium reserves	400	400
Undistributed earnings	4,628	3,434
Accumulated other comprehensive income	-49	-114
Net profit for the year after deducting predictable costs and dividends that have been verified by persons with an impartial position	417	327
Common Equity Tier 1 capital before regulatory adjustments	**5,396**	**4,047**
Additional value adjustments	-16	-1
Intangible assets	-331	-95
Deferred tax assets arising as a result of temporary differences	-17	-17
Regulatory changes pertaining to unrealised gains	-29	-45
Combined regulatory changes of Common Equity Tier 1 capital	**-393**	**-158**
Common Equity Tier 1 capital[1]	**5,003**	**3,889**
Tier 1 capital contribution	**—**	**—**
Tier 1 capital[2]	**5,003**	**3,889**
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	**—**	**26**
Tier 2 capital[3]	**900**	**926**
Total capital	**5,903**	**4,815**
Total risk-weighted exposure[4]	**41,667**	**35,734**

Capital ratios and buffers	31/12/2014	31/12/2013[11]
Common Tier 1 capital[5]	12.0%	10.9%
Tier 1 capital[6]	12.0%	10.9%
Total capital[7]	14.2%	13.5%
Institution-specific buffer requirement[8]	2.5%	0.0%
Of which: capital conservation buffer requirement	2.5%	0.0%
Available Common Equity Tier 1 capital to be used as buffer[9]	7.5%	6.4%
Amounts below threshold value		
Direct holdings of equity in units in the financial sector in which the institution does not have any material investment	12	64
Risk-weighted exposure amount		
Credit risk	38,063	32,235
Settlement risk	0	0
Currency risk	545	207
CVA risk	24	—
Operational risk	3,035	3,292
Total risk-weighted exposure	**41,667**	**35,734**
Capital base requirement[10]		
Credit risk	3,045	2,579
Settlement risk	0	0
Currency risk	43	17
CVA risk	2	—
Operational risk	243	263
Total minimum capital base requirement	**3,333**	**2,859**

Cont. note 36. Information on capital adequacy

Exposures for credit risks per exposure class

31 December		2014		2013[11]	
	Exposure classes	**Risk-weighted assets**	**Capital base requirement[10]**	**Risk-weighted assets**	**Capital base requirement[10]**
1	Exposures to governments and central banks	—	—	—	—
2	Exposures to regional governments or local authorities	873	70	355	28
3	Exposures to public sector entities	—	—	—	—
4	Exposures to multilateral development banks	—	—	—	—
5	Exposures to international organisations	—	—	—	—
6	Exposure to institutions	253	20	473	38
	of which, counterparty risk	18	1	20	2
7	Exposure to corporates	762	61	1,031	82
8	Retail exposures	2,850	227	2,791	224
9	Exposures secured by mortgages on immovable property	32,076	2,566	26,359	2,109
	of which, residential properties	32,076	2,566	26,359	2,109
	of which, commercial properties	—	—	—	—
10	Exposures in default	145	12	87	7
11	Exposures associated with particularly high risk	—	—	—	—
12	Exposures in the form of covered bonds	721	58	899	72
13	Securitisation positions	—	—	—	—
14	Exposure to institutions and corporates with short-term credit ratings	—	—	—	—
15	Exposures in the form of collective investment undertakings (CIUs)	98	8	63	5
16	Equity exposures	12	1	64	5
17	Other items	273	22	113	9
	Total	**38,063**	**3,045**	**32,235**	**2,579**

Description of quantitative information

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 and 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 method for financial instruments measured at fair value. 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 always equal to Tier 1 capital.

3 Tier 2 capital consists of perpetual subordinated debt. Unrealised gains on equity instruments that are classified as available-for-sale were included in Tier 2 capital up until 31 December 2013.

4 By total risk-weighted amount is meant 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 percent of the nominal amount, depending on the risk in the obligation. As a result of an analysis performed of off-balance sheet obligations in March 2015, going forward the Bank will apply a conversion factor of 50 percent to granted but not paid-out home mortgage loans in Sweden and Norway. A conversion factor of 50 percent as per 31 December 2014 would have entailed an increase in the risk-weighted exposure to SEK 42,312 million (the reported risk-weighted exposure as per 31 December 2014 was SEK 41,667 million), which in turn would have entailed a Common Equity Tier 1 capital ratio of 11.8 percent.

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 Common Equity Tier 1 capital ratio must be a minimum of 4.5 percent before buffer requirements.

6 The Tier 1 capital ratio is the ratio between Tier 1 capital and the risk-weighted exposure, expressed as a percentage. The Tier 1 capital ratio must be a minimum of 6 percent.

7 The total capital ratio is the ratio between total capital and the risk-weighted exposure, expressed as a percentage. The total capital ratio must amount to a minimum of 8 percent. Corresponds to the term capital adequacy ratio up until 31 December 2013.

8 Institution-specific buffer requirement pertains to the sum of the applicable buffer requirement, which for Skandiabanken corresponds to the requirement to hold a capital conservation buffer.

9 Available Common Equity Tier 1 capital after deduction for the capital base requirement that is to be covered by Common Equity Tier 1 capital, i.e., 4.5 percent of the risk-weighted exposure, in relation to total risk-weighted exposure.

10 The capital base requirement pertains to 8 percent of the risk-weighted exposure.

11 The comparison figures as per 31 December 2013 pertain to Basel II.

Cont. note 36. Information on capital adequacy

Applied rules and regulations
The calculation of capital 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, 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 of the European Parliament and of the Council, 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 and *Kontakta-Skandia/Om-Skandia/finansiell-info/Information om kapitaltäckning och riskhantering/1412 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. Eight per cent of the total net position in foreign currency is estimated to make up the capital base requirement. For closely related currencies, a lower capital base requirement of 4 percent is used. The capital base requirement for operational risk is calculated according to the basic indicator approach, which entails a capital base requirement equal to 15 percent 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. For Skandiabanken, the combined buffer requirement constitutes a requirement to maintain a capital conservation buffer of 2.5 percent of the risk-weighted exposure.

In addition to the above-mentioned capital base requirement, the Bank holds additional capital in accordance with the total capital requirement that is calculated in the Bank's internal capital adequacy assessment process, Pillar II. The Bank also holds capital for a countercyclical buffer of 1 percent of the risk-weighted exposure.

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 on 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 2014.

Transfers of funds from the capital base and settlement of liabilities between the parent company and subsidiaries
Funds from the capital base may be transferred pursuant to the Banking and Financing Business Act (2004:297), the Companies Act (2005:551), Regulation (EU) No 575/2013, the Act on Capital Buffers and the Financial Supervisory Authority's regulations and general guidelines. In the Norwegian branch, transfers of capital are regulated by the Norwegian Financial Supervisory Authority's regulations and general guidelines. Liabilities between the entities are settled on a continuous basis, and transfers of capital are normally conducted at year-end.

Strategy, methods and processes for capital allocation
Skandiabanken is to have a total capital ratio in excess of 12.5 percent. According to the statutory minimal capital requirement set out in Regulation (EU) No 575/2013 (Pillar I), the capital base in relation to risk-weighted exposures shall amount to a minimum of 8 percent. In addition to the statutory minimum capital requirement according to Pillar I, the Bank is expected to maintain a higher capital base for other significant risks that the operations are exposed to, which is treated under Pillar II. Under Pillar II, the Bank conducts an internal capital adequacy assessment process (ICAAP). This means that Skandiabanken holds additional capital for the risks that may be underestimated when performing calculations under Pillar I and for other risks that those regulated by Regulation (EU) No 575/2013 and reported on above. The ICAAP also takes into account applicable buffer requirements and Skandiabanken's future business plans.

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 shareholders. 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 the two 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 ICAAP Committee
The Board's Risk and ICAAP 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 tasked with deciding on such matters that the Board has delegated to the committee.

The Board's Audit Committee
The Audit Committee is 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.

CEO and the CEO's committees
Skandiabanken's CEO has overarching operational responsibility for governance, management and control of the 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 thus deals with 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 Head of Administrative Support, Control and Credit, the Chief Financial Officer (CFO), the Head of Treasury and the Head of Risk. 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 an approved level. Continuous monitoring and reporting of credit risks are reported on a recurring basis to ALCO for discussions.

The Credit Committee consists of the following members: the CEO, the Head of Credits, the Head of Products and Processes in Norway, the Head of Bank Products in Sweden, the Financial Manager for Norway.

Regulatory, support and control unit
The unit for managing risk and compliance in Skandiabanken works closely with the various business units and is part of the first line of defence. The unit follows up and supports the persons responsible in the line organisation with risk assessments – both with respect to individual transactions as well as for the operations as a whole – and is also responsible for the handling and reporting of incidents and events. The unit monitors Skandiabanken's management of compliance risks by supporting responsible persons in the line organisation in handling and complying with external and internal rules and regulations. The unit reports to Skandiabanken's Head of Administrative Support, Control and Credit, and collaborates with the Risk Control function.

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 credit risk (including risk classification systems) and 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 Head of Risk. The Head of Risk reports to Skandiabanken's CEO, the Board of Directors and the Chief Risk Officer (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 assistance and advice 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.

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

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

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.

Skandiabanken's investments as well as its market and liquidity risks are managed and monitored by Skandia Mutual's Treasury function, in accordance with an outsourcing agreement between Skandiabanken and Skandia Mutual, as well as in accordance with instructions issued by Skandiabanken's board of directors. Treasury has its own risk control unit, which is responsible for the daily monitoring and control of risks.

Internal capital adequacy assessment process (ICAAP)
The internal capital adequacy assessment process analyses all of 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, aside from spread risk in the investment portfolio, which is a sub-component of liquidity risk. Above this, Skandiabanken does not believe that liquidity risk can be managed by reserving additional capital. This 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 operational business units have full responsibility for business control and the risks that arise in their own operations.

The operational 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 Head of Risk 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 Head of Risk 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, in the following Audit function, makes up the third line of defence.

The 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 or 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 CEO. The CEO has delegated responsibility for credit risk with respect to 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 Head of Risk has overarching responsibility for governance and control of credit risk. ALCO is responsible for monitoring Skandiabanken's risk and capital situation. Recommendations for changes to policies and limits are made at least once a year to the Board's Risk and ICAAP

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

Committee after review by Skandiabanken's ALCO and Credit Committee. 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 ICAAP Committee is responsible for reviewing and approving strategies and guidelines for Skandiabanken's management of credit risk at least once a year.

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 total 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 of 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 lending to the Swedish National Debt Office, the credit exposure amounted to SEK 93 billion (78) before taking market-valued collateral into account and to SEK 3 billion (3) after taking collateral into account.

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. 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 Skandiabanken's 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 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 77 percent (74) for mortgage loans for private individuals (primarily in major metropolitan areas), 6 percent (9) for exposures to credit institutions (of which 5 percent (8) pertained to covered bonds), 8 percent (9) for other retail credits, 8 percent (6) for government and municipal exposures, and 0 percent (0) for exposures to corporates regarding investments. See the following table for credit risks. The breakdown of credit exposure for loan receivables in the retail market by geographic area was 57 percent (59) in Norway and 43 percent (41) in Sweden. See note 16, Lending to the general public.

Counterparty risk is included in credit risk and pertains to the risks associated with changes in the market value of derivatives, of which risks associated with interest and foreign exchange derivatives are applicable for Skandiabanken.

When calculating counterparty risk for capital adequacy assessment purposes, the market valuation method is used, and an amount for possible risk changes is added. By possible risk changes is meant an amount that will represent the possibility that the positive market value will rise during the term. The amount for possible risk change is calculated by multiplying the contract's nominal amount by a risk factor. The risk factor is dependent on the term and type of derivative instrument.

The method for setting credit limits for derivatives reflects the applicable internal processes for lending. The method is based on the corresponding calculation that is done for capital adequacy assessment purposes. Netting agreements in the form of ISDA agreements have been entered into with all derivative counterparties. All netting agreements have associated bilateral 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 72 million (146), of which SEK 32 million (74) is reported on the balance sheet as a positive market value and SEK 40 million (72) off the balance sheet. Disclosures of credit risks are provided in the following table.

Table 1 – Credit exposure, gross and net

	2014			**2013**		
	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	126	126	—	41	41	—
Corporates	**128**	**128**	**—**	**43**	**43**	**—**
- Vehicle financing	1,568	2,052	—	1,499	1,967	—
- Houses and vacation homes	64,743	172,631	826	52,999	147,574	802
- Tenant-owner apartments	23,848	55,495	19	20,300	42,289	16
- Other real estate	713	933	—	788	1,445	—
- Other	2,338	166	2,172	2,265	121	2,144
Private individuals	**93,210**	**231,277**	**3,017**	**77,851**	**193,396**	**2,962**
Public sector						
Swedish National Debt Office	2,220	—	2,220	—	—	—
Total lending to the general public	**95,558**	**231,405**	**5,237**	**77,894**	**193,439**	**2,962**

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

	2014			2013		
	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	843	—	843
Governments	**731**	**—**	**731**	**843**	**—**	**843**
- A	478	—	478	445	—	445
- No rating	43	—	43	96	—	96
Institutions	**521**	**—**	**521**	**541**	**—**	**541**
Total lending to credit institutions[1, 2]	**1,252**	**—**	**1,252**	**1,384**	**—**	**1,384**
Fixed-income securities						
- AAA[3]	1,975	651	1,325	2,408	481	1,927
- AA+	2,432	—	2,432	2,655	—	2,655
- No rating	4,354	—	4,354	1,895	—	1,895
Governments and municipalities	**8,761**	**651**	**8,111**	**6,958**	**481**	**6,477**
- AAA	7,216	—	7,216	8,965	—	8,965
- A	—	—	—	1.422	—	1.422
- BBB	—	—	—	50	—	50
- No rating	125	—	125	—	—	—
Institutions	**7,341**	**—**	**7,341**	**10,437**	**—**	**10,437**
- AAA	475	—	475	—	—	—
- AA	—	—		371	—	371
Corporates	**475**	**—**	**475**	**371**	**—**	**371**
Total fixed-income securities[1, 4]	**16,577**	**651**	**15,927**	**17,766**	**481**	**17,285**

	2014			2013		
	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	—	—	—	1	—	1
- No rating	32	—	32	73	—	73
Total derivatives, corporates[1]	**32**	**—**	**32**	**74**	**—**	**74**
Total on balance sheet	**113,419**	**232,056**	**22,448**	**97,118**	**193,920**	**21,705**
Derivatives, possible change in risk	40	—	40	72	—	72
Unutilised part of granted overdraft facilities	7,699	—	7,699	7,037	—	7,037
Other credit commitments	20,259	—	20,259	15,855	—	15,855
Total off balance sheet	**27,998**	**—**	**27,998**	**22,964**	**—**	**22,964**
Total	**141,417**	**232,056**	**50,446**	**120,082**	**193,920**	**44,669**

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 above 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. A few exposures to institutions and corporates are backed by government or municipal guarantees; these are included in the category "Governments and municipalities". 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. Short-term credit ratings may be used for exposures that are shorter than 13 months.

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

[3] Includes exposures of SEK 0 million (302) to administrative bodies. From a credit risk perspective, these are handled as exposures to governments.

[4] Fixed-income securities are 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

Collateral is used to reduce credit risk. 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, while in the Norwegian operations, mortgage deeds are also held for instalment 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 presented in their nominal amounts. See the table on the following page for a breakdown of the various categories of collateral.

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

2014	**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	—	—	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**

2013	**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	—	—	41	41	0	—
Total corporates	**2**	**—**	**41**	**43**	**0**	**—**
- Vehicle financing	1,967	—	—	1,967	59	3
- Houses and vacation homes	147,573	—	1	147,574	1,621	10
- Tenant-owner apartments	20,019	—	23,271	43,290	612	2
- Other real estate	1,444	—	—	1,444	—	—
- Other	16	47	58	121	1	
Total, private individuals	**171,019**	**47**	**23,330**	**194,396**	**2,293**	**15**
Total collateral	**171,021**	**47**	**23,371**	**194,439**	**2,293**	**15**

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 93 billion (78), excluding loans to the Swedish National Debt Office. For home mortgage loans, totalling SEK 89 billion (73), 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 in Sweden and Norway. The risk classification system will be expanded in the future to also cover other retail exposures.

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

Lending to the general public before provisions – home mortgage loans

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

	2014				2013			
Risk class	**Sweden**	**Norway**	**Total**	**Share**	**Sweden**	**Norway**	**Total**	**Share**
1	17,063	26,767	43,830	0.50	11,219	23,304	34,523	0.47
2	17,475	12,524	29,999	0.34	16,061	9,793	25,854	0.35
3	2,002	2,606	4,608	0.05	1,603	1,843	3,446	0.05
4	2,293	6,008	8,301	0.09	1,781	6,246	8,027	0.11
5	222	832	1,054	0.01	225	481	706	0.01
6	83	664	747	0.01	144	354	498	0.01
7	2	33	35	0.00	2	0	2	0.00
Default	35	78	113	0.00	27	68	95	0.00
Total	**39,175**	**49,512**	**88,687**	**1.00**	**31,062**	**42,089**	**73,151**	**1.00**

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".

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 0.06 (0.07) percent. Impaired loans, net, i.e., impaired loans after deducting provisions for probable loan losses, amounted to 0.06 (0.06) percent 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 2014	**60 days or less**	**>60 days <90 days**	**>90 days <180 days**	**>180 days <360 days**	**>360 days**	**Total**
Corporates						
- Other	0	—	—	—	—	0
Corporates	**0**	**—**	**—**	**—**	**—**	**0**
Private individuals						
- Vehicle financing	3	—	—	—	—	3
- Houses and vacation homes	50	12	10	2	21	95
- Tenant-owner apartments	418	2	5	4	3	432
- Other real estate	—	—	—	—	—	—
- Other	48	—	—	—	—	48
Private individuals	**519**	**14**	**15**	**6**	**24**	**578**
Total lending to the general public	**519**	**14**	**15**	**6**	**24**	**578**
31 December 2013						
Corporates						
- Other	0	—	—	—	—	0
Corporates	**0**	**—**	**—**	**—**	**—**	**0**
Private individuals						
- Vehicle financing	59	—	—	—	—	59
- Houses and vacation homes	1,575	9	4	8	24	1,620
- Tenant-owner apartments	598	4	9	0	0	611
- Other real estate	—	—	—	—	—	—
- Other	79	—	—	—	—	79
Private individuals	**2,311**	**13**	**13**	**8**	**24**	**2,369**
Total lending to the general public	**2,311**	**13**	**13**	**8**	**24**	**2,369**

[1] Pertains to non-performing loans for which full collateral exists and which consequently are not impaired loans.

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

Table 5 – Impaired loans

	Impaired loans before provisions		Provisions	
	2014	**2013**	**2014**	**2013**
Private individuals				
- Vehicle financing	12	9	11	6
- Houses and vacation homes	57	45	24	18
- Tenant-owner apartments	13	2	7	1
- Other	94	83	72	67
Private individuals	**176**	**139**	**114**	**92**
Lending to the general public	**176**	**139**	**114**	**92**

Concessions

Concessions may be granted by Skandiabanken in certain situations in cases where a borrower has financial difficulties and cannot meet his or her contractual obligations. Loan receivables that were granted concessions during the past two years amounted to 0.44 percent (0.53) of lending to the general public. The definition of concessions corresponds to the Financial Supervisory Authority's Regulations governing the reporting of interim and annual report data (FFFS 2014:14). Accumulated provisions for loans receivables that have been granted a concession amounted to SEK 9 million as per December 2014.

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 2014 and 31 December 2013.

37.5 Market risk

Market risk pertains to the risk that the fair value of a financial instrument or future cash flow from a financial instrument will be affected by changes in market prices.

Skandiabanken is exposed to market risks primarily in the form of interest rate risk and currency risk.

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. The CEO is responsible for the continuing administration. The CEO has delegated the responsibility for interest rate risk to the CFO of Skandiabanken. The CFO, in turn, has delegated management of interest rate risk to Skandia's central Treasury department, in accordance with a separate agreement with the group parent company, Skandia Mutual.

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

Managing and measuring interest rate risk

Skandiabanken has low sensitivity to interest rate risk, which is aligned with 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 is short-term, which means that the 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.

Skandiabanken's risk policy defines interest rate risk as the effect of a parallel shift in the interest rate curve by 2 percentage points. As per 31 December 2014 such a parallel shift would have resulted in a theoretical revaluation of the balance sheet by SEK 65 million (39), net. The table below 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.

Sensitivity of net interest income is a measure that expresses the sensitivity of net interest income based on changes in market interest rates during a 12-month period. 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 1 percentage point would result in a positive effect on net interest income by SEK 19 million (15).

Hedging strategy for interest rate risks

Currently the guiding principle for Skandiabanken is to hedge lending in Sweden at fixed interest rates using interest rate swaps. This 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". This hedging is done monthly unless the volume differs from the normal. During the current month an unhedged balance accumulates, but it is not large enough to warrant a change in the hedging period. Holdings of and issued fixed-income securities with longer terms generally have a variable interest rate structure, and securities bearing fixed interest are handled with matching borrowings or derivatives.

The change in value of hedged items amounted to SEK 113 million (-61) as per 31 December, and the corresponding change in value of hedge instruments was SEK -114 million (61). The unrealised market valuation of hedge accounting is reported under "Net financial items" and amounted to SEK -1 million (0). The effectiveness of hedges was 100.8 percent (100.3), which meets the conditions for when hedge accounting may be applied.

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

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

31 December 2014 Assets	0-1 month	1-3 mths	3-6 mths	6-12 mths	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**
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**
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**

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

31 December 2013

Assets	0-1 month	1-3 mths	3-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-7 yrs	Non-interest	Total
Interest-bearing assets											
Cash	529	—	—	—	—	—	—	—	—	—	529
Eligible treasury bills	1,344	4,589	274	—	—	—	—	—	—	—	6,207
Lending to credit institutions	1,309	—	—	—	—	—	—	—	—	—	1,309
Lending to the general public	8,582	58,393	1,426	2,128	3,904	1,517	543	1,401	—	—	77,894
Bonds and other fixed-income securities	5,161	6,238	160	—	—	—	—	—	—	—	11,559
Total interest-bearing assets	**16,925**	**69,220**	**1,860**	**2,128**	**3,904**	**1,517**	**543**	**1,401**	**—**	**—**	**97,498**
Noninterest-bearing assets	—	—	—	—	—	—	—	—	—	1,099	1,099
Total assets	**16,925**	**69,220**	**1,860**	**2,128**	**3,904**	**1,517**	**543**	**1,401**	**—**	**1,099**	**98,597**
Interest-bearing liabilities											
Deposits and borrowing from the general public	32,932	41,398	433	507	141	163	34	35	—	—	75,643
Issued securities, etc.	10,393	5,656	399	416	—	—	—	—	—	—	16,864
Subordinated liabilities	—	900	—	—	—	—	—	—	—	—	900
Total interest-bearing liabilities	**43,325**	**47,954**	**832**	**923**	**141**	**163**	**34**	**35**	**—**	**—**	**93,407**
Noninterest-bearing liabilities and equity	—	—	—	—	—	—	—	—	—	5,190	5,190
Total liabilities and equity	**43,325**	**47,954**	**832**	**923**	**141**	**163**	**34**	**35**	**—**	**5,190**	**98,597**
Interest rate swaps											
Short positions	4,940	7,365	—	—	—	—	—	—	—	—	12,305
Long positions	90	2,010	970	1,610	4,155	1,525	505	1,440	—	—	12,305
Difference, assets and liabilities	**-21,550**	**26,621**	**58**	**-405**	**-392**	**-171**	**4**	**-74**	**—**	**-4,091**	**0**

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

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. The CEO is responsible for the continuing administration. The CEO has delegated the responsibility for currency risk to the CFO of Skandiabanken. The CFO, in turn, has delegated management of currency risk to Skandia's central Treasury department in accordance with a separate agreement with the group parent company, Skandia Mutual.

The Head of Risk has overarching responsibility for governance and control of currency risk. ALCO is responsible for monitoring Skandiabanken's risk and capital situation. Recommendations for changes in policies and limits are made at least once a year to the Board's Risk and ICAAP Committee in consultation with ALCO. The Board's Risk and ICAAP Committee is responsible for reviewing and approving strategies and guidelines for the Bank's management of currency risk at least once a year.

Managing and measuring currency risk

Skandiabanken is exposed to currency risk primarily through lending to the Norwegian branch, and its flows are hedged through currency swaps. In addition, Skandiabanken has a long strategic currency position against Norwegian kronor that is attributable to the retained earnings of the Norwegian branch. Changes in exchange rates against the currency position affect the translation difference in other comprehensive income. This position is currently not hedged. In addition, Skandiabanken has a currency risk that arises 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. Exposures are hedged with currency forwards to reduce the currency risk.

Currency risk is calculated for all exposures in foreign currencies pertaining to assets, liabilities and off-balance sheet obligations. The positions are measured at fair value and are translated to SEK at the exchange rate in effect on the balance sheet date. The continuing result for the year attributable to foreign operations is taken into account in position calculations regarding currency risk. This entails that net exposure to currency risk on 31 December amounted to SEK 547 million (207). A change in value of the Swedish krona against foreign currencies by 5 percentage points would affect equity by SEK 3 million (8). Most of the currency risk arises from exposure in Norwegian kronor and pertains to the branch's profit for the year. This means that the corresponding sensitivity analysis based on the average exchange rate for the period would affect the income statement by SEK 26 million (10).

Negative translation differences decreased comprehensive income for the year by SEK -28 million (-103) after tax and pertain to exchange rate differences that arise when translating the financial statements of foreign operations to Skandiabanken's reporting currency.

Table 7 – Assets and liabilities distributed among important currencies

	2014				**2013**			
Assets	**SEK**	**NOK**	**Other curren-cies**	**Total**	**SEK**	**NOK**	**Other curren-cies**	**Total**
Cash and cash balances with central banks	3	613	20	636	—	529	15	544
Eligible treasury bills, etc.	2,971	5,139	—	8,110	3,171	3,036	—	6,207
Lending to credit institutions	273	957	22	1,252	1,254	115	15	1,384
Lending to the general public	42,359	53,199	—	95,558	31,916	45,978	—	77,894
Fair value of portfolio hedge of interest rate risk	184	—	—	184	71	—	—	71
Bonds and other fixed-income securities	4,149	4,318	—	8,467	7,107	4,452	—	11,559
Other assets	669	204	27	900	528	278	132	938
Total assets	**50,608**	**64,430**	**69**	**115,107**	**44,047**	**54,388**	**162**	**98,597**

	2014				**2013**			
Liabilities and equity	**SEK**	**NOK**	**Other curren-cies**	**Total**	**SEK**	**NOK**	**Other curren-cies**	**Total**
Liabilities to credit institutions	88	12	0	100	56	12	0	68
Deposits and borrowing from the general public	35,186	44,299	33	79,518	35,636	40,004	37	75,677
Issued securities	11,627	16,380	—	28,007	7,694	9,170	—	16,864
Other liabilities including equity	3,875	2,688	19	6,582	2,909	2,150	29	5,088
Subordinated liabilities	900	—	—	900	900	—	—	900
Total liabilities and equity	**51,676**	**63,379**	**52**	**115,107**	**47,195**	**51,336**	**66**	**98,597**

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

37.6 Liquidity risk

Liquidity 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. The risk also entails that available liquid assets will be insufficient to meet changed market conditions, liabilities, funding of asset purchases, or an increase in customers' demands for cash. This includes the possibility of disruptions in the market which cause normally liquid assets to become illiquid, and the risk that counterparties will withdraw funding arrangements.

Governance of liquidity risk

Ultimate responsibility for Skandiabanken's liquidity risk lies with the Board of Directors. The CEO is responsible for the continuing administration, which includes liquidity management. The CEO has delegated the responsibility for liquidity risk to the CFO of Skandiabanken. Skandiabanken has delegated management of liquidity risk to Skandia Mutual's Treasury department in accordance with a separate outsourcing agreement.

The Treasury department is responsibility for daily liquidity risk management as well as model maintenance and development. All risk appetites and policy changes are decided on by the Board of Directors, and the Board is responsible for reviewing and approving strategies and guidelines each year pertaining to the Bank's management of liquidity risk. Recommendations on policy and limit changes are made at least yearly to the Board in consultation with the company's Asset & Liability Committee (ALCO).

With respect to liquidity management, the company's Head of Risk is responsible for independent risk control, which includes analysis and control as well as quarterly reporting, limits monitoring and model validation.

All model maintenance and development in the Treasury department pertaining to liquidity risks are to be done in consultation with and approval by the Head of Risk and CFO.

Management of liquidity risk

The Treasury department is responsible for the daily liquidity management for the Swedish and Norwegian operations. Liquidity in the Norwegian branch is funded by and invested in Norwegian kronor (NOK), while liquidity in the Swedish operations is funded by and invested in Swedish kronor (SEK). When needed, liquidity can be moved from one country to another without any legal restrictions. The Treasury department is responsible for carrying out such transactions, which are to be hedged with foreign exchange derivatives.

Liquidity management includes daily stress tests, forecasting of liquidity and funding needs, investment of liquidity, liquidity preparedness plans and an annual internal liquidity adequacy assessment (ILAA), which is similar to an internal capital adequacy assessment process (ICAAP), but addresses liquidity risk and entails continuous and thorough assessment of all components that together make up/or support Skandiabanken's liquidity management framework.

Measuring liquidity risk

The Treasury department measures both short-term and long-term liquidity risk for each currency and on a total basis. 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 experience and customer behaviour. To ensure that Skandiabanken is not overly dependent on short-term funding, Treasury operates within limits for maximum aggregated daily market funding.

As a control for ensuring that Skandiabanken is not overly dependent on a few deposit customers, the Treasury department 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.

To ensure preparedness in situations in which Skandiabanken is in an urgent need of liquidity, Skandiabanken maintains a liquidity buffer. Limits are set by the Board of Directors for the minimum size of the liquidity buffer. The liquidity buffer consists of available funds that Treasury disposes over and which are eligible as collateral with the Swedish and Norwegian central banks. This ensures that Skandiabanken is able to convert assets to cash at short notice. As per 31 December 2014, the liquidity buffer amounted to SEK 20.2 billion (16.0), which corresponded to 99.5 (83.8) percent of Skandiabanken's total liquidity.

Total liquidity amounted to SEK 20.3 billion (19.2), of which SEK 7.5 billion (5.3) was pledged as security with the Swedish and Norwegian central banks for intraday cash flows. Securities making up total liquidity consist of high-quality covered bonds, bonds and commercial paper. Of the holdings, 56 (59) percent were rated AAA, 17 (18) percent were rated AA, 0 (8) percent were rated A, 0 (0) percent are rated BBB, and 27 (14) percent had no external long-term credit rating. Exposures without long-term credit ratings consist almost exclusively of municipalities. The credit ratings are from Standard & Poor's, Moody's and Fitch.

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 is defined as the duration of time in which the liquidity buffer will be sufficient under exceptional company-specific as well as market-wide stress events, i.e., the number of days that Skandiabanken is expected to be able to cover a stressed outflow of liquidity. 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 commitments. By market-wide stress events is meant disruptions in the currency and capital markets, with subsequent negative effects on the liquidity buffer and increased demands to pledge security for derivative portfolios. The test covers both stressed contractual and stressed behavioural cash flows for items both on and off the balance sheet.

Skandiabanken's long-term structural liquidity position is measured and managed on a monthly basis through various metrics. At 31 December 2014 the deposit-to-loan ratio was 83 percent (87), and since Skandiabanken is mainly funded by deposits from the general public – a funding source that is contractually short but is considered to be behaviourally long – Skandiabanken has a strong structural liquidity position.

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

Table 8 – Liquidity buffer[1]

	SEK million	31 December 2014 SEK	NOK	EUR	Total	31 December 2013 SEK	NOK	EUR	Total
1	Cash and balances with and lending to central banks and governments	2,223	1,345	20	3,588	843	529	15	1,387
2	Lending to other banks, intraday loans	—	172	—	172	—	—	—	—
3	Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	575	—	—	575	672	—	—	672
4	Securities issued or guaranteed by municipalities or other public sector entities	2,972	478	—	3,450	2,583	3,142	—	5,725
5	Covered bonds issued by other banks or institutions	3,449	5,211	—	8,660	4,191	4,059	—	8,250
6	Covered bonds issued by own bank or related unit	—	3,767	—	3,767	—	—	—	—
7	Securities issued by non-financial corporates	—	—	—	—	—	—	—	—
8	Securities issued by financial corporates, excl. covered bonds	—	—	—	—	—	—	—	—
9	All other securities	—	—	—	—	—	—	—	—
	Total liquidity buffer	**9,219**	**10,973**	**20**	**20,212**	**8,289**	**7,730**	**15**	**16,034**

[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 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

Table 9 – Contracted non-discounted cash flows

SEK million	2014 Payable upon demand	Remaining maturity <3 mths	Remaining maturity >3 mths-but <1 yr	Remaining maturity >1 year but >5 yrs	Remaining maturity >5 yrs	Total
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**
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**
Derivative instruments						
Cash inflow	1,185	311	—	—	—	1,496
Cash outflow	1,200	428	150	—	—	1,778
Net	**-15**	**-117**	**150**	**—**	**—**	**-282**
Unutilised part of granted overdraft facilities	7,699	—	—	—	—	7,699
Other credit commitments	20,259	—	—	—	—	20,259
Total off-balance items	**27,958**	**—**	**—**	**—**	**—**	**27,958**

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

SEK million	Payable upon demand	Remaining maturity <3 mths	Remaining maturity >3 mths- but <1 yr	Remaining maturity >1 year but >5 yrs	Remaining maturity >5 yrs	Total
	2013					
Financial assets						
Eligible treasury bills, etc.	—	5,427	596	—	—	6,023
Lending to credit institutions	541	843	—	—	—	1,384
Lending to the general public	—	22,546	6,016	18,694	44,300	91,556
Bonds and other fixed-income securities	—	11,606	150	—	—	11,756
Total	**541**	**40,422**	**6,762**	**18,694**	**44,300**	**110,719**
Financial liabilities						
Due to credit institutions	—	68	—	—	—	68
Deposits and borrowing from the general public	71,977	2,392	951	402	—	75,722
Issued securities, etc.	—	14,211	2,768	—	—	16,979
Other liabilities	—	962	—	—	—	962
Subordinated loans	—	900	—	—	—	900
Total	**71,977**	**18,533**	**3,719**	**402**	**—**	**94,631**
Derivative instruments						
Cash inflow	3,410	—	—	—	—	3,410
Cash outflow	3,397	156	274	—	—	3,827
Net	**13**	**156**	**274**	**—**	**—**	**-417**
Unutilised part of granted overdraft facilities	7,037	—	—	—	—	7,037
Other credit commitments	15,855	—	—	—	—	15,855
Total off-balance items	**22,892**	**—**	**—**	**—**	**—**	**22,892**

Deposits where the customer has the option to choose when repayment shall take place (including fixed-term deposits) are classified in the interval of 0-1 month. However, the actual distribution of deposits extends over a considerably longer period of time. Unutilised credit commitments are attributed to the interval in which the credit can be utilised by the borrower. The amounts in the table above pertain to contractual, non-discounted cash flows, which means that the sum for the respective lines does not match the items on the balance sheet, since these are based on discounted cash flows.

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 would be initiated which could adversely affect the company'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 CEO. 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 Head of Risk has overarching responsibility for governance and control of operational risk. ALCO is responsible for monitoring Skandiabanken's risk 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 ICAAP Committee, after consideration by Skandiabanken's ALCO. The Board's Risk and ICAAP 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.

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

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, evaluating 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.

As support for risk management, Skandiabanken has a system for reporting and monitoring incidents. All incidents – realised as well unrealised in accordance with the Basel II/III regulations – are reported in the system. The system is open, and all employees are recommended to use it. 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 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 Mutual, 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 CEO. 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 channelled through the Risk Control function and Compliance functions to Skandiabanken's management and board as well as to the parent company Skandia AB.

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 a 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

Skandiabanken 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. The committee is responsible for making an independent assessment of Skandiabanken's remuneration policy

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

and remuneration system. Skandiabanken's board of directors has assigned the committee with the task of handling certain information in accordance with the instructions for the Remuneration Committee of Skandiabanken.

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.

Managing and measuring remuneration risk

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

Starting in 2013, variable remuneration is based on performance and is no longer paid to senior executives and key persons. This category of employees is covered by the same variable remuneration programmes that apply for all employees, except for the CEO. For employees in Sweden, an allocation may be made to the Skandianen profit-sharing foundation in a maximum amount equivalent to 125 percent of half the Price Base Amount (Price Base Amount in 2014 = SEK 44,400). For employees of the Norwegian branch operations, variable remuneration may be payable in a maximum amount of a half-month's salary for 2014. A further change is that the CEO is no longer included in the share-based incentive programme, which expired in connection with Skandia Mutual's acquisition of Skandia AB from the former owner Old Mutual plc.

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 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 and *Om Skandia/Finansiell information om Skandias bank/Redogörelse för ersättningar/2014 Redogörelse ersättningar Skandiabanken*.

38. Disclosures of derivative instruments

Breakdown of derivative instruments by type of hedge relationship

	2014			2013		
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	9	0	0	19
Forward agreements	—	0	2	0	0	3
Derivatives held for fair value hedges						
Interest rate derivatives						
Swaps	—	185	10,155	8	79	12,305
Derivatives for hedges of net investments in foreign operations						
Foreign exchange derivatives						
Swaps	32	4	1,488	66	0	3,365
Total derivatives broken down by assets and liabilities						
Interest rate derivatives	0	185	10,155	8	79	12,305
Foreign exchange derivatives	32	4	1,499	66	0	3,387
Total	**32**	**189**	**11,654**	**74**	**79**	**15,692**

Interest rate swaps are held to hedge interest rate risks associated with lending to the general public at fixed interest rates. Of the group's lending, 89% (88%) 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.

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				
31/12/2014	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	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**
31/12/2013								
Derivatives	1	—	1	-1	—	0	73	74
Assets	**1**	**—**	**1**	**-1**	**—**	**0**	**73**	**74**
Derivatives	17	—	17	-1	-16	0	62	79
Liabilities	**17**	**—**	**17**	**-1**	**-16**	**0**	**62**	**79**

The table shows reported financial assets and liabilities that are presented net on the balance sheet or that have potential rights associated with legally binding master netting agreements or similar agreements, such as ISDA agreements, along with related collateral. The net amount shows the exposure under normal business conditions both in the event of a suspension 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 valuation of financial assets and liabilities

31 December 2014 Assets	Measured at fair value through profit or loss, held for trading	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**
Liabilities									
Due to credit institutions	—	—	—	—	—	100	—	100	100
Deposits and borrowing from the general public	—	—	—	—	—	79,518	—	79,518	79,518
Issued securities, etc.	—	—	—	—	—	28,007	—	28,007	28,007
Current tax liabilities	—	—	—	—	—	—	145	145	145
Other liabilities	0	189	—	—	—	483	—	672	672
Accrued expenses and deferred income	—	—	—	—	—	192	118	310	310
Provisions for pensions	—	—	—	—	—	—	59	59	59
Subordinated liabilities	—	—	—	—	—	900	—	900	900
Total liabilities	**0**	**189**	—	—	—	**109,200**	**322**	**109,711**	**109,711**

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

31 December 2013 Assets	Measured at fair value through profit or loss, held for trading	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	—	—	—	544	—	—	—	544	544
Eligible treasury bills, etc.	—	—	—	—	6,207	—	—	6,207	6,207
Lending to credit institutions	—	—	—	1,384	—	—	—	1,384	1,384
Lending to the general public	—	—	—	77,894	—	—	—	77,894	77,989
Fair value of portfolio hedge of interest rate risk	—	71	—	—	—	—	—	71	71
Bonds and other fixed-income securities	—	—	—	—	11,559	—	—	11,559	11,559
Shares and participations	10	—	—	—	54	—	—	64	64
Intangible assets	—	—	—	—	—	—	95	95	95
Property, plant and equipment	—	—	—	—	—	—	5	5	5
Current tax assets	—	—	—	—	—	—	24	24	24
Deferred tax liabilities	—	—	—	—	—	—	17	17	17
Other assets	0	74	—	500	—	—	—	574	574
Prepaid expenses and accrued income	—	—	—	159	—	—	—	159	159
Total assets	**10**	**145**	—	**80,481**	**17,820**	—	**141**	**98,597**	**98,692**
Liabilities									
Due to credit institutions	—	—	—	—	—	68	—	68	68
Deposits and borrowing from the general public	—	—	—	—	—	75,677	—	75,677	75,677
Issued securities	—	—	—	—	—	16,864	—	16,864	16,864
Current tax liabilities	—	—	—	—	—	—	85	85	85
Other liabilities	0	80	—	—	—	513	—	593	593
Accrued expenses and deferred income	—	—	—	—	—	213	94	307	307
Provisions for pensions	—	—	—	—	—	—	56	56	56
Subordinated liabilities	—	—	—	—	—	900	—	900	900
Total liabilities	0	**80**	—	—	—	**94,235**	**235**	**94,550**	**94,550**

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 booked 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

	2014			2013		
	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**	
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Assets						
Financial assets at fair value through profit or loss						
Held for trading						
Shares and participations	0	1	1	0	10	10
Derivative instruments	—	32	32	—	74	74
Available-for-sale financial assets						
Eligible treasury bills, etc.	—	8,110	8,110	—	6,207	6,207
Bonds and other fixed-income securities	2,889	5,578	8,467	2,004	9,555	11,559
Shares and participations	—	—	—	31	23	54
Total	**2,889**	**13,733**	**16,622**	**2,035**	**15,869**	**17,904**
Liabilities						
Held for trading						
Other	0	—	0	1	—	1
Derivative instruments	—	189	189	—	79	79
Total	**0**	**189**	**189**	**1**	**79**	**80**

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. Transfers between levels in the hierarchy may take place when there are indications that the market conditions, such as liquidity, have changed. For a description of the various levels, see note 1, Accounting policies, point 7.

Level 1 pertains to quoted prices that are readily available to numerous parties that provide price information and that represent actual and regularly recurring transactions. These include treasuries and other fixed-income securities that are actively traded. Level 2 pertains to valuation models that are based on observable market quotations. Instruments valued at Level 2 are measured at quoted prices, but the market is considered to be less active according to the Bank's definition of the level breakdown. These include fixed-income securities and interest rate and foreign exchange derivatives.

The market quotations that are used for valuations in Level 1 and Level 2 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.

Due to changes in liquidity, securities worth SEK 151 million have been moved from Level 2 to Level 1 with respect to Bonds and other fixed-income securities. The transferred value pertains to the market value at the end of the period. No assets or liabilities are valued at Level 3.

41. Related party disclosures

Disclosures regarding related parties pertain to dealings and transactions with Skandia AB and other group companies within 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.

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

Reorganisation and restructuring

The category of persons considered to be related parties changed during the year, partly in connection with the mutualisation of Skandia Mutual and partly through the transfer of the advisory business from Skandia Försäljning AB to Skandia Mutual as per 1 April 2014. The transfer of the advisory business to Skandia Mutual has entailed a change in payment flows for distribution compensation.

	2014		2013	
Operating income	**Skandia AB**	**Other group companies**	**Skandia AB**	**Other group companies**
Net interest income	-9	-54	-43	-48
Net fee and commission income	8	29	—	27
Net financial items	—	-38	—	77
Other operating income	33	13	46	14
Total income	**32**	**-50**	**3**	**70**
Operating expenses				
Other administrative expenses	—	-417	-1	-386
Other operating expenses	—	-48	—	-45
Total expenses	**—**	**-465**	**-1**	**-431**

	2014		2013	
Assets	**Skandia AB**	**Other group companies**	**Skandia AB**	**Other group companies**
Lending to the general public	—	121	—	—
Derivative instruments	—	32	—	73
Other assets	6	1	58	12
Total assets	**6**	**154**	**58**	**85**
Liabilities				
Deposits and borrowing from the general public	2,804	—	2,437	—
Derivative instruments	—		—	63
Other liabilities			0	142
Subordinated liabilities	900	—	900	—
Total liabilities	**3,304**	**—**	**3,337**	**205**

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. Through 15 November 2013 Skandiabanken had a credit facility of SEK 400 million from Skandia AB.

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".

Cont. note 41. Related party disclosures

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.

Other administrative expenses
Other administrative expenses pertain mainly to purchased services, IT costs, costs for premises and cost 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.

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 23 million (25) 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 6 million.

Capital contributions and group contributions
In 2014 Skandiabanken received an unconditional capital contribution of SEK 981 million and a group contribution of SEK 5 million from the parent company Skandia AB.

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 2013 or 2014, in accordance with decisions made by the Annual General Meetings on 20 June 2013 and 21 May 2014, 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

In January 2015 it was announced that Skandia is evaluating an initial public offering for Skandiabanken's Norwegian operation with the goal of promoting growth and development. Skandiabanken has performed well in Norway, and the time is now suitable to determine if the Norwegian bank can achieve more robust development on its own. Separating the Norwegian bank is part of the strategy to invest aggressively in the Swedish market, where the majority of Skandia's customer are. The study is expected to be completed during the spring.

Based on the business plan and the growing volume of home mortgage loans, Skandiabanken will receive an unconditional shareholder contribution of SEK 414 million during the first quarter of 2015.

Corporate governance report

The company
Skandiabanken 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 Livförsäkringsaktiebolaget Skandia (publ). In connection with the acquisition, Skandia Mutual became the parent company of a group of companies that conducts financial operations ("Skandia"). Skandia provides insurance, banking and fund products in the Nordic countries. Skandia Mutual is owned by its customers. Governance of Skandiabanken is conducted through general shareholder meetings, the Board of Directors and the CEO in accordance with the Companies Act, the Banking and Financing Business Act, and the Financial Supervisory Authority's guidelines. In addition to these external rules and regulations, governance is based on the Articles of Association and internal policies and instructions that regulate Skandiabanken's operations. Skandiabanken adheres to the Swedish Corporate Governance Code ("the Code").

The Code
The aim of the Code's rules is to develop corporate governance and promote trust in business and industry. The basic principle is to apply the Code through the "comply or explain" principle, entailing that deviations from the Code are permissible, but must be explained. The Code is designed primarily for listed companies, and although Skandiabanken is not a stock market company, the Board has chosen to nevertheless apply the Code. The rules that the Board has chosen to deviate from and the explanations for these are described below.

Deviations from the code
Code rule 1 – Shareholders' meetings
Skandiabanken does not adhere to the Code's rules on shareholders' meetings, since the company has only one owner.

Code rule 9.1 – Remuneration of the board and executive management
Skandiabanken applies the Financial Supervisory Authority's guidelines covering remuneration policies of credit institutions, etc. (FFFS 2011:1), and is not covered by this point.

Governance documents
Based on its Articles of Association, Skandia Mutual has drawn up a set of owner instructions and specially prescribed reporting procedures for its subsidiaries. Further, the Board of Directors of Skandia Mutual has adopted a manual for governance of the subsidiaries that aims to combine good governance and control with opportunities for effective and flexible administration of Skandia's operations. The manual sets parameters for corporate governance that have been adopted by all Skandia companies. It includes, among other things, requirements that certain business events be escalated to the Board of Directors of Skandia Mutual or to the respective subsidiary boards for decision, monetary limits for decision-making authority, and guidelines for board work, committees and forums.

The Board of Directors of Skandiabanken has adopted Rules of Procedure, including mandates for the CEO and instructions for board committees; these documents have been adapted to the group structure.

General meetings
General meetings are Skandiabanken's highest decision-making body. At the Annual General Meeting, the income statement and balance sheet are adopted, and the company's auditors and board members are appointed (except for the employee representatives). Decisions are also made on directors' fees and auditors' fees, as well as whether to discharge the Board and CEO from liability. The decision-making right at general meetings lies with Skandia AB and ultimately with Skandia Mutual, which owns all of the shares in Skandia AB. Skandiabanken held two general meetings in 2014. The Board of Directors has the following composition: Niklas Midby (Chairman) and directors Bengt-Åke Fagerman, Björn Fernström, Lars-Göran Orrevall, Peter Rydell, Marek Rydén and Ann-Charlotte Stjerna. The Board also includes the employee representatives (appointed by the unions) Anne Ask and Johanna Rolin Moreno. In addition, the general meeting appointed Deloitte AB as the company's auditor, with Patrick Honeth as chief auditor.

Board of Directors
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, appoints the CEO and establishes guidelines and instructions. 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 result, and is assisted by the internal audit function, which is independent in relation to the operations. Matters concerning remuneration of senior executives of Skandiabanken are addressed by the Remuneration Committee. The Board's decision-making authority is restricted by the general meeting's sole right to decide on certain matters as well as its opportunity to decide on other matters that are not expressly defined as belonging to the Board's or CEO's area of expertise.

According to the Banking and Financing Business Act, most of the board members of a banking stock corporation may not be employees of the bank or of companies that belong to a group in which the bank is the parent company. Additionally, the Code stipulates that at least two of the board members who are independent in relation to the company and executive management shall also be independent in relation to the company's major shareholders. According to Skandiabanken's Articles of Association, the Board shall consist of a minimum of four and a maximum of twelve directors elected by a general meeting, with a maximum of five deputies. As per 31 December 2014, Skandiabanken's board consisted of nine regular directors, none of whom are employees of Skandiabanken. Three of the board members, including the Chairman, are not Skandia employees, while the others are Skandia employees. Four of the board members are independent. Seven of the board members, including the Chairman, were elected by a general meeting. The Board includes two members who have been appointed by the employee unions, in accordance with law. Special statutory rules apply with respect to directors' disqualification. The CEO of Skandiabanken is co-opted to board meetings.

Division of duties within the Board

Skandiabanken's board of directors has three committees whose instructions correspond to those of the corresponding committees in Skandia Mutual, after adaptation to the Bank's operations. The committees' areas of responsibility cover all of the company's operations, and the main duties are described under the headings 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. In addition to the board members appointed to serve on the committees, executives of Skandiabanken are co-opted to the committees and are to participate in committee meetings to the extent requested.

Audit Committee

The Audit Committee is tasked with supporting the Board's work by conducting preparatory drafting of matters related to bookkeeping, accounting, financial control and monitoring of Skandiabanken. The committee is responsible for ensuring good internal control – primarily with respect to financial reporting – and thereby a structure that is highly compatible with the Financial Supervisory Authority's general guidelines on governance, risk management and control of credit institutions (FFFS 2014:1). The committee has four members, of whom two are employees of Skandia and two are not Skandia employees and are independent. The CEO, the Chairman of the Board, the CFO, Head of Risk, other senior executives of the company, the head of internal audit and representatives of the external auditors are co-opted to the committee.

Risk and ICAAP Committee

The Risk and ICAAP Committee is tasked with reviewing, on behalf of the Board, management's recommendations regarding risk management and

Overview of board members' attendance at board and committee meetings in 2014

Board members	Board (15)	Audit Committee (6)	Risk and ICAAP Committee (13)
Niklas Midby	15		
Anne Ask	15		
Bengt-Åke Fagerman	14	3	12
Björn Fernström	15	6	12
Lars-Göran Orrevall	15		13
Johanna Rolin Moreno	14		
Peter Rydell	15	6	13
Marek Rydén	14	5	11
Ann-Charlotte Stjerna	15		
Anna-Carin Söderblom Agius[1]	12	5	

[1] Left the Board on 27 November 2014.

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). The committee strives for satisfactory application of the Financial Supervisory Authority's general guidelines on governance, risk management and control of credit institutions. With respect to decision-making, the committee is to decide on such matters delegated to it by the Board. The committee has four members. The CEO, CFO, Head of Risk, CCO, other senior executives of the company and the head of internal audit are co-opted to the committee.

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 are directly responsible to Skandiabanken's board. The Remuneration Committee is to be appointed by the Board and shall consist of at least two board members. The Remuneration Committee was formed on 20 November 2014 and held one meeting during the year.

The Board's work in 2014

Skandiabanken's board held a total of fifteen meetings in 2014. Apart from the CEO's report and the financial report, among other things, the agenda focused on strategic projects. 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 and representatives of the owner. In his contacts with the CEO, the Chairman's duty is to serve as a discussion partner and monitor Skandiabanken'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 the company's operations and receives appropriate training and adequate decision-making documentation in order to be able to work effectively. The Chairman is responsible for controlling that the Board's decisions are executed and takes the initiative for the Board's annual evaluation of its work.

The CEO's role

The CEO is responsible for Skandiabanken's day-to-day administration in accordance with the guidelines and instructions issued by the Board. The Board has adopted instructions that stipulate the division of responsibility between the Board and CEO, and regulates the CEO's mandate. The CEO is responsible for ensuring that the Board's strategic direction and that other decisions concerning Skandiabanken are implemented and complied with in the operations, and that the Bank's risk management, internal control, governance, IT systems, organisation and processes are satisfactory, particularly with respect to risks. For support in the exercise of the operational management of Skandiabanken, the CEO has appointed a management team, which is presented on the next page. 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.

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 of Consiglio Capital AB. Former Executive Vice President of OM Gruppen (Nasdaq OMX), active in foreign investment banks and strategic consultant at BCG. Other assignments include directorships with OX2 Group AB, Resscapital AB (Chairman) and others.

Bengt-Åke Fagerman
Non-independent member of Skandiabanken's board since 2012. Born 1954, M.Sc. Econ., Stockholm University, MIL management education and Skandia's internal insurance training. Skandia employee since 1978. Executive positions in the Skandia group since 1989 in the Sweden organisation, companies in Skandia Liv, Market Support and SMS, among others. Appointed Executive Vice President of Skandia Liv in 2002 and CEO in 2005. Head of the Skandia group since acquisition in 2012. Chairman of Insurance Sweden and member of the Swedish Insurance Industry Employer Association (FAO).

Björn Fernström
Independent member of Skandiabanken's board since 2013. Born 1950, M.Sc. Econ., Stockholm University. Runs own consulting business. Formerly Authorised Public Accountant at Ernst & Young. Board member of Skandia Investment Management AB, DE Fund Capital and Alltele AB, among others. Independent member of Skandiabanken's board, elected in December 2013.

Lars-Göran Orrevall
Non-independent member of Skandiabanken's board since 2012. Born 1962, M.Sc. Econ., Stockholm School of Economics. Skandia group employee since 2005, CEO of Skandia Investment Management AB. Formerly CEO of E. Öhman J:or Kapitalförvaltning, Executive Vice President of SPP Kapitalförvaltning, Chief Investment Officer at SEB Kapitalförvaltning AB and Chairman of the Swedish Society of Financial Analysts (SFF). Board member of Brandkontoret.

Peter Rydell
Independent member of Skandiabanken's board since 2013. Born 1948, LL.B. Senior Advisor at Öhman Wealth Management. Formerly Executive Vice President and regional director of Swedbank western Sweden, CEO of Robur. Independent member of Skandiabanken's board elected in December 2013.

Marek Rydén
Non-independent member of Skandiabanken's board since 2012. Born 1969, studies and economics and technical physics at Uppsala University. Skandia employee since 1999. CEO of Skandia AB since 2012. CRO of Skandia's Nordic division from 2008 to 2012, and prior to that Head of Business Analysis for Skandia Link. Previously worked as group controller with responsibility for several of Skandia's Swedish and foreign companies. Holds several internal board assignments for companies in the Skandia group.

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. CRO of Skandia's Nordic division from 2008 to 2012, and prior to that Head of Business Analysis for Skandia Link. Previously worked as group controller with responsibility for several of Skandia's Swedish and foreign companies. Holds several internal board assignments for companies in the Skandia group.

Anna-Carin Söderblom Agius
Non-independent member of Skandiabanken's board since 2012. Born 1967, M.Sc. Econ., Uppsala University. Skandia employee since 2007. COO, acting Product Manager for the Skandia group since 2012. Former Business Manager and CFO of Skandia Liv. Former CEO of Aktieinvest FK AB, former Administrative Manager at Öhman Asset Management and former auditor at Ernst & Young. Chairman of the Board of Skandia AB. Left Skandiabanken's board on 27 November 2014.

Anne Ask
Non-independent member (employee representative) of Skandiabanken's board since 2004. Employee representative on Skandia Liv's board since 2012. Former employee representative on Skandia AB's board, from 2004 to 2012. Born 1956, Degree in International Economics, Linköping University. Skandia employee since 1986. Chairperson of the Swedish Confederation of Professional Associations (SACO), Skandia chapter.

Johanna Rolin Moreno
Non-independent member (employee representative) of Skandiabanken's board since 2011. Born 1975. Skandia employee since 1999. 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. Active in FTF as elected representative since 2008.

Deputy board members

Silveli Vannebo
Deputy member (employee representative) of Skandiabanken's board since 2012. Born 1964. Employee of Skandiabanken Norway since 2006. Active in the Finance Sector Union of Norway as an elected representative since 2008.

Birgitta Holmstöm
Deputy member (employee representative) of Skandiabanken's board since 2012. Born 1966. Skandia employee since 2001. Active in FTF (Swedish union of insurance and finance employees) as elected representative for Skandia since 2002/2003.

Company secretary

Lisa Lindholm
Born 1976, General Counsel, Skandiabanken. Company Secretary since 2012.

Chief Executive Officer

Øyvind Thomassen
Born 1962, M.Sc. Econ., Norwegian School of Economics, Bergen. Skandia employee since 1988, initially as Head of Skandiabanken Norway and subsequently as CEO of Skandiabanken, since 2010. Former CEO of Vesta Finans AS. Previous directorships for companies in Old Mutual Skandia Retail Europe. Øyvind Thomassen has no part ownership in companies with which Skandiabanken has significant business dealings.

Skandiabanken's Executive Management

Øyvind Thomassen
CEO, Skandiabanken. Born 1962. Skandia employee since 1988.

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

Jonas Holmberg
Deputy CEO. Born 1959. Skandia employee since 2009.

Magnar Øyhovden
Head of Banking, Skandiabanken Norway. Born 1968. Skandia employee since 2006.

Pia Tell Svensson
CFO. Born 1970. Skandia employee since 2012.

Remuneration of board members and Executive Management
Remuneration of board members and members of the Executive Management in 2014 is shown in note 7. The Board has decided that no variable remuneration shall be paid to the CEO of Skandiabanken.

Internal control
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 foundation for the operations' risk management, risk control and compliance. The three lines of defence principle aims to clarify the division of responsibility for risk and compliance, and draws a distinction 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 of the first line of defence, and
- the functions of the third line of defence, which evaluate Skandia's overall management of risk and compliance.

Internal Audit
Skandiabanken's Internal Audit function is directly subordinate to the Board's audit committee and is organisationally separated from the operations. Internal Audit's work is risk-based and is performed in accordance with a yearly audit plan that is approved by the Audit Committee. This work involves examining and evaluating the effectiveness of internal governance and control, including the Risk Management and Compliance functions. The unit coordinates its activities with Skandiabanken's external auditors and other internal control functions in order to avoid redundant efforts. The head of Internal Audit reports directly to Skandiabanken's audit committee, submits periodic reports to the Board of Directors, and continuously informs the CEO of Skandiabanken.

External auditors
At the 2014 Annual General Meeting, the auditing firm Deloitte was appointed as auditor of Skandiabanken until the end of the 2015 Annual General Meeting, with Authorised Public Accountant Patrick Honeth as chief auditor. Patrick Honeth is also the auditor of Amfa Bank, Bluestep, EnterCard, Swedbank Hypotek, Skandia AB and Skandia Fonder AB. In 2014 Deloitte performed auditing and audit-related services for Skandiabanken. The external auditors coordinate their work with Skandiabanken's Internal Audit function. Auditors' fees are shown in note 8. The external auditors report to the Audit Committee, the Board of Directors and the general meeting.

Skandiabanken's work with risk and internal control over financial reporting is based on the framework established by the Committee of Sponsoring Organizations (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. The framework is based on five internal control components: Control Environment, Risk Analysis, Control Activities, Information & Communication, and Monitoring.

Control Environment
The control environment is the foundation for internal control, since its encompasses the culture that the Board and management communicate and strive for. The control environment consists of Skandia's ethical values and integrity, competence, management philosophy, organisational structure, responsibility and authorisations, policies and instructions, and guidelines. Skandia's work with internal control over financial reporting is conducted in a programme called Financial Internal Control (FIC). The framework of this work is regulated by the policy for financial accounting and reporting that has been adopted by the CEO.

The FIC Programme Office works in the first line of defence and continuously reports on the current level of effectiveness of the control framework to the FIC steering committee and the audit committees of Skandia Mutual, Skandia AB and Skandiabanken. The FIC steering committee is made up of the CFOs of Skandia Mutual, Skandia AB and Skandiabanken, the head of group accounting, and the head of IT risk and compliance. Skandia's CFO serves ultimately as the client and decision-maker for matters pertaining to FIC. The FIC Programme Office works on a continuous basis, together with the operations, on improving internal control and governance in the processes that are coupled to the financial reporting and on clarifying the responsibilities and authorities, and on increasing risk and control awareness among the employees with duties in these processes.

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. A delineation is also performed to identify which units, types of financial reports and IT systems are significant for Skandia. 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, to ensure that the financial reporting provides a true and fair picture on every reporting occasion. Every process and control activity is 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 most parts of the organisation. Skandia has three control categories: Company-wide controls, Financial controls and IT general 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 group-wide policies, instructions and guidelines, decision-making forums, roles and responsibilities, and management's supervision and delegation.
- Financial controls: These comprise controls in support and business processes that manage risks with a direct or indirect impact on the quality of the financial reporting 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 personal computer–based applications that are administered in the operations. EUC applications can include spreadsheets (MS Excel), user-controlled databases (e.g., MS Access), and other user-controlled applications.
- IT general controls: These comprise controls coupled to system authorisations, access protection and controls in connection with system development. IT general controls also 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 Skandia'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). Skandiabanken's FIC encompasses 13 processes and 124 controls. The evaluation is performed in an IT system for internal control.

Information & Communication

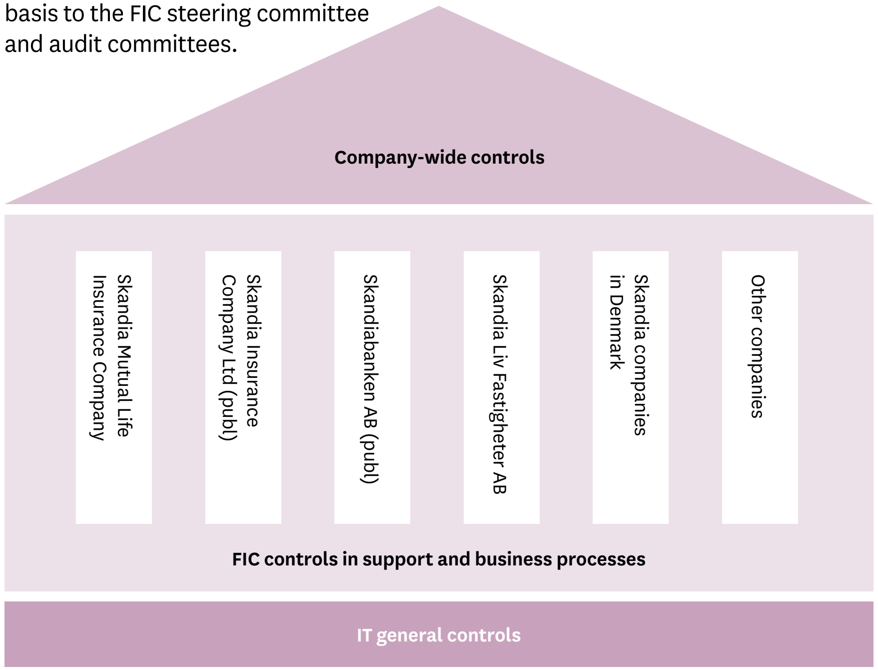
Every day decisions are made based on information that is retrieved from internal and external sources, and information is a given and natural part of all components in the framework. Communication is the process of conveying, sharing and receiving necessary information. It is through internal communication that information is spread throughout the organisation. External communication is double-faceted: it enables in-depth communication of relevant external information, and it conveys information to external parties in response to demands and external expectations. Communication about risks and the suitability and effectiveness of controls is an important part of the framework for ensuring that the control environment continuously improves and lives up to the demands and expectations made by the Board and management. Information is provided on a continuous basis to relevant parties, and reporting is done to the FIC steering committee and to Skandiabanken's Audit Committee.

Monitoring

The FIC Programme Office continuous monitors the results of the control owners' self assessments. Deficiencies are documented in a deficiency log along with action plans. The FIC Programme Office works on a continuous basis – together with control owners and process owners – to remedy deficiencies and improve internal control within the respective processes. Every year, independent testing is conducted of controls with the highest risk, with respect to their design and operational effectiveness. Testing can be performed by external audit, the FIC Programme Office, and Internal Audit. The FIC Programme Office is responsible for coordinating the independent testing.

The FIC Programme Office also regularly performs process reviews together with the control owners and process owners in order to evaluate risks and ensure that the control activities are effectively designed to meet the identified risks. These reviews are a way of raising risk and control awareness among the process and control owners. It is also a way of reviewing and evaluating controls that are not part of the independent testing.

The results of evaluations, independent testing and the process reviews are communicated on a regular basis to the FIC steering committee and audit committees.



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, 11 March 2015

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 24 April 2015.

Niklas Midby
Chairman of the Board

Anne Ask

Johanna Rolin Moreno

Björn Fernström

Ann-Charlotte Stjerna

Bengt-Åke Fagerman

Marek Rydén

Lars-Göran Orrevall

Peter Rydell

Øyvind Thomassen
CEO

Our audit report was submitted on 11 March 2015

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 2014. The annual accounts of the company are included in the printed version of this document on pages 1–74 and pages 81–83.

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 2014 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 75–80. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopts 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 2014. 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 75–80 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, 11 March 2015
Deloitte AB

Patrick Honeth
Authorised Public Accountant

Skandiabanken Aktiebolag (publ)
SE-106 55 Stockholm

Corporate identity number: 516401-9738
Registered office: Stockholm