

## Skudenes &amp; Aakra Sparebank

Rating Action Report

## LONG-TERM RATING

A-

## OUTLOOK

Stable

## SHORT-TERM RATING

N2

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## Skudenes & Aakra Sparebank 'A-' long-term issuer rating affirmed with stable outlook

Nordic Credit Rating (NCR) has affirmed its 'A-' long-term issuer rating on Norway-based [Skudenes & Aakra Sparebank](#). 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.

### Rating rationale

The affirmation reflects the bank's low risk appetite, solid capital position, strong earnings, and diverse access to funding. The bank finalised the switch from the Lokalbanksamarbeidet banking cooperative to the Eika Alliance in November 2025. Through its new membership in the Eika Alliance and similar to the previous alliance, the bank benefits from diversification of business and cost advantages. Membership also enables the opportunity to transfer mortgages to jointly owned covered bond companies.

We expect the bank to maintain strong earnings and cost efficiency even as Norwegian policy interest rates decline. We also expect loan losses to remain moderate despite the current economic slowdown in Norway. The bank benefited from the implementation of the EU's Capital Requirements Regulation III (CRR3) in Apr. 2025, which increased its Tier 1 ratio by about 2.5pp, supported by a high proportion of low loan-to-value residential mortgages. Together with modest lending growth and significant gift contributions to the local community, we project capital adequacy metrics to remain outstanding and have improved our assessment of capital.

The rating is constrained by the bank's concentrated exposure to real-estate collateral in the municipality of Karmøy and the Haugalandet region on the west coast of Norway. It is also constrained by barriers to growth and stiff competition beyond Karmøy and its core markets.

### Stable outlook

The stable outlook reflects our view that a weak economic climate and likely credit losses will be offset by Skudenes & Aakra Sparebank's solid earnings and capital position. We believe the bank's low risk appetite, strong real-estate collateral, improved earnings, and solid cost efficiency will enable resilience to a modest economic slowdown. We forecast the bank to maintain robust and stable capital ratios following recent improvements from implementing the EU's Capital Requirements Regulations III (CRR3).

An upgrade is unlikely at this time, given the bank's already strong capital position and earnings, as well as its regional concentrations.

We could lower the rating to reflect loan growth beyond our expectations, resulting in a Tier 1 capital ratio below 20%, or pre-provision income to risk-exposure amount below 2% or cost-to-income above 50% over a protracted period. We could also lower the rating to reflect a material deterioration in the local operating environment 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. Skudenes & Aakra Sparebank rating scorecard**

Subfactors	Impact	To	From
National banking environment	5.0%	a	a
Sector exposure assessment	-	-	-
Regional assessment	15.0%	bbb	bbb
Cross border assessment	-	-	-
Operating environment	20.0%	bbb+	bbb+
Risk governance	7.5%	a-	a-
Capital	17.5%	aa	aa-
Funding and liquidity	15.0%	a	a
Credit and market risk	10.0%	bbb	bbb
Risk appetite	50.0%	a	a
Competitive position	15.0%	bb+	bb+
Earnings	7.5%	a+	aa-
Loss performance	7.5%	a-	bbb+
Performance indicators	15.0%	a	a
<b>Indicative credit assessment</b>		<b>a-</b>	<b>a-</b>
Peer comparison		Neutral	Neutral
Transitions		Neutral	Neutral
Borderline assessments		Neutral	Neutral
<b>Stand-alone credit assessment</b>		<b>a-</b>	<b>a-</b>
Ownership		Neutral	Neutral
Capital structure protection		Neutral	Neutral
Rating caps		Neutral	Neutral
<b>Issuer rating</b>		<b>A-</b>	<b>A-</b>
Outlook		Stable	Stable
<b>Short-term rating</b>		<b>N2</b>	<b>N2</b>

**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 19 Dec. 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:	<a href="#">NCR's Rating Principles published on 14 Feb. 2024</a> <a href="#">NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024</a> <a href="#">NCR's Financial Institutions Rating Methodology published on 12 May 2025</a> 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 <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a> . The historical default rates of entities and securities rated by NCR will be viewed on <a href="#">the central platform (CEREP) of the European Securities and Markets Authority (ESMA)</a> .
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.
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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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