

Odal Sparebank

Full Rating Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'BBB+' long-term issuer rating on Norway-based Odal Sparebank reflects the bank's low risk appetite, and strong earnings and capital position. Despite total assets of only NOK 7bn, the bank has proven access to capital market financing and few concentrations in its mostly retail deposit base. The bank's ownership and cooperation with the Eika Alliance banking association ensures product diversity, shared development costs and the opportunity to finance residential retail mortgage loans through jointly owned covered-bond company Eika Boligkreditt AS.

We expect Odal Sparebank to maintain strong earnings over our forecast period through 2026, despite margin pressure as it pursues growth in the Kongsvinger and Romerike regions. We expect credit losses to remain modest but elevated, given the continued effects of recent cost inflation and higher interest rates.

The rating is constrained by geographical concentration in Odal Sparebank's loan book and a high share of real-estate and agriculture collateral in the bank's core markets. Although the bank has a very strong market share in the Odal region of south-east Norway, it faces stiffer competition in its other core markets.

STABLE OUTLOOK

The outlook is stable, reflecting our view that the bank's strong earnings will compensate for a weakened domestic economy and somewhat elevated credit provisions. Our forecast sees Odal Sparebank's cost efficiency remaining weaker than peers' due to investments in personnel in growth areas, risk governance and compliance. We expect the bank to maintain stable capital ratios, even excluding the potential positive impacts of implementing Capital Requirements Regulations III (CRR3), as it grows its corporate loan book in Kongsvinger and Romerike.

POTENTIAL POSITIVE RATING DRIVERS

- Pre-provision income to risk exposure amount (REA) sustainably above 3% and cost to income below 45%.
- Material reduction in Stage 3 non-performing loans.
- Improved market position in growth markets of Kongsvinger and Romerike.

POTENTIAL NEGATIVE RATING DRIVERS

- Consolidated Tier 1 capital ratio below 18% over a protracted period.
- A material deterioration in the local operating environment that negatively affects asset quality.
- Risk-adjusted earnings metrics below 1.5% for REA over a protracted period.

Figure 1. Key credit metrics, 2020–2026e*

%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	2.2	2.2	2.4	3.0	3.0	3.0	2.9
Loan losses/net loans	0.11	-0.04	0.04	0.14	0.11	0.12	0.10
Pre-provision income/REA*	2.1	2.3	2.2	2.6	2.8	2.9	2.9
Cost-to-income	55.0	45.8	49.7	52.6	52.6	51.1	49.9
Return on ordinary equity	8.0	9.9	8.6	8.9	9.6	9.5	9.5
Loan growth	10.7	4.3	3.4	6.3	7.0	8.0	8.0
CET1 ratio*	18.2	18.9	19.9	20.3	20.6	21.0	21.2
Tier 1 ratio*	18.6	19.2	20.5	20.7	21.0	21.3	21.5

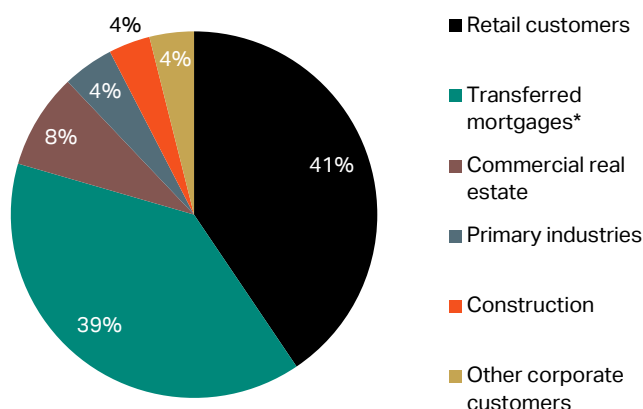
Source: company and NCR. e=estimate. CET1=common equity Tier 1. All metrics adjusted in line with NCR methodology. *Consolidated capital ratios and REA.

ISSUER PROFILE

Odal Sparebank was created in 1877 in Norway's Nord-Odal municipality and has since expanded its core market to the south and east. Odal Sparebank's primary market includes the Odal, Kongsvinger and Northern Romerike regions. As of 31 Mar. 2024, the bank had 61 employees and five branch offices, including its recently opened Råholt office in Eidsvoll County. As of 31 Mar. 2024, the bank had total net lending of NOK 9.5bn (including NOK 3.7bn in retail mortgage loans transferred to Eika Boligkreditt).

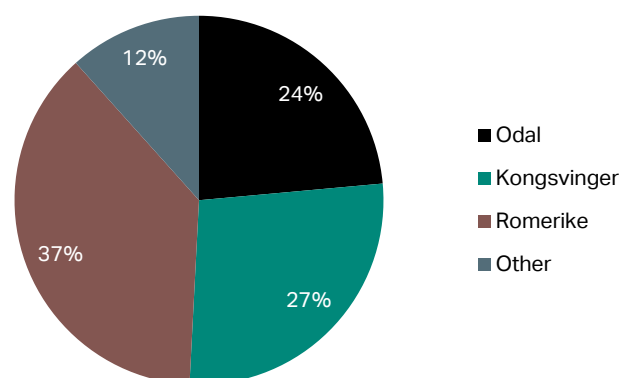
Odal Sparebank is primarily focused on core banking activities, but also owns a real-estate agency and bought 80% of an accounting firm in 2023. The bank is a member of the Eika Alliance, an association of over 50 small and medium-sized Norwegian savings banks. The association provides product diversity 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 mortgages via Eika Boligkreditt, Norway's fifth-largest issuer of covered bonds.

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



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

Figure 3. Gross loans by region (including transferred loans), 31 Dec. 2023



Source: company.

OPERATING ENVIRONMENT

Operating environment assessment 'a-'

We consider a balance of national and regional factors in our assessment of the operating environment. Odal Sparebank operates in a region with a wide variation in economic growth prospects. We believe that the national economy could weaken somewhat 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.

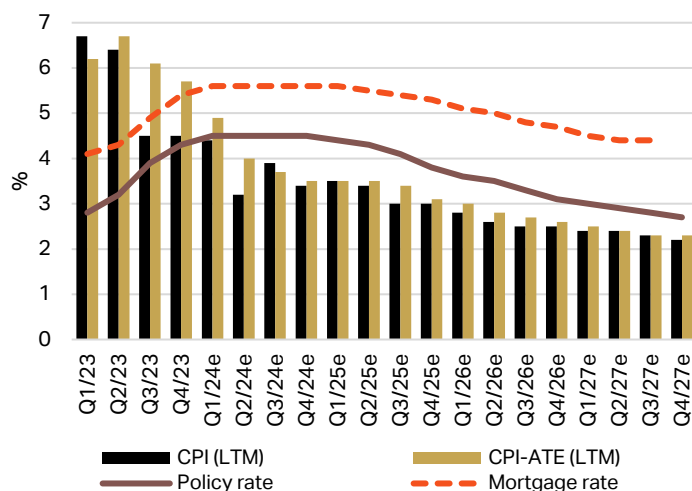
Norwegian savings banks resilient to reduced economic activity

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 the 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.

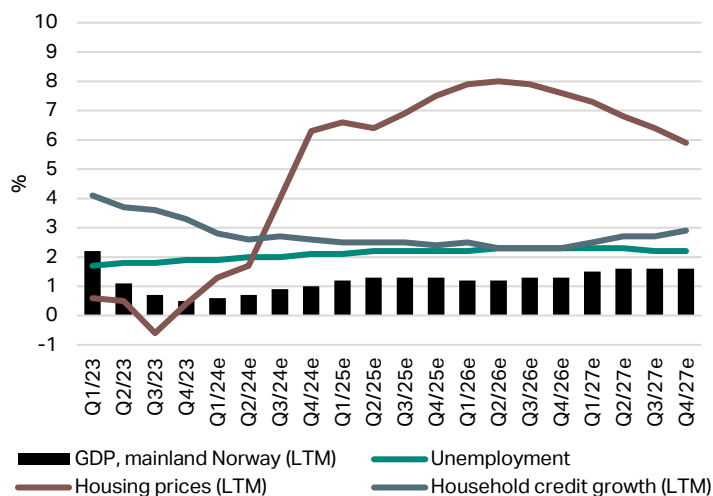
As intended, higher interest rates are leading to a slowing of the economy. We believe that high interest rates and weak economic conditions will result in higher loan-loss provisions among domestic savings banks over the next 12 months, but that levels will vary significantly between individual banks.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

Figure 4. 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 5. Norwegian economic indicators, 2023–2027e



Source: central bank, e-estimate.

Rapid growth in Romerike and low growth in Odal and Kongsvinger

Odal Sparebank's core market combines the municipalities of Sør-Odal, Nord-Odal, Kongsvinger and Eidsvoll in southern Innlandet County, as well as the northern municipalities of Akershus County in the Øvre Romerike region. The bank's core market is a combination of rapid-growth markets in Ullensaker and Eidsvoll in the south and municipalities with more modest growth expectations in the north. The split also reflects the distance to the metropolitan Oslo area, with the Akershus municipalities benefitting from relatively short commutes to the capital city. With the exception of Ullensaker, where Oslo Gardermoen Airport is located, the region has a relatively high share of government employment, particularly in the social and healthcare sector. The region also has larger industry, forestry and agriculture segments than the national average.

In total, Odal Sparebank's core markets have somewhat higher growth and unemployment rates than the national average. However, the bank's core markets differ in terms of growth prospects and age profile. The Romerike region has higher income levels, higher growth rates and a younger population than the other core markets. This difference is reflected in the bank's recent loan growth and its strategy to grow in Romerike, including the opening of its new branch in Råholt (Eidsvoll). Housing prices in the Romerike region are close to Norwegian averages and significantly higher than the other core municipalities, where prices are nearly half as high and sales volumes are considerably lower.

Figure 6. Core markets

Municipality	Region	Population 2024	Expected population change 2022–2050 (%)	Unemployment April 2023 (%)	Unemployment April 2024 (%)
Eidskog	Kongsvinger	6,040	0.7	2.2	2.3
Kongsvinger	Kongsvinger	18,058	2.7	1.7	1.8
Nord-Odal	Odal	4,992	-4.9	2.1	1.9
Sør-Odal	Odal	8,112	9.4	1.7	1.7
Eidsvoll	Romerike	27,916	28.6	2.0	2.2
Gjerdrum	Romerike	7,398	27.2	1.8	2.3
Ullensaker	Romerike	43,814	31.6	3.2	3.3
Core markets		116,330	21.1	2.4	2.5
Norway		5,550,203	11.2	1.8	2.0

Source: Statistics Norway, Norwegian Labour and Welfare Administration.

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

RISK APPETITE

Risk appetite assessment
'a-'

Our assessment of Odal Sparebank's risk profile reflects the bank's strong capital, diverse funding access, large proportion of residential mortgage lending and its ability to transfer loans to Eika Boligkreditt. The bank has some regional concentrations in its core markets and a significant proportion of property lending.

Adding internal personnel to improve on Eika Alliance resources

Risk governance 'a-'

In our view, Odal Sparebank's risk governance framework, risk appetite, limit monitoring and risk reporting are in proportion to its balance sheet and risk profile. As part of increasing its workforce in 2023, the bank added full-time employees in the areas of risk governance, anti-money laundering and compliance to ensure its resources grow in line with its expanding portfolio. The bank has well-defined guidelines for the risk governance function and relevant risk areas. It has also established anti-money laundering routines and policies, reducing the risk of related regulatory fines and associated losses. The bank's internal risk reporting and ICAAP are proportional to its risk profile.

Odal Sparebank has made significant efforts to support a sustainable profile. In addition to significant social contributions to the local community, the bank has developed a strong environmental profile, having developed a green bond framework with established guidelines to identify sustainable or certified real-estate collateral. In addition, it is in the process of obtaining Miljøfyrtårn/Eco-Lighthouse environmental certification for each of its branch offices. The cooperation with the Eika Alliance provides additional resources for future risk governance and sustainability development, and around half of the bank's mortgage portfolio is financed through Eika Boligkreditt, which has also established a framework for the issuance of green bonds.

Capital generation supports growth prospects

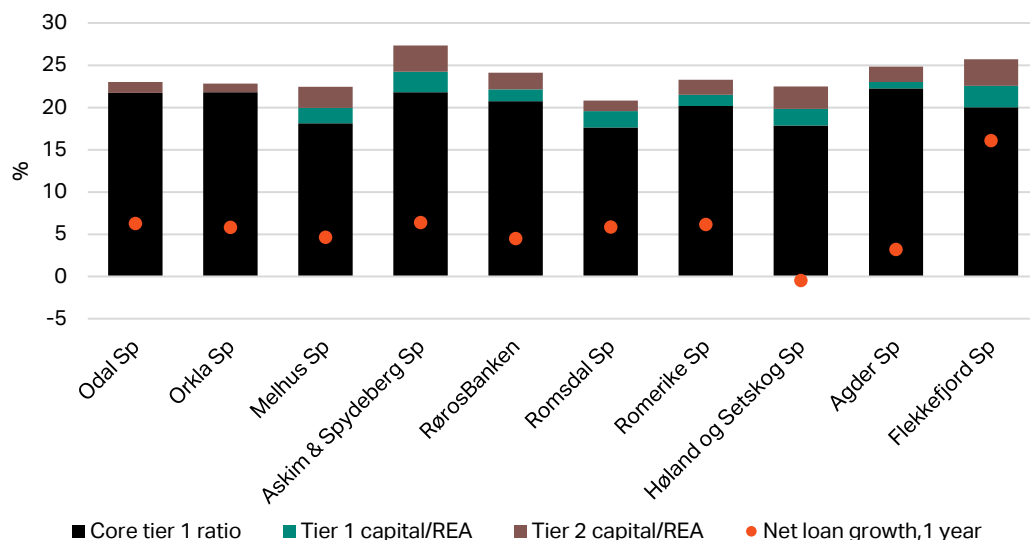
Capital 'a+'

Our capital assessment takes into consideration Odal Sparebank's consolidated capital position, including its proportionate holdings in Eika Gruppen and Eika Boligkreditt. The bank's consolidated common equity Tier 1 (CET1) ratio was 20.2% and its Tier 1 ratio was 20.7% as of 31 Mar. 2024, excluding 0.5pp in current year profits. These are compared with its respective targets of 18.1% and 19.6% (including a 1.25pp management buffer). The bank has not issued its own additional Tier 1 instruments, and the unconsolidated CET1 and Tier 1 ratios were both 21.6% as of 31 Mar. 2024. The consolidated leverage ratio is strong at 9.4%, versus a requirement of 3.0%.

We expect Odal Sparebank to expand its on-balance-sheet loan book by around 8% annually over the next three years, with an increasing share of corporate and commercial real-estate exposure at relatively higher risk weights. We also expect a return on equity of 9-10% through 2026, with strong interest margins offsetting increasing staff costs in 2024 and moderate loan losses through 2026. Consequently, we expect the bank's capital ratios to increase slightly (see Figure 1). We have included the recent decision to reduce risk weights for Norwegian loans to agriculture to 50% from 100% in our forecast. Given its ownership structure, the bank does not pay dividends, but we include an annual payment of NOK 10m for contributions to the local community. However, the bank views these contributions as a maximum amount for relevant contributions and has the flexibility to reduce donations, 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 to medium savings banks. We expect CRR3 will improve Odal Sparebank's capital ratios by at least 2.0pp, given the low loan-to-value profile of the mortgage book. CRR3 will improve the bank's and its peers' competitiveness by reducing the disparity with banks that use the internal ratings-based approach. However, uncertainty remains over regulatory steps that could offset the positive effect on capital ratios. We have not taken CRR3 benefits into account in our forecasts and assessments but assume that the bank will increase its growth rate to offset the positive impact of lower risk weights.

Figure 7. Norwegian savings banks' capital ratios* and loan growth, 31 Dec. 2023



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

Eika Alliance an important funding source

Funding and liquidity 'a'

Odal Sparebank's funding and liquidity profile is diverse, given its size. The bank has a stable retail deposit base, particularly in the Odal market, and demonstrable access to capital market funding. The bank's loan to deposit ratio has been relatively stable at around 117%, with deposit growth relatively aligned to lending growth since 2021. However, we expect the bank to expand its on-balance-sheet loan book at a higher pace over the next three years, financed in part by a higher share of senior unsecured bonds under its green bond framework. The bank has few single-name concentrations in its customer deposits, maintains strong liquidity buffers (28% of customer deposits as of 31 Mar. 2024), and has access to a NOK 300m credit line from DNB. As of 31 Mar. 2024, the liquidity coverage ratio was 201% and the net stable funding ratio 130%, well above its internal limits of 115%.

All of the bank's bonds issued since March 2023 have been under its green bond framework. As of 31 Mar. 2024, Odal Sparebank had NOK 1.0bn spread over 11 outstanding senior bonds with maturities through 2028. In our forecast, we expect the bank to increase its bond funding to about NOK 1.5bn by 2026 in order to finance growth in Romerike and Kongsvinger, where the bank has a lower share of deposit funding than it has in Odal (see Figures 10 and 11). The bank has internal limits for annual and quarterly maturities to reduce refinancing risks.

Figure 8. Norwegian savings banks' funding, 31 Dec. 2023



Source: bank reports.

Eika Boligkreditt is a stable and important source of funding for the bank. It provides access to more affordable funding for retail mortgages, with longer terms to maturity, than it could source by itself.

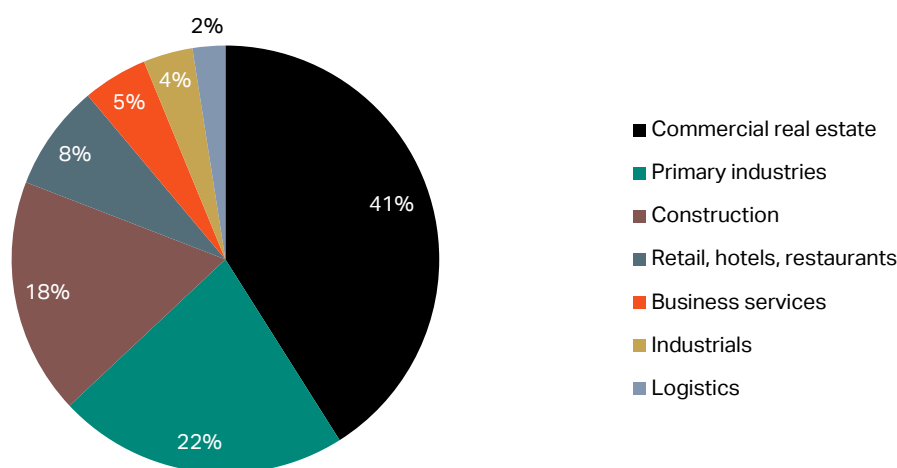
As of 31 Mar. 2024, the bank had transferred NOK 3.7bn in mortgage loans, or 49% of total retail mortgage lending, including NOK 3.8bn on its own loan book. This is within its 55% internal limit, and the bank maintains a steady volume of readily transferrable loans as a liquidity buffer.

Loan book contains geographic and real-estate concentrations

Credit risk 'bbb'

Odal Sparebank's loan portfolio has a strong regional focus, with 80% of lending extended to borrowers in Odal, Kongsvinger and Romerike. Some 84% 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. However, housing prices in the bank's operating region are lower than in metropolitan areas, resulting in lower debt burdens for the bank's customers and a relatively lower impact from interest rate hikes in recent years. Housing price growth over the past decade has strengthened the bank's collateral.

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



Source: company.

In the 12 months to 31 Mar. 2024, Odal Sparebank had gross loan growth of 5.9% (including transferred loans). Corporate lending growth was 18.1%, while on- and off-balance sheet mortgages increased by 2.9%. Our forecast includes loan growth on the bank's balance sheet of about 8% annually through 2026 and annual growth of 7%, including transferred loans. We expect lending growth for corporate customers to continue to exceed residential lending growth and anticipate that the majority of residential lending growth will stem from the bank's growth regions. Odal Sparebank's main corporate exposure is to commercial real estate, followed by construction and primary industries (agriculture and fisheries). We remain concerned about corporate and commercial real-estate lending, due to high interest costs and falling property prices. Odal Sparebank has a relatively high proportion of net Stage 2 non-performing loans to net loans associated with late payments since the bank's conversion to the Eika Alliance's new IT system. The levels of Stage 2 loans are elevated in large part due to customers making single payments just after 30 days after the payment date.

On 31 Mar. 2024, Odal Sparebank had transferred loans amounting to NOK 3.7bn. These loans generated NOK 20m in commission income (about 8% of operating revenues) during 2023. However, the bank does not offload the associated risk, and we expect it to take back all non-performing loans to enable Eika Boligkreditt to maintain a clean cover pool. Odal Sparebank has always accepted repatriated loans, but in the event that repatriation should not prove 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 guarantee. Due to the high credit quality of transferred loans and repatriation agreements, the mortgage company has never incurred actual credit losses.

Other risks 'a-'

Other risks aligned with risk governance

We align this risk factor with our risk appetite assessment. We do not believe market risk is a material factor for Odal Sparebank, given the lack of a trading portfolio and its low limits on interest rate risk and currency risk.

Odal Sparebank has strategic ownership positions in Eika Gruppen (2.13%) and Eika Boligkreditt (3.58%), which provide it with access to the Norwegian covered-bond market, insurance, asset management, real-estate agency and credit products, and ensure a strong voice alongside the other owners. This ownership also contributes to the bank's earnings through dividend payments, as well as commission paid on transferred loans and savings. The bank also owns 100% of regional real-estate agent Aktiv Eiendomsmegling Kongsvinger AS and bought an 80% share of Zynkron AS (directly owned by Result Regnskap Holding AS) in 2023. These companies are consolidated as of 2023, contributing about NOK 20m to other income in 2023.

COMPETITIVE POSITION

Competitive position assessment 'bb'

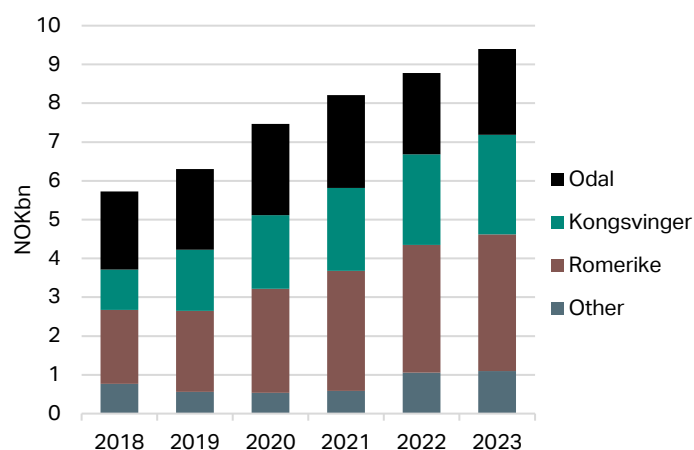
Odal Sparebank has a very strong market position in its traditional core markets of Nord-Odal and Sør-Odal, with market share of about 70% and 40%, respectively. The focused growth of recent years has been in Kongsvinger and Romerike, where three of its five branch offices are located. Unlike its traditional core markets, the southern markets, which are closer to Norway's capital, Oslo, have lower market share and face greater competition from both local and regional banks. Looking ahead, we expect the establishment of a new branch in Råholt to support lending growth after Totens Sparebank's merger with Sparebank 1 Østlandet and its exit from the Eika Alliance.

The bank owns a real-estate agency in Kongsvinger and its 2023 purchase of an 80% stake in Zynkron, a regional accounting firm, shows its commitment to adding services for corporate clients in the region. The bank serves its corporate clients from its Kongsvinger branch.

Odal Sparebank's membership of the Eika Alliance diversifies revenues and enables the bank to provide a wider range of customer services than it could with its own resources. The alliance enables the bank to provide insurance, debit and credit products, asset management and real-estate agency services. The direct ownership in accounting firms and a real-estate agency also increases diversification and provides opportunities for cross-selling.

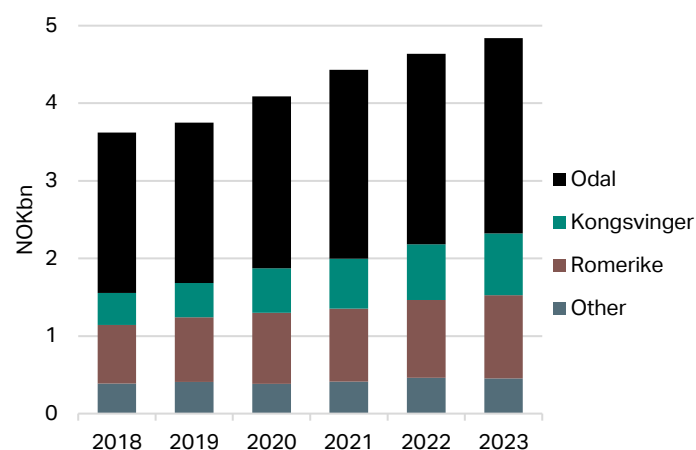
We regard Odal Sparebank's contributions to its core markets as a positive rating factor. The bank's primary environmental, social and governance (ESG) attribute is its strong sense of social responsibility to its local communities, reflected by its funding of local social and cultural activities.

Figure 10. Total gross loans* by market, 2018–2023



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

Figure 11. Customer deposits by market, 2018–2023



Source: company.

PERFORMANCE INDICATORS

Performance indicators assessment 'bbb+'

Odal Sparebank has strong net interest margins, although modest cost efficiency results in risk-adjusted earnings in line with Norwegian savings bank peers. The bank's recent investments in personnel have also affected cost efficiency, though we expect growth and robust margins to support

improvements in our forecast. We expect loan losses to remain manageable and anticipate a decline in net Stage 3 in our projections.

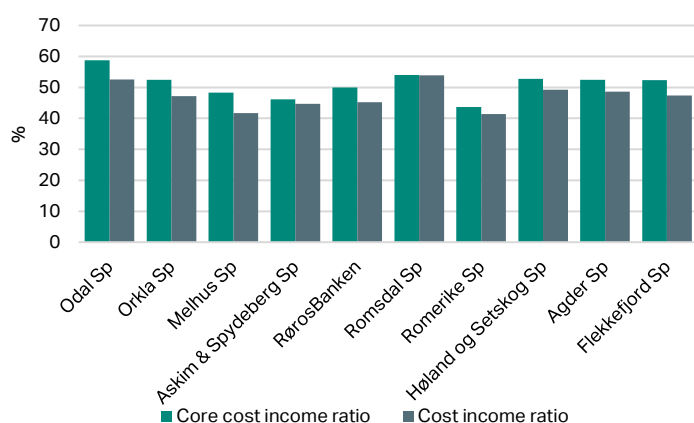
Strong but peaking margins support increased investment in personnel

Earnings 'a-'

Rising interest rates significantly improved Odal Sparebank's net interest margins in 2023, following years of margin pressure due to low interest rates. In the first quarter of 2024, the bank had a net interest margin of 3.1%, significantly above the average for our peer group. We believe, however, that margins will peak during 2024 and then fall over our forecast period as the bank grows in more competitive markets. In addition, we expect lower dividend income from Eika Gruppen (and Eika Boligkreditt), traditionally an important source of income for the bank, due to weaker earnings and lower mortgage margins. We believe the investment in an accounting firm will have a positive effect on other income.

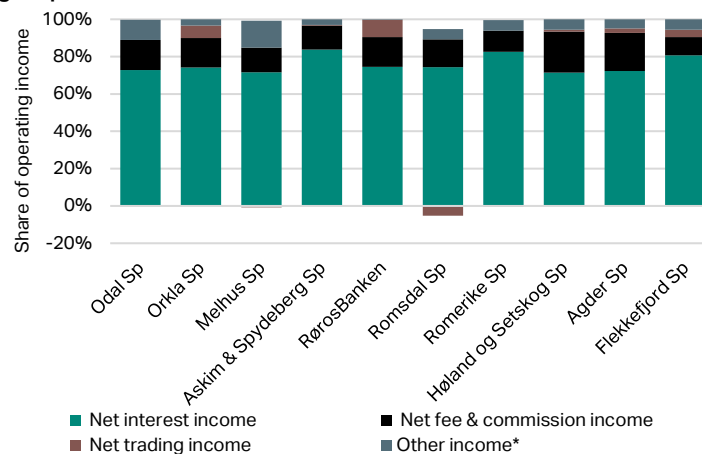
Odal Sparebank's costs were negatively impacted in 2022 and 2023 by the launch of a new IT system, but we expect this to be offset by lower IT-related costs from 2024 onwards. However, we believe personnel expenses will exceed IT-related savings as the bank has expanded its workforce with 14 full-time employees since the beginning of 2023. As a result, we expect the cost-to-income ratio to remain flat in 2024 at 53% before decreasing to 50%, slightly above that of peers. This would also result in improved risk-adjusted pre-provision income (PPI) to REA of about 2.8% over our forecast period.

Figure 12. Norwegian savings banks' cost efficiency metrics, 2023



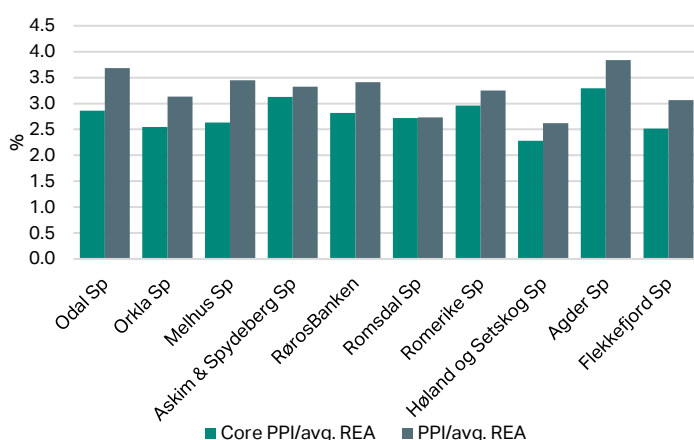
Source: bank reports. Core represents net interest income and net fee & commission income.

Figure 13. Norwegian savings banks' split between income groups, 2023



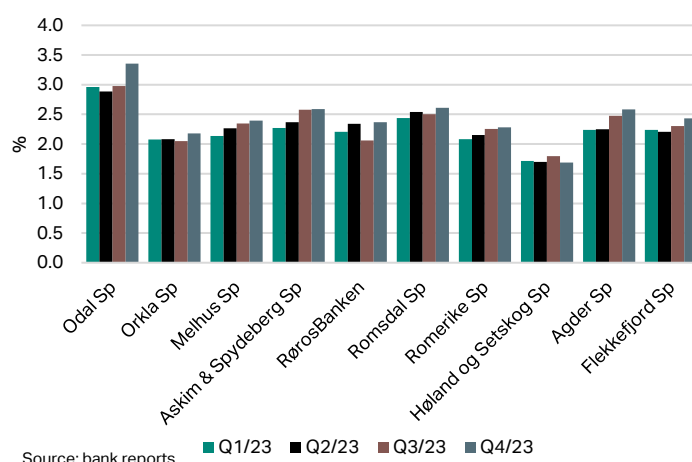
Source: bank reports.

Figure 14. Norwegian savings banks' PPI to REA*, 2023



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

Figure 15. Norwegian savings banks' annualised net interest margins, Q1 2023–Q4 2023



Source: bank reports.

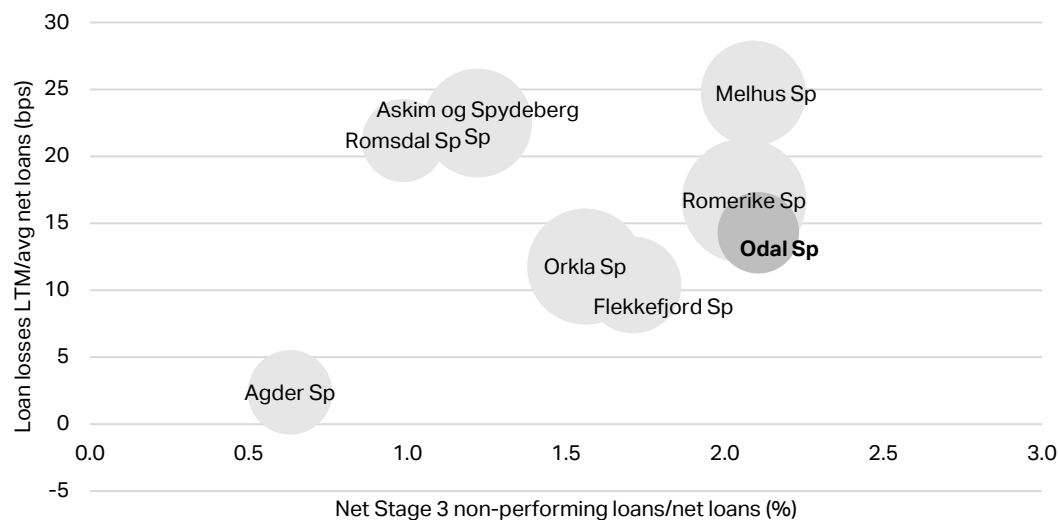
Credit provisions to remain modest as Stage 3 loans decline in our projections

Loss performance 'bbb+'

Credit losses for Odal Sparebank have averaged a very low 2bps of net lending since 2010. As of 31 Mar. 2024, Odal Sparebank had booked net reversals of NOK 2m, compared with loan losses of NOK 8m

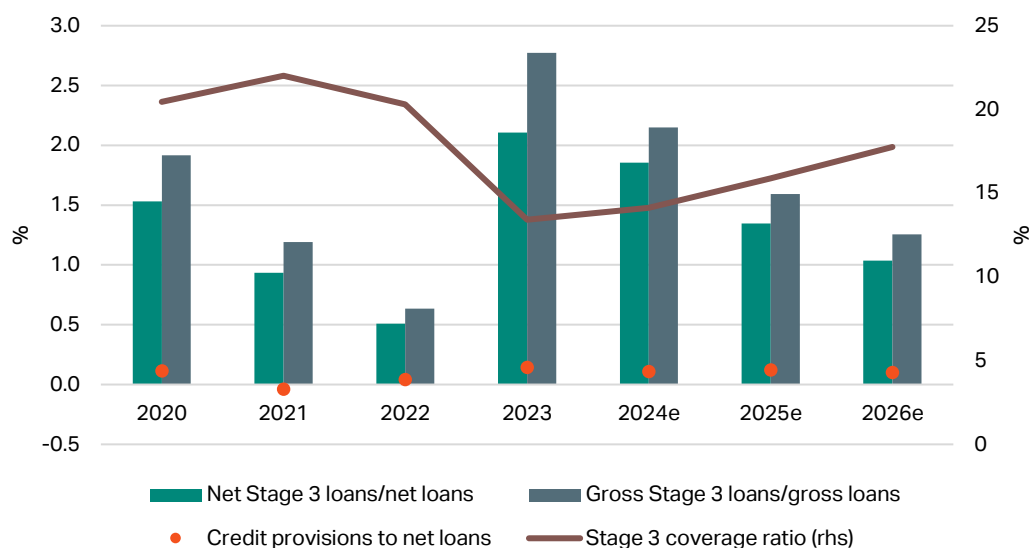
in 2023. We project moderate loan losses of 10–12bps in 2024–2026. However, the bank's net Stage 3 loans are relatively high compared with those of its domestic peers at 2.1% of net lending. We expect the resolution of some of the larger non-performing cases to be resolved within existing credit reserves over the next 12 months, leading to a steady decline in net non-performing loans towards 1% of on-balance-sheet lending over the next three years.

Figure 16. Norwegian savings banks' asset quality metrics, 2023



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

Figure 17. Asset quality metrics, 2020–2026e



Source: company. e-estimate.

Moderately positive
aggregate ESG impact

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

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 18. 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 (+) Funding & liquidity (+) Earnings (+)
Anti-money laundering capacity	Risk of sanctions and fraud due to insufficient reviews of customers.	Risk governance (0)
Sustainable/green bond framework	Diversity of funding sources, access to additional markets/investors.	Funding & liquidity (+)
Control of sustainability issues	Risk of overlooking impact of sustainability on 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 Odal Sparebank's ownership as neutral for our standalone credit assessment. The bank operates as a self-owned institution, which means it does not have traditional shareholders. Instead, it is owned by its depositors and reinvests profits in local community activities. Many Norwegian savings banks have chosen to issue equity instruments (equity capital certificates) to finance growth or to recapitalise the bank. Thus far, Odal Sparebank has chosen not to issue equity instruments, but it has the option to do so, and this is a process that normally takes up to six months.

ISSUE RATINGS

Our rating on Odal Sparebank's unsecured senior debt is in line with the 'BBB+' issuer rating. The bank has outstanding Tier 2 instruments, which we rate one notch below the issuer rating, at 'BBB'.

SHORT-TERM RATING

The 'N2' short-term rating is the higher of two possible alternatives, given the 'BBB+' long-term issuer rating. It reflects the bank's access to central bank funding and our assessment that its liquidity is strong, based on an average liquidity coverage ratio of 203% 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 19. Odal Sparebank key financial data, 2020–Q1 2024 YTD

Key credit metrics (%)	FY 2020	FY 2021	FY 2022	FY 2023	Q1 2024 YTD
INCOME COMPOSITION					
Net interest income to op. revenue	70.7	68.3	74.4	73.1	68.4
Net fee income to op. revenue	20.5	24.3	19.0	16.3	17.9
Net trading income to op. revenue	1.1	0.4	-1.4	-0.2	2.2
Net other income to op. revenue	7.7	7.0	8.0	10.8	11.5
EARNINGS					
Net interest income to financial assets	2.2	2.2	2.4	3.0	3.1
Net interest income to net loans	2.7	2.7	3.0	3.8	3.8
Pre-provision income to REA	2.6	3.0	3.0	3.7	3.8
Core pre-provision income to REA (NII & NF&C)	2.1	2.6	2.6	2.9	2.6
Return on ordinary equity	8.0	9.9	8.6	8.9	10.0
Return on assets	1.0	1.3	1.3	1.4	1.6
Cost-to-income ratio	55.0	45.8	49.7	52.6	54.6
Core cost-to-income ratio (NII & NF&C)	60.4	49.5	53.2	58.8	63.2
CAPITAL					
CET1 ratio	19.3	20.2	21.5	21.7	21.6
Tier 1 ratio	19.3	20.2	21.5	21.7	21.6
Capital ratio	20.8	21.6	23.0	23.0	23.0
REA to assets	56.6	55.0	51.8	53.7	53.4
Dividend payout ratio					
Leverage ratio	10.7	10.8	11.6	11.7	9.4
Consolidated CET1 ratio	18.2	18.9	19.9	20.3	20.2
Consolidated Tier 1 ratio	18.6	19.2	20.5	20.7	20.7
Consolidated Capital ratio	20.1	20.8	22.1	22.2	22.2
Consolidated Leverage ratio	9.2	9.1	9.0	9.5	9.4
GROWTH					
Asset growth	14.2	3.3	5.1	5.5	1.0
Loan growth	10.7	4.3	3.4	6.3	1.1
Deposit growth	9.1	8.3	4.7	4.1	1.4
LOSS PERFORMANCE					
Credit provisions to net loans	0.11	-0.04	0.04	0.14	-0.13
Stage 3 coverage ratio	20.45	22.01	20.30	13.41	13.20
Stage 3 loans to gross loans	1.92	1.19	0.63	2.77	2.22
Net stage 3 loans to net loans	1.53	0.93	0.51	2.11	1.93
Net stage 3 loans/ordinary equity	9.34	5.37	2.64	10.54	9.54
FUNDING & LIQUIDITY					
Loan to deposit ratio	120.4	116.0	114.5	116.9	116.6
Liquid assets to deposit ratio	29.6	26.9	29.3	28.6	28.2
Net stable funding ratio	140.0	138.0	135.5	133.0	130.1
Liquidity coverage ratio	240.0	226.0	145.8	238.3	201.0

Key financials (NOKm)	FY 2020	FY 2021	FY 2022	FY 2023	Q1 2024 YTD
BALANCE SHEET					
Total assets	6,210	6,417	6,744	7,115	7,183
Total tangible assets	6,210	6,417	6,744	7,102	7,170
Total financial assets	6,136	6,330	6,670	7,025	7,086
Net loans and advances to customers	4,925	5,136	5,310	5,644	5,704
Total securities	930	967	1,191	1,212	1,227
Customer deposits	4,090	4,430	4,636	4,827	4,894
Issued securities	1,026	1,026	1,029	1,075	1,055
of which other senior debt	976	976	979	1,025	1,005
of which subordinated debt	50	50	50	50	50
Total equity	808	893	1,021	1,129	1,157
of which ordinary equity	808	893	1,021	1,127	1,157
CAPITAL					
Common equity tier 1	679	712	751	830	830
Tier 1	679	712	751	830	830
Total capital	729	762	801	880	880
REA	3,512	3,529	3,491	3,820	3,835
INCOME STATEMENT					
Operating revenues	182	197	212	284	79
Pre-provision operating profit	82	107	107	135	36
Impairments	5	-2	2	8	-2
Net Income	60	84	83	96	29

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

Figure 20. Odal Sparebank rating scorecard

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

Figure 21. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+
Tier 2	BBB

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