

Announcement: Moody's: Norwegian areas with oil price-related unemployment and property pressure won't affect covered bonds

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London, 14 March 2016 -- Rated Norwegian covered bonds will be able to withstand the effects of persistently low oil prices on two key Norwegian regions, says Moody's Investors Service.

"Norway's two key oil-dependent regions, Rogaland and Hordaland, have the highest rates of oil-related employment. Persistently low oil prices may reduce employment levels and weigh on the rental cash flows and values of properties that back pools of mortgage assets", observes Valentina di Vito, an Analyst at Moody's.

"That said, Norwegian covered bonds will be able to withstand a moderate deterioration in the pools' credit quality because of the programmes' surplus over-collateralisation. In our opinion, these covered bonds will prove resilient in the event of a weakening of the credit strength of the banks supporting the covered bonds, which may occur if lower oil prices weaken Norway's economy", notes Mrs. di Vito.

Moody's report, entitled "Five Norwegian Covered Bonds Exposed to Oil Price-Sensitive Markets But Show Resilience", is available on www.moodys.com. The rating agency's report does not constitute a rating action.

Link to the report: http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_1017028

Of the 17 Norwegian mortgage covered bonds that Moody's rates, five have a material geographical exposure to the two regions in Norway. Therefore, for most Moody's-rated Norwegian mortgage covered bonds, there is a low risk that the quality of cover assets will deteriorate if oil prices remain low and weaken the economies of Rogaland and Hordaland.

However, for the programmes that have such exposures, there is a greater risk of being affected by a weakening of the Rogaland and Hordaland economies. Moody's research shows five covered bonds have exposure to properties in Rogaland and Hordaland that exceeds 20% of their cover pools. These covered bonds are Fana Sparebank Boligkreditt Covered Bond, Sparebanken Vest Boligkreditt AS Covered Bond, and SR-Boligkreditt AS Mortgage Covered Bond, DNB NOR Naeringskreditt Covered Bond and Bustadkreditt Sogn og Fjordane AS Covered Bonds. The five Norwegian covered bonds with material geographical exposure to the Rogaland and Hordaland regions in their cover pools have surplus OC and to be able to withstand a moderate deterioration in the credit quality of their cover pools. At current OC levels, some surplus OC would remain in these five covered bond programmes, even in a sensitivity scenario where the covered bond anchor is lowered by one notch.

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