



Press Release 29 April 2020

SBAB Interim Report January–March 2020

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

Q1 2020 (Q4 2019)

- Considerable market turbulence and increased uncertainty regarding socio-economic development as a result of the coronavirus (Covid-19)
- Total lending increased 1.4% to SEK 389.3 billion (383.8) during the quarter. Total deposits decreased 1.4% to SEK 128.7 billion (130.5)
- Operating profit decreased 10.2% to SEK 485 million (540) mainly due to a negative net result of financial transactions, lower net commission and increased credit loss provisions. The underlying financial performance remained favourable. Net interest income increased 0.9% to SEK 885 million (877) over the quarter
- Launch and implementation of a new Group-wide graphic profile for the brand
- The Extraordinary Board Meeting on 17 March 2020 decided to propose the distribution of no dividend for the 2019 financial year to the AGM

Financial information

	2020	2019	2020	2019
	Q1	Q4	Jan–Mar	Jan–Mar
Total lending, SEK bn	389.3	383.8	389.3	366.3
Total deposits, SEK bn	128.7	130.5	128.7	126.1
Net interest income, SEK million	885	877	885	883
Expenses, SEK million	–311	–327	–311	–292
Net result of financial transactions, SEK million	–55	–6	–55	13
Credit losses, SEK million	–27	–10	–27	–9
Operating profit, SEK million	485	540	485	590
Return on equity, %	9.2	10.5	9.2	12.5
C/L ratio, %	0.32	0.34	0.32	0.32
C/I ratio, %	37.7	37.2	37.7	32.8
CET1 capital ratio, %	12.7	13.1	12.7	12.4

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CEO statement from Klas Danielsson:

The corona pandemic has been ongoing for several months and tipped the world into a crisis. Our thoughts are first and foremost with those whose health has been affected by the spread of the covid-19 virus.

The shutdown of society to manage the infection spread is having a growing impact on the economy. The shutdown is negatively affecting many people's personal finances. As a mortgage bank, SBAB has considerable responsibility for acting to maintain a functioning housing market and national economy. This crisis means that now, more than ever, we need to live our mission – we contribute to better housing and household finances.

We receive many questions every day from worried customers about how their household finances will be affected by a downturn in the economy. We are therefore investing considerable energy and effort into providing our customers with simple and easily accessible information, and into providing the best service we can as quickly as we can. However, increasing staff absences mean we are experiencing challenges sometimes in meeting our customer service standards. I want you, as an SBAB customer, to know that we are doing our absolute, very best.

We have launched a service on our website and in our bank app where all our residential mortgage customers can easily apply for amortisation relief on their mortgages until August 2021. Amortisation relief has been made possible for all residential mortgage customers through a decision by the Swedish FSA dated 14 April. This allows our residential mortgage customers to strengthen their household finances by reducing their monthly living costs for a period when their income is lower or they otherwise have a greater need for a financial buffer.

We are a purpose-driven company. SBAB's banking operations are also critical for society. We must always, even during a crisis, be able to supply the market with credit and our customers must always have access to their savings. Otherwise Sweden will grind to a halt. We are focusing intently on our continuity and crisis management efforts. We take our responsibility as a bank for a functioning housing market in times of crisis by not slowing our granting of credit. Quite the opposite in fact – we are trying to increase it. We are continuing as usual to offer mortgages and housing finance to consumers, property companies, housing developers and tenant-owners' associations – with the ambition of increasing our lending and thus enabling even more people to find a better home.

In these difficult conditions when society is shutting down, it is the weakest members of society who are hardest hit. For years, we have promoted better housing for all, by working within the framework of our social sustainability efforts together with, and supporting, several organisations that focus on reducing homelessness and on helping socially vulnerable people find their own homes. During the current corona crisis we are increasing our support to promote better housing for all. Read more about the above at www.sbab.se or at www.booli.se.

The ongoing crisis affects us all, though with differing degrees of concern as we are all unique individuals in unique situations. We are a values-driven company with a values-driven way of working, where inclusion and the freedom for people to be themselves are paramount. In these times, we are focusing extra on our workplace and our work environment to maintain motivation and commitment

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among all our employees. Caring and taking responsibility for each other, together with clear and transparent information, is crucial to the above.

On 21 April, Great Place to Work (GPTW) announced that SBAB was Sweden's fourth best workplace in the large company category. We are extremely proud that our values-driven way of working has resulted in such a strong result. I am also convinced that our way of working will enable us to manage this crisis as well as we are.

In the first quarter, SBAB's operations were relatively unaffected by the corona crisis. In March, borrowing terms in the capital markets took a turn for the worse, but no material changes were noted in the housing and credit markets. This resulted in the first quarter becoming another good quarter for SBAB in terms of underlying financial performance and growth. However, earnings declined due to negative earnings impact from net result of financial transactions of SEK 55 million, primarily due to increased counterparty risks in SBAB's derivative exposures within funding operations, and higher credit losses at SEK 27 million mainly as a result of increased provisions for potential credit losses arising from the corona crisis. Further provisions for potential credit losses may need to be made in future quarters depending on the development of the crisis.

SBAB is in a favourable position in comparison to other economic sectors. Our focus on residential mortgages and housing finance in Sweden against collateral in properties is associated with extremely low risk and is relatively unaffected by crises. We have only a marginal amount of lending with a higher risk – for example, unsecured lending and lending for purposes other than housing. At the end of the quarter, unsecured loans to private individuals (consumer loans) amounted to SEK 2.3 billion, or 0.6% of our total lending. At the same date, lending against commercial property (offices, warehouses, etc.) amounted to SEK 2.5 billion, or about 0.7% of our total lending.

In Sweden, credit losses arising from housing financing have been limited in modern times, even during the deep and long-lasting property crisis in the 90s. During the financial crisis in 2008 and 2009, SBAB's total recognised credit losses amounted to 0.01% and 0.05%, respectively, of total lending.

The average loan-to-value (LTV) ratio for our residential mortgage customers amounted to SEK 61% at 31 March 2020. The LTV ratios for property companies and tenant-owners' associations at the same date were 63% and 39%, respectively. Our average residential mortgage customer has a mortgage of SEK 1.7 million and pays an average of SEK 2,100 per month in mortgage interest before tax. Households' interest expenses for mortgages have not been this low for more than half a century. In accordance with the decision by the Swedish FSA, we are offering amortisation relief to all residential mortgage customers and, to date (as per 27 April 2020), 12,000 households have been granted amortisation relief, corresponding to a volume of SEK 29.4 billion, or approximately 10% of our total residential mortgage portfolio.

From a historic perspective, the housing market and housing prices have been adversely affected by persistent higher unemployment and/or persistent higher interest rates. We expect unemployment to increase relatively sharply as a consequence of the shutdown of society, along with falling housing prices, but that low interest rates together with the underlying housing shortage will support the housing market and housing prices. Naturally, the duration of the corona crisis and the shutdown of society will play a critical role.

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Measures taken by The Swedish FSA, the Riksbank, the Swedish National Debt Office and the government have contributed to stabilising the capital markets. The Swedish FSA's decision to lower the countercyclical capital buffer requirement strengthened SBAB's margin in terms of the applicable capital requirements. The Riksbank's lending programme and bond purchases strengthened market liquidity and lowered our borrowing costs. Together, other measures also help stabilise the market and reduce the economic downturn.

SBAB's own funds are strong, we have strong liquidity and healthy profitability. Despite considerable uncertainty regarding the socio-economic development in the immediate future, our current assessment is that SBAB's operations will be able to perform well over the forthcoming quarters.

I would like to take this opportunity to highlight my fantastic colleagues. Each day, I am impressed by the initiative, responsibility, thoughtfulness and ability to put things into motion shown by everyone at SBAB.

Look after yourself and those you hold dear.

Best regards,

Klas Danielsson
CEO SBAB

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