

Skue Sparebank

Full Rating Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'A-' long-term issuer rating on Norway-based Skue Sparebank reflects the bank's solid capital position, low risk appetite and strong profitability. The bank has a cooperation agreement with the Eika alliance, which we view as positive, as it provides product diversity, shared development costs and the opportunity to finance residential retail mortgages through Eika Boligkreditt. We believe that the bank will report relatively strong and stable earnings through 2026, which will enable it to bear elevated loan losses due to a slowdown in the overall economy. The recent merger with Hjartdal og Gransherad Sparebank (HjartdalBanken) will not, in our opinion, have a material impact on the bank's earnings metrics or credit risk but will enlarge its geographical footprint.

The rating is constrained by stiff competition and the bank's low market share in the more populous areas of Buskerud County in eastern Norway. Also constraining the rating is the bank's concentrated exposure to commercial real estate and retail mortgages in the region where it operates.

STABLE OUTLOOK

The outlook is stable, reflecting our view that Skue Sparebank will report satisfactory earnings despite somewhat high loan losses. We expect the bank's already strong capital ratios to be further boosted by earnings, modest on-balance-sheet loan growth and the positive impact of implementing the EU's Capital Requirements Regulation III (CRR3). We also believe that the merger process will marginally improve profit and capital.

POTENTIAL POSITIVE RATING DRIVERS

- Improved macroeconomic conditions, pushing up projected asset quality; and
- Strengthened capital and earnings, with a Tier 1 capital ratio sustainably above 25%.

POTENTIAL NEGATIVE RATING DRIVERS

- A material deterioration in the local operating environment that hampers the bank's asset quality.
- A sustained decrease in the Tier 1 capital ratio to below 20%; and
- Risk-adjusted earnings metrics sustainably below 2.0% of the risk exposure amount (REA).

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

%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	1.8	1.8	2.1	2.4	2.2	2.3	2.2
Loan losses/net loans	0.18	-0.05	0.02	0.14	0.15	0.13	0.12
Pre-provision income/REA	1.6	2.2	2.6	3.2	2.8	3.2	3.3
Cost-to-income	60.2	47.1	43.1	37.8	40.6	39.0	38.4
Return on ordinary equity	7.6	9.4	9.7	10.2	9.0	9.5	9.0
Loan growth	34.9	6.4	8.1	5.2	33.2	4.5	4.7
CET1 ratio**	17.1	18.5	19.9	20.1	20.8	24.1	24.5
Tier 1 ratio**	18.6	20.1	21.6	21.6	21.9	25.3	25.6

Source: company and NCR. e–estimate. REA–risk exposure amount. CET1–common equity Tier 1. All metrics adjusted in line with NCR methodology.
*HjartdalBanken is included from 1 October 2024. **Consolidated capital adequacy metrics, including the estimated effect of CRR3 from 2025.

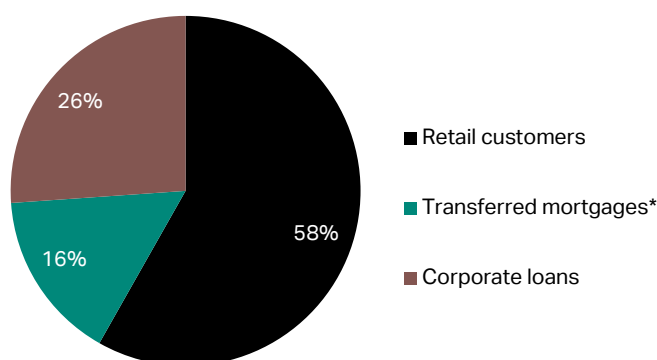
ISSUER PROFILE

Skue Sparebank's roots date back to 1843 in Hallingdal. The bank merged with Hønefoss Sparebank in 2020, making a large slice of Buskerud county its core market. In October 2024, the bank merged with HjørtalBanken (gross lending of NOK 5.2bn, including loans transferred to Eika Boligkreditt), expanding its footprint into Vestfold and Telemark counties. Combined gross lending was NOK 22.6bn as of 30 Jun. 2024, including NOK 4.2bn in transferred loans.

Skue Sparebank focuses more on lending than most similarly sized Norwegian savings banks and does not have fully owned product companies. However, as a member of the Eika alliance, it has access to and holds minority positions indirectly in product companies. In addition to providing access to lending, savings and insurance products, the alliance also helps to improve cost efficiency through the sharing of IT costs and joint efforts in risk management and compliance. Moreover, the alliance provides financing through a jointly owned covered-bond company, Eika Boligkreditt.

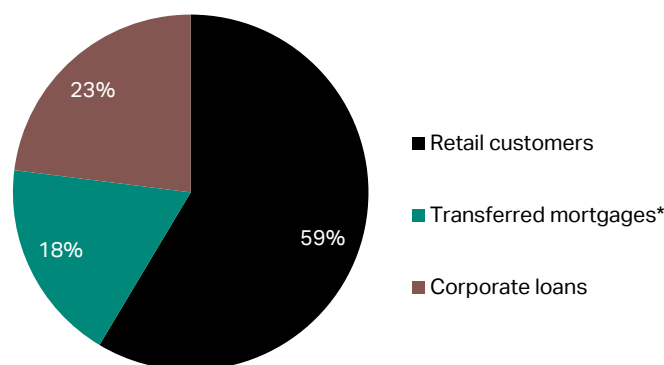
The bank operates as an independent savings bank and has equity capital certificates (ECCs) that trade on the Oslo Stock Exchange. ECC holders control 22% of the equity, while the remainder is self-owned.

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



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

Figure 3. Pro forma merged bank gross loans by type, including transferred loans, 30 Jun. 2024.



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

OPERATING ENVIRONMENT

Operating environment

We consider a balance of national and regional factors in our assessment of the operating environment. Skue Sparebank operates in a region with above-average growth prospects due to its location on the main transport route from western to eastern Norway and the close proximity of its southern areas to Oslo, Norway's capital. The national economy appears likely to 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.

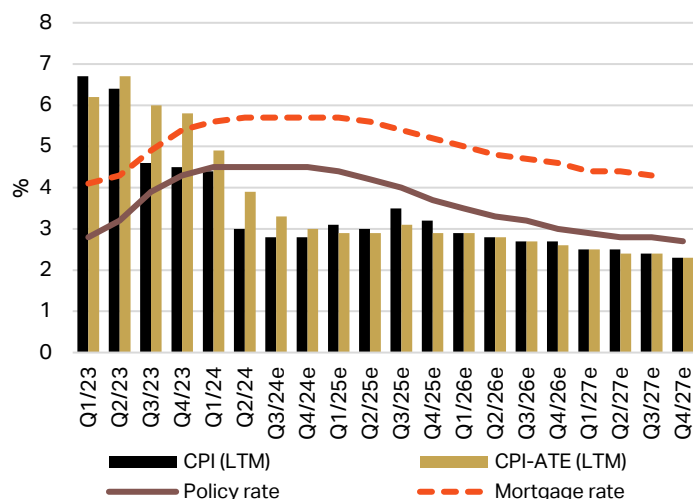
National factors

Savings banks are resilient to economic sluggishness

Net interest margins for Norwegian banks have widened significantly over the past two years due to high interest rates. This, together with strong lending growth, has boosted earnings across the sector. However, we believe that core earnings growth in the sector will slow this year following stiffening competition and increased, albeit moderate, loan losses. Among NCR-rated Norwegian savings banks, we expect a marginal decline in core profits in 2024 but anticipate that normalisation of non-core revenues will prompt an 8% increase in pre-tax profit. We also believe that interest margins could prove more resilient than we previously anticipated because of continuing high interest rates.

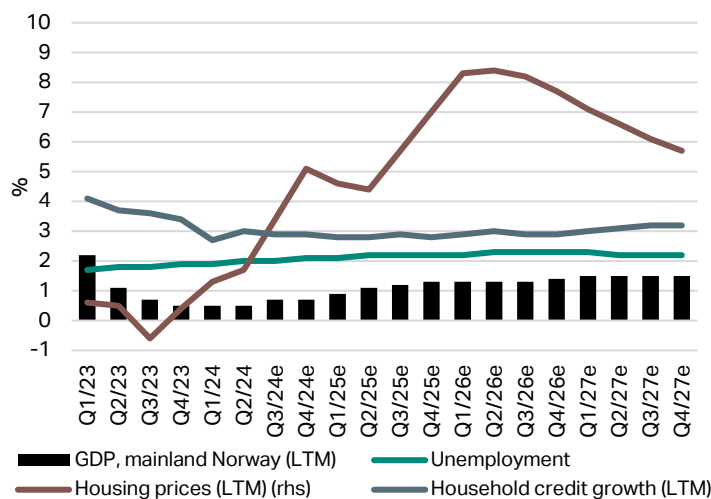
As intended, high interest rates are leading to a slowing of the economy. We believe that elevated interest rates and weak economic conditions will result in higher loan-loss provisions among domestic banks over the next 12 months, but that levels will vary significantly between individual banks. Norway's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

Figure 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. LTM-last 12 months.

Present across a diversified region

Skue Sparebank has a large presence in highly diverse Buskerud county, which includes mountainous areas with a strong tourism industry in the north and a highly industrialised coastal area in the south. While the bank's presence is strongest in the northern and central parts of the county, the southern portion offers the greatest growth opportunities. This area is also part of the greater Oslo growth region, and Drammen port is an important hub for the import of goods. The Hallingdal Valley is home to the Oslo-Bergen railway and the fastest Oslo-Bergen road link, both of which have benefited commercial interests in the region. A new road (expected to open in 2025) and railway line (expected to open in 2035) from Oslo to Ringerike will reduce commuting time significantly and has already boosted business activity in the region.

Regional, sectoral, and cross-border factors

Figure 6. Core markets

Municipality	Population	Expected population change 2024–2050 (%)	Unemployment Sept. 2024	Unemployment Sept. 2023
<i>Skue Sparebank</i>				
Hol	4,516	8.3	1.3	1.0
Gol	4,994	10.8	1.1	0.9
Nesbyen	3,287	-7.2	1.6	1.5
Flå	1,126	16.4	1.4	*
Nore og Uvdal	2,485	-4.6	1.3	0.4
Krødsherad	2,257	3.4	2.3	1.2
Modum	14,621	12.0	2.7	2.2
Sigdal	3,502	2.3	2.3	1.0
Ringerike	31,629	10.9	2.3	2.3
Drammen	104,625	10.8	2.5	2.3
<i>HjartdalBanken</i>				
Hjartdal	1,636	-0.2	1.6	2.0
Notodden	13,315	1.7	2.5	2.2
Kongsberg	28,878	11.4	1.6	1.5
Midt-Telemark	10,838	17.4	2.8	1.9
Total	227,769	13	2.3	1.8
Norway	5,562,363	11	2.0	1.9

Source: Statistics Norway, Norwegian Labour and Welfare Administration. *Fewer than four unemployed.

While Hjartdal has a high focus on agriculture, Kongsberg and Notodden are more industrialised communities than those in Skue Sparebank's core market prior to the merger with HjartdalBanken (except Drammen). This is especially true for Kongsberg, where Statistics Norway expects strong population growth towards 2050.

In total, population growth in Skue Sparebank's market is set to outpace Norway's overall population growth, while unemployment is somewhat above the national rate.

RISK APPETITE

Risk appetite assessment

Skue Sparebank's risk profile assessment reflects the bank's strong capital and liquidity buffers, large share of low-risk exposure to the residential mortgage market, and its ability to transfer loans to Eika Boligkreditt. The bank has a regional concentration, though, particularly in the local real-estate markets.

Low risk appetite and increased focus on sustainability

Risk governance

In our view, Skue Sparebank's risk governance framework, risk appetite, limit monitoring, and risk reporting are in line with larger Nordic savings banks and above average compared with savings bank peers. The bank has low complexity and very low risk appetite beyond credit risk. Furthermore, the bank has well-defined guidelines to support anti-money laundering (AML) in its daily operations, reducing the risk of related losses and fines, which the Norwegian regulator has levied on some banks.

Both Skue Sparebank and HjordalBanken are members of the Eika alliance, which we believe will smooth the merger process. The cooperation with the Eika alliance provides additional resources for future development in sustainability. Skue Sparebank has established credit-related guidelines to assess climate and sustainability risks for its corporate and agricultural customers. It has also established a green bond framework.

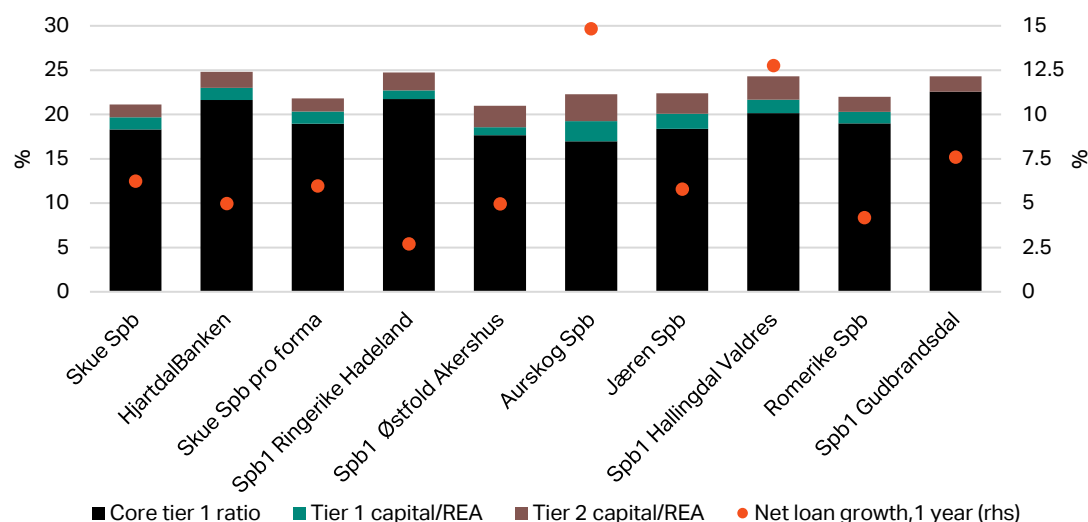
Strong and increasing capitalisation

Capital

Our capital assessment considers the bank's consolidated capital position, including its proportionate holdings in Eika Gruppen and Eika Boligkreditt. Skue Sparebank's pro-forma Tier 1 capital ratio was 19.5% as of 30 Jun. 2024 (20% including 50% of profits year to date), well above the minimum requirement of 16.9% (including a management buffer at 1.4%). The bank has a Pillar 2 requirement of 2.6% (of the total capital ratio), which has remained unchanged since 2022.

The bank had a pro-forma leverage ratio of 10.2% as of 30 Jun. 2024, excluding year-to-date net profits, compared with the bank's minimum target of 6% and a regulatory requirement of 3%.

Figure 7. Norwegian savings banks' capital ratios and loan growth, 30 Jun. 2024



Source: bank reports.

We expect Skue Sparebank to expand its on-balance-sheet loan book by 4.5%–6.0% in 2025 and 2026 and forecast return on equity between 8% and 9% through 2026. In addition, we expect the bank to pay out 15% of net profit as dividends and gifts to social and cultural activities in the region. This would push up CET1 ratios over the next few years.

CRR3, a new EU standard method for calculating capital requirements for banks' 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. We assume a positive impact of 2.5pp on Skue Sparebank's CET1 ratio from 2025. However, we remain cautious about the actual outcome and primarily focus on pre-CRR3 ratios in our capital assessment.

Eika Boligkreditt is a key funding source

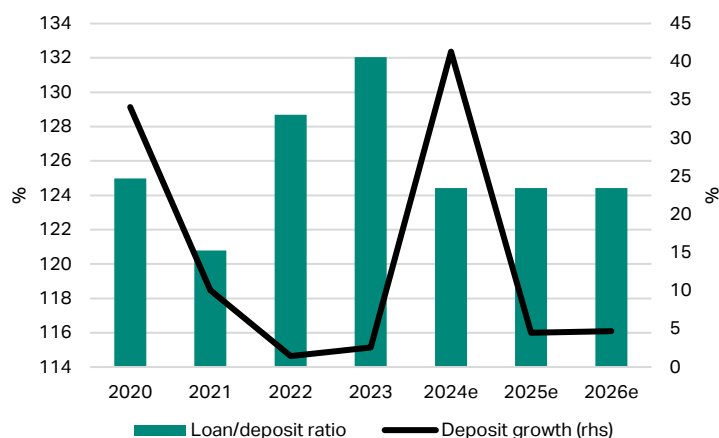
Funding and liquidity

Skue Sparebank's funding and liquidity position is relatively strong, with a stable retail deposit base and demonstrated access to capital markets. The loan-to-deposit ratio was up by 6pp 133% in the 12 months ended 30 Jun. 2024 (125% pro forma). The bank maintains strong liquidity buffers, at about 28% of customer deposits. As of 30 Jun. 2024, the liquidity coverage ratio was 230%, well above the internal limit of 110% and historical average of 165%. We expect Skue Sparebank to maintain strong regulatory measures, given its internal limits.

Skue Sparebank had NOK 4.5bn in outstanding senior bonds as of 25 Oct. 2024. Debt maturities are well distributed, with senior unsecured maturities spread from 2024 to 2029. We expect the bank will refinance through new bond issues as debt matures.

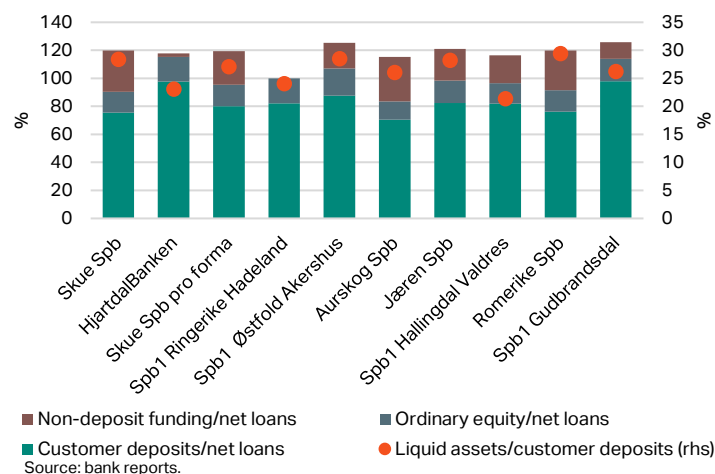
Skue Sparebank's cooperation with Eika Boligkreditt is another important funding source. Eika Boligkreditt is also a stable funding source and provides the bank with access to more affordable funding, with longer terms to maturity than it can achieve alone. Skue Sparebank had a modest transfer ratio of 18.6% to Eika Boligkreditt as of 30 Jun. 2024 (pro forma), well below the 30% internal limit. The bank has a low transfer ratio compared with similar banks, which should allow it to increase its transfer ratio and limit, if appropriate. We view this as supportive of its liquidity management.

Figure 8. Deposit metrics, 2020-2026e*



Source: company, e-estimate. *Merger with Hjørtaldbanken in 2024.

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



Source: bank reports.

Focus on mortgages provides stability

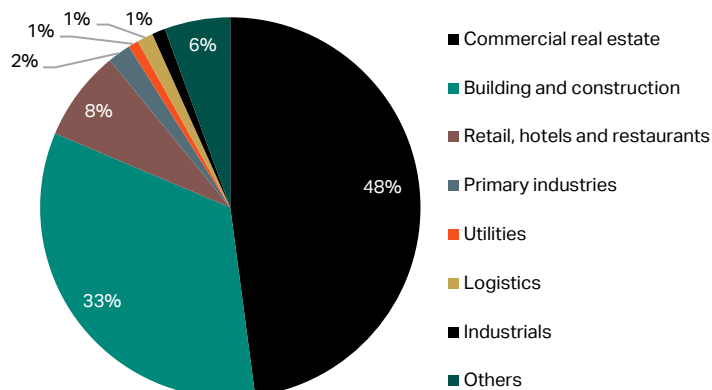
Credit risk

Skue Sparebank's loan portfolio mainly consists of retail mortgage loans (77% including transferred loans). The bank has a regional focus, albeit on a quite diverse region. Housing prices and real-estate values in the region are falling in line with the Norwegian market as interest rates rise. However, housing price growth over the past decade has strengthened the bank's collateral.

Both Skue Sparebank and Hjørtaldbanken had gross loan growth of 9% over the 12 months ended 30 Jun. 2024 (including transferred loans). Loan growth on the bank's own balance sheet has been somewhat lower, a trend that will continue, we believe. Our forecast includes loan growth on the merged bank's balance sheet of about 5% and growth of transferred loans at about 10%.

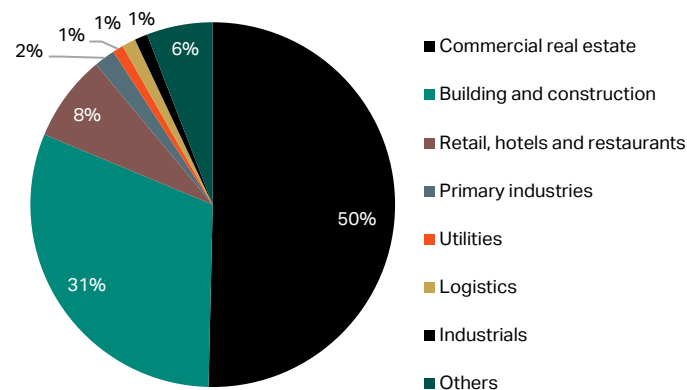
Both banks have increased their shares of residential mortgage loans transferred to Eika Boligkreditt in response to increased funding costs. As of 30 Jun. 2024, the banks had NOK 4.2bn in transferred loans, which provide commission income. The bank does not offload this risk, however, and we expect the bank to take back nonperforming loans from Eika Boligkreditt to maintain a clean cover pool. Where repatriation of loans is not possible, which has yet to occur, the bank guarantees 1% of transferred loans and covers 80% of any net loss occurred by Eika Boligkreditt, with charges netted from commission payments for transferred loans.

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



Source: company.

Figure 11. Pro forma merged bank corporate gross loans per sector, 30 Jun. 2024



Source: company and NCR.

As with most Norwegian savings banks, Skue Sparebank's main sectoral exposure is to commercial real estate and building and construction. These sectors have been hardest hit historically during banking crises, such as in Norway's crisis in the late 1980s/early 1990s. We are monitoring these sectors closely, due to rising interest rates and input costs, and falling property prices.

The high concentration of local real-estate collateral represents a potential weakness for Skue Sparebank due to the risk of significant climate events or flooding along the region's rivers and lakes. We consider it positive that the bank is conducting evaluations of its exposure to physical climate risk and incorporating climate-risk assessments into its credit processes.

Focus on core banking mitigates other risk factors

Other risks

We do not believe market risk is a material factor for Skue Sparebank, given the lack of a trading portfolio, and its low limits on interest-rate risk and currency risk. The bank uses interest-rate derivatives for hedging purposes.

Both Skue Sparebank and Hjørtedalen Banken had strategic ownership positions in Eika Gruppen (totaling 6.6% at year-end 2023) and Eika Boligkreditt (3.2%), which provide access to the Norwegian covered-bond market, insurance, asset management, a real-estate agency and credit products. These stakes also ensure a strong voice alongside other savings bank owners, while contributing to the bank's earnings through dividend payments and commissions paid on transferred loans and savings.

COMPETITIVE POSITION

Competitive position

Skue Sparebank has a regional focus and a strong position in its historical core markets. Although its overall regional market share is in the single digits, the bank has a strong position in Hallingdal in the northern part of Buskerud. SpareBank 1 Hallingdal Valdres is the main competitor there, while DNB is the market leader in the corporate segment. The bank generates more than 60% of lending volumes further south, particularly in Drammen and Hønefoss. While market share in these areas is in the single digits, growth is higher, and the bank is gaining market share. Its main competitors are the local banks in the SpareBank 1 Alliance, Sparebanken Øst and, particularly in the corporate segment, DNB and Handelsbanken.

The merger with HjordalBanken increases Skue Sparebank's geographical reach to the south-west and into a growing, industrialised region. HjordalBanken has strong positions, particularly in Hjordal, but also in Notodden. The main competitors in the area are SpareBank 1 Sør-Norge and DNB, as well as Sparebanken Sør in Midt-Telemark.

Skue Sparebank is the second-largest bank in the Eika alliance, which expands the bank's customer offerings beyond what it could provide itself and diversifies revenues. Via the alliance, the bank provides customers with insurance, debit and credit products, asset management and a real-estate agency.

Given Skue Sparebank's concentration on its core markets, we consider its meaningful role in and contributions to its local market as a positive rating factor. The bank's primary environmental, social and governance (ESG) attribute is its strong sense of social responsibility in its local communities. The bank funds social and cultural activities to support these communities.

PERFORMANCE INDICATORS

Performance indicators

Skue Sparebank reported relatively strong profitability in 2023 and the first half of 2024. We expect that net interest margins will come under pressure as interest rates fall from 2025 onwards. Still, cost efficiency will likely sustain pre-provision income (PPI), which we expect to be a cushion against elevated loan losses amid overall economic sluggishness.

Earnings poised to remain strong

Earnings

Rising interest rates have significantly bolstered Skue Sparebank's net interest margin over the last couple of years, following years of margin pressure from low interest rates and competition for mortgage loans. We believe, however, that margins peaked in 2023, and that increased competition, and, from 2025, lower interest rates, will squeeze margins. This will also affect fee income from Eika Boligkreditt, but high levels of transferred loans will, we believe, still fuel growth in fees.

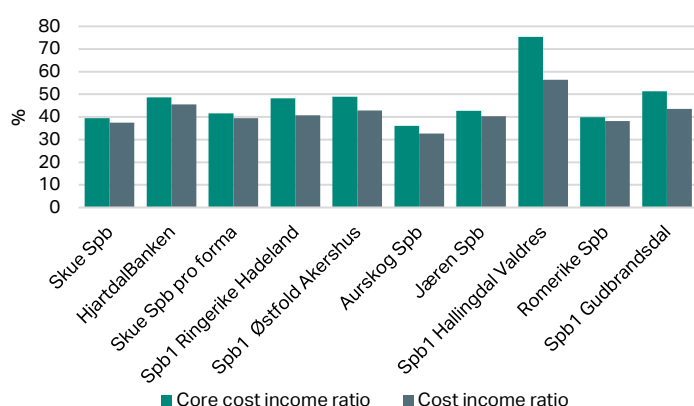
Skue Sparebank's roll out of its new IT system has pushed up costs in recent years, but this should be offset by lower IT costs over the 2025-2028 period. The bank will also book costs linked to the merger process with HjordalBanken in 2024 and 2025. We understand that the bank will report goodwill amounting to NOK 96.5m as a negative cost item. However, we classify it under other comprehensive income since it is a non-recurring, non-cash item. The combination of improved income and increased cost efficiency from 2025 leads us to project a cost-to-income ratio just below 40% in 2025 and 2026. This will result in core risk-adjusted PPI to REA exceeding 3%.

Figure 12. Key credit metrics, as of Q2 2024

	Skue Sparebank	HjordalBanken	Pro-forma merged bank
Gross loans	14,692	3,792	18,484
Net loans	14,602	3,781	18,383
Total assets	17,859	4,665	22,524
Deposits from customers	11,015	3,694	14,710
Senior debt	4,295	90	4,385
Net interest margin** (%)	2.3	2.7	2.4
Operating income	259	81	340
Pre-provision income	314	87	401
CET1 capital*	2,013	614	2,627
Tier 1 capital*	2,162	654	2,816
REA*	10,651	2,820	13,471
CET1 ratio* (%)	18.9	21.8	19.5
Tier 1 ratio* (%)	20.30	23.2	20.9
PPI/REA** (%)	4.0	4.7	4.1
Cost/income ratio (%)	37.5	45.5	39.4
Net Stage 3/net loans (%)	1.13	0.21	0.94

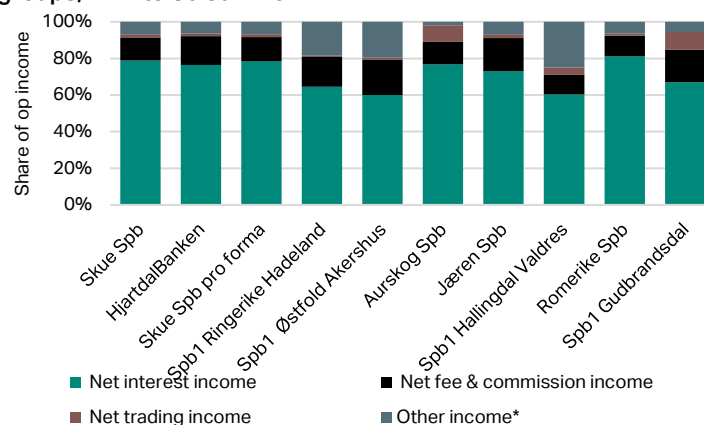
Source: bank reports and NCR. *Consolidated. **Annualised. NOK m. Metrics not adjusted for calculation changes in merged entity. PPI-pre-provision income.

Figure 13. Norwegian savings banks' cost efficiency metrics, LTM to 30 Jun. 2024



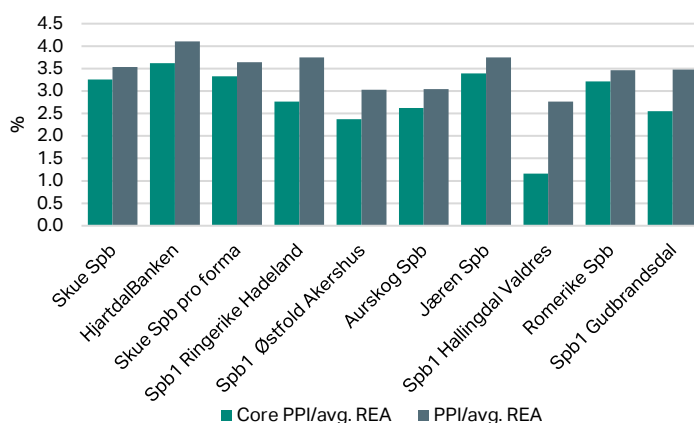
Source: bank reports. LTM-last 12 months. Core represents net interest income and net fee & commission income.

Figure 14. Norwegian savings banks' split between income groups, LTM to 30 Jun. 2024



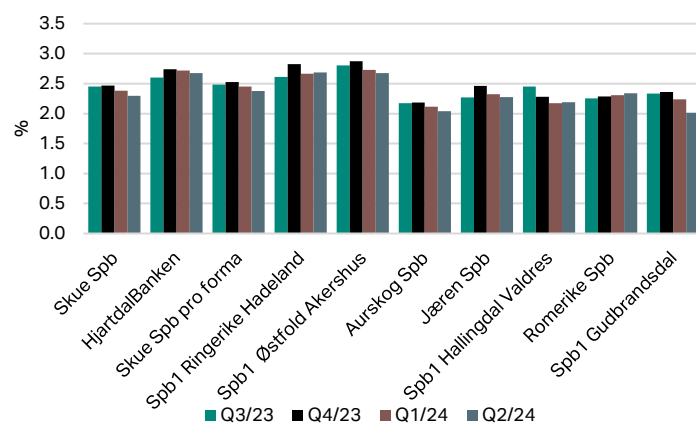
Source: bank reports. LTM-last 12 months.

Figure 15. Norwegian savings banks' PPI to REA, LTM to 30 Jun. 2024



Source: bank reports. PPI-pre-provision income. LTM-last 12 months.

Figure 16. Norwegian savings banks' annualised net interest margins, Q3 2023–Q2 2024



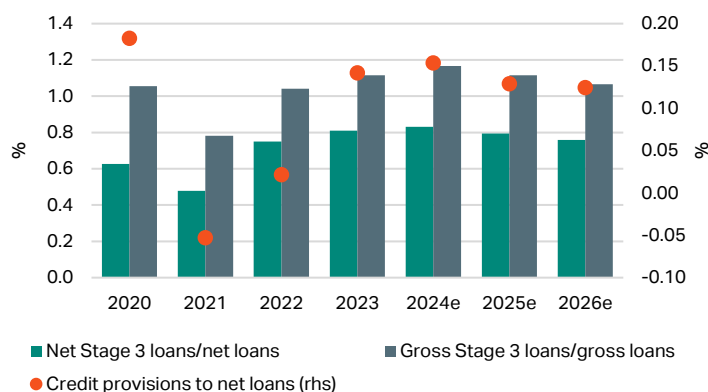
Source: bank reports.

Loan losses set to remain moderate

Loss performance

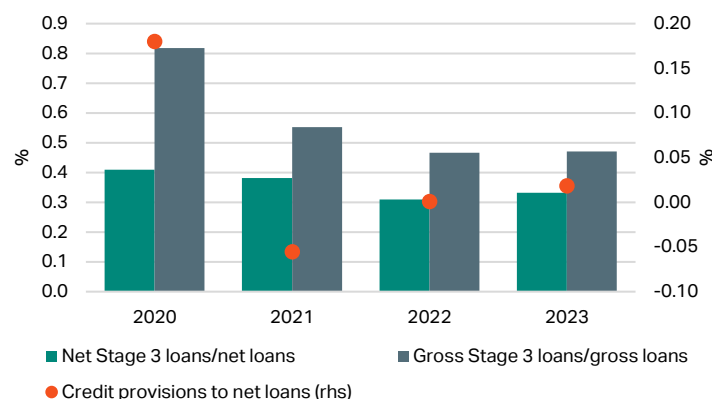
HjartdalBanken's non-performing (Stage 3) loans are low, and it has reported low loan losses recent years. Although Skue Sparebank has reported somewhat higher levels of Stage 3 loans and loan losses, we expect the bank to continue to remain within the range of its domestic peer group. We expect moderate and relatively stable loan losses through 2026, as lower interest rates dampen the effect of a moderate economic slowdown.

Figure 17. Skue Sparebank asset quality metrics, 2020-2026e



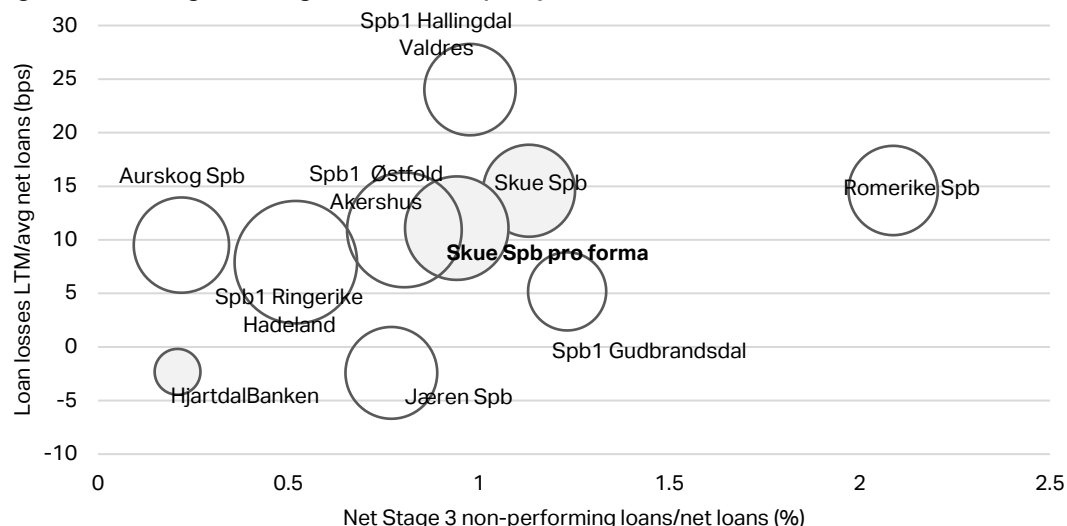
Source: company. e-estimate.

Figure 18. HjartdalBanken asset quality metrics, 2020-2023



Source: company. e-estimate.

Figure 19. Norwegian savings banks' asset quality metrics, 30 Jun. 2024



Source: bank reports. Bubble sizes reflect net loan volumes. LTM-last 12 months

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 20. 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 (0)
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 view Skue Sparebank's ownership as neutral to our standalone credit assessment. Most of the equity is self-owned (73%), while the remainder is owned by ECC holders. The bank consequently has

access to the equity markets, if needed. Unlike many other savings banks, the bank does not have a foundation as the majority holder of its ECCs.

Figure 21. Ownership structure, 30 Sep. 2024

Owner	Share of ECCs
Eika Egenkapitalbevis	7.9%
Børge Døskeland	6.3%
Salt Value AS	5.0%
MP Pensjon	4.3%
Kommunal Landspensjonskasse Gjensidige	4.1%
Other	72.4%
Total	100.0%

Source: company.

ISSUE RATINGS

Our rating on Skue Sparebank's unsecured senior debt is in line with the 'A-' issuer rating. The bank has outstanding Tier 2 instruments and additional Tier 1 instruments, which we rate one and three notches below the issuer rating, respectively. Consequently, the Tier 2 instrument is rated 'BBB+', while the Tier 1 instrument is rated '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 Skue Sparebank's access to central bank funding and our assessment that the bank's liquidity is adequate, based on an average liquidity coverage ratio of 218% 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 22. Skue 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	75.5	75.6	79.9	81.7	78.9
Net fee income to op. revenue	17.5	17.3	14.0	12.7	12.6
Net trading income to op. revenue	-0.2	-1.5	-2.8	-0.4	1.6
Net other income to op. revenue	7.3	8.6	8.9	5.9	6.9
EARNINGS					
Net interest income to financial assets	1.8	1.8	2.1	2.4	2.3
Net interest income to net loans	2.2	2.2	2.5	2.9	2.8
Pre-provision income to REA	1.9	2.5	3.0	3.6	3.7
Core pre-provision income to REA (NII & NF&C)	1.6	2.2	2.7	3.3	3.2
Return on ordinary equity	7.6	9.4	9.7	10.2	11.2
Return on assets	0.8	1.0	1.1	1.2	1.4
Cost-to-income ratio	60.2	47.1	43.1	37.8	35.3
Core cost-to-income ratio (NII & NF&C)	64.8	50.7	45.9	40.1	38.6
CAPITAL					
CET1 ratio	17.3	18.9	19.6	19.8	18.3
Tier 1 ratio	18.8	20.6	21.2	21.3	19.7
Capital ratio	20.8	22.7	23.2	23.1	21.1
REA to assets	52.3	49.3	48.4	50.8	52.8
Dividend payout ratio	19.9	12.8	15.4	15.0	17.2
Leverage ratio	9.4	9.8	10.0	10.9	10.3
Consolidated CET1 ratio	17.1	18.5	19.9	20.1	18.9
Consolidated Tier 1 ratio	18.6	20.1	21.6	21.6	20.3
Consolidated Capital ratio	20.6	22.2	23.5	23.4	21.8
Consolidated Leverage ratio	8.8	9.2	9.9	10.6	10.2
GROWTH					
Asset growth	36.0	8.7	7.6	3.9	2.8
Loan growth	34.9	6.4	8.1	5.2	2.9
Deposit growth	34.1	10.1	1.4	2.6	2.5
LOSS PERFORMANCE					
Credit provisions to net loans	0.18	-0.05	0.02	0.14	0.14
Stage 3 coverage ratio	41.07	39.03	28.40	27.86	21.21
Stage 3 loans to gross loans	1.05	0.78	1.04	1.12	1.43
Net stage 3 loans to net loans	0.63	0.48	0.75	0.81	1.13
Net stage 3 loans/ordinary equity	4.82	3.59	5.27	5.39	7.58
FUNDING & LIQUIDITY					
Loan to deposit ratio	125.0	120.8	128.7	132.0	132.6
Liquid assets to deposit ratio	25.9	28.3	29.7	28.5	28.4
Net stable funding ratio	145.4	145.3	144.9	139.2	135.4
Liquidity coverage ratio	139.2	157.3	190.6	196.2	230.0

Key financials (NOKm)	FY 2020	FY 2021	FY 2022	FY 2023	Q2 2024 YTD
BALANCE SHEET					
Total assets	14,306	15,545	16,721	17,376	17,859
Total tangible assets	14,305	15,545	16,720	17,374	17,859
Total financial assets	14,153	15,399	16,587	17,244	17,726
Net loans and advances to customers	11,725	12,472	13,480	14,186	14,602
Total securities	2,088	2,630	2,534	2,660	2,736
Customer deposits	9,381	10,326	10,474	10,743	11,015
Issued securities	3,194	3,304	4,103	4,240	4,431
of which other senior debt	3,043	3,144	3,942	4,079	4,295
of which subordinated debt	151	160	160	161	136
Total equity	1,633	1,795	2,047	2,261	2,309
of which ordinary equity	1,523	1,665	1,917	2,131	2,179
CAPITAL					
Common equity tier 1	1,292	1,447	1,587	1,752	1,726
Tier 1	1,402	1,577	1,717	1,882	1,856
Total capital	1,552	1,737	1,877	2,042	1,991
REA	7,476	7,659	8,090	8,831	9,425
INCOME STATEMENT					
Operating revenues	299	358	412	492	259
Pre-provision operating profit	119	189	235	306	167
Impairments	19	-6	3	20	10
Net Income	98	149	174	207	120

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

Figure 23. Skue Sparebank rating scorecard

Subfactors	Impact	Score
National factors	10.0%	a
Regional, cross border, sector	10.0%	bbb+
Operating environment	20.0%	a-
Risk governance	5.0%	a
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 24. Capital structure ratings

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

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