

Sörmlands Sparbank AB (publ)

Full Rating Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N3

PRIMARY ANALYST

Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.com

SECONDARY ANALYST

Ylva Forsberg
+46768806742
ylva.forsberg@nordiccreditrating.com

RATING RATIONALE

Our 'BBB+' long-term issuer rating on Sweden-based Sörmlands Sparbank AB (publ) reflects the bank's strong capital position, low risk appetite, and relationship-based funding profile. The bank has a cooperation arrangement with Swedbank AB which we view as positive, as it provides material diversity of product offerings, shared IT costs, and the opportunity to finance retail mortgages. We expect higher interest rates to support the bank's core earnings profile which is complemented by dividend revenues from holdings of Swedbank shares.

The rating is constrained by the relative volatility of the bank's local market due to its historical role as a key manufacturing region. We anticipate that credit losses will increase over the next two years reflecting the bank's relatively high levels of non-performing loans associated with legacy credit losses.

STABLE OUTLOOK

The outlook is stable, reflecting our expectation that Sörmlands Sparbank's core earnings metrics will improve over the next two years, offsetting the likelihood of considerable economic uncertainty over the same period. We base our view on our assessment of the bank's region of operation and exposure to the local property market. In our base-case assessment, we expect continued strong capital ratios, supported by Swedbank dividends, even as the bank expands its loan book by financing a larger proportion of mortgage loans on its own balance sheet. The outlook also reflects the bank's continuing relationship with Swedbank and its low risk appetite, despite our expectations that credit losses will rise through 2024.

POTENTIAL POSITIVE RATING DRIVERS

- Reduced economic uncertainty in the bank's region of operation and local property market.
- Core pre-provision income sustainably above 2.5% of the risk exposure amount. (REA) and continued modest credit losses.
- Common equity capital ratio sustainably above 25%.

POTENTIAL NEGATIVE RATING DRIVERS

- A material deterioration in the local operating environment that negatively affects the bank's asset quality.
- A sustained reduction in the common equity capital ratio to below 18%.
- Core risk-adjusted earnings metrics sustainably below 1.0% of the REA.

Figure 1. Sörmlands Sparbank key credit metrics, 2018–2024e

%	2018	2019	2020	2021	2022e	2023e	2024e
Net interest margin	1.4	1.5	1.6	1.4	1.8	2.2	2.3
Loan losses/net loans	0.12	-0.06	-0.31	-0.39	0.09	0.20	0.18
Core pre-provision income/REA	0.2	0.6	1.0	1.2	1.8	2.6	2.8
Return on ordinary equity	3.0	5.0	3.8	7.9	6.9	8.6	8.9
Loan growth	9.8	-1.2	11.1	15.7	12.0	8.0	8.0
CET1 ratio	21.6	22.1	21.9	25.1	23.7	24.1	24.6
Tier 1 ratio	21.6	22.1	21.9	25.1	23.7	24.1	24.6

Based on NCR estimates and company data. e—estimate. CET1—common equity Tier 1. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

Sörmlands Sparbank was initially founded in 1832 as Nyköpings Sparbank and took its current form via a 1991 merger and the 1998 acquisition of five local bank offices as part of the creation of Föreningssparbanken (now Swedbank). In 2022, Sörmlands Sparbank became a limited liability company, and is now wholly owned by a newly created foundation, Sparbanksstiftelsen Sörmland, which uses dividends from the bank to support the local community.

Sörmlands Sparbank is based in Katrineholm in the county of Södermanland (also called Sörmland). The bank is also active in the municipalities of Nyköping, Flen, Vingåker and Oxelösund. These communities have a total of about 130,000 inhabitants in southern Södermanland, stretching from Lake Hjälmaren to the west and the Baltic Sea to the east.

Like most Swedish savings banks, the bank shares a history of cooperation with Swedbank, which provides material product diversity, shared IT costs, and the opportunity to finance retail mortgages via Swedbank Hypotek AB, Sweden's largest issuer of covered bonds.

Figure 2. Sörmlands Sparbank core markets

Municipality	Population, June 2022	Expected population change, 2021–2040	Unemployment, Sept. 2022	Unemployment, Sept. 2021
Katrineholm	34,689	6.0%	9.2%	9.5%
Nyköping	57,985	7.3%	7.6%	8.6%
Flen	16,230	-7.3%	12.2%	13.1%
Vingåker	9,045	-4.4%	8.2%	9.6%
Oxelösund	12,168	4.2%	8.5%	10.1%
Sweden	10,487,859	8.9%	6.6%	7.5%

Source: Statistics Sweden, Arbetsförmedlingen (Swedish Public Employment Service).

OPERATING ENVIRONMENT

Operating environment assessment 'bbb'

We consider a balance of national and regional factors in our assessment of the operating environment. Sörmlands Sparbank's operates in a narrow market, with a high level of exposure to the local economy, which has higher unemployment and has proven more volatile than the Swedish average, given the importance of the manufacturing sector.

National economy weakening

National factors 'a-'

Despite slowing economic activity and falling housing prices, we anticipate that Swedish banks will generally benefit from more normal interest rates. We expect the economy to slow in 2023 as the country adapts to higher borrowing and energy costs, although strong public finances support our outlook for the wider banking sector. In addition, we expect the government to repeat its recent support for households if energy prices reach unaffordable levels in the months ahead.

Domestic inflation rates remain exceptionally high, which, combined with rising interest rates and high energy prices, is putting significant pressure on many households. However, unemployment remains low and GDP growth remains positive. This strengthens our belief that housing prices are falling back from recent unjustified rises, with buyers and sellers reluctant to accept the 'new normal' of higher borrowing costs. We expect housing prices to decline through the remainder of 2022 before levelling out in 2023, allowing for some regional differences.

Despite some concern about their significant real estate exposures, Swedish savings banks are currently in good health both in terms of earnings and capital (see [Swedish savings banks end turbulent first half of 2022 in good shape](#), 12 Sep. 2022). Rising interest rates have only started to translate into higher interest margins, but we expect margins to improve significantly given interest rate expectations, even as the banks start raising deposit rates.

Regional unemployment continues to outpace national average

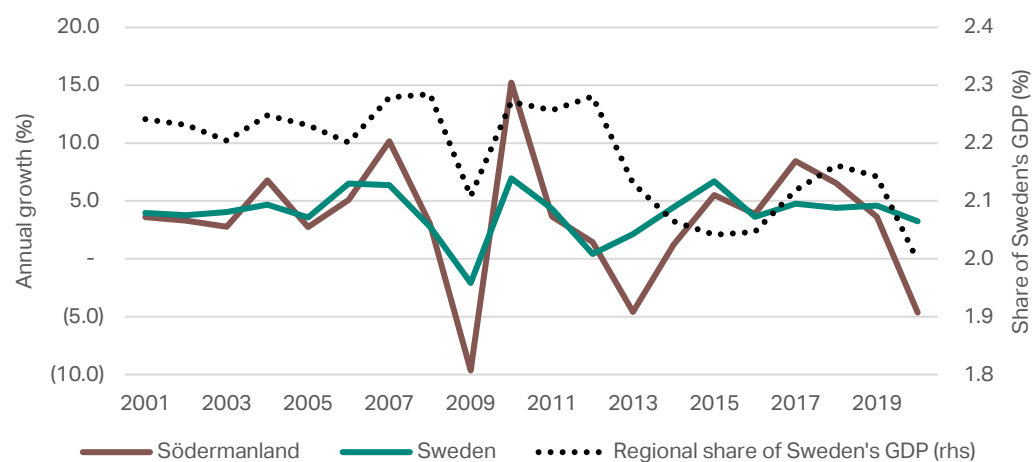
Regional, sectoral, and cross-border factors 'bbb-'

Sörmlands Sparbank's customer base is located in southern Södermanland county, excluding Eskilstuna and Strängnäs, which fall within the domain of Sparbanken Rekarne AB, and excluding

Trosa and Gnesta, which lie in Swedbank's domain. The region is mostly within an hour of Stockholm city centre by public transport, and housing prices are considerably lower than in the capital region. We expect these factors to support modest population growth in Nyköping and Katrineholm in particular. Except for Nyköping, Sörmlands Sparbank's core markets are largely dependent on manufacturing, which has been negatively affected by rising commodity prices, disruptions in the global supply chain, and sanctions against Russia.

Despite this, employment levels have materially improved over the past year in each of the bank's core markets (see Figure 2), but Södermanland county continues to have the highest unemployment rate in Sweden, at 9.1% as of September 2022. The county, which accounts for about 2% of the Swedish economy, has had three periods of declining GDP in the last 15 years but was making a strong recovery from the COVID-19 pandemic. We anticipate the regional economy will see a greater downturn than the national average in 2023 and 2024.

Figure 3. Södermanland's annual economic growth and regional share of Sweden's GDP, 2001–2020



Source: Statistics Sweden.

RISK APPETITE

Risk appetite assessment
'a'

Sörmlands Sparbank's low risk profile reflects the bank's substantial capital and liquidity buffers, diverse retail deposits, access to market funding, and ability to transfer loans to Swedbank. The bank has natural portfolio concentrations in its local real-estate market and the agricultural sector, but relatively low single-name concentrations.

Risk governance proportional to the bank's complexity

Risk governance 'bbb+'

Sörmlands Sparbank's regional focus creates naturally high geographic risk concentrations and the bank's risk governance is less developed than that of larger Nordic banks. However, the bank's risk appetite, limit monitoring, risk reporting, and overall governance is in line with those of the larger savings banks, due to investments in its internal risk framework and increased staffing following a regulatory sanction in 2017. The bank uses front-office employees to combat money laundering and, in cooperation with Swedbank, implemented a new system during 2022 to support customer oversight.

Sörmlands Sparbank incorporates sustainability into all credit decisions exceeding SEK 5m. Its pricing, however, does not yet fully integrate these factors. In addition, the bank has reduced its own environmental footprint, and is certified under ISO 14001. Nonetheless, it is only beginning to evaluate the environmental impact of its customers' operations and physical and transitional risk in its real estate exposure.

Capital ratios and improved earnings likely to support loan growth

Capital 'aa-'

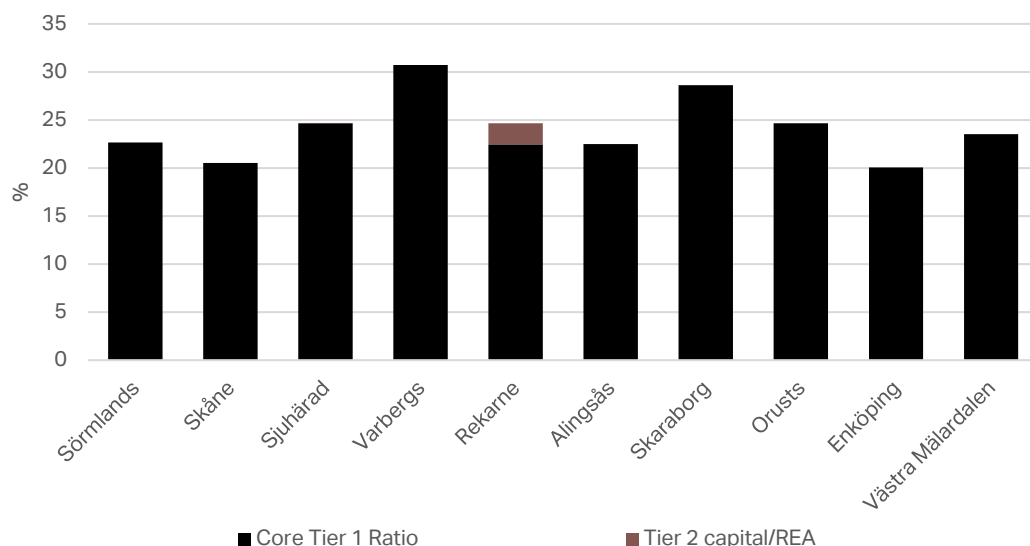
Sörmlands Sparbank's CET1 ratio was 22.7% as of 30 Jun. 2022 (24.5% including mid-year net profit) and our forecast projects that it will remain above 24% through 2024. The capital base is comprised entirely of equity and reflects a leverage ratio of 10.6% as of 30 Jun. 2022, which is well above the 3.9% domestic regulatory requirement.

We expect the bank to continue to expand its loan book, but for growth to fall to 8% annually in 2023 and 2024 after recent growth mostly driven by financing loans previously transferred to Swedbank on its own balance sheet. As a result of rising interest rates, we expect the bank to improve its return on equity towards 9% by 2024. We base our projection on improving margins and stable dividends from Swedbank. Negatively, we believe it is possible that Swedbank could reduce or cancel dividend payments in the next few years to offset fines imposed by US and European authorities in connection with alleged money laundering activities. Our forecast also includes an annual dividend of 10% of net profit to its owner foundation. Given the bank's ownership, the likelihood of access to additional capital is minimal.

Our CET1 ratio projection is well above Sörmlands Sparbank's current regulatory requirement of 14.8%, including 4.3pp for Pillar 2 risks. We expect the bank to retain a strong margin above regulatory requirements, even as the regulatory countercyclical buffer increases to 2.0% by June 2023 and the portfolio grows.

Sörmlands Sparbank's regulatory capital base excludes holdings of Swedbank shares which exceed 10% of its CET1 capital, reducing the impact of share price volatility on its capital ratios. As of 30 Jun. 2022, the amount deducted from the capital base was over SEK 600m of the SEK 850m market value of Swedbank shares on the balance sheet. Our view of Sörmlands Sparbank's capitalisation would not be affected if the remaining market value of the Swedbank shares were deducted from its capital base.

Figure 4. Sörmlands Sparbank and domestic peers' capital ratios, 30 Jun. 2022



Source: bank reports.

Level of capital market financing likely to increase as loan book expands

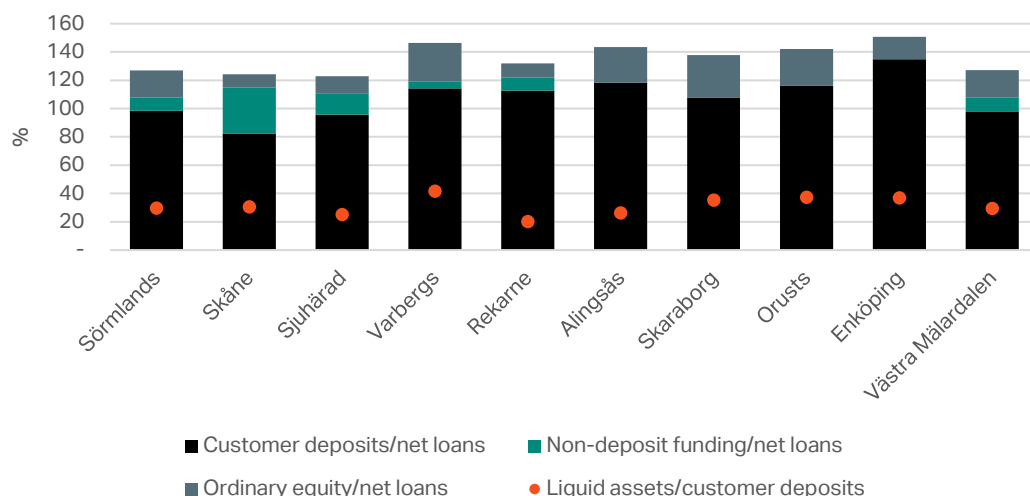
We regard Sörmlands Sparbank's funding and liquidity position as a relative strength. Existing liquidity buffers are strong and the bank has a high level of relationship-based retail deposits and the ability to transfer mortgage loans to Swedbank Hypotek. As of 30 Jun. 2022, the bank's net stable funding ratio was a robust 143%. It typically maintains a strong liquidity buffer of over 30% of customer deposits and maintains its liquidity coverage ratio well above 300%.

Increased lending growth, financed by capital market financing, led to a loan-to-deposit ratio at 102% as of 30 Jun. 2022, up from 91% at end-2020. The bank issued a first two-year bond in November 2020 and has since issued two three-year bonds in 2021 and 2022. In total, the bank has SEK1.45bn in outstanding senior instruments issued under a SEK 3bn medium-term note programme. Increased market financing has diversified and extended the funding profile while allowing the bank to maintain a higher proportion of lending on its own balance sheet. We anticipate that the bank will continue to increase its bond issuance by about SEK 500m annually in 2023 and 2024, and to refinance a bond scheduled to mature in November 2022 at spreads somewhat higher than 60bps above STIBOR.

Funding and liquidity 'a'

Sörmlands Sparbank's cooperation with Swedbank provides various funding benefits. The bank has transferred SEK 4.4bn in residential mortgages to Swedbank Hypotek, which pays the bank commission in return. The loan transfers to Swedbank Hypotek have decreased by more than SEK 2bn since end-2019, but we continue see the relationship as supportive of the bank's liquidity management.

Figure 5. Sörmlands Sparbank funding profile vs Swedish savings bank peers', 30 Jun. 2022



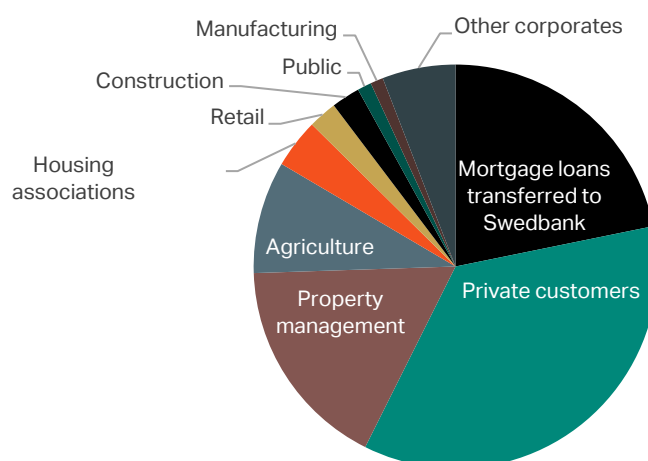
Source: bank reports.

Risk in real estate concentrations increases as collateral values decline

About 80% of Sörmlands Sparbank's customer base is located within the bank's five core markets, leading to a material concentration of local real-estate collateral. Nearly 90% of total loan exposure is collateralised by private housing, housing cooperatives, agriculture or commercial real-estate management (including SEK 4.4bn in transferred mortgages) (see Figure 6). Housing prices and real-estate values in the region are falling in tandem with the wider Swedish housing market as interest rates rise, increasing expected losses in a volatile region and increasing the risk for larger single-name credit provisions.

The bank's growth in recent years has been driven by financing a larger proportion of transferred mortgage loans on its own balance sheet. Lending to the agricultural sector is primarily associated with family-owned farms and forest owners rather than large, industrial-scale farmers.

Figure 6. Sörmlands Sparbank total net lending by segment, 30 Jun. 2022



Source: company.

Sörmlands Sparbank's lending is focused on private individuals and SMEs with primary operations and employment in their own core markets, which leads to geographic concentration. The manufacturing industry is a significant employer in the region and, despite a low proportion of loans extended to manufacturing, many of the bank's exposures could be affected by volatility at the region's

Credit risk 'bbb-'

largest manufacturers as the economy slows. Geographic concentrations are partly offset by rail and highway access to larger employment markets in the Stockholm region, as well as Eskilstuna, Norrköping and other nearby cities. The bank has relatively low exposure to high-risk industries, with modest exposures to construction, retail, and hotels and restaurants.

The high concentration of local real estate collateral could be negatively affected by significant climate events or flooding in the region's lakes or waterways. In addition, increases in climate volatility and higher temperatures could affect the performance of farming and forest operations to which the bank has material exposure.

Sörmlands Sparbank's SEK 4.4bn in mortgage loans transferred to Swedbank Hypotek provides income via commission fees. The bank has a first-loss risk associated with the transferred loans that results in a reduction in commission paid when writedowns of transferred loans occur. The maximum risk associated with transferred loans is about SEK 50m a year, broadly equal to the amount of reported loan commission income.

Market risk low; exposure to other risk moderate

Other risks 'a'

In our view, market risk is not a material risk factor for Sörmlands Sparbank, given the lack of a trading portfolio, low limits on interest rate risk, and insignificant foreign currency exposure. The bank uses interest rate derivatives for hedging purposes.

Sörmlands Sparbank's ownership of Swedbank shares ensures it has a meaningful voice alongside other savings banks that own shares, either directly or via their respective owner foundations. We consider the importance of Swedbank dividends in our assessment of Sörmlands Sparbank's earnings performance. Aside from Swedbank shares, the bank has strategic ownership in fund company Indecap Holding AB (jointly owned along with over 35 other savings banks) and insurance company Sparbankernas Försäkring AB (with over 50 other savings banks).

COMPETITIVE POSITION

Competitive position
'bbb'

Sörmlands Sparbank has a strong position in its core markets, with a market share of around 30% in Nyköping and nearly 60% in Katrineholm and its other key locations. The bank's primary local competition comes from Länsförsäkringar Bank, while larger corporations in the region are serviced by the country's larger banks. Increased competition from larger banks, challenger mortgage institutions and nearby savings banks is affecting the bank's local margins, but has not materially impacted its ability to attract and retain customers, in our view. At national level, the bank accounts for about 0.3% of total deposits and total loans, including loans transferred to Swedbank.

We consider Sörmlands Sparbank's meaningful role and contributions to its local market as a positive rating factor. The bank's primary environmental, social and governance (ESG) attribute is its strong sense of social responsibility in its local communities. Following the restructuring earlier in 2022, the bank will pay out 10% of its profit to support local activities through its owner foundation, Sparbanksstiftelsen Sörmland. The bank has committed to work towards the UN's goals for responsible consumption, sustainable lending practices, and fair and equal employment opportunities.

PERFORMANCE INDICATORS

Performance indicators
'bbb'

We expect Sörmlands Sparbank's core earnings to improve materially due to higher interest rates and improving net margins. In addition, we anticipate Swedbank's strong earnings to result in stable dividend payments. We expect these improvements to offset a projected increase in credit losses as the economy moves towards possible recession in 2023.

Higher margins likely to improve core earnings and cost efficiency

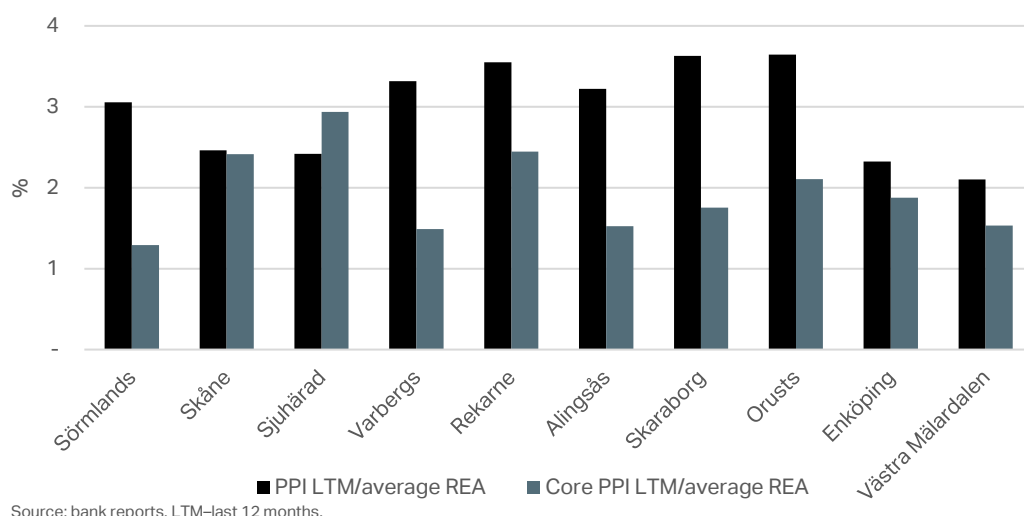
Earnings 'bbb'

We expect rising interest rates to significantly improve Sörmlands Sparbank's net interest margins after years of margin pressure due to low interest rates and tough competition for mortgage loans. We also expect that higher interest rates will eventually improve margins on loans transferred to Swedbank, which have fallen in the course of 2022 due to a lag between the realisation of higher lending rates and the more immediate impact of Swedbank's STIBOR-linked funding costs.

In addition to revenue gains, Sörmlands Sparbank is making improvements in cost efficiency. The combination results in a projected core cost-to-income ratio of below 55% in 2023 (compared with 73% in 2021). We expect improvements in efficiency and higher revenues to drive meaningful improvements in core risk-adjusted pre-provision income (PPI) to REA to 2.5%-3.0% in 2023 and 2024.

Dividends, primarily from Swedbank, have boosted Sörmlands Sparbank's other earnings by SEK 178m since end-2020. Our forecast includes payments of around SEK 100m annually for 2023 and 2024 given expectations of strong earnings offsetting somewhat higher credit losses from Swedbank. However, we believe that Swedbank could reduce or cancel its dividend payments over the next few years to offset fines by US and European authorities in connection with alleged money laundering activity. (See [Swedish savings banks get dividend boost after solid 2020](#), 21 Jun. 2021 for further details of the impact of Swedbank's dividends and [Q&A: Swedbank judgement and share price impacts on Swedish savings banks](#), 23 Mar. 2020 for details of how movements in Swedbank's share price affect Sörmlands Sparbank and other Swedish savings banks.)

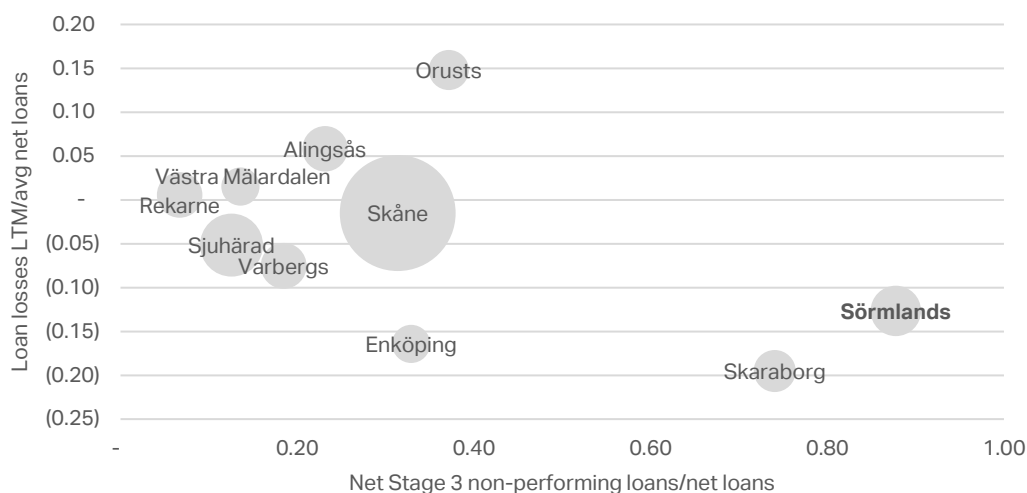
Figure 7. Swedish savings banks' PPI to REA, LTM to 30 Jun. 2022



Loan-loss provisions projected to increase as legacy loans continue to weigh on metrics

Sörmland Sparbank's recent credit losses have been affected by a 2016 legacy exposure, which led to a 75bp credit loss in 2016 and large recoveries in 2020 and the first half of 2021. In the 12 months ended June 2022 the bank reported modest losses of SEK 10m, approximately 7 bps of average net loans over the period. We project that the bank will have higher credit losses in 2023 and 2024 due to a slowing economy and the possible negative impact on the bank's regional customers.

Figure 8. Swedish savings banks' asset quality metrics (%), 30 Jun. 2022



Loss performance 'bbb'

We also anticipate that the bank's Stage 3 loans will increase as the economy slows. Despite a recent reduction in legacy exposures, some cases remain and the bank's Stage 3 non-performing loan metrics remain higher than its peer group average. Aside from this exposure, the bank's Stage 3 exposures are well within the range of its domestic peer group. However, our projections of higher losses will likely result in a larger volume of new Stage 3 loans over the next two years, adjusted for the final resolution of legacy loans.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

We consider ESG factors throughout our analysis, where they are material to the credit assessment (see Figure 9). In aggregate, we view the bank's ESG profile as having a moderately positive impact on its creditworthiness.

Figure 9. Sörmlands Sparbank priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Physical climate risk to collateral	Climate-related damage to real estate collateral (closely linked to supervision of insurance). Longer-term term effects on market values in flood risk areas.	Credit risk (-) Loss performance (0)
Social engagement in local community	Close connection to narrow regional markets provides a benefit.	Competitive position (++) Funding & liquidity (+) Earnings (0)
Anti-money laundering capacity	Risk of sanctions and fraud. Insufficient control of customers.	Risk governance (0)
Control of sustainability issues	Risk of overlooking sustainability impacts on the bank's underwriting, operations, and customer base.	Risk governance (0) Credit risk (0)

*Defined on a 5-step scale ranging from double minus (--) to double plus (++), with (--) representing the most negative impact and (++) the most positive. See [ESG factors in financial institution ratings](#).

ADJUSTMENT FACTORS

Peer comparison

We believe that Sörmlands Sparbank's relative strengths and weaknesses are accurately reflected in our 'bbb+' initial credit assessment.

Support analysis

Following the restructuring, Sörmlands Sparbank is 100% owned by its owner foundation whose main income comes from dividends paid by the bank. These are used to fund various activities in the local community. The foundation has limited resources to support the bank.

ISSUE RATINGS

Our rating on Sörmlands Sparbank's unsecured senior debt is in line with the 'BBB+' issuer rating. We expect to assign 'BBB+' ratings to future issues under the bank's medium-term note programme.

Moderately positive
aggregate ESG impact

Peer comparison
neutral

Support analysis neutral

Figure 10. Sörmlands Sparbank key financial data, 2017–Q2 2022 YTD

Key credit metrics (%)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Q2 2022 YTD
INCOME COMPOSITION						
Net interest income/op. revenue	41.2	48.3	49.7	65.0	50.4	45.0
Net fee income/op. revenue	31.7	31.4	28.9	33.1	28.3	19.9
Net trading income/op. revenue	5.2	-2.2	0.4	-0.1	2.0	11.0
Net other income/op. revenue	21.9	22.5	21.0	2.0	19.4	24.1
EARNINGS						
Net interest margin	1.4	1.4	1.5	1.6	1.4	1.5
Pre-provision income/REA	2.2	1.2	1.7	1.0	2.4	3.9
Return on ordinary equity	5.9	3.0	5.0	3.8	7.9	11.4
Return on assets	1.2	0.6	0.9	0.6	1.3	1.8
Cost-to-income ratio	58.8	76.5	68.0	75.9	57.1	43.1
Cost-to-income ratio, ex. trading	62.1	74.9	68.3	75.9	58.3	48.4
CAPITAL						
CET1 ratio	20.4	21.6	22.1	21.9	25.1	22.7
Tier 1 ratio	20.4	21.6	22.1	21.9	25.1	22.7
Capital ratio	20.4	21.6	22.1	21.9	25.1	22.7
REA/assets	59.0	55.0	56.3	54.1	47.2	48.0
Dividend payout ratio						
Leverage ratio	13.5	13.1	12.4	11.8	12.4	10.6
GROWTH						
Asset growth	3.0	10.9	0.0	10.4	12.8	5.6
Loan growth	5.5	9.8	-1.2	11.1	15.7	8.4
Deposit growth	4.6	12.2	2.7	9.1	8.0	3.7
LOSS PERFORMANCE						
Credit provisions to net loans	0.05	0.12	-0.06	-0.31	-0.39	0.07
Impaired loans to gross loans	2.12	2.28	2.51	1.63	1.25	1.06
Net impaired loans to gross loans	1.08	1.19	1.12	0.87	0.98	0.79
Net problem loans to equity	4.05	4.79	4.85	3.95	4.41	4.12
Non-performing loan coverage ratio	48.97	47.84	55.29	46.89	21.09	24.85
Stage 3 loans/gross loans	2.51	2.28	2.51	1.63	1.25	1.06
Net stage 3 loans/net loans	1.47	1.34	1.26	1.11	1.04	0.88
FUNDING & LIQUIDITY						
Loan/deposit ratio	94.6	92.5	89.0	90.6	97.1	101.5
Net stable funding ratio	0.0	0.0	0.0	155.0	145.0	143.0
Liquidity coverage ratio	350.0	406.0	410.0	375.0	339.1	329.2

Key financials (SEKm)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Q2 2022 YTD
BALANCE SHEET						
Total assets	14,240	15,798	15,796	17,432	19,666	20,761
Total tangible assets	14,240	15,798	15,796	17,432	19,666	20,761
Total financial assets	14,031	15,591	15,621	17,286	19,506	20,586
Net loans and advances to customers	10,510	11,542	11,407	12,672	14,662	15,896
Total securities	2,629	2,722	2,413	2,464	2,871	2,625
Customer deposits	11,115	12,476	12,817	13,986	15,099	15,655
Issued securities	–	–	–	350	867	1,450
of which covered bonds	–	–	–	–	–	–
of which other senior debt	–	–	–	350	867	1,450
of which subordinated debt	–	–	–	–	–	–
Total equity	2,843	2,906	2,678	2,803	3,278	3,074
Total ordinary equity	2,843	2,906	2,678	2,803	3,278	3,074
CAPITAL						
Common equity tier 1	1,714	1,883	1,963	2,069	2,327	2,258
Tier 1	1,714	1,883	1,963	2,069	2,327	2,258
Total capital	1,714	1,883	1,963	2,069	2,327	2,258
REA	8,404	8,696	8,898	9,437	9,282	9,970
INCOME STATEMENT						
Operating revenues	460	429	462	393	522	328
Pre-provision operating profit	189	101	148	95	224	187
Impairments	6	13	-7	-37	-53	5
Net Income	167	87	141	104	240	181

Source: company. FY–full year. YTD–year to date.

Figure 11. Sörmlands Sparbank rating scorecard

Subfactors	Impact	Score
National factors	10.0%	a-
Regional, cross border, sector	10.0%	bbb-
Operating environment	20.0%	bbb
Capital	17.5%	aa-
Funding and liquidity	15.0%	a
Risk governance	5.0%	bbb+
Credit risk	10.0%	bbb-
Market risk	-	-
Other risks	2.5%	a
Risk appetite	50.0%	a
Market position	15.0%	bbb
Earnings	7.5%	bbb
Loss performance	7.5%	bbb
Performance indicators	15.0%	bbb
Indicative credit assessment		bbb+
Transitions		Neutral
Peer comparisons		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		bbb+
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
Issuer rating		BBB+
Outlook		Stable
Short-term rating		N3

Figure 12. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+

DISCLAIMER

Disclaimer © 2022 Nordic Credit Rating AS (NCR, the agency). All rights reserved. All information and data used by NCR in its analytical activities come from sources the agency considers accurate and reliable. All material relating to NCR's analytical activities is provided on an "as is" basis. The agency does not conduct audits or similar warranty validations of any information used in its analytical activities and related material. NCR advises all users of its services to carry out individual assessments for their own specific use or purpose when using any information or material provided by the agency. Analytical material provided by NCR constitutes only an opinion on relative credit risk and does not address other forms of risk such as volatility or market risk and should not be considered to contain facts of any kind for the purpose of assessing an issuer's or an issue's historical, current or future performance. Analytical material provided by NCR may include certain forward-looking statements relating to the business, financial performance and results of an entity and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. Forward-looking statements contained in any analytical material provided by NCR, including assumptions, opinions and views either of the agency or cited from third-party sources are solely opinions and forecasts which are subject to risk, uncertainty and other factors that could cause actual events to differ materially from anticipated events. NCR and its personnel and any related third parties provide no assurance that the assumptions underlying any statements in analytical material provided by the agency are free from error, nor are they liable to any party, either directly or indirectly, for any damages, losses or similar, arising from use of NCR's analytical material or the agency's analytical activities. No representation or warranty (express or implied) is made as to, and no reliance should be placed upon, any information, including projections, estimates, targets and opinions, contained in any analytical material provided by NCR, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained in any analytical material provided by the agency. Users of analytical material provided by NCR are solely responsible for making their own assessment of the market and the market position of any relevant entity, conducting their own investigations and analysis, and forming their own view of the future performance of any relevant entity's business and current and future financial situation. NCR is independent of any third party, and any information and/or material resulting from the agency's analytical activities should not be considered as marketing or a recommendation to buy, sell, or hold any financial instruments or similar. Relating to NCR's analytical activities, historical development and past performance does not safeguard or guarantee any future results or outcome. All information herein is the sole property of NCR and is protected by copyright and applicable laws. The information herein, and any other information provided by NCR, may not be reproduced, copied, stored, sold, or distributed without NCR's written permission.

NORDIC CREDIT RATING AS

nordiccreditrating.com