

FITCH TAKES RATING ACTIONS ON NORWEGIAN SPAREBANKEN

Fitch Ratings-London-06 March 2009: Fitch Ratings has today taken negative rating actions on SpareBank 1 SR-Bank (SR), SpareBank 1 SMN (SMN) and SpareBank 1 Nord-Norge (SNN). At the same time the agency affirmed the ratings of Sparebanken Vest (SBV) and SpareBank 1 Boligkreditt AS (SB1).

Fitch has downgraded the Individual ratings of SR, SMN and SNN to 'B/C' from 'B'. The downgrades reflect the rapid deterioration in the economic environment internationally but also domestically and Fitch's expectation of further deterioration in asset quality. Combined with in some cases rapid past loan growth, this could lead to some erosion of the banks' capitalisation, which Fitch views as already tight in the case of SR. In addition, SR, SMN and SNN have become more dependent on wholesale funding markets than some of their international peers although this is somewhat mitigated by their access to the joint covered bond company, SB1. The Individual ratings also take into account the banks' strong franchise in their home regions, sound risk management systems and diversified revenue sources. A full list of ratings appears at the foot of this release.

The agency also changed the Outlook on the Long-term Issuer Default Ratings (IDRs) of SMN and SNN to Negative from Stable, and placed SR's Long-term and Short-term IDRs, Individual and debt ratings on Rating Watch Negative (RWN). The Long-and Short-term IDRs of the three banks could be downgraded if further deterioration in asset quality follows the trend seen in H208 and the banks fail to generate sufficient underlying pre-impairment profit to absorb larger impairment charges. The last quarter of 2008 saw material increases in impaired but performing loans and large impairment charges. The agency will reassess in the coming quarters to what extent these represent conservative measures or are symptomatic of a trend of sharp asset quality deterioration. The RWN on SR's ratings reflects the agency's view that the bank faces a greater need to increase its capitalisation compared with peers. Fitch would downgrade the bank's ratings if SR were to fail to materially improve its capital level. However, the agency notes that the recently announced support package to the banking system in Norway provides for the possibility for banks to raise capital from the Norwegian government.

The affirmation of SBV's ratings is based on Fitch's view that further deterioration in asset quality and continued pressure on the operating performance in 2009 would remain compatible with current rating levels. This view takes into account an acceptable capitalisation and the strong retail bias of the bank's loan book. Access to covered bonds since the beginning of the year, even if so far used as a collateral tool for central bank funding, is a positive. However, the agency believes that some risks may arise in the rapid recent growth in the corporate loan book.

The affirmation of SB1's ratings takes into account Fitch's expectations that the asset quality of SB1's residential mortgage book will prove particularly resilient despite the weakening economic outlook. SB1's residential mortgage book contains high quality mortgages with low loan to value ratios.

Today's rating actions have no impact on the 'AAA' rating of covered bonds issued by SB1 and Sparebanken Vest Boligkreditt AS.

SR, SMN and SNN are founding members of the SpareBank 1 Alliance (Alliance) which was set up in 1996. These three banks also founded the joint company, SpareBank 1 Gruppen (SG) which owns several non-bank financial subsidiaries. In the past three years, SR, SMN and SNN have benefited from SG's profit contribution. However, in 2008 SG announced an operating loss following a large fair value loss on its life insurance's investment book and the termination of an IT project. Hence, SR, SMN and SNN reported a loss from their stakes in SG. The bottom line profit of the three banks was boosted by large negative goodwill resulting from the acquisition of Glitnir

Bank ASA by banks members of the Alliance in late 2008.

The ratings of the four banks and SB1 are as follows:

SR:

Long-term issuer default rating (IDR) of 'A' placed on RWN
Senior debt rating of 'A' placed on RWN
Short-term IDR of 'F1' placed on RWN
Support rating affirmed at '3'
Support rating floor affirmed at 'BB+'
Individual rating downgraded to 'B/C' from 'B', placed on RWN
Subordinated debt rating of 'A-'(A minus) placed on RWN

SMN:

Long-term IDR affirmed at 'A', Outlook changed to Negative from Stable
Senior debt affirmed at 'A'
Short-term IDR affirmed at 'F1'
Support rating affirmed at '3'
Support rating floor affirmed at 'BB+'
Individual rating downgraded to 'B/C' from 'B'
Subordinated debt affirmed at 'A-'(A minus)

SBV:

Long-term issuer default rating (IDR) affirmed at 'A-' (A minus) with Stable Outlook
Senior debt affirmed at 'A-'(A minus)
Short-term IDR affirmed at 'F2'
Support rating affirmed at '3'
Support rating floor affirmed at 'BB+'
Individual rating affirmed at 'B/C'
Subordinated debt affirmed at 'BBB+'

SNN:

Long-term IDR affirmed at 'A', Outlook changed to Negative from Stable
Senior debt affirmed at 'A'
Short-term IDR affirmed at 'F1'
Support rating affirmed at '3'
Support rating floor affirmed at 'BB+'
Individual rating downgraded to 'B/C' from 'B'
Subordinated debt affirmed at 'A-'(A minus)

SB1:

Long-term IDR affirmed at 'A', Outlook Stable
Short-term IDR affirmed at 'F1'
Support rating affirmed at '2'

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