Moody’s

Moody’s downgrades Roskilde Bank’s BFSR to D from C-; review maintained

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Subordinated debt and preferred stock also downgraded; A3/P-1 deposit ratings affirmed

Moody’s Investors Service today downgraded the bank financial strength rating ("BFSR") of Roskilde Bank A/S ("Roskilde Bank") to D from C-. The bank’s subordinated debt and non-cumulative perpetual floating rate capital securities ("preferred stock") were downgraded to Ba1 from Baa1 and to Ba2 from Baa2, respectively. The long-term bank deposit rating and senior debt ratings were affirmed at A3 and the short-term rating was affirmed at Prime-1. All of the bank's ratings remain on review for possible downgrade.

Moody’s rating action follows the announcement by Roskilde Bank that the writedowns on its loans and guarantees will total DKK880-900 million in the first half of 2008. This is significantly higher than anticipated and will lead to a pretax loss of over DKK500 million for the period. Writedowns are mainly related to property development projects.

The downgrade of the BFSR to D, which maps to a Baseline Credit Assessment of Ba2, reflects Moody’s view that the recent events have significantly weakened the bank’s financial position and impaired its franchise. Moreover, Moody’s believes that, given the bank’s large exposure to the real estate sector, profitability and capital are likely to remain under pressure going forward.

In affirming Roskilde Bank’s A3/P-1 ratings the rating agency said that the support provided by the Danish Central Bank to Roskilde Bank in the form of standby liquidity facility continues to underpin the ratings assigned to the bank’s deposits and senior debt.

As previously communicated in Moody’s credit opinions and the rating action press releases dated 1 July and 11 July 2008, the rating agency has concerns over the bank’s high exposure and single-name concentrations to the real estate sector, which have grown substantially in recent years, and have led to the deteriorating asset quality. The review of the bank’s ratings continues to focus on the exposure to the real estate sector and the liquidity position as well as prospects for a full or partial sale of the bank.

Commenting on the downgrading of Roskilde Bank’s subordinated debt and preferred stock ratings, Moody’s said that this action reflects the increased probability of coupon deferrals or principal writedowns on these instruments as the stand-alone creditworthiness of the bank has further deteriorated. Given the high loss severity of a coupon deferral and particularly of a principal writedown, the incremental expected loss has substantially increased albeit the general probability that this will happen remains in Moody's view still low. Moody's notes that the liquidity agreement from the central bank covers the interest payments under subordinated and hybrid debt but cautions that a further deterioration in capital is possible. There is also uncertainty related to a full or partial sale of the bank.

The following ratings were downgraded and remain on review for possible downgrade:

Roskilde Bank A/S:

- Bank financial strength rating: D
- Subordinated debt: Ba1
- Preferred stock: Ba2

The following ratings were affirmed but remain on review for possible downgrade:

Roskilde Bank A/S:
- Long-term bank deposits: A3
- Senior unsecured debt: A3
- Short-term bank deposits: Prime-1
- Commercial paper: Prime-1
- Other short-term: Prime-1

Moody's previous rating action on Roskilde Bank took place on 11 July 2008 when the Baseline Credit Assessment (mapping from the then BFSR of C-) was lowered to Baa2 and the long-term and senior unsecured ratings were downgraded by one notch to A3. The short-term ratings were affirmed. All ratings were placed on review for possible downgrade.

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

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