

# Scope affirms SpareBank 1 Nordmore's A- issuer rating with Stable Outlook

**Rating affirmation reflects bank's sound credit fundamentals and successful completion of merger with Surnadal Sparebank.**

## Rating action

Scope Ratings UK Limited ("Scope Ratings") has today affirmed SpareBank 1 Nordmore's issuer rating of A-, its preferred senior unsecured debt rating of A- and its non-preferred senior unsecured debt rating of BBB+, all with a Stable Outlook.

## Rating rationale

The A- issuer rating of SpareBank 1 Nordmore reflects the following considerations:

- A well-established local savings bank franchise in central Norway with a focus on retail customers and mortgage lending supports earnings resilience. In May 2021, SpareBank 1 Nordvest and Surandal Sparebank merged, with the new bank being renamed to SpareBank 1 Nordmore. The merger further strengthens the bank's market position in its local area and provides growth opportunities.
- Membership in the SpareBank 1 Alliance enables the bank to meet the broader financial needs of clients and provides important economies of scale, particularly in digital capabilities. Collectively, the alliance represents the second largest provider of financial products and services in the country.
- Solid profitability underpinned by good cost efficiency and sound asset quality. FY2021 results will be impacted by merger costs but material cost savings are expected from 2022 onwards. For 9M 2021, the reported return on equity was 5.5% based on combined results from the merger date. While the economic uncertainty caused by the pandemic has had a limited impact on the loan book to date, the bank maintains discretionary credit provisions.
- Reassuring prudential metrics, with a policy to manage growth to preserve sound prudential metrics and meet regulatory requirements. Minimum solvency requirements for Norwegian banks are comparatively high and are set to rise following announced increases in the countercyclical buffer rate and the systemic risk buffer for banks using standardised models such as SpareBank 1 Nordmore. As of 30 September 2021, the bank's CET1 capital and leverage ratios were 16.9% and 10.7%, respectively (proportional consolidation basis).

## Outlook and rating-change drivers

The Stable Outlook reflects the ongoing resilience of the bank's business and operating performance as well as the successful merger between the former SpareBank 1 Nordvest and Surnadal Sparebank.

#### **What could move the rating up:**

- Sustainable and profitable growth with greater diversification of the loan portfolio

#### **What could move the rating down:**

- A deterioration in the operating environment which impacts earnings
- A change in strategic direction which increases the bank's risk profile

## **Overview of rating construct**

Operating environment: Very supportive

Business model: Focused

Initial mapping refinement: High

Initial mapping: bbb/bbb+

Long-term sustainability (ESG-D): Developing

Adjusted anchor: bbb

Earnings capacity and risk exposures: Supportive

Financial viability management: Comfortable

Additional rating factors: Neutral factor

External support: Not applicable

Issuer Rating: A-

### **Stress testing & cash flow analysis**

No stress testing was performed. No cash flow analysis was performed.

### **Methodology**

The methodology used for these Credit Ratings and/or Outlooks (Bank Rating Methodology, 26 January 2021) is available on <https://www.scooperatings.com/#!/methodology/list>.

Scope Ratings GmbH and Scope Ratings UK Limited apply the same methodologies/models and key rating assumptions for their credit rating services, while Scope Hamburg GmbH's methodologies/models and key rating assumptions are different from those of Scope Ratings GmbH and Scope Ratings UK Limited.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions - Credit Ratings, Ancillary and Other Services', published on <https://www.scooperatings.com/#!/governance-and-policies/rating-scale>. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at <https://www.scooperatings.com/#!/governance-and-policies/regulatory-UK>. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at <https://www.scooperatings.com/#!/governance-and-policies/rating-scale>. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on <https://www.scooperatings.com/#!/methodology/list>.

The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

## Solicitation, key sources and quality of information

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity, and Scope Ratings' internal sources.

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Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Ratings and/or Outlooks and the principal grounds on which the Credit Ratings and/or Outlooks are based. Following that review, the Credit Ratings were not amended before being issued.

## Regulatory disclosures

These Credit Ratings and/or Outlooks are issued by Scope Ratings UK Limited at 52 Grosvenor Gardens, London, United Kingdom, SW1W 0AU, Tel +44 20 7824 5180. The Credit Ratings and/or Outlooks are EU-endorsed.

Lead analyst: Pauline Lambert, Executive Director.

Person responsible for approval of the Credit Ratings: Nicolas Hardy, Executive Director.

The issuer Credit Rating/Outlook was first released by Scope Ratings on 9 December 2019. The Credit Rating/Outlook was last updated on 3 March 2021.

The preferred senior unsecured debt Credit Rating/Outlook was first released by Scope Ratings on 9 December 2019. The Credit Rating/Outlook was last updated on 28 September 2021.

The non-preferred senior unsecured debt Credit Rating/Outlook was first released by Scope Ratings on 28 September 2021.

## Potential conflicts

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