MOODY'S INVESTORS SERVICE

CREDIT OPINION
16 July 2021

Update

Rate this Research

RATINGS

Sparebanken Sor

Domicile	Kristiansand, Norway
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	(P)A1
Type	Senior Unsecured MTN - Fgn Curr
Outlook	Not Assigned
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.

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Sparebanken Sor

Update following change in methodology

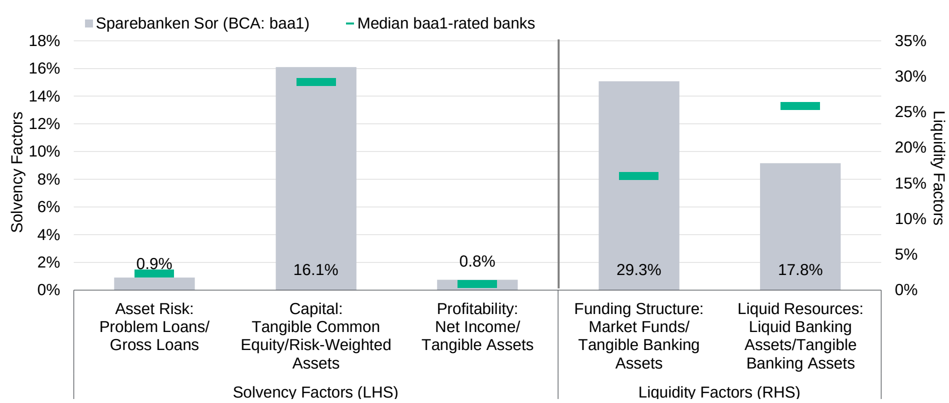
Summary

Sparebanken Sor's A1 deposit and senior unsecured debt ratings and the A3 Junior senior rating take into account its baseline credit assessment (BCA) of baa1 and our forward-looking Loss Given Failure (LGF) analysis of its liability structure.

The bank's BCA of baa1 reflects its resilient asset quality metrics, with ratios of non-performing loans (NPLs) to gross loans of around 0.8% and Loan Loss Reserves (LLRs) to NPLs of around 44% as of March 2021. The bank's BCA of baa1 also captures its strong capital buffers with a tangible common equity ratio of 16.1% combined with a robust leverage ratio of 9.2% and a moderate profitability with a net income to average tangible banking assets of around 0.8%, with relatively low earnings diversification. The bank's stand-alone credit profile also incorporates its high reliance on market funding, a common attribute of Norwegian banks.

The bank's A1 deposit and senior unsecured debt ratings take into account our forward looking advanced LGF analysis of the bank's liability structure, which results in three notches of uplift above the BCA. Sparebanken Sor benefits from a large volume of deposits and substantial layers of subordination (including upcoming MREL-eligible instruments of approximately NOK10 billion), resulting in very low potential losses for senior creditors.

Exhibit 1
Rating Scorecard- Key Financial Ratios



These represent our Banks rating methodology scorecard ratios, whereby asset risk and profitability reflect the weaker of either the three-year average and the latest annual figure. The capital ratio is the latest reported figure. The funding structure and liquid resources ratios reflect the latest fiscal year-end figures.
Source: Moody's Banking Financial Metrics

Credit strengths

» Resilient asset quality with two thirds of lending to private mortgage borrowers and close to zero exposure to oil and offshore sectors

» Strong capital levels with a robust leverage ratio

» Large volume of deposits and debt combined with upcoming MREL eligible securities, result in three notches uplift to the deposit and issuer ratings

Credit challenges

» Some single borrower and sector loan concentrations increase asset risk

» Reliance on market funding renders the bank vulnerable to fluctuations in investor sentiment

» Modest profitability with some net interest margin pressure combined with low earnings diversification

Rating outlook

The stable outlook on the bank's long-term deposit and senior unsecured debt ratings reflects our view that the bank's credit profile will remain broadly resilient over the next 12-18 months. We believe that the bank has the earnings and capital buffers to shield its solvency during this period.

Factors that could lead to an upgrade

Upward rating momentum could develop if the bank demonstrates a combination of: (1) reduced exposure to more volatile sectors such as construction and real estate sectors; (2) sustained strong asset quality; and (3) a strengthening in core earnings generation and diversification without significantly raising its credit risk profile.

Factors that could lead to a downgrade

Downward rating pressure would develop on Sparebanken Sor's ratings if: (1) the bank's NPLs were to increase significantly above its similarly rated peers; (2) its profitability were to deteriorate materially from its current level; (3) the macroeconomic environment weakens significantly for a sustained period, leading to a lower Macro Profile; and (4) lower than expected issuance of non preferred senior (SNP) securities leading to a reduction in the rating uplift through our LGF analysis.

Key indicators

Exhibit 2

Sparebanken Sor (Consolidated Financials) [1]

	03-21[2]	12-20[2]	12-19[2]	12-18[2]	12-17[2]	CAGR/Avg.[3]
Total Assets (NOK Billion)	137.8	142.1	129.5	121.1	114.3	5.9[4]
Total Assets (USD Million)	16,138.7	16,599.7	14,737.1	13,988.1	13,975.4	4.5[4]
Tangible Common Equity (NOK Billion)	12.7	12.6	11.7	10.7	10.0	7.6[4]
Tangible Common Equity (USD Million)	1,486.9	1,474.8	1,329.0	1,241.1	1,224.5	6.2[4]
Problem Loans / Gross Loans (%)	0.8	0.9	1.0	1.0	0.9	0.9[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.1	16.2	16.4	15.3	15.3	15.9[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	7.2	7.7	8.9	8.8	8.4	8.2[5]
Net Interest Margin (%)	1.3	1.3	1.5	1.4	1.5	1.4[5]
PPI / Average RWA (%)	1.5	1.7	1.9	1.7	1.9	1.7[6]
Net Income / Tangible Assets (%)	0.8	0.7	0.8	0.7	0.8	0.8[5]
Cost / Income Ratio (%)	45.1	42.8	40.9	43.8	39.5	42.4[5]
Market Funds / Tangible Banking Assets (%)	29.2	29.3	28.8	26.8	28.2	28.5[5]
Liquid Banking Assets / Tangible Banking Assets (%)	16.5	17.8	16.0	13.5	13.5	15.5[5]
Gross Loans / Due to Customers (%)	186.1	187.2	184.1	182.9	176.5	183.4[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Profile

Sparebanken Sør is a regional Norwegian bank, which provides retail and corporate banking services to individuals, companies and public authorities in the counties of Agder, Vestfold and Telemark, and Rogaland. Its products include financing, savings facilities, placements, insurance, pensions and payment facilities. Sparebanken Sør is currently the sixth largest savings bank in Norway with total consolidated assets of NOK139 billion (€13.8 billion) as of March 2021.

Recent Developments

Following the update to our methodology on July 13 we upgraded Sparebanken Sor's Junior Senior rating to A3 from Baa1 due to a change in our Loss Given Failure (LGF) analysis.

Recovery solidifies in the US and Europe, while emerging markets face multiple risks. Disparities in controlling the COVID-19 pandemic and in levels of policy support are resulting in an asynchronous global economic recovery. Although we expect significantly stronger global economic activity this year than last year, the recovery is multispeed and diverging across and within advanced and emerging market countries. But the effects on individual businesses, sectors and regions continue to be uneven, and the COVID-19 crisis will endure as a challenge to the world's economies.

Downside risks to our forecasts for advanced economies have receded but timing and pace of expansion is closely tied to policy support and continued progress with vaccinations. Progress of vaccinations in Norway, broadly in line with the EU, appears close to breaking the cycle of infections, notwithstanding risks of new variants. We expect the Norwegian mainland economy (excluding any oil-related activity) to rebound by 3.5% in 2021 after contracting by 2.5% in 2020. Unemployment, which peaked in March 2020 at 10.6% according to the Norwegian Labour and Welfare Administration, has declined to 4.0% as of April 2021.

In April we changed our outlook on the Norwegian banking system to stable from negative. This reflects our expectation that the Norwegian economy will recover strongly in 2021 after a coronavirus-induced downturn last year, exacerbated by a fall in oil prices. Norwegian banks will maintain good asset quality, as well as strong capitalisation and solid profitability. Their dependence on market funding will remain high, although offset by ample liquidity.

Detailed credit considerations

Norway's 'Very Strong-' Macro Profile remains supportive towards the bank's stand alone credit profile

Norway has an increasingly diversified and growing economy, which demonstrated resilience to the past weakening in the oil sector. The banking system benefits from operating in a country with very high economic, institutional and government financial strength as well as very low susceptibility to event risk. from the government's generally strong fiscal flexibility, with countercyclical buffers available through its sovereign oil fund,

The main risks to the system stem from a high level of household indebtedness, elevated real estate prices and domestic banks' reliance on market funding. However, these risks are mitigated by the strength of households' ability to service debt, banks' adequate capitalisation, and the relatively small size of the banking system compared to the total size of the economy.

Sparebanken Sor's operations are entirely in Norway. As a result we apply the Very Strong- Macro Profile we have assigned to banks operating in Norway.

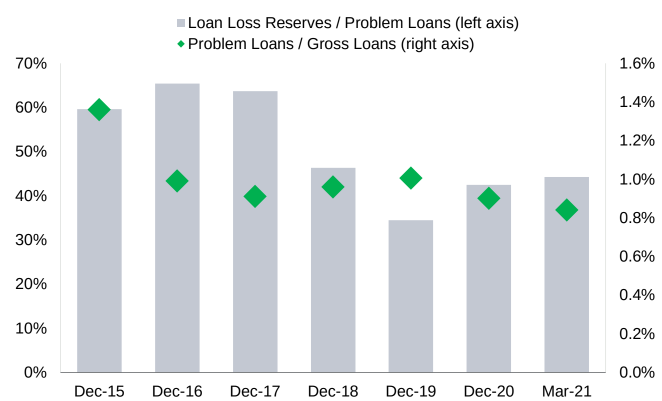
Resilient asset quality metrics, although some limited deterioration expected in the short-term and some concentrations risk

Sparebanken Sor's problem loans, defined as stage 3 loans, were at 0.8% of gross loans as of March 2021, slightly down from 0.9% as of December 2020 (stage 3 loans decreased to NOK946 million in March 2021 from NOK1,009 million in December 2020), which is comparable with other large Norwegian savings banks and in line with the average of similarly rated banks globally. The bank has taken a strategic decision to maintain a good credit quality and limit future losses reflected in a low and stable level of problem loans over the past five years (see Exhibit 3).

Sparebanken Sor's allowance for loan losses were NOK419 million, sligthly down from NOK429 million as of year-end 2020, but total provisioning coverage for problem loans increased to 44% as of March 2021 (see Exhibit 4) driven by the decrease in problem loans.

Exhibit 3

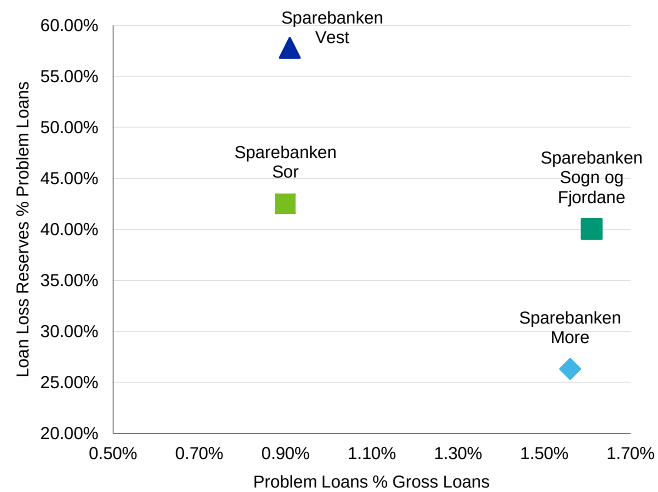
Sparebanken Sor's problem loans ratio came down in recent years...



Sources: Moody's Financial Metrics, Sparebanken Sor

Exhibit 4

..and comparable with similarly rated domestic peers



Note: Based on year-end 2020 Moody's adjusted data
Source: Moody's Financial Metrics

Sparebanken Sor's loan book is dominated by retail mortgages, representing around 66% of the gross loan book as of March 2021, which has been resilient historically with low default levels. We consider the bank's low average loan-to-value (LTV) of approximately 56% for mortgages to be a mitigating factor to a potential fall in house prices.

However, the bank has also significant concentration to the real-estate and construction sectors at around 22% of gross loans as of March 2021, which poses downside risks to future loan book performance in case there is any material reduction in property prices in the region. We note that majority of the bank's total outstanding impairments come from its corporate exposures, of which over half relate to either the property management sector or the real estate development and building & construction sectors demonstrating their higher credit risk profile.

Furthermore, the bank's corporate book has certain single-borrower concentration, especially to commercial real estate (CRE) clients, making it vulnerable to a potential default of one of its large customers.

Our downward adjustment to the bank's asset risk score to baa1 captures these concentration risks, in addition to the limited geographical diversification compared to larger Nordic commercial banks, as Sparebanken Sor is mainly exposed to the southern Norwegian region.

Going forward, we expect only a limited deterioration in the bank's asset quality ratio as a result of the coronavirus as the government support framework have mitigated most the negative effects on borrowers. We also expect that the bank's increased credit losses in 2020 which proactively incorporated substantial model-based provisions will be sufficient to counteract any real losses that may arise in the aftermath of the pandemic.

Strong capital levels with a robust leverage ratio

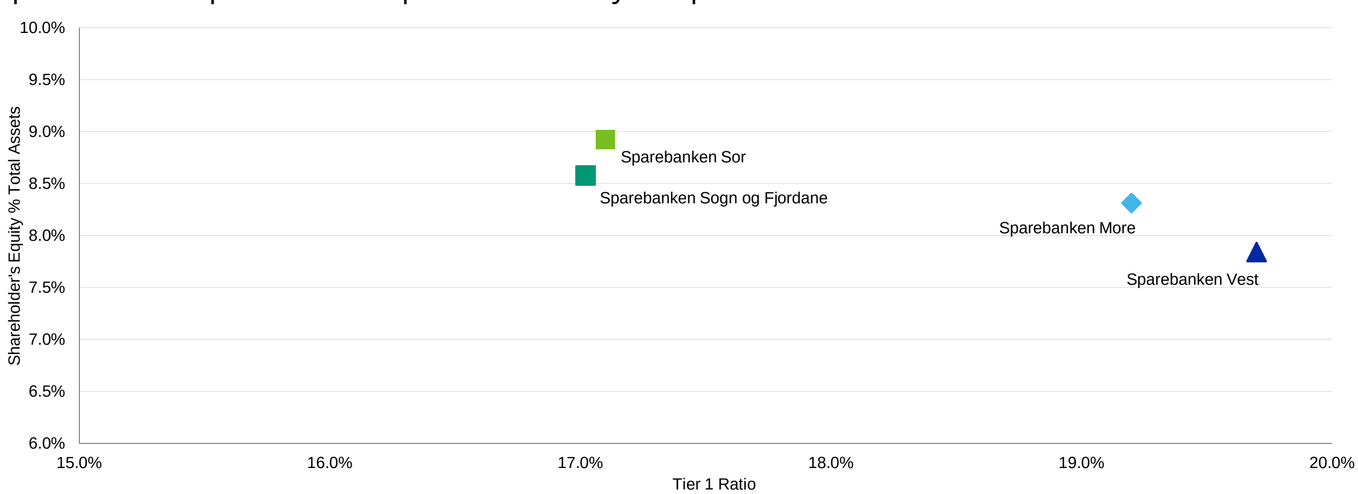
In response to the coronavirus outbreak the Norwegian FSA lowered the countercyclical capital buffer requirement by 150 basis points in 2020. Banks were requested to reconsider their dividend payments for 2019 and 2020. In line with many other Norwegian banks, Sparebanken Sor increased its capital ratios by postponing dividend payments. If the circumstances allow, the bank's Board of Directors will convene an extraordinary Board of Trustees meeting to consider the distribution of dividends.

Sparebanken Sor's capitalisation is sound relative to its risk profile with a CET1 ratio of 15.8% as of March 2021, well above its regulatory minimum of 13% and above its target of 15.3%. Concurrently, Sparebanken Sor's total regulatory capital ratio was 19.5% and its Tier 1 ratio at 17.5% as of March 2021, compared to 19.1% and 17.1% as of year-end 2020, respectively.

We note that the bank is the only one of the large regional banks in Norway that still applies the standard method in its risk-weighted assets (RWAs) calculations. Accordingly it has one of the highest RWAs-density and leverage ratios among Norwegian savings banks at 9.2% in March 2021. The bank is currently in the process to apply to the Financial Supervisory Authority for an approval to use the Internal Ratings-based (IRB) approach to calculate RWAs. However, timing of the implementation is uncertain due to the complexity of the process.

Exhibit 5

Sparebanken Sor's capital levels are comparable to its similarly-rated peers



Note: Based on year-end 2020 Moody's adjusted data, Sparebanken Sor and Sparebanken Sogn og Fjordane use the standard method while Sparebanken More and Sparebanken Vest use the Internal Ratings Based Approach for their risk weighted assets and capital calculation.
Source: Moody's Financial Metrics

On 5 November 2020, Norway's Ministry of Finance notified relevant European Union and European Economic Area authorities of changes it was making to the systemic risk buffer requirement that it currently applies to all Norwegian banks. To ensure that all

Norwegian banks maintain high capital levels the systemic risk buffer increased by 150 basis points to 4.5% on 31 December 2020. For banks using advanced internal risk-based (AIRB) models for calculating their RWAs, the change applied immediately. For the other banks using mainly the standardised approach, including Sparebanken Sor, there is a phase-in period until year-end 2022. The phase-in period will give the Norwegian regulator time to adjust its Pillar 2 requirements for these banks to calibrate the full effect of the changes.

The proposal to increase the buffer aims to counterbalance the RWAs benefit that the banks will receive from the implementation of CRD IV (removal of the 80% Basel I floor and SME discount). The bank estimated an immediate SME discount benefit of around 40 basis points (total effect when the next stage of the SME discount is implemented in a few years is 110 basis points), which combined with the eventual adoption of the IRB approach going forward, will strengthen its regulatory capital metrics. This will allow the bank to continue growing its RWAs and meet its dividend payout policy of 50-70% over the longer term.

Our assigned capital score is adjusted downwards to Aa3 to reflect the bank's relatively low equity certificates (EC) capital structure, with the EC holders owning only 17.3% of the bank's capital. We believe that this structure could challenge the bank to raise new capital if needed, especially during periods of financial distress, compared to other local savings banks that are either fully listed or have an EC ownership ratio of more than 60%. Nonetheless, we believe that the bank has good capital buffers to withstand the current pressures resulting from the global outbreak of coronavirus.

Modest profitability with low earnings diversification, on the back of some net interest margin pressure and higher impairment charges

In response to the economic stress from the coronavirus outbreak Norges Bank cut the interest rate with a total of 150 basis points during 2020, leaving the reference rate at zero. Decreasing rates and increasing competition among Norwegian banks in the retail market depressed margins in 2020, which coupled with elevated credit losses challenged Sparebanken Sor's profitability in 2020. While the competitive pressure will remain we do expect increasing rates in the second half of 2021 and lower credit losses to support profitability in 2021 compared with 2020.

Sparebanken Sor reported an annualised 8.4% return on equity (after tax) as of March 2021, compared to 5.0% for the same period a year earlier and a 9% target. Net interest income decreased 16% and total operating expenses increased slightly by 4% year-on-year. The bottom line increased overall by 67% to NOK274 million in March 2021 from NOK163 million in March 2020, driven by lower credit costs (the bank in fact wrote back provisions of NOK11 million) as well as losses on investment securities recorded in March 2020 at the outset of the pandemic.

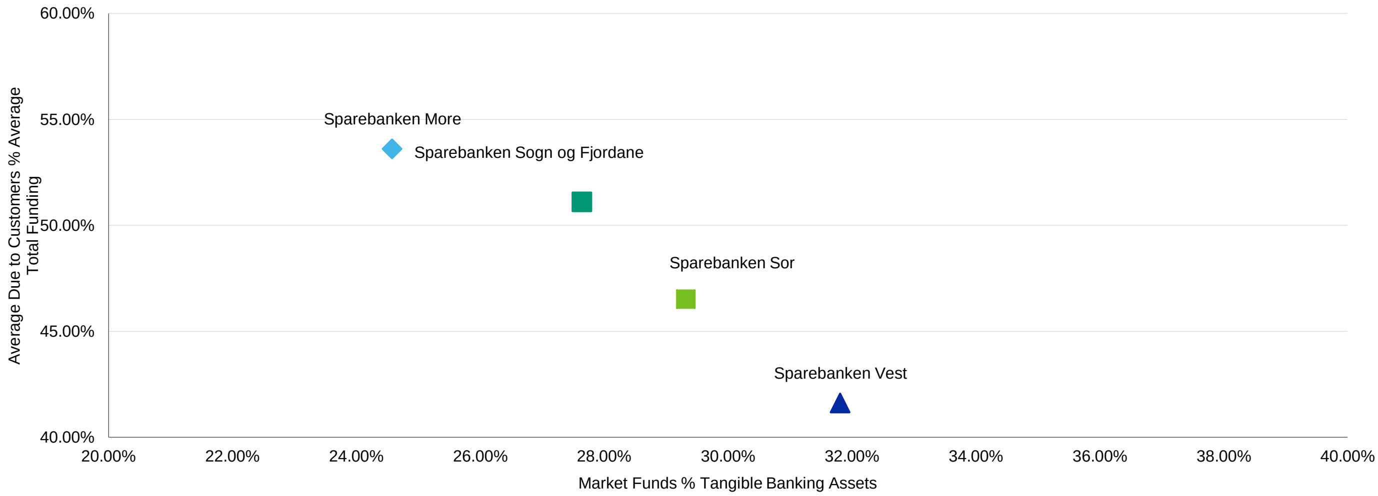
Sparebanken Sor relies predominantly on stable income from lending, with net interest income representing around 77% of its revenues, but earnings diversification is limited. The bank reported an annualised net interest margin of 1.73% for retail loans and 2.36% for corporate loans in March 2021, down from 2.20% and 2.70% respectively the year before, reflecting the interest rate cuts and increased competition among its peers. Looking ahead over the next 12-18 months, we expect the bank to continue experiencing some margin pressure counterbalanced by higher loan growth (4.8% year-on-year as of March 2021).

However, the bank's cost efficient structure and set-up, despite spending on digitalisation and channel interaction, should continue to support its core pre-provision income and bottom-line during times of stress. The bank has reported a cost-to-income ratio of 42.6% (excluding net income from financial instruments), albeit slightly higher than the reported ratio of 39.8% a year earlier and its 40% target.

Reliance on market funding renders the bank vulnerable to fluctuations in investor sentiment

Sparebanken Sor's funding is underpinned by a strong deposit base, which amounts to roughly 49% of non-equity funding. Nevertheless, the bank remains reliant on market funding, which accounted for 29% of tangible banking assets as of March 2021 (see Exhibit 6), and which renders the bank susceptible to changes in investor sentiment. While Sparebanken Sor has good access to the domestic capital markets, we expect that the bank will continue accessing the international markets in order to expand its investor base beyond its more concentrated domestic market. In 2021 to 2023 we expect the bank to replace part of its preferred senior debt maturing with MREL-eligible senior non-preferred (SNP) securities estimated at around NOK10 billion. We note that the bank has already raised NOK3 billion of SNP debt, while also being the first Norwegian bank to tap the markets for such an instrument.

Exhibit 6
Reliance on market funding remains a fundamental weakness for the bank, a common attribute of Norwegian banks



Note: Based on year-end 2020 Moody's adjusted data.
Source: Moody's Financial Metrics

A sizeable and growing portion of market funds is in the form of covered bonds, which provide the bank with an important source of funding. Based on our methodology, we reflect the stability of covered bonds relative to unsecured market funding through an adjustment to our market funds to tangible assets ratio. We believe the bank will benefit from the depth of the markets, increasing its potential investor base and mitigating its refinancing risk. Nonetheless, our Funding Structure score reflects our view that the bank's overall funding profile remains a weakness relative to the other scorecard metrics.

Sparebanken Sor also maintains sizeable buffers of high quality liquid assets. As of September 2020, liquid assets accounted for around 17% of tangible assets, comprising cash and deposits with the central bank and the securities portfolio that is in a vast majority Aaa-rated instruments in the form of Norwegian covered bonds and bonds from the government and other public entities.

We note that these holdings are mostly Norwegian securities and covered banks of other local banks, which could be a source of vulnerability from a concentration-risk perspective and in case of a systemic liquidity crunch, but reduces the bank's currency exposure. The bank reported a consolidated liquidity coverage ratio (LCR) of 168% as of March 2021, well above the regulatory requirement and mitigating to a some extent the market funding dependence concerns that we have.

Source of facts and figures cited in this report

Unless noted otherwise, we have sourced data relating to system-wide trends and market shares from the central bank. Bank specific figures originate from banks' reports and Moody's Banking Financial Metrics. All figures are based on our own chart of accounts and may be adjusted for analytical purposes. Please refer to the document Financial Statement Adjustments in the Analysis of Financial Institutions published on 9 August 2018.

ESG considerations

In line with our general view on the banking sector, Sparebanken Sor has a low exposure to environmental risks. See our environmental risk heat map for further information.

We believe banks face moderate social risks. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which are partly mitigated by sizeable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct are further social risks. Social trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services increasing information technology cost, ageing population concerns in several countries affecting demand for financial services or socially driven policy agendas translating into regulations that affect banks' revenue base.

In addition, we regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. See our social risk heat map for further information.

Governance is highly relevant for Sparebanken Sor, as it is to all entities in the banking industry. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven. For Sparebanken Sor, we do not have any particular governance concern. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

Loss Given Failure

The EU Bank Recovery and Resolution Directive (BRRD) entered into force on 1 January 2019 in Norway, which support our current assumptions regarding the LGF analysis. For our resolution 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 Sparebanken Sor's long-term deposit rating and senior unsecured debt rating, our LGF analysis considers the combination of the bank's junior deposits, its outstanding debt volume and the amount of debt subordinated to this.

The assigned LGF notchings for long-term deposit and senior unsecured bank debt are positioned three notches above the BCA which is one notch higher than the correspondent LGF notching guidance of two notches above the adjusted BCA. This reflects our expectation that the bank will issue non-preferred senior (SNP) debt, estimated at around NOK10 billion, over the coming 3 years in order to comply with its MREL requirement. This has resulted in a Preliminary Rating Assessment (PRA) of three notches above the BCA, reflecting very low loss given failure. Furthermore, this also result in the a3 PRA assigned to SNP is debt one notch above the BCA reflecting moderate expected loss given failure.

Moody's believes that there is a low likelihood that the implementation of revisions to the Bank Recovery and Resolution Directive (BRRD2) in Norway will result in a significantly lower level of junior senior issuance by the bank. In particular the agency does not expect the application of the directive's subordination cap (equivalent to 27% of risk weighted assets) to significantly reduce the level of subordination for Norwegian banks currently in receipt of a recapitalisation requirement. This is because the framework includes a number of potential exceptions to the cap, particularly in the case of larger banks, or for those banks where there is an assumption that use of resolution funding would be required to facilitate resolution.

Accordingly, the rating agency expects that Norwegian banks' funding plans will most likely remain substantially unchanged and continue to be driven by the initial implementation of the BRRD rules. However, the ability of authorities to apply such exceptions to a broad range of banks remains untested, and clarity depends on the incorporation of BRRD2 in the EEA agreement, implementation in Norwegian law and finally the setting of individual requirements by the Norwegian FSA (the resolution authority). Should the final implementation of BRRD2 result in lower subordination requirements for Sparebanken Sor, and therefore lower volumes of junior senior debt, this could lead to a negative rating action.

For junior securities issued by Sparebanken Sor, 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.

Government support

Sparebanken Sor is a regional savings bank with a sound market position on the southern coast of Norway, in the counties of Agder, Vestfold and Telemark, and Rogaland, where we estimate it commands combined market shares of around 24% for lending and around 34% for deposits. As a result of the implementation of the BRRD legal framework in Norway from 1 January 2019, which is aligned with that of the EU, we revised our government support assumption for the bank's preferred senior debt and deposits to low from moderate. This has resulted in no rating uplift from its PRA, positioning the ratings at A1.

Counterparty Risk (CR) Assessment

Sparebanken Sor's CR Assessment is positioned at A1(cr)/P-1(cr).

The CRA is positioned three notches above the Adjusted BCA of baa1, 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 Rating (CRR)

Sparebanken Sor's CRRs are positioned at A1/P-1.

The CRRs are positioned three notches above Sparebanken Sor's Adjusted BCA of baa1, reflecting extremely low loss-given-failure from the high volume of instruments that are subordinated to CRR liabilities.

Foreign currency deposit rating

The bank's foreign-currency deposit ratings are unconstrained, because Norway has no country ceiling. Sparebanken Sor's foreign-currency deposit rating is A1.

Methodology and scorecard

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

Sparebanken Sor

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	0.9%	aa2	↔	baa1	Geographical concentration	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	16.1%	aa2	↔	aa3	Access to capital	
Profitability						
Net Income / Tangible Assets	0.8%	baa1	↓	baa2	Earnings quality	Expected trend
Combined Solvency Score		aa3		a3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	29.3%	baa2	↔	baa2		
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	17.8%	baa2	↔	baa2		
Combined Liquidity Score		baa2		baa2		
Financial Profile				baa1		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				a3 - baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

Balance Sheet	**in-scope (NOK Million)**	**% in-scope**	**at-failure (NOK Million)**	**% at-failure**
Other liabilities	53,128	38.6%	59,326	43.1%
Deposits	60,774	44.1%	54,575	39.6%
Preferred deposits	44,973	32.7%	42,724	31.0%
Junior deposits	15,801	11.5%	11,851	8.6%
Senior unsecured bank debt	13,757	10.0%	13,757	10.0%
Junior senior unsecured bank debt	3,000	2.2%	3,000	2.2%
Dated subordinated bank debt	1,650	1.2%	1,650	1.2%
Preference shares (bank)	1,275	0.9%	1,275	0.9%
Equity	4,131	3.0%	4,131	3.0%
Total Tangible Banking Assets	137,715	100.0%	137,715	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	25.9%	25.9%	25.9%	25.9%	3	3	3	3	0	a1
Counterparty Risk Assessment	25.9%	25.9%	25.9%	25.9%	3	3	3	3	0	a1 (cr)
Deposits	25.9%	7.3%	25.9%	17.3%	2	3	2	3	0	a1
Senior unsecured bank debt	25.9%	7.3%	17.3%	7.3%	2	2	2	3	0	a1
Junior senior unsecured bank debt	7.3%	5.1%	7.3%	5.1%	0	0	0	1	0	a3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a1	0	A1	A1
Counterparty Risk Assessment	3	0	a1 (cr)	0	A1(cr)	
Deposits	3	0	a1	0	A1	A1
Senior unsecured bank debt	3	0	a1	0	(P)A1	(P)A1
Junior senior unsecured bank debt	1	0	a3	0	A3	

[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
SPAREBANKEN SOR	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A1
Senior Unsecured MTN	(P)A1
Junior Senior Unsecured -Dom Curr	A3

Source: Moody's Investors Service

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