

Sparebank 1 Hallingdal Valdres

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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SpareBank 1 Hallingdal Valdres 'A-' long-term issuer rating affirmed with stable outlook; removed from criteria review

Nordic Credit Rating has affirmed its 'A-' long-term issuer rating on Norway-based [SpareBank 1 Hallingdal Valdres](#). The outlook is stable. The 'N2' short-term rating, 'A-' senior unsecured issue rating, 'BBB+' Tier 2 issue rating, and 'BBB-' Tier 1 issue rating have also been affirmed, in accordance with NCR's revised financial institutions rating methodology. The ratings are no longer under criteria review.

Rating rationale

The long-term issuer rating reflects the bank's robust capitalisation and good access to funding. The bank is part of the SpareBank 1 Alliance (SB1 Alliance), which we view as supportive of business diversity, operating efficiency, and liquidity. SB1 Hallingdal Valdres' pre-provision profitability and cost efficiency are in line with those of its peers, particularly in the banking operation. The bank is predominantly a retail lender of residential mortgage loans but also has significant exposure to commercial real estate lending, agriculture and construction.

We have revised our assessment of the bank's risk performance to reflect improvements in risk reporting and adherence. In addition, we have aligned our score for other risks with the risk governance score. We have also updated our assessment of earnings to reflect our expectation that stronger cost efficiency will help sustain robust earnings for the bank.

The rating is constrained by the highly competitive environment in the bank's new growth markets in Oslo and Bergen, strong lending growth ambitions, and uncertainty about the commercial real estate sector.

Stable outlook

The stable outlook reflects our view that SB1 Hallingdal Valdres would be resilient to potential elevated, late-cyclical credit losses. This is based on the bank's low risk appetite, strong real estate collateral, and solid capitalisation. Moreover, we expect the bank to maintain strong earnings before loan losses, despite reduced net interest margins as a result of a decline in still-high market interest rates and increased competition.

We could raise the rating to reflect a consolidated Tier 1 ratio sustainably above 25%, pre-provision income to risk exposure amount (REA) sustainably above 3%, reduced uncertainty about credit risk, and improved asset quality metrics.

We could lower the rating to reflect a lasting reduction in the consolidated Tier 1 capital ratio to below 20%, risk-adjusted earnings metrics below 2% of REA, cost/income above 60% over a protracted period, a material deterioration in the operating environment, or increased risk appetite that negatively affects asset quality.

Rating list

	To	From
Long-term issuer credit rating:	A-	A-
Outlook:	Stable	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	A-	A-
Tier 2 issue rating:	BBB+	BBB+
Additional Tier 1 issue rating:	BBB-	BBB-

Figure 1. SB1 Hallingdal Valdres rating scorecard

Subfactors	Impact	To	From
National banking environment	10.0%	a	-
Sector exposure assessment	-	-	-
Regional assessment	10.0%	bbb	-
Cross border assessment	-	-	-
National factors	-	-	a
Regional, cross border, sector	-	-	bbb
Operating environment	20.0%	bbb+	bbb+
Risk governance	7.5%	a-	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		a-	a-
Peer comparison		Neutral	Neutral
Transitions		Neutral	Neutral
Borderline assessments		Neutral	Neutral
Stand-alone credit assessment		a-	a-
Ownership		Neutral	Neutral
Capital structure protection		Neutral	-
Rating caps		Neutral	Neutral
Material credit enhancement		-	Neutral
Issuer rating		A-	A-
Outlook		Stable	Stable
Short-term rating		N2	N2

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	A-	A-
Tier 2	BBB+	BBB+
Additional Tier 1	BBB-	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 17 Oct. 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, 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 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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