

Sörmlands Sparbank AB (publ)

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 Sörmlands Sparbank AB (publ) reflects the bank's exceptional capital position, moderate 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 the bank's recent improvements in core earnings, cost efficiency and projected dividend revenues from holdings of Swedbank shares to continue to complement capital generation.

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 risk will remain elevated but expect losses to remain modest over the next two years as the bank steadily reduces non-performing loans and recovers loss provisions associated with legacy credit losses.

STABLE OUTLOOK

The outlook is stable, reflecting our view that Sörmlands Sparbank's capital and improved earnings provide solid buffers for managing an economic downturn in its core markets. Downside credit risks associated with commercial and residential real estate in the region remain given the weak economy. We consider these risks to be manageable given the bank's solid capital position. Although we project increasing capital ratios, we believe that the bank may use its excess capital resources to support increased growth by reducing its share of transferred loans or expanding its lending.

POTENTIAL POSITIVE RATING DRIVERS

- An upgrade is unlikely at this time, given the bank's regional and sectoral concentration.

POTENTIAL NEGATIVE RATING DRIVERS

- A significant downturn in the regional operating environment, leading to weaker asset quality;
- Core pre-provision earnings sustainably below 1.5% of the risk exposure amount (REA); or
- A sustained reduction in the common equity Tier 1 (CET1) capital ratio to below 25%.

Figure 1. Key credit metrics, 2020–2026e

%	2020	2021	2022	2023	2024e	2025e*	2026e*
Net interest margin	1.6	1.4	1.8	2.1	2.1	2.0	1.9
Loan losses/net loans	-0.31	-0.39	0.12	0.14	0.07	0.11	0.08
Pre-provision income/REA	1.0	2.4	3.4	3.5	4.1	3.8	3.6
Core pre-provision income/REA	1.0	1.2	2.1	2.8	3.0	2.9	2.8
Core cost-to-income	77.4	72.6	57.1	51.3	49.5	50.9	52.1
Return on ordinary equity	3.8	7.9	7.7	7.4	8.0	6.6	6.1
Loan growth	11.1	15.7	12.4	-7.8	3.0	5.5	5.0
CET1 ratio	21.9	25.1	25.2	29.7	32.5	35.6	36.7
Tier 1 ratio	21.9	25.1	25.2	29.7	32.5	35.6	36.7

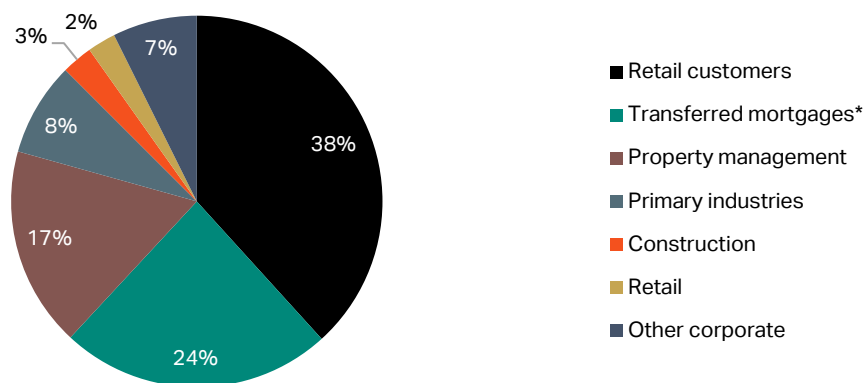
Source: company and NCR. e—estimate. REA—risk exposure amount. CET1—common equity Tier 1. All metrics adjusted in line with NCR methodology.
*Assumes a 2.0pp increase in the CET1 ratio due to implementation of EU Capital Requirements Regulation III.

ISSUER PROFILE

Sörmlands Sparbank was 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 Föreningsparbanken (now Swedbank). Sörmlands Sparbank is owned by Sparbanksstiftelsen Sörmland, a foundation which uses dividends from the bank to support the local community. The bank is one of the largest savings banks in Sweden, with a total of SEK 54.5bn in business volumes (on balance sheet loans and deposits as well as transferred mortgage loans and savings volumes) and SEK 15.5bn in net lending on its books as of 30 Jun. 2024. Sörmlands Sparbank has 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.

Sörmlands Sparbank is based in Katrineholm in the county of Södermanland (also called Sörmland). The bank's other core markets are 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.

Figure 2. Gross loans by sector/type, including transferred loans, 30 Jun. 2024



Source: company. *To Swedbank Hypotek AB.

OPERATING ENVIRONMENT

Operating environment

We consider a balance of national and regional factors in our assessment of the bank's operating environment. Sörmlands Sparbank has high exposure to the local economy and its real estate sector. The region has higher unemployment than the Swedish average and it has also proven more volatile, given the importance of the manufacturing sector.

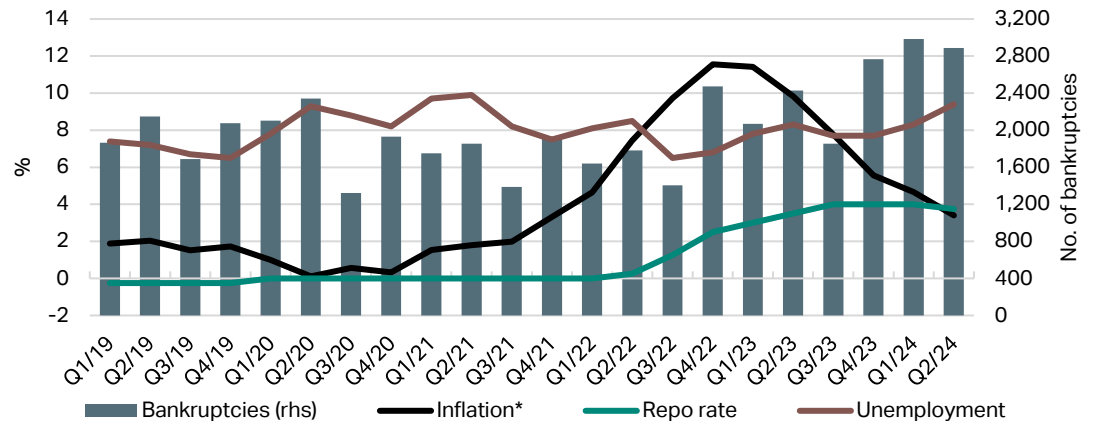
National economy weakened but stable

National factors

We anticipate that Swedish banks will continue to benefit from widened net interest margins even as the Swedish central bank revises its policy rates over the next few quarters. Signs of economic growth in 2024 and projected growth in 2025 should also support credit risk and ensure that unemployment does not rise substantially. We believe that investment decisions continue to reflect high economic uncertainty and expect that demand for corporate and retail credit will not accelerate significantly until 2025.

Market growth projections for 2025 reflect expectations that investment will recover and lead to a rebound in credit growth. Lower interest rates should increase disposable income and fuel further recovery in housing prices. We believe banks will see a recovery in retail deposit growth, although competition will continue to pressure margins, supporting our belief that net interest margins have peaked for most banks. However, we do not expect Sweden to return to extremely low interest rates in the next few years. Most conventional banks should consequently maintain strong net interest margins and robust cost efficiency.

Figure 3. Swedish economic indicators, Q1 2019–Q2 2024



Sources: Swedish Agency for Growth Policy Analysis, Statistics Sweden, Swedish Public Employment Service, central bank. *Average monthly inflation in the quarter.

Bankruptcies have increased in recent quarters, and many other companies are experiencing cash flow issues. Consequently, we believe that risk limits and rigorous underwriting standards will prove important for many banks. Sectors reliant on private consumption are likely to continue to struggle and negatively impact property managers, which are under pressure in terms of interest coverage and property valuations. Rising costs and low numbers of new projects remain a concern for the construction sector. We concur with an assessment by the Swedish Financial Stability Board that banks with lending to the commercial real-estate sector will experience more loan losses from small companies, rather than from large companies with significant market debt. We expect actual loan losses in the sector to remain manageable due to generally high levels of securitisation backing conventional bank lending to the real-estate sector.

Regional unemployment higher than the national average

Sörmlands Sparbank's core market is 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, with lower and less volatile housing prices than in the capital region. These factors have contributed to modest population growth in Nyköping, though population levels have stagnated or declined in the bank's other core markets over the last five years, including in Katrineholm, where the population has contracted since 2020.

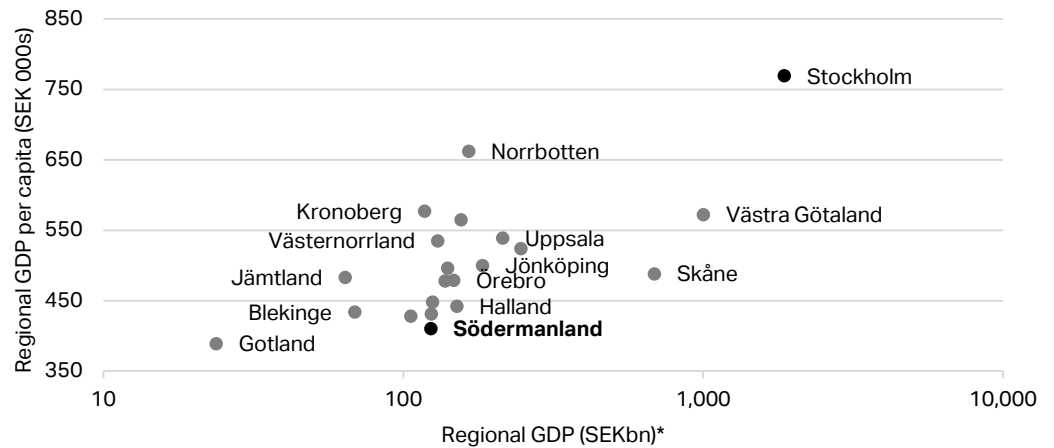
Regional, sectoral and cross-border factors

Figure 4. Sörmlands Sparbank core markets

Municipality	Population, Dec. 2023	Population change last 5 years	Expected population change, 2023–2033	Unemployment, Aug. 2024	Unemployment, Aug. 2023
Katrineholm	34,324	-0.7%	-0.1%	8.7%	8.4%
Nyköping	58,200	3.9%	3.2%	7.3%	7.2%
Flen	15,668	-6.2%	-6.2%	11.0%	11.5%
Vingåker	8,856	-3.1%	-4.3%	8.3%	7.6%
Oxelösund	12,106	0.4%	-0.9%	7.6%	7.4%
Core markets	129,154	0.6%	0.3%	8.2%	8.1%
Sweden	10,521,556	3.1%	2.3%	6.8%	6.3%

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

Figure 5. Regional GDP and regional GDP per capita for Swedish counties, 2022



Source: Statistics Sweden. *Log scale.

Employment levels have weakened over the past year in most of the bank's core markets, and Södermanland county continues to have one of the highest unemployment rates in Sweden (8.7% as of Aug. 2024). The over 20% unemployment rate among foreign-born residents (4.8% among those born in Sweden) is the main driver of Södermanland's high unemployment. Still, foreign-born employment has risen steadily in recent years. Lower employment has contributed to Södermanland ranking towards the bottom of Swedish counties in terms of regional GDP per capita.

Except for Nyköping, Sörmlands Sparbank's core markets depend heavily on manufacturing, which is sensitive to swings in the international economy, as the county's economic growth compared with the domestic average shows. The county, which accounts for about 2% of the Swedish economy, has nevertheless had several periods of declining GDP in the last 15 years. The county had strong economic growth of around 10% in 2021 and 2022 following the COVID-19 pandemic. We view Södermanland's economy as relatively volatile, however, and believe that it has lagged the national average in 2023 and 2024.

RISK APPETITE

Risk appetite assessment

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 in the agricultural sector, but low single-name concentrations.

Risk governance proportional to the bank's complexity

Risk governance

In our view, Sörmlands Sparbank's risk governance framework, risk appetite, limit monitoring, risk reporting, and the bank's internal capital and liquidity adequacy assessments are in proportion to its modest risk profile. The bank has few sector and single-name concentrations that might negatively affect its capital position or liquidity risk. The bank is the largest of ten savings banks that co-own Svealands Risk and Compliance AB. This structure provides second-line risk management resources and direct contact with the bank's board of directors via regular risk reporting. The bank has reduced staff in recent years but maintains front-office employees and its cooperation with Swedbank to combat money laundering, though we believe there is room for improvement in this area.

Sörmlands Sparbank incorporates sustainability into all corporate 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 in the early stages of evaluating the environmental impact of its customers' operations and physical and transitional risk in its real-estate exposure. The bank has committed to work towards the UN's principles for responsible banking, sustainable lending practices, and fair and equal employment opportunities.

Capital

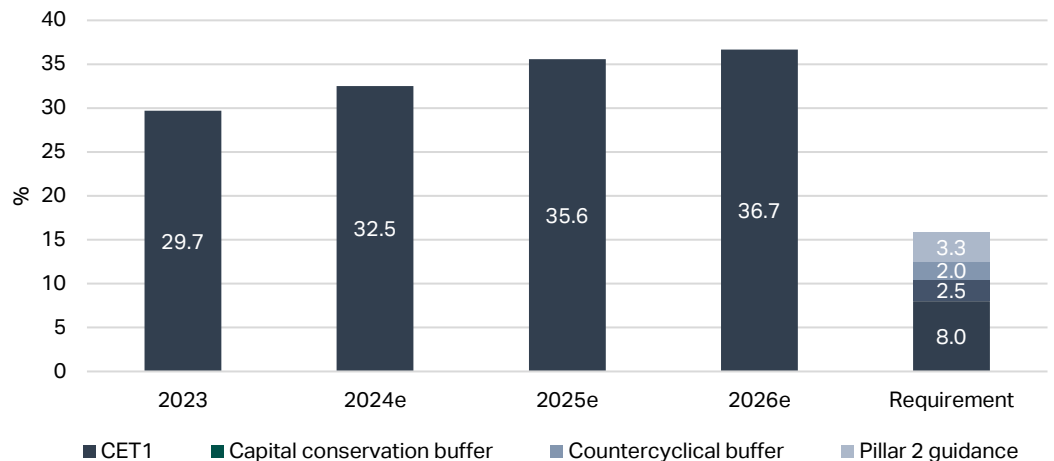
Very strong capital ratios set to improve further

Sörmlands Sparbank's CET1 ratio was 27.8% as of 30 Jun. 2024 (28.8% including 50% of year-to-date net profit). We forecast it will approach 35% by 2026. Our CET1 ratio projection is more than double the current regulatory requirement of 15.8%, including 3.3pp in Pillar 2 guidance from the regulator. The capital base is comprised entirely of equity and reflects a leverage ratio of 12.3% as of 30 Jun. 2024, which is well above the 3% domestic regulatory requirement.

We expect the bank will grow mainly by retaining a higher share of mortgage loans and refinancing transferred loans on its own balance sheet. We project only 3% loan growth in 2024, due to low domestic demand, before increasing to 5.5% in 2025. We understand that the bank may use the excess capital resources to boost growth by reducing its share of transferred loans or increasing corporate lending if market conditions improve. Our forecast also includes an annual dividend of 10% of net profit to the owner foundation and annual dividend payments from Swedbank.

The EU's Capital Requirements Regulation III (CRR3), a new standard method for calculating capital requirements for credit risk, is scheduled to come into force in Sweden from 1 Jan. 2025. The new method is more risk-sensitive than the current standardised capital model and is likely to reduce capital requirements significantly for savings banks. We believe that an average Swedish savings bank will improve its capital ratios by several percentage points and our forecast for Sörmlands Sparbank assumes a positive impact of 2.0pp on the CET1 ratio from 2025.

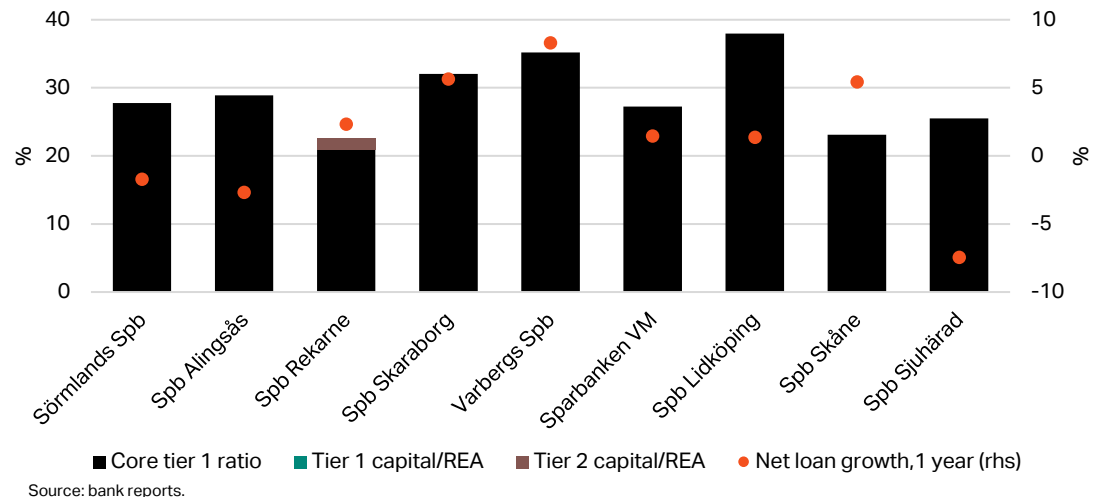
Figure 6. Forecast capital ratios vs. requirements, 2023–2026e



Source: company, e-estimate. Assumes 2.0pp increase in the CET1 ratio due to implementation of CRR3 in 2025.

Sörmlands Sparbank's regulatory capital base excludes its 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. 2024, the amount deducted from the capital base was around SEK 1.1bn of the SEK 1.5bn market value of Swedbank shares on the balance sheet. Our view of Sörmlands Sparbank's capitalisation would not be affected if the bank deducted the remaining market value of the Swedbank shares from its capital base.

Figure 7. Swedish savings banks' capital ratios and loan growth , 30 Jun. 2024



Capital market financing likely to stabilise

Funding and liquidity

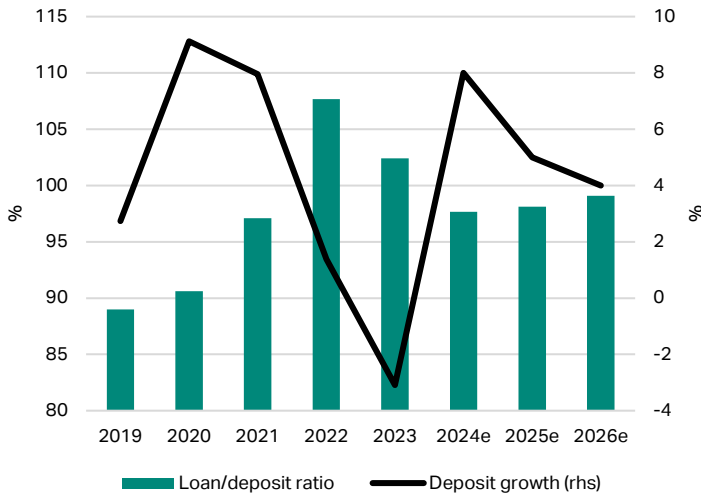
We regard Sörmlands Sparbank's funding and liquidity management as a strength. Sörmlands Sparbank has a high volume of relationship-based retail deposits and the ability to transfer mortgage loans to Swedbank Hypotek. The bank has strong regulatory liquidity coverage and stable funding ratios although they are approaching its internal limits. As of 30 Jun. 2024, the net stable funding ratio was a robust 149%. The bank typically maintains its liquidity coverage ratio well above 300% and reported 565% as of 30 Jun. 2024.

The bank has SEK 2.6bn in senior bonds outstanding as of 30 Jun. 2024 under a SEK 3bn medium-term note programme, with SEK 732m maturing by the end of 2024. It repurchased some of the maturing bonds in combination with its SEK 500m bond issuance in May 2024. We expect bond volumes closer to SEK 2.2bn in our forecast, and we believe customer deposits will support projected loan growth over the coming years. We forecast the loan-to-deposit ratio to remain just below 100% (100% as of 30 Jun. 2024).

The bank has very strong liquidity buffers. Including the value of its shares in Swedbank, liquid assets comprised 44.5% of deposits (33.3% excluding Swedbank shares). The bank has successfully developed a green bond framework, which will make future debt issuance more attractive to investors.

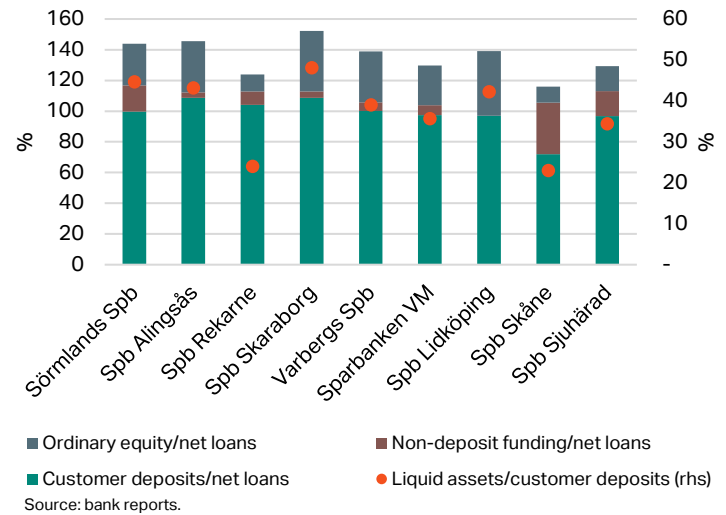
Sörmlands Sparbank's cooperation with Swedbank provides various funding benefits. The bank has transferred SEK 4.8bn in residential mortgages to Swedbank Hypotek, which pays a commission in return. This is an increase of SEK 650m since end-2022, though we project the bank will grow by retaining a higher share of mortgage loans on its own balance sheet. We continue to see the relationship as supportive of liquidity management, as evidenced by the bank's temporary actions to improve its liquidity over the last two years by transferring a high share of loans to Swedbank.

Figure 8. Deposit metrics, 2019-2026e



Source: company, e-estimate.

Figure 9. Swedish savings banks' funding profiles, 30 Jun. 2024



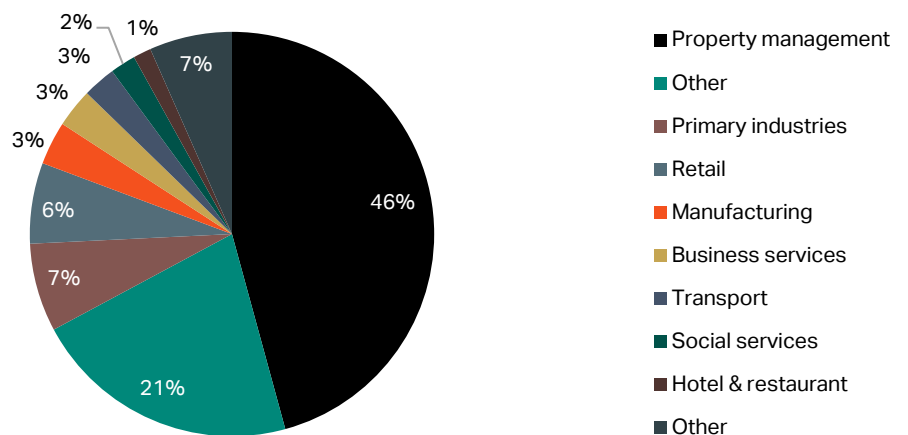
Source: bank reports.

High share of real-estate lending

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 4.8bn in transferred mortgages). Housing prices and real-estate values in the region began to recover in 2024, aligning with the broader Swedish housing market, as interest rates dropped. Nonetheless, many borrowers with fixed-interest loans will face higher repricing, since many of these loans were taken out in 2021 and 2022.

Sörmlands Sparbank's lending is focused on private individuals and small and midsize enterprises with primary operations and employment in their own core markets. The bank's growth in recent years stems from financing a larger proportion of transferred mortgage loans on its balance sheet. Lending to the agricultural sector is primarily associated with family-owned farms and forest owners rather than large, industrial-scale farmers.

Figure 10. Gross corporate loans by sector, 30 Jun. 2024



Source: company.

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 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 low exposure to high-risk industries, with modest exposures to construction, retail, and hotels and restaurants.

Credit risk

Sörmlands Sparbank's SEK 4.8bn 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 the commission paid when write-downs of transferred loans occur. The maximum risk associated with the transferred loans has been reduced due to lower margins since the onset of higher interest rates in early 2022 and is now around SEK 30m a year (SEK 45m in 2021) based on four-quarter loan commission income.

Low market risk and modest exposure to other risks

Other risks

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. Aside from Swedbank shares, the bank has a strategic ownership stake in fund company Indecap AB (jointly owned along with about 35 other savings banks), Svealands Risk and Compliance, and insurance company Sparbankernas Försäkring AB (with 57 other savings banks).

COMPETITIVE POSITION

Competitive position

Sörmlands Sparbank has a strong position in its core markets, with a market share of around 30% in Nyköping, where competition from larger banks is more prevalent, and around 60% in Katrineholm and other key locations. The bank's primary local competitor is Länsförsäkringar Bank, while larger banks service larger corporations in the region. Competition from larger banks, challenger mortgage institutions, and nearby savings banks dampens local margins but has not materially affected the bank's ability to attract and retain customers, in our view.

We consider Sörmlands Sparbank's role within its core markets as a positive rating factor and see its strong sense of social responsibility as the most important component of the bank's environmental, social and governance profile. The bank pays out 10% of its profit to support local activities through its owner foundation.

PERFORMANCE INDICATORS

Performance indicators

Sörmlands Sparbank's core earnings have improved materially as higher interest rates contributed to widened net margins. In addition, the bank has reduced operational expenses by trimming staff. Earnings are buoyed by high dividends from Swedbank. However, with interest rates now falling, we expect net margins will weaken in the short term. We believe cost efficiency improvements will support the bank's resilience to somewhat elevated credit losses due to the weak economy.

Improved cost efficiency supports earnings as interest margins contract

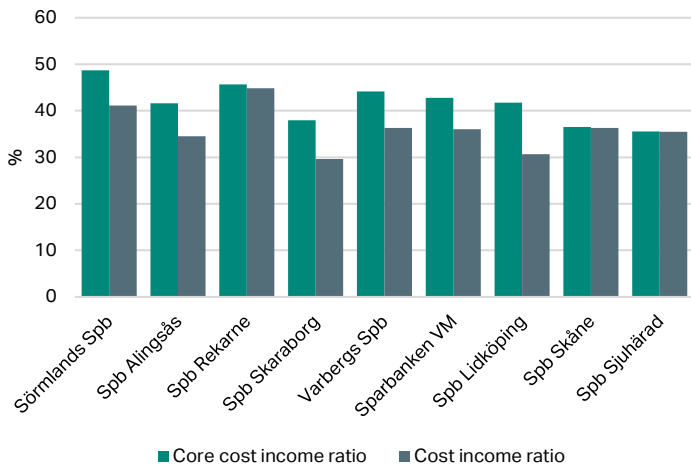
Earnings

Higher interest rates have materially improved Sörmlands Sparbank's net interest margins. We forecast the bank will maintain some of the strengthened margins as it finances a portion of fixed mortgages at higher interest rates in the next few quarters, even as interest rates fall.

In addition to its revenue gains, Sörmlands Sparbank has significantly improved cost efficiency. Together, these factors result in a projected core cost-to-income ratio of around 50% during our forecast period, even as interest margins narrow (compared with 87% in 2019). In addition, better cost efficiency has led to a jump in risk-adjusted pre-provision income to REA. The implementation of CRR3 is expected to reduce the bank's REA from 2025, offsetting some of the declines in pre-provision earnings as rates fall. We project core risk adjusted earnings in 2024-2026 of 2.8%-3.0% (up from 0.6% in 2019) and 3.6%-4.1%, including dividends from Swedbank.

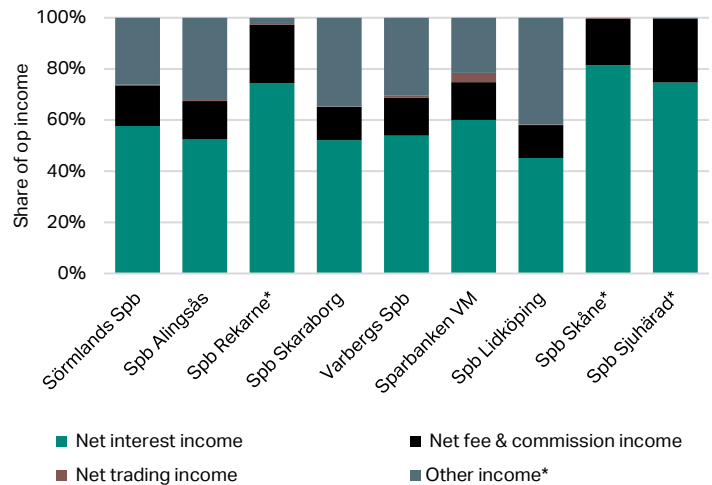
Dividends, primarily from Swedbank, have contributed more than SEK 300m since end-2020. Our forecast includes payments of around SEK 80m annually for 2025 and 2026. However, we believe a risk exists that Swedbank could reduce or cancel its dividend payments over the next few years to offset fines by US and European authorities in connection with alleged money laundering. Because the bank has no control over such income and dividend payments are not guaranteed, our forecast considers pre-provision income both including and excluding other income.

Figure 11. Swedish savings banks' cost efficiency metrics, year to 30 Jun. 2024



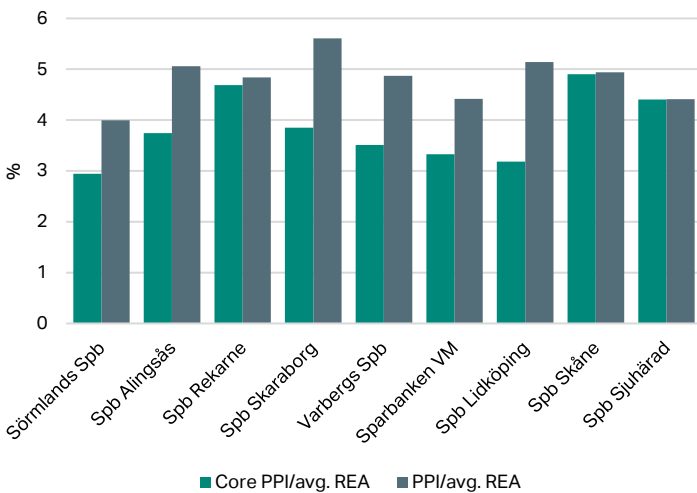
Source: bank reports.

Figure 12. Swedish savings banks' split between income groups, year to 30 Jun. 2024



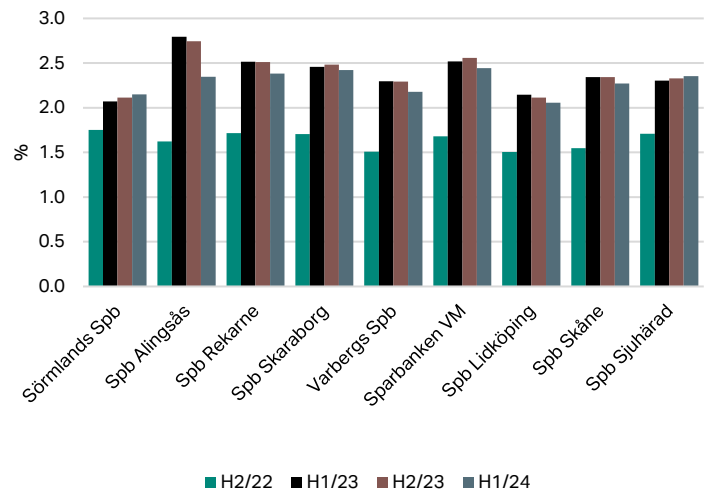
Source: bank reports. *Does not receive dividends from Swedbank AB.

Figure 13. Swedish savings banks' PPI to REA, year to 30 Jun. 2024



Source: bank reports. PPI-pre-provision income.

Figure 14. Swedish savings banks' annualised net interest margins, H2 2022–H1 2024



Source: bank reports.

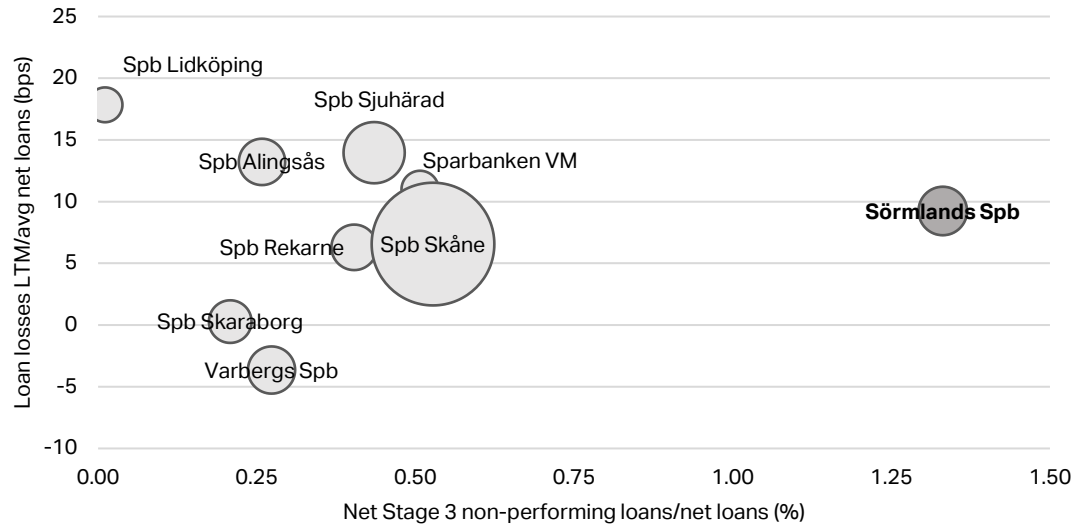
Legacy Stage 3 loans steadily declining

Loss performance

A 2016 legacy exposure, which led to a 75bp credit loss in the same year and large recoveries in 2020 and the first half of 2021, still hampers Sörmland Sparbank's asset quality metrics. In the 12 months ended 30 Jun. 2024 the bank reported modest losses of SEK 7m, equating to approximately 4 bps of average net loans over the period. We project the bank will have somewhat higher loss levels for the remainder of 2024 and in 2025 before declining in 2026.

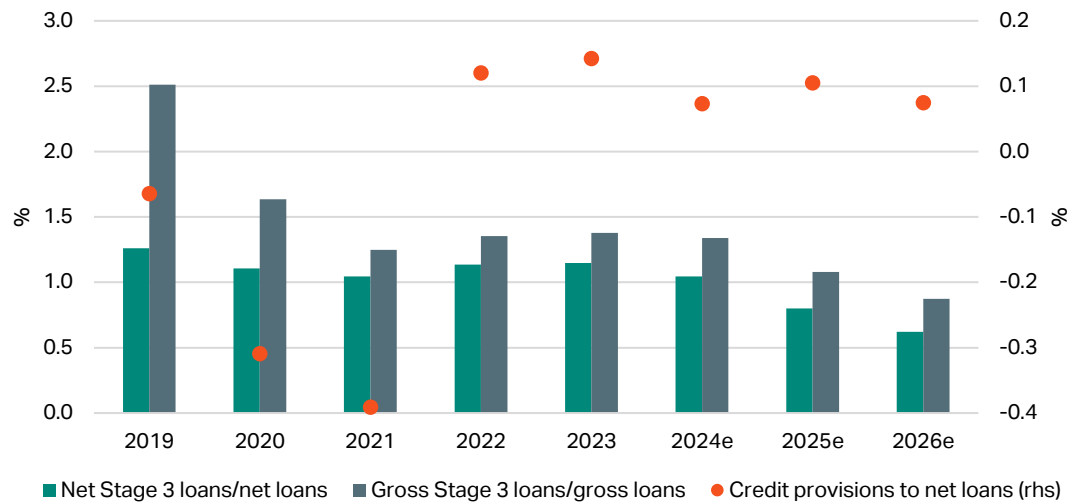
Excluding legacy exposures, the bank's Stage 3 exposures would be well within the range of its domestic peer group's metrics. We anticipate that new Stage 3 loans will increase but be offset by the resolution of legacy Stage 3 loans.

Figure 15. Swedish savings banks' asset quality metrics, 30 Jun. 2024



Source: bank reports. Bubble sizes reflect net loan volumes. LTM-last 12 months.

Figure 16. Asset quality metrics, 2019–2026e



Source: company, e-estimate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

We consider ESG factors throughout our analysis, when they are material to our credit assessment of Sörmlands Sparbank. In aggregate, we view the bank's ESG profile as having a moderately positive impact on its creditworthiness.

Figure 17. Priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Social engagement in local community	Benefit from close connection to narrow regional markets.	Competitive position (++) Funding & liquidity (+) Earnings (0)
Physical climate risk to collateral	Climate-related damage to real-estate collateral (closely linked to supervision of insurance). Longer-term effects on market values in flood risk areas.	Credit risk (-) Loss performance (0)
Green-bond framework	Diversity of funding sources, access to additional markets/investors.	Funding & liquidity (+)
Anti-money laundering capacity	Risk of sanctions and fraud due to insufficient reviews of customers.	Risk governance (-)
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 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

Support analysis

Sörmlands Sparbank is 100% owned by its owner foundation whose main income comes from modest 10% annual dividends that the bank pays. The foundation uses the funds to support various activities in the local community. In our view, the foundation has limited resources to support the bank if it were to require a capital injection.

ISSUE RATINGS

Our 'A-' rating on Sörmlands Sparbank's senior unsecured debt is in line with the 'A-' long-term issuer rating.

SHORT-TERM RATING

The short-term rating is 'N2', in line with our definition for the 'A-' long-term issuer rating.

METHODOLOGIES USED

- (i) [Financial Institutions Rating Methodology](#), 14 Feb. 2024.
- (ii) [Rating Principles](#), 14 Feb. 2024.
- (iii) [Group and Government Support Rating Methodology](#), 14 Feb. 2024.

RELEVANT RESEARCH

- (i) [Nordic consumer banks' earnings continue to offset elevated provisions](#), 10 Sep. 2024
- (ii) [Norwegian savings banks' capitalization boosted by CRR3](#), 26 Jun. 2024
- (iii) [Swedish savings banks face weaker earnings and low loan growth in 2024](#), 6 Feb. 2024
- (iv) [Norwegian savings banks face margin squeeze in 2024](#), 11 Dec. 2023

Figure 18. Sörmlands Sparbank key financial data, 2020–Q2 2024 YTD

Key credit metrics (%)	FY 2020	FY 2021	FY 2022	FY 2023	Q2 2024 YTD
INCOME COMPOSITION					
Net interest income to op. revenue	65.0	50.4	59.5	70.4	57.7
Net fee income to op. revenue	33.1	28.3	20.7	18.3	15.9
Net trading income to op. revenue	-0.1	2.0	6.6	0.3	0.3
Net other income to op. revenue	2.0	19.4	13.2	11.0	26.2
EARNINGS					
Net interest income to financial assets	1.6	1.4	1.8	2.1	2.1
Net interest income to net loans	2.1	1.9	2.3	2.8	3.0
Pre-provision income to REA	1.0	2.4	3.4	3.5	5.2
Core pre-provision income to REA (NII & NF&C)	1.0	1.2	2.1	2.8	3.1
Return on ordinary equity	3.8	7.9	7.7	7.4	10.9
Return on assets	0.6	1.3	1.3	1.3	2.0
Cost-to-income ratio	75.9	57.1	45.8	45.5	35.6
Core cost-to-income ratio (NII & NF&C)	77.4	72.6	57.1	51.3	48.4
CAPITAL					
CET1 ratio	21.9	25.1	25.2	29.7	27.8
Tier 1 ratio	21.9	25.1	25.2	29.7	27.8
Capital ratio	21.9	25.1	25.2	29.7	27.8
REA to assets	54.1	47.2	49.1	45.2	45.7
Dividend payout ratio				10.7	
Leverage ratio	11.8	11.8	11.7	12.9	12.3
GROWTH					
Asset growth	10.4	12.8	4.8	3.0	6.4
Loan growth	11.1	15.7	12.4	-7.8	2.1
Deposit growth	9.1	8.0	1.4	-3.1	4.3
LOSS PERFORMANCE					
Credit provisions to net loans	-0.31	-0.39	0.12	0.14	0.01
Stage 3 coverage ratio	32.81	16.48	16.30	17.09	16.26
Stage 3 loans to gross loans	1.63	1.25	1.35	1.38	1.58
Net stage 3 loans to net loans	1.11	1.04	1.14	1.15	1.33
Net stage 3 loans/ordinary equity	5.00	4.67	5.39	4.47	4.91
FUNDING & LIQUIDITY					
Loan to deposit ratio	90.6	97.1	107.7	102.4	100.2
Liquid assets to deposit ratio	33.0	32.1	26.0	39.8	44.9
Net stable funding ratio	155.0	145.0	139.0	150.0	149.0
Liquidity coverage ratio	381.2	339.1	329.0	571.0	565.0
Key financials (SEKm)					
BALANCE SHEET					
Total assets	17,432	19,666	20,619	21,247	22,596
Total tangible assets	17,432	19,666	20,619	21,247	22,596
Total financial assets	17,286	19,506	20,467	21,090	22,449
Net loans and advances to customers	12,672	14,662	16,482	15,192	15,508
Total securities	2,464	2,871	2,876	3,554	3,772
Customer deposits	13,986	15,099	15,307	14,834	15,473
Issued securities	368	867	1,416	2,206	2,646
of which other senior debt	368	867	1,416	2,206	2,646
of which subordinated debt	-	-	-	-	-
Total equity	2,803	3,278	3,475	3,901	4,200
of which ordinary equity	2,803	3,278	3,475	3,901	4,200
CAPITAL					
Common equity tier 1	2,069	2,327	2,553	2,852	2,869
Tier 1	2,069	2,327	2,553	2,852	2,869
Total capital	2,069	2,327	2,553	2,852	2,869
REA	9,437	9,282	10,134	9,600	10,336
INCOME STATEMENT					
Operating revenues	393	522	604	633	405
Pre-provision operating profit	95	224	327	345	261
Impairments	-37	-53	19	23	1
Net Income	104	240	259	273	221

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

Figure 19. Sörmlands Sparbank rating scorecard

Subfactors	Impact	Score
National factors	10.0%	a-
Regional, cross border, sector	10.0%	bb+
Operating environment	20.0%	bbb
Risk governance	5.0%	bbb+
Capital	17.5%	aa
Funding and liquidity	15.0%	a
Credit risk	10.0%	bbb-
Market risk	-	-
Other risks	2.5%	a
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 20. Capital structure ratings

Seniority	Rating
Senior unsecured	A-

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