Nordic Credit Rating

SECTOR COMMENT

12 Jan. 2026

Swedish savings banks face little drama in 2026

ANALYSTS
Ylva Forsberg
+46768806742
ylva.forsberg@nordiccreditrating.com

Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.com

Nordic Credit Rating (NCR) expects Swedish savings banks to benefit from a stronger economy in 2026. We expect the year to begin with normalised inflation – potentially slightly below target – lower and stable interest rates, and improved GDP forecasts. While geopolitical uncertainty persists, its impact on most local economies has so far been limited. However, this uncertainty may be contributing to subdued corporate loan growth, and it remains unclear to what extent activity will recover in 2026.

Similarly, the mortgage market has not experienced the rebound we anticipated as interest rates began to decline. Over the past twelve months, national price growth has been minimal, with significant regional differences. We expect 2026 to show considerable variation across regions, as low demand remains a key factor. The Swedish authorities' easing of mortgage restrictions, in effect from April 2026, is expected to boost demand, primarily in metropolitan, higher priced areas.

Over the past two years, three large savings bank mergers have been completed, following a decade-long pause. These mergers involved banks with varying characteristics and cited different rationales. We do not expect another decade to pass before the next merger, but we also do not anticipate a wave of activity. The timing of the next announcement remains uncertain.

NCR assigns ratings on six Swedish savings banks; see the end of this report for details.

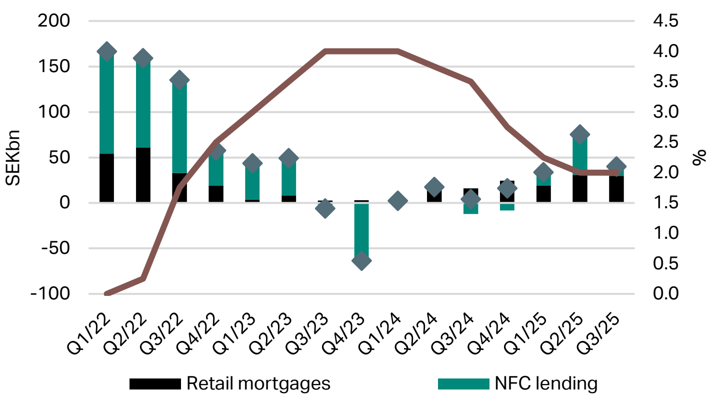
KEY CREDIT THEMES FOR SWEDISH SAVINGS BANKS IN 2026

- The Swedish economy has stabilised after a period of volatility. Although geopolitical tensions and uncertainty are expected to persist, the impact on regional economies has so far been limited.
- Will new mortgage regulations finally lead to higher housing prices nationwide? Volume growth is likely to be a key factor in easing competitive pressure and improving profitability.
- Bank mergers are expected to continue in the coming years; however, it remains to be seen whether any will be announced this year.

UNDERLYING ECONOMY EXPECTED TO BE STABLE DESPITE DRAMATIC HEADLINES

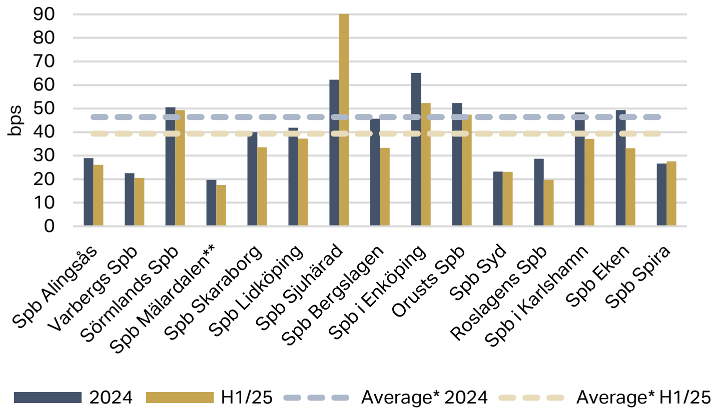
Our base case for the Swedish economy in 2026 is stable, with gradual improvements in growth, consumption and investment expected. However, geopolitical tensions remain a significant risk, and we approach our 2026 predictions with caution and humility. Both the trajectory and degree of impact of geopolitical events on the domestic and regional economy remain difficult to predict. While the Swedish economy is closely linked to global developments, we anticipate a more limited correlation between global events and conditions in many of the savings banks' markets.

Figure 1. Loan volume change and policy rate, Sweden, Q1 2022 – Q3 2025



Source: Statistics Sweden. NFC-non-financial corporations.

Figure 2. Loss reserves as share of gross loans, 2024 vs H1 2025



Source: bank reports. *of a larger sample, total of 28 banks. **Spb Rekarne, pre-merger.

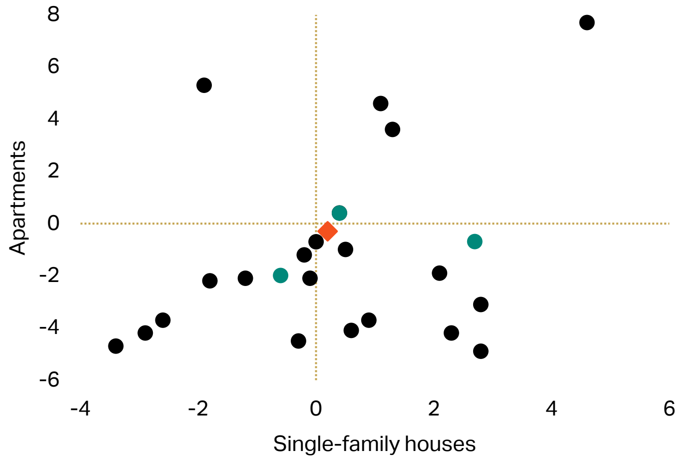
Interest rate hikes in 2022 and 2023 largely halted loan growth in the Swedish banking system. As the central bank began lowering rates, loan volumes started to recover, though growth remains subdued. Our base case assumes the Swedish central bank will maintain its policy rate at 1.75% through 2026. Stronger GDP growth in 2026, combined with stable interest rates, should support further increases in loan volumes. However, we do not expect growth to return to the SEK 150bn ranges last observed in early 2022 (Figure 1).

Improved economic conditions are reflected in lower coverage ratios in the savings banks' loan books. Among a sample of 28 banks, as of 30 Jun. 2025, loss reserves averaged 39bps of gross loans, down from 46bps at year-end 2024. Movements in Stage 3 loans and reserves are typically more idiosyncratic, while changes in Stage 1 and 2 reserves are generally more correlated with the economy, partly due to the influence of macroeconomic factors in IFRS 9 models. Coverage ratios for Stage 1 and Stage 2 lending declined by an average of 20% and 26%, respectively, in the first half of 2025. Looking ahead to 2026, we expect coverage ratios for Stage 1 and 2 loans to remain broadly stable, as forward-looking macroeconomic projections are already incorporated in the banks' models.

WHAT'S GOING ON IN THE MORTGAGE MARKET?

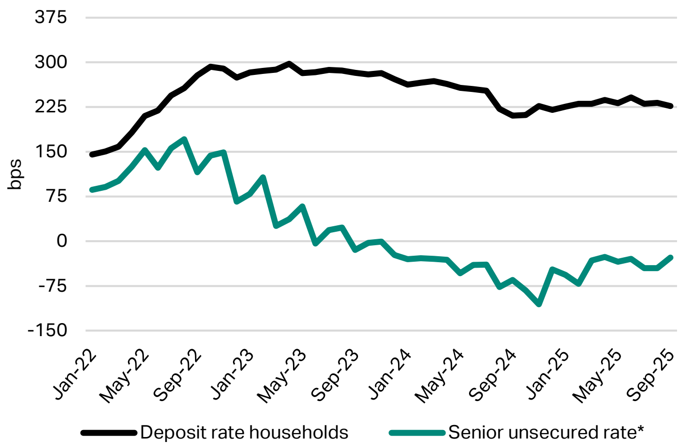
A year ago, we expected lower interest rates to support housing price growth, which had been largely flat since the sharp declines in 2022 and 2023. However, nationwide prices have remained virtually flat over the past year. As shown in Figure 3, only a few regions have recorded positive price growth in both apartments and single-family houses, according to Svensk Mäklarstatistik. In our view, it is difficult to assess when price growth might resume, as the most intuitive catalyst – lower interest rates – has not produced the anticipated effect. The easing of restrictions on maximum leverage (to 90% from 85%) and the removal of the strictest amortisation requirement should support prices in 2026, giving a boost to mortgage volumes and easing competitive pressure. However, the impact of these changes will likely vary by region, with larger impact expected in metropolitan regions with higher price levels and housing demand.

Figure 3. Regional housing price growth, twelve months to Nov. 2025



Source: Svensk Mäklarstatistik. Red = Sweden, green = metropolitan areas.

Figure 4. Interest margin of average floating retail mortgage rate



Source: Statistics Sweden, Stamdata, ECB. *Stibor 3M plus average margin outstanding bonds issued by Swedish savings banks.

Low mortgage growth has also pressured margins in the segment. To date, lowering deposit rates in line with, or more than, mortgage rates has supported margins. However, for most of the savings banks, as well as the larger traditional banks, there is limited scope to further reduce deposit margins. We believe that retail mortgage profitability in 2026 will largely depend on competitive pressures and, by extension, housing price developments, implying regional variations. Nevertheless, many of the savings banks will likely face strategic decisions regarding mortgage growth. We do not expect deposit growth to return to pre-2022 levels, so banks will need to remain selective in how they use available funding. New mortgage customers typically bring deposit volumes and potential ancillary income from fees and commissions, but the loans in themselves are typically much less profitable than corporate lending. Consequently, we believe some banks may choose to fund mortgages through Swedbank Hypotek, despite very weak profitability, to protect their market position in retail mortgages while maintaining on-balance sheet funding for growth in the more profitable corporate segment.

CONSOLIDATION OF THE SAVINGS BANK MARKET EXPECTED TO CONTINUE

Between 2002 and 2025, the number of Swedish savings banks declined from 88 to 55, with most consolidation occurring before 2008. Of the remaining banks, 27% are now limited liability companies, up from 13% in 2002. We expect both trends to continue: mergers reducing the number of banks and more savings banks converting to limited liability companies (LLC). Converting to an LLC gives the bank clearer ownership and capital-raising flexibility, stronger governance, and fewer structural constraints—making it easier to grow, merge, and compete than under the traditional savings bank model.

We expect that we will start seeing mergers including the smaller savings banks in the coming years. Over time, we believe it will become increasingly difficult for these banks to remain competitive or profitable, as well as meeting regulatory expectations in an increasingly complex banking environment. We also expect continued mergers among medium-sized savings banks to strengthen their competitive position, improve funding access and benefit from economies of scale. We understand that an important rationale for recent mergers is to increase scale and improve banks' ability to service larger corporate customers, rather than a focus on cost synergies. While further mergers are likely, it is not certain that any announcements will be come in 2026, as these processes can be lengthy.

NCR-RATED SWEDISH SAVINGS BANKS

The following table summarises NCR's ratings on Swedish savings banks as of 12 Jan. 2026.

Figure 5. NCR ratings on Swedish savings banks

Issuer	Long-term issuer rating	Outlook
Sparbanken Alingsås AB	A-	Stable
Sparbanken Lidköping AB	BBB+	Stable
Sparbanken Mälardalen AB (publ)	A-	Stable
Sparbanken Skaraborg AB (publ)	A-	Stable
Sörmlands Sparbank AB (publ)	A-	Stable
Varbergs Sparbank AB (publ)	A	Stable

See NCR's company reports for details.

RELEVANT RESEARCH

(i) Capital strength sets Norwegian savings banks up for 2026 growth, 9 Jan. 2026
(ii) Swedish savings banks steadfast amid increasing headwinds, 6 May 2025

DISCLAIMER

NORDIC CREDIT RATING AS

nordiccreditrating.com