

# SPAREBANK 1 ØSTFOLD AKERSHUS

Norway  
Financial institutions

28 Nov 2018  
Rating initiation

## LONG-TERM RATING

**A**

## OUTLOOK

**Stable**

## SHORT-TERM RATING

**N-1+**

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## RATING RATIONALE

Our 'A' long-term issuer rating on SpareBank 1 Østfold Akershus (Østfold Akershus) reflects the bank's strong profitability and capitalisation, as well as its exposure to a growth region. The bank is part of the SpareBank 1 Alliance, which we view as supportive for business diversity, operating efficiency and liquidity. The bank has very strong pre-provision profitability, driven by higher net interest margins and a higher share of fee income in revenues than peers, as well as strong cost efficiency. Loan losses are also currently at low levels and are expected to remain low over the next few years. Østfold Akershus is predominantly a mortgage retail bank but has also exposure to commercial real estate lending. There are, however, no signs of a pricing bubble or overinvestment in commercial real estate in the region.

Unlike most Norwegian savings banks, Østfold Akershus's equity belongs almost entirely to the owners of the bank's equity capital certificates (ECCs) and the bank is utilising the equity market to finance growth. Two foundations control approximately two-thirds of the ECCs. We view the ownership structure as supportive for our standalone credit assessment, but do not notch explicitly to reflect the potential support.

## OUTLOOK

Our stable outlook reflects the benign domestic and regional operating environment and Østfold Akershus's low to moderate risk appetite. We expect the bank to deliver stable growth slightly above market, and stable underlying profitability over the next three years. We do not expect the bank to make any major acquisitions or enter new geographical markets during our forecast period.

## POTENTIAL POSITIVE RATING DRIVERS:

- An upgrade is unlikely at this time given already very strong earnings and capitalisation, and a benign loss environment.

## POTENTIAL NEGATIVE RATING DRIVERS:

- Growth significantly outpacing capital generation.
- Increased competition leading to lower profitability.
- An economic downturn leading to deteriorating credit quality.

Figure 1. SpareBank 1 Østfold Akershus key credit metrics

(%)	2014	2015	2016	2017	2018e	2019e	2020e
Net interest margin	1.67	1.88	1.94	1.84	1.77	1.80	1.85
Loan losses/net loans	0.30	0.10	0.01	0.00	0.08	0.12	0.16
Pre-provision income/REA*	3.2	2.9	3.7	3.5	3.3	3.2	3.4
Return on ordinary equity	12.6	10.7	14.1	12.3	11.1	10.4	10.6
Loan growth ex. transferred loans	1.3	6.5	5.1	5.7	11.5	7.5	6.0
Common equity Tier 1 (consolidated)	15.6	16.6	16.3	17.6	15.9	16.0	16.3

\*REA – Risk exposure amount. We use unconsolidated REA in estimates; consolidated REA was not reported prior to 2018. e – Estimate. All metrics are adjusted as per NCR methodology. Source: NCR estimates and company data.

**COMPANY PROFILE**

Østfold Akershus is a medium-sized Norwegian regional savings bank with origins dating back to 1835. The most recent merger in the organisation’s history was in 2011, between Halden Sparebank and Rygge-Vaaler Sparebank. The bank has operations in Østfold county and the southern part of Akershus county in south-eastern Norway, which combined have a population of 450,000 and are within commuting distance to Oslo. The bank has eight branch offices and 201 employees (full-time equivalents).

Østfold Akershus is a member of the SpareBank 1 Alliance (the Alliance), Norway’s second largest finance group in terms of assets. The Alliance consists of 14 independent savings banks, who cooperate on branding and provide a joint platform. Importantly, the Alliance is allowing individual banks to offer competitive products and gain economies of scale in development projects and compliance.

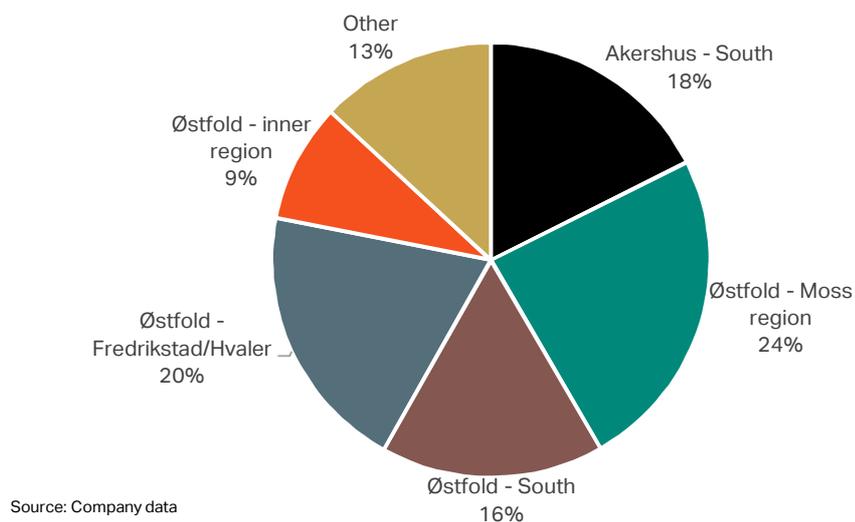
The bank has ECCs listed on Oslo Stock Exchange. Owners of the ECCs control 93.4% of the bank’s equity, but under Norwegian legislation they may only vote for up to 40% on the Assembly of Representatives. The two largest owners are the foundations; SpareBank 1 Stiftelsen Østfold Akershus (40.67%) and SpareBank 1 Stiftelsen Halden (25.24%), which exist for the purpose of owning the bank and supporting the community.

**OPERATING IN A GROWTH REGION**

NCR expects the domestic operating environment to be rather benign for Norwegian banks over the next two to three years. Despite higher capital requirements, Norwegian banks have outperformed European peers in terms of earnings and efficiency, and have managed a downturn in the oil and offshore segment with robust loss performance in recent years. See further discussion in ‘Nordic Credit Rating - National Banking Market Assessment – Norway’, dated 30 October 2018.

*We assign the operating environment a score of ‘a’*

Figure 2. SpareBank 1 Østfold Akershus lending per region (incl. transferred loans), 30 Sep 2018



Regional operations

Østfold Akershus operates in a region close to Oslo. The two main roads and railway lines to Sweden and the European continent run through the region and significant investment is currently being made to modernise the railway systems and reduce commuting times. The high real estate prices in Oslo have led to significant housing and commercial real estate development projects in the region. Population growth in the region has been level with the Norwegian average over the last 10 years at 1.1% per annum, but it will most likely be higher over the next few years.

Unemployment in the region has for many years been higher than the Norwegian average owing to the decline of old manufacturing industries. However, unemployment is now falling as a result of growth in building and construction, technology-driven industries, logistics and warehousing, and organic agriculture.

Figure 3. Annual GDP growth of Norwegian counties, 2009–2017

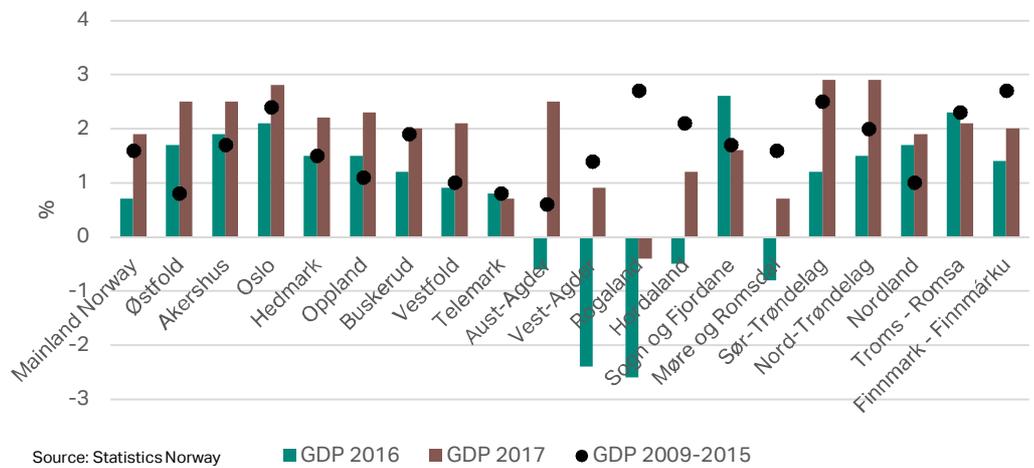
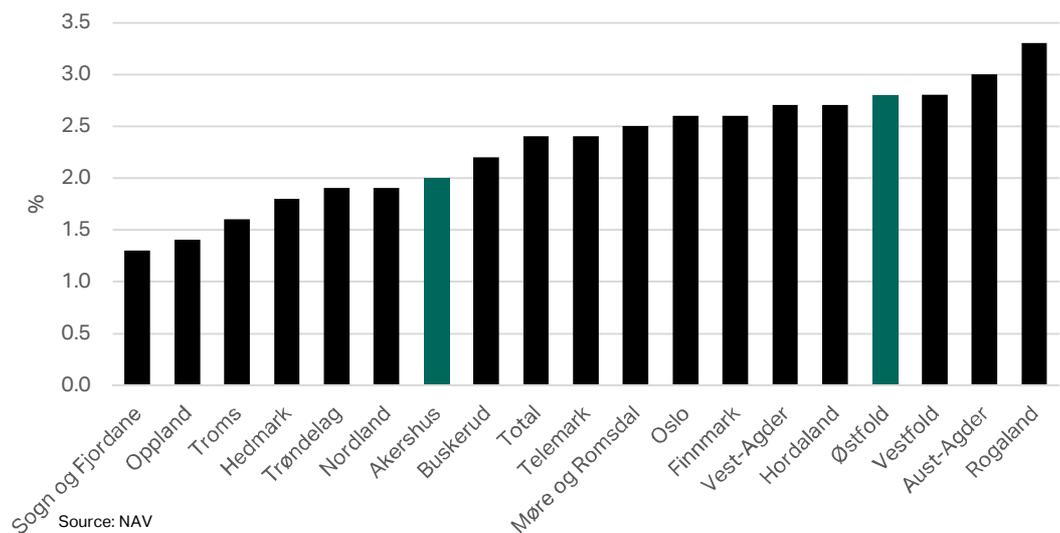


Figure 4. Unemployment in Norway by county, October 2018



## RISK APPETITE IS LOW TO MODERATE

*We score the risk appetite 'a-'*

Østfold Akershus has a medium to low risk profile. The bank has sufficient capital and liquidity buffers and a moderate credit risk profile. Its risk governance and internal risk reporting are adequate considering the bank's risk profile and complexity.

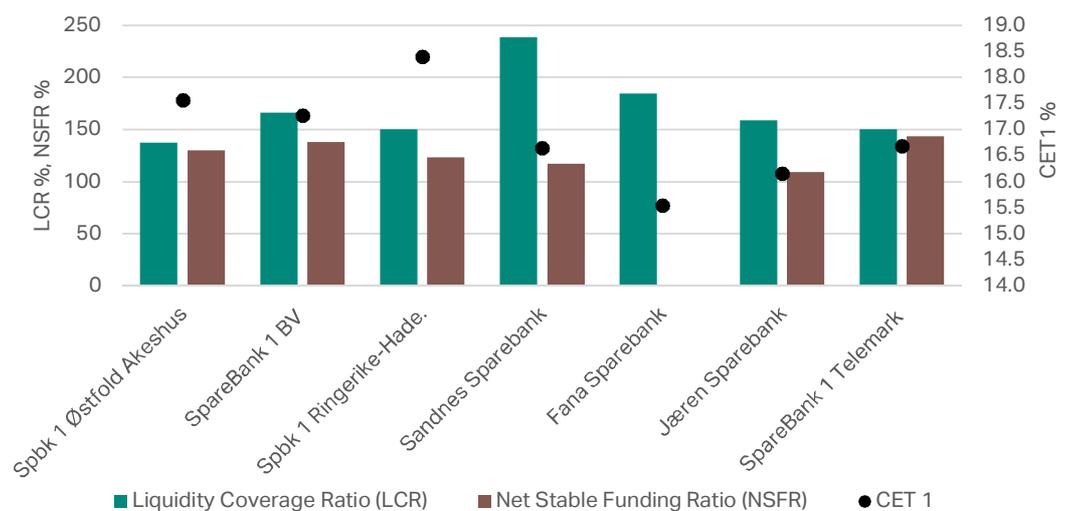
*Capital*

Østfold Akershus has a Pillar I common equity Tier 1 (CET1) requirement of 12% plus a provisional Pillar II requirement of 2.2%; a total of 14.2%. The bank expects a new Pillar II requirement early in 2019. The bank's target CET1 ratio is a minimum of 14.5%, well below its most recently reported CET1 ratio of 15.6% (at 30 Sep 2018, including 50% of YTD profit). The bank uses the standardised capital model, which is generally more conservative than internal ratings-based capital models, particularly for a predominantly residential mortgage bank. The leverage ratio is strong at 9.0%.

We believe that the actual CET1 level over the next few years will remain higher than target levels, and we base our credit assessment on an expected CET1 ratio of 16–16.5% for the mother bank and around 16% on consolidated basis. Our capital assessment also considers the bank's NOK 305m in additional Tier 1 capital instruments and strong profitability, as well as the bank's ability to reduce its dividend from the 50% target level during a stressed scenario. We expect pre-impairment profit for 2018 to be about NOK 400m, which corresponds to 2.2% of the risk exposure amount (REA) on consolidated basis. Of this, NOK 171m is included in our CET1 forecast for 2018. The bank can also sell its NOK 73m holding in SpareBank 1 Østlandet ECCs, which is deducted from the capital ratios; this would increase CET1 by 0.4 percentage points. Moreover, it is likely that the merger between the non-life companies of DNB and the Alliance, whereby DNB will own 65% after acquiring 15% from the Alliance, will lead to a NOK 80m dividend for Østfold Akershus in 2019. This dividend is not included in our forecasts and will increase the CET1 ratio by 0.5 percentage points.

The capital requirement has increased in recent years. The Capital Requirements Regulation (CRR)/Capital Requirements Directive (CRD) IV was phased in with full effect from 1 Jan 2018. This affected Østfold Akershus because of minority ownership in covered-bond and product companies in the Alliance. Consequently, and to preserve market share in the growing credit market, the bank issued a total of NOK 414m in new ECCs in 2015 and 2017.

Figure 5. Peer comparison of Norwegian savings banks' capitalisation and liquidity, 2017



Source: Company data, NCR

*Funding and liquidity*

We view the bank's management of liquidity as satisfactory. As of 30 Sep 2018 the liquidity coverage ratio (LCR) was 166%. LCR measures liquid assets compared with a 30-day net liquidity requirement in a stress situation. Østfold Akershus's loan-to-deposit ratio was 137% at 30 Sep 2018. The loan-to-

deposit ratios of Norwegian banks, which averaged 125% in 2017, are high compared with international peers, owing mainly to Norway's institutionalised pensions savings. Niche consumer lending banks are also taking market share in deposits by offering higher deposit rates.

An important additional source of funding for the bank is its ability to transfer loans to the Alliance's jointly owned covered bond companies. As of 30 Sept 2018, Østfold Akershus had transferred NOK 8.3bn to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, which is 31% of total lending including transferred loans. The bank also has a significant buffer in loans that can be transferred to the covered-bond companies as a liquidity reserve.

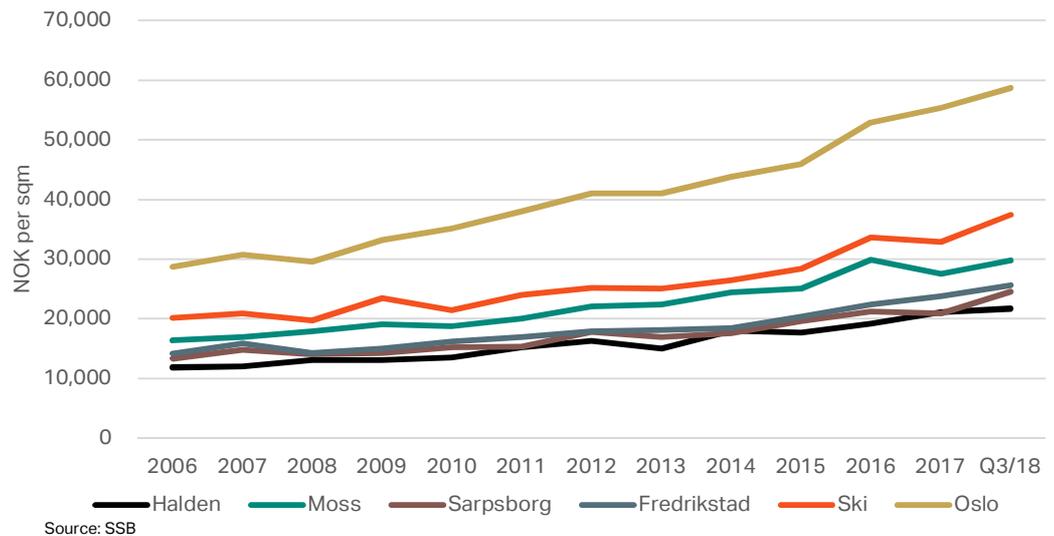
In our view, market risk is a negligible risk factor for the bank given its strategy not to hold a trading portfolio in financial instruments, and its low limit on interest rate risk and currency risk.

**PREDOMINANTLY A MORTGAGE BANK**

Østfold Akershus' loan portfolio mainly consists of retail loans to regional customers, at 74% excluding loans transferred to covered-bond companies and 81% including such loans. The retail loans predominantly comprise of mortgage loans, 99% of which are within 80% of loan to value (LTV). According to the Norwegian financial supervisory authority, 60% of lending in Norway is to retail customers, of which 92% consists of mortgages. Østfold Akershus' split between retail and commercial is normal for a savings bank. Some 89% of loans were to customers in the bank's primary region as of 30 Sep 2018. Housing prices in Østfold have shown modest increase for many years.

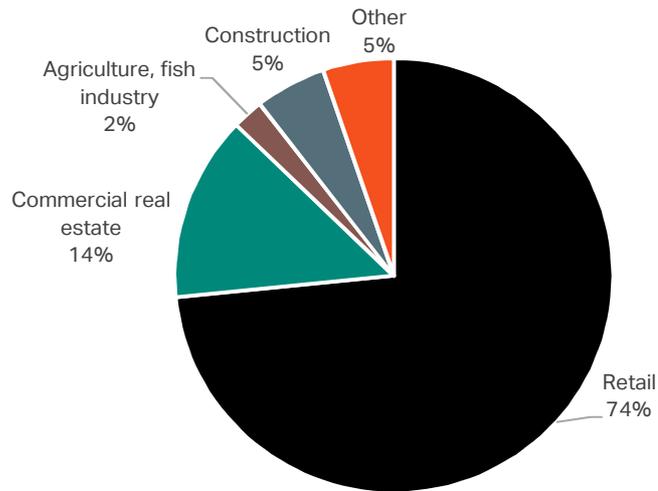
*We score credit risk 'bbb+'*

Figure 6. House prices in Østfold Akershus' relevant population centres and in Oslo



As of 30 Sep 2018, Østfold Akershus had transferred NOK 8.0bn in loans to SpareBank 1 Boligkreditt (retail mortgages) and NOK 0.3bn to SpareBank 1 Næringskreditt (commercial mortgages). Østfold Akershus receives commission based on the net return of the transferred loans. The bank owns 4.54% and 3.82%, respectively, of the two covered-bond companies. The loans are therefore not consolidated in Østfold Akershus' balance sheet but are consolidated in the capital requirement, according to CRD IV. Credit risk is transferred to the covered-bond companies, and the risk that remains with the bank is the ownership risk and a pro-rata 12-month liquidity guarantee (which can be off-loaded to the central bank via the deposit of covered bonds). Both covered-bond companies are rated 'AAA' or equivalent by a ESMA-accredited rating agency.

Figure 7: SpareBank 1 Østfold Akershus lending per sector

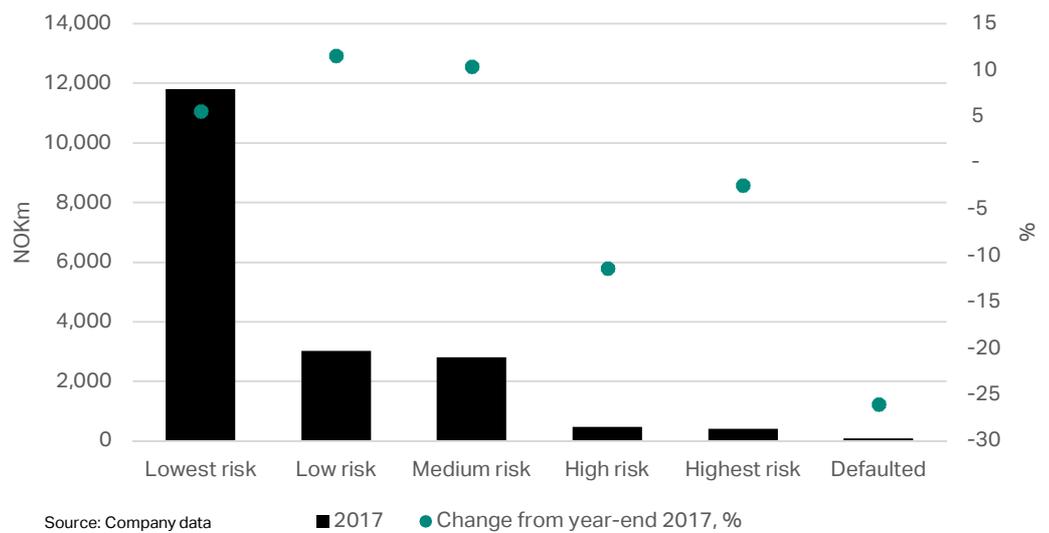


Source: Company data

Østfold Akershus has a well-diversified commercial loan book. The main sector exposure is, as with most Norwegian savings banks, commercial real estate. This sector has historically been worst hit in a banking crisis, as in Norway in the early 1990s, and our subfactor-score has taken into account that almost half of the commercial real estate portfolio is project financing. However, we see limited risk over the next few years due to the low LTV ratios in the portfolio, low interest rates and healthy regional growth.

Østfold Akershus' own risk classification shows that its loan portfolio has a strong leaning towards the lowest risk classes and also shows positive migration from higher to lower risk classes. Average probability of default (PD) in the corporate portfolio was as high as ~12% after the merger in 2011, but better credit procedures, clean-up of the loan book and an improving regional economy had brought PD down to ~2% as of 30 Sep 2017.

Figure 8. SpareBank 1 Østfold Akershus exposure to default by risk classification, year-end 2017



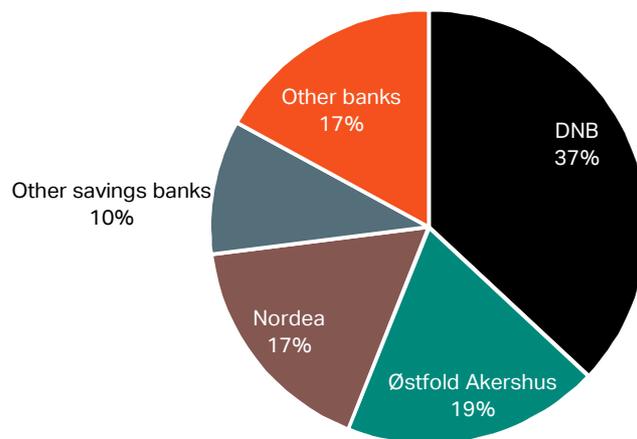
Source: Company data

■ 2017 ● Change from year-end 2017, %

### LARGE NORDIC BANKS ARE MAIN COMPETITORS

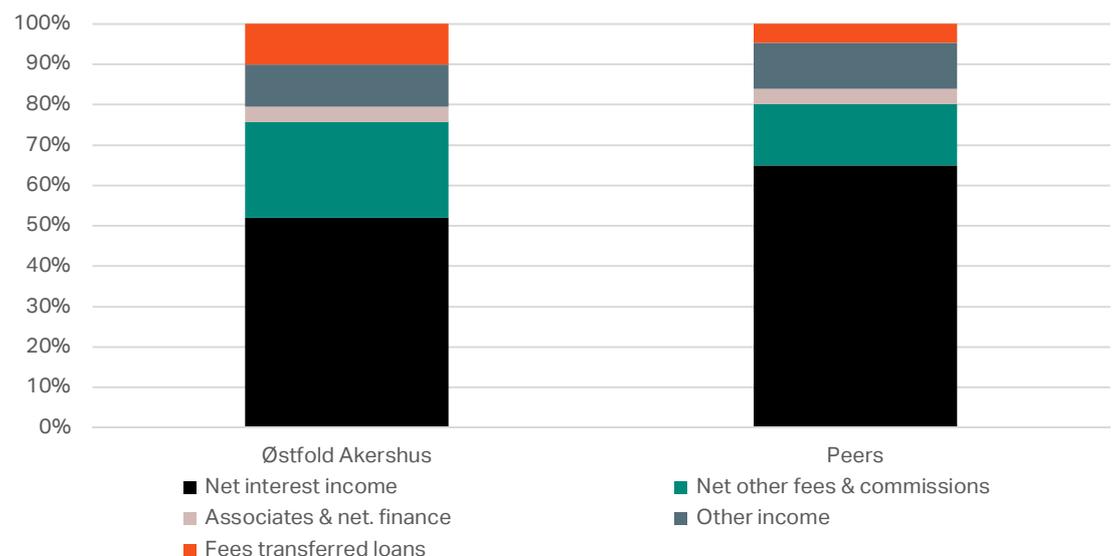
Østfold Akershus has the second-largest market share in Østfold after DNB, with 17% of the retail lending market. The large Nordic banks are present in the region and there are also several small savings banks in the Eika alliance, particularly in the rural areas. In the Moss area, which is experiencing high population growth, the bank's market share is as high as 30%. In commercial lending, market share is 19% in the targeted SME market. Østfold Akershus' national market share in lending is only 0.6%, however. The bank is targeting growth of 8% in retail lending and 6% in commercial lending, including loans transferred to the covered bond companies. We believe that this level of growth is feasible in 2019 but that lower credit demand will slow growth to 6% in 2020.

Figure 9. Banks' share of lending to the SME market in Østfold, Norway



Source: Kantar

Figure 10. SpareBank 1 Østfold Akershus breakdown of income vs peer group av. for 2016–17



Peers: SpareBank 1 BV, SpareBank 1 Ringerike Hadeland, Fana Sparebak, Sparebanken Møre, Jæren Sparebank, SpareBank 1 Telemark.  
Source: Company data

Like the other banks in the Alliance, Østfold Akershus is focusing on increasing fees and commissions. The bank has a growing market share in its real estate brokerage, up to 16% as of 30 Sep 2018 from

*We consider the competitive position to be at the 'bbb+' level*

*Business diversity*

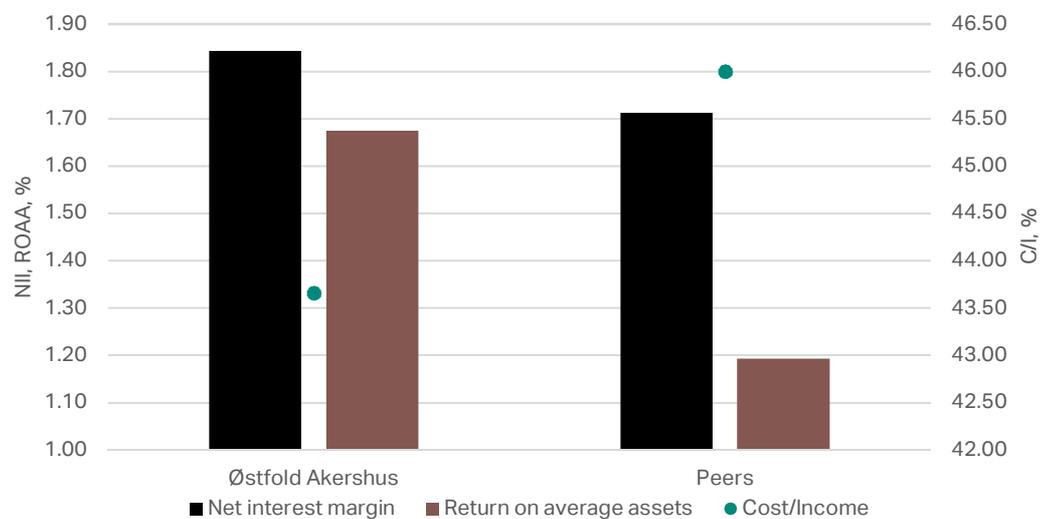
14% in 2017. Unlike other banks in the Alliance, Østfold Akershus has refrained from entering the market for accounting services. Still, Østfold Akershus generates more fees and commission than similar-sized peers, as illustrated in the figure above.

**STRONG PROFITABILITY IN BOTH ABSOLUTE AND RELATIVE TERMS**

Østfold Akershus has been through a period of restructuring and has reduced risk since the change of management in 2013. The bank has the highest return on average assets among similar-sized savings banks (NOK 10–30bn in assets) in Norway, and profitability has shown a high degree of stability in recent years, beyond positive one-off effects. Østfold Akershus not only has higher net commission than peers, but also has a higher net interest margin and a lower cost-to-income ratio, which contributes strongly to higher profitability than that of similar-sized peers.

*We assign performance indicators a score of 'aa-'*

Figure 11. SpareBank 1 Østfold Akershus performance metrics vs. peer group average 2016–Q3/18



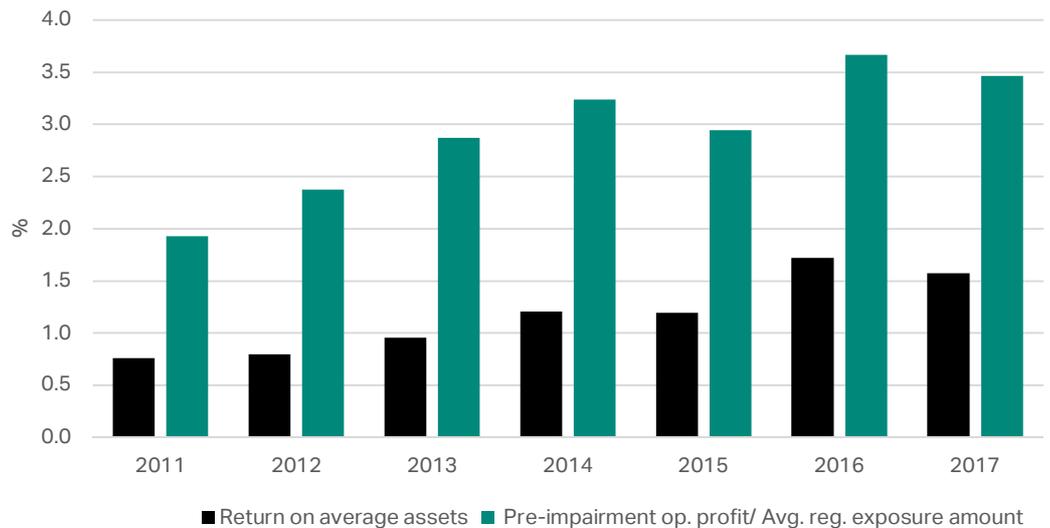
Peers: SpareBank 1 BV, SpareBank 1 Ringerike Hadeland, Fana Sparebak, Sandnes Sparebank, Jæren Sparebank, SpareBank 1 Telemark. Source: Company data

*Earnings indicators*

We expect the bank to deliver strong returns over the next few years, our forecast return on equity is above the bank’s 10% target. We expect pre-provision return on REA (formerly risk-weighted assets) to stay above 3% over the next three years, as shown in Figure 1. We have elected to use the REA for the mother bank in our assessment of earnings. Using proportionate consolidation for minority ownership in product companies in the Alliance, in accordance with CRD IV, reduces this measure to close to 2.5%, without changing the economic realities for the bank.

We also expect net interest margin to improve gradually over the next few years, driven by mortgage lending rates increasing more than deposit rates and external funding costs, as well as higher yield on liquidity reserves. We have, however, also accounted for a negative lag-effect from a minimum of six weeks delay from increased funding costs to an increase in lending rates. We expect fee income to increase faster than lending, but to be driven more by increased real estate brokerage fees than traditional banking fees. We expect the cost-to-income ratio to be below 45%. The bank has already picked the low-hanging fruit on cost savings after cutting its number of branches to eight as of 30 Sep 2018 from 13 in 2013 and reducing its number of full-year equivalent employees to 201 from 235.

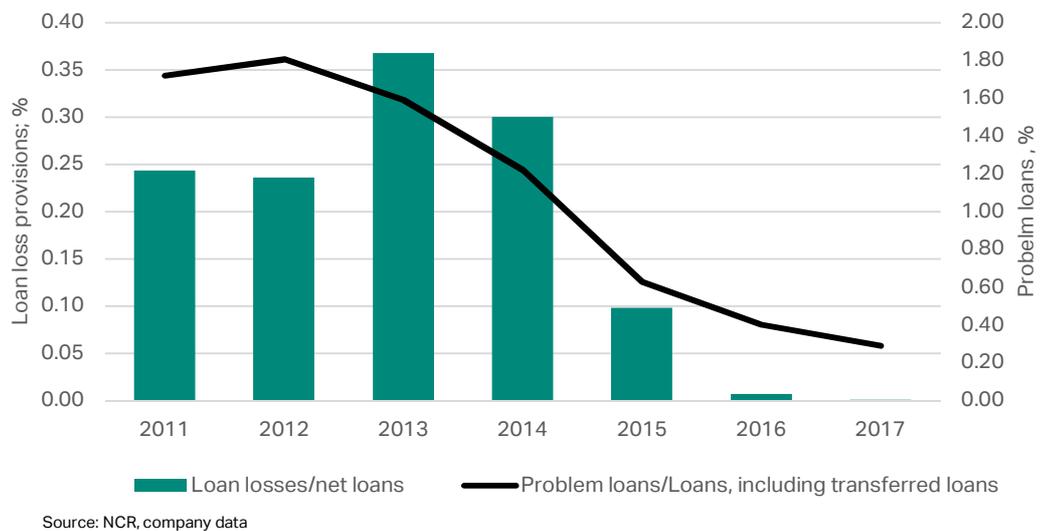
Figure 12. SpareBank 1 Østfold Akershus return on assets and REA, 2010–2017



Loss performance

Østfold Akershus reported loan losses at 1 bps of lending in 2016 and zero in 2017, compared with an average of 22 bps and 14 bps, respectively, for Norwegian savings banks. Problem loans are low and declining, and we do not expect credit quality to deteriorate over the next few years. We consequently expect the bank to report low loan losses of 8–16 bps for the 2018–20 period.

Figure 13. SpareBank 1 Østfold Akershus loss performance indicators, 2010–2017



ADJUSTMENT FACTORS

PEER COMPARISON

We believe that Østfold Akershus' relative strengths and the bank's current operating environment are reflected in our 'a' initial credit assessment and do not adjust our initial credit assessment based on a peer assessment or any other factors. NCR has confidential credit assessments (not full credit ratings) on 286 Nordic banks, including 101 Norwegian banks. 12% of both populations have a score of 'a' or higher. The average score is 'bbb+'.

**SUPPORT ANALYSIS**

We view Østfold Akershus’ ownership as supportive of our standalone credit assessment, but do not provide additional notching as a result of this support. The two foundations which control 65.9% of the ECCs are currently liquid and able to participate in further equity issues, as they have done historically. SpareBank 1 Stiftelsen Halden did not participate in the last ECC issue in order to reduce its stake, but we believe it has available liquidity to participate if necessary. The foundations have a stated purpose to exercise long-term and stable ownership of Østfold Akershus and must have an ownership interest in the bank constituting 15% or more of the bank’s issued equity capital. We therefore expect the foundations to continue to reduce their holdings in the bank over time.

Figure 14. SpareBank 1 Østfold Akershus ownership structure

Owner	Share of ECCs
SpareBank 1 Stiftelsen Østfold Akershus	40.67%
SpareBank 1 Stiftelsen Halden	25.24%
Pareto AS	8.89%
Landkreditt Utbytte	2.42%
Eika Egenkapitalbevis	1.86%
Pareto Aksje Norge	1.53%
Arctic Funds	1.34%
Salt Value	0.95%
SR Bank Utbytte	0.67%
Other	16.43%
Total	100.00%

We do not incorporate any uplift from government support for Østfold Akershus’s deposit and issuer ratings because of the expected implementation of resolution legislation in Norway.

**ISSUE RATINGS**

Our rating on Østfold Akershus' unsecured senior debt is in line with the issuer rating of 'A'. NCR considers the underlying credit quality of the issuer in its notching of various instruments. The risk of non-payment of capital instruments for highly rated entities is perceived to be very low. We therefore adapt the notching of individual debt instruments depending on the underlying credit quality and the ability of a financial institution to repay its debts.

Figure 15. SpareBank 1 Østfold Akershus issue rating indications

Issue rating indications	Starting point	Issue rating
Senior unsecured	Indicative credit rating	A
Tier 2	Standalone credit assessment	A-
Additional Tier 1	Standalone credit assessment	BBB

Figure 16. SpareBank 1 Østfold Akershus rating scorecard

Factors	Weighting	Subfactors	Impact	Subscore
Operating environment	20%	National factors	10.0%	a
		Regional, cross border, sector	10.0%	a
Risk appetite	50%	Capital	17.5%	a
		Funding and liquidity	15.0%	a
		Risk governance	5.0%	a-
		Credit risk	10.0%	bbb+
		Market risk	0.0%	N/A
		Other risks	2.5%	a
Competitive position	15%	Market position	15.0%	bbb+
Performance indicators	15%	Earnings	7.5%	aa
		Loss performance	7.5%	a+
Indicative credit assessment				a
Adjustment factors		Peer comparisons		0
		Transitions		0
		Borderline assessments		0
Standalone credit assessment				a
Support		Ownership		0
		Material credit enhancement		0
		Rating caps		0
Issuer rating				A
Short-term rating				N-1+

Figure 17. SpareBank 1 Østfold Akershus instrument ratings

ISIN	Seniority	Issued	Maturity	Rating	Curr.	Amount
NO0010709058	Senior unsecured	28/03/2014	28/03/2019	A	NOK	450m
NO0010536626	Additional Tier 1	23/09/2009	Perp.	BBB	NOK	130m
NO0010537517	Additional Tier 1	25/09/2009	Perp.	BBB	NOK	25m
NO0010724115	Senior unsecured	18/11/2014	18/11/2019	A	NOK	550m
NO0010735780	Senior unsecured	13/05/2015	13/05/2020	A	NOK	550m
NO0010755093	Senior unsecured	12/01/2016	15/02/2021	A	NOK	500m
NO0010769912	Senior unsecured	11/08/2016	18/11/2019	A	NOK	560m
NO0010790652	Senior unsecured	07/04/2017	04/07/2022	A	NOK	550m
NO0010811615	Senior unsecured	01/12/2017	01/12/2022	A	NOK	500m
NO0010821481	Tier 2	25/04/2018	25/05/2028	A-	NOK	150m
NO0010793771	Senior unsecured	19/05/2017	19/05/2023	A	NOK	600m
NO0010824972	Senior unsecured	11/06/2018	11/09/2023	A	NOK	600m
NO0010831894	Additional Tier 1	12/09/2018	Perp.	BBB	NOK	150m
NO0010834328	Senior unsecured	18/10/2018	22/02/2024	A	NOK	200m
NO0010778939	Senior unsecured	18/11/2018	18/11/2019	A	NOK	110m

Figure 18. SpareBank 1 Østfold Akershus key credit metrics\*

Key credit metrics (%)	2013	2014	2015	2016	2017	Q3/18 YTD
<b>Income composition</b>						
Net interest income/op. revenue	47.7	44.4	55.4	51.8	51.9	48.7
Net fee income/op. revenue	39.9	39.0	39.4	32.6	35.3	34.6
Net trading income/op. revenue	2.0	3.0	(3.7)	5.7	2.1	6.0
Net other income/op. revenue	10.4	13.5	8.9	9.9	10.7	10.8
<b>Earnings</b>						
Net interest margin	1.7	1.7	1.9	1.9	1.8	1.8
Pre-provision income/REA	2.9	3.2	2.9	3.7	3.5	3.0
Return on equity	11.0	12.6	10.7	14.1	12.3	12.5
Return on assets	1.0	1.2	1.2	1.7	1.6	1.7
Cost-to-income ratio	54.2	52.7	52.2	44.1	43.9	43.0
Cost-to-income ratio, ex. trading	55.3	54.4	50.3	46.8	44.8	45.7
<b>Capital</b>						
CET1 ratio, mother	13.1	15.6	16.6	16.3	17.6	15.7
Tier 1 ratio, mother	16.7	16.5	17.6	17.9	19.2	18.5
Capital ratio, mother	18.1	16.5	17.6	18.2	19.9	19.7
CET1 ratio, consolidated	13.1	15.6	16.6	16.3	17.6	15.6
Dividend payout ratio	19.4	20.2	20.4	27.0	35.9	-
Leverage ratio	7.0	6.3	8.1	8.8	9.8	10.2
<b>Growth</b>						
Asset growth	5.8	(0.9)	4.5	5.7	5.4	10.8
Loan growth	1.2	1.3	6.5	5.1	5.7	11.7
Loan growth, including transf. loans	7.1	0.9	6.8	6.0	6.2	6.8
Deposit growth	2.8	6.5	1.0	4.8	4.6	5.9
<b>Loss performance</b>						
Credit provisions/net loans	0.4	0.3	0.1	0.0	0.0	0.1
Impaired loans/gross loans	1.5	1.2	0.6	0.4	0.3	0.5
Net impaired loans/gross loans	1.3	1.0	0.5	0.4	0.3	-
Net problem loans to equity	6.8	4.7	0.5	(0.1)	(0.5)	-
NPL coverage ratio	44.0	45.2	86.6	105.6	135.9	65.1
<b>Funding and liquidity</b>						
Loan deposit ratio	128.9	122.5	129.1	129.5	130.9	136.6
Net stable funding ratio	-	118.0	124.0	121.0	130.0	-
Liquidity coverage ratio	-	220.0	115.0	234.0	137.0	166.0

Key financials (NOKm)	2013	2014	2015	2016	2017	Q3/18 YTD
<b>Balance sheet</b>						
Total assets	18,156	17,987	18,793	19,865	20,946	22,855
Total tangible assets	18,134	17,969	18,779	19,855	20,940	22,851
Total financial assets	17,355	17,384	18,240	19,280	20,381	22,327
Net loans to customers	14,139	14,320	15,246	16,023	16,944	18,713
Total securities	2,055	1,772	1,883	1,853	2,217	2,365
Customer deposits	10,970	11,688	11,806	12,370	12,939	13,701
Issued securities	4,795	4,033	4,339	4,433	4,537	5,400
of which other senior	4,044	3,567	3,874	4,120	4,225	5,093
of which subordinated	751	465	465	314	312	307
Total equity	1,676	1,842	2,246	2,670	3,096	3,389
Tangible equity	1,654	1,824	2,232	2,660	3,090	3,386
<b>Capital</b>						
Common equity tier 1	1,269	1,478	1,723	1,804	2,044	1,971
Additional tier 1	1,611	1,558	1,829	1,979	2,232	2,331
Total capital	1,748	1,558	1,829	2,020	2,317	2,473
REA (mother bank)	9,672	9,463	10,387	11,071	11,641	12,574
<b>Income statement</b>						
Operating revenues	592	655	610	703	701	575
Pre-provision operating profit	271	310	292	393	393	328
Impairments	49	47	14	1	0	11
Net income	172	220	221	347	321	284

\*All metrics are adjusted as per NCR methodology. Sales gains on fixed assets are considered as e.o. income.  
 NPL: Non performing loans  
 REA: Risk exposure amount (formerly RWA: Risk weighted assets)

Figure 19. SpareBank 1 Østfold Akershus key national metrics

(%)	2014	2015	2016	2017	2018e	2019e	2020e
Real GDP growth*	2.2	1.4	1.0	1.9	2.4	2.3	2.0
Core CPI growth	2.4	2.7	3.0	1.4	1.4	1.6	1.7
Unemployment rate	3.6	4.5	4.7	4.1	3.7	3.5	3.3
Current account balance/GDP	11.0	8.0	3.9	5.7	8.1	7.8	8.3
Central bank policy rates	1.3	0.8	0.5	0.5	0.8	1.3	1.7

Source: Economist Intelligence Unit, NCR consensus estimates. \*Mainland.

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating The rating is an initial credit rating.
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Primary analyst:	Geir Kristiansen geir.kristiansen@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Michael Andersson
Methodology used when determining the credit rating:	<u>'Nordic Credit Rating Financial Institutions Methodology'</u> <u>'Principles of Nordic Credit Rating'</u> 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. Nordic Credit Rating's methodologies and principles can be found on our website: <a href="http://www.nordiccreditrating.com">www.nordiccreditrating.com</a> The historical default rates of entities and securities rated by Nordic Credit Rating AS can be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA): <a href="http://cerp.esma.europa.eu/cerp-web/statistics/defaults.xhtml">http://cerp.esma.europa.eu/cerp-web/statistics/defaults.xhtml</a> .
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