

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms SpareBank 1 SMN's Aa3 deposit ratings, outlook stable

05 Sep 2025

London, September 05, 2025 -- Moody's Ratings (Moody's) today affirmed SpareBank 1 SMN's (SMN) Baseline Credit Assessment (BCA) and Adjusted BCA of a3, its long-term and short-term deposit ratings of Aa3/P-1, its long-term issuer and senior unsecured debt ratings of Aa3, and its senior unsecured Euro Medium-Term Note (MTN) programme ratings of (P)Aa3. We also affirmed the bank's junior senior unsecured debt ratings of A3, its junior senior unsecured Euro MTN programme rating of (P)A3 and its subordinated MTN programme rating of (P)Baa1. In the same rating action, we affirmed SMN's long-term and short-term Counterparty Risk Ratings (CRRs) of Aa3/P-1, and its long-term and short-term Counterparty Risk Assessment (CRA) of Aa3(cr)/P-1(cr).

The outlooks on SMN' long-term deposit, issuer and senior unsecured ratings remain stable.

RATINGS RATIONALE

The affirmation of SMN's long-term deposit and senior unsecured debt ratings of Aa3 reflects the bank's 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.

The affirmation of SMN's BCA of a3 reflects the bank's resilient solvency profile, supported by its solid asset quality, with low level 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.

SMN's problem loan ratio, which was 0.8% as of end-June 2025, has remained broadly stable since 2023, following the improvement in the credit quality of a number of oil and offshore loans. SMN's earnings amounted to approximately NOK2 billion in the first six months of 2025, translating into an annualized return on tangible assets of 1.3%. While the bank's profitability will likely moderate with lower interest rates, we expect it to remain solid.

SMN's strong earnings generation translates into substantial capital accretion capacity and supports its sound capitalisation. As of end-June 2025, SMN's Common Equity Tier 1 (CET1) ratio was 18.8%, in excess of its minimum capital requirement of 16.95%. The introduction of new regulatory minimum risk weight requirements for domestic residential mortgages in July 2025 will lead to a moderate decline in SMN's capitalisation. Nonetheless, we anticipate that the bank will build up its capital buffer through earnings retention.

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 OR DOWNGRADE OF THE RATINGS

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.

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.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2024 and available at <https://ratings.moodys.com/rmc-documents/432741>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

SMN's "Assigned BCA" score of a3 is set two notches below the "Financial Profile" initial score of a1, reflecting its narrow geographical footprint with moderate exposures to cyclical and volatile sectors.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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