

CREDIT OPINION

7 April 2025

Update

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RATINGS

SpareBank 1 Nord-Norge

Domicile	Tromso, Norway
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Aa3
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Aa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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SpareBank 1 Nord-Norge

Update following periodic review

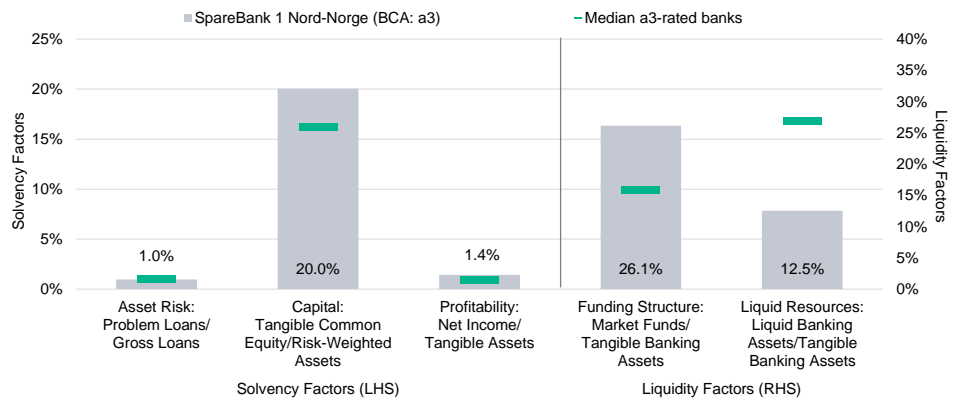
Summary

[SpareBank 1 Nord-Norge's](#) Aa3 long-term deposit and senior unsecured ratings reflect its standalone Baseline Credit Assessment (BCA) and Adjusted BCA of a3, as well as our assumption for a very loss-given failure for these liabilities under our Advanced Loss Given Failure (LGF) analysis, which results in a three-notch uplift from the Adjusted BCA.

SpareBank 1 Nord-Norge's BCA of a3 reflects the bank's long track record of resilient financial performance, as demonstrated by its sound asset quality, reflective of its low-risk lending book, as well as its strong capitalization and profitability. The bank also benefits from its membership in the SpareBank 1 Alliance through joint ownership of product companies, including two covered bond entities, which strengthens its market access.

The BCA also incorporates the bank's high reliance on market funding, as well as regional, sector and client concentrations, a common feature among regional savings banks in Norway.

Exhibit 1
Rating Scorecard - Key financial ratios



These ratios are calculated based on our [Banks Methodology](#) scorecard. The problem loan and profitability ratios are the weaker of the average of the latest three year-end ratios and the latest reported ratio. The capital ratio is the latest reported figure. The funding structure and liquid resources ratios are the latest year-end figures.

Source: Moody's Ratings

Credit strengths

- » Resilient profitability, supported by a low cost base
- » Strong capital ratios, which provide a solid loss-absorption buffer
- » Sound asset quality underpinned by the loan book's low risk profile
- » Membership of the SpareBank 1 Alliance enhances risk management, compliance and funding capabilities

Credit challenges

- » Sector and geographical concentrations in the loan book
- » Meaningful reliance on market funding, which increases the bank's funding risk

Outlook

SpareBank 1 Nord-Norge's long-term deposit and debt ratings have a stable outlook, balancing the bank's robust capital, asset quality and pre-provision profitability against some risks stemming from credit concentrations and from the bank's market funding dependence.

Factors that could lead to an upgrade

Upward rating pressure could develop if SpareBank 1 Nord-Norge improves its liquidity and reduces use of market funds combined with maintaining strong capitalisation and strong earnings generation across the credit cycle without an increase in its risk profile.

Factors that could lead to a downgrade

The bank's ratings could be downgraded if: SpareBank 1 Nord-Norge's problem loan ratio and impairments increase significantly above its similarly-rated peers; financing conditions become more difficult, impairing its ability to raise low-cost market funding; its risk profile increases, as a result of increased exposures to more volatile sectors; the macroeconomic environment deteriorates, leading to adverse developments in the Norwegian real-estate market and a deterioration in asset quality.

Furthermore, the senior unsecured debt ratings could be downgraded should the bank issue materially lower volumes of junior-senior instruments.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

SpareBank 1 Nord-Norge (Consolidated Financials) [1]

	09-24 ²	12-23 ²	12-22 ²	12-21 ²	12-20 ²	CAGR/Avg. ³
Total Assets (NOK Billion)	180.8	172.8	162.0	154.9	155.4	4.1 ⁴
Tangible Common Equity (NOK Billion)	16.6	15.5	15.0	15.6	14.1	4.5 ⁴
Problem Loans / Gross Loans (%)	1.0	0.6	0.5	0.4	0.3	0.6 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	20.0	19.7	21.0	22.2	20.6	20.7 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	8.1	5.1	4.0	3.2	2.9	4.7 ⁵
Net Interest Margin (%)	2.4	2.3	1.8	1.6	1.6	1.9 ⁵
PPI / Average RWA (%)	4.6	4.2	3.1	3.0	2.8	3.5 ⁶
Net Income / Tangible Assets (%)	1.7	1.3	1.1	1.5	0.9	1.3 ⁵
Cost / Income Ratio (%)	33.8	37.7	42.8	43.6	45.4	40.7 ⁵
Market Funds / Tangible Banking Assets (%)	26.7	26.1	26.1	26.2	28.9	26.8 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	13.4	12.5	12.8	14.5	13.3	13.3 ⁵
Gross Loans / Due to Customers (%)	172.9	173.9	167.6	165.1	173.8	170.7 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

Profile

SpareBank 1 Nord-Norge is a leading regional savings bank in northern Norway that provides retail and corporate customers with a range of banking products and services, including finance, savings, insurance and payment transmission services. As of December 2024, its consolidated assets (including loans transferred to covered bond companies) totalled NOK184 billion (approximately €15.6 billion).

Detailed credit considerations

Norway's "Very Strong-" macro profile remains supportive towards the bank's standalone credit profile

SpareBank 1 Nord-Norge operates only in Norway and thus its operating environment is reflected through the "Very Strong -" macro profile we assign for the country. Norwegian banks benefit from operating in a wealthy and developed country with very high economic, institutional and government financial strength, as well as a very low susceptibility to adverse events.

The main risks to the banking sector stem from its extensive use of market funding, and from Norway's high household debt and increased real estate prices. However, the household sector's strong debt-servicing ability, the Norwegian government's well-coordinated monetary and regulatory policies, and the country's sizeable sovereign wealth fund, which supports the economy during crises, mitigate these risks.

A significant increase in the rate of household debt accumulation, combined with high house price inflation, or a significant house price decline, would potentially strain Norway's macro profile.

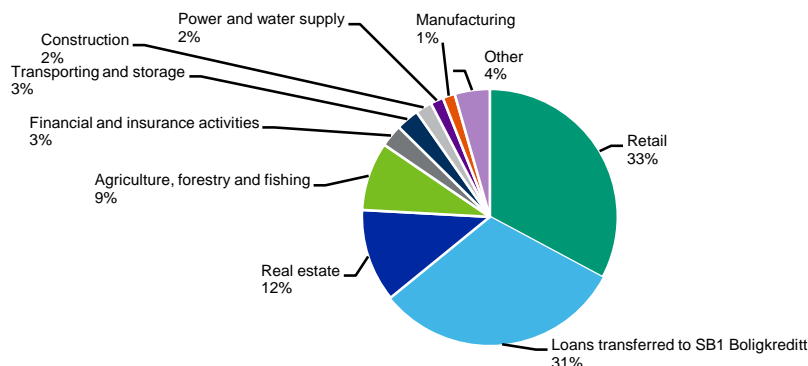
Sound asset quality with low amounts of problem loans; risks related to sector and borrower concentrations

Our assigned Asset Risk score of a3 reflects SpareBank 1 Nord-Norge's sound asset quality, with low amounts of problem loans. The assigned score also considers the risks related to the bank's exposure to commercial real estate (CRE), building and construction sectors, as well as its geographic concentration in the regional home market. We make similar adjustments to the asset risk scores for other rated regional savings banks in Norway.

SpareBank 1 Nord-Norge's loan book includes a large proportion of retail loans, mostly in the form of mortgages, which represented 64% of total loans (including those transferred to Spare Bank 1 Boligkreditt, Aa3 stable) as of year-end 2024 (see Exhibit 3). More than 90% of the bank's mortgage loans had an LTV of below 70%.

The rest of SpareBank 1 Nord-Norge's loan book includes loans to corporate borrowers, with moderate concentration in the real estate sector, which accounted for 12% of adjusted gross loans, followed by the agriculture, forestry and fishing sector (9% of loans) as of December 2024.

Exhibit 3
SpareBank 1 Nord-Norge's loan composition
 As of year-end 2024



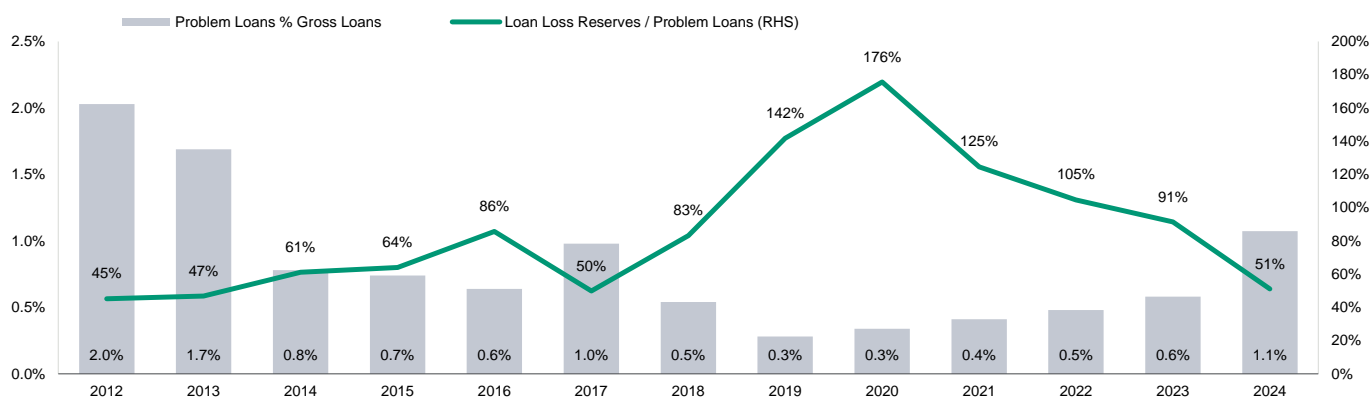
In addition to loans transferred to SB1 Boligkreditt (NOK47.8 billion) included in the chart above, the bank transferred a small amount of loans (NOK77 million) to SB1 Næringskreditt.
 Source: Issuer financials

The post-COVID increase in interest rates has created challenges for a number of corporate sectors, including commercial property, construction, trade, as well as some fisheries. The construction sector has been particularly affected due to a significant curtailment of the new housing build in the high interest rate environment. In the fisheries sector, the 25% reduction in cod quotas in 2025, in combination with the high interest rates and expensive bunkers, could reduce profitability and debt servicing capacity of certain businesses. On the other hand, the impact of higher interest rates on the CRE sector, where rents have increased to adjust for higher rates, has been mitigated by a low unemployment rate, which supported consumer spend and business demand for space.

Reflective of weakened macroeconomic conditions due to higher interest rates, there was moderate deterioration in the bank's asset quality, with the problem loan ratio increasing to 1.1% by year-end 2024 from 0.6% a year ago (see Exhibit 4).

To reflect this deterioration, the bank recorded higher amounts of individual lending provisions in 2024 (NOK102 million vs. NOK59 million in 2023). However, its overall provisions for the year declined to NOK110 million from NOK116 million in 2023 due to model adjustments. The bank's total loan loss reserves covered 51% of problem loans at year-end 2024, a reduction from 91% a year ago due to increased problem loans, in combination with slightly reduced provisions.

Exhibit 4
SpareBank 1 Nord-Norge's asset-quality evolution



Problem loan ratio is calculated as Stage 3 loans as a percentage of total gross loans, including covered bond loans and excluding off-balance-sheet items.
 Source: Company reports and presentations, and Moody's Ratings

Strong capital ratios provide a solid loss-absorption buffer

Our assigned Capital score of aa2 reflects SpareBank 1 Nord-Norge's strong capital levels, but also the equity certificate capital (ECC) ownership in its capital structure (46.4% of the bank's total capital as of December 2024). Because of the dilutive effect that the ECC structure could cause, the bank may face challenges in raising new equity in case of need during difficult market conditions.

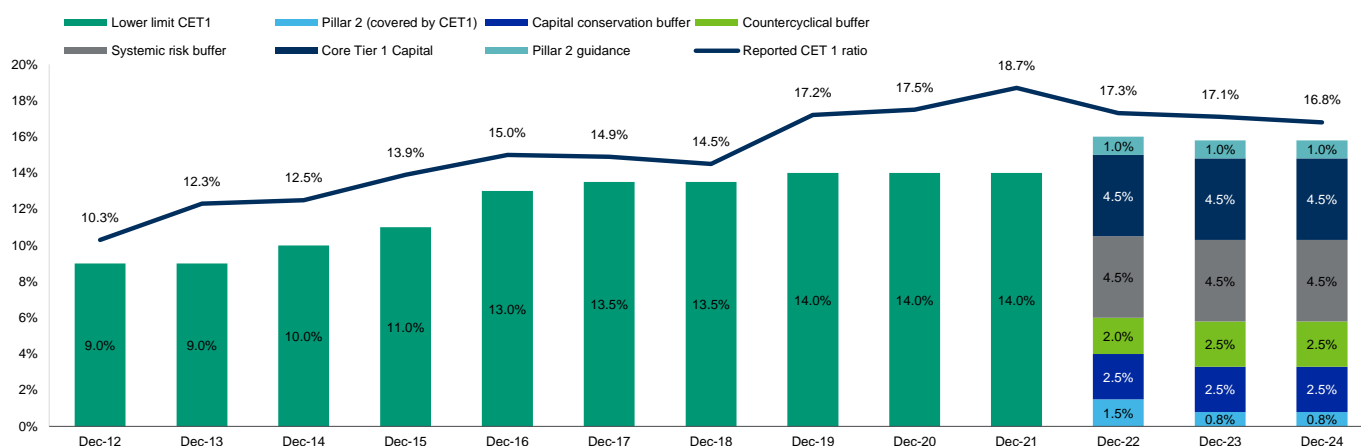
SpareBank 1 Nord-Norge's strong capital levels provide a solid loss-absorption buffer, while supporting its growth plans. The bank's capitalisation benefits from its solid earnings generation, of which it retains slightly less than half, given its minimum dividend rate of 50%. In 2024, the bank distributed 53.7% of earnings.

The bank's reported CET1 was 16.8% at year-end 2024 (see exhibit 5), while its consolidated Tier 1 and total capital adequacy ratios were 18.8% and 21.3%, respectively. The bank's CET1 requirement was 14.8% as of year-end 2024; with the 1% management buffer (Pillar 2 guidance), the bank's long-term target CET1 ratio is 15.8%.

The bank's regulatory leverage ratio was 7.8% at year-end 2024, well above the 5% minimum requirement.

Exhibit 5

SpareBank 1 Nord-Norge benefits from strong capitalisation



The sharp increase in capital metrics in December 2019 was mainly because of the removal of the 80% Basel I floor in calculating risk-weighted assets (RWAs) combined with the introduction of the discount for small and medium-sized enterprises (SMEs) under the Capital Requirements Directive (CRD IV).

Source: Company reports and presentations

Solid earnings supported by a low cost base

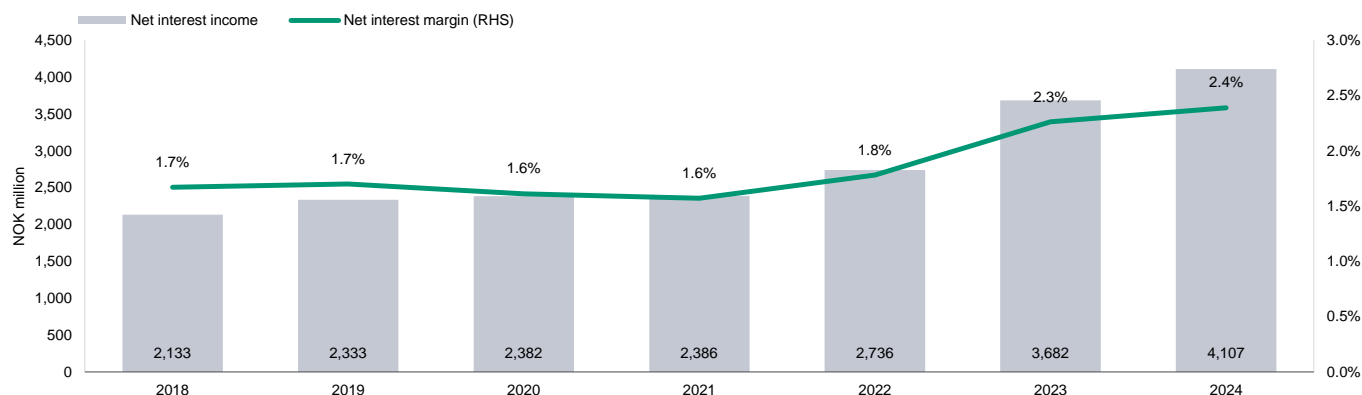
Our assigned a3 Profitability score reflects the SpareBank 1 Nord-Norge's solid profitability, which however could moderate over the next twelve months as interest rates decline. The bank's earnings are supported by its strong cost efficiency and also benefit from its leading position in retail and SME lending in Northern Norway.

SpareBank 1 Nord-Norge's pre-tax earnings amounted to NOK4.6 billion in 2024, an increase from NOK3.4 billion in 2023. The year-over-year increase was mainly driven by the investment income of NOK826 million (2023: NOK-56 million) mostly related to the merger between insurance companies Fremtind Forsikring (which was 65% owned by the SpareBank 1 Alliance) and Eika Forsikring.

The bank's net interest income increased by approximately NOK400 million in 2024 to NOK4 billion (see Exhibit 6), driven by higher margins and loan growth, which was largely funded by growth in deposits. However, with the anticipated reduction in interest rates, we expect the bank's net interest income to moderate. In addition, intense competition for mortgages will likely compress the bank's current lending margins.

The bank's operating costs increased to NOK2 billion in 2024 from NOK1.8 billion in 2023; however, higher revenues kept its cost efficiency at strong levels. The bank's cost to income ratio was 30% in 2024, well within the bank's target of less than 40%.

Exhibit 6

SpareBank 1 Nord-Norge's net interest income and margins

Metrics incorporate Moody's standard adjustments.

Sources: Company reports and presentations, and Moody's Ratings

Meaningful reliance on market funding raises the bank's funding risk profile

Our Funding Structure score of baa3 reflects our view that SpareBank 1 Nord-Norge's reliance on market funding is of sufficient scale to represent a source of vulnerability because, in times of market stress, market funding can become more expensive and restricted.

SpareBank 1 Nord-Norge has increasingly used covered bond funding, which is done off-balance sheet through specialised companies owned jointly together with other members of the SpareBank 1 Alliance (SpareBank 1 Boligkreditt for residential mortgages and SpareBank 1 Næringskreditt for commercial mortgages). We view the bank's participation in the co-joined covered bond company as a relative strength, as it provides member banks with enhanced market access. As of December 2024, the bank had transferred loans worth NOK47.9 billion to these vehicles (32% of its total gross loan book). While we positively view the diversification benefit of covered bond funding, its extensive use increases the amount of pledged assets unavailable for unsecured bondholders, including depositors in liquidation.

We include covered bonds issued through SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt in our calculation of SpareBank 1 Nord-Norge's funding. To reflect the relative stability of covered bonds compared with unsecured market funding, we make an adjustment to consider around half of such covered bonds as deposit-like funding.

In contrast, the bank has a relatively low reliance on deposit funding, with the loan to deposit ratio (including securitised loans) of 175% at year-end 2024. Retail deposits, which we consider more sticky, accounted for 53% of customer deposits as of year-end 2024.

Comfortable liquidity mitigates market funding concerns

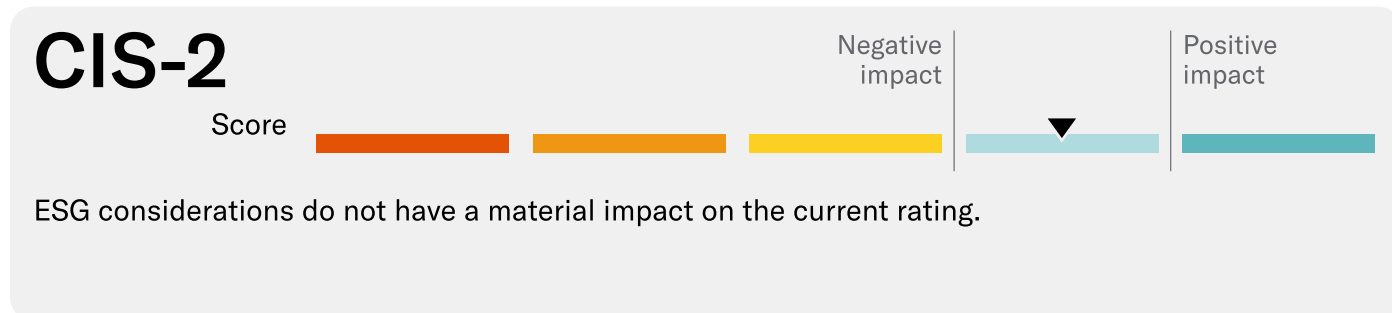
The assigned score of baa3 reflects SpareBank 1 Nord-Norge's comfortable liquidity position, particularly in relation to its funding needs. As of year-end 2024, the bank's Liquidity Coverage Ratio (LCR) was 147%, well above the statutory requirement of 100%, and its NSFR ratio was 120%. The bank's liquidity reserve primarily consists of Norwegian Treasury bills, sovereign bonds and rated covered bonds, as well as bonds issued by domestic or international financial institutions and domestic corporate bonds. The bank also has liquid assets held by SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

ESG considerations

SpareBank 1 Nord-Norge's ESG credit impact score is CIS-2

Exhibit 7

ESG credit impact score



Source: Moody's Ratings

SpareBank 1 Nord-Norge's Credit Impact Score (**CIS-2**) indicates that ESG considerations have no material impact on the current ratings.

Exhibit 8

ESG issuer profile scores



Source: Moody's Ratings

Environmental

SpareBank 1 Nord-Norge faces moderate environmental risks primarily because of its portfolio exposure to carbon transition. These risks are primarily related to its corporate portfolio, however, exposures to the oil, offshore and shipping business are limited. In line with its peers, the bank is developing its climate risk and portfolio management capabilities to meet carbon transition goals.

Social

SpareBank 1 Nord-Norge faces moderate social risks related to customer relations and associated regulatory and litigation risks, requiring high compliance standards. The exposure to customer relation risks is lower than its international peers, given the bank's untarnished customer conduct track record supported by the social mandate of the Savings Bank's model. SpareBank 1 Nord-Norge is a digitally advanced bank in Norway, with a robust IT infrastructure and strong capabilities to mitigate cyber and personal data risks, supported by its participation in the SpareBank 1 Alliance.

Governance

SpareBank 1 Nord-Norge faces low governance risks and its risk management, policies and procedures are in line with industry practices. Despite sectoral and geographical concentrations, due to its limited reach, the bank benefits from strong underwriting standards which mitigate some of these concerns. The bank has a track record of sound capital and liquidity management and earnings stability while losses have been low, even at times of market turbulence. Being a regional savings bank, 53.6% of the bank is owned by the north Norwegian community and 46.4 % by private investors, and the bank's Supervisory Board, comprises equity certificates holders, depositors, employees and representatives of the public authorities. Related governance risks are however mitigated by Norway's developed institutional framework.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure and additional notching

The EU Bank Recovery and Resolution Directive (BRRD) was implemented on 1 January 2019 in Norway, which confirms our current assumptions regarding LGF analysis. In our Advanced LGF analysis, we assume residual tangible common equity of 3% and post-failure losses of 8% of tangible banking assets, a 25% run-off in "junior" wholesale deposits, a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These are in line with our standard assumptions.

The ratings take into account our forward-looking LGF analysis of the combined entity's volume of deposits and senior unsecured debt, as well as the volume of securities subordinated to them. SpareBank 1 Nord-Norge will be required to issue large volumes of instruments, before year-end 2024, which are subordinated to depositors and senior creditors to comply with their minimum requirements for own funds and eligible liabilities (MREL). The analysis takes into account the Norwegian FSA's revised approach to calculating MREL subordination requirements, following the expected implementation of the amended BRRD2 into Norwegian law, as well as the bank's need to hold buffers above the minimum requirements. This assumption leads to three notches of rating uplift for the bank's senior debt ratings, which is the same uplift afforded for the bank's deposit ratings.

However, under the new MREL subordination requirements, it is less likely that the bank will issue a sufficiently large buffer above the new lower minimum requirement to significantly reduce expected loss rates for junior senior debtholders. As a result, the holders of these instruments are likely to face moderate losses given failure, resulting in a rating of A3, in line with the bank's BCA.

For junior securities issued by SpareBank 1 Nord-Norge, our LGF analysis confirms a higher loss given failure, given the small volume of debt and limited protection from more subordinated instruments and residual equity, positioning them below the bank's BCA. We also incorporate additional notching for junior subordinated and preference share instruments reflecting the coupon features.

Government support

SpareBank 1 Nord-Norge has a solid, defensible footprint in northern Norway with 15 branches across the country as of December 2024. We estimate that the bank commands market shares of around 20% in terms of loans in the three northernmost counties of Norway, although its national market share is limited, at around 2.2%.

Following the implementation of the BRRD law in Norway on 1 January 2019, we assume a low probability of government support for debt and deposits, resulting in no additional notches of rating uplift above their Preliminary Rating (PR) Assessment, positioning them at Aa3.

For other junior securities, we continue to believe that potential government support is low and these ratings do not include any related uplift. Junior securities also include additional downward notching from the BCA, reflecting coupon suspension risk ahead of a potential failure.

Foreign-currency deposit rating

SpareBank 1 Nord-Norge's foreign-currency deposit rating of Aa3 is unconstrained because Norway has no country ceiling.

Foreign-currency debt rating

SpareBank 1 Nord-Norge's senior unsecured foreign-currency debt rating of Aa3 is unconstrained because Norway has no country ceiling.

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 9

Rating Factors

Macro Factors							
Weighted Macro Profile	Very Strong -	100%					
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	1.0%	aa2	↔	a3	Sector concentration	Single name concentration	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	20.0%	aa1	↔	aa2	Access to capital		
Profitability							
Net Income / Tangible Assets	1.4%	a1	↔	a3	Expected trend		
Combined Solvency Score		aa2		a1			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	26.1%	baa2	↔	baa3	Expected trend		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	12.5%	baa3	↔	baa3	Stock of liquid assets		
Combined Liquidity Score		baa2		baa3			
Financial Profile		a1		a3			
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint				Aaa			
BCA Scorecard-indicated Outcome - Range				a2 - baa1			
Assigned BCA				a3			
Affiliate Support notching				0			
Adjusted BCA				a3			
Balance Sheet							
		in-scope (NOK Million)	% in-scope	at-failure (NOK Million)	% at-failure		
Other liabilities		63,068	34.9%	71,844	39.8%		
Deposits		86,044	47.6%	77,268	42.8%		
Preferred deposits		63,673	35.2%	60,489	33.5%		
Junior deposits		22,371	12.4%	16,779	9.3%		
Senior unsecured bank debt		15,451	8.6%	15,451	8.6%		
Junior senior unsecured bank debt		7,440	4.1%	7,440	4.1%		
Dated subordinated bank debt		1,964	1.1%	1,964	1.1%		
Preference shares (bank)		1,250	0.7%	1,250	0.7%		
Equity		5,419	3.0%	5,419	3.0%		
Total Tangible Banking Assets		180,636	100.0%	180,636	100.0%		

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	26.7%	26.7%	26.7%	26.7%	3	3	3	3	0	aa3
Counterparty Risk Assessment	26.7%	26.7%	26.7%	26.7%	3	3	3	3	0	aa3 (cr)
Deposits	26.7%	8.9%	26.7%	17.5%	3	3	3	3	0	aa3
Senior unsecured bank debt	26.7%	8.9%	17.5%	8.9%	3	3	3	-	-	-
Junior senior unsecured bank debt	8.9%	4.8%	8.9%	4.8%	0	0	0	0	0	a3
Dated subordinated bank debt	4.8%	3.7%	4.8%	3.7%	-1	-1	-1	-1	0	baa1
Non-cumulative bank preference shares	3.7%	3.0%	3.7%	3.0%	-1	-1	-1	-1	-2	baa3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Assessment	3	0	aa3 (cr)	0	Aa3(cr)	
Deposits	3	0	aa3	0	Aa3	Aa3
Senior unsecured bank debt	-	-	-	0	Aa3	Aa3
Junior senior unsecured bank debt	0	0	a3	0	A3	A3
Dated subordinated bank debt	-1	0	baa1	0		(P)Baa1
Non-cumulative bank preference shares	-1	-2	baa3	0		Baa3 (hyb)

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

Ratings

Exhibit 10

Category	Moody's Rating
SPAREBANK 1 NORD-NORGE	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	Aa3
Senior Unsecured	Aa3
Junior Senior Unsecured	A3
Junior Senior Unsecured MTN	(P)A3
Subordinate MTN	(P)Baa1
Pref. Stock Non-cumulative	Baa3 (hyb)

Source: Moody's Ratings

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