

Norwegian savings banks face widening gap in asset quality metrics

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Over the past year, a reversal in expected and actual policy rates in Norway has increased liquidity pressures across several sectors, particularly residential real estate development and construction. This report assesses the impact of these pressures on asset quality in the Norwegian savings bank sector, using aggregate data for 71 banks and detailed data for the 33 banks rated by Nordic Credit Rating (NCR).

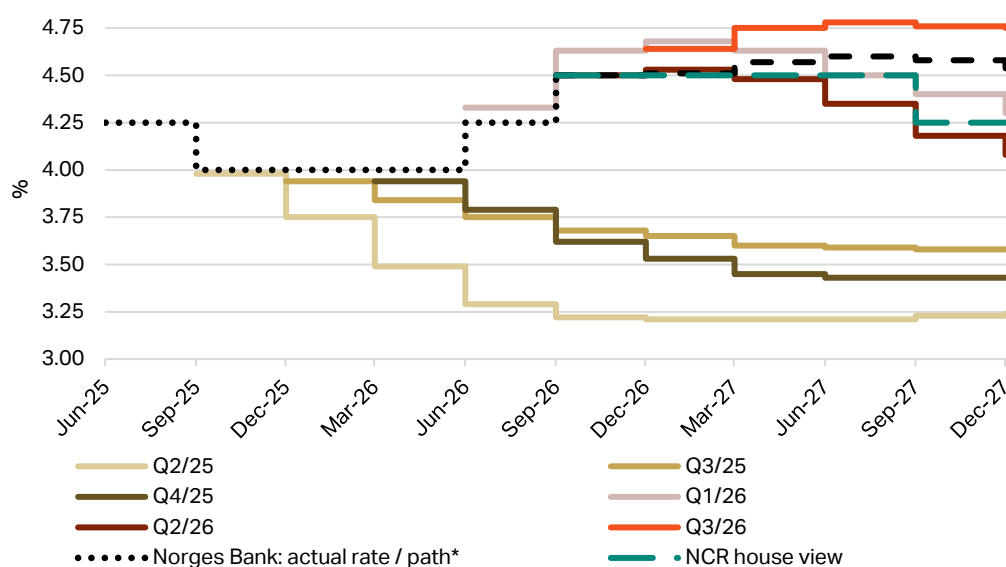
Despite what was likely a disappointing development in interest rates for home-owning households, the overall housing market in Norway has remained stable over the past year. However, the price gap between existing and newly built properties continues to widen, resulting in ongoing challenges for developers and their lenders.

While it is difficult to draw firm conclusions due to limited asset quality data by lending sector, aggregate metrics for the savings bank sector show a clear distinction between stronger and weaker performers. We believe there is a connection to residential development exposures, combined with both quality of historic underwriting and regional conditions in each bank's core markets. This differentiation is also evident in how our forecasts and analysis, has changed over the past year, with stronger forecast metrics for the highest-scoring banks and weaker metrics for the lowest.

HOUSING DEVELOPMENT UNDER PRESSURE

Pressure on housing developers reflects both persistently high interest rates and a sharp reversal in expectations over the past year. At end-Q2 2025, market pricing indicated a gradual decline in the policy rate toward the low 3% range. Instead, expectations stabilised before rapidly changing around the rate increase in June 2026. While current pricing may be affected by global market developments, we expect the policy rate to remain flat for at least the coming year, with a potential decrease in late 2027. For highly leveraged, long-duration projects already under strain, the extension of elevated financing costs may be as significant as the absolute rate level.

Figure 1. Development in market pricing of policy rate by quarter, Q2 2025 – Q3 2026

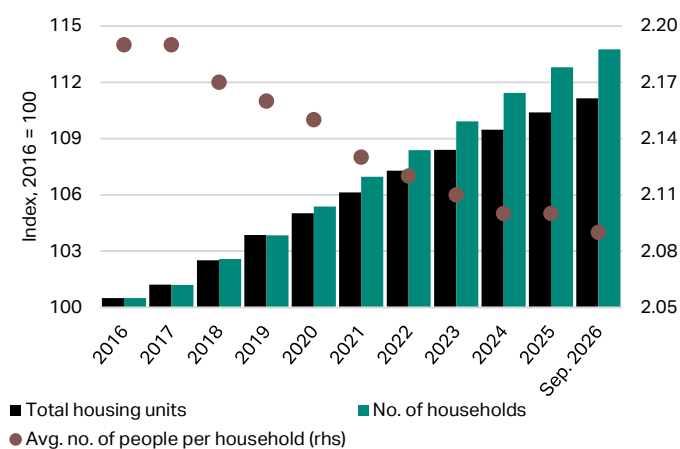


Source: SEB, Norges Bank. *Interest rate path as of latest monetary policy report (published 23 Sep. 2026).

National data do not indicate a broad housing oversupply. Since 2020, household growth has significantly outpaced additions to the housing stock, driven by population growth and a decline in

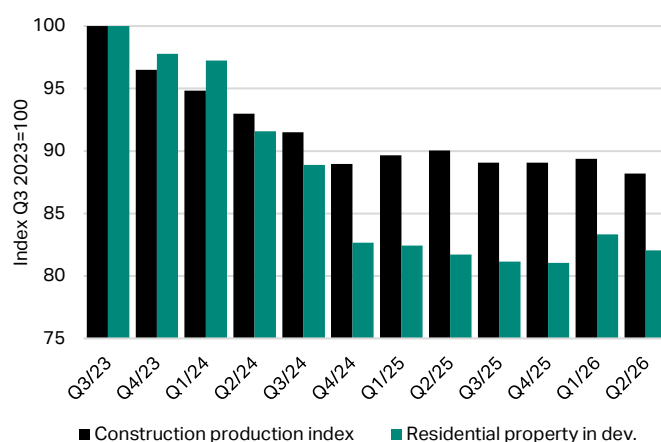
average household size. However, regional conditions vary, influencing demand, supply, and price sensitivity.

Figure 2. Change in housing units and household population, 2016–Sep. 2026



Source: Statistics Norway and NCR calculations.

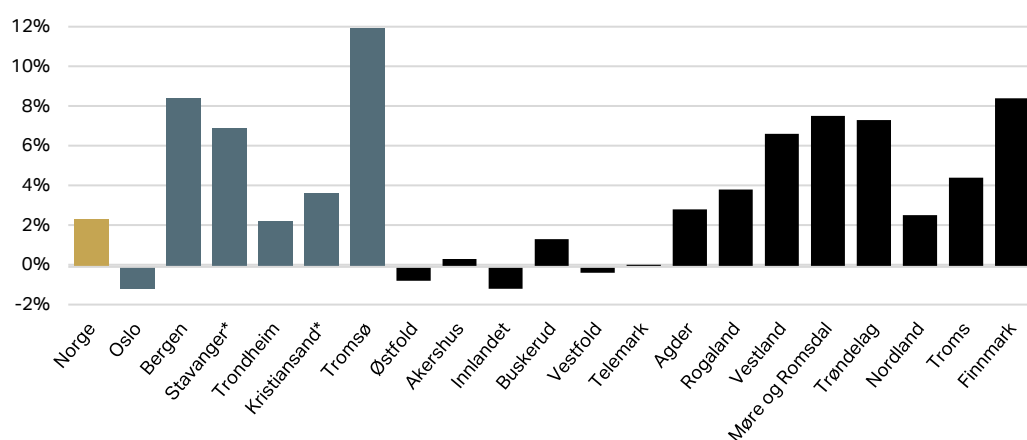
Figure 3. Production index for property development and residential properties in development*, Q3 2023–Q2 2026



Source: Statistics Norway, NCR calculations. *number of properties in development, NCR-indexed.

Supply-side activity has also weakened. The production index for construction and development, measuring activity level, has declined steadily since Q3 2023, while the number of residential properties under development has continued to fall, according to Statistics Norway. Tax changes may also have affected the number of units offered for sale.

Figure 4. Twelve-month housing price change by region, 30 Sep. 2026

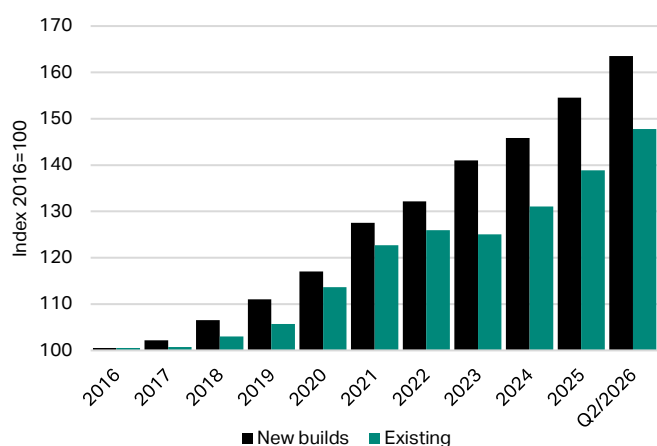


Source: Eiendomsverdi. *municipal areas. Grey indicates largest cities; black indicates counties.

Lower construction activity should eventually constrain supply, but developers facing challenges with pre-sales or unsold units are likely to remain under pressure, as are their lenders. However, the broader mortgage market is not the main concern. Despite the absence of rate cuts, housing prices have risen in most markets over the past year, supporting generally healthy mortgage markets and growth opportunities for savings banks.

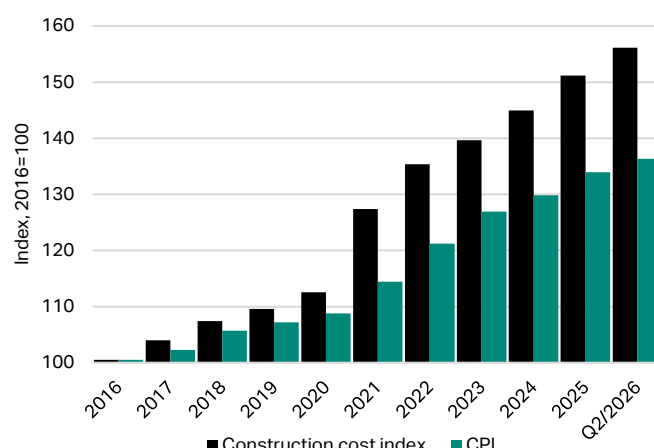
The sharper divergence in pricing is between existing and newly built homes. Since 2016, new-build prices have increased more rapidly, with the gap widening further since 2023. Rapid inflation in construction costs from 2021 helps explain this trend.

Figure 5. Domestic housing price development; new vs existing



Source: Statistics Norway and NCR calculations.

Figure 6. Cost of construction vs. total CPI, 2016–Q2 2026



Source: Statistics Norway and NCR calculations.

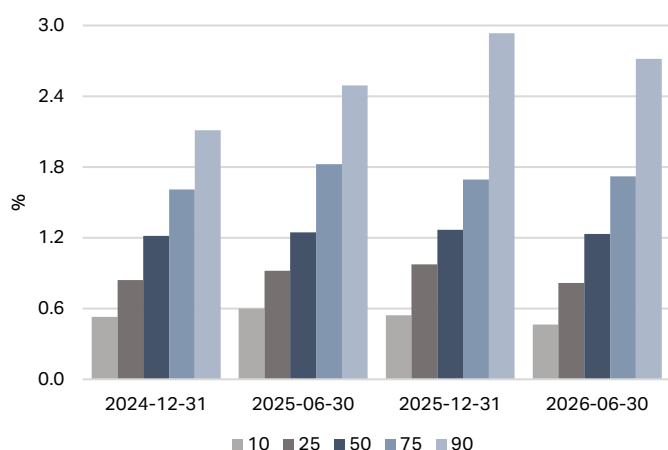
Pressure in residential development is therefore unsurprising. Higher financing costs constrain buyers, while expensive new units are less competitive compared with existing homes, and high construction costs limit developers' ability to cut prices. Lenders may be left with exposures that generate no recurring cash inflow if completed units remain unsold. Earlier underwriting quality, particularly stringency in pre-sale requirements and analysis of borrowers' alternative cash flow, is likely to be an important determinant of losses.

GAP BETWEEN BEST AND WORST PERFORMERS HAS WIDENED

Real estate-related lending remains a significant concentration for Norwegian savings banks. Real estate, development, construction, and housing cooperatives accounted for approximately 12%–13% of total lending, including transferred mortgages, and 57%–62% of corporate lending in the year to 30 Jun. 2026. Precise risk assessment is challenging, as classification varies and banks do not consistently distinguish property management from development, nor do they separate residential from commercial projects in public reporting.

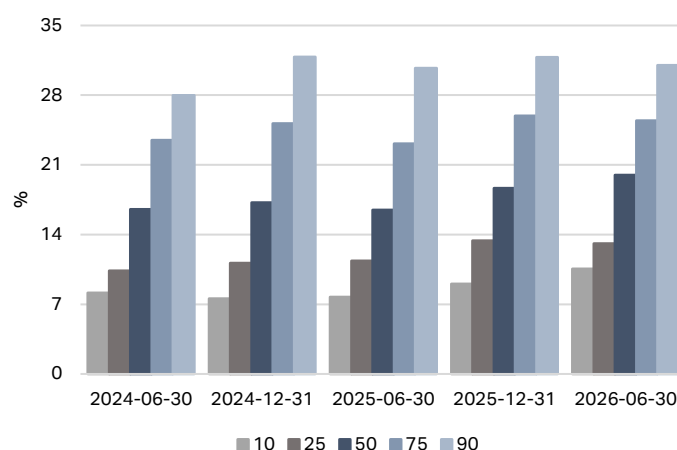
Average asset quality indicators have changed only moderately over the past two years. Loan loss provisions remained at 5–10bps, and net Stage 3 loans at 1.13%–1.27% of lending. Among banks reporting detailed corporate data, average net Stage 3 corporate loans rose to 2.82% at 30 Jun. 2026 from 2.67% at end-2025. While these averages do not indicate broad-based stress, they mask growing dispersion.

Figure 7. Net Stage 3/net loans by percentile, 2024–H1 2026



Source: bank reports; NCR calculations. Sample of 71 banks. Percentiles recalculated each period.

Figure 8. Stage 3 coverage ratio by percentile, 2024–H1 2026

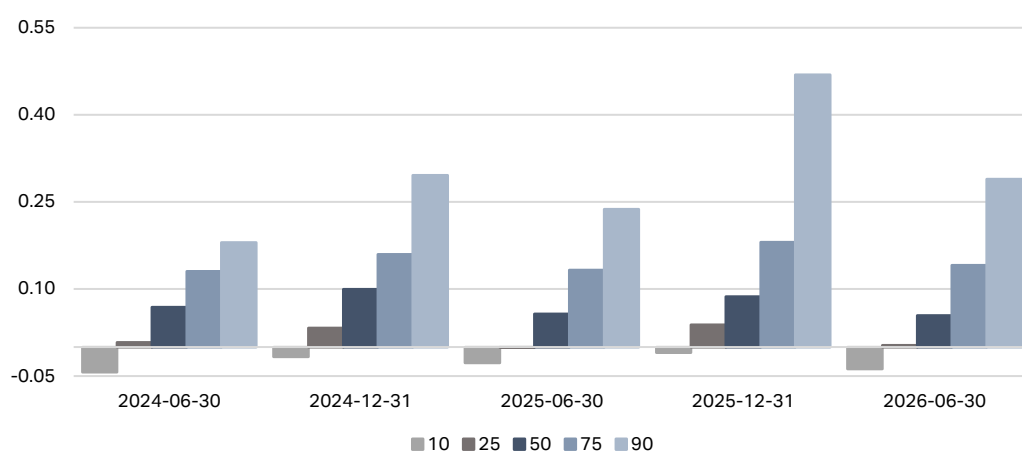


Source: bank reports; NCR calculations.

The gap between the strongest and weakest performers has widened. For both loan loss provisions and net Stage 3 loans, the difference between the best and worst performing percentiles has increased significantly over the past two years, indicating that pressure is concentrated among subset of about one-fifth of the savings banks. The pattern even further out on the tails tells a similar story, though fewer observations make the 5th and 95th percentiles less robust. This underscores the importance of bank-specific underwriting, single-name and sector concentrations, and local market conditions.

The average Stage 3 coverage ratio rose to 20% as of 30 Jun. 2026 from 16.5% two years earlier, with increased dispersion. The ratio is not a standalone indicator of strength; higher coverage may reflect conservative provisioning, weakening collateral, or more severe impairment. About a quarter of banks report coverage above 25%, which is high for collateralised lending and may suggest weaker collateralisation or valuation uncertainty. Recent bank analysis indicates lower values for land and projects under development, including cases where pre-sales have only marginally exceeded construction thresholds.

Figure 9. Loan loss provision performance by percentile, 2024 – H1 2026*

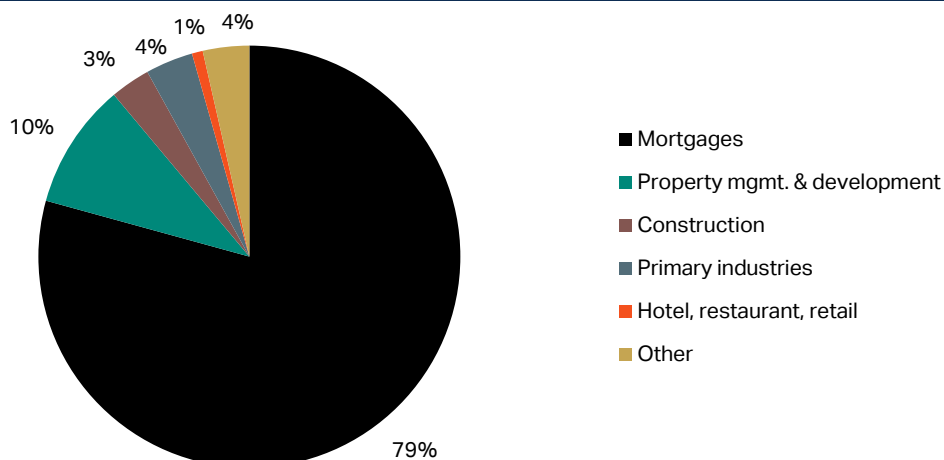


Source: bank reports, NCR calculations. *Values to 30 Jun. YTD, annualised to 31 Dec. full year. Sample of 71 banks; percentiles recalculated each period.

IMPACT ON NCR FORECASTS AND ASSESSMENTS

NCR rates 33 Norwegian savings banks (Figure 16), with total assets, including transferred loans, ranging from NOK 6bn to NOK 50bn. Retail mortgages account for an average of 80% of lending, including loans transferred to joint mortgage financing companies. Property management and development are typically the second largest segment, with construction also contributing materially.

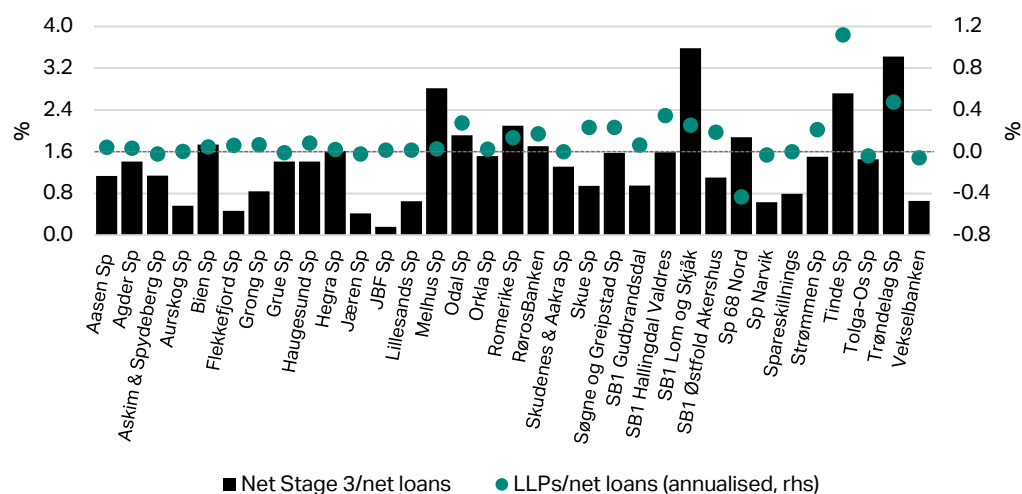
Figure 10. Average loan book split, including transfers*, NCR-rated savings banks, 30 Jun. 2026



Source: bank reports, NCR calculations. *Mortgages transferred to joint mortgage financing companies.

Despite the dominance of retail mortgages, corporate exposures represent the majority of Stage 3 loans and losses. Among banks reporting loans by stage for private and corporate customers, average net Stage 3 corporate loans were 3.2% at Q2 2026, compared with 1.4% for total lending.

Figure 11. Asset quality metrics for NCR-rated savings banks, YTD 30 Jun. 2026

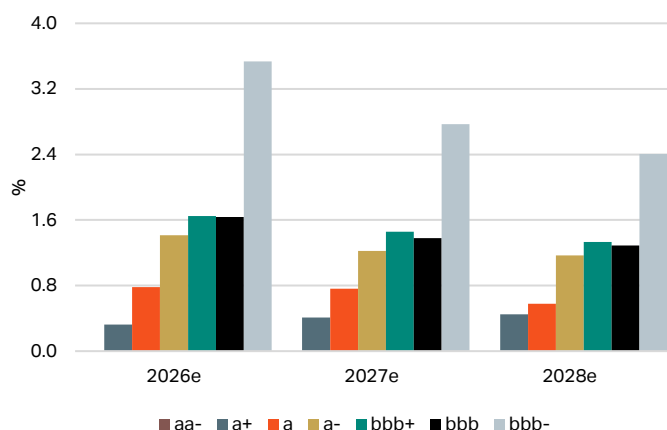


Source: bank reports; NCR calculations.

Net Stage 3 loans have remained at 1.4%–1.5% over the past two years for this sample, a somewhat elevated level for mortgage-focused, low- to medium-risk banks. However, portfolio composition varies significantly, including the mix of commercial and residential property, management and development, and on-demand single-home construction versus larger projects.

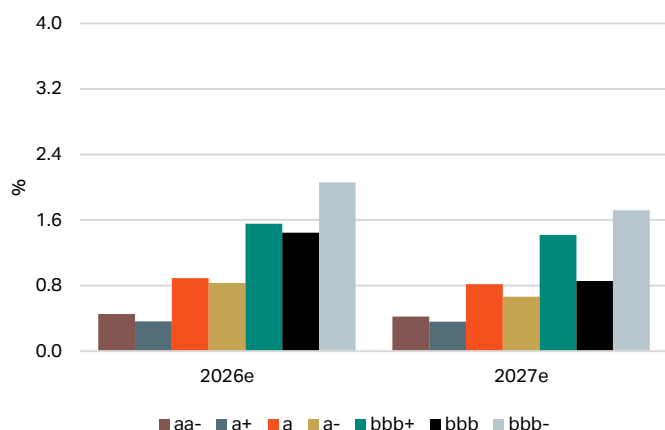
Our asset quality forecasts have changed since last year, as improvements are taking longer than expected and individual banks have performed differently, often due to the performance of specific projects. Significant residential development exposure has not resulted in losses or Stage 3 migration across all banks, highlighting the importance of loan structure, underwriting, and local demand.

Figure 12. Forecast net Stage 3 loans/net loans by current subscore, latest 2026 forecast



Source: NCR. e-estimate. None of the banks with 'aa-' score have an official forecast in 2026.

Figure 13. Forecast net Stage 3 loans/net loans by current subscore, latest 2025 forecast

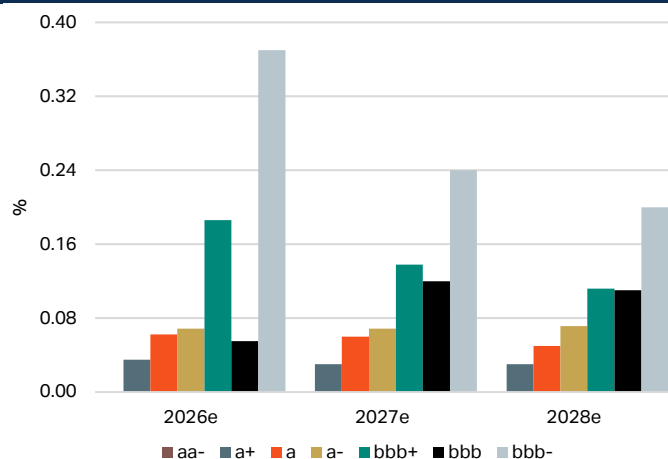


Source: NCR. e-estimate. Note that scoring may have changed since this forecast was made.

Our loss-performance assessment also considers the development of Stage 2 loans. Large Stage 2 balances may indicate potential increases in future Stage 3 loans where cash flow or refinancing remains under pressure. We also consider loss provisions but place less emphasis on movements driven mechanically by IFRS 9 macroeconomic inputs. It should be noted that our assessment of loss performance extends beyond base-case forecast metrics.

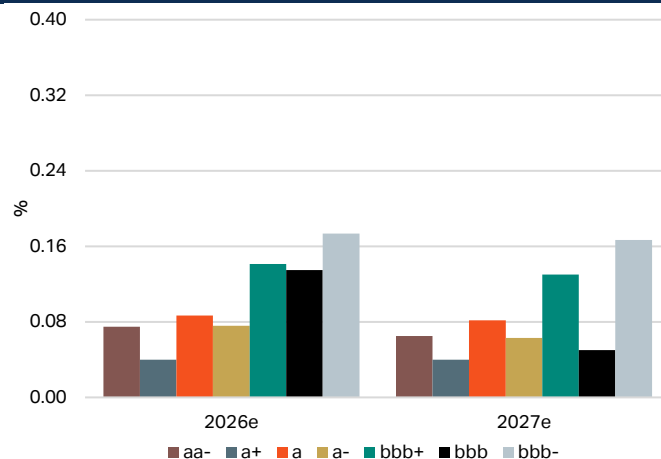
At the aggregate level, our 2026 forecasts indicate higher loan losses for banks with loss performance subscores of 'bbb+' and below, and lower losses for banks scored 'a' and above, compared with the latest 2025 forecasts. While individual outcomes may vary, the pattern supports a divided outlook: stronger banks are expected to remain resilient, while those with weaker asset quality will likely require more time to strengthen their balance sheets.

Figure 14. Forecasted loan loss provisions by current subscore, latest 2026 forecast



Source: NCR. e-estimate. None of the banks with 'aa-' score have an official forecast in 2026.

Figure 15. Forecasted loan loss provisions by current subscore, latest 2025 forecast



Source: NCR. e-estimate. Note that scoring may have changed since this forecast was made.

Thus, the expected impact of higher-for-longer interest rates on banks' overall performance is likely to vary across the sector. While banks with more resilient loan books are benefiting from support to net interest margins, for some, this may be offset by increasing or persistently elevated loss levels. As indicated by the lack of negative outlooks on our Norwegian savings bank ratings (listed on the next page), we do not expect a material deterioration in sector creditworthiness from here. However, there have been negative rating and outlook adjustments in 2025 and 2026 related to weakening asset quality, and we remain alert for signs of continued deterioration.

Figure 16. NCR ratings on Norwegian savings banks, as of 14 Oct. 2026

Issuer	Long-term issuer rating	Outlook
Aasen Sparebank	BBB+	Stable
Agder Sparebank	A-	Stable
Askim & Spydeberg Sparebank	A-	Stable
Aurskog Sparebank	A-	Stable
Bien Sparebank ASA	BBB+	Stable
Flekkefjord Sparebank	A-	Stable
Grong Sparebank	A-	Stable
Grue Sparebank	BBB+	Stable
Haugesund Sparebank	A-	Stable
Hegra Sparebank	BBB+	Positive
Jæren Sparebank	A-	Stable
JBF Sparebank AS	A-	Stable
Lillesands Sparebank	BBB+	Stable
Melhus Sparebank	A-	Stable
Odal Sparebank	BBB+	Stable
Orkla Sparebank	A-	Stable
Romerike Sparebank	A-	Stable
RørosBanken Røros Sparebank	BBB+	Stable
Skudenes & Aakra Sparebank	A-	Stable
Skue Sparebank	A-	Stable
Søgne og Greipstad Sparebank	BBB+	Stable
Sparebank 1 Gudbrandsdal	A-	Stable
Sparebank 1 Hallingdal Valdres	A-	Stable
Sparebank 1 Lom og Skjåk	BBB+	Stable
SpareBank 1 Østfold Akershus	A	Stable
Sparebank 68° Nord	A-	Stable
Sparebanken Narvik	A-	Stable
Spareskillingsbanken	A-	Stable
Strømmen Sparebank	BBB+	Stable
Tinde Sparebank	BBB+	Stable
Tolga-Os Sparebank	BBB+	Stable
Trøndelag Sparebank	BBB	Stable
Voss Veksel- og Landmandsbank ASA	BBB+	Stable

See NCR's [company reports](#) for details.

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