Sparbanken Mälardalen AB (publ)

Rating Action Report

LONG-TERM RATING
A-

OUTLOOK
Stable

SHORT-TERM RATING
N2

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Sparbanken Mälardalen AB 'A-' long-term issuer rating affirmed following merger and name change; Outlook stable

Nordic Credit Rating (NCR) has affirmed its 'A-' long-term issuer rating on Sweden-based savings bank Sparbanken Mälardalen AB, formerly Sparbanken Rekarne AB (publ), following its merger with Sparbanken Västra Mälardalen (Sparbanken VM) (rating withdrawn). 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 merger between Sparbanken Rekarne and Sparbanken VM was completed on 1 Sep. 2025. Sparbanken Rekarne remains the surviving legal entity and was renamed Sparbanken Mälardalen. We expect the merged bank to be among Sweden's largest savings banks, with a pro forma business volume of SEK 87bn as of 30 Jun. 2025. The bank will operate six offices across five municipalities, serving an area with a population of approximately 180,000.

We have raised our assessment of the bank's competitive position to reflect its increased size, diversification and the potential to better compete with larger banks for corporate customers due to a larger capital base. Our view of Sparbanken Mälardalen's capital position falls between our previous views for Sparbanken Rekarne and Sparbanken VM, resulting in an improved assessment for the merged bank. This reflects our estimate of a pro forma Common Equity Tier 1 (CET1) ratio of around 24% and total capital ratio of around 25% (as of 30 Jun. 2025), excluding Sparbanken VM's Swedbank shareholdings, which have been transferred to Sparbanken VM's owner foundation due to Swedbank's 30% ownership in Sparbanken Mälardalen. It also reflects our expectation that the merged bank will seek to utilise this capital for growth as well as its stated target of a 24% total capital ratio. We also revised our risk governance assessment downwards from Sparbanken Rekarne's standalone score, reflecting our expectation of increased pressure on administrative and organisational resources due to the merger.

We consider our assessment of the regional operating environment for the merged bank to be consistent with that of Sparbanken Rekarne. Our assessments of funding and liquidity, credit and market risk, earnings and loss performance are in line with our previous assessments for Sparbanken Rekarne and Sparbanken VM separately.

Sparbanken VM's sole outstanding senior unsecured bond is transferred to Sparbanken Mälardalen and assigned an 'A-' rating.

Stable outlook

The stable outlook reflects our expectation that the administrative aspects of the merger will proceed without significant disruption. We also expect the merged bank to maintain a moderate risk appetite as it pursues accelerated growth. Over time, we anticipate some cost benefits from the bank's increased scale, though we do not believe this was the primary motivation for the merger. We expect the operating environment in the region will remain stable, despite a continued mild recession in Sweden.

We could raise the rating to reflect improved economic conditions in the regional operating environment, combined with a commitment to a Tier 1 ratio above 22% over time and improvements to credit risk, either due to market characteristics or a change in dynamics in the loan book.

We could lower the rating to reflect a significant downturn in the regional operating environment, or to reflect a material change in risk appetite or asset quality. We could also lower the rating to reflect a Tier 1 ratio below 18%.

Related rating actions

i) Sparbanken Västra Mälardalen long-term issuer rating raised to 'A-' and withdrawn following merger with Sparbanken Rekarne, 1 Sep. 2025
ii) Sparbanken Rekarne AB (publ) 'A-' long-term issuer rating affirmed; Outlook stable, 27 Jan. 2025
iii)Sparbanken Västra Mälardalen 'BBB+' long-term issuer rating placed on watch positive, 27 Jan. 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 Mälardalen rating scorecard

Subfactors	Impact	To	From
National banking environment	10.0%	a-	a-
Sector exposure assessment	-	-	-
Regional assessment	10.0%	bbb-	bbb-
Cross border assessment	-	-	-
Operating environment	20.0%	bbb	bbb
Risk governance	7.5%	a-	a
Capital	17.5%	aa-	a+
Funding and liquidity	15.0%	a	a
Credit and market risk	10.0%	bbb-	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	Neutral
Rating caps		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 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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