

SpareBank 1 Østfold Akershus

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 SpareBank 1 Østfold Akershus (SB1 Østfold Akershus) reflects the bank's strong profitability and modest risk appetite, as well as its exposure to a growth region of Norway. The bank is part of the SpareBank 1 Alliance, which we view as supportive of business diversity, operating efficiency and liquidity. The bank has strong pre-provision profitability, driven by strong net interest margins and a higher proportion of fee income within revenues than its peers, as well as strong cost efficiency. SB1 Østfold Akershus is predominantly a retail bank providing residential mortgages, but also has exposure to commercial real-estate lending. The rating is constrained by the competitive environment in the bank's operating region and geographic concentration in the loan book, as well as uncertainty about the commercial real-estate sector.

Unlike most Norwegian savings banks, SB1 Østfold Akershus' equity belongs almost entirely to the owners of the bank's equity capital certificates (ECCs). Consequently, the bank relies on the equity market to finance growth. Two foundations control about two-thirds of the ECCs. We view the ownership structure as supportive of our standalone credit assessment, but do not incorporate prospective support into the rating.

STABLE OUTLOOK

The outlook is stable, reflecting our view that SB1 Østfold Akershus has been able to benefit from interest rate increases while maintaining solid loan growth. We believe that a continued weak economy will lead to non-performing loans and loan-loss provisions remaining elevated, but that this will not materially weaken the bank's stability or profitability. We expect SB1 Østfold Akershus' capital ratios will be further boosted by the prospective positive impact of implementing the EU's Capital Requirements Regulations III (CRR3).

POTENTIAL POSITIVE RATING DRIVERS

- An upgrade is unlikely at this time, given earnings and capitalisation are already strong.

POTENTIAL NEGATIVE RATING DRIVERS

- A material deterioration in the regional operating environment that negatively affects asset quality.
- Growth significantly outpacing capital generation, resulting in a Tier 1 ratio below 18% over a protracted period.
- Increased competition leading to lower profitability and a weaker market position.

Figure 1. Key credit metrics, 2020–2026e

%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	1.8	1.7	2.2	2.7	2.7	2.6	2.5
Loan losses/net loans	0.10	-0.03	0.04	0.07	0.11	0.07	0.06
Pre-provision income/REA	2.7	2.8	2.8	3.0	3.0	3.0	3.2
Cost-to-income	43.7	41.1	41.7	42.5	43.2	43.6	43.1
Return on average equity	10.1	11.3	10.8	11.2	10.8	10.4	10.4
Loan growth	5.4	2.5	2.4	4.2	9.3	5.2	5.4
CET1 ratio*	18.5	18.0	18.4	17.5	17.8	20.1	20.3
Tier 1 ratio*	19.6	19.0	19.4	18.4	18.7	21.0	21.1

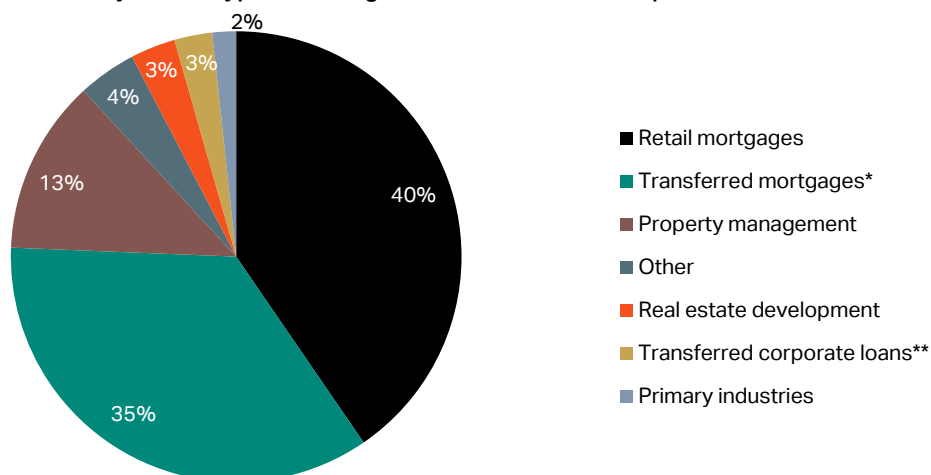
Source: company and NCR. e=estimate. REA=risk exposure amount. CET1=common equity Tier 1. All metrics adjusted in line with NCR methodology.
*Consolidated capital adequacy metrics, including the estimated effect of CRR3 from 2025.

ISSUER PROFILE

SB1 Østfold Akershus is a medium-sized Norwegian regional savings bank with origins dating back to 1835. The bank has operations in Østfold and Akershus in southeastern Norway. The region has a population of 450,000 and is within commuting distance of Oslo. The bank has seven branch offices and 271 employees (full-time equivalent).

SB1 Østfold Akershus is a member of the SpareBank 1 Alliance (the Alliance), Norway's second largest finance group in terms of assets. The Alliance consists of 12 independent savings banks, which cooperate on branding and provide a joint IT platform. Importantly, the Alliance allows individual banks to offer competitive products and achieve economies of scale in development projects and compliance.

Figure 2. Gross loans by sector/type, including transferred loans, 30 Sep. 2024



Source: company.*to SB1 Boligkreditt AS. **to SB1 Næringskreditt AS.

OPERATING ENVIRONMENT

Operating environment

SB1 Østfold Akershus operates in a region with a diverse industrial base and low reliance on the oil sector. Growth prospects are strong, supported by proximity to Oslo. We believe the wider economy will remain moderately weak over the next few years, with reduced economic activity caused by high inflation and sharp interest rate increases. At the same time, we believe the wider banking sector is well positioned to deal with these challenges.

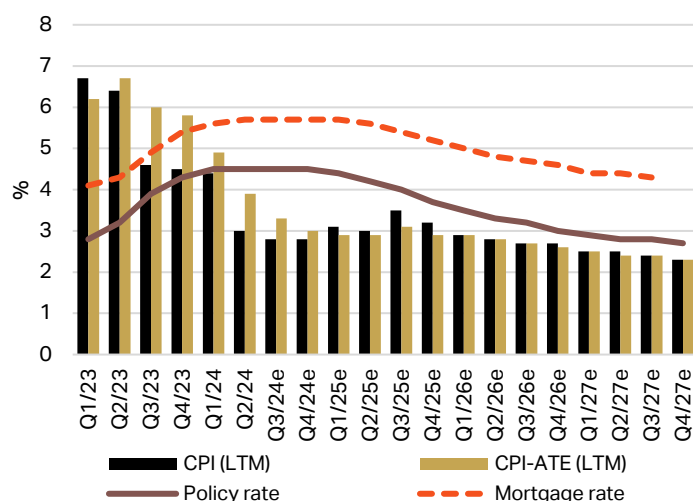
Net interest margins have peaked

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 continue to slow down in 2025 due to increased competition and moderately elevated loan losses. Among Nordic Credit Rating (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 will prove more resilient than we previously anticipated due to continuing high interest rates.

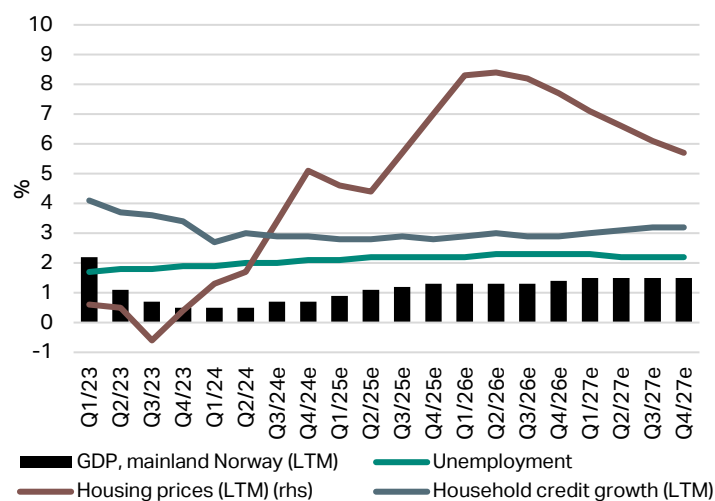
As intended, high interest rates are helping to slow the economy. We believe that high interest rates and weak economic conditions could lead to a rise in loan-loss provisions among domestic savings banks over the next 12 months, but that levels will vary significantly between individual banks. Norway's 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: Norway's 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: Norway's central bank. e-estimate.

Operations located in a region of high growth

Most of SB1 Østfold Akershus' lending is extended to borrowers located in Østfold and the southeastern part of Akershus county, a region close to Oslo. High real-estate prices in Oslo have led to significant housing and commercial real-estate development in the region. Population growth in the region has increased in recent years, and we expect it to outpace country-wide population growth over the next few decades.

Figure 5. SB1 Østfold Akershus' core markets

Municipality	Population, 2024	Expected population change, 2024–2050 (%)	Unemployment, Aug. 2024 (%)	Unemployment, Aug. 2023 (%)
Moss	52,213	16.3	2.7	2.5
Sarpsborg	59,906	11.8	3.4	3.2
Fredrikstad	85,267	11.8	3.0	2.9
Halden	31,965	8.6	3.1	2.8
Vestby	19,576	24.5	1.8	1.8
Indre Østfold	47,127	14.7	2.4	2.3
Core market	328,019	13.1	2.9	2.7
Akershus county	731,589	19.5	2.3	N/A
Østfold county	312,607	13.7	2.8	N/A
Norway	5,562,363	9.9	2.1	1.9

Source: Statistics Norway, Norwegian Labour and Welfare Administration. Unemployment for Akershus and Østfold August 2023 not available due to reclassification of counties.

Unemployment in the region has, for many years, been higher than the Norwegian average but has improved in recent years, moving in line with the national average during the past year. Both Akershus and Østfold have seen housing price growth lagging national averages in the past 12 months. However, housing price growth and transaction volumes have increased in recent months.

RISK APPETITE

SB1 Østfold Akershus has a medium to low risk profile. The bank has sufficient capital and liquidity buffers and a moderate credit risk profile. Its risk governance and internal risk reporting are adequate, in view of the bank's risk profile and complexity.

Risk governance adequate for size and complexity

In our view, SB1 Østfold Akershus' risk governance framework, risk appetite, limit monitoring and risk reporting are above its peer group average. While the bank has somewhat higher complexity than

Regional, sectoral, and cross-border factors

Risk appetite assessment

Risk governance

smaller savings banks, we consider its risk governance to be robust and appropriate for its size and complexity after gradual improvements in recent years. It also has access to resources and tools developed by the Alliance. In our view, SB1 Østfold Akershus has allocated adequate resources to combat money laundering and improve customer surveillance and compliance. The Alliance also helps member banks to deal with compliance issues.

The bank has made significant headway in incorporating environmental, social and governance (ESG) factors into its credit process. It has not provided loans to oil service companies for some time, has vastly improved its ESG reporting in recent years, and established a green bond framework in 2022. In addition, the bank is working on extending its awareness of physical and transitional climate risk in its region of operation.

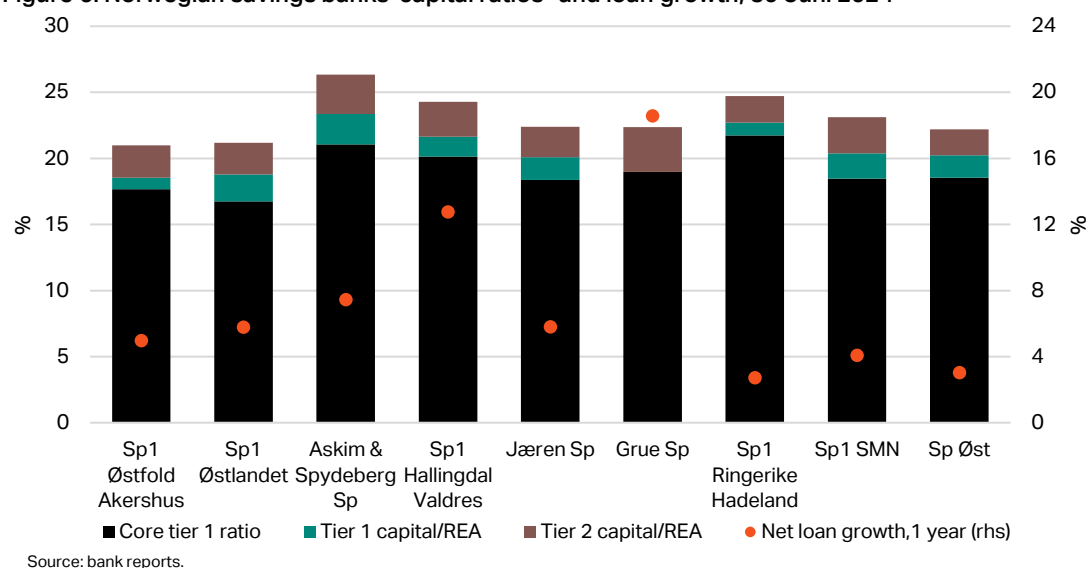
Capital ratios will likely gradually strengthen, excluding the effect of implementing CRR3

Our assessment of SB1 Østfold Akershus' consolidated capital reflects the bank's strong profitability, capital flexibility due to high, cancellable, dividends, presence on capital instrument markets, and high consolidated risk exposure amount (REA). As of 30 Sep. 2024, SB1 Østfold Akershus' consolidated common equity Tier 1 capital (CET1) ratio was 18.2%, and its Tier 1 capital ratio was 19.1%. This is compared with its requirement of 15% and 16.8%, respectively, including a 1.7pp Pillar 2 requirement and excluding a 1pp management buffer. The high share of REA to total assets (79% as of 30 Sep. 2024) results in consolidated capital ratios that are somewhat lower than peers due to its non-bank subsidiaries, despite a CET1 ratio of 22.7% at the bank level.

The bank is currently in a supervisory review and evaluation process (SREP) but has not yet received an updated Pillar 2 requirement. The bank's consolidated capital ratios took a minor hit at year-end 2023, with the CET1 ratio reducing to 17.4% as of first-quarter 2024, mainly due to negative contributions from holdings within the SB1 Alliance. We expect that a stabilised performance in jointly owned companies combined with the bank's own strong capital generation will strengthen its capitalisation from 2025. Its leverage ratio is strong at 8.7%.

SB1 Østfold Akershus has opted to place much of its retail mortgage growth in the jointly owned covered bond company SB1 Boligkreditt in recent years. We expect the bank will shift its focus to growth on its own book, leading to a loan growth of about 9% in 2024 and 5% annually in 2025 and 2026. We include a one-time effect of NOK 114m (pre-tax) from the entry of Sparebanken Sogn og Fjordane into the SB1 Alliance and the merger of Eika Forsikring AS and Fremtind Forsikring AS, both in capital and risk exposure amount. This results in our forecast CET1 ratio, excluding a CRR3 of 17.7% at year-end 2024, 18.0% in 2025 and 18.2% in 2026.

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

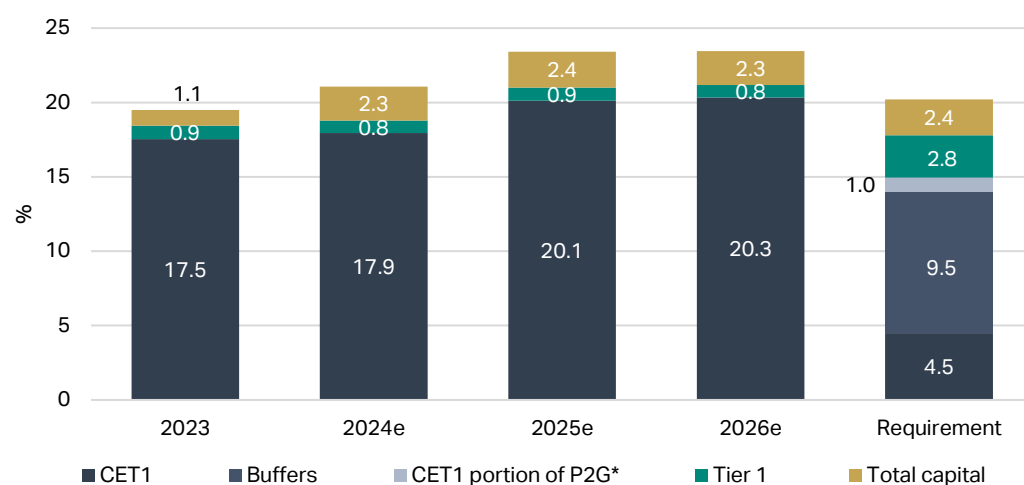


The new capital directive, CRR3, is scheduled to come into force in Norway from 1 Jan. 2025 (see Relevant Research). The new method is more risk-sensitive than previously and likely to reduce capital

requirements significantly for small to medium-sized retail and savings banks. We expect CRR3 will 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. The Norwegian regulator estimates that an average standard-method bank will improve its capital ratios by several pp. We believe this will be slightly lower for SB1 Østfold Akershus due to characteristics in jointly owned and associated entities, our forecast assumes an increase of 2pp from 2025 as a result of CRR3. However, we remain cautious about the actual outcome.

SB1 Østfold Akershus will be among the banks receiving a minimum requirement for own funds and eligible liabilities (MREL) from the Norwegian Financial Supervisory Authority in 2025. We do not expect that the bank will be required to issue senior non-preferred instruments, but rather meet the requirements with MREL-eligible senior unsecured debt. As of 30 Sep. 2024, the bank had about NOK 1.5bn MREL-eligible senior unsecured outstanding debt, or about a third of total outstanding senior unsecured bonds.

Figure 7. Consolidated capital ratios 2023–2026e, capital requirements as of Q2 2024



Funding and liquidity satisfactory

We view SB1 Østfold Akershus' management of liquidity as satisfactory. As of 30 Sep. 2024, the liquidity coverage ratio was 144% and net stable funding ratio 132%, well above the minimum 100% requirement. The loan-to-deposit ratio was 123%, and we expect this will increase during our forecast period as the bank makes adjustments to its funding mix following its expected MREL requirement in 2025. However, we have no concerns about SB1 Østfold Akershus' funding levels, due to its ability to transfer additional loans and its access to the capital markets.

As of 30 Sep. 2024, SB1 Østfold Akershus has transferred NOK 14.2bn to the two covered-bond companies owned jointly by the SB1 Alliance, representing 38% of total lending (including transferred loans), broadly unchanged from a year earlier. Transferred mortgages comprised around 46% of retail lending, a relatively high share compared with peers, that we expect the bank to lower somewhat in the coming quarters. The bank maintains a significant buffer in loans that can be transferred to the covered-bond companies as a liquidity reserve.

Funding and liquidity

Figure 8. Deposit metrics, 2019-2026e

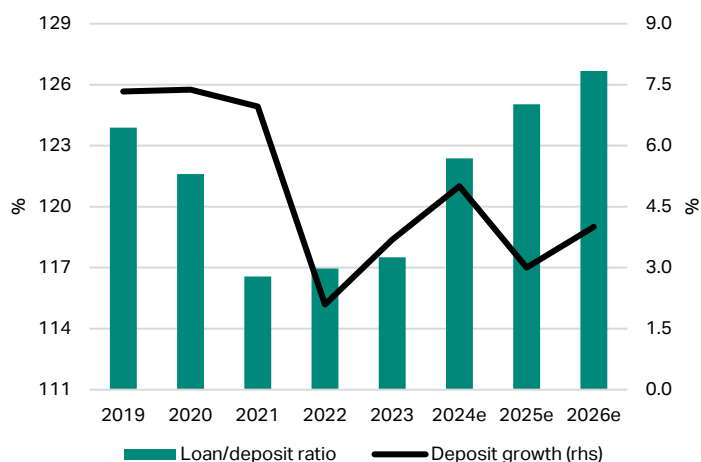
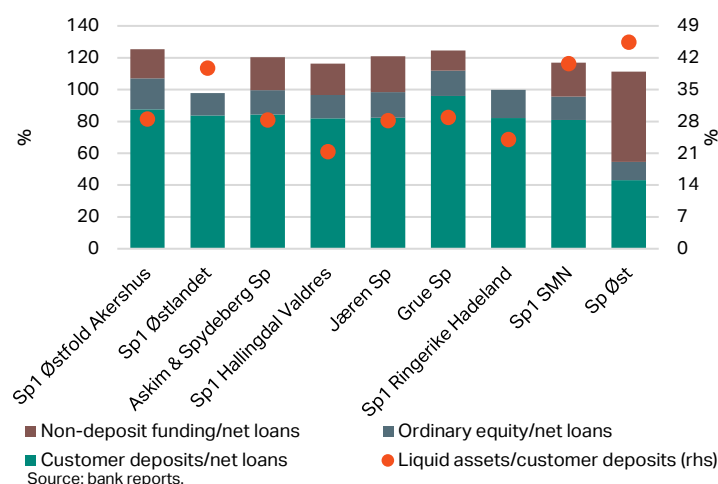


Figure 9. Norwegian savings banks' funding, 30 Jun. 2024



As of 30 Sep. 2024, SB1 Østfold Akershus had NOK 5.1bn in outstanding debt, corresponding to 21% of total liabilities. The bank has a green bond framework but has not issued within it since an initial issue in June 2022. The bank has NOK 1bn in debt maturing by the end of 2025, which we believe it will be able to refinance.

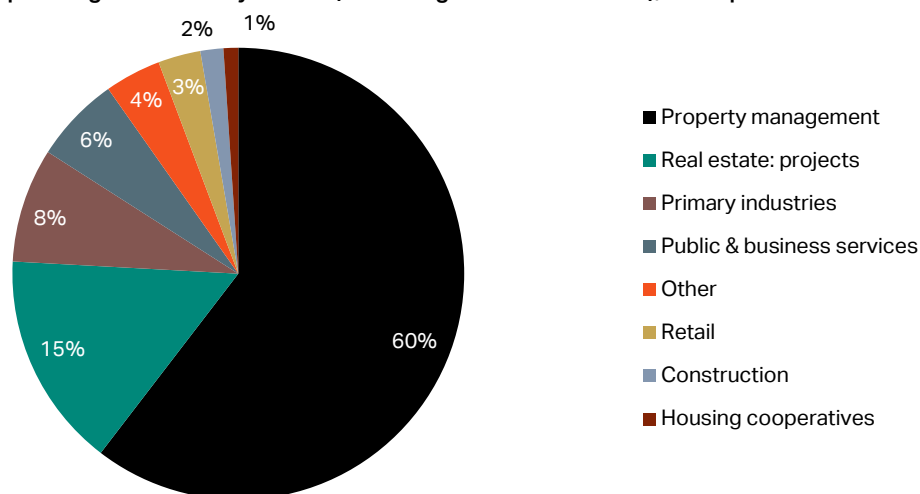
Mortgage lending dominates product mix

SB1 Østfold Akershus' loan portfolio consists mainly of retail mortgage loans to regional customers. The loans are mainly mortgage loans, and most are within 70% of loan to value.

Loan growth was 5.9% in the 12 months to 30 Sep. 2024 (6.5% including transferred loans). This compares with 3.3% growth in total domestic debt (in the 12 months to 30 Sep. 2024). On-balance retail loans remained relatively flat with growth of 1% during the same period, although increasing by 2% between the second and third quarters. On-balance commercial loans increased by 16%, and transferred loans by 7.5%. Commercial lending growth has far outpaced our expectations over the past year. In our forecast, we expect increased growth in on-balance retail mortgages and continued growth in corporate lending.

Credit risk on transferred mortgages and commercial loans is transferred to the SB1 Alliance covered-bond companies. Risk remaining with the bank is ownership risk.

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



Source: company.

Apart from retail customers, SB1 Østfold Akershus' main sectoral exposure is to property management, including property development. These sectors are currently under pressure due to the sharp increases in interest rates over the past few years, and while the financial risk has stabilised for much of the sector, liquidity remains a concern. Development and construction in particular have taken a hard hit because of a decrease in demand and higher costs. In our view, this financial risk is mitigated

Credit risk

by the low loan-to-value ratios in the bank's loan portfolio, and note that lending to these sectors has reduced in the past 12 months.

The bank's high concentration of local real-estate collateral could be negatively affected by significant climate events or flooding in the region of operation. In addition, increased climate volatility and higher temperatures could weaken the performance of 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.

Focus on core banking mitigates other risk factors

Other risks

In our view, market risk is a negligible risk factor for SB1 Østfold Akershus, given its strategy of not holding a trading portfolio, and its low limits on interest rate and currency risk. The bank operates in a region with good access to skilled labour. The Alliance provides access to external competence and tools for its members, and we believe this helps to reduce regulatory and other governance-related risk. The Alliance also provides fee-generating products, which reduce risk associated with, for example, fund management and securities brokerage. However, contributions from two jointly owned insurance companies, SpareBank 1 Forsikring AS and Fremtind Forsikring AS (now merged with Eika Forsikring AS), could turn sharply negative and these companies might require capital support. Real-estate brokerage is organised in a separate company and we see limited risk in this business area.

COMPETITIVE POSITION

Competitive position

SB1 Østfold Akershus has the third-largest market share in its regional retail market, after DNB and Nordea, with about 11% of the retail lending market. In addition to large Nordic banks, several small savings banks in the Eika alliance have a presence in the bank's region of operations, particularly in rural areas. At a national level, SB1 Østfold Akershus' credit market share is below 1%.

SB1 Østfold Akershus has a growing real-estate brokerage business and expanded its accounting business by acquiring accountancy company Vigres AS in early 2023, providing non-interest income. We view the relationship with the Alliance as beneficial, as it diversifies the bank's product offering and revenue streams.

We consider SB1 Østfold Akershus' meaningful role in and financial contributions to its local market 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 foundation owners, in addition to other donations from the bank.

PERFORMANCE INDICATORS

Performance indicators

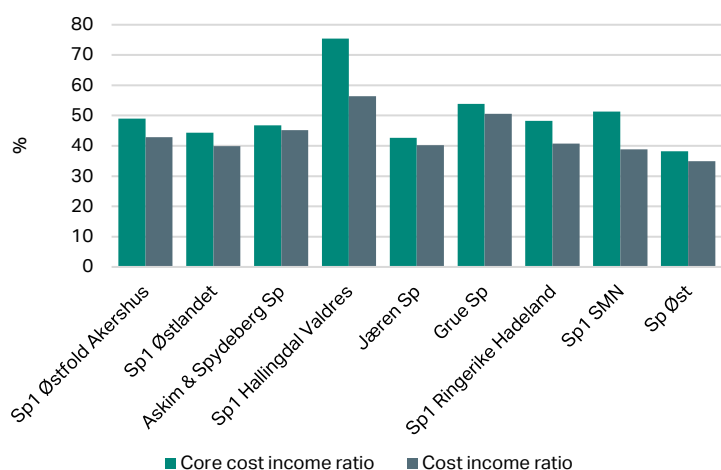
SB1 Østfold Akershus has undergone restructuring and has reduced risk since a change of management in 2013. The bank has solid stability and diversity in its earnings performance, with lower reliance on interest rates than many peers, supporting our earnings forecast. Its loss performance, while strong with low realised losses, is not as exceptional as its earnings performance compared with peers.

Earnings metrics remain stable and strong

Earnings

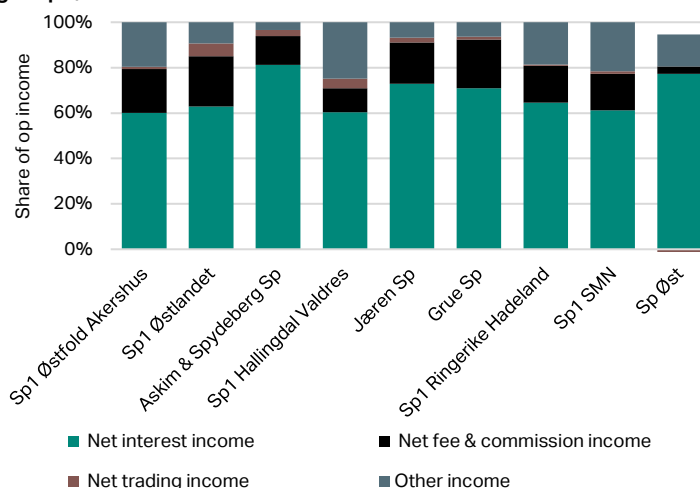
Risk-adjusted earnings returned to above 3% in 2023, and we expect it to remain around or just above 3% through our forecast period, after decreasing amid low interest rates in 2020-2021. In particular, the bank's net interest income has increased sharply, and we expect it to remain above NOK 700m even as interest rates gradually decrease. Margin pressure has not proven to be as severe as we anticipated a year ago, and with the mortgage market expected to continue to open up, combined with more accessible capital markets, we believe SB1 Østfold Akershus will be able to keep its net interest margin above 2.5% during our forecast period.

Figure 11. 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.

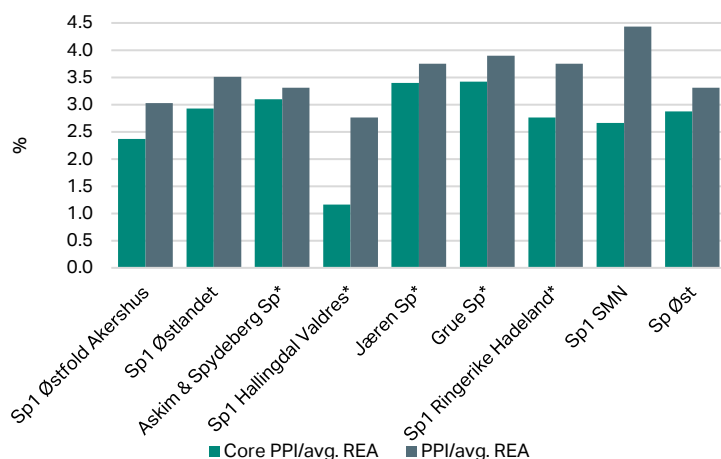
Figure 12. Norwegian savings banks' split between income groups, LTM to 30 Jun. 2024



Source: bank reports.

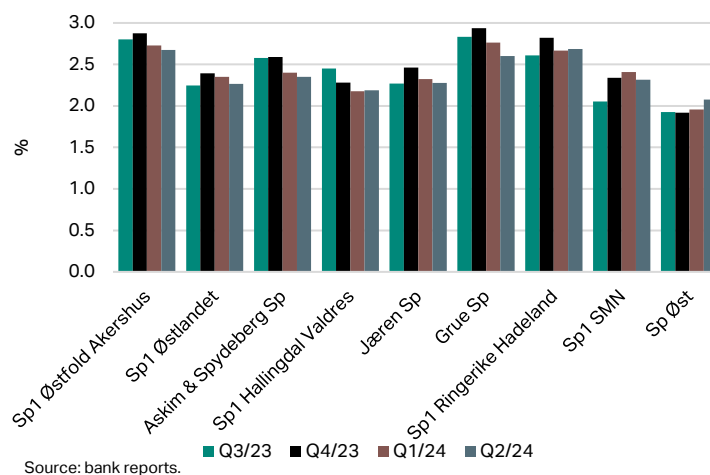
In the third quarter of 2024, Sb1 Østfold Akershus received extraordinary income from jointly-owned companies in the SB1 Alliance due to the introduction of a new bank in the alliance and the merger of Fremtind Forsikring AS and Eika Forsikring AS. We exclude this income from our earnings metrics to enable comparison between periods and with peers. Recurring income from associated companies is notoriously volatile due to its reliance on jointly owned insurance and consumer lending companies within the SB1 Alliance. We nonetheless expect improvement from the bank's 2023 results.

Figure 13. Norwegian savings banks' PPI to REA, LTM to 30 Jun. 2024



Source: bank reports. PPI-pre-provision income. *Unconsolidated REA of parent banks.

Figure 14. Norwegian savings banks' annualised net interest margins, Q3 2023 – Q2 2024



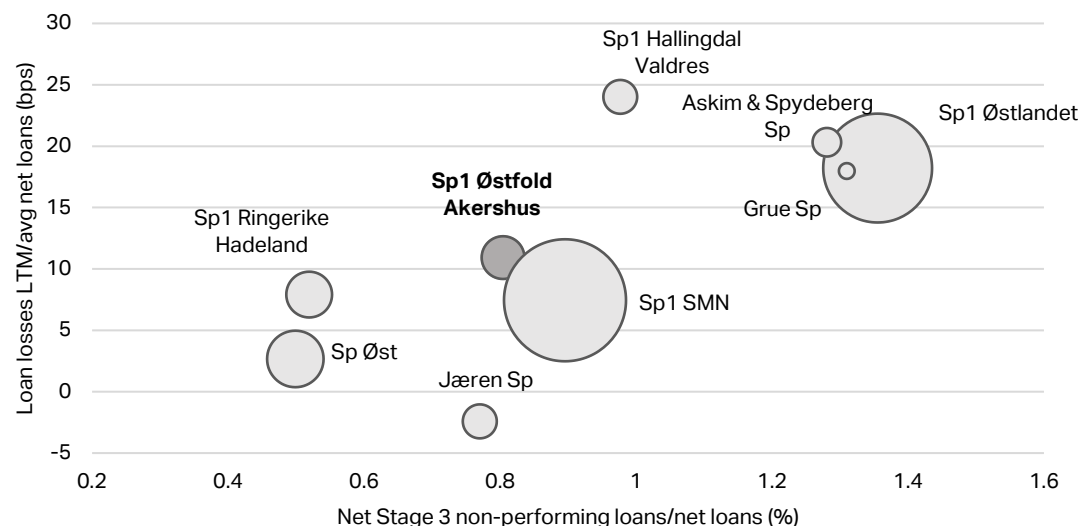
Source: bank reports.

Loss performance likely to remain slightly weak in 2025

Loss performance

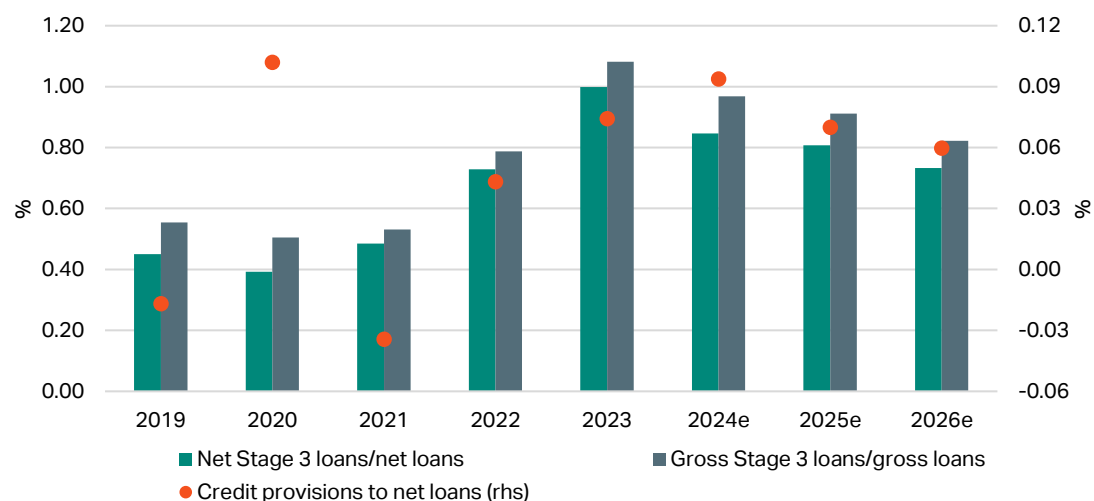
Following muted loss provisions in the first half of 2024, SB1 Østfold Akershus reported loan losses of NOK 19m in the third quarter of 2024, totalling NOK 23m in the year to date. We understand that this is largely driven by worsened macro parameters, in particular expectations of higher unemployment in the region, in IFRS9 modelled provisions. Nonetheless, we view this as indicative of continued uncertainty in the market. The share of net Stage 3 loans was at 1% of total net loans as of 30 Sep. 2024, a moderate level compared with peers but elevated from an average of 0.44% in 2019-2021. We expect that loss provisions and Stage 3 loans will continue to decrease until 2026, but it will take some time before asset quality metrics are back to pre-2022 levels.

Figure 15. Norwegian savings bank s' asset quality metrics, 30 Jun. 2024



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

Figure 16. Asset quality metrics, 2019–2026e



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 Østfold Akershus' ESG profile as having a moderately positive impact on the bank's 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 term effects on market values in flood risk areas.	Credit risk (-) Loss performance (0)
Physical climate risk to insurance revenue	Impact of significant weather/nature events on earnings from insurance business.	Earnings (0) Capital (-)
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 and investors.	Funding & liquidity (+)
Anti-money laundering capacity	Risk of sanctions and fraud due to insufficient control of customers.	Risk governance (0)
Control of sustainability issues	Risk of overlooking sustainability impacts in 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

Our support analysis is neutral. We view SB1 Østfold Akershus' ownership as supportive of our standalone credit assessment, but do not adjust to reflect this support. The bank's ECCs are listed on the Oslo Stock Exchange. The owners of the ECCs control 93.6% of the bank's equity, but under Norwegian law they control no more than 40% of the vote in the assembly of representatives. The largest owners are two foundations that control 64.5% of the bank's ECCs. The foundations exist to exercise long-term and stable ownership of the bank. They are obliged to maintain an ownership interest constituting 15% or more of the bank's issued equity capital. In addition to this, we believe they have a limited ability to meaningfully contribute to the bank's equity but consider it positive that the bank has access to the equity market.

Figure 18. Ownership structure, 30 Sep. 2024

Owner	Share of ECCs
SpareBank 1 Stiftelsen Østfold Akershus	39.3%
SpareBank 1 Stiftelsen Halden	25.2%
Pareto Invest Norge AS	10.0%
VPF Eika Egenkapitalbevis	4.5%
Spesialfondet Borea Utbytte	1.9%
Kommunal Landspensjonskasse Gjensidige	1.5%
Salt Value As	1.4%
Bank of New York Mellon SA/NV	1.2%
Wenaasgruppen As	1.0%
Bergen Kommunale Pensjonskasse	0.6%
Other	13.4%
Total	100.0%

Source: bank.

ISSUE RATINGS

Our rating on SB1 Østfold Akershus' unsecured senior debt is in line with the 'A' issuer rating. We rate the bank's Tier 2 instruments one notch below, at 'A-', and its additional Tier 1 instruments three notches below, at 'BBB', in line with our methodology.

SHORT-TERM RATING

The short-term rating is 'N2', in line with our definition for the long-term rating level ('A').

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. SB1 Østfold Akershus key financial data, 2020–Q3 2024 YTD

Key credit metrics (%)	FY 2020	FY 2021	FY 2022	FY 2023	Q3 2024 YTD
INCOME COMPOSITION					
Net interest income to op. revenue	50.8	46.5	57.5	63.6	54.0
Net fee income to op. revenue	37.5	39.1	35.4	31.1	17.6
Net trading income to op. revenue	-2.3	0.3	-0.4	1.6	0.8
Net other income to op. revenue	14.0	14.0	7.5	3.7	27.6
EARNINGS					
Net interest income to financial assets	1.8	1.7	2.2	2.7	2.7
Net interest income to net loans	2.2	2.1	2.7	3.3	3.3
Pre-provision income to REA	2.7	2.8	2.8	3.0	3.9
Core pre-provision income to REA (NII & NF&C)	2.1	2.1	2.5	2.8	2.2
Return on ordinary equity	10.6	11.8	11.2	11.6	15.6
Return on assets	1.5	1.7	1.7	1.8	2.5
Cost-to-income ratio	43.7	41.1	41.7	42.5	36.4
Core cost-to-income ratio (NII & NF&C)	49.5	48.0	44.8	44.9	50.9
CAPITAL					
CET1 ratio	18.5	18.0	18.4	17.5	18.2
Tier 1 ratio	19.6	19.0	19.4	18.4	19.1
Capital ratio	20.8	20.2	20.5	19.5	21.5
REA to assets	71.9	76.5	77.5	79.3	78.6
Dividend payout ratio	36.9	11.7	45.1	48.7	54.0
Leverage ratio	9.2	8.8	8.9	8.7	8.7
GROWTH					
Asset growth	6.8	2.8	1.2	5.1	3.9
Loan growth	5.4	2.5	2.4	4.2	4.8
Deposit growth	7.4	7.0	2.1	3.7	0.4
LOSS PERFORMANCE					
Credit provisions to net loans	0.10	-0.03	0.04	0.07	0.14
Stage 3 coverage ratio	22.55	9.09	7.78	7.95	13.00
Stage 3 loans to gross loans	0.50	0.53	0.79	1.08	1.19
Net stage 3 loans to net loans	0.39	0.48	0.73	1.00	1.04
Net stage 3 loans/ordinary equity	2.20	2.55	3.71	5.04	5.24
FUNDING & LIQUIDITY					
Loan to deposit ratio	121.6	116.6	117.0	117.5	122.7
Liquid assets to deposit ratio	28.0	27.0	25.0	26.5	24.6
Net stable funding ratio	154.0	142.0	133.0	132.0	132.0
Liquidity coverage ratio	303.0	257.2	162.6	203.3	144.0
Key financials (NOKm)	FY 2020	FY 2021	FY 2022	FY 2023	Q3 2024 YTD
BALANCE SHEET					
Total assets	25,641	26,353	26,674	28,025	29,125
Total tangible assets	25,641	26,353	26,674	27,991	29,092
Total financial assets	24,766	25,419	25,645	26,992	27,710
Net loans and advances to customers	20,125	20,632	21,136	22,018	23,080
Total securities	2,644	3,041	2,974	3,163	3,294
Customer deposits	16,549	17,701	18,072	18,738	18,805
Issued securities	4,882	4,290	3,921	4,370	5,154
of which other senior debt	4,732	4,139	3,770	4,219	4,702
of which subordinated debt	151	151	151	151	452
Total equity	3,739	4,077	4,300	4,519	4,749
of which ordinary equity	3,589	3,927	4,150	4,369	4,599
CAPITAL					
Common equity tier 1	3,405	3,634	3,799	3,895	4,165
Tier 1	3,610	3,836	4,008	4,097	4,367
Total capital	3,831	4,067	4,234	4,332	4,923
REA	18,431	20,173	20,671	22,226	22,879
INCOME STATEMENT					
Operating revenues	843	920	989	1,132	1,040
Pre-provision operating profit	475	542	577	651	661
Impairments	20	-7	9	16	23
Net Income	369	443	452	493	526

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

Figure 20. SB1 Østfold Akershus rating scorecard

Subfactors	Impact	Score
National factors	10.0%	a
Regional, cross border, sector	10.0%	a
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%	aa-
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	A-
Additional Tier 1	BBB

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