

CREDIT OPINION

9 March 2020

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	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 following rating upgrade

Summary

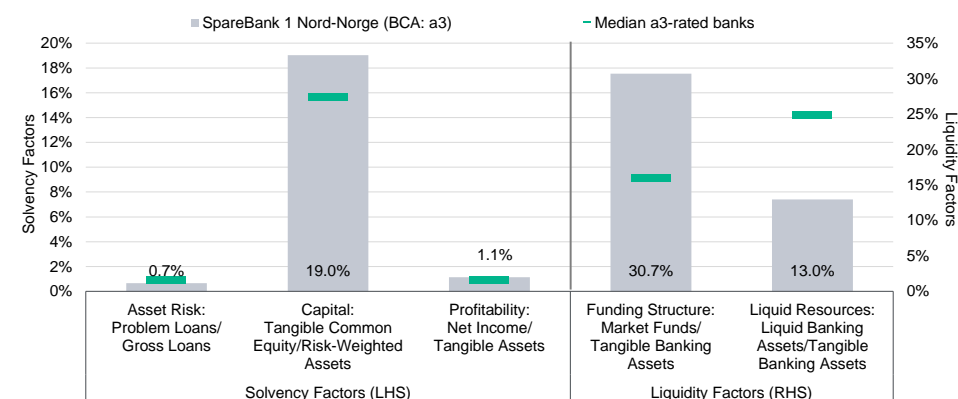
[SpareBank 1 Nord-Norge's](#) long-term deposit and senior unsecured debt ratings of Aa3 take into account the bank's baseline credit assessment (BCA) of a3, but also our forward looking loss given failure (LGF) analysis which leads to three notches of rating uplift from its BCA.

SpareBank 1 Nord-Norge's BCA of a3 reflects the bank's high levels of capital, strong regional position, retail focus combined with a solid deposit franchise, as well as its robust capital base (CET1 of 16.7% in December 2019) and very low non-performing loans (NPLs of 0.3% of gross loans in December 2019), and strong track record of low credit losses. The bank's BCA also takes into account its comfortable liquidity position and satisfactory profitability, benefiting from the favourable economic conditions in northern Norway including the country's unique countercyclical mechanisms. These positive rating drivers are to some degree counterbalanced by downside 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, 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 forward-looking 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 thus three notches of rating uplift from the bank's BCA.

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
- » A good customer deposit franchise underpin comfortable liquidity and result in deposit ratings benefiting from a very low loss-given-failure rate
- » Satisfactory recurring profitability supported by a low cost base

Credit challenges

- » Asset risk profile partly affected by some sector and geographical concentrations, although problem loans are very low
- » Some reliance on market funding raises the bank's funding risk profile
- » Equity certificate capital structure could cause some challenges in raising new capital in case of need

Rating Outlook

The bank's deposit and debt ratings have a stable outlook, balancing the bank's robust capital, asset quality and profitability against some downside risks stemming from certain credit concentrations and from the bank's market funding dependence.

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 strong liquidity on a sustainable basis; and/or (3) strong recurring earnings 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 significantly above its similarly-rated peers; (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 leading to adverse developments in the Norwegian real-estate market. Also a reduction in the rating uplift as a result of lower volume of MREL securities than what we expect and also incorporate in our forward-looking LGF analysis, 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]

	09-19 ²	12-18 ²	12-17 ²	12-16 ²	12-15 ²	CAGR/Avg. ³
Total Assets (NOK Billion)	144.3	139.0	127.7	116.0	109.8	7.6 ⁴
Total Assets (USD Million)	15,886.4	16,047.2	15,606.4	13,479.2	12,399.7	6.8 ⁴
Tangible Common Equity (NOK Billion)	13.4	12.1	11.7	10.9	9.8	8.7 ⁴
Tangible Common Equity (USD Million)	1,477.0	1,402.1	1,426.3	1,269.6	1,110.6	7.9 ⁴
Problem Loans / Gross Loans (%)	0.5	0.5	1.0	0.6	0.7	0.7 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	19.0	17.1	17.4	17.9	17.5	17.8 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	3.7	4.9	8.5	5.4	6.3	5.7 ⁵
Net Interest Margin (%)	1.5	1.7	1.7	1.9	2.0	1.8 ⁵
PPI / Average RWA (%)	2.4	2.2	2.4	2.2	1.4	2.1 ⁶
Net Income / Tangible Assets (%)	1.2	1.1	1.2	1.0	0.8	1.1 ⁵
Cost / Income Ratio (%)	46.9	48.9	47.4	50.0	63.5	51.3 ⁵
Market Funds / Tangible Banking Assets (%)	30.3	30.7	31.4	30.8	33.7	31.4 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	11.2	12.9	11.9	11.4	12.8	12.1 ⁵
Gross Loans / Due to Customers (%)	165.8	177.6	182.3	178.7	183.8	177.7 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 Basel III periods presented.

Source: Moody's Investors Service; 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 31 December 2019, its consolidated assets (including loans transferred to covered bond companies) totalled NOK148 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 adverse events. Overall the operating environment is supportive to banks, characterised by unique countercyclical mechanisms that will continue to help offset downside risks related to banks' relatively narrow geographic focus and high credit concentration in cyclical sectors.

The main risks to the banking sector stem from Norway's high household indebtedness, elevated real-estate prices, and extensive use of market funding by the domestic banks. However, these risks are mitigated by the household sector's strong ability to service debt and by the Norwegian government's well coordinated monetary and regulatory policies. Additional supporting factors are the country's sizeable sovereign wealth fund that is able to support the economy in the event of financial crisis.

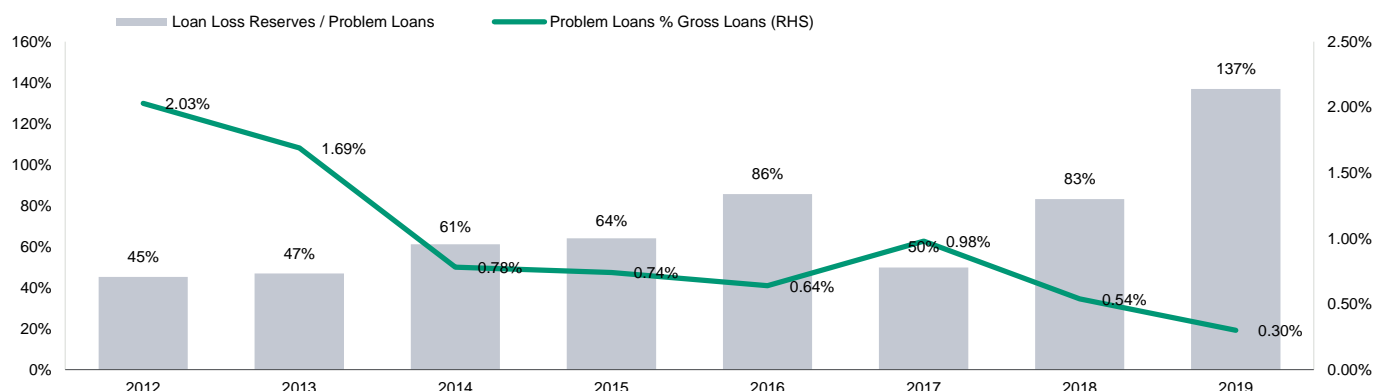
Strong asset risk profile with very low problem loans, although partly affected by some sector and borrower concentrations

SpareBank 1 Nord-Norge's loan book benefits from a substantial proportion of retail loans (around 71% of gross loans, including loans transferred to covered bond companies, at end-December 2019), 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 around 0.3% in December 2019, down from 0.5% at end-December 2018 (see Exhibit 4).

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 benign macroeconomic conditions in northern Norway where the bank is based. Northern Norway had a very low registered unemployment rate of 1.9% as of December 2019 compared to 2.2% nationally.

Exhibit 3

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

SpareBank 1 Nord-Norge has low exposure to the oil sector of around NOK1 billion, or 0.8% of gross loans at end-December 2019 (including loans transferred to covered bond companies). Furthermore, the majority of these exposures are supported by long-term contracts mainly by suppliers to the oil companies. Such contracts provide some level of stability to the bank's asset quality, especially during periods of oil price deterioration. We note that NOK42 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 4.1%, compared to around 0.6% for the corporate loan book at end-December 2019.

Our assigned Asset Risk Score of a3 indicates that overall asset risk remains a relative strength for SpareBank 1 Nord-Norge. The bank operates mainly in northern Norway that has benefited from the Norwegian currency depreciation in recent years, through exporting industries such as farming, fishing and tourism that have been performing very strongly.

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 11% of gross loans (including transferred covered bond loans) at end-December 2019. Our concerns are somewhat mitigated by the relative diversification within the bank's commercial real-estate exposure, with offices and shopping centres being the largest at 20.3% and 19.6% respectively, and the fact that more than 68% of this exposure is in smaller commitments of less than NOK100 million.

Looking ahead, we expect the bank's problem loan ratio to remain stable due to the currently benign economic conditions in the country. 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 over 130% at end-December 2019 from 83% at end-December 2018, eliminating any downward risks from its existing stock on problem loans.

Strong capital ratios provide a good loss absorption buffer

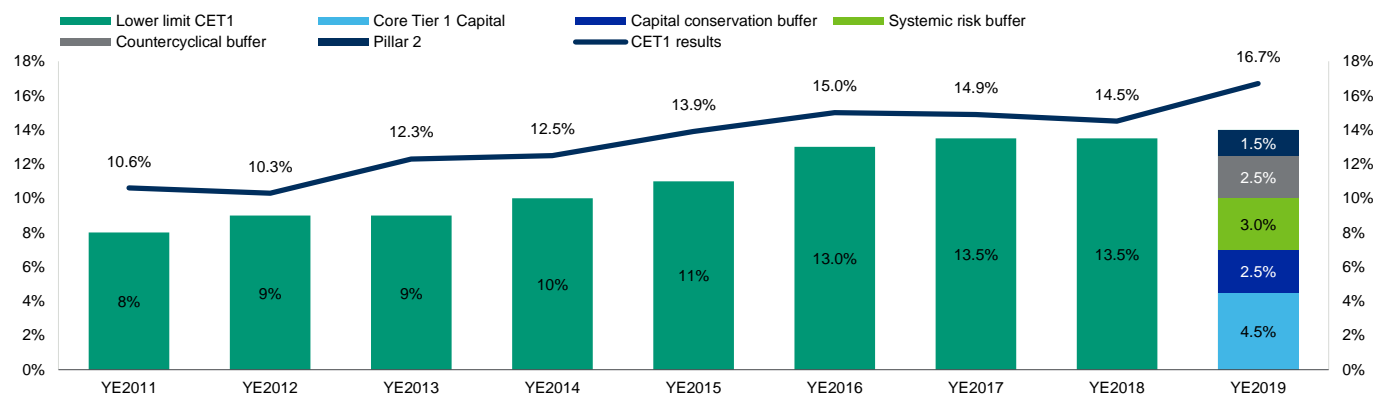
We consider SpareBank 1 Nord-Norge's capital metrics to be solid, and sufficient to meet its growth plans and concurrently have a loss absorption buffer available. The group's reported Common Equity Tier 1 (CET1) was 16.7% at end-December 2019 including the bank's fourth-quarter 2019 net profit, up from 14.5% in December 2018 (see Exhibit 3). We also note the bank's other solid regulatory capital metrics with consolidated Tier 1 and total capital adequacy ratios of 18.3% and 20.1% respectively at end-December 2019.

Concurrently, the bank's leverage ratio was 7.5% at end-December 2019, compared to 7.2% at end-December 2018, well above the 5% minimum requirement. The removal of the 80% Basel I floor in calculating its risk-weighted assets (RWAs) combined with the introduction of the SME discount under CRD IV at the end of 2019 have been the main drivers behind the increased capital metrics. This offset the increase in the countercyclical buffer by 50 basis points (to 2.5% in December 2019 from 2% before) and will

be sufficient to meet the Ministry of Finance's intention to increase the systemic risk buffer by 150 basis points (to 4.5% from 3% currently) for IRB-based banks in December 2020.

Exhibit 4

SpareBank 1 Nord-Norge's capitalisation



Source: Company reports and presentations

SpareBank 1 Nord-Norge aims to have an internal capital buffer of 100 basis points above the regulatory CET1 minimum requirement (14%), and thus its long-term CET1 capital ratio target is currently at least 15%. We believe that such capital levels provide a good loss absorption buffer to the bank, a good safety net to its creditors and also some room for a potential take-over activity of certain smaller savings banks in the region. In view of the comfortable capital metrics, we note that SpareBank 1 Nord-Norge has increased its dividend payout ratio to 58.6% in 2019 from 56.9% in 2018.

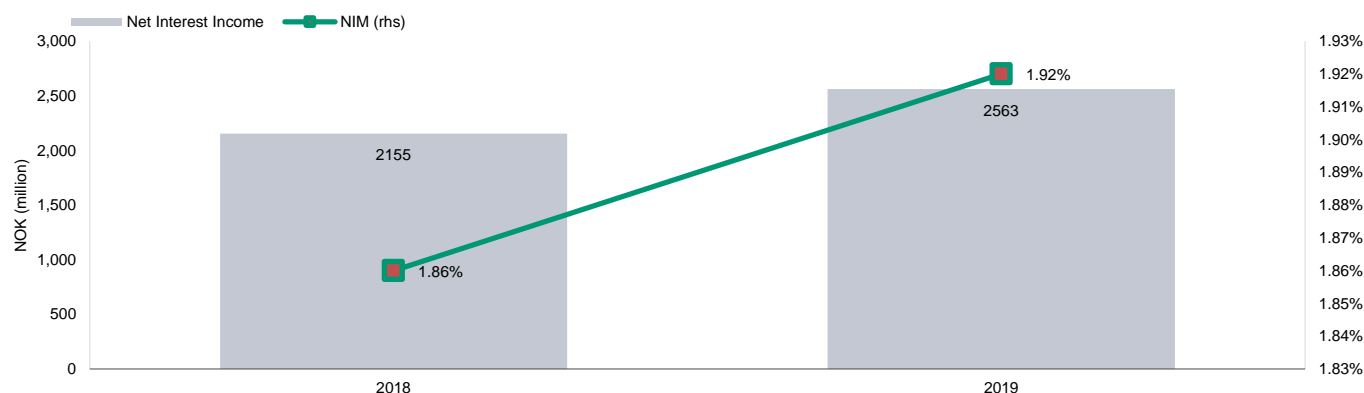
Our assigned Capital Score of aa2 reflects the bank's capital strength, but also its equity certificate capital (ECC) structure with ECC shareholders owning only 46.4% of the bank's total capital and the rest in the form of primary capital. Accordingly, we believe that the bank may face challenges to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

Satisfactory recurring profitability supported by a low cost base

SpareBank 1 Nord-Norge's earnings base benefits from its resilient retail banking operations, with a reported normalised return on equity (RoE) of 12.3% in 2019 (excluding NOK460 million gain from the insurance merger between SpareBank 1 Forsikring AS and DNB Forsikring AS on 01.01.19), down from 12.9% in 2018. Such performance is among the strongest compared to Norwegian peers.

The bank's reported net interest income accounts for around 1.92% of average total assets (see Exhibit 4). The loan growth was a strong 6.7% during 2019, which together with upward repricing of loans somewhat alleviated margin pressure from fierce competition (especially for retail mortgages). SpareBank 1 Nord-Norge raised its interest rate on residential mortgages by an average of 25 basis points in September 2019, following earlier increases of 25 basis points in June 2019 and April 2019. The interest rate increases followed increases in Norges Bank's base rate, with four changes taking place within 12 months, the latest one in September 2019 raising the official rate by 25 basis points to 1.5%.

Exhibit 5

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

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

SpareBank 1 Nord-Norge's normalised cost-to-income ratio was 42.9% in December 2019, which is higher than the bank's target of 40% or lower. The bank's operating costs in December 2019 increased by nearly 11%, 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.

Loan loss provisions were minimal at only NOK11.3 million in 2019, down from NOK22.3 million in 2018, comprising 0.01% of gross loans (including covered bond loans), which indicates the bank's favourable credit risk profile and the low downside risks to its earnings.

SpareBank 1 Nord-Norge reported a net income of NOK2,062 million during 2019 compared to NOK1,542 million in 2018, with the large increase driven mainly by the one-off gain of NOK460 million from the insurance merger. Excluding the one-off gain, net income grew 4% compared to last year. Our profitability score reflects our expectation that over the next 12-18 months the bank's normalised earnings will be sustained at slightly lower levels, but close to the 12% long-term RoE target. 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. Furthermore, we anticipate that loan losses will remain low and manageable, given the generally favourable economic activity in the region.

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 approximately 51% from customer deposits at end-December 2019, which have proven resilient over many years. At end-December 2019, the bank's year-on-year growth in deposits was 6.3%, while its gross loans-to-deposits ratio (including securitized loans) was a high 180%. Retail deposits, which are considered more sticky, comprised around 54% of total customer deposits at end-December 2019.

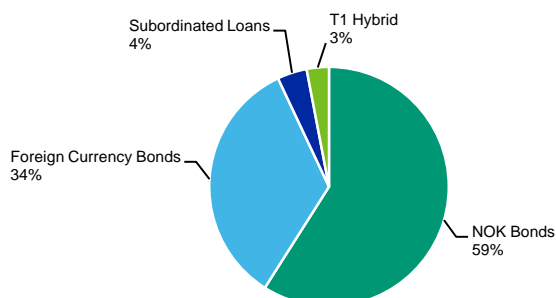
SpareBank 1 Nord-Norge has increasingly used covered bond funding, which is done off-balance sheet through specialised companies owned jointly together with other members of the SpareBank 1 Alliance (SpareBank 1 Boligkreditt for residential mortgages and SpareBank 1 Næringskreditt for commercial mortgages). At end-December 2019, the bank had transferred retail mortgages worth NOK36.0 billion to these vehicles (i.e. around 30% 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 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 30% of tangible banking assets) to represent a source of vulnerability because, in times of market stress, market funding can become more expensive and/or restricted. We also note that the bank has a generally good

maturities diversification of its capital markets funding (around NOK26 billion excluding covered bonds) until 2025, with repayments amounting to around NOK4 billion due in 2020.

Exhibit 6

SpareBank 1 Nord-Norge's market funding distribution at end-December 2019



Source: Company presentations and reports

...although liquidity is comfortable mitigating any market funding concerns

SpareBank 1 Nord-Norge's liquid assets accounted for approximately 11% of total tangible banking assets as per our scorecard. 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 156% at end-December 2019 (172% at end-December 2018), well above the statutory requirement of 100% 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.

ESG considerations

In line with our general view of the banking sector, Sparebank 1 Nord-Norge's has low exposure to Environmental risks and moderate exposure to Social risks. See our [Environmental](#) and [Social](#) risk heatmaps for further information.

Norway, similarly to the European Union, has policies in place that ensure new housing to be energy-efficient, which enables banks to gather mortgages for asset pools to issue green bonds. Such policies also help limit environmental risks for Norwegian banks with large retail exposure and primarily mortgage lending activity, which should help strengthen the bank's credit profile. In addition, the bank is taking various initiatives to promote and integrate in its business the UN's sustainable development goals, including those related to 'climate action' and 'life below water'.

The most relevant Social risks for banks arise when they interact with their customers. Social risks are particularly high in the area of data security and customer privacy which is partly mitigated by sizeable technology investments. Fines and reputational damage due to product misselling or other types of misconduct is a further social risk. Societal trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services, increasing information technology cost, aging population concerns in several countries, impacting demand for financial services or socially driven policy agendas that may translate into regulation that affects banks' revenue base. Overall, we consider banks, including SpareBank 1 Nord-Norge, to face moderate social risks.

Governance is highly relevant for SpareBank 1 Nord-Norge, as it is to all players in the banking industry. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. Corporate governance remains a key credit consideration and requires ongoing monitoring. However, we currently do not have any governance related concerns over SpareBank 1 Nord-Norge, noting the smooth transition at the top management with a new CEO and CFO taking over earlier in the year with no drastic changes to the bank's strategic direction.

Support and structural considerations

Loss Given Failure and additional notching

The EU Bank Recovery and Resolution Directive (BRRD) has entered 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. We also take into consideration the expected level of MREL eligible capital issuance until the end of 2022, which is around NOK8.1 billion. According to our forward-looking LGF model, this results in a Preliminary Rating Assessment (PRA) of three notches above the bank's BCA of a3 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-December 2019. 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%.

Following the implementation of 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 PRA, 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 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), three notches above the bank's adjusted BCA of a3, based on the substantial cushion against default provided to the senior obligations represented by the CRA by subordinated instruments. 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 is positioned 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.

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	↔	a3	Geographical concentration	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	19.0%	aa1	↔	aa2	Access to capital	
Profitability						
Net Income / Tangible Assets	1.1%	a2	↔	a3	Expected trend	
Combined Solvency Score		aa2		a1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	30.7%	baa3	↔	baa3		
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	12.9%	baa3	↔	baa2	Stock of liquid assets	
Combined Liquidity Score		baa3		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		

Balance Sheet	in-scope (NOK Million)	% in-scope	at-failure (NOK Million)	% at-failure
Other liabilities	47,663	33.0%	54,319	37.7%
Deposits	65,257	45.2%	58,601	40.6%
Preferred deposits	48,290	33.5%	45,876	31.8%
Junior deposits	16,967	11.8%	12,725	8.8%
Senior unsecured bank debt	25,161	17.4%	25,161	17.4%
Dated subordinated bank debt	1,050	0.7%	1,050	0.7%
Preference shares (bank)	780	0.5%	780	0.5%
Equity	4,327	3.0%	4,327	3.0%
Total Tangible Banking Assets	144,238	100.0%	144,238	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	30.5%	30.5%	30.5%	30.5%	3	3	3	3	0	aa3
Counterparty Risk Assessment	30.5%	30.5%	30.5%	30.5%	3	3	3	3	0	aa3 (cr)
Deposits	30.5%	4.3%	30.5%	21.7%	2	3	2	3	0	aa3
Senior unsecured bank debt	30.5%	4.3%	21.7%	4.3%	2	2	2	3	0	aa3
Dated subordinated bank debt	4.3%	3.5%	4.3%	3.5%	-1	-1	-1	-1	0	baa1
Junior subordinated bank debt	3.5%	3.5%	3.5%	3.5%	-1	-1	-1	-1	-1	baa2
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
Dated subordinated bank debt	-1	0	baa1	0		(P)Baa1
Junior subordinated bank debt	-1	-1	baa2	0		(P)Baa2
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 8

Category	Moody's Rating
SPAREBANK 1 NORD-NORGE	
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
Subordinate MTN	(P)Baa1
Jr Subordinate MTN	(P)Baa2
Pref. Stock Non-cumulative	Baa3 (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 no country ceiling.

Foreign currency debt rating

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

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