

Rating Action: Moody's upgrades the junior senior ratings on 5 Norwegian banks following the update to banks methodology

13 Jul 2021

Stockholm, July 13, 2021 -- Moody's Investors Service ("Moody's") has today taken actions on 7 Norwegian banks, including the upgrade of the junior senior unsecured ratings on 5 of them. The rating actions were driven by revisions to Moody's Advanced Loss Given Failure (Advanced LGF) framework, which is applied to banks operating in jurisdictions with Operational Resolution Regimes, following the publication of Moody's updated Banks Methodology on 9 July 2021. This methodology is available at this link:

https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1269625

A full list of affected ratings can be found at the end of this Press Release.

All other Norwegian banks were unaffected by today's rating action and the update of the Banks Methodology.

RATINGS RATIONALE

Today's rating actions on 7 Norwegian banks were driven by revisions to the Advanced Loss Given Failure framework within Moody's updated Banks Methodology.

In particular, ratings were impacted by revised notching guidance table thresholds at lower levels of subordination and volume in the liability structure have been applied to all seven Norwegian banks. For Santander Consumer Bank AS (SCB) the rating actions also reflects Moody's revised view of the combined uplift SCB's ratings can obtain from affiliate support and from the inclusion of internal loss absorbing capacity (ILAC) securities issued by SCB to its parent banks which were previously excluded from SCB's LGF waterfall.

RATINGS RATIONALE FOR INDIVIDUAL BANKS

DNB BANK ASA

DNB Bank ASA's junior senior unsecured ratings were upgraded by one notch to A2 from A3, as under Moody's Advanced LGF analysis they are now rated one notch above the Baseline Credit Assessment (BCA), which better captures the risk characteristics of this class of debt following the agency's revised view around the distribution of losses post failure.

SANTANDER CONSUMER BANK AS

Santander Consumer Bank AS's (SCB) junior senior unsecured ratings were upgraded by one notch to (P)Baa2 from (P)Baa3 and subordinated debt ratings to Baa2 from Baa3, as under Moody's Advanced LGF analysis they are now rated in line with the Adjusted BCA, which better captures the risk characteristics of this class of debt following the agency's revised view around the distribution of losses post failure. The rating upgrades also reflect Moody's revised view of the combined uplift SCB's ratings can obtain from affiliate support and from the inclusion of ILAC securities issued by SCB to its parent banks which were previously excluded from SCB's LGF waterfall.

SPAREBANK 1 OSTLANDET

SpareBank 1 Ostlandet's junior senior unsecured ratings of A3 were placed on review for upgrade following the agency's revised view around the distribution of losses post failure. During the review period the agency will consider whether the bank's future funding and capital plans will deliver sufficient volumes of subordinated loss-absorbing instruments to reduce the loss severity of junior senior creditors by the end 2023 according to Moody's Advanced LGF analysis. It is anticipated that junior senior unsecured ratings could be upgraded by one notch.

SPAREBANKEN MORE

Sparebanken More's junior senior unsecured ratings of Baa1 were affirmed as under Moody's Advanced LGF analysis they are rated in line with the BCA, which captures the risk characteristics of this class of debt

following the agency's revised view around the distribution of losses post failure.

SPAREBANK 1 NORD-NORGE

SpareBank 1 Nord-Norge's junior senior unsecured ratings were upgraded by one notch to A2 from A3, as under Moody's Advanced LGF analysis they are now rated one notch above BCA, which better captures the risk characteristics of this class of debt following the agency's revised view around the distribution of losses post failure.

SPAREBANKEN SOR

Sparebanken Sor's junior senior unsecured ratings were upgraded by one notch to A3 from Baa1, as under Moody's Advanced LGF analysis they are now rated one notch above the BCA, which better captures the risk characteristics of this class of debt following the agency's revised view around the distribution of losses post failure.

SPAREBANK 1 SR-BANK ASA

SpareBank 1 SR-Bank ASA's local currency junior senior unsecured ratings were upgraded by one notch to A3 from Baa1, as under Moody's Advanced LGF analysis they are now rated one notch above the BCA, which better captures the risk characteristics of this class of debt following the agency's revised view around the distribution of losses post failure. Moody's also assigned a foreign currency junior senior unsecured rating at A3.

OUTLOOK

The rating outlooks for the banks affected by today's rating action remain unchanged.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The affected junior senior unsecured debt ratings, could be upgraded following an improvement in the standalone creditworthiness of the banks.

The junior senior unsecured debt ratings could also be upgraded following a significant increase in the stock of more junior bail-in-able liabilities.

The affected ratings could be downgraded following a substantial deterioration in the standalone creditworthiness of the banks or following a significant reduction in the stock of bail-in-able liabilities.

For SpareBank 1 Ostlandet, during the review period the bank's junior senior unsecured debt ratings could be upgraded by one notch. The rating upgrade is subject to the bank's funding plans and capital planning in combination with the application of Moody's advanced forward-looking LGF analysis on the bank's liability structure.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1269625. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

LIST OF AFFECTED RATINGS

Upgrades:

..Issuer: DNB Bank ASA

....Junior Senior Unsecured Regular Bond/Debenture, Upgraded to A2 from A3

....Junior Senior Unsecured Medium-Term Note Program, Upgraded to (P)A2 from (P)A3

..Issuer: SpareBank 1 SR-Bank ASA

....Junior Senior Unsecured Regular Bond/Debenture, Upgraded to A3 from Baa1

..Issuer: Sparebanken Sor

...Junior Senior Unsecured Regular Bond/Debenture, Upgraded to A3 from Baa1

..Issuer: Santander Consumer Bank AS

...Junior Senior Unsecured Medium-Term Note Program, Upgraded to (P)Baa2 from (P)Baa3

...Subordinate Medium-Term Notes, Upgraded to (P)Baa2 from (P)Baa3

...Subordinate Regular Bond/Debenture, Upgraded to Baa2 from Baa3

..Issuer: SpareBank 1 Nord-Norge

...Junior Senior Unsecured Regular Bond/Debenture, Upgraded to A2 from A3

On review for Upgrade:

..Issuer: SpareBank 1 Ostlandet

...Junior Senior Unsecured Regular Bond/Debenture, Placed on Review for Upgrade, currently A3

Affirmations:

..Issuer: Sparebanken More

...Junior Senior Unsecured Regular Bond/Debenture, Affirmed Baa1

Assignments:

..Issuer: SpareBank 1 SR-Bank ASA

...Junior Senior Unsecured Regular Bond/Debenture, Assigned A3

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1269625.

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