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Fitch Affirms Danske Bank on Offer for Sampo Bank

Fitch Ratings-London/Frankfurt-09 November 2006: Fitch Ratings has today affirmed Denmark-based Danske Bank's ("DB") ratings at Issuer Default 'AA-' (AA minus), Short-term 'F1+', Support '1' and Individual 'B'. The Outlook is Stable.

The affirmation of DB's ratings follows the announcement of its agreement to purchase 100% of Sampo Bank from Sampo Group for DKK30.1 billion based on today's offer. The transaction is subject to regulatory approvals and is expected to be completed in Q107.

"The acquisition of Sampo Bank makes strategic sense for DB," says Lindsey Liddell, Director of Fitch's Financial Institutions Group. "It enhances DB's pan-Scandinavian franchise and provides the bank with a foothold in the fast-growing Baltic markets." Sampo Bank is the third largest commercial bank in Finland and is primarily a retail bank. It has a market share of 16% of banking sector assets. DB is Denmark's largest bank and also has presences in Sweden and Norway. Prior to this transaction, DB had minimal operations in Finland and no operations in the Baltics.

To finance the purchase of Sampo Bank, DB plans a capital increase of DKK14bn and a DKK11bn issue of hybrid Tier 1 instruments. The Tier 1 capital increase will be broadly equal to the amount of goodwill arising from the transaction. The remaining part will be financed through debt issuance and asset securitisations. DB also plans to reduce its core Tier 1 capital ratio target range to 5.5%-6% from 6%-6.5%. However, DB plans to offset this reduction through an increase in hybrid Tier 1 capital, with the targeted range for its Tier 1 ratio remaining constant at 6.5%-7.5%. While this will reduce the quality of DB's capital, the proportion of hybrids remains within Fitch's tolerance level and Fitch considers there to be only a marginal decline in capitalisation. On completion of the acquisition, DB's Tier 1 ratio is expected to be 7.1%, while targeted core Tier 1 capital ratios are expected to be met during Q307.

"With any significant acquisition the operational risks need to be carefully managed," adds Ms. Liddell. "However, DB has a proven track record in integrating its foreign subsidiaries both in terms of IT systems and product offerings." DB expects to gain around EUR82 million of cost and funding synergies per year from 2009, equivalent to around 19% of Sampo Bank's cost base for 2006. Revenue synergy targets have not been set, but Sampo Bank will gain from a more developed product range for its retail client base. DB will benefit from further diversification of risk and earnings; Sampo Bank would account for around 7% and 13% of the group's end-June 2006 total assets and H106 pre-tax profit on a pro-forma basis.

DB was the largest Nordic bank by assets at end-September 2006. The bank offers a full range of products. It has around 30% market share in Denmark, and a significant retail presence in Sweden and Norway. Outside Scandinavia, DB is strengthening its focus on retail banking. During 2005, DB acquired Northern Bank, the largest retail bank in Northern Ireland (20% share of banking sector assets) and National Irish Bank in Ireland (4% market share).

The credit analysis of DB can be found on the agency's website, www.fitchratings.com.

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