Landkreditt Bank AS
Issuer Rating Report

STABLE
A-

Scope's credit view (summary)

Landkreditt Bank's **A- issuer rating** is based on the credit fundamentals of the cooperative group, Landkreditt SA, a leading provider of financial services to Norway's agricultural sector. The bank is the main operating company of the group, accounting for 95% of total assets.

Management has pursued a growth strategy in the agricultural sector as well as with personal customers to achieve greater scale and to diversify the business, aiming for a roughly equal balance between the two customer segments. In recent years, efforts have also been made to develop insurance, asset management and real estate brokerage activities, enabling the group to offer a broad range of financial services.

Reflecting its cooperative business model and low risk culture, Landkreditt generates relatively stable but somewhat lower returns than domestic peers. Earnings, nevertheless, are more than sufficient to absorb credit costs. Most lending is secured by residential property or agricultural property and land.

Landkreditt maintains reassuring solvency metrics and is well positioned against current and future expected requirements.

Like with other Norwegian banks, Landkreditt relies to some extent on market funding, although deposits remain the primary funding source, with management targeting a deposit-to-loan ratio of at least 70%. The bank maintains comfortable liquidity buffers and regular access to the domestic debt market.

The A- issuer rating of Landkreditt Boligkreditt, a wholly owned subsidiary, is aligned with that of Landkreditt Bank. Through the issuance of covered bonds, Landkreditt Boligkreditt provides secured funding for its parent. We expect it would likely benefit from full support from its parent in case of need. Scope rates the covered bonds issued by Landkreditt Boligkreditt at AAA.

Outlook and rating-change drivers

The **Stable Outlook** reflects our view that the group's business and operating performance will continue to be resilient in a more challenging macroeconomic environment.

What could move the rating up

- Further diversification of the business while controlling risks and maintaining satisfactory returns

What could move the rating down

- Deterioration in earnings which impedes the group's business development and resilience
- Business expansion which increases the group's risk profile

Ratings & Outlook

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

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Issuer profile

Landkreditt Bank is the main operating company of the Landkreditt SA group which was founded as a credit union in 1915. Other group companies include Landkreditt Forsikring AS (insurance company), Landkreditt Eiendom AS (real estate broker) and Landkreditt Forvaltning AS (asset manager).

The group is the leading provider of financial services to Norway's agricultural sector. In addition to banking, the group provides insurance, asset management and real estate brokerage services. The group is also part of the Federation of Norwegian Agricultural Cooperatives.

Customers of Landkreditt Bank with a loan secured by agricultural property or with an agricultural production operating credit become members of the cooperative, Landkreditt SA. As of year-end 2022, there were about 8,500 cooperative members. In addition, the group is a mortgage lender in the retail market. In total, the group serves about 100,000 customers.

As of year-end 2022, the group had total assets of NOK 34bn and approximately 200 employees.

Recent events:

- For 2022, the group reported a net profit of NOK 208m, compared to NOK 225m in the prior year. Performance was supported by loan growth, higher net interest income, and low credit losses. Higher expenses were related to investments in technology and people to support future growth as well as inflation. The results of the banking, insurance and asset management operations were all above the prior year while the real estate business generated a small loss. The group's solvency position further strengthened, with the CET1 capital ratio increasing to 23.4% from 22% at year-end 2021.
- In November 2022, Jannicke Amundsen Bricaud became the new Head of Sales and Customers.
- In October 2022, Joakim Kase joined as the new CFO and Deputy CEO.

Summary rationale for the rating construct

Step		Assessment	Summary rationale
STEP 1	Operating environment	Very supportive	• Norway is a wealthy economy with well-developed capital markets and a strong track record of resilience to shocks • Supportive operating environment for banks • Relatively stringent and active financial regulator
		Supportive	
		Moderately supportive	
		Constraining	
		Very constraining	
	Business model	Very resilient	• Leading financial services provider to agricultural sector • Cooperative model underpins relatively low risk business • National presence, with a concentration in the Oslo region
		Resilient	
		Consistent	
		Focused	
		Narrow	
	Mapping refinement	High	• Track record of resilient operating performance
		Low	
	Initial mapping	**bbb/bbb+**	
	Long-term sustainability	Best in class	• Have started incorporating ESG considerations in credit process • Supporting the sustainability efforts of farmers • Building on digital origins with further technology investments to support business growth and efficiency
		Advanced	
		Developing	
		Constrained	
		Lagging	
	Adjusted anchor	**bbb**	
STEP 2	Earnings capacity & risk exposures	Very supportive	• Reflecting cooperative business model and low risk culture, relatively stable but somewhat lower returns than domestic peers • Earnings are more than sufficient to cover credit costs • Largely secured loan portfolio with history of low losses
		Supportive	
		Neutral	
		Constraining	
		Very constraining	
	Financial viability management	Ample	• Maintains reassuring prudential metrics which comfortably meet regulatory requirements • Deposits are primary funding source • Good access to wholesale debt markets, including covered bonds
		Comfortable	
		Adequate	
		Limited	
		Stretched	
		At risk	
	Additional factors	Significant support factor	• No further considerations
		Material support factor	
		Neutral	
		Material downside factor	
		Significant downside factor	
	Standalone	**a-**	
STEP 3	External support	Not applicable	
Issuer rating		**A-**	

Cooperative financial services group owned by Norwegian farmers

The "focused" business model assessment reflects Landkreditt's focus on the agricultural sector and residential mortgage lending. While insurance, asset management and real estate brokerage businesses are being developed, they remain relatively small compared to the group's banking activities.

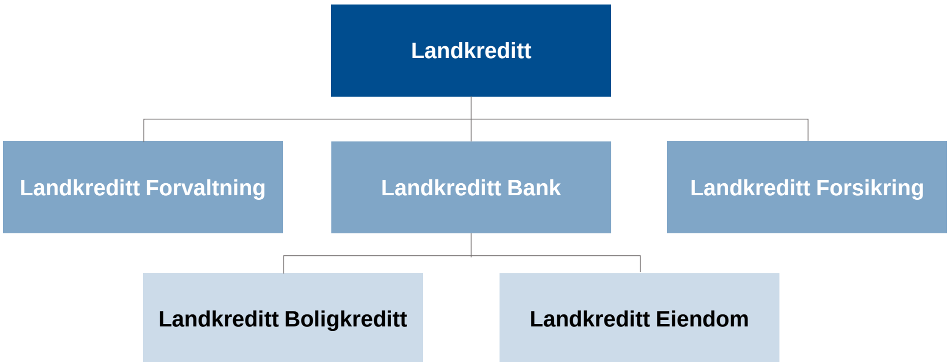
The "very supportive" operating environment assessment reflects Norway's wealthy and resilient economy as well as the supportive operating environment for banking activities. The bank's activities in the agricultural sector are nationwide while retail activities are centred around the broader Oslo region and other large cities.

Broad service offering for agricultural customers

Landkreditt is the leading provider of financial services to Norwegian farmers. To complement its banking business, the group in recent years acquired an insurer originally established to serve members of the agricultural cooperative and a real estate broker specialising in agricultural property. In addition, the group has established a fund management business.

Integrating and increasing the cooperation amongst the various businesses is a management priority. Efforts are being supported by IT investments as well as a small number of offices in key agricultural regions staffed with employees from the bank, the insurance company, and the real estate broker. The group's expanded service offering strengthens the business franchise and diversifies revenues (Figure 3).

Figure 1: Group structure



Source: Company data.

Box A: Overview of Landkreditt's non-banking businesses	
Landkreditt Forsikring (insurance)	The company was established in 2001 to provide personal insurance for members of the agricultural cooperative. The business has since expanded to offer both life and non-life insurance to farmers, individuals and certain businesses, including cover for property, crops, vehicles, occupational injury and loss of income. Gross premiums amounted to about NOK 800m as of year-end 2022. The company became a fully consolidated subsidiary of the group in June 2018.
Landkreditt Forvaltning (asset management)	The company manages three equity and two bond funds. Assets under management amounted to NOK 5.9bn as of year-end 2022.
Landkreditt Eiendom (real estate brokerage)	The company specializes in real estate brokerage services for the agricultural segment but also serves personal customers. The company was acquired in March 2020 and is a wholly owned subsidiary of Landkreditt Bank.

Box B: Focus on Landkreditt's country of domicile: Norway

Macroeconomic assessment

- With a population of 5.4m and a GDP of USD 482bn, Norway is a relatively small open economy with one of the world's highest per capita income levels.
- The Norwegian economy proved relatively resilient to the pandemic shock, 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.
- 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 (GPFG).
- 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.
- Property prices are elevated. House prices have risen over a long period and remain higher than prior to the pandemic although price growth is moderating. Commercial property prices have also risen over many years.
- 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 about 25% market share. Nordea and other foreign banks account for about 20% of the retail market and 35% of the corporate market. There are also nearly 90 savings banks with their size ranging from NOK 3bn to NOK 350bn in assets. Savings banks tend to operate locally or regionally and are part of alliances.
- 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.
- Use of market funding is material, with covered bonds being an important funding source.

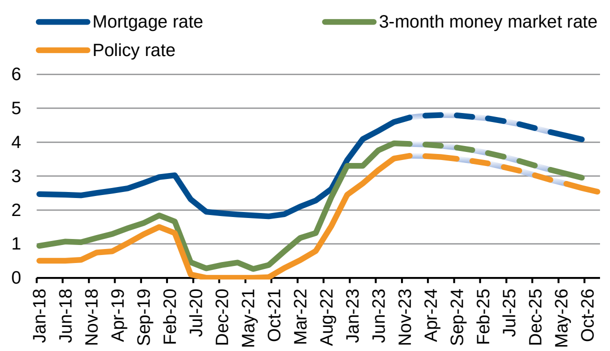
Key economic indicators	2019	2020	2021	2022F	2023F
GDP per capita (USD'000s)	76.5	68.0	90.0	NF	NF
Real GDP, % change	1.1	-1.9	4.0	3.4	2.0
Unemployment rate, %	3.7	4.6	4.4	3.2	3.4
CPI, % change	2.2	1.3	3.5	NF	NF
Policy rate, %	1.5	0.0	0.5	2.75	2.75
General government debt, % of GDP	40	47	43	39	38

Note: NF = not forecasted.
Source: SNL, Scope Macroeconomic Board forecasts.

Banking system indicators	2017	2018	2019	2020	2021
ROAA, %	0.9	1.0	1.1	0.8	1.0
ROAE, %	10.1	11.0	11.3	8.6	10.3
Net interest margin, %	1.6	1.8	1.8	1.7	1.7
CET1 ratio, %	16.2	16.4	17.4	17.9	18.1
Problem loans % Gross customer loans	1.1	1.4	1.4	1.7	1.5
Loan-to-deposit ratio, %	152.6	154.4	151.4	139.9	130.8

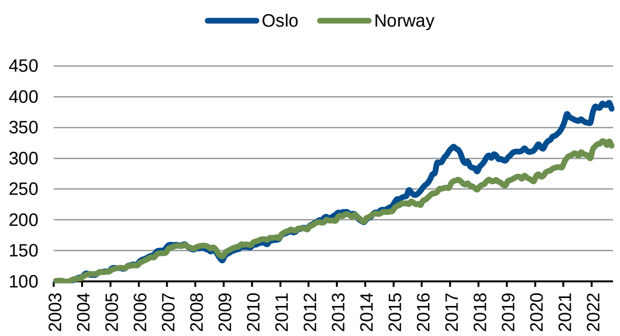
Source: SNL.

Figure A: Interest rates (%)



Source: Norges Bank, Mar 2023 Monetary Policy Report.

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



Source: Eiendom Norge, Macrobond, Scope Ratings.

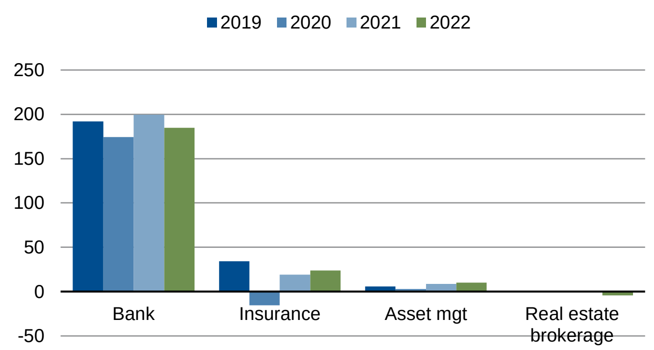
Strategy to grow retail business adds diversification and scale

Alongside the focus on farmers, the group continues to grow personal retail volumes to achieve greater scale and a more diversified business. The aim is for a roughly equal balance between the two customer segments (Figure 5). The retail business is essentially mortgage lending. However, the group can now provide personal customers with a broad financial service offering. As the group is a relatively minor player in the retail market, management sees opportunities for further growth.

The bank continues to defend its market position, with loan growth above 7% in 2022. While competitors are often local or regional savings banks, Landkreditt operates on a national scale. The focus, nevertheless, is on regions where agriculture is an important industry. In some municipalities, the bank enjoys market shares of 35-40%. Meanwhile, retail activities are concentrated in the broader Oslo region given the bank's greater expertise in these markets as well as the higher activity levels.

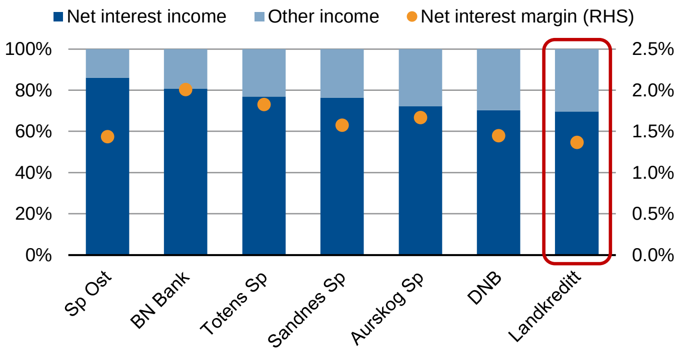
In the 2022 EPSI banking satisfaction survey, Landkreditt Bank ranked fourth overall in the retail market. The bank has the fewest complaints amongst its customers, with few considering switching. As well, the bank ranked third in terms of 'value for money'. As a cooperative, the group strives to meet its members' expectations for very competitive prices on loan and insurance products.

Figure 1: Net profit by business (NOK m)



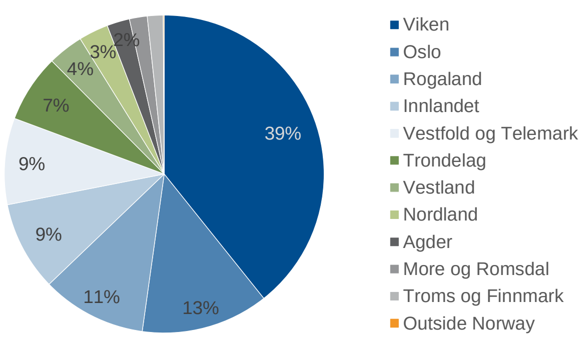
Note: Real estate brokerage business was acquired in 2020.
Source: Company data, Scope Ratings.

Figure 2: Revenues and net interest margin (%)– peer comparison



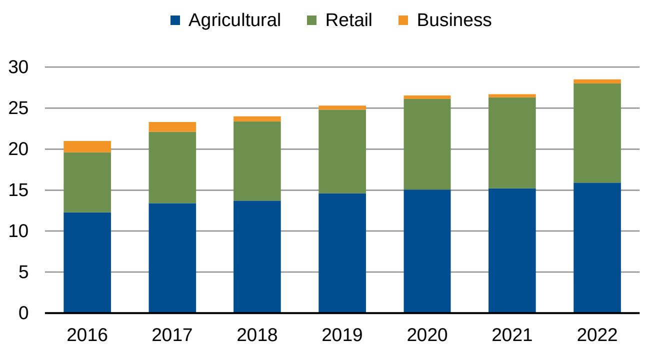
Note: Averages for 2020-2022 period.
Source: SNL, Scope Ratings.

Figure 4: Loans by geography – YE 2022



Source: Company data, Scope Ratings.

Figure 5: Loans by customer segment (NOK bn)

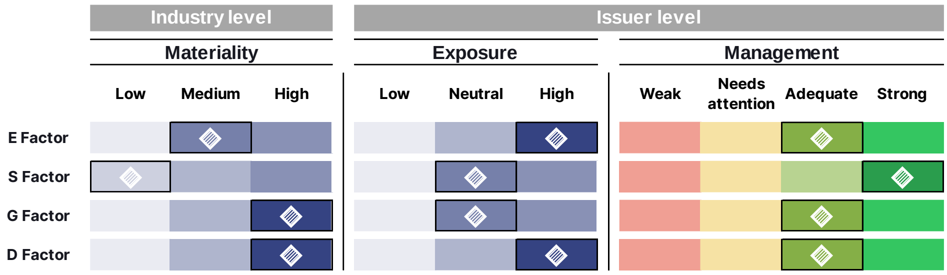


Source: Company data, Scope Ratings.

Developing capabilities to address ESG-related risks and opportunities

The 'developing' long-term sustainability assessment reflects the group's ongoing efforts to address ESG-related risks and opportunities. Having roots as a digital bank and a cooperative support the long-term sustainability of the group's business franchise but does not warrant further credit differentiation in this step of the rating construct.

Figure 6: Exposure and management of key ESG-D factors[1]



Source: Scope Ratings

Governance

Landkreditt's governance structure is based on elected representatives drawn from the cooperative's nearly 8,500 members. The representatives come from 16 electoral districts around the country, with elections being held electronically to ensure wide participation. The representatives are responsible for electing members of the board. In line with national corporate governance practices, two employee representatives also sit on the board. As well, the board has audit, risk and remuneration committees.

Digital transition

Since its founding in 2002, Landkreditt Bank has been a digital bank and therefore is not burdened by a legacy branch network. Management, however, sees advantages to having a local presence in key agricultural regions and has established a small number of offices to offer a combination of banking, insurance, and agricultural real estate brokerage services.

A key part of the group's strategy entails further digitalisation to support business growth and increase efficiency. Landkreditt invests in established IT infrastructure and systems.

In 2022 and 2023, the group is making its largest technology investments since the founding of the bank. These include upgrades to several central IT systems, the migration of analytical and reporting systems to the cloud and a new cloud-based core system for the insurance business.

Environmental factor

Environmental factors are a part of Landkreditt's risk assessment and credit processes. Various physical risks such as flooding and clay sands are considered. The bank also collects data from its agricultural customers to improve its understanding of their emissions. As well, farmers are assessed on whether they adopt and follow national ESG initiatives. Further, the group continues to develop its stress testing and climate reporting capabilities.

[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.

Landkreditt also seeks to contribute to more sustainable food production by backing farmers as they make changes to operate more sustainably. The group is supporting initiatives such as Landbrukets Klimaselskap, a cooperative linked to the agricultural industry which encourages use of the 'climate calculator'. The calculator is a digital tool designed specifically for farmers to help them understand and manage their carbon emissions.

In 2021, the bank launched green agricultural loans, providing favourable terms for investments that contribute to climate-friendly food production. The volume of such loans has reached about NOK 50m and is available to back the issuance of green bonds. Landkreditt established a green bond framework last year which has been independently assessed by CICERO.

Social factor

Landkreditt's cooperative business model inherently incorporates social objectives. Further, the group's close ties to the agricultural industry means it plays an important role in maintaining the high quality and self-sufficiency of food production in Norway.

Returns reflect cooperative business model and low risk culture

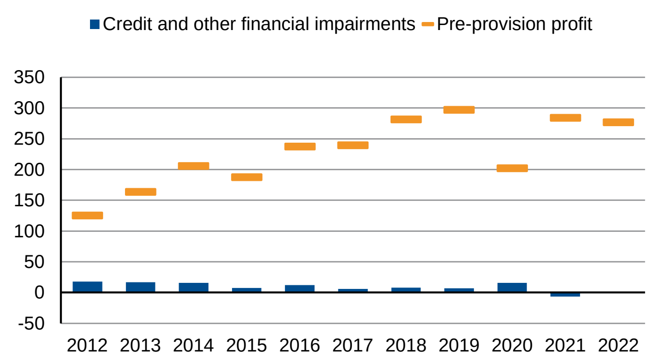
The 'supportive' earnings and risk exposures assessment reflects the group's ability to generate returns which meet its members expectations for very competitive products as well as providing a strong buffer against potential credit losses. Asset quality is sound, underpinned by a low risk culture and a largely secured loan book.

Earnings provide strong buffer against credit losses

Reflecting is cooperative business model and low risk culture, Landkreditt generates relatively stable but somewhat lower returns than domestic peers. Earnings, nevertheless, are more than sufficient to absorb credit costs (Figure 9). Management's focus is on providing attractive financial services for members and customers, with earnings being used to ensure the group's solidity.

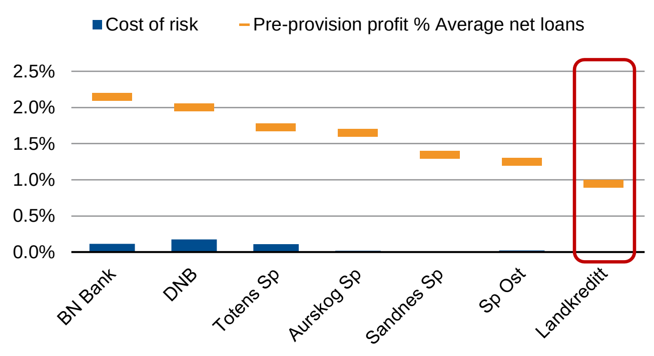
Landkreditt has demonstrated its ability to grow the business while maintaining low credit losses. Compared to local and regional savings banks, the group's credit exposure is more geographically diversified. Around half of the exposure is in the greater Oslo region, with the remainder spread throughout the country (Figure 4).

Figure 7: Pre-provision profit vs impairments (NOK m)



Note: Pre-provision profit in 2015 excludes a NOK 359m gain from an asset disposal. Source: Company data, Scope Ratings.

Figure 8: Pre-provision profitability and cost of risk (%) – peer comparison



Note: Averages for 2020-2022 period. Source: SNL, Scope Ratings.

Experienced lender to agricultural sector

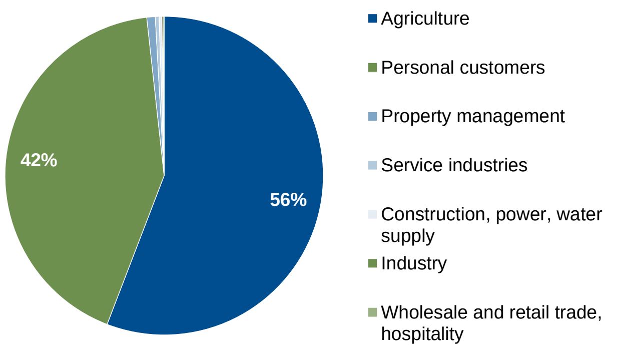
Credit decisions involving agricultural customers benefit from the group's in-depth knowledge and expertise in the sector. Agricultural production in Norway is diverse, with the bank's customers producing around 20 different products in about 300 various combinations. Farmers typically also have income sources which are not solely related to agricultural production, with less than 20% of them relying on agriculture for more than 75% of their income.[2] Further, the agricultural sector continues to benefit from strong government support.

Largely secured loan book

Nearly all credit exposure is secured by residential property or agricultural buildings and land. As farms are often used as primary residences, this further supports the credit quality of the loan book. Over 90% of agricultural loans have an LTV below 80%. At the same time, over 95% of residential mortgages have an LTV below 80%, with the average LTV being around 55%.

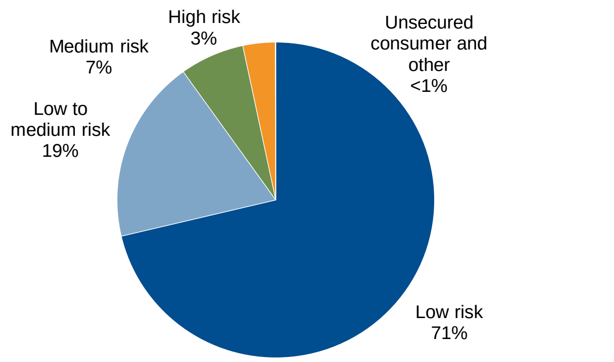
The asset quality of the credit portfolio remained sound throughout the pandemic. Given the current economic uncertainty and elevated interest rates, management has increased the weight of downside economic scenarios in its IFRS 9 models. This has led to a small rise in the proportion of Stage 2 loans. At the same time, the proportion of Stage 3 loans has declined to 1% as of year-end 2022 (Figure 11). This compares well to peers, given the higher share of residential mortgages in peers' loan portfolios (Figure 12).

Figure 9: Loan book composition – YE 2022



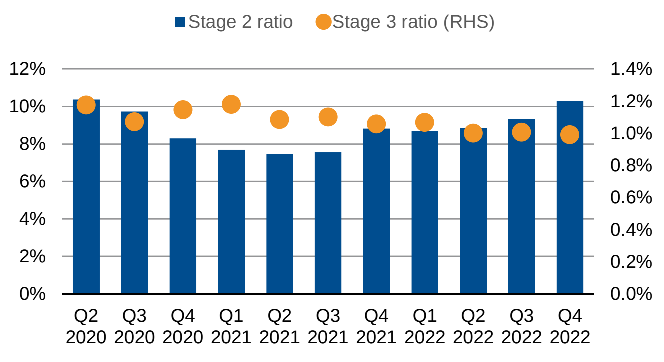
Source: Company data, Scope Ratings.

Figure 10: Internal risk classification of loan book – YE 2022



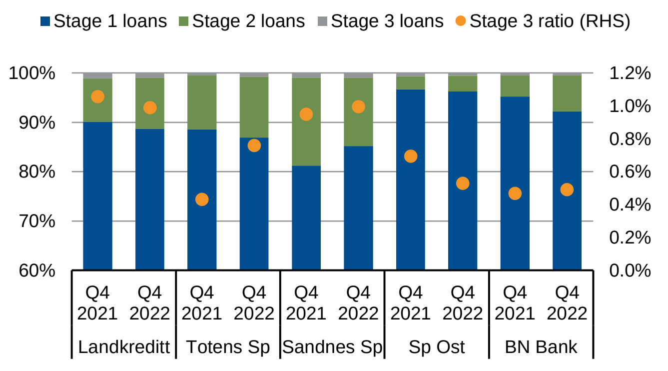
Source: Company data, Scope Ratings.

Figure 11: Stage 2 and Stage 3 loan development (%)



Source: Company data, Scope Ratings.

Figure 12: IFRS 9 loan staging – selected peer comparison



Source: SNL, Scope Ratings.

[2] Agricultural Barometer, 2021.

Reassuring prudential metrics with comfortable buffers against requirements

The 'çomfortable' financial viability management assessment reflects the group's reassuring prudential metrics and the comfortable buffers to requirements. Customer deposits are the main source of funding. At the same time, the group maintains good access to wholesale funding markets, including covered bonds.

Landkreditt manages growth to ensure a balance between profitability and maintaining a solid solvency position. Importantly, cooperative members understand the need to develop and solidify the group's position and have not asked for earnings distributions.

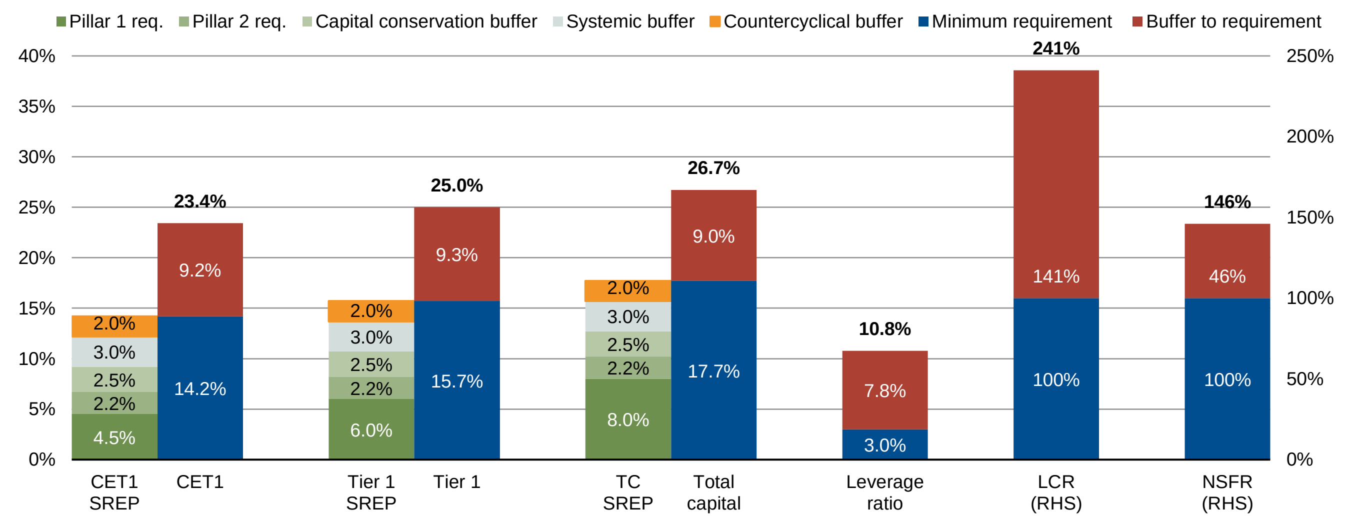
Well placed to meet increases in capital requirements

With a CET1 capital ratio of 23.4% as of year-end 2022, the group comfortably meets its current requirements and is well positioned against expected future requirements. The current CET1 requirement is 14.2%, which includes a 3% systemic risk buffer, a 2.5% capital conservation buffer, a 2.0% countercyclical capital buffer and a 2.2% Pillar 2 requirement

As part of the measures implemented to mitigate the impact of the pandemic, the countercyclical capital buffer was lowered to 1% from 2.5% in March 2020. The countercyclical capital buffer rate will revert to 2.5% in March 2023. In addition, for banks like Landkreditt using standardised models for credit risk, the systemic risk buffer is scheduled to increase to 4.5% from 3% with effect from year-end 2023. Management has incorporated these increases into its capital planning and based on feedback from the Norwegian FSA, the group has increased its management buffer to at least 100bp (previously 50bp).

As of year-end 2022, the group's leverage ratio was 10.3% which compares well to both domestic and international peers.

Figure 13: Financial viability dashboard - Overview of positioning vs key regulatory requirements



Note: LCR and NSFR figures are for Landkreditt Bank group.
Source: Company data, SNL, Scope Ratings

Focused on smaller, more stable customer deposits

Customer deposits remain the primary source of funding (Figure 16). In recent years, the group has chosen not to attract customers with large deposit volumes. As of year-end 2022, the ten largest depositors accounted for 1.1.% total deposits, down from 8.2% in 2011.

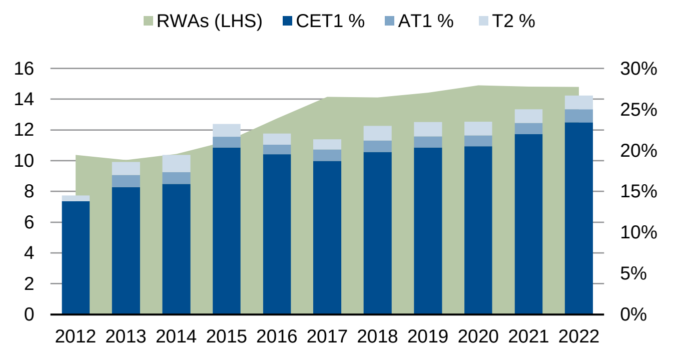
However, the pace of lending generally outstrips deposit growth, with deposits being insufficient to support lending activity. Recognising the importance of maintaining a sound liquidity profile, management targets a minimum deposit-to-loan ratio of 70%, above the level of many domestic peers.

Covered bonds are an important funding source

To diversify funding sources, a fully owned covered bond issuer, Landkreditt Boligkreditt, was established in 2010. About 36% of residential mortgage loans were transferred to the covered bond company in 2022. Covered bonds account for around 50% of outstanding debt.

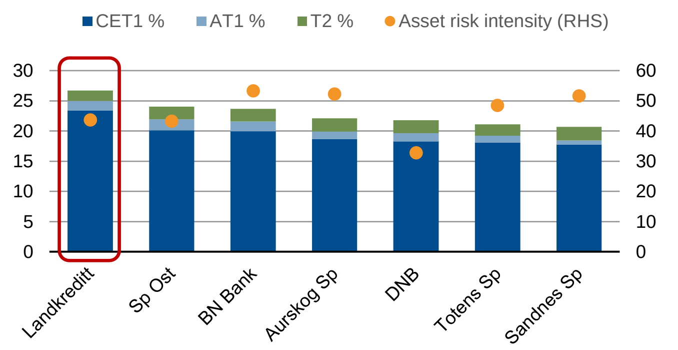
Landkreditt is a regular issuer in the domestic bond market, issuing secured, senior unsecured, and subordinated debt. Investors include Norwegian pension funds, asset managers and insurance companies. As of year-end 2022, the average maturity of outstanding debt was about two years while the average interest rate was 3.8% (2021: 1.1%). The bank group's liquidity metrics were comfortably above requirements, with the LCR and NSFR at 241% and 146%, respectively as of year-end 2022.

Figure 14: Capital (%) and RWA (NOK bn) development



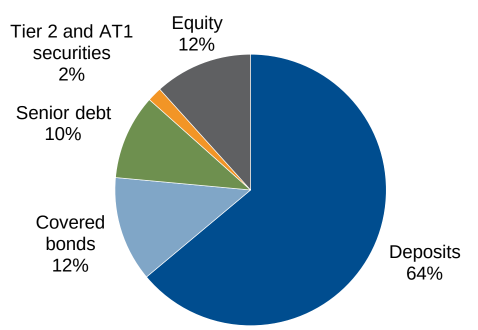
Source: Company data, Scope Ratings.

Figure 15: Capital profile – peer comparison



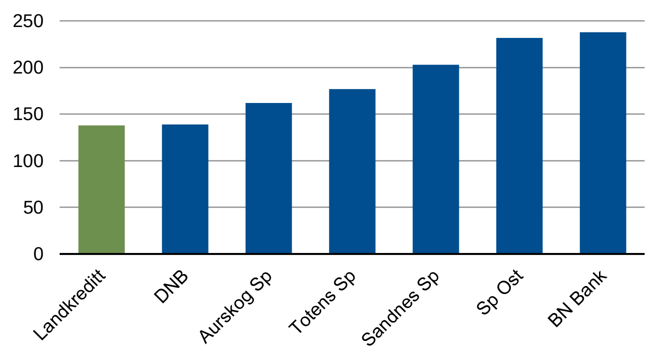
Source: SNL, Scope Ratings.

Figure 16: Funding profile – YE 2022



Source: Company data, Scope Ratings.

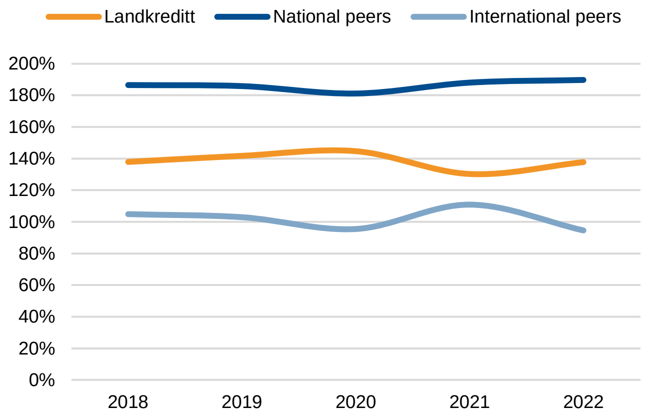
Figure 17: Loans % Deposits – peer comparison



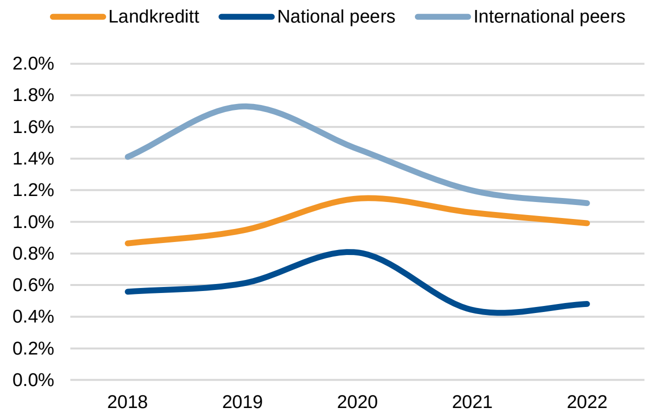
Note: Data as of YE 2022. Loans which have been transferred to covered bond entities have been included in the figures.
Source: Company data, Scope Ratings.

I. Appendix: Peer comparison

Net customer loans % Deposits

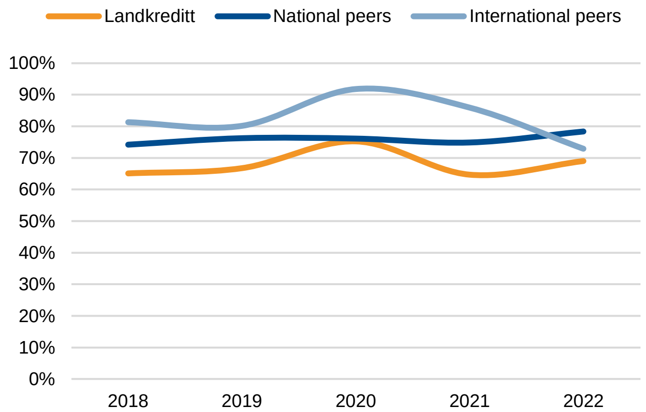


Problem loans % Gross customer loans

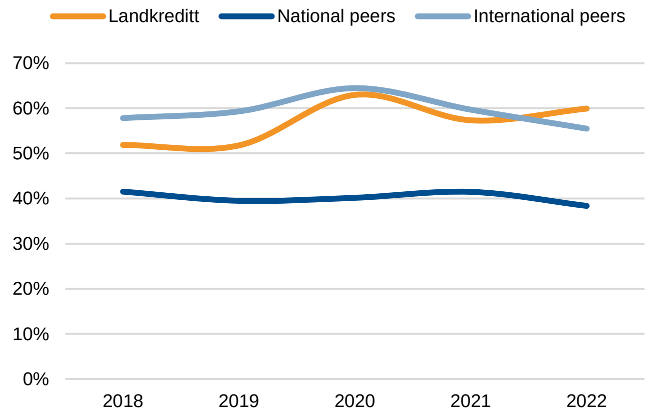


Note: Loan figures include loans transferred to covered bond issuing entities.

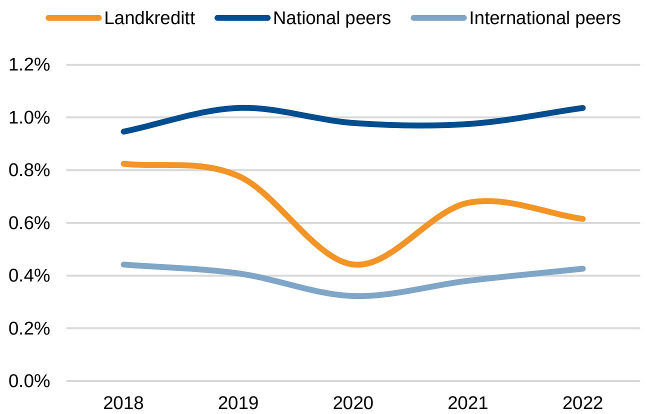
Net interest income % Operating income



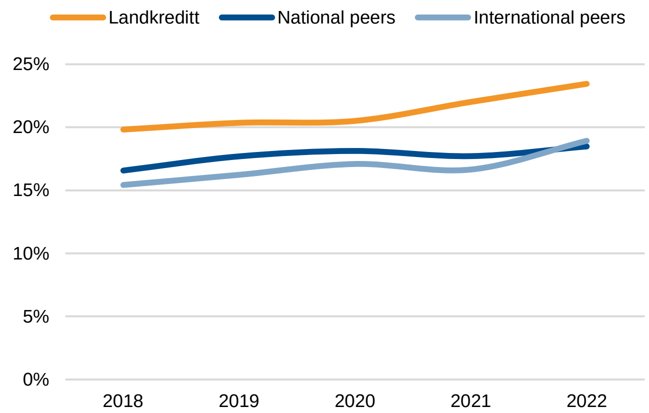
Costs % Income



Return on average assets (%)



CET1 capital ratio (%)



Note: 2022 data is unavailable for Bausparkasse Wustenrot and Landshypotek Ekonomisk Forening.
National peers: Aurskog Sparebank, Sandnes Sparebank, Totens Sparebank, Sparebanken Ost, BN Bank, DNB Bank.
International peers: Bausparkasse Wustenrot AG, Banca Popolare di Sondrio SpA, de Volksbank NV, Kutxabank SA, Landshypotek Ekonomisk Forening, DLR Kredit AS.
Source: SNL.

II. Appendix: Selected financial information – Landkreditt SA group

	2018	2019	2020	2021	2022
NOK m					
Assets					
Cash and interbank assets	993	931	1,246	1,306	1,169
Total securities	3,391	3,188	3,338	4,322	3,094
of w hich, derivatives	0	0	0	0	0
Net loans to customers	24,054	25,421	26,635	26,841	28,849
Other assets	500	614	742	782	736
Total assets	**28,938**	**30,155**	**31,961**	**33,251**	**33,848**
Liabilities					
Interbank liabilities	16	0	0	0	0
Senior debt	7,069	7,580	8,665	7,456	7,485
Derivatives	0	0	0	0	0
Deposits from customers	17,443	17,931	18,405	20,608	20,941
Subordinated debt	331	331	331	331	332
Other liabilities	1,066	1,079	1,195	1,273	1,263
Total liabilities	**25,925**	**26,922**	**28,596**	**29,668**	**30,021**
Ordinary equity	2,795	3,012	3,145	3,360	3,566
Equity hybrids	199	199	199	199	233
Minority interests	19	22	20	23	29
Total liabilities and equity	**28,938**	**30,155**	**31,961**	**33,251**	**33,848**
Core tier 1/ common equity tier 1 capital	*2,795*	*2,934*	*3,052*	*3,262*	*3,470*
Income statement summary (NOK m)					
Net interest income	380	411	410	430	476
Net fee & commission income	72	98	117	139	136
Net trading income	92	48	-30	5	-34
Other income	40	59	48	91	112
Operating income	**585**	**615**	**545**	**665**	**690**
Operating expenses	303	319	343	381	413
Pre-provision income	**281**	**297**	**202**	**284**	**277**
Credit and other financial impairments	8	7	16	-7	-1
Other impairments	0	0	0	0	0
Non-recurring income	NA	NA	NA	NA	NA
Non-recurring expense	NA	NA	NA	NA	NA
Pre-tax profit	**274**	**290**	**186**	**291**	**278**
Income from discontinued operations	0	0	0	0	0
Income tax expense	40	59	47	66	70
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	5	3	-1	1	2
Net profit attributable to parent	**229**	**228**	**141**	**223**	**206**

Source: SNL.

III. Appendix: Selected financial information – Landkreditt SA group

	2018	2019	2020	2021	2022
Funding and liquidity					
Net loans/ deposits (%)	138%	142%	145%	130%	138%
Liquidity coverage ratio (%) *	223%	263%	391%	293%	241%
Net stable funding ratio (%) *	NA	NA	NA	156%	146%
Asset mix, quality and growth					
Net loans/ assets (%)	83.1%	84.3%	83.3%	80.7%	85.2%
Problem loans/ gross customer loans (%)	0.9%	0.9%	1.1%	1.1%	1.0%
Loan loss reserves/ problem loans (%)	36.2%	31.4%	26.7%	28.3%	27.4%
Net loan growth (%)	3.3%	5.7%	4.8%	0.8%	7.5%
Problem loans/ tangible equity & reserves (%)	6.9%	7.5%	9.2%	8.1%	7.7%
Asset growth (%)	8.3%	4.2%	6.0%	4.0%	1.8%
Earnings and profitability					
Net interest margin (%)	1.4%	1.4%	1.3%	1.3%	1.4%
Net interest income/ average RWAs (%)	2.7%	2.8%	2.7%	2.9%	3.2%
Net interest income/ operating income (%)	65.0%	66.7%	75.2%	64.6%	69.0%
Net fees & commissions/ operating income (%)	12.4%	15.9%	21.4%	20.9%	19.7%
Cost/ income ratio (%)	51.9%	51.8%	62.9%	57.3%	59.9%
Operating expenses/ average RWAs (%)	2.1%	2.2%	2.3%	2.6%	2.8%
Pre-impairment operating profit/ average RWAs (%)	2.0%	2.1%	1.3%	1.9%	1.9%
Impairment on financial assets / pre-impairment income (%)	2.8%	2.4%	7.8%	-2.4%	-0.5%
Loan loss provision/ average gross loans (%)	0.0%	0.0%	0.1%	0.0%	0.0%
Pre-tax profit/ average RWAs (%)	1.9%	2.0%	1.2%	2.0%	1.9%
Return on average assets (%)	0.8%	0.8%	0.4%	0.7%	0.6%
Return on average RWAs (%)	1.6%	1.6%	0.9%	1.5%	1.4%
Return on average equity (%)	7.9%	7.4%	4.3%	6.5%	5.7%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	19.8%	20.3%	20.5%	22.0%	23.4%
Common equity tier 1 ratio (%, transitional)	19.8%	20.3%	20.5%	22.0%	23.4%
Tier 1 capital ratio (%, transitional)	21.2%	21.7%	21.8%	23.3%	25.0%
Total capital ratio (%, transitional)	23.0%	23.5%	23.5%	25.0%	26.7%
Leverage ratio (%)	10.2%	10.3%	10.1%	10.3%	10.8%
Asset risk intensity (RWAs/ total assets, %)	48.8%	47.8%	46.6%	44.6%	43.7%

Note: LCR and NSFR figures are for Landkreditt Bank group.
Source: SNL.

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