

Sparebank 1 Hallingdal Valdres

Full Rating Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'A-' long-term issuer credit rating on Norway-based SpareBank 1 Hallingdal Valdres (SB1 Hallingdal Valdres) reflects the bank's robust capitalisation and good access to funding. The bank is part of the SpareBank 1 Alliance (SB1 Alliance), which we view as supportive of business diversity, operating efficiency, and liquidity. SB1 Hallingdal Valdres' pre-provision profitability and cost efficiency are in line with those of its peers, particularly in the banking operation. The bank is predominantly a retail lender of residential mortgage loans, but also has significant exposure to commercial real estate lending, agriculture and construction.

The rating is constrained by the highly competitive environment in the bank's new growth markets in Oslo and Bergen, recent above-market-average credit growth, and uncertainty about the commercial real estate sector.

STABLE OUTLOOK

The outlook is stable, reflecting our view that a weak economic climate and projected credit losses will be offset by improvements in capital and strong earnings metrics. We believe SB1 Hallingdal Valdres' low risk appetite, strong real estate collateral, and improved earnings will enable resilience to a moderate slowdown in the economy. Moreover, we expect moderate loan growth in the course of our forecast period through 2026. We expect the bank's capital ratios to be further boosted by the prospective positive impact of implementing the EU's Capital Requirements Regulations III (CRR3).

POTENTIAL POSITIVE RATING DRIVERS

- Consolidated Tier 1 ratio sustainably above 25%; and
- Pre-provision income to risk exposure amount (REA) sustainably above 3%; and
- Reduced uncertainty about credit risk and improved asset quality metrics.

POTENTIAL NEGATIVE RATING DRIVERS

- A lasting reduction in the consolidated Tier 1 capital ratio to below 20% (following CRR3).
- Risk-adjusted earnings metrics below 2% of REA or cost/income above 60% over a protracted period.
- A material deterioration in the operating environment or increased risk appetite that negatively affects asset quality.

Figure 1. Key credit metrics, 2020–2026e

%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	1.7	1.6	1.8	2.2	2.2	2.2	2.1
Loan losses/net loans	0.15	0.12	0.10	0.23	0.14	0.12	0.12
Pre-provision income/REA	2.5	2.7	2.0	2.4	2.2	2.3	2.5
Cost-to-income	58.2	55.5	62.2	57.2	57.2	57.7	57.1
Return on ordinary equity	9.0	9.6	7.0	8.5	8.6	8.2	8.1
Loan growth	11.0	7.8	9.3	20.3	4.4	4.7	5.2
CET1 ratio*	21.2	20.3	19.2	17.9	17.9	20.8	21.1
Tier 1 ratio*	21.3	20.5	19.4	18.0	19.4	22.4	22.6

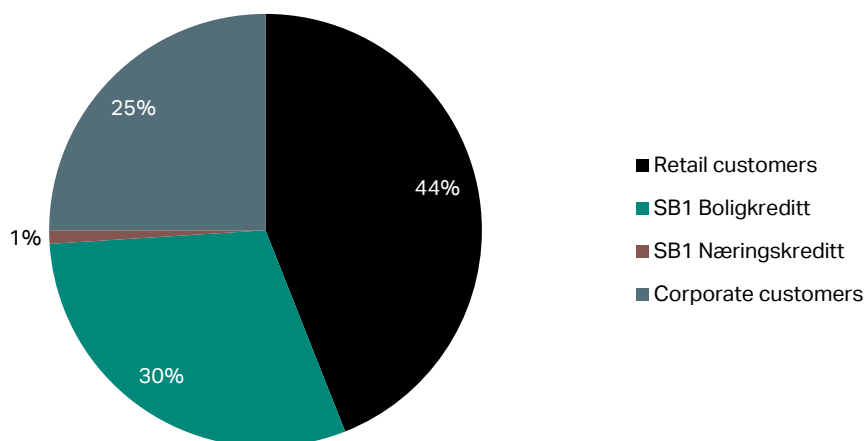
Source: company and NCR. e-estimate. CET1–common equity Tier 1. All metrics adjusted in line with NCR methodology. *Consolidated capital adequacy metrics, including the estimated effect of CRR3 from 2025.

ISSUER PROFILE

SB1 Hallingdal Valdres was created when Aal Sparebank and Hemsedal Sparebank merged in 1999, but its roots stretch as far back as 1870. The bank serves six municipalities in the Hallingdal region in Buskerud County and six municipalities in the Valdres region in Innlandet county. The bank has a decentralised organisation spread over eight branch offices in its core market as well as branch offices in Oslo and Bergen, where most of the owners of holiday homes in the core region are located. It employs about 124 full-time equivalent employees and has total lending of NOK 21bn, including loans transferred to the SB1 Alliance covered bond companies SB1 Boligkreditt and SB1 Næringskreditt. SB1 Hallingdal Valdres also owns real estate brokerage EiendomsMegler 1 Fjellmegelen AS (30 employees), and accounting company SB1 Regnskapshuset Hallingdal AS (48 employees).

SB1 Hallingdal Valdres' membership in the SB1 Alliance provides a joint IT platform and enables branding cooperation. The alliance is Norway's second-largest finance group in terms of assets and consists of 12 independent savings banks. In addition, it allows individual banks to offer competitive products and achieve economies of scale in development projects and compliance.

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



Source: company

OPERATING ENVIRONMENT

Operating environment

We consider a balance of national and regional factors in our assessment of the operating environment. SB1 Hallingdal Valdres operates in a region with unemployment levels below the national average, albeit with somewhat weaker-than-national-average possibilities for expansion. The bank also has significant exposure to the Oslo region. 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 offset higher credit risk with strong earnings and capital.

Peaking net interest margins

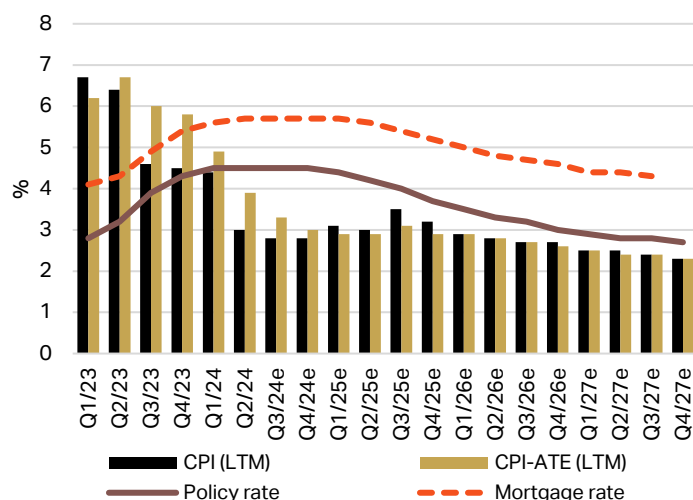
National factors

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 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, high interest rates are helping to slow the economy. We believe that high interest rates and weak economic conditions could 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.

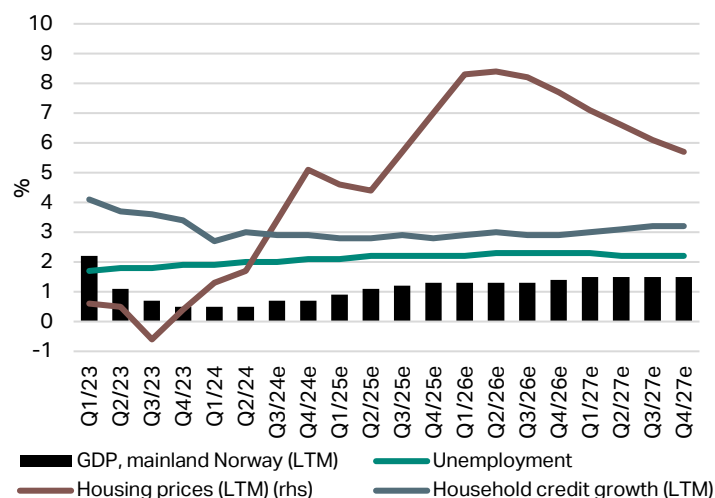
Norway's savings banks are well capitalised and have strong pre-provision profitability, which makes them relatively resilient to increased credit losses.

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.

Region focused on tourism

SB1 Hallingdal Valdres operates in a mountainous region focused on tourism. The tourist season spans three seasons, significantly reducing the impact of seasonality on employment. In addition, the region has a less cyclical economy than other parts of Norway due to high levels of public-sector employment and a large agriculture sector. Construction is the single largest source of private-sector employment in the bank's core markets. The regional population is projected to grow at a lower rate than the national average, although unemployment in the bank's core markets is below the national rate.

Figure 5. Core markets

Municipality	Population, Dec. 2023	Expected population change, 2024–2050 (%)	Unemployment, Aug. 2024 (%)	Unemployment, Aug. 2023 (%)
Nord-Aurdal	6,562	-0.3	1.8	1.4
Ål	5,007	4.7	1.1	0.9
Gol	4,986	11.0	1.4	1.0
Hol	4,496	8.8	1.1	1.1
Nesbyen	3,301	-7.6	1.3	1.8
Øystre Slidre	3,298	3.0	1.5	0.7
Sør-Aurdal	2,836	-7.4	1.4	1.0
Hemsedal	2,666	30.3	2.2	2.3
Vestre Slidre	2,112	3.1	1.3	0.8
Vang	1,590	24.3	1.2	0.9
Etnedal	1,250	16.2	0.8	1.0
Flå	1,115	17.6	1.4	0.9
Core markets	39,219	6.3	1.4	1.2
Buskerud county	269,819	12.9	2.2	N.A.
Innlandet county	376,304	5.1	1.9	1.6
Norway	5,550,203	10.0	2.0	1.9

Source: Statistics Norway, Norwegian Labour and Welfare Administration. N.A.-not available. (Buskerud country was part of Viken county in 2023).

Since establishing branch offices in Oslo in 2022 and Bergen in 2023, the bank has expanded its retail mortgage lending in both cities. Many corporate clients with operations in the bank's core region have headquarters in Oslo. Moreover, many of the bank's retail customers in these cities have holiday homes in the core region. The Oslo-Bergen railway and the principal Oslo-Bergen highway run through the Hallingdal valley and create considerable benefit for commercial interests in the region. A new

Regional, sectoral, and cross-border factors

road (expected to open in 2025) and a railway line (expected to open in 2035) from Oslo to Ringerike municipality will reduce commuting time significantly.

RISK APPETITE

Risk appetite assessment

Our assessment of SB1 Hallingdal Valdres' risk profile reflects the bank's good access to funding, robust capital, large proportion of residential mortgage lending, and ability to transfer loans to SB1 Boligkreditt and SB1 Næringskreditt. The bank has some regional concentrations in its core markets and a significant proportion of property lending. It also has strong growth objectives relative to other savings banks, which negatively affects our view of risk governance and credit risk.

Adequate risk appetite framework

Risk governance

SB1 Hallingdal Valdres is a medium-sized local bank and its operations are consequently less complex than those of larger banks. In our opinion, it has an adequate risk appetite framework and internal risk and compliance tools. However, we also note that strong loan growth, particularly outside the core region, represents a challenge in terms of risk governance, funding and capital adequacy. In our view, SB1 Hallingdal Valdres has allocated adequate resources to combat money laundering and improve customer surveillance and compliance. The SB1 Alliance helps member banks to deal with compliance issues and provides resources for future development.

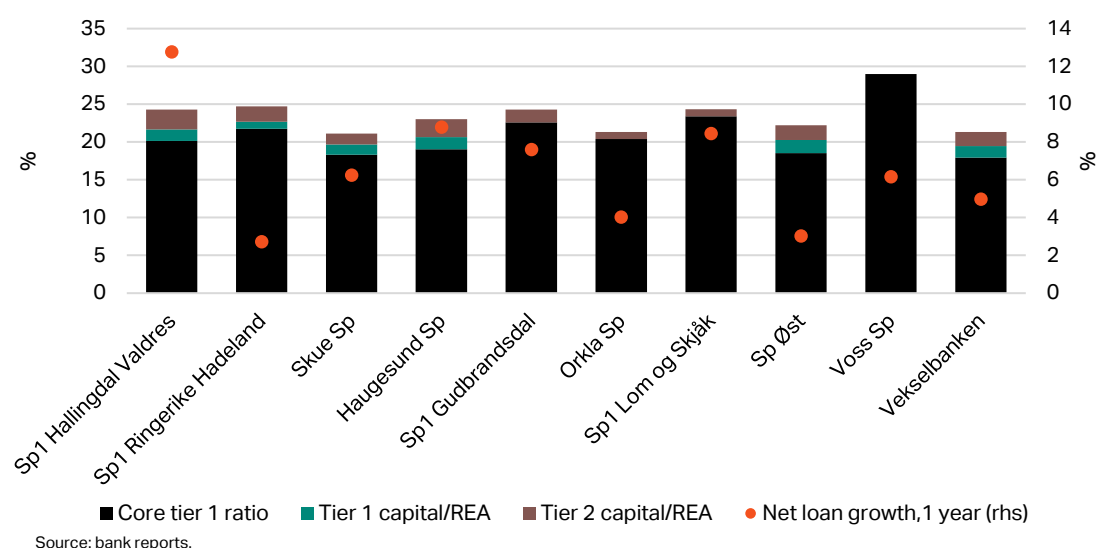
SB1 Hallingdal Valdres has established credit-related guidelines to assess climate and sustainability risks for its corporate customers. It published an initial sustainability report in 2023 based on Global Reporting Initiative standards. The bank's cooperation with the SB1 Alliance provides additional resources for future development in this area.

Capital ratios likely to improve in 2025

Capital

Our capital assessment takes into consideration SB1 Hallingdal Valdres' consolidated position, including its proportional holdings in product companies owned jointly by the SB1 Alliance. As of 30 Jun. 2024, the consolidated CET1 ratio was 17.8% and the Tier 1 ratio 19.3%. The regulatory CET1 requirement is currently 15.3% and the bank's target, including a management buffer, is 16.3%. We note that the reported capital ratios would have been 0.5pp higher if 50% of the current year's profit had been included.

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



SB1 Hallingdal Valdres' REA increased by 20% in 2023 due to strong lending growth. This led to breaches of the bank's management buffer and target tier 1 level (18% against a target of 18.8%) and total capital level (19.8% against a target of 20.9%) as of end-2023. The bank responded by cutting its annual dividend on equity capital certificates (ECCs) and issuing a first additional Tier 1 capital instrument in the first quarter of 2024. We also note that the bank's regulatory capital requirement (and target) has been reduced by 0.6pp at the tier 1 level in 2024. We believe that the bank could use its financial headroom to issue a further NOK 50m capital instrument before end-2024. Combined with

lower growth, these measures support of our view of the bank's capital position and we expect it to maintain greater capital flexibility over the remainder of our forecast period.

CRR3 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 reducing the current disparity with larger banks that use the internal ratings-based approach. The Norwegian regulator estimates that an average standard-method bank will improve its capital ratios by several percentage points, and our forecast for SB1 Hallingdal Valdres conservatively assumes a positive impact of 2.5pp from 2025. However, we remain cautious about the actual outcome.

Extensive use of off-balance-sheet funding

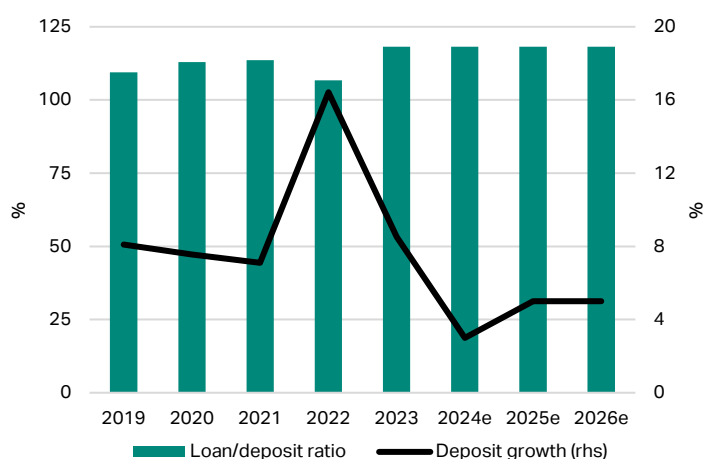
SB1 Hallingdal Valdres' funding profile is diverse, with a relatively stable and varied retail deposit base and a high level of guaranteed deposits. The bank's 10 largest depositors account for 11% of total deposits and the largest single depositor for 2%. However, strong on-balance-sheet loan growth in 2023 was largely funded in the bond market. Even so, the loan-to-deposit ratio has remained below 120%. As of 30 Jun. 2024, the liquidity coverage ratio was 190% and the net stable funding ratio 136%, well above the bank's internal limits of 110% for both. The bank has an on-balance liquidity reserve corresponding to 17% of deposits.

SB1 Hallingdal Valdres actively uses the covered bond companies owned by the SB1 Alliance as a funding source, particularly for retail mortgage lending. As of 30 Jun. 2024 the bank had transferred NOK 6.1bn to SB1 Boligkreditt, representing 40% of mortgage lending (including transferred loans), compared with 29% a year earlier. We do not believe that this proportion will increase further, given the bank's internal limits. The bank retains a significant buffer of loans that can be transferred to the covered bond companies as a liquidity reserve.

SB1 Hallingdal Valdres has obtained NOK 2.6bn through the issue of senior unsecured bonds, with only NOK 300m maturing in the next 12 months. The bank has a green bond framework and issued a first green bond in 2020. The average time to maturity is three years, which we believe reduces refinancing risk.

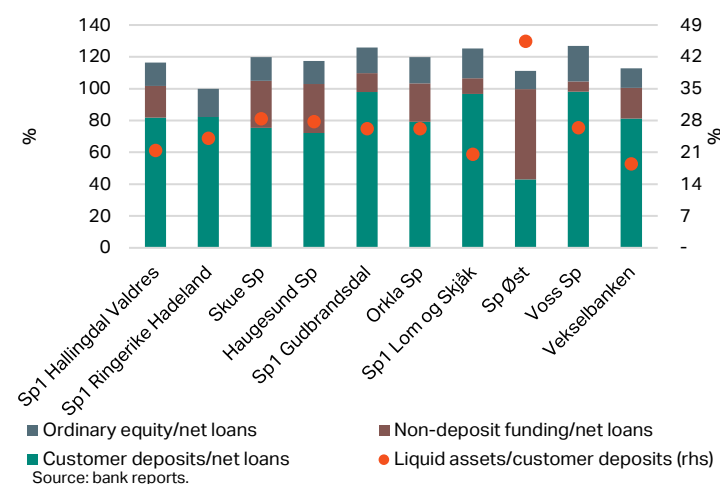
Funding and liquidity

Figure 7. Deposit metrics, 2019-2026e



Source: company, e-estimate.

Figure 8. Funding profile vs domestic savings bank peers, 30 Jun. 2024



Source: bank reports.

Strong growth outside core region

The pace of SB1 Hallingdal Valdres' loan growth fell to 13% in the 12 months to 30 Jun. 2024 (28% including transferred loans) from 20% in full-year 2023. Despite the fall, the rate of growth far exceeds the 3.6% growth in the gross debt of the Norwegian public in the 12 months to 30 Jun. 2024.

Some 63% of SB1 Hallingdal Valdres' on-balance-sheet loan portfolio consists of retail mortgage lending to regional customers. These loans, which increased by 12% in the 12 months to June 2024, mostly have loan-to-value ratios below 70%. Commercial lending grew by 15% in the same period

Credit risk

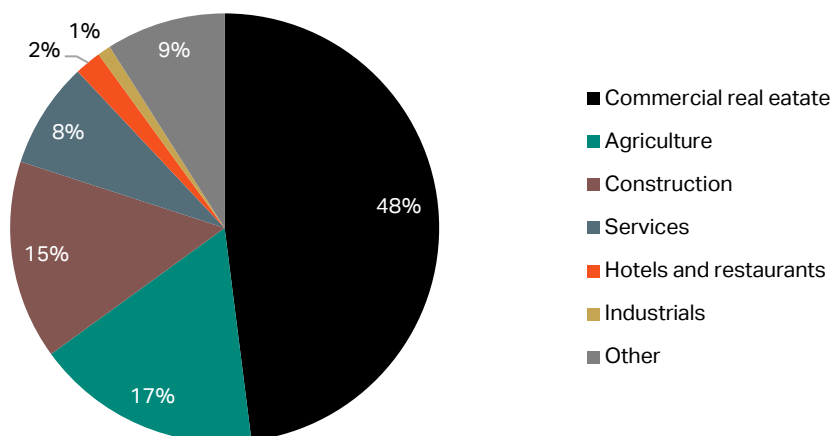
across a range of sectors. Over 50% of loan growth in 2023 was associated with Oslo and Bergen (see Figure 10). While we see high growth as a risk factor, the focus on Norway's growth regions reduces regional concentration risk. Given internal constraints on loan transfers, we expect future credit growth to be increasingly subdued and to be financed on the bank's own balance sheet.

Apart from retail customers, SB1 Hallingdal Valdres' main sectoral exposure is to property management, agriculture and construction. The property management and construction sectors are currently under pressure due to high interest rates, which have lowered collateral values.

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

SB1 Hallingdal Valdres' high concentration of local real estate collateral could be negatively affected by significant climate events or flooding in the core region of operation. In addition, increased climate volatility and higher temperatures could negatively affect the performance of tourism and agricultural businesses to which the bank has exposure. We take a positive view of the bank's evaluation of its exposure to climate risk and its incorporation of climate risk assessments into its credit processes.

Figure 9. Corporate gross loans by sector (excluding transferred loans), 30 Jun. 2024



Source: company.

Other risks in line with risk appetite

Other risks

Other risks are in line with our risk appetite assessment, which we believe adequately accounts for challenges due to strong credit growth. Key personnel risk is an additional risk factor, although the bank's decentralised structure makes it easier to hire skilled personnel. We do not believe market risk is a material factor for SB1 Hallingdal Valdres, given the lack of a trading portfolio and the bank's low limits on interest rate risk and currency risk.

Ownership risk is moderate, in our opinion. SB1 Hallingdal Valdres has direct and indirect ownership positions in product companies in the SB1 Alliance, which provide access to the Norwegian covered-bond market, along with insurance, asset management, investment banking and credit card products, and ensure a strong voice alongside the other savings bank owners. This ownership also contributes to the bank's earnings through dividend payments, as well as commission paid on transferred loans and other products. The bank also owns a regional real estate brokerage and an accountancy company.

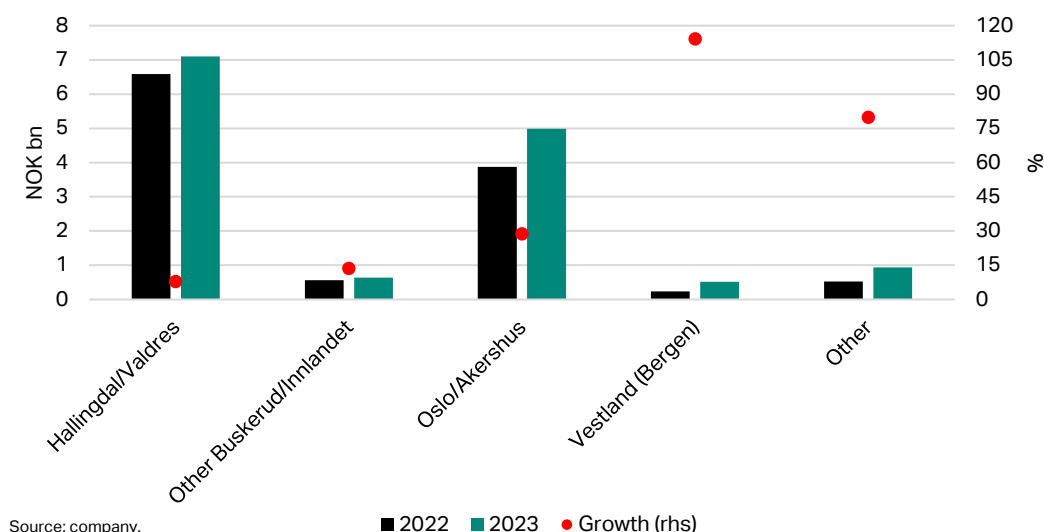
COMPETITIVE POSITION

Competitive position

SB1 Hallingdal Valdres' core markets are located in the Hallingdal and Valdres region. The bank is a market leader in the municipalities of Ål, Gol and Hemsedal in Hallingdal and the municipalities of Øystre Slidre and Northern Aurdal in Valdres. Elsewhere in the core region, the bank faces strong competition, particularly from DNB and Skue Sparebank.

About 50% of SB1 Hallingdal Valdres' customers are located outside this primary market area with a large proportion in the Oslo area. By focusing on prospective retail customers outside its core areas of operation, the bank differs from many of its peers. The bank has positioned itself as a niche lender in both Oslo and Bergen and also uses agents to market its lending products nationally.

Figure 10. Gross lending and growth by region (excluding transferred loans), 2022 and 2023



SB1 Hallingdal Valdres has a larger proportion of revenue from fee and commission income than its peers (see Figure 12). While this is mainly due to a higher proportion of transferred loans, the bank also has growing real estate brokerage and accountancy businesses. We view the bank's relationship with the SB1 Alliance as beneficial, as it diversifies both the product offering and revenue streams.

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

PERFORMANCE INDICATORS

Performance indicators

SB1 Hallingdal Valdres has somewhat lower profitability than its high-performing peer group average. This is largely due to high cost levels and low profitability at subsidiaries, which in turn have a negative effect on cost efficiency. The core banking business is performing in line with the wider peer group. We believe that loan losses peaked in the 12 months to June 2024. Non-performing loans declined in the first six months of 2024 and net Stage 3 loans are moderate in comparison with those of the bank's domestic peers.

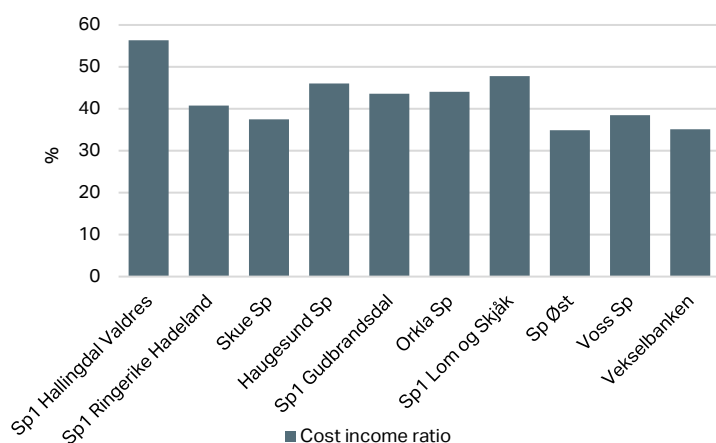
High cost levels at subsidiaries

Earnings

Improved net interest margins due to high interest rates, together with strong loan growth, led to improved cost efficiency and profitability in 2023. The magnitude of the improvement was, however, smaller than corresponding improvements across the peer group due to a decision by SB1 Hallingdal Valdres to focus on increasing volumes rather than margins. However, we expect the bank will prove more resilient to margin pressure in 2024 after it increased lending rates earlier in the year. We believe, though, that increased competition and lower interest rates will negatively affect margins from 2025 onwards.

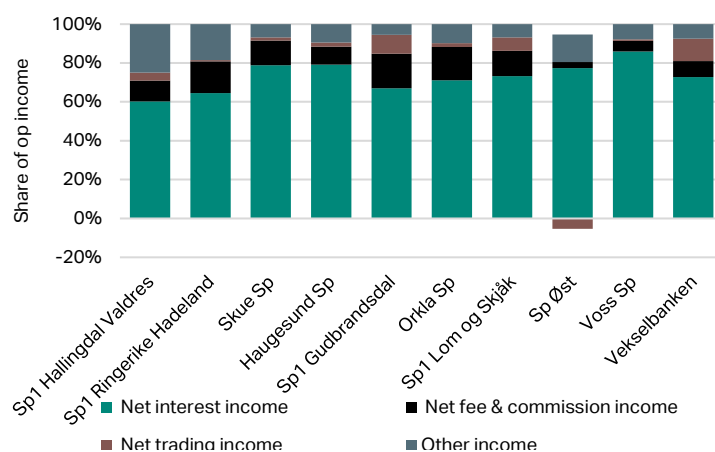
SB1 Hallingdal Valdres focuses on relationship banking. It has a relatively extensive branch network and also sells through agents. While this arrangement drives costs, the main reason for the bank's higher-than-average cost-to-income ratio is high costs at its subsidiaries. Cost-to-income at the parent bank was 40% the first six months of 2024 compared with 53% on a consolidated basis. This in turn put pressure on pre-provision income (PPI)/REA, which stood at 3% at the parent bank and 2.6% on a consolidated basis.

Figure 11. Cost efficiency metrics vs domestic savings bank peers, LTM to 30 Jun. 2024



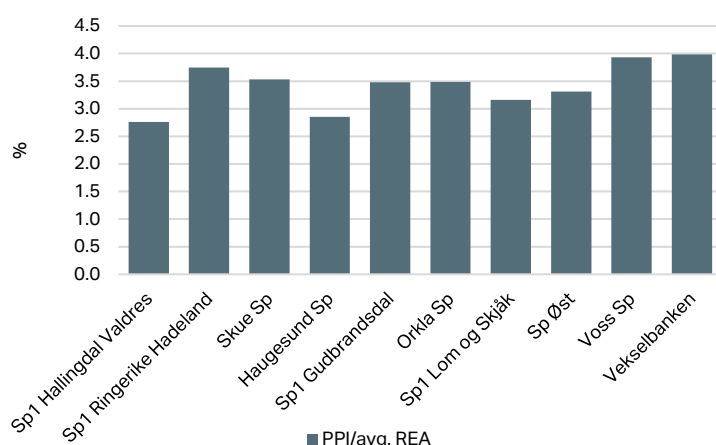
Source: bank reports. LTM-last 12 months.

Figure 12. Split between income groups vs domestic savings bank peers, LTM to 30 Jun. 2024



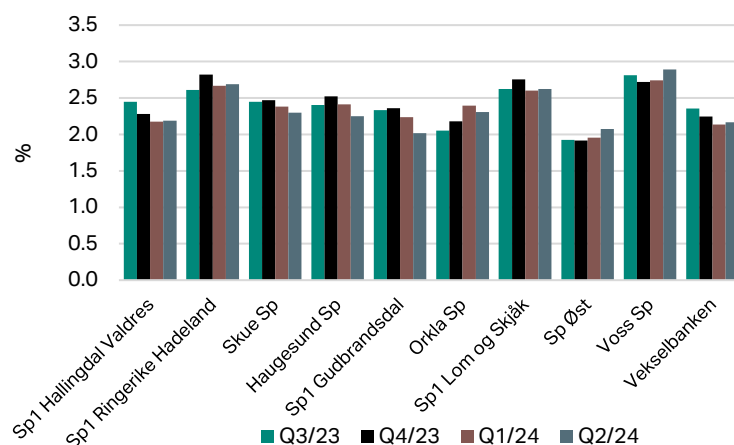
Source: bank reports.

Figure 13. PPI to REA vs domestic savings bank peers, LTM to 30 Jun. 2024



Source: bank reports.

Figure 14. Annualised net interest margins vs domestic savings bank peers, Q3 2023–Q2 2024



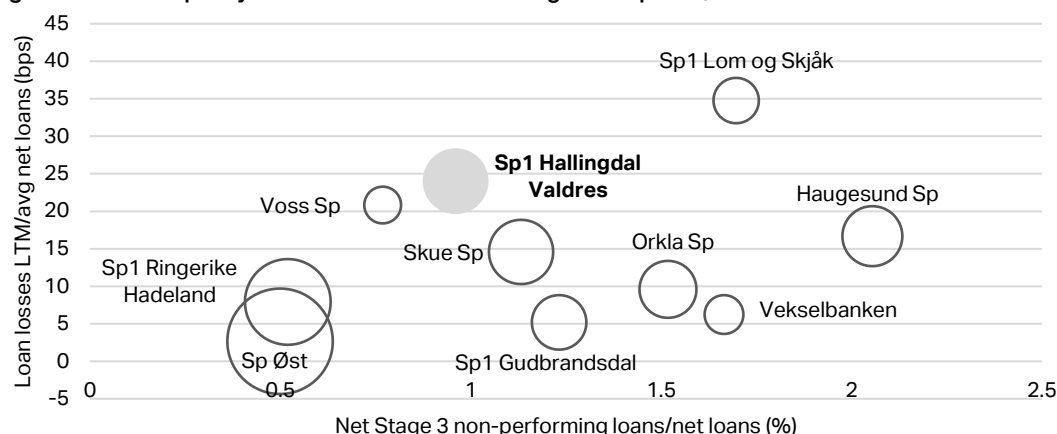
Source: bank reports.

Moderate level of non-performing loans

Loss performance

SB1 Hallingdal Valdres reported NOK 33m in loan losses in the 12 months to 30 Jun. 2024. We believe that this represents a peak in the current cycle. However, we anticipate that loan losses will remain higher than the bank's historical average over the near term as high interest rates continue to act as a burden on borrowers, particularly corporate customers.

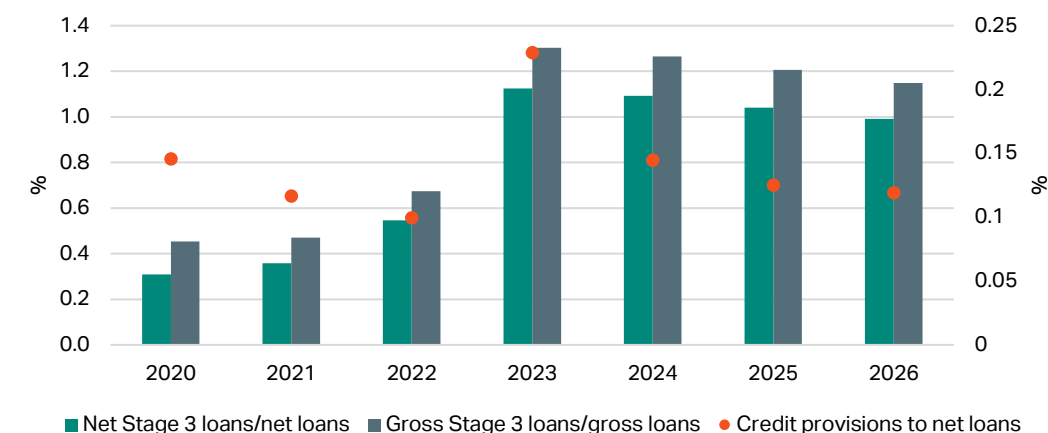
Figure 15. Asset quality metrics vs domestic savings bank peers, 30 Jun. 2024



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

SB1 Hallingdal Valdres' proportion of net Stage 3 lending is moderate in comparison with that of its peers, despite a significant increase in 2023, triggered by high interest rates. Non-performing loans declined somewhat in the first half of 2024. However, we expect that Stage 3 loans will remain somewhat elevated over our forecast period.

Figure 16. Asset quality metrics, 2020–2026e



Source: company, e-estimate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

ESG factors are considered throughout our analysis, where material to the credit assessment. In aggregate, we view SB1 Hallingdal Valdres' ESG profile as having a neutral impact on its creditworthiness.

Figure 17. 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 (-)
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

We do not adjust our rating on SB1 Hallingdal Valdres to reflect expectations of additional support as we see limited potential for extraordinary support from the owners. SB1 Hallingdal Valdres has been owned by two savings bank foundations since 2012, when it merged with Øystre Slidre Sparebank.

Currently, the bank is not publicly listed, but has the option to issue new ECCs and list them on the Oslo Stock Exchange. The bank's ECC ratio (proportion of equity and profit) is about 90%. The ECCs are currently owned by the two savings bank 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.

Figure 18. Ownership structure, 30 Sep. 2024

Owner	Share of capital
Sparebankstiftelsen Hallingdal	88.5%
Sparebankstiftelsen Øystre Slidre	11.5%
Total	100.0%

Source: company.

ISSUE RATINGS

Our rating on SB1 Hallingdal Valdres' unsecured senior debt is in line with the 'A-' long-term issuer rating. The bank has outstanding Tier 2 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 SB1 Hallingdal Valdres' access to central bank funding and our assessment that the bank's liquidity is adequate on the basis of an average liquidity coverage ratio of about 169% 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
- (v) [Mid-sized Norwegian savings banks navigate economic challenges](#), 28 Aug. 2023.

Figure 19. SB1 Hallingdal Valdres 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	42.6	41.4	53.5	61.6	60.3
Net fee income to op. revenue	16.2	16.6	16.7	12.9	10.7
Net trading income to op. revenue	4.6	7.1	-3.3	6.2	4.1
Net other income to op. revenue	36.6	34.9	33.1	19.3	24.9
EARNINGS					
Net interest income to financial assets	1.7	1.6	1.8	2.2	2.2
Net interest income to net loans	2.0	1.9	2.2	2.7	2.6
Pre-provision income to REA	2.8	3.0	2.2	2.7	3.0
Core pre-provision income to REA (NII & NF&C)	0.0	0.2	0.5	1.1	1.1
Return on ordinary equity	9.0	9.6	7.0	8.5	10.3
Return on assets	1.2	1.3	0.9	1.0	1.2
Cost-to-income ratio	58.2	55.5	62.2	57.2	53.0
Core cost-to-income ratio (NII & NF&C)	99.0	95.7	88.6	76.8	74.7
CAPITAL					
CET1 ratio	22.1	21.2	20.3	18.5	20.1
Tier 1 ratio	22.1	21.2	20.3	18.5	21.6
Capital ratio	23.9	22.7	21.7	20.3	24.3
REA to assets	53.7	55.3	53.4	55.6	56.1
Dividend payout ratio	31.2	46.4	29.9	40.5	
Leverage ratio	9.7	11.6	10.4	0.0	11.5
Consolidated CET1 ratio	21.2	20.3	19.2	17.9	17.8
Consolidated Tier 1 ratio	21.3	20.5	19.4	18.0	19.3
Consolidated Capital ratio	23.2	22.2	20.9	19.8	21.8
Consolidated Leverage ratio	9.7	9.6	8.9	8.6	9.1
GROWTH					
Asset growth	8.3	7.6	12.7	14.1	1.8
Loan growth	11.0	7.8	9.3	20.3	2.1
Deposit growth	7.6	7.1	16.4	8.5	-1.1
LOSS PERFORMANCE					
Credit provisions to net loans	0.15	0.12	0.10	0.23	0.06
Stage 3 coverage ratio	32.15	24.15	19.28	14.13	14.67
Stage 3 loans to gross loans	0.45	0.47	0.67	1.30	1.14
Net stage 3 loans to net loans	0.31	0.36	0.55	1.13	0.98
Net stage 3 loans/ordinary equity	1.81	2.14	3.45	7.89	6.65
FUNDING & LIQUIDITY					
Loan to deposit ratio	112.9	113.6	106.7	118.2	122.1
Liquid assets to deposit ratio	17.3	22.7	25.8	21.5	21.3
Net stable funding ratio	0.0	0.0	133.4	131.0	135.8
Liquidity coverage ratio	155.0	141.0	168.8	161.0	189.6

Key financials (NOKm)	FY 2020	FY 2021	FY 2022	FY 2023	Q2 2024 YTD
BALANCE SHEET					
Total assets	12,342	13,282	14,972	17,082	17,390
Total tangible assets	12,341	13,281	14,972	17,074	17,382
Total financial assets	11,478	12,869	14,559	16,673	16,929
Net loans and advances to customers	9,955	10,729	11,726	14,107	14,410
Total securities	461	1,079	1,233	1,247	1,310
Customer deposits	8,817	9,443	10,994	11,931	11,798
Issued securities	1,559	1,677	1,883	2,925	3,114
of which other senior debt	1,439	1,557	1,762	2,748	2,857
of which subordinated debt	120	120	121	177	257
Total equity	1,702	1,795	1,858	2,012	2,263
of which ordinary equity	1,702	1,795	1,858	2,012	2,116
CAPITAL					
Common equity tier 1	1,466	1,554	1,619	1,759	1,964
Tier 1	1,466	1,554	1,619	1,759	2,111
Total capital	1,585	1,665	1,731	1,925	2,368
REA	6,625	7,342	7,988	9,494	9,749
INCOME STATEMENT					
Operating revenues	439	472	454	557	305
Pre-provision operating profit	183	210	172	239	143
Impairments	14	12	11	30	4
Net Income	146	167	128	165	107

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

Figure 20. SB1 Hallingdal Valdres rating scorecard

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

Figure 21. Capital structure ratings

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

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