

Sparbanken Västra Mälardalen

Full Rating Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N3

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RATING RATIONALE

Our 'BBB+' long-term issuer rating on Sweden-based Sparbanken Västra Mälardalen (Sparbanken VM) reflects the bank's strong capital position, low risk appetite and relationship-based deposit profile. Sparbanken VM has a cooperation arrangement with Swedbank AB, which enables material diversification of product offerings, shared IT costs and the opportunity to finance retail mortgages. We expect that the higher normalised interest rate compared with levels in past decades will continue to support the bank's core earnings profile, complemented by dividend revenues from its holdings of Swedbank shares. The rating is constrained by the bank's concentrated exposure to the Västra Mälardalen region, which has historically demonstrated volatility associated with its key role as a manufacturing centre. The rating is also constrained by Sparbanken VM's regional retail banking and SME customers, and by high real-estate exposure.

STABLE OUTLOOK

The stable outlook reflects our expectation that Sparbanken VM will maintain stronger earnings metrics than historically even as they decline from their peak. It also reflects our expectations of stable asset quality metrics and continued strengthening of capital ratios. In addition, it factors in likely negative population growth and muted economic growth in the bank's core markets and the bank's modest risk appetite. Lastly, the outlook incorporates Sparbanken VM's continuing relationship with Swedbank and expected increased credit losses in our forecast.

POTENTIAL POSITIVE RATING DRIVERS

- A material improvement in local economic conditions and growth prospects in the bank's market; and,
- Core risk-adjusted earnings maintained above 2.5% and core cost-income below 50%.

POTENTIAL NEGATIVE RATING DRIVERS

- A more significant downturn in the operating environment than we currently expect, negatively affecting asset quality, loan growth, and/or funding access.
- A material deterioration in asset quality metrics.
- A decrease in the common equity capital ratio to below 22%.

Figure 1. Key credit metrics, 2020–2026e

%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	1.5	1.4	1.7	2.6	2.5	2.3	2.2
Loan losses/net loans	0.14	-0.04	0.08	0.15	0.00	0.09	0.05
Pre-provision income/REA*	1.7	2.7	2.4	4.3	4.4	3.8	3.4
Core pre-provision income/REA*	1.8	1.6	2.3	3.5	3.3	3.0	2.8
Core cost-to-income	52.6	58.5	48.3	40.6	42.3	44.8	47.4
Return on average equity	4.6	8.4	6.4	9.3	9.9	7.7	6.8
Loan growth	5.9	9.7	3.3	1.3	2.0	5.0	5.0
CET1 ratio*	23.1	26.2	25.9	28.6	31.4	33.9	35.3

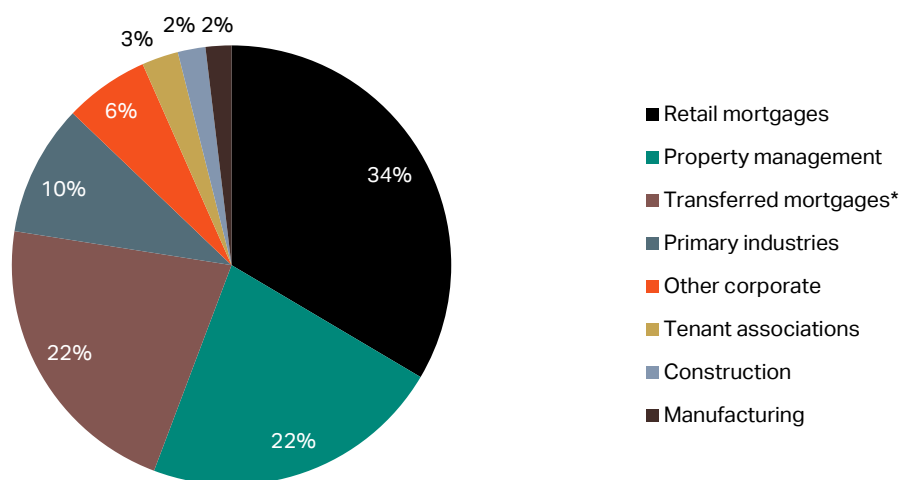
Source: company and NCR. e—estimate. REA—risk exposure amount. CET1—common equity Tier 1. All metrics adjusted in line with NCR methodology.
*Including the estimated effect of Capital Requirements Regulation III (CRR3) from 2025.

ISSUER PROFILE

A traditional savings bank, Sparbanken VM operates without an owner and focuses on customers in and around Köping Municipality in central Sweden. Like most Swedish savings banks, the bank shares a history and cooperation with Swedbank, which enables product diversification, shared costs for IT solutions and the opportunity to finance retail mortgages via Swedbank Hypotek, Sweden's largest issuer of covered bonds.

Sparbanken VM is based in Köping, with other core markets in Kungsör and Arboga municipalities in Västmanland County at the western end of Lake Mälaren, which extends to Stockholm to the east. These three communities have a total of about 50,000 residents and are in the Västra Mälardalen region, a geographical triangle comprising the municipalities of Örebro, Eskilstuna and Västerås. The region has nearly 750,000 inhabitants and a strong manufacturing industry.

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 VM operates in a few relatively small municipalities, with high exposure to the local economy, which has higher unemployment and lower population growth than the Swedish average.

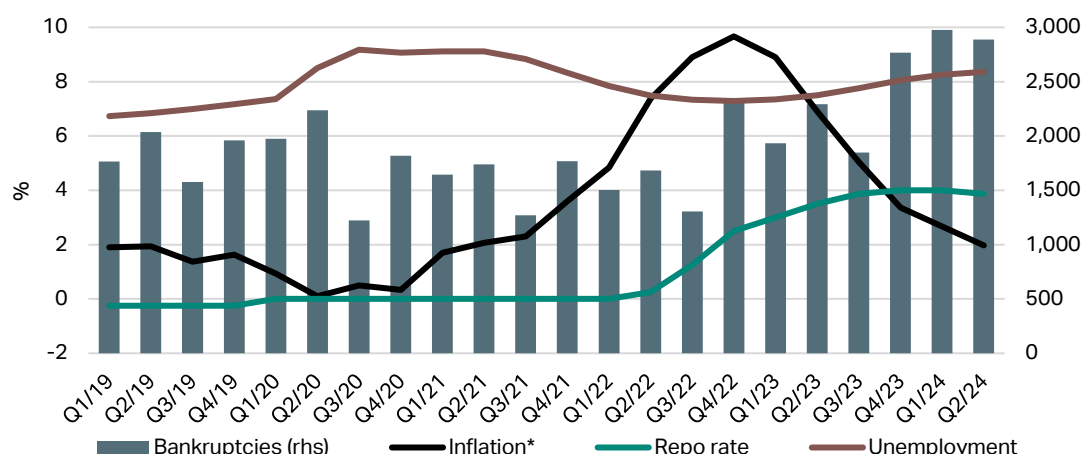
National economy weak but stable

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 squeeze 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



Sources: Swedish Agency for Growth Policy Analysis, Statistics Sweden, Swedish Public Employment Service, Riksbanken. *CPI (CPI with fixed interest rate).

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.

Regional population set to decline in coming decades

Sparbanken VM's small, core market is Västmanland County, and the bank's customers work and operate mainly in the Västra Mälardalen region, comprising the counties of Södermanland, Örebro and Västmanland. The region is an important part of Sweden's manufacturing base. Manufacturing represents 20–30% of employment in Sparbanken VM's three primary markets, compared with 10-15% at the national level. In our view, this represents a vulnerability, since manufacturing is sensitive to fluctuations in the global economy, as evidenced by the negative impact from rising commodity prices and sanctions against Russia in recent years. We will also monitor the potential application of trade tariffs by the U.S. and how this might affect global supply chains and commodity prices, as well as recent difficulties in the automotive sector.

Figure 4. Sparbanken VM's core markets

Municipality	Population, 2024	Expected population change, 2024–2040	Unemployment, Oct. 2024	Unemployment, Oct. 2023
Köping	25,901	-3.4%	8.9%	7.9%
Arboga	13,993	-0.6%	7.7%	6.0%
Kungsör	8,632	-1.2%	8.7%	7.4%
Sweden	10,577,720	4.1%	6.9%	6.4%

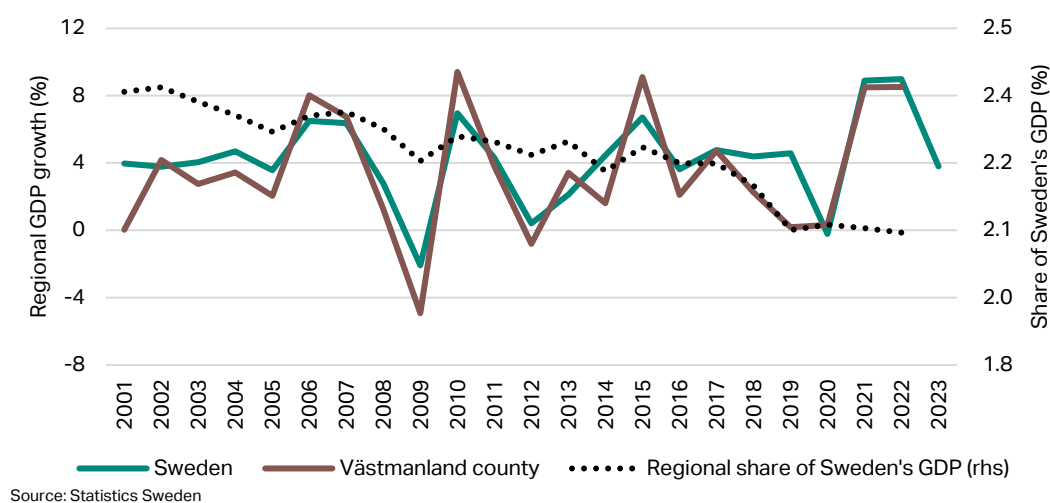
Source: Statistics Sweden, Swedish Public Employment Service.

Regional unemployment has risen faster than the national rate over the past year. Arboga's unemployment rate now surpasses the national average. A year ago, population projections from Statistics Sweden indicated steeper declines in Arboga and Kungsör, but a more moderate decrease in Köping. Notably, Arboga houses a significant military facility, that contributes to the local economy and population growth. Sweden is set to increase investments in the defence sector following its admission to NATO earlier this year. This could fuel upswings in population and economic growth in

Regional, sectoral, and cross-border factors

the region. However, the larger cities of Örebro and Västerås may absorb much of the population growth, despite their higher housing prices.

Figure 5. Västmanland's annual economic growth and share of Sweden's GDP, 2001–2023*



RISK APPETITE

Risk appetite assessment

Sparbanken VM's low risk profile is supported by the bank's strong capital ratios, high proportion of relationship-based retail deposits, access to market funding, and the ability to transfer loans to Swedbank Hypotek. The bank's high amount of secured lending is offset partly by its concentration in its local real-estate market.

Risk governance

Risk governance proportional to complexity and size

Sparbanken VM's risk governance, risk appetite and limit structure are largely proportional to the bank's complexity and size, although less developed than those of larger Nordic banks. The bank maintains its own risk resources for anti-money laundering and know-your-customer measures and is increasing its cooperation with other savings banks on these issues, while maintaining its ability to access risk resources from Swedbank. The bank's second-line risk management function is outsourced to Svealands Risk & Compliance AB, which has direct contact with the bank's board of directors by participating in regular risk reporting and board meetings.

Sparbanken VM is increasingly incorporating environmental, social and governance (ESG) factors into its credit decisions. The bank actively seeks to incentivise industrial customers to invest in local, renewable power and supports projects aimed at developing a circular economy. In addition, it is a signatory of the UN's Principles for Responsible Banking.

Capital buffer set to strengthen further after CRR3 takes effect

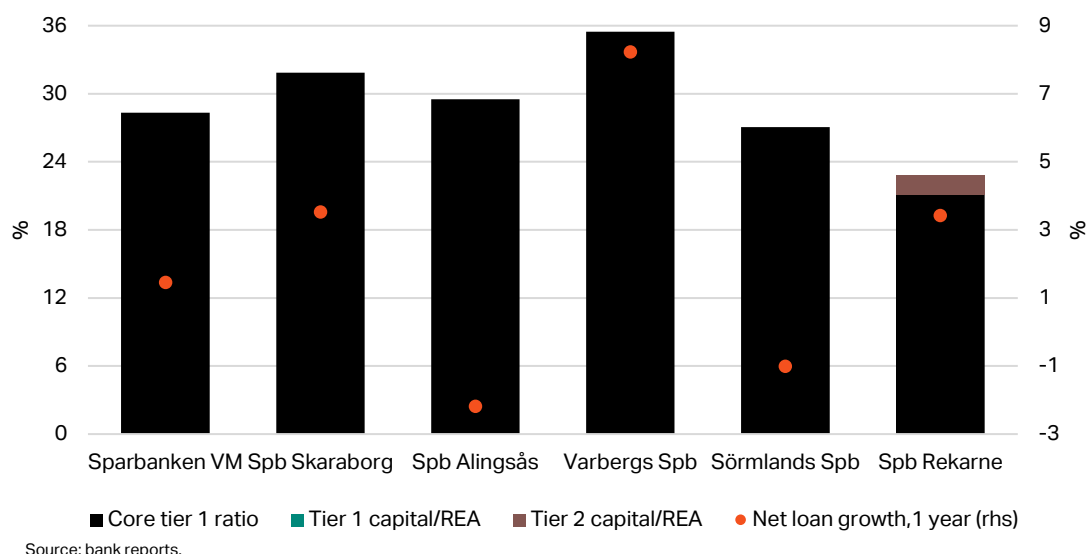
Capital

Sparbanken VM's common equity Tier 1 (CET1) ratio was 28.3% as of 30 Sep. 2024, or 31.4% including year-to-date earnings. Including the impact of the Capital Requirements Regulation III (CRR3), we expect a CET1 ratio of 31.4% in 2024, climbing to above 35% in 2026. Our capital projections include zero loan growth in 2024 and a slight acceleration to around 5% in 2025–2026. We expect continued benefits to capital from higher interest rates, even as they decline from their peak, which will at the same time dampen the bank's earnings metrics.

CRR3 will apply in all EU member states from 1 Jan. 2025, and will likely lower risk weights for banks using the standardised approach, closing some of the gap with banks using the internal ratings-based approach. We expect most Swedish savings banks using the standardised approach to gain some positive effect on their risk exposure amount after the implementation, depending on their asset characteristics. Although some uncertainty remains regarding the treatment of Swedbank shares under CRR3, most of their value will continue to be deducted, limiting the impact on Sparbanken VM's capital.

Sparbanken VM's regulatory capital base excludes its holdings of Swedbank shares, which exceed 10% of its CET1 ratio, reducing the impact of share price volatility on the bank's capital ratios. As of 30 Sep. 2024, Sparbanken VM's CET1 ratio would have been 24.8% if the entire market value of the shares were deducted from the capital base.

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



Strong customer loyalty supports funding stability as savings rates decline

We regard Sparbanken VM's funding and liquidity position as strong. Existing liquidity buffers are adequate, given the bank's relationship-based retail deposits and its ability to transfer mortgage loans to Swedbank Hypotek. As of 30 Sep. 2024, the bank's net stable funding ratio was a robust 138%, and the liquidity coverage ratio has regularly exceeded 200%, well above regulatory and internal limits. Unlike other deposit-funded peers, Sparbanken VM has had a loan-to-deposit ratio above 100% for the past couple of years. However, this is largely due to the bank's relatively small volume of Swedbank shares, also shown in the bank's somewhat lower ratio of liquid assets to deposits, which includes total securities.

Funding and liquidity

Figure 7. Deposit metrics, 2019-2026e

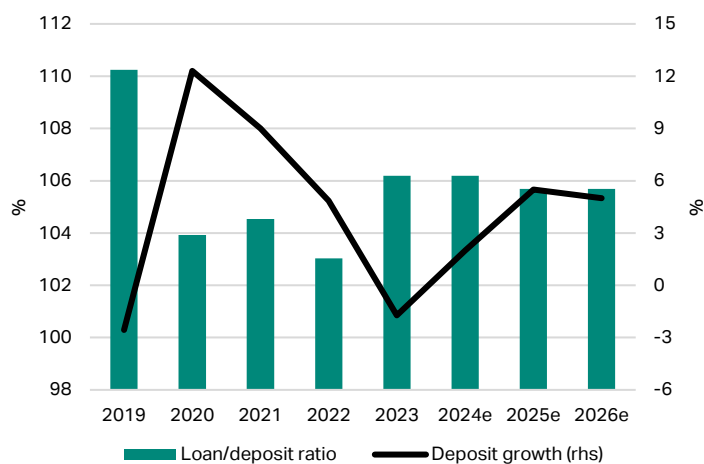
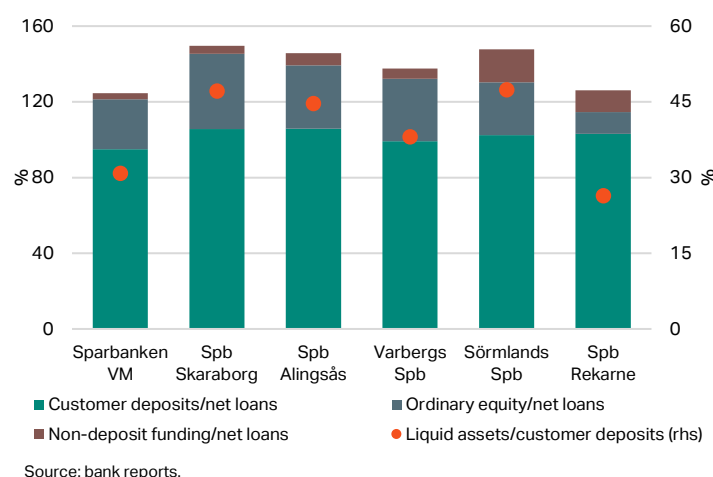


Figure 8. Swedish savings banks' funding, 30 Sep. 2024



Sparbanken VM's senior funding consists of one SEK 300m bond maturing in early 2026, and SEK 500m in loans from credit institutions. We anticipate that the bank will increase its capital market financing slightly, potentially lowering borrowing from credit institutions. Still, we expect deposit growth will pick up from 2025 and consider other funding options as a choice to diversify rather than a need. The bank has a green bond framework and issued its first green bond in August 2022.

Sparbanken VM's cooperation with Swedbank allows it to transfer residential mortgages to Swedbank Hypotek in return for a commission. The volume of transferred loans has been relatively stable since

2017. In recent years, however, amortizations have gradually reduced the volume as the bank has retained most of its new mortgage lending. We note that the bank has a relatively low proportion of loans held at Swedbank, increasing its flexibility during weak market conditions.

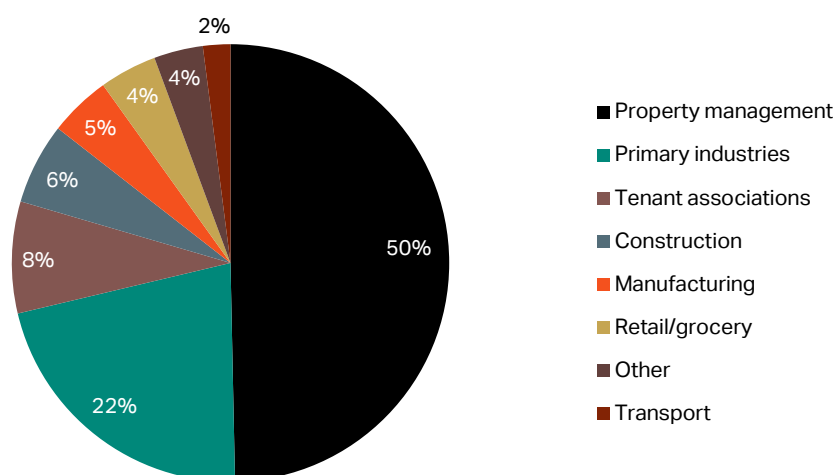
Credit risk concentrated in regional real-estate lending

Credit risk

Sparbanken VM has a material concentration of regional real-estate collateral, given that most of its customers are in its three core markets. Close to 90% of the bank's credit exposure is secured in regional housing, commercial and residential real estate, and agriculture. In addition, the bank has transferred around SEK 2.6bn in retail mortgages. We continue to observe risk in the property management sector, due to increased interest rates since 2022, cost inflation in the same period, and the risk of rising vacancies. Lending to the agricultural sector is diverse, with a sizeable proportion extended to family-owned farms and forest owners.

Sparbanken VM focuses its lending on private individuals and SMEs in its core markets, which leads to geographic concentration. This is partly offset by its retail and corporate customers' access to larger markets in Eskilstuna, Västerås and Örebro. Lending directly to the manufacturing sector is modest, although many of the bank's loan exposures could be negatively affected by volatility in the performance of the region's largest manufacturers, especially as the economy slows. The bank has relatively low exposure to high-risk industries, with modest exposures to construction, retail, and hotels and restaurants. While on-balance-sheet residential mortgage lending has remained flat, most of the bank's growth over the past year has stemmed from corporate, agriculture and real-estate loans.

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



Source: company.

Sparbanken VM's local real-estate collateral could be negatively affected by significant climate events or flooding from the region's lakes or waterways, which in turn could pressure collateral values. In addition, increases in climate volatility and higher temperatures could affect the performance of farming and forest operations in the region.

Sparbanken VM's mortgage loans transferred to Swedbank provide income via commission fees. The risk on transferred loans is limited, with a reduction in paid commissions in the event of write-downs of transferred loans.

Investment portfolio risk has decreased

Other risks

Sparbanken VM continues to reduce spread and credit risk in its fixed-income investment portfolio. Consequently, over 95% of the portfolio consists of rated investment-grade investments, compared with less than 50% at year-end 2019. These efforts have improved our view of the bank's market-related risk.

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. The bank started using hedge accounting for

interest rate derivatives in 2021, effectively reducing the negative impact of changes in value on its financial results.

Sparbanken VM owns 3.1m Swedbank shares, which ensures it has a meaningful voice alongside other savings banks that also own shares either directly or via their owner foundations. In addition, the bank has strategic stakes in Indecap Holding AB (jointly owned with over 35 other savings banks), Svealands Risk & Compliance (jointly owned with nine other savings banks) and Sparsam Administration Svealand (jointly owned with two other savings banks). It also owns 20% of Portfolio Försäkra AB (jointly owned with five other savings banks).

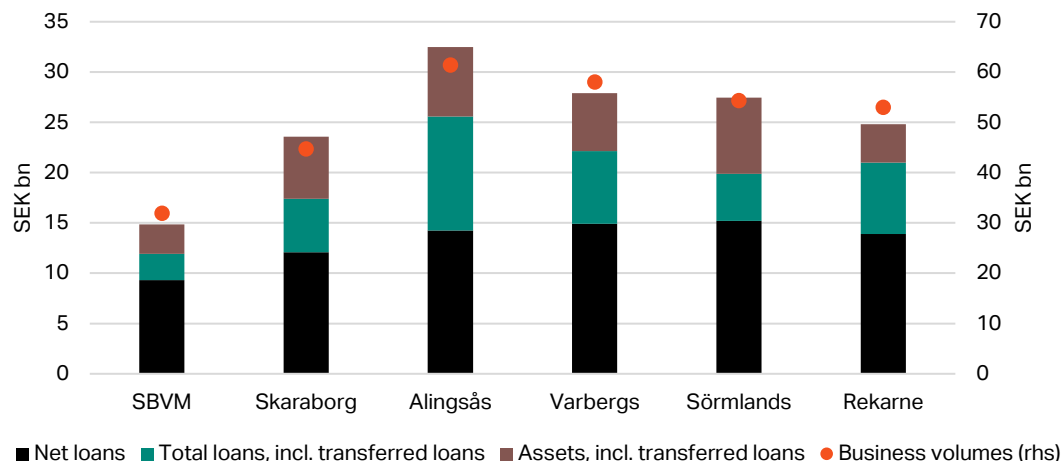
COMPETITIVE POSITION

Competitive position

Sparbanken VM has a strong position in its core markets and among local individuals and SMEs, with over 40,000 retail and 3,000 corporate customers. The bank's primary local competition comes from Handelsbanken, Nordea, and Länsförsäkringar Bank, while larger corporations in the region are serviced by larger banks. Nationally, the bank has only a minor presence. Collectively, savings banks have maintained the highest customer satisfaction score among Sweden's banks, with Sparbanken VM scoring above the subsector average. Our assessment of the bank's competitive position is, however, limited by the relatively small size and modest growth prospects of its core markets. National investments in the military are likely to benefit Arboga. It remains to be seen, however, whether these have a trickle-down effect on the economy in the bank's core markets, or if the main portion of the expected population growth, and the investments that come with that, end up in the larger cities nearby, Örebro and Västerås.

We consider Sparbanken VM's meaningful role and contributions to its local market as a positive rating factor. The bank's primary environmental, social and governance (ESG) attribute is its strong sense of social responsibility in its local communities, paying out 10% of its profit to support local activities. There are plans in place to increase this support for continued growth within the region.

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



Source: bank reports.

PERFORMANCE INDICATORS

Performance indicators

Sparbanken VM's core earnings peaked in 2023 due to higher interest rates and better net margins. We expect core earnings to continue to decline through 2025-2026 as interest rates go down. However, we expect earnings to stabilise well above levels seen during the years with zero interest rates. Loss performance has been stable despite turbulence in recent years, and we expect only modest losses in our forecast period.

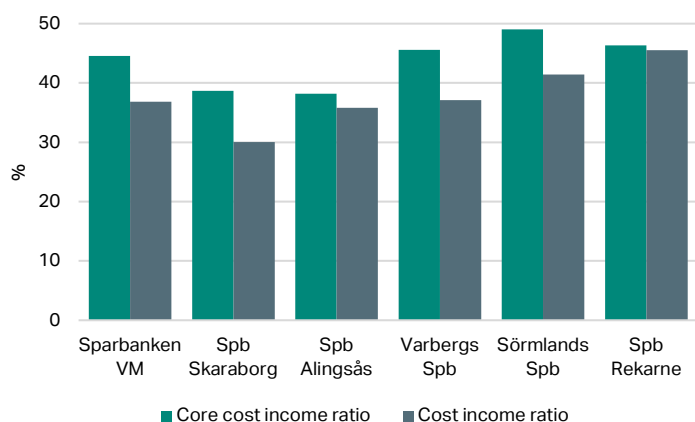
Wider interest margins have improved earnings and cost efficiency

Earnings

Rising interest rates have significantly improved Sparbanken VM's net interest margins after years of margin pressure. We anticipate a continued contraction in interest margins, as interest rates continue

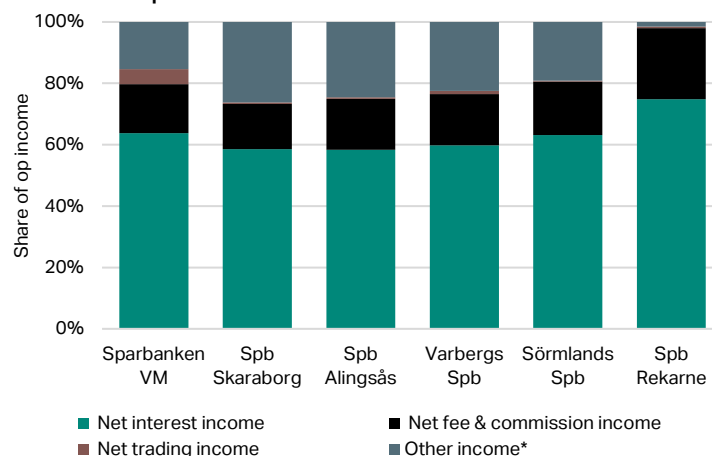
to decrease. Margins on transferred loans have narrowed significantly since 2022, and we expect them to remain modest.

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



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 Sep. 2024

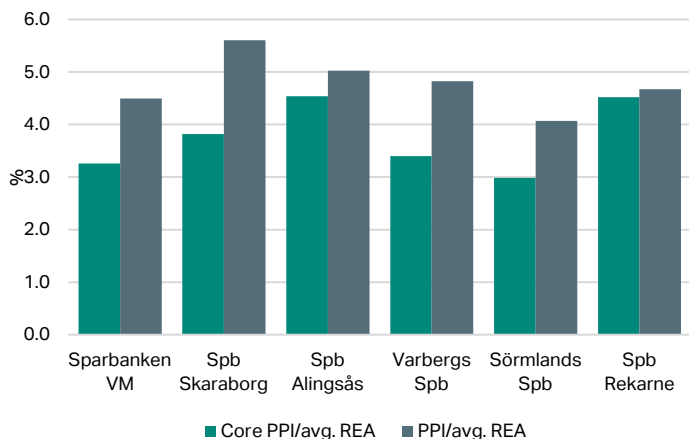


Source: bank reports. *includes dividends from Swedbank AB for all except Spb Rekarne.

We expect the bank will continue its cost efficiency efforts in internally controlled costs, but that required IT investments combined with lower earnings will push the core cost-income ratio to around 47% in 2026, from 42% as of 30 Sep. 2024. Despite the increase, this represents a solid improvement from over 60% before 2018.

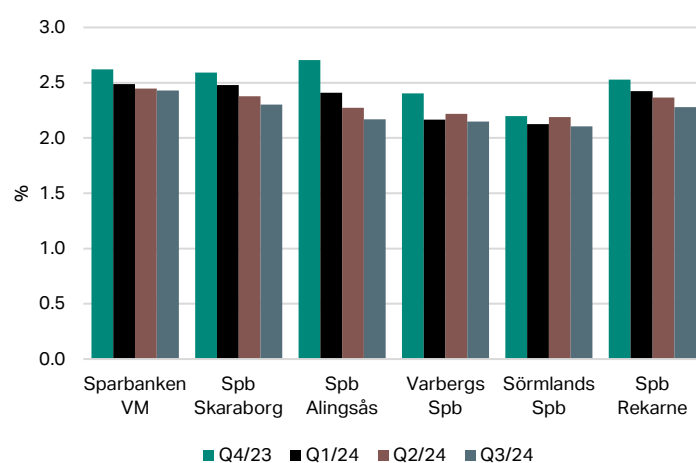
Sparbanken VM relies less on Swedbank dividends than many other Swedish savings banks due to its lower volume of shares, but they remain a boost to earnings, amounting to SEK 47m in 2024. Our forecast includes dividend payments of SEK 36-42m in 2025 and 2026. However, we believe that Swedbank could reduce or cancel dividend payments over the next few years to offset fines by US and European authorities in connection with alleged money laundering (see Relevant Research (vi) and (vii)).

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



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

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



Source: bank reports.

Non-performing loans and credit losses likely to increase

Loss performance

Sparbanken VM has a history of modest credit losses, reporting average loan loss provisions of 7bps of net loans for 2019–2023. It has also maintained low net Stage 3 non-performing loans compared with levels at peers after resolving a legacy provision in 2019. Net Stage 3 loans rose in 2023, which we understand is largely related to one exposure. We believe this exposure is likely to be resolved in 2025 with modest, if any, losses outside existing provisions. While outside pressure on companies has abated, with normalised inflation and decreasing interest rates, we believe some companies and

households continue to face cash flow constraints. Consequently, we expect some new Stage 3 exposures in 2025, and modest loan loss provisions in both 2025 and 2026.

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

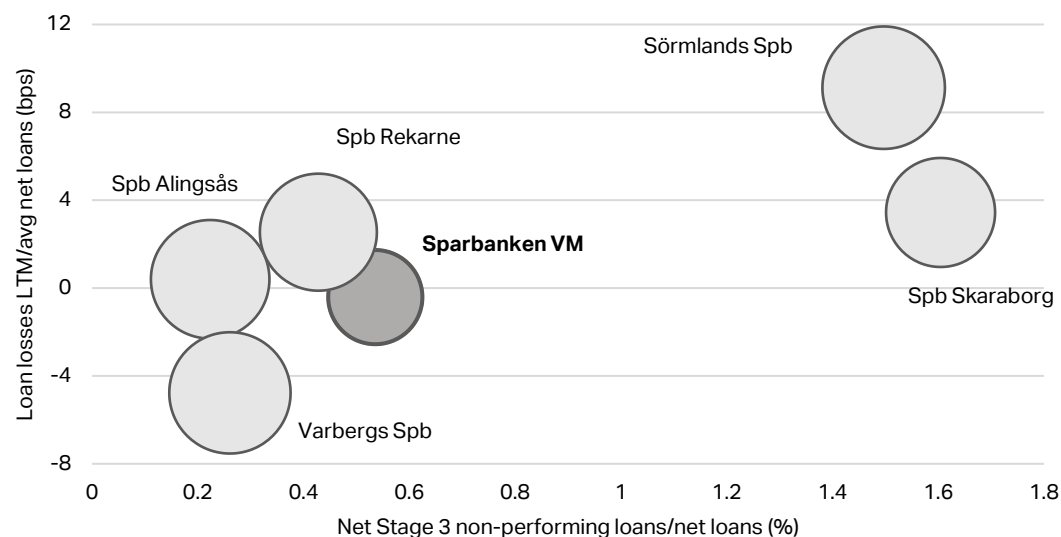
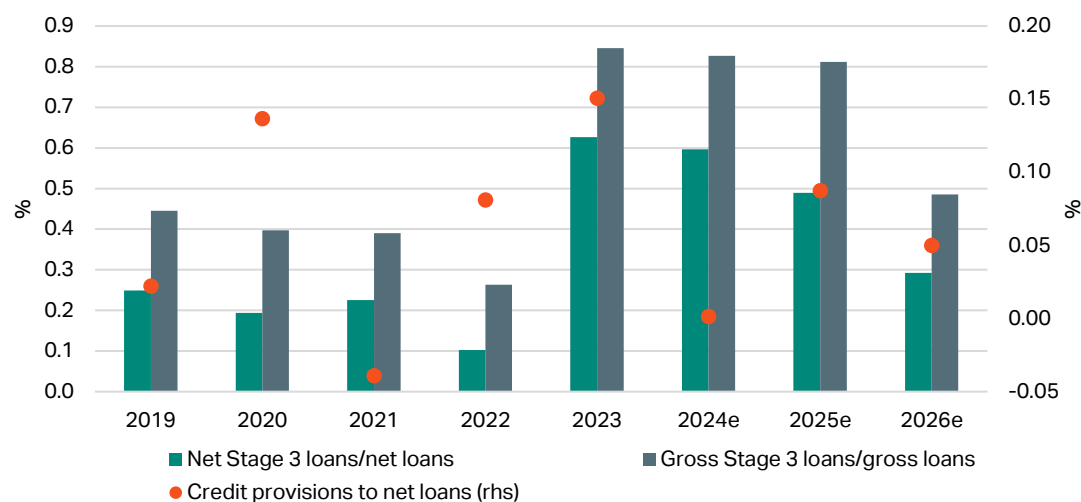


Figure 16. Asset quality metrics, 2019–2026e



ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

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

Figure 17. Priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Physical climate risk to collateral	Climate-related damage to real-estate collateral (closely linked to supervision of insurance). Longer-term term effects on market values in flood risk areas.	Credit risk (-) Loss performance (0)
Social engagement in local community	Close connection to narrow regional markets provides a benefit.	Competitive position (++) Funding & liquidity (+) Earnings (+)
Sustainable/green bond framework	Diversity of funding sources, access to additional markets/investors.	Funding & liquidity (+)
Anti-money laundering capacity	Risk of sanctions and fraud. Insufficient customer checks.	Risk governance (0)
Control of sustainability issues	Risk of overlooking sustainability affects 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 VM has no owners. Instead, it has 48 principals who act in the interests of depositors. Half of the principals are appointed by the municipalities of Köping, Arboga and Kungsör, and the other half by the principals themselves. The principals appoint a board and allocate the bank's profit. Given the bank's status, no additional owner capital is held in a foundation or within Swedbank, which is the case at several other Swedish savings banks.

ISSUE RATINGS

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

SHORT-TERM RATING

The 'N3' short-term rating is the lower of the two alternatives available under NCR's methodology, given the long-term issuer rating of 'BBB+'. This reflects that the bank does not have direct access to emergency liquidity assistance from the central bank, despite an average liquidity coverage ratio of 180% over the last 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) [Falling interest rates yet to impact Nordic niche banks](#), 21 Nov. 2024.
- (ii) [Norwegian savings banks' capitalization boosted by CRR3](#), 26 Jun. 2024
- (iii) [Credit loss uncertainty rises for Nordic consumer banks](#), 11 Jun. 2024
- (iv) [Swedish savings banks face weaker earnings and low loan growth in 2024](#), 6 Feb. 2024
- (v) [Norwegian savings banks face margin squeeze in 2024](#), 11 Dec. 2023
- (vi) [Swedish savings banks get dividend boost after solid 2020](#), 21 Jun. 2021.
- (vii) [Q&A: Swedbank judgement and share price impacts on Swedish savings banks](#), 23 Mar. 2020.

Figure 18. Sparbanken VM 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	70.0	50.4	70.4	72.6	63.8
Net fee income to op. revenue	32.6	26.8	25.5	16.3	16.0
Net trading income to op. revenue	-5.1	7.6	-11.0	2.4	4.8
Net other income to op. revenue	2.5	15.2	15.0	8.7	15.4
EARNINGS					
Net interest income to financial assets	1.5	1.4	1.7	2.6	2.5
Net interest income to net loans	1.9	1.8	2.2	3.3	3.2
Pre-provision income to REA	1.7	2.7	2.4	4.3	4.9
Core pre-provision income to REA (NII & NF&C)	1.8	1.6	2.3	3.5	3.4
Return on ordinary equity	4.6	8.4	6.4	9.3	11.2
Return on assets	0.7	1.3	1.1	1.6	2.2
Cost-to-income ratio	53.9	45.2	46.4	36.1	33.3
Core cost-to-income ratio (NII & NF&C)	52.6	58.5	48.3	40.6	41.7
CAPITAL					
CET1 ratio	23.1	26.2	25.9	28.6	28.3
Tier 1 ratio	23.1	26.2	25.9	28.6	28.3
Capital ratio	23.1	26.2	25.9	28.6	28.3
REA to assets	57.8	53.3	53.2	52.7	52.3
Dividend payout ratio					
Leverage ratio	13.0	13.7	13.4	15.1	14.8
GROWTH					
Asset growth	11.1	5.4	5.0	2.6	2.0
Loan growth	5.9	9.7	3.3	1.3	1.3
Deposit growth	12.3	9.0	4.9	-1.7	2.2
LOSS PERFORMANCE					
Credit provisions to net loans	0.14	-0.04	0.08	0.15	-0.05
Stage 3 coverage ratio	51.38	42.36	61.21	26.33	27.59
Stage 3 loans to gross loans	0.40	0.39	0.26	0.85	0.74
Net stage 3 loans to net loans	0.19	0.23	0.10	0.63	0.54
Net stage 3 loans/ordinary equity	0.97	1.09	0.48	2.58	2.03
FUNDING & LIQUIDITY					
Loan to deposit ratio	103.9	104.5	103.0	106.2	105.3
Liquid assets to deposit ratio	31.5	26.1	27.5	30.0	30.9
Net stable funding ratio	149.0	143.0	136.0	135.0	138.0
Liquidity coverage ratio	270.3	245.8	223.4	248.7	0.0

Key financials (SEKm)	FY 2020	FY 2021	FY 2022	FY 2023	Q3 2024 YTD
BALANCE SHEET					
Total assets	10,564	11,137	11,693	11,994	12,232
Total tangible assets	10,564	11,137	11,693	11,994	12,232
Total financial assets	10,455	10,992	11,513	11,809	12,064
Net loans and advances to customers	8,021	8,796	9,090	9,206	9,329
Total securities	1,563	1,513	1,654	1,869	1,880
Customer deposits	7,719	8,414	8,823	8,670	8,860
Issued securities	900	600	602	302	303
of which other senior debt	900	600	602	302	303
of which subordinated debt	-	-	-	-	-
Total equity	1,596	1,822	1,958	2,234	2,455
of which ordinary equity	1,596	1,822	1,958	2,234	2,455
CAPITAL					
Common equity tier 1	1,409	1,556	1,611	1,807	1,813
Tier 1	1,409	1,556	1,611	1,807	1,813
Total capital	1,409	1,556	1,611	1,807	1,813
REA	6,107	5,935	6,226	6,326	6,397
INCOME STATEMENT					
Operating revenues	215	298	277	418	351
Pre-provision operating profit	99	163	149	267	234
Impairments	11	-3	7	14	-3
Net Income	71	143	122	195	197

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

Figure 19. Sparbanken VM rating scorecard

Subfactors	Impact	Score
National factors	5.0%	a-
Regional, cross border, sector	15.0%	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%	bb+
Earnings	7.5%	a
Loss performance	7.5%	a
Performance indicators	15.0%	a
Indicative credit assessment		bbb+
Transitions		Neutral
Peer calibration		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		bbb+
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
Issuer rating		BBB+
Outlook		Stable
Short-term rating		N3

Figure 20. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+

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