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CREDIT OPINION
30 June 2020

Update

Rate this Research

RATINGS

SBAB Bank AB (publ)

Domicile	Sweden
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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SBAB Bank AB (publ)

Update to credit analysis

Summary

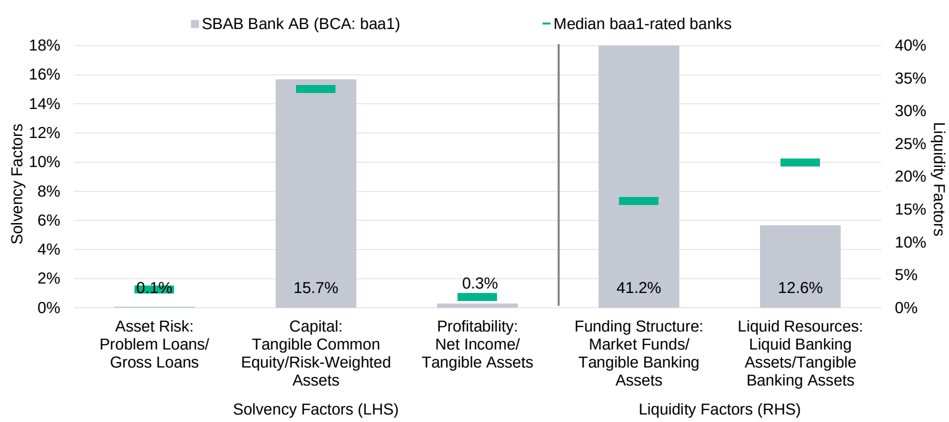
SBAB Bank AB (publ)'s (SBAB) A1/P-1 long- and short-term deposit, senior unsecured debt, and issuer ratings reflect the baa1 Baseline Credit Assessment (BCA); the results from our Advanced Loss Given Failure (LGF) analysis, which takes into account the severity of loss faced by the different liability classes in case of resolution, leading to two notches of uplift for SBAB's deposit and senior unsecured debt ratings; and our assumption of moderate support from the Government of Sweden (Aaa stable), resulting in an additional notch of uplift.

SBAB's baa1 BCA reflects the bank's predominantly retail focus, operating in the strong Swedish economic environment, and very strong asset-quality metrics. The standalone assessment takes into account SBAB's moderate profitability in the context of the bank's limited credit risk as a mortgage lender. The bank's high reliance on market funding is mitigated by its large use of covered bonds. We expect the Swedish economy to contract in 2020 and unemployment to rise, but SBAB's asset quality will remain resilient given its focus on mortgages, which we expect will experience very low losses.

Exhibit 1

Rating Scorecard - Key financial ratios

SBAB's scorecard ratios compared with those of its median peers



These represent our Banks methodology scorecard ratios. Asset risk and profitability ratios reflect the weaker of either the latest reported or three-year average ratios. The capital ratio is the latest reported figure. Funding structure and liquid resources ratios reflect latest fiscal year-end figures.
Source: Moody's Financial Metrics

Credit strengths

» An efficient mortgage lender

» Low loan losses

» Good risk-based capitalisation

» Large volume of deposits and senior unsecured debt, which results in deposits and senior unsecured ratings benefitting from a very low expected loss given failure

Credit challenges

» High leverage

» High reliance on market funding

Outlook

The stable outlook on SBAB's long-term ratings primarily reflects our expectation that SBAB will be able to maintain its current financial performance, including its high capitalisation, very strong asset quality and stable profitability over the next 12-18 months, supported by a stable operating environment.

Factors that could lead to an upgrade

Factors that could lead to a rating upgrade include: 1) significantly higher volume of deposits and liquid resources; and 2) an improvement in profitability, without a material increase in the bank's risk profile.

Factors that could lead to a downgrade

SBAB's senior unsecured ratings could be downgraded if its buffer of loss-absorbing liabilities declines considerably or government support assumptions are lowered. We would also consider downgrading SBAB's long-term and subordinated ratings if the bank's recurring profitability significantly deteriorates, or its risk profile increases because of an increased exposure to more volatile sectors.

Key indicators

Exhibit 2
SBAB Bank AB (publ) (Consolidated Financials) [1]

	03-20[2]	12-19[2]	12-18[2]	12-17[2]	12-16[2]	CAGR/Avg.[3]
Total Assets (SEK Million)	518,259.0	463,732.0	447,341.0	415,871.0	373,638.0	10.6[4]
Total Assets (USD Million)	52,308.7	49,538.5	50,456.6	50,793.4	41,128.7	7.7[4]
Tangible Common Equity (SEK Million)	19,634.0	19,202.0	17,819.0	16,897.0	15,949.0	6.6[4]
Tangible Common Equity (USD Million)	1,981.7	2,051.3	2,009.8	2,063.8	1,755.6	3.8[4]
Problem Loans / Gross Loans (%)	0.1	0.1	0.1	0.1	0.1	0.1[5]
Tangible Common Equity / Risk Weighted Assets (%)	15.7	15.9	15.6	40.4	41.5	25.8[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	1.5	1.5	1.5	1.4	1.4	1.5[5]
Net Interest Margin (%)	0.7	0.7	0.8	0.8	0.7	0.8[5]
PPI / Average RWA (%)	1.7	2.0	4.0	5.6	5.2	3.7[6]
Net Income / Tangible Assets (%)	0.3	0.4	0.4	0.4	0.4	0.4[5]
Cost / Income Ratio (%)	37.7	33.3	31.1	29.3	29.5	32.2[5]
Market Funds / Tangible Banking Assets (%)	41.9	41.2	40.3	43.0	44.2	42.1[5]
Liquid Banking Assets / Tangible Banking Assets (%)	16.1	12.6	16.7	17.9	19.0	16.5[5]
Gross Loans / Due to Customers (%)	302.6	294.1	291.6	299.7	306.1	298.8[5]

[1]All figures and ratios are adjusted using Moody's standard adjustments. [2]Basel III - fully loaded or transitional phase-in; IFRS. [3]May include rounding differences because of the scale of reported amounts. [4]Compound annual growth rate (%) based on the periods for the latest accounting regime. [5]Simple average of periods for the latest accounting regime. [6]Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

SBAB Bank AB (publ) (SBAB) is a digital bank that provides residential mortgages, loans and savings accounts to individuals, corporates and tenant-owner associations throughout Sweden. Through partners, it also provides its mortgage customers with third-party insurance services. As of year-end 2019, SBAB's reported market share in terms of Swedish retail mortgage lending was 8.5%. It reported total consolidated assets of SEK520 billion ($52 billion) as of the end of March 2020. The bank is increasingly focusing on growing its mortgage portfolio under its own brand and declared in December 2017 its intention to end its remaining bank partnerships.

SBAB does not have its own retail branch network. The bank distributes its products and services to individuals primarily through a call centre and an internet platform. It distributes its products and services to corporate customers and tenant-owner associations through personal contacts with representative offices in Stockholm, Gothenburg and Malmö.

SBAB was established in 1985 as The Swedish National Housing Finance Corporation by the Kingdom of Sweden (Government of Sweden) to finance government housing loans. In November 2010, it was awarded a full banking license and began developing banking products and services. Subsequently, it was renamed SBAB Bank AB (publ). Since 2014, the bank has refocused its operations towards its core business areas of mortgages and residential financing, limiting its offerings of traditional banking products and services. The bank remains wholly owned by the Government of Sweden.

Recent developments

We have revised our growth forecasts downward for 2020 as the coronavirus outbreak will cause an unprecedented shock to the global economy. The full extent of the economic costs will be uncertain for some time, but global recession risks have risen. In Europe, the coronavirus outbreak adds to late-cycle risks for European banks.

Our outlook for the Swedish banking system remains stable and the direct negative credit impact on Swedish banks and SBAB would be limited. A prolonged outbreak, however, would have a more severe outcome, weighing on the banks' loan quality and add to the pressure on profitability. We expect Swedish prudential and fiscal policy measures to mitigate the economic contraction caused by the outbreak.

Detailed credit considerations

SBAB continues to show low asset risk

Although the economic impact from the coronavirus-induced disruption will be negative for Swedish banks, we expect SBAB's asset quality to remain resilient because of its focus on very low-risk mortgage lending in Sweden. We expect mortgages to be less affected than other types of lending. The bank's asset risk has remained very low for decades, and its problem loan ratio was 0.08% as of the end of March 2020.

SBAB's loan book comprised almost only mortgages: single-family dwellings (75.9%), and tenant-owner associations and private multi-family dwellings (23.6%), with the remainder being marginal and including exposure to unsecured lending as the end of March 2020. In line with legislation, loans are capped at 85% loan-to-value (LTV) and require amortisation down to 50%. As of the end of March 2020, the average LTV in SBAB's mortgage portfolio was 61%. SBAB's exposure to commercial properties was low at less than 1% of total lending as of year-end 2019.

The loan book continued to increase in March 2020, growing its retail mortgage portfolio by 1.4%, faster than the market at 1.2%. We expect the bank to continue its credit expansion at a faster pace than the market average. SBAB has higher-than-average loan growth, but because much of the growth is focused on moving existing mortgages from other banks, the loan portfolio has a low share of unseasoned borrowers. Borrowers that are moving from other banks are also likely to have lower LTVs than for those who are purchasing a new property.

The property prices and household indebtedness have increased in Sweden over a longer period of time, and accelerated during the last decade when interest rates have been very low. Higher indebtedness increases the risk in the sector in case of a sharp fall in prices or rapid increase in interest rates.

Like most other banks in Sweden, SBAB's share of total lending with a three-month fixed-interest rate period is high, at 73.4% as of the end of March 2020. These borrowers are more exposed to interest rate changes. However, SBAB conducts a 6% interest rate stress test on borrowers during the application process, as is usual in Sweden. Furthermore, SBAB conducts stress tests on its stock of loans with severe scenarios of higher interest rates, high unemployment and dramatic drops in property prices. In these stressed scenarios, the bank performs well with loan losses not exceeding yearly profit. In recent years, the bank has gradually imposed stricter underwriting standards that have reduced both debt-to-income ratio and LTV in new lending. Furthermore, SBAB has adjusted its pricing model, allowing a higher rebate to customers with low to moderate LTVs, which improves the collateral values on new mortgages. We also expect the full recourse on mortgages and the values of collateral to limit losses in the loan portfolio, even in an economic downturn.

The assigned Asset Risk score of aa3 reflects the initial score of aa1 and a two-notch negative adjustment because of the expected above market growth.

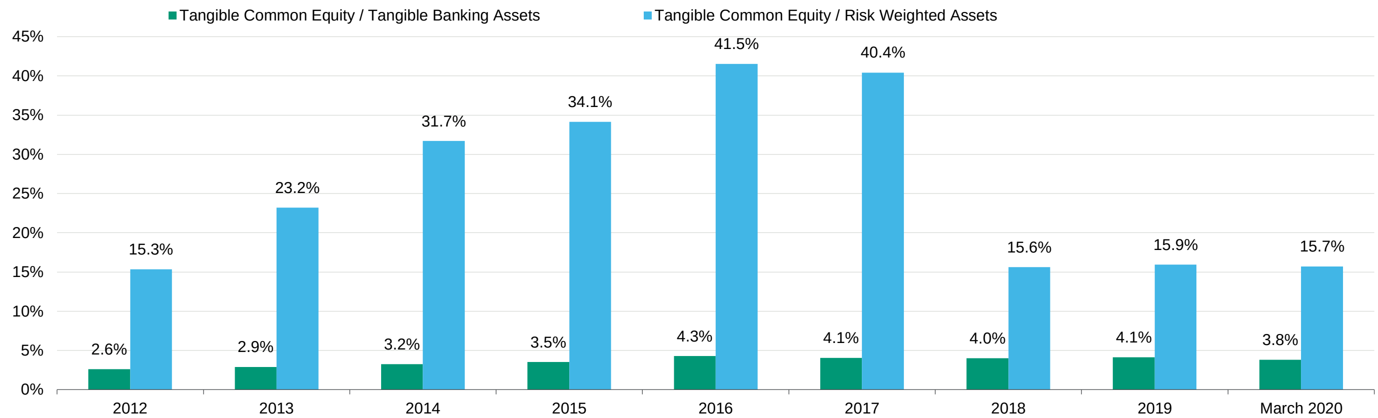
Good risk adjusted capitalisation but weak leverage ratio

We view SBAB's capital position as strong given its low risk profile. As of the end of March 2020, SBAB reported a Common Equity Tier 1 (CET1) capital ratio of 12.7%, down from 31.5% as of the end of September 2018 because of the incorporation of the risk-weight floor for mortgages of 25% into Pillar I.

The Swedish Financial Supervisory Authority (FSA) lowered the countercyclical buffer to 0% from 2.5% in March 2020 to ensure banks continue to lend to companies and households. The bank's capital provides buffers to the regulatory requirements and it's target buffer is at least 0.6% above capital requirements, which was 8.2% as of the end of March 2020 (as reported by the Swedish FSA).

SBAB's Moody's-adjusted tangible common equity (TCE)/risk-weighted assets (RWA) was 15.7% as of the end of March 2020, which included SBAB's SEK3.5 billion Additional Tier 1 (AT1) capital instruments.

Exhibit 3
SBAB's change in capital over time



The exhibit shows Moody's-adjusted figures. TCE/RWA for 2012-14 refers to Basel II and TCE/RWA for 2015-19 refers to transitional phase-in of Basel III.
Source: Moody's Investors Service

The assigned Capital score of a1 remains unchanged after the move of the risk-weight floor, and reflects the aa3 initial score and a two-notch negative adjustment because of nominal leverage.

Profitability will remain weaker than those of its peers because of the bank's focus on low-risk mortgages and pressure from the deteriorating operating environment

In the first quarter of 2020, SBAB reported a pre-tax income of SEK485 million, a decrease by 17.8% from the same period a year earlier, mainly because of a negative net result of financial transactions, increased loan loss provisions and reduced net commissions. Net interest income decreased by 1.1% in first quarter 2020 from the same period a year earlier, and the cost-to-income ratio deteriorated to 38% from 32% in first quarter 2019. SBAB reported a return on equity of 9.2% as of end of March 2020, which is below the bank's internal 10% target.

Moody's-adjusted figures showed net income to tangible assets of 0.29% in Q1 2020, lower than the 0.40% recorded in the same period a year earlier. This is lower than many of its Swedish peers, but should be viewed in the context of the very low risk of SBAB's loan portfolio. We assess Swedish mortgages to be of very low risk and therefore expect that loan losses will remain very low despite the spread of the coronavirus and the contraction of the Swedish economy. Loan loss provisions increased to SEK 28 million, representing 5% of pre provision income, in the first quarter 2020 from SEK 9 million in the first quarter 2019. This helps achieve stable earnings during more volatile periods.

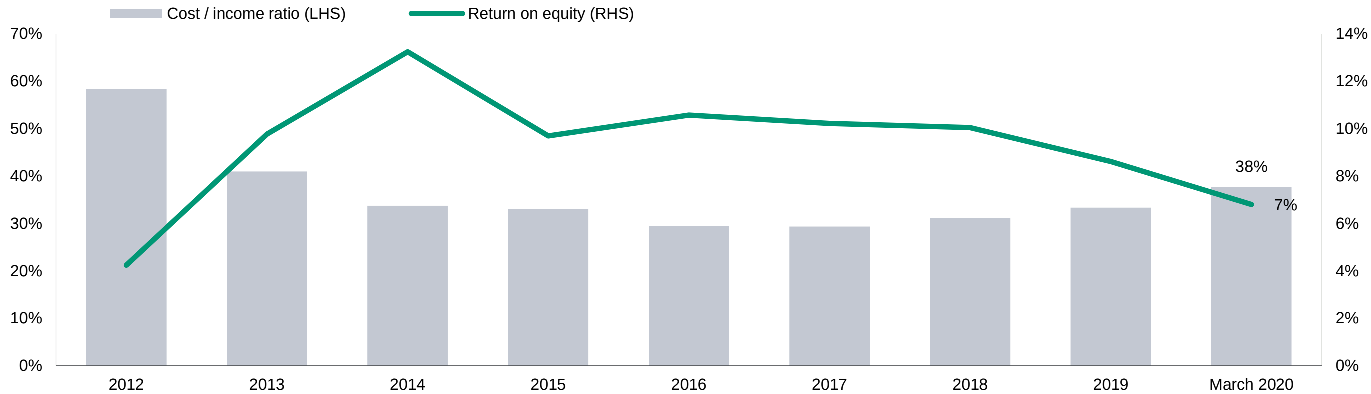
SBAB's net interest margin (NIM) decreased to 0.72% in Q1 2020, slightly lower than the 0.78% for the same period a year earlier. This points towards a trend of lower margins on mortgages due to increasing competition, fueled by both larger and smaller competitors being active in the market, and we expect that net interest margins continue deteriorating, however slowly, during 2020, into 2021. SBAB has benefitted from ultra low, even negative, yields on covered bonds, and although we expect access to funding to remain very good, the current environment has caused spreads to widen, resulting in higher funding costs for new issuances. Because net interest income makes up almost 100% of revenues, we expect the lower net interest margins to only partly be mitigated by higher volumes of loans.

To enhance customer offerings, in January 2016, SBAB acquired a majority stake in Booli — one of Sweden's largest housing sites and search engines for homes — which is included in SBAB's retail operations. As of year-end 2019, SBAB held 100% of Booli after acquiring the remaining shares in November 2018. We do not expect the site to contribute to earnings in the next couple of years, but does give SBAB an additional sales channel.

SBAB is an efficient lender operating without a retail branch network. Although the cost-to-income ratio has deteriorated in the last two years due to higher operating costs, it remains low at 38% (Exhibit 4).

Exhibit 4

SBAB's cost-to-income ratio and return on equity



Moody's-adjusted figures.
Source: Moody's Investors Service

Our assigned Profitability score of ba1 reflects the bank's moderate but predictable earnings.

High reliance on market funding, but deposit base is increasing

We view SBAB's significant reliance on market funding as a weakness — although mitigated by the fact that a large portion of the funding includes local-currency-denominated covered bonds, SBAB's recent efforts to increase funding duration and a sustained increase in its deposit funding.

SBAB's high reliance on confidence-sensitive wholesale funding is a structural weakness, with market funding/tangible assets at 41.9% as of the end of March 2020. SBAB's covered bonds (rated Aaa) account for more than half of its long-term funding, and as of the end of March 2020, 73% of these were SEK denominated. These securities benefit from a deep local market, and we reflect this feature by treating covered bonds denominated in local currency as a particularly stable source of funding, an adjustment shared with other Swedish banks.

SBAB's funding profile has improved over the last few years following its strategic aim to extend the maturity, with a number of successful benchmark issues, and a reduction in foreign-currency exposures. These have been of longer maturity, taking advantage of the low interest rate environment to reduce the asset-liability mismatch.

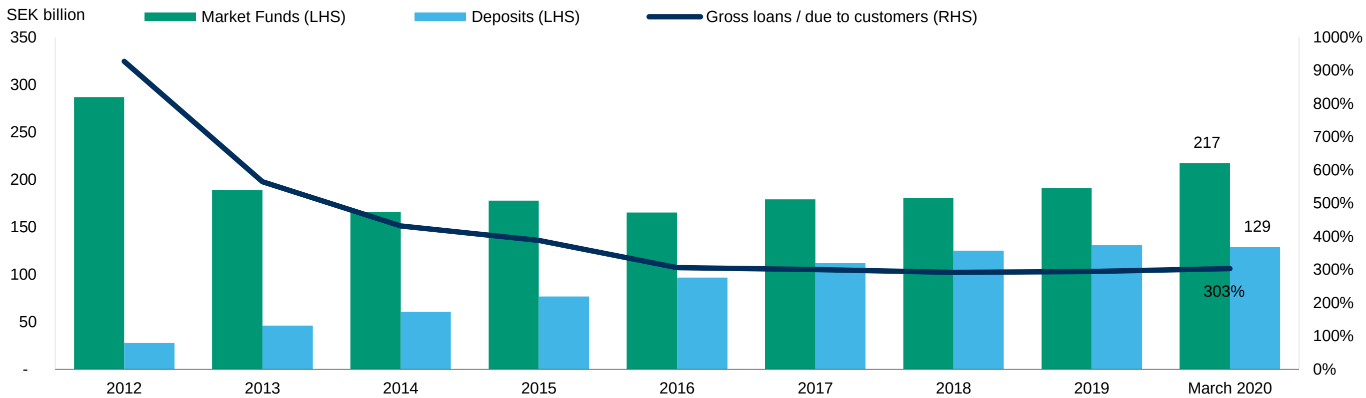
Concurrently, SBAB has actively reduced its reliance on market funding through further diversification into deposits, thereby reducing its gross loans/deposits to 303% as of the end of March 2020 from 565% as of the end of December 2013. We view the increase in deposits as a sustainable improvement that provides the bank with relatively sticky funding, given the gradual and granular increase in the flow of new depositors. However, the growth in deposits stopped with a 1.4% decline in Q1 2020, while market funds increased by 13.9%.

SBAB has issued its inaugural non-preferred senior debt to fulfill MREL

SBAB is considered systemically important and, therefore, needs to fulfill the recapitalisation amount of the minimum requirement of own funds and eligible liabilities (MREL), with debt subordinated to senior unsecured debt by 2024. However, the Swedish implementation of the updated European Union (EU) Bank Recovery and Resolution Directive (BRRD), which we expect to be finalised by year-end 2020, could prompt banks to reduce their senior non-preferred issuance volume as, contrary to the current Swedish regulations, we expect banks will be allowed to use surplus capital to meet the recapitalisation amount. Up until March 2020, the bank had issued SEK6.1 billion of senior non-preferred debt, and according to our estimates based on March 2020 figures, the required volume of senior non-preferred debt is around SEK12.3 billion.

We expect SBAB to continue to issue non-preferred senior debt to comply with MREL and incorporate our forward-looking view of issuances into our LGF analysis.

Exhibit 5
SBAB's gradual increase in deposits is sustainable



Source: Moody's Investors Service

The assigned Funding score of baa2 reflects the high reliance on market funding, the deep market for SEK-denominated covered bonds and a sustained increase in deposits.

SBAB's liquidity position is adequate, as captured by the baa2 assigned Liquid Resources score. Moody's-calculated liquid banking assets consist mainly of highly rated securities, which totaled around SEK58.2 billion as of the end of 2019, equivalent to 12.6% of its tangible banking assets. The bank's reported liquidity reserve was SEK77.6 billion as of the end of 2019, equivalent to 16.7% of tangible banking assets, which compares well with that of its peers.

As of the end of March 2020, Moody's calculated liquid banking assets improved to 16.07% and SBAB's reported liquidity coverage ratio (all currencies combined) was a high 300%.

Monoline adjustment

Similar to that for other rated entities focused on one activity, we apply a one-notch negative adjustment for lack of business diversification to SBAB's financial profile. This is to reflect the fact that the bank's revenue is mostly exclusively derived from its mortgage lending activities and SBAB's business model is less diversified than that of a full-service bank, an adjustment shared with other mortgage lenders, including Skandiabanken in Sweden.

Source of facts and figures cited in this report

The financial data in this report are sourced from SBAB's financial statements or Moody's Financial Metrics, unless otherwise stated.

Environmental, social and governance (ESG) considerations

In line with our general view of the banking sector, SBAB has low exposure to environmental risks and moderate exposure to social risks. See our Environmental and Social risk heat maps for further information.

SBAB has policies in place that promote energy-efficient new housing construction, but also help customers with older houses to modernise them to be more energy-efficient. This also enables banks to build mortgage asset pools to issue green bonds. SBAB offers up to 0.1% rebate on mortgages for the most energy-efficient properties, which impacts profitability. Due to the increasing demand for sustainable investments, it is likely that green bonds will benefit from discounted rates when interest rates increase, offsetting the rebate given to the customer. However, the current low yields do not allow for any meaningful differentiation.

The most relevant social risks for banks arise when they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which is mitigated by sizeable technology investments. Fines and reputational damage because of product mis-selling or other types of misconduct are further social risks. Societal trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services, increasing information technology costs, ageing population concerns in several countries affecting demand for financial services or socially driven policy agendas that may translate into regulations that affect banks' revenue base. SBAB works to mitigate social risks in both of its roles as an employer and as a lender, by starting an initiative for banks to set requirements that developers ensure that all workers on building sites are employed with proper documentation to reduce black market labour. Overall, we consider banks, including SBAB, to face moderate social risks.

The widening spread of the coronavirus outbreak, the deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. We further regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety.

Governance is highly relevant for SBAB, as it is to all participants in the banking industry. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. SBAB is governed by the Swedish state and the board is committed to sustainability developments. Corporate governance remains a key credit consideration and requires ongoing monitoring. However, we currently do not have any governance-related concerns over SBAB.

Support and structural considerations

Loss Given Failure (LGF) analysis

We apply our Advanced LGF analysis to SBAB as it is subject to the EU BRRD, which we consider an operational resolution regime. We assume residual TCE of 3% and post-failure losses of 8% of tangible banking assets, a 25% run-off in “junior” wholesale deposits and a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt, in line with our standard assumptions. Particular to SBAB and other Swedish pure mortgage lenders, we assume the proportion of deposits considered junior at 10%, relative to our standard assumption of 26%, because of their largely retail-oriented depositor base.

Based on SBAB's balance-sheet structure as of the end of September 2019 and incorporating a forward-looking view regarding issuances of non-preferred senior debt up to and including 2021, our Advanced LGF analysis indicates that deposits are likely to face a very low loss given failure, because of the loss absorption provided by subordinated debt and preference shares and, potentially, by senior unsecured debt should deposits be treated preferentially in a resolution, as well as the volume of deposits assumed as junior. This suggests a Preliminary Rating Assessment (PRA) of a2, two notches above the BCA.

Similarly, senior long-term debt is likely to face a very low loss given failure, which leads to a PRA of a2.

Junior senior debt and subordinated securities are likely to face a high loss given failure because of the loss absorption provided by its own very modest volume and the amount of debt subordinated to it, resulting in a rating of baa2.

SBAB's deposit and senior unsecured debt ratings are positioned at A1/Prime-1 and take into account the bank's baa1 BCA and our view of a very low loss given failure on these instruments, resulting in two notches of LGF uplift.

The preferred stock non-cumulative ratings of Ba1(hyp) are derived through our high-trigger contingency convertible bond model, which takes into account the distance of the CET1 ratio from the 7% trigger level, as well as the BCA of baa1.

Government support considerations

SBAB is fully owned by the Swedish government and has a significant market share in the Swedish residential mortgage market. This guides our expectation of a moderate probability of government support for SBAB's deposit and senior unsecured debt, which results in a one-notch rating uplift for each of the debt classes.

Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than the likelihood of default and the expected financial loss suffered in the event of default, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

SBAB's CR Assessment is positioned at Aa3(cr)/P-1(cr)

The CR Assessment, before government support, is positioned three notches above the Adjusted BCA based on our view that senior obligations represented by the CR Assessment will be more likely preserved than senior unsecured debt to minimise losses, avoid disruption of critical functions and limit contagion. In addition, moderate probability of government support results in a further one notch uplift.

Counterparty Risk Ratings (CRRs)

CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

SBAB's CRRs are positioned at Aa3/P-1

The CRRs are positioned four notches above SBAB's Adjusted BCA of baa1, reflecting extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities, along with one notch of government support.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 6
SBAB Bank AB (publ)

Macro Factors							
Weighted Macro Profile	**Strong +**	**100%**					

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.1%	aa1	↓	aa3	Loan growth	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	15.7%	aa3	←→	a1	Nominal leverage	
Profitability						
Net Income / Tangible Assets	0.3%	ba2	↓	ba1	Earnings quality	
Combined Solvency Score		a1		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	41.2%	b1	←→	baa2	Market funding quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	12.6%	ba1	←→	baa2	Expected trend	
Combined Liquidity Score		ba3		baa2		
Financial Profile				a3		
Qualitative Adjustments				Adjustment		
Business Diversification				-1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				a3 - baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

Balance Sheet	**in-scope (SEK Million)**	**% in-scope**	**at-failure (SEK Million)**	**% at-failure**
Other liabilities	314,151	60.7%	323,159	62.4%
Deposits	128,688	24.8%	119,680	23.1%
Preferred deposits	115,819	22.4%	110,028	21.2%
Junior deposits	12,869	2.5%	9,652	1.9%
Senior unsecured bank debt	50,000	9.7%	50,000	9.7%
Junior senior unsecured bank debt	6,100	1.2%	6,100	1.2%
Dated subordinated bank debt	3,450	0.7%	3,450	0.7%
Equity	15,538	3.0%	15,538	3.0%
Total Tangible Banking Assets	517,927	100.0%	517,927	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	16.4%	16.4%	16.4%	16.4%	3	3	3	3	0	a1
Counterparty Risk Assessment	16.4%	16.4%	16.4%	16.4%	3	3	3	3	0	a1 (cr)
Deposits	16.4%	4.8%	16.4%	14.5%	2	3	2	2	0	a2
Senior unsecured bank debt	16.4%	4.8%	14.5%	4.8%	2	1	2	2	0	a2
Junior senior unsecured bank debt	4.8%	3.7%	4.8%	3.7%	-1	-1	-1	-1	0	baa2
Dated subordinated bank debt	3.7%	3.0%	3.7%	3.0%	-1	-1	-1	-1	0	baa2
Non-cumulative bank preference shares	3.0%	3.0%	3.0%	3.0%	-1	-1	-1	-1	-2	ba1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a1	1	Aa3	Aa3
Counterparty Risk Assessment	3	0	a1 (cr)	1	Aa3(cr)	
Deposits	2	0	a2	1	A1	A1
Senior unsecured bank debt	2	0	a2	1	A1	A1
Junior senior unsecured bank debt	-1	0	baa2	0	Baa2	Baa2
Dated subordinated bank debt	-1	0	baa2	0	Baa2	(P)Baa2
Non-cumulative bank preference shares	-1	-2	ba1	0	Ba1 (hyb)	

[1]Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 7

Category	Moody's Rating
SBAB BANK AB (PUBL)	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	A1
Senior Unsecured	A1
Junior Senior Unsecured	Baa2
Junior Senior Unsecured MTN	(P)Baa2
Subordinate -Dom Curr	Baa2
Pref. Stock Non-cumulative -Dom Curr	Ba1 (hyb)
Commercial Paper	P-1
Other Short Term	(P)P-1

Source: Moody's Investors Service

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454