

Askim & Spydeberg 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 Askim & Spydeberg Sparebank reflects the bank's strong capital position and profitability, low risk appetite, and ready access to funding. The bank has a cooperation agreement with the Lokalbanc Alliance banking association, which we view as positive, as it provides product diversity, shared development costs, and the opportunity to finance residential retail mortgage loans through jointly owned covered-bond company Verd Boligkreditt AS.

We expect Askim & Spydeberg Sparebank to maintain strong earnings over our forecast period through 2026, despite pressure on its net interest margins due to peaking interest rates and growing competition. We further believe that strong earnings will keep the bank's cost/income ratio well below 50%. We expect loss performance to improve in the course of the forecast period to levels similar to those of the bank's regional peers after extraordinary losses in recent years, thereby providing a more accurate representation of the loan book.

The rating is constrained by Askim & Spydeberg Sparebank's concentrated exposure to residential and commercial real estate and the construction sector in northern Østfold county and the district of Follo. Although the bank has a strong market share in its core operating region, the rating is further constrained by the presence of a number of strong competitors.

STABLE OUTLOOK

The outlook is stable, reflecting our view that core earnings will remain robust due to high interest rates and strong cost efficiency, offsetting moderate credit losses. We believe the bank's strong capital position and diverse funding profile will prove resilient to low economic activity. The outlook also reflects our expectation that the bank will continue to invest in risk governance, resulting in risk governance standards in line with those of its domestic savings bank peers.

POTENTIAL POSITIVE RATING DRIVERS

- Consolidated Tier 1 ratio sustainably above 25%; and
- Pre-provision income to risk exposure amount (REA) sustainably above 3%; and
- A stronger market position in the district of Follo and northern Østfold county.

POTENTIAL NEGATIVE RATING DRIVERS

- Consolidated Tier 1 capital ratio below 20% over a protracted period.
- A material deterioration in the local operating environment that negatively affects asset quality.
- Risk-adjusted earnings metrics below 2% of REA for a protracted period.

Figure 1. Key credit metrics, 2020–2026e

%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	2.1	2.0	2.1	2.4	2.4	2.3	2.3
Loan losses/net loans	0.33	0.54	-0.08	0.22	0.21	0.18	0.15
Pre-provision income/REA	3.1	2.3	2.3	2.5	2.5	2.4	2.4
Cost-to-income	39.0	43.6	42.1	44.7	45.4	46.9	46.4
Return on ordinary equity	10.2	7.4	10.2	8.4	8.5	8.1	8.4
Loan growth	7.0	11.1	5.2	6.4	6.0	6.0	6.0
CET1 ratio	17.7	17.0	18.3	19.4	19.5	19.6	19.7
Tier 1 ratio	19.4	18.5	19.9	21.5	21.3	21.3	21.3

Source: company and NCR. e–estimate. All metrics adjusted in line with NCR methodology.

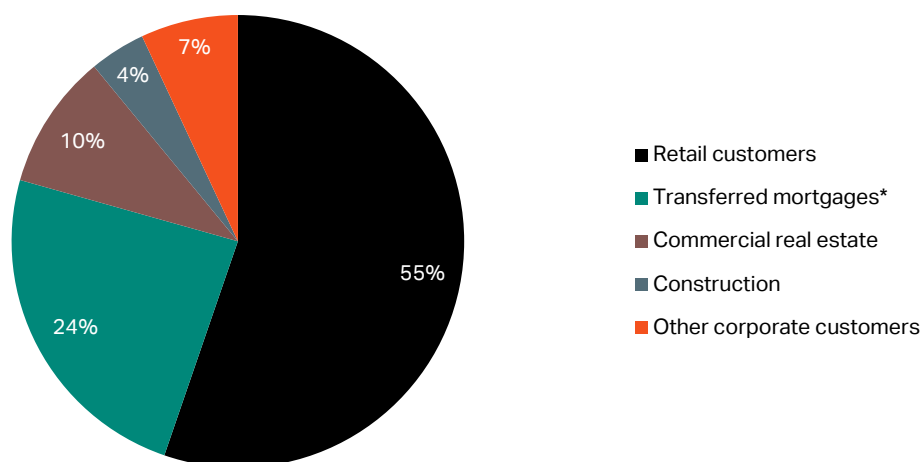
ISSUER PROFILE

Askim & Spydeberg Sparebank is an independent Norwegian savings banks formed through the merger of Askim Sparebank and Spydeberg Sparebank in 2015. The merged entities date back to 1988 and 1859, respectively. The bank has 61 employees, three branch offices, and NOK 16 billion in total business volumes (including off-balance sheet loans). Its core market is the northern region of Østfold county and the district of Follo. Retail customers, agricultural borrowers and SMEs account for its core customer base. The bank also owns a real estate agency. The largest owners are two foundations, which own most of the bank's equity capital certificates (ECCs).

Askim & Spydeberg Sparebank is one of 10 savings banks in the Lokalkbank Alliance, which it joined on 1 Jan. 2022, after leaving the Eika Alliance banking association. The Lokalkbank Alliance provides product diversity, builds customer loyalty, and helps to improve cost efficiency through the sharing of IT costs and joint efforts in risk management and compliance. It also provides the opportunity to finance residential mortgage loans through Verd Boligkreditt, a mid-size domestic issuer of covered bonds. Although the bank has left the Eika Alliance, it still has residential mortgages held with the association's covered-bond company, Eika Boligkreditt AS.

The Lokalkbank Alliance has, together with the DSS Alliance (seven small to mid-size savings banks) and three larger banks (Sparebanken Vest, Sparebanken Sør and Sparebanken Øst), joined Frendegruppen, a larger cooperative alliance of financial services providers. The banks in Frendegruppen have ownership stakes in and distribute products for insurance company Frende Forsikring, finance company Brage Finans AS, and securities company Norne Securities. In May 2024, the Lokalkbank and DSS banking alliances announced their intention to merge, boosting the potential for efficiency gains for the member banks.

Figure 2. Gross loans by sector (including transferred loans), 31 Mar. 2024



Source: company. *net loans transferred to Eika Boligkreditt and Verd Boligkreditt.

OPERATING ENVIRONMENT

Operating environment
assessment 'a-'

We consider a balance of national and regional factors in our assessment of the operating environment. Askim & Spydeberg Sparebank operates in a region with strong growth prospects, supported by proximity to Oslo. We believe that the national economy could weaken over the next few years due to reduced economic activity and the ongoing impact of high inflation but consider the Norwegian banking sector well positioned to cope.

Norwegian savings banks resilient to reduced economic activity

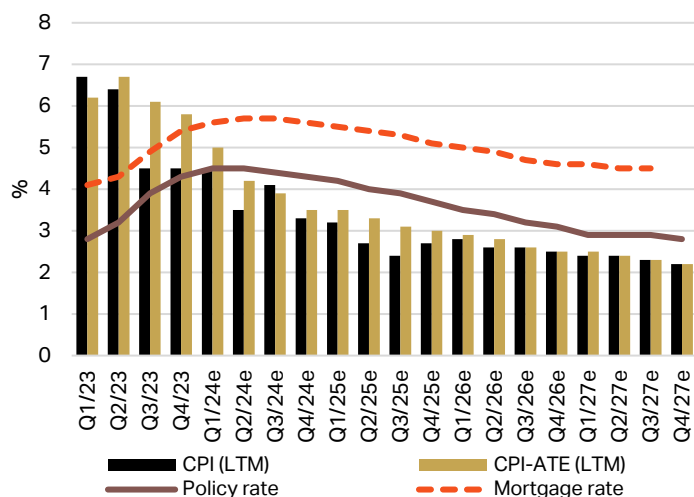
National factors 'a'

Rising interest rates have significantly increased net interest margins for Norwegian savings banks over the past two years. Together with strong lending growth, this has boosted earnings across the sector. However, we believe that core earnings growth in the sector will slow down this year due to greater competition and increased, albeit moderate, loan losses. Among NCR-rated Norwegian savings banks, we expect a marginal decline in core profit in 2024 but anticipate that normalisation of non-

core revenues will contribute to an 8% increase in pre-tax profit. We also believe that interest margins could prove more resilient than we previously anticipated due to continuing high interest rates.

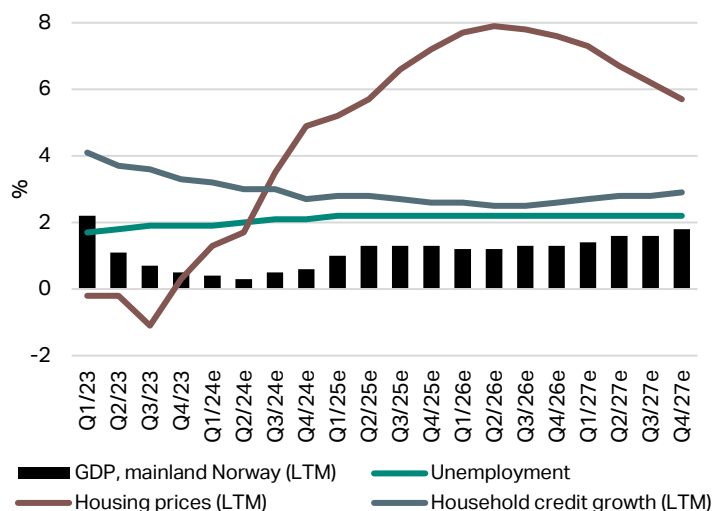
As intended, higher interest rates are helping to slow the economy. We believe that high interest rates and weak economic conditions will lead to a rise in loan-loss provisions among domestic savings banks over the next 12 months, but that levels will vary significantly between individual banks. Norway's savings banks are well capitalised and have strong pre-provision profitability, which makes them relatively resilient to increased credit losses.

Figure 3. Norwegian inflation and interest rates, 2023–2027e



Source: central bank. e-estimate. CPI-consumer price index. LTM-last 12 months. ATE-adjusted for tax changes and excluding energy products.

Figure 4. Norwegian economic indicators, 2023–2027e



Source: central bank. e-estimate.

Regional, sectoral, and cross-border factors

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

Askim & Spydeberg Sparebank's core markets in the northern region of Østfold county and the district of Follo account for about 80% of the bank's gross lending, while its deposits have a slightly more diverse geographic spread. The area is home to 180,000 of Norway's 5.5 million people (2023), is close to Oslo, and has good public transportation links. Population growth has increased in recent years, and we expect it to outpace country-wide population growth over the next few decades.

Unemployment in the region has for many years been higher than the Norwegian average. Over the past 12 months, the main municipalities in Askim & Spydeberg Sparebank's area of operation have shown marginally lower resilience to unemployment than the national average. Indre Østfold municipality is Norway's largest centre of agriculture, a sector which has historically enjoyed significant government support. In addition, the region has higher-than-average exposure to construction, which is currently experiencing a temporary slowdown. We expect the national unemployment rate to increase marginally due to lower economic activity.

Figure 5. Core markets

Municipality	Population, 1 Jan. 2023	Expected population change, 2023-2050 (%)	Unemployment, Mar. 2024 (%)	Unemployment, Mar. 2023 (%)
Nordre Follo	61,852	14.3	2.2	1.9
Indre Østfold	46,110	15.7	2.5	2.3
Ås	21,428	25.1	2.9	2.1
Vestby	19,051	25.2	2.0	1.8
Frogn	16,217	14.5	2.0	1.9
Enebakk	11,427	14.3	2.4	2.5
Skiptvet	3,906	23.1	1.5	1.5
Core markets	179,991	17.3	2.3	2.0
Norway	5,474,886	10.1	2.0	1.8

Source: Statistics Norway, Norwegian Labour and Welfare Administration.

High real-estate prices in Oslo have led to significant housing and commercial real-estate development in Askim & Spydeberg Sparebank's core markets. Anticipated interest rate cuts by end-2024 and a significant decline in building permits for new dwellings, especially in the Oslo region, should further support housing prices over the next few years.

RISK APPETITE

Risk appetite assessment
'a-'

Our assessment of Askim & Spydeberg Sparebank's risk profile reflects the bank's strong capital and liquidity buffers, large proportion of low-risk exposure to residential mortgage lending, and ability to transfer loans to Verd Boligkreditt. The bank has moderate loan growth, high customer concentrations in Østfold county and the district of Follo, and significant levels of property lending in the region. The risk appetite assessment also reflects a track record of weak compliance with governance frameworks.

Strong focus on risk governance improvements

Risk governance 'bbb-'

In our opinion, Askim & Spydeberg Sparebank's risk management has improved since 2022, but the bank's relatively recent track record of substandard governance negatively affects our assessment in comparison with its peers. In 2022, the bank was specifically monitored by Finanstilsynet, the Norwegian financial supervisory authority. This was due to issues arising from unconventional lending through a private individual acting as a broker and led to the dismissal of the bank's CEO. In addition, the bank was ordered to replace three board members following an external investigation into its governance practices. A further investigation of the bank's anti-money laundering practices led to NOK 9.5m in fines in 2023.

The bank and a third-party advisor have identified several areas for improved risk governance, which it began implementing in 2022. In addition, the change of banking alliance has led to a greater focus on governance. The bank has made several structural and management changes and is increasing spending on risk, compliance and anti-money laundering activities.

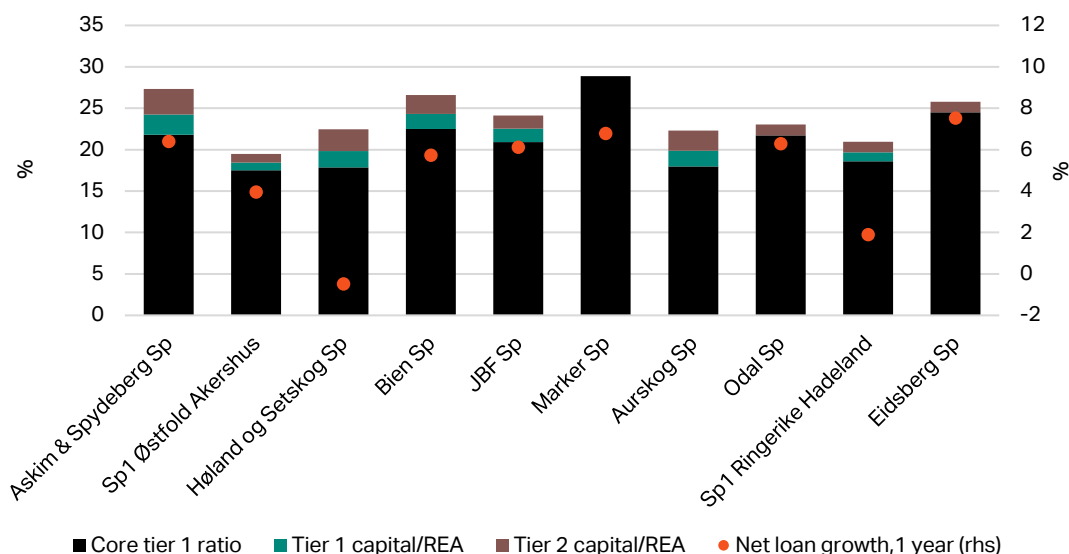
Already-strong capitalisation likely to increase due to new standard method

Capital 'a+'

Our capital assessment takes into consideration Askim & Spydeberg Sparebank's consolidated capital position, including its proportionate holdings in Eika Boligkreditt, Verd Boligkreditt, and Brage Finans. The bank's consolidated CET1 ratio was 19.8% and its Tier 1 ratio was 22.0% as of 31 Mar. 2024 (including 50% of profits in the first quarter of the year) compared with its respective targets of 16.5% and 18.5% (including a 1pp management buffer). The consolidated leverage ratio is adequate, at 9.1% against a requirement of 5.5%. We expect Askim & Spydeberg Sparebank to expand its on-balance-sheet loan book by 6% annually over the next three years. We also expect a return on equity of 8-8.5% through 2026 as a result of strong interest margins and moderate loan losses. We further expect some 40% of net income to be paid out as dividends to holders of ECCs or as contributions to the local community. Consequently, we expect the bank's capital ratios to remain relatively flat (see Figure 1). In addition, the bank has flexibility to reduce dividends to sustain strong capital ratios, if necessary.

A new standard method for calculating capital requirements for credit risk (CRR3) is scheduled to come into force in Norway from 1 Jan. 2025. The new method is more risk-sensitive and is likely to reduce capital requirements significantly for small and medium savings banks. We expect CRR3 will improve Askim & Spydeberg Sparebank's capital ratios by 1-2pp and believe it will improve savings banks' competitiveness by reducing the current disparity with larger banks which use the internal ratings-based approach. However, uncertainty remains about possible regulatory steps that could offset the likely positive effect on capital ratios. We have not taken the possible impact of the new standard method into account in our forecasts and assessments. Nor do we expect a significant change in REA due to a change in risk weights for agricultural loans reduced to 50% from 100%, which is anticipated by end-June 2024.

Figure 6. Norwegian savings bank capital ratios and loan growth*, 2023



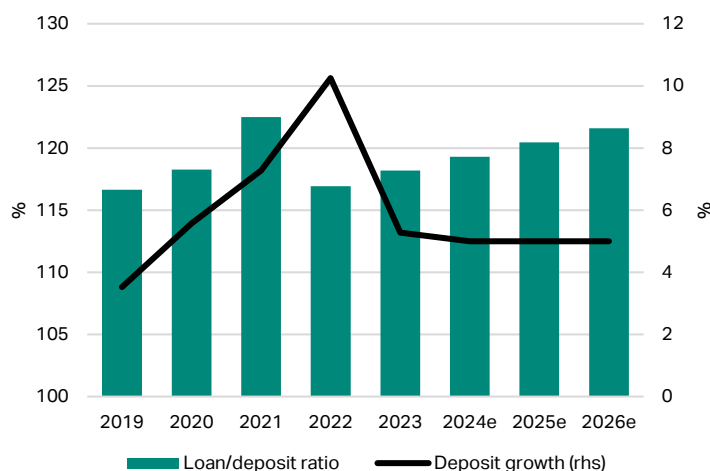
Source: bank reports. *Unconsolidated parent bank capital ratios.

Deposits and transfers of loans to covered bond company main funding sources

Funding and liquidity 'a'

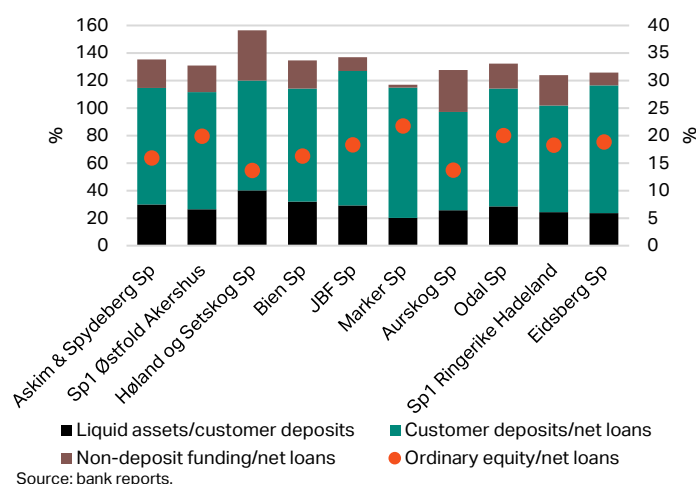
Askim & Spydeberg Sparebank's funding and liquidity position is relatively strong, with a stable retail deposit base and proven access to capital market funding. As of 31 Mar. 2024, the loan/ deposit ratio was 119%, in line with the bank's peer group average. Deposit growth has lagged lending growth slightly in the past year, and we are uncertain if it will keep pace through 2026. The bank maintains robust liquidity buffers, at about 30% of customer deposits, and has access to a NOK 220m credit line from DNB. As of 31 Mar. 2024, the liquidity coverage ratio was 495% and the net stable funding ratio 139%, well above the regulatory requirements of 100%. We expect the bank to maintain strong regulatory measures, given internal limits.

Figure 7. Deposit metrics, 2019-2026e



Source: company, e-estimate.

Figure 8. Norwegian savings bank funding profiles, 2023



Source: bank reports.

As of 31 Mar. 2024, Askim & Spydeberg Sparebank had NOK 2.2bn in outstanding senior bonds with maturities evenly spread through 2029. In our forecast, we expect the bank to refinance debt through new issuance on maturity. We also project that the loan/deposit ratio to rise due to a slightly higher lending growth than deposit growth and increased funding through senior unsecured debt.

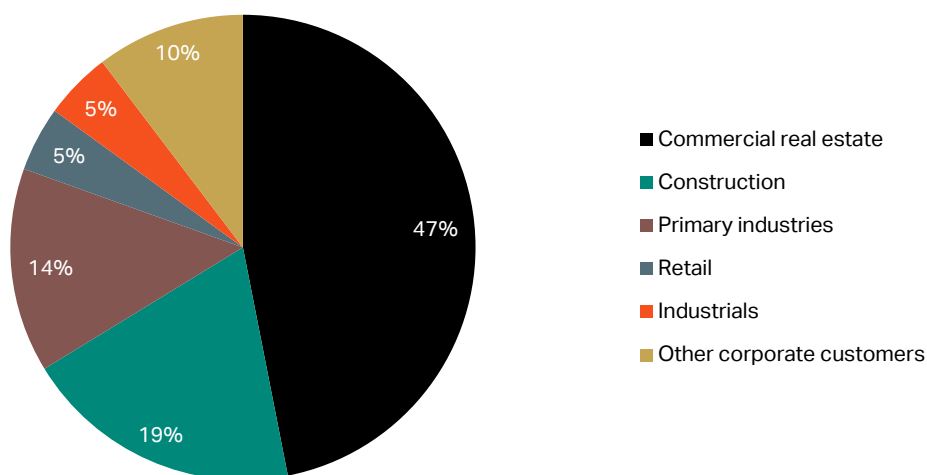
Verd Boligkreditt is a stable and important source of funding, providing the bank with access to more affordable funding, with longer terms to maturity, than it could source by itself. Eika Boligkreditt provided similar levels of funding source prior to the change of alliance. New loans earmarked for transfer are transferred to Verd Boligkreditt, although the bank retains a commitment to keep existing transferred loans placed with Eika Boligkreditt for a transitional period through 2028. As of 31 Mar.

2024, the bank had transferred 30% of its mortgage lending, well below its 50% internal limit. We view this as supportive of funding and liquidity management.

Loan book contains geographic and real-estate concentrations

Askim & Spydeberg Sparebank's loan portfolio has a strong regional focus, with about 95% of lending extended to borrowers in the counties of Østfold, Akershus, and Oslo. Some 82% of the bank's exposures (including transferred loans) are to private and agricultural customers and secured by housing and agricultural properties. While we regard this as low-risk credit, it nonetheless increases concentration on local borrowers and exposes the bank's collateral to any decline in property values. Housing prices and real-estate values in the region have been falling in line with the wider Norwegian market as interest rates have risen. Accordingly, housing price growth over the past decade has strengthened the bank's collateral.

Figure 9. Corporate gross loans by industry, 31 Mar. 2024



Source: company.

In the 12 months to 31 Mar. 2024, Askim & Spydeberg Sparebank had net loan growth of 3.4% (including transferred loans). On-balance-sheet net lending increased by 8.8%, while transferred loans decreased by 10.5%. Our forecast includes loan growth on the bank's balance sheet of 6% annually through 2026, and annual growth of 5% including transferred loans. Askim & Spydeberg Sparebank's main corporate exposure is to commercial real estate followed by construction and primary industries (agriculture and fisheries). We remain concerned about construction and commercial real estate lending, due to currently high interest and input costs, and falling property prices.

At end-2023, Askim & Spydeberg Sparebank had transferred loans amounting to NOK 3.4bn (2.6bn to Eika Boligkreditt and 0.7bn to Verd Boligkreditt). Such loans generate commission income, but the bank does not offload the associated risk. We expect it to take back all non-performing loans and replace loans exceeding loan-to-value limits to enable the mortgage companies to maintain clean cover pools. Askim & Spydeberg Sparebank has always accepted repatriated loans, but in the event that repatriation should prove not possible, the bank guarantees 1% of transferred loans and covers 80% of any net loss incurred by Eika Boligkreditt through a loss guarantee. The bank is jointly liable with existing Eika Alliance banks for losses not covered by the loss guarantee. Verd Boligkreditt has the right to offset credit losses against commission income due to the bank. Due to the high credit quality of transferred loans and repatriation agreements, neither mortgage company has ever incurred actual credit losses.

Increased regulatory burden a risk factor

Our assessment of 'other risks' is negatively impacted by the bank's track record of substandard risk governance and the possibility that the bank will be unable to attract qualified personnel to build its risk management competence to a satisfactory level.

At end-2023, Askim & Spydeberg Sparebank had strategic ownership positions in Verd Boligkreditt (4.8%), Eika Boligkreditt (3.4%), Frende Holding AS (0.8%), Balder Betaling AS (2.5%), Norne Securities

Credit risk 'bbb'

Other risks 'bbb'

(1.6%) and Brage Finans (0.8%). These companies provide the bank with access to the domestic covered-bond market, as well as insurance, asset management, real-estate agency, payments, and credit products. The ownership stakes also contribute to the bank's earnings through dividend income, as well as commission paid on transferred loans and savings.

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

COMPETITIVE POSITION

Competitive position
assessment 'bb+'

Askim & Spydeberg Sparebank has a local focus and a strong position in its core markets. The break with the Eika Alliance led to some loss of market share to three Eika Alliance banks operating in the region (Marker og Eidsberg Sparebank, Trøgstad Sparebank, and Aurskog Sparebank), due to loss of the insurance portfolio of Eika Forsikring, but the bank is now back on a growth track. DNB has the largest market share in Indre Østfold municipality, ahead of Askim & Spydeberg Sparebank, but is losing market share in the retail segment. SpareBank 1 Østfold Akershus is also losing market share in the municipality.

Askim & Spydeberg Sparebank has a weaker market position in Follo district, where larger banks have an active presence. However, the bank regards the district as a growth market and is increasing its presence in anticipation of a rise in inward migration.

Membership in the Lokalbanc Alliance diversifies revenues and enables Askim & Spydeberg Sparebank to provide a wider range of customer services than it could with its own resources. The bank distributes insurance products from Frende Forsikring, savings products and brokerage services from Norne Securities, and collateralised consumer lending and leasing products from Brage Finans. Eika Kredittbank remains Askim & Spydeberg Sparebank's preferred provider of credit cards, effectively offloading unsecured consumer lending from the bank's own balance sheet. Membership in the larger Frendeguppen alliance and the merger of the Lokalbanc and DSS alliances will, we believe, strengthen Askim & Spydeberg Sparebank's long-term competitive position through improved economies of scale and efficiency gains.

We regard Askim & Spydeberg Sparebank's contributions to its core markets as positive rating factors. The bank's primary environmental, social and governance (ESG) attribute is its strong sense of social responsibility to its local communities. The bank also funds social and cultural activities to support these communities.

PERFORMANCE INDICATORS

Performance indicators
assessment 'a-'

Askim & Spydeberg Sparebank has reported relatively strong profitability in recent years. We expect cost efficiency to remain strong with a cost/income ratio at around 45%, despite increased pressure on margins and increased allocation of resources to risk governance. Loan losses are likely to decrease after a period of additional losses associated with lending through unconventional channels.

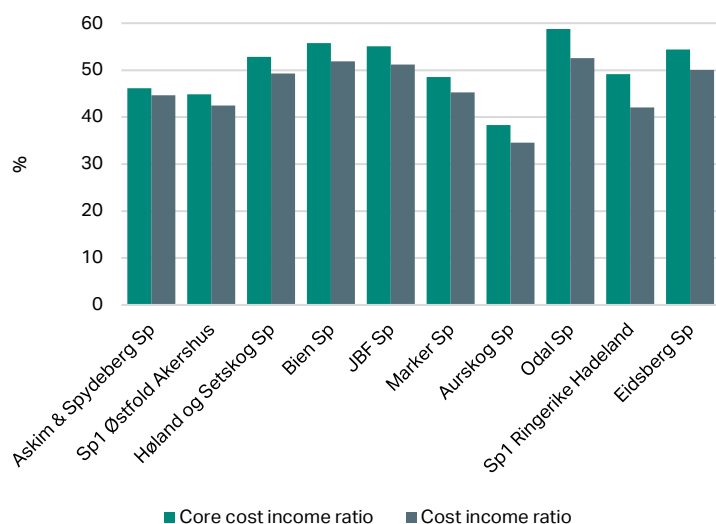
Improved interest margins and strong cost efficiency support earnings

Earnings 'a+'

Rising interest rates significantly improved Askim & Spydeberg Sparebank's net interest margin during 2023, following years of margin pressure due to low interest rates and competition for mortgage loans. We believe, however, that margins will peak during 2024 due to higher funding costs and increased competition as banks' profitability exceeds demand for loans. We note that the bank has a lower proportion of 'other' operating income than its peers (see Figure 12), which we believe is due to a loss of cross selling opportunities since it left the Eika Alliance. Positively, we believe that sales of insurance products from Frende Forsikring will gain increasing importance.

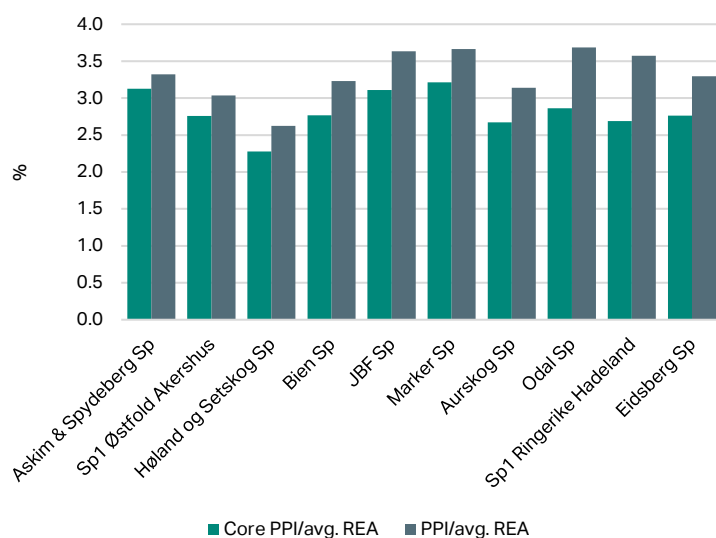
The bank operates with a cost/income ratio consistently below 50% (despite NOK 24m in one-off items in 2022-2023 to cover legal costs and fines). We believe that cost/income will remain at around 45% despite more resources allocated to risk governance. Accordingly, we also believe that consolidated pre-provision income (PPI)/REA will remain at around 2.5%.

Figure 10. Norwegian savings bank cost efficiency metrics*, 2023



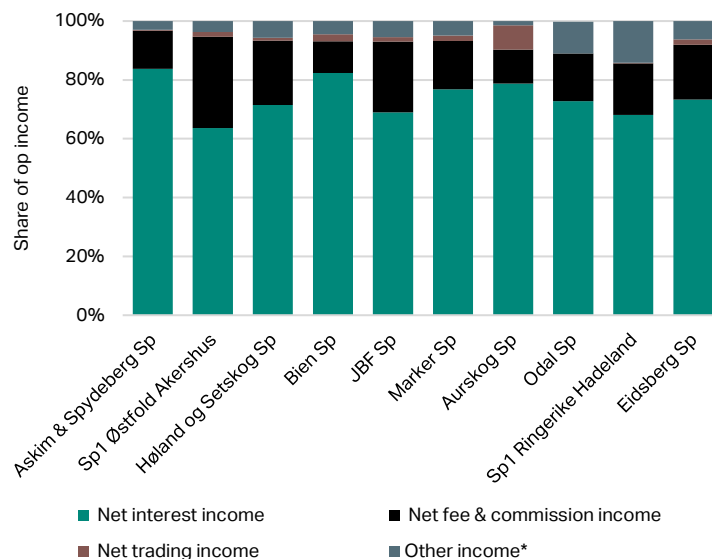
Source: bank reports. Core income includes net interest income and net fee & commission income.

Figure 12. Norwegian savings banks PPI to REA*, 2023



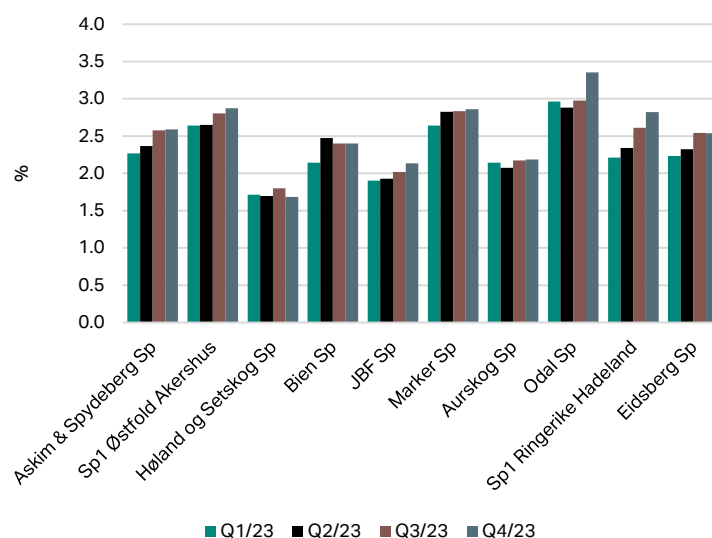
Source: bank reports. *Unconsolidated REA for parent banks.

Figure 11. Norwegian savings bank income breakdown, 2023



Source: bank reports.

Figure 13. Norwegian savings banks annualised net interest margins, Q1 2023–Q4 2023



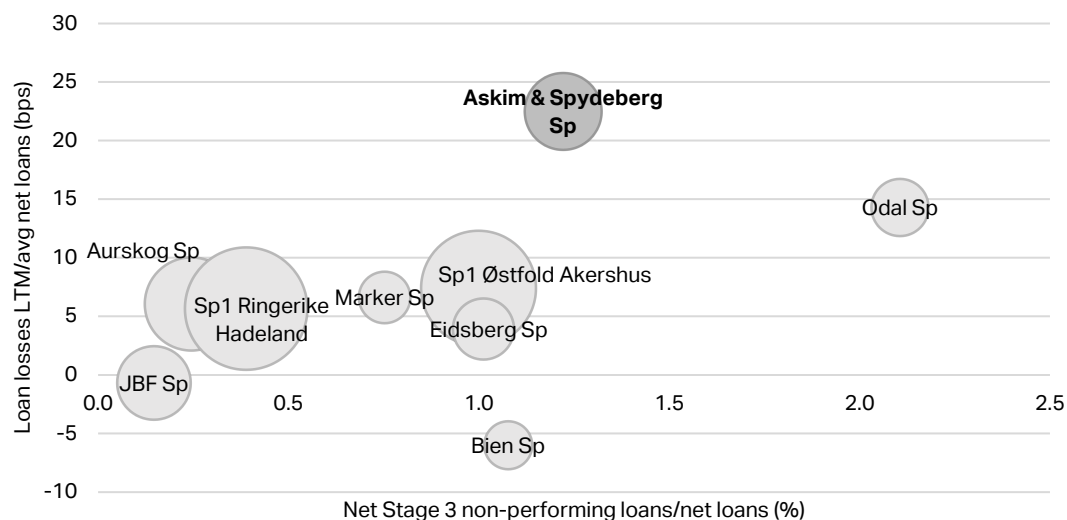
Source: bank reports.

Loan losses likely to fall

Loss performance 'bbb+'

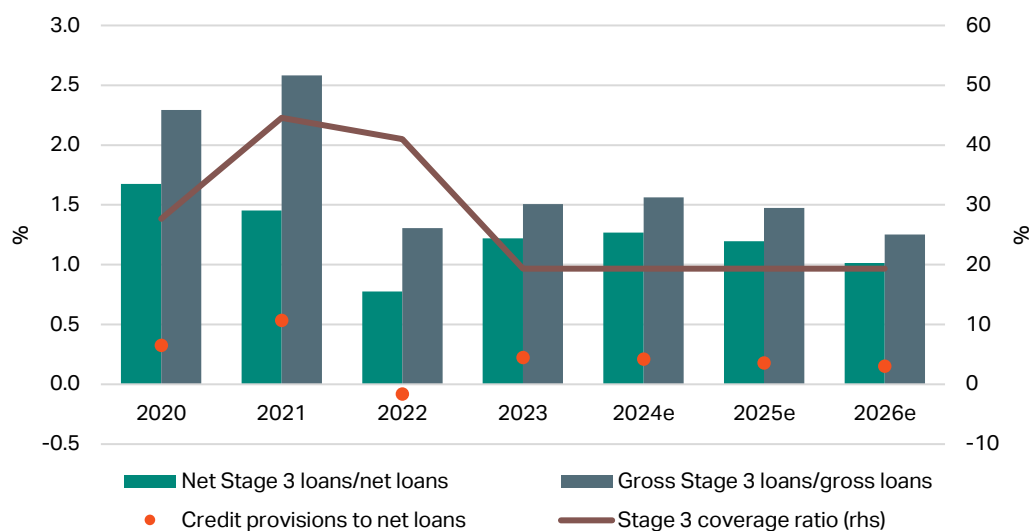
Loan losses have been volatile in recent years due to losses associated with loans brokered by a private individual and the COVID-19 pandemic. In 2023, the bank increased its model-based loan-loss provisions by NOK 9.4m as a precaution against higher credit losses. All but a few cases involving lending through unconventional channels have been resolved, with the exception of a few longstanding disputes involving the sale of pledged assets. We expect our projection of credit losses to better reflect the bank's underlying lending exposure than in recent history given the impact of fraud-related credit losses. We expect no further losses arising from additional cases related to unconventional lending and believe that annual loan losses in the 2024-2026 period will be lower than the 25bp average of the past four years, despite the current slowdown in the economy. While we expect loan losses to be somewhat higher than the bank's peer group average, we also believe that net Stage 3 loans to net loans will fall to the bank's peer group average over our forecast period.

Figure 14. Norwegian savings banks asset quality metrics, 2023



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

Figure 15. Asset quality metrics, 2020–2026e



Source: company, e-estimate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

Neutral 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 neutral impact on its creditworthiness.

Figure 16. 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 flood risk areas.	Credit risk (-) Loss performance (0)
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/investors.	Funding & liquidity (+)
Anti-money laundering capacity	Risk of sanctions and fraud due to insufficient reviews of customers.	Risk governance (-) Loss performance (-)
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 Askim & Spydeberg Sparebank's ownership as neutral to our standalone credit assessment. Nearly 88% of the bank's ECCs are controlled by two foundations whose main income comes from dividends from the bank. These are used to fund various activities in the local community, and the foundations have limited resources to support the bank. However, the funding of community activities strengthens local perception of the Askim & Spydeberg Sparebank brand.

Figure 17. Ownership structure, 31 Mar. 2024

Owner	Share of ECCs
Sparebankstiftelsen Askim	59.4%
Sparebankstiftelsen Spydeberg	28.4%
Peca Eiendom AS	2.3%
Asbjørg Kristine Langberg	1.3%
TTC Invest AS	1.1%
Other	7.6%
Total	100.0%

Source: company.

ISSUE RATINGS

Our rating on Askim & Spydeberg Sparebank's unsecured senior debt is in line with the 'A-' long-term 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, at 'BBB+' and 'BBB-'.

SHORT-TERM RATING

The 'N2' short-term rating is the higher of two possible alternatives given the 'A-' long-term issuer rating. It reflects Askim & Spydeberg Sparebank's access to central bank funding and our assessment

that the bank's liquidity is adequate (average liquidity coverage ratio of 443% over the last four quarters).

METHODOLOGIES USED

- (i) [Financial Institutions Rating Methodology](#), 14 Feb. 2024.
- (ii) [Rating Principles](#), 14 Feb. 2024.
- (iii) [Group and Government Support Rating Methodology](#), 14 Feb. 2024.

RELEVANT RESEARCH

- (i) [The pressure is rising for Nordic consumer banks](#), 13 Mar. 2024.
- (ii) [Swedish savings banks face weaker earnings and low loan growth in 2024](#), 6 Feb. 2024
- (iii) [Norwegian savings banks face margin squeeze in 2024](#), 11 Dec. 2023
- (iv) [Mid-sized Norwegian savings banks navigate economic challenges](#), 28 Aug. 2023.

Figure 18. Askim & Spydeberg Sparebank key financial data, 2020–2023

Key credit metrics (%)	FY 2020	FY 2021	FY 2022	FY 2023
INCOME COMPOSITION				
Net interest income to op. revenue	66.5	67.2	77.6	83.8
Net fee income to op. revenue	23.4	25.3	14.3	12.9
Net trading income to op. revenue	0.9	-1.5	3.5	0.3
Net other income to op. revenue	9.2	9.0	4.5	3.0
EARNINGS				
Net interest income to financial assets	2.1	2.0	2.1	2.4
Net interest income to net loans	2.6	2.4	2.7	3.1
Pre-provision income to REA	3.1	2.3	2.3	2.8
Core pre-provision income to REA (NII & NF&C)	2.6	2.0	2.0	2.7
Return on ordinary equity	10.2	7.4	10.2	8.4
Return on assets	1.3	1.0	1.3	1.1
Cost-to-income ratio	39.0	43.6	42.1	44.7
Core cost-to-income ratio (NII & NF&C)	43.4	47.1	45.8	46.2
CAPITAL				
CET1 ratio	17.7	17.0	18.3	21.8
Tier 1 ratio	19.4	18.5	19.9	24.2
Capital ratio	21.4	20.5	21.9	27.3
REA to assets	73.2	72.1	65.4	47.8
Dividend payout ratio	35.6	30.4	18.3	31.6
Leverage ratio	9.1	8.4	8.6	9.3
GROWTH				
Asset growth	6.5	12.9	9.2	4.6
Loan growth	7.0	11.1	5.2	6.4
Deposit growth	5.6	7.3	10.3	5.3
LOSS PERFORMANCE				
Credit provisions to net loans	0.33	0.54	-0.08	0.22
Stage 3 coverage ratio	27.66	44.55	41.00	19.34
Stage 3 loans to gross loans	2.29	2.58	1.31	1.51
Net stage 3 loans to net loans	1.67	1.45	0.78	1.22
Net stage 3 loans/ordinary equity	10.10	9.28	4.78	7.68
FUNDING & LIQUIDITY				
Loan to deposit ratio	118.3	122.5	116.9	118.2
Liquid assets to deposit ratio	24.1	27.4	32.0	29.9
Net stable funding ratio	114.0	119.1	139.8	140.0
Liquidity coverage ratio	117.0	186.5	576.7	474.0

Key financials (NOKm)	FY 2020	FY 2021	FY 2022	FY 2023
BALANCE SHEET				
Total assets	9,800	11,064	12,084	12,642
Total tangible assets	9,800	11,064	12,084	12,642
Total financial assets	9,729	10,985	12,031	12,595
Net loans and advances to customers	8,080	8,977	9,448	10,052
Total securities	1,250	1,456	1,842	1,840
Customer deposits	6,832	7,328	8,080	8,506
Issued securities	1,392	2,145	2,282	2,284
of which other senior debt	1,282	2,024	2,161	2,092
of which subordinated debt	110	120	121	192
Total equity	1,430	1,496	1,626	1,744
of which ordinary equity	1,340	1,405	1,535	1,599
CAPITAL				
Common equity tier 1	1,273	1,353	1,445	1,319
Tier 1	1,392	1,475	1,571	1,464
Total capital	1,537	1,635	1,733	1,652
REA	7,176	7,982	7,899	6,043
INCOME STATEMENT				
Operating revenues	302	310	318	358
Pre-provision operating profit	184	175	184	198
Impairments	26	46	-8	22
Net Income	124	102	150	131

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

Figure 19. Askim & Spydeberg Sparebank 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%	bbb-
Credit risk	10.0%	bbb
Market risk	-	-
Other risks	2.5%	bbb
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 20. Capital structure ratings

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

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