FitchRatings

FITCH AFFIRMS DANSKE ON NAB'S IRISH OPERATIONS ACQUISITION

Fitch Ratings-London-14 December 2004: Fitch Ratings, the international rating agency, has today affirmed Denmark-based Danske Bank's ("Danske") ratings at Long-term 'AA-' (AA minus), Short-term 'F1+', Individual 'B' and Support '1'. The Outlook on the Long-term rating is Stable.

This affirmation follows the announcement today of Danske's intended acquisition of National Australia Bank's ("NAB") Irish operations, National Irish Bank ("NIB") and Northern Bank ("NB"). NAB has accepted Danske's offer for the operations and applications will be filed with the relevant regulators. Danske expects regulatory judgement on the transaction by end Q1 2005.

"This acquisition represents a move by Danske into a country where the bank can see growth potential, though competition in Ireland is increasing," says Tim Beck of Fitch's Financial Institutions group. "The Scandinavian markets are highly competitive and margins are being squeezed. There are risks with this transaction, both in terms of execution risk, and whether the products that have proved successful in Scandinavia will do so in Ireland. This deal represents Danske's first major move outside its traditional Nordic markets."

Danske is paying around GBP967 million for the acquisition, which is approximately 2.3x the net assets level. Substantial restructuring costs will then be incurred during the first year of acquisition. It hopes to realise cost savings by integrating back office staff with Danske and implementing the Danske IT system onto the acquired banks. It then hopes to build on the franchises of NIB and NB, including offering Danske products.

Danske's capital will come under pressure following the acquisition, with its Tier 1 and total capital ratios falling below the respective targets of 7% and 9.5%. Danske expects its capital ratios to reach its target levels by end-2005. This will be achieved in part by the issue of hybrid capital (which will qualify as Tier 1, and represent around 10% of total Tier 1 capital), and Tier 2 capital. On top of this, the bank will, to meet its capital ratio targets, reduce both risk-weighted assets following the recently announced scaling down of its wholesale operations in London and New York, reduce share buy-backs, and release excess loan loss reserves. Fitch considers this level of capitalisation adequate for its current rating level.

At end-Sept 2004, the total assets of NIB and NB were GBP7 billion, approximately equal to 4% of current Danske group assets. NB has a market share in Northern Ireland of some 21% retail deposits. NIB has a market share of in the Republic of Ireland of around 3% retail deposits.

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Note to Editors: Fitch Ratings' Support and Individual Ratings for Banks
Fitch's Individual ratings assess how a bank would be viewed if it were entirely independent and could not rely on external support. Its Support ratings deal with the question of whether a bank would receive support from its owners or from the state if it were to get into difficulty. These ratings are not debt ratings but rather, respectively, an assessment of the intrinsic strength of a bank and of any level of outside support that may, or may not, be available to it.

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