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# Norske Sparebanker Outlook 2024

Webinar

11/12/2023

**Geir Kristiansen**

Analytiker

**Christian Yssen**

Analytiker

[nordiccreditrating.com](http://nordiccreditrating.com)



# Norwegian savings banks outlook 2024

- Rising interest rates, strong lending growth and relatively low loan losses has boosted recent earnings
- We expect greater competition, lower lending growth and a peak in interest rates to put pressure on margins in 2024
- Strong capitalisation and pre-provision earnings bolster savings banks' ability to withstand credit losses
- Speculation around further restructuring in the sector

## Norwegian savings banks face margin squeeze in 2024

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SECTOR COMMENT  
11 Dec. 2023

### Norwegian savings banks face margin squeeze in 2024

**ANALYSTS**  
Geir Kristiansen  
+4790784593  
geir.kristiansen@nordiccreditrating.com  
Christian Yssen  
+4742019900  
christian.yssen@nordiccreditrating.com

Rising interest rates have significantly increased net interest margins among Norwegian savings banks for the past two years. Together with strong lending growth, this has boosted earnings across the sector. However, we believe that core earnings growth in the sector will come to an abrupt halt in 2024 due to increased competition, falling interest rates, and higher loan losses. Among NCR-rated savings banks (see Figure 14), we expect a marginal decline in core profit next year, but anticipate that normalisation of non-core revenues will contribute to an 8% increase in pre-tax profit.

As intended, higher interest rates are contributing to a slowing of the Norwegian economy. We believe that continued high interest rates and a weaker economy will lead to higher loan-loss provisions over the next 12 months, but that levels will vary significantly between individual savings banks. Norway's savings banks are well-capitalised and have strong pre-provision profitability, which makes them resilient to increased credit losses.

Merger activity in the savings-bank sector has been moderate in recent years. However, a recent announcement that SpareBank 1 SR-Bank and SpareBank 1 Sørst-Norge intend to merge has led to increased speculation about restructuring across the sector. We expect little change in the level of merger activity in 2024, but acknowledge that savings banks could face pressure to seek partners due to increasing reporting and compliance requirements and pressure on profitability. Broadly, however, we believe that a full-scale consolidation of the wider savings-bank sector would be a lengthy undertaking and is currently unlikely.

Figure 1. Norwegian economic indicators, 2022–2026e

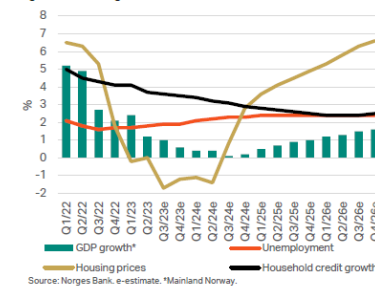
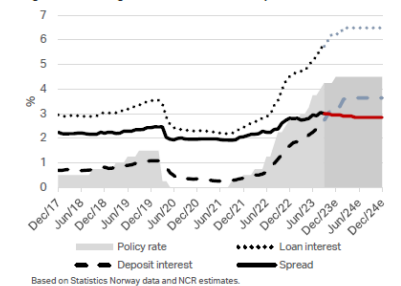


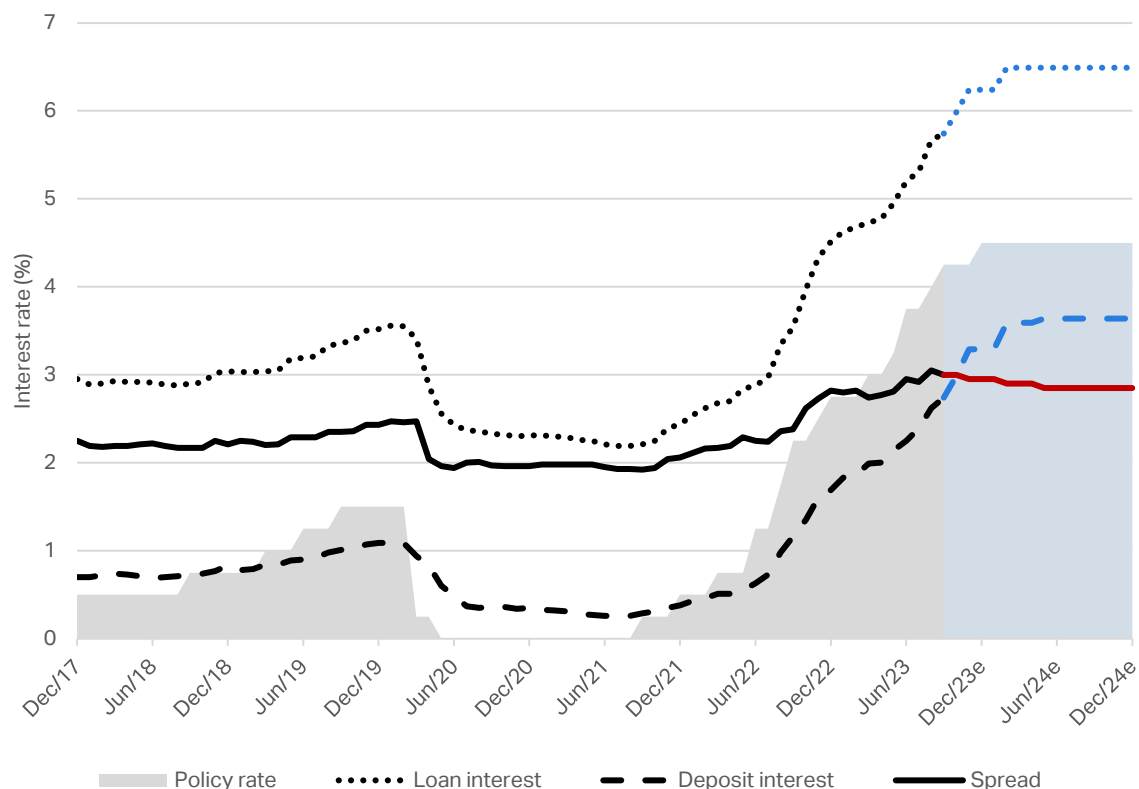
Figure 2. Norwegian interest rates and spread, 2022–2024e



# Rentetopp like rundt hjørnet

Inflasjon og renter, Des. 2017 – Des. 2024e

- Styringsrenten og NIBOR har økt 425bps siden starten av September 2021.
  - Ny renteheving 14. desember har blitt mer usikker
  - Rentekutt i 2024
- Svakere utvikling for norsk økonomi

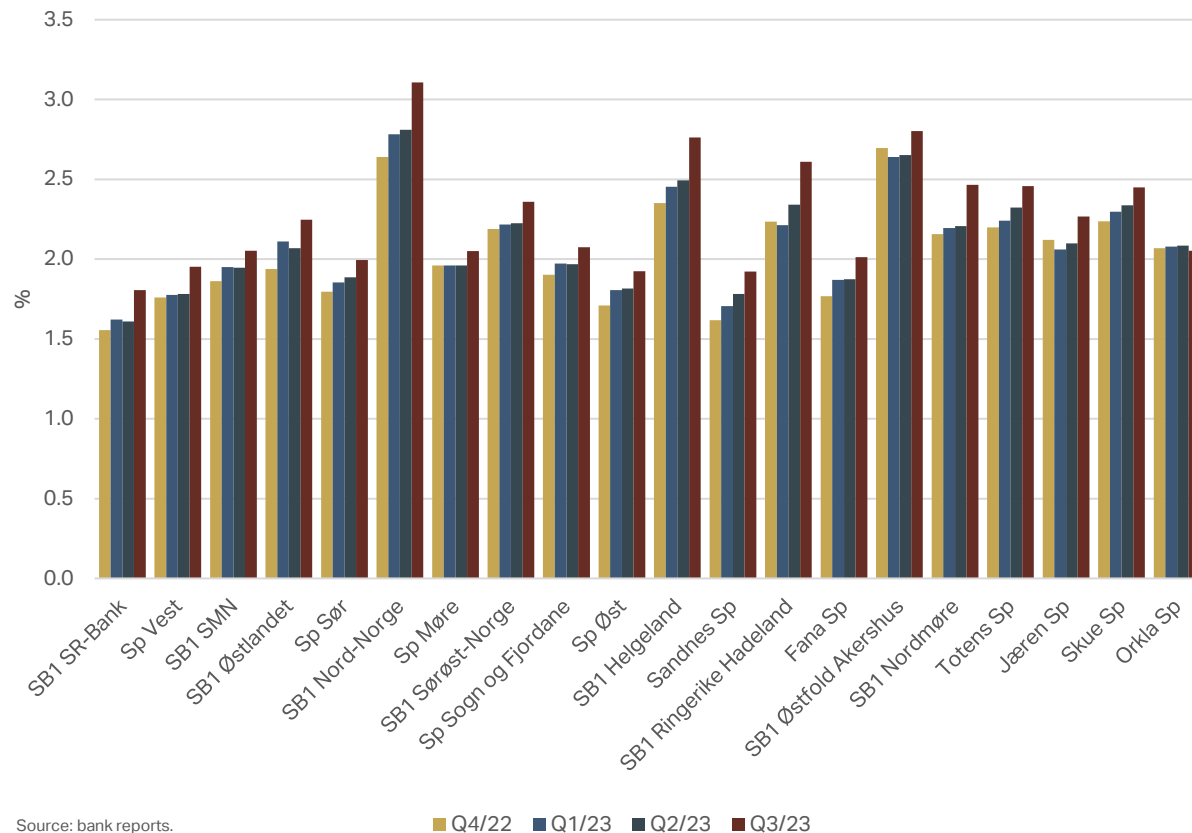


Based on Statistics Norway data and NCR estimates.

# Stabilisert kjerneinntjening i 2024

Annualisert netto rentemargin, Q4 2022 – Q3 2023

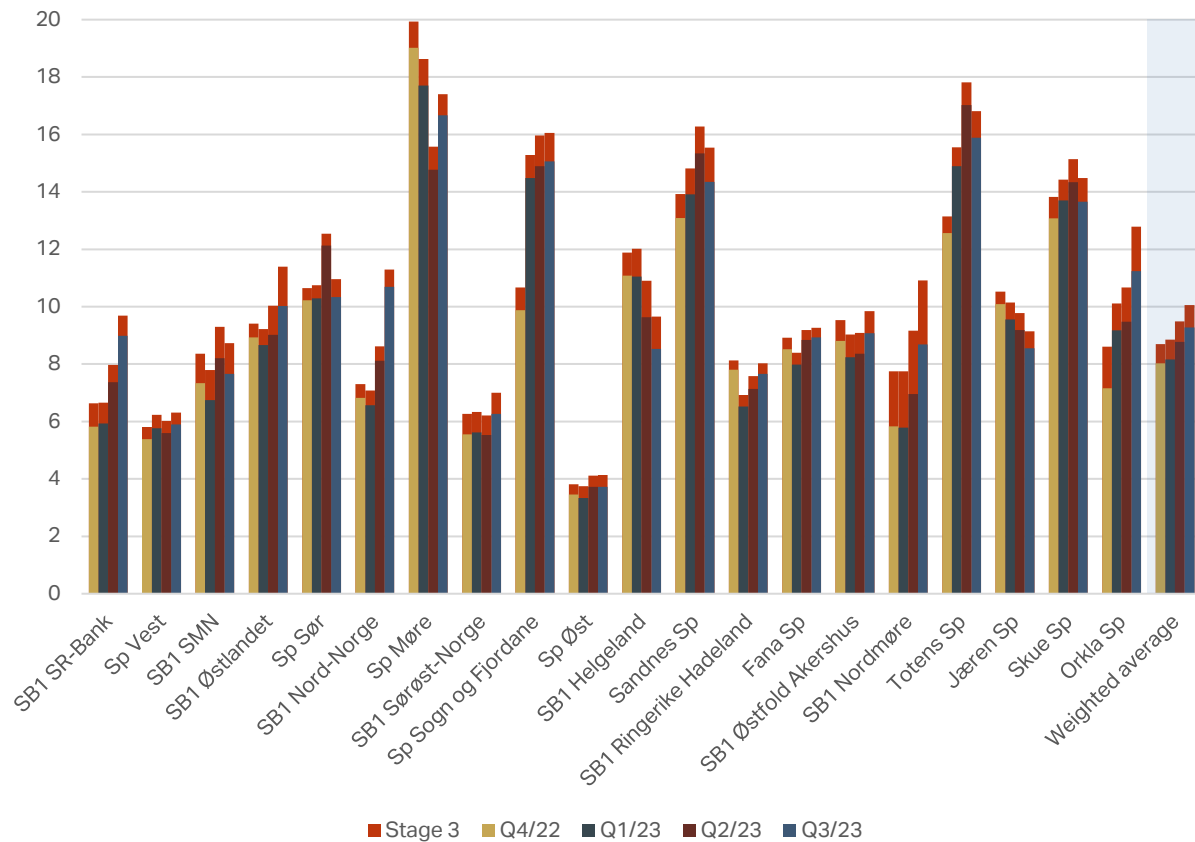
- Rentehevingene har forbedret inntjeningen til hele sektoren.
  - NIM i vårt utvalg er opp med 23bps siden Q4/23
- Økt konkurranse, fallende renter og høyere kredittap vil trekke ned inntjeningen ned i 2024
- Konstadeffektivisering og økt bidrag fra felleskontrollert virksomhet trekker inntjeningen opp



# Høyere kredittap i 2024

Andel av utlån i steg 2 og steg 3, Q4 2022 – Q3 2023

- Kredittapene øker fra lave nivåer
- Økt andel misligholdte lån og trinn 2
- Økte renter, høyere levekostnader og lavere etterspørsel forventet å gi høyere tapsavsetninger i 2024
- God kapitalisering og sterke resultater før kredittap gir beskyttelse mot økte kredittap

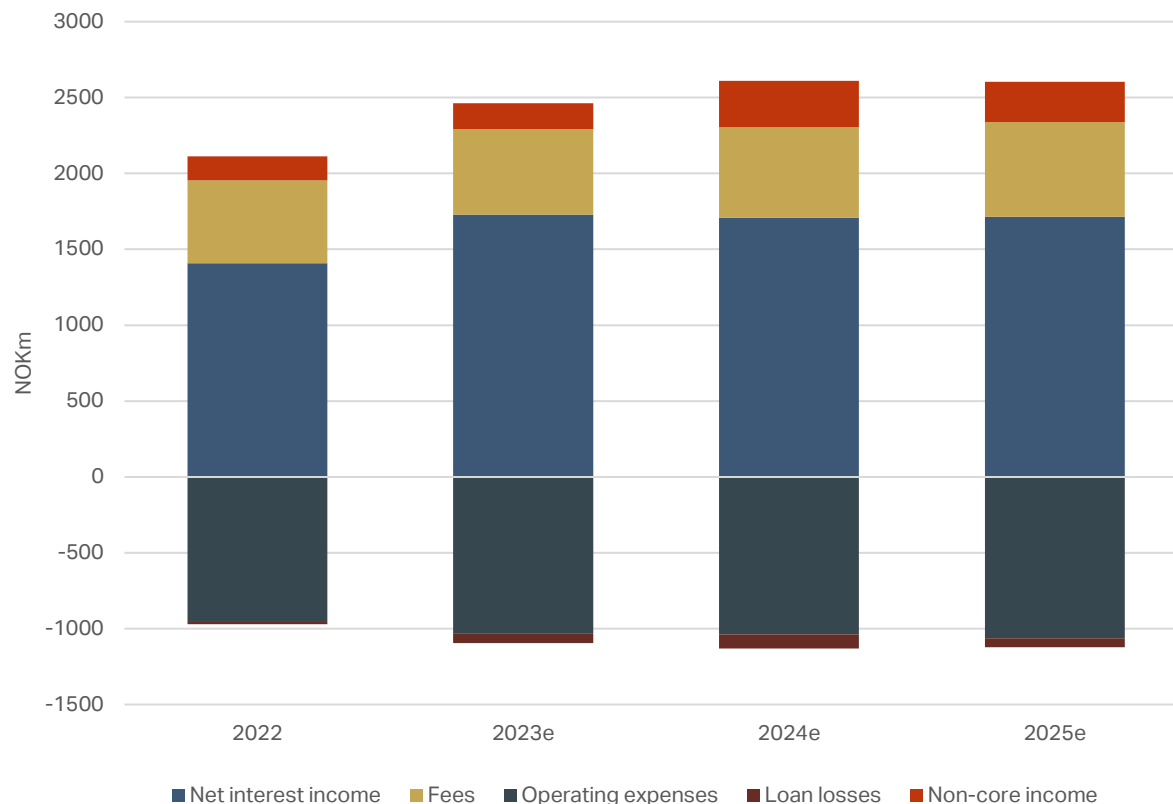


Source: bank reports.

# Utsikter for NCR-ratede sparebanker

## Aggregerte estimater for NCR-ratede sparebanker, 2022 – 2025e

- I 2024 forventer vi:
  - Stabile renteinntekter
  - Høyere provisjonsinntekter
  - Stabile driftskostnader
  - Kredittap til netto utlån på 0.15% fra 0.10% i 2023.
  - 2% lavere «core profit»
  - Normalisering av andre inntekter etter svake tall i 2023.
  - 8% høyere resultat før skatt.

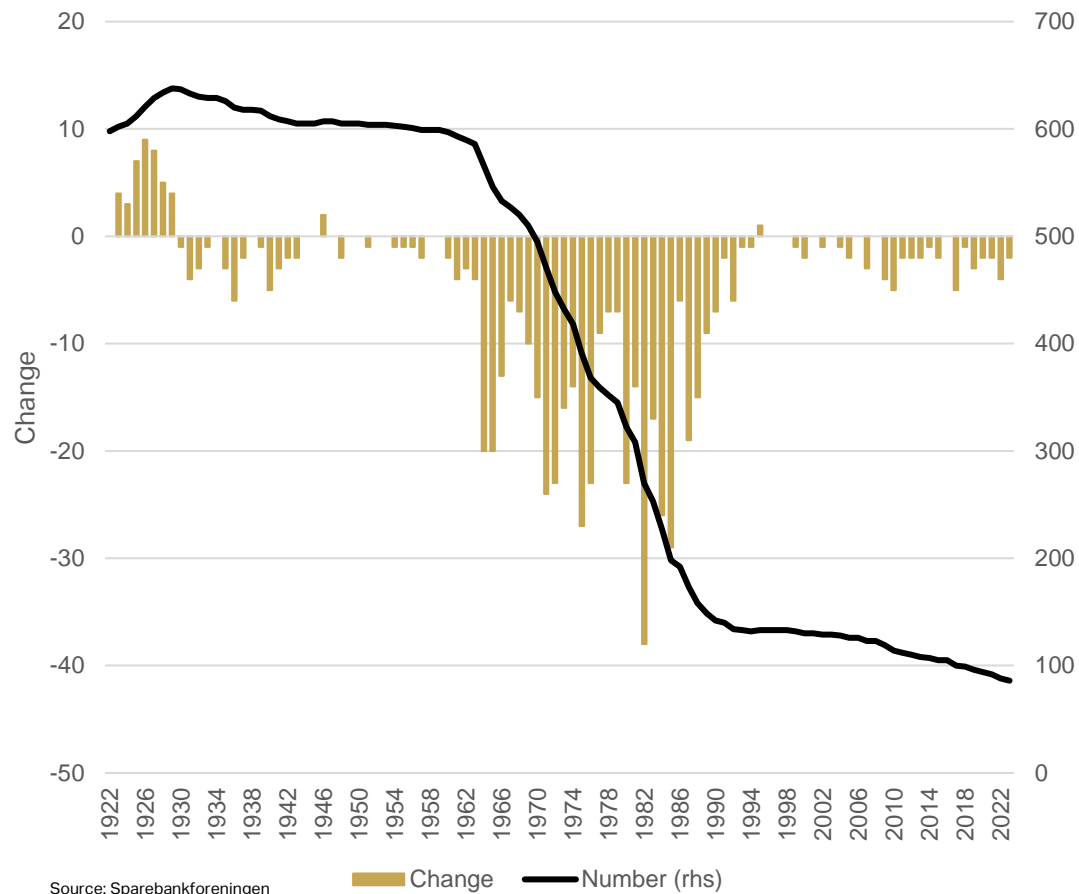


Based on NCR and company data

# Fusjonsbølgen ingen tsunami

## Historikk over antall sparebanker og endringer, 1922-2023

- Store banker har høyere egenkapitalavkastning enn små og mellomstore:
  1. Lavere kapitalkrav for IRB-banker
  2. Lavere finansieringskostnader
  3. Skalaeffekter kostnader og investeringer
- Men for små- og mellomstore banker...
  - CRD IV utjevner forskjellen i kapitalkrav
  - Sparebankalliansene reduserer forskjellene i fundingkostnader og skalafordelene
  - Beskyttet mot fiendtlige overtakelser

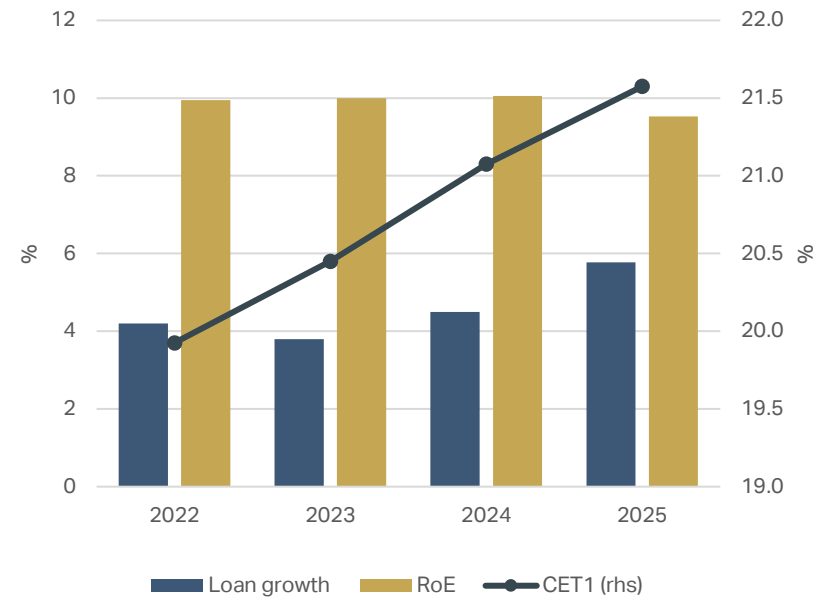


# Oppsummering

I 2024 forventer vi...

- Noe lavere kjerneinntekter
- Høyere kredittap og avsetninger
- Høyere andre inntekter
- Resultatvekst og høyere egenkapitalavkastning enn utlånsvekst
- Fortsatt økt kapitaldekning, stabil RoE
- Dette gir stabile utsikter for rating av norske sparebanker

## Key ratios NCR rated Norwegian savings banks



Based on NCR and company data