

Rating Action: Moody's concludes review on 12 Norwegian banks' ratings

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Actions conclude methodology-related review and revision of government support considerations

London, 11 May 2015 -- Moody's Investors Service has concluded its rating reviews on 11 Norwegian regional savings banks and Storebrand Bank, the banking arm of the Norwegian Storebrand ASA insurance group. These reviews were initiated on 17 March 2015 following the publication of Moody's new bank methodology (see "Rating Methodology: Banks," 16 March 2015, available at moodys.com) and include revisions in Moody's government support assumptions for these banks.

Moody's has raised five baseline credit assessments (BCAs) and upgraded 11 long-term deposit ratings, four senior unsecured debt ratings, and two short-term deposit ratings. It has confirmed one long-term deposit rating, affirmed seven BCAs, four senior subordinated ratings, four junior subordinated ratings, one preference stock rating, and 10 short-term deposit ratings. Moody's has also assigned Counterparty Risk assessments (CR assessments) to the 12 Norwegian banks, in line with its new bank methodology.

For its own business reasons, Moody's has withdrawn the outlooks for all of the junior instrument ratings for the banks covered in this press release. Please refer to "Moody's Investors Service's Policy for Withdrawal of Credit Ratings", available at moodys.com. Outlooks, which indicate the direction of any rating pressures, are now assigned only to long-term senior debt and deposit ratings. Moody's has changed the outlooks of all of the affected banks' long-term senior debt and deposit ratings to stable.

For more information on the new bank rating methodology, please see Moody's press release at https://www.moodys.com/research/Moodys-reviews-global-bank-ratings--PR_321005

The full list of affected ratings is provided at the end of the press release.

RATINGS RATIONALE

The new methodology includes a number of elements that Moody's has developed to help accurately predict bank failures and determine how each creditor class is likely to be treated when a bank fails and enters resolution. These new elements capture insights gained from the crisis and the fundamental shift in the banking industry and its regulation.

In terms of the application of the new methodology to the Norwegian banks, Moody's rating actions reflect the following considerations: 1) Moody's view of Norway's "Very Strong -" macro profile; 2) the banks' strong core financial ratios; 3) the protection offered to senior creditors by substantial volumes and subordination of bail-in-able securities, as captured by Moody's Advanced Loss Given Failure (LGF) liability analysis; and 4) Moody's view of a decline in the likelihood of government support for these institutions.

1) Norway's "Very Strong -" macro profile

As the Norwegian banks' operate domestically, they benefit from Norway's supportive macro environment, which is underpinned by high wealth levels, as well as very high economic, institutional and government financial strength and low susceptibility to event risk.

2) Strong core financial metrics

The banks' BCAs, which range from baa1 to baa3, also take into account their strong core financial metrics, including aggregate problem loan ratios that are among the lowest in Europe, strong capital buffers and stable profitability metrics. The differentiation in BCAs within the baa range reflects both modest variances in financial performance, in conjunction with differences in geographic reach, and sector and single name concentrations. (See below for outlines of the analytical considerations for the individual banks covered in this press release.)

3) Protection offered to senior creditors, as captured by Moody's Advanced Loss Given Failure (LGF) liability analysis

Moody's expects that Norway, as a member of the European Economic Area, will introduce bank resolution legislation or other tools that include mechanisms similar to those in the European Union's Bank Recovery and Resolution Directive. Accordingly, Moody's applies its Advanced LGF analysis to these banks' liability structures. This analysis results in a "very-low" loss given failure for long-term deposits and senior debt, taking into account the protection offered by the banks' sizeable volumes of deposits and the amount of debt subordinated to both senior debt and deposits, which is similar for all of the 12 Norwegian banks.

4) Decline in the likelihood of government support

The positive effect of the low loss given failure on deposit and senior debt ratings, which now range from A1 to Baa1, offsets the decline in Moody's government support assumptions. The lowering of Moody's government support assumptions reflects the reduced likelihood of support being forthcoming within the context of the expected implementation of new bank resolution legislation.

Stable Outlooks

The stable outlooks on the banks' long-term senior debt and deposit ratings reflect Moody's view that the banks' financials will remain broadly resilient in the face of a modest slowdown in Norway's still strong economic performance.

ASSIGNMENT OF COUNTERPARTY RISK ASSESSMENTS

Moody's has also assigned CR assessments to each of these Norwegian banks. 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.

SPECIFIC ANALYTICAL FACTORS FOR THE 12 BANKS

--- SpareBank 1 SMN

The strengthening of SpareBank 1 SMN's standalone BCA to baa1 from baa2 is primarily driven by Moody's expectation that the bank's improved asset quality and capital position it well to weather the moderate slowdown in the operating environment. The bank has used its robust risk management to improve its asset quality while maintaining strong profitability and enhanced capital buffers. The bank's problem loan ratio decreased to 0.5% at end-December 2014 from 0.7% in 2013, below the Norwegian average of 1.4%, and compares favorably to rated peers, while its problem loan coverage stood at above 90%. In addition, the bank benefits from improved capital ratios (Tangible Common Equity increased to 12.4% of risk weighted assets at end-2014 from 11.4% at end-2012), as a result of strong profitability, reflecting improving efficiency, and a restrictive dividend policy. These provide sizable buffers against potential future credit losses as Moody's expects a slight weakening in asset quality over the coming quarters as the reduction in oil prices leads to a decline in investments and weighs on growth prospects.

The upgrade of the bank's deposit and senior unsecured debt ratings to A1 from A2 also takes into account the LGF analysis of the bank's own volume of debt and deposits and securities subordinated to them in Moody's creditor hierarchy, which together partially offset the decrease in government support assumptions. SpareBank 1 SMN benefits from a large volume of deposits and substantial layers of subordination, resulting in very low loss given failure. This offsets Moody's decision to decrease the bank's government support assumptions to "moderate", leading to one notch of support uplift, from "high" (two notches) previously. The one notch of support takes into account the bank's lending market share, of almost 13%, in the main county of operation in combination with the county's significance in overall country lending.

--- Sparebanken More

The increase in Sparebanken More's BCA to baa1 from baa2 is driven by the ongoing improvement in the bank's asset quality results and resilience in the face of the expected slowdown in the operating environment. Sparebanken More reported a problem loan ratio of 0.8% at end-December 2014, well below most of its rated Norwegian peers (average 1.4%) and significantly improved from its peak of 3.1% at end-2007. Moody's also expects that its strong capital metrics (Tangible Common Equity ratio of 13.3% at end December 2014) are likely to improve further, given management's willingness to increase capital buffers through greater earnings retention.

The upgrade of the bank's deposit rating to A2 from A3 takes into account both the higher BCA as well as the LGF analysis of the bank's own volume of deposits and debt, and the volume of securities subordination to them, which offsets the decrease in government support assumptions. Sparebanken More benefits from a large volume of deposits and substantial layers of subordination, resulting in very low loss given failure. This liability-side analysis offsets the decision to decrease the bank's government support assumptions to "low", leading to no support uplift, from "high" and two notches previously. The removal of support uplift reflects the expected introduction of bail-in legislation in Norway and Sparebanken More's limited market share relative to peers.

--- SpareBank 1 SR-Bank ASA

The affirmation of the baa2 BCA assigned to SpareBank 1 SR-Bank primarily reflects the bank's solid regional position (with an estimated market share of around 20% for lending and over 35% for deposits in Rogaland) and strengthened capital buffers (Tangible Common Equity ratio of 12.7% at end-December 2014 including transitional floors). The BCA also reflects the bank's limited geographic reach and resulting high credit-risk concentrations in specific industries (with real-estate and construction constituting around 20%, and oil operations around 12%, of on-balance sheet loans). The BCA also incorporates Moody's expectation that a decline in oil-related investments will lead to a more challenging operating environment for SpareBank 1 SR-Bank than for its peers, given that the bank has greater exposure to borrowers dependent on oil-related revenue sources.

The upgrade of the bank's deposit and senior unsecured debt ratings to A1 from A2 takes into account the LGF analysis of the bank's own volume of deposits and debt, and the volume of securities subordinated to them, which partially offsets the decrease in government support assumptions. SpareBank 1 SR-Bank ASA benefits from a large volume of deposits and substantial layers of subordination, resulting in very low loss given failure. This liability-side analysis offsets the decision to decrease the bank's government support assumption to "moderate", leading to one notch of support uplift, from "high" (two notches) previously. The one notch support assumption takes into account the bank's lending market share of 20% in the main county of operation in combination with the county's significance in the country's lending.

--- SpareBank 1 Nord-Norge

The affirmation of SpareBank 1 Nord-Norge's baa1 BCA reflects the bank's strong regional position, retail focus and sizeable deposit base (accounting for almost 70% of on-balance sheet funding at end-2014), as well as improvements in the bank's capital base and asset quality. These positive drivers are counterbalanced by Moody's view that in the current operating environment real estate exposures in the loan book may lead to a modest rise in problem loans from their low current levels (0.9% of on-balance sheet loans at end-December 2014).

The upgrade of the bank's deposit and senior unsecured debt ratings to A1 from A2 takes into account the LGF analysis of the bank's own volume of deposits and senior unsecured debt, and the volume of securities subordinated to them, which partially offsets the decrease in government support assumptions. SpareBank 1 Nord-Norge benefits from a large volume of deposits and substantial layers of subordination, resulting in very low loss given failure. This liability-side analysis offsets the decision to decrease the bank's government support assumption to "moderate", leading to one notch of support uplift, from "high" (two notches) previously. The one notch support assumption takes into account the bank's lending market share of 16% in the main county of operation in combination with the county's significance in the country's lending.

--- Sparebanken Hedmark

The affirmation of Sparebanken Hedmark's baa2 BCA reflects the bank's strong capital (Tangible Common Equity ratio of 17.7% at end-December 2014) and stable retail banking operations, balanced against the challenges posed by a potential acquisition of Bank 1 Oslo Akershus (not rated), which operates in a more competitive area than Hedmark.

While Moody's notes that Sparebanken Hedmark's rating currently remains constrained by its limited flexibility to raise capital, owing to its current shareholding structure, the rating agency also notes its recently announced plan to issue equity certificates equivalent to 60% of its primary capital. This issuance will provide further flexibility and could exert upward pressure on the rating over time if the bank is able to also manage its stake in Bank 1 Oslo Akershus and sustain strong financial performance.

The confirmation of the bank's deposit ratings at A2 takes into account the LGF analysis of the bank's own volume of deposits and debt, and the volume of securities subordinated to them, which offset the decrease in government

support assumptions. Sparebanken Hedmark benefits from a large volume of deposits and substantial layers of subordination, resulting in very low loss given failure. This liability-side analysis offsets the decision to decrease the bank's government support assumptions to "low", leading to no support uplift, from "high" (two notches) previously. The removal of recognises that the bank's lending market share of almost 23% in the main county of operation (as estimated by the bank at 33% when including loans transferred to covered bond entities) still remains limited in absolute terms, given the county's limited significance in overall country level lending.

--- Sparebanken Vest

The affirmation of the Sparebanken Vest's BCA of baa1 primarily reflects the bank's strong regional retail franchise and capital metrics (Tangible Common Equity ratio of 12.75% at end-2014), and its improving asset quality (problem loan ratio stood at 1.1% at end- 2014 down from 1.3% at end-2013). These factors counterbalance the bank's high loan-risk concentrations to historically volatile sectors, including commercial real estate and construction (12% of gross loans at end-2014).

The upgrade to the bank's deposit and senior unsecured debt ratings to A1 from A2 takes into account the LGF analysis of the bank's own volume of deposits and senior unsecured debt, and the volume of securities subordinated to them, which offsets the decrease in government support assumptions. Sparebanken Vest benefits from a large volume of deposits and substantial layers of subordination, resulting in very low loss given failure. This liability-side analysis offsets the decision to decrease the bank's government support assumption to "moderate", leading to one notch of support uplift, from "high" (two notches) previously. The one notch support assumption takes into account the bank's lending market share, of almost 20%, in the main county of operation in combination with the county's significance in the country's lending.

--- Sparebanken Sor

The affirmation of the bank's baa1 BCA reflects Moody's view that, with the increase in scale following its merger between Sparebanken Sor and Sparebanken Pluss, the bank will realise synergies and be better positioned to service larger companies in its core market. The BCA also takes into account the bank's efforts to improve asset quality and limit future losses from the merged entity, including a comprehensive review of the corporate portfolio that resulted in write-downs on individual loans.

The upgrade of the bank's deposit rating to A1 from A2 takes into account the LGF analysis of the bank's own volume of deposits and senior unsecured debt, and the volume of securities subordinated to them, which offsets the decrease in government support assumptions. Sparebanken Sor benefits from a large volume of deposits and substantial layers of subordination, resulting in very low loss given failure. This liability-side analysis offsets the decision to decrease the bank's government support assumption to "moderate", leading to one notch of support uplift, from "high" (two notches) previously. The one notch support assumption takes into account the bank's lending market share, of almost 28%, in the main county of operation in combination with the county's significance in the country's lending.

--- Sparebanken Oest

The affirmation of the baa2 BCA on Sparebanken Oest primarily reflects the bank's retail focus and its success in restoring profitability following the run off its portfolio of loans to Icelandic and Eastern European financial institutions. Furthermore, the bank has changed its focus to the retail mortgage sector from corporate lending, which Moody's considers a positive for its asset quality profile. In 2014, lending to the corporate segment decreased by 6.3% (12% decrease in 2013) while at the same time, retail loans grew by 15.0% (21% increase in 2013). Nevertheless, despite these improvements, credit risk concentrations, low problem-loan coverage compared to peers (32.4% at end December 2014 vs the Norwegian average of 61%) and strong competition in its home region continue to constrain the BCA at the current level.

The upgrade of the bank's deposit rating to A3 from Baa1 takes into account the LGF analysis of the bank's own volume of deposits and debt, and the volume of securities subordinated to them, which offsets the decrease in government support assumptions. Sparebanken Oest benefits from a large volume of deposits and substantial layers of subordination, resulting in very low loss given failure. This liability-side analysis offsets the decision to decrease the bank's government support assumptions to "low", leading to no support uplift, from "moderate" (one notch) previously. The removal of support takes into account the bank's limited lending market share of 6.3% in the main county of operation in combination with the county's limited size relative to overall country lending.

--- Sparebanken Sogn og Fjordane

The upgrade in the bank's BCA to baa1 from baa2 is primarily driven by improving asset quality and capital levels. Moody's expects that the bank's problem ratio will decline significantly in the near term (from 1.8% at end December 2014) and lead to increased problem loan coverage in line with its peers. While the current problem loan ratio is high compared to the Norwegian average of 1.4% (at-end 2014), this performance is driven by losses related to one corporate client, which Moody's expects will be reversed over the coming months. In addition, its Tangible Common Equity ratio improved to 13.7% in 2014 from below 13% at end-2013, reflecting stable profitability (return on tangible assets over 0.8% at end-2014). Both capital and profitability metrics compare well with other Norwegian baa1 rated banks. Moody's ratings also incorporate the bank's high sector concentrations (with construction and real estate loans constituting 13% of total loans), which could result into some higher provision levels as the operating environment slows down.

The upgrade to the bank's deposit ratings to A2 from A3 takes into account the higher BCA and the LGF analysis of the bank's volume of deposits and debt, and the volume of securities subordinated to them, which offsets the decrease in government support assumptions. Sparebanken Sogn og Fjordane benefits from a large volume of deposits and substantial layers of subordination, resulting in very low loss given failure. This liability-side analysis offsets the decision to decrease the bank's government support assumptions to "low", leading to no support uplift, from "high" (two notches) previously. The removal of support recognises that despite the bank's significant lending market share of almost 34% in the main county of operation, the county's significance in overall country lending remains limited.

--- Fana Sparebank

The upgrade in Fana Sparebank's BCA to baa2 from baa3 is driven by recent improvements in the bank's asset quality. Fana Sparebank's asset quality has improved recently, with problem loan ratio reaching 0.7% at end-2014, compared to Norwegian average of 1.4%, owing to the bank's focus on retail operations (with retail loans mainly in the form of mortgages constituting about 70% of the bank's total loans at end-December 2014) and conservative underwriting policies, with almost 70% of the retail loans' loan to value below 60%. In addition the bank has increased its capital buffers (Tangible Common Equity ratio 14% at end-2014) already above the 11% regulatory requirement that will come into force in 2015. The ratings also incorporate the bank's high sector and single-name concentrations (with real estate and construction constituting 20% of gross loans), and limited pricing power, which make the bank somewhat vulnerable to a deterioration in economic conditions resulting from declining activity in the oil sector.

The upgrade to the bank's deposit rating to A3 from Baa2 takes into account the higher BCA and the LGF analysis of the bank's volume of deposits and the volume of securities subordinated to them, which offset the decrease in government support assumptions. Fana Sparebank benefits from a large volume of deposits and debt, and substantial layers of subordination, resulting in very low loss given failure. This liability-side analysis offsets the decision to decrease the bank's government support assumptions to "low", leading to no support uplift, from "moderate" (one notch) previously. The removal of support takes into account the bank's limited lending market share of 3.3% in the main county of operation, notwithstanding the county's significance in overall country level lending.

--- Helgeland Sparebank

The upgrade of the bank's BCA to baa2 from baa3 is driven by recent improvements in asset quality and capital. Helgeland Sparebank's problem loan levels have progressively declined, reaching 0.6% of gross loans compared to the Norwegian average of 1.4% at end-2014, while problem loan coverage also improved at 76% compared to average of 61%. Furthermore, its Tangible Common Equity ratio rose to 13.2% (12.7% at end-2013) in line with baa2 rated peers. The BCA also incorporates the bank's limited geographical reach and high single-name concentrations, as well as a higher than average concentration in commercial real estate exposures (above 180% of Tier 1 Capital at-end 2014) and limited pricing power.

The upgrade to the bank's deposit rating to A3 from Baa2 takes into account the higher BCA and the LGF analysis of the bank's volume of deposits and debt, and the volume of securities subordinated to them, which offset the decrease in government support assumptions. Helgeland Sparebank benefits from a large volume of deposits and substantial layers of subordination, resulting in very low loss given failure. This liability-side analysis offsets the decision to decrease the bank's government support assumptions to "low", leading to no support uplift, from "moderate" (one notch) previously. The removal of support recognises that despite the bank's lending market share of 11% in the main county of operation, the county's significance in overall country lending is limited.

--- Storebrand Bank

The affirmation of the baa3 BCA on Storebrand Bank reflects a solid capital position, which is likely to strengthen as a result of the bank winding down its commercial lending. The BCA also benefits from strong asset quality, reflected by a low problem loans ratio of 0.54% at year end-2014. The BCA remains constrained, however, by moderate profitability (0.3% net income to tangible assets at year end-2014), which could weaken in the future as the bank exits corporate lending that comes with higher margins than mortgage lending. Reliance on market funding also remains a weakness that constrains the BCA.

The upgrade to the bank's deposit rating to Baa1 from Baa2 takes into account the LGF analysis of the bank's volume of deposits and debt, and the volume of securities subordinated to them, which partially offset the decrease in government support assumptions. Storebrand Bank benefits from a large volume of deposits and substantial layers of subordination, resulting in very low loss given failure. This liability-side analysis offsets the decision to decrease the bank's government support assumptions to "low", leading to no support uplift, from "moderate" (one notch) previously. Storebrand Bank has a small market share on a national level. In addition, in our view the bank is not systemically important on a regional level as its customers are spread across Norway, with some concentration in the capital region.

What Could Change the Ratings Up/Down

Upward rating momentum on the 12 banks could develop from (1) a significant reduction in credit concentrations, (2) a sustained improvement in profitability, (3) enhanced access to capital and funding, and improved liquidity.

Future downward rating pressure could emerge if (1) asset quality deteriorates more than anticipated, (2) financing conditions become more difficult, (3) the banks' risk profiles increase and/or (4) macroeconomic environment deteriorates more than estimated, leading to adverse developments in the Norwegian real-estate market.

LIST OF AFFECTED RATINGS

..Issuer: SpareBank 1 SMN

.... Baseline Credit Assessment, Upgraded to baa1 from baa2

.... Adjusted Baseline Credit Assessment, Affirmed baa1

.... Issuer Rating, Upgraded to A1 Stable from A2 Ratings under Review

....Long-term Deposit Rating, Upgraded to A1 Stable from A2 Ratings under Review

....Senior Unsecured Medium-Term Note Program, Upgraded to (P)A1 from (P)A2

....Senior Unsecured Regular Bond/Debenture, Upgraded to A1 Stable from A2 Ratings under Review

....Subordinate Regular Bond/Debenture, Affirmed Baa2 (hyb) outlook withdrawn

....Subordinate Medium-Term Note Program, Affirmed (P)Baa2

....Junior Subordinate Medium-Term Note Program, Affirmed (P)Baa3

.... Short-term Deposit Rating, Affirmed P-1

....Outlook, Changed To Stable From Rating Under Review

.... Counterparty Risk Assessment, Assigned Aa3(cr)

.... Counterparty Risk Assessment, Assigned P-1(cr)

..Issuer: Sparebanken More

.... Baseline Credit Assessment, Upgraded to baa1 from baa2

.... Adjusted Baseline Credit Assessment, Upgraded to baa1 from baa2

....Long-term Deposit Rating, Upgraded to A2 Stable from A3 Ratings under Review

.... Short-term Deposit Rating, Upgraded to P-1 from P-2

...Outlook, Changed To Stable From Rating Under Review
... Counterparty Risk Assessment, Assigned A1(cr)
... Counterparty Risk Assessment, Assigned P-1(cr)
..Issuer: SpareBank 1 SR-Bank ASA
... Baseline Credit Assessment, Affirmed baa2
... Adjusted Baseline Credit Assessment, Affirmed baa1
...Long-term Deposit Rating, Upgraded to A1 Stable from A2 Ratings under Review
... Issuer Rating, Upgraded to A1 Stable from A2 Ratings under Review
...Senior Unsecured Regular Bond/Debenture, Upgraded to A1 Stable from A2 Ratings under Review
...Senior Unsecured Medium-Term Note Program, Upgraded to (P)A1 from (P)A2 Ratings under Review
...Subordinate Regular Bond/Debenture, Affirmed Baa2 (hyb) outlook withdrawn
...Subordinate Medium-Term Note Program, Affirmed (P)Baa2
...Junior Subordinate Medium-Term Note Program, Affirmed (P)Baa3
... Short-term Deposit Rating, Affirmed P-1
...Outlook, Changed To Stable From Rating Under Review
... Counterparty Risk Assessment, Assigned Aa3(cr)
... Counterparty Risk Assessment, Assigned P-1(cr)
..Issuer: SpareBank 1 Nord-Norge
... Baseline Credit Assessment, Affirmed baa1
... Adjusted Baseline Credit Assessment, Affirmed baa1
...Long-term Deposit Rating, Upgraded to A1 Stable from A2 Ratings under Review
...Senior Unsecured Regular Bond/Debenture, Upgraded to A1 Stable from A2 Ratings under Review
...Senior Unsecured Medium-Term Note Program, Upgraded to (P)A1 from (P)A2
... Short-term Deposit Rating, Affirmed P-1
...Subordinate Medium-Term Note Program, Affirmed (P)Baa2
...Junior Subordinate Medium-Term Note Program, Affirmed (P)Baa3
...Pref. Stock Non-cumulative Preferred Stock, Affirmed Ba1 (hyb) outlook withdrawn
...Outlook, Changed To Stable From Rating Under Review
... Counterparty Risk Assessment, Assigned Aa3(cr)
... Counterparty Risk Assessment, Assigned P-1(cr)
..Issuer: Sparebanken Hedmark
... Baseline Credit Assessment, Affirmed baa2
... Adjusted Baseline Credit Assessment, Affirmed baa1

....Long Term Deposit Rating, Confirmed at A2, outlook changed to STA

.... Short-term Deposit Rating, Affirmed P-1

....Outlook, Changed To Stable From Rating Under Review

.... Counterparty Risk Assessment, Assigned A1(cr)

.... Counterparty Risk Assessment, Assigned P-1(cr)

..Issuer: Sparebanken Vest

.... Baseline Credit Assessment, Affirmed baa1

.... Adjusted Baseline Credit Assessment, Affirmed baa1

....Long-term Deposit Rating, Upgraded to A1 Stable from A2 Ratings under Review

....Senior Unsecured Medium-Term Note Program (Foreign Currency), Upgraded to (P)A1 from (P)A2 Ratings under Review

....Senior Unsecured Regular Bond/Debenture, Upgraded to A1 Stable from A2 Ratings under Review

.... Short-term Deposit Rating, Affirmed P-1

....ST Senior Unsecured Medium-Term Note Program, Affirmed (P)P-1

....Subordinate Medium-Term Note Program, Affirmed (P)Baa2

....Junior Subordinate Medium-Term Note Program, Affirmed (P)Baa3

....Outlook, Changed To Stable From Rating Under Review

.... Counterparty Risk Assessment, Assigned Aa3(cr)

.... Counterparty Risk Assessment, Assigned P-1(cr)

..Issuer: Sparebanken Sor

.... Baseline Credit Assessment, Affirmed baa1

.... Adjusted Baseline Credit Assessment, Affirmed baa1

....Long-term Deposit Rating, Upgraded to A1 Stable from A2 Ratings under Review

.... Short-term Deposit Rating, Affirmed P-1

....Outlook, Changed To Stable From Rating Under Review

.... Counterparty Risk Assessment, Assigned Aa3(cr)

.... Counterparty Risk Assessment, Assigned P-1(cr)

..Issuer: Sparebanken Oest

.... Baseline Credit Assessment, Affirmed baa2

.... Adjusted Baseline Credit Assessment, Affirmed baa2

....Long-term Deposit Rating, Upgraded to A3 Stable from Baa1 Ratings under Review

.... Short-term Deposit Rating, Affirmed P-2

....Outlook, Changed To Stable From Rating Under Review

.... Counterparty Risk Assessment, Assigned A2(cr)

.... Counterparty Risk Assessment, Assigned P-1(cr)
..Issuer: Sparebanken Sogn og Fjordane

.... Baseline Credit Assessment, Upgraded to baa1 from baa2
.... Adjusted Baseline Credit Assessment, Upgraded to baa1 from baa2
.... Long-term Deposit Rating, Upgraded to A2 Stable from A3 Ratings under Review
.... Short-term Deposit Rating, Upgraded to P-1 from P-2
.... Outlook, Changed To Stable From Rating Under Review
.... Counterparty Risk Assessment, Assigned A1(cr)
.... Counterparty Risk Assessment, Assigned P-1(cr)
..Issuer: Fana Sparebank

.... Baseline Credit Assessment, Upgraded to baa2 from baa3
.... Adjusted Baseline Credit Assessment, Upgraded to baa2 from baa3
.... Long-term Deposit Rating, Upgraded to A3 Stable from Baa2 Ratings under Review
.... Short-term Deposit Rating, Affirmed P-2
.... Outlook, Changed To Stable From Rating Under Review
.... Counterparty Risk Assessment, Assigned A2(cr)
.... Counterparty Risk Assessment, Assigned P-1(cr)
..Issuer: Helgeland Sparebank

.... Baseline Credit Assessment, Upgraded to baa2 from baa3
.... Adjusted Baseline Credit Assessment, Upgraded to baa2 from baa3
.... Long-term Deposit Rating, Upgraded to A3 Stable from Baa2 Ratings under Review
.... Short-term Deposit Rating, Affirmed P-2
.... Outlook, Changed To Stable From Rating Under Review
.... Counterparty Risk Assessment, Assigned A2(cr)
.... Counterparty Risk Assessment, Assigned P-1(cr)
..Issuer: Storebrand Bank

.... Baseline Credit Assessment, Affirmed baa3
.... Adjusted Baseline Credit Assessment, Affirmed baa3
.... Long-term Deposit Rating, Upgraded to Baa1 Stable from Baa2 Ratings under Review
.... Short-term Deposit Rating, Affirmed P-2
.... Outlook, Changed To Stable From Rating Under Review
.... Counterparty Risk Assessment, Assigned A3(cr)
.... Counterparty Risk Assessment, Assigned P-2(cr)

The principal methodology used in these ratings was Banks published in March 2015. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at www.moodys.com, for each of the ratings covered, Moody's disclosures on the lead analyst and the Moody's legal entity that has issued the ratings.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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