



Press Release 27 October 2021

## SBAB Interim Report January–September 2021

SBAB's Interim Report January–September 2021 is now available for download on [www.sbab.se/IR](http://www.sbab.se/IR).

### Q3 2021 (Q2 2021)

- Total lending increased 2.2% to SEK 451.3 billion (441.7).
- Net interest income fell to SEK 1,025 million (1,031), mainly driven by lower interest-rate margins on mortgage lending.
- Operating profit was essentially unchanged compared with the previous quarter and amounted to SEK 662 million (663) since income and expenses were on a par with the previous quarter.
- Net credit losses remained low and amounted to recoveries of SEK 5 million (loss: 4).
- The return on equity was 11.0% (11.3), the C/I ratio amounted to 34.8% (35.5) and the C/L ratio to 0.31% (0.33).

### Financial information

	2021	2021	2021	2020
	Q3	Q2	Jan–Sep	Jan–Sep
Total lending, SEK bn	451.3	441.7	451.3	412.3
Total deposits, SEK bn	140.6	138.1	140.6	133.9
Net interest income, SEK million	1,025	1,031	3,097	2,737
Net result of financial transactions, SEK million	-32	-21	-68	-49
Expenses, SEK million	-351	-366	-1 040	-933
Credit losses, SEK million	5	-4	10	-34
Operating profit, SEK million	662	663	2,053	1,742
Return on equity, %	11.0	11.3	11.7	10.8
C/L ratio, %	0.31	0.33	0.32	0.31
C/I ratio, %	34.8	35.5	33.7	34.4
CET1 capital ratio, %	13.3	13.1	13.3	12.7

### CEO statement from Klas Danielsson:

**The market climate for housing finance and housing services remained generally healthy through the third quarter. However, stiff competition intensified in the residential mortgage market, which dampened our market share trend despite relatively good volume growth. Nonetheless we continued to gain market share in property finance for multi-family dwellings.**

Housing market activity was high in the third quarter, with above normal turnover and continued rising housing prices. The coronavirus pandemic has led to increased demand for larger homes and housing being prioritized over other consumption. This has contributed to the very large housing price increases during the pandemic. We expect the next few quarters to be much calmer, with lower housing turnover and essentially stable housing prices now that most of the social restrictions have



been lifted. Mortgage amortisation relief ended as of 1 September. When granting new loans, despite the relief, banks have been including the amortisation requirement and we believe that the removal of the relief will have a negligible effect on the temperature of the housing market.

### **Financial performance remains strong**

The third quarter operating profit of SEK 662 million was one of our best quarterly results to date and operating profit of SEK 2,053 million for the nine-month period January–September was our best ever. Overall, we posted strong lending growth in the nine-month period with new lending of SEK 75.8 billion and lending growth of SEK 28.4 billion. In September, our new lending for residential mortgages set a new single month record of SEK 6.7 billion.

On 31 August, our market shares were relatively unchanged compared with the year end with 8.47% for residential mortgages, property loans on multi-family dwellings rose from 14.29% to 14.94% and property loans to tenant-owners' associations decreased from 10.06% to 9.92%. We have strong customer offerings in residential mortgages and property loans that provide good preconditions for continued growth and increasing market shares in the future.

Margins have developed positively, driven by a favourable funding market with low borrowing costs. Moving forward, increasing competition in the residential mortgage market and a funding market characterised by the Riksbank reducing its mortgage bond purchases may adversely impact our margins.

Our deposits continue to grow but have recently posted a lower growth rate relative to lending. Therefore, we will focus more on our deposit offering and on increasing deposit growth in the immediate future. Far too much money is being held in zero-interest savings accounts with the major banks, and we want to help change that.

### **Housing search market**

We are continuing to develop our customer offering in the housing and household finances ecosystem, and we are noting our users and customers using more of our services. One of our most important services in the ecosystem is the Booli housing search. The number of unique visitors per month to [www.booli.se](http://www.booli.se) averaged around 1.5 million in the third quarter.

Over the nine-month period, Booli's market position strengthened as it captured a larger share of the home search market traffic, due to Booli's collected offering of homes for sale being almost double that of Hemnet. The reason Booli has significantly more homes for sale depends on the structural changes over the past few years for housing listings – today, nearly half of all homes for sale are posted on estate agents' own websites under homes "coming soon". Booli reads and collects all these homes and displays them free of charge on [booli.se](http://booli.se).

User numbers for Booli's market-leading home valuation service continued to grow and reached more than 600,000 monthly subscribers at the end of the third quarter.

### **Digitalisation**

Our technical infrastructure, which includes the banking systems, comprises a basic prerequisite for our digitalisation. Extensive efforts are ongoing with modernizing and replacing large parts of our



technical infrastructure within the framework of our current IT strategy. A significant part of the IT strategy has been implemented and work will continue over the next few years.

The expectations of our users and customers are evolving and changing in pace with the general increase in digitalisation. Simplicity and speed are self-evident. Our digital services and tools require continuous improvement and development. Housing transaction and mortgage cases are both complex, but this is no excuse and we always need to innovate, challenge and simplify. One good example is our Smart loan commitment. We've taken the standard loan commitment that is required for bidding on a home, and made it smart by enabling continuous and easy adjustment, adaptation and changes to be made by customers themselves, completely digitally.

### **Capital requirement**

In September, we received the Swedish FSA's (Finansinspektionen) decision on the increased own funds requirement for SBAB. The Swedish FSA's decision was based on the result of the completed supervisory review and evaluation process (SREP). The total consolidated CET1 capital requirement was calculated as 9.2%, as compared with SBAB's CET1 capital ratio of 13.3% at the end of the third quarter 2021, which continues to provide us with a healthy margin in terms of external capital requirements and internal capital targets. Altogether, the risk-based CET1 capital requirement under Pillar 2 amounted to 2.19% and pertained to credit-related concentration risk, interest-rate risk in other operations, commercial properties and faults linked to internal models, of which the latter accounted for 1.21%.

We have previously identified faults with our internal models used to cover capital requirements for credit risk and have therefore voluntarily applied an Article 3 surcharge on capital adequacy and in our reporting, and we have also completed efforts to update our internal ratings-based models. An application has been submitted for approval of the models. Our assessment is that the implementation of the updated models, following approval from the Swedish FSA, should rectify the identified faults and therefore lead to a lowered Pillar 2 requirement.

### **A sustainable business**

We are purpose-driven, and by applying the same goals for sustainability and steering our operations, we fully integrate sustainability into our operations. In parallel, the demands and expectations of our operating environment are evolving and sustainability regulations are increasing in number and scope. We use a gap analysis to ensure we continuously manage and operate our business sustainably at the pace and in the direction required. The gap analysis applies a stakeholder and materiality analysis based on what our operating environment and stakeholders consider material sustainability topics for SBAB. We conduct regular stakeholder and materiality analyses and update our gap analysis as well as set new targets. The gap analysis was updated in the third quarter.

### **One of Europe's best workplaces**

In September, we were named as one of Europe's best workplaces in the Large Organisations category by the global organization Great Place to Work. We came in at 28. This was the third consecutive year that SBAB qualified for inclusion in the list of Europe's best workplaces. Fantastic! Our strong corporate culture in combination with our values-driven way of working are key to our success as well as growing and developing our business. Being ranked as one of Europe's best workplaces confirms that.



Each year, Great Place to Work surveys the workplace culture for 11.5 million employees in 90 countries. The ranking is based on a cultural assessment of how the company actively works to create an engaging corporate culture as well as on the results of an employee survey measuring engagement drivers. The very best organisations are then ranked in national lists. Sweden's best workplaces were named in the spring and, for the third consecutive year, SBAB was ranked fourth among Large Organisations.

I would like to thank my amazingly competent and dedicated colleagues for another strong quarter. You make all the difference and you make SBAB a successful company. And it is wonderful to be able to welcome everyone back to our offices and to finally meet up again.

I would also like to give my heartfelt thanks to all new and existing customers. We are very grateful that you have chosen SBAB and we will do our utmost to be deserving of your trust.

Best regards,

Klas Danielsson  
CEO SBAB

**For further information, please contact:**

Erik Bukowski, Head of Press, SBAB

Phone: +46724 51 79 37

E-mail: [erik.bukowski@sbab.se](mailto:erik.bukowski@sbab.se)