

Skue 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 Skue Sparebank reflects the bank's strong capital position, low risk appetite and strong profitability. 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 Skue 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.

The rating is constrained by strong competition and the bank's low market share in the more populous areas of Buskerud County in eastern Norway. It is also constrained by the bank's concentrated exposure to commercial real estate and retail mortgages in the region where the bank operates.

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 leading to improved projected asset quality; 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. Skue Sparebank key credit metrics, 2019–2025e

%	2019	2020	2021	2022	2023e	2024e	2025e
Net interest margin	1.9	1.8	1.8	2.1	2.4	2.3	2.2
Cost-to-income ratio	47.8	60.2	47.1	43.1	42.0	40.1	40.3
Pre-provision income/REA	2.6	1.9	2.5	3.0	3.3	3.4	3.3
Loan losses/net loans	0.04	0.18	-0.05	0.02	0.14	0.15	0.10
Return on equity	10.0	7.6	9.4	9.7	10.0	9.6	9.3
Loan growth	5.7	34.9	6.4	8.1	3.5	4.0	6.5
CET1 ratio	17.7	17.3	18.9	19.6	20.9	22.1	22.7
Tier 1 ratio	19.3	18.8	20.6	21.2	22.5	23.6	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.

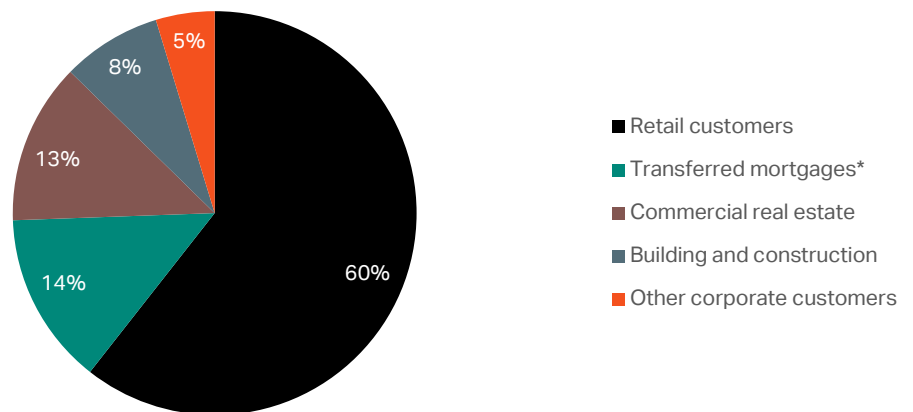
ISSUER PROFILE

Skue Sparebank was formed in 2013 from the merger of Nes Prestegjelds Sparebank and Hol Sparebank, after which it merged with Hønesfoss Sparebank in 2020. The roots of the bank date back to 1843 in Hallingdal, in the municipalities of Hol, Gol and Nesbyen. Today, the bank has 10 offices spread across most of Buskerud County.

Skue Sparebank is more focused on lending than most similarly sized savings banks, and does not have fully owned product companies. However, as a part of the Eika alliance, it has access to and also holds minority positions indirectly in product companies. In addition to providing access to savings and insurance products, the alliance also helps to improve cost efficiency through the sharing of IT costs and joint efforts in risk management and compliance. Moreover, the alliance provides financing through a jointly owned covered-bond company (Eika Boligkreditt).

The bank operates as an independent savings bank and has equity capital certificates that trade on the Oslo Stock Exchange. Equity capital holders control 27% of the equity, while the remainder is self-owned.

Figure 2. Skue 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. Skue Sparebank operates in a region with above-average growth prospects due to its location on the main transport route from western to eastern Norway and the southern parts of the region's proximity to the Oslo region. 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 believe the Norwegian banking sector is well positioned to cope with this.

Savings banks are resilient to lower economic activity

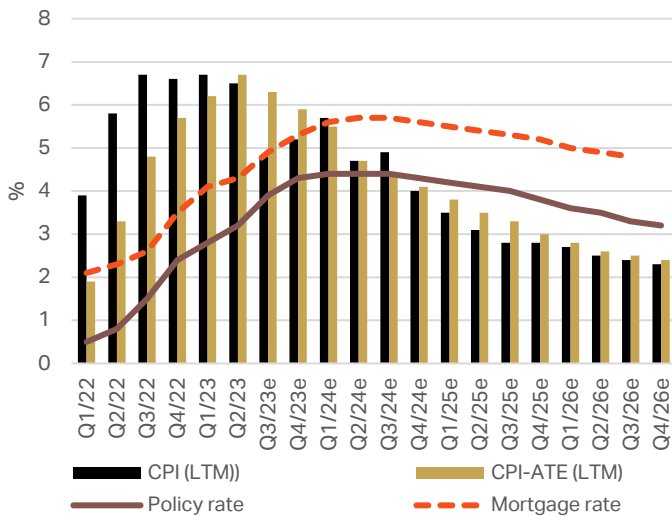
National factors 'a'

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 Norwegian government has implemented an energy price relief system for households.

Looking ahead, we believe further rate increases will become more of a drag on banks' performance than they have 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 to see increasing loss provisions for construction lending and a decline in lending to the sector by year-end.

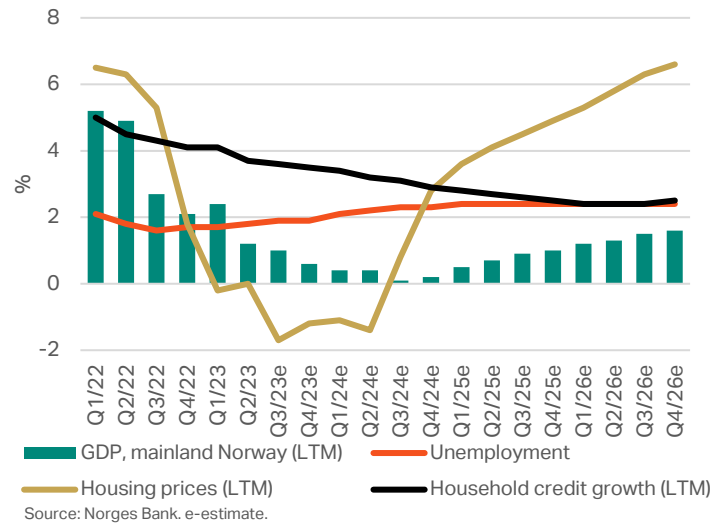
We believe that continued high interest rates and a weaker economy will lead to higher loan-loss provisions over the next 12 months, but that levels will vary significantly between individual banks. Norwegian savings banks are well capitalised and have strong pre-provision profitability, which makes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

Regional and sectoral factors 'bbb+'

Present throughout a diversified region

Skue Sparebank has a large presence in a highly diverse region, ranging from mountainous areas with a strong tourism industry in the north to the highly industrialised coastal area in the south. While Skue Sparebank has its strongest presence in the northern and central parts of the county, the southern part offers the greatest growth opportunities. This area is also part of the greater Oslo growth region, and Drammen port is an important hub for the import of goods. The Hallingdal Valley is home to the Oslo-Bergen railway and the fastest Oslo-Bergen road link, which have benefited commercial interests in the region. A new road (expected to open in 2025) and railway line (expected to open in 2035) from Oslo to Ringerike will reduce commuting time significantly and have already boosted business activity in the region. In total, the population is expected to grow by slightly more than Norway's overall population growth, while unemployment is marginally above the national rate.

Figure 5. Skue Sparebank's core markets (municipalities with branch offices)

Municipality	Population	Expected population change 2022–2050 (%)	Unemployment Aug. 2023	Unemployment Aug. 2022
Hol	4,504	9	1.1	0.9
Gol	4,667	8	1.0	0.7
Nesbyen	3,273	-5	1.8	0.9
Flå	1,057	10	0.9	0.9
Nore og Uvdal	2,455	-8	0.7	0.8
Krødsherad	2,189	6	0.9	2.0
Modum	14,273	16	2.3	1.6
Sigdal	3,492	-2	1.0	0.7
Ringerike	31,011	13	2.3	1.7
Drammen	102,273	12	2.4	2.0
Total	169,194	12	2.2	1.8
Buskerud County	262,911	14	2.0	1.7
Norway	5,425,270	11	1.9	1.7

Source: Statistics Norway, Norwegian Labour and Welfare Administration.

RISK APPETITE

Risk appetite assessment
'a'

Skue Sparebank's risk profile assessment reflects the bank's strong capital and liquidity buffers, large share of low-risk exposure to the residential mortgage market, and its ability to transfer loans to Eika Boligkreditt. The bank has a regional concentration in Buskerud County, particularly in the region's real-estate markets.

Low risk appetite and increased focus on sustainability

Risk governance 'a'

In our view, Skue Sparebank's risk governance framework, risk appetite, limit monitoring, and risk reporting are in line with larger Nordic savings banks and above average compared with savings bank peers. The bank has low complexity and very low risk appetite beyond credit risk. Furthermore, the bank has well-defined guidelines to support anti-money laundering (AML) 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 has also established a green bond framework. In 2022, the board decided that Skue Sparebank should have the following ambitions for its own climate measures:

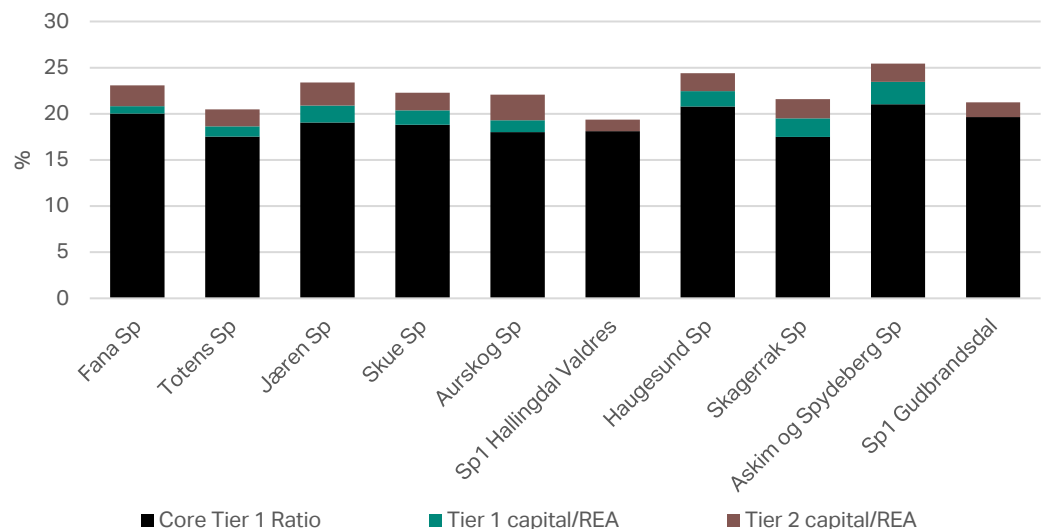
- A reduction in greenhouse gas emissions from operations by 30% by 2027.
- The goal of zero emission from cars by 2027.
- A reduction in greenhouse gas emissions from operations by 50% by 2030.
- Eco-Lighthouse certification by 2023.
- Starting work on measuring the carbon footprint of the credit portfolio in 2023.

Strong and increasing capitalisation

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%. Skue Sparebank's common equity Tier 1 (CET1) ratio was 19.3% as of 30 Jun. 2023 (19.9% including 50% of profits year to date), well above both the new minimum requirement of 16.6% and the internal CET1 target of 18.0%. We believe it will improve over the next few years due to low loan growth and the accumulation of profit. Our capital assessment is supported by NOK 150m in additional Tier 1 instruments (1.6% of REA). The bank had a leverage ratio of 9.8% as of 30 Jun. 2023, excluding year-to-date net profits (9.9% at year-end 2022), compared with a regulatory requirement of 3%.

Figure 6. Skue Sparebank vs domestic peer group capital ratios, 30 Jun. 2023



Source: bank reports.

We expect Skue Sparebank to expand its on-balance-sheet loan book by 4.0%–6.0% in 2024 and 2025. As a result of a higher net interest margin, reduced operating costs after implementing the new IT platform and moderate loan losses, we expect a return on equity of between 9% and 10% through 2025. In addition, we expect the bank to deliver a stable dividend pay-out ratio of 15% of net profit (50% of equity holders' share of profit and a modest gift allocation (to social and cultural activities in the region)) until 2025. This would result in increasing CET1 ratios over the next few years. When the CRD IV Directive is implemented in Norway (by 2026 at the earliest), we expect lower risk weights will meaningfully increase Skue Sparebank's CET1 ratio.

The Eika alliance provides an important funding source

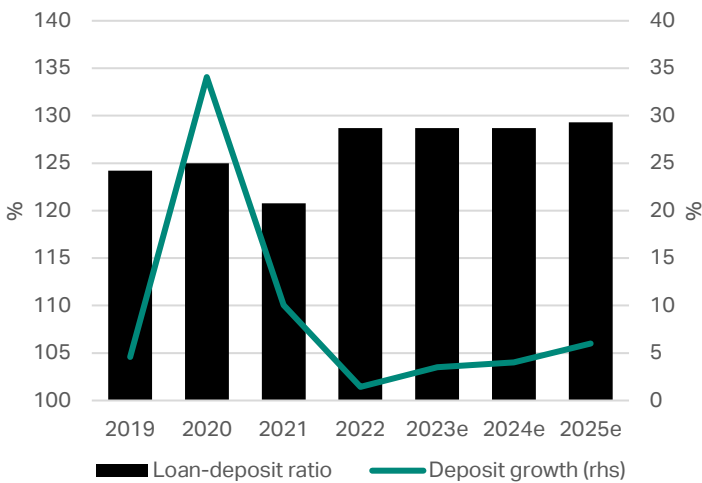
Skue Sparebank's funding and liquidity position is relatively strong, with a stable retail deposit base and demonstrated access to capital markets. Recent low deposit growth has driven the loan-to-deposit ratio up to 127% as of 30 Jun. 2023, from 121% at year-end 2021. The bank maintains strong liquidity buffers, at about 23% of customer deposits, and has access to a NOK 300m credit line from DNB. As of 30 Jun. 2023, the liquidity coverage ratio was 203%, well above its internal limit of 120% and historical average of around 149%. The bank's net stable funding ratio was 142% as of 30 Jun. 2023, in line with recent reported levels and well above the internal limit. We expect Skue Sparebank to maintain strong regulatory measures, given internal limits.

Skue Sparebank had NOK 3.9bn 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 Skue 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 it can achieve by itself. Skue Sparebank increased its transfer ratio to Eika Boligkreditt to 18.6% as of 30 Jun. 2023 (from 16.8% at year-end 2022), but this is still well below its 30% internal limit. The bank has a low transfer ratio compared with similar banks, which should allow it to increase its transfer ratio and limit if appropriate. We view this as supportive of its liquidity management.

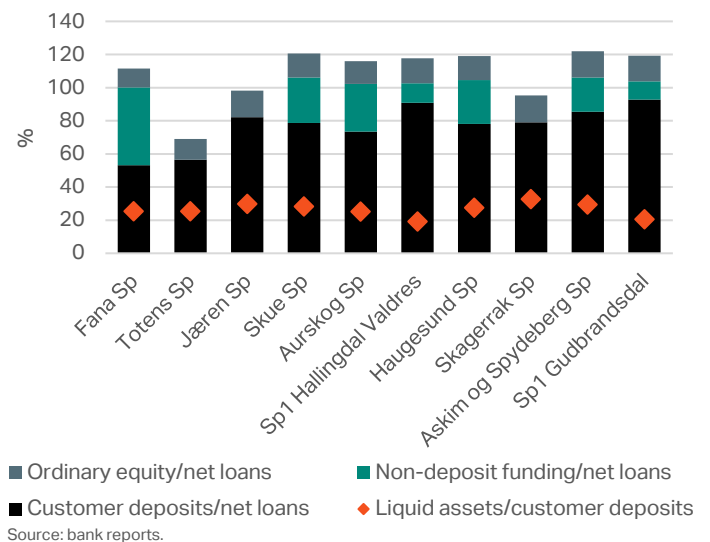
Funding and liquidity 'a'

Figure 7. Skue Sparebank deposit metrics, 2018–2025e



Based on company data. e-NCR estimate. 2020 growth affected by the acquisition of Hønesfoss Sparebank.

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



Source: bank reports.

Focus on mortgages provides stability

Skue Sparebank's loan portfolio mainly consists of retail mortgage loans (74% including transferred loans). The bank has a regional focus, albeit on a relatively diverse region. Housing prices and real-estate values in the region are falling in line with the Norwegian market as interest rates rise. However, housing price growth over the past decade has strengthened the bank's collateral, and more than 90% of retail loans are within 60% of collateral.

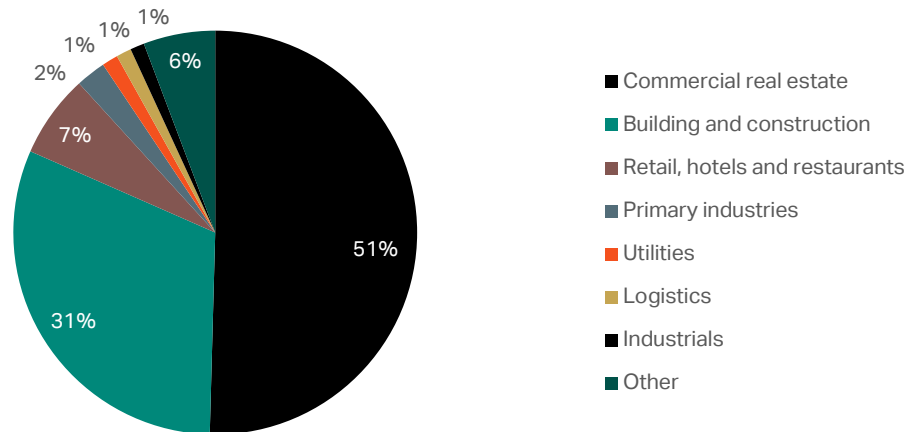
The bank had gross loan growth of 3.5% over the last 12 months, and saw 2% gross loan growth in the second quarter (including transferred loans). Loan growth on the bank's own balance sheet has been

Credit risk 'bbb'

somewhat lower, a trend that will continue, we believe. Our forecast includes loan growth on the bank's balance sheet of between 4% and 6% and growth on transferred loans of between 6% and 10%.

Skue Sparebank has increased the share of residential mortgage loans transferred to Eika Boligkreditt during 2023 in response to increased funding costs. As of 30 Jun. 2023, the bank had NOK 2.2bn 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, Skue Sparebank guarantees 1% of transferred loans and covers 80% of any net loss occurred by Eika Boligkreditt, with charges netted from commission payments for transferred loans.

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



Source: company.

As with most Norwegian savings banks, the main sectoral exposure for Skue Sparebank is to commercial real estate. This sector has historically been worst hit during banking crises, as in Norway in the early 1990s. We also regard construction as a high-risk sector, despite the summer 2023 floods creating more business. We are increasingly concerned about these sectors, due to rising interest and input costs, and falling property prices. We note, however, that the bank still has a falling trend in net non-performing corporate loans, which are at low levels compared with the pandemic period.

The high concentration of local real-estate collateral represents a potential weakness due to the risk of significant climate events or flooding along the region's rivers and lakes. We consider it positive that the bank is conducting evaluations of its exposure to physical climate risk and incorporating climate risk assessments into its credit processes.

Focus on core banking mitigates other risk factors

Other risks 'a'

We do not believe market risk is a material factor for Skue Sparebank, given the lack of a trading portfolio, and its low limits on interest rate risk and currency risk. The bank uses interest rate derivatives for hedging purposes.

Skue Sparebank has strategic ownership positions in Eika Gruppen (5.1% at year-end 2022) and Eika Boligkreditt (2.3%), 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+'

Skue Sparebank has a regional focus and a strong position in its historical core markets. While its market share in the region is about 6%, the bank has a strong position in Hallingdal in the northern part of Buskerud, with a share of about 24% of the retail market. SpareBank 1 Hallingdal Valdres is the main competitor here, while DNB is the market leader in the corporate segment. More than 60% of the bank's lending volumes are further south, in Drammen and Hønesfoss in particular. While market

share in these areas is in single digits, the growth is higher and the bank is taking market share. Its main competitors are the local banks in the SpareBank 1 Alliance, Sparebanken Øst and, particularly in the corporate segment, DNB and Handelsbanken.

The bank is the second largest in 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 Skue 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 Skue 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 earning in the years ahead. We expect these improvements to offset an anticipated increase in loan losses due to a slowdown in the overall economy.

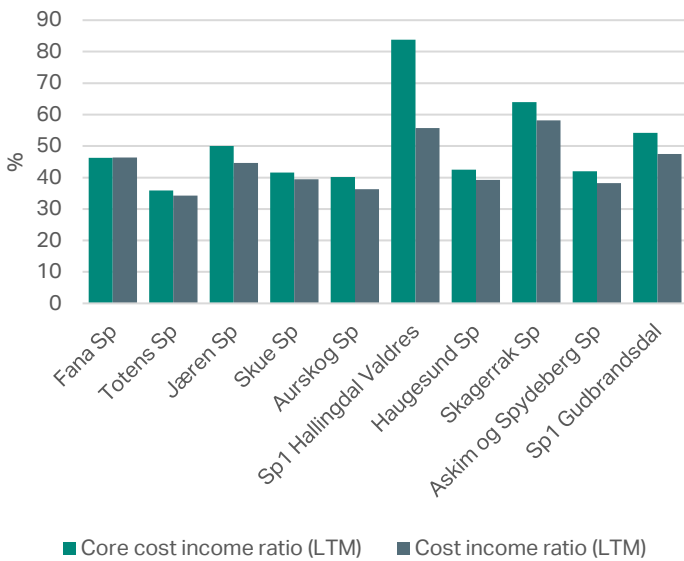
Earnings likely to remain strong

Earnings 'a+'

Rising interest rates have significantly improved Skue 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 flooding in summer 2023.

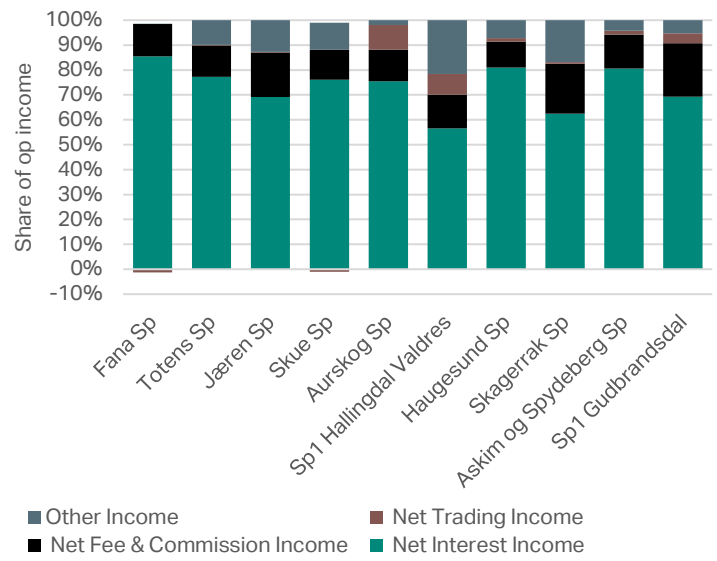
Skue Sparebank's costs have been negatively impacted in 2022 and the first half of 2023 by the implementation of its new IT system, but this should be offset over the next four years. The combination of improved income and increased cost efficiency from 2024 leads us to project a core cost-to-income ratio of about 40% in 2024 and 2025, compared with an average of 50% in the 2019–2022 period. 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' split between income groups, 30 Jun. 2023 LTM



Source: bank reports.

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

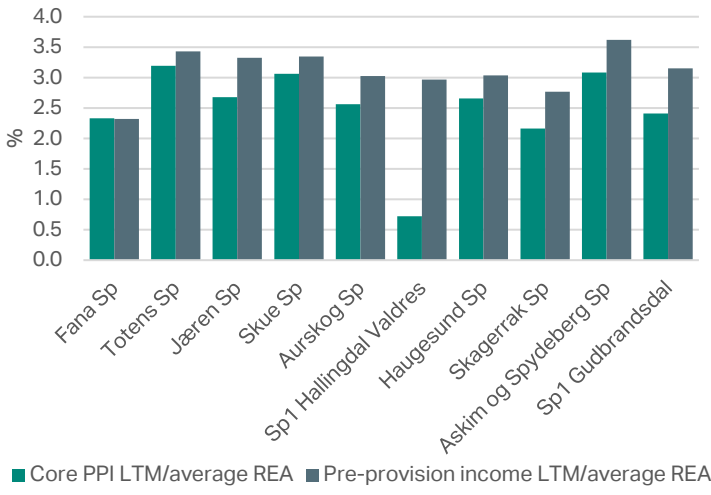
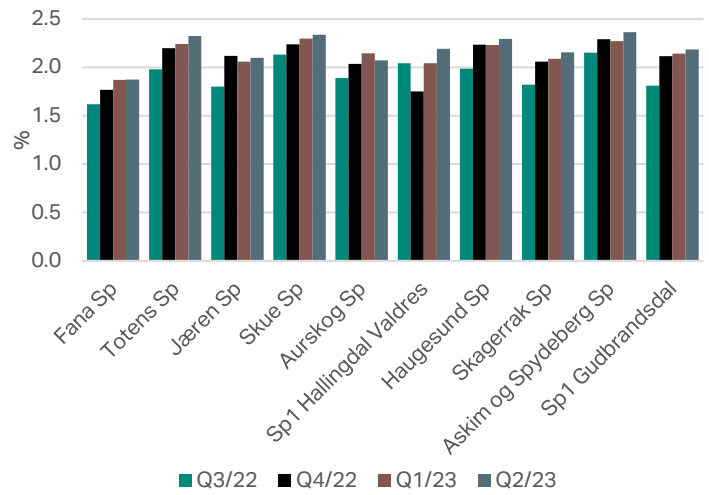


Figure 13. Norwegian savings banks' annualised net interest margin

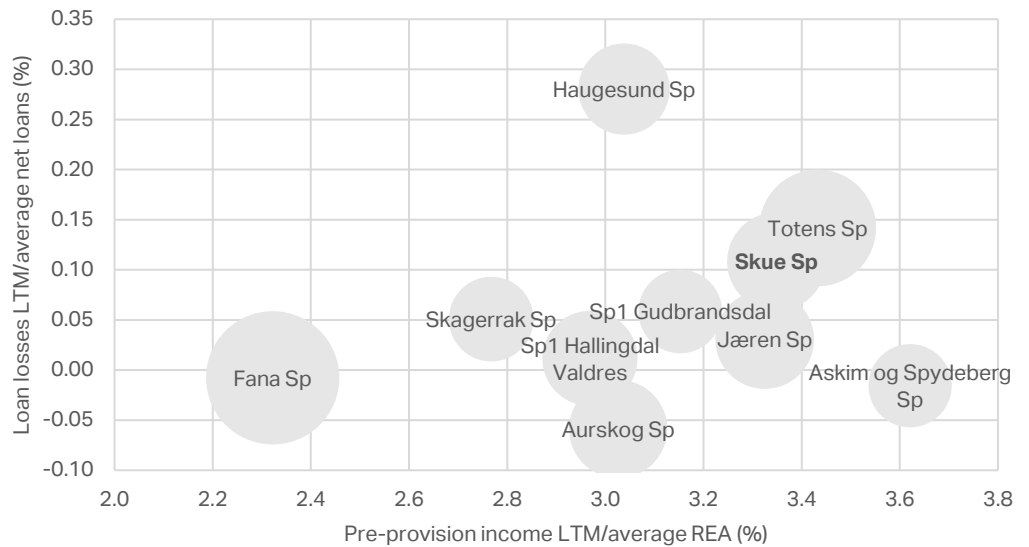


Loss performance 'a-'

Loan losses expected to remain moderate

Skue Sparebank booked loan losses of NOK 9.2m in the first half-year of 2023, compared with NOK 2.8m in net reversals in 2022. We project an increase in loan losses in 2023 and 2024 as the economy slows, but note that the bank maintains a NOK 8.3m general reserve beyond model-calculated write-downs in stage 2. We also anticipate that the bank's stage 3 loans will increase in line with an economic slowdown and project net stage 3 loans increasing towards 1% of net loans by 2024 in our base case. However, we expect the bank to continue to remain within the range of its domestic peer group.

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. Skue 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 (-) Loss performance (0)
Social engagement in local community	Close connection to regional markets provides a benefit.	Competitive position (+) Funding & liquidity (+) Earnings (+)
Sustainable/green bond framework	Diversity of funding sources, access to additional markets/investors.	Funding & liquidity (+)
Risk management frameworks	Risk-taking beyond limits in bank operations. Insufficient customer control 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) 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](#).

ADJUSTMENT FACTORS

Support analysis

Support analysis neutral

We view Skue Sparebank's ownership as neutral to our standalone credit assessment. The majority of the equity is self-owned (73%), while the remainder is owned by equity capital certificate (ECC) holders. Thus, the bank has access to the equity market if needed. Unlike many other savings banks, the bank does not have a foundation as the majority holder of its ECCs.

Figure 16. Skue Sparebank ownership structure, 30 Jun. 2023

Owner	Share of ECCs
Eika Egenkapitalbevis	8.2%
Børge Døskeland	6.6%
Salt Value AS	5.4%
MP Pensjon	4.8%
Kommunal Landspensjonskasse Gjensidige	4.3%
Other	70.7%
Total	100.0%

Source: company.

ISSUE RATINGS

Our rating on Skue Sparebank's unsecured senior debt is in line with the 'A-' issuer rating. The bank has outstanding Tier 2 instruments and additional Tier 1 instruments, which we rate one and three notches below the issuer rating, respectively. Consequently, the Tier 2 instrument is rated 'BBB+', while the Tier 1 instrument is rated '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 savings banks carry positive momentum into 2023](#), 24 Jan. 2023.
- (v) [Nordic consumer banks improve margins to offset higher loss provisions](#), 29 Nov. 2022.

Figure 17. Skue 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	75.0	76.8	75.5	75.6	79.9	80.2
Net fee income to op. revenue	17.6	16.7	17.5	17.3	14.0	12.4
Net trading income to op. revenue	1.2	-1.3	-0.2	-1.5	-2.8	-0.3
Net other income to op. revenue	6.2	7.8	7.3	8.6	8.9	7.7
EARNINGS						
Net interest income to financial assets	1.9	1.9	1.8	1.8	2.1	2.4
Net interest income to net loans	2.3	2.3	2.2	2.2	2.5	2.9
Pre-provision income to REA	2.4	2.6	1.9	2.5	3.0	3.7
Core pre-provision income to REA (NII & NF&C)	2.0	2.2	1.6	2.2	2.7	3.2
Return on ordinary equity	9.7	10.0	7.6	9.4	9.7	11.1
Return on assets	0.9	1.0	0.8	1.0	1.1	1.3
Cost-to-income ratio	49.7	47.8	60.2	47.1	43.1	38.4
Core cost-to-income ratio (NII & NF&C)	53.7	51.1	64.8	50.7	45.9	41.4
CAPITAL						
CET1 ratio	15.9	17.7	17.3	18.9	19.6	18.5
Tier 1 ratio	17.5	19.3	18.8	20.6	21.2	20.0
Capital ratio	19.4	21.8	20.8	22.7	23.2	21.9
REA to assets	53.5	48.7	52.3	49.3	48.4	49.6
Dividend payout ratio	16.3	21.4	19.9	12.8	15.4	15.0
Leverage ratio	8.9	9.0	9.4	9.8	10.0	9.9
GROWTH						
Asset growth	8.9	7.4	36.0	8.7	7.6	2.2
Loan growth	11.6	5.7	34.9	6.4	8.1	2.8
Deposit growth	1.8	4.6	34.1	10.1	1.4	0.4
LOSS PERFORMANCE						
Credit provisions to net loans	0.04	0.04	0.18	-0.05	0.02	0.12
Stage 3 coverage ratio		18.36	41.07	39.03	28.40	27.75
Stage 3 loans to gross loans		0.55	1.05	0.78	1.04	1.14
Net stage 3 loans to net loans		0.45	0.63	0.48	0.75	0.83
Net stage 3 loans/ordinary equity		3.76	4.82	3.59	5.27	5.66
FUNDING & LIQUIDITY						
Loan to deposit ratio	122.9	124.2	125.0	120.8	128.7	131.7
Liquid assets to deposit ratio	22.0	24.6	25.9	28.3	29.7	29.5
Net stable funding ratio	137.0	139.6	145.4	145.3	144.9	142.2
Liquidity coverage ratio	114.9	143.7	139.2	157.3	190.6	243.2
Key financials (NOKm)						
BALANCE SHEET						
Total assets	9,790	10,516	14,306	15,545	16,721	17,089
Total tangible assets	9,786	10,514	14,305	15,545	16,721	17,089
Total financial assets	9,692	10,412	14,153	15,399	16,587	16,956
Net loans and advances to customers	8,222	8,692	11,725	12,472	13,480	13,858
Total securities	1,187	1,357	2,088	2,630	2,534	2,580
Customer deposits	6,690	6,997	9,381	10,326	10,474	10,520
Issued securities	1,976	2,326	3,194	3,304	4,103	4,270
of which other senior debt	1,876	2,200	3,043	3,144	3,942	4,110
of which subordinated debt	101	126	151	160	160	161
Total equity	1,048	1,125	1,633	1,795	2,047	2,165
of which ordinary equity	963	1,040	1,523	1,665	1,917	2,035
CAPITAL						
Common equity tier 1	833	905	1,292	1,447	1,587	1,567
Tier 1	918	990	1,402	1,577	1,717	1,697
Total capital	1,018	1,115	1,552	1,737	1,877	1,857
REA	5,240	5,118	7,476	7,659	8,090	8,480
INCOME STATEMENT						
Operating revenues	238	254	299	358	412	369
Pre-provision operating profit	120	133	119	189	235	228
Impairments	5	3	19	-6	3	12
Net Income	89	100	98	149	174	165

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

Figure 18. Skue 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%	a-
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 19. Capital structure ratings

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

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