

Moody's confirms BankNordik's ratings with stable outlook

On February 15th 2010 Moody's initiated a review for possible down grade of BankNordik following BankNordik's acquisition of 12 bank branches from Sparbank.

Moody's Investor Service today announced that their review has been concluded and that they confirm the A3 long-term and Prime-2 short-term local and foreign currency deposit ratings as well as the C- bank financial strength rating (BFSR) of BankNordik. The outlook on all ratings is stable.

Thus, BankNordik has been able to maintain its current ratings since 2008, when the bank received its first rating from Moody's. 10 Danish banks are rated by Moody's and all except two has been downgraded since 2009.

In their press release Moody's writes that "its current assessment incorporates information from BankNordik's non-audited interim consolidated statements published on 16 August 2010".

Moody's notes that "the acquired branches accounted for approximately 25% of the bank's total loan book as of 30 June 2010. The review for possible downgrade was triggered by the execution risk embedded in this substantial operation and the uncertainty surrounding the combined bank's portfolio quality, growth strategy and cost management going forward. Moody's review focused on evaluating the execution and assessing the credit quality of the acquired portfolio as well as the earnings potential and risk management of the combined group."

In Moody's opinion, "BankNordik has executed the integration of the newly acquired branches as planned in H1 2010." Moody's also notes, that "the evaluation of the newly acquired loan book has not led to significant additional provisions being taken in the bank's H1 2010 results."

According to Moody's, "BankNordik's rating continues to be underpinned by the bank's local franchise in the Faroe Islands where it reported a gross market share of 43% at year-end 2009. The rating is also supported by the bank's financial fundamentals, specifically its Tier-1 ratio, which, calculated under Basel II, was 17.9% at end-June 2010; as well as by its large deposit base, as reflected by the bank's deposit-to-loan ratio of 99% as of H1 2010."

"Generally the banks' ratings have been under pressure during the financial crises, and therefore it is satisfactory that Moody's has maintained BankNordik's rating and provided a stable outlook. We take these actions as a confirmation and appreciation of BankNordik's business strategy where focus is on maintaining the bank's

P/F BankNordik

Húsagøta 3
PO Box 3048
FO-110 Tórshavn
Faroe Islands

Tel +298 330 330
Fax +298 330 001
www.banknordik.fo

solvency, creating a balance between deposits and loans and securing profit while generating growth," says Janus Petersen, CEO

Headquartered in Tórshavn, Faroe Islands, BankNordik reported total assets of DKK 15 billion (EUR2 billion) at the end of June 2010, and the BankNordik Group employed approximately 450 employees, whereof 250 were employed in the Faroe Islands. In the first half of 2010 BankNordik had a pre-tax profit of DKK 458 million.

Further information:

Janus Petersen, CEO, phone (+298) 330 340