

Credit Rating Announcement

08 October 2025

Scope affirms Skagerrak Sparebank's A- issuer rating with Stable Outlook

Affirmation of the ratings reflects the banks' continued solid operating performance.

Rating action

Scope Ratings UK Ltd (Scope) has affirmed and published Skagerrak Sparebank's (Skagerrak) issuer rating of A-, preferred senior unsecured debt rating of A-, and non-preferred senior unsecured debt rating of BBB+, all with a Stable Outlook.

The full list of rating actions and rated entities is at the end of this rating action release.

Key rating drivers

Business model assessment: Focused (High). The issuer rating is anchored by the Focused (High) business model assessment.

Skagerrak Sparebank is a well-established savings bank operating mainly in the counties of Vestfold and Telemark in southeastern Norway. The bank merged with Andebu Sparebank and Larvikbanken in 2024. The bank's digital banking brand NORDirekte adds to business and geographic diversification. Lending activity is focused on retail customers with over 75% of loans being to the retail segment.

The bank's membership in the Eika Alliance is an important factor supporting its competitive position. 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 serves around 52,000 customers and has total assets of 39bn NOK as of Q2 2025 (including transfers to Eika Boligkreditt).

Operating environment assessment: Very Supportive (Low). The assessment reflects Scope's view of Norway where Skagerrak operates in exclusively.

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.

Scope arrives at an initial mapping of bbb based on a combined assessment of the issuer's operating environment and business model.

Long-term sustainability assessment (ESG factor): Neutral. The assessment reflects Scope's view that the issuer is embracing changes to ensure the long-term sustainability of its business model. Progress made may be tangible but does not warrant further credit differentiation.

Skagerrak Sparebank actively addresses risks and opportunities through its sustainability strategy. As part of its DNA as a local savings bank, active participation and support of its local community sits at the core of the bank's business. The bank contributes to its local area through sponsorships and donations with a focus on sports, culture and children. The bank performs ESG assessments as part of its lending processes for both its corporate and retail customers. Maintaining good digital solutions is also an important part of the bank's business. Skagerrak benefits from its alliance membership with Eika and its investments in technology. Skagerrak has its origins in 3 local banks, which are all represented on the board.

The long-term sustainability assessment leads to an adjusted rating anchor of **bbb**.

Earnings capacity and risk exposures assessment: Supportive. The assessment reflects Scope's view that earnings capacity is stable through economic cycles and provides a strong buffer against losses. Risks are well managed and are highly unlikely to lead to losses capable of undermining the issuer's viability.

Skagerrak Sparebank's earnings capacity remain solidly underpinned by its low-risk retail focused business model. The bank reported a return on equity of 11.4% for 1H 2025 and a cost-to-income ratio of 39.9%. The bank targets a return on equity of 10% and a cost-to-income ratio of below 40%. Skagerrak primarily generates income through net interest income with over three quarters of its loan book consisting of retail lending. Its corporate lending exposures are focused on the commercial real estate segment, as is common for the Norwegian banking sector. Asset quality remains robust with the stage 3 ratio standing at 1.5% at Q2 2025.

Financial viability management assessment: Comfortable. The assessment reflects Scope's view that the issuer's maintains comfortable buffer to relevant regulatory requirements and Scope expects it to continue to do so. The issuer's financial viability is largely resilient to tail-risk events.

Skagerrak Sparebank has solid capital buffers to its requirements. At Q2 2025 the bank had a CET1 ratio of 22.4% and a leverage ratio of 8.6%, on a proportionally consolidated basis, both above the respective requirements of 17.1% and 3%. The bank's capital metrics benefitted from the implementation of CRR3 in Norway, due to the composition of the bank's credit portfolio. Skagerrak's funding profile consists primarily of highly granular customer deposits which account for half of its funding (51%) and of which 75% stem from retail customers. Furthermore, 31% of funding stems from covered bonds as the bank is able to refinance eligible mortgage assets via the covered bond issuing vehicle of the Eika Alliance.

One or more key drivers of the credit rating action are considered an ESG factor.

Outlook and rating sensitivities

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

The **upside scenario** for the ratings and outlooks is:

1. Significant business and geographic diversification without compromising the bank's risk profile and returns could positively impact our business model assessment.

The **downside scenarios** for the ratings and outlooks are (individually or collectively):

1. A material deterioration in asset quality and/or earnings could negatively impact our earnings capacity and risk exposure assessment.
2. Less conservative capital management and/or a weakening in the stability of the funding profile, leading to a lower assessment of financial viability management.

Debt ratings

Preferred senior unsecured debt: A-. The rating is aligned with the issuer rating and applies to senior unsecured debt ranking above other classes of senior unsecured debt.

Non-preferred senior unsecured debt: BBB+. The rating is one notch lower than the issuer rating, reflecting statutory subordination.

Environmental, social and governance (ESG) factors

Please refer to the 'long-term sustainability assessment' under the 'key rating drivers' section above for the ESG analysis.

All rating actions and rated entities

Skagerrak Sparebank

Issuer rating: A-/Stable, Affirmation

Preferred senior unsecured debt rating: A-/Stable, Affirmation

Non-preferred senior unsecured debt rating: BBB+/Stable, Affirmation

Stress testing & cash flow analysis

No stress testing was performed. No cash flow analysis was performed.

Methodology

The methodology used for these Credit Ratings and Outlooks, (Financial Institutions Rating Methodology, 18 September 2025), is available on scoperatings.com/governance-and-policies/rating-governance/methodologies.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions - Credit Ratings, Ancillary and Other Services', published on scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at scoperatings.com/governance-and-policies/regulatory/uk-regulation. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on scoperatings.com/governance-and-policies/rating-governance/methodologies.

The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity, and Scope Ratings' internal sources.

Scope Ratings considers the quality of information available to Scope Ratings on the Rated Entity or instrument to be satisfactory. The information and data supporting these Credit Ratings originate from sources Scope Ratings considers to be reliable and accurate. Scope Ratings does not, however, independently verify the reliability and accuracy of the information and data.

Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Ratings and Outlooks and the principal grounds on which the Credit Ratings and Outlooks are based. Following that review, the Credit Ratings and Outlooks were not amended before being issued.

Regulatory disclosures

These Credit Ratings and Outlooks are issued by Scope Ratings UK Limited at 52 Grosvenor Gardens, London, United Kingdom, SW1W 0AU, Tel +44 20 7824 5180. The Credit Ratings and Outlooks are EU-endorsed.

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Person responsible for approval of the Credit Ratings: Karlo Fuchs, Managing Director

The Credit Ratings/Outlooks were first released by Scope Ratings on 15 November 2024.

Potential conflicts

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