

SPARBANKEN VÄSTRA MÄLARDALEN

Sweden
Financial institutions

9 Jan 2019
Rating initiation

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N-1+

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RATING RATIONALE

Our 'BBB+' long-term issuer rating on Sweden-based Sparbanken Västra Mälardalen (SBVM) reflects the bank's very strong capitalisation and regional focus. As a savings bank, SBVM's operations are focused on a specific geographical region and it is operated without an owner or a focus on profit maximisation. Instead, at least 95% of the bank's earnings are retained to secure depositors' funds. Like most Swedish savings banks, the bank has a cooperation arrangement with Swedbank AB, which provides material diversification of product offerings, shared IT costs and the opportunity to finance retail mortgages via Swedbank Hypotek. We view the Swedbank cooperation as significant as it supports earnings, market position, the product offering, funding and liquidity. SBVM is based in Köping, and its other core markets are Kungsör and Arboga in the Västra Mälardalen region of Sweden, with its strong manufacturing industry. The bank focuses on regional private customers and small and medium-sized enterprises (SMEs) operating primarily in its three core markets. However, with total assets of SEK 9.4bn (SEK 12.7bn including transferred loans) it is overshadowed by Sweden's larger banks in the region's larger cities. Earnings metrics are weaker than more efficient and profit-driven Swedish peers but are in line with similar savings banks, and our current loss expectations are low given low interest rates and anticipated economic growth in the region.

OUTLOOK

Our stable outlook for SBVM reflects expectations of population and economic growth in the region and the bank's modest risk appetite. We expect the bank to maintain a very strong balance sheet, prudent underwriting and retain its access to and relationship with Swedbank.

POTENTIAL POSITIVE RATING DRIVERS:

- Improved core earnings performance resulting in higher capital generation.
- Reduced reliance on income from shareholdings and fixed income investments.

POTENTIAL NEGATIVE RATING DRIVERS:

- Material changes in the regional environment, such as factory closures, leading to reduced economic activity and employment.
- Reduced cooperation with Swedbank.
- Material changes in underwriting leading to increased credit risk concentration.

Figure 1. Sparbanken Västra Mälardalen key credit metrics, 2014–2020e

	2014	2015	2016	2017	2018e	2019e	2020e
Net interest margin (%)	1.80	1.47	1.51	1.46	1.42	1.55	1.65
Loan losses/gross loans (%)	0.04	(0.08)	(0.01)	(0.09)	0.04	0.04	0.04
Pre-provision income/REA (%)	2.3	2.0	2.0	2.1	2.0	2.2	2.4
Return on equity (%)	6.3	5.7	5.6	6.4	6.1	7.0	7.5
Loan growth (%)	12.6	12.1	21.9	9.2	4.0	6.0	6.0
CET1 ratio (%)	24.0	26.2	23.4	23.1	21.1	21.5	22.0

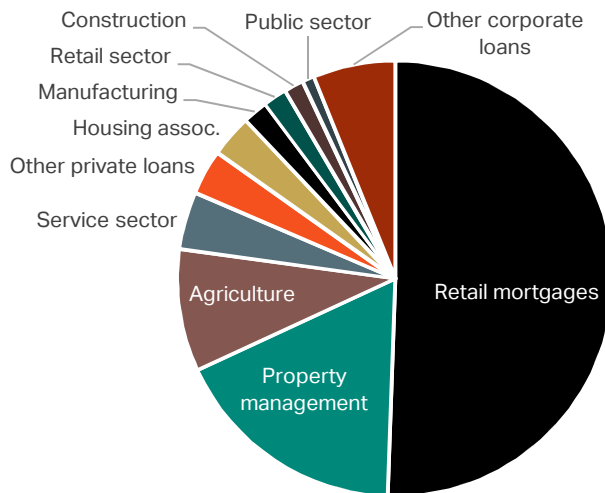
Source: NCR estimates and company data. e – Estimate. REA – risk exposure amount. CET1 – common equity Tier 1. All metrics are adjusted as per NCR methodology.

COMPANY PROFILE

SBVM is a traditional savings bank, meaning that it is operated without an owner and focuses on customers in a specific geographical region. The earnings of the bank, less a 5% donation used to support the local community, are retained on the balance sheet to protect depositors', and in turn senior creditors', funds. Like most Swedish savings banks, the bank shares a history and cooperation with Swedbank AB, which provides material product diversification, shared costs on IT solutions and the opportunity to finance retail mortgages via Swedbank Hypotek AB, Sweden's largest issuer of covered bonds.

SBVM is based in Köping, with other core markets of Kungsör and Arboga at the western end of Lake Mälaren, which extends to Stockholm in the east. These three communities have a total of 50,000 inhabitants and are centred within the geographical triangle of the municipalities of Örebro, Eskilstuna and Västerås, a market that includes nearly 750,000 inhabitants and a strong manufacturing industry.

Figure 2. Sparbanken Västra Mälardalen net loans by segment, 30 Sep. 2018



Source: company data

STRONG MANUFACTURING REGION

Despite some cooling of the Swedish economy in the second half of 2018, NCR expects the domestic operating environment to remain strong for Swedish banks over the next two to three years. Loan losses and non-performing loans among Swedish banks are among the lowest in Europe and are expected to remain low over the next few years, even as the economy slows due to a reduction in capital investment and as interest rates are gradually raised towards normalised levels (defined recently by the central bank as 2.5-4%). We view the slowdown in housing price appreciation as important for long-term financial stability, but recognise that the market uncertainty could result in continued price volatility.

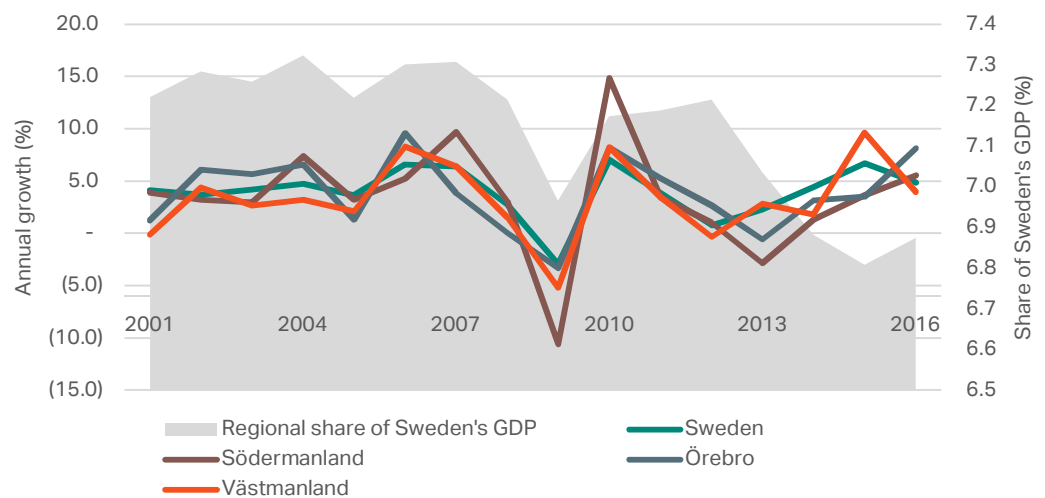
Swedish banks' earnings and efficiency are strong compared with European peers. In addition, capitalisation and funding access remain strengths for the market as a whole. See further discussion in 'National Banking Market Assessment – Sweden' published on 30 Oct. 2018.

Operating environment scores 'bbb'

Regional factors

The Västra Mälardalen economy has generally moved in step with the Swedish economy and has enjoyed cumulative annual growth of 3.4% since 2000 (measured as the counties of Södermanland, Örebro and Västmanland). Since 2009, this growth has accelerated to 4.1%. Although strong, this growth remains below the national levels of 3.9% and 4.3%, respectively, reducing the region's share of the Swedish economy to below 7% in recent years (see Figure 3). This is typical for many of Sweden's more rural counties and is largely due to the high growth in the Stockholm, Uppsala and Västra Götaland (Gothenburg) regions over the same period. Similarly, the region's population has been growing at about 0.5% per year since 2000, somewhat below Sweden's 0.8% growth, and driven almost exclusively by foreign-born migration to the region.

Figure 3. Annual GDP growth and regional share of Sweden's GDP, 2001–2016



Source: Statistics Sweden

The Västra Mälardalen region is an important part of Sweden's manufacturing industry. Manufacturing represents 20-30% of employment in SBVM's three primary markets, compared with 12% at national level. This has been a vulnerability as recently as 2009, when a contraction in demand for vehicles and heavy equipment led to significant layoffs at local production plants and a severe contraction of the Södermanland economy (see Figure 3).

We consider that the banks' three core markets include about 50,000 of the 750,000 inhabitants in the region. In addition to this, we reflect the slower economic and population growth and higher share of manufacturing in the region in our overall score of 'bbb' for the bank's operating environment assessment. This compares with the national score of 'a'.

STRONG CAPITALISATION DEMONSTRATES LOW RISK APPETITE

In our opinion, SBVM has a low risk profile because of the bank's mission to operate in the interests of its local market and its leadership built around the protection of its depositors (see Support below). The bank has substantial capital buffers because of its practice of maintaining at least 95% of earnings on balance sheet. Its liquidity buffers and funding position are in line with savings banks for the Swedish market and SBVM has a high share of well-diversified retail deposits, access to market funding and the ability to transfer loans to Swedbank Hypotek AB.

On the other hand, the bank's regional focus creates naturally high geographic risk concentrations and the bank's risk governance and internal risk reporting are somewhat below larger Nordic peers, owing in part to the use of partially owned external resources for risk control and compliance. This is not a significant concern, however, given the bank's low level of complexity.

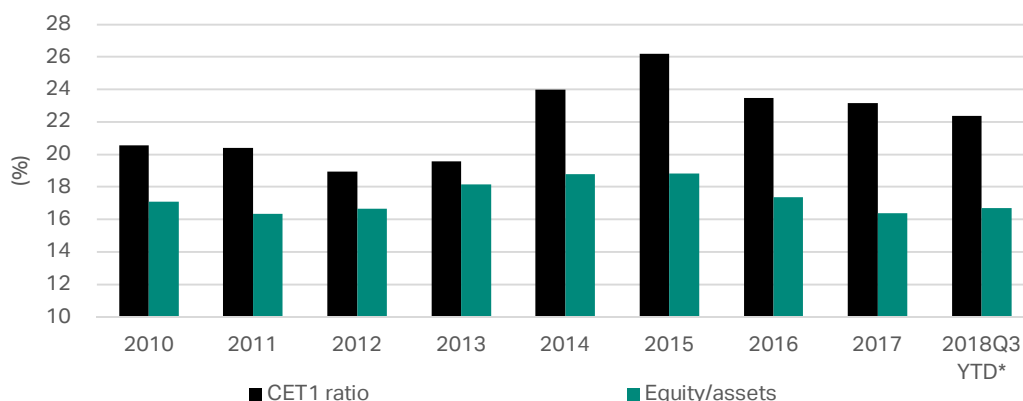
We assess risk appetite as 'a'

Capital

The bank's CET1 capital ratio was 21.0% as of 30 Sep. 2018 (22.4% including 95% of YTD profit). We expect the bank to continue growing its loan book somewhat faster than it generates capital, resulting in a projected CET1 ratio of 21–22% over the next two to three years. This assumes loan growth of 6.0% in 2019–2020 and a pay-out ratio of 5% in the form of donations to the local community. The bank's aims to maintain capital above at least 19.4%, which is 5% above its combined regulatory requirement of 12.5% plus Pillar 2 buffers. The bank uses standardised capital models and taxed equity accounts for 16.6% of total assets, which is outstanding for the Swedish banking market.

The bank's capital base excludes all unrealised gains from its holdings of Swedbank AB and Indecap Holding AB shares. This resulted in a reduction of the capital base by SEK 282m (5% of the total risk exposure amount) as of 30 Sep. 2018. Given the reduction in the capital base and the size of the unrealised gains, the large shareholdings in Swedbank are not seen as a material market risk exposure for the bank and could provide capital flexibility in the event of a bank-specific stress.

Figure 4. Sparbanken Västra Mälardalen capital and leverage ratios, 2010 to 30 Sep. 2018



Source: company data. CET1 – common equity Tier 1. *Q3/18 includes 95% of YTD net profit.

Funding and liquidity

We view the bank's management of funding and liquidity reserves as satisfactory. As of 30 Sep. 2018 the liquidity coverage ratio (LCR) was 199%. SBVM's loan-to-deposit ratio has fluctuated between 90% and 110% in recent years and was 100.8% as of 30 Sep. 2018. SBVM has a quite different profile from the overall Swedish market, where banks tend to use covered bonds and senior unsecured debt for around two-thirds of their funding, but its funding is similar to that of other Swedish savings banks.

Since 2016, the bank has had access to capital markets and senior unsecured financing in Swedish kronor. In February 2018 the bank issued SEK 300m in three-year senior unsecured bonds, SEK 181m of which was used to repurchase a bond set to mature in January 2019. This extended the bank's senior funding profile while diversifying the maturity structure and reducing the spread on the bonds (to 73 bps over three-month STIBOR from 90 bps). The bank's third outstanding bond, for SEK 325m, matures in September 2020 (see instrument ratings in Figure 10 for details).

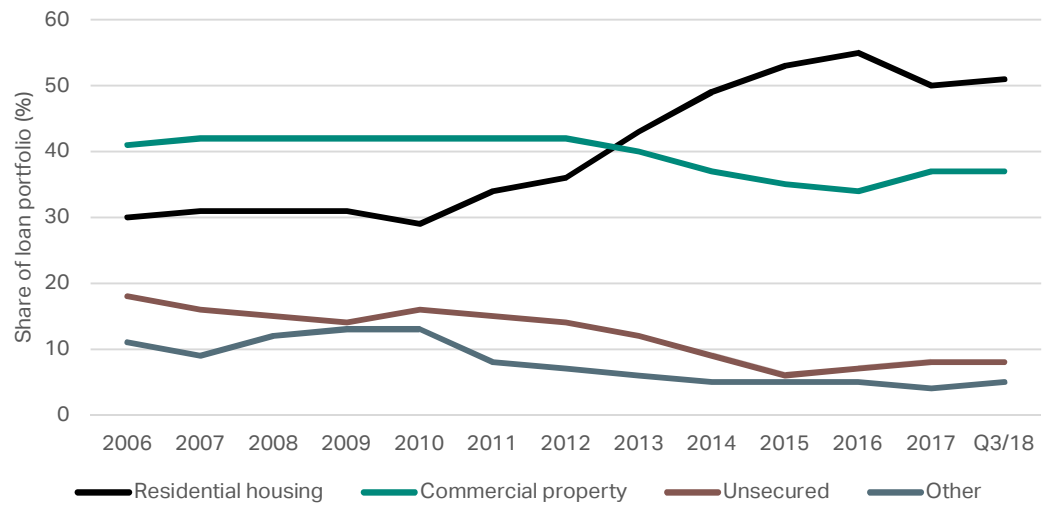
SBVM's cooperation with Swedbank also provides various funding benefits. SBVM has a SEK 100m loan from Swedbank. In addition, SBVM can transfer residential mortgages to Swedbank Hypotek AB, which pays SBVM a commission. As of the third quarter of 2018, the bank had transferred SEK 2.3bn to Swedbank, which is 25% of total lending including the transferred loans. The bank also maintains SEK 3.4bn in residential mortgages on its balance sheet and aims to maintain a similar relationship of held and transferred loans for future mortgage loans.

We score credit risk 'bbb'

HIGH EXPOSURE TO LOCAL PROPERTY MARKETS

SBVM's lending exposures are primarily associated with retail and commercial mortgages on existing property. Given that at least 80% of the bank's customer base is associated with the three core markets, there is a material concentration of regional real-estate collateral. As shown in Figure 2, one half of the bank's credit exposures are residential mortgages (excluding SEK 2.3bn transferred to Swedbank), and its largest corporate exposures are to property management and agriculture, resulting in 80% of lending associated with regional property. In recent years, as residential mortgage margins have increased, the bank has used bond financing to maintain a larger share of mortgage lending on its own balance sheet while decreasing the share of uncollateralised commercial lending.

Figure 5. Sparbanken Västra Mälardalen share of net loans by collateral, 2006 to 30 Jun. 2018



Source: Company data.

The bank's corporate lending is focused on private individuals and SMEs with primary operations within their core markets, which leads to a geographical concentration. Beyond the high share of lending to property management companies, the loan book has meaningful diversification across sectors. Lending to agriculture is well diversified, with a high share of family-owned farms and forests. Despite the significance of manufacturing in the region, lending directly to the sector is modest, although many of the bank's exposures would have secondary effects if there were significant layoffs at any of the region's largest manufacturers.

SBVM's SEK 2.3bn in transferred mortgage loans to Swedbank provide income via commission fees negotiated by the savings banks. The bank has increased the volumes of transferred loans in 2018, reducing the growth in its own loan book. SBVM has a first-loss risk associated with the transferred loans that results in a reduction in paid commissions when writedowns of transferred loans occur.

Other risks and strategic ownership

In our view, market risk is a negligible risk factor for the bank, given its strategy not to hold a trading portfolio, and its low limits on interest rate risk and currency risk. However, as of 30 Sep. 2018, the bank had a fixed-income investment portfolio of SEK 936m, of which approximately 10% is non-investment grade and an additional 35% comprises investments in unrated corporate debt. While up to half of the unrated names are large, well-known issuers, we believe the portfolio has a meaningful spread and default risk, given the volume in relation to the bank's annual profits. Many banks have significantly reduced investment portfolios or converted them to low-risk liquidity portfolios in view of the potential for volatile bond markets, and we consider the investment portfolio and the importance of Swedbank dividends for earnings performance in our 'bbb' assessment of other risks for SBVM.

As described above, the unrealised gains associated with the bank's holdings in Swedbank AB and Indecap Holding AB shares are deducted from the capital base, limiting the maximum downside to the acquisition value which is less than one-third of the market value. The bank does earn dividends on the investments and these have been very high in recent years due to Swedbank's 75% dividend policy.

SBVM's ownership of 2m Swedbank shares ensures it has a meaningful voice alongside other savings banks that own shares either directly or via their owner foundations. The cooperation with Swedbank has been extended to June 2024. In addition, SBVM has strategic ownership in Indecap Holding AB (jointly owned alongside 38 savings banks), Svealands Risk och Compliance AB (jointly owned with six savings banks), which provides risk control and compliance functions for the bank, and acquired 50% of the shares in Portfolio Försäkra AB (purchased from Sparbanken Rekarne, which owns the other 50% of the shares).

STRONG LOCAL POSITION BUT LIMITED REGIONAL MARKET SHARE

SBVM has a strong position in its core markets and among local individuals and SMEs, reporting 40,000 private and 4,000 corporate customers. SBVM's primary local competition comes from Handelsbanken, Nordea and Länsförsäkringar Bank, while larger corporations in the region are serviced by the larger banks. New competitors in the mortgage market have received a lot of attention for low mortgage rates, but thus far SBVM has not experienced a material impact on its customer base or ability to grow volumes. At national level, the bank has only 0.2% of loans, including transferred loans to Swedbank.

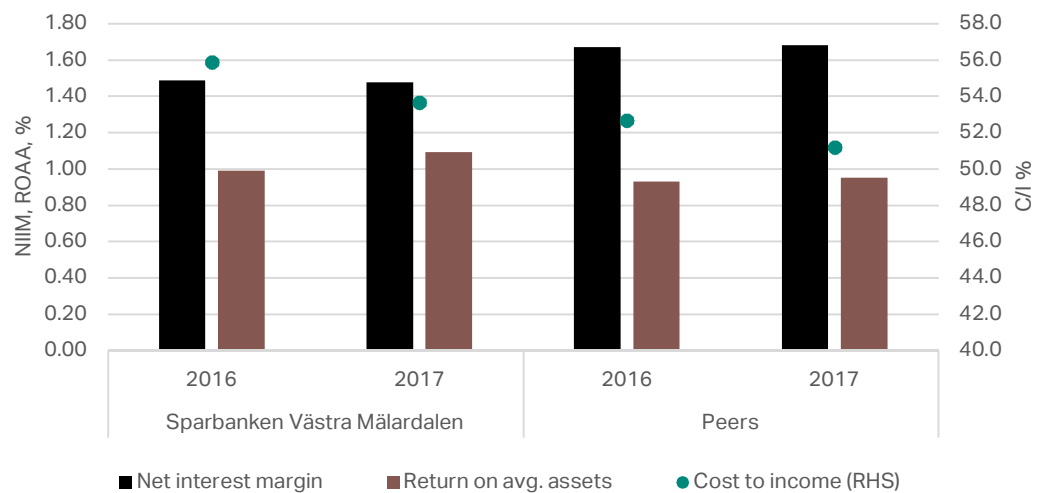
EARNINGS AND LOSS PERFORMANCE IN LINE WITH PEERS

Recent earnings and loss performance has been good and has positively contributed to our view of the bank's creditworthiness. We expect earnings performance to remain stable, with improvements coming from continued efforts to improve cost efficiency as interest rates begin to rise. We do not foresee considerable deterioration in the bank's asset quality given low interest rates and expectations of continued positive economic development in the region.

*We score market position
'bb+'*

*We assess performance
indicators at 'a-'*

Figure 6. Sparbanken Västra Mälardalen earnings vs Nordic savings bank peers, 2016–2017



Source: Company data. Peers include 21 rated savings banks in Norway, Sweden and Finland.

Earnings performance

SBVM's earnings metrics are not outstanding by peer comparison, in part owing to the ownership structure and less emphasis on net profit. Net interest margins (NIMs) have stabilised around 1.4–1.5% since 2015 following a rather dramatic reduction as market rates fell below zero. This occurred in large part due to the bank applying a floor of 0% on all deposits, which comprise nearly 100% of loan financing. However, we expect the bank to be able to materially increase its net interest margin as rates normalise alongside an improvement in deposit margins and returns on liquidity.

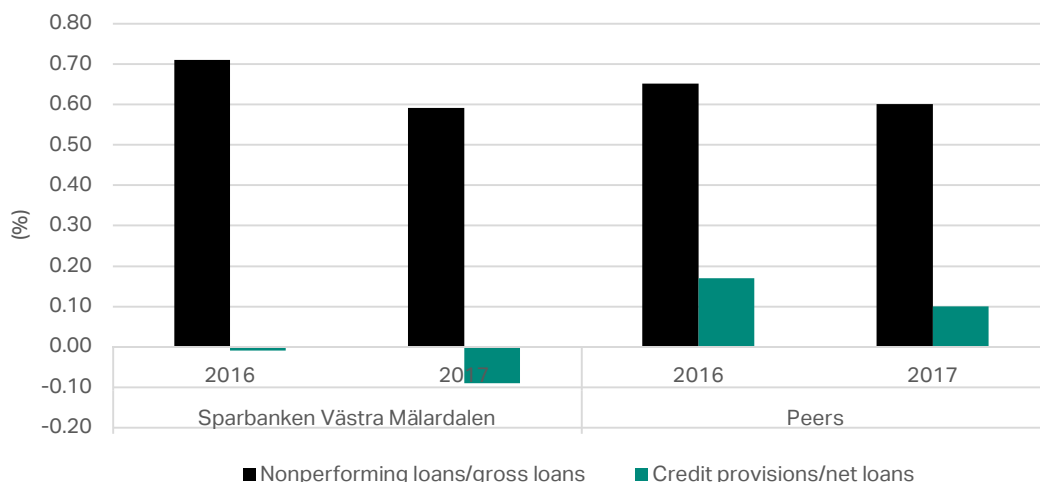
The reduction in margins was compensated in part by improved dividend earnings from Swedbank. We note that 12% of SBVM's operating income in 2016 and 2017 was associated with dividend payments from these holdings and that the full annual dividend (received in April) distorts some earnings metrics as of the third quarter of 2018. We also note that Swedbank has paid a 75% dividend since 2012, but paid out lower percentages or withheld dividends entirely in the years prior to this and that future policy could be materially affected by strategic changes or other fluctuations at Swedbank.

The bank targets a 50% cost-to-income ratio, which we see as a possibility by 2019 or 2020, as a long as interest rates rise as we expect (see Key National Metrics in Figure 12) and dividend earnings remain stable. Improved margins and capital generation are likely to result in the bank using its own balance sheet to a larger degree.

Loss performance

SBVM has shown outstanding loss performance in recent years and non-performing loans now represent a modest 63bps of gross lending at 30 Sep. 2018, a decline of nearly 1 percentage point since 2011. The improved portfolio generated net reversals in the period 2015–17, although the implementation of IFRS 9 resulted in increased loss reserves in 2018. We project loan losses to be a manageable 4bps in our forecast, given a stable and growing regional economy and continued low interest rates, even as rates are expected to rise over the next two years.

Figure 7. Sparbanken Västra Mälardalen asset quality vs Nordic savings bank peers, 2016–2017



Source: company data. Peers include 21 rated savings banks in Norway, Sweden and Finland.

ADJUSTMENT FACTORS

PEER COMPARISON

We believe that SBVM's balance sheet strength and stability is reflected in the 'bbb+' initial credit assessment and do not adjust based on a peer assessment or any other factors. NCR has confidential credit assessments (not full credit ratings) of 286 Nordic banks, 60 of which are Swedish banks. The average assessment for the entire population is 'bbb+'.

SUPPORT ANALYSIS

SBVM has no owners. Instead, it has 48 principals who act in the interests of depositors. Half of the principals are appointed by the municipalities of Köping, Arboga and Kungsör, and the other half by the principals themselves. The principals essentially take on the owner's role by appointing a board and allocating the bank's profit. Given the bank's status, there is no additional owner capital that resides in a foundation or within Swedbank, which is the case at a number of other Swedish savings banks. Consequently, we do not notch the rating up for ownership support.

ISSUE RATINGS

Our rating on SBVM's unsecured senior debt is in line with the issuer rating, i.e. 'BBB+'. We also rate the existing programme 'BBB+', an indication of our ratings on future issuance from the programme.

Figure 8. Sparbanken Västra Mälardalen issue rating indications

Issue rating indications	Starting point	Issue rating
Senior unsecured	Issuer credit rating	BBB+

Figure 9. Sparbanken Västra Mälardalen rating scorecard

Subfactors	Impact	Score
National factors	5.0%	a-
Regional, cross border, sector	15.0%	bbb
Operating environment	20.0%	bbb
Capital	17.5%	aa-
Funding & liquidity	15.0%	a
Risk governance	5.0%	bbb
Credit risk	10.0%	bbb
Market risk	0.0%	N/A
Other risks	2.5%	bbb
Risk appetite	50.0%	a
Market position	15.0%	bb+
Earnings	7.5%	a-
Loss performance	7.5%	a
Performance indicators	15.0%	a-
Indicative credit assessment		bbb+
Peer comparisons		0
Transitions		0
Borderline assessments		0
Adjustment factors		0
Standalone credit assessment		bbb+
Ownership		0
Material credit enhancement		0
Rating caps		0
Support		0
Issuer rating		BBB+
Short-term rating		N-1+

Figure 10. Sparbanken Västra Mälardalen instrument ratings

ISIN	Seniority	Issued	Maturity	Rating	Curr.	Amount
SE0007982459	Senior unsecured	26/01/2016	28/01/2019	BBB+	SEK	219m
SE0009155278	Senior unsecured	23/09/2016	23/09/2020	BBB+	SEK	325m
SE0010948067	Senior unsecured	01/03/2018	01/03/2021	BBB+	SEK	300m

Figure 11. Sparbanken Västra Mälardalen key credit metrics and financials

Key credit metrics (%)	2013	2014	2015	2016	2017	Q3/18 YTD
Income composition						
Net interest income/op. revenue	55.9	56.5	49.8	54.2	54.1	51.4
Net fee income/op. revenue	27.3	28.4	31.3	29.9	29.8	28.4
Net trading income/op. revenue	7.6	4.9	7.4	4.6	1.8	3.0
Net other income/op. revenue	9.2	10.2	11.4	11.2	14.3	17.3
Earnings						
Net interest margin	1.9	1.8	1.5	1.5	1.5	1.4
Pre-provision income/REA	3.0	2.3	2.0	2.0	2.1	2.4
Return on ordinary equity	8.5	6.3	5.7	5.6	6.4	7.3
Return on assets	1.5	1.2	1.1	1.0	1.1	1.2
Cost-to-income ratio	43.9	54.3	57.8	55.9	53.6	47.4
Cost-to-income ratio, ex. trading	47.5	57.1	62.4	58.6	54.6	48.8
Capital						
CET1 ratio	19.5	24.0	26.2	23.4	23.1	21.0
Tier 1 ratio	19.5	24.0	26.2	23.4	23.1	21.0
Capital ratio	23.1	24.0	26.2	23.4	23.1	21.0
REA/assets	62.7	61.2	59.3	58.8	59.2	60.0
Dividend payout ratio	-	-	-	-	-	-
Leverage ratio	12.3	14.7	15.6	13.8	13.7	12.6
Growth						
Asset growth	6.4	4.7	3.5	19.6	9.3	10.8
Loan growth	3.4	12.6	12.1	21.9	9.2	8.0
Deposit growth	6.1	5.1	5.6	13.0	12.4	12.8
Loss performance						
Credit provisions to gross loans	0.1	0.0	(0.1)	(0.0)	(0.1)	0.0
Gross impaired loans to gross loans	1.3	1.0	0.8	0.7	0.4	0.6
Net impaired loans to gross loans	0.6	0.4	0.4	0.4	0.2	0.4
Net problem loans to equity	2.0	1.6	1.6	1.8	0.9	1.7
NPL coverage ratio	57.7	58.2	49.9	41.0	49.6	36.4
Funding & liquidity						
Loan/deposit ratio	88.6	94.9	100.7	108.7	105.6	100.8
Net stable funding ratio	-	-	-	-	-	-
Liquidity coverage ratio	-	-	85.7	159.7	211.5	198.8

Key financials (SEKm)	2013	2014	2015	2016	2017	Q3/18 YTD
Balance sheet						
Total assets	6,138	6,427	6,654	7,961	8,699	9,377
Total financial assets	6,079	6,339	6,588	7,844	8,532	9,170
Net loans and advances to customers	3,952	4,448	4,987	6,081	6,639	6,820
Total securities	1,721	1,455	1,163	1,301	1,401	1,762
Customer deposits	4,462	4,689	4,951	5,594	6,286	6,764
Issued securities	100	-	-	725	725	844
of which senior	-	-	-	725	725	844
of which subordinated	100	-	-	-	-	-
Total equity	1,113	1,205	1,252	1,381	1,424	1,562
Capital						
Common equity tier 1	752	944	1,033	1,097	1,191	1,181
Tier 1 capital	752	944	1,033	1,097	1,191	1,181
Total capital	887	944	1,033	1,097	1,191	1,181
Regulatory risk exposure amount	3,848	3,936	3,947	4,679	5,147	5,629
Income statement						
Operating revenues	202	198	190	200	220	182
Pre-provision operating profit	113	91	80	88	102	96
Impairments	5	2	(4)	(1)	(5)	2
Net income	88	73	70	73	90	82

Source: NCR estimates and company data. REA – risk exposure amount. CET1 – common equity Tier 1. NPL – non-performing loans. All metrics are adjusted as per NCR methodology.

Figure 12. Sweden - key national metrics

	2014	2015	2016	2017	2018e	2019e	2020e
Real GDP growth (%)	2.7	4.3	3.0	2.5	2.9	2.0	1.8
CPI growth (%)	(0.2)	(0.1)	1.0	1.8	2.1	2.1	1.9
Unemployment rate (%)	7.9	7.4	6.9	6.7	6.2	6.1	6.2
Current account balance/GDP (%)	4.5	4.5	4.2	3.3	3.9	4.1	4.1
Central bank policy rates	0.0	(0.4)	(0.5)	(0.5)	(0.5)	0.1	0.7

Source: Economist Intelligence Unit, NCR consensus estimates, Riksbanken. e-Estimate.

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating The rating is an initial credit rating.
Publication date:	The rating was first published on 9 Jan 2019
Office responsible for the credit rating:	Nordic Credit Rating AS, Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Methodology used when determining the credit rating:	<p>'Nordic Credit Rating Financial Institutions Methodology' published 14 August 2018</p> <p>'Nordic Credit Rating – Rating Principles' published 14 August 2018</p> <p>The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website: www.nordiccreditrating.com</p> <p>The historical default rates of entities and securities rated by NCR will be available on the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.</p>
Materials used when determining the credit rating:	<ul style="list-style-type: none"> • Annual/quarterly reports of the rated entity • Company presentations • Bond prospectuses • Meetings with management of the rated entity • Website of rated entity • Non-public information • Press reports/public information • Data provided by external data providers • External market reports <p>NCR considers the data it has analysed to be satisfactory and, to the best of its knowledge, believes the information to be reliable. However, NCR does not guarantee that the information used is fully adequate, accurate or complete.</p>
Conflicts of interest:	<p>The rating is NCR's independent opinion of the rated entity's relative creditworthiness.</p> <p>The rating is solicited, i.e. it is prepared for a fee paid by the rated entity.</p> <p>At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. The issuer (SBVM) is an indirect shareholder of NCR through its holding in Swedbank. Swedbank holds 4.89% ownership in NCR.</p>
Additional information:	<p>Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12-18 months. Further information on the rating process, rating definitions and limitations is available on our website: www.nordiccreditrating.com.</p>
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