Haugesund Sparebank

Full Rating Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our rating on Haugesund Sparebank reflects its strong capitalisation and earnings, moderate risk appetite, and reliable access to funding. The bank also benefits from business diversification through its membership in the Eika Alliance, including the ability to transfer mortgages to jointly owned covered bond companies.

The rating is constrained by the bank's history of elevated loan losses, concentrated exposure to local real estate, and a relatively high proportion of corporate lending compared with domestic peers. The bank maintains a strong market position in its core markets; however, competition remains intense in larger markets with stronger growth prospects.

STABLE OUTLOOK

The stable outlook reflects our expectation that Haugesund Sparebank's strong capitalisation and earnings will continue to serve as a buffer towards potential losses, even as it targets above-market loan growth in the coming years. We expect the bank to leverage its larger scale to further improve cost efficiency and strengthen its market position, although competition remains intense in several attractive markets.

POTENTIAL POSITIVE RATING DRIVERS

- An upgrade is unlikely at this time, given regional concentrations as well as already strong capital and earnings.

POTENTIAL NEGATIVE RATING DRIVERS

- A material deterioration in the local operating environment that negatively affects the bank's growth or profitability.
- Tier 1 ratio significantly below 22% over a protracted period.
- Significant increases in loan losses or non-performing loans.

Figure 1. Key credit metrics, 2022–2028e

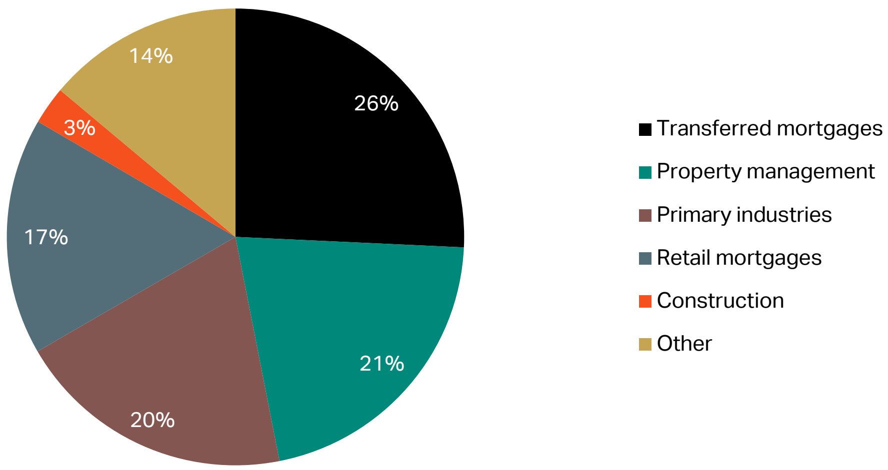
%	2022	2023	2024	2025	2026e	2027e	2028e
Tier 1 ratio*	21.4	21.8	20.9	24.2	23.5	23.1	22.6
Pre-provision income/REA*	2.2	2.6	2.4	2.6	2.7	2.6	2.6
Cost-to-income	44	43	49	45	44	44	43
Return on ordinary equity	7.2	9.0	8.5	8.4	8.2	7.9	8.0
Loan losses/net loans	0.27	0.19	0.15	0.21	0.15	0.15	0.15
Net Stage 3/net loans	0.87	2.04	1.66	1.63	1.55	1.53	1.51

Source: company and NCR. e–estimate. REA–risk exposure amount. CET1–common equity Tier 1. All metrics adjusted in line with NCR methodology. *Consolidated capital adequacy metrics.

ISSUER PROFILE

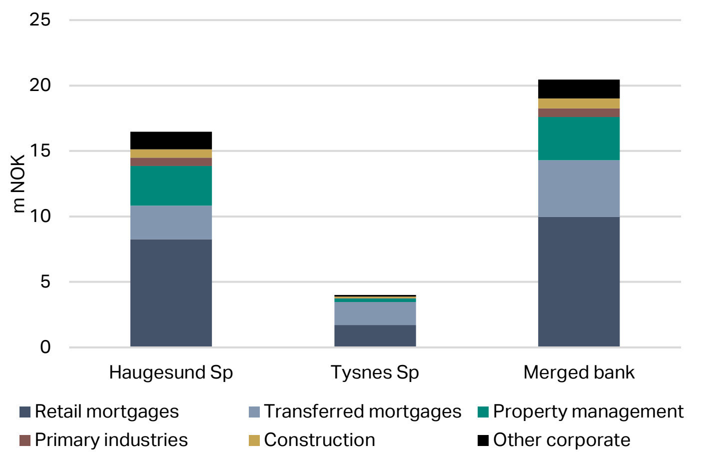
Haugesund Sparebank is a mid-sized Norwegian savings bank operating in the Rogaland and Vestland regions on the southwest coast. Established in 1928, the bank has merged with several local savings banks, most recently Tysnes Sparebank in Sep. 2025. Haugesund Sparebank is a member of the Eika Alliance, Norway's largest savings bank coalition, comprising around 40 small and medium-sized members. The alliance supports product diversification and collaboration in IT, risk management and compliance, and enables residential mortgage financing through Eika Boligkreditt, a mid-sized Norwegian covered bond issuer.

Figure 2. Gross loans by sector, 31 Dec. 2025



Source: company.

Figure 3. Balance sheet volume comparison, Q2 2025*



Source: companies. *last separate quarterly report.

Figure 4. Key credit metrics, reported vs. pro forma* 2025

	Reported	Pro forma
Net interest income	377m	428m
Pre-provision income	265m	296m
Net profit	189m	139m
Net interest margin**	1.9%	2.1%
Pre-provision income/REA**	2.8%	3.1%
Cost/income ratio	45.2%	47.2%
Loan loss provisions/net loans	0.19%	0.54%

Source: company. *Pro forma reported by the bank. Sum of individual Q1-Q2 reports, Q3-Q4 reports as if merger occurred 1 Jun. 2025. **year-end net loans/REA instead of average ingoing and outgoing volumes.

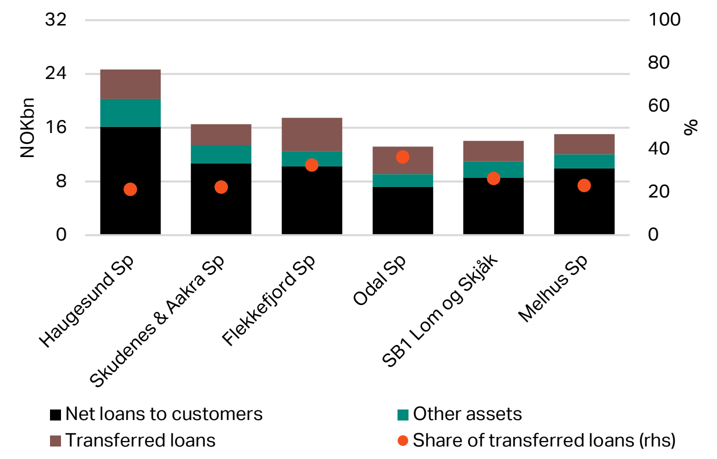
Competitive position

Core market significantly expanded with merger

Haugesund Sparebank maintains a solid market position in Haugalandet but faces strong competition, primarily from larger banks, including DNB, SB1 Sør-Norge and Sparebanken Norge, as well as Skudenes & Aakra Sparebank in parts of the market. The former Tysnes Sparebank is well established in Tysnes and Stord, with a limited presence in Bergen. We expect the bank to focus on the northern part of its expanded core market.

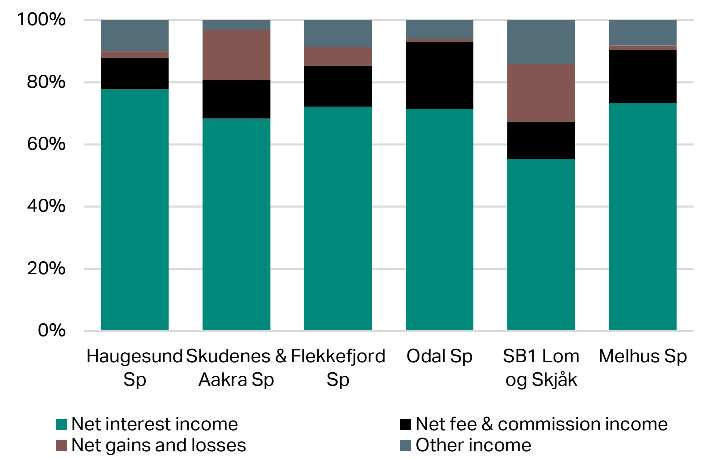
The merged bank is one of the largest in the Eika Alliance. The membership enables broader customer services and more diversified revenues, including insurance, credit products, asset management and payment solutions. Haugesund Sparebank's engagement in its core markets and support for social and cultural activities are viewed positively, with strong social responsibility as its primary environmental, social and governance (ESG) attribute.

Figure 5. Balance sheet volume comparison, Q3 2025



Source: companies.

Figure 6. Revenue source split comparison, Q3 2025 LTM



Source: companies.

Risk governance

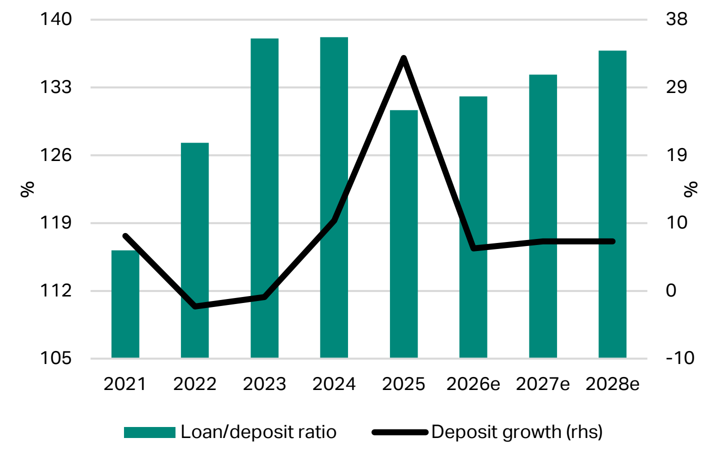
Risk appetite considered to be moderate

In our view, Haugesund Sparebank's risk governance framework, risk appetite, limit monitoring and risk reporting are broadly consistent with those of its mid-sized savings bank peers. We believe the bank has established an appropriate risk, compliance and anti-money laundering organisation for the larger entity following the merger. However, we consider the bank's risk appetite to be slightly higher than that of many domestic peers.

Funding and liquidity

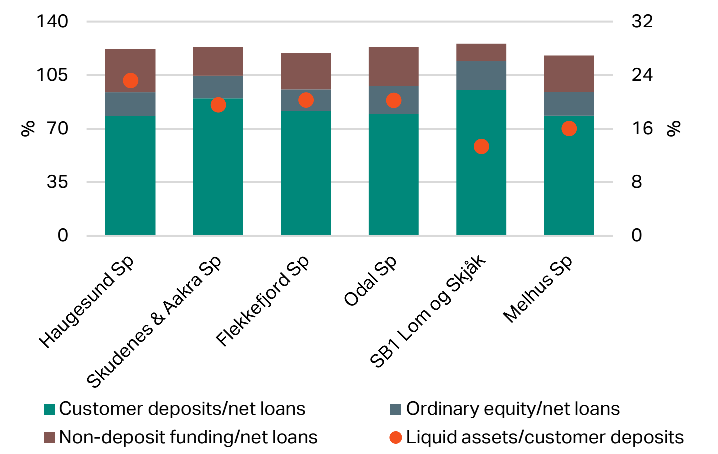
We consider Haugesund Sparebank's funding, liquidity profile and management appropriate for a medium-sized Norwegian savings bank and broadly in line with domestic peers. However, the bank has a relatively high loan-to-deposit ratio and we expect loan growth to outpace deposit growth in the coming years. The bank's transfer rate to Eika Boligkreditt is fairly average (29% of household lending as of 31 Dec. 2025) and has ample room to internal liquidity limits if the need should arise to transfer additional loans.

Figure 7. Deposit metrics, 2021-2028e



Source: company and NCR. e–estimate.

Figure 8. Norwegian savings banks' funding profiles, 30 Sep. 2025



Source: companies.

CREDIT RISK PROFILE

Operating environment

Characterised by comparatively high share of corporate lending and regional concentrations

Our assessment of Haugesund Sparebank's operating environment is based on a combination of our assessment of Norway's banking environment and the bank's region. Norwegian banks' net interest margins have increased since 2021; however, with rates cut to 4% in Sep. 2025 and no further reductions likely until after 2026, earnings and returns may moderate as competition intensifies and loan demand remains somewhat subdued. While elevated rates are dampening activity, modest GDP growth and low unemployment continue to support wages, supporting household loan demand, but increasing potential inflation risks.

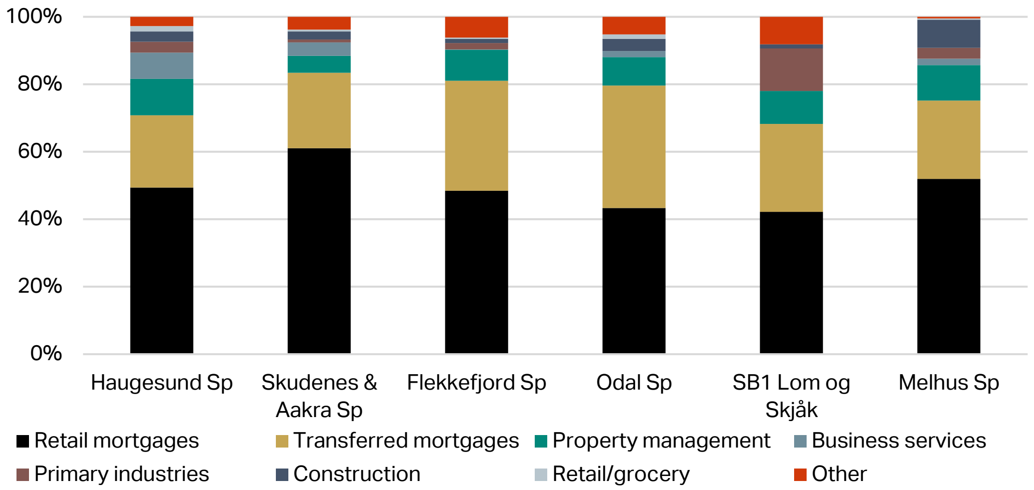
Haugesund Sparebank operates in an area from Haugalandet on Norway's southwest coast and up towards Bergen.

Figure 9. Regional core characteristics

	Strengths	Weaknesses
Regional employment and economic diversity	Unemployment in line with domestic average or better; proximity to larger cities improves with ongoing infrastructure investments.	Reliance on offshore and shipping industries. Geographically somewhat isolated.
Expected population growth and credit demand	Infrastructure investments are supporting regional growth.	Expected growth varies significantly between municipalities.

Haugesund Sparebank has a relatively higher proportion of corporate lending than most Norwegian savings bank peers, with the majority of these loans extended to property management and business services. Following the merger with Tysnes Sparebank, the share of corporate loans declined slightly. However, we expect corporate loan growth to outpace retail mortgage growth in the coming years.

Figure 10. Norwegian savings banks' gross loan book sector split, 30 Sep. 2025



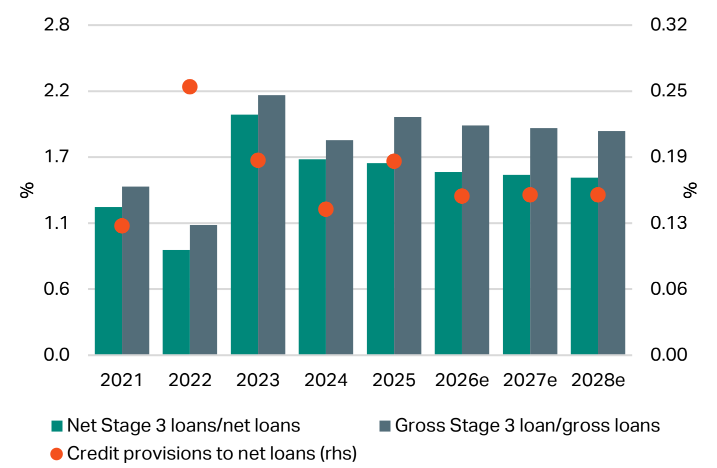
Source: companies.

Loss performance

Haugesund Sparebank's share of Stage 3 loans increased significantly in 2023 and has remained somewhat elevated. This trend is consistent with the broader domestic savings bank sector. However, loss provisions are comparatively high compared with peers. The bank maintained a relatively low Stage 3 coverage ratio from 2023 through the second half of 2025, but we view the recent increase in coverage ratios positively.

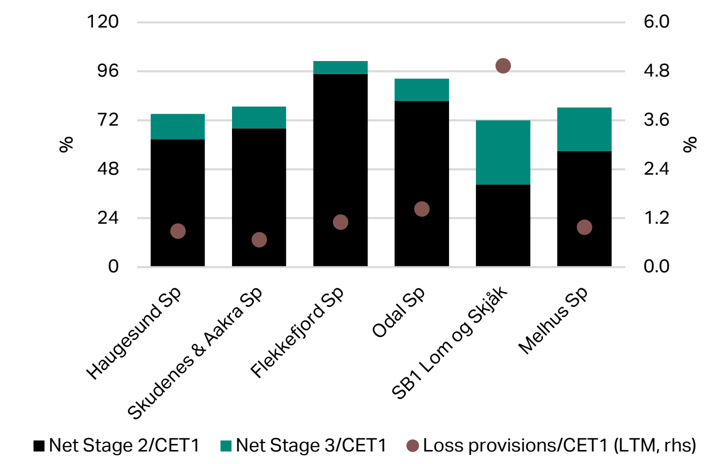
Concerns regarding Stage 3 loans in Tysnes Sparebank's loan book have eased, as the highest-risk exposures were divested and/or written down before the merger. As a result, we do not consider the bank's loss performance a significant risk to capitalisation.

Figure 11. Asset quality metrics, 2021–2028e



Source: company and NCR. e–estimate.

Figure 12. Asset quality in relation to capitalisation, 30 Sep. 2025



Source: companies. CET1-Common Equity Tier 1 (consolidated). LTM-last twelve months.

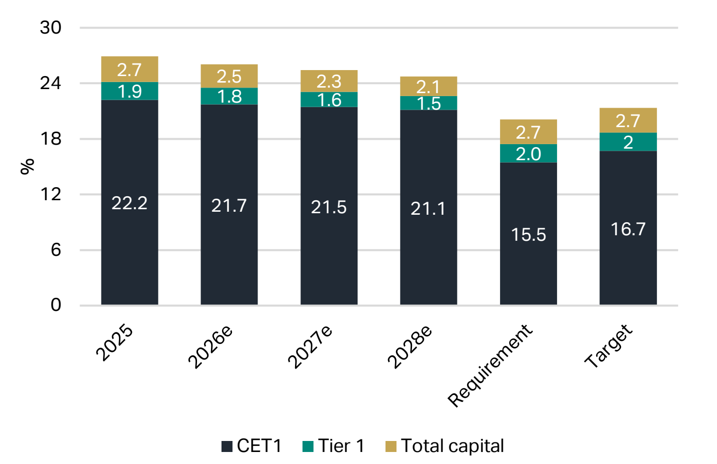
CAPITAL GENERATION

Capital

CRR3 provided boost that strong internal capital generation supports

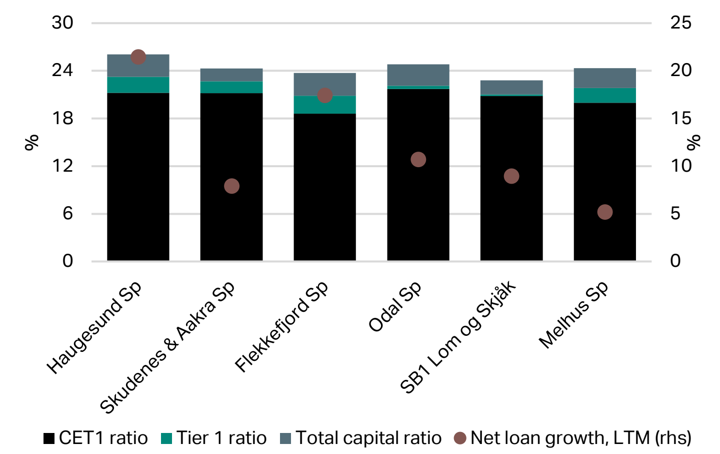
Haugesund Sparebank's capital ratios improved with Norway's implementation of CRR3, as shown in second-quarter results. We focus on the consolidated Tier 1 ratio, which we expect to remain above 22% throughout our forecast period, despite strong loan growth and a dividend payout ratio of 25-26% of net profit (including gifts). Capitalisation is supported by strong earnings and the low equity capital certificate (ECC) share (25.8%), which limits dividend cash outflows.

Figure 13. Forecast capital ratios vs. requirements, 2025–2028e



Source: company and NCR. e–estimate. Pillar 2 requirement (P2R) of 2.6%.

Figure 14. Norwegian savings banks' capital ratios and loan growth, 30 Sep. 2025



Source: companies. Consolidated ratios.

Earnings

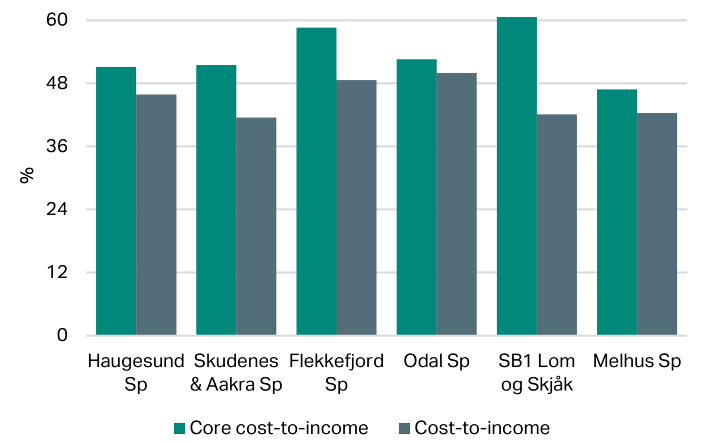
Haugesund Sparebank has incurred significant extraordinary costs in recent years, related to the alliance change, public listing and prolonged merger process. Despite this, the bank has maintained relatively strong cost efficiency, with the cost-income ratio peaking at 49% in 2024. We expect that a return to normal operations, combined with merger synergies, will keep cost efficiency below 45% through 2028, supporting internal capital generation.

Figure 15. Capital projection assumptions

	2026e	2027e	2028e
Net interest margin	2.00%	1.95%	1.95%
Loan growth	7.2%	8.8%	9.0%
Return on equity	8.2%	7.9%	8.0%
Dividend rate on ECCs	80%	80%	80%

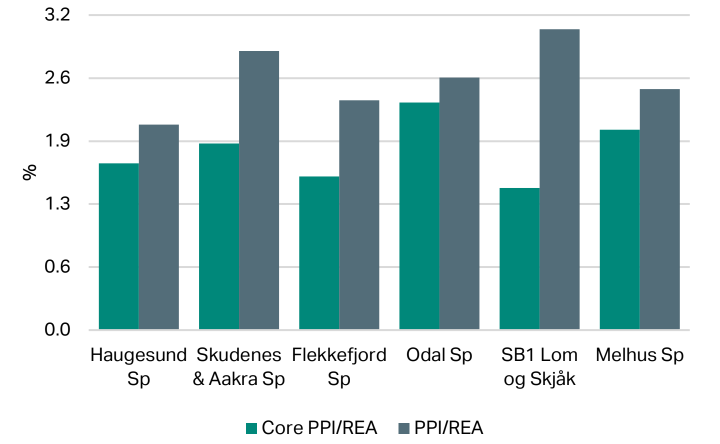
Source: NCR. e–estimate. All metrics adjusted in line with NCR methodology.

Figure 16. Norwegian savings banks' cost efficiency metrics, LTM to 30 Sep. 2025



Source: companies. LTM-last twelve months. Core representes net interest income and net fee & commission income.

Figure 17. Norwegian savings banks' PPI to REA, LTM to 30 Sep. 2025



Source: companies.

SUPPORT ANALYSIS

We assess the company's ownership as neutral according to our group and government methodology. As of 31 Dec. 2025, the bank's equity capital certificates (ECCs) represent 25.8% of ordinary equity, with Sparebankstiftinga Tysnes – Tysnes Sparebank's foundation – holding the largest share at 25%.

ISSUE AND SHORT-TERM RATINGS

Figure 18. Issue and short-term ratings

	Rating
Senior unsecured	A-
Tier 2	BBB+
Additional tier 1	BBB-
Short-term rating	N2; adequate due to central bank access and LCR above 150% over the last four quarters.

Short-term and issue ratings are mapped to the long-term issuer rating, in accordance with our Financial Institutions Rating Methodology. In cases where two alternatives for short-term ratings are possible, the short-term rating is assigned based on liquidity being strong, adequate, or weak, as applicable. See definitions in the methodology.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

We consider ESG factors throughout our analysis, when they are material to our credit assessment.

Figure 19. Priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Social engagement in local community	Benefit from close connection to narrow regional markets.	Competitive position (+) Funding & liquidity (+) Earnings (+)
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)
Green-bond framework	Diversity of funding sources, access to additional markets/investors.	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.

METHODOLOGIES USED

(i) Financial Institutions Rating Methodology, 12 May 2025.
(ii) Rating Principles, 14 Feb. 2024.
(iii) Group and Government Support Rating Methodology, 14 Feb. 2024.

RELEVANT RESEARCH

(i) Nordic corporates well prepared for improving demand in 2026, 14 Jan. 2026
(ii) Nordic niche banks focus on optimisation and scalability in 2026, 13 Jan. 2026
(iii) Swedish savings banks face little drama in 2026, 12 Jan. 2026
(iv) Capital strength sets Norwegian savings banks up for 2026 growth, 9 Jan. 2026

Figure 20. Haugesund Sparebank key financial data, 2022–2025

Key credit metrics (%)	FY 2022	FY 2023	FY 2024	FY 2025
INCOME COMPOSITION				
Net interest income to op. revenue	82.3	84.1	83.1	77.9
Net fee income to op. revenue	14.3	10.2	9.6	11.1
Net gains and losses/operating revenue	-2.1	1.7	1.9	1.8
Net other income to op. revenue	5.4	3.9	5.4	9.1
EARNINGS				
Net interest income to financial assets	2.0	2.4	2.3	2.1
Net interest income to net loans	2.4	2.8	2.8	2.5
Pre-provision income to REA	2.4	3.0	2.6	2.9
Core pre-provision income to REA (NII & NF&C)	2.3	2.7	2.3	2.3
Return on ordinary equity	7.2	9.0	8.5	8.4
Return on assets	0.9	1.1	1.0	1.0
Cost-to-income ratio	44.4	42.6	48.9	45.2
Core cost-to-income ratio (NII & NF&C)	45.9	45.1	52.7	50.8
CAPITAL				
CET1 ratio	21.5	22.7	21.4	25.7
Tier 1 ratio	23.3	24.4	23.1	27.5
Capital ratio	25.4	26.4	25.4	30.1
REA to assets	54.2	53.8	54.5	46.7
Dividend payout ratio	11.7	12.8	11.9	17.7
Leverage ratio	12.2	12.9	12.5	10.2
Consolidated CET1 ratio	19.5	20.0	19.1	22.2
Consolidated Tier 1 ratio	21.4	21.8	20.9	24.2
Consolidated Capital ratio	23.6	23.8	23.4	26.9
Consolidated Leverage ratio	10.5	10.4	10.5	10.2
GROWTH				
Asset growth	7.2	5.3	10.6	27.3
Loan growth	7.2	7.5	10.0	25.7
Deposit growth	-2.2	-0.9	9.9	33.0
LOSS PERFORMANCE				
Credit provisions to net loans	0.27	0.19	0.15	0.21
Stage 3 coverage ratio	19.44	7.78	9.37	19.82
Stage 3 loans to gross loans	1.11	2.21	1.82	2.02
Net stage 3 loans to net loans	0.90	2.04	1.66	1.63
Net stage 3 loans/ordinary equity	6.11	13.77	11.42	10.55
FUNDING & LIQUIDITY				
Loan to deposit ratio	127.3	138.1	138.2	130.7
Liquid assets to deposit ratio	23.4	21.8	19.4	19.3
Net stable funding ratio	125.2	0.0	132.0	130.0
Liquidity coverage ratio	195.0	231.1	185.0	177.0

Key financials (NOKm)	FY 2022	FY 2023	FY 2024	FY 2025
BALANCE SHEET				
Total assets	13,790	14,520	16,063	20,442
Total tangible assets	13,784	14,517	16,063	20,403
Total financial assets	13,679	14,422	15,948	20,271
Net loans and advances to customers	11,260	12,107	13,321	16,749
Liquid assets	2,071	1,911	1,869	2,468
Customer deposits	8,846	8,769	9,640	12,820
Issued securities	3,060	3,712	4,217	4,740
of which other senior debt	2,910	3,562	4,014	4,488
of which subordinated debt	150	150	202	252
Total equity	1,784	1,931	2,087	2,760
of which ordinary equity	1,649	1,796	1,937	2,586
CAPITAL				
Common equity tier 1	1,611	1,776	1,872	2,448
Tier 1	1,746	1,911	2,022	2,622
Total capital	1,896	2,061	2,222	2,872
REA	7,476	7,817	8,749	9,544
INCOME STATEMENT				
Operating revenues	315	395	427	484
Pre-provision operating profit	175	227	219	265
Impairments	29	23	19	31
Net Income	114	155	159	189

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

Figure 21. Haugesund Sparebank rating scorecard

Subfactors	Impact	Score
National banking environment	10.0%	a
Sector exposure assessment	-	-
Regional assessment	10.0%	bbb
Cross border assessment	-	-
Operating environment	20.0%	bbb+
Risk governance	7.5%	a-
Capital	17.5%	aa-
Funding and liquidity	15.0%	a-
Credit and market risk	10.0%	bbb-
Risk appetite	50.0%	a-
Competitive position	15.0%	bbb-
Earnings	7.5%	a
Loss performance	7.5%	bbb+
Performance indicators	15.0%	a-
Indicative credit assessment		**a-**
Peer comparison		Neutral
Transitions		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		**a-**
Ownership		Neutral
Capital structure protection		Neutral
Rating caps		Neutral
Issuer rating		**A-**
Outlook		Stable
Short-term rating		**N2**

Figure 22. Capital structure ratings

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

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