

## Sparebank 68° Nord

## Rating Action Report

## LONG-TERM RATING

**A-**

## OUTLOOK

**Stable**

## SHORT-TERM RATING

**N2**

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**Sparebank 68° Nord 'A-' long-term issuer rating affirmed with stable outlook**

Nordic Credit Rating (NCR) has affirmed its 'A-' long-term issuer rating on Norway-based **Sparebank 68° Nord**. The outlook is stable. The 'N2' short-term rating, 'A-' senior unsecured issue rating and 'BBB+' Tier 2 issue rating have also been affirmed.

**Rating rationale**

The affirmation reflects the bank's low risk appetite, strong capital position, diversified funding sources and robust earnings. We have revised our assessment of the bank's capital position, expecting it to maintain a consolidated Tier 1 ratio above 23% through 2027. Our forecast assumes annual loan growth of 6% in 2026 and 2027, a return on equity of approximately 8%, and that 25% of profits will be distributed to equity certificate holders and as gifts to the local community. As a result, we expect capital ratios to increase slightly through 2027. We believe asset quality metrics are likely to improve in 2026-2027.

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.

The rating is constrained by the bank's concentrated exposure to real-estate collateral located along the 68th parallel north in northern Norway, which includes the regions of Lofoten, Ofoten, Vesterålen and Harstad. It is also constrained by strong competition from larger banks.

**Stable outlook**

The stable outlook reflects Sparebank 68° Nord's low risk appetite, strong real-estate collateral, solid earnings and strong cost efficiency, which we believe will enable resilience during a modest economic slowdown. We expect the bank's capital ratios to remain at strong levels after the positive impact of implementing the EU's Capital Requirements Regulations III (CRR3), despite projections of above-domestic credit growth.

We view an upgrade as unlikely at this time, given the bank's regional and sectoral concentrations.

We could lower our rating on the bank to reflect a cost-to-income ratio above 50% over a protracted period, a sustained reduction in the Tier 1 capital ratio to below 22%, or a material deterioration in the local operating environment or weakening 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. Sparebank 68° Nord 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	-	-	-
<b>Operating environment</b>	<b>20.0%</b>	<b>bbb+</b>	<b>bbb+</b>
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
<b>Risk appetite</b>	<b>50.0%</b>	<b>a</b>	<b>a</b>
<b>Competitive position</b>	<b>15.0%</b>	<b>bb+</b>	<b>bb+</b>
Earnings	7.5%	a+	a+
Loss performance	7.5%	bbb	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 13 Feb. 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:	<a href="#">NCR's Financial Institutions Rating Methodology published on 12 May 2025</a> <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> 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="#">nordiccreditrating.com/governance/policies</a> . 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: <a href="#">https://nordiccreditrating.com/governance/policies</a>
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: <a href="#">nordiccreditrating.com/governance/policies</a> .
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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