

Melhus Sparebank

Full Rating Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

PRIMARY ANALYST

Geir Kristiansen
+4790784593
geir.kristiansen@nordiccreditrating.com

SECONDARY CONTACTS

Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.comElisabeth Adebäck
+46700442775
elisabeth.adeback@nordiccreditrating.com

RATING RATIONALE

Our 'A-' long-term issuer rating on Norway-based Melhus Sparebank (MelhusBanken) reflects the bank's robust capital position, low risk appetite, and strong earnings. As a member of the Eika banking alliance, the bank benefits from product diversity, shared development costs, and access to residential retail mortgage financing through Eika Boligkreditt. We expect strong cost efficiency to support core earnings, despite a likely decline in net interest margins over the next few years. Robust pre-provision profit is also expected to offset late-cycle loan losses.

The rating is constrained by the bank's concentrated exposure to real estate project financing in the municipalities of Melhus and Trondheim in central Norway, as well as a high level of non-performing loans relative to peers. It is also limited by strong competition in its core market and a low market share in the larger municipality of Trondheim.

STABLE OUTLOOK

The outlook is stable, reflecting our view that the bank's strong earnings metrics and solid capitalisation will offset elevated late-cycle credit losses. We also believe the bank's low risk appetite and robust real estate collateral support its resilience to a moderate economic slowdown. In addition, we expect the real estate market in the bank's core area to benefit from lower interest rates.

POTENTIAL POSITIVE RATING DRIVERS

- Consolidated Tier 1 ratio sustainably above 25%; and
- Pre-provision income (PPI) to risk exposure amount (REA) sustainably above 3%; and
- Reduced uncertainty about credit risk and improved asset quality metrics.

POTENTIAL NEGATIVE RATING DRIVERS

- A lack of improvement in credit quality.
- A reduction in the Tier 1 capital ratio to below 22% over a protracted period.
- Risk-adjusted earnings metrics below 2% of REA or cost/income above 50% over a protracted period.

Figure 1. Key credit metrics, 2022–2028e

%	2022	2023	2024	2025	2026e	2027e	2028e
Net interest margin	1.9	2.4	2.4	2.2	2.1	2.1	2.1
Pre-provision income (PPI)/REA*	1.9	2.7	2.7	2.6	2.5	2.5	2.5
Cost-to-income	48.7	41.7	43.2	45.4	49.0	47.7	47.6
Return on ordinary equity	8.5	10.4	9.9	9.2	7.8	8.1	8.1
Loan losses/net loans	0.10	0.25	0.17	0.13	0.10	0.12	0.11
Net Stage 3/net loans	0.73	2.09	3.20	2.93	2.70	2.37	2.05
Tier 1 ratio*	19.4	19.8	20.0	23.5	23.3	22.8	21.9

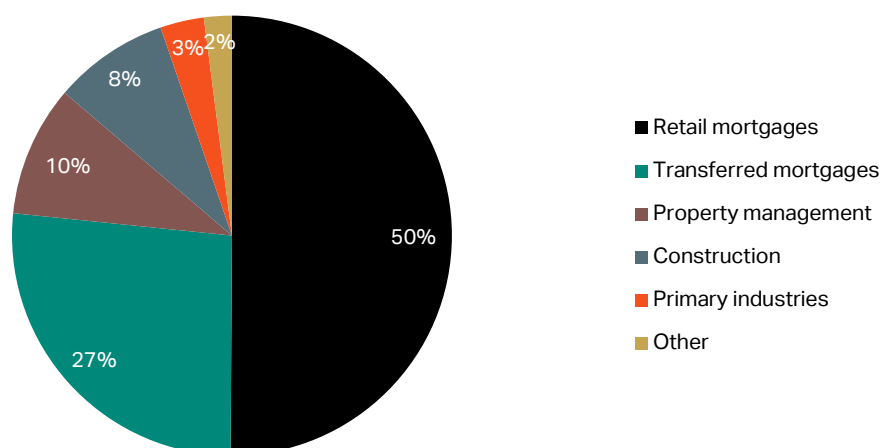
Source: company and NCR. e-estimate. REA=risk exposure amount. CET1=common equity Tier 1. All metrics adjusted in line with NCR methodology.

*Consolidated capital adequacy metrics.

ISSUER PROFILE

MelhusBanken is a Norwegian savings bank headquartered in Melhus municipality, Trøndelag county. Established in 1840, it is one of the country's oldest independent savings banks. The bank has a strong local presence, primarily serving the community in Melhus municipality and the regional centre of Trondheim. MelhusBanken has three branches in Melhus and two in Trondheim. As of 30 Jun. 2026, the bank had total net lending of NOK 13.4bn (including NOK 3.6bn in retail mortgage loans transferred to Eika Boligkreditt). Lending is evenly split between Melhus and Trondheim. The bank also owns 41.5% of real estate brokerage Heimdal Eiendomsmegling, which has a market share of about 15% in Trøndelag county, and 34% of Melhus Regnskap, the leading accountancy company in Melhus municipality. Through its membership in the Eika alliance, MelhusBanken's customers benefit from enhanced digital banking services and access to a wide range of financial products.

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



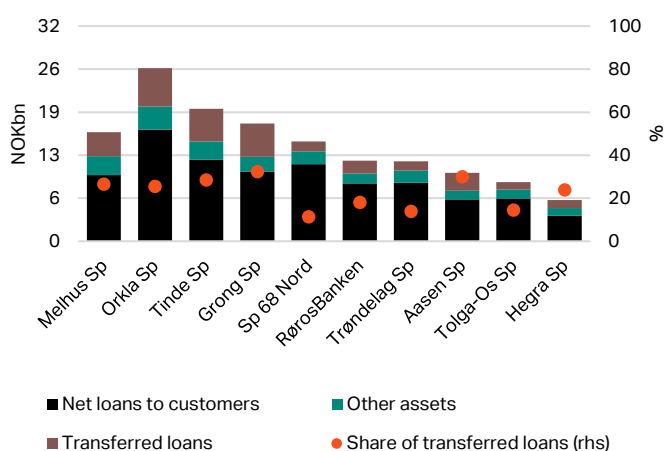
Source: company.

Moderate market position in core region

Competitive position

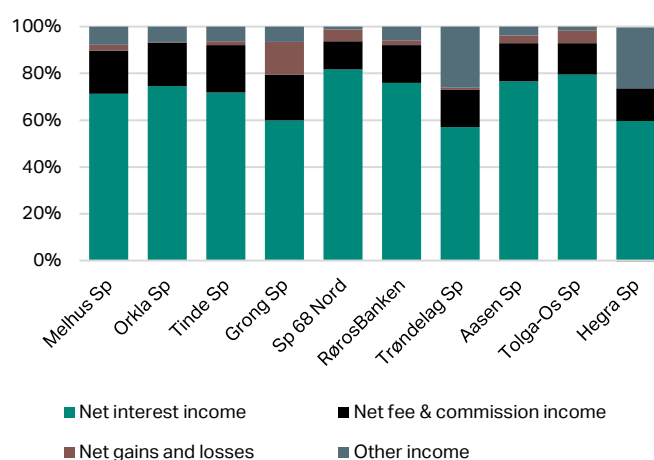
MelhusBanken has a regional focus and a strong market position in Melhus municipality with a market share of close to 25%. SpareBank 1 SMN is the market leader in MelhusBanken's core area of operations, both in retail and corporate banking, and has increased its sales efforts. MelhusBanken sees growth potential in Trondheim, where its market share is low single-digit.

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.

Through the Eika alliance, the bank offers customers insurance, debit and credit products, asset management and real estate agency services. In addition, its ownership in real estate brokerage and

accountancy businesses outside the alliance supports diversification. We view the bank's strong commitment to local communities as a competitive strength, demonstrated by its support for local social and cultural activities.

Risk governance proportional to complexity

In our view, MelhusBanken's risk governance framework, risk appetite, limit monitoring, and risk reporting are appropriate for its balance sheet and risk profile. The bank has well-defined guidelines for risk governance and relevant risk areas. It has also established anti-money laundering routines and policies, reducing the risk of related regulatory fines and associated losses. The bank's internal risk reporting and internal capital adequacy assessment processes remain proportionate to its size and complexity. We note continued improvements in credit risk monitoring and portfolio oversight, although the bank's level of non-performing and credit-impaired loans remains elevated compared with domestic peers.

MelhusBanken's membership in the Eika alliance provides additional resources for its sustainability initiatives. The bank has established credit guidelines to assess climate and sustainability risks for corporate customers. It is environmentally certified by Miljøfyrtårn/Eco-Lighthouse, which sets criteria and structure for products and solutions to minimise the bank's environmental footprint. Parts of the mortgage portfolio are financed through Eika Boligkreditt, which has established a framework for issuing green bonds.

Broad spectrum of funding sources

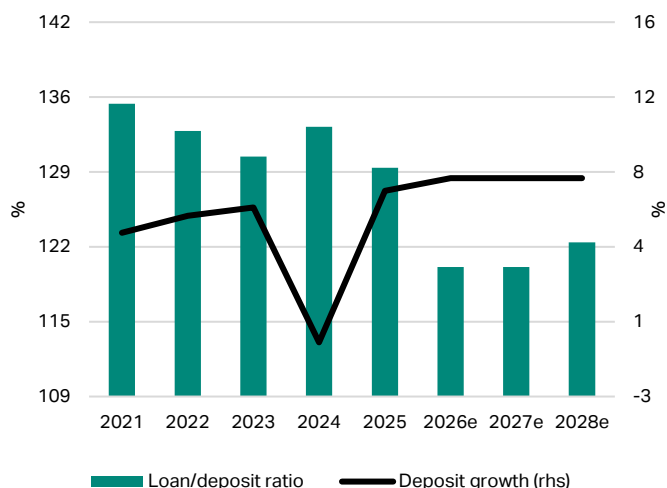
MelhusBanken's funding and liquidity position is diverse, supported by a strong deposit base and established access to capital market funding. However, some concentration risk remains due to the bank's reliance on institutional deposits and market funding. This risk is partly mitigated by lock-in periods of 3–12 months for a significant proportion of deposits and by the bank's access to funding through Eika Boligkreditt. Liquidity metrics remain strong, with a liquidity coverage ratio of 341% and a net stable funding ratio of 123% as of 30 Jun. 2026, both well above the regulatory requirement of 100%. We expect the bank to maintain robust liquidity buffers and regulatory ratios over the forecast period, supported by conservative internal limits and a growing deposit base.

MelhusBanken had NOK 2.3bn in outstanding senior bonds as of 30 Jun. 2026, with an average time-to-maturity of about 2.8 years. In our forecast, we expect the bank to refinance debt through new issuance with longer time to maturity. We also project a relatively stable loan-to-deposit ratio and continued stable use of off-balance sheet financing through Eika Boligkreditt in 2027 and 2028, following an increase in transferred loans in 2026. Eika Boligkreditt provides access to more affordable funding for retail mortgages, with longer terms to maturity than the bank could source by itself. The bank had transferred 35% of total retail mortgage lending to Eika Boligkreditt as of 30 Jun. 2026.

Risk governance

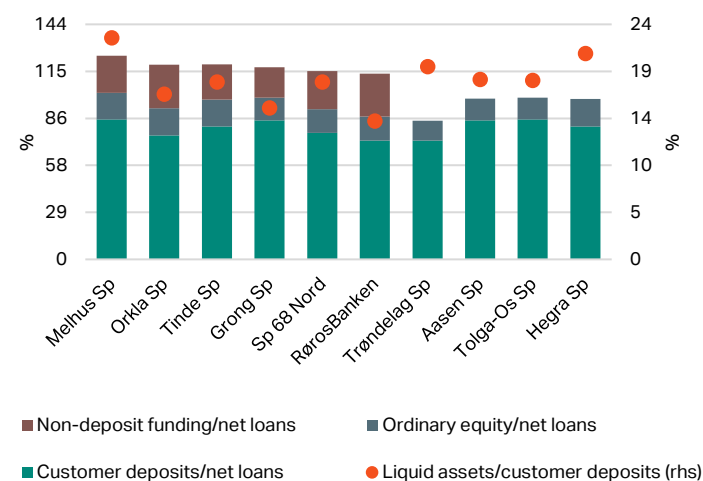
Funding and liquidity

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

Exposure to the greater Trondheim region

Regional assessment

Melhus Sparebank's core markets are the municipalities of Melhus and Trondheim in Trøndelag county, which together are home to about 235,000 residents. The region benefits from stronger population growth and lower unemployment than the national average. More than half of the bank's lending is located in Trondheim, Norway's fourth-largest city and a major university and business centre, providing growth opportunities particularly in residential rental properties.

Figure 7. Regional core characteristics

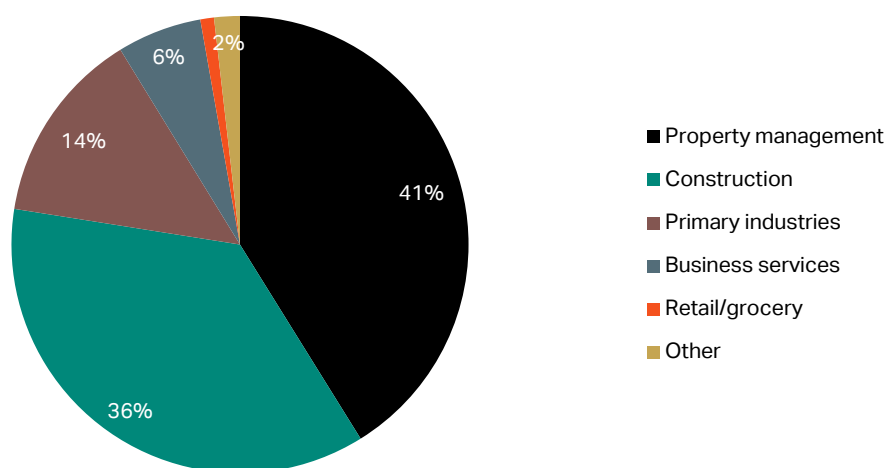
	Strengths	Weaknesses
Regional employment and economic diversity	Low unemployment and a relatively stable economy, supported by public sector employment, agriculture, and Trondheim's diversified business base.	Melhus has a narrower employment base and is more reliant on agriculture and the public sector than Trondheim.
Expected population growth and credit demand	Population growth in both core municipalities exceeds the national average, supporting long-term credit demand. Trondheim's large student population also sustains demand for rental housing.	High exposure to Trondheim's residential rental and property development markets increases sensitivity to local property market conditions.

Credit risk

Geographically concentrated loan portfolio

MelhusBanken has a strong regional focus, with more than 80% of lending located in its core markets. Around 80% of exposures (including transferred loans) are to private and agricultural customers and secured by housing and agricultural properties. While we regard these as low-risk credit exposures, they increase borrower and collateral concentration in the bank's operating area. Housing prices in the region have remained stable and are close to the national average. Commercial real estate and construction represent the bank's largest corporate exposures. We remain cautious on these sectors due to higher interest costs and weaker property markets. In addition, a significant share of commercial real estate exposure relates to project financing.

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

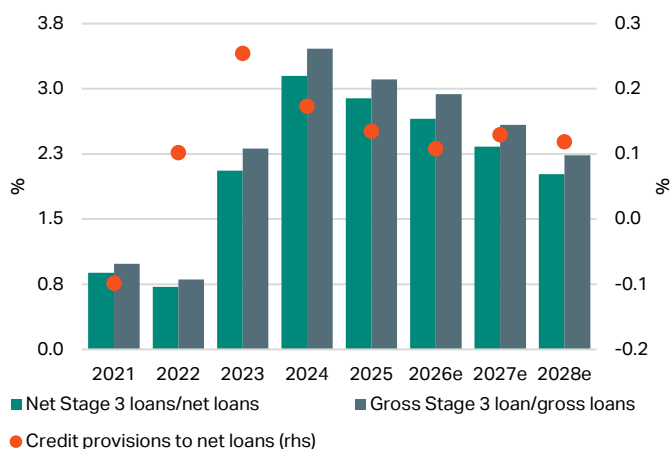


Source: company.

Our forecast assumes loan growth of approximately 1% in 2026 and 8%–10% in 2027–2028. The low growth in 2026 mainly reflects large corporate loan redemptions, while retail lending increased by 3% over the past 12 months. We expect retail lending to remain a key growth driver, while more selective corporate lending should help preserve the bank's credit risk profile.

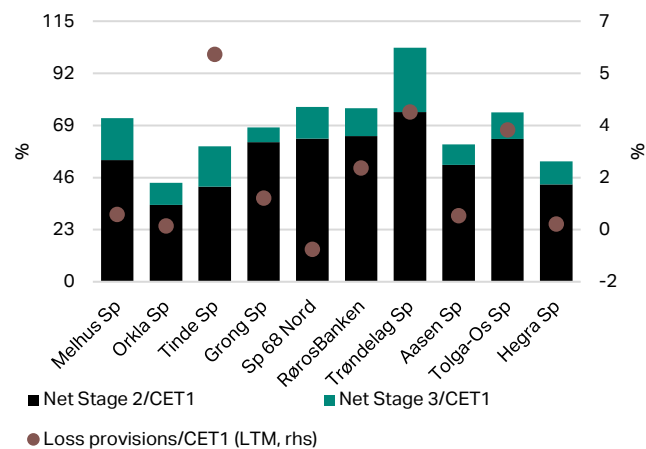
As of 30 Jun. 2026, MelhusBanken had transferred loans totalling NOK 3.6bn. These loans generated NOK 22.9m in commission income in 2025. However, the bank retains the associated credit risk and is expected to repurchase non-performing loans to allow Eika Boligkreditt to maintain a clean cover pool.

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

MelhusBanken reported NOK 1m in loan losses for the first six months of 2026 and NOK 8m for the 12 months ended 30 Jun. 2026. We expect loan losses to stabilise near the bank's historical average of approximately 10bps over the forecast period. Although asset quality is somewhat weaker than the peer average, actual credit losses have remained low, and the bank reports strong collateral coverage across its problem exposures. We expect net Stage 3 loans to decline gradually as workouts progress, with the ratio projected to fall to around 2.1% of net loans by end-2028.

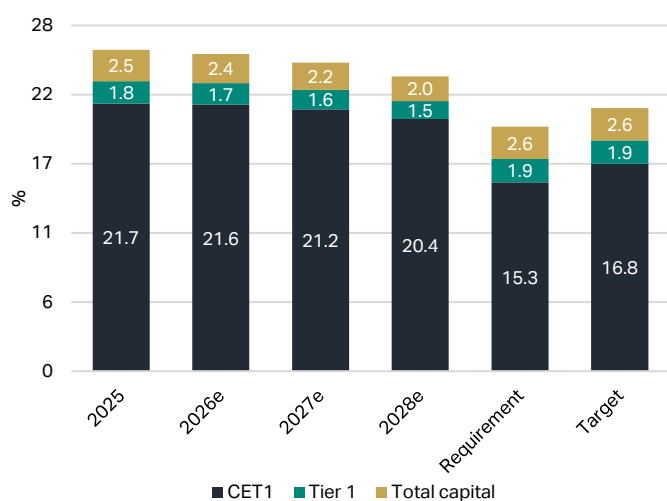
CAPITAL GENERATION

Capital

Capitalisation supports increased loan growth

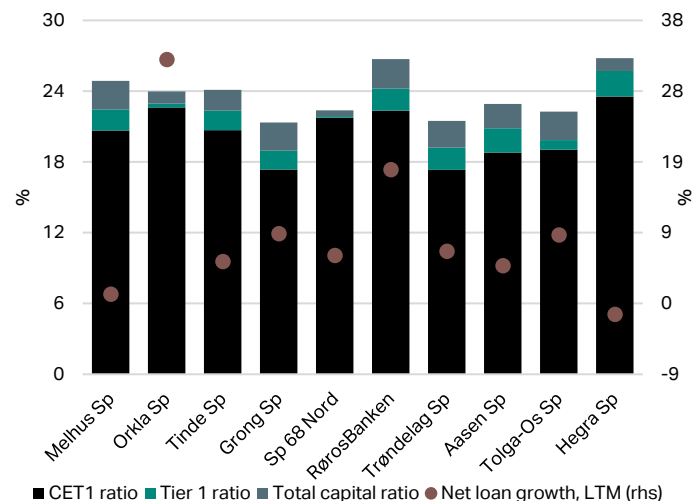
Our capital assessment considers MelhusBanken's consolidated capital position, including its proportionate holdings in Eika Gruppen and Eika Boligkreditt. The bank's CET1 ratio was 20.7% and its Tier 1 ratio 22.4% as of 30 Jun. 2026, increasing to 21.1% and 22.9%, respectively, if 50% of current-year profits were included. These ratios are well above the bank's CET1 target of 16.8%, including a management buffer.

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.

We expect capital ratios to decline modestly over the forecast period as solid profitability is partly offset by continued loan growth. We assume a 27% payout ratio from 2026, in line with the bank's dividend policy.

Earnings

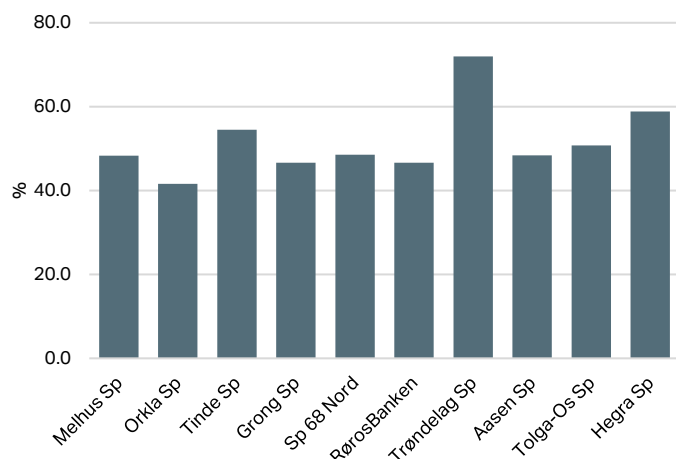
While recent interest rate hikes have supported interest margins, we expect these benefits to be largely offset by mix effects and strong competition. Cost efficiency has declined in recent years, as margin pressure, reduced commission income from mortgage transfers, and higher personnel expenses have outweighed revenue growth. Although the bank has increased staffing and incurred costs in anticipation of growth, revenues remain constrained by strong competition in the retail market. We expect cost efficiency to improve gradually as loan growth, insurance, and savings income partially offset margin pressure, and lower IT expenses support profitability. We forecast the cost-to-income ratio at around 49% in 2026, improving to below 48% by 2028. Despite weaker efficiency metrics, we expect pre-provision income to REA to remain broadly stable at 2.5% over the forecast period.

Figure 13. Capital projection assumptions

%	2026e	2027e	2028e
Net interest margin	2.1	2.1	2.1
Loan growth	0.5	8.0	10.0
Return on average equity	7.8	8.1	8.1
Gifts and contributions	27.0	27.0	27.0

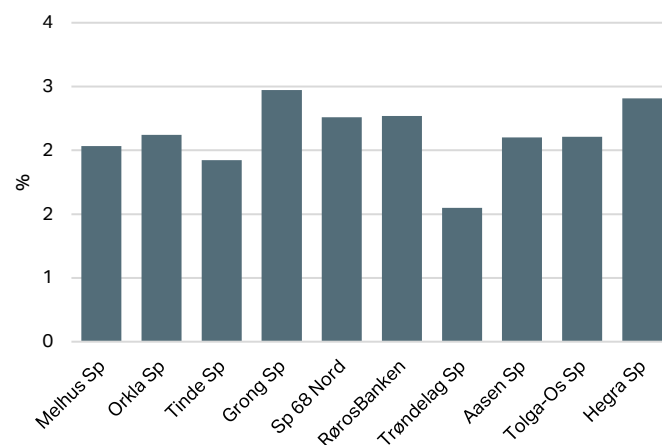
Source: NCR. e-estimate. All metrics adjusted in line with NCR methodology.

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 MelhusBanken to reflect expectations of additional support as we see limited potential for extraordinary support from the owners. The bank's equity capital certificates (ECCs) are publicly listed and consequently the bank has ready access to the equity market. As of end-2025, around 29% 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	A-
Tier 2	BBB+
Additional Tier 1	BBB-
Short-term rating	N2; average liquidity coverage ratio is above 200%. The last four quarters (225%).

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) [Norwegian savings banks face widening gap in asset quality metrics](#), 15 Oct. 2026
- (ii) [Capital strength sets Norwegian savings banks up for 2026 growth](#), 9 Jan. 2026
- (iii) [Swedish savings banks face little drama in 2026](#), 12 Jan. 2026

Figure 18. MelhusBanken 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	72.0	72.8	75.4	72.0	69.4
Net fee income to op. revenue	16.9	13.4	17.9	18.2	17.3
Net gains and losses/operating revenue	1.0	-0.8	0.3	1.9	2.1
Net other income to op. revenue	10.0	14.6	6.4	7.8	11.2
EARNINGS					
Net interest income to financial assets	1.9	2.4	2.4	2.2	2.0
Net interest income to net loans	2.1	2.7	2.7	2.6	2.4
Pre-provision income to REA	2.5	3.4	3.1	3.0	2.6
Core pre-provision income to REA (NII & NF&C)	1.9	2.6	2.7	2.5	1.9
Return on ordinary equity	8.5	10.4	9.9	9.2	8.5
Return on assets	1.0	1.3	1.3	1.2	1.1
Cost-to-income ratio	48.7	41.7	43.2	45.4	48.8
Core cost-to-income ratio (NII & NF&C)	54.7	48.3	46.3	50.3	56.2
CAPITAL					
CET1 ratio	18.0	18.1	21.2	24.8	20.7
Tier 1 ratio	19.1	20.0	22.8	26.6	22.4
Capital ratio	20.6	22.4	25.1	29.0	24.9
REA to assets	53.1	54.2	59.4	51.2	57.5
Dividend payout ratio	27.7	30.4	25.6	26.9	26.7
Leverage ratio	9.8	9.9	12.9	12.9	9.6
Consolidated CET1 ratio	18.1	18.1	18.3	21.7	20.7
Consolidated Tier 1 ratio	19.4	19.8	20.0	23.5	22.4
Consolidated Capital ratio	21.1	22.3	22.3	26.0	24.9
Consolidated Leverage ratio	9.2	9.9	10.5	10.3	9.6
GROWTH					
Asset growth	2.7	5.5	0.1	8.7	5.0
Loan growth	4.1	4.6	1.7	4.3	-1.1
Deposit growth	6.1	6.5	-0.4	7.4	9.5
LOSS PERFORMANCE					
Credit provisions to net loans	0.10	0.25	0.17	0.13	0.03
Stage 3 coverage ratio	10.73	11.41	9.51	7.39	9.74
Stage 3 loans to gross loans	0.82	2.35	3.52	3.16	3.11
Net stage 3 loans to net loans	0.73	2.09	3.20	2.93	2.82
FUNDING & LIQUIDITY					
Loan to deposit ratio	132.6	130.3	133.0	129.2	116.7
Liquid assets to deposit ratio	12.7	14.2	11.3	15.0	22.6
Net stable funding ratio	110.0	115.0	114.0	117.0	123.0
Liquidity coverage ratio	152.5	251.0	214.6	271.0	341.0

Key financials (NOKm)	FY 2022	FY 2023	FY 2024	FY 2025	Q2 2026 YTD
BALANCE SHEET					
Total assets	10,501	11,079	11,095	12,057	12,658
Total financial assets	10,160	10,789	10,805	11,720	12,374
Net loans and advances to customers	8,972	9,387	9,542	9,956	9,850
Liquid assets	856	1,025	807	1,159	1,911
Customer deposits	6,766	7,206	7,176	7,703	8,438
Issued securities	2,369	2,319	2,282	2,517	2,399
of which other senior debt	2,289	2,168	2,131	2,366	2,247
of which subordinated debt	80	150	151	151	151
Total equity	1,301	1,478	1,563	1,703	1,716
of which ordinary equity	1,241	1,368	1,453	1,593	1,606
CAPITAL					
Common equity tier 1	1,006	1,089	1,395	1,530	1,503
Tier 1	1,066	1,199	1,505	1,640	1,632
Total capital	1,146	1,349	1,655	1,790	1,809
REA	5,572	6,009	6,589	6,167	7,272
INCOME STATEMENT					
Operating revenues	261	342	344	349	169
Pre-provision operating profit	134	200	195	191	87
Impairments	9	23	16	13	1
Net Income	101	135	140	140	68

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

Figure 19. MelhusBanken rating scorecard

Subfactors	Impact	Score
National banking environment	10.0%	a
Sector exposure assessment	-	-
Regional assessment	10.0%	a-
Cross border assessment	-	-
Operating environment	20.0%	a-
Risk governance	7.5%	a-
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		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 20. Capital structure ratings

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

DISCLAIMER

Disclaimer © 2026 Nordic Credit Rating AS (NCR, the agency). All rights reserved. All information and data used by NCR in its analytical activities come from sources the agency considers accurate and reliable. All material relating to NCR's analytical activities is provided on an "as is" basis. The agency does not conduct audits or similar warranty validations of any information used in its analytical activities and related material. NCR advises all users of its services to carry out individual assessments for their own specific use or purpose when using any information or material provided by the agency. Analytical material provided by NCR constitutes only an opinion on relative credit risk and does not address other forms of risk such as volatility or market risk and should not be considered to contain facts of any kind for the purpose of assessing an issuer's or an issue's historical, current or future performance. Analytical material provided by NCR may include certain forward-looking statements relating to the business, financial performance and results of an entity and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. Forward-looking statements contained in any analytical material provided by NCR, including assumptions, opinions and views either of the agency or cited from third-party sources are solely opinions and forecasts which are subject to risk, uncertainty and other factors that could cause actual events to differ materially from anticipated events. NCR and its personnel and any related third parties provide no assurance that the assumptions underlying any statements in analytical material provided by the agency are free from error, nor are they liable to any party, either directly or indirectly, for any damages, losses or similar, arising from use of NCR's analytical material or the agency's analytical activities. No representation or warranty (express or implied) is made as to, and no reliance should be placed upon, any information, including projections, estimates, targets and opinions, contained in any analytical material provided by NCR, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained in any analytical material provided by the agency. Users of analytical material provided by NCR are solely responsible for making their own assessment of the market and the market position of any relevant entity, conducting their own investigations and analysis, and forming their own view of the future performance of any relevant entity's business and current and future financial situation. NCR is independent of any third party, and any information and/or material resulting from the agency's analytical activities should not be considered as marketing or a recommendation to buy, sell, or hold any financial instruments or similar. Relating to NCR's analytical activities, historical development and past performance does not safeguard or guarantee any future results or outcome. All information herein is the sole property of NCR and is protected by copyright and applicable laws. The information herein, and any other information provided by NCR, may not be reproduced, copied, stored, sold, or distributed without NCR's written permission.

NORDIC CREDIT RATING AS

nordiccreditrating.com