



## SBAB Interim Report Jan-Mar 2024

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SBAB's Interim Report January-March 2024 is now available for download on [www.sbab.se/IR](http://www.sbab.se/IR).

### Q1 2024 (Q4 2023)

- Total lending increased 0.8% to SEK 521.3 billion (517.4) for the quarter. Total deposits increased 7.2% to SEK 230.7 billion (215.2).
- Operating profit grew 26.8% to SEK 805 million (635), primarily due to a more positive outcome for net income from financial transactions and increased net interest income.
- Net interest income increased to SEK 1,372 million (1,332), mainly due to increased financing from deposits and thereby lower total financing costs.
- Net credit losses amounted to SEK 23 million (loss: 31) and mainly comprised credit loss allowances. Confirmed credit losses totalled SEK 2 million (2).
- The return on equity amounted to 11.9% (8.9) and the C/I ratio was 31.2% (35.8).
- The Common Equity Tier 1 (CET1) capital ratio was 12.1% (12.3).

### Financial information

	2024 Q1	2023 Q4	2024 Jan-Mar	2023 Jan-Mar
Total lending, SEK bn	521.3	517.4	521.3	512.5
Total deposits, SEK bn	230.7	215.2	230.7	188.5
Net interest income, SEK million	1,372	1,332	1,372	1,413
Net commission, SEK mn	-17	-10	-17	-7
Net result of financial transactions, SEK million	40	-80	40	2
Expenses, SEK million	-439	-448	-439	-394
Net credit losses, SEK million	-23	-31	-23	-33
Imposed fees: Risk tax and resolution fee	-142	-139	-142	-141
Operating profit, SEK million	805	635	805	853
Return on equity, %	11.9	8.9	11.9	13.3
C/I ratio, %	31.2	35.8	31.2	27.7
CET1 capital ratio, %	12.1	12.3	12.1	12.4

### CEO statement from Mikael Inglander:

**We are presenting a stable financial performance for the first quarter, with good profitability and low credit losses. Our lending growth remains at relatively low levels due to low market growth and continued intense competition for lending customers. We are nearing interest rate cuts from the Riksbank. This is welcome news for many customers as well as an important precondition for a broader recovery of the Swedish economy as a whole. We are pleased to note a continued strong inflow of customers who want to save and earn interest with us. This is good for customers, who receive significantly better terms from us than from**

**many other competitors in the market. It is also good for SBAB as a bank, since a growing share of financing from deposits helps improve our long-term competitiveness.**

Inflation continued to decrease during the beginning of the year. This gives the Riksbank room to lower the all-important policy rate in the near future. We expect the policy rate to decrease to 2.75% at the end of 2024 and that the Riksbank will continue to lower it to 2.00% by the middle of 2025. This means, all else being equal, that mortgage interest rates for our customers will gradually decrease. Keeping pace with expectations of lower interest rates, in the last few months we have continuously adapted our pricing on residential mortgages to reflect prevailing market conditions.

Activity in the housing market, and therefore credit growth for lending, remains at very low levels. Many companies need to partially refinance maturing capital market financing with bank financing, which helps support credit growth in lending to property companies. We have recently noted a rising trend in the number of loan commitments and residential mortgages that we process. Other players in the housing market, such as estate agents, also agree that there are slightly more positive signals. During the quarter, our lending volumes grew 0.8% to a total of SEK 521.3 billion. The mortgage portfolio increased 0.4% and lending to corporates and associations increased 1.6%. We believe that size and scale are important for ensuring that operations successfully create value over the long term. The Board decided on long-term strategic goals for the company that include exactly those points: higher, clearer ambitions to grow lending. SBAB holds a very strong position and provides an attractive offering. We believe that activity in the housing market will further increase in pace with interest rate cuts from the Riksbank, and we are ready to meet an increased flow of transactions in line with our long-term strategy for growth.

## **We strive for increased transparency and competition**

The difference between listed rates and average rates for residential mortgages remains very high. Many banks start with high listed rates and apply occasional rebates or individual rate-setting after negotiations. Whether or not customers purchase other products or services by the bank is another factor. At SBAB, we strive to be straightforward, clear and transparent in our offering. Our residential mortgage interest rates are based on the current listed rates for each fixed-interest period. The customer's specific interest rate is presented as a deviation from the list rate based on the loan-to-value ratio and the size of the loan. This model gives our customers transparent guidance regarding the determining factors in the relationship between the borrower's rate and the list rate. It is also why the difference between our list and average interest rates for residential mortgages is often significantly lower than many other banks in the market.

During the quarter, the Swedish FSA decided to make it easier for customers to receive their repayment data in order to be able to change mortgage bank. This is a decision that we at SBAB welcome and that we have pursued for a long time. Unlike many of our industry colleagues, we have offered customers the ability to easily and quickly receive their repayment data digitally for quite some time. For us, this is a matter of transparency and responsibility: our customers have full freedom to make the decisions they want. Delays or difficulties for customers in receiving their repayment data that make it difficult and more complicated to change banks limits mobility and competition in the market.

Deposits continue to show good growth. The fixed-interest account that we launched for private individuals in the fourth quarter of 2023 has been an enormous success. Our robust growth within deposits in the last few years sends a clear signal to other players in the market that customers will no longer accept inferior terms. I also think the drivers behind this are responsibility and transparency for customers. In 2022, 2023 and also in first quarter of 2024 we continued to robustly grow our deposit volumes. Deposits increased 7.2% to SEK 230 billion during the quarter. The share of deposits in relation to lending amounted to approximately 44.3% at the end of the quarter, compared with 36.8% at the same point last year.

## **Strong financial performance with healthy profitability and low credit losses**

The underlying earnings trend for the quarter was good and profitability remained at a stable level. Mortgage margins, meaning the difference between the lending and borrowing rates, are still at low levels. Margins this low have not been seen since the financial crisis. Since mortgage lending is often partially financed with deposits, and since deposit rates in general have been raised at a much slower pace than the policy rate, the overall interest-rate margin for banks has nonetheless been good. The same is true for SBAB, if at a somewhat lesser extent given our financing structure and that we offer significantly better terms for deposits than many of our competitors. Our net interest income increased 3.0% over the quarter. Compared with the year-earlier period, however, net interest income decreased 2.9%. Going forward, we expect that deposit margins will decline somewhat and that mortgage margins will increase somewhat in line with historical patterns.

Our credit quality remains very good. This is clear from the figures we publish each quarter and that we published in 2022 as well as in 2023. Credit losses for the quarter amounted to SEK 23 million, representing 0.02% of our total lending. The share of non-performing loans remained at low levels, amounting to 0.16% of our total lending at the end of the quarter. As a bank and creditor, we have a long-term responsibility to ensure that our customers can make their interest and amortisation payments. Household costs have increased significantly during the last two years. We have regularly adjusted the calculation we use as a basis for granting loans to private individuals to reflect this development. During the beginning of 2024, we implemented equivalent relief to reflect higher net incomes, lower operating costs for homes and a revised

assessment of how much households need left to live on after paying housing costs (KALP). We are continuing to apply a calculation interest rate of 7% to ensure resiliency among our customers regarding higher interest rate levels in the future.

## **Publication of new green bond framework**

In April, we published our updated framework for issuing green bonds. This is essentially based on the language and criteria applied for green buildings within the EU Taxonomy framework and replaces our previous framework from 2019. With this new green bond framework, we are continuing to drive development and the transition to more energy-efficient and climate-smart properties and homes.

I would like to take the opportunity to give my sincere thanks to all employees for performing so well during the quarter and to wish everyone a lovely spring.

### **Mikael Inglander**

CEO of SBAB

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## **About SBAB Bank AB (publ)**

SBAB's business idea is to be innovative and considerate in our offering of loans and savings products and other services for better housing and household finances 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](https://sbab.se), [twitter.com/sbabbank](https://twitter.com/sbabbank), [facebook.com/sbabbank](https://facebook.com/sbabbank).

## **Attachments**

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