

# Investor presentation

## Skandiabanken

May 2019

**skandia :**

# Agenda

1

Introducing Skandiabanken

2

Financials

3

Credit portfolio

4

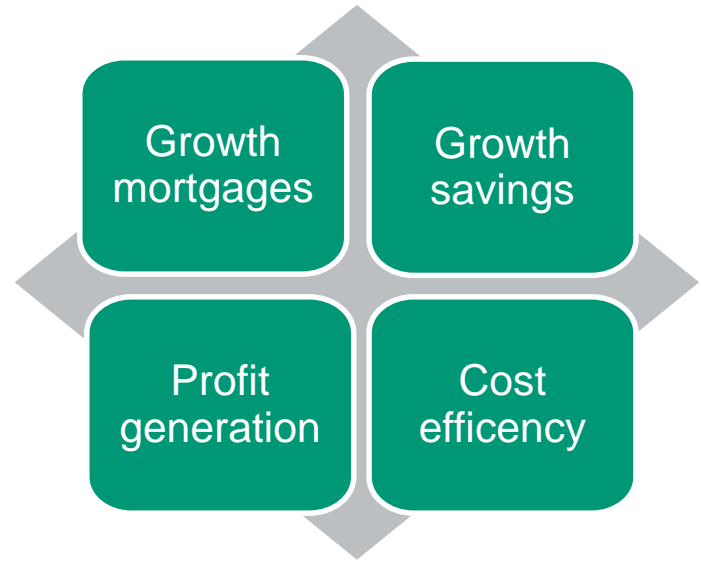
Funding

# Skandiabanken facts and highlights

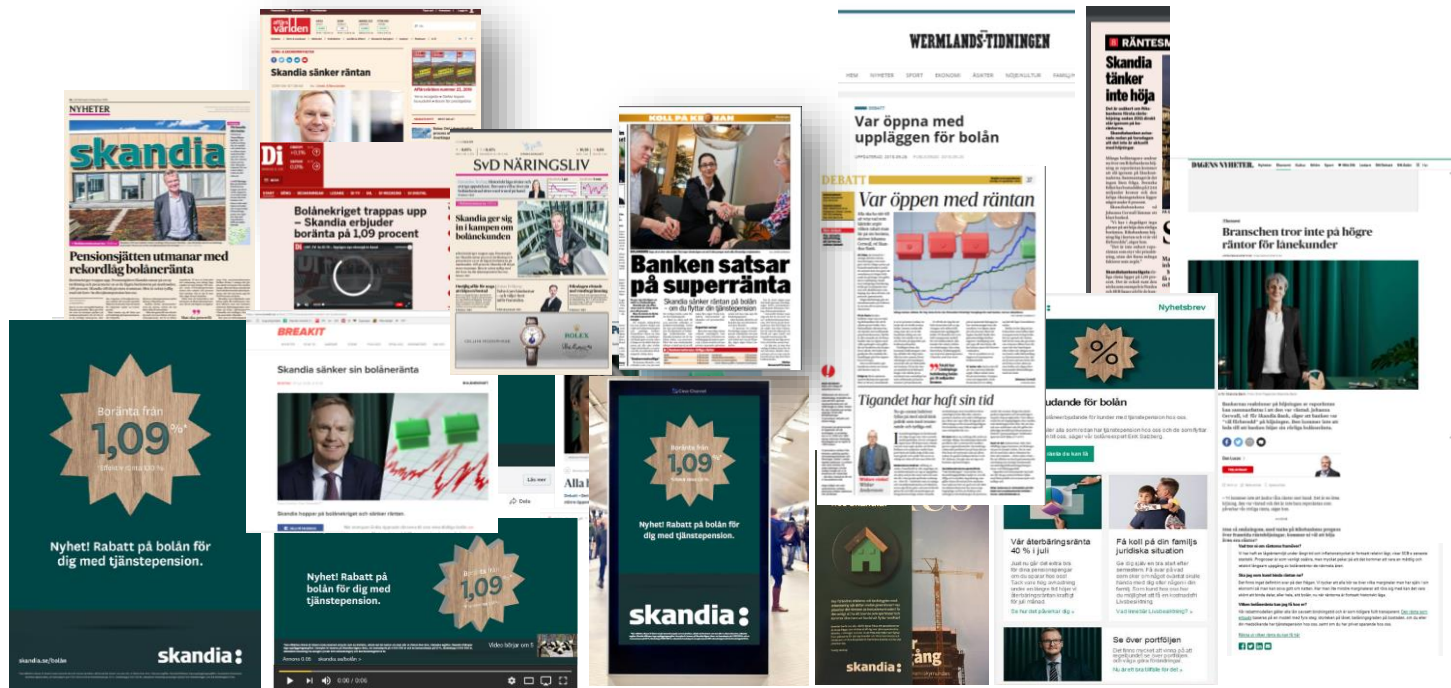
- Swedish retail bank founded in 1994
  - Three lines of business – loans, savings and payments
  - Strong and committed owner with ESG focus
  - High customer satisfaction
  - Swedish retail clients, no international branches
  - Strong growth with low-risk mortgages
  - Solid asset quality, strong capital and liquidity position
  - Healthy funding structure with focus on retail deposits
- Wholly owned subsidiary in the Skandia Group
  - Approximately 400k customers
  - A2 (Stable) rating by Moody's (covered bond rating AAA)
  - Total assets of SEK 70 bn
  - Approximately 2 percent share of the Swedish mortgage and retail savings markets
  - CEO Johanna Cerwall

# Our strategy is based on growth

- Skandiabanken contributes with profit and strategic value to the Skandia Group
- Growth strategy focused on mortgages
  - Investments in infrastructure in 2018 with improved digital workflow
  - New pricing model for mortgages
- Complementary products within savings and payments
- Focus on cost efficiency and profit generation



# 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

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

## Skandia supports international frameworks



THE GLOBAL GOALS  
For Sustainable Development



**skandia:**

# Environmental responsibility

- Policy for responsible business based on the United Nations Global Compact
- Skandia supports Task Force on Climate-related Financial Disclosures and is committed to the United Nations Montréal Carbon Pledge
- The limited emissions generated by Skandia's own operations have been offset since 2012 by contributing to carbon offset projects
- Carbon footprint reported in Skandia Group's sustainability report



# Strong resilience to money laundering

- Strong focus on Swedish private retail clients without foreign operations
  - Limited products and services for corporate customers
  - Digital business without branch offices or treatment of cash notes
  - No high risk products identified by the bank
- Head of the Anti Financial Crime Unit has been recruited from the Supervisory Authority
  - Advanced analytic tools used to detect new risks and methods of crime
  - 55 active scenarios in the transaction monitoring system where every transaction is monitored





# High customer satisfaction

- The Swedish Quality Index (SKI), which measures customer satisfaction, published its annual industry survey of the Swedish banks in the fourth quarter
- Skandiabanken increases its index and is well above the industry average
- Our mortgage customers give us a very high rating in the survey – High service level, reliable and our customers want to recommend us to others
- We are proud that we contribute with simplicity and transparency which customers appreciate



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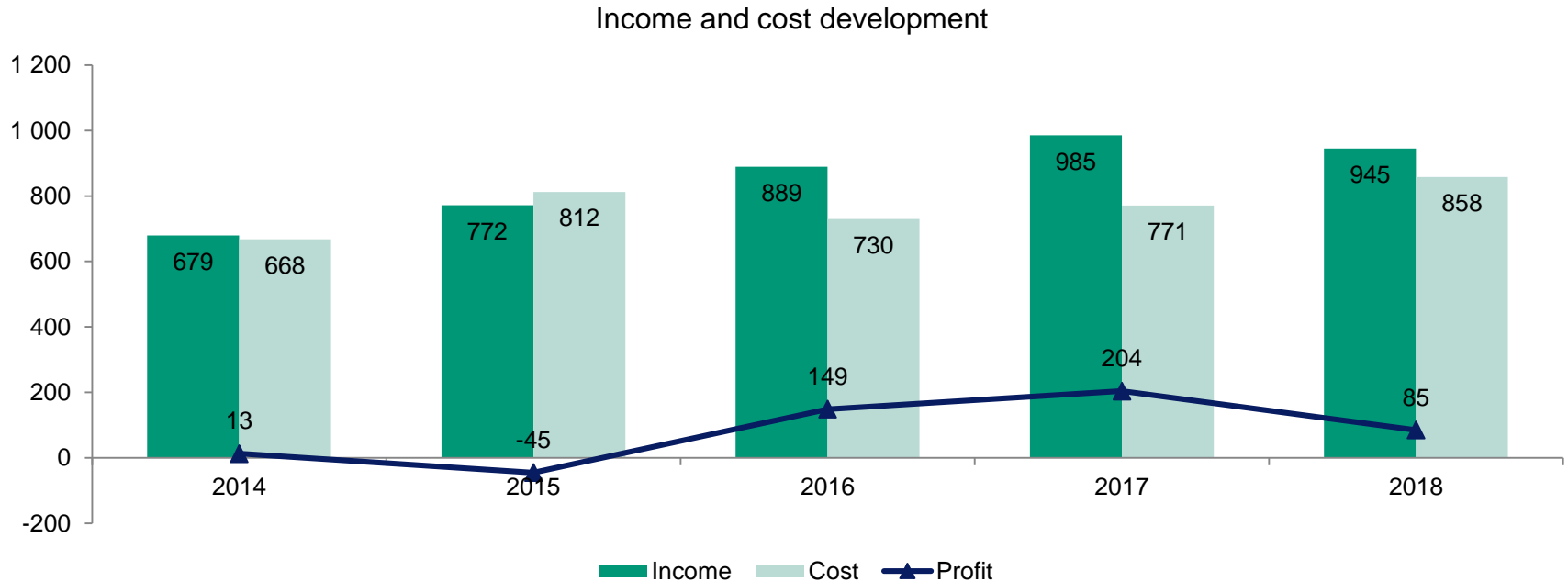
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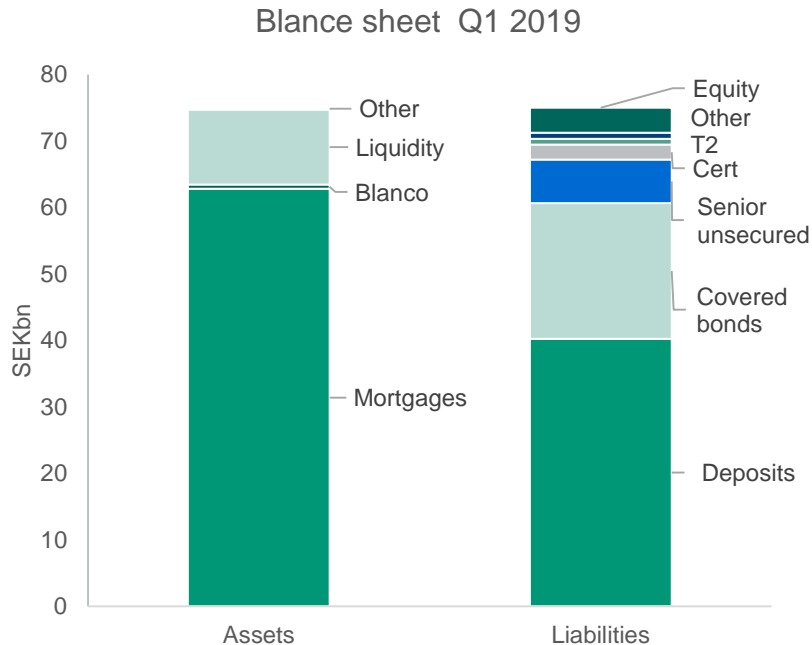
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# Profit in 2018 did not meet our expectations



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

# Business model focused on low-risk lending

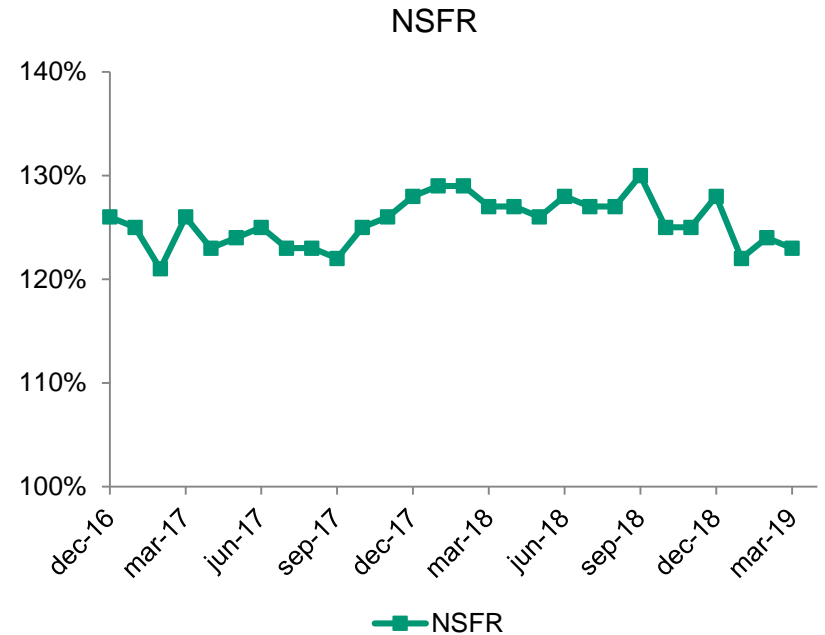
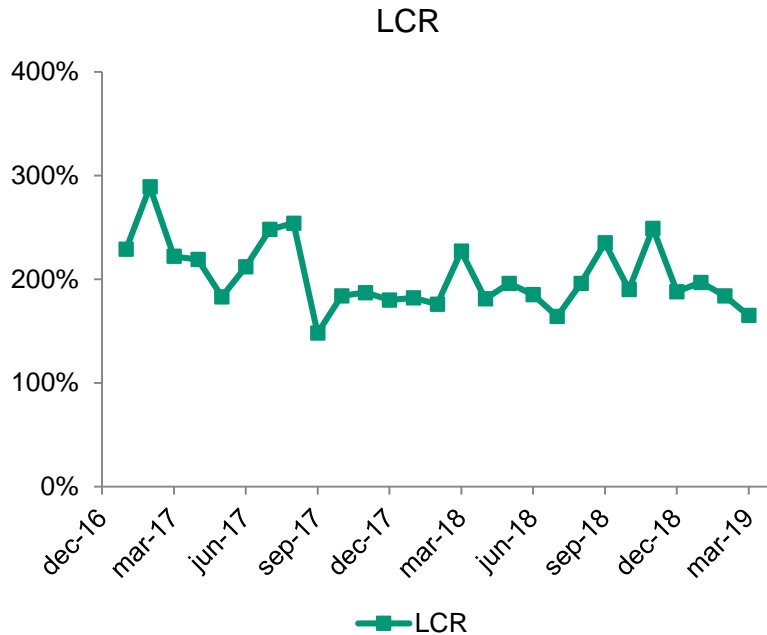


- Transparent balance sheet with strategic focus on low risk mortgages
- Funding primarily comprised by deposits and covered bonds (>80%)
- No corporate lending
- Limited blanco portfolio (<1%)

# Strong capital position enable continued growth

31 mars 2018	Q1 2019	Requirement
Own funds	22,8%	14,0%
Tier 1	18,3%	11,7%
CET 1	18,3%	10,0%
Leverage ratio	4,7%	3,0%
MREL	11,0%	6,5%
MREL-eligible liabilities (liabilities proportion principle)	18,8%	9,6%

# Strong liquidity and funding position



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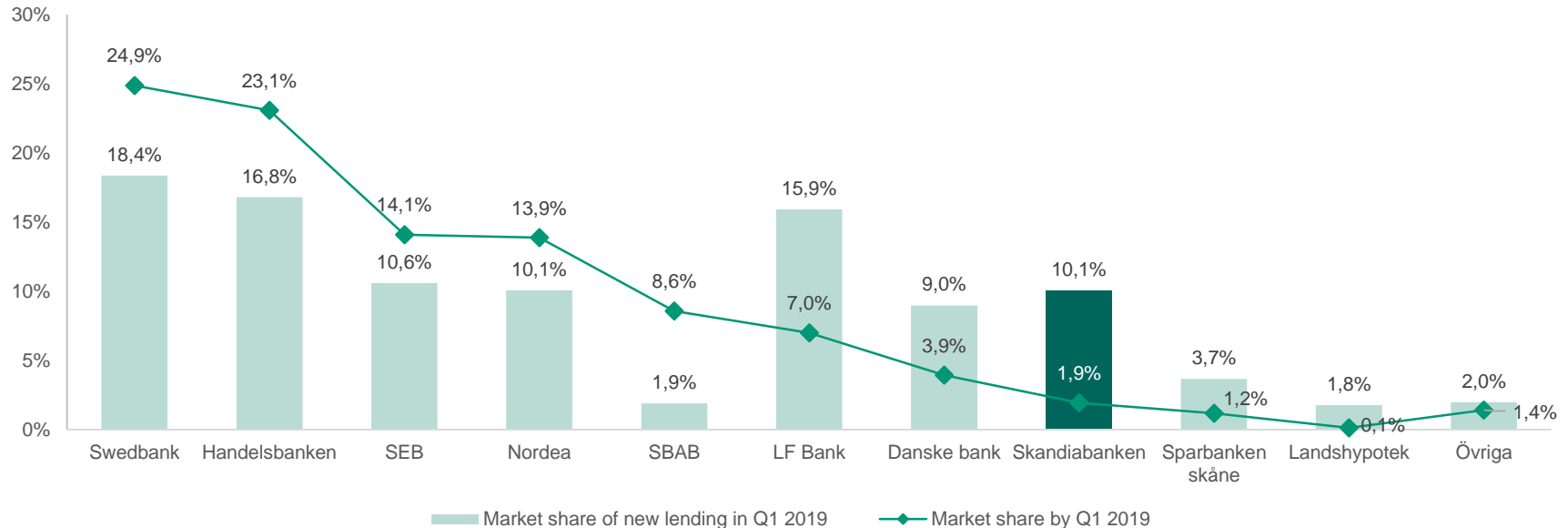
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# Fierce competition on the Swedish mortgage market

## Swedish mortgage market (Q1 2019)

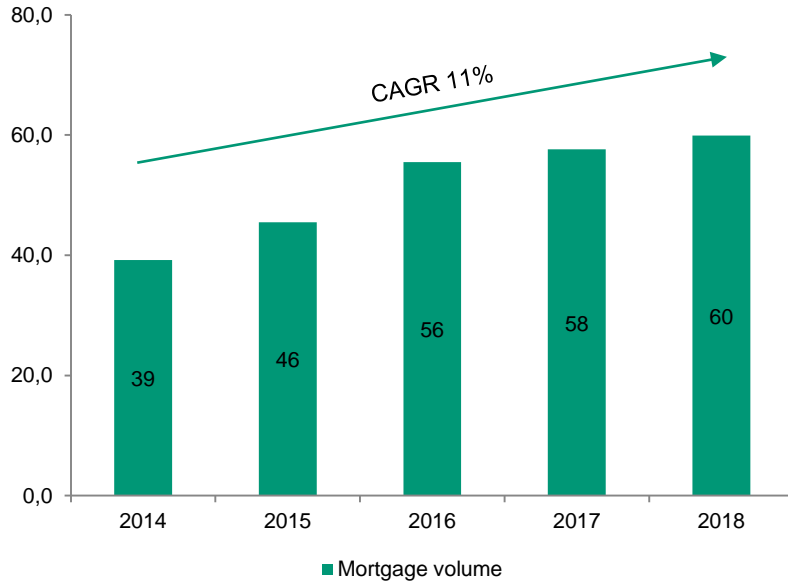


Source: SCB data Q1 2019

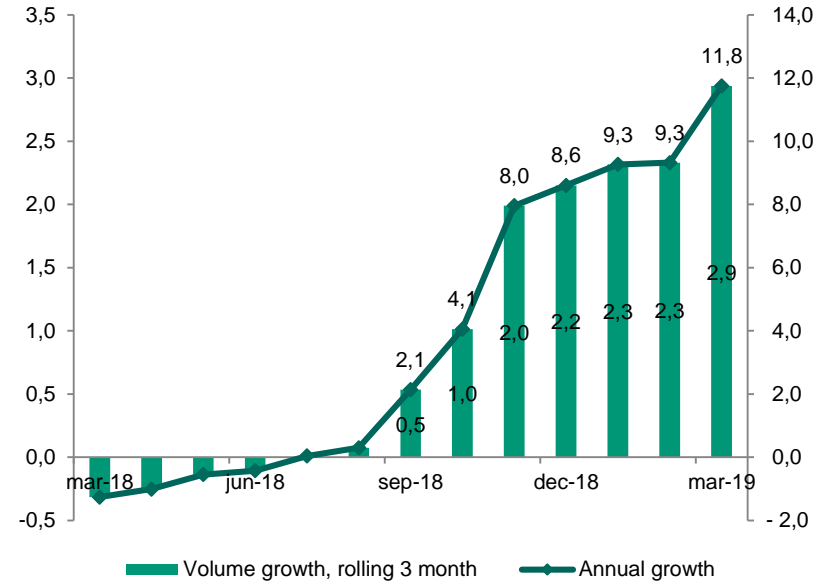


# Our new pricing model has improved growth rapidly

## Mortgages (SEKbn)

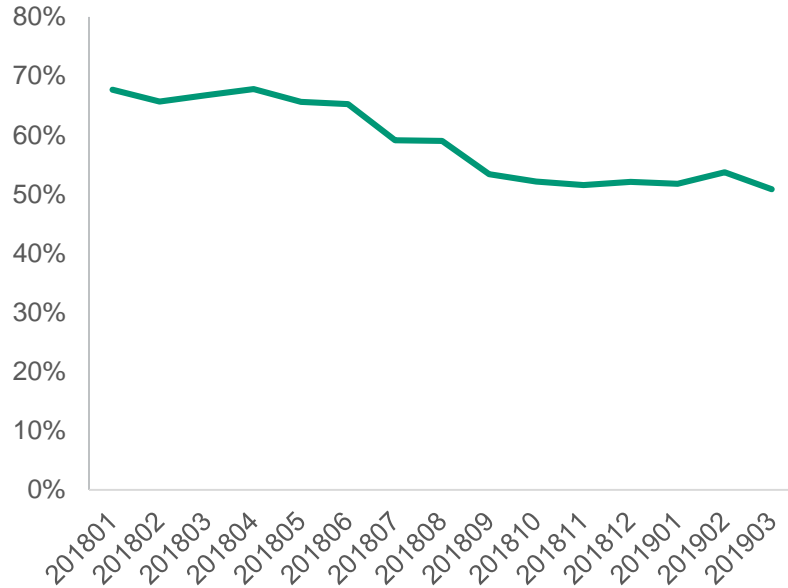


## Development in mortgage volume (SEKbn)

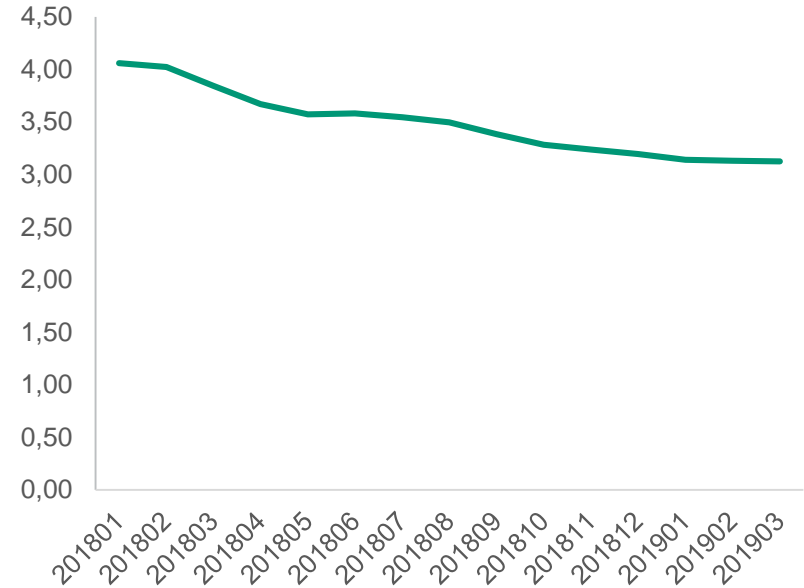


# High quality mortgages with no changes to risk profile

## LTV for new loans

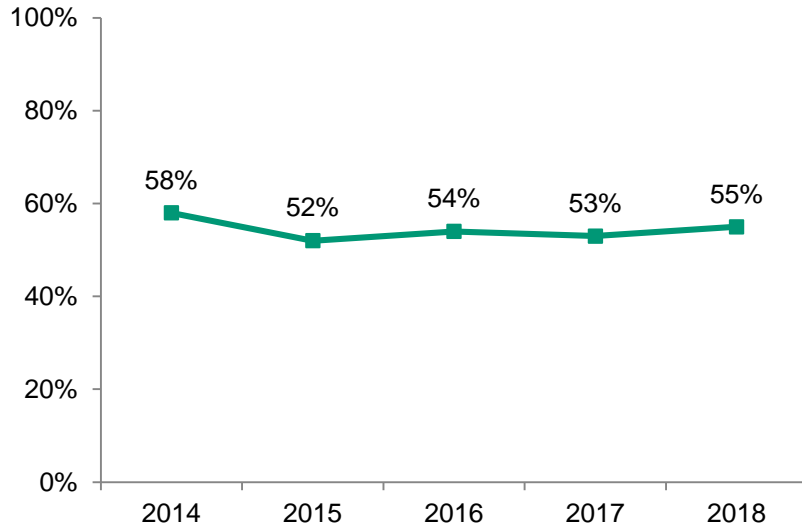


## Loan to gross income for new loans

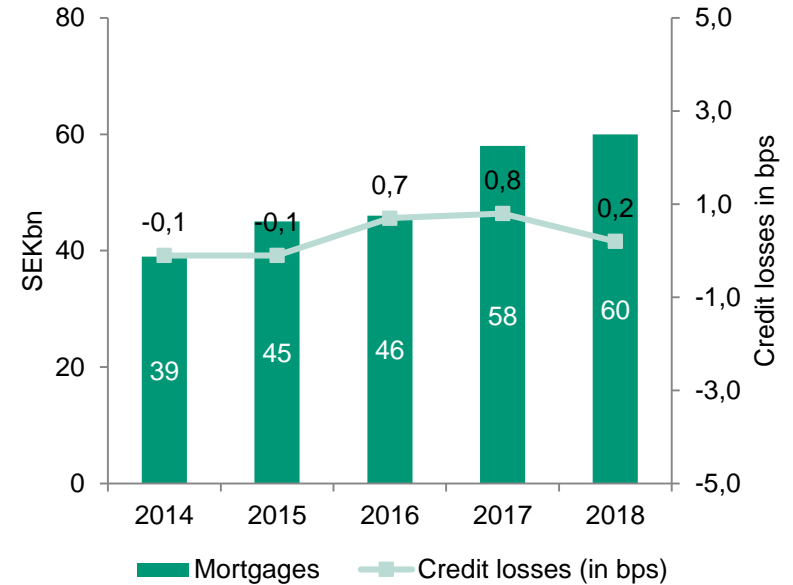


# Low credit losses and stable LTV ratio

## LTV development

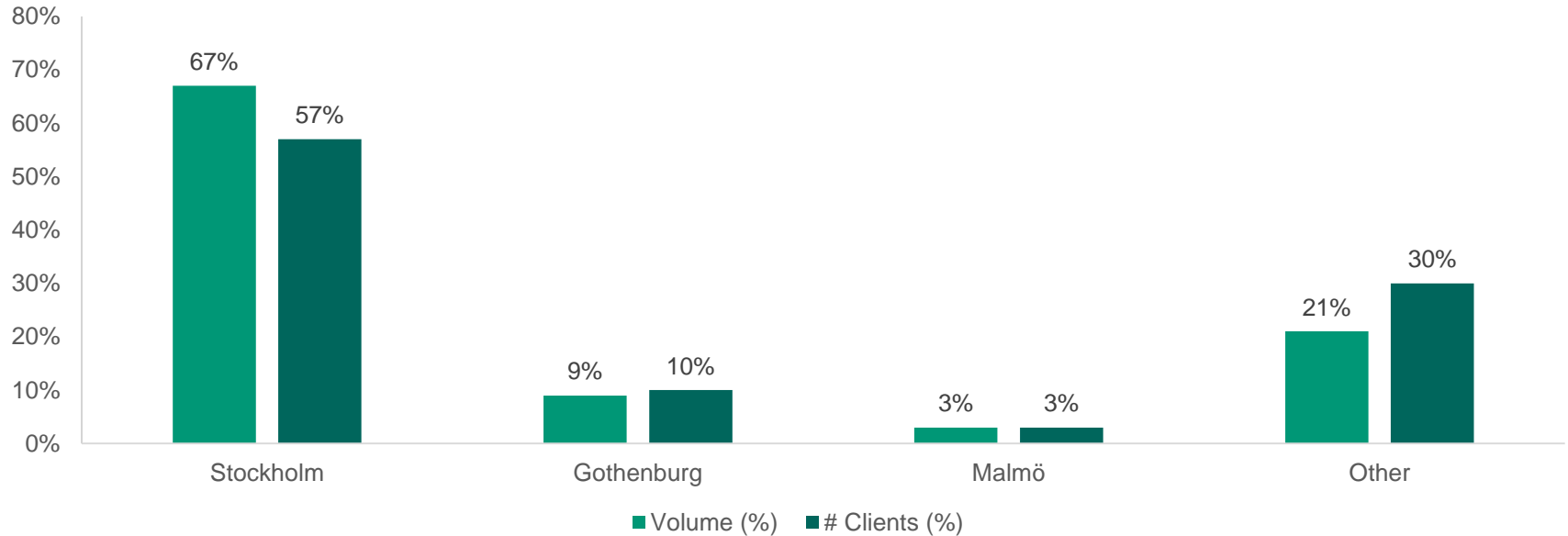


## Credit losses



# Focus on metropolitan regions

Geographic distribution



# High quality of assets in cover pool

## Numbers as of Q1 2019

<b>Collateral</b>	100 percent Swedish residential mortgages
<b>Over collateralisation</b>	32% (approx. 130% with all assets included)
<b>Weighted average LTV</b>	54%
<b>Average loan size</b>	SEK 1 539 000
<b>Interest rate type</b>	100% Floating
<b>Weighted average seasoning</b>	51 months
<b>Pool type</b>	Dynamic
<b>Originator</b>	Skandiabanken AB

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/)

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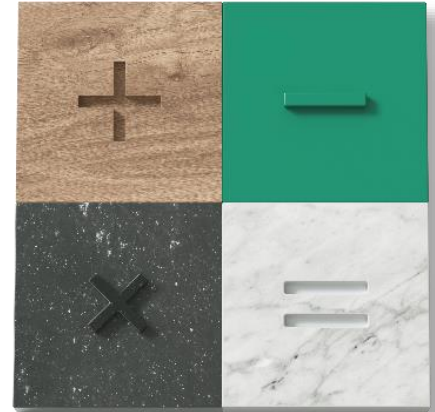
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# General funding strategy

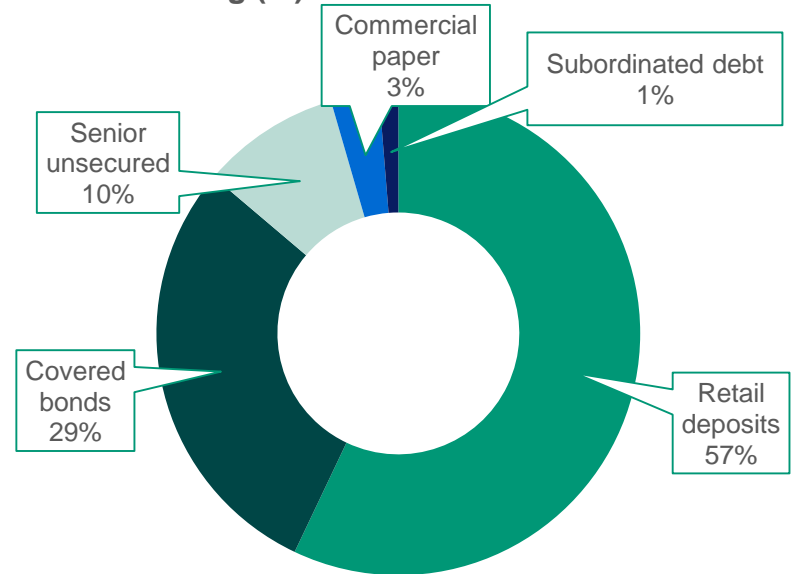
- Transparent and flexible approach
- SEK issuances
- Focus on floating rate notes
- Long-term commitment
- Buy-back policy
- Reverse inquiries



# Sources of funding

- Strategic target of 50 percent deposits
- Our deposits are proven to be very sticky
- Available programmes
  - Swedish covered bond
  - Medium term note
  - Commercial paper
- Subordinated debt fully owned by Skandia Liv

Share of funding (%)





# Secured funding

## Funding target

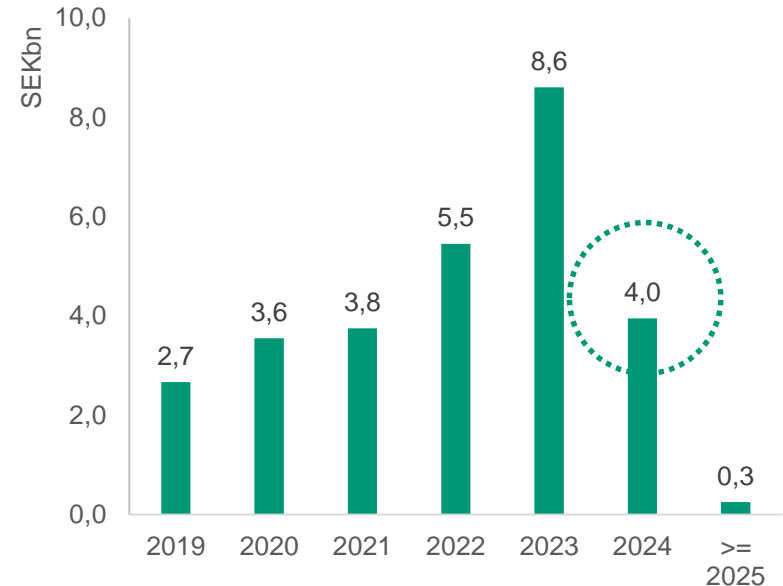
- 16-18 bn during 2019\*
- Continued focus on FRNs in SEK
- Preferred tenors 3-5 years
- Aiming to offer several Level 2 bonds available to tap
- Fixed coupon and longer tenors discussed on request
- Active buy-back policy

## Cover pool

- Over collateralisation: 32% (~130% including all assets)
- Loan-to-value: 54%

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

### Maturity profile of covered bonds



# Unsecured funding

## Senior unsecured:

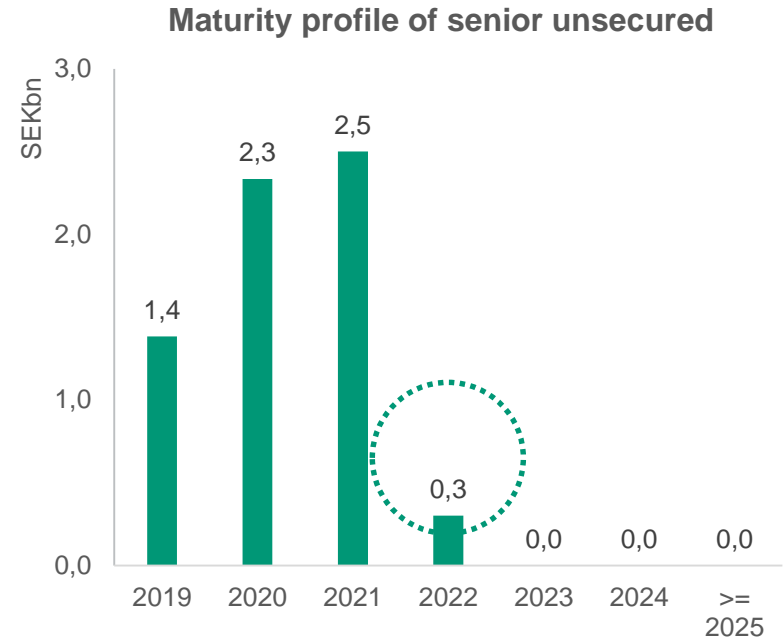
- Roll maturing bonds
- Private placements
- A means to diversify funding

## Non-preferred senior:

- Documentation complete in may 2019
- First print during autumn 2019
- Plan to await peers

## Commercial paper:

- A means to handle temporary needs, not a strategic source of funding

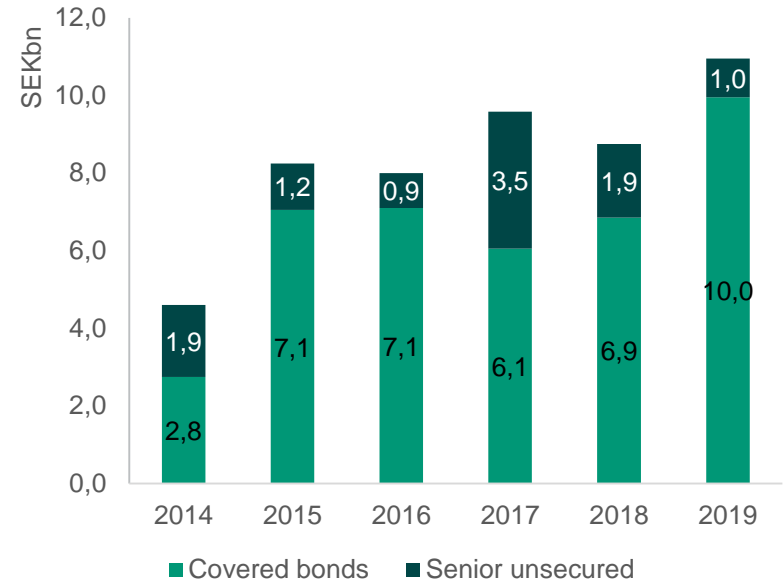


# Estimated long-term funding needs - 2019

Funding need	YTD	→ 31/12	Total
Covered bonds	10 bn	7 bn	16-18 bn*
Senior unsecured	1,0 bn	1,5 bn	~2,5 bn
Senior non-preferred	-	0,5-1 bn	0,5-1 bn

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

Historical funding volumes



# Funding - Summary

- +50 percent of funding comprised by retail deposits
- Continued focus on covered bonds in FRN/SEK format
- Senior unsecured to comply with regulatory demands and to improve rating
- MREL (Non-Preferred Senior) bonds to comply with financial regulations
- Commercial papers to manage short-term funding needs
- Continue to investigate and work towards a future green bond – prioritised issue

# Appendix - Outstanding covered bonds

Bond	Maturity	Coupon type	Amount issued
SKANBK 0 05/24/19	2019-05-24	FLOATING	2 500 000 000
SKANBK 0 09/06/19	2019-09-06	FLOATING	500 000 000
SKANBK 0 10/21/19	2019-10-21	FLOATING	2 500 000 000
SKANBK 0 02/21/20	2020-02-21	FLOATING	250 000 000
SKANBK 0 04/07/20	2020-04-07	FLOATING	800 000 000
SKANBK 0 09/08/20	2020-09-08	FLOATING	2 500 000 000
SKANBK 0 05/24/21	2021-05-24	FLOATING	500 000 000
SKANBK 0.43 09/13/21	2021-09-13	FIXED	300 000 000
SKANBK 0 09/15/21	2021-09-15	FLOATING	2 950 000 000
SKANBK 0 03/02/22	2022-03-02	FLOATING	2 750 000 000
SKANBK 0 08/24/22	2022-08-24	FLOATING	2 700 000 000
SKANBK 0 03/15/23	2023-03-15	FLOATING	3 200 000 000
SKANBK 0 09/20/23	2023-09-20	FLOATING	5 400 000 000
SKANBK 0 02/22/24	2024-02-22	FLOATING	700 000 000
SKANBK 0 04/24/24	2024-04-24	FLOATING	3 250 000 000
SKANBK 1.97 02/02/27	2027-02-02	FIXED	250 000 000

# Appendix - Outstanding senior bonds

Bond	Maturity	Coupon type	Amount issued
SKANBK 0 05/27/19	2019-05-27	FLOATING	800 000 000
SKANBK 0 10/25/19	2019-10-25	FLOATING	300 000 000
SKANBK 0.06 12/27/19	2019-12-27	FIXED	500 000 000
SKANBK 0 02/28/20	2020-02-28	FLOATING	935 000 000
SKANBK 0.07 02/28/20	2020-02-28	FIXED	500 000 000
SKANBK 0.35 05/26/20	2020-05-26	FIXED	600 000 000
SKANBK 0.34 09/14/20	2020-09-14	FIXED	300 000 000
SKANBK 0 02/08/21	2021-02-08	FLOATING	500 000 000
SKANBK 0 02/22/21	2021-02-22	FLOATING	100 000 000
SKANBK 0 3/8 03/22/21	2021-03-22	FIXED	500 000 000
SKANBK 0 09/20/21	2021-09-20	FLOATING	900 000 000
SKANBK 0 12/20/21	2021-12-20	FLOATING	500 000 000
SKANBK 1.1 08/29/22	2022-08-29	FIXED	300 000 000

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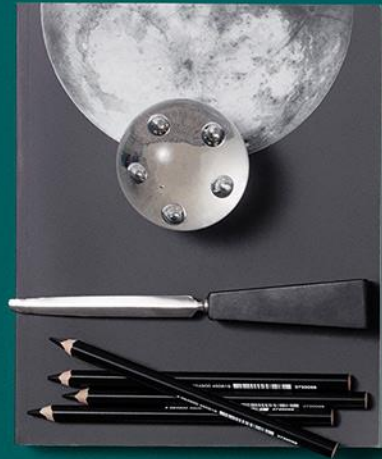
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