

Spaerskillingsbanken

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Spaerskillingsbanken assigned 'A-' long-term issuer rating; Outlook Stable

Nordic Credit Rating (NCR) has assigned an 'A-' long-term issuer rating to Norway-based [Spaerskillingsbanken](#). The outlook is stable. An 'N2' short-term issuer rating has also been assigned, together with an 'A-' senior unsecured issue rating. The bank has no issued Tier 2 or Additional Tier 1 instruments, but we would likely assign future issues an issue rating one and three notches below the issuer rating at 'BBB+' and 'BBB-', respectively, if it chooses to do so.

Rating rationale

Our 'A-' long-term issuer rating on Norway-based Spaerskillingsbanken reflects the bank's exceptional capital position, low risk appetite, diverse access to funding and solid asset quality performance. 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 anticipate Spaerskillingsbanken will maintain its current loan portfolio composition, skewed towards low-risk residential mortgages. The low-risk profile is demonstrated by exceptional capital ratios, boosted by the effects of implementing Capital Requirements Regulation III (CRR3). We believe Spaerskillingsbanken will maintain solid asset quality, resulting in modest credit losses during our forecast period through 2027. Spaerskillingsbanken has exhibited strong cost efficiency in recent years. We expect interest rate cuts and strong competition will weaken earnings through 2027, although remain at solid levels.

The rating is constrained by the bank's concentrated exposure to real-estate collateral in the Kristiansand region. It is also constrained by stiffer regional competition from larger banks and neighbouring similar-sized banks, heightening margin pressure.

Stable outlook

The stable outlook reflects our expectation that the bank will be resilient to economic fluctuations due to its exceptional capital, strong real-estate collateral and solid earnings. We forecast a moderate loan growth of 7% through 2027 and anticipate the bank will maintain its low-risk appetite. We expect the bank to generate sufficient income to keep capitalisation stable, further boosted in mid-2025 from the implementation of CRR3.

A higher rating is unlikely at this time, given the bank's regional and sectoral concentrations.

We could lower the rating to reflect a sustained reduction in the Tier 1 capital ratio to below 20%. We could also downgrade the bank to reflect a material deterioration in the local operating environment or weakening asset quality, or a cost-to-income ratio above 60% for a prolonged period.

Rating list

Long-term issuer credit rating:
Outlook:
Short-term issuer credit rating:
Senior unsecured issue rating:
Tier 2 issue rating:
Additional Tier 1 issue rating:

Rating

A-
Stable
N2
A-
BBB+
BBB-

Figure 1. Spareskillingsbanken rating scorecard

| Subfactors | Impact | Score |
|--------------------------------------|--------|-----------|
| National banking environment | 5.0% | a |
| Sector exposure assessment | - | - |
| Regional assessment | 15.0% | a- |
| Cross border assessment | - | - |
| Operating environment | 20.0% | a- |
| Risk governance | 7.5% | a- |
| Capital | 17.5% | aa |
| Funding and liquidity | 15.0% | a |
| Credit and market risk | 10.0% | 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 | | a- |
| Peer comparison | | Neutral |
| Transitions | | Neutral |
| Borderline assessments | | Neutral |
| Stand-alone credit assessment | | a- |
| Ownership | | Neutral |
| Capital structure protection | | Neutral |
| Rating caps | | 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 12 Jun. 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: | <p>NCR's Rating Principles published on 14 Feb. 2024</p> <p>NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024</p> <p>NCR's Financial Institutions Rating Methodology published on 12 May 2025</p> <p>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.</p> <p>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).</p> |
| 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 have been provided in the last 12 months. |
| Regulations: | This rating was issued and disclosed under Regulation (EC) No 1060/2009. |
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