CREDIT OPINION

12 September 2025

Update

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RATINGS

SpareBank 1 SMN

Domicile	Trondheim, 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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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100

SpareBank 1 SMN

Update to credit analysis following rating affirmation with stable outlook

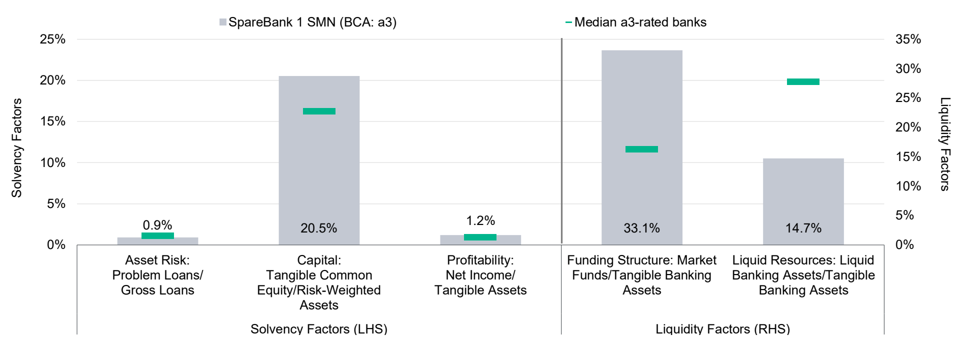
Summary

SpareBank 1 SMN's (SMN) long-term deposit and senior unsecured debt ratings of Aa3 reflect its Baseline Credit Assessment (BCA) of a3 and the results of our Advanced Loss Given Failure (LGF) analysis, which incorporate our assumptions for extremely low loss-given-failure for these instruments, resulting in a three-notch uplift from the BCA. We assume low probability of support for SMN from the Government of Norway (Aaa stable), which does not result in any rating uplift.

SMN's BCA of a3 reflects the bank's resilient solvency profile, supported by its solid asset quality, with low amounts of non-performing loans and historically low amounts of credit losses, as well as its sound capitalisation and strong profitability. SMN benefits from a strong retail franchise in central Norway and despite its narrow geographical footprint, maintains a fairly diversified loan book, with moderate exposures to cyclical and volatile sectors. SMN's BCA also reflects the bank's high reliance on market funding, a characteristic shared by all local savings banks, as well as its ample liquidity buffers.

Exhibit 1

Rating Scorecard - Key financial ratios



These are our Banks methodology scorecard ratios. Asset risk and profitability reflect the weaker of either the three-year average and latest annual figure. Capital is the latest reported figure. Funding structure and liquid resources reflect the latest fiscal year-end figures.

Source: Moody's Financial Metrics

Credit strengths

- Strong retail franchise in central Norway
- Well-managed asset quality with low levels of non-performing loans and historically low credit losses
- Sound capitalisation, which provides a buffer against potential future credit losses
- Diversified sources of non-interest income
- Large volume of deposits and debt indicate a very low loss given failure rate for deposits

Credit challenges

- Credit concentrations due to limited geographic footprint
- Potential risks from exposure to cyclical sectors
- High reliance on confidence-sensitive market funding

Outlook

The outlook on SMN's long-term deposit, issuer and senior unsecured debt ratings is stable, reflecting our expectation that the bank will sustain strong profitability and maintain sound capitalisation and sizeable liquidity buffers, while continuing to demonstrate well-managed asset quality.

Factors that could lead to an upgrade

SMN's long-term ratings could be upgraded if it significantly strengthens its capitalisation well above the regulatory minimum requirements; further improves its asset quality while reducing its sector and regional concentrations; strengthens its profitability; and reduces its reliance on market funding.

Factors that could lead to a downgrade

SMN's ratings could be downgraded if it significantly increases its exposure to cyclical and volatile sectors; experiences a substantial deterioration in asset quality and profitability; increases its reliance on wholesale funding; and if its liquidity weakens.

The ratings could also be downgraded as a result of a reduction in the volume of loss-absorbing liabilities protecting creditors and depositors in case of failure.

Key indicators

Exhibit 2
SpareBank 1 SMN (Consolidated Financials) [1]

	06-25[2]	12-24[2]	12-23[2]	12-22[2]	12-21[2]	CAGR/Avg.[3]
Total Assets (NOK Billion)	324.7	316.9	299.2	281.7	246.9	8.1[4]
Tangible Common Equity (NOK Billion)	25.6	26.2	24.7	21.3	19.9	7.4[4]
Problem Loans / Gross Loans (%)	0.8	0.9	0.9	1.0	1.7	1.1[5]
Tangible Common Equity / Risk Weighted Assets (%)	20.5	21.4	21.5	20.3	20.2	20.8[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	8.1	8.2	8.1	9.1	15.4	9.8[5]
Net Interest Margin (%)	1.8	1.9	1.7	1.4	1.4	1.6[5]
PPI / Average RWA (%)	3.5	3.7	3.6	2.8	2.8	3.3[6]
Net Income / Tangible Assets (%)	1.3	1.3	1.2	1.0	1.2	1.2[5]
Cost / Income Ratio (%)	44.9	42.8	42.7	46.5	47.0	44.8[5]
Market Funds / Tangible Banking Assets (%)	31.9	33.1	33.3	35.5	33.9	33.5[5]
Liquid Banking Assets / Tangible Banking Assets (%)	15.7	14.7	14.8	18.1	14.9	15.7[5]
Gross Loans / Due to Customers (%)	169.2	177.0	177.9	173.2	175.6	174.6[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 SMN is a leading regional savings bank in central Norway. It provides a range of retail banking, corporate banking and capital markets-related products and services. Furthermore, through its subsidiaries and associated companies, it offers real estate agency, investment, asset management and other financial services. As of the end of June 2025, its consolidated assets (including loans transferred to covered bond companies) totaled NOK324.7 billion (EUR27.3 billion).

Detailed credit considerations

Norway's Very Strong- macro profile remains supportive towards the bank's stand-alone credit profile

SMN operates only in Norway and thus its operating environment is reflected by the Very Strong - macro profile we assign to the country. Norwegian banks benefit from operating in a wealthy and developed country with very high economic, institutional and government financial strength, and very low susceptibility to event risk. Norway has a diversified and growing economy, which demonstrated resilience amid the weakening in the oil sector in 2014-15 and again in 2020.

The main risks to the banking system stem from the high level of household debt, high real estate prices and domestic banks' extensive use of market funding. However, these risks are mitigated by the strength of households' ability to service debt, banks' adequate capitalisation and the relatively small size of the banking system compared with the total size of the economy.

Nonetheless, we expect the Norwegian mainland economy (excluding any oil-related activity) to grow by around 1.5% in 2025-2027 after weak growth averaging 0.6% in 2023-2024.

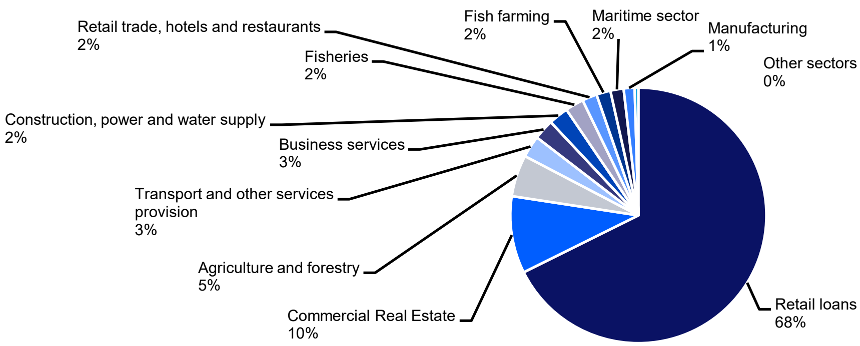
Strong asset quality with low amounts of non-performing loans and credit losses, albeit with some geographical and sector concentrations

We assign a score of baa1 to SMN's asset quality, five notches below the Macro-Adjusted score of aa2. The assigned score reflects the bank's strong asset quality, with low amounts of non-performing loans and historically low credit losses, but also its limited geographical diversification, as well as concentrations in more cyclical and volatile sectors in its corporate book. We make similar adjustments to the asset risk scores of other rated regional savings banks in Norway. We expect SMN's asset quality to remain resilient despite uncertainties in the operating environment stemming from higher inflation and higher interest rates, which could result in lower consumption spending and increased defaults in the small and medium-sized enterprise (SME) sector.

SMN's loan book mainly comprises retail loans (mostly in the form of mortgages), including retail mortgages transferred to SpareBank 1 Boligkreditt and commercial mortgages transferred to SpareBank 1 Naeringskreditt. As of 30 June 2025, retail loans represented 68% of SMN's total loan book (Exhibit 3). The rest of SMN's loan book includes corporate loans diversified across various sectors, with concentrations in more cyclical and volatile sectors such as commercial real estate, which represented 30% of corporate loans and 10% of total loans, and fisheries and fish farming, which together accounted for 13% of corporate loans and 4% of total loans. The bank has reduced its exposure to the oil and offshore sector, which accounted for around 2% of total loans at end-June 2025, compared to 4% in 2016, as it tightened its underwriting criteria for the sector.

Exhibit 3

SMN's loan portfolio composition as of 30 June 2025



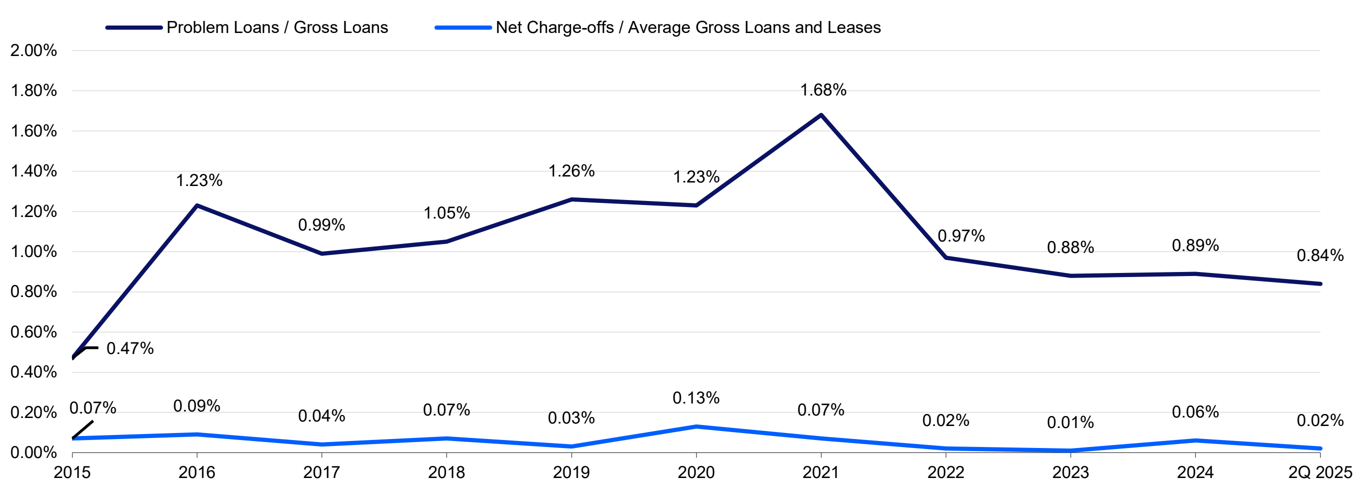
Retail loans shown in the chart include retail mortgages transferred to SpareBank 1 Boligkreditt and commercial mortgages transferred to SpareBank 1 Naeringskreditt

Source: Issuer financials, Moody's Ratings

As of end-June 2025, SMN's stage 3 loans represented 0.8% of total loans, including transferred mortgages (Exhibit 4). The bank's problem loan ratio has remained broadly stable since 2023, following the improvement in the credit quality of a number of oil and offshore loans, which were consequently transferred to Stage 2. This improvement was driven by a more favorable operating environment in the sector, notably by increased demand for oil and related services, as well as the bank's proactive approach to restructuring these loans. Nonetheless, the inherently volatile nature of this and other cyclical sectors present long-term risks to the bank's asset quality.

Exhibit 4

SMN's problem loan ratio and net charge-off ratio



Source: Issuer financials, Moody's Ratings

Sound capitalisation; anticipated moderate decline due to higher minimum risk weight on mortgages

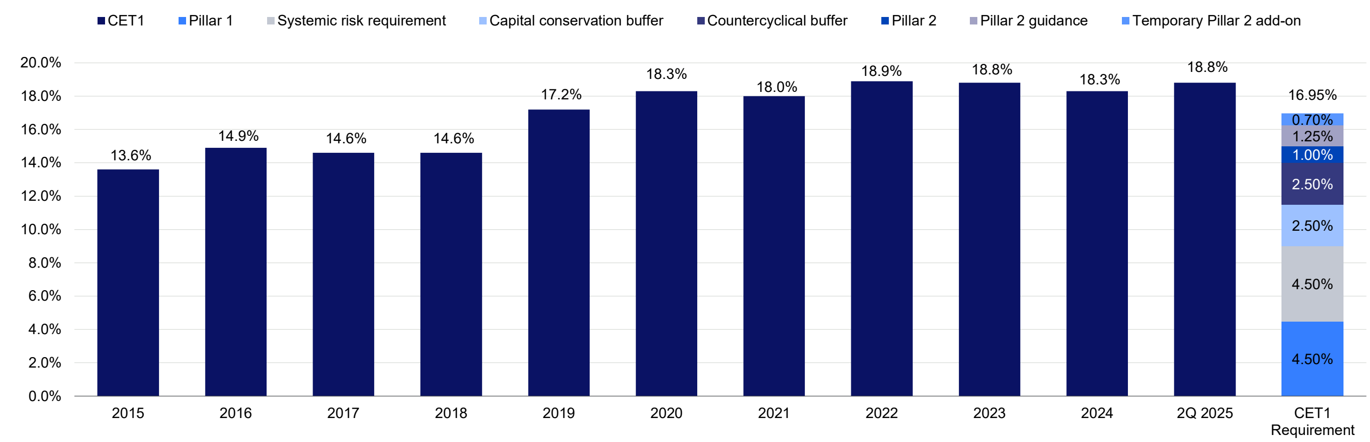
We assign an aa2 score to SMN's capital, one notch below the Macro-Adjusted score of aa1. The assigned score reflects the bank's sound capitalisation, with its strong earnings translating into substantial capital accretion capacity. Should SMN have a need to reinforce its capital position, it can do so by changing its financial policy related to equity distributions - currently targeted at 50% of earnings, with actual payout ratios reaching approximately 60% in 2024 and 70% in 2023.

The assigned score also reflects a high proportion of the equity certificate capital (ECC) ownership in SMN's capital structure (66.8% of the bank's total equity as of end-June 2025). Because of the dilutive effect that the ECC structure could cause, banks may face some challenges in raising new equity in case of need during difficult market conditions as compared to fully listed banks. This is in-line with our assessment for other rated Norwegian savings banks with a similar ECC ownership structure. However, partially mitigating this challenge for SMN is its established track record and substantial volume of previous ECC issuances, along with significant participation from foreign investors in these instruments.

SMN's capital levels have remained broadly stable since 2022, with a Common Equity Tier 1 (CET1) capital ratio of 18.8% as of 30 June 2025 (Exhibit 5). The bank's current capitalisation exceeds its minimum regulatory requirement of 16.95%, which includes a 0.7% temporary add-on to the Pillar 2 requirement while the FSA reviews the revised IRB models.

Exhibit 5

SMN's CET1 ratio vs. minimum capital requirement



Source: Issuer financials

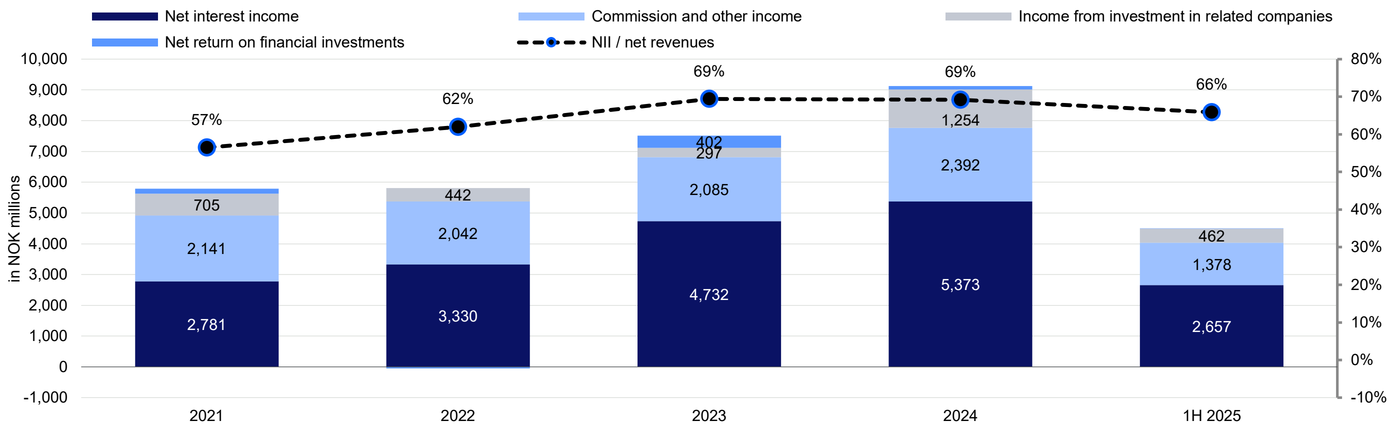
On 1 July 2025, the minimum risk weight for domestic residential mortgages rose to 25% from 20% for larger Norwegian banks using bespoke Internal Ratings Based (IRB) capital models. SMN estimates that this change will reduce its CET1 ratio by 130 basis points. We expect that the bank will build up its capital cushion through earnings retention.

SMN maintains solid leverage, with the ratio of 7.0% as of 30 June 2025, well in excess of the 3.0% minimum regulatory requirement.

Strong earnings supported by diversified non-interest income sources; expected decline in profitability due to lower interest rates

We assign a score of a3 to SMN's Profitability, one notch below the Macro-Adjusted score of a2. The assigned score reflects SMN's strong profitability, but also an expected decline in the bank's earnings due to lower interest rates. While SMN derives most of its revenues from net interest income, which represented 66% of its total revenues in the first half of 2025, its earnings are supplemented by diversified non-interest income sources. These include commissions, including on loans transferred to mortgage companies Boligkreditt and Næringskreditt, and income from other services and from investments in related companies (see Exhibit 6).

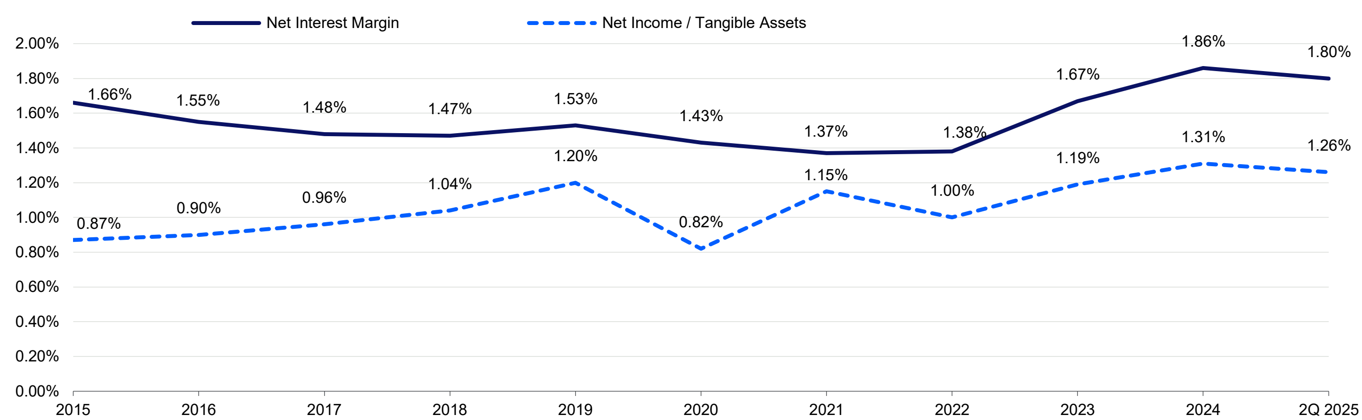
Exhibit 6
SMN's total income composition and net interest income as percent of net revenues



Net revenues are calculated as the sum of net interest income and commissions and other income. Income from investments in related companies and gains/losses on financial instruments are not included in net revenues.
Source: Issuer financials, Moody's Ratings

In the first six months of 2025, SMN recorded NOK2,134 million of earnings, a 1.7% increase from NOK2,034 million in the same period in 2024. The year-over-year increase in earnings was mainly driven by higher commissions and other fee income, as well as by income from investments in related companies and by lower loan loss provisions. These items more than offset a year-over-year reduction in a return on financial investments, and an increase in staff costs and other operating expenses (mostly IT-related). SMN's return on tangible assets (Moody's adjusted) was 1.3% in the first six months of 2025 (Exhibit 7), while its return on equity was 15.0%. We expect the bank's profitability to decline in the next twelve months due to lower interest rates, but to remain solid.

Exhibit 7
SMN's net interest margin and return on tangible assets



Source: Issuer financials, Moody's Ratings

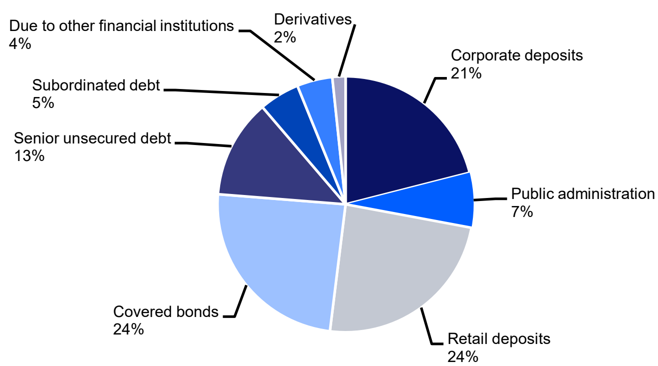
High reliance on market funding; strong deposit franchise in central Norway

We assign a score of baa3 to SMN's market funds ratio, in-line with the Macro-Adjusted score. The assigned score reflects SMN's reduced but still high reliance on confidence-sensitive wholesale funding, which represents a potential source of vulnerability during the times of market stress, as such funding can become costly and/or restricted. The assigned score also reflects the bank's growing retail deposit base, but also a large amount of corporate deposits, which we consider to be more price-sensitive and less stable than retail deposits.

SMN's market funds to tangible banking assets ratio declined to 32% by the end of June 2025 from an average of 37% in 2018-21, as the bank increased its focus on strengthening its deposit franchise. With the growth in deposits, SMN's loan-to-deposit ratio declined to 130% (169% when adjusted for transferred loans) by the end of June 2025 from 149% (199% adjusted) at year-end 2018. Deposits represented approximately half of SMN's non-equity funding as of end-June 2025 (Exhibit 8) and comprised corporate, public sector and retail deposits. We consider corporate deposits, which are typically larger and mostly uninsured, as more confidence- and price-sensitive and therefore as a less stable source of funding. Public sector deposits, while not covered by the government guarantee scheme, are more stable because they are bound by contractual obligations, which enhances their stickiness. In contrast, over 90% of SMN's retail deposits, which we consider to be most stable, are covered by the government guarantee.

Similar to other rated savings banks in Norway, SMN's wholesale funding includes large amounts of covered bonds, which are issued off balance sheet through specialised companies that SMN jointly owns with other savings banks of the SpareBank 1 Alliance, namely SpareBank 1 Boligkreditt for residential mortgages and SpareBank 1 Næringskreditt for commercial mortgages. We view covered bonds as a more stable source of wholesale funding compared to unsecured debt, and in our calculation of the market funds ratio, we incorporate a standard adjustment for the relative stability of the covered bond funding. At the same time, the extensive reliance on covered bond funding increases asset encumbrance of the bank, thereby limiting the amount of assets available for unsecured bondholders and depositors in the event of a liquidation.

Exhibit 8
SMN's funding mix
As of end-June 2025



Funding amounts are adjusted for covered bonds issued off-balance sheet through Boligkreditt and Næringskreditt.
Source: Issuer financials

Ample liquidity buffers in relation to funding needs

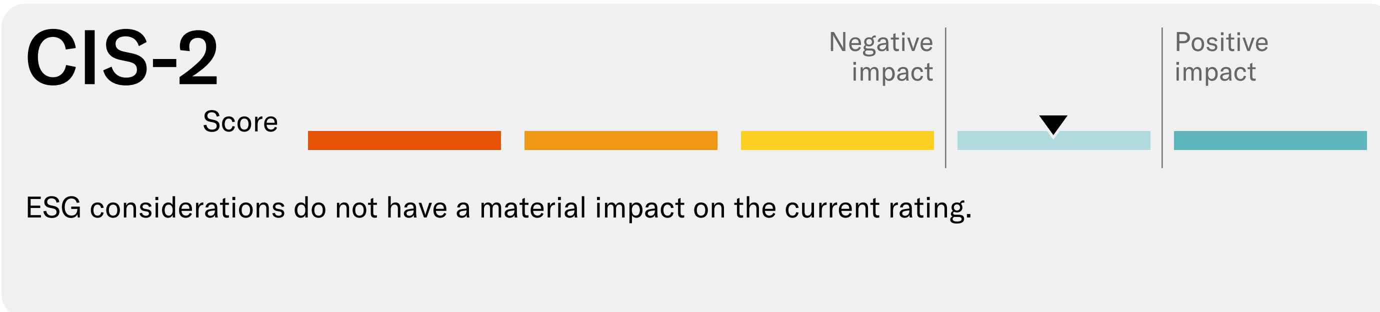
The assigned score of baa2, one notch above the Macro-Adjusted score, reflects SMN's ample liquidity buffers in relation to its funding needs and additional sources of liquidity in the form of assets held by the covered bond companies, Boligkreditt and Næringskreditt.

SMN's liquid assets represented 15.7% of tangible banking assets as of end-June 2025, providing ample buffers relative to its funding needs given the bank's lower reliance on deposits as compared to rated banks globally. In addition, SMN maintains a well-laddered debt maturity profile, with 78% of its wholesale funding maturing beyond one year, which supports its funding stability and reduces refinancing risk. The bank's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio were 196% and 127%, respectively, as of 30 June 2025, well in excess of the minimum regulatory requirements of 100% for both ratios.

ESG considerations

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

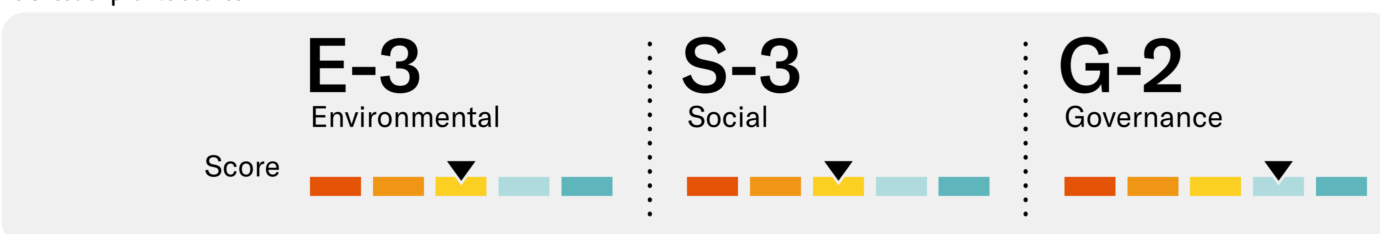
Exhibit 9
ESG credit impact score



Source: Moody's Ratings

SpareBank 1 SMN's **CIS-2** indicates that ESG considerations do not have a material impact on current ratings. This reflects the limited credit impact of environmental and social risk factors on the ratings to date, and the low governance risks.

Exhibit 10
ESG issuer profile scores



Source: Moody's Ratings

Environmental
SpareBank 1 SMN 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 facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, the bank is developing its climate risk and portfolio management capabilities.

Social
SpareBank 1 SMN 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 SMN 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 SMN's governance risks are low. 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 an established 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, 41% of the bank is owned by the central Norwegian community and 59% by Equity Certificate (EC) holders. The bank's Supervisory Board comprises EC holders, 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 Moodys.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

Norway implemented the EU's Bank Recovery and Resolution Directive (BRRD) on 1 January 2019, and subsequently, BRRD2 was incorporated into Norwegian law on 1 June 2022, which has resulted in lower subordination requirements for non-preferred senior volumes. For our resolution 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 and 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. We apply a standard assumption for the large European banks that 26% of deposits are junior.

Our Advanced LGF analysis indicates that SMN's long-term deposits and senior unsecured debt are likely to face extremely low loss-given-failure because of the loss absorption provided by subordinated debt and the volume of deposits and senior debt. This results a Preliminary Rating Assessment (PRA) of aa3 for deposit and senior unsecured ratings, three notches above the bank's a3 BCA. For SMN's junior senior securities (senior non-preferred debt), our LGF analysis indicates a moderate loss level, positioning the rating at the same level as the bank's a3 BCA. The PRA for SMN's junior securities include additional downward notching from the BCA, reflecting coupon suspension risk ahead of a potential failure.

Government support

SMN has a well-established regional franchise in central Norway, although its national lending market share is limited to below 5% as of Q2 2025. Since the implementation of the BRRD legal framework in Norway on 1 January 2019, which aligns with that of the EU, we assume low probability of government support for the bank's debt and deposits, resulting in no additional notches of rating uplift above the assigned BCA.

Rating methodology and scorecard factors

Exhibit 11

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		0.9%	aa2	↔	baa1	Geographical concentration	Sector concentration
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		20.5%	aa1	↔	aa2	Stress capital resilience	
Profitability							
Net Income / Tangible Assets		1.2%	a2	↔	a3	Expected trend	
Combined Solvency Score			aa2		a2		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		33.1%	baa3	↔	baa3		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		14.7%	baa3	↑	baa2	Stock of liquid assets	
Combined Liquidity Score			baa3		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	108,583	33.6%	123,826	38.3%
Deposits	149,446	46.2%	134,203	41.5%
Preferred deposits	110,590	34.2%	105,061	32.5%
Junior deposits	38,856	12.0%	29,142	9.0%
Senior unsecured bank debt	36,255	11.2%	36,255	11.2%
Junior senior unsecured bank debt	14,667	4.5%	14,667	4.5%
Dated subordinated bank debt	2,828	0.9%	2,828	0.9%
Preference shares (bank)	1,996	0.6%	1,996	0.6%
Equity	9,704	3.0%	9,704	3.0%
Total Tangible Banking Assets	323,479	100.0%	323,479	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	29.2%	29.2%	29.2%	29.2%	3	3	3	3	0	aa3
Counterparty Risk Assessment	29.2%	29.2%	29.2%	29.2%	3	3	3	3	0	aa3 (cr)
Deposits	29.2%	9.0%	29.2%	20.2%	3	3	3	3	0	aa3
Senior unsecured bank debt	29.2%	9.0%	20.2%	9.0%	3	3	3	-	-	-
Junior senior unsecured bank debt	9.0%	4.5%	9.0%	4.5%	0	0	0	0	0	a3
Dated subordinated bank debt	4.5%	3.6%	4.5%	3.6%	-1	-1	-1	-1	0	baa1

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

[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 12

Category	Moody's Rating
SPAREBANK 1 SMN	
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 -Dom Curr	A3
Junior Senior Unsecured MTN	(P)A3
Subordinate MTN	(P)Baa1

Source: Moody's Ratings

REPORT NUMBER 1454562

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Americas	1-212-553-1653
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EMEA	44-20-7772-5454