

Rating Action: Danske Bank A/S

Moody's downgrades Danske Bank to Aa3/C and Sampo Bank to A1/C

P-1 short-term ratings affirmed

London, 13 February 2009 -- Moody's Investors Service today downgraded the long-term deposit ratings and bank financial strength rating (BFSR) of Danske Bank to Aa3 from Aa1 and to C from B, respectively, and the long-term deposit ratings and BFSR of its wholly owned Finnish subsidiary, Sampo Bank, to A1 from Aa1 and to C from B-, respectively. The Prime-1 short-term ratings of both banks were affirmed. The outlook on the debt ratings is stable for both banks, as well as on the C bank financial strength rating (BFSR) of Sampo Bank; the C BFSR of Danske Bank has a negative outlook. This concludes the review for possible downgrade instigated in November 2008.

The downgrade of Danske Bank's BFSR to C from B reflects its weakened financial strength as well as Moody's expectation of a further increase in impairments in its loan portfolio. Mitigating this is the bank's announcement that it will apply for DKR 26 billion hybrid capital from the government in accordance with the Danish government's support package for financial entities. In addition, the slowdown in the bank's major markets is likely to result in lower profitability, reducing its ability to generate capital and reserves internally.

Moody's downgrade of the bank's long-term rating to Aa3 reflects the weaker BFSR, but continues to factor in the rating agency's view on the very high probability of systemic support as a result of Danske Bank's position as the leading Danish bank and its importance to the payments system.

Danske Bank is the largest Nordic bank in term of assets. It has a dominant market position in most banking products in Denmark and Northern Ireland as well as meaningful franchises in Sweden, Finland (via Sampo Bank), Norway, the Baltic area and the Republic of Ireland. Danske Bank group also encompasses one of the leading Danish insurance companies, Danica.

Sampo Bank is a wholly owned subsidiary of Danske Bank (acquired in 2007) and is one of the leading Finnish banks. Danske Bank has stated its intention to convert Sampo Bank into a branch at some stage and the banks have relatively high levels of integration in risk management and product palettes.

DOWNGRADE OF DANSKE BANK'S BFSR TO C

The downgrade of Danske Bank's BFSR to C reflects the bank's weakened financial strength in 2008 as well as Moody's expectation of further pressure on earnings due to lower activity levels and weakening asset quality. The rating agency has a negative outlook on the credit conditions in all of Danske Bank's major markets and expects further deterioration in the corporate loan book in coming years due to the bank's high exposure to corporate lending, with corporate bankruptcies increasing in geographical areas.

In addition, unemployment rates are increasing and Moody's cautions that, with the high leverage of Danish and to a lesser extend household in the other main markets losses from retail lending and residential mortgages will increase going forward and may in some countries lead to rapid deterioration of loan book. As a mitigating factor, the rating agency notes that at the end of 2008 the average loan-to-value ratio for the Danish mortgage book was a relatively low 57% mitigating the house price deterioration seen in Denmark over the past year of more than 10% for flats and close to 8% for single family houses.

Moody's also notes that, even though the bank's liquidity portfolio has so far not suffered any losses, mark-to-market volatility is high and, should Danske Bank have to realise this portfolio, mark-to market losses could be substantial.

Moody's views the DKR26 billion hybrid issuance that Danske Bank plans to receive from the government support system as positive, even though, based on available information, the equity element that the rating agency would assign would only be 25%. The anticipated Tier 1 capital levels under full Basel 2 would be 12%, however under Basel 2 transitional rules and only adding 25% for equity content of the hybrid issues this ratio would only be 7.4%. Moody's comment the extra hybrid capital will provide buffer against expected further losses.

The negative outlook on the C BFSR reflects the significant uncertainty associated with potential further impairments beyond Moody's base stress assumptions, given the difficult economic environment in the

bank's main markets.

DOWNGRADE OF DANSKE BANK'S LONG-TERM SENIOR RATINGS TO Aa3 FROM Aa1

Moody's downgrade of Danske Bank's senior long-term debt and deposit ratings to Aa3 from Aa1 reflects the downgrade in the BFSR. However, the rating also factors in the continuing importance of the bank to the Danish banking system and Moody's assessment that the probability of systemic support for the bank remains very high. This results in a three-notch uplift for the long-term debt and deposit ratings from the A3 baseline credit assessment (BCA, which is derived from the C BFSR). The stable outlook reflects the perceived strength of the Danish government to provide support.

DOWNGRADE OF SAMPO BANK'S RATINGS TO A1/C

Moody's downgrade of Sampo Bank's BFSR reflects its integration into Danske Bank's risk management structure, its dependence on long-term funding provided by its parent and the banks' move towards similar product palettes. It also reflects the reduced earnings and possible further pressure on core earnings due to integration problems and the rating agency's expectations of further losses over the next few years. Sampo Bank is important in relation to Danske Bank's Nordic strategy and it benefits from a high probability of support from its parent and a very high probability of systemic support from Finland.

The outlook on Sampo Bank's ratings is stable, reflecting its good capital levels and ability to absorb losses, as well as the fact that its activities are mainly based on retail and corporate lending.

The last rating actions on Danske Bank and Sampo Bank were on 12 November 2008, when the banks' BFSRs and long-term ratings were placed on review for possible downgrade.

The principal methodologies used in rating this issuer were "Bank Financial Strength Ratings: Global Methodology" (February 2007) and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology" (March 2007), which can be found at www.moody.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies sub-directory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

The following ratings have been downgraded:

Danske Bank A/S

- BFSR to C from B
- Long-term bank deposit rating to Aa3 from Aa1
- Issuer rating and senior unsecured debt rating to Aa3 from Aa1
- Subordinate debt rating to A1 from Aa2
- Hybrid debt rating to A2 from Aa3

Sampo Bank plc

- BFSR to C from B-
- Long-term bank deposit rating to A1 from Aa1
- Issuer rating and senior unsecured debt rating to A1 from Aa1
- Subordinate debt rating to A2 from Aa2
- Hybrid debt rating to A3 from Aa3

Headquartered in Copenhagen, Denmark, Danske Bank reported consolidated assets of more than DKK3,500 billion (around EUR476 billion) at the end of December 2008. Sampo Bank is headquartered in Helsinki, Finland. At the end of December 2008, it had total assets of EUR29 billion.

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