

## Tolga-Os Sparebank

## Rating Action Report

## LONG-TERM RATING

BBB+

## OUTLOOK

Stable

## SHORT-TERM RATING

N2

## PRIMARY ANALYST

Geir Kristiansen  
+4790784593  
geir.kristiansen@nordiccreditrating.com

## SECONDARY CONTACTS

Christian Yssen  
+4740019900  
christian.yssen@nordiccreditrating.com

Sean Cotten  
+46735600337  
sean.cotten@nordiccreditrating.com

## Tolga-Os Sparebank 'BBB+' long-term issuer rating affirmed with stable outlook; removed from criteria review

Nordic Credit Rating has affirmed its 'BBB+' long-term issuer rating on Norway-based [Tolga-Os Sparebank](#). The outlook is stable. The 'N2' short-term rating, 'BBB+' senior unsecured issue rating, 'BBB' Tier 2 issue rating, and 'BB+' Additional Tier 1 issue rating have also been affirmed, in accordance with NCR's revised financial institutions rating methodology. The ratings are no longer under criteria review.

### Rating rationale

The long-term issuer rating reflects the bank's robust capital position, access to funding and strong earnings. We take a positive view of the bank's membership in the Lokalbanc 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 2027. However, we have revised our assessment of the bank's earnings to reflect margin pressure and a higher medium term cost base. We also expect credit losses to remain slightly elevated, given the continued effects of recent cost inflation and high interest rates. Nevertheless, we have increased our loss performance assessment due to the bank's low level of net stage 3 loans relative to peers.

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 stable outlook reflects 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, following a recent improvement due to implementation of the EU's Capital Requirements Regulations III (CRR3).

We could raise the rating to reflect a consolidated Tier 1 ratio sustainably above 22%, pre-provision income to risk exposure amount (REA) sustainably above 3%, and improved scale and reduced concentration risk in the loan book.

We could lower the rating to reflect a material deterioration in the local operating environment that negatively affects 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.

### Rating list

	To	From
Long-term issuer credit rating:	BBB+	BBB+
Outlook:	Stable	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	BBB+	BBB+
Tier 2 issue rating:	BBB	BBB
Additional Tier 1 issue rating:	BB+	BB+

**Figure 1. Tolga-Os Sparebank rating scorecard**

Subfactors	Impact	To	From
National banking environment	5.0%	a	-
Sector exposure assessment	-	-	-
Regional assessment	15.0%	bbb-	-
Cross border assessment	-	-	-
National factors	-	-	a
Regional, cross border, sector	-	-	bbb-
Operating environment	20.0%	bbb	bbb
Risk governance	7.5%	bbb+	bbb+
Capital	17.5%	a+	a+
Funding and liquidity	15.0%	a	a
Credit and market risk	10.0%	bbb	-
Credit risk	-	-	bbb
Market risk	-	-	-
Other risks	-	-	bbb+
Risk appetite	50.0%	a-	a-
Competitive position	15.0%	bb	bb
Earnings	7.5%	a	a+
Loss performance	7.5%	a-	bbb+
Performance indicators	15.0%	a-	a-
<b>Indicative credit assessment</b>		<b>bbb+</b>	<b>bbb+</b>
Peer comparison		Neutral	Neutral
Transitions		Neutral	Neutral
Borderline assessments		Neutral	Neutral
<b>Stand-alone credit assessment</b>		<b>bbb+</b>	<b>bbb+</b>
Ownership		Neutral	Neutral
Capital structure protection		Neutral	-
Rating caps		Neutral	Neutral
Material credit enhancement		-	Neutral
<b>Issuer rating</b>		<b>BBB+</b>	<b>BBB+</b>
Outlook		Stable	Stable
<b>Short-term rating</b>		<b>N2</b>	<b>N2</b>

**Figure 2. Capital structure ratings**

Seniority	To	From
Senior unsecured	BBB+	BBB+
Tier 2	BBB	BBB
Additional Tier 1	BB+	BB+

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 30 Sep. 2024.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
Primary analyst:	Geir Kristiansen, +4790784593, <a href="mailto:geir.kristiansen@nordiccreditrating.com">geir.kristiansen@nordiccreditrating.com</a>
Rating committee chairperson responsible for approval of the credit rating:	Sean Cotten, +46735600337, <a href="mailto:sean.cotten@nordiccreditrating.com">sean.cotten@nordiccreditrating.com</a>
Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	<a href="#">NCR's Financial Institutions Rating Methodology published on 12 May 2025</a> <a href="#">NCR's Rating Principles published on 14 Feb. 2024</a> <a href="#">NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024</a> The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a> . The historical default rates of entities and securities rated by NCR will be viewed on <a href="#">the central platform (CEREP) of the European Securities and Markets Authority (ESMA)</a> .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: <a href="https://nordiccreditrating.com/governance/policies">https://nordiccreditrating.com/governance/policies</a>
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test or cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a> .
Ancillary services provided:	No ancillary services have been provided in the last 12 months.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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