

Tolga-Os Sparebank

Full Rating Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'BBB+' long-term issuer rating on Norway-based Tolga-Os Sparebank reflects the bank's strong earnings and capital position, and low risk appetite. We take a positive view of the bank's membership in the Lokalbanksamarbeidet banking cooperative, which enables product diversity, shared development costs and the opportunity to finance residential retail mortgage loans through jointly owned covered-bond company Verd Boligkreditt AS.

We expect Tolga-Os Sparebank to maintain strong earnings over our forecast period through 2026. We also expect credit losses to remain slightly elevated, given the continued effects of recent cost inflation and high interest rates.

The rating is constrained by geographic concentration in the relatively rural local economy of Østerdalen in eastern Norway and a high proportion of real-estate collateral in the bank's core markets. It is also constrained by stronger competition in the bank's new growth markets of Elverum and Hamar than in its historical core markets further north.

STABLE OUTLOOK

The outlook is stable, reflecting our view that Tolga-Os Sparebank's strong earnings will compensate for a potentially weaker domestic economy and slightly elevated credit provisions over the next few years. We forecast that the bank's cost efficiency will remain better than that of its peers and expect it to maintain robust capital ratios despite strong loan growth, boosted by the prospective positive impact of implementing the EU's Capital Requirements Regulations III (CRR3).

POTENTIAL POSITIVE RATING DRIVERS

- Consolidated Tier 1 ratio sustainably above 25%.
- Pre-provision income to risk exposure amount (REA) sustainably above 3%; and
- Improved scale and less uncertainty about credit risk.

POTENTIAL NEGATIVE RATING DRIVERS

- A material deterioration in the local operating environment that negatively affects the bank's asset quality.
- A lasting reduction in the Tier 1 capital ratio to below 18%; and
- Risk-adjusted earnings metrics below 2% of REA over a protracted period.

Figure 1. Key credit metrics, 2020–2026e

%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	1.9	2.0	2.1	2.5	2.5	2.4	2.3
Loan losses/net loans	0.24	0.07	0.19	0.10	0.18	0.10	0.09
Pre-provision income/REA*	2.3	2.2	2.2	2.9	2.9	3.0	3.1
Cost-to-income	48.7	50.1	46.7	42.9	44.9	44.5	43.9
Return on ordinary equity	7.5	8.0	7.7	10.7	9.8	9.9	9.7
Loan growth	5.7	12.6	11.0	12.7	8.0	10.0	12.0
Consolidated CET1 ratio*	20.5	19.5	19.3	19.3	19.6	22.0	21.5
Consolidated Tier 1 ratio*	21.6	20.6	20.3	20.1	20.4	22.8	22.3

Source: company and NCR. e—estimate. CET1—common equity Tier 1. All metrics adjusted in line with NCR methodology. *REA and capital ratios are estimated in accordance with the currently proposed CRR3 from 2025.

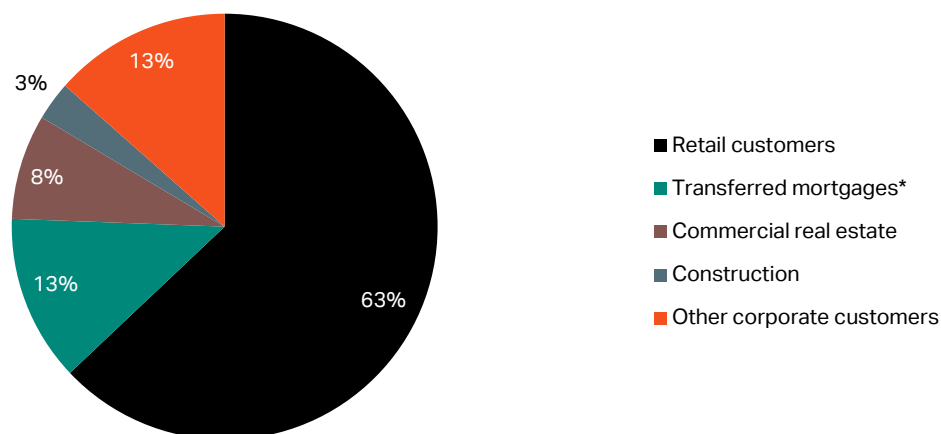
ISSUER PROFILE

Tolga-Os Sparebank was created in 1865 in Tolga municipality, Eastern Norway, and has since expanded its core market to the south. Tolga-Os Sparebank's primary market includes Os, Tolga, Tynset, Folldal and Elverum municipalities. The bank has 41 employees and five branch offices, and will expand to Hamar by opening a sixth branch by end-2024. As of 30 Jun. 2024, the bank had total net lending of NOK 6bn (including NOK 0.5bn in retail mortgage loans transferred to Eika Boligkreditt and NOK 0.2bn to Verd Boligkreditt).

Tolga-Os Sparebank is one of 16 savings banks in the Lokalbanksamarbeidet banking cooperative, which consisted of small and medium sized local savings banks with total gross lending of NOK 100bn as of end-2023. This alliance is the result of a recent merger of the Lokalbanc and DSS alliances. The merged alliance provides product diversity, builds customer loyalty and helps to improve cost efficiency through the sharing of IT costs and joint efforts in risk management and compliance. It also provides the opportunity to finance residential mortgage loans through Verd Boligkreditt, a mid-size domestic issuer of covered bonds. Although Tolga-Os Sparebank left the Eika Alliance in 2021, it still has residential mortgages held with its covered-bond company, Eika Boligkreditt AS.

The member banks of Lokalbanksamarbeidet have also joined Frendegruppen, a cooperative alliance of financial services providers that includes the regional savings banks Sparebanken Vest, Sparebanken Sør and Sparebanken Øst. The banks in Frendegruppen have ownership stakes in and distribute products for insurance company Frende Forsikring, finance company Brage Finans AS and securities company Norne Securities. They also cooperate in developing new products for the member banks.

Figure 2. Gross loans by sector/type (including transferred loans), 30 Jun. 2024



Source: company. *Loans transferred to Eika Boligkreditt and Verd Boligkreditt.

OPERATING ENVIRONMENT

Operating environment
assessment

We consider a balance of national and regional factors in our assessment of the operating environment. Tolga-Os Sparebank operates in a region with a wide variation in economic growth prospects. We believe that the national economy could weaken somewhat over the next few years due to reduced economic activity and the ongoing impact of high inflation, but consider the Norwegian banking sector well positioned to cope.

Peaking net interest margins

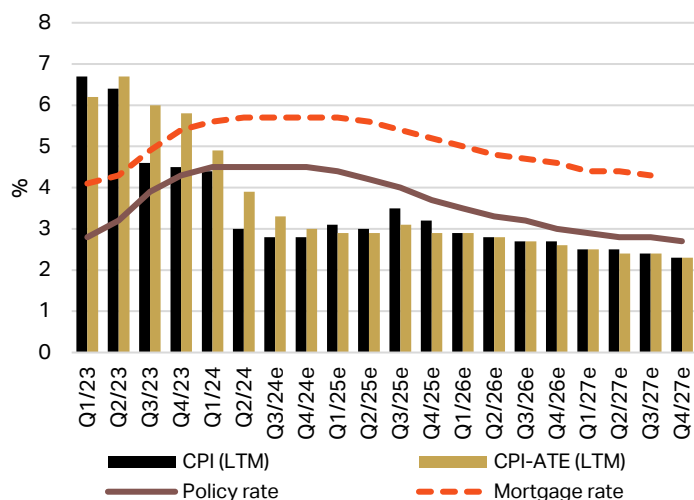
National factors

Rising interest rates have significantly increased net interest margins for Norwegian savings banks over the past two years. Together with strong lending growth, this has boosted earnings across the sector. However, we believe that core earnings growth in the sector will slow this year due to greater competition and increased, albeit moderate, loan losses. Among NCR-rated Norwegian savings banks, we expect a stable core profit in 2024 but anticipate that normalisation of non-core revenues will

contribute to an 8% increase in pre-tax profit. We also believe that interest margins could prove more resilient than we previously anticipated due to continuing high interest rates.

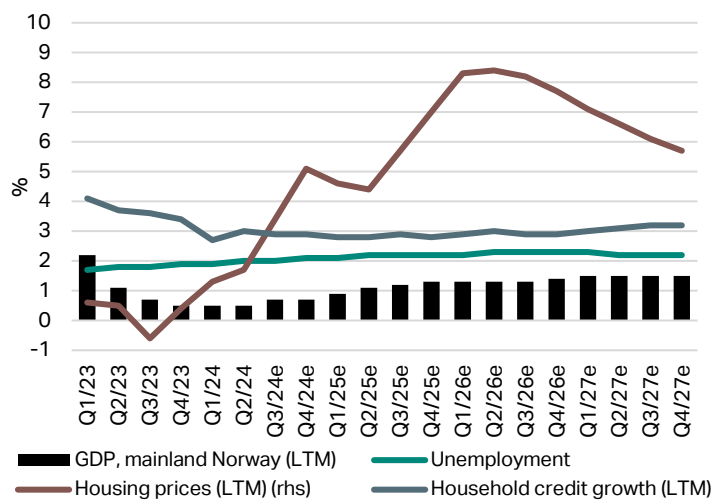
As intended, higher interest rates are helping to slow the economy. We believe that high interest rates and weak economic conditions could lead to a rise in loan-loss provisions among domestic savings banks over the next 12 months, but that levels will vary significantly between individual banks. Norway's savings banks are well capitalised and have strong pre-provision profitability, which makes them relatively resilient to increased credit losses.

Figure 3. Norwegian inflation and interest rates, 2023–2027e



Source: central bank. e-estimate. CPI-consumer price index. LTM-last 12 months. ATE-adjusted for tax changes and excluding energy products.

Figure 4. Norwegian economic indicators, 2023–2027e



Source: central bank. e-estimate.

Increasing presence in growth regions

Tolga-Os Sparebank's core market is in the area traditionally known as Østerdalen, located in the northeastern part of Innlandet county. The area is home to 66,000 of Norway's 5.5 million people (2023). Østerdalen is known for its diverse geography, including forests, fertile valleys and rivers, supporting sectors such as agriculture, forestry and fishing. We note that the bank is increasing its presence in Elverum and Hamar, which are more densely populated and have higher expected population growth than its historical core region further north.

According to Statistics Norway, the population in Tolga-Os Sparebank's traditional core region is projected to decline through 2050, but projected annual growth is 8.9% when Elverum and Hamar are included. This is marginally lower than the national average of 9.2%. Unemployment in the area's municipalities is low and close to the national average.

Figure 5. Core markets

Municipality	Population, Dec. 2023	Expected population change, 2024–2050 (%)	Unemployment, July 2024 (%)	Unemployment, July 2023 (%)
Os	1,891	-0.8	1.4	1.1
Tolga	1,604	-7.9	1.1	1.1
Tynset	5,692	0.3	1.6	0.9
Folldal	1,532	-5.7	1.3	*
Elverum	21,761	3.8	1.9	1.7
Hamar	32,879	15.8	2.0	1.7
Core markets	65,879	8.9	1.9	1.6
Innlandet county	376,304	5.1	1.9	1.6
Norway	5,550,203	9.2	1.9	1.7

Source: Statistics Norway, Norwegian Labour and Welfare Administration. *Fewer than four unemployed.

Regional, sectoral and cross-border factors

Østerdalen's economy is generally less cyclical than the Norwegian economy and is largely based on the local raw material base – forestry, wood processing and the food industry. The public sector is a major employer, particularly in healthcare and social welfare. The region is also home to significant military infrastructure, including one of the largest military facilities in the Nordic countries.

RISK APPETITE

Risk appetite

Our assessment of Tolga-Os Sparebank's risk profile reflects the bank's strong capital, diverse funding access, large proportion of residential mortgage lending and its ability to transfer loans to Verd Boligkreditt. Risk governance and internal risk reporting are adequate, in view of the risk profile and complexity. The bank has some regional concentrations in its core markets and a significant proportion of property lending.

Strong growth a challenge for risk governance

Risk governance

In our view, Tolga-Os Sparebank's risk governance framework, risk appetite, limit monitoring and risk reporting are adequate, considering its balance sheet and risk profile. The bank has well-defined guidelines for risk governance and relevant risk areas. It has also established anti-money laundering practices and policies, reducing the risk of related regulatory fines and associated losses. The bank's internal risk reporting and capital adequacy assessment processes are proportional to its risk profile. We believe that the strong growth in corporate lending and the new branch office in Hamar represent a challenge for risk governance, but also note that the bank has increased its focus on credit risk management.

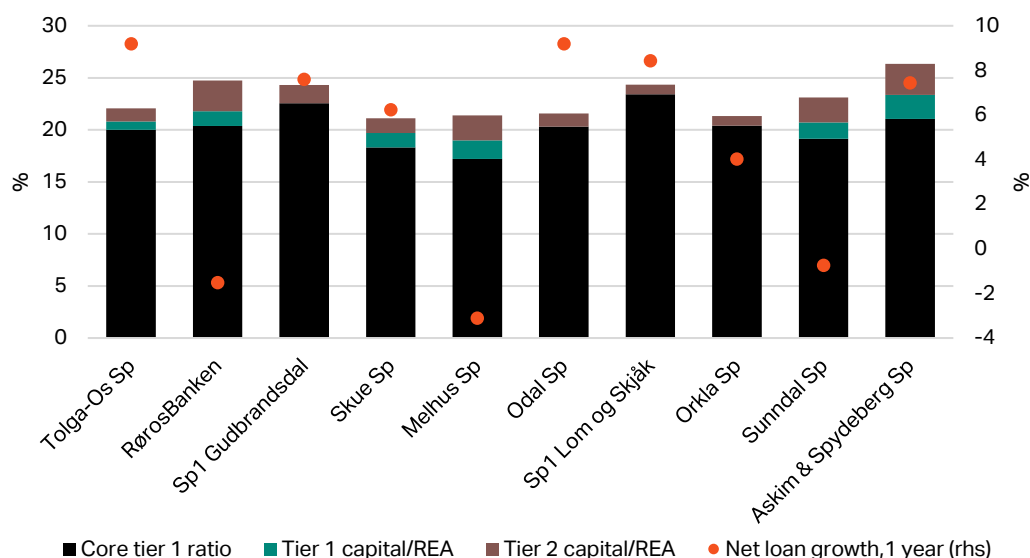
Tolga-Os Sparebank assesses environmental, social and governance (ESG) risk for all corporate customers, which contributes to better risk awareness at the bank and sustainable behaviour among its customers. In addition, it has obtained certification from the Miljøfyrtårn/Eco-Lighthouse environmental certification scheme, which provides criteria and structures for products and solutions to minimise banks' environmental footprint. Parts of the bank's mortgage portfolio are financed through Verd Boligkreditt, which has established a framework for the issuance of green bonds.

New standard method will help fuel growth

Capital

Our capital assessment takes into consideration Tolga-Os Sparebank's consolidated position, including its proportional holdings in Eika Boligkreditt, Verd Boligkreditt and Brage Finans. As of 30 Jun. 2024, the bank's consolidated CET1 ratio was 19.1% and its Tier 1 ratio 20.1%. It pays less than 10% of net profit in dividends and we note that these ratios would have been 0.6pp higher if the current year's profit had been included. We also note that the bank began categorising SMEs as retail exposures in the first quarter of 2024, which boosted capital ratios by close to 1pp.

Figure 6. Capital ratios vs domestic savings bank peers, 30 Jun. 2024



Source: bank reports.

Tolga-Os Sparebank's minimum targets for the CET1 ratio and Tier 1 ratio are 16.3% and 18.2% respectively (including a 1pp management buffer). The consolidated leverage ratio is strong at 10.3%, compared with a requirement of 3%. We expect the bank's on-balance-sheet loan book to grow by 8% in 2024, increasing to 12% annual growth in 2026. In addition, we see a return on equity of about 10% through 2026 due to strong earnings, stable operating costs and moderate loan losses. While we expect the bank's capital ratios to improve in 2025, mainly due to the anticipated positive regulatory effects of CRR3, strong loan growth is likely to lead to a gradual decline in capital ratios thereafter.

CRR3 is scheduled to come into force in Norway from 1 Jan. 2025 (see Relevant Research). The new method is more risk-sensitive than previously and likely to reduce capital requirements significantly for small to medium-sized retail and savings banks. We expect CRR3 to improve the competitiveness of banks that use the standard approach to credit risk by mitigating the current disparity with larger banks that use the internal ratings-based approach. The Norwegian regulator estimates that an average standard-method bank will improve its capital ratios by several percentage points, and our forecast for Tolga-Os Sparebank assumes a positive impact of 2.5pp from 2025. However, we remain cautious about the actual outcome and also believe that a boost in capital ratios will trigger high loan growth. Including the likely positive regulatory effect, we estimate a Tier 1 ratio of 22.8% by end-2025.

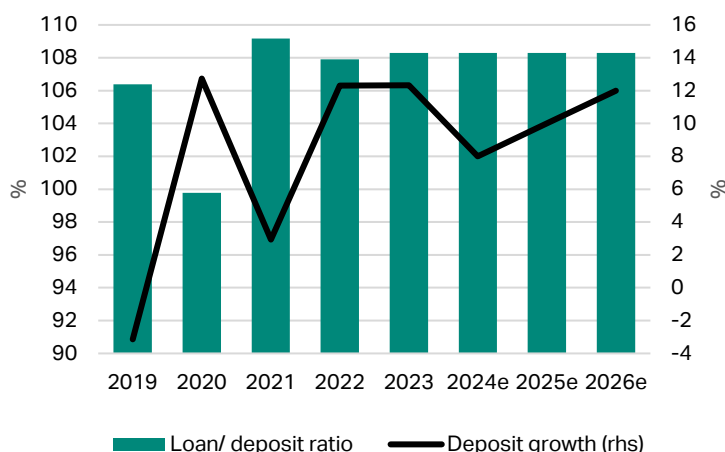
Low level of loans transferred to covered bond companies supports liquidity

Tolga-Os Sparebank's funding profile is diverse, with a relatively stable and varied retail deposit base and a high level of guaranteed deposits. The bank has also demonstrated access to capital market funding. Strong loan growth in the 2021–2023 period was matched by deposit growth, and the loan-to-deposit ratio has remained below 110%. As of 30 Jun. 2024, the liquidity coverage ratio was 285% and the net stable funding ratio 135%, well above the bank's internal limits of 105% for both. However, the bank has a few single-name concentrations in its customer deposits and modest liquidity buffers (17% of customer deposits as of 30 Jun. 2024).

Tolga-Os Sparebank currently has NOK 640m in outstanding senior bonds with an average time to maturity of two years. In our forecast, we expect the bank to refinance its debt through new issuance upon maturity. We also expect the bank to extend its maturity profile somewhat.

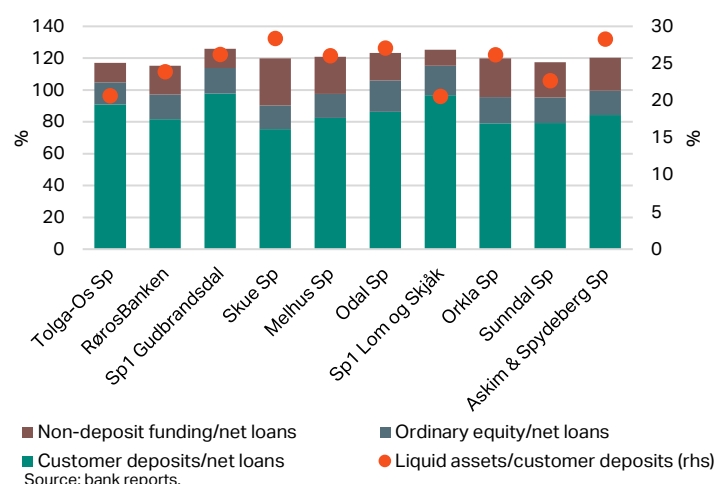
Funding and liquidity

Figure 7. Deposit metrics, 2019–2026e



Source: company. e-estimate.

Figure 8. Funding profile vs domestic savings bank peers, 30 Jun. 2024



Source: bank reports.

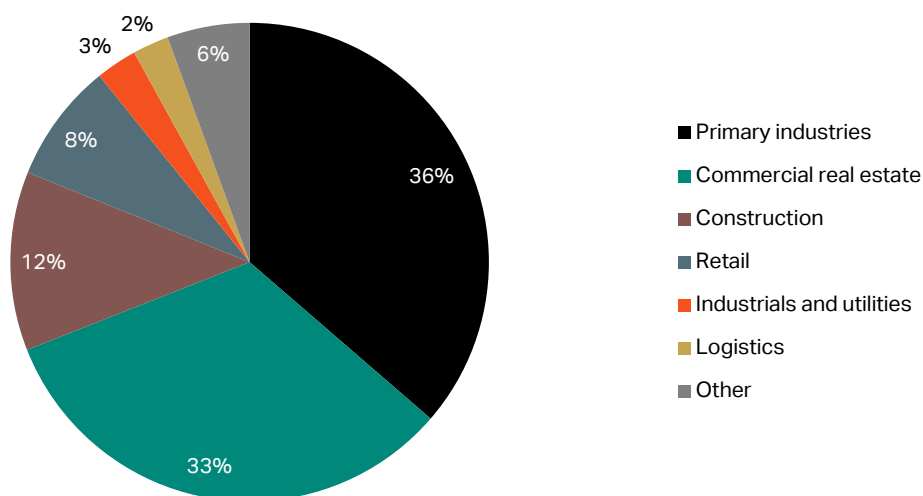
Verd Boligkreditt is a stable and important source of funding for the bank. It provides access to more affordable funding for retail mortgages, with access to green financing and longer terms to maturity, than it could source by itself. In the 12 months to 30 Jun. 2024, the bank increased its transferred loans to Verd Boligkreditt by 53% to NOK 762m, but transferred loans are still a relatively modest 17% of total retail mortgage lending. This is well within the bank's 30% internal limit, and we believe that such loan growth will lead to an increased level of transferred loans. The bank maintains a steady portfolio of minimum NOK 100m of readily transferrable loans as a liquidity buffer.

Credit risk

High levels of exposure to local retail and commercial real estate lending

Tolga-Os Sparebank's loan portfolio has a strong regional focus, with about two-thirds of retail customers located in its core markets. The bank does not promote lending to borrowers in other regions, and customers outside its core markets have usually moved from one of its core markets. Some 84% of the bank's exposures (including transferred loans) are to private and agricultural customers and secured by housing and agricultural properties. While we regard these as low-risk credits, they nonetheless increase concentration on local borrowers and expose the bank's collateral to any decline in property values. Housing prices and real-estate values in the region are more stable than the wider Norwegian market but have been negatively affected by rising interest rates. However, housing prices in the bank's operating region are lower than in metropolitan areas, resulting in lower debt burdens for the bank's customers. Housing price growth over the past decade has strengthened the bank's collateral.

Figure 9. Corporate gross loans by sector (excluding transferred loans), 30 Jun. 2024



Source: company.

In the 12 months to 30 Jun. 2024, Tolga-Os Sparebank had gross loan growth of 13% (including transferred loans). On- and off-balance sheet mortgages increased by 8%, while corporate lending increased by 34%. Our forecast includes more moderate loan growth of 8% for 2024, both on and off the bank's balance sheet, increasing to 12% in 2026. We consider the strong growth as a risk factor, but expect future growth to carry lower risk as the new office in Hamar will be focusing on the retail market. Besides agriculture, the bank's main corporate exposure is to commercial real estate, followed by construction. We remain concerned about corporate and commercial real-estate lending, due to high interest costs and uncertain property prices.

Tolga-Os Sparebank has transferred loans to the covered bond companies Eika Boligkreditt and Verd Boligkreditt, in which it holds small ownership positions (0.5% and 1.8% respectively). However, the bank does not offload the associated risk on transferred loans, and we expect it to take back all non-performing loans to enable the covered bond companies to maintain a clean cover pool. Due to the high credit quality of transferred loans and repatriation agreements, the mortgage companies have never incurred actual credit losses.

Other risks aligned with risk governance

Other risks

Other risks are in line with our risk governance assessment. We do not believe market risk is a material factor for Tolga-Os Sparebank, given the lack of a trading portfolio and the bank's low limits on interest rate risk and currency risk.

The bank has strategic ownership positions in Lokalbanksamarbeidet and Frendegruppen. These alliances have provided scale, contributed to lower operational costs and efficiency gains, and acted as platforms for development of the bank's capabilities. The bank has strategic ownership stakes in several product companies within insurance, leasing banking and asset management, as well as in covered bond companies,

COMPETITIVE POSITION

Competitive position

Tolga-Os Sparebank has a strong position in its historical core operating region, with a market share of 30–70% in the municipalities in its historical core market and 10% in Elverum. Its closest competitor is SpareBank1 Østlandet. DNB and Nordea have modest market shares, and have closed their offices in the region. This withdrawal has encouraged Grue Sparebank to establish a presence in Elverum. Competition is also likely to increase in Hamar, where several Nordic banks and savings banks have a presence. We believe that growth in Hamar will lead to some margin pressure for Tolga-Os Sparebank.

Membership in the Lokalbanksamarbeidet banking cooperative diversifies revenues and enables Tolga-Os Sparebank to provide a wider range of customer services than it could with its own resources. The bank distributes insurance products from Frende Forsikring, savings products and brokerage services from Norne Securities, and collateralised consumer lending and leasing products from Brage Finans. Membership of the larger Frendegruppen alliance will, we believe, strengthen Tolga-Os Sparebank's long-term competitive position through improved economies of scale and efficiency gains.

We regard Tolga-Os Sparebank's contributions to its core markets as a positive rating factor. The bank's primary environmental, social and governance (ESG) attribute is its strong sense of social responsibility to its local communities. The bank also funds social and cultural activities to support these communities.

PERFORMANCE INDICATORS

Performance indicators

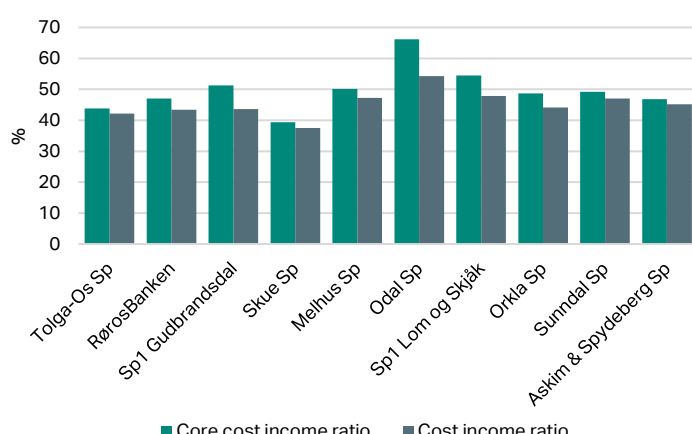
Tolga-Os Sparebank has reported relatively strong profitability in recent years. We expect cost efficiency to remain good, with a cost-to-income ratio at around 45%, despite increased pressure on margins and higher costs related to risk governance and the new office in Hamar. We expect loan losses to remain moderate, albeit somewhat elevated in 2024 due to increased provisioning.

Strong cost efficiency despite increased staffing

Earnings

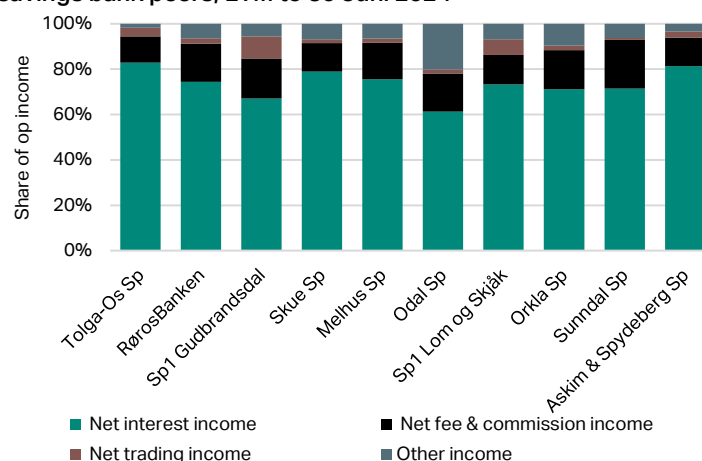
An improved net interest margin due to high interest rates has, together with good loan growth, led to improved cost efficiency and profitability in recent years. However, we expect increased competition and lower interest rates to affect margins negatively from 2025 onwards. We also expect higher costs than in 2022 and 2023 due to a 20% increase in staffing. Cost efficiency should strengthen in the longer term, due to continued loan growth. We also see potential for increased fee income from the sale of products from Frendegruppen.

Figure 10. Cost efficiency metrics vs domestic savings bank peers, LTM to 30 Jun. 2024



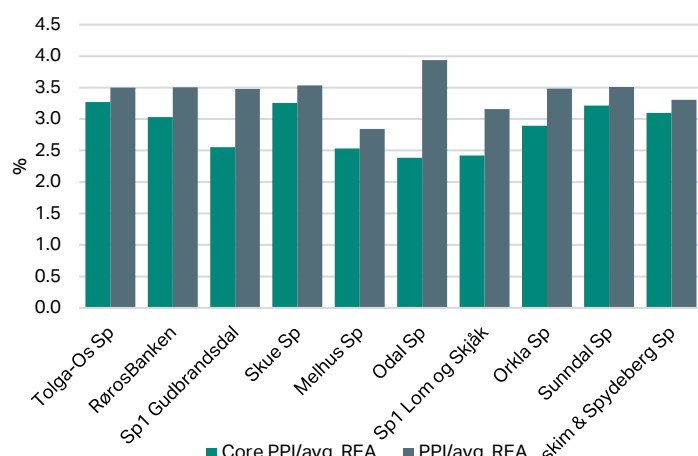
Source: bank reports. LTM—last 12 months. Core represents net interest income and net fee and commission income.

Figure 11. Breakdown between income groups vs domestic savings bank peers, LTM to 30 Jun. 2024



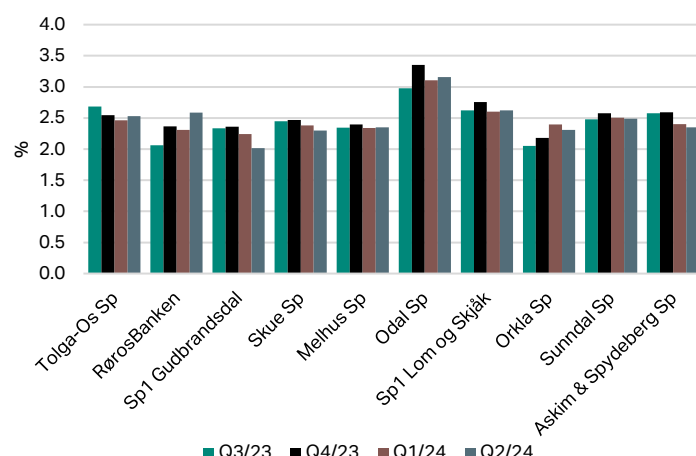
Source: bank reports.

Figure 12. PPI to REA vs domestic savings bank peers, LTM to 30 Jun. 2024



Source: bank reports. PPI—pre-provision income. REA—risk exposure amount.

Figure 13. Annualised net interest margins vs domestic savings bank peers, Q3 2023-Q2 2024



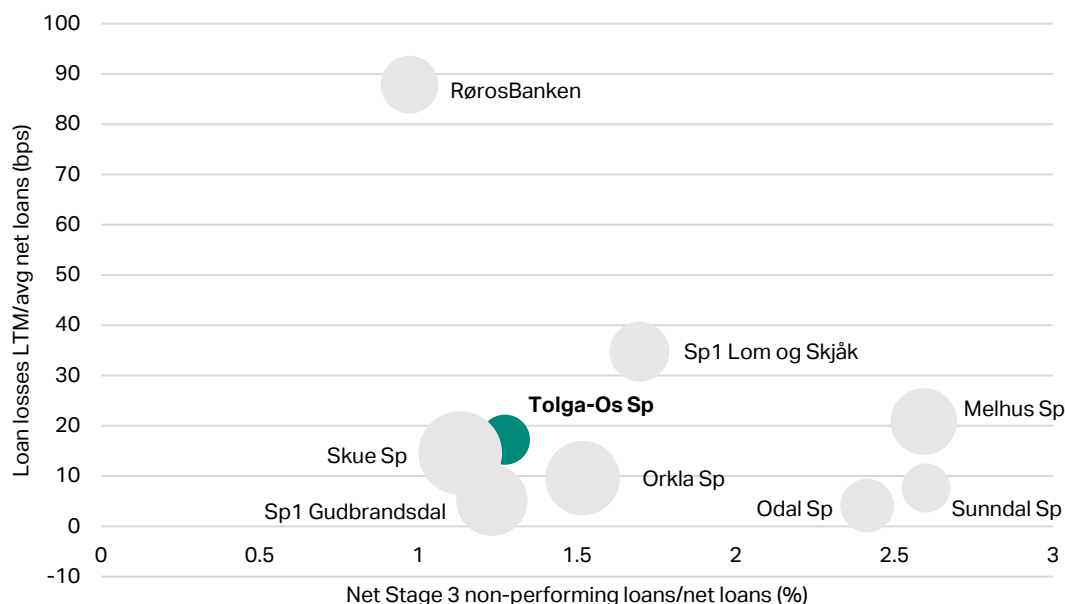
Source: bank reports.

Loan losses expected to remain moderate

Loss performance

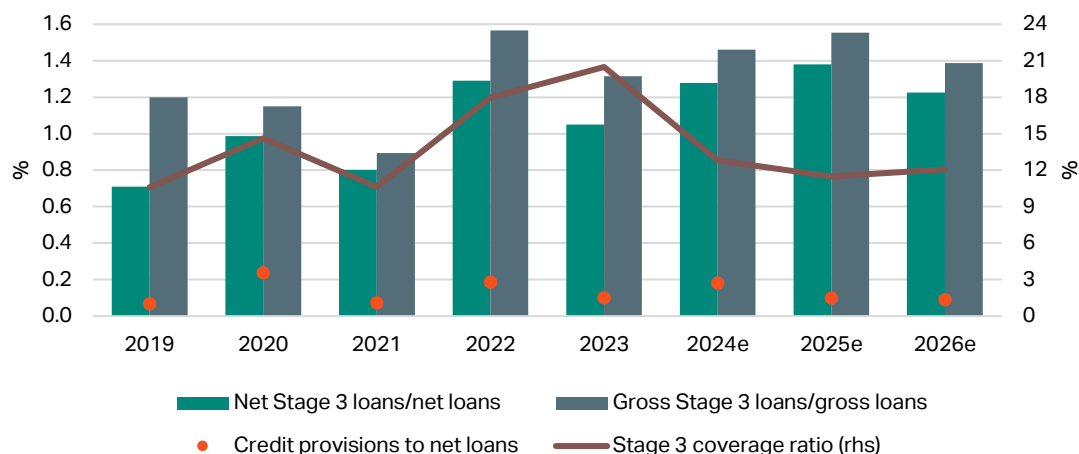
Tolga-Os Sparebank's credit losses have averaged a low 13bps over the past five years. The bank booked loan losses of NOK 6m in the first six months of 2024, compared with NOK 5m in full-year 2023. We project moderate late-cycle loan losses of 9–18bps in 2024–2026, but lower than the 24bps recorded in 2020. The bank's net Stage 3 loans have remained relatively low and less volatile than those of its domestic peers. However, they increased in the second quarter of 2024 to 1.3% of net lending, from 1.0% in the first. We anticipate that the proportion of net Stage 3 lending will remain somewhat elevated over our forecast period, peaking at 1.4% in 2025. We also note that the reported loans delinquent by more than 90 days had increased to NOK 33m (63bps of gross lending) as of 30 Jun. 2024, compared with NOK 16m at end-2020.

Figure 14. Asset quality metrics vs domestic savings bank peers, 30 Jun. 2024



Source: bank reports. Bubble sizes reflect net loan volumes.

Figure 15. Asset quality metrics, 2019–2026e



Source: company, e-estimate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

ESG factors are considered throughout our analysis, where material to the credit assessment. In aggregate, we view the bank's ESG profile as having a moderately positive impact on its creditworthiness.

Figure 16. Priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Physical climate risk to collateral	Climate-related damage to real-estate collateral (closely linked to supervision of insurance). Longer-term effects on market values in flood risk areas.	Credit risk (-) Loss performance (0)
Social engagement in local community	Close connection to narrow regional markets provides a benefit.	Competitive position (+) Earnings (+) Funding & liquidity (+)
Anti-money laundering capacity	Risk of sanctions and fraud due to insufficient reviews of customers.	Risk governance (0)
Control of sustainability issues	Risk of overlooking sustainability impacts in the bank's underwriting, operations, and customer base.	Risk governance (0) Credit risk (0)

*Defined on a 5-step scale ranging from double minus (--) to double plus (++), with (--) representing the most negative impact and (++) the most positive. See [ESG factors in financial institution ratings](#).

ADJUSTMENT FACTORS

Support analysis

We do not adjust the rating on Tolga-Os Sparebank to reflect expectations of additional support as we see limited potential for extraordinary support from the owners. Currently, the bank is not publicly listed, but has the option to issue new equity capital certificates (ECCs) and list them on the Oslo Stock Exchange. As of end-2023, around 8% of the bank's equity was owned by ECC holders, while the remainder was ownerless capital.

Figure 17. Ownership structure, 30 Jun. 2024

Owner	Share of capital
A/L Nord-Østerdal Kraftlag	10.1%
PJG AS	8.3%
Felix Holding AS	7.9%
Sund og Langen Holding AS	3.4%
Os Kommune	2.4%
Other	68.0%
Total	100.0%

ISSUE RATINGS

Our rating on Tolga-Os Sparebank's unsecured senior debt is in line with the 'BBB+' issuer rating. The bank has an outstanding Tier 2 instrument and an Additional Tier 1 instrument, which we rate one and three notches below the issuer rating, respectively, at 'BBB' and 'BB+'.

SHORT-TERM RATING

The 'N2' short-term rating is the higher of two alternatives available under NCR's methodology, given the 'BBB+' long-term issuer rating. This reflects the bank's direct access to emergency liquidity assistance from the central bank, and its average liquidity coverage ratio of 336% over the past four quarters.

METHODOLOGIES USED

- (i) [Financial Institutions Rating Methodology](#), 14 Feb. 2024.
- (ii) [Rating Principles](#), 14 Feb. 2024.
- (iii) [Group and Government Support Rating Methodology](#), 14 Feb. 2024.

RELEVANT RESEARCH

- (i) [Nordic consumer banks' earnings continue to offset elevated provisions](#), 10 Sep. 2024
- (ii) [Norwegian savings banks' capitalization boosted by CRR3](#), 26 Jun. 2024
- (iii) [Swedish savings banks face weaker earnings and low loan growth in 2024](#), 6 Feb. 2024
- (iv) [Norwegian savings banks face margin squeeze in 2024](#), 11 Dec. 2023

Figure 18. Tolga-Os Sparebank key financial data, 2020–Q2 2024 YTD

Key credit metrics (%)	FY 2020	FY 2021	FY 2022	FY 2023	Q2 2024 YTD
INCOME COMPOSITION					
Net interest income to op. revenue	74.2	76.0	85.4	83.6	82.9
Net fee income to op. revenue	18.5	18.5	13.6	13.0	11.5
Net trading income to op. revenue	-0.4	0.0	-2.4	1.6	3.8
Net other income to op. revenue	7.6	5.5	3.3	1.8	1.8
EARNINGS					
Net interest income to financial assets	1.9	2.0	2.1	2.5	2.5
Net interest income to net loans	2.3	2.4	2.5	3.0	3.0
Pre-provision income to REA	2.6	2.5	2.5	3.3	3.6
Core pre-provision income to REA (NII & NF&C)	2.2	2.2	2.5	3.1	3.3
Return on ordinary equity	7.5	8.0	7.7	10.7	10.8
Return on assets	0.9	0.9	0.9	1.2	1.2
Cost-to-income ratio	48.7	50.1	46.7	42.9	39.6
Core cost-to-income ratio (NII & NF&C)	52.5	53.0	47.2	44.4	42.0
CAPITAL					
CET1 ratio	21.1	20.6	20.4	20.3	20.0
Tier 1 ratio	22.2	21.6	21.3	21.1	20.8
Capital ratio	24.0	23.2	22.6	22.4	22.1
REA to assets	50.1	51.8	52.8	50.8	50.4
Dividend payout ratio	5.5	5.4	5.3	6.4	5.1
Leverage ratio	11.1	11.2	11.0	10.5	10.3
Consolidated CET1 ratio	20.5	19.5	19.3	19.3	19.1
Consolidated Tier 1 ratio	21.6	20.6	20.3	20.1	20.1
Consolidated Capital ratio	23.4	22.2	21.7	21.4	21.5
Consolidated Leverage ratio	11.2	12.1	10.1	9.7	9.6
GROWTH					
Asset growth	15.2	6.8	11.4	13.6	1.0
Loan growth	5.7	12.6	11.0	12.7	2.5
Deposit growth	12.7	2.9	12.3	12.3	1.0
LOSS PERFORMANCE					
Credit provisions to net loans	0.24	0.07	0.19	0.10	0.23
Stage 3 coverage ratio	14.63	10.61	17.97	20.49	18.55
Stage 3 loans to gross loans	1.15	0.89	1.57	1.31	1.55
Net stage 3 loans to net loans	0.99	0.80	1.29	1.05	1.27
Net stage 3 loans/ordinary equity	6.64	5.60	9.28	7.72	9.16
FUNDING & LIQUIDITY					
Loan to deposit ratio	99.8	109.2	107.9	108.3	109.9
Liquid assets to deposit ratio	25.5	20.9	21.2	22.4	20.7
Net stable funding ratio	0.0	157.0	121.0	141.0	0.0
Liquidity coverage ratio	259.0	259.0	259.0	387.4	285.1

Key financials (NOKm)	FY 2020	FY 2021	FY 2022	FY 2023	Q2 2024 YTD
BALANCE SHEET					
Total assets	4,577	4,890	5,448	6,191	6,252
Total tangible assets	4,577	4,890	5,448	6,191	6,252
Total financial assets	4,553	4,864	5,422	6,166	6,222
Net loans and advances to customers	3,625	4,083	4,532	5,109	5,237
Total securities	636	665	649	675	743
Customer deposits	3,633	3,740	4,200	4,718	4,764
Issued securities	290	504	558	673	680
of which other senior debt	250	464	518	633	640
of which subordinated debt	40	40	40	40	40
Total equity	564	609	655	720	753
of which ordinary equity	539	584	630	695	728
CAPITAL					
Common equity tier 1	484	523	587	639	630
Tier 1	509	548	612	664	655
Total capital	549	588	652	704	695
REA	2,293	2,533	2,879	3,144	3,150
INCOME STATEMENT					
Operating revenues	110	121	128	172	94
Pre-provision operating profit	56	60	68	98	57
Impairments	8	3	8	5	6
Net Income	37	45	47	71	38

Source: company. FY–full year. YTD–year to date.

Figure 19. Tolga-Os Sparebank rating scorecard

Subfactors	Impact	Score
National factors	5.0%	a
Regional, cross border, sector	15.0%	bbb-
Operating environment	20.0%	bbb
Risk governance	5.0%	bbb+
Capital	17.5%	a+
Funding and liquidity	15.0%	a
Credit risk	10.0%	bbb
Market risk	-	-
Other risks	2.5%	bbb+
Risk appetite	50.0%	a-
Competitive position	15.0%	bb
Earnings	7.5%	a+
Loss performance	7.5%	bbb+
Performance indicators	15.0%	a-
Indicative credit assessment		bbb+
Transitions		Neutral
Peer calibration		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		bbb+
Material credit enhancement		Neutral
Rating caps		Neutral
Support analysis		Neutral
Issuer rating		BBB+
Outlook		Stable
Short-term rating		N2

Figure 20. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+
Tier 2	BBB
Additional Tier 1	BB+

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