

Danish government launches a two-year guarantee to the Banking sector

October 6, 2008

Executive summary

- Two-year state guarantee on liabilities in Denmark incl. deposits and unsecured claims
- Financial sector issues DKr 10bn loss guarantee and pays an annual commission of DKr 7.5bn
 - Minimum payment DKr 15bn (2*annual commission)
 - Maximum payment DKr 35bn (paid commission + loss guarantee + potential additional commission)
- No dividend payment and share buybacks
- For Danske Bank the guarantee is expected to
 - Contribute to better flow of liquidity and funding
 - Reduce funding costs
 - Reduce fee income by approx. DKr 2.5bn a year
- Update on preliminary earnings Q3 2008
 - Income from banking activities slightly lower than expected
 - Results in Danske Markets and Danica affected negatively by financial turmoil
 - Costs as expected
 - Loan losses approx. DKr 1.8bn including write-downs on Lehman Brothers

State guarantee

- What is included in the guarantee?

Who

All financial institutions in Denmark with:

- A banking license
- And a membership of the Sector Fund*

What

- Deposits
- Due to credit institutions (interbank liabilities)
- Issued bonds (senior debt)



Banks with branches in foreign countries covered by a local state guarantee can choose between the systems

Runs for two years but can be extended if deemed necessary to maintain financial stability

* Sector Fund = Det Private Beredskab. See slide number 10 for further information

State guarantee

- What is not included in the guarantee?

What

- Liabilities in subsidiaries and foreign branches in countries without state guarantee
- Hybrid capital and subordinated debt
- Covered bonds
- Debt and deposits secured on government-bonds or covered bonds

The guarantee and the expenses for the Sector Fund

1. Sector Fund issues DKr 10bn first loss guarantee
2. Pays an annual commission of DKr 7.5bn equal to DKr 15bn over two years
 - Payment in cash or shares
3. Potential extra DKr 10bn fee if total losses exceed DKr 25bn

The state is liable for further losses



- Minimum payment DKr 15bn (2*DKr 7.5bn)
- Maximum payment DKr 35bn (DKr 10bn + DKr 2*7.5bn + DKr 10bn)

Implications for participants

- during the two-year period

The participants are not allowed to

- Pay out dividend
- Initiate new share-buyback programs
- Establish new share option programmes
- Extend existing share option programmes

Danske Bank's share of the Sector Fund

- Approx 1/3
- Based on capital requirement for Danish activities under the guarantee

Implications for Danske Bank

The guarantee is expected to

- Facilitate the Group's access to funding and reduce funding costs
- Have a positive effect on net interest income
- Reduce net fee income by DKr 2.5bn p.a. for two years
 - Approx. DKr 0.6bn for Q4 2008
 - Effect from October 6, 2008
- Add additional expenses if payment under the guarantee falls due (maximum DKr 6.7bn)






Update on preliminary earnings Q3 2008

Preliminary results for Q3 2008 show

- Income from banking activities slightly lower than expected
- Financial results in Danske Markets and Danica are adversely affected by financial turmoil
- Expenses develop as expected
- Credit loss expenses for the third quarter of 2008 of approx. DKr1.8bn, including write-downs on Danske Bank's facilities to Lehman Brothers
- Credit loss expenses for the full year are expected to exceed the average for a business cycle

Updated guidance for the full year will be given in the Q3 results published on October 28, 2008

Low growth, but a healthy economy

	GDP growth (%)	Budget balance (% of GDP)	Gross pub. debt (% of GDP)	Unemp. rate (%)
	0.5	4.1	21	1.7
	2.6	4.7	33	6.3
	1.0	2.4	37	6.1
	3.1	12.0	26	2.6
	1.3	-1.1	65	7.4



= lower than EU average



= better than EU average

Source: Danske Research, October 2007

The Sector Fund in short

- Established in June 2007 by the banking sector in Denmark
- Main purpose of the Fund is to ensure that banks (in Denmark) in distress due to the liquidity crisis can be liquidated and sold and, hence, avoid bankruptcy
- A bank in distress is given a guarantee or supplied with funds
- Since the time of establishment, the Sector Fund has received total assets of DKr 1.5bn
- The Sector Fund spent DKr 550m in connection with Roskilde Bank
- The Fund will receive DKr 750m again when entering 2009