MOODY'S
INVESTORS SERVICE

CREDIT OPINION
16 December 2020

Update

Rate this Research

RATINGS

Fana Sparebank

Domicile	Norway
Long Term CRR	A2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A3
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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Fana Sparebank

Update to credit analysis following rating affirmation

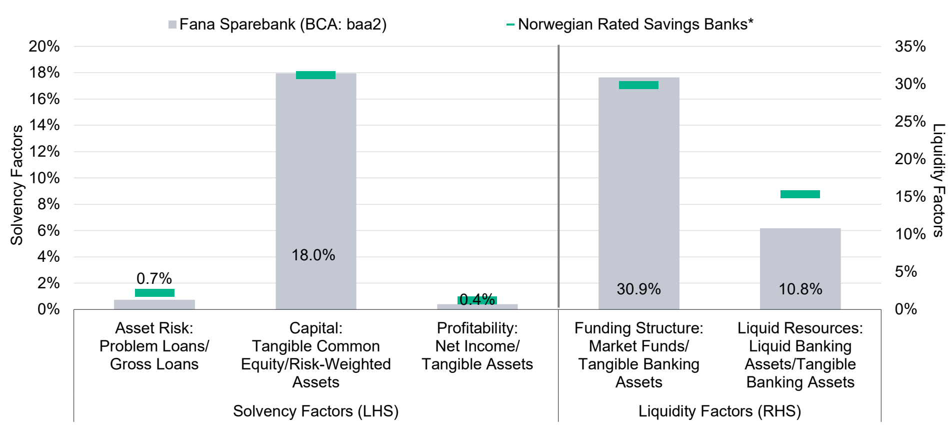
Summary

Fana Sparebank's (FSB) A3 long-term deposit rating incorporates two notches of rating uplift from the bank's baa2 Baseline Credit Assessment (BCA) based on our Advanced Loss Given Failure (LGF) analysis taking into account the risks faced by the different debt and deposit classes in a bank resolution scenario. The bank's ratings do not incorporate any government support uplift, based on our assessment of a low probability of support.

FSB's standalone BCA of baa2 reflects the generally benign operating environment in Norway despite the challenges from the coronavirus pandemic, and its strong historical asset performance. Problem loans were equivalent to around 0.5% of the bank's gross loans as of September 2020 and credit costs averaged a low 0.06% of gross loans in the past five years, mainly due to its retail banking focus and conservative underwriting policies. The bank's BCA also considers its strong and improving capitalisation with a reported Common Equity Tier 1 (CET1) capital ratio of 17.1% and a reported leverage ratio of 8.2% in September 2020.

These credit strengths are balanced against the bank's certain single-name and credit concentrations in the county of Vestland, the cyclical real estate and construction sectors (around 17% of gross loans as of the end of September 2020), its relatively high market funding reliance and its limited pricing power as a small regional player in a highly competitive market.

Exhibit 1
Rating Scorecard - Key financial ratios



*Average of other Moody's rated Norwegian savings banks is based on the latest available financial data.
Source: Moody's Investors Service

Credit strengths

» FSB's credit profile is supported by its 'Very Strong -' Macro Profile

» Robust historical asset performance, combined with adequate capital levels

» Stable long-term profitability, although modest compared with that of its larger peers

» Deposit ratings benefiting from a very low loss given failure rate because of a large volume of deposits and some junior debt

Credit challenges

» Certain high credit concentrations elevate the credit risk profile of the bank

» Small but expanding franchise provides limited pricing power to the bank for now

» High reliance on market funding exposes the bank to potential change in investor sentiment

» Limited flexibility to raise fresh capital if needed

Outlook

The stable outlook on the bank's long-term deposit rating reflects the balance between its strong historical asset performance and adequate capitalisation, against some credit concentrations and market funding reliance. It also reflects our view that its asset quality will remain broadly resilient in the face of economic slowdown in Norway due to the coronavirus, although the bank's earnings will be temporarily affected by the negative credit conditions.

Factors that could lead to an upgrade

Upward rating momentum could develop if Fana Sparebank demonstrates (1) stronger sustained earnings generation without a deterioration in its risk profile, and (2) a reduction in concentrations to more volatile sectors. We would also view enhanced access to European capital markets and stronger ability to raise fresh equity as positive credit developments.

Factors that could lead to a downgrade

Downward rating pressure would emerge if (1) Fana Sparebank's problem loan ratio increases above the average of its similarly-rated global peers; (2) financing conditions become more difficult; (3) its risk profile deteriorates, for example, as a result of increased exposures to more volatile sectors; and (4) the macroeconomic environment deteriorates significantly, leading to a lower Macro Profile. Also, any reduction in the volume of loss absorbing capacity as result of a material change in the bank's liability structure, could lead to a rating downgrade.

Key indicators

Exhibit 2
Fana Sparebank (Consolidated Financials) [1]

	09-20[2]	12-19[2]	12-18[2]	12-17[2]	12-16[2]	CAGR/Avg.[3]
Total Assets (NOK Billion)	29.4	26.2	25.2	24.0	22.0	8.0[4]
Total Assets (USD Million)	3,138.4	2,986.3	2,906.5	2,936.9	2,554.0	5.6[4]
Tangible Common Equity (NOK Billion)	2.5	2.4	2.3	1.9	1.7	10.0[4]
Tangible Common Equity (USD Million)	267.6	277.3	263.9	237.8	203.3	7.6[4]
Problem Loans / Gross Loans (%)	0.5	1.1	0.8	0.6	0.6	0.7[5]
Tangible Common Equity / Risk Weighted Assets (%)	18.0	18.8	17.9	15.2	14.6	16.9[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	5.0	10.1	7.3	5.8	6.0	6.9[5]
Net Interest Margin (%)	1.2	1.4	1.4	1.5	1.5	1.4[5]
PPI / Average RWA (%)	1.2	1.7	2.0	2.2	1.8	1.8[6]
Net Income / Tangible Assets (%)	0.4	0.7	0.7	0.9	0.7	0.7[5]
Cost / Income Ratio (%)	59.4	54.1	48.5	44.8	52.8	51.9[5]
Market Funds / Tangible Banking Assets (%)	33.8	30.9	30.9	30.8	28.1	30.9[5]
Liquid Banking Assets / Tangible Banking Assets (%)	13.3	10.8	12.0	13.3	14.7	12.8[5]
Gross Loans / Due to Customers (%)	213.0	206.7	199.6	192.9	176.9	197.8[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 because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

Fana Sparebank is a savings bank with a well-established market position in Western Norway, which provides traditional banking services to retail and corporate customers online and through its three branches in the greater Bergen region. These include deposit accounts, loans and money-transfer services. Through agreements with external suppliers, the bank also distributes insurance and other financial services. As of 30 September 2020, the bank reported consolidated assets of over NOK29 billion (€2.6 billion).

Recent developments

Nascent global economic recovery is under threat from rising COVID-19 cases and even with a gradual recovery, we expect 2021 real GDP in most advanced economies to be below pre-coronavirus levels, and we assume that difficulty in controlling the virus will hinder the gradual process of recovery in the short term. But over time, we expect better pandemic management and the availability of an effective vaccine or treatments to reduce the importance of the virus as a macroeconomic variable.

Our forecasts assume that an effective vaccine is unlikely to be available widely before the middle of 2021. Thus, the recovery path is still uncertain and will remain highly dependent on: (1) the development and distribution of a vaccine, (2) effective pandemic management, and (3) government policy support.

We note that since March 2020, Norway's central bank, the Ministry of Finance and the Norwegian FSA have taken a number of actions aiming to alleviate the impact on the economy from both the coronavirus lockdown and the plunge in oil prices. These measures include the reduction of the key policy rate by 150 basis points (bps), reducing banks' countercyclical buffer requirement by 150 bps, providing special F-loans to banks to help manage any funding and liquidity stress, as well as extension of unemployment benefits and various social policy schemes to support individuals. We believe these measures will help alleviate the negative impact stemming from the coronavirus outbreak, and will largely sustain borrowers' solvency in the longer term.

Detailed credit considerations

Norway's 'Very Strong-' Macro Profile remains supportive towards the bank's stand alone credit profile, despite economic challenges expected in 2020-21

Although Norway's operating environment has deteriorated as a result of the global outbreak of coronavirus and the fall in oil prices, we believe that the banking system still benefits from the government's generally strong fiscal flexibility and countercyclical buffers available through its sovereign oil fund to respond to economic shocks.

Fana Sparebank operates only in Norway and thus its operating environment is reflected through the 'Very Strong -' Macro Profile we assign for Norway. Norwegian banks benefit from operating in a wealthy and developed country with very high economic, institutional and government financial strength, as well as a very low susceptibility to event risk. Norway has a diversified and growing economy, which demonstrated resilience to the last weakening in the oil sector in 2014-15.

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.

We anticipate that the Norwegian mainland economy (excluding any oil-related activity) contracted in 2020 (-2.0%), before rebounding by 3.8% in 2021. Unemployment peaked in March 2020 at 10.6% according to the Norwegian Labour and Welfare Administration. With the easing of restrictions and re-opening of the economy in the Summer, the unemployment rate declined to 3.5% in October 2020, but new restrictions to tackle the second wave of the coronavirus pandemic pose a downside risk to the labour market.

Strong asset performance, but exposed to elevated credit risk from high sector and credit concentrations

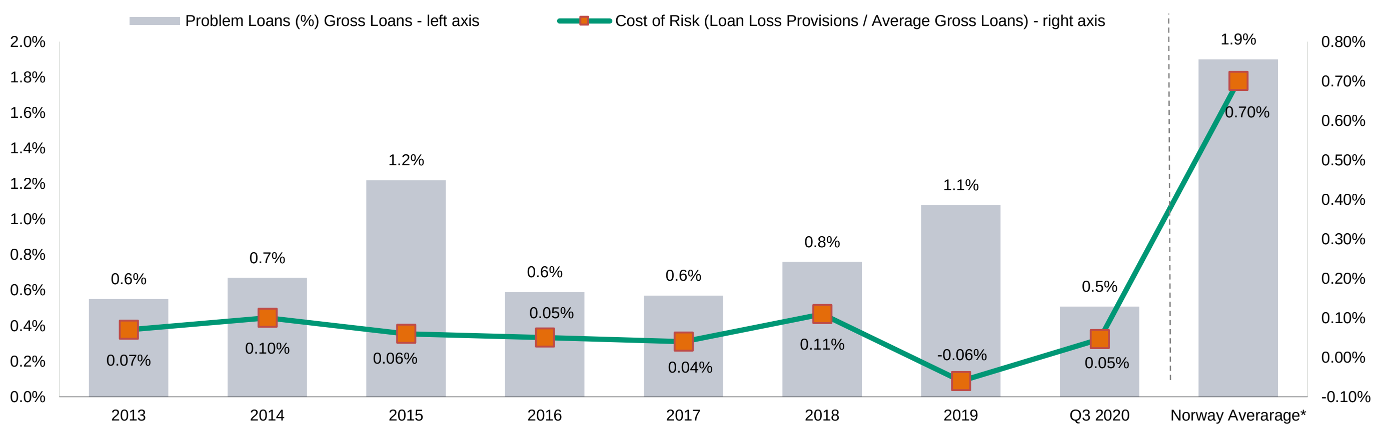
Fana Sparebank's problem loans ratio (impaired and other doubtful loans as a percentage of gross loans) was relatively low at 0.5% as of September 2020 (year-end 2019: 1.1%; see Exhibit 3) and lower than that of its Norwegian peers. Furthermore, its loan-loss provision expenses as a percentage of gross loans averaged just 0.06% in the past five years, and stood at 0.05% as of September 2020, despite a peak of 0.32% in March at the beginning of the pandemic.

The bank's strong asset performance reflects its retail banking focus, with retail loans, mainly in the form of mortgages, making up around 80% of the bank's total loan book as of September 2020. Residential mortgages have performed well in the past, reflecting conservative underwriting policies, and we expect asset quality for this segment to remain resilient in the next 12-18 months, despite the coronavirus effects and the long-term risks from the elevated level of household indebtedness. We expect Norway's households to continue to be able to service their debt as interest rates remain low and unemployment benefits are generous.

Exhibit 3

Fana Sparebank's asset-quality evolution

Historical asset quality performance has been robust and problem loan levels relatively low



*Average of other Moody's rated Norwegian savings banks is based on the latest available financial data.

Source: Moody's Banking Financial Metrics

Our assessment of Fana Sparebank's asset risk also takes into account the elevated risks from its exposure to the cyclical real estate and construction sectors, which stands at around 17% of gross loans and accounted for a material portion of the bank's credit losses in the past. In addition, similar to other small local savings banks, the bank is exposed to high geographical and single-name concentrations, which could exacerbate the extent and pace of any deterioration in asset quality. Almost 93% of the bank's lending exposures were in the county of Vestland, while its top 20 borrowers, mainly in the property management business reflecting the bank's historical focus on property, accounted for around 12% of its total loans.

However, the bank intends to allocate parts of the loan portfolio to housing associations, project finance and ordinary corporate finance, in order to limit concentration risk. In addition, the effects of the coronavirus and the introduction of two new debt register companies in Norway for consumer lending, have triggered added focus to credit risk by the bank's top management team.

Looking ahead, we expect a mild deterioration in the bank's asset quality in view of the impact on businesses from the pandemic, although defaults and loan losses will likely remain manageable and within the bank's credit appetite. We note that the bank has no oil and gas exposure and insignificant exposure to hotels, and that it has provided interest rate reductions in line with the domestic key official rate reduction and loan installment deferrals up to six months to affected borrowers (around 9% of retail loans and 17% of corporate loans).

Strong capital levels provide good loss absorption cushion

We consider Fana Sparebank's capital levels strong for the bank's risk profile and in line with that of its domestic peers, providing a good loss absorption buffer to the bank. We also expect the bank's capitalisation to continue to meet the regulatory requirements.

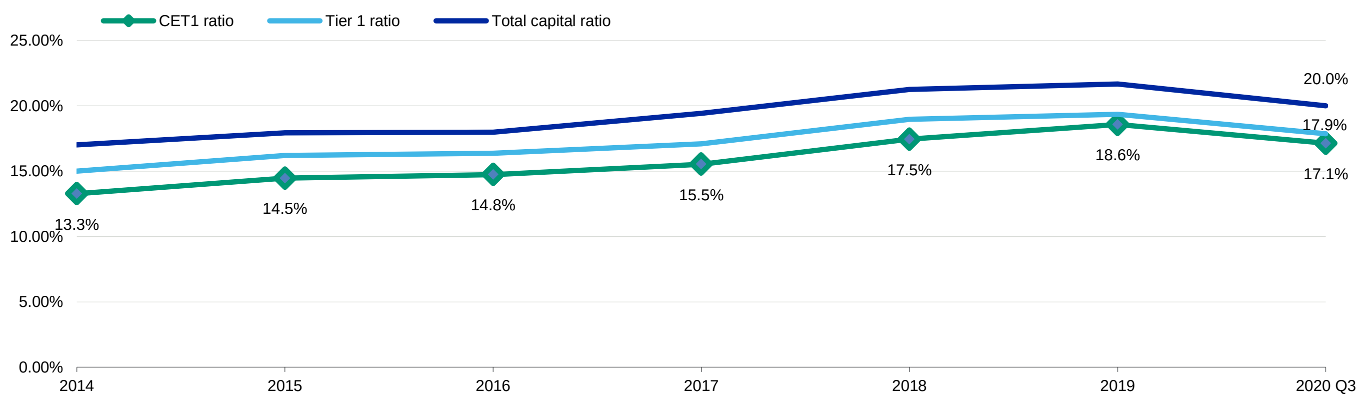
In response to the global coronavirus outbreak and resulting economic stress, the Norwegian FSA has revised banks' capital requirements during the first quarter of 2020. Accordingly, the countercyclical capital buffer requirement has been lowered by 150 basis points (from 2.5%) to allow more flexibility, while banks were requested to reconsider their dividend payments for 2019. This, together with the bank-specific pillar 2 requirement of 2.5% brings the bank's CET1 regulatory requirement down to 13.5% compared to a ratio of 17.1% as of the end of September 2020.

We note that the bank has been able to gradually increase its CET1 ratio in the last few years from 14.6% in 2015 (see Exhibit 4), by reducing its equity risk through divestments and changing its credit strategy towards less capital intensive exposures by terminating a substantial loan agreement and reduced its corporate exposure towards commercial real-estate.

Exhibit 4

Fana Sparebank's capital metric

An increasing CET1 ratio



Source: Fana Sparebank's Q1 2020 results

The bank estimates that the RWA discount given for SME exposures through the implementation of CRR/CRD4 in Norway provides a benefit of around 40 basis points to its CET1 ratio. Looking ahead, the bank aims to maintain a CET1 ratio of around 100 basis points above its regulatory requirement, while its Tier 1 ratio and overall capital adequacy ratio (CAR) were comfortable at 17.9% and 20% respectively in September 2020 combined with a leverage ratio of 8.2%, comparing favorably with its Norwegian rated peers.

Our Capital score reflects this strength, but also takes into account the fact that the bank's capital is not listed/traded, thus limiting its capacity to raise fresh equity if needed. Concurrently, the bank estimates that a potential equity capital certificate (ECC) issue of approximately NOK200 million (compared to around NOK2.5 billion of tangible common equity), which could increase its CET1 ratio by around 150 basis points, would represent around 7.3% of its capital base. Accordingly, if the bank were to eventually issue such ECCs, its potential investor base would likely be limited.

Stable long-term profitability, although modest compared with that of its larger peers

In response to the economic stress from the coronavirus outbreak the Norges Bank has carried out three rate cuts totaling 150 basis points since March 2020, while prior to this period the key policy rate was on a rising trend. Low loan rates (interest rate adjustment was implemented quicker than the usual 6 weeks notice) coupled with an increasing competition among Norwegian banks is exerting pressure on Norwegian banks' net interest margin and profitability metrics, including Fana Sparebank.

Fana Sparebank's profitability has proved historically resilient and relatively stable, as retail operations (and some lending to small and medium-sized enterprises) drive the bulk of the bank's revenue, albeit it has been weaker than that of its larger domestic rated peers. This is because of the intense competition in Fana Sparebank's area of operations around Bergen and the bank's limited pricing power compared with larger national and regional banks.

The bank's return on equity (RoE) came under pressure in recent quarters as a result of the increased competition and also more recently due to the outbreak of coronavirus. The bank's (annualised) RoE as of September 2020 was 5.1%, below the 7.8% from a year earlier and the average 10% for Norwegian banks operating under normal economic conditions. The reduced RoE in September 2020 was driven by lower net interest income and increased credit costs on the back of coronavirus pandemic. Given our view that this weaker performance is only temporary, and not a reflection of the bank's long-term performance, we adjust our profitability score upwards in line with the bank's average profitability score in recent years.

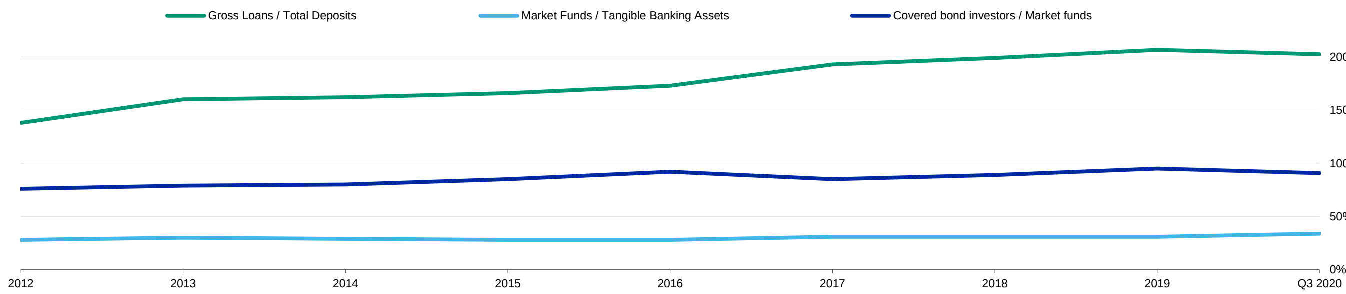
As expected, the net interest income as a percentage of average total assets in Q3 2020 reduced to 1.2% (annualised) compared to 1.4% in the same period a year earlier, as the impact of interest rate cuts started to realise from Q2 2020. There was a negative effect on funding cost in Q2 2020 as lending rates were adjusted faster downwards than deposit rates to reflect the new, lower key policy rate, creating a short term mismatch. As a result, we expect the bank's margins to continue to be under pressure, coupled with increased competition among banks and the reduced credit growth due to the economic slowdown in 2020.

Accordingly, the bank reported a cost-to-income ratio of 54.5% in Q3 2020, up from 51% in Q3 2019. We note that Norwegian banks have predominantly front-loaded their provisions in Q1 2020 to account for the coronavirus-induced uncertainty for the year. In the long run, increased digitalisation and on-line banking solutions and services are likely to improve the bank's productivity in loan processing and efficiency levels going forward. The bank's small size and agility to introduce innovation through its 'Himla' digital platform and new ideas, should help it improve the customer experience and attract more business, giving a boost to its revenues and profitability metrics over time.

A good retail deposit base, but high reliance on market funding renders the bank vulnerable to changes in investor sentiment

Fana Sparebank's funding profile is mainly underpinned by customer deposits, which represented around 44% of non-equity funding as of September 2020 (47% as of December 2019), of which more than 74% pertains to retail customers. However, the bank continues to increase its reliance on wholesale funding, as deposit growth has lagged lending growth in nominal terms, rendering it vulnerable to changes in investor sentiment. Covered bond funding has increased significantly since 2009, when Fana Sparebank Boligkreditt AS (the bank's wholly owned covered bond company) was established. As of September 2020, covered bonds accounted for roughly one-third of the bank's total non-equity liabilities.

Exhibit 5
Fana Sparebank's funding metrics
Increasing reliance on covered bonds



Source: Moody's Financial Metrics

Based on our Banks methodology, we reflect the stability of covered bonds relative to unsecured market funding through an adjustment to our market funds/tangible assets, and our adjusted ratio for the bank was approximately 34% as of September 2020, slightly higher than the year-end 2019 figure. However, we do not expect that Fana Sparebank will have the capacity to make large benchmark issuances, ultimately restricting its potential investor base and increasing its refinancing risk. As such, we reverse this adjustment for the bank (similar to other small Norwegian savings banks) by assigning a Funding score based on the bank's higher unadjusted market funds/tangible assets of 49% as of September 2020 (46% as of December 2019). The bank's Funding score reflects the fact that funding risk remains a relative weakness for its credit profile.

Given that only 26% of the bank's total deposits are in the form of corporate deposits, the bank is considering to attract more term deposits from institutional clients in order to improve its deposits to loans ratio that has been declining in the last few years.

We consider the bank's liquidity as adequate, comprising mainly of domestic government securities and mortgage covered bonds. As these holdings mostly consist of Norwegian securities, it creates a source of vulnerability in terms of concentration risk to the country and also to the Norwegian housing market. Nonetheless, Fana Sparebank reported a high liquidity coverage ratio (LCR) of 182% on a consolidated basis (including its covered bond company) and 174% on a parent bank only basis as of September 2020.

We note that the bank has made some use of the short-term F-loans provided by the central bank since March 2020 in view of the coronavirus crisis, to enhance its liquidity buffers with the relevant collateral being covered bonds issued by Fana Sparebank Boligkreditt. In addition, the bank had refinanced some of its 2020 maturing market funding prior to March 2020, which eased its needs to tap the markets during the peak of the coronavirus crisis when spreads widened.

Environmental, social and governance (ESG) considerations

In line with our general view of the banking sector, Fana Sparebank has low exposure to Environmental risks and moderate exposure to Social risks. See our Environmental and Social risk heatmaps for further information.

Furthermore, Norway, similar to other countries in the European Union, has policies in place that ensure new housing constructed is energy-efficient, which enables banks to gather mortgages for asset pools for green bond issuances. Such policies also help limit environmental risks for Norwegian banks that have large mortgage lending portfolios, just like Fana Sparebank. We also note that the bank has made steps in recent years to enhance its environmental and social impact. The bank has affiliated itself with four objectives of the UN Global Compact, namely Human Rights, Working Conditions, Environment and Anti-Corruption.

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 is partly mitigated by sizeable technology investments and banks' long track record of handling sensitive client data. In addition, we regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. See our social risk heat map for further information. Overall, we consider banks, including Fana Sparebank, to face moderate social risks.

Governance is highly relevant for Fana Sparebank, as it is to all players in the banking industry. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. Corporate governance remains a key credit consideration and requires ongoing monitoring. However, we currently do not have any governance related concerns over Fana Sparebank.

Source of facts and figures cited in this report

Unless noted otherwise, we have sourced data relating to systemwide 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 account 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.

Support and structural considerations

Loss Given Failure (LGF) analysis

The EU Bank Recovery and Resolution Directive (BRRD) has entered into force as of 1 January 2019 in Norway. In accordance with our methodology, we therefore apply our Advanced LGF analysis, considering the risks faced by different debt and deposit classes across the liability structure should the bank enter resolution.

In our LGF analysis for the bank, we use our standard assumptions and assume residual tangible common equity of 3%, post-failure losses of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits, and a 5% run-off in preferred deposits. We assign a 25% probability to deposits being preferred to senior unsecured debt.

Under these assumptions, Fana Sparebank's deposits are likely to face very low loss given failure because of the volume of the deposits and senior debt themselves and the amount of debt subordinated to them. This results in a Preliminary Rating Assessment two notches above the bank's BCA.

Government support considerations

We do not incorporate any government support uplift into Fana Sparebank's deposit ratings as a result of the expected implementation of resolution legislation in Norway. Fana Sparebank is a local savings bank with a well-established market position in Bergen (a municipality in the county of Vestland), especially in the borough of Fana. However, the bank's regional position in the county of Vestland is more modest. Based on the latest available data, we estimate that Fana Sparebank commands a market share of around 5% for lending in the county of 'old' Hordaland, which has now merged into Vestland county. Therefore, we consider the likelihood of government support for Fana Sparebank's debt and deposits low (similar to other Norwegian local savings banks that we rate), resulting in no rating uplift.

Counterparty Risk Ratings (CRRs)

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. CRR liabilities typically relate to transactions with unrelated parties. 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. CRRs are not applicable to funding commitments or other obligations associated with covered bonds, letters of credit, guarantees, servicer and trustee obligations, and other similar obligations that arise from a bank performing its essential operating functions.

Fana Sparebank's CRRs are placed at A2/P-1

The CRRs are positioned three notches above the Adjusted BCA of baa2 and at the same level as the CR Assessment, reflecting the buffer against default provided by more junior instruments to the CRR liabilities.

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 both 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 (for example, swaps), letters of credit, guarantees and liquidity facilities.

Fana Sparebank's CR Assessment is positioned at A2(cr)/P-1(cr)

Fana Sparebank's CR Assessment is positioned at A2(cr)/Prime-1(cr), three notches above the bank's Adjusted BCA of baa2.

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement 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 6

Fana Sparebank

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		0.7%	aa1	↔	baa1	Geographical concentration	Sector concentration
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		18.0%	aa2	↔	aa3	Access to capital	
Profitability							
Net Income / Tangible Assets		0.4%	baa3	↑	baa3	Earnings quality	
Combined Solvency Score			aa3		a3		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		30.9%	baa3	↓↓	ba3	Extent of market funding reliance	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		10.8%	baa3	↔	baa3		
Combined Liquidity Score			baa3		ba2		
Financial Profile					baa2		
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					baa1 - baa3		
Assigned BCA					baa2		
Affiliate Support notching					0		
Adjusted BCA					baa2		

Balance Sheet	**in-scope (NOK Million)**	**% in-scope**	**at-failure (NOK Million)**	**% at-failure**
Other liabilities	11,461	39.0%	12,673	43.2%
Deposits	11,885	40.5%	10,672	36.4%
Preferred deposits	8,795	30.0%	8,355	28.5%
Junior deposits	3,090	10.5%	2,317	7.9%
Senior unsecured bank debt	4,728	16.1%	4,728	16.1%
Dated subordinated bank debt	300	1.0%	300	1.0%
Preference shares (bank)	100	0.3%	100	0.3%
Equity	881	3.0%	881	3.0%
Total Tangible Banking Assets	29,354	100.0%	29,354	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	28.4%	28.4%	28.4%	28.4%	3	3	3	3	0	a2
Counterparty Risk Assessment	28.4%	28.4%	28.4%	28.4%	3	3	3	3	0	a2 (cr)
Deposits	28.4%	4.4%	28.4%	20.5%	2	3	2	2	0	a3

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	a2	0	A2	A2
Counterparty Risk Assessment	3	0	a2 (cr)	0	A2(cr)	
Deposits	2	0	a3	0	A3	A3

[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 7

Category	Moody's Rating
FANA SPAREBANK	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A2(cr)/P-1(cr)

Source: Moody's Investors Service

REPORT NUMBER 1254957

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