

Kredittforeningen for Sparebanker

Rating Action Report

Kredittforeningen for Sparebanker '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 Norway-based [Kredittforeningen for Sparebanker](#) (KfS). The outlook is stable. At the same time NCR affirmed the 'N2' short-term rating. At the same time NCR affirmed the 'A-' senior unsecured issue rating.

Rating rationale

The long-term issuer rating reflects KfS' strong capitalisation and low risk appetite. KfS is a non-profit credit institution serving Norwegian savings banks. The company has a concentrated loan portfolio, but funds only investment grade savings banks. KfS has never experienced loan losses. The company is funded by senior bonds with approximately the same maturity as the individual loans it makes. It has no obligation to refinance these loans, and refinancing and pricing risk are consequently minimal.

Until interest rates started rising in 2022, previously low interest rates had put pressure on KfS' margins and reduced demand for funding from the savings banks that it serves. However, the interest rate increases of the past few years have had a positive effect on margins and helped stabilise lending. Since 2021, KfS has helped small domestic savings banks to access green funding, an initiative with the potential to revitalise the company's business model. Adaptation to the EU's finalised banking package currently presents a challenge. The European Banking Authority considers that membership contributions in the form of pure core capital instruments, as practised at KfS, do not meet its requirements. Moreover, the maximum loan limit has been reduced and KfS' capital requirement has increased by 1.5pp (the EU's SME discount is not applicable). We believe that KfS will most likely be able to adapt to the new regulations, given that the banks it serves value the benefit of its services.

Stable outlook

The stable outlook reflects the resilience and strong credit quality of the Norwegian savings bank sector and KfS' modest risk profile. We do not believe that possible challenges to the company's business model will result in higher default risk, given its high asset quality and low refinancing and liquidity risk. The business model would, in our opinion, simplify an orderly portfolio run-off, if necessary, without significant deterioration in the company's credit quality or increased liquidity risk.

We could raise the rating to reflect a combination of two or more drivers, such as a stronger market position, stronger capitalisation and/or higher earnings.

We could lower the rating to reflect lower credit quality of debtors, either due to idiosyncratic or economic stress, a fall in business volumes or increased concentration on lower credit quality, or a total capital ratio below 18%.

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-

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

PRIMARY ANALYST

Geir Kristiansen
+4790784593
geir.kristiansen@nordiccreditrating.com

SECONDARY CONTACTS

Ylva Forsberg
+46768806742
ylva.forsberg@nordiccreditrating.com

Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.com

Figure 1. KfS rating scorecard

Subfactors	Impact	To	From
National factors	10.0%	a	a
Regional, cross border, sector	10.0%	bbb+	bbb+
Operating environment	20.0%	a-	a-
Capital	17.5%	a+	a+
Funding and liquidity	15.0%	a+	a+
Risk governance	5.0%	bbb	bbb
Credit risk	10.0%	a	a
Market risk	-	-	-
Other risks	2.5%	a	a
Risk appetite	50.0%	a	a
Competitive position	15.0%	bb-	bb-
Earnings	7.5%	bb	bb
Loss performance	7.5%	aa	aa
Performance indicators	15.0%	bbb+	bbb+
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-

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 13 Feb. 2019.
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.
Primary analyst:	Geir Kristiansen, +4790784593, geir.kristiansen@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Sean Cotten, +46735600337, sean.cotten@nordiccreditrating.com
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 18 Feb. 2022 NCR's Rating Principles published on 24 May 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 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.
Legal exemption from liability:	Disclaimer © 2024 Nordic Credit Rating AS (NCR, the agency). All rights reserved. All information and data used by NCR in its analytical activities come from sources the agency considers accurate and reliable. All material relating to NCR's analytical activities is provided on an "as is" basis. The agency does not conduct audits or similar warranty validations of any information used in its analytical activities and related material. NCR advises all users of its services to carry out individual assessments for their own specific use or purpose when using any information or material provided by the agency. Analytical material provided by NCR constitutes only an opinion on relative credit risk and does not address other forms of risk such as volatility or market risk and should not be considered to contain facts of any kind for the purpose of assessing an issuer's or an issue's historical, current or future performance. Analytical material provided by NCR may include certain forward-looking statements relating to the business, financial performance and results of an entity and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. Forward-looking statements contained in any analytical material provided by NCR, including assumptions, opinions and views either of the agency or cited from third-party sources are solely opinions and forecasts which are subject to risk, uncertainty and other factors that could cause actual events to differ materially from anticipated events. NCR and its personnel and any related third parties provide no assurance that the assumptions underlying any statements in analytical material provided by the agency are free from error, nor are they liable to any party, either directly or indirectly, for any damages, losses or similar, arising from use of NCR's analytical material or the agency's analytical activities. No representation or warranty (express or implied) is made as to, and no reliance should be placed upon, any information, including projections, estimates, targets and opinions, contained in any analytical material provided by NCR, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained in any analytical material provided by the agency. Users of analytical material provided by NCR are solely responsible for making their own assessment of the market and the market position of any relevant entity, conducting their own investigations and analysis, and forming their own view of the future performance of any relevant entity's business and current and future financial situation. NCR is independent of any third party, and any information and/or material resulting from the agency's analytical activities should not be considered as marketing or a recommendation to buy, sell, or hold any financial instruments or similar. Relating to NCR's analytical activities, historical development and past performance does not safeguard or guarantee any future results or outcome. All information herein is the sole property of NCR and is protected by copyright and applicable laws. The information herein, and any other information provided by NCR, may not be reproduced, copied, stored, sold, or distributed without NCR's written permission.

NORDIC CREDIT RATING AS

nordiccreditrating.com