

Aurskog Sparebank

Issuer report

Summary and Outlook

Aurskog Sparebank's A- issuer rating reflects the following assessments:

- **Business model assessment: Focused (High).** Aurskog is a well-established savings bank operating in south-east Norway. Membership in the Eika Alliance strengthens the bank's competitive position. Key benefits include the ability to offer a wide range of financial services, economies of scale and strong digital capabilities. In addition, the bank's focus on personal customers and mortgage lending supports stable and solid risk-adjusted performance.
- **Operating environment assessment: Very supportive (Low).** As a relatively small open economy with one of the world's highest levels of per capita income and low unemployment, the operating conditions in Norway are very conducive for banking activities. The regulatory environment is well-established and rigorous, and the central bank has a strong record of providing refinancing facilities to banks in times of stress.
- **Long term sustainability assessment (ESG factor): Developing.** As a local savings bank, Aurskog's business franchise is underpinned by close ties to the local community. Management actively embraces developments in the area of sustainability. This includes developing further competence to evaluate and report on potential ESG risks in the loan portfolio, supporting the transition efforts of clients and investing in the bank's digital infrastructure.
- **Earnings and risk exposures assessment: Supportive.** Aurskog generates solid returns, underpinned by good cost efficiency and low credit losses. The bank targets a return on equity of at least 10% and a cost-income ratio of no more than 38%. Asset quality compares well with peers, reflecting management's risk appetite and a largely secured loan book.
- **Financial viability management assessment: Comfortable.** The bank maintains a sound solvency profile, with management aiming for a buffer of at least 1% above requirements. As of YE 2023, the CET1 and leverage ratios were 18% and 10.4%, respectively. The main source of funding is customer deposits, with the bank targeting a deposit-to-loan ratio of at least 70%. Similar to peers, deposits do not fully support lending activity and Aurskog must also use market funding, including covered bonds.

Outlook

The Stable Outlook reflects Scope's view that risks to the bank's ratings are balanced.

What could move the rating up

- Significant strengthening of market position accompanied by consistent earnings generation and sound prudential metrics

What could move the rating down

- A deterioration in the operating environment which materially impacts earnings
- A change in strategic direction or management's risk appetite which increases the bank's risk profile

Issuer rating

A-

Outlook

Stable

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Related publications

[Scope affirms Aurskog Sparebank's A- issuer rating with Stable Outlook, April 2024](#)

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Rating drivers overview table

Step		Assessment	Summary rationale		
STEP 1	Operating environment	Very supportive	H	L	<ul style="list-style-type: none"> ◆ Norway is a small wealthy economy with well-developed capital markets and a strong record of economic resilience ◆ Very conducive market conditions for banking activities ◆ Well-established and rigorous regulatory environment
		Supportive	H	L	
		Moderately supportive	H	L	
		Constraining	H	L	
		Very constraining	H	L	
	Business model	Very resilient	H	L	<ul style="list-style-type: none"> ◆ Savings bank with a focus on personal customers and mortgage lending ◆ Well-established in local market with resilient operating performance ◆ Membership in an alliance brings significant benefits and strengthens the business franchise ◆ Operations are concentrated in one region of Norway
		Resilient	H	L	
		Consistent	H	L	
		Focused	H	L	
		Narrow	H	L	
	Initial mapping	bbb			
	Long-term sustainability	Best in class			<ul style="list-style-type: none"> ◆ Business model is underpinned by sustaining close ties to the local community ◆ Significant investments made to improve digital capabilities ◆ Developing ESG risk management and reporting capabilities
Advanced					
Developing					
Constrained					
Lagging					
Adjusted anchor	bbb				
STEP 2	Earnings capacity & risk exposures	Very supportive			<ul style="list-style-type: none"> ◆ Solid earnings capabilities with strong efficiency ◆ Strong asset quality, reflecting management's risk appetite and a focus on secured lending
		Supportive			
		Neutral			
		Constraining			
		Very constraining			
	Financial viability management	Ample			<ul style="list-style-type: none"> ◆ Sound prudential metrics ◆ Customer deposits represent the largest source of funding ◆ Regular access to capital markets funding, including covered bonds
		Comfortable			
		Adequate			
		Limited			
		Stretched			
	Additional factors	Significant upside factor			◆ No further considerations
		Material upside factor			
		Neutral			
		Material downside factor			
		Significant downside factor			
Standalone	a-				
STEP 3	External support	Not applicable			
Issuer rating		A-			

Issuer profile

Established in 1846, Aurskog Sparebank is a well-established local savings bank operating primarily in the district of Romerike in south-east Norway. The bank defines its market area as Romerike and adjacent municipalities as well as Follo and Inner Ostfold. The bank serves about 24,100 personal and business customers with a head office in Aurskog and five branches.

Aurskog Sparebank is part of the Eika Alliance and is one of its largest members.

The bank has two small specialised wholly owned subsidiaries. Aurskog Eiendom AS owns and leases commercial property of a strategic nature. Aurskog Eiendomsinvest AS is a vehicle for holding acquired properties which the bank intends to eventually sell although it currently does not hold any properties. In addition, the bank has a 45% stake in a local real estate broker. As of YE 2023, the group had total on-balance sheet assets of NOK 17.4bn and about 70 employees.

Aurskog Sparebank has equity capital certificates outstanding and has been listed on the Oslo Stock Exchange since 1998. As of YE 2023, the equity certificate capital ratio¹ was 41%.

Recent events

- ◆ **April 2024.** The bank issued a NOK 150m AT1 security, with a call date in July 2029. Part of the proceeds have been used to partially redeem the NOK 100m AT1 security issued in June 2019.
- ◆ **March 2024.** The bank issued a NOK 125m Tier 2 bond, with a call date in June 2029. Part of the proceeds were used to fully redeem the NOK 50m Tier 2 bond issued in June 2019.
- ◆ **Q4 2023 results.** Aurskog Sparebank reported a net profit of NOK 55m in the quarter, up from NOK 51m in Q4 2022. Results were supported by the higher interest rate environment and loan growth. Meanwhile, costs were elevated due to the execution of an IT conversion project and general inflation. Asset quality remained stable during the quarter, with the stage 3 ratio at 0.3%. For FY 2023, the bank reported a record net profit of NOK 215m and a return on equity of 11%.

¹ Equity certificate capital ratio: equity certificate capital as a share of total equity.

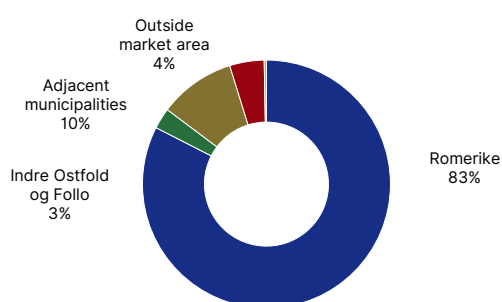
Rating drivers

An established local savings bank operating in south-east Norway

The 'focused' business model assessment reflects Aurskog's well-established savings bank franchise in its core market and the focus on retail customers. The bank's operations are concentrated in the district of Romerike outside of Oslo. Being a member of the Eika Alliance strengthens the bank's competitive position.

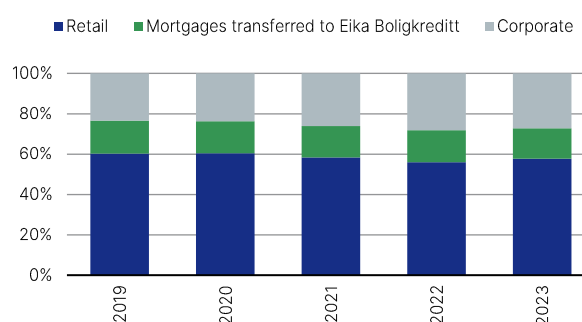
The 'very supportive - low' operating environment assessment reflects Norway's wealthy and resilient economy as well as regulatory and market conditions which are very conducive for banking activities.

Figure 1: Loan book by geography



Note: NOK 14.6bn as of YE 2023. Excludes NOK 2.6bn transferred to Eika Boligkreditt.
Source: Company data, Scope Ratings

Figure 2: Lending by customer segment



Source: Company data, Scope Ratings

Reflecting its strategy and savings bank business model, Aurskog's operations are concentrated in the district of Romerike. The area continues to benefit from above average population and job growth as people seek more affordable housing and as the government aims to encourage development in the wider Oslo region. House prices in the area are close to the national average and remain materially lower than in Oslo (Figure B).

Management considers operating conditions in the bank's market area to be attractive and supportive of future growth. The bank also sees opportunities stemming from the consolidation happening in the sector. Aurskog has achieved robust growth in recent years, with total assets exceeding NOK 20bn for the first time as of end-2023 (including loans transferred to Eika Boligkreditt). Nevertheless, there continues to be strong competition from numerous other savings and commercial banks.

Last year, the bank affirmed its strategy to remain independent and to grow organically. Long-term goals include a return on equity of at least 10%, a cost-income ratio of no more than 38%, and loan growth of 5% to 10% under normal conditions. Loan growth including loans transferred to Eika Boligkreditt was 11% in 2023 and 14% in 2022.

In September 2023, Aurskog opened its sixth branch in the neighboring municipality of Indre Ostfold. The bank first entered the market in early 2023 with an office to accommodate employees residing in the area. As management considers it essential to have good local knowledge of the market, the branch is staffed with people from the area. Rather than pursuing scale, the bank's strategy is based on selectively acquiring new clients.

Operations concentrated in Romerike

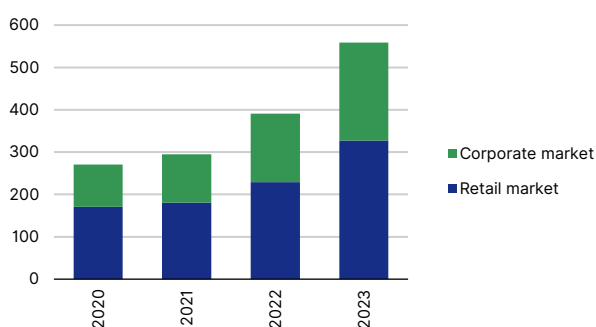
Strategy based on measured organic growth

The bank's primary source of revenue is net interest income reflecting a traditional banking business (Figure 4). This is complemented by fee and commission income from providing payment services as well as the distribution of insurance and savings and investment products. Being local and accessible to customers and having the expertise to advise on savings and investments are considered key competitive advantages.

The ability to meet the broad financial needs of customers is made possible through the bank's membership in the Eika Alliance, a strategic alliance of around 50 local banks that collectively accounts for about 10% of retail lending in the country. Being part of the alliance also brings benefits that are indispensable for maintaining cost efficiency and a strong competitive position, such as common IT systems and knowledge sharing.

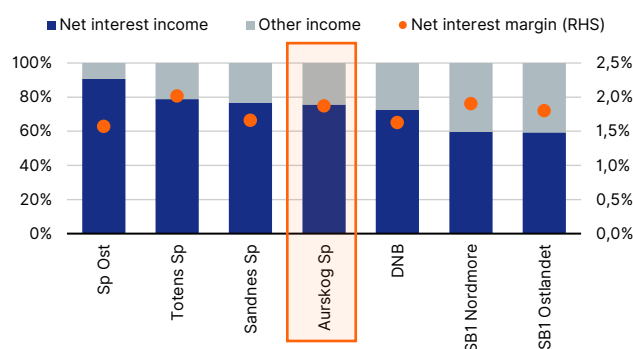
Membership in Eika Alliance strengthens business model

Figure 3: Revenue by customer segment (NOK m)



Source: Company data, Scope Ratings

Figure 4: Revenue composition – peer comparison



Note: Three-year averages based on 2021-2023
Source: SNL, Scope Ratings

Box A: Focus on Aurskog Sparebank's country of domicile: Norway

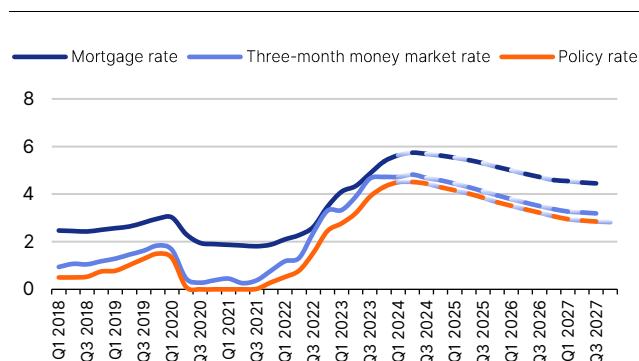
Economic assessment:

- ◆ With a population of 5.4m and a nominal GDP of USD 490bn, Norway is a relatively small open economy with one of the world's highest levels of per capita income.
- ◆ The Norwegian economy recovered quickly from the Covid-19 pandemic, with continued strong GDP growth in 2022 but a slowdown in 2023. The impacts of high inflation were partially offset by the strong performance of the oil sector.
- ◆ Investment in the oil sector is expected to remain high in 2024, while falling inflation and a recovery in real earnings should support a gradual recovery in private consumption. GDP growth is expected to rise to 1.2% in 2024 and 2.0% in 2025 before converging towards Norway's growth potential of around 1.8%.
- ◆ 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 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. Macprudential measures concerning mortgages and consumer debt are in place to manage these risks. Mortgage debt is primarily on floating rate terms.
- ◆ Exposure to commercial real estate firms is a longstanding vulnerability of the financial system.
- ◆ The reliance on the oil and gas sector exposes the country to long-run transition risks.

Key economic indicators	2020	2021	2022	2023 E	2024 F
Real GDP growth, %	-1.8	4.0	3.0	0.8	1.2
Inflation, % change	1.3	3.5	5.8	5.5	3.8
Unemployment rate, %	4.8	4.4	3.2	3.6	4.0
Policy rate, %	0.0	0.5	2.75	4.5	4.0
Public debt, % of GDP	45	43	37	37	36
General government balance, % of GDP	-2.6	10.6	26.0	21.5	14.4

Source: Scope Ratings

Figure A: Interest rates (%)



Source: Norges Bank, March 2024 Monetary Policy Report

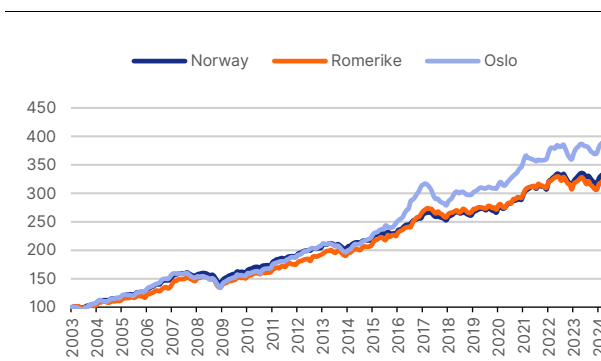
Soundness of the banking sector:

- ◆ 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 their 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 more than half of total lending while the commercial real estate sector accounts for 15% of total lending (or nearly half of corporate lending).
- ◆ Digitalisation is high and the use of cash is amongst the lowest in the world.
- ◆ A 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 customer deposits are the primary source of funding, the use of market funding is material, especially covered bonds.

Banking system indicators	2019	2020	2021	2022	2023
ROAA, %	1.1	0.8	1.0	1.0	1.1
ROAE, %	11.2	8.5	10.1	10.9	12.2
Net interest margin, %	1.8	1.7	1.6	1.7	2.0
CET1 ratio, %	17.8	18.3	18.4	18.1	18.0
Problem loans/gross customer loans, %	1.3	1.6	1.4	1.2	1.1
Loan-to-deposit ratio, %	163.3	152.2	143.7	144.7	145.0

Source: SNL, Scope Ratings

Figure B: House price index

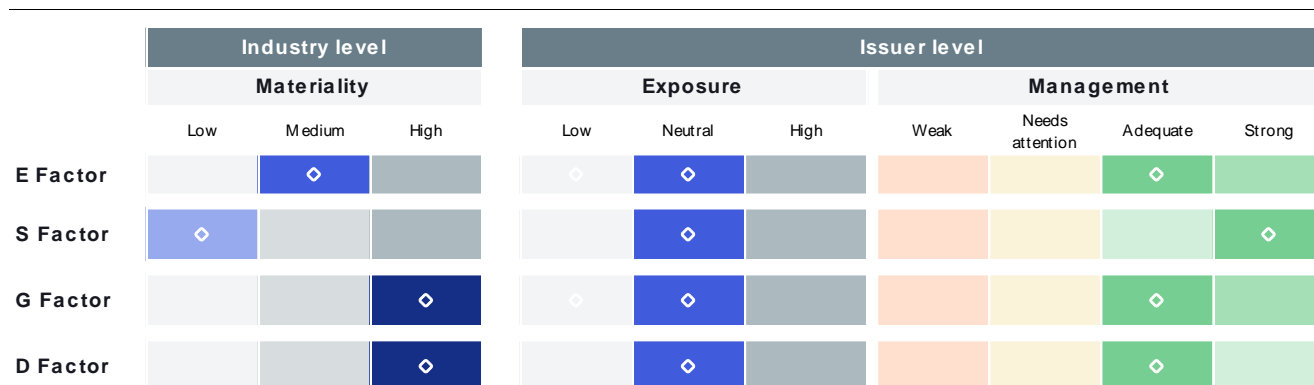


Source: Macrobond, Eiendom Norge, Scope Ratings

Actively embracing ESG-related risks and opportunities

The ‘developing’ long-term sustainability assessment reflects Aurskog’s ongoing and active management of ESG-related risks and opportunities. Strong digital capabilities are in line with the Norwegian banking sector. The bank’s efforts to cement ties with local communities are tangible and a common feature among Norwegian savings banks.

Figure 5: Long-term sustainability overview table²



Source: Scope Ratings

Management’s sustainability strategy is based on the key principle that as a savings bank, Aurskog will support financial security, economic development, and strong local communities. Within the Eika Alliance, the bank is participating in a project to prepare for CSRD reporting. In 2022, the bank published its first standalone sustainability report and began reporting to TCFD standards in its annual report. Aurskog is also a signatory to the UN’s Principles for Responsible Banking and Global Compact initiatives.

Social: business franchise is supported by close relationship with local communities

Aurskog’s savings bank business model is based on maintaining close ties to the local community. The bank is an active member of several local business associations in its market, sharing its expertise and organising various activities and events to foster economic development. In conjunction with the municipality of Aurskog-Holand, the bank also provides grants to help start-ups and existing businesses, with initiatives related to climate transition being a particular priority.

The bank is also an important contributor to community life through gifts and sponsorships. Each year, donations are made to a wide range of initiatives within culture, sport, inclusion and climate and environment. In 2023, the bank provided NOK 11.5m to support these efforts, equivalent to more than 5% of net profit.

Governance: customers are important stakeholders

In common with other Norwegian savings banks, Aurskog’s governance structure further reinforces its close relationship with customers and the local community. The board of trustees is the highest governing body and supervises the board of directors’ management of the bank. The board of trustees represents the interests of various stakeholders; of its twenty members, eight represent customers, seven represent equity capital certificate holders, and five represent employees.

² The ESG-D heatmap is not a scorecard but illustrates how each factor informs our overall assessment. The Materiality table shows how we assess the credit relevance of each factor for the entire European banking industry. The Exposure table shows to what extent the bank is exposed to risks or benefits from opportunities compared to peers, given its business model and countries of operation. The Management table shows how we view the bank’s navigation through transitions.

Digitalisation: significant investments to maintain digital capabilities

Between 2020 and 2023, Aurskog spent NOK 36m on upgrading its digital infrastructure to ensure that it continues to meet the evolving demands of customers and to increase efficiency. The conversion to a new technology provider and core platform was done through the Eika Alliance and successfully completed in June 2023. Given that most banks in the country now use the same technology provider, management sees opportunities for further collaboration in this area.

Environmental: developing risk management expertise and working with clients on transition

Aurskog aims to be net zero in its financed emissions by 2050. Management has set short- and medium-term targets and KPIs to guide the bank's efforts in achieving this objective.

A key target is growing the volume of green lending. Aurskog offers retail customers green mortgages and car loans. For business customers, green loans for climate adaptation, energy-saving measures, and investments in environmentally friendly technology are available. The bank is also working to increase the number of financed homes and commercial buildings with energy labels.

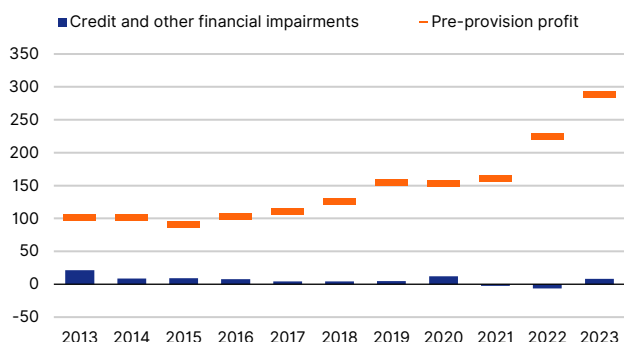
Sustainability considerations, including climate risk, are part of the bank's risk management and credit assessment process. An ESG assessment is performed on all new customers and as existing loans are renewed. As of end-2023, more than 80% of corporate loans had been assessed, up from 39% as of end-2022. The bank's advisors are supported in these efforts by training as well as an ESG questionnaire developed by the Eika Alliance.

Solid operating performance and sound asset quality

The ‘supportive’ earnings and risk exposures assessment reflects the bank’s solid operating performance underpinned by strong cost efficiency and low credit losses. Asset quality is sound and compares well to peers.

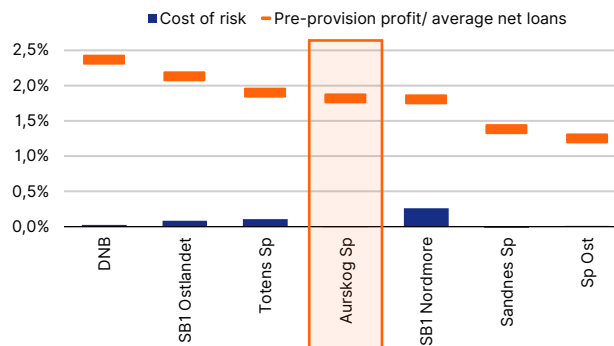
Figure 6: Pre-provision income and provisions

6.1 Historical development (NOK m)



Source: Company data, Scope Ratings

6.2 Peer comparison



Note: Three-year averages based on 2021-2023.
Source: SNL, Scope Ratings

Management aims for steady and moderate growth to achieve its financial targets. Following last year’s strategic review, the bank now targets a return on equity of at least 10% (previously 9%) and a cost-income ratio of no more than 38% (previously 40%). We consider these targets to be reasonable given the bank’s historic performance.

Targeting return above 10% and cost/income ratio below 38%

Higher interest rates and elevated loan growth have supported operating performance in recent years. For 2023, the bank reported a return on equity of 11% which included the impact of NOK 15m in costs related to the above mentioned IT conversion project.

For 2024, management expects loan growth to reduce to a more normalized level between 5% and 10%. As well, net interest margin will likely moderate given increasing competition for creditworthy customers. While ongoing IT costs are lower following the IT conversion project, there will be higher costs related to general inflation and investments in staff and the business.

The bank’s earnings are consistently more than sufficient to absorb credit costs (Figure 6). The cost of risk amounted to 6 bp in 2023 and the bank does not expect this to rise above the estimated normal level of 10-15 bp over the next three years.

Aurskog’s loan book is dominated by relatively low risk residential mortgages (Figure 7). Due to the bank’s expertise and preference for lending secured by real estate as well as the dynamics of the local economy, the largest corporate exposures are to commercial real estate and construction. Meanwhile, the bank’s credit policy prohibits lending to customers with significant activities in the more cyclical oil, shipping, fishing and hospitality industries.

Loan book is largely secured

Reflective of management’s risk appetite, Aurskog maintains sound asset quality metrics which compare well to peers (Figure 8). Credit losses continue to be low, with the stage 3 ratio at 0.3% as of YE 2023. In line with the Norwegian banking sector, total stage 2 exposures have increased, driven by retail loans. However, stage 2 levels for the bank’s commercial real estate and construction exposures declined during 2023.

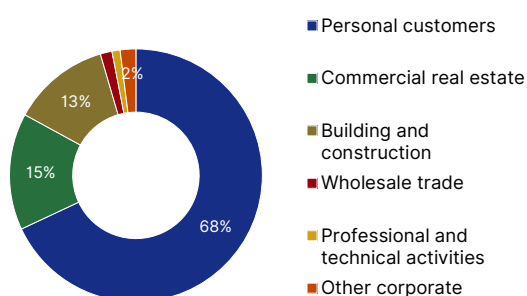
Management expects credit losses to remain low. The bank is engaged in proactive dialogues with customers who may be facing challenges and the number of customers seeking forbearance remains low in a historical context. In addition, there are signs of more positive market sentiment in relation to residential property in the bank's market area.

Active client dialogues and extra provisions support asset quality

Since 2020, Aurskog has held additional provisions as it considers ECL model-based provisions to be insufficient to fully capture the potential risks to collateral values from economic uncertainties. These are included in the provisions for stage 2 exposures. As of YE 2023, this overlay amounted to NOK 10.7m.

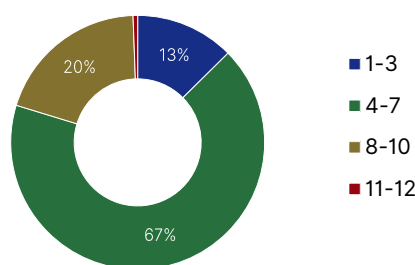
Figure 7: Loan book

7.1 Composition of on-balance sheet loan book



Note: NOK 14.6bn as of YE 2023. Excludes NOK 2.6bn transferred to Eika Boligkreditt. Source: Company data, Scope Ratings

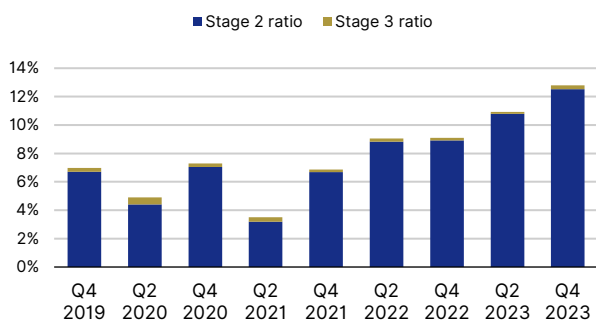
7.2 Internal risk classification of corporate loans



Notes: NOK 4bn as of YE 2023. Risk classes 1-3 are considered to be lowest risk while risk classes 11-12 are in default. Source: Company data, Scope Ratings

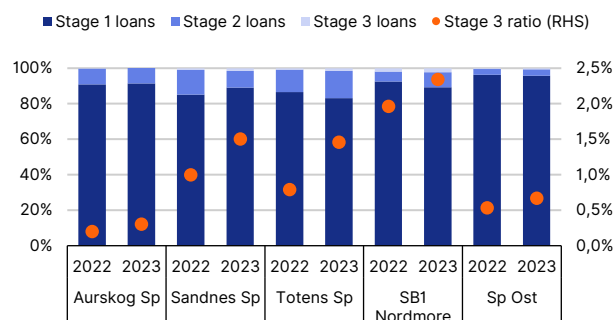
Figure 8: Asset quality indicators

8.1 Stage 2 and Stage 3 ratio development



Source: Company data, Scope Ratings

8.2 IFRS 9 loan staging – selected peer comparison

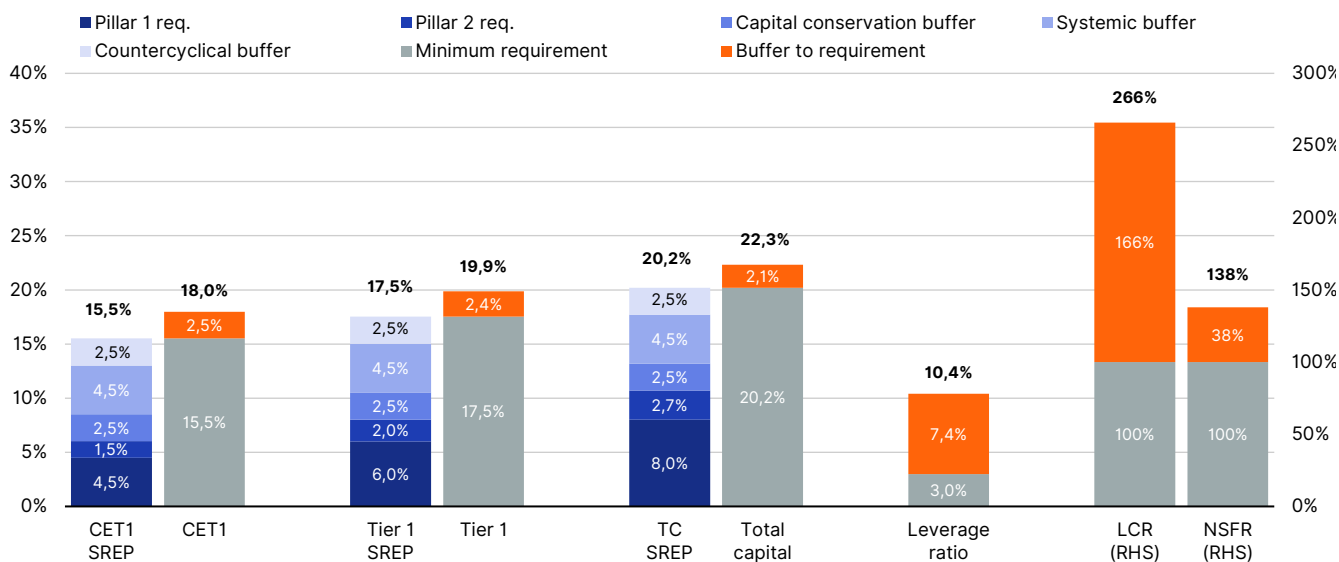


Source: Company data, SNL, Scope Ratings

Sound capital, funding and liquidity profile

The 'comfortable' financial viability management assessment reflects Aurskog's sound prudential metrics. Like other Norwegian banks, the bank has some reliance on market funding although customer deposits are the primary source of funding.

Figure 9: Overview of distance to requirements, as of YE 2023



Source: Company data, Scope Ratings

Aurskog maintains a sound solvency position, driven in part by relatively high regulatory requirements. Management targets a buffer of at least 1% above the bank's various capital requirements. The bank also aims for an equity certificate dividend payout ratio of at least 60%.

Prudent buffers to relatively high solvency requirements

When Basel IV is implemented in Norway (target implementation date of January 2025), the bank should receive some capital relief due to a more risk-sensitive standardised approach. However, the amount of relief remains uncertain given the Norwegian FSA's discretion to adjust requirements.

The minimum CET1 requirement for domestically focused banks is 14.5%, which includes a 4.5% systemic risk buffer and a countercyclical buffer of 2.5%. In addition, Aurskog is subject to a Pillar 2 requirement of 2.7%. As of January 2024, all Norwegian banks have been able to meet their Pillar 2 requirements with a mix of capital, in line with CRR. Previously, it had to be met entirely with CET1 capital.

Due to strong business growth, the bank's solvency metrics declined in 2021 (Figure 10). Consequently, the bank issued NOK 200m in equity capital certificates in April 2022 to support further growth and in anticipation of the increase in the systemic risk buffer at end-2023 for banks like Aurskog using the standardised approach.

Aurskog's primary source of funding is customer deposits, with management targeting a 70% on-balance sheet deposit-to-loan ratio. Reflecting its business model, nearly 70% of deposits are from personal customers. Like with other Norwegian banks, however, deposits are insufficient to fully support lending and Aurskog must also use market funding (Figure 11).

Retail deposits are foundation of funding profile

The bank benefits from direct access to the domestic funding market as well as through the covered bond issuing entity of the Eika Alliance. As of YE 2023, about 20% of mortgage loans have been transferred to Eika Boligkreditt. In addition, the bank established a green bond framework in

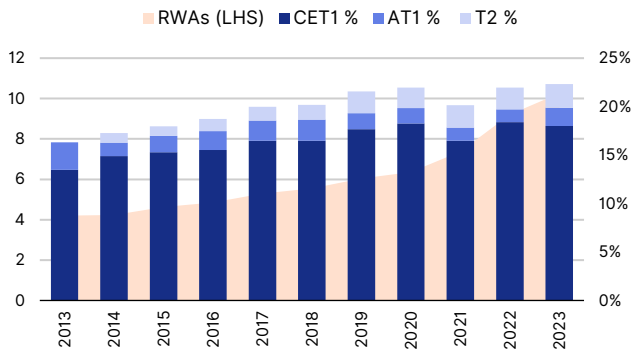
May 2022 which further diversifies funding sources. In April 2023, the bank issued its first green bond in an amount of NOK 200m.

As part of its policy for managing liquidity risks, Aurskog aims to maintain sufficient liquidity to cover upcoming debt maturities over the following 18 months, mainly in the form of deposits with banks and short-term liquid securities eligible to be placed with the central bank.

Comfortable liquidity metrics

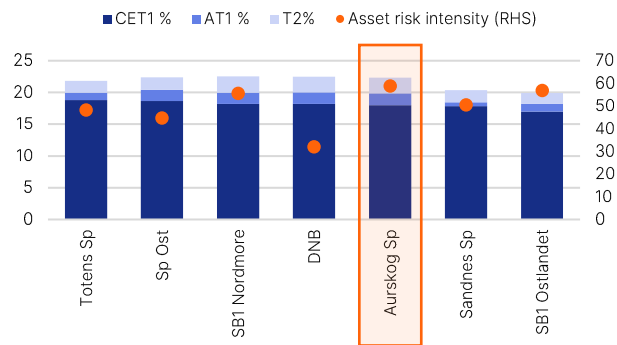
Figure 10: Key capital metrics

10.1 Historical evolution (NOK bn)



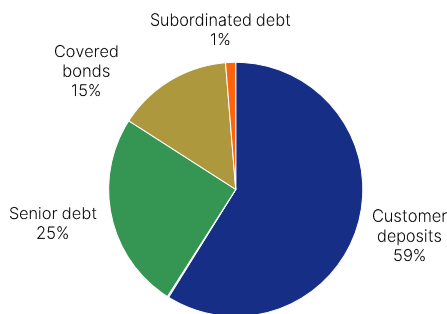
Source: Company data, Scope Ratings

10.2 Peer comparison (YE 2023)



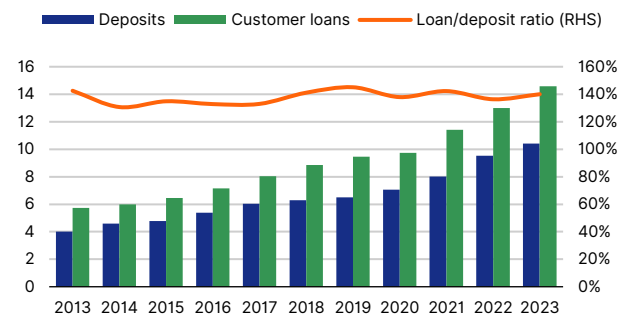
Source: SNL, Scope Ratings

Figure 11: Funding profile (YE 2023)



Source: Company data, Scope Ratings

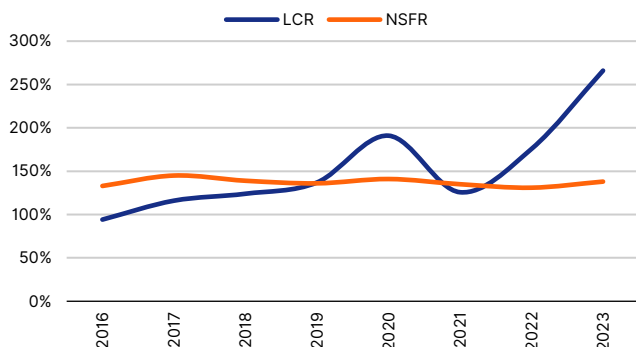
Figure 12: Loans and deposits (NOK bn)



Note: Includes only on-balance sheet loans
Source: Company data, Scope Ratings

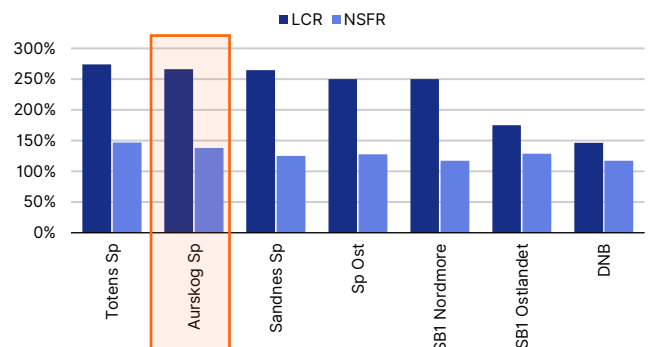
Figure 13: Key liquidity and funding metrics

13.1 Historical evolution



Source: Company data, Scope Ratings

13.2 Peer comparison (YE 2023)



Source: Company data, SNL, Scope Ratings

Debt ratings

The senior unsecured debt rating³ is in line with the issuer rating.

The senior unsecured (subordinated) debt rating⁴ is one notch below the issuer rating, reflecting statutory subordination.

Credit rating list

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

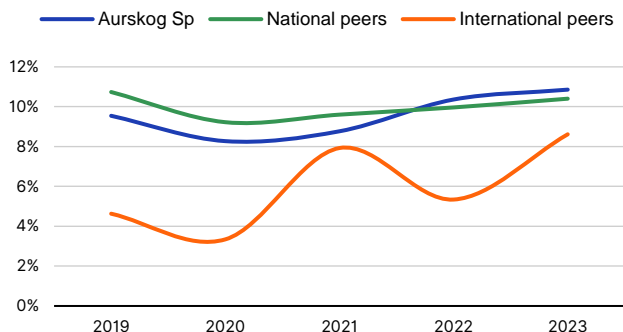
³ Refers to preferred senior unsecured debt.

⁴ Refers to non-preferred senior unsecured debt.

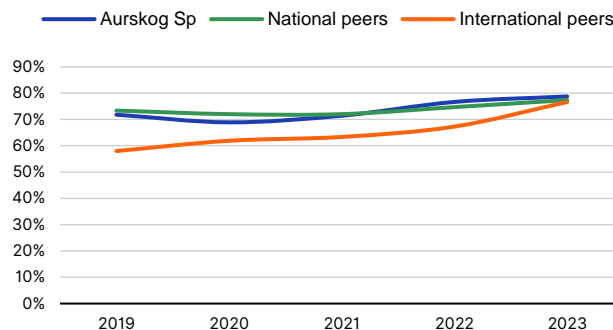
Financial appendix

I. Appendix: Peer comparison

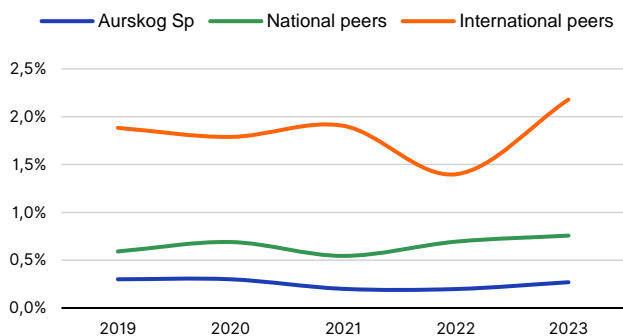
Return on average equity (%)



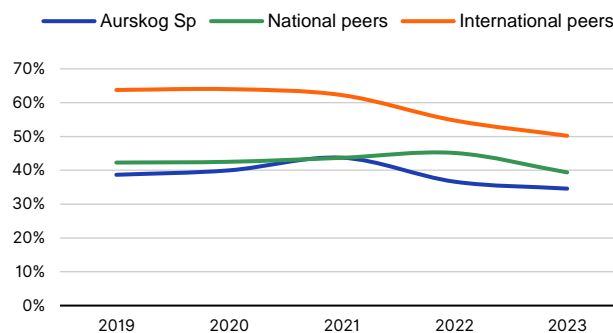
Net interest income/ operating income (%)



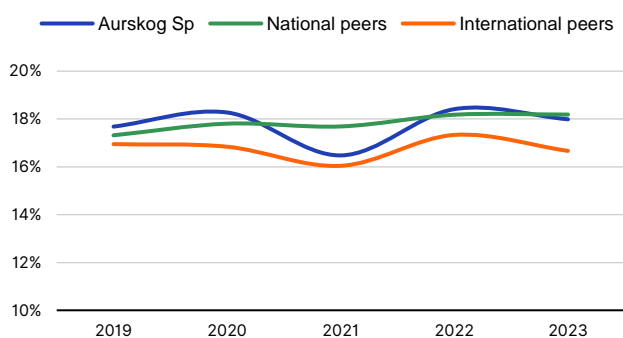
Problem loans/ gross customer loans (%)



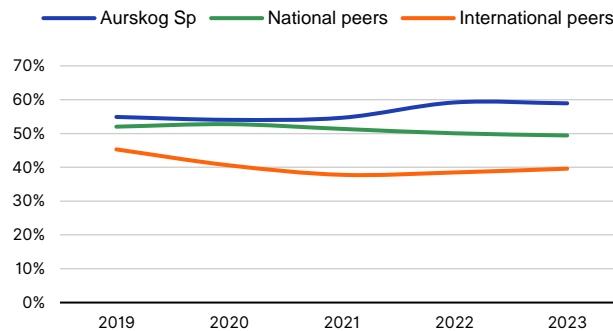
Cost to income ratio (%)



Common equity tier 1 ratio (%)



Asset risk intensity (RWAs/total assets, %)



National peers: Sandnes Sparebank, Totens Sparebank, SpareBank 1 Nordmore, SpareBank 1 Ostlandet, Sparebanken Ost, DNB

International peers: Bausparkasse Wustenrot AG (2023 data not yet available), Banca Popolare de Sondrio SpA, Kutxabank SA, Unicaja Banco SA, TSB Banking Group plc, Sparbanken Sjuharad AB

Source: SNL, Scope Ratings

II. Appendix: Selected financial information – Aurskog Sparebank

	2019	2020	2021	2022	2023
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	238	576	371	529	838
Total securities	1,199	1,313	1,546	1,894	1,847
of which, derivatives	9	34	16	7	2
Net loans to customers	9,447	9,733	11,408	12,988	14,585
Other assets	133	134	154	144	139
Total assets	11,016	11,757	13,478	15,556	17,409
Liabilities					
Interbank liabilities	27	128	28	29	29
Senior debt	2,958	2,958	3,625	3,779	4,431
Derivatives	1	0	1	7	1
Deposits from customers	6,512	7,057	8,017	9,526	10,417
Subordinated debt	135	135	185	186	226
Other liabilities	60	76	112	123	131
Total liabilities	9,693	10,354	11,969	13,649	15,236
Ordinary equity	1,224	1,303	1,409	1,806	1,998
Equity hybrids	100	100	100	100	176
Minority interests	0	0	0	0	0
Total liabilities and equity	11,016	11,757	13,478	15,556	17,409
<i>Core tier 1/ common equity tier 1 capital</i>	<i>1,069</i>	<i>1,161</i>	<i>1,213</i>	<i>1,695</i>	<i>1,845</i>
Income statement summary (EUR m)					
Net interest income	182	175	204	272	347
Net fee & commission income	38	42	51	50	51
Net trading income	24	28	22	26	37
Other income	9	9	9	7	6
Operating income	253	254	286	355	441
Operating expenses	98	102	125	130	152
Pre-provision income	155	153	161	225	288
Credit and other financial impairments	5	12	-3	-6	8
Other impairments	NA	NA	NA	NA	NA
Non-recurring income	0	0	0	0	0
Non-recurring expense	0	0	0	0	0
Pre-tax profit	150	140	163	231	280
Income from discontinued operations	0	0	0	0	0
Income tax expense	33	30	36	54	65
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	117	111	127	178	215

Source: SNL

III. Appendix: Selected financial information – Aurskog Sparebank

	2019	2020	2021	2022	2023
Funding and liquidity					
Net loans/ deposits (%)	134%	138%	142%	136%	140%
Liquidity coverage ratio (%)	137%	191%	126%	176%	266%
Net stable funding ratio (%)	136%	141%	135%	131%	138%
Asset mix, quality and growth					
Net loans/ assets (%)	85.8%	82.8%	84.6%	83.5%	83.8%
Problem loans/ gross customer loans (%)	0.3%	0.3%	0.2%	0.2%	0.3%
Loan loss reserves/ problem loans (%)	120.7%	174.0%	187.9%	133.8%	108.6%
Net loan growth (%)	6.6%	3.0%	17.2%	13.9%	12.3%
Problem loans/ tangible equity & reserves (%)	2.2%	1.9%	1.5%	1.3%	1.8%
Asset growth (%)	6.3%	6.7%	14.6%	15.4%	11.9%
Earnings and profitability					
Net interest margin (%)	1.7%	1.5%	1.6%	1.9%	2.1%
Net interest income/ average RWAs (%)	3.1%	2.8%	2.9%	3.2%	3.6%
Net interest income/ operating income (%)	71.8%	68.9%	71.4%	76.7%	78.8%
Net fees & commissions/ operating income (%)	15.2%	16.3%	17.8%	14.2%	11.5%
Cost/ income ratio (%)	38.7%	40.0%	43.7%	36.6%	34.6%
Operating expenses/ average RWAs (%)	1.7%	1.7%	1.8%	1.5%	1.6%
Pre-impairment operating profit/ average RWAs (%)	2.6%	2.5%	2.3%	2.7%	3.0%
Impairment on financial assets / pre-impairment income (%)	3.2%	8.0%	-1.6%	-2.8%	2.9%
Loan loss provision/ average gross loans (%)	0.1%	0.1%	0.0%	-0.1%	0.1%
Pre-tax profit/ average RWAs (%)	2.5%	2.3%	2.3%	2.8%	2.9%
Return on average assets (%)	1.1%	1.0%	1.0%	1.2%	1.3%
Return on average RWAs (%)	2.0%	1.8%	1.8%	2.1%	2.2%
Return on average equity (%)	9.5%	8.3%	8.8%	10.4%	10.9%
Capital and risk protection					
Common equity tier 1 ratio (% , fully loaded)	17.7%	18.3%	16.5%	18.4%	18.0%
Common equity tier 1 ratio (% , transitional)	17.7%	18.3%	16.5%	18.4%	18.0%
Tier 1 capital ratio (% , transitional)	19.3%	19.8%	17.8%	19.7%	19.9%
Total capital ratio (% , transitional)	21.6%	22.0%	20.1%	22.0%	22.3%
Leverage ratio (%)	10.3%	10.5%	9.5%	10.2%	10.4%
Asset risk intensity (RWAs/ total assets, %)	54.9%	54.0%	54.6%	59.2%	58.9%
Market indicators					
Price/ book (x)	1.4x	1.4x	1.7x	1.4x	1.4x
Price/ tangible book (x)	1.4x	1.4x	1.7x	1.4x	1.4x
Dividend payout ratio (%)	NA	NA	NA	NA	NA

Source: SNL

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