



Moody's Investors Service

Rating Action: **Moody's downgrades hybrid securities ratings in Denmark**

Global Credit Research - 26 Feb 2010

London, 26 February 2010 -- Moody's Investors Service downgraded its ratings on certain Danish hybrid securities, in line with its revised Guidelines for Rating Bank Hybrids and Subordinated Debt published in November 2009. This concludes the review for possible downgrade that began on November 18th, 2009. Moody's has also downgraded certain junior subordinated securities that were initially not put on review.

A full list of the individual securities affected can be accessed through this link:

www.moody.com/cust/getdocumentByNotesDocId.asp?criteria=PBS_SF196147

Prior to the global financial crisis, Moody's had incorporated into its ratings an assumption that support provided by national governments and central banks to shore up a troubled bank would, to some extent, benefit the subordinated debt holders as well as the senior creditors. Contrary to this expectation -- and past behaviour of most governments -- the systemic support for these instruments has not been forthcoming in many cases during this crisis. The revised guidelines largely remove previous assumptions of systemic support, resulting in today's rating action. In addition, the revised hybrid ratings guidelines generally widen the possible notching on a hybrid's rating that is based on the instrument's features.

RATING ACTION IN DETAIL

The starting point in Moody's revised approach to rating hybrid securities is the Adjusted Baseline Credit Assessment (Adjusted BCA). The Adjusted BCA reflects the bank's standalone credit strength, including parental and/or cooperative support, if applicable. The Adjusted BCA excludes systemic support.

The characteristics of most Danish cumulative junior subordinated debt and non-cumulative Tier 1 securities are fairly standardised:

- The junior subordinated debt is dated, ranks subordinated to senior debt in liquidation and allows or requires the issuer to defer coupon payments only if a regulatory minimum capital trigger is breached. Any deferred interest is cumulative. A permanent principal write-down is possible if share capital is reduced to zero in a restructuring outside liquidation. The rating assessment takes into account these features, as well as the demonstrated behaviour of Danish regulators to impose losses on subordinated securities through the use of good bank / bad bank structures. As a result, for Denmark, unless stated otherwise, junior subordinated debt is rated at the Adjusted BCA level minus two notches.
- The loss absorption for Tier 1 securities while the issuer remains a going concern stems from the non-cumulative coupon skip mechanism. Coupon skip is mandatory following breach of an available free reserve trigger, and allowed or required if a minimum regulatory capital trigger is breached. A permanent principal write down is possible if share capital is reduced to zero in a restructuring outside liquidation. Taking into account their deeply subordinated claim in liquidation, this means that, unless stated otherwise, these instruments are rated at Adjusted BCA minus three notches.

The rating actions on each Danish bank are detailed below:

1) Danske Bank A/S (Aa3/P-1/C)

The Adjusted BCA for Danske Bank is A3, which is the same level as its standalone Baseline Credit Assessment (BCA).

The following securities issued by Danske Bank were affected by this rating action:

- Junior subordinated debt and junior subordinated EMTN programme ratings (Upper Tier 2): Downgraded to Baa2 from A3.
- Tier 1 securities: Downgraded to Baa3 from Baa1.

The outlook for the affected instruments for Danske Bank is negative, in line with the negative outlook for Danske Bank 's C BFSR.

2) DLR Kredit A/S (A3)

The issuer rating for DLR Kredit is A3.

The following securities issued by DLR Kredit were affected by this rating action:

- Tier 1 securities: Downgraded to Baa3 from Baa2.

The outlook for the affected instruments for DLR Kredit is negative, in line with the negative outlook for DLR Kredit's A3 issuer rating.

3) FIH Erhvervsbank A/S (Baa3/P-3/D-)

The Adjusted BCA for FIH Erhvervsbank is Ba3, which is the same level as its BCA.

The following securities issued by FIH Erhvervsbank were affected by this rating action:

- Junior subordinated debt and junior subordinated EMTN programme ratings (Upper Tier 2): Downgraded to B2 from B1.

The outlook for the affected instruments for FIH Erhvervsbank is negative, in line with the negative outlook for FIH Erhvervsbank 's D- BFSR.

4) Jyske Bank A/S (A1/P-1/C+)

The Adjusted BCA for Jyske Bank is A2, which is the same level as its BCA.

The following securities issued by Jyske Bank were affected by this rating action:

- Junior subordinated debt and junior subordinated EMTN programme ratings (Upper Tier 2): Downgraded to Baa1 from A3.
- Tier 1 securities: Downgraded to Baa2 from Baa1.

The outlook for the affected instruments for Jyske Bank is negative, in line with the negative outlook for Jyske Bank 's C+ BFSR.

5) Nykredit Bank A/S (A1/P-1/C-)

The Adjusted BCA for Nykredit Bank is A1, which is three notches higher than the standalone BCA due to parental support from Nykredit Realkredit A/S.

The following securities issued by Nykredit Bank were affected by this rating action:

- Junior subordinated EMTN programme ratings (Upper Tier 2): Downgraded to A3 from A2.

The outlook for the affected instruments for Nykredit Bank is negative, in line with the negative outlook for Nykredit Bank 's C- BFSR.

6) Nykredit Realkredit A/S (A1/P-1)

The issuer rating for Nykredit Realkredit is A1.

The following securities issued by Nykredit Realkredit were affected by this rating action:

- Junior subordinated debt ratings (Upper Tier 2): Downgraded to A3 from A2.
- Tier 1 securities: Downgraded to Baa1 from A3.

The outlook for the affected instruments for Nykredit Realkredit is stable, in line with the stable outlook for Nykredit Realkredit 's A1 issuer rating.

7) Spar Nord Bank A/S (A2/P-1/C-)

The Adjusted BCA for Spar Nord Bank is Baa1, which is the same level as its BCA.

The following securities issued by Spar Nord Bank were affected by this rating action:

- Junior subordinated EMTN programme ratings (Upper Tier 2): Downgraded to Baa3 from Baa2.

The outlook for the affected instruments for Spar Nord Bank is stable, in line with the stable outlook for Spar Nord Bank's C- BFSR.

8) Sydbank A/S (A1/P-1/C+)

The Adjusted BCA for Sydbank is A2, which is the same level as its BCA.

The following securities issued by Sydbank were affected by this rating action:

- Junior subordinated debt and junior subordinated EMTN programme ratings (Upper Tier 2): Downgraded to Baa1 from A3.
- Tier 1 securities: Downgraded to Baa2 from Baa1.

The outlook for the affected instruments for Sydbank is negative, in line with the negative outlook for Sydbank's C+ BFSR.

The principal methodology used in these rating actions was Moody's Guidelines for Rating Hybrid Securities and Subordinated Debt, published in November 2009.

The last rating action on Danske Bank A/S, Jyske Bank A/S, Nykredit Bank A/S, Nykredit Realkredit A/S and Sydbank A/S was on 18 November 2009, when the entity's junior subordinated debt and non-cumulative hybrid securities ratings were placed on review for possible downgrade.

The last rating action on DLR Kredit A/S, was on 18 November 2009, when the bank's junior subordinated debt ratings were placed on review for possible downgrade.

The last rating action on FIH Erhvervsbank A/S was on 8 September 2009, when the bank's BFSR was downgraded to D- from D+ and the junior subordinated debt rating was downgraded to B1 from Ba3.

The last rating action on Spar Nord Bank A/S was on 8 September 2009, when the bank's BFSR was downgraded to C- from C, the long term debt rating was downgraded to A2 from A1 and the subordinated debt rating was downgraded to Baa2 from Baa1.

Danske Bank A/S, headquartered in Copenhagen, Denmark, reported total assets of DKK3,098 billion (EUR416 billion) at the end of December 2009.

DLR Kredit A/S, headquartered in Copenhagen, Denmark, reported total assets of DKK149 billion (EUR20 billion) at the end of December 2009.

FIH Erhvervsbank A/S, headquartered in Copenhagen, Denmark, reported total assets of DKK130 billion (EUR18 billion) at the end of December 2009.

Jyske Bank A/S, headquartered in Silkeborg, Denmark, reported total assets of DKK225 billion (EUR30 billion) at the end of December 2009.

Nykredit Bank A/S, headquartered in Copenhagen, Denmark, reported total assets of DKK187 billion (EUR25 billion) at the end of December 2009.

Nykredit Realkredit A/S, headquartered in Copenhagen, Denmark, reported total assets of DKK1,101 billion (EUR148 billion) at the end of December 2009.

Spar Nord Bank A/S, headquartered in Aalborg, Denmark, reported total assets of DKK65 billion (EUR9 billion) at the end of December 2009.

Sydbank A/S, headquartered in Aabenraa, Denmark, reported total assets of DKK158 billion (EUR21 billion) at the end of December 2009.

Please visit www.moody.com to access the following documents for additional information:

Moody's Guidelines for Rating Bank Hybrid Securities and Subordinated Debt -- November 17, 2009

Frequently Asked Questions: Moody's Guidelines for Rating Bank Hybrid Securities and Subordinated Debt -- November 17, 2009

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