

Sparebanken Narvik

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Sparebanken Narvik 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 [Sparebanken Narvik](#). The outlook is stable. An 'N2' short-term issuer rating was also assigned, together with a 'A-' senior unsecured issue rating.

Rating rationale

The long-term issuer rating reflects Sparebanken Narvik's exceptional capital position, low risk appetite and strong earnings. The bank has a cooperation agreement with the Eika banking alliance, which we view as positive, as it provides product diversity, shared development costs, and the opportunity to finance residential retail mortgages through mortgage company Eika Boligkreditt. We expect strong cost efficiency to support the bank's core earnings despite a likely decline in net interest margins over the next few years. We also expect robust pre-provision profit to offset elevated loan losses due to a slowdown in the overall economy.

We expect Sparebanken Narvik to maintain strong earnings and robust cost efficiency over our forecast period through 2026. Together with moderate lending growth, significant gift contributions to the local community and customer dividend payments, we expect the bank's capital ratios to stabilise at relatively high levels from 2025 in comparison with those of its peers. In addition, we estimate elevated, but low, credit losses following a five-year period of zero losses on an accumulated basis.

The rating is constrained by the bank's concentrated exposure to real estate in the Narvik and Mid-Troms regions. It is also constrained by strong competition and a low market share in Mid-Troms.

Stable outlook

The stable outlook reflects our view that a weak economic climate and projected credit losses will be offset by strong capital and strong earnings metrics. We believe Sparebanken Narvik's low risk appetite, strong real-estate collateral, improved earnings, and strong cost position will enable resilience to a moderate slowdown in the economy. We forecast that the bank's cost efficiency and capital ratios will remain at levels better than those of its peers. We expect Sparebanken Narvik's capital ratios to be further boosted by the prospective positive impact of implementing the EU's Capital Requirements Regulations III.

An upgrade is unlikely at this time, given the bank's regional and sectoral concentrations.

We could lower the rating to reflect a material deterioration in the regional operating environment or increased risk appetite, a lasting reduction in the Tier 1 capital ratio to below 20%, or risk-adjusted earnings metrics below 2% of risk exposure amount or cost/income above 50% over a protracted period.

Rating list

Long-term issuer credit rating:
Outlook:
Short-term issuer credit rating:
Senior unsecured issue rating:

Rating

A-
Stable
N2
A-

Figure 1. Sparebanken Narvik rating scorecard

Subfactors	Impact	Score
National factors	5.0%	a
Regional, cross border, sector	15.0%	bbb
Operating environment	20.0%	bbb+
Risk governance	5.0%	bbb+
Capital	17.5%	aa-
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%	aa-
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-

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 04 Nov. 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, 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
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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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