

Kredittforeningen for Sparebanker

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Negative

SHORT-TERM RATING

N2

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Nordic Credit Rating (NCR) has revised the outlook on its 'A-' long-term issuer rating on Norway-based savings banks lender [Kredittforeningen for Sparebanker](#) (KfS) to negative from stable. The long-term rating, 'N2' short-term issuer rating and 'A-' senior unsecured issue rating have been affirmed in accordance with our revised financial institutions rating methodology. The ratings are no longer under criteria review.

Rating rationale

The outlook revision reflects the uncertainty surrounding KfS' recent decision to transition to a limited liability company (*aksjeselskap*). KfS announced its decision on 9 May 2025 following extensive discussions with the European Bank Authority and Norwegian Financial Supervisory Authority regarding its capital structure (see Related publications (i)). We note that member representatives will ultimately decide whether KfS can proceed with this plan, with a meeting scheduled for June.

KfS extends loans to Norwegian savings banks, financed through bond issuance. It serves as an important funding source for smaller banks and provides access to green financing. Mid-sized Norwegian savings banks also use KfS for funding diversification, although to a diminishing extent. The number of banks that borrow from KfS has decreased to 34 as of first-quarter 2025 from 65 in 2011. We believe this decline has changed the characteristics of KfS' loan book, with an increased share of loans to smaller, more geographically concentrated and relatively higher risk savings banks. While we view the Norwegian savings banks sector as robust, smaller banks are geographically concentrated and face rapidly increasing demands on IT, risk governance and risk resources, which has contributed to increasing consolidation in recent years. We have revised our assessment of KfS' credit and market risk to reflect this higher concentration in the loan book.

We believe KfS' transition to a limited liability company may accelerate its shift towards mostly serving smaller banks, since mid-sized banks with limited practical use for KfS funding are likely to opt out. Given KfS' not-for-profit structure, we expect the benefits of holding KfS shares to be limited, aside from providing access to funding. We understand that KfS aims to be owned only by banks that it has provided with loans, and that it may buy out other banks if needed. We also note that in the longer term, the banks that remain as owners may be acquired by larger banks, or merge to a size where utilising KfS is less relevant. We do however believe that, following a successful capital transition, KfS may be in a more stable position, albeit potentially with higher concentrations and a higher risk profile in the loan book.

The long-term issuer rating continues to reflect KfS' strong capitalisation and low risk appetite. It also reflects KfS' history of no loan losses and largely matched funding duration. Partly offsetting these strengths are KfS' historically low margins, which have improved somewhat due to higher interest rates in the past few years.

Negative outlook

The negative outlook reflects our belief that KfS' increasing loan concentration is likely to persist and could accelerate with the transition to a limited liability company. It also reflects uncertainty regarding KfS' future capitalisation. On the upside, we expect that both KfS' financial performance and the overall Norwegian savings bank sector will remain stable in the coming years.

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, or if the current total capital ratio or post-transition Tier 1 ratio falls below 20% over a sustained period.

We could revise the outlook to stable to reflect a post-transition Tier 1 ratio above 20%, along with sustained business volumes and lending concentrations, and maintained customer creditworthiness.

Related publications

- i) [Kredittforeningen for Sparebanker 'A-' long-term issuer rating affirmed; Outlook stable](#), 31 Jan. 2025
- ii) [Lower interest margin will lead to a drop in profitability for Norwegian savings banks](#), 20 Jan. 2025

Rating list	To	From
Long-term issuer credit rating:	A-	A-
Outlook:	Negative	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	A-	A-

Figure 1. KfS rating scorecard

Subfactors	Impact	To	From
National banking environment	10.0%	a	-
Sector exposure assessment	5.0%	a-	-
Regional assessment	5.0%	bbb	-
Cross border assessment	-	-	-
National factors	-	-	a
Regional, cross border, sector	-	-	bbb+
Operating environment	20.0%	a-	a-
Risk governance	7.5%	bbb	bbb
Capital	17.5%	a+	a+
Funding and liquidity	15.0%	a+	a+
Credit and market risk	10.0%	a-	-
Market risk	-	-	-
Other risks	-	-	a
Credit risk	-	-	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-
Peer comparison		Neutral	Neutral
Transitions		Neutral	Neutral
Borderline assessments		Neutral	Neutral
Stand-alone credit assessment		a-	a-
Ownership		Neutral	Neutral
Capital structure protection		Neutral	-
Rating caps		Neutral	Neutral
Material credit enhancement		-	Neutral
Issuer rating		A-	A-
Outlook		Negative	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 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 were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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