MOODY'S INVESTORS SERVICE

CREDIT OPINION
12 June 2017

Update

Rate this Research

RATINGS

SpareBank 1 Nord-Norge

Domicile	Norway
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A1
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.

Analyst Contacts

Nondas Nicolaides 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

SpareBank 1 Nord-Norge

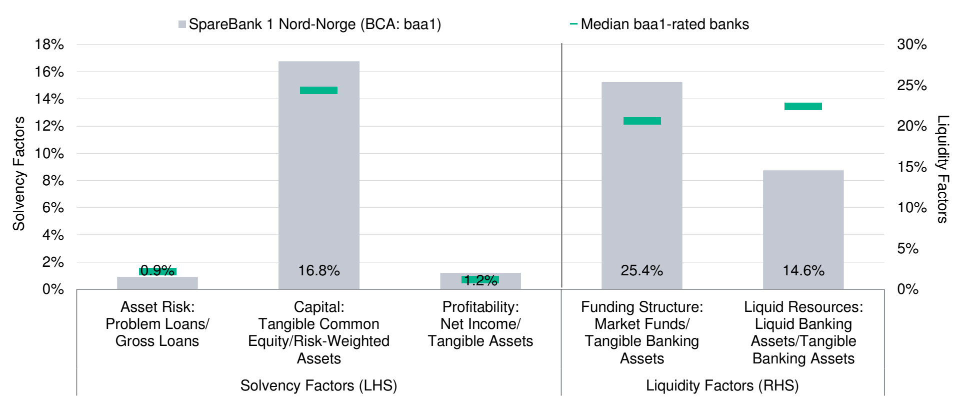
Semi - Annual Update

Summary Rating Rationale

Moody's assigns a baseline credit assessment (BCA) of baa1 to SpareBank 1 Nord-Norge, a long-term deposit rating of A1, a senior unsecured debt rating of A1, and a short-term rating of Prime-1. We also assign a Counterparty Risk Assessment (CR Assessment) of Aa3(cr) long term and Prime-1(cr) short term.

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 favourable asset quality with 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 where the bank operates compared to the country's overall economy. These positive rating drivers are to some degree counterbalanced by downside risks stemming from the slowdown in economic activity in Norway in recent years and the bank's exposure to the real estate sector, which could lead to a modest increase in problem loans. However, we expect such pressure to be limited, and unlikely to place the bank's credit profile and BCA at risk over the next 12-18 months.

Exhibit 1
Rating Scorecard - Key Financial Ratios



Source: Moody's Financial Metrics

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. However, the local authorities decision to introduce an official resolution regime in line with the EU's bank recovery and resolution directive (BRRD), could trigger a reassessment of our government support assumptions for all Norwegian savings banks, including SpareBank 1 Nord-Norge.

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

» Moderate probability of government support resulting in one-notch rating uplift for debt and deposits

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 Margins affected by intense competition, albeit satisfactory profitability on the back of cost reduction

Rating Outlook

The stable outlooks on the bank's long-term senior debt and deposit ratings reflect our view that the bank's financial standing will remain broadly resilient to a modest slowdown in Norway's economic performance.

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.

Key Indicators

Exhibit 2

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

	3-17[2]	12-16[2]	12-15[2]	12-14[2]	12-13[3]	CAGR/Avg.[4]
Total Assets (NOK billion)	92	90	85	83	78	5.6[5]
Total Assets (EUR million)	10,067	9,968	8,882	9,169	9,273	2.6[5]
Total Assets (USD million)	10,767	10,514	9,649	11,095	12,778	-5.1[5]
Tangible Common Equity (NOK billion)	10	11	9.8	9.3	8.4	7.1[5]
Tangible Common Equity (EUR million)	1,142	1,204	1,022	1,025	1,005	4.0[5]
Tangible Common Equity (USD million)	1,222	1,270	1,111	1,240	1,385	-3.8[5]
Problem Loans / Gross Loans (%)	0.7	0.9	1.0	1.1	1.7	1.1[6]
Tangible Common Equity / Risk Weighted Assets (%)	16.8	17.9	17.5	15.0	14.5	16.8[7]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	4.7	5.4	6.3	6.9	10.9	6.8[6]
Net Interest Margin (%)	2.0	2.0	1.9	1.9	1.8	1.9[6]
PPI / Average RWA (%)	2.4	2.2	1.4	1.7	1.8	1.9[7]
Net Income / Tangible Assets (%)	1.4	1.3	1.0	1.2	1.2	1.2[6]
Cost / Income Ratio (%)	46.8	50.0	63.5	55.4	53.7	53.9[6]
Market Funds / Tangible Banking Assets (%)	25.9	25.4	29.1	30.8	27.6	27.7[6]
Liquid Banking Assets / Tangible Banking Assets (%)	15.3	14.6	16.4	17.4	14.9	15.7[6]
Gross Loans / Due to Customers (%)	131.4	131.4	133.2	134.1	127.5	131.5[6]

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] Basel III - fully-loaded or transitional phase-in; IFRS [3] Basel II; IFRS [4] May include rounding differences due to scale of reported amounts [5] Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime [6] Simple average of periods presented for the latest accounting regime. [7] Simple average of Basel III periods presented

Source: Moody's Financial Metrics

Detailed Rating Considerations

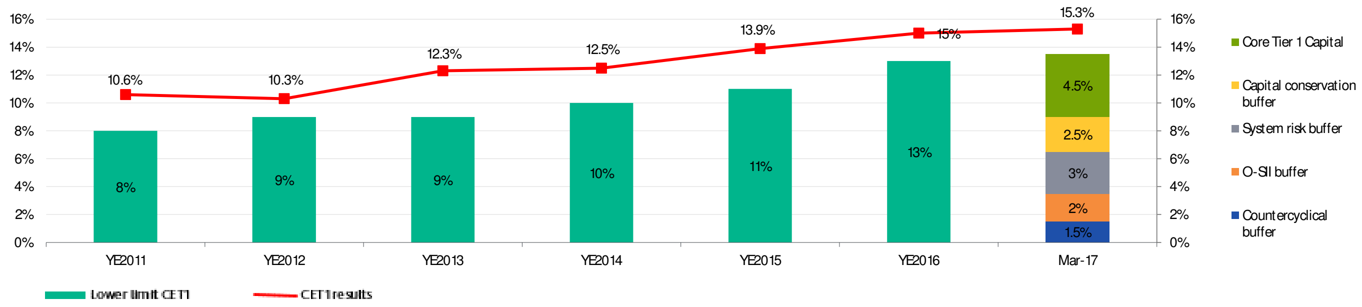
SpareBank Nord-Norge's BCA is Supported by its Very Strong - Macro Profile

As a domestically focused bank, SpareBank 1 Nord-Norge's operating environment is heavily influenced by Norway and its Macro Profile is thus aligned 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 low susceptibility to event risk. The main risks to the system stem from a high level of household indebtedness and domestic banks' reliance on market funding. However, these risks are offset by the strength of households' ability to service debt, banks' adequate capitalisation and the relatively small size of the banking system compared with GDP.

Solid Capital Ratios Provide a Good Loss Absorption Buffer

SpareBank 1 Nord-Norge's consolidated Tangible Common Equity (TCE) over risk-weighted assets ratio was 16.8 % at end-March 2017 (including transitional floors), a significant improvement from 12.4% back in 2012, while the group's reported Common Equity Tier 1 (CET1) was 15.3% (see Exhibit 3). The bank received permission to apply the Advanced IRB approach to calculate regulatory charges against credit risk on corporate clients since the first quarter of 2015, compensating for the increase in the risk weights for residential mortgages by the Norwegian FSA.

Exhibit 3
SpareBank 1 Nord-Norge's capitalisation



Source: Company reports, Moody's Financial Metrics

SpareBank 1 Nord-Norge aims to have an internal capital buffer of at least 0.5% above the statutory minimum requirement and its long-term CET1 capital ratio target is currently 14.5%, which was also recommended by the FSA for all savings banks. We believe that such capital levels provide a good loss absorption buffer to the bank, and a good safety net to its creditors. In an effort to rationalise capital use, its joint venture BN Bank (not rated) an entity that is co-owned with the rest of the SpareBank 1 Alliance banks, has been working on phasing out its corporate loan portfolio. In addition to other significant strategic measures, Sparebank 1 Nord-Norge has also sold its share in Bank 1 Oslo Akershus to Sparebanken Hedmark, which has been renamed to Sparebank Ostlandet.

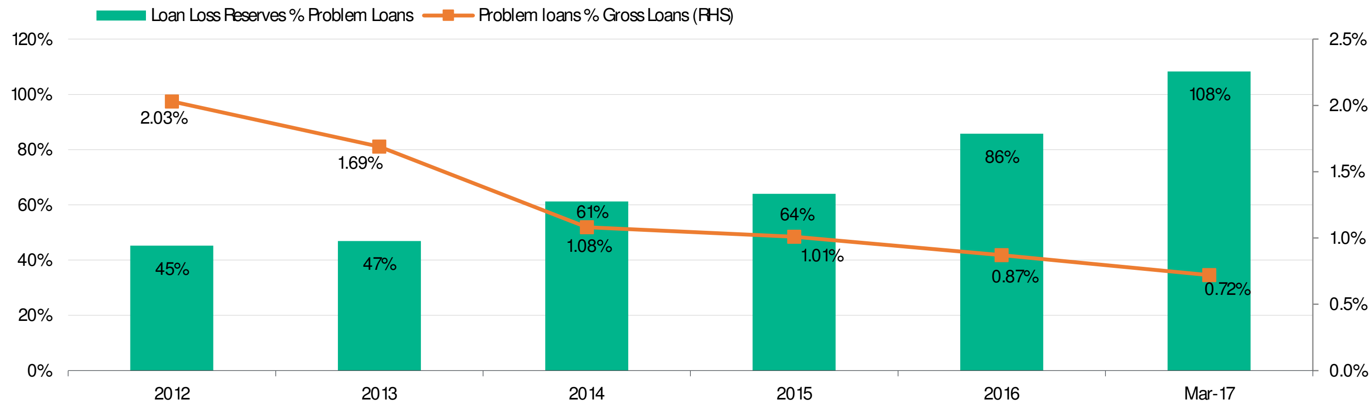
In view of the comfortable capital metrics, we note that SpareBank 1 Nord-Norge has cancelled its previous maximum dividend payout ratio of 50% of group profits, and indicated that future payouts will take into account the bank's capital levels and future growth. For 2017, the bank targets a minimum payout ratio of 50%, which to some degree may reduce its internal capital generation that stood at around 6% in 2016. In addition, the bank does not expect any significant impact on its capital metrics from the implementation of IFRS 9 from 1 January 2018 onwards.

Our assigned Capital Score of aa2 reflects the bank's capital strength, as illustrated by its TCE/tangible banking assets ratio of 11.4% at end-March 2017 (without 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 increase in the capital metrics with the consolidated Tier 1 and total capital adequacy ratios rising to 16.3% and 18.6% respectively as of March 2017, from 14.9% and 17% in March 2016. Concurrently, the bank's leverage ratio was at 7.2% in March 2017, compared to 6.1% as of March 2016 and the 5% minimum announced on 20 December 2016 by the Norwegian Finance Ministry to come into force from 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 73% of gross loans in March 2017 including loans transferred to covered bond companies), mostly in the form of mortgages. The bank's asset quality is strong with a problem loan ratio (impaired loans as a percentage of total loans) of 0.72% of on-balance-sheet loans at March 2017 (see Exhibit 4). The bank's strong 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 less affected 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 2.4% as of March 2017 compared to the 2.8% on national level.

Exhibit 4
SpareBank 1 Nord-Norge's Asset Quality Evolution



Source: Company reports, Moody's Financial Metrics

Although Sparebank 1 Nord-Norge has some exposure to the oil sector accounting for around NOK 1.4 billion, or 1.4% of total loans as of March 2017 (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 considering the significant deterioration in the sector during 2016. We note that NOK 81.3 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 6% compared to the less than 1% reported for the overall loan book. However, the 6% default rate in oil-related exposures as of March 2017 has declined significantly from the 11.6% reported in March 2016, reflecting the stabilising conditions in the oil-sector.

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.

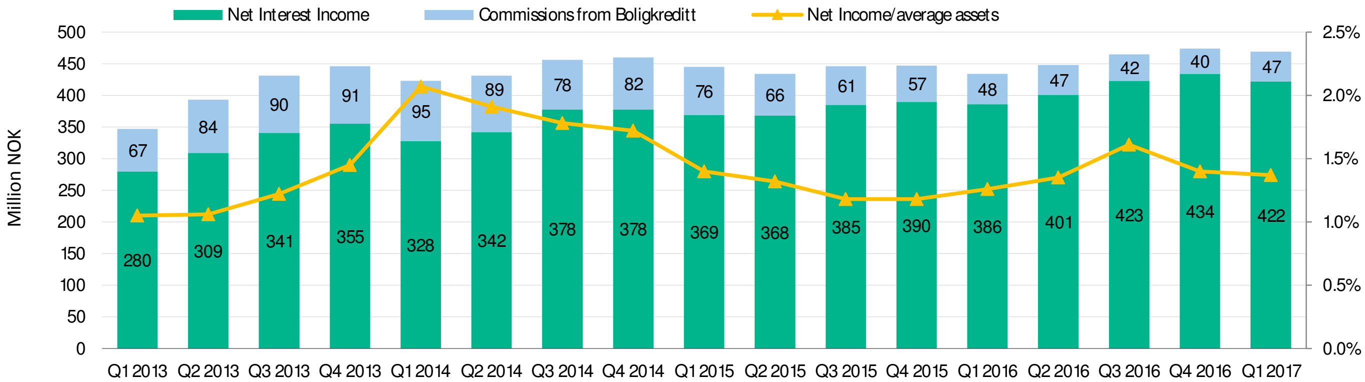
The negative adjustments that we incorporate on SpareBank 1 Nord-Norge's asset risk score are mainly driven by some concentrations in its loan book towards the real estate sector, which represents around 32% of the on-balance-sheet corporate loan portfolio or 12% of total loans as of March 2017. We also 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.

Looking ahead, we expect the bank's problem loan ratio to increase marginally or remain stable due to the general softening of economic conditions in the country. Nonetheless, 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 alleviate any asset quality deterioration. We also note the bank's high provisioning coverage for problem loans (including collective provisions) of approximately 108% in March 2017, which eliminates any risks for additional significant credit losses from the existing stock of non-performing loans.

Margins affected by intense competition, albeit satisfactory profitability on the back of cost reduction

SpareBank 1 Nord-Norge's earnings base also benefits from its resilient retail banking operations, which contributed around 40% of its pre-provision profit in 2016 as well as in the first quarter of 2017. Net interest income continued to constitute the largest proportion of income at around 55% in March 2017 (compared with net fee and commission income of 25% and income from financial instruments of 15%). Income from the covered bond companies booked as commission income mainly originates from the bank's mortgage loans transferred to the residential mortgages vehicle Sparebanken 1 Boligkreditt (see Exhibit 5). The bank's reported net interest margin stood at 1.85% as of March 2017, mainly affected by intense competition for retail mortgages and retail deposits in the market on the back of low interest rates.

Exhibit 5
SpareBank 1 Nord-Norge's net interest income (NOK million)



Source: Company reports, Moody's Financial Metrics

The bank's cost-income ratio as calculated by Moody's improved to 47% for the first three months of 2017 compared to the relatively high 53% for the first three months of 2016. The bank's operating costs in the first quarter of 2017 increased by 5% year-on-year. However, adjusted for restructurings costs, costs related to business expansion and the financial activity tax, operating expenses decreased by 1.2% compared to the average quarterly costs in 2016. SpareBank 1 Nord-Norge aims to have no increase in recurring operating costs, excluding restructuring costs and possible business expansions. However, the newly introduced financial activity tax will inevitably increase the bank's operating costs going forward, which is already visible with higher personnel costs in the first quarter of 2017.

In addition, the increased digitalization and changes in customer behaviour have triggered a reorganization at the bank to improve efficiency. The bank has decided to focus on its core operations by writing down a majority of its Russian exposures and disposing less profitable businesses. This was followed by plans to reorganise the business in response to increased digitalisation and changes in customer behaviour. The bank's reorganisation plan envisaged a net reduction of the full-time employees of the parent bank by up to 15%, closure of 21 branches and concentration on 16 financial centres during 2015-2016, which will provide additional support to the bank's profitability going forward.

Loan loss provisions were 0.25% of average gross loans at end March 2017, down from 0.28% in 2016 and 0.32% in 2015, although in absolute terms credit costs for the first three months of 2017 increased year-on-year by 83%. This was mainly driven by increased collective write-downs related to the industry and property leasing sectors. We note that the bank's commitment associated with its banking activities in Russia has a residual exposure of around NOK45 million at end-march 2017, while we expect the adoption of IFRS 9 with new principles for write-downs from 2018 to result in higher loss provisions.

SpareBank 1 Nord-Norge reported net income at NOK313 million for the first three months ending in March 2017 compared to NOK275 million for the same period a year earlier at group level. Net income as a proportion of average assets was a satisfactory 1.37% in March 2017, up from 1.26% in March 2016, while the reported return on equity improved to 11.6% in March 2017 from 11% in March 2016. Looking ahead, the bank's results are likely to be challenged by margin pressure and the risk of potential loan losses from export-oriented clients in case the domestic currency (Krone) appreciates significantly (the weakening currency so far has been beneficial to export industries, especially fisheries). Accordingly, we make a negative adjustment to the bank's profitability score to reflect this earnings vulnerability, but also the lower ratio (net income % tangible assets) including the covered bond loans.

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

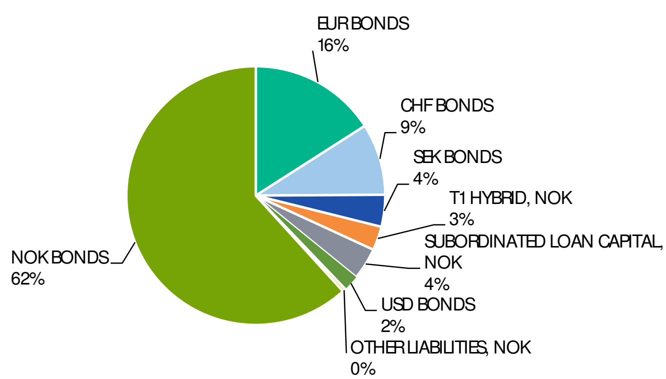
SpareBank 1 Nord-Norge's on-balance sheet funding consisted by around 66% of customer deposits at end-March 2017, which has proven resilient over many years. As of end-March 2017, the bank's deposits were up by 7.4% year-on-year, driven mainly by retail deposits that constituted around 57% of total deposits, although the bank's gross loans-to-deposits ratio (excluding securitized loans) was around 131%.

SpareBank 1 Nord-Norge has increasingly used covered bond funding, which is done off-balance-sheet through specialised companies it jointly owns together with other members of the SpareBank 1 Alliance (SpareBank 1 Boligkreditt for residential mortgages and SpareBank 1 Næringskreditt for commercial mortgages). At end-March 2017 the bank had transferred retail mortgages worth NOK26 billion to these vehicles (i.e., around 26.7% of its 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 comprised around 26% of tangible banking assets in March 2017 or 31.2% including covered bond assets) 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 2024, although the highest repayment amount of almost NOK4.7 billion is due within the next twelve months.

Exhibit 6

SpareBank 1 Nord-Norge's Market Funding Distribution as of End-March 2017



Source: Company presentations and reports

SpareBank 1 Nord-Norge's liquid assets accounted for approximately 15% of total assets at end March 2017. This 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 121% as of March 2017, compared to the 80% requirement for 2017, while we do not expect the bank to face any problems meeting the NSFR ratio that comes into effect from 2018 onwards. We generally believe that the bank will continue to have a relatively conservative liquidity profile, maintaining excess liquidity and minimizing any refinancing risk.

Notching Considerations

Loss Given Failure and Additional Notching

Norway will shortly introduce legislation to formally implement the EU's Bank Resolution and Recovery Directive (BRRD). In our 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-March 2017. Moody's estimates that the bank commands market shares of around 32% in deposits and 16% in terms of loans in the three most northerly counties of Norway, although its national market share is limited, at around 2.3% in terms of deposits and 3.4% in terms of loans. 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, local authorities decision to introduce an official resolution regime in line with the EU's bank recovery and resolution directive (BRRD), could 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

We assign a Aa3(cr) long-term and P-1(cr) short-term CR Assessment to SpareBank 1 Nord-Norge.

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.

Rating Methodology and Scorecard Factors

Exhibit 7

SpareBank 1 Nord-Norge

Macro Factors		
Weighted Macro Profile	**Very Strong -**	**100%**

Factor	Historic Ratio	Macro Adjusted Score	Credit Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.9%	aa2	↓	a3	Single name concentration	Geographical concentration
Capital						
TCE / RWA	16.8%	aa2	←→	aa2	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	1.2%	a2	↓	baa1	Return on assets	
Combined Solvency Score		aa3		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	25.4%	baa2	↓	ba1	Extent of market funding reliance	Market funding quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	14.6%	baa3	←→	baa3	Stock of liquid assets	
Combined Liquidity Score		baa2		ba1		
Financial Profile				baa1		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint:				Aaa		
Scorecard Calculated BCA range				a3-baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

Balance Sheet	in-scope (NOK million)	% in-scope	at-failure (NOK million)	% at-failure
Other liabilities	11,706	12.7%	17,240	18.7%
Deposits	54,261	58.7%	48,726	52.7%
Preferred deposits	40,153	43.4%	38,145	41.3%
Junior Deposits	14,108	15.3%	10,581	11.4%
Senior unsecured bank debt	22,324	24.2%	22,324	24.2%
Dated subordinated bank debt	1,350	1.5%	1,350	1.5%
Equity	2,772	3.0%	2,772	3.0%
Total Tangible Banking Assets	92,413	100%	92,413	100%

Debt class	De jure waterfall		De facto waterfall		Notching		LGF notching guidance versus 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 Assessment	40.1%	40.1%	40.1%	40.1%	3	3	3	3	0	a1 (cr)
Deposits	40.1%	4.5%	40.1%	28.6%	2	3	2	2	0	a2
Senior unsecured bank debt	40.1%	4.5%	28.6%	4.5%	2	2	2	2	0	a2
Dated subordinated bank debt	4.5%	3.0%	4.5%	3.0%	-1	-1	-1	-1	0	baa2
Junior subordinated bank debt	3.0%	3.0%	3.0%	3.0%	-1	-1	-1	-1	-1	baa3
Non-cumulative bank preference shares	3.0%	3.0%	3.0%	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 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	--	Baa2
Junior subordinated bank debt	-1	-1	baa3	0	--	Baa3
Non-cumulative bank preference shares	-1	-2	ba1 (hyb)	0	--	Ba1 (hyb)

Source: Moody's Financial Metrics

Ratings

Exhibit 8

Category	Moody's Rating
SPAREBANK 1 NORD-NORGE	
Outlook	Stable
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.

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.

REPORT NUMBER 1077048

Analyst Contacts

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

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

CLIENT SERVICES

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

MOODY'S
INVESTORS SERVICE