Verd Boligkreditt AS

Norwegian Mortgage-Covered Bonds – Performance Update

Covered bond rating
AAA

Outlook
Stable

Last rating action
5 Dec 2023

Issuer rating
Not disclosed

Outlook
Not disclosed

Last rating action
Not disclosed

Related research

Norway maintains strong covered bond framework following alignment with EU Directive, Sep 2022

Scope affirms Verd Boligkreditt's mortgage covered bonds at AAA/Stable, Dec 2023

Rating rationale (summary)

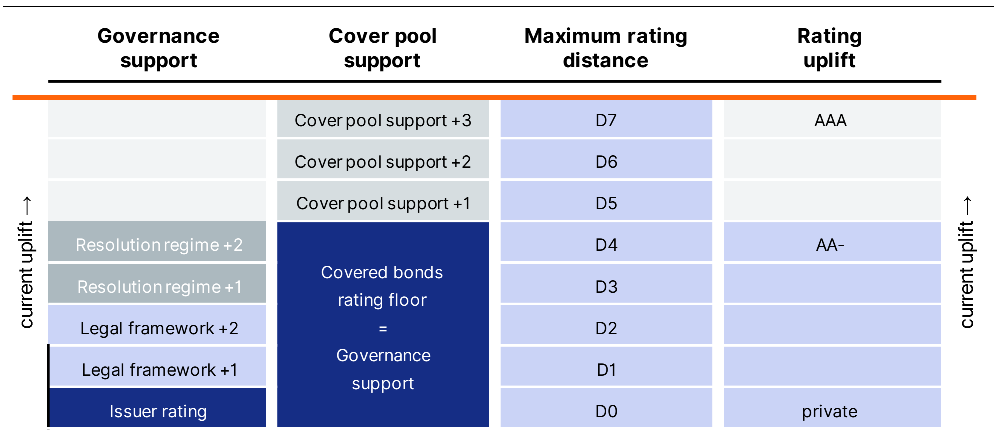
The AAA rating with a Stable Outlook on the Norwegian mortgage-covered bonds (Obligasjoner med fortrinnsrett) issued by Verd Boligkreditt AS (Verd) are based on the bank's issuer rating enhanced by seven notches of cover pool support.

Cut-off date	Cover pool	Cover asset type	Covered bonds	Rating/Outlook
30 September 2023	NOK 23.42bn	Residential mortgage loans	NOK 19.75bn	AAA/Stable

Verd is a specialised credit institution dedicated to providing secured covered bond funding for its owners, which are 18 Norwegian savings banks, soon 17 (the owner banks). Verd's investment grade credit profile reflects its low-risk business model as a funding vehicle for its owners, two separate groups of Norwegian savings banks. The owner banks, with a focus on retail customers and residential mortgage lending, are well-established in their local markets and maintain reassuring prudential metrics. Governance support factors from the Norwegian legal and resolution framework provide a four-notch uplift above the issuer rating. This forms a rating floor at AA-.

The interplay between complexity and transparency is reflected in a cover pool complexity (CPC) category of 'low', allowing the maximum uplift of up to three notches on top of the governance uplift. From this, cover pool support enables the programme to be rated AAA. The programme does not benefit from a buffer against an issuer rating downgrade as the maximum theoretical uplift of seven notches is needed to reach the highest rating.

Figure 1: Covered bond rating building blocks



Changes since the last performance update

Since our last analysis, in September 2022, the covered bond programme grew by 46% after Norwegian banking alliance LOKALBANK Alliance (LBA) increased its use of Verd to refinance eligible mortgage loans with covered bonds. Overcollateralisation (OC) levels remain stable at about 18% and the loan-to-value (LTV) ratio slightly increased by 1.1 pp to 52%. In September 2023, Verd raised NOK 149m in capital from its owners to support further growth.

In November 2023, Haugesund Sparebank, which accounts for 13% of Verd's cover pool, announced its intention to merge with Tysnes Sparebank and join the Eika Alliance. We do not expect the departure of Haugesund to materially impact the covered bonds' credit quality as the bank is contractually bound to maintain its cover assets in line with Verd's covered bond maturity profile. Its cover assets will be released gradually, over the next five years.

The issuer

Established in 2009, Verd is a covered bond issuer owned by 18 independent savings banks in all over Norway. This is unlike most covered bond issuers, which typically are owned by a single parent bank.

Each of Verd's owner banks is part of a LOKALBANK alliance, either LBA or De samarbeidende sparebankene (DSS). As seen through Norway, banking alliances are important for sustaining a bank's business franchise and efficiency by enabling the provision of a broad range of financial products (such as insurance, leasing and securities services) and facilitating expertise-sharing.

DSS banks are concentrated in the southern and western part of Norway in the counties of Rogaland, Adger and Hordaland. LBA banks are concentrated in the eastern and northern parts, in Trondelag, Vestfold and Telemark. Further details on our view on Verd's credit quality are in the appendix of this report.

Programme structure

The Norwegian legal covered bond framework is mainly based on the relevant section on covered bonds in the country's Financial Institutions Act together with a related regulation on mortgage credit institutions, both introduced in 2007. The Norwegian Act was amended to transpose the European Covered Bond Directive, and the changes came into force on 8 July 2022, the same day the Directive was enacted in the EU. Under this framework, issuance is permitted only through specialist covered bond issuers. Most issuers of covered bonds (called Boligkreditt, or specialised residential mortgage institutions) are subsidiaries that rely on loans originated by their respective parent banks. In contrast, Verd is a funding platform jointly owned by several banks. Proceeds from a Boligkreditt's covered bond issuances are used to purchase mortgage assets from its parent bank(s), thereby financing the latter's lending.

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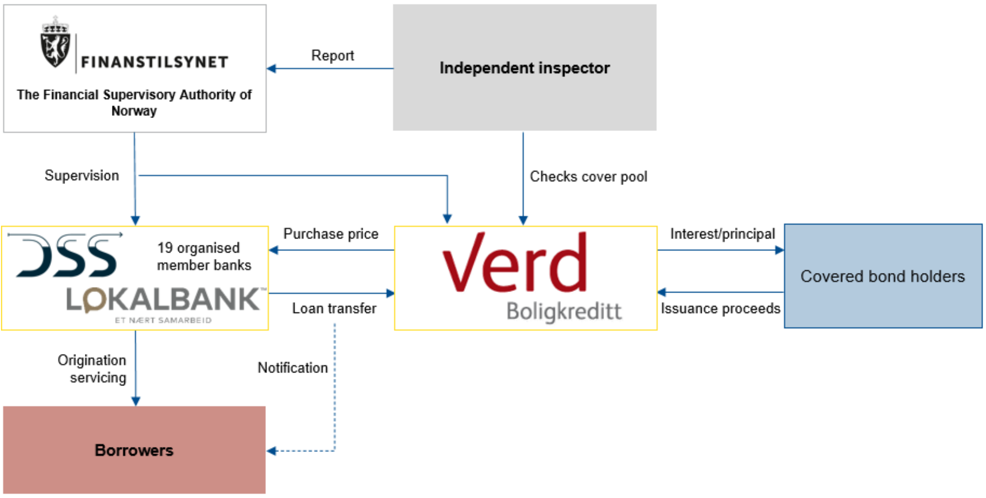
Figure 2: Issuance structure



Source: Scope Ratings

Governance support analysis

Governance support factors enhance the covered bond rating by four notches above Verd's issuer rating. This is based on our view of: i) Norway's covered bond legal framework; and ii) the resolution regime and systemic importance of Verd's covered bonds as well as the cohesiveness of its member banks.

Legal framework analysis

Two notches of legal framework uplift …

We consider the Norwegian covered bond framework to be one of Europe's strongest, meeting our criteria for protecting investors. Therefore, we assign the highest credit differentiation of two notches. For more information on our view of the Norwegian legal framework, which is applicable to all Norwegian covered bond issuers, please refer to Legal framework analysis: Norway.

Resolution regime analysis

… plus two notches of resolution regime uplift

Verd's covered bonds benefit from another two notches reflecting their bail-in exemption and support from a strong external stakeholder community. The uplift is constrained by the combination of: i) the low likelihood that the covered bond issuer will be maintained in a resolution scenario; ii) the low visibility of Verd as a covered bond issuer; and iii) the support of the owner banks, which provides investors with only moderate documented or public commitments on minimum levels of liquidity or overcollateralisation. At the same time, the transfer and service agreements between the owner banks and Verd are regularly updated and have over time strengthened the cohesiveness between the owner banks.

We believe that the current capital structure would, in theory, allow regulators to restructure the issuer using available resolution tools should the need arise. However, the most likely scenario would be a transfer or take-over by another bank. An orderly winddown is also plausible. Verd's size and setup as a joint issuance vehicle make resolution less likely than a 100% owned subsidiary should it or its shareholder fail. As a result, investors might not benefit from an issuer structure that may be maintained as a going concern.

We generally classify Norwegian mortgage covered bonds as a systemic refinancing product, particularly for residential mortgages. Outstanding covered bonds accounted for 34% of GDP in 2022. Norway was the world's seventh largest covered bond issuer in 2022 and the 10th largest by total outstanding bonds.

Verd's covered bond issuing activities and market share only result in a low to moderate systemic importance. The bank only issues domestically, which should reduce negative repercussions on other issuers in the event of a failure. However, given that most of Norway's covered bond issuers are subsidiaries of small to midsize banks, even the failure of an issuer with the size and setup of Verd can create systemic problems for other issuers reliant on covered bonds to refinance their core product of residential mortgages. This risk is mitigated somewhat as DSS and LBA members have a strong interest in maintaining this funding platform.

For more information on our view of the Norwegian resolution regime, please refer to Legal framework analysis: Norway.

Cover pool analysis

Verd's mortgage-covered bond ratings are cover pool-supported, providing all the uplift needed to achieve the highest rating, with seven notches. Governance support provides four notches and an effective floor against a deterioration in cover pool credit quality. Our assessment on the interplay between complexity and transparency translates into a CPC category of 'low', allowing for the maximum three-notch uplift on top of the governance uplift.

The minimum OC needed to achieve the highest rating remains unchanged at 6%, supported by the sound credit metrics of the cover pool and the low market risks. Market risks arise from maturity mismatches, partially mitigated by the bonds' soft-bullet structure.

Cover pool composition

The cover pool comprises granular, first-lien Norwegian residential mortgage loans denominated in Norwegian krone and further benefits from 7.7% of liquid substitute assets, mainly Norwegian mortgage covered bonds but also deposits with Sparebank Vest and other highly rated bonds.

As of September 2023, the loans were granted to 11,648 obligor groups, up from 8,608. By balance, 30.2% (up from 16.3%) accounts for mortgage loans originated by LBA. As of September 2023, all LBA banks contributed mortgage assets to the programme. The total share of LBA loans is expected to increase further, fuelled by new originations from LBA banks and existing collateral released from maturing EIKA covered bonds.

However, LBA loans transferred to Verd have slightly weaker credit metrics than DSS loans in the cover pool. For instance, the average LTV for the LBA loans is 53.2% against 47.8% for the DSS. Also, LBA internal risk scores imply a slightly weaker quality. Even so, the increased share of LBA loans have not resulted in a material deterioration of the programme's credit quality.

Cover pool characteristics

Reporting date	Q3 2023	Q3 2022
Balance (NOK bn)	23.42	15.98
Residential	92.3	94.2
Substitute	7.7	5.8

General information

Reporting date	Q3 2023	Q3 2022
No. of loans	11,796	8,727
No. of obligors	11,648	8,608
Avg. size (EUR)	1.8	1.7
Top 10 (%)	1.1	0.4
Remaining life (y)	21.9	21.1
LTV (%)	52	50.9

Repayment type (%)

Reporting date	Q3 2023	Q3 2022
Annuity	85.8	83.4
Flexible loan	14.0	16.3
Interest-only	0.2	0.3

Interest rate type (%)

Reporting date	Q3 2023	Q3 2022
Fixed	0.0	0.0
Floating	100.0	100.0

Property type (%)

Reporting date	Q3 2023	Q3 2022
Single-family house	79.4	78.1
Apartment	17.6	15.7
Others	2.9	6.2

Table 1: Cover pool contributions by member banks

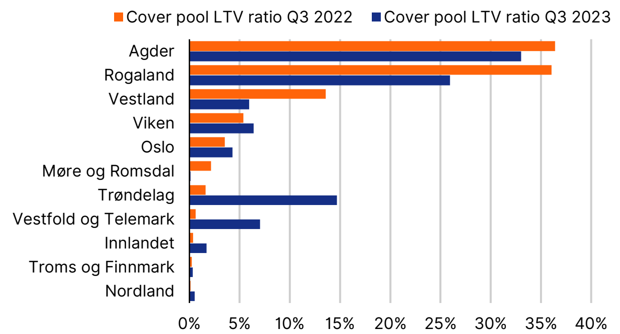
Owner banks	Alliance	Loans transferred	LTV	Seasoning (year)	Remaining term (year)	Flexible loan
Flekkefjord Sparebank	DSS	15%	53.6%	3	22	11%
Haugesund Sparebank	DSS	13%	49.4%	5	21	19%
Skudenes & Aakra Sparebank	DSS	12%	49.1%	4	20	17%
Spareskillingsbanken	DSS	10%	46.5%	4	20	17%
Søgne & Greipstad Sparebank	DSS	9%	50.3%	3	23	11%
Sparebanken DIN	LBA	6%	60.4%	2	25	8%
Lillesands Sparebank	DSS	6%	48.0%	4	23	20%
Stadsbygd Sparebank	LBA	4%	51.5%	3	22	8%
Aasen Sparebank	LBA	4%	52.4%	3	24	3%
Luster Sparebank	DSS	3%	40.9%	6	19	31%
Askim & Spydeberg Sparebank	LBA	3%	55.4%	3	25	9%
Selbu Sparebank	LBA	3%	51.5%	2	23	7%
Nidaros Sparebank	LBA	3%	45.9%	5	22	23%
Drangedal Sparebank	LBA	2%	55.8%	3	23	6%
Ørland Sparebank	LBA	2%	56.6%	4	24	8%
Tolga-Os Sparebank	LBA	2%	50.4%	6	21	12%
Voss Sparebank	DSS	1%	44.8%	6	18	7%
Sparebank 68 Grader Nord	LBA	1%	52.5%	7	20	0%

* As of November 2023, Haugesund has announced to merge with another bank and rescind membership in Verd

The average loan size remains small at NOK 1.8m. The top 10 largest obligors account for 1.1%. The weighted average indexed whole loan LTV is 52.0%, up from 50.9%. Re-drawable loans (flexible loans), make up 14% (based on maximum drawable balance), down from 16%. Flexible loans have an embedded credit line that can be redrawn without new credit approval. A flexible loan is only granted when its LTV is below 60% and can only be re-drawn up to a 60% LTV. Verd must provide liquidity against a re-draw request on a mortgage, which could put its liquidity under pressure. Another 0.2% of the loans pay interest only. The remaining loans are normal amortising.

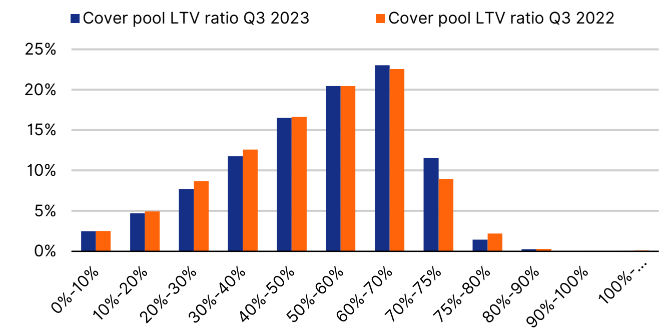
DSS loans' regional concentration mean they are more exposed to the oil industry. However, the regions are also home to diversified, export-oriented sectors like fishery, shipbuilding, tourism and hydro power. The increased portion of LBA loans has also made the portfolio more geographically diversified to the eastern and northern parts of Norway (Trondelag and, Vestfold og Telemark). Exposures outside of the respective core regions of each saving bank are exceptions and are only to provide financing to local customers with above-average credit quality.

Figure 3: Regional distribution



Source: Scope Ratings, Verd

Figure 4: LTV distribution



Source: Scope Ratings, Verd

The portfolio has 79% of its loans for single-family and terraced houses, 18% for apartments and the remaining 3% for other types including holiday homes.

Asset risk analysis

The cover pool's credit quality remains strong. We assume an annual average default probability of 80 bps, which provides a comfortable cushion against the bank's internal point-in-time assessment. Our assumption accounts for the issuer's risk scoring and our probability of default mapping benchmarked to that of other Norwegian residential mortgage lenders.

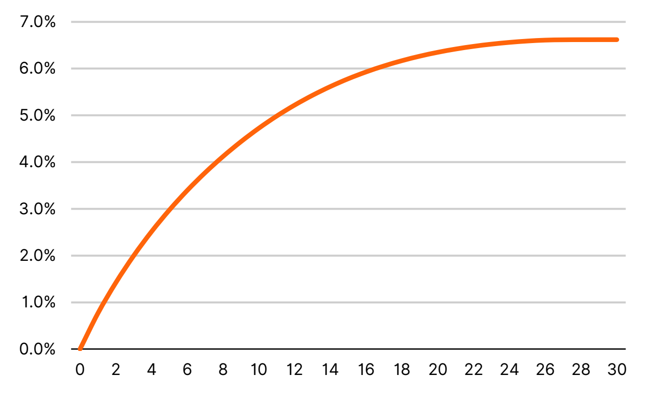
This translates into a cumulative term default rate of 6.6%, down from 7.7% since the last yearly review. The lower term default reflects a lower share within the riskiest categories as well as a recalibration of our probability of default mapping. The average borrower probability of default is commensurate with a bb+ rating, unchanged since our last analysis.

We acknowledge cure rates ranging between 55%-70%, according to Verd's IFRS 9 reporting. Our analysis does not fully reflect the high cure rates as they are unlikely to persist in a stressed scenario.

The legal amortisation profile of the cover assets assumes all flexible loans have an initial loan term equal to the average annuity loan but will not amortise in their remaining life. Further, we assumed them to be fully drawn.

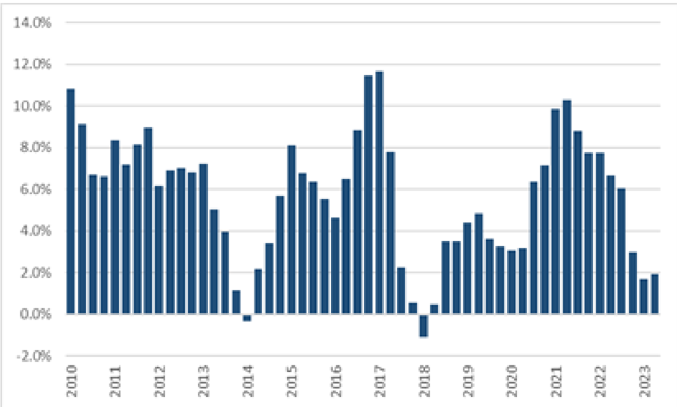
Our projection of default on mortgage loans uses an inverse Gaussian distribution, based on credit performance data provided. We have maintained our assumption of a coefficient of variation of 55% for the mortgage assets. This factors in the higher sensitivity to economic shocks in western Norway but also considers the diversification within these areas compared to more concentrated peers.

Figure 5: Expected term defaults, cumulative



Source: Scope Ratings, Verd

Figure 6: House price growth Norway, annualised



Source: Scope Ratings, statOECD

Stressed recovery rates have decreased slightly to 76.0% from 76.7%. This is mainly driven by an increase in the portfolio's LTV. Market value declines went down for Oslo and the rest of Norway but increased for the south-western regions. Together their impact is neutral.

Table 2: Norwegian security value haircuts

Region	Stressed MVD	Stressed SVH
Oslo	47.5%	57.5%
South-Western Norway	40.0%	52.5%
Rest of Norway	40.0%	52.5%
MVD: market value decline; SVH: security value haircut		

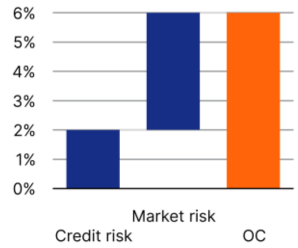
Our base recovery expectation improved by 1% to 98.9%. We have kept our base market value haircuts at 5% to account for imminent value corrections. We also maintained the fire-sale discount at 20%. The fire-sale discount is applied to properties sold under non-standard market or distressed conditions. Our recovery analysis also incorporates 2.5% of variable costs and NOK 70,000 of fixed costs.

We analysed substitute asset defaults with a non-parametric distribution. The default expectation is based on the individual credit assessment of the issuer. The low default rate of 0.05% and the very high coefficient of variation of 931% reflect not only the high credit quality of the individual borrowers but also the very high obligor concentration. We have applied a correlation framework accounting for geographical and obligor-type concentration. The individual asset recovery rate assumptions ranged between 100% in the base case and 50% in the most stressed scenario. We calculated a stressed portfolio recovery rate of 76.2%.

Cash flow risk analysis

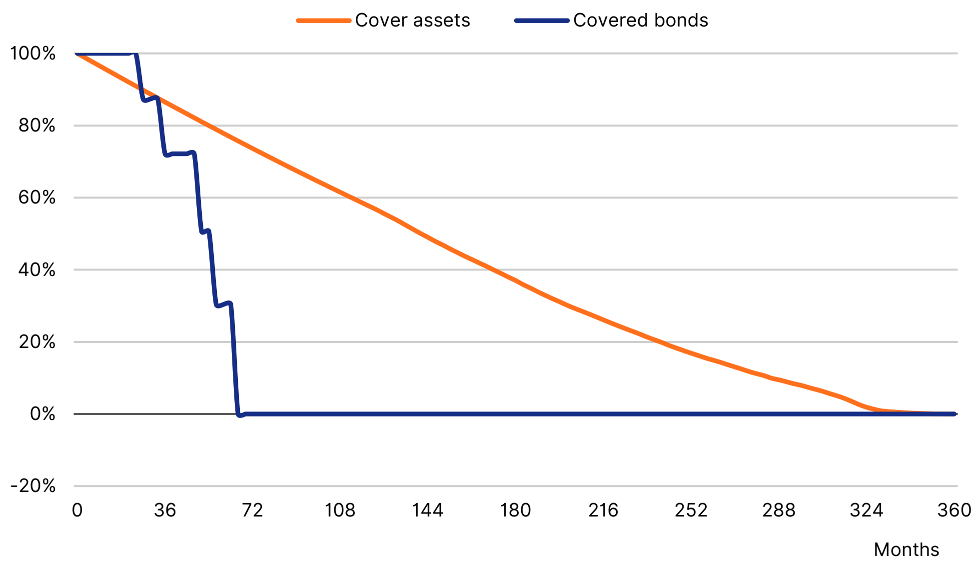
The unchanged rating-supporting OC of 6.0% mainly reflects the programme's asset-liability maturity mismatch risk, accounting for 4 pp. This risk is driven by the asset's slow scheduled amortisation against the faster redemption of the covered bonds, which make OC sensitive to low prepayments resulting from stressed asset sales.

Rating-supporting OC breakdown



Source: Scope Ratings

Figure 7: Amortisation profile



*The covered bonds' redemption profile is based on the extended maturities.
Source: Scope Ratings, Verd

We have calculated asset margins based on the loan-by-loan data provided, deriving a weighted average margin of 70 bps, down from 88 bps, for the mortgage loans. In comparison, this figure is 44 bps for the covered bonds, up from 37 bps.

In the event of recourse to the cover pool, we assume assets will be sold at a discount of up to 150 bps if the cash accumulated from cover pool amortisation is insufficient to pay timely interest and principal on the covered bonds.

Other market risks are limited as cover assets and covered bonds both have floating rates. There is no foreign exchange risk as both assets and liabilities are denominated in Norwegian krone. At this stage, we do not expect foreign currency-denominated issuances.

Credit risk only accounts for 2 pp (down from 3 pp) of the rating-supporting OC, reflecting the lifetime mean default rate of 6.6%, the unchanged coefficient of variation of 55% and a stressed recovery rate of 76.0%.

We have further assumed a recovery lag of 24 months reflecting Norway's lean and digital sale procedures as well as the more regional asset exposure.

We conservatively established the asset's amortisation profile assuming all flexible lines are fully drawn. The bond's amortisation profile was calculated assuming the one-year maturity extensions were executed.

We have tested the programme's resilience against high (15%) and low (1%) prepayments as well as a set of rising and declining interest rate scenarios. The covered bonds are most exposed to a low prepayment scenario in combination with low interest rates.

Further, we tested sensitivities towards a 50% margin compression, frontloaded defaults, 25% prepayments and a liquidity premium up to 200 bps.

Asset-liability mismatches

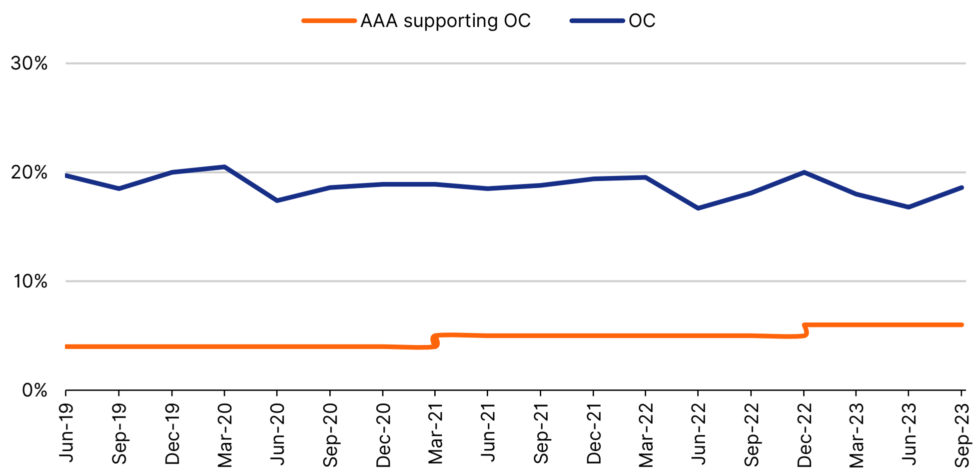
	Assets	Liabilities
NOK	100.0%	100.0%
Fixed	0.0%	0.0%
Floating	100.0%	100.0%
WAL (years)	12.5	4.3*

* incl. one-year extension

Availability of overcollateralisation

The current rating of Verd allows us to fully account for the provided OC of 18.6%, which is above the OC supporting the programme's AAA rating. We are not aware of plans that would significantly change the risk profile or reduce available OC to levels that would no longer support the current rating uplift.

Figure 5: OC development



Source: Scope Ratings, Verd

Other risk considerations

Counterparty risk mitigated by alignment of interests

The rated covered bonds have counterparty exposures to the issuer, as well as to the issuer's parent as loan originator, servicer, bank account provider and paying agent. However, if a regulator were to intervene, we believe the strong alignment of interests between the issuer and the covered bond holders would prevent any negative impact. We also view positively the fact that collections are generally made via direct debit, allowing for a swift redirection of payments if necessary.

Sovereign risk does not affect the ratings

Sovereign risk does not limit the ratings of Verd's mortgage-covered bonds. We believe the risks of an institutional framework meltdown, legal insecurity or currency-convertibility problems are currently remote.

No impact from ESG factors

We have not quantitatively included ESG aspects in Verd's covered bond rating. However, we have performed analyses against Energy Performance Certificate (EPC) scores provided towards estimated default probabilities, stressed recovery rates and expected loss. None of those have shown a significant correlation and accordingly were excluded from our calculation of Verd's credit metrics.

Verd's first green covered bond (NOK 3bn), issued in October 2023, diversifies its funding profile and broadens its investor base. More than NOK 4bn of the green cover assets have energy labels of A and B or equivalent. The share of loans with EPC labels is increasing while improved building standards are resulting in more loans are becoming eligible as green collateral. Still, the current balance is not enough to allow the issuance of further green covered bonds.

The issuer has started to assess its loans for climate risks, including rising sea levels, floods (rivers) and landslides, and has estimated the portfolio's energy consumption per square meter.

Sensitivity analysis

No buffer against potential change in issuer rating

Verd's mortgage-covered bond ratings do not benefit from a buffer against an issuer downgrade as the maximum uplift of seven notches granted to the programme was needed to reach the rating. The covered bond ratings may be downgraded if: i) our view on the issuer deteriorates by one notch or more; ii) risk in the covered bond programme increases and the overcollateralisation provided no longer supports a seven-notch uplift; or iii) there is a deterioration in our view on the governance support factors relevant to the issuer and Norwegian mortgage-covered bonds in general.

Appendix I: Summary of covered bond characteristics

Reporting date	30 September 2023	30 September 2022
Issuer name	Verd Boligkreditt AS	
Country	Norway	
Covered bond name	Obligasjoner med fortrinnsrett (Norwegian mortgage-covered bonds)	
Covered bond legal framework	Norwegian legal covered bond framework	
Cover pool type	Residential mortgage loans	
Composition	Residential = 92.3%	Residential = 94.2%
	Substitute = 7.7%	Substitute = 5.8%
Issuer rating	Not disclosed	Not disclosed
Current covered bond rating	AAA/Stable	AAA/Stable
Covered bond maturity type	Soft bullet	Soft bullet
Cover pool currencies	NOK (100%)	NOK (100%)
Covered bond currencies	NOK (100%)	NOK (100%)
Governance support	4	4
Maximum additional uplift from CPC category	3	3
Maximum achievable covered bond uplift	7	7
Potential covered bond rating buffer	0	0
Cover pool (NOK bn)	23.42	15.98
thereof, substitute assets (NOK bn)	1.8	0.98
Covered bonds (NOK bn)	19.75	13.53
Overcollateralisation: current / legal minimum	18.6% / 5.0%	18.1% / 5.0%
Overcollateralisation to support current rating	6.0%	6.0%
Overcollateralisation upon a one-notch issuer downgrade	6.0% (AA+)	6.0% (AA+)
Weighted average life of assets	12.5 years	12.3 years
Weighted average life of liabilities[1]	4.3 years	3.1 years
Number of loans	11,796	8,727
Average loan size (NOK m)	1.8	1.7
Top 10 residential	1.1%	0.4%
Interest rate type – assets	Floating 100%	Floating 100%
	Fixed 0%	Fixed 0%
Interest rate type – liabilities	Floating 100%	Floating 100%
	Fixed 0%	Fixed 0%
Weighted average LTV (indexed)	52.0%	50.9%
Geographic split (top 3)	Agder = 33.3%	Rogaland = 32.8%
	Rogaland = 25.9%	Agder = 32.7%
	Trondelag = 15.1%	Vestland = 10.9%
Default measure (mortgage/substitute)	Inverse Gaussian/ Non-parametric	Inverse Gaussian
Weighted average default rate (mortgage/substitute)	6.6% / 0.05%	7.7% / -
Weighted average coefficient of variation (mortgage/substitute)	55% / 931%	55% / -
Weighted average recovery assumption (D0/D7) [2]	98.9% / 76.0%	98.5% / 76.7%
Share of loans > three months in arrears (NPL)	0.0%	0.0%
Interest rate stresses (max./min.; currency-dependent)	-1 to 10%	-1 to 10%
FX stresses (max./min.; currency-dependent)	n/a	n/a
Max liquidity premium	150 bps	150 bps
Average servicing fee	25 bps	25 bps

[1] Including the 12-month extension.
[2] D0 and D7 denote the stresses commensurate with the rating distance between our credit view on the issuer and the covered bond ratings.

Appendix II: Credit view on Verd Boligkreditt

Scope's credit view reflects Verd's low-risk business model as a funding vehicle for its owners, a group of Norwegian savings banks. Various aspects of the relationship between Verd and its owners support its credit profile.

As dictated by its legislative status and strategic purpose, Verd pursues a restricted and low-risk business. Through the issuance of covered bonds, Verd provides an important source of funding for its owners' lending activities. The mortgage assets backing the covered bonds must meet defined eligibility criteria, supporting Verd's sound asset quality. Following the establishment of a green covered bond framework, Verd is working on further incorporating climate considerations into its activities and encouraging its owners to do the same.

Verd's owners are savings banks with well-established positions in their local markets. Their focus on retail customers and residential mortgage lending underpins their good asset quality and reassuring prudential metrics. With the addition of banks from the LBA alliance operating in eastern and northern Norway, the assets of the cover pool are becoming more geographically diversified. The original owner banks that form the DSS alliance operate in southern and western Norway, regions more exposed to the cyclical oil and gas industry.

With consolidation increasing among Norwegian savings banks, Verd's ownership composition could change. Nevertheless, Scope expects the highly cooperative relationship and the agreements between Verd and its owner banks to remain intact, ensuring its solid financial profile.

Outlook and credit view change-drivers

The Stable Outlook reflects Verd's sound credit fundamentals and resilient business performance.

What could positively impact the credit view:

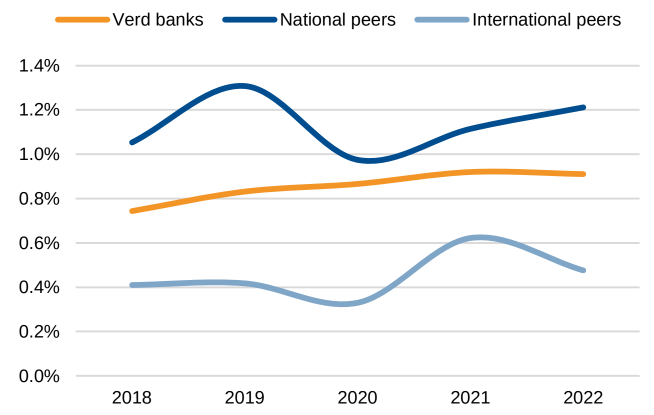
- Sustained high quality growth and diversification of the mortgage assets reflecting Verd's increasing relevance as a covered bond issuer in the Norwegian market

What could negatively impact the credit view:

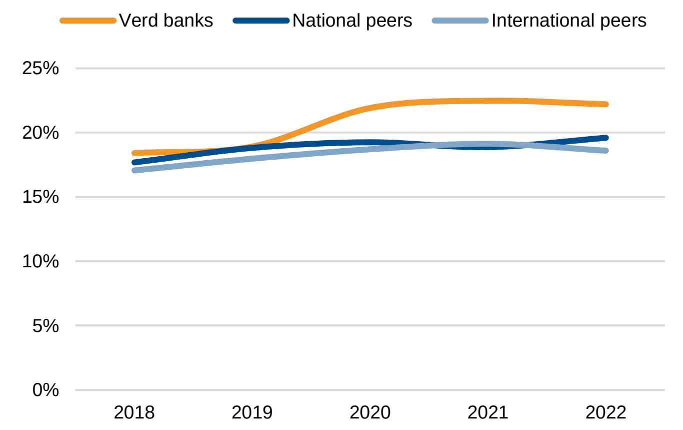
- Evidence that the various agreements with the owner banks do not function as expected, potentially impacting Verd's financial profile and solvency position
- Deterioration in the credit quality of the mortgage assets, potentially stemming from a change in the composition of the owner banks

Appendix III: Peer comparison – Verd owner banks vs peers and selected financial information

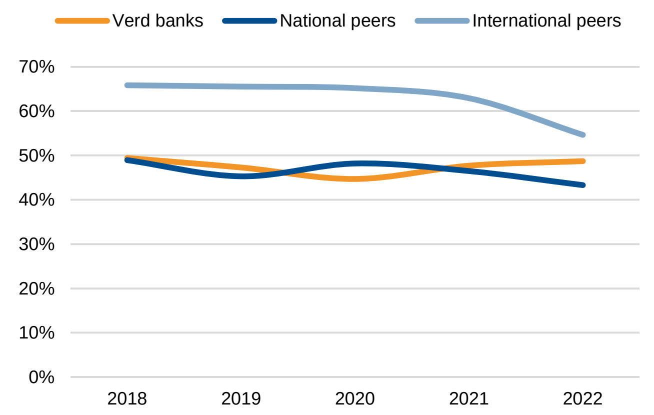
Return on average assets (%)



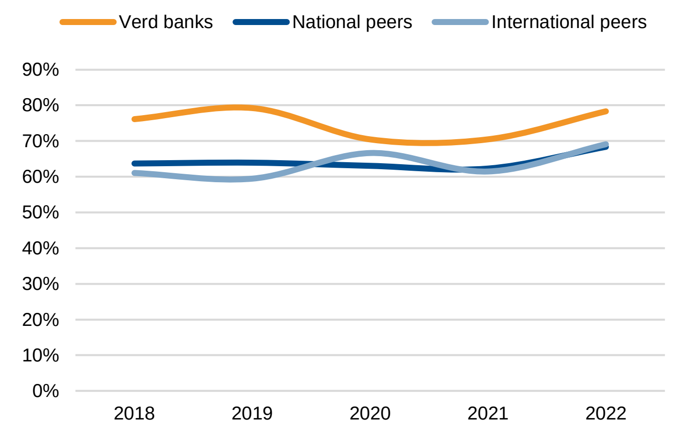
CET1 ratio (%)



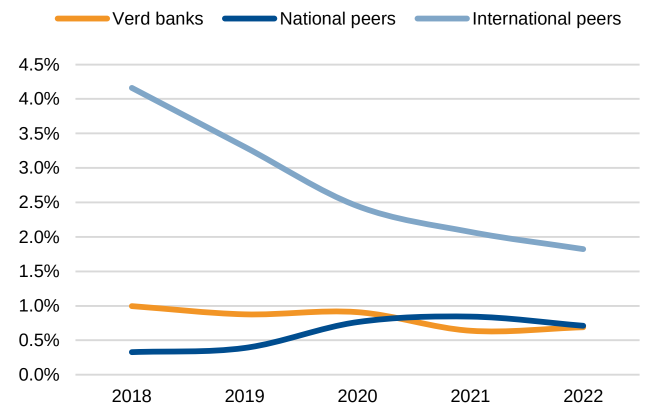
Costs % Income



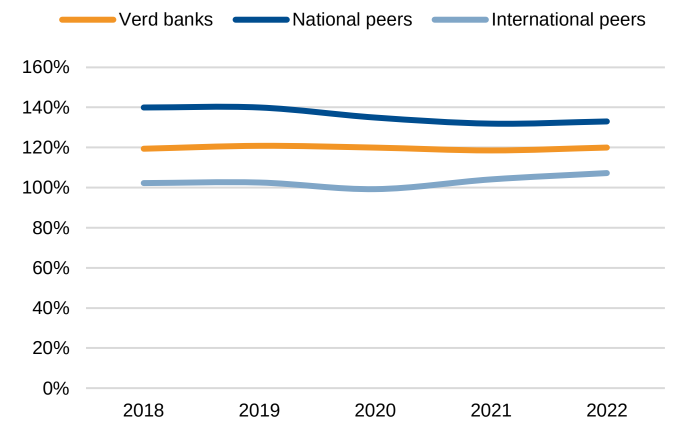
Net interest income % Operating income



Problem loans % Gross customer loans



Net loans % Deposits



National peers: BN Bank, Orkla Sparebank, Skue Sparebank, Jaeren Sparebank, Sparebank 1 SMN, SpareBank 1 Ringerike Hadeland, Sparebank 1 Nordmore.
International peers: Bausparkasse Wustenrot, Banca Popolare di Sondrio, Credito Emiliano, Kutxabank, Unicaja, Principality Building Society, Sparebanken Skane AB.
Note: Figures for the Verd banks are weighted averages based on each bank's ownership interest in Verd.

	2019	2020	2021	2022	9M 2023
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	205	161	221	455	242
Total securities	414	589	806	1,350	1,651
of which, derivatives	0	5	0	0	0
Net loans to customers	9,335	10,141	11,265	16,809	21,678
Other assets	0	0	2	4	5
Total assets	**9,954**	**10,892**	**12,295**	**18,617**	**23,576**
Liabilities					
Interbank liabilities	946	997	1,132	1,578	2,048
Senior debt	8,302	9,157	10,291	15,499	19,860
Derivatives	3	0	0	0	0
Deposits from customers	0	0	0	0	0
Subordinated debt	70	70	70	173	160
Other liabilities	22	26	29	33	42
Total liabilities	**9,343**	**10,250**	**11,522**	**17,283**	**22,111**
Ordinary equity	558	589	720	1,218	1,356
Equity hybrids	53	53	53	116	110
Minority interests	0	0	0	0	0
Total liabilities and equity	**9,954**	**10,892**	**12,295**	**18,617**	**23,576**
Core tier 1/ common equity tier 1 capital	*525*	*557*	*677*	*1,177*	*1,334*
Income statement summary (NOK m)					
Net interest income	94	116	137	111	94
Net fee & commission income	-41	-51	-60	-43	-48
Net trading income	0	-8	-9	-4	-6
Other income	0	0	0	0	0
Operating income	**53**	**56**	**68**	**65**	**39**
Operating expenses	9	11	13	11	8
Pre-provision income	**44**	**45**	**55**	**53**	**31**
Credit and other financial impairments	0	2	1	0	2
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	**44**	**43**	**54**	**53**	**30**
Income from discontinued operations	0	0	0	0	0
Income tax expense	9	9	11	11	6
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	**35**	**34**	**43**	**42**	**24**

Source: SNL

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