MOODY'S
INVESTORS SERVICE

CREDIT OPINION
8 January 2020

Update

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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

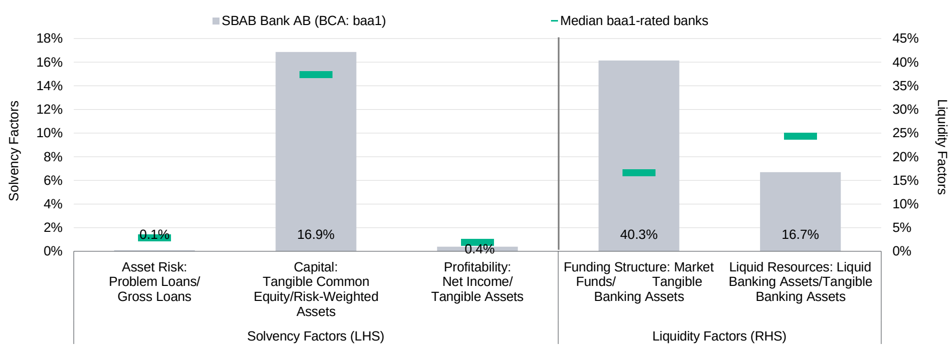
Summary

SBAB Bank AB (publ)'s (SBAB) A1/P-1 long- and short-term deposit, senior unsecured debt, and issuer ratings reflect (1) the baa1 Baseline Credit Assessment (BCA); (2) 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 (3) our assumption of moderate government 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, viewed in the context of the bank's limited credit risk as a mortgage lender. The bank's high reliance on market funding is partly mitigated by its large use of covered bonds.

The stable outlook on SBAB's long-term deposit and senior unsecured ratings reflects our expectations that the bank's financial performance will remain stable over the coming 12-18 months.

Exhibit 1
Rating Scorecard - Key financial ratios
SBAB's scorecard ratios compared with those of its median peers



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 the latest year-end figures.
Source: Moody's Financial Metrics

SBAB's junior senior Baa2 rating reflects the BCA and one notch negative adjustment because of high loss severity in case of failure. Furthermore, the bank carries a subordinated debt rating of Baa2, a preferred stock non-cumulative Ba1(hyb) rating and Counterparty Risk Ratings (CRRs) of Aa3/Prime-1.

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, which is mitigated by increased funding duration and use of covered bonds

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 risk and stable profitability, supported by a stable operating environment.

Factors that could lead to an upgrade

» Factors that could lead to an upgrade include (1) significantly higher volume of deposits and liquid resources; and (2) a considerable 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 and if government support assumptions are lowered. We would also consider downgrading SBAB's long-term and subordinated ratings if the bank's (1) profitability significantly deteriorates, and/or (2) risk profile increases because of increased exposure to more volatile sectors (for example, unsecured lending).

Key indicators

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

	09-19[2]	12-18[2]	12-17[2]	12-16[2]	12-15[2]	CAGR/Avg.[3]
Total Assets (SEK Million)	483,480.0	447,341.0	415,871.0	373,638.0	371,437.0	7.3[4]
Total Assets (USD Million)	49,173.4	50,456.6	50,793.4	41,128.7	44,058.2	3.0[4]
Tangible Common Equity (SEK Million)	20,437.0	17,819.0	16,897.0	15,949.0	13,053.0	12.7[4]
Tangible Common Equity (USD Million)	2,078.6	2,009.8	2,063.8	1,755.6	1,548.3	8.2[4]
Problem Loans / Gross Loans (%)	0.1	0.1	0.1	0.1	0.1	0.1[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.9	15.6	40.4	41.5	34.1	29.7[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	1.5	1.5	1.4	1.4	2.2	1.6[5]
Net Interest Margin (%)	0.7	0.8	0.8	0.7	0.7	0.8[5]
PPI / Average RWA (%)	2.1	4.0	5.6	5.2	4.2	4.2[6]
Net Income / Tangible Assets (%)	0.4	0.4	0.4	0.4	0.3	0.4[5]
Cost / Income Ratio (%)	32.1	31.1	29.3	29.5	33.0	31.0[5]
Market Funds / Tangible Banking Assets (%)	40.9	40.3	43.0	44.2	47.9	43.3[5]
Liquid Banking Assets / Tangible Banking Assets (%)	17.9	16.7	17.9	19.0	18.2	17.9[5]
Gross Loans / Due to Customers (%)	291.1	291.6	299.7	306.1	387.8	315.3[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 due to scale of reported amounts. [4]Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5]Simple average of periods presented for the latest accounting regime. [6]Simple average of Basel III periods presented.
Source: Moody's Investors Service; Company Filings

Profile

SBAB Bank AB (publ) (SBAB) is an online bank that provides residential mortgages, loans and savings services to individuals, corporates and tenant-owner associations throughout Sweden. Through partners, it also provides its mortgage customers with third-party insurance services. As of the end of August 2019, SBAB's market share, as per Statistics Sweden, in terms of Swedish retail mortgage lending, was at 8.44%. It reported total consolidated assets of SEK485 billion ($49 billion) as of the end of September 2019. 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 licence 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.

Detailed credit considerations

SBAB will continue to show very low loan-loss provisions

SBAB's reported problem loan ratio as of the end of September 2019 was very low at 0.08%. SBAB's asset risk has remained very low for decades because of its focus on low-risk mortgages. The high quality of assets is reflected in our aa3 Asset Risk score.

SBAB's SEK378 billion lending book as of the end of September 2019 comprised almost only mortgages: single-family dwellings (76.1%), tenant-owner associations and private multi-family dwellings (23.3%). The remaining part is marginal and includes exposure to unsecured lending. The large majority of the retail loans is concentrated in the Stockholm and Öresund region (75% of the retail loan book as of year-end 2018). SBAB has extended residential mortgages with a high loan to value (LTV) ratio above 70% among other mortgage providers; although in line with the legislation, loans are capped at 85% LTV and require amortisation down to 50%. As of the end of September 2019, the average LTV in SBAB's mortgage portfolio was 62%.

SBAB has a higher-than-average loan growth, but because much of the growth is focused on moving existing mortgages from other banks, it is less likely that the loan portfolio represents a larger share of unseasoned borrowers, and although SBAB has an ambitious growth target, we do not asses that the bank has a higher risk appetite than that of its peers. The loan book continued to increase at a fast pace in September 2019, growing its retail mortgage portfolio by 5,7%, faster than the market at 5%. We expect the bank to continue its credit expansion at a faster pace than the market average. However, because of the benign operating environment and good collateral values in the mortgage book, we do not expect to see a significant increase in problem loans over the outlook period, but note potential tail-risk related to significant increased interest rates or large falls in property prices. Furthermore, a large portion of borrowers are moving their mortgages from other banks and are not purchasing a new home. Those borrowers are likely to have lower LTVs. Like most other banks in Sweden, the share of total lending with a three-month fixed-interest rate period is high and amounted to 73.9% as of the end of September 2019. These borrowers are more exposed to interest rate changes. However, we expect Swedish banks' consumer lending, small and medium-sized enterprise and commercial real estate (CRE) exposures to be hit before residential mortgages. SBAB's exposure to commercial properties was low at less than 1% of total lending as of year-end 2018.

There are a number of mitigants because of good underwriting standards and full recourse on mortgages. SBAB conducts a 6.5% interest rate stress tests 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 does well with loan losses not exceeding yearly profits. In recent years, the bank has gradually imposed stricter underwriting standards that have both reduced debt-to-income ratio and LTV in new lending. Furthermore, SBAB has adjusted its pricing model, allowing an increased rebate to customers with low to moderate LTVs, which positively affects 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 Macro-Adjusted score of aa1 and two-notch negative adjustment because of the expected high lending growth and the large exposure to the retail mortgage sector.

Good capitalisation but weak leverage ratio

We view SBAB's capital position as adequate, given its risk profile, which is a relative strength for the rating.

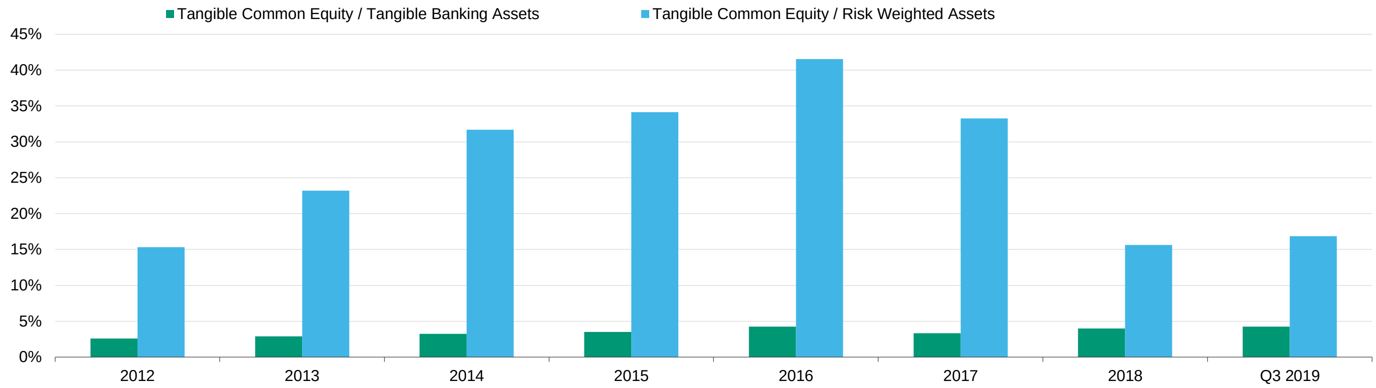
As of the end of September 2019, SBAB reported a Common Equity Tier 1 (CET1) ratio of 12.2%, down from 31.5% as of the end of September 2018 because of incorporation of the risk weight floor for mortgages of 25% into Pillar I. Tangible common equity (TCE)/risk-weighted assets (RWA) (Moody's-defined) was 16.9% as of the end of September 2019, which includes SBAB's SEK5 billion Additional Tier 1 (AT1) capital instruments.

On 23 August 2018, the Swedish Financial Supervisory Authority (SFSA) announced its decision to move the risk weight floor on mortgages to Pillar I from Pillar II, effective as of 31 December 2018. The decrease in capital ratios is explained by the large mortgage portfolio relative to its balance sheet, with risk weights increasing to 25% from single digits, while the bank's capital remains unchanged in nominal terms. SBAB has, however, decided to revise the buffer it targets to hold above the minium regulatory capital requirements as communicated by the SFSA. The new target buffer of at least 0.6% above capital requirements, which was 10.7% as of the end of September 2019 (as reported by the SFSA), and corresponds in nominal terms to a 1.5% buffer under the old method.

Because of the 100% government ownership, SBAB is not a listed company, hence it does not have direct access to equity capital markets; this is a weakness as it limits the bank's ability to raise capital.

As of the end of September 2019, SBAB's TCE/tangible assets was 4.2%, which includes the AT1 securities issued in 2015, 2016 and 2019. The first call date of AT1 instruments issued in 2015 is 16 March 2020.

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 Financial Metrics

The a1 assigned Capital score remains unchanged after the move of the risk weight floor and reflects the aa2 Macro-Adjusted score and 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

SBAB reported pretax income increasing by 6.2%, to SEK1.8 billion, for the first nine months of 2019 compared with the year-earlier period. SBAB reported a return on equity of 12.1% well above the bank's 10% target. Net interest income increased by 3% in the first nine months of 2019 compared with the year-earlier period, while the reported cost-to-income ratio deteriorated slightly to 32.5% from 31.4%.

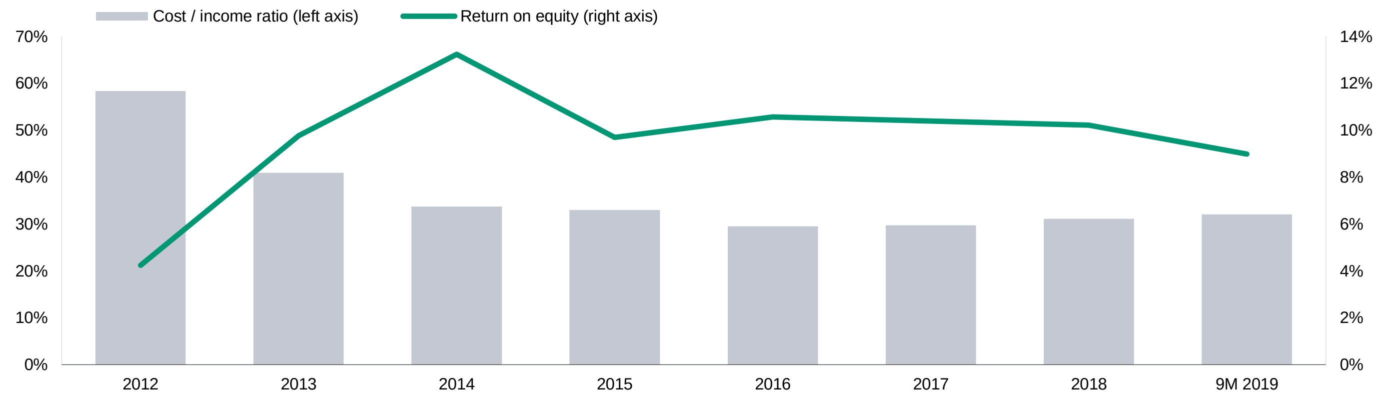
We expect profitability to weaken based on increased competition in the Swedish mortgage markets, with the two large banks SEB AB and Nordea Bank Abp increasing their market shares in the first three quarters of 2019. However, SBAB continued to show healthy net interest margin of 0.75% during the first nine months of 2019, slightly lower than the 0.77% for full-year 2018. This points to a resilience in net interest margin, despite the prolonged low interest rate environment because of a continued focus on cost efficiency. Moody's-adjusted figures showed net income/tangible assets of 0.39% during the first nine months of 2019, almost unchanged from full-year 2018. The resilience in NIM in recent years is a trait of the Swedish banking system, where a large part of retail mortgages are funded with covered bonds. This source of funding has proven to be very beneficial in the low interest environment. SBAB prices its loans below the announced rates of larger banks, but there is no possibility to negotiate rates, a common characteristic with the larger banks. However, the bank gives rebates for green mortgages and lower LTVs.

The bank has an overarching target to achieve a return on equity of at least 10%. 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 end of year 2018, SBAB held 100% of Booli after acquiring the remaining shares in November 2018.

SBAB is an efficient lender operating without a retail branch network. Thus, the cost-to-income ratio is low at 32% for the first nine months of 2019, however slightly higher than the 31% for full-year 2018 (see Exhibit 4) because the bank staffed up its service centers in order to restore and increase distribution capacity. This is in part due to closing down partnership distribution and also manage higher volumes of credits. The cost increase also relates to compliance, IT-investments and other development costs.

Our assigned Profitability score of ba1 reflects the bank's expected stable, although moderate, profitability and its low cost-to-income ratio, while also capturing the exceptionally benign operating environment with lower-than-usual loan-loss provisions.

Exhibit 4
SBAB's cost-to-income ratio and return on equity
Moody's-adjusted figures



Source: Moody's Financial Metrics

We consider SBAB's business model to be less diversified than that of a full-service bank, and we reflect this in a negative adjustment for business diversification, an adjustment shared with other mortgage lenders, for example, Skandiabanken in Sweden.

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, and SBAB's recent efforts to increase funding duration and a sustained increase in deposit funding.

SBAB's high reliance on confidence-sensitive wholesale funding is a structural weakness, with market funding/tangible assets at 40.9% as of the end of September 2019.

However, a number of factors mitigate this weakness. SBAB's covered bonds (rated Aaa) account for more than half of its long-term funding, and as of end of year 2018, 63.9% 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 the strategic aim to extend the maturity, with a number of successful benchmark issues, and reducing foreign-currency exposures. These have been of longer maturity, taking advantage of the low interest rate environment to reduce the asset-liability mismatch.

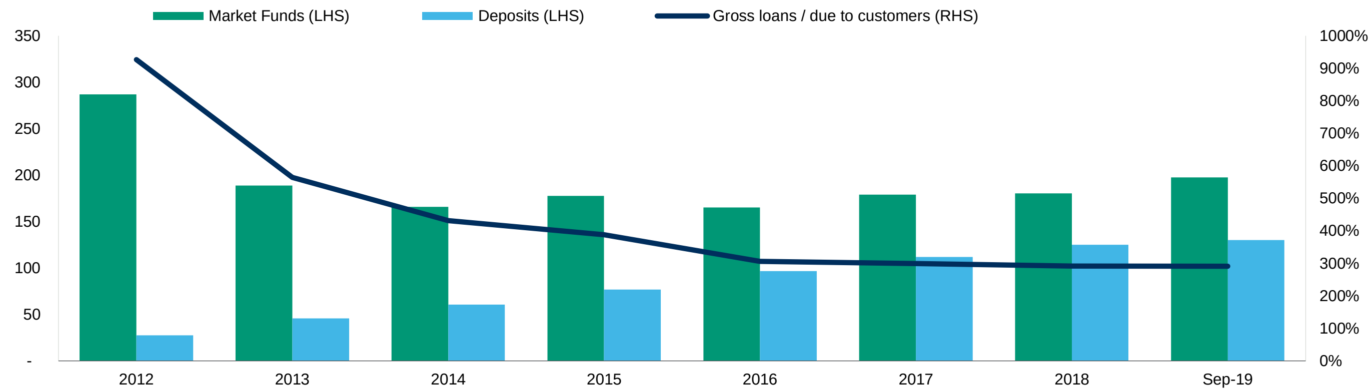
Concurrently, SBAB has actively reduced reliance on market funding through further diversification into deposits, thereby reducing its gross loans/deposits to 291% as of the end of September 2019 from 565% as of the end of December 2013. SBAB increased deposits by 4.1% in the first three quarters of 2019, while market funds increased by 9.6%. 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.

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 2022. According to our estimates, based on end of September 2019 figures, the volume of senior non-preferred debt required is around SEK12 billion. However, the implementation of the updated European Union (EU) BRRD, which we expect to be finalised by end of year 2020, could prompt banks to reduce their senior non-preferred (SNP) issuance volume as they will be allowed to use surplus capital instruments to meet requirements. Up until 22 October 2019, the bank had issued SEK6.1 billion of senior non-preferred debt.

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

Exhibit 5
SBAB's gradual increase in deposits is sustainable
Market funds and deposits in SEK billion, gross loans/due to customers in percentage



Source: Moody's Financial Metrics

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. Liquid banking assets, Moody's-calculated, consist mainly of highly rated securities, which totaled around SEK86 billion as of the end of September 2019, equivalent to 17.9% of its tangible banking assets, and compares well with that of its peers. As of the end of September 2019, SBAB's reported Liquidity Coverage Ratio (all currencies combined) was a high 298%.

SBAB's BCA is supported by Sweden's Strong+ Macro Profile

Banks in Sweden operate in a wealthy, diversified and highly competitive economy, and benefit from very high institutional strength and continued low political risk. The stable operating environment is supportive of Swedish banks' ratings, which are one of the highest among the banks we rate. This also reflects their very low level of impaired loans, high regulatory capital ratios, and strong and stable earnings generation.

Our assessment of Sweden's Macro Profile incorporates a significant build-up in household debt (189% of net disposable income in 2018) and rapid house price appreciation up until the autumn of 2017. Sweden's stretched household indebtedness poses latent risks to its economy and banks.

The Macro Profile captures the risks posed by banks' high dependence on market funding. This exposes them to potential shifts in investor sentiment and refinancing risk, which could increase as a result of their recently initiated issuance of senior non-preferred senior debt. It also reflects the benefits of the banking system's concentrated structure, which protects banks' pricing power and allows them to generate more robust earnings than those of their peers.

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 new housing construction to be energy-efficient, 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.

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 partly 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 cost, 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 both in its role 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.

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. SBAB has integrated sustainability in its operations and products and included UN Sustainable Developement Goals into its governance model. 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 Bank Recovery and Resolution Directive (BRRD), which we consider an operational resolution regime. We assume residual TCE of 3% and losses post-failure 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 year 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 Coco model, which takes into account the distance of the CET1 ratio to 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 meaningful market share in the Swedish residential mortgage market. This guides our expectation of a moderate probability of government support from Sweden 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	Sector concentration	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	16.9%	aa2	↓	a1	Nominal leverage	
Profitability						
Net Income / Tangible Assets	0.4%	ba1	↓	ba1	Expected trend	
Combined Solvency Score		aa3		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	40.3%	b1	←→	baa2	Market funding quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	16.7%	baa2	←→	baa2	Expected trend	
Combined Liquidity Score		ba2		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	284,925	59.0%	294,024	60.8%
Deposits	129,986	26.9%	120,887	25.0%
Preferred deposits	116,987	24.2%	111,138	23.0%
Junior deposits	12,999	2.7%	9,749	2.0%
Senior unsecured bank debt	47,340	9.8%	47,340	9.8%
Junior senior unsecured bank debt	3,000	0.6%	3,000	0.6%
Dated subordinated bank debt	3,450	0.7%	3,450	0.7%
Equity	14,496	3.0%	14,496	3.0%
Total Tangible Banking Assets	483,197	100.0%	483,197	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	16.1%	16.1%	16.1%	16.1%	3	3	3	3	0	a1
Counterparty Risk Assessment	16.1%	16.1%	16.1%	16.1%	3	3	3	3	0	a1 (cr)
Deposits	16.1%	4.3%	16.1%	14.1%	2	3	2	2	0	a2
Senior unsecured bank debt	16.1%	4.3%	14.1%	4.3%	2	1	2	2	0	a2
Junior senior unsecured bank debt	4.3%	3.7%	4.3%	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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