



Press release 23 October 2020

Strong development for operating profit

The third quarter was characterized by high activity, partly due to the strength of the housing market but primarily due to SBAB's strong competitive position. Lending to property companies and housing developers to finance increased during the quarter and SBAB continued to grow in the residential mortgage market. In terms of performance, with an operating profit of SEK 636 million, the third quarter was a strong quarter for SBAB.

SBAB's Interim Report January–September 2020 is now available for download on sbab.se/IR.

Q3 2020 (Q2 2020)

- The housing market exhibited good resilience in terms of price trend and turnover despite continued uncertainty regarding socio-economic development in the wake of the coronavirus pandemic.
- Continued strong growth in total lending, which increased 2.7% to SEK 412.3 billion (401.5), of which SEK 307.2 billion (302.5) comprised lending to retail customers and SEK 105.1 billion (99.1) lending to corporate clients and tenant-owners' associations. Total deposits increased 2.0% to SEK 133.9 billion (131.3).
- Strong development for operating profit and net interest income. Operating profit grew 2.4% to SEK 636 million (621). Net interest income increased 4.2% to SEK 945 million (907). Credit losses resulted in a recovery of SEK 4 million (loss: 11).
- The average number of unique visitors per month to www.booli.se rose substantially and amounted to around 1,480,000 (1,300,000) during the quarter.
- For the second year in a row, SBAB was ranked among Europe's best workplaces according to Great Place to Work® (GPTW), with a 14th place in the Large Organisations category.

Financial information

	2020	2020	2020	2019
	Q3	Q2	Jan-Sep	Jan-Sep
Total lending, SEK bn	412.3	401.5	412.3	378.2
Total deposits, SEK bn	133.9	131.3	133.9	130.0
Net interest income, SEK million	945	907	2 737	2 596
Net result of financial transactions, SEK million	-11	17	-49	32
Expenses, SEK million	-310	-312	-933	-860
Credit losses, SEK million	4	-11	-34	-16
Operating profit, SEK million	636	621	1 742	1 768
Return on equity, %	11.5	11.6	10.8	12.1
C/L ratio, %	0.30	0.32	0.31	0.31

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.



C/I ratio, %	32.9	33.1	34.4	32.5
CET1 capital ratio, %	12.7	12.7	12.7	12.2

Statement from the CEO

The housing market has exhibited remarkable resilience during the coronavirus pandemic. Prices climbed in the third quarter, with rising turnover for all types of housing across the country, which helped create favourable market conditions for financing housing. Our strong competitive position enabled us to capture market shares in our three key customer segments – residential mortgages to private individuals, property financing to property companies and property financing to tenant-owners' associations.

The robust steps being implemented by central banks and governments to counteract recession in the wake of the coronavirus pandemic entail a tidal wave of liquidity for the market. This liquidity must find a destination and has thus resulted in a substantial increase in demand for essentially all forms of assets, including housing. Extremely low interest rates mean that saving in cash or bonds is often not an option, and instead that liquidity is attracted to other assets. We have a market where, in essence, everything is rising in value, despite being in the midst of a pandemic with rising unemployment and a negative economic trend.

I have worked in the financial industry for more than 30 years and lived through numerous bizarre market conditions, but I have never experienced a market that has so clearly received so much support from central banks and governments for such an extended period as this one. Central bank and government supports have been in place since the 2008/09 financial crisis and now, during the coronavirus pandemic, these supports have been further strengthened and extended. Is there any other solution? Perhaps not. A new global economic system has been created which, when its foundations are shaken, seeks to stabilise using as yet untested monetary and fiscal policies.

The Riksbank has announced that extremely low interest rates will prevail for several more years. We believe that this creates public expectations that housing costs will remain very low for many years to come. We believe that the strong economic support measures, implemented by the Riksbank and the government, create security and give the perception that the risks are low. In general, we believe this has resulted in many people being in fear of being left behind and missing the chance to gain their first step on the housing ladder. Consequences of the above include expectations of rising house prices, increased demand for housing, rising housing prices and increased turnover.

High activity

Activity has been very high in our operations in the third quarter, and during the first nine months of the year as a whole, partly due to the strength of the housing market but primarily due to our strong competitive position. I would like to showcase a few examples. Over the year, our lending to property companies and housing developers to finance has increased substantially and we have captured market shares due to our very good customer relations and strong brand. During the coronavirus pandemic, we have focussed strongly on availability and on working on long-term relationships, which is particularly appreciated by



our customers in times of crisis. Another example is that our competitive terms, high level of availability, service, satisfied customers and strong brand mean we continue to capture market shares in the residential mortgage market. A third example is that the number of visitors to [booli.se](https://www.booli.se), our housing search service, has risen dramatically due to the fact that we have Sweden's largest range of homes for sale – many more than Hemnet.

In terms of performance, with an operating profit of SEK 636 million, the third quarter was a strong quarter for SBAB. The expansionary monetary policy and supports from the Riksbank create a highly favourable funding situation for SBAB, which in some respects, is better than it was prior to the coronavirus pandemic. This helps to support mortgage margins and maintain profitability at healthy level and has allowed us to lower mortgage rates. Competition remains intense in the residential mortgage market, which may lead to mortgage rates falling further.

Confirmed credit losses remain extremely low. To date, we have not noted any rise in late payments from our customers despite rising unemployment – clear evidence of the low risk inherent in our lending. Naturally, the possibility of amortisation exemptions will provide relief for our customers, but we still do not believe that this is decisive for many.

”Boendekonomi är jättekul!”

SBAB is a purpose- and values-driven growth company. We place considerable focus on being an inherently sustainable company with sustainability as a competitive advantage. We want to create good results for all our stakeholders. Succeeding in reaching our vision and our targets requires high levels of motivation and commitment among staff at SBAB, which in turn entails that SBAB must be an extremely attractive workplace. In the third quarter, we were ranked as Europe's 14th best workplace in the Large Organisations category by Great Place to Work. We view this as confirmation that we have made substantial progress in becoming a very attractive workplace.

It is highly gratifying that things continue to progress so well for SBAB. Household finances are indeed really fun. I would like to take this opportunity to inform you that it is soon time for the start of the third season of "Boendekonomi är jättekul" (Eng. "Household finances are really fun") – our communication concept, where we, with the help of humour and knowledge, want to make everyone understand that household finances are really fun. We concluded the first season by filling the Globe arena with 10,000 people who watched a comic performance about household finances. The second season concluded with a music video "Komma hem – låda låda," which was viewed more than 6,500,000 times on YouTube and Facebook, and played more than 350,000 times on Spotify. I am afraid I cannot reveal the highlights or how the third season will conclude, but keep your eyes peeled for the first episode and you'll find out more. Really exciting, don't you agree?

The motivation and commitment at SBAB is an important reason for why I believe it is so amazing to work here. Thank you very much, all my colleagues, for your fantastic work.

Look after each other.

Klas Danielsson



CEO of SBAB

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