

Skagerrak Sparebank

Rating report

Summary and Outlook

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

Business model assessment: Focused (High). Skagerrak Sparebank is a well-established savings bank operating mainly in the counties of Vestfold and Telemark in southeastern Norway. The bank's digital banking brand NORDirekte adds to business and geographic diversification. Lending activity is focused on retail customers. The bank's membership in the Eika Alliance is an important factor supporting its competitive position.

Operating environment assessment: Very supportive (Low). The operating environment in Norway continues to be very supportive of banking activities. Income levels are high, and unemployment is low. A very robust government fiscal position provides ample capacity to support the economy when needed. The regulatory environment is well established and rigorous, and the central bank has a strong track record of providing funding support to banks in times of stress.

Long-term sustainability assessment (ESG factor): Neutral. Skagerrak Sparebank's sustainability strategy addresses both risks and opportunities. The bank is developing its capabilities to assess ESG risks in its loan portfolio and is preparing for CSRD requirements. Consistent with its savings bank business model, the bank maintains close ties with local communities.

Earnings and risk exposures assessment: Supportive. The bank's earnings capacity and asset quality metrics are in line with Norwegian savings bank peers, with pre-provision income providing a strong first line of defence against potential losses. The bank targets a return on equity of 10% and does not intend to prioritise growth at the expense of asset quality. Credit quality remains sound, underpinned by the large share of secured lending, primarily residential mortgages.

Financial viability assessment: Comfortable. Skagerrak Sparebank is well positioned against prudential requirements and maintains a strong solvency position. On a proportionally consolidated basis, the CET1 and leverage ratios were 22.4% and 8.6%, respectively as of June 2025. The bank has a stable funding profile, with granular customer deposits and covered bonds representing the main sources of funding.

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

Issuer

A-

Outlook

Stable

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Related research

[Scope affirms Skagerrak Sparebank's A- issuer rating with Stable Outlook, October 2025](#)
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The upside scenario for the rating and Outlook:

- Significant business and geographic diversification that strengthens the business model without compromising the bank's risk profile and returns.

The downside scenarios for the rating and Outlook:

- A material deterioration in asset quality and/or earnings.
- Less conservative capital management and/or a weakening in the stability of the funding profile, leading to a lower assessment of financial viability management.

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	Negative		Neutral	Positive		
	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	Ample
	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	Skagerrak Sparebank		
	Issuer rating	A-	Stable
	Preferred senior unsecured debt rating	A-	Stable
	Non-preferred senior unsecured 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.

2. Business model

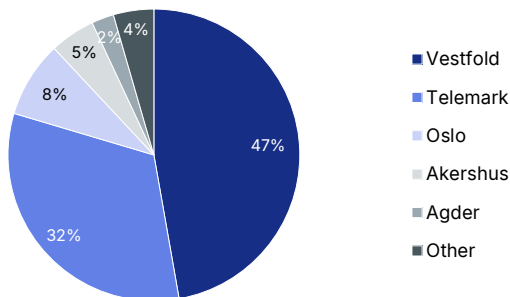
With a history dating back to 1840, Skagerrak Sparebank (Skagerrak) is a savings bank operating mainly in the counties of Vestfold and Telemark in southeastern Norway. On 1 February 2024, the bank merged with two neighbouring savings banks, Larvikbanken and Andebu Sparebank, almost doubling its size.

'Focused – high' business model assessment

The bank now has twelve offices in nine municipalities and three counties. In addition to well-established and strong positions in its historic markets, Skagerrak is targeting growth opportunities in surrounding areas. The bank's target market area has a population of around 400,000 and a dynamic economy based on manufacturing, export and technology.

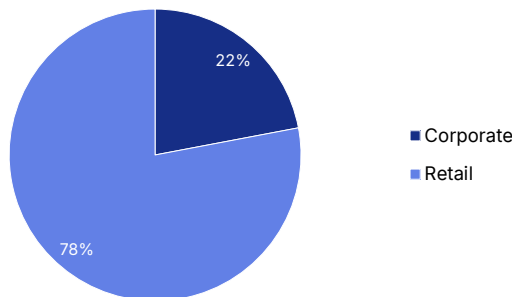
The bank serves about 52,000 customers, of which about 46,500 are retail customers. Lending activity is also focused on retail customers, with retail loans accounting for more than 75% of the loan portfolio.

Figure 1: Loan portfolio by geography



Note: Data as of 2024YE
Source: Company data, Scope Ratings

Figure 2: Retail vs corporate lending



Note: Data as of June 2025
Source: Company data, Scope Ratings

Skagerrak's strategy is based on being a local bank with a complete product range and good digital solutions. This is made possible by the bank's membership in the Eika Alliance. In addition to having a range of product companies (including asset management, insurance, accounting, and leasing), the alliance provides member banks with economies of scale in procurement and technology. The alliance is also an important resource for expertise sharing and addressing regulatory issues.

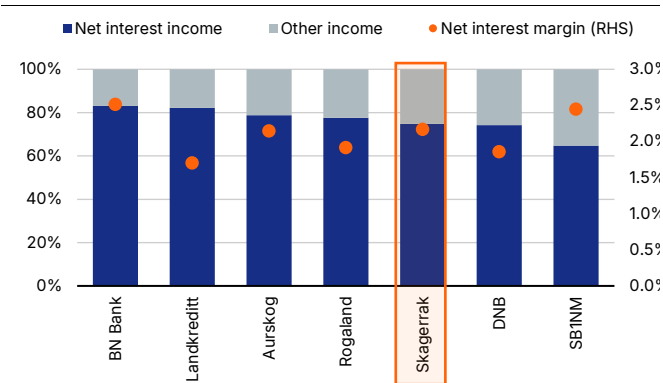
The bank targets customers who are willing to pay a premium for more personalised service. Management sees that larger competitors are being managed more centrally and have reduced their market presence, and no other banks are opening new offices in their market area. A key part of the bank's strategy is the use of sponsorships and donations to strengthen its profile as a local bank. This is facilitated by the three savings bank foundations associated with the bank.

In addition, Skagerrak has been operating a digital bank brand called NORDirekte since 2007. This business has a national reach and targets a different customer segment, namely retail customers looking for attractive prices. NORDirekte offers mortgages, savings accounts and other retail products such as payments, credit cards and insurance. The strategy for this business is based on low costs and low risk.

In line with its business model, Skagerrak derives most of its revenue from net interest income. This is complemented by commissions from loans transferred to Eika Boligkreditt (covered bond

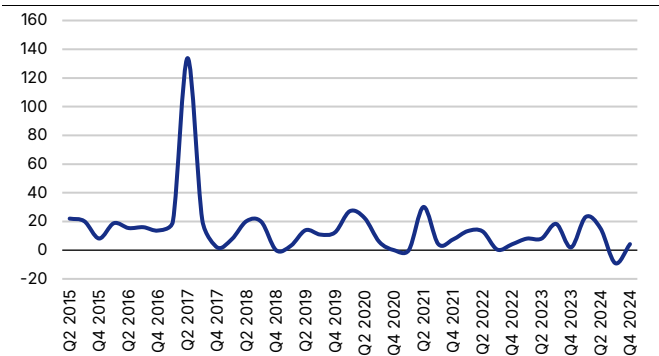
funding vehicle of the alliance), commissions from distributing alliance products (insurance, investments) and commissions from several partially and fully owned real estate brokers. The bank also receives dividends from its 7% ownership stake in Eika Gruppen.

Figure 3: Revenue profile – peer comparison



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

Figure 4: Cost of risk historical



Source: Company data, Scope Ratings

3. Long-term sustainability (ESG-D)

Social responsibility and sustainability are incorporated in the bank’s strategy and risk management policies. Skagerrak considers both ESG-related risks and opportunities and is developing its reporting capabilities. In our view, long-term sustainability considerations are not currently a differentiating factor for the bank’s credit profile.

‘Neutral’ long-term sustainability assessment

In line with its savings bank business model, Skagerrak aims to actively support economic growth and development in its market area. The bank also contributes to the local community through sponsorships and donations, with a particular focus on sports, culture and children. These activities help to sustain the bank’s business franchise and close ties to the local market.

Social

Skagerrak has its origins in three local banks. To ensure that the capital built up continues to be used to support local communities, three savings bank foundations have been established: Sparebankstiftelsen Skagerrak, Andebu and Larvik. The foundations are also expected to be long-term and stable owners of the bank. As of June 2025, the three foundations were the bank’s largest owners, holding more than 75% of equity capital certificates (ECC). The bank has had ECCs outstanding since 2014.

The bank’s highest decision-making body is the 24-member supervisory board. Customers, employees, and ECC holders are represented on the supervisory board, with nine, six, and nine members, respectively. This governance structure is typical of Norwegian savings banks.

Governance

The bank’s ECCs can be traded through its finance department but are not listed on the Oslo Stock Exchange. If there were a need to increase the liquidity of the ECCs or to raise additional funding, the bank is largely prepared for a public listing. Current ECCs holders are primarily from the bank’s market area, with management expressing a preference for local ownership. As of June 2025, the ECC ownership share was 57%.

Skagerrak aims to play a role in the green transition and offers products to customers that support their sustainability efforts. The bank continues to work on assessing ESG risks, including transition risks, in its loan book. There are ongoing projects within the Eika Alliance to develop tools that will assist member banks with risk assessment and regulatory reporting.

Environment

The bank’s strategy is based on being close to the customer, but also on having good digital solutions. Skagerrak benefits from the Eika Alliance’s resources and investments in technology. Last year, all member banks completed the transition to a new core banking solution, helping them

Digital

to remain competitive in a highly digital market. At the same time, the use of common platforms makes it challenging to differentiate between banks.

Figure 5: Long-term sustainability overview table¹

	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

4. Earnings capacity and risk exposures

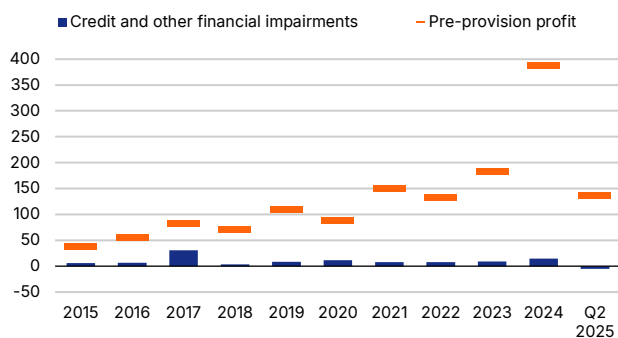
Skagerrak's earnings capacity and asset quality metrics are in line with Norwegian savings bank peers, with pre-provision income providing a strong first line of defence against potential losses. Management targets a return on equity of 10% and a cost income ratio of around 40% which we consider to be realistic.

'Supportive earnings capacity and risks exposures' assessment

Over the next three years, the bank expects to realise revenue and cost synergies from the merger. Financing and alliance-related costs will decrease and there are opportunities for efficiency gains with regard to employees, premises and processes.

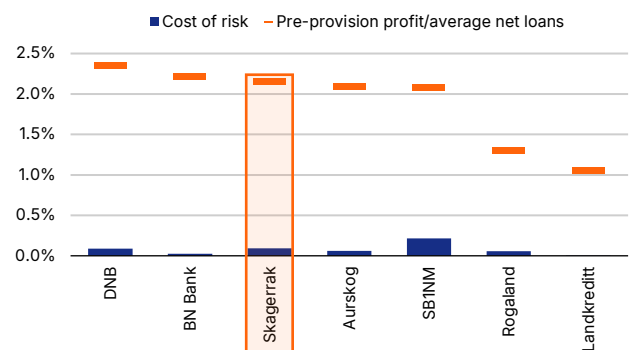
Given its increased size and capital base, the bank has capacity to grow revenues by serving larger business customers. Management intends to pursue growth in a measured way, focusing on industries and geographies where it has expertise. The bank also has policies in place to limit potential concentration risks.

Figure 6: Pre-provision income and provisions (NOK m) -



Note: 2024Y figures reflect merger from 1 Feb 2024. Prior periods have not been reinstated.
Source: Company data, Scope Ratings

Figure 7: Peer comparison

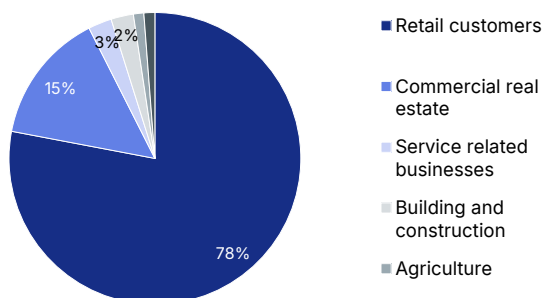


Note: Three-year averages based on 2022-2024.
Source: SNL, Scope Ratings

Loans to retail customers, mainly residential mortgages, are expected to remain the largest part of the loan portfolio. As of June 2025, more than 75% of the loan book was comprised of loans to retail customers. Of this exposure, more than 75% was classified as low risk according to internal risk models, with a Stage 3 ratio of 0.5%.

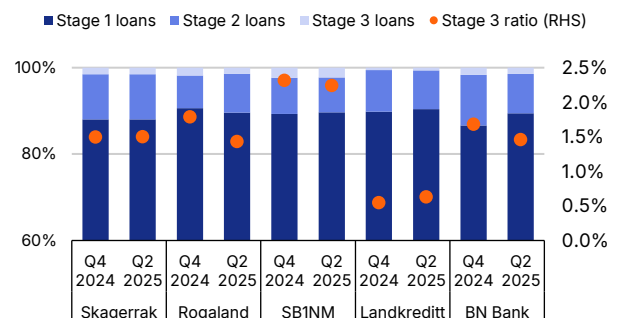
Like peers, Skagerrak has a concentration in commercial real estate. However, more than 20% of this exposure is to low-risk housing associations. The bank's overall risk profile is moderate, with a Stage 3 ratio of 1.5% as of June 2025.

Figure 8: Credit exposures



Note: NOK 22.3bn as of June 2025.
Source: Company data, Scope Ratings

Figure 9: Asset quality - peer comparison



Source: Company data, Scope Ratings

5. Financial viability management

Skagerrak maintains a strong solvency position underpinned by organic capital generation and a sensible distribution policy. The bank aims for predictable and stable dividends on its ECCs with a payout ratio of 50% to 80%.

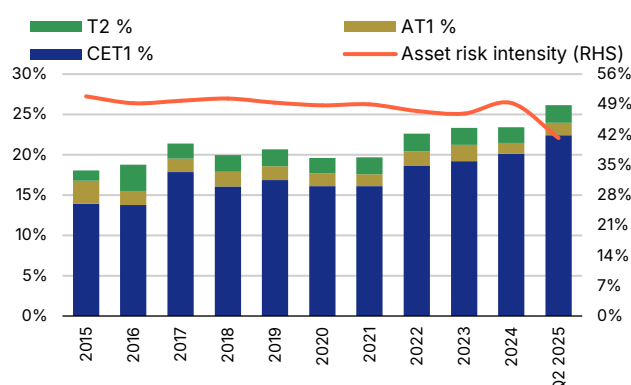
'Comfortable' financial viability management assessment

The bank's capital requirements currently include a Pillar 2 requirement of 2.9%, up from 2.7% previously. The increase was primarily due to potential operational risks associated with the merger. The technical merger of the three banks has been successfully completed, removing a significant potential source of operational risk. The bank has also been given a Pillar 2 guidance of 1.5%.

Skagerrak has set internal targets to ensure that it maintains a CET1 ratio above the supervisory expectation of about 17% (Pillar 2 requirement plus Pillar 2 guidance). With a CET1 ratio of 22.4% as of June 2025, the bank is comfortably positioned against the Norwegian FSA's expectations.

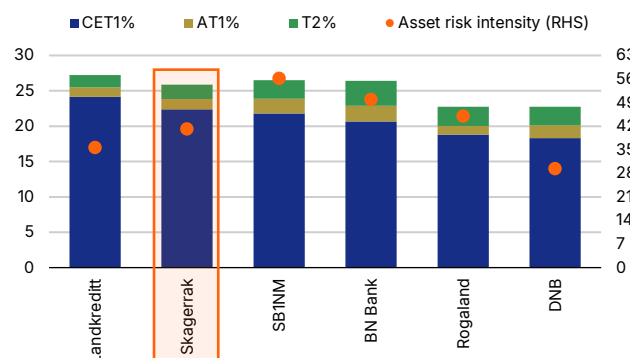
Following the implementation of CRR 3 in Norway, the bank benefitted from a positive impact on its CET1 ratio. This is due to a more risk-sensitive standardised approach for credit risk, particularly for residential mortgages, as well as a new standardised approach for operational risk.

Figure 10: Capital profile



Source: Company data, Scope Ratings

Figure 11: Capital profile – peer comparison (Q2 2025)



Source: SNL, Scope Ratings

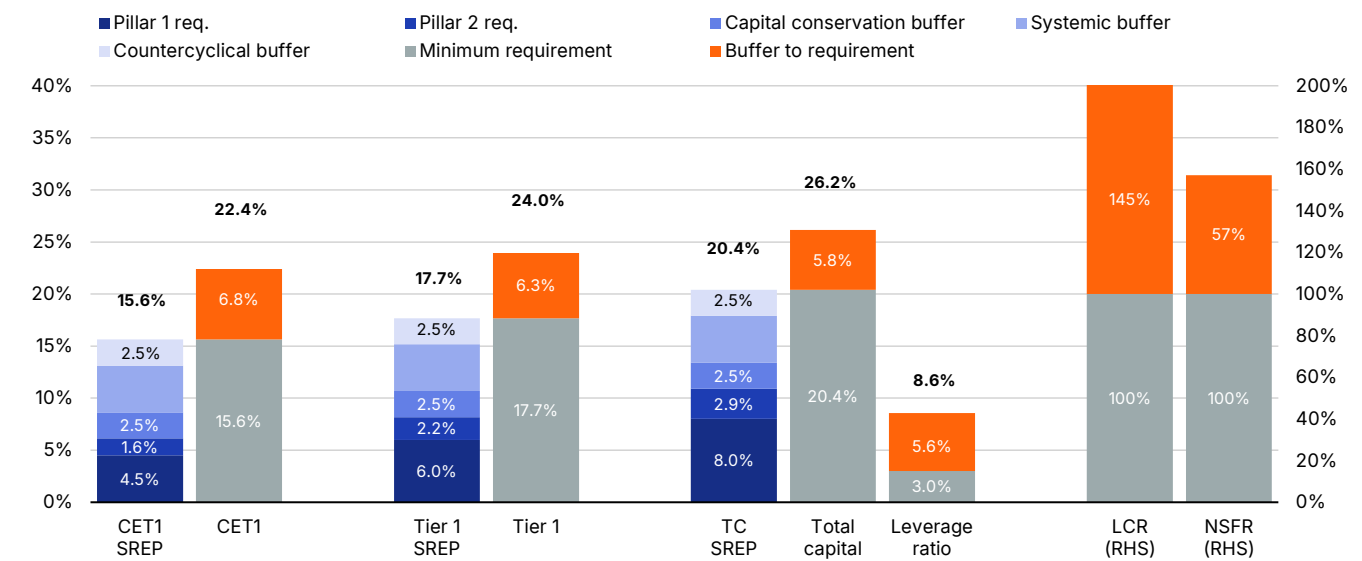
Skagerrak has a stable funding profile, with customer deposits being the primary funding source (Figure 12). Deposits are highly granular as more than 75% are from retail customers. The bank gathers deposits opportunistically through its NORDirekte business and the Fixrate platform. As of June 2025, Fixrate deposits accounted for about 2% of total deposits.

Like with other Norwegian banks, market funding is important. The bank has access to stable covered bond funding through the Eika Alliance. Management has also developed relationships with bond brokers and increased communication with investors to ensure good market access for unsecured debt.

Following the merger, the bank's funding costs have decreased. This is the result of the bank's increased size and improved market perception. As outstanding bonds come due, the bank will be able to refinance at a lower cost.

Skagerrak has numerous policies in place to ensure that the bank maintains a sound liquidity position. These include maintaining a minimum amount of liquid assets, a minimum amount of loans that can be used to back covered bonds and a minimum deposit coverage ratio, as well as limits on large deposits and a limit on deposits from the Fixrate platform.

Figure 12: Overview of distance to requirements as of Q2 2025



Source: Company data, Scope Ratings

Appendix 1. Selected financial information – Skagerrak Sparebank

	2020	2021	2022	2023	2024
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	65	74	164	63	367
Total securities	2,274	2,566	2,465	2,914	4,918
of which, derivatives	0	0	0	0	0
Net loans to customers	9,264	9,758	9,736	10,140	21,443
Other assets	164	179	182	115	213
Total assets	11,768	12,577	12,548	13,231	26,940
Liabilities					
Interbank liabilities	13	2	4	0	0
Senior debt	2,704	3,202	2,671	3,014	6,193
Derivatives	0	0	0	0	0
Deposits from customers	7,557	7,729	7,925	8,157	16,648
Subordinated debt	110	130	130	130	241
Other liabilities	62	79	83	71	173
Total liabilities	10,447	11,142	10,812	11,373	23,255
Ordinary equity	1,227	1,336	1,615	1,734	3,520
Equity hybrids	90	90	110	125	165
Minority interests	3	10	10	0	0
Total liabilities and equity	11,768	12,577	12,548	13,231	26,940
<i>Core tier 1/ common equity tier 1 capital</i>	<i>925</i>	<i>993</i>	<i>1,108</i>	<i>1,191</i>	<i>3,322</i>
Income statement summary (NOK m)					
Net interest income	152	183	229	273	540
Net fee & commission income	81	115	100	60	122
Net trading income	-18	6	-21	4	34
Other income	32	26	31	25	32
Operating income	247	330	339	362	728
Operating expenses	158	180	206	178	341
Pre-provision income	89	149	133	183	387
Credit and other financial impairments	12	8	8	9	14
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	77	142	126	174	373
Income from discontinued operations	0	0	0	0	0
Income tax expense	17	27	26	35	80
Other after-tax items	0	0	0	0	0
Net profit attributable to minority interests	1	2	1	0	0
Net profit attributable to parent	60	113	99	140	293

Source: SNL, Scope Ratings

Note: Figures above may differ from reported figures. Data from before 2024 is pre-merger.

Appendix 2. Selected financial information – Skagerrak Sparebank

	2020	2021	2022	2023	2024
Funding and liquidity					
Net loans/ deposits (%)	123%	126%	123%	124%	129%
Liquidity coverage ratio (%)	158%	187%	238%	254%	252%
Net stable funding ratio (%)	149%	148%	156%	158%	162%
Asset mix, quality and growth					
Net loans/ assets (%)	78.7%	77.6%	77.6%	76.6%	79.6%
Problem loans/ gross customer loans (%)	NA	NA	NA	0.7%	0.8%
Loan loss reserves/ problem loans (%)	NA	NA	NA	91.4%	63.2%
Net loan growth (%)	5.7%	5.3%	-0.2%	4.1%	111.5%
Problem loans/ tangible equity & reserves (%)	NA	NA	NA	3.7%	4.5%
Asset growth (%)	10.7%	6.9%	-0.2%	5.4%	103.6%
Earnings and profitability					
Net interest margin (%)	1.4%	1.5%	1.8%	2.1%	2.2%
Net interest income/ average RWAs (%)	2.8%	3.1%	3.7%	4.5%	4.7%
Net interest income/ operating income (%)	61.6%	55.5%	67.4%	75.3%	74.2%
Net fees & commissions/ operating income (%)	32.7%	34.9%	29.4%	16.6%	16.7%
Cost/ income ratio (%)	63.9%	54.7%	60.7%	49.3%	46.8%
Operating expenses/ average RWAs (%)	2.9%	3.0%	3.4%	2.9%	3.0%
Pre-impairment operating profit/ average RWAs (%)	1.6%	2.5%	2.2%	3.0%	3.4%
Impairment on financial assets / pre-impairment income (%)	13.2%	5.1%	5.7%	5.0%	3.7%
Loan loss provision/ average gross loans (%)	NA	NA	0.1%	0.1%	0.1%
Pre-tax profit/ average RWAs (%)	1.4%	2.4%	2.1%	2.9%	3.3%
Return on average assets (%)	0.5%	0.9%	0.8%	1.1%	1.2%
Return on average RWAs (%)	1.1%	1.9%	1.6%	2.3%	2.6%
Return on average equity (%)	4.8%	8.3%	6.3%	7.8%	8.8%
Capital and risk protection					
Common equity tier 1 ratio (% , fully loaded)	NA	NA	NA	NA	NA
Common equity tier 1 ratio (% , transitional)	16.1%	16.1%	18.6%	19.2%	25.0%
Tier 1 capital ratio (% , transitional)	17.7%	17.6%	20.4%	21.2%	26.3%
Total capital ratio (% , transitional)	19.6%	19.7%	22.6%	23.3%	28.1%
Leverage ratio (%)	7.8%	8.7%	9.8%	9%	9.1%
Asset risk intensity (RWAs/ total assets, %)	48.8%	49.0%	47.5%	46.9%	49.3%
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. Data from before 2024 is pre-merger.

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