



Press release 30 April 2019

## SBAB Interim Report January–March 2019

SBAB's Interim Report January–March 2019 is now available for download on [www.sbab.se/IR](http://www.sbab.se/IR).

### Q1 2019 (Q4 2018)

- Lending totalled SEK 366.3 billion (364.2)
- Deposits totalled SEK 126.1 billion (124.9)
- Net interest income rose to SEK 883 million (848)
- Expenses totalled SEK 292 million (297)
- Loan losses amounted to SEK 9 million (7)
- Operating profit amounted to SEK 590 million (579)
- Return on equity was 12.5% (11.9)
- The C/I ratio was 32.8% (33.7)
- The CET1 capital ratio was 12.4% (12.5)

### January–March 2019 (January– March 2018)

- Lending totalled SEK 366.3 billion (344.0)
- Deposits totalled SEK 126.1 billion (115.3)
- Net interest income rose to SEK 883 million (831)
- Expenses totalled SEK 292 million (242)
- Loan losses amounted to SEK 9 million (recoveries: 10)
- Operating profit amounted to SEK 590 million (576)
- Return on equity was 12.5% (13.0)
- The C/I ratio was 32.8% (30.0)
- The CET1 capital ratio was 12.4% (31.1)

SBAB held its Annual General Meeting on 29 April 2019. The AGM resolved to distribute a dividend of 40% of net profit for the year, corresponding to SEK 690 million, for 2019. Full details of the proposed appropriation of earnings is available from SBAB's 2018 Annual Report, on page 83.

### CEO statement from Klas Danielsson:

**First we dream about a home, then we rent or buy a home, then after we live there for a time, we start to dream again. When we have found a new home we sell or stop renting our previous home. And so the cycle starts again. This is a typical housing cycle and one that we, on average, experience 11 times in our lifetimes. It is in this housing cycle we operate. Because essentially, this is exactly what our operations are about — we create opportunities for people to reside and live.**

Taking up a residential mortgage is an infrequent purchase, where the customer relationship is traditionally strongest when the mortgage application is made, a new home is bought and



the mortgage is disbursed. Long-term relationships are valuable for both SBAB and customers. We seek to add customer value throughout the period when a home requires financing and throughout the housing cycle. We see the housing cycle as an ecosystem of needs and services. We have long focused on our customer offering in the housing and household finances ecosystem. Through our own services at SBAB and Booli, and together with services from business partners, we are building a customer offering and a customer experience covering all phases of the housing cycle.

### **A customer offering in the housing and household finances ecosystem**

In the first quarter of 2019, we introduced a raft of activities to improve and strengthen the customer experience. We have continued to launch content in the SBAB app. A key element of these efforts are about making the transition from talking about numbers to adding more personal content. This has to do with, for example, household finances in the form of various articles and an annual personal statement for each customer of their commitments with SBAB. Moving forward, it will also entail showcasing other services in our ecosystem, such as legal services through our partners and various insurance products, as well as adding additional mortgage functionality.

At the start of the second quarter, we launched our updated online bank for our corporate and tenant-owners' association customer swith a completely new design and user experience.

At booli.se, Sweden's second largest search engine for housing, work continues with streamlining and optimising data collection, and complementing the platform with relevant information. Actions in the first quarter included adding personalised information when customers log in, such as the value trend for the property and information about other property in the area. On HittaMäklare.se we launched the "Säljarfavorit" concept in the first quarter to further strengthen confidence in our estate agent assessments.

Creating greater digital customer and user benefits within housing and household finances will continue in 2019. Through increased digitalisation we can offer better service, become more cost-efficient and grow in terms of customers and users at lower marginal costs.

### **A changing residential mortgage market**

Competition in the residential mortgage market is increasing from established mortgage banks and from new participants. At the same time as competition is intensifying, credit growth is tapering off. Together, this means pressure on mortgage rates and tighter mortgage margins. The residential mortgage market has also become more segmented as various credit providers target aggressive offerings at specific customer groups. In the first quarter, developments in the residential mortgage market entailed considerable negative impact on our growth. In 2018, our share of net growth in the residential mortgage market was around 17%. In the first quarter 2019, the corresponding figure was 2%.



The weak start to 2019 highlighted the need to review our mortgage rates. In February, we lowered mortgage rates for all maturities and revised our pricing model with increased interest-rate discounts for mortgages with low loan-to-value ratios. In March we started to see clear effects from these measures with substantial increase in application volumes. My assessment is therefore that our low growth in mortgages in the first quarter was only a temporary hiccup in the strong growth trend we have noted for several years, which we intend to continue.

### **A strong financial performance**

Once again, we reported strong net interest income and earnings for the quarter. I am also pleased that we, during the quarter, continued on our journey to promote a green ecosystem of money – raising and lending green funds. In the first quarter of 2019, we became the first institution in Sweden to issue a green covered bond backed by residential mortgages. Our key financial metrics remain strong and stable, even if we expect these to weaken slightly moving forward as a result of lower mortgage margins, continued investments in future competitiveness and a slightly weaker credit market. The return on equity was 12.5% and the CET1 capital ratio was 12.4% for the quarter, which exceeded our financial targets by a comfortable margin. Credit losses remained low and amounted to SEK 9 million for the quarter.

To ensure SBAB's long-term competitiveness, we invest in our operations. Not only to improve our customer offering but also to make ourselves more efficient. We are in the middle of an investment cycle where we are replacing our technological infrastructure, developing the customer offering and strengthening the organisation with technological and digital expertise. Expenses totalled SEK 292 million for the quarter in parallel with a C/I ratio of 32.8%, which is extremely low compared with other Swedish banks. Our expenses and development projects are progressing as planned.

### **Sweden's fourth best workplace according to Great Place to Work**

An attractive workplace is one of our three target areas. For us, it is critical for our long-term competitiveness that everyone at SBAB is committed, thrives at work, that we can be ourselves and that we feel that we can succeed and develop together every day.

A number of years back, to follow up our progress in becoming Sweden's best workplace, we engaged Great Place to Work (GPTW) to evaluate our commitment and our perceptions of what applies in terms of credibility, respect, fairness, pride and camaraderie. We address a number of issues and claims in the survey.

The proportion of employees that stated that SBAB, overall, is a very good workplace increased from 77% in 2016 to 85% in the 2018 survey. This places SBAB at the top among other comparable companies in Sweden and Europe.



Every year, GPTW also ranks the best workplaces in Sweden based on the results of an employee survey and through an evaluation of the corporate culture that describes how the company actively promotes the creation of a committed corporate culture and workplace. SBAB finished in fourth place in GPTW's list of Sweden's best workplaces in 2019, in the category larger organisations. A fantastic achievement of which we are extremely proud.

Klas Danielsson  
CEO of SBAB

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