

Rating Action: Moody's downgrades five Danish banks' senior ratings following reduction of systemic support

Global Credit Research - 16 Feb 2011

Ratings incorporating systemic support placed on review for further possible downgrade; outlook on three banks' financial strength ratings changed to negative from stable

London, 16 February 2011 -- Moody's Investors Service has taken various rating actions on a number of Danish banks. These actions follow the bankruptcy and transfer of Amagerbanken to a government-backed entity, Financial Stability, on February 6th 2011, demonstrating both the willingness and ability of the Danish government to use resolution tools provided under new legislation to impose losses on depositors and senior creditors in a bankruptcy.

The long-term ratings of Danske Bank A/S, Spar Nord Bank A/S, FIH Erhvervsbank A/S, Ringkjøbing Landbobank A/S and BankNordik P/F were downgraded, and the long-term ratings of Danske Bank, FIH Erhvervsbank, and BankNordik remain on review for further possible downgrade. The long-term ratings of Nordea Bank Danmark A/S, Sydbank A/S, and Jyske Bank A/S were placed on review for possible downgrade, and the outlooks on the standalone bank financial strength ratings of Spar Nord Bank A/S, FIH Erhvervsbank A/S, and BankNordik P/F were changed to negative from stable. The short-term ratings of Spar Nord Bank and FIH Erhvervsbank were also downgraded, and the short-term rating of BankNordik was placed on review for possible downgrade. (See below for a full list of rating actions.)

SYSTEMIC SUPPORT ASSUMPTIONS REDUCED TO LOW FROM HIGH

"Today's rating actions reflect a reduction in Moody's systemic support assumptions for Danish banks," says Oscar Heemskerk, Vice President. "Last week's bankruptcy of Amagerbanken demonstrated both the willingness and ability of the government to allow depositors and senior creditors of Danish banks to take losses in bankruptcy, where bank operations are continued as a going concern." As a consequence, Moody's has reduced the systemic support assumptions it uses for Danish banks, downgrading the senior debt and deposit ratings of five banks by between 1 and 2 notches and removing systemic support from all but the four largest banks in Denmark.

To date, Moody's considered the probability of government support for Danish banks to be high, reflecting the absence of deposit losses in the past 20 years, the importance of the Danish banking system for the national economy, and the support the government has extended in the recent past, including substantial volumes of bank debt guaranteed by the government in support of the banks. However, the enactment of the Bank Package III law in October 2010 provides a framework for the resolution of ailing banks in which losses can be allocated not only to core equity, hybrid capital, and subordinated debt, but also to senior debt and deposits. Combined with its implementation with respect to Amagerbanken in February 2011, this law implies that the Danish government is now far less willing to continue to support bank creditors at the expense of tax payers than it was only a few months ago. Consequently, we have changed our assumption on systemic support to 'low' for Denmark, the lowest category within our systemic support framework.

Moody's expects to learn more over the coming months of the implications of the Danish government's actions for the Danish financial system, which may in turn shed light on the feasibility of maintaining a less supportive stance in future. We will therefore undertake a further assessment of the Danish government's intentions over the coming months, in line with Moody's recent publication "Supported Bank Debt Ratings at Risk of Downgrade Due to New Approaches to Bank Resolution". Consequently, debt and deposit ratings of the four banks that retain systemic uplift in their ratings -- Danske Bank (A1 incorporating two notches of systemic support), Nordea Bank Danmark (Aa2 incorporating two notches of systemic support), Jyske Bank (A1 incorporating one notch of systemic support), and Sydbank (A1 incorporating one notch of systemic support) -- have been placed on review for further possible downgrade. The review reflects our opinion that the Danish law and practice are substantially different to our historical expectations on government support, while taking into account the size and systemic importance of these banks.

NEGATIVE OUTLOOK ON STANDALONE FINANCIAL STRENGTH RATINGS REFLECTS POSSIBLE FUNDING PRESSURE

The change in outlooks to negative from stable on three banks' standalone bank financial strength ratings -- FIH Erhvervsbank (D BFSR mapping to a Ba2 baseline credit assessment, BCA), Spar Nord Bank (C-/Baa1), and BankNordik (C-/Baa2) --, results in all Danish banks now having negative outlooks for their BFSRs. This view is guided by the expectation that, following Amagerbanken's bankruptcy, Danish banks' funding will be more vulnerable to investor and depositor transfers.

In Moody's opinion, Amagerbanken's bankruptcy and the resulting losses will raise depositors' and creditors' awareness of the risk of loss, particularly in Denmark. We foresee increased pressure on Danish banks' funding, both from local unguaranteed depositors (amounts above EUR 100,000 equivalent) and from international investors (approximately 40% of deposits and inter-bank funding). For a number of banks, this pressure will be in addition to substantial future refinancing needs, since the government's individual guarantees expire before the end of 2013 (for the rated banks with government guaranteed funding, on average more than 20% of total funding benefits from an individual government guarantee). We now maintain negative outlooks on all Danish banks' standalone bank financial strength ratings, and will evaluate these additional pressures as they unfold over the coming months.

An in-depth discussion of the changes to Moody's support assumptions for Denmark, along with a description of the Bank Package III laws, will be published shortly in a Moody's Special Comment.

This press release does not address any rating impact that these rating actions may have on the affected banks' covered bonds.

The principal methodologies used in above rating actions were "Bank Financial Strength Ratings: Global Methodology", published in February 2007, and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", published in March 2007.

RATING ACTIONS IN SUMMARY

BankNordik P/F

- Outlook on C- BFSR (Baa2 BCA) changed to negative from stable

- Long-term bank deposit rating downgraded to Baa1 from A3; the rating is placed on review for possible downgrade. During the review period we will reassess the probability of support from the Faroe Islands local government (rated Aa2 stable) to the bank.

- P-2 short-term bank deposit rating on review for possible downgrade

- Aaa government-guaranteed debt is not affected

Danske Bank A/S

- C BFSR (A3 BCA) is not affected and continues to have a negative outlook

- Long-term senior unsecured debt, issuer, and deposit ratings downgraded by one notch to A1 from Aa3. The ratings continue to benefit from two notches of systemic support and remain on review for possible downgrade.

- P-1 short-term ratings not affected.

- Baa2 (hyb) junior subordinated, Baa3 (hyb) Tier 1 hybrid, and Aaa government-guaranteed debt rating are not affected

FIH Erhvervsbank A/S

- Outlook on D BFSR (Ba2 BCA) changed to negative from stable

- Long-term senior unsecured debt and deposit rating downgraded to Ba1 from Baa3. The ratings remain on review for possible downgrade. The review will focus on our assessment of the probability of parental support from the bank's new owners.

- Short-term ratings downgraded to Non Prime from P-3.

- Outlook on B2 (hyb) junior subordinated debt changed to negative

Jyske Bank A/S

- C+ BFSR (A2 BCA) is not affected and continues to have a negative outlook

- A1 long-term senior unsecured and deposit ratings placed on review for possible downgrade. The ratings benefit from one notch of systemic support.

- P-1 short-term ratings not affected

- Baa1 (hyb) junior subordinated debt and Baa2 (hyb) Tier 1 hybrid ratings are not affected

Sydbank A/S

- C+ BFSR (A2 BCA) is not affected and continues to have a negative outlook

- A1 long-term senior unsecured and deposit ratings placed on review for possible downgrade. The ratings benefit from one notch of systemic support.

- P-1 short-term ratings not affected

- Baa1 junior subordinated debt and Baa2 (hyb) Tier 1 hybrid ratings are not affected

Spar Nord Bank A/S

- Outlook on C- BFSR (Baa1 BCA) changed to negative from stable

- Long-term senior unsecured and deposit ratings downgraded to Baa1 from A2. The ratings no longer benefit from systemic support uplift. The outlook on the long term ratings was changed to negative.

- Short-term ratings are downgraded to P-2 from P-1

- Outlook on Baa3 junior subordinated debt and Ba1 (hyb) Tier 1 hybrid ratings changed to negative

- Aaa government-guaranteed debt is not affected

Nordea Bank Danmark A/S

- C BFSR (A3 BCA) not affected and continues to have a negative outlook

- Aa2 long-term senior unsecured, issuer and deposit ratings placed on review for possible downgrade. The ratings benefit from one notch of systemic support.

- P-1 short-term ratings not affected

Ringkjøbing Landbobank

- C+ BFSR (A2 BCA) not affected and continues to have a negative outlook

- Long-term bank deposit rating downgraded to A2 from A1. The rating no longer benefits from systemic support uplift. The outlook on the long

term ratings continues to be negative.

- P-1 short term ratings not affected

PREVIOUS RATING ACTIONS

Moody's most recent rating action on BankNordik P/F was implemented on 6 September 2010, when it concluded the review for possible downgrade by confirming the C- BFSR and A3 long-term and Prime-2 short-term deposit ratings.

Moody's most recent rating action on Danske Bank A/S was implemented on 26 February 2010, when it downgraded the Junior Subordinated Debt to Baa2 from A3 and the Tier 1 Securities to Baa3 from Baa1.

Moody's most recent rating action on FIH Erhvervsbank A/S was implemented on 14 January 2011, when it maintained the review for possible downgrade of the Baa3 long term debt and deposit and Prime-3 short term ratings and affirmed the D BFSR with a stable outlook.

Moody's most recent rating action on Jyske Bank A/S was implemented on 26 February 2010, when it downgraded the Junior Subordinated Debt to Baa1 from A3 and the Tier 1 Securities to Baa2 from Baa1.

Moody's most recent rating action on Sydbank A/S was implemented on 26 February 2010, when it downgraded the Junior Subordinated Debt to Baa1 from A3 and the Tier 1 Securities to Baa2 from Baa1.

Moody's most recent rating action on Spar Nord Bank A/S was implemented on 26 February 2010, when it downgraded the Junior Subordinated Debt to Baa3 from Baa2.

Moody's most recent rating action on Nordea Bank Denmark A/S was implemented on 8 September 2009, when it downgraded the BFSR to C from B- (negative outlook) and the long term debt and deposit rating to Aa2 from Aa1.

Moody's most recent rating action on Ringkjøbing Landbobank A/S was implemented on 8 September 2009, when it confirmed the C+ BFSR and A1 long term deposit rating with a negative outlook.

Based in Tórshavn, Faroe Islands, BankNordik reported consolidated assets of DKK 15.7 billion (EUR 2 billion) as of end-September 30 2010.

Based in Copenhagen, Denmark, Danske Bank reported consolidated assets of DKK 3,214 billion (EUR 431 billion) as of end-December 31 2010.

Based in Copenhagen, Denmark, FIH Erhvervsbank reported consolidated assets of DKK 109 billion (EUR 15 billion) as of end-December 31 2010.

Based in Silkeborg, Denmark, Jyske Bank reported consolidated assets of DKK 249 billion (EUR 33 billion) as of end-September 30 2010.

Based in Aabenraa, Denmark, Sydbank reported consolidated assets of DKK 154 billion (EUR 21 billion) as of end-September 30 2010.

Based in Aalborg, Denmark, Spar Nord Bank reported consolidated assets of DKK 67 billion (EUR 9 billion) as of end-December 31 2010.

Based in Copenhagen, Denmark, Nordea Bank Denmark reported consolidated assets of DKK 1,077 billion (EUR 145 billion) as of end-June 30 2010.

Based in Ringkjøbing, Denmark, Ringkjøbing Landbobank reported consolidated assets of DKK 18 billion (EUR 2 billion) as of end-December 31 2010.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's Investors Service considers the quality of information available on the issuer or obligation satisfactory for the purposes of maintaining a credit rating.

The rating has been disclosed to the rated entities or its designated agents and issued with no amendment resulting from that disclosure.

Moody's Investors Service may have provided Ancillary or Other Permissible Service(s) to the rated entity or its related third parties within the three years preceding the Credit Rating Action. Please see the ratings disclosure page www.moody.com/disclosures on our website for further information.

Moody's adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see ratings tab on the issuer/entity page on Moody.com for the last rating action and the rating history.

The date on which some Credit Ratings were first released goes back to a time before Moody's Investors Service's Credit Ratings were fully digitized and accurate data may not be available. Consequently, Moody's Investors Service provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moody.com for further information.

Please see the Credit Policy page on Moody.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

London
Oscar Heemsker

Vice President - Senior Analyst
Financial Institutions Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

London
Simon Harris
MD - Financial Institutions
Financial Institutions Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454



© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating

services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.