



SBAB Interim Report Jan-Jun 2024

17.7.2024 08:00:00 CEST | SBAB Bank AB (publ) | Half Year financial report

SBAB's Interim Report January-June 2024 is now available for download on www.sbab.se/IR.

Q2 2024 (Q1 2024)

- Total lending increased 1.3% to SEK 528.0 billion (521.3) for the quarter. Total deposits increased 4.6% to SEK 241.3 billion (230.7).
- Operating profit decreased 8.6% to SEK 736 million (805), primarily due to lower net income from financial transactions and slightly higher personnel and development costs.
- Net interest income declined to SEK 1,354 million (1,372), mainly due to lower interest income. Compared with the previous quarter, the differences in interest income and interest expense were both minor.
- Net credit losses amounted to SEK 21 million (loss: 23) and mainly comprised credit loss allowances. Confirmed credit losses totalled SEK 4 million (2).
- The return on equity amounted to 10.7% (11.9) and the C/I ratio was 34.3% (31.2).
- The Common Equity Tier 1 (CET1) capital ratio was 12.1% (12.1).

Financial information

	2024	2024	2024	2023
	Q2	Q1	Jan-Jun	Jan-Jun
Total lending, SEK bn	528.0	521.3	528.0	514.1
Total deposits, SEK bn	241.3	230.7	241.3	193.0
Net interest income, SEK mn	1,354	1,372	2,726	2,799
Net commission, SEK mn	-14	-17	-31	-15
Net result of financial transactions, SEK mn	16	40	56	47
Expenses, SEK mn	-470	-439	-909	-817
Net credit losses, SEK mn	-21	-23	-44	-56
Imposed fees: Risk tax and resolution fee, SEK mn	-142	-142	-284	-268
Operating profit, SEK mn	736	805	1,541	1,715
Return on equity, %	10.7	11.9	11.3	13.2
C/I ratio, %	34.3	31.2	32.7	28.6
CET1 capital ratio, %	12.1	12.1	12.1	11.9

CEO statement from Mikael Inglander:

We posted a stable performance for the second quarter, with good profitability and low credit losses. Despite continued intense competition, we managed to grow our mortgage volumes and increase our market shares during the quarter. The Riksbank decided on an interest rate cut of 0.25 percentage points in May and is projecting two or three additional rate cuts in the second half of 2024. Lower interest rates and continued falling inflation are welcome news for Swedish households and companies as well as important factors in the recovery of the Swedish economy. We continue to attract new savings customers, which is a positive trend that strengthens our financing structure as well as our long-term competitiveness.

Gradually declining interest rates

The Riksbank lowered the policy rate by 0.25 percentage points in May and, at its June meeting, indicated two or three more cuts in the second half of 2024. We responded quickly in our mortgage pricing and lowered the important 3-month interest rate for mortgages ahead of the Riksbank's interest rate cut in May and on several other occasions during 2024. As the policy rate falls, some of our funding costs are reduced, allowing us to lower our mortgage rates despite the pressure on mortgage margins. This is welcome news for many customers who have seen their interest and housing costs rise sharply in recent years. We posted a stable performance for the quarter, with good profitability and increased deposits and lending volumes. As planned, costs increased slightly as we continued to invest in our offering to enable future growth and a strong customer offering. We aim to offer transparent and competitive prices to our customers and want to grow our lending over time to create the preconditions for us as a company to invest in the business and our offering. While mortgage margins remain very low, we expect a cautious recovery as the Riksbank continues to cut the policy rate.

Signs of improvement in the housing market

After a relatively long period of low activity in the housing market, we are now noting a slight increase. Gradually falling mortgage rates, reduced uncertainty and rising real wages mean improved conditions for increased housing market activity with stable or slightly rising house prices. SBAB's own housing indicator, "Bomarknadstempen," is recovering towards more normal levels. There is also some recovery in credit growth, albeit from historically low levels. One sign of this is that we are now processing a growing number of mortgage cases and loan commitments. We grew our mortgage volumes and increased our market shares during the period. While property companies in the corporate market retain a cautious attitude, activity in the transaction market increased slightly compared with previous quarters. Activity in the new construction market remains low. Despite the current negative growth in the credit market, we continue to increase our market shares for lending to tenant-owners' associations. Many tenant-owners' associations are continuing to pay down existing debt and are also cautious about taking out new loans for investments in the existing property. Despite some challenges both for our retail and for our corporate customers, our credit quality remains good. This is clearly visible in our figures, where we reported credit losses of SEK 21 million for the quarter, corresponding to 0.02% of our lending.

The Kilowatt loan - an initiative to drive the conversion of houses and holiday homes

In spring 2024, we published our updated green framework to better align our green assets with the rules and concepts found in the EU Taxonomy. In line with our updated framework, we have developed a new product to drive and encourage energy improvements in existing buildings, the Kilowatt loan. The Kilowatt loan enables our customers to increase their existing mortgages for an energy renovation of their houses or holiday homes. With the Kilowatt loan, our customers receive an additional 0.20 percentage points off their interest rate, in addition to SBAB's already competitive mortgage rates. Moreover, we guarantee the discount for up to ten years. This is how we as a company want to encourage a sustainable energy transition and concurrently contribute to lower housing costs for our customers. This initiative is another step in our journey to drive the energy transition and work towards a more sustainable housing market. We are accelerating our work on sustainability, and it inspires me to see the progress and drive our employees have when everyone works together.

Fraud, a growing societal problem

Fraud is a growing societal problem and impacts retail customers as well as companies and banks. It is also an income source for organised crime and often causes great harm to the victims. We are therefore developing our monitoring and products as quickly as possible to prevent and mitigate fraud, and to mitigate the damage for customers who have been victimised. Together with the Swedish Bankers' Association and Sweden's banks, we also spread knowledge with the aim of reducing the risk of becoming a victim of fraud.

We continue to grow deposits

We are pleased to note that we continued to attract many new savings customers. During the quarter, the volume of deposits grew 4.6% and now amounts to SEK 241 billion. It is clear that our recipe, with fair interest rates, simple terms and a high level of trust is leading to more and more customers deciding to switch to our bank for saving. In conjunction with the dramatic rises in interest rates starting in 2022, unlike many of our larger industry colleagues, at SBAB we decided to track this by raising the interest rates on our savings accounts. Since then, we have continued to offer highly competitive interest rates. Naturally, I'm very proud of our success and hope and believe that we can continue to grow deposits. However, the expected interest rate cuts from the Riksbank will likely lead to somewhat lower growth going forward.

Conclusion

I would like to take the opportunity to welcome all of SBAB's new customers. I promise that we will continue to work hard to continue earning your trust. I would also like to take this opportunity to extend my sincere appreciation for the good work performed by all of our employees at SBAB in the first half of 2024. Together, we make a difference.

I hope you all have an outstanding summer.

Mikael Inglander

CEO of SBAB

Contacts

- Bessie Wedholm, Presskontakt, SBAB, 073-049 08 74, bessie.wedholm@sbab.se

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, twitter.com/sbabbank, facebook.com/sbabbank.

Attachments

- [Download announcement as PDF.pdf](#)
- [SBAB Interim report jan-june 2024.pdf](#)