MOODY'S RATINGS

CREDIT OPINION

17 January 2025

Update

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RATINGS

Sparebanken More

Domicile	Norway
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	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 More

Update to credit analysis following periodic review

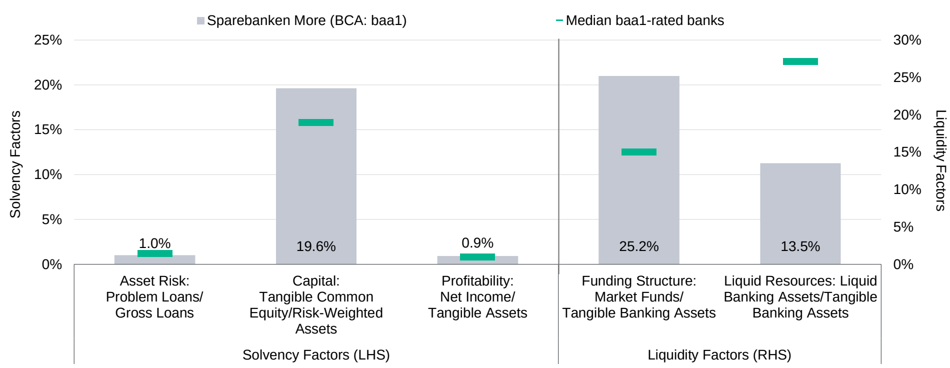
Summary

Sparebanken More's A1 long-term issuer and deposit ratings reflect its Adjusted Baseline Credit Assessment (BCA) of baa1, and our assumption of very low loss-given-failure for junior depositors and senior bondholders, which results in three notches of uplift for the ratings. Our assumption of a low probability of support from the Government of Norway (Aaa, stable) does not result in any further uplift to the ratings. The outlooks on the long-term deposit and issuer ratings are stable.

Sparebanken More's BCA of baa1 reflects its strong financial fundamentals including sound asset quality and strong capital buffers. The BCA also takes into consideration Sparebanken More's track record of satisfactory profitability throughout the credit cycle, despite limited earnings diversification. Balancing these strengths is the bank's sizeable reliance on market funds, and geographical credit concentrations.

Exhibit 1

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 or 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 Ratings

Credit strengths

» Strong asset quality metrics with low levels of non-performing loans

» Strong capital buffers, well above regulatory requirements

» Large volume of deposits and debt, which results in a three-notch uplift for the deposit and issuer ratings from the BCA

Credit challenges

» Concentrated regional lending exposure within Western Norway

» Low earnings diversification

» Sizeable reliance on market funding though lower than many Norwegian peers

Outlook

The stable outlook reflects Sparebanken More's continuously strong fundamentals, notably in terms of asset quality through extremely low cost of risk over time and improved profitability, balanced with our view that profitability will slightly decrease going forward in the face of decreasing net interest margins and moderately higher cost of risk over the next 12-18 months.

Factors that could lead to an upgrade

Sparebanken More's BCA and long-term ratings could be upgraded if (1) the bank continued to show a very strong track record of extremely low loan losses, strong capitalisation, sustainably higher profitability and decreasing reliance on wholesale funding and (2) the bank reduced its geographic and sector concentration levels.

Factors that could lead to a downgrade

The bank's BCA and long-term ratings could be downgraded if the bank proved unable to sustain a strong asset risk track record, strong capitalisation and solid profitability levels.

In addition, a reduction in the expected issuance volume of loss-absorbing liabilities protecting junior depositors and senior unsecured creditors in case of failure would also cause a downgrade of the bank's long-term ratings.

Key indicators

Exhibit 2
Sparebanken More (Consolidated Financials) [1]

	09-24[2]	12-23[2]	12-22[2]	12-21[2]	12-20[2]	CAGR/Avg.[3]
Total Assets (NOK Billion)	106.9	96.7	89.5	82.8	79.5	8.2[4]
Tangible Common Equity (NOK Billion)	8.0	8.0	7.4	6.9	6.6	5.5[4]
Problem Loans / Gross Loans (%)	0.5	0.5	1.5	1.6	1.6	1.1[5]
Tangible Common Equity / Risk Weighted Assets (%)	19.6	21.2	20.6	19.6	19.2	20.0[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	5.6	5.2	14.6	15.1	15.4	11.2[5]
Net Interest Margin (%)	2.0	2.0	1.7	1.5	1.5	1.7[5]
PPI / Average RWA (%)	3.7	3.5	2.8	2.5	2.6	3.0[6]
Net Income / Tangible Assets (%)	1.0	1.1	0.8	0.8	0.7	0.9[5]
Cost / Income Ratio (%)	39.8	38.9	42.1	41.5	40.9	40.7[5]
Market Funds / Tangible Banking Assets (%)	27.8	25.2	24.8	23.0	24.9	25.1[5]
Liquid Banking Assets / Tangible Banking Assets (%)	16.8	13.5	13.2	13.9	12.9	14.1[5]
Gross Loans / Due to Customers (%)	175.8	172.6	174.1	167.9	172.0	172.5[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 Ratings and company filings

Profile

Sparebanken More is a regional savings bank with a well-established market position in the county of Møre og Romsdal, Western Norway, with its head office located in Ålesund. Sparebanken More provides retail and corporate banking and other financial services, including real estate brokerage. It also offers capital management advice and discretionary portfolio management, while it distributes insurance, leasing products and credit cards.

As of the end of September 2024, the bank reported total consolidated assets of NOK106.9 billion (around €9.1 billion) and operated through a network of 26 branches. The bank's fully-owned covered bond issuer, More Boligkreditt AS (A1/stable, issuer rating/outlook), represents approximately 42% of Sparebanken More's total loans as of September 2024.

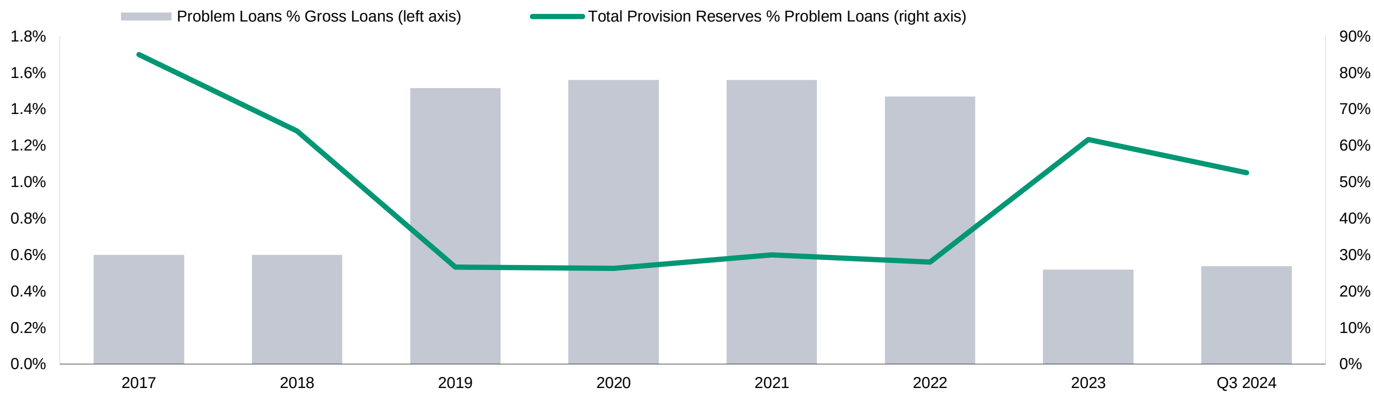
Sparebanken More was established in 1985 as a result of the merger of a number of banks in the region. The bank's history of merged savings banks can be traced back to 1843, and the latest merger was completed in 2009. Sparebanken More's equity certificates (ECs) are listed on the Oslo Stock Exchange (ticker: MORG).

Detailed credit considerations

Asset quality benefits from low levels of non-performing loans but is constrained by concentration risk

Sparebanken More has strong asset quality metrics, benefitting from strong underwriting standards and a focus on residential mortgages. The bank's ratio of nonperforming loans (NPLs) to gross loans compares well to similarly rated global peers, although it has been higher than its Norwegian savings bank peers in recent years, averaging 1.6% over 2019-22. It has since fallen to 0.5% as of September 2024, supported by the robust performance of key industries in the Møre og Romsdal region and resolution of several individual corporate exposures.

Exhibit 3
Asset quality was strong in 2024
Problem loans and provisioning level



Sources: Bank's disclosures and Moody's Ratings

Similar to that of other Norwegian savings banks, Sparebanken More's loan book is focused on retail loans, predominantly in the form of mortgages, accounting for around 65.5% of the total portfolio as of September 2024. House prices in Møre og Romsdal have grown at a slower pace than the national level, which has increased rapidly since 2009. This, together with the bank's relatively conservative loan-to-value (LTV) ratio (96% of mortgages had an LTV of below 85% as of September 2024), limits the risks.

Sparebanken More's still sizable corporate lending portfolio includes exposure to the oil-related offshore sector, which we consider highly volatile, was limited to around 1.4% of the loan book as of September 2024. At the same time, the bank had a 6.1% exposure to fisheries and the fishing industry and has benefited from the sector's continued strong performance and exports, partly supported by the weakening domestic currency.

Sparebanken More's loans to property management and real estate construction companies accounted for 10.9% of its loan book as of September 2024, lower than that of other Norwegian savings banks. However, when combined with its large mortgage portfolio, these exposures make the bank vulnerable to a significant decline in real estate prices. In addition, the bank's relatively high single-borrower concentration makes its asset quality vulnerable to a potential default by one of these large customers.

The assigned baa2 Asset Risk score reflects the bank's low level of non-performing loans against risks arising from geographic, sectoral and individual counterparty concentrations, which has been demonstrated through some historic volatility in its asset quality metrics.

Strong capital buffers offer protection against credit losses

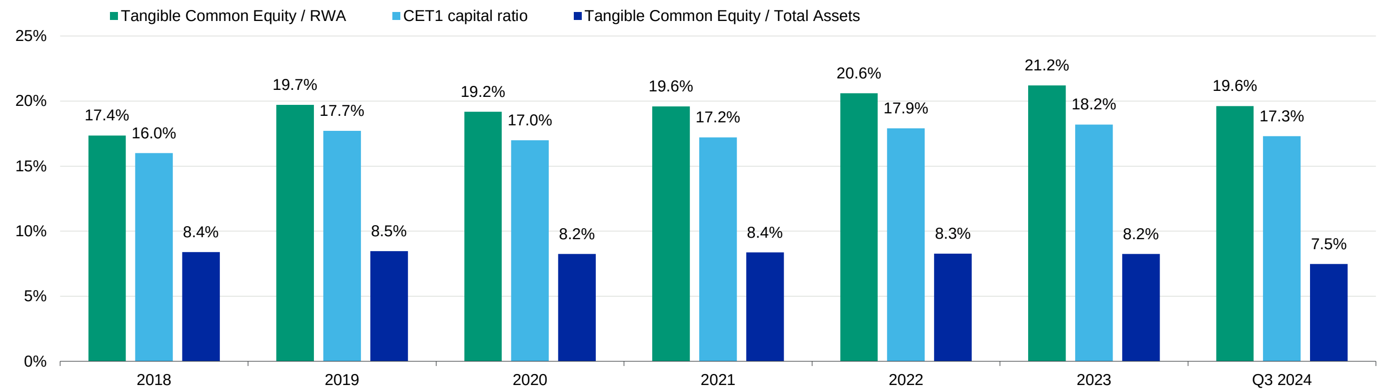
Sparebanken More maintains strong core capitalization, with high tangible common equity (TCE) and reported Common Equity Tier 1 (CET1) ratios of 19.6% and 17.3%, respectively, as of September 2024, providing substantial loss absorption buffers. Although there was a slight decline in reported ratios in 2024 due to revised internal capital models, the bank's capital position remains strong.

The bank's prudential capital ratios are maintained above the regulatory minimums. As of September 2024, the CET1 requirement was 16.15%, which includes a 0.9% Pillar II requirement that must be met with CET1 capital and a 1.25% capital adequacy margin. The bank reported a regulatory leverage ratio of 7.3% as of September 2024, above the 3% regulatory requirement and demonstrating its strong capitalisation given its focus on lower-risk weighted residential mortgages.

Exhibit 4

Sparebanken More benefits from strong and stable headline capital metrics

Capital metrics



The CET1 capital ratio displayed for Q3 2024 includes 50% of interim profits

Source: Bank's disclosures and Moody's Ratings

The bank received approval to recalibrate its internal ratings-based (IRB) models and framework with regard to its exposure to the corporate segment, incorporating changes that were made in the second half of 2023, which increased its CET1 ratio by 0.7%. This has since been recalibrated with changes made to the model in the third quarter 2024, resulting in a 0.8% reduction in its CET1 ratio to 17.3%, in excess of its 16.15% requirement, which we expect to persist.

Our assigned aa2 Capital score, which is one notch below the initial score, reflects the bank's very strong capitalisation against potential limitations in accessing new capital given its equity certificate capital structure, which we consider provides less robust access compared to a joint-stock company.

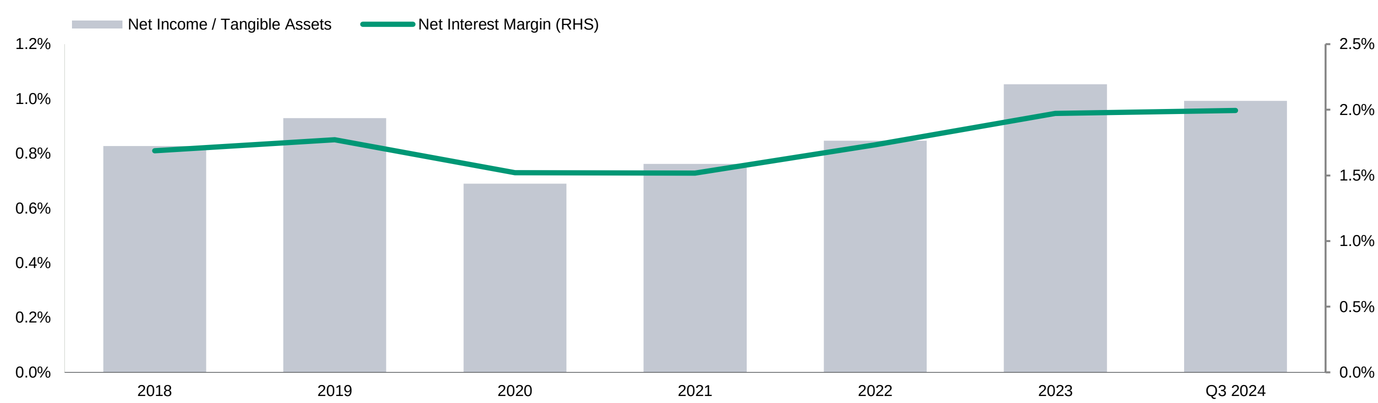
Solid profitability despite limited earnings diversification

Sparebanken More's profitability is solid, especially in the European banking context. The bank reported net income that represented 1.0% of tangible assets in the first nine months of 2024, in line with the year-earlier period. Earnings have been boosted by higher interest margins as a result of an elevated policy rate, as well as good underlying cost efficiency. We expect profitability to moderate slightly in 2025 as the policy rate declines, yet remain at solid levels.

Exhibit 5

Higher margins has boosted earnings

Profitability metrics



Q3 2024 reflects the nine months to September 2024 on an annualised basis

Source: Bank's disclosures and Moody's Ratings

The bank reported net income of NOK815 million for the first nine months of 2024, a near 17% increase from the year-earlier period, benefitting from higher interest rates and close to double-digit loan growth — 7% year on year for retail lending and 9.9% year on year for corporate lending. Net interest income is Sparebanken More's main source of revenue and accounted for 85% of the bank's total revenue in the same period. Although it has historically been robust, the bank's limited earnings diversification makes its profitability vulnerable to competition in a single business line, which is reflected in the assigned baa2 Profitability score.

Sparebanken More's good cost efficiency supports its profitability. Higher margins has contributed to a lower cost-to-income ratio (Moody's adjusted) of 39.8% in the first nine months of 2024, up slightly from 38% in 2023, and still below its target of 40%. However, the bank does maintain good underlying cost efficiency despite its more moderate size, with its cost-to-income ratio averaging 43% from 2016-2019 during a period of more stable interest rates.

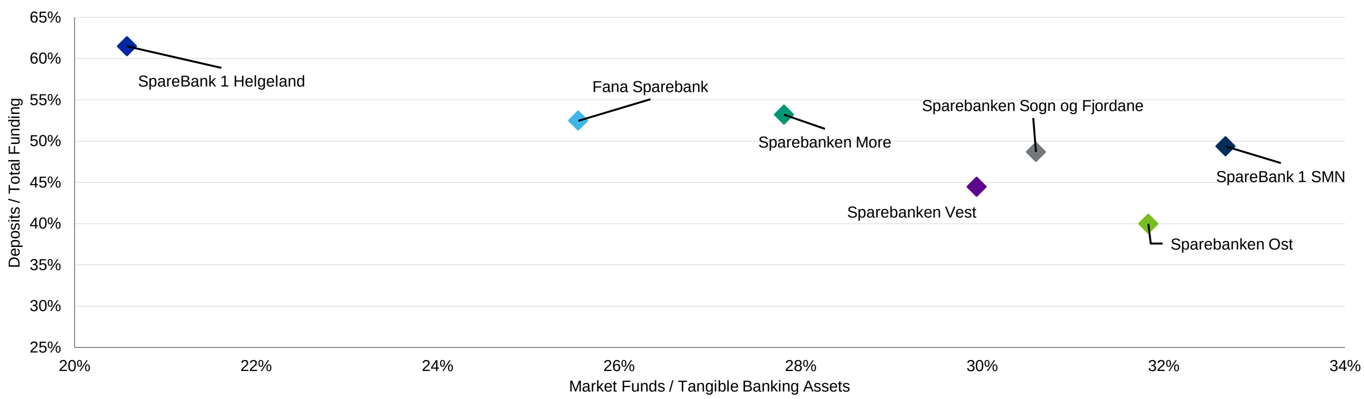
Sizeable reliance on market funding, although lower than many Norwegian peers

Sparebanken More's primary funding source is deposits, which accounted for 51% of funding excluding equity and 56.9% of gross customer loans as of September 2024, a level we expect to remain broadly stable. However, the bank's sizeable reliance on confidence-sensitive market funding, although lower than many of peers, is a credit weakness. Market funds/tangible banking assets was 27.8% as of the end of September 2024.

Exhibit 6

Sizable market funding reliance

Market Funding peer comparison, as of September 2024



Source: Banks' disclosures and Moody's Ratings

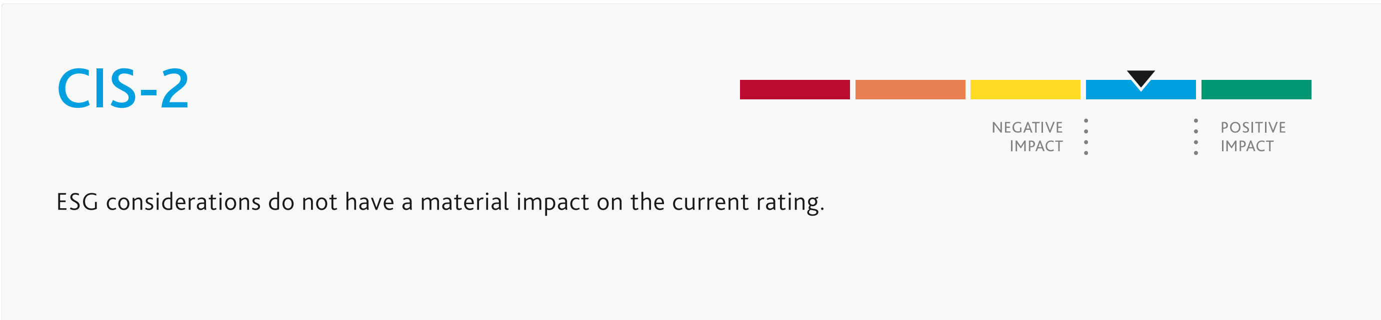
The majority of Sparebanken More's market funds (around 71% as of September 2024) was in the form of covered bonds issued through its specialised subsidiary More Boligkreditt AS. The longer maturity of these funding instruments is positive for the bank's asset-liability management and provides good funding diversification. In addition, most of the outstanding covered bonds are eligible as Level 1 High Quality Liquid Assets (HQLA) under the Basel III Liquidity Coverage Ratio (LCR) rules. The assigned baa2 Funding Structure score reflects the bank's sizable share of confidence-sensitive market funding.

Sparebanken More maintains good liquidity buffers of high credit quality, which are broadly in line with those of its local peers. The bank's liquid assets/tangible banking assets was 16.8% as of September 2024 (year-end 2023: 13.5%) and LCR was a strong 165%. Besides cash and dues from other banks, the bank's liquidity buffers include a securities portfolio, which mainly comprises domestic and European covered bonds, government and supranational bonds, and minor holdings of senior bonds. Euro-denominated issues are hedged in Norwegian krone, and fixed-rate bonds are swapped to floating rates (mainly three-month floating).

ESG considerations

Sparebanken More's ESG credit impact score is CIS-2

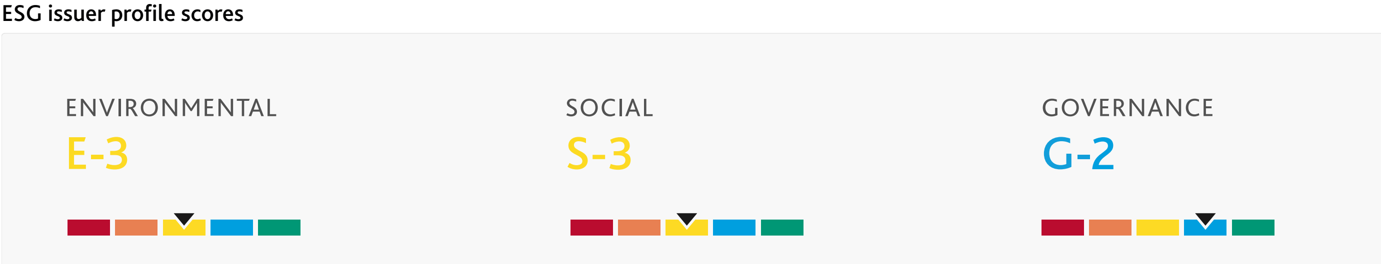
Exhibit 7
ESG credit impact score



Source: Moody's Ratings

Sparebanken More's **CIS-2** indicates that environmental, social and governance risks have no material effect on the ratings.

Exhibit 8
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Sparebanken More has a moderate exposure to environmental risks primarily because of its portfolio exposure to carbon transition. These risks are primarily related to its corporate portfolio. However, the bank's exposures to the oil, offshore and shipping business are limited. In line with its peers, the bank is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, the bank is developing its climate risk and portfolio management capabilities.

Social

Sparebanken More faces moderate social risks related to customer relations and associated regulatory and litigation risks, requiring high compliance standards. The exposure to customer relation risks is lower than its international peers, given the bank's untarnished customer conduct track record supported by the social mandate of the Savings Bank's model. Sparebanken More is a digitally advanced bank in Norway, with a robust IT infrastructure and strong capabilities to mitigate cyber and personal data risks.

Governance

Sparebanken More face low governance risks, and its risk management, policies and procedures are in line with industry practices. Despite sectoral and geographical concentrations, due to its limited reach, the bank benefits from strong underwriting standards which mitigate some of these concerns. The bank has a track record of sound capital and liquidity management and earnings stability while losses have been low, even at times of market turbulence. Being a regional savings bank, 50% of the bank is owned by the community foundation and around 50% by other private investors, in the form of listed equity certificates. The bank's General Meeting, the supreme body which elects its Board of Directors, comprises customers, EC holders, employees and representatives of the public authorities. Related governance risks are however mitigated by Norway's developed institutional framework.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure (LGF) analysis

We apply our Advanced LGF analysis to Sparebanken More as the bank is based in Norway, which we consider an operational resolution regime (ORR). For this analysis, we assume that equity and losses are 3% and 8%, respectively, of tangible banking assets in a failure scenario. We also assume a 25% run-off of junior wholesale deposits and a 5% runoff in preferred deposits, and a 26% proportion of junior deposits. These are in line with our standard assumptions.

For Sparebanken More's long-term deposit rating, issuer rating and junior senior 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 analysis incorporates our expectation that the bank will issue additional non-preferred senior debt to comply with the Minimum Requirement for Eligible Liabilities (MREL), but also considers the bank's need for a buffer above the requirement itself.

Under these assumptions, we assess that Sparebanken More's depositors and senior unsecured creditors are likely to face very low loss given failure, resulting in three notches of uplift to the bank's BCA. For its junior securities we assess a high loss given failure, resulting in the rating being aligned with the BCA.

Government support considerations

Sparebanken More has a robust market position in the county of Møre og Romsdal in Western Norway, where it held market shares of 27% of loans and 33% of deposits as of December 2023. However, its national market share is much smaller and was approximately 1% of loans and deposits, as of 2023. Accordingly, and in conjunction with our assessment that Norway is an ORR, we expect a low probability of government support for deposits, resulting in no rating uplift.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our rating committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 9
Rating Factors

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	1.0%	aa2	↔	baa2	Geographical concentration	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	19.6%	aa1	↔	aa2	Access to capital	
Profitability						
Net Income / Tangible Assets	0.9%	baa1	↔	baa2	Earnings quality	
Combined Solvency Score		aa3		a3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	25.2%	baa2	↔	baa2	Expected trend	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	13.5%	baa3	↔	baa3	Stock of liquid assets	
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	43,673	40.9%	48,794	45.7%
Deposits	50,203	47.0%	45,082	42.2%
Preferred deposits	37,150	34.8%	35,293	33.0%
Junior deposits	13,053	12.2%	9,790	9.2%
Senior unsecured bank debt	4,400	4.1%	4,400	4.1%
Junior senior unsecured bank debt	3,750	3.5%	3,750	3.5%
Dated subordinated bank debt	850	0.8%	850	0.8%
Preference shares (bank)	750	0.7%	750	0.7%
Equity	3,205	3.0%	3,205	3.0%
Total Tangible Banking Assets	106,831	100.0%	106,831	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	21.3%	21.3%	21.3%	21.3%	3	3	3	3	0	a1
Counterparty Risk Assessment	21.3%	21.3%	21.3%	21.3%	3	3	3	3	0	a1 (cr)
Deposits	21.3%	8.0%	21.3%	12.1%	3	3	3	3	0	a1
Senior unsecured bank debt	21.3%	8.0%	12.1%	8.0%	3	2	3	3	0	a1
Junior senior unsecured bank debt	8.0%	4.5%	8.0%	4.5%	0	0	0	0	0	baa1

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	A1	A1
Junior senior unsecured bank debt	0	0	baa1	0	Baa1	

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

Ratings

Exhibit 10

Category	Moody's Rating
SPAREBANKEN MORE	
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
Junior Senior Unsecured -Dom Curr	Baa1
MORE BOLIGKREDITT AS	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A1
ST Issuer Rating	P-1

Source: Moody's Ratings

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