Skandiabanken Aktiebolag (publ)
Interim Report January–June 2015

Half-year summary

Skandia is one of Sweden's largest, independent, customer-led banking and insurance groups. We have provided financial security to people for 160 years and have a strong tradition of pioneering spirit, product development and community involvement.

We create a richer life for people by helping them with solutions in savings, pensions and financial security, and by making it easier for them to make wise decisions about their personal economy. We have approximately 2.5 million customers in Sweden, Norway and Denmark, SEK 582 billion in managed assets, and approximately 2,600 employees. Read more at www.skandia.se.

Skandia includes, among other companies, the parent company Skandia Mutual Life Insurance Company (Skandia Mutual), Skandia Insurance Company Ltd (publ) (Skandia AB), and Skandiabanken Aktiebolag (publ) (Skandiabanken), with a branch in Norway.

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- Income for the first half of 2015 amounted to SEK 905 million (866).
- Operating profit for the first half of 2015 was SEK 273 million (307).
- Loan losses during the first half of 2015 totalled SEK -16 million (-9).
- Lending to the general public, excluding loans to the Swedish National Debt Office, increased by SEK 6,399 million during the first half of the year, to SEK 99,737 million (93,338).
- Total liquidity amounted to SEK 24,012 million as per 30 June, compared with SEK 20,337 million at the start of the year.
- The total capital ratio was 14.5% as per 30 June, compared with 14.2% at the start of the year.
- The bank's credit rating from Moody's was upgraded at the end of May to A2.

Financial calendar
28 October Interim report Jan.–Sept. 2015

CEO's message

The second quarter of 2015 marked a continuation of Skandiabanken's growth journey.

Lending continued to grow during the quarter, and an important milestone in the Bank's history was passed at the end of May, when lending exceeded SEK 100 billion for the first time. During the second quarter, Moody's upgraded Skandiabanken's credit rating one notch, to A2 (negative outlook), which confirms our low risk profile.

The Swedish operations are facing profitability challenges. At present the Bank is not meeting the demands set by the owner, and as a result a review has been launched to see how profitability can be improved. The changeover of the Swedish bank platform has now been completed, enabling us to better meet future customer needs and offer new and improved functions at a faster pace. Unfortunately, the platform change has generated some problems that have affected customers. Major focus has been put on increasing stability in both the near and long term.

The Financial Supervisory Authority's requirement that all banks begin reporting their average interest rates for home mortgages took effect at the start of June. We see it as a very favourable development that our initiative from last autumn has now become a standard for the entire industry. We embrace all measures that increase transparency in the home mortgage market, since we know that it is something that our customers value very highly. The next, natural step for the industry is now to openly report the discounts offered to customers and how they are set – something that we already do at Skandiabanken and receive much praise for.

The Initial Public Offering for Skandiabanken Norway is planned to be completed during the fourth quarter of 2015. As part of this process, Skandia has applied to the Norwegian Financial Supervisory Authority for a licence to conduct banking business in Norway. The licence was granted on 29 May. During the second half of 2015, the Bank's profit was affected by costs of SEK 28 million in items affecting comparability associated with the work on the Initial Public Offering.

Stockholm, August 2015

Øyvind Thomassen
Head of Banking, Skandia

Financial review

Profit January–June 2015 compared with January–June 2014
Operating profit before tax decreased by SEK 34 million, to SEK 273 million (307).

Earnings for the Norwegian operation have remained favourable in 2015, but are lower than a year earlier due to higher costs associated with work in the Initial Public Offering.

The Swedish operation's earnings for the period were weak and negatively affected by a lower net interest margin and costs for implementation of the new bank platform. To improve profitability of the Swedish operation, management is working with cost control and on increasing revenue.

Geographical breakdown – profit for the period

SEK million	Sweden 2015 Jan.-June	Norway 2015 Jan.-June	Elimination Jan.-June	Total 2015 Jan.-June
Net interest income	265	496	—	761
Net fee and commission income	52	84	—	136
Net financial income	-7	-10	—	-17
Other operating income	58	0	-33	25
Total operating income	**368**	**570**	**-33**	**905**
Staff costs	-117	-95	—	-212
Other administrative expenses	-219	-161	33	-347
Depreciation/amortisation	-13	-1	—	-14
Other operating expenses	-24	-19	—	-43
Total expenses before loan losses	**-373**	**-276**	**33**	**-616**
Loan losses	-3	-13	—	-16
Operating profit	**-8**	**281**	**—**	**273**
Tax on profit for the period	1	-76	—	-75
Profit for the period	**-7**	**205**	**—**	**198**

Significant events
During the period an unconditional shareholder contribution of SEK 414 million (256) was received to strengthen the capital base.

In January of this year Skandia announced its plans to list the Bank's Norwegian operation on the Oslo Stock Exchange. Skandia will establish the Norwegian operation as a wholly owned subsidiary with an independent banking licence as a Norwegian bank. At the end of May the Norwegian Financial Supervisory Authority granted a banking licence to the new company. Establishment as an independent Norwegian bank is a natural step in the process towards conducting an Initial Public Offering, which is expected to be able to take place during the fourth quarter of 2015. The aim of the Initial Public Offering is to focus Skandia's banking business in the Swedish market and create greater opportunities for the Norwegian operation to develop as standalone bank.

During the first quarter, implementation of a new bank platform was carried out in the Swedish operation. The new bank platform is part of Skandia's overall strategy to meet customers' needs, offer new functions and increase efficiency.

The Board's composition changed during the period, when Christer Löfdahl took his seat as a regular board member. He has since previously served as a board member for the parent company (Skandia Mutual Life Insurance Company – "Skandia"). In early July, board members Peter Rydell and Björn Fernström left Skandiabanken's board.

Income
Skandiabanken's net interest income increased by SEK 72 million, to SEK 761 million (688), compared with the corresponding period a year ago. The Norwegian operation accounted for 66% of this increase, with sharp growth in home mortgage volume and continued favourable margins. The prevailing level of interest rates in Sweden continues to have a negative impact on net interest income. Despite strong volume growth also in Sweden, totalling approximately SEK 3.8 billion during the year to date, net interest income grew by only SEK 24 million compared with the same period a year ago.

Net fee and commission income increased by SEK 21 million during the period, to SEK 136 million (116). This growth was driven mainly by the stock market trend in the early part of the year combined with an inflow of capital for securities.

Net financial income decreased by SEK 52 million to SEK -17 million (35). The lower outcome is mainly attributable to the unrealised market value of hedges for fixed-interest home mortgage loans in the Swedish operation. In addition, repurchases of issued securities totalling NOK 1.7 billion in the Norwegian operation had a negative impact on net financial income by SEK 9 million. The repurchases were carried out in preparation for the forthcoming Initial Public Offering. The repurchases had a positive impact on net interest income, however. The corresponding item in 2014 pertained mainly to a realised gain of approximately SEK 30 million on the sale of shares in VISA, resulting in a large year-on-year deviation.

Operating income

SEK million	2015 Jan.-June	2014 Jan.-June	Change, %
Net interest income	761	688	11%
Net fee and commission income	136	116	17%
Net financial income	-17	35	-149%
Other operating income	25	27	-7%
Total operating income	**905**	**866**	**5%**

Expenses

Expenses increased during the first half of 2015 to SEK 616 million (550). The increase in costs in the Swedish operation was mainly attributable to duplicate costs for the bank platform and other project costs. The duplicate costs for the bank platform are explained by the fact that the licence for the old platform does not expire until September 2015. Owing to the Bank's growth and the return of previously outsourced functions, staff costs have risen. Amortisation attributable to the new, Swedish bank platform was begun in March 2015 and amounted to slightly more than SEK 12 million at mid-year.

Costs for the planned Initial Public Offering during the year are recognised in the Norwegian operation and totalled SEK 28 million during the first half of 2015.

Expenses before loan losses

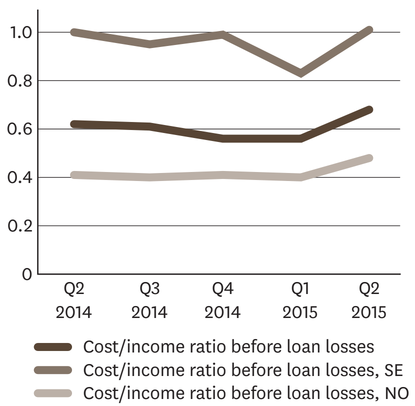
SEK million	2015 Jan.-June	2014 Jan.-June	Change, %
Staff costs	-212	-191	11%
Other administrative expenses	-347	-314	11%
Depreciation	-14	-1	1 300%
Other operating expenses	-43	-44	-2%
Total expenses before loan losses	**-616**	**-550**	**12%**

Loan losses

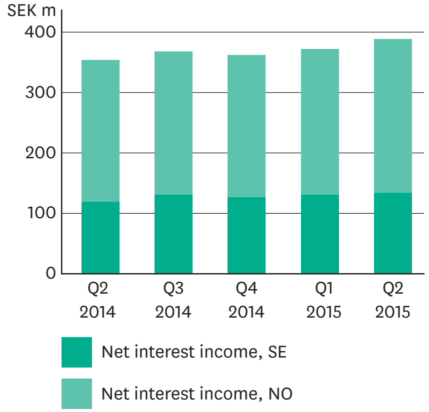
Net loan losses increased by SEK 7 million to SEK -16 million (-9). Loan losses continue to be low and pertain mainly to the Norwegian operation, where unsecured loans account for a greater share of lending to the general public than in Sweden.

Impaired loans, net, increased compared with the corresponding period a year ago, to SEK 64 million (43).

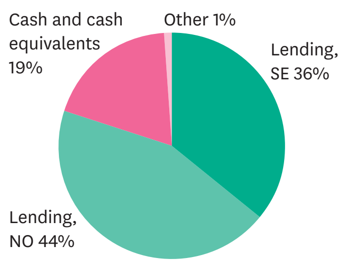
Cost/income ratio before loan losses



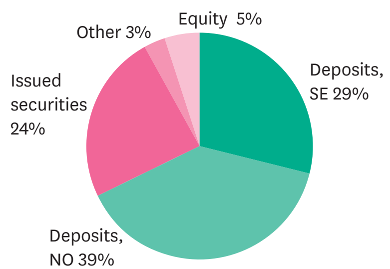
Net interest income



Assets 30/6/2015



Liabilities 30/6/2015



Loan losses and impaired loans

SEK million	2015 Jan.-June	2014 Jan.-June	Change, %
Loan losses	-16	-9	78%
Impaired loans, net	64	43	49%
Impaired loans, net, as % of lending to the general public	0.06%	0.05%	27%

Balance sheet, liquidity and managed assets

For the first time, the Bank's lending to the general public exceeds SEK 100 billion. Volume growth is being generated mainly by lending against security. Lending to the general public, excluding loans to the Swedish National Debt Office, increased by SEK 6,399 million during the first half of the year, to SEK 99,737 million (93,338). Loans to the Swedish National Debt Office during the period amounted to SEK 657 million (2,220). Deposits from the general public increased by SEK 6,246 million and now amount to SEK 85,764 million (79,518). The growth in volume in the Swedish operation is mainly attributable to custody account deposits, while the Bank's transaction accounts have also generated growth. In the Norwegian operation, as well, the greatest growth was in custody account deposits at the same time that other accounts noted a slight outflow in favour of a higher customer cash flow to mutual fund business.

During the first half of 2015 the credit rating agency Moody's upgraded Skandiabanken's rating from A3/P-2 to A2/P-1 with a negative outlook.

Funds under management in the banking operations increased by SEK 4,609 million during the first half of the year, to SEK 27,920 million (23,211) at the close of the second quarter. The net inflow remained positive during the second quarter, but was not as great as during the first quarter due to turbulence in the stock market. The net inflow includes customers' purchases and sales of fund units as well as transfers of existing fund holdings to or from Skandiabanken.

Skandiabanken's total liquidity amounted to SEK 24,012 million (20,337), which corresponds to 28% (26%) of total deposits. Total liquidity consists of balances 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 23,872 million (20,212) qualifies as the liquidity buffer in accordance with the Swedish Financial Supervisory Authority's rules for managing liquidity risk (FFFS 2010:7). The deposit-to-loan ratio was 86% (85%).

Skandiabanken's capital market funding amounted to SEK 30,125 million (28,007), corresponding to 24% (24%) of the balance sheet total. During the second quarter Skandiabanken funded its growth through greater deposits from the general public and issues of covered bonds.

Balance sheet, liquidity and managed assets, 30 June 2015 compared with 31 December 2014

SEK million	2015 30 June	2014 31 Dec.	Change, %
Balance sheet total	125,352	115,107	9%
Lending to the general public[1]	100,394	95,558	5%
of which, Sweden	*44,591*	*42,358*	*5%*
of which, Norway	*55,803*	*53,200*	*5%*
Deposits from the general public	85,764	79,518	8%
of which, Sweden	*36,872*	*35,219*	*5%*
of which, Norway	*48,892*	*44,299*	*10%*
External borrowing	30,215	28,007	8%
of which, Sweden	*16,104*	*11,627*	*39%*
of which, Norway	*14,111*	*16,380*	*-14%*
Liquidity buffer[2]	23,872	20,212	18%
Total liquidity[3]	24,012	20,337	18%
Deposit-to-loan ratio[4]	86%	85%	1%
Funds under management (NAV)	27,920	23,311	20%

[1] Including placements of SEK 657 million (2,220) with the Swedish National Debt Office and SEK 70 million (120) with Skandia Capital AB.

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

[3] Balances with the Central Bank of Sweden and Central Bank of Norway, short-term lending and deposits to/from credit institutions, and fixed-income securities classified as available-for-sale (AFS) financial assets, excluding assets pledged for borrowing from the Central Bank of Sweden.

[4] Excluding placements of SEK 657 million (2,220) with the Swedish National Debt Office.

Capital base and capital adequacy
The total capital ratio increased to 14.5% (14.2%) compared with the level at 31 December 2014. The Common Equity Tier 1 capital ratio increased during the same period to 12.5% (12.0%).

	2015 30 June	2014 31 Dec.
Total capital ratio	14.5%	14.2%
Tier 1 capital ratio[1]	12.5%	12.0%
Common Equity Tier 1 capital ratio[1]	12.5%	12.0%
Capital adequacy requirement, SEK million	3,542	3,333
Total risk-weighted exposure, SEK million	44,281	41,667

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

Risks, uncertainties and anticipated future performance
Skandiabanken conducts retail banking business in Sweden and Norway. The bank offers mainly lending to individuals primarily in the form of home mortgages, personal loans, car loans, account lines of credit and credit card credits, custody account lending, and deposits. The bank also offers services for equity trading, mutual funds and discretionary asset management. All business activity is exposed to risk, and Skandiabanken's goal and policy is to limit the impact of these risks on the result of operations. Skandiabanken's risk appetite is low, and all volume growth is conducted under controlled and cognisant risk-taking. The risk management that is applied aims to maintain a balance between risk and returns to the shareholder. This is conducted through, among other things, the use of various financial instruments to reduce financial risk and active risk management in the form of monitoring, continuous follow-up and control.

Skandiabanken is affected by the macroeconomic climate and closely monitors developments in its external operating environment. The economy continues to strengthen in Sweden at the same time that inflation remains low. The trend in the Bank's operating environment also appears to be strengthening, however, the consequences of the events in Greece are hard to determine and are contributing to uncertainty primarily in the eurozone, but also in Sweden and Norway. On 1 July of this year the Central Bank of Sweden decided to cut its repo rate by 0.10 percentage points to -0.35%. The decision is part of an expansionary monetary policy aimed at addressing uncertainty in the surrounding environment combined with an ambition to achieve the inflation target. In connection with the interest rate cut the Central Bank of Sweden also decided to expand its purchases of government bonds by SEK 45 billion by year-end. At its interest rate meeting on 17 June of this year, the Central Bank of Norway decided to cut its key rate by 0.25 percentage points to 1.00%. This decision is grounded in the performance of Norway's economy, which has been slightly weaker than anticipated, along with a slight lowering of the economic outlook. The Central Bank of Norway has indicated that further cuts may be forthcoming during the autumn.

On 13 September 2015 a new buffer requirement will take effect in Sweden, requiring institutions to earmark additional capital in the form of a countercyclical buffer. In Sweden this buffer rate will initially amount to 1% of risk-weighted exposures, however, according to a decision by the Financial Supervisory Authority, this requirement will be raised to 1.5% with effect from 27 June 2016.

Following a meeting of its Financial Stability Council on 15 June, the Financial Supervisory Authority presented a paper outlining its views on the future structure of the banks' capital requirements. The paper noted that a high leverage ratio requirement could impact negatively on financial stability and that the capital requirements may be increased considerably over the coming years as a result of the ongoing review of the banks' risk weighting calculations at the international level. Skandiabanken is continuously analysing the regulatory initiatives published in this area both internally and in cooperation with other banks within the framework of activities conducted by the Swedish Bankers' Association.

For further information about the Bank's risks and risk management, see Note 37 in the 2014 Annual Report.

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.

Key ratios

	2015 Q2	2014 Q2	2015 Jan.-June	2014 Jan.-June	2014 Full year
Return on equity, %[1]	4.37	9.25	6.98	10.31	8.74
Cost/income ratio before loan losses[2]	0.78	0.67	0.68	0.63	0.65
Total capital ratio, %[3]	14.5	12.9	14.5	12.9	14.2
Tier 1 capital ratio, %[4]	12.5	10.6	12.5	10.6	12.0
Provision level for impaired loans %[5]	65.0	70.5	65.0	70.5	65.2
Share of impaired loans, net, %[6]	0.06	0.05	0.06	0.05	0.06
Loan loss ratio, %[7]	0.04	0.02	0.03	0.03	0.05
Average number of employees	523	485	516	485	490

[1] Profit after tax in relation to average equity. Group contributions are excluded from the calculation.

[2] Total costs before loan losses in relation to total operating income.

[3] Capital base in relation to risk-weighted assets.

[4] Tier 1 capital in relation to risk-weighted assets.

[5] Provisions for loan losses in relation to impaired loans, gross.

[6] Impaired loans, net, in relation to total lending to the general public, excl. placements with the Swedish National Debt Office.

[7] Loan losses in relation to lending to the general public, excl. placements with the Swedish National Debt Office.

Income statement, quarterly

SEK million	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2
Net interest income	389	372	362	368	354
Fee and commission income	75	61	68	76	57
Net financial income	-14	-3	2	4	30
Other operating income	14	11	15	9	12
Total operating income	**464**	**441**	**447**	**457**	**453**
Staff costs	-105	-107	-112	-104	-101
Other operating expenses	-258	-146	-226	-163	-202
Total expenses before loan losses	**-363**	**-253**	**-338**	**-267**	**-303**
Profit before loan losses	**101**	**188**	**109**	**190**	**150**
Loan losses, net	-9	-7	-24	-8	-3
Operating profit	**92**	**181**	**85**	**182**	**147**

Income statement

SEK million	Note	2015 Q2	2014 Q2	2015 Jan.-June	2014 Jan.-June	2014 Full year
Interest income	3	702	823	1,435	1,597	3,186
Interest expense	3	-313	-469	-674	-909	-1,768
Fee and commission income	4	129	112	252	224	480
Fee and commission expense	4	-54	-55	-116	-108	-220
Net financial income	5	-14	30	-17	35	41
Other operating income		14	12	25	27	51
Total operating income		**464**	**453**	**905**	**866**	**1,770**
General administrative expenses						
Staff costs		-105	-101	-212	-191	-407
Other administrative expenses		-223	-178	-347	-314	-661
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets		-12	-1	-14	-1	-2
Other operating expenses		-23	-23	-43	-44	-85
Total expenses before loan losses		**-363**	**-303**	**-616**	**-550**	**-1,155**
Profit before loan losses		**101**	**150**	**289**	**316**	**615**
Loan losses, net	6	-9	-3	-16	-9	-41
Operating profit		**92**	**147**	**273**	**307**	**574**
Appropriations, group contributions		—	—	—	—	5
Profit before tax		**92**	**147**	**273**	**307**	**579**
Tax on profit for the period		-27	-43	-75	-85	-162
Net profit for the period		**65**	**104**	**198**	**222**	**417**

Statement of comprehensive income

SEK million	2015 Q2	2014 Q2	2015 Jan.-June	2014 Jan.-June	2014 Full year
Net profit for the period	**65**	**104**	**198**	**222**	**417**
Other comprehensive income					
Items that cannot be reclassified to profit for the period					
Revaluation of defined benefit pensions[1]	-1	—	-1	—	-6
Taxes attributable to revaluation of defined benefit pensions[1]	0	—	0	—	2
Items that have been reclassified or can be reclassified to profit for the period					
Available-for-sale financial assets	-38	-24	-46	-16	-21
Tax attributable to available-for-sale financial assets	9	6	11	4	5
Hedge of net investment	0	0	0	0	0
Translation difference[2]	-31	8	13	43	-37
Tax attributable to translation difference	7	-2	-3	-10	8
Total other comprehensive income after tax	**-54**	**-12**	**-26**	**21**	**-49**
Comprehensive income for the period after tax	**11**	**92**	**172**	**243**	**368**

[1] Pertains to locally reported Norwegian pension plans.

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

Balance sheet

SEK million Assets	Note	30/6/2015	31/12/2014	30/6/2014
Cash and cash balances with central banks		626	636	606
Eligible treasury bills, etc.		10,227	8,110	7,781
Lending to credit institutions		3,127	1,252	3,801
Lending to the general public	7	100,394	95,558	85,459
Fair value of portfolio hedge of interest rate risk		150	184	150
Bonds and other fixed-income securities		9,746	8,467	13,007
Shares and participations, etc.		14	13	11
Intangible assets		414	331	203
Property, plant and equipment		5	4	4
Current tax assets		12	10	—
Deferred tax assets		28	17	21
Other assets		465	329	646
Prepaid expenses and accrued income		144	196	199
Total assets		**125,352**	**115,107**	**111,888**

SEK million Liabilities and provisions	Note	30/6/2015	31/12/2014	30/6/2014
Due to credit institutions		116	100	105
Deposits and borrowing from the general public		85,764	79,518	82,037
Issued securities, etc.	8	30,215	28,007	22,966
Current tax liabilities		74	145	89
Other liabilities		1,901	672	809
Accrued expenses and deferred income		338	310	379
Provisions for pensions		62	59	57
Subordinated liabilities		900	900	900
Total liabilities and provisions		**119,370**	**109,711**	**107,342**
Share capital		400	400	400
Other reserves				
- Statutory reserve		81	81	81
- Total fair value reserve		-143	-121	-37
Retained earnings		5,446	4,619	3,880
Profit for the period		198	417	222
Total equity		**5,982**	**5,396**	**4,546**
Total liabilities, provisions and equity		**125,352**	**115,107**	**111,888**

Statement of changes in equity

SEK million	Restricted equity		Unrestricted equity					Total equity
			Total fair value reserve[1]					
	Share capital	Statutory reserve	*Fair value reserve*	*Translation reserve*	Total	Defined benefit pension plans[2]	Retained earnings	
Opening equity 2014	**400**	**81**	**45**	**-113**	**-68**	**8**	**3,626**	**4,047**
Profit for the period	—	—	—	—	—	—	222	222
Other comprehensive income for the period	—	—	-12	43	31	—	-10	21
Comprehensive income for the period	**—**	**—**	**-12**	**43**	**31**	**—**	**212**	**243**
Shareholder contribution received	—	—	—	—	—	—	256	256
Closing equity, 30 June 2014	**400**	**81**	**33**	**-70**	**-37**	**8**	**4,094**	**4,546**
Opening equity 2014	**400**	**81**	**45**	**-113**	**-68**	**8**	**3,626**	**4,047**
Profit for the year	—	—	—	—	—	—	417	417
Other comprehensive income for the year	—	—	-16	-37	-53	-4	8	-49
Comprehensive income for the year	**—**	**—**	**-16**	**-37**	**-53**	**-4**	**425**	**368**
Shareholder contribution received	—	—	—	—	—	—	981	981
Closing equity, 31 December 2014	**400**	**81**	**29**	**-150**	**-121**	**4**	**5,032**	**5,396**
Opening equity 2015	**400**	**81**	**29**	**-150**	**-121**	**4**	**5,032**	**5,396**
Profit for the period	—	—	—	—	—	—	198	198
Other comprehensive income for the period	—	—	-35	13	-22	-1	-3	-26
Comprehensive income for the period	**—**	**—**	**-35**	**13**	**-22**	**-1**	**195**	**172**
Shareholder contribution received	—	—	—	—	—	—	414	414
Closing equity, 30 June 2015	**400**	**81**	**-6**	**-137**	**-143**	**3**	**5,641**	**5,982**

[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

SEK million	2015 Jan.-June	2014 Jan.-June	2014 Full year
Cash flow from operating activities	1,509	2,269	-915
Cash flow from investing activities	-47	-108	-236
Cash flow from financing activities[1, 2]	419	246	1,128
Cash flow for the period	**1,881**	**2,407**	**-23**
Cash and cash equivalents at start of period	1,788	1,860	1,860
Exchange rate differences in cash and cash equivalents	-32	35	-49
Cash flow for the period	1,881	2,407	-23
Cash and cash equivalents at end of period	**3,637**	**4,302**	**1,788**

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

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

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

Notes

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

Note 1 Accounting policies

The interim report for Skandiabanken Aktiebolag (publ) ("the Bank" or "Skandiabanken") pertains to the period 1 January–30 June 2015. Skandiabanken is domiciled in Stockholm, Sweden, with corporate identity number 516401-9738.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The financial statements have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Investment Firms (1995:1559) and the 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 laws, instructions, generation guidelines and recommendations, Skandiabanken applies so-called legally limited IFRS. This means that all International Financial Reporting Standards (IFRSs) endorsed by the EU as well as accompanying interpretations issued by the IFRS Interpretations Committee (IFRIC) are applied as far as possible within the framework of Swedish legislation and taking into account the connection between reporting and taxation.

Reporting of discontinued operations is not conducted in accordance with IFRS 5, as consideration is given to the layout format requirements in the Annual Accounts Act for Credit Institutions and Investment Firms. The corresponding information is provided in Note 2, Reporting of operating segments.

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

Changed accounting policies and changed presentation
In all essential respects, the accounting policies and calculations methods are unchanged compared with the 2014 Annual Report. Company management is of the opinion that new and amended standards and interpretations effective as from 2015 will not have any impact on Skandiabanken's financial statements.

Note 2 Reporting of operating segments

SEK million	Sweden Banking		Norway Banking		Eliminations and recal-culations, Banking		Total Banking	
	2015	2014	2015	2014	2015	2014	2015	2014
Income statements	**Jan.-June**	**Jan.-June**	**Jan.-June**	**Jan.-June**	**Jan.-June**	**Jan.-June**	**Jan.-June**	**Jan.-June**
Net interest income	265	240	496	448	—	—	761	688
Net fee and commission income	52	42	84	74	—	—	136	116
Net financial income	-7	11	-10	24	0	—	-17	35
Other operating income	58	34	0	0	-33	-7	25	27
Total operating income	**368**	**327**	**570**	**546**	**-33**	**-7**	**905**	**866**
Staff costs	-117	-102	-95	-89	—	—	-212	-191
Other administrative expenses	-219	-193	-161	-128	33	7	-347	-314
Depreciation/amortisation of property, plant and equipment, and intangible assets[1]	-13	0	-1	-1	—	—	-14	-1
Other operating expenses	-24	-25	-19	-19	—	—	-43	-44
Total expenses before loan losses	**-373**	**-320**	**-276**	**-237**	**33**	**7**	**-616**	**-550**
Loan losses, net[2]	-3	5	-13	-14	—	—	-16	-9
Operating profit	**-8**	**12**	**281**	**295**	**—**	**—**	**273**	**307**
Profit before tax	**-8**	**12**	**281**	**295**	**—**	**—**	**273**	**307**
Tax on profit for the period	1	-5	-76	-80	—	—	-75	-85
Net profit for the period	**-7**	**7**	**205**	**215**	**—**	**—**	**198**	**222**
External income	293	299	565	543	—	—	858	842
Internal income[3]	42	21	5	3	—	—	47	24
Internal expenses[3]	-5	-3	-42	-21	—	—	-47	-24
COMPREHENSIVE INCOME								
Net profit for period	**-7**	**7**	**205**	**215**	**—**	**—**	**198**	**222**
Other comprehensive income								
Items that cannot be reclassified to profit for the period								
Revaluation of defined benefit pensions	—	—	-1	—	—	—	-1	—
Tax attributable to revaluation of defined benefit pensions	—	—	0	—	—	—	0	—
Items that have been or can be reclassified to profit or loss for the year								
Change in value of available-for-sale financial assets	-42	-5	-4	-11	—	—	-46	-16
Tax attributable to change in value of available-for-sale financial assets	10	1	1	3	—	—	11	4
Hedge of net investment	0	0	—	—	—	—	0	0
Translation difference	—	—	—	—	13	43	13	43
Tax attributable to translation difference	—	—	—	—	-3	-10	-3	-10
Total other comprehensive income after tax	**-32**	**-4**	**-4**	**-8**	**10**	**33**	**-26**	**21**
Comprehensive income for the period after tax	**-39**	**3**	**201**	**207**	**10**	**33**	**172**	**243**

Footnotes to segment reporting table

[1] No impairment is recognised for tangible assets or for property, plant and equipment.

[2] Positive level of loan losses in Sweden in 2014 as a result of the sale of written-off credits.

[3] Internal income and expenses are included on the lines “Operating income”, “Net fee and commission income”, Other operating income”, “Staff costs” and “Other administrative expenses”.

Cont. Note 2, reporting of operating segments

SEK billion	Sweden Banking			Norway Banking			Eliminations and recalculations, Banking			Total Banking		
	2015	**2014**	**2014**	**2015**	**2014**	**2014**	**2015**	**2014**	**2014**	**2015**	**2014**	**2014**
Balance sheets	**30 June**	**31 Dec.**	**30 June**	**30 June**	**31 Dec.**	**30 June**	**30 June**	**31 Dec.**	**30 June**	**30 June**	**31 Dec.**	**30 June**
Assets												
Lending to the general public[1]	44.6	42.4	34.2	55.8	53.2	51.3	—	—	—	100.4	95.6	85.5
Other assets	14.1	8.8	13.5	12.0	11.2	13.4	-1.1	-0.5	-0.5	25.0	19.5	26.4
Total assets	**58.7**	**51.2**	**47.7**	**67.8**	**64.4**	**64.7**	**-1.1**	**-0.5**	**-0.5**	**125.4**	**115.1**	**111.9**
Liabilities												
Deposits and borrowing from the general public	36.9	35.2	35.6	48.9	44.3	46.4	—	—	—	85.8	79.5	82.0
Issued securities	16.1	11.6	8.1	14.1	16.4	14.9	—	—	—	30.2	28.0	23.0
Other liabilities	3.0	1.8	1.8	1.5	0.9	1.0	-1.1	-0.5	-0.5	3.4	2.2	2.3
Total liabilities	**56.0**	**48.6**	**45.5**	**64.5**	**61.6**	**62.3**	**-1.1**	**-0.5**	**-0.5**	**119.4**	**109.7**	**107.3**
Equity	**2.7**	**2.6**	**2.2**	**3.3**	**2.8**	**2.4**	**—**	**—**	**—**	**6.0**	**5.4**	**4.6**
Total liabilities and equity	**58.7**	**51.2**	**47.7**	**67.8**	**64.4**	**64.7**	**-1.1**	**-0.5**	**-0.5**	**125.4**	**115.1**	**111.9**

[1] Swedish banking operations, including placements of SEK 0.7 billion (2.2 and 0, respectively) with the Swedish National Debt Office and of SEK 0.1 billion (0.1 and 0, respectively) with Skandia Capital AB.

Key ratios												
Investment margin %[1]	0.98	1.05	1.03	1.53	1.52	1.47	—	—	—	1.28	1.31	1.27
C/I ratio before loan losses[2]	1.01	0.98	0.98	0.48	0.45	0.35	—	—	—	0.68	0.65	0.63
Loan loss ratio, %[3, 4]	0.01	-0.01	-0.03	0.05	0.09	0.06	—	—	—	0.03	0.05	0.03
Number of customers, thousands	451	452	451	380	378	380	—	—	—	831	830	831
Average number of employees	301	289	287	215	201	198	—	—	—	516	490	485

Footnotes to segment reporting table

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

[2] Expenses excl. loan losses in relation to operating income.

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

[4] Positive loan loss level in Sweden in 2014 as a result of the sale of loans.

Note 3 Net interest income

	2015 Q2	2014 Q2	2015 Jan.-June	2014 Jan.-June	2014 Full year
Lending to credit institutions	13	8	21	18	12
Lending to the general public	658	739	1,337	1,430	2,866
Fixed-income securities	38	79	88	155	294
Other	1	0	2	0	1
Total interest income[1]	**710**	**826**	**1,448**	**1,603**	**3,173**
Due to credit institutions	-18	-5	-28	-12	-1
Deposits and borrowing from the general public	-226	-352	-488	-690	-1,322
Issued securities	-74	-108	-164	-198	-404
Subordinated liabilities	-3	-5	-6	-10	-18
Other	0	-2	-1	-5	-10
Total interest expenses[1]	**-321**	**-472**	**-687**	**-915**	**-1,755**
Net interest income[1]	**389**	**354**	**761**	**688**	**1,418**

[1] The deviation in total interest income and interest expense compared with the income statement pertains to interest expenses attributable to hedge instruments, which in the note are transferred to interest income to provide a more accurate picture.

Note 4 Net fee and commission income

	2015 Q2	2014 Q2	2015 Jan.-June	2014 Jan.-June	2014 Full year
Payment intermediation fees	74	75	144	148	313
Commissions on lending	0	1	0	1	1
Commissions on deposits	1	0	1	0	1
Commissions on securities	51	36	100	74	157
Other commissions	3	0	7	1	8
Total fee and commission income	**129**	**112**	**252**	**224**	**480**
Payment intermediation fees	-27	-36	-64	-71	-140
Commissions on securities	-12	-8	-24	-19	-41
Other commissions	-15	-11	-28	-18	-39
Total fee and commission expenses	**-54**	**-55**	**-116**	**-108**	**-220**
Net fee and commission income	**75**	**57**	**136**	**116**	**260**

Note 5 Net financial income

	2015 Q2	2014 Q2	2015 Jan.-June	2014 Jan.-June	2014 Full year
Financial assets at fair value classified as held for trading	**-1**	**30**	**0**	**30**	**32**
- Shares and participations and other equity instruments, change in value, etc.	0	30	0	30	33
- Interest-bearing derivatives, change in value	-1	0	0	0	-1
Available-for-sale financial assets	**1**	**5**	**1**	**5**	**14**
- Fixed-income securities, realised gains/losses, etc.	1	5	1	5	14
Repurchases of issued securities	**-9**	**0**	**-9**	**0**	**-3**
Hedge accounting[1]	**-4**	**-6**	**-8**	**-1**	**-1**
- Change in value of hedged item	-44	38	-34	78	113
- Change in value of hedge instrument	40	-44	26	-79	-114
Exchange rate movements	**-1**	**1**	**-1**	**1**	**-1**
Total	**-14**	**30**	**-17**	**35**	**41**

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

Note 6 Loan losses, net

	2015 Q2	2014 Q2	2015 Jan.-June	2014 Jan.-June	2014 Full year
Specific provision for individually assessed loan receivables					
The period's write-off of confirmed loan losses	-1	-1	-1	-4	-4
Reversal of provisions for probable loan losses in previous years that are reported as confirmed loan losses in the period's accounts	0	1	2	5	4
The period's provision for probable loan losses	-4	-3	-6	-9	-16
Paid in from confirmed loan losses in previous years	0	7	0	8	8
Reversal of provisions for probable loan losses which are no longer necessary	3	0	3	1	3
Net expense for the period for individually assessed loan receivables	**-2**	**4**	**-2**	**1**	**-5**
Portfolio provisions for loans individually assessed as not being impaired					
The period's change in provision for individually assessed loan receivables[1]	0	0	0	0	-2
The period's change in provision for collectively assessed homogenous groups of loan receivables[1]	1	-1	1	-1	0
The period's change in portfolio provisions for loans individually assessed as not being impaired	**1**	**-1**	**1**	**-1**	**-2**
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk					
The period's write-off of confirmed loan losses	-7	-9	-14	-15	-31
Paid in from confirmed loan losses in previous years	2	6	4	12	14
Provision/reversal for collectively assessed homogenous groups of loan receivables	-3	-3	-5	-6	-17
Net expense for the period for collectively assessed homogeneous groups of loan receivables	**-8**	**-6**	**-15**	**-9**	**-34**
Net loan losses for the period	**-9**	**-3**	**-16**	**-9**	**-41**

[1] The comparison figures for 2014 have been adjusted between lines.

Note 7 Lending to the general public

	30/6/2015	31/12/2014	30/6/2014
Amortised cost[1]	100,513	95,672	85,562
Provision for impaired loans	-119	-114	-103
Total lending to the general public	**100,394**	**95,558**	**85,459**
Loan receivables broken down by geographic region			
Loan receivables at amortised cost (before provision for loan losses)[1]	**100,513**	**95,672**	**85,562**
Sweden[1]	44,602	42,370	34,184
Norway	55,911	53,302	51,378
Specific provisions for individually assessed loan receivables	**25**	**25**	**20**
Sweden	3	4	4
Norway	22	21	16
Collective provisions for individually assessed loan receivables	**9**	**8**	**8**
Sweden	2	2	1
Norway	7	6	7
Provisions for collectively assessed homogenous groups of loan receivables	**85**	**81**	**75**
Sweden	6	6	4
Norway	79	75	71
Total provisions	**119**	**114**	**103**
Sweden	11	12	9
Norway	108	102	94
Loan receivables at amortised cost (after provisions for loan losses)[1]	**100,394**	**95,558**	**85,459**
Sweden[1]	44,591	42,358	34,175
Norway	55,803	53,200	51,284
Impaired loans (after provisions for probable loan losses)	**64**	**60**	**103**
Sweden	24	22	9
Norway	40	38	94

[1] Including placements of SEK 657 million (2,220 and 0, respectively) with the Swedish National Debt Office and of SEK 70 million (120 and 0, respectively) with Skandia Capital AB.

Note 8 Issued securities, etc.

	30/6/2015	31/12/2014	30/6/2014
Commercial paper	1,750	2,248	2,826
Bond issues	5,410	6,012	4,113
Covered bonds	23,055	19,747	16.027
Total issued securities	**30,215**	**28,007**	**22,966**
Remaining maturity max. 1 year	5,031	4,636	5,665
Remaining maturity longer than 1 year	25,184	23,371	17,301
Skandiabanken issues and repurchases own-issued debt instruments as part of the funding of its operations.			
Following is an account of such activities during the period:			
Issued during the period	8,900	21,547	10,085
Repurchased	-2,566	-1,938	331
Matured	-4,315	-8,282	-3,926
Translation difference	189	-184	-388

Note 9 Disclosures of derivative instruments

Breakdown of derivative instruments by type of hedge relationship

	30/6/2015			31/12/2014			30/6/2014		
Derivative instruments held for trading	**Assets at fair value**	**Liabilities at fair value**	**Nominal amount**	**Assets at fair value**	**Liabilities at fair value**	**Nominal amount**	**Assets at fair value**	**Liabilities at fair value**	**Nominal amount**
Foreign exchange derivatives									
Swaps	0	0	26	0	0	9	0	0	6
Forward agreements	—	—	—	—	0	2	0	0	0
Derivative instruments held for fair value hedges									
Interest rate derivatives									
Swaps	6	162	10,035	—	185	10,155	0	151	10,585
Derivative instruments for hedges of net investments in foreign operations									
Foreign exchange derivatives									
Swaps	60	0	2,306	32	4	1,488	22	0	1,156
Total derivative instruments broken down by assets and liabilities									
Interest rate derivatives	6	162	10,035	0	185	10,155	0	151	10,585
Foreign exchange derivatives	60	0	2,332	32	4	1,499	22	0	1,162
Total	**66**	**162**	**12,367**	**32**	**189**	**11,654**	**22**	**151**	**11,747**

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

	Gross amount	Offset	Net amount on balance sheet	Related agreements: Master netting agreement	Related agreements: Collateral received/pledged	Net amount	Assets and liabilities that are not subject to netting agreements	Total on balance sheet
30/6/2015								
Derivatives	66	—	66	-65	—	1	—	66
Assets	**66**	**—**	**66**	**-65**	**—**	**1**	**—**	**66**
Derivatives	162	—	162	-65	-95	2	—	162
Liabilities	**162**	**—**	**162**	**-65**	**-95**	**2**	**—**	**162**
31/12/2014								
Derivatives	32	—	32	-32	—	0	—	32
Assets	**32**	**—**	**32**	**-32**	**—**	**0**	**—**	**32**
Derivatives	189	—	189	-32	-157	0	—	189
Liabilities	**189**	**—**	**189**	**-32**	**-157**	**0**	**—**	**189**
30/6/2014								
Derivatives	22	—	22	-22	—	0	—	22
Assets	**22**	**—**	**22**	**-22**	**—**	**0**	**—**	**22**
Derivatives	151	—	**151**	-22	-66	**63**	—	151
Liabilities	**151**	**—**	**151**	**-22**	**-66**	**63**	**—**	**151**

The table shows reported financial assets and liabilities that are presented net on the balance sheet or that have potential rights associated with legally binding master netting agreements or similar agreements, such as ISDA Master Agreements, along with related collateral. The net amount shows the exposure under normal business conditions both in the event of a suspension of payments or insolvency. Financial assets and liabilities are reported net on the balance sheet when Skandiabanken has a legal right to report transactions net, under normal business conditions and in the event of an insolvency, and there is an intention to make a net payment or realise the asset and make payment for the liability at the same time. Financial assets and liabilities that are subject to legally binding master netting agreements or similar agreements that are not presented net on the balance sheet are arrangements that ordinarily come into force in the event of an insolvency or suspension of payments, but not under normal business conditions or arrangements in which Skandiabanken does not have the divest the instruments simultaneously. The Bank has not received or pledged assets that can be utilised without default of the counterparty.

Note 11 Related party disclosures

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

Related party transactions

Customary business transactions were carried out during the period between group companies in Skandia as a part of the outsourced operations. Lending, deposits and borrowing are priced at specific interest rates with a going-rate interest rate mark-up. During the first quarter of 2015 Skandiabanken received a capital contribution of SEK 414 million from the parent company Skandia Insurance Company Ltd (publ). Subordinated loans amount to SEK 900 million and pertain to loans from Skandia Mutual Life Insurance Company. During the second quarter of 2015 Skandia Mutual Life Insurance Company increased its lending to the Bank, and it amounts to approximately SEK 1,000 million as per 30 June 2015, compared with SEK 400 million at 1 January 2015.

Net interest income includes interest income from the interest rate compensation that arises when Skandiabanken provides favourable borrowing terms to Skandia employees. It also includes interest on the subordinated loans. Derivative transactions are handled, among other ways, through the group company Skandia Capital AB, and expenses and unrealised changes in the market value of hedge instruments are reported as interest expenses and net financial income.

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

Note 12 Pledged assets, contingent liabilities and other commitments

	30/6/2015	31/12/2014	30/6/2014
Assets pledged for own liabilities – mortgage loans	34,686	27,313	22,301
Other pledged assets	7,406	7,779	5,981
Commitments	33,750	27,958	27,988

Note 13 Measurement of financial assets and liabilities at fair value

	30/6/2015			31/12/2014			30/6/2014		
	Instruments with published price quotations in an active market	Valuation techniques based on observable market data		Instruments with published price quotations in an active market	Valuation techniques based on observable market data		Instruments with published price quotations in an active market	Valuation techniques based on observable market data	
Assets	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Financial assets at fair value through profit or loss									
Held for trading									
Shares and participations	1	0	1	0	1	1	—	1	1
Derivative instruments	—	66	66	—	32	32	—	22	22
Available-for-sale financial assets									
Eligible treasury bills, etc.	—	10,227	10,227	—	8,110	8,110	—	7,781	7,781
Bonds and other fixed-income securities	3,502	6,244	9,746	2,889	5,578	8,467	3,084	9,922	13,006
Shares and participations	—	—	—	—	—	—	—	10	10
Total	**3,503**	**16,537**	**20,040**	**2,889**	**13,721**	**16,610**	**3,084**	**17,736**	**20,820**
Liabilities									
Held for trading									
Other	1	—	1	0	—	0	3	—	3
Derivative instruments	—	162	162	—	189	189	—	151	151
Total	**1**	**162**	**163**	**0**	**189**	**189**	**3**	**151**	**154**

All financial assets and liabilities measured at fair value are classified in a fair value hierarchy that reflects observable prices or other inputs in the valuation techniques that are used. Prior to each quarter an assessment is made as to whether the valuations pertain to quoted prices that represent actual and regularly recurring transactions or not. Transfers between levels in the hierarchy may take place when there are indications that the market conditions, such as liquidity, have changed. No transfers were made during the first half of 2015.

Level 1 pertains to quoted prices that are readily available to numerous parties and 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 and instruments that are valued at their quoted price, but where the market is considered to be less active. These include fixed-income securities and interest rate and foreign exchange derivatives, among other things. No assets or liabilities are valued at Level 3. The market quotations that are used for valuations in Level 1 and Level 2 consist of average daily closing buy and sell prices obtained from external sources. As part of the valuation process, a validation is performed of used prices. Should the market undergo a dramatic change – as a whole or with respect to certain assets or issuers – further reviews would be performed to ensure a correct valuation.

For a description of the various levels, see Note 1, Accounting policies, point 7, Financial instruments – classification and valuation, in the 2014 Annual Report.

Note 14 Capital adequacy analysis

Common Equity Tier 1 capital: Instruments and reserves	30/6/2015	31/12/2014	30/6/2014
Equity instruments and accompanying share premium reserves	400	400	400
Undistributed earnings	5,410	4,628	3,903
Accumulated other comprehensive income	-26	-49	21
Net profit for the interim period after deducting predictable costs and dividends that have been verified by persons with an impartial position	198	417	222
Common Equity Tier 1 capital before regulatory adjustments	**5,982**	**5,396**	**4,546**
Additional value adjustments	-20	-16	-21
Intangible assets	-414	-331	-203
Deferred tax assets arising as a result of temporary differences	-28	-17	-21
Regulatory changes pertaining to unrealised gains	—	-29	-33
Combined regulatory changes of Common Equity Tier 1 capital	**-462**	**-393**	**-278**
Common Equity Tier 1 capital	**5,520**	**5,003**	**4,268**
Tier 1 capital contribution: instruments	**—**	**—**	**—**
Tier 1 capital	**5,520**	**5,003**	**4,268**
Tier 2 capital: instruments and provisions			
Equity instruments and accompanying share premium reserves	900	900	900
Tier 2 capital before regulatory adjustments	**900**	**900**	**900**
Total regulatory adjustments of Tier 2 capital	**—**	**—**	**—**
Tier 2 capital	**900**	**900**	**900**
Total capital	**6,420**	**5,903**	**5,168**
Total risk-weighted exposure	**44,281**	**41,667**	**40,179**

Capital ratios and buffers	30/6/2015	31/12/2014	30/6/2014
Common Equity Tier 1 capital	12.5%	12.0%	10.6%
Tier 1 capital	12.5%	12.0%	10.6%
Total capital	14.5%	14.2%	12.9%
Institution-specific buffer requirement (Common Equity Tier 1 capital requirement according to Pillar I and buffer requirement) as a percentage of risk-weighted exposure amount[1]	7.6%	7.0%	—
Of which: capital conservation buffer requirement	2.5%	2.5%	—
Of which: countercyclical buffer requirement	0.6%	—	—
Available Common Equity Tier 1 capital to be used as buffer as a percentage of risk-weighted exposure amount[1]	6.5%	6.0%	—
Amounts below threshold value			
Direct holdings of equity in units in the financial sector in which the institution does not have any material investment	12	12	10
Risk-weighted exposure amounts			
Credit risk	41,051	38,063	36,647
Settlement risk	0	0	0
Currency risk	164	545	212
CVA risk	31	24	28
Operational risk	3,035	3,035	3,292
Total risk-weighted exposure	**44,281**	**41,667**	**40,179**
Capital base requirement			
Credit risk	3,284	3,045	2,932
Settlement risk	0	0	0
Currency risk	13	43	17
CVA risk	2	2	2
Operational risk	243	243	263
Total minimum capital base requirement	**3,542**	**3,333**	**3,214**

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

Cont. Note 14 Capital adequacy analysis

Specification of capital base requirement for credit risks

	30/6/2015		31/12/2014		30/6/2014	
Exposure classes	**Risk-weighted assets**	**Capital base requirement**	**Risk-weighted assets**	**Capital base requirement**	**Risk-weighted assets**	**Capital base requirement**
Exposures to governments and central banks	—	—	—	—	—	—
Exposures to regional governments or local authorities	663	53	873	70	708	57
Exposures to public sector entities	—	—	—	—	—	—
Exposures to multilateral development banks	—	—	—	—	—	—
Exposures to international organisations	—	—	—	—	—	—
Exposure to institutions	264	21	253	20	1,543	123
of which, counterparty risk	*28*	*2*	*18*	*1*	*20*	*2*
Exposure to corporates	575	46	762	61	972	78
Retail exposures	3,011	241	2,850	227	2,834	226
Exposures secured by mortgages on immovable property	35,044	2,804	32,076	2,566	29,224	2,338
of which, residential properties	*35,044*	*2,804*	*32,076*	*2,566*	*29,224*	*2,338*
of which, commercial properties	—	—	—	—	—	—
Exposures in default	193	15	145	12	131	11
Exposures associated with particularly high risk	—	—	—	—	—	—
Exposures in the form of covered bonds	899	72	721	58	929	74
Securitisation positions	—	—	—	—	—	—
Exposure to institutions and corporates with short-term credit ratings	—	—	—	—	—	—
Exposures in the form of collective investment undertakings (CIUs)	187	15	98	8	72	6
Equity exposures	13	1	12	1	10	1
Other items	202	16	273	22	224	18
Total	**41,051**	**3,284**	**38,063**	**3,045**	**36,647**	**2,932**

Cont. Note 14 Capital adequacy analysis

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 on regulatory requirements and capital buffers, and the Financial Supervisory Authority's regulations and general guidelines regarding annual reports of credit institutions and securities firms (FFFS 2008:25). Detailed information about these rules and regulations is provided in a separate Pillar III report, see www.skandiabanken.se/kontakta-skandia/om-skandia/finansiell-info/Information om kapitaltäckning och riskhantering/2015/1506 Periodisk information – kapitaltäckning.

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. Settlement risk pertains to the risk of a securities transaction not being finally settled and of a compensation cost arising. A calculation is made of transactions in which the payment date has expired. The capital base requirement for currency risk amounts to 8% of the total net position in foreign currency. The capital base requirement for CVA risk is calculated in accordance with the standardised approach and pertains to positions in OTC derivatives. The capital base requirement for operational risk is calculated in accordance with the basic indicator approach, which entails a capital base requirement equal to 15% of average operating income for the three most recent financial years. The capital base requirement for market risks in the trading account is calculated in accordance with the rules for credit risk. For Skandiabanken, the combined buffer requirement constitutes a requirement to maintain a capital conservation buffer of 2.5% and a countercyclical buffer of 0.6% of the risk-weighted exposure. The countercyclical buffer requirement is a new requirement that took effect on 30 June 2015 and pertains to Norwegian exposures. For Swedish exposures, the countercyclical buffer requirement takes effect on 13 September 2015.

On 30 June 2015 the Bank's internally assessed capital requirement was SEK 1,965 million, which has been calculated with the support of Economic Capital (EC) models. On 31 December 2014 the internally assessed capital requirement was SEK 1,706 million.

In accordance with a decision by the Financial Supervisory Authority, the Bank has obtained permission to use its interim surplus in its calculation of the capital base, provided that the company's auditors can validate the surplus and that deductions for any dividends and foreseeable costs have been made in accordance with EU Regulation No. 575/2013 and that the calculation of these has been performed in accordance with Commission delegated Regulation (EU) No. 241/2014, supplementing Regulation (EU) No. 575/2013 with regard to regulatory technical standards for Own Funds requirements for institutions. Deloitte AB performed the review referred to above on 30 June 2015.

Note 15 Events after the balance sheet date

On 3 July 2015 Björn Fernström and Peter Rydell left Skandiabanken's board of directors.

Signatures

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

Stockholm, 5 August 2015

Niklas Midby *Chairman of the Board*	Anne Ask	Johanna Rolin Moreno	Ann-Charlotte Stjerna	Christer Löfdahl
Bengt-Åke Fagerman	Marek Rydén	Lars-Göran Orrevall	Øyvind Thomassen *CEO*	

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

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