

Sparebank 1 Hallingdal Valdres

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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SpareBank 1 Hallingdal Valdres assigned 'A-' long-term issuer rating; Outlook stable

Nordic Credit Rating said today that it had assigned a 'A-' long-term issuer rating to Norway-based [SpareBank 1 Hallingdal Valdres](#). 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 issuer rating reflects SB1 Hallingdal Valdres' robust capitalisation and good access to funding. The bank is part of the SpareBank 1 Alliance, which we view as supportive of business diversity, operating efficiency, and liquidity. SB1 Hallingdal Valdres' pre-provision profitability and cost efficiency are in line with those of its peers, particularly in the banking operation. The bank is predominantly a retail lender of residential mortgage loans, but also has significant exposure to commercial real estate lending, agriculture and construction.

The rating is constrained by the highly competitive environment in the bank's new growth markets in Oslo and Bergen, recent above-market-average credit growth, and uncertainty about the commercial real estate sector.

Stable outlook

The stable outlook reflects our view that a weak economic climate and projected credit losses will be offset by improvements in capital and strong earnings metrics. We believe SB1 Hallingdal Valdres' low risk appetite, strong real estate collateral, and improved earnings will enable resilience to a moderate slowdown in the economy. Moreover, we expect moderate loan growth in the course of our forecast period through 2026. We expect the bank's capital ratios to be further boosted by the prospective positive impact of implementing the EU's Capital Requirements Regulations III (CRR3).

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%, reduced uncertainty about credit risk, and improved asset quality metrics.

We could lower the rating to reflect a lasting reduction in the consolidated Tier 1 capital ratio to below 20% (following CRR3), risk-adjusted earnings metrics below 2% of REA, cost/income above 60% over a protracted period, a material deterioration in the operating environment, or increased risk appetite that negatively affects asset quality.

Rating list

Long-term issuer credit rating:

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. SB1 Hallingdal Valdres rating scorecard

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