

Varbergs Sparbank AB (publ)

Rating Action Report

**Varbergs Sparbank AB 'A' long-term issuer rating affirmed;
Outlook stable**

Nordic Credit Rating has affirmed its 'A' long-term issuer rating on Sweden-based savings bank [Varbergs Sparbank AB \(publ\)](#). The outlook is stable. The 'N2' short-term issuer rating and the 'A' senior unsecured issue ratings have also been affirmed.

Rating rationale

The affirmation reflects our view that the bank's core earnings metrics have stabilised following recent sharp interest rate fluctuations, and we expect them to remain flat through our forecast period. We expect increased demand in the bank's core markets to support growth without significant additional margin pressure, with on-balance-sheet growth underpinned by the bank's strategy of retaining retail mortgages rather than transferring them to Swedbank Hypotek.

Varbergs Sparbank continues to report very strong asset quality metrics. We do not anticipate material increases in Stage 3 loans, and our forecast for loan loss provisions reflects our view that the bank will maintain prudent provisioning as it grows its loan book. We have raised our assessment of the bank's loss performance, reflecting its relative strength despite some single-name concentrations that increase downside risk.

Figure 1. Varbergs Sparbank key credit metrics, 2022–2028e

%	2022	2023	2024	2025	2026e	2027e	2028e
Net interest margin	1.5	2.4	2.2	1.8	1.7	1.7	1.7
Core pre-provision income/REA	2.2	3.7	3.2	2.3	2.3	2.3	2.4
Core cost-to-income	53.9	42.6	47.4	56.5	57.4	55.5	53.3
Return on ordinary equity	5.7	8.2	7.7	6.5	6.2	4.8	5.2
Loan losses/net loans	0.27	-0.07	-0.09	-0.05	0.05	0.05	0.05
Net Stage 3/net loans	0.78	0.25	0.28	0.10	0.10	0.10	0.10
CET1 ratio	34.4	37.1	37.3	43.9	43.9	43.5	43.1

Source: company and NCR. All metrics adjusted in line with NCR methodology. Core represents net interest income and net fee & commission income.

Stable outlook

The stable outlook reflects our expectation that Varbergs Sparbank will begin to use its excess capital to support growth while maintaining its low to moderate risk appetite. However, given strong capital generation and a focus on retail mortgages with low risk weights, capital ratios are expected to remain well above requirements for the foreseeable future. The stable outlook also reflects our expectation that the regional economy will continue to perform in line with or better than the domestic average, but is not dependent on the success of individual investments in the bank's market.

An upgrade is unlikely at this time, given the bank's regional and sectoral concentration.

We could lower the rating to reflect a decline in core earnings (core cost-to-income above 60% and risk-adjusted earnings below 2%). We could also lower the rating to reflect a material deterioration in the regional operating environment or increased risk appetite, or a common equity Tier 1 ratio below 22% over a protracted period.

LONG-TERM RATING

A

OUTLOOK

Stable

SHORT-TERM RATING

N2**PRIMARY ANALYST**

Ylva Forsberg
+46768806742
ylva.forsberg@nordiccreditrating.com

SECONDARY CONTACTS

Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.com

Geir Kristiansen
+4790784593
geir.kristiansen@nordiccreditrating.com

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

Figure 2. Varbergs Sparbank 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%	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%	bbb+	bbb+
Earnings	7.5%	a-	a
Loss performance	7.5%	aa-	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	Neutral
Rating caps		Neutral	Neutral
Issuer rating		A	A
Outlook		Stable	Stable
Short-term rating		N2	N2

Figure 3. Capital structure ratings

Seniority	To	From
Senior unsecured	A	A

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 21 Sep. 2020.
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:	Ylva Forsberg, +46768806742, ylva.forsberg@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Geir Kristiansen, +4790784593, geir.kristiansen@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, 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
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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NORDIC CREDIT RATING AS

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