

## Announcement

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### **ROSKILDE BANK A/S ANNOUNCEMENT AT 24. AUGUST 2008**

#### **Introduction**

In its announcement of 14 July 2008, Roskilde Bank A/S ("The Bank") gave an account of its current situation and the course of events leading to the commitment by the Danish Central Bank ("Nationalbanken") to provide the necessary liquidity, and furthermore that a process to sell The Bank in whole or in part would be launched. In the period since then, a structured sales process has been carried through in cooperation with Danske Markets, Corporate Finance (a division of Danske Bank A/S ("Danske Markets")), and the external auditors have furthermore worked with the audit of The Bank's Interim Report for the first half of 2008 at the request of the Danish Financial Supervisory Authority ("FSA").

This sales process has now been completed, and the external auditors have submitted a preliminary result of the ongoing audit. On this background, it may be concluded

- that The Bank is no longer able to meet the individually assessed solvency requirement according to Section 124 of the Financial Business Act,
- that the FSA, pursuant to Section 225 of the Financial Business Act, has determined a deadline for the reestablishment of The Bank's capital base,
- that the sales process launched has now been completed with no offers to buy The Bank in whole or in part, and
- that a new bank established by the Nationalbanken and the Private Contingency Association for the Winding up of Ailing Banks, Savings

Banks and Cooperative Banks ("Private Contingency Association") has offered to buy all assets and assume all debts and other liabilities of The Bank except hybrid core capital and subordinated loan capital.

### **The Bank's financial position**

In its announcement of 14 July, The Bank reported that total write-downs at 30 June 2008 were expected to amount to about DKK 880-900 million, and that the half-year result was expected to be around minus DKK 520-540 million.

In consequence of The Bank's situation and the continued deterioration of the real estate market, the external auditors have in connection with the audit of the Half Year 2008 Report carried out a thorough review of The Bank's loan portfolio. Notwithstanding that the audit has yet to be completed, the review of the loan portfolio has caused the external auditors on 23 August 2008 to inform the FSA and The Bank of their reason to believe that The Bank would have to record further write-downs on loans and provisions on guarantees in the 2008 Half-Year Report. The consequence on the result is a negative effect of at least DKK 1 billion before tax compared to the announcement of 14 July. The external auditors have further reported that, due to the fact that the audit has not been completed, potential write-downs on loans and provisions for guarantees concerning a few major real estate accounts have yet to be recorded. Finally, the external auditors have stated that in the opinion of the external auditors, The Bank meets neither the individually assessed solvency requirement of The Bank nor the solvency requirement pursuant to Section 124 of the Financial Business Act.

The Board of Directors of The Bank has discussed and deliberated the report to the FSA by the external auditors at a meeting on 23 August 2008, and has agreed to its contents.

Subsequently, the Board of Directors of The Bank has concluded that The Bank no longer meets the individually set solvency requirement pursuant to Section 124 of the Financial Business Act and has informed the FSA accordingly on 23 August.

Consequently, the FSA has allowed The Bank till 29 August 2008, 4 p.m. to re-establish the capital base of The Bank.

As previously informed, The Bank asked the Nationalbanken to provide a credit facility in July 2008 as the management feared a run on The Bank in connection with the announcement on 10 July 2008 of the expectation of considerably more substantial write-downs than previously assumed. In spite of the credit facility granted, a large number of customers have withdrawn considerable funds from The Bank. The Banks maximum drawing right under the granted credit facility is DKK 8.3 billion of which DKK 3.6 billion have been drawn as per today.

### **The sales process**

Since Danske Markets was engaged to assist as investment bank in a sale of The Bank, in whole or in part, on 15 July 2008, a comprehensive, structured sales process has been carried through. In this connection, contact has been made with a large number of – Danish as well as foreign – potential buyers. These contacts have resulted in a number of potential buyers carrying out an extremely comprehensive due diligence of The Bank, including Management Presentation, interviews with senior executives, discussions with the external auditors and access to a comprehensive data room containing, among other things, particulars on a considerable number of The Bank's loan accounts.

Notwithstanding the sales process, The Bank has realized at the lapse of the term for making offers on 22 August 2008 that no offer has been submitted to buy The Bank in whole or in part.

Based on discussions with the potential buyers, The Bank has understood that the lack of interest in buying The Bank is mainly attributable to the fact that in connection with the due diligence performed it has been concluded that very big uncertainty exists as to the creditworthiness of The Bank's loan portfolio in general. Moreover, the potential buyers have expressed severe uncertainty as to the general credit culture of The Bank. On this background, the potential buyers have not wished to submit an offer to buy The Bank in whole or in part.

### **Agreement with the Nationalbanken and the Private Contingency Association**

On 22 August 2008, The Bank informed the Nationalbanken of the result of the sales process. In the light of this result and of The Bank's financial situation, the Nationalbanken and the Private Contingency Association have offered, through a new bank, to buy all assets and assume all debts and

other liabilities apart from hybrid core capital and subordinated loan capital of The Bank.

Considering The Bank's solvency position, the deadline determined by the FSA for the re-establishment of the capital base of The Bank and the negative result of the sales process, The Bank has concluded that it would be irresponsible not to seek a solution on the basis of the offer in hand.

Over the week-end 23 – 24 August 2008, negotiations have been carried out between the Nationalbanken and the Private Contingency Association on the one side, and The Bank on the other side. As a result of the negotiations a sales agreement has been made today according to which the Bank transfers all assets, including loan portfolio, name and other intangible rights as well as domicile premises, etc, and all debts and other liabilities apart from hybrid core capital and subordinated loan capital to a newly established bank with the provisional name Bankaktieselskabet af 24. august 2008 ("The New Bank"). The New Bank is expected to change its name to Roskilde Bank A/S at a later date.

The purchase price for the transferred assets has been set DKK 37.3 billion. The purchase price is to be settled by the assumption of debts and other liabilities amounting to DKK 37.3 billion. In consequence, the equity, including a bound savings bank fund, will be negative by about DKK 2.5 billion, and there will not be funds available to redeem hybrid core capital or subordinated loan capital. Those of The Bank's creditors, apart from hybrid core capital and subordinated loan capital, that concur, will be transferred to the New Bank in connection with the sale, whereas other creditors, apart from hybrid core capital and subordinated loan capital, may choose to be redeemed. The purchase price may subsequently be increased, cf. below under "Operations of The New Bank". A capital base contribution at a level of DKK 4.5 billion is expected in The New Bank.

All members of the staff will be transferred to The New Bank on unchanged conditions, cf. the principles in the Act on Employees' Legal Position in Connection with the Sale of Companies.

Mr Søren Kaare-Andersen, CEO, will become CEO of The New Bank after the completion of the sale. Mr Arne Wilhelmsen, managing director, has wished to retire in connection with the sale.

After the sale, the Board of Directors of The New Bank will consist of four members appointed by the Nationalbanken, two members appointed by the Private Contingency Association. The current members elected by the staff will continue to serve on the Board of The New Bank.

The sales agreement made with the New Bank is subject to the approval of the FSA and the convening of an extraordinary general meeting of The Bank, cf. below under "Extraordinary General Meeting".

Danske Markets has today submitted an Opinion concerning the process for the use of the Board of Directors and the Management of The Bank. The Opinion in question is based on information and assumptions, and a number of limitations and conditions are attached to it, but with due consideration to those, Danske Markets concludes from a financial perspective

that a professionally organized sales process has been carried through concerning the potential the sale of The Bank, in whole or in part, with due consideration of the limitations as to flexibility, time and processes caused by the situation in hand,

that serious bidders with an interest in buying the The Bank, in whole or in part, have had fair (i.e. reasonable and equal) opportunity to take part in this process, and

that Danske markets at the deadline for submitting bids on 22 August 2008, has had to conclude that none of the potential buyers taking part in the sales process have wished to make an offer to buy The Bank in whole or in part.

On the basis of the process carried through and on the background and condition of the above, it is, at the time of Danske Markets' submission of the Opinion in question with due consideration to the limitations in flexibility, time and processes due to the current situation, and not least the current solvency position of The Bank, Danske Markets recommendation to the Board of Directors of The Bank, from a financial perspective, that the Board accepts the offer from The New Bank.

### **Operation of the New Bank**

The purpose of The New Bank is to carry out banking activities and other legally allowed activities with a view to ensuring the best possible financial return from the winding up of the operations taken over from The Bank.

As mentioned in The Bank's announcement of 14 July 2008, The Bank launched a new strategy in November 2007. One of the main elements of the strategy was the reduction of the exposure to real estate and real estate developers as well as the strengthening of the quality of the credit quality of The Bank including initiatives to ensure that the guidelines of The Bank are complied with.

As mentioned above, the potential buyers have expressed great uncertainty as to the general credit culture of The Bank, and it is therefore to be concluded that the initiated process of change has not yet had the desired effect, in particular on the credit culture and credit quality of the Bank.

The New Bank has stated that it will continue and enhance the initiated process of change. Thus, the Nationalbanken has made an agreement with three Danish financial institutions to place a number of experienced credit specialists at the disposal of the New Bank. These specialists are to help improve the general credit culture on the one hand, and on the other hand to contribute to a complete review of existing credit facilities in order to ensure a total overview of these.

Furthermore, the New Bank will carry on the transferred operations as before.

If in connection with the termination of the ownership of the Nationalbanken and the Private Contingency Association a profit is realized (after payment of interest on the capital base provided by the Nationalbanken and the Private Contingency Association at the lending rate of the Nationalbanken with a surcharge of 4.85 percentage points, at present corresponding to 9.45% p.a.), the profit will be transferred to The Bank to be distributed to subordinated loan capital, hybrid core capital and equity pursuant to the principles of the Bankruptcy Act.

To the extent that an association or similar organisation of The Bank's shareholders should be established to look after the interests of a not insignificant number of The Bank's shareholders, The New Bank is

committed, for as long as The New Bank is owned by the Nationalbanken and the Private Contingency Association, and if representatives of such an association or similar organisation should wish it, to take part in up to four meetings a year in order to review the activities of the New Bank and the progress of the winding up process.

### **The Bank after the sale**

After the sale to the New Bank has been completed, The Bank will have a considerable negative equity, there will be no operations of any kind in The Bank, and The Bank will hand in its licence to operate as a bank and suspend payments.

### **Extraordinary General Meeting**

The sales agreement entered into with the New Bank will, pursuant to Section 246 of the Financial Business Act, be submitted to an extraordinary general meeting of The Bank where the Board of Directors will give an account of the situation of The Bank and of the sales agreement made.

The Bank will call the extraordinary general meeting as soon as possible.

### **Half-Year Report, etc.**

The 2008 Half-Year Report will be published on 29 August 2009 as previously announced.

Considering the contents of this announcement, The Bank requests NASDAQ OMX to suspend the trade in The Bank's shares. Furthermore, The Bank will request Oslo ABM and Irish Stock Exchange to suspend the trade in the bonds issued by The Bank.

A press meeting will be held at the Nationalbanken on 25 August 2008 at 11 a.m.

Peter Müller  
Chairman of the Board