Moody's downgrades Roskilde Bank's BFSR to C- and GLC deposit rating to A2

1,135 words
1 July 2008
Moody’s Investors Service Press Release
MOODPR
English
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Stable outlook on BFSR and negative outlook on GLC deposit rating

Moody's Investors Service has today downgraded Roskilde Bank's bank financial strength rating ("BFSR") to C- from C and the bank's long-term global local currency (GLC) deposit rating to A2 from A1. The bank's Prime-1 short-term local and foreign currency ratings were affirmed. The outlook on the BFSR is stable and the outlook on the GLC deposit rating is negative.

The rating action was prompted by Moody's concerns over the bank's high exposure to the real-estate sector and weakening asset quality, which is putting pressure on profitability and capital.

The rating agency considers that Roskilde Bank is facing increasing challenges due to the weakening real-estate market in Denmark. In recent years the bank has expanded its lending to real-estate companies in the high growth areas around Copenhagen where the slowdown has been more marked than in slower growth areas. More specifically, Roskilde Bank's exposure to real estate sector represents over 40% of its total loans and guarantees. The bank's loan portfolio is also exposed to significant single name concentration.

Moody's also notes that Roskilde Bank's loan portfolio has grown rapidly in recent years -- volumes increased by 38% in 2007 and by over 50% in 2006 and 2005 -- thus significantly reducing the seasoning of the loan book. The problem loan ratio is still at a satisfactory level but the increased credit risk is reflected in rising impairments - at end-March 2008, problem loans accounted for 1.4% of gross loans compared with 0.7% at year-end 2006. The C- BFSR takes also into account Roskilde Bank's capacity to absorb additional losses in the case of further deterioration in asset quality, which corresponds to the C- rated entities with similar lending characteristics.

Moody's currently maps Roskilde Bank's C- BFSR to a Baa1 Baseline Credit Assessment (BCA). However, based on Moody's rating methodology a C- BFSR can be mapped to a Baa1 or a Baa2. The rating agency will continue to monitor performance in real-estate related exposures and any significant further deterioration may lead to a reassessment of the BFSR mapping. Lowering of the bank's BCA from a Baa1 to a Baa2 would result in a downgrade of the deposit rating. Therefore, a negative outlook has been assigned to the deposit rating.

Headquartered in Roskilde, Denmark, Roskilde Bank reported consolidated assets of DKK43 billion (EUR5.8 billion) at end-March 2008.

The following ratings were downgraded:

Roskilde Bank A/S:

Bank Deposits: to A2 from A1
Bank Financial Strength: to C- from C
Senior Unsecured: to A2 from A1
Subordinate: to A3 from A2
Preferred Stock: to Baa1 from A3
The following ratings were affirmed:

Roskilde Bank A/S:

Commercial Paper: P-1

Other Short-Term: P-1