



Company announcement 16 - 2008

15 September 2008

Updated expectations of result; dialogue regarding a tender offer for Forstædernes Bank A/S

The Board of Directors of Forstædernes Bank A/S ("the Bank") has been in talks with a leading financial institution about a possible tender offer for the Bank. The Bank expects that a tender offer will be presented shortly after the publication of this announcement.

The Bank updates its expectations of its results etc. as follows:

As per 31 August 2008, the Bank has calculated its solvency ratio at 11.8 and the excess cover in relation to the 10% requirement set out in Section 152 of the Danish Financial Business Act at 105%, equivalent to a liquidity reserve of approximately DKK 4 bn.

Since 30 June 2008, the Bank's core earnings have developed as expected. However, as a consequence of the circumstances described below, the Bank expects core earnings for all 2008 to amount to DKK 250–300m, equivalent to a return on equity as per the beginning of the financial year of approximately 12%. In connection with the publication of the Bank's half-year report for 2008, the Bank expected core earnings for all 2008 to be at the level of approximately DKK 300–350m.

Furthermore, according to the management's estimates the Bank can only expect a break-even result for 2009 and 2010 in aggregate.

The background for the Management's adjusted expectations of 2008 and the expected break-even result in 2009 and 2010 is as follows:

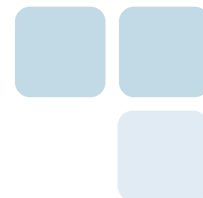
The global crisis on the financial markets

The global financial markets are facing a historic crisis. This has brought increased focus on the risk of making capital available for financial institutions, and it has reduced the amount of liquidity available for lending to clients.

The Bank is affected by the situation on the international lending market in general and the international lenders' view of the Danish financial sector in particular. To a large extent, the loan financing ("funding") obtained by the Bank is established through Danish and foreign financial institutions, which now seek to reduce their exposure to the Danish market.

The collapse of Roskilde Bank in mid July 2008 and the subsequent unsuccessful efforts to dispose of this bank to a third party have brought focus on the Bank. At present, the access to funding from the international lending markets is characterised by greatly increased prices to the extent that funding is available at all.





Correspondingly, it is estimated that under the current market conditions it is in practice not possible to raise hybrid capital and subordinate loan capital.

In its activities, the Bank has taken into account a possible economic slowdown and has planned a number of emergency measures in order to counter potential write downs of assets and securities held by the Bank. However, the Bank did not anticipate the current almost complete and unprecedented standstill in the international funding markets.

Liquidity position

The lack of international financing affects the Bank's short and long term funding which expires and must be refinanced.

According to plan, the Bank must refinance approximately DKK 5-6bn on the international lending markets in the period until the end of 2010 and in 2011 to 2013 an additional amount of DKK 5-6bn. Viewed separately, the Bank has sufficient liquidity to refinance the funding which expires until the end of 2009, but the shortage of financing options may well affect the funding that has to be refinanced subsequently. Under the present market conditions, it is uncertain whether the Bank in the long term will be able to obtain the necessary refinancing with its present structure and ownership. Even if it were possible to obtain such funding, it should be expected that, under the prevailing market conditions, refinancing will be available on considerably poorer terms, to the detriment of the Bank's earnings potential and competitiveness.

Since 11 July 2008 when Roskilde Bank first made a public announcement regarding Roskilde Bank's problems, the Bank has experienced a net reduction of deposits of approximately 8 percent of total deposits as of 30 June 2008, equivalent to DKK 1.3bn. This development in the deposits does not in itself give rise to any problems for the Bank, and the Bank still has a reasonable excess liquidity of approximately DKK 4bn as per 31 August 2008. With the development on the international lending markets as outlined above, a material reduction of the total deposits may, however, contribute to a more difficult position in the future, since a lack of funding and reduced deposits will mainly have to be financed through the Bank's liquidity reserve and a coinciding reduction of the loan portfolio.

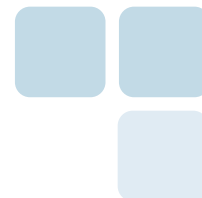
Potential write downs

The Bank's earnings and the risk of write downs depend to a considerable extent on the development on the property and securities markets.

Decreasing prices for both business and housing property have put considerable strain on the property markets, and thus the pledges on which the Bank's loan portfolio is based have been diluted. When this development is taken together with the weaker economic development in Denmark, there is also a risk that certain lenders' earnings and liquidity will be put under pressure.

The development on the securities markets has also been negative in 2008 as a whole and in particular during recent months. To the extent that the Bank's credit





commitments have been secured by a pledge on securities, the decreasing prices entail reduced security and thus, other things being equal, an increased risk of losses.

On the basis of the foregoing, the Board of Directors and the Executive Board have made a renewed assessment of the Bank's risk of write downs. The need for write downs in 2008 has been taken into account in the adjusted expectations of the Bank's core earnings for all 2008. It is the assessment of the Board of Directors and the Executive Board that the risk of write downs will increase considerably during each of the next two years, should the present macroeconomic conditions continue or deteriorate. This will negatively affect the earnings and intensify the requirements to the solvency of the Bank.

Earnings potential

It is the opinion of the Board of Directors and the Executive Board that the expected development of the Bank's funding position will lead to a reduced activity level in the Bank, either through reduced lending or through non-competitive interest rate margins and consequently reduced earnings potential. When this is related to expected lower earnings from asset management due to the global development of asset values and the above-mentioned potential write downs, it is the management's assessment that the aggregate result for 2009 and 2010 will be a break-even result.

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This announcement has been issued both in Danish and English. In case of inconsistency the Danish-language version shall prevail.

