

Flekkefjord Sparebank

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

PRIMARY ANALYST

Christian Yssen
+4740019900
christian.yssen@nordiccreditrating.com

SECONDARY CONTACTS

Ylva Forsberg
+46768806742
ylva.forsberg@nordiccreditrating.com

Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.com

Flekkefjord Sparebank long-term issuer rating raised to 'A-'; Outlook stable

Nordic Credit Rating (NCR) has raised its long-term issuer rating on Norway-based [Flekkefjord Sparebank](#) to 'A-' from 'BBB+'. The outlook is stable. The 'N2' short-term issuer rating has also been raised to 'N2' from 'N3'. The senior unsecured issue rating has been raised to 'A-', the Tier 2 instrument rating has been raised to 'BBB+' and the additional Tier 1 instrument rating has been raised to 'BBB-'.

Rating rationale

The rating action reflects Flekkefjord Sparebank's improved asset quality, diversified funding, solid risk governance, and expanding operating markets. Asset quality strengthened over the past year, leading us to revise our assessment of loss performance. Net Stage 3 loans declined to 0.5% as of 30 Jun. 2026, from 1.1% a year earlier. Supported by a predominantly residential mortgage portfolio and strong underwriting standards, we expect non-performing loans to remain below 1% and annual loan losses to average around 9bps through 2028. We have also revised our assessment of funding and liquidity to reflect solid deposit growth and strengthened liquidity buffers, which accounted for 22% of deposits as of 30 Jun. 2026. We expect the loan-to-deposit ratio to remain around 120% through 2028.

Moreover, we have revised our assessment of the bank's risk governance to reflect that its solid risk governance framework and credit practices outweigh our previous concerns associated with rapid asset growth. The bank has also expanded into markets with stronger economic growth prospects, including Kristiansand, leading us to revise our assessment of regional factors. However, although earnings remain solid, we have revised our assessment to reflect lower projected cost efficiency and risk-adjusted earnings.

The 'A-' long-term issuer rating reflects the bank's strong position in its traditional markets and the benefits of its membership in Lokalbanksamarbeidet. The cooperation broadens the bank's product offering, shares development and risk management costs, and provides access to residential mortgage financing through Verd Boligkreditt. The rating also reflects solid capital ratios despite pressure from strong loan growth. The consolidated Tier 1 ratio was 19.4% (excluding year-to-date profits) as of 30 Jun. 2026, only marginally above its regulatory target of 19.1% (including management buffer). We expect loan growth to moderate from 2027, and the bank retains flexibility to raise regulatory capital through the issuance of capital instruments. We expect this to help maintain capital buffers above regulatory requirements.

The rating is constrained by geographic concentration in the relatively rural local economy of south-west Norway and a high proportion of real estate collateral in the bank's core markets. It is also limited by the bank's strong growth since 2023, although we expect this to moderate gradually.

Stable outlook

The stable outlook reflects Flekkefjord Sparebank's recent strengthening of resources and improved risk governance processes, as well as projections of reduced lending growth. It also reflects improved asset quality metrics over the past year, which are expected to remain strong. The outlook further incorporates our projections that Flekkefjord Sparebank will maintain some buffers above regulatory capital targets through 2028. We expect the bank to sustain solid earnings metrics despite weaker margins, supported by lending growth, strong performance in other income streams, and limited need for additional staff resources.

An upgrade is unlikely at this time, given the bank's moderate risk appetite and already strong market position in its current operating environment.

We could lower the rating to reflect growth materially outpacing capital generation, resulting in a Tier 1 ratio below 19% over a protracted period, increased competition that weakens profitability and the bank's market position, or a deterioration in the local operating environment or negative development in the bank's asset quality.

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

Figure 1. Flekkefjord 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-	bbb+
Capital	17.5%	a	a
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%	a	a-
Performance indicators	15.0%	a-	a-
Indicative credit assessment		a-	bbb+
Peer comparison		Neutral	Neutral
Transitions		Neutral	Neutral
Borderline assessments		Neutral	Neutral
Stand-alone credit assessment		a-	bbb+
Ownership		Neutral	Neutral
Capital structure protection		Neutral	Neutral
Rating caps		Neutral	Neutral
Issuer rating		A-	BBB+
Outlook		Stable	Positive
Short-term rating		N2	N3

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	A-	BBB+
Tier 2	BBB+	BBB
Additional Tier 1	BBB-	BB+

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 14 Nov. 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.
Primary analyst:	Christian Yssen, +4740019900, christian.yssen@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, 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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