

SpareBank 1 Hallingdal Valdres

Rating Action Report

SpareBank 1 Hallingdal Valdres 'A-' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) has affirmed its 'A-' long-term issuer rating on Norway-based savings bank [SpareBank 1 Hallingdal Valdres](#). The outlook is stable. The bank's short-term issuer and issue ratings, including senior unsecured, Tier 2 and Additional Tier 1 instruments, remain mapped to the long-term rating in accordance with NCR's Financial Institutions Rating Methodology.

Rating rationale

The affirmation is driven by SB1 Hallingdal Valdres' resilient asset quality and strong capitalisation, which provide headroom against late-cyclical credit losses. Pre-provision earnings have softened on higher funding costs, compressing net interest margins through 2025 and the first half of 2026. We expect recent rate hikes to support margins in the second half of 2026 and into 2027, while ongoing cost-cutting initiatives should take full effect from the full year 2027. On this basis, we expect earnings before loan losses to remain strong and return on equity to approach the 9.5% target by 2028, supporting internal capital generation.

Credit losses peaked at 0.59% of net loans in 2025 and remained elevated at 0.34% as of the second quarter of 2026. In addition, net Stage 3 loans were 1.6% of net loans, slightly above the average for savings bank peers. We expect losses to remain above the bank's historical average over the next 12–18 months as higher rates continue to pressure corporate borrowers, particularly in property project financing and construction. Reflecting this, we have lowered our assessment of SB1 Hallingdal Valdres' loss performance.

Structural strengths continue to underpin the rating. The bank's core competence is retail mortgage lending (68% of on-balance-sheet loans), two thirds of which is outside its core region, complemented by fee-generating businesses in real estate brokerage and accounting. Membership in the SB 1 Alliance supports operating efficiency, product breadth and liquidity, while extensive use of alliance covered bond companies diversifies funding.

Rating headroom is constrained by competitive dynamics and growth execution risk. The bank has moderated its growth ambitions—now forecasting loan growth of 8% in 2027 and 9% in 2028, down from 12% previously—amid intensified mortgage competition following peers' CRR3-driven capital improvements and its own capital constraints. Rapid expansion outside the core region also raises risk-governance demands and could pressure funding and capital if growth outpaces internal generation. Ongoing uncertainty in commercial real estate remains a key risk, though we expect the impact to be manageable within current capital buffers.

Stable outlook

The outlook is stable, reflecting our view that SB1 Hallingdal Valdres would be resilient to potential elevated, late-cyclical credit losses. This is based on the bank's low risk appetite, strong real estate collateral, and solid capitalisation. Moreover, we expect the bank to maintain strong earnings before loan losses, supported by the recent interest rate hikes.

An upgrade is unlikely at this time, as we do not expect a significant increase in capitalisation or performance metrics beyond what is already reflected in the current rating.

We could lower the rating if capitalisation weakens, for example if the consolidated Tier ratio falls 19%, if risk-adjusted earnings metrics below 2% of REA or cost/income above 60% over a protracted period or if we see lack of improvement in asset quality and loan losses.

Rating list

Long-term issuer credit rating:
Outlook:

To	From
A-	A-
Stable	Stable

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

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Rating list

Short-term issuer credit rating:

Senior unsecured issue rating:

Tier 2 issue rating:

Additional Tier 1 issue rating:

To**From**

N2

N2

A-

A-

BBB+

BBB+

BBB-

BBB-

Figure 1. SB1 Hallingdal Valdres 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%	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%	bbb+	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 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 17 Oct. 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:	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, 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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