Aasen Sparebank

Rating Action Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N2

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

Nordic Credit Rating (NCR) has assigned a 'BBB+' long-term issuer rating to Norway-based savings bank Aasen Sparebank. 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

The long-term issuer rating reflects the bank's low risk appetite, solid capital position, diverse access to funding and strong earnings. We take a positive view of the bank's membership in the Lokalbanksamarbeidet banking cooperative, which enables 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 Aasen Sparebank will maintain strong earnings metrics and stable cost efficiency over our forecast period through 2026, despite interest rate cuts. We believe loan losses and non-performing loans will remain at low levels.

The rating is constrained by the bank's concentrated exposure to real-estate collateral in the Innherred region north of Trondheim. It is also constrained by the bank's size and moderate market share in its operating region, as well as requiring a long commute to the metropolitan area of Trondheim.

Stable outlook

The stable outlook reflects our view that the bank's low risk appetite, strong real-estate collateral, improved earnings and solid cost efficiency will enable resilience during a modest economic slowdown. We forecast relatively strong loan growth in 2025 and 2026. However, we expect capital ratios will remain stable, apart from a significant boost in 2025 due to the implementation of the EU's Capital Requirements Regulations III (CRR3).

We could raise the rating to reflect Aasen Sparebank's commitment to maintaining material regulatory capital buffers and a Tier 1 ratio sustainably above 24%. We could also raise the rating if pre-provision earnings to risk exposure amount (REA) moves sustainably above 3% and share of net Stage 3 loans significantly below 1% for a prolonged period, or if the bank exhibits an improved market position without material increase in risk appetite.

We could lower the rating to reflect a material deterioration in the local operating environment that weakens the bank's asset quality, or if there is a sustained reduction in the Tier 1 capital ratio to below 18%. We could also downgrade Aasen Sparebank if risk-adjusted earnings metrics fall below 2% of REA over a protracted period.

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. 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%	a+
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%	a-
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 07 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.
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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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