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CREDIT OPINION
9 January 2024

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 following affirmation of ratings, outlook stable

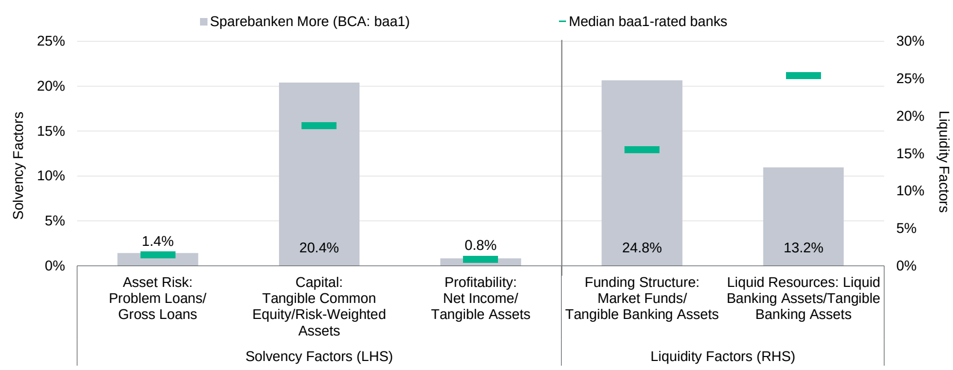
Summary

Sparebanken More's A1 long-term issuer and deposit ratings carry a stable outlook and reflect 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. The uplift reflects the substantial protection offered to Sparebanken More's senior creditors by the volume of deposits and senior debt available to absorb losses, as well as by the volume of subordinated securities. 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 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.

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

» Sound asset quality

» 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

» Relatively concentrated regional exposure within Norway

» Low earnings diversification

» Sizeable reliance on market funding

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.

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 increased its size and geographical diversification.

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.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Sparebanken More (Consolidated Financials) [1]

	09-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (NOK Billion)	94.7	89.5	82.8	79.5	74.9	6.5[4]
Tangible Common Equity (NOK Billion)	7.7	7.4	6.9	6.6	6.3	5.2[4]
Problem Loans / Gross Loans (%)	1.0	1.5	1.6	1.6	1.5	1.4[5]
Tangible Common Equity / Risk Weighted Assets (%)	20.4	20.6	19.6	19.2	19.7	19.9[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	10.3	14.6	15.1	15.4	14.8	14.0[5]
Net Interest Margin (%)	1.9	1.7	1.5	1.5	1.8	1.7[5]
PPI / Average RWA (%)	3.5	2.8	2.5	2.6	2.8	2.9[6]
Net Income / Tangible Assets (%)	1.0	0.8	0.8	0.7	0.9	0.8[5]
Cost / Income Ratio (%)	38.0	42.1	41.5	40.9	39.7	40.4[5]
Market Funds / Tangible Banking Assets (%)	24.2	24.8	23.0	24.9	23.9	24.2[5]
Liquid Banking Assets / Tangible Banking Assets (%)	13.5	13.2	13.9	12.9	12.2	13.1[5]
Gross Loans / Due to Customers (%)	171.7	174.1	167.9	172.0	174.7	172.1[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 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).

As of the end of September 2023, the bank reported total consolidated assets of NOK94.7 billion (around €8.4 billion) and operated through a network of 27 branches. The bank's head office is located in Ålesund in Norway.

Detailed credit considerations

Norway's Very Strong - macro profile supports the bank's standalone credit profile

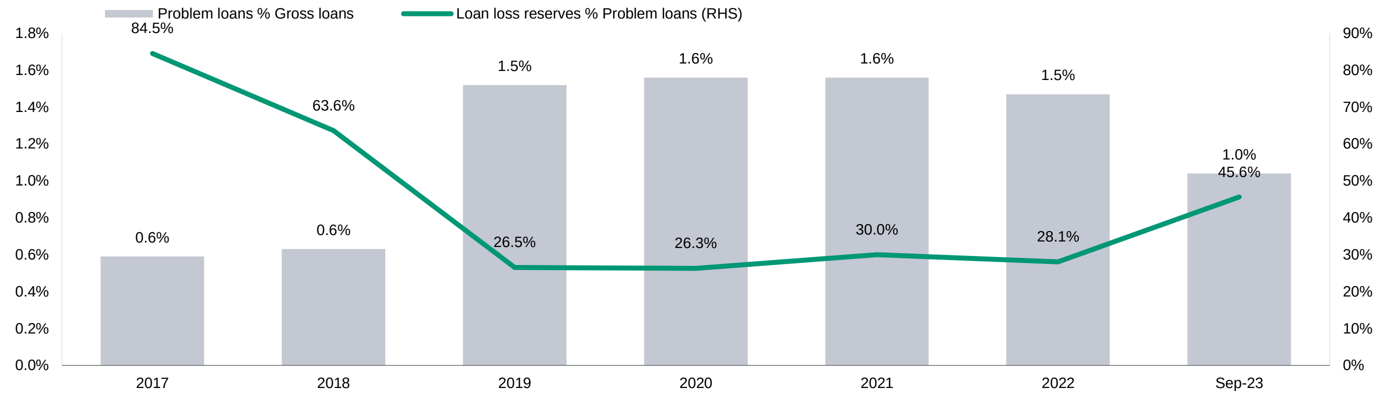
Sparebanken More operates solely in Norway, and thus its operating environment is reflected in the Very Strong - macro profile we assign to the country. Norwegian banks benefit from operating in a wealthy and developed country with very high economic, institutional and government financial strength, and very low susceptibility to adverse event. Norway has a diversified and growing economy, which demonstrated resilience to the weakening in the oil sector in 2014-15 and 2020.

The main risks to the banking system stem from its extensive use of market funding, and from Norway's increased household debt and high real estate prices. 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, which supports the economy during crises, mitigate these risks. Furthermore, commercial real estate (CRE) prices have declined only marginally so far and rental agreements are linked to inflation. Also, exposures in individual banks' balance sheets are manageable compared with their core capitalisation.

Sound asset quality metrics

Sparebanken More has sound asset quality metrics, comparing well with its similarly rated global peers. The bank's ratio of nonperforming loans (NPLs) to gross loans dropped to 1.0% in September 2023 from 1.5% as of December 2022. Concurrently, the bank's overall provisioning coverage of NPLs was raised to 45.6%, from 28.0% in December 2022 (see Exhibit 3).

Exhibit 3
Asset quality is improving in 2023



Sources: Bank's disclosures and 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 66.5% of the total portfolio as of September 2023. Sparebanken More's exposure to the oil-related offshore sector, which we consider highly volatile, was around 1.7% of the loan book as of September 2023. At the same time, the bank had a 5.8% 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. The bank reported a year-over-year growth rate of 7.0% in lending to the retail sector and 10.9% to the corporate sector as of September 2023.

Sparebanken More's loans to property management and real estate construction companies accounted for 11.1% of its loan book as of September 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) ratio (97% of mortgages had an LTV of below 85% as of September 2023), limits the 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.

Strong capital buffers offer protection against credit 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 September 2023, Sparebanken More's tangible common equity (TCE) ratio was a strong 20.4% and the reported Common Equity Tier 1 (CET1) ratio was 18.1% (December 2022: 17.9%).

Sparebanken More's capital ratios are well above the regulatory minimum. As of September 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 the end of the year, thereby bringing the CET1 requirement to 15.7%.

The bank has been granted approval to recalibrate its internal ratings-based (IRB) models and framework with regards to its exposure to the corporate segment, with the changes to be incorporated in the second half of 2023. We estimate this will have a positive impact of roughly 50 basis points on the bank's CET1 ratio. A recalibration of the IRB models for the exposures in the retail segment is also underway and awaits approval by the Financial Supervisory Authority of Norway (Finanstilsynet) by year-end 2023.

Sparebanken More reported a regulatory Tier 1 leverage ratio of 7.5% as of September 2023, above the 3% regulatory requirement, which also indicates the bank's good loss-absorption capital buffers.

Our Capital score for the bank also takes into account its equity certificate capital structure, a common feature among Norwegian savings banks, with the equity certificate holders owning around 49.7% of the bank's capital. This structure could prove impractical 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.

Solid profitability despite limited earnings diversification

We view Sparebanken More's profitability as solid, especially in the European banking context. The bank reported net income representing 1.0% of tangible assets in the first nine months of 2023, an increase from 0.8% in 9M 2022. Norway's increasing interest rates (4.25% in November 2023) are supporting banks' net interest margins and profitability. The bank's profitability is also supported by its strong operating efficiency, with a Moody's-adjusted cost-to-income ratio of 38% in 9M 2023.

The bank reported net income of NOK715 million for the first nine months of 2023, a 33.6% increase from 9M 2022, which benefited from higher interest rates and close to double-digit loan growth (+7% year-on-year for retail lending and +10.9% year-on-year for corporate lending). Net interest income was Sparebanken More's main source of revenue and accounted for 86% of the bank's total revenue in 9M 2023. While net interest income contributed positively, higher impairments and costs weighed on the result.

Sparebanken More's cost efficiency generally supports its profitability. The bank's cost-to-income ratio (Moody's-adjusted) improved to 38.0% in 9M 2023, down from 42.9% in 9M 2022 (2022: 42.1%), meeting the bank's target of below 40%. This cost-to-income ratio compares well with those of its similarly rated global peers. Operating costs increased by around 16% in 9M 2023 from the level in the year-earlier period, due to increased personnel and administrative costs.

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

Sparebanken More’s primary funding source is deposits, which accounted for 54% of funding excluding equity and 58.2% of gross customer loans as of the end of September 2023, a level we expect to remain broadly stable. However, the bank's sizeable reliance on confidence-sensitive market funding, albeit lower-than-peer, is a credit weakness. The ratio of market funds to tangible banking assets was 24.2% as of the end of September 2023.

The majority of Sparebanken More’s market funds (around 77% as of September 2023) were in the form of covered bonds issued through its specialised subsidiary More Boligkreditt AS (A1 stable, P-1). The funding diversification is viewed as positive thanks to the longer maturity of these funding instruments. 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.

Sparebanken More maintains good liquidity buffers of high credit quality, which are broadly in line with those of its local peers. The bank's ratio of liquid assets to tangible banking assets was 13.5% as of September 2023 (year-end 2022: 13.2%) and LCR was a strong 176%. 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).

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 CIS-2

Exhibit 4
ESG credit impact score

CIS-2

ESG considerations do not have a material impact on the current rating.

Source: Moody's Investors Service

Sparebanken More's **CIS-2** indicates that ESG considerations have no material impact on the current rating.

Exhibit 5
ESG issuer profile scores

ENVIRONMENTAL
E-3

SOCIAL
S-3

GOVERNANCE
G-2

Source: Moody's Investors Service

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 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

Norway implemented the EU's Bank Recovery and Resolution Directive (BRRD) on 1 January 2019 and BRRD2 was implemented into Norwegian law 1 June 2022, which results in lower subordination requirements for non-preferred senior volumes. 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 and a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. We apply a standard assumption for the large European banks that 26% of deposits are junior.

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 both to comply with the Minimum Requirement for Eligible Liabilities (MREL) requirement, but also considers the bank's need for a buffer above the requirement itself.

For junior securities issued by Sparebanken 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 June 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 A1(cr)/P-1(cr)

Sparebanken More’s CR Assessment is 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 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 6

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	1.4%	aa2	↔	baa2	Geographical concentration	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	20.4%	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	37,113	39.2%	41,872	44.3%
Deposits	46,653	49.3%	41,894	44.3%
Preferred deposits	34,523	36.5%	32,797	34.7%
Junior deposits	12,130	12.8%	9,097	9.6%
Senior unsecured bank debt	4,380	4.6%	4,380	4.6%
Junior senior unsecured bank debt	2,000	2.1%	2,000	2.1%
Dated subordinated bank debt	983	1.0%	983	1.0%
Preference shares (bank)	650	0.7%	650	0.7%
Equity	2,839	3.0%	2,839	3.0%
Total Tangible Banking Assets	94,618	100.0%	94,618	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	21.1%	21.1%	21.1%	21.1%	3	3	3	3	0	a1
Counterparty Risk Assessment	21.1%	21.1%	21.1%	21.1%	3	3	3	3	0	a1 (cr)
Deposits	21.1%	6.8%	21.1%	11.5%	2	3	2	3	0	a1
Senior unsecured bank debt	21.1%	6.8%	11.5%	6.8%	2	1	2	3	0	a1
Junior senior unsecured bank debt	6.8%	4.7%	6.8%	4.7%	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 7

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 Investors Service

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