

## Melhus Sparebank

## Full Rating Report

## LONG-TERM RATING

A-

## OUTLOOK

Stable

## SHORT-TERM RATING

N2

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## RATING RATIONALE

Our 'A-' long-term issuer rating on Norway-based Melhus Sparebank (MelhusBanken) reflects the bank's robust capital position, low risk appetite and strong earnings. The bank has a cooperation agreement with the Eika banking alliance, which we view as positive, as it provides product diversity, shared development costs, and the opportunity to finance residential retail mortgages through mortgage company Eika Boligkreditt. We expect strong cost efficiency to support the bank's core earnings despite a likely decline in net interest margins over the next few years. We also expect robust pre-provision profit to offset elevated loan losses due to a slowdown in the overall economy.

The rating is constrained by the bank's concentrated exposure to real estate in the municipalities of Melhus and Trondheim in central Norway. It is also constrained by strong competition in its core market and its low market share in the larger municipality of Trondheim.

## STABLE OUTLOOK

The outlook is stable, reflecting our view that a weak economic climate and projected credit losses will be offset by improvements in capital and strong earnings metrics. We believe the bank's low risk appetite, strong real-estate collateral, improved earnings, and stable cost position will enable resilience to a moderate slowdown in the economy. We expect MelhusBanken's capital ratios to be further 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%; and
- Pre-provision income to risk exposure amount (REA) sustainably above 3%; and
- Reduced uncertainty about credit risk and improved asset quality metrics.

## POTENTIAL NEGATIVE RATING DRIVERS

- A material deterioration in the local operating environment that negatively affects asset quality.
- A lasting reduction in the Tier 1 capital ratio to below 20%.
- Risk-adjusted earnings metrics below 2% of REA or cost/income above 50% over a protracted period.

Figure 1. Key credit metrics, 2020–2026e

%	2020	2021	2022	2023	2024e	2025e	2026e
Net interest margin	1.6	1.7	1.9	2.4	2.4	2.3	2.3
Loan losses/net loans	0.07	-0.10	0.10	0.25	0.18	0.14	0.12
Pre-provision income/REA*	2.0	2.0	1.9	2.7	2.5	2.6	2.7
Cost-to-income	45.8	47.8	48.7	41.7	45.9	45.3	45.0
Return on ordinary equity	8.8	9.8	8.5	10.4	8.9	8.8	8.5
Loan growth	4.6	4.9	4.1	4.6	2.5	6.5	6.5
Consolidated CET1 ratio*	16.3	17.4	18.1	18.1	18.5	21.2	21.5
Consolidated Tier 1 ratio*	17.9	19.0	19.4	19.8	20.2	23.0	23.2

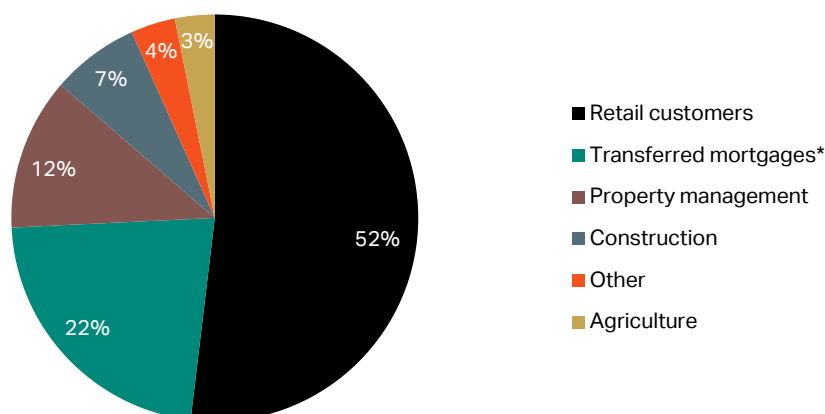
Source: company and NCR. e=estimate. CET1=common equity Tier 1. All metrics adjusted in line with NCR methodology. \*REA and capital ratios from 2025 are estimated in accordance with CRR3 as currently proposed.

## ISSUER PROFILE

MelhusBanken is a Norwegian savings bank headquartered in Melhus municipality. Established in 1840, it is one of the country's oldest independent savings banks. MelhusBanken offers a range of financial services to household and corporate borrowers. These services include savings accounts, loans, mortgages, investment services, insurance, and advisory services related to personal and business finance. The bank has a strong local presence, primarily serving the community in Melhus and the regional centre of Trondheim. MelhusBanken has three branches in Melhus and two in Trondheim. As of 30 Jun. 2024, the bank had total net lending of NOK 11.9bn (including NOK 2.7bn in retail mortgage loans transferred to Eika Boligkreditt). Lending is evenly split between Melhus and Trondheim. The bank also owns 41.5% of real estate brokerage Heimdal Eiendomsmegling, with a market share of about 15% in Trøndelag county, and 34% of Melhus Regnskap, the leading accountancy company in Melhus municipality.

MelhusBanken is a member of the Eika alliance, a network of Norwegian savings banks that collaborates to improve their service offerings, technology, and product development while maintaining local independence. Through this alliance, MelhusBanken customers benefit from enhanced digital banking services and access to a wide range of financial products.

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



Source: company. \*to Eika Boligkreditt.

## OPERATING ENVIRONMENT

### Operating environment

We consider a balance of national and regional factors in our assessment of the operating environment. MelhusBanken operates in a region with above-average economic growth prospects. We believe that the national economy could weaken 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.

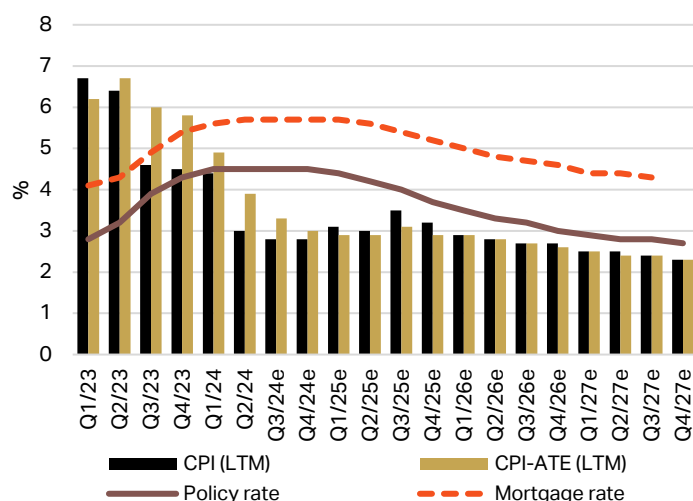
### National factors

#### Peaking net interest margins

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 marginal decline in 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.

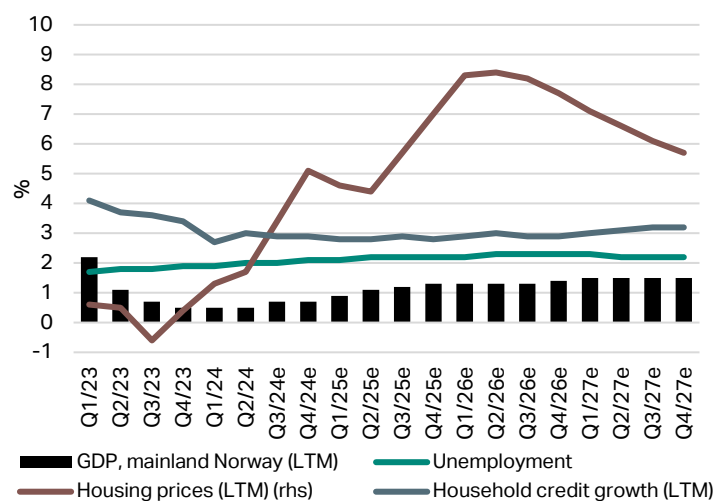
As intended, higher interest rates are helping to slow the economy. We believe that high interest rates and weak economic conditions could lead to a rise in loan-loss provisions among domestic savings banks over the next 12 months, but that levels will vary significantly between individual banks. Norway's 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.

### Exposure to the greater Trondheim region

Melhus municipality borders the larger municipality of Trondheim in the north and about half of the workforce in the municipality commutes to Trondheim. Melhus' economy is mainly agricultural, and the municipality itself is the largest employer. Both Melhus and Trondheim have stronger expected population growth and lower unemployment than the national average. The region also has a less cyclical economy due to high levels of public-sector employment and a focus on agriculture. Trondheim is also a centre for the large salmon farming industry in Trøndelag county.

About 53% of MelhusBanken's total lending and a significantly larger proportion of corporate lending are located in Trondheim; the regional centre and the fourth largest city in Norway. Trondheim has a diverse economy and is also a university hub with 40,000 students. Accordingly, lending to owners of rental properties represents an important business opportunity.

Figure 5. Core markets

Municipality	Population, 1. Jan. 2024	Expected population change, 2024–2050	Unemployment, Aug. 2024	Unemployment, Aug. 2023
Melhus	17,560	11.7%	1.9%	1.6%
Trondheim	214,565	16.7%	1.8%	1.4%
Norway	5,550,203	10.0%	2.0%	1.9%

Source: Statistics Norway, Norwegian Labour and Welfare Administration.

### RISK APPETITE

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

### Risk governance proportional to structural complexity

In our view, MelhusBanken's risk governance framework, risk appetite, limit monitoring and risk reporting are in proportion to 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 routines and policies, reducing the risk of related regulatory fines and associated losses. The bank's internal risk reporting and internal capital adequacy assessment processes are proportional to its risk profile.

MelhusBanken's cooperation with the Eika alliance provides additional resources for future sustainability efforts. The bank has established credit-related guidelines to assess climate and

Regional, sectoral, and cross-border factors

Risk appetite

Risk governance

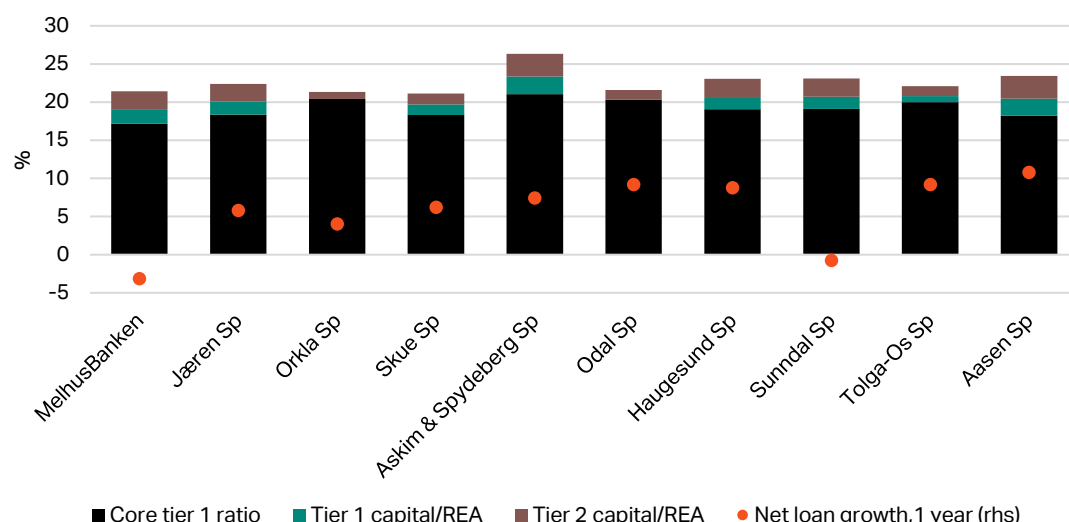
sustainability risks for its corporate customers. It is environmentally certified by Miljøfyrtårn/Eco-Lighthouse, which provides criteria and structure for products and solutions to minimise banks' environmental footprint. The cooperation with the Eika alliance provides additional resources for future development in this area. Parts of the bank's mortgage portfolio are financed through Eika Boligkreditt, which has established a framework for issuing green bonds.

### CRR3 likely to boost capital ratios

Our capital assessment takes into consideration MelhusBanken's consolidated position, including its proportional holdings in Eika Gruppen and Eika Boligkreditt. As of 30 Jun. 2024, the bank's consolidated CET1 ratio was 17.2% and its Tier 1 ratio 19%. The regulatory CET 1 requirement is currently 15.3% and the bank's target, including a management buffer, is 16.5%. We note that the reported capital ratios would have been 0.5pp higher if 50% of the current year's profit had been included. We also note that the bank began categorising SME lending as retail exposure in the first quarter of 2024, which boosted capital ratios by 0.3pp.

MelhusBanken issued hybrid capital in August 2023 after a period of strong growth in corporate lending. We expect moderate growth, particularly in corporate lending in the 2024-2026 period and forecast a return on equity of 8.5-9%. We therefore expect relatively stable capital ratios before the effect of CRR3 is accounted for. Equity capital certificates (ECC) holders' share of equity and profit is currently 32%. The bank's policy is to distribute 50-100% of net profit in dividends to holders of ECCs on a proportionate basis. The payout ratio has been 70-80% historically, and we assume an 80% payout ratio from 2025 onwards.

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



Source: bank reports. \*\*Unconsolidated capital ratios of parent banks.

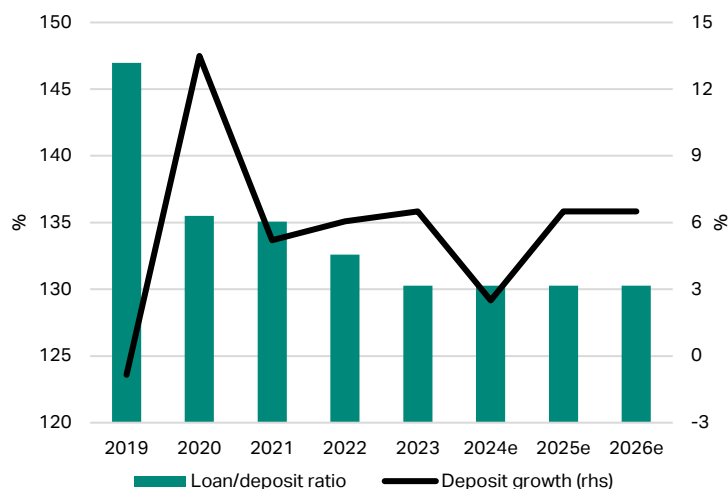
CRR3 is scheduled to come into force in Norway from 1 Jan. 2025 (see Relevant Research). The new method is more risk-sensitive than previously and likely to reduce capital requirements significantly for small to medium-sized retail and savings banks. We expect CRR3 to improve the competitiveness of banks 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 MelhusBanken 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 23% by end-2025.

### Broad spectrum of funding sources

MelhusBanken's funding and liquidity position is relatively strong, with an increasing deposit base in recent years and proven access to capital market funding. As of 30 Jun. 2024, the loan/deposit ratio was 118%, in line with the bank's peer group average. We note, however, that some concentration risk exists, together with a high proportion of institutional funding. This risk is mitigated by lock-in periods of 3-12 months for a significant proportion of deposits. The bank has moderate liquidity buffers at

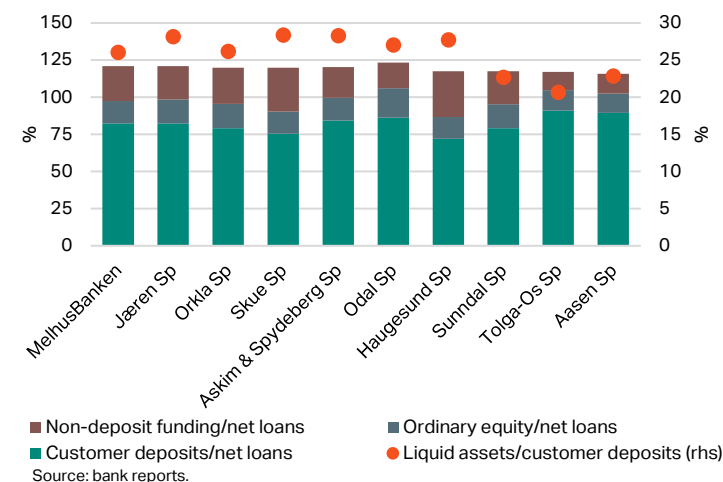
about 20% of customer deposits. As of 30 Jun. 2024, the liquidity coverage ratio was 420% and the net stable funding ratio 119%, well above the regulatory requirements of 100%. We expect the bank to maintain strong regulatory measures, given internal limits.

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.

As of 30 Jun. 2024, MelhusBanken had NOK 2.2bn in outstanding senior bonds with maturities spread through February 2027 but with an average time-to-maturity of only about one year. In our forecast, we expect the bank to refinance debt through new issuance with longer time to maturity. We also project a relatively stable loan/deposit ratio on the balance sheet but increasing use of off-balance financing through Eika Boligkreditt, which is an important source of funding for MelhusBanken. The mortgage company provides access to more affordable funding for retail mortgages, with longer terms to maturity than the bank could source by itself. As of 30 Jun. 2024, the bank had transferred NOK 2.7bn in mortgage loans, or 30% of total retail mortgage lending, including NOK 6.2bn on its own loan book.

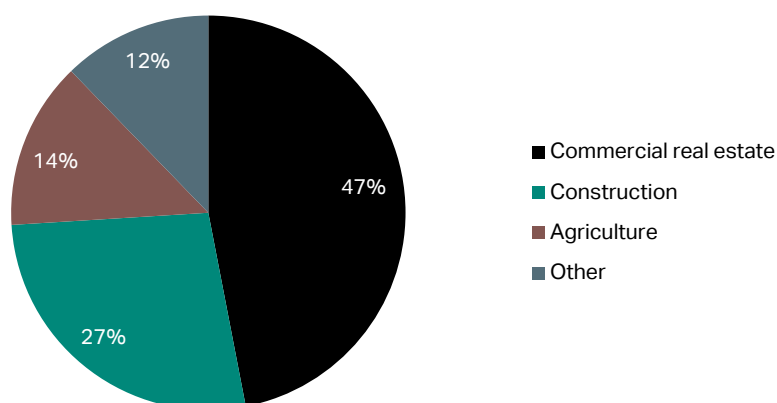
### Strong regional focus

MelhusBanken has a strong regional focus, with more than 90% of the loan portfolio located in its core markets. Some 77% of the bank's exposures (including transferred loans) are to private and agricultural customers and secured by housing and agricultural properties. While we regard this as low-risk credit, it nonetheless increases concentration on local borrowers and exposes the bank's collateral to any decline in property values. Housing prices and real-estate values in the region have been stable over the past 12 months, despite rising interest rates, and housing prices in the region are close to the national average. MelhusBanken'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 lower property prices. An added risk factor for MelhusBanken is that a significant proportion of commercial real estate exposure consists of project financing.

In the 12 months to 30 Jun. 2024, MelhusBanken's gross loans (including transferred loans) increased by 0.8%. On- and off-balance sheet mortgage lending fell by 1%, while corporate lending increased by 5.7%. Our forecast includes loan growth of 2.5% for 2024, both on and off the bank's balance sheet, before increasing to 6.5% in 2025 and 2026. We believe that the bank will focus increasingly on retail lending growth to preserve its credit risk profile.

### Credit risk

Figure 9. Corporate gross loans by sector, 30 Jun. 2024



Source: company.

As at 30 Jun. 2024, MelhusBanken had transferred loans amounting to NOK 2.7bn, which generated NOK 5.4m in provisions (3.2% of operating income) in the second quarter of 2024. This accounts for 30% of retail lending (including transferred loans), which is not excessive in comparison with the bank's peers. However, the bank does not offload the associated risk, and we expect it to take back all non-performing loans to enable Eika Boligkreditt to maintain a clean cover pool. MelhusBanken has always accepted repatriated loans, but in the event that repatriation should not prove possible, the bank guarantees 1% of transferred loans and covers 80% of any net loss incurred by Eika Boligkreditt through a loss guarantee. The bank is jointly liable with existing Eika alliance banks for losses not covered by the guarantee. Due to the high credit quality of transferred loans and repatriation agreements, the mortgage company has never incurred actual credit losses.

#### Other risks aligned with risk governance

#### Other risks

We do not believe market risk is a material factor for MelhusBanken, given the lack of a trading portfolio and its low limits on interest rate risk and currency risk.

MelhusBanken has strategic ownership positions in Eika Gruppen (2.8%) and Eika Boligkreditt (2.4%), which provide access to the Norwegian covered-bond market, insurance, asset management, a real-estate agency and credit products, and ensure a strong voice alongside the other savings bank owners. This ownership also contributes to the bank's earnings through dividend payments, as well as commission paid on transferred loans and savings. The bank also has significant positions in a regional real estate brokerage and an accountancy company.

#### COMPETITIVE POSITION

#### Competitive position assessment

MelhusBanken has a regional focus and a strong market position in Melhus municipality with a market share of close to 25%. SpareBank 1 SMN is the market leader in MelhusBanken's core area of operations, both in retail and corporate banking, and has increased its sales efforts. MelhusBanken sees growth potential in Trondheim, despite a more competitive market in the larger municipality. About 50% of the bank's lending volumes are located in Trondheim, where its market share is only 3-4%. MelhusBanken owns 41% of real estate broker Heimdal Eiendomsmegling, which in 2023 had a 17% market share in Trondheim and 15% in Trøndelag county. It also owns 34% in accountancy company Melhus Regnskap, which has 850 clients.

MelhusBanken is a member of the Eika alliance, which expands the bank's customer offerings beyond what it could provide itself and diversifies revenues. Via Eika, the bank provides customers with insurance, debit and credit products, asset management and real-estate agency services.

MelhusBanken's operations are concentrated in its core markets, and we consider its role in and meaningful contributions to its local market as positive rating factors. 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

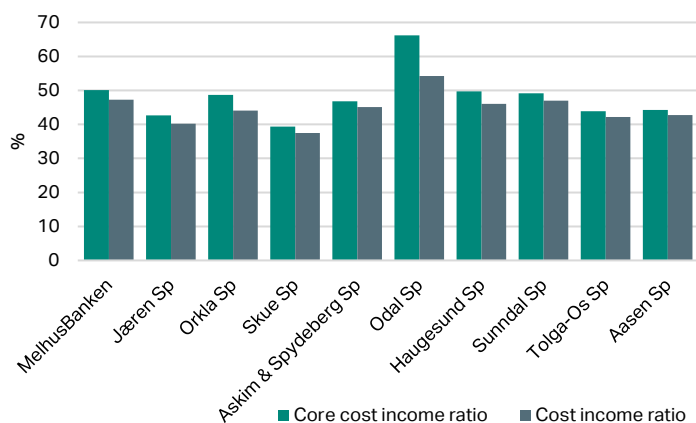
MelhusBanken reported relatively strong profitability in 2023 and the first half of 2024. We expect cost efficiency to remain strong with a cost/income ratio at around 45%, despite increased pressure on margins. Loan losses are likely to remain at elevated levels for some time due to sharp increases in interest rates in recent years.

### Earnings boosted by higher interest rates

### Earnings

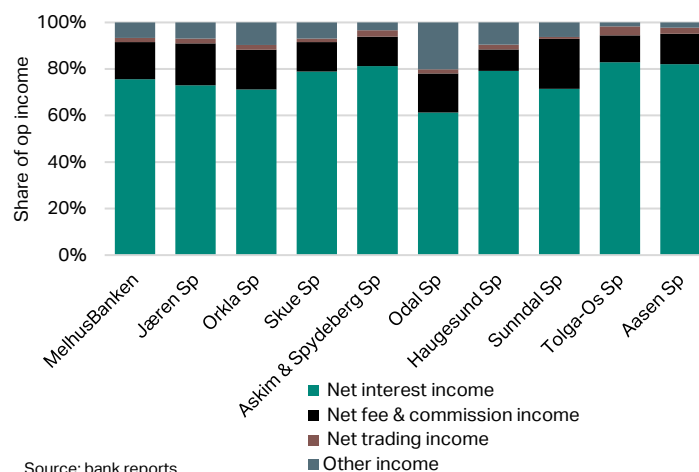
High interest rates have significantly improved MelhusBanken's net interest margin over the past four quarters, following years of margin pressure from low interest rates and competition for mortgage loans. We believe, however, that margins peaked earlier this year due to increased competition and the prospect of lower interest rates from 2025. Cost levels have been relatively high due to project-related spending, most notably implementation of a new IT system, and we expect that cost inflation in the wider economy will challenge the bank to bring its cost/income ratio below 45% over our forecast period. We expect a relatively modest increase in pre-provision income to REA, to 2.7% in 2026 from 2.5% in 2024, due to lower risk weights following implementation of CRR3.

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



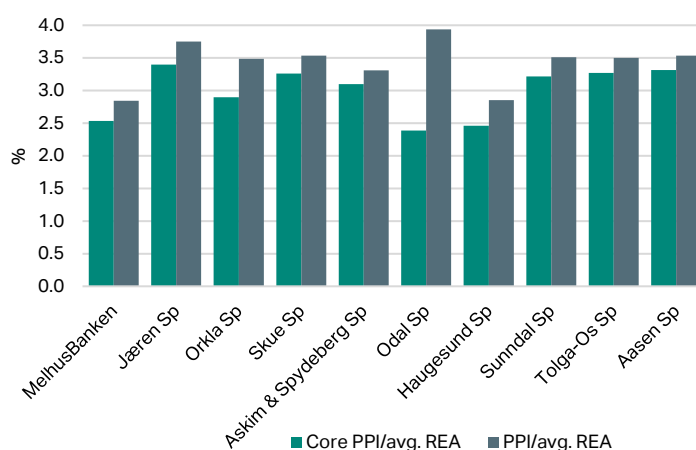
Source: bank reports. LTM-last twelve months. Core represents net interest income and net fee & commission income.

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



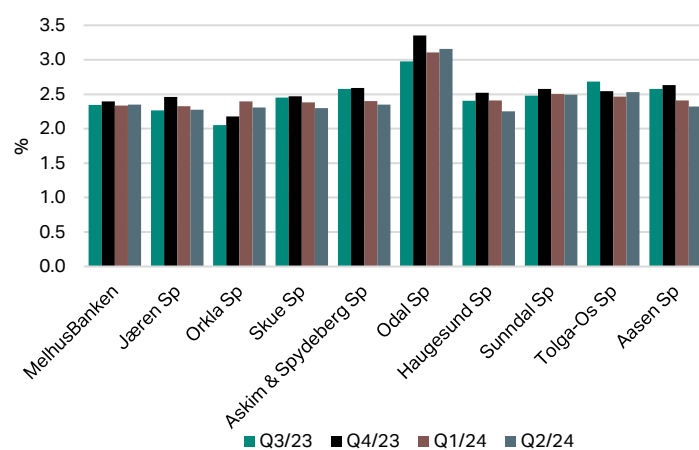
Source: bank reports.

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, H2 2021-H1 2024



Source: bank reports.

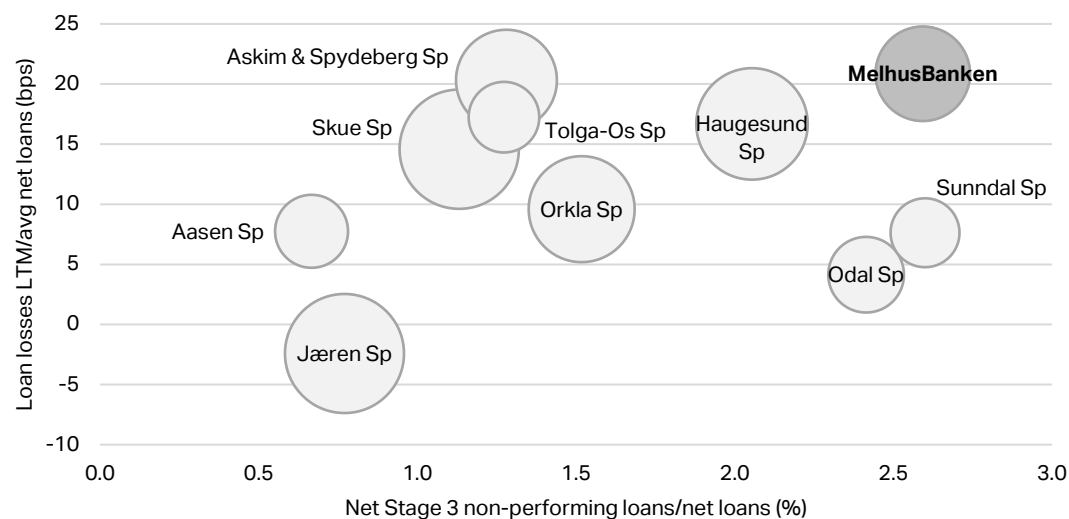
### Non-performing loans and loan losses higher than peers'

### Loss performance

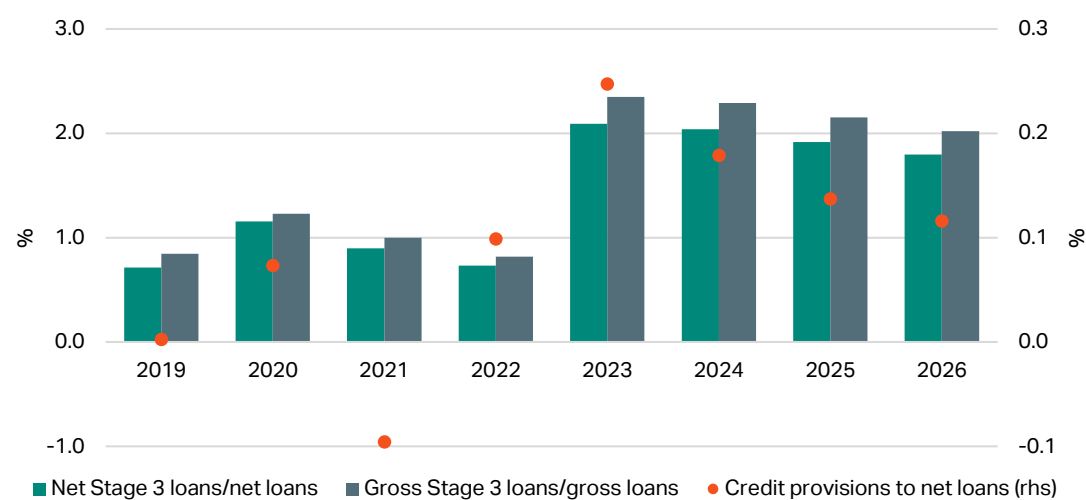
MelhusBanken booked NOK 6.8m in loan losses in the first six months of 2024 and NOK 19.6m in the 12 months to 30 Jun. 2024. We project higher loan losses than the bank's historical average in the near term, as high interest rates continue to act as a burden on borrowers, particularly corporate customers. The bank's Stage 3 loans are relatively high compared with those of its domestic peer group. We expect

such loans to fall as loan losses are booked and lower interest rates reduce the burden on borrowers. In our base-case projections, we expect net Stage 3 loans to fall to 1.8% of net loans by end-2026.

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



**Figure 15. Asset quality metrics, 2019–2026e**



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

ESG factors are considered throughout our analysis, where material to the credit assessment. In aggregate, we view MelhusBanken's ESG profile as having a neutral 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 MelhusBanken to reflect expectations of additional support as we see limited potential for extraordinary support from the owners. The bank's ECCs are publicly listed and consequently the bank has ready access to the equity market. As of end-2023, around 32% 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
Forsvarets Personellservice	9.1%
Thore Hyggen	4.9%
Verdipapirfondet Eika Egenkapitalbevis	4.7%
Unne Invest AS	3.9%
Rakon Eiendom AS	3.0%
Other	74.4%
Total	100.0%

## ISSUE RATINGS

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

## SHORT-TERM RATING

The 'N2' short-term rating is the higher of two possible alternatives given the 'A-' long-term issuer rating. It reflects MelhusBanken's access to central bank funding and our assessment that the bank's

liquidity is adequate on the basis of an average liquidity coverage ratio of about 400% 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. Melhusbanken key financial data, 2020–Q3 2024 YTD**

Key credit metrics (%)	FY 2020	FY 2021	FY 2022	FY 2023	Q3 2024 YTD
<b>INCOME COMPOSITION</b>					
Net interest income to op. revenue	68.8	68.5	72.0	72.8	76.7
Net fee income to op. revenue	20.2	20.4	16.9	13.4	16.8
Net trading income to op. revenue	2.5	2.3	1.0	-0.8	1.7
Net other income to op. revenue	8.5	8.7	10.0	14.6	4.9
<b>EARNINGS</b>					
Net interest income to financial assets	1.6	1.7	1.9	2.4	2.4
Net interest income to net loans	1.8	1.9	2.1	2.7	2.7
Pre-provision income to REA	2.4	2.4	2.5	3.4	3.0
Core pre-provision income to REA (NII & NF&C)	1.9	1.9	1.9	2.6	2.7
Return on ordinary equity	8.8	9.8	8.5	10.4	9.3
Return on assets	1.0	1.1	1.0	1.3	1.2
Cost-to-income ratio	45.8	47.8	48.7	41.7	44.7
Core cost-to-income ratio (NII & NF&C)	51.5	53.7	54.7	48.3	47.8
<b>CAPITAL</b>					
CET1 ratio	17.2	18.5	18.0	18.1	17.0
Tier 1 ratio	18.8	20.1	19.1	20.0	18.7
Capital ratio	20.9	22.1	20.6	22.4	21.1
REA to assets	55.3	51.8	53.1	54.2	55.9
Dividend payout ratio	28.4	22.0	27.7	30.4	25.6
Leverage ratio	9.2	10.2	9.8	9.9	9.7
Consolidated CET1 ratio	16.3	17.4	18.1	18.1	
Consolidated Tier 1 ratio	17.9	19.0	19.4	19.8	
Consolidated Capital ratio	20.0	21.1	21.1	22.3	
Consolidated Leverage ratio	9.0	9.1	9.2	9.9	0.0
<b>GROWTH</b>					
Asset growth	5.7	7.5	2.7	5.5	1.3
Loan growth	4.6	4.9	4.1	4.6	0.6
Deposit growth	13.5	5.2	6.1	6.5	0.8
<b>LOSS PERFORMANCE</b>					
Credit provisions to net loans	0.07	-0.10	0.10	0.25	0.19
Stage 3 coverage ratio	6.38	10.55	10.73	11.41	9.32
Stage 3 loans to gross loans	1.23	1.00	0.82	2.35	3.39
Net stage 3 loans to net loans	1.15	0.90	0.73	2.09	3.09
Net stage 3 loans/ordinary equity	9.17	6.91	5.28	14.34	20.51
<b>FUNDING &amp; LIQUIDITY</b>					
Loan to deposit ratio	135.5	135.1	132.6	130.3	130.0
Liquid assets to deposit ratio	19.5	22.7	17.6	19.5	20.6
Net stable funding ratio	109.0	110.0	110.0	115.0	111.0
Liquidity coverage ratio	116.5	272.7	152.5	251.0	166.0

Key financials (NOKm)	FY 2020	FY 2021	FY 2022	FY 2023	Q3 2024 YTD
<b>BALANCE SHEET</b>					
Total assets	9,506	10,220	10,501	11,079	11,218
Total tangible assets	9,505	10,220	10,494	11,074	11,214
Total financial assets	9,401	10,067	10,160	10,789	10,945
Net loans and advances to customers	8,216	8,617	8,972	9,387	9,446
Total securities	1,107	1,193	1,154	1,204	1,180
Customer deposits	6,064	6,380	6,766	7,206	7,264
Issued securities	2,174	2,571	2,369	2,319	151
of which other senior debt	2,064	2,461	2,289	2,168	–
of which subordinated debt	110	110	80	150	151
Total equity	1,118	1,203	1,301	1,478	1,531
of which ordinary equity	1,033	1,118	1,241	1,368	1,421
<b>CAPITAL</b>					
Common equity tier 1	902	978	1,006	1,089	1,063
Tier 1	987	1,063	1,066	1,199	1,173
Total capital	1,097	1,173	1,146	1,349	1,323
REA	5,257	5,298	5,572	6,009	6,267
<b>INCOME STATEMENT</b>					
Operating revenues	215	239	261	342	252
Pre-provision operating profit	116	125	134	200	140
Impairments	6	-8	9	23	13
Net Income	88	105	101	135	97

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

**Figure 19. Melhusbanken rating scorecard**

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

**Figure 20. Capital structure ratings**

Seniority	Rating
Senior unsecured	A-
Tier 2	BBB+
Additional Tier 1	BBB-

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