

## CREDIT OPINION

17 March 2023

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 to credit analysis

#### Summary

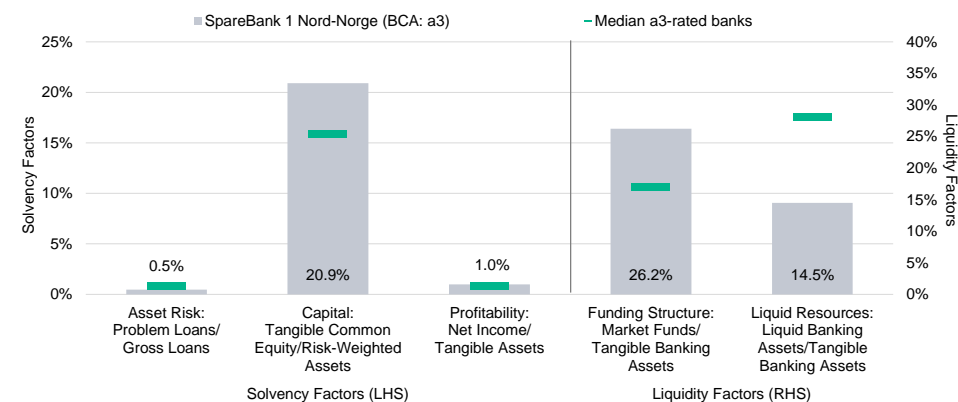
[SpareBank 1 Nord-Norge's](#) Aa3 long-term deposit and senior unsecured debt ratings are derived from the bank's Baseline Credit Assessment (BCA) of a3, including our forward-looking Loss Given Failure (LGF) analysis, which leads to three notches of rating uplift from its BCA.

SpareBank 1 Nord-Norge's BCA of a3 reflects the bank's high levels of capital, strong regional position and retail focus, combined with a solid deposit franchise, as well as very low level of nonperforming loans and strong track record of minimal credit losses. The bank's BCA also takes into account its comfortable liquidity position and good profitability, which we expect to remain strong. These positive rating drivers are constrained by risks stemming from the bank's relatively narrow geographical focus alongside high levels of credit concentrations, including exposure to the commercial real estate (CRE) sector, and the bank's high market funding reliance.

SpareBank 1 Nord-Norge's deposit and senior unsecured debt ratings incorporate our forward-looking LGF analysis, taking into account the bank's large volume of deposits and a substantial stock of securities subordinated to them, which results in very low loss given failure and thus three notches of rating uplift from the bank's BCA.

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 Financial Metrics

## Credit strengths

- » Solid capital ratios, which provide a good loss-absorption buffer
- » A good customer deposit franchise, which underpins comfortable liquidity and results in deposit ratings benefiting from a very low loss given failure rate
- » Satisfactory recurring pre-provision profitability, supported by a low cost base

## Credit challenges

- » Asset-risk profile partly affected by some sector and geographical concentrations, although the level of problem loans is very low
- » Some 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 the use of market funds while maintaining strong capitalisation and strong earnings' generation capacity 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 that of 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; and 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 if the bank issues significantly 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.moodys.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

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

	09-22 <sup>2</sup>	12-21 <sup>2</sup>	12-20 <sup>2</sup>	12-19 <sup>2</sup>	12-18 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (NOK Billion)	161.5	154.9	155.4	147.6	139.0	4.1 <sup>4</sup>
Tangible Common Equity (NOK Billion)	14.6	15.6	14.1	13.2	12.1	5.1 <sup>4</sup>
Problem Loans / Gross Loans (%)	0.5	0.4	0.3	0.3	0.5	0.4 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	20.9	22.2	20.6	19.9	17.1	20.1 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	4.0	3.2	2.9	2.5	4.9	3.5 <sup>5</sup>
Net Interest Margin (%)	1.7	1.6	1.6	1.7	1.7	1.6 <sup>5</sup>
PPI / Average RWA (%)	2.9	3.0	2.8	2.4	2.2	2.6 <sup>6</sup>
Net Income / Tangible Assets (%)	1.0	1.5	0.9	1.4	1.1	1.2 <sup>5</sup>
Cost / Income Ratio (%)	43.0	43.6	45.4	48.6	48.9	45.9 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	25.8	26.2	28.9	29.9	30.7	28.3 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	13.6	14.5	13.3	13.0	12.9	13.5 <sup>5</sup>
Gross Loans / Due to Customers (%)	163.7	165.1	173.8	178.9	177.6	171.8 <sup>5</sup>

[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 Investors Service 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 September 2022, its consolidated assets (including loans transferred to covered bond companies) totalled more than NOK161 billion (€14.8 billion).

## Recent developments

To curb rising inflation, Norges Bank has been gradually increasing its reference rate since September 2021, resulting in a reference rate of 2.75% as of December 2022. Norges Bank expects the policy rate to be around 3% in 2023. The countercyclical buffer (CCyB) requirement increased to 2.0% in December 2022 and will increase further to 2.5% effective from the end of March 2023.

Russia's invasion of [Ukraine](#) (Ca stable) and the economic sanctions that the [US](#) (Aaa stable), European governments and other allies have subsequently imposed on Russia have increased risks to the global economic outlook. Increased geopolitical risks are unambiguously negative for economic activity. The magnitude of the effects will depend on the length and severity of the crisis.

Norway's trade flows with Russia are very limited because they export the same type of goods, with the production of oil and gas being the most significant to the Norwegian economy. As European countries are looking to reduce imports from Russia, Norway is likely to benefit from the increased demand in Europe.

## 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.

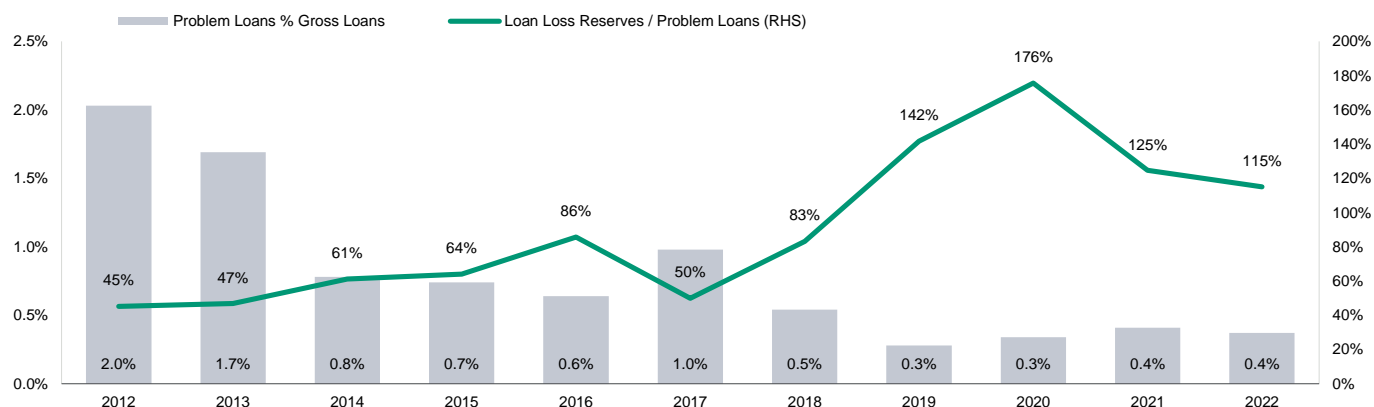
A significant increase in the rate of household debt accumulation, combined with high house price inflation, or a significant house price decline, would potentially strain Norway's macro profile.

### Strong asset risk profile with very low problem loans, although partly affected by some sector and borrower concentrations

SpareBank 1 Nord-Norge's loan book benefits from a substantial proportion of retail loans (67% of gross loans as of December 2022, including loans transferred to covered bond companies), mostly in the form of mortgages. The bank's asset quality is generally strong, with a problem loan ratio (stage 3 loans as a percentage of total gross loans, including covered bond loans and excluding off-balance-sheet items) of around 0.5% as of September 2022 (see Exhibit 3) and decreased further to 0.4% at end December 2022.

Exhibit 3

#### SpareBank 1 Nord-Norge's asset-quality evolution



Source: Company reports and presentations, and Moody's Investors Service

The bank's good asset performance benefited from a favourable lending environment in recent years, a strong performance of the fishing and tourism industry in northern Norway, where the bank is based, and a large public sector. We expect the bank's problem loan ratio to only increase marginally given the high interest rates and the high inflation environment, although it will remain low and in line with the global average for banks with a BCA of a3.

The bank's mortgage book accounts for approximately 67% of gross loans as of December 2022 and has had very low default rates, owing to its low loan to value (LTV). Around 95% of the bank's mortgage book has an LTV below 70%. The bank has some concentration to the real estate sector, which accounted for around 12% of gross loans (including transferred covered bond loans) as of December 2022. Offices and shopping centres are the largest, at 16% and 18% of real estate exposures, respectively, while around 57% is in smaller commitments of less than NOK100 million. SpareBank 1 Nord-Norge has relatively low exposure to the oil sector of around NOK0.8 billion (equivalent to 0.58% of gross loans, including loans transferred to covered bond companies), as of December 2022. Most of these exposures are supported by long-term contracts, mainly by suppliers to the oil companies, which provide some level of stability to the bank's asset quality, especially during periods of oil price deterioration.

The bank's provisioning coverage for problem loans (including collective provisions based on the expected credit losses [ECL] model) was 115% as of December 2022, eliminating any risks from its existing stock of problem loans.

Our assigned Asset Risk score of a3 indicates that overall asset risk remains a relative strength for SpareBank 1 Nord-Norge. The negative adjustments that we incorporate in the assigned asset quality score are driven by some risks related to the bank's exposure to CRE, building and construction sectors, as well as some geographical concentration in its regional home market. We make similar adjustments in the asset risk scores of other rated regional savings banks in Norway.

### Solid capital ratios provide a good loss-absorption buffer

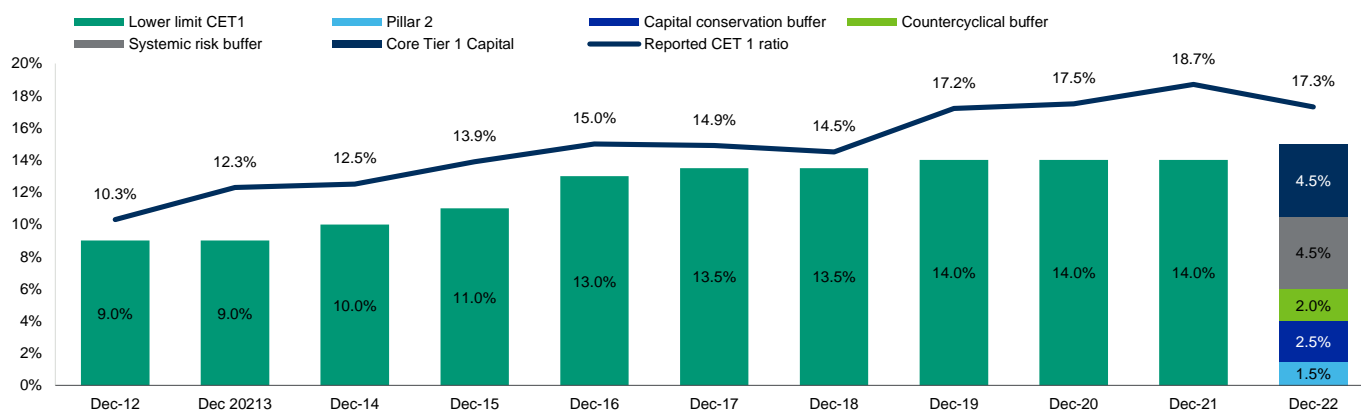
SpareBank 1 Nord-Norge benefits from strong capital metrics which are sufficient to meet its growth plans while providing a good loss-absorption buffer. The group's reported CET1 was 17.3% as of December 2022, lower than 18.7% in 2021 (see Exhibit 4) due to increased dividend payments, but still well above the regulatory minimum of 15% (excluding a 1% Pillar 2 guidance). We also note the bank's other solid regulatory capital metrics with consolidated Tier 1 and total capital adequacy ratios of 18.3% and 19.9%,

respectively, as of December 2022. Concurrently, the bank's leverage ratio was a comfortable 7.4% as of year-end 2022, and well above the 5% minimum requirement.

During the pandemic, the CCyB was lowered to 1% but has since been increased to 2.0% at the end of December 2022, while it is planned to increase further to 2.5% by the end of March 2023. This implies a CET1 requirement of 15.5% for SpareBank 1 Nord-Norge, excluding the 1% management buffer (Pillar 2 guidance) and a long-term target of 16.5%.

Exhibit 4

#### SpareBank 1 Nord-Norge's 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 (RWA) 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

The bank's dividend policy states that the target dividend rate is at minimum 50%. However, during 2022 the bank has decided to grant an additional dividend of NOK3.40 per equity certificate (paid in 3Q22) for the 2021 financial year resulting into a payout ratio of almost 100%. This is reflective of the bank's strong performance and capital buffers that are well above regulatory minimums, and were further supported by the reduction on the bank's risk weighted assets as a result of the expanded SME discount under CRR/CRDIV capital regulation (in effect as of June 2022).

We expect SpareBank 1 Nord-Norge to maintain a strong capital position, supported by its good internal capital generation which will provide a sufficient safety net to its creditors and also support its growth plans as well as providing some room for a potential takeover activity of certain smaller savings banks in its region.

Our assigned Capital score of aa2 reflects the bank's capital strength, but also its equity certificate capital (ECC) structure with ECC shareholders owning only 46.4% of the bank's total capital as of December 2022 and the rest in the form of primary capital. Accordingly, the bank may face challenges in raising new equity in case of need during difficult market conditions because of the dilutive effect that the ECC structure could cause.

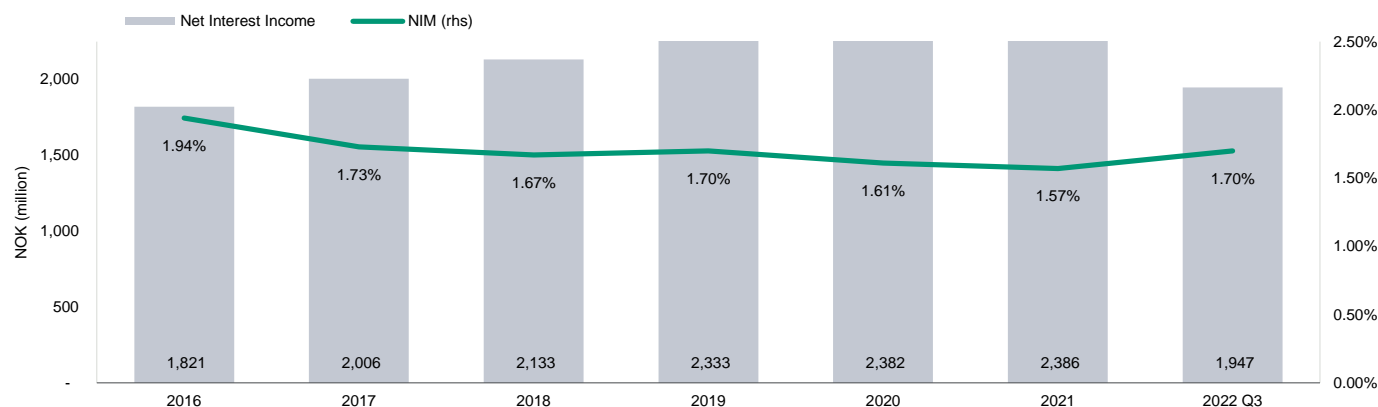
#### Satisfactory recurring pre-provision profitability, supported by a low cost base

SpareBank 1 Nord-Norge's earnings base generally benefits from its resilient retail banking operations. During 2022 the bank reported a profit after tax of NOK1.9 billion in 2022 compared with NOK2.3 billion in 2021. This reduction on net profits is primarily driven by a lower income from financial investments, weaker results in associated alliance companies and increased loan losses from releases the previous year, while net interest income grew strongly during the year. The bank reported a return on equity (RoE) of 11.9% in 2022 (15.1% in December 2021) and has increased its RoE target to above 13% from 12% previously in line with domestic peers.

SpareBank 1 Nord-Norge's reported cost-to-income ratio was 40.3% in 2022, aligned with the bank's target of less than 40%, and considerably lower than the 54% global median of rated peers with an a3 BCA. Furthermore, the bank recorded loan loss provisions of NOK63 million in 2022 from a reversal of NOK235 million in 2021, due to higher model based expected credit losses on the back of a weaker economic outlook.

SpareBank 1 Nord-Norge has followed the development in the policy rates and raised deposit and lending rates during 2022 multiple times. Although funding costs have also risen steadily in recent quarters the bank has managed to improve its net interest margin year-on-year mainly due to the improved deposit margin. Net interest income increased by 10.4% over the first three quarters of 2022 when compared with the year-earlier period, while the bank's net interest margin in the first nine months of 2022 was around 1.70%, up from 1.57% in 2021 (see Exhibit 5). We expect the bank's net interest income to continue to trend upwards, despite the intense deposit competition, as Norges Bank executes its planned rate hikes and the bank continues the re-pricing of its loan book.

Exhibit 5

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

Metrics are adjusted using Moody's standard adjustments.

Sources: Company reports and presentations, and Moody's Investors Service

Our a3 Profitability score reflects our expectation that over the next 12-18 months the bank's normalised earnings will remain strong, supported by good growth in net interest income, even if it will be somewhat offset by high loan losses. The bank has been successful in leveraging its strategy to become the dominant bank in the northern region for retail and SME loans despite the strong competition on the retail side.

**Some reliance on market funding raises the bank's funding risk profile ...**

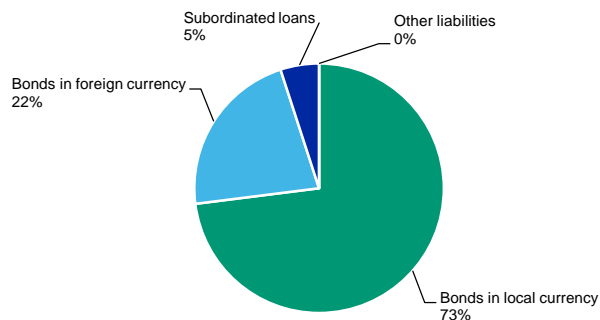
SpareBank 1 Nord-Norge's total funding (including covered bonds issued through SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) consisted of around 56% from customer deposits as of September 2022, which have proved resilient over many years. During 2022, deposits grew 4.4% (excluding the portfolio transferred to Helgeland), while gross loans/deposits (including securitised loans) was a high 168% as of December 2022. Retail deposits, which are considered more sticky, comprised around 53% of total customer deposits as of December 2022.

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). As of December 2022, the bank had transferred loans worth NOK39.7 billion to these vehicles (that is, around 30% 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 reflect the relative stability of covered bonds compared with unsecured market funding through a standard adjustment in our scorecard accounting around half of such covered bonds as deposit-like funding. Also, the maturities of the bank's capital markets funding (around NOK16 billion excluding covered bonds) are generally well diversified until 2026, with repayments amounting to around NOK5 billion due in 2023.

Our Funding Structure score reflects our view that SpareBank 1 Nord-Norge's use of market funding (see Exhibit 6) is of sufficient scale to represent a source of vulnerability because, in times of market stress, market funding can become more expensive or restricted, or both.

Exhibit 6

**SpareBank 1 Nord-Norge's market funding distribution as of December 2022**

Source: Company presentation

**... although liquidity is adequate, mitigating any market funding concerns**

SpareBank 1 Nord-Norge's liquid assets accounted for around 13.6% of total tangible banking assets as of September 2022. However, this ratio understates the core liquidity of the bank because it does not take into account the liquid assets held by SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Accordingly, we incorporate a positive adjustment in the assigned Liquid Resources score to reflect the additional source of liquidity stemming from the covered bond companies.

The 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. SpareBank 1 Nord-Norge's Liquidity Coverage Ratio under Basel III was a comfortable 146% as of December 2022, well above the statutory requirement of 100%, and we do not expect the bank to face any problems meeting the Net Stable Funding Ratio. Over the next 12-18 months, the bank will continue to have a relatively conservative liquidity profile while maintaining excess liquidity and minimising any refinancing risk.

**ESG considerations****SpareBank 1 Nord-Norge's ESG Credit Impact Score is Neutral-to-Low CIS-2**

Exhibit 7

**ESG Credit Impact Score****CIS-2****Neutral-to-Low**

NEGATIVE	:	:	POSITIVE
IMPACT	:	:	IMPACT

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

SpareBank 1 Nord-Norge's ESG Credit Impact Score is neutral-to-low (**CIS-2**). This 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 Investors Service

**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 2023, 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 2022. 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.

### Counterparty Risk (CR) Assessment

#### SpareBank 1 Nord-Norge's CR Assessment is Aa3(cr)/P-1(cr)

SpareBank 1 Nord-Norge's CR Assessment is Aa3(cr)/Prime-1(cr), three notches above the bank's Adjusted BCA of a3, based on the substantial buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss; therefore, we focus purely on subordination and take no account of the volume of the instrument class.

### Counterparty Risk Ratings (CRRs)

#### SpareBank 1 Nord-Norge's CRRs are Aa3/P-1

The CRR is three notches above the adjusted BCA of a3, reflecting the extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities.

### 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

### SpareBank 1 Nord-Norge

<b>Macro Factors</b>							
<b>Weighted Macro Profile</b>		<b>Very Strong -</b>	<b>100%</b>				
<b>Factor</b>	<b>Historic Ratio</b>	<b>Initial Score</b>	<b>Expected Trend</b>	<b>Assigned Score</b>	<b>Key driver #1</b>	<b>Key driver #2</b>	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	0.5%	aa1	↔	a3	Geographical concentration	Sector concentration	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	20.9%	aa1	↔	aa2	Access to capital		
Profitability							
Net Income / Tangible Assets	1.0%	baa1	↔	a3	Expected trend		
Combined Solvency Score		aa2		a1			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	26.2%	baa2	↔	baa3	Expected trend		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	14.5%	baa3	↔	baa2	Stock of liquid assets		
Combined Liquidity Score		baa2		baa3			
Financial Profile							
				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			
<b>Balance Sheet</b>							
		<b>in-scope (NOK Million)</b>	<b>% in-scope</b>	<b>at-failure (NOK Million)</b>	<b>% at-failure</b>		
Other liabilities		55,106	34.1%	63,278	39.2%		
Deposits		80,119	49.6%	71,947	44.6%		
Preferred deposits		59,288	36.7%	56,324	34.9%		
Junior deposits		20,831	12.9%	15,623	9.7%		
Senior unsecured bank debt		14,785	9.2%	14,785	9.2%		
Junior senior unsecured bank debt		4,690	2.9%	4,690	2.9%		
Dated subordinated bank debt		1,053	0.7%	1,053	0.7%		
Preference shares (bank)		780	0.5%	780	0.5%		
Equity		4,841	3.0%	4,841	3.0%		
Total Tangible Banking Assets		161,374	100.0%	161,374	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	25.9%	25.9%	25.9%	25.9%	3	3	3	3	0	aa3
Counterparty Risk Assessment	25.9%	25.9%	25.9%	25.9%	3	3	3	3	0	aa3 (cr)
Deposits	25.9%	7.0%	25.9%	16.2%	2	3	2	3	0	aa3
Senior unsecured bank debt	25.9%	7.0%	16.2%	7.0%	2	2	2	3	0	aa3
Junior senior unsecured bank debt	7.0%	4.1%	7.0%	4.1%	0	0	0	0	0	a3
Dated subordinated bank debt	4.1%	3.5%	4.1%	3.5%	-1	-1	-1	-1	0	baa1
Non-cumulative bank preference shares	3.5%	3.0%	3.5%	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 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	3	0	aa3	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 Investors Service

## Ratings

Exhibit 10

Category	Moody's Rating
<b>SPAREBANK 1 NORD-NORGE</b>	
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 Investors Service

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