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**Danske Bank**

Company announcement

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### **Danske Bank prepares fully underwritten rights issue**

Danske Bank plans to raise approximately DKK 20 billion of new share capital through a fully underwritten discounted rights issue. The rights issue will strengthen Danske Bank's core tier 1 capital in light of forthcoming regulation. The Bank has approached the Danish Government with a request to prepay the Danish State hybrid capital. The rights issue is expected to be launched in April 2011 at the latest.

#### **Background**

On 18 January 2009, the Danish government and a broad majority of the Danish parliament adopted legislation to permit the Danish State to strengthen the capital base of the financial sector. This step was taken to ensure that customers could continue to borrow from the banks even if the international economic crisis worsened materially.

To strengthen its capital base and accommodate customers' need for financing, Danske Bank and Realkredit Danmark borrowed DKK 24 billion and DKK 2 billion, respectively, from the Danish State in the form of subordinated hybrid capital with redemption options exercisable from 11 April 2014 and 11 May 2012.

The forthcoming regulation includes new capital requirements that allocate a higher value to shareholders' equity than to hybrid capital, an approach that is also favoured by the international rating agencies.

To prepare for these changes, Danske Bank's Board of Directors finds it appropriate to increase the Bank's share capital. The Board of Directors plans to increase Danske Bank's share capital in accordance with Article 6 of the Bank's Articles of Association by issuing

new shares in a fully underwritten discounted rights issue to raise proceeds of about DKK 20 billion.

The purpose of the issue is, initially, to bring Danske Bank's shareholders' equity to a level that management considers appropriate in view of the forthcoming regulation. At the same time, Danske Bank will seek to prepay the hybrid capital to the Danish State.

Consequently, Danske Bank has approached the Danish Government with a request to repay the hybrid capital in May 2012. Furthermore, the Bank has asked for cancellation of the option to convert the hybrid capital into shares.

### **Rights issue**

Danske Bank will act as Global Coordinator and Bookrunner. Bank of America Merrill Lynch has been appointed as Joint Bookrunner and has agreed to underwrite the rights issue subject to customary terms and conditions.

A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal and A.P. Møller – Mærsk A/S, which together represent 22.76% of the share capital, and Realdania, which represents 10.07%, have informed the Bank that they will subscribe for their proportionate shares of the offering.

### **Further information**

Danske Bank will publish a prospectus stating all offer terms and the offer period for the rights issue when the Board of Directors makes the final decision to proceed.

The rights issue and the planned redemption of the State hybrid capital would increase the Group's core tier 1 capital ratio from the current 10.1% to about 12.5% (calculated on the basis of end-2010 figures). The Group's tier 1 capital ratio would decrease from the current 14.8% to about 14.1% (calculated on the basis of end-2010 figures), with nearly 90% deriving from shareholders' equity.

“Danske Bank will be pleased to be able to repay the Danish State with the proceeds from the issue,” says chief executive Peter Straarup. “By increasing our shareholders' equity at the same time, Danske Bank will be one of the best capitalised banks in the EU. Danske Bank will then be in a better position to develop its business and pursue attractive opportunities.”

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*This is a translation of a press release in the Danish language. In case of discrepancies, the Danish version prevails.*

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