

# Investor presentation

## Skandiabanken

Q4 - 2019



**skandia :**

# Agenda

1

Introducing Skandiabanken

2

Financials

3

Credit portfolio

4

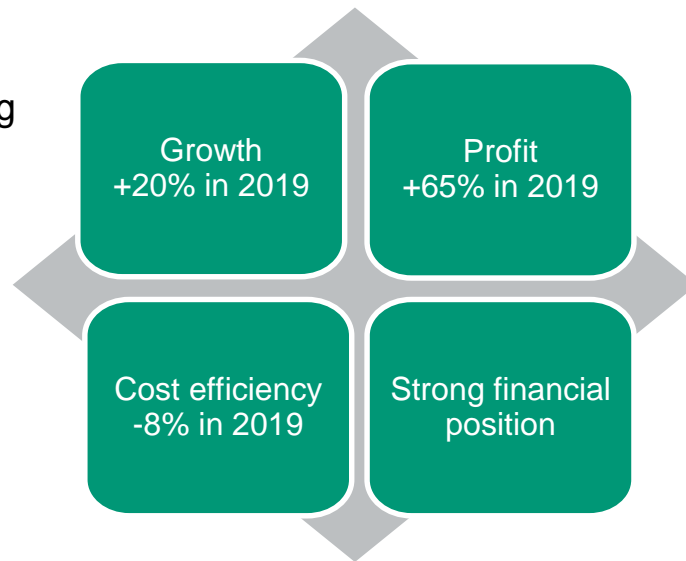
Funding

# Skandiabanken

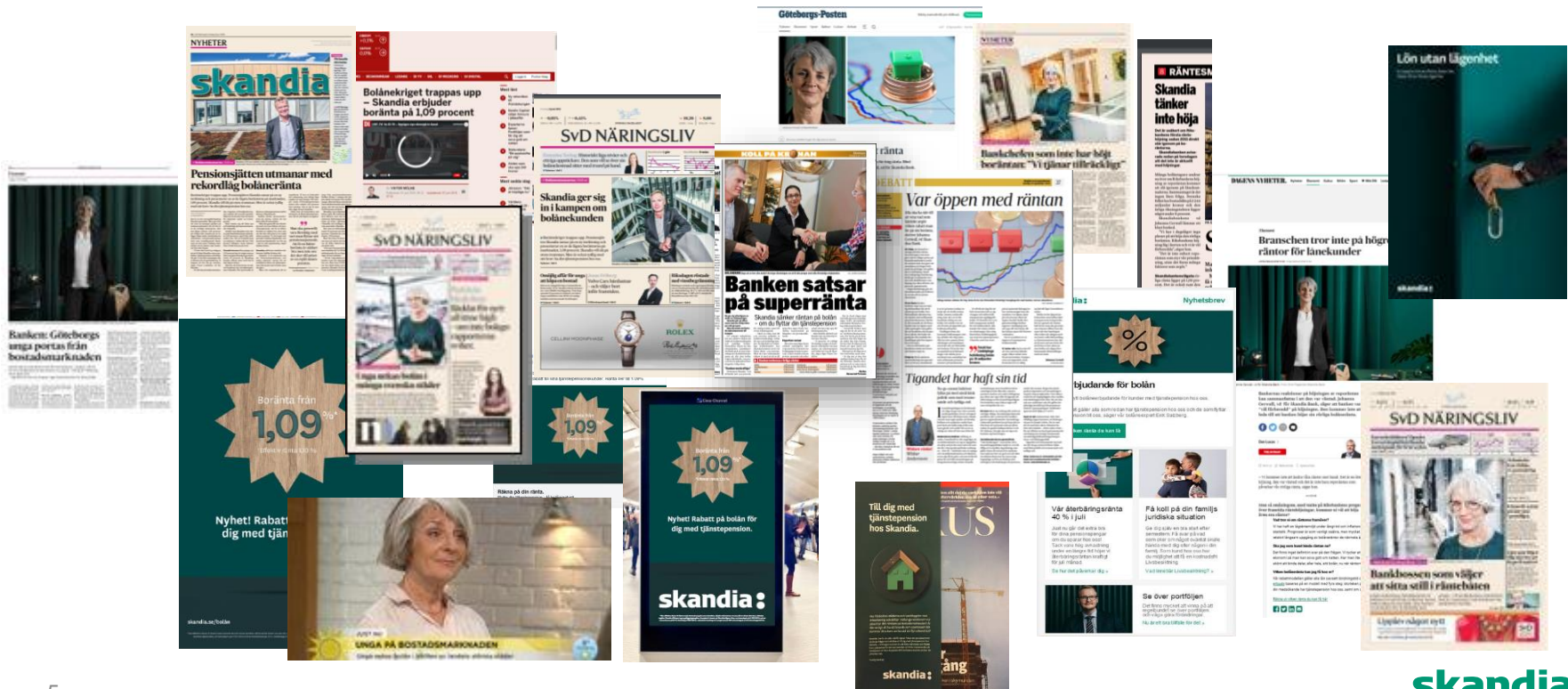
- Swedish retail bank established in 1994
  - Strong and committed owner with ESG focus
  - Three core business lines: Loans - Savings - Payments
  - High customer satisfaction and strong brand
  - Ambitious plans for growth
  - Healthy funding structure with focus on retail deposits
  - Solid asset quality (low-risk mortgages)
  - Strong capital and liquidity position
- 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 80 bn
  - Approximately 2 percent share of the Swedish mortgage and retail savings markets
  - CEO Johanna Cerwall

# Our strategy is set for growth

- Skandiabanken contributes with equity return, cost sharing and strategic value to the Skandia Group
- Growth strategy focused on mortgages
  - Scalable digital infrastructure
  - Attractive pricing model
  - Focus on Skandia Group customers
- Complementary products within savings and payments



# Increased presence and visibility



# Sustainable business

*Skandia Group's sustainability work is based on the owner's instructions which stipulates that the business shall be transparent, focused on long-term customer relations and sustainable business*

## Skandia's corporate sustainability strategy

- Transparency and long-term customer relationships
- Social responsibility
- Responsible investments
- Environmental responsibility
- Long-term employer
- Business ethics
- Skandia supports international frameworks



**THE GLOBAL GOALS**  
For Sustainable Development

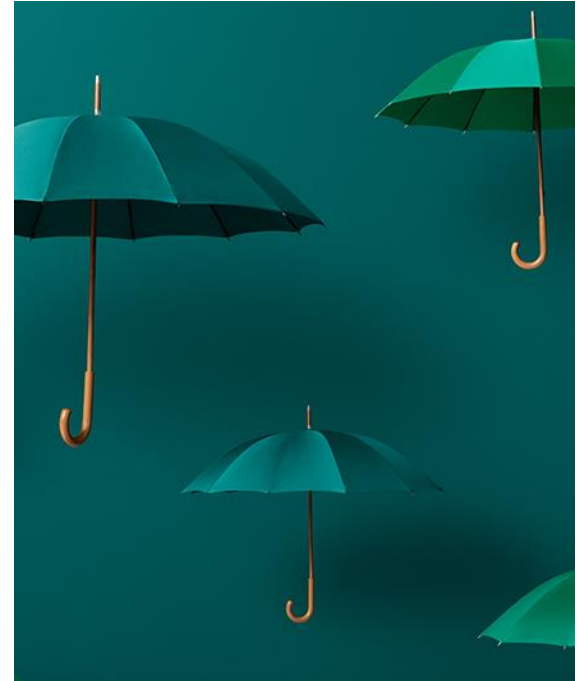


**skandia:**

# Skandiabanken and ESG

- Skandia fully compensates its direct footprint since 2012
  - Gold standard carbon offsetting scheme\*
- ESG policy with ambitious targets
- Transparent price structure
- High business ethics
- Translating our ESG ambition into everyday business is of very high priority

\*Prony Windfarm on the New Caledonia



# Strong resilience to money laundering

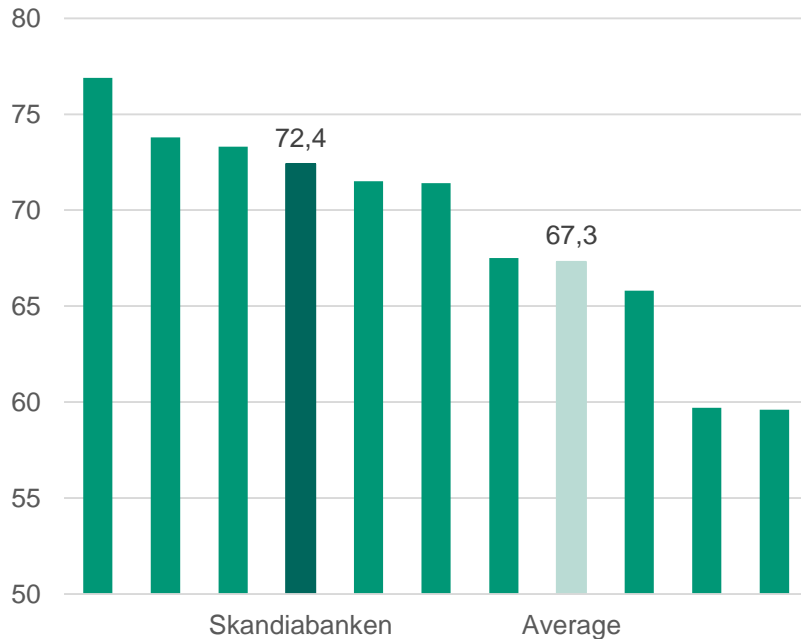
- Focus on Swedish private retail clients
- Limited products and services for corporate customers
- No foreign operations
- Digital business without branch offices
- No handling of cash notes





# High customer satisfaction

SKI Swedish banks, retail customers - 2019



Source: SKI (Svensk kvalitetsindex)

- The Swedish Quality Index (SKI), measures customer satisfaction in its annual survey
  - 4<sup>th</sup> place for mortgages 71,3 (avg. 69,3)
  - 1<sup>st</sup> place for corporate occupational pensions 71,6 (avg. 68,9)
- Retail customers give us high ratings
  - High level of service & reliability
  - Our customers want to recommend us to others
- We are proud to represent simplicity and transparency

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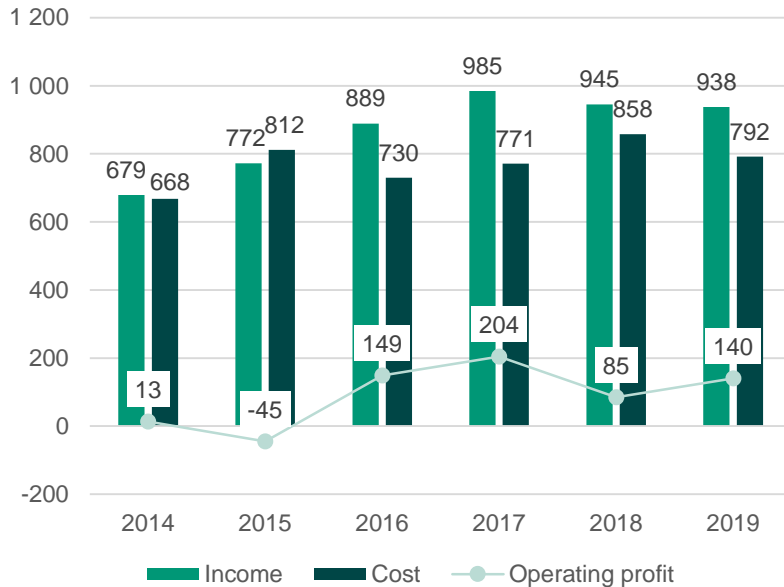
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# Turnaround in 2019

## Income, Cost & Operating profit

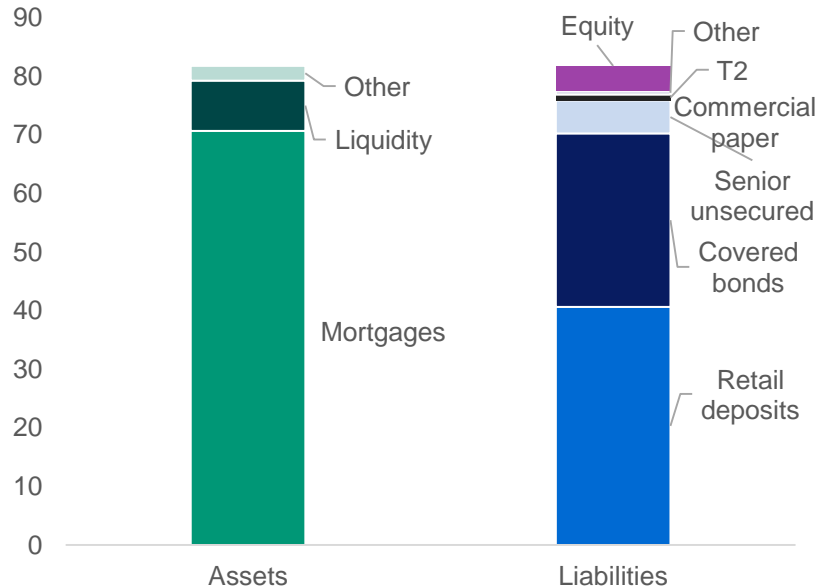


2015 is excluding write-down of intangible assets, -246 Mkr  
2016 is excluding extraordinary revenue from VISA, 43 Mkr

- ~85 percent of income from mortgages, profitability to improve as volumes grow
- Investments in IT infrastructure and regulatory implementations lead to lower than expected profit in 2018
- Turnaround in 2019
  - Increased volumes while reducing cost and risk
  - Generally lower margins in mortgages driven by intensified competition
- Continued focus on cost control

# Business model focused on low-risk lending

Balance sheet (SEK bn as of Q4 2019)



- Transparent balance sheet: ~97% mortgages and liquidity reserve
- Strategic focus on low risk mortgages
  - No corporate lending
  - Very limited consumer lending (<1%)
- Funding primarily comprised by deposits and covered bonds (>85%)

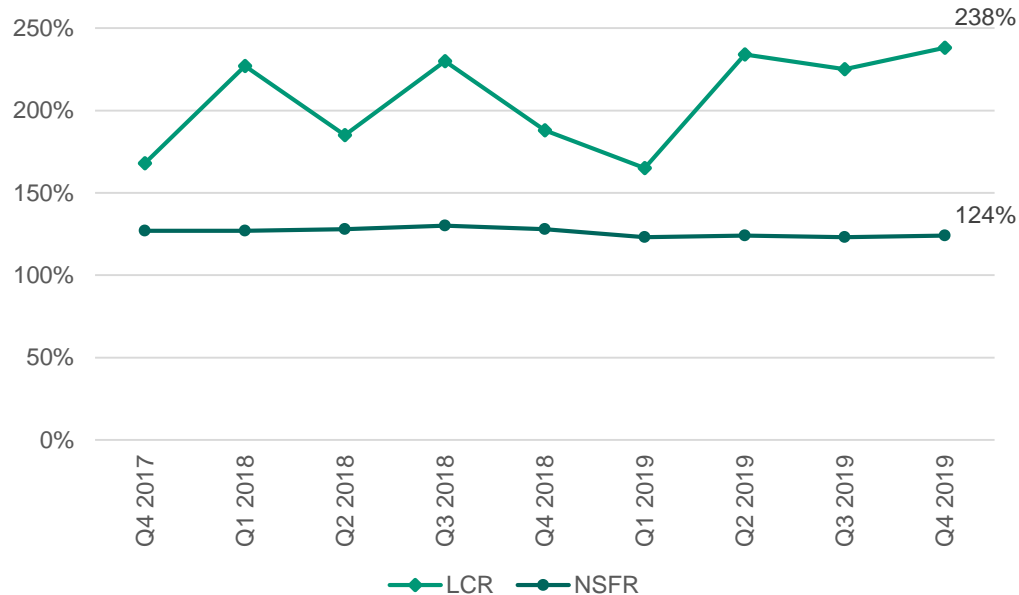
# Strong capital position enables growth

Figures as of Q4 2019	Skandiabanken
Own funds	21,9%
Tier 1	19,5%
CET 1	19,5%
Leverage ratio	4,9%
MREL	11,3%
MREL-eligible liabilities (liabilities proportion principle)	21,9%

- The strong capital position will enable growth to continue at current pace
- The Swedish FSA approved Skandiabanken's internal capital model for mortgages in 2018
  - Reduced risk weights for mortgages from 35 percent to 25 percent
  - Capital release used for continued growth
- MREL-eligible liabilities on schedule to comply with regulations

# Low appetite for liquidity risk

Development in LCR and NSFR



- Skandiabanken has a low appetite for liquidity risk
- High and stable LCR and NSFR
- Liquidity portfolio invested in central bank, government, municipals and covered bonds

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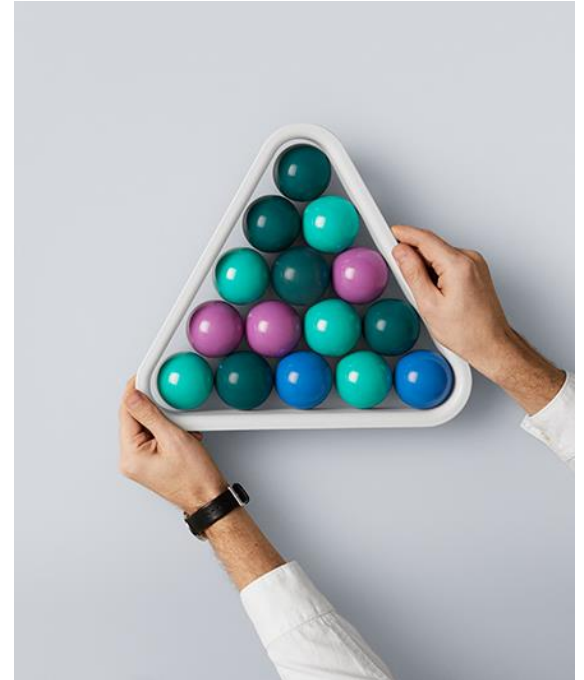
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# The Swedish mortgage market

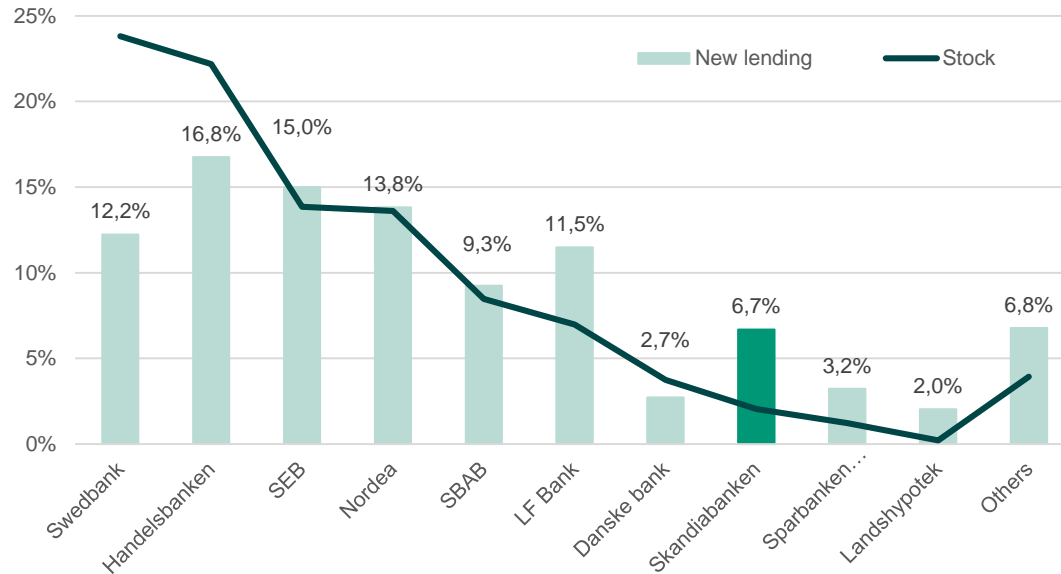
- Strong legislative foundation - Konsumentkreditlag (2010:1846)
- Regulations require lenders to ensure that borrowers can afford to pay the interest also in stressed conditions
- Skandiabanken has a highly standardised and digital process for lending
- Skandiabanken has highly standardised and prudent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





# Competitive business model

The Swedish mortgage market - 2019

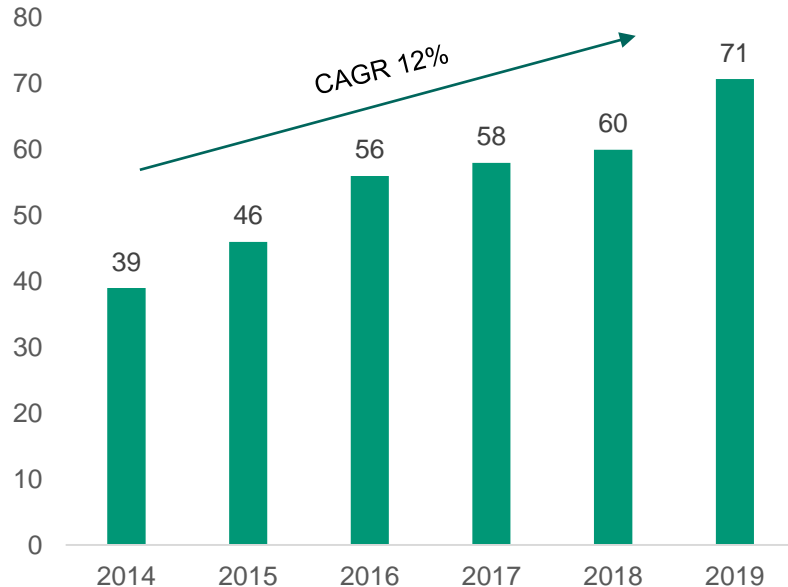


Source: SCB

- Skandiabanken captured more than three times its market share in 2019
- Increased competition in retail mortgage market has led to declining margins
- Skandiabanken compete with
  - Competitive and transparent pricing
  - Digital banking
  - Simplicity and high business ethics

# Strong growth based on a scalable model

Mortgage volume (SEK bn)



## Focused pricing model

- Low risk mortgage clients
- Skandia pension clients

## Modern IT-infrastructure

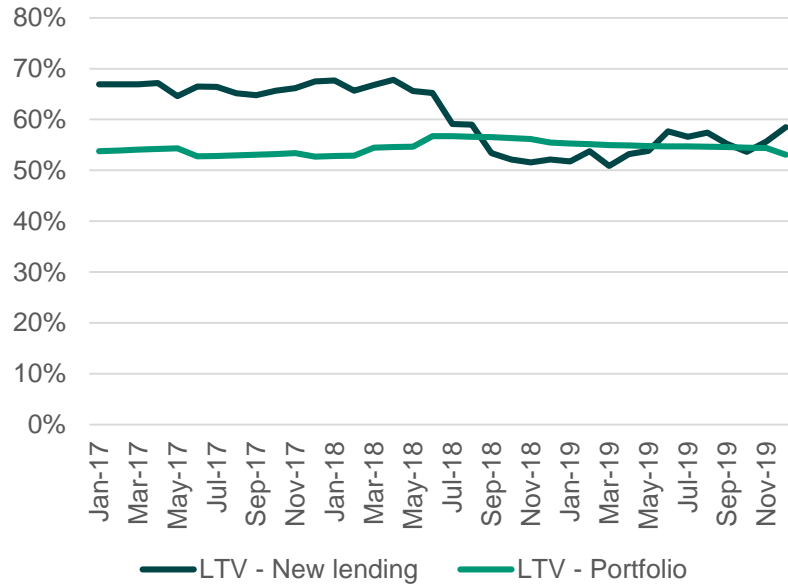
- Streamlined underwriting process for mortgages
- Digital platform set for growth

## Targeting >1m existing Skandia customers

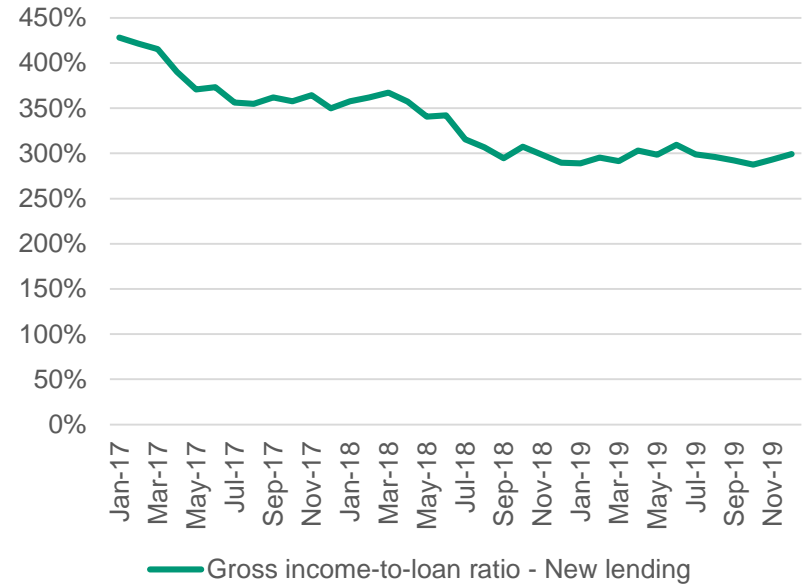
- Win-win for the bank and insurance business
- Skandiabanken a strategic part of Skandia

# High quality mortgages

## LTV

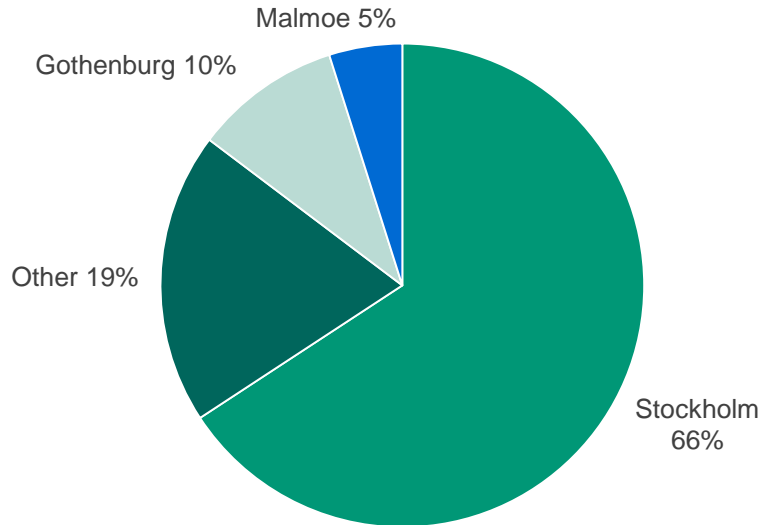


## Gross income-to-loan ratio - New lending



# Distribution of mortgages

## Geographical distribution



- ~80 percent of lending towards urban areas
  - Higher liquidity and transparency in pricing
  - Long-term demand for housing
- Majority of lending to single-family houses
  - 55% Single-family houses
  - 41% Tenant owner rights
  - 4% Second homes
- Continued bias towards variable rates
  - 77% Variable rate loans (3 month)
  - 23% Fixed rate loans (1-5 years)

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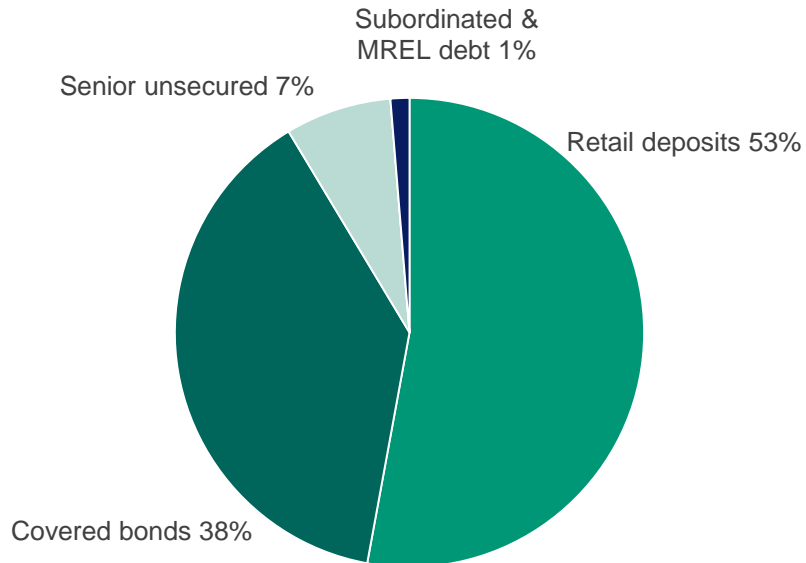
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# Funding strategy

## Share of funding as of Q4 2019



## Target market

- Swedish krona
- Floating rate notes

## Preferred mode of operation

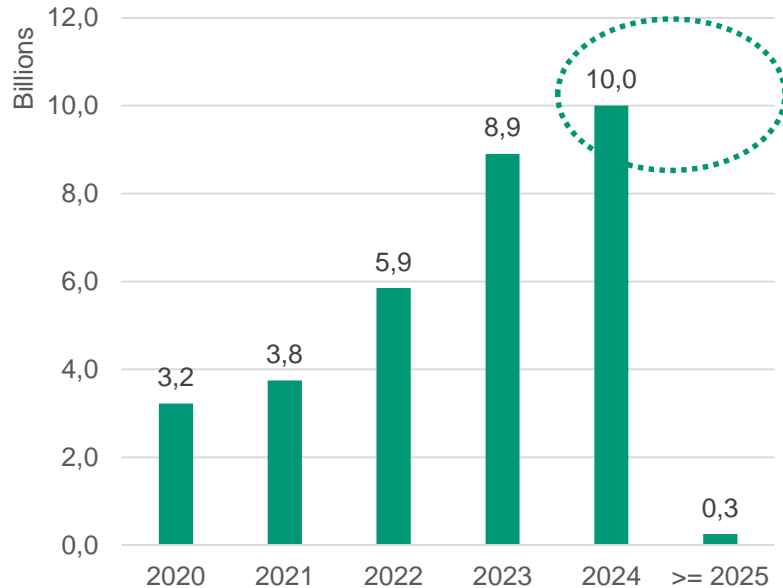
- Reverse inquiries
- Private placements
- 1-3 syndicated prints per year

## Transparent and flexible approach

- Long-term commitment
- Buy-back policy (3-6 months to maturity)

# Secured funding

## Maturity profile of covered bonds (SEK)



## Funding target

- 13-16 bn during 2020\*
- 2.8 bn issued YTD

## Focus

- FRNs in SEK
- Preferred tenors 3-5 years
- Level 2 bonds available to tap
- 1-3 syndicated issues

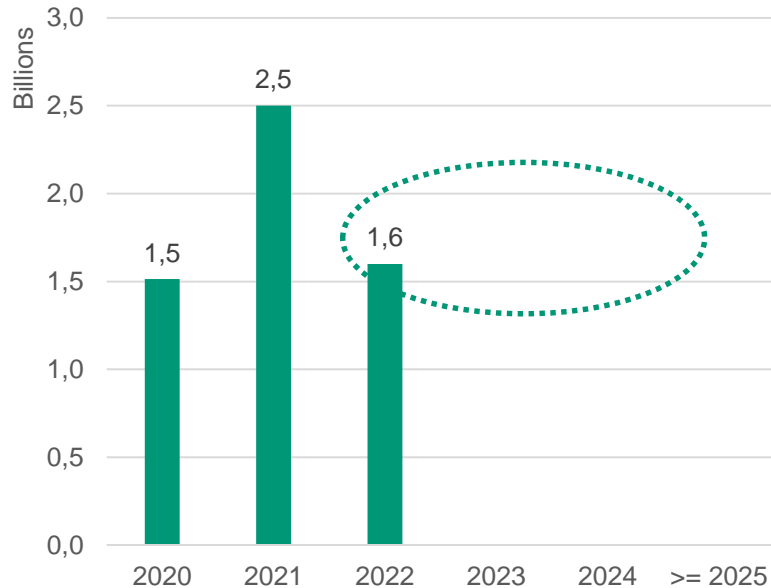
## Offer

- Active buy-back policy (3-6 months to maturity)
- High quality cover pool with high OC of ~30 percent
- Equal quality inside and outside cover pool

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

# Unsecured funding

## Maturity profile of senior unsecured (SEK)



### Senior unsecured

- 1-2 bn during 2020 (500m issued YTD)
- Roll maturing bonds
- Private placements
- Diversification
- FRN or Fixed coupon

### Senior non-preferred

- 1bn expected in 2020

### Commercial paper

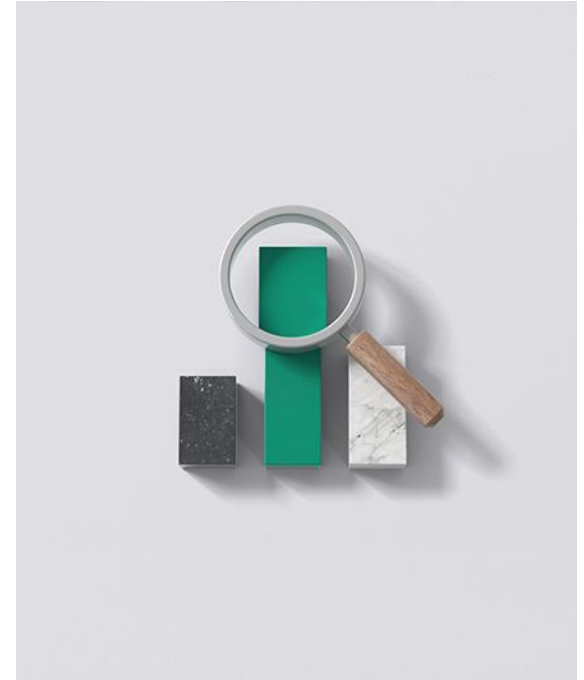
- To handle temporary needs
- Not a strategic source of funding



# Estimated long-term funding needs – 2020

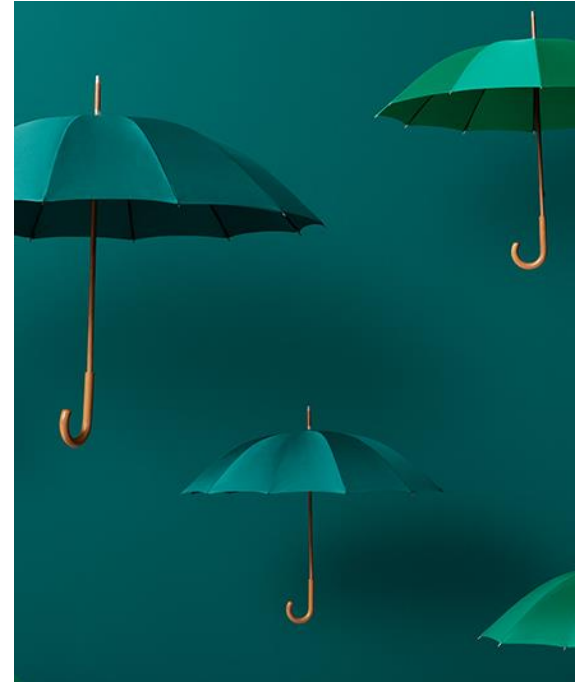
Funding need (bn)	Redemptions	Issues	Supply
Covered bonds	3,4	13-16	10-13
Senior unsecured	1,9	1-2	+/-
Senior non-preferred	-	1	1
<b>Total*</b>	<b>5,3</b>	<b>15-19</b>	<b>11-14</b>

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



# Funding - Summary

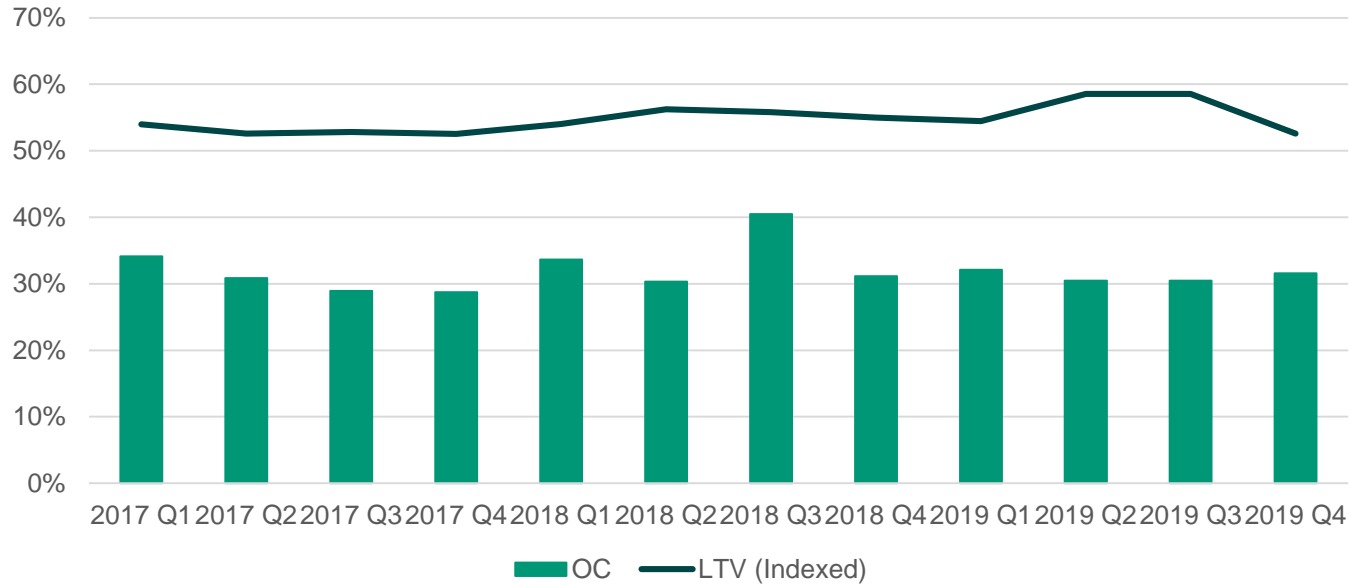
- Retail deposits account for 50 percent of total funding
- Focus on covered bonds in FRN/SEK format
- Senior unsecured to comply with regulatory demands and to support rating
- Commercial papers to manage short-term funding needs
- Continue to investigate and work towards green lending and EU Green bonds – prioritised issue



# Appendix

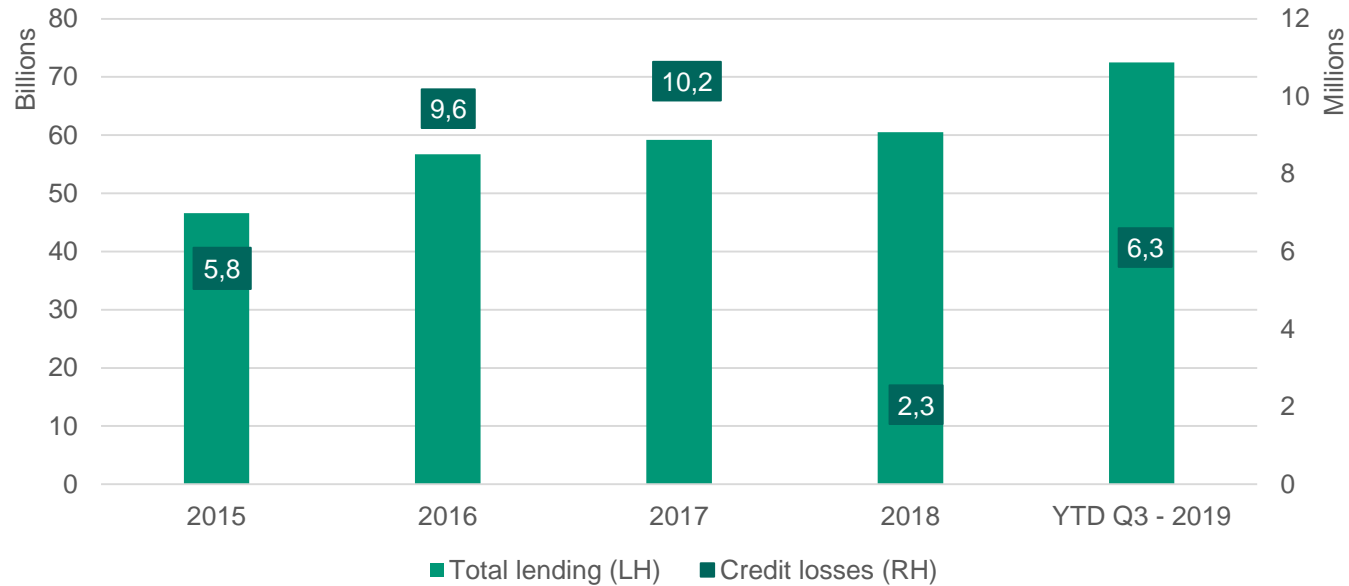
# Appendix - Stable LTV ratio & OC

LTV & OC



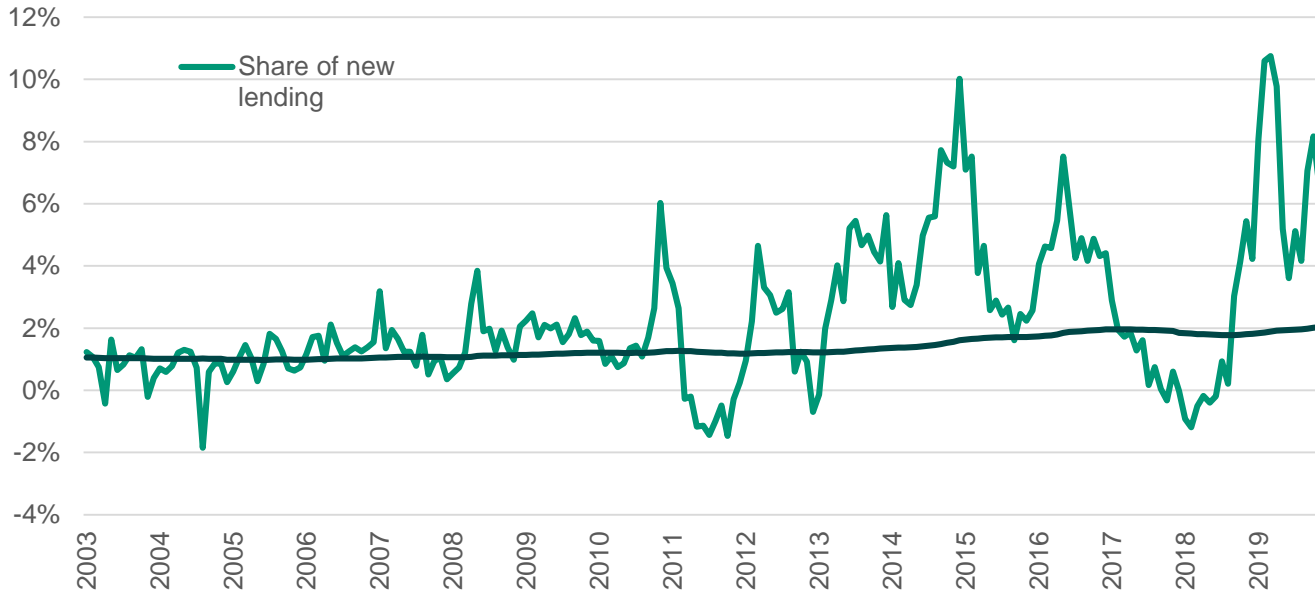
# Appendix - Low credit losses

## Credit losses



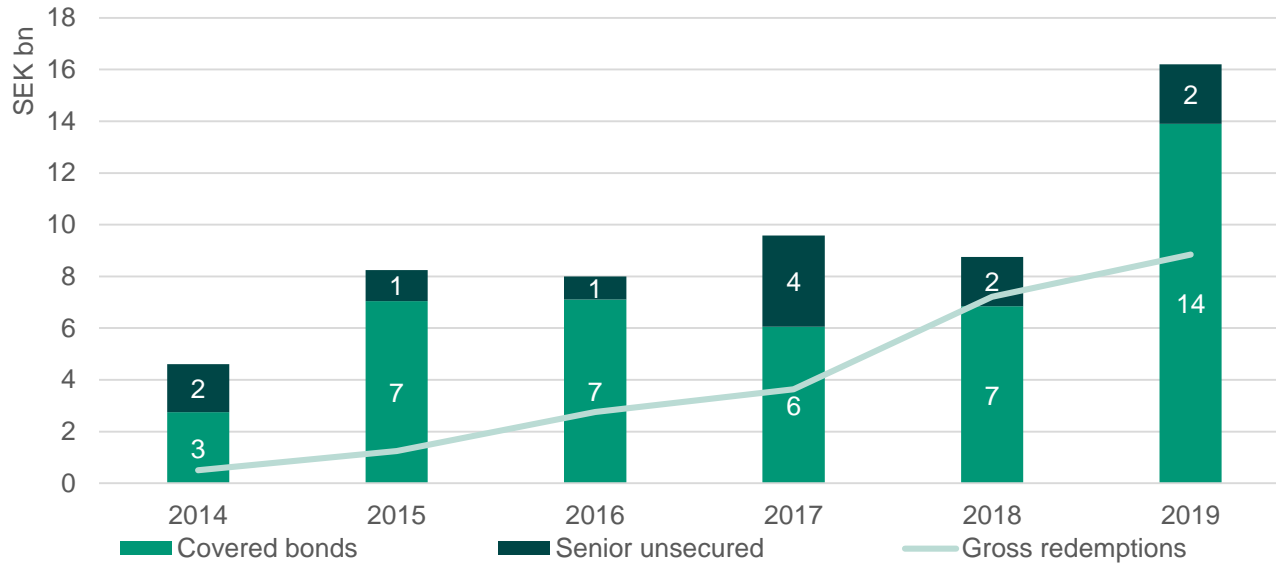
# Appendix – Growing market share

Skandiabanken market share - Swedish mortgages



# Appendix – Historical funding

Historical funding volumes (SEK bn)



# Appendix - Outstanding covered bonds

Bond	Maturity	Coupon type	Amount issued	Min piece (MM)
SKANBK Float 02/21/20	2020-02-21	FLOATING	250 000 000	1
SKANBK Float 04/07/20	2020-04-07	FLOATING	800 000 000	1
SKANBK Float 09/08/20	2020-09-08	FLOATING	2 500 000 000	1
SKANBK Float 05/24/21	2021-05-24	FLOATING	500 000 000	2
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	3 100 000 000	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	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	3 800 000 000	2
SKANBK 1.97 02/02/27	2027-02-02	FIXED	250 000 000	1

As of 2020-02-13

Bonds with min.piece 1 MM cannot be tapped



# Appendix - Outstanding senior bonds

Bond	Maturity	Coupon type	Amount issued	Min piece (MM)
SKANBK Float 02/28/20	2020-02-28	FLOATING	935 000 000	1
SKANBK 0.07 02/28/20	2020-02-28	FIXED	500 000 000	1
SKANBK 0.34 09/14/20	2020-09-14	FIXED	300 000 000	1
SKANBK Float 02/08/21	2021-02-08	FLOATING	500 000 000	2
SKANBK Float 02/22/21	2021-02-22	FLOATING	100 000 000	1
SKANBK 0 3/8 03/22/21	2021-03-22	FIXED	500 000 000	2
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 0.56 05/10/23	2023-05-10	FIXED	500 000 000	2

*As of 2020-02-13*

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

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