

Credit Rating Announcement

28 September 2021

## Scope upgrades SpareBank 1 Nordmore's preferred senior unsecured debt rating to A-/Stable

**Rating upgrade reflects new seniority ranking in updated creditor hierarchy and is in line with Scope's bank rating methodology.**

### Rating action

Scope Ratings UK Limited (Scope) has today upgraded the preferred senior unsecured debt rating of SpareBank 1 Nordmore to A-, from BBB+. Scope has also assigned a non-preferred senior unsecured debt rating of BBB+. All ratings have a Stable Outlook.

### Rating rationale and outlook

On 1 July 2021, the EU's Creditor Hierarchy Directive was implemented in Norway. This follows the earlier implementation of other Bank Recovery and Resolution Directive (BRRD) provisions and introduces on a statutory basis a new class of non-preferred senior unsecured debt. Under the updated creditor hierarchy, preferred senior unsecured debt ranks above non-preferred senior unsecured debt, other subordinated debt, and capital securities.

Scope now upgrades the rating of SpareBank 1 Nordmore's preferred senior unsecured debt to A-, from BBB+. This brings the rating in line with the bank's A- issuer rating (further details below). At the same time, Scope assigns a new non-preferred unsecured debt rating of BBB+, applicable to such securities if issued. These rating actions are in line with Scope's bank rating methodology and take into account the ranking of the different liabilities in the updated creditor hierarchy.

SpareBank 1 Nordmore's issuer rating of A- with Stable Outlook is unchanged. The issuer rating continues to be based on the bank's well-established local savings bank franchise and sound financial profile. The Stable Outlook reflects Scope's expectation that the bank's business and operating performance will remain resilient.

### Overview of issuer rating components

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 Outlooks, (Bank Rating Methodology, 26 January 2021), is available on <https://www.scoperatings.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.scoperatings.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.scoperatings.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.scoperatings.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.scoperatings.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 and the Rated Entity.

Scope Ratings considers the quality of information available to Scope Ratings on the Rated Entity or instrument to be satisfactory. The information and data supporting the Credit Ratings originate from sources Scope Ratings considers to be reliable and accurate. Scope Ratings does not, however, independently verify the reliability and accuracy of the information and data.

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

### **Regulatory disclosures**

These Credit Ratings and Outlooks are issued by Scope Ratings UK Limited at 52 Grosvenor Gardens, London, United Kingdom, SW1W 0AU, Tel +44 20-7340-6347. The Credit Ratings and Outlooks are EU-endorsed.

Lead analyst: Pauline Lambert, Executive Director

Person responsible for approval of the Credit Ratings: Dierk Brandenburg, Managing Director

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

### **Potential conflicts**

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