Nordic Credit Rating

FINANCIAL INSTITUTION

Norway
21 Mar. 2024

Bien Sparebank ASA

Rating Action Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Bien Sparebank assigned 'BBB+' long-term issuer rating; Outlook stable

Nordic Credit Rating (NCR) said today that it had assigned a 'BBB+' long-term issuer rating to Norway-based Bien Sparebank ASA. The outlook is stable. At the same time NCR assigned an 'N2' short-term issuer rating. NCR has also assigned 'BBB+' issue ratings to the bank's senior unsecured bonds, 'BBB' issue ratings to its tier 2 bonds and 'BB+' issue ratings to its additional tier 1 bonds.

Rating rationale

The long-term issuer rating reflects Bien Sparebank's low risk appetite, with a strong capital position and access to funding, as well as a low-risk loan portfolio. The bank has a cooperation agreement with the Eika alliance, which we view as positive, as it provides product diversity, shared development costs and the opportunity to finance residential retail mortgages through Eika Boligkreditt.

We expect Bien Sparebank to report strong earnings in the 2024–2026 period, despite pressure on the net interest margin due to peaking interest rates and stronger competition. We believe that improved cost efficiency will help support earnings. Strong pre-provision profit will help to offset an anticipated increase in loan losses due to a slowdown in the overall economy.

The rating is constrained by strong competition and low market share in the Oslo region. It is also constrained by the bank's concentrated exposure to real estate in its core region and a lack of scale which affects the bank's ability to adapt to an increasing regulatory burden.

Stable outlook

The stable outlook reflects our view that the weakening economic climate will be offset by strong capital and earnings metrics as interest rates have risen, despite higher projected credit losses. We believe the bank's low risk appetite, strong liquidity position, improved earnings and stable cost position provide resilience to a moderate slowdown in the economy.

We could raise the rating to reflect improved capital and earnings, with a Tier 1 capital ratio sustainably above 25%; improved earnings, with pre-provision earnings sustainably above 3% and cost to income sustainably below 45%; or if the bank undergo conversion to pure mortgage bank with sustained profitability.

We could lower the rating to reflect a material deterioration in the local operating environment that negatively affects the bank's asset quality; a sustained reduction in the Tier 1 capital ratio to below 16.5%; or to reflect risk-adjusted earnings metrics sustainably below 1.5% of the risk exposure amount.

Rating list	Rating
Long-term issuer credit rating:	BBB+
Outlook:	Stable
Short-term issuer credit rating:	N2
Senior unsecured issue rating:	BBB+
Tier 2 issue rating:	BBB
Additional Tier 1 issue rating:	BB+

Figure 1. Bien Sparebank rating scorecard

Subfactors	Impact	Score
National factors	10.0%	a
Regional, cross border, sector	10.0%	a
Operating environment	20.0%	a
Capital	17.5%	a+
Funding and liquidity	15.0%	a-
Risk governance	5.0%	bbb
Credit risk	10.0%	bbb+
Market risk	-	-
Other risks	2.5%	bbb
Risk appetite	50.0%	a-
Competitive position	15.0%	bb-
Earnings	7.5%	a
Loss performance	7.5%	a-
Performance indicators	15.0%	a-
Indicative credit assessment		**bbb+**
Transitions		Neutral
Peer calibration		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		**bbb+**
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
Issuer rating		**BBB+**
Outlook		Stable
Short-term rating		**N2**

Figure 2. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+
Tier 2	BBB
Additional Tier 1	BB+

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 21 Mar. 2024.
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 14 Feb. 2024 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, Meetings with management of the rated entity, Non-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.
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