Flekkefjord Sparebank

LONG-TERM RATING
BBB+

OUTLOOK
Positive

SHORT-TERM RATING
N3

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Flekkefjord Sparebank outlook revised to positive and 'BBB+' long-term issuer rating affirmed; removed from criteria review

Nordic Credit Rating (NCR) has revised the outlook on its 'BBB+' long-term issuer rating on Norway-based savings bank Flekkefjord Sparebank to positive from stable. The long-term rating, 'N3' short-term rating, 'BBB+' senior unsecured issue rating, 'BBB' Tier 2 issue rating, and 'BB+' Additional Tier 1 issue rating have been affirmed, in accordance with NCR's revised financial institutions rating methodology. The ratings are no longer under criteria review.

Rating rationale

The outlook revision reflects our expectations that the bank will gradually decelerate its growth pace, which in turn should lessen the strain on risk resources. We are also noting a positive trend in asset quality metrics, and believe these two factors, if continuing to develop in line with our expectations, could lead to a higher rating.

The bank's capital ratios benefited significantly from CRR3, with the consolidated Tier 1 ratio rising by more than 2pp to 21.8% in the second quarter of 2025 from the first quarter, despite 7% loan growth. However, we expect the bank to use this increase in capitalisation to support growth and have not revised our capital assessment.

The rating continues to reflect the bank's strong earnings and capital position, moderate risk appetite, and membership in the Lokalbanksamarbeidet banking cooperative The bank has a strong market position in its traditional core markets and faces less competition from similarly sized savings banks than its domestic peers. The rating is constrained by geographic concentration in the relatively rural local economy of south-west Norway and a high proportion of real-estate collateral in the bank's core markets.

Positive outlook

The positive outlook reflects Flekkefjord Sparebank's strengthened resources and improved processes within risk governance, together with reduced lending growth projections ahead. It also reflects sustained earnings and favourable development in the proportion of non-performing loans over the past year. We believe the bank's strong earnings and solid capitalisation make it resilient to potential late-cycle loan losses over the next few years.

We could raise the rating to reflect commitment to reduced loan growth, improving risk appetite, together with improved asset quality metrics, with net Stage 3 loans as a share of net loans around 1% over a protracted period. We could also raise the rating to reflect a Tier 1 ratio above 22% for a protracted period.

We could revise the outlook to stable to reflect growth significantly outpacing capital generation, a deterioration in the local operating environment or negative development in the bank's asset quality, or increased competition leading to lower profitability and a weaker market position.

Rating list	To	From
Long-term issuer credit rating:	BBB+	BBB+
Outlook:	Positive	Stable
Short-term issuer credit rating:	N3	N3
Senior unsecured issue rating:	BBB+	BBB+
Tier 2 issue rating:	BBB	BBB
Additional Tier 1 issue rating:	BB+	BB+

Figure 1. Flekkefjord Sparebank rating scorecard

Subfactors	Impact	To	From
National banking environment	5.0%	a	-
Sector exposure assessment	-	-	-
Regional assessment	15.0%	bbb	-
Cross border assessment	-	-	-
National factors	-	-	a
Regional, cross border, sector	-	-	bbb
Operating environment	20.0%	bbb+	bbb+
Risk governance	7.5%	bbb+	bbb+
Capital	17.5%	a	a
Funding and liquidity	15.0%	a-	a-
Credit and market risk	10.0%	bbb	-
Credit risk	-	-	bbb
Market risk	-	-	-
Other risks	-	-	a-
Risk appetite	50.0%	a-	a-
Competitive position	15.0%	bbb	bbb
Earnings	7.5%	a	a
Loss performance	7.5%	a-	a-
Performance indicators	15.0%	a-	a-
Indicative credit assessment		**bbb+**	**bbb+**
Peer comparison		Neutral	Neutral
Transitions		Neutral	Neutral
Borderline assessments		Neutral	Neutral
Stand-alone credit assessment		**bbb+**	**bbb+**
Ownership		Neutral	Neutral
Capital structure protection		Neutral	-
Rating caps		Neutral	Neutral
Material credit enhancement		-	Neutral
Issuer rating		**BBB+**	**BBB+**
Outlook		Positive	Stable
Short-term rating		**N3**	**N3**

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	BBB+	BBB+
Tier 2	BBB	BBB
Additional Tier 1	BB+	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 14 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 12 May 2025 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 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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