

Rating Action: Moody's assigns Counterparty Risk Ratings to 38 banking groups in Denmark, Sweden, Norway, Finland, Latvia and Lithuania

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Ratings are assigned following 6 June 2018 update to Moody's Banks rating methodology.

London, 26 June 2018 -- Moody's Investors Service, (Moody's) has today assigned Counterparty Risk Ratings to 38 rated banking groups in Denmark, Finland, Norway, Sweden, Latvia and Lithuania:

Aktia Bank p.l.c., Danske Bank A/S, DNB Bank ASA, Eksportfinans ASA, Fana Sparebank, Helgeland Sparebank, Hoist Finance AB (publ), Jyske Bank A/S, KLP Banken AS, Kommunalbanken AS, Lansforsakringar Bank AB (publ), Nordea Bank AB, Nykredit Realkredit A/S, OBOS-banken AS, OP Financial Group, Ringkjøbing Landbobank A/S, Santander Consumer Bank AS, SBAB Bank AB (publ), Sbanken ASA, SC Citadele Banka, SEB, Siauliu Bankas, AB, SkandiaBanken AB, Sparbanken Syd, SpareBank 1 Nord-Norge, SpareBank 1 Ostlandet, SpareBank 1 SMN, SpareBank 1 SR-Bank ASA, Sparebanken More, Sparebanken Oest, Sparebanken Sogn og Fjordane, Sparebanken Sor, Sparebanken Vest, Svenska Handelsbanken AB, Swedbank AB, Swedish Export Credit Corporation, Sydbank A/S, Volvofinans Bank AB.

Moody's Counterparty Risk Ratings (CRR) are opinions of the ability of entities to honor the uncollateralized portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honored. CRR liabilities typically relate to transactions with unrelated parties. Examples of CRR liabilities include the uncollateralized portion of payables arising from derivatives transactions and the uncollateralized portion of liabilities under sale and repurchase agreements. CRRs are not applicable to funding commitments or other obligations associated with covered bonds, letters of credit, guarantees, servicer and trustee obligations, and other similar obligations that arise from a bank performing its essential operating functions.

A full list of the affected ratings can be found at the end of this press release.

RATINGS RATIONALE

In assigning CRRs to the banks and financial institutions subject to this rating action, Moody's starts with their adjusted Baseline Credit Assessment (BCA) and uses the agency's existing advanced Loss-Given-Failure (LGF) approach that takes into account the level of subordination to CRR liabilities in the institutions' balance sheet and assumes a nominal volume of such liabilities. For most of these banks and financial institutions, Moody's considers the likelihood of government support for CRR liabilities to be low, resulting in no rating uplift from their respective adjusted BCAs, considering the current European Union's bank recovery and resolution directive (BRRD) with legal restrictions on many forms of government support. For Danske Bank A/S, Nykredit Realkredit A/S, Nordea Bank AB, SEB, Swedbank AB, Svenska Handelsbanken AB, SBAB Bank AB (publ), OP Financial Group, SpareBank 1 SR-Bank ASA, SpareBank 1 SMN, SpareBank 1 Ostlandet, SpareBank 1 Nord-Norge, Sparebanken Vest and Sparebanken Sor, Moody's considers the likelihood of government support for CRR liabilities to be moderate resulting in one notch of such support in their CRR. The moderate government support assumption reflects these institutions' systemic importance in their respective markets. For Swedish Export Credit Corporation, Moody's considers the likelihood of government support for CRR liabilities to be high, but it does not result in an additional notch due to its already high preliminary rating assessment of Aa1, close to the sovereign rating of Sweden at Aaa. For DNB Bank ASA and Kommunalbanken AS, Moody's considers the likelihood of government support for CRR liabilities to be high resulting in two and one notches of additional uplift respectively.

Although most of the 38 banking groups are likely to have more than a nominal volume of CRR liabilities at failure, this has no impact on the ratings at most of these banks because the significant level of subordination below the CRR liabilities already provides the maximum amount of uplift allowed under Moody's rating methodology.

In all cases the CRRs assigned are equal to or higher than the rated banks' and financial institutions senior debt or issuer ratings, where such ratings are assigned. This reflects Moody's view that secured counterparties

to banks and banking groups typically benefit from greater protections under insolvency laws and bank resolution regimes than do senior unsecured creditors, and that this benefit is likely to extend to the unsecured portion of such secured transactions in most bank resolution regimes. Moody's believes that in many cases regulators will use their discretion to allow a bank or banking group in resolution to continue to honor its CRR liabilities or to transfer those liabilities to another party who will honor them, in part because of the greater complexity of bailing in obligations that fluctuate with market prices, and also because the regulator will typically seek to preserve much of the bank's operations as a going concern in order to maximize the value of the bank in resolution, stabilize the bank quickly, and avoid contagion within the banking system. CRR liabilities at these banking groups therefore benefit from the subordination provided by more junior liabilities, with the extent of the uplift of the CRR from the adjusted BCA depending on the amount of subordination.

FACTORS THAT COULD LEAD TO AN UPGRADE

The CRR may be upgraded if there is a strengthening in banks' operating environment or financial fundamentals in a way that will lead to an upgrade of their adjusted BCA or if Moody's revises upwards its assessment of authorities' willingness to provide support.

The banks' CRRs could also experience upward pressure from movements in the loss-given-failure faced by these liabilities. Changes in the banks' liability structure which would indicate a lower loss severity for CRR liabilities could result in higher ratings uplift, except for those banks whose CRR's are positioned three LGF notches above their adjusted BCA.

FACTORS THAT COULD LEAD TO A DOWNGRADE

The CRR may be downgraded if there is a weakening in banks' operating environment or financial fundamentals in a way that will lead to a downgrade of their adjusted BCA or if Moody's revises downwards its assessment of authorities' willingness to provide support.

The banks' CRRs could also experience downward pressure from movements in the loss-given-failure faced by these liabilities. Sustained lower volumes of subordinated, senior debt instruments or junior deposits could result in fewer notches of rating uplift under the Advanced LGF analysis.

For subsidiaries to rated banks, if Moody's were to reconsider its assessment of affiliate support, this could also put downward pressure on the CRRs.

Further, under Moody's methodology, a bank's CRR will typically not exceed the sovereign rating by more than two notches.

The following ratings were assigned:

DENMARK

-- Danske Bank A/S

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa2, four notches above its adjusted BCA of a3 reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Jyske Bank A/S

Local currency and foreign currency long-term Counterparty Risk Ratings of A1, three notches above its adjusted BCA of baa1 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Nykredit Bank A/S

Local currency and foreign currency long-term Counterparty Risk Ratings of Baa1, at the same level as its adjusted BCA of baa1 reflecting minus one notch from LGF, and one positive notch from government support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

-- Nykredit Realkredit A/S

Local currency and foreign currency long-term Counterparty Risk Ratings of **Baa1**, at the same level as its adjusted BCA of baa1 reflecting minus one notch from LGF, and one positive notch from government support

Local currency and foreign currency short-term Counterparty Risk Ratings of **Prime-2**

-- Ringjobing Landbobank A/S

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3, three notches above its adjusted BCA of a3 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Sydbank A/S

Local currency and foreign currency long-term Counterparty Risk Ratings of A1, three notches above its adjusted BCA of baa1 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

FINLAND

-- Aktia Bank p.l.c.

Local currency and foreign currency long-term Counterparty Risk Ratings of A2, three notches above its adjusted BCA of baa2 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- OP Financial Group (OPFG) and OP Corporate Bank plc

OPFG: Local currency and foreign currency long-term Counterparty Risk Ratings of Aa2, four notches above its BCA of a3 reflecting LGF and one notch of government support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

OP Corporate Bank: Local currency and foreign currency long-term Counterparty Risk Ratings of Aa2, four notches above its adjusted BCA of a3 reflecting LGF and one notch of government support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

LATVIA

-- SC Citadele Banka

Local currency and foreign currency long-term Counterparty Risk Ratings of Ba1, three notches above its adjusted BCA of b1 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Not Prime

LITHUANIA

-- Siauliu Bankas, AB

Local currency and foreign currency long-term Counterparty Risk Ratings of Baa2, three notches above its adjusted BCA of ba2 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

NORWAY

-- DNB Bank ASA

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa1, five notches above its adjusted BCA of a3 reflecting LGF and two notches of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Eksportfinans ASA

Local currency and foreign currency long-term Counterparty Risk Ratings of Baa2, three notches above its adjusted BCA of ba2 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

-- Fana Sparebank

Local currency and foreign currency long-term Counterparty Risk Ratings of A2, three notches above its adjusted BCA of baa2 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Helgeland Sparebank

Local currency and foreign currency long-term Counterparty Risk Ratings of A2, three notches above its adjusted BCA of baa2 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- KLP Banken AS

Local currency and foreign currency long-term Counterparty Risk Ratings of A1, two notches above its adjusted BCA of a3 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Kommunalbanken AS

Local currency and foreign currency long-term Counterparty Risk Ratings of Aaa, four notches above its adjusted BCA of a1 reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- OBOS-banken AS

Local currency and foreign currency long-term Counterparty Risk Ratings of A3, three notches above its adjusted BCA of baa3 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

-- Santander Consumer Bank AS

Local currency and foreign currency long-term Counterparty Risk Ratings of A2, three notches above its adjusted BCA of baa2 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Sbanken ASA

Local currency and foreign currency long-term Counterparty Risk Ratings of A1, three notches above its adjusted BCA of baa1 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- SpareBank 1 Nord-Norge

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3, four notches above its adjusted BCA of baa1 reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- SpareBank 1 Ostlandet

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3, four notches above its adjusted BCA of baa1 reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- SpareBank 1 SMN

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3, four notches above its adjusted BCA of baa1 reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- SpareBank 1 SR-Bank ASA

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3, four notches above its adjusted BCA of baa1 reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Sparebanken More

Local currency and foreign currency long-term Counterparty Risk Ratings of A1, three notches above its adjusted BCA of baa1 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Sparebanken Oest

Local currency and foreign currency long-term Counterparty Risk Ratings of A1, three notches above its adjusted BCA of baa1 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Sparebanken Sogn og Fjordane

Local currency and foreign currency long-term Counterparty Risk Ratings of A1, three notches above its adjusted BCA of baa1 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Sparebanken Sor

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3, four notches above its adjusted BCA of baa1 reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Sparebanken Vest

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3, four notches above its adjusted BCA of baa1 reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

SWEDEN (including foreign branches and subsidiaries)

-- Hoist Finance AB (publ)

Local currency and foreign currency long-term Counterparty Risk Ratings of Baa3, three notches above its adjusted BCA of ba3 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-3

-- Lansforsakringar Bank AB (publ)

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3, three notches above its

adjusted BCA of a3 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Nordea Bank AB

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa2, four notches above its adjusted BCA of a3 reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

--SBAB Bank AB (publ)

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3, four notches above its adjusted BCA of baa1 reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- SEB

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa2, four notches above its adjusted BCA of a3 reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- SEB AG

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa2, four notches above the adjusted BCA of a3 of its parent SEB, reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- SkandiaBanken AB

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa3, three notches above its adjusted BCA of a3 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Sparbanken Syd

Local currency and foreign currency long-term Counterparty Risk Ratings of A3, three notches above its adjusted BCA of baa3 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-2

-- Stadshypotek AB

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa1, four notches above the adjusted BCA of a2 of its parent Svenska Handelsbanken AB, reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Svenska Handelsbanken AB

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa1, four notches above its adjusted BCA of a2 reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Svenska Handelsbanken, New York Branch

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa1, four notches above the adjusted BCA of a2 of its parent Svenska Handelsbanken AB, reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Swedbank AB

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa2, four notches above its adjusted BCA of a3 reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Swedbank Mortgage AB

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa2, four notches above the adjusted BCA of a3 of its parent Swedbank AB, reflecting LGF and one notch of systemic support

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Swedish Export Credit Corporation

Local currency and foreign currency long-term Counterparty Risk Ratings of Aa1, three notches above its adjusted BCA of a1 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

-- Volvofinans Bank AB

Local currency and foreign currency long-term Counterparty Risk Ratings of A2, three notches above its adjusted BCA of baa2 reflecting LGF

Local currency and foreign currency short-term Counterparty Risk Ratings of Prime-1

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in June 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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