

Grue 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 Grue Sparebank reflects the bank's low risk appetite, and strong capital position. Despite total assets of only NOK 4.6bn, 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 Grue Sparebank to maintain some of its recently improved earnings over our forecast period through 2026, despite margin pressure as it pursues growth outside its historical core markets. We expect credit losses to remain modest, given the bank's high proportion of retail lending despite the continued effects of recent cost inflation and high interest rates.

The rating is constrained by geographic concentration of the loan book in the south-eastern municipalities of Innlandet county, and a high level of real-estate and agricultural collateral in the region. The bank has a strong market share in its core markets, but faces strong competition from regional and local peers as it targets growth in the southern Østerdal and Hedmark regions near Hamar and invests to expand its branch in Elverum.

STABLE OUTLOOK

The outlook is stable, reflecting our view that the bank's low risk appetite will limit credit losses and compensate for a weakened regional economy. Our forecast suggests Grue Sparebank's cost efficiency will weaken over the next few years as the bank invests in personnel to support its growth objectives. We expect the bank to see improvements in its capital ratios, partly due to the positive impact of implementing the EU's Capital Requirements Regulations III (CRR3). This should enable higher loan growth, allowing the bank to meet its goal of doubling its currently modest level of corporate lending.

POTENTIAL POSITIVE RATING DRIVERS

- Pre-provision income to risk exposure amount (REA) sustainably above 3% and cost to income below 45%.
- Increased scale and improved market position in growth markets without material increase in risk appetite.
- Consolidated Tier 1 capital ratio above 25% over a protracted period.

POTENTIAL NEGATIVE RATING DRIVERS

- Consolidated Tier 1 capital ratio below 18% over a protracted period.
- A material deterioration in the local operating environment or increased risk appetite.
- Risk-adjusted earnings metrics below 1.5% over a protracted period.

Figure 1. Key credit metrics, 2020–2026e

%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	1.7	1.6	1.9	2.7	2.7	2.4	2.3
Loan losses/net loans	0.13	0.04	-0.01	0.19	0.14	0.15	0.15
Pre-provision income/REA*	1.6	1.5	1.7	2.6	2.8	2.4	2.5
Cost-to-income	62.9	62.9	63.0	53.3	51.7	58.9	57.8
Return on ordinary equity	5.9	6.1	7.2	9.2	9.6	7.5	7.6
Loan growth	5.4	8.3	13.9	5.6	12.0	7.0	10.0
CET1 ratio*	18.9	18.6	18.2	19.1	19.8	22.2	21.5
Tier 1 ratio*	19.2	19.0	18.6	20.9	21.5	24.0	23.1

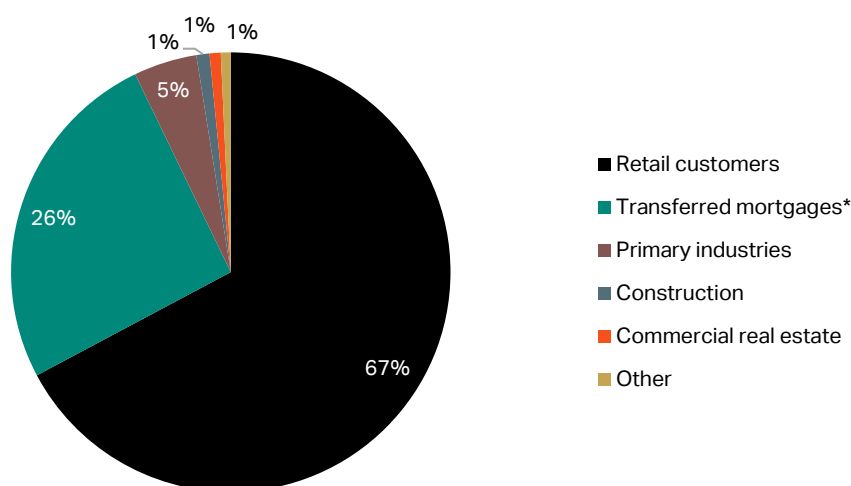
Source: company and NCR. e=estimate. CET1=common equity Tier 1. All metrics adjusted in line with NCR methodology. *Consolidated capital adequacy metrics, including the estimated effect of CRR3 from 2025.

ISSUER PROFILE

Grue Sparebank was created in 1847 in Norway's Grue municipality. Its core market also includes the municipalities of Åsnes, Kongsvinger, Våler and Elverum. The bank currently has three branches. It plans to expand its staff to nearly 50 from just over 30, as it enlarges its branch in Elverum, and seeks growth in the regions of southern Østerdal and Hedmark. As of 30 Jun. 2024, Grue Sparebank had total net lending of NOK 4.8bn (including NOK 1.2bn in retail mortgage loans transferred to Eika Boligkreditt). Retail borrowers account for 93% of its loan book, including borrowers of transferred mortgages, and 90% of on-balance-sheet lending. The bank aims to double its corporate lending over the next few years as it expands its operations in Elverum and Hamar.

Grue Sparebank 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, one of Norway's largest issuers of covered bonds.

Figure 2. Gross loans by sector (including transferred loans), 30 Jun. 2024



Source: company.*to Eika Boligkreditt.

OPERATING ENVIRONMENT

Operating environment

We consider a balance of national and regional factors in our assessment of the operating environment. Grue Sparebank's has a high proportion of exposure to its core markets in a region with relatively limited growth prospects and plans to expand in faster growing markets around Hamar in the northeast. The national economy could weaken over the next few years due to low economic activity and the ongoing impact of high inflation, but we believe that the Norwegian banking sector is well positioned to offset higher credit risk with strong earnings and capital.

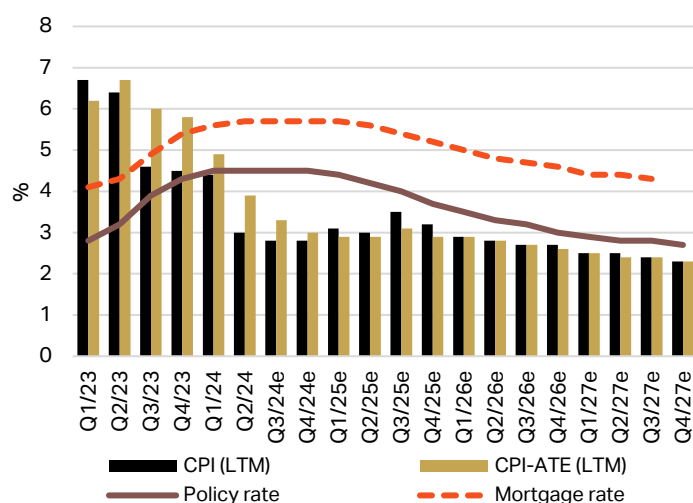
Norwegian savings banks resilient to reduced economic activity

National factors

High interest rates have significantly increased net interest margins for Norwegian 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 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 noncore 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.

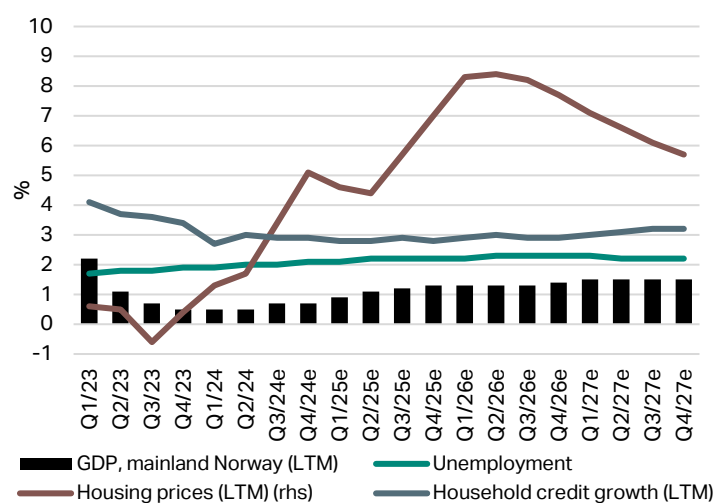
As intended, high interest rates are leading to a slowing of the economy. We believe that elevated interest rates and weak economic conditions will result in higher loan-loss provisions among domestic banks over the next 12 months, but that levels will vary significantly between individual banks. Norway's 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.

Low growth in historical core regions

Grue Sparebank's core market is the southeast region of Innlandet county, about two hours northeast of Oslo and along the border with Sweden. Some 55,000 people live in the bank's core municipalities, with a high proportion of government-related workers given the small municipalities. The landscape consists of dense forest and agricultural land.

According to Statistics Norway, the population in the bank's markets is projected to grow by only 1.7% through 2050, a rate significantly lower than the national average (9.2%). The three smaller municipalities have lost nearly 5% of their population over the past decade and are projected to contract further through 2050. The lack of growth has led the bank towards stronger growth markets in Eleverum and, following the announced acquisition of Totens Sparebank by SpareBank 1 Østlandet, the larger municipality of Hamar to the northwest, though Hamar currently accounts for only 2% of net loans.

Figure 5. Core markets

Municipality	Population, 2024	Expected population change, 2024–2050	Unemployment, Aug. 2024 (%)	Unemployment, Aug. 2023 (%)
Grue	4,515	0.4%	2.4	2.2
Åsnes	7,335	-0.7%	1.5	1.5
Våler (Innlandet)	3,581	-2.2%	2.0	2.0
Kongsvinger	18,104	1.3%	2.0	1.7
Elverum	21,775	3.7%	1.9	2.1
Core markets	55,310	1.7%	1.9%	1.9%
Norway	5,562,363	9.9%	2.1%	1.9%

Source: Statistics Norway, Norwegian Labour and Welfare Administration.

In all five core markets, the employment base is similar to the national average, with a slightly higher proportion of public-sector workers, particularly in the fields of education, health and social work. In the smaller core municipalities, farming, logging and manufacturing account for a large proportion of employment. Long-term agricultural trends are increasing the scale and professionalism of local farmers, as farm houses are increasingly separated from arable land. Unemployment is somewhat higher than the national average, but remains low in large part due to the high level of government-related employment.

Regional, sectoral, and cross-border factors

RISK APPETITE

Risk appetite assessment

Our assessment of Grue Sparebank's risk profile reflects the bank's strong capital, demonstrated funding access given its size, high proportion of residential mortgage lending, and ability to transfer loans to Eika Boligkreditt. The bank has material regional concentrations in its core markets and a high proportion of property-related lending in a rather illiquid property market.

Adding internal personnel to improve on Eika Alliance resources

Risk governance

In our view, Grue Sparebank's risk governance framework, risk appetite, limit monitoring, risk reporting and the bank's internal capital and liquidity adequacy assessments are in proportion to its modest balance sheet and low risk profile. The bank has few sector and single-name concentrations that might negatively affect credit and liquidity risk. Grue Sparebank is investing in new personnel to support its growth objectives and the higher regulatory and compliance-related requirements that come with increased scale. Given the bank's size, it operates without an internal audit function, which differentiates it from its larger peers which use internal or consultant services for third-line risk functions. We believe that the bank's plans to increase corporate lending in new markets creates a challenge in terms of risk governance.

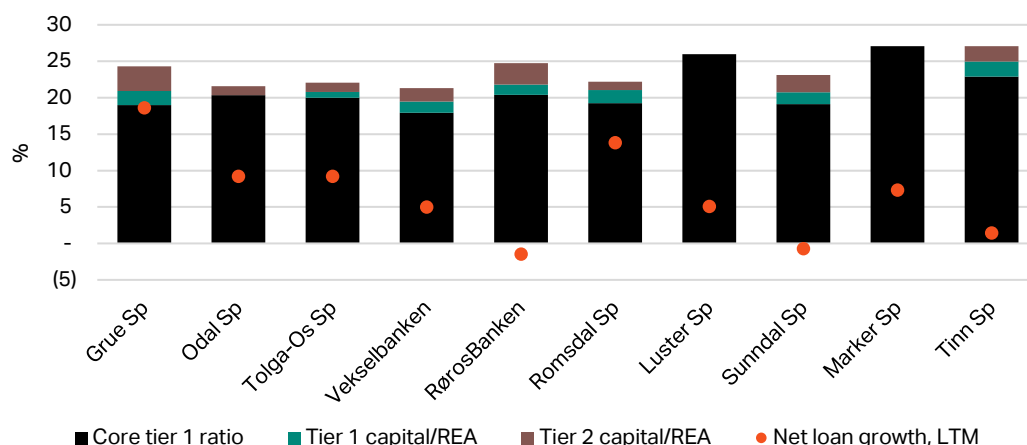
Grue Sparebank long history in its local market and social focus support its sustainability profile. In addition to significant social contributions to the local community, the bank offers green mortgages and car loans via the Eika Alliance as well as green business loans for sustainable investments by local farmers and property owners. In addition to supporting green loans, the cooperation with the Eika Alliance provides resources for future risk governance and sustainability development.

Capital ratios and buffers set to improve with CRR3

Capital

Our capital assessment takes into consideration Grue Sparebank's consolidated capital position, including its proportionate holdings in Eika Gruppen and Eika Boligkreditt. As of 30 Jun. 2024, the bank's consolidated CET1 ratio was 19.4% and its Tier 1 ratio 21.2% (excluding 0.6pp as 50% of current year profits). These compare with its respective minimum CET1 ratio target of 16.7% (including a 1.5pp management buffer). The consolidated leverage ratio is strong at 9.2%, compared with a requirement of 3%. We expect the bank to grow its on-balance-sheet loan book by around 10% per year through 2026, including 7.2% growth recorded in the first half of 2024. We expect a return on equity of just below 10% in 2024, though this rate is likely to fall over the next two years due to personnel investments for future growth.

Figure 6. Norwegian savings banks' capital ratios* and loan growth, 30 Jun. 2024

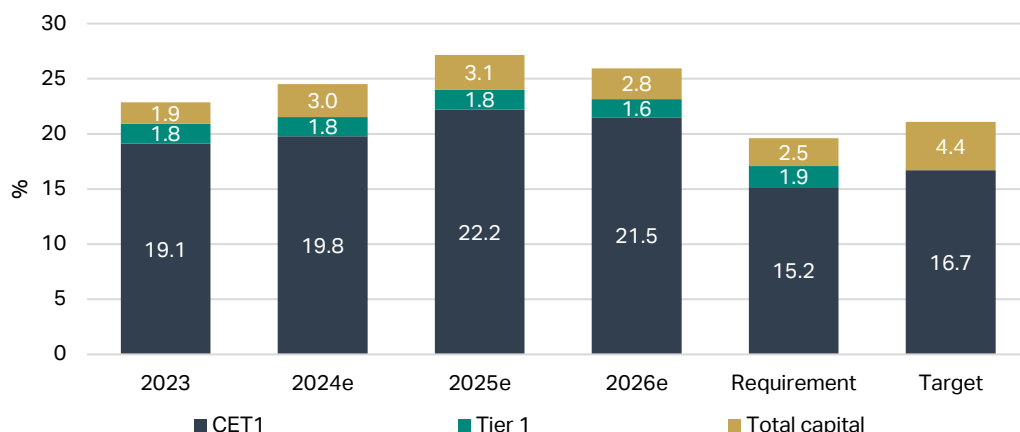


Source: bank reports. *Unconsolidated capital ratios of parent banks.

CRR3, a new standard method for calculating capital requirements for credit risk, is scheduled to come into force in Norway from 1 Jan. 2025 (see relevant research). The new method is more risk-sensitive than previously and likely to reduce capital requirements significantly for small to medium-sized retail and savings banks. We expect CRR3 to improve the competitiveness of banks that use the standard approach to credit risk by mitigating the current disparity with larger banks that use the internal ratings-based approach. In June 2024, the Norwegian regulator confirmed it will not require greater weights for loans secured by residential mortgages (retail or corporate), but will opt for a slightly

greater risk weighting for commercial real estate and second homes. The regulator estimates that an average standard-method bank will improve its capital ratios by several percentage points and our forecast for Grue Sparebank assumes a positive impact of 2.7pp on the CET1 ratio from 2025. However, we remain cautious about the actual outcome, which largely depends on the volume of low loan-to-value mortgage loans on the bank's balance sheet and the pace of corporate loan growth. Including the positive regulatory effect, we estimate a Tier 1 ratio of 24.0% at end-2025, including a recently issued NOK 70m additional Tier 1 capital instrument.

Figure 7. Consolidated capital ratios 2023–2026e, capital requirement and targets as of Q2 2024



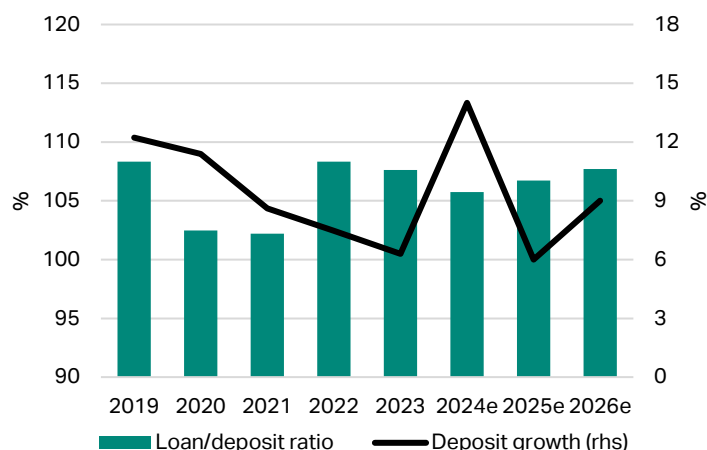
Source: company, e-estimate. CRR3 effect of 2.7pp included from 2025.

Loyal deposit base and demonstrated access to capital market funding

Funding and liquidity

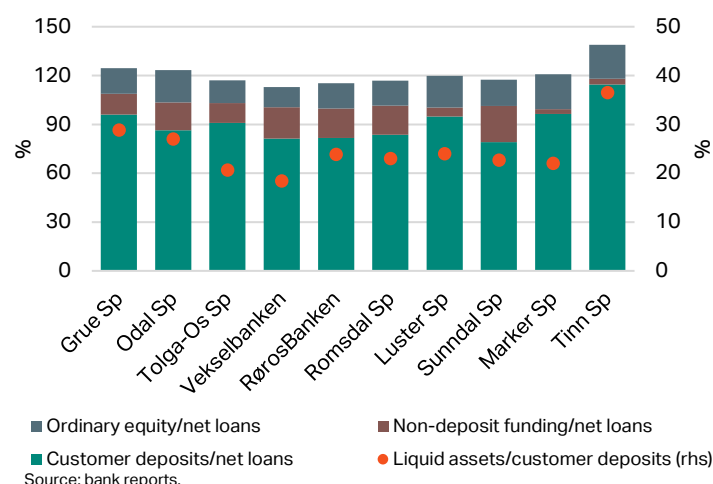
Grue Sparebank's funding and liquidity profile is relatively diverse, given the bank's size. The bank has a stable and loyal retail deposit base and demonstrable access to capital market funding. Despite being a regular issuer of senior unsecured bonds and capital instruments, the bank aims to expand its balance sheet in line with its customer deposits. This has led to a loan-to-deposit ratio that has been relatively stable between 100%–110% in recent years and stood at 104% as of 30 Jun. 2024. The bank has few single-name concentrations in its customer deposits, and internal limits for annual and quarterly maturities to reduce refinancing risk. It also has relatively strong liquidity buffers (28.9% of customer deposits as of 30 Jun. 2024), and access to a NOK 210m credit line (about 5% of total assets) from DNB. As of 30 Jun. 2024, the liquidity coverage ratio was 177% and the net stable funding ratio 143%, well above the bank's internal limits of 110% and 110%.

Figure 8. Deposit metrics, 2019–2026e



Source: company, e-estimate.

Figure 9. Norwegian savings banks' funding, 30 Jun. 2024



Source: bank reports.

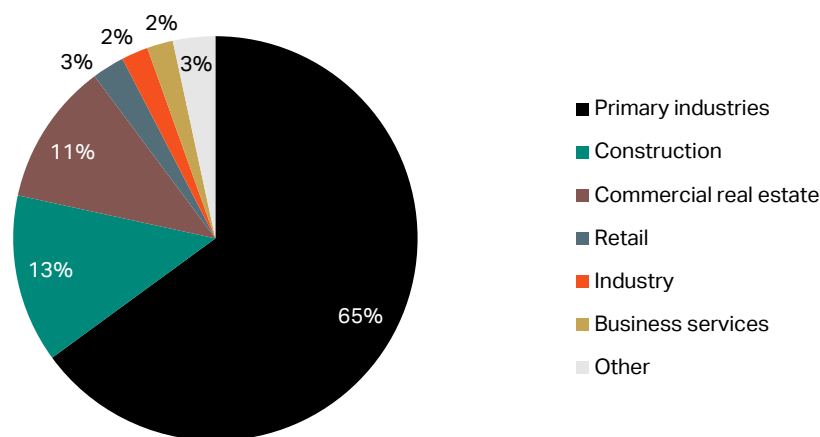
Following a bond maturity on 13 Sep. 2024, Grue Sparebank had four outstanding senior bonds totalling NOK 350m with maturities through 2027. In our forecast, we expect the bank to grow primarily via deposits and to increase its bond funding by NOK 150m by 2026, which would represent a slight decline in the proportion of senior debt to projected net loans.

Eika Boligkreditt is a stable and important source of funding for Grue Sparebank. It provides access to more affordable funding for retail mortgages, with longer terms to maturity, than the bank could source by itself. As of 30 Jun. 2024, the bank had transferred NOK 1.2bn in mortgage loans, or 28% of total retail mortgage lending, including NOK 3.2bn on its own loan book. The proportion of transferred loans had fallen from nearly 35% a year earlier and remains within its internal limit of 40%. We anticipate that the bank will increase its use of Eika Boligkreditt financing for private loans as it uses on-balance-sheet funding for corporate growth. The bank maintains a material volume of readily transferrable loans as a liquidity buffer.

High proportion of property lending in the local market

Grue Sparebank's loan portfolio has a high regional concentration, with over 80% of private lending and 95% of corporate lending extended to borrowers in its five core municipalities as of end-2023. However, over 95% of the bank's exposures (including transferred loans) are to private and agricultural customers and secured by housing and agricultural properties. While we regard these as low-risk credit exposures, we recognise that they are secured by a rather illiquid property market, in some areas of declining populations. 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 small impact from interest rate rises in recent years.

Figure 10. Corporate gross loans by sector (excluding transferred loans), 30 Jun. 2024



Source: company.

In the 12 months to 30 Jun. 2024, Grue Sparebank had net loan growth of 18.6% on its own balance sheet, though this is reduced to 7.8% when transferred mortgage loans are considered. Over the same period, corporate and agricultural lending growth was 10%. Our forecast includes loan growth on the bank's balance sheet of about 10% annually through 2026. We expect most on-balance-sheet growth will be residential or agricultural loans secured by real estate in growth regions. Grue Sparebank's main corporate exposure is to agriculture, but this accounts for only 6% of on-balance-sheet exposure given the retail focus on the loan book.

On 30 Jun. 2024, Grue Sparebank had transferred loans amounting to NOK 1.2bn. These loans generated NOK 7m in commission income (about 5% 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. Grue 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.

Credit risk

Other risks

Low risk tolerance outside of core banking

Our assessment of other risks is in line with our view of the bank's risk appetite. We do not believe market risk is a material factor for Grue Sparebank, given the lack of a trading portfolio and the bank's low limits on interest rate risk and currency risk. The bank has strategic ownership positions in Eika Gruppen (1.36%) and Eika Boligkreditt (1.33%), which ensures a strong voice alongside other owners. This ownership also contributes to the bank's earnings through dividend payments, as well as commission paid on transferred loans and savings.

COMPETITIVE POSITION

Competitive position

Despite its small scale, Grue Sparebank has a strong market position in its smaller municipalities of operation, with a market share of about 80% in Grue. Growth in recent years has come from private customers in Elverum, where the bank opened a branch in 2020 in response to Tolga-Os Sparbank leaving the Eika alliance. The bank is investing in staff and expanding its branch in Elverum as it sees opportunities for corporate loan growth both there and in Hamar, following Totens Sparebank's exit from the Eika Alliance and merger with Sparebank 1 Østlandet. We believe that Grue Sparebank will be able to expand in these markets, but will face considerable competition and margin pressure.

Grue 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 diversity and provides opportunities for cross-selling.

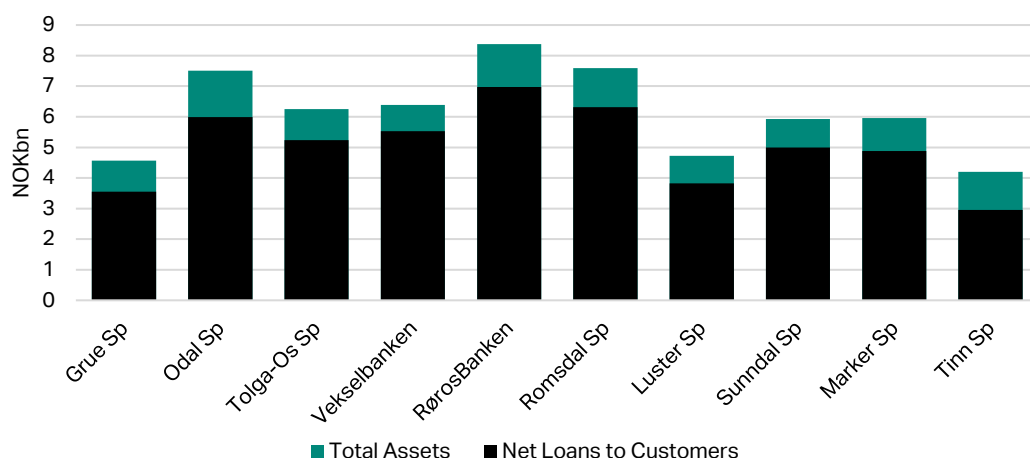
We regard Grue Sparebank's contributions to its core markets as a positive factor in our view of the bank's competitive position. The bank's primary environmental, social and governance (ESG) attribute is its strong sense of social responsibility to its local communities, reflected by its funding of local social and cultural activities. This includes the bank's investment in business consultancy Grue Næringssselskap AS and cooperation with Klosser Innovasjon AS, which contribute to local business development and support local innovation.

PERFORMANCE INDICATORS

Performance indicators

Grue Sparebank has reported modest cost efficiency and risk-adjusted earnings relative to those of its Norwegian savings bank peers in recent years. The bank has improved lending margins and interest income by expanding its on-balance sheet loan book and has a higher proportion of fee income than many of its peers. The bank is planning to increase its staff by around 40% in the next year, which will put pressure on earnings. We anticipate modest credit losses, however, keeping return on equity levels between 7%–10%.

Figure 11. Norwegian savings banks' total assets and net lending, 30 Jun. 2024



Source: bank reports.

Earnings

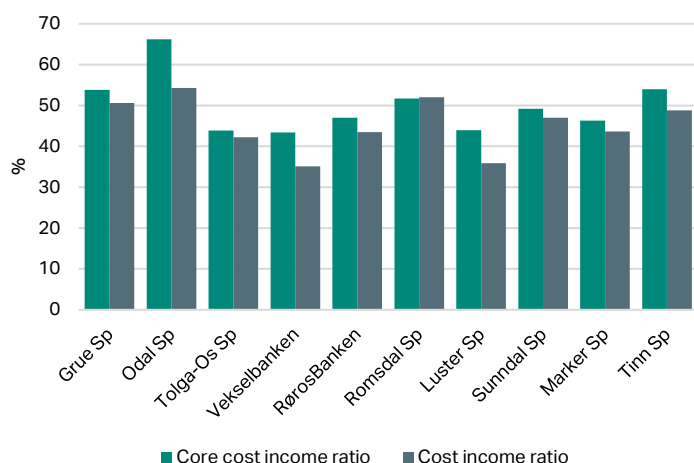
Higher proportion of fee income and lower cost efficiency than similar peers

Grue Sparebank has seen a material improvement in its lending margins, but notably has a higher proportion of fee income than many of its peers, reducing volatility in its net interest income. The bank is, however, planning to increase its staff by around 40% in the next year, which will have a material negative impact on earnings until expected growth improves operating revenues.

In the first half of 2024, Grue Sparebank had a net interest margin of 2.7%, in line with its 2023 performance, and above its peer group average. The bank's margins have fallen in recent quarters, in part due to growth in retail mortgage loans. We expect an increased corporate focus to stabilise margins at 2.7% in 2024 before falling over our forecast period as the bank expands in more competitive markets. We also anticipate policy rate reductions starting in 2025. Dividend income from Eika Gruppen (and Eika Boligkreditt) is expected to remain lower than in recent years due to weaker earnings and lower mortgage margins.

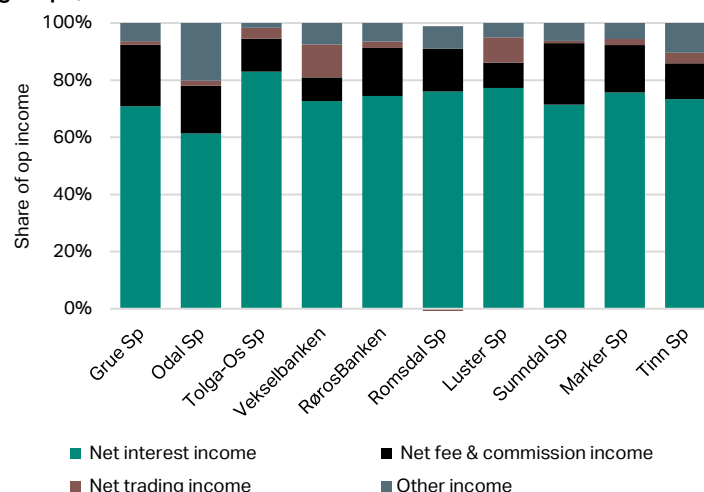
We forecast a rise in Grue Sparebank's personnel costs due to the bank's projected investments in staff. Some of the negative impact should be offset by the launch of a new IT system that we expect to result in lower IT-related costs from 2025. As a result, we expect the bank's cost-to-income ratio to reach 52% in 2024 before increasing towards 60% as the full impact of new hires takes hold. Such levels are somewhat higher than the bank's peer group average. Our projections result in a small decline in risk-adjusted pre-provision income (PPI) to REA to about 2.3% in 2025 and 2026, from 2.6% in 2023 and 2.7% in our 2024 projections.

Figure 12. Norwegian savings banks' cost efficiency metrics, LTM to 30 Jun. 2024



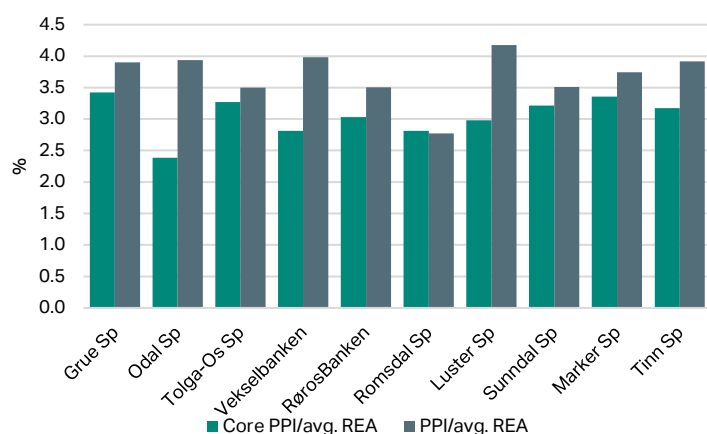
Source: bank reports. LTM-last twelve months. Core represents net interest income and net fee & commission income.

Figure 13. Norwegian savings banks' split between income groups, LTM to 30 Jun. 2024



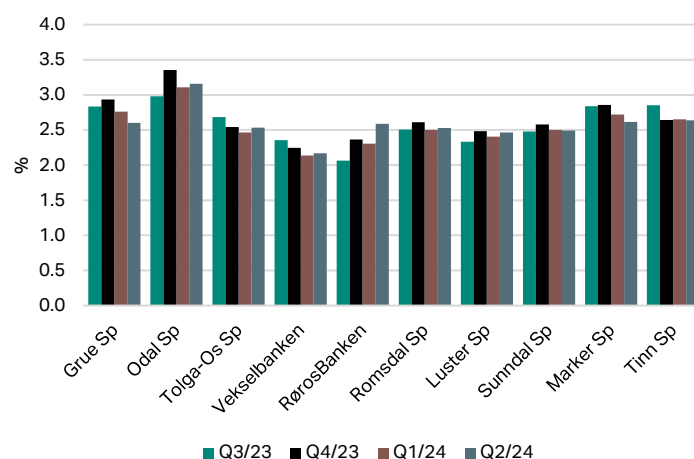
Source: bank reports.

Figure 14. Norwegian savings banks' PPI to REA*, LTM to 30 Jun. 2024



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

Figure 15. Norwegian savings banks' annualised net interest margins, Q3 2023–Q2 2024



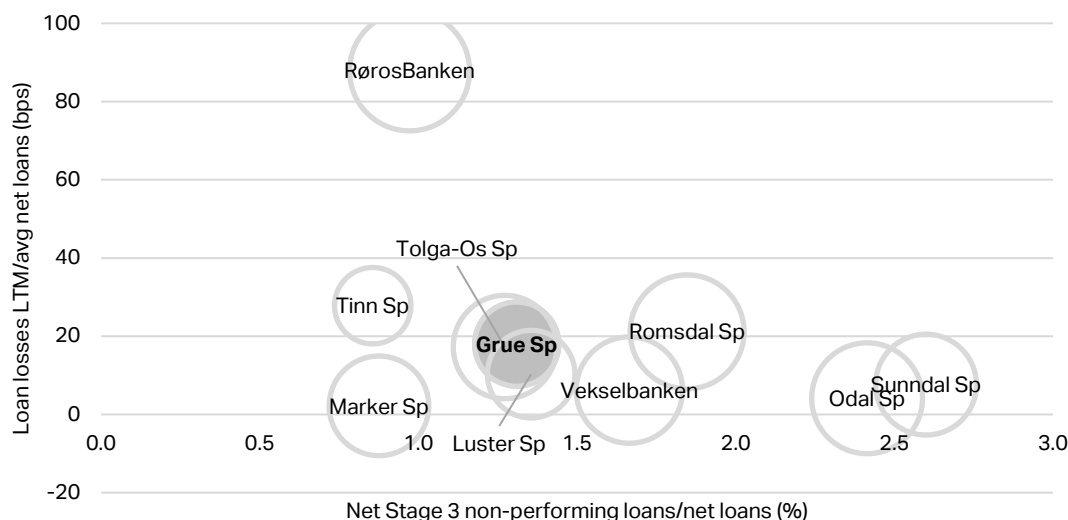
Source: bank reports.

Loss provisions likely to remain elevated

Loss performance

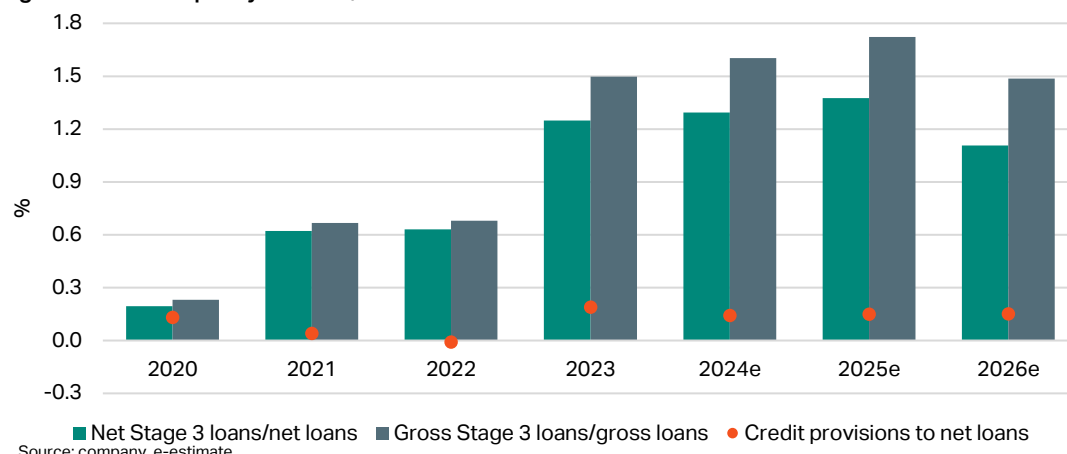
Given Grue Sparebank's high proportion of retail and agricultural loans, we expect the bank's credit losses to remain at around 15bps per year. The bank reported 19bps in credit losses in 2023 and 6bps in the first half of 2024. The bank has had to increase its loan-loss provisions follow a rise in net Stage 3 loans since end-2022 due to high interest rates and cost inflation. We expect the increasing trend in Stage 3 loans to continue over the next 12 months until relief from lower policy rates results in a decline in net non-performing loans in 2026. However, the current level of net Stage 3 loans is typical for Norwegian savings banks and the proportion of Stage 2 impaired loans has fallen steadily since peaking at over 10% in early 2022.

Figure 16. Norwegian savings banks' asset quality metrics, 30 Jun. 2024



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

Figure 17. Asset quality metrics, 2020–2026e



ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

ESG factors are considered throughout our analysis, where material to the credit assessment. In aggregate, we view Grue Sparebank'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*)
Social engagement in local community	Close connection to narrow regional markets provides a benefit.	Competitive position (+) Funding & liquidity (+) Earnings (+)
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 (0) Loss performance (0)
Anti-money laundering capacity	Risk of sanctions and fraud due to insufficient reviews of customers.	Risk governance (0)
Control of sustainability issues	Risk of overlooking impact of sustainability on underwriting, operations, and customer base.	Risk governance (-) 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 Grue 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. Thus far, Grue Sparebank has chosen not to issue equity instruments, but could do so in a process that normally takes up to six months.

ISSUE RATINGS

Our rating on Grue Sparebank's unsecured senior debt is in line with the 'BBB+' long-term issuer rating. The bank has an outstanding Tier 2 instrument and an Additional Tier 1 instrument, which we rate one and three notches below the issuer rating, respectively. Consequently, the Tier 2 instrument is rated 'BBB', while the additional Tier 1 instrument is rated 'BB+'.

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, on the basis of an average liquidity coverage ratio of 220% over the past 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) [Nordic consumer banks' earnings continue to offset elevated provisions](#), 10 Sep. 2024
- (ii) [Norwegian savings banks' capitalization boosted by CRR3](#), 26 Jun. 2024
- (iii) [Swedish savings banks face weaker earnings and low loan growth in 2024](#), 6 Feb. 2024
- (iv) [Norwegian savings banks face margin squeeze in 2024](#), 11 Dec. 2023

Figure 19. Grue Sparebank key financial data, 2020–Q2 2024 YTD

Key credit metrics (%)	FY 2020	FY 2021	FY 2022	FY 2023	Q2 2024 YTD
INCOME COMPOSITION					
Net interest income to op. revenue	63.2	62.2	63.9	72.8	70.9
Net fee income to op. revenue	25.0	28.1	27.8	19.6	21.5
Net trading income to op. revenue	1.8	0.6	-1.4	1.4	1.2
Net other income to op. revenue	10.0	9.1	9.7	6.2	6.4
EARNINGS					
Net interest income to financial assets	1.7	1.6	1.9	2.7	2.7
Net interest income to net loans	2.1	2.1	2.4	3.3	3.4
Pre-provision income to REA	2.0	2.0	2.3	3.4	4.5
Core pre-provision income to REA (NII & NF&C)	1.3	1.5	1.7	2.9	3.9
Return on ordinary equity	5.9	6.1	7.2	9.2	12.3
Return on assets	0.7	0.7	0.9	1.2	1.5
Cost-to-income ratio	62.9	62.9	63.0	53.3	43.8
Core cost-to-income ratio (NII & NF&C)	71.3	69.7	68.7	57.6	47.4
CAPITAL					
CET1 ratio	20.4	20.1	18.3	19.0	19.0
Tier 1 ratio	20.4	20.1	18.3	20.9	20.9
Capital ratio	22.9	22.4	20.4	22.8	24.3
REA to assets	49.0	48.8	48.8	50.0	45.2
Dividend payout ratio					
Leverage ratio	10.0	9.7	9.1	10.6	9.2
Consolidated CET1 ratio	18.9	18.6	18.2	19.1	19.4
Consolidated Tier 1 ratio	19.2	19.0	18.6	20.9	21.2
Consolidated Capital ratio	21.6	21.2	20.7	22.9	24.3
Consolidated Leverage ratio	8.6	8.4	8.3	9.6	8.9
GROWTH					
Asset growth	6.6	8.7	7.3	8.7	9.2
Loan growth	5.4	8.3	13.9	5.6	7.2
Deposit growth	11.4	8.6	7.5	6.3	10.7
LOSS PERFORMANCE					
Credit provisions to net loans	0.13	0.04	-0.01	0.19	0.06
Stage 3 coverage ratio	15.80	6.87	7.52	16.88	15.81
Stage 3 loans to gross loans	0.23	0.67	0.68	1.50	1.55
Net stage 3 loans to net loans	0.20	0.62	0.63	1.25	1.31
Net stage 3 loans/ordinary equity	1.25	4.04	4.09	7.71	8.32
FUNDING & LIQUIDITY					
Loan to deposit ratio	102.5	102.2	108.3	107.6	104.1
Liquid assets to deposit ratio	29.5	29.6	23.5	27.2	28.9
Net stable funding ratio	134.0	138.0	140.0	144.3	143.2
Liquidity coverage ratio	123.0	208.0	179.0	263.4	176.6

Key financials (NOKm)	FY 2020	FY 2021	FY 2022	FY 2023	Q2 2024 YTD
BALANCE SHEET					
Total assets	3,299	3,586	3,849	4,182	4,567
Total tangible assets	3,299	3,586	3,849	4,182	4,567
Total financial assets	3,275	3,552	3,818	4,152	4,535
Net loans and advances to customers	2,543	2,755	3,138	3,314	3,551
Total securities	651	656	616	671	802
Customer deposits	2,481	2,695	2,897	3,079	3,410
Issued securities	400	436	442	493	524
of which other senior debt	360	395	402	453	453
of which subordinated debt	40	40	40	40	71
Total equity	396	424	483	577	599
of which ordinary equity	396	424	483	537	559
CAPITAL					
Common equity tier 1	330	352	344	397	391
Tier 1	330	352	344	437	431
Total capital	370	392	384	477	501
REA	1,618	1,751	1,880	2,090	2,064
INCOME STATEMENT					
Operating revenues	83	90	111	146	82
Pre-provision operating profit	31	34	41	68	46
Impairments	3	1	-0	6	1
Net Income	22	25	32	47	34

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

Figure 20. Grue Sparebank rating scorecard

Subfactors	Impact	Score
National factors	5.0%	a
Regional, cross border, sector	15.0%	bbb-
Operating environment	20.0%	bbb
Risk governance	5.0%	bbb+
Capital	17.5%	a+
Funding and liquidity	15.0%	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%	bbb+
Loss performance	7.5%	a-
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
Additional Tier 1	BB+

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