

## Sparbanken Mälardalen AB (publ)

Full Rating Report

## LONG-TERM RATING

A-

## OUTLOOK

Stable

## SHORT-TERM RATING

N2

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## RATING RATIONALE

Our 'A-' long-term issuer rating on Sweden-based Sparbanken Mälardalen AB reflects the bank's strong capitalisation and capital generation, solid competitive position, relationship-based funding profile, and consistent asset quality. We view the cooperation with Swedbank AB positively, as it enables material diversification of product offerings, shared IT costs and access to retail mortgage financing.

The rating is constrained by the bank's concentrated exposure to a core market with weaker economic fundamentals, as well as its exposure to the local real estate sector and to larger individual counterparties.

Sparbanken Mälardalen was formed on 1. Sep 2025 through the merger of Sparbanken Rekarne and Sparbanken Västra Mälardalen, with the former being the surviving legal entity.

## STABLE OUTLOOK

The outlook is stable, reflecting our view that the merged bank will leverage improved economies of scale to achieve sustainable growth within its low to moderate risk appetite and gradually strengthen its cost efficiency. We do not anticipate a material economic downturn as a result of current global turmoil, but note that the bank's region is heavily exposed to the manufacturing industry. We expect the bank to maintain strong asset quality metrics, though loan book concentrations are likely to remain around current levels.

## POTENTIAL POSITIVE RATING DRIVERS

- Improved economic conditions in the regional operating environment; and,
- improved cost efficiency and proven economies of scale benefits, with a cost-income ratio below 50% on a sustainable basis.

## POTENTIAL NEGATIVE RATING DRIVERS

- A CET1 ratio below 18% over a protracted period.
- Materially worsened regional operating environment, limiting growth prospects and/or negatively affecting asset quality.
- Increased risk appetite in the loan book or funding profile.

Figure 1. Key credit metrics, 2023–2028e\*

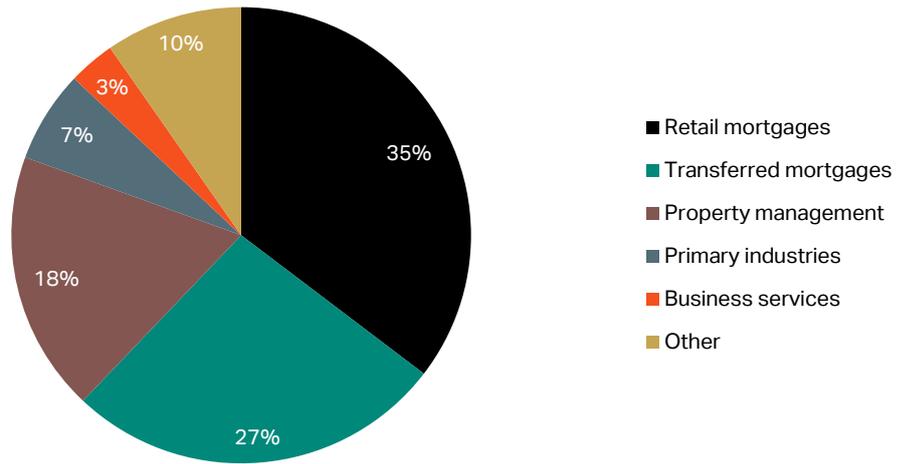
%	2022	2023	2024	2025	2026e	2027e	2028e
CET1 ratio	24.4	24.7	22.9	24.9	26.2	26.6	27.0
Pre-provision income/REA**	3.7	5.7	4.6	3.5	3.0	3.6	3.7
Cost-to-income	50.7	42.0	46.5	48.1	59.1	51.0	50.3
Return on ordinary equity**	11.5	15.6	14.4	10.3	8.6	10.4	10.3
Loan losses/net loans	0.09	0.17	-0.02	0.08	0.05	0.05	0.05
Net Stage 3/net loans	0.20	0.09	0.41	0.20	0.20	0.20	0.20

Source: company and NCR. e—estimate. REA—risk exposure amount. CET1—common equity Tier 1. All metrics adjusted in line with NCR methodology. \*2023-2024 metrics from former Sparbanken Rekarne, income statement items for 2025 include eight months of Sparbanken Rekarne and four months of the merged bank. \*\*average REA and ordinary equity based on reported year-end 2025 and combined year-end 2024 values.

**ISSUER PROFILE**

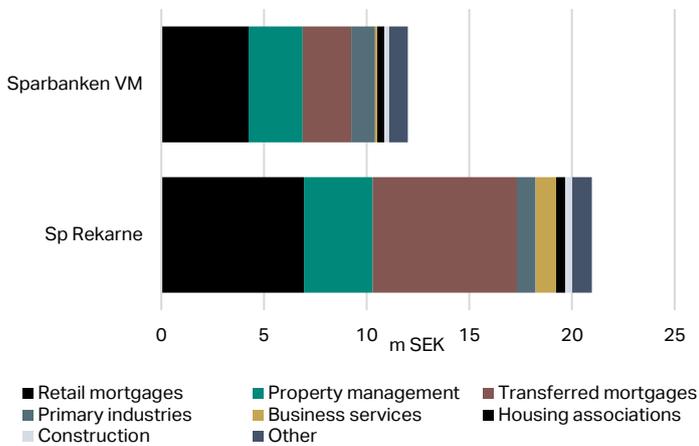
Sparbanken Mälardalen is a Swedish savings bank based in the Mälardalen region, west of Stockholm. Its core market comprises five municipalities with a combined population of about 180,000. Formed on 1 Sep. 2025 through the merger of Sparbanken Rekarne (remaining bank) and Sparbanken Västra Mälardalen, it is one of Sweden's largest savings banks. The bank is owned by the savings bank foundations of the two former banks and Swedbank AB. It has a history of collaborating with Swedbank on various products, IT solutions and retail mortgage financing through Swedbank Hypotek AB.

**Figure 2. Gross loans by sector, 31 Dec. 2025**



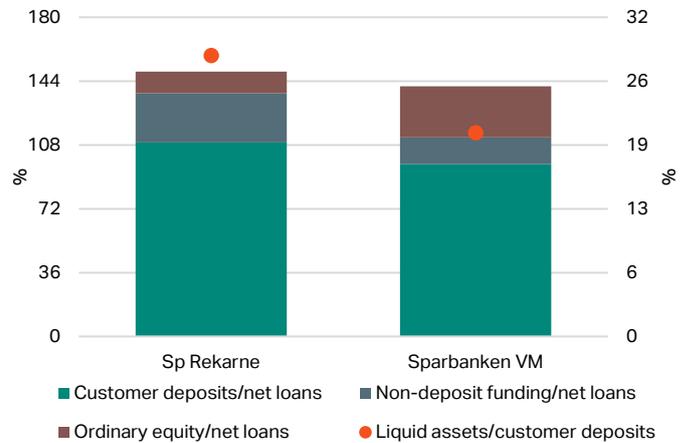
Source: company.

**Figure 3. Loan book composition pre-merger, Q2 2025**



Source: companies.

**Figure 4. Funding profiles pre-merger, Q2 2025**



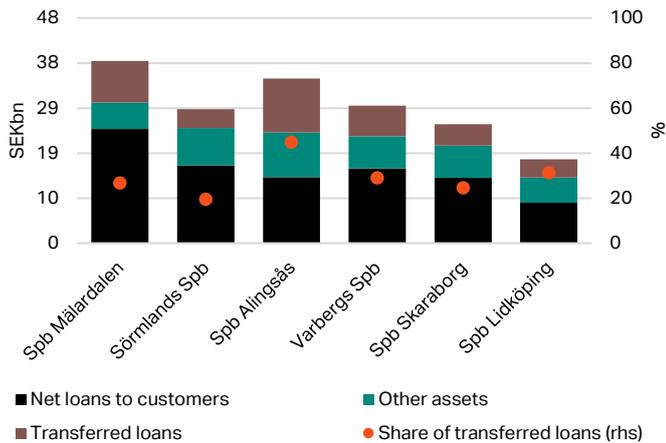
Source: companies.

**Competitive position**

**Stronger regional franchise following merger, but uneven market dynamics**

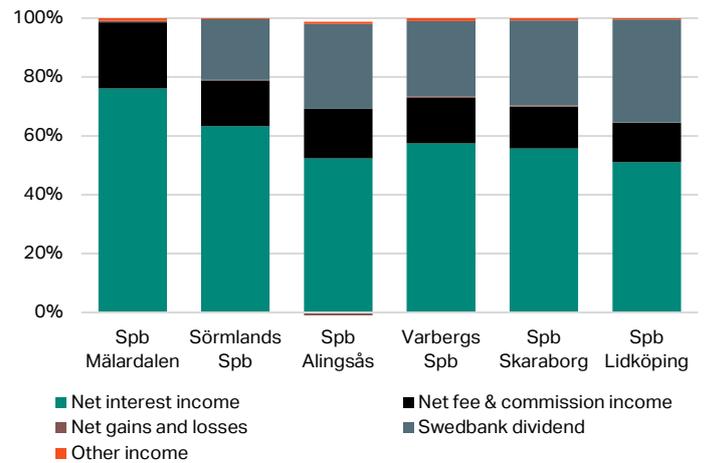
Following the 2025 merger, Sparbanken Mälardalen has become one of the largest Swedish savings banks, essentially tied with Sparbanken Sjuhärad, which has long held the second-largest position after Sparbanken Skåne. The bank operates in a market with moderate economic growth prospects and varying levels of competition. Eskilstuna, the largest municipality in the market, stands out with more than 100,000 inhabitants, a more diversified economy and a higher presence of large domestic banks. We view positively that the bank is partially owned by foundations representing both of the pre-merger banks, as the bank's meaningful role and contributions to its local markets are considered a positive rating factor. We also note that the bank does not have a formal head office and that management is present throughout the core market, helping to avoid a concentration in Eskilstuna to the detriment of smaller municipalities.

Figure 5. Balance sheet volume comparison, 2025



Source: companies.

Figure 6. Revenue source split comparison, 2025



Source: companies.

Risk governance

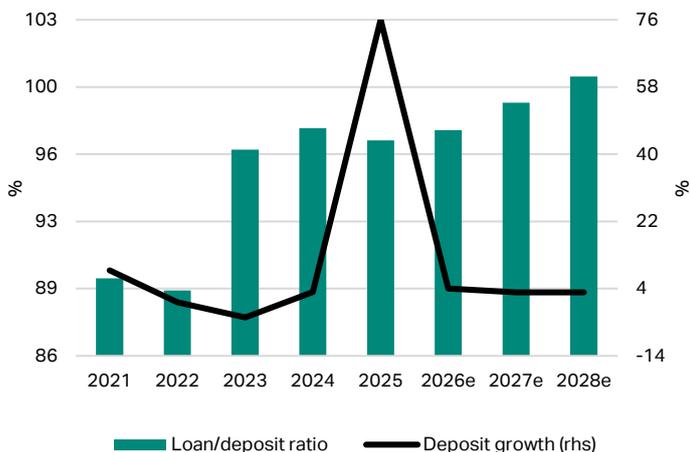
**Strong risk governance and solid funding and liquidity management**

We consider Sparbanken Mälardalen's risk management framework and governance to be relatively strong for a bank of its size and complexity. In our view, the bank has made significant progress integrating the two banks, including in its risk reporting. While the increase in size brings higher expectations and potentially greater regulatory scrutiny, we view the bank as proactive and on-top of potentially evolving expectations. We also consider the bank's management of environmental, social and governance (ESG) risks to be adequate.

Funding and liquidity

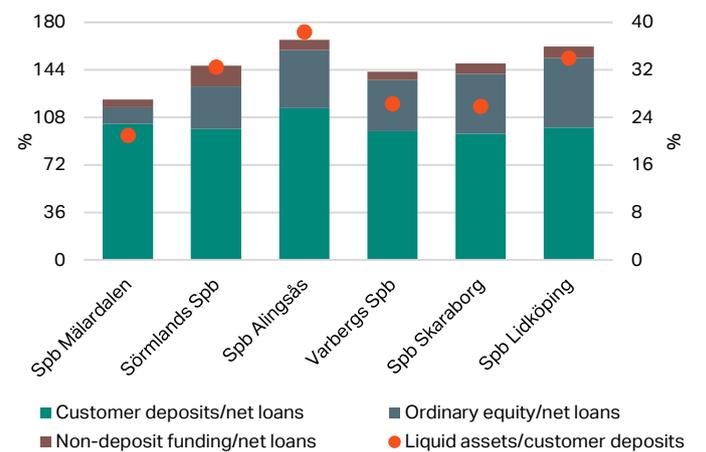
Sparbanken Mälardalen's funding and liquidity profile and management are considered adequate and appropriate for its risk profile. Although the bank's liquidity reserves relative to customer deposits (21% as of 31 Dec. 2025) are lower than those of many peers, we view the level as sufficient. We expect the bank to increase its senior unsecured funding, resulting in a loan-to-deposit ratio of 100% by 2028.

Figure 7. Deposit metrics, 2021-2028e



Source: company and NCR, e-estimate.

Figure 8. Swedish savings banks' funding profiles, 31 Dec. 2025



Source: companies.

**CREDIT RISK PROFILE**

Operating environment

**Regional concentrations drive credit risk, mitigated by strong underwriting**

Our assessment of Sparbanken Mälardalen's operating environment is based on a combination of our assessment of Sweden's banking environment and the bank's region.

We expect the Swedish banking environment to remain stable in 2026, supported by modest GDP growth and potential declines in unemployment. Currently, we consider one or two interest rate hikes

over the next 18 months more likely than decreases, but do not anticipate major movements that would significantly affect sector earnings or asset quality. Ongoing global military and trade conflicts, along with geopolitical and economic uncertainty, are likely to stay in the way of a significant economic upturn and constrain credit growth, though the impact should vary by sector. Conversely, sentiment in the mortgage market may improve as eased mortgage requirements take effect from 1 Apr. 2026, although the impact will likely differ by region.

Figure 9. Regional core characteristics

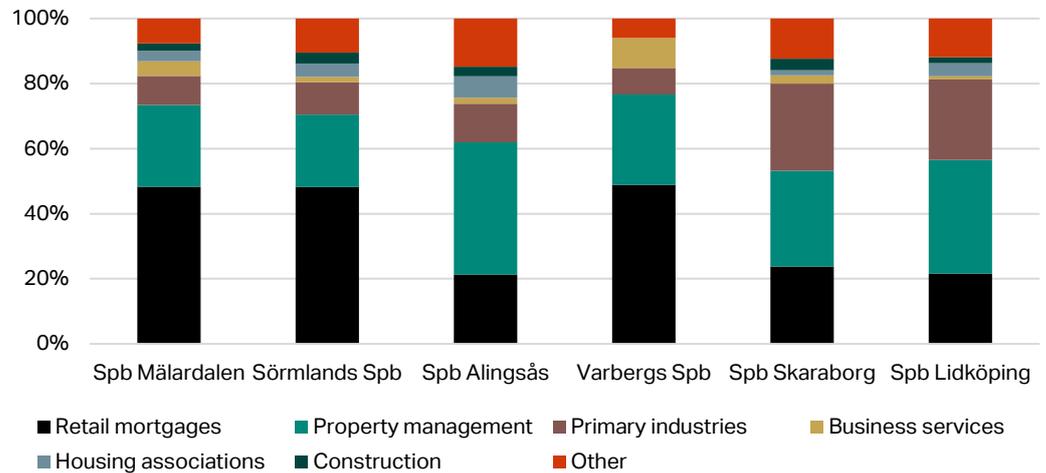
	Strengths	Weaknesses
Regional employment and economic diversity	Decent economic diversity, albeit varying within the market. Proximity to metropolitan area (Stockholm).	High unemployment compared with national average, especially in foreign-born citizens. Dependence on manufacturing.
Expected population growth and credit demand	Eskilstuna and Strängnäs expected to have growing population. Military investments in Arboga likely to improve growth in Western region of the market.	Declining and aging population in large area of the market, lower than average income.

Credit and market risk

Sparbanken Mälardalen's loan book is naturally concentrated in the local property market, with retail mortgage, housing association and property management lending accounting for 77% of on-balance sheet loans, or 86% when including agricultural properties. In addition, the bank had transferred nearly SEK 9bn of retail mortgages to Swedbank Hypotek, Swedbank's covered bond company, as of 31 Dec. 2025. As the associated risk of these transferred mortgages is offloaded, we do not include them in our assessment of credit risk.

We believe credit risk in the Swedish property management sector has normalised after several turbulent years following rapid interest rate increases. However, like its peers, the bank has significant loan book concentrations due to its smaller size and regional focus, and consequently we view credit risk as a key risk factor for Sparbanken Mälardalen and its close peers. The bank's strong underwriting and collateralisation help mitigate some of this risk.

Figure 10. Swedish savings banks' gross on-balance loan book sector split, 31 Dec. 2025

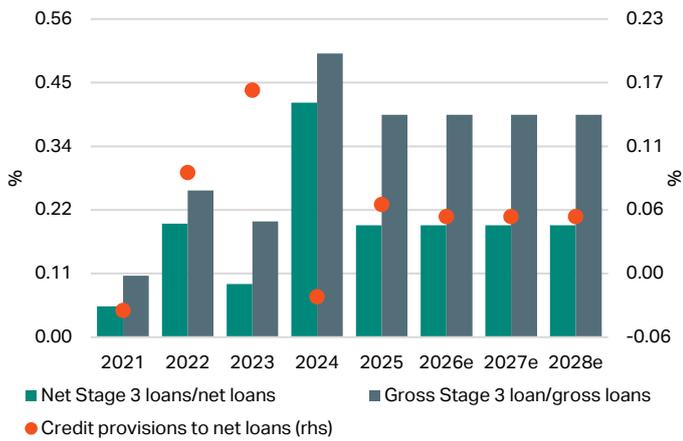


Source: companies.

Loss performance

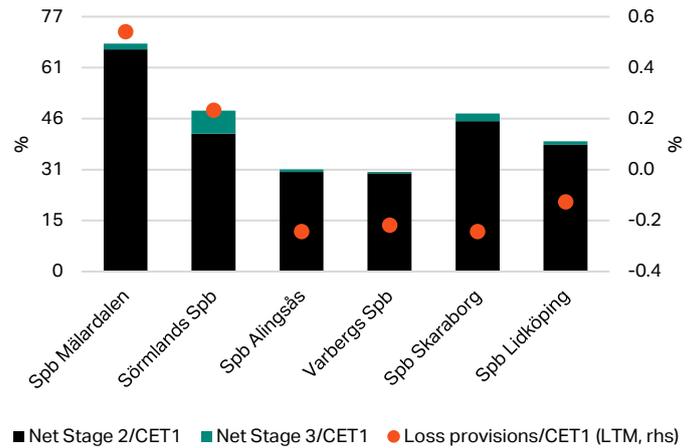
Both Sparbanken Rekarne and Sparbanken Västra Mälardalen have a history of modest credit losses and Stage 3 loans, consistent with many medium-sized savings bank peers. We consider it most likely that asset quality metrics will remain strong, with a neutral development year-end 2025 and through our forecast period. We also consider the banks' earnings and capitalisation sufficient to absorb potential adverse developments.

Figure 11. Asset quality metrics, 2021–2028e



Source: company and NCR. e–estimate.

Figure 12. Asset quality in relation to capitalisation, 31 Dec. 2025



Source: companies. CET1–Common Equity Tier 1.

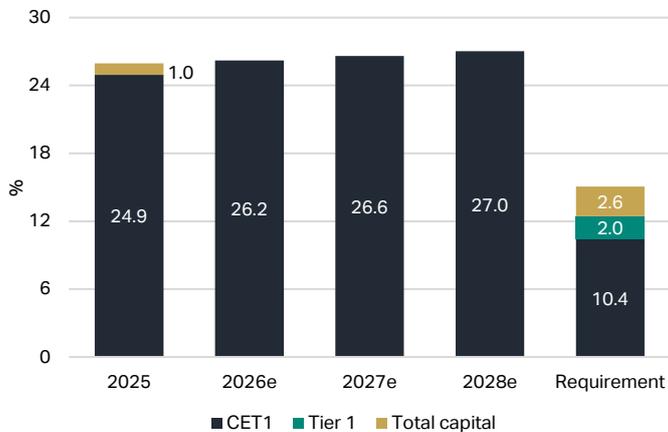
### CAPITAL GENERATION

#### Strong capitalisation and capital generation provides a solid foundation

#### Capital

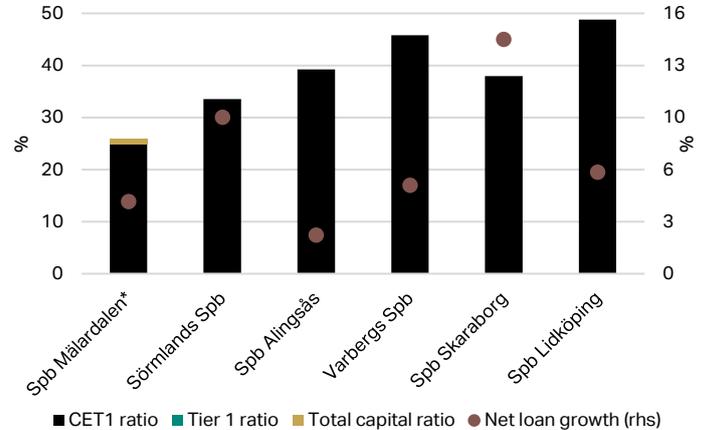
We consider Sparbanken Mälardalen's capitalisation strong, with a Common Equity Tier 1 (CET1) ratio of 24.9% as of 31 Dec. 2025, compared with a total capital requirement of 15.1%. The bank called its outstanding Tier 2 instrument on 16 Mar. 2026, and we do not expect it to issue new capital instruments given its very strong capitalisation. Given the bank's high capital generation through our forecast period, we include dividend payments of 35–40%, above the bank's minimum payout target of 30%.

Figure 13. Forecast capital ratios vs. requirements, 2024–2028e



Source: company and NCR. e–estimate. Pillar 2 requirement (P2R) of 2.6%.

Figure 14. Swedish savings banks' capital ratios and loan growth, 31 Dec. 2025



Source: companies. \*year-end 2025 loan book compared with combined year-end 2024 lending.

#### Earnings

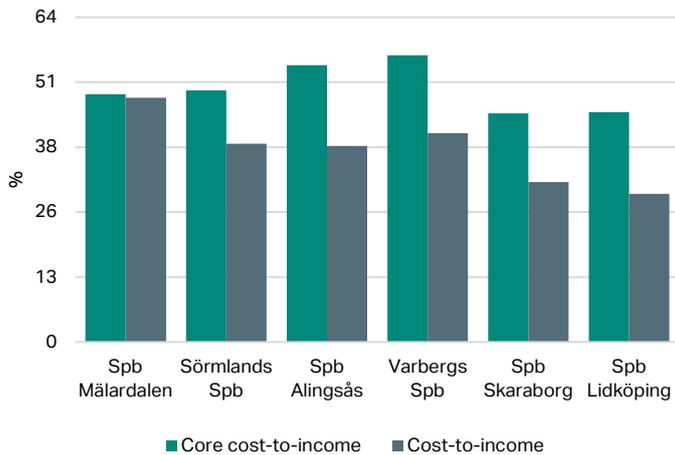
Sparbanken Mälardalen has a strong risk-adjusted earnings capacity compared with Swedish savings bank peers (excluding Swedbank dividend payments in peers' earnings). Historically, Sparbanken Västra Mälardalen has demonstrated greater cost efficiency than Sparbanken Rekarne, while Rekarne has outperformed in risk-adjusted earnings and return on equity. The bank has incurred significant extraordinary costs in 2025, with further costs expected in 2026 related to the merger. However, we expect the bank to actively limit cost growth outside these items, aiming to return the cost–income ratio to below 50% in the coming years.

Figure 15. Capital projection assumptions

	2026e	2027e	2028e
Net interest margin	2.20%	2.25%	2.25%
Loan growth*	4.6%	4.5%	4.4%
Return on equity	8.6%	10.4%	10.3%
Dividend ratio	35%	40%	40%

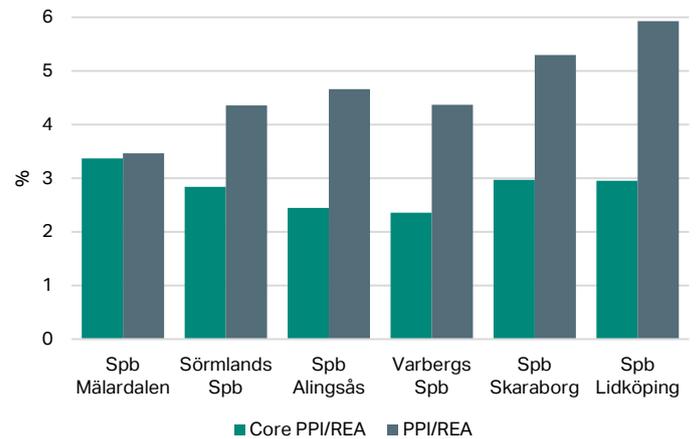
Source: NCR. e—estimate. All metrics adjusted in line with NCR methodology. \*on-balance.

Figure 16. Swedish savings banks' cost efficiency metrics, to 31 Dec. 2025



Source: companies. -last twelve months. Core represents net interest income and net fee & commission income.

Figure 17. Swedish savings banks' PPI to REA, to 31 Dec. 2025



Source: companies.

SUPPORT ANALYSIS

We assess the company's ownership as neutral according to our group and government methodology.

Figure 18. Owners

	%
Sparbanksstiftelsen Västra Mälardalen	40%
Sparbanksstiftelsen Rekarne	30%
Swedbank AB	30%

Source: company.

ISSUE AND SHORT-TERM RATINGS

Figure 19. Issue and short-term ratings

	Rating
Senior unsecured	A-
Short-term rating	N2; adequate due to LCR above 150% over the last four quarters.

Short-term and issue ratings are mapped to the long-term issuer rating, in accordance with our Financial Institutions Rating Methodology. In cases where two alternatives for short-term ratings are possible, the short-term rating is assigned based on liquidity being strong, adequate, or weak, as applicable. See definitions in the methodology.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

We consider ESG factors throughout our analysis, when they are material to our credit assessment.

Figure 20. Priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Social engagement in local community	Benefit from close connection to narrow regional markets.	Competitive position (++) Funding & liquidity (+) Earnings (+)
Physical climate risk to collateral	Climate-related damage to real-estate collateral (closely linked to supervision of insurance). Longer-term effects on market values in flood risk areas.	Credit risk (-) Loss performance (0)
Green-bond framework	Diversity of funding sources, access to additional markets/investors.	Funding & liquidity (+)
Anti-money laundering capacity	Risk of sanctions and fraud due to insufficient reviews of customers.	Risk governance (+)
Control of sustainability issues	Risk of overlooking sustainability impacts in the bank's underwriting, operations, and customer base.	Risk governance (+) Credit risk (0)

\*Defined on a 5-step scale ranging from double minus (--) to double plus (++) with (-) representing the most negative impact and (++) the most positive.

## METHODOLOGIES USED

- (i) [Financial Institutions Rating Methodology](#), 12 May 2025.
- (ii) [Rating Principles](#), 14 Feb. 2024.
- (iii) [Group and Government Support Rating Methodology](#), 14 Feb. 2024.

## RELEVANT RESEARCH

- (i) [Swedish savings banks face little drama in 2026](#), 12 Jan. 2026
- (ii) [Nordic corporates well prepared for improving demand in 2026](#), 14 Jan. 2026
- (iii) [Capital strength sets Norwegian savings banks up for 2026 growth](#), 9 Jan. 2026
- (iv) [Share buybacks may weaken Swedish real estate managers' financial risk profiles in 2026](#), 17 Dec. 2025
- (v) [Swedish savings banks steadfast amid increasing headwinds](#), 6 May 2025.

**Figure 21. Sparbanken Mälardalen key financial data, 2022–2025**

Key credit metrics (%)	FY 2022	FY 2023	FY 2024	FY 2025
<b>INCOME COMPOSITION</b>				
Net interest income to op. revenue	66.1	77.0	73.9	76.2
Net fee income to op. revenue	30.8	21.4	23.6	22.4
Net gains and losses/operating revenue	1.1	0.2	1.2	0.6
Net other income to op. revenue	2.0	1.3	1.4	0.9
<b>EARNINGS</b>				
Net interest income to financial assets	1.7	2.5	2.3	2.0
Net interest income to net loans	2.1	3.2	2.9	2.5
Pre-provision income to REA	3.7	5.7	4.6	3.5
Core pre-provision income to REA (NII & NF&C)	3.5	5.6	4.4	3.4
Return on ordinary equity	11.5	15.6	14.4	10.3
Return on assets	0.9	1.3	1.3	1.0
Cost-to-income ratio	50.7	42.0	46.5	48.1
Core cost-to-income ratio (NII & NF&C)	52.4	42.6	47.7	48.8
<b>CAPITAL</b>				
CET1 ratio	24.4	24.7	22.9	24.9
Tier 1 ratio	24.4	24.7	22.9	24.9
Capital ratio	26.6	26.9	24.6	26.0
REA to assets	31.1	33.0	39.4	38.8
Dividend payout ratio	30.0	30.2	70.0	13.0
Leverage ratio	7.4	8.1	8.8	9.5
<b>GROWTH</b>				
Asset growth	-1.9	-1.7	5.3	68.9
Loan growth	-0.3	4.0	4.3	74.9
Deposit growth	0.4	-3.7	3.1	76.0
<b>LOSS PERFORMANCE</b>				
Credit provisions to net loans	0.09	0.17	-0.02	0.08
Stage 3 coverage ratio	22.75	54.24	17.56	49.84
Stage 3 loans to gross loans	0.26	0.20	0.50	0.39
Net stage 3 loans to net loans	0.20	0.09	0.41	0.20
Net stage 3 loans/ordinary equity	1.87	0.80	3.52	1.56
<b>FUNDING &amp; LIQUIDITY</b>				
Loan to deposit ratio	89.3	96.4	97.5	96.9
Liquid assets to deposit ratio	21.5	24.0	26.3	21.0
Net stable funding ratio	147.3	151.6	162.0	147.0
Liquidity coverage ratio	364.5	428.4	423.5	405.0
<b>Key financials (SEKm)</b>				
	FY 2022	FY 2023	FY 2024	FY 2025
<b>BALANCE SHEET</b>				
Total assets	17,135	16,844	17,743	29,972
Total tangible assets	17,135	16,844	17,743	29,972
Total financial assets	15,964	16,688	17,690	29,853
Net loans and advances to customers	12,825	13,336	13,907	24,324
Liquid assets	3,085	3,322	3,746	5,269
Customer deposits	14,361	13,828	14,262	25,103
Issued securities	1,319	1,319	1,727	1,224
of which other senior debt	1,200	1,200	1,607	1,104
of which subordinated debt	120	120	120	120
Total equity	1,372	1,559	1,631	3,069
of which ordinary equity	1,372	1,559	1,631	3,069
<b>CAPITAL</b>				
Common equity tier 1	1,300	1,376	1,599	2,897
Tier 1	1,300	1,376	1,599	2,897
Total capital	1,420	1,496	1,719	3,017
REA	5,334	5,567	6,983	11,621
<b>INCOME STATEMENT</b>				
Operating revenues	414	536	538	621
Pre-provision operating profit	204	311	288	322
Impairments	12	22	-3	15
Net Income	152	229	230	243

Source: company. FY–full year. YTD–year to date.

**Figure 22. Sparbanken Mälardalen rating scorecard**

Subfactors	Impact	Score
National banking environment	10.0%	a-
Sector exposure assessment	-	-
Regional assessment	10.0%	bbb-
Cross border assessment	-	-
Operating environment	20.0%	bbb
Risk governance	7.5%	a
Capital	17.5%	aa
Funding and liquidity	15.0%	a
Credit and market risk	10.0%	bbb-
Risk appetite	50.0%	a
Competitive position	15.0%	bbb+
Earnings	7.5%	a
Loss performance	7.5%	a+
Performance indicators	15.0%	a
<b>Indicative credit assessment</b>		<b>a-</b>
Peer comparison		Neutral
Transitions		Neutral
Borderline assessments		Neutral
<b>Stand-alone credit assessment</b>		<b>a-</b>
Ownership		Neutral
Capital structure protection		Neutral
Rating caps		Neutral
<b>Issuer rating</b>		<b>A-</b>
Outlook		Stable
<b>Short-term rating</b>		<b>N2</b>

**Figure 23. Capital structure ratings**

Seniority	Rating
Senior unsecured	A-

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