Hegra Sparebank

Rating Action Report

LONG-TERM RATING
BBB+

OUTLOOK
Positive

SHORT-TERM RATING
N2

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Hegra Sparebank outlook revised to positive; 'BBB+' long-term issuer rating affirmed

Nordic Credit Rating has revised the outlook on its 'BBB+' long-term issuer rating on Hegra Sparebank to positive from stable. The long-term rating, 'N2' short-term issuer rating, 'BBB+' senior unsecured issue rating, 'BBB' Tier 2 issue rating, and 'BB+' Additional Tier 1 issue rating have been affirmed.

Rating rationale

The outlook revision reflects our expectations that the planned merger with Selbu Sparebank, expected to complete in the second quarter of 2027, will improve Hegra Sparebank's scale and competitive position in Trøndelag. Moreover, we anticipate the merger to improve long-term cost efficiency, although merger-related costs are likely to weaken earnings in the near term. While the merged entity will have somewhat lower capital ratios, projected Tier 1 remains strong and above 24% through 2028, providing substantial loss-absorbing capacity.

We see Hegra Sparebank entering the merger process from a position of solid capitalisation, low risk appetite and strong earnings. The bank has demonstrated access to capital market funding and has limited single-name concentrations in both lending and deposits. Its substantial accounting firm contributes to greater business and revenue diversification compared to similarly sized savings banks. Membership in the Eika Alliance supports product diversity, shared development costs, and the ability to finance residential retail mortgage loans through the jointly owned covered-bond company Eika Boligkreditt AS. We expect the merged bank to remain in the Eika Alliance.

The rating is constrained by the standalone bank’s geographic concentration east of Trondheim and its high proportion of real estate collateral in core markets. It is also constrained by its current size and limited market share in a competitive operating region. We expect the merger to proceed without material complications, although note our limited visibility into Selbu Sparebank's loan book at this stage.

Positive outlook

The positive outlook reflects our expectation that the merger with Selbu Sparebank will be completed in the second quarter of 2027 and strengthen the bank's geographic footprint and market share in Trøndelag County. We expect asset quality and risk appetite to remain broadly unchanged. Despite near-term integration costs, we expect increased scale to support long-term efficiency improvements. While the merger is expected to reduce capital ratios somewhat, we expect these ratios to remain strong compared to peers and continue to provide substantial loss-absorbing capacity.

We could raise the rating to reflect a successful completion of the merger process without significant complications, and with asset quality metrics improving in line with forecast.

We could revise the outlook to stable to reflect a material weakening in asset quality metrics, with share of net Stage 3 loans materially above peers, or increased risk appetite, resulting in a consolidated Tier 1 ratio below 22%. We could also revise the outlook to reflect weakened long-term earnings expectations, with pre-provision income to risk exposure amount below 2.5%.

Rating list	To	From
Long-term issuer credit rating:	BBB+	BBB+
Outlook:	Positive	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	BBB+	BBB+
Tier 2 issue rating:	BBB	BBB

Rating list	To	From
Additional Tier 1 issue rating:	BB+	BB+

Figure 1. Hegra Sparebank rating scorecard

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

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 26 Sep. 2025.
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.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Financial Institutions Rating Methodology published on 12 May 2025 NCR's Rating Principles published on 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024 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 nordiccreditrating.com/governance/policies. The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA).
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, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
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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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