

Nordic Credit Rating (NCR) said today that it had affirmed its 'A-' long-term issuer rating on Norway-based [Kredittforeningen for Sparebanker](#) (KfS). The outlook is stable. At the same time NCR affirmed its 'N-1+' short-term rating on the company and its 'A-' senior unsecured issue rating.

Rationale

The rating reflects KfS' strong capitalisation and low risk appetite. The company has a concentrated loan portfolio, but funds only investment-grade savings banks. KfS has never experienced loan losses. The company is funded by senior loans with approximately the same maturity as its individual loans. It has no obligation to refinance these loans, and consequently refinancing and pricing risk are minimal.

NCR assesses KfS' risk governance and internal risk reporting as adequate considering the company's risk profile, lack of complexity, and cooperation with its owners. Changes in regulation are a risk factor for KfS' business model. The EU's recent bank capital and liquidity package (CRR II/ CRD V) will likely have implications for KfS' attractiveness as a funding source for its member banks. NCR notes that the company's earnings have been negatively affected by low interest rates and reduced business volumes. However, a recent NOK 626m green bond issue represents a successful start to an initiative which could provide a basis for new growth and revitalise the company's business model.

Outlook

The stable outlook reflects the resilience of the Norwegian savings bank sector and KfS' modest risk profile. We believe that possible challenges for the company's business model due to regulatory changes will not result in higher default risk given its high asset quality and low refinancing and liquidity risk. We could raise the rating to reflect a stronger market position through, for example, success for the green bond initiative or an improved domestic operating environment. We could lower the rating to reflect lower credit quality of debtors, a continuing fall in business volumes, increased concentration on lower credit quality, or a fall in the total capital ratio to below 18%.

Rating list	To	From
Long-term issuer credit rating:	A-	A-
Outlook:	Stable	Stable
Short-term issuer credit rating:	N-1+	N-1+
Senior unsecured issue rating:	A-	A-

If you have any questions, please contact:

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The methodology documents used for this rating are NCR's Financial Institutions Rating Methodology published on 14 Aug. 2018 and NCR's Rating Principles published on 16 Sep. 2019. For the full regulatory disclaimer please see the rating report.

Nordic Credit Rating AS (NCR) is [authorised by ESMA](#) to issue credit ratings within the EU and EFTA countries. NCR provides credit ratings to corporates and banks in the Nordic region, based on independent and objective analysis with local insights. Offices are located in Oslo and Stockholm.

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