



## **Rating Action: Moody's affirms the deposit and senior unsecured ratings of SpareBank 1 SR-Bank at Aa3; outlook remains stable**

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31 Oct 2023

### **BCA affirmed at a3**

Paris, October 31, 2023 – Moody's Investors Service ("Moody's") has today affirmed SpareBank 1 SR-Bank ASA's (SR-Bank) deposit ratings of Aa3/Prime-1, issuer and senior unsecured debt ratings of Aa3, senior unsecured Euro Medium-Term Note (MTN) programme ratings of (P)Aa3, junior senior unsecured debt and Euro MTN programme ratings of A3 and (P)A3 respectively, Counterparty Risk Ratings (CRRs) of Aa3/Prime-1, subordinated debt and MTN programme ratings of Baa1 and (P)Baa1 respectively, junior subordinated MTN programme ratings of (P)Baa2, and Counterparty Risk Assessments (CRA) of Aa3(cr)/Prime-1(cr). Moody's also affirmed the Baseline Credit Assessment (BCA) and Adjusted BCA of a3. The outlooks on the long-term deposit, issuer and senior unsecured ratings remain stable.

As part of the same rating action, Moody's has affirmed SR-Boligkreditt AS's long-term CRRs and issuer rating at Aa3, the long-term CRA at Aa3(cr), the short-term CRRs at Prime-1 and the short-term CRA at Prime-1(cr). The outlook on the long-term issuer rating remains stable.

### **RATINGS RATIONALE**

The affirmation of SR-Bank's BCA at a3 follows the announcement of 26 October 2023 by SR-Bank and SpareBank 1 Sorost-Norge (SB1 SOON) of their intention to merge through a share and cash transaction, subject to regulatory approvals from the Norwegian Financial Authority and Competition Authority. On 26 October SR-Bank also completed a capital increase of NOK 1 billion, at market close with zero discount, primarily to finance the cash payment to SB1 SOON's owners at closing of the merger transaction.

Moody's expects the combined entity following the merger to benefit from a stronger franchise becoming the largest savings bank in Norway, to report sound profitability benefiting from material cost synergies, to continue to display good asset quality, and to comply with regulatory capital requirements by increasing its common equity tier 1 (CET1) ratio through internal capital generation. Moody's also expects the bank to continue to have relatively high reliance on market funding as the bank is issuing relatively high amounts of both junior senior unsecured and senior unsecured debt to meet its minimum requirement for own funds and eligible liabilities (MREL) requirements.

The affirmation of the bank's long-term ratings also reflects Moody's expectation that following the merger, the combined entity's loss given failure for creditors and the level of government support will remain broadly unchanged, and result in the same level of uplifts to the ratings from the BCA.

### **OUTLOOK**

The stable outlook on SR-Bank's long-term deposit, issuer and senior unsecured debt ratings reflects Moody's expectation that the combined entity's financial profile following the merger will be consistent with SR-Bank's current BCA level.

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

The bank's long-term ratings could be upgraded if it significantly strengthened its capitalization well-above regulatory minimum requirements; further improved its asset quality whilst reducing single name and sector concentration; strengthened its profitability; and reduced reliance on market funding with a wider retail deposit base.

The ratings could be downgraded if the bank failed to meet its regulatory capital requirements; reported material capital-eroding losses; experienced material deterioration in asset quality; or weakens its liquidity.

The ratings could also be downgraded as a result of a reduction in the volumes of loss absorbing liabilities protecting creditors and depositors in case of failure.

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## 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 on <https://ratings.moodys.com/rating-definitions>.

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