



Press Release 16 July 2021

SBAB Interim Report January–June 2021

SBAB's Interim Report January–June 2021 is now available for download on www.sbab.se/IR.

Q2 2021 (Q1 2021)

- Total lending increased 1.9% to SEK 441.7 billion (433.5).
- Net interest income declined 1.0% to SEK 1,031 million (1,041).
- Operating profit decreased 9.0% to SEK 663 million (728), primarily due to higher costs attributable to increased resources and projects pertaining to regulatory-driven development and digitalisation.
- Net credit losses remained low and totalled SEK 4 million (recoveries: 9).
- The return on equity was 11.3% (12.7), the C/I ratio amounted to 35.5% (31.0) and the C/L ratio to 0.33% (0.30).
- EUR 500 million green bond issue. At the end of the quarter, the volume of green bonds outstanding amounted to some SEK 21 billion.
- Housing & household finances ecosystem strengthened by the acquisition of the Boappa housing app, a communication and administration service for tenant-owners' associations.

Financial information

	2021	2021	2021	2020
	Q2	Q1	Jan–Jun	Jan–Jun
Total lending, SEK bn	441,7	433,5	441,7	401,5
Total deposits, SEK bn	138,1	136,5	138,1	131,3
Net interest income, SEK million	1 031	1 041	2 072	1 792
Net result of financial transactions, SEK million	–21	–15	–36	–38
Expenses, SEK million	–366	–323	–689	–623
Credit losses, SEK million	–4	9	5	–38
Operating profit, SEK million	663	728	1 391	1 106
Return on equity, %	11,3	12,7	12,0	10,4
C/L ratio, %	0,33	0,30	0,32	0,32
C/I ratio, %	35,5	31,0	33,2	35,3
CET1 capital ratio, %	13,1	13,1	13,1	12,7

SBAB's business idea is to apply innovation and consideration to offer loans and savings products to private individuals, tenant owner associations and property companies in Sweden. SBAB was founded in 1985 and is owned by the Swedish state. Read more at sbab.se, twitter.com/sbabbank, facebook.com/sbabbank.



CEO statement from Klas Danielsson:

Overall, we operate in a very favourable market for housing finance. This, in combination with our attractive customer offering, strong brand and satisfied customers, resulted in a continued healthy trend for operations in the second quarter. A favourable mortgage bond funding market contributes to stable margins and a healthy profit trend. The first half of 2021 is our strongest half-year result ever.

Market developments

The housing market for detached houses, holiday homes and tenant-owner apartments continued to develop strongly in the second quarter amid very high activity and rising housing prices. However, a deceleration was noted in the price trend in June. Our projection for the immediate future is for unchanged prices for private housing in pace with the price-driving effects of the coronavirus pandemic receding. Of late, the mortgage credit growth has risen to an annual growth rate of around 6%.

The market for multi-family dwellings has been very strong during the year, with high transaction volumes compared with earlier years. We have also noted an accelerating pace of new housing construction in Sweden and strong demand for new construction financing from our customers. Credit growth for property loans on multi-family dwellings to property companies and tenant-owners' associations has risen slightly to annual growth rates of 11.4% and 2.9%, respectively.

A survey we conducted in early June found that a record high share of the public believed that prices for housing will continue to rise. We believe further sustained price rises to be unlikely, and instead believe that the pain threshold will soon have been reached. Moreover, the effects of the coronavirus pandemic in terms of increased public focus on housing will fade as society reopens, thereby subduing housing market activity. This could also entail a slight slowdown in credit growth.

Growth and competition

Following an extremely strong first quarter with high growth in residential mortgages and substantial business volumes, which also posed challenges to our resources and capacity, in the second quarter we scaled back our growth ambitions to focus on key components in the development and implementation of our new banking system. The second quarter also noted increased competition in the residential mortgage market. In Q1, our market share of new residential mortgage lending was 14.1%, compared with our total market share of 8.5% as of March. Market shares for the second quarter have yet to be finalised, but for the April–May period, our market share of new lending was 6.6%, compared with our total market share of 8.5% for May. Until the end of May, our market share of new lending for 2021 was 10.9%.

We believe that competition in the residential mortgage market will continue to intensify as more players start offering mortgages. For many years, the four major banks have been losing market shares in the residential mortgage market to SBAB, to smaller players and to new players – but we are now noting raised ambitions and increasing price competition from the majors.

We believe in simplicity and transparency in the customer offering and in the customer experience. We also believe that in an increasingly digital world with more and easily accessible information, simplicity and transparency will be prerequisites for earning customers' trust and for gaining any attention from



customers. Our transparent and fair mortgage rates, negating the need for negotiation, is one of the things our residential mortgage customers appreciate most. Moreover, our customers also appreciate our focus on mortgages and housing. Our focus builds knowledge of the entire housing journey and enables us to help our customers with services at all stages of the housing journey.

Since the start of 2020 and throughout the coronavirus pandemic, our property finance lending to property companies has grown robustly from a market share of 10.3% to 14.2% as of 31 May 2021. Growth remained healthy over the past quarter. We retained our focus on housing throughout the coronavirus pandemic, which has created competitive advantages as we have been able to focus all our resources on nurturing, developing and strengthening our customer relationships with property companies and housing developers.

However, the housing finance market for tenant-owners' associations was dominated by intense price competition and thus limited opportunities for profitable growth. Despite the above, we stabilised our market share some time back and have even increased it slightly. Growth was relatively weak in the last quarter and market share declined to 10.0% as of 31 May 2021.

We are a growth company and aim to grow and capture market shares in all our housing finance customer segments.

Our ecosystem is growing

Our ecosystem of services relating to housing and household finances is one of our foremost competitive advantages.

Through Booli, we help you dream of, and then search for, a home. Booli has Sweden's largest offering of homes for sale. In fact, Booli has almost twice as many homes for sale as Hemnet. That is why people are increasingly are choosing to use Booli to find their next home. Booli is exclusive in its ability to show all homes that are "coming soon", and these "coming soon" homes have increased significantly and now number about the same as regular "for sale" homes. In the second quarter, visitor numbers to Booli was 1,600,000 visitors per month. Booli also has Sweden's largest home valuation service allowing you to value your home for free. In Sweden, more than 565,000 private individuals subscribe to Booli's free monthly valuation service to keep updated on their homes' values.

We help you when you're moving and need to sell your home. HittaMäklare is Sweden's largest estate agent search and recommendation service for finding the agent who can best help you sell your home. Some 92% of all estate agents in Sweden use HittaMäklare to offer you their services.

Our latest service addition in the housing journey is the app Boappa. Boappa comprises a communication and administration service for tenant-owners' associations and their residents. During the second quarter, we acquired a majority holding in Boappa, with the option of acquiring all the remaining shares at a later stage. Boappa is currently being integrated into our customer offering and will provide a valuable service to further strengthen and enhance our customer offering throughout the housing journey's various stages. Boappa also comprises a valuable service for housing developers in conjunction with new apartment listings. Together with our Booli Pro statistics and analytics service, Boappa strengthens our offering to housing developers and property companies.



Work approach and environment

The coronavirus pandemic has forced us to adapt and work much more remotely than before. The increase in remote working has meant that we have developed our capability to work digitally. The digital work environment with digital tools has evolved considerably during the pandemic and has, in some respects, replaced and enhanced office-based work environments and work approaches.

Our aim is to be one of Sweden's most attractive workplaces. For the third consecutive year, Great Place to Work named SBAB as Sweden's fourth-best place to work in the large organisation category on 25 March. Our ambition is to continuously develop our work approach and environment to become an even better place to work.

Our post-Covid work approach and environment will leverage the best of the physical office-based and the digital approaches to working and meeting. Our offices will remain the bases for our work and meetings post-Covid, but we will continue with more remote working than prior to Covid and we will continue to develop our digital approach to working and meeting. Those of us with tasks that are possible to complete remotely will work at least three days in the office on average. We foresee that our offices will continuously adapt to the changes we are implementing and the emerging needs, and we will continue to develop our digital tools. Following two years of refurbishment, we will move into our new office in Karlstad in July 2021. The name of the refurbishment project – KCK – signals the importance we attach to our work environment. KCK stands for Karlstad's Coolest Office (Sw. Kontor).

I would like to thank all my fantastic colleagues at SBAB and congratulate all of us for our strongest half-year result ever. I look forward eagerly to us all being able to meet again post-Covid.

Have a great summer!

Klas Danielsson
CEO SBAB

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