

**Moody's changes outlook on SpareBank 1 SR-Bank, SpareBank 1 SMN and SpareBank 1 Nord-Norge to negative (Norway)**

London, 23 October 2008 -- Moody's Investors Service has today changed to negative from stable the outlook on the C+ Bank Financial Strength Ratings (BFSR) and Aa3 long-term debt and deposit ratings of SpareBank 1 SR-Bank, SpareBank 1 SMN and SpareBank 1 Nord-Norge, all of which are the rated members of the Norwegian SpareBank 1 alliance. The banks' Prime-1 short-term ratings were affirmed. At the same time, Moody's affirmed the A3/P-2 issuer ratings of SpareBank 1 Gruppen AS, which is a holding company owned by SpareBank 1 alliance banks.

"Moody's rating action follows the announcement that SpareBank 1 SR-Bank, SpareBank 1 SMN and SpareBank 1 Nord-Norge, together with the other banks in the SpareBank 1 alliance (not rated) have acquired Glitnir Bank ASA (Glitnir Bank), which was the Norwegian subsidiary of Iceland's Glitnir banki hf, for NOK300 million (EUR33 million)," explains Eeva Antila, Moody's lead analyst for Norwegian banks. The acquisition includes retail and corporate banking operations, funding companies for retail mortgages and commercial real estate as well as a factoring company. Moody's understands that, for the time being, Glitnir Bank will be kept as a separate company and will appear on the new owners' accounts according to their respective ownership stakes. The largest owner will be SpareBank 1 SMN with a 25% stake, followed by SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge with a 20% holding each. Moody's points out that the transaction is subject to a regulatory approval.

The Norwegian Glitnir Bank is a relatively small bank, with market shares of less than 2% in lending and deposits in Norway. The total assets of the bank were NOK55 billion (EUR6.5 billion) at end-June 2008 and its loan portfolio of NOK47 billion (EUR5.5 billion) consists mainly of retail mortgages and loans to commercial real estate sector. In addition, the bank has been active in a few niche areas including shipping, seafood and offshore industries.

Moody's rating action reflects the execution risk that is involved in the acquisition of Glitnir Bank. Even though the transaction is not exerting pressure on the new owners' financial strength, the rating agency cautions that there are significant uncertainties surrounding the deal given the speed with which it was completed. Moody's also notes Glitnir Bank's high credit risk concentration both in terms of borrowers and industries.

"In Moody's opinion, the price that SpareBank 1 banks are paying for Glitnir Bank appears to be low and deviates significantly from the value of the bank's total equity. Indeed, the transaction includes badwill amounting to NOK2.8 billion," says Ms Antila. This provides some buffer to absorb potential losses on the loan portfolio, but the rating agency cautions that Glitnir Bank has been focusing on the industries, such as commercial real estate, that could come under pressure if Norway's economic outlook continued to deteriorate.

On the positive side, Moody's says that the acquisition is expected to strengthen the franchise of SpareBank 1 alliance, particularly in the Oslo area as well as on the west coast.

The review will focus on potential appearance of execution risk and possible requirement for financial support from the owner banks which could impair their financial strength.

Headquartered in Stavanger, Norway, SpareBank 1 SR-Bank posted total assets of NOK109 billion (EUR13.6 billion) at the end of June 2008.

Headquartered in Trondheim, Norway, SpareBank 1 SMN reported total assets of NOK76 billion (EUR9.4 billion) at the end of June 2008.

Headquartered in Tromsø, Norway, SpareBank 1 Nord-Norge reported total assets of NOK60 billion (EUR7.5 billion) at the end of June 2008.

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