# Orkla Sparebank

Full Rating Report

LONG-TERM RATING

**A-**

OUTLOOK

**Stable**

SHORT-TERM RATING

**N2**

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## RATING RATIONALE

Our 'A-' long-term issuer rating on Norway-based Orkla Sparebank reflects the bank's strong capital position, strong liquidity and low risk appetite. The bank has a cooperation agreement with the Eika alliance, which we view as positive, as it provides product diversity, shared development costs and the opportunity to finance residential retail mortgages through Eika Boligkreditt. We expect Orkla Sparebank's core earnings to improve in 2023 due to higher interest rates boosting net interest margins and expect that improved cost efficiency will help stabilise earnings in the years ahead. We expect these improvements to offset an anticipated increase in loan losses due to a slowdown in the overall economy.

The rating is constrained by the bank's concentrated exposure to real estate and agriculture in the region south-west of Trondheim in central Norway. It is also constrained by strong competition and low market share in Trondheim, which is the fastest-growing market for the bank.

## STABLE OUTLOOK

The outlook is stable, reflecting our view that the weakening economic climate and higher projected credit losses will be offset by improvements in capital and earnings metrics. We believe the bank's low risk appetite, strong liquidity position, improved earnings and stable cost position provide resilience to a moderate slowdown in the economy.

### POTENTIAL POSITIVE RATING DRIVERS

- An improved macroeconomic situation and improved asset quality metrics relative to peers; and
- Improved capital and earnings, with a Tier 1 capital ratio sustainably above 25%.

### POTENTIAL NEGATIVE RATING DRIVERS

- A material deterioration in the local operating environment that negatively affects the bank's asset quality.
- A sustained reduction in the Tier 1 capital ratio to below 20%; and
- Risk-adjusted earnings metrics sustainably below 2.0% of REA.

Figure 1. Orkla Sparebank key credit metrics, 2019–2025e

| % | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e |
|---|---|---|---|---|---|---|---|
| Net interest margin | 1.9 | 1.7 | 1.6 | 1.8 | 2.1 | 2.0 | 1.9 |
| Cost-to-income ratio | 43.6 | 48.4 | 55.2 | 53.1 | 46.0 | 43.1 | 43.9 |
| Pre-provision income/REA | 3.1 | 2.3 | 1.9 | 2.4 | 3.1 | 3.2 | 3.1 |
| Loan losses/net loans | 0.07 | 0.22 | -0.12 | 0.01 | 0.17 | 0.13 | 0.10 |
| Return on ordinary equity | 11.5 | 7.5 | 7.2 | 7.0 | 7.8 | 8.2 | 7.7 |
| Loan growth | 8.3 | 4.3 | 6.5 | 9.3 | 5.0 | 5.5 | 6.5 |
| CET1 ratio | 21.0 | 19.6 | 22.2 | 22.2 | 22.5 | 23.5 | 24.2 |
| Tier 1 ratio | 21.9 | 20.6 | 23.0 | 23.0 | 22.5 | 23.5 | 24.2 |

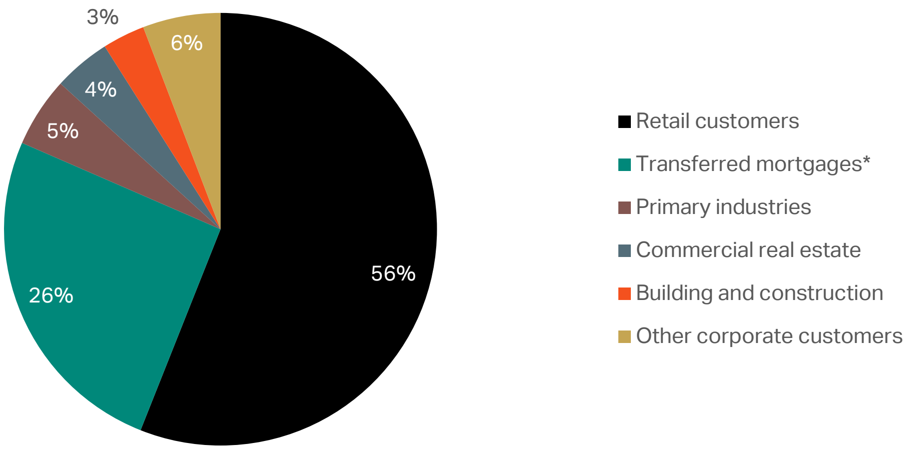
Based on NCR estimates and company data. e–estimate. REA–risk exposure amount. CET1–common equity Tier 1. All metrics adjusted in line with NCR methodology.

## ISSUER PROFILE

Orkla Sparebank is an independent savings bank located in Orkland municipality. The bank's origins date back to 1841 and it was formed after the merger of the neighbouring savings banks, Orkdal Sparebank and Meldal Sparebank, in October 2017. Today, the bank has seven offices spread over Trøndelag County and its primary market is located in the municipalities of Orkland, Rennebu, Skaun and Trondheim.

The bank is primarily focused on core banking activities, but it also owns a local real-estate agency. It operates as an independent savings bank, but is also one of the approximately 50 local savings banks in the Eika alliance. This gives it access to and it also holds minority positions indirectly in its product companies. In addition to access to savings and insurance products, the alliance also helps to improve cost efficiency by sharing IT costs and through joint efforts in risk management and compliance. Moreover, the alliance provides financing through a jointly owned covered-bond company (Eika Boligkreditt).

**Figure 2. Orkla Sparebank gross loans by sector, including transferred loans, 30 Jun. 2023**




Source: company. *Net loans transferred to Eika Boligkreditt.

## OPERATING ENVIRONMENT

Operating environment assessment 'a-'

We consider a balance of national and regional factors in our assessment of the operating environment. Orkla Sparebank operates in a region with average economic growth prospects, except for Trondheim, whose economy is growing faster than the national average. We believe the macroeconomic environment will weaken somewhat over the next few years due to lower economic activity and the impact of current high inflation, but consider the Norwegian banking sector well positioned to cope with this.

### Savings banks are resilient to lower economic activity

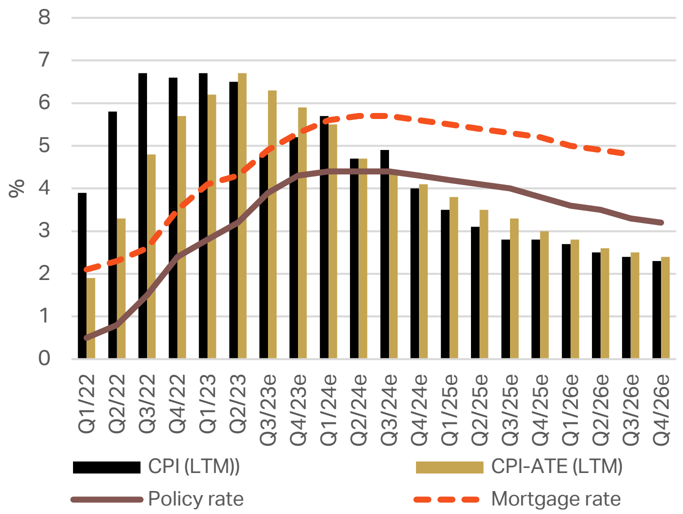
National factors 'a'

The economy is slowing in 2023 as Norway adapts to higher living costs, combined with rising interest rates. Higher interest rates have boosted banks' lending margins, and credit spreads on corporate loan books have increased. Strong public finances support our outlook for the wider banking sector, and the government has implemented an energy price relief system for households.

Looking ahead, we believe further rate increases will become more of a drag on the performance of banks than they have been thus far. Low lending and deposit growth should increase competition, limiting further margin improvements as policy rates increase. As a result, earnings are unlikely to fully compensate for higher loss provisions and continued cost inflation. Construction and commercial real estate account for significant amounts of corporate lending. The construction sector has seen a particularly sharp decline in activity over the past 18 months, and central bank projections are not optimistic about future business prospects. Higher required rates of return and rising building costs have led to an increase in mothballed projects and a rise in redundancies in the sector. We expect increasing loss provisions for construction lending and a decline in lending to the sector by year-end.

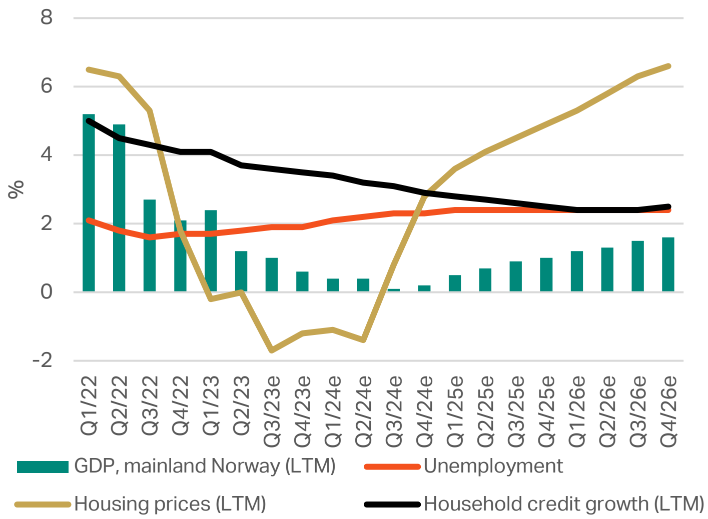
We believe that continued high interest rates and a weaker economy will lead to higher loan-loss provisions over the next 12 months, but that levels will vary significantly between individual banks. Norwegian savings banks are well capitalised and have strong pre-provision profitability, which makes them resilient to increased credit losses.

Figure 3. Norwegian inflation and interest rates, 2022–2026e




Source: Norges Bank. e-estimate.

Figure 4. Norwegian macroeconomic indicators, 2022–2026e




Source: Norges Bank. e-estmiate.

**The bank is located close to a major urban region**

Regional, sectoral, and cross-border factors 'bbb+'

Orkla Sparebank operates in a region south-west of Trondheim, at commuting distance to Norway's third-largest city. Its location on the axis towards the coastal cities and vacation areas further south contributes to expected population growth in the bank's operating area of 10% between 2023 and 2050, excluding Trondheim (15% including Trondheim).

The region has a diverse economy, which reduces its susceptibility to sector-specific and business-specific variations. The economy is dominated by agriculture, the metallurgical industry, the offshore oil and gas industry, the mechanical industry, the wood products industry and high-tech electronics. In addition, new major players in the food industry have established themselves in recent years, and the region's fish farming is growing. The tourism industry is also important, but faces a shortage of labour following the resumption of operations after the pandemic. Unemployment is generally low and below the Norwegian average.

Figure 5. Orkla Sparebank's core markets

| Municipality | Population | Expected population change 2022–2050 | Unemployment Aug. 2023 | Unemployment Aug. 2022 |
|---|---|---|---|---|
| Trondheim | 214,695 | 16 | 1.4 | 1.2 |
| Orkland | 18,621 | 5 | 1.8 | 1.6 |
| Skaun | 8,415 | 25 | 1.3 | 1.1 |
| Rennebu | 2,438 | -1 | 1.0 | 0.4 |
| **Total** | **244,169** | **15** | **1.4** | **1.2** |
| Trøndelag County | 479,008 | 9 | 1.4 | 1.3 |
| **Norway** | **5,474,886** | **10** | **1.9** | **1.6** |

Source: Statistics Norway, Norwegian Labour and Welfare Administration.

## RISK APPETITE

Risk appetite assessment 'a'

Orkla Sparebank's risk profile assessment reflects the bank's strong capital and liquidity buffers, large share of low-risk exposure to the residential mortgage and agriculture markets, and its ability to transfer loans to Eika Boligkreditt. The bank has a high regional concentration in the southern part of Trøndelag County, given the high share of property lending in the region.

**Above-average risk management compared to medium-sized savings banks**

Risk governance 'a-'

In our view, Orkla Sparebank's risk governance framework, risk appetite, limit monitoring and risk reporting are above average compared with savings bank peers. Furthermore, the bank has well-defined guidelines to support anti-money laundering (AML) measures in its daily operations, reducing the risk of related losses and fines, which have been levied on some banks by the Norwegian regulator.

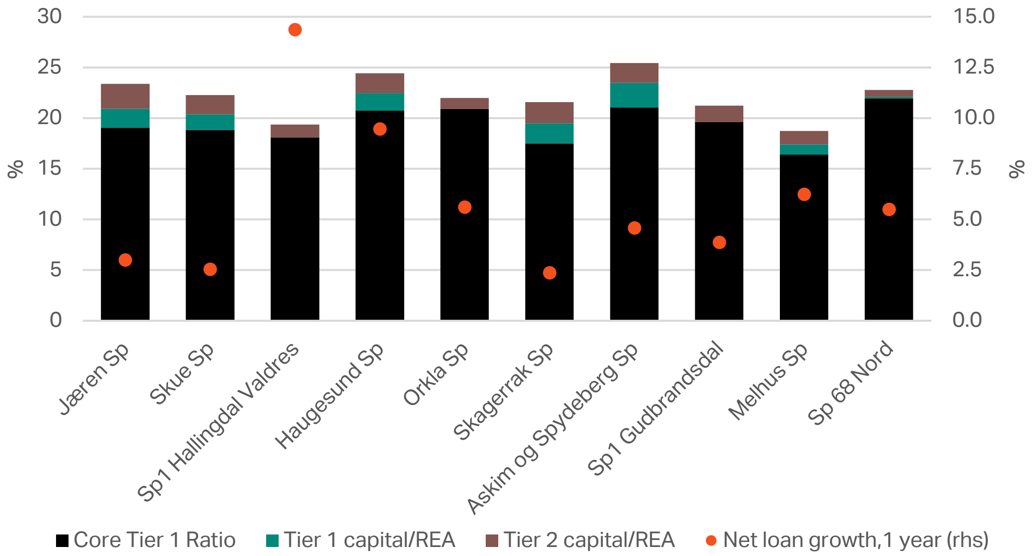
The cooperation with the Eika alliance provides additional resources for future development in sustainability. The bank has established credit-related guidelines to assess climate and sustainability risks for its corporate and agricultural customers. It is environmentally certified by Miljøfyrtårn/Eco-Lighthouse, which provides criteria and structure for products and solutions to minimise banks' environmental footprint. The cooperation with the Eika alliance provides additional resources for future development in this area. Parts of the bank's mortgage portfolio are financed through Eika Boligkreditt, which has established a framework for green bonds.

**Well capitalised, with the potential to issue Tier 1 capital**

Capital 'a+'

Our capital assessment considers the bank's consolidated capital position, including its proportionate holdings of Eika Gruppen and Eika Boligkreditt. In 2023, the systemic risk buffer requirement has increased from 3% to 4.5% and the countercyclical buffer from 2% to 2.5%. Orkla Sparebank's common equity Tier 1 (CET1) ratio was 20.2% as of 30 Jun. 2023 (20.7% including 50% of profits year to date), well above both the new minimum requirement (effective from 31 Dec. 2023) of 16.0% and the internal CET1 target of 17.5%. We believe it will improve over the next few years due to low loan growth and retained earnings. The bank had a leverage ratio of 9.7% as of 30 Jun. 2023, excluding year-to-date net profits (9.8% at year-end 2022), compared with a regulatory requirement of 3%.

Figure 6. Orkla Sparebank and domestic peer group capital ratios and loan growth, 30 Jun. 2023




Source: bank reports.

We expect Orkla Sparebank to expand its on-balance-sheet loan book by 4.0%–6.5% in 2024 and 2025, which is lower than our forecast return on equity of between 8.5% and 9% for the period. In addition, we expect the bank to pay out a modest gift allocation to social and cultural activities in the region. This would result in increasing CET1 ratios over the next few years. We understand that discussions are taking place between the banking association and the Norwegian FSA regarding the risk-weighting of farmhouses. We believe, however, that any negative impact for Orkla Sparebank will be more than counteracted by a positive effect from the implementation of the CRD IV Directive in Norway (by 2026 at the earliest). Moreover, the bank has the opportunity to issue new hybrid capital, if needed, after the bank redeemed its NOK 50m hybrid loan earlier this year.

**The Eika alliance provides an important funding source**

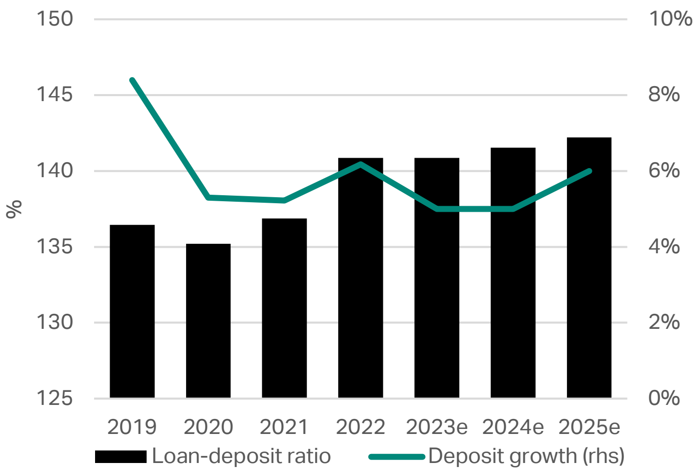
Funding and liquidity 'a'

Orkla Sparebank's funding and liquidity position is relatively strong, with a relatively stable retail deposit base and demonstrated access to capital markets. Recent strong deposit growth in 2023 has driven the loan-to-deposit ratio down to 134% as of 30 Jun. 2023, from 141% at year-end 2022. This is, however, still higher than similarly sized peers. The bank maintains adequate liquidity buffers, at about 18% of customer deposits, and has access to a NOK 300m credit line from DNB. As of 30 Jun. 2023, the liquidity coverage ratio was 619%, well above its internal limit of 120% and historical average of around 223%. The bank's net stable funding ratio was 134% as of 30 Jun. 2023, in line with recent reported levels and well above the internal limit of 110%. We expect Orkla Sparebank to maintain strong regulatory measures, given internal limits.

Orkla Sparebank had NOK 3.1bn in outstanding senior bonds as of 30 Jun. 2023. The debt maturity profile is evenly distributed, with senior unsecured maturities spread out from 2023 to 2028. Our forecast expects the bank to refinance through new bond issuances at maturity.

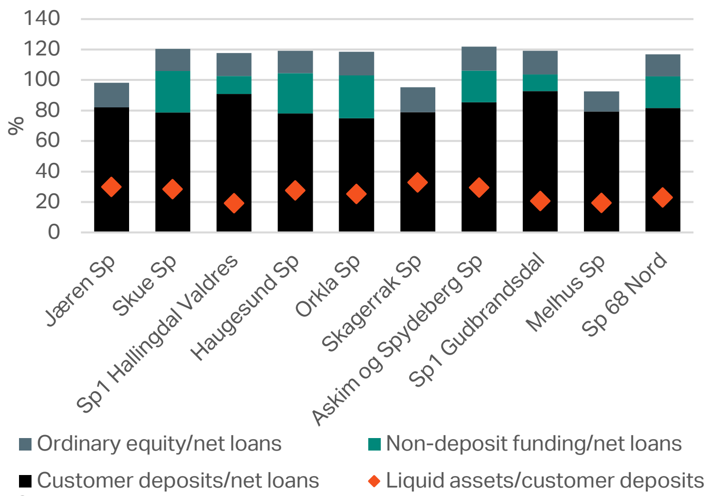
Another important source of funding for Orkla Sparebank is its cooperation with Eika Boligkreditt. Eika Boligkreditt is a stable and important source of funding for the bank and provides access to more affordable funding, with longer terms to maturity than the bank can achieve by itself. Orkla Sparebank increased its transfer ratio to Eika Boligkreditt to 25% as of 30 Jun. 2023 (from 21% as of 30 Jun. 2022), but this is still well below its 40% internal limit. We view this as supportive of the bank's liquidity management.

Figure 7. Orkla Sparebank deposit metrics, 2019–2025e




Based on company data. e–NCR estimate.

Figure 8. Norwegian savings banks' funding profile, 30 Jun. 2023




Source: bank reports.

**Loan book contains geographic and real-estate concentrations**

Credit risk 'bbb'

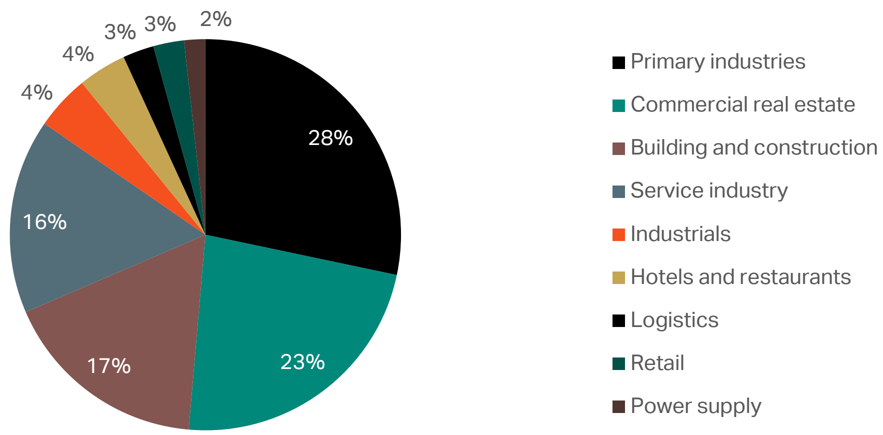
The bank's loan portfolio is also highly regionally focused, with more than 90% of its lending extended to borrowers in Trøndelag County. About 80% of Orkla Sparebank's exposures are to private and agricultural customers and secured on housing and agricultural properties, adding to the concentration on its local market and linking collateral to declining property values. Housing prices and real-estate values in the region are falling in line with the Norwegian market as interest rates rise. However, the volatility of housing prices has historically been lower in Orkland, Rennebu and Skaun than in Trondheim and other large cities, and the region has historically maintained low unemployment. Housing price growth over the past decade has strengthened the bank's collateral.

The bank had gross loan growth of 9.7% over the last 12 months, and saw 2.7% gross loan growth in the second quarter (including transferred loans). Our forecast includes loan growth on the bank's balance sheet of between 3.5% and 6.5% in the 2023–2025 period and growth on transferred loans of between 4% and 6%.

The share of loans transferred to Eika Boligkreditt has been stable so far in 2023. As of 30 Jun. 2023, the bank had NOK 3.8bn in transferred loans, which provides commission income. The bank does not offload its risk for these loans, however, and is expected to take back nonperforming loans from Eika Boligkreditt to maintain a clean cover pool. Where repatriation of loans is not possible, which has yet to occur, Orkla Sparebank guarantees 1% of transferred loans and covers 80% of any net loss incurred by Eika Boligkreditt, with charges netted from commission payments for transferred loans.

The main sectoral exposure for Orkla Sparebank is to primary industries, more specifically agriculture. This sector has historically been more stable than commercial real estate, due to significant government support. We regard commercial real estate and construction as high-risk sectors. We are increasingly concerned about these sectors, due to rising interest and input costs, and falling property prices. We note, however, that gross non-performing (stage 3) corporate loans are down from 4.1% at year-end 2022 to 3.1% at 30 Jun. 2023 and total stage 3 loans are down from 1.6% to 1.3% for the same period.

Figure 9. Orkla Sparebank gross corporate loans by sector, 30 Jun. 2023




Source: company.

**Low market risk, moderate exposure to other risk**

Other risks 'a'

We do not believe market risk is a material factor for Orkla Sparebank, given the lack of a trading portfolios and its low limits on interest rate risk and currency risk.

Orkla Sparebank has strategic ownership positions in Eika Gruppen (3.3% at year-end 2022) and Eika Boligkreditt (3.6%), which provide access to the Norwegian covered-bond market, insurance, asset management, a real-estate agency and credit products, and ensure a strong a voice alongside the other savings bank owners. This ownership also contributes to the bank's earnings through dividend payments, as well as commission paid on transferred loans and savings.

## COMPETITIVE POSITION

Competitive position assessment 'bb+'

Orkla Sparebank has a regional focus and is the local market leader in retail lending, with a share of more than 50% of its historical core market of Orkland and Rennebu. The bank sees growth potential in Skaun and, in particular, in Trondheim. More than 30% of the bank's lending volumes are in Trondheim, where the market share is only about 2% but growing. SpareBank 1 SMN is the bank's main competitor, in both the retail and corporate markets. However, Trondheim is a competitive market in which all of Norway's major banks are present.

Orkla Sparebank is a member of the Eika alliance, which expands the bank's customer offerings beyond what it could provide itself and diversifies revenues. Via Eika, the bank provides customers with insurance, debit and credit products, asset management and a real-estate agency.

As the bank is concentrated around its core markets, we consider Orkla Sparebank's meaningful role in and contributions to its local market as a positive rating factor. The bank's primary environmental, social and governance (ESG) attribute is its strong sense of social responsibility in its local communities. The bank also funds social and cultural activities to support its local community.

## PERFORMANCE INDICATORS

Performance indicators assessment 'a-'

We expect Orkla Sparebank's core earnings to improve in 2023 due to higher interest rates boosting net interest margins. We also believe that improved cost efficiency will help stabilise earnings in the years ahead. We expect these improvements to offset an anticipated increase in loan losses due to a slowdown in the overall economy.

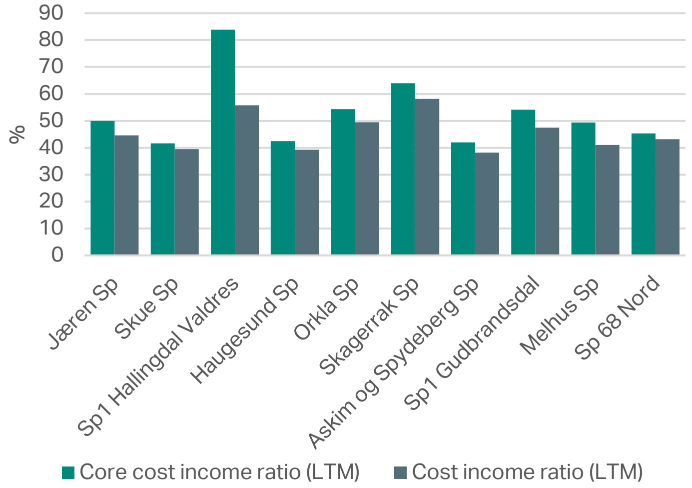
### Earnings likely to remain strong

Earnings 'a'

Rising interest rates have significantly improved Orkla Sparebank's net interest margin over the last four quarters, following years of margin pressure from low interest rates and competition for mortgage loans. We believe, however, that margins will peak in 2023 due to increased competition as banks' profitability exceeds demand for loans and due to higher funding costs. Another important source of income for the bank is dividends from the Eika Gruppen and Eika Boligkreditt, which we expect to be lower than in recent years due to lower insurance earnings after the flooding in summer 2023.

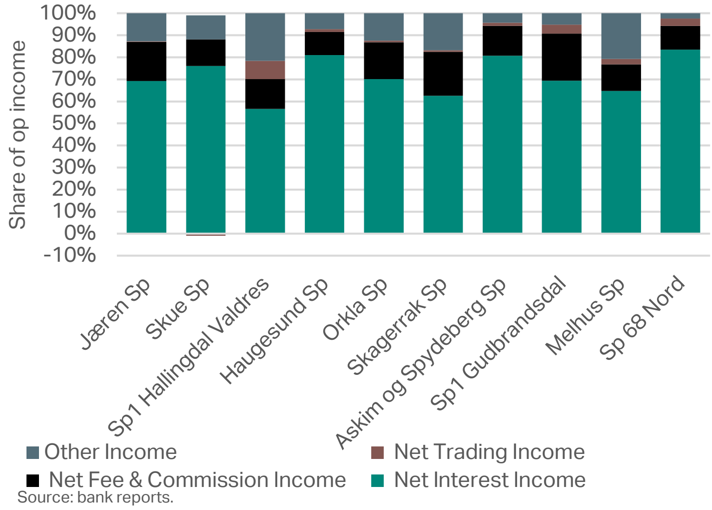
Orkla Sparebank's costs have been negatively impacted in 2022 and the first half of 2023 by the implementation of its new IT system, but this will be offset over the coming four years. The combination of improved income and increased cost efficiency from 2024 leads us to project a core cost-to-income ratio below 45% in 2024 and 2025, compared with an average of 50% for 2019–2022. This will also result in core risk-adjusted pre-provision income (PPI) to REA in excess of 3% over our forecast horizon.

**Figure 10. Norwegian savings banks' cost efficiency metrics, 30 Jun. 2023**



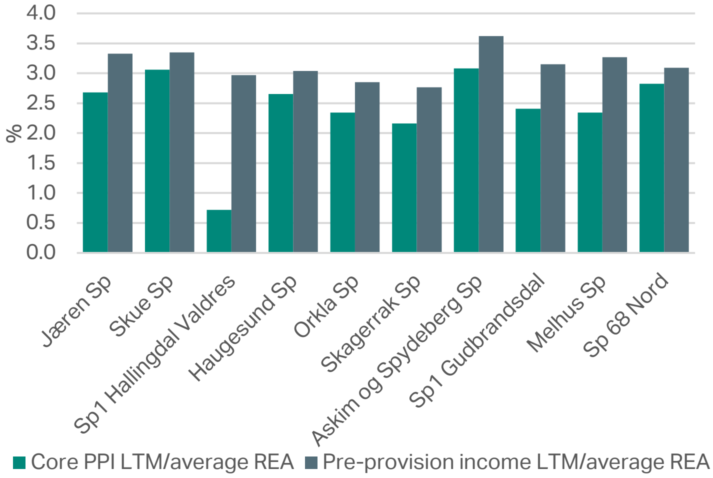

Source: bank reports.

**Figure 11. Norwegian savings banks' income groups split, 30 Jun. 2023 LTM**



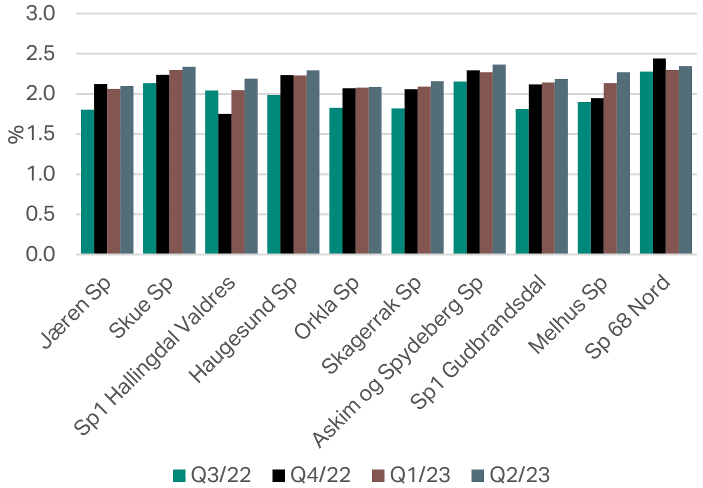

Source: bank reports.

**Figure 12. Norwegian savings banks' PPI to REA, 30 Jun. 2023 LTM**




Source: bank reports. Core PPI represents net interest income and fee & commission income.

**Figure 13. Norwegian savings banks' annualised net interest margin**



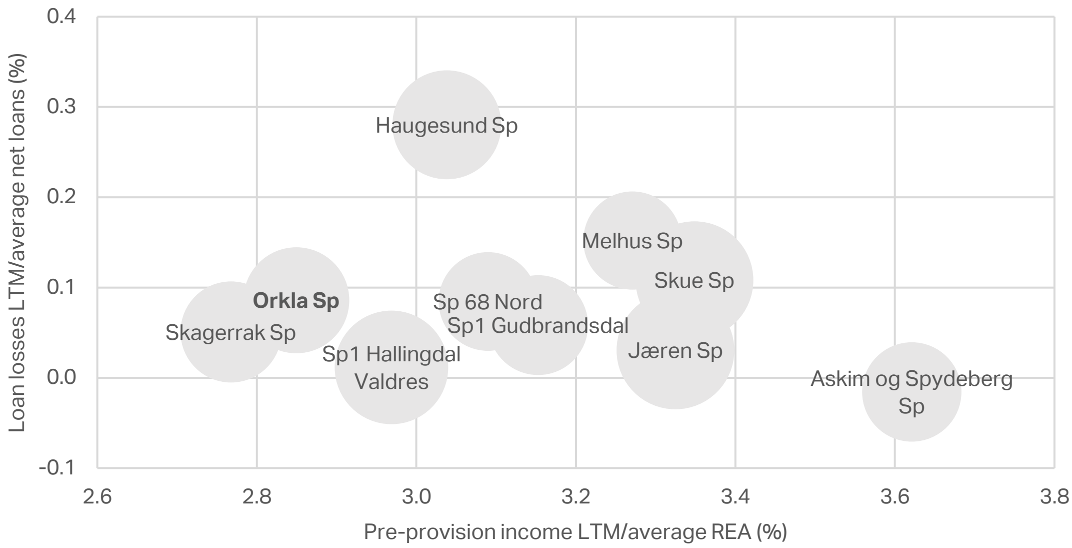

Source: bank reports.

### Loan-loss provisions projected to increase, but likely to remain moderate

Loss performance 'bbb+'

Orkla Sparebank booked loan losses of NOK 8.8m in the first six months of 2023, compared with NOK 0.8m in 2022. We project higher loan losses than the historical average as the economy slows in the 2023–2025 period, but lower than during the pandemic in 2020. The bank's stage 3 loans are relatively high compared with its domestic peer group. We expect they will increase in line with an economic slowdown and project net stage 3 loans increasing towards 1.8% of net loans by 2024 in our base case.

Figure 14. Norwegian savings banks' asset quality metrics (%), 30 Jun. 2023




Source: bank reports. REA–risk exposure amount. Bubble size reflects net loan volumes.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

Moderately positive aggregate ESG impact

ESG factors are considered throughout our analysis, where material to the credit assessment. In aggregate, we view the bank's ESG profile as having a moderately positive impact on its creditworthiness.

Figure 15. Orkla Sparebank priority ESG factors

| Issue/area | Risk/opportunity | Impacted subsections (impact on credit assessment*) |
|---|---|---|
| Physical climate risk to collateral | Climate-related damage to real-estate collateral (closely linked to supervision of insurance). Longer-term effects on market values in climate risk areas. | Credit risk (-)<br>Loss performance (0) |
| Social engagement in local community | Close connection to narrow regional markets provides a benefit. | Competitive position (+)<br>Funding & liquidity (+)<br>Earnings (+) |
| Risk management frameworks | Risk-taking beyond limits in bank operations. Insufficient control of customers and risk of fraudulent customer behaviour. | Risk governance (0) |
| Control of sustainability issues | Risk of overlooking sustainability impacts in the bank's underwriting, operations and customer base. | Risk governance (0)<br>Credit risk (0) |

*Defined on a 5-step scale ranging from double minus (--) to double plus (++) , with (--) representing the most negative impact and (++) the most positive. See [ESG factors in financial institution ratings](ESG factors in financial institution ratings).

## ADJUSTMENT FACTORS

**Support analysis**

Support analysis neutral

A savings bank is a bank that is initially organised as a self-owned institution, i.e. without external owners. Many savings banks have chosen to issue equity instruments (equity capital certificates), for example to finance growth or, during the banking crisis in the early 1990s, to recapitalise the bank. Orkla Sparebank has so far chosen not to issue equity instruments, and has therefore not tapped the equity market. However, it has the option to do so, and this is a process that normally takes up to six months.

## ISSUE RATINGS

Our rating on Orkla Sparebank's unsecured senior debt is in line with the 'A-' issuer rating. The bank has outstanding Tier 2 instruments, which we rate one notch below the issuer rating at 'BBB+'. The bank has historically issued Tier 1 instruments. If it chooses to do so again, we will rate such instruments three notches below the issuer rating at 'BBB-'.

## METHODOLOGIES USED

(i) Financial Institutions Rating Methodology, 18 Feb. 2022.
(ii) Rating Principles, 24 May 2022.
(iii) Group and Government Support Rating Methodology, 18 Feb. 2022.

## RELEVANT RESEARCH

(i) High interest rates generate strong first-half earnings for Swedish savings banks, 26 Oct. 2023.
(ii) Nordic consumer banks' earnings compensate elevated credit losses, 11 Sep. 2023.
(iii) Mid-sized Norwegian savings banks navigate economic challenges, 28 Aug. 2023.
(iv) Norwegian mid-size savings banks stand strong in turbulent 2022, 24 Mar. 2023.
(v) Norwegian savings banks carry positive momentum into 2023, 24 Jan. 2023.

## Figure 16. Orkla Sparebank key financial data, 2018–Q3 2023 YTD

| Key credit metrics (%) | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | Q3 2023 YTD |
|---|---|---|---|---|---|---|
| **INCOME COMPOSITION** | | | | | | |
| Net interest income to op. revenue | 73.5 | 65.2 | 67.2 | 66.8 | 72.2 | 71.9 |
| Net fee income to op. revenue | 19.1 | 16.3 | 19.9 | 22.4 | 18.9 | 16.6 |
| Net trading income to op. revenue | 6.6 | 15.2 | 8.5 | 6.0 | 6.4 | 7.9 |
| Net other income to op. revenue | 0.9 | 3.4 | 4.5 | 4.8 | 2.5 | 3.5 |
| **EARNINGS** | | | | | | |
| Net interest income to financial assets | 1.7 | 1.9 | 1.7 | 1.6 | 1.8 | 2.0 |
| Net interest income to net loans | 2.0 | 2.2 | 2.0 | 1.9 | 2.1 | 2.4 |
| Pre-provision income to REA | 2.0 | 3.1 | 2.3 | 1.9 | 2.4 | 3.3 |
| Core pre-provision income to REA (NII & NF&C) | 1.6 | 2.1 | 1.7 | 1.4 | 1.9 | 2.6 |
| Return on ordinary equity | 6.5 | 11.5 | 7.5 | 7.2 | 7.0 | 8.3 |
| Return on assets | 0.7 | 1.3 | 0.9 | 0.9 | 0.9 | 1.1 |
| Cost-to-income ratio | 54.7 | 43.6 | 48.4 | 55.2 | 53.1 | 45.7 |
| Core cost-to-income ratio (NII & NF&C) | 59.1 | 53.5 | 55.5 | 61.9 | 58.3 | 51.6 |
| **CAPITAL** | | | | | | |
| CET1 ratio | 18.8 | 21.0 | 19.6 | 22.2 | 22.2 | 20.3 |
| Tier 1 ratio | 19.7 | 21.9 | 20.6 | 23.0 | 23.0 | 20.3 |
| Capital ratio | 21.0 | 23.2 | 22.0 | 24.2 | 24.2 | 21.4 |
| REA to assets | 54.4 | 50.3 | 61.6 | 49.2 | 47.6 | 45.3 |
| Dividend payout ratio | | | | | | |
| Leverage ratio | 10.5 | 10.8 | 9.5 | 9.5 | 0.0 | 0.0 |
| **GROWTH** | | | | | | |
| Asset growth | 8.8 | 7.8 | 8.6 | 5.4 | 6.4 | 12.0 |
| Loan growth | 10.9 | 8.3 | 4.3 | 6.5 | 9.3 | 6.8 |
| Deposit growth | 4.8 | 8.4 | 5.3 | 5.2 | 6.2 | 18.1 |
| **LOSS PERFORMANCE** | | | | | | |
| Credit provisions to net loans | 0.12 | 0.07 | 0.22 | -0.12 | 0.01 | 0.22 |
| Stage 3 coverage ratio | | | 9.42 | 9.44 | 8.44 | 10.50 |
| Stage 3 loans to gross loans | | | 2.55 | 1.85 | 1.57 | 1.72 |
| Net stage 3 loans to net loans | | | 2.32 | 1.68 | 1.44 | 1.55 |
| Net stage 3 loans/ordinary equity | | | 15.79 | 11.31 | 9.45 | 10.22 |
| **FUNDING & LIQUIDITY** | | | | | | |
| Loan to deposit ratio | 136.6 | 136.5 | 135.2 | 136.9 | 140.9 | 127.3 |
| Liquid assets to deposit ratio | 21.1 | 20.7 | 26.9 | 25.7 | 22.2 | 27.3 |
| Net stable funding ratio | 136.0 | 136.0 | 124.0 | 127.0 | 135.0 | 133.0 |
| Liquidity coverage ratio | 127.0 | 291.0 | 303.0 | 182.0 | 214.0 | 624.0 |

| Key financials (NOKm) | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | Q3 2023 YTD |
|---|---|---|---|---|---|---|
| **BALANCE SHEET** | | | | | | |
| Total assets | 9,610 | 10,360 | 11,252 | 11,865 | 12,623 | 14,133 |
| Total tangible assets | 9,610 | 10,360 | 11,252 | 11,865 | 12,623 | 14,133 |
| Total financial assets | 9,499 | 10,261 | 11,149 | 11,763 | 12,528 | 14,033 |
| Net loans and advances to customers | 8,229 | 8,910 | 9,296 | 9,903 | 10,822 | 11,557 |
| Total securities | 1,092 | 1,014 | 1,503 | 1,691 | 1,577 | 2,171 |
| Customer deposits | 6,024 | 6,530 | 6,876 | 7,235 | 7,682 | 9,076 |
| Issued securities | 2,367 | 2,527 | 2,638 | 3,026 | 3,144 | 70 |
| of which other senior debt | 2,247 | 2,407 | 2,568 | 2,956 | 3,074 | – |
| of which subordinated debt | 120 | 120 | 70 | 70 | 70 | 70 |
| Total equity | 1,062 | 1,188 | 1,418 | 1,522 | 1,701 | 1,749 |
| of which ordinary equity | 1,062 | 1,188 | 1,368 | 1,472 | 1,651 | 1,749 |
| **CAPITAL** | | | | | | |
| Common equity tier 1 | 982 | 1,093 | 1,362 | 1,297 | 1,336 | 1,299 |
| Tier 1 | 1,030 | 1,141 | 1,432 | 1,342 | 1,382 | 1,299 |
| Total capital | 1,099 | 1,211 | 1,528 | 1,412 | 1,452 | 1,369 |
| REA | 5,226 | 5,212 | 6,936 | 5,834 | 6,011 | 6,402 |
| **INCOME STATEMENT** | | | | | | |
| Operating revenues | 215 | 290 | 266 | 270 | 302 | 282 |
| Pre-provision operating profit | 97 | 164 | 137 | 121 | 142 | 153 |
| Impairments | 11 | 6 | 20 | -12 | 1 | 19 |
| Net Income | 67 | 129 | 96 | 102 | 109 | 106 |

Source: company. FY–full year. YTD–year to date.

Figure 17. Orkla Sparebank rating scorecard

| Subfactors | Impact | Score |
|---|---|---|
| National factors | 10.0% | a |
| Regional, cross border, sector | 10.0% | bbb+ |
| Operating environment | 20.0% | a- |
| Capital | 17.5% | a+ |
| Funding and liquidity | 15.0% | a |
| Risk governance | 5.0% | a- |
| Credit risk | 10.0% | bbb |
| Market risk | - | - |
| Other risks | 2.5% | a |
| Risk appetite | 50.0% | a |
| Competitive position | 15.0% | bb+ |
| Earnings | 7.5% | a |
| Loss performance | 7.5% | bbb+ |
| Performance indicators | 15.0% | a- |
| **Indicative credit assessment** | | **a-** |
| Transitions | | Neutral |
| Peer calibration | | Neutral |
| Borderline assessments | | Neutral |
| **Stand-alone credit assessment** | | **a-** |
| Material credit enhancement | | Neutral |
| Rating caps | | Neutral |
| Support analysis | | Neutral |
| **Issuer rating** | | **A-** |
| Outlook | | Stable |
| **Short-term rating** | | **N2** |

Figure 18. Capital structure ratings

| Seniority | Rating |
|---|---|
| Senior unsecured | A- |
| Tier 2 | BBB+ |
| Additional Tier 1 | BBB- |

## DISCLAIMER



## NORDIC CREDIT RATING AS

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