Nordic Credit Rating

FINANCIAL INSTITUTION

Norway
6 Nov. 2025

Skue Sparebank

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Skue Sparebank 'A-' long-term issuer rating affirmed with stable outlook; removed from criteria review

Nordic Credit Rating has affirmed its 'A-' long-term issuer rating on Norway-based Skue Sparebank. The outlook is stable. The 'N2' short-term rating, 'A-' senior unsecured issue rating, 'BBB+' Tier 2 issue rating, and 'BBB-' Tier 1 issue rating have also been affirmed, in accordance with NCR's revised financial institutions rating methodology. The ratings are no longer under criteria review.

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's cooperation agreement with the Eika alliance is viewed positively, as it provides product diversity, shared development costs, and access to residential retail mortgage financing through Eika Boligkreditt. We have revised our view of the bank's earnings and expect pre-provision earnings to remain above 3% of risk exposure amount through 2027, supporting its capacity to absorb higher loan losses amid a slow economy. Our base case assumes that lower interest rates and a larger share of residential lending will help to reduce loan losses and non-performing loans over the next three years, improving our view of the bank's loss performance relative to domestic peers.

We anticipate that the merger with Tinn Sparebank in the fourth quarter of 2025 will expand the bank's geographical footprint but will not materially affect its earnings metrics or credit risk. However, we also expect the positive impact of the merger and the implementation of the EU's Capital Requirements Regulation III (CRR III) on capital ratios to diminish over time, due to loan growth and higher dividends.

The rating is constrained by strong competition and the bank's low market share in the more populous areas of Buskerud County in eastern Norway. The rating is also limited by the bank's concentrated exposure to commercial real estate and retail mortgages in its operating region.

Stable outlook

The stable outlook reflects our expectation that Skue Sparebank will report improved earnings as merger-related expenses decline, with cost synergies and higher fee income offsetting moderate margin pressure. We also expect the bank's credit metrics to improve over the next 12 months, partly due to lower interest costs. However, we anticipate that CRR III on capital ratios will diminish over time.

We could raise the rating if the bank demonstrates a sustained commitment to maintaining material regulatory capital buffers and a Tier 1 ratio consistently above 22%.

We could lower the rating if there is a deterioration in the local operating environment that impairs the bank's asset quality, a sustained decrease in the Tier 1 capital ratio to below 18%, or risk-adjusted earnings metrics remain consistently below 2.0% of the risk exposure amount.

Rating list	**To**	**From**
Long-term issuer credit rating:	A-	A-
Outlook:	Stable	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	A-	A-
Tier 2 issue rating:	BBB+	BBB+
Additional Tier 1 issue rating:	BBB-	BBB-

Figure 1. Skue Sparebank rating scorecard

Subfactors	Impact	To	From
National banking environment	10.0%	a	-
Sector exposure assessment	-	-	-
Regional assessment	10.0%	bbb+	-
Cross border assessment	-	-	-
National factors	-	-	a
Regional, cross border, sector	-	-	bbb+
Operating environment	20.0%	a-	a-
Risk governance	7.5%	a	a
Capital	17.5%	a+	a+
Funding and liquidity	15.0%	a	a
Credit and market risk	10.0%	bbb	-
Credit risk	-	-	bbb
Market risk	-	-	-
Other risks	-	-	a
Risk appetite	50.0%	a	a
Competitive position	15.0%	bbb	bbb
Earnings	7.5%	aa-	a+
Loss performance	7.5%	a	a-
Performance indicators	15.0%	a+	a
Indicative credit assessment		**a-**	**a-**
Peer comparison		Neutral	Neutral
Transitions		Neutral	Neutral
Borderline assessments		Neutral	Neutral
Stand-alone credit assessment		**a-**	**a-**
Ownership		Neutral	Neutral
Capital structure protection		Neutral	-
Rating caps		Neutral	Neutral
Material credit enhancement		-	Neutral
Issuer rating		**A-**	**A-**
Outlook		Stable	Stable
Short-term rating		**N2**	**N2**

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	A-	A-
Tier 2	BBB+	BBB+
Additional Tier 1	BBB-	BBB-

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 09 Nov. 2023.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Financial Institutions Rating Methodology published on 12 May 2025 NCR's Rating Principles published on 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies. The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA).
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test or cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies.
Ancillary services provided:	No ancillary services have been provided in the last 12 months.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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