

Sparbanken Alingsås AB

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Sparbanken Alingsås AB assigned 'A-' long-term issuer rating; Outlook stable

Nordic Credit Rating (NCR) said today that it had assigned a 'A-' long-term issuer rating on Sweden-based [Sparbanken Alingsås AB](#). The outlook is stable. At the same time NCR assigned an 'N2' short-term rating and a 'A-' senior unsecured issue rating.

Rating rationale

The long-term issuer rating reflects Sparbanken Alingsås' 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 stable outlook reflects 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.

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

We could lower the rating to reflect a deteriorating operating environment leading to reduced regional growth, asset quality and collateral values. We could also lower the rating to reflect increased risk in the loan or liquidity portfolios, or to take account of a prolonged decline in the common equity Tier 1 capital ratio to below 20%.

Rating list

	Rating
Long-term issuer credit rating:	A-
Outlook:	Stable
Short-term issuer credit rating:	N2
Senior unsecured issue rating:	A-

Figure 1. 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-
Indicative credit assessment		a-
Transitions		Neutral
Peer calibration		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		a-
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
Issuer rating		A-
Outlook		Stable
Short-term rating		N2

Figure 2. Capital structure ratings

Seniority	Rating
Senior unsecured	A-

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 12 Jan. 2024.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
Primary analyst:	Ylva Forsberg, +46768806742, ylva.forsberg@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Geir Kristiansen, +4790784593, geir.kristiansen@nordiccreditrating.com
Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Financial Institutions Rating Methodology published on 18 Feb. 2022 NCR's Rating Principles published on 24 May 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test or cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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