

Rating Action: Moody's Assigns long-term A2 Issuer Ratings to Sparebanken More

Global Credit Research - 30 Mar 2016

London, 30 March 2016 -- Moody's Investors Service has today assigned long-term A2 issuer ratings to Sparebanken More with a stable outlook. The ratings are in line with the bank's A2 long-term deposit ratings.

All other ratings and rating inputs of Sparebanken More are unaffected by today's action.

RATINGS RATIONALE

The A2 issuer ratings assigned to Sparebanken More take into account the bank's "Very High --" Macro Profile, its baa1 baseline credit assessment (BCA), the analysis of the bank's balance sheet structure through Moody's Advanced Loss Given Failure (LGF) framework, and the rating agency's assessment of the probability of government support. Norwegian banks benefit from operating in an affluent and developed country with very high economic, institutional and government financial strength, as well as low susceptibility to event risk.

The bank's BCA reflects the bank's continuously improved asset quality and its increased provision levels during 2015 leading to a coverage ratio significantly above rated peers, albeit exposed to cyclical industries and credit concentration. The issuer ratings also take into account Moody's LGF analysis of the bank's own volume of deposits and senior unsecured debt, as well as the volume of securities subordinated to them. This results in an assessment of very low loss given failure and leads to two notches of rating uplift for the issuer ratings which is the same uplift afforded for the bank's deposit ratings. Finally, Moody's assigns a "low" likelihood of government support in the event of its failure, based on the bank's regional market share and the significance of its main county of operation within Norway, leading to no uplift on the bank's preliminary ratings.

The stable outlook on the bank's issuer ratings reflects our view that the bank's financials will remain broadly resilient in the face of a modest slowdown in Norway's economic performance.

WHAT COULD CHANGE THE RATING UP/DOWN

An upgrade of Sparebanken More's ratings could be triggered by (1) continued good asset performance in its retail and corporate books, including in the more volatile segments; (2) continued good access to capital markets and further issuance of liquidity coverage ratio (LCR) eligible covered bonds, as well as improved liquidity, and/or; (3) stronger earnings generation without a material increase in risk profile.

Future downward ratings pressure could follow (1) an increase in the problem loans ratio significantly above Moody's system-wide expectation of approximately 2%; (2) financing conditions become more difficult and/or; (3) the bank's risk profile increases as a result of increased exposures to more volatile sectors, for example if commercial real estate concentration as a percent of Core Tier 1 Capital exceeds 150%, or if the quality of oil related portfolio deteriorates on the back of lower oil prices and/or (4) the macroeconomic environment deteriorates more than currently anticipated, leading to a lower macro profile and net profitability falling to below 0.4% of tangible assets. Also, a reduction in uplift as a result of our LGF analysis could lead to downward rating pressure.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in January 2016. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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