Skandiabanken Aktiebolag (publ) Interim Report January–June 2016

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 providing them with solutions in savings, pensions and financial security, and by making it easier for them to make wise decisions about their personal economy. 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).

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The comparison figures below for 2015 pertain only to the Swedish operation, as the Norwegian operation was separated in October 2015.

- Income for the first half of 2016 amounted to SEK 451 million (368).
- Operating profit for the first half of 2016 was SEK 95 million (-8), including an estimated revenue of SEK 43 million from VISA.
- Loan losses during the first half of 2016 totalled SEK -6 million (-3).
- Lending to the general public increased by SEK 5,786 million during the first half of the year, to SEK 52,394 million (46,608).
- Total liquidity amounted to SEK 9,161 million as per 30 June, compared with SEK 11,075 million at the start of the year.
- The total capital ratio was 19.9% as per 30 June, compared with 21.4% at the start of the year.

Skandiabanken including the Norwegian operation 2015.

- Income for the first half of 2016 amounted to SEK 451 million (918).
- Operating profit for the first half of 2016 was SEK 95 million (286).
- Loan losses during the first half of 2016 totalled SEK -6 million (-16).

Financial calendar

27 October 2016	*Interim report Jan.–Sept. 2016*
16 February 2017	*Year-end report 2016*

CEO's message

During the second quarter we saw continued growth in our mortgage business, and we are delivering well in line with our business plan. As per the month of June our mortgage volume amounted to SEK 51.5 billion. The increase in lending during the second quarter can be credited in part to the forthcoming amortisation requirement. Growth in mortgage lending during the second quarter was SEK 4.1 billion and is being achieved with continued good credit quality. The average loan-to-value was 53%, compared with 57% on 30 June last year.

As per the end of June we have a market share of approximately 1.8% in mortgage lending. Our mortgage model offers a price benefit to customers with a high level of savings. As a result, we are also seeing an increase in active savings both among new and existing mortgage customers.

The end of the second quarter was characterised by a volatile market as a result of the Brexit vote. The stock market moved in a negative direction during the second quarter, with sharp fluctuations towards the end of the period. Following the Brexit vote, the Stockholm Stock Exchange opened with a drop of approximately 8%. As a result, our customers' assets lost SEK 505 million in value, and volume growth did not meet our expectations. This was followed by a recovery in July, however. Meanwhile, deposits grew by SEK 1.7 billion, an increase of 5% since the start of the year.

VISA Inc.'s acquisition of VISA Europe was completed during the second quarter, and all owners in VISA Europe will therefore receive a payment for their corresponding part. Earnings for the second quarter include an estimated payment of just under SEK 43 million, which will be paid out in both cash and shares in VISA Inc.

During the quarter we improved our mobile customer experience with a newly developed and desired functionality on our app. Customers can now conveniently conduct all of their share and fund trading on their mobile devices.

Operating profit for the second quarter, excluding the estimated payment for the sale of VISA Europe, was SEK 24 million (SEK -33 million), and accumulated for the first half of the year, operating profit was SEK 52 million (excluding the estimated payment for VISA Europe) (SEK -8 million).

Net interest income developed in a positive direction as a result of mortgage volume growth, but also due to a slightly improved margin. Generating a yield on our liquidity buffer continues to be challenging in an environment with negative interest rates. As a result of the stock market's performance and relatively low net sales, net fee and commission income has not developed according to plan. We are now working with measures to attract a larger inflow of volumes to funds. Costs for the first half of the year decreased by SEK 23 million compared to last year. Loan losses increased slightly, but are still at low levels.

Stockholm, August 2016

Johanna Cerwall
CEO

Financial review

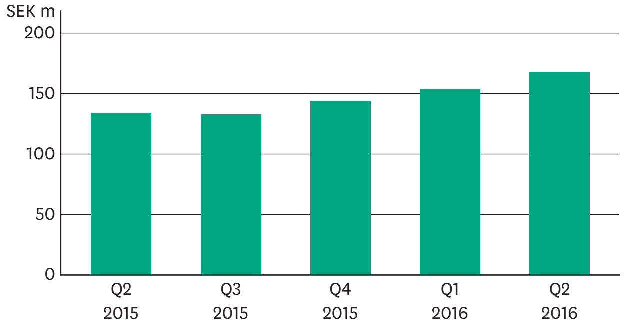
Profit January–June 2016 compared with January–June 2015, including the former Norwegian operation
Operating profit before tax amounted to SEK 95 million (286). The comparison figure for 2015 has been changed by SEK 13 million due to an updated accounting policy, see Note 1. The comparison figure for 2015 includes operating profit of SEK 281 million for the former Norwegian operation.

Compared with the first half of 2015, income decreased by SEK 467 million to SEK 451 million (918). Income from the former Norwegian operation amounted to SEK 570 million. Expenses decreased compared with the preceding year to SEK 350 million (616), of which SEK 276 million pertained to expenses in the Norwegian operation.

Profit January–June 2016 compared with January–June 2015 for the Swedish operation
The Norwegian operation was separated at the start of October 2015 and is therefore excluded from the comparison figures below to provide a clearer picture of the Swedish operation's performance.

The positive development from the first quarter of this year continued, and operating profit for the first half of the year amounted to SEK 95 million (-8).

Net interest income per quarter



Significant events
Øyvind Thomassen left his position as CEO of Skandiabanken on 25 April 2016. Johanna Cerwall took office as CEO on 26 April.

Income
Skandiabanken's net interest income increased by SEK 57 million, to SEK 322 million (265), compared with the corresponding period a year ago. The improvement was mainly driven by an increase in lending to the general public combined with a better net interest margin. Borrowing costs were favourably affected by the negative market rates of interest.

Lending, excluding loans to the Swedish National Debt Office, increased by SEK 5,924 million during the first half of the year, to SEK 52,240 million (46,316). The positive volume growth is a result of the Bank's attractive offering combined with a transparent mortgage model. Deposits from the general public increased by SEK 1,701 million to SEK 37,612 million (35,911).

Net fee and commission income was essentially unchanged compared with the corresponding period a year ago, totalling SEK 51 million (52).

Other operating income amounted to SEK 77 million, compared with SEK 58 million a year ago. The increase is mainly attributable to the estimated sales proceeds that the Bank will receive once VISA Inc.'s acquisition of VISA Europe is completed and distribution of the proceeds takes place.

Operating income

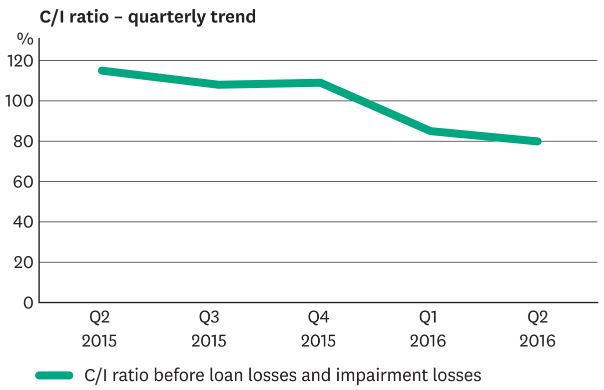
SEK million	2016 Jan.-June	2015 Jan.-June	Change, %
Net interest income	322	265	22%
Net fee and commission income	51	52	-2%
Net financial income	1	-7	—
Other operating income	77	58	33%
Total operating income	**451**	**368**	**23%**

Expenses
Expenses decreased compared with the preceding year to SEK 350 million (373). Staff costs increased marginally compared with the corresponding period in 2015 to SEK 126 million (117). The increase is attributable to a larger number of employees, mainly due to changes within the Skandia group, where functions that were previously handled by Skandia Mutual were transferred to the Bank.

Other administrative expenses decreased by SEK 35 million to SEK 184 million (219). Lower operating expenses for the new banking platform and a lower need for external consulting services are two factors that contributed to the lower expenses. In 2015 the Bank had duplicate licence costs for the banking platform for a large part of the year, which led to temporarily higher costs.

Expenses before loan losses

SEK million	2016 Jan.-June	2015 Jan.-June	Change, %
Staff costs	-126	-117	8%
Other administrative expenses	-184	-219	-16%
Depreciation	-9	-13	-31%
Other operating expenses	-31	-24	29%
Total expenses before loan losses	**-350**	**-373**	**-6%**



Loan losses
Net loan losses increased compared with the preceding year to SEK -6 million (-3). Loan losses continue to be at a low level.

Impaired loans, net, decreased compared with the level at the start of the year to SEK 13 million (21).

Loan losses and impaired loans

SEK million	2016 Jan.-June	2015 Jan.-June	Change, %
Loan losses	-6	-3	100%
Impaired loans, net	13	24	-46%
Impaired loans, net, as % of lending to the general public	0.03%	0.05%	-40%

Balance sheet, liquidity and managed assets in funds
Total assets increased by SEK 3,464 million to SEK 62,322 million (58,858) compared with the start of the year. The increase is mainly due to growth in lending to the general public.

Lending to the general public, excluding loans to the Swedish National Debt Office, amounted to SEK 52,240 million (46,316). The increase in volume was favourable, rising 13%, or SEK 5,924 million. The increase is believed to be largely attributable to the fact that customers pushed up their loan applications ahead of implementation of the amortisation requirement. The bank is thus expected to have a slightly lower rate of growth during the second half of the year. Mortgages account for most of this balance sheet item and totalled SEK 51,467 million.

Deposit volume amounted to SEK 37,612 million (35,911), corresponding to an increase of SEK 1,701 million compared with the start of the year. Skandiabanken's total liquidity amounted to SEK 9,161 million (11,075), which corresponds to 24% (31%) 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. The decrease compared with the level at the start of the year is due to the fact that growth in the mortgage business volume was partly funded by reducing the liquidity portfolio. This is in line with plans, as Skandiabanken previously had a surplus of liquidity, since the Bank had a liquidity buffer for the Norwegian operation as well. Of total liquidity, SEK 8,891 million (9,803) qualifies as the liquidity buffer in accordance with the Financial Supervisory Authority's rules for managing liquidity risk (FFFS 2010:7). The deposit-to-loan ratio was 72% (78%).

Skandiabanken's capital market funding amounted to SEK 19,468 million (17,336), corresponding to 31% (29%) of the balance sheet total.

Events in the external operating environment have created greater uncertainty surrounding the future economic trend, which has had a negative impact on both customer cash flow and the value of the portfolio. As a result, managed assets in funds decreased by SEK 505 million during the first half of the year. Skandiabanken's price model rewards customers for saving, and the recent trend with many new mortgage customers has generated favourable savings volume, particularly in deposits. The Bank has the goal of being able to offer customers an attractive savings offering, and activities are currently being carried out to increase the Bank's share in the mutual fund and securities market.

The credit rating agency Moody's affirmed Skandiabanken's A2 short-term credit rating (with negative outlook) and P-1 rating.

Further information about the liquidity buffer and liquidity management is provided in the annual report, 1512 Årlig information om kapitaltäckning och riskhantering, which is available at www.skandia.se, Om oss, Om Skandia, Finansiell information, Skandias bank.

Balance sheet, liquidity and managed assets, 30 June 2016 compared with 31 December 2015

SEK million	2016 30 June	2015 31 Dec.	Change %
Balance sheet total	62,322	58,858	6%
Lending to the general public[1]	52,394	46,608	12%
Deposits from the general public	37,612	35,911	5%
External borrowing	19,468	17,336	12%
Liquidity buffer[2]	8,891	9,803	-9%
Total liquidity[3]	9,161	11,075	-17%
Deposit-to-loan ratio[4]	72%	78%	-7%
Managed assets in funds (NAV)[5]	11,584	12,089	-4%

[1] Including placements of SEK 154 million (292) with the Swedish National Debt Office.

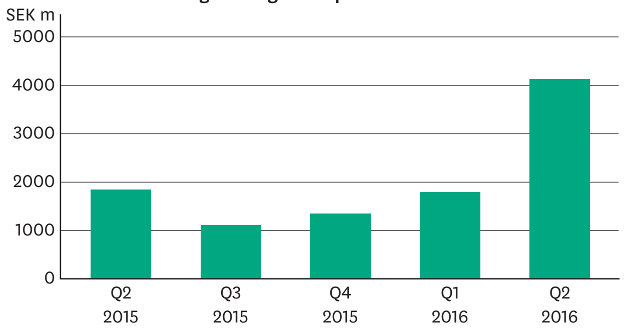
[2] In accordance with the Financial Supervisory Authority's rules for managing liquidity risk (FFFS 2010:7).

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

[4] Excluding placements of SEK 154 million (292) with the Swedish National Debt Office.

[5] Excluding advisory-based custody account insurance.

Growth in lending to the general public excl. Swedish National Debt Office

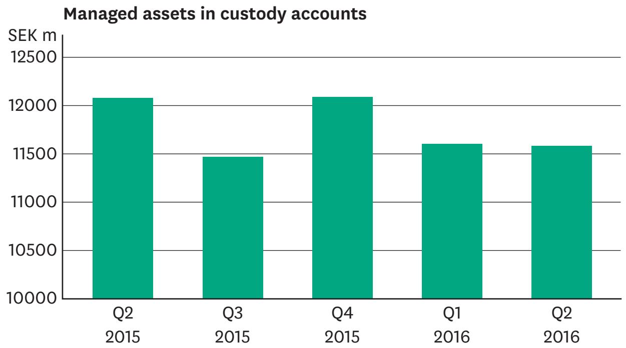


Capital adequacy

The total capital ratio increased to 19.9% (21.4%) compared with the level at 31 December 2015. The Common Equity Tier 1 capital ratio decreased during the same period to 15.7% (16.9%). This decrease in the capital ratio is in line with plans, as the Bank was capitalised in connection with the divestment of the Norwegian operation to be able to meet its long-term growth plan.

	2016 30 June	2015 31 Dec.
Total capital ratio	19.9%	21.4%
Tier 1 capital ratio[1]	15.7%	16.9%
Common Equity Tier 1 capital ratio[1]	15.7%	16.9%
Capital adequacy requirement, SEK million	1,744	1,599
Total risk-weighted exposure, SEK million	21,798	19,987

[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 and uncertainties, and anticipated future performance
Skandiabanken conducts retail banking business in Sweden. The bank offers mainly deposits and lending to individuals primarily in the form of mortgages, personal loans, account lines of credit and credit card credits, and custody account lending. 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 potential negative 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.

On 5 July 2016 the Central Bank of Sweden decided to leave its repo rate unchanged at -0.50%. According to the Central Bank's forecast, the repo rate is expected to remain at the same level until at least the end of 2017. The Swedish economy continues to strengthen, and inflation is showing a rising trend. As a result of the uncertainty in the external operating environment caused by the UK's referendum on membership in the EU, the Central Bank of Sweden considers it necessary to pursue a continued expansive monetary policy to support the Swedish economy and achieve its inflation target.

Effective 27 June the countercyclical buffer for Swedish institutions is 1.5% of risk-weighted exposure. On 14 March 2016 the Swedish Financial Supervisory Authority decided to institute an increase in the countercyclical buffer to 2.0% effective 19 March 2017.

On 1 February 2016, new laws and regulatory requirements took effect which implement the Bank Recovery and Resolution Directive (2014/59/EU) in Swedish law. Under the Swedish National Debt Office's resolution rules, a minimum requirement for own funds and eligible liabilities (MREL) will be set individually for each institution as from autumn 2017. On 26 April 2016 the Swedish National Debt Office presented its recommendation for how the minimum requirement for eligible liabilities shall be formulated. According to these recommendations, the minimum requirement for Skandiabanken amounts to the total capital requirement less the combined buffer requirement until an individual requirement has been set by the Swedish National Debt Office.

Events in the outside world, such as Brexit and the forthcoming elections in France and the USA, are creating elevated uncertainty surrounding future economic and political developments. Initially the Brexit vote has had a marginal impact on Skandiabanken.

For further information about the Bank's risks and risk management, see Note 37 in the 2015 Annual Report.

Disputes
Skandiabanken is party to few 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

Key ratios Sweden

	2016 Q2	2015 Q2	2016 Jan.-June	2015 Jan.-June	2015 Full year
Return on equity, %[1]	6.28	-2.70	4.35	-0.36	-5.42
Cost/income ratio before loan losses and impairment of intangible assets[2]	0.72	1.15	0.78	1.01	1.05
Total capital ratio, %[3] [4]	19.9	13.8	19.9	13.8	21.4
Tier 1 capital ratio, %[3] [5]	15.7	11.6	15.7	11.6	16.9
Provision level for impaired loans %[6]	48.9	31.8	48.9	31.8	35.4
Share of impaired loans, net, %[7]	0.03	0.05	0.03	0.05	0.05
Loan loss ratio, %[8]	0.03	0.02	0.02	0.01	0.01
Average number of employees	326	305	321	301	306

Key ratios including the Norwegian operation 2015

	2016 Q2	2015 Q2	2016 Jan.-June	2015 Jan.-June	2015 Full year
Return on equity, %[1]	6.29	4.37	4.36	6.98	1.61
Cost/income ratio before loan losses, impairment of intangible assets and translation difference in equity[2]	0.72	0.78	0.78	0.68	0.76
Total capital ratio, %[4]	19.9	14.5	19.9	14.5	21.4
Tier 1 capital ratio, %[5]	15.7	12.5	15.7	12.5	16.9
Provision level for impaired loans %[6]	48.9	65.0	48.9	65.0	35.4
Share of impaired loans, net, %[7]	0.03	0.06	0.03	0.06	0.05
Loan loss ratio, %[8]	0.03	0.04	0.02	0.03	0.03
Average number of employees	326	523	321	516	475

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

[2] Total costs before loan losses and impairment of intangible assets in relation to total operating income.

[3] The comparison figure for the Swedish operations as per June 2015 is an estimate.

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

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

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

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

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

Income statement, quarterly

Income statement Sweden, quarterly

SEK million	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
Net interest income	168	154	144	132	135
Fee and commission income	22	29	23	25	30
Net financial income	2	-1	8	-4	-4
Other operating income	61	16	26	50	41
Total operating income	**253**	**198**	**201**	**203**	**202**
Staff costs	-66	-60	-63	-60	-59
Other operating expenses	-116	-108	-404	-158	-174
Total expenses before loan losses	**-182**	**-168**	**-467**	**-218**	**-233**
Profit before loan losses	**71**	**30**	**-266**	**-15**	**-31**
Loan losses, net	-4	-2	-1	-2	-2
Operating profit	**67**	**28**	**-267**	**-17**	**-33**

Income statement, quarterly including Norwegian operation 2015

SEK million	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
Net interest income	168	154	142	383	389
Fee and commission income	22	29	24	73	75
Net financial income[1]	2	-1	27	-144	-45
Other operating income	61	16	23	14	14
Total operating income	**253**	**198**	**216**	**326**	**433**
Staff costs	-66	-60	-61	-117	-105
Other operating expenses	-116	-108	-405	-244	-258
Total expenses before loan losses	**-182**	**-168**	**-466**	**-361**	**-363**
Profit before loan losses	**71**	**30**	**-250**	**-35**	**70**
Loan losses, net	-4	-2	-1	-10	-9
Operating profit	**67**	**28**	**-251**	**-45**	**61**

[1] The comparison figure for 2015 has been changed due to a changed accounting policy regarding translation differences. See Note 1.

Income statement

Income statement including the Norwegian operation 2015

SEK million	Note	2016 Q2	2015 Q2	2016 Jan.-June	2015 Jan.-June	2015 Full year
Interest income	3	188	702	365	1,435	2,252
Interest expense	3	-20	-313	-43	-674	-966
Fee and commission income	4	58	129	121	252	451
Fee and commission expense	4	-36	-54	-70	-116	-218
Net financial income[1]	5	2	-45	1	-4	-121
Other operating income		61	14	77	25	62
Total operating income		**253**	**433**	**451**	**918**	**1,460**
General administrative expenses						
Staff costs		-66	-105	-126	-212	-390
Other administrative expenses		-98	-223	-184	-347	-689
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets		-4	-12	-9	-14	-281
Other operating expenses		-14	-23	-31	-43	-83
Total expenses before loan losses		**-182**	**-363**	**-350**	**-616**	**-1,443**
Profit before loan losses		**71**	**70**	**101**	**302**	**17**
Loan losses, net	6	-4	-9	-6	-16	-27
Operating profit		**67**	**61**	**95**	**286**	**-10**
Appropriations, group contributions		—	—	—	—	491
Profit before tax		**67**	**61**	**95**	**286**	**481**
Tax on profit for the period[1]		-6	-20	-11	-78	-105
Net profit for the period		**61**	**41**	**84**	**208**	**376**

[1] The comparison figure for 2015 has been changed due to a changed accounting policy regarding translation differences. See Note 1.

Statement of comprehensive income

Comprehensive income including the Norwegian operation 2015

SEK million	2016 Q2	2015 Q2	2016 Jan.-June	2015 Jan.-June	2015 Full year
Net profit for the period	**61**	**41**	**84**	**208**	**376**
Other comprehensive income					
Items that cannot be reclassified to profit for the period					
Revaluation of defined benefit pensions[1]	—	-1	—	-1	-1
Taxes attributable to revaluation of defined benefit pensions[1]	—	0	—	—	0
Items that have been reclassified or can be reclassified to profit for the period					
Available-for-sale financial assets	-6	-38	40	-46	-59
Tax attributable to available-for-sale financial assets	2	9	-9	11	14
Hedge of net investment	—	0	—	0	0
Total other comprehensive income after tax	**-4**	**-30**	**31**	**-36**	**-46**
Comprehensive income for the period after tax	**57**	**11**	**115**	**172**	**330**

[1] Pertains to locally reported Norwegian pension plans.

Balance sheet

Balance sheet including the Norwegian operation as per June 2015

SEK million

Assets	Note	30/6/2016	31/12/2015	30/6/2015
Cash and cash balances with central banks		21	21	626
Eligible treasury bills, etc.		4,982	4,524	10,227
Lending to credit institutions		343	411	3,127
Lending to the general public	7	52,394	46,608	100,394
Fair value of portfolio hedge of interest rate risk		141	117	150
Bonds and other fixed-income securities		4,004	6,253	9,746
Shares and participations, etc.		10	10	14
Intangible assets		151	159	414
Property, plant and equipment		1	2	5
Current tax assets		—	16	12
Deferred tax assets		10	18	28
Other assets		178	685	465
Prepaid expenses and accrued income		87	34	144
Total assets		**62,322**	**58,858**	**125,352**

SEK million

Liabilities and provisions	Note	30/6/2016	31/12/2015	30/6/2015
Due to credit institutions		134	79	116
Deposits and borrowing from the general public		37,612	35,911	85,764
Issued securities, etc.	8	19,468	17,336	30,215
Current tax liabilities		4	96	74
Other liabilities		382	350	1,901
Accrued expenses and deferred income		122	110	338
Provisions for pensions		13	13	62
Subordinated liabilities		900	900	900
Total liabilities and provisions		**58,635**	**54,795**	**119,370**
Share capital		400	400	400
Other reserves				
- Statutory reserve		81	81	81
- Total fair value reserve[1]		14	-17	-7
Retained earnings[1]		3,108	3,223	5,300
Profit for the period[1]		84	376	208
Total equity		**3,687**	**4,063**	**5,982**
Total liabilities, provisions and equity		**62,322**	**58,858**	**125,352**

[1] The comparison figure for 2015 has been changed due to a changed accounting policy regarding translation differences. See Note 1.

Statement of changes in equity

SEK million	Restricted equity: Share capital	Restricted equity: Statutory reserve	Unrestricted equity: Total fair value reserve: *Fair value reserve*[1]	*Translation reserve*	Total	Defined benefit pension plans[2]	Retained earnings	Total equity
Opening equity 2015	**400**	**81**	**29**	**-150**	**-121**	**4**	**5,032**	**5,396**
Adjustment for changed accounting policy for translation differences[3]	—	—	—	150	150	—	-150	—
Adjusted opening equity 2015	**400**	**81**	**29**	**—**	**29**	**4**	**4,882**	**5,396**
Profit for the period[3]	—	—	—	—	—	—	208	208
Other comprehensive income for the period[3]	—	—	-35	—	-35	-1	—	-36
Comprehensive income for the period	**—**	**—**	**-35**	**—**	**-35**	**-1**	**208**	**172**
Shareholder contribution received	—	—	—	—	—	—	414	414
Closing equity, 30 June 2015	**400**	**81**	**-6**	**—**	**-6**	**3**	**5,504**	**5,982**
Opening equity 2015	**400**	**81**	**29**	**-150**	**-121**	**4**	**5,032**	**5,396**
Adjustment for changed accounting policy for translation differences[3]	—	—	—	150	150	—	-150	—
Adjusted opening equity 2015	**400**	**81**	**29**	**—**	**29**	**4**	**4,882**	**5,396**
Profit for the year[3]	—	—	—	—	—	—	376	376
Other comprehensive income for the year[3]	—	—	-45	—	-45	-1	—	-46
Comprehensive income for the year	**—**	**—**	**-45**	**—**	**-45**	**-1**	**376**	**330**
Shareholder contribution received	—	—	—	—	—	—	1,667	1,667
Demerger result, Norwegian operation[3]	—	—	-1	—	-1	-3	-3,326	-3,330
Closing equity, 31 December 2015	**400**	**81**	**-17**	**—**	**-17**	**—**	**3,599**	**4,063**
Opening equity 2016	**400**	**81**	**-17**	**—**	**-17**	**—**	**3,599**	**4,063**
Profit for the period	—	—	—	—	—	—	84	84
Other comprehensive income for the period	—	—	31	—	31	—	—	31
Comprehensive income for the period	**—**	**—**	**31**	**—**	**31**	**—**	**84**	**115**
Dividend	—	—	—	—	—	—	-491	-491
Closing equity, 30 June 2016	**400**	**81**	**14**	**—**	**14**	**—**	**3,192**	**3,687**

[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.

[3] The comparison figure for 2015 has been changed due to a changed accounting policy regarding translation differences. See Note 1.

Cash flow statement

SEK million	2016 Jan.-June	2015 Jan.-June	2015 Full year
Cash flow from operating activities	-127	1,509	-3,327
Cash flow from investing activities	1	-47	210
Cash flow from financing activities[1] [2]	0	419	1,672
Cash flow for the period	**-126**	**1,881**	**-1,445**
Of which, Norway banking[3]	*-99*	*1,371*	*-996*
Cash and cash equivalents at start of period	353	1,788	1,788
Exchange rate differences in cash and cash equivalents	3	-32	10
Cash flow for the period	-126	1,881	-1,445
Cash and cash equivalents at end of period	**230**	**3,637**	**353**
Of which, Norway banking[3]	*0*	*2,431*	*96*

[1] A dividend of SEK 491 million was paid to the parent company Skandia Insurance Company Ltd (publ) during the second quarter of 2016. No dividend was paid in 2015.

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

[3] Cash flow in 2016 pertains to payment of tax liability for the separated Norwegian operation.

Cash and cash equivalents are defined as cash, clearing and settlement claims, clearing and settlement 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 2016. 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.

The same accounting policies and calculation methods have been applied in the interim report as those described in the 2015 Annual Report, Note 1. Changes implemented in 2016 are outlined below.

The interim report is presented in Swedish kronor (SEK), rounded off to the nearest million, unless indicated otherwise.

Changed accounting policies and changed presentation
In all essential respects, the accounting policies and calculations methods are unchanged compared with the 2015 Annual Report. The Swedish Financial Reporting Board (RFR) has made changes in its accounting recommendations for legal entities (RFR 2), effective 1 January 2016. This entails that Skandiabanken reports exchange rate differences for the remaining parts of the Norwegian branch in the income statement instead of in other comprehensive income. Changes have also been made in the Annual Accounts Act for Credit Institutions and Investment Firms as a result of the EU's new accounting directive. Among other things, items under this line have been removed, and the corresponding information is instead reported in a note. Company management is of the opinion that other new and amended standards and interpretations effective as from 2016 have not had any impact on Skandiabanken's financial statements.

Financial effect of comparison figures 2015
Income statement

	2015 Jan.–June			2015 Full year		
SEK million	**Before reclassification**	**Reclassification**	**After reclassification**	**Before reclassification**	**Reclassification**	**After reclassification**
Net interest income	761	—	761	1,286	—	1,286
Net fee and commission income	136	—	136	233	—	233
Net financial income	-17	13	-4	-14	-107	-121
Other operating income	25	—	25	62	—	62
Total operating income	**905**	**13**	**918**	**1,567**	**-107**	**1,460**
Staff costs	-212	—	-212	-390	—	-390
Other administrative expenses	-404	—	-404	-1,053	—	-1,053
Total expenses before loan losses	**-616**	**—**	**-616**	**-1,443**	**—**	**-1,443**
Profit before loan losses	**289**	**13**	**302**	**124**	**-107**	**17**
Loan losses, net	-16	—	-16	-27	—	-27
Operating profit	**273**	**13**	**286**	**97**	**-107**	**-10**
Appropriations, group contributions	—	—	—	491	—	491
Profit before tax	**273**	**13**	**286**	**588**	**-107**	**481**
Tax on profit for the period	-75	-3	-78	-129	24	-105
Net profit for the period	**198**	**10**	**208**	**459**	**-83**	**376**

Cont. Note 1 Accounting policies

Other comprehensive income

SEK million	2015 Jan.–June			2015 Full year		
	Before reclassification	Reclassification	After reclassification	Before reclassification	Reclassification	After reclassification
Items that cannot be reclassified to profit for the period						
Revaluation of defined benefit pensions	-1	—	-1	-1	—	-1
Taxes attributable to revaluation of defined benefit pensions	—	—	—	0	—	0
Items that have been reclassified or can be reclassified to profit for the period						
Available-for-sale financial assets	-46	—	-46	-59	—	-59
Tax attributable to available-for-sale financial assets	11	—	11	14	—	14
Hedge of net investment	0	—	0	0	—	0
Translation difference	13	-13	—	-107	107	—
Tax attributable to translation difference	-3	3	—	24	-24	—
Total other comprehensive income after tax	**-26**	**-10**	**-36**	**-129**	**83**	**-46**
Comprehensive income for the period after tax	**172**	**—**	**172**	**330**	**—**	**330**

Equity

SEK million	2015 Jan.–June			2015 Full year		
	Before reclassification	Reclassification	After reclassification	Before reclassification	Reclassification	After reclassification
Share capital	400	—	400	400	—	400
Other reserves						
- Statutory reserve	81	—	81	81	—	81
- Total fair value reserve	-143	136	-7	-17	—	-17
Retained profit	5,446	-146	5,300	3,140	83	3,223
Profit for the period	198	10	208	459	-83	376
Total equity	**5,982**	**—**	**5,982**	**4,063**	**—**	**4,063**

Note 2 Reporting of operating segments

SEK million	Sweden		Norway		Eliminations and recalculations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Income statements	**Jan.-June**	**Jan.-June**	**Jan.-June**	**Jan.-June**	**Jan.-June**	**Jan.-June**	**Jan.-June**	**Jan.-June**
Net interest income	322	265	0	496	—	—	322	761
Net fee and commission income	51	52	—	84	—	—	51	136
Net financial income[1]	1	-7	—	-10	—	13	1	-4
Other operating income	77	58	—	0	—	-33	77	25
Total operating income	**451**	**368**	**0**	**570**	**—**	**-20**	**451**	**918**
Staff costs	-126	-117	—	-95	—	—	-126	-212
Other administrative expenses	-184	-219	—	-161	—	33	-184	-347
Depreciation/amortisation of property, plant and equipment, and intangible assets[2]	-9	-13	—	-1	—	—	-9	-14
Other operating expenses	-31	-24	—	-19	—	—	-31	-43
Total expenses before loan losses	**-350**	**-373**	**0**	**-276**	**—**	**33**	**-350**	**-616**
Loan losses, net	-6	-3		-13	—	—	-6	-16
Operating profit	**95**	**-8**	**0**	**281**	**—**	**13**	**95**	**286**
Profit before tax	**95**	**-8**	**0**	**281**	**—**	**13**	**95**	**286**
Tax on profit for the period[1]	-11	1	0	-76	—	-3	-11	-78
Net profit for the period	**84**	**-7**	**0**	**205**	**—**	**10**	**84**	**208**
External income	451	293	0	565	—	13	451	871
Internal income[3]	—	42	—	5	—	—	—	47
Internal expenses[3]	—	-5	—	-42	—	—	—	-47
COMPREHENSIVE INCOME								
Net profit for period	**84**	**-7**	**0**	**205**	**—**	**10**	**84**	**208**
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 reclassified or can be reclassified to profit or loss for the year								
Change in value of available-for-sale financial assets	40	-42	—	-4	—	—	40	-46
Tax attributable to change in value of available-for-sale financial assets	-9	10	—	1	—	—	-9	11
Hedge of net investment	—	0	—	—	—	—	0	0
Total other comprehensive income after tax	**31**	**-32**	**—**	**-4**	**—**	**—**	**31**	**-36**
Comprehensive income for the period after tax	**115**	**-39**	**0**	**201**	**—**	**10**	**115**	**172**

[1] The comparison figure for 2015 has been changed due to a changed accounting policy regarding translation differences. See Note 1.
[2] No impairment is recognised for intangible assets or for property, plant and equipment.
[3] Internal income and expenses are included on the lines “Net interest income”, “Net fee and commission income”, “Net financial items”, “Other operating income”, “Staff costs” and “Other administrative expenses”.

Cont. Note 2, Reporting of operating segments

SEK billion	Sweden			Norway			Eliminations and recalculations			Total		
	2016	**2015**	**2015**	**2016**	**2015**	**2015**	**2016**	**2015**	**2015**	**2016**	**2015**	**2015**
Balance sheets	**30 June**	**31 Dec.**	**30 June**	**30 June**	**31 Dec.**	**30 June**	**30 June**	**31 Dec.**	**30 June**	**30 June**	**31 Dec.[4]**	**30 June**
Assets												
Lending to the general public[1]	52.4	46.6	44.6	—	—	55.8	—	—	—	52.4	46.6	100.4
Other assets	9.9	12.2	14.1	0.0	0.1	12.0	—	—	-1.1	9.9	12.3	25.0
Total assets	**62.3**	**58.8**	**58.7**	**0.0**	**0.1**	**67.8**	**—**	**—**	**-1.1**	**62.3**	**58.9**	**125.4**
Liabilities												
Deposits and borrowing from the general public	37.6	35.9	36.9	—	—	48.9	—	—	—	37.6	35.9	85.8
Issued securities	19.5	17.3	16.1	—	—	14.1	—	—	—	19.5	17.3	30.2
Other liabilities	1.5	1.5	3.0	0.0	0.1	1.5	—	—	-1.1	1.5	1.6	3.4
Total liabilities	**58.6**	**54.7**	**56.0**	**0.0**	**0.1**	**64.5**	**—**	**—**	**-1.1**	**58.6**	**54.8**	**119.4**
Equity	**3.7**	**4.1**	**2.7**	**0.0**	**0.0**	**3.3**	**—**	**—**	**—**	**3.7**	**4.1**	**6.0**
Total liabilities and equity	**62.3**	**58.8**	**58.7**	**0.0**	**0.1**	**67.8**	**—**	**—**	**-1.1**	**62.3**	**58.9**	**125.4**

[1] Swedish banking operation, including placements of SEK 0.2 billion (0.3 and 0.7, respectively) with the Swedish National Debt Office and of SEK 0 billion (0 and 0.1, respectively) with Skandia Capital AB.

Key ratios												
Investment margin %[1]	1.09	0.97	0.98	—	—	1.53	—	—	—	1.09	1.10	1.28
C/I ratio before loan losses[2]	0.78	1.05	1.01	—	—	0.48	—	—	—	0.78	0.76	0.68
Loan loss ratio, %[3]	0.02	0.01	0.01	—	—	0.05	—	—	—	0.02	0.03	0.03
Number of customers, thousands	456	453	451	—	—	380	—	—	—	456	453	831
Average number of employees	321	306	301	—	—	215	—	—	—	321	475	516

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

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

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

[4] The key ratios for the full year 2015 are calculated for the period up until the separation of the Norwegian operation.

Note 3 Net interest income

	2016 Q2	2015 Q2	2016 Jan.-June	2015 Jan.-June	2015 Full year
Lending to credit institutions[1]	-1	13	-1	21	8
Lending to the general public	187	658	364	1,337	2,117
Fixed-income securities[1]	0	38	-1	88	121
Other	2	1	3	2	4
Total interest income[3]	**188**	**710**	**365**	**1,448**	**2,250**
Due to credit institutions	0	-18	0	-28	-22
Deposits and borrowing from the general public	-22	-226	-45	-488	-709
Issued securities[2]	4	-74	6	-164	-220
Subordinated liabilities	-2	-3	-4	-6	-11
Other	0	0	0	-1	-2
Total interest expenses[3]	**-20**	**-321**	**-43**	**-687**	**-964**
Net interest income[1]	**168**	**389**	**322**	**761**	**1,286**
Of which, Norway banking	*0*	*254*	*0*	*496*	*745*

[1] Negative value in 2016 due to prevailing 3 month Stibor and repo rates.

[2] Positive value in 2016 as a result of amortised cost of issued securities.

[3] The deviation in total interest income and interest expense compared with the 2015 income statement pertains to interest attributable to hedge instruments, which in the note is transferred to interest income to provide a more accurate picture.

Note 4 Net fee and commission income

	2016 Q2	2015 Q2	2016 Jan.-June	2015 Jan.-June	2015 Full year
Payment intermediation fees	22	74	47	144	244
Commissions on lending	0	0	0	0	1
Commissions on deposits	0	1	1	1	2
Commissions on securities	31	51	63	100	188
Other commissions	5	3	10	7	16
Total fee and commission income	**58**	**129**	**121**	**252**	**451**
Payment intermediation fees	-16	-27	-29	-64	-113
Commissions on securities	-9	-12	-18	-24	-48
Other commissions	-11	-15	-23	-28	-57
Total fee and commission expenses	**-36**	**-54**	**-70**	**-116**	**-218**
Net fee and commission income	**22**	**75**	**51**	**136**	**233**
Of which, Norway banking	*—*	*45*	*—*	*84*	*133*

Note 5 Net financial income

	2016 Q2	2015 Q2	2016 Jan.-June	2015 Jan.-June	2015 Full year
Financial assets at fair value classified as held for trading	**0**	**-1**	**0**	**0**	**0**
- Shares and participations and other equity instruments, change in value, etc.	0	0	0	0	0
- Interest-bearing derivatives, change in value	—	-1	—	0	0
Available-for-sale financial assets	**2**	**1**	**1**	**1**	**0**
- Fixed-income securities, realised gains/losses, etc.	2	1	1	1	0
Repurchases of issued securities	**0**	**-9**	**0**	**-9**	**-11**
Hedge accounting[1]	**0**	**-4**	**0**	**-8**	**-1**
- Change in value of hedged item	-7	-44	24	-34	-66
- Change in value of hedge instrument	7	40	-24	26	65
Exchange rate movements[2]	**0**	**-32**	**0**	**12**	**-109**
Total	**2**	**-45**	**1**	**-4**	**-121**
Of which, Norway banking	—	*-10*	—	*-10*	*-13*

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

[2] The comparison figure for 2015 has been changed due to a changed accounting policy regarding translation differences. See Note 1.

Note 6 Loan losses, net

	2016 Q2	2015 Q2	2016 Jan.-June	2015 Jan.-June	2015 Full year
Specific provision for individually assessed loan receivables					
The period's write-off of confirmed loan losses	0	-1	—	-1	-2
Reversal of provisions for probable loan losses in previous years that are reported as confirmed loan losses in the period's accounts	0	0	—	2	2
The period's provision for probable loan losses	-1	-4	-3	-6	-8
Paid in from confirmed loan losses in previous years	0	0	0	0	1
Reversal of provisions for probable loan losses which are no longer necessary	0	3	1	3	4
Net expense for the period for individually assessed loan receivables	**-1**	**-2**	**-2**	**-2**	**-3**
Portfolio provisions for loans individually assessed as not being impaired					
The period's change in provision for individually assessed loan receivables	0	0	0	0	0
The period's change in provision for collectively assessed homogenous groups of loan receivables	0	1	0	1	0
The period's change in portfolio provisions for loans individually assessed as not being impaired	**0**	**1**	**0**	**1**	**0**
Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk					
The period's write-off of confirmed loan losses	-4	-7	-5	-14	-20
Paid in from confirmed loan losses in previous years	0	2	0	4	7
Provision/reversal for collectively assessed homogenous groups of loan receivables	1	-3	1	-5	-11
Net expense for the period for collectively assessed homogeneous groups of loan receivables	**-3**	**-8**	**-4**	**-15**	**-24**
Net loan losses for the period	**-4**	**-9**	**-6**	**-16**	**-27**
Of which, Norway banking	*0*	*-7*	—	*-13*	*-21*

Note 7 Lending to the general public

	30/6/2016	31/12/2015	30/6/2015
Amortised cost[1]	52,407	46,620	100,513
Provision for impaired loans	-13	-12	-119
Total lending to the general public	**52,394**	**46,608**	**100,394**
Loan receivables broken down by geographic region			
Loan receivables at amortised cost (before provision for loan losses)[1]	**52,407**	**46,620**	**100,513**
Sweden[1]	52,407	46,620	44,602
Norway	—	—	55,911
Specific provisions for individually assessed loan receivables	**3**	**1**	**25**
Sweden	3	1	3
Norway	—	—	22
Collective provisions for individually assessed loan receivables	**2**	**2**	**9**
Sweden	2	2	2
Norway	—	—	7
Provisions for collectively assessed homogenous groups of loan receivables	**8**	**9**	**85**
Sweden	8	9	6
Norway	—	—	79
Total provisions	**13**	**12**	**119**
Sweden	13	12	11
Norway	—	—	108
Loan receivables at amortised cost (after provisions for loan losses)[1]	**52,394**	**46,608**	**100,394**
Sweden[1]	52,394	46,608	44,591
Norway	—	—	55,803
Impaired loans (after provisions for loan losses)	**13**	**21**	**64**
Sweden	13	21	24
Norway	—	—	40

[1] Including placements of SEK 154 million (292) and SEK 657 million with the Swedish National Debt Office and of SEK 0 million (0) and SEK 70 million, respectively, with Skandia Capital AB.

Note 8 Issued securities, etc.

	30/6/2016	31/12/2015	30/6/2015
Commercial paper	1,890	2,040	1,750
Bond issues	3,453	3,052	5,410
Covered bonds	14,125	12,244	23,055
Total issued securities	**19,468**	**17,336**	**30,215**
Of which, Norway banking	—	—	*14,111*
Remaining maturity max. 1 year	2,840	3,580	5,031
Of which, Norway banking	—	—	*1,281*
Remaining maturity longer than 1 year	16,628	13,756	25,184
Of which, Norway banking	—	—	*12,830*

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	5,540	13,090	8,900
Repurchased	-950	-3,652	-2,566
Matured	-2,480	-6,629	-4,315
Change in value of hedge instruments	3	—	—
Change in amortised cost	19	—	—
Separation of Norwegian operation	—	-12,640	—
Translation difference	—	-840	189

Note 9 Disclosures of derivative instruments

Breakdown of derivative instruments by type of hedge relationship

	30/6/2016			31/12/2015			30/6/2015		
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	1	0	0	4	0	0	26
Derivative instruments held for fair value hedges									
Interest rate derivatives									
Swaps	7	144	10,085	10	126	9,260	6	162	10,035
Derivative instruments for hedges of net investments in foreign operations									
Foreign exchange derivatives									
Swaps	—	—	—	—	—	—	60	0	2,306
Total derivative instruments broken down by assets and liabilities									
Interest rate derivatives	7	144	10,085	10	126	9,260	6	162	10,035
Foreign exchange derivatives	0	0	1	0	0	4	60	0	2,332
Total	**7**	**144**	**10,086**	**10**	**126**	**9,264**	**66**	**162**	**12,367**

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
30/6/2016								
Derivatives	7	—	7	-7	—	0	—	7
Assets	**7**	**—**	**7**	**-7**	**—**	**0**	**—**	**7**
Derivatives	144	—	144	-7	-134	3	—	144
Liabilities	**144**	**—**	**144**	**-7**	**-134**	**3**	**—**	**144**
31/12/2015								
Derivatives	10	—	10	-10	—	0	—	10
Assets	**10**	**—**	**10**	**-10**	**—**	**0**	**—**	**10**
Derivatives	126	—	126	-10	-113	3	—	126
Liabilities	**126**	**—**	**126**	**-10**	**-113**	**3**	**—**	**126**
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**

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 Insurance Company, Skandia Insurance Company Ltd (publ) and other sister companies within the Skandia group. Related parties also include members of the Board of Directors and senior executives of Skandiabanken, the Skandia group, and external companies in which senior executives have control. Except for companies within the Skandia group, no transactions are conducted other than normal customer transactions at an arm's length basis with these persons and companies. Transactions are conducted with companies within the Skandia group based on market price, where indicated in the 2015 Annual Report, Note 41. Otherwise, the transactions are conducted on a cost price basis.

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. Subordinated loans amount to SEK 900 million and pertain to loans from Skandia Mutual Insurance Company. During the second quarter of 2016 Skandiabanken settled its group contribution of SEK 491 million from Skandia Mutual Insurance Company. A dividend in the corresponding amount has been paid to the parent company, Skandia Insurance Company Ltd.

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.

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

	30/6/2016	31/12/2015	30/6/2015
Assets pledged for own liabilities – mortgage loans	18,300	16,815	34,686
Of which, Norway banking	—	—	*18,984*
Other pledged assets	3,034	3,661	7,406
Of which, Norway banking	—	—	*3,470*
Commitments	21,070	14,058	33,750
Of which, Norway banking	—	—	*17,627*

Note 13 Measurement of financial assets and liabilities at fair value

	30/6/2016			31/12/2015			30/6/2015		
	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	0	1	1	0	0	0	1	0	1
Hedge accounting									
Derivative instruments	—	7	7	—	10	10	—	66	66
Available-for-sale financial assets									
Eligible treasury bills, etc.	—	4,982	4,982	—	4,524	4,524	—	10,227	10,227
Bonds and other fixed-income securities	2,117	1,887	4,004	1,458	4,795	6,253	3,502	6,244	9,746
Total	**2,117**	**6,877**	**8,994**	**1,458**	**9,329**	**10,787**	**3,503**	**16,537**	**20,040**
Of which, Norway banking	—	—	—	—	—	—	*2,988*	*7,155*	*10,143*
Liabilities									
Held for trading									
Other	1	—	1	1	—	1	1	—	1
Hedge accounting									
Derivative instruments	—	144	144	—	126	126	—	162	162
Total	**1**	**144**	**145**	**1**	**126**	**127**	**1**	**162**	**163**
Of which, Norway banking	—	—	—	—	—	—	—	—	—

All financial assets and liabilities measured at fair value are classified in a fair value hierarchy that reflects observable prices or other inputs in the valuation techniques that are used. Prior to each quarter an assessment is made as to whether the valuations pertain to quoted prices that represent actual and regularly recurring transactions or not. Transfers between levels in the hierarchy may take place when there are indications that the market conditions, such as liquidity, have changed. During the second quarter of 2016 four bonds worth a total of SEK 778 million were transferred from Level 2 to Level 1, as the liquidity of the securities is considered to have improved. The transferred value pertains to fair value at the end of the period.

Level 1 pertains to quoted prices that are readily available to numerous parties that provide price information and that represent actual and 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 2015 Annual Report.

Note 14 Capital adequacy analysis

Comparison figures as per 30 June 2015 pertain to Skandiabanken including the Norwegian branch.

Common Equity Tier 1 capital: Instruments and reserves	30/6/2016	31/12/2015	30/6/2015
Equity instruments and accompanying share premium reserves	400	400	400
Undistributed earnings	3,172	3,333	5,410
Accumulated other comprehensive income	31	-129	-26
Net profit for the interim period after deducting predictable costs and dividends that have been verified by persons with an impartial position	0	-32	198
Common Equity Tier 1 capital before regulatory adjustments	**3,603**	**3,572**	**5,982**
Additional value adjustments	-9	-12	-20
Intangible assets	-151	-159	-414
Deferred tax assets arising as a result of temporary differences	-10	-18	-28
Regulatory changes pertaining to unrealised gains	-6	0	—
Combined regulatory changes of Common Equity Tier 1 capital	**-176**	**-189**	**-462**
Common Equity Tier 1 capital	**3,427**	**3,383**	**5,520**
Tier 1 capital contribution: instruments	—	—	—
Tier 1 capital	**3,427**	**3,383**	**5,520**
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	**4,327**	**4,283**	**6,420**
Total risk-weighted exposure	**21,798**	**19,987**	**44,281**

Capital ratios and buffers	30/6/2016	31/12/2015	30/6/2015
Common Equity Tier 1 capital	15.7%	16.9%	12.5%
Tier 1 capital	15.7%	16.9%	12.5%
Total capital	19.9%	21.4%	14.5%
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	8.5%	8.0%	7.6%
Of which: capital conservation buffer requirement	2.5%	2.5%	2.5%
Of which: countercyclical buffer requirement	1.5%	1.0%	0.6%
Available Common Equity Tier 1 capital to be used as buffer as a percentage of risk-weighted exposure amount	9.7%	10.9%	6.5%
Amounts below threshold value			
Direct holdings of equity in units in the financial sector in which the institution does not have any material investment	10	10	12
Risk-weighted exposure amounts			
Credit risk	20,439	18,633	41,051
Settlement risk	0	0	0
Currency risk	35	24	164
CVA risk	11	17	31
Operational risk	1,313	1,313	3,035
Total risk-weighted exposure	**21,798**	**19,987**	**44,281**
Capital base requirement			
Credit risk	1,635	1,491	3,284
Settlement risk	0	0	0
Currency risk	3	2	13
CVA risk	1	1	2
Operational risk	105	105	243
Total minimum capital base requirement	**1,744**	**1,599**	**3,542**

Cont. Note 14 Capital adequacy analysis

Specification of capital base requirement for credit risks per exposure class

Exposure classes	30/6/2016 Risk-weighted assets	30/6/2016 Capital base require-ment	31/12/2015 Risk-weighted assets	31/12/2015 Capital base require-ment	30/6/2015 Risk-weighted assets	30/6/2015 Capital base require-ment
Exposures to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	663	53
Exposures to public sector entities	—	—	—	—	—	—
Exposures to multilateral development banks	—	—	—	—	0	0
Exposures to international organisations	—	—	—	—	—	—
Exposure to institutions	198	16	282	23	264	21
of which, counterparty risk[1]	*13*	*1*	*13*	*1*	*14*	*1*
Exposure to corporates	185	15	597	48	575	46
of which, counterparty risk	*0*	*0*	*0*	*0*	*91*	*7*
Retail exposures	535	43	534	43	3,011	241
Exposures secured by mortgages on immovable property	18,859	1,508	16,443	1,315	35,044	2,804
of which, residential properties	18,859	1,508	16,443	1,315	35,044	2,804
of which, commercial properties	—	—	—	—	—	—
Exposures in default	43	3	48	4	193	15
Exposures associated with particularly high risk	—	—	—	—	—	—
Exposures in the form of covered bonds	373	30	528	42	899	72
Securitisation positions	—	—	—	—	—	—
Exposure to institutions and corporates with short-term credit ratings	—	—	—	—	—	—
Exposures in the form of collective investment undertakings (CIUs)	61	5	49	4	187	15
Equity exposures	10	1	10	1	13	1
Other items	175	14	142	11	202	16
Total credit risks	**20,439**	**1,635**	**18,633**	**1,491**	**41,051**	**3,284**
Of which, Norwegian operation	—	—	—	—	*22,983*	*1,839*

[1] Risk-weighted exposure amounts and the capital base requirement have been adjusted for counterparty risk to institutions compared with the interim report for June 2015.

Cont. Note 14 Capital adequacy analysis

Applied rules and regulations
Calculation of the capital base and capital base requirements is carried out in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the Capital Requirements Regulation), Commission Delegated Regulation (EU) No 241/2014 supplementing the Capital Requirements Regulation with regard to regulatory technical standards for capital base requirements, Commission Delegated Regulation (EU) No 183/2014 supplementing the Capital Requirements Regulation with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments, the Act on Capital Buffers *(Lagen (2014:966) om kapital-buffertar)*, and the Financial Supervisory Authority's regulations and general guidelines on regulatory requirements and capital buffers (FFFS 2014:12). The outcome pertains to calculations in accordance with the statutory minimum requirement for capital, referred to as Pillar I, for credit risk, settlement risk, market risk, operational risk and credit valuation adjustment (CVA) risk, and the capital requirement in accordance with the combined buffer requirement.

Disclosures in this note are provided in accordance with Regulation (EU) No 575/2013, Commission Implementing Regulation (EU) No 1423/2013 laying down technical standards with regard to disclosure of own funds for institutions according to the Capital Requirements Regulation, 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.skandia.se, Om oss, Finansiell information, Skandias bank, Information om kapitaltäckning & riskhantering, 2016, 1606 Periodisk information - kapitaltäckning.

Skandiabanken applies the standardised approach in calculating the capital base requirement for credit risk, which entails that 17 exposure classes are used along with a number of different risk weights within each of them. Credit risk is calculated for all asset items on and off the balance sheet that are not deducted from the capital base. The capital base requirement for currency risks comprises all balance sheet items and off balance sheet items stated at current market value and recalculated to Swedish kronor using the exchange rate in effect on the balance sheet date. The capital base requirement for the creditworthiness adjustment risk is calculated according to the standardised approach and pertains to positions in OTC derivatives. The capital base requirement for operational risk is calculated according to the basic indicator approach, which entails a capital base requirement equal to 15% of average operating income for the three most recent financial years. The capital base requirement for market risks in the trading account is calculated in accordance with the rules for credit risk. The combined buffer requirement amounts to 4% of the risk-weighted exposure and consists of a capital conservation buffer of 2.5% and a countercyclical buffer of 1.5%.

The interim surplus as per 30 June 2016 has not been included in the capital base, since it has not been audited by the company's auditors. In accordance with Regulation (EU) 183/2014, a deduction of SEK 6 million has been made from Common Equity Tier 1 capital corresponding to the year's credit risk adjustments. The Bank's internally assessed capital requirement as per 30 June 2016 is SEK 610 million, which has been calculated with the support of Economic Capital (EC) models.

Note 15 Events after the balance sheet date

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

Signatures

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

Stockholm, 8 August 2016

Niklas Johansson
Chairman of the Board

Bengt-Åke Fagerman

Erika Hagwall

Hans Jacobson

Frans Lindelöw

Ingrid Laurén Heumann
(Deputy taking the place of Johanna Rolin Moreno)

Marek Rydén

Ann-Charlotte Stjerna

Johanna Cerwall
CEO

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

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