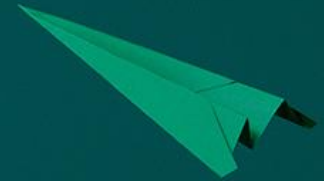


# Skandiabanken

Investor presentation – Q3 2020



**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
- Strong and committed owner with ESG focus
- Three core business lines: Loans - Savings - Payments
- High customer satisfaction and strong brand
- Healthy funding structure with focus on 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 90 bn*
- *Approximately 2 percent share of the Swedish mortgage and retail savings markets*
- *CEO Johanna Cerwall*

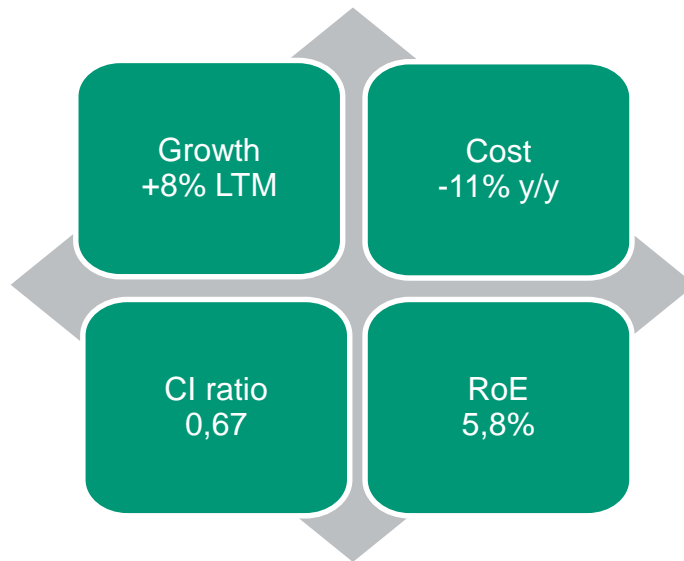
# Our strategy is set for growth

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



# Sustainable banking

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



## Long-term focus

- High business ethics
- Responsible credit granting

## Sustainable

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

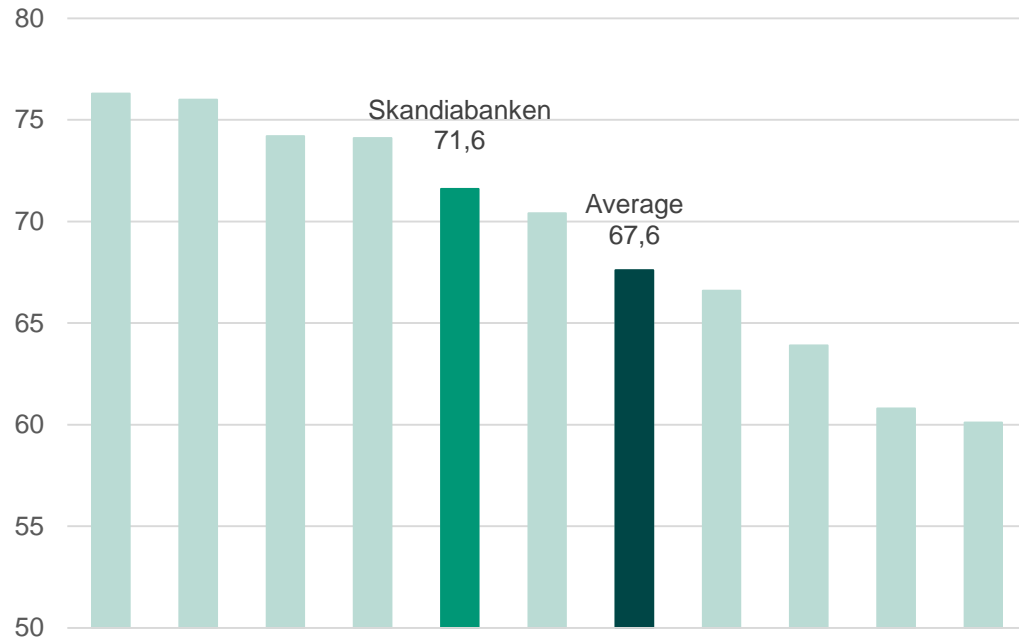
## Acting responsibly

- Transparent and fair pricing
- Fight financial crime

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

# High customer satisfaction

SKI Swedish banks, retail customers - 2020



Source: SKI (Svensk kvalitetsindex)

## The Swedish Quality Index (SKI)

- Annual survey
- Measures customer satisfaction

## High ratings

- 4<sup>th</sup> place for mortgages in 2019
- 1<sup>st</sup> place for corporate occupational pensions

## What our customers say

- High level of service & reliability
- Would like to recommend us to others

We are proud to represent simplicity and transparency

# Actively engaging in the public debate



# Agenda

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# Implications of Covid-19

## Well prepared

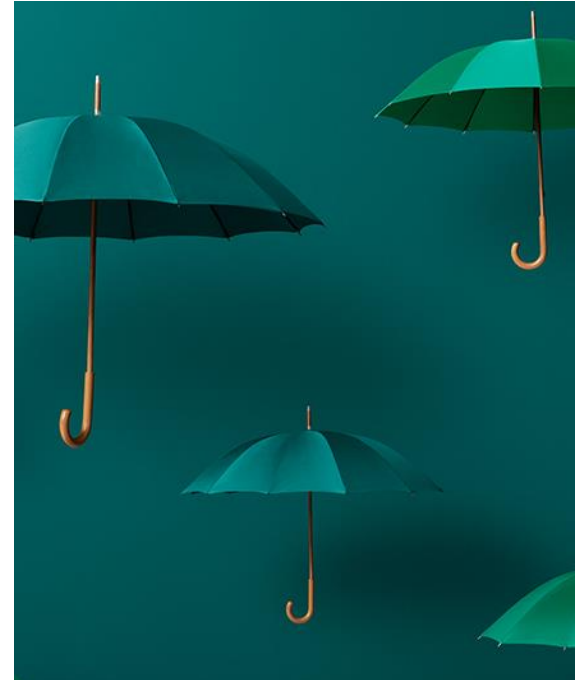
- High degree of digitalisation with the ability to run large parts of the business remotely
- Preventive measures initiated early on, e.g. incident management team activated, and critical functions evaluated to ensure business continuity
- Strong capital and liquidity position and high quality of assets

## Business impact

- About 5 000 loans granted for amortisation easing YTD
- Increased credit impairment provisions (in accordance with IFRS9)
- Delayed growth

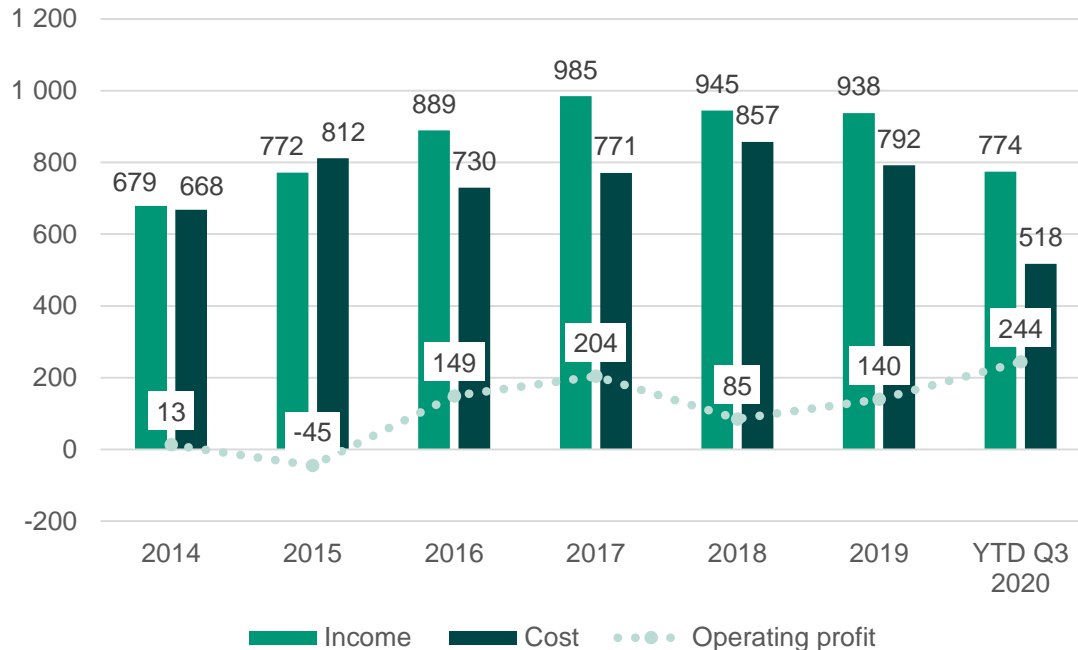
## Going forward

- Focus on adapting to the new normal
- Business as usual with precautions taken



# Historically strong profit in 2020

## Income, Cost & Operating profit



## Investments in 2018

- IT infrastructure and regulatory implementations

## Turnaround in 2019

- Increased volumes and reduced costs

## Profit generation in 2020

- Continuous growth
- Approx. 85 percent of income from mortgages
- Cost control proven effective
- Improved C/I and ROE

# Business model focused on mortgages

Balance sheet (SEK bn)



## Transparent balance sheet

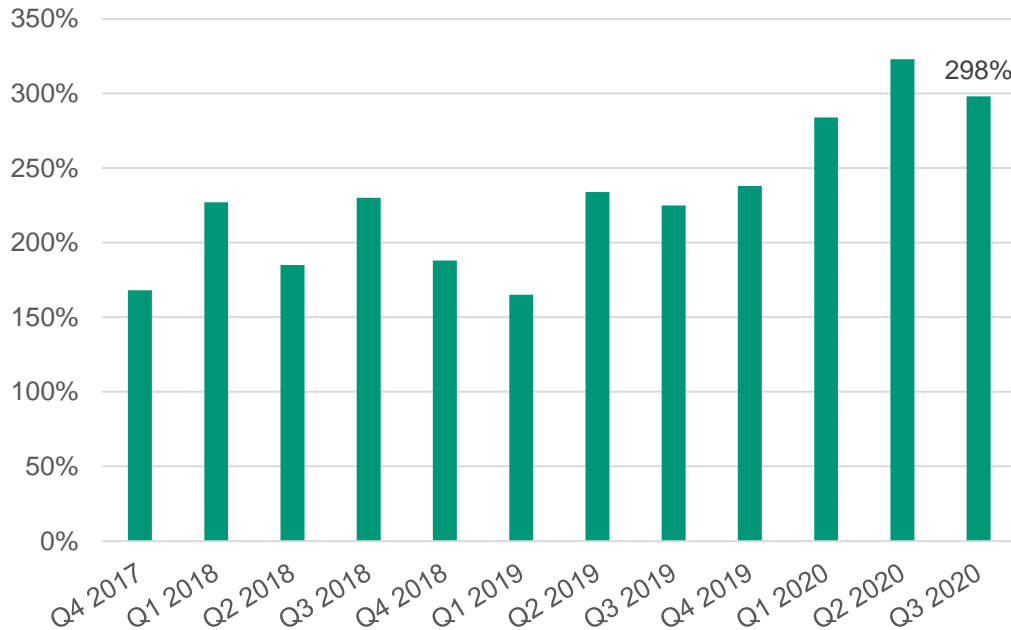
- Approx. 97% mortgages and liquidity reserve
- No corporate lending
- Negligible consumer lending (<1%)

## Sound funding structure

- Loan to deposit ratio 174% (significantly below peers)
- More than 85% deposits and covered bonds

# Stable liquidity position

Liquidity coverage ratio - LCR



## Low appetite for liquidity risk

- High and stable LCR and NSFR
- Survival horizon >300 days
- Loan to deposit ratio ~170%

## High quality liquidity reserve

- Riksbank certificates
- Municipal bonds & commercial papers
- Covered bonds

# Agenda

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1. Introducing Skandiabanken

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3. **Credit portfolio**

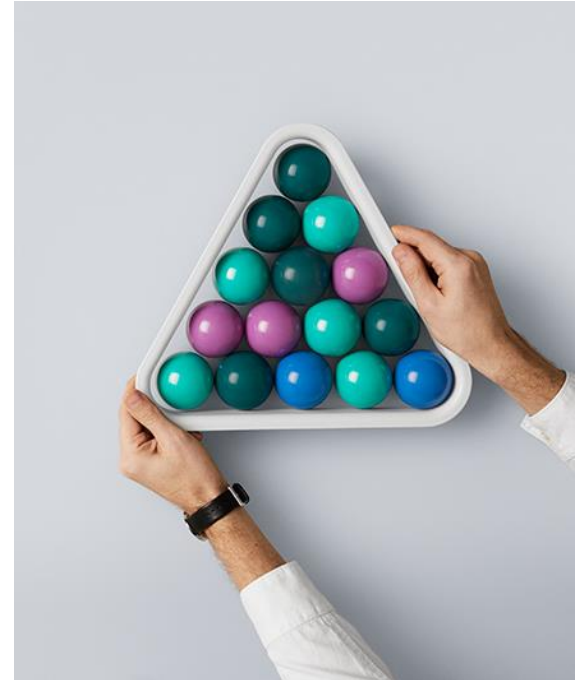
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4. Funding

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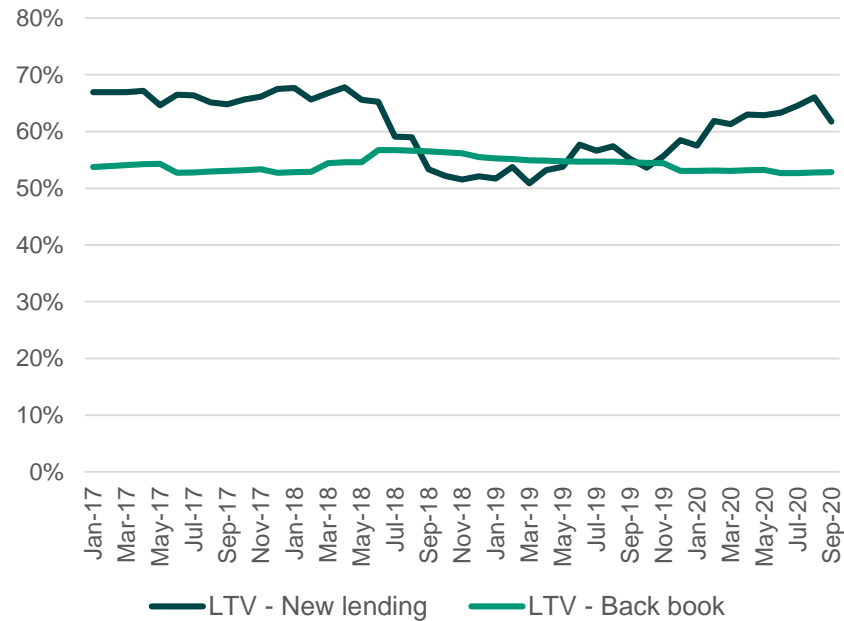
# The Swedish mortgage market

- 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 digital process for lending
- Standardised and prudent criteria for lending

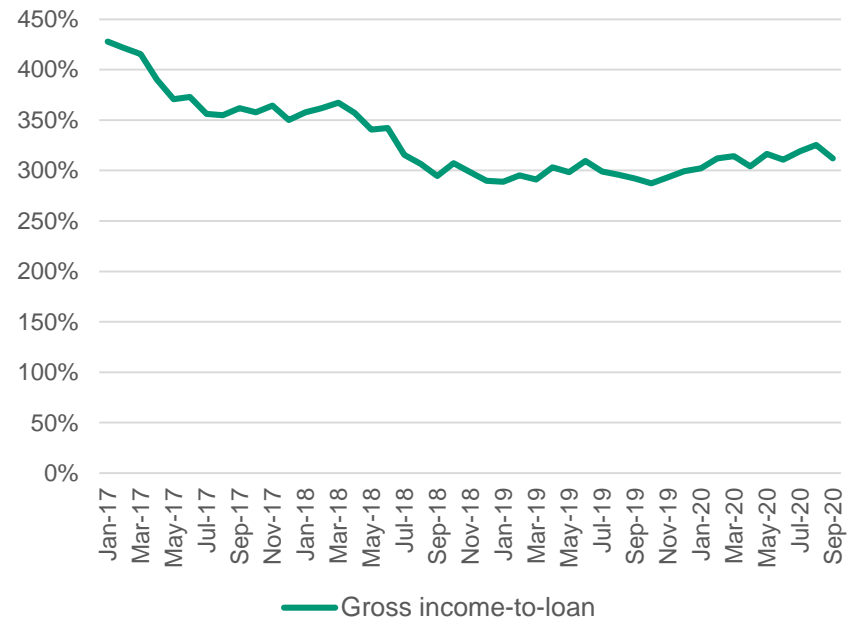


# High quality mortgages

LTV

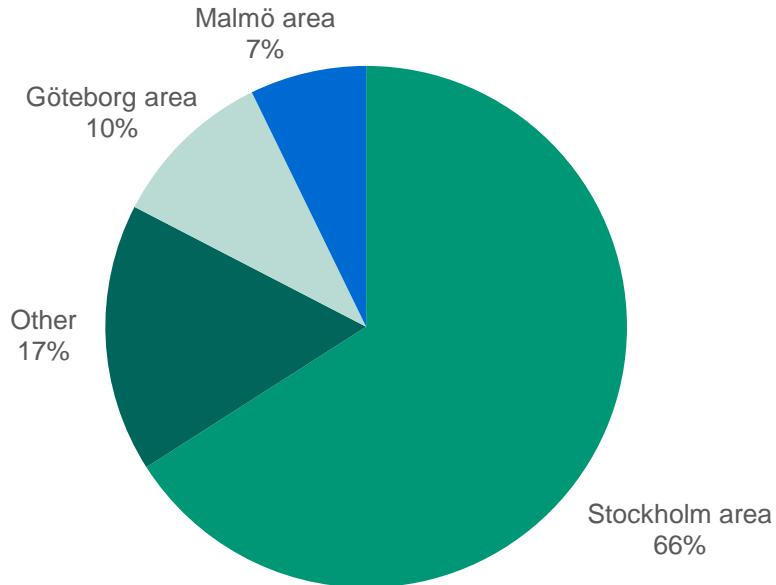


Gross income-to-loan ratio - New lending



# Distribution of mortgages

## Geographical distribution



## Urban focus

- Approx. 80 percent of lending to urban areas
- Higher liquidity and transparency in pricing
- Long-term demand for housing

## Majority of lending to single-family houses

- 54% Single-family houses
- 42% Tenant owner rights
- 4% Second homes

## Continued bias towards variable rates

- 78% Variable rate loans (3 month)
- 22% Fixed rate loans (1-5 years)



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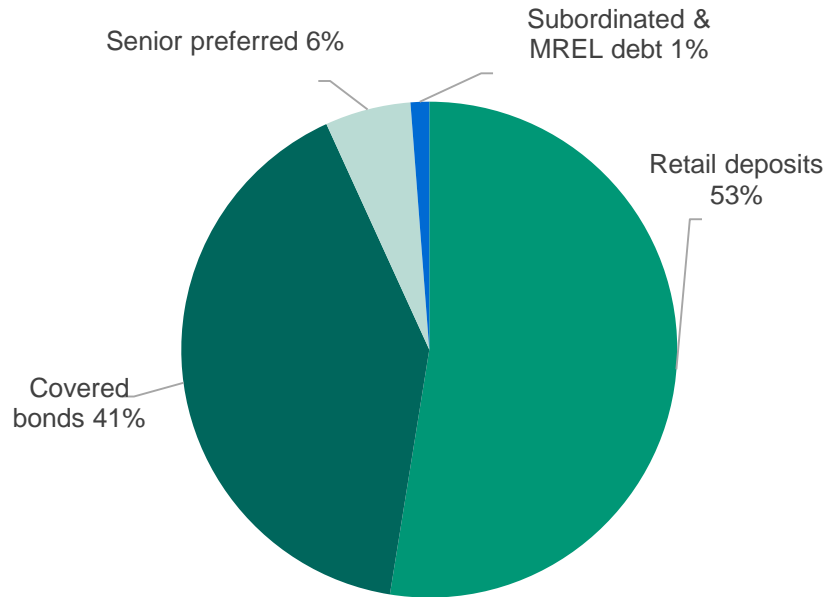
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4. **Funding**

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# Funding strategy

## Share of funding as of Q3 2020



## Funding strategy

- Large share retail deposits
- Covered bonds

## Target market

- Swedish krona
- Floating rate notes

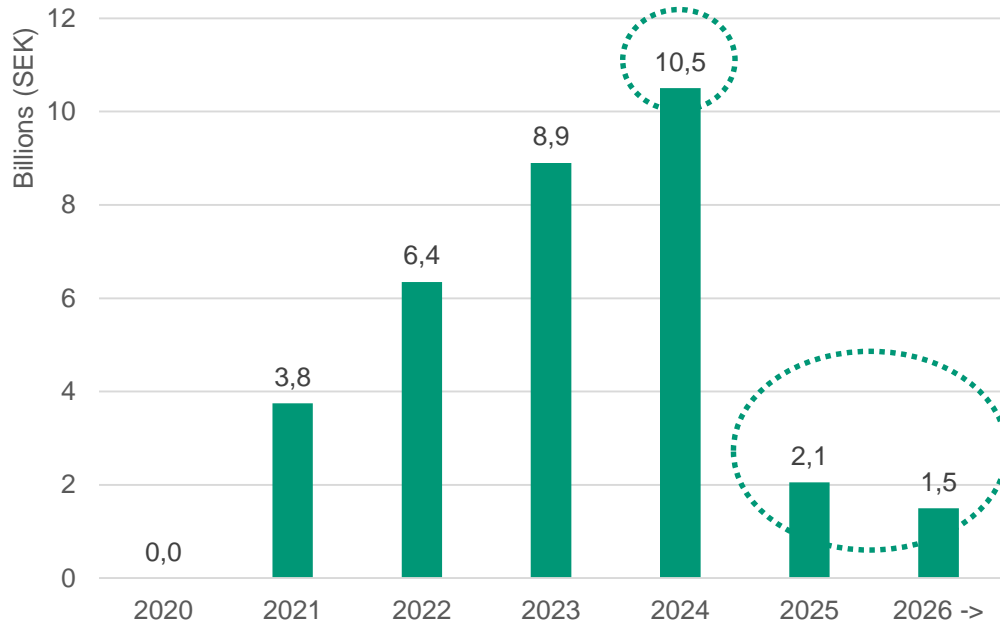
## Ambition

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

\*Subordinated debt and MREL debt fully owned by Skandia Liv

# Secured funding

Maturity profile of covered bonds as of 2020-10-20



## Funding target

- 9-12 bn during 2020\*
- 7,1 bn covered bonds issued YTD
- FRNs in SEK
- Preferred tenors 4-6 years

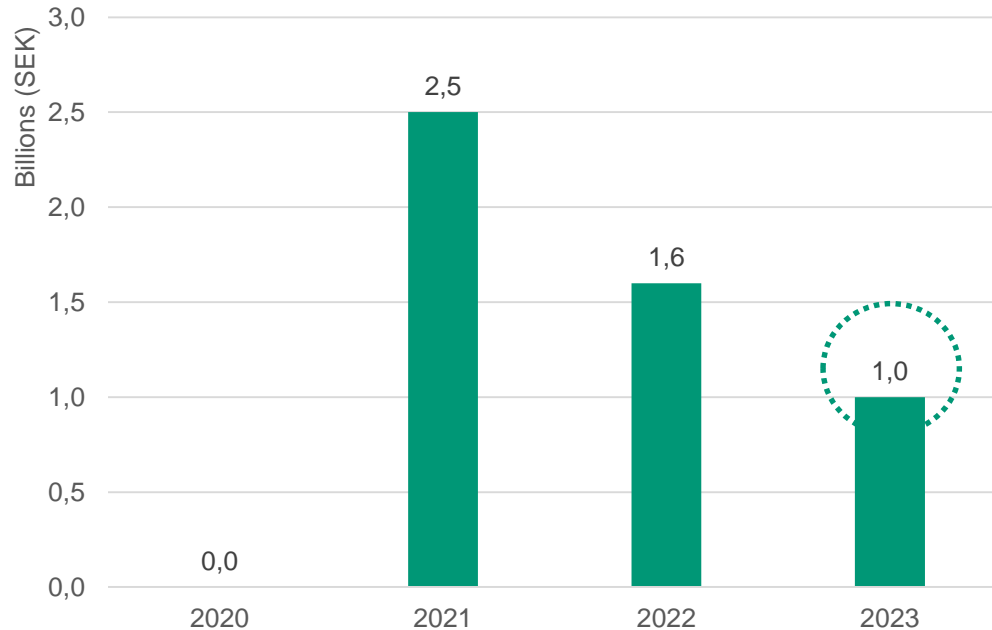
## Ambitions going forward

- Level 2 bonds available to tap
- 1-2 syndicated issues
- Active buy-back policy (3-6 months to maturity)
- OC of approx. 30 percent

\*Total gross funding. Uncertainty of the estimation is driven by the amount of new lending and retail deposits

# Unsecured funding

Maturity profile of senior preferred as of 2020-10-20



## Senior preferred

- 1 bn issued YTD
- 0-500m remaining
- Roll maturing bonds
- Private placements
- Diversification
- FRN or Fixed coupon

## Senior non-preferred

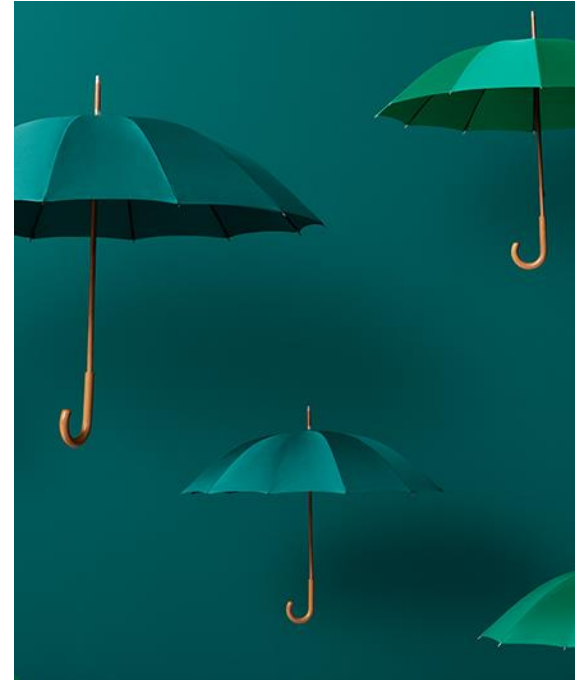
- 500m issued in 2019

## Commercial paper

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

# Funding - Summary

- Focus on retail deposits and covered bonds in FRN/SEK format
- Senior preferred and senior non preferred issued primarily to comply with regulatory demands and to support rating
- Commercial papers to manage short-term funding needs
- Long-term ambition to offer green products and green funding



# Appendix

# Appendix - Rating

## Rated by Moody's Investor Services

- Foreign LT Bank Deposits – Rating: A2 (Stable)
- Local LT Bank Deposits – Rating: A2 (Stable)
- Since 2015
  
- Covered bonds - Rating: AAA
- Since 2013

## Rating policy

- All covered bonds are rated
- Senior bond are not rated by default

## *”Credit strengths*

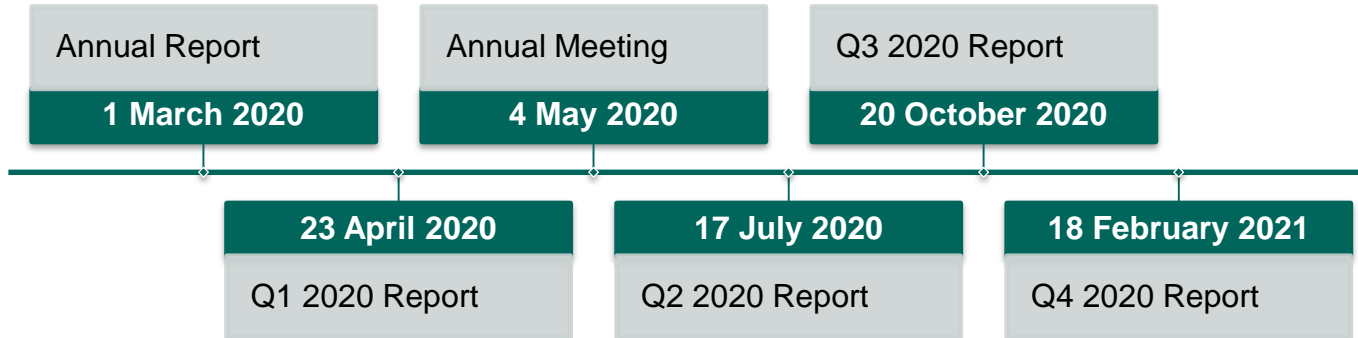
- *Strong asset quality*
- *Very strong capitalisation and higher-than-peers leverage ratio*
- *A retail-based funding profile and adequate liquidity, given wholesale funding needs*
- *Growing importance in the wider Skandia group*

## *Credit challenges*

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

Source: Moody's credit opinion dated April 26, 2019

# Appendix - Key Dates





# Appendix - Capital position

## Figures as of Q3 2020

Own funds	21,2%
Tier 1	18,9%
CET 1	18,9%
Leverage ratio	4,6%
MREL	8,9%
MREL-eligible liabilities (liabilities proportion principle)	14,2%

# Appendix - Cover pool

## Cover pool data\*

<b>Cover pool size</b>	SEK 44 901 M
<b>Outstanding covered bonds</b>	SEK 33 050 M
<b>Collateral</b>	100 percent Swedish residential mortgages
<b>Over collateralisation</b>	36% (approx. 122% all assets included)
<b>Weighted average LTV</b>	52%
<b>Average loan size</b>	SEK 1 593 295
<b>Interest rate type</b>	100% Floating
<b>Weighted average seasoning</b>	63 months
<b>Pool type</b>	Dynamic
<b>Originator</b>	Skandiabanken AB

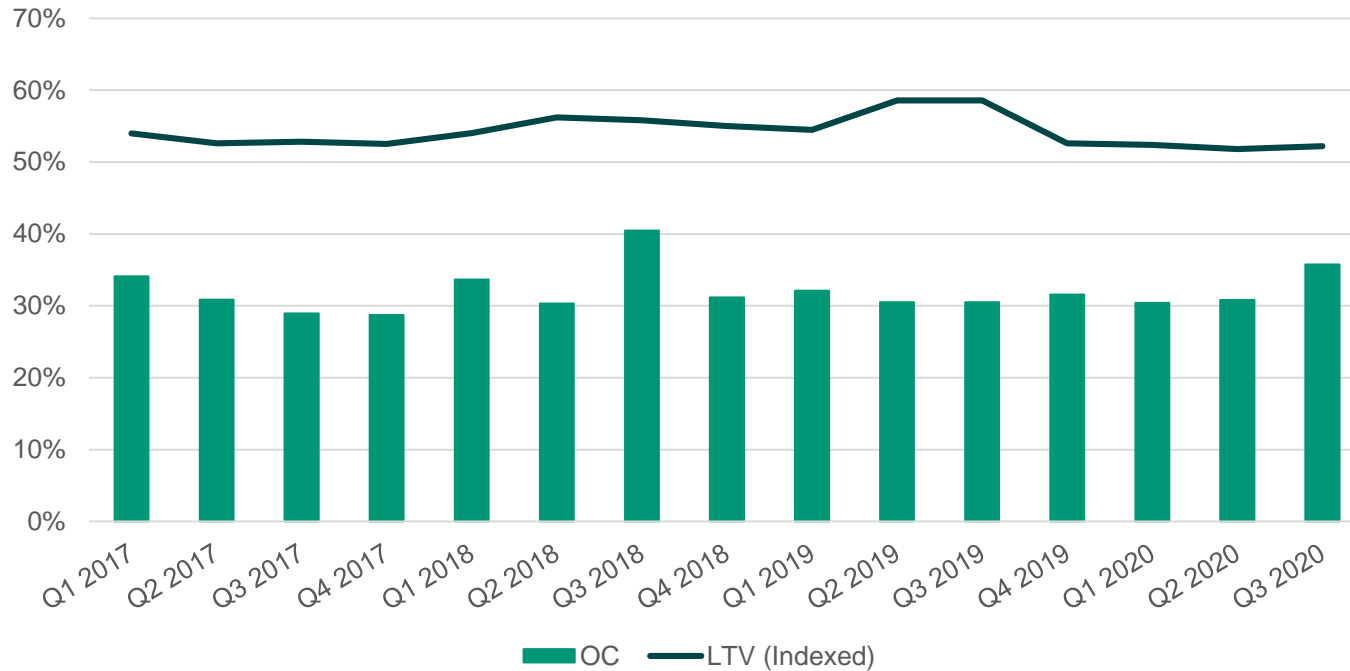
\*Figures as of Q3 2020

Additional information available at:

[www.skandia.se/om-oss/om-skandia/finansiell-information/finansiell-info/sakerstallda-obligationer/](http://www.skandia.se/om-oss/om-skandia/finansiell-information/finansiell-info/sakerstallda-obligationer/)

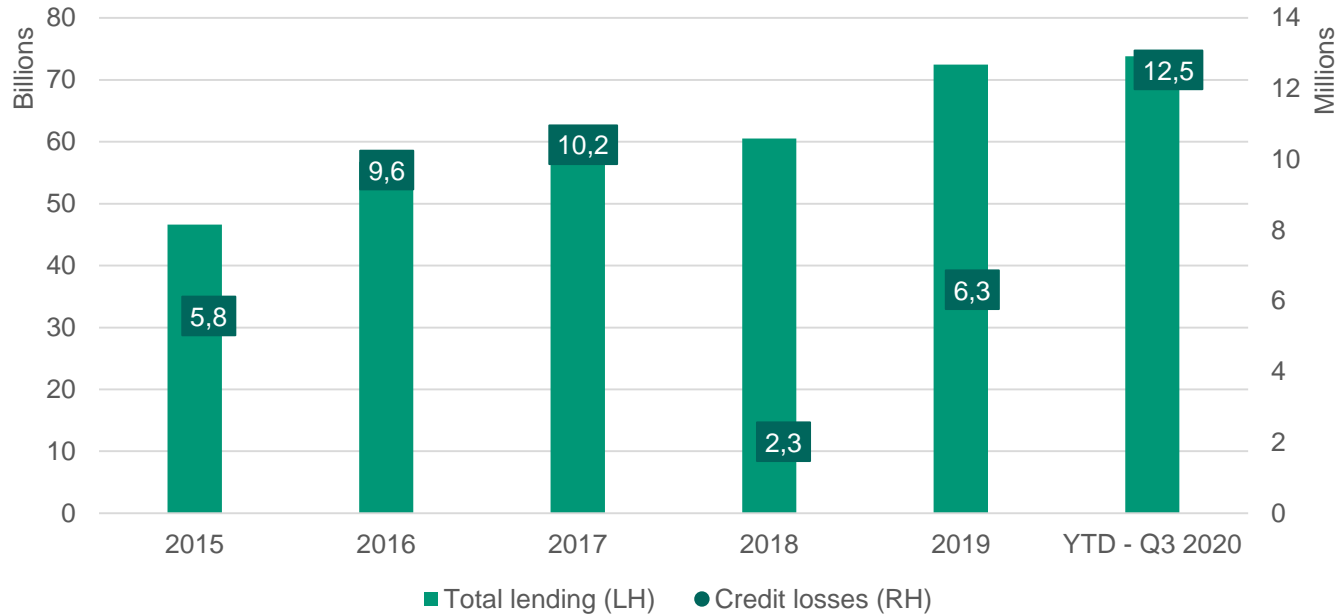
# Appendix – Cover pool: Stable LTV ratio & OC

LTV & OC



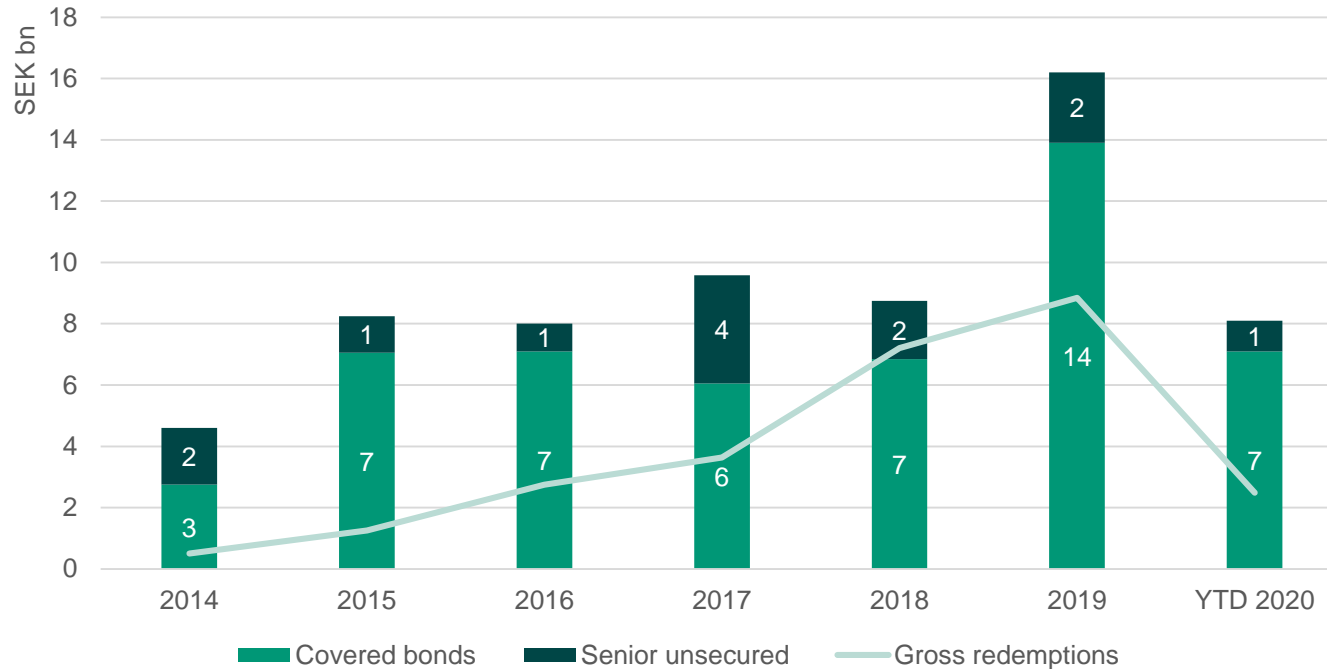
# Appendix - Low credit losses

## Credit losses



# Appendix – Historical funding

Historical funding volumes (SEK)



# Appendix - Outstanding covered bonds

Bond	Maturity	Coupon type	Amount issued	Min piece (MM)
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	3 600 000 000	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	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	4 300 000 000	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 04/23/26	2026-04-23	FLOATING	1 250 000 000	2
SKANBK 1.97 02/02/27	2027-02-02	FIXED	250 000 000	1

As of 2020-10-20

Bonds with min.piece 1 MM cannot be tapped

# Appendix - Outstanding senior bonds

Bond	Maturity	Coupon type	Amount issued	Min piece (MM)
SKANBK Float 02/08/21	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
SKANBK Float 10/13/23	2023-10-13	FLOATING	500 000 000	2

*As of 2020-10-20*

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

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