

# SpareBank 1 Østfold Akershus

Full Rating Report

## LONG-TERM RATING

**A**

## OUTLOOK

**Stable**

## SHORT-TERM RATING

**N2**

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## RATING RATIONALE

Our 'A' long-term issuer credit rating on SpareBank 1 Østfold Akershus (SB1 Østfold Akershus) reflects the bank's strong profitability and capitalisation, as well as its exposure to a growth region of Norway. The bank is part of the SpareBank 1 Alliance, which we view as supportive of business diversity, operating efficiency, and liquidity. The bank has strong pre-provision profitability, driven by strong net interest margins and a higher proportion of fee income within revenues than its peers, as well as strong cost efficiency. SB1 Østfold Akershus is predominantly a retail bank providing residential mortgages, but also has exposure to commercial real-estate lending. The rating is constrained by competition environment in the bank's operating region and geographic concentration in the loan book, as well as uncertainty about the commercial real-estate sector.

Unlike most Norwegian savings banks, SB1 Østfold Akershus' equity belongs almost entirely to the owners of the bank's equity capital certificates (ECCs). Consequently, the bank relies on the equity market to finance growth. Two foundations control about two-thirds of the ECCs. We view the ownership structure as supportive of our standalone credit assessment, but do not incorporate prospective support into the rating.

## STABLE OUTLOOK

The outlook is stable, reflecting our view that SB1 Østfold Akershus has been able to benefit from interest rate increases, while maintaining solid loan growth. We believe that a continued weak economy will lead to an increase in non-performing loans and loan-loss provisions, but that this will not have a material impact on the bank's stability or profitability.

## POTENTIAL POSITIVE RATING DRIVERS

- An upgrade is unlikely at this time, given earnings and capitalisation are already strong.

## POTENTIAL NEGATIVE RATING DRIVERS

- A material deterioration in the regional operating environment that negatively affects asset quality.
- Growth significantly outpacing capital generation, resulting in a Tier 1 ratio below 18% over a protracted period.
- Increased competition leading to lower profitability and a weaker market position.

Figure 1. SB1 Østfold Akershus key credit metrics, 2019–2025e

%	2019	2020	2021	2022	2023e	2024e	2025e
Net interest margin	1.9	1.8	1.7	2.2	2.7	2.5	2.4
Loan losses/net loans	-0.02	0.10	-0.03	0.04	0.09	0.15	0.08
Pre-provision Income /REA	3.3	2.7	2.8	2.8	3.1	3.4	3.1
Cost-to-income ratio	42.2	43.7	41.1	41.7	40.9	37.9	40.1
Return on ordinary equity	12.3	10.6	11.8	11.2	12.0	12.9	11.5
Loan growth	1.3	5.4	2.5	2.7	3.2	4.0	4.6
CET1 ratio	17.8	18.5	18.0	18.4	18.4	18.7	19.3
Tier 1 ratio	19.1	19.6	19.0	19.4	19.4	19.6	20.1

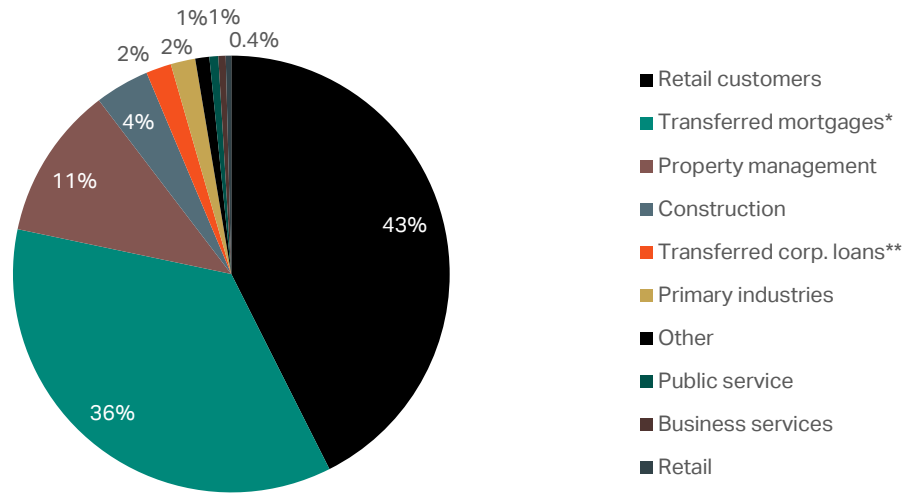
Based on NCR estimates and company data. e–estimate. REA–risk exposure amount. All metrics adjusted in line with NCR methodology.

**ISSUER PROFILE**

SB1 Østfold Akershus is a medium-sized Norwegian regional savings bank with origins dating back to 1835. The bank has operations in Østfold and Akershus in southeastern Norway. The region has a population of 450,000 and is within commuting distance of Oslo. The bank has seven branch offices and 224 employees (full-time equivalent).

SB1 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 12 independent savings banks, which cooperate on branding and provide a joint IT platform. Importantly, the Alliance allows individual banks to offer competitive products and achieve economies of scale in development projects and compliance.

**Figure 2. SB1 Østfold Akershus gross loans by sector/type, including transferred loans, 30 Sep. 2023**



Source: company. \*to SB1 Boligkreditt AS. \*\*to SB1 Næringskreditt AS.

**OPERATING ENVIRONMENT**

Operating environment assessment 'a'

SB1 Østfold Akershus operates in a region with a diverse industrial base and low reliance on the oil sector. Growth prospects are strong, supported by proximity to Oslo. We believe the wider economy will remain moderately weak over the next few years, with reduced economic activity caused by high inflation and sharp interest rate increases. At the same time, we believe the wider banking sector is well positioned to deal with these challenges.

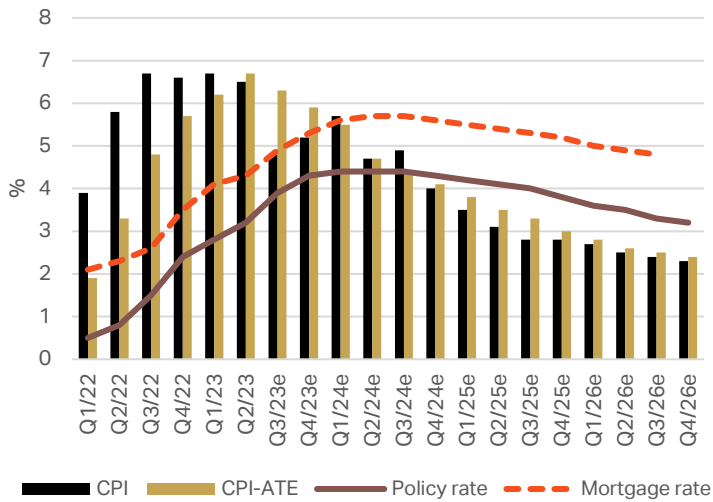
**Norwegian banks resilient to reduced economic activity**

National factors 'a'

The Norwegian economy has slowed in the course of 2023 as the country adapts to higher living costs and 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.

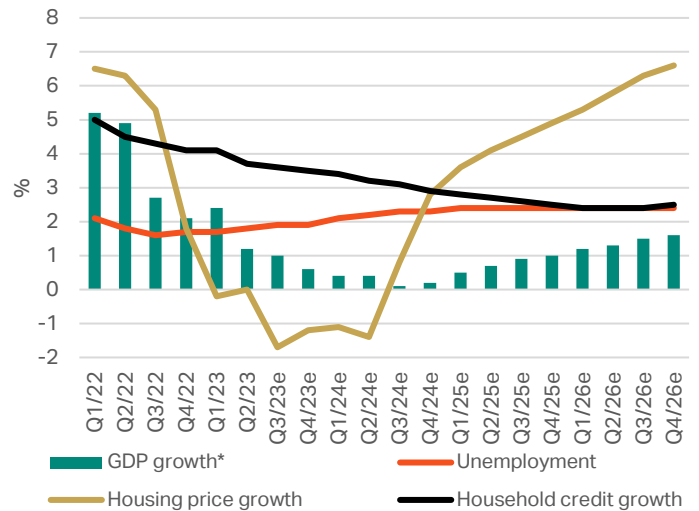
Norwegian savings banks are well capitalised and have strong pre-provision profitability, which makes them resilient to increased credit losses.

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



Source: Norges Bank. e-estimate. CPI-consumer price index. ATE-excluding energy, tax-adjusted.

Figure 4. Norwegian economic indicators, 2022–2026e



Source: Norges Bank. e-estimate. \*mainland Norway.

We believe further interest rate increases will have an increasingly negative impact on domestic banks' performances than they have so far. Low lending and deposit growth are likely to increase competition, limiting further margin improvements as policy rates increase. As a result, earnings are unlikely to fully compensate for higher loan-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.

**Operations located in a region of high growth**

Most of SB1 Østfold Akershus' lending is extended to borrowers located in Østfold and the southeastern part of Akershus county, a region close to Oslo. High real-estate prices in Oslo have led to significant housing and commercial real-estate development in the region. Population growth has increased in recent years, and we expect it to outpace country-wide population growth over the next few decades.

Figure 5. SB1 Østfold Akershus core markets

Municipality	Population, Dec. 2022	Expected population change, 2022–2050 (%)	Unemployment, Oct. 2023 (%)	Unemployment, Oct. 2022 (%)
Moss	50,290	17.0	2.4	2.4
Sarpsborg	58,182	11.9	2.9	2.9
Fredrikstad	83,892	14.4	2.7	2.6
Oslo	699,827	15.6	2.4	1.9
Viken (county)*	1,269,230	18.5	2.1	1.8
Norway	5,425,270	10	1.8	1.6

Source: Statistics Norway, Norwegian Labour and Welfare Administration. \*Will be split in Akershus, Buskerud, and Østfold counties from 1 Jan. 2024.

Unemployment in the region has for many years been higher than the Norwegian average but has improved in recent years. Over the past 12 months, the three main municipalities in SB1 Østfold Akershus' area of operation have shown stronger resilience to unemployment than the rest of the country. The region has seen housing prices fall moderately over the past 12 months, roughly in line with the rest of the country.

**RISK APPETITE**

SB1 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, in view of the bank's risk profile and complexity.

Regional, sectoral, and cross-border factors 'a'

Risk appetite assessment 'a'

Risk governance 'a-'

**Risk governance adequate for size and complexity**

SB1 Østfold Akershus is a medium-sized local bank and its operations are therefore less complex than those of larger banks. In our opinion, it has an adequate risk appetite framework and internal risk and compliance tools. It also has access to resources and tools developed by the Alliance. In our view, SB1 Østfold Akershus has allocated adequate resources to combat money laundering and improve customer surveillance and compliance. The Alliance also helps member banks to deal with compliance issues.

The bank has made significant headway in incorporating environmental, social and governance (ESG) factors into its credit process. It has not provided loans to oil service companies for some time, has vastly improved its ESG reporting in recent years, and established a green bond framework in 2022. In addition, the bank is working on extending its awareness of physical and transitional climate risk in its region of operation.

**Norwegian savings banks characterised by capital strength**

Capital 'a+'

Our assessment of SB1 Østfold Akershus' consolidated capital takes into account NOK 207m in additional tier 1 capital and NOK 230m in tier 2 capital. It also reflects the bank's strong profitability and ability to reduce dividends from its 50% target level in times of financial stress. As of 30 Sep. 2023, SB1 Østfold Akershus' consolidated CET1 ratio was 18.2%, and its total capital ratio was 20.2% (see Figure 8). The leverage ratio is strong, at 8.9%. We expect modest loan growth over the next few years, which, combined with increased earnings but somewhat elevated loan losses, implies improving capital ratios through our forecast period ending 2025 (see Figure 1).

Figure 6. SB1 Østfold Akershus and domestic savings bank peers capital ratios, 30 Sep. 2023

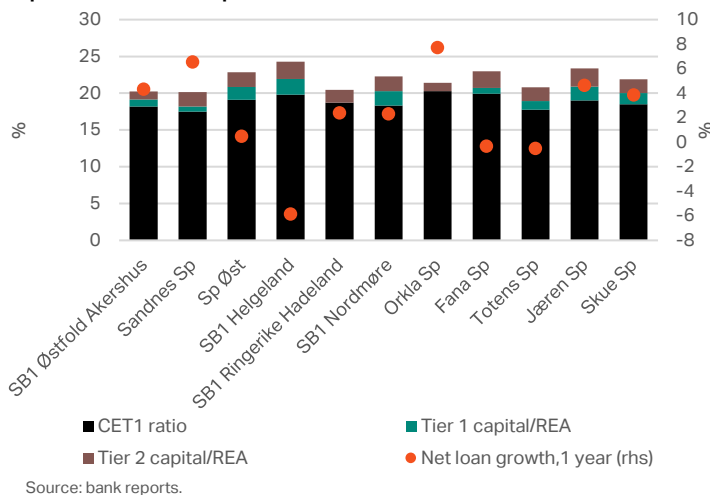
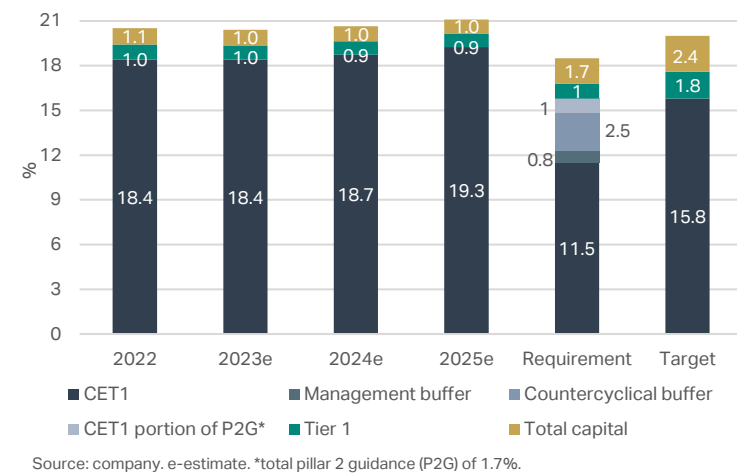


Figure 7. SB1 Østfold Akershus capital ratios 2022-2025e, and capital requirement and targets for end-2023



We understand that discussions are ongoing between Finance Norway and the Norwegian Financial Supervisory Authority about the risk-weighting of farmhouses. We would expect any change in this respect to have only a minor impact on SB1 Østfold Akershus' capital ratios. We also expect the EU's CRD IV capital directive to have a positive effect in Norway, but not until 2026 at the earliest.

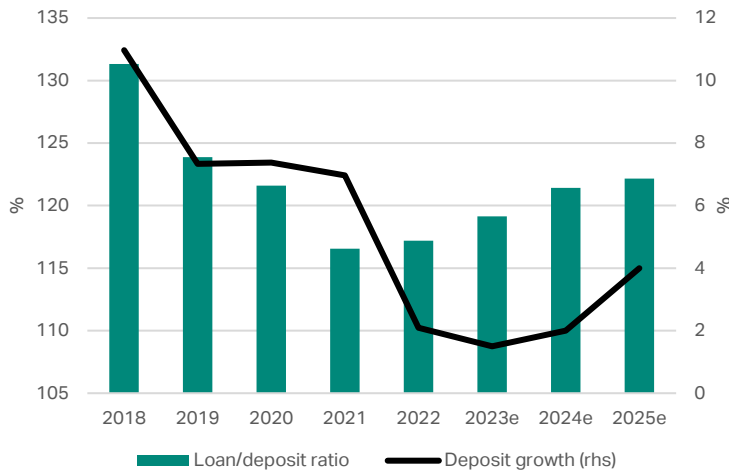
**Funding and liquidity satisfactory**

Funding and liquidity 'a'

We view SB1 Østfold Akershus' management of liquidity as satisfactory. As of 30 Sep. 2023, the liquidity coverage ratio was 150%, lower than historical levels but well above the minimum 100% requirement. The loan-to-deposit ratio was 119%, and we expect this to increase through our forecast period as loan growth is likely to outpace deposit supply. However, we have no concerns about SB1 Østfold Akershus' funding levels, due to the bank's ability to transfer additional loans and its access to the capital markets.

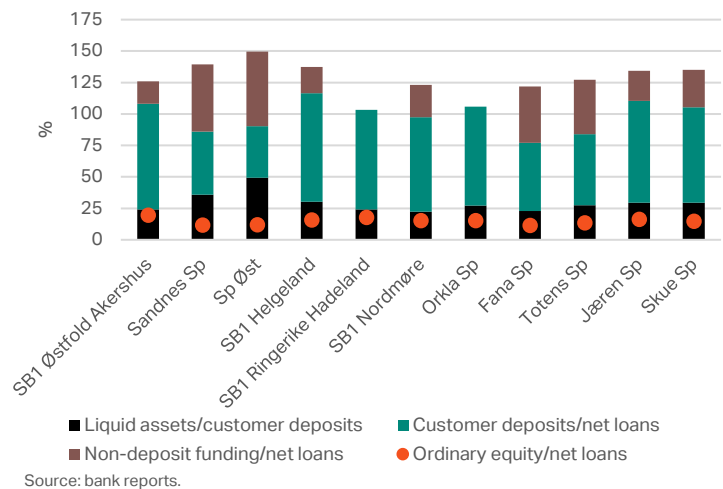
As of 30 Sep. 2023, SB1 Østfold Akershus had transferred NOK 13.2bn to the two covered-bond companies owned jointly by the SB1 Alliance, representing 38% of total lending (including transferred loans), broadly unchanged from a year earlier. The bank also has a significant buffer in loans that can be transferred to the covered-bond companies as a liquidity reserve.

Figure 8. SB1 Østfold Akershus deposit metrics, 2018-2025e



Source: company, e-estimate.

Figure 9. SB1 Østfold Akershus funding profile vs domestic savings bank peers, 30 Sep. 2023



Source: bank reports.

As of 30 Sep. 2023, SB1 Østfold Akershus had NOK 4bn in outstanding debt, corresponding to 17.6% of total liabilities. The bank has a green bond framework but has not issued within it since an initial issue in June 2022. The bank has NOK 1.1bn in debt maturing over the next 12 months, which we believe it will be able to absorb through deposits or refinance.

**Mortgage lending dominates product mix**

SB1 Østfold Akershus' loan portfolio consists mainly of retail mortgage loans to regional customers. The loans are mainly mortgage loans, and most are within 70% of loan to value.

Loan growth was 4.3% in the 12 months to 30 Sep. 2023 (2.8% including transferred loans). This compared with 3.7% growth in total domestic debt (in the 12 months to 30 Jun. 2023). While on-balance retail loans decreased slightly in the period, transferred mortgages grew by 4.1% and on-balance commercial loans rose by 15.6%. Commercial lending growth has far outpaced our expectations over the past year. In our forecast, we expect commercial lending to continue to grow steadily, despite a weaker economy, and that mortgage lending growth will be modest but positive, increasing slightly from the 1.6% growth recorded in the year to date.

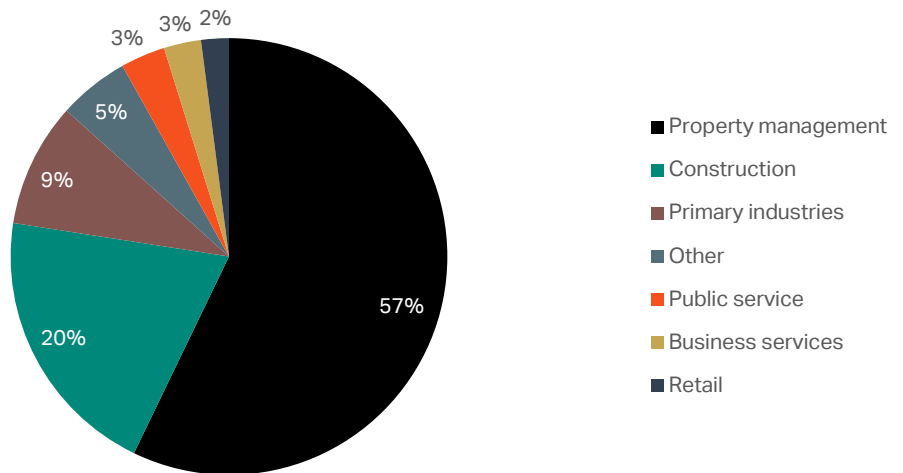
Credit risk on transferred mortgages and commercial loans is transferred to the SB1 Alliance covered-bond companies. What risk remains with the bank is ownership risk and a pro-rata 12-month liquidity guarantee (which can be passed on to the central bank via the deposit of covered bonds).

Apart from retail customers, SB1 Østfold Akershus' main sectoral exposure is to property management and construction. These sectors are currently under pressure due to sharp increases in interest rates, which in turn put pressure on valuations. Construction (including projects) has taken a particularly hard hit as a result of a decrease in demand and higher costs. We view the low loan-to-value ratios in the bank's loan portfolio as positive. However, the volume has increased over the past 12 months (by 16%, or NOK 192m) contrary to our expectations a year earlier that exposure to construction and projects would decrease as projects were finalised.

The bank's high concentration of local real-estate collateral could be negatively affected by significant climate events or flooding in the region of operation. In addition, increased climate volatility and higher temperatures could negatively affect the performance of agricultural businesses to which the bank has exposure. We take a positive view of the bank's evaluation of its exposure to climate risk and its incorporation of climate risk assessments into its credit processes.

Credit risk 'bbb'

Figure 10. SB1 Østfold Akershus gross corporate loans by sector, excluding transferred loans, 30 Sep. 2023



Source: company.

**Focus on core banking mitigates other risk factors**

Other risks 'a'

In our view, market risk is a negligible risk factor for SB1 Østfold Akershus, given its strategy of not holding a trading portfolio, and its low limits on interest rate and currency risk. The bank operates in a region with good access to skilled labour. Membership of the Alliance provides access to external competence and tools, and we believe this helps to reduce regulatory and other governance-related risk. The Alliance also provides fee-generating products, which reduce risk associated with, for example, fund management and securities brokerage. However, contributions from two jointly owned insurance companies, SpareBank 1 Forsikring AS and Fremtind Forsikring AS, could turn sharply negative and these companies might require capital support. While damage from storms earlier this year has dampened Fremtind Forsikring's earnings, the company remains well capitalised. Real-estate brokerage is organised in a separate company and we see limited risk in this business area.

**COMPETITIVE POSITION**

Competitive position assessment 'bbb+'

SB1 Østfold Akershus has the third-largest market share in its regional retail market, after DNB and Nordea, with about 11% of the retail lending market. In addition to large Nordic banks, several small savings banks in the Eika alliance have a presence in the bank's region of operations, particularly in rural areas. At a national level, SB1 Østfold Akershus' credit market share is below 1%.

SB1 Østfold Akershus has a growing real-estate brokerage business and expanded its accounting business by acquiring accountancy company Vigres AS in early 2023. The bank has a larger proportion of revenue from fee and commission income than its peers (see Figure 9). Some of the difference is due to relatively high transfers to covered-bond companies. We view the relationship with the Alliance as beneficial, as it diversifies the bank's product offering and revenue streams.

We consider SB1 Østfold Akershus' meaningful role in and financial contributions to its local market as a positive rating factor, as they strengthen the bond between the bank and its customers. A large part of the bank's dividends goes to the local community through the foundation owners, in addition to other donations from the bank.

**PERFORMANCE INDICATORS**

Performance indicators assessment 'a+'

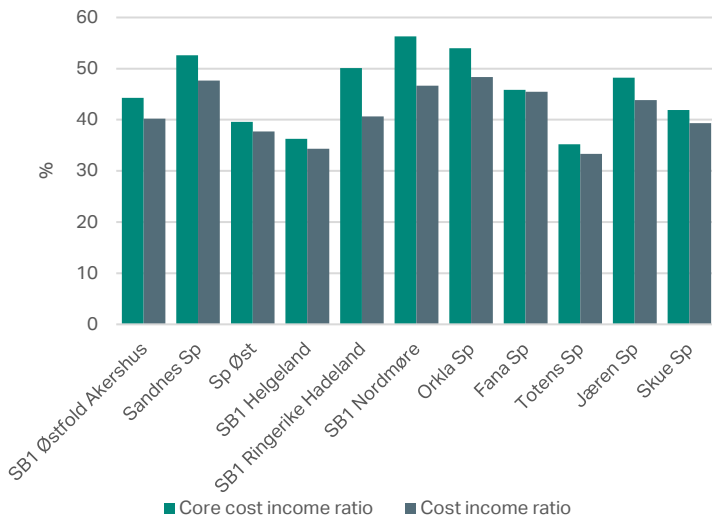
SB1 Østfold Akershus has undergone restructuring and has reduced risk since a change of management in 2013. In recent years, the bank has had higher profitability than its peer group average, due to stronger performances in all major areas affecting income and costs. In addition, loan losses have been lower than those of the wider peer group, averaging 3bps of lending in 2018–2022.

Earnings 'aa-'

**Earnings metrics stabilise at pre-COVID-19 levels**

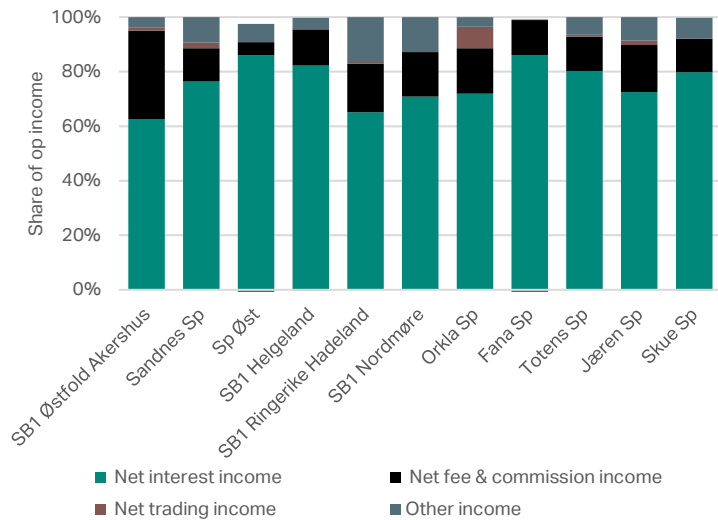
Risk-adjusted earnings (PPI over REA) have returned above 3% in the course of 2023, after decreasing amid low interest rates in 2020-2021. The main improvement is in core earnings (net interest income and net fee and commission income) and higher net interest margins. We expect slower growth in loans and deposits across Norway, which is likely to increase competition and limit further upside to margins. SB1 Østfold Akershus has improved cost efficiency in recent years, and we expect a cost-to-income ratio of around 40% through our forecast period. Reduced activity in the mortgage market is dampening net fee and commission income, and dividend income from the insurance business is likely to be low in 2023 due to storms in mid-year. Non-core PPI in 2024 (see Figure 1) includes a pay-out of about NOK 55m from Samspar AS in connection with the introduction of a new bank into the SB1 Alliance.

**Figure 11. Norwegian savings banks' cost efficiency metrics, LTM to 30 Sep. 2023**



Source: bank reports.

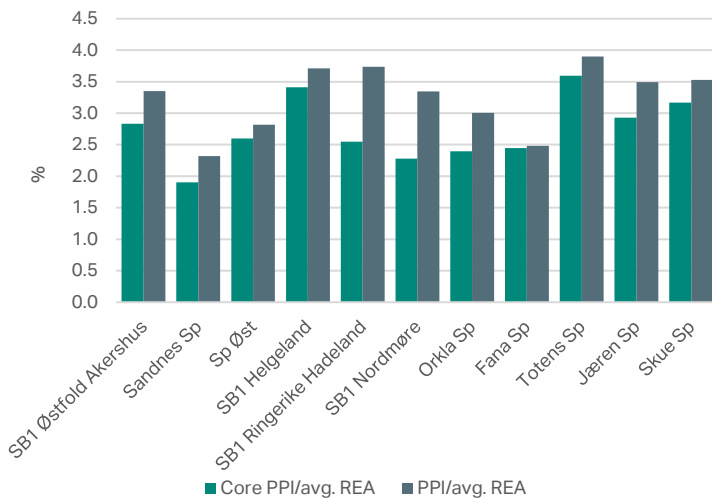
**Figure 12. Norwegian savings banks' split between income groups, LTM to 30 Sep. 2023**



Source: bank reports.

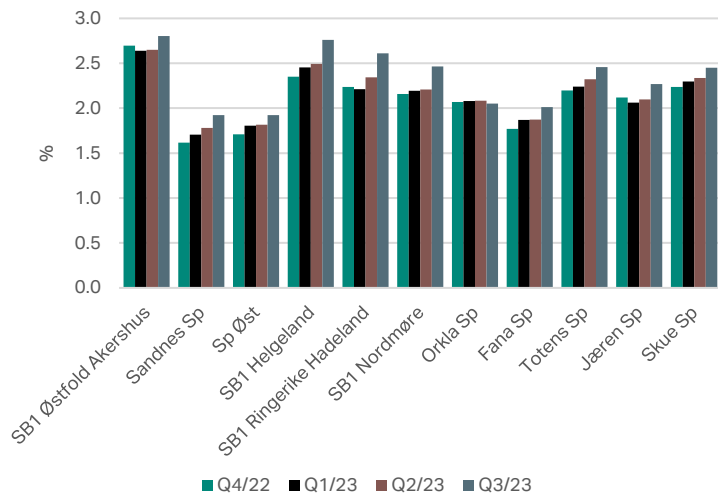
We consider SB1 Østfold Akershus on a consolidated basis and include dividend income in our assessment. However, for the purpose of peer comparability and assessing the profitability of the core banking operations, we also include the bank's standalone earnings metrics in our assessment.

**Figure 13. Norwegian savings banks' PPI to REA, LTM to 30 Sep. 2023**



Source: bank reports.

**Figure 14. Norwegian savings banks' annualised net interest margins, Q4 2022–Q3 2023**



Source: bank reports.

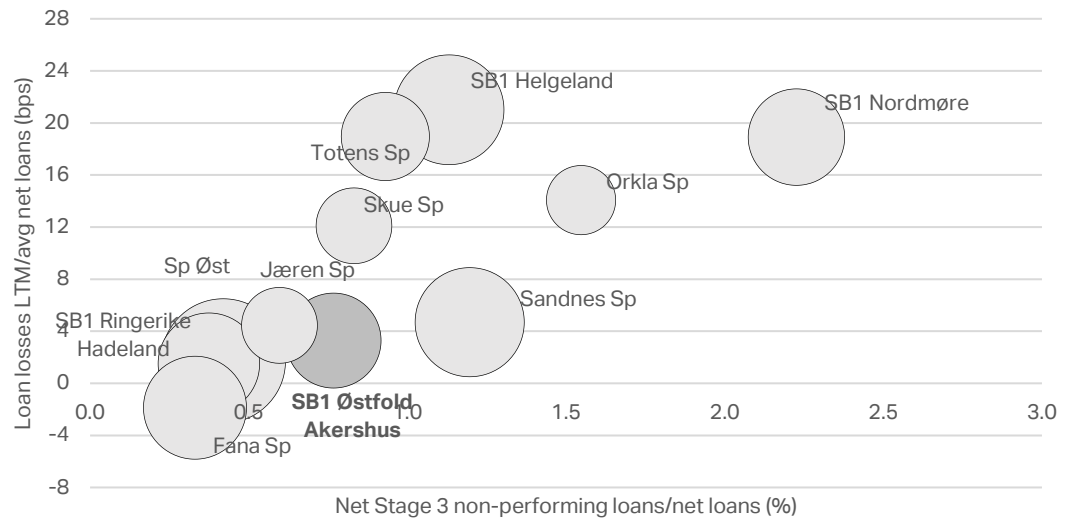
**Loss performance likely to weaken as economic indicators worsen**

SB1 Østfold Akershus reported loan losses of NOK 10m in the third quarter of 2023, which together with reversals earlier in the year led to net provisions of NOK 6m in the year to date. A NOK 10m

Loss performance 'a'

manual adjustment to provisions in early 2022 in response to uncertainty about commercial real estate exposures was reversed in the first quarter of 2023, with the bank reporting that this is now covered by provisions against individual exposures.

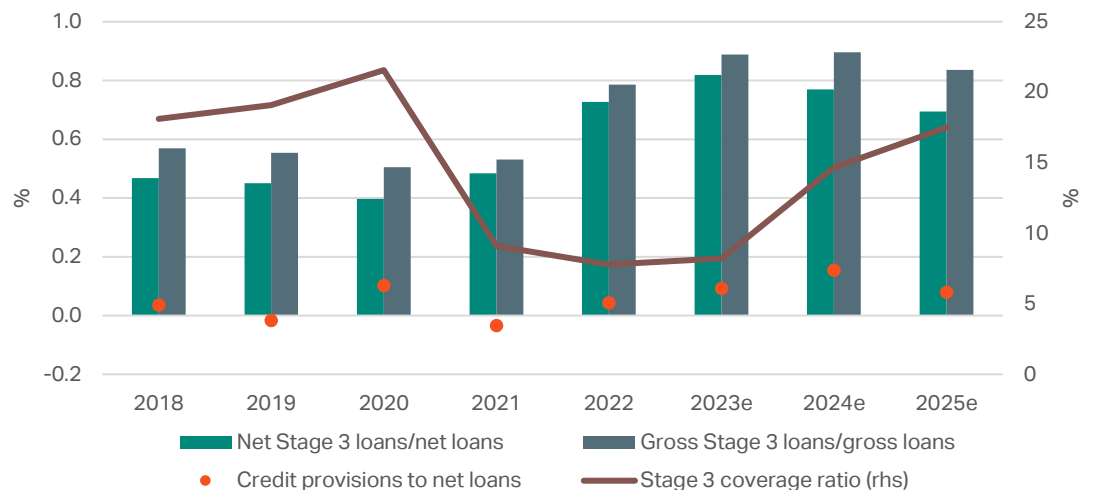
Figure 15. Norwegian savings banks' asset quality metrics, 30 Sep. 2023



Source: bank reports. Bubble sizes reflect net loan volumes.

We expect an elevated level of loan-loss provisions over our forecast period. While mortgage-related insolvencies are rare in Norway, an inability to pay amortisation can cause loans to be classified as non-performing. In the commercial real estate sector, we expect an increase in both insolvencies, as well as more temporary debt servicing difficulties. Consequently, we expect both an increase in the proportion of Stage 2 and Stage 3 loans to total loans, and an increase in loss reserves as a proportion of net loans in the remainder of 2023 and in 2024. We believe the bank is well positioned to meet any such increases and expect its loss performance to remain above its peer group average.

Figure 16. SB1 Østfold Akershus asset quality metrics, 2018–2025e



Source: company, e-estimate.

**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 SB1 Østfold Akershus' ESG profile as having a moderately positive impact on the bank's creditworthiness.



**Figure 17. SB1 Østfold Akershus 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 term effects on market values in flood risk areas.	Credit risk (-) Loss performance (0)
Physical climate risk to insurance revenue	Impact of significant weather/nature events on earnings from insurance business.	Earnings (-)
Social engagement in local community	Close connection to narrow regional markets provides a benefit.	Competitive position (++) Earnings (+) Funding & liquidity (+)
Sustainable green bond framework	Diversity of funding sources, access to additional markets and investors.	Funding & liquidity (+)
Anti-money laundering capacity	Risk of sanctions and fraud due to insufficient control of customers.	Risk governance (0)
Control of sustainability issues	Risk of overlooking sustainability impacts in 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

We view SB1 Østfold Akershus' ownership as supportive of our standalone credit assessment, but do not adjust to reflect this support. The bank's ECCs are listed on the Oslo Stock Exchange. The owners of the ECCs control 93.6% of the bank's equity, but under Norwegian law they control no more than 40% of the vote in the assembly of representatives. The largest owners are two foundations that control 64.5% of the bank's ECCs. The foundations exist to exercise long-term and stable ownership of the bank. They are obliged to maintain an ownership interest constituting 15% or more of the bank's issued equity capital. In addition to this, we believe they have a limited ability to meaningfully contribute to the bank's equity but consider it positive that the bank has access to the equity market.

Support analysis neutral

**Figure 18. SB1 Østfold Akershus ownership structure, 30 Sep. 2023**

Owner	Share of ECCs
SpareBank 1 Stiftelsen Østfold Akershus	39.3%
SpareBank 1 Stiftelsen Halden	25.2%
Pareto Invest AS	9.8%
VPF Eika Egenkapitalbevis	4.2%
Bank of New York Mellon SA/NV	1.7%
Spesialfondet Borea Utbytte	1.6%
Landkreditt Utbytte	1.5%
Kommunal Landspensjonskasse Gjensidige	1.5%
Wenaasgruppen	1.0%
Bergen Kommunale Pensjonskasse	0.6%
Other	13.6%
<b>Total</b>	<b>100.0%</b>

Source: bank.

### ISSUE RATINGS

Our rating on SB1 Østfold Akershus' unsecured senior debt is in line with the 'A' issuer rating. We rate the bank's Tier 2 instruments one notch below, at 'A-', and its additional Tier 1 instruments three notches below, at 'BBB', in line with our methodology.

### 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 19. SB1 Østfold Akershus key financial data, 2018–Q3 2023 YTD**

Key credit metrics (%)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Q3 2023 YTD
<b>INCOME COMPOSITION</b>						
Net interest income to op. revenue	50.5	50.8	50.8	46.5	57.5	62.7
Net fee income to op. revenue	36.1	32.1	37.5	39.1	35.4	32.0
Net trading income to op. revenue	2.7	0.6	-2.3	0.3	-0.4	
Net other income to op. revenue	10.7	16.5	14.0	14.0	7.5	5.3
<b>EARNINGS</b>						
Net interest income to financial assets	1.8	1.9	1.8	1.7	2.2	2.7
Net interest income to net loans	2.1	2.3	2.2	2.1	2.7	3.3
Pre-provision income to REA	3.4	3.3	2.7	2.8	2.8	3.1
Core pre-provision income to REA (NII & NF&C)	2.6	2.3	2.1	2.1	2.5	2.9
Return on ordinary equity	11.7	12.3	10.6	11.8	11.2	12.0
Return on assets	1.6	1.7	1.5	1.7	1.7	1.9
Cost-to-income ratio	44.7	42.2	43.7	41.1	41.7	41.2
Core cost-to-income ratio (NII & NF&C)	51.6	50.9	49.5	48.0	44.8	43.6
<b>CAPITAL</b>						
CET1 ratio	16.4	17.8	18.5	18.0	18.4	18.2
Tier 1 ratio	18.2	19.1	19.6	19.0	19.4	19.1
Capital ratio	19.3	20.5	20.8	20.2	20.5	20.2
REA to assets	53.7	70.3	71.9	76.5	77.4	78.8
Dividend payout ratio	35.9	50.5	36.9	11.7	45.1	
Leverage ratio	9.7	8.9	9.2	8.8	8.9	8.9
<b>GROWTH</b>						
Asset growth	11.9	2.4	6.8	2.8	1.2	2.1
Loan growth	11.3	1.3	5.4	2.5	2.7	2.8
Deposit growth	11.0	7.3	7.4	7.0	2.1	1.2
<b>LOSS PERFORMANCE</b>						
Credit provisions to net loans	0.04	-0.02	0.10	-0.03	0.04	0.04
Stage 3 coverage ratio	18.12	19.10	21.57	9.09	7.78	8.24
Stage 3 loans to gross loans	0.57	0.55	0.50	0.53	0.79	0.83
Net stage 3 loans to net loans	0.47	0.45	0.40	0.48	0.73	0.77
Net stage 3 loans/ordinary equity	2.78	2.54	2.23	2.55	3.71	3.92
<b>FUNDING &amp; LIQUIDITY</b>						
Loan to deposit ratio	131.3	123.9	121.6	116.6	117.2	119.0
Liquid assets to deposit ratio	28.2	26.8	28.0	27.0	24.7	24.2
Net stable funding ratio	121.0	152.0	154.0	142.0	133.0	126.0
Liquidity coverage ratio	209.0	123.0	303.0	257.2	187.5	150.0
<b>Key financials (NOKm)</b>						
<b>BALANCE SHEET</b>						
Total assets	23,437	24,004	25,641	26,353	26,674	27,237
Total tangible assets	23,435	24,004	25,641	26,353	26,674	27,203
Total financial assets	22,911	23,227	24,766	25,419	25,644	26,187
Net loans and advances to customers	18,857	19,093	20,125	20,632	21,181	21,764
Total securities	2,420	2,906	2,644	3,041	2,974	2,837
Customer deposits	14,359	15,412	16,549	17,701	18,072	18,292
Issued securities	5,358	4,837	4,882	4,290	3,921	4,009
of which other senior debt	5,047	4,686	4,732	4,139	3,770	3,858
of which subordinated debt	311	151	151	151	151	151
Total equity	3,330	3,534	3,739	4,077	4,300	4,259
of which ordinary equity	3,180	3,384	3,589	3,927	4,150	4,259
<b>CAPITAL</b>						
Common equity tier 1	2,063	3,012	3,405	3,634	3,799	3,904
Tier 1	2,289	3,223	3,610	3,836	4,008	4,112
Total capital	2,431	3,452	3,831	4,067	4,234	4,341
REA	12,580	16,877	18,431	20,173	20,642	21,471
<b>INCOME STATEMENT</b>						
Operating revenues	754	841	843	920	989	844
Pre-provision operating profit	417	486	475	542	577	496
Impairments	6	-3	20	-7	9	6
Net Income	358	404	369	443	452	378

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

**Figure 20. SB1 Østfold Akershus rating scorecard**

Subfactors	Impact	Score
National factors	10.0%	a
Regional, cross border, sector	10.0%	a
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%	bbb+
Earnings	7.5%	aa-
Loss performance	7.5%	a
Performance indicators	15.0%	a+
<b>Indicative credit assessment</b>		<b>a</b>
Transitions		Neutral
Peer calibration		Neutral
Borderline assessments		Neutral
<b>Stand-alone credit assessment</b>		<b>a</b>
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
<b>Issuer rating</b>		<b>A</b>
Outlook		Stable
<b>Short-term rating</b>		<b>N2</b>

**Figure 21. Capital structure ratings**

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

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