BN Bank ASA
Issuer Rating Report

SCOPE

A- STABLE

Scope's credit view (summary)

BN Bank's **A- issuer rating** reflects its solid credit fundamentals and ownership by SpareBank 1 Alliance member banks.

The bank benefits from a collaborative relationship with its owner banks and an affiliation with the SpareBank 1 Alliance, collectively the second largest lender in Norway. Over the last several years, management has successfully executed its strategy to grow financing volumes and improve efficiency. Residential mortgages account for over 60% of lending activity, with the remainder being to corporate customers.

Financial performance is increasingly robust, with management targeting a return on equity of 12% and a cost-to-income ratio below 30%. Underpinned by a digital business model, BN Bank displays high efficiency.

Despite being more exposed to the commercial real estate sector than peers, BN Bank maintains a sound asset quality profile. The bank has developed expertise in the sector and the risk profile of its exposures remains low. While high inflation and higher rates will place pressure on the commercial real estate sector, we expect potentially higher impairments to be readily absorbed through the bank's solid earnings capabilities.

BN Bank maintains strong prudential metrics, comfortable buffers to regulatory requirements and a stable funding profile. The bank has a largely retail deposit base, but the use of market funding is material, including secured funding through the covered-bond-issuing entities of the SpareBank 1 Alliance.

Outlook and rating-change drivers

The Stable Outlook reflects our expectation that BN Bank's operating performance will remain resilient in a less benign business cycle.

What could move the rating up

- Further strengthening of market position accompanied by sustained profitable growth, without an increase in the bank's risk profile

What could move the rating down

- Loss of advantages from being affiliated with the SpareBank 1 Alliance
- A deterioration in operating conditions which materially impacts earnings

Ratings & Outlook

Issuer rating	A-
Senior unsecured debt rating	A-
Senior unsecured (subordinated) debt rating	BBB+
Outlook	Stable

Lead Analyst

Pauline Lambert
p.lambert@scoperatings.com

Associate Analyst

Andre Hansen
a.hansen@scoperatings.com

Team Leader

Marco Troiano, CFA
m.troiano@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 2078245180

info@scoperatings.com
www.scoperatings.com

Bloomberg: RESP SCOP

Issuer profile

With roots dating back to 1961, BN Bank is primarily a digital bank serving both retail and corporate customers in Norway. Headquartered in Trondheim, the bank has around 95,000 retail customers and 7,200 corporate customers.

In the retail market, the bank focuses on mortgage lending in South-Eastern Norway. In the corporate market, the bank is a specialised commercial real estate lender operating mainly in the Oslo region. This business operates from a branch office in Oslo with a dedicated and experienced team. In addition, the bank offers banking services to households and small and medium-sized businesses.

Since December 2008, BN Bank has been wholly owned by member banks of the SpareBank 1 Alliance. Established in 1996, the alliance is comprised of regional and local banks who cooperate to achieve economies of scale and provide a full range of competitive financial services and products. Collectively, the alliance is the second largest lender in the country with about 20% of the retail market and about 15% of the corporate market.

As of 30 June 2023, BN Bank had total assets of NOK 46bn and 126 full-time equivalent employees. While on-balance sheet loans stood at NOK 37bn, total lending activity amounted to NOK 59bn as a significant portion of loans are transferred to the covered-bond-issuing vehicles of the SpareBank 1 Alliance.

Recent events:

- In Q2 2023, BN Bank reported a return on equity of 12.9%, up from 11.4% the previous year. Operating performance continued to benefit from loan growth and higher interest margins while costs remained contained. Credit costs amounted to 12 bp of average gross loans, up from 9 bp the previous year, driven by provisions for Stage 1 and 2 corporate loans. The common equity tier 1 (CET1) capital ratio was stable compared to the previous quarter at 18.7%.
- In February 2023, the Norwegian FSA instructed the bank to develop new credit models or adapt its current models for corporate exposures. This is a follow-up from a review of the bank's internal models conducted in 2022. Until new or revised models are approved by the Norwegian FSA, the bank is holding additional capital buffers. This reduced the bank's CET1 capital ratio by about 70 bp in Q1 2023 to 18.8%.

Summary rationale for the rating construct

Step		Assessment	Summary rationale
STEP 1	Operating environment	Very supportive	• Wealthy economy with well-developed capital markets and a strong record of economic resilience • Supportive conditions for banking activities • Relatively stringent and active financial regulator
		Supportive	
		Moderately supportive	
		Constraining	
		Very constraining	
	Business model	Very resilient	• Activities concentrated in Eastern Norway • Material commercial real estate exposure balanced by growing residential mortgage business • Affiliation with an alliance brings significant advantages
		Resilient	
		Consistent	
		Focused	
		Narrow	
	Mapping refinement	High	• Benefits from ownership by solid member banks of SpareBank 1 Alliance
		Low	
	Initial mapping	**bbb/bbb+**	
	Long-term sustainability	Best in class	• Actively embracing ESG developments, including enhancing capabilities to assess and manage ESG risks and reporting to global standards • Ongoing investments in technology to remain competitive in a highly digital market
		Advanced	
		Developing	
		Constrained	
		Lagging	
	Adjusted anchor	**bbb**	
STEP 2	Earnings capacity & risk exposures	Very supportive	• Increasingly solid earnings provide comfortable buffer against potential credit impairments • Strong cost efficiency underpinned by digital business model • Robust asset quality and low credit losses
		Supportive	
		Neutral	
		Constraining	
		Very constraining	
	Financial viability management	Ample	• Comfortably meets regulatory requirements • Reliance on market funding, including more stable covered bonds through the issuing vehicles of SpareBank 1 Alliance • Maintains prudent liquidity position
		Comfortable	
		Adequate	
		Limited	
		Stretched	
		At risk	
	Additional factors	Significant support factor	• No additional considerations
		Material support factor	
		Neutral	
		Material downside factor	
		Significant downside factor	
	Standalone	**a-**	
STEP 3	External support	Not applicable	
Issuer rating		**A-**	

Norwegian real estate focused bank owned by members of the SpareBank 1 Alliance

The 'focused' business model assessment reflects BN Bank's focus on real estate lending as well as the geographic concentration in South-Eastern Norway. A collaborative relationship with its owners supports the bank's business and operating performance.

The operating environment in Norway remains 'very supportive' of banking activities, thanks to the resilience of the country's economy to shocks, its high wealth, low unemployment and strong public finances. Further, there is a long history of cooperation and alliances amongst banks as well as active supervision by regulators.

Owned by a group of solid savings banks

BN Bank is owned by six member banks of the SpareBank 1 Alliance, with ownership dominated by two of the largest regional banks in Norway, each with a stake of about 35% (Figure 1). Over time, the ownership structure has become more concentrated as smaller banks in the alliance have sold their stakes or have merged.

Having acquired the bank at a relatively attractive price in 2008, the owners now benefit from BN Bank's solid financial performance. The bank has also served as a platform for trying new business ideas and provides exposure to the Oslo region. The two owners with the largest stakes, SpareBank 1 SMN and SpareBank 1 SR-Bank, are based in Trondheim and Stavanger, respectively.

Focused on mortgage and commercial real estate lending

BN Bank's strategy has been driven by the owners' expectation for the bank to generate a level of sustainable returns in line with their own. Consequently, over time, management has significantly refocused the commercial real estate financing business, sold the unprofitable real estate brokerage business, and ceased unsecured consumer lending activities. In recent years, the strategy has been focused on increasing business volumes and improving cost efficiency. Anchored by a largely digital business model, the bank's cost efficiency is high, even amongst Norwegian banks (Figure 7).

BN Bank enjoys material advantages from its association with the SpareBank 1 Alliance. These include the use of common IT systems, access to credit models based on customer data from the banks in the alliance, and the exchange of expertise on topics such as market and liquidity risks and regulatory developments.

Activities concentrated in South-Eastern Norway

Like with most Norwegian banks, BN Bank focuses on retail customers and residential mortgages. In addition, the bank is active in the niche segment of providing the elderly with credit secured by their homes. While BN Bank enjoys a nationwide presence, nearly 85% of its retail exposure is to South-Eastern Norway. Given its headquarters in Trondheim, the bank prudently restricts lending to well-functioning markets with good market data.

Figure 1: Selected information on BN Bank's owners

	Stake in BN Bank (%)	Assets (NOK bn)	Return on average assets (%)	Return on average equity (%)	Costs/income (%)	Problem loans/gross loans (%)	CET1 capital ratio (%)
SpareBank 1 SMN	35.02%	249	1.5	14.5	38.9	1.4	19.1
SpareBank 1 SR-Bank	35.02%	362	1.1	13.8	38.3	1.0	17.8
SpareBank 1 Nord-Norge	9.99%	130	1.7	14.6	35.9	0.7	17.5
SpareBank 1 Østlandet	9.99%	175	1.3	11.8	38.7	0.3	17.9
SpareBank 1 Sørøst-Norge	7.46%	91	1.7	12.3	39.8	0.8	22.1
SpareBank 1 Østfold Akershus	2.52%	27	1.8	11.6	44.8	0.9	18.0

Notes: Data as of Q2 2023 except for SpareBank 1 Ostfold Akerhus which is as of Q1 2023
Source: SNL, Scope Ratings

Box A: Focus on BN Bank's country of domicile: Norway

Macroeconomic assessment

- With a population of 5.4m and a GDP of USD 576bn (2022), Norway is a relatively small open economy with one of the world's highest per capita incomes.
- The Norwegian economy proved relatively resilient to the Covid-19 pandemic, with a limited GDP contraction in 2020 and a strong rebound from 2021.
- Due to robust growth, low unemployment and higher-than-targeted inflation, the central bank has been increasing the policy rate since September 2021.
- A very strong government fiscal position provides ample capacity to support the economy as needed. Savings are accumulated through the world's largest sovereign wealth fund, the Government Pension Fund Global.
- The high home ownership rate of around 80% is a driver for high levels of household debt, both in historical terms and in comparison, to other countries. Macroprudential measures concerning mortgages and consumer debt are in place to manage risks. Mortgage debt is primarily floating rate.
- House prices have risen more than household income over time. After a decline in autumn 2022, house prices are again rising. Commercial property prices have also risen over many years but have been declining since summer 2022.
- The reliance on the oil and gas sector exposes the country to long-term transition challenges.

Soundness of banking sector

- The Norwegian banking system is dominated by DNB Bank, with a market share of around 30%. Nordea and other foreign banks account for about 20% of the retail market and 30% of the corporate market. There are also nearly 90 savings banks, with a size ranging from less than NOK 5bn to NOK 365bn in assets. Savings banks tend to operate locally or regionally and are part of alliances (SpareBank 1, Eika, DSS).
- Smaller savings banks are consolidating due to increasing competitive and regulatory pressures.
- Residential mortgages account for nearly 50% of total lending while the commercial real estate sector accounts for around 45% of corporate lending.
- Digitalisation is high and the use of cash is amongst the lowest in the world.
- A comparatively rigorous regulatory framework, with some of the highest solvency requirements amongst European banks.
- Norwegian banks are generally profitable, cost efficient and exhibit sound asset quality and solvency metrics.
- While customers deposits are the primary source of funding, the use of market funding is material, especially covered bonds.

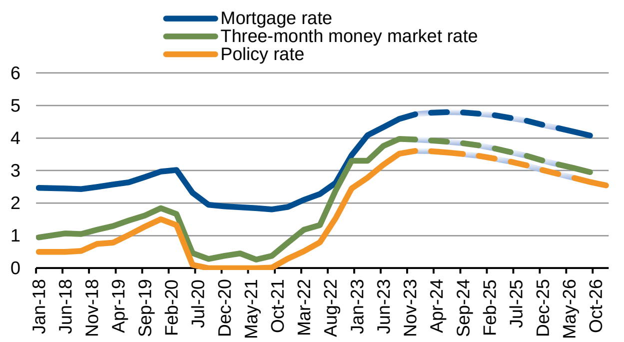
Key economic indicators	2020	2021	2022F	2023F	2024F
GDP per capita (USD'000s)	68.1	90.1	106.1	NF	NF
Real GDP, % change	-1.9	4.0	3.2	1.2	1.3
Unemployment rate, %	4.8	4.4	3.2	3.5	3.6
CPI, % change	1.3	3.5	5.8	5.5	2.7
Policy rate, %	0.00	0.50	2.75	4.25	4.25
Public debt, % of GDP	45	43	37	40	40

NF: not forecasted
Source: SNL, Scope Macroeconomic Council forecasts

Banking system indicators	2018	2019	2020	2021	2022
ROAA, %	1.0	1.1	0.8	1.0	1.0
ROAE, %	10.8	11.2	8.5	10.1	11.0
Net interest margin, %	1.7	1.8	1.7	1.6	1.8
CET1 ratio, %	16.7	17.8	18.3	18.4	18.3
Problem loans/gross customer loans, %	1.3	1.3	1.6	1.4	1.3
Loan-to-deposit ratio, %	176.5	181.3	169.6	162.4	159.5

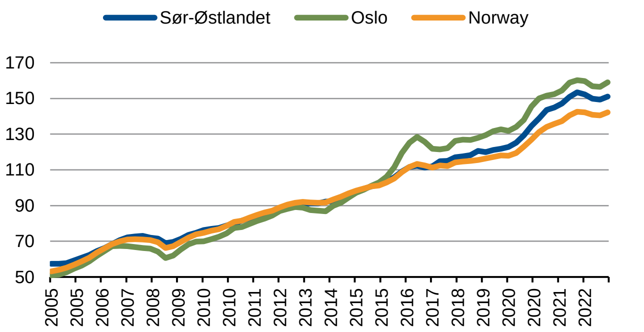
ROAA: return on average assets
ROAE: return on average earnings
Source: SNL

Figure A: Interest rates (%)



Source: Norges Bank, June 2023 Monetary Policy Report

Figure B: House price index (Jan 2003 = 100)



Source: Eiendom Norge, Macrobond

65% retail/35% corporate business mix targeted

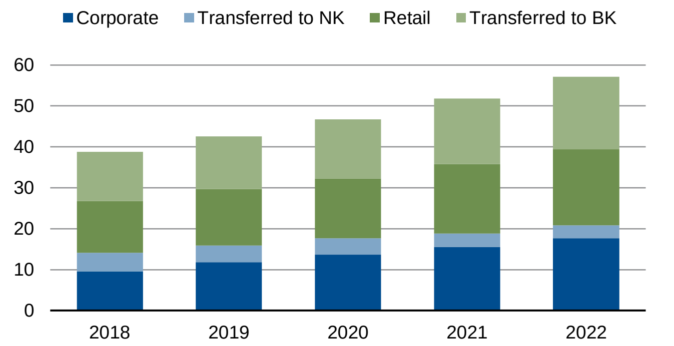
The bank aims for a 65% retail/35% corporate lending mix, with targeted growth in the retail segment being greater than in the corporate one. However, this can vary depending on market dynamics. Retail lending, comprised almost entirely of residential mortgages, has increased its share over time and stood at nearly 63% as of 30 June 2023.

Digital bank operating with partners in the retail market

In the retail market, the bank targets less price-sensitive customers willing to pay for more service and also seeks to develop more enduring client relationships. The expansion of distribution channels beyond the bank's digital origins (internet banking) has been an important driver of business growth. These include mortgage brokers, a partnership with the real estate group Krogsveen and open banking initiatives.

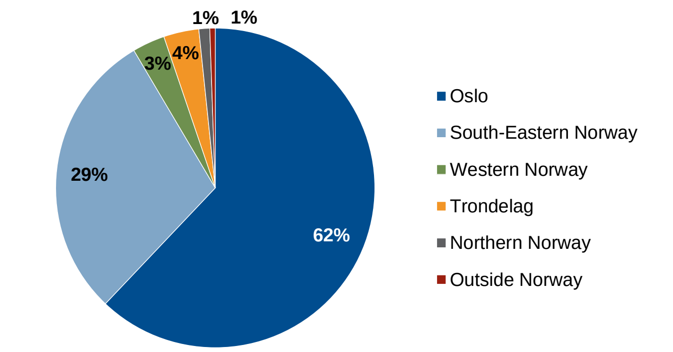
In the corporate market, BN Bank is a specialised commercial real estate (CRE) lender operating primarily in the greater Oslo region. The bank's activities also include some construction financing, primarily for housing projects.

Figure 2: Lending activity by segment (NOK bn)



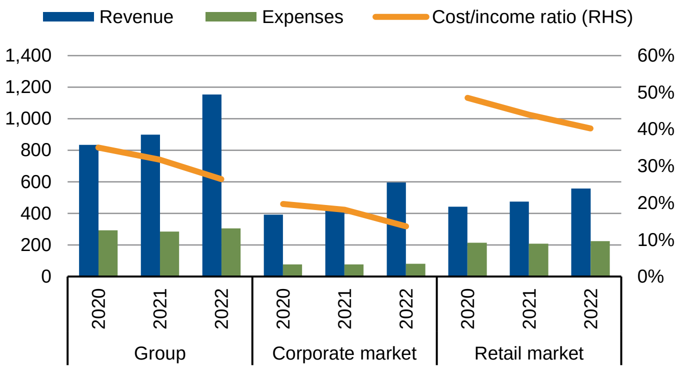
NK: SpareBank 1 Naeringskreditt
BK: SpareBank 1 Boligkreditt
Source: Bank, Scope Ratings

Figure 3: Loans by geography (%)



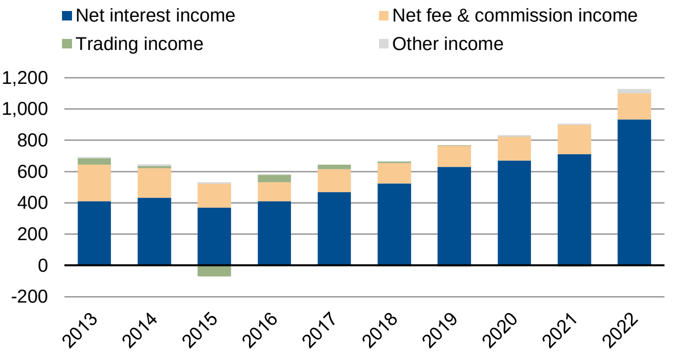
Note: Data as of end-2022
Source: Bank, Scope Ratings

Figure 4: Revenue and expenses by segment (NOK m)



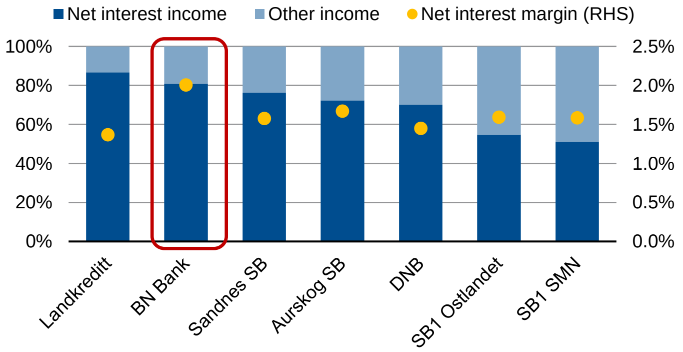
Source: Bank, Scope Ratings

Figure 5: Revenue over time (NOK m)



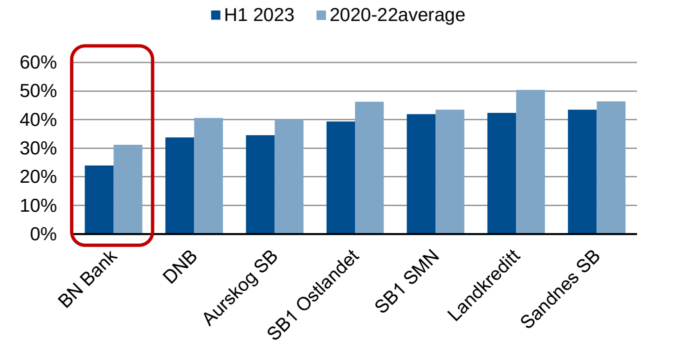
Source: SNL, Scope Ratings

Figure 6: Revenue composition (%) – peer comparison



Note: Three-year average for 2020-2022
Source: SNL, Scope Ratings

Figure 7: Cost income ratio (%) – peer comparison

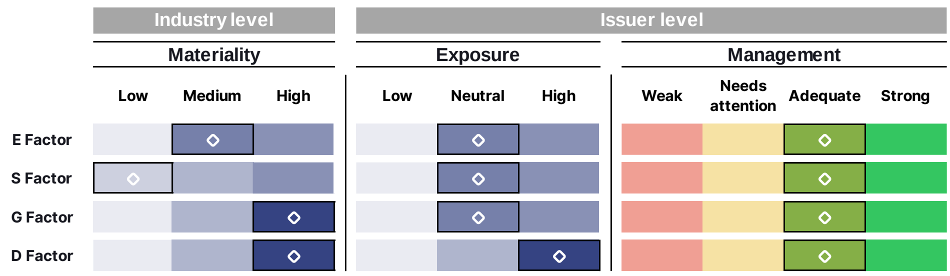


Source: SNL, Scope Ratings

Actively managing sustainability issues and opportunities

The 'developing' long-term sustainability assessment reflects our view that BN Bank is actively managing sustainability issues and opportunities, with the progress made so far being in line with peers.

Figure 8: Exposure and management of key ESGD factors[1]



D: digitalisation
Source: Scope Ratings

Integrating ESG considerations throughout business

BN Bank demonstrates good awareness of how sustainability issues may impact its business and has incorporated them into strategic priorities. Management has carried out impact and materiality analyses, examining issues that are important to the bank's stakeholders as well as to its performance. The bank continues to instill responsibility for sustainability throughout the organisation, rather than solely at management level.

In January 2020, BN Bank signed the UN's Principles for Responsible Banking. Management has delivered three milestone reports (2021-2023) to the UNEPFI and has received encouraging feedback regarding its progress towards satisfying the UNEP FI principles.

Ongoing work to assess customers and understand risks

The bank's internal guidelines and policies have been adapted to reflect sustainability goals and to ensure that ESG considerations are a part of credit assessments and customer dialogs. In conjunction with the SpareBank 1 Alliance, the bank is implementing a new ESG classification tool for corporate customers. Work has also been done to

[1] The overview table illustrates how each factor informs our overall long-term sustainability assessment. The materiality table shows how we view the credit relevance of each factor for the industry at large. The exposure table shows how we see the issuer's degree of exposure to each ESG-D factor. The management table shows how we view the issuer's management of these exposures.

establish standards for collecting information, systems to store the information and guides for credit officers in their interactions with clients.

BN Bank published its third standalone sustainability report last year and reports along TCFD and GRI standards. Further, KPMG has reviewed the bank's sustainability reporting.

Published first climate risk report last year

In March 2022, the bank published its first climate risk report which contains information on financed emissions as well as physical and transition risks relating to credit exposures. The bank aims to reduce Scope 3 financed emissions by 40% (compared to 2019) by 2040 and to be net zero in 2050.

As a starting point for assessing climate transition risk in the corporate portfolio, the bank used information from CRE leases to map tenants by industry. The largest share of buildings is leased to light industry or workshops (46%), with offices also being material (22%).

In addition to documenting the energy classification of homes financed by mortgages, the bank has also started assessing physical risks. An analysis of the retail mortgage portfolio indicates that the largest exposure is to landslides, but some properties are also exposed to flood risks.

Further, the bank is engaging with customers and developing products to support climate transition. The introduction of a green deposit product as well as energy improvement loans is planned.

In May 2022, the bank established a green bond framework which was certified by Sustainalytics. Subsequently, a green bond was issued in Q4 2022.

Collaborative relationship with owner banks

Senior executives from the owner banks are heavily represented on the bank's board of directors and have significant influence on the bank's strategic direction. The Chair and Deputy Chair normally come from the two banks with the largest ownership stakes, SpareBank 1 SR-Bank and SpareBank 1 SMN. Despite competing with the owners in some markets, there is also strong collaboration which supports the bank's business and operating performance.

Ensuring digital capabilities remain competitive

Primarily a digital bank since inception, BN Bank invests in technical capabilities to remain competitive in an environment characterised by high digitalisation. The bank is also able to leverage on the IT systems of the SpareBank 1 Alliance.

BN Bank regularly conducts customer surveys and last year's survey showed that customers generally remained very satisfied with the bank's digital platform. As part of its strategy, the bank aims to offer good digital solutions.

Solid earnings provide comfortable buffer against potential credit impairments

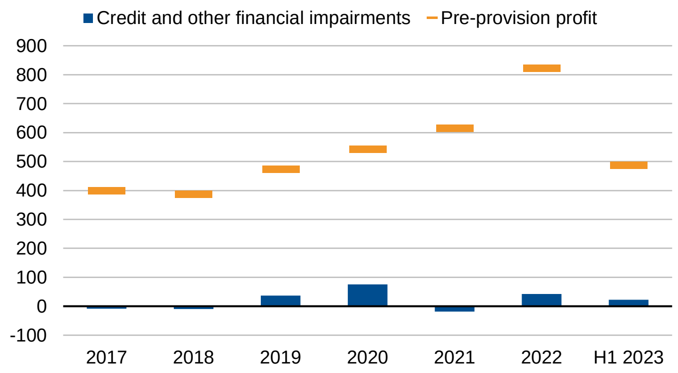
The 'supportive' earnings capacity and risk exposures assessment reflects the bank's increasingly robust earnings which provide a comfortable buffer against potential credit impairments. Despite material exposure to the commercial real estate sector, asset quality remains sound and credit losses low.

Targets 12% return and less than 30% cost-income ratio

Management's consistent strategy execution has resulted in steadily increasing returns which provide a comfortable buffer against potential credit impairments (Figure 9). For the last several years, the bank has targeted lending growth while controlling expenses and maintaining low credit losses. More recently, rising interest margins have also contributed to higher profitability. Between 2016 and 2020, returns were around 7-8%. For H1 2023, the reported return on equity was 12.9%.

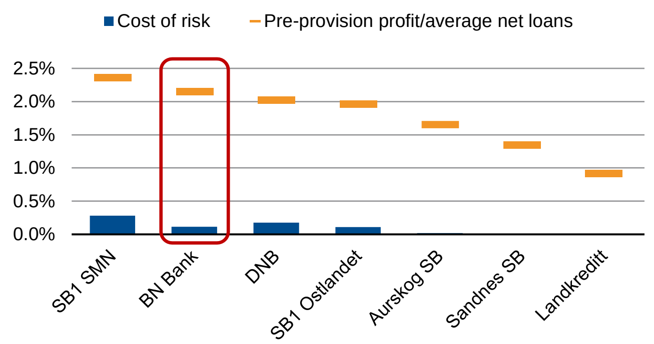
Further growth in mortgage lending is key to the bank's strategy although management has willingly accepted lower growth to maintain margins and profitability. The bank continues to target a return on equity of 12% and a cost-income ratio below 30%.

Figure 9: Pre-provision profit vs impairments (NOK m)



Source: Bank, Scope Ratings

Figure 10: Pre-provision profit vs impairments – peer comparison



Note: Three-year average based on 2020-2022
Source: SNL, Scope Ratings

Asset quality compares well despite higher CRE exposure

Despite the greater exposure to the CRE sector, BN Bank's asset quality metrics compare well to those of other Norwegian banks (Figures 10 and 12). The bank has in place internal limits for the exposure to CRE as well as to building and construction. A few years ago, management decided to restrict activity to the broader Oslo area given their expertise and low loss experience in this region.

BN Bank primarily finances commercial properties with multi-year leases and high occupancy rates. The portfolio is diversified across various types of commercial property, with limited exposure to more cyclical segments such as hotels.

CRE exposures largely classified as low risk

The Norwegian CRE industry as a whole is under pressure due to higher rates and inflation, with the bank seeing some risk migration. However, the risk profile of its exposures remains sound, with moderate LTVs and the vast majority being classified as 'low risk' under the bank's risk classification system (Figure 14). As of Q2 2023, no CRE loans were classified as 'high risk' or non-performing.

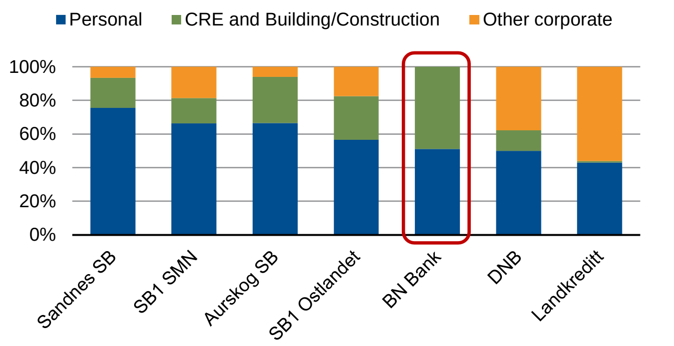
The relatively small construction loan portfolio (Q2 2023: NOK 2.4bn) is primarily related to residential housing. As with the CRE exposure, the vast majority is classified as 'low risk'. The bank has not had any Stage 3 loans in the construction portfolio.

Relatively low risk mortgages are more than 50% of loan book

Meanwhile, personal customers and residential mortgages account for more than half of the loan book. The risk profile of the mortgage portfolio remains solid, with more than 77% having an LTV below 70% and another 19% with an LTV between 70% and 85%.

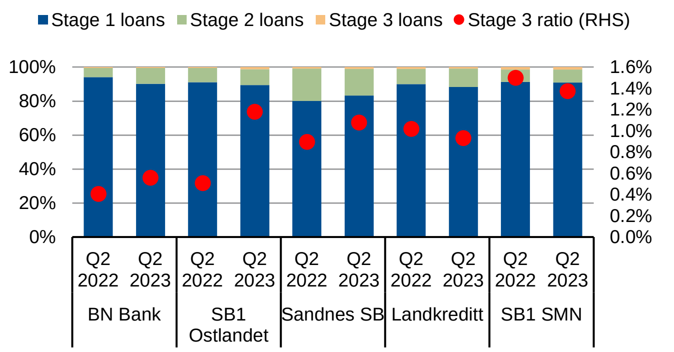
As of Q2 2023, the bank held NOK 222m in loan loss provisions, of which 90% were for Stage 1 and Stage 2 loans. Over the last six months, additional provisions have been made in anticipation of the potential impact from elevated inflation and high interest rates. Loan loss provisions currently stand above the level during the pandemic in 2020.

Figure 11: Loan book composition – peer comparison



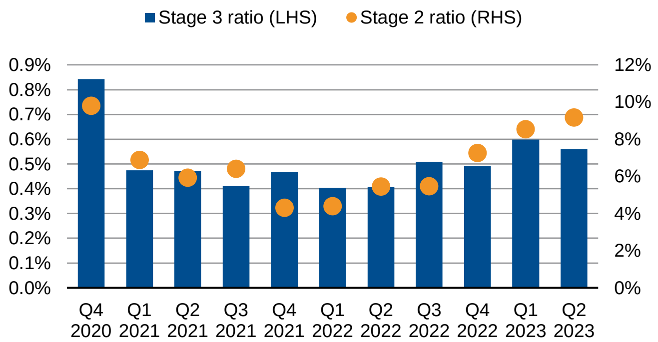
Note: On-balance sheet exposures as of end-2022
Source: Banks, Scope Ratings

Figure 12: Asset quality – selected peer comparison



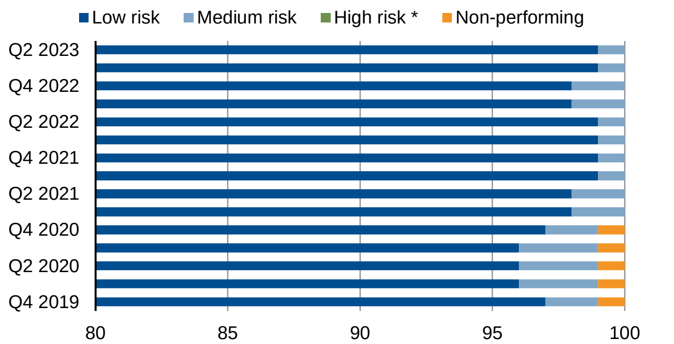
Source: Banks, Scope Ratings

Figure 13: Stage 2 and Stage 3 ratio development



Source: Bank, Scope Ratings

Figure 14: Risk profile of CRE lending (%)



Note: Based on bank's internal risk classification. No CRE loans have been classified as high risk
Source: Banks, Scope Ratings

Sound prudential metrics and stable funding profile

The 'comfortable' financial viability management assessment reflects the bank's sound prudential metrics, comfortable buffers to regulatory requirements and stable funding profile.

Comfortably positioned again requirements

Underpinned by its ability to generate internal capital, BN Bank maintains comfortable buffers to regulatory requirements (Figure 15). As of Q2 2023, BN Bank's CET1 capital ratio stood at a relatively high 18.7%. This figure incorporates an approximate 70 bp impact from additional buffers being held for the bank's corporate exposures.

In July 2022, the Norwegian FSA published a review of the bank's internal models for calculating capital requirements. Subsequently, in February 2023, the Norwegian FSA directed the bank to revise or build new models for corporate exposures to better reflect refinancing risks as the maturity profile of CRE loans has significantly decreased over time, an industry wide phenomenon.

BN Bank has been using advanced internal rating-based models since 2014 for its corporate portfolio and since 2015 for its retail portfolio.

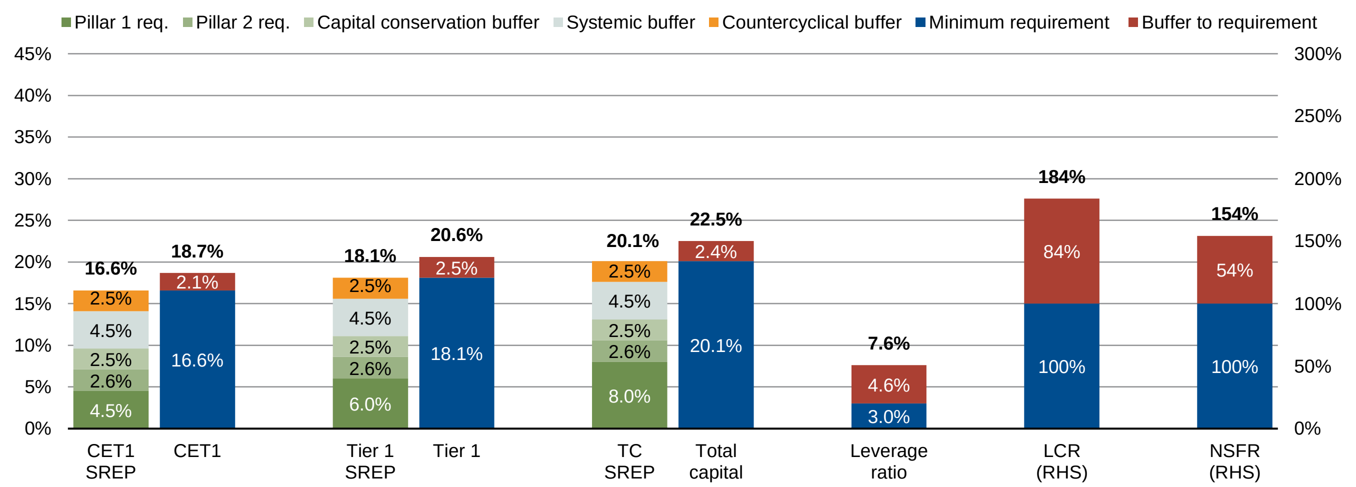
Awaiting updated Pillar 2 requirement

The bank is awaiting an updated Pillar 2 requirement from the Norwegian FSA as it received its last decision more than three years ago. The requirement currently stands at 2.6% and must be met entirely with CET1 capital.

In line with CRR, the bank should be able to meet its Pillar 2 requirement with a mix of capital (CET1, AT1 and Tier 2) once it receives an updated requirement. Management targets a buffer of least 1% above its current minimum CET1 requirement but is considering a buffer of 1.25% when it receives further clarity regarding its requirements.

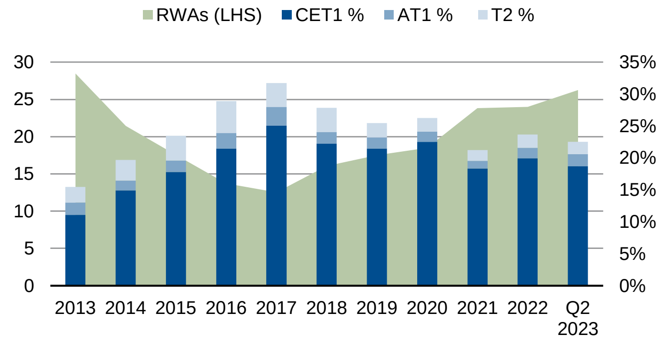
During the 2008 financial crisis, when the bank was under Icelandic ownership, it suffered material deposit outflows, particularly with larger deposits not covered by the guarantee scheme. With this experience, management is keenly aware of the need to maintain a sound liquidity profile and to have contingency measures in place.

Figure 15: Financial viability dashboard: overview of positioning vs key regulatory requirements (Q2 2023)



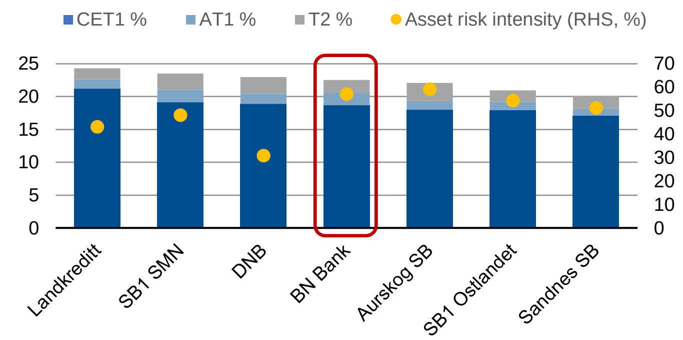
Source: Company data, SNL, Scope Ratings

Figure 16: Capital (%) and RWA (NOK bn) development



Source: Bank, Scope Ratings

Figure 17: Capital profile (%) – peer comparison



Note: Data as of Q2 2023
Source: Banks, Scope Ratings

Like peers, deposits are insufficient to fund loans

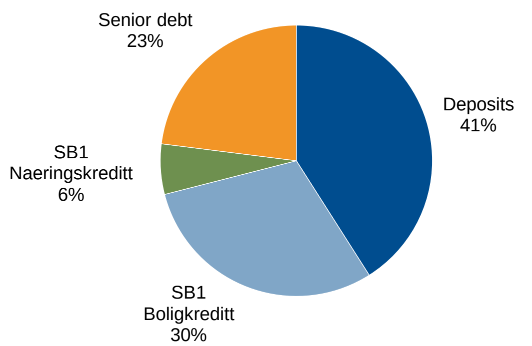
In recent years, management has pursued a balanced growth strategy focusing on both loans and deposits. The bank has successfully attracted deposits to fund loan growth and intends to continue growing the proportion of deposit funding. The bank maintains a stable deposit base, with about 75% of retail deposits and deposits from small business customers being classified as stable as per LCR regulations.

Benefits from stable deposits and covered bond funding

Market funding, however, remains important. BN Bank transfers about 50% of mortgages to the covered bond issuing vehicle of the SpareBank 1 Alliance. In addition, the bank relies on the domestic unsecured debt market (Figure 18). The bank, however, aims to maintain enough liquidity and reserves so it does not need access to wholesale markets for at least one year. The liquidity portfolio is comprised primarily of high-quality government and municipal securities as well as covered bonds.

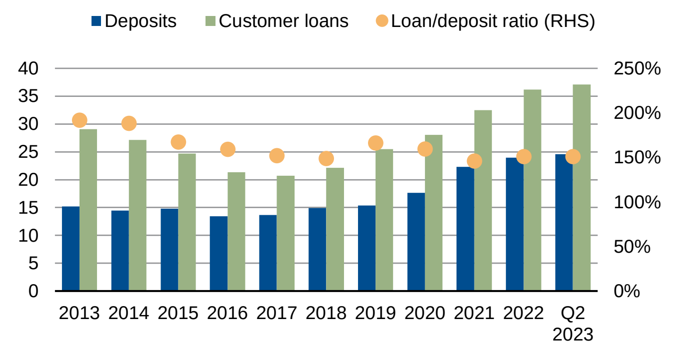
Further, the bank has various targets and limits in place to manage potential risks such as a minimum duration for outstanding market funding, a maximum amount of debt maturing each year and a minimum reserve of mortgages available to secure covered bond funding.

Figure 18: Funding profile – Q2 2023



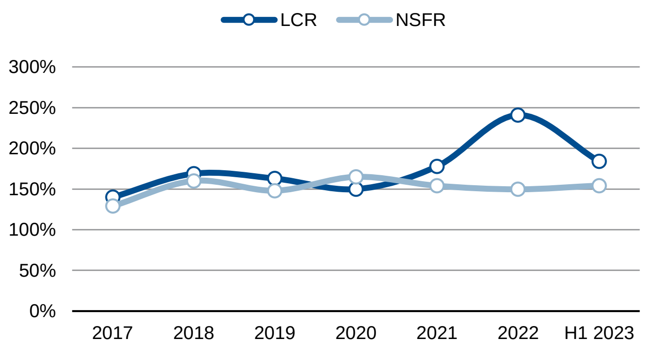
Notes: Data as of Q2 2023. SB1 Naeringskreditt and SB1 Boligkreditt are covered bond issuing vehicles. Source: Bank, Scope Ratings

Figure 19: Loan and deposit development (NOK m)



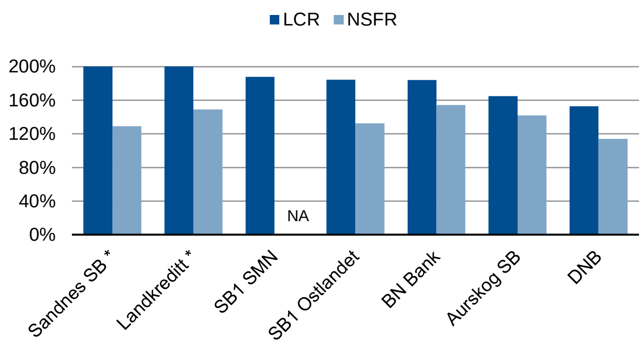
Note: Excludes loans transferred to covered bond issuing entities
Source: Bank, Scope Ratings

Figure 20: LCR and NSFR development (%)



Source: Bank, Scope Ratings

Figure 21: LCR and NSFR (%) – peer comparison



Notes: Data as of Q2 2023. The LCR of Sandnes SB and Landkreditt are above 300%. Source: Banks, Scope Ratings

Debt ratings

Senior unsecured debt rating

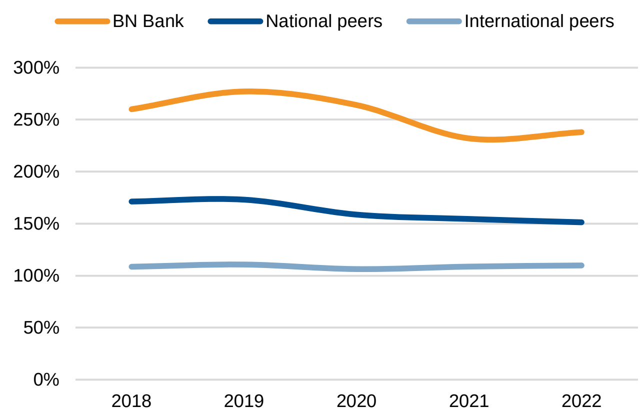
The senior unsecured debt rating is aligned with the A- issuer rating.

Senior unsecured (subordinated) debt rating

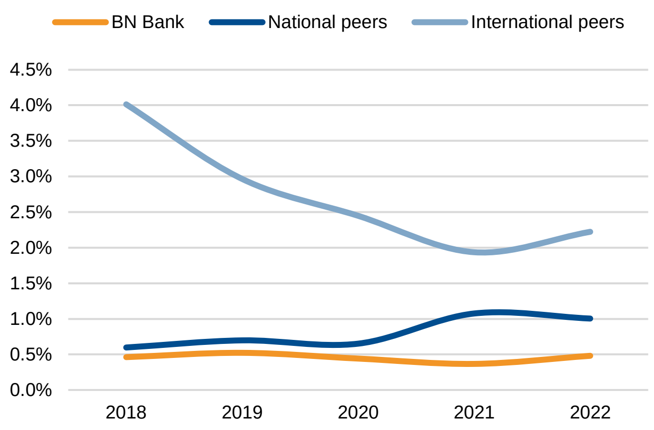
The senior unsecured (subordinated) debt rating is one notch below the A- issuer rating. This category includes debt issued as statutorily non-preferred, structurally subordinated, or otherwise subordinated to senior unsecured debt.

I. Appendix: Peer comparison

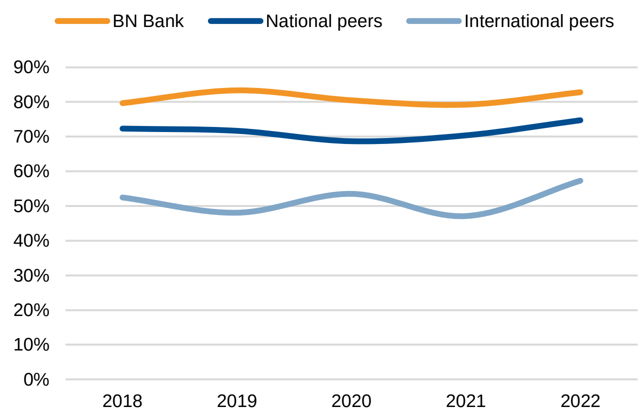
Net customer loans/ deposits (%)



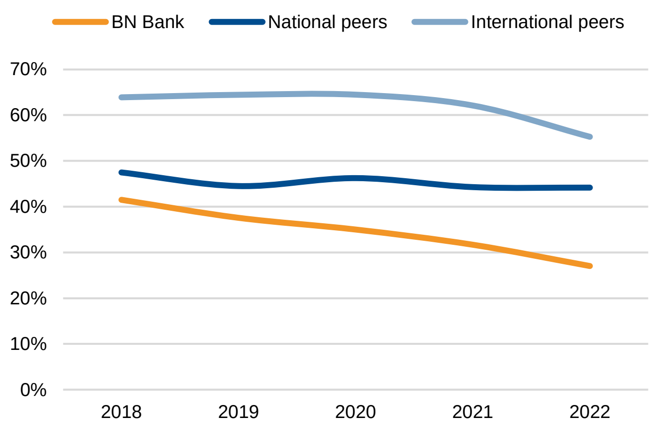
Problem loans/ gross customer loans (%)



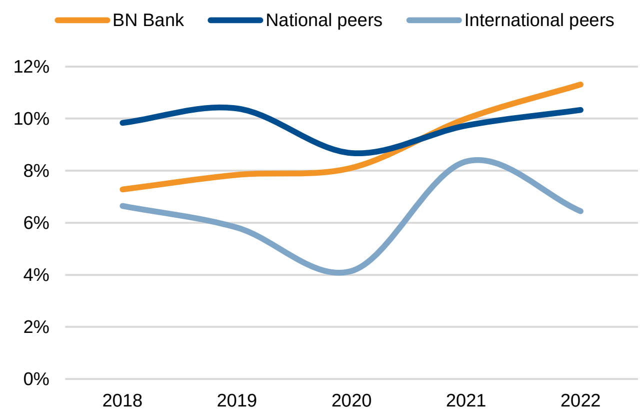
Net interest income/ operating income (%)



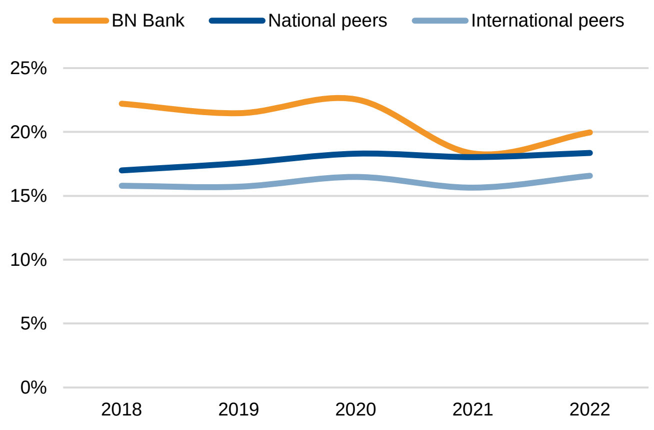
Cost/ income ratio (%)



Return on average equity (%)



Common equity tier 1 ratio (%)



National peers: Aurskog Sparebank, Landkreditt Bank, Sandnes Sparebank, SpareBank 1 SMN, SpareBank 1 Ostlandet, DNB Bank.
International peers: Banca Popolare di Sondrio SpA, Credito Emiliano SpA, Kutxabank SA, Unicaja Banco SA, Coventry Building Society, Hypo-Bank Burgenland AG.
Note: For Norwegian banks, the net customer loans/ deposits (%) figures include loans transferred to covered bond issuing entities.
Source: SNL.

II. Appendix: Selected financial information – BN Bank ASA

	2019	2020	2021	2022	H1 2023
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	1,010	437	236	721	1,264
Total securities	5,261	7,155	8,234	7,291	6,866
of which, derivatives	77	238	72	42	61
Net loans to customers	25,503	28,069	32,472	36,166	37,104
Other assets	143	106	934	820	821
Total assets	**31,917**	**35,767**	**41,876**	**44,998**	**46,055**
Liabilities					
Interbank liabilities	7	414	9	7	35
Senior debt	11,469	12,455	13,916	14,244	NA
Derivatives	89	80	85	556	856
Deposits from customers	15,360	17,627	22,287	23,976	24,607
Subordinated debt	439	300	300	400	401
Other liabilities	256	342	262	316	NA
Total liabilities	**27,620**	**31,218**	**36,859**	**39,499**	**40,297**
Ordinary equity	4,070	4,323	4,792	5,174	5,314
Equity hybrids	227	226	225	325	444
Minority interests	0	0	0	0	0
Total liabilities and equity	**31,917**	**35,767**	**41,876**	**44,998**	**46,055**
Core tier 1/ common equity tier 1 capital	*3,756*	*4,170*	*4,368*	*4,789*	*4,908*
Income statement summary (NOK m)					
Net interest income	630	671	712	933	551
Net fee & commission income	135	152	186	168	75
Net trading income	3	1	-7	-1	3
Other income	-12	10	8	27	10
Operating income	**756**	**834**	**899**	**1,127**	**639**
Operating expenses	284	292	285	305	153
Pre-provision income	**472**	**542**	**614**	**822**	**486**
Credit and other financial impairments	37	75	-18	42	22
Other impairments	0	0	0	0	0
Non-recurring income	0	0	0	0	0
Non-recurring expense	0	0	0	0	0
Pre-tax profit	**435**	**467**	**632**	**780**	**464**
Income from discontinued operations	0	0	0	0	0
Income tax expense	108	113	154	185	110
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	0	0	0	0	0
Net profit attributable to parent	**327**	**354**	**478**	**595**	**354**

Source: SNL

III. Appendix: Selected financial information – BN Bank ASA

	2019	2020	2021	2022	H1 2023
Funding and liquidity					
Net loans/ deposits (%)	166%	159%	146%	151%	151%
Liquidity coverage ratio (%)	163%	150%	178%	241%	184%
Net stable funding ratio (%)	148%	165%	154%	150%	154%
Asset mix, quality and growth					
Net loans/ assets (%)	79.9%	78.5%	77.5%	80.4%	80.6%
Problem loans/ gross customer loans (%)	0.5%	0.4%	0.4%	0.5%	0.5%
Loan loss reserves/ problem loans (%)	92.5%	156.0%	133.3%	114.9%	108.3%
Net loan growth (%)	15.1%	10.1%	15.7%	11.4%	5.2%
Problem loans/ tangible equity & reserves (%)	3.0%	2.6%	2.3%	3.1%	3.4%
Asset growth (%)	10.0%	12.1%	17.1%	7.5%	4.7%
Earnings and profitability					
Net interest margin (%)	2.1%	2.0%	1.9%	2.2%	2.5%
Net interest income/ average RWAs (%)	3.7%	3.7%	3.6%	3.9%	4.3%
Net interest income/ operating income (%)	83.3%	80.5%	79.2%	82.8%	86.2%
Net fees & commissions/ operating income (%)	17.9%	18.2%	20.7%	14.9%	11.7%
Cost/ income ratio (%)	37.6%	35.0%	31.7%	27.1%	23.9%
Operating expenses/ average RWAs (%)	1.7%	1.6%	1.4%	1.3%	1.2%
Pre-impairment operating profit/ average RWAs (%)	2.8%	3.0%	3.1%	3.5%	3.8%
Impairment on financial assets / pre-impairment income (%)	7.8%	13.8%	-2.9%	5.1%	4.5%
Loan loss provision/ average gross loans (%)	0.2%	0.3%	-0.1%	0.1%	0.1%
Pre-tax profit/ average RWAs (%)	2.6%	2.6%	3.2%	3.3%	3.7%
Return on average assets (%)	1.1%	1.0%	1.2%	1.4%	1.6%
Return on average RWAs (%)	1.9%	2.0%	2.4%	2.5%	2.8%
Return on average equity (%)	7.8%	8.1%	10.0%	11.3%	12.4%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	NA	NA	NA	NA	NA
Common equity tier 1 ratio (%, transitional)	21.5%	22.5%	18.3%	20.0%	18.7%
Tier 1 capital ratio (%, transitional)	23.2%	24.1%	19.5%	21.6%	20.6%
Total capital ratio (%, transitional)	25.5%	26.3%	21.2%	23.7%	22.5%
Leverage ratio (%)	8.4%	8.2%	7.1%	7.5%	7.6%
Asset risk intensity (RWAs/ total assets, %)	54.8%	51.7%	56.9%	53.3%	57.0%

Source: SNL

Scope Ratings GmbH

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Paris

10 avenue de Messine
FR-75008 Paris

Phone +33 6 62 89 35 12

Oslo

Karenslyst allé 53
N-0279 Oslo

Phone +47 21 09 38 35

Madrid

Paseo de la Castellana 141
E-28046 Madrid

Phone +34 91 572 67 11

Milan

Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Scope Ratings UK Limited

London

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 2078245180

info@scoperatings.com
www.scoperatings.com