Sparbanken Rekarne AB (publ)

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Sparbanken Rekarne AB (publ) 'A-' long-term issuer rating affirmed with stable outlook; removed from criteria review

Nordic Credit Rating (NCR) has affirmed its 'A-' long-term issuer rating on Sweden-based savings bank Sparbanken Rekarne AB (publ). The outlook is stable. The 'N2' short-term issuer rating, the 'A-' senior unsecured issue rating and the 'BBB+' issue rating on Tier 2 bonds have also been affirmed, in accordance with NCR's revised financial institutions rating methodology. The ratings are no longer under criteria review.

Rating rationale

NCR has reviewed its long-term and short-term issuer ratings, issue ratings, and outlook on Sparbanken Rekarne following the revision of its methodology for assigning ratings to financial institutions (see Related publications). We consider that our amendments to the methodology have not had a material impact on our view of the bank's creditworthiness, and that there have not been significant changes in its overall risk profile. Consequently, we have affirmed our ratings and maintained the stable outlook on the ratings on Sparbanken Rekarne.

We expect the completion of the bank's merger with Sparbanken Västra Mälardalen by Q4 2025. Approval from the Swedish Financial Supervisory Authority (Finansinspektionen) is required, which we consider likely given recent approvals of similar mergers between Swedish savings banks. The Swedish Competition Authority (Konkurrensverket) gave its approval on 30 Apr. 2025.

Stable outlook

The stable outlook reflects that we are unlikely to change our rating on Sparbanken Rekarne as an immediate consequence of the announced merger, despite our belief that it will be positive for the bank. The merged bank would benefit from a larger market, an improved overall competitive position and broadened business diversity, in our view. We also expect the merged bank to see diversification benefits in its risk profile and exposures. We do not, however, view these positive effects alone as sufficient to immediately result in a higher rating. We consider that there are weaknesses in the local economies of both banks, as well as strategic uncertainty regarding the combined bank's capitalisation and anticipated loan growth.

On a stand-alone basis, we could raise the rating to reflect lasting improvements in Sparbanken Rekarne's 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 earnings above 3.5% for a prolonged period, as well as an improved regional operating environment.

We could lower the rating on Sparbanken Rekarne to reflect a sustained reduction in the CET1 ratio to below 18%. We could also lower our rating if we observed a significant downturn in the operating environment, weakening asset quality, loan growth and/or funding access.

Related publications

i) NCR Comments: Ratings for Swedish savings banks unchanged after Swedbank's revised dividend policy, 29 Jan. 2025.
ii) Sparbanken Rekarne AB (publ) 'A-' long-term issuer rating affirmed; Outlook stable, 27 Jan. 2025.
iii) Nordic Credit Rating publishes amended Financial Institutions Rating Methodology, 12 May 2025.

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 banking environment	10.0%	a-	-
Sector exposure assessment	-	-	-
Regional assessment	10.0%	bbb-	-
Cross border assessment	-	-	-
National factors	-	-	a-
Regional, cross border, sector	-	-	bbb-
Operating environment	20.0%	bbb	bbb
Risk governance	7.5%	a	a
Capital	17.5%	a+	a+
Funding and liquidity	15.0%	a	a
Credit and market risk	10.0%	bbb-	-
Market risk	-	-	-
Other risks	-	-	a
Credit risk	-	-	bbb-
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-**
Peer comparison		Neutral	Neutral
Transitions		Neutral	Neutral
Borderline assessments		Neutral	Neutral
Stand-alone credit assessment		**a-**	**a-**
Ownership		Neutral	Neutral
Capital structure protection		Neutral	-
Rating caps		Neutral	Neutral
Material credit enhancement		-	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 12 May 2025 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
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Ancillary services provided:	No ancillary services have been provided in the last 12 months.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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