

Scope upgrades BN Bank'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 BN Bank ASA 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 BN Bank'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.

BN Bank's issuer rating of A- with Stable Outlook is unchanged. The issuer rating continues to be based on the bank's solid credit fundamentals and ownership by SpareBank 1 member banks. The Stable Outlook reflects Scope's expectation that the bank's operating performance will remain resilient, with credit impairments staying at levels which can be comfortably absorbed by earnings.

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/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 Rating if the Credit Rating 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.

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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 20-7340-6347. The Credit Ratings and/or 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 unsecured debt Credit Rating/Outlook was first released by Scope Ratings on 8 August 2019. The Credit Rating/Outlook was last updated on 7 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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Contact

Analyst	Pauline Lambert	p.lambert@scoperatings.com
Team leader	Dierk Brandenburg	d.brandenburg@scoperatings.com



Scope Ratings UK Ltd • 16 Great Queen Street • WC2B 5AH Covent Garden, London
www.scoperatings.com

Executive Board: Debbie Hartley, Michael Baker • Company registration number: 11810998

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