

Research

SBAB Bank AB (publ)

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SBAB Bank AB (publ)

Ratings Score Snapshot

Global Scale Ratings	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA--/A-1+
<i>Nordic Regional Scale</i>	
<i>Issuer Credit Rating</i>	
--/--/K-1	

SACP: a- → Support: +2 → Additional factors: 0

Anchor	a-	
Business position	Moderate	-1
Capital and earnings	Strong	+1
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment	0	

ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A+/Stable/A-1
Resolution counterparty rating
AA-/A-1+

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths

Resilient asset quality, owing to a strong focus on collateralized lending.

Material capital and loss-absorption buffers.

A growing franchise with an efficient business model exhibiting a notably lower cost-to-income ratio than peers.

Key risks

Concentration in Sweden's property market.

Limited product and revenue diversification compared with peers'.

We expect SBAB to moderately expand its lending over 2024-2026, while keeping with its core focus on low-risk, collateralized retail mortgages intact. As Sweden's fifth-largest bank, retail mortgage lending represents about two-thirds of SBAB's total lending, with lending to corporate real estate companies (20%) and tenant-owned associations (12%) making up the rest. We consider SBAB well-placed to continue increase its market share within its key business segments, benefiting from its transparent business model, competitive product offering, and dynamic

marketing exercises amid consistently high customer approval ratings. Nevertheless, this limited product offering continues to present concentration of revenue and risk.

We forecast SBAB's asset quality to remain solid over the next two years, benefiting from the bank's strict underwriting criteria and our expectation of the continued stability of the Swedish retail mortgage market. SBAB's loan book growth has exceeded the market average for many years while illustrating its geographical tilt to high-demand areas. Moreover, we anticipate that the Swedish economy will experience a more pronounced recovery in 2025, with real GDP expanding by 2.25%, aided by calming interest rates and improving household purchasing power. In addition, we think the bank's strict underwriting criteria, coupled with households' strong propensity to service their mortgage loans, will continue to support its risk profile, in our view. We forecast nonperforming assets will remain low at 0.15%-0.20% of total loans over 2025-2026, compared with 0.17% as of third-quarter 2024.

We forecast SBAB will produce stable earnings, which combined with a maintained risk profile on lending will support its moderate expansion and keep support risk-adjusted capitalization strong over the next two years. We project that the bank's capitalization will remain a key rating strength, with the risk-adjusted capital (RAC) ratio holding steady at about 12.5% over the next two years, similar to the 12.4% at year-end 2023. This is predicated on our expectation that SBAB's net interest margin (NIM) will remain stable compared with its historical levels of about 80 basis points (bps) through 2026, albeit down from its peak of 87 bps in 2023. At the same time we forecast lending growth at an average of 5.0% annually over 2025-2026, from a projected 3.5% in 2024, supporting annual net profits of Swedish krona (SEK) 2.25 billion (€195 million) over the same period. This should help broadly offset higher development spending needs and allow the bank to distribute about 40% of its net profits as dividends, its target level.

We think SBAB's expanding deposit franchise will complement its covered bond issuance, the primary source of funding. By offering competitive pricing and leveraging its brand name, SBAB has increased its deposit book over the past three years by about to 70% in terms of outright volume. As of third-quarter 2024, core customer deposits accounted for 40% of the funding base, of which 80% stems from retail customers. Still, we expect the bank will continue to source the majority of its funding through covered bonds, which accounted for 50% of total funding as of Sept. 30, 2024.

We expect SBAB will retain an ample additional loss-absorbing capacity (ALAC) buffer. We anticipate the bank will continue to issue senior nonpreferred debt to replace upcoming maturities and to sustainably meet its minimum requirement for own funds and eligible liabilities (MREL) over the next two years. We estimate SBAB's ALAC ratio at 9.9% of S&P Global Ratings-forecast risk-weighted assets (RWA) metric at year-end 2024 exceeding our 8% threshold (including an adjustment of 200 bps for concentration) for two notches of uplift.

Outlook

The stable outlook on SBAB reflects our expectation that, over the next two years, the bank will maintain ALAC sustainably above our adjusted threshold of 8% for two notches of ALAC support while maintaining robust capitalization. We also expect SBAB will remain focused on the Swedish retail mortgage market, and its loan losses will remain low.

Downside scenario

We could lower our ratings if operating conditions deteriorate, implying that asset quality would be much weaker than we expect, or if the RAC ratio were to fall below 10%. Adverse developments such as these could weaken the bank's creditworthiness relative to that of similarly rated peers. We could also take a negative rating action if we see a lower likelihood that SBAB will sustain an ALAC buffer above our adjusted 8% threshold.

Upside scenario

An upgrade is currently unlikely.

Key Metrics

SBAB Bank AB (publ)--Key ratios and forecasts

	--Fiscal year ended Dec. 31 --				
(%)	2022a	2023a	2024f	2025f	2026f
Growth in operating revenue	13.6	14.7	(1.8)-(2.3)	1.1-1.4	4.2-5.1
Growth in customer loans	9.1	1.6	3.1-3.8	3.6-4.4	5.4-6.6
Growth in total assets	13.6	2.5	2.7-3.3	2.9-3.5	4.5-5.5
Net interest income/average earning assets (NIM)	0.8	0.9	0.8-0.9	0.8-0.9	0.8-0.9
Cost-to-income ratio	32.7	31.0	33.5-35.3	35.5-37.4	36.3-38.2
Return on average common equity	12.0	14.8	11.6-12.8	10.6-11.7	10.3-11.4
Return on assets	0.3	0.4	0.3-0.4	0.3-0.3	0.3-0.3
New loan loss provisions/average customer loans	0.0	0.0	0.0-0.0	0.0-0.0	0.0-0.0
Gross nonperforming assets/customer loans	0.1	0.1	0.2-0.2	0.1-0.2	0.1-0.1
Net charge-offs/average customer loans	0.0	0.0	0.0-0.0	0.0-0.0	0.0-0.0
Risk-adjusted capital ratio	11.9	12.4	12.4-13.0	12.3-12.9	12.2-12.8

All figures include S&P Global Ratings' adjustments. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: Pure Swedish Focus Results In An 'a-' Anchor

The anchor for a commercial bank operating in Sweden is 'a-', based on an economic risk score of '2' and an industry risk score of '3'.

The Swedish economy contracted 0.3% in 2023, owing to a decline in consumption. We forecast growth will expand marginally by 0.8% in 2024, aided by lower inflation and easing financing conditions, in addition to public investment and then to pick up to 2.25% in 2025. As inflation moderates, we expect the Riksbank will ease monetary policy, with our forecast for inflation averaging 1.9% over 2024, down from 5.9% in 2023.

We view the economic risk trend as stable. House prices have declined 12%-13% in nominal terms since their early 2022 peak, led by tighter financing conditions and higher inflation. A similar story has been unfolding within the commercial real estate (CRE) sector, driving a balance-sheet restructuring process, and where valuations have declined 10%-15% depending on the underlying segment. So far, robust labor markets have supported serviceability of household debt and prevented a larger-scale descent in CRE asset valuations. We will monitor developments to assess the broader implications for bank asset quality, which should remain manageable given losses continue to be muted.

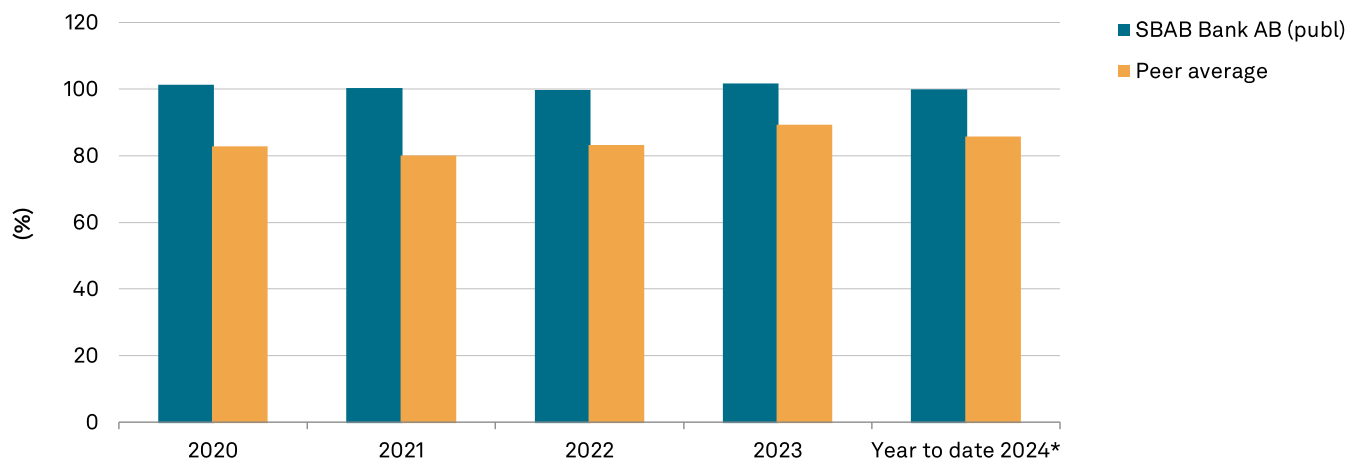
Our view of industry risk in Sweden reflects a regulatory environment in line with that of other EU countries. In addition, deep debt capital markets, a well-functioning domestic covered bond market, and a history of liquidity support in times of need mitigate banks' structural reliance on wholesale funding. Furthermore, we view the stability, sound profitability, and lack of complexity in the banking sector as strengths. Banks' advanced digitalization underpin the sector's good operating efficiency. As a result, we see the industry risk trend as stable.

Business Position: A Digital Lender Focused On Swedish Residential Loans

With total assets of SEK664 billion (€57.6 billion) as of Sept. 30, 2024, and a market share of 8.6% in household mortgage loans, SBAB is the fifth-largest bank in Sweden (considering the Swedish branch operations of Nordea Bank Abp). Its loan book has increased more than 50% over the past seven years. Its lending growth focuses primarily on large cities and economic hubs in Sweden, where urbanization and immigration have resulted in higher demand. Because of SBAB's focus on property financing, its revenue concentration in interest income is prevalent.

Chart 1**Revenue concentration compared with that of Nordic peers**

Net interest income/operating revenue



*As of Sept. 30, 2024. Source: S&P Global Ratings.

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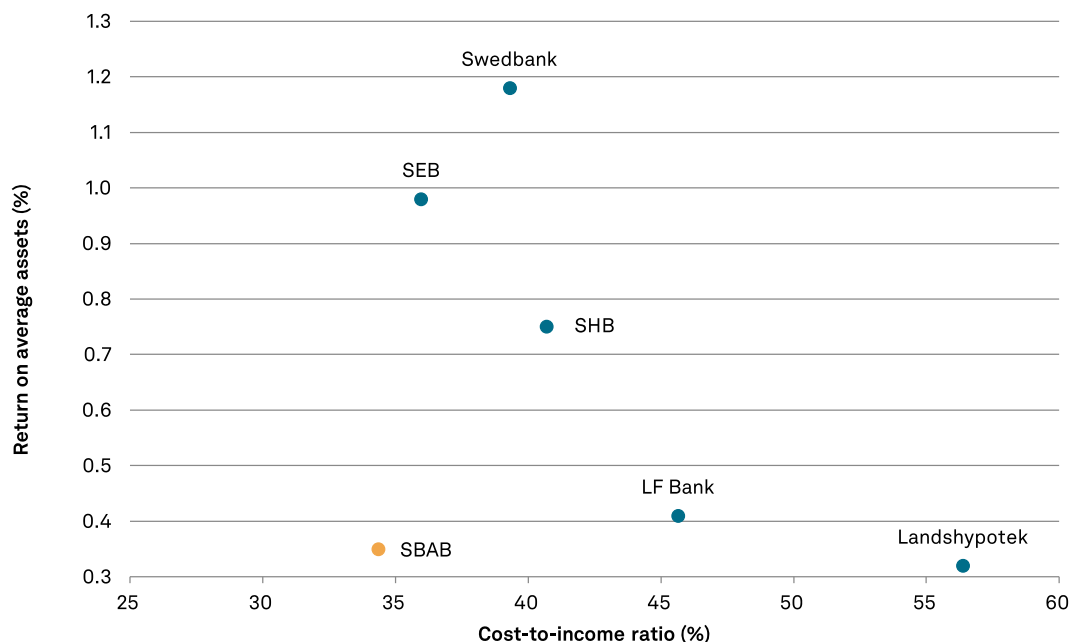
In tandem with the expansion of SBAB's core retail mortgage business segment, the bank has grown its presence in financing real estate companies, predominantly providers of multifamily dwellings, for both existing and new buildings. SBAB's market share toward this corporate real estate segment has grown dynamically over the past five years, to 18% in August 2024 from 10% at year-end 2019. We expect the bank's expansion into this segment to level off as it approaches its long-term strategic target of holding 20% of the market by 2030.

While SBAB has demonstrated sound earnings capacity over several years, its secured lending focus and role as a challenger bank have historically meant that returns are somewhat lower than those of larger domestic peers. At the same time, because all business is conducted digitally or through call centers, SBAB maintains a lean and more variable operating cost structure. This is reflected in a cost-to-income ratio that compares favorably with that of domestic and international peers. While it has historically hovered near 30%, our forecast assumes that SBAB's cost-to-income ratio will be temporarily elevated over 2024-2026, at about 35%, as the bank continues to increase staffing, invest in necessary digital infrastructure, and continue focusing on marketing its lending and deposit offerings.

For the first nine months of 2024, SBAB's staff headcount increased almost 10%, a reflection of the bank's strategy to ensure capacity to service its expanding business lines.

Chart 2**SBAB's service model supports high operating efficiency**

Cost-to-income ratio and return on average assets compared with peers



Year to date as of Sept. 30, 2024. Source: S&P Global Ratings.

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We consider SBAB's management sophisticated and committed to its core strategy, which ensures the bank will remain focused on transparent and efficient property financing. We believe SBAB is likely to continue to develop supporting services within the residential housing ecosystem to increase the attractiveness of its offering and maintain its leading customer satisfaction record. The board of directors includes a member that represents the government's 100% stake. Nevertheless, we consider the board generally independent and supportive of management, allowing for autonomous business decisions.

Capital And Earnings: Stable Earnings And Expansion Into The Low-Risk Business Segment Is Set To Sustain Strong Risk-Adjusted Capital

We project that SBAB's capitalization will remain a key rating strength, with the RAC ratio at levels near 12.5% over 2024-2026, stable with the 12.4% as of year-end 2023.

Our base-case sees SBAB's loan book expanding by an annual average of 4.5% over 2024-2026 with a progressively strengthening trend over the forecast in line with our expectations of a broader pick up in retail mortgage lending. This growth should allow the bank to continue gaining market share. Despite the expanding volumes, we expect SBAB's NIM to trend down to its historical average at about 0.80% through 2026, in tandem with falling interest rates, after

peaking at almost 0.90% in 2023.

We expect development spending will keep operating expense elevated, increasing by 7%-9% per year in 2024-2026. This leads to our forecast of annual profits at about SEK2.25 billion (€195 million), a 6.5% drop from 2023, but compares well to 2020-2022 results. In line with SBAB's dividend policy, we assume annual shareholder capital distributions of approximately 40% of net income.

Even so, we think SBAB will remain sufficiently profitable, while keeping risks associated with its expanding lending in check, to comfortably maintain its regulatory capital requirements. As of Sept. 30, 2024, the common equity tier ratio stood at 12.4%, 230 bps above the level required by the Swedish regulator. However, the regulatory leverage ratio--which was 4.13% as of Sept. 30, 2024--remains just below the European average, since the bank is predominantly exposed to assets with low regulatory risk weights, such as collateralized retail mortgage loans.

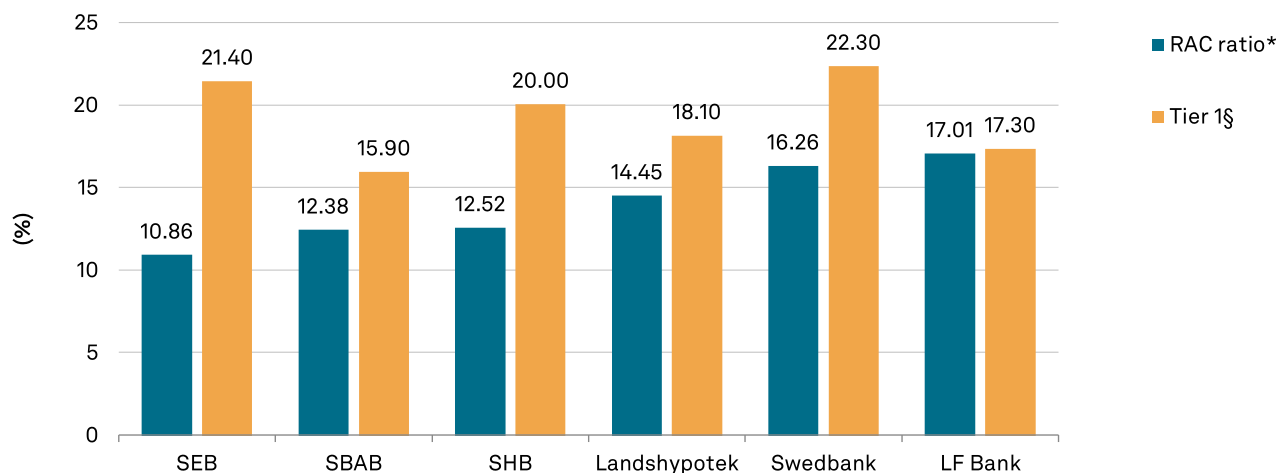
On this note, the upcoming Basel IV implementation could benefit SBAB's regulatory capital position. The updated framework is expected to lower further some corporate risk weights, because consideration will be given to the lower loss-given-default profile of highly-secured exposures.

We view SBAB's quality of capital as somewhat lower than that of most European peers due to its relatively high share of hybrid capital. As of Sept. 30, 2024, additional Tier 1 instruments totaled SEK6.1 billion, accounting for approximately 20% of our total adjusted capital measure.

Chart 3

Robust capital position in line with Nordic peers

S&P Global Ratings risk-adjusted capital (RAC) ratio versus tier 1 ratios



*As of Dec. 31, 2023. §As of Sept. 30, 2024. Source: S&P Global Ratings.

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Risk Position: Strict Underwriting In A Low-Risk Niche Segment Continues To Support Asset Quality

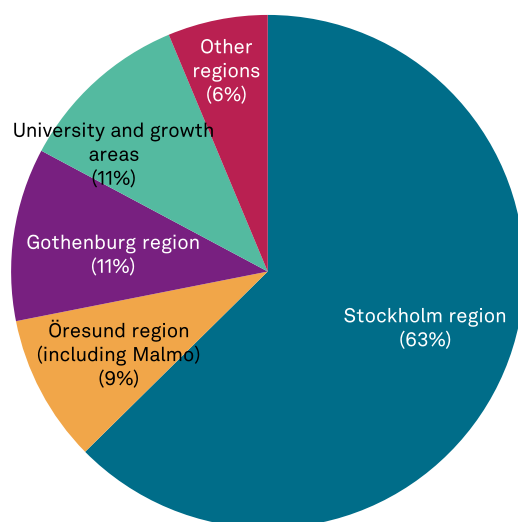
We continue to see SBAB's risk position as neutral to the rating, balancing the bank's collateralized low-risk lending profile with its inherent concentration in the Swedish real estate market.

As of third-quarter 2024, household mortgages accounted for 67% of loans, with the remainder mostly split between lending to residential real estate companies (20%)--such as multifamily dwelling developers and construction loans (2.5% of total mortgages)--and tenant-owners' associations (12%). Noncore lending, such as unsecured consumer and secondary-housing loans, are a minor portion of the portfolio.

Chart 4

SBAB focuses on growth regions in Sweden

Geographical distribution of mortgage loan book (67% of lending)



Sources: Q3 interim report 2024 and S&P Global Ratings.

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SBAB's mortgage loan offering is based on a transparent pricing model determined by the borrower's collateral and repayment capacity, which in our opinion maintains consistent pricing of risk. The bank has pursued faster lending growth than the market average, focusing on the expanding urban areas of Sweden. However, we think it has maintained robust lending guidelines for growth. Loan-to-value ratios for residential mortgages, property company lending, and tenant-owners' associations averaged 59%, 61%, and 32%, respectively as of third-quarter 2024.

The bank's emphasis on secured lending has resulted in a well-collateralized loan portfolio, contributing to a strong asset quality track record. As such, despite the pressured economic backdrop over the past two years--with muted GDP growth, rising unemployment, and increasing corporate bankruptcies--we have not observed any meaningful impact on SBAB's asset quality. Rather, its nonperforming assets have risen only marginally, to 0.17% of total loans at September 2024 from the very low 0.05%-0.07% of 2022-2023. Moreover, despite the increase in nonperforming loans over 2024, the cost of risk decreased to 0% in third-quarter 2024, following reversals of loan loss provisions, from 0.02% at year-end 2023, aligning closely with the levels seen in 2021.

We think SBAB's recent expansion into corporate real estate financing has been prudently executed and do not consider it to have materially added risk to the bank's business profile due to its focus on larger, more financially robust counterparts and concentration on regions with strong demand fundamentals. Moreover, SBAB's corporate lending centers on residential real estate, with no exposure to commercial real estate and only small parts of loans to new construction, as key items in supporting the risk profile of this lending segment. Therefore, despite pressure on the broader Swedish real estate sector over the past two years, SBAB's loss provisions have been stable. At Sept. 30, 2024, the bank's total loss reserves amounted to SEK304 million compared with SEK344 million at June 30, 2024.

SBAB's growth and increasing significance in the commercial residential property segment has prompted the Swedish FSA to initiate a review of the bank's broader risk management processes, underwriting standards, and general control functions. The ongoing investigation is informational and has not been initiated by any expected weaknesses with regard to control functions at SBAB.

Funding And Liquidity: A Growing Deposit Base Helps Balance Dependence On Covered Bonds Funding

We anticipate that SBAB's funding and liquidity will remain a neutral rating factor, with the bank's established covered bond franchise and adequate liquidity buffers providing flexibility if funding conditions were to tighten. As a result, we expect the bank to maintain a stable funding ratio of close to the 100.3% we calculate for third-quarter 2024 (102.5% at year-end 2023). In that time, SBAB reported a regulatory net stable funding ratio of 134%, which is comfortably above the minimum requirement of 100%.

Over the past few years, the bank's deposit book has increased significantly. As of third-quarter 2024, deposits totaled SEK200 billion, equivalent to 7.5% of the deposit market (up from 6.7% one year prior). The share of retail deposits that was covered by the national deposit guarantee scheme amounted to 79% at the end of the quarter, or approximately SEK156 billion. Deposits now constitute about 40% of SBAB's funding base, compared with 35% in 2023 and up from 29% in 2019. This evolution has followed the bank's enhanced focus on attracting both retail (80% of deposits) and corporate depositors by offering attractive pricing as well as using its large asset base and safe haven status as a government-owned bank.

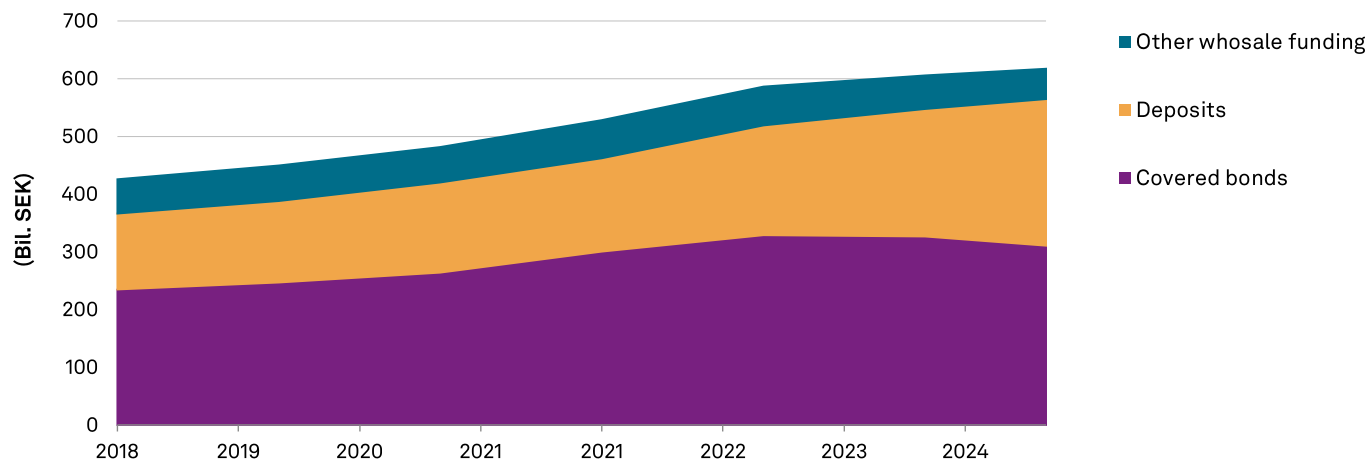
Notably, SBAB has attracted corporate deposits over 2024, recording a 24% increase in its corporate deposit base, which we consider less sticky than SBAB's retail deposits. This compares with the broader deposit market that overall has seen falling volumes of corporate liquidity.

While SBAB's deposit funding has increased over 2024, the bank still operates with a loan-to-deposit ratio of 215% (at Sept. 30, 2024), suggesting a structural funding gap persists. SBAB fills this gap mainly through covered bonds issued by its subsidiary, Swedish Covered Bond Corp., which accounts for about half of the bank's total funding. Overall, we consider that the Swedish covered bond market's depth and stability provide strong support to SBAB's funding profile.

Chart 5

SBAB has rapidly expanded its deposit franchise

Funding composition



SEK--Swedish Krona. Source: S&P Global Ratings.

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Sound liquidity management further mitigates refinancing risk. As of third-quarter 2024, the bank's liquid assets totaled SEK100 billion (€8.7 billion), consisting primarily of 'AAA' rated bonds and cash holdings at the Swedish central bank. For that time, we calculate our one-year liquidity measure (broad liquid assets to short-term wholesale funding) at 1.17x. As such, we think SBAB would be able to withstand significant deposit outflow and disruptions to wholesale funding markets and still maintain its operations. Our view is supported by the bank's regulatory liquidity coverage ratio, which as of Sept. 30, 2024, stood at 258%, well above the 100% minimum. Furthermore, SBAB conducts daily stress testing on its liquidity position and computes its liquidity survival horizon (assuming an unchanged lending portfolio and severe deposit outflows with no new funding accessed) well above 300 days at Nov. 30, 2024, comfortably above its policy limit of 190 days.

Support: Two Notches Of ALAC Support Instead Of Government Support

SBAB is among the midsize banks regarded by the Swedish National Debt Office as critical to the domestic financial system. Although we cannot rule out extraordinary support from the Swedish government, the bank's owner, we assume SBAB would likely be subject to a bail-in-led resolution, using ALAC for support, if it failed.

As of Sept. 30, 2024, SBAB's stock of ALAC-eligible subordinated debt consisted of tier 2 instruments amounting to SEK2 billion and senior nonpreferred notes of SEK19.9 billion, representing 9.9% of our forecast RWA at year-end 2024, comfortably above our adjusted 8% threshold for two notches of ALAC support.

We predicate our forecast for the bank's ALAC buffer on SBAB's need to fulfil MREL. For SBAB, the higher requirement is for the nonrisk-weighted measure, which as of second-quarter 2024 stood at equivalent to 26.7% of total RWAs, and includes a subordinated requirement equivalent to 24.2% of RWA (including the combined buffer requirement). As of second-quarter 2024, the bank comfortably met the requirements with their own funds and eligible liabilities at 40.4% of RWA and own funds and subordinated liabilities at 30.1% of RWA.

Environmental, Social, And Governance (ESG)

Overall, we consider that ESG credit factors are neutral for ratings on SBAB.

Through its mortgage focus, the bank is expanding its franchise in green lending and funding. In 2016, it was the first bank in Sweden to issue a green bond, and in 2019, the first bank to issue a green covered bond backed by residential mortgage and property loans.

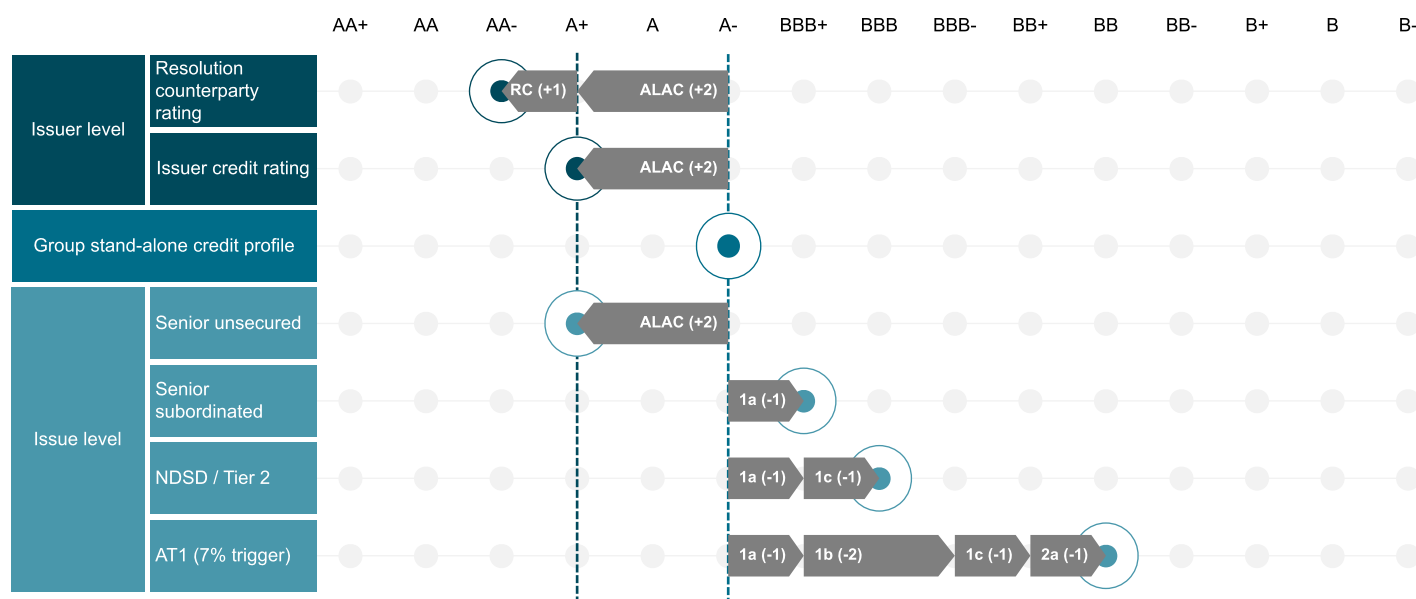
In 2023, SBAB expanded its offering to corporate customers with sustainability-linked loans, further complementing its product offering of financing energy-efficient buildings, consumer loans for sustainable housing-related investments, and investment loans to tenant-owners' associations and property companies to improve energy-efficiency. As of year-end 2023, the volume of eligible green loans stood at SEK74.5 billion (€6.5 billion), representing about 14% of total lending, with green capital market funding amounting to SEK42 billion or about 7% of total funding.

Furthermore, SBAB's risk management framework is increasingly incorporating climate aspects. Processes exist for regularly evaluating climate-related risks using regional and property-specific data. Overall, we consider the bank's governance standards consistent with industry norms in Sweden but view the Swedish government's 100% stake as a supportive factor.

Group Structure, Rated Subsidiaries, And Hybrids

We rate SBAB's hybrid debt instruments according to their respective features.

SBAB Bank AB: Notching



Key to notching

- Issuer credit rating
- Group stand-alone credit profile
- RC Resolution counterparty liabilities (senior secured debt)
- ALAC Additional loss-absorbing capacity buffer
- 1a Contractual subordination
- 1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
- 1c Mandatory contingent capital clause or equivalent
- 2a Mandatory going-concern, regulatory capital-based trigger (either statutory or contractual)

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.

AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt. NVCC--nonviability contingent capital.

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Resolution Counterparty Ratings (RCRs)

The 'AA-/A-1+' RCRs reflect our assessment of Sweden as the bank's jurisdiction and our review of its relevance for SBAB. An RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that are protected from default through an effective bail-in resolution process for the issuing financial institution.

Key Statistics

Table 1

SBAB Bank AB (publ)--Key figures					
--Year ended Dec. 31--					
(Mil. SEK)	2024	2023	2022	2021	2020
Adjusted assets	663,345	650,085	634,047	557,877	511,029
Customer loans (gross)	535,300	517,692	509,675	467,179	422,986
Adjusted common equity	21,245	20,596	19,470	18,434	17,464
Operating revenue	3,963	5,367	4,681	4,122	3,728
Noninterest expense	1,362	1,663	1,529	1,492	1,335
Core earnings	2,043	2,832	2,432	2,081	1,839

SEK--Swedish krona.

Table 2

SBAB Bank AB (publ)--Business position					
--Year ended Dec. 31--					
(%)	2024	2023	2022	2021	2020
Loan market share in country of domicile	8.6	8.4	8.5	8.5	8.5
Deposit market share in country of domicile	7.5	6.7	5.5	4.3	4.4
Total revenue from business line (mil. SEK)	3,963	5,367	4,681	4,122	3,728
Commercial banking/total revenue from business line	40.8	38.5	27.0	23.3	22.9
Retail banking/total revenue from business line	59.2	61.5	73.0	76.7	77.1
Return on average common equity	12.0	14.8	12.0	10.2	9.6

SEK--Swedish krona.

Table 3

SBAB Bank AB (publ)--Capital and earnings					
--Year ended Dec. 31--					
(%)	2024	2023	2022	2021	2020
Tier 1 capital ratio	15.9	15.8	16.5	16.6	16.1
S&P Global Ratings' RAC ratio before diversification	N/A	12.4	11.9	12.2	13.0
S&P Global Ratings' RAC ratio after diversification	N/A	8.3	8.0	8.2	8.6
Adjusted common equity/total adjusted capital	77.7	78.0	77.0	81.1	83.3
Net interest income/operating revenue	99.6	101.5	99.4	99.8	100.5
Fee income/operating revenue	(1.0)	(0.6)	0.3	0.7	(0.6)
Market-sensitive income/operating revenue	0.2	(1.8)	(0.7)	(1.7)	(1.0)
Cost-to-income ratio	34.4	31.0	32.7	36.2	35.8
Preprovision operating income/average assets	0.5	0.6	0.5	0.5	0.5
Core earnings/average managed assets	0.4	0.4	0.4	0.4	0.4

RAC--Risk-adjusted capital. N/A--Not applicable.

Table 4

SBAB Bank AB (publ)--Risk-adjusted capital framework data						
(Mil. SEK)	Exposure*	Basel III RWA	Average Basel III RW(%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)	
Credit risk						
Government & central banks	64,935	0	0.0	1,864	2.9	
Of which regional governments and local authorities	17,716	0	0.0	638	3.6	
Institutions and CCPs	54,651	5,418	9.9	5,982	10.9	
Corporate	114,745	61,675	53.7	97,635	85.1	
Retail	413,924	23,050	5.6	97,007	23.4	
Of which mortgage	411,544	21,263	5.2	95,437	23.2	
Securitization§	0	0	0.0	0	0.0	
Other assets†	924	525	56.8	914	98.9	
Total credit risk	649,180	90,668	14.0	203,402	31.3	
Credit valuation adjustment						
Total credit valuation adjustment	--	1,704	--	0	--	
Market risk						
Equity in the banking book	106	113	106.1	928	875.0	
Trading book market risk	--	0	--	0	--	
Total market risk	--	113	--	928	--	
Operational risk						
Total operational risk	--	6,663	--	8,936	--	
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA	
Diversification adjustments						
RWA before diversification	--	166,297	--	213,265	100.0	
Total Diversification/ Concentration Adjustments	--	--	--	104,994	49.2	
RWA after diversification	--	166,297	--	318,259	149.2	
		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)	
Capital ratio						
Capital ratio before adjustments		26,214	15.8	26,396	12.4	
Capital ratio after adjustments‡		26,214	15.8	26,396	8.3	

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions.

‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. SEK--Sweden Krona. Sources: Company data as of Dec. 31, 2023 and S&P Global Ratings.

Table 5

(%)	--Year ended Dec. 31--				
	2024	2023	2022	2021	2020
Growth in customer loans	4.5	1.6	9.1	10.4	10.2

Table 5

SBAB Bank AB (publ)--Risk position (cont.)					
	--Year ended Dec. 31--				
(%)	2024	2023	2022	2021	2020
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	49.2	48.7	48.4	51.4
Total managed assets/adjusted common equity (x)	31.2	31.6	32.6	30.3	29.3
New loan loss provisions/average customer loans	0.0	0.0	0.0	(0.0)	0.0
Net charge-offs/average customer loans	0.0	0.0	0.0	0.0	0.0
Gross nonperforming assets/customer loans + other real estate owned	0.2	0.1	0.1	0.0	0.1
Loan loss reserves/gross nonperforming assets	33.7	39.7	49.3	59.7	62.7

RWA--Risk-weighted asset. N/A--Not applicable.

Table 6

SBAB Bank AB (publ)--Funding and liquidity					
	--Year ended Dec. 31--				
(%)	2024	2023	2022	2021	2020
Core deposits/funding base	40.2	35.5	31.1	27.5	28.2
Customer loans (net)/customer deposits	215.7	240.4	279.3	322.2	311.7
Long-term funding ratio	86.4	85.7	83.9	83.9	84.0
Stable funding ratio	100.3	102.7	98.2	98.1	99.1
Short-term wholesale funding/funding base	14.2	14.8	16.6	16.8	16.8
Regulatory net stable funding ratio	133.6	131.9	127.9	128.6	128.8
Broad liquid assets/short-term wholesale funding (x)	1.2	1.3	1.1	0.9	0.9
Broad liquid assets/total assets	15.4	18.0	17.0	14.7	14.7
Broad liquid assets/customer deposits	41.2	54.4	59.3	56.6	55.4
Net broad liquid assets/short-term customer deposits	7.5	15.7	7.3	(4.5)	(4.2)
Regulatory liquidity coverage ratio (LCR) (%)	259.5	251.0	219.0	232.5	262.3
Short-term wholesale funding/total wholesale funding	23.3	22.7	23.8	22.9	23.1
Narrow liquid assets/3-month wholesale funding (x)	N/A	N/A	N/A	1.2	1.2

N/A--Not applicable.

SBAB Bank AB (publ)--Rating component scores	
Issuer credit rating	A+/Stable/A-1
SACP	a-
Anchor	a-
Economic risk	2
Industry risk	3
Business position	Moderate
Capital and earnings	Strong
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+2

SBAB Bank AB (publ)--Rating component scores (cont.)

Issuer credit rating	A+/Stable/A-1
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023

Related Research

- Nordic Banks: Resilient Profitability And Ample Capitalization Continue To Support Financial Performance, Nov. 27, 2024
- Banking Industry Country Risk Assessment Update: November 2024, Nov. 22, 2024
- Credit Conditions Europe Q4 2024: Turn In Credit Cycle Won't Be Plain Sailing, Sept. 25, 2024
- Fee Income Increase Largely Buffers Top-Tier Nordic Banks' Q2 Earnings Against Waning Interest Income, Aug. 5, 2024
- Banking Industry Country Risk Assessment: Sweden, Oct. 17, 2023

Ratings Detail (As Of December 19, 2024)***SBAB Bank AB (publ)**

Issuer Credit Rating	A+/Stable/A-1
<i>Nordic Regional Scale</i>	--/--/K-1
Resolution Counterparty Rating	AA/--/A-1+

Ratings Detail (As Of December 19, 2024)*(cont.)

Commercial Paper	A-1
<i>Nordic Regional Scale</i>	K-1
Junior Subordinated	BB
Senior Subordinated	BBB+
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB

Issuer Credit Ratings History

17-Feb-2023	<i>Foreign Currency</i>	A+ / Stable / A-1
24-Nov-2017		A / Stable / A-1
25-Sep-2013		A / Negative / A-1
17-Feb-2023	<i>Local Currency</i>	A+ / Stable / A-1
24-Nov-2017		A / Stable / A-1
25-Sep-2013		A / Negative / A-1
22-Jun-2004	<i>Nordic Regional Scale</i>	-- / -- / K-1

Sovereign Rating

Sweden	AAA / Stable / A-1+
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*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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