

**Rating Action: Moody's concludes review of nine Danish financial institutions**

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**Downgrades of LT ratings and/or BFSRs limited to one or two notches**

London, 08 September 2009 -- Moody's Investors Service today downgraded the long-term ratings of five Danish banks: Jyske Bank A/S (by two notches), Amagerbanken A/S, Nykredit Bank A/S, Spar Nord Bank A/S and Sydbank A/S (all by one notch). The long-term ratings of FIH Erhvervsbank A/S were confirmed with a stable outlook and the long-term rating of Ringkjøbing Landbobank A/S was confirmed with a negative outlook. In addition, the bank financial strength ratings (BFSRs) of five Danish banks were downgraded: FIH Erhvervsbank and Nykredit Bank by two notches and Amagerbanken, Jyske Bank and Spar Nord Bank by one notch.

Moody's will comment on its rating actions on Nordea Bank Danmark A/S in a separate press release together with those on its parent, Nordea Bank AB.

Regarding the issuer ratings of mortgage credit institutions: BRFkredit a/s was downgraded by two notches and Nykredit Realkredit A/S by one notch. The ratings of DLR Kredit A/S remain on review, which will take into account Moody's recently published rating methodology for financial institutions that specialise in the issuance of covered bonds on behalf of owner banks. In addition, Danmarks Skibskredit A/S's issuer rating was downgraded by two notches.

The full list of rating actions and their specific rationales can be found below, under the name of each reviewed bank.

These rating actions conclude the reviews for possible downgrade initiated on 22 July 2009. Moody's notes that backed Aaa and Prime-1 ratings assigned under the Bank Packages I and II were not affected.

Please note that this press release does not deal with the possible implications for the covered bond ratings of Danish mortgage credit institutions issuers.

Moody's review, during which it assessed the effect of anticipated credit losses on earnings and capitalisation, showed that the BFSRs of the affected banks would be weakened by further deterioration in their financial performance arising from the economic downturn. Similarly, the financial strength of the other downgraded financial institutions would come under pressure under Moody's anticipated scenario. (please refer to Moody's Special Comments: "Moody's Approach to Estimating Nordic Banks' Credit Losses", published in July 2009; "Calibrating Bank Ratings in the Context of the Global Financial Crisis", published in February 2009; and "Moody's Approach to Estimating Bank Credit Losses and their Impact on Bank Financial Strength Ratings", published in May 2009)

The anticipated deterioration in asset quality mainly reflects the more challenging outlook for the Danish corporate sector and exposures to more volatile sectors such as real estate, agriculture and shipping. In light of increasing unemployment and the high indebtedness of Danish households, there could also be increased pressure on the quality of retail loans, particularly when unsecured. The negative outlooks that most of the BFSRs and issuer ratings carry, reflect the potential for additional macroeconomic deterioration beyond Moody's current expectations and related transition risk in the financial strength of these institutions.

As part of the process, Moody's also reviewed the support considerations. The long-term senior debt and deposit ratings continue to incorporate varying levels of probability of systemic support from the Danish government depending on the systemic importance of each bank to the banking system. In the current financial crisis, the Danish government has demonstrated its support to the banking sector in terms of funding, liquidity and capital (via Bank Packages I and II). In Moody's view this underpins the investment-grade ratings of the Danish banks for the time being.

Further explanation regarding Moody's recalibration framework is provided in Moody's Press Release dated 22 July 2009 where the above mentioned Danish financial institutions were put on review.

RATINGS OF HYBRID INSTRUMENTS

The downgrades of the banks' hybrid ratings in terms of notches were in line with the downgrades of the BFSRs. This reflects the rating action that Moody's took in March 2009 on subordinated and hybrid debt instruments issued by Danish banks as a result of the recent measures by the Danish government regarding these instruments. Therefore, the ratings of these instruments are closer to the bank's unsupported or intrinsic strength.

Moody's published a Request for Comment in June 2009 regarding proposed changes to banks' subordinated capital ratings. If implemented in their proposed form, the changes could lead to some further changes in the subordinated ratings of the Danish banks. Please refer to the Request for Comment "Moody's Proposed Changes to Bank Subordinated Capital Ratings" for further details.

#### RATING ACTIONS IN DETAIL

##### Amagerbanken A/S

Moody's downgraded Amagerbanken's BFSR to E+ (mapping to a B1 baseline credit assessment, BCA) from D-. The outlook on the BFSR is stable. The lower BFSR reflects Moody's continued concerns about the bank's significant exposure to the commercial property sector coupled with its very high single borrower concentration. Given that the Danish real estate market continues to experience difficult times, Moody's believes that the bank is likely to face further challenges in terms of credit risk, which is also reflected in the fact that around 26% of the loan book was subject to some degree of individual impairment charges as of the end of H1 2009.

Moreover, the downgrade reflects Moody's concerns about the sustainability of the bank's franchise given the adverse developments in the property sector, which has traditionally been the bank's core business area and is likely to take several years to recover. Moody's notes that Amagerbanken has applied for hybrid capital from the government amounting to DKK1.4 billion, which would improve the bank's capacity to withstand further losses on its loan portfolio.

The bank's short-term deposit rating was downgraded to Prime-3 from Prime-2 and long-term deposit rating to Baa3 from Baa2. The long-term deposit rating incorporates a four-notch uplift from the baseline credit assessment (BCA, which maps directly from the BFSR). This reflects the measures by the Danish government under Bank Package I and II that in Moody's view underpin the current investment-grade rating on the bank's long-term deposits.

##### BRFkredit a/s

Moody's downgraded BRFkredit's issuer rating to Baa1 from A2. The outlook on the issuer rating is negative. The rating action reflects Moody's expectation of increasing credit risk in BRFkredit's loan portfolio and resulting adverse pressure on capitalisation. Asset quality has weakened, particularly in relation to exposures to commercial real estate where arrears, especially in loans to private rental housing, which represent 20% of mortgage loans, remain elevated. Moody's does not expect market conditions to improve in the near future.

Moody's notes that BRFkredit has applied for hybrid capital amounting to DKK2.2 billion from the government, which could provide some buffer against additional losses and could limit further downward pressure in the rating. The rating agency, however, cautions that any deterioration in BRFkredit's position in the Danish mortgage market could result in a reassessment of the strength of its franchise and have adverse rating implications. In addition, continued weakness in the commercial property market combined with increased pressure on the retail segment could result in losses exceeding Moody's expectations, which is reflected in the negative outlook.

##### Danmarks Skibskredit A/S (Danish Ship Finance)

Moody's downgraded Danish Ship Finance's issuer rating to A2 from Aa3. The outlook is negative. The rating action was prompted by the rating agency's expectation of a significant increase in credit risk given the deterioration in the shipping industry, which is undergoing a severe downturn. Weaker global demand has resulted in declining shipping volumes, significant overcapacity and a corresponding decline in freight rates. The outlook for the sector remains challenging.

As a specialised lender to the shipping industry, Danish Ship Finance exhibits significant concentration risk to the industry, which could suffer from a potentially prolonged slump. In addition, the loan portfolio is highly concentrated, which is reflected in the fact that the five largest debtors account for over 50% of gross lending (at the end of 2008). Moody's cautions that asset values in most of the vessel categories have decreased sharply over the past year. Additionally, a strong increase in lending by 20% in 2008 has reduced the seasoning of the loan portfolio and could be a cause for concern.

The issuer rating of Danish Ship Finance incorporates its BCA of 7 and a medium probability of systemic support from the government, which owns 18.9% of the entity. Given the weak outlook for the shipping industry, Moody's expects the financial profiles of shipping lenders to continue to deteriorate, which is reflected in the negative outlook.

#### FIH Erhvervsbank A/S (FIH)

Moody's downgraded FIH's BFSR to D- (mapping to a Ba3 BCA) from D+. The outlook on the BFSR is negative. The lower BFSR reflects the rating agency's expectation of a continued deterioration in the asset quality of the bank's loan portfolio due to its exposure to the Danish corporate sector and property finance. Also, its exposures to private equity and structured finance remain a concern. In addition, Moody's notes the bank's high single name exposure; even though improvements have been made, the concentration remains among the highest of the rated Nordic banks. The hybrid capital that FIH received from the government in June 2009 mitigates these concerns to some extent.

Earnings before provisioning improved in H1 2009, but given the contracting loan portfolio it remains to be seen if this trend is sustainable. Moody's notes that any deterioration in FIH's position in the Danish market could result in a reassessment of the strength of its franchise and have negative rating implications. FIH is owned by Iceland's Kaupthing Bank hf, which remains in moratorium.

The Baa3/Prime-3 long- and short-term debt and deposit ratings were confirmed with stable outlook. This reflects the measures by the Danish government under Bank Package I and II that in Moody's view underpin the current investment-grade ratings of the bank's long-term senior debt and deposits.

#### Jyske Bank A/S

Moody's downgraded Jyske Bank's BFSR to C+ (mapping to an A2 BCA) from B-. The outlook on the BFSR is negative. The lower BFSR reflects decreased recurring earnings over the past few years and also Moody's expectation of asset quality deterioration in the bank's loan portfolio, especially in relation to lending to agriculture, SMEs and unsecured lending to households. Moody's notes that Jyske Bank has applied for DKK3.1 billion in hybrid capital from the government, but the bank indicated that it may not use this option for additional capital in light of its H1 2009 results.

The long-term debt and deposit ratings were downgraded to A1 from Aa2. The outlook on the ratings is stable. The downgrade of the long-term ratings reflects the bank's weakened financial strength. The ratings benefit from a high probability of systemic support in light of the bank's national importance in its region as well as nationally.

#### Nykredit Bank A/S

Moody's downgraded Nykredit Bank's BFSR to C- (mapping to a Baa1 BCA) from C+. The outlook for the BFSR is negative. The lower BFSR reflects the execution risk in relation to the merger with Forstaedernes Bank (less than half of the loan portfolio of Nykredit Bank) to be completed before 1 April 2010. The weakening recurring earnings as a result of the termination of the bank's proprietary trading, and also Moody's expectation of asset quality deterioration in the bank's loan portfolio, especially in relation to its lending to commercial real estate. Moody's notes positively that Nykredit Bank was highlighted as an important part of Nykredit Group in the updated group strategy in May 2009 and also that Nykredit Realkredit has injected capital in Nykredit Bank.

The long-term debt and deposit ratings were downgraded to A1 from Aa3. The outlook for the ratings is stable. The downgrade was prompted by the weakness in the bank's BFSR as well as the downgrade of Nykredit Realkredit's issuer rating. The uplift of three notches from the BCA reflects Moody's assessment of a very high probability of parental support.

#### Nykredit Realkredit A/S

Moody's downgraded Nykredit Realkredit's issuer rating to A1 from Aa3. The outlook is stable. The lower rating reflects decreased and volatile earnings and anticipated further losses on its loan portfolio. The earnings of Nykredit Realkredit reflect its monoline business and relatively low margins. The volatility of its earnings has been high over the past years due to the large securities portfolio that includes also strategic shareholdings in regional Danish banks and we expect the volatility of its earnings to continue.

Nykredit Realkredit is the leading mortgage credit institution in Denmark with almost all its loan portfolio exposed to the Danish property market both in form of lending to corporates and to households. Given the decreased house prices in Denmark and increased levels of bankruptcies and unemployment, Moody's expects further deterioration

in the asset quality of Nykredit Realkredit's loan portfolio, especially in relation to lending to agriculture, private rental housing and lending to private households.

Moody's notes that all Nykredit Realkredit's lending has to be secured by first security in property, so the rating agency expects the anticipated losses for Nykredit Realkredit to be lower than those of Danish commercial banks. Moody's notes positively that Nykredit Realkredit has applied for DKK9.5 billion in hybrid capital from the government.

#### Ringkjøbing Landbobank A/S

Moody's confirmed Ringkjøbing Landbobank's C+ BFSR (mapping to an A2 BCA) and A1 deposit rating. The outlook for both ratings is negative. The confirmation is a reflection of the bank's current capital level -- a Tier 1 ratio of 15.9% at the end of H1 2009 -- which under the anticipated stress scenario provides a satisfactory buffer against potential credit losses for the bank to remain in the current BFSR category. However, Moody's cautions that if credit-risk-related costs were to exceed its current expectations, coupled with less sustainable core earnings, this could lead to a reassessment of the BFSR and deposit rating. Therefore, both ratings carry a negative outlook.

#### Spar Nord Bank A/S

Moody's downgraded Spar Nord Bank's BFSR to C- (mapping to a Baa1 BCA) from C. The outlook on the BFSR is stable. The lower BFSR reflects a weaker trend in profitability and Moody's expectations of a weakening in the bank's financial strength to a position more in line with the C- category. Moody's expects to see deterioration in Spar Nord Bank's asset quality in light of its exposures to agriculture and SMEs and also notes the bank's leasing portfolio, which are seen as potential sources of increased credit risk in the economic downturn and could exert additional pressure on the bank's capitalisation. The rating agency notes that the bank's capital base was strengthened in June 2009 by hybrid capital of DKK1.3 billion from the government, which should provide a buffer with which to absorb additional credit-risk-related costs and limit the downside risk to the BFSR.

Spar Nord Bank's debt and deposit ratings were downgraded to A2 from A1. Moody's says that the ratings continue to benefit from a two-notch uplift from the BCA, which reflects the bank's position in the Danish banking system and Moody's assessment of a high probability of systemic support. The outlook on the debt and deposit ratings is stable.

#### Sydbank A/S

Moody's downgraded Sydbank's debt and deposit ratings to A1 from Aa3. The outlook on the ratings is stable. Sydbank's BFSR remains at C+ with a negative outlook. The lower debt and deposit ratings reflect the potential transition risk in the bank's financial strength under more severe stress than Moody's anticipates given the bank's exposures to agriculture, SMEs and unsecured retail lending. When considering the standalone financial strength of the bank and its systemic importance, the rating agency believes that the bank is well positioned in the A1 category.

This assessment also takes into consideration initiatives to increase capital: Sydbank has applied for DKK1.2 billion in hybrid capital from the government. This should provide a buffer with which to absorb additional credit-risk-related costs and limit the downside risk to the BFSR.

#### RATING ACTIONS IN SUMMARY

##### Amagerbanken A/S

- BFSR downgraded to E+ from D-, with stable outlook;
- Long-term deposit rating downgraded to Baa3 from Baa2, with stable outlook;
- Short-term deposit rating downgraded to Prime-3 from Prime-2.

Moody's last rating action on Amagerbanken A/S was on 22 July 2009 when the BFSR as well as long- and short-term deposit ratings were placed on review for possible downgrade.

##### BRFkredit a/s

- Long-term issuer rating downgraded to Baa1 from A2, with negative outlook.

Moody's last rating action on BRFkredit a/s was on 22 July 2009 when the issuer rating was placed on review for possible downgrade.

Danmarks Skibskredit A/S (Danish Ship Finance)

- Long-term issuer and senior unsecured ratings downgraded to A2 from Aa3, with negative outlook.

Moody's last rating action on Danish Ship Finance was on 22 July 2009 when the ratings were placed on review for possible downgrade.

DLR Kredit A/S

- A1 long-term issuer rating remains on review for possible downgrade
- A3 preferred stock rating remains on review for possible downgrade

Moody's last rating action on DLR Kredit A/S was on 22 July 2009 when the ratings were placed on review for possible downgrade.

FIH Erhvervsbank A/S

- BFSR downgraded to D- from D+, with negative outlook;
- Long-term deposit and senior unsecured ratings confirmed at Baa3, with stable outlook;
- Subordinate ratings downgraded to B1 from Ba3, with negative outlook;
- Prime-3 short-term ratings confirmed.

Moody's last rating action on FIH Erhvervsbank A/S was on 25 March 2009 when the BFSR and long- and short-term ratings were downgraded and all ratings were placed on review for possible further downgrade.

Jyske Bank A/S

- BFSR downgraded to C+ from B-, with negative outlook;
- Long-term deposit and senior unsecured ratings downgraded to A1 from Aa2, with stable outlook;
- Subordinate ratings downgraded to A3 from A2, with negative outlook;
- Junior subordinate ratings downgraded to Baa1 from A3, with negative outlook;
- Prime-1 short-term ratings unaffected.

Moody's last rating action on Jyske Bank A/S was on 22 July 2009 when the BFSR and long-term ratings were placed on review for possible downgrade.

Nykredit Bank A/S

- BFSR downgraded to C- from C+, with negative outlook;
- Long-term deposit and senior unsecured ratings downgraded to A1 from Aa3, with stable outlook;
- Subordinate ratings downgraded to A2 from A1, with stable outlook;
- Junior subordinate ratings downgraded to A3 from A2, with stable outlook;
- Prime-1 short-term ratings unaffected.

Moody's last rating action on Nykredit Bank A/S was on 22 July 2009 when the long-term ratings were placed on review for possible downgrade.

Nykredit Realkredit A/S

- Long-term issuer rating downgraded to A1 from Aa3, with stable outlook;

- Subordinate ratings downgraded to A2 from A1, with stable outlook;
- Junior subordinate ratings downgraded to A3 from A2, with stable outlook;
- Prime-1 short-term issuer unaffected.

Moody's last rating action on Nykredit Realkredit A/S was on 22 July 2009 when the long-term ratings were placed on review for possible downgrade.

Ringkjøbing Landbobank A/S

- C+ BFSR confirmed, outlook changed to negative;
- A1 long-term deposit rating confirmed, outlook changed to negative;
- Prime-1 short-term rating unaffected.

Moody's last rating action on Ringkjøbing Landbobank A/S was on 22 July 2009 when the BFSR and long-term rating were placed on review for possible downgrade.

Spar Nord Bank A/S

- BFSR downgraded to C- from C, with stable outlook;
- Long-term deposit and senior unsecured ratings downgraded to A2 from A1, with stable outlook;
- Subordinate ratings downgraded to Baa2 from Baa1, with stable outlook;
- Prime-1 short-term ratings unaffected.

Moody's last rating action on Spar Nord Bank A/S was on 22 July 2009 when the BFSR and long-term ratings were placed on review for possible downgrade.

Sydbank A/S

- Long-term deposit and senior unsecured ratings downgraded to A1 from Aa3, with stable outlook.
- C+ BFSR with negative outlook unaffected;
- A3 subordinate rating with negative outlook unaffected;
- Baa1 preferred stock rating with negative outlook unaffected;
- Prime-1 short-term ratings unaffected.

Moody's last rating action on Sydbank A/S was on 22 July 2009 when the long-term debt and deposit ratings were placed on review for possible downgrade.

## RATING METHODOLOGIES

The principal methodologies used in the above rating actions are "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology" published in March 2007, "Bank Financial Strength Ratings: Global Methodology" published in February 2007 and "Revised Methodology for Government Related Non-Bank Financial Institutions" published in August 2006, which can be found at [www.moodys.com](http://www.moodys.com) in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered can also be found in the Rating Methodologies sub-directory on Moody's website.

Amagerbanken A/S, headquartered in Copenhagen, Denmark, reported total assets of DKK33 billion (EUR4.4 billion) at the end of June 2009.

BRFkredit a/s, headquartered in Lyngby, Denmark, reported total assets of DKK241 billion (EUR32.3 billion) at the end of June 2009.

Danmarks Skibskredit A/S, headquartered in Copenhagen, Denmark, reported total assets of DKK85 billion (EUR11.5 billion) at the end of June 2009.

DLR Kredit A/S, headquartered in Copenhagen, Denmark, reported total assets of DKK135 billion (EUR18.1 billion) at the end of June 2009.

FIH Erhvervsbank A/S, headquartered in Copenhagen, Denmark, reported total assets of DKK136 billion (EUR18.3 billion) at the end of June 2009.

Jyske Bank A/S, headquartered in Silkeborg, Denmark, reported total assets of DKK226 billion (EUR30.4 billion) at the end of June 2009.

Nykredit Bank A/S, headquartered in Copenhagen, Denmark, reported total assets of DKK199 billion (EUR26.7 billion) at the end of June 2009.

Nykredit Realkredit A/S, headquartered in Copenhagen, Denmark, reported total assets of DKK973 billion (EUR130.6 billion) at the end of June 2009.

Ringkjøbing Landbobank A/S, headquartered in Ringkøbing, Denmark, reported total assets of DKK18 billion (EUR2.4 billion) at the end of June 2009.

Spar Nord Bank A/S, headquartered in Aalborg, Denmark, reported total assets of DKK64 billion (EUR8.6 billion) at the end of June 2009.

Sydbank A/S, headquartered in Aabenraa, Denmark, reported total assets of DKK160 billion (EUR21.5 billion) at the end of June 2009.

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