Skue Sparebank

Rating Action Report

LONG-TERM RATING
A-

OUTLOOK
Positive

SHORT-TERM RATING
N2

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# Skue Sparebank outlook revised to positive; 'A-' long-term issuer rating affirmed

Nordic Credit Rating has revised the outlook on its 'A-' long-term issuer rating on Norway-based savings bank Skue Sparebank to positive from stable. It has affirmed the long-term rating and the 'N2' short-term issuer rating, as well as the 'A-' senior unsecured issue rating, 'BBB+' Tier 2 issue rating, and 'BBB-' Additional Tier 1 issue rating.

**Rating rationale**

The outlook revision reflects our view that the planned merger with Romerike Sparebank, expected to complete 1 Sep. 2027, will improve Skue Sparebank's scale and competitive position in a vibrant region close to Oslo. Moreover, we expect the merger to improve long-term cost efficiency, although merger-related costs are likely to weaken earnings in the near term. While the merged entity will have somewhat lower capital ratios, projected common equity Tier 1 capital remains strong at above 20% through 2028, providing substantial loss-absorbing capacity. Moreover, the merged banks are likely to have somewhat weaker credit quality than Skue Sparebank, the acquiring bank. Subject to approval by the general meetings in Dec. 2026 and by the Financial Supervisory Authority of Norway, the banks aim to complete the merger by the third quarter of 2027.

The merger will create Norway's eighth-largest savings bank with combined total assets and transferred loans to Eika Boligkreditt of NOK 65bn as of 30 Sep. 2026. Both banks are located in the Oslo region, and their market areas are in close proximity. Moreover, both banks are members of the Eika Alliance, which facilitates the merger. We expect the combined bank to achieve a stronger market position in a growing region and to benefit from operational and funding scale. The banks estimate total synergies of NOK 40–60m after three years, with merger costs of NOK 55m. The pro forma CET1 ratio is 20.7%, and equity capital certificate holders will own 45% of the equity.

Our 'A-' long-term issuer rating on Skue Sparebank reflects the bank's solid capital position, low risk appetite and strong profitability. We believe that the bank will continue to deliver strong results on a standalone basis over our forecast horizon and that the capital position will remain solid despite 100% dividend payout ratio (including donations). We have adjusted our assessment of the bank's regional position positively, following growth in the southern part of Buskerud county. 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.

**Positive outlook**

The positive outlook reflects our expectation that Skue Sparebank will merge with Romerike Sparebank in 2027, thereby increasing its size and market position through greater exposure to Romerike, a region with the highest population growth in Norway. It also reflects our view that the bank will be able to grow its market position while sustaining strong earnings and capitalisation. Moreover, we expect Romerike Sparebank's weaker credit metrics to improve as it cleans up its portfolio of Stage 3 loans.

We could raise the rating to reflect increased size and market position, while at the same time maintaining post-merger pre-provision earnings to REA above 2.5% and a Tier 1 ratio above 19% over a protracted period, with improved credit metrics.

We could revise the outlook to stable to reflect materially weaker credit metrics than our projections, weaker pre-provision earnings to REA below 2.5% over a protracted period, or a Tier 1 ratio below 19%.

Figure 1. Skue Sparebank standalone key credit metrics, 2022–2028e

| % | 2022 | 2023 | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|---|---|
| Net interest margin | 2.06 | 2.37 | 2.35 | 2.23 | 2.32 | 2.36 | 2.33 |
| PPI/REA* | 2.6 | 3.2 | 2.8 | 2.9 | 3.0 | 3.3 | 3.2 |
| Cost-to-income | 43.1 | 37.8 | 40.8 | 42.1 | 43.2 | 38.4 | 38.8 |
| Return on ordinary equity | 9.7 | 10.2 | 12.8 | 8.9 | 8.6 | 10.0 | 10.4 |
| Loan losses/net loans | 0.02 | 0.14 | 0.15 | 0.15 | 0.17 | 0.14 | 0.12 |
| Net Stage 3/net loans | 0.75 | 0.81 | 0.72 | 1.03 | 0.86 | 0.77 | 0.69 |
| Tier 1 ratio* | 21.6 | 21.6 | 21.2 | 23.9 | 22.2 | 21.4 | 20.1 |

Source: company and NCR. e–estimate. REA–risk exposure amount. PPI–Pre-provision income. All metrics adjusted in line with NCR methodology. *Consolidated capital adequacy metrics.

Figure 2. Skue Sparebank post-merger key credit metrics* (pro-forma from 2026e), 2022–2028e

| % | 2022 | 2023 | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|---|---|
| Net interest margin | 2.06 | 2.37 | 2.35 | 2.23 | 2.12 | 2.18 | 2.14 |
| PPI/REA** | 2.6 | 3.2 | 2.8 | 2.9 | 2.8 | 3.0 | 2.9 |
| Cost-to-income | 43.1 | 37.8 | 40.8 | 42.1 | 44.4 | 40.0 | 40.4 |
| Return on ordinary equity | 9.7 | 10.2 | 12.8 | 8.9 | 8.2 | 9.7 | 10.0 |
| Loan losses/net loans | 0.02 | 0.14 | 0.15 | 0.15 | 0.17 | 0.14 | 0.12 |
| Net Stage 3/net loans | 0.75 | 0.81 | 0.72 | 1.03 | 1.42 | 1.21 | 1.04 |
| Tier 1 ratio** | 21.6 | 21.6 | 21.2 | 23.9 | 21.1 | 20.6 | 19.7 |

Source: company and NCR. e–estimate. All metrics adjusted in line with NCR methodology. *Excluding merger costs and synergies. **Consolidated capital adequacy metrics.

| **Rating list** | **To** | **From** |
|---|---|---|
| Long-term issuer credit rating: | A- | A- |
| Outlook: | Positive | 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- |

**Relevant research**

(i) Norwegian savings banks face widening gap in asset quality metrics, 15 Oct. 2026
(ii) NCR comments: Skue Sparebank and Romerike Sparebank consider merger, 24 Sep. 2026

Figure 3. Skue Sparebank rating scorecard

| Subfactors | Impact | To | From |
|---|---|---|---|
| National banking environment | 10.0% | a | a |
| Sector exposure assessment | - | - | - |
| Regional assessment | 10.0% | a- | bbb+ |
| Cross border assessment | - | - | - |
| 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 | bbb |
| Risk appetite | 50.0% | a | a |
| Competitive position | 15.0% | bbb | bbb |
| Earnings | 7.5% | aa- | aa- |
| 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 | Neutral |
| Rating caps | | Neutral | Neutral |
| **Issuer rating** | | **A-** | **A-** |
| Outlook | | Positive | Stable |
| **Short-term rating** | | **N2** | **N2** |

Figure 4. 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<br>Short-term issuer credit rating<br>Issue credit rating |
| Publication date: | The rating was first published on 9 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<br>NCR's Rating Principles published on 14 Feb. 2024<br>NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024<br>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.<br>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 |
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| Ancillary services provided: | No ancillary services have been provided in the last 12 months. |
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