MOODY'S INVESTORS SERVICE

CREDIT OPINION

5 October 2023

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.

Contacts

Guillaume Lucien-Baugas +33.1.5330.3350
VP-Senior Analyst
guillaume.lucien-baugas@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

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Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Sparebanken More

Update following the assignment of ratings to More Boligkreditt AS

Summary

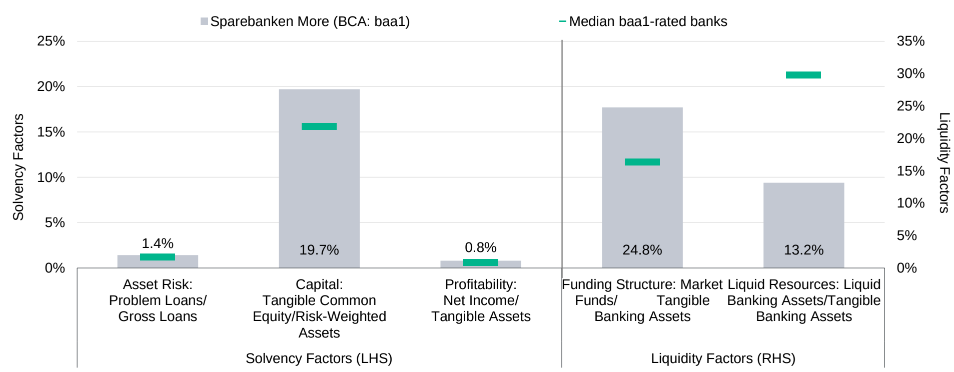
Sparebanken More's A1 long-term issuer and deposit ratings, both with a stable outlook, reflect the bank's baa1 Baseline Credit Assessment (BCA) and the application of our Advanced Loss Given Failure (LGF) analysis which results in a three-notch rating uplift. The uplift reflects the substantial protection 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, despite 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.

On 2 October 2023, we assigned long-term and short-term issuer ratings of A1/Prime-1 to More Boligkreditt AS, the bank's specialized covered bond issuer.

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

» Strong capital buffers, well above regulatory requirements

» Sound asset quality

» 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

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

Factors that could lead to an upgrade

We may upgrade Sparebanken More's ratings if the bank's:

» asset-quality metrics improve and the level of sector and single-name concentration on its loan book are reduced

» earnings generation strengthens and diversifies, without a deterioration in its risk profile

» liquidity improves, combined with a lower reliance on confidence-sensitive market funding

Factors that could lead to a downgrade

We may downgrade Sparebanken More's ratings if its:

» risk profile weakens significantly as a result of an increase in its risk appetite, or the operating environment deteriorates more than we currently expect

» recurring profitability deteriorates significantly from the current levels

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

Key indicators

Exhibit 2
Sparebanken More (Consolidated Financials) [1]

	06-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (NOK Billion)	96.4	89.5	82.8	79.5	74.9	7.5[4]
Tangible Common Equity (NOK Billion)	7.4	7.4	6.9	6.6	6.3	4.7[4]
Problem Loans / Gross Loans (%)	1.1	1.5	1.6	1.6	1.5	1.4[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) (%)	11.1	14.6	15.1	15.4	14.8	14.2[5]
Net Interest Margin (%)	1.9	1.7	1.5	1.5	1.8	1.7[5]
PPI / Average RWA (%)	3.4	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 (%)	39.0	42.1	41.5	40.9	39.7	40.7[5]
Market Funds / Tangible Banking Assets (%)	26.6	24.8	23.0	24.9	23.9	24.6[5]
Liquid Banking Assets / Tangible Banking Assets (%)	15.6	13.2	13.9	12.9	12.2	13.5[5]
Gross Loans / Due to Customers (%)	171.2	174.1	167.9	172.0	174.7	172.0[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 June 2023, the bank reported total consolidated assets of NOK96.4 billion (around €8.2 billion) and operated through a network of 26 branches. The bank's head office is located in Ålesund in Norway.

Detailed credit considerations

Recent developments

To curb inflation, the central bank of Norway, Norges Bank, has been gradually increasing its reference rate since September 2021. The rate was raised to 4.25% on 21 September 2023.

We expect Norway's real GDP growth to slow to 1.5% in 2023 from 3.3% in the previous 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 decline in 2023 as higher interest rates and inflation erode household incomes, with falling house prices adding further pressure to borrowers' repayment capacity. Norway's year-on-year inflation declined to 4.8% in August 2023 (from 7.0% in January 2023), which was below the European average of 5.3% in July 2023 but above the central bank's 2% target.

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.

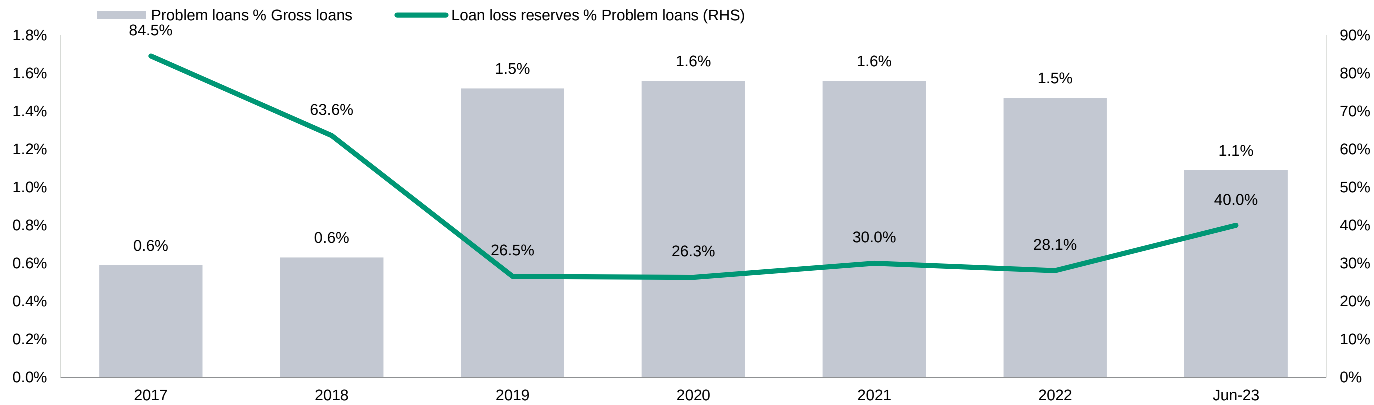
The main risks to the banking system stem from its extensive use of market funding, and from Norway's increased household debt and high real estate prices. However, the household sector's strong debt servicing ability, the Norwegian government's well-coordinated monetary and regulatory policies, and 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 1.1% by June 2023 from 1.5% as of December 2022. Concurrently, the bank's overall provisioning coverage of NPLs was 40.0% in June 2023, up from 28.0% in December 2022 (see Exhibit 3).

Exhibit 3

Problem loans and provisioning coverage are improving in 2023



Sources: Company reports 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% of the total portfolio as of the end of June 2023. Sparebanken More's exposure to the oil-related offshore sector, which we consider highly volatile, was around 2.0% of the loan book as of June 2023. At the same time, the bank has a 6.8% 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 7.9% in lending to the retail sector and 12.0% to the corporate sector as of the end of June 2023.

Sparebanken More's loans to property management and real estate construction companies accounted for 12.9% of its loan book as of June 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 June 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 the end of June 2023, Sparebanken More's tangible common equity (TCE) ratio was a strong 19.7% and the reported Common Equity Tier 1 (CET1) ratio was 17.6% (December 2022: 17.9%).

Sparebanken More's capital ratios are well above the regulatory minimum. As of June 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 (compared with the Q1 2023 results) 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 7.4% as of June 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 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.

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 0.93% of tangible assets in the first half of 2023, an increase from 0.85% in full year 2022. Norway's increasing interest rates (4.25% in September 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 39% in H1 2023.

The bank reported net income of NOK255 million for H1 2023, a 27% increase from H1 2022, which benefited from higher interest rates and close to double-digit loan growth (+7.9% year-on-year for retail lending and +12% year-on-year for corporate lending). Net interest income was Sparebanken More's main source of revenue and accounted for 87% of the bank's total revenue in H1 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 39.0% in H1 2023, down from 42.1% in 2022, 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 H1 2023 from the level in the year-earlier period, on 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 52% of funding excluding equity and 58.4% of gross customer loans as of the end of June 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 26.6% as of the end of June 2023.

The majority of Sparebanken More's market funds (around 71% as of June 2023) were in the form of covered bonds issued through its specialised subsidiary More Boligkreditt. 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 15.6% as of June 2023 (year-end 2022: 13.2%) and LCR was a strong 183%. 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).

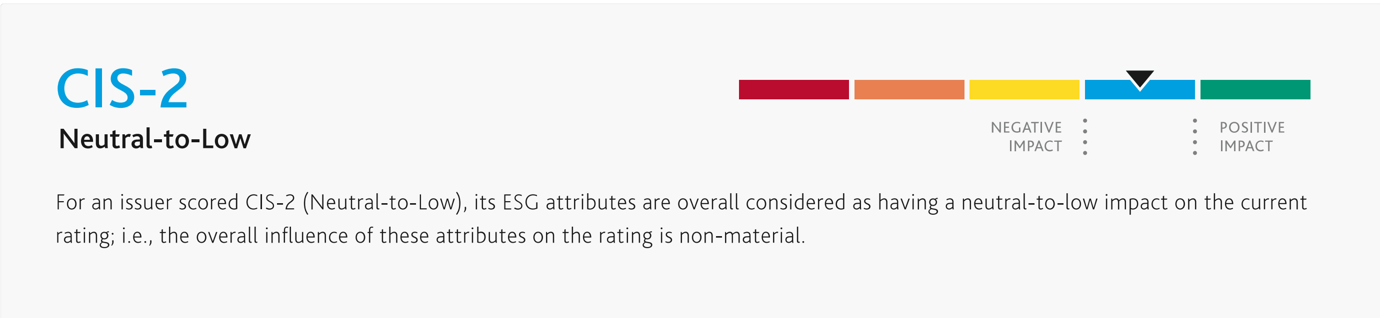
Source of facts and figures cited in this report

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 Neutral-to-Low CIS-2

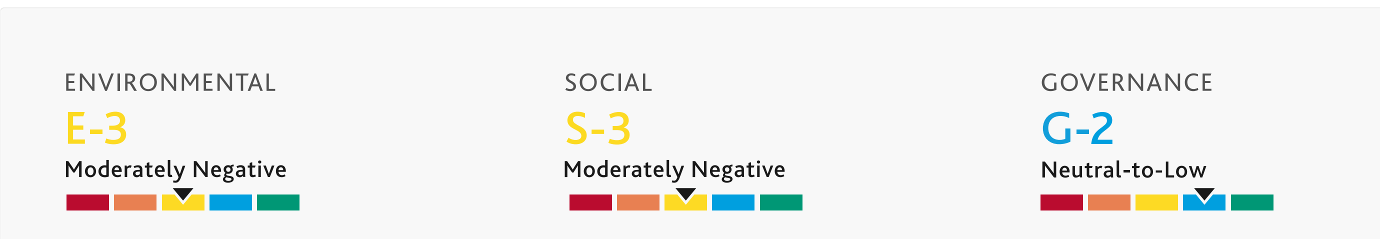
Exhibit 4
ESG Credit Impact Score



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



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

In 2019, Norway transposed the EU 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 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 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 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 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)		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	38,073	39.5%	42,799	44.4%
Deposits	46,339	48.1%	41,612	43.2%
Preferred deposits	34,291	35.6%	32,576	33.8%
Junior deposits	12,048	12.5%	9,036	9.4%
Senior unsecured bank debt	5,406	5.6%	5,406	5.6%
Junior senior unsecured bank debt	2,000	2.1%	2,000	2.1%
Dated subordinated bank debt	991	1.0%	991	1.0%
Preference shares (bank)	650	0.7%	650	0.7%
Equity	2,890	3.0%	2,890	3.0%
Total Tangible Banking Assets	96,349	100.0%	96,349	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	21.8%	21.8%	21.8%	21.8%	3	3	3	3	0	a1
Counterparty Risk Assessment	21.8%	21.8%	21.8%	21.8%	3	3	3	3	0	a1 (cr)
Deposits	21.8%	6.8%	21.8%	12.4%	2	3	2	3	0	a1
Senior unsecured bank debt	21.8%	6.8%	12.4%	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

REPORT NUMBER 1380652

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