

# Sparbanken Alingsås AB

Full Rating Report

## LONG-TERM RATING

**A-**

## OUTLOOK

**Stable**

## SHORT-TERM RATING

**N2**

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## RATING RATIONALE

Our 'A-' long-term issuer rating on Sweden-based Sparbanken Alingsås AB reflects the bank's strong capital position, moderate risk appetite, solid competitive position 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 mortgage loans. 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 bank's relatively higher single-name concentration and significant exposure to non-mortgage segments in its loan book compared with savings bank peers. It is also constrained by the increased risk to real-estate values, in view of the bank's significant real-estate collateral through retail and commercial customers. In addition, we view Sparbanken Alingsås' risk governance and liquidity management as slightly weaker than that of its peers.

## STABLE OUTLOOK

The outlook is stable, reflecting our expectation that Sparbanken Alingsås will counter the risk of higher loan losses and non-performing loans through higher earnings driven by improved net interest margins. It also reflects our expectation that the bank will maintain its solid competitive position and that the regional economy, which has strong links to Gothenburg, will perform in line with or better than the national economy, with healthy population growth and low unemployment. We expect Sparbanken Alingsås to protect its strong capital ratios through prudent dividends to its owner foundation and to maintain its relationship with Swedbank.

### POTENTIAL POSITIVE RATING DRIVERS

- An upgrade is unlikely at this time, given the uncertain economic environment.

### POTENTIAL NEGATIVE RATING DRIVERS

- A deteriorating operating environment leading to reduced regional growth, asset quality and collateral values.
- Increased risk in the loan or liquidity portfolios.
- A sustained decline in the common equity Tier 1 (CET1) capital ratio to below 20%.

Figure 1. Sparbanken Alingsås key credit metrics, 2019–2025e

%	2019	2020	2021	2022	2023e	2024e	2025e
Net interest margin	1.4	1.4	1.2	1.7	2.6	2.4	2.2
Loan losses/net loans	0.19	0.10	-0.08	0.08	0.12	0.13	0.10
Pre-provision income/REA	2.8	1.3	2.9	3.2	4.1	4.2	3.7
Core pre-provision income/REA	1.4	1.2	1.4	2.2	3.2	2.8	2.5
Core cost-to-income	60.8	65.1	60.6	50.5	44.6	48.8	52.1
Loan growth	5.5	10.5	8.1	9.5	5.0	0.5	3.0
CET1 ratio	22.8	21.8	24.8	24.5	26.5	29.0	30.9

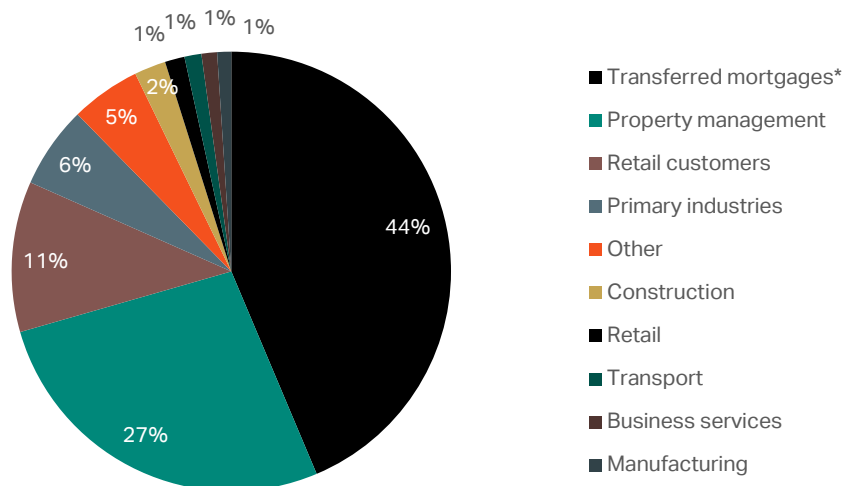
Based on NCR estimates and company data. e—estimate. REA—risk exposure amount. CET1—common equity Tier 1. All metrics adjusted in line with NCR methodology.

**ISSUER PROFILE**

Sparbanken Alingsås is one of Sweden's largest savings banks in terms of total business volumes (including transferred loans, plus external and other off-balance-sheet products), which amounted to SEK 60.5bn at 30 Jun. 2023. This included SEK 14.7bn in net loans on the bank's own books. The bank operates in four municipalities in the county of Västra Götaland in southwestern Sweden; Alingsås, Lerum, Herrljunga, and Vårgårda. It also has a minor presence in nearby Gothenburg, Sweden's second-largest city. The four municipalities in which the bank operates had about 107,500 inhabitants as of year-end 2022, many of whom commute into Gothenburg. The bank was established in 1833 and became a limited liability company in 2009. It is wholly owned by Sparbanksstiftelsen Alingsås, a foundation that receives dividends from the bank. These are reinvested in the bank's area of operations to support local sport, cultural activities, business, research, education and various regional associations.

Sparbanken Alingsås has a history of cooperation with Swedbank, which enables material product diversity and shared IT costs, and provides the opportunity to finance commercial and retail mortgage lending via Swedbank Hypotek AB (publ), Sweden's largest issuer of covered bonds. Relative to other savings banks, Sparbanken Alingsås has transferred a substantial proportion of its total lending to Swedbank Hypotek. On its own books (apart from mortgage lending), the bank's main loan exposures are to the property management sector and agriculture.

**Figure 2. Sparbanken Alingsås gross loans by sector, including transferred loans, 30 Jun. 2023**



Source: company. \*To Swedbank Hypotek AB.

**OPERATING ENVIRONMENT**

Operating environment assessment 'bbb+'

We consider a balance of national and regional factors in our assessment of the operating environment. Sparbanken Alingsås operates in a regional market, with a high proportion of its exposures associated with the local economy, which has lower unemployment than the national average and benefits from proximity to Gothenburg.

**National economy weakening**

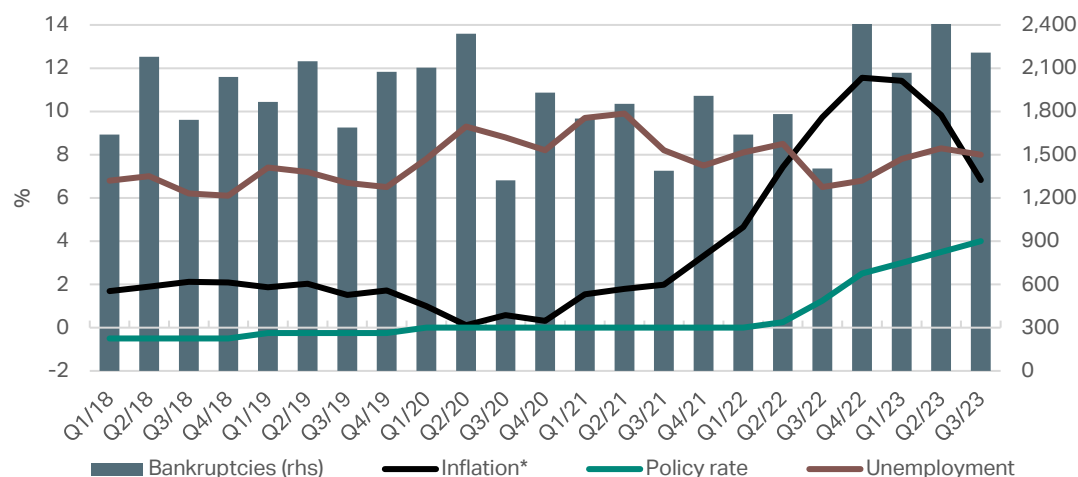
National factors 'a-'

Despite slowing economic activity and falling housing prices driven by high inflation and interest rates, we anticipate that Swedish banks will benefit from higher net interest margins. We expect commercial and retail lenders to remain stable during a continued economic downturn through 2024. Due to the slowing economy, we anticipate lower corporate loan growth and higher unemployment.

Higher interest rates have increased core earnings for most Swedish banks. Looking ahead, the anticipated slowdown in loan growth, a reduction in deposits and increased market funding costs imply that net interest margins are close to a peak for most banks. However, we expect most conventional banks to be able to maintain most of the increase in their net interest margins. Higher earnings are boosting capital ratios, raising the headroom for increased loan losses.

Swedish retail banks' high exposure to both the private and corporate real-estate sector imposes some risks, as both households and companies are struggling with rising interest costs due to being highly leveraged. Following a steep decline in 2022, housing prices have levelled out, but we expect only modest, if any, growth in 2024, with large regional differences. Bankruptcies have increased sharply in recent quarters and more companies are experiencing cash flow issues. Sectors that are heavily reliant on private consumption are likely to continue to struggle, in turn negatively impacting property managers, which are already under pressure in terms of interest coverage and property valuations. Large tax debts, deferred at the height of the COVID-19 pandemic, are also coming due, impacting both businesses' cash flow and banks' deposit volumes. However, we expect actual loan losses to remain manageable due to generally high levels of securitisation backing conventional bank lending to the commercial real-estate sector.

Figure 3. Swedish economic indicators, Q1 2018–Q3 2023



Sources: Statistics Sweden, Riksbanken. \*average monthly inflation during the quarter.

**Regional economy benefits from proximity to Gothenburg**

Despite the small population of Sparbanken Alingsås' operating area, the local economy is diverse and characterised mostly by SMEs. The bank's core markets lie within a 50-minute commute from Gothenburg. The largest municipalities in which the bank operates, Lerum and Alingsås, have higher average incomes and house prices than the Swedish average. All four municipalities in which the bank operates have lower unemployment rates than the national average (see Figure 4), and all but the smallest, Herrljunga, have higher projected long-term population growth. Housing prices in the four municipalities have fallen in tandem with the prices across the wider Swedish housing market as interest rates have risen.

Figure 4. Sparbanken Alingsås core markets

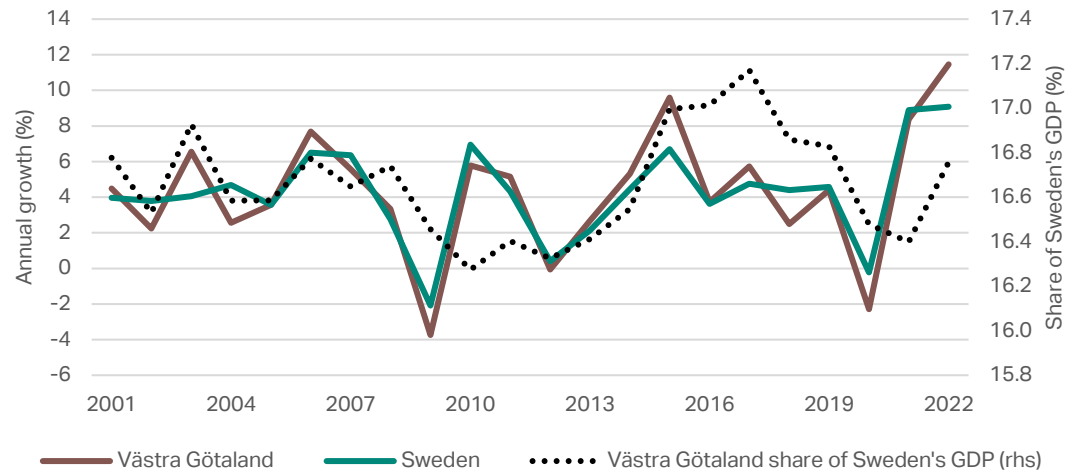
Municipality	Population, Dec. 2022	Expected population change, 2022–2040	Unemployment, Nov. 2023	Unemployment, Nov. 2022
Alingsås	42,199	8.2	4.4%	4.5%
Herrljunga	9,517	-0.7	3.9%	3.9%
Lerum	43,536	10.6	3.3%	3.2%
Vårgårda	12,268	7.6	3.3%	3.2%
Gothenburg*	596,841	8.7	7.0%	7.1%
Sweden	10,452,326	5.5	6.5%	6.6%

Source: Statistics Sweden, Swedish Public Employment Service. \*Not officially a core market, but nonetheless an important market for the bank.

The four municipalities had 107,500 inhabitants as of December 2022, similar to the market populations of the bank's larger domestic peers. In addition, the bank lends to customers located in Gothenburg. The main benefit of the bank's proximity to Gothenburg is the city's economic diversity and the breadth of its labour market. As with other large Swedish cities, housing in Gothenburg is expensive. Consequently, nearby municipalities attract families seeking affordable accommodation, a factor that is likely to contribute to the projected population growth in the bank's markets.

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

Figure 5. Sparbanken Alingsås' annual economic growth and share of Sweden's GDP, 2001–2022



Source: Statistics Sweden.

**RISK APPETITE**

Risk appetite assessment 'a-'

Sparbanken Alingsås has a low risk profile, which reflects the bank's substantial capital and liquidity buffers, diverse retail deposits 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 largely proportional to the bank's complexity**

Risk governance 'bbb+'

Sparbanken Alingsås' risk governance, risk appetite and limit structure are adequate and proportional to its complexity and size, although less developed than those of larger Nordic banks. The bank has four employees responsible for anti-money laundering activities and know-your-customer processes, in addition to cooperation with Swedbank. In our view, Sparbanken Alingsås' risk appetite, limit monitoring and risk reporting are largely in line with those of other large savings banks, with some limitations. In addition, a portion of the bank's liquidity portfolio is allocated to high-yield investments (see Other Risks section).

Sparbanken Alingsås has a framework that enables thorough sustainability analysis when credit decisions exceed SEK 8m. The bank also has a new strategy to incorporate sustainability factors into its relationships with corporate customers. In addition to integrating sustainability risk, the strategy promotes sustainable lending and savings.

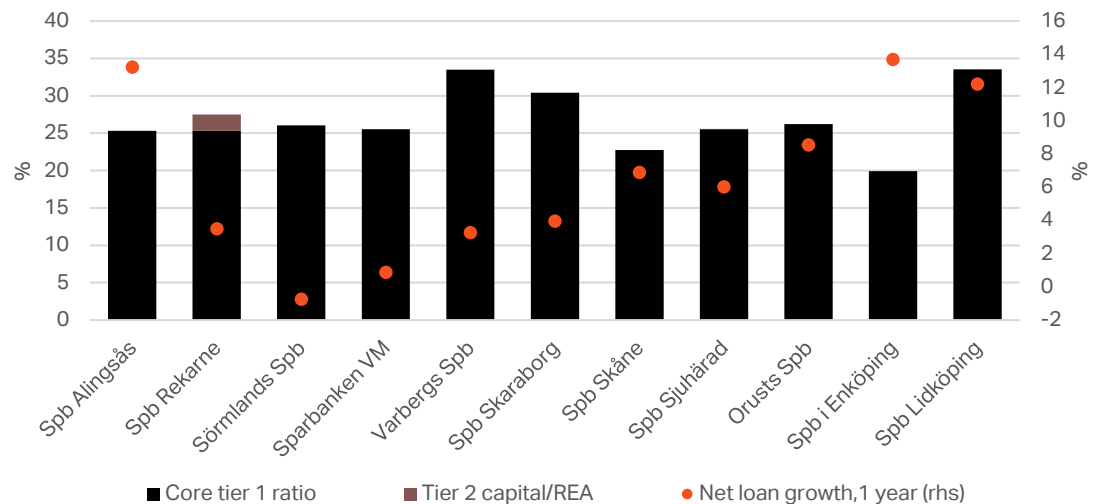
**Strong capital buffers likely to offset higher losses and requirements**

Capital 'aa-'

Sparbanken Alingsås' CET1 ratio was 26.3% as of 30 Sep. 2023. We expect it to increase slightly by year-end 2023 and then increase through 2025 due to moderate asset growth and strong earnings. We expect virtually no loan growth beyond amortisation compensation in the second half of 2023 and 2024, but forecast an increase in 2025 as the economy stabilises and investment appetite returns. At the same time, we expect strong earnings to boost return on equity and improve the bank's capital metrics.

Sparbanken Alingsås' leverage ratio ranged between 13.6% and 16.8% from 2018 to 30 Jun. 2023. This was stronger than the ratios of more earnings-driven peers, but roughly in line with those of other foundation-owned savings banks. We expect it to range between 14% and 17% through 2025, well above the regulatory requirement of 4.5%.

Figure 6. Sparbanken Alingsås and domestic savings bank peers capital ratios, 30 Jun. 2023



Source: bank reports.

As of 30 Sep. 2023, Sparbanken Alingsås' core Tier 1 capital ratio was more than 10pp above the bank's regulatory total capital requirement of 15.4%, including 2.9pp in additional Pillar 2 guidance as a result of the most recent supervisory review (2022). The Pillar 2 guidance is higher than the 1-1.5% we expect for savings banks due to interest rate risk in the banking book and relatively high marketable securities risk. As of 30 Jun. 2023, Sweden increased its domestic countercyclical capital buffer by 1pp to 2%. We expect a positive effect from the implementation of CRR/CRD IV on risk weights, most likely in mid-2025, but do not include this in the forecast due to uncertainty over the timing and effect.

Sparbanken Alingsås' regulatory capital base excludes its holdings of Swedbank shares, which exceed 10% of its CET1, reducing the impact of share price volatility on the bank's capital ratios. As of 30 Jun. 2023, the reported value of the bank's Swedbank shares was SEK 1.7bn, compared with its CET1 capital of SEK 2.5bn, implying that SEK 1.4bn of the value is excluded from CET1. We note that Sparbanken Alingsås' capitalisation would still have been strong, at 22.8% as of 30 Jun. 2023, if the entire market value of the shares had been deducted from the capital base.

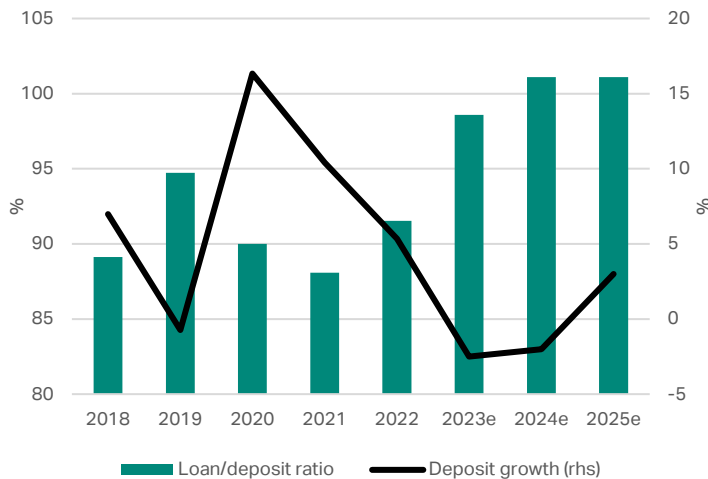
**Liquidity supported by customer savings, but volatile and dependent on deposits**

We view Sparbanken Alingsås' management of funding and liquidity as satisfactory, albeit slightly weaker than that of its domestic peers due to a lack of capital market financing and volatile liquidity metrics. As of 30 Sep. 2023, the bank's liquidity coverage ratio was 252% and its net stable funding ratio was 128%. While both ratios are well above regulatory requirements (above 100%), the liquidity coverage ratio has been volatile in the past year, going below the bank's internal policy of 150%, and frequently below the exceptional levels of well above 200% that are common among Swedish savings banks. We believe liquidity coverage is likely to remain above 150%, but are somewhat concerned about the relatively large deposit concentrations. As of 30 Jun. 2023 the bank held liquid assets corresponding to 20.2% of customer deposits and had a loan-to-deposit ratio of 99%. We expect this ratio to increase above 100% as deposit growth remains slow.

Sparbanken Alingsås has established a medium-term note programme of SEK 3bn in January 2024, accompanied by a green bond framework with a second opinion from ISS. We expect a first issue in early 2024, but that market funding will be a relatively small part of the bank's overall financing structure.

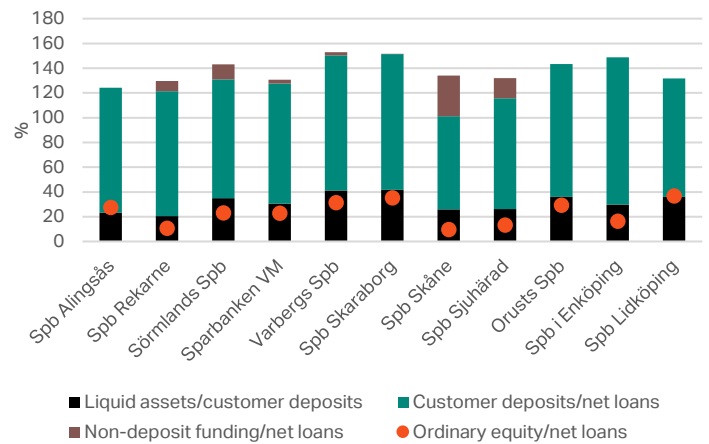
Funding and liquidity 'a-'

Figure 7. Sparbanken Alingsås deposit metrics, 2019-2025e



Source: company, e-estimate.

Figure 8. Sparbanken Alingsås funding profile vs domestic savings bank peers, 30 Jun. 2023



Source: bank reports.

Sparbanken Alingsås' cooperation with Swedbank provides various funding benefits. The bank had transferred SEK 11.4bn in residential mortgage loans to Swedbank Hypotek as of year-end 2022, nearly as much as the SEK 14.7bn in net loans on its own balance sheet, and a much larger proportion of total mortgage lending than the rest of its peers. The bank has about SEK 2.9bn in mortgage lending on its own books, some of which could theoretically be transferred to Swedbank Hypotek. While further transfers are possible (and would effectively decrease liquidity risk), we believe the low proportion of mortgage lending on the bank's own books makes further significant transfers unlikely.

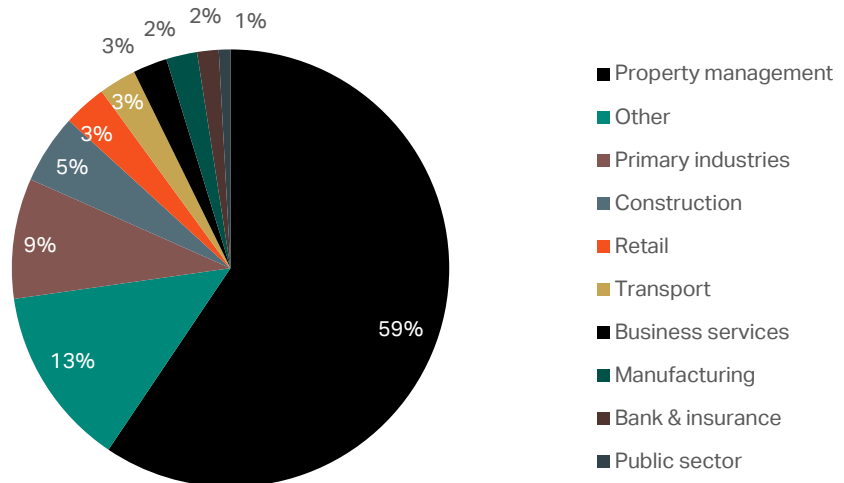
**Loan book more concentrated than peers'**

Sparbanken Alingsås' regional operations create geographic risk concentrations, which are constrained by various limits in the bank's risk appetite framework and internal risk reporting. The bank's exposures are heavily focused on local property, with 81% of on-balance-sheet loans associated with residential, commercial or agricultural properties (see Figures 2 and 9). Due to the large share of total mortgages being transferred to Swedbank Hypotek, the bank's on-balance-sheet loan book is more heavily geared towards corporate lending than those of Swedish savings bank peers. This also implies a higher concentration on individual exposures.

The bank's geographic concentration is partly offset by the proximity of the bank's home market to Gothenburg and low unemployment rates in its core municipalities. While the bank is heavily geared towards commercial real estate (including 4% construction), it has significant large exposures to only a few customers, which are mainly local. In addition, the bank's lending to real-estate companies is strongly collateralised, and a portion of this lending segment consists of housing associations, which have a historically low risk of default.

Credit risk 'bb+'

Figure 9. Sparbanken Alingsås corporate gross loans by sector, 30 Jun. 2023

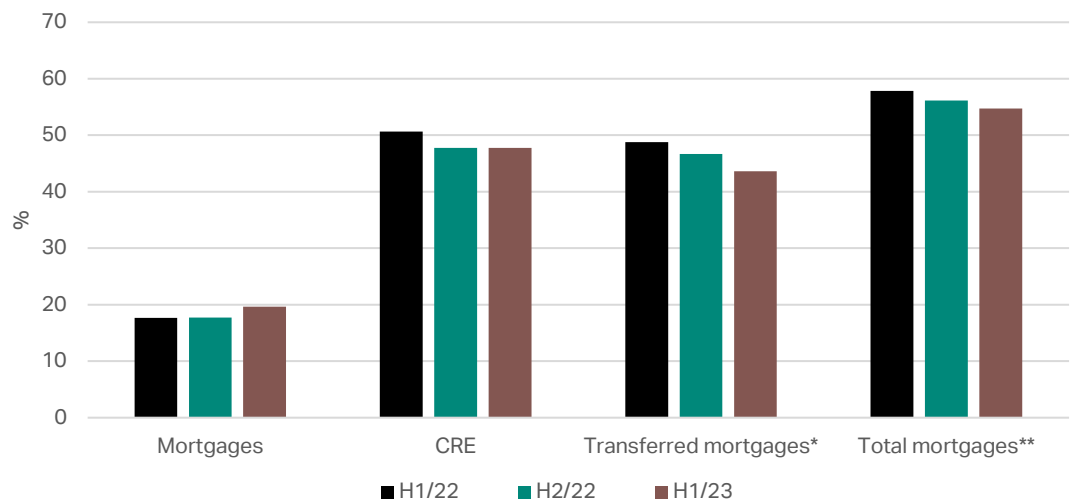


Source: company.

We are concerned about risk in the commercial real-estate sector due to high interest rates, high inflation and a widely expected economic downturn. We believe that interest coverage could come under pressure for many companies, and that reported commercial real-estate values will fall further, increasing expected losses overall, along with the risk of single-name loan-loss provisions. While regional housing prices have levelled out in line with domestic trends, significant risk remains in terms of collateral valuations of commercial real estate.

The high concentration of real-estate collateral also implies a risk to security valuations as a result of more frequent and more severe climate events, which would have a negative impact on the structure of properties, insurability, and valuations. In addition, increases in climate volatility and higher temperatures could worsen the performance of agricultural businesses to which the bank has exposure.

Figure 10. Sparbanken Alingsås loan portfolio composition H1 2022–H1 2023



Source: company. CRE—commercial real estate. \*To Swedbank Hypotek AB. \*\*Out of balance sheet net loans and transferred mortgages.

The bank's growth in recent years has been driven by financing a larger proportion of transferred mortgage loans on its own balance sheet. As a result of the minimal mortgage growth of the past year, however, the volume of mortgages kept on the bank's own books has increased slightly, while transferred mortgages have declined due to amortisations. The SEK 12bn in mortgage lending transferred to Swedbank Hypotek provides income from commission fees. These have a first-loss risk associated with the transferred loans that results in a reduction in commission paid when write-downs of transferred loans occur. The maximum risk associated with transferred loans was SEK 67m at year-



end 2022, and we expect it to remain broadly unchanged given our expectations of slow growth in mortgage loan transfers and margin pressure from Swedbank.

### **Significant investment portfolio risk heightens risk profile**

Other risks 'bbb'

In our view, market risk is a negligible risk factor for Sparbanken Alingsås, given its strategy of not holding a trading portfolio and its low limits on interest rate and currency risk. However, as of 30 Jun. 2023, the bank had a fixed-income investment portfolio of SEK 2bn, of which about 10% was non-investment grade. While these investments lie outside the bank's regulatory liquidity buffers, and the bank has historically had significant excess liquidity, we believe they are indicative of an elevated risk appetite. We believe the investment portfolio has meaningful spread and default risk, given the volume in relation to the bank's annual profits and overall balance sheet.

Sparbanken Alingsås' relatively large holding of Swedbank shares (9.1m shares at year-end 2022) ensures it has a meaningful voice alongside other savings banks that own Swedbank shares, either directly or via their respective owner foundations. Sparbanken Alingsås renewed its collaboration contract with Swedbank in November 2021, with the contract running until 30 Jun. 2027. We consider the importance of Swedbank dividends in our assessment of Sparbanken Alingsås' earnings performance. Other than its holdings of Swedbank shares, the bank has insignificant shareholdings.

### **COMPETITIVE POSITION**

Competitive position assessment 'bbb'

Sparbanken Alingsås has a strong position in its core markets, with a market share ranging between 35% and 75%, depending on municipality and segment. In general, the bank's market share increases in areas further from Gothenburg. Unlike many other savings banks, which primarily operate in municipalities where large domestic banks have a limited presence, the bank's proximity to Gothenburg effectively increases competition with larger banks. Market share in the forestry and agriculture sector is about 65% in its core markets. The bank has about 60,000 retail and 7,000 commercial customers. At national level, Sparbanken Alingsås had about 0.6% of retail deposits and 0.3% of total loans, including loans transferred to Swedbank, as of 30 Jun. 2023.

Despite its small size nationally, and the relatively strong competition in the bank's area of operation, we consider Sparbanken Alingsås to have a strong competitive position in its local market. Like its savings bank peers, the bank benefits from community involvement. Sparbanken Alingsås pays out a proportion of its profit in dividends to its owner foundation, which uses the proceeds to support local activities. This proportion has exceeded 20% in recent years, apart from 2020 when the COVID-19 pandemic was at its height. The bank has recently reviewed its sustainability strategy and improved its environmental footprint, which we believe supports its standing in the community.

### **PERFORMANCE INDICATORS**

Performance indicators assessment 'a-'

We expect Sparbanken Alingsås' earnings to improve as a result of higher interest rates, supported by dividends from Swedbank. However, we also expect the bank to end 2023 with net loss provisions, compared with the net reversals as of 30 Jun. 2023, and maintain elevated losses in 2024 and 2025. Due to the somewhat higher risk in on-balance-sheet loans, we consider the likelihood of larger individual losses higher than for peers with a higher share of mortgages on their own books.

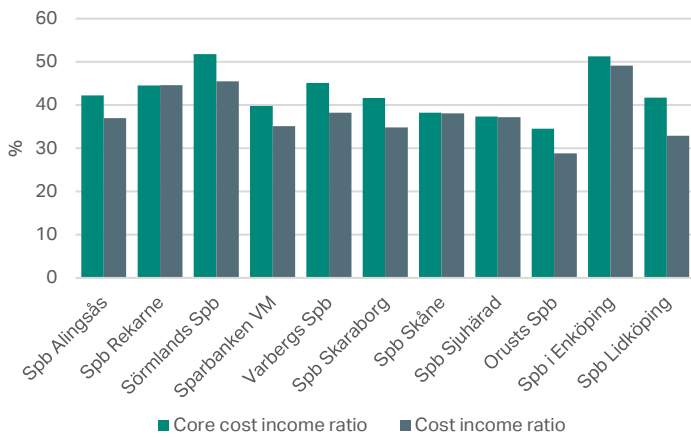
### **Earnings boosted by higher net interest margin**

Earnings 'a-'

In the first half of 2023, Sparbanken Alingsås reported a sharp increase in its net interest margin to 2.8% from 1.7% for the full year 2022, boosted by the increase in policy interest rates coming into full effect. While we do believe margins most likely peaked during 2023 for the bank, as well as most of the Swedish banking market, we project that interest margins will remain above historical levels over the course of our forecast period. The decline in interest margins is expected to stem both from increased competition for both lending and deposits, and likely decreases in policy interest rates in 2024 and possibly 2025. Margins on loans transferred to Swedbank are based on Swedbank's market funding costs and have not increased as much as savings banks' own lending margins. Net fee and commission income is also likely to be negatively affected by lower income from savings products as a result of volatile market conditions and lower savings growth.

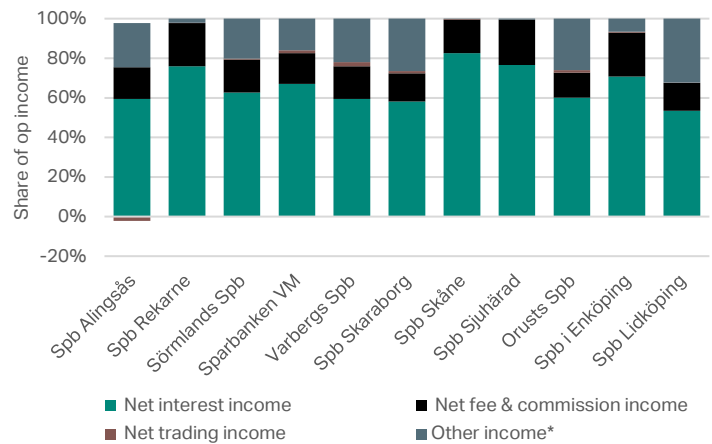


Figure 11. Swedish savings banks' cost efficiency metrics, LTM to 30 Jun. 2023



Source: bank reports. LTM—last 12 months. Core represents net interest income and net fee & commission income.

Figure 12. Swedish savings banks' split between income groups, LTM to 30 Jun. 2023

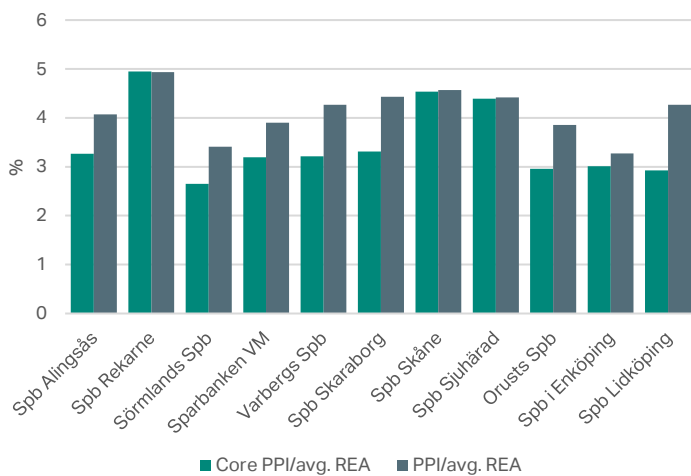


Source: bank reports. \*Includes dividends from Swedbank AB.

The forecast increase in income should be more than sufficient to cover increases in operating costs driven by continuing IT investments through Swedbank (over which the bank has no control), office renovations, and inflation-driven increases in operating costs. While credit risk in the loan portfolio has increased, the effect on risk exposure amount (REA) is smaller than the increase in pre-provision income (PPI) (also excluding Swedbank dividends).

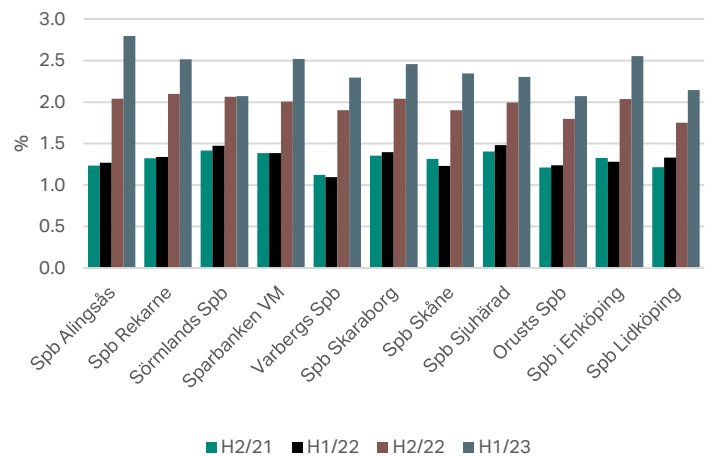
Dividends from Swedbank increase Sparbanken Alingsås' other earnings significantly, with SEK 88m from 2022 profits received in 2023. Our forecast includes payments of about SEK 130-145m annually for 2024 and 2025, as strong earnings should offset higher loan losses from Swedbank. However, we believe 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. Because the bank has no control over such income and because dividend payments are not guaranteed, we consider both pre-provision income including and excluding other income in our forecast.

Figure 13. Swedish savings banks' PPI to REA, LTM to 30 Jun. 2023



Source: bank reports.

Figure 14. Swedish savings banks' annualised net interest margins, H2 2021–H1 2023



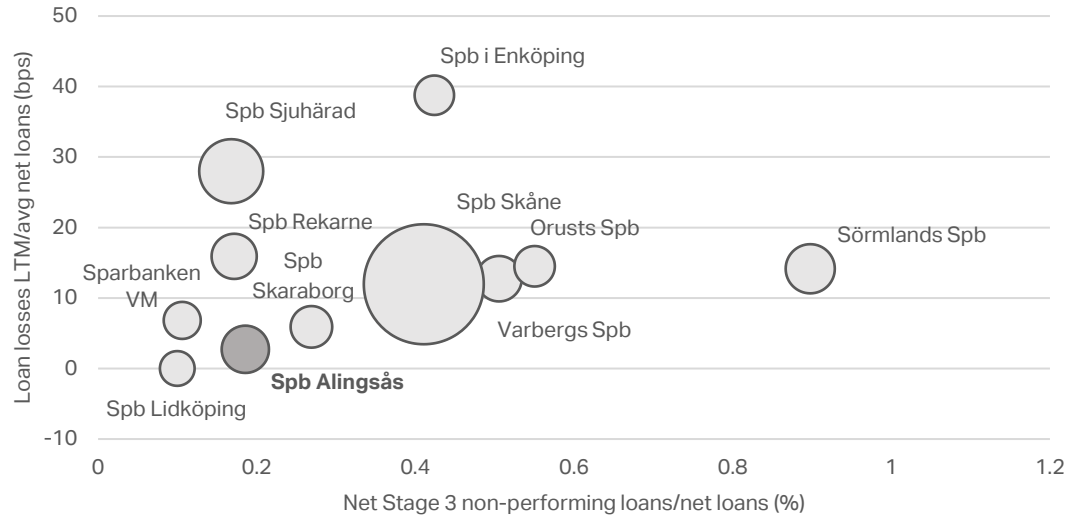
Source: bank reports.

**High securitisation levels mitigate risk of losses**

Sparbanken Alingsås' asset quality metrics are largely in line with those of its peers, with high securitisation levels mitigating the somewhat higher concentration risk in the on-balance-sheet loan book. Sparbanken Alingsås has reported average loan-loss provisions of 7bps over net loans since 2019, with fluctuations during the height of the COVID-19 pandemic in 2020–2021, after which large provisions were followed by reversals. In our base case view, the bank is likely to experience increased, albeit average, loan losses through 2025.

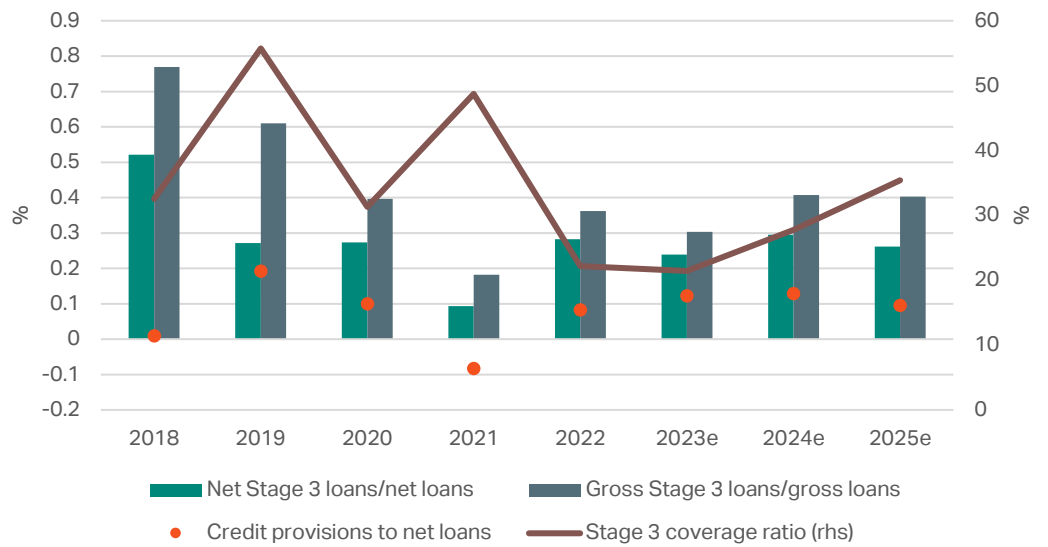
Loss performance 'a-'

Figure 15. Swedish savings banks' asset quality metrics, 30 Jun. 2023



Source: bank reports. Bubble sizes reflect net loan volumes.

Figure 16. Sparbanken Alingsås asset quality metrics, 2018–2025e



Source: company, e-estimate.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS**

Positive aggregate ESG impact

ESG factors are considered throughout our analysis, where material to the credit assessment. In aggregate, we view the bank's ESG profile as having a moderately positive impact on its creditworthiness.

**Figure 17. Sparbanken Alingsås 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 the supervision of insurance). Longer-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 (+)
Risk management frameworks	Risk-taking beyond limits in bank operations. Insufficient customer checks and risk of fraudulent customer behaviour.	Risk governance (-)
Sustainable/green bond framework	Diversity of funding sources, access to additional markets/investors.	Funding & liquidity (0)
Control of sustainability issues	Risk of overlooking sustainability impacts in the bank's underwriting, operations, and customer base.	Risk governance (0) Credit risk (0)

\*Defined based on a five-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

### Support analysis

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

### ISSUE RATINGS

Sparbanken Alingsås has no outstanding senior unsecured debt. We expect to rate future issues under the bank's medium-term note programme in line with the 'A-' long-term issuer rating.

### SHORT-TERM RATING

The 'N2' short-term rating is the higher of the two alternatives, given the long-term issuer rating of 'A-', which reflects our assessment that the bank's liquidity is adequate, based on an average liquidity coverage ratio of 208% over the last four quarters.

### METHODOLOGIES USED

- (i) [Financial Institutions Rating Methodology](#), 18 Feb. 2022.
- (ii) [Rating Principles](#), 24 May 2022.
- (iii) [Group and Government Support Rating Methodology](#), 18 Feb. 2022.

### RELEVANT RESEARCH

- (i) [Norwegian savings banks face margin squeeze in 2024](#), 11 Dec. 2023.
- (ii) [Higher interest rates generate strong first-half earnings for Swedish saving banks](#), 26 Oct. 2023.
- (iii) [Swedish savings banks well positioned for economic downturn in 2023](#), 19 Dec. 2022.
- (iv) [Swedish savings banks get dividend boost after solid 2020](#), 21 Jun. 2021.
- (v) [Q&A: Swedbank judgement and share price impacts on Swedish savings banks](#), 23 Mar. 2020.

Support analysis neutral

**Figure 18. Sparbanken Alingsås key financial data, 2018–Q2 2023 YTD**

Key credit metrics (%)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Q2 2023 YTD
<b>INCOME COMPOSITION</b>						
Net interest income to op. revenue	37.8	39.5	56.8	37.9	52.6	62.2
Net fee income to op. revenue	34.0	30.6	41.6	34.4	28.8	16.7
Net trading income to op. revenue	0.0	0.5	0.2	-0.1	-1.6	-2.3
Net other income to op. revenue	28.2	29.4	1.4	27.8	20.2	23.4
<b>EARNINGS</b>						
Net interest income to financial assets	1.3	1.4	1.4	1.2	1.7	2.8
Net interest income to net loans	1.7	1.7	1.8	1.5	2.1	3.4
Pre-provision income to REA	2.8	2.8	1.3	2.9	3.2	5.4
Core pre-provision income to REA (NII & NF&C)	1.5	1.4	1.2	1.4	2.2	3.7
Return on ordinary equity	6.5	6.5	2.9	7.3	7.0	11.7
Return on assets	1.5	1.5	0.6	1.5	1.4	2.4
Cost-to-income ratio	41.6	42.6	64.0	43.8	41.1	31.6
Core cost-to-income ratio (NII & NF&C)	57.9	60.8	65.1	60.6	50.5	40.0
<b>CAPITAL</b>						
CET1 ratio	21.7	22.8	21.8	24.8	24.5	25.3
Tier 1 ratio	21.7	22.8	21.8	24.8	24.5	25.3
Capital ratio	21.7	22.8	21.8	24.8	24.5	25.3
REA to assets	61.2	65.3	59.4	52.0	53.2	50.5
Dividend payout ratio	23.6	13.9		80.8	24.4	24.0
Leverage ratio	16.2	16.8	13.6	15.2	14.7	14.8
<b>GROWTH</b>						
Asset growth	6.3	-2.8	16.0	11.2	4.7	1.9
Loan growth	7.4	5.5	10.5	8.1	9.5	7.3
Deposit growth	7.0	-0.7	16.3	10.4	5.3	-0.8
<b>LOSS PERFORMANCE</b>						
Credit provisions to net loans	0.01	0.19	0.10	-0.08	0.08	-0.01
Stage 3 coverage ratio	32.55	55.73	31.29	48.73	22.18	23.72
Stage 3 loans to gross loans	0.77	0.61	0.40	0.18	0.36	0.24
Net stage 3 loans to net loans	0.52	0.27	0.27	0.09	0.28	0.19
Net stage 3 loans/ordinary equity	1.52	0.93	0.99	0.32	1.02	0.68
<b>FUNDING &amp; LIQUIDITY</b>						
Loan to deposit ratio	89.1	94.7	90.0	88.1	91.5	99.0
Liquid assets to deposit ratio	24.9	20.7	21.3	21.7	24.6	19.1
Net stable funding ratio	127.3	122.6	122.3	133.8	131.4	129.1
Liquidity coverage ratio	207.5	127.1	225.4	173.4	187.0	292.2
<b>Key financials (SEKm)</b>						
<b>BALANCE SHEET</b>						
Total assets	14,522	14,108	16,370	18,196	19,043	19,403
Total tangible assets	14,522	14,108	16,370	18,196	19,043	19,403
Total financial assets	12,649	12,717	14,263	15,537	17,302	17,451
Net loans and advances to customers	9,890	10,433	11,532	12,463	13,642	14,633
Total securities	2,165	2,071	2,031	2,728	2,783	1,988
Customer deposits	11,096	11,014	12,813	14,148	14,904	14,782
Issued securities	-	-	-	-	-	-
of which other senior debt	-	-	-	-	-	-
of which subordinated debt	-	-	-	-	-	-
Total equity	3,382	3,047	3,174	3,696	3,791	4,008
of which ordinary equity	3,382	3,047	3,174	3,696	3,791	4,008
<b>CAPITAL</b>						
Common equity tier 1	1,930	2,103	2,120	2,349	2,481	2,479
Tier 1	1,930	2,103	2,120	2,349	2,481	2,479
Total capital	1,930	2,103	2,120	2,349	2,481	2,479
REA	8,889	9,211	9,725	9,457	10,132	9,796
<b>INCOME STATEMENT</b>						
Operating revenues	421	446	341	487	528	390
Pre-provision operating profit	246	256	123	274	311	267
Impairments	1	20	11	-10	11	-0
Net Income	216	209	91	252	263	229

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

**Figure 19. Sparbanken Alingsås 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%	bb+
Market risk	-	-
Other risks	2.5%	bbb
Risk appetite	50.0%	a-
Competitive position	15.0%	bbb
Earnings	7.5%	a-
Loss performance	7.5%	a-
Performance indicators	15.0%	a-
<b>Indicative credit assessment</b>		<b>a-</b>
Transitions		Neutral
Peer calibration		Neutral
Borderline assessments		Neutral
<b>Stand-alone credit assessment</b>		<b>a-</b>
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
<b>Issuer rating</b>		<b>A-</b>
Outlook		Stable
<b>Short-term rating</b>		<b>N2</b>

**Figure 20. Capital structure ratings**

Seniority	Rating
Senior unsecured	A-

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