MOODY'S
INVESTORS SERVICE

CREDIT OPINION

26 June 2023

Update

Send Your Feedback

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.

Contacts

Mattias Eric Frithiof +46.8.5179.1264
AVP-Analyst
mattias.frithiof@moodys.com

Savina Joseph +357.2569.3045
Associate Analyst
savina.joseph@moodys.com

Nondas Nicolaides +357.2569.3006
VP-Sr Credit Officer
nondas.nicolaides@moodys.com

Simon James Robin Ainsworth +44 207 772 5347
Associate Managing Director
simon.ainsworth@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077

Sparebanken More

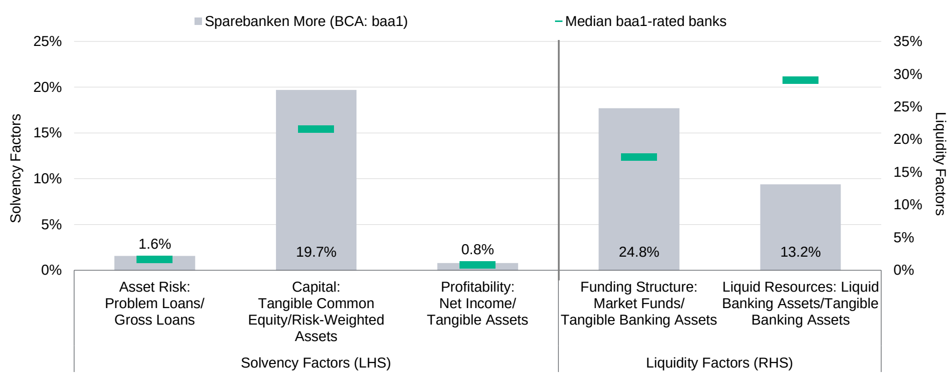
Update to credit analysis

Summary

Sparebanken More's A1 long-term issuer and deposit ratings, both with a stable outlook, are driven by the bank's baa1 Baseline Credit Assessment (BCA) and the application of our Advanced Loss Given Failure (LGF) analysis, which results in a three-notch rating uplift from its BCA. The uplift reflects the substantial protection offered to Sparebanken More's senior creditors by the volume of deposits and debt available to absorb losses, as well as by the volume of securities subordinated to them. Sparebanken More's issuer and deposit ratings do not benefit from any government support rating uplift.

Sparebanken More's BCA of baa1 reflects its strong financial fundamentals and especially solid capital buffers that provide a sizeable loss absorption buffer. The bank's sound asset-quality limits any significant risks to its solvency. The BCA also takes into consideration Sparebanken More's track record of satisfactory pre-provision income, albeit limited earnings diversification. The bank's sizeable reliance on market funding, although somewhat lower than the average for Norwegian savings banks, also weighs on its BCA.

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 Investors Service

Credit strengths

» Very good capital buffers, which offer protection against unforeseen losses

» Sound asset-quality

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

Credit challenges

» Limited geographical diversification

» Limited earnings diversification

» Sizeable reliance on market funding

Outlook

Sparebanken More's deposit and issuer ratings have a stable outlook, reflecting the bank's robust position compared with local and international peers. The stable outlook also reflects the bank's solid capitalization, resilient core earnings, and sound asset quality through the cycle, balanced against geographical and sector concentrations.

Factors that could lead to an upgrade

Upward rating pressure could develop if Sparebanken More demonstrates:

» Improved asset-quality metrics and reduced sector and single-name concentration levels in its loan book

» Stronger and more diversified earnings generation, without a deterioration in its risk profile

» Improved liquidity position combined with a reduced reliance on confidence sensitive market funding

Factors that could lead to a downgrade

Downward rating pressure could emerge if:

» Sparebanken More's risk profile weakens significantly as a result of an increase in its risk appetite or the operating environment deteriorates more than currently expected

» Its recurring profitability weakens significantly from the current levels

» Financing conditions become more difficult or the bank issues a significantly lower volume than expected of junior senior securities

Key indicators

Exhibit 2
Sparebanken More (Consolidated Financials) [1]

	03-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (NOK Billion)	93.2	89.5	82.8	79.5	74.9	7.0[4]
Tangible Common Equity (NOK Billion)	7.2	7.4	6.9	6.6	6.3	4.0[4]
Problem Loans / Gross Loans (%)	1.6	1.5	1.6	1.6	1.5	1.5[5]
Tangible Common Equity / Risk Weighted Assets (%)	19.7	20.6	19.6	19.2	19.7	19.8[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	16.3	14.6	15.1	15.4	14.8	15.2[5]
Net Interest Margin (%)	1.9	1.7	1.5	1.5	1.8	1.7[5]
PPI / Average RWA (%)	3.3	2.8	2.5	2.6	2.8	2.8[6]
Net Income / Tangible Assets (%)	0.9	0.8	0.8	0.7	0.9	0.8[5]
Cost / Income Ratio (%)	39.4	42.1	41.5	40.9	39.7	40.7[5]
Market Funds / Tangible Banking Assets (%)	28.5	24.8	23.0	24.9	23.9	25.0[5]
Liquid Banking Assets / Tangible Banking Assets (%)	13.8	13.2	13.9	12.9	12.2	13.2[5]
Gross Loans / Due to Customers (%)	176.9	174.1	167.9	172.0	174.7	173.1[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 More is a regional savings bank with a well-established market position in the county of Møre og Romsdal, Western Norway. Sparebanken More provides retail and corporate banking and other financial services, including real estate brokerage. It also offers share trading, capital management advice and discretionary portfolio management, while it distributes insurance, leasing products and credit cards.

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

As of the end of March 2023, the bank reported total consolidated assets of NOK93.2 billion (around €8.2 billion) and operated through a network of 26 branches. The bank's head office is located in Ålesund.

Detailed credit considerations

Recent developments

To curb inflation, the central bank of Norway, namely Norges Bank, has been gradually increasing its reference rate since September 2021; the rate was raised to 3.75% in June 2023, with the expectation of a further increase in 2023. The countercyclical capital buffer (CCyB) requirement increased to 2.5% effective from the end of March 2023.

We expect Norway's real GDP growth to slow to 1.5% in 2023 from an estimated 2.6% last year, still outperforming an average projected contraction of 0.7% in Europe. Substantial oil industry investment and activities related to climate transition will support economic growth into 2024. However, we expect consumption to fall in 2023 as higher interest rates and inflation erode household incomes, with falling house prices adding further pressure. Norway's inflation rate of 6.3% in February 2023 was above the central bank's 2% target, but below the European average of 9.9%. Norway's relatively low inflation reflects the central bank's decision to start raising interest rates in September 2021, compared with July 2022 for the European Central Bank. Government energy subsidies for primary residences have also helped curb price growth.

Norway's 'Very Strong-' macro profile remains supportive toward the bank's standalone credit profile

Sparebanken More operates mainly in Norway and thus its operating environment is reflected through the Very Strong- macro profile we assign for Norway. Norwegian banks benefit from operating in a wealthy and developed country with very high economic, institutional and government financial strength, as well as a very low susceptibility to event risk. The Norwegian banking system further benefits from the government's generally strong fiscal flexibility and CCyBs available through its sovereign oil fund, the Government Pension Fund Global, to respond to economic shocks.

The main risks to the banking sector stem from its extensive use of market funding, and high household debt and increased real estate prices in Norway. However, the household sector's strong debt-servicing ability, the Norwegian government's well-coordinated monetary and regulatory policies, and the country's sizeable sovereign wealth fund mitigate these risks.

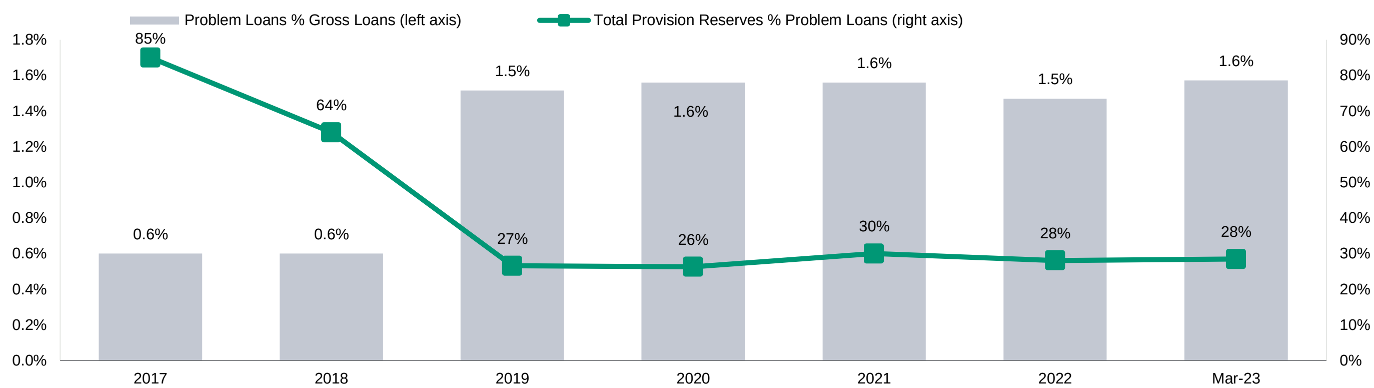
A significant increase in the rate of household debt accumulation, combined with high house price inflation, or a significant house price decline, could strain Norway's macro profile.

Sound asset-quality metrics, despite some deterioration

Sparebanken More has sound asset-quality metrics, comparing well with its similarly rated global peers. The bank's nonperforming loans (NPLs)/gross loans were around 1.6% as of March 2023, broadly in line with 1.5% as of December 2022. Concurrently, the bank's overall provisioning coverage of NPLs was 28.5% in March 2023, slightly up from 28.0% in December 2022 (see Exhibit 3).

The bank reported total recoveries on loan losses of NOK4 million in 2022, equivalent to -0.01% of gross loans, compared with loan losses of NOK49 million in 2021, equivalent to 0.07% of gross loans. In the first quarter of 2023, loan losses were NOK33 million, with the majority relating to the corporate segment at 88%.

Exhibit 3
Problem loans increased and their total provisioning coverage declined in 2019



Source: Moody's Investors Service

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 66% of the total portfolio as of the end of March 2023. Sparebanken More's exposure to the oil-related offshore sector, which we consider highly volatile, was around 1.8% of the loan book as of March 2023. At the same time, the bank has 6.5% exposure to fishing-related industries and has benefited from the sector's continued strong performance and exports, partly supported by the weakening domestic currency. The bank reported a year-over-year growth rate of 8.3% in lending to the retail sector and 15.5% to the corporate sector as of the end of March 2023.

Sparebanken More's loans to property management and real estate construction companies accounted for 12.7% of its loan book as of March 2023, 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.

However, house prices in the bank's home county of 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) (96.4% of mortgages were with an LTV of below 85% as of March 2023), limits the relevant risks. In addition, the bank has recently put in place maximum exposure limits relative to its capital base, which could help reduce some of its client and sector concentrations.

We expect the bank's asset quality to remain in line with that of other banks with a baa1 BCA, supporting its overall credit profile and ratings.

Good capital buffers, which offer protection against unforeseen losses

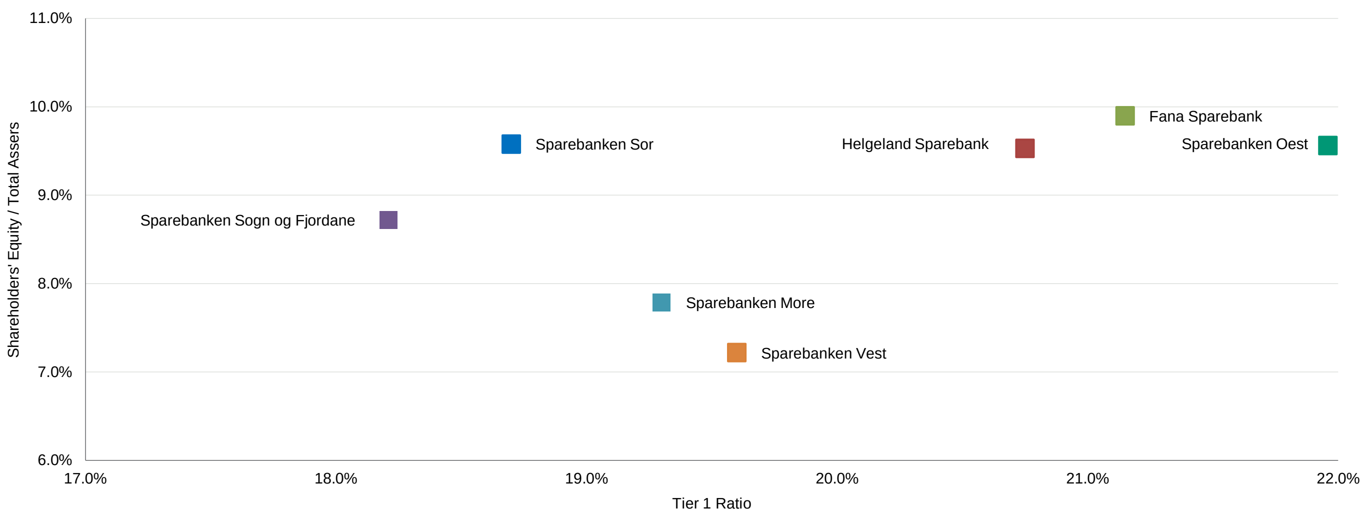
In line with many Norwegian savings banks, Sparebanken More has increased its capital ratios in accordance with the higher regulatory capital requirements in recent years. As of the end of March 2023, Sparebanken More's Tangible common equiy (TCE) ratio was a strong 19.7% and the reported Common Equity Tier 1 (CET1) ratio was 17.7% (December 2022: 17.9%).

Sparebanken More's capital ratios are well above the regulatory minimum. As of March 2023, the CET1 requirement was 14.2% (including an individual Pillar II requirement of 1.7%). The countercyclical buffer requirement increased to 2.5%, effective since March 2023, while the current 3.0% systemic risk buffer for Sparebanken More will increase to 4.5% by year end, thereby bringing the CET1 requirement to 15.7% in Q4 2023.

Sparebanken More reported a leverage ratio of 7.4% as of March 2023, above the 3% regulatory requirement, which also indicates the bank's good loss absorption capital buffers.

Exhibit 4

Good capital buffers offering protection against unforeseen losses compared with local peers



Based on the latest available Moody's adjusted annual data.
Source: Moody's Investors Service

Our Capital score for the bank also takes into account its EC capital structure, a common feature among Norwegian savings banks, with the EC holders owning around 49.7% of the bank's capital. This structure could prove difficult in case the bank needs to raise a significant amount of new capital, especially during periods of market stress. However, its long track record of a non-dilutive dividend policy could alleviate this challenge.

Risk of volatility in the bank's earnings, combined with limited earnings diversification

Our Profitability score for the bank reflects both the bank's limited earnings diversification and the volatility in its earnings generation.

To curb inflation, Norges Bank has been gradually increasing its reference rate since September 2021; the rate was raised to 3.75% in June 2023, with the expectation of a further increase in 2023. The interest rate hikes will offer support to profitability. However, the continued competition among Norwegian banks is likely to limit Sparebanken More's expansion of its net interest margin and profitability metrics.

In 2022, net income improved 21.0% relative to that in 2021, driven mainly by larger net interest income. Fee income and other income also improved, while personnel-related costs increased. The bank's return on assets (Moody's-adjusted ratio) was 0.85% in 2022, compared with 0.76% in 2021.

The bank reported net income of NOK207 million for Q1 2023, which is 27.0% higher than that in the year-earlier period. While net interest income contributed positively, higher impairments and costs weighed on the result. The bank's return on assets (Moody's-adjusted ratio) was 0.85% in Q1 2023, compared with 0.76% during the same period in 2022.

Net interest income remains Sparebanken More's main source of revenue and accounted for 89% of the bank's total income in Q1 2023 (higher than 86% during the same period in 2022). The high reliance on net interest income leaves room for the bank to further improve its earnings diversification through a higher contribution from fees and commissions.

Sparebanken More's cost efficiency generally supports its profitability. The bank's cost-to-income ratio (Moody's-adjusted) was 39.4% in Q1 2023, down from 42.1% in 2022. This level still compares well with that of its similarly rated global peers and is below the bank's target ratio of 40%. Operating costs increased by around 11% in Q1 2023 from the level in Q1 2022, mainly as a result of increased personnel costs.

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

Sparebanken More's primary funding source is deposits, which accounted for 51% of non-equity funding and 56.5% of gross loans as of the end of March 2023, a level we expect to remain broadly stable. However, the bank has a sizeable, but lower than its domestic peers, reliance on confidence-sensitive market funding, which we view as a credit weakness. Market funds/tangible banking assets was 28.5% as of the end of March 2023.

The bulk of Sparebanken More's market funds (around 63% as of March 2023) were in the form of covered bonds issued through its subsidiary company More Boligkreditt. The funding diversification is viewed as positive, because typically, the longer maturity of these funding instruments proves the bank has a wider and more diversified investor base. Also, most of the outstanding covered bonds are eligible as liquid assets under the Basel III LCR rules supporting investor appetite.

Sparebanken More maintains good liquidity buffers with high quality, which are broadly in line with those of its local peers. The bank's liquid assets/tangible banking assets was around 13.8% as of March 2023 (year-end 2022: 13.2%) and LCR was a strong 177%. 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 with minor holdings of senior. Euro-denominated issues are hedged in Norwegian krone, and fixed-rate bonds are swapped to floating rates (mainly three months floating).

Source of facts and figures cited in this report

Unless noted otherwise, the bank specific figures originate from bank's 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

Sparebanken More's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 5
ESG Credit Impact Score

CIS-2

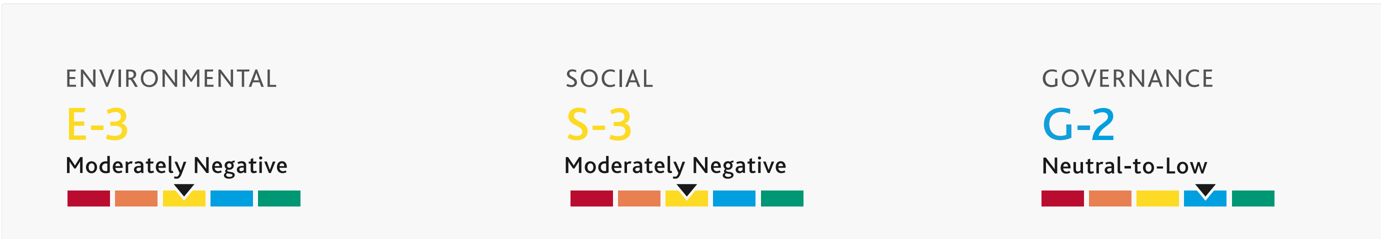
Neutral-to-Low

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

Sparebanken More's ESG Credit Impact Score is neutral-to-low (**CIS-2**). This reflects the limited credit impact of environmental and social risk factors on the rating to date, and neutral-to-low governance risks.

Exhibit 6
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental
Sparebanken More faces moderate environmental risks primarily because of its portfolio exposure to carbon transition. These risks are primarily related to its corporate portfolio, however, 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 Supervisory Board, comprises 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
In 2019, Norway transposed the European Union Bank Resolution and Recovery Directive (BRRD) into local legislation and BRRD2 was implemented into Norwegian law 1 June 2022, but the current requirements already reflect the new regulation. We consider the country an operational resolution regime. In accordance with our rating methodology, we apply our Advanced LGF analysis, taking into consideration the risks faced by different debt and deposit classes across the liability structure should the bank enter resolution.

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 considers our expectation that the bank will issue additional non-preferred senior debt both to comply with the Minimum Requirement for Eligable Liabilities (MREL) requirement but also considers the bank's need for a buffer above the requirement itself.

For junior securities issued by More, our LGF analysis confirms a high loss given failure, given the small volume of debt and limited protection from more subordinated instruments and residual equity. We also continue to include additional downward notching from the BCA, reflecting coupon suspension risk ahead of a potential failure.

Government support considerations

Sparebanken More is a regional savings bank with a robust market position in the county of Møre og Romsdal in Western Norway, where it had market shares of around 26% (including banks and mortgage companies) of loans and 32% of deposits as of December 2022. However, its national market share was limited at around 1.3% of loans and 1.3% of deposits as of March 2023. Accordingly, and in conjunction with the implementation of the BRRD law in Norway from 1 January 2019, we expect a low probability of government support for deposits, resulting in no rating uplift.

Counterparty Risk (CR) Assessment

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

Sparebanken More's CR Assessment is positioned three notches above its Adjusted BCA of baa1, based on the buffer against default provided by junior deposits, senior unsecured, subordinated debt and preference shares. The bank's CR Assessment does not benefit from any government support, in line with the deposit rating.

Counterparty Risk Ratings (CRRs)

Sparebanken More's CRR is positioned at A1/P-1

The bank's CRR is three notches above its Adjusted BCA of baa1 and at the same level as the CR Assessment, reflecting the buffer against default provided by more junior instruments to CRR liabilities.

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 7

Sparebanken More

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		1,6%	aa3	↑	baa2	Geographical concentration	Sector concentration
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		19,7%	aa1	↔	aa2	Access to capital	
Profitability							
Net Income / Tangible Assets		0,8%	baa1	↔	baa2	Earnings quality	
Combined Solvency Score			aa3		a3		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		24,8%	baa1	↓	baa2	Expected trend	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		13,2%	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	36 985	39,7%	41 496	44,6%
Deposits	44 225	47,5%	39 714	42,7%
Preferred deposits	32 727	35,2%	31 090	33,4%
Junior deposits	11 499	12,4%	8 624	9,3%
Senior unsecured bank debt	5 459	5,9%	5 459	5,9%
Junior senior unsecured bank debt	2 000	2,1%	2 000	2,1%
Dated subordinated bank debt	990	1,1%	990	1,1%
Preference shares (bank)	650	0,7%	650	0,7%
Equity	2 793	3,0%	2 793	3,0%
Total Tangible Banking Assets	93 102	100,0%	93 102	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	22,0%	22,0%	22,0%	22,0%	3	3	3	3	0	a1
Counterparty Risk Assessment	22,0%	22,0%	22,0%	22,0%	3	3	3	3	0	a1 (cr)
Deposits	22,0%	6,9%	22,0%	12,8%	2	3	2	3	0	a1
Senior unsecured bank debt	22,0%	6,9%	12,8%	6,9%	2	1	2	3	0	a1
Junior senior unsecured bank debt	6,9%	4,8%	6,9%	4,8%	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 Investors Service

Ratings

Exhibit 8

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

Source: Moody's Investors Service

REPORT NUMBER 1369610

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