

**skandia:**



# Skandiabanken Interim Report January–June 2013

Skandia is a leading Nordic provider of financial security and long-term savings solutions. The group has 2.2 million customers in Sweden, Norway and Denmark, more than SEK 440 billion in assets under management, and more than 2,300 employees.

Skandia includes, among others, the parent company, Livförsäkringsaktiebolaget Skandia (publ) ("Skandia Liv"), Försäkringsaktiebolaget Skandia (publ) ("Skandia AB"), Skandia Fonder AB and Skandiabanken Aktiebolag (publ) ("Skandiabanken"). In addition to these operations, Skandia also includes a Danish operation and Skandia Liv Fastigheter AB, which owns Diligentia AB along with several property-owning subsidiaries.

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Skandiabanken Aktiebolag (publ)  
Reg. no. 516401-9738

## Half-year summary

- Income for the first half of 2013 amounted to SEK 768 million (800).
- Operating profit for the first half of 2013 totalled SEK 161 million (182).
- Loan losses during the first half of the year amounted to SEK -14 million (6).
- Lending increased by SEK 6,500 million during the first half of the year, to SEK 64,901 million (58,401).
- Surplus liquidity amounted to SEK 22,219 million as per 30 June, compared with SEK 25,348 million at the start of the year.
- The total capital ratio was 13.71% as per 30 June, compared with 14.64% at the start of the year.

# Board of Directors' report

## ORGANISATION AND OPERATIONS

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

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

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

## SIGNIFICANT EVENTS DURING THE PERIOD

During the period, Skandiabanken received permission from the Swedish Financial Supervisory Authority to issue covered bonds.

## PROFIT FOR THE PERIOD JANUARY-JUNE 2013 COMPARED WITH JANUARY-JUNE 2012

Operating profit before tax decreased by SEK 21 million to SEK 161 million (182). Profit includes the result of Skandiabanken's operations in Norway. The lower profit is mainly attributable to lower interest rates in Sweden.

## INCOME

Net interest income decreased by SEK 35 million to SEK 541 million (576). The lower level of net interest income is mainly attributable to fierce competition in the Swedish market coupled with falling market interest rates. Net fee and commission income was marginally lower and amounted to SEK 160 million (160).

Net financial income increased to SEK 35 million (27). The higher outcome is mainly attributable to sales of fixed-income securities prior to maturity, entailing that the proceeds are reported among net financial income instead of in net interest income. Other income showed a lower outcome compared with preceding years, owing to fewer services being sold internally to Skandia.

### OPERATING INCOME

SEK million	2013	2012	Change, %
	Jan.-June	Jan.-June	
Net interest income	541	576	-6.1%
Net fee and commission income	160	160	-0.7%
Net financial items	35	27	32.8%
Other income	32	37	-15.7%
Total operating income	768	800	-4.1%

## EXPENSES

Expenses decreased by SEK 31 million during the first half of 2013, to SEK 593 million (624). All expense items were lower mainly due to restructuring measures taken in 2012.

## EXPENSES BEFORE LOAN LOSSES

SEK million	2013 Jan.-June	2012 Jan.-June	Change, %
Staff costs	-176	-181	-2.8%
Other administrative expenses	-384	-419	-8.3%
Depreciation	-1	-4	-59.0%
Other operating expenses	-32	-20	+55.8%
Total expenses before loan losses	-593	-624	-4.9%

## LOAN LOSSES

Net loan losses increased by SEK 20 million to SEK -14 million (6). Despite the increase, loan losses continue to be low. The difference is mainly attributable to the Norwegian operation. Impaired loans, net, decreased compared with the corresponding period a year ago, to SEK 59 million (63).

## LOAN LOSSES AND IMPAIRED LOANS

SEK million	2013 Jan.-June	2012 Jan.-June	Change, %
Loan losses	-14	6	-354.9%
Impaired loans, net	59	63	-6.0%
Impaired loans, net, as % of lending to the general public	0.09%	0.11%	-19.7%

## BALANCE SHEET, LIQUIDITY AND MANAGED ASSETS IN FUNDS

During the first half of the year, most volume growth was generated from lending against security, mainly in the Norwegian market. Lending to the general public grew by SEK 6,500 million compared with the start of the year, to SEK 64,901 million

(58,401). Deposit volumes from the general public grew by SEK 1,613 million during the same period, to SEK 78,978 million (77,365).

Surplus liquidity in 2013 has been lower and amounted to SEK 22,219 million (25,348) at mid-year.

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

Managed assets in funds in the banking operations increased as a result of a positive change in value and an inflow of new capital from customers. Net asset value grew by SEK 1,391 million compared with the start of 2013, to SEK 14,699 million (13,308).

## BALANCE SHEETS, LIQUIDITY AND MANAGED ASSETS IN FUNDS

SEK million	2013 30 June	2012 31 Dec.	Change, %
Balance sheet total	87,940	84,638	3.9%
Lending to the general public <sup>1</sup>	64,901	58,401	11.1%
of which, Sweden	28,982	27,363	5.9%
of which, Norway	35,919	31,038	15.7%
Deposits from the general public	78,978	77,365	2.1%
of which, Sweden	35,926	36,545	-1.7%
of which, Norway	43,052	40,820	5.5%
External borrowing	3,355	1,826	83.7%
Total liquidity buffer <sup>2</sup>	22,219	25,348	-12.3%
Liquidity buffer <sup>3</sup>	18,248	19,847	-8.1%
Deposit-to-loan ratio	122%	132%	-8.1%
Managed assets in funds (NAV), SEK billion	14,699	13,308	10.4%

<sup>1</sup> Excluding loans of SEK 0 million (1,610) to the National Swedish Debt Office.

<sup>2</sup> Balances with and lending to the Central Bank of Sweden and Central Bank of Norway, short-term lending and deposits to/from credit institutions and fixed-income securities classified as available-for-sale financial assets (AFS). The total liquidity buffer is managed by the Treasury unit.

<sup>3</sup> In accordance with the Swedish Bankers' Association's definition for liquidity reporting.

## RISKS AND UNCERTAINTIES, AND ANTICIPATED FUTURE DEVELOPMENT

Skandiabanken conducts banking business in the retail market in Sweden and Norway. The economic situation in both of these countries remained favourable during the first half of 2013. Growth in both countries is expected to be moderate going forward, with stable or slightly rising unemployment during the second half of 2013. There is a risk that the economic trend may be negatively affected by macro-economic developments in the bank's operating environment.

Although interest rates are judged to be stable going forward, there is a risk for further interest rate cuts, despite forecasts indicating a slow rise in the central banks' interest rates during 2014. This could have a negative impact on the bank's earnings capacity and above all on net interest income.

In June 2013 the EU's regulatory authorities communicated that the new capital adequacy rules (Basel III/CRDIV) will be implemented starting on 1 January 2014. Earlier in the spring, the Swedish Financial Supervisory Authority adopted a risk weight floor that was calculated using IRB models for home mortgages. However, this will be handled in accordance with the Pillar II requirements. The Financial Supervisory Authority of Norway has also recommended higher risk weights for home mortgages. This has already had an effect, as the banks have raised their margins for home mortgages. Further, the Financial Supervisory Authority of Norway has proposed the application of higher capital requirements – in parity with those made by the Swedish Financial Supervisory Authority – for all banks regardless of size or organisational structure (subsidiaries or branches). If Skandiabanken gains approval for its IRB model application in 2013, it will be able to meet these requirements for higher capital adequacy quotients with a good margin. Otherwise, there is a risk that the rate of expansion will need to be reduced or that a capital injection will be necessary.

For further information about Skandiabanken's risks and risk management, see note 37 in the 2012 Annual Report.

## CAPITAL BASE AND CAPITAL ADEQUACY

The total capital ratio decreased compared with 31 December 2012 to 13.56% (14.64%), while the Tier 1 capital ratio decreased to 9.80% (10.61%) during the same period.

	2013 30 June	2012 31 Dec.
Total capital ratio	13.71%	14.64%
Tier 1 capital ratio <sup>1</sup>	9.92%	10.61%
Capital adequacy requirement, SEK million	2,568	2,408
Capital adequacy quotient	1.71	1.83

<sup>1</sup> The bank's tier 1 capital consists of equity less certain items that may not be included in the capital base, such as intangible assets and deferred tax assets. The bank does not have any tier 1 capital contributions, which entails that its tier 1 capital is equal to its core tier 1 capital.

## EVENTS AFTER THE BALANCE SHEET DATE

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

## Key ratios

	2013	2012	2013	2012	2012
	Q2	Q2	Jan.-June	Jan.-June	Full year
Return on equity, % <sup>1</sup>	7.54	7.62	7.22	9.06	7.59
Cost/income ratio before loan losses <sup>2</sup>	0.77	0.82	0.77	0.78	0.79
Total capital ratio, % <sup>3</sup>	13.71	14.27	13.71	14.27	14.64
Tier 1 capital ratio, % <sup>4</sup>	9.92	10.17	9.92	10.17	10.61
Provision level for impaired loans % <sup>5</sup>	58.8	66.0	58.8	66.0	53.9
Share of impaired loans, net, % <sup>6</sup>	0.09	0.11	0.09	0.11	0.13
Loan loss ratio, % <sup>7</sup>	0.02	-0.03	0.05	-0.02	0.01
Average number of employees	455	451	453	454	453

<sup>1</sup> The capital gain on the sale of Skandia Fonder AB has been excluded from the calculation of the parent company's earnings metrics for 2012.

<sup>2</sup> Total costs before loan losses in relation to total operating income.

<sup>3</sup> Capital base in relation to risk-weighted assets incl. the audited profit for the period.

<sup>4</sup> Tier 1 capital in relation to risk-weighted assets incl. the audited profit for the period.

<sup>5</sup> Provisions for loan losses in relation to impaired loans, gross.

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

<sup>7</sup> Loan losses in relation to lending to the general public, excl. loans to the Swedish National Debt Office.

## Income statement, quarterly

SEK million	2013	2013	2012	2012	2012
	Q2	Q1	Q4	Q3	Q2
Net interest income	273	268	271	272	277
Fee and commission income	80	80	80	87	80
Net financial income	23	12	9	11	13
Other operating income	14	18	112	19	12
<b>Total operating income</b>	<b>390</b>	<b>378</b>	<b>472</b>	<b>389</b>	<b>382</b>
General administrative expenses					
Staff costs	-89	-87	-97	-89	-88
Other operating expenses	-211	-206	-231	-194	-225
<b>Total expenses before loan losses</b>	<b>-300</b>	<b>-293</b>	<b>-328</b>	<b>-283</b>	<b>-313</b>
<b>Profit before loan losses</b>	<b>90</b>	<b>85</b>	<b>144</b>	<b>106</b>	<b>69</b>
Loan losses, net	-6	-8	-8	-5	9
<b>Operating profit</b>	<b>84</b>	<b>77</b>	<b>136</b>	<b>101</b>	<b>78</b>

## Income statement

SEK million	Note	2013 Q2	2012 Q2	2013 Jan.-June	2012 Jan.-June	2012 Full year
Interest income	3	644	712	1,285	1,453	2,838
Interest expense	3	-371	-435	-744	-877	-1,719
Dividends received		0	0	0	0	0
Fee and commission income	4	98	99	195	198	406
Fee and commission expense	4	-18	-19	-35	-38	-79
Net financial income	5	23	13	35	27	47
Other operating income		14	12	32	37	168
<b>Total operating income</b>		<b>390</b>	<b>382</b>	<b>768</b>	<b>800</b>	<b>1,661</b>
General administrative expenses						
Staff costs		-89	-88	-176	-181	-367
Other administrative expenses		-194	-211	-384	-419	-829
Depreciation, amortisation and impairment of tangible and intangible assets		0	-2	-1	-4	-6
Other operating expenses		-17	-12	-32	-20	-33
<b>Total expenses before loan losses</b>		<b>-300</b>	<b>-313</b>	<b>-593</b>	<b>-624</b>	<b>-1,235</b>
<b>Profit before loan losses</b>		<b>90</b>	<b>69</b>	<b>175</b>	<b>176</b>	<b>426</b>
Loan losses, net	6	-6	9	-14	6	-7
<b>Operating profit</b>		<b>84</b>	<b>78</b>	<b>161</b>	<b>182</b>	<b>419</b>
Appropriations, group contributions		—	—	—	—	-31
<b>Profit before tax</b>		<b>84</b>	<b>78</b>	<b>161</b>	<b>182</b>	<b>388</b>
Tax on profit for the period		-24	-20	-45	-48	-85
<b>Net profit for the period</b>		<b>60</b>	<b>58</b>	<b>116</b>	<b>134</b>	<b>303</b>

## Statement of comprehensive income

	2013 Q2	2012 Q2	2013 Jan.-June	2012 Jan.-June	2012 Full year
<b>Net profit for the period</b>	<b>60</b>	<b>58</b>	<b>116</b>	<b>134</b>	<b>303</b>
<b>Other comprehensive income</b>					
<b>Items that cannot be reclassified to profit for the period</b>					
Revaluation of defined benefit pensions <sup>1</sup>	—	-1	—	-1	-1
Taxes attributable to revaluation of defined benefit pensions <sup>1</sup>	—	0	—	0	0
<b>Items that have been reclassified or can be reclassified to profit for the period</b>					
Available-for-sale financial assets	-5	-4	-21	40	59
Hedge of net investment	0	0	0	0	0
Translation difference	-13	-2	-72	9	14
Taxes attributable to available-for-sale financial assets	2	1	6	-11	-14
<b>Total other comprehensive income after tax</b>	<b>-16</b>	<b>-6</b>	<b>-87</b>	<b>37</b>	<b>58</b>
<b>Comprehensive income for the period after tax</b>	<b>44</b>	<b>52</b>	<b>29</b>	<b>171</b>	<b>361</b>

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

# Balance sheet

SEK million

Assets	Note	30/6/2013	31/12/2012	30/6/2012
Cash and cash balances with central banks		629	424	664
Eligible treasury bills, etc.		6,346	5,826	4,071
Lending to credit institutions		3,126	654	3,867
Lending to the general public	7	64,901	60,011	55,415
Fair value of portfolio hedge of interest rate risk		42	132	44
Bonds and other fixed-income securities		12,267	17,025	18,708
Shares and participations, etc.		56	50	44
Shares and participations in group companies		—	—	41
Intangible non-current assets		19	0	1
Tangible assets		5	6	6
Current tax assets		20	18	6
Deferred tax assets		11	6	10
Other assets		361	333	315
Prepaid expenses and accrued income		157	153	171
<b>Total assets</b>		<b>87,940</b>	<b>84,638</b>	<b>83,363</b>

SEK million

Liabilities	Note	30/6/2013	31/12/2012	30/6/2012
Due to credit institutions		185	99	68
Deposits and borrowing from the general public		78,978	77,365	77,012
Issued securities	8	3,355	1,826	1,194
Current tax liabilities		68	72	23
Other liabilities		512	502	443
Accrued expenses and deferred income		315	284	351
Provisions for pensions		64	56	51
Subordinated liabilities		1,200	1,200	1,200
<b>Total liabilities and provisions</b>		<b>84,677</b>	<b>81,404</b>	<b>80,342</b>
Share capital		400	400	400
Other reserves				
- Statutory reserve		81	81	81
- Total fair value reserve		-3	84	63
Retained earnings		2,669	2,366	2,343
Profit for the period		116	303	134
<b>Total equity</b>		<b>3,263</b>	<b>3,234</b>	<b>3,021</b>
<b>Total liabilities, provisions and equity</b>		<b>87,940</b>	<b>84,638</b>	<b>83,363</b>



# Statement of changes in equity

SEK million	Restricted equity		Unrestricted equity				Total
	Share capital	Statutory reserve	Fair value reserve	Translation reserve	Total fair value reserve <sup>1</sup>	Retained earnings	Total
Opening equity 2012	400	81	20	5	25	2,338	2,844
Adjustment for changed accounting policy for defined benefit pensions <sup>2</sup>	—	—	—	—	—	-35	-35
Deferred tax attributable to changed accounting policy for defined benefit pensions <sup>2</sup>	—	—	—	—	—	5	5
Adjusted opening equity 2012	400	81	20	5	25	2,308	2,814
Profit for the period	—	—	—	—	—	134	134
Other comprehensive income for the period	—	—	30	9	39	-1	38
Comprehensive income for the period	—	—	30	9	39	133	172
Contribution from parent company, share-based payment	—	—	—	—	—	0	0
Shareholder contribution received	—	—	—	—	—	35	35
Closing equity, 30 June 2012	400	81	50	14	64	2,476	3,021
Opening equity 2012	400	81	20	5	25	2,338	2,844
Adjustment for changed accounting policy for defined benefit pensions <sup>2</sup>	—	—	—	—	—	-35	-35
Deferred tax attributable to changed accounting policy for defined benefit pensions <sup>2</sup>	—	—	—	—	—	5	5
Adjusted opening equity 2012	400	81	20	5	25	2,308	2,814
Profit for the year	—	—	—	—	—	303	303
Other comprehensive income for the year	—	—	45	14	59	-1	58
Comprehensive income for the year	—	—	45	14	59	302	361
Contribution from parent company, share-based payment	—	—	—	—	—	0	0
Shareholder contribution received	—	—	—	—	—	58	58
Closing equity 2012	400	81	65	19	84	2,669	3,234
Opening equity 2013	400	81	65	19	84	2,669	3,234
Profit for the period	—	—	—	—	—	116	116
Other comprehensive income for the period	—	—	-15	-72	-87	—	-87
Comprehensive income for the period	—	—	-15	-72	-87	116	29
Closing equity, 30 June 2013	400	81	50	-53	-3	2,785	3,263

<sup>1</sup> The "Total fair value reserve" includes unrealised profit attributable to "Available-for-sale financial assets", "Hedge of net investment" and "Translation difference".

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

# Cash flow statement

SEK million	2013	2012	2012
	Jan.-June	Jan.-June	Full year
Cash flow from operating activities	2,690	1,835	-1,781
Cash flow from investing activities	-19	4	139
Cash flow from financing activities <sup>1</sup>	23	35	41
<b>Cash flow for the period</b>	<b>2,694</b>	<b>1,874</b>	<b>-1,601</b>
Cash and cash equivalents at start of period	979	2,569	2,569
Exchange rate differences in cash and cash equivalents	-103	19	11
Cash flow for the period	2,694	1,874	-1,601
<b>Cash and cash equivalents at end of period</b>	<b>3,570</b>	<b>4,462</b>	<b>979</b>

<sup>1</sup> No dividend was paid to the parent company Försäkringsaktiebolaget Skandia (publ) in 2012.

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

## NOTE 1 ACCOUNTING POLICIES

The interim report for Skandiabanken Aktiebolag (publ) ("Skandiabanken") pertains to the period 1 January–30 June 2013. Skandiabanken is domiciled in Stockholm, Sweden, with registered number 516401-9738.

This interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) as far as possible within the framework of the Annual Accounts Act for Credit Institutions and Securities Companies, the Financial Supervisory Authority's regulations and general guidelines on annual reports of credit institutions and securities companies (FFFS 2008:25), and recommendation RFR 2 issued by the Swedish Financial Reporting Board, "Accounting for Legal Entities".

The same accounting policies and calculation methods have been applied in the interim report as in Skandiabanken's 2012 Annual Report, note 1 to the parent company's financial statements, with the following additions regarding changed accounting policies in 2013.

### IFRS 13 Fair Value Measurement:

The new standard establishes rules for measuring fair value, where required by other IFRSs. The standard is applicable for fair valuation of both financial and non-financial items. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). IFRS 13 requires more quantitative and qualitative disclosures about fair value measurement. The standard has been applied since 1 January 2013. The changes have not had any effects on the current fair value measurement of the assets that are today reported on the balance sheet at fair value (pertains mainly to available-for-sale financial assets and financial assets at fair value through profit and loss). The interim report includes disclosures about valuation hierarchies.

### Employee compensation pertaining to defined benefit pensions in Norway:

The local Norwegian rules for reporting defined benefit pension plans have been changed as a result of the revised IAS 19 – Employee Benefits. The most significant change pertains to the reporting of defined benefit pension obligations and plan assets. It entails the elimination of the so-called corridor method. Actuarial gains and losses are to be reported in other comprehensive income. The changes are applied starting on 1 January 2013 with retrospective application. The effect of the transition entails a reduction in retained profits as per 1 January 2012, taking into account deferred tax.

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

## NOTE 2 REPORTING OF OPERATING SEGMENTS

SEK million	Sweden Banking		Norway Banking		Eliminations Banking		Total Banking	
	2013 Jan.-June	2012 Jan.-June	2013 Jan.-June	2012 Jan.-June	2013 Jan.-June	2012 Jan.-June	2013 Jan.-June	2012 Jan.-June
<b>Income statements</b>								
Net interest income	255	310	286	266	—	—	541	576
Net fee and commission income	63	68	97	92	—	—	160	160
Net financial items	10	17	25	10	—	—	35	27
Other operating income	42	51	—	0	-10	-14	32	37
<b>Total operating income</b>	<b>370</b>	<b>446</b>	<b>408</b>	<b>368</b>	<b>-10</b>	<b>-14</b>	<b>768</b>	<b>800</b>
Staff costs	-100	-105	-76	-76	—	—	-176	-181
Other administrative expenses	-236	-262	-158	-171	10	14	-384	-419
Depreciation of property, plant and equipment <sup>1</sup>	0	-1	-1	-1	—	—	-1	-2
Amortisation of intangible assets	—	0	0	-2	—	—	0	-2
Other operating expenses	-19	-10	-13	-10	—	—	-32	-20
<b>Total expenses before loan losses</b>	<b>-355</b>	<b>-378</b>	<b>-248</b>	<b>-260</b>	<b>10</b>	<b>14</b>	<b>-593</b>	<b>-624</b>
Loan losses, net	-3	-1	-11	7	—	—	-14	6
Gains/losses on disposals of tangible and intangible assets	—	0	—	—	—	—	0	0
<b>Operating profit</b>	<b>12</b>	<b>67</b>	<b>149</b>	<b>115</b>	<b>—</b>	<b>—</b>	<b>161</b>	<b>182</b>
<b>Profit before tax</b>	<b>12</b>	<b>67</b>	<b>149</b>	<b>115</b>	<b>—</b>	<b>—</b>	<b>161</b>	<b>182</b>
Tax on profit for the period	-3	-13	-42	-35	—	—	-45	-48
<b>Net profit for period</b>	<b>9</b>	<b>54</b>	<b>107</b>	<b>80</b>	<b>—</b>	<b>—</b>	<b>116</b>	<b>134</b>
External income	341	407	406	366	—	—	747	773
Internal income <sup>2</sup>	18	25	3	2	—	—	21	27
Internal expenses <sup>2</sup>	-5	-2	-16	-25	—	—	-21	-27
<b>COMPREHENSIVE INCOME</b>								
<b>Net profit for period</b>	<b>9</b>	<b>54</b>	<b>107</b>	<b>80</b>	<b>—</b>	<b>—</b>	<b>116</b>	<b>134</b>
<b>Other comprehensive income</b>								
Items than cannot be reclassified to profit for the period								
Revaluation of defined benefit pensions	—	—	—	-1	—	—	—	-1
Taxes attributable to revaluation of defined benefit pensions	—	—	—	0	—	—	—	0
Items that have been or can be reclassified to profit for the period								
Change in value of available-for-sale financial assets	-3	24	-18	16	—	—	-21	40
Hedge of net investment	0	0	—	—	—	—	0	0
Translation difference	-72	9	—	0	—	—	-72	9
Taxes attributable to change in value of available-for-sale financial assets	1	-6	5	-5	—	—	6	-11
<b>Total</b>	<b>-74</b>	<b>27</b>	<b>-13</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>-87</b>	<b>37</b>
<b>Comprehensive income for the period after tax</b>	<b>-65</b>	<b>81</b>	<b>94</b>	<b>90</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>171</b>

<sup>1</sup> No impairment is recognised for tangible assets.

<sup>2</sup> Internal income and expenses are included in the lines "Operating income", "Staff costs" and "Other administrative expenses".

## CONT. NOTE 2, REPORTING OF OPERATING SEGMENTS

SEK billion	Sweden Banking			Norway Banking			Eliminations Banking			Total Banking		
	2013 30 June	2012 31 Dec.	2012 30 June	2013 30 June	2012 31 Dec.	2012 30 June	2013 30 June	2012 31 Dec.	2012 30 June	2013 30 June	2012 31 Dec.	2012 30 June
<b>Balance sheets</b>												
<b>Assets</b>												
Lending to the general public <sup>1</sup>	29.0	29.0	26.7	35.9	31.0	28.7	—	—	—	64.9	60.0	55.4
Other assets	12.2	12.4	12.4	11.3	12.7	16.1	-0.5	-0.5	-0.5	23.0	24.6	28.0
<b>Total assets</b>	<b>41.2</b>	<b>41.4</b>	<b>39.1</b>	<b>47.2</b>	<b>43.7</b>	<b>44.8</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.5</b>	<b>87.9</b>	<b>84.6</b>	<b>83.4</b>
<b>Liabilities</b>												
Deposits and borrowing from the general public	35.9	36.6	34.4	43.1	40.8	42.6	—	—	—	79.0	77.4	77.0
Issued securities	1.7	1.2	1.2	1.7	0.6	—	—	—	—	3.4	1.8	1.2
Other liabilities	1.9	1.8	1.9	0.9	0.9	0.8	-0.5	-0.5	-0.5	2.3	2.2	2.2
<b>Total liabilities</b>	<b>39.5</b>	<b>39.6</b>	<b>37.5</b>	<b>45.7</b>	<b>42.3</b>	<b>43.4</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.5</b>	<b>84.7</b>	<b>81.4</b>	<b>80.4</b>
<b>Equity</b>	<b>1.7</b>	<b>1.8</b>	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>1.4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3.2</b>	<b>3.2</b>	<b>3.0</b>
<b>Total liabilities and equity</b>	<b>41.2</b>	<b>41.4</b>	<b>39.1</b>	<b>47.2</b>	<b>43.7</b>	<b>44.8</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.5</b>	<b>87.9</b>	<b>84.6</b>	<b>83.4</b>

<sup>1</sup> Swedish banking operation, incl. loans of SEK 0.0 billion (1.6) to Swedish National Debt Office.

**Key ratios**

Investment margin % <sup>1</sup>	1.26	1.51	1.69	1.34	1.26	1.27	—	—	—	1.30	1.39	1.48
Cost/income ratio after loan losses <sup>2</sup>	0.97	0.89	0.85	0.64	0.7	0.69	1.0	1.0	1.0	0.79	0.79	0.77
Loan loss ratio, % <sup>3</sup>	0.02	0.01	0.01	0.07	0.01	-0.05	—	—	—	0.05	0.01	-0.05
Number of customers, thousands	447	445	436	367	363	363	—	—	—	814	808	799
Average number of employees	276	272	268	177	181	186	—	—	—	453	453	454

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

<sup>2</sup> Costs incl. loan losses in relation to operating income.

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

## NOTE 3 NET INTEREST INCOME

	2013 Q2 Interest	2012 Q2 Interest	Change, %	2013 Jan.-June Interest	2012 Jan.-June Interest	Change, %	2012 Full year Interest
Lending to credit institutions	6	9	-33%	11	17	-36%	30
Lending to the general public	551	559	-1%	1,077	1,125	-4%	2,227
Fixed-income securities	87	145	-40%	197	311	-37%	580
Of which, available-for-sale financial assets	87	145	-40%	197	311	-37%	580
Other	0	0	—	0	0	—	0
<b>Total interest income<sup>1</sup></b>	<b>644</b>	<b>713</b>	<b>-10%</b>	<b>1,285</b>	<b>1,453</b>	<b>-12%</b>	<b>2,837</b>
Due to credit institutions	2	1	100%	3	2	66%	2
Deposits and borrowing from the general public	348	418	-17%	699	845	-17%	1,641
Issued securities	10	2	400%	19	2	736%	21
Subordinated liabilities	7	11	-36%	15	22	-33%	41
Other	4	3	33%	8	6	39%	13
<b>Total interest expenses<sup>1</sup></b>	<b>371</b>	<b>435</b>	<b>-15%</b>	<b>744</b>	<b>877</b>	<b>-15%</b>	<b>1,718</b>
<b>Net interest income<sup>1</sup></b>	<b>273</b>	<b>278</b>	<b>-2%</b>	<b>541</b>	<b>576</b>	<b>-6%</b>	<b>1,119</b>

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

## NOTE 4 NET FEE AND COMMISSION INCOME

	2013 Q2	2012 Q2	Change, %	2013 Jan.-June	2012 Jan.-June	Change, %	2012 Full year
Payment intermediation fees	66	67	-1%	130	132	-2%	281
Commissions on lending	0	0	—	0	0	—	1
Commissions on deposits	0	1	-100%	0	1	-100%	1
Commissions on securities	32	31	3%	64	64	0%	121
Other commissions	0	0	—	1	1	0%	2
<b>Total fee and commission income</b>	<b>98</b>	<b>99</b>	<b>-1%</b>	<b>195</b>	<b>198</b>	<b>-2%</b>	<b>406</b>
Payment intermediation fees	-12	-12	0%	-22	-25	-12%	-54
Commissions on securities	-3	-7	-57%	-7	-12	-42%	-20
Other commissions	-3	0	300%	-6	-1	500%	-5
<b>Total fee and commission expenses</b>	<b>-18</b>	<b>-19</b>	<b>-5%</b>	<b>-35</b>	<b>-38</b>	<b>-8%</b>	<b>-79</b>
<b>Net fee and commission income</b>	<b>80</b>	<b>80</b>	<b>0%</b>	<b>160</b>	<b>160</b>	<b>0%</b>	<b>327</b>

## NOTE 5 NET FINANCIAL INCOME

	2013 Q2	2012 Q2	Change, %	2013 Jan.-June	2012 Jan.-June	Change, %	2012 Full year
Financial assets at fair value classified as held for trading	-1	0	—	-1	0	—	0
- Shares in participations and other equity instruments, change in value	0	0	—	0	0	—	0
- Interest-bearing derivatives, change in value	-1	0	—	-1	0	—	0
<b>Available-for-sale financial assets</b>	<b>16</b>	<b>5</b>	<b>220%</b>	<b>20</b>	<b>7</b>	<b>186%</b>	<b>13</b>
- Fixed-income securities, change in value	16	5	220%	20	7	186%	13
<b>Hedge accounting<sup>1</sup></b>	<b>1</b>	<b>0</b>	<b>100%</b>	<b>0</b>	<b>6</b>	<b>-100%</b>	<b>5</b>
- Change in value of hedged item	-44	9	-589%	-90	-24	275%	64
- Change in value of hedge instrument	45	-9	-600%	90	30	200%	-59
<b>Exchange rate movements</b>	<b>7</b>	<b>8</b>	<b>-13%</b>	<b>16</b>	<b>14</b>	<b>14%</b>	<b>29</b>
<b>Total</b>	<b>23</b>	<b>13</b>	<b>77%</b>	<b>35</b>	<b>27</b>	<b>30%</b>	<b>47</b>

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

## NOTE 6 LOAN LOSSES, NET

	2013 Q2	2012 Q2	Change, %	2013 Jan.-June	2012 Jan.-June	Change, %	2012 Full year
<b>Specific provision for individually assessed loan receivables</b>							
The period's write-off of confirmed loan losses	-2	0	—	-6	0	—	-15
Reversal of previous provisions for probable loan losses that are reported as confirmed loan losses in the period's accounts	2	0	—	7	0	—	15
The period's provision for probable loan losses	-2	-2	0%	-8	-2	300%	-9
Paid in from confirmed loan losses in previous years	0	1	-100%	0	1	-100%	1
Reversal of provisions for probable loan losses that are no longer necessary	4	4	0%	6	7	-14%	8
<b>Net expense for the period for individually assessed loan receivables</b>	<b>2</b>	<b>3</b>	<b>-33%</b>	<b>-1</b>	<b>6</b>	<b>-117%</b>	<b>0</b>
<b>Collective provision for individually assessed loan receivables</b>	<b>0</b>	<b>0</b>	<b>—</b>	<b>0</b>	<b>0</b>	<b>—</b>	<b>0</b>
<b>Collectively assessed homogeneous groups of loan receivables with limited value and similar credit risk</b>							
The period's write-off of confirmed loan losses	-9	-15	-40%	-16	-26	-38%	-53
Paid in from confirmed loan losses in previous years	2	12	-83%	6	15	-60%	19
Provision/reversal for collectively assessed homogenous loan receivables	-1	9	-111%	-3	11	-127%	27
<b>Net expense for the period for collectively assessed homogeneous groups of loan receivables</b>	<b>-8</b>	<b>6</b>	<b>-233%</b>	<b>-13</b>	<b>0</b>	<b>—</b>	<b>-7</b>
<b>Net loan losses for the period</b>	<b>-6</b>	<b>9</b>	<b>-167%</b>	<b>-14</b>	<b>6</b>	<b>-333%</b>	<b>-7</b>

## NOTE 7 LENDING TO THE GENERAL PUBLIC

	30/6/2013	31/12/2012	30/6/2012
Amortised cost <sup>1</sup>	64,985	60,102	55,531
Provision for impaired loans	-84	-91	-116
<b>Total lending to the general public</b>	<b>64,901</b>	<b>60,011</b>	<b>55,415</b>
<b>Loan receivables broken down by geographic region</b>			
Loan receivables at amortised cost (before provision for loan losses) <sup>1</sup>	64,985	60,102	55,531
Sweden <sup>1</sup>	28,995	28,993	26,707
Norway	35,990	31,109	28,824
Specific provisions for individually assessed loan receivables	18	22	32
Sweden	8	13	11
Norway	10	9	21
Collective provisions for individually assessed loan receivables	2	3	1
Sweden	0	1	0
Norway	2	2	1
Provisions for collectively assessed homogenous groups of loan receivables	64	66	83
Sweden	5	6	8
Norway	59	60	75
<b>Total provisions</b>	<b>84</b>	<b>91</b>	<b>116</b>
Sweden	13	20	19
Norway	71	71	97
Loan receivables at amortised cost (after provisions for loan losses) <sup>1</sup>	64,901	60,011	55,415
Sweden <sup>1</sup>	28,982	28,973	26,688
Norway	35,919	31,038	28,727
<b>Impaired loans broken down by geographic region</b>			
Impaired loans (after provision for probable loan losses)	59	68	63
Sweden	17	17	24
Norway	42	51	39

<sup>1</sup>Including SEK 0 million (1,610) in loans to the Swedish National Debt Office.

## NOTE 8 ISSUED SECURITIES

	30/6/2013	31/12/2012	30/6/2012
Commercial paper	697	743	694
Bond issues	2,658	1,083	500
<b>Total issued securities</b>	<b>3,355</b>	<b>1,826</b>	<b>1,194</b>
Remaining term max. 1 year	2,855	1,593	694
Remaining term more than 1 year	500	233	500
Skandiabanken issues and repurchases own issued debt instruments as part of the funding of its operations. The following turnover was conducted during the period January–June:			
Issued during the year	2,037	2,633	1,200
Repurchased	—	—	—
Matured	982	800	—
Covered bonds amount to SEK 0 million (0).			

## NOTE 9 DISCLOSURES ABOUT DERIVATIVES

## Breakdown of derivative instruments by type of hedge

	30/6/2013			31/12/2012			30/6/2012		
	Assets at fair value	Liabilities at fair value	Nominal amount	Assets at fair value	Liabilities at fair value	Nominal amount	Assets at fair value	Liabilities at fair value	Nominal amount
<b>Derivative instruments held for trading</b>									
<b>Foreign exchange derivatives</b>									
Swaps	0	0	15	0	0	28	0	0	21
Forward contracts	0	0	17	0	0	16	0	0	9
<b>Derivative instruments held as fair value hedge</b>									
<b>Interest rate derivatives</b>									
Swaps	23	66	11,265	1	134	10,755	12	55	9,645
<b>Derivative instruments for hedge of net investment in foreign operation</b>									
<b>Foreign exchange derivatives</b>									
Swaps	12	0	659	12	0	683	8	0	678
<b>Total derivative instruments broken down by assets and liabilities</b>									
Interest rate derivatives	23	66	11,265	1	134	10,755	12	55	9,645
Foreign exchange derivatives	12	0	691	12	0	727	8	0	708
<b>Total</b>	<b>35</b>	<b>66</b>	<b>11,956</b>	<b>13</b>	<b>134</b>	<b>11,482</b>	<b>20</b>	<b>55</b>	<b>10,353</b>



## NOTE 10 FINANCIAL ASSETS AND LIABILITIES THAT ARE OFFSET OR SUBJECT TO NETTING AGREEMENTS

	Financial assets and liabilities that are offset or subject to netting agreements						Net amount	Assets and liabilities that are not subject to netting agreements	Total on balance sheet
	Gross amount	Offset amount	Net amount on balance sheet	Related agreements		Net amount			
				Framework netting agreement	Collateral received/pledged				
<b>30/6/2013</b>									
Derivatives	2	—	2	—	—	2	33	35	
<b>Assets</b>	<b>2</b>	<b>—</b>	<b>2</b>	<b>—</b>	<b>—</b>	<b>2</b>	<b>33</b>	<b>35</b>	
Derivatives	0	—	0	—	—	0	66	66	
<b>Liabilities</b>	<b>0</b>	<b>—</b>	<b>0</b>	<b>—</b>	<b>—</b>	<b>0</b>	<b>66</b>	<b>66</b>	
<b>31/12/2012</b>									
Derivatives	—	—	—	—	—	—	13	13	
<b>Assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>13</b>	<b>13</b>	
Derivatives	—	—	—	—	—	—	134	134	
<b>Liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>134</b>	<b>134</b>	
<b>30/6/2012</b>									
Derivatives	—	—	—	—	—	—	20	20	
<b>Assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>20</b>	<b>20</b>	
Derivatives	—	—	—	—	—	—	55	55	
<b>Liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>55</b>	<b>55</b>	

The table shows reported financial assets and liabilities that are presented net on the balance sheet or that have potential rights associated with binding framework netting agreements or similar agreements, along with related collateral. The net amount shows the exposure under normal business conditions as well as 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 payment net or sell the asset and make payment for the liability at the same time.

Financial assets and liabilities that are subject to legally binding framework netting agreements or similar agreements that are not presented net on the balance sheet are arrangements that ordinarily take legal effect in the event of an insolvency or suspension of payments, but not under normal business conditions or arrangements in which Skandia does not have the intention to sell the instruments at the same time.

## NOTE 11 RELATED PARTY DISCLOSURES

Related party disclosures pertain to dealings and transactions with Skandia Liv, Skandia AB and other group companies outside of Skandiabanken. All transactions are made at arm's length 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 a controlling influence.

## Related party transactions

Skandiabanken has SEK 150 million on deposit from Seven Days Finans AB. The CEO of the company is a board member of Skandiabanken. In other respects, customary business transactions were carried out between the group companies.

## NOTE 12 PLEDGED ASSETS, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	30/6/2013	31/12/2012	30/6/2012
Other pledged assets	4,415	5,284	5,361
Contingent liabilities	—	4	4
Commitments	29,934	20,083	21,429

As a result of a ruling by the Administrative Court, Skandiabanken's taxation from 2009 has been increased. The effects of the Administrative Court's ruling have been eliminated, as Skandiabanken has taken advantage of the opportunity to make additional group contributions to its parent company. The matter is thereby concluded without any financial effects, which is why no contingent liabilities remain.

## NOTE 13 MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	30/6/2013			31/12/2012			30/6/2012		
	Instruments with published price quotations in an active market Level 1	Valuation techniques based on observable market data Level 2	Total	Instruments with published price quotations in an active market Level 1	Valuation techniques based on observable market data Level 2	Total	Instruments with published price quotations in an active market Level 1	Valuation techniques based on observable market data Level 2	Total
<b>Assets</b>									
<b>Financial assets at fair value through profit or loss</b>									
<b>Held for trading</b>									
Shares and participations	0	10	10	0	12	12	0	11	11
Derivatives	—	35	35	—	13	13	—	34	34
<b>Available-for-sale financial assets</b>									
Fixed-income securities	—	18,613	18,613	697	22,154	22,851	1,624	21,155	22,779
Shares and participations	8	38	46	7	31	38	6	14	20
<b>Total</b>	<b>8</b>	<b>18,696</b>	<b>18,704</b>	<b>704</b>	<b>22,210</b>	<b>22,914</b>	<b>1,630</b>	<b>21,214</b>	<b>22,844</b>
<b>Liabilities</b>									
<b>Held for trading</b>									
Negative trading positions	2	—	2	0	—	0	1	—	1
Derivatives	—	66	66	—	134	134	—	55	55
<b>Total</b>	<b>2</b>	<b>66</b>	<b>68</b>	<b>0</b>	<b>134</b>	<b>134</b>	<b>1</b>	<b>55</b>	<b>56</b>

All financial instruments that are measured at fair value are classified in a valuation hierarchy that reflects observable prices or other input in the valuation techniques that are used. Reclassifications between levels in the hierarchy can be made when there are indications that the market conditions (such as liquidity, for example) have changed.

When measuring financial assets and liabilities at fair value, an assessment is made prior to each quarter if the valuations pertain to quoted prices that represent actual and regularly occurring transactions or not. The securities are thereafter classified in Level 1 or Level 2. No reclassifications were made during the year. No assets or liabilities are valued at Level 3.

For a description of the various levels, see note 1, "Accounting policies, financial instruments" in the 2012 Annual Report.

## NOTE 14 CAPITAL ADEQUACY ANALYSIS

Capital adequacy measures	30/6/2013	31/12/2012	30/6/2012
Total capital ratio	13.71%	14.64%	14.27%
Tier 1 capital ratio	9.92%	10.61%	10.17%
Capital adequacy quotient	1.71	1.83	1.78
<b>Capital base</b>			
Equity according to most recent year-end book closing, 31 December	3,263	3,263	2,844
Verified profit for the period	0	—	207
Proposed dividend	—	—	—
Paid dividend	—	—	—
<b>Tier 1 capital, gross</b>	<b>3,263</b>	<b>3,263</b>	<b>3,051</b>
Less intangible assets	-19	0	-1
Less deferred tax assets	-11	-3	-5
Less price adjustment	-1	—	—
Unrealised loss on available-for-sale financial assets	-49	-65	-49
<b>Tier 1 capital, net</b>	<b>3,183</b>	<b>3,195</b>	<b>2,996</b>
Unrealised gains on available-for-sale financial assets, equities	19	13	8
Perpetual subordinated debt	900	900	900
Dated subordinated debt	300	300	300
<b>Total tier 2 capital</b>	<b>1,219</b>	<b>1,213</b>	<b>1,208</b>
<b>Capital base</b>	<b>4,402</b>	<b>4,408</b>	<b>4,204</b>
<b>Risk-weighted exposures/basis for calculating capital requirement</b>			
Credit risk according to standardised approach	28,356	26,263	25,775
Currency risk	104	204	71
Operational risk according to basic indicator approach	3,642	3,642	3,623
<b>Total risk-weighted exposures</b>	<b>32,102</b>	<b>30,109</b>	<b>29,469</b>
<b>Capital requirement</b>			
Credit risk according to standardised approach	2,269	2,101	2,062
Currency risk	8	16	6
Operational risk according to basic indicator approach	291	291	290
<b>Total minimum capital requirement</b>	<b>2,568</b>	<b>2,408</b>	<b>2,358</b>

**Applied rules and regulations**

The capital requirement has been calculated in accordance with the Capital Adequacy and Large Exposures Act (2006:1371) and the Financial Supervisory Authority's regulations and general guidelines regarding capital adequacy and large exposures (FFFS 2007:1). The outcome pertains to calculations in accordance with the statutory minimum capital requirement, referred to as Pillar I, for credit risk, market risk and operational risk.

Disclosures of periodic information are made in accordance with the Financial Supervisory Authority's regulations and general guidelines on publication of information on capital adequacy and risk management (FFFS 2007:5). See [www.skandiabanken.se/hem/Om\\_oss/Finansiell\\_info/1306\\_Periodisk\\_information\\_om\\_kapitaltackning](http://www.skandiabanken.se/hem/Om_oss/Finansiell_info/1306_Periodisk_information_om_kapitaltackning).

Skandiabanken applies the standardised approach for calculating credit risk. This involves 15 risk classes along with a number of different risk weights within each class. The capital requirement for currency risks covers all items both on and off the balance sheet at fair value and recalculated to Swedish kronor using the exchange rate in effect on the accounting date. Eight per cent of the total net position in foreign currency is estimated to make up the capital requirement. The capital requirement for operational risks is calculated using the basic indicator approach, which entails that the capital requirement makes up 15% of average operating income for the three most recent financial years. Skandiabanken has received permission from the Financial Supervisory Authority to calculate capital requirement for the trading account in accordance with the rules for credit risk.

# Signatures

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

STOCKHOLM, 26 AUGUST 2013

Niklas Midby  
CHAIRMAN OF THE BOARD

Anne Andersson

Johanna Rolin Moreno

Magnus Beer

Ann-Charlotte Stjerna

Anna-Carin Söderblom Agius

Bengt-Åke Fagerman

Marek Rydén

Lars-Göran Orrevall

Øyvind Thomassen  
CEO

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

