Totens Sparebank Issuer Rating Report

A- STABLE

Scope's credit view (summary)

The **A- issuer rating** reflects the Norwegian savings bank's strong market position in its local area and stable operating performance, with sound asset quality and solvency metrics. The savings bank primarily focuses on retail mortgage lending in its local region, supplemented with some lending to smaller corporates. Totens Sparebank's (Totens) competitive position is strengthened by its membership in the Eika Alliance, the fourth largest financial group in the country.

With solid earnings capabilities, the bank can comfortably absorb credit impairments out of ordinary pre-provision profit. Management targets a return on equity of 10% and a cost income ratio of below 40%.

Totens maintains sound buffers to solvency requirements and is well positioned against the upcoming increase in the systemic risk buffer to 4.5% from 3% at 2023YE. Since end-March 2023, the bank has been subject to an updated Pillar 2 requirement of 1.5%, down from 1.6%. The Norwegian FSA also expects the bank to maintain a Pillar 2 buffer of 1%.

The bank primarily funds itself through customer deposits but also has a material reliance on market funding, including covered bonds. The bank accesses covered bond funding through its own covered bond entity, Totens Sparebank Boligkreditt and through the covered bond issuing entity of the Eika Alliance. To mitigate risks stemming from market funding, the bank maintains a high-quality liquidity portfolio.

Totens Sparebank Boligkreditt is a wholly owned, specialised credit institution, with the dedicated role of providing secured covered bond funding for its parent. The A- issuer rating on Totens Sparebank Boligkreditt is aligned with that of Totens, reflecting our view that it would likely benefit from full support in case of need given its strategic importance. The rating on covered bonds issued by Totens Sparebank Boligkreditt is AAA.

Outlook

The **Stable Outlook** reflects our view that Totens' operating performance will remain resilient in a less benign business cycle.

What could move the rating up:

- Sustained profitable growth and increased geographic diversification, without an increase in the bank's risk profile

What could move the rating down:

- A deterioration in operating conditions which materially impairs the bank's earnings capabilities
- Loss of benefits and economies of scale from being a member of an alliance

Ratings & Outlook

Issuer rating	A-
Senior unsecured debt rating	A-
Senior unsecured (subordinated) debt rating	BBB+
Issuer rating – Totens Sparebank Boligkreditt	A-
Covered bond rating – issued by Totens Sparebank Boligkreditt	AAA
Outlook	Stable

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Bloomberg: RESP SCOP

Issuer profile

Established in 1854, Totens Sparebank is a savings bank headquartered in Lena in South-Eastern Norway. The bank operates four branches in the broader Mjos region, where agriculture, manufacturing and the public sector are important industries. The bank is also active in Viken County with a branch in Raholt. Totens has its own wholly owned covered bond issuing vehicle, Totens Sparebank Boligkreditt.

The bank serves about 40,000 retail and corporate customers, offering payment solutions, savings and pension products, investment funds, insurance, and financing. In addition to being a founding member, Totens is one of the largest banks in the Eika Alliance. As of 31 March 2023, the bank had balance sheet assets of NOK 22bn and about 90 full-time equivalent employees.

In Ostre Toten and Vestre Toten where the bank has a long history, Totens enjoys retail market shares of 40-50% and corporate market shares of about 25%. In other municipalities where the bank has a more recent history, market shares are around 10-15%.

Totens first issued equity capital certificates (ECC) in 1995 and is listed on the Oslo Stock Exchange. As of 31 March 2023, the ECC ratio was around 50%.

Recent events:

- In Q1 2023, Totens reported a profit after tax of NOK 59m, up from NOK 42m in Q1 2022, and a return on equity of 9.5%. A high level of net interest income helped to offset generally higher costs due to inflation and IT transition costs. Asset quality continued to be sound, with the Stage 3 ratio at 0.8%. Solvency metrics remained strong with the CET1 ratio standing at 18.5% (proportional consolidation basis).
- Since 31 March 2023, the bank has been subject to an updated Pillar 2 requirement of 1.5%, down from 1.6% previously. As well, the bank received a Pillar 2 guidance of 1% from the Norwegian FSA.

Summary rationale for the rating construct

Step		Assessment	Summary rationale
STEP 1	Operating environment	**Very supportive** Supportive Moderately supportive Constraining Very constraining	• Wealthy economy with well-developed capital markets and a strong record of economic resilience • Supportive operating environment for banking activities Relatively stringent and active financial regulator
	Business model	Very resilient Resilient Consistent **Focused** Narrow	• Savings bank with a focus on personal customers and mortgage lending • Membership in alliance brings significant benefits • Operations concentrated in one region of Norway
	Mapping refinement	**High** Low	• Strong market position in target market with resilient operating performance
	Initial mapping	**bbb/bbb+**	
	Long-term sustainability	Best in class Advanced **Developing** Constrained Lagging	• Business model based on close ties to the local community • Developing capabilities to manage climate-related risks as well as to support the climate transition • Continued investment in maintaining competitive digital capabilities
	Adjusted anchor	**bbb**	
STEP 2	Earnings capacity & risk exposures	Very supportive **Supportive** Neutral Constraining Very constraining	• Solid profitability with good cost efficiency and low credit impairments • Sound asset quality with relatively granular loan book
	Financial viability management	Ample **Comfortable** Adequate Limited Stretched At risk	• Comfortably meets regulatory requirements • Customer deposits represent the largest source of funding, with market funding also being important, including covered bonds • Maintains a high-quality liquidity portfolio
	Additional factors	Significant support factor Material support factor **Neutral** Material downside factor Significant downside factor	• No further considerations
	Standalone	**a-**	
STEP 3	External support	Not applicable	
Issuer rating		**A-**	

Norwegian savings bank with strong market position in local area

The 'focused' business model assessment reflects Totens' strong savings bank franchise in its target market and its focus on retail banking. The bank's activities are concentrated in one geographic region in Norway. At the same time, the bank benefits from being a member of a well-established national alliance of savings banks.

The operating environment in Norway is very supportive of banking activities, thanks to the resilience of the country's economy to shocks, high wealth and low unemployment as well as strong public finances. In addition, there is a long history of cooperation and alliances amongst banks and active supervision by regulators.

Operations concentrated in Mjos region

Management has defined the Mjos region as the bank's primary market and the areas immediately adjacent as its secondary market. Per bank policy, at least 70% of lending should be within the primary market (Q1 2023: 79%).

With approximately 200,000 residents, the Mjos region in South-Eastern Norway has limited exposure to the more cyclical oil and gas industry and the proportion of people employed in the public sector is higher than the national average. Consequently, the area tends to have lower and more stable unemployment rates compared to other parts of the country. Further, house prices in the area are lower in absolute terms and have not increased to the same degree as in the Oslo region (Figure B).

Focus on retail banking and mortgage lending

Totens has a relatively low-risk business model underpinned by a focus on retail banking and residential mortgage lending. Loans to personal customers account for over 70% of total lending activity (75% including loans transferred to covered bond issuing vehicles).

Membership in the Eika Alliance is a key factor in supporting the bank's competitive position. The alliance seeks to strengthen the position of its approximately 50 member banks, which together represent the fourth largest financial group in the country.

Through jointly owned product companies, member banks can offer a range of products to their customers, such as insurance, credit cards and mutual funds. In addition, banks earn fee and commission income from distributing these products. The primary source of revenue for most Norwegian banks, however, remains net interest income (Figure 4).

Figure 1: Overview of bank branches

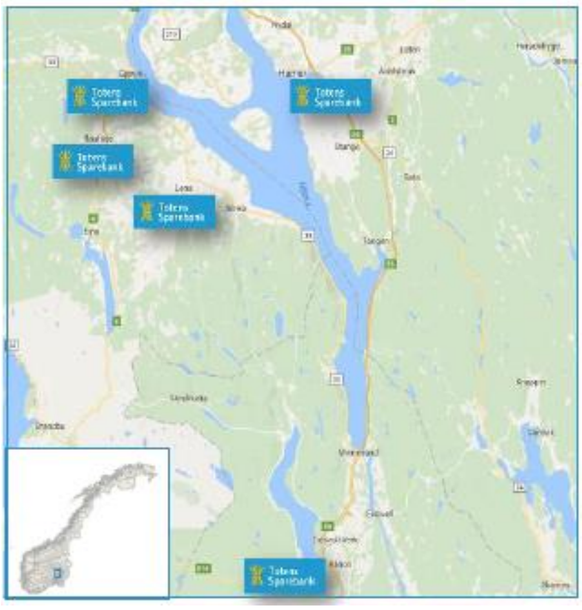
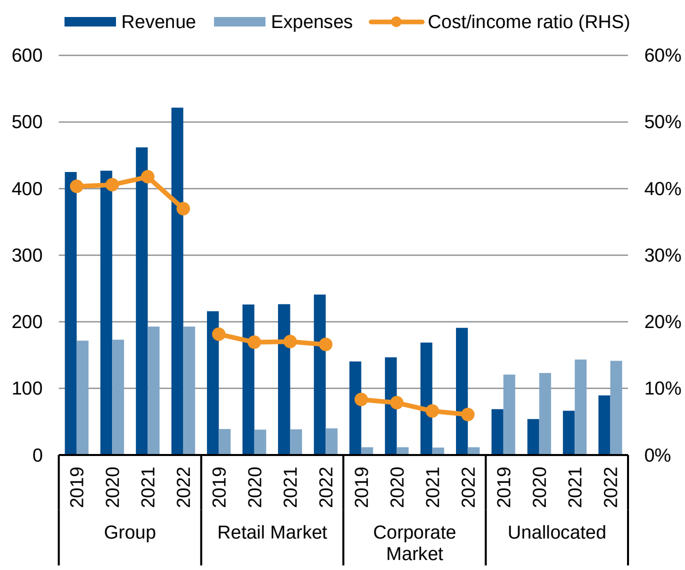
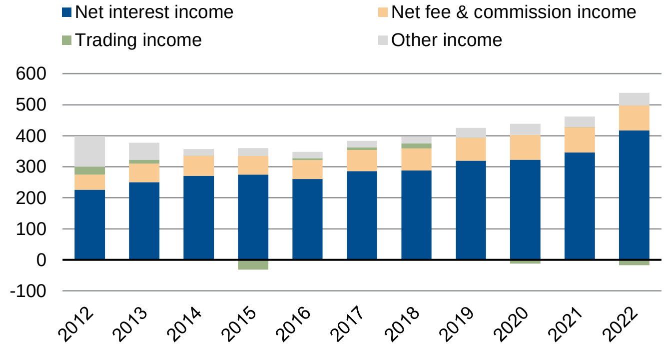


Figure 2: Revenue and expenses by segment (NOK m)



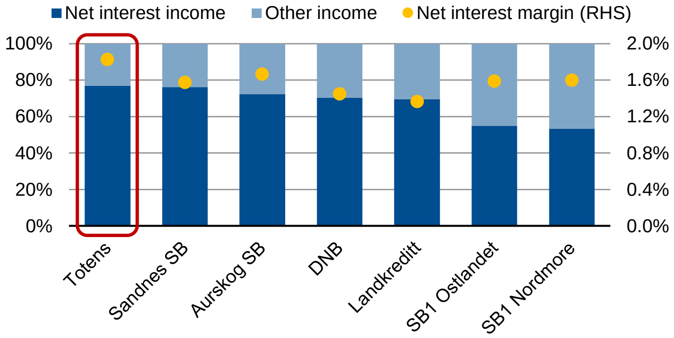
Source: SNL, Scope Ratings.

Figure 3: Revenue development (NOK m)



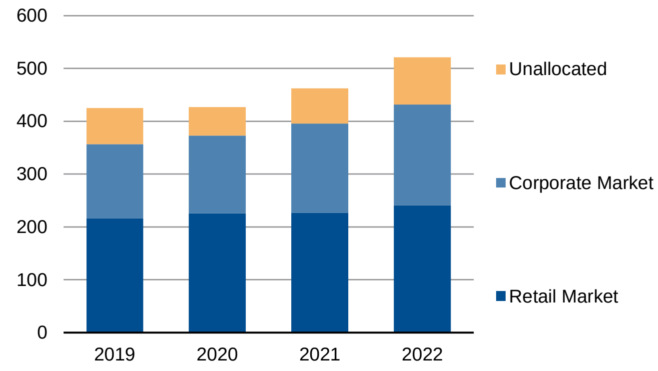
Source: Bank, Scope Ratings.

Figure 4: Revenue profile (%) – peer comparison



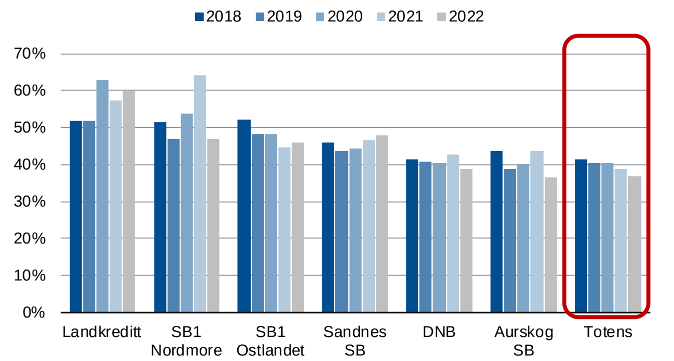
Note: Three-year average for years 2020-2022.
Source: SNL, Scope Ratings.

Figure 5: Revenue by customer segment (NOK m)



Source: Bank, Scope Ratings.

Figure 6: Cost income ratio (%) – peer comparison



Source: SNL, Scope Ratings.

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

Macroeconomic assessment

- With a population of 5.4m and a GDP of USD 576bn (2022), Norway is a relatively small open economy with one of the world's highest per capita incomes.
- The Norwegian economy proved relatively resilient to the Covid-19 pandemic, with a limited GDP contraction in 2020 and a strong rebound from 2021.
- Due to robust growth, low unemployment and higher-than-targeted inflation, the central bank has been increasing the policy rate since September 2021.
- Very strong government fiscal position provides ample capacity to support the economy as needed. Savings are accumulated through the world's largest sovereign wealth fund, the Government Pension Fund Global.
- 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. Macroprudential measures concerning mortgages and consumer debt are in place to manage risks. Mortgage debt is primarily floating rate.
- House prices have risen more than household income over time. After a decline in autumn 2022, house prices are rising again. Commercial property prices have also risen over many years but have been declining since summer 2022.
- The country's reliance on the oil and gas sector exposes it to long-term transition challenges.

Soundness of 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 nearly 50% of total lending while the commercial real estate sector accounts for around 45% of corporate lending.
- Digitalisation is high and the use of cash is amongst the lowest in the world.
- A 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 customers deposits are the primary source of funding, the use of market funding is material, especially covered bonds.

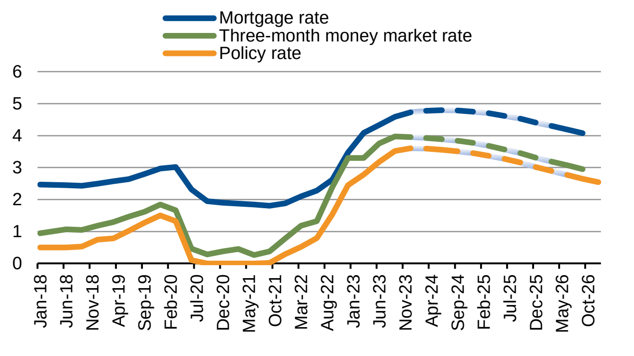
Key economic indicators	2020	2021	2022F	2023F	2024F
GDP per capita (USD'000s)	68.1	90.1	106.1	NF	NF
Real GDP, % change	-1.9	4.0	3.2	1.2	1.3
Unemployment rate, %	4.8	4.4	3.2	3.5	3.6
CPI, % change	1.3	3.5	5.8	5.5	2.7
Policy rate, %	0.00	0.50	2.75	4.25	4.25
Public debt, % of GDP	45	43	37	40	40

NF = not forecasted
Source: SNL, Scope Macroeconomic Council forecasts

Banking system indicators	2018	2019	2020	2021	2022
ROAA, %	1.0	1.1	0.8	1.0	1.0
ROAE, %	10.8	11.2	8.5	10.1	11.0
Net interest margin, %	1.7	1.8	1.7	1.6	1.8
CET1 ratio, %	16.7	17.8	18.3	18.4	18.3
Problem loans/gross customer loans, %	1.3	1.3	1.6	1.4	1.3
Loan-to-deposit ratio, %	176.5	181.3	169.6	162.4	159.5

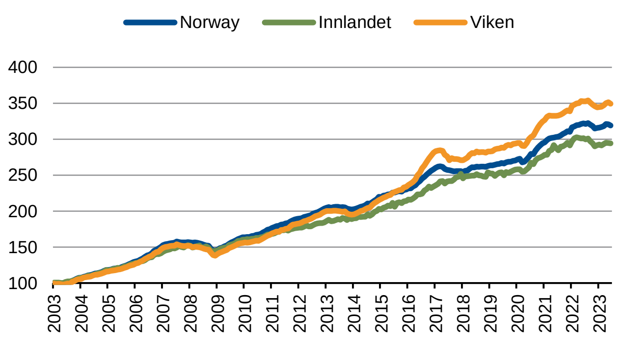
ROAA: return on average assets
ROAE: return on average equity
Source: SNL

Figure A: Interest rates (%)



Source: Norges Bank, June 2023 MPR

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

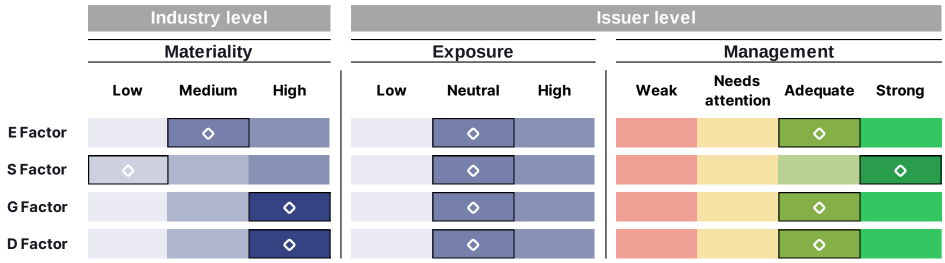


Note: Totens operates primarily in Innlandet county.
Source: Eiendom Norge, Macrobond, Scope Ratings

Ongoing efforts to ensure long-term sustainability of the bank

The 'developing' long-term sustainability assessment reflects our view that the bank is aware of sustainability issues and is taking steps to manage the associated risks and opportunities, with the progress made so far being in line with peers.

Figure 7: Exposure to and management of key ESG-D factors[1]



Source: Scope Ratings

In January 2023, Totens published an updated sustainability strategy that guides the bank's efforts in this area and aims to further integrate these issues into its operations. This work is seen as a means to strengthen the bank's competitiveness and reduce business risks. Guided by the United Nations' 17 Sustainable Development Goals, the bank has chosen several areas to focus on: equality and diversity, economic growth in the local community and sustainable financing.

Eco-Lighthouse certification

In 2022, the bank received the Eco-Lighthouse certification, a widely used certification scheme in Norway for enterprises looking to document their environmental efforts and demonstrate social responsibility. Specific requirements for banks include having climate and environmental policies and goals for core activities such as credit granting, management of customer savings and own funds, a plan for implementing the recommendations of the Task Force on Climate-related Financial Disclosures and developing products that encourage environmentally sound behaviour.

This year, Totens aims to further develop its green product offering, particularly for corporate customers. Facilitating green loans in the construction and real estate sectors is a focus given the bank's credit exposure to these industries.

Meeting regulatory requirements and expectations is also a priority. Consequently, the bank continues to work on assessing its exposure to climate risks as well as improving disclosures.

ESG risks are a part of the underwriting process

To manage ESG-related credit risks, the bank has been engaging with corporate customers on the subject through a client survey. This tool has been developed within the Eika Alliance, with the bank striving to be a driving force in the alliance for establishing systems to measure and report ESG data. Corporate loans above NOK 10m undergo an ESG assessment. This year, the bank aims to increase the proportion of corporate loans with a sustainability assessment from 54% of at end-2022 to 79% at end-2023.

[1] The overview table illustrates how each factor informs our overall long-term sustainability assessment. The materiality table shows how we view the credit relevance of each factor for the industry at large. The exposure table shows how we see the issuer's degree of exposure to each ESG-D factor. The management table shows how we view the issuer's management of these exposures.

Investing in digital capabilities is a strategic priority

Operating in a highly digital market with demanding customer expectations, the bank makes ongoing technology investments to remain competitive. The banks in the Eika Alliance are in the process of transitioning their IT systems from their current provider, SDC, to TietoEvry, which is used by most other banks in the country. In addition to cost savings, the change will ensure that the systems are well suited to the Norwegian market. The transition started in H2 2022 and is expected to be completed for all banks over the course of 2023. Totens successfully transitioned to the new system in June 2023.

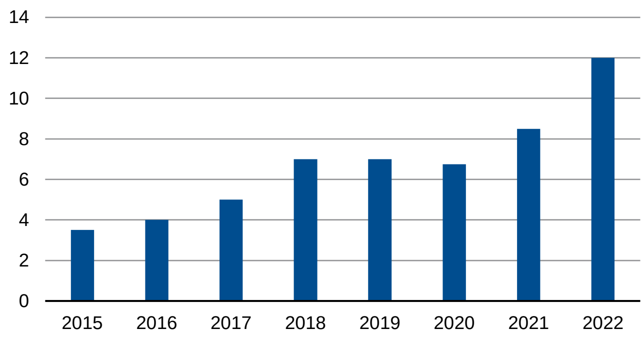
Close ties to local community support business franchise

As a savings bank with strong roots in its local area, Totens aims to contribute to the region's growth and development. Customers, employees and local municipalities are all represented in the bank's highest governing body, the general assembly.

Each year, a portion of earnings is used to support associations, sport, and culture in the local community. The bank receives around 350 applications for donations annually and sponsors about 70 sports and cultural organisations. Supporting activities which reduce inequality and exclusion among children and young people is a particular focus. In 2022, the bank allocated NOK 12m to the local community.

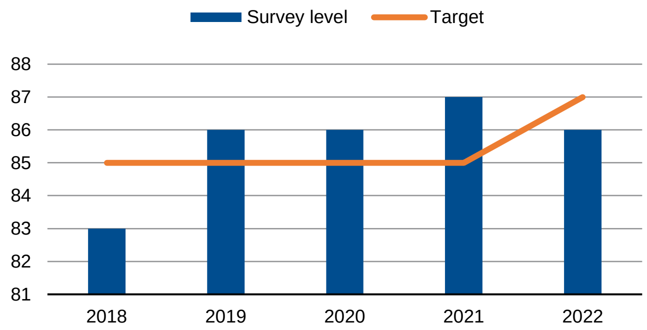
Remaining an attractive employer in its region is another strategic priority. Totens conducts annual employee surveys to monitor employee satisfaction, and in 2022 the bank targeted a score of 87 out of 100 and achieved a score of 86. Management sets ambitious targets in this area and aims to score above the average for banks in the Eika Alliance.

Figure 8: Annual allocation for gifts (NOK m)



Source: Bank, Scope Ratings.

Figure 9: Employee satisfaction



Source: Bank, Scope Ratings.

Robust earnings capabilities provide a buffer against potential credit quality deterioration

The 'supportive' earnings capacity and risk exposures assessment reflects the bank's solid earnings and capacity to absorb credit losses. At the same time, asset quality remains sound, underpinned by a loan portfolio dominated by relatively low-risk residential mortgages.

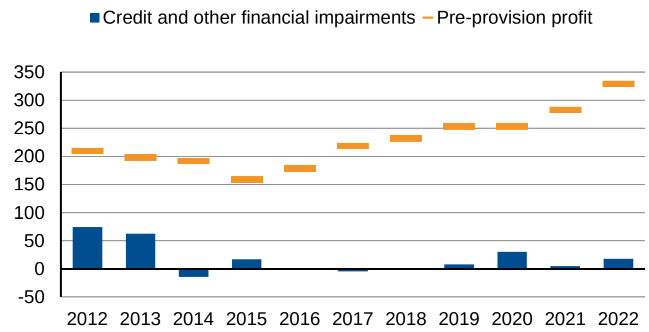
Key targets are a 10% return and a cost income ratio below 40%

To ensure its independence and important role in the local area, Totens aims for solid and resilient operating performance. Management targets a return on equity of 10% and a cost income ratio below 40%.

Over the last several years, management has taken action to improve the bank's efficiency by disposing of non-core banking activities (real estate brokerage), cutting the number of branches to five from ten and reducing the number of employees. The recent transition of the bank's IT systems to TietoEvry should further support efficiency.

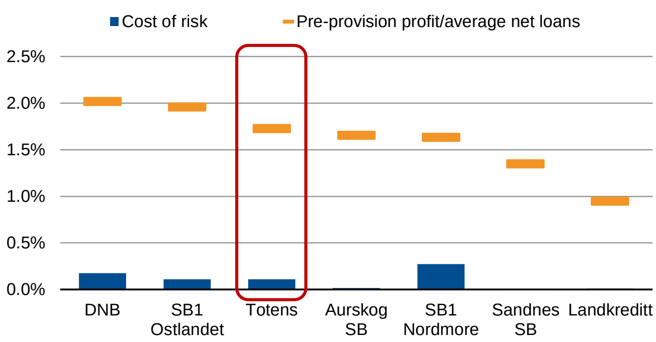
Totens' operating performance has also been bolstered by higher interest rates during the last couple of years. As the loan book is predominantly floating rate, the bank can reprice loans after giving customers notice (eight weeks for retail customers and two weeks for corporate customers). Elevated levels of interest income have offset higher costs due to inflation and higher funding costs.

Figure 10: Pre-provision profit vs impairments (NOK m)



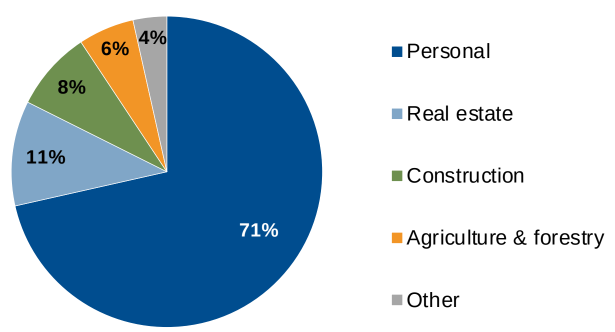
Source: Bank, Scope Ratings.

Figure 11: Pre-provision profit versus impairments – peer comparison



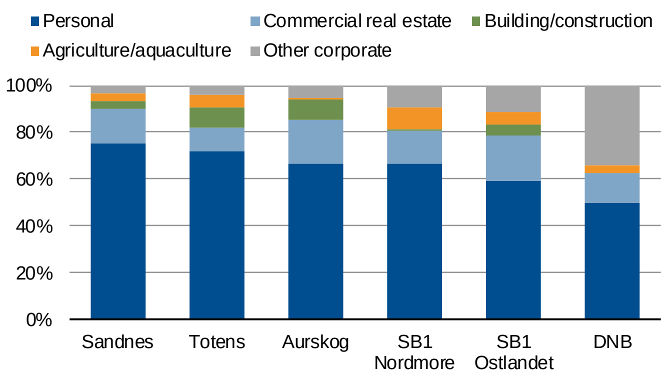
Note: Three-year average for years 2020-2022.
Source: SNL, Scope Ratings.

Figure 12: Loan book profile – Q1 2023



Note: Gross loans of NOK 18.9bn, excluding NOK 2.8bn in loans transferred to Eika Boligkreditt.
Source: Bank, Scope Ratings.

Figure 13: Loan book profile – peer comparison



Note: On balance sheet loans as of end-2022.
Source: Banks, Scope Ratings.

Low-risk residential mortgages dominate the loan book

With its solid earnings capabilities and a relatively granular loan portfolio, the bank is well positioned for a softer business cycle. Low-risk residential mortgages dominate the loan book (Figure 12). Nearly 90% of residential mortgages had a loan-to-value ratio below 60% and about 2% had a loan-to-value ratio above 80% as of end-2022.

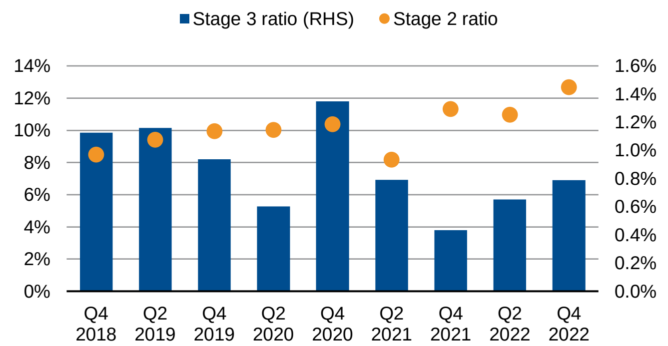
The corporate portfolio reflects the economy of the bank's local area as well as the nature of the loan market in Norway, where lending to the commercial real estate sector accounts for nearly half of all corporate loans. The bank's building and construction exposure is primarily related to the development of residential housing. Totens limits the proportion of corporate loans to 30% of total lending activity and has established further limits for exposures to various industries, including commercial real estate and construction.

Earnings should be able to absorb higher impairments

While higher interest rates have begun to impact property markets, the bank has not seen their commercial real estate clients facing many empty offices or high vacancies in their local area. Management is closely monitoring the more sensitive corporate construction sector. Corporate credit quality is likely to see some deterioration going forward, but we expect the bank's asset quality metrics to remain reassuring and for credit impairments to be readily absorbed by pre-provision income.

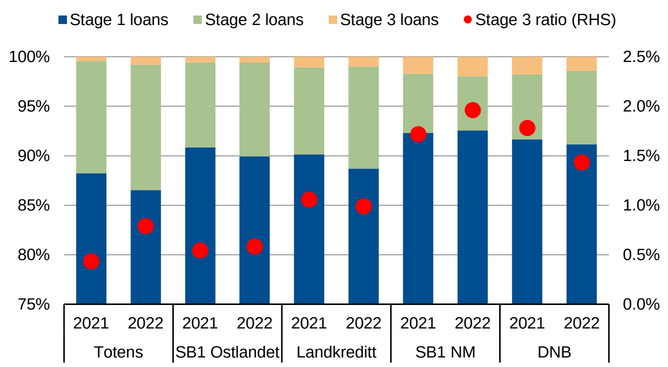
As of Q1 2023, the Stage 3 ratio was 0.8%, below pre-pandemic levels and below the peak of 1.4% seen during the pandemic (Figure 14). Loan loss provisions amounted to NOK 94m, with half being for Stage 1 and Stage 2 loans.

Figure 14: Stage 2 and Stage 3 ratio development (%)



Source: Bank, Scope Ratings.

Figure 15: Asset quality profile – selected peer comparison



Source: SNL, Scope Ratings.

Sound solvency position and stable funding profile

The 'comfortable' financial viability management assessment reflects the bank's comfortable buffers to prudential requirements and stable funding profile.

Supported by internal capital generation and a balanced distribution policy, Totens is comfortably positioned against current and future expected solvency requirements. Over time, the bank aims to distribute at least half of the ECC holders' share of the annual profit provided its solvency position remains at a sound level. The ECC share is currently around 50%.

As of Q1 2023, the bank's CET1 capital ratio was 18.4% and the leverage ratio was 8.9% (proportional consolidation basis), compared to requirements of 13.3% and 3% respectively.

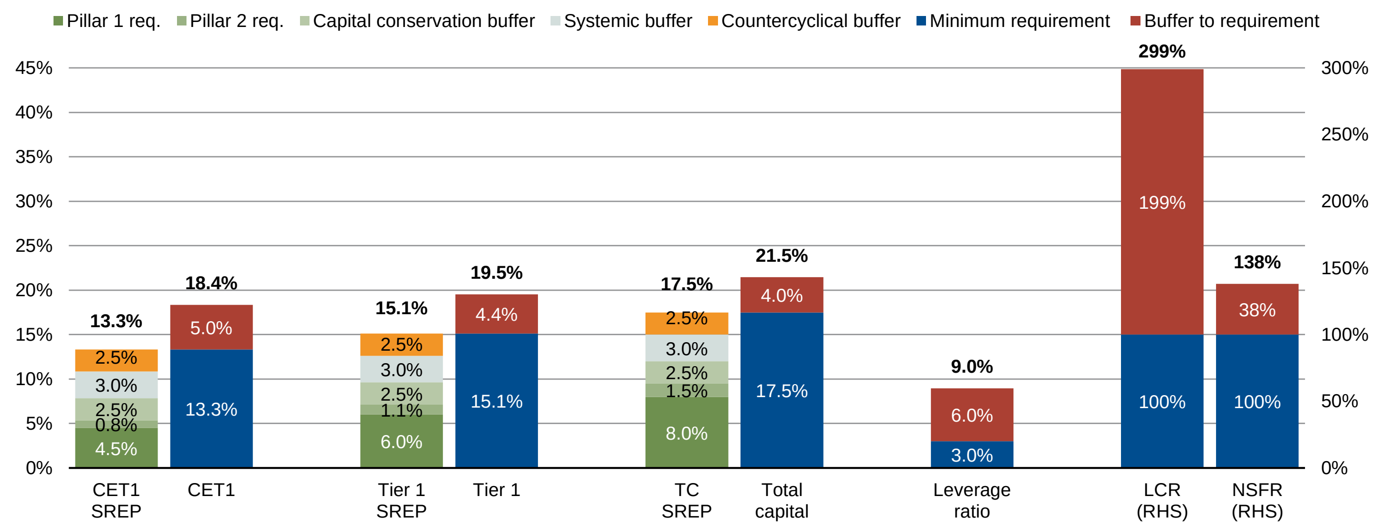
Updated Pillar 2 requirement and guidance

The minimum CET1 capital requirement for domestically oriented Norwegian banks is a relatively high 12.5%, which includes a 3% systemic risk buffer and a countercyclical buffer of 2.5%. In addition, Totens is subject to a comparatively low Pillar 2 requirement of 1.5%. The requirement was lowered by 10 bps from 31 March 2023. The Pillar 2 requirement can now be met with a minimum of 56.25% CET1 capital and 75% of Tier 1 capital in line with the Capital Requirements Directive. Further, the Norwegian FSA has set the bank a Pillar 2 guidance of 1%.

Systemic risk buffer increasing at year-end

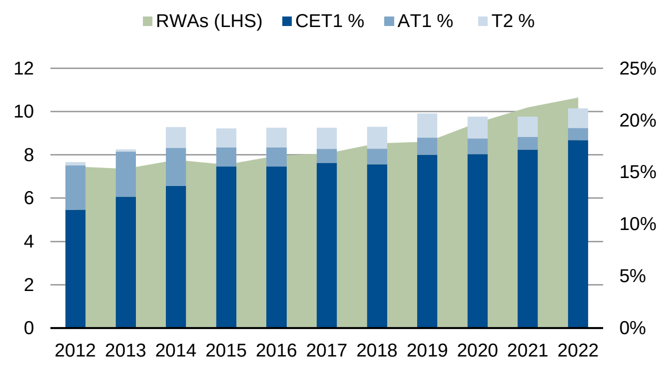
The systemic risk buffer is scheduled to increase to 4.5% from 3% at 2023YE for banks like Totens using the standardised approach for capital requirements. In its capital planning, the bank targets a CET1 ratio of at least 16% for 2023 given the expected rise in the systemic risk buffer and the Pillar 2 guidance of 1%.

Figure 16: Financial viability dashboard: overview of positioning versus key regulatory requirements – Q1 2023



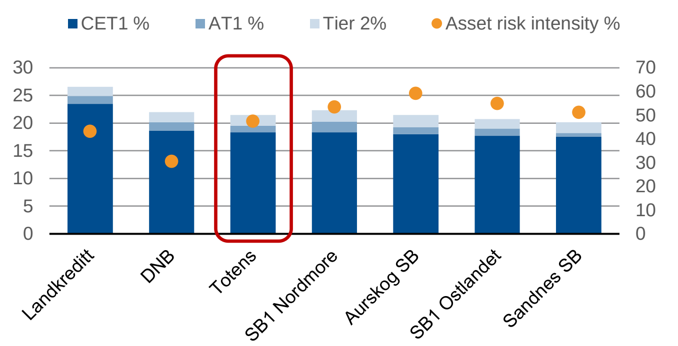
Source: Company data, SNL, Scope Ratings

Figure 17: Capital ratios (%) and RWA (NOK bn) development



Source: Bank, Scope Ratings.

Figure 18: Capital profile (%) – peer comparison



Note: Data as of Q1 2023.
Source: SNL, Scope Ratings.

Customer deposits remain the largest source of funding, with the bank focusing on retail deposits rather than larger corporate deposits, which may be less stable. Deposits from retail customers account for nearly 70% of total deposits.

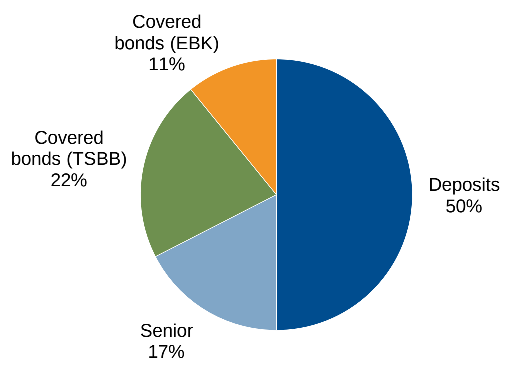
Internal minimum targets have been set for deposits as a proportion of loans (72%) and of total lending activity including loans transferred to covered bond issuing entities (47%). At the same time, management does not intend to greatly increase the proportion of deposit funding as it prefers to maintain an active presence in the senior unsecured debt market by being able to issue in larger volumes.

Like peers, a reliance on market funding

As with other Norwegian banks, Totens relies to some extent on market funding, including covered bonds. Totens has access to two covered bond vehicles – Eika Boligkreditt, the issuing entity for the Eika Alliance and Totens Sparebank Boligkreditt, its own. As of Q1 2023, Totens had transferred NOK 2.8bn in loans to Eika Boligkreditt and NOK 4.5bn in loans to its own covered bond issuing entity.

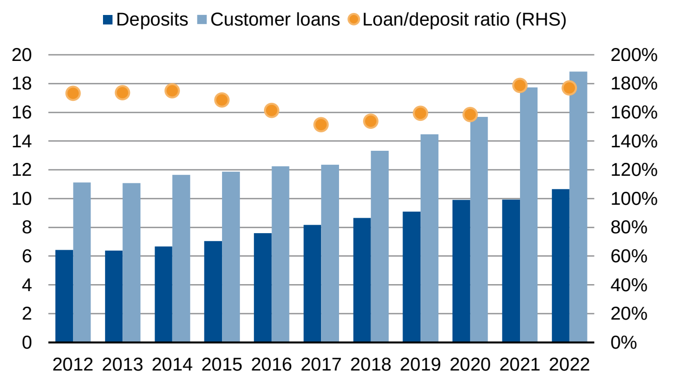
To mitigate risks related to the use of market funding, Totens maintains a high-quality liquidity portfolio of primarily government and covered bonds. As of Q1 2023, available liquidity amounted to more than two times the amount of wholesale funding due within the next twelve months.

Figure 19: Funding profile – Q1 2023



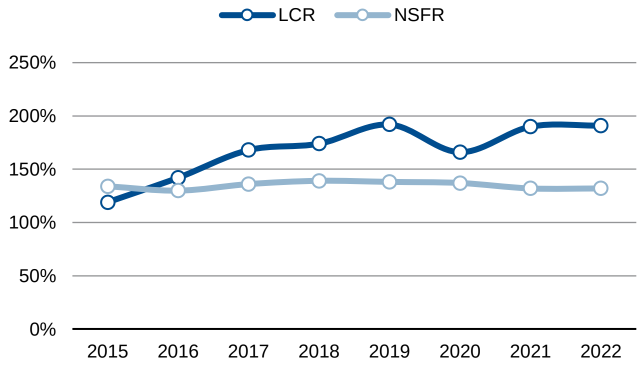
Source: Bank, Scope Ratings.

Figure 20: Loan and deposit development (NOK bn)



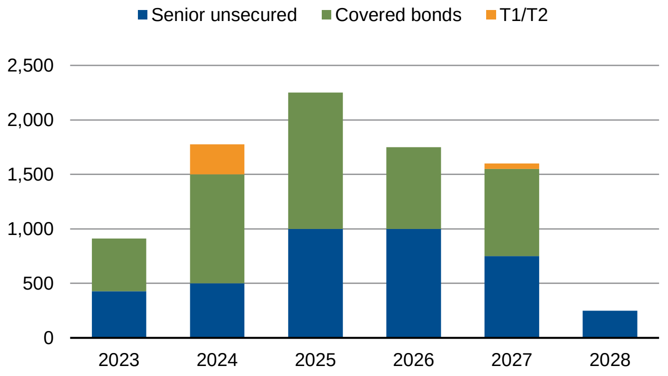
Note: Excludes loans transferred to covered bond issuing entities.
Source: SNL, Scope Ratings.

Figure 21: LCR and NSFR development (%)



Source: Bank, Scope Ratings.

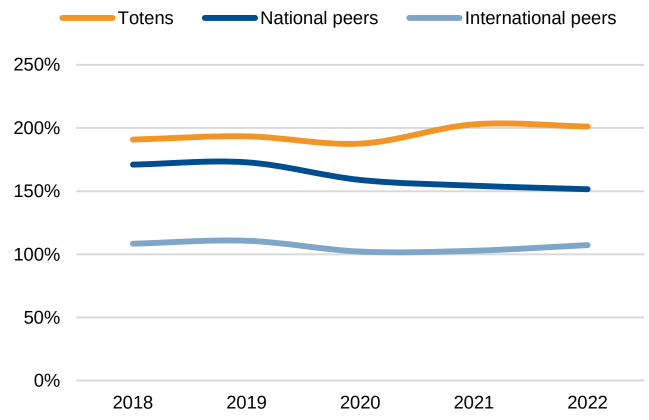
Figure 22: Debt maturity profile (NOK m) – Q1 2023



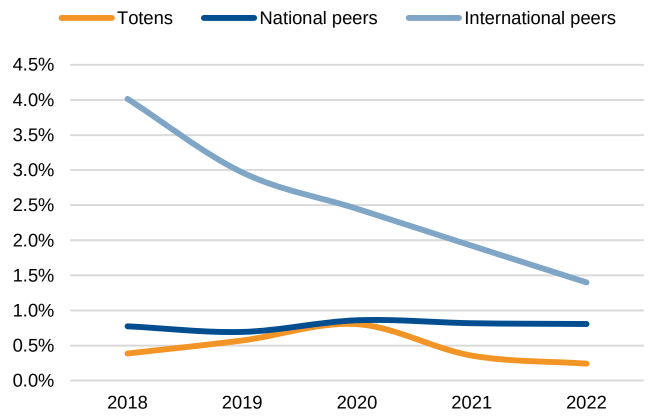
Source: Bank, Scope Ratings.

I. Appendix: Peer comparison

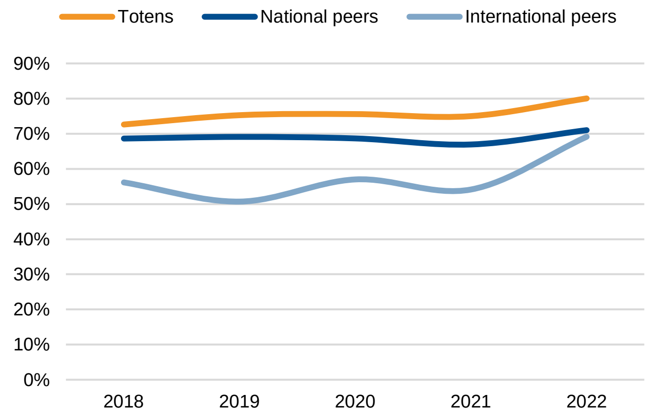
Net customer loans/deposits (%)



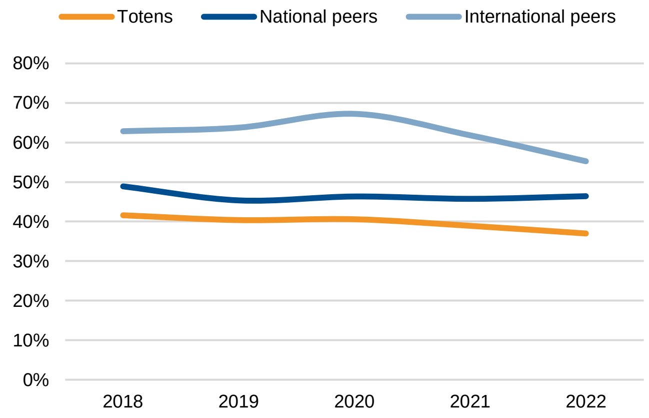
Problem loans/gross customer loans (%)



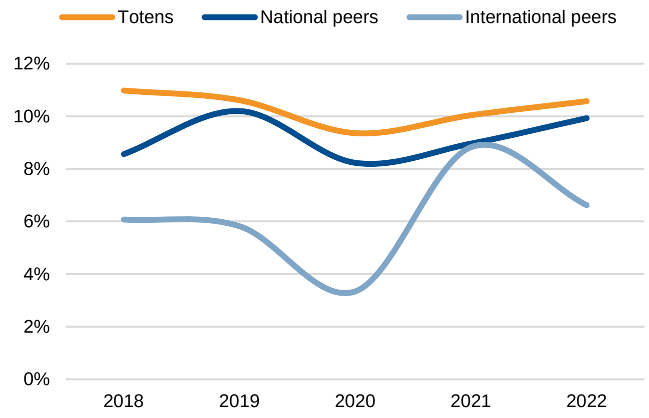
Net interest income/operating income (%)



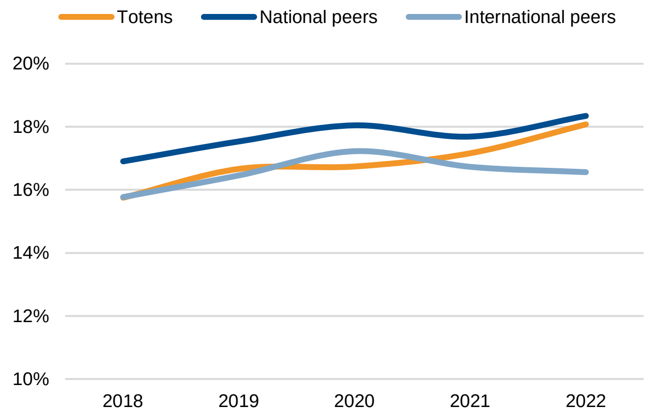
Cost/income (%)



Return on average equity (%)



CET1 capital ratio (%)



Note: For the net customer loans/deposit ratio, loans transferred to covered bond issuing entities have been included for the Norwegian banks.
National peers: Aurskog Sparebank, SpareBank 1 Ostlandet, Landkreditt, Sandnes Sparebank, SpareBank 1 Nordmore, DNB.
International peers: Banca Popolare di Sondrio SpA, Credito Emiliano SpA, Kutxabank SA, Unicaja Banco SA, Principality Building Society, Sparbanken Sjuharad AB.
Source: SNL.

II. Appendix: Selected financial information – Totens Sparebank

	2019	2020	2021	2022	Q1 2023
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	101	146	129	223	269
Total securities	2,398	2,730	2,892	2,817	2,905
of which, derivatives	11	17	5	21	21
Net loans to customers	14,468	15,679	17,730	18,837	18,803
Other assets	98	102	92	97	143
Total assets	**17,065**	**18,658**	**20,843**	**21,974**	**22,120**
Liabilities					
Interbank liabilities	21	207	4	4	4
Senior debt	5,752	6,200	8,393	8,413	NA
Derivatives	8	5	12	61	58
Deposits from customers	9,085	9,904	9,923	10,651	10,672
Subordinated debt	200	200	200	201	201
Other liabilities	98	102	127	154	NA
Total liabilities	**15,165**	**16,618**	**18,659**	**19,484**	**19,663**
Ordinary equity	1,757	1,896	2,059	2,365	2,332
Equity hybrids	143	143	125	125	125
Minority interests	0	0	0	0	0
Total liabilities and equity	**17,065**	**18,658**	**20,843**	**21,974**	**22,120**
Core tier 1/ common equity tier 1 capital	*1,434*	*1,588*	*1,749*	*1,925*	*1,925*
Income statement summary (NOK m)					
Net interest income	320	323	346	417	123
Net fee & commission income	74	81	81	81	19
Net trading income	1	-12	1	-17	-5
Other income	31	36	33	40	0
Operating income	**425**	**427**	**462**	**521**	**137**
Operating expenses	171	173	180	193	54
Pre-provision income	**254**	**254**	**282**	**329**	**84**
Credit and other financial impairments	7	30	5	18	7
Other impairments	0	0	0	0	0
Non-recurring income	0	0	0	0	0
Non-recurring expense	0	0	13	0	0
Pre-tax profit	**246**	**224**	**264**	**311**	**77**
Income from discontinued operations	0	0	0	0	0
Income tax expense	53	44	55	66	19
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	**193**	**180**	**210**	**245**	**59**

Source: SNL

III. Appendix: Selected financial information – Totens Sparebank

	2019	2020	2021	2022	Q1 2023
Funding and liquidity					
Net loans/ deposits (%)	159%	158%	179%	177%	176%
Liquidity coverage ratio (%)	192%	166%	190%	191%	299%
Net stable funding ratio (%)	138%	137%	132%	132%	138%
Asset mix, quality and growth					
Net loans/ assets (%)	84.8%	84.0%	85.1%	85.7%	85.0%
Problem loans/ gross customer loans (%)	0.6%	0.8%	0.4%	0.2%	0.3%
Loan loss reserves/ problem loans (%)	94.5%	76.2%	112.6%	181.6%	157.4%
Net loan growth (%)	8.5%	8.4%	13.1%	6.2%	-0.7%
Problem loans/ tangible equity & reserves (%)	4.2%	6.0%	2.8%	1.8%	2.3%
Asset growth (%)	8.6%	9.3%	11.7%	5.4%	2.6%
Earnings and profitability					
Net interest margin (%)	1.9%	1.8%	1.7%	1.9%	2.2%
Net interest income/ average RWAs (%)	3.6%	3.6%	3.5%	4.0%	4.7%
Net interest income/ operating income (%)	75.3%	75.6%	75.0%	80.0%	89.6%
Net fees & commissions/ operating income (%)	17.3%	18.9%	17.6%	15.5%	13.7%
Cost/ income ratio (%)	40.3%	40.5%	38.9%	37.0%	39.0%
Operating expenses/ average RWAs (%)	1.9%	1.9%	1.8%	1.9%	2.0%
Pre-impairment operating profit/ average RWAs (%)	2.8%	2.8%	2.9%	3.2%	3.2%
Impairment on financial assets / pre-impairment income (%)	2.9%	11.9%	1.8%	5.5%	7.9%
Loan loss provision/ average gross loans (%)	0.1%	0.2%	0.0%	0.1%	0.1%
Pre-tax profit/ average RWAs (%)	2.8%	2.5%	2.7%	3.0%	2.9%
Return on average assets (%)	1.2%	1.0%	1.1%	1.1%	1.1%
Return on average RWAs (%)	2.2%	2.0%	2.1%	2.3%	2.2%
Return on average equity (%)	10.6%	9.4%	10.0%	10.6%	9.5%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	NA	NA	NA	NA	NA
Common equity tier 1 ratio (%, transitional)	16.7%	16.7%	17.2%	18.1%	18.3%
Tier 1 capital ratio (%, transitional)	18.3%	18.3%	18.4%	19.3%	19.5%
Total capital ratio (%, transitional)	20.7%	20.4%	20.4%	21.1%	21.4%
Leverage ratio (%)	9.0%	9.0%	8.7%	9.1%	9.0%
Asset risk intensity (RWAs/ total assets, %)	50.4%	50.8%	48.9%	48.5%	47.4%
Market indicators					
Price/ book (x)	0.9x	0.9x	1.3x	1.2x	1.1x
Price/ tangible book (x)	0.9x	0.9x	1.3x	1.2x	1.1x
Dividend payout ratio (%)	43.4%	45.2%	58.6%	56.9%	NA

Source: SNL

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