

# Skandiabanken

Investor presentation – Q3 2024

Updated 2024-10-28



**skandia :**

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# 1. This is Skandiabanken

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# This is Skandiabanken

- Swedish retail bank established in 1994
- Owned by Skandia Liv
- Three core business lines:
  - » Loans: Mortgages with a transparent pricing model
  - » Savings: Funds, stocks and savings accounts
  - » Payments: Debit cards, bills, Swish, ApplePay
- High customer satisfaction
- High quality of assets
- Strong capital and liquidity position

## Size

126 bn in assets  
280 employees  
411 000 customers

## Mortgage lending

SEK 108 bn  
Market share: ~2,6%

## Retail deposits

SEK 56 bn  
Market share: ~2,0%

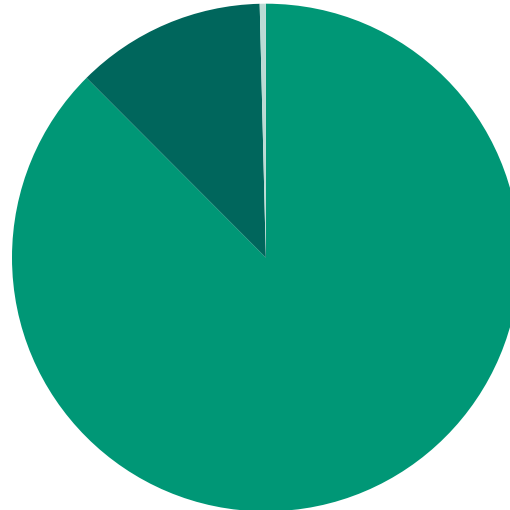
## Rating by Moody's

Issuer rating A2 (Stable)  
Covered bond rating AAA

# Business model focused on Swedish mortgages

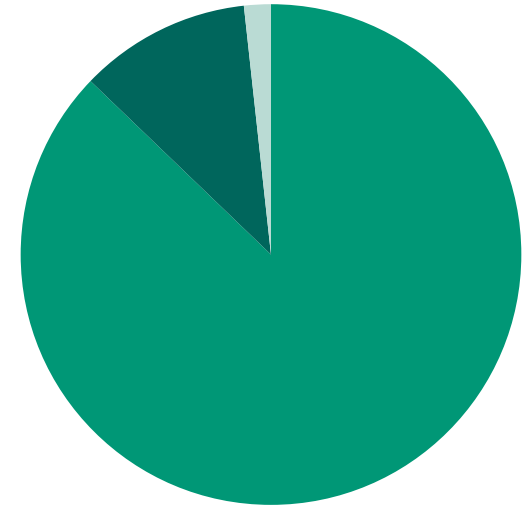
- All business in Sweden
- Lending only in SEK
- No corporate lending
- Digital business
- No private banking
- No handling of cash
- Most of the income from secured lending

Assets



■ Lending ■ Liquidity ■ Other

Distribution of income

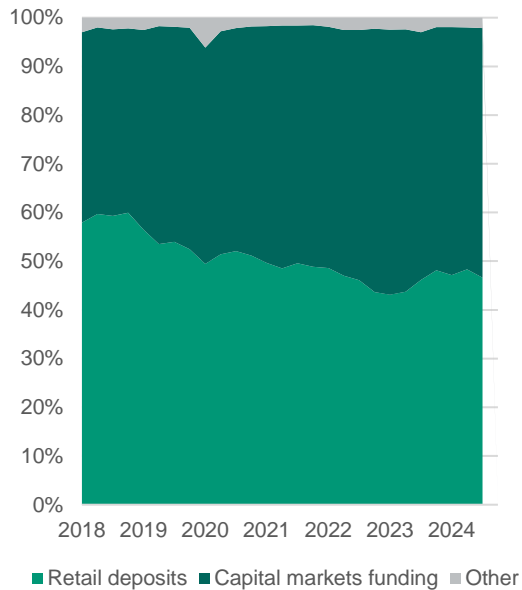


■ Net interest income ■ Net commission ■ Other

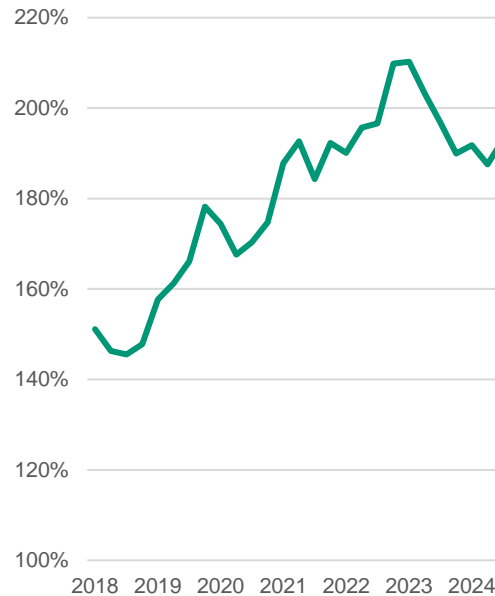
# Funded by retail deposits and covered bonds

Combining retail deposits and covered bonds

Sources of funding



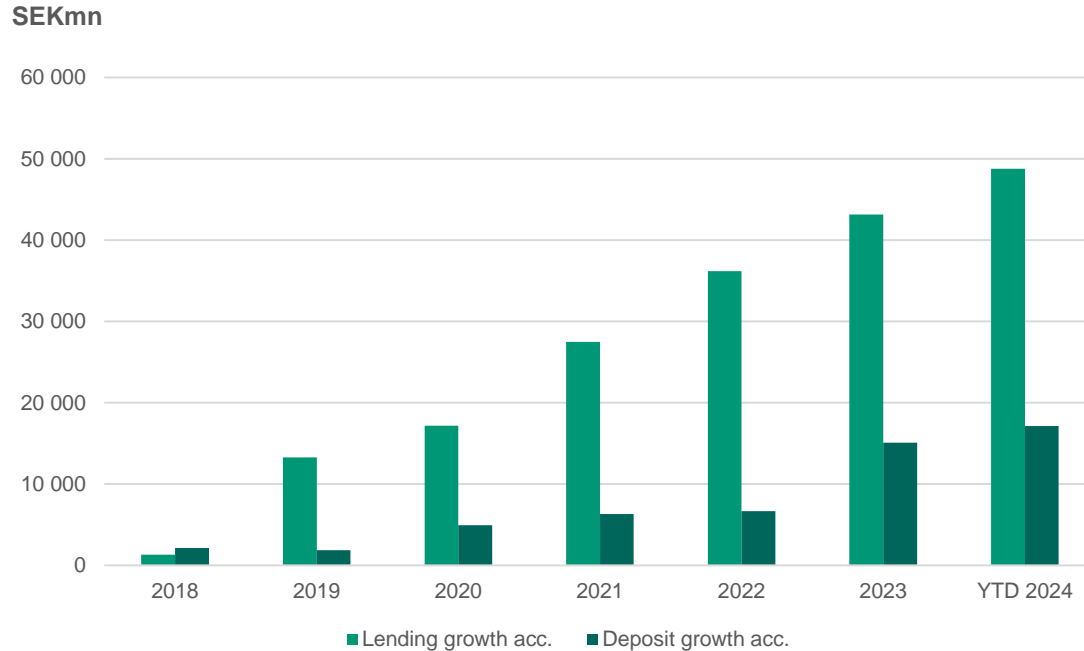
Lending/Deposits



- Retail deposits and covered bonds account for most of the funding
- In recent years lending growth mainly funded by covered bonds
- Covered bonds and deposits will remain most important funding sources

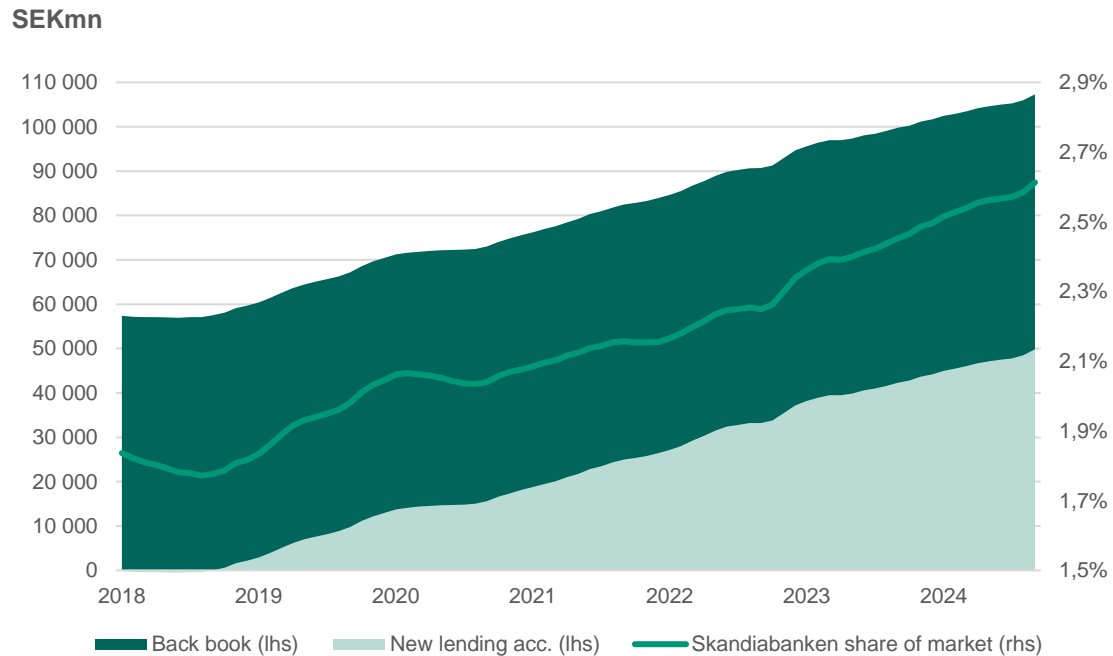
# Strong lending and deposit growth

Releasing potential



- Strong lending increase over past 5 years
- Utilising economies of scale
- Challenging competitors with fair and transparent pricing
- Access to customers of the Skandia Group
- CAGR  
Lending: 11%  
Deposits: 6%

# Increased market share



- Gradually increasing our share of the market
- Managed to add volumes in periods with low market growth
- Ambitions to continue to gain market shares



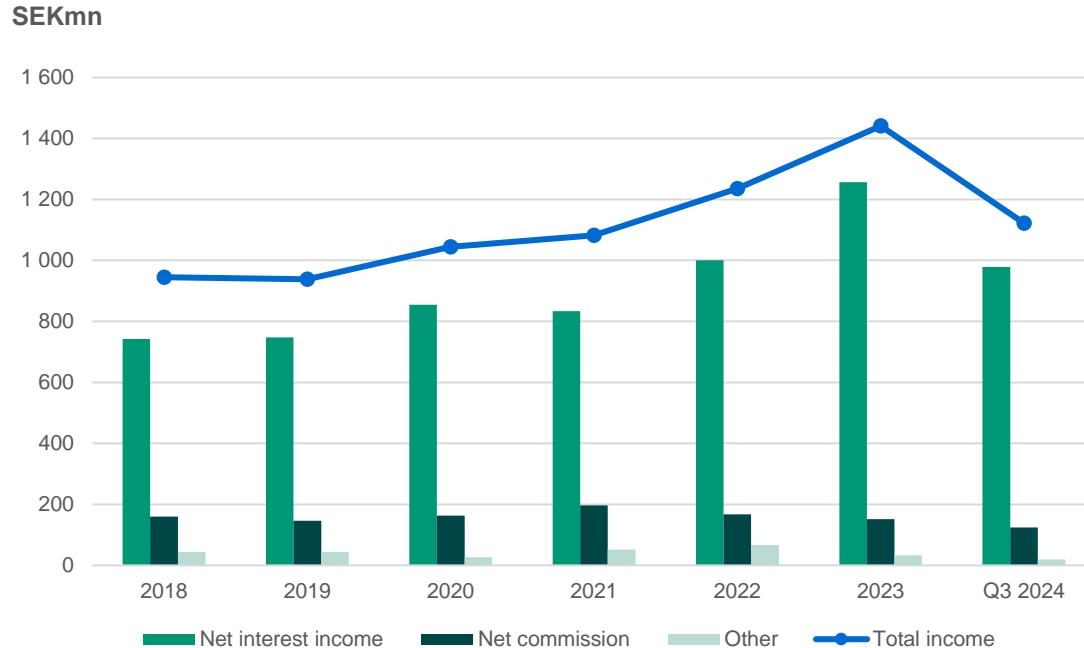


*"När bolånetagarna behöver det mest – en tydlig lågprisledare, utan förhandlingskrav för att behålla en förmånlig boränta"*

## 2. Financial update

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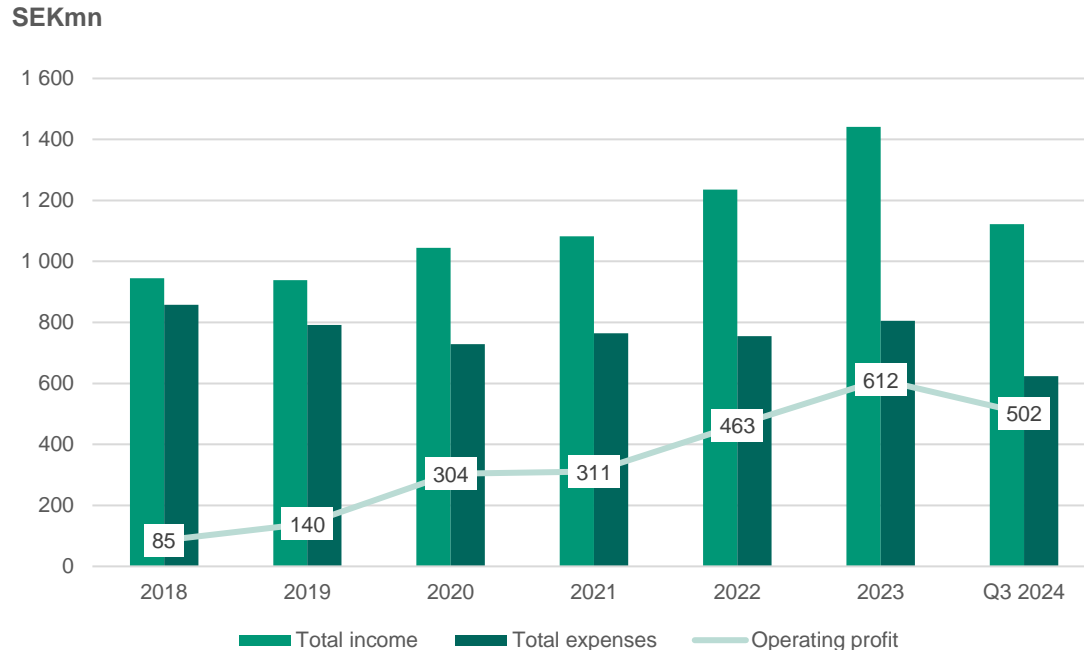
# Increased total income



- Net interest income constitute some 87 per cent of total income
- Net commission comprises both brokerage and payments
- Total has increased annually by around 10 per cent over the last five years (CAGR)

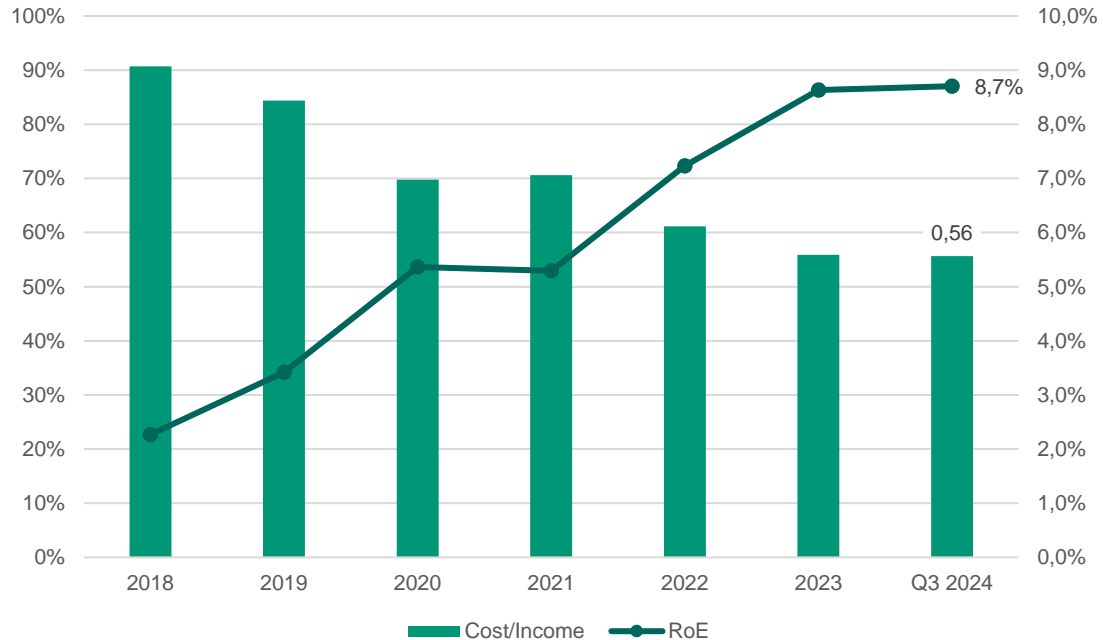
# Utilising economies of scale

Increasing income, controlling costs, gaining profit



- Our digital concept enables growth at a low cost
- A scalable model encourages long-term growth
- Cost control with stable costs over last five years
- Profits increased by 37 percent the last five years

# Improved RoE and Cost/income



- Improved ratios during the last five years
- Main drivers: Cost control and improved income

\*ROE = Q3 Return annualized divided by average equity

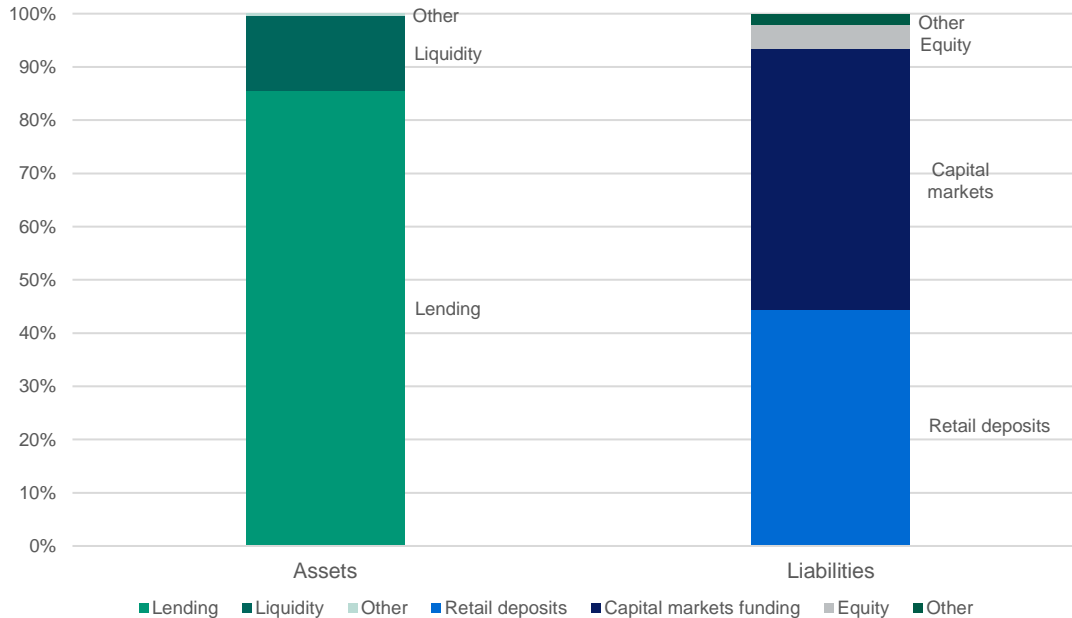
# 3. Asset quality

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# Balance sheet

High quality lending and liquidity accounts for most of the assets

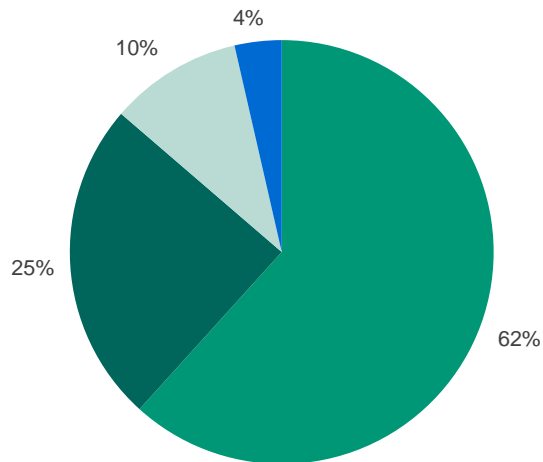
Balance sheet



- Transparent balance sheet
- Approx. 99% mortgages and liquidity reserve
- No corporate lending
- Negligible unsecured lending (<1%)
- Sound funding structure
- Loan to deposit ratio 193%
- Deposits and covered bonds account for 93% of total funding

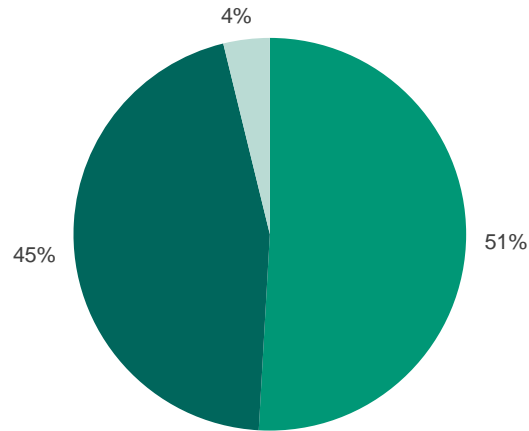
# Distribution of mortgages

Geography



■ Stockholm ■ Other ■ Göteborg ■ Malmö

Category



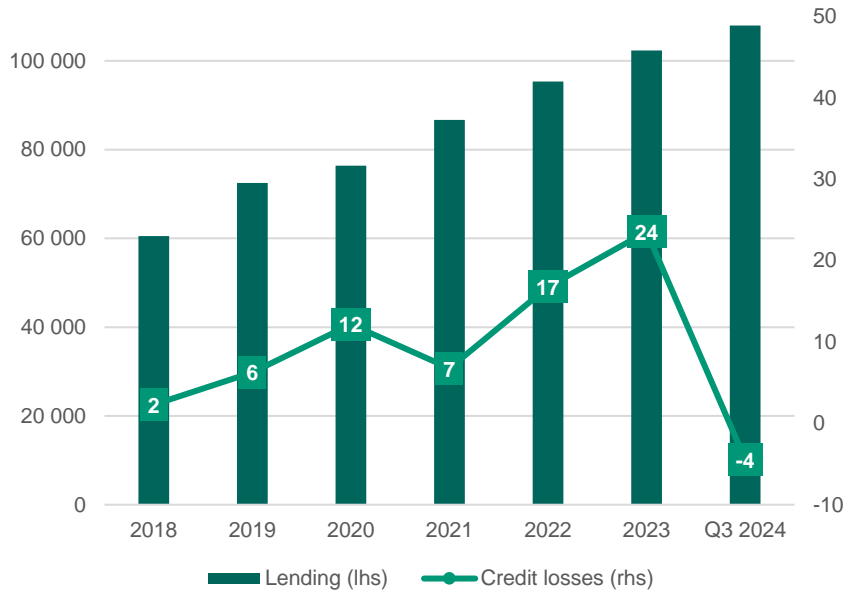
■ Single family homes ■ Tenant owner rights  
■ Second homes

- Majority of lending to urban areas
- Most lending to single-family houses and tenant owner rights
- Approximately 80 per cent of the back book in variable rates



# Credit losses remaining low

SEKmn



- Slightly higher numbers 2022-2023
- Lower in 2024 due to change in categorisation
- Granted amortisation reliefs no longer automatically categorised as "stage 3"

# Capital position

|                                 | Q3 2024 Requirement |       |
|---------------------------------|---------------------|-------|
| Own funds                       | 20,1%               | 16,0% |
| Tier 1                          | 18,5%               | 13,6% |
| CET 1                           | 18,5%               | 11,8% |
| Leverage ratio                  | 4,5%                | 3,9%  |
| Risk-weighted MREL              | 27,6%               | 23,4% |
| Non-risk-weighted MREL          | 7,8%                | 6,0%  |
| Risk-weighted subordination     | 23,6%               | 18,9% |
| Non-risk-weighted subordination | 6,8%                | 6,0%  |

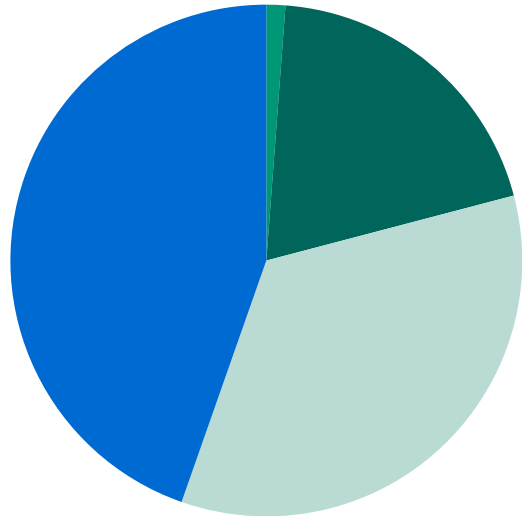


# 4. Funding and liquidity

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# Liquidity position

## Assets



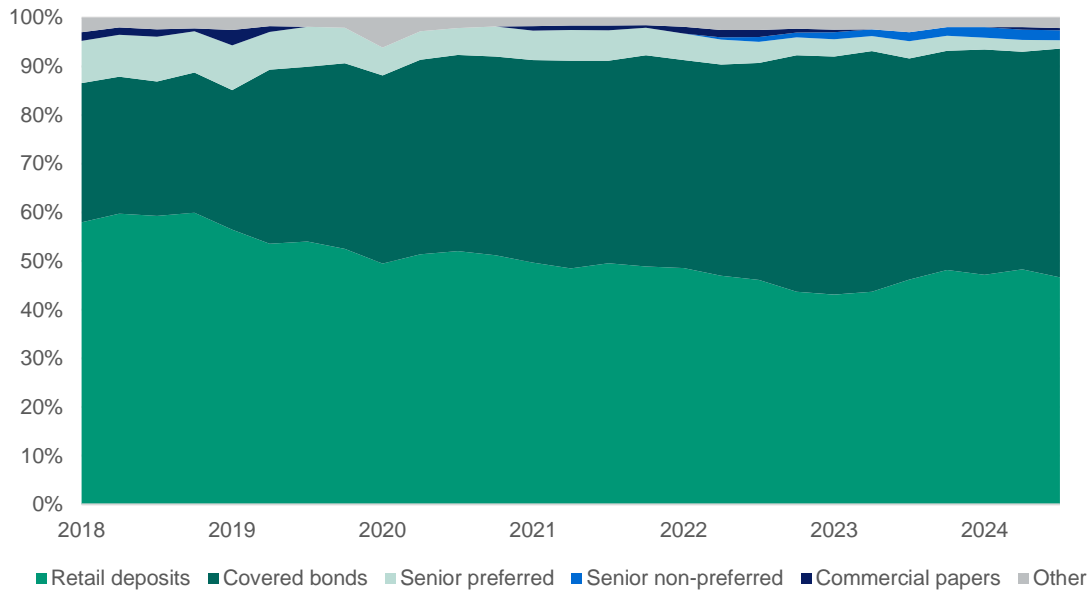
■ Cash ■ Sovereign ■ Sub-sovereign ■ Covered

- Low appetite for liquidity risk
- High and stable LCR and NSFR
- LCR 279%
- NSFR 139%
  
- High quality liquidity reserve (Riksbank certificates, Municipal bonds, Covered bonds)
- Holdings eligible as collateral at the central bank

# Sources of funding

Foundation in retail deposits and covered bonds

Sources of funding

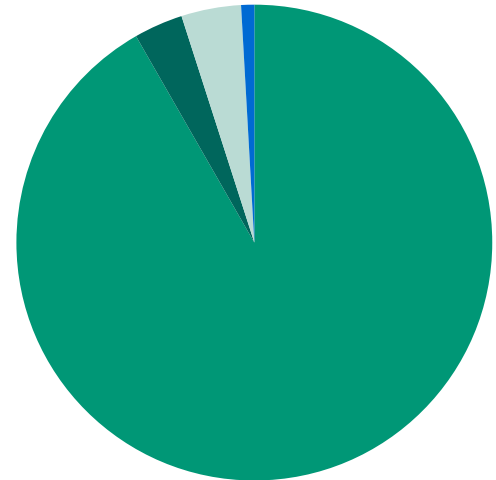


- Retail deposits and covered bonds account for most of the funding
- In recent years lending growth mainly funded by covered bonds
- Covered bonds and deposits will remain most important funding sources

# Funding in the capital markets

- Covered bonds constitute about 90% of capital markets funding
- Senior bonds for regulatory purposes and rating
- Commercial paper market presence
- Regular presence in the primary market
- Issuance of green bonds
- Striving for transparency in communication
- Long-term commitment

Capital markets funding



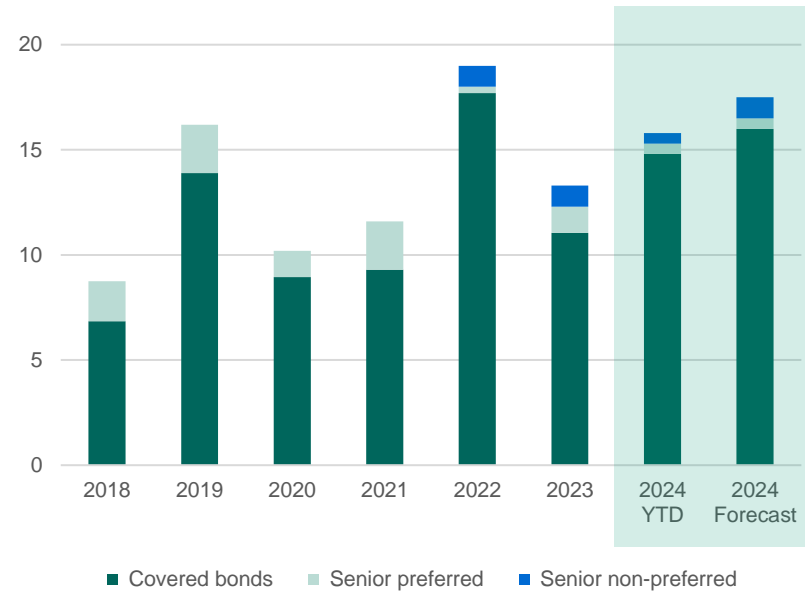
■ Covered bonds      ■ Senior preferred  
■ Senior non-preferred      ■ Commercial papers

# Funding plan - 2024

Forecast

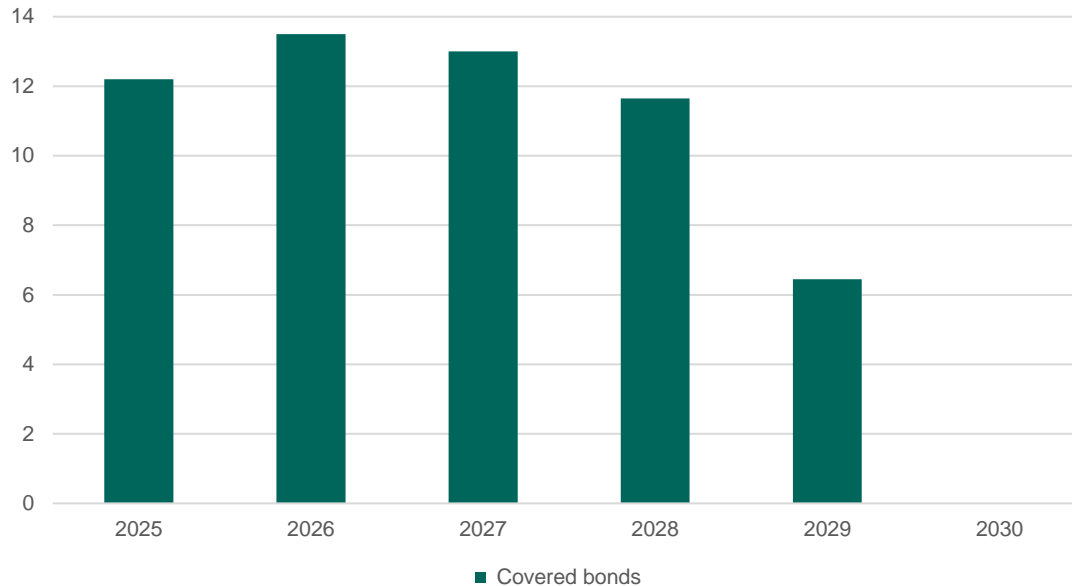
- Continued growth will be financed using retail deposits and covered bonds
- Senior preferred primarily to support rating
- Senior non-preferred to comply with MREL-requirements
- First green bond issued in January
- Estimated funding need SEK 17-18 bn

Historical funding and forecast (SEKbn)



# Secured funding

Maturity profile (SEKbn)

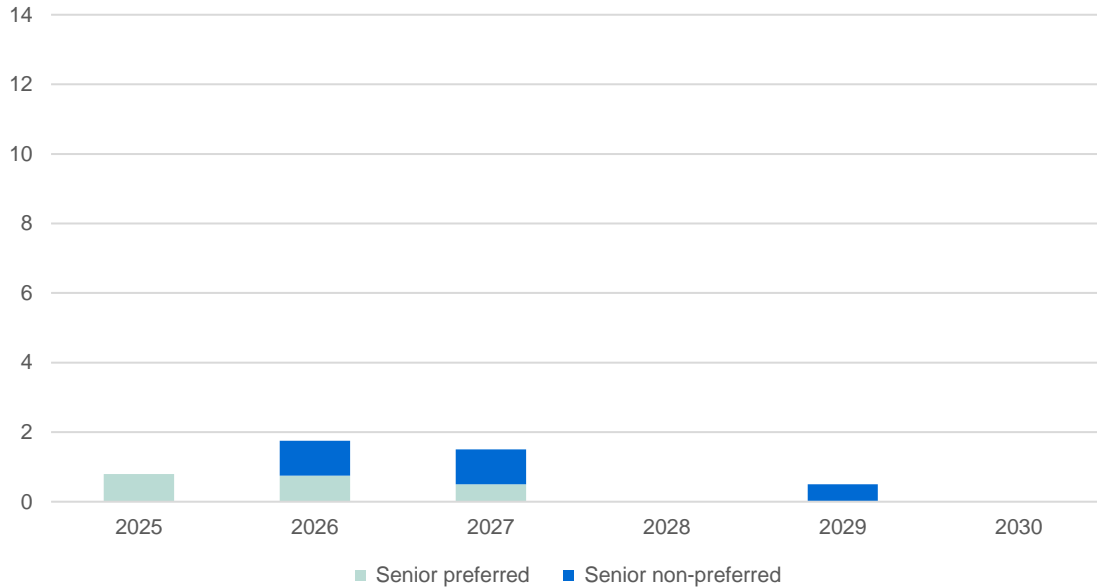


- Covered bonds
- FRNs in SEK
- Soft-Bullet
- Stable over-collateralisation
  
- Level 2 bonds available to tap
- Buy-back policy (3-6 months to maturity)
- Larger bond size and improved liquidity to be expected with increased volumes



# Unsecured funding

Maturity profile (SEKbn)



## Senior preferred

- Support of rating
- FRNs or Fixed
- High quality exposure

## Senior non-preferred

- MREL-regulation
- Shifting from senior preferred

## Commercial paper

- Source of short-term liquidity
- Maintain presence

# 5. Sustainability and green bond framework

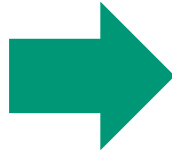
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# Sustainability at Skandiabanken

Actively work towards a sustainable Skandia



- Sustainable savings
- ✓ Responsible banking services
- Healthy companies
- A sustainable Skandia



## Sustainable savings:

Sustainability-labelling of mutual funds. Facilitating the choice of sustainable funds

## Sustainable business:

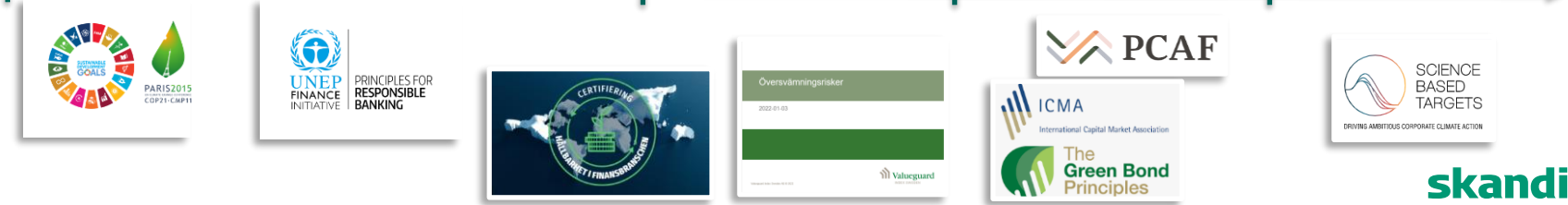
Environmental requirements defined for suppliers and partners. Contributing to Skandia Group's goal of halving carbon dioxide emissions and waste from 2019 to 2030

## Responsible lending:

Transparent and fair pricing. Code of conduct for mortgage brokers. Energy saving web tool. Green mortgage offering. Shaping public opinion on the housing situation for young people

# Our sustainability journey

| 2020  | 2021  | 2022   | 2023  | Moving forward  |
|---|---|--|---|---|
| <ul style="list-style-type: none"> <li>✓ Head of Sustainability appointed</li> <li>✓ Inaugural publication of Skandiabanken's Annual Sustainability Report</li> <li>✓ Adopted a bank-specific Sustainability policy</li> <li>✓ Stakeholder dialogue and materiality analysis, emphasizing sustainability</li> </ul> | <ul style="list-style-type: none"> <li>✓ Committed to the UN Principles for Responsible Banking (PRB)</li> <li>✓ Sustainability training of employees with Swedsec-license</li> <li>✓ Sustainability specialist employed</li> </ul> | <ul style="list-style-type: none"> <li>✓ The first impact analysis completed</li> <li>✓ The first sustainability report to the UN</li> <li>✓ Climate analysis of the lending portfolio</li> <li>✓ Established the general sustainability risk</li> </ul> | <ul style="list-style-type: none"> <li>✓ Skandiabanken joined the PCAF</li> <li>✓ Published the Green Bond Framework and Second-party opinion</li> <li>✓ Launched the energy saving webb tool</li> <li>✓ Introduction of green mortgages</li> </ul> | <ul style="list-style-type: none"> <li>❑ Establish a science-based target aligned with the Paris agreement</li> <li>❑ Establish a goal related to social impact</li> <li>❑ Comply with new regulations</li> </ul> |



# The Green Bond Framework

## Key Highlights

- Foundation for the issuance of green bonds
- Green assets selected from 3 categories of lending
- Eligibility assessed via energy performance certificates
- Aligned with the core components of the ICMA Green Bond Principles 2021
- Broadly aligned with the EU Taxonomy for sustainable activities<sup>1</sup>
- Second-Party Opinion from Sustainalytics



# Reporting

Annual green bond investor report

## Allocation reporting

- Green bonds outstanding
- The amount of net proceeds allocated
- A breakdown of the Eligible loans by sub-category
- Distribution of new financing to refinancing

## Impact reporting

- The environmental impact of the Eligible loan portfolio

## Impact indicators

- Annual energy savings (MWh or GWh)
- Annual CO<sub>2</sub> emissions reduced/avoided
- Distribution of EPC labels



# Second party opinion by Sustainalytics

## Key Highlights

- Second party opinion to comply with green bond principles (GBP)<sup>4</sup>
- Confirms our commitment to sustainability
- Supports our choice of method for selecting green assets
- Ensures credibility and relevance



*“Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.”*

*“...Skandiabanken’s financing of green buildings will contribute to emissions reduction in the buildings sector and will further support Sweden in achieving its climate targets.”*

*“...the Skandiabanken Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.”*

<sup>4</sup>Referred to as external review component in the Green bond principles

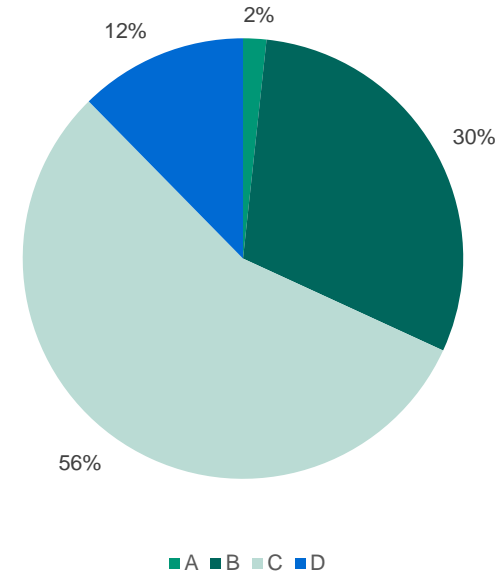
# Portfolio of eligible loans

| Category                     | Volume (SEK) | Max PED (kWh/m <sup>2</sup> ) |
|------------------------------|--------------|-------------------------------|
| Existing tenant owner rights | 3,5 bn       | 81                            |
| Existing single family homes | 1,3 bn       | 78                            |
| New tenant owner rights      | 1,1 bn       | 67                            |
| New single family homes      | 0,1 bn       | 81                            |
| <b>Total</b>                 | <b>6 bn</b>  |                               |

Selection based on energy performance certificates issued on or after September 1<sup>st</sup> 2020 (BBR29)

The diagram shows three horizontal bars representing energy performance certificate thresholds. The top bar is labeled '81kWh/m²', the middle bar is labeled '78kWh/m²', and the bottom bar is labeled '81kWh/m²'. Dotted lines connect these bars to the text 'Selection based on energy performance certificates issued on or after September 1<sup>st</sup> 2020 (BBR29)'.

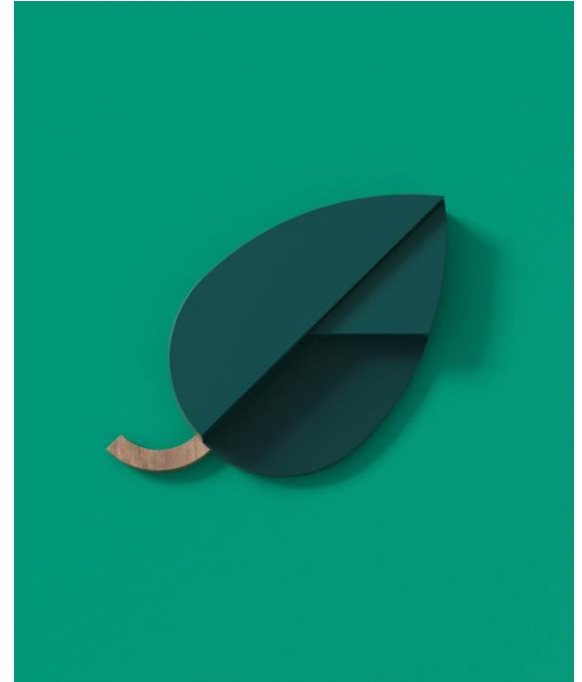
Distribution - EPC's, energy class





# Green bond funding strategy

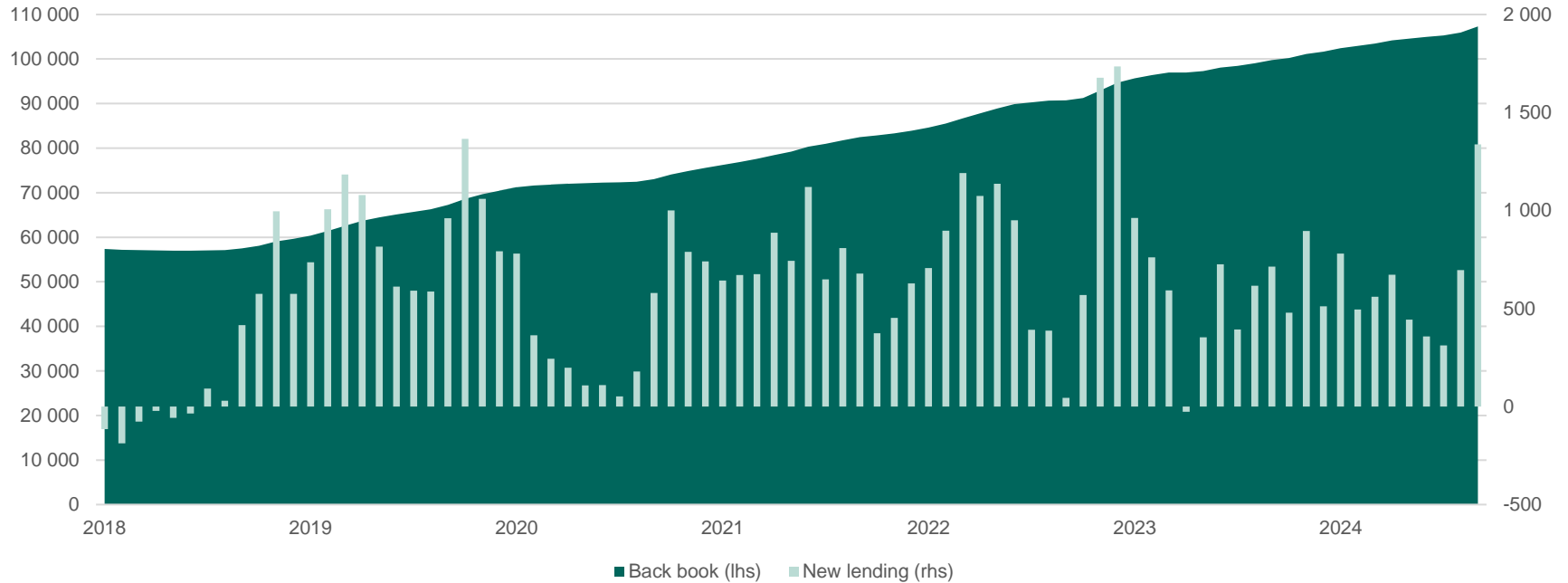
- Aim to use eligible assets for green bond issuance over time
- MTN and Covered bond programs prepared for green bond issuance
- Volume of assets points towards MTN issuance initially
- Intention to maintain a solid margin between issued green bonds and green assets
- Green assets expected to grow with increased lending



# 6. Appendix

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# Skandiabanken mortgage lending (SEKmn)



Source: Statistics Sweden

# Rating

## Rated by Moody's Investor Services

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

## 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*
- *Very high support from Skandia group*

## *Credit challenges*

- *Historical high lending growth*
- *Lower-than-peer efficiency and weak profitability, albeit gradually improving”*

Source: Moody's credit opinion dated November 23, 2023

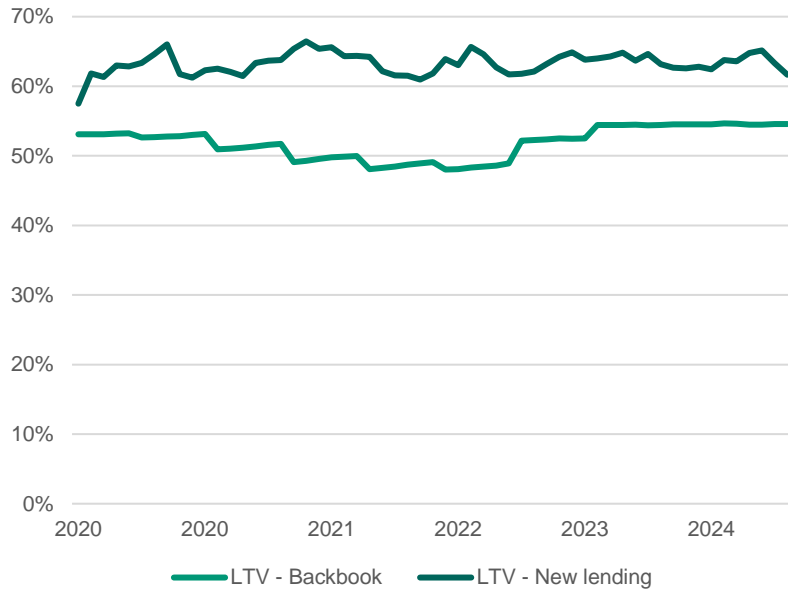
# Cover pool details

| Cover pool data*           |   |
|----------------------------|---|
| Cover pool size            | SEK 75 204 M                              |
| Outstanding covered bonds  | SEK 56 050 M                              |
| Collateral                 | 100 percent Swedish residential mortgages |
| Over collateralisation     | 34% (approx. 93% all assets included)     |
| Weighted average LTV       | 53%                                       |
| Average loan size          | SEK 1 879 561                             |
| Interest rate type         | Floating & Fixed                          |
| Weighted average seasoning | 61 months                                 |
| Pool type                  | Dynamic                                   |
| Originator                 | Skandiabanken AB                          |

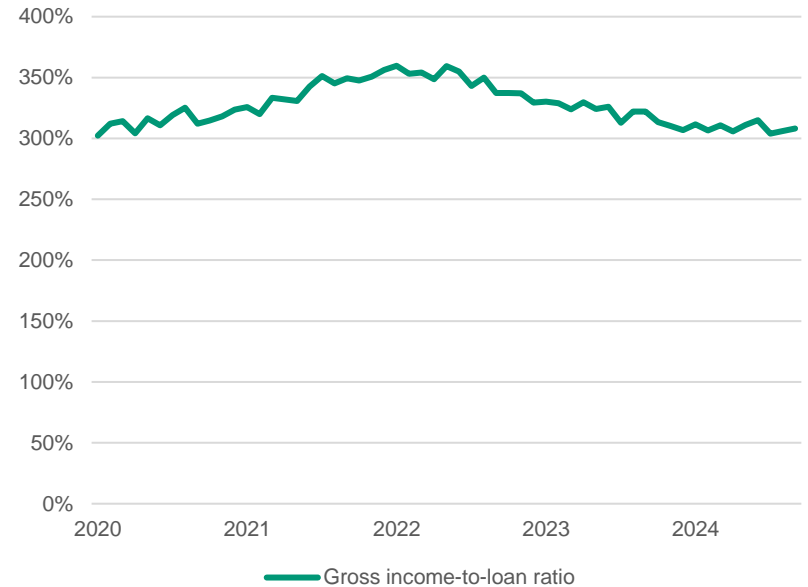
\*Figures as of Q3 2024

# Asset quality

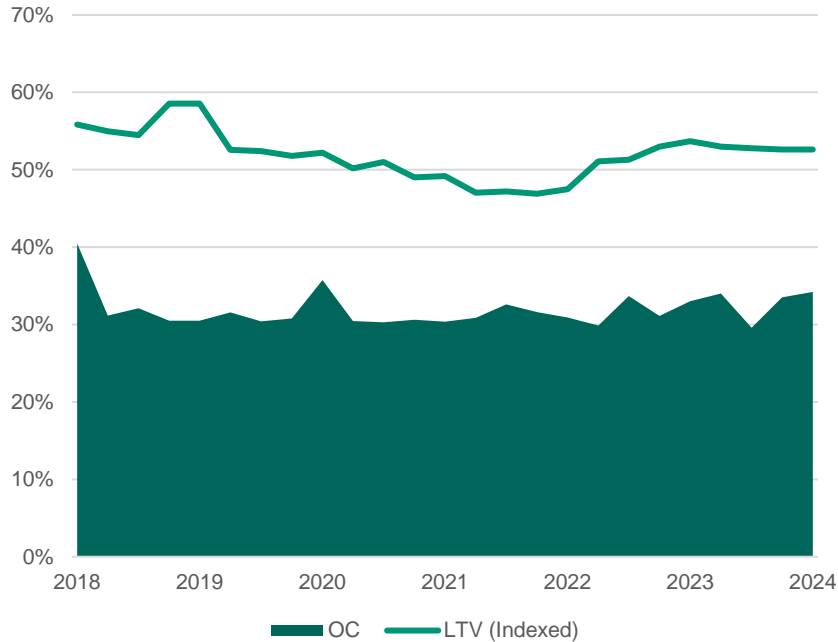
## Loan-to-value



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



# Cover pool: Stable LTV ratio & OC



## Over-collateralisation

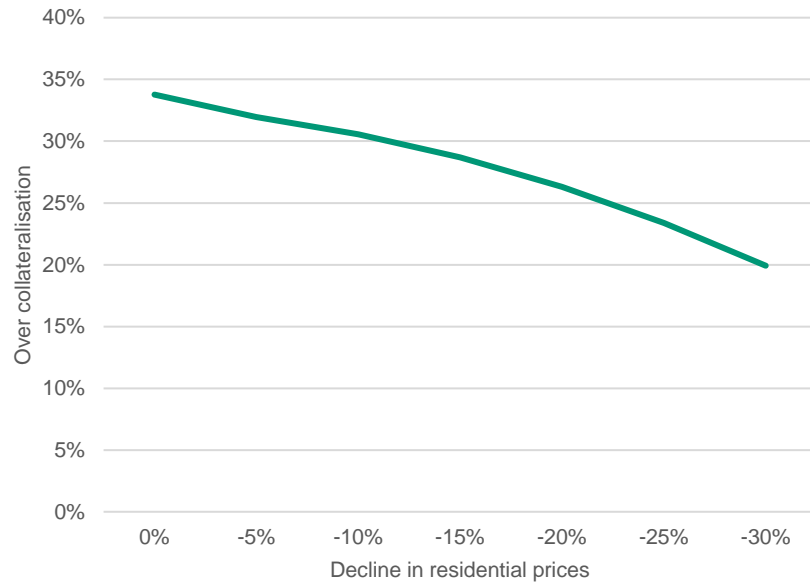
- Soft target of 30 percent
- Creating a healthy cushion for owners of both secured and unsecured debt

## Loan-to-value

- Assets are revalued twice every year
- Borrowers with low LTV are offered our lowest rates

# Resilient cover pool

Sensitivity analysis





# Outstanding covered bonds

| Bond                  | Maturity   | Coupon type | Amount issued | Min piece (MM) |
|-----------------------|------------|-------------|---------------|----------------|
| SKANBK Float 04/24/25 | 2025-04-24 | FLOATING    | 450 000 000   | 2              |
| SKANBK Float 06/24/25 | 2025-06-24 | FLOATING    | 1 600 000 000 | 2              |
| SKANBK Float 09/24/25 | 2025-09-24 | FLOATING    | 3 950 000 000 | 2              |
| SKANBK Float 11/24/25 | 2025-11-24 | FLOATING    | 6 200 000 000 | 2              |
| SKANBK Float 04/23/26 | 2026-04-23 | FLOATING    | 6 250 000 000 | 2              |
| SKANBK Float 11/24/26 | 2026-11-24 | FLOATING    | 7 250 000 000 | 2              |
| SKANBK 1.97 02/02/27  | 2027-02-02 | FIXED       | 250 000 000   | 1              |
| SKANBK Float 06/23/27 | 2027-06-23 | FLOATING    | 6 750 000 000 | 2              |
| SKANBK Float 12/22/27 | 2027-12-22 | FLOATING    | 6 000 000 000 | 2              |
| SKANBK Float 05/23/28 | 2028-05-23 | FLOATING    | 6 050 000 000 | 2              |
| SKANBK 3 09/15/28     | 2028-09-15 | FIXED       | 500 000 000   | 2              |
| SKANBK Float 12/21/28 | 2028-12-21 | FLOATING    | 5 100 000 000 | 2              |
| SKANBK Float 05/15/29 | 2029-05-15 | FLOATING    | 5 700 000 000 | 2              |
| SKANBK Float 12/05/29 | 2029-12-05 | FLOATING    | 750 000 000   | 2              |

As of 2024-10-21

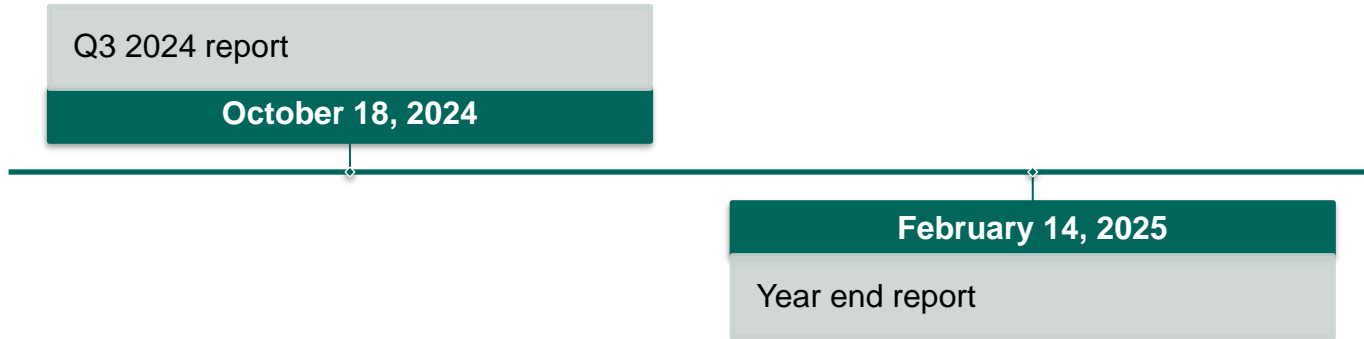
Bonds with min.piece 1 MM cannot be tapped

# Outstanding senior bonds

| Bond                  | Maturity   | Coupon type | Payment rank     | Amount issued | Min piece (MM) |
|-----------------------|------------|-------------|------------------|---------------|----------------|
| SKANBK Float 02/10/25 | 2025-02-10 | FLOATING    | Sr Preferred     | 300 000 000   | 2              |
| SKANBK Float 08/25/25 | 2025-08-25 | FLOATING    | Sr Preferred     | 500 000 000   | 2              |
| SKANBK Float 03/16/26 | 2026-03-16 | FLOATING    | Sr Non Preferred | 500 000 000   | 2              |
| SKANBK Float 05/05/26 | 2026-05-05 | FLOATING    | Sr Preferred     | 500 000 000   | 2              |
| SKANBK Float 09/07/26 | 2026-09-07 | FLOATING    | Sr Non Preferred | 500 000 000   | 2              |
| SKANBK Float 10/09/26 | 2026-10-09 | FLOATING    | Sr Preferred     | 250 000 000   | 2              |
| SKANBK Float 02/01/27 | 2027-02-01 | FLOATING    | Sr Preferred     | 500 000 000   | 2              |
| SKANBK Float 04/14/27 | 2027-04-14 | FLOATING    | Sr Non Preferred | 500 000 000   | 2              |
| SKANBK Float 09/01/27 | 2027-09-01 | FLOATING    | Sr Non Preferred | 500 000 000   | 2              |
| SKANBK Float 02/01/29 | 2029-02-01 | FLOATING    | Sr Non Preferred | 500 000 000   | 2              |

As of 2024-10-21

# Key Dates



# Compliant with established market standard

Aligned with the core components of the ICMA Green Bond Principles

ICMA Green bond principles

## 1. Use of Proceeds

The net proceeds of green bonds will finance or refinance eligible loans

## 2. Process for project evaluation and selection

The Green Bond Committee (GBC) determines which loans constitute eligible loans

## 3. Management of Proceeds

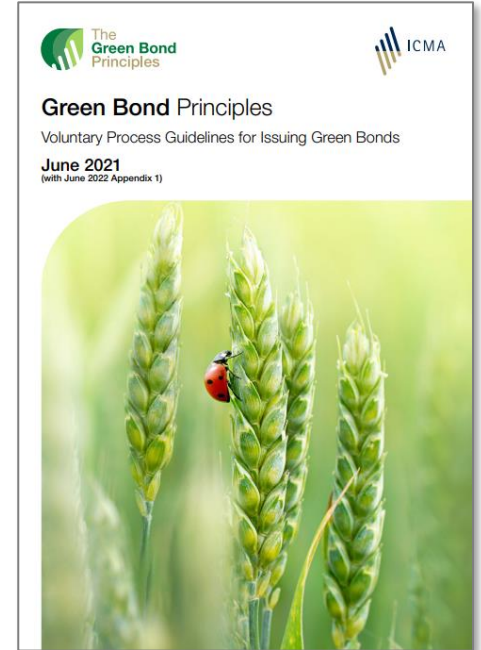
An amount equal to the proceeds is separately identified and applied in the financing of eligible loans

## 4. Reporting

The allocation of proceeds and the expected or actual outputs and environmental impacts of the eligible loans (impact report)

## 5. External Review

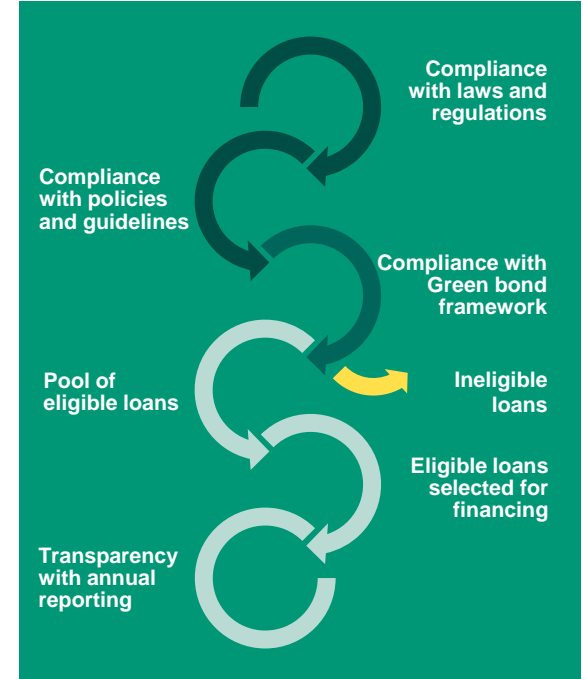
Second-party opinion by Sustainalytics



# Process for Project Evaluation and Selection

The process for selecting eligible loans

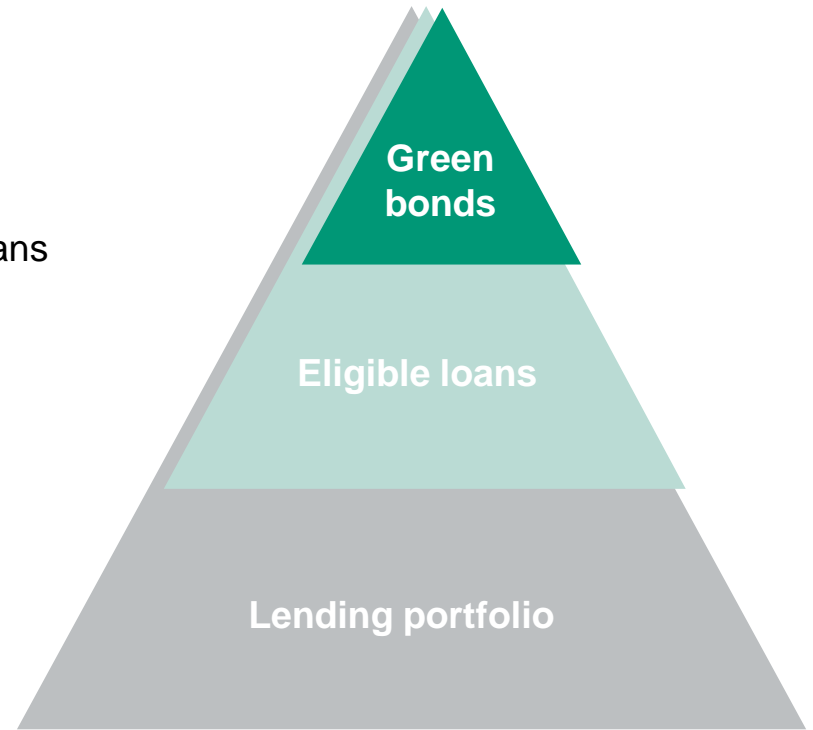
- Foundation in market standards, green bond principles and the EU-taxonomy
- Energy performance certificates as source of information
- Using only EPCs issued on or after September 1<sup>st</sup> 2020<sup>5</sup>
- This creates a conservative, transparent and robust selection method



<sup>5</sup>New building regulations (BFS 2020:4, BBR29) were introduced by Boverket on September 1, 2020. EPCs issued before this date are not directly comparable.

# Management of Proceeds

- Proceeds from green bonds earmarked for Eligible loans
- In practice the eligible loans will be identified first
- May be temporarily invested in the liquidity reserve



# Use of proceeds (Eligible loans)

Three categories based on EU Taxonomy Technical Screening Criteria



## New buildings

- Built after 2020
- Primary Energy Demand (PED) at least 10 percent lower than the Swedish building regulation-threshold (BBR)<sup>2</sup>
- Energy performance certified using a valid Energy Performance Certificate (EPC)

## Existing buildings

- Built before 2021
- Valid EPC class A, or;
- PED within the top 15 percent of the national or regional building stock<sup>3</sup>

## Major renovation of buildings

- Renovations of existing buildings that lead to a reduction in the PED of at least 30 percent, or;
- Renovations that complies with the applicable requirements for major renovations

## Exclusion

Proceeds from Skandiabanken's green bonds will not be used to finance fossil-based energy generation

<sup>2</sup> The EU Taxonomy requires the primary energy demand for new buildings to be 10 per cent lower than the level required for Nearly Zero Energy Buildings (NZEB). Requirements for NZEB and BBR are, according to Skandiabanken's interpretation, equivalent to each other

<sup>3</sup> Until further notice, Skandiabanken will use the Swedish Property Federation's study to determine which building's primary energy demand (PED) is within the top 15 per cent threshold. Skandiabanken can also seek guidance from other appropriate external benchmarks to determine the top 15 per cent threshold if such a report is issued by a national government or industry specialist.

# Selection of eligible loans

## Eligible loans

Valid ECP and fulfilling criterias for one of the categories below

### New buildings

Built after 2020  
PED 10% less than BBR29 (NZEB)

### Existing buildings

Built before 2021  
PED top 15%

### Single family home

Max PED 81

### Tenant owner rights

Max PED 67

### Single family home

Max PED 78

### Tenant owner rights

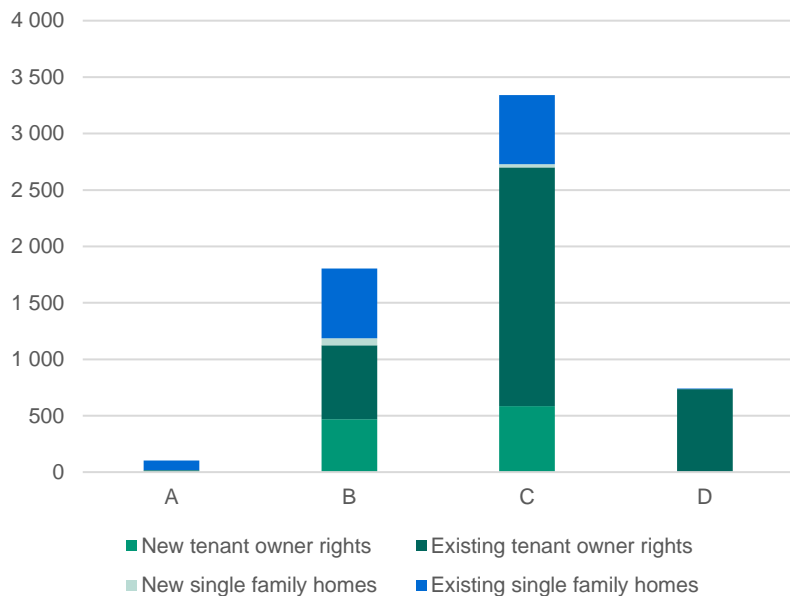
Max PED 81



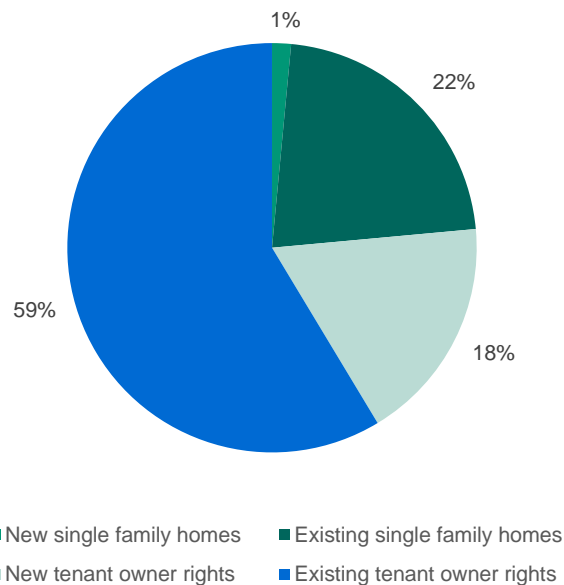
# Eligible green loans

Distribution between categories and Energy class

Distribution - Categories, ECP (SEKmn)



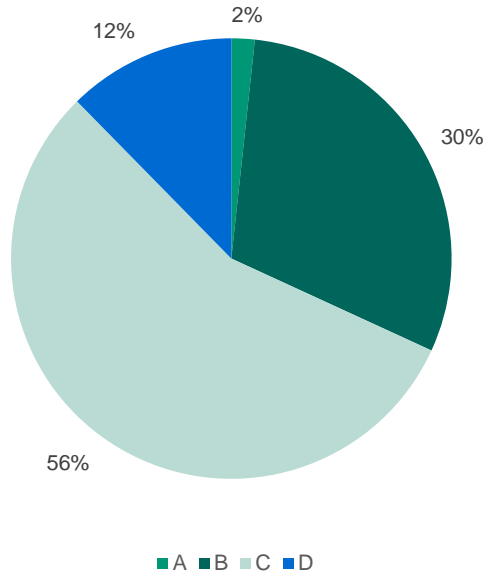
Distribution - Eligible green loans, category



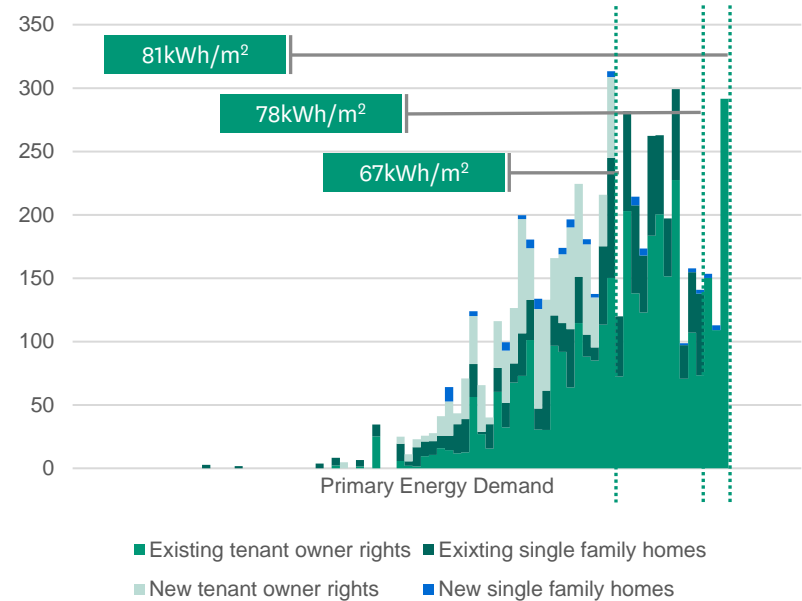
# Eligible green loans

Distribution between categories and PED's

Distribution - EPC's, energy class



Distribution - Eligible green loans, PED (SEKmn)



# Sources of limit values

## BBR29

Tabell 9:2a Högsta tillåtna primärenergital, installerad eleffekt för uppvärmning, genomsnittlig värmegenomgångskoefficient och genomsnittligt luftläckage, för småhus, flerbostadshus och lokaler.

|   | Energi-<br>prestanda<br>uttryckt som<br>primärenergi-<br>tal ( $EP_{\text{net}}$ )<br>[kWh/m <sup>2</sup> A <sub>temp</sub><br>och år] | Installerad<br>eleffekt för<br>uppvärmning<br>(kW)       | Genomsnittlig<br>värmegenom-<br>gångskoeffi-<br>cient ( $U_m$ )<br>[W/m <sup>2</sup> K] | Klimatskärmen<br>s<br>genomsnittliga<br>luftläckage vid<br>50 Pa<br>tryckskillnad<br>(l/s m <sup>2</sup> ) |
|---|--|--|---|--|
| <b>Bostäder</b>                                 |  |  |   |  |
| Småhus >130 m <sup>2</sup> A <sub>temp</sub>    | 90   | 4,5 +<br>1,7 x ( $F_{\text{geo}} - 1$ ) <sup>1)</sup>    | 0,30  | Enligt avsnitt<br>9:26   |
| Småhus >90–130 m <sup>2</sup> A <sub>temp</sub> | 95   |  |   |  |
| Småhus >50–90 m <sup>2</sup> A <sub>temp</sub>  | 100  |  |   |  |
| Småhus <50 m <sup>2</sup> A <sub>temp</sub>     | Inget krav   | Inget krav   | 0,33  | 0,6  |
| Flerbostadshus                                  | 75 <sup>4)</sup>   | 4,5 +<br>1,7 x ( $F_{\text{geo}} - 1$ ) <sup>1) 5)</sup> | 0,40  | Enligt avsnitt<br>9:26   |
| <b>Lokaler</b>                                  |  |  |   |  |
| Lokaler   | 70 <sup>2)</sup>   | 4,5 +<br>1,7 x ( $F_{\text{geo}} - 1$ ) <sup>1) 3)</sup> | 0,50  | Enligt avsnitt<br>9:26   |

## the Swedish Property Federation's study

| Byggnadskategori  | Primärenergital<br>(kWh/m <sup>2</sup> A <sub>temp</sub> och år) |                 |
|---|--|-----------------|
|   | Topp 15 procent  | Topp 30 procent |
| Småhus  | 78   | 96              |
| Flerbostadshus  | 81   | 93              |
| Kontor och förvaltning                                      | 80   | 98              |
| Skolor  | 89   | 108             |
| Hotell, pensionat och elevhem                               | 91   | 114             |
| Restaurang  | 100  | 124             |
| Vård dagtid   | 84   | 100             |
| Vård dygnet runt  | 86   | 103             |
| Köpcentrum  | 87   | 110             |
| Butik och lagerlokaler för livsmedel                        | 75   | 101             |
| Butik och lagerlokaler för övrig handel                     | 67   | 85              |
| Bad-, sport- och idrottsanläggningar                        | 78   | 100             |
| Teater-, konsert, biograflokaler och övriga samlingslokaler | 85   | 104             |
| Övriga lokaler  | 77   | 98              |

# Sources on sustainable housing

- [Skandiabanken Green bond framework](#)
- [Sustainalytics Second-Party Opinion](#)
- [The Swedish Property Federation's study](#)
- [The EU-taxonomy](#)
- [The Swedish National Board of Housing, Building and Planning – Building regulations \(BBR29\)](#)
- [The Swedish Property Federation and The Swedish Construction Federation – Interpretation of the EU-taxonomy](#)

# Contacts



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