Conference call speech & transcript of Q&A's

Danske Bank to Ireland

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Investor Relations

Danske Bank

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SPEECH

Peter Straarup ***- Danske Bank A/S - CEO***

Thank you for taking the time to attend this conference call, in which I will present the acquisition we have announced today. The transaction entails the acquisition of Northern Bank of Northern Ireland and National Irish Bank of the Republic of Ireland.

At my side is CFO Tonny Thierry Andersen. We will both be available for questions after the presentation.

Let's start with slide 2.

I will first give a brief summary of the transaction. Afterwards, I will comment on the rationale behind the acquisition and the related value creation. Then I will touch upon a few compliance issues, and finally, I will comment on the acquisition process.

Go to slide 3.

Danske Bank today announced that we have reached an agreement to acquire National Irish Bank and Northern Bank for a total price of 967 million British pounds, or 10.4 billion Danish kroner. The amount equals roughly 10 per cent of Danske Bank's total market capitalisation.

With this purchase, Danske Bank takes a significant position in the banking markets in Northern Ireland and the Republic of Ireland. This represents an important step in the focus on expanding retail banking announced in our press release of the 18th of November 2004.

We estimate that total cost synergies will amount to some 350 million Danish kroner, and they will be achieved in the period 2006 to 2008.

The transaction requires approvals from the competition authorities in the EU and from the FSA in both Ireland and the United Kingdom, but we do not expect this to be an issue.

Danske Bank's 7 per cent target for core capital ratio, including hybrid capital, is un-changed, and so is our total solvency ratio target of 9.5 per cent. This transaction means that the Group's tier 1 ratio most likely will be slightly below our target of 7 per cent (including hybrid capital) for a short period after the acquisition, but at the end of 2005 we expect our ratios to be above these targets, taking into consideration the changes in the new IFRS accounting rules. Our current target of a dividend payout ratio of 50 per cent is also unchanged.

Our core earnings guidance for 2004 has been changed from previously between 11 and 12 billion kroner to now at the level of 12 billion.

Please go to slide 4.

The two banks we have bought have different market positions. Northern Bank is one of the leading banks in Northern Ireland, with a market share well above 10 per cent in retail banking in most areas, whereas National Irish Bank is a smaller player with a market share of 3 to 4 per cent, but with a huge growth potential.

In a way, you could say that Northern Bank's position is similar to Danske Bank's in Denmark, whereas National Irish Bank's is closer to our position in Sweden five years ago.

Our plan for this acquisition is to strengthen the banks' productivity and product offerings through the implementation of efficient IT systems and by improving services. We believe Danske Bank's scalability is already proven in our Nordic retail operations.

We will be able to substantially improve the competitive positions of the two banks. Northern Bank's strong position in Northern Ireland will be reinforced. In selected segments, such as the mortgage market, we expect to be able to take market shares. In Ireland, our goal is to leverage Danske Bank's expertise and efficiency. Our product offering will enable us to expand in the fast-growing Irish market.

Please go to next slide.

To give you a quick overview of the two banks, this slide shows six key figures compared with the figures for our banking operations in Sweden and Norway.

The charts are pretty much self-explanatory, but I think these points are worth noting:

- The banks have a combined deposit/lending ratio of about 1
- ROE is presently above 20 per cent pre-tax
- We will acquire a substantial branch network in both Northern Ireland and the Irish Republic.
- Northern Bank has a high employee intensity
- The cost/income ratio is lower than in both Sweden and Norway

Please go to slide 6.

As mentioned, the total price is 10.4 billion kroner. If you compare this price to current shareholders equity then it corresponds to 2.2 times book value.

We will finance the purchase without issuing new shares. We intend, however, to raise our hybrid capital by 1.5 billion kroner and also expect to increase our supplementary capital by 3 billion kroner.

We have not changed the targets for our capital ratios. Our core capital ratio is 7 per cent, including hybrid capital, and our total solvency ratio is 9.5 per cent. As I mentioned, we expect to be below our targets for a short period in 2005, but to be above them again by the end of the year.

Please go to next slide.

To give you an idea of how the two banks will influence Danske Bank's consolidated accounts, this slide shows the 9-month profit and loss account for Danske Bank plus 75 per cent of the two banks' full-year profit and loss accounts. Please note that their accounting year ends on the 30th of September. The numbers show that the two banks' results account for 8 per cent of the combined pro forma net profit.

Deposits account for 9 per cent of the combined amount. Lending volume is about 5 per cent of the total number.

Please go to slide 8.

This step into retail banking in Ireland and Northern Ireland is a natural move and one that is in line with the increased focus on retail banking in northern Europe that we announced on the 18th of November.

In the past few years, Danske Bank has used a great deal of resources to strengthen its retail business model. Today we have a very efficient and scalable platform – a platform that is multi-currency-based and multi-linguistic. We are therefore able to reap scale benefits in cross-border retail banking. We have already proved this in Sweden and Norway. Now we are ready to export this model to new markets.

Our strategy is to have a strong local presence and to be an important part of the local communities where we are active. Our staff in the local community will focus on customer relationships. Administrative functions are to be handled from central offices. We also develop standardised products in a central unit, but this does not mean that we do not pay attention to local needs and traditions.

Please go to slide 9.

I will now take a look at the two banks in relation to our retail strategy, and I will do this by addressing four issues that are crucial when you are entering a new market.

1. How attractive is the market?
2. What is the growth potential?
3. What are the cost synergies?
4. And finally, what is the potential for achieving revenue benefits?

Please go to next slide.

We have found that the current macroeconomic situation and the outlook for the next few years in the Republic of Ireland are among the most promising in the EU member countries.

GDP growth of 4 to 5 per cent in 2003 and 2004 is well above the 2 per cent average for the euro zone. And Ireland's prospects for next few years are also positive – a growth rate of more than 4 per cent in 2005 and 2006, against 2 per cent or less within the euro zone as a whole.

In Northern Ireland, the growth rate is not quite as strong, but it is still higher than in the United Kingdom as a whole. More important, the political situation in the region has improved in recent years, and the economic development is supported by both the EU and the British government.

The structural parameters for future growth are thus in place in both markets.

Please go to slide 11.

The high GDP growth has had a positive impact on lending growth. In the past five years, the Irish banking sector has shown volume growth of 20 to 25 per cent in both retail lending and mortgage lending.

Although the coming years could bring lower growth, we think the outlook is still favourable and expect growth rates well above 10 per cent. Furthermore, we expect National Irish Bank to show rates above market growth over the next two or three years.

In Northern Ireland, the growth prospect for lending is lower than in Ireland, but we still estimate that the region will see higher rates than in the rest of the UK.

Please turn to next slide.

The Irish banking sector is dominated by Bank of Ireland and Allied Irish Bank. National Irish Bank is one of the smaller banks, with market shares of 2 to 4 per cent in most areas. As mentioned, Ireland is one of the most attractive banking markets of the old EU countries, with high economic growth, low unemployment, low interest rates and a low corporation tax rate.

In Northern Ireland, Northern Bank is one of the dominant banks. Northern Bank's position is very strong within the SME segment, with a market share of more than 30 per cent.

Please go to next slide.

Currently the banks are divided into four business areas: Personal Financial Ser-vices and Wealth Management within retail banking, Business Financial Ser-vices within corporate banking, and Treasury, including asset-liability management.

The combined numbers for the two banks shows that 54 per cent of the total in-come comes from retail banking and 42 per cent from corporate banking.

This shows that the two banks fit well into our focus on retail banking.

Go to slide 14.

Danske Bank's strategy in the past 8 to 10 years has been to increase our focus on retail banking, and all our important acquisitions since 1997 have been a step in that direction. In 1997 and 1998, Danske Bank acquired our Swedish and Norwegian banks. In 2000, we announced the merger with RealDanmark, in which we acquired BG Bank. Now, moving into the Irish market, we are maintaining our focus on retail banking.

Looking into the current structure of the banks, we see a good fit, but we also see good opportunities for improving distribution power, products and efficiency.

Please go to slide 15.

One important goal in this acquisition is to develop the two banks. For NIB, we see many similarities to our Swedish bank's position five years ago. Since that acquisition in 1997, the number of branches in Sweden has more than doubled, from 22 to 47, lending volume has increased by 39 per cent per year and the cost/income ratio has declined from 87 per cent in 1998 to 61 per cent.

In terms of market share, our Swedish banking operation has seen a substantial growth.

We believe that we can leverage our current infrastructure, product palette and distribution platform.

Please turn to next slide.

As we look at National Irish Bank, this bank is currently a smaller player in the market, with 59 branches and 13 business banking centres. The lending portfolio is dominated by 41 per cent residential mortgage loans, but in recent years, its focus has been on high-net-worth individuals as well as larger SME corporate customers. Pre-tax profit has increased almost 10 percent per annum. It should be noted that the numbers in the table on the right exclude overhead costs and pension costs.

In the past four years, NIB has shown an 8.4 per cent annual growth in net interest income, led by a strong lending growth that has more than off-set lower mar-gins.

In 2003/04, the loan-loss ratio was 14 basis points, against a net reversal in 2002/03. In previous years, the ratio was around 20 basis point. Credit quality is good. The amount of non-performing loans is low – below 1 per cent – and the coverage ratio is close to 100 per cent.

Please go to slide 17.

Northern Bank has a dominant position in Northern Ireland. With 95 branches, 5 agencies and 13 business banking centres, the bank is one of the leading banks in the region. The loan book is diversified, with 40 per cent retail loans and 60 per cent corporate loans, mostly within the SME segment.

Growth has been modest at Northern Bank recently, but we see good opportunities to regain growth and expand the business. The prospects are especially good in mortgage lending, as the market share is low.

The loan-loss ratio has been between 10 and 20 basis points. In 2003/04, it was 13 basis points.

Turn to slide 18.

One of our strongest competitive advantages is our central IT platform. As you can see from the slide, almost all of our banking operations have been converted to the central platform, and National Irish Bank and Northern Bank will also be converted. We expect to complete the conversion in the second quarter of 2006.

Please go to slide 19.

This slide gives you a brief overview of our efficient use of IT.

The central platform supports business development. It has a shared data structure and multi-currency and multi-language features. This makes it easy to ex-port products and innovations from Denmark or elsewhere.

Once a business unit is on the platform, it enjoys Danske Bank's full product range. This makes investments in product development and implementations more efficient since the same basic products can be used in many different countries and markets. The time to market is also shortened. We have also invested very heavily in IT security, and the conversion of Danske Bank International in Luxembourg gave us some useful experience in data security.

Please go to slide 20.

As I mentioned before, we expect total cost synergies of 33 million British pounds, or 350 million Danish kroner. This is equal to 15 per cent of the expected cost base in 2009 given the current amount of activity. These synergies will be achieved over the next three years, with 40 to 45 per cent coming in each of 2006 and 2007 and the remainder coming in 2008.

We will achieve the synergies by improved efficiency through the centralisation of back-office operations, the implementation of Danske Bank's IT platform and enhanced operational efficiency.

Cost/income ratio was 61 per cent based on the pro forma figures for 2003/2004. Calculating a theoretical cost/income ratio including the expected cost synergies, the ratio would have been below 53 per cent.

Total restructuring costs will amount to 1.5 billion Danish kroner, which covers IT investments, branch refurbishing and branding, and severance payments. A minor portion will be taken up-front, whereas most of the costs will be booked in 2005 and the first half of 2006, until the conversion of the banks has been completed.

To this should be added a pension scheme deficit expected at 1.2 billion Danish kroner after tax.

Please go to slide 21.

As we look at the process in the next few years, we of cause focus on the con-version in the next 18 months. However, we will also gradually implement product solutions and concepts to stimulate business development. After the first 18 months we enter phase two, in which we can focus more aggressively on developing the business and achieve increased revenue synergies.

At this stage it is too early to give any numbers on the revenue synergies, but the slide illustrates our expectations for how the Bank will grow at least in the next four to five years. Again you can think of our Swedish operations as a benchmark case.

We expect the introduction of new products and systems will be the most important factor in achieving the synergies. We also expect to expand the branch net-work in Ireland.

Please go to slide 22.

Finally, I would like to mention that National Irish Bank has been the object of high court investigation relating to mis-selling of offshore investment products, failure to comply with certain statutory tax-collection responsibilities and over-charging of fees and interest in the period 1988 to 1998.

There are no pending issues with the authorities, and Danske Bank will not bear any risk relating to these matters as we have got full indemnification from NAB in this matter.

Please go to next slide.

We expect to be able to complete the transaction in the first quarter of 2005 after having received all the necessary approvals. Shortly afterwards, we will begin the conversion process, and as I mentioned earlier, we expect the conversion will be completed in the first half of 2006.

Until then, NAB will continue to provide sufficient services to support the banks. The two banks have entered into an extensive agreement to secure a smooth transition.

The conversion is the single most important project in the process, and when it has been settled, we expect to quickly achieve the synergies on the cost side and then concentrate on the revenue side.

Please go to slide 24.

To sum up, I see this acquisition as an important step in exporting our retail banking model to other countries, and we see Ireland and Northern Ireland as areas with strong fundamentals.

As we have managed to do this transaction without issuing new shares, we expect the deal will be EPS-accretive from 2006 and onwards.

On our Web site, we have provided presentations and other information about the acquisition, the two banks, and the two banking markets.

Please go to slide 25.

This concludes my presentation. Tonny Thierry Andersen and I are now ready to take your questions. Operator, please go ahead.

Q&A SESSION – TRANSCRIPT

Daniel King – Deutsche Bank, London

I have two questions, the first one of which concerns the capital situation for the Bank. Given that you're probably going to gain about 1.8 billion Danish kroner from the changes in the US and the UK, another 3.5 billion net from the IAS changes and the boost in terms of general provisioning so that's 5.3 billion. You're only actually using incremental cash here as your slide 6 shows of 4.9 billion, I'm surprised then your comment about not doing buy-backs next year seems to me with cash generation that something like that should still be possible. The second question is really about how you managed to get this Bank, I think it's widely known that HBOS and Lloyds have looked at this acquisition, the first of which certainly could have seen more synergies directly from it. I'm interested to know how you think you're able to outbid those Banks or maybe pay more.

Tonny Andersen – Danske Bank, CFO

Yep, this is Tonny Andersen on the capital position. I think when you look into the ratios on the capital side you should also bear in mind that we have an underlying positive risk weighted growth not only in Danske Bank but I also would assume in the Irish operations and it's true that you should expect some positive impact from IAS next year. And the question on the US and UK downscaling in our assumptions we are taking into account not an aggressive inflow of capital from that and maybe a more conservative stand on that than you have for '05. So I think when you take this into account the projections on the earnings, the projections on the risk weighted asset-growth we feel confident in our guidance as to during the year we'll see marginal deviations to our target on the capital ratio and that will be replenished by the end of the year.

Peter Straarup – Danske Bank, CEO

And on the question on how we can buy these Banks when other Banks haven't bought them, I think there has been a number of interested parties. The transaction is not a simple one. First of all, of course, you have to pay a price that's acceptable for the seller but secondly and I think also very importantly you have to lift the Banks out of systems that are presently used to support Clydesdale Bank, Yorkshire Bank, Northern Bank and National Bank of Ireland. You sort of have to take the data, the customers and walk away and handle the processes elsewhere. That is a fairly complicated task. I think we have been able to sufficiently demonstrate to NAB that we were able to do that. I did notice that a party in the paper communicated the fact that they had lost interest and there were also some technical issues related to it and an upgrade required in their IT. Now we don't need to upgrade their IT, we lift them over on ours and I have to tell you also that communication on walking away from the transaction came out 10 days after Danske Bank had reached exclusivity. So I think the reason that we are in this is that we have the skills to take it over and we were able and willing to pay an acceptable price.

Daniel King – Deutsche Bank, London

Great, thank you very much.

Andreas Hakansson, UBS London

Just a few questions, starting with asset quality I remember when you bought Fokus Bank and after you got it, you went through the books and you started to adopt the Danske Bank way of looking at credits, you made some sort of provisions. How much have you gone through the credit policy of these two Banks and do you feel comfortable that we'll be seeing no further adjustments there? And also maybe in line with the view you have on the macro economic situation in Ireland, you say it's very positive but are you somewhat worried about the fairly difficult situation with the dollar weakening and the exposure Ireland has to that. Second question would have to be on your changed guidance for your core earnings for Danske Bank. Is it any particular areas that maybe more positive now in the end of the year? Thanks.

Peter Straarup – Danske Bank, CEO

As far as credit quality is concerned we have done our due diligence it has been more thorough than the due diligence we were able to do when we acquired Fokus Bank. The expectations for credit losses in Fokus Bank even though we had only done a sketchy overview turned out to be quite correct. We have done the due diligence here in a more thorough fashion as mentioned and we feel confident that credit quality is strong. On the macro economic situation in Ireland, obviously the dollar is going to press the European situation in general in the Euro area. I think all of Europe will have issues related to that. I think that Ireland will remain in a strong position that's at least also the expectations from the IMF and the OECD when they do forecast for the Irish market. I think the fundamentals are very healthy in Ireland, they have the right tax structure and they have other beneficial corporate structures in place, so we remain confident that they will show growth rates in excess of what you see in Europe. On the upgrading of the core earnings, there's no real specific other than one should expect that credit losses at this point in time of the cycle were fairly low. So we felt we had to inform you of the fact that they would be at about the 12 billion kroner level, which actually means they could go above 12 billion.

Andreas Hakansson, UBS London

Okay, thank you.

Christoffer Malmer – Goldman Sachs, London

Two questions. First is on the tax situation, is there any way that you can benefit from a favourable tax legislation in Ireland and leverage that into any greater extent in the group? Second question the restructuring charge of 1.5 billion you mentioned is also for refurbishing of branches are there any new branch opening modelled into that restructuring charge? And you mentioned branch opening going forward, what would be the speed and scope of those openings and should we expect that to start taking place after the conversion? Thank you.

Peter Straarup – Danske Bank, CEO

On the tax side, the only benefit we'll get out of the tax rate of 28% is the fact that it creates a hospitable business environment, but you have to expect us to have to pay 28% in taxes in Denmark or the tax rate will be expected to be lowered from 30 to 28 in 2005. The 1.5 billion expense that we will have to see on the restructuring will be on an ongoing basis and it relates to the present branches. We have not calculated into that an expectation to do new branches. I think we would do that though in the Irish market especially there are areas where we would have to establish additional branches but that would be an add-on.

Christoffer Malmer – Goldman Sachs, London

And have you thought anything about or want to communicate anything about how much you would want to spend on branch expansion?

Peter Straarup – Danske Bank, CEO

I think we have to get to know our Irish colleagues a bit better and we have to identify the markets and do that, but if you look at a map you will find out that in the South West of the Republic of Ireland, we are a little thinly spread. So it would be areas like those, but sitting here in Copenhagen before we have local management on the team would be a little premature.

Christoffer Malmer – Goldman Sachs, London

That's great, thank you very much.

Monica Kalia - Execution Ltd, London

I just have two questions. One this is revisiting an earlier question on the guidance, I just wanted to confirm your 12 billion guidance for '04 is net of the restructuring charge your taking for the downsizing of the UK and US corporate portfolio? And also I think you said thee would be some upfront charges in relation to the 1.5 restructuring for the Irish acquisition, just wanted to make sure that 12 billion is net of that and that it's entirely down to lower credit losses as opposed to any change in net interest income guidance. And the second question is more of a strategic question with respect to the mortgage market in Ireland because obviously it's a very different market to the Danish market, Danish margins being much narrower and the funding structure being different. Do you have any sort of view in terms of you know what the opportunity is because obviously your market share in mortgage lending are quite low and that looks like to be the area of growth.

Peter Straarup – Danske Bank, CEO

First of all the guidance on core earnings are net of the London, New York. They do not include anything related to the Irish transaction that's a 2005 activity. On the mortgage side, we can see that Northern Bank has a fairly low market share in mortgages compared to its size in general and NIB has some possibilities we would say great potential. We have some products here that we have created over the last few years - open plan mortgage types, I think we will be able to introduce those in the Irish and the Northern Irish markets so we feel quite comfortable that we can go into these markets with mortgages that would be interesting. But the full spread of the product offering we will have to develop on an ongoing basis and you are right that assuming that spreads in Denmark are lower that they presently are in Ireland.

Monica Kalia - Execution Ltd, London

Thank you.

Peter Testa – One Investments, Lugano

I have a couple of questions. Firstly, the end result of your cost cutting will leave, if I've got the number right, the cost income ratio the Irish operations being actually below the Danske Bank Group and I was wondering if you could give some thoughts as to why you thought that was a correct place to end up? Secondly it was just on the issue of pension and the pension charge. If you could just say what the annual pension charge will be on the operating earnings from the Irish acquisition and therefore maybe explain what you think will happen to EPS post the pension charges or what's indeed behind your comment? Thank you.

Tonny Andersen – Danske Bank, CFO

This is Tonny Andersen, when you look into the cost income ratio you should bear in mind that given that our platforms are quite scalable on the IT side, we just have announced the couple of months ago the deal with IBM on MIPS. It means that the marginal price for us expanding new business is lower than the average cost in the group means that we would take on new business like the Irish one, we are able to cut cost further down and that is the implication of the cost income ratio below the average of the Group. In terms of the pension side, going forward some of the consideration we have done before this deal is the pension cost relating and taking into account mortality tables also on the investment yield on the pension fund will that be in equities or low proportioned equities. I think before we have talked to the Trustees I don't think it is fair for me to come out with a number at the pension cost but I can tell you that in our valuation and in the forecasts we have taken into account a relatively conservative mortality table and also a conservative yield on the pension funds.

Peter Testa – One Investments, Lugano

Okay, just a follow up, is the pension charge the reason why this deal would not be earning accretive in 2005?

Tonny Andersen – Danske Bank, CFO

The reason why in 2005 is the restructuring charge, which on the rules of IAS you need to expense directly next year and '06 as the expense is actually occurring. So that's the reason why.

Peter Testa – One Investments, Lugano

Okay, so but prior to the restructuring charge would the deal be earnings enhancing?

Tonny Andersen – Danske Bank, CFO

Yes

Peter Testa – One Investments, Lugano

Okay, thank you.

Jesper Brydensholt - Enskilda Securities Copenhagen

A question I have is two things. One is if you could give a little insight to the restructuring charge on the severance cost, how much of the restructuring charge is related to that? And how many of the employees is expected in this restructuring charge to exit the two banks if we could get a feeling on that? And secondly how do you see the two banks you bought in terms of efficiency ratios on the cost of product platform and IT position relative to the other peers that is the area. Thank you.

Tonny Andersen – Danske Bank, CFO

I would say on the restructuring charge how much of that is severance payment. I think we have done our own calculation it's too early to say what is personnel, what is IT cost. The bulk of that will be on the IT side and back office side and the reason that I'm not more explicit on the severance payment is that we have a 90 days consulting period with the unions before we can actually tell you something about on the labour side. But it's paramount for us that when you look into the processes, the technology they use and also the manual work that's done that it's true that we can see efficiency gains on that side. In terms of the efficiency ratios, I think when you look at the Irish banks, in general they are probably right now logging around 55% or 58% cost income ratio. In general the larger players and I think you will see that we can significantly change that as we said in the forecast for this unit even though the scale of this unit is lower than the larger players.

Jesper Brydensholt - Enskilda Securities Copenhagen

Could you just add on or give us a little insight to what's the rank in terms of loyalty, customer satisfaction in these two banks relative to other banks?

Tonny Andersen – Danske Bank, CFO

I think you should expect that customer satisfaction is probably lower than average that you see in the market. It's improved a little bit but it's probably a little bit lower probably because on the product side that it seems to be hungry for further products there.

Jesper Brydensholt - Enskilda Securities Copenhagen

Thank you.

Denise Holle – Merrill Lynch London

Two questions if I could. One, could you give us some sense of what are your expectations for the competitive environment in Ireland in the next couple of years. You've talked quite a bit about the economy and I think there's a high level of comfort there but on the competitive environment in the banking sector. And the second question is do you have any breakout I guess of the staff costs from total cost for the Irish unit you're buying, it just looks to me as if the staff costs are much lower than in Denmark, I don't know if that's because we don't have all the data and if that's the case are there any other possibilities to take advantage of that at a Group level?

Tonny Andersen – Danske Bank, CFO

Yeah, I think the last question is that the staff cost on average is lower in the Irish operation than it is in the Danish operations. You should probably expect that average staff cost is around probably £23,000 in the Irish operations where it's somewhat higher in the Danish one.

Denise Holle – Merrill Lynch London

Was that the cost? Sorry what did you say was £23,000?

Tonny Andersen – Danske Bank, CFO

The average salary.

Denise Holle – Merrill Lynch London

Salary? Okay.

Peter Straarup – Danske Bank, CEO

But we will have to investigate going forward to what extent we might benefit from that but that has not been decided at this point in time and that has to do with the way we will do the integration. As far as the expectation of competition we of course expect to add to the competition. I would think that would be giving some margin compression in the market. We expect in our forecast here about 0.5% margin compression over the next couple of years.

Denise Holle – Merrill Lynch London

Okay, thank you.

Jonas Erikson - Credit Suisse First Boston, London

I have a couple of questions. First of all will you be making any management changes in either of these bouts? And secondly if we look at the P&L that we saw for this year for the two of them, are there any issues we need to take into consideration apart from the, you mentioned that the pension costs will be slightly higher going forward, are there any other non-recurring elements that we should take into consideration or is this representative for the earnings capacity as it is right now before you start restructuring?

Peter Straarup – Danske Bank, CEO

As far as management changes are concerned, the first management change that we will make is that I will run for chairman of the board for the two banks and then I will sit down with Don Price and we will set up an organisational structure and set up the management team. We have an ambition to do this with local management but it's too early to be explicit on how the structure will be. We expect Don Price though to go on our executive board here sort of inline with the way we have been working for the last period, where we have the brand managers and the country managers of the larger brands sitting on the executive board. But more explicit than that I'm not able to be. I think for the second question Tonny will answer.

Tonny Andersen – Danske Bank, CFO

On the profit and loss, I think the key one is the higher pension cost going forward attributing to the different uses of mortality tables and also the yield on the investment portfolios. I think that will be the key ones in the next couple of years that you should take into account.

Jonas Erikson - Credit Suisse First Boston, London

Sorry did you mention how much difference there will be to the total cost based on that or?

Tonny Andersen – Danske Bank, CFO

No, I think that we're still, we've done some forecast for next year but there will be an increase in the pension cost that you need to take into account going forward. It will probably not be all that wrong to think of the '05 cost excluding restructuring charge to be around the 2 billion area plus or minus the necessary deviation.

Jonas Erikson - Credit Suisse First Boston, London

Okay, also the capitalisation of these two banks, what kind of tier 1 are they in the, you know when you're buying them?

Tonny Andersen – Danske Bank, CFO

Today when you know that NAB's disclosure they are around 8.5% tier 1, but the Danske Bank Group are working with 6.5% pure tier 1 and as you know 7% including hybrid.

Jonas Erikson - Credit Suisse First Boston, London

Okay, thanks.

Amit Mehta - Morgan Stanley London

I was just wondering if you could elaborate a bit more on the cost saves and how you see you're going to get the benefits through and then secondly I was just examining the different franchises, and then looking at the revenue throughput of the Republic of Ireland business, it seems to be quite low and I was just wondering what's your examination of where they're getting their cross-selling wrong and how you can add the value there? Is it just product or is it other elements, the distribution etc?

Tonny Andersen – Danske Bank, CFO

When you look at the cost savings coming through obviously you take the key components here you will have less employees, you will also have it on the IT side as you probably know Amit, we did make this deal with IBM, which made us having very low MIPS-prices and in addition to that you get the scale advantage of some of the development done in the

Copenhagen that is transferable into the Irish operations that will be some of the key ones and also the back office, the call centre, the helpdesk are some of the areas where the cost synergies will be visible. When you look at the Republic's revenue stream we think that when we map their products currently with our products and while our sort of competitive dynamics we see growth developments within business online, within trade finance, within cash management, within credit cards and customer packages that is already in place in our Nordic retail franchise and I think it's a question of giving the right product ammunition to the employees to deal with the customers at an efficient way.

Amit Mehta - Morgan Stanley London

OK, and I'm just comparing it to the two transactions you done for Fokus Bank and also Sweden this seems to be a hybrid between the two where A: one is a turn around business unlike your Swedish business, and the other is that at least you don't have the economic backdrop, which probably wasn't ideal for your Norwegian business. Any other things you would draw upon or compare and contrast to your two experiences both in Norway and Sweden? I mean I know that you highlight the Swedish experience but I would argue the starting point that Sweden was much stronger.

Peter Straarup – Danske Bank, CEO

Well the growth in the markets in Ireland is much stronger than it would be expected to be in Sweden but other than that you are right. NIB looks like the Swedish operation and Northern Bank perhaps is a bank that has been underinvested for a while and that was also why average customer satisfaction might be a little on the low side. I think we have the skills to turn that around. I would compare Northern Bank perhaps a bit more to BG Bank when we acquired that 2 or 3 years ago, which was also a franchise that was wasting customers and had a low satisfaction among customers. That's not the case at this point in time and they're actually moving ahead pretty nicely. So I think we have the tool box to handle that.

Amit Mehta - Morgan Stanley London

And can I ask one last question, you've been on the sidelines in terms of acquisition activity and I guess this did come as quite a surprise to most, what other things have crossed your horizon and I don't know if you can elaborate on why you've not done things in the past or why you've done this more other than the macro. Is it the fact of rejuvenation of a franchise is a key challenge? Because I know other past comments from yourself has been most of your deals have been driven on cost rather than revenues.

Peter Straarup – Danske Bank, CEO

Well Amit, this is not such that there are bank franchises for sale sort of every other month. We have evaluated markets and we have done quite a job researching which markets in Northern Europe that are interesting. And there's no doubt in terms of macro economic environment, in terms of hospitable banking environment – meaning you can be allowed to do your business and make money, Ireland sticks out as the most attractive area. When this opportunity came we then ran for it. We haven't really been evaluating others recently and there hasn't been that many up for sale but moving across to Ireland is much more attractive than it would have been to move south to the German market. I hope I do not offend anybody. So that's what I can say about it at this point in time.

Amit Mehta - Morgan Stanley London

Okay, thank you.

Kim Bergo - West LB, London

Just one question because obviously we are talking about two sort of quite different franchises and when you talk about it, it sort of sounds a little bit like you know obviously the Republic of Ireland is a very attractive market to get into and it sounds like Northern Bank was sort of a little bit the ugly sister that came you know with the rest. Would it have been an option to buy just one of them and also sort of how integrated are these two? So if you could elaborate a little bit more on which is actually the largest of the two, the Northern Irish business, what are your prospects? And then secondly if you see any opportunities now when you've made your footprint into these two markets to then additional make sort of add-on acquisitions in that to gain further scope. And then secondly not to long ago you showed very strong commitment to your RAROC-calculations and so forth. If you could give us a feel for in your RAROC-calculations how these two sort of rank, how well they're doing and what sort of more long term what kind of normalised level you could see these two ending on and that would be it, thank you.

Peter Straarup – Danske Bank, CEO

Well it was not under consideration just to buy one of the two, and there's no ugly sister. I think they are very different, but I think they are both very attractive. If you look at Northern Bank it has quite a number of customers, it's the biggest of the banks, it has an underutilized, excuse me, franchise in our opinion, it has not made the investment into their technology they should, their Netbank is still underperforming, they have low market shares in mortgages but they have a customer base, which you will be able to cross-sell into, and I think we have sufficiently demonstrated that in Denmark. So the Northern Bank is a very interesting bank even though it has, if you like, a stronger position in terms of number and has lot a few customers recently it has an interesting position. National Irish Bank is of course placed in a market that has had a stronger growth than you have seen in Northern Ireland and that is also very attractive but these are sisters and they will do well together. They are presently managed jointly, they presently also have some of their activities handled jointly, whether that will be the recipe for the future we will have to sit down and discuss with the management and I think I would hold off for that commenting on that officially until we have done that.

As far as the RAROC is concerned, we work on our RAROC but I would say that the RAROC results on these are very attractive but we do not have historic data to come out and give you precise RAROC information. We would need to develop that.

Kim Bergø - West LB, London

And then in terms of potential of making add-ons is that something you could see a potential for?

Peter Straarup – Danske Bank, CEO

At this point in time, we have no additional plans for acquisitions neither there nor elsewhere. I think we concentrate on digesting this and then we will have to see what happens.

Kim Bergø - West LB, London

Just one additionally if I may, in Republic of Ireland in particular you sort of mentioned that to, I guess that goes for both of them, to introduce the open plan products. Could you see any possibility or sort of potential of introducing life insurance products as well?

Peter Straarup – Danske Bank, CEO

There's no plan to that extent. I think if we were to do that we would probably do it on the open architecture we have, which means in-sourced products.

Kim Bergø - West LB, London

Okay, thank you.

Inigo Licubarri - Olympus Capital Management, London

A couple of quick questions, one is if I understood this correctly, you were looking at 350 million cost synergies. Assuming these are permanent and if I relate those synergies to the restructuring costs, both the so called restructuring cost of 1.5 billion and also the 1.2 pension deficit, then I come to something that looks like a 7.7 times P/E, I think on this basis. Is that consistent to what you think you're getting, I mean this additional cost synergies related to the upfront restatement cost both pension and non-pension, is yielding this kind of return is this adequate? That's the first question and the second question has to do with the interest rates and [inaudible] Danske has been well known as a very strongly positive interest rate sensitive bank, now in this transaction I assume reduces a little bit of that interest rate sensitivity if you can have a comment on that?

Peter Straarup – Danske Bank, CEO

I think on the cost synergies what you do is you multiply the savings with the sum of the up-fronts and you say it takes 7.7 years to get them back. I'm not sure this is a ratio that we normally focus that much on. I think what we are trying to do is we are trying to calculate what we can do bringing down the cost base in order to improve the earnings going forward. The interest rate sensitivity will be lower in this transaction because the loan to value, the loan to deposit ratio is fine so you could say it is evening out our interest rate sensitivity when you add it to the total Bank but it's not something that would have significant impact on that.

Inigo Licubarri - Olympus Capital Management, London

Okay, I assume that the fact that almost half of this transaction is funded with cash and the other half to a large extent as well because it's hybrid and Tier 2, that may also have an impact on interest rate sensitivity.

Tonny Andersen – Danske Bank, CFO

Yes, that's true but keep in mind that this transaction only accounts for 10% of our current market cap so it's nothing significant.

Inigo Licubarri - Olympus Capital Management, London

Ok fair enough, thanks.

Michael Sandfort - Danske Bank Copenhagen

You mentioned that the two banks were managed jointly partly at least. Can you tell me a little bit more about differences in corporate cultures and how much differences in [inaudible] systems and IT systems will complicate the integration process? That's question number one and question number two refers to customer loyalty in those markets. Do you have an impression if customer loyalty is higher or lower or comparable to what we see in the Nordic markets? And finally can you comment on the housing market and the risk of a bubble in Ireland? Thank you.

Peter Straarup – Danske Bank, CEO

On the IT side, the two banks have the same IT platform and we will be integrating them and they will get an individual IT structure, if you like, which corresponds to the common platform we have here which is multi-currency. On the customer loyalty side we do not have figures that compare the Danish market with the Irish market. The housing market, we're not that concerned about a bubble, I know that house prices have risen well. There's also strong demand for houses and if you look at the information we have on the website you will be able to see that the house penetration in Ireland is still fairly low and the demographic infrastructure, which means the demand for housing could also be expected to be quite high and new construction is also at a fairly high level, which will be a buffer against any swings, so we're quite comfortable with the housing market and we have a feeling that the development in economic activity in Ireland is soundly based and that further underpins the housing market.

Michael Sandfort - Danske Bank Copenhagen

Thanks finally, coming back to customer loyalty just briefly. Do you think it could be an advantage to have a Danish owner in comparison to an English owner when penetrating the Irish market?

Peter Straarup – Danske Bank, CEO

It's always an advantage to have a Danish owner.

Michael Sandfort - Danske Bank Copenhagen

Okay, thanks.

Matthew Brealey – Bloomberg, London

Question withdrawn.

Anders Hornbak – Carnegie, Copenhagen

You mentioned that the acquisition would be EPS accretive in 2006. Have you made any calculations, if you were gearing the balance sheet by doing buy-backs instead? Would we have to move to 2007 or 2008 for the acquisition to be really underlying EPS accretive, do you have any comments on that please?

Tonny Andersen – Danske Bank, CFO

If you were to combine the two scenarios, one you would continue to do share buy-backs with this transaction you would see the lines on EPS cross each other at around 2009 beginning 2010 as we see the projections.

Anders Hornbak – Carnegie, Copenhagen

Okay.

Peter Straarup – Danske Bank, CEO

But that's not a way to run a company if you like. You can buy back shares for a while and you can reduce the size of the company, but the top-line needs to develop at a certain point in time in order to make it interesting to buy shares in our company. So we feel this is the best solution.

Anders Hornbak – Carnegie, Copenhagen

And you felt that this was the point of time where you had to try your skills outside the Nordic region?

Peter Straarup – Danske Bank, CEO

Well our opinion is we have the skills, and we've also demonstrated that we can handle this type of transaction outside Denmark and whether it's Euros or British Sterling or Norwegian kroner or Swedish kroner, really doesn't matter. It's a different language, it's a different currency, different tax code so we think we have demonstrated the skills. This was the time that the opportunity arose, this is the period of time where we concentrate on retail banking, we divest the wholesale book, which is turning out to be something we will be ale to do quite rapidly we think so this is an opportune time for us to do this.

Anders Hornbak – Carnegie, Copenhagen

Okay, thank you.

Daniel King – Deutsche Bank. London

Hi, just a simple sort of clarification really on restructuring charge, particularly on the IAS with restrictions that imposes. I can see in the chart on page 20 the cost savings, does that mean the restructuring charge will all be taken into 2005 or are you unable to do that because of the restrictions?

Peter Straarup – Danske Bank, CEO

We are unable to do it, most of the amount will be taken in 200,5 but there will be a tail in 2006.

Daniel King – Deutsche Bank. London

By the end of 2006 we should have the whole 1.5 billion restructuring charge?

Tonny Andersen – Danske Bank, CFO

Yes

Daniel King – Deutsche Bank. London

Great, thank you.

Jonas Eriksson - Credit Suisse First Boston, London

Thanks just when it comes to return on investment on my numbers at least looks quite low, what kind of return on investment hurdle rates do you use to calculate on these types of acquisitions?

Tonny Andersen – Danske Bank, CFO

You could argue that currently most I guess account [inaudible] our cost of capital would be around 8.5 maybe 9% and this is a retail operation with an inherent risk so around 8.5% cost of capital would not be way off the chart. When you look at the return on investment, it's true that in the first few years we would see only approaching in '07 the cost of capital but that is only because you have the restructuring cost in '05 and '06 and from there after you would see the return on investment would converge and approach maybe 13 – 14% in some years time out in the future.

Jonas Eriksson - Credit Suisse First Boston, London

Okay, also I don't know if you answered that question before the loan to value ration in the secured part of the book, both on the corporate and on the mortgage segments?

Peter Straarup – Danske Bank, CEO

We do not have a loan to value ratio on the total loan book. Our assessment, after the due diligence, is that it's a very conservatively structured book and the collateralisation is fairly high actually higher than we expected when we went in and looked at it, but I do not have a loan to value ratio.

Jonas Eriksson - Credit Suisse First Boston, London

Okay, thanks.

Chris Laing - Invesco Atlanta

Just if you could talk about how this might change or slow down your growth in Sweden and Norway. It seemed like a month or so ago it looked like that might be accelerated and maybe this might change that.

Peter Straarup – Danske Bank, CEO

There are no changes as far as the developments in Sweden and Norway are concerned. We have the management team in place, we have the product base and also whatever is required to expand. Sweden will be putting on new branches at the pace that we have expected them to do, in Norway the same. There will be some reconsideration of branches also in Norway but this acquisition will not change any of the plans for those two countries.

Chris Laing - Invesco Atlanta

Okay, thanks.

Peter Straarup – Danske Bank, CEO

Okay, well thank you very much for being participating in our conference call, thanks for your interest in the bank. It's been a pleasure, thanks for the many good questions. We look forward to continuing to cooperate with you, should there, after this presentation, be any that have questions subsequently, please do not hesitate to contact us. Thank you very much.