MOODY'S
INVESTORS SERVICE

CREDIT OPINION
12 December 2019

Update

Rate this Research

RATINGS

Sparebanken Sor

Domicile	Kristiansand, Norway
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Sparebanken Sor

Update to credit analysis

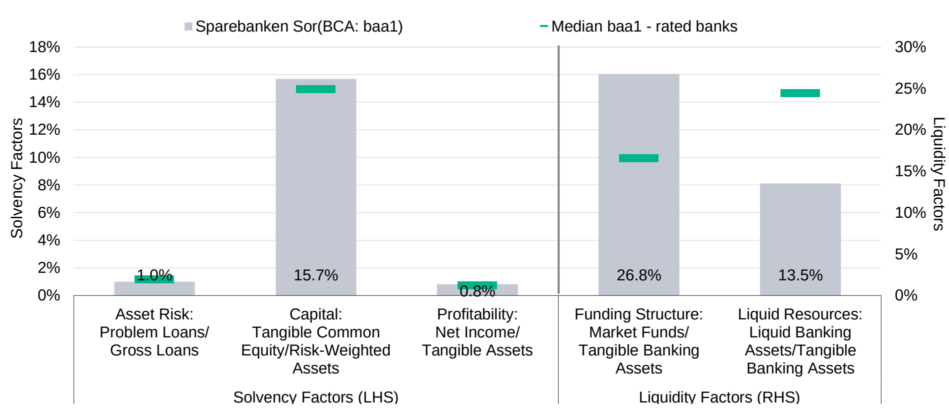
Summary

Sparebanken Sor's A1 deposit and issuer ratings take into account its baseline credit assessment (BCA) of baa1, but also our forward-looking Loss Given Failure (LGF) analysis of its liability structure.

The bank's BCA of baa1 reflects its resilient asset quality metrics, with ratios of non-performing loans (NPLs) to gross loans of 1% and Loan Loss Reserves (LLRs) to NPLs of 36.5% as of September 2019. The bank's BCA of baa1 also captures its adequate capital buffers with a common equity Tier 1 (CET1) ratio of 15.1% combined with a leverage ratio of 9.1% as of September 2019. In addition, the bank's standalone credit profile also incorporates its moderate profitability with around 0.8% return on average assets in September 2019 with low earnings diversification, and its high reliance on market funding, a common attribute of Norwegian banks, with market funds adjusted to exclude 50% of covered bonds accounting for 27% of tangible assets.

The bank's A1 deposit and issuer ratings take into account our forward looking advanced LGF analysis of the bank's liability structure, which positions them three notches above its BCA. Sparebanken Sor benefits from a large volume of deposits and substantial layers of subordination (including upcoming MREL-eligible instruments), resulting in very low LGF. The bank's A1 deposit/senior debt ratings no longer incorporate any rating uplift from government support, due to the implementation of BRRD in Norway from 1 January 2019.

Exhibit 1
Rating Scorecard- Key Financial Ratios



Source: Moody's Banking Financial Metrics

Credit strengths

» Sparebanken Sor's BCA is supported by its Very Strong - Macro Profile

» Resilient asset quality metrics with gradual reduction in cost of risk

» Adequate capital levels with a strong leverage ratio

» Large volume of deposits and debt combined with upcoming MREL eligible securities, result in three notches uplift to the deposit and issuer ratings

Credit challenges

» Certain high single borrower and sector loan concentration increases asset risk

» Reliance on market funding renders the bank vulnerable to fluctuations in investor sentiment

» Modest profitability with low earnings diversification, although net interest margins and net profit improve

Rating outlook

The stable outlook on the bank's long-term deposit and issuer ratings reflects our view that the bank's credit profile will remain broadly unchanged over the next 12-18 months.

Factors that could lead to an upgrade

Upward rating momentum could develop if the bank demonstrates a combination of: (1) reduced exposure to more volatile sectors such as construction and real estate sectors; (2) sustained strong asset quality and (3) a strengthening in core earnings generation and diversification without significantly raising its credit risk profile.

Factors that could lead to a downgrade

Downward rating pressure would develop on Sparebanken Sor's ratings if: (1) the bank's NPLs were to increase significantly above its similarly rated peers; (2) its profitability were to deteriorate materially from its current level; (3) the macroeconomic environment weakens significantly, leading to a lower Macro Profile; and (4) lower than expected issuance of MREL-eligible securities leading to a reduction in the rating uplift through our LGF analysis.

Key indicators

Exhibit 2
Sparebanken Sor (Consolidated Financials) [1]

	09-19[2]	12-18[2]	12-17[2]	12-16[2]	12-15[2]	CAGR/Avg.[3]
Total Assets (NOK Billion)	125.8	121.1	114.3	105.5	101.3	5.9[4]
Total Assets (USD Million)	13,849.5	13,988.1	13,975.4	12,251.2	11,448.4	5.2[4]
Tangible Common Equity (NOK Billion)	11.4	10.7	10.0	9.2	7.7	10.9[4]
Tangible Common Equity (USD Million)	1,254.8	1,241.1	1,224.5	1,069.4	874.4	10.1[4]
Problem Loans / Gross Loans (%)	1.0	1.0	0.9	1.0	1.4	1.0[5]
Tangible Common Equity / Risk Weighted Assets (%)	15.7	15.3	15.3	14.8	12.8	14.8[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	8.9	8.8	8.4	9.3	14.3	10.0[5]
Net Interest Margin (%)	1.5	1.4	1.5	1.5	1.6	1.5[5]
PPI / Average RWA (%)	1.8	1.7	1.9	2.0	1.6	1.8[6]
Net Income / Tangible Assets (%)	0.8	0.7	0.8	0.9	0.6	0.8[5]
Cost / Income Ratio (%)	41.0	43.8	39.5	40.1	45.9	42.1[5]
Market Funds / Tangible Banking Assets (%)	27.0	26.8	28.2	28.2	31.5	28.3[5]
Liquid Banking Assets / Tangible Banking Assets (%)	14.0	13.5	13.5	12.6	11.4	13.0[5]
Gross Loans / Due to Customers (%)	180.1	182.9	176.5	177.5	184.3	180.3[5]

[1]All figures and ratios are adjusted using Moody's standard adjustments. [2]Basel III - fully-loaded or transitional phase-in; IFRS. [3]May include rounding differences due to scale of reported amounts. [4]Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5]Simple average of periods presented for the latest accounting regime. [6]Simple average of Basel III periods presented.
Source: Moody's Investors Service; Company Filings

Profile

Sparebanken Sør is a regional Norwegian bank, which provides retail and corporate banking services to individuals, companies and public authorities in the counties of Vest-Agder, Aust-Agder, Telemark and Rogaland. Its products include financing, savings facilities, placements, insurance, pensions and payment facilities. Sparebanken Sør is currently the sixth largest savings bank in Norway with total consolidated assets of NOK125.8 billion (€12.7 billion), as of 30 September 2019.

Detailed credit considerations

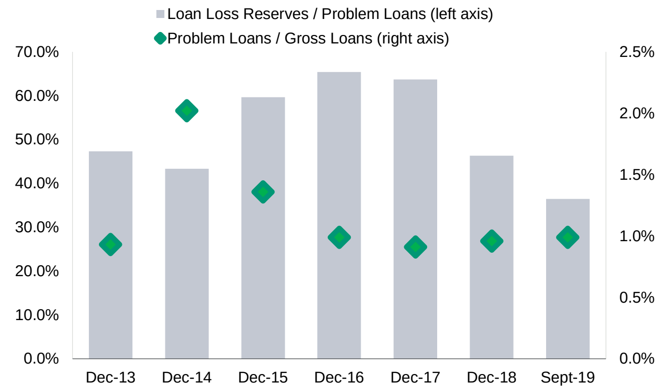
Sparebanken Sor's BCA is supported by its Very Strong- Macro Profile

Sparebanken Sor's operations are entirely in Norway. As a result we apply the Very Strong- Macro Profile we have assigned to banks operating in Norway. Norwegian banks benefit from operating in a wealthy and developed country with very high economic, institutional and government financial strength as well as very low susceptibility to event risk. Norway has a diversified and growing economy, which demonstrated resilience to the past weakening in the oil sector. The main risks to the system stem from a high level of household indebtedness, elevated real estate prices and domestic banks' reliance on market funding. However, these risks are mitigated by the strength of households' ability to service debt, banks' adequate capitalisation and the relatively small size of the banking system compared to the total size of the economy.

Resilient asset quality with gradual reduction of problem loans, although some concentrations elevate asset risk

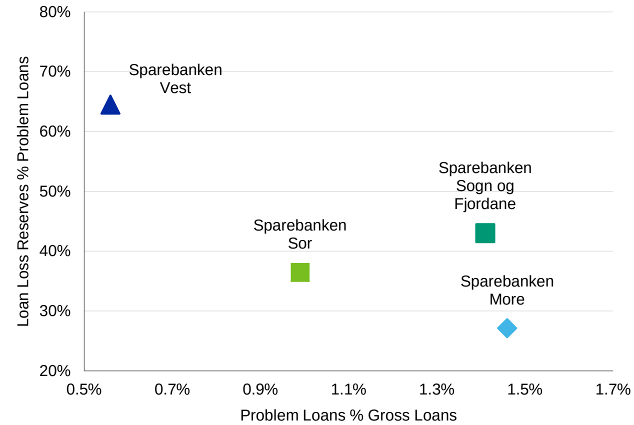
Sparebanken Sor's problem loans, defined as stage 3, was approximately 1% of gross loans as of September 2019 from 0.96% as of December 2018 (stage 3 loans marginally increased to NOK1,048 million in September 2019 from NOK1,010 million in December 2018), which is comparable with other large Norwegian savings banks and the average of similarly-rated banks globally. The bank took several actions to improve its credit quality and limit future losses over the last five years (see Exhibit 3), while it also carried out a comprehensive review of its corporate portfolio. Its annualised write-backs stood at 0.02% of net loans in September 2019, in line with the write-backs of 0.03% in 2018 and an annualized credit cost of only 0.01% in September 2018. However, we note that Sparebanken Sor's total provisioning coverage for problem loans reduced to 36.5% as of September 2019 (see Exhibit 4) from 46.3% in December 2018 and 63.7% in December 2017.

Exhibit 3
Sparebanken Sor's problem loans ratio came down in recent years...



Note: Data as of September 2019
Sources: Moody's Financial Metrics, Sparebanken Sor

Exhibit 4
..and comparable with similarly rated domestic peers



Note: Data as of September 2019
Source: Moody's Financial Metrics

Sparebanken Sor's loan book is dominated by retail loans, mostly in the form of mortgages, which represent around 66% of the gross loan book as of September 2019, an asset class that has been more resilient historically with lower default levels. We consider the bank's average loan-to-value (LTV) of approximately 60% for mortgages to be a mitigating factor to a potential fall in house prices, which have been on the rise since 2009.

However, the bank has also significant concentration to the real-estate and construction sectors at around 22% of gross loans as of September 2019, which poses downside risks to future loan book performance in case there is any material reduction in property prices in the region. We note that almost 86% of the bank's total outstanding impairments as of September 2018 come from its corporate exposures, of which 63% relate to either the real estate development and building & construction sectors, or to the property management sector, indicating their inherently higher credit risk profile.

Furthermore, the bank's business book has certain single-borrower concentration, especially to commercial real estate (CRE) clients, making the bank vulnerable to a potential default of one of its large customers. Our downward adjustment to the bank's asset risk score to a3 captures these concentration risks, in addition to the limited geographical diversification compared to larger Nordic commercial banks, as Sparebanken Sor is mainly exposed to the southern Norwegian region.

Looking ahead, we expect the bank's asset quality to remain resilient, and to continue benefiting from the benign operating environment in Norway characterised by good economic growth (mainland GDP growth of 2.4% projected for 2019, to decrease to 2.2% in 2020) and low unemployment (3.6% projected for 2019).

Modest profitability with low earnings diversification, although net interest margins and net profit improve

Sparebanken Sor reported a 13% year-on-year increase in net profit and a 9.5% return on equity (after tax) in the nine months ending in September 2019, compared to 9% the same period last year (8.5% full-year 2018) and 9% on-going target. The increase in net profit is mainly driven by the bank's strong growth in net interest income (9% year-on-year increase) supported by the hike in interest rates on mortgages by the bank in August and one in November that will support its revenues in the fourth quarter 2019. This benefit was partly mitigated by an 8.7% year-on-year increase in operating expenses for the nine-months in 2019, resulting in a reported cost-to-income ratio of 40.2% (excluding net income from financial instruments) in September 2019, marginally down from 40.9% a year earlier and compared to a 42% target.

Sparebanken Sor relies predominantly on stable income from lending, with net interest income representing around 80% of total revenues in the first nine months of 2019, constraining the its earnings diversification. The bank reported an annualised net interest income to average assets of 1.51% in the nine months of 2019, marginally up from 1.46% in the same period last year. Mortgage lending margin pressure in recent quarters, which was driven by the increase in the interbank interest rate (3 month NIBOR) and intense competition, was alleviated in the third quarter 2019.

Sparebanken Sor's profitability was also supported by loan loss write backs of NOK14 million during the first nine months of 2019, compared to loan losses of NOK8 million in the corresponding period in 2018. Looking ahead over the next 12-18 months, we generally expect the bank to continue to perform well with modest profitability metrics relative to local peers, with a return on average assets of around 0.8%, although earnings diversification will remain limited. The bank's relatively cost efficient structure and set-up, despite spending on digitalisation and channel interaction, should continue to support its core pre-provision income and bottom-line.

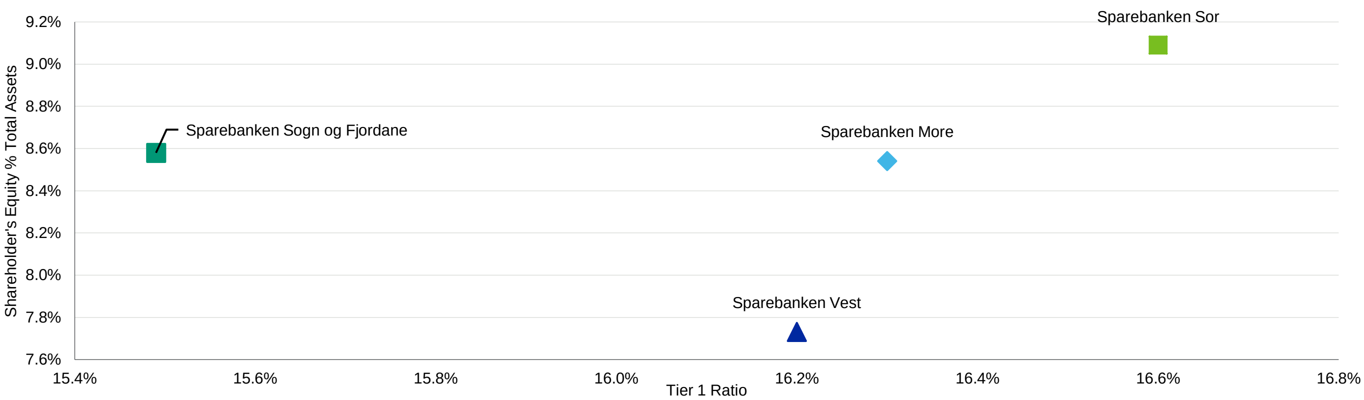
Adequate capital levels with a strong leverage ratio

Sparebanken Sor's capitalisation is sound relative to its risk profile with a CET1 ratio of 15.1% as of September 2019 (including share of partially owned companies). The bank's reported CET1 ratio is well above its regulatory minimum of 14%, including a 2% Pillar 2 requirement. The Pillar 2 requirement is effective as of 30 September 2018 after it was revised downwards from the previous 2.1% by the Norwegian FSA, and is likely to be revised again in 2020. Sparebanken Sor's target is to achieve a CET1 ratio of 15.3%, or at least in line with comparable peers.

Sparebanken Sor's total regulatory capital ratio stood at 18.7% and its Tier 1 ratio at 16.6% as of September 2019 (see Exhibit 5), compared to 18.9% and 16.4% as of September 2018 respectively. We note that the bank is the only one of the large regional banks in Norway that currently applies the standard method in its capital calculations, but had the highest leverage ratio of 9.1% in September 2019. At the end of November 2017, Sparebanken Sor announced its intention to apply for approval to use the Internal Ratings-based (IRB) foundation approach, and aims to send its application to the Norwegian FSA by the end of 2020.

Exhibit 5

Sparebanken Sor's capital levels are comparable to its similarly-rated peers



Note: Data as of September 2019, Sparebanken Sor and Sparebanken Sogn og Fjordane use the standard method while Sparebanken More and Sparebanken Vest use the Internal Ratings Based Approach for their risk weighted assets and capital calculation.
Source: Moody's Financial Metrics, Sparebanken Sor

Furthermore, we note that the Ministry of Finance has recently announced that it will temporarily suspend its proposal to impose a 150 basis points increase to the systemic risk buffer for all banks from December 2019 onwards, in order to counterbalance the risk-weighted assets (RWAs) benefit that they will receive from the implementation of CRD IV (removal of the 80% Basel I floor and SME discount).

Accordingly, Sparebanken Sor will only have an additional CET1 capital requirement of 0.5% of its RWAs due to the 50 basis points in the countercyclical buffer (to 2.5% from 2%) in December 2019, raising its CET1 requirement to 14.5%. The bank estimates an immediate SME discount benefit of around 40 basis points (total effect when the next stage of the SME discount is implemented in a few years is 110 basis points), which combined with the eventual adoption of the IRB approach going forward, will strengthen its regulatory capital metrics. This will allow the bank to continue growing its RWAs (5.8% year-on-year as of September 2019) and meet its dividend payout policy of 50-70%.

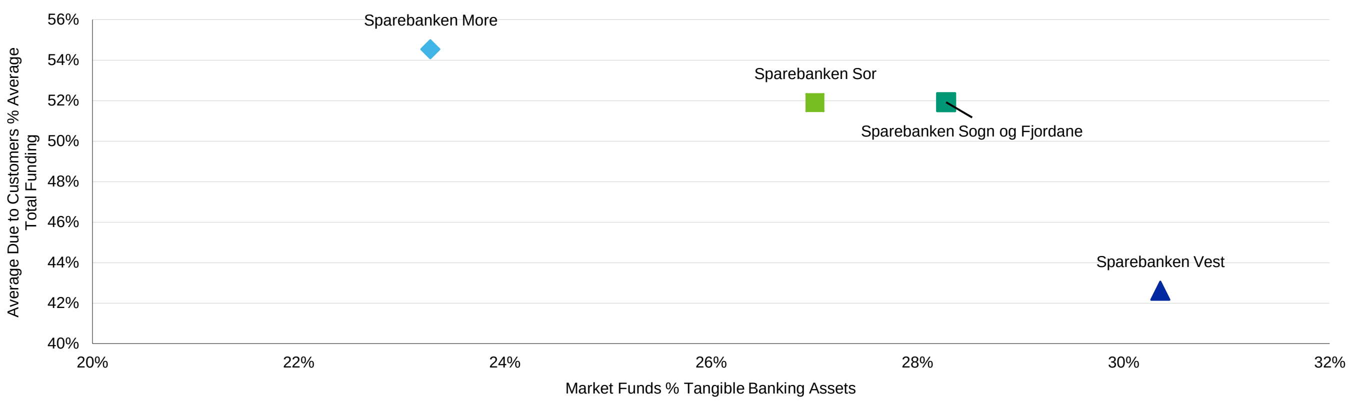
Our capital score for the bank in our scorecard is adjusted downwards to reflect the bank's relatively low equity certificates (EC) capital structure, with the EC holders owning only 17.2% of the bank's total capital. We believe that this structure would challenge the bank to raise new capital if needed, especially during periods of financial distress, compared to other local savings banks that are either fully listed or have an EC ownership ratio of more than 50%.

Reliance on market funding renders the bank vulnerable to fluctuations in investor sentiment

Sparebanken Sor's funding is underpinned by a strong deposit base, which was stable at 51% of non-equity funding as of September 2019. Nevertheless, the bank remains reliant on market funding, which accounted for 27% of tangible banking assets as of September 2019 (see Exhibit 6), and which renders the bank susceptible to changes in investor behaviour. While Sparebanken Sor has good access to the domestic capital markets, we expect that the bank will continue accessing the international markets in order to expand its investor base beyond the more limited and concentrated domestic market. We also expect the bank to replace part of its preferred senior debt maturing over the next 2-3 years, with MREL-eligible non-preferred senior securities, which we estimate at around NOK10 billion. The exact requirement will be communicated to the bank by the FSA before the end of 2019.

Exhibit 6

Reliance on market funding remains a fundamental weakness for the bank, a common attribute of Norwegian banks



Note: Data as of September 2019
Source: Moody's Financial Metrics

A sizeable and growing portion of market funds is in the form of covered bonds, which provide the bank with an additional source of funding. Based on our methodology, we reflect the stability of covered bonds relative to unsecured market funding through an adjustment to our market funds to tangible assets ratio. In 2016 Sparebanken Sor made its first international larger benchmark issuance through its fully owned covered bond company Sparebanken Sor Boligkreditt and the bank has carried out several successful issuances since then with the last one of €500 million green bonds in October 2019. We believe the bank will benefit from the depth of the markets, increasing its potential investor base and mitigating its refinancing risk. Our Funding Structure score reflects that the bank's overall funding profile remains a fundamental weakness for Sparebanken Sor relative to the other scorecard metrics.

Sparebanken Sor also maintains sizeable buffers of high quality liquid assets. As of September 2019, liquid assets accounted for around 14% of tangible assets, comprising cash and deposits with the central bank and the securities portfolio that is 96% Aaa-rated instruments. The portfolio primarily includes Norwegian covered bonds, bonds from the government, other public entities and other issuers.

We note that these holdings are mostly Norwegian securities and covered banks of other local banks, which could be a source of vulnerability from a concentration-risk perspective and in case of a systemic liquidity crunch, but reduces the bank's currency exposure. The bank reported a consolidated high liquidity coverage ratio (LCR) of 164% as of September 2019, well above the regulatory requirement and mitigating to a certain extent any market funding dependence concerns that we have.

Source of facts and figures cited in this report

Unless noted otherwise, we have sourced data relating to system-wide trends and market shares from the central bank. Bank specific figures originate from banks' reports and Moody's Banking Financial Metrics. All figures are based on our own chart of accounts and may be adjusted for analytical purposes. Please refer to the document Financial Statement Adjustments in the Analysis of Financial Institutions published on 9 August 2018.

Environmental, social and governance considerations

In line with our general view on the banking sector, Sparebanken Sor has a low exposure to environmental risks. See our environmental risk heat map for further information.

We believe banks face moderate social risks. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which are partly mitigated by sizeable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct are further social risks. Social trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services increasing information technology cost, ageing population concerns in several countries affecting demand for financial services or socially driven policy agendas translating into regulations that affect banks' revenue base. See our social risk heat map for further information.

Governance is highly relevant for Sparebanken Sor, as it is to all entities in the banking industry. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven. For Sparebanken Sor, we do not have any particular governance concern. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

Loss Given Failure

The EU Bank Recovery and Resolution Directive (BRRD) has entered into force as of 1 January 2019 in Norway, which confirms our current assumptions regarding LGF analysis. For our resolution analysis, we assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in "junior" wholesale deposits, a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These are in line with our standard assumptions.

For Sparebanken Sor's long-term deposit rating and senior unsecured debt rating, our LGF analysis considers the combination of the bank's junior deposits, its outstanding debt volume and the amount of debt subordinated to this. The assigned LGF notchings for long-term deposit and senior unsecured bank debt are positioned one notch higher than the correspondent LGF notching guidance (two notches above the adjusted BCA). This reflects our expectation that the bank will issue non-preferred senior debt in order to comply with its MREL requirement.

Moody's expects that the bank will issue MREL-eligible senior non-preferred (SNP) debt over the coming 2-3 years, estimated at around NOK10 billion. This has resulted in a Preliminary Rating Assessment (PRA) of three notches above the BCA, reflecting very low loss given- failure. For junior securities issued by Sparebanken Sor, our LGF analysis confirms a high level loss-given-failure, given the small volume of debt and limited protection from more subordinated instruments and residual equity.

Government support

Sparebanken Sor is a regional savings bank with a sound market position on the southern coast of Norway, in the counties of Vest-Agder, Aust-Agder and Telemark, where we estimate it commands combined market shares of around 24% for lending and around 35% for deposits. As a result of the implementation of the BRRD legal framework in Norway from 1 January 2019, which is aligned with that of the EU, we revised our government support assumption for the bank's preferred senior debt and deposits to low from moderate. This has resulted in no rating uplift from its PRA, positioning the ratings at A1.

Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than the likelihood of default and the expected financial loss suffered in the event of default; and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (e.g., swaps), letters of credit, guarantees and liquidity facilities.

Sparebanken Sor's CR Assessment is positioned at A1(cr)/P-1(cr).

The CRA is positioned three notches above the Adjusted BCA of baa1, based on the substantial cushion against default provided to the senior obligations represented by the CRA by subordinated instruments. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CRA captures the probability of default on certain senior obligations, rather than expected loss, therefore we focus purely on subordination and take no account of the volume of the instrument class.

Counterparty Risk Rating (CRR)

CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

Sparebanken Sor's CRRs are positioned at A1/P-1.

The CRRs are positioned three notches above Sparebanken Sor's Adjusted BCA of baa1, reflecting extremely low loss-given-failure from the high volume of instruments that are subordinated to CRR liabilities.

Foreign currency deposit rating

The bank's foreign-currency deposit ratings are unconstrained, because Norway has no country ceiling. Sparebanken Sor's foreign-currency deposit rating is A1.

Methodology and scorecard

About Moody's bank scorecard

Our Scorecard is designed to capture, express and explain in summary form our rating committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our Scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The Scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 7
Sparebanken Sor

Macro Factors							
Weighted Macro Profile	**Very Strong -**	**100%**					
Factor		**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency							
Asset Risk							
Problem Loans / Gross Loans		1.0%	aa2	←→	a3	Geographical concentration	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		15.7%	aa2	←→	a1		
Profitability							
Net Income / Tangible Assets		0.8%	baa1	←→	baa2	Expected trend	
Combined Solvency Score			aa3		a3		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		26.8%	baa2	←→	baa2	Extent of market funding reliance	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		13.5%	baa3	←→	baa3	Stock of liquid assets	
Combined Liquidity Score			baa2		baa2		
Financial Profile					baa1		
Qualitative Adjustments					Adjustment		
Business Diversification					0		
Opacity and Complexity					0		
Corporate Behavior					0		
Total Qualitative Adjustments					0		
Sovereign or Affiliate constraint					Aaa		
BCA Scorecard-indicated Outcome - Range					a3 - baa2		
Assigned BCA					baa1		
Affiliate Support notching					0		
Adjusted BCA					baa1		

Balance Sheet	**in-scope (NOK Million)**	**% in-scope**	**at-failure (NOK Million)**	**% at-failure**
Other liabilities	45,975	36.5%	51,983	41.3%
Deposits	58,903	46.8%	52,895	42.0%
Preferred deposits	43,588	34.6%	41,409	32.9%
Junior deposits	15,315	12.2%	11,486	9.1%
Senior unsecured bank debt	14,476	11.5%	14,476	11.5%
Dated subordinated bank debt	1,600	1.3%	1,600	1.3%
Preference shares (bank)	1,075	0.9%	1,075	0.9%
Equity	3,774	3.0%	3,774	3.0%
Total Tangible Banking Assets	125,803	100.0%	125,803	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	25.8%	25.8%	25.8%	25.8%	3	3	3	3	0	a1
Counterparty Risk Assessment	25.8%	25.8%	25.8%	25.8%	3	3	3	3	0	a1 (cr)
Deposits	25.8%	5.1%	25.8%	16.6%	2	3	2	3	0	a1
Senior unsecured bank debt	25.8%	5.1%	16.6%	5.1%	2	2	2	3	0	a1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a1	0	A1	A1
Counterparty Risk Assessment	3	0	a1 (cr)	0	A1(cr)	
Deposits	3	0	a1	0	A1	A1
Senior unsecured bank debt	3	0	a1	0	(P)A1	A1

[1]Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 8

Category	Moody's Rating
SPAREBANKEN SOR	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A1
Senior Unsecured	A1

Source: Moody's Investors Service

REPORT NUMBER 1206178

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