Financial Institutions

MOODY'S RATINGS

CREDIT OPINION
29 May 2025

Update

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RATINGS

SpareBank 1 Sogn og Fjordane

Domicile	Norway
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Negative

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 Sogn og Fjordane

Update to credit analysis following outlook change to negative

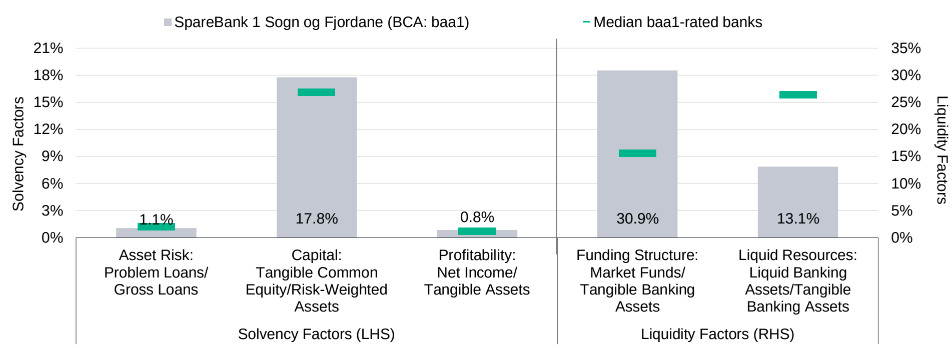
Summary

The A1 long-term deposit and issuer ratings of SpareBank 1 Sogn og Fjordane's (SSF) reflect the bank's standalone creditworthiness, as expressed by baa1 Baseline Credit Assessment (BCA), and very low loss-given-failure, which results in a three-notch uplift to its deposit and issuer ratings under our advanced Loss Given Failure (LGF) analysis. Low probability of support from the Government of Norway (Aaa, outlook stable), does not result in any further uplift.

The bank's baa1 BCA reflects its strong solvency metrics, underpinned by a resilient lending portfolio demonstrated by its low share of problem loans comprising 1.0% as of March 2025, robust profitability and very high core capital levels with a common equity tier 1 ratio of 17.3% as of March 2025, well above regulatory requirements.

These strengths are balanced against the bank's high level of capital markets funding and credit concentrations towards the bank's home region in Western Norway and sectoral concentration to primary industries and real-estate.

Exhibit 1
Rating Scorecard - Key financial ratios



These ratios are calculated based on our Banks Methodology scorecard. The bank's problem loan and profitability ratios are the weaker of the average of the latest three year-end ratios and the latest reported ratio. The bank's capital ratio is the latest reported figure. The bank's funding structure and liquid resources ratios are the latest year-end figures.
Source: Moody's Financial Metrics

Credit strengths

» Low level of problem loans supported by retail-focused lending

» Strong core capital levels

» Sound recurring profitability, driven by efficient cost structure

» Solid stock of liquid assets

Credit challenges

» High geographic lending concentration and sizable real estate exposure

» Substantial capital market funding reliance, despite its large deposit base

» Limited earnings diversification by income stream and geography

Outlook

The negative outlook on the long-term deposit and issuer ratings reflects our expectation of a gradual decline in the volume of loss-absorbing instruments, which if sustained, could lead to higher potential loss rates for senior unsecured bondholders and junior depositors under our forward-looking LGF analysis in a resolution scenario.

Factors that could lead to an upgrade

An upgrade of SSF's long-term issuer and deposit ratings is unlikely in the next 12 to 18 months given the negative outlook . The outlook could return to stable if we expect the bank to continue issuing senior unsecured debt and more junior ranked securities in line with its current funding composition, together comprising more than 12% of tangible banking assets.

The bank's BCA could be upgraded if the bank improved its funding profile through a substantial reduction of confidence sensitive market funding or reduced its geographic, sector, and single borrower concentration while maintaining good asset quality and adequate coverage of problem loans.

Factors that could lead to a downgrade

The long-term issuer ratings of SSF could be downgraded if the bank issues a lower volume of senior unsecured and more junior debt securities, resulting in these securities comprising less than 12% of tangible banking assets. Additionally, both the long-term issuer and deposit ratings could be downgraded if the volume of more junior loss-absorbing securities falls below 8% of tangible banking assets.

Furthermore, its ratings and assessments could be downgraded if its credit risk profile worsens through elevated sectoral or borrower concentration, its franchise weakens reducing its earnings capacity, funding conditions become more difficult that would challenge the bank's refinancing capacity.

Key indicators

Exhibit 2
SpareBank 1 Sogn og Fjordane (Consolidated Financials) [1]

	03-25[2]	12-24[2]	12-23[2]	12-22[2]	12-21[2]	CAGR/Avg.[3]
Total Assets (NOK Billion)	81.5	79.5	73.6	70.8	65.8	6.8[4]
Tangible Common Equity (NOK Billion)	6.6	6.8	6.4	5.7	5.4	6.1[4]
Problem Loans / Gross Loans (%)	1.0	1.0	1.2	1.0	1.9	1.2[5]
Tangible Common Equity / Risk Weighted Assets (%)	17.8	18.3	18.2	16.8	16.1	17.4[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	9.6	9.7	11.9	10.0	18.7	12.0[5]
Net Interest Margin (%)	1.9	2.0	2.0	1.6	1.4	1.8[5]
PPI / Average RWA (%)	2.6	2.9	3.2	2.4	2.4	2.7[6]
Net Income / Tangible Assets (%)	0.8	1.0	1.1	0.8	1.0	1.0[5]
Cost / Income Ratio (%)	41.6	41.5	33.3	38.4	38.4	38.6[5]
Market Funds / Tangible Banking Assets (%)	30.9	30.9	30.4	27.0	27.3	29.3[5]
Liquid Banking Assets / Tangible Banking Assets (%)	14.4	13.1	11.1	11.6	11.2	12.3[5]
Gross Loans / Due to Customers (%)	197.1	197.2	198.9	184.5	182.9	192.1[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 Sogn og Fjordane (SSF) is the largest bank headquartered in the region of Sogn og Fjordane (which has been a part of Vestland county since 2020) and offers retail and corporate customers products in banking, financing, insurance, savings, pensions and payment services. SSF's main market is Sogn og Fjordane but the bank has expanded the scope of its retail operations to include several larger cities around Norway. As of 31 December 2024, the bank reported total consolidated assets of around NOK79.5 billion (around €6.7 billion).

The bank uses its fully-owned subsidiary, Bustadkreditt Sogn og Fjordane AS (A1/negative, issuer rating/outlook), for covered bonds issuance. As of December 2024, SSF transferred 39% of its total loan book to Bustadkreditt Sogn og Fjordane AS. Following the completed move to SpareBank 1 Alliance in November 2024, SSF has also started transferring loans to the Alliance's covered bond vehicles. As of December 2024, the bank transferred NOK2.5 billion (4% of total loan book) to SpareBank 1 Boligkreditt.

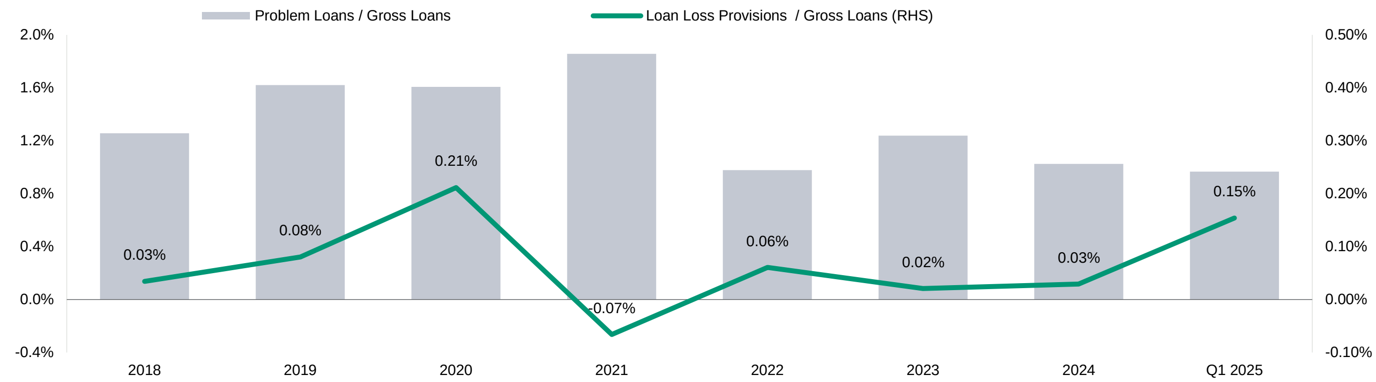
Detailed credit considerations

Low level of problem loans supported by retail-focused lending, albeit with high geographic lending concentration and sizable real estate exposure

SSF's strong asset quality with a low level of problem loans, 1.0% of gross loans as of March 2025, is underpinned by its high proportion of mortgage lending (around three-quarters of gross loans is to retail customers), a market segment with historically low delinquencies and losses. Despite risks stemming from the structurally high level of household debt in Norway, we expect benign macroeconomic conditions, with low unemployment and modest economic growth to continue supporting households repayment ability, and the bank's supporting asset quality.

While the bank has historically strong asset performance with low through-the-cycle loan losses, its credit profile is constrainted by significant geographic lending concentration to its home region of Sogn og Fjordance. The bank has very sizable market shares in the local retail and corporate lending market, which makes it vulnerable to shocks in the region. Like many of its peers, its growing its retail book more actively outside its home county of Vestland, but together this only comprised 21.6% of total loans as of December 2024.

Exhibit 3
Strong asset quality performance with low share of problem loans and credit impairments
Problem loans and cost of risk ratios



Q1 2025 presents the loan loss provisions ratio on an annualised basis.
Sources: Bank's disclosures and Moody's Ratings

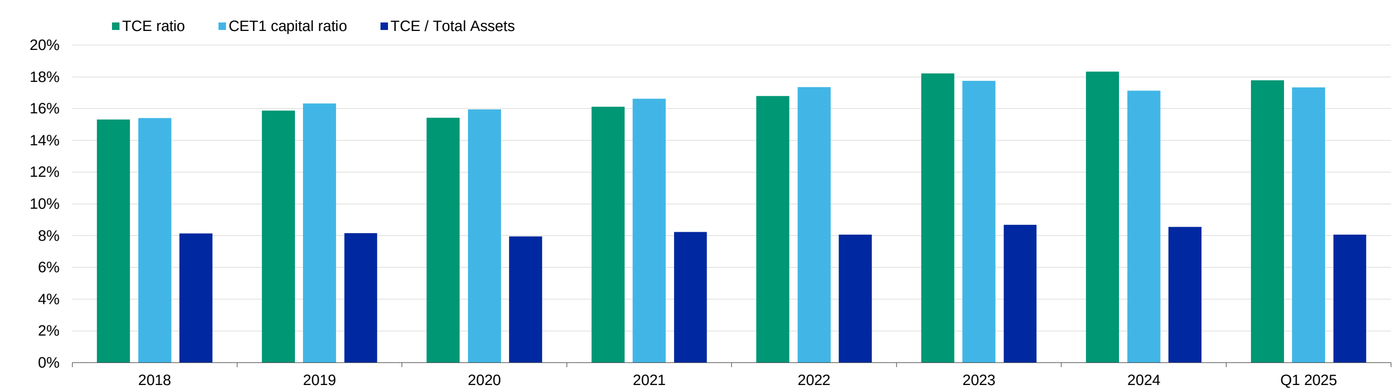
Exposure to the more volatile real estate and construction sectors accounted for 11% of total loans as of December 2024, and one-fifth of its non-performing corporate loans. Similar to some of its rated Norwegian peers, the bank has some single name lending concentrations, which given the nominally modest balance sheet size, could increase the pace and the extent of any deterioration in asset quality in a potentially worsening operating environment.

The assigned Asset Risk score of baa1 reflects the low level of problem loans balanced against its significant geographic lending concentrations and exposure to the more cyclical real estate sector.

Strong core capital levels

SSF maintains very high core capital levels, with a tangible common equity (TCE) and common equity tier 1 (CET1) capital ratios of 17.8% and 17.3% as of March 2025, and a very high leverage ratio of 8.1% for the same period, reflecting high capitalisation in comparison to its lower-risk lending focus. The bank's regulatory minimum CET1 capital requirement was 15.0%, including a Pillar 2 requirement of 1.7%, as of December 2024. SSF maintains its core capitalisation in excess of its buffer with a target CET1 capital ratio of 16.5%, and a goal to distribute at least 50% of its annual profit in dividends and gifts.

Exhibit 4
High core capital ratios to increase further under new capital rules
Capital metrics



Source: Bank's disclosures and Moody's Ratings

Following the implementation of updated capital rules from 1 April 2025, the bank's risk-weighted assets (RWA) will decrease, with lower requirements being applied to SME exposures and a more risk-sensitive approach to retail mortgages, benefitting the bank's low average loan-to-value ratio. As of March 2025, the bank expected this should result in two percentage points of uplift to its capital adequacy ratio. It should be noted that SSF remains on the standardised model in calculating its RWA, although this may change for part of its RWA balance after joining the SpareBank 1 Alliance, as the SpareBank 1 Boligkreditt uses the internal ratings-based approach.

The assigned Capital score of aa3 reflects the bank's high core capital levels balanced against the limited shareholder investor base that constrains its ability and capacity to raise new capital if needed during periods of market volatility.

Sound recurring profitability driven by efficient cost structure but with limited earnings diversification

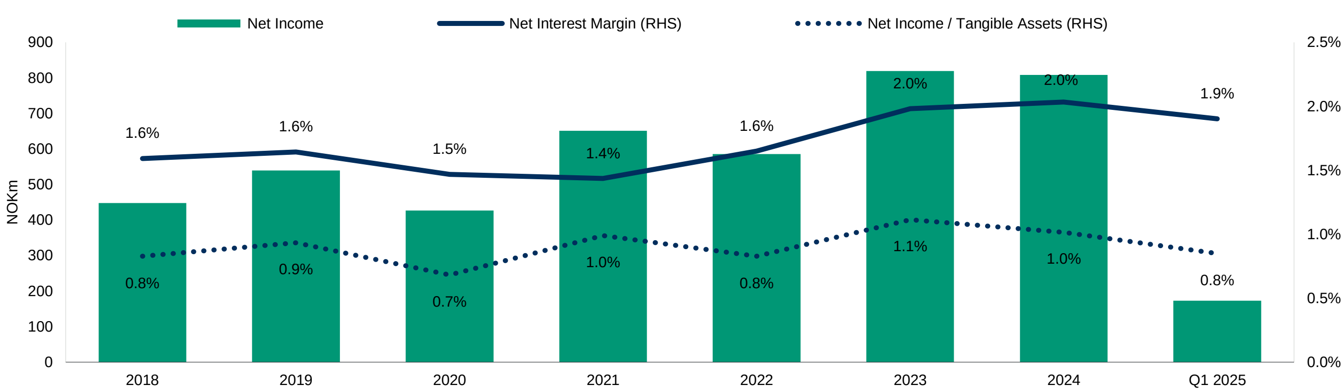
SSF's recurring profitability is sound, which benefits from an efficient cost structure, which we expect will improve after joining the SpareBank 1 Alliance. In recent years it has also benefitted from higher interest rates and moderate lending growth. Net interest margins have begun declining ahead of an expected reduction in the policy rate, which alongside strong competition will lead to a modest decline in the bank's net income to tangible assets.

Lending to retail clients grew by 4.5% year-on-year, while lending to corporate clients increased by 4.2%. This overall growth in lending supported SSF's net interest income, which rose to NOK1,586 million in 2024, an 8% increase compared to the prior corresponding period. However, profitability, measured as net income to tangible assets, edged down slightly to 1.0% in 2024 from 1.1% in 2023. It declined further to an 0.85% on an annualised basis in the first quarter of 2025.

Exhibit 5

SSF operates with strong margins

Profitability metrics



Q1 2025 ratios are presented on an annualised basis, while net income figure reflects quarterly net income.
Source: Bank's disclosures, Moody's Ratings

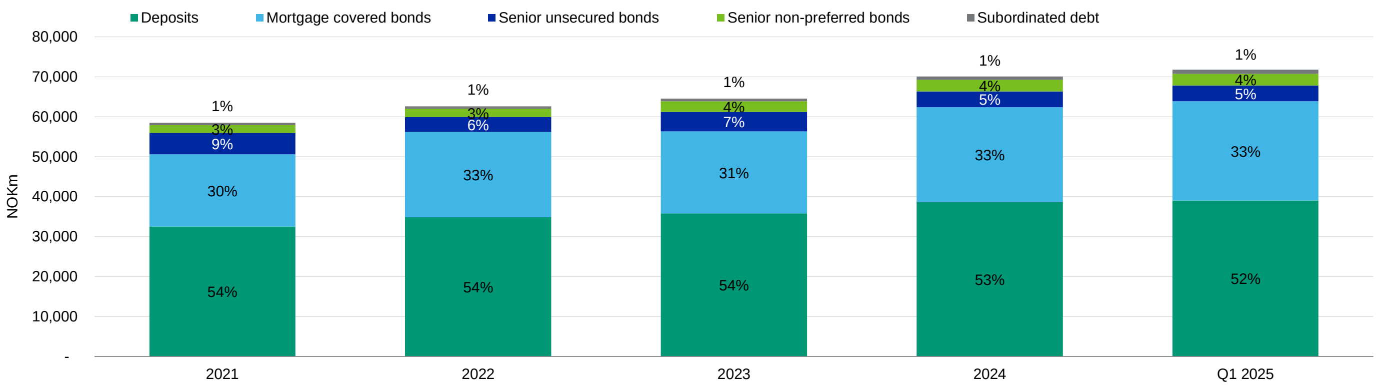
The bank has historically reported a modest contribution from net fees and commission income, accounting for only around 10% of total revenue in the 2024 financial year. This has limited its income diversification. However, we expect the share of non-interest income to rise as the bank leverages the full product suite available through its membership in the SpareBank 1 Alliance. This should support growth in net fee and commission income. While less predictable, the bank will also benefit from dividends from the Alliance's product companies. Additionally, access to more competitive pricing for systems and processes through the Alliance should help the bank maintain its low cost-to-income ratio.

The assigned Profitability score of baa2 reflects our expectation that profitability will decline over the next 12-18 months as a result of weakening net interest margins.

Substantial capital market funding reliance, despite its large deposit base

SSF's funding profile is supported by a sizeable deposit base, which accounted for roughly half of its non-equity funding as of March 2025. Around two-thirds of these deposits stem from retail customers, with a large portion of the residual deposits comprising relatively stable SME deposits. However, the bank remains significantly reliant on market funding, making it vulnerable to shifts in investor sentiment. While it issues a notable portion of senior debt, the majority of its wholesale funding consists of domestically issued covered bonds, which we view as more stable than unsecured market instruments, reflected in an adjustment to the market funds to tangible banking assets ratio.

Exhibit 6
The share of covered bond issuance within total liabilities has increased, as senior bonds has declined
Funding composition



Data labels present funding source as a share of total liabilities.
Source: Bank's disclosures and Moody's Ratings

Historically, covered bonds have been issued through the bank's wholly owned covered bond company, Bustadkreditt Sogn og Fjordane AS (BSF), which was established in 2009. Since SSF became fully integrated into the SpareBank 1 Alliance in November 2024, it has begun financing itself through the transfer of loans to the jointly owned covered bond company, SpareBank 1 Boligkreditt. This transition is expected to result in slightly lower funding costs. Consequently, we anticipate a gradual decline in the use of BSF-sourced funding as the bank increases its reliance on SpareBank 1 Boligkreditt.

Although SSF was previously able to issue LCR-eligible bonds through its own covered bond entity, we view the shift to SpareBank 1 Boligkreditt positively. It should broaden the bank's investor base by enabling participation in larger benchmark issuances.

Furthermore, the implementation of CRR3 in Norway on 1 April 2025 is expected to reduce the bank's average risk weights, thereby lowering its risk-weighted Minimum Requirements for Own Funds and Eligible Liabilities (MREL) and, consequently, the volume of required MREL-eligible issuance.

The assigned Funding Structure score of baa3 reflects the bank's high dependence on capital market funding and sizable retail-focused deposit base.

Solid stock of liquid assets

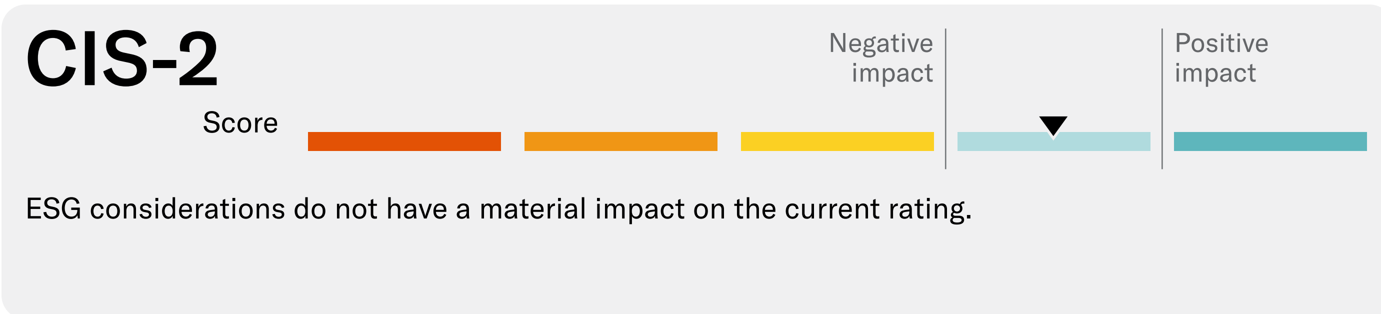
The bank's stock of liquid banking assets is solid, with holdings primarily comprising government securities and covered bonds. Similar to its peers, most of these are Norwegian covered bonds, which introduces some contagion risk. As of March 2025, SSF's liquid banking assets amounted to 14.4% of tangible banking assets, up from 11.1% as of December 2023 due to an expansion of the bank's liquidity portfolio. The bank's Liquidity Coverage Ratio (LCR) stood at 162% as of March 2025.

The assigned Liquid Resources score of baa3 reflects the bank's robust liquidity buffers.

ESG considerations

SpareBank 1 Sogn og Fjordane's ESG credit impact score is CIS-2

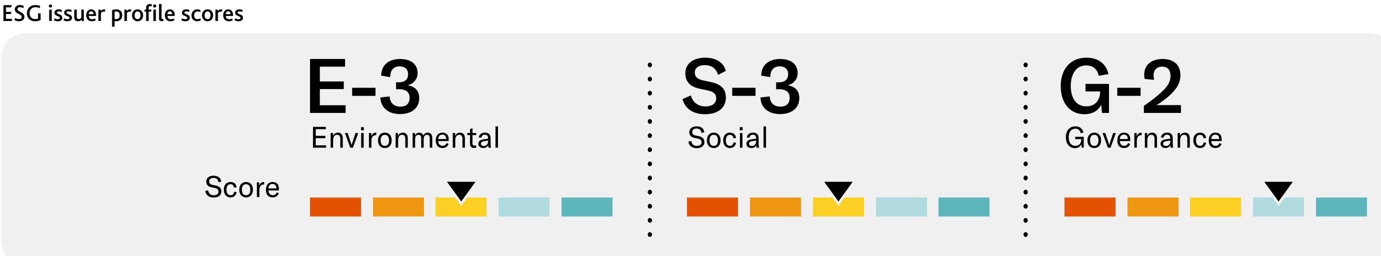
Exhibit 7
ESG credit impact score



Source: Moody's Ratings

SSF's **CIS-2** reflects the limited credit impact of environmental and social risk factors on the rating to date, and neutral-to-low governance risks.

Exhibit 8
ESG issuer profile scores



Source: Moody's Ratings

Environmental

SSF 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

SSF faces moderate industry-wide social risks related to regulatory and litigation risks, requiring high compliance standards. These risks are mitigated by the bank's developed policies and procedures. High cyber and personal data risks are mitigated by the bank's strong IT framework.

Governance

SSF 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 it is fully owned by two community foundations in the form of listed equity certificates. The bank's Supervisory Board, comprises of representatives of EC holders, customer representatives and employees representatives. 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 (LGF) analysis

We apply our Advanced LGF analysis to SSF because the bank is based in Norway, which we consider an operational resolution regime. For this analysis, we assume that equity and losses are at 3% and 8%, respectively, of tangible banking assets in a failure scenario. We also assume a 25% runoff of junior wholesale deposits and a 5% runoff in preferred deposits. Moreover, we assign a 25% probability to junior deposits being preferred over senior unsecured debt. These metrics are in line with our standard assumptions.

Our LGF analysis indicates that SSF's junior depositors and senior unsecured debtholders are likely to face very low loss given failure because of the large buffer of large volume of deposits and senior debt as well as loss-absorbing liabilities, which currently results in these ratings being positioned three notches above the BCA. The negative outlook on these ratings reflects our expectation of a gradual decline in loss-absorbing securities, which if sustained, could lead to higher potential loss rates for junior depositors and senior unsecured debtholders, and as a result reduced uplift from the BCA.

Government support considerations

SSF holds a dominant market position in both retail and corporate lending within its home region of Sogn og Fjordane in Western Norway. However, its operations and market share remain limited at the national level. Consequently, we consider the probability of government support in SSF's ratings to be low, resulting in no further uplift to the ratings.

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		1.1%	aa2	↔	baa1	Geographical concentration	Sector concentration
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		17.8%	aa2	↔	aa3	Access to capital	
Profitability							
Net Income / Tangible Assets		0.8%	baa1	↔	baa2	Earnings quality	Expected trend
Combined Solvency Score			aa3		a3		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		30.9%	baa3	↔	baa3	Extent of market funding reliance	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		13.1%	baa3	↔	baa3	Stock of liquid assets	
Combined Liquidity Score			baa3		baa3		
Financial Profile			a2		baa1		
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					a3 - baa2		
Assigned BCA					baa1		
Affiliate Support notching					0		
Adjusted BCA					baa1		

Balance Sheet	**in-scope (NOK Million)**	**% in-scope**	**at-failure (NOK Million)**	**% at-failure**
Other liabilities	31 540	38.7%	35 519	43.6%
Deposits	39 008	47.9%	35 029	43.0%
Preferred deposits	28 866	35.4%	27 423	33.6%
Junior deposits	10 142	12.4%	7 607	9.3%
Senior unsecured bank debt	3 926	4.8%	3 926	4.8%
Junior senior unsecured bank debt	2 950	3.6%	2 950	3.6%
Dated subordinated bank debt	1 034	1.3%	1 034	1.3%
Preference shares (bank)	600	0.7%	600	0.7%
Equity	2 445	3.0%	2 445	3.0%
Total Tangible Banking Assets	81 503	100.0%	81 503	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	22.8%	22.8%	22.8%	22.8%	3	3	3	3	0	a1
Counterparty Risk Assessment	22.8%	22.8%	22.8%	22.8%	3	3	3	3	0	a1 (cr)
Deposits	22.8%	8.6%	22.8%	13.4%	3	3	3	3	0	a1
Senior unsecured bank debt	22.8%	8.6%	13.4%	8.6%	3	2	3	3	0	a1

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	a1	0	A1	A1
Counterparty Risk Assessment	3	0	a1 (cr)	0	A1(cr)	
Deposits	3	0	a1	0	A1	A1
Senior unsecured bank debt	3	0	a1	0	A1	A1

[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 SOGN OG FJORDANE	
Outlook	Negative
Counterparty Risk Rating	A1/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A1
BUSTADKREDITT SOGN OG FJORDANE AS	
Outlook	Negative
Counterparty Risk Rating	A1/P-1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A1

Source: Moody's Ratings

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