

Danish government launches Credit Package for Danish financial industry

February 6, 2009

Danske Bank

Executive summary

- **DKK 100bn available for the financial sector in Denmark to recapitalise through hybrid capital**
 - Increase Tier 1 to at least 12%
 - Increase regulatory maximum level of hybrid capital from 15% to 50% of core capital

- **State guaranteed funding for senior debt issuance with maturity until December 31, 2013**

Re-capitalisation instruments I

A. Instrument

- Hybrid, non innovative perpetual (i.e. no step-up)
- Redemption
 - After 3 years at 100
 - After 5 years at 105
 - After 6 years at 110

B. Participants must have at least 12% tier 1 after recapitalisation

- If tier 1 before recap is < 9%, then up to a total of 12%
- If tier 1 before recap is > 9%, max 3% additional

C. Price

- Depends on rating of institution
 - Good rating: 9.00%
 - Moderate rating: 9.55%, 10.10% or 10.65%
 - Poor rating, 11.25%
- Price varies with changes on 5-year government yield

Re-capitalisation instruments II

D. Amount in total of DKK 100bn

- 75bn for banks
- 25bn for mortgage finance institutions

E. May convert into equity

- If individual solvency requirement by Danish FSA is not met AND instrument is above 35% of tier 1

F. Other conditions

- Dividends suspended for accounting year 2008 and 2009 as already stipulated in the stability package
- Dividend payout thereafter will impact coupon on instruments if dividend yield is higher than 80% of the coupon
- Cap on variable remuneration of executive board etc.
- Reporting to FSA on loan development

Funding with state guarantee

Existing stability package continues (expires September 30, 2010)

New specific state guarantee on new issued senior debt

- Maturity December 31, 2013
- Payment for guarantee
 - CDS spread (5 years average) + 50bp, max 90bp p.a., however no payment for the period up until September 30, 2010
- Possibility for mortgage institutions to issue junior covered bond with state guarantee, price 90bp p.a.
- Ordinary deposit guarantee scheme applies after September 30, 2010 but covers up to DKr 750,000

Timeline

