

BN Bank ASA

Rating report

Summary and Outlook

BN Bank's issuer rating of A- reflects the following assessments:

Business model assessment: Focused (High). BN Bank is primarily a digital bank serving both retail and corporate customers in Norway. In the retail market, the bank focuses on residential mortgage lending in eastern Norway while in the corporate market, the bank is a specialized commercial real estate lender operating mainly in the Oslo region. The bank is wholly owned by member banks of the SpareBank 1 Alliance. The collaborative nature between BN Bank and its owners is supportive of the bank's business.

Operating environment assessment: Very Supportive (low). Norway is a relatively small open economy with one of the highest levels of per capita income in the world and low unemployment. A very strong government fiscal position provides ample capacity to support the economy when needed. The regulatory framework is well established and rigorous, and the central bank has a good track record of providing refinancing facilities to banks in times of stress. While competition is high, there is also a long history of cooperation among domestic banks.

Long-term sustainability assessment (ESG factor): Developing. BN Bank has been actively addressing risks and opportunities within sustainability. Management has been incorporating climate risk assessments into its credit assessments for its corporate customers and is proactively preparing for upcoming reporting requirements. The bank's digital capabilities remain strong and a core pillar of the bank as it continues to invest in technology.

Earnings and risk exposures assessment: Supportive. BN Bank maintains strong profitability and growth supported by a lean cost base and sound credit quality. Asset quality remains sound overall despite a more significant exposure to the commercial real estate sector compared to peers. The bank's solid profitability continues to provide a shield against potential further softening of credit quality.

Financial viability assessment: Comfortable. BN Bank maintains solid buffers to its capital requirements. BN Bank continues to operate with an additional 70bps CET1 buffer while awaiting approval from the FSA for updated models for corporate lending. Deposits continue to remain the bank's primary source of funding. BN Bank's liquidity metrics remain well above requirements.

The Stable Outlook reflects Scope's view that the risks to the current rating are balanced.

Issuer

A-

Outlook

Stable

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The upside scenario for the rating and Outlook:

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

The downside scenarios for the rating and Outlook:

- A deterioration in operating conditions which materially impact asset quality.
- A significantly lowered ability to generate capital organically leading to less conservative management of capital buffers.
- Loss of advantages from being affiliated with the SpareBank 1 Alliance.

Table 1: Rating drivers

Rating drivers		Assessment					
STEP 1	Operating environment	Very constraining	Constraining	Moderately supportive	Supportive	Very supportive	
	Low/High	Low			High		
	Business model	Narrow	Focused	Consistent	Resilient	Very resilient	
	Low/High	Low			High		
	Initial mapping	bbb					
	Long-term sustainability	Lagging	Constrained	Developing	Advanced	Best in class	
	Adjusted anchor	bbb					
STEP 2	Earnings capacity & risk exposures	Very constraining	Constraining	Neutral	Supportive	Very supportive	
	Financial viability management	At risk	Stretched	Limited	Adequate	Comfortable	At risk
	Additional factors	Significant downside factor	Material downside factor	Neutral	Material upside factor	Significant upside factor	
	Standalone rating	a-					
STEP 3	External support	Not applicable					
Issuer rating		A-					

Table 2: Credit ratings

		Credit rating	Outlook
Issuer	BN Bank ASA		
	Issuer rating	A-	Stable
	Senior unsecured preferred debt rating	A-	Stable
	Senior unsecured non-preferred debt rating	BBB+	Stable

1. Operating Environment

Norway is a relatively small open economy with one of the highest levels of per capita income in the world and low unemployment. A very strong government fiscal position provides ample capacity to support the economy when needed. The regulatory framework is well established and rigorous, and the central bank has a good track record of providing refinancing facilities to banks in times of stress. While competition is high, there is also a long history of cooperation among domestic banks. For further information please refer to our [Operating Environment Booklet](#).

'Very Supportive – low' operating environment assessment

2. Business model

BN Bank is owned by five member banks of the SpareBank 1 Alliance, with ownership dominated by two of the largest regional banks in Norway, with stakes of 42% and 35%. (Figure 3). Over time, the ownership structure has become more concentrated as smaller banks in the alliance have sold their stakes or larger banks have merged.

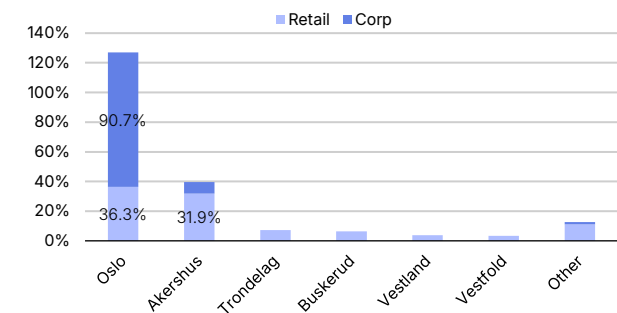
'Focused – high' business model assessment

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 Sor-Norge, are based in Trondheim and Stavanger, respectively.

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 5).

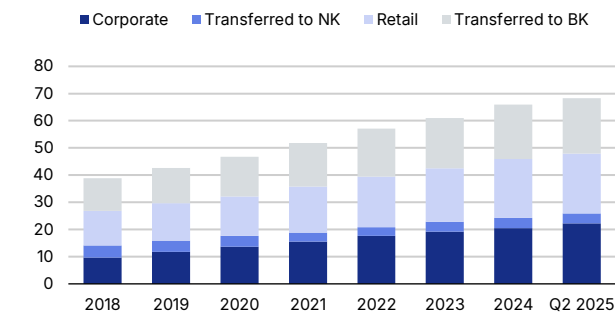
BN Bank enjoys material advantages from its association with the SpareBank 1 Alliance. These include the use of common IT systems, access to credit models based on customer data from the banks in the alliance, and the exchange of expertise on topics such as market and liquidity risks and regulatory developments.

Figure 1: Loans by geography (%) 2025 Q2



Source: Bank, Scope Ratings

Figure 2: Lending activity by segment (NOK bn)



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

Figure 3: Selected information on BN Bank's owners

	Stake in BN Bank (%)	Assets (NOK bn)	Return on Avg Assets (%)	Return on Avg Equity (%)	Costs % Income	PLs % Gross loans	CET1 capital ratio (%)
SpareBank 1 Sør-Norge	42.48%	488,597,000	1.4	13.0	36.1	0.6	18.3
SpareBank 1 SMN	35.02%	254,836,000	1.8	15.6	39.0	1.2	18.8
SpareBank 1 Nord-Norge	9.99%	144,127,000	2.7	19.4	29.7	1.7	16.2
SpareBank 1 Østlandet	9.99%	217,913,000	1.7	14.3	39.5	0.7	18.3
SpareBank 1 Østfold Akershus	2.52%	31,916,000	3.1	19.4	34.2	1.5	19.6

Notes: Data as of Q2 2025, PL's: Problem loans.

Source: SNL, Scope Ratings.

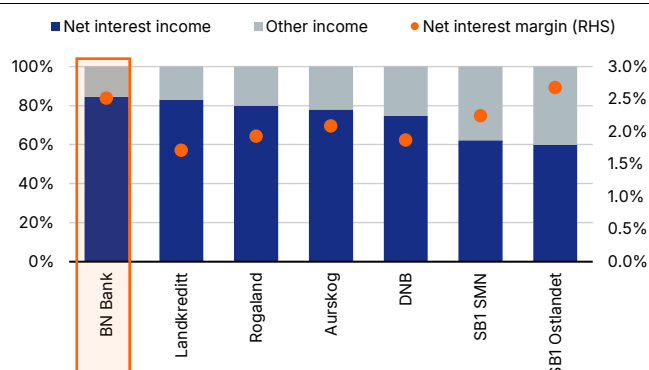
Like most Norwegian banks, BN Bank focuses on retail customers and residential mortgages. In addition, the bank is active in the niche segment of providing the elderly with credit secured by their homes. While BN Bank enjoys a nationwide presence, around 90% of its retail exposure is to South-Eastern Norway. Given its headquarters in Trondheim, the bank prudently restricts lending to well-functioning markets with good market data.

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. The share of retail lending, comprised almost entirely of residential mortgages, has increased over time and stood at 62% at Q2 2025.

In the retail market, the bank targets less price-sensitive customers willing to pay a premium for service and 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 Krogsvæn 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.

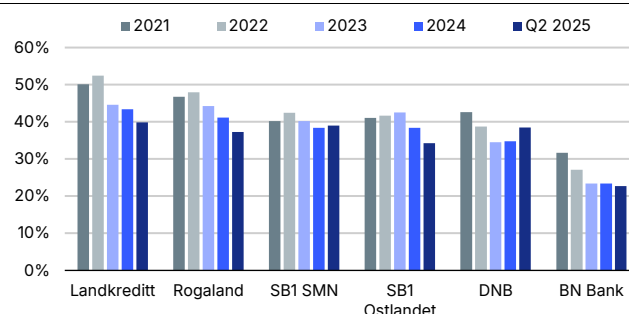
Figure 4: Revenue profile – peer comparison



Note: Three-year averages based on 2022-2024

Source: SNL, Scope Ratings

Figure 5: Cost income ratio – peer comparison



Source: SNL, Scope Ratings

3. Long-term sustainability (ESG-D)

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 and embraces artificial intelligence for different processes within the bank.

'Developing' long-term sustainability assessment

Senior executives from the owner banks are represented on the bank's board of directors and have significant influence on the bank's strategic direction. The Chair and Deputy Chair come from the two banks with the largest ownership stakes, SpareBank 1 Sør-Norge 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.

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 instil responsibility for sustainability throughout the organisation, rather than solely at management level.

The bank has been working to prepare the organisation for CSRD and the EU taxonomy. The bank performs double materiality analysis to establish KPI's for its lending process. While BN Bank no longer falls in scope for formal reporting requirements following the EU Omnibus simplification it maintains sustainability reporting in line with industry expectations.

Climate risk forms an integral part of the bank's credit assessment for its corporate portfolio. Exposures above NOK 10m are subject to an initial as well as a periodic ESG assessment that examines physical climate risk, transition risk, social conditions, company management and corporate governance. The bank expects to also include the ESG assessments in the risk classification model for commercial properties.

BN Bank published its fifth audited standalone sustainability report last year and reports along TCFD and GRI standards. 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 2016) by 2040 and to be net zero in 2050.

BN Bank has established a green bond framework which was certified by Sustainalytics. The bank has ca. 2.2bn NOK in outstanding green bonds at Q2 2025. In addition to its own green bonds, BN Bank supports green issuance via SB1 Boligkreditt. BN Bank has also updated its goal for green investments in its liquidity portfolio to account for 25% of bonds issued by credit institutions.

Figure 6: Long-term sustainability overview table^{1 2}

	Industry level			Issuer level						
	Materiality			Exposure			Management			
	Low	Medium	High	Low	Neutral	High	Weak	Needs attention	Adequate	Strong
E Factor		◊			◊				◊	
S Factor	◊				◊				◊	
G Factor			◊		◊				◊	
D Factor			◊			◊			◊	

Source: Scope Ratings

² The overview table illustrates how each factor informs our overall assessment. Materiality refers to our assessment of the credit relevance of each factor for the banking industry. Exposure refers to what extent the bank is exposed to risks or benefits from opportunities compared to peers, given its business model and countries of operation. Management refers to how we view the bank's navigation through transitions.

4. Earnings capacity and risk exposures

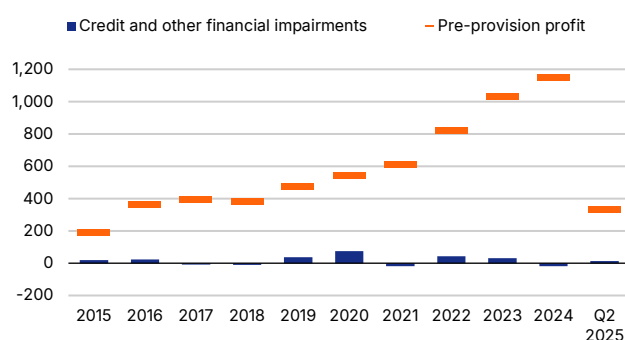
Management's consistent strategy execution resulted in steadily increasing returns which provide a comfortable buffer against potential credit impairments (Figure 7). During the last years, the bank has targeted lending growth while controlling expenses and has contained credit losses. The elevated interest rate environment has also bolstered profitability for the bank.

The bank aims for a return on equity of 13% and a cost-to-income ratio target to 23% or below which we expect to be achievable with further growth in mortgage lending and ongoing cost control. We also view positively that management prioritises sound margins and profitability against volume growth.

Returns were around 7-8% between 2016 and 2020 but thanks to its refocused strategy, and also helped by the higher interest rate environment, profitability increased. Return on equity stood 14.5% and its cost to income ratio was at 23.1% at Q2 2025.

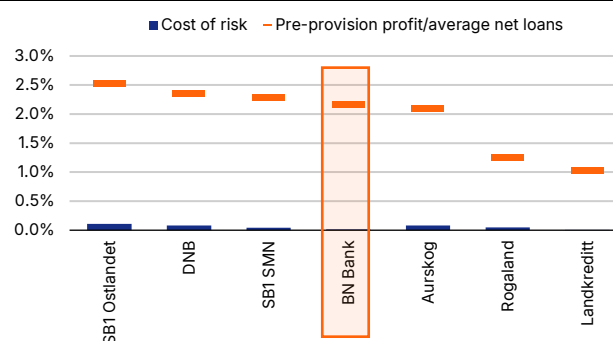
'Supportive' earnings capacity and risks exposures' assessment

Figure 7: Pre-provision income and provisions (NOK m)



Source: SNL, Scope Ratings

Figure 8: Pre-provision profitability v. cost of risk - peer comparison

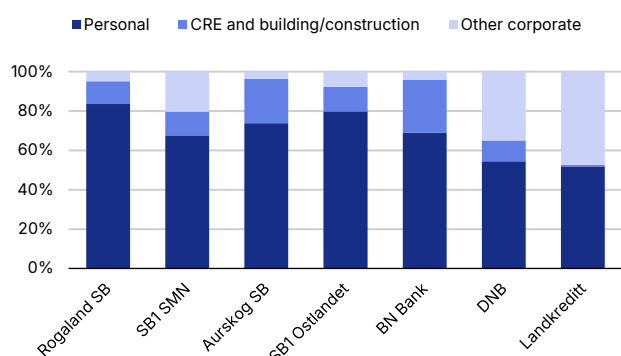


Note: Three-year averages based on 2022-2024.
Source: SNL, Scope Ratings

BN Bank's asset quality metrics are sound and comparable to those of other Norwegian banks (Figure 10) despite the greater exposure to the commercial real estate (CRE) sector. The bank has internal limits for CRE and exposures to the building and construction sector. CRE exposures are focused on the broader Oslo area given the regions' higher liquidity, the banks underwriting expertise, and history of low loan losses. 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.

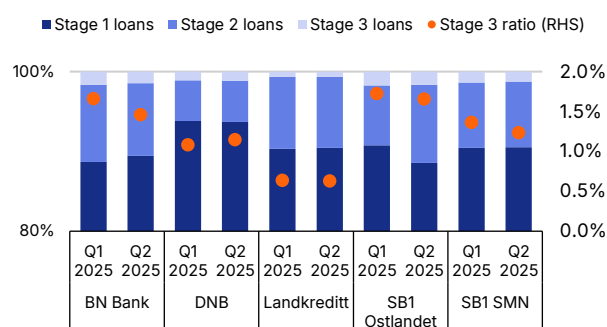
The Norwegian CRE sector has been under pressure due to higher rates and inflation, but we expect asset quality to remain sound or final losses to remain low also supported by moderate LTVs.

Figure 9: Credit exposures



Note: Data as of 2024YE, incl. loans transferred to BK & NK entities.
Source: Banks, Scope Ratings

Figure 10: Asset quality - peer comparison



Source: SNL, Scope Ratings

The construction loan portfolio (Q2 2025: NOK 1.8bn) is small and primarily related to residential housing. The bank has a good track record with only one minor loss in the construction loan portfolio since 2017.

Personal customers and residential mortgages account for more than half of the loan book. The risk profile of the mortgage portfolio remains granular and solid, with 77% having an LTV below 70% and another 19% with an LTV between 70% and 85%. Growth in the retail portfolio stood strong with 12-month loan growth at 7.8% in Q2 2025.

As of Q2 2025, the bank held NOK 197m in loan loss provisions, of which 75% were for Stage 1 and Stage 2 loans. The bank's weightings for scenarios on which loan loss provisions are calculated have been adjusted to reflect the international economic uncertainty and potential indirect impacts on the Norwegian economy. Stage 3 losses amounted to only NOK 27m in the quarter.

The reported Stage 3 ratio stood at 0.9% in the period, down from 1.2% the year before. However, stage 3 exposures at Q2 2025 remain elevated at NOK 639m which is primarily attributable to a single corporate customer.

5. Financial viability management

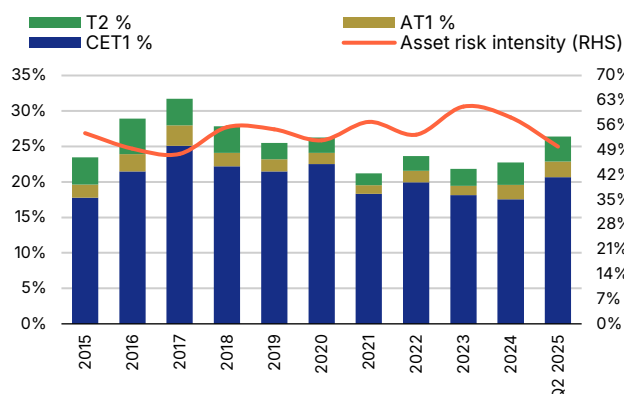
Underpinned by its ability to generate internal capital, BN Bank maintains comfortable buffers to regulatory requirements (Figure 13). As of Q2 2025, BN Bank's CET1 capital ratio stood at 20.6% (18.7%) with the increase attributable to the implementation of CRR3. This figure incorporates an approximate 70 bp impact from additional buffers being held for the bank's corporate exposures.

This is related to the July 2022 internal model review by the Norwegian FSA and subsequent, February 2023 order to revise or build new models for corporate exposures to better reflect refinancing risks. The bank has implemented the updates and is awaiting FSA feedback.

BN Bank has been using advanced internal rating-based models since 2014 for its corporate portfolio and since 2015 for its retail portfolio. Management targets a buffer of at least 1.25% above its current minimum CET1 requirement.

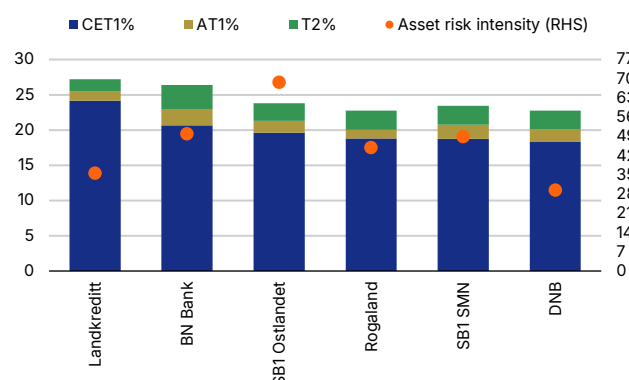
'Comfortable' financial viability management assessment

Figure 11: Capital profile



Source: Company data, Scope Ratings

Figure 12: Capital profile – peer comparison (Q2 2025)



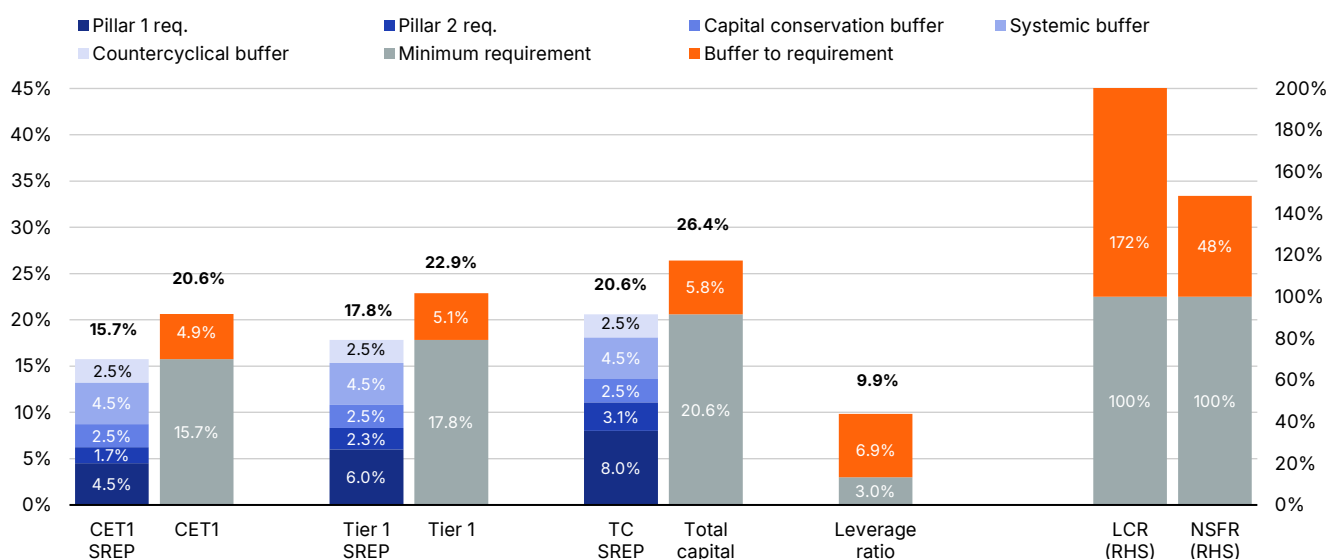
Source: SNL, Scope Ratings

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. The bank maintains a stable, granular and mostly deposit guarantee scheme covered deposit base, with a solid 12-month growth of 8.4% at Q2 2025.

Capital market-based funding 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. The bank maintains a prudent strategy by retaining sufficient liquidity and reserves so it does not need access to wholesale markets for at least one year. The liquidity portfolio is primarily comprised of high-quality government and municipal securities as well as covered bonds. The bank's liquidity and funding metrics remain well above requirements with the LCR and NSFR standing at 272% and 148% respectively at Q2 2025.

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 13: Overview of distance to requirements as of Q2 2025



Source: Company data, Scope Ratings

Appendix 1. Selected financial information – BN Bank ASA

	2021	2022	2023	2024	H1 2025
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	236	721	1,171	1,921	2,212
Total securities	8,234	7,291	7,133	7,516	7,662
of which, derivatives	72	42	57	76	67
Net loans to customers	32,472	36,166	38,658	42,053	44,252
Other assets	934	820	999	1,028	1,014
Total assets	41,876	44,998	47,961	52,518	55,140
Liabilities					
Interbank liabilities	9	7	11	11	58
Senior debt	13,916	14,244	15,493	17,016	NA
Derivatives	85	556	846	789	568
Deposits from customers	22,287	23,976	24,620	26,368	27,907
Subordinated debt	300	400	601	857	857
Other liabilities	262	316	362	367	NA
Total liabilities	36,859	39,499	41,933	45,408	48,321
Ordinary equity	4,792	5,174	5,703	6,585	6,294
Equity hybrids	225	325	325	525	525
Minority interests	0	0	0	0	0
Total liabilities and equity	41,876	44,998	47,961	52,518	55,140
<i>Core tier 1/ common equity tier 1 capital</i>	<i>4,368</i>	<i>4,789</i>	<i>5,329</i>	<i>5,370</i>	<i>5,687</i>
Income statement summary (NOK m)					
Net interest income	712	933	1,166	1,250	642
Net fee & commission income	186	168	147	179	107
Net trading income	-7	-1	11	12	3
Other income	8	27	23	62	57
Operating income	899	1,127	1,347	1,503	809
Operating expenses	285	305	315	352	187
Pre-provision income	614	822	1,032	1,151	622
Credit and other financial impairments	-18	42	31	-19	15
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	632	780	1,001	1,170	607
Income from discontinued operations	0	0	0	0	0
Income tax expense	154	185	237	268	132
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	478	595	764	902	475

Source: SNL, Scope Ratings

Note: Figures above may differ from reported figures.

Appendix 2. Selected financial information – BN Bank ASA

	2021	2022	2023	2024	H1 2025
Funding and liquidity					
Net loans/ deposits (%)	43%	49%	52%	55%	51%
Liquidity coverage ratio (%)	178%	250%	250%	261%	272%
Net stable funding ratio (%)	154%	150%	150%	144%	148%
Asset mix, quality and growth					
Net loans/ assets (%)	77.5%	80.4%	80.6%	80.1%	80.3%
Problem loans/ gross customer loans (%)	0.4%	0.5%	1.6%	1.7%	1.4%
Loan loss reserves/ problem loans (%)	133.3%	114.9%	37.3%	28.2%	30.8%
Net loan growth (%)	15.7%	11.4%	6.9%	8.8%	10.5%
Problem loans/ tangible equity & reserves (%)	2.3%	3.1%	9.8%	9.6%	9.1%
Asset growth (%)	17.1%	7.5%	6.6%	9.5%	10.0%
Earnings and profitability					
Net interest margin (%)	1.9%	2.2%	2.6%	2.5%	2.4%
Net interest income/ average RWAs (%)	3.6%	3.9%	4.4%	4.2%	4.3%
Net interest income/ operating income (%)	79.2%	82.8%	86.6%	83.2%	79.4%
Net fees & commissions/ operating income (%)	20.7%	14.9%	10.9%	11.9%	13.2%
Cost/ income ratio (%)	31.7%	27.1%	23.4%	23.4%	23.1%
Operating expenses/ average RWAs (%)	1.4%	1.3%	1.2%	1.2%	1.3%
Pre-impairment operating profit/ average RWAs (%)	3.1%	3.5%	3.9%	3.9%	4.2%
Impairment on financial assets / pre-impairment income (%)	-2.9%	5.1%	3.0%	-1.7%	2.4%
Loan loss provision/ average gross loans (%)	-0.1%	0.1%	0.1%	0.0%	0.1%
Pre-tax profit/ average RWAs (%)	3.2%	3.3%	3.8%	4.0%	4.1%
Return on average assets (%)	1.2%	1.4%	1.6%	1.8%	1.8%
Return on average RWAs (%)	2.4%	2.5%	2.9%	3.0%	3.2%
Return on average equity (%)	10.0%	11.3%	13.1%	13.5%	14.0%
Capital and risk protection					
Common equity tier 1 ratio (% , fully loaded)	NA	NA	NA	NA	NA
Common equity tier 1 ratio (% , transitional)	18.3%	20.0%	18.1%	17.6%	20.6%
Tier 1 capital ratio (% , transitional)	19.5%	21.6%	19.5%	19.6%	22.9%
Total capital ratio (% , transitional)	21.2%	23.7%	21.8%	22.7%	26.4%
Leverage ratio (%)	7.1%	7.5%	7.7%	7.5%	9.9%
Asset risk intensity (RWAs/ total assets, %)	56.9%	53.3%	61.2%	58.2%	50.0%
Market indicators					
Price/ book (x)	NA	NA	NA	NA	NA
Price/ tangible book (x)	NA	NA	NA	NA	NA
Dividend payout ratio (%)	NA	NA	NA	NA	NA

Source: SNL, Scope Ratings

Note: Figures above may differ from reported figures.

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