MOODY'S
INVESTORS SERVICE

CREDIT OPINION
27 September 2022

Update

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RATINGS

**Sparebanken Sor**

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

*Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.*


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# Sparebanken Sor

## Update following rating action

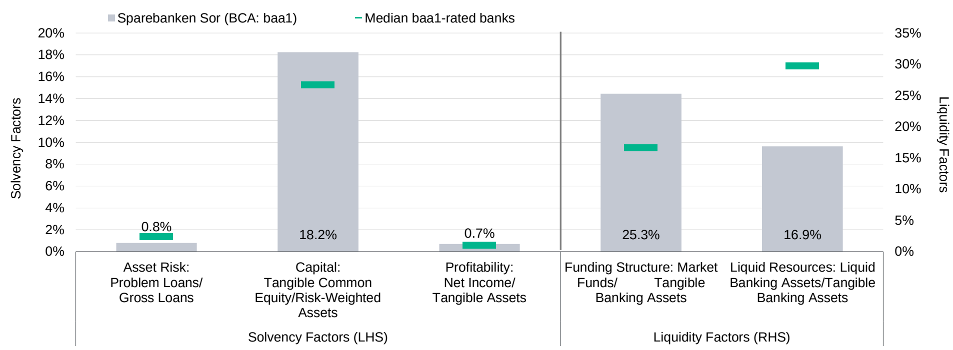

## Summary

Sparebanken Sor's A1 deposit and senior unsecured debt ratings and the Baa1 Junior senior rating take into account its baseline credit assessment (BCA) of baa1 and our forward-looking Loss Given Failure (LGF) analysis of its liability structure.

The bank's BCA of baa1 reflects its resilient asset quality metrics, with ratios of non-performing loans (NPLs) to gross loans of around 0.7% and Loan Loss Reserves (LLRs) to NPLs of around 45% as of June 2022. The bank's BCA of baa1 also captures its strong capital buffers with a tangible common equity ratio of 18.3% combined with a robust leverage ratio of 9.0% and a moderate profitability with a net income to average tangible banking assets of around 0.7%, with relatively low earnings diversification. The bank's stand-alone credit profile also incorporates its high reliance on market funding, a common attribute of Norwegian banks.

The bank's A1 deposit and senior unsecured debt ratings take into account our forward looking advanced LGF analysis of the bank's liability structure, which results in three notches of uplift above the BCA. Sparebanken Sor benefits from a large volume of deposits and substantial layers of subordination (including upcoming MREL-eligible instruments of approximately NOK 20.2 billion), resulting in very low potential losses for senior creditors.


Exhibit 1
**Rating Scorecard- Key Financial Ratios**




These represent our Banks rating methodology scorecard ratios, whereby asset risk and profitability reflect the weaker of either the three-year average 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 Banking Financial Metrics*

## Credit strengths

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

» Strong capital levels with a robust leverage ratio

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

## Credit challenges

» Some single borrower and sector loan concentrations increase asset risk

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

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

## Rating outlook

Rating outlook has been changed to positive from stable. Sor's positive outlook reflects its improved ratios and fundamentals in terms of asset risk and capital which, if sustained, creates positive rating pressure.

## Factors that could lead to an upgrade

The bank could be upgraded if it sustains: (1) sound asset quality metrics with problem loans ratio in line with local peers; and (2) strong capital ratios, both in relation to risk weighted assets and in relation to TBA, and (3) stable profitability.

## Factors that could lead to a downgrade

While the positive outlook implies that a downgrade is unlikely, the outlook could be stabilised should: (1) the bank's NPLs increase significantly; (2) its profitability deteriorate materially from its current level; or lower than expected issuance of non-preferred senior (SNP) securities leading to a reduction in the rating uplift through our LGF analysis.

## Key indicators

Exhibit 2

**Sparebanken Sor (Consolidated Financials) [1]**

| | 06-22[2] | 12-21[2] | 12-20[2] | 12-19[2] | 12-18[2] | CAGR/Avg.[3] |
|---|---|---|---|---|---|---|
| Total Assets (NOK Billion) | 151.8 | 144.2 | 142.1 | 129.5 | 121.1 | 6.7[4] |
| Tangible Common Equity (NOK Billion) | 14.0 | 13.5 | 12.6 | 11.7 | 10.7 | 7.9[4] |
| Problem Loans / Gross Loans (%) | 0.6 | 0.7 | 0.9 | 1.0 | 1.0 | 0.8[5] |
| Tangible Common Equity / Risk Weighted Assets (%) | 18.2 | 17.1 | 16.2 | 16.4 | 15.3 | 16.6[6] |
| Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%) | 5.5 | 5.5 | 7.7 | 8.9 | 8.8 | 7.3[5] |
| Net Interest Margin (%) | 1.4 | 1.3 | 1.3 | 1.5 | 1.4 | 1.4[5] |
| PPI / Average RWA (%) | 1.6 | 1.7 | 1.7 | 1.9 | 1.7 | 1.7[6] |
| Net Income / Tangible Assets (%) | 0.7 | 0.8 | 0.7 | 0.8 | 0.7 | 0.8[5] |
| Cost / Income Ratio (%) | 45.5 | 43.7 | 42.8 | 40.9 | 43.8 | 43.3[5] |
| Market Funds / Tangible Banking Assets (%) | 28.2 | 25.3 | 29.3 | 28.8 | 26.8 | 27.7[5] |
| Liquid Banking Assets / Tangible Banking Assets (%) | 17.8 | 16.9 | 17.8 | 16.0 | 13.5 | 16.4[5] |
| Gross Loans / Due to Customers (%) | 181.0 | 185.4 | 187.2 | 184.1 | 182.9 | 184.1[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 Sor is a regional Norwegian bank, which provides retail and corporate banking services to individuals, companies and public authorities in the counties of Agder, Vestfold and Telemark, and Rogaland. Its products include financing, savings facilities, placements, insurance, pensions and payment facilities. Sparebanken Sor is currently the sixth largest savings bank in Norway with total consolidated assets of NOK 151.8 billion (€14.7 billion) as of June 2022.

## Recent Developments

The rating outlook was changed to positive from stable on September 27.

Following revisions to the FSA's approach to calculating MREL subordination requirements, on June 15 we downgraded Sparebanken Sor's Junior Senior rating to Baa1 from A3.

Russia's invasion of Ukraine (Caa3 NEG) and the economic sanctions that the US (Aaa stable), European governments and other allies have subsequently imposed on Russia have increased risks to the global economic outlook. Heightened geopolitical risks are unambiguously negative for economic activity. The magnitude of the effects will depend on the length and severity of the crisis.

Norway's trade flows with Russia are very limited as they export the same type of goods with the production of oil and gas among the most significant to the Norwegian economy. As European countries are looking to reduce imports from Russia, Norway is likely to be positively affected by increased demand in Europe.

Norges Bank increased the reference rate by additional 50 bps in September 2022 resulting in the rate of 2.25%, while indicating that further rate hike should be expected in November 2022. Norges Bank expects the reference rate to be around 3% by mid-year 2023.

The counter cyclical buffer (CCyB) requirement will be increased from 1.5% currently to 2.0% by the end of December 2022 and to 2.5% effective from 31 March 2023.

## Detailed credit considerations

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

Norway has an increasingly diversified and growing economy, which demonstrated resilience to the weakening in the oil sector in 2020 and a strong economic recovery in 2021 after the coronavirus-induced downturn. The banking system benefits from operating in a country with very high economic, institutional and government financial strength as well as very low susceptibility to event risk, resulting from the government's generally strong fiscal flexibility, with countercyclical buffers available through its sovereign oil fund.

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

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

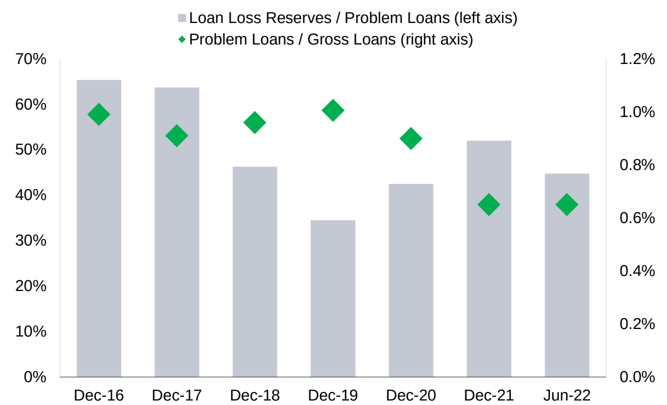
### Resilient asset quality metrics, although some concentrations risk

Sparebanken Sor's problem loans, defined as stage 3 loans, were 0.7% of gross loans as of June 2022, unchanged from 0.7% as of December 2021 (stage 3 loans increased to NOK 788 million in June 2022 from NOK 762 million in December 2021), which is comparable with other large Norwegian savings banks and in line with the average of similarly rated banks globally. The bank has taken a strategic decision to maintain a good credit quality and limit future losses reflected in a low and stable level of problem loans over the past five years (see Exhibit 3).

Sparebanken Sor's allowance for loan losses was NOK 353 million, slightly down from NOK 396 million as of year-end 2021, which resulted in a decrease in total provisioning coverage for problem loans to 44.8% as of June 2022 (see Exhibit 4).

Exhibit 3

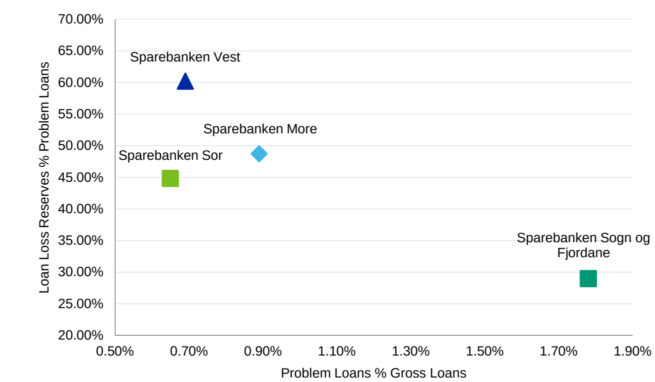
**Sparebanken Sor's problem loans ratio came down in recent years...**




*Sources: Moody's Financial Metrics, Sparebanken Sor*

Exhibit 4

**..and comparable with similarly rated domestic peers**




Note: Based on Q2 2022 Moody's adjusted data
*Source: Moody's Financial Metrics*

Sparebanken Sor's loan book is dominated by retail mortgages, representing around 65% of the gross loan book as of June 2022, which has been resilient historically with low default levels. We consider the bank's low average loan-to-value (LTV) of approximately 53% for mortgages to be a mitigating factor to a potential fall in house prices.

However, the bank has also significant concentration to the real-estate and construction sectors at around 23% (20.9% and 1.6%, respectively) of gross loans as of June 2022, which poses downside risks to future loan book performance in case there is any material reduction in property prices in the region. We note that majority of the bank's total outstanding impairments come from its corporate exposures, of which over half relate to either the property management sector or the real estate development and building & construction sectors demonstrating their higher credit risk profile.

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

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

Going forward, we expect asset quality to remain stable and at low levels, in line with peers. The strong recovery and low unemployment levels contribute a stable operating environment, albeit somewhat offset by inflationary pressure and supply-chain issues affecting mainly construction and property development.

### Strong capital levels with a robust leverage ratio

Sparebanken Sor's capitalisation is strong relative to its risk profile with a CET1 ratio of 17.4% as of June 2022, well above its regulatory minimum of 13.2%, i, and well above its target of 16.2%. Concurrently, Sparebanken Sor's total regulatory capital ratio was 21.2% and its Tier 1 ratio stood at 18.9% as of June 2022, compared to 20.3% and 18.1% as of year-end 2021, respectively. The Norwegian FSA has also set a Pillar 2 guidance of 1.0%.

In response to the coronavirus outbreak the Norwegian FSA lowered the countercyclical capital buffer requirement by 150 basis points in 2020. The counter cyclical buffer (CCyB) requirement has been increased back up to 1.5% in end June 2022, it will further increase to 2.0% by the end of December 2022 and to 2.5% effective from 31 March 2023. The systemic risk buffer will also be increased, by 150 bps from 31 of December 2022. This will bring the requirement to 16.7% in Q1 2023.

We note that the bank is the only one of the large regional banks in Norway that still applies the standard method in its risk-weighted assets (RWAs) calculations. Accordingly it has one of the highest RWAs-density and leverage ratios among Norwegian savings banks at 9.0% in June 2022. The bank is currently in the process to apply to the Financial Supervisory Authority for an approval to use the Internal Ratings-based (IRB) approach to calculate RWAs. The bank plans to send an application for IRB-F approval before the end of 2023. However, timing of the implementation is uncertain due to the complexity of the process.

Exhibit 5

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


Note: Based on Q2 2022 Moody's adjusted data, Sparebanken Sor and Sparebanken Sogn og Fjordane use the standard method while Sparebanken More and Sparebanken Vest use the Internal Ratings Based Approach for their risk weighted assets and capital calculation.
*Source: Moody's Financial Metrics*

This will allow the bank to continue growing its RWAs and meet its dividend payout policy of 50-70% over the longer term.

Our assigned capital score is adjusted downwards to Aa2 to reflect the bank's low level of equity certificates (EC) in the capital structure. On 31st March 2022 the bank's Board of trustees decided to increase the ownership ratio to 40%, which was approved by FSA and on 14th June 2022 the conversion of primary capital to ECs was announced on the Oslo Stock Exchange, bringing the EC ratio in line with most domestic peers.

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

In response to the economic stress from the coronavirus outbreak Norges Bank cut the reference rate to zero. During mid-2021 Norges Bank started raising rates, which resulted in 1.75% reference rate as of September 2022, with additional hikes expected later in the year. Due to the recovery in the reference rate we expect increased margins in 2022 and a rise in profitability going forward.

Sparebanken Sor relies predominantly on stable interest income from lending, but earnings diversification is limited with net interest income representing around 83% of its revenues in 2021. The bank reported an annualised net interest margin of 2.00% for retail loans and 2.78% for corporate loans in June 2022, up from 1.73% and 2.38% respectively the year before, reflecting the increase in interest rate and somewhat offset by increased competition among its peers. Looking ahead over the next 12-18 months, we expect margin pressure to continue to decrease, combined with stable loan growth (5.4% year-on-year as of June 2022).

The bank's cost efficient structure and set-up, despite spending on digitalisation and channel interaction, should continue to support its core pre-provision income and bottom-line also during times of stress. The bank has reported a cost-to-income ratio of 41.6% (excluding net income from financial instruments), higher than the reported ratio of 41.3% a year earlier and slightly above its 40% target.

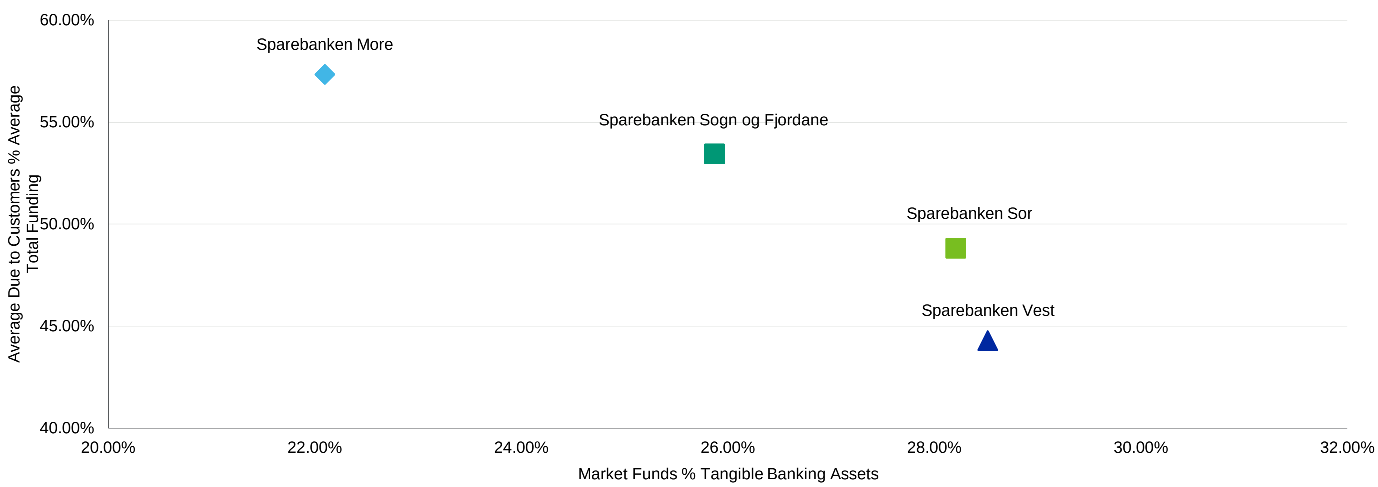
### Reliance on market funding renders the bank vulnerable to fluctuations in investor sentiment

Sparebanken Sor's funding is underpinned by a strong deposit base, which amounts to roughly 49% of non-equity funding. Nevertheless, the bank remains reliant on market funding, which accounted for 28% of tangible banking assets as of June 2022 (see Exhibit 6), and which renders the bank susceptible to changes in investor sentiment.

While Sparebanken Sor has good access to the domestic capital markets, we expect that the bank will continue accessing the international markets in order to expand its investor base beyond its more concentrated domestic market. A sizeable and growing portion of market funds is in the form of covered bonds, which provide the bank with an important source of funding. Based on our methodology, we reflect the stability of covered bonds relative to unsecured market funding through an adjustment to our market funds to tangible assets ratio. Nonetheless, our Funding Structure score reflects our view that the bank's overall funding profile remains a weakness relative to the other scorecard metrics.

In 2022 to 2023 we expect the bank to continue to replace part of its preferred senior debt maturing with MREL-eligible senior non-preferred (SNP) securities estimated at more than NOK 6 billion. We note that the bank has already raised NOK 4.5 billion of SNP debt, while also being the first Norwegian bank to tap the market for such an instrument.

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




Note: Based on Q2 2022 Moody's adjusted data.
*Source: Moody's Financial Metrics*

Sparebanken Sor also maintains sizeable buffers of high quality liquid assets. As of June 2022, liquid assets accounted for around 18% of tangible assets, comprising cash and deposits with the central bank and the securities portfolio that is in a vast majority Aaa-rated instruments in the form of Norwegian covered bonds and bonds from the government and other public entities.

We note that these holdings are mostly Norwegian securities and covered bonds of other local banks, which could be a source of vulnerability from a concentration-risk perspective and in case of a systemic liquidity crunch, but, at the same time, these holdings reduce the bank's currency exposure. The bank reported a consolidated liquidity coverage ratio (LCR) of 160% as of June 2022, well above the regulatory requirement and mitigating to a some extent the market funding dependence concerns that we have.

### Source of facts and figures cited in this report

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

## ESG considerations

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

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

See our social risk heat map for further information.

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

## Support and structural considerations

### Loss Given Failure

The EU Bank Recovery and Resolution Directive (BRRD) entered into force on 1 January 2019 in Norway, which supports our current assumptions regarding the LGF analysis. For our resolution analysis, we assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in "junior" wholesale deposits, a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These are in line with our standard assumptions. For Sparebanken Sor's long-term deposit rating and senior unsecured debt rating, our LGF analysis considers the combination of the bank's junior deposits, its outstanding debt volume and the amount of debt subordinated to this.

The assigned LGF notchings for long-term deposit and senior unsecured bank debt are positioned three notches above the BCA which is one notch higher than the correspondent LGF notching guidance of two notches above the adjusted BCA. This reflects our expectation that the bank will issue senior non-preferred (SNP) debt, estimated at more than NOK 6 bn, over the coming 2 years in order to comply with its MREL requirement. This has resulted in a Preliminary Rating Assessment (PRA) of three notches above the BCA, reflecting very low loss given failure.

For junior securities issued by Sparebanken Sor, our LGF analysis confirms a high level loss-given-failure, given the small volume of debt and limited protection from more subordinated instruments and residual equity.

### Government support

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

### Counterparty Risk (CR) Assessment

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

The CRA is positioned three notches above the Adjusted BCA of baa1, based on the substantial cushion against default provided to the senior obligations represented by the CRA by subordinated instruments. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CRA captures the probability of default on certain senior obligations, rather than expected loss, therefore we focus purely on subordination and take no account of the volume of the instrument class.

### Counterparty Risk Rating (CRR)

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

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

### Foreign currency deposit rating

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

## Methodology and scorecard

### About Moody's bank scorecard

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

## Rating methodology and scorecard factors

Exhibit 7

**Sparebanken Sor**

| Macro Factors | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Weighted Macro Profile** | **Very Strong -** | **100%** | | | | | |
| | | | | | | | |
| **Factor** | | **Historic Ratio** | **Initial Score** | **Expected Trend** | **Assigned Score** | **Key driver #1** | **Key driver #2** |
| Solvency | | | | | | | |
| Asset Risk | | | | | | | |
| Problem Loans / Gross Loans | | 0.8% | aa2 | ↑ | baa1 | Geographical concentration | Sector concentration |
| Capital | | | | | | | |
| Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in) | | 18.2% | aa1 | ↔ | aa2 | Access to capital | |
| Profitability | | | | | | | |
| Net Income / Tangible Assets | | 0.7% | baa2 | ↑ | baa2 | Earnings quality | |
| Combined Solvency Score | | | aa3 | | a2 | | |
| Liquidity | | | | | | | |
| Funding Structure | | | | | | | |
| Market Funds / Tangible Banking Assets | | 25.3% | baa2 | ↔ | baa2 | | |
| Liquid Resources | | | | | | | |
| Liquid Banking Assets / Tangible Banking Assets | | 16.9% | baa2 | ↔ | baa2 | | |
| Combined Liquidity Score | | | baa2 | | baa2 | | |
| Financial Profile | | | | | a3 | | |
| 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 | | | | | a2 - baa1 | | |
| 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 | 64 331 | 42.4% | 71 174 | 46.9% |
| Deposits | 67 089 | 44.2% | 60 246 | 39.7% |
| Preferred deposits | 49 646 | 32.7% | 47 164 | 31.1% |
| Junior deposits | 17 443 | 11.5% | 13 082 | 8.6% |
| Senior unsecured bank debt | 8 527 | 5.6% | 8 527 | 5.6% |
| Junior senior unsecured bank debt | 4 500 | 3.0% | 4 500 | 3.0% |
| Dated subordinated bank debt | 1 650 | 1.1% | 1 650 | 1.1% |
| Preference shares (bank) | 1 085 | 0.7% | 1 085 | 0.7% |
| Equity | 4 552 | 3.0% | 4 552 | 3.0% |
| Total Tangible Banking Assets | 151 734 | 100.0% | 151 734 | 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% | 7.8% | 22.0% | 13.4% | 2 | 3 | 2 | 3 | 0 | a1 |
| Senior unsecured bank debt | 22.0% | 7.8% | 13.4% | 7.8% | 2 | 1 | 2 | 3 | 0 | a1 |
| Junior senior unsecured bank debt | 7.8% | 4.8% | 7.8% | 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 | (P)A1 | (P)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 SOR** | |
| Outlook | Positive |
| Counterparty Risk Rating | A1/P-1 |
| Bank Deposits | A1/P-1 |
| Baseline Credit Assessment | baa1 |
| Adjusted Baseline Credit Assessment | baa1 |
| Counterparty Risk Assessment | A1(cr)/P-1(cr) |
| Issuer Rating | A1 |
| Senior Unsecured MTN | (P)A1 |
| Junior Senior Unsecured -Dom Curr | Baa1 |

*Source: Moody's Investors Service*

REPORT NUMBER 1342350

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