

SpareBank 1 Østfold Akershus

Rating Action Report

SpareBank 1 Østfold Akershus '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 savings bank [SpareBank 1 Østfold Akershus](#). The outlook is stable. The 'N2' short-term issuer rating was also affirmed, as were the 'A' issue rating on the bank's senior unsecured debt, the 'A-' issue rating on its Tier 2 instruments, and the 'BBB' issue rating on its additional Tier 1 instruments.

Rating rationale

Our 'A' long-term issuer credit rating on SB1 Østfold Akershus continues to reflect the bank's strong profitability and modest risk appetite, as well as its exposure to a growth region of Norway. The bank is part of the SpareBank 1 Alliance, which we view as supportive of business diversity, operating efficiency, and liquidity. We expect the bank will maintain a strong earnings profile despite increasing pressure on interest rate margins as interest rates reduce, due to its diverse revenue sources. While we expect loss provisions and non-performing loans to remain at slightly elevated levels in 2025, we believe earnings will be sufficiently strong to mitigate a reduction in capital generation. We expect financial risk in the construction and property development sectors to continue at least throughout 2025, but consider the risk for realised loan losses to be low. Our view of the bank's risk governance has improved due to steady improvements in recent years and a reduction in its risk appetite for project development exposure.

The rating is constrained by the competitive environment in the bank's operating region and geographic concentration in the loan book. Unlike most Norwegian savings banks, SB1 Østfold Akershus' equity belongs almost entirely to the owners of the bank's equity capital certificates (ECCs). Two foundations control about two-thirds of the ECCs. We view the ownership structure as supportive of our standalone credit assessment, but do not incorporate prospective support into the rating.

Stable outlook

The stable outlook reflects our view that SB1 Østfold Akershus is able to benefit from interest rate increases while maintaining solid loan growth. We believe that a continued weak economy will lead to non-performing loans and loan-loss provisions remaining elevated, but that this will not materially weaken the bank's stability or profitability. We expect SB1 Østfold Akershus' capital ratios will be further boosted by the prospective positive impact of implementing the EU's Capital Requirements Regulations III (CRR3).

An upgrade is unlikely at this time, given earnings and capitalisation are already strong.

We could lower the rating to reflect a material deterioration in the regional operating environment that negatively affects asset quality. We could also lower the rating to reflect growth significantly outpacing capital generation, resulting in a Tier 1 ratio below 18% over a protracted period, or in case of increased competition leading to lower profitability and a weaker market position.

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
Tier 2 issue rating:	A-	A-
Additional Tier 1 issue rating:	BBB	BBB

LONG-TERM RATING

A

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Figure 1. SB1 Østfold Akershus rating scorecard

Subfactors	Impact	To	From
National factors	10.0%	a	a
Regional, cross border, sector	10.0%	a	a
Operating environment	20.0%	a	a
Risk governance	5.0%	a	a-
Capital	17.5%	a+	a+
Funding and liquidity	15.0%	a	a
Credit risk	10.0%	bbb	bbb
Market risk	-	-	-
Other risks	2.5%	a	a
Risk appetite	50.0%	a	a
Competitive position	15.0%	bbb+	bbb+
Earnings	7.5%	aa-	aa-
Loss performance	7.5%	a	a
Performance indicators	15.0%	a+	a+
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
Tier 2	A-	A-
Additional Tier 1	BBB	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 28 Nov. 2018.
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, 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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