

Government interventions in the wake of the financial crisis - the European response

Welcome to the September edition of our series of updates designed to keep you up to speed with government interventions in financial markets. Significant changes since our last update include the following:

Belgium

Dexia Bank on 1 July 2009 completed the sale of Financial Security Assurance to Assured Guaranty. The Belgian and French governments had guaranteed certain FSA structured finance assets.

The Belgian and Luxembourg governments on 10 July 2009 completed the restructuring of Kaupthing Bank Luxembourg S.A., in which the Belgian government made a EUR 160 million loan to the Luxembourg bank to facilitate the restructuring and Kaupthing Bank Luxembourg's Belgian banking activities were transferred to Belgian bank Landbouwkrediet and its subsidiary Keytrade Bank.

The Belgian Council of Ministers on 29 May 2009 approved a six-month guarantee of up to EUR 300 million for the "Belgacap" programme to guarantee supplemental credit insurance provided by private credit insurers to suppliers.

Denmark

The application period for the Danish government's DKK 100 billion credit aid package for banks and mortgage credit institutions expired on 30 June 2009. As of that date, the Ministry of Economic and Business Affairs had received applications from 50 institutions for up to DKK 63 billion of hybrid core capital injections.

European Central Bank/Eurosystem

The European Central Bank and other Eurosystem central banks announced on 25 June 2009 that their US dollar liquidity operations and euro swap line with the US Federal Reserve Banks would be extended through 1 February 2010.

Finland

The Finnish Financial Supervisory Authority and the Bank of Finland on 4 June 2009 announced favourable results of stress testing of Finnish deposit banks during April and May 2009.

France

The French government will guarantee up to EUR 25 billion of short-term debt securities to be issued by the French state-owned shareholding corporation, Société de prise de participation de l'état (SSPE), under its multi-currency commercial paper programme announced in May 2009.

Dexia announced the sale of Financial Security Assurance to Assured Guaranty. The French and Belgian governments had guaranteed certain FSA structured finance assets, with the French share of the guarantee exposure being up to about USD 6.4 billion.

The French Strategic Investment Fund (Fonds stratégique d'investissement or FSI) announced new investments in leading French companies in various sectors.

Germany

Germany's "Bad Bank Act", intended to relieve private banks of contaminated assets and encourage lending, came into force on 23 July 2009. It allows credit institutions and their holding companies resident in Germany, and their domestic and foreign subsidiaries, to transfer certain structured securities to special purpose vehicles in exchange for government bonds or to transfer certain risk positions and non-core businesses to winding-up agencies set up for that purpose.

Germany's Federal Financial Supervisory Authority (BaFin) on 14 August 2009 published revised Minimum Requirements for Risk Management which introduce tougher and more wide-ranging supervisory requirements with respect to stress testing, liquidity risk and risk concentration.

Greece

National Bank of Greece on 16 July 2009 proposed a rights issue of up to EUR 1.25 billion to bolster its capital position, and later announced that its shareholders had registered to buy all the offered shares and the offering was oversubscribed.

Pireaus Bank completed three loan securitisations totalling EUR 3.5 billion to improve its liquidity by structuring senior securities eligible for refinancing with the European Central Bank.

Iceland

Iceland's application to join the European Union advanced to fast track, as EU foreign ministers on 28 July 2009 asked the European Commission to review Iceland's suitability for membership.

The Icelandic government on 14 August 2009 reached agreement with resolution committees of Glitnir Bank and Kaupthing Bank on the basis of capitalisation of the new successor banks (respectively, Íslandsbanki and New Kaupthing) and compensation to creditors of the old banks.

The Icelandic government and the resolution committee of Landsbanki had not yet reached agreement on its restructuring, and the Icelandic financial supervisory authority (FME) granted an

extension for the restructuring to be completed in September 2009.

Courts appointed winding-up committees for two other Icelandic banks, Sparisjóður Reykjavíkur og nágrennis hf. (SPRON) and Sparijóðabanki Íslands hf.

Ireland

The Irish government is reported to be considering various options for paying banks for loans to be purchased from the banks by the National Asset Management Agency (NAMA) established in April 2009. The draft legislation calls for the government to issue bonds to the banks in exchange for the purchased loans.

Italy

The Italian Banking Association on 3 August 2009 announced an agreement for member banks to allow small and medium-sized companies to postpone loan principal payments for one year.

Luxembourg

The Belgian and Luxembourg governments on 10 July 2009 completed the restructuring of Kaupthing Bank Luxembourg S.A., in which the Luxembourg government provided EUR 160 million (in addition to a EUR loan from the Belgian government) to facilitate the restructuring and Kaupthing Bank Luxembourg's Luxembourg banking activities were transferred to a new bank named Banque Havilland S.A.

Netherlands

The Dutch state on 22 July 2009 completed its sale of Fortis Corporate Insurance N.V. to Amlin Plc for about EUR 350 million.

The Dutch government on 1 July 2009 announced its decision to grant ABN AMRO Bank N.V. a EUR 800 million mandatory convertible loan which will be converted into shares on completion of required divestitures of certain of ABN AMRO's businesses. The loan will bear 10 percent interest and will count towards ABN AMRO's core tier 1 capital.

The Dutch government on 1 July 2009 also announced it intends to provide mortgage insurance to ABN AMRO, on a portfolio of EUR 34.5 billion principal amount of Dutch mortgage loans, with ABN AMRO covering first losses up to 20 basis points and the government covering 95 percent of any losses thereafter.

Aegon Insurance on 13 August 2009 announced plans to raise up to EUR 1 billion through an equity issue and to use the proceeds to buy back up to EUR 1 billion of the EUR 3 billion of core capital securities issued by Vereniging Aegon and funded by Dutch government loan in October 2008. The repayment is subject to conditions including approval of the Dutch Central Bank.

Norway

The State Finance Fund has published summary Term Sheets for both hybrid and preference instruments as well as more detailed regulations relating to participation in its NOK 50 billion programme to provide additional capital to financially sound Norwegian banks. The application period closes on 30 September 2009.

Portugal

Fitch affirmed A+ rating of Millennium BCP, Portugal's largest listed bank.

Spain

The Bank of Spain announced on 18 August 2009 that bad loans as a proportion of total credit at Spanish banks had fallen in May for the first time in two years, from 4.66 percent to 4.6 percent.

Sweden

Sweden's SEK 50 billion bank recapitalisation programme, started in February 2009 and originally set to expire in August 2009, has been extended to 17 February 2010.

Sweden's Riksbank in July 2009 lowered its repo rate to 0.25 percent and introduced negative interest rates

on banks' deposits at the Riksbank, in effect charging commercial banks 0.25 per cent per annum on their deposits with the central bank. On 3 September the Riksbank said it expects to keep the repo rate at the low 0.25 per cent rate for the next year.

Swedbank, Sweden's largest savings bank, announced it will seek shareholder approval to raise capital via a SEK 15 billion rights issue.

Switzerland

The Swiss government sold its 9.3 per cent equity investment in UBS to institutional investors. The government continues to manage about USD 38.7 million of illiquid assets purchased from UBS by SNB StabFund, a special purpose entity financed by the Swedish National Bank (SNB).

United Kingdom

The Bank of England (BOE) announced on 25 June 2009 that USD dollar swap lines with the US Federal Reserve Banks and other central banks would be extended until 1 February 2010.

Chancellor of the Exchequer Alistair Darling on 8 July 2009 published a document, "Reforming Financial Markets", setting out the government's proposals for reform of the financial system.

The BOE on 30 July 2009 announced details of the Secured Commercial Paper Facility (SCPF), a new programme under the BOE's Asset Purchase Facility (APF). Under the SCPF a BOE-sponsored fund will purchase secured commercial paper, including asset-backed commercial paper, meeting certain eligibility requirements, including that the underlying borrowers make material contributions to economic activity in the United Kingdom.

The BOE on 6 August 2009 voted to continue the APF and to increase the maximum amount of the programme by GBP 50 billion to GBP 175 billion.

Updated copies of the country papers will be available to you through the [Financial Market Distress](#) area of our website.

For additional information about the financial crisis, both within and outside of Europe, please refer to our [Global Financial Marketing Initiative](#).

If you have any questions or require further information, please contact your usual contact at Mayer Brown or:

Bruce Bloomingdale

Partner

Tel: +44 20 3130 3211

Edmund Parker

Partner

Tel: +44 20 3130 3922

Kevin Hawken

Partner

Tel: +44 20 3130 3318

Christine Wright

Lawyer (Australia)

Tel: +44 20 3130 3209

Mayer Brown is a leading global law firm with approximately 1,000 lawyers in the Americas, 300 in Asia and 500 in Europe. We serve many of the world's largest companies, including a significant proportion of the Fortune 100, FTSE 100, DAX and Hang Seng Index companies and more than half of the world's largest investment banks. We provide legal services in areas such as Supreme Court and appellate; litigation; corporate and securities; finance; real estate; tax; intellectual property; government and global trade; restructuring, bankruptcy and insolvency; and environmental.

OFFICE LOCATIONS AMERICAS: Charlotte, Chicago, Houston, Los Angeles, New York, Palo Alto, São Paulo, Washington
ASIA: Bangkok, Beijing, Guangzhou, Hanoi, Ho Chi Minh City, Hong Kong, Shanghai
EUROPE: Berlin, Brussels, Cologne, Frankfurt, London, Paris

ALLIANCE LAW FIRMS Mexico, Jáuregui, Navarrete y Nader; Spain, Ramón & Cajal; Italy and Eastern Europe, Tonucci & Partners

Please visit our web site for comprehensive contact information for all Mayer Brown offices.

www.mayerbrown.com

© 2009. Mayer Brown LLP, Mayer Brown International LLP, and/or JSM. All rights reserved.

Mayer Brown is a global legal services organisation comprising legal practices that are separate entities (the "Mayer Brown Practices"). The Mayer Brown Practices are: Mayer Brown LLP, a limited liability partnership established in the United States; Mayer Brown International LLP, a limited liability partnership incorporated in England and Wales; and JSM, a Hong Kong partnership, and its associated entities in Asia. The Mayer Brown Practices are known as Mayer Brown JSM in Asia. "Mayer Brown" and the "Mayer Brown" logo are the trademarks of the individual Mayer Brown Practices in their respective jurisdictions.