

Rating Action: Jyske Bank A/S

Moody's changes outlook on Jyske Bank's Aa2/B- ratings to negative

London, 12 November 2008 -- Moody's Investors Service today changed the outlook on Jyske Bank's B-bank financial strength rating ("BFSR") and Aa2 long-term local and foreign deposit and debt ratings to negative from stable. The rating action was prompted by concerns over the bank's asset quality going forward in light of the less benign Danish economy, which may exert pressure on its profitability. The bank's Prime-1 short-term deposit rating was affirmed.

Jyske Bank is the largest regional bank in Denmark with its core business in Jutland but with good national coverage. The rating agency considers that Jyske Bank is facing increasing challenges due to the weakening economic outlook in Denmark, a more severe fall in house prices and rapidly increasing bankruptcy levels. Moody's notes that Jyske Bank has taken higher levels of provisioning during 2008 (DKK292 million compared to DKK74 million in 2007) to accommodate these challenges, but problem loans remain at low levels at 0.4% of gross loans.

More specifically, the negative outlook reflects Moody's concern that the potential deterioration in Jyske Bank's asset quality and earnings could result in it being no longer commensurate with the range for banks with a BFSR of B-.

On the one hand, Jyske Bank's lending growth has been in line with that of the market over the past five years and it has only limited exposure to Danish property developers. However, Moody's notes that the bank's loan book does display some single-loan exposure concentration.

The rating agency recognises that the bank has a good capacity to absorb additional losses but cautions that a deterioration in profitability could exert pressure on its financial flexibility.

At the end of Q3 2008, Jyske Bank's funding comprises more than 50% deposits, almost 30% market funding and almost 20% interbank funding, with the interbank exposure being covered by repo-able liquid assets. Moody's adds that the Danish guarantee scheme for financial institutions has opened up the country's interbank market and it considers Jyske Bank's liquidity profile to be good.

A downgrade of Jyske Bank's BFSR and deposit ratings could be prompted by a potential weakening in its financial strength, particularly in its asset quality, or a tightening of its liquidity profile given the current challenging market conditions facing the banking sector.

Headquartered in Silkeborg, Denmark, Jyske Bank reported consolidated assets of DKK224 billion (EUR30 billion) at end-September 2008.

London
Reynold R. Leegerstee
Managing Director
Financial Institutions Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

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

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