

# Sparebank 68° Nord

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 Sparebank 68° Nord 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 the bank to maintain a moderate lending growth and believe asset quality metrics are likely to improve. Earnings should remain solid, although impacted by extraordinary IT-related costs in 2026.

The rating is constrained by the bank's concentrated exposure to real-estate collateral located along the 68<sup>th</sup> parallel north in northern Norway, which includes the regions of Lofoten, Ofoten, Vesterålen and Harstad. It is also constrained by strong competition from larger banks.

## STABLE OUTLOOK

The stable outlook reflects Sparebank 68° Nord's low risk appetite, strong real-estate collateral, solid earnings and strong cost efficiency, which we believe will enable resilience during a modest economic slowdown. We expect the bank's capital ratios to remain at strong levels after the positive impact of implementing the EU's Capital Requirements Regulations III (CRR3), despite projections of above-domestic credit growth.

### POTENTIAL POSITIVE RATING DRIVERS

- An upgrade is unlikely at this time, given the bank's regional and sectoral concentrations.

### POTENTIAL NEGATIVE RATING DRIVERS

- A cost-to-income ratio well above 50% over a protracted period.
- A sustained reduction in the Tier 1 capital ratio to below 22%.
- A material deterioration in the local operating environment or weakening asset quality.

Figure 1. Key credit metrics, 2021–2027e

%	2021	2022	2023	2024	2025e	2026e	2027e
Net interest margin	1.9	2.2	2.5	2.6	2.5	2.4	2.4
Loan losses/net loans	-0.42	0.15	0.21	0.16	0.12	0.14	0.13
Pre-provision income/REA	1.7	2.4	3.0	2.9	2.9	2.7	3.1
Cost-to-income	57.8	43.9	41.0	42.9	45.0	50.3	43.0
Return on average equity	8.8	8.4	9.1	9.4	8.8	7.5	8.6
Loan growth	9.5	10.3	4.1	3.7	7.0	6.0	6.0
CET1 ratio	19.0	20.5	20.6	20.5	22.9	23.0	23.3
Tier 1 ratio	19.4	20.9	20.9	20.7	23.1	23.2	23.4

Source: company and NCR. e–estimate. REA–risk exposure amount. CET1–common equity Tier 1. All metrics adjusted in line with NCR methodology.

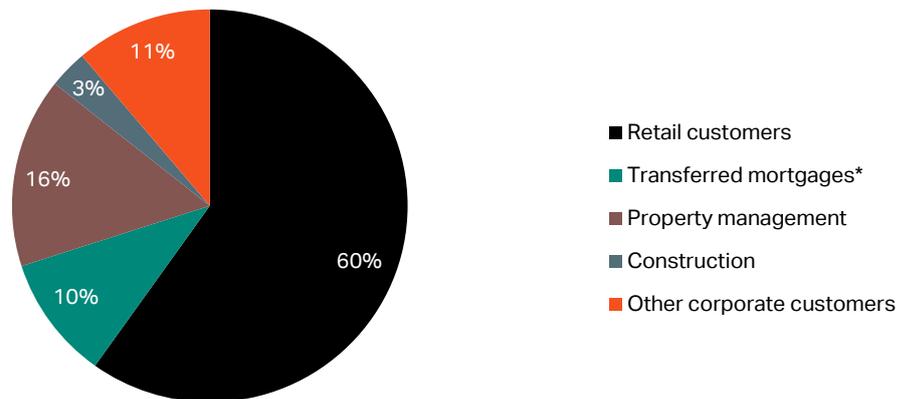
**ISSUER PROFILE**

Sparebank 68° Nord is an independent Norwegian savings bank formed through the mergers of Ofoten Sparebank, Lofoten Sparebank and Harstad Sparebank during 2019 and 2020, and with roots back to 1899. The bank operates through seven offices located along latitude 68° north in Nordland and Troms counties. It currently has some 60 full-time employees and some NOK 14bn in total assets (including NOK 1.3bn in retail mortgage loans transferred to Verd Boligkreditt and Eika Boligkreditt).

Sparebank 68° Nord is one of 17 savings banks in the Lokalbanksamarbeidet banking cooperative, which consist of small and medium-sized local savings banks with total assets of NOK 150bn as of end-2024, including transferred loans. The alliance provides product diversity, builds customer loyalty and helps to 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.

The member banks of Lokalbanksamarbeidet have also joined Frendegruppen, a cooperative alliance of financial services providers that includes the regional savings banks Sparebanken Norge 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, including transferred loans, 30 Sep. 2025



Source: company. \*net loans transferred to Verd Boligkreditt.

**OPERATING ENVIRONMENT**

Operating environment

We consider a balance of national and regional factors in our assessment of the operating environment. Sparebank 68° Nord has a high proportion of exposure to its core market in a moderately rural region with slightly declining population growth and lower unemployment than the national average. We believe the national economy could weaken over the next few years due to low economic activity and the ongoing effect of high inflation but consider the Norwegian banking sector well positioned to offset higher credit risk with strong earnings and capital.

**Norwegian savings banks resilient to slowing economic activity**

National banking environment

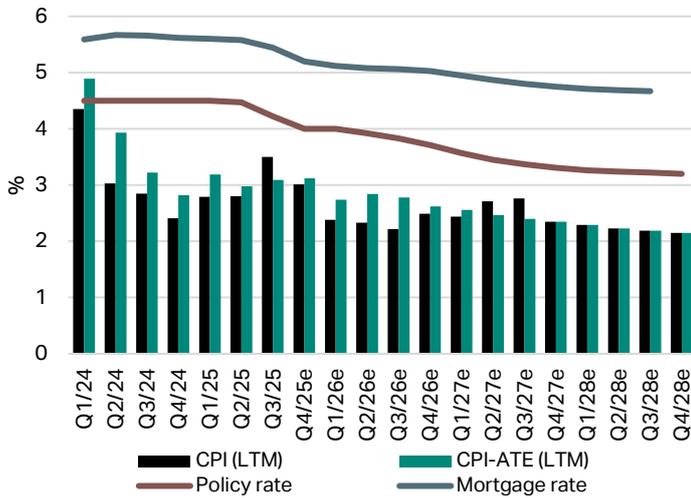
Net interest margins in the Norwegian banking sector have widened significantly since 2021, supported by higher interest rates. Combined with strong lending growth, this has bolstered sector earnings. The central bank began a cautious normalisation of the policy rate, lowering it by 50bps to 4% in 2025. While we expect two additional rate cuts through 2027, this remains uncertain due to persistently high inflation, changes in global trade and tariff policies, and a resilient domestic economy. We anticipate that lower interest rates and increased competition, amid subdued loan demand, will slow earnings growth and reduce returns on equity during our forecast period.

As intended, persistently high interest rates are helping to slow the economy. Mainland GDP growth has improved somewhat from a weak 2023–2024, but we expect it to remain modest for now. Unemployment has increased slightly but remains exceptionally low compared with most European

countries. Low unemployment has likely contributed to strong wage growth in recent years. While this has supported consumption and loan demand, it also raises concerns about continued inflation.

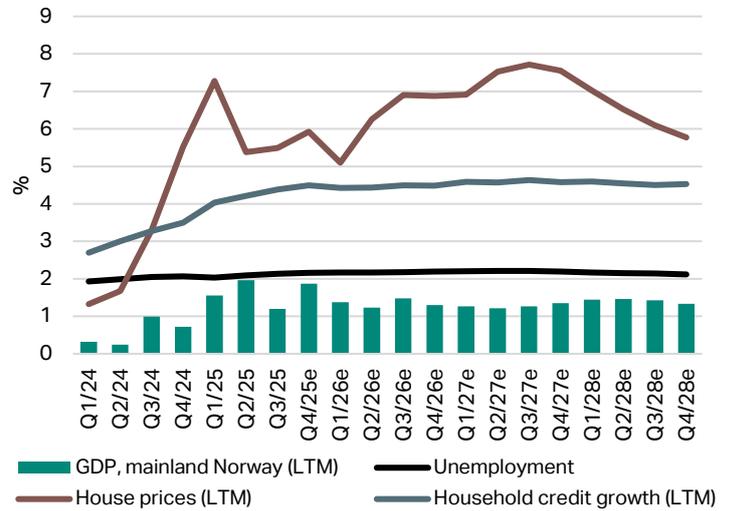
Nonetheless, Norwegian savings banks remain well capitalised, with the introduction of CRR3 enhancing competitiveness for those using the standardised approach, which includes most banks. Solid risk-adjusted earnings, despite somewhat lower interest margins, and stable or improved asset quality metrics should also support the banks' resilience in a prolonged weak economic environment.

Figure 3. Norwegian inflation and interest rates, 2024–2028e



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, 2024–2028e



Source: central bank. e-estimate.

**Large, rural operating region**

Regional assessment

Our regional assessment factors in the broader area of latitude 68° north with a population of about 120,000, where Sparebank 68° Nord provides banking services. This operating area includes the regions of Lofoten, Ofoten, Vesterålen and Harstad. We consider that the bank's core market comprises six municipalities where it has seven local offices. These six municipalities, with about 80,000 inhabitants combined, account for about two-thirds of the bank's lending. Population and employment growth have been low in recent years and varies by municipality. Statistics Norway projects the population in the bank's core market will decline slightly by 2050. However, unemployment remains low (1.4% as of December 2025) compared with the national average of 2.1%.

Sparebank 68° Nord's operating region is set in coastal and mountainous terrain that attracts tourists year-round. The coastal access provides a more diverse industry structure, and the region is enriched by fishing and aquaculture industries, exporting salmon and cod. The Hålogalandsvegen road project stands to significantly reduce travel distances in the region. The largest municipalities are Harstad and Narvik with about 25,000 and 22,000 inhabitants, respectively. Narvik acts as an important transport and logistics hub in northern Norway and will host the Alpine World Ski Championships in 2029, contributing to stronger regional growth in the next few years. In addition, the importance of a military base in the region has led to increased local investment by the Norwegian Armed Forces amid geopolitical tension. Like other domestic regions, the public sector is a major employer, particularly in education, health and social work, but also military defence.

**Figure 5. Core markets**

Municipality	Population, Q3 2025	Expected population change, 2025-2050 (%)	Unemployment, Dec. 2025 (%)	Unemployment, Dec. 2024 (%)
Harstad	25,248	-3.7	1.0	1.2
Narvik	21,638	-7.7	1.3	1.7
Vestvågøy	11,624	1.5	1.9	2.0
Sortland	10,747	-2.0	1.6	2.1
Vågen	9,875	5.6	2.2	2.1
Evenes	1,389	5.6	1.4	2.2
<b>Core markets</b>	<b>80,521</b>	<b>-2.5</b>	<b>1.4</b>	<b>1.7</b>
Norway	5,618,354	8.8	2.1	2.1

Source: Statistics Norway, Norwegian Labour and Welfare Administration.

### RISK APPETITE

#### Risk appetite assessment

Our assessment of Sparebank 68° Nord's risk profile reflects the bank's strong capital, diverse funding access, large proportion of residential mortgage lending and its ability to transfer loans to Verd Boligkreditt. Risk governance and internal risk reporting are adequate in view of the bank's risk profile and complexity. The bank has some regional concentrations in its core market and a significant proportion of property lending.

#### Risk governance standards similar to peers

#### Risk governance

In our view, Sparebank 68° Nord's risk governance framework, risk appetite, limit monitoring and risk reporting are adequate, considering its balance sheet and risk profile. The bank has well-defined guidelines for risk governance and relevant risk areas. Furthermore, the bank has adequate guidelines to support anti-money laundering in its daily operations and has implemented an internal audit function as a third line of defence. This reduces the risk of related losses and fines, which the Norwegian regulator has levied on some banks. The bank's internal risk reporting and capital adequacy assessment processes are proportional to its risk profile.

We view the bank's management of environmental, social and governance (ESG) factors as satisfactory, given its size, complexity and impact.

#### Capital ratios boosted by CRR3

#### Capital

Our capital assessment takes into consideration Sparebank 68° Nord's consolidated position, including its proportional holdings in Verd Boligkreditt, Eika Boligkreditt and Brage Finans. As of 30 Sep. 2025, the bank's consolidated Common Equity Tier 1 (CET1) ratio was 22.5% and its Tier 1 capital ratio 22.7% (excluding 0.8pp as 50% of profits in the first nine months). These compare with its respective minimum targets of 16.5% and 18.5% (including a 1.25pp management buffer). We note that capital ratios were significantly boosted by implementing CRR3, which came into force in Norway on 1 Apr. 2025, and we believe the isolated effect is close to 3pp on consolidated ratios. The consolidated leverage ratio is strong at 10.1%, compared with a regulatory minimum requirement of 3%.

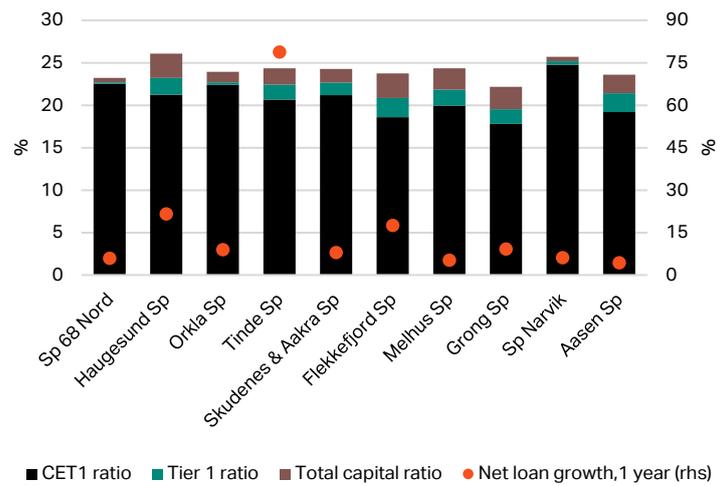
We expect Sparebank 68° Nord to grow its loan book by 6% per year in 2026 and 2027. Return on equity is projected to average approximately 8% over 2025–2027. We assume 25% of profits will be distributed to equity certificate holders and as gifts. As a result, we expect capital ratios to remain strong and increase slightly through 2027. Sparebank 68° Nord has a single outstanding Tier 2 instrument of NOK 20m, which in our base-case estimates is assumed not to be refinanced at maturity in 2027.

Figure 6. Consolidated capital ratios 2024–2027e, capital requirement and targets as of 30 Sep. 2025



Source: company, e-estimate. Total Pillar 2 guidance (P2G) of 2.3%.

Figure 7. Norwegian savings banks' consolidated capital ratios and loan growth, 30 Sep. 2025



Source: bank reports.

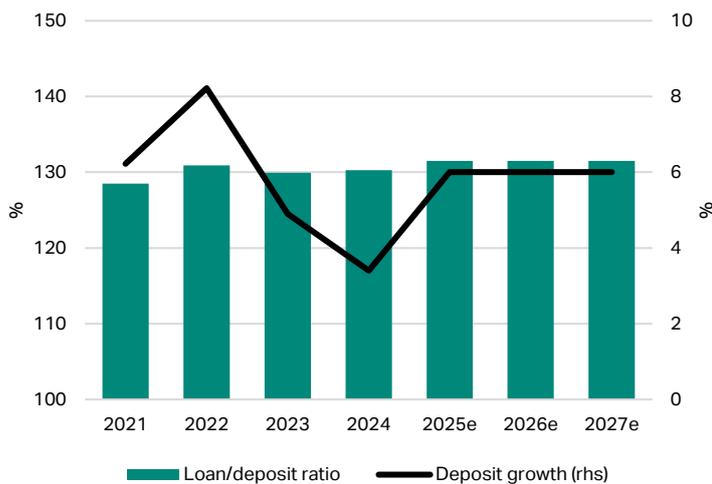
Diverse funding profile

Funding and liquidity

Sparebank 68° Nord's funding profile is diverse, with a relatively solid retail deposit base. The bank also has demonstrated access to capital market funding. Deposit growth has followed on-balance sheet lending growth since its last merger in 2021, thus maintaining a loan-to-deposit ratio of about 130% since. We expect deposit growth to continue to follow lending growth at 6% and the bank to maintain its loan-to-deposit ratio at about 130% through 2027. The bank has few single-name concentrations in its customer deposits and liquidity buffers similar to peers (17% of customer deposits as of 30 Sep. 2025). As of 30 Sep. 2025, the liquidity coverage ratio was 260% and the net stable funding ratio 114%, above the bank's internal limits of 120% and 110%, respectively.

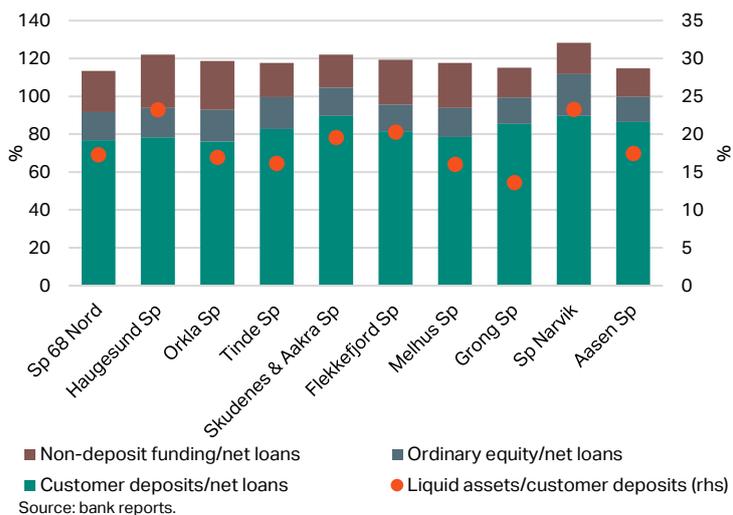
Sparebank 68° Nord had NOK 2.4bn split between 11 outstanding senior bonds as of 30 Sep. 2025. The bank's debt maturity profile is evenly distributed, with senior unsecured maturities spread out through 2030 and a weighted average time to maturity of 2.7 years. We forecast that the bank will refinance through new issuance at maturity and increase bond financing at a similar pace to the loan book. The bank's internal limits on annual and quarterly maturities help mitigate refinancing risk.

Figure 8. Deposit metrics, 2021-2027e



Source: company, e-estimate.

Figure 9. Norwegian savings bank funding profiles, 30 Sep. 2025



Source: bank reports.

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 1.3bn to jointly owned covered bond companies as of 30 Sep. 2025, which accounts for 15% of residential mortgages on- and off-balance sheet. This is significantly lower compared with banks of similar size. The majority share is still held 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

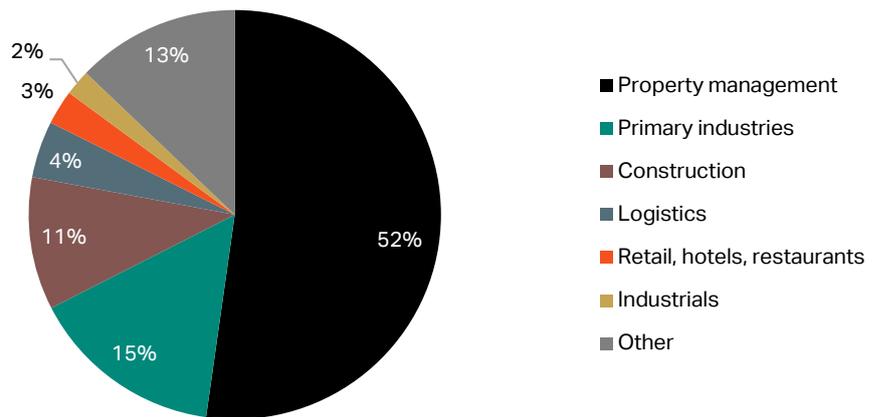
Credit and market risk

readily transferrable loans as a liquidity buffer. We predict growth in transferred mortgages will match the pace of lending growth on the bank's own books.

**Regional concentration in loan book**

Sparebank 68° Nord has a strong regional focus, with more than two-thirds of its loan portfolio located in the six municipalities where it has offices. The bank does not promote lending to borrowers outside its latitude 68° north operating area and other customers are primarily domestic migrants. 70% of the bank's exposures (including transferred loans) are to residential mortgages and secured by housing properties. While we regard these as low-risk credits, they nonetheless reflect a concentration on local borrowers and expose the bank's collateral to any decline in property values. However, housing price growth over the past decade has strengthened the bank's collateral.

**Figure 10. Corporate gross loans by industry (excluding housing cooperatives), 30 Sep. 2025**



Source: company.

Sparebank 68° Nord has maintained a moderate loan growth in recent years. In the 12 months to 30 Sep. 2025, on- and off-balance sheet mortgages increased by 3.5%, while corporate lending increased by 7.4%. Our forecast assumes loan growth to remain moderate at 6% annually for 2026-2027, both on- and off- the balance sheet, and maintain its current lending composition of residential and corporate customers. Sparebank 68° Nord's main corporate exposure is to property management, accounting for 52% of corporate exposures. We remain concerned about commercial real estate lending, given the impact of high interest costs and a weak property market on credit quality in the segment. We also consider fishing and aquaculture, as well as logistics, as industries of high risk and more susceptible to economic fluctuations, despite diversification gain.

Transferred loans generate commission income and accounted for 5% of Sparebank 68° Nord's pre-provision income in 2024. However, the bank does not offload all associated risk on transferred loans, and we expect it will take back all non-performing loans to enable the jointly owned mortgage companies to maintain a clean cover pool. Verd Boligkreditt 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. Comparable rights and risk apply for the portfolio of loans transferred to Eika Boligkreditt.

We do not consider market risk to be material for Sparebank 68° Nord, given the lack of a trading portfolio and its low limits on interest rate risk and currency risk.

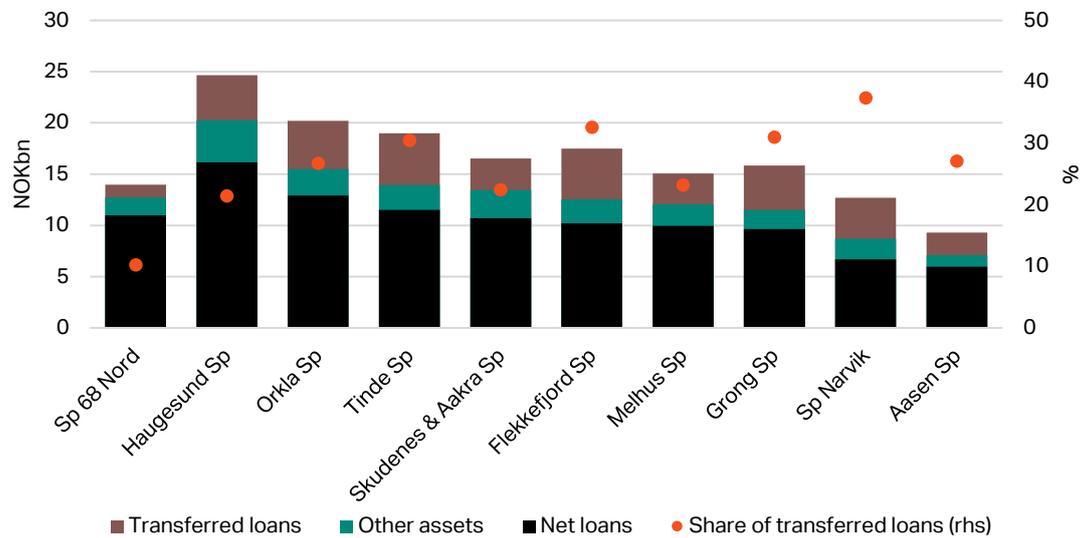
**COMPETITIVE POSITION**

Competitive position

Sparebank 68° Nord is the broader region's third-largest player with low double-digit retail market share in the areas where it is present. The largest competitor is Sparebank 1 Nord-Norge, which has active offices near five of Sparebank 68° Nord's seven offices. DNB is the second largest in the area with three offices. Apart from Sparebanken Narvik in the Ofoten region, the bank does not face competition from savings banks of similar size. We believe Sparebank 68° Nord's local presence and its contributions to the local community support its competitive position.

Membership in Lokalbanksamarbeidet diversifies revenue and enables Sparebank 68° Nord 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 in the larger Frendegruppen alliance will, we believe, strengthen Sparebank 68° Nord's long-term competitive position through improved economies of scale and efficiency gains.

Figure 11. Norwegian savings banks' total assets and net lending, 30 Sep. 2025



Source: bank reports.

We consider Sparebank 68° Nord's meaningful role in and contributions to its local market as a positive rating factor. The bank's primary ESG attribute is its strong sense of social responsibility in its local communities. The bank also funds social and cultural activities.

**PERFORMANCE INDICATORS**

Performance indicators

We expect Sparebank 68° Nord's cost efficiency to remain strong at close to 40%, even as interest rate cuts begin take effect. The bank's share of non-performing loans increased during 2023 and is higher than its peer group average. We project the bank will book somewhat elevated loan losses through 2026.

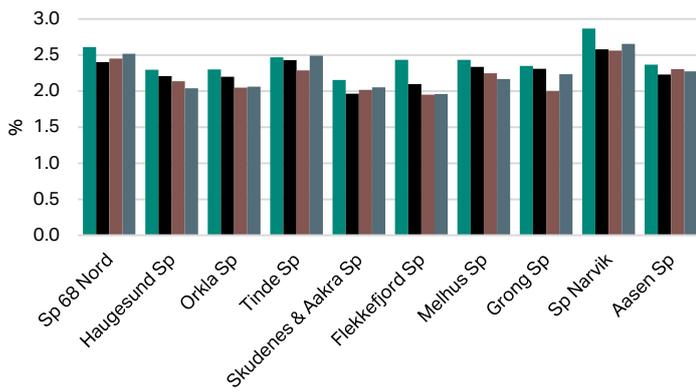
**Extraordinary costs to weigh on cost efficiency in 2026**

Earnings

As with most Norwegian banks, Sparebank 68° Nord has seen an improvement in earnings following interest rate increases in recent years. The bank had a net interest margin of 2.5% in the twelve months to 30 Sep. 2025, above its peer group average of 2.3%. We expect upcoming interest rate cuts, increased competition and weakened loan demand to pressure margins through 2027.

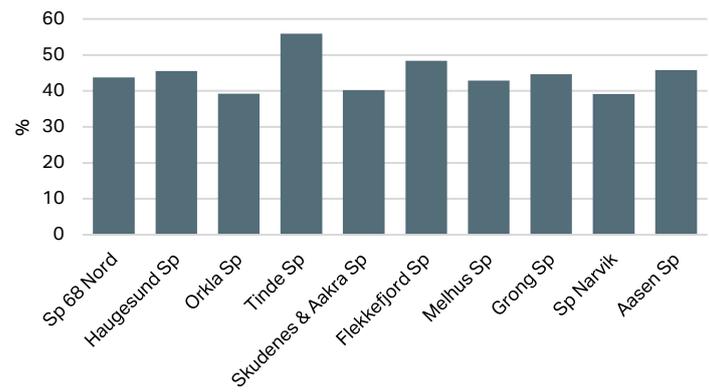
Sparebank 68° Nord's cost efficiency has improved as growth in operating revenue has outstripped growth in costs. The cost-to-income ratio gradually improved to 44% in the 12 months to 30 Sep. 2025 compared to 58% in full-year 2021. However, we note that cost efficiency in 2021 was significantly weakened by extraordinary costs related to merger processes and the change of alliance. Similar extraordinary costs related to a change in core banking system provider are expected to impact cost efficiency in 2026. We anticipate a temporary increase in IT costs in 2026 and estimate the cost-to-income ratio will rise to 50% before returning to 43% in 2027. This also results in a pre-provision income to risk exposure amount (REA) of 2.7% in 2026 and 3.1% in 2027.

Figure 12. Norwegian savings banks' annualised net interest margins, Q4 2024 – Q3 2025



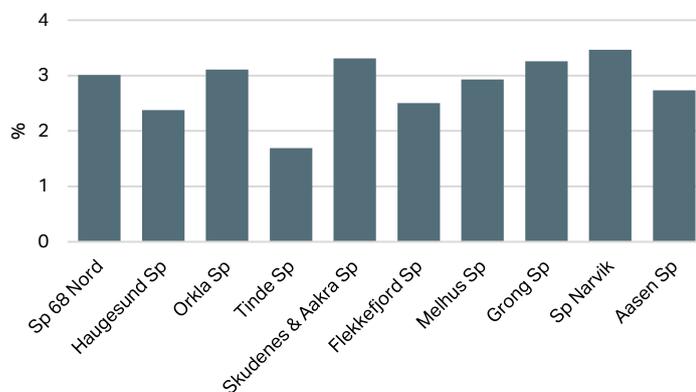
Source: bank reports. ■ Q4/24 ■ Q1/25 ■ Q2/25 ■ Q3/25

Figure 13. Norwegian savings banks' cost-to-income, LTM to 30 Sep. 2025



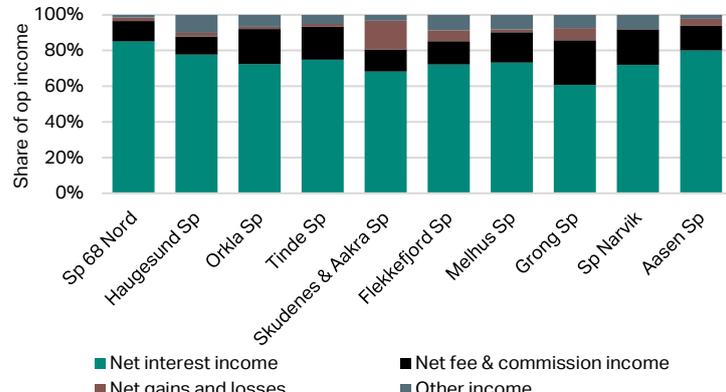
Source: bank reports. LTM-last twelve months.

Figure 14. Norwegian savings banks' PPI to REA, LTM to 30 Sep. 2025



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

Figure 15. Norwegian savings banks' income breakdown, LTM to 30 Sep. 2025



Source: bank reports.

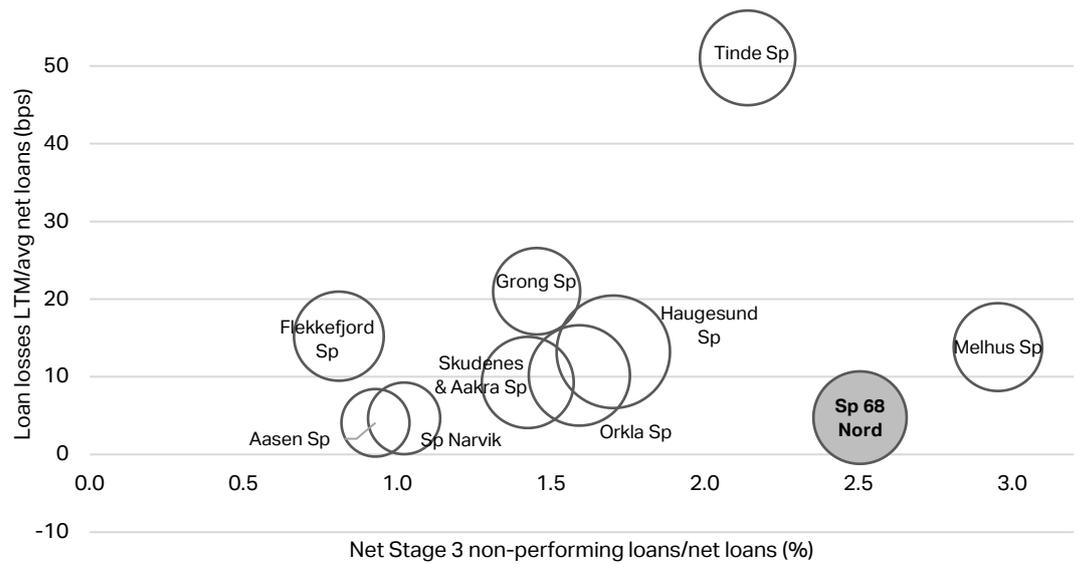
**Higher share of non-performing loans**

Sparebank 68° Nord has reported credit losses to net loans of 5bps in the 12 months to 30 Sep. 2025, compared to 15bps for the peer group. Our forecast envisages loan losses to constitute 13-14bps annually in 2026-2027, slightly below the bank's average of 17bps in 2022-2024.

The bank's share of net Stage 3 loans to net loans is relatively high compared with those of its domestic peer group. We expect non-performing loans to decline as loan losses are booked and lower interest rates reduce the burden on borrowers. In our base-case projections, we project the share of net Stage 3 loans to fall to 1.7% of net loans by end-2027.

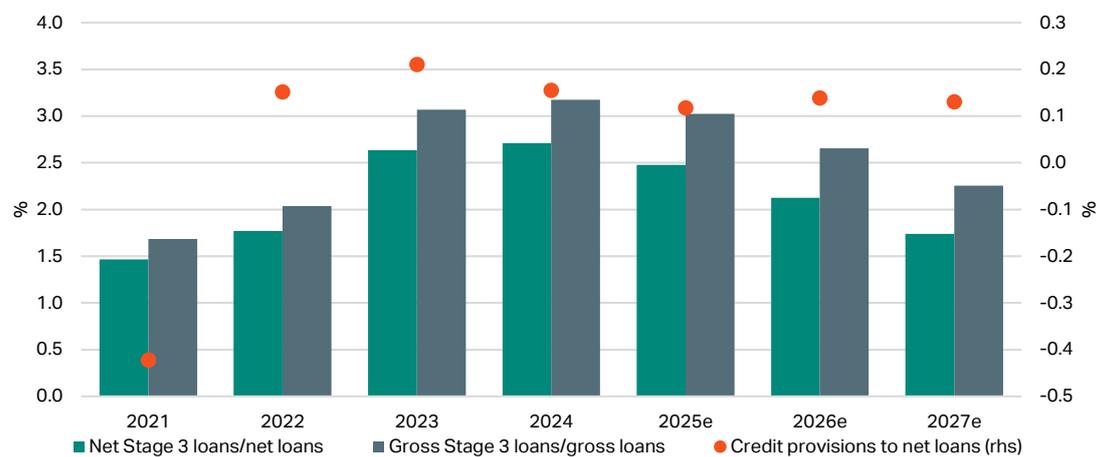
Loss performance

Figure 16. Norwegian savings banks asset quality metrics, 30 Sep. 2025



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

Figure 17. Asset quality metrics, 2021–2027e



Source: company, e-estimate.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

ESG factors are considered throughout our analysis, where material to the credit assessment.

Figure 18. 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. Longer-term effects on market values in flood risk areas.	Credit risk (-) Loss performance (0)
Social engagement in the community	Close connection to narrow niche 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 impact 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.

## SUPPORT ANALYSIS

### Ownership

Our support analysis is neutral even though most of the bank's owners are stable and long-term. The bank has outstanding Equity Capital Certificates (ECCs) listed on Oslo Euronext Growth, accounting for 35% of capital. The remaining majority is self-owned. 59% of the bank's ECCs is controlled by three foundations, with the purpose of providing long-term stable ownership. This is to ensure the presence of a solid, locally focused savings bank in the region, where the foundations distribute profits to support their respective local communities.

Figure 19. Ownership structure, 30 Sep. 2025

Owner	Share of ECCs (%)
Sparebankstiftelsen 68° Nord Harstad	32.9
Sparebankstiftelsen 68° Nord Ofoten	14.3
Sparebankstiftelsen 68° Nord Lofoten	11.6
Messmer Invest AS	2.7
Karlsen, Karl Johan	2.5
Other	35.9
<b>Total</b>	<b>100.0</b>

Source: company.

### ISSUE RATINGS

Our rating on Sparebank 68° Nord's senior unsecured debt is in line with the 'A-' issuer rating. The bank has an outstanding Tier 2 instrument, which we rate one notch below the issuer rating at 'BBB+'. The bank currently has no outstanding Additional Tier 1 instruments, but we would expect to rate such instruments three notches below the issuer rating at 'BBB-'.

### SHORT-TERM RATING

The 'N2' short-term rating is the higher of two possible outcomes, given the 'A-' long-term issuer rating. It reflects the bank's access to central bank funding and our assessment that its liquidity is strong, based on an average liquidity coverage ratio of 284% over the last four quarters.

### METHODOLOGIES USED

- (i) [Financial Institutions Rating Methodology](#), 12 May 2025.
- (ii) [Rating Principles](#), 14 Feb. 2024.
- (iii) [Group and Government Support Rating Methodology](#), 14 Feb. 2024.

### RELEVANT RESEARCH

- (i) [Capital strength sets Norwegian savings banks up for 2026 growth](#), 21 Jan. 2026.
- (ii) [Swedish savings banks face little drama in 2026](#), 12 Jan. 2026.
- (iii) [Nordic niche banks: building a foundation for growth](#), 4 Sep. 2025.
- (iv) [Swedish savings banks steadfast amid increasing headwinds](#), 6 May 2025.

**Figure 20. Sparebank 68° Nord key financial data, 2021–Q3 2025 YTD**

Key credit metrics (%)	FY 2021	FY 2022	FY 2023	FY 2024	Q3 2025 YTD
<b>INCOME COMPOSITION</b>					
Net interest income to op. revenue	75.7	84.8	86.0	85.1	85.1
Net fee income to op. revenue	17.9	12.3	11.0	11.1	11.5
Net gains and losses/operating revenue	0.5	0.2	1.4	2.9	2.0
Net other income to op. revenue	5.9	2.7	1.6	0.9	1.5
<b>EARNINGS</b>					
Net interest income to financial assets	1.9	2.2	2.5	2.6	2.5
Net interest income to net loans	2.2	2.6	2.9	3.0	2.9
Pre-provision income to REA	1.9	2.8	3.3	3.3	3.2
Core pre-provision income to REA (NII & NF&C)	1.6	2.7	3.2	3.0	3.0
Return on ordinary equity	8.8	8.4	9.1	9.4	9.1
Return on assets	1.1	1.0	1.1	1.2	1.2
Cost-to-income ratio	57.8	43.9	41.0	42.9	43.4
Core cost-to-income ratio (NII & NF&C)	61.7	45.2	42.3	44.6	45.0
<b>CAPITAL</b>					
CET1 ratio	19.6	22.0	22.0	21.7	24.5
Tier 1 ratio	19.8	22.2	22.1	21.7	24.5
Capital ratio	21.2	23.7	22.8	22.0	24.8
REA to assets	53.9	50.1	51.8	53.9	47.2
Dividend payout ratio	25.6	22.1	25.7	28.1	25.5
Leverage ratio	10.5	11.1	11.4	11.5	11.4
Consolidated CET1 ratio	19.0	20.5	20.6	20.5	22.5
Consolidated Tier 1 ratio	19.4	20.9	20.9	20.6	22.7
Consolidated Capital ratio	20.9	22.4	21.7	21.1	23.2
Consolidated Leverage ratio	9.8	9.8	11.4	10.5	10.1
<b>GROWTH</b>					
Asset growth	5.5	7.7	6.0	3.2	5.1
Loan growth	9.5	10.3	4.1	3.7	6.1
Deposit growth	6.2	8.2	4.9	3.4	6.3
<b>LOSS PERFORMANCE</b>					
Credit provisions to net loans	-0.42	0.15	0.21	0.16	0.09
Stage 3 coverage ratio	13.49	13.46	14.81	15.39	18.43
Stage 3 loans to gross loans	1.69	2.04	3.07	3.18	3.05
Net stage 3 loans to net loans	1.46	1.77	2.63	2.71	2.51
Net stage 3 loans/ordinary equity	10.01	12.50	18.05	18.06	16.99
<b>FUNDING &amp; LIQUIDITY</b>					
Loan to deposit ratio	128.5	130.9	129.9	130.3	130.0
Liquid assets to deposit ratio	18.2	16.3	19.3	18.6	17.3
Net stable funding ratio	137.2	137.2	127.9	116.8	113.6
Liquidity coverage ratio	319.7	277.6	302.0	298.0	260.0
<b>Key financials (NOKm)</b>					
<b>BALANCE SHEET</b>					
Total assets	10,280	11,076	11,739	12,118	12,732
Total tangible assets	10,280	11,076	11,739	12,118	12,732
Total financial assets	10,211	11,008	11,690	12,059	12,672
Net loans and advances to customers	8,699	9,592	9,986	10,354	10,988
Liquid assets	1,233	1,191	1,485	1,477	1,461
Customer deposits	6,770	7,327	7,686	7,947	8,451
Issued securities	1,969	2,095	2,406	2,428	2,417
of which other senior debt	1,889	2,014	2,366	2,407	2,397
of which subordinated debt	80	80	40	20	20
Total equity	1,283	1,369	1,467	1,553	1,621
of which ordinary equity	1,273	1,359	1,457	1,553	1,621
<b>CAPITAL</b>					
Common equity tier 1	1,088	1,223	1,337	1,414	1,471
Tier 1	1,098	1,233	1,347	1,414	1,471
Total capital	1,178	1,313	1,386	1,434	1,491
REA	5,543	5,550	6,086	6,529	6,004
<b>INCOME STATEMENT</b>					
Operating revenues	246	279	329	359	269
Pre-provision operating profit	104	156	194	205	152
Impairments	-35	14	21	16	7
Net Income	108	110	128	141	108

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

**Figure 21. Sparebank 68° Nord rating scorecard**

Subfactors	Impact	Score
National banking environment	5.0%	a
Sector exposure assessment	-	-
Regional assessment	15.0%	bbb
Cross border assessment	-	-
Operating environment	20.0%	bbb+
Risk governance	7.5%	a-
Capital	17.5%	aa
Funding and liquidity	15.0%	a
Credit and market risk	10.0%	bbb
Risk appetite	50.0%	a
Competitive position	15.0%	bb+
Earnings	7.5%	a+
Loss performance	7.5%	bbb
Performance indicators	15.0%	a-
<b>Indicative credit assessment</b>		<b>a-</b>
Peer comparison		Neutral
Transitions		Neutral
Borderline assessments		Neutral
<b>Stand-alone credit assessment</b>		<b>a-</b>
Ownership		Neutral
Capital structure protection		Neutral
Rating caps		Neutral
<b>Issuer rating</b>		<b>A-</b>
Outlook		Stable
<b>Short-term rating</b>		<b>N2</b>

**Figure 22. Capital structure ratings**

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

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