MOODY'S
INVESTORS SERVICE

CREDIT OPINION

10 March 2020

Update

Rate this Research

RATINGS

SpareBank 1 BV

Domicile	Norway
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A2
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

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

Katarzyna Szymanska +44.20.7772.1047
Associate Analyst
katarzyna.szymanska@moodys.com

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

Sean Marion +44.20.7772.1056
MD-Financial Institutions
sean.marion@moodys.com

» Contacts continued on last page

CLIENT SERVICES

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

SpareBank 1 BV

Update to credit analysis following rating affirmation

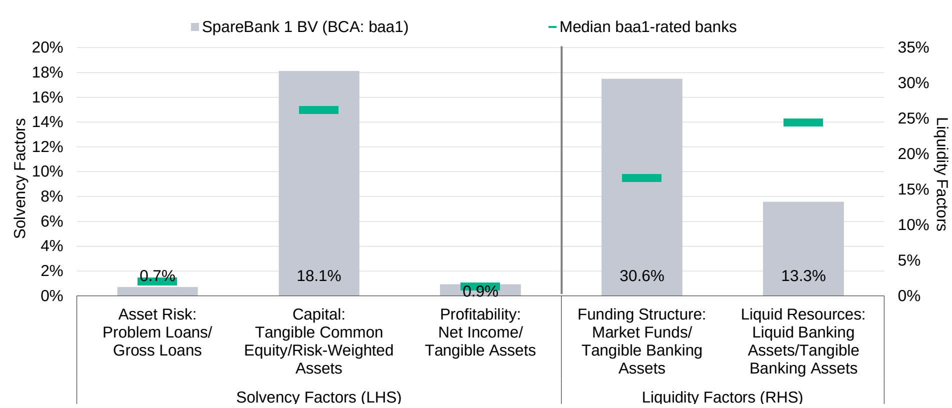
Summary

SpareBank 1 BV's foreign and local currency deposit ratings of A2/P-1 and foreign and local currency Counterparty Risk Ratings (CRRs) of A1/P-1, are driven by its Baseline Credit Assessment (BCA) of baa1, as well as our assessment of potential low loss severity for senior creditors and counterparties through our advanced Loss Given Failure (LGF) analysis.

The bank's BCA of baa1 reflects its strong asset quality (reported problem loans ratio of 0.6% in December 2019) and relatively stable retail operations and earnings, as well as robust capitalisation (reported CET1 of 18.3% in December 2019) combined with a valuable retail deposit base. These strengths are balanced against the bank's significant exposure to mortgages and the real estate sector that makes it vulnerable to property price fluctuations, and concentration in the counties of Buskerud and Vestfold, which to some degree elevates its asset risk. The bank's BCA also takes into account its relatively high level of capital markets funding, a common feature among the large savings banks in Norway, although with a strong liquidity position.

The bank's A2 long term deposit ratings take into account our Loss Given Failure (LGF) analysis, which benefits from a large volume of deposits and substantial layers of subordination resulting in two notches of rating uplift from its Adjusted BCA.

Exhibit 1
Rating Scorecard – Key financial ratios



These represent our Banks methodology Scorecard ratios, whereby asset risk and profitability reflect the weaker of either the latest reported or average of last three year-end and latest reported ratios. Capital is the latest reported figure. Funding structure and liquid resources ratios reflect the latest year-end figures.
Source: Moody's Financial Metrics

Credit strengths

» SpareBank 1 BV's BCA benefits from Norway's Very Strong - Macro Profile

» Capitalisation is robust, although capacity to raise new equity capital could prove challenging if needed

» Good profitability and diversified earnings benefit from some one-off gains

» Sound asset quality with low level of problem loans

Credit challenges

» Credit concentration in the counties of Buskerud and Vestfoldand exposure to Commercial Real Estate somewhat elevates asset risk

» High reliance on confidence-sensitive market funding, which is partly mitigated by access to a resilient covered bond market and a sizeable deposit base

» Elevated risks in the Norwegian housing market and household sector, mitigated by conservative underwriting standards, high wealth levels and a very strong repayment culture

Outlook

The ratings outlook on SpareBank 1 BV is stable as the ratings remain correctly positioned when compared to both local and international peers. The stable outlook also reflects the bank's resilient core earnings, loan growth and asset quality through the cycle balanced by some downside risks stemming from its sectoral concentrations in Commercial Real Estate.

Factors that could lead to an upgrade

Upward rating momentum could develop if SpareBank 1 BV demonstrates (1) sustained low level of problem loans in both its retail and corporate books, combined with reduced sector concentration to commercial real estate; (2) continued good access to market funding combined with strong liquidity; and/or (3) sustained robust earnings that would be comparable to its higher-rated peers without compromising its risk profile.

Factors that could lead to a downgrade

Future downward rating pressure would emerge if (1) SpareBank 1 BV's problem loan ratio was to deteriorate materially; (2) financing conditions were to become more difficult; (3) its risk profile were to increase, for example as a result of an increasing exposure to more volatile sectors such as commercial real estate; and/or (4) macroeconomic environment were to deteriorate leading to adverse developments in the Norwegian real-estate market. Also a reduction in the rating uplift as a result of our LGF analysis triggered by structural funding changes to the bank's balance sheet could lead to downward rating pressure.

Key indicators

Exhibit 2
SpareBank 1 BV (Consolidated Financials) [1]

	09-19[2]	12-18[2]	12-17[2]	12-16[2]	12-15[2]	CAGR/Avg.[3]
Total Assets (NOK Billion)	50.7	48.9	45.7	32.6	30.7	14.3[4]
Total Assets (USD Million)	5,583.7	5,647.6	5,585.4	3,787.6	3,473.0	13.5[4]
Tangible Common Equity (NOK Billion)	4.8	4.6	4.1	2.8	2.6	18.2[4]
Tangible Common Equity (USD Million)	528.0	526.9	504.0	330.5	289.9	17.3[4]
Problem Loans / Gross Loans (%)	0.6	0.8	0.7	0.7	1.7	0.9[5]
Tangible Common Equity / Risk Weighted Assets (%)	18.1	18.3	23.1	21.0	18.4	19.8[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	5.2	6.8	6.5	6.1	16.0	8.1[5]
Net Interest Margin (%)	1.4	1.4	1.6	1.4	1.4	1.5[5]
PPI / Average RWA (%)	2.0	2.5	2.7	2.4	1.7	2.3[6]
Net Income / Tangible Assets (%)	0.9	1.0	0.9	0.9	0.6	0.9[5]
Cost / Income Ratio (%)	51.6	49.3	56.8	56.7	62.9	55.5[5]
Market Funds / Tangible Banking Assets (%)	27.9	30.6	29.9	29.9	31.7	30.0[5]
Liquid Banking Assets / Tangible Banking Assets (%)	14.2	13.3	13.9	14.1	14.1	13.9[5]
Gross Loans / Due to Customers (%)	167.7	177.6	178.1	184.8	190.8	179.8[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 due to scale of reported amounts. [4]Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5]Simple average of periods presented for the latest accounting regime. [6]Simple average of Basel III periods presented.
Source: Moody's Investors Service; Company Filings

Profile

SpareBank 1 BV is a Norwegian local savings bank that provides retail and corporate financial products and services, from loans and deposit facilities to insurance, pension, payment, leasing, real estate brokerage and accounting services. As of 31 December 2019, the bank had total consolidated assets of around NOK51.7 billion (including assets transferred to jointly own covered bond companies). SpareBank 1 BV is the 8th largest savings bank and 11th largest commercial bank in Norway, but also the fifth largest bank in the SpareBank 1 Alliance, which constitutes of 14 independent regional savings banks. The purpose of the SpareBank 1 Alliance is to provide competitive financial services while exploiting economies of scale in terms of both low costs and high quality products and services. In addition, the alliance helps secure the member banks' value creation for the benefit of their own region and the banks' owners.

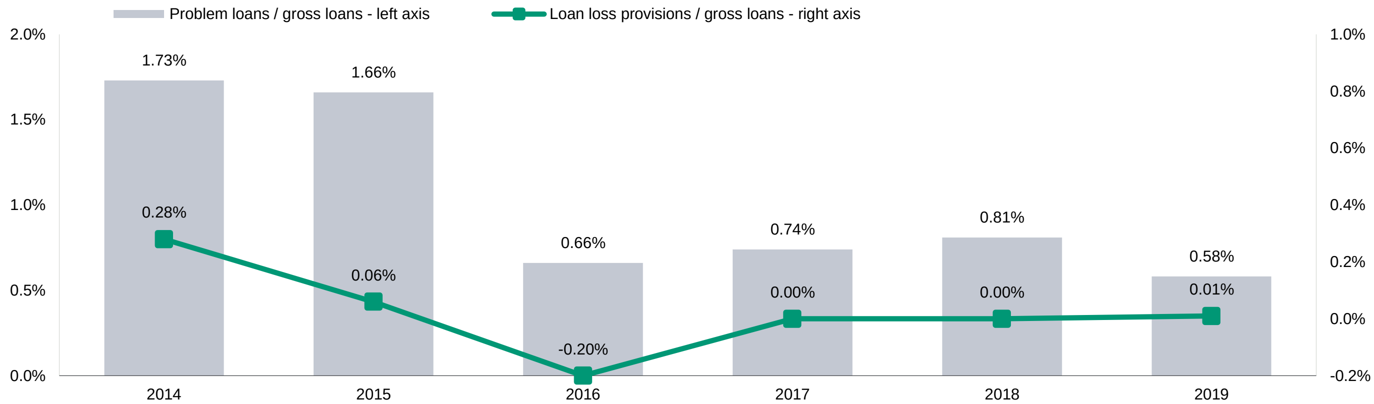
Detailed credit considerations

Sound asset quality with low level of problem loans, although credit concentration and exposure to Commercial Real Estate elevate asset risk

SpareBank 1 BV’s reported problem loans ratio (Stage 3 loans according to IFRS 9 as a percentage of gross loans, including loans transferred to the covered bond companies) declined to 0.6% as of end-December 2019 from 0.8% as of end-December 2018. The strengthened credit quality of the bank’s loan book reflects refined credit processes with an increasingly sophisticated risk management framework, but also the consistent decline in the average probability of default (PD) in its corporate book.

The sound credit quality of the bank translates into low credit costs with loan loss provisions amounting to only 0.01% of gross loans as of end-December 2019. Credit costs peaked in 2014, reaching 0.28% of gross loans, which is still considered low in an international context and compares well with similarly-rated peers. However, SpareBank 1 BV’s operations are geographically concentrated in the counties of Vestfold and Buskerud (around 90% of gross loans at end-December 2018), located in south-eastern Norway. The bank is deeply entrenched in the local community (around a quarter of the population are public servants), a common feature among the Norwegian savings banks, as the business model entails a social responsibility and commitment to the community.

Exhibit 3
Sound asset quality of retail-dominated loan book translates into low loan losses



Note: From 1 January 2018 and onwards, problem loans are defined as IFRS 9 Stage 3 loans; 2019 figures are based on reported numbers
Source: Moody's Financial Metrics and bank's Q4 2019 report

The healthy asset quality of the bank is supported by a loan book dominated by retail exposures, accounting for 82% of gross loans (including loans transferred to the covered bond companies) at end-December 2019. The bank reported total loans growth of 5.8% during 2019, which was slightly higher than the growth in the Norwegian system's domestic loans of 5.1%. The loan growth was driven by 5.7% retail lending growth and a 6.5% growth in corporate/SME lending.

Norwegian retail mortgages have historically entailed low risk and we expect the robust asset quality of this segment to endure in the coming 12-18 months, due to the satisfactory growth in the economy (we expect real GDP to have increased by 2.5% in 2020) combined with very low unemployment (4.0% as of end-November 2019). However, SpareBank 1 BV is exposed to the cyclical real estate and construction sector (approximately 15% of gross loans at end- December 2019), which further renders the bank vulnerable to changes in interest rates and real estate prices in the region.

The relative stability of housing prices in Vestfold and Buskerud in the past few years nevertheless mitigates the risk of asset quality deterioration, and we expect Norwegian households to continue servicing their debt without difficulties despite the interest rate hikes in the last couple of years. In contrast to Oslo, house prices in the bank's areas of operations have been below the Norwegian average and experienced a stable growth without peaks or significant corrections. Nonetheless, given the bank's material exposure to mortgage loans, a potential serious slowdown in the Norwegian economy is likely to leave it vulnerable to house price fluctuations and impaired loan affordability by borrowers.

Accordingly, we assign SpareBank 1 BV an Asset Quality Score of baa1, which includes negative adjustments to better capture risks stemming from the bank's geographical and sector concentration.

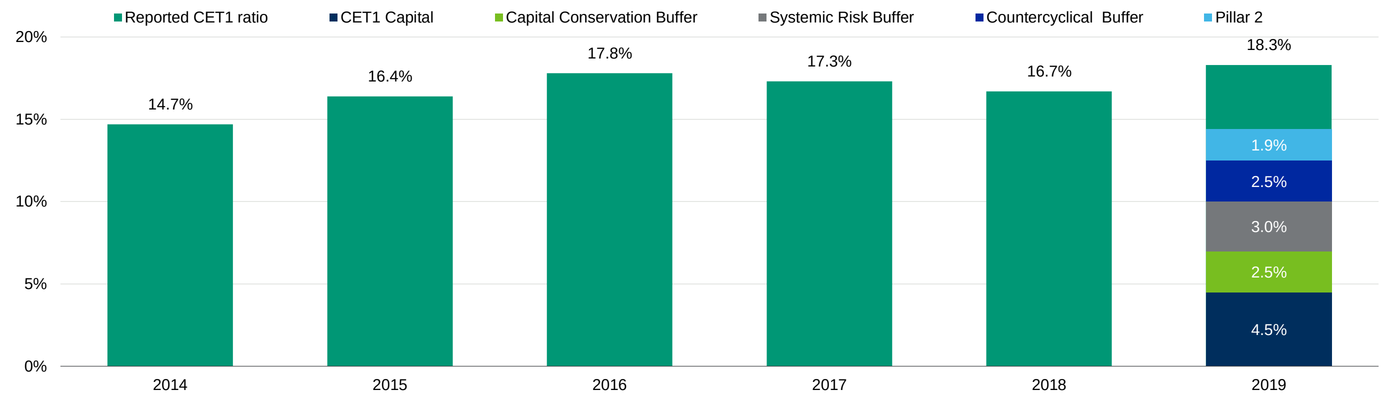
Capitalisation is robust, although capacity to raise new equity capital could prove challenging if needed

SpareBank 1 BV's capitalisation is robust, as evidenced by its reported Common Equity Tier 1 (CET1) ratio of 18.3% and total capital ratio of 21.9% at end-December 2019, comparing favourably with its similarly-rated local peers. Earlier in 2018-2019 the bank's capital metrics came under some pressure mainly due to the consolidation of collaborative groups reflecting the 100% phase-in of CRD IV that came into force as of 1 January 2018, increasing its risk-weighted assets (RWAs) significantly (see Exhibit 4). The bank had a tangible common equity (TCE) over RWAs (a Moody's ratio) of 21% at end-2016, which decreased but to a still high level of 18.1% at end-September 2019.

The bank comfortably fulfills its regulatory CET1 capital requirement of 14.4%, including a pillar 2 requirement of 1.9% and the countercyclical buffer of 2.5% in December 2019, with a sizeable headroom as of end-December 2019. With the implementation of the EU capital adequacy rules into the EEA agreement the Basel I floor was removed in Norway from January 2020 onwards, but will have no real impact on SpareBank 1 BV's capital metrics as it uses the standard method for calculating credit risk.

However, the introduction of a discount for SME exposures based on EU's CRD IV directive, will confer around 40 basis points benefit to the bank's CET1 ratio. We also note that, following a decision by the Ministry of Finance on 11 December 2019, the bank will have to comply with an increase in the systemic risk buffer to 4.5% (from 3%) by the end of 2022, which will bring its pro-forma CET1 requirement to 15.9%. SpareBank 1 BV's current CET1 internal target ratio is 15.5%. However we expect the bank to be able to comfortably comply with its regulatory requirements, as retained earnings typically add more than 100 basis points of new capital per annum.

Exhibit 4
SpareBank 1 BV's reported CET 1 ratio and required capital buffers



Source: Issuer reports

SpareBank 1 BV applies the standardised approach for calculating its regulatory capital requirements, meaning that its assets are assigned higher risk weights than under the Internal Ratings Based (IRB) approach. The bank's sound solvency is also demonstrated in its unweighted capital metrics. The bank reported a leverage ratio of 8.5% as of end-December 2019, which is high by international standards and well above the regulatory minimum requirement of 5% in Norway.

The bank applied to the Norwegian Financial Service Authority (FSA) for approval to implement the IRB method but was rejected in June 2018 due to the bank's very small corporate/SME loan book (only 18% of total loans), which does not enable an accurate evaluation of the level of risk in the portfolio. The FSA has conveyed that it would not be able to assess whether changes in default rates are temporary or if these reflect an actual increase/decrease in the level of risk in the loan book.

Equity certificates are an important part of SpareBank 1 BV's capital base (equity certificate fraction of 56.2% relative to the bank's total equity in December 2019), a common feature among Norwegian savings banks. The balance of the bank's equity base consists of primary capital (no owners). Raising capital in case of need during difficult economic periods could prove challenging for SpareBank 1 BV, given its ownership structure in view of the potential dilution effect.

This limits the bank's flexibility in terms of dividend payments (target of at least 50%) and capital retention, and could make it difficult for the bank to access new capital. The two foundations, SpareBank 1 Stiftelsen BV and Sparebankstiftelsen Nøtterøy – Tønsberg, are the two largest stakeholders in the bank having a joint stake of around 39%. We note that these foundations are considered long-term and financially strong owners, with its bylaws stating that it shall maintain its interest through participation in equity certificate issues.

Considering our assessment of SpareBank 1 BV's capitalisation, we assign a Capital Score of aa3 to the bank, incorporating a negative adjustment to reflect the potential challenges in accessing new capital if need be.

Good profitability and diversified earnings benefit from some one-off gains

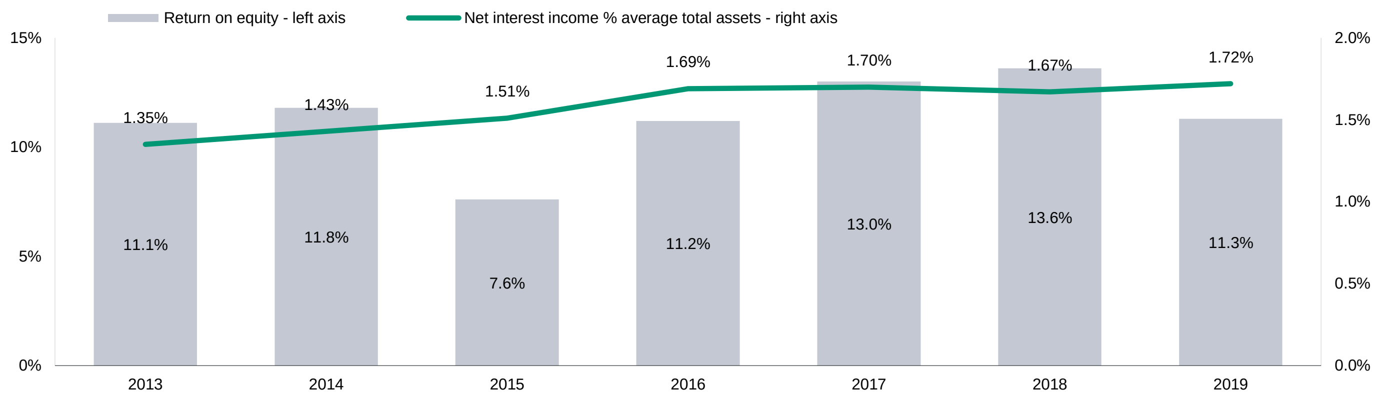
SpareBank 1 BV has maintained good profitability in a competitive market place and the merger with SpareBank 1 Nøtterøy-Tønsberg only exerted limited pressure on the bank's profitability, as evidenced by the Moody's adjusted ratio of net income to tangible assets of around 1% in 2016-19.

Stable retail banking operations support SpareBank 1 BV's profitability, with net interest income (including net interest income from the covered bond companies booked as commission income) being its most important source of income. Net interest income constituted around 70% of operating income (excluding gains from financial investments) in 2019, up from 63% in 2018.

The bank's results in 2019 were positively affected by gains of around NOK72 milion from the Fremtind insurance merger transaction, which to some degree alleviated some margin pressure on mortgage loans earlier in the year. In addition, the bank was able to book NOK18 million profit from the revaluation of properties in SpareBank 1 Gruppen's life company during the second quarter 2019. The bank reported annualised Return on Equity (ROE) of 11.3% in 2019, comparing well with peers, although the normalised RoE excluding one-off items is around 10% in line with previous year's result. That said, the bank generally exhibits good profitability metrics over the last few years (see Exhibit 5). Increasing money market rates have exerted some pressure on the bank's lending margins, which combined with the recently increased key policy rate led the bank to increase its lending and deposit rates. The interest rate increases followed increases in Norges Bank's base rate, with four changes taking place within 12 months, the latest one in September 2019 raising the official rate by 25 basis points to the current level of 1.5%. We expect that the higher lending rates will gradually support the bank's net interest income over the medium term.

Exhibit 5

SpareBank 1 BV exhibits sound profitability metrics



Source: Issuer reports

Competition is intense in the bank's area of operations, and it has a limited pricing power compared to the largest national players, which usually reprice their loan books before smaller banks do. Accordingly, we expect the pressure on the bank's mortgages interest margin to persist, although to be partly eased by the recently increased lending rates.

Net commission and other operating income reflects income from associated companies jointly owned within the SpareBank 1 Alliance and the bank's own subsidiaries. In addition, the wide range of products offered by the bank and its subsidiaries creates valuable opportunities for cross-selling to the acquired customers from SpareBank 1 Nøtterøy-Tønsberg, and enables the bank to strengthen its operating income.

SpareBank 1 BV's cost base has been elevated relative to peers, with a reported cost-to-income ratio of around 47% as of end-December 2019, compared to 39% in December 2018, although the previous year includes a significant one-time positive effect of NOK 92.2 million from the winding up of its defined-benefit pension scheme.

As a member of the SpareBank 1 Alliance, the bank benefits from its economies of scale and access to digitalisation solutions which will enable it to operate with a lighter cost base. We note that in order for the bank to remain competitive it has implemented various digitalisation innovations, including the initiation of 76% of all mortgage loans through digital channels, the development of a client profit analysis application and the new digital real estate broker, which will go some way in improving its efficiencies.

High reliance on confidence-sensitive market funding, which is partly mitigated by access to a resilient covered bond market and a sizeable deposit base

SpareBank 1 BV's funding profile is dominated by deposits and covered bonds, similar to other Norwegian savings banks. As of end-December 2019, customer deposits accounted for around 50% of the bank's non-equity funding (including covered bonds issued by the jointly owned covered bond companies). Total bank's customer deposits increased robustly by around 10% year-on-year as of end-December 2019, with 62% of deposits coming from the retail market that has gained traction from the launch of new deposit products in September 2018. This strengthens SpareBank 1 BV's funding profile as we consider retail deposits to be a more stable source of funding compared to corporate deposits.

The bank is also highly dependent on confidence-sensitive market funding to finance its operations. Our market funding ratio (market funds to tangible banking assets including covered bond loans) for the bank was a relatively high 27.9% as of end-September 2019. We view this as a weakness in the bank's funding profile, as we do for most Norwegian banks, because market funding can become more expensive and/or restricted in times of market stress.

The majority of the banks market funding is in the form of covered bonds issued through covered bond companies jointly owned with other members of the SpareBank 1 Alliance (SpareBank 1 Boligkreditt for residential mortgages and SpareBank 1 Næringskreditt for commercial mortgages). At end-December 2019 the bank had transferred retail mortgages worth NOK12 billion and commercial real estate loans worth NOK843 million to these vehicles, constituting together around 30% of its gross loan book including the transferred loans.

While we view positively the diversification benefit of covered bond funding, its extensive use increases the amount of pledged assets unavailable for unsecured bondholders, including depositors in liquidation. As reflected in our methodology, we globally reflect the relative stability of covered bonds compared to unsecured market funding through a standard adjustment. In addition, we expect that the bank's MREL requirement will induce the bank to refinance around NOK2-3 billion of maturing senior preferred debt (total outstanding of NOK8.1 billion in December 2019) with senior non-preferred debt (Tier 3 capital).

SpareBank 1 BV's sizeable liquid reserves, constituting 14.3% of the bank's tangible banking assets as of end-September 2019, partly mitigate risks associated with its high reliance on market funding. However, we note that this ratio understates the core liquidity of the bank, given that it does not take into account the liquid assets held by SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Accordingly, we incorporate a positive adjustment in the assigned Liquid Resources score to reflect the additional source of liquidity stemming from the covered bond companies.

The main components of the bank's liquidity reserves are highly-rated covered bonds, sovereign and municipality bonds. The bank's high Liquid Coverage Ratio (LCR) of 230% as of end-December 2019 is well above the regulatory minimum requirement of 100%. We expect the bank to maintain a relatively conservative liquidity in order to curb any refinancing risks, while its net stable funding ratio (NSFR) is also comfortably above 100%.

ESG considerations

In line with our general view of the banking sector, Sparebank 1 BV's has low exposure to Environmental risks and moderate exposure to Social risks. See our Environmental and Social risk heatmaps for further information.

Norway, similarly to the European Union, has policies in place that ensure new housing to be energy-efficient, which enables banks to gather mortgages for asset pools to issue green bonds. Such policies also help limit environmental risks for Norwegian banks with large retail exposure and primarily mortgage lending activity, which should help strengthen the bank's credit profile. The bank is taking various initiatives to promote and integrate in its business the UN's sustainable development goals, including those related to 'decent work and economic growth' and 'sustainable cities and communities'.

The most relevant Social risks for banks arise when they interact with their customers. Social risks are particularly high in the area of data security and customer privacy which is partly mitigated by sizeable technology investments. Fines and reputational damage due to product misselling or other types of misconduct is a further social risk. Societal trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services, increasing information technology cost, aging population concerns in several countries, impacting demand for financial services or socially driven policy agendas that may translate into regulation that affects banks' revenue base. Overall, we consider banks, including Sparebank 1 BV, to face moderate social risks.

Governance is highly relevant for Sparebank 1 BV, as it is to all players in the banking industry. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. Corporate governance remains a key credit consideration and requires ongoing monitoring. However, we currently do not have any governance related concerns over SpareBank 1 BV.

Support and structural considerations

Loss Given Failure analysis

The EU Bank Recovery and Resolution Directive (BRRD) has entered into force as of 1 January 2019 in Norway, which confirms our current assumptions regarding 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 SpareBank 1 BV's long-term deposit ratings, we have considered the likely impact on loss-given-failure of the volume of deposits and the amount of debt subordinated to them. This has resulted in a Preliminary Rating Assessment of two notches above the Adjusted BCA, reflecting very low loss-given-failure.

Government support considerations

SpareBank 1 BV benefits from a well-established market position in the counties of Buskerud and Vestfold. Whilst the bank's market share in this region is significant, it is small in a national context. We also note that the close proximity of the bank's home region to Oslo means that a number of other Norwegian banks are present in the area. We therefore assume a low probability of government support for SpareBank 1 BV's deposits, CRA, and CRR ratings resulting in no rating uplift. Moreover, our government support assumptions are driven by the recent implementation of the EU's BRRD in Norway (effective as of 1 January 2019).

Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than the likelihood of default and the expected financial loss suffered in the event of default and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (e.g., swaps), letters of credit, guarantees and liquidity facilities.

SpareBank 1 BV's CR Assessment is positioned at A1(cr)/Prime-1(cr)

SpareBank 1 BV's CR Assessment is positioned at A1(cr)/Prime-1(cr), three notches above the bank's Adjusted BCA of baa1, based on the substantial cushion against default provided to the senior obligations represented by the CRA by subordinated instrument. 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)

Moody's Counterparty Risk Ratings are opinions of the ability of entities to honour the uncollateralized portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRR liabilities typically relate to transactions with unrelated parties. Examples of CRR liabilities include the uncollateralized portion of payables arising from derivatives transactions and the uncollateralized portion of liabilities under sale and repurchase agreements. CRRs are not applicable to funding commitments or other obligations associated with covered bonds, letters of credit, guarantees, servicer and trustee obligations, and other similar obligations that arise from a bank performing its essential operating functions.

SpareBank 1 BV's CRR is positioned at A1/Prime-1

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

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
SpareBank 1 BV

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	0.7%	aa1	←→	baa1	Geographical concentration	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	18.1%	aa1	←→	aa3	Access to capital	
Profitability						
Net Income / Tangible Assets	0.9%	baa1	←→	baa2	Expected trend	
Combined Solvency Score		aa2		a3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	30.6%	baa3	←→	baa3	Extent of market funding reliance	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	13.3%	baa3	←→	baa2	Stock of liquid assets	
Combined Liquidity Score		baa3		baa3		
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	15,880	31.3%	18,377	36.2%
Deposits	24,481	48.3%	21,984	43.4%
Preferred deposits	18,116	35.7%	17,210	33.9%
Junior deposits	6,365	12.6%	4,774	9.4%
Senior unsecured bank debt	8,070	15.9%	8,070	15.9%
Dated subordinated bank debt	400	0.8%	400	0.8%
Preference shares (bank)	356	0.7%	356	0.7%
Equity	1,521	3.0%	1,521	3.0%
Total Tangible Banking Assets	50,708	100.0%	50,708	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	29.8%	29.8%	29.8%	29.8%	3	3	3	3	0	a1
Counterparty Risk Assessment	29.8%	29.8%	29.8%	29.8%	3	3	3	3	0	a1 (cr)
Deposits	29.8%	4.5%	29.8%	20.4%	2	3	2	2	0	a2

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	2	0	a2	0	A2	A2

[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
SPAREBANK 1 BV	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A2

Source: Moody's Investors Service

REPORT NUMBER 1212366

Contacts

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

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

Sean Marion +44.20.7772.1056
MD-Financial Institutions
sean.marion@moodys.com

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