

Sparbanken Skaraborg 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 Sparbanken Skaraborg AB reflects the bank's strong capitalisation, moderate risk appetite, solid local market 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 still-high interest rates to continue to support the bank's relatively strong core earnings profile, together with dividend revenues from holdings of Swedbank shares.

The rating is constrained by Sparbanken Skaraborg's relatively weak core markets and significant exposure to regional commercial real-estate and agriculture. It is also constrained by our ongoing concerns about single-name concentrations, real-estate collateral values, and the bank's competitive position as it focuses on customers outside its core markets.

STABLE OUTLOOK

The outlook is stable, reflecting our expectation that Sparbanken Skaraborg's strong capitalisation and improved earnings are sufficient to offset the possibility of higher loan losses following sharp increases in Stage 3 lending in 2024. The outlook also reflects our base-case expectation that the proportion of Stage 3 loans will decline from 2025, and that current levels of Stage 3 lending will not lead to significant realised losses. It further reflects our expectation that the regional economy where the bank operates will remain relatively weak for most of 2025. We expect the bank to improve its already strong capital ratios due to modest credit growth and prudent dividend payments to its owner foundation, and to maintain its relationship with Swedbank.

POTENTIAL POSITIVE RATING DRIVERS

- A higher rating is unlikely at this time, given that earnings and capitalisation are already strong.

POTENTIAL NEGATIVE RATING DRIVERS

- Continued elevated Stage 3 loans (1.5-2% of total net loans over a protracted period).
- A deteriorating operating environment leading to reduced regional growth, asset quality and collateral values.
- A decline in the common equity Tier 1 (CET1) capital ratio to below 22%.

Figure 1. Key credit metrics, 2020–2026e

%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	1.6	1.4	1.7	2.5	2.4	2.3	2.1
Loan losses/net loans	-0.10	-0.30	0.13	-0.04	0.06	0.10	0.07
Pre-provision income/REA	1.8	3.4	3.5	5.2	5.4	4.8	4.0
Core pre-provision income/REA	1.8	1.8	2.4	3.9	3.7	3.4	2.9
Core cost-to-income	49.4	51.5	47.9	38.1	38.5	40.7	43.8
Return on average equity	4.4	8.3	6.3	8.7	8.4	7.2	6.3
Loan growth	0.9	10.9	11.2	7.6	0.5	9.0	10.0
CET1 ratio*	23.5	28.7	32.1	34.3	35.9	36.8	36.3

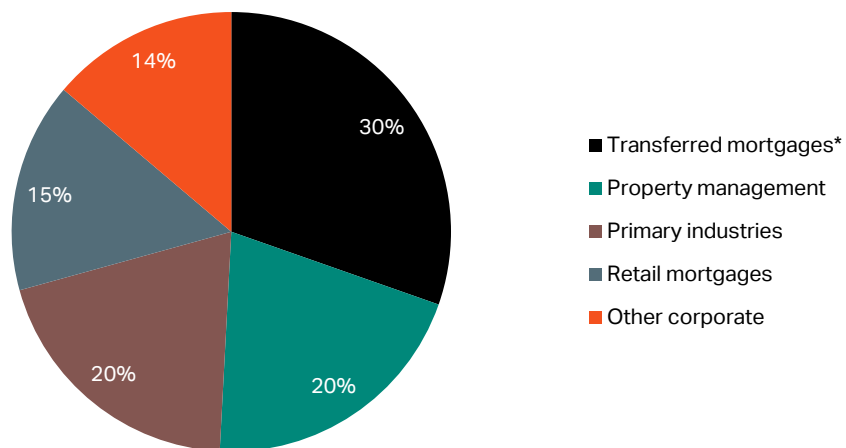
Source: company and NCR. e—estimate. REA—risk exposure amount. All metrics adjusted in line with NCR methodology. Core represents net interest income and net fee & commission income. *Including estimated effect of new EU capital requirements from 2025.

ISSUER PROFILE

Sparbanken Skaraborg is one of Sweden's 10 largest savings in terms of total business volumes (including loans and savings transferred to Swedbank), which amounted to SEK 42.5bn at 30 Sep. 2024. This included SEK 11.7bn in net loans on the bank's own books and an additional SEK 5.6bn in transferred loans. It operates primarily in four municipalities in Västra Götaland county in southwestern Sweden; Skara, Vara, Essunga, and Götene. The bank is also active in other areas of what was previously Skaraborg county, including the municipalities of Falköping, Skövde, and Mariestad. Established in 1847, it is wholly owned by Sparbanksstiftelsen Skaraborg, a foundation that receives dividends from the bank.

Sparbanken Skaraborg has a history of cooperation with Swedbank, which enables material product diversity and shared IT costs, as well as providing the opportunity to finance commercial and retail mortgage lending via Swedbank Hypotek AB (publ), Sweden's largest issuer of covered bonds. The bank has transferred one-third of its total loan book, including transferred loans, to Swedbank Hypotek, one of the highest proportions of transferred lending by a Swedish savings bank. On its own books, Sparbanken Skaraborg's main loan exposures include retail mortgage loans and loans to the property management sector and agriculture.

Figure 2. Gross loans by sector/type (including transferred loans), 30 Sep. 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 operating environment. Sparbanken Skaraborg has a high proportion of agricultural exposure and operates in a small, regional market, with about two-thirds of lending associated with its core markets and over one-third of its customers in closely linked communities in the former Skaraborg county.

National economy weak but stable

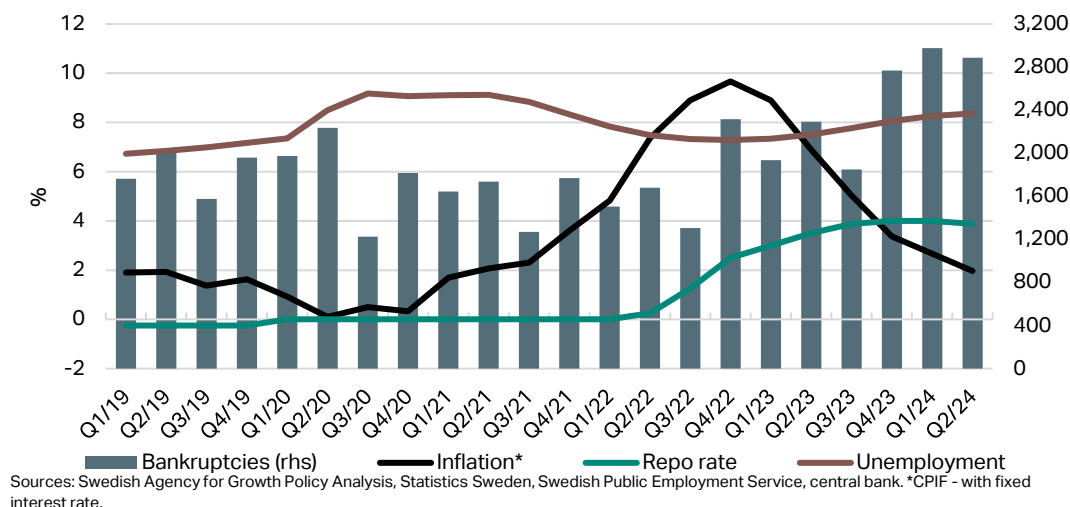
National factors

We anticipate that the Swedish banking environment will remain stable in 2025, supported by positive, but muted, growth and only moderate increases in unemployment. While the central bank has been lowering policy rates gradually since May 2024, and has signalled further decreases by end-2024 and/or early in 2025, banks have been able to strengthen their capital ratios in recent years due to strong earnings. We expect no drastic reductions in policy rates and believe earnings will remain stronger than before 2022. Gradual improvements in investment sentiment, and rising housing prices should support loan demand, enabling balance sheet growth and lessening pressure on interest margins.

Market growth projections for 2025 suggest 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 view that net interest margins have likely peaked at

most banks. We expect most domestic banks to maintain strong net interest margins and robust cost efficiency.

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



Bankruptcies have increased in recent quarters, and many companies have been 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 with a negative impact on property managers. Imminent concerns for the real estate sector have diminished, but rising vacancies remain a risk. Construction and development growth remains weak, and the construction sector faces particularly elevated risk. 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.

Growing proportion of exposures outside core markets

Sparbanken Skaraborg's core markets are among Sweden's main agricultural regions, which is reflected in the bank's high proportion of agricultural lending. Skara has a more industrial profile than the other core markets, as do neighbouring municipalities where the bank has nearly one-third of its customer base and in which it has established satellite offices. The four core municipalities combined have only 53,500 inhabitants, which is small in comparison with the markets of larger savings banks. All four municipalities have lower unemployment rates than the national average but are also projected to have materially lower population growth over the next two decades.

Regional, sectoral, and cross-border factors

Figure 4. Core markets

Municipality	Population, 2024	Expected population change, 2024–2040	Unemployment, Oct. 2024	Unemployment, Oct. 2023
Skara	18,596	-2.7%	5.8%	5.3%
Vara	16,049	-0.5%	4.6%	4.3%
Essunga	5,654	-0.4%	4.6%	4.6%
Götene	13,192	-2.7%	4.3%	3.8%
Falköping*	32,897	-2.5%	6.2%	5.7%
Mariestad*	24,633	-0.2%	5.0%	4.3%
Skövde*	58,019	6.5%	5.0%	4.4%
Sweden	10,577,720	4.1%	6.9%	6.4%

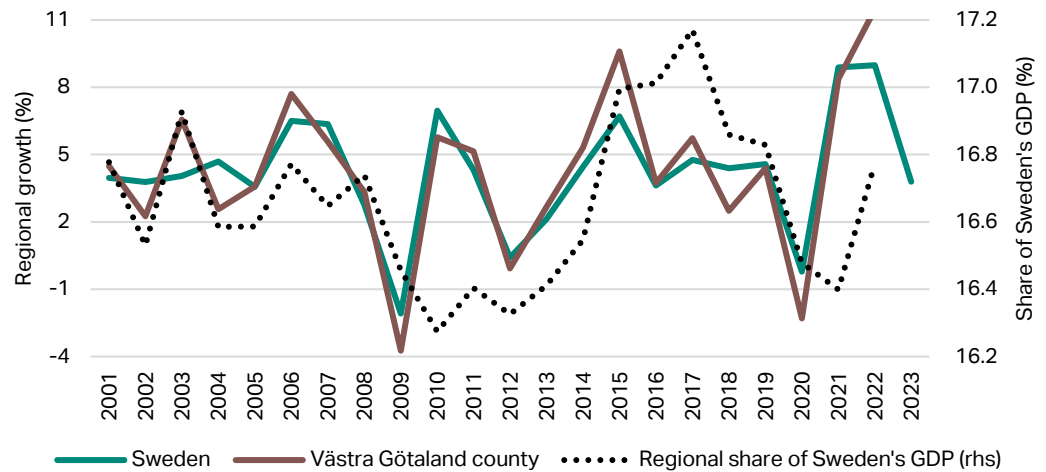
Source: Statistics Sweden, Swedish Public Employment Service. *Not officially a core market but still important for the bank.

The lack of growth in the local market has contributed to the bank's high proportion of customers outside its core markets, primarily in Falköping, Mariestad, and Skövde, which supports our view of the overall market. Many of the bank's core customers commute to larger towns and cities, and the entire region is likely to benefit from Volvo's plans to establish a battery factory in Mariestad, to the north of the bank's core markets. We consider the presence of a small number of important industrial

employers and the high proportion of agricultural lending in our weighting of sectoral and regional factors compared with national factors.

The bank's core markets are in Västra Götaland county, which is Sweden's second-largest county in terms of population and gross regional product. The county accounts for around 17% of Sweden's GDP and has demonstrated strong growth in recent years. However, the bank's core markets make up only a minor portion of Västra Götaland's 1.7 million population and have lower median incomes and a higher proportion of low-income workers than the Västra Götaland average.

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



Source: Statistics Sweden.

RISK APPETITE

Risk appetite assessment

Sparbanken Skaraborg has a low risk profile, which reflects the bank's substantial capital and liquidity buffers, retail deposit base, and ability to transfer loans to Swedbank. The bank has a relatively low proportion of residential lending on its own balance sheet, and consequently has a relatively high proportion of agricultural, multifamily housing and commercial real-estate exposure.

Risk governance largely proportional to complexity

Risk governance

Sparbanken Skaraborg's 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. In our view, Sparbanken Skaraborg's risk appetite, limit monitoring, and risk reporting are largely in line with those of other large savings banks, and the bank has a good track record of solid risk performance and low risk tolerance. The bank manages anti-money laundering activities and know-your-customer processes internally, in addition to cooperation with Swedbank.

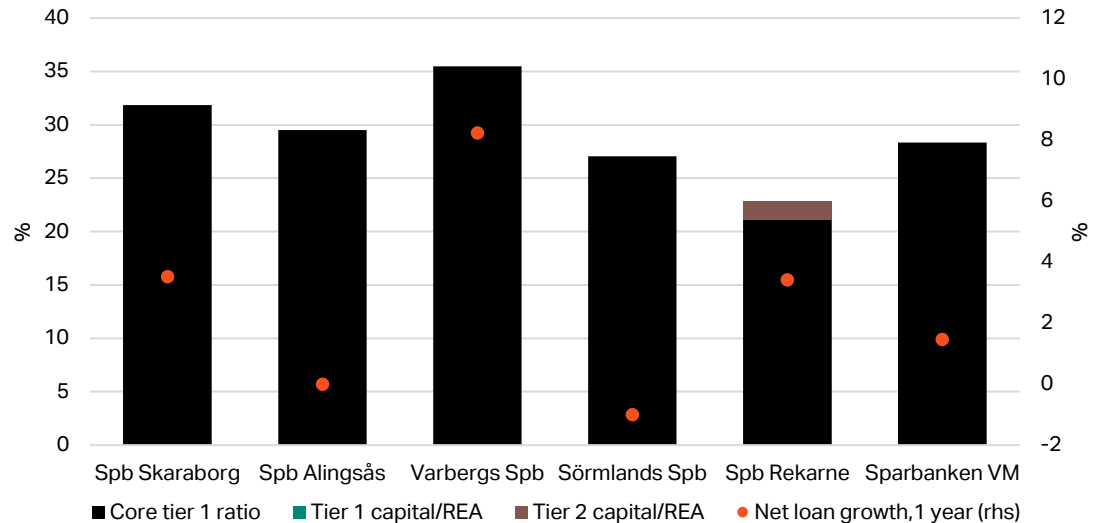
Sparbanken Skaraborg has established a green bond framework and issued a first green bond in February 2024. Establishing the framework has increased the internal focus on the environmental impact of customers' borrowing, and the bank is actively working to increase the proportion of loans that qualify under the framework. The bank assesses the sustainability of significant corporate customers and employs a sustainability coordinator.

Capital buffers strong

Capital

Sparbanken Skaraborg's CET1 ratio was 31.8% as of 30 Sep. 2024 (34.9% including net profit in the first nine months). We expect a capital ratio of between 35% and 36% through 2026, excluding an expected positive impact of about 1pp as a result of implementation EU's Capital Requirements Regulations III (CRR3) in 2025. Following muted growth in 2024, we expect an acceleration in loan growth through 2026, primarily in corporate lending with higher risk weights than mortgage lending. Growth in risk-weighted assets is mostly offset by continued strong earnings and dividends from the bank's holdings of Swedbank shares. Including Pillar 2 guidance of 2.92%, the bank is well above its total capital requirement of 15.4%.

Figure 6. Swedish savings banks' capital ratios and loan growth, 30 Sep. 2024



Source: bank reports.

Sparbanken Skaraborg's 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 Sep. 2024, Sparbanken Skaraborg's CET1 ratio would have been 26.9% if the entire market value of the shares had been deducted from the capital base.

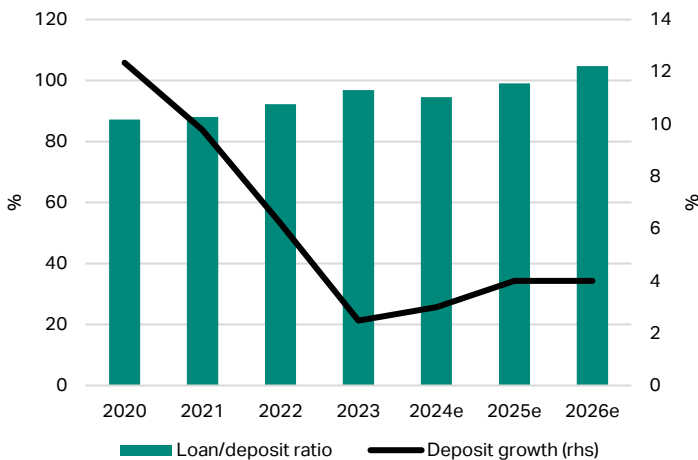
Liquidity supported by a high proportion of loyal customer savings

We view Sparbanken Skaraborg's management of funding and liquidity as in line with that of its savings bank peers, due to a high proportion of relationship-based retail deposits and the ability to transfer mortgage loans to Swedbank's mortgage arm, Swedbank Hypotek. As of 30 Sep. 2024, the bank's liquidity coverage ratio was 321% and its net stable funding ratio 126%. Both ratios are well above regulatory requirements and the bank's internal policy level of 110%. As of 30 Sep. 2024, the bank held liquid assets of 47%, including shares in Swedbank, and had a loan-to-deposit ratio of 95%. The bank has an internal limit, based on lending to deposits and issued debt, of below 120%. We expect that the bank will focus on loan growth rather than deposit growth over the next few years, using excess liquidity and additional debt, if needed.

In February 2024, Sparbanken Skaraborg issued a first bond under a new green bond framework. The bank has excess liquidity, and we expect only modest need for market funding. Access to the debt market is nonetheless positive for funding diversity.

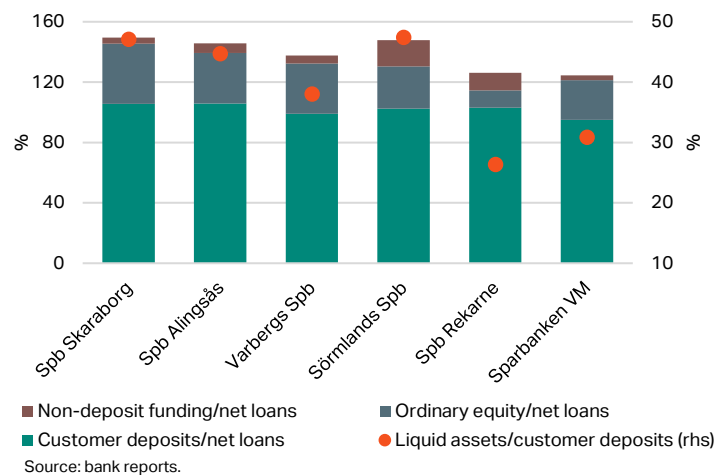
Funding and liquidity

Figure 7. Deposit metrics, 2019-2026e



Source: company, e-estimate.

Figure 8. Swedish savings banks' funding, 30 Sep. 2024



Source: bank reports.

Sparbanken Skaraborg's cooperation with Swedbank provides various funding benefits. As of 30 Sep. 2024, the bank had transferred SEK 5.3bn in residential mortgage loans to Swedbank Hypotek, compared with SEK 12.1bn in net loans on its own balance sheet. The bank maintains about SEK 2.7bn

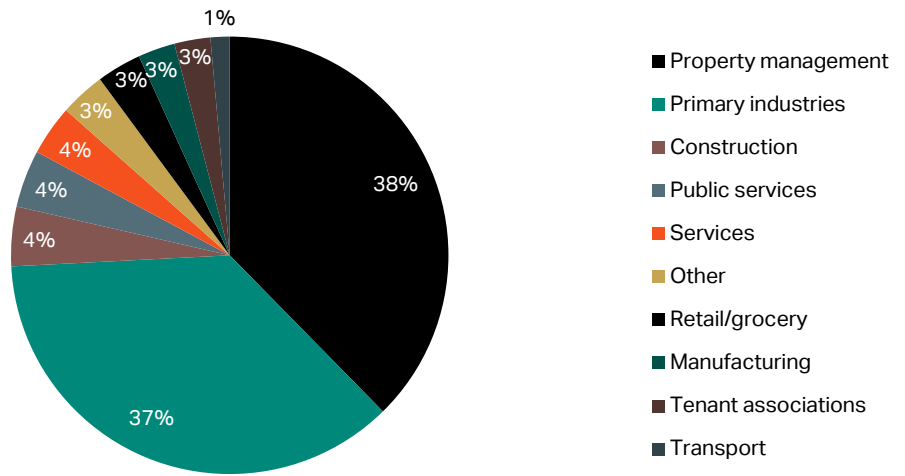
Credit risk

in mortgage lending on its own books, some of which could be transferred to Swedbank Hypotek, if necessary. 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. The bank also has an SEK 500m credit facility with Swedbank.

High proportion of agricultural and real-estate lending

Sparbanken Skaraborg has natural geographic and sectoral risk concentrations, which are addressed through various sector limits in the bank's risk appetite framework. Due to the high proportion of residential mortgages transferred to Swedbank Hypotek, the bank has a higher proportion of agricultural and corporate lending on its on-balance-sheet than its domestic peers. This results in higher single-name concentrations. The bank's geographic focus is not only on its core markets, where it has a dominant market share, but also on neighbouring communities, where it is seeking future growth.

Figure 9. Corporate gross loans by sector (excluding transferred loans), 30 Sep. 2024



Source: company.

Sparbanken Skaraborg's lending is largely collateralised by local property, with 77% of on-balance-sheet loans associated with residential, commercial or agricultural properties (or 84% including transferred loans). We are concerned about risk arising from the property management sector as a result of still-high interest rates, cost inflation, and a risk for rising vacancies. While housing prices in the bank's operating region are lower and less volatile than the national average, significant risk remains in terms of collateral valuations of commercial real estate.

Sparbanken Skaraborg's concentrated agricultural exposure reflects the above-average percentage of agriculture-related employment in the local economy. However, rising costs and unpredictable weather have put pressure on the sector, which faces periods of cash flow constraints. The agriculture sector is volatile, despite a history of low credit risk. While the bank's exposure to the sector is diverse, significant single-name concentrations exist. Increases in climate volatility and higher temperatures could negatively affect the performance of agricultural businesses to which the bank has significant exposures. We believe the bank's sustainability efforts will help to identify areas of concern and reduce risk over time.

Sparbanken Skaraborg's growth in recent years has been driven by financing a large proportion of transferred mortgage loans on its own balance sheet. The SEK 5.6bn in mortgage lending transferred to Swedbank Hypotek has a first-loss risk associated with the transferred loans that results in a reduction in commission fees paid when write-downs of transferred loans are necessary. The maximum risk associated with transferred loans is capped at the level of the bank's annual commission, which was SEK 23m in full-year 2023, and SEK 17m in the first nine months of 2024.

Other risks

Modest investment portfolio risk

Sparbanken Skaraborg has reduced the spread and credit risk in its fixed-income investment portfolio in recent years, which we see as positive for reducing exposure capital market volatility. Interest rate risk in the banking book is moderated by variable interest rates on a large proportion of the bank's loans and the use of interest rate hedges.

Sparbanken Skaraborg's relatively large holdings of Swedbank shares (9.55m shares at 30 Sep. 2024) ensure it has a meaningful voice alongside other savings banks that own Swedbank shares, either directly or via their respective owner foundations. Our assessment of Sparbanken Skaraborg's earnings performance focuses on core earnings, though we include projected dividends in our forecast of the bank's capital. As well as its holdings of Swedbank shares, the bank has shares in Indecap Holding AB and Sparbankernas Försäkrings AB.

COMPETITIVE POSITION

Competitive position

Sparbanken Skaraborg is a relatively large Swedish savings bank. It has a strong position in its core markets, with a market share of around 60%, according to the bank. The low level of competition in its core markets is due in part to large Swedish banks closing branches or reducing branch access, but also due to low growth prospects. As a result, the bank has a higher proportion of lending outside its core market than many other savings banks. Of the bank's 40,000 retail and 6,000 commercial customers, about 17,000 are located outside the four core municipalities of operation. Efforts to grow outside the core market are an established part of the bank's strategy, and satellite offices serve neighbouring towns. Our view of the bank's competitive position is negatively affected by the high percentage of customers and future growth prospects outside its core markets, where it faces intense competition.

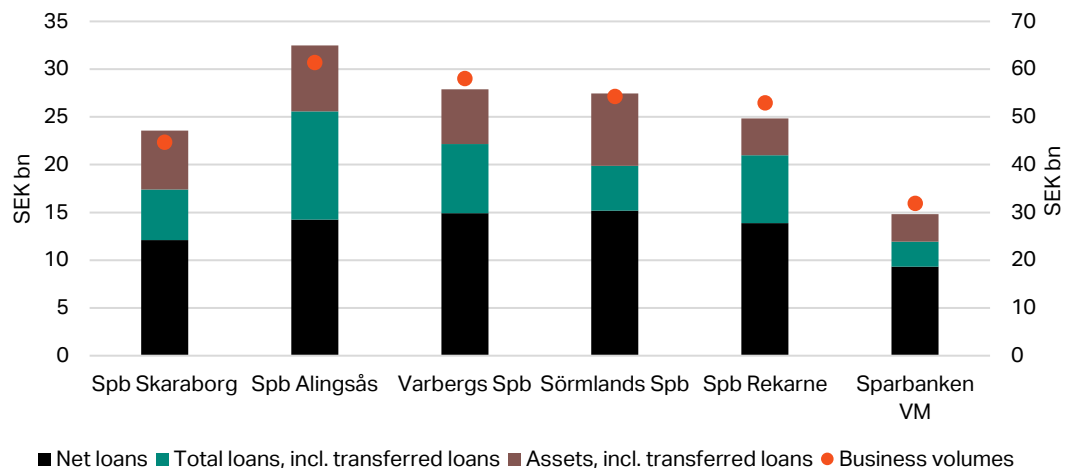
Like other savings banks, Sparbanken Skaraborg benefits from community involvement. The bank pays out a proportion of its profit in dividends to its owner foundation, which uses the proceeds to support local activities. This proportion is generally 15%, which enables the foundation to invest in local community initiatives. We believe the bank's focus on sustainability and its environmental footprint supports its standing in the community.

PERFORMANCE INDICATORS

Performance indicators

We expect Sparbanken Skaraborg's earnings to continue to benefit from still-high interest rates, even though policy rates have been lowered and are likely to fall further. The bank has historically maintained better-than-average cost efficiency in its core business, with dividends from Swedbank generating additional funds and strengthening the capital base. The bank has had modest loan-loss provisions so far in 2024, but we expect them to rise by year-end, and remain at higher levels through 2026 due to increasing Stage 3 loans.

Figure 10. Swedish savings banks' total assets and net lending, 30 Sep. 2024



Source: bank reports.

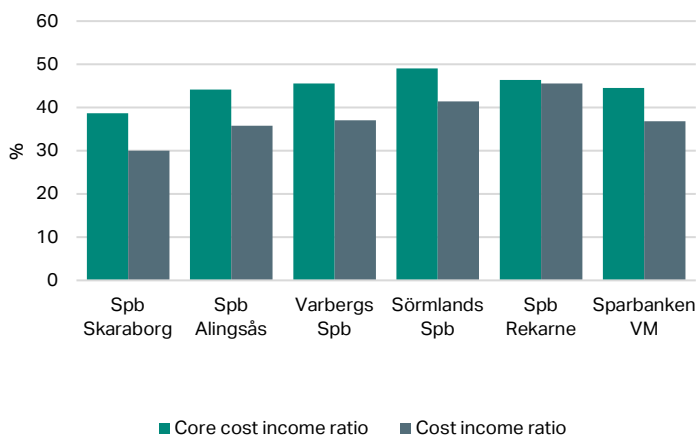
Earnings

History of core cost efficiency, improved by high net interest margins

Sparbanken Skaraborg reported a net interest margin of 2.43% in the first three quarters of 2024, down from 2.54% in full-year 2023, but markedly higher than the 1.45% recorded in 2021, the last full year when zero policy rates were in place. We believe that the bank's margins peaked in 2023 and expect them to decline but remain above recent historical levels over our forecast period. The bank's focus on growth in corporate lending on its balance sheet is likely to protect margins from any sharp decline, however the large liquidity portfolio will likely see a relatively rapid decline in returns.

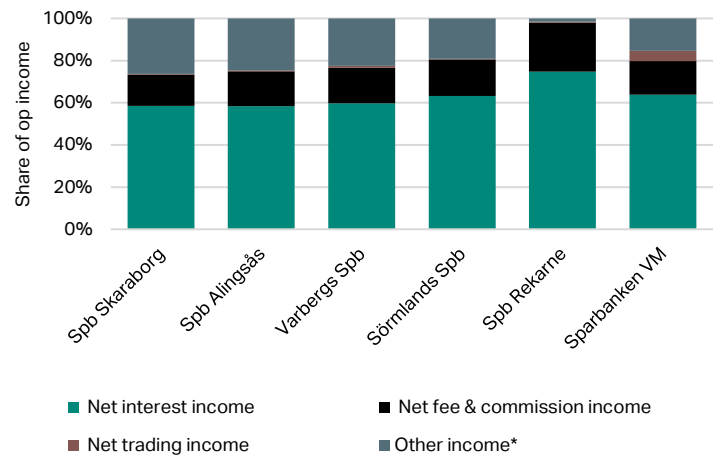
We expect some improvements in net fee and commission income as Sparbanken Skaraborg continues to transfer mortgage loans to free up liquidity to increase on-balance-sheet corporate lending. The bank has a competitive advantage in terms of core cost efficiency, particularly in terms of fee and interest income. While we project the core cost-income ratio will increase from the 38.2% reported for the nine months to 30 Sep. 2023, we believe that the bank will maintain its relative advantage in this area.

Figure 11. Swedish savings banks' cost efficiency metrics, LTM to 30 Sep. 2024



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

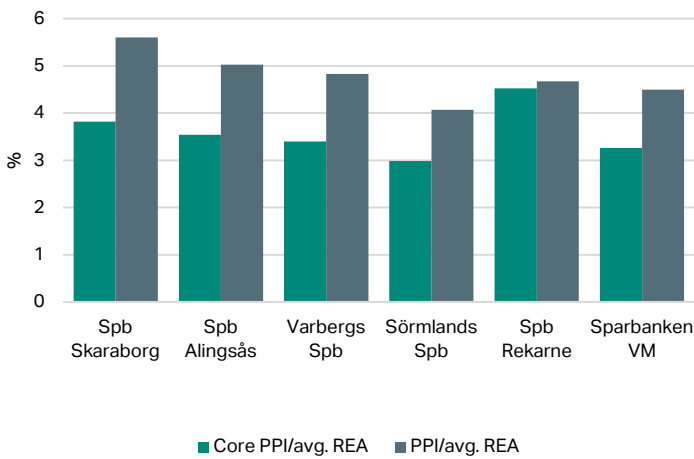
Figure 12. Swedish savings banks' split between income groups, LTM to 30 Sep. 2024



Source: bank reports. *includes dividends from Swedbank AB for all except Spb Rekarne.

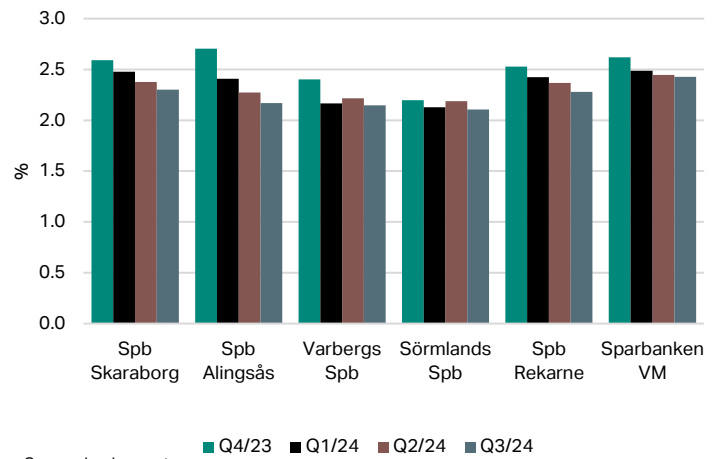
Dividends from Swedbank increase Sparbanken Skaraborg's other earnings significantly, with SEK 140m received in 2024. Our forecast includes payments of about SEK 110-129m annually for 2025 and 2026, as strong earnings should offset higher loan losses from Swedbank. However, we believe that Swedbank could 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 Sparbanken Skaraborg has no control over such income and dividend payments are not guaranteed, we focus on core earnings performance and pre-provision income, including and excluding dividends and other income, in our forecast.

Figure 13. Swedish savings banks' PPI to REA, LTM to 30 Sep. 2024



Source: bank reports. PPI-pre-provision cinome. REA-risk exposure amount.

Figure 14. Swedish savings banks' annualised net interest margins, Q4 2023–Q3 2024



Source: bank reports.

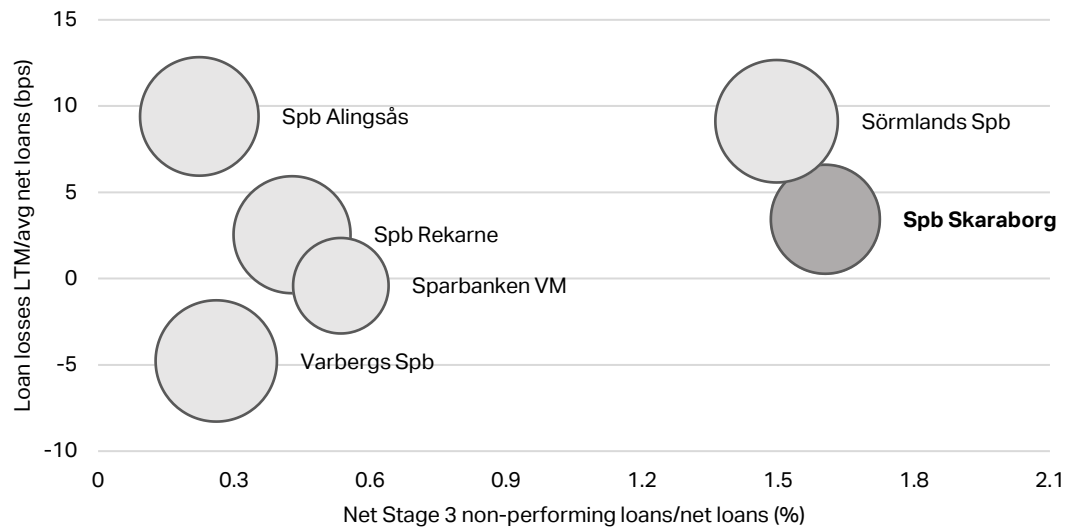
Loss performance

High securitisation levels mitigate risk of realised credit losses

Sparbanken Skaraborg has a higher proportion of corporate lending than its savings bank peers. Consequently, the proportion of net Stage 3 loans is volatile and at times high, having ranged from 0.2% of total lending to 2.29% since 2019. Despite this, the bank reported average net reversals of 5bps of loan-loss provisions in the same period. In our view, high levels of collateralisation of Stage 3 lending protect the bank against realised-losses. The bank has relatively large single-name exposures to agriculture, a sector which is prone to cash-flow volatility. Consequently, borrowers can face repayment difficulties, raising the likelihood that their loans will be categorised as Stage 3. We understand that most Stage 3 agricultural loans eventually revert to performing status.

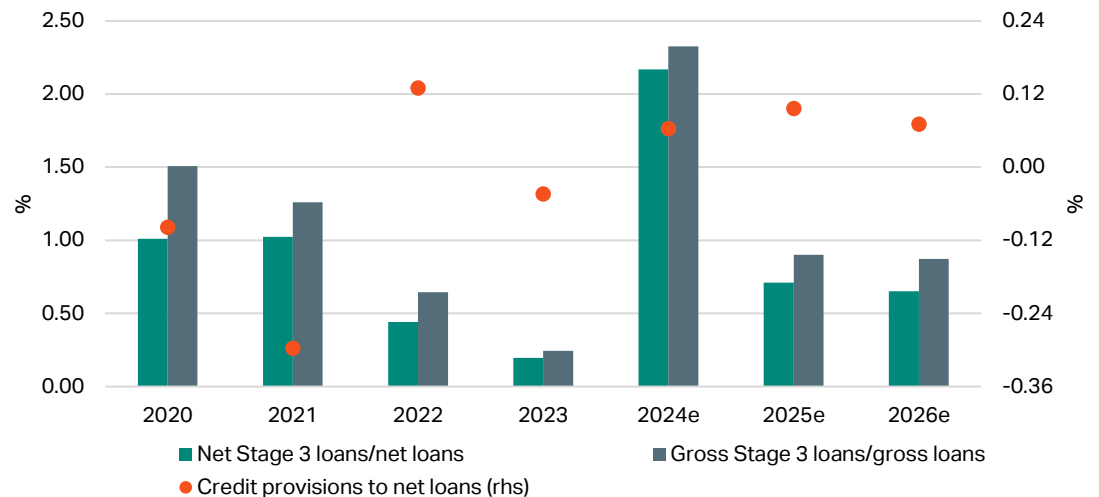
Our forecast is negatively affected by a sharp increase in net Stage 3 loans since September 2024. In our base case, we expect the loans to revert to performing status over time, or that the bank will be able to cover its losses by selling the underlying collateral. However, large exposures carry a risk that liquidating the collateral could be cumbersome.

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



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

Figure 16. Asset quality metrics, 2019–2026e



Source: company, e-estimate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

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. Priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Physical climate risk	Increased weather volatility impacting cash flow stability for primary industries. Climate-related damage to real-estate and agricultural collateral. Long-term effects on market values in flood zones.	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 (0)
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 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

Our support analysis is neutral. Sparbanken Skaraborg is 100% owned by a foundation, Sparbanksstiftelsen Skaraborg, whose main income comes from dividends from the bank. These are used to fund activities in the local community. The foundation has limited resources to support the bank.

ISSUE RATINGS

Our rating on Sparbanken Skaraborg's unsecured senior debt is in line with the 'A-' long-term issuer rating. We expect to assign 'A-' ratings to future medium-term debt issued by the bank.

SHORT-TERM RATING

The 'N2' short-term rating is the higher of two possible alternatives, given the 'A' long-term issuer rating. It reflects our assessment that the bank's liquidity is adequate on the basis of an average liquidity coverage ratio of 203% over the past four quarters.

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) [Norwegian savings banks' capitalization boosted by CRR3](#), 26 Jun. 2024
- (ii) [Credit loss uncertainty rises for Nordic consumer banks](#), 11 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
- (v) [Swedish savings banks get dividend boost after solid 2020](#), 21 Jun. 2021.
- (vi) [Q&A: Swedbank judgement and share price impacts on Swedish savings banks](#), 23 Mar. 2020.

Figure 18. Sparbanken Skaraborg key financial data, 2020–Q3 2024 YTD

Key credit metrics (%)	FY 2020	FY 2021	FY 2022	FY 2023	Q3 2024 YTD
INCOME COMPOSITION					
Net interest income to op. revenue	64.7	44.3	57.1	67.5	58.6
Net fee income to op. revenue	32.9	26.0	23.2	15.9	14.7
Net trading income to op. revenue	1.6	2.2	-2.8	1.2	0.5
Net other income to op. revenue	0.8	27.4	22.5	15.4	26.2
EARNINGS					
Net interest income to financial assets	1.6	1.4	1.7	2.5	2.4
Net interest income to net loans	2.3	2.2	2.5	3.6	3.5
Pre-provision income to REA	1.8	3.4	3.5	5.2	6.1
Core pre-provision income to REA (NII & NF&C)	1.8	1.8	2.4	3.9	3.8
Return on ordinary equity	4.4	8.3	6.3	8.7	9.8
Return on assets	1.0	2.0	1.5	2.2	2.6
Cost-to-income ratio	48.2	36.2	38.5	31.7	28.0
Core cost-to-income ratio (NII & NF&C)	49.4	51.5	47.9	38.1	38.2
CAPITAL					
CET1 ratio	23.5	28.7	32.1	34.3	31.8
Tier 1 ratio	23.5	28.7	32.1	34.3	31.8
Capital ratio	23.5	28.7	32.1	34.3	31.8
REA to assets	67.7	54.1	48.6	49.1	48.7
Dividend payout ratio		98.0	15.5	18.6	17.6
Leverage ratio	16.2	16.0	16.1	17.5	16.3
GROWTH					
Asset growth	8.1	11.4	4.8	5.5	7.1
Loan growth	0.9	10.9	11.2	7.6	0.4
Deposit growth	12.3	9.8	6.2	2.5	2.7
LOSS PERFORMANCE					
Credit provisions to net loans	-0.10	-0.30	0.13	-0.04	0.03
Stage 3 coverage ratio	33.47	19.00	31.99	20.03	6.11
Stage 3 loans to gross loans	1.51	1.26	0.65	0.24	1.70
Net stage 3 loans to net loans	1.01	1.02	0.44	0.20	1.60
Net stage 3 loans/ordinary equity	2.83	2.77	1.29	0.54	4.03
FUNDING & LIQUIDITY					
Loan to deposit ratio	87.2	88.1	92.3	96.9	94.7
Liquid assets to deposit ratio	45.1	45.9	39.4	39.0	47.1
Net stable funding ratio	135.9	124.9	131.5	129.0	126.0
Liquidity coverage ratio	420.8	176.0	216.2	185.0	230.6
Key financials (SEKm)					
BALANCE SHEET					
Total assets	13,843	15,417	16,156	17,050	18,260
Total tangible assets	13,843	15,417	16,156	17,050	18,260
Total financial assets	13,768	15,315	15,982	16,901	18,111
Net loans and advances to customers	9,072	10,065	11,197	12,046	12,092
Total securities	3,728	4,809	4,086	4,385	5,547
Customer deposits	10,408	11,425	12,134	12,436	12,772
Issued securities	15	11	9	3	505
of which other senior debt	15	11	9	3	505
of which subordinated debt	-	-	-	-	-
Total equity	3,241	3,720	3,824	4,408	4,812
of which ordinary equity	3,241	3,720	3,824	4,408	4,812
CAPITAL					
Common equity tier 1	2,199	2,391	2,521	2,866	2,834
Tier 1	2,199	2,391	2,521	2,866	2,834
Total capital	2,199	2,391	2,521	2,866	2,834
REA	9,366	8,336	7,844	8,365	8,899
INCOME STATEMENT					
Operating revenues	322	474	466	618	545
Pre-provision operating profit	167	302	287	422	393
Impairments	-9	-28	14	-5	2
Net Income	138	290	237	357	339

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

Figure 19. Sparbanken Skaraborg rating scorecard

Subfactors	Impact	Score
National factors	5.0%	a-
Regional, cross border, sector	15.0%	bbb-
Operating environment	20.0%	bbb
Risk governance	5.0%	a-
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%	bb+
Earnings	7.5%	a
Loss performance	7.5%	bbb+
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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