

Trøndelag Sparebank

Full Rating Report

LONG-TERM RATING

BBB

OUTLOOK

Stable

SHORT-TERM RATING

N3

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RATING RATIONALE

Our 'BBB' long-term issuer rating on Norway-based Trøndelag Sparebank reflects the bank's moderate risk appetite, strong capital position, and ready access to funding. The bank has a cooperation agreement with the Eika Alliance banking association, which we view as positive, as it provides product diversity, shared development costs, and the opportunity to finance residential retail mortgage loans through jointly owned covered-bond company Eika Boligkreditt AS (EKB).

Trøndelag has announced plans to merge with the smaller Ørland Sparebank, which operates in the same core region. We believe the planned merger will strengthen Trøndelag Sparebank's capitalisation, which would otherwise be pressured by strong growth relative to capital generation. The merger will also enhance the bank's deposit base and may improve cost efficiency over time.

The rating is constrained by Trøndelag Sparebank's concentrated exposure to real estate and agriculture in the region west of Trondheim in central Norway. It is also limited by a high level of non-performing corporate loans and historically weak credit risk governance. The merger is expected to improve the bank's credit quality. While the bank maintains a strong market share in its core region, the rating is further constrained by its low, although increasing, market share in other parts of Trøndelag county.

STABLE OUTLOOK

The outlook is stable, reflecting our view that earnings, adjusted for merger-related costs with Ørland Sparebank, will stabilise at relatively weaker levels, with pre-provision income (PPI)/risk exposure amount (REA) below 2% and a cost-income ratio above 60%. Once completed, we expect the merger to have a positive impact on credit quality and capitalisation. The outlook also reflects our expectation that the bank's asset quality metrics will remain weaker than peers but should show measured improvement over the next 12–18 months.

POTENTIAL POSITIVE RATING DRIVERS

- Improved asset quality, reflected in reduced loan losses and non-performing loans.
- PPI/REA sustainably above 2%, and cost-to-income below 60%.
- Tier 1 ratio sustainably above 20%.

POTENTIAL NEGATIVE RATING DRIVERS

- Higher loan losses and further weakening of asset quality metrics.
- Tier 1 ratio falling below 18%.
- PPI/REA approaching 1%.

Figure 1. Key credit metrics, 2023–2028e

%	2022	2023	2024	2025	2026e	2027e	2028e
Net interest margin	2.0	2.7	2.4	2.2	2.1	2.1	2.1
Pre-provision income/REA*	1.8	2.3	2.1	2.0	1.7	1.5	2.0
Cost-to-income	64.2	68.4	65.4	66.0	71.3	71.3	61.8
Return on ordinary equity	7.2	9.9	7.3	6.9	5.7	5.4	7.6
Loan losses/net loans	0.09	0.11	0.31	0.30	0.22	0.15	0.11
Net Stage 3/net loans	0.54	2.86	3.89	4.22	3.94	2.19	1.85
Tier 1 ratio*	19.9	19.0	19.4	19.9	18.9	19.6	19.4

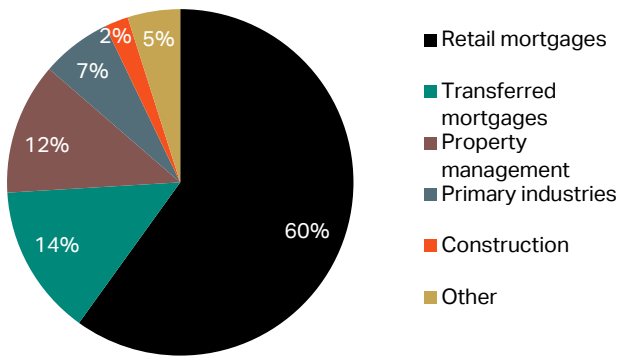
Source: company and NCR. e—estimate. REA—risk exposure amount. All metrics adjusted in line with NCR methodology. *Consolidated capital adequacy metrics.

ISSUER PROFILE

Trøndelag Sparebank was formed in 2023 through the merger of Hemne Sparebank (established in 1865) and Åfjord Sparebank (established in 1902). As of 31 Dec. 2025, the bank reported net lending of NOK 9.9bn, including loans transferred to EKB. In Feb. 2026, the bank announced plans to merge with Ørland Sparebank, which has total net lending of NOK 4.5bn. The merger is expected to be completed in the second quarter of 2027.

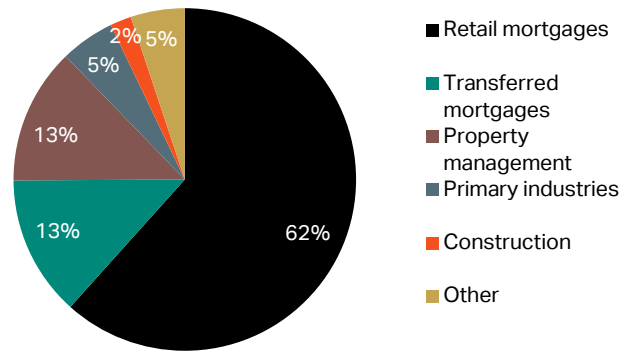
Trøndelag Sparebank's primary market is the coastal region west of Trondheim in Trøndelag county, though it also attracts customers from other parts of the county. The bank focuses on core banking activities and owns real estate agency and accountancy businesses. Trøndelag Sparebank is a member of the Eika Alliance, a group of about 40 small and medium-sized Norwegian savings banks. The alliance offers funding sources, product diversification and supports cost efficiency through shared IT expenses and joint risk management and compliance initiatives. Ørland Sparebank is a member of the Lokalbank alliance, and the merged bank's future alliance affiliation remains uncertain.

Figure 2. Gross loans by sector/type in % (including transferred loans), 31 Dec. 2025



Source: company.

Figure 3. Gross loans by sector in %, proforma including Ørland Sparebank (including transferred loans), 31 Dec. 2025



Source: companies.

Competitive position

Strengthened market presence in core region

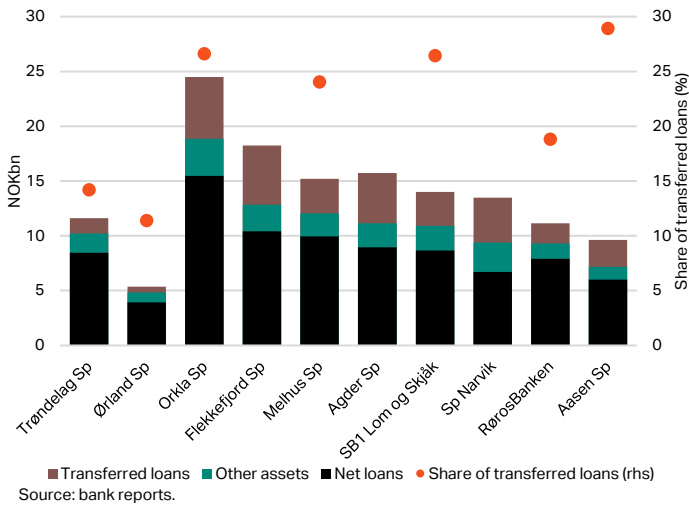
Trøndelag Sparebank holds a strong market position in its core markets, including the municipalities of Frøya, Heim, Hitra, Åfjord and Ørland. Trøndelag Sparebank is taking market share from other savings banks operating in the region, of which SpareBank1 SMN is the largest. In 2024, it opened a branch in Trondheim, where it seeks to retain existing customers relocating to the city. Trøndelag Sparebank is positioning itself as a player in the restructuring of the county's savings bank sector, which is characterised by numerous small savings banks. However, its market share in the county is low, and minimal at a national level.

Ørland Sparebank operates in an adjacent and complementary core market in Trøndelag county. It has a strong position across the Fosen region north of Trondheim, including Ørland municipality where Trøndelag Sparebank has limited presence.

Trøndelag Sparebank's membership in the Eika Alliance diversifies its revenue streams and allows the bank to offer a broader range of customer services than it could independently. Through the alliance, the bank provides insurance, debit and credit products, asset management, and real estate agency services. We note that the Lokalbank alliance offers similar services. Direct ownership in accountancy firms and a real estate agency further enhances diversification and cross-selling opportunities.

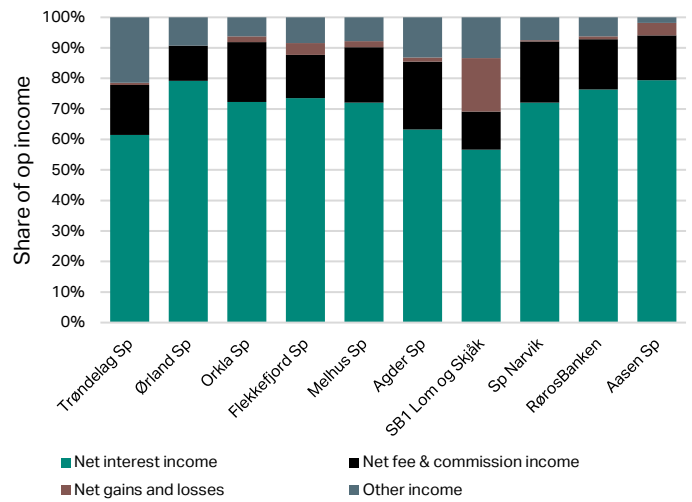
We regard Trøndelag Sparebank's contributions to its core markets as positive rating factors. The bank's primary environmental, social and governance (ESG) attribute is its strong sense of social responsibility to its local communities. The bank also funds social and cultural activities to support these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

Figure 4. Balance sheet volume comparison, 2025



Source: companies.

Figure 5. Revenue source split comparison, 2025



Source: companies.

Risk governance

Mergers challenging for risk governance

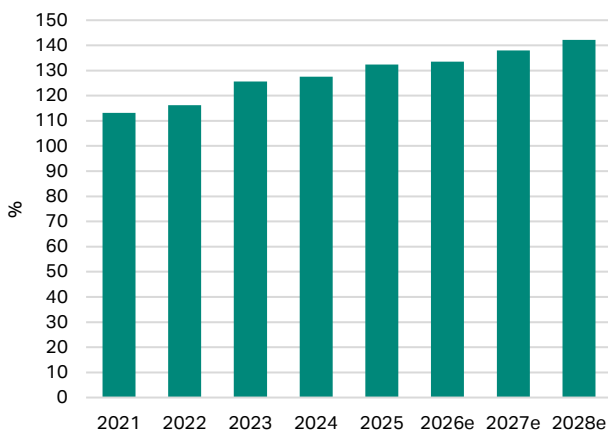
In our view, Trøndelag Sparebank's risk governance framework, risk appetite, limit monitoring, and risk reporting are consistent with those of its mid-sized savings bank peers. However, the bank faces challenges from strong historical loan growth, a decentralised organisation, and previous and planned mergers. The bank has a relatively high level of non-performing and other problem loans (stage 3). Trøndelag Sparebank has well-defined guidelines to prevent money laundering and significant capacity to implement them. We consider the bank's ESG risks to be adequate.

Funding and liquidity

Eika Boligkreditt an unutilised funding source

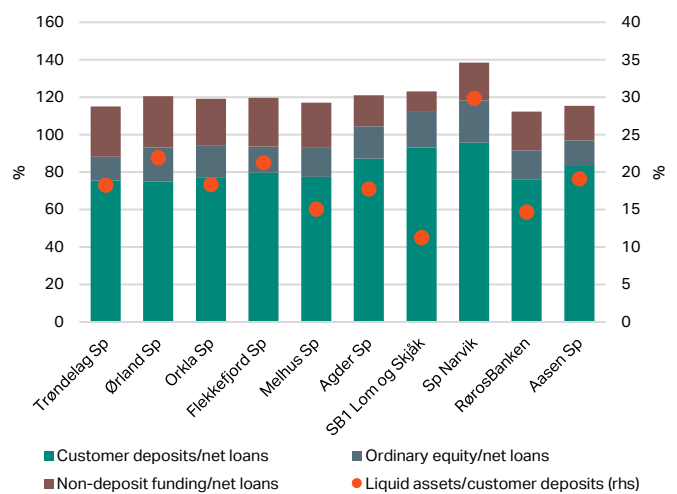
Trøndelag Sparebank's funding and liquidity position is relatively strong, supported by a stable retail deposit base and access to capital market funding. At end-2025, the loan-to-deposit ratio was 132%, above the average for similarly sized domestic peers. Deposit growth has lagged lending growth in recent years, and we do not expect it to match lending growth over the next three years. The merger with Ørland Sparebank will increase deposit funding, as Ørland had a loan-to-deposit ratio of 92% at year-end 2025. At end-2025, Trøndelag Sparebank had transferred 19% of retail mortgages to EBK, significantly lower than most peers. These loans generate commission income.

Figure 6. Loan/deposit ratio, 2021-2028e



Source: company and NCR. e-estimate.

Figure 7. Funding profile comparison, 31 Dec. 2025



Source: companies.

CREDIT RISK PROFILE

Operating environment

Merger likely to improve a weakened credit quality

We consider a balance of national and regional factors in our assessment of the operating environment. 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 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.

Trøndelag Sparebank's core market encompasses the coastal region west of Trondheim (65% of gross loans), with Trondheim itself as a secondary market (17.5%). The region benefits from a vibrant economy, driven primarily by the seafood sector and above-average performance in export industries. Public services and the air force (Ørland flystasjon) are also significant employers.

Unemployment is generally low and below the Norwegian average, and labour shortages are a challenge for businesses in the region. Economic growth in Trøndelag county has been stronger than the national average in recent years and the county accounts for about 5% of the Norwegian economy.

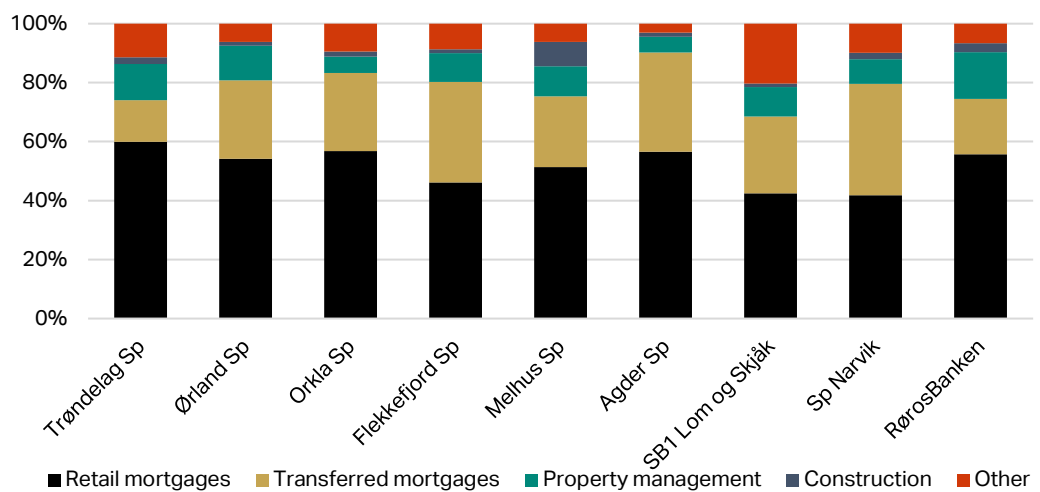
Figure 8. Regional core characteristics

	Strengths	Weaknesses
Regional employment and economic diversity	Low unemployment, somewhat below Norwegian average. Wide range of (mostly export) industries	Labour shortages are a challenge for businesses in the region.
Expected population growth and credit demand	Population and economic growth above Norwegian average	Logistic challenges due to a mainly rural region.

Credit and market risk

Trøndelag Sparebank's loan portfolio has a strong regional focus, with more than 95% of lending extended to borrowers in Trøndelag county. The bank's exposures are mainly 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.

Figure 9. Gross loan book sector split comparison, 31 Dec. 2025



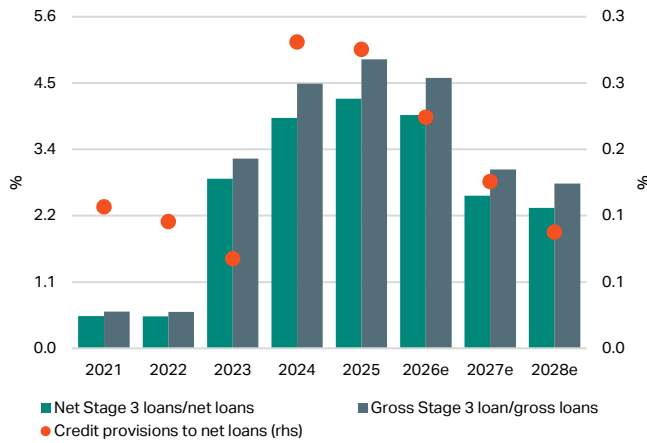
Source: companies.

In 2025, Trøndelag Sparebank had gross loan growth of 8.4% (including transferred loans), down from double-digit growth the previous years. Our forecast includes high single-digit organic growth also the coming three-year period. Trøndelag Sparebank's main corporate exposure is to commercial real estate followed by primary industries (agriculture and fisheries) and construction. We are concerned

about corporate and commercial real estate lending, due to currently high interest and input costs, and low property prices.

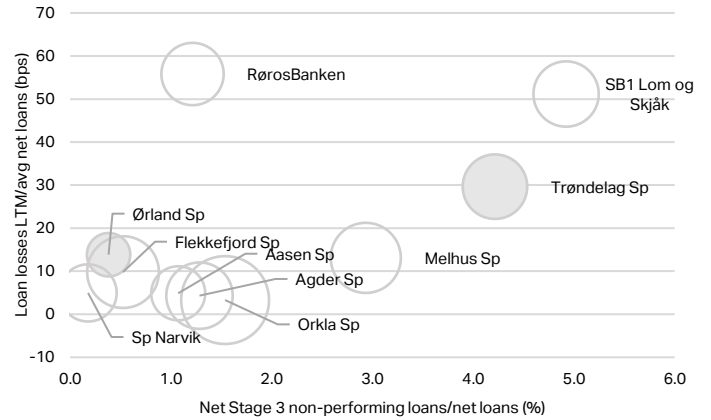
Trøndelag Sparebank has a relatively high ratio of net Stage 3 non-performing loans to net loans (4.9%), with an increasing trend since the merger with Åfjord Sparebank in 2023. We expect this metric to stabilise in 2026. The bank anticipates resolving some problem loans in 2026, but we also see increased risk that the current economic climate could generate new problem loans. In contrast, Ørland Sparebank has a very low level of net Stage 3 loans (0.53%), so the merger should have a positive effect on credit quality. Trøndelag Sparebank recorded loan losses of 0.3% of lending in both 2024 and 2025, which is high compared with other savings banks during the period. We assume somewhat lower, but still elevated, loan losses in our estimates.

Figure 10. Asset quality metrics, 2021–2028e



Source: company and NCR. e–estimate.

Figure 11. Asset quality metrics comparison, 31 Dec. 2025



Source: bank reports. Bubble sizes

Source: companies. Bubble sizes reflect net loan volumes.

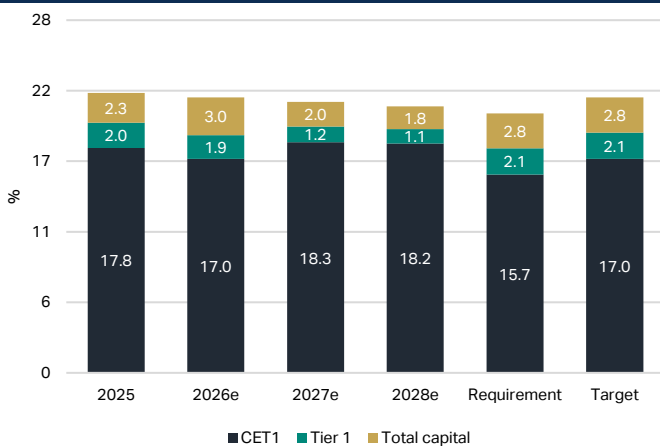
CAPITAL GENERATION

Loan growth expected to outpace capital generation

Capital

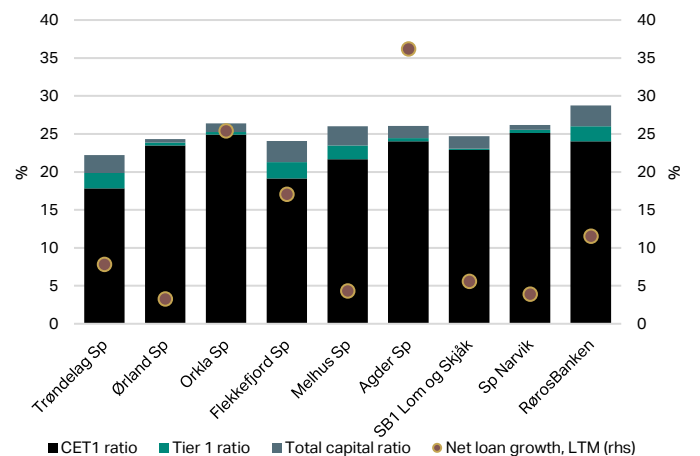
Our capital assessment considers Trøndelag Sparebank's consolidated capital position, including its proportionate holdings in Eika Gruppen and Eika Boligkreditt. The bank's consolidated CET1 ratio was 17.9% and its Tier 1 ratio was 19.8% at end-2028, compared with respective targets of 17% and 19.1%. We do not expect the bank's capital generation to keep pace with loan growth during our forecast period. However, the merger with Ørland Sparebank is expected to support capitalisation from 2027.

Figure 2. Forecast capital ratios vs. requirements, 2025–2028e



Source: company and NCR. e–estimate. Pillar 2 requirement of 3.1%, buffer guidance 1.25%.

Figure 3. Capital ratios and loan growth comparison, 31 Dec. 2025



Source: companies.

Earnings

Trøndelag Sparebank's net interest margins have fallen from a peak in 2023. We believe this is due to the bank's ambitious growth strategy, strong competition for retail loans as well as lower interest rates.

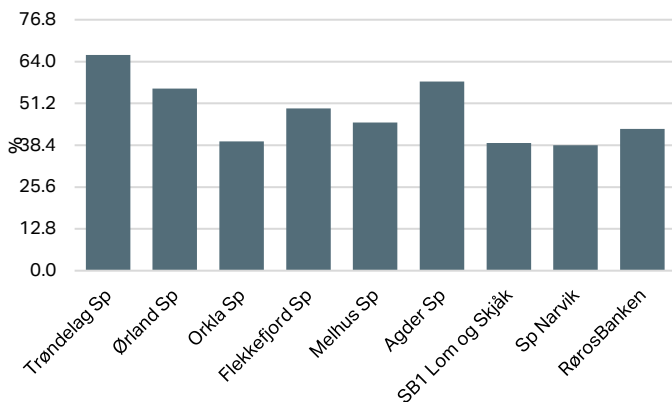
We expect that a combination of somewhat higher interest rates and continued growth ambitions will lead to relatively stable margins through 2028. The bank has signalled plans to increase its focus on cost cutting, but we have not included any cost synergies in our forecasts. We believe that the cost/income ratio will remain higher than the peer group average due to the bank's decentralised organisation and branch network and due to high cost levels at subsidiaries. The bank has not yet announced implementation cost for the merger, but based on similar mergers we assume NOK 6m in 2026 and NOK 34m in 2027 (including costs related to withdrawal from either the Eika or the Lokalbanc alliance). We focus, though, on normalised earnings and cost efficiency.

Figure 14. Capital projection assumptions

	2026e	2027e	2028e
Net interest margin	2.1%	2.1%	2.1%
Loan growth (organic)	7%	9%	9%
Return on equity	5.7%	5.4%	7.6%
Dividend/gift rate (to ECC-holders)	33%	33%	33%

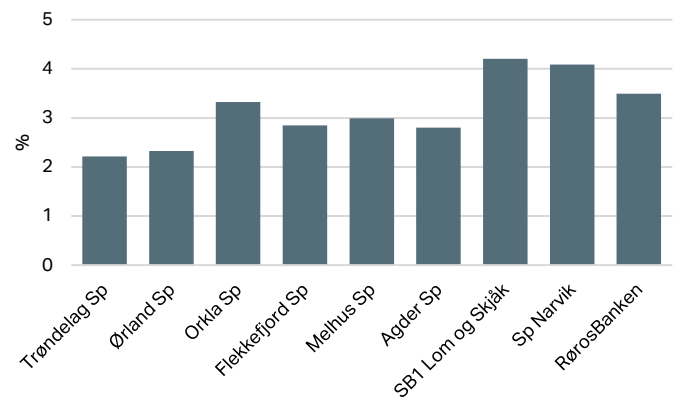
Source: NCR. e-estimate. All metrics adjusted in line with NCR methodology.

Figure 15. Cost efficiency metrics comparison, 2025



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

Figure 16. PPI to REA comparison, 2025



Source: companies.

SUPPORT ANALYSIS

We assess the bank's ownership as neutral according to our group and government methodology. Trøndelag Sparebank's ECCs are listed on Euronext Oslo Børs.

Some 46.8% of the bank's ECCs are controlled by two foundations whose main income comes from dividends from the bank. These are used to fund various activities in the local community, and the foundations have limited resources to support the bank. However, the funding of community activities strengthens local perception of the Trøndelag Sparebank brand. We expect that the merger with Ørland Sparebank, which is currently self-owned, will result in new foundations with ownership in Trøndelag Sparebank.

ISSUE AND SHORT-TERM RATINGS

Figure 17. Issue and short-term ratings

	Rating
Senior unsecured	BBB
Tier 2	BB+
Additional tier 1	BB-
Short-term rating	N3; in line with our definition for the long-term rating level.

Short-term and issue ratings are mapped to the long-term issuer rating. See definitions in the Financial Institutions Rating Methodology.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

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

Figure 18. 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 (0)
Anti-money laundering capacity	Risk of sanctions and fraud due to insufficient reviews of customers.	Risk governance (-)
Control of sustainability issues	Risk of overlooking impact of sustainability on underwriting, operations, and customer base.	Risk governance (0) Credit risk (0)
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)

*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) [Swedish savings banks face little drama in 2026](#), 12 Jan. 2026
- (ii) [Nordic corporates well prepared for improving demand in 2026](#), 14 Jan. 2026
- (iii) [Capital strength sets Norwegian savings banks up for 2026 growth](#), 9 Jan. 2026

Figure 19. Trøndelag 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	67.2	62.3	66.4	61.5
Net fee income to op. revenue	18.9	13.7	17.2	16.3
Net gains and losses/operating revenue	-0.4	0.5	0.0	0.8
Net other income to op. revenue	14.4	23.5	16.4	21.4
EARNINGS				
Net interest income to financial assets	2.0	2.7	2.4	2.2
Net interest income to net loans	2.5	3.2	2.8	2.6
Pre-provision income to REA	1.8	2.5	2.3	2.2
Core pre-provision income to REA (NII & NF&C)	1.1	0.6	1.2	0.8
Return on ordinary equity	7.2	9.9	7.3	6.9
Return on assets	0.8	1.1	0.8	0.7
Cost-to-income ratio	64.2	68.4	65.4	66.0
Core cost-to-income ratio (NII & NF&C)	74.6	90.0	78.2	84.9
CAPITAL				
CET1 ratio	16.4	17.2	19.0	19.6
Tier 1 ratio	19.9	18.7	21.0	21.6
Capital ratio	22.0	20.6	23.4	23.9
REA to assets	59.4	50.7	54.5	51.5
Dividend payout ratio	19.4	19.2	21.9	33.3
Leverage ratio	9.4	9.4	11.1	10.8
Consolidated CET1 ratio	18.6	17.3	17.3	17.8
Consolidated Tier 1 ratio	19.9	19.0	19.4	19.9
Consolidated Capital ratio	22.0	20.9	21.8	22.2
Consolidated Leverage ratio	9.4	9.2	9.9	0.0
GROWTH				
Asset growth	16.4	76.6	10.4	9.0
Loan growth	11.6	82.9	11.1	7.8
Deposit growth	8.7	69.1	9.4	3.9
LOSS PERFORMANCE				
Credit provisions to net loans	0.13	0.11	0.31	0.30
Stage 3 coverage ratio	12.64	11.16	13.60	14.36
Stage 3 loans to gross loans	0.61	3.20	4.47	4.88
Net stage 3 loans to net loans	0.54	2.86	3.89	4.22
Net stage 3 loans/ordinary equity	3.74	22.90	30.35	33.16
FUNDING & LIQUIDITY				
Loan to deposit ratio	116.2	125.6	127.5	132.3
Liquid assets to deposit ratio	23.4	18.0	17.4	18.2
Net stable funding ratio	130.0	131.0	132.0	0.0
Liquidity coverage ratio	311.0	229.0	172.0	210.0
Key financials (NOKm)				
BALANCE SHEET				
Total assets	4,807	8,490	9,369	10,214
Total tangible assets	4,806	8,469	9,348	10,174
Total financial assets	4,767	8,320	9,159	9,935
Net loans and advances to customers	3,861	7,060	7,842	8,457
Liquid assets	779	1,014	1,072	1,166
Customer deposits	3,324	5,619	6,150	6,391
Issued securities	716	1,690	1,879	2,385
of which other senior debt	665	1,609	1,758	2,264
of which subordinated debt	51	81	121	121
Total equity	584	958	1,112	1,180
of which ordinary equity	554	882	1,005	1,075
CAPITAL				
Common equity tier 1	470	740	969	1,034
Tier 1	569	804	1,074	1,139
Total capital	627	884	1,194	1,259
REA	2,857	4,300	5,108	5,263
INCOME STATEMENT				
Operating revenues	134	278	313	338
Pre-provision operating profit	48	88	108	115
Impairments	3	6	23	24
Net Income	35	71	69	72

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

Figure 20. Trøndelag 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%	bbb
Capital	17.5%	a-
Funding and liquidity	15.0%	a-
Credit and market risk	10.0%	bbb
Risk appetite	50.0%	bbb+
Competitive position	15.0%	bb
Earnings	7.5%	bbb
Loss performance	7.5%	bbb-
Performance indicators	15.0%	bbb-
Indicative credit assessment		bbb
Peer comparison		Neutral
Transitions		Neutral
Borderline assessments		Neutral
Stand-alone credit assessment		bbb
Ownership		Neutral
Capital structure protection		Neutral
Rating caps		Neutral
Issuer rating		BBB
Outlook		Stable
Short-term rating		N3

Figure 21. Capital structure ratings

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

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