

Askim & Spydeberg Sparebank

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Askim & Spydeberg Sparebank assigned 'A-' long-term issuer rating; Outlook stable

Nordic Credit Rating said today that it had assigned a 'A-' long-term issuer credit rating to Norway-based [Askim & Spydeberg Sparebank](#). The outlook is stable. An 'N2' short-term issuer rating was also assigned, together with a 'A-' senior unsecured issue rating, a 'BBB+' Tier 2 issue rating, and a 'BBB-' additional Tier 1 issue rating.

Rating rationale

The long-term rating reflects Askim & Spydeberg Sparebank's strong capital position and profitability, low risk appetite, and ready access to funding. The bank has a cooperation agreement with the Lokalbanc Alliance banking association, which we view as positive, as it provides product diversity, shared development costs, and the opportunity to finance residential retail mortgage loans through jointly owned covered-bond company Verd Boligkreditt AS.

We expect Askim & Spydeberg Sparebank to maintain strong earnings over our forecast period through 2026, despite pressure on its net interest margins due to peaking interest rates and growing competition. We further believe that strong earnings will keep the bank's cost/income ratio well below 50%. We expect loss performance to improve in the course of the forecast period to levels similar to those of the bank's regional peers after extraordinary losses in recent years, thereby providing a more accurate representation of the loan book.

The rating is constrained by Askim & Spydeberg Sparebank's concentrated exposure to residential and commercial real estate and the construction sector in northern Østfold county and the district of Follo. Although the bank has a strong market share in its core operating region, the rating is further constrained by the presence of a number of strong competitors.

Stable outlook

The stable outlook reflects our view that core earnings will remain robust due to high interest rates and strong cost efficiency, offsetting moderate credit losses. We believe the bank's strong capital position and diverse funding profile will prove resilient to low economic activity. The outlook also reflects our expectation that the bank will continue to invest in risk governance, resulting in risk governance standards in line with those of its domestic savings bank peers.

We could raise the rating to reflect a consolidated Tier 1 ratio sustainably above 25%, pre-provision income to risk exposure amount (REA) sustainably above 3%, and a stronger market position in the district of Follo and northern Østfold county.

We could lower the rating to reflect a consolidated Tier 1 capital ratio below 20% over a protracted period, a material deterioration in the local operating environment that negatively affects asset quality, or risk-adjusted earnings metrics below 2% of REA for a protracted period.

Rating list

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

Figure 1. Askim & Spydeberg 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%	bbb+
Performance indicators	15.0%	a-
Indicative credit assessment		a-
Transitions		Neutral
Peer calibration		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		a-
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
Issuer rating		A-
Outlook		Stable
Short-term rating		N2

Figure 2. Capital structure ratings

Seniority	Rating
Senior unsecured	A-
Tier 2	BBB+
Additional Tier 1	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 29 May. 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, 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.
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