Press Release 25 October 2024

SBAB Interim Report Jan-Sep 2024

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

Q3 2024 (Q2 2024)

- SBAB continues to post general growth in business volumes and increased its market shares in the quarter. The market share for residential mortgages increased to 8.63% (8.49) in parallel with the market share for retail deposits rising to 7.52% (7.41)
- Total lending increased 1.3% to SEK 535.0 billion (528.0) for the quarter.
- Total deposits increased 2.8% in the quarter to SEK 248.1 billion (241.3).
- Operating profit decreased 14.7% to SEK 628 million (736), primarily due to lower net interest income and a negative outcome for net income from financial transactions. This trend was partially offset by lower costs and lower credit losses.
- Net interest income fell to SEK 1,223 million (1,354), primarily driven by shrinking deposit margins, which are negatively impacted by declining market interest rates. This was partly offset by increased business volumes both for lending and for deposits.
- As a result of a larger unwinding of loss provisions, net credit losses amounted to a recovery of SEK 39 million (loss: 21) for the quarter. Confirmed credit losses totalled SEK 4 million (4).
- The return on equity for the quarter amounted to 8.9% (10.7) and the C/I ratio was 38.2% (34.3).
- The Common Equity Tier 1 (CET1) capital ratio was 12.4% (12.1).

Financial information

	2024	2024	2024	2023
	Q3	Q2	Jan–Sep	Jan–Sep
Total lending, SEK bn	535.0	528.0	535.0	517.9
Total deposits, SEK bn	248.1	241.3	248.1	199.9
Net interest income, SEK mn	1,223	1,354	3,949	4,114
Net commission, SEK mn	–10	–14	–41	–24
Net result of financial transactions, SEK mn	–43	16	13	–15
Expenses, SEK mn	–453	–470	–1,362	–1,215
Net credit losses, SEK mn	39	–21	–5	–62
Imposed fees: Risk tax and resolution fee, SEK mn	–143	–142	–427	–402
Operating profit, SEK mn	628	736	2,169	2,435
Return on equity, %	8.9	10.7	10.5	12.3
C/I ratio, %	38.2	34.3	34.4	29.5
CET1 capital ratio, %	12.4	12.1	12.4	11.6

CEO statement from Mikael Inglander:

We have posted a stable financial performance for the third quarter together with healthy growth in business volumes. Despite intense price competition in the market, growth was particularly strong in mortgages. Deposits have grown strongly in recent years, particularly from private individuals. It is gratifying to note that a corresponding positive development in corporate deposits is now also emerging, which is a sign that our efforts in this area are producing results. Two policy rate cuts were made by the Riksbank during the quarter and the improved inflation data creates scope for further rate cuts by the Riksbank.

Decreasing mortgage interest rates
In the third quarter, the Riksbank delivered two further rate cuts of 25 basis points each, welcome news for many stressed households and businesses. The fight with inflation is over and the policy rate will be lowered. The Riksbank's policy rate path from the September meeting indicates further cuts in conjunction with the year's two remaining meetings. Our economists forecast cuts in the policy rate to 2.50% by year end and further cuts down to 2.00% towards next summer. All else being equal, a lower policy rate means lower borrowing costs for banks and, therefore, possibilities for lowering mortgage rates. We want to be straightforward, transparent and attractive in our pricing and, accordingly, we have reduced our mortgage rates several times during the quarter.

Transition, adaptation and gradual recovery
Our customers have shown strong resilience to the recent challenges and trials. This applies both for private individuals and for corporates and tenant-owners' associations. During the period, many have strengthened their balance sheets by amortising loans and reviewing their overheads. Our customers' strengthening of their financial positions amounts to a healthy trend and, in combination with more favourable interest rates, helps to reduce the risk of future credit losses. This is reflected in SBAB's financial performance, where we reported third quarter recoveries of SEK 39 million due to a larger unwinding of loss provisions. The outlook for new housing production remains bleak despite the gradual improvement to the conditions and outlook. Instead, market players are focusing on completing already commenced housing production rather than starting new projects. A weak new production market together with increased amortization lead to a downturn in total credit volumes in the market and lower credit growth. Rising costs in recent years and prevailing interest rates mean that we expect some tenant-owners' associations will need to increase their fees to cover increased operating and interest expenses. Nevertheless, our overall assessment is that conditions for our loan customers will improve as interest rates decline

SBAB has clear growth targets
SBAB has established and communicated goals for strategic growth that extend to 2030. Growth is important for us as a company for several reasons. Higher volumes increase the scalability and efficiency of operations. This makes us even more competitive and enables us to further challenge our industry peers. Moreover, I am convinced that by increasing in size, we will be better equipped as an organisation to meet future demands on us as a bank. We continue to note intense pressure in almost all customer channels. Our recently implemented interest rate cuts and the media attention that accompanied them have contributed to this development. While this is naturally very gratifying, it also places certain demands on us as an organisation. We need robust, efficient and scalable processes to make the customer experience as positive and easy as possible. We constantly try to challenge ourselves to keep improving and to ensure that, over time, we are able to meet our ambitious goals. During the year, we worked on future-proofing our values-driven way of working. I am convinced that SBAB's corporate culture and values comprise central components in succeeding with our growth agenda.

We continue to grow deposits
Of late, we have captured a large share of the total net growth in the lending market. Our mortgage market share has grown 0.14 percentage points over the past year to 8.63%. The corresponding

market share for lending to property companies and tenant-owners' associations increased 0.38 and 0.62 percentage points to 18.13% and 11.24%, respectively. Growth is mainly driven by capturing volumes from other banks. This helps increase competition in the market generally, which is positive. At SBAB, we always promote increased competition and transparency, and we encourage all customers to compare interest rates both for their loans and for their savings. We continue to grow our deposit volumes and market share. Successful marketing and communication have enabled us to reach many more people, thereby making them aware of SBAB as a safe and competitive alternative for savings. There is also considerable potential for further growth. The major banks have almost 80% of the total corporate deposit market – an area where, in many cases, SBAB can offer better terms. We can and want to make a difference and are therefore adding new resources to grow further in this segment. One key element entails creating a strong digital offering. We recently launched the first step toward a fully digital savings account application for our corporate customers, thereby making it even easier to open a savings account with SBAB. We look forward to welcoming many more companies to safe and easy savings with favorable terms and conditions. And without having to engage in complex negotiations or other requirements. We are now entering an autumn packed with new and exciting challenges. I look forward confidently to addressing these successfully together with my colleagues.

We can achieve great things when we all pull together. Together, we make a difference.

Have a wonderful autumn.

Mikael Inglander
CEO of SBAB

For further information, please contact:

Mikael Inglander, CEO, SBAB
Telephone: +46 8-614 43 28
E-mail: mikael.inglander@sbab.se

Catharina Henriksson, Head of Press SBAB
Telephone: +46 76-118 79 14
E-mail: catharina.henriksson@sbab.se