

CREDIT OPINION

7 December 2018

Update

✓ Rate this Research

RATINGS

SpareBank 1 Nord-Norge

Domicile	Norway
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Negative
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.

Analyst Contacts

Nondas Nicolaidis 357-2569-3006
 VP-Sr Credit Officer
 nondas.nicolaides@moodys.com

Louise Eklund 46-8-5025-6569
 Associate Analyst
 louise eklund@moodys.com

Jean-Francois Tremblay 44-20-7772-5653
 Associate Managing Director
 jean-francois.tremblay@moodys.com

Sean Marion 44-20-7772-1056
 MD-Financial Institutions
 sean.marion@moodys.com

» Contacts continued on last page

SpareBank 1 Nord-Norge

Update to credit analysis

Summary

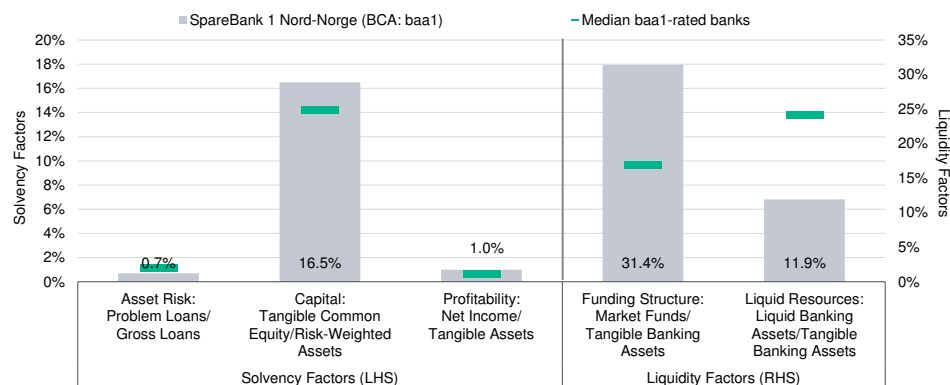
SpareBank 1 Nord-Norge's long-term deposit and senior unsecured debt ratings of A1 take into account the bank's baseline credit assessment (BCA) of baa1, but also our loss given failure (LGF) analysis and government support assumptions that combine to three-notches of rating uplift from its BCA.

SpareBank 1 Nord-Norge's BCA of baa1 reflects the bank's strong regional position, retail focus combined with a solid deposit franchise, as well as its robust capital base and low level of non-performing loans (NPLs). The bank's BCA also takes into account its comfortable liquidity position and satisfactory profitability, benefiting from the more favourable economic conditions in northern Norway. These positive rating drivers are to some degree counterbalanced by downside risks stemming from the bank's exposure to the real estate sector, which are vulnerable to property price movements, and the bank's market funding dependence.

The bank's deposit and senior unsecured debt ratings incorporate our Loss Given Failure (LGF) analysis, taking into account the bank's volume of deposits and senior unsecured debt, and the stock of securities subordinated to them. SpareBank 1 Nord-Norge benefits from a large volume of deposits and substantial layers of subordination, resulting in very low loss given failure and two notches of rating uplift from the bank's BCA. In addition, both the deposit and senior debt ratings of A1 also benefit from one notch of rating uplift due to government support, in view of the bank's systemic importance.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

- » SpareBank 1 Nord-Norges's BCA is supported by its Very Strong- Macro Profile
- » Solid capital ratios provide a good loss absorption buffer
- » Large volume of customer deposits underpin comfortable liquidity and result in deposit ratings benefiting from a very low loss-given-failure rate
- » Satisfactory profitability supported by a low cost base

Credit challenges

- » Asset risk profile partly affected by some sector and borrower concentrations, although problem loans are very low
- » Some reliance on market funding raises the bank's funding risk profile
- » Some margin pressure likely in the short-term, due to higher interest rates and intense competition

Rating Outlook

The bank's deposit and debt ratings carry a negative outlook to reflect the potential rating pressure from the upcoming implementation of BRRD in Norway, which will trigger a reassessment of our government support assumptions for all large savings banks, including SpareBank 1 Nord-Norge. However, a potential change in our LGF outcome due to the MREL requirement coming up in 2019, which will counterbalance the negative rating pressure from the government support, could trigger a change of the outlook back to stable.

Factors that could lead to an upgrade

Upward rating momentum could develop if SpareBank 1 Nord-Norge demonstrates (1) sustained good asset quality in its retail and corporate loan books, including in the more volatile segments; (2) continued good access to capital markets and improved liquidity; and/or (3) stronger earnings generation without compromising its risk profile.

Factors that could lead to a downgrade

Future downward rating pressure would emerge if (1) SpareBank 1 Nord-Norge's problem loan ratio increases above our system wide expectation of approximately 2%; (2) financing conditions were to become more difficult; (3) its risk profile were to increase, for example as a result of increased exposure to more volatile sectors; and/or (4) macroeconomic environment were to deteriorate more than estimated, leading to adverse developments in the Norwegian real-estate market. Also a reduction in the rating uplift as a result of our LGF analysis or a revision of our government support assumptions could lead to downward rating pressure.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.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]

	9-18 ²	12-17 ²	12-16 ²	12-15 ²	12-14 ²	CAGR/Avg. ³
Total Assets (NOK billion)	135	128	116	110	107	6.5 ⁴
Total Assets (EUR million)	14,318	12,997	12,780	11,415	11,785	5.3 ⁴
Total Assets (USD million)	16,630	15,606	13,479	12,400	14,261	4.2 ⁴
Tangible Common Equity (NOK billion)	12	12	11	9.8	9.3	6.7 ⁴
Tangible Common Equity (EUR million)	1,252	1,188	1,204	1,022	1,025	5.5 ⁴
Tangible Common Equity (USD million)	1,454	1,426	1,270	1,111	1,240	4.3 ⁴
Problem Loans / Gross Loans (%)	0.4	1.0	0.6	0.7	0.8	0.7 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	16.5	17.4	17.9	17.5	15.0	16.9 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	3.5	8.5	5.4	6.3	6.9	6.1 ⁵
Net Interest Margin (%)	1.7	1.7	1.9	2.0	2.2	1.9 ⁵
PPI / Average RWA (%)	2.3	2.4	2.2	1.4	1.7	2.0 ⁶
Net Income / Tangible Assets (%)	1.1	1.2	1.0	0.8	0.9	1.0 ⁵
Cost / Income Ratio (%)	47.6	47.4	50.0	63.5	55.4	52.8 ⁵
Market Funds / Tangible Banking Assets (%)	31.0	31.4	30.8	33.7	35.0	32.4 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	10.8	11.9	11.4	12.8	13.5	12.1 ⁵
Gross Loans / Due to Customers (%)	185.0	182.3	178.7	183.8	186.0	183.2 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 due to scale of reported amounts. [4] Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5] Simple average of periods presented for the latest accounting regime. [6] Simple average of Basel III periods presented.

Source: Moody's Financial Metrics

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 30 September 2018, its consolidated assets (including loans transferred to covered bond companies) totalled NOK135 billion.

Detailed credit considerations

SpareBank Nord-Norge's BCA is supported by its Very Strong - Macro Profile

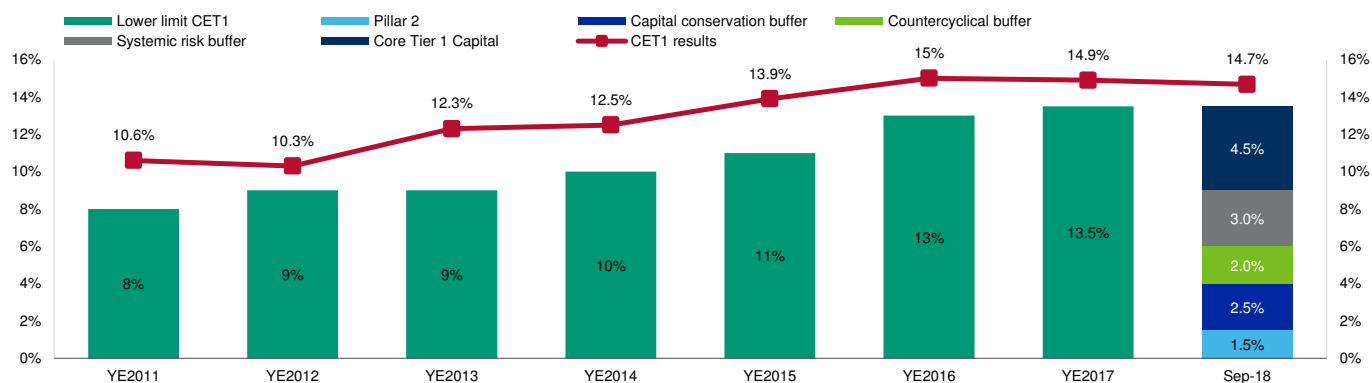
As a domestically oriented bank, we align SpareBank 1 Nord-Norge's Macro Profile with that of Norway at [Very Strong -](#). Norwegian banks benefit from operating in a wealthy and developed country with very high economic, institutional and government financial strength as well as very low susceptibility to event risk. Norway has a diversified and growing economy, which demonstrated resilience to the past weakening in the oil sector. The main risks to the banking system stem from the high level of household indebtedness, elevated 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 capitalization and the relatively small size of the banking system compared with the total size of the economy.

Solid capital ratios provide a good loss absorption buffer

We consider SpareBank 1 Nord-Norge's capital metrics to be solid, and sufficient to meet its growth plans and concurrently have a loss absorption buffer available. The bank's consolidated Tangible Common Equity (TCE) over risk-weighted assets (including transitional floors) ratio was 16.5% at end-September 2018, down from 17.4% in December 2017, while the group's reported Common Equity Tier 1 (CET1) was 14.7% at end-September 2018 including half of the bank's nine-months profit (see Exhibit 3).

Exhibit 3

SpareBank 1 Nord-Norge's capitalisation



Source: Company reports and presentations

SpareBank 1 Nord-Norge aims to have an internal capital buffer of 1 percentage point above the regulatory CET1 minimum requirement, and thus its long-term CET1 capital ratio target is currently 14.5%. We believe that such capital levels provide a good loss absorption buffer to the bank, and a good safety net to its creditors. In view of the comfortable capital metrics, we note that SpareBank 1 Nord-Norge has removed its limit on the dividend payout ratio, which was previously capped at a maximum of 50% of group profits, and indicated that future payout will take into account the bank's capital levels and future growth. For 2018, the bank targets a minimum payout ratio of 50%, which to some degree may reduce its internal capital generation.

Furthermore, we note that the FSA has recently [announced](#) a proposal to designate large regional banks with more than 10% corporate lending market share in one or more defined regions, as systemically important financial institutions (SIFI). Accordingly, SpareBank 1 Nord-Norge would likely have an additional Common Equity Tier 1 (CET1) capital requirement of 2% of its risk-weighted assets (RWAs) and 1% in terms of its regulatory leverage ratio, should the proposal be accepted by the Ministry of Finance. However, the transposition of the CRD IV directive into Norwegian law on 1 January 2019 (most likely at the same time as the SIFI regulation is introduced), is expected to neutralise the bank's capital impact from the SIFI regulation by lowering the bank's RWAs.

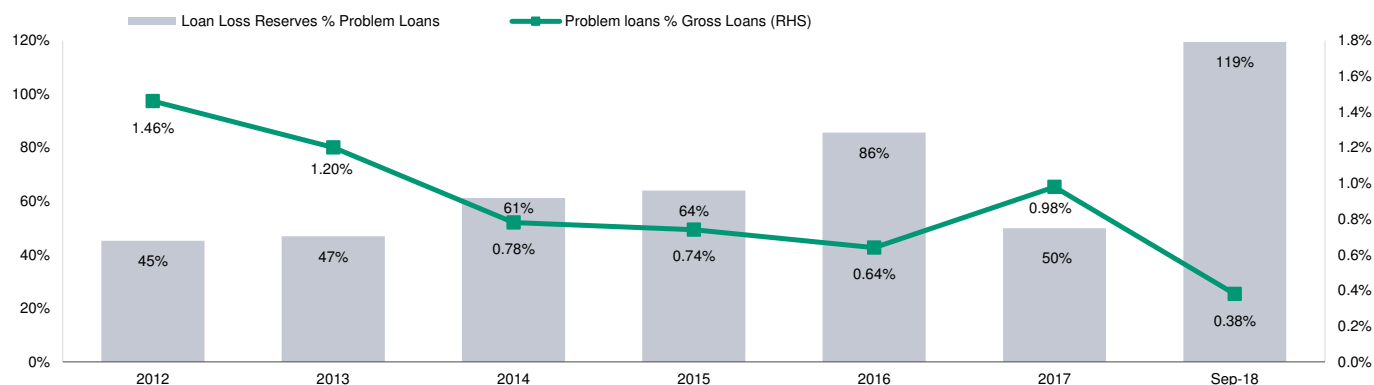
Our assigned Capital Score of aa2 reflects the bank's capital strength, as illustrated by its TCE/tangible banking assets ratio of 8.8% at end-September 2018 (taking into account the mortgages used for covered bonds), which compares well with banks globally with a BCA of baa1. We also note the bank's solid regulatory capital metrics with consolidated Tier 1 and total capital adequacy ratios of 16.2% and 18.4% respectively at end-September 2018, slightly above the 16.0% and 18.3% at end-September 2017. Concurrently, the bank's leverage ratio was 7.5% at end-September 2018, compared to 7.2% at end-December 2017, well above the 5% minimum requirement that came into force on 30 June 2017.

Asset risk profile partly affected by some sector and borrower concentrations, although problem loans are very low

SpareBank 1 Nord-Norge's loan book benefits from a substantial proportion of retail loans (around 72% of gross loans, including loans transferred to covered bond companies, at end-September 2018), mostly in the form of mortgages. The bank's asset quality is generally strong, with a problem loans ratio (nonperforming and doubtful loans as a percentage of total gross loans including covered bond loans) of 0.38%, down from 0.98% at end-December 2017 (see Exhibit 4). The spike in the problem loans ratio in 2017 was mainly due to an increase in doubtful loans, driven by a single commitment that was previously included in the bank's general provisions, for which individual loss provisions were booked.

The bank's generally good asset performance benefits from a favourable lending environment, including high unemployment benefits that support borrowers' ability to repay debt, a creditor-friendly legal framework, and the more benign macroeconomic conditions in the northern part of Norway where the bank is based. Northern Norway had a relatively low and stable unemployment rate of around 1.9% as of July 2018 compared to 2.3% on national level.

Exhibit 4

SpareBank 1 Nord-Norge's asset quality evolution

Note: Gross loans include loans transferred to covered bond companies

Source: Company reports and presentations, Moody's Financial Metrics

Although SpareBank 1 Nord-Norge has low exposure to the oil sector of around NOK1.2 billion, or 1.02% of gross loans at end-September 2018 (including loans transferred to covered bond companies), the majority of these are supported by long-term contracts. Such contracts provide some level of stability to the bank's asset quality despite the significant deterioration in the sector during 2016. We note that NOK25 million from the bank's total oil-related exposure is in the form of non-performing or impaired loans, which corresponds to a default rate of 2.1% compared to around 0.22% for the overall loan book at end-September 2018. However, the 2.1% default rate in oil-related exposures has declined from 4.9% at end-December 2016, reflecting the improving conditions in the oil-sector in 2017-18.

Our assigned Asset Risk Score indicates that overall, asset risk remains a relative strength for SpareBank 1 Nord-Norge. The bank operates mainly in northern Norway that has limited dependence on the petroleum sector, and has benefited from the Norwegian currency depreciation in recent years through exporting industries such as farming, fishing and tourism.

The negative adjustments that we incorporate on SpareBank 1 Nord-Norge's asset risk score are mainly driven by some concentrations in its loan book towards the real estate and construction sectors, which represents around 13% of gross loans (including transferred loans) at end-September 2018. We also note some risks related to individual borrower concentration, which could accelerate the extent and pace of any deterioration in asset quality, a characteristic common to many Nordic banks, although we view favourably the bank's exit from exposures to certain Russian entities and the increased focus in reducing borrower concentrations.

Looking ahead, we expect the bank's problem loan ratio to remain stable due to the improving economic conditions in the country following the slump in oil prices in the past years. Consequently, we do not expect any major asset quality deterioration over the next 12-18 months, which could trigger downward rating pressure for the bank, while the bank's more favourable exposure to non-oil exporting sectors such as fisheries is likely to sustain its good asset quality positioning. The bank's provisioning coverage for problem loans (including collective provisions) increased to 119% at end-September 2018 from 50% at end-December 2017.

Satisfactory profitability, although some margin pressure likely

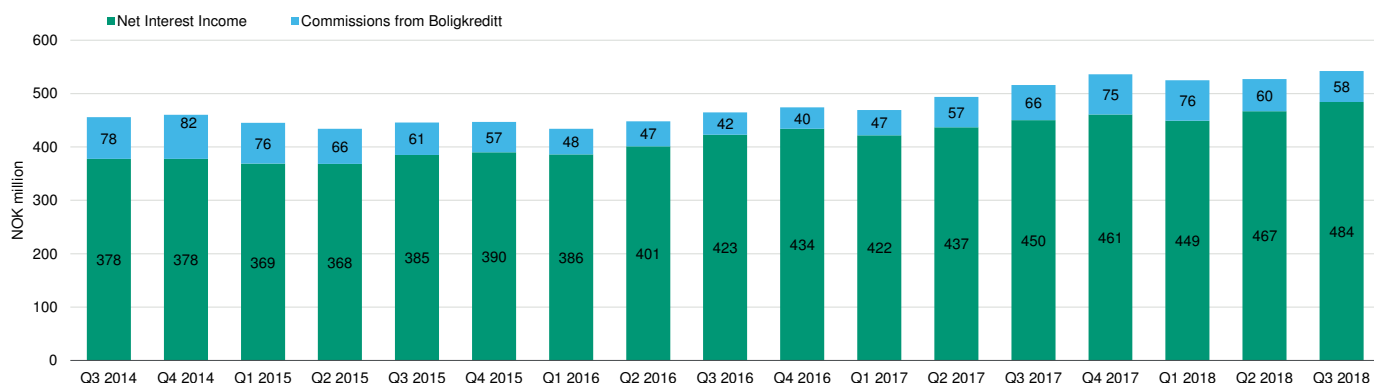
SpareBank 1 Nord-Norge's earnings base benefits from its resilient retail banking operations, with a reported return on equity (RoE) of 13.3% in the nine months ending September 2018, up from 12.6% in the same period last year. Such performance is among the strongest compared to Norwegian peers.

Net interest income, including interest income from the covered bond companies booked as commission income (see Exhibit 5), continued to constitute the largest proportion of income at around 61% of total income in 2017 (compared with net fee and commission income of 23% and income from financial instruments of 17%) and 62% in the nine months ending September 2018 (compared with net fee and commission income of 23% and income from financial instruments of 15%).

The bank's reported net interest income accounted for 1.85% of average total assets in the nine months ending September 2018, marginally lower than the 1.88% in 2017, indicating some margin pressure. SpareBank 1 Nord-Norge recently raised its interest rate on

residential mortgages by an average of 25 basis points, effective as of November 2018. At the same time, the bank's deposit rates were adjusted upwards as well, following the central bank's base rate increase by 25 basis points to 0.75% on 19 September 2018.

Exhibit 5

SpareBank 1 Nord-Norge's net interest income (NOK million)

Source: Company reports and presentations

SpareBank 1 Nord-Norge reported a cost-to-income ratio of 42.4% in nine months of 2018, slightly higher than the bank's target of 40% or lower. The bank's operating costs in the nine months of 2018 increased by nearly 10% compared to the same period last year, largely related to digitalisation, automation, new system solutions and higher costs in its subsidiaries. The increased digitalisation and changes in customer behaviour have triggered a reorganization at the bank to improve efficiency. The bank's reorganisation with the reduction of the full-time employees of the parent bank by up to 15%, closure of 21 branches and concentration on 16 financial centres, should provide additional support to the bank's profitability going forward.

Loan loss provisions were only 0.01% of average gross loans in the nine months of 2018, down from 0.14% in the same period last year (0.04% in 2017, 0.25% in 2016). In absolute terms, we note that the bank's loan losses decreased to NOK28 million from NOK147 million despite the implementation of the more conservative IFRS 9 from 1 January 2018.

SpareBank 1 Nord-Norge reported a net income of NOK1,171 million in the nine months of 2018 compared to NOK1,016 million in the same period last year. Looking ahead over the next 12-18 months, we expect the pressure on the bank's net interest margin to ease from the increased interest rates and we expect the undertaken efficiency measures to provide cost savings. Furthermore, we anticipate that loan losses will remain low and manageable, given the increased economic activity in the region.

Some reliance on market funding raises the bank's funding risk profile, although liquidity is comfortable on the back of large volume of customer deposits

SpareBank 1 Nord-Norge's total funding (including covered bonds issued through SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) consisted of approximately 50% deposits at end-September 2018, which has proven resilient over many years. At-end September 2018, the bank's 12 month growth in deposits was 7.5%, while its gross loans-to-deposits ratio (including securitized loans) was 185%. Retail deposits constituted 56% of total customer deposits at end-September 2018.

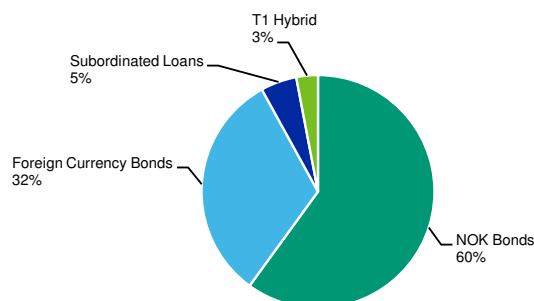
SpareBank 1 Nord-Norge has increasingly used covered bond funding, which is done off-balance sheet through specialised companies owned jointly together with other members of the SpareBank 1 alliance (SpareBank 1 Boligkreditt for residential mortgages and SpareBank 1 Næringskreditt for commercial mortgages). At end-September 2018, the bank had transferred retail mortgages worth NOK31.8 billion to these vehicles (i.e. around 28% of its total gross loan book). While we view positively 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 globally 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. Our Funding Structure Score reflects our view that SpareBank 1 Nord-Norge's usage of market funding (see Exhibit 6) is of sufficient scale (market funds, including covered bond issued

by the covered bond companies, comprised around 31% of tangible banking assets at end-September 2018) to represent a source of vulnerability because, in times of market stress, market funding can become more expensive or/and restricted. We also note that the bank has a generally good maturities diversification of its capital markets funding (excluding covered bonds) until 2023, although repayments amounting to almost NOK5 billion is due within the next twelve months.

Exhibit 6

SpareBank 1 Nord-Norge's market funding distribution at end-September 2018



Source: Company presentations and reports

SpareBank 1 Nord-Norge's liquid assets accounted for approximately 11% of total tangible banking assets at end-September 2018. However, we note that this ratio understates the core liquidity of the bank, given that 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 T-bills, sovereign bonds, rated covered bonds as well as bonds issued by domestic or international financial institutions and domestic corporate bonds. The bank's LCR ratio under Basel III stood at a comfortable 132% at end-September 2018 (126% at end-December 2017), well above the statutory requirement that increased to 100% as of 1 January 2018 from 80% previously and we do not expect the bank to face any problems meeting the NSFR ratio. We generally believe that the bank will continue to have a relatively conservative liquidity profile, maintaining excess liquidity and minimizing any refinancing risk.

Support and structural considerations

Loss Given Failure and additional notching

The EU Bank Recovery and Resolution Directive (BRRD) will enter into force as of 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 losses post-failure 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.

For SpareBank 1 Nord-Norge's long term deposit rating and senior unsecured debt rating, we take into consideration the likely impact of loss given failure (LGF) of the combination of their own volume and the amount of debt subordinated to them. According to our LGF model, this results in a Preliminary Rating Assessment (PRA) of two notches above the bank's BCA of baa1 for both deposits and senior debt, reflecting very low loss given failure.

For junior securities issued by SpareBank 1 Nord-Norge, our LGF analysis confirms a high level 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 38 branches across the region as of end-September 2018. Moody's estimates that the bank commands market shares of around 20% in terms of loans in the three most northerly

counties of Norway, although its national market share is limited, at around 2.2%. Accordingly, we assume a moderate probability of government support for debt and deposits, resulting in one notch of rating uplift above their PRA, positioning them at A1.

However, the local authorities' decision to introduce an official resolution regime in line with the EU's bank recovery and resolution directive (BRRD, please see [press release](#) for more details), will likely trigger a reassessment of our government support assumptions for all Norwegian savings banks, including SpareBank 1 Nord-Norge.

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 Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than the likelihood of default and the expected financial loss suffered in the event of default and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (e.g., swaps), letters of credit, guarantees and liquidity facilities.

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

SpareBank 1 Nord-Norge's CR Assessment is positioned at Aa3(cr)/Prime-1(cr), four notches above the bank's adjusted BCA of baa1, based on the substantial cushion against default provided to the senior obligations represented by the CRA by subordinated instruments, along with one notch of government support. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CRA 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)

CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRR liabilities typically relate to transactions with unrelated parties. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in the event of a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivative transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

SpareBank 1 Nord-Norge's CRR is positioned at Aa3/P-1.

The CRR, prior to government support, is positioned three notches above the adjusted BCA of baa1, reflecting the extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities. The bank's CRR benefits from one notch of rating uplift based on government support, in line with our assumptions on senior debt and deposits.

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment 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 7

SpareBank 1 Nord-Norge

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	0.7%	aa1	↓	a2	Single name concentration	Geographical concentration
Capital						
TCE / RWA	16.5%	aa2	← →	aa2	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	1.0%	a2	← →	a3	Return on assets	
Combined Solvency Score		aa2		a1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	31.4%	baa3	← →	baa3	Extent of market funding reliance	Market funding quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	11.9%	baa3	← →	baa2	Quality of liquid assets	Stock of liquid assets
Combined Liquidity Score		baa3		baa3		
Financial Profile				a3		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint:				Aaa		
Scorecard Calculated BCA range				a2-baa1		
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	42,498	31.4%	48,769	36.0%
Deposits	61,474	45.4%	55,204	40.8%
Preferred deposits	45,491	33.6%	43,216	31.9%
Junior Deposits	15,983	11.8%	11,987	8.9%
Senior unsecured bank debt	25,316	18.7%	25,316	18.7%
Dated subordinated bank debt	1,200	0.9%	1,200	0.9%
Preference shares (bank)	780	0.6%	780	0.6%
Equity	4,060	3.0%	4,060	3.0%
Total Tangible Banking Assets	135,328	100%	135,328	100%

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	32.0%	32.0%	32.0%	32.0%	3	3	3	3	0	a1
Counterparty Risk Assessment	32.0%	32.0%	32.0%	32.0%	3	3	3	3	0	a1 (cr)
Deposits	32.0%	4.5%	32.0%	23.2%	2	3	2	2	0	a2
Senior unsecured bank debt	32.0%	4.5%	23.2%	4.5%	2	2	2	2	0	a2
Dated subordinated bank debt	4.5%	3.6%	4.5%	3.6%	-1	-1	-1	-1	0	baa2
Junior subordinated bank debt	3.6%	3.6%	3.6%	3.6%	-1	-1	-1	-1	-1	baa3
Non-cumulative bank preference shares	3.6%	3.0%	3.6%	3.0%	-1	-1	-1	-1	-2	ba1 (hyb)

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	1	Aa3	Aa3
Counterparty Risk Assessment	3	0	a1 (cr)	1	Aa3 (cr)	--
Deposits	2	0	a2	1	A1	A1
Senior unsecured bank debt	2	0	a2	1	A1	A1
Dated subordinated bank debt	-1	0	baa2	0	--	(P)Baa2
Junior subordinated bank debt	-1	-1	baa3	0	--	(P)Baa3
Non-cumulative bank preference shares	-1	-2	ba1 (hyb)	0	--	Ba1 (hyb)

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

Source: Moody's Financial Metrics

Ratings

Exhibit 8

Category	Moody's Rating
SPAREBANK 1 NORD-NORGE	
Outlook	Negative
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	A1
Senior Unsecured	A1
Subordinate MTN	(P)Baa2
Jr Subordinate MTN	(P)Baa3
Pref. Stock Non-cumulative	Ba1 (hyb)

Source: Moody's Investors Service

Foreign currency deposit rating

SpareBank 1 Nord-Norge's foreign currency deposit rating of A1 is unconstrained given that Norway has a country ceiling of Aaa.

Foreign currency debt rating

SpareBank 1 Nord-Norge's senior unsecured foreign currency debt rating of A1 is unconstrained given that Norway has a country ceiling of Aaa.

© 2018 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJJK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJJK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJJK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJJK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJJK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJJK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJJK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

Analyst Contacts

Nondas Nicolaidis
VP-Sr Credit Officer
nondas.nicolaides@moodys.com

357-2569-3006

Louise Eklund
Associate Analyst
louise.eklund@moodys.com

46-8-5025-6569

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454