

Market background

- A. Macroeconomics
- B. Banking sector

Overview (1/2)

Republic of Ireland

- The Republic of Ireland was the fastest growing economy in the European Union from 1994 to 2002
- The strong growth has been driven by:
 - Favourable demographic trends
 - Benign interest rate environment
 - Low corporate tax rates
 - Economic support from the European Union
- The economy is expected to continue to exhibit strong growth momentum
 - Forecasted GDP growth rates for the period 2004-2008 are in the 3.5%-5% range
 - Growth is predicted to slow in the outer years
 - Given a continuation of high population growth, GDP per capita will not grow at the same pace as currently
- Ireland has a significantly higher savings ratio than the United Kingdom

Northern Ireland

- Northern Ireland is the fastest growing regional economy in the United Kingdom
- The strong relative growth has been driven by:
 - Structural funding and grant support from the EU
 - UK government support
- The Northern Irish economy has been stable in recent years despite adverse global conditions and outstanding political issues
- Economic growth is expected to continue at a more modest pace
 - Growth will remain slightly above that of the overall UK economy, which is expected to grow in the range of 2%-2.5% in the coming years
 - Northern Ireland is expected to benefit from approximately GBP 2.7bn of infrastructure expenditure through public private partnerships and private finance initiatives

Overview (2/2)

Republic of Ireland

- Employment:
 - Low unemployment rate
 - Main sectors in terms of employment are manufacturing industries, education, health, and wholesale and retail trade

Northern Ireland

- Employment
 - Low unemployment rate
 - Main sectors in terms of employment are public administration, defense and wholesale and retail Trade

Key economic indicators

Republic of Ireland

Business environment

Population (2002)	3.9m
Gross value added (GVA) ¹	EUR 103.2bn
- CAGR 1991-2001	11.6%
GVA per person (2001)	EUR 26,894
- CAGR 1991-2001	10.7%

Economic status of population

At work	57.6%
Unemployed	5.6%
Other	36.8%

Household statistics

Average household size (persons)	2.94
Owner-occupied housing with a mortgage (% of total)	37.9%

Companies

VAT-registered enterprises (2002)	212,070
- CAGR 1997-2002	10.7%

Northern Ireland

Business environment

Population (2002)	1.7m
Gross value added (GVA) ¹	GBP 19.1bn
- CAGR 1991-2001	5.7%
GVA per person (2001)	GBP 11,311
- CAGR 1991-2001	5.2%

Economic status of population

At work	57.8%
Unemployed	4.4%
Other	37.8%

Household statistics

Average household size (persons)	2.58
Owner-occupied housing with a mortgage (% of total)	39.4%

Companies

VAT-registered enterprises (2002)	55,810
- CAGR 1997-2002	0.4%

¹GDP excl. VAT

Source: Economist Intelligence Unit

Irish banking market (1/5)

- Overview

- Favourable demographics and net inward migration likely to boost demand for banking services in the medium term
- Key market driver remains mortgage growth, but SME lending also robust
 - Yearly mortgage growth has been above 10% in every one of the last ten years
- Consumer banking heavily dominated by two players, Bank of Ireland and Allied Irish Banks, with 75% market share of current accounts
- Mortgage lending is dominated by Permanent TSB, Bank of Ireland, FirstActive and Allied Irish Banks, with a 59% market share of the mortgage stock
- Commercial banking segment heavily dominated by the two main players, Bol and AIB, with a combined market share of 82% of current accounts



Irish banking market (2/5)

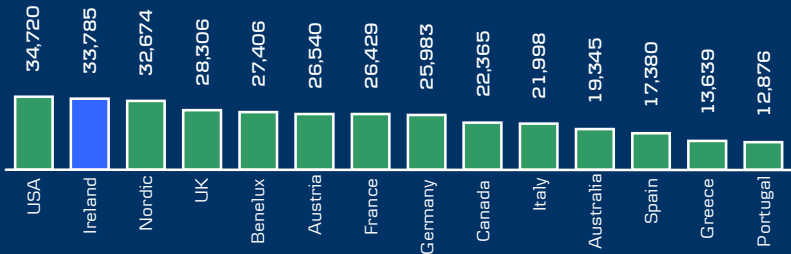
- Retail: Slowing but still strong retail lending growth



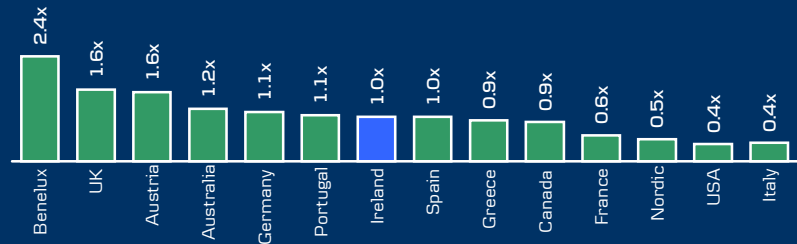
Irish banking market (3/5)

- Comparison with other markets

GDP/Capita (€)



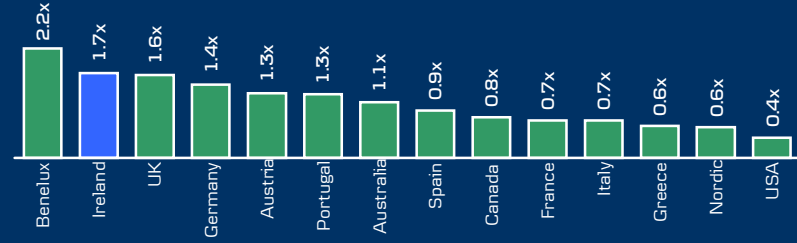
Deposits/GDP



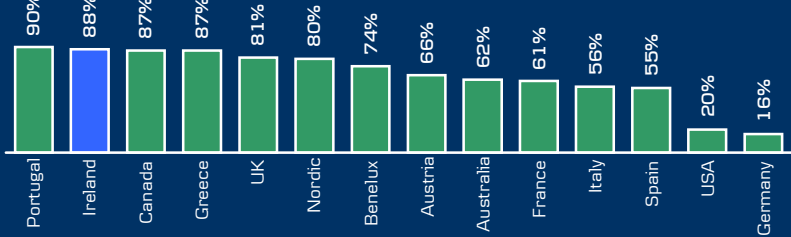
Long-term GDP growth



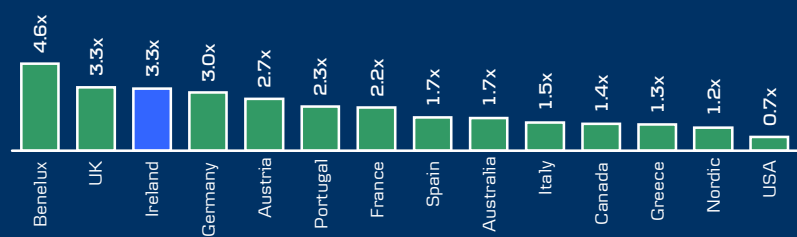
Loans/GDP



Top five market share



Total banking assets / GDP

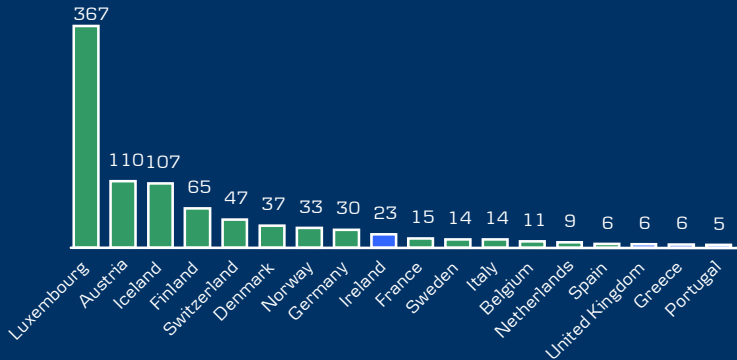


Sources: Eurostat, EBF, EIU, Canadian Bankers Association, Federal Reserve, Reserve Bank of Australia

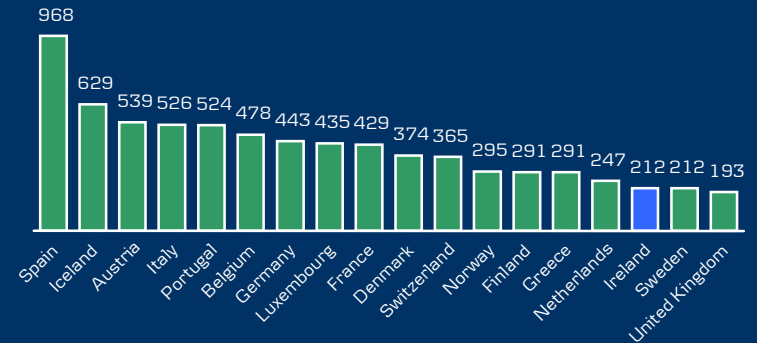
Irish banking market (4/5)

- Benchmarking Ireland vs. European banking sector

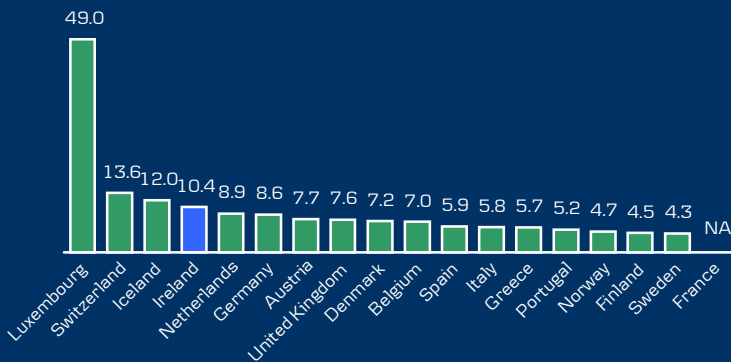
Number of banks per inhabitant¹



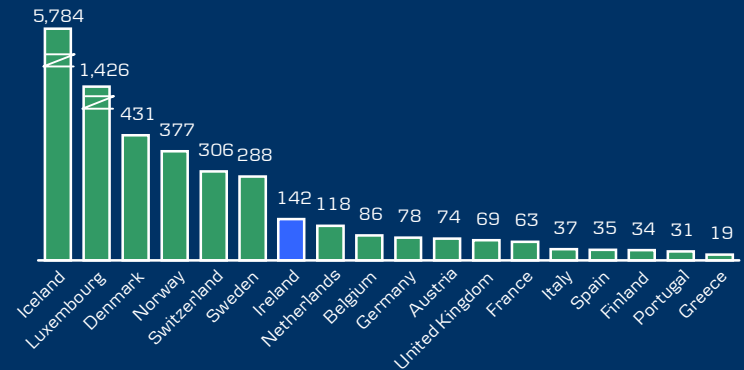
Number of branches per inhabitant¹



Banks' staff/population ('000)



Banks' total assets²/population¹



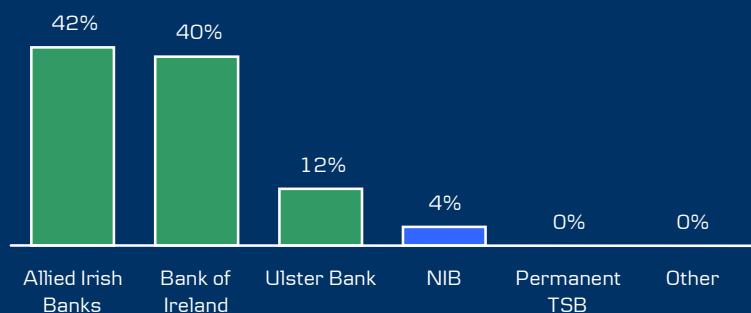
¹Population data in millions

²Banks' total assets in billions of euros

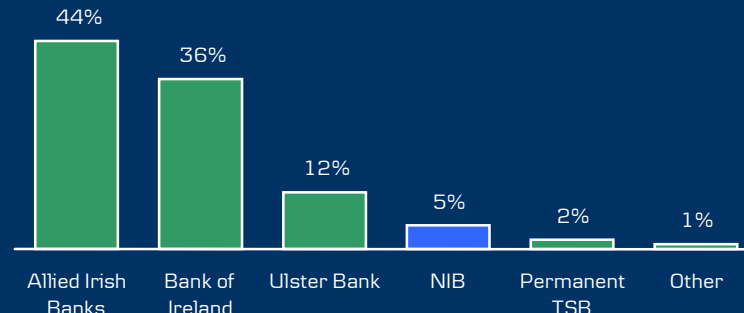
Irish banking market (5/5)

- Market shares - corporate

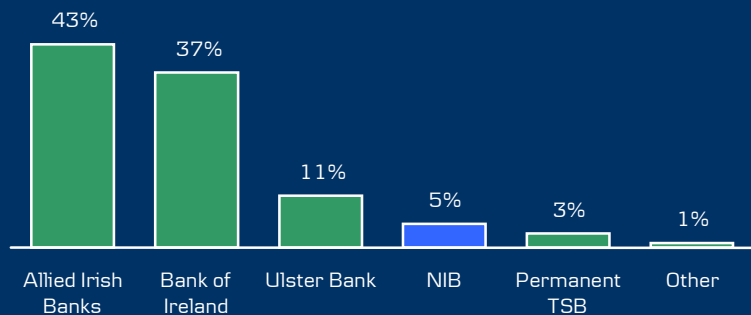
Custom/Corporate¹



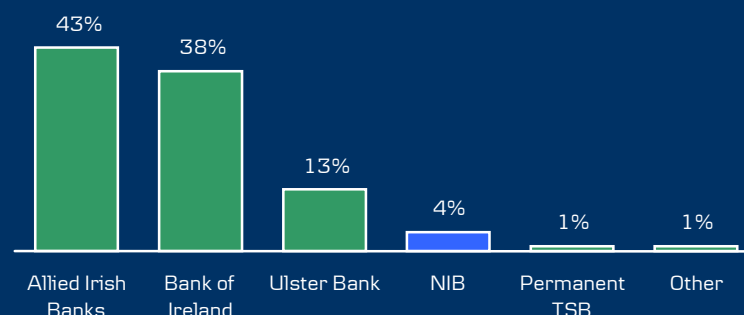
Package²



Micro³



Unallocated



Note: Business segment definitions are those of pH group. They are not the same as the Group's segment definitions.

Source: pH Group (Aug. 2004)

¹ Custom/Corporate defined as 10+ employees

² Package defined as 5-9 employees

³ Micro defined as 1-4 employees

Northern Ireland banking market

- Overview

- The main banks in Northern Ireland are:
 - Northern Bank, Ulster Bank (owned by RBS), Bank of Ireland, and First Trust (owned by Allied Irish Banks)
- These main banking players compete with former building societies and other financial institutions in the retail segment
- Northern Ireland is a natural geographical extension for the major UK banking players
 - Incumbent players are experiencing increased competition from UK banks
 - Local banks have not seen their competitive position challenged except in mortgages, where Halifax (HBOS), Abbey National and Alliance & Leicester have a combined market share of 52%
- The banking sector has benefited from the benign macroeconomic environment following both EU and UK structural and regional aid
 - Fastest growing region in the United Kingdom
 - Rapid growth in the Republic of Ireland has had a “spillover” effect on Northern Ireland
- Retail banking is heavily dominated by three players
 - Northern Bank, Ulster Bank (RBS) and First Trust (Allied Irish Banks)
 - They command a combined 66% market share in current accounts
- Mortgage lending is dominated by the UK banking players HBOS, Alliance & Leicester and Abbey National
- Business banking is split between four players, with Northern Bank commanding the strongest market position through a 36% market share in the corporate segment
 - Northern Bank, Ulster Bank, Bank of Ireland and First Trust have a combined market share of 97% in the custom/corporate segment

For more information, please visit

www.danskebank.com/irireland