

Rating Action: Moody's reviews Sparebanken Pluss' and Sparebanken Sor's ratings following merger approval

Global Credit Research - 03 Jul 2013

London, 03 July 2013 -- Moody's Investors Service has today placed Sparebanken Pluss' A2/P-1 deposit ratings under review for downgrade and Sparebanken Sor's A3/P-2 deposit ratings under review for upgrade. Both banks' C- standalone bank financial strength ratings (BFSRs) have been affirmed.

The rating action follows the banks' respective Boards of Trustees' approval for the two banks to merge in H1 2014 and reflects Moody's expectation that the combined bank's rating will largely reflect the two individual banks' credit strengths and challenges. During the review process, the rating agency will (1) monitor the progress related to the legal and regulatory hurdles to be overcome before the merger can be implemented; and (2) evaluate potential synergies and operational risks related to the integration process. Moody's says it expects the review will be concluded in H1 2014, when the merger will be in effect according to plans.

Please also see "Moody's Comments on the Intended Merger of Sparebanken Sor and Sparebanken Pluss", published on 18 March 2013: http://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_151607

RATINGS RATIONALE

On 12 March 2013, Sparebanken Pluss and Sparebanken Sor announced their intention to merge. They received approvals from their respective Boards of Directors on 15 May 2013 and from their respective Boards of Trustees on 20 June 2013. Whilst the transaction is still subject to the clearance of further legal and regulatory requirements, including approvals from the Norwegian Ministry of Finance and Competition Authority, Moody's notes that the recent approvals received mark key advances towards the implementation of the merger.

The review for downgrade on Sparebanken Pluss' A2/P-1 deposit ratings and the review for upgrade on Sparebanken Sor's A3/P-2 deposit ratings reflects Moody's view that the two banks' ratings will converge as the merger is implemented and only one larger bank remains. The rating agency expects that the combined bank's rating will largely reflect the two individual banks' credit strengths and challenges, but also incorporate potential synergies and risks related to the integration process.

Sparebanken Pluss and Sparebanken Sor are similar-sized regional savings banks (total assets of NOK43.7 billion and NOK44.8 billion at end-March 2013, respectively) which both operate in southern Norway. Moody's believes that if implemented, the merger will create a bank with a strong franchise in the region where it will have major market shares. The rating agency also views the two banks' operations as broadly aligned, in particular with regard to the retail and SME focus of their operations and their significant usage of covered bond funding to complement their substantial deposit bases. Whilst Moody's expects these similarities will facilitate the establishment of a coherent strategy for the merged bank, during the review process the rating agency will assess the extent to which synergies can be derived from the merger.

Notwithstanding the aforementioned factors supporting the combined bank's credit profile over the long term, Moody's expects that the merger will also entail risks related to the integration process. The rating agency expects that there will be some operational risks involved in implementing the merger which could lead to substantial one-off costs. In addition, Moody's believes that the successful integration of the two banks' operations is a prerequisite for the creation of an efficient structure and should allow for the combined entity to retain a risk profile that is not higher than the two individual banks. For this reason, the evaluation of the integration process will be a key focus of the rating review.

Headquartered in Kristiansand, Norway, Sparebanken Pluss reported total consolidated assets of NOK43,741 million (EUR5,831 million) at the end of March 2013.

Headquartered in Arendal, Norway, Sparebanken Sor reported total consolidated assets of NOK44,835 million (EUR5,977 million) at the end of March 2013.

The data referred to in this press release is generally sourced from Sparebanken Pluss' and Sparebanken Sor's most recent interim reports and audited annual reports as well as press releases containing information related to

the merger published on the Oslo Bors's website.

The principal methodology used in these ratings was Global Banks published in May 2013. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

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