MOODY'S
INVESTORS SERVICE

CREDIT OPINION
10 March 2020

Update

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RATINGS

SpareBank 1 SMN

Domicile	Norway
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
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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SpareBank 1 SMN

Update to credit analysis following rating affirmation

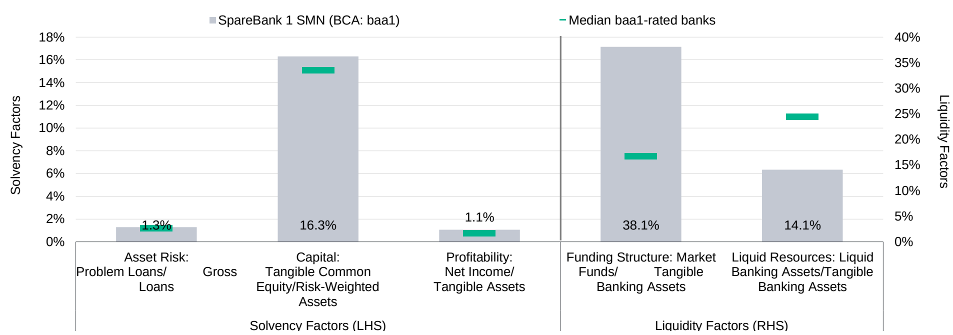
Summary

SpareBank 1 SMN's long-term deposit and senior unsecured debt ratings of A1 take into account the bank's baseline credit assessment (BCA) of baa1, but also our loss given failure (LGF) analysis which results in three notches of rating uplift from its BCA.

SpareBank 1 SMN's BCA of baa1 refletcts its resilience through the economic cycle, coupled with Moody's expectation of steady profitability and low levels of asset risk. This is supported by our view of the bank's strong retail franchise in central Norway, which delivers robust core earnings and its solid capital metrics with a common equity Tier 1 capital ratio of 17.2% and 7.5% leverage ratio at the end of 2019. These are balanced against the bank's high reliance on market funding, a common feature among all local savings banks, its relatively narrow geographic focus and downside credit risks stemming from its oil-related exposures. Nonetheless, the bank has been able to maintain sound asset quality metrics with a problem loans to gross loans (including covered bond loans) ratio of around 1.3% at end-December 2019.

The bank's A1 deposit and senior unsecured debt ratings take into account our forward-looking LGF analysis taking into consideration the MREL-eligible securities that it is likely to issue by the end of 2022, resulting in three notches of rating uplift from the bank's BCA.

Exhibit 1
Rating Scorecard - Key Financial Ratios



These are our Banks methodology scorecard ratios. Asset risk and profitability reflect the weaker of either the three-year average and latest annual figure. Capital is the latest reported figure. Funding structure and liquid resources reflect the latest fiscal year end figures.
Source: Moody's Financial Metrics

Credit strengths

- » SpareBank 1 SMN's BCA is supported by its Very Strong- Macro Profile
- » Solid capital metrics provide a buffer against potential future credit losses
- » Resilient earnings benefit from a strong regional retail franchise
- » Large volume of deposits and junior debt resulting in deposit ratings benefiting from a very low loss-given-failure rate and a two notch uplift versus its BCA

Credit challenges

- » Credit concentrations from operating in more limited geographic areas than many international peers
- » Downside risks from the bank's oil-related exposure, although problem loans are low
- » Liquidity is comfortable, but dependence on market funding renders it vulnerable to fluctuations in investor sentiment

Outlook

The stable outlook on the bank's deposit and debt ratings reflect the robust positioning, when compared to local and international peers. In addition, 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 the geographically concentrated loan book and oil-related exposure.

Factors that could lead to an upgrade

Over time, upward rating pressure could develop if the bank demonstrates (1) it can effectively manage with low credit losses its exposure to more volatile sectors such as commercial real estate and oil/offshore; (2) strong asset quality with a low level of problem loans and credit impairments relative to its similarly-rated peers; (3) strong recurring earnings generation without an increase in its risk profile, combined with an improved non-interest income; and (4) continued good access to capital markets combined with strong liquidity.

Factors that could lead to a downgrade

Future downward rating pressure would emerge if (1) SpareBank 1 SMN's problem loan ratio increases to levels significantly above its similarly-rated peers; (2) its profitability deteriorates from weakening revenues or high credit costs; (3) the bank fails to sustain its leading market position in its home region; (4) the macroeconomic environment deteriorates more than currently anticipated, leading to a lower Macro Profile; (5) a lower than expected issue of junior securities, including non-preferred senior (NPS) debt, which will result in a lower rating uplift in our LGF analysis.

Key indicators

Exhibit 2
SpareBank 1 SMN (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)	207.2	199.9	188.6	171.8	163.2	6.6[4]
Total Assets (USD Million)	22,801.2	23,080.4	23,052.1	19,963.2	18,437.6	5.8[4]
Tangible Common Equity (NOK Billion)	17.1	16.0	15.0	14.1	12.8	8.1[4]
Tangible Common Equity (USD Million)	1,879.5	1,847.6	1,838.0	1,638.1	1,442.4	7.3[4]
Problem Loans / Gross Loans (%)	1.3	1.0	1.0	1.2	0.5	1.0[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.3	15.8	15.9	15.9	14.3	15.6[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	11.8	10.0	9.1	11.2	4.5	9.3[5]
Net Interest Margin (%)	1.5	1.5	1.5	1.5	1.7	1.5[5]
PPI / Average RWA (%)	2.4	2.3	2.3	2.2	1.6	2.2[6]
Net Income / Tangible Assets (%)	1.4	1.0	1.0	0.9	0.9	1.0[5]
Cost / Income Ratio (%)	52.6	53.8	52.5	51.9	56.7	53.5[5]
Market Funds / Tangible Banking Assets (%)	37.5	38.1	38.7	39.5	38.9	38.5[5]
Liquid Banking Assets / Tangible Banking Assets (%)	14.2	14.1	15.5	13.6	14.1	14.3[5]
Gross Loans / Due to Customers (%)	197.7	198.9	194.5	204.8	198.7	198.9[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 SMN is a leading regional savings bank in central Norway. It provides a range of retail banking, corporate banking and capital markets related products and services. Furthermore, through its subsidiaries and associated companies, it offers real estate agency, investment, asset management and other financial services. As of end-December 2019, its consolidated assets (including loans transferred to covered bond companies) totalled NOK209 billion.

Detailed credit considerations

SpareBank 1 SMN's BCA is supported by its Very Strong- Macro Profile

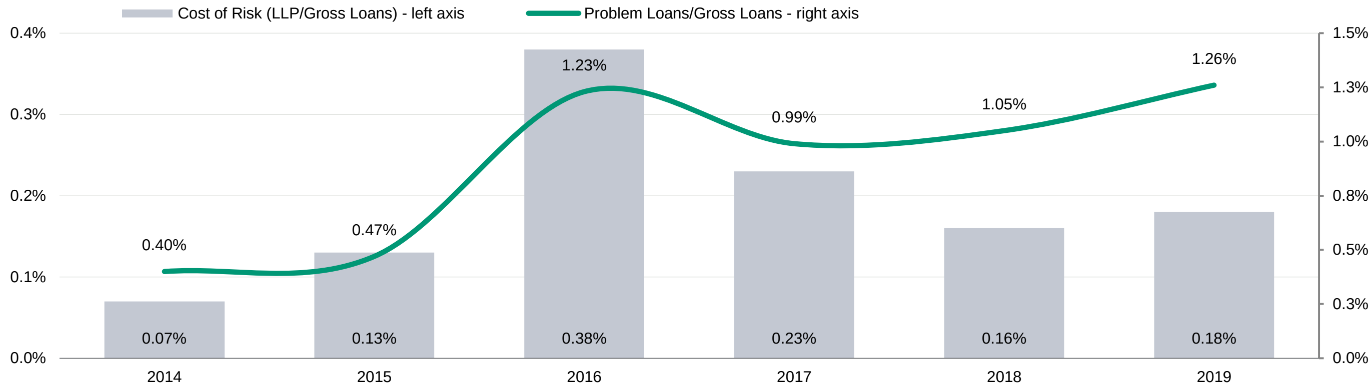
As a domestically oriented bank, we align SpareBank 1 SMN's Macro Profile with that of Norway at Very Strong -. Norwegian banks benefit from operating in a wealthy and developed country with very high economic, institutional and government financial strength, as well as very low susceptibility to adverse events. Overall the operating environment is supportive to banks, characterised by unique countercyclical mechanisms that will continue to help offset downside risks related to banks' relatively narrow geographic focus and high credit concentration in cyclical sectors.

The main risks to the banking sector stem from Norway's high household indebtedness, elevated real-estate prices, and extensive use of market funding by the domestic banks. However, these risks are mitigated by the household sector's strong ability to service debt and by the Norwegian government's well coordinated monetary and regulatory policies. Additional supporting factors are the country's sizeable sovereign wealth fund that is able to support the economy in the event of financial crisis.

Downside risks from the bank's oil-related exposure, although problem loans are low

SpareBank 1 SMN's reported problem loans ratio (loans classified in stage 3 as a percentage of total loans, including loans transferred to the jointly-owned and non-consolidated SpareBank 1 Boligkreditt and Naeringskreditt) was at 1.26% at end-December 2019, compared to 1% reported in December 2018. The bank's problem loans mainly originate from the challenges that it faces in its oil and offshore sector exposures as well as other oil dependent industries and services, which still face difficulties mainly due to overcapacity of older offshore service vessels (OSVs). The oil and offshore industry is currently performing better due to higher oil prices and following significant restructurings, which usually entail losses imposed on equity and bond holders and to some extent also write-downs to secured creditors.

Exhibit 3
SpareBank 1 SMN's adjusted problem loans % gross loans and cost of risk evolution



Note: Gross loans include covered bond loans
Source: Moody's Financial Metrics and bank's reports

We note that the bank's exposure at default (EAD) to oil-related activity accounted for around NOK4.5 billion at the end of 2019 (reduced by NOK0.7 billion in the last 12 months), which comprised around 2.5% of the bank's total credit risk (including loans transferred to the covered bond companies), while total write-downs related to the offshore portfolio amounted to 13.5% of the overall EAD. SpareBank 1 SMN booked credit losses of NOK299 million in 2019, mainly related to the offshore industry, while it has restructured a sizeable part of its OSV portfolio that expects to be revived and perform. We believe that these restructured OSV exposures will continue to pose downside risks for the bank going forward, and that it may need to take additional provisions for some of these restructured loans.

We note that some of these borrowers fall within the bank's top 20 group loans, elevating the bank's credit risk profile. Despite the better prospects in the oil sector, the OSV industry is still facing challenges, given the oversupply problem faced by some of these companies. This applies in particular to the supply segment while the market outlook is more favorable for the sub-sea segment. At end-December 2019, the bank's exposure to the sub-sea vessel segment constitutes around 42% of the total exposure to the offshore industry. We understand that any restructurings are time consuming since the companies' debt structure involves several banks with special lending facilities along with bond debt outstanding. The solutions recommended include injection of fresh equity by shareholders or new investors, deferment of installment payments and renegotiation/extinction/conversion of bond debt.

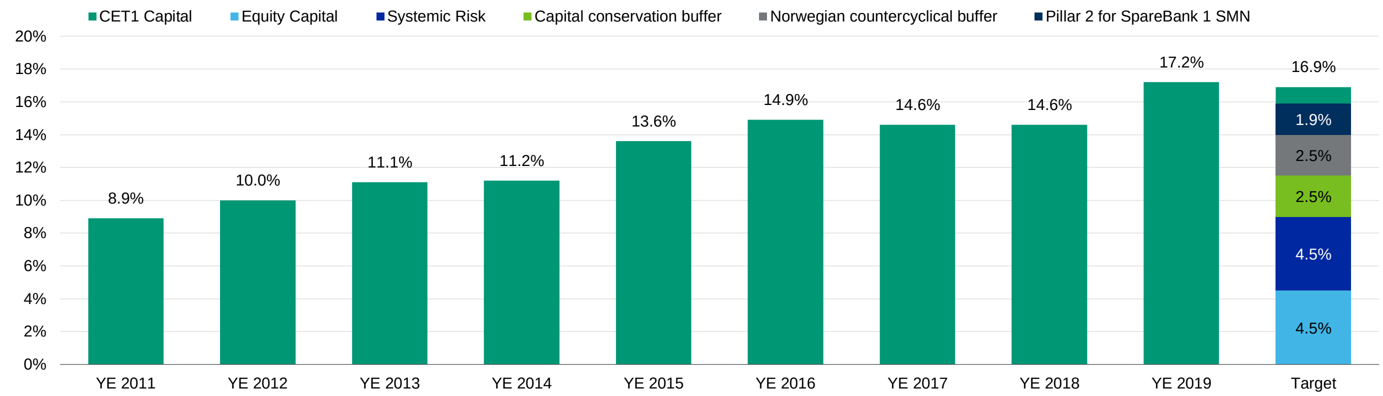
However, the bank's overall asset quality is favourable and comparable to its similarly-rated peers both locally and internationally. SpareBank 1 SMN's well-diversified loan book (including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Naeringskreditt), of which around 69% comprises loans to retail customers (mainly in the form of mortgages), and strong risk management practices counterbalance to some degree any negative effects from its oil-related exposures. The strong performance of the bank's retail banking business continued in 2019 and the reported loans in default (90 days past-due) comprised only 0.26% of gross loans (including covered bond loans) at end-December 2019.

Our assigned Asset Risk Score incorporates negative adjustments, indicating the downside risks the bank still faces as stated above. In addition, our adjustments take into account the bank's relatively limited geographical diversification, but also its vulnerability to a potential material reduction in property prices given its exposure to commercial real-estate (8.9% of total gross loans at end-2019) and residential mortgages.

Solid capital metrics provide a buffer against potential future credit losses

SpareBank 1 SMN's BCA of baa1 is supported by its solid capital position, with its common equity Tier 1 (CET1) ratio of 17.2% at end-December 2019 from 14.6% reported in December 2018. We note that the FSA has set a Pillar 2 requirement of 1.9% with effect from first quarter of 2019 for SpareBank 1 SMN, which combined with other regulatory requirements result in a CET1 minimum of 15.9%. The bank aims for a CET1 target of 16.9%, including a management buffer of 1% above its regulatory requirement (see Exhibit 4).

Exhibit 4
Development in CET1 ratio



Source: Source: Company reports and presentations

The bank's tangible common equity has strengthened in recent years, as good earnings generation has supported its capital levels. We note that SpareBank 1 SMN's hybrid debt (NOK1.3 billion) and subordinated debt (NOK2.1 billion) contributed to the strong Tier 1 ratio of 19.3% and overall capital adequacy ratio of 21.6% at end-December 2019. Such solid capital levels provide a buffer against potential future credit losses, driving the bank's BCA and ratings.

The bank's CET1 ratio increased to 17.2% mainly due to the removal of the Basel I floor of 80% of risk-weighted assets (RWAs), which significantly reduced its RWAs. In addition, the bank's CET1 ratio benefited by around 40 basis points from the SME discount introduced on 31 December 2019 as part of the CRD IV implementation in Norway. Going forward, we expect the bank to maintain a payout ratio of around 50%, and retain sufficient profit in order to continue meeting its internal CET1 target of 16.9%.

Our assigned Capital Score reflects this strength, as well as the bank's reported leverage ratio, which at 7.5% at end-December 2019 is satisfactory for the Norwegian regulator's requirement and high compared with international standards.

Resilient earnings benefit from a strong regional retail franchise

Reported net profit in 2019 increased by 23% to NOK2.6 billion from NOK2.1 billion in 2018, with a reported return on equity (RoE) of 13.7% compared to 12.2% a year earlier. The higher net profit was mainly driven by a NOK460 million capital gain resulting from a Fremtind transaction. Excluding the impact of the transaction the RoE was 11.2%. We expect the bank to sustain its satisfactory profitability performance in the coming quarters, aiming to achieve a RoE ratio of 12%, despite the fierce competition in the market especially for residential mortgages.

The bank's credit loss increased marginally to 0.18% of gross loans (including transferred loans) in 2019 compared to 0.17% in 2018, consuming around 9% of pre-provision income. The bank anticipates low loan losses going forward, and claims to be prepared to manage any new challenges that could arise in the oil sector. Furthermore, we expect the adoption of IFRS 9 with new more conservative principles for write-downs from January 2018 to potentially result in somewhat larger volatility in write-downs, as they will be made at an earlier stage than previously.

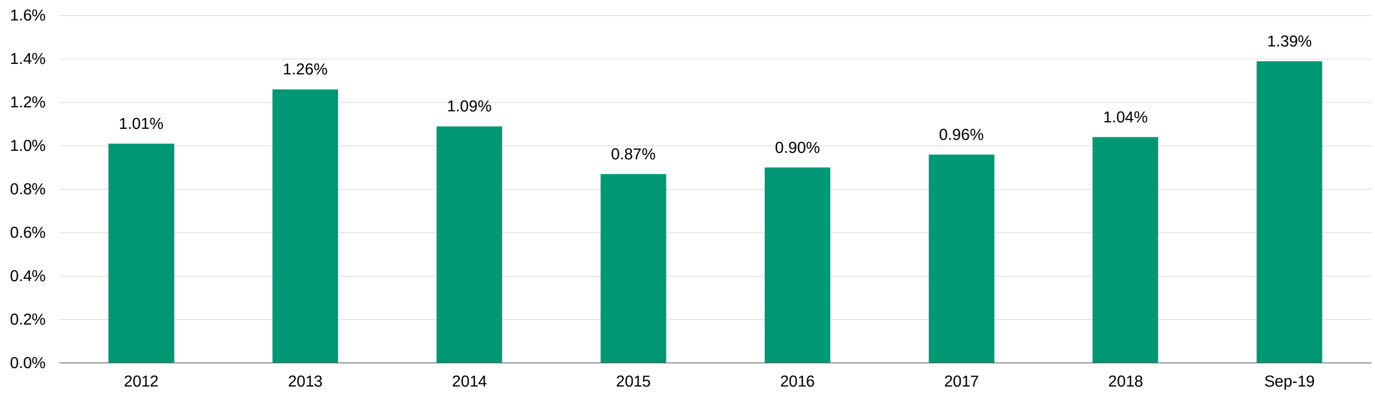
SpareBank 1 SMN recently raised its interest rates on residential mortgages by 25 basis points due to increasing money market rates, and following four 25 basis points increases to the base rate by the central bank, with the latest one bringing the official rate to 1.5% in September 2019. Consequently, the bank's reported net interest income increased year-on-year by a high 11.8% in December 2019, mainly on the back of 4.7% loan growth and increasing retail deposit margins that have not been repriced as much. Despite some margin pressure, especially on the bank's mortgage portfolio, the higher interest rates should further benefit the bank's core income in 2020.

The bank reported a cost-to-income ratio of 45% in 2019 down from 49% in 2018. Operating costs for the group increased year-on-year by around 6.6%, although we note that the bank is committing substantial investments to digitisation and robotics as a step in enhancing the customer experience and improving efficiencies. The higher cost base was partly offset by the almost 6% year-on-year increase in fees and commissions, with the group having successful accountancy services contributing to its non-interest income base and diversifying its core revenues.

Our Profitability Score for the bank takes into account our adjusted return on tangible assets (including assets transferred to covered bond companies) that was at 1.39% in the first nine months of 2019 (see Exhibit 5), including the partial distortion due to one-off gain from the insurance deal. Nonetheless, we expect the bank to maintain its resilient recurring earnings in the coming 12-18 months, despite potentially higher funding costs and intense competition for retail mortgages, which will be partly offset by the bank's recent agreement with the Confederation of Norwegian Trade Unions (around one million members) that provides major business growth opportunities.

Exhibit 5

Moody's adjusted Net income / Tangible assets ratio evolution
(including assets transferred to covered bond companies)



Source: Moody's Financial Metrics

Dependence on market funding renders the bank vulnerable to fluctuations in investor sentiment…

SpareBank 1 SMN's deposits accounted for around 41% of total liabilities (including covered bonds issued through the covered bond companies) at end-December 2019, which have proven to be resilient and growing over many years. The year-on-year growth in total deposits was a high 6.6% at end-December 2019, with retail deposits increasing by 7.9% and corporate deposits by 5.7%. Retail deposits, which we consider to be more stable, represented 42% of the bank's total deposits at the end of 2019.

SpareBank 1 SMN uses covered bonds as an important funding source, which is done off-balance sheet through specialised companies it jointly owns together with other savings banks 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 NOK39.8 billion and commercial real estate loans worth NOK1.7 billion to these vehicles (i.e. 25% 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 our scorecard. Our Funding Structure Score reflects our view that SpareBank 1 SMN's reliance on market funding - a common feature at Nordic banks - is of sufficient scale (market funds comprised around 37.5% of tangible banking assets at end-September 2019) to represent a source of vulnerability because, in times of market stress, market funding can become more expensive and/or restricted.

…although liquidity is comfortable

Risk related to market funding is mitigated somewhat as SpareBank 1 SMN maintains a sizeable liquidity buffer of NOK26 billion or around 12.5% of the bank's total assets at end-December 2019, which according to the bank covers funding needs for two years without any new external financing. However, we note that this ratio does not take into account the liquid assets held by SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, the bank's covered bond vehicles.

The liquid reserves mainly consists of covered bonds from other Norwegian banks; most of it is useable as collateral for loans from Norges Bank, municipal bonds and balances with central banks. Accordingly, we believe that the covered bond holdings increase the interconnection among local banks, a common feature among all rated banks, which also raises the vulnerability and contagion risks of the banking system. SpareBank 1 SMN reported a commendable liquidity coverage ratio (LCR) of 148% at end-December 2019, compared to 100% requirement.

Environmental, social and governance considerations

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

SMN's exposure to oil and off-shore sector is a source of environmental risk for the bank in the face of eventual transition to low-carbon economy. However, the bank's exposure is relatively low at around 2.5% of the bank's total portfolio (including loans transferred to the covered bond companies), and considered manageable. Furthermore, Norway, similarly to the European Union, has policies in place that ensure new housing constructed is energy-efficient, which enables banks to gather mortgages for asset pools for green bond issuances. Such policies also help limit environmental risks for Norwegian banks with large retail exposure and primarily mortgage lending activity. SpareBank 1 SMN issued its first green covered bond worth €500 million in September 2019 with a seven year term and capital earmarked for green loan portfolios, including sustainable fisheries and fish farming. In addition, we note that in September 2019 SpareBank 1 SMN was one of the five Norwegian banks that signed the UN's principles for responsible banking, aiming to transition to a low-emision economy and meet UN's sustainability goals. In December new products were launched for retail: green residential loans, green loans for energy projects and green consumer loans.

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 mis-selling 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 SMN, to face moderate social risks.

Governance is highly relevant for SpareBank 1 SMN, 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 SMN, noting the smooth transition at the top management with a new CEO (former CEO of SpareBank 1 Nord-Norge) taking over earlier in the year.

Support and structural considerations

Loss Given Failure and additional notching

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. In our advanced LGF 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 SMN's long term deposits and senior unsecured debt ratings, we consider the likely impact of loss-given-failure, reflecting the combination of debt and deposit volumes and the amount of debt subordinated to them. We also take into consideration the expected level of MREL eligible debt issuance of around NOK14 billion over the coming 2-3 years. This has resulted in a Preliminary Rating Assessment of three notches above the BCA, reflecting very low loss-given-failure. For junior securities issued by SpareBank 1 SMN, 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. We also incorporate additional notching for junior subordinated reflecting the coupon features.

Government support

SpareBank 1 SMN has a well-established regional franchise in central Norway, where we estimate it commands market shares of around 22% for lending (including the loans transferred to covered bond companies), although its national market share is limited at around 4%. The implementation of BRRD framework in Norway on 01.01.2019, which is aligned with the EU's bank recovery and resolution directive, has caused us to revise our government support assumptions for the bank. In line with other banks under these frameworks, we recently changed our government support assumptions to low from moderate for debt and deposits, resulting in no additional notches of rating uplift above their PRA, positioning them at A1.

For junior securities, we consider that potential government support is low and therefore these ratings do not include any related uplift. Junior securities also include additional downward notching from the BCA, reflecting coupon suspension risk ahead of a potential failure.

Counterparty Risk 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 SMN's CR Assessment is positioned at A1(cr)/Prime-1(cr)

SpareBank 1 SMN'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 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 Ratings

Moody's Counterparty Risk Ratings (CRRs) 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. We believe that CRR liabilities have a lower probability of default than the bank's deposit and senior unsecured debt as they will more likely be preserved in order to minimise banking system contagion, minimise losses and avoid disruption of critical functions.

SpareBank 1 SMN's CRR's are positioned at A1/Prime-1

The CRR is 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.

Foreign currency deposit rating

SpareBank 1 SMN's foreign-currency deposit rating of A1 is unconstrained given that Norway has no country ceiling.

Foreign currency debt rating

SpareBank 1 SMN's senior unsecured foreign-currency debt rating of A1 is unconstrained given that Norway has no country ceiling.

Rating methodology and scorecard factors

Exhibit 6

SpareBank 1 SMN

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		1.3%	aa2	←→	baa1	Geographical concentration	Sector concentration
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		16.3%	aa2	←→	aa2	Risk-weighted capitalisation	
Profitability							
Net Income / Tangible Assets		1.1%	a2	↓	a3	Expected trend	
Combined Solvency Score			aa3		a2		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		38.1%	ba2	←→	ba2		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		14.1%	baa3	←→	baa2	Stock of liquid assets	
Combined Liquidity Score			ba1		ba1		
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	68,905	33.4%	77,437	37.5%
Deposits	83,641	40.5%	75,110	36.4%
Preferred deposits	61,894	30.0%	58,800	28.5%
Junior deposits	21,747	10.5%	16,310	7.9%
Senior unsecured bank debt	44,313	21.5%	44,313	21.5%
Dated subordinated bank debt	1,793	0.9%	1,793	0.9%
Preference shares (bank)	1,454	0.7%	1,454	0.7%
Equity	6,189	3.0%	6,189	3.0%
Total Tangible Banking Assets	206,295	100.0%	206,295	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	34.0%	34.0%	34.0%	34.0%	3	3	3	3	0	a1
Counterparty Risk Assessment	34.0%	34.0%	34.0%	34.0%	3	3	3	3	0	a1 (cr)
Deposits	34.0%	4.6%	34.0%	26.1%	2	3	2	3	0	a1
Senior unsecured bank debt	34.0%	4.6%	26.1%	4.6%	2	2	2	3	0	a1
Dated subordinated bank debt	4.6%	3.7%	4.6%	3.7%	-1	-1	-1	-1	0	baa2
Junior subordinated bank debt	3.7%	3.7%	3.7%	3.7%	-1	-1	-1	-1	-1	baa3

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
Dated subordinated bank debt	-1	0	baa2	0		Baa2 (hyb)
Junior subordinated bank debt	-1	-1	baa3	0		(P)Baa3

[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 SMN	
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
Senior Unsecured	A1
Subordinate	Baa2 (hyb)
Jr Subordinate MTN	(P)Baa3

Source: Moody's Investors Service

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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