Tolga-Os Sparebank

Full Rating Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'BBB+' long-term issuer rating on Norway-based Tolga-Os Sparebank 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 Lokalbank banking cooperative (LBS), 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 take a positive view of the bank's membership in the Lokalbanksamarbeidet (LBS) 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 before credit losses over our forecast period through 2028. We also expect credit losses to remain slightly elevated, given the continued effects of recent cost inflation and still-high interest rates.

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 outlook is stable, reflecting our view that Tolga-Os Sparebank's strong pre-provision earnings will offset a potentially weaker domestic economy and elevated credit provisions over the next few years. We forecast that the bank's cost efficiency will remain comparable to peers in the long term. We also expect the bank's loan growth to outpace credit growth in our forecast horizon, while maintaining robust capital ratios despite strong loan growth.

POTENTIAL POSITIVE RATING DRIVERS

- Consolidated Tier 1 ratio sustainably above 22%; and
- Pre-provision income to risk exposure amount (REA) sustainably above 3%; and
- Improved scale and reduced concentration risk in the loan book.

POTENTIAL NEGATIVE RATING DRIVERS

- A material deterioration in the local operating environment that negatively affects the bank's 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.

Figure 1. Key credit metrics, 2022–2028e

%	2022	2023	2024	2025	2026e	2027e	2028e
Net interest margin	2.1	2.5	2.6	2.5	2.25	2.25	2.25
Pre-provision income (PPI)/REA*	2.2	2.9	3.1	2.9	2.1	2.5	2.6
Cost-to-income	46.7	42.9	42.5	46.6	59.2	51.0	49.2
Return on ordinary equity	7.7	10.7	10.8	7.9	6.4	8.6	9.3
Loan losses/net loans	0.19	0.10	0.14	0.52	0.23	0.16	0.11
Net Stage 3/net loans	1.29	1.05	1.25	1.39	1.34	1.25	1.16
Tier 1 ratio*	20.3	20.1	21.1	21.4	20.6	20.2	19.9

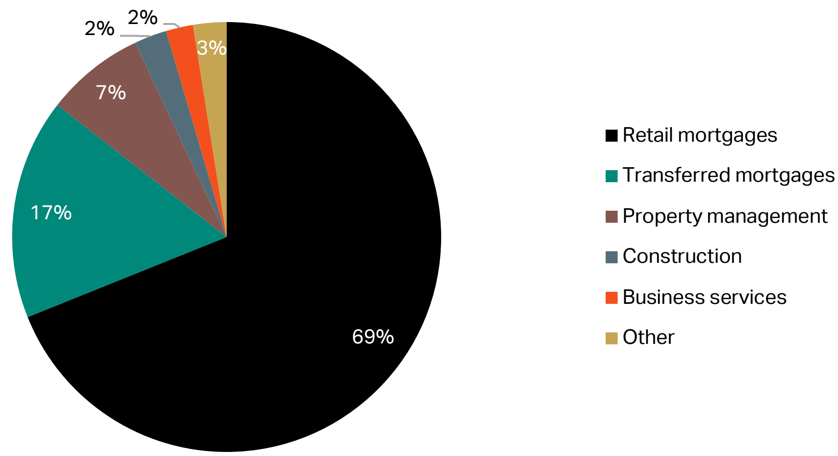
Source: company and NCR. e–estimate. REA–risk exposure amount. CET1–common equity Tier 1. All metrics adjusted in line with NCR methodology. *Consolidated capital adequacy metrics.

ISSUER PROFILE

Tolga-Os Sparebank was created in 1865 in Tolga municipality in eastern Norway and has since expanded its core market to the south. The bank's primary market now includes Os, Tolga, Tynset, Folldal, Elverum and Hamar municipalities. The bank has 47 employees and six branch offices. As of 30 Jun. 2026, it had total net lending of NOK 6.4bn (including NOK 0.1bn in retail mortgage loans transferred to Eika Boligkreditt and NOK 1bn to Verd Boligkreditt).

The member banks of LBS have also joined Frendegruppen, an alliance of financial services providers that includes the regional savings banks Sparebanken Norge and Sparebanken Øst. The banks in Frendegruppen have ownership stakes in and distribute products for insurance company Frende Forsikring, finance company Brage Finans AS and securities company Norne Securities. They also cooperate in developing new products for member banks.

Figure 2. Gross loans by sector, 30 Jun. 2026



Source: company.

Seeking retail growth in larger towns

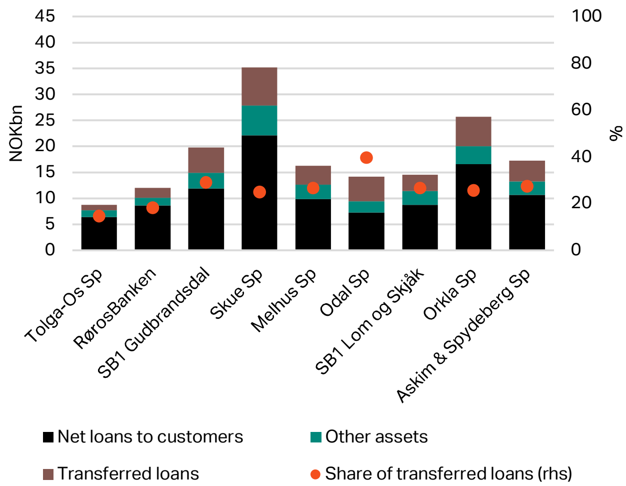
Competitive position

Tolga-Os Sparebank has a strong position in its core operating region, with a market share of 30–80% in its historical municipalities of operation and 10% in Elverum. It has a small, but growing market share in Hamar. Its closest competitor is SpareBank1 Østlandet. DNB and Nordea have modest market shares and have closed their offices in the region. This withdrawal has encouraged Grue Sparebank to establish a presence in Elverum. Competition is strong in Hamar, and the bank's growth there creates margin pressure.

Membership in the LBS banking cooperative diversifies revenues and enables Tolga-Os Sparebank to provide a wider range of customer services than it could with its own resources. The bank distributes insurance products from Frende Forsikring, savings products and brokerage services from Norne Securities, and collateralised consumer lending and leasing products from Brage Finans. Membership in the larger Frendegruppen alliance will, we believe, strengthen Tolga-Os Sparebank's long-term competitive position through improved economies of scale and efficiency gains.

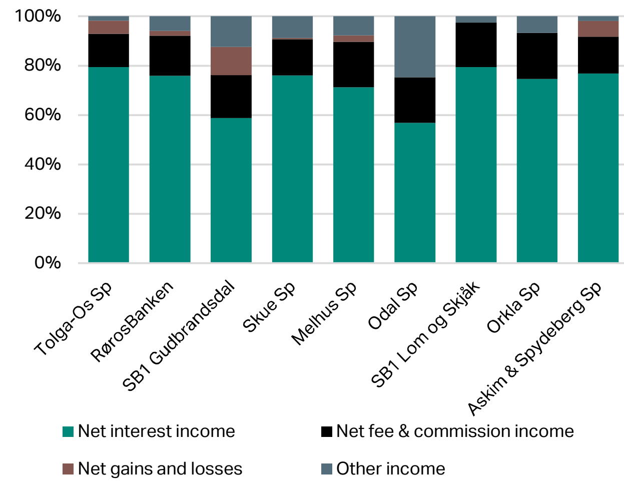
We regard Tolga-Os Sparebank's contributions to its core markets as a positive rating factor. The bank's primary environmental, social and governance (ESG) attribute is its strong sense of social responsibility to its local communities. The bank also funds social and cultural activities to support these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

Figure 3. Business volume comparison, 30 Jun. 2026



Source: bank reports.

Figure 4. Revenue source split comparison, LTM to 30 Jun. 2026



Source: bank reports.

Risk governance

Risk governance proportional to complexity

In our view, Tolga-Os Sparebank maintains a risk governance framework proportionate to its size, business model and risk profile. However, the bank's ongoing growth ambitions and expansion into southern markets place greater demands on governance, oversight and control functions. In response, the bank has strengthened policies, reporting processes and risk management practices, including enhancements following the supervisory review. Internal risk monitoring, reporting and capital planning processes are adequate for the bank's activities, while support from the Lokalbank alliance and external specialists provides additional support in selected functions.

The bank integrates ESG factors into its credit assessment of corporate customers, promoting awareness of sustainability-related risks across its lending portfolio. The bank has obtained Miljøfyrtårn certification, demonstrating a structured approach to reducing its environmental impact and enhancing sustainability practices. Additionally, a portion of the mortgage portfolio is funded through Verd Boligkreditt, which operates within a green bond issuance framework and supports the bank's access to sustainable funding.

Potential to increase off-balance sheet funding

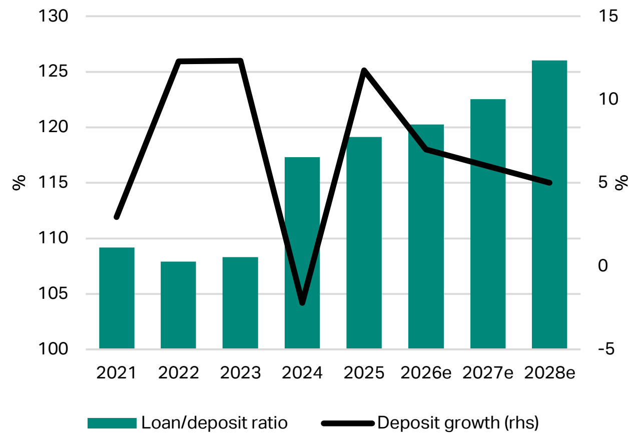
Funding and liquidity

Tolga-Os Sparebank's funding profile is diverse, with a relatively stable and varied retail deposit base and a high level of guaranteed deposits. The bank has also demonstrated access to capital market funding. Strong loan growth outside the bank's historical core market has led to increasing loan-to-deposit ratios recent years, and we see a possibility that this trend will continue.

In the 12 months to 30 Jun. 2026, the bank increased its transferred loans to Verd Boligkreditt by 43% to NOK 982m, but transferred loans remain a relatively modest 19% of total retail mortgage lending. This is well within the bank's 30% internal limit, which gives room for increased transfers to support funding.

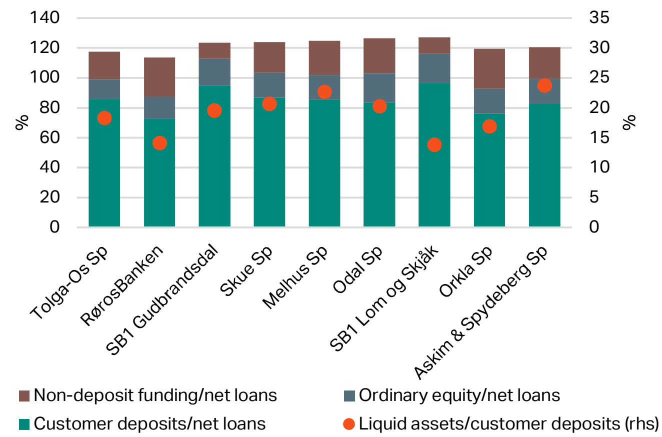
Tolga-Os Sparebank's liquidity coverage ratio was 353% and its net stable funding ratio 128% at 30 Jun. 2026, well above the bank's internal limits of 105% for both. However, the bank has some single-name concentrations in its customer deposits, somewhat mitigated by modest liquidity buffers equivalent to 18.3% of customer deposits as of 30 Jun. 2026.

Figure 5. Deposit metrics, 2021-2028e



Source: company and NCR. e–estimate.

Figure 6. Norwegian savings banks' funding profiles, 30 Jun. 2026



Source: bank reports.

CREDIT RISK PROFILE

Core region facing subdued growth

Regional assessment

Tolga-Os Sparebank's core market is in the area traditionally known as Østerdalen, in the northeastern part of Innlandet county. The area is home to some 66,000 of Norway's 5.6m people (2025). Østerdalen is known for its diverse geography, including forests, fertile valleys and rivers, supporting sectors such as agriculture, forestry and fishing. The bank is increasing its presence in Elverum and Hamar, which are more densely populated and have higher expected population growth than its historical core region further north.

Figure 7. Regional core characteristics

	Strengths	Weaknesses
Regional employment and economic diversity	Stable and low unemployment supported by less cyclical industries.	Somewhat more constrained employment base compared to larger metropolitan areas.
Expected population growth and credit demand	Stable housing prices. Stronger economic growth in growth markets Elverum and Hamar	Negative population growth in core markets, although varying among municipalities.

Østerdalen's economy is generally less cyclical than the wider Norwegian economy and is largely based on the local raw material base – forestry, wood processing and the food industry. The public sector is a major employer, particularly in healthcare and social welfare. The region is also home to significant military infrastructure, including one of the largest military facilities in the Nordic countries.

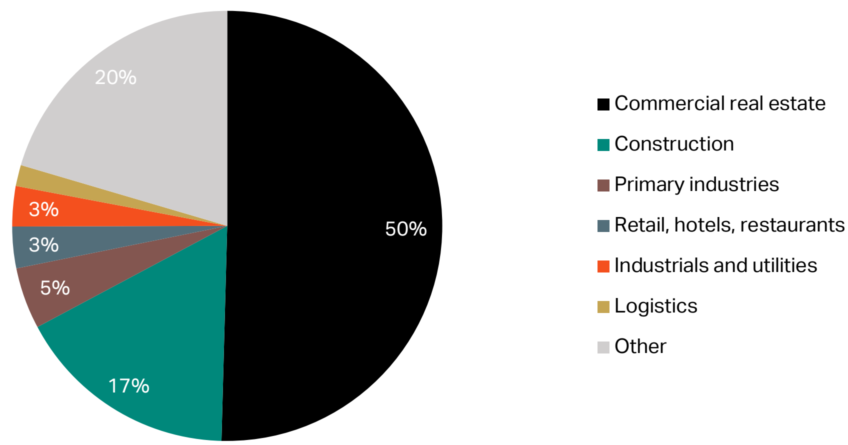
Geographically concentrated loan portfolio

Credit risk

Tolga-Os Sparebank's loan portfolio has a regional focus, with about 67% of retail customers located in its core markets. The bank does not promote lending to borrowers in other regions, and customers outside its core markets have usually moved from one of its core markets. The bank's growth plans in Hamar could negatively affect credit quality. However, the risk is mitigated by a focus on retail mortgage lending.

Some 86% of the bank's exposures (including transferred loans) are to private customers and secured by housing. While we regard these as low-risk credits, they nonetheless increase concentration on local borrowers and expose the bank's collateral to any decline in property values. Housing prices in the bank's operating area have historically remained stable. Lower property values compared to metropolitan areas contribute to moderate borrower leverage, while housing price appreciation over the past decade has strengthened collateral.

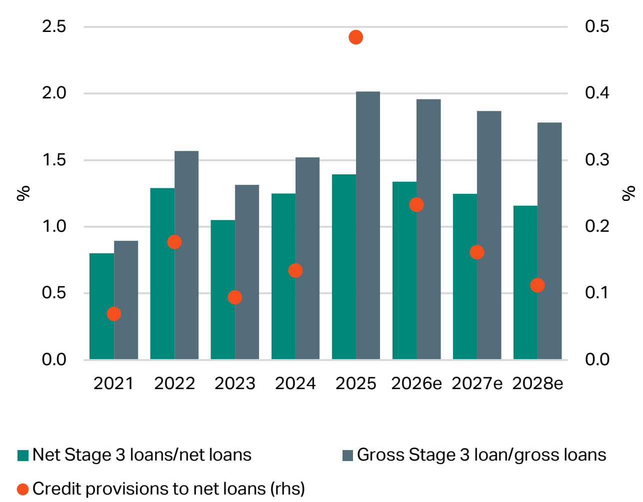
Figure 8. Corporate gross loans by sector, 30 Jun. 2026



Source: company.

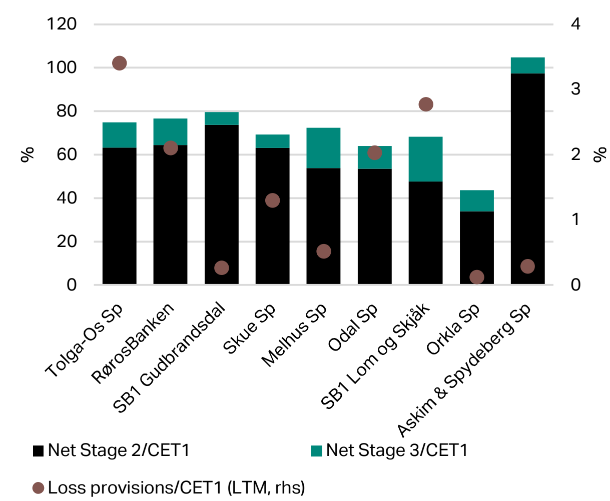
In the 12 months to 30 Jun. 2026, Tolga-Os Sparebank had gross loan growth of 11.8% (including transferred loans). On- and off-balance sheet mortgage lending increased by 15.2%, while corporate lending increased by 1.6%. Our forecast includes on-balance-sheet loan growth of 8% through 2028, and 11-12% including transferred mortgages. The bank's main corporate exposure is to commercial real estate, followed by construction and agriculture. We remain concerned about corporate and commercial real-estate lending, due to high interest costs and uncertain property prices.

Figure 9. Asset quality metrics, 2021–2028e



Source: company and NCR. e–estimate.

Figure 10. Asset quality in relation to capitalisation, 30 Jun. 2026



Source: bank reports. CET1-Common Equity Tier 1. LTM-last twelve months.

Loss performance

Tolga-Os Sparebank's credit losses have averaged around 20bps over the past five years, but increased to 52bps in 2025. The bank booked net reversals of 4bps in the first six months of 2026. The increase in loan losses in 2025 is largely due to one construction exposure. We project declining loan losses through 2028. The bank's net Stage 3 loans have remained relatively low and less volatile than those of its domestic peers. In the first half of 2026 they increased to 1.45% of net lending, from 1.39% at end-2025. We anticipate that the proportion of net Stage 3 lending will continue to decline over our forecast period.

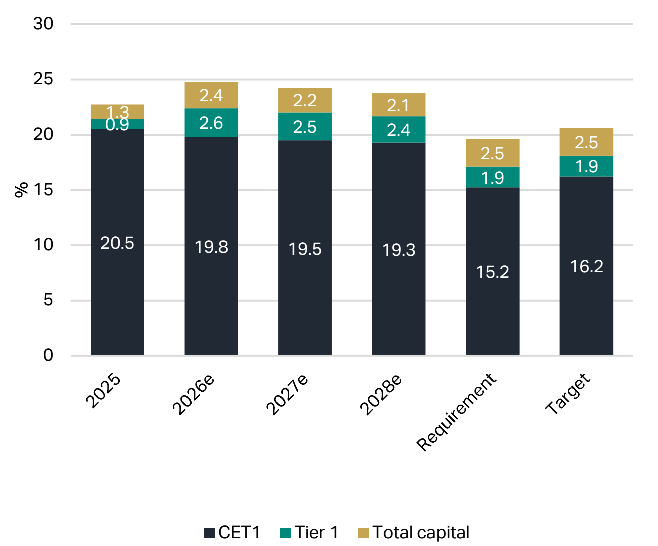
CAPITAL GENERATION

Solid capital base supported by strong earnings and commission income

Capital

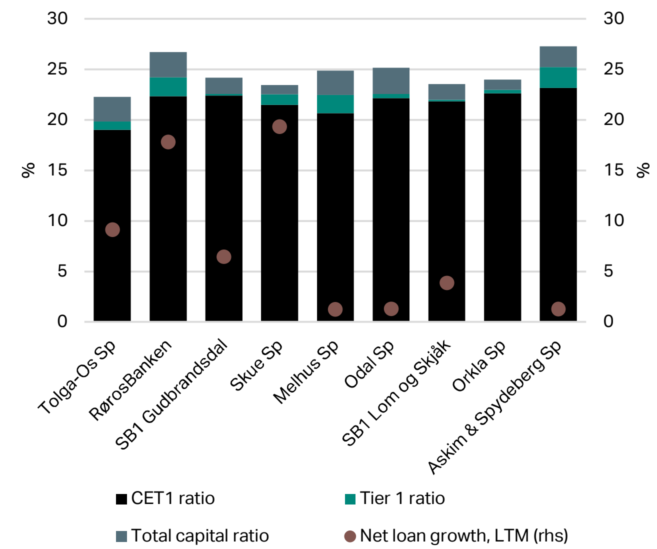
Our capital assessment takes into consideration Tolga-Os Sparebank's consolidated position, including its proportional holdings in Eika Boligkreditt, Verd Boligkreditt and Brage Finans. As of 30 Jun. 2026, the bank's consolidated CET1 ratio was 19.0% and its Tier 1 ratio 19.8%. It pays around 10% of net profit in gifts and dividends, and these ratios would have been 0.7pp higher if 90% of first half-year's profit had been included.

Figure 11. Forecast capital ratios vs. requirements, 2025–2028e



Source: company and NCR. e–estimate.

Figure 12. Norwegian savings banks' capital ratios and loan growth, 30 Jun. 2026



Source: bank reports.

Tolga-Os Sparebank's minimum targets for its CET1 ratio and Tier 1 ratio are 16.6% and 18.6% respectively (including a 1pp management buffer). The consolidated leverage ratio is strong at 9.0%, compared with a requirement of 3%. We expect above-average lending growth to lead to a slight decrease in capital through 2028.

Earnings

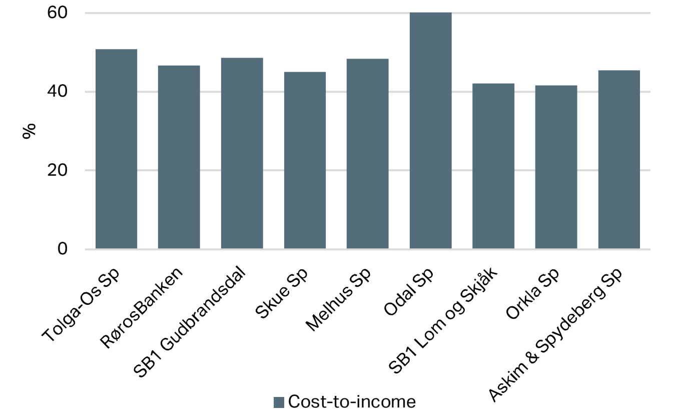
The bank's cost-to-income ratio increased to 51% in the twelve months to 30 Jun. 2026, up from 47% in 2025, largely due to one-off IT expenses, external migration support, and higher staffing costs. Our 2026 forecast assumes weaker cost efficiency in the second half of the year, as a significant share of the remaining IT migration and external consultancy costs will be recognised. Cost efficiency is expected to recover from 2027 as these temporary expenses are phased out. Strong loan growth and a stable employee count should support business volumes and operating income, partially offsetting pressure on net interest margins. However, cost efficiency is likely to remain below historical levels. We also see potential for increased fee income from the sale of products from Frendegruppen.

Figure 13. Capital projection assumptions

%	2026e	2027e	2028e
Net interest margin	2.25	2.25	2.25
Loan growth	8.0	8.0	8.0
Return on average equity	6.4	8.5	9.2
Dividend rate	10.0	10.0	10.0

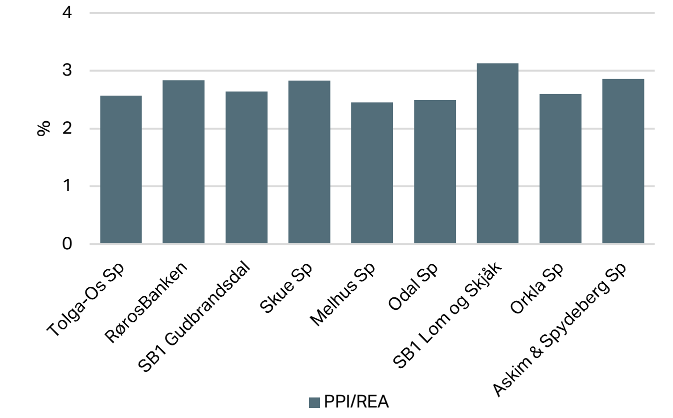
Source: NCR. e–estimate. All metrics adjusted in line with NCR methodology.

Figure 14. Norwegian savings banks' cost-to-income, LTM to 30 Jun. 2026



Source: companies.

Figure 15. Norwegian savings banks' PPI to REA, LTM to 30 Jun. 2026



Source: companies.

SUPPORT ANALYSIS

We do not adjust the rating on Tolga-Os Sparebank to reflect expectations of additional support as we see limited potential for extraordinary support from the owners. Currently, the bank is not publicly listed but has the option to issue new equity capital certificates (ECCs) and list them on the Oslo Stock Exchange. As of end-2025, around 7% of the bank's equity was owned by ECC holders, while the remainder was ownerless capital.

ISSUE AND SHORT-TERM RATINGS

Figure 16. Issue and short-term ratings

	Rating
Senior unsecured	BBB+
Tier 2	BBB
Additional Tier 1	BB+
Short-term rating	N2; average liquidity coverage ratio is above 200% the last four quarters (214%).

Short-term and issue ratings are mapped to the long-term issuer rating in accordance with our financial institutions rating methodology. When two short-term rating alternatives are possible, the assigned rating reflects whether liquidity is strong, adequate or weak, as defined in the methodology.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

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

Figure 17. 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 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) Capital strength sets Norwegian savings banks up for 2026 growth, 9 Jan. 2026
(ii) SME lending gains momentum among Nordic niche banks, 8 Sep. 2026.
(iii) Swedish savings banks face little drama in 2026, 12 Jan. 2026

Figure 18. Tolga-Os Sparebank key financial data, 2022–Q2 2026 YTD

Key credit metrics (%)	FY 2022	FY 2023	FY 2024	FY 2025	Q2 2026 YTD
INCOME COMPOSITION					
Net interest income to op. revenue	85.4	83.6	84.2	80.8	79.5
Net fee income to op. revenue	13.6	13.0	11.6	12.9	12.9
Net gains and losses/operating revenue	-2.4	1.6	2.9	4.7	4.8
Net other income to op. revenue	3.3	1.8	1.3	1.6	2.9
EARNINGS					
Net interest income to financial assets	2.1	2.5	2.6	2.5	2.1
Net interest income to net loans	2.5	3.0	3.1	2.9	2.5
Pre-provision income to REA	2.5	3.3	3.5	3.3	2.4
Core pre-provision income to REA (NII & NF&C)	2.5	3.1	3.2	2.9	2.0
Return on ordinary equity	7.7	10.7	10.8	7.9	8.1
Return on assets	0.9	1.2	1.3	0.9	0.9
Cost-to-income ratio	46.7	42.9	42.5	46.6	55.9
Core cost-to-income ratio (NII & NF&C)	47.2	44.4	44.4	49.8	60.6
CAPITAL					
CET1 ratio	20.4	20.3	21.4	22.5	20.9
Tier 1 ratio	21.3	21.1	22.1	23.2	21.5
Capital ratio	22.6	22.4	23.4	24.3	23.9
REA to assets	52.8	50.8	50.8	48.5	49.9
Dividend payout ratio	5.3	6.4	5.1	5.0	10.0
Leverage ratio	11.0	10.5	11.0	11.0	10.4
Consolidated CET1 ratio	19.3	19.3	20.2	20.5	19.0
Consolidated Tier 1 ratio	20.3	20.1	21.1	21.4	19.8
Consolidated Capital ratio	21.7	21.4	22.5	22.7	22.3
Consolidated Leverage ratio	10.1	9.7	10.2	20.5	9.0
GROWTH					
Asset growth	11.4	13.6	3.9	13.8	5.1
Loan growth	11.0	12.7	5.9	13.5	4.0
Deposit growth	12.3	12.3	-2.2	11.8	6.3
LOSS PERFORMANCE					
Credit provisions to net loans	0.19	0.10	0.14	0.52	-0.04
Stage 3 coverage ratio	17.97	20.49	18.35	31.44	30.37
Stage 3 loans to gross loans	1.57	1.31	1.52	2.01	2.07
Net stage 3 loans to net loans	1.29	1.05	1.25	1.39	1.45
Net stage 3 loans/ordinary equity	9.28	7.72	8.80	10.38	10.89
FUNDING & LIQUIDITY					
Loan to deposit ratio	107.9	108.3	117.3	119.1	116.5
Liquid assets to deposit ratio	18.6	19.9	17.4	19.3	18.3
Net stable funding ratio	121.0	141.0	136.0	130.0	128.0
Liquidity coverage ratio	259.0	387.4	0.0	362.8	352.9

Key financials (NOKm)	FY 2022	FY 2023	FY 2024	FY 2025	Q2 2026 YTD
BALANCE SHEET					
Total assets	5,448	6,191	6,430	7,317	7,688
Total tangible assets	5,448	6,191	6,430	7,317	7,688
Total financial assets	5,422	6,166	6,397	7,285	7,641
Net loans and advances to customers	4,532	5,109	5,412	6,142	6,385
Liquid assets	782	939	802	994	1,002
Customer deposits	4,200	4,718	4,613	5,156	5,480
Issued securities	558	673	861	1,136	1,146
of which other senior debt	518	633	821	1,095	1,056
of which subordinated debt	40	40	40	40	91
Total equity	655	720	792	850	876
of which ordinary equity	630	695	767	825	851
CAPITAL					
Common equity tier 1	587	639	698	798	800
Tier 1	612	664	723	823	825
Total capital	652	704	763	863	915
REA	2,879	3,144	3,263	3,551	3,833
INCOME STATEMENT					
Operating revenues	128	172	193	208	100
Pre-provision operating profit	68	98	111	111	44
Impairments	8	5	7	30	-1
Net Income	47	71	79	63	34

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

Figure 19. Tolga-Os Sparebank rating scorecard

Subfactors	Impact	Score
National banking environment	5.0%	a
Sector exposure assessment	-	-
Regional assessment	15.0%	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%	a-
Competitive position	15.0%	bb
Earnings	7.5%	a
Loss performance	7.5%	bbb+
Performance indicators	15.0%	a-
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		**N2**

Figure 20. Capital structure ratings

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

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