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

Growth +20% in 2019
Profit +65% in 2019
Cost efficiency -8% in 2019
Strong financial position
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
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

- The Swedish Quality Index (SKI), measures customer satisfaction in its annual survey
  - 4th place for mortgages 71,3 (avg. 69,3)
  - 1st 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

SKI Swedish banks, retail customers - 2019

Source: SKI (Svensk kvalitetsindex)
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Turnaround in 2019

• ~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

- 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%)
### Figures as of Q4 2019

<table>
<thead>
<tr>
<th>Category</th>
<th>Skandiabanken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own funds</td>
<td>21,9%</td>
</tr>
<tr>
<td>Tier 1</td>
<td>19,5%</td>
</tr>
<tr>
<td>CET 1</td>
<td>19,5%</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>4,9%</td>
</tr>
<tr>
<td>MREL</td>
<td>11,3%</td>
</tr>
<tr>
<td>MREL-eligible liabilities</td>
<td></td>
</tr>
<tr>
<td>(liabilities proportion principle)</td>
<td>21,9%</td>
</tr>
</tbody>
</table>

- 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

- 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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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

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

Source: SCB
Strong growth based on a scalable model

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

Gross income-to-loan ratio - New lending

LTV

Gross income-to-loan ratio - New lending

LTV - New lending

LTV - Portfolio

Gross income-to-loan ratio - New lending
Distribution of mortgages

Geographical distribution

- Stockholm 66%
- Gothenburg 10%
- Malmo 5%
- Other 19%

- ~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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Funding strategy

Share of funding as of Q4 2019

- Retail deposits 53%
- Covered bonds 38%
- Senior unsecured 7%
- Subordinated & MREL debt 1%

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

<table>
<thead>
<tr>
<th>Funding need (bn)</th>
<th>Redemptions</th>
<th>Issues</th>
<th>Supply</th>
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</thead>
<tbody>
<tr>
<td>Covered bonds</td>
<td>3.4</td>
<td>13-16</td>
<td>10-13</td>
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<tr>
<td>Senior unsecured</td>
<td>1.9</td>
<td>1-2</td>
<td>+/-</td>
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<tr>
<td>Senior non-preferred</td>
<td>-</td>
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<td>1</td>
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<tr>
<td><strong>Total</strong>*</td>
<td><strong>5.3</strong></td>
<td><strong>15-19</strong></td>
<td><strong>11-14</strong></td>
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</table>

*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 - Stable LTV ratio & OC

LTV & OC

LTV (Indexed)

OC

Appendix - Low credit losses

Credit losses

<table>
<thead>
<tr>
<th></th>
<th>Total lending (LH)</th>
<th>Credit losses (RH)</th>
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<tr>
<td>2015</td>
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<tr>
<td>2016</td>
<td>9.6</td>
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<td>2017</td>
<td>10.2</td>
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<td>2018</td>
<td>2.3</td>
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<tr>
<td>YTD Q3 - 2019</td>
<td>6.3</td>
<td></td>
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</tbody>
</table>
Appendix – Growing market share

Skandiabanken market share - Swedish mortgages
Appendix – Historical funding

Historical funding volumes (SEK bn)

- Covered bonds
- Senior unsecured
- Gross redemptions
Appendix - Outstanding covered bonds

<table>
<thead>
<tr>
<th>Bond</th>
<th>Maturity</th>
<th>Coupon type</th>
<th>Amount issued</th>
<th>Min piece (MM)</th>
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<tbody>
<tr>
<td>SKANBK Float 02/21/20</td>
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<td>SKANBK Float 03/02/22</td>
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<td>SKANBK Float 08/24/22</td>
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<td>SKANBK Float 03/15/23</td>
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</table>

As of 2020-02-13
Bonds with min.piece 1 MM cannot be tapped
## Appendix - Outstanding senior bonds

<table>
<thead>
<tr>
<th>Bond</th>
<th>Maturity</th>
<th>Coupon type</th>
<th>Amount issued</th>
<th>Min piece (MM)</th>
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<td>SKANBK Float 09/20/21</td>
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</tr>
</tbody>
</table>

As of 2020-02-13

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

Christofer Zetterquist, CFO
christofer.zetterquist@skandia.se
+46 (0)8-788 20 15

Kristoffer Straume, Head of Treasury
kristoffer.straume@skandia.se
+46 (0)8-463 60 12

Karl Aigéus, Treasury Dealer
karl.aigeus@skandia.se
+46 (0)8-788 22 69

Johan Skoglund, Treasury Dealer
johan.skoglund@skandia.se
+46 (0)8-788 10 47