

Kredittforeningen for Sparebanker

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Nordic Credit Rating (NCR) has affirmed its 'A-' long-term issuer rating on Norway-based [Kredittforeningen for Sparebanker](#) (KfS). The outlook is stable. The 'N2' short-term issuer rating and 'A-' senior unsecured issue rating were also affirmed.

Rating rationale

The long-term issuer rating reflects KfS' strong capitalisation and low risk appetite. KfS is a non-profit credit institution serving Norwegian savings banks. It lends only to the relatively low-risk sector of Norwegian savings banks and has not experienced loan losses. The company is funded by senior bonds, largely matched in duration to its lending. It has no obligation to refinance these loans, and refinancing and pricing risk are consequently minimal.

Partially offsetting these strengths are KfS' historically low margins, which have, however, been boosted somewhat by interest rate increases in the past few years. KfS' loan concentrations are high and increasing, as its lending volumes have declined over the past decade. The high number of mergers among Norway's savings banks have also dampened KfS' competitive position during the same period. Since 2021, KfS has helped small domestic savings banks to access green funding, an initiative that has likely helped somewhat to mitigate the downtrend in lending volumes.

KfS continues to face regulatory uncertainty owing to the EU's capital requirements regulation (CRR3) and the European Banking Authority's views on Norwegian Equity Capital Certificates (ECCs) and KfS' membership contributions. The Norwegian Financial Supervisory Authority consequently notified KfS in 2024 that its current capital structure is not compliant with CRR3. KfS has suggested changing its capital structure to ensure compliancy with CRR3 and is also evaluating the relative benefits of restructuring to become a limited liability company. Under KfS' current structure, higher risk weights on its loans under CRR3 would require a larger share of membership contributions on loans. We believe that KfS will likely be able to adapt to the new regulations and protect its place in the Norwegian market, provided enough of the banks using its services continue to value it as a funding source.

Stable outlook

The stable outlook reflects the resilience and strong credit quality of the Norwegian savings bank sector and KfS' modest risk profile, which partially offsets the increased concentration in the loan book. We do not necessarily consider a change in capital or organisational structure to imply a change in risk profile. In our base case, we assume that most of the banks that actively lend through KfS will continue to value the resulting funding diversification and ability to access capital markets even in periods of strained market liquidity.

We could raise our rating on KfS to reflect a combination of two or more drivers, such as an improved market position, stronger capitalisation and/or higher earnings.

We could lower the rating to reflect increased lending concentration or a continued fall in business volumes. We could also lower the rating to reflect a lower credit quality of debtors, either due to idiosyncratic or economic stress, or a total capital ratio below 18%.

Related publications

- i) [Lower interest margin will lead to a drop in profitability for Norwegian savings banks](#), publ. 20 Jan. 2025
- ii) [Kredittforeningen for Sparebanker 'A-' long-term issuer rating affirmed; Outlook stable](#), publ. 8 Feb. 2024

Rating list

Long-term issuer credit rating:

Outlook:

Short-term issuer credit rating:

Senior unsecured issue rating:

To	From
A-	A-
Stable	Stable
N2	N2
A-	A-

Figure 1. KfS rating scorecard

Subfactors	Impact	To	From
National factors	10.0%	a	a
Regional, cross border, sector	10.0%	bbb+	bbb+
Operating environment	20.0%	a-	a-
Risk governance	5.0%	bbb	bbb
Capital	17.5%	a+	a+
Funding and liquidity	15.0%	a+	a+
Credit risk	10.0%	a	a
Market risk	-	-	-
Other risks	2.5%	a	a
Risk appetite	50.0%	a	a
Competitive position	15.0%	bb-	bb-
Earnings	7.5%	bb	bb
Loss performance	7.5%	aa	aa
Performance indicators	15.0%	bbb+	bbb+
Indicative credit assessment		a-	a-
Transitions		Neutral	Neutral
Peer calibration		Neutral	Neutral
Borderline assessments		Neutral	Neutral
Stand-alone credit assessment		a-	a-
Material credit enhancement		Neutral	Neutral
Rating caps		Neutral	Neutral
Support analysis		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-

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. 2019.
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 14 Feb. 2024 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 were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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