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New lending at all-time high in Q2

During the quarter, SBAB has had a very strong focus on supporting and helping residential mortgage-, corporate- and tenant-owners' association customers. This includes increased accessibility, amortisation exemption, lowering the stressed interest rate used in the housing cost calculation for residential mortgages to 6.0% and increased disclosure of preventative information. It is very pleasing to note that this resulted in the second quarter of 2020 being a record quarter for SBAB, with total new lending of approximately SEK 26 billion. Net interest income and operating profit for the second quarter were also the highest ever for SBAB.

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

Q2 2020 (Q1 2020)

- Continued uncertainty regarding socio-economic development in the wake of the coronavirus pandemic. However, the housing market is exhibiting resilience with a stable price trend and turnover
- Strong growth in total lending, which increased 3.1% to SEK 401.5 billion (389.3). Total deposits increased 2.1% to SEK 131.3 billion (128.7)
- Record highs set for operating profit and net interest income. Operating profit grew 28.0% to SEK 621 million (485). Net interest income increased 2.5% to SEK 907 million (885). Credit losses totalled SEK 11 million (loss: 27) and mainly pertained to provisions for possible credit losses linked to the effects of the coronavirus pandemic
- On 10 June, SBAB signed the UN Principles for Responsible Banking
- Issue of another green bond, SBAB's first denominated in EUR. At the end of the quarter, the volume of green bonds outstanding amounted to SEK 18 billion

SBAB was founded in 1985 and is owned by the Swedish state. Our 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. We are continuously developing our customer offering in order to achieve differentiation on the mortgage market, increase our long-term competitiveness and fulfill our vision – to deliver the best mortgages in Sweden. Consequently, we have integrated Booli in our operations. Booli develops products and services aimed at the housing market. SBAB contributes to better housing and housing economy and thus works with the United Nations Sustainable Development Goals and the 2030 Agenda for Sustainable Development. The goals are an integrated part of SBAB's sustainable governance model and our operations. SBAB has very satisfied customers according to Swedish Quality Index (SKI) and according to the ranking by Great Place to Work, SBAB is one of the best workplaces in Sweden among large companies. The number of customers amounts to approximately 500 000 and we employ around 800 people.

Financial information

	2020		2019	
	Q2	Q1	Jan-Jun	Jan-Jun
Total lending, SEK bn	401.5	389.3	401.5	372.3
Total deposits, SEK bn	131.3	128.7	131.3	127.3
Net interest income, SEK million	907	885	1,792	1,735
Expenses, SEK million	-312	-311	-623	-580
Net result of financial transactions, SEK million	17	-55	-38	28
Credit losses, SEK million	-11	-27	-38	-16
Operating profit, SEK million	621	485	1,106	1,167
Return on equity, %	11.6	9.2	10.4	12.2
C/L ratio, %	0.32	0.32	0.32	0.32
C/I ratio, %	33.1	37.7	35.3	32.9
CET1 capital ratio, %	12.7	12.7	12.7	12.2

CEO statement from Klas Danielsson:

The coronavirus pandemic has caused great human suffering all around the world. Measures to reduce its spread, in the form of shutting down societal functions, has led to increased unemployment in many countries and created major disruptions to the economy. The Swedish strategy of limited shutdowns has helped mitigate economic disruption compared with many other countries.

Different business sectors are affected differently by the coronavirus pandemic. The Swedish strategy of limited shutdowns of societal functions, together with the fiscal, monetary and regulatory measures taken by the government and authorities to support the economy, means that the housing market in Sweden has been able to function more or less as usual.

When we compare this year's second quarter housing market data from Booli with the equivalent 2018 and 2019 data for houses and tenant-owner apartments, overall we see no material differences. Data on availability, bidding, advertising period and turnover were similar across the years in the market for existing housing stock. For new production there were some differences, such as lower availability last year. The largest difference that can be noted between the years is in actual selling prices, where the price per square metre in June 2020 is significantly higher than in 2019 and 2018. In the rental housing market, we noted stable levels for investment yields and considerable interest from existing and new customers in financing from SBAB for acquisitions or refinancing.

SBAB, as a key financier of housing, has a major societal responsibility to contribute to a functioning housing market, especially now during the ongoing coronavirus crisis. Many households are feeling uncertain about their household finances in these difficult times. During the quarter, we've had a very strong focus on supporting and helping our residential mortgage-, corporate- and tenant-owners' association customers. This includes increased accessibility, amortisation exemption (Read more on page 6), lowering the stressed interest rate used in the housing cost calculation for residential mortgages to 6.0% (Read more on page 7) and increased disclosure of preventative information. It is very pleasing to note that this resulted in the second quarter of 2020 being a record quarter for SBAB, with total new lending of approximately SEK 26 billion. We also noted record high levels of customer satisfaction among our residential mortgage customers in our daily CSI (customer satisfaction index) measurements.

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During the quarter, we signed the UN Principles for Responsible Banking. This means that we have clarified our intent, in partnership with other banks, to meet the global sustainability challenges and to work together toward the goals set in the Paris Agreement and the UN Sustainable Development Goals (SDGs). It is an important step in clarifying our efforts and our reporting on progress within sustainability. SBAB prioritises four of the SDGs – Goals 8, 11, 12 and 13 – that we believe have a clear connection to our operations and which are thus the SDGs to which we can contribute the most.

During the quarter we issued another green bond (our first in EUR), whose funds are intended to be used exclusively to finance residential properties that meet a number of energy-efficiency criteria or hold certain environmental certification. It is encouraging that investor demand for green bonds is growing. The volume of green bonds outstanding for SBAB at the end of the quarter amounted to nearly SEK 18 billion, and the volume of green financing of residential properties outstanding in the form of green residential mortgages and green loans amounted to approximately SEK 25 billion.

Sustainability is fully integrated into operations and our operations are driven toward three sustainability target areas: Responsibility and transparency, Attractive workplace and Sound finances. It is very pleasing to note that the second quarter was another strong quarter overall for target attainment. Examples of this include our high ranking in Kantar Sifo's Reputation Index, that SBAB is Sweden's fourth best workplace according to Great Place to Work and our record high operating profit of SEK 621 million.

Focus as a strength

SBAB's focus on housing and household finances is a strength, not least in times of crisis when the financial market is under stress. Housing is important for us which is why we prioritise paying our housing expenses in the form of interest, amortisation and rent. Our business – housing financing – is therefore associated with lower risk than other lending segments. The credit quality of our lending is healthy. SBAB has no credit exposure to business sectors that are particularly vulnerable during the coronavirus crisis, and very limited credit exposure to commercial properties (offices, warehouses, etc.) or unsecured lending.

In the wake of the coronavirus pandemic during the second quarter, we revised the forward-looking information applied in the impairment model, resulting in an effect of SEK 9 million in increased provisions for future expected credit losses. Confirmed credit losses remained low and totalled SEK 4 million. There is still a great deal of uncertainty around the future and we have probably not yet seen the true extent of what the consequences of the coronavirus pandemic will be for society and the economy.

Inclusion, respect and equality

The second quarter was also characterised by the efforts of the American human rights movement "Black Lives Matter" for global support against racism, after the suspected serious police abuses, which led to demonstrations around the world. This was the basis for launching the campaign "Stop Hate For Profit" by six American civil rights organisations on 17 June. The objective is to encourage companies to stand up to racism, polarisation and exclusion – and to stand for freedom, democracy, justice and equality – through an advertising boycott where they temporarily suspend their advertising campaigns on Facebook, in order to encourage Facebook to take measures on its platforms.

Over 300 American companies are participating in the Facebook advertising boycott. A smaller number of Swedish companies have also joined. We follow developments closely and evaluate the situation. During the first half of the year, SBAB's social media marketing costs amounted to SEK 180,000 per month, the majority of which was on Facebook. SBAB is a values-driven company. Inclusion, respect and equality are at the heart of our values. We help make a difference and create change through our tool for more inclusive workplaces, Respektrappan.se. Respektrappan.se is free of cost and free to use for all companies and organisations.

A strong position

SBAB is still doing well, thanks to a well-functioning housing market, our focus and commitment. We are growing, capturing market shares and have just presented our highest net interest income and operating profit ever. We are continuing to invest in our operations to strengthen our long-term competitiveness. Our balance sheet is strong and our liquidity and capital buffers are robust. From our perspective, functionality in the financial markets gradually improved during the second quarter and is now good. During the quarter, our funding costs returned to close to what their levels were at the beginning of the year. It is also encouraging that deposits once again grew during the second quarter, after decreasing somewhat during the previous quarter. Overall, SBAB stands on a firm foundation to support and assist our customers with responsible credit granting in a worrying time that will continue to be characterised by the coronavirus pandemic.

We succeed together

I would like to take this opportunity to acknowledge my fantastic colleagues. Each day, I am impressed by the initiative, responsibility and thoughtfulness shown by everyone at SBAB. Together, we make a difference for our customers and make SBAB one of Sweden's best workplaces.

I would also like to wish you, the reader, a lovely summer and "staycation." Look after each other.

Best regards,

Klas Danielsson,
CEO SBAB

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