Nordic Credit Rating

FINANCIAL INSTITUTION

Norway

7 Mar. 2025

Aasen Sparebank

Full Rating Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'BBB+' long-term issuer rating on Norway-based Aasen Sparebank reflects the bank's low risk appetite, solid capital position, diverse access to funding and strong earnings. We take a positive view of the bank's membership in the Lokalbanksamarbeidet banking cooperative, which enables product diversity, shared development costs and the opportunity to finance residential retail mortgage loans through jointly owned covered-bond company Verd Boligkreditt AS.

We expect Aasen Sparebank will maintain strong earnings metrics and stable cost efficiency over our forecast period through 2026, despite interest rate cuts. We believe loan losses and non-performing loans will remain at low levels.

The rating is constrained by the bank's concentrated exposure to real-estate collateral in the Innherred region north of Trondheim. It is also constrained by the bank's size and moderate market share in its operating region, as well as requiring a long commute to the metropolitan area of Trondheim.

STABLE OUTLOOK

The stable outlook reflects the bank's low risk appetite, strong real-estate collateral, improved earnings and solid cost efficiency, which we believe will enable resilience during a modest economic slowdown. We forecast relatively strong loan growth in 2025 and 2026. However, we expect capital ratios will remain stable, apart from a significant boost in 2025 due to the implementation of the EU's Capital Requirements Regulations III (CRR3).

POTENTIAL POSITIVE RATING DRIVERS

- Commitment to maintaining material regulatory capital buffers and a Tier 1 ratio sustainably above 24%.
- Pre-provision earnings to risk exposure amount (REA) sustainably above 3% and share of net Stage 3 loans significantly below 1% for a prolonged period.
- Improved market position without material increase in risk appetite.

POTENTIAL NEGATIVE RATING DRIVERS

- A material deterioration in the local operating environment that weakens the bank's asset quality.
- A sustained reduction in the Tier 1 capital ratio to below 18%.
- Risk-adjusted earnings metrics below 2% of REA over a protracted period.

Figure 1. Key credit metrics, 2020–2026e

%	2020	2021	2022	2023	2024	2025e	2026e
Net interest margin	2.1	2.0	2.1	2.6	2.4	2.3	2.2
Loan losses/net loans	0.31	0.11	0.11	0.09	0.06	0.10	0.10
Pre-provision income/REA*	2.2	1.9	2.1	2.9	2.8	2.9	2.9
Cost-to-income	48.7	53.2	48.0	41.2	44.6	43.8	43.5
Return on average equity	7.7	7.4	7.9	10.7	10.1	9.2	8.9
Loan growth	6.6	19.3	14.8	8.6	12.7	8.0	8.0
CET1 ratio*	17.4	17.6	17.8	18.3	18.4	20.4	20.5
Tier 1 ratio*	19.2	19.3	19.4	19.7	20.7	22.6	22.5

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.

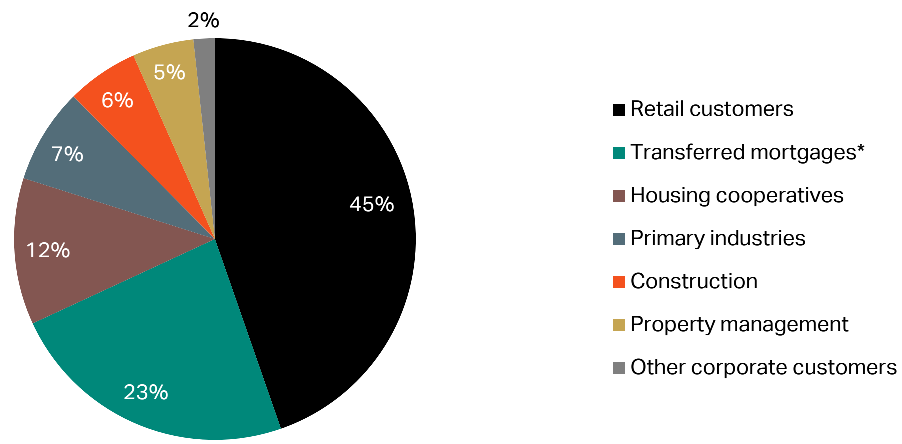
ISSUER PROFILE

Aasen Sparebank is an independent savings bank located in the Innherred region, northeast of Trondheim, Norway. The bank's origins date back to 1862. It is headquartered in Aasen and has two additional offices in Levanger and Verdal. As of 30 Sep. 2024, the bank had total net lending of NOK 7.5bn (including NOK 1.8bn in retail mortgage loans transferred to Verd Boligkreditt and Eika Boligkreditt) and close to 40 full-time employees. Aasen Sparebank is primarily focused on core banking activities, but it also owns a local real-estate agency.

Aasen Sparebank is one of 16 savings banks in Lokalbanksamarbeidet banking cooperative, which consists of small and medium-sized local savings banks with total gross lending of NOK 100bn as of end-2023. The cooperative provides product diversity, builds customer loyalty and helps improve cost efficiency through the sharing of IT costs and joint efforts in risk management and compliance. It also provides the opportunity to finance residential mortgage loans through Verd Boligkreditt, a mid-size domestic issuer of covered bonds. Although Aasen Sparebank left the Eika Alliance in 2021, it still has residential mortgages held with its covered-bond company, Eika Boligkreditt AS.

The member banks of Lokalbanksamarbeidet also joined Frendegruppen, a cooperative of financial services providers that include the regional savings banks Sparebanken Vest, Sparebanken Sør and Sparebanken Øst. The banks in Frendegruppen have ownership stakes in, and distribute products for, insurance company Frende Forsikring, finance company Brage Finans AS and securities company Norne Securities. They also cooperate in developing new products for the member banks.

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



Source: company. *net loans transferred to Verd Boligkreditt and Eika Boligkreditt.

OPERATING ENVIRONMENT

Operating environment

We consider a balance of national and regional factors in our assessment of the operating environment. Aasen Sparebank's operations are concentrated in Levanger and Verdal municipalities, with some activity in the neighbouring municipalities towards Stjørdal in the south and Steinkjer in the north. These markets have moderate growth prospects and relatively low unemployment on average.

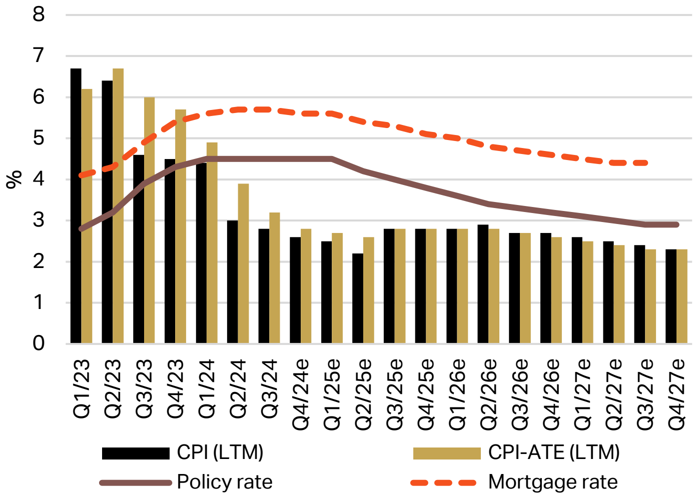
Lower policy interest rates reduce bank's margins

National factors

Net interest margins for Norwegian savings banks have widened significantly due to high interest rates since 2021. This, together with strong lending growth, has boosted earnings across the sector. An anticipated fall in interest rates did not materialise in 2024 and net interest margins held up better than we expected at the beginning of the year. However, we believe that falling interest rates, heightened competition and marginally increased loan losses will lead to slow earnings growth and lower returns on equity in 2025 and 2026.

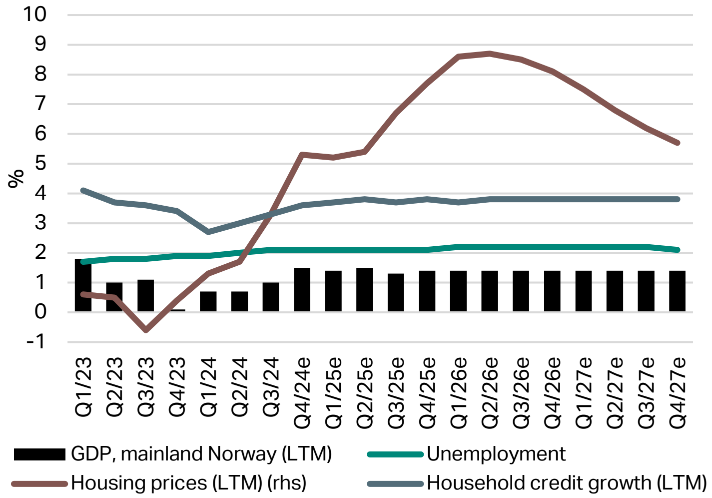
As intended, high interest rates are helping to slow the economy. High interest rates and weak economic conditions led to an increase in loan-loss provisions among domestic savings banks in 2023 and 2024. We now expect flat provision levels through our forecast period. Norway's savings banks are well 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.

Strong focus on agriculture mitigates cyclicality

Regional, sectoral, and cross-border factors

Aasen Sparebank operates in a region north-east of Trondheim, with offices 60 to 90 minutes by car to Norway's third largest city. The municipalities of Verdal and Levanger, with more than 35,000 inhabitants combined, constitute the bank's traditional core market and over 70% of its lending volumes and deposits. Population growth in Verdal and Levanger has been moderate in recent years, and while higher than most neighbouring municipalities, it is significantly lower than in Trøndelag county due to strong population growth in the Trondheim metropolitan area. Statistics Norway estimates a modest population increase of 2% in the bank's markets towards 2050, which compares to a 9-10% increase in the county and nationally. Unemployment is generally low and below the national average.

The bank's core market constitutes the majority of the Innherred region, which has a strong concentration of agriculture. Moreover, this market provides diversification of industrials, construction and retail. High levels of public sector employment and a strong focus on agriculture supports lower cyclicality in the local economy, offset by higher cyclicality in construction, industrials and retail. The operating region is tied to Trondheim through the railway and European Route E6, both of which will be improved in the next years. The moderate proximity to Trondheim metropolitan area provides some diversification of the local economy.

Figure 5. Aasen Sparebank core markets

Municipality	Population, 2024	Expected population change, 2024–2050 (%)	Unemployment, Dec. 2024 (%)	Unemployment, Dec. 2023 (%)
Verdal	15,266	-1.8	2.1	2.1
Levanger	20,659	4.9	1.3	1.6
Inderøy	6,999	5.0	1.9	1.5
Frosta	2,647	8.5	1.6	1.7
Steinkjer	24,066	-4.4	2.2	1.8
Stjørdal	24,748	6.3	1.4	1.5
Core markets	94,385	1.9	1.7	1.7
Trøndelag county	484,294	9.3	1.8	1.5
Norway	**5,562,363**	**9.9**	**2.1**	**2.1**

Source: Statistics Norway, Norwegian Labour and Welfare Administration.

RISK APPETITE

Risk appetite assessment

Our risk profile assessment reflects Aasen Sparebank's strong capital, good risk governance practices, large proportion of low-risk exposure segments and ability to transfer loans to Verd Boligkreditt. The bank has a high regional concentration in the Innherred region, primarily secured by real estate.

Strong risk-reporting standards

Risk governance

In our view, Aasen Sparebank's risk governance framework, risk appetite, limit monitoring and risk reporting are proportional to its balance sheet and risk profile. The bank has well-defined guidelines for risk governance and relevant risk areas. It has also established anti-money laundering practices and policies, reducing the risk of related regulatory fines and associated losses. The bank's internal risk reporting and internal capital adequacy assessment processes are proportional to its risk profile. Given the bank's size, it operates without an internal audit function, which differentiates it from its larger peers which use internal or consultant services for third-line risk functions. We expect the bank will implement an internal audit function within a few years as it increases in size. Loan growth in recent years has been high, which increases pressure on risk governance practices, but we believe the bank's high share of growth within retail lending mitigates this.

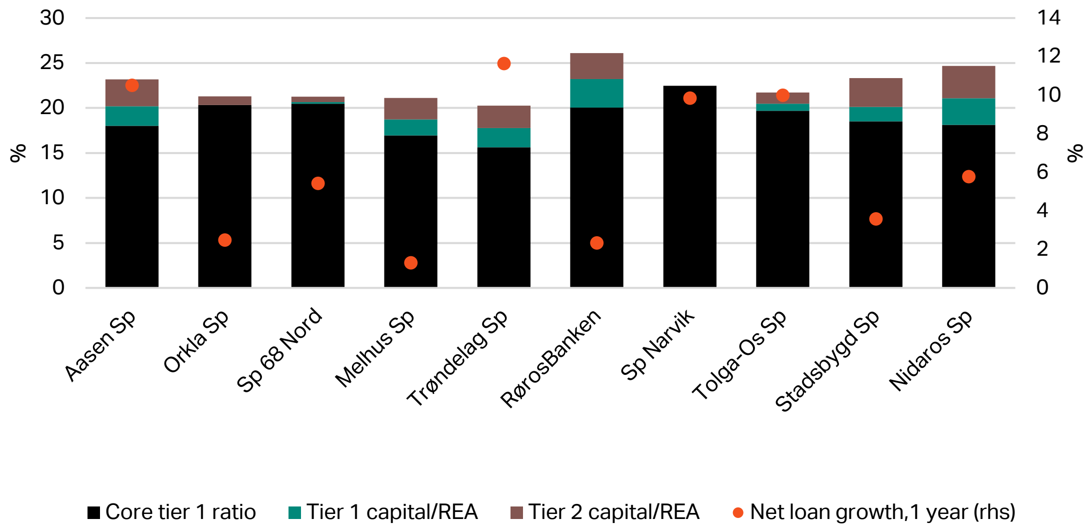
Aasen Sparebank has made significant efforts to support sustainability and contributes to the local region through social contributions. The bank assesses environmental, social and governance (ESG) risks quarterly and for all new and recurring corporate customers, and publishes annual sustainability reports. We believe this contributes to better internal risk awareness and sustainable customer behaviour. A substantial portion of the bank's mortgage portfolio is financed through Verd Boligkreditt, which has also established a framework for the issuance of green bonds. In addition, Aasen Sparebank has obtained Miljøfyrtårn/Eco-Lighthouse environmental certification for all offices.

Capital ratios to be boosted by CRR3

Capital

Our capital assessment takes into consideration Aasen Sparebank's consolidated position, including its proportional holdings in Verd Boligkreditt, Eika Boligkreditt and Brage Finans. As of 30 Sep. 2024, the bank's consolidated Common Equity Tier 1 (CET1) ratio was 17.1% and its Tier 1 capital ratio 19.2%, compared with the bank's minimum targets of 16.5% and 18.5% (including a 1pp management buffer), respectively. We note that the reported capital ratios would have been 0.8pp higher had we included 50% of the profits for the year to date. The consolidated leverage ratio was 8.4% as of 30 Sep. 2024, compared with a requirement of 3%.

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

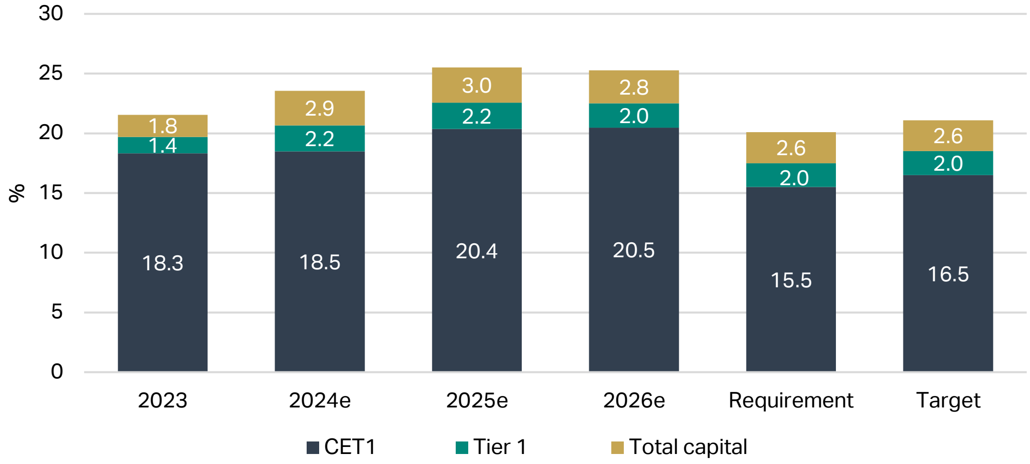


Source: bank reports.

In the 12 months to 30 Sep. 2024, Aasen Sparebank increased net loans by 7.9%. We project its loan growth will remain at similar levels at 8% in 2025 and 2026. We expect return on equity to remain strong at 9-10% through the forecast period, with dividends, including gifts and donations, at 22-24% of net profits. We expect this will result in a consolidated Tier 1 ratio of 20.7% at end-2024. In our estimates for 2025, we assume a positive regulatory effect of 2pp on the consolidated Tier 1 ratio including CRR3, resulting in an estimated consolidated Tier 1 ratio of 22.6% by end-2025. Our estimate also encompasses a positive effect from the covered bond companies due to their use of the standard approach to credit risk and portfolios of low loan-to-value mortgages.

CRR3 is scheduled come into force in Norway during 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 reducing the current disparity with larger banks that use the internal ratings-based approach.

Figure 7. Consolidated capital ratios 2023–2026e, capital requirement and targets* as of Q3 2024



Source: company. e-estimate. *total pillar 2 guidance (P2G) of 2.6%.

Diverse access to funding

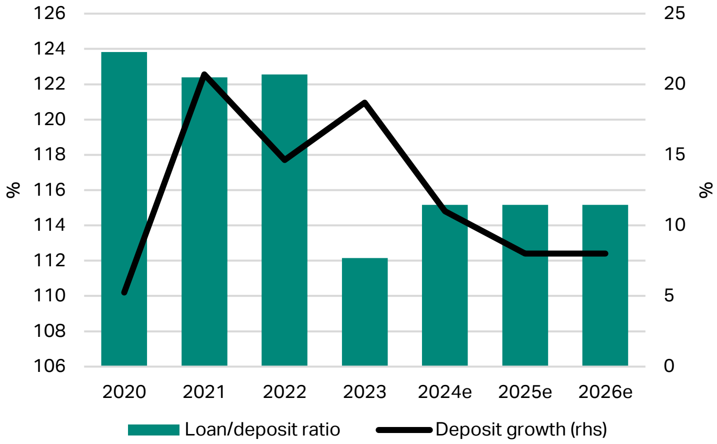
Funding and liquidity

Aasen Sparebank's funding profile is diverse, with a relatively solid retail deposit base. It has also demonstrated access to capital market funding. The bank has recorded noteworthy deposit growth in recent years, somewhat above on-balance sheet lending, which has resulted in a lower loan-to-deposit ratio of 114% as of 30 Sep. 2024. We expect deposit growth to follow lending growth at 8% in 2025-2026 for a stable loan-to-deposit ratio. The bank has few single-name concentrations in its customer deposits and resilient liquidity buffers (23% of customer deposits as of 30 Sep. 2024). Liquidity coverage ratio was 392% and net stable funding ratio 123% as of 30 Sep. 2024, above the bank's internal limits of 120% for both.

Aasen Sparebank had NOK 750m split between eight outstanding senior bonds as of 30 Sep. 2024. The bank's debt maturity profile is evenly distributed, with senior unsecured maturities spread out through 2029 and a weighted average time to maturity of 2.2 years. We forecast the bank will refinance through new issuance at maturity and increase bond financing at a similar pace to the loan book.

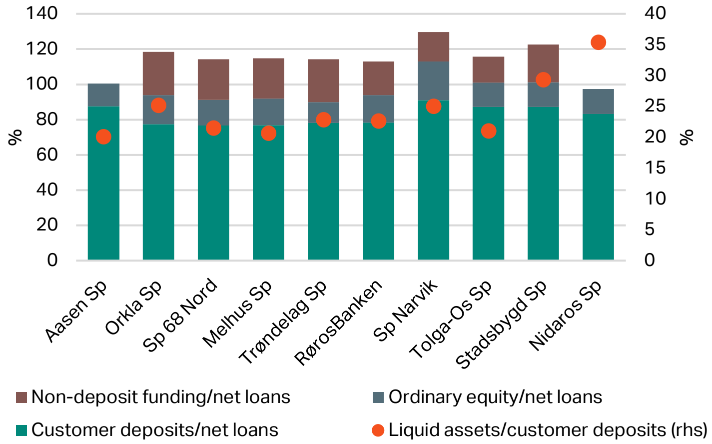
Another important source of funding is Verd Boligkreditt, which provides access to more affordable funding with longer terms to maturity than the bank could achieve by itself. The bank has transferred NOK 1.8bn to jointly owned covered bond companies as of 30 Sep. 2024, which accounts for 26% of residential mortgages on- and off-balance sheet. This includes a smaller share in Eika Boligkreditt from the bank's previous alliance membership, decreasing in a run-off period. In addition, the bank maintains a strong portfolio of readily transferrable loans as a liquidity buffer of NOK 800m as of 30 Sep. 2024. We predict growth in transferred mortgages will match the pace of lending growth on the bank's own books.

Figure 8. Deposit metrics, 2020-2026e



Source: company. e-estimate.

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



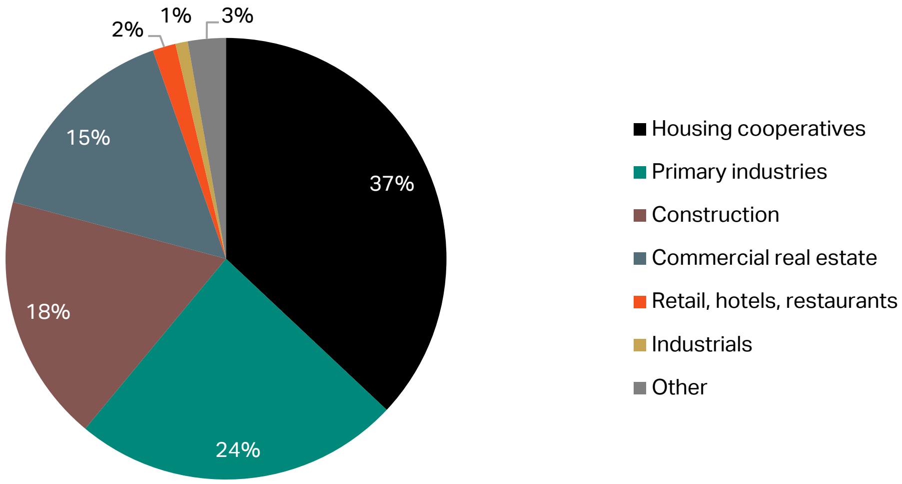
Source: bank reports.

Large proportion of low-risk segments

Credit risk

Aasen Sparebank has a strong regional focus, with more than 70% of its loan portfolio located in the municipalities of Levanger and Verdal, and close to 90% in its core market. The bank has a lower share of residential mortgages compared to most mid-size Norwegian savings banks, although it has higher shares of lending to agriculture and housing cooperatives. In total, about 88% of the bank's exposures (including transferred loans) are to residential mortgages, housing cooperatives and agricultural customers, and are secured by housing and agricultural properties. While we regard this as low-risk credit, it nonetheless increases concentration on local borrowers and exposes the bank's collateral to any decline in property values. Beyond housing cooperatives and agriculture, its main corporate exposures are construction and commercial real estate. We remain concerned about corporate and commercial real-estate lending due to high interest costs and lower property prices.

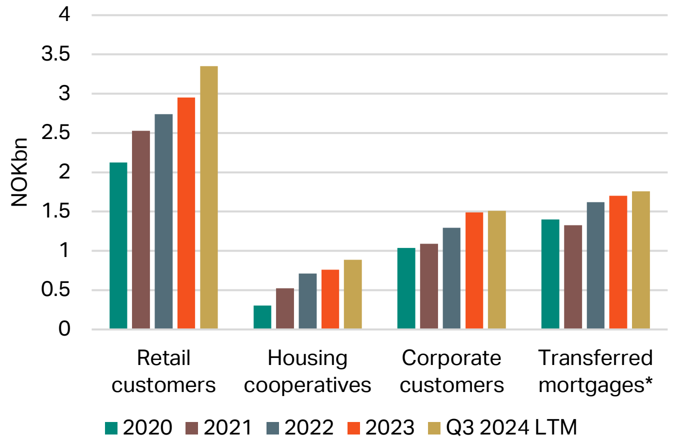
Figure 10. Corporate gross loans by sector, 30 Sep. 2024



Source: company.

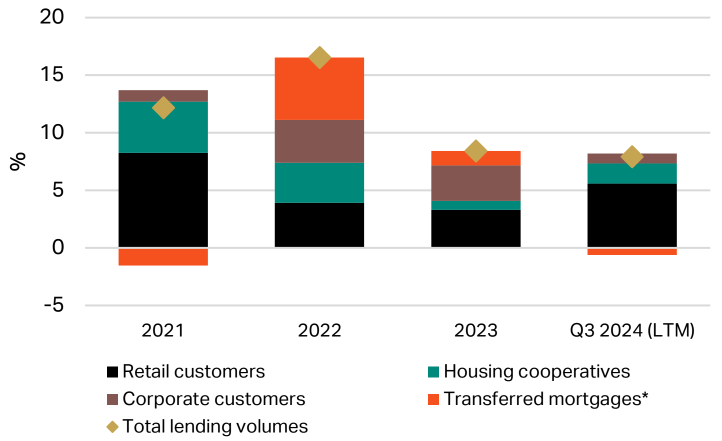
In the 12 months to 30 Sep. 2024, Aasen Sparebank's gross loans (including transferred loans) increased by 8%, compared to a higher annual growth above 12% in the past three consecutive years. The majority of growth stems from low-risk segments, although lending growth to corporate customers has kept pace with overall growth. We expect the bank will maintain its current lending mix and increase its total lending by 8% in 2025 and 2026, both on- and off-balance sheet.

Figure 11. Gross lending by sector/type, 2020-Q3 2024



Source: bank reports. *Net loans transferred to Verd Boligkreditt and Eika Boligkreditt.

Figure 12. Weighted annual loan growth by sector/type (including transferred loans), 2021-Q3 2024



Source: bank reports. *Net loans transferred to Verd Boligkreditt and Eika Boligkreditt.

Transferred loans generate commission income and accounted for 9% of Aasen Sparebank's pre-provision income in 2023. However, the bank does not offload all associated risk on transferred loans, and we expect it to take back all non-performing loans to enable Verd Boligkreditt to maintain a clean cover pool. The covered bond company maintains the right to offset credit losses against commission income owed to the bank. Due to the high credit quality of transferred loans and repatriation agreements, Verd Boligkreditt has never incurred actual credit losses.

Other risks aligned with Risk governance

Other risks

Other risks are in line with our risk governance assessment. We do not believe market risk is a material factor for Aasen Sparebank, given the lack of a trading portfolio and the bank's low limits on interest rate risk and currency risk.

The bank has strategic ownership positions in Lokalbanksamarbeidet and Frendegruppen. These cooperatives have provided scale, contributed to lower operational costs and efficiency gains and acted as platforms for developing the bank's capabilities. The bank has strategic ownership stakes in several product companies within insurance, leasing banking and asset management, as well as in the covered bond company. The bank also owns a local real estate agency, Lokalmegleren NT AS.

COMPETITIVE POSITION

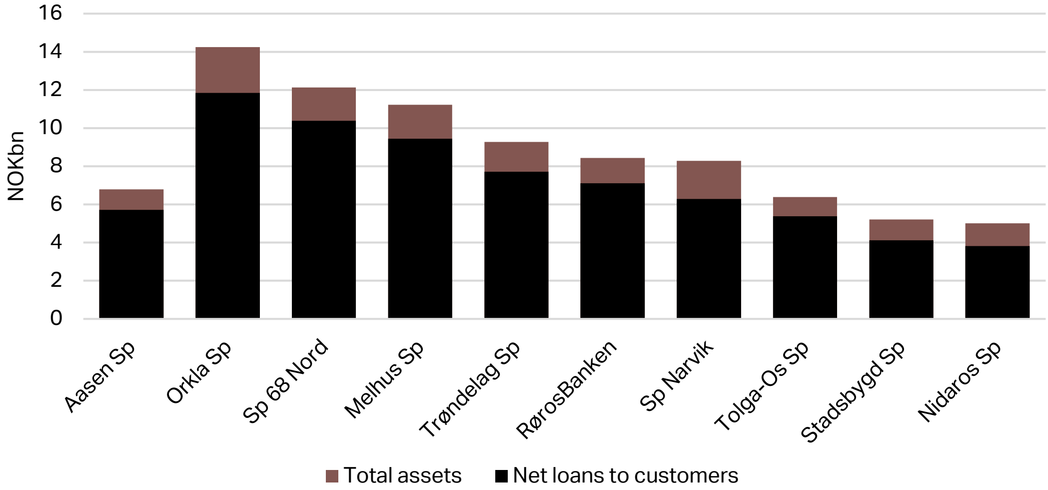
Competitive position

Aasen Sparebank holds a market share close to 20% in the municipalities of Verdal and Levanger. In the broader core markets, from Stjørdal to Steinkjer, the bank holds a market share above 7%. Main competitors are the larger banks of Sparebank 1 SMN and DNB, which combined hold a two-thirds share of the market. Other local savings banks in close proximity are Hegra Sparebank in the south and Grong Sparebank in the north, but the overlapping market area is limited. We believe Aasen Sparebank's local presence and its contributions to the local community support its competitive position. The upcoming implementation of CRR3 should also strengthen its competitiveness against larger banks using the internal ratings-based approach to credit risk. In our view, the bank has a strong market position in its traditional core market, and significant potential to exploit its future growth prospects in other areas.

Membership in Lokalbanksamarbeidet diversifies revenue and enables Aasen Sparebank to provide a wider range of customer services than it could with its own resources. The bank distributes insurance products from Frende Forsikring, savings products and brokerage services from Norne Securities and collateralised consumer lending and leasing products from Brage Finans. Membership of the larger Frendegruppen will, we believe, strengthen Aasen Sparebank's long-term competitive position through improved economies of scale and efficiency gains.

We consider Aasen Sparebank's role in and meaningful contributions to its local market as positive rating factors. The bank's primary ESG attribute is its strong sense of social responsibility to its local communities. The bank also funds social and cultural activities to support these communities.

Figure 13. Norwegian savings banks' total assets and net lending, 30 Sep. 2024



Source: bank reports.

PERFORMANCE INDICATORS

Performance indicators

We expect Aasen Sparebank's cost efficiency to remain strong at current levels, even as interest rate cuts begin take effect. The bank has a lower proportion of non-performing loans than its peer group average and we expect loans losses to remain low.

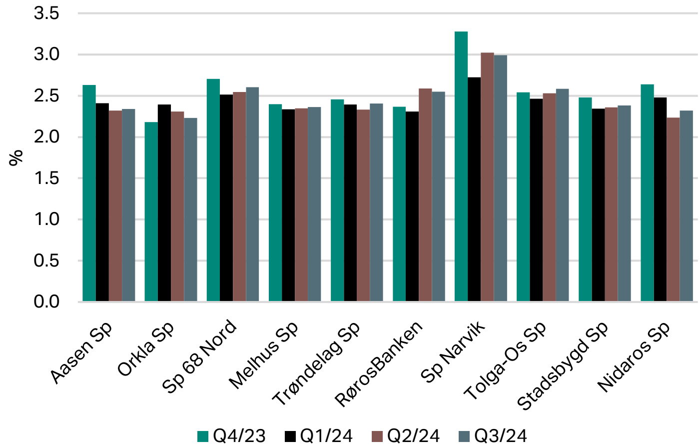
Expect stable cost efficiency at low levels

Earnings

High interest rates have improved Aasen Sparebank's net interest margin since 2022, reversing years of margin pressure stemming from low interest rates and competition for mortgage loans. We believe margins will remain robust through our forecast period, despite a gradual decrease due to interest rate cuts from 2025, increased competition and slowing loan demand.

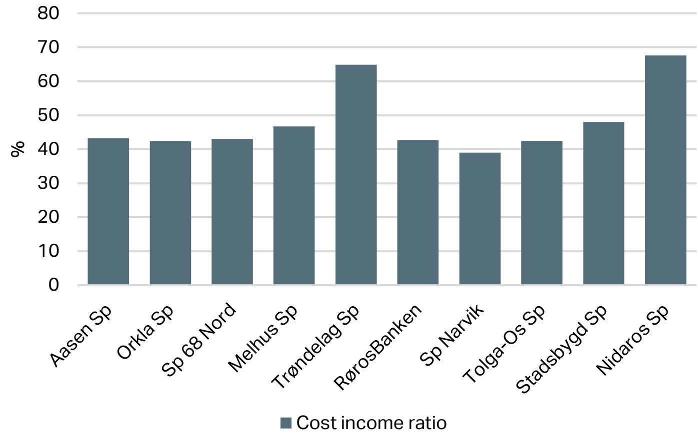
Aasen Sparebank's cost efficiency has improved as growth in operating revenue has outstripped growth in costs. The cost-to-income ratio has gradually improved to 43% in the 12 months to 30 Sep. 2024 compared with 53% in full-year 2021. However, we note that cost efficiency in 2021 was weakened by extraordinary costs related to changing alliance from Eika Alliance to Lokalbank Alliance (now Lokalbanksamarbeidet). We expect that lending volume growth and investments of recent years will enable the bank to maintain a robust cost-efficiency below 45%. We estimate the bank's pre-provision income to REA will remain close to 3% in our forecast period.

Figure 14. Norwegian savings banks' annualised net interest margins, Q4 2023 – Q3 2024



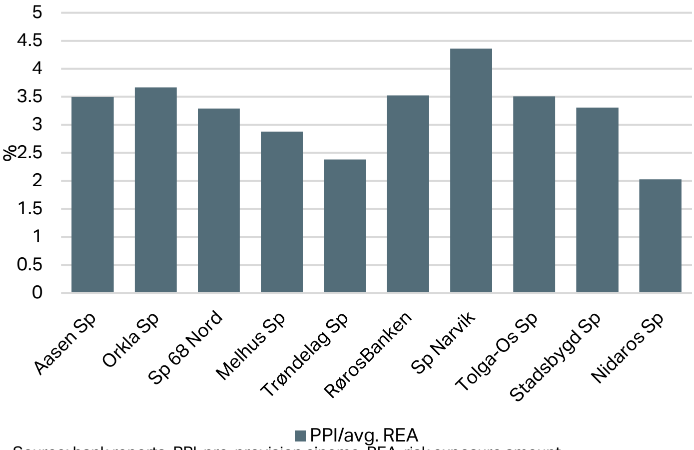
Source: bank reports.

Figure 15. Norwegian savings banks' cost efficiency metrics, LTM to 30 Sep. 2024



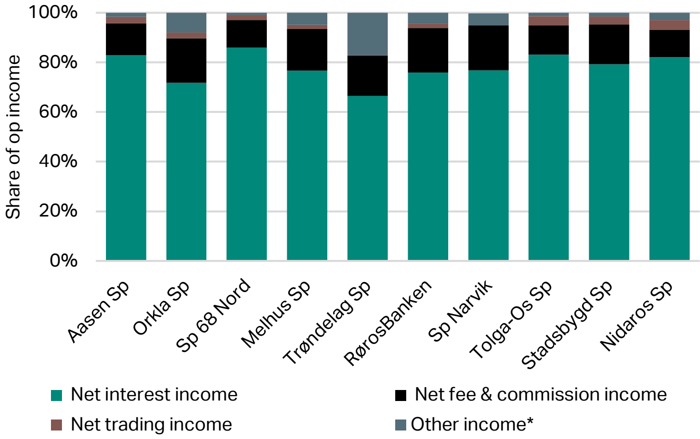
Source: bank reports. LTM-last twelve months.

Figure 16. Norwegian savings banks' PPI to REA*, LTM to 30 Sep. 2024



Source: bank reports. PPI-pre-provision cinome. REA-risk exposure amount.

Figure 17. Norwegian savings banks' split between income groups, LTM to 30 Sep. 2024



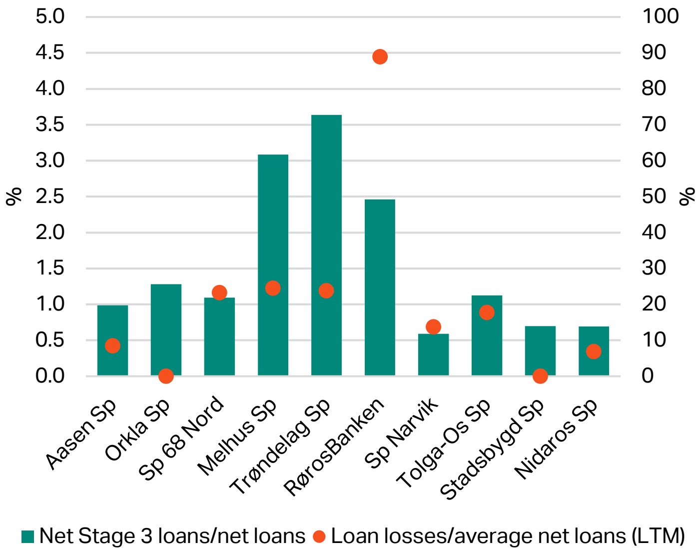
Source: bank reports.

Loss performance

Loss performance

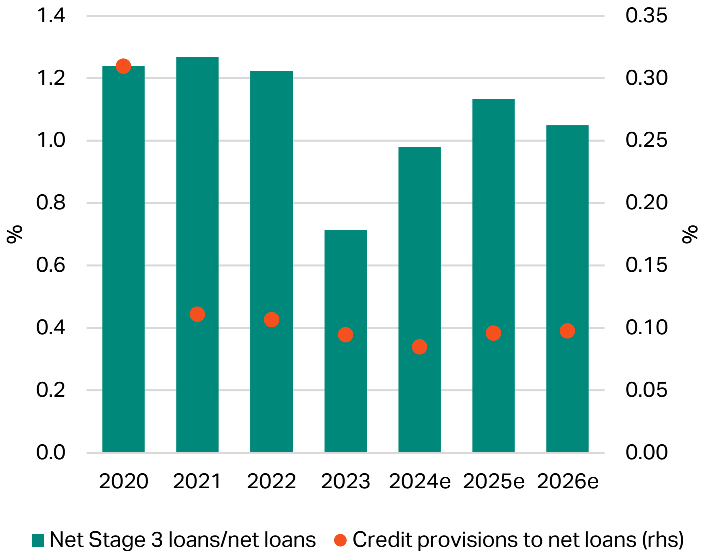
Aasen Sparebank's credit losses to net loans have averaged 15bps over the past five years. The bank booked losses of NOK 4m in the first nine months of 2024, against NOK 5m in 2023. We project lower loan losses in our forecast with projections of 8-10bps for 2024-2026. The bank's net Stage 3 non-performing loans have decreased slightly to 1pp as of 30 Sep. 2024, compared to a sample average of 1.7pp. We expect the proportion of Stage 3 loans to remain at similarly low levels as in 2024, increasing by only about 10bps in 2025 and 2026.

Figure 18. Norwegian savings banks' asset quality metrics, 30 Sep. 2024



Source: bank reports.

Figure 19. 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 Aasen Sparebank's ESG profile as having a neutral 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 (0) Loss performance (0)
Social engagement in local community	Close connection to narrow regional markets provides a benefit.	Competitive position (+) Earnings (+) 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 do not adjust our rating on Aasen Sparebank to reflect the likelihood of additional support as we see limited potential for extraordinary support from its owners. The bank issued its first ECCs in 2013 and conducted subsequent issuances in 2016, 2017 and 2021. These have been publicly listed on Euronext Growth since 2016. As of 30 Sep. 2024, close to 29% of the bank's equity was owned by ECC holders, while the remainder was ownerless capital.

Figure 21. Ownership structure, 30 Sep. 2024

Owner	Share of ECCs
Kommunal landspensjonskasse gjensidige	3.3%
Snota AS	2.7%
Svein Eggen Holding AS	2.5%
Ørland Sparebank	2.3%
Skive Invest AS	2.3%
Other	87.0%
Total	100.0%

Source: company.

ISSUE RATINGS

Our rating on Aasen Sparebank's unsecured senior debt is in line with the 'BBB+' issuer rating. The bank has an outstanding Tier 2 instrument and Additional Tier 1 instruments, which we rate one and three notches below the issuer rating, respectively, at 'BBB' and 'BB+'.

SHORT-TERM RATING

The 'N2' short-term rating is the higher of two possible alternatives given the 'BBB+' long-term issuer rating. It reflects Aasen Sparebank's access to central bank funding and our assessment that its liquidity is strong, based on an average liquidity coverage ratio of 542% 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) Lower interest margin will lead to a drop in profitability for Norwegian savings banks, 20 Jan. 2025.
(ii) NCR Comments: Norway moves to adopt new standardised approach to capital requirements, 6 Dec. 2024.
(iii) Nordic consumer banks' earnings continue to offset elevated provisions, 10 Sep. 2024.
(iv) Norwegian savings banks' capitalization boosted by CRR3, 26 Jun. 2024.

Figure 22. key financial data, 2021–2024

Key credit metrics (%)	FY 2021	FY 2022	FY 2023	FY 2024
INCOME COMPOSITION				
Net interest income to op. revenue	73.1	83.3	84.3	82.2
Net fee income to op. revenue	21.5	13.5	11.4	12.8
Net trading income to op. revenue	0.7	-0.1	2.5	3.6
Net other income to op. revenue	4.7	3.3	1.8	1.4
EARNINGS				
Net interest income to financial assets	2.0	2.1	2.6	2.4
Net interest income to net loans	2.3	2.4	3.0	2.9
Pre-provision income to REA	2.6	2.7	3.8	3.5
Core pre-provision income to REA (NII & NF&C)	2.3	2.6	3.5	3.2
Return on ordinary equity	8.0	8.5	11.3	10.8
Return on assets	0.9	0.9	1.3	1.2
Cost-to-income ratio	53.2	48.0	41.2	44.6
Core cost-to-income ratio (NII & NF&C)	56.2	49.6	43.0	46.9
CAPITAL				
CET1 ratio	18.9	19.1	19.8	19.9
Tier 1 ratio	20.7	20.6	21.3	22.1
Capital ratio	23.1	22.7	23.1	25.0
REA to assets	46.5	46.9	45.9	47.4
Dividend payout ratio	16.3	18.7	22.7	22.0
Leverage ratio	9.5	9.6	9.8	10.3
Consolidated CET1 ratio	17.6	17.8	18.3	18.4
Consolidated Tier 1 ratio	19.3	19.4	19.7	20.6
Consolidated Capital ratio	21.6	21.5	21.6	23.4
Consolidated Leverage ratio	8.3	8.3	8.5	9.1
GROWTH				
Asset growth	21.1	13.6	10.5	9.2
Loan growth	19.3	14.8	8.6	12.7
Deposit growth	20.7	14.6	18.7	9.2
LOSS PERFORMANCE				
Credit provisions to net loans	0.11	0.11	0.09	0.06
Stage 3 coverage ratio	26.87	24.06	27.45	17.22
Stage 3 loans to gross loans	1.72	1.60	0.98	1.17
Net stage 3 loans to net loans	1.27	1.22	0.71	0.97
Net stage 3 loans/ordinary equity	9.86	8.93	5.19	7.42
FUNDING & LIQUIDITY				
Loan to deposit ratio	122.4	122.6	112.1	115.8
Liquid assets to deposit ratio	22.8	21.7	22.6	18.6
Net stable funding ratio	135.0	135.0	122.0	123.0
Liquidity coverage ratio	141.9	219.5	603.0	366.0

Key financials (NOKm)	FY 2021	FY 2022	FY 2023	FY 2024
BALANCE SHEET				
Total assets	4,939	5,613	6,201	6,771
Total tangible assets	4,939	5,613	6,201	6,771
Total financial assets	4,873	5,549	6,152	6,701
Net loans and advances to customers	4,107	4,714	5,120	5,771
Total securities	514	573	634	633
Customer deposits	3,355	3,846	4,565	4,984
Issued securities	882	954	772	832
of which other senior debt	827	899	717	737
of which subordinated debt	55	55	55	95
Total equity	568	685	742	827
of which ordinary equity	528	645	702	757
CAPITAL				
Common equity tier 1	434	503	565	638
Tier 1	474	543	605	708
Total capital	529	597	659	804
REA	2,294	2,633	2,846	3,209
INCOME STATEMENT				
Operating revenues	120	129	177	190
Pre-provision operating profit	56	67	104	105
Impairments	4	5	5	4
Net Income	41	50	76	79

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

Figure 23. rating scorecard

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

Figure 24. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+
Tier 2	BBB
Additional Tier 1	BB+

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