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SBAB Bank AB (publ)

SBAB's Removal of Change-of-Control Clause on New Senior Debt Securities Is Credit Positive for Existing Creditors

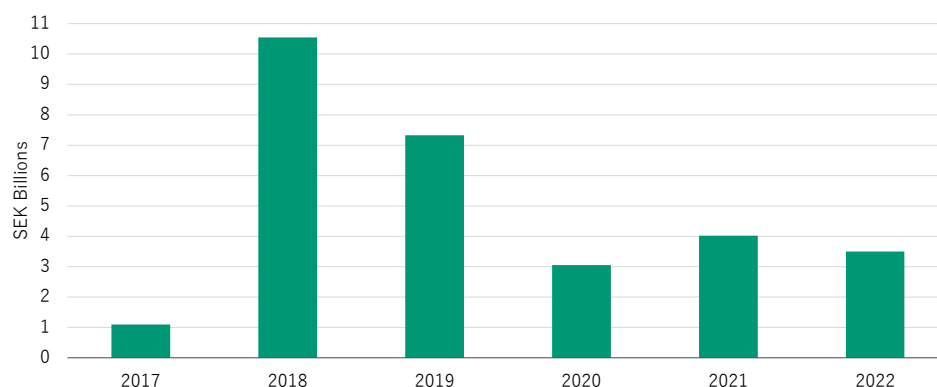
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On Thursday, [SBAB Bank AB \(publ\)](#) (A1/A1 stable, baa1¹) said that it would change the terms and conditions of its euro medium-term note program to remove a change-of-control clause in future senior unsecured issuances. New senior debtholders will not be able to demand redemption in the event the Swedish state reduces its stake in SBAB to below 51% from its current 100%. For existing debtholders, this change is credit positive because it improves their position in the event Sweden sells down its stake in SBAB.

The outstanding amount of senior unsecured bonds with the change-of-control clause will decline to zero by 2022 (see exhibit). This means fewer bond redemptions and a smaller liquidity burden for SBAB if Sweden sells down its stake in SBAB to below 51%. It also means that any incentive provided to senior unsecured bondholders to refrain from redemption and retain their debt will be more limited. Fewer debtholders with the change-of-control covenant make those without the covenant better off.

Exhibit 1

SBAB's Senior Unsecured Debt Maturity Profile at the End of Third-Quarter 2017



Source: Company presentation

At the end of the third quarter, senior unsecured funding accounted for 23% of outstanding market funding. Commercial paper borrowing was SEK4.9 billion (\$450 million) and senior unsecured funding amounted to SEK63.7 billion (\$5.8 billion). Funding via covered bonds issuance is carried out by the wholly owned subsidiary, SCBC. Securities outstanding totalled SEK 203.1 billion (\$18.5 billion), of which SEK149.2 billion was in SEK and SEK53.9 billion was in foreign currencies.

During the previous government, a conservative-liberal coalition, SBAB was put on a sale list in December 2006, but was removed by the opposition parties back in March 2011. Part of the former opposition parties are now in the current government, a social democrat-green coalition, elected in 2014. With an upcoming election in September 2018, the topic of selling SBAB might be raised again. With the change-of-control clause removed, an eventual sale would be easier to manage. SBAB's senior unsecured ratings currently incorporate one notch of government support. If the government lowers its shareholding to less than 51%, it is probable that this notch would be removed.

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Endnotes

¹ The bank ratings shown in this report are the bank's long-term deposit rating, senior unsecured debt rating and baseline credit assessment.

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