

Rating Action: Moody's affirms SpareBank 1 Ringerike Hadeland's ratings and assigns A2 issuer rating

14 Sep 2021

London, 14 September 2021 -- Moody's Investors Service ("Moody's") has today affirmed the bank's Baseline Credit Assessment (BCA) and Adjusted BCA of baa1, bank deposit ratings of A2, Counterparty Risk Ratings (CRR) of A1 and Counterparty Risk (CR) Assessment of A1(cr). Moody's has also assigned long-term A2 issuer ratings to SpareBank 1 Ringerike Hadeland (SpareBank 1 RH) with a stable outlook.

For a detailed list of the affected ratings please refer to the end of this press release.

RATINGS RATIONALE

The affirmation of the BCA and Adjusted BCA reflects SpareBank 1 RH's robust asset quality with problem loans to gross loans of 0.2% and sound capital levels with tangible common equity to risk weighted assets of 19.57% with a reported leverage ratio of 9.3% at end June 2021, which compares favorably to other Moody's rated Norwegian peers (average of around 7%). The bank also benefits from resilient profitability with an annualized return on tangible assets of 1.23% in the first half of 2021, up from 1% in 2020. These positive rating drivers are balanced against the bank's sector concentrations that makes it more vulnerable to property price fluctuations and a high reliance on confidence sensitive market funding.

The affirmation of the bank's deposit ratings and the assignment of the issuer ratings, take into consideration the bank's Adjusted BCA of baa1 and Moody's Advanced Loss Given Failure (LGF) analysis of the bank's own volume of deposits and senior unsecured debt, as well as the volume of securities subordinated to them. This results in an assessment of very low loss given failure and leads to two notches of rating uplift for both the deposit and issuer ratings.

OUTLOOK

The stable outlook on the bank's deposit and issuer ratings reflects the bank's resilient core earnings, loan growth and asset quality through the cycle balancing downside risks stemming from its exposure to real estate and home prices, especially in the Oslo region.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upward rating momentum could develop if SpareBank 1 RH demonstrates (1) stable asset risk as Government guarantee support measures roll off together with maintaining the recovery in profitability (2) a reduction in concentration to commercial real estate, (3) a sustained strong growth in customer deposits leading to lower use of market funds and (4) continued good access to capital markets and improved liquidity.

Downward rating pressure would emerge if (1) SpareBank 1 RH's problem loan ratio increases above the average of its similarly rated global peers; (2) financing conditions become more difficult; or (3) its risk profile deteriorates, for example, as a result of increased exposures to more volatile sectors. Also, any reduction in the volume of loss absorbing capacity as result of a material change in the bank's liability structure, could lead to a rating downgrade.

LIST OF AFFECTED RATINGS

..Issuer: SpareBank 1 Ringerike Hadeland

Assignments:

....Long-term Issuer Ratings, Assigned A2, Outlook Assigned Stable

Affirmations:

....Adjusted Baseline Credit Assessment, Affirmed baa1

...Baseline Credit Assessment, Affirmed baa1
...Long-term Counterparty Risk Assessment, Affirmed A1(cr)
...Short-term Counterparty Risk Assessment, Affirmed P-1(cr)
...Long-term Counterparty Risk Ratings, Affirmed A1
...Short-term Counterparty Risk Ratings, Affirmed P-1
...Short-term Bank Deposit Ratings, Affirmed P-1
...Long-term Bank Deposit Ratings, Affirmed A2, Outlook Remains Stable

Outlook Action:

...Outlook, Remains Stable

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1269625 . Alternatively, please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1288435 .

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