Voss Veksel- og Landmandsbank ASA

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 Voss Veksel- og Landmandsbank ASA (Vekselbanken) reflects the bank's strong earnings and capital position and low risk appetite. The bank has proven access to capital market financing and few single-name concentrations. Vekselbanken has an ownership and cooperation arrangement with the Eika Alliance banking association which enables product diversity, shared development costs and the opportunity to finance residential retail mortgage loans through jointly owned covered-bond company Eika Boligkreditt AS.

The rating is constrained by geographic concentration in the relatively rural local economy of the Voss region and a high proportion of real-estate collateral in the bank's core market. The rating is also constrained by strong competition from the bank's main owner, Voss Sparebank, and the two banks' largely shared customer base.

STABLE OUTLOOK

The outlook is stable, reflecting our view that Vekselbanken will maintain strong earnings and capitalisation through 2028. We expect the bank's cost efficiency to remain favourable relative to similarly sized peers, while preserving its robust asset quality. The bank's strong capital position is expected to support loan growth in the coming years, partly through its expansion to retail customers in the metropolitan area of Bergen.

POTENTIAL POSITIVE RATING DRIVERS

- Improved scale and diversification, while maintaining a Tier 1 ratio above 22%.
- A sustained improvement in liquidity buffers.

POTENTIAL NEGATIVE RATING DRIVERS

- A material deterioration in the local operating environment that weakens asset quality.
- Consolidated Tier 1 ratio below 18% over a protracted period.
- Pre-provision income to consolidated risk exposure amount below 2% for a protracted period.

Figure 1. Key credit metrics, 2022–2028e

%	2022	2023	2024	2025	2026e	2027e	2028e
Net interest margin	1.9	2.2	2.2	2.0	2.3	2.2	2.2
Pre-provision income (PPI)/REA*	2.5	3.5	3.5	3.3	3.4	3.2	3.2
Cost-to-income	43.4	37.0	37.4	41.0	41.6	43.1	42.4
Return on ordinary equity	9.0	12.0	13.0	11.8	11.2	10.6	10.8
Loan losses/net loans	0.03	0.09	0.04	0.01	0.05	0.05	0.04
Net Stage 3/net loans	0.70	0.75	0.84	0.93	0.97	0.92	0.87
Tier 1 ratio*	21.2	20.3	20.1	22.9	22.4	22.0	21.6

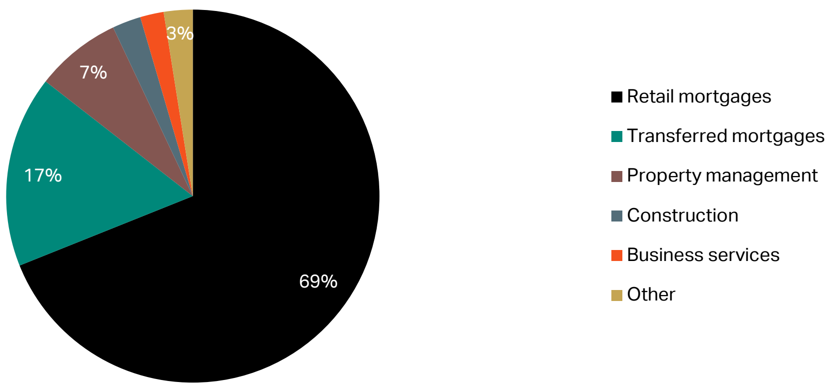
Source: company and NCR. e–estimate. REA–risk exposure amount. CET1–common equity Tier 1. All metrics adjusted in line with NCR methodology. *Consolidated capital adequacy metrics.

ISSUER PROFILE

Vekselbanken is the last remaining Norwegian local commercial bank, with roots dating back to 1899. Its business model is, however, similar to that of domestic savings banks. The bank has about 30 employees and provides core banking services through its headquarters in Voss municipality in Vestland county. It has also established two branches in Eidfjord and Kinsarvik to serve the neighbouring market of Hardanger. The bank's primary market encompasses the Voss region and surrounding areas, with emphasis on retail customers and SMEs. In addition, the bank owns 51% of Aktiv Voss AS, a local real-estate agency. The bank signed ownership and cooperation agreements with additional local real estate agencies in June 2026 to support its retail market growth ambitions Bergen metropolitan area. Vekselbanken has about NOK 7.5bn in total net loans as of 30 Jun. 2026, including loans transferred to Eika Boligkreditt. The bank has been listed on the Oslo Stock Exchange since 1992.

Vekselbanken is a member of the Eika Alliance, an association of some 40 small and medium-sized Norwegian savings banks. The association enables product diversity 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 mortgages via Eika Boligkreditt.

Figure 2. Gross loans by sector, 30 Jun. 2026



Source: company.

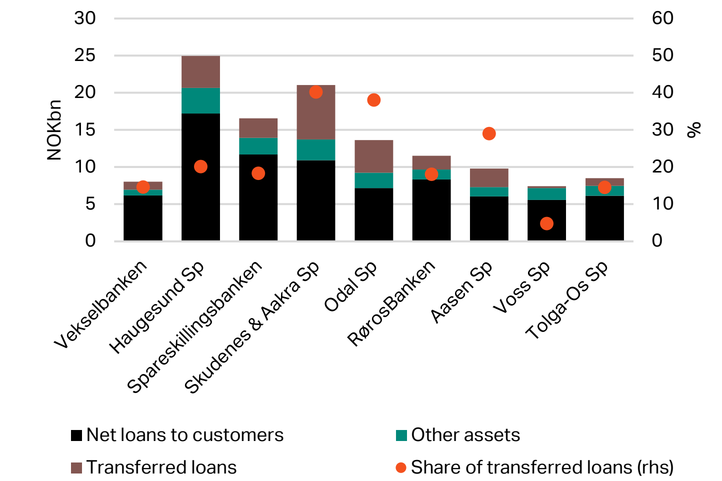
Seeking retail growth towards Bergen

Competitive position

Vekselbanken has a strong position in its core region of operation with a leading market share of some 30%. The bank shares its traditional core markets with Voss Sparebank, its closest competitor. Other competitors include Sparebanken Norge and Sogn Sparebank, while Sparebank 1 Sør-Norge competes for corporate customers without a physical presence. We expect the real-estate agency Aktiv Voss AS to support lending growth in Vekselbanken's core market. We also regard Vekselbanken's strong local presence and its contributions to the local region as positive rating factors.

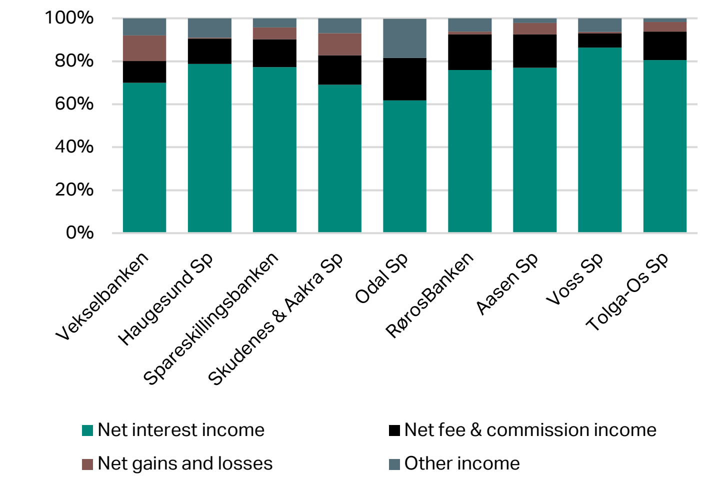
Vekselbanken's membership in the Eika Alliance diversifies revenues and enables the bank to provide a wider range of customer services than it could with its own resources. The alliance enables the bank to provide insurance, debit and credit products, asset management and real-estate agency services.

Figure 3. Business volume comparison, 31 Mar. 2026



Source: bank reports.

Figure 4. Revenue source split comparison, LTM to 31 Mar. 2026



Source: bank reports.

Risk governance

Risk governance proportional to complexity

In our view, Vekselbanken's risk governance framework, risk appetite, limit monitoring and risk reporting are adequate, given its balance sheet and risk profile. The bank maintains clear guidelines for risk governance and anti-money laundering and plans to establish an internal audit function by end-2026. We consider the bank's management of environmental, social and governance (ESG) factors satisfactory, given its size, complexity and impact.

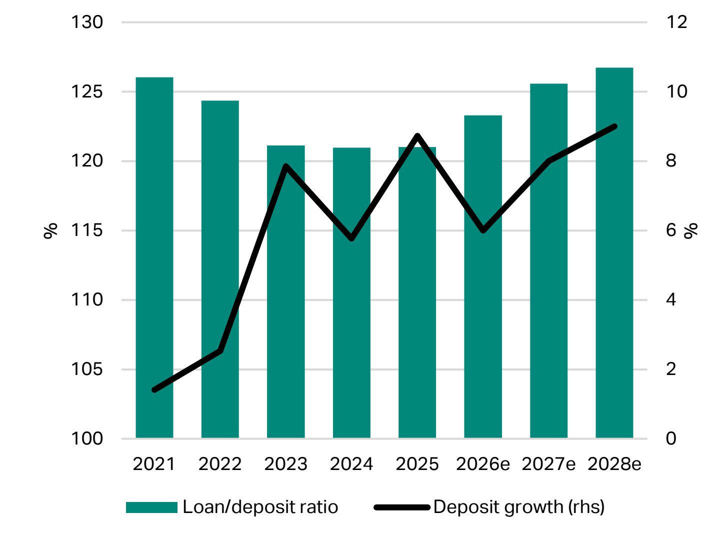
Vekselbanken's cooperation with the Eika Alliance provides additional resources for future risk governance and sustainability development. Part of the bank's mortgage portfolio is financed through Eika Boligkreditt, which has also established a framework for the issuance of green bonds.

Funding and liquidity

Diverse funding profile with increasing use of senior unsecured debt

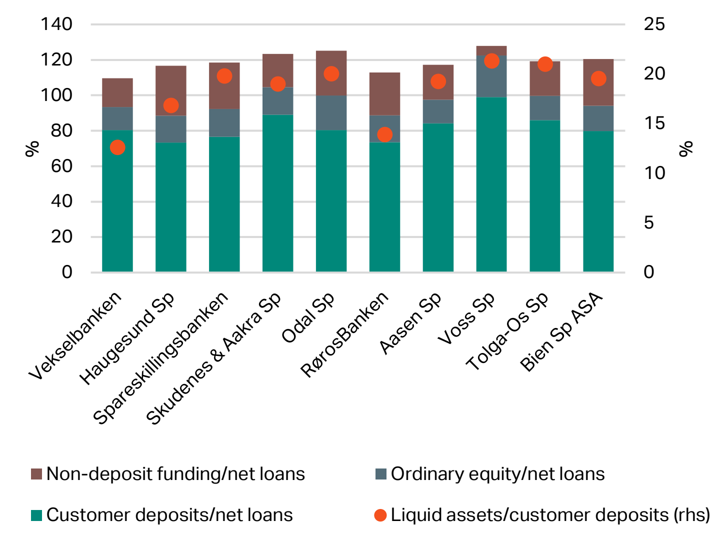
Funding is primarily from stable retail deposits, supplemented by an increasing capital market funding and stable transfers to Eika Boligkreditt. The loan-to-deposit ratio was 121% as of 30 Jun. 2026 and our forecast envisage deposit growth slightly lower than lending growth, resulting in an increase to 127% by end-2028. The bank has limited single-name concentrations in customer deposits and maintains moderate liquidity buffers. The liquidity coverage ratio was 327% and the net stable funding ratio 137% as of 30 Jun. 2026, well above internal limits.

Figure 5. Deposit metrics, 2021-2028e



Source: company and NCR. e–estimate.

Figure 6. Norwegian savings banks' funding profiles, 31 Mar. 2026



Source: bank reports.

Eika Boligkreditt is a stable and important source of funding for Vekselbanken. It provides access to more affordable funding for retail mortgages, with longer terms to maturity, than the bank could source by itself. Vekselbanken had transferred approximately NOK 1.3bn in mortgage loans, or 20% of total retail mortgage lending, including NOK 5.2bn on its own loan book as of 30 Jun. 2026. This is well within its internal limits, and it maintains a steady volume of readily transferrable loans as a liquidity buffer.

CREDIT RISK PROFILE

Core region facing subdued growth

Operating environment

We consider a balance of national and regional factors in our assessment of the operating environment. We believe gradual rate cuts from 2027 are likely as inflationary pressures ease. Elevated rates continue to constrain credit growth, particularly in rate-sensitive segments, while strong competition and high deposit pass-through are expected to limit further margin upside. The Norwegian economy remains resilient, while risks are driven by persistent inflation, tighter financial conditions, and continued pressure on property-related sectors.

Vekselbanken's core market is centred on Voss municipality. Some 35,000 people live in the bank's core market, a region known as a popular holiday destination. Tourism is an important contributor of employment, and a variety in tourism activities reduce the impact of seasonality. The city of Voss also hosts Ekstremsportveko, the world's biggest extreme sport and music festival of its kind.

The Norwegian government has prioritised the Arna–Stanghelle road and rail project to upgrade the Bergen–Voss transport corridor. Construction began in 2026, with completion expected in 2039 at an estimated cost of above NOK 40bn. The project aims to considerably reduce travel time between Voss and Bergen and boost regional economic growth, which may support the bank's planned expansion towards Bergen.

Figure 7. Regional core characteristics

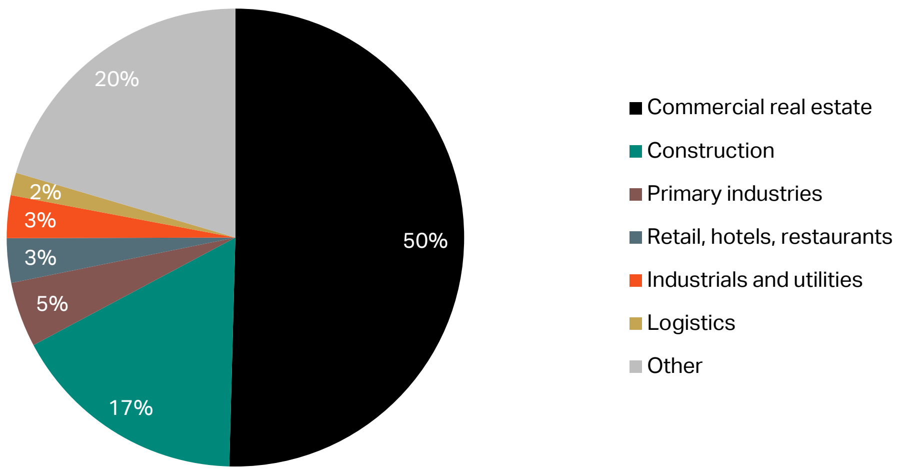
	Strengths	Weaknesses
Regional employment and economic diversity	Unemployment in line with domestic average or better; proximity to larger cities improves with ongoing infrastructure investments.	Constrained employment base compared to larger metropolitan areas. Above-average reliance on public services, construction, agriculture and tourism.
Expected population growth and credit demand	Stable housing prices. Stronger economic growth in growth markets of Bergen	Virtually flat population growth in core markets, although varying among municipalities.

Credit and market risk

Geographically concentrated loan portfolio

Vekselbanken's loan portfolio has a strong regional focus, with about two-thirds of retail customers located in its core market. Some 86% of the bank's exposures (including transferred loans) are to private and agricultural customers and 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.

Figure 8. Corporate gross loans by sector, 30 Jun. 2026



Source: company.

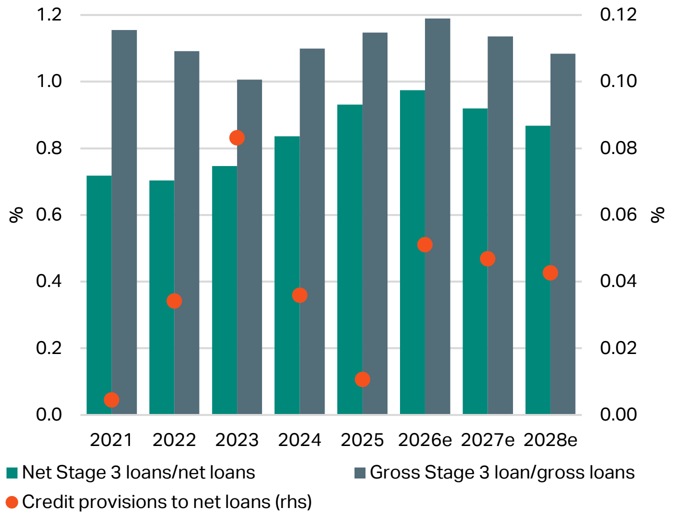
Vekselbanken had gross loan growth of 13.3% (including transferred loans) in the 12 months to 30 Jun. 2026. On- and off-balance sheet mortgages increased by 13.9%, while corporate lending increased by around 9.3%. Our forecast includes annual loan growth of 8-10% for 2026-2028 with a continued modest overweight in residential mortgages. Vekselbanken's main corporate exposure is to commercial real estate, followed by construction. In our view, risks remain elevated in corporate and commercial real estate lending due to high interest costs and subdued property market conditions.

Vekselbanken had transferred loans amounting to NOK 1.2bn as of 30 Jun. 2026, which generates a minor share of pre-provision income (PPI) (4.0% in 2025). However, the bank does not offload the associated risk and we expect it to take back all non-performing loans to enable Eika Boligkreditt to maintain a clean cover pool.

Loss performance

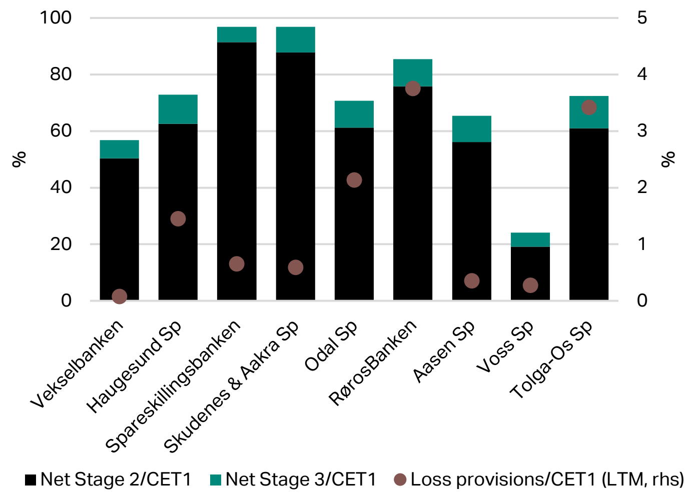
Vekselbanken's credit losses have averaged a low 3bps over the last five years and 6bps in loan loss reversals in the first six months of 2026. We project loan losses to remain at low levels of 4-5bps through 2028. The bank's proportion of net Stage 3 loans have remained lower than those of its domestic peers and accounted for 0.66% as of 30 Jun. 2026. We expect the share of net Stage 3 lending will remain below 1% through 2028, equivalent to the average of the last five years and somewhat below the peer average.

Figure 9. Asset quality metrics, 2021–2028e



Source: company and NCR. e–estimate.

Figure 10. Asset quality in relation to capitalisation, 31 Mar. 2026



Source: bank reports. CET1-Common Equity Tier 1. LTM-last twelve months.

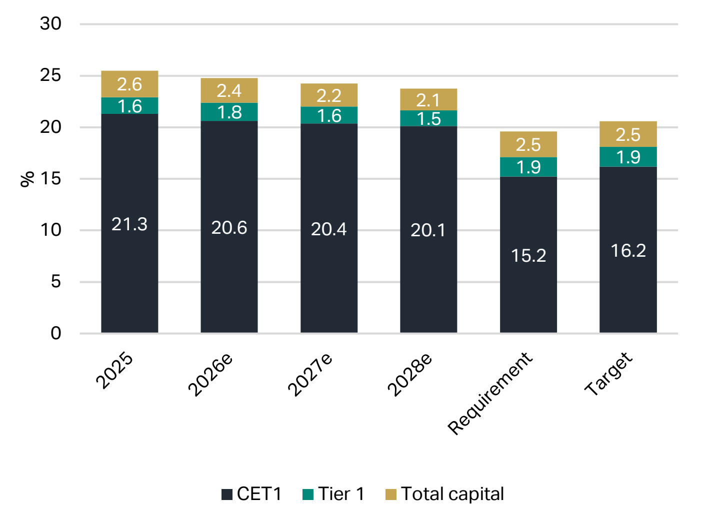
CAPITAL GENERATION

Solid capital base supported by strong earnings and commission income

Capital

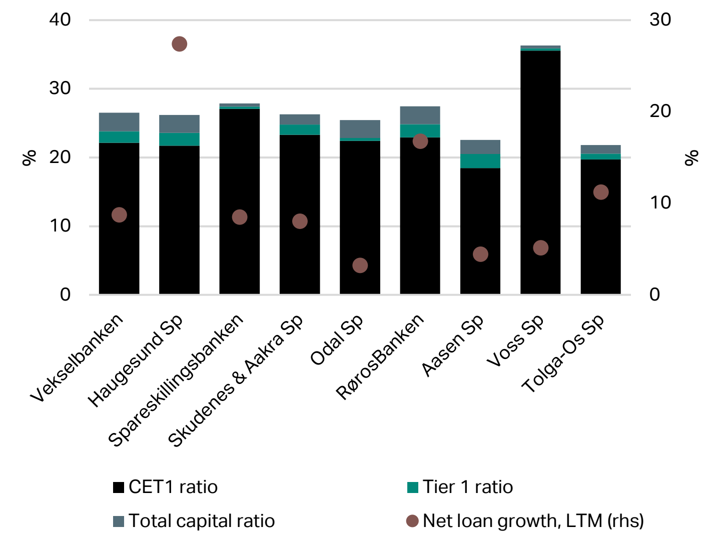
Our capital assessment takes into consideration Vekselbanken's consolidated capital position, including its proportionate holdings in Eika Gruppen and Eika Boligkreditt, and Brage Finans. The bank's consolidated common equity Tier 1 (CET1) ratio was 20.9% and its Tier 1 ratio 22.6% (excluding 0.6% as 50% of current year profits) as of 30 Jun. 2026. These compare with its respective minimum targets of 16.2% and 18.1% (including a 1pp management buffer), respectively. The consolidated leverage ratio stood at 9.0%, compared to a minimum regulatory requirement of 3%.

Figure 11. Forecast capital ratios vs. requirements, 2025–2028e



Source: company and NCR. e–estimate.

Figure 12. Norwegian savings banks' capital ratios and loan growth, 31 Mar. 2026



Source: bank reports.

We expect the bank to maintain a dividend payout ratio within its 40–50% target range through 2028. Coupled with a strong return on ordinary equity of around 11% and somewhat elevated lending growth, this is expected to result in a slight decline in the Tier 1 ratio to 21.6% by end-2028.

Earnings

Vekselbanken reported a cost-to-income ratio of 44% for the twelve months to 30 Jun. 2026, below the peer group average of around 45%. We expect loan growth will offset pressure on net interest margins and project increasing operating income through 2028. We expect cost efficiency to remain strong at 41-43% through the forecast period. We also believe the consolidated PPI to risk exposure amount (REA) will remain strong and well above 3%.

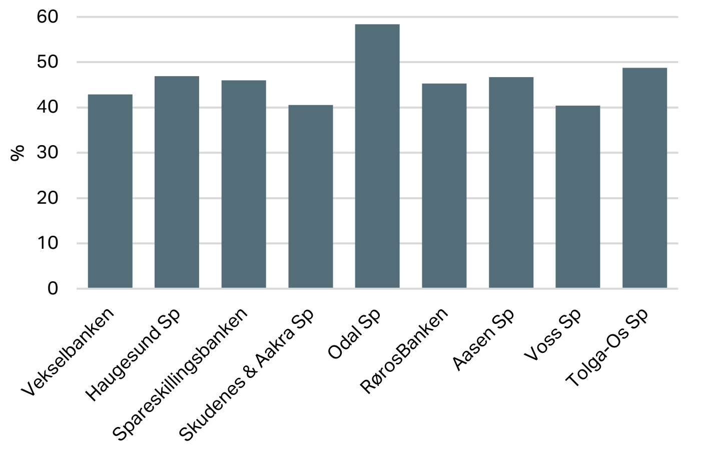
Unlike other savings banks of similar size, Vekselbanken has transferred its liquidity portfolio from bonds to fixed-income funds. Historically, returns from these funds were reported under net gains and losses rather than interest income. From Q2 2026, however, interest income from the fixed-income funds has been reclassified, resulting in a material improvement to net interest margin compared with previous quarters.

Figure 13. Capital projection assumptions

%	2026e	2027e	2028e
Net interest margin	2.31	2.22	2.17
Loan growth	8.0	10.0	10.0
Return on average equity	11.2	10.6	10.8
Dividend rate	45.0	45.0	45.0

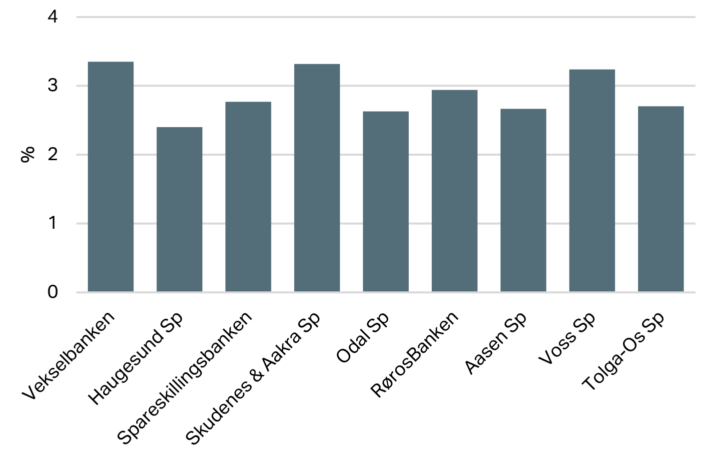
Source: NCR. e–estimate. All metrics adjusted in line with NCR methodology.

Figure 14. Norwegian savings banks' cost-to-income, LTM to 31 Mar. 2026



Source: companies.

Figure 15. Norwegian savings banks' PPI to REA, LTM to 31 Mar. 2026



Source: companies.

SUPPORT ANALYSIS

We view Vekselbanken's ownership structure as a neutral factor in our standalone credit assessment. We consider it positive that the bank has access to the equity market through its listed common shares. Voss Sparebank, the bank's largest owner, is its closest competitor. We note that the bank has stipulated that the maximum permitted ownership stake is limited to 10%. This reduces the risk of hostile takeovers but could also limit the ability to raise new equity, if necessary.

ISSUE AND SHORT-TERM RATINGS

Figure 16. Issue and short-term ratings

	Rating
Senior unsecured	BBB+
Tier 2	BBB
Additional Tier 1	BB+
Short-term rating	N2; average liquidity coverage ratio is above 200% the last four quarters (214%).

Short-term and issue ratings are mapped to the long-term issuer rating in accordance with our financial institutions rating methodology. When two short-term rating alternatives are possible, the assigned rating reflects whether liquidity is strong, adequate or weak, as defined in the methodology.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

We consider ESG factors throughout our analysis, when they are material to our credit assessment.

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 effects on market values in flood risk areas.	Credit risk (-) Loss performance (0)
Social engagement in local community	Close connection to narrow regional markets provides a benefit.	Competitive position (+) Earnings (+) Funding & liquidity (+)
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 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.

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) Nordic corporates well prepared for improving demand in 2026, 14 Jan. 2026
(ii) Nordic niche banks focus on optimisation and scalability in 2026, 13 Jan. 2026
(iii) Swedish savings banks face little drama in 2026, 12 Jan. 2026
(iv) Capital strength sets Norwegian savings banks up for 2026 growth, 9 Jan. 2026

Figure 18. Vekselbanken key financial data, 2022–Q2 2026 YTD

Key credit metrics (%)	FY 2022	FY 2023	FY 2024	FY 2025	Q2 2026 YTD
INCOME COMPOSITION					
Net interest income to op. revenue	82.9	75.7	72.3	69.8	77.4
Net fee income to op. revenue	11.3	8.3	9.2	9.6	10.0
Net gains and losses/operating revenue	2.0	11.2	12.4	12.8	3.1
Net other income to op. revenue	3.8	4.8	6.1	7.8	9.6
EARNINGS					
Net interest income to financial assets	1.9	2.2	2.2	2.0	2.1
Net interest income to net loans	2.2	2.6	2.5	2.4	2.3
Pre-provision income to REA	2.6	3.8	3.7	3.6	3.3
Core pre-provision income to REA (NII & NF&C)	2.3	2.8	2.6	2.3	2.6
Return on ordinary equity	9.0	12.0	13.0	11.8	10.2
Return on assets	0.9	1.3	1.4	1.3	1.1
Cost-to-income ratio	43.4	37.0	37.4	41.0	44.6
Core cost-to-income ratio (NII & NF&C)	46.1	44.0	45.9	51.6	51.0
CAPITAL					
CET1 ratio	19.7	19.1	19.9	23.0	23.4
Tier 1 ratio	21.5	20.7	21.4	24.6	25.0
Capital ratio	23.7	22.7	23.7	27.1	27.6
REA to assets	47.3	48.8	52.0	45.0	43.3
Dividend payout ratio	49.7	42.7	40.0	40.1	46.3
Leverage ratio	10.1	10.0	10.7	10.6	10.4
Consolidated CET1 ratio	19.4	18.7	18.6	21.3	20.9
Consolidated Tier 1 ratio	21.2	20.3	20.1	22.9	22.6
Consolidated Capital ratio	23.3	22.3	22.5	25.5	25.2
Consolidated Leverage ratio	9.6	9.5	9.9	9.4	9.0
GROWTH					
Asset growth	2.0	6.9	3.6	8.2	1.6
Loan growth	1.2	5.1	5.6	8.8	2.4
Deposit growth	2.5	7.9	5.8	8.7	2.1
LOSS PERFORMANCE					
Credit provisions to net loans	0.03	0.09	0.04	0.01	-0.06
Stage 3 coverage ratio	35.88	26.15	24.27	19.14	20.80
Stage 3 loans to gross loans	1.09	1.01	1.10	1.15	0.82
Net stage 3 loans to net loans	0.70	0.75	0.84	0.93	0.66
Net stage 3 loans/ordinary equity	5.77	5.89	6.48	7.19	5.21
FUNDING & LIQUIDITY					
Loan to deposit ratio	124.4	121.1	121.0	121.0	121.4
Liquid assets to deposit ratio	16.0	17.5	15.8	15.0	13.5
Net stable funding ratio	139.0	138.0	136.0	137.0	137.0
Liquidity coverage ratio	352.0	642.0	194.0	291.0	327.0

Key financials (NOKm)	FY 2022	FY 2023	FY 2024	FY 2025	Q2 2026 YTD
BALANCE SHEET					
Total assets	5,861	6,268	6,493	7,027	7,136
Total tangible assets	5,861	6,268	6,493	7,027	7,136
Total financial assets	5,837	6,247	6,468	6,995	7,105
Net loans and advances to customers	5,062	5,318	5,617	6,110	6,257
Liquid assets	653	770	735	755	693
Customer deposits	4,071	4,390	4,644	5,049	5,153
Issued securities	1,050	1,110	1,015	1,086	1,087
of which other senior debt	990	1,049	934	1,006	1,007
of which subordinated debt	60	60	81	81	81
Total equity	694	725	776	842	837
of which ordinary equity	617	674	725	792	787
CAPITAL					
Common equity tier 1	547	584	671	726	724
Tier 1	597	634	721	776	774
Total capital	657	694	801	856	854
REA	2,773	3,058	3,378	3,160	3,090
INCOME STATEMENT					
Operating revenues	132	176	192	198	93
Pre-provision operating profit	75	111	120	117	52
Impairments	2	4	2	1	-2
Net Income	54	78	91	89	40

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

Figure 19. Vekselbanken 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%	aa-
Loss performance	7.5%	a
Performance indicators	15.0%	a+
Indicative credit assessment		**bbb+**
Peer comparison		Neutral
Transitions		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		**bbb+**
Ownership		Neutral
Capital structure protection		Neutral
Rating caps		Neutral
Issuer rating		**BBB+**
Outlook		Stable
Short-term rating		**N2**

Figure 20. Capital structure ratings

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

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