Tolga-Os Sparebank

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Tolga-Os Sparebank 'BBB+' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) has affirmed its 'BBB+' long-term issuer rating on Norway-based Tolga-Os Sparebank. The outlook is stable. The 'N2' short-term issuer rating, the 'BBB+' senior unsecured issue rating, the 'BBB' issue rating on the bank's Tier 2 instrument and the 'BB+' issue rating on the bank's Additional Tier 1 instrument were also affirmed.

Rating rationale

Our 'BBB+' long-term issuer rating on Tolga-Os reflects the bank's strong earnings, robust capital position and low risk appetite. We have lowered our assessment of the bank's capital position, as we expect above-average loan growth to weaken the Tier 1 ratio to 19.9% in 2028. In addition, the bank reported 52bps in credit losses and a net stage 3 ratio of 1.4% in 2025, and non-performing loans remain elevated in 2026. Current loss reserves are concentrated among a few customers; however, we believe there is a risk that additional losses may be booked, prompting us to lower our assessment of loss performance.

We expect the bank to resume its strong earnings metrics in 2027 and 2028, after an investment in IT during 2026, and to continue to target residential loan growth in Elverum and Hamar. 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 growth markets of Elverum and Hamar.

Stable outlook

The outlook is stable, reflecting our view that Tolga-Os Sparebank's strong pre-provision earnings will compensate for a potentially weaker domestic economy and elevated credit provisions over the next few years. We forecast that the bank's cost efficiency will remain in line with its peers in the long run, after somewhat elevated costs in 2026, and expect it to maintain robust capital ratios despite strong loan growth.

We could raise our rating on Tolga-Os to reflect improved scale and diversification, while maintaining a Tier 1 ratio above 22%, and pre-provision income to REA sustainably above 3%.

We could lower our rating to reflect a material deterioration in the local operating environment that negatively affects asset quality; a consolidated Tier 1 capital ratio sustainably below 18% or pre-provision income to consolidated risk exposure amount below 2% for 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	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%	a	a+
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%	bb	bb
Earnings	7.5%	a	a
Loss performance	7.5%	bbb+	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		Stable	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 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.
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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, 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: https://nordiccreditrating.com/governance/policies
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: nordiccreditrating.com/governance/policies.
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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