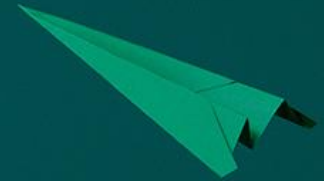


# Skandiabanken

Investor presentation – Q2 2021



**skandia :**

# Agenda

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**1. Introducing Skandiabanken**

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2. Financial information

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3. Credit portfolio

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4. Funding

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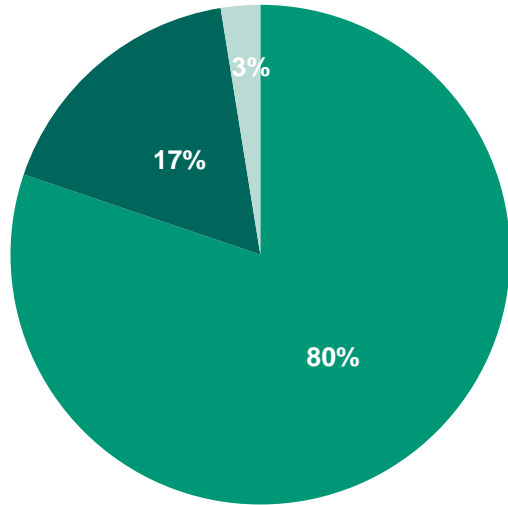
# Skandiabanken

- Swedish retail bank established in 1994
- Three core business lines: Loans - Savings - Payments
- Strong and committed owner with ESG focus
- High customer satisfaction and strong brand
- Healthy funding structure with a base in retail deposits
- High quality of assets
- Strong capital and liquidity position
- Ambitious plans for growth

- *Wholly owned subsidiary of the Skandia Group*
- *Approximately 360 000 customers*
- *A2 (Stable) rating by Moody's (covered bond rating AAA)*
- *Total assets of ~SEK 97 bn*
- *Approximately 2 percent share of the Swedish mortgage and retail savings markets*
- *CEO Johanna Cerwall*

# Business model focused on Swedish mortgages

Distribution of income YTD 2021 - Q2



■ Net interest income ■ Net commission income ■ Other

## A Swedish bank for Swedish customers

- No business outside of Sweden
- Lending only in Swedish krona

## Product offering

- Loans (>99 percent mortgages)
- Savings
- Payments

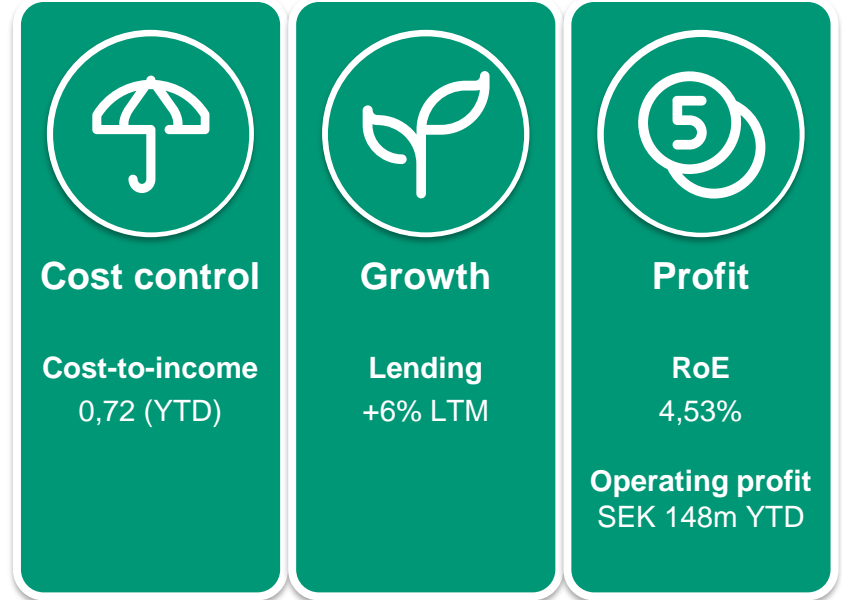
## Low risk business

- Digital business
- No private banking
- No handling of cash

# Strategy to grow

Overall goal is to contribute with *return on equity*, *cost sharing* and *strategic value* to the Skandia Group

- Scalable digital infrastructure
- Attractive pricing model
- Access to Skandia Group customers
- Supportive products within savings and payments
- Long-term commitment



# Sustainable banking

*Skandia Group's owner's instruction stipulates a transparent business focused on long-term customer relations and sustainability*



## Long-term commitment

- High business ethics
- Responsible credit granting

## Sustainable

- Social & environmental responsibility
- Responsible investments
- Skandia supports international frameworks
- Skandia fully compensates its direct footprint since 2012\*

## Acting responsibly

- Transparent and fair pricing
- Actively working against financial crime

\*Gold standard carbon offsetting scheme. Prony Windfarm on the New Caledonia

# Agenda

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1. Introducing Skandiabanken

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2. **Financial information**

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3. Credit portfolio

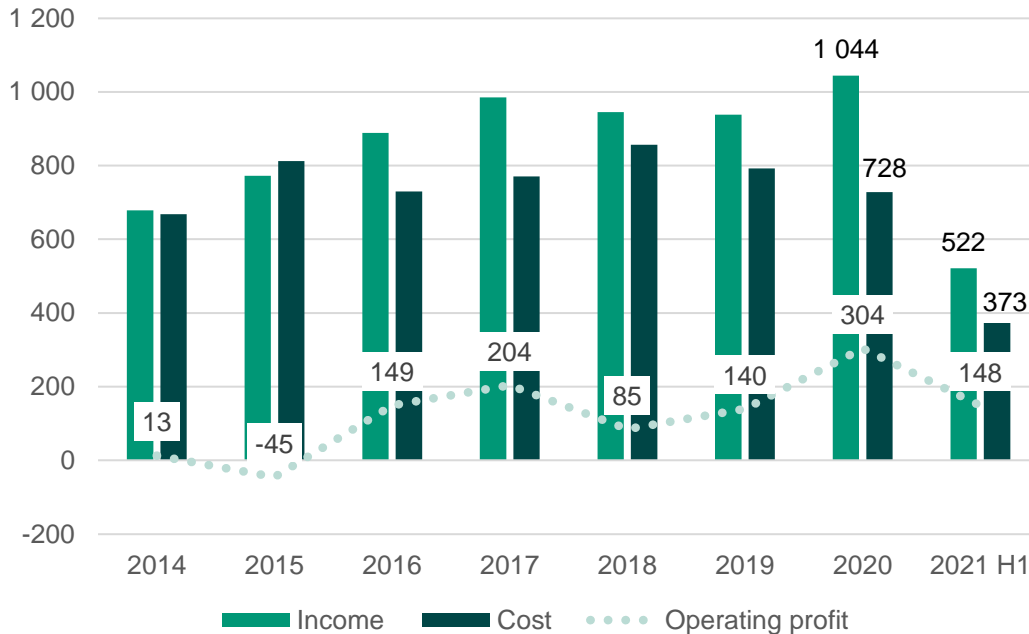
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4. Funding

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# Profit development

## Income, Cost & Operating profit



## Investments in 2018

- IT infrastructure and regulatory implementations

## Turnaround in 2019

- Increased volumes and reduced costs

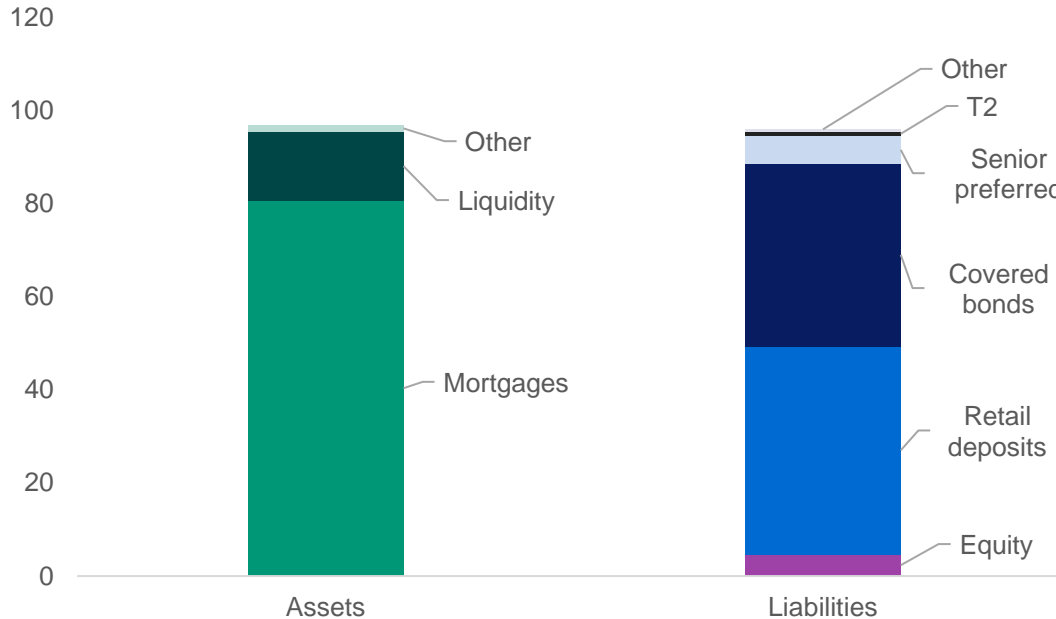
## Profit generation going forward

- Continuous growth
- Cost control proven effective
- Improved C/I and ROE



# Balance sheet overview

Balance sheet (SEK bn) as of Q2 2021



## Transparent balance sheet

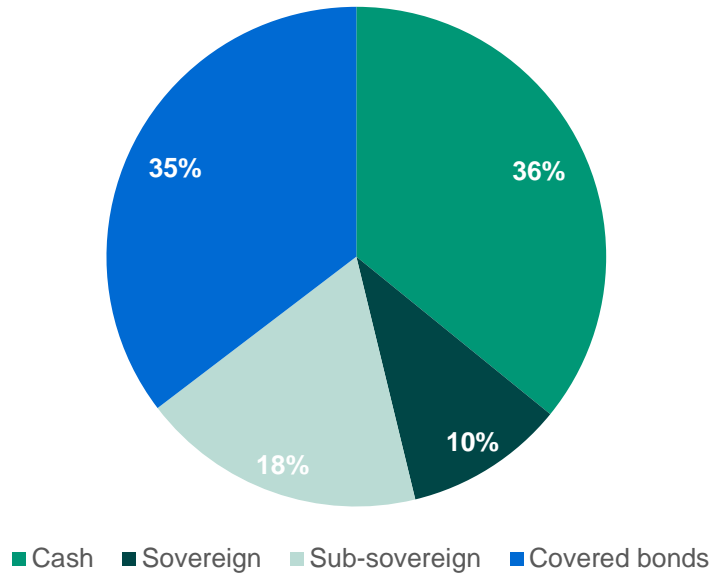
- Approx. 98% mortgages and liquidity reserve
- No corporate lending
- Negligible consumer lending (<1%)

## Sound funding structure

- Loan to deposit ratio 180% (significantly below peers)
- More than 86% deposits and covered bonds

# Liquidity position

Liquidity portfolio as of Q2 2021



## Low appetite for liquidity risk

- High and stable LCR and NSFR
- LCR 330 percent
- NSFR 137 percent
- Survival horizon >145 days

## High quality liquidity reserve

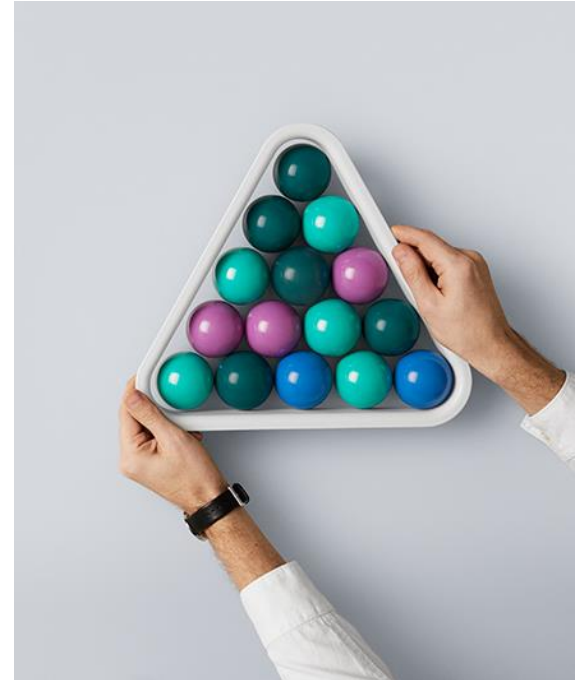
- Riksbank certificates
- Municipal bonds & commercial papers
- Covered bonds
- Focus on assets that are accepted by the Riksbank as collateral

# Agenda

1. Introducing Skandiabanken
2. Financial information
3. **Credit portfolio**
4. Funding

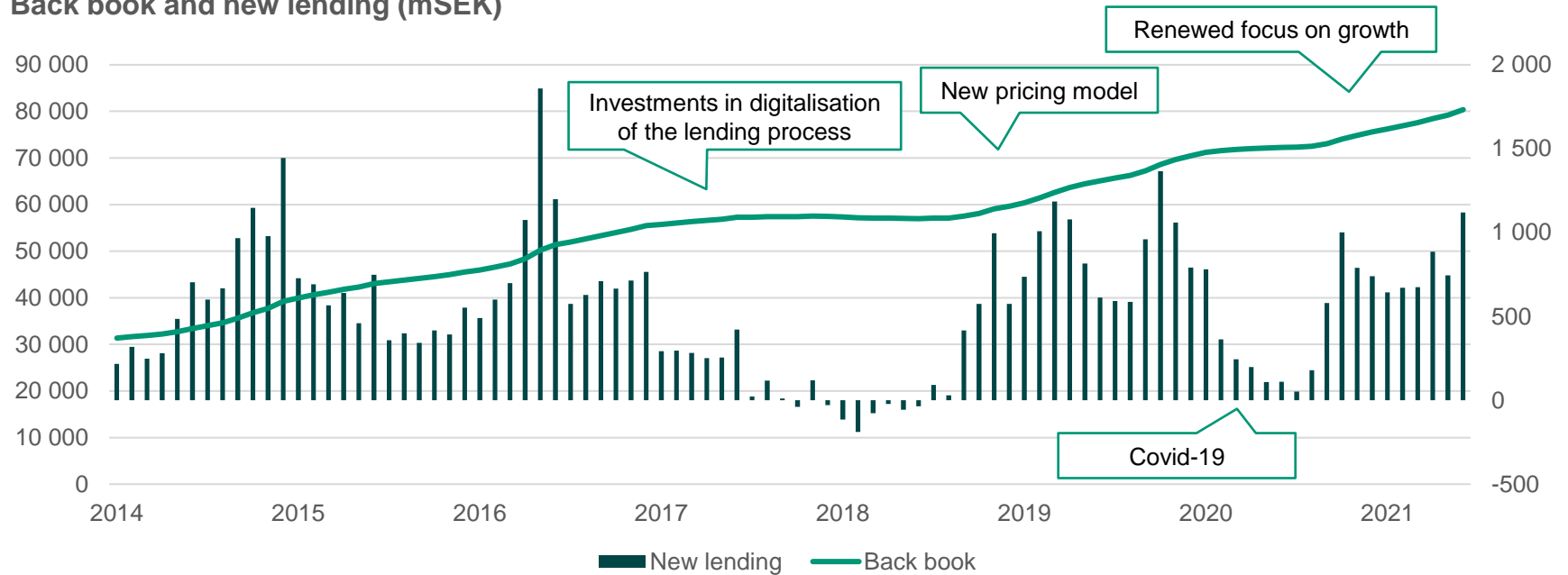
# Swedish mortgages

- Strong legislative foundation - Konsumentkreditlag (2010:1846)
- Regulations require lenders to ensure that borrowers can afford to pay the interest also in stressed conditions
- Skandiabanken has a digital process for lending
- Standardised and prudent criteria for lending
- Well defined target group



# Growth in mortgages

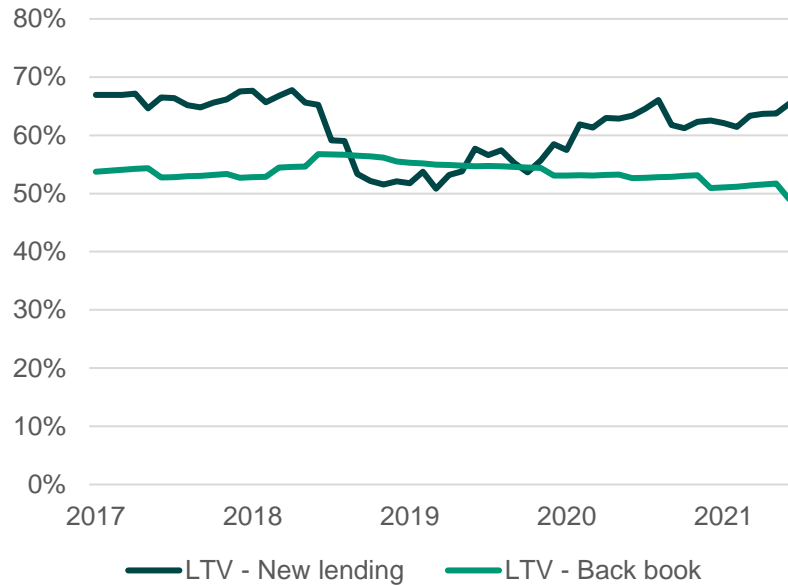
Back book and new lending (mSEK)



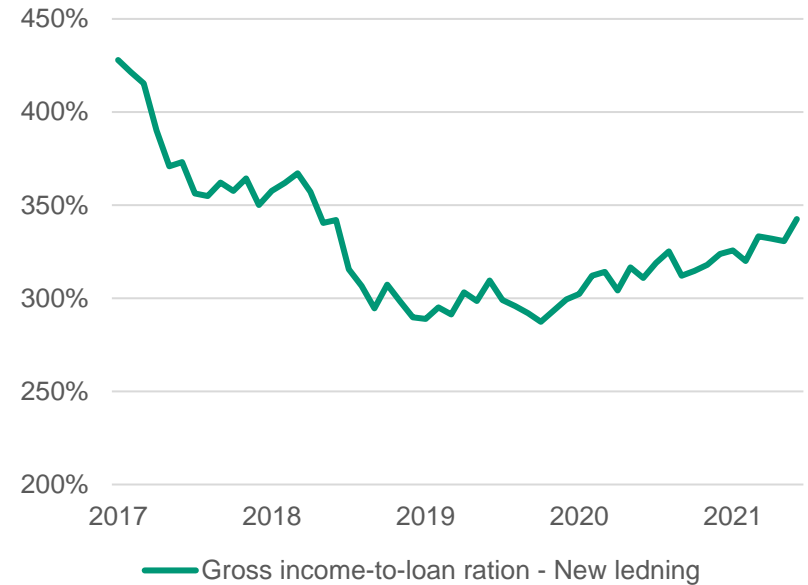
Source: SCB

# High quality mortgages

## LTV

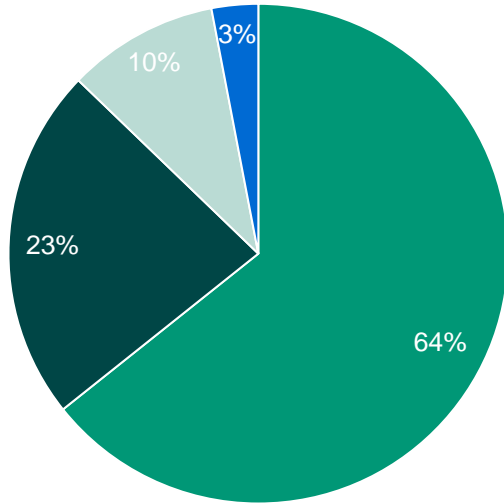


## Gross income-to-loan ratio - New lending



# Distribution of mortgages

Geographical distribution Q2 2021



■ Stockholm area ■ Other ■ Göteborg area ■ Malmö area

- Urban focus
  - Majority of lending to urban areas
  - Higher liquidity and transparency in pricing
  - Long-term demand for housing
- Majority of lending to single-family houses
  - 53% Single-family houses
  - 43% Tenant owner rights
  - 4% Second homes
- Continued bias towards variable rates
  - 78% Variable rate loans (3 month)
  - 22% Fixed rate loans (1-5 years)

# Cover pool details

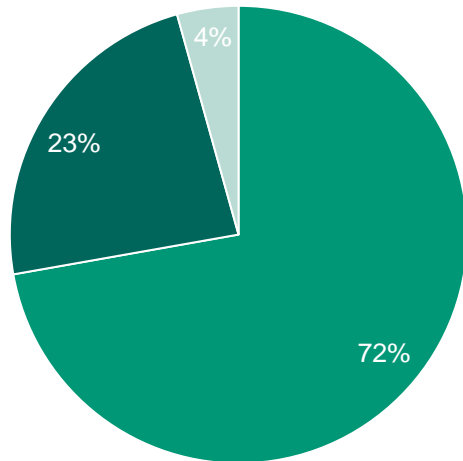
Cover pool data*	
Cover pool size	SEK 50 601 M
Outstanding covered bonds	SEK 38 741 M
Collateral	100 percent Swedish residential mortgages
Over collateralisation	31% (approx. 108% all assets included)
Weighted average LTV	49%
Average loan size	SEK 1 651 939
Interest rate type	100% Floating
Weighted average seasoning	56 months
Pool type	Dynamic
Originator	Skandiabanken AB

\*Figures as of Q2 2021



# Senior bond holders exposure

Senior bond holders as of Q2 2021



■ Unpledged mortgages ■ Liquidity reserve ■ Other

- Senior preferred bond holders are exposed to the same quality of mortgages as the holders of covered bonds
- The liquidity reserve is invested in sovereigns, sub-sovereigns and covered bonds (AAA)
- “Other” refers to e.g. collateral and unsecured lending

# Agenda

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4. **Funding**

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# Funding overview

## Strategy

- Foundation in retail deposits
- Covered bonds the second most important source of funding
- Floating rate notes in Swedish krona

## Ambition

- Transparent approach
- Equal quality of assets inside and outside cover pool
- Long-term commitment

## Plan for 2021 (Q3-Q4)

- SEK ~6 bn gross funding
- Primarily covered bonds
- Roll senior preferred redemptions
- Seek to maintain presence in the commercial paper market

Product	Redemptions	Funding	Net supply	
Covered bonds	2 591	3 500	909	+/- 1500
Senior preferred	1 400	1 500	100	+/- 500
Senior non-preferred*	-	1 000	1 000	
<b>Total**</b>	<b>3 991</b>	<b>6 000</b>	<b>2 009</b>	<b>+/- 2 000</b>

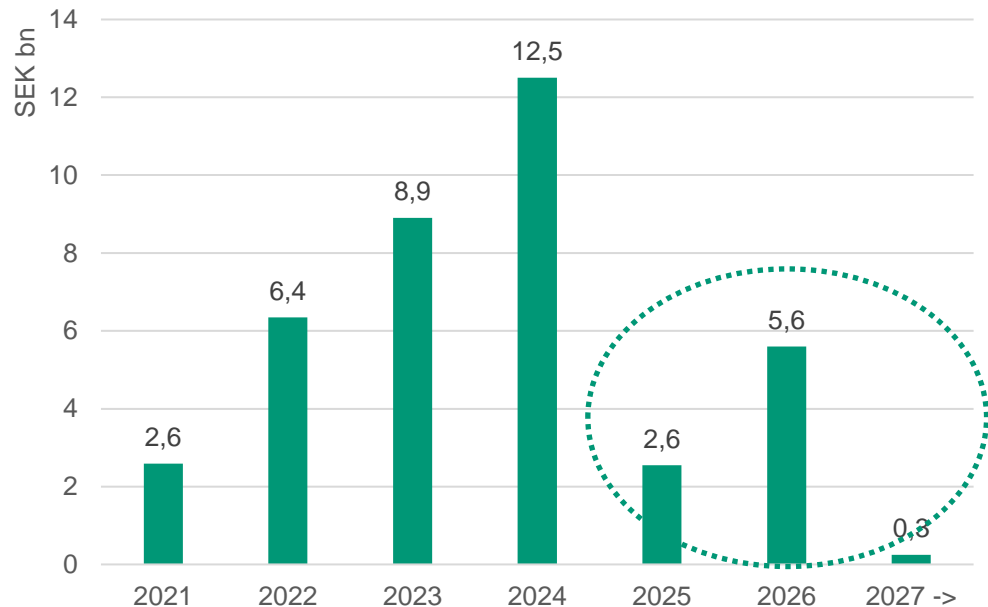
\*Redemptions as of 2021-06-31

\*\*All outstanding subordinated debt and MREL debt is currently owned by Skandia Liv

\*\*\*Uncertainty of the estimation is driven by the amount of new lending and retail deposits

# Secured funding

## Maturity profile of covered bonds as of 2021-06-30



\*Uncertainty of the estimation is driven by the amount of new lending and retail deposits

## Plan for 2021 (Q2-Q4)

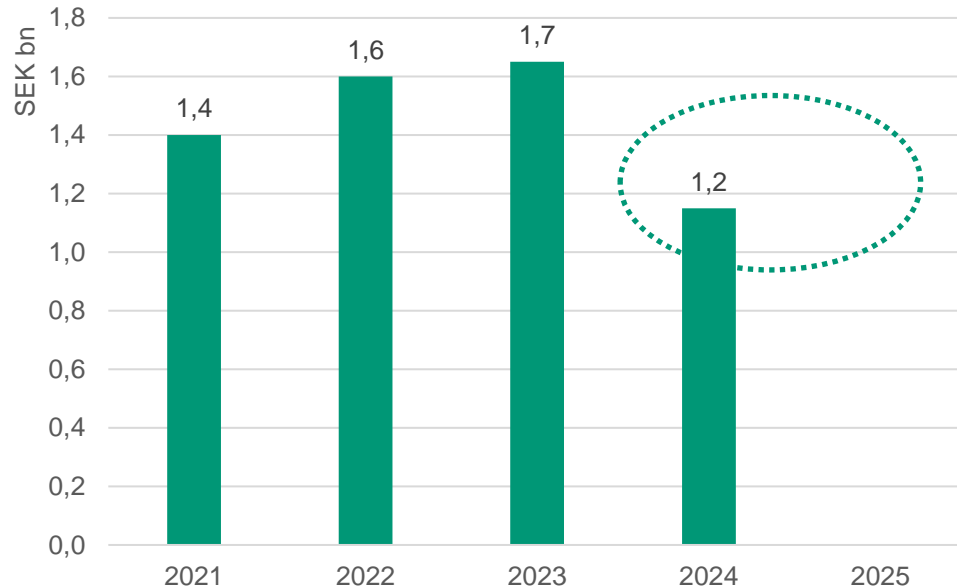
- SEK 5,0 bn issued ytd
- Remaining redemptions SEK 2,6 bn
- Gross issuance SEK 3,5 bn expected
- FRNs in SEK
- Preferred tenors 4-7 years

## Ambitions going forward

- Level 2 bonds available to tap
- 1-2 syndicated issues per year
- Buy-back policy (3-6 months to maturity)
- OC of approximately 30 percent
- Larger bond size and improved liquidity to be expected as we grow

# Unsecured funding

Maturity profile of senior preferred as of 2021-06-30



## Senior preferred

- SEK 1,55 bn issued ytd
- Remaining redemptions SEK 1,4 bn
- Roll maturing bonds
- Private placements
- FRN or Fixed coupon

## Senior non-preferred

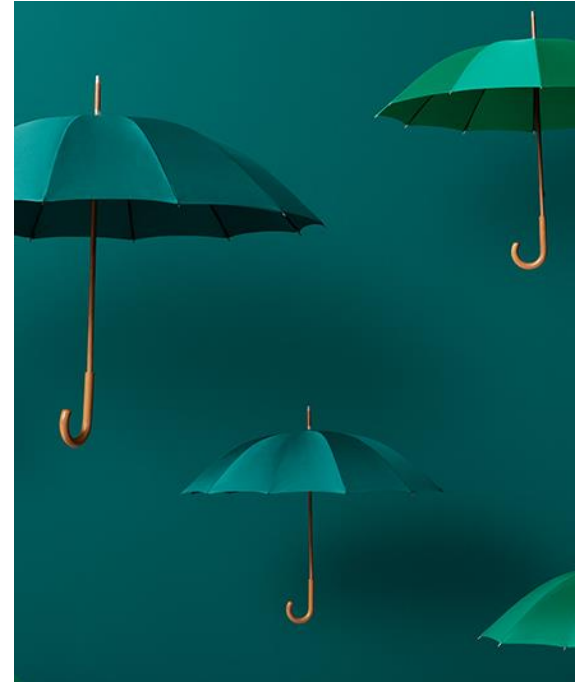
- Plan to issue SEK 1 bn in 2021

## Commercial paper

- Source of short-term liquidity
- Seek to regain and maintain presence in the commercial paper market

# Summary

- Funding equally split between retail deposits and bond issuance
- Most of long-term funding via covered bonds with high OC
- Senior bonds issued to diversify funding, support our rating and to comply with regulatory demands
- Senior bond holders get high quality exposure
- Continued presence in the market for commercial papers



# Appendix

# Appendix - Rating

## Rated by Moody's Investor Services

- Foreign LT Bank Deposits – Rating: A2 (Positive)
- Local LT Bank Deposits – Rating: A2 (Positive)
- Since 2015, positive outlook since July 13, 2021
  
- Covered bonds - Rating: AAA
- Since 2013

## Rating policy

- All covered bonds are rated
- Senior bonds will not be rated unless that is explicitly negotiated

## *”Credit strengths*

- *Very strong asset quality*
- *Strong capitalisation*
- *A retail-based funding profile and adequate liquidity, given it's wholesale funding needs*
- *Very strong support from Skandia Group*

## *Credit challenges*

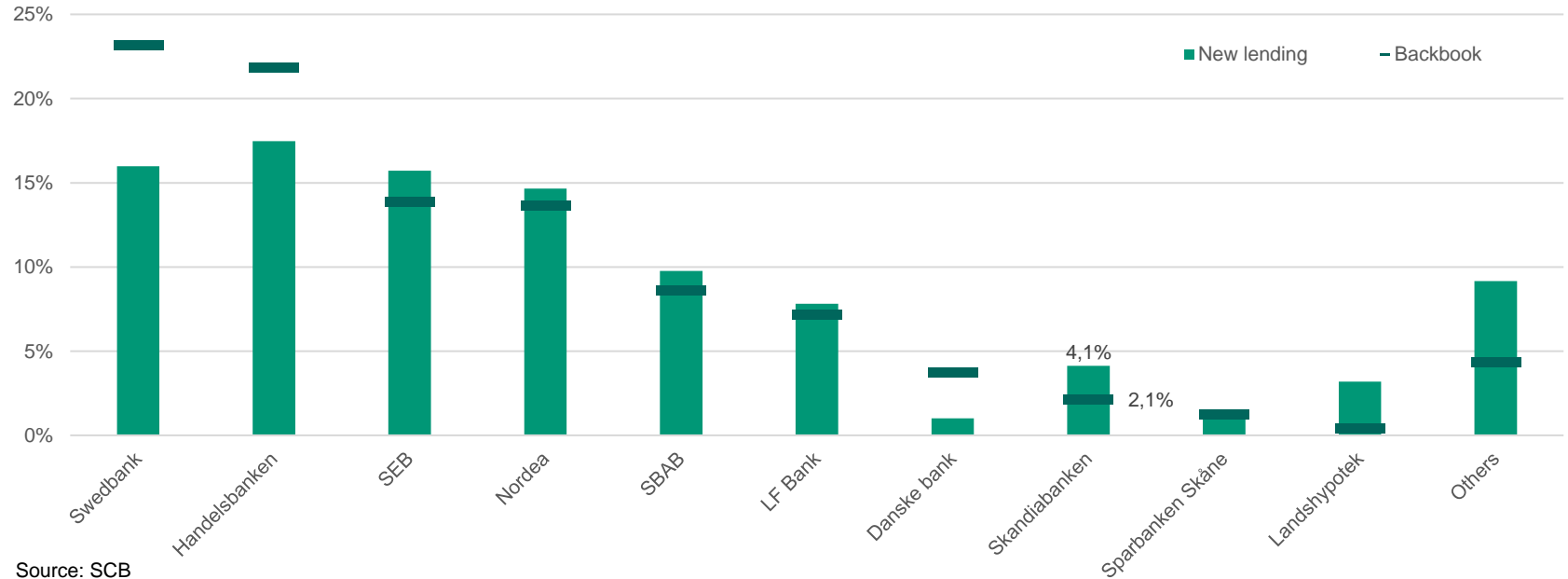
- *Historical high lending growth*
- *Lower-than-peers efficiency and weak profitability”*

Source: Moody's credit opinion dated October 5, 2020



# Appendix – Swedish mortgage market

Svenska bolånemarknaden 2021

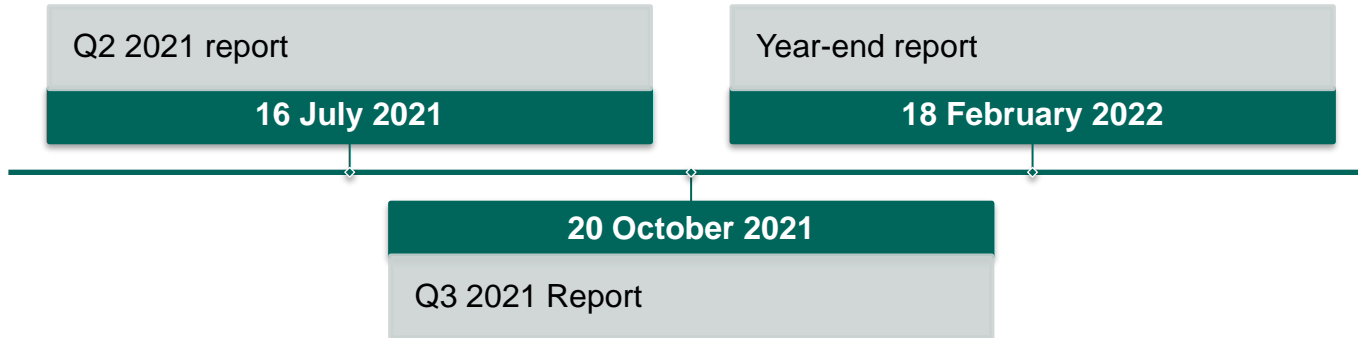


Source: SCB

# Appendix - Capital position

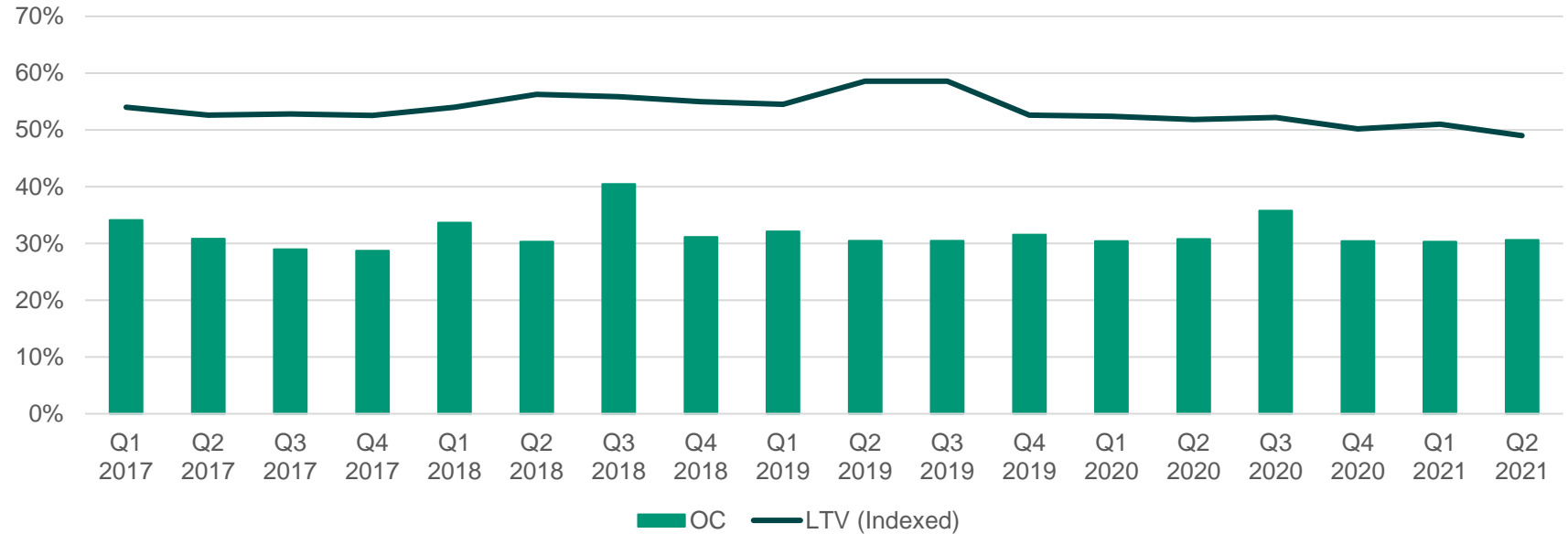
	Q2 2021
Own funds	20,6%
Tier 1	18,5%
CET 1	18,5%
Leverage ratio	4,4%
MREL	9,9%
MREL-eligible liabilities (liabilities proportion principle)	4,6 bn

# Appendix - Key Dates



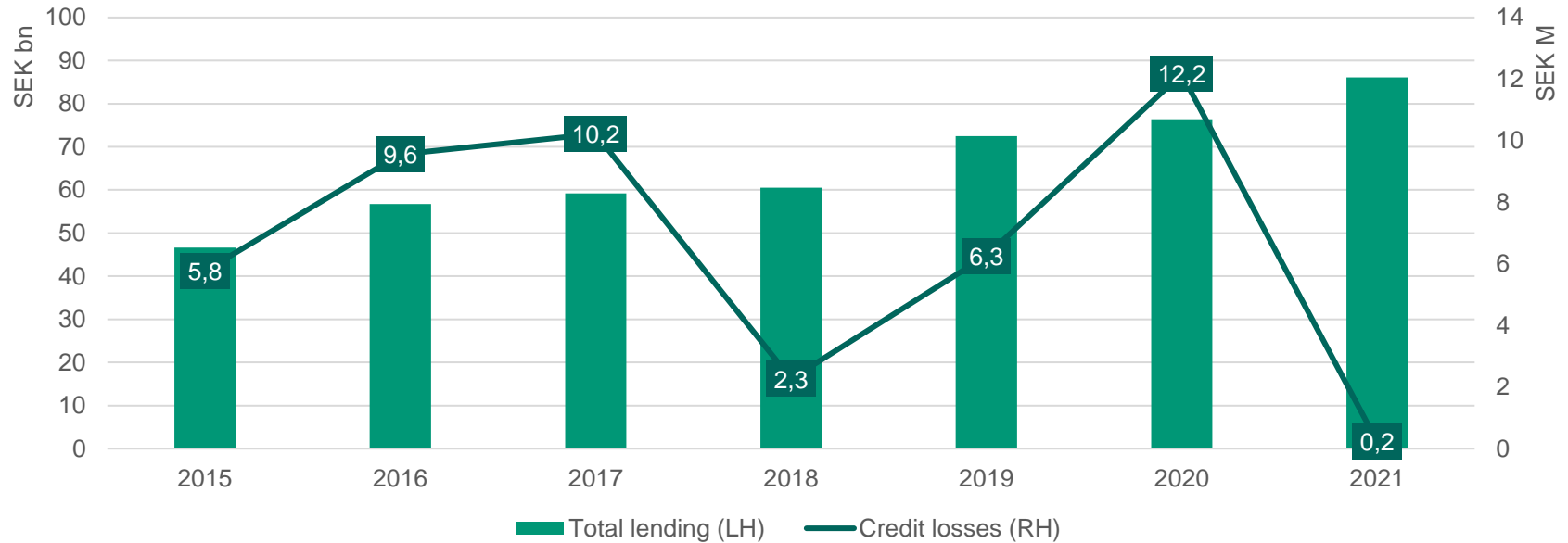
# Appendix – Cover pool: Stable LTV ratio & OC

## LTV & OC



# Appendix - Low credit losses

## Credit losses



# Appendix - Outstanding covered bonds

Bond	Maturity	Coupon type	Amount issued	Min piece (MM)
SKANBK 0.43 09/13/21	2021-09-13	FIXED	300 000 000	1
SKANBK Float 09/15/21	2021-09-15	FLOATING	2 950 000 000	1
SKANBK Float 03/02/22	2022-03-02	FLOATING	2 750 000 000	1
SKANBK Float 08/24/22	2022-08-24	FLOATING	3 600 000 000	2
SKANBK Float 03/15/23	2023-03-15	FLOATING	3 500 000 000	2
SKANBK Float 09/20/23	2023-09-20	FLOATING	5 400 000 000	2
SKANBK Float 02/22/24	2024-02-22	FLOATING	1 700 000 000	2
SKANBK Float 04/24/24	2024-04-24	FLOATING	5 500 000 000	2
SKANBK Float 09/24/24	2024-09-24	FLOATING	5 300 000 000	2
SKANBK Float 04/24/25	2025-04-24	FLOATING	450 000 000	2
SKANBK Float 06/24/25	2025-06-24	FLOATING	800 000 000	2
SKANBK Float 09/24/25	2025-09-24	FLOATING	800 000 000	2
SKANBK Float 11/24/25	2025-11-24	FLOATING	500 000 000	2
SKANBK Float 04/23/26	2026-04-23	FLOATING	5 600 000 000	2
SKANBK 1.97 02/02/27	2027-02-02	FIXED	250 000 000	1

As of 2021-08-05

Bonds with min.piece 1 MM cannot be tapped

# Appendix - Outstanding senior bonds

Bond	Maturity	Coupon type	Amount issued	Min piece (MM)
SKANBK Float 09/20/21	2021-09-20	FLOATING	900 000 000	2
SKANBK Float 12/20/21	2021-12-20	FLOATING	500 000 000	2
SKANBK Float 03/18/22	2022-03-18	FLOATING	300 000 000	2
SKANBK 1.1 08/29/22	2022-08-29	FIXED	300 000 000	1
SKANBK Float 09/19/22	2022-09-19	FLOATING	500 000 000	2
SKANBK 0.535 11/04/22	2022-11-04	FIXED	500 000 000	2
SKANBK Float 04/20/23	2023-04-20	FLOATING	400 000 000	2
SKANBK 0.56 05/10/23	2023-05-10	FIXED	500 000 000	2
SKANBK Float 10/13/23	2023-10-13	FLOATING	750 000 000	2
SKANBK Float 01/15/24	2024-01-15	FLOATING	450 000 000	2
SKANBK Float 03/26/24	2024-03-26	FLOATING	700 000 000	2

*As of 2021-08-05*

*Bonds with min.piece 1 MM cannot be tapped*

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