RørosBanken Røros Sparebank

Rating Action Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N2

PRIMARY ANALYST
Christian Yssen
+4740019900
christian.yssen@nordiccreditrating.com

SECONDARY CONTACTS
Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.com

Geir Kristiansen
+4790784593
geir.kristiansen@nordiccreditrating.com

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

Nordic Credit Rating has assigned a 'BBB+' long-term issuer rating to Norway-based RørosBanken. The outlook is stable. An 'N2' short-term issuer rating was also assigned, together with an 'BBB+' senior unsecured issue rating, a 'BBB' Tier 2 issue rating and a 'BB+' Additional Tier 1 issue rating.

Rating rationale

Our long-term issuer rating reflects RørosBanken's strong capital position, moderate risk appetite, diverse funding, and stable earnings. The savings bank has a cooperation agreement with the Eika banking alliance, which we view as positive, as it provides members with product diversity, shared development costs, and the opportunity to finance residential retail mortgages through mortgage company Eika Boligkreditt.

The rating is constrained by RørosBanken's lending profile and growth strategy. Despite its roots in the region surrounding Røros, a high share of the bank's loan exposure is in growth areas, primarily Oslo, Norway's capital, and Trondheim. Although providing diversification, lending outside of adjacent regions tests the boundaries of the local bank's credit risk management, in our view. We expect the bank will continue its strategy to expand in its non-core growth markets, despite capacity and oversight concerns associated with corporate exposures. This strategy also affects our view of the bank's competitive position given its weak market position in growth markets, despite its dominant competitive position in Røros.

Stable outlook

The stable outlook reflects the bank's strong capital and earnings ratios and high share of real-estate collateral. Under new leadership, RørosBanken has improved risk management over the last year, and we expect it will prioritize sustainable lending growth in coming years. We believe strong cost efficiency will 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 will offset elevated loan losses due to low activity in the overall economy. We forecast increased, but sustainable, loan growth through 2027, with capital ratios remaining high and boosted further by the implementation of the EU's Capital Requirements Regulations III (CRR3).

We could raise our rating on RørosBanken to reflect reduced risk appetite in lending, demonstrated improvement in loss performance and asset quality, and maintained profitability.

We could lower our rating to reflect a sustained reduction in the bank's Tier 1 capital ratio to below 20%, risk-adjusted earnings metrics below 2% of risk exposure amount over a protracted period, or a material deterioration in the local operating environment or weakened asset quality.

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. RørosBanken 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%	aa-
Funding and liquidity	15.0%	a-
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		**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 31 Mar. 2025.
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.
Primary analyst:	Christian Yssen, +4740019900, christian.yssen@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Geir Kristiansen, +4790784593, geir.kristiansen@nordiccreditrating.com
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
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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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