

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N3

PRIMARY ANALYST

Geir Kristiansen
+4790784593
geir.kristiansen@nordiccreditrating.com

SECONDARY CONTACTS

Christian Yssen
+4740019900
christian.yssen@nordiccreditrating.com

Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.com

SpareBank 1 Lom og Skjåk 'BBB+' long-term issuer rating affirmed with stable outlook

Nordic Credit Rating (NCR) has affirmed its 'BBB+' long-term issuer rating on Norway-based [SpareBank 1 Lom og Skjåk](#). The outlook is stable. The short-term rating is lowered to 'N3' from 'N2'. The 'BBB+' senior unsecured issue rating has also been affirmed.

Rating rationale

The affirmation reflects the bank's robust capital position and strong earnings. The bank is part of the SpareBank 1 Alliance, which we view as supportive of business diversity, operating efficiency, and liquidity. SpareBank 1 Lom og Skjåk's pre-provision profitability is strong and its cost efficiency average in the context of its peer group. The bank is predominantly a provider of retail residential mortgage loans, but also has significant exposure to commercial real estate, agriculture and construction.

The rating is constrained by relatively low credit quality in the corporate loan book, particularly in real estate projects, tourist resorts and land banks. Additionally, the bank has a high level of corporate exposure in its core markets in Norway's Innlandet county, where the population is declining. A negative development in Stage 3 loans and a high level of recent and projected loan losses relative to its peer group have led us to lower our assessments of credit risk and loan losses. Strong competition in key growth markets outside the core region also constrains the rating.

SpareBank 1 Lom og Skjåk maintains lower liquidity buffers than peers, with projected liquid assets of 11-12% of customer deposits and an average liquidity coverage ratio of 177% over the past four quarters. As a result, we have lowered the short-term rating to 'N3' from 'N2'.

Stable outlook

The stable outlook reflects the bank's strong loss-absorbing capacity, supported by robust pre-provision income and capitalisation. We expect high collateralisation to help contain future loan losses. The bank is also expected to generate sufficient earnings to maintain stable capitalisation, despite anticipated strong loan growth. The stable outlook further reflects the bank's focus on expanding its mortgage loan portfolio.

We could raise the rating if asset quality metrics improve, with net Stage 3 loans below 1.5% of net loans over a sustained period, as well as cost-to-income below 45% and pre-provision income/risk exposure amount above 3% for an extended period. We could also raise the rating if the bank's market position strengthens in its growth markets.

We could lower the rating if the consolidated Tier 1 capital ratio remains below 18%, cash and liquid fixed income assets fall below 10% of customer deposits for an extended period, or there is a material deterioration in the operating environment or asset quality.

Rating list	To	From
Long-term issuer credit rating:	BBB+	BBB+
Outlook:	Stable	Stable
Short-term issuer credit rating:	N3	N2
Senior unsecured issue rating:	BBB+	BBB+
Tier 2 issue rating:	BBB	BBB
Additional Tier 1 issue rating:	BB+	BB+

Figure 2. SB1 Lom og Skjåk rating scorecard

Subfactors	Impact	To	From
National banking environment	10.0%	a	a
Sector exposure assessment	-	-	-
Regional assessment	10.0%	bbb-	bbb-
Cross border assessment	-	-	-
Operating environment	20.0%	bbb+	bbb+
Risk governance	7.5%	bbb+	bbb+
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	a
Loss performance	7.5%	bbb-	bbb
Performance indicators	15.0%	bbb+	bbb+
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	Neutral
Rating caps		Neutral	Neutral
Issuer rating		BBB+	BBB+
Outlook		Stable	Stable
Short-term rating		N3	N2

Figure 3. 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
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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.
Primary analyst:	Geir Kristiansen, +4790784593, geir.kristiansen@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Sean Cotten, +46735600337, sean.cotten@nordiccreditrating.com
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, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
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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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