

Sparbanken Rekarne AB (publ)

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Sparbanken Rekarne AB (publ) 'A-' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today that it had affirmed its 'A-' long-term issuer rating on Sweden-based savings bank [Sparbanken Rekarne AB \(publ\)](#). The outlook is stable. At the same time, the 'N2' short-term issuer rating, the 'A-' senior unsecured issue rating and the 'BBB+' issue rating on Tier 2 bonds were affirmed.

Rating rationale

The affirmation reflects continued performance in line with our expectations. We expect earnings metrics will fall during our forecast period as interest rates decline, but that the bank will maintain stronger ratios than in recent years. The bank's change to the standardised approach for determining its risk exposure amount in early 2024 weakened its capital ratios by several percentage points, which we considered in our assessment. However, this follows several years of improvements in its capital ratios and reduced leverage. We also believe implementing the EU's Capital Requirements Regulations III (CRR3) in 2025 will benefit the bank's capitalisation, but that its owners will prioritise returns and dividends over further capital accumulation.

Our 'A-' long-term issuer rating on Sparbanken Rekarne continues to reflect the bank's history of strong asset quality metrics, modest risk appetite and its relationship-based funding profile. We view the bank's 50% ownership by Swedbank AB and the benefits of its Swedbank cooperation as positive. The rating is constrained by the bank's concentrated exposure to the Södermanland region, which has historically experienced volatility as a key manufacturing region.

Stable outlook

The stable outlook reflects our expectation that Sparbanken Rekarne will maintain its strong capital buffers and benefit from improvements in earnings due to interest rates stabilising well above zero. It also reflects projections of population and economic growth in the region, despite unemployment well above the Swedish average, as well as the bank's modest risk appetite. The outlook also takes account of the bank's continuing relationship with Swedbank and the potential for capital support from the larger bank, should the need arise.

We could raise the rating to reflect lasting improvements in capitalisation, with a common equity Tier 1 (CET1) ratio above 25% on a sustained basis, combined with maintained improvements in cost efficiency, with a cost-income ratio remaining below 50% and risk-adjusted above 3.5 for a prolonged period, as well as an improved regional operating environment.

We could lower the rating in the event of reduced ownership by Swedbank or a sustained reduction in the CET1 ratio to below 18%. We could also lower the rating to reflect a significant downturn in the operating environment, weakening asset quality, loan growth and/or funding access.

Rating list

	To	From
Long-term issuer credit rating:	A-	A-
Outlook:	Stable	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	A-	A-
Tier 2 issue rating:	BBB+	BBB+

Figure 1. Sparbanken Rekarne rating scorecard

Subfactors	Impact	To	From
National factors	10.0%	a-	a-
Regional, cross border, sector	10.0%	bbb-	bbb-
Operating environment	20.0%	bbb	bbb
Risk governance	5.0%	a	a
Capital	17.5%	a+	a+
Funding and liquidity	15.0%	a	a
Credit risk	10.0%	bbb-	bbb-
Market risk	-	-	-
Other risks	2.5%	a	a
Risk appetite	50.0%	a	a
Competitive position	15.0%	bbb	bbb
Earnings	7.5%	a	a
Loss performance	7.5%	a	a
Performance indicators	15.0%	a	a
Indicative credit assessment		a-	a-
Transitions		Neutral	Neutral
Peer calibration		Neutral	Neutral
Borderline assessments		Neutral	Neutral
Stand-alone credit assessment		a-	a-
Material credit enhancement		Neutral	Neutral
Rating caps		Neutral	Neutral
Support analysis		Neutral	Neutral
Issuer rating		A-	A-
Outlook		Stable	Stable
Short-term rating		N2	N2

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	A-	A-
Tier 2	BBB+	BBB+

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 04 Dec. 2018.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Financial Institutions Rating Methodology published on 14 Feb. 2024 NCR's Rating Principles published on 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024 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 nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. 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. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
Additional information:	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. No stress test or cash flow forecasting was performed. 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: nordiccreditrating.com/governance/policies .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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