

FITCH AFFIRMS SPAREBANK 1 SR-BANK; REMOVES RWN; OUTLOOK NEGATIVE

Fitch Ratings-London-28 September 2009: Fitch Ratings has today affirmed SpareBank 1 SR-Bank's (SR) ratings at Long-term Issuer Default (IDR) 'A', Short-term IDR 'F1', Individual 'B/C' and removed the Rating Watch Negative assigned to these ratings on 6 March 2009. The Outlook on the Long-term IDR is Negative. A full list of ratings appears at the foot of this release.

The removal of the RWN follows SR's announcement on 25 September 2009 of an equity increase of around NOK1.2bn. In Fitch's view, the transaction materially strengthens SR's capitalisation and better aligns it with its Norwegian rated peers'. The transaction would increase SR's Fitch eligible capital ratio at end-June 2009 by around 1.5 percentage points to close to 8.5%. In Fitch's view, the broader economic outlook remains uncertain, despite recent positive signs in Norway; the Negative Outlook reflects the potential impact thereof on SR, considering its rapid corporate loan growth until 2008 and some single-name and sector concentration. At the same time, the agency recognises SR's strong local franchise and good core earnings generation. A material part of overall funding is sourced in capital markets, although access to covered bonds through the jointly-owned subsidiary, SpareBank 1 Boligkreditt, supports the bank's liquidity position.

As Norway's insurance company, Gjensidige Forsikring, will be the main contributor to the capital injection, it will become the largest shareholder in SR with a stake of around 17%. The remainder of the capital increase will be achieved through a fully-underwritten public issue and also, possibly, through a small private issue to employees. SR also announced that this equity injection will enable it to further strengthen capital through the issue of hybrid instruments, which it is expecting to carry out by end-2009.

SR is the second-largest Norwegian-owned bank in Norway, operating in Rogaland and its neighbouring regions of Agder and Hordaland.

In Fitch's rating criteria, a bank's standalone risk is reflected in Fitch's Individual ratings and the prospect of external support is reflected in Fitch's Support ratings. Collectively these ratings drive Fitch's Long- and Short-term IDRs.

SR's ratings are as follows:

Long-term IDR affirmed at 'A'; RWN removed; Negative Outlook assigned

Senior debt affirmed at 'A'; RWN removed

Short-term IDR affirmed at 'F1'; RWN removed

Support rating affirmed at '3'

Support Rating Floor affirmed at 'BB+'

Individual rating affirmed at 'B/C'; RWN removed

Subordinated debt affirmed at 'A-'; RWN removed

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