

CREDIT OPINION

11 December 2018

Update

✓ Rate this Research

RATINGS

SpareBank 1 Østlandet

Domicile	Hamar, Norway
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Negative
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Negative

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.

Contacts

Nondas Nicolaidis 357-2569-3006
 VP-Sr Credit Officer
 nondas.nicolaides@moodys.com

Louise Eklund 46-8-5025-6569
 Associate Analyst
 louise eklund@moodys.com

Jean-Francois Tremblay 44-20-7772-5653
 Associate Managing Director
 jean-francois.tremblay@moodys.com

Sean Marion 44-20-7772-1056
 MD-Financial Institutions
 sean.marion@moodys.com

SpareBank 1 Østlandet

Update to credit analysis

Summary

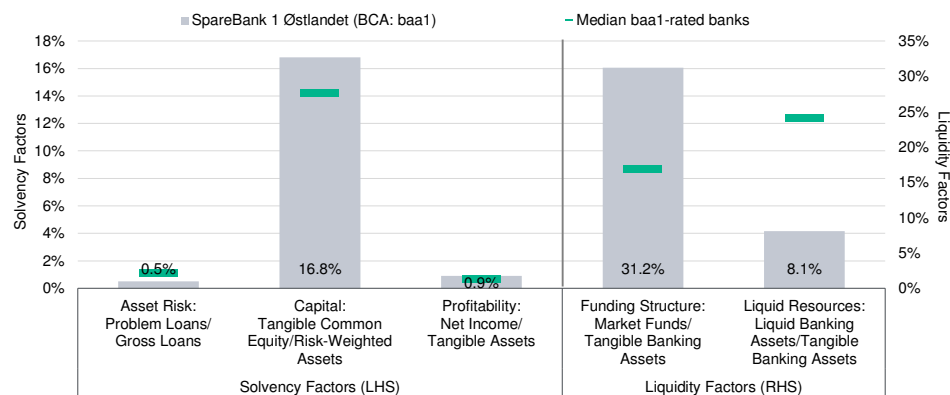
SpareBank 1 Østlandet's long-term deposit and senior unsecured debt ratings of A1 take into account the bank's baseline credit assessment (BCA) of baa1, but also our loss given failure (LGF) analysis and government support assumptions that combine to three-notches of rating uplift from its BCA.

SpareBank 1 Østlandet's BCA of baa1 primarily reflects the bank's strengthened franchise following the acquisition of Bank 1 Oslo Akershus (B1OA) in June 2016 and its legal merger on 1 April 2017, as well as the bank's healthy standalone credit profile. The immediate benefits conferred to the bank include better asset quality (problem loans ratio dropped to 0.4% at end-September 2018 from 0.9% at end-December 2015), as well as deeper loans and earnings geographical diversification. The bank's capital and profitability metrics are also satisfactory, benefiting from solid customer growth after the acquisition. The bank's BCA also takes into account its relatively high level of capital markets funding, a common feature among the largest savings banks in Norway.

The bank's A1 deposit, senior unsecured debt and issuer ratings take into account our Loss Given Failure (LGF) analysis, which benefits from its large volume of deposits and substantial layers of subordination resulting in two notches of rating uplift from its BCA. Our current assessment of a moderate probability of government support, which results in one additional notch of rating uplift, is likely to be revised shortly due to the BRRD law in Norway (please see [press release](#) for more details).

Exhibit 1

Rating Scorecard - Key Financial Ratios



Source: Moody's Financial Metrics

Credit strengths

- » SpareBank 1 Østlandet's ratings are supported by its Very Strong- Macro Profile
- » Solid capital levels, which are the strongest among peers
- » Asset risk metrics improve post acquisition, on the back of a lower credit risk portfolio
- » Large volume of deposits and junior debt resulting in deposit ratings benefiting from a very low loss-given-failure rate

Credit challenges

- » The bank's funding profile is underpinned by relatively high reliance on market funding but also a sizeable deposit base
- » Some margin pressure visible, although we expect the bank's core profitability to be sustained

Rating Outlook

The bank's deposit and debt ratings carry a negative outlook to reflect the potential rating pressure from the upcoming implementation of BRRD in Norway, which will trigger a reassessment of our government support assumptions for all large savings banks, including SpareBank 1 Østlandet. However, a potential change in our LGF outcome due to the MREL requirement coming up in 2019, which will counterbalance the negative rating pressure from the government support, could trigger a change of the outlook back to stable.

Factors that could lead to an upgrade

Upward rating pressure could develop if SpareBank 1 Østlandet demonstrates: (1) Strong sustainable asset quality and low impairments in its retail and corporate books; (2) comfortable liquidity on an on-going basis; and/or (3) stronger earnings generation without an increase in its risk profile. In addition, further upward pressure could emerge, as suggested by the positioning of the bank's BCA at the lower end of the BCA range implied by Moody's scorecard, if the bank is able to further strengthen its customer base, and enhance its product offering and franchise following the takeover of Bank 1 Oslo Akershus, which in turn will support the bank's revenues and profitability. However, the current negative outlook contains any upward rating pressure for now.

Factors that could lead to a downgrade

Future downward rating pressure could arise if: (1) SpareBank 1 Østlandet's problem loan ratio increases above our system-wide expectation of approximately 2%; (2) financing conditions become more difficult; (3) its risk profile increases, as a result of increased exposures to more volatile sectors resulting in asset quality deterioration; (4) the macroeconomic environment deteriorates, leading to adverse developments in the Norwegian real-estate market and to a lower Macro Profile; and/or (5) implementation of the official resolution law in Norway and revision of our government support assumptions for all large Norwegian savings banks, including SpareBank 1 Østlandet.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

SpareBank 1 Østlandet (Consolidated Financials) [1]

	9-18 ²	12-17 ²	12-16 ²	12-15 ²	12-14 ²	CAGR/Avg. ³
Total Assets (NOK billion)	161	147	137	73	66	26.9 ⁴
Total Assets (EUR million)	17,002	14,956	15,118	7,610	7,248	25.5 ⁴
Total Assets (USD million)	19,748	17,959	15,945	8,266	8,771	24.2 ⁴
Tangible Common Equity (NOK billion)	13	12	11	8.3	7.5	15.2 ⁴
Tangible Common Equity (EUR million)	1,338	1,235	1,234	864	822	13.9 ⁴
Tangible Common Equity (USD million)	1,554	1,483	1,302	939	994	12.6 ⁴
Problem Loans / Gross Loans (%)	0.4	0.4	0.4	0.9	1.0	0.6 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	16.8	17.6	18.0	22.1	20.3	19.0 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	3.9	4.3	4.3	6.4	7.1	5.2 ⁵
Net Interest Margin (%)	1.6	1.7	1.9	2.3	2.6	2.0 ⁵
PPI / Average RWA (%)	2.3	1.9	2.2	1.9	2.2	2.1 ⁶
Net Income / Tangible Assets (%)	0.9	0.8	0.7	1.0	1.5	1.0 ⁵
Cost / Income Ratio (%)	52.4	60.4	58.2	59.7	54.5	57.0 ⁵
Market Funds / Tangible Banking Assets (%)	34.0	31.2	30.6	29.0	26.8	30.3 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	10.7	8.1	9.2	10.4	8.7	9.4 ⁵
Gross Loans / Due to Customers (%)	196.7	196.3	189.4	182.7	180.0	189.0 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 Financial Metrics

Profile

SpareBank 1 Østlandet (known as Sparebanken Hedmark prior to April 2017) is a leading Norwegian regional savings bank that provides retail and corporate financial products and services, from loans and deposit facilities to insurance, pension, payment, leasing, real estate brokerage and accounting services. As of 30 September 2018, its consolidated assets (including loans transferred to covered bond companies) totalled NOK161 billion.

Detailed credit considerations

SpareBank 1 Østlandet's ratings are supported by its Very Strong- Macro Profile

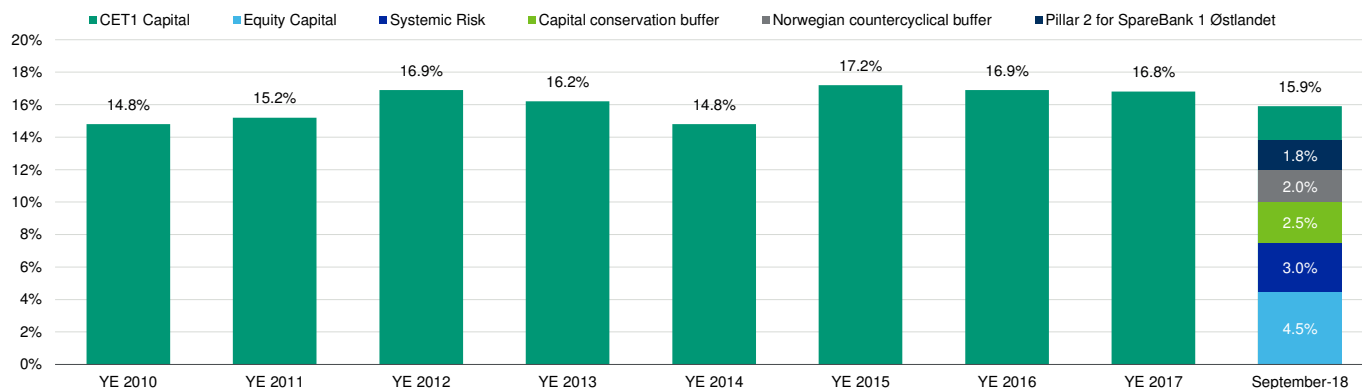
As a domestically oriented bank, we align SpareBank 1 Østlandet's Macro Profile with that of Norway at [Very Strong-](#). Norwegian banks benefit from operating in a wealthy and developed country with very high economic, institutional and government financial strength as well as very low susceptibility 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 banking system stem from the high level of household indebtedness, elevated real estate prices and domestic banks' extensive use of market funding. However, these risks are mitigated by the strength of households' ability to service debt, banks' adequate capitalization and the relatively small size of the banking system compared with the total size of the economy.

Solid capital levels, which are the strongest among peers

At end-September 2018 the group remained as one of the strongest capitalised banks among savings banks in Norway with a tangible common equity (TCE) to risk weighted assets (RWA) ratio at 16.8%, and a reported common equity Tier 1 (CET1) ratio of 15.9% down from 16.8% in December 2017 (see Exhibit 3) due to lending growth and increased deductions from eligible capital due to larger investment holdings. The bank targets to have a CET1 ratio of 16% on an on-going basis, aiming to maintain its position as the most solid regional savings bank. Its reported leverage ratio was 7.2% at end-September 2018, although down from 7.3% in September 2017. The bank carried out a [private placement in November 2018](#), raising NOK700 million of fresh capital. The capital raise will further strengthen the bank's already strong capital position, adding approximately 100 basis points (pro forma) to the 15.9% CET1 ratio reported at end-September 2018.

The Norwegian authorities were concerned about the development of financial imbalances in light of strong growth in house prices in recent years, especially in the Oslo region. Consequently, the Ministry of Finance increased the countercyclical capital buffer to 2% from 1.5%, with effect from 31 December 2017, in addition to new home mortgage regulations introduced in early 2017. The current mortgage regulation expires at the end of 2019. SpareBank 1 Østlandet is subject to a Pillar 2 requirement of 1.8%, which increased from 1.7% from 31 March 2018, and thus the bank's minimum regulatory CET1 requirement is currently 13.8% indicating a good capital buffer for the bank.

Exhibit 3

SpareBank 1 Østlandet CET1 capital ratio evolution

Source: Company reports and presentations

We expect the bank to maintain a strong capital position supported by sufficient retained earnings, through a relatively conservative dividend payout over the next 2-3 years, and by discontinuing capital-intensive activities that fall outside the bank's core business. The bank successfully conducted an IPO in June 2017 and the Equity Certificates were listed on the Oslo Stock Exchange. Consequently, this is expected to improve SpareBank 1 Østlandet's capacity to access capital and the action will increase the bank's visibility in international capital markets by tapping a much larger investor base.

Furthermore, we note that the FSA has recently [announced](#) a proposal to designate large regional banks with more than 10% corporate lending market share in one or more defined regions, as systemically important financial institutions (SIFI). Accordingly, SpareBank 1 Østlandet would likely have an additional Common Equity Tier 1 (CET1) capital requirement of 2% of its risk-weighted assets (RWAs) and 1% in terms of its regulatory leverage ratio, should the proposal be accepted by the Ministry of Finance. However, the transposition of the CRD IV directive into Norwegian law on 1 January 2019 (most likely at the same time as the SIFI regulation is introduced), is expected to neutralise the bank's capital impact from the SIFI regulation.

Sparebankstiftelsen Hedmark (the Foundation) maintains its position as the largest stakeholder of the bank post the IPO and the Foundation is a long-term and financially strong owner with its bylaws stating that it shall maintain its interest through participation in equity certificate issues. Another important innovation, both for the bank and its customers, is that SpareBank 1 Østlandet was the first bank in Norway to launch customer dividends, enabling customers to secure a profit via their deposit and loan balances in the bank. A customer dividend of NOK204 million was paid out to both retail and corporate customers on 20 April 2018, resulting in an overall 50% total dividend payout out of the 2017 net profits.

We believe that the bank has strong capital buffers relative to its peers, a distinctive feature of the bank in the last few years, which will also allow the bank to grow its balance sheet and leverage opportunities in the Oslo-Akershus region where it now operates. Our assigned Capital Score reflects this strength, as well as the bank's adjusted leverage ratio (TCE/Tangible banking assets ratio), which at 7.9% as of end-September 2018 is satisfactory for the Norwegian regulator's requirement and high compared with international standards and similarly-rated global peers.

Asset risk metrics improve post acquisition, on the back of a lower credit risk portfolio

In line with our previous expectation, SpareBank 1 Østlandet's asset quality has improved with overall problem loans for the group reducing to around 0.4% of gross loans (including covered bond loans) at end-September 2018 from 0.9% at end-December 2015 (see

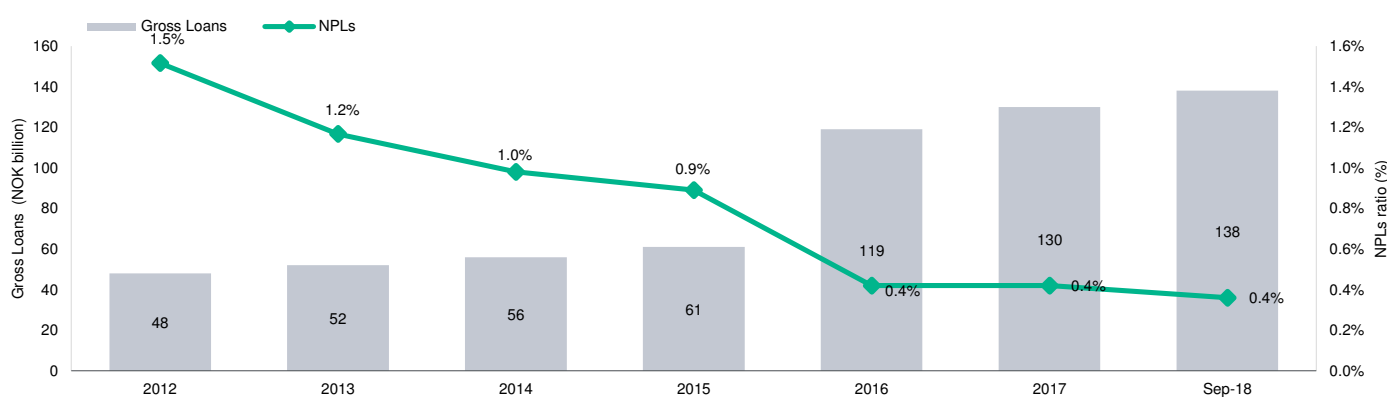
Exhibit 4). This was mainly driven by the strong asset quality of the acquired B1OA's with a very low level of problem loans on the back of its predominantly retail mortgages credit profile with very low LTVs.

The combined loan book of the bank is now geared towards retail borrowers, mostly residential mortgages, accounting for around 74% of gross loans, including loans transferred to the covered bond companies, with no exposure to the oil sector at end-September 2018. This supports the bank's asset quality, limiting the downside risks from credit impairments, given the traditionally very low loss rates for residential mortgages in Norway.

Both banks' problem loans ratios have been historically low and on an improving trend during 2015-17, with the 3 year average historical ratio for SpareBank 1 Østlandet at 0.6% at end-December 2017, down from 1% at end-December 2015 (average for 2015 is on standalone basis excluding B1OA).

Exhibit 4

SpareBank 1 Østlandet's asset risk metrics post acquisition



2017 and onwards are based on fully consolidated balance sheet, including B1OA

Source: Company reports and Moody's Financial Metrics

Nonetheless, we note that the bank has some concentration in the commercial real estate (CRE) sector which constituted around 10% of gross loans (including covered bond loans) while around 3% of gross loans was towards the building and construction sector at end-September 2018. The exposure towards these two sectors, which is common among all Norwegian savings banks, raises somewhat the risk in the bank's credit profile and makes it vulnerable to potential property prices volatility in the market.

We also believe that the residential mortgage loan book in the Oslo area, where house prices have grown significantly in recent years, exposes the bank to downside risks in case of a material house price decline. The growth in real estate prices in Oslo has however slowed down since the beginning of 2017 owing to tighter lending regulation that came into effect in early 2017, and we also note that the bank's average residential loan-to-value (LTV) in the Oslo area was relatively low at 59% in September 2018 compared to the maximum allowed of 85% mitigating any downside risks.

We assign an Asset Risk Score of a2, incorporating four notches of negative adjustment to reflect the bank's exposure to CRE, building and construction sectors, as well as geographical concentration in its regional home market and in the Oslo-Akershus region. We make similar adjustments in the asset risk scores of other rated Norwegian savings banks as well.

Some margin pressure visible, although we expect the bank's core profitability to be sustained

SpareBank 1 Østlandet's profit after tax increased by 18% to NOK1,092 million in the nine months of 2018 compared to NOK926 million in the same period last year. SpareBank 1 Østlandet's main source of earnings is net interest income (including fees from loans transferred to the covered bond companies), although we note that the bank's net interest margin (NIM according to Moody's adjusted metrics) has declined to 1.59% in the nine months of 2018 from 1.69% in full-year 2017 and 1.92% in full-year 2016. This is mainly due to increasing money market rates, but also the lower margins of B1OA's mortgage book. The bank recently raised its interest rate on lending and deposits by up to 25 basis points, which came into effect in October for corporate clients and in November for

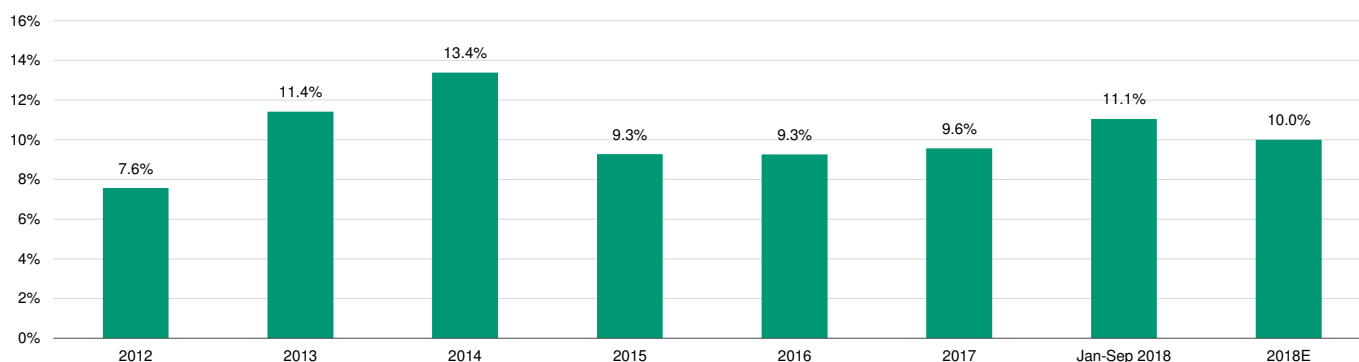
retail customers. We expect that the current margin pressure will be sustained in the short-term, although the higher interest rates in Norway are likely to benefit all banks' NIM in the longer term.

Concurrently, loan loss provisions remained very low for the bank at 0.02% of average gross loans in the nine months ending in September 2018, despite the adoption of IFRS 9 with new more conservative principles for write-downs from January 2018 onwards. The methodology in the IFRS 9 standard entails somewhat larger volatility in write-downs, as they will be made at an earlier stage than under current practice.

Nonetheless, we expect that the bank's profitability metrics will be sustained in 2018-19, with the contribution of cost synergies that will come about, estimated by the bank at minimum NOK75 million per annum, and also in view of the bank's good positioning for further profitable growth. The bank's 12 month loan growth at end-September was satisfactory at 8.9%, mainly driven by high growth in retail lending. The bank reported a return on equity (RoE) of 11.1% in the nine months of 2018, up from 10.1% in the same period last year, and above its long term minimum target of 10%.

Exhibit 5

SpareBank 1 Østlandet's Moody's adjusted Return on Equity (RoE)



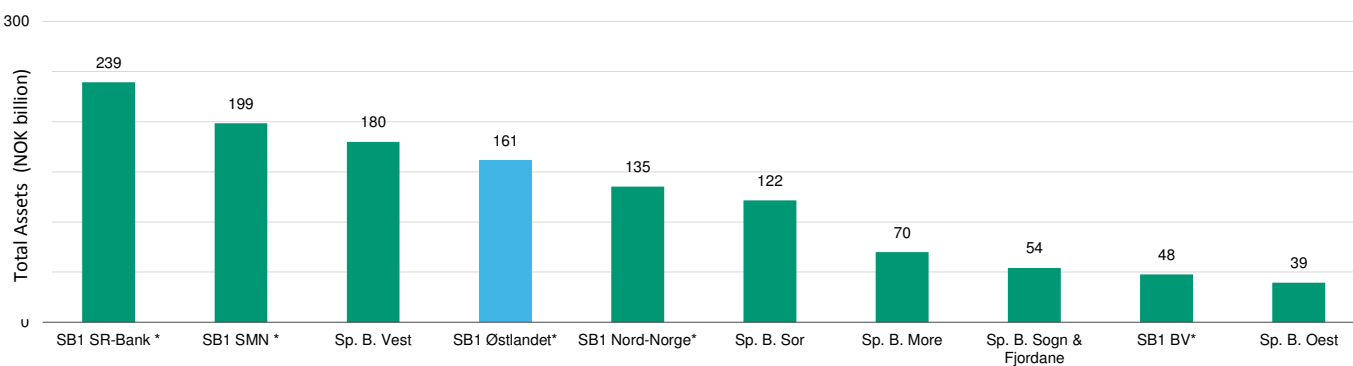
2017 and onwards are based on consolidated financials including results from Bank 1 Oslo Akershus.

Source: Company reports and Moody's Financial Metrics

We also expect that over the medium term, the bank's earnings will get a boost from its increased client base (since the take-over of B1OA in June 2016, the number of customers increased by 14.5%) and cross-selling opportunities, as well as the bank's capacity to expand in the more wealthy Oslo-Akershus region. The bank has a dominant position in the Hedmark region with market share in both retail and corporate of around 50%, and now adds around 11% retail market share and 2% in SMEs in the Oslo-area. As the fourth largest Norwegian savings bank (see Exhibit 6), SpareBank 1 Østlandet will also have the potential to participate in bigger syndications along with other banks, and also attract more business from larger borrowers in the market.

Exhibit 6

Consolidated SpareBank 1 Østlandet is Norway's fourth largest savings bank (30 September 2018)



* SpareBank 1 Alliance banks include assets transferred to Covered Bond companies

Source: Company reports and Moody's Financial Metrics

The bank's funding profile is underpinned by relatively high reliance on market funding but also a sizeable deposit base

SpareBank 1 Østlandet's funding profile has not changed in any significant way compared to prior to the acquisition of B1OA, with market funding reliance (assuming 50% of covered bonds as market funding) to be around 34% of total tangible banking assets at end-September 2018, mainly driven by the issuance of covered bonds. We also note that since June 2016 the bank participates in the jointly-owned SpareBank 1 Alliance's EUR10 billion EMTN program, while it successfully issued its first Euro-denominated senior bond of EUR500 million in March 2018, contributing to a more diversified funding profile. The bank's funding position is also underpinned by a substantial deposit base, which accounted for around 50% of total funding (including covered bonds issued through SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) at end-September 2018, with 58% of the bank's deposits derived from the retail sector.

We globally reflect the relative stability of covered bonds compared to unsecured market funding through a standard adjustment in our scorecard. SpareBank 1 Østlandet has increasingly used covered bond funding in the past years, which is done off-balance-sheet through specialized companies it jointly owns together with the other members of SpareBank 1 Alliance (SpareBank 1 Boligkreditt for residential mortgages and SpareBank 1 Næringskreditt for commercial mortgages). At end-September 2018, SpareBank 1 Østlandet had transferred retail mortgages worth NOK38.4 billion to SpareBank 1 Boligkreditt and NOK1.5 billion commercial mortgages to SpareBank 1 Næringskreditt (i.e. equivalent to 29% of total gross loans including loans transferred to covered bond companies).

Whilst we positively view the diversification benefit of covered bond funding, our assessment of the bank's funding structure reflects our view that SpareBank 1 Østlandet has some reliance on market funds - a common feature at Nordic banks. Market funding, in accordance with our adjusted estimate, accounted for approximately 34% of the bank's tangible banking assets at end-September 2018 (31% at end-December 2017). We also note that from 2019 until the end of 2022, the bank estimates that it will need to raise around 7-8 billion of Tier 3 capital (senior non-preferred bonds) that will be eligible for minimum requirement for own funds and eligible liabilities (MREL) that comes into effect next year in Norway. This will not increase the bank's market funding dependence, as the bank will likely replace existing senior-preferred bonds that will mature with such MREL-eligible bonds.

SpareBank 1 Østlandet's liquidity position is sound, with liquid assets to total tangible banking assets at 10.7% at end-September 2018 (including assets transferred to covered bond companies) and, according to the bank, cover funding needs for 18 months without access to external funding from the market. However, we note that this ratio understates the core liquidity of the bank, given that it does not take into account the liquid assets held by SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Accordingly, we incorporate a positive adjustment in the assigned Liquid Resources Score to reflect the additional source of liquidity stemming from the covered bond companies.

The liquidity reserves consist of cash and deposits with the central bank, senior bonds, government guaranteed bonds, covered bonds and limited equity investments. The holdings are concentrated on Norwegian securities, which could be a source of vulnerability from a concentration risk point of view, but are positive in terms of currency risk. In addition, the bank reported a high liquidity coverage ratio (LCR) of 158% at end-September 2018 (114% at end-December 2017).

Support and structural considerations

Loss Given Failure and additional notching

The EU Bank Recovery and Resolution Directive (BRRD) will enter into force as of 1 January 2019 in Norway, which confirms our current assumptions regarding LGF analysis. In our advanced LGF 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 metrics are in line with our standard assumptions.

The ratings take into account Moody's LGF analysis of the combined entity's volume of deposits and senior unsecured debt, as well as the volume of securities subordinated to them. This results in an assessment of very low loss given failure and leads to two notches of rating uplift for the issuer ratings, which is the same uplift afforded for the bank's deposit ratings.

Government Support

Following the acquisition, SpareBank 1 Østlandet has become the fourth largest savings bank in Norway, from sixth before, while also having presence now in the most important and economically developed region of Oslo-Akershus.

Accordingly, in our opinion the bank is now considered sufficiently systemically important to assume a moderate probability of government support into its ratings (from low pre-acquisition), which translates into one notch of rating uplift for its deposit, senior unsecured debt and issuer ratings. In particular Moody's considers the bank to be a vital intermediary in financing the SME sector especially in the agricultural and forestry sectors that are central for the Hedmark region. The government support rating uplift overlays the two notches rating uplift incorporated into the deposit, senior unsecured debt and issuer ratings, based on the loss given failure (LGF) analysis of the bank's liability structure. However, the upcoming implementation of an official resolution regime in Norway will likely cause us to reconsider/lower our government support assumptions for all rated savings banks in Norway, including SpareBank 1 Østlandet, as reflected by the current negative rating outlook.

Counterparty Risk 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.

We assign an Aa3(cr) long term and P-1(cr) short term CR Assessment to SpareBank 1 Østlandet.

SpareBank 1 Østlandet's CR Assessment is positioned at Aa3(cr)/Prime-1(cr), four notches above the bank's adjusted BCA of baa1, based on the substantial cushion against default provided to the senior obligations represented by the CRA by subordinated instruments, along with one notch of government support. 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 Ratings

Moody's Counterparty Risk Ratings (CRRs) are opinions of the ability of entities to honour 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 honoured. 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. We believe that CRR liabilities have a lower probability of default than the bank's deposit and senior unsecured debt as they will more likely be preserved in order to minimise banking system contagion, minimise losses and avoid disruption of critical functions.

SpareBank 1 Østlandet's CRR's are positioned at Aa3/Prime-1

The CRR, prior to government support, is positioned three notches above the adjusted BCA of baa1, reflecting the extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities. The bank's CRR benefits from one notch of rating uplift based on government support, in line with our assumptions on senior debt and deposits.

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

SpareBank 1 Ostlandet

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	0.5%	aa1	↓	a2	Geographical concentration	Sector concentration
Capital						
TCE / RWA	16.8%	aa2	← →	aa2	Expected trend	
Profitability						
Net Income / Tangible Assets	0.9%	baa1	← →	baa2	Expected trend	
Combined Solvency Score		aa3		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	31.2%	baa3	← →	baa3	Market funding quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	8.1%	ba2	← →	ba1	Quality of liquid assets	Stock of liquid assets
Combined Liquidity Score		ba1		baa3		
Financial Profile						
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint:				Aaa		
Scorecard Calculated BCA range				a2-baa1		
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		51,655	32.2%	58,820	36.7%	
Deposits		70,251	43.8%	63,085	39.3%	
Preferred deposits		51,986	32.4%	49,387	30.8%	
Junior Deposits		18,265	11.4%	13,699	8.5%	
Senior unsecured bank debt		32,190	20.1%	32,190	20.1%	
Dated subordinated bank debt		1,100	0.7%	1,100	0.7%	
Preference shares (bank)		400	0.2%	400	0.2%	
Equity		4,812	3.0%	4,812	3.0%	
Total Tangible Banking Assets		160,408	100%	160,408	100%	

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	32.5%	32.5%	32.5%	32.5%	3	3	3	3	0	a1
Counterparty Risk Assessment	32.5%	32.5%	32.5%	32.5%	3	3	3	3	0	a1 (cr)
Deposits	32.5%	3.9%	32.5%	24.0%	2	3	2	2	0	a2
Senior unsecured bank debt	32.5%	3.9%	24.0%	3.9%	2	2	2	2	0	a2

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	1	Aa3	Aa3
Counterparty Risk Assessment	3	0	a1 (cr)	1	Aa3 (cr)	--
Deposits	2	0	a2	1	A1	A1
Senior unsecured bank debt	2	0	a2	1	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 Financial Metrics

Ratings

Exhibit 8

Category	Moody's Rating
SPAREBANK 1 OSTLANDET	
Outlook	Negative
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	A1
Senior Unsecured	A1
Subordinate MTN	(P)Baa2
Jr Subordinate MTN	(P)Baa3

Source: Moody's Investors Service

© 2018 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJJK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJJK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJJK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJJK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJJK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJJK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJJK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454