

Moody's assigns A1/P-1/C+ ratings to Ringkjøbing Landbobank A/S (Denmark)

First-time ratings

London, 22 May 2007 -- Moody's Investors Service has today assigned a C+ bank financial strength rating (BFSR) to the Danish regional bank, Ringkjøbing Landbobank, as well as local currency and foreign currency deposit ratings of A1/Prime-1. The outlook on all ratings is stable.

Ringkjøbing Landbobank's C+ BFSR -- which maps to a Baseline Credit Assessment (BCA) of A2 under Moody's joint default analysis (JDA) methodology -- reflects the bank's strong local franchise, strong financial fundamentals and conservative strategy. The rating also incorporates possible future challenges arising from the intense competition in the Danish banking market and funding pressures as savings disintermediation advances.

In light of Ringkjøbing Landbobank's importance to its local market, Moody's considers the probability of systemic support for the bank in the event of a stress situation to be moderate. The bank's A1 local currency deposit rating is therefore supported not only by its A2 BCA, but also by the Aaa local currency deposit ceiling of Denmark, which is considered to be the underlying support provider. Consequently, under the JDA methodology, the local currency deposit rating reflects a one-notch uplift from the BCA.

Moody's notes that Ringkjøbing Landbobank benefits from a strong franchise and high market shares in its local market in Western Jutland, where it provides the full range of products, including private banking, to its retail and SME customers. As a local bank, Ringkjøbing Landbobank also benefits from close customer relationships. In addition, the bank has established a good niche sector through the financing of wind turbines in countries that support and guarantee alternative sources of energy.

Moody's also believes that risk management practices are adequate for the level and type of risk in the bank. Moreover, the bank has strong financial indicators in comparison to similarly rated institutions. The recorded growth in loans and the bank's niche business line have also mitigated the drivers of margin pressure that all Danish banks face.

Going forward, the BFSR could benefit from upward pressure in the event that the bank improves and maintains its current market share, whilst also improving risk management procedures and sustaining strong financial fundamentals.

Conversely, the BFSR could be negatively affected by a deterioration in its profitability or risk profile such that it is no longer commensurate with the C+ rating range. In addition, an eroding market position, any credit problems in the large exposures or deteriorating liquidity could also have adverse rating implications.

Headquartered in Ringkøbing, Denmark Ringkjøbing Landbobank had total assets of DKK17.5 billion (EUR2.3 billion) at the end of March 2007.

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