


Rating Action: Danske Bank A/S
MOODY'S AFFIRMS DANSKE BANK'S Aa1/P-1/A- RATINGS AND THEIR STABLE OUTLOOK FOLLOWING ANNOUNCED ACQUISITION OF NAB IRELAND. HOWEVER, CAUTIONS ON EXECUTION RISK OF DANSKE GROUP'S IRISH STRATEGY

London, 14 December 2004 -- Moody's Investors Service affirmed Danske Bank's Aa1/P-1/A- ratings and their stable outlook following the Danish bank's announced offer to buy NAB Ireland, (currently subsidiary of National Australia Bank), comprising Northern Bank (Northern Ireland) and National Irish Bank (Republic of Ireland), neither of them rated. The size of the acquisition in relation to Danske Bank's total assets is around 4%. While still subject to regulatory approvals, both banks expect the transaction to be completed in early 2005.

According to Moody's, the financial risk arising from this acquisition for Danske Bank is very limited given NAB Ireland's estimated value of DKR 76 billion (EUR 10.2 billion) at end-September 2004 and the fact that the transaction will be financed via DKR 1.5 billion hybrid Tier 1 issue, a DKR 5 billion Tier 2 issue and a reduction in share repurchases. In addition, Danske Bank is in the process of selling risk-weighted assets for DKR 50 billion as part of its continued strategic refocusing on retail banking, the closing of its US branch and the scaling down of its UK activities. In Moody's view, the acquisition of NAB Ireland should not impair Danske Bank's solid financial fundamentals. Although the Tier-1 capital ratio for the group is expected to drop below its existing target of 7%, Moody's noted that, according to Danske Bank's own projections, the target level will be reached again before the end of 2005 due to the bank's strong income-generation ability.

At the same time, Moody's expressed some reservations about Danske Bank's strategic choice for the Irish retail market, its execution risk, and the timing of the transaction. Danske Bank has already made acquisitions in both Norway and Sweden with successful outcomes given the cultural proximity among Scandinavian countries. The acquisition of NAB Ireland is Danske Bank's first larger acquisition of a bank outside Scandinavia.

Moody's noted that the Irish banking market has enjoyed several years of very high growth and, despite a fall in growth levels more recently, remains financially strong. The large domestic banks continue to command leading market positions across a broad spectrum of products, while the other institutions are also on the whole maintaining stable market shares in their key business areas. Competition from foreign banks in the Republic of Ireland has so far been limited and not very successful. In this respect, Moody's cautioned about the inherent execution risk of Danske Bank's Irish strategy. As for Northern Bank, the rating agency said that it is one of the leading banks in Northern Ireland with a stable business base, albeit a low cost efficiency.

Moody's concluded by saying that Danske Bank's very high ratings remain underpinned by the group's dominant position in the healthy Danish market, by its well-diversified and profitable franchise, and its low and well-managed risk profile.

Danske Bank, headquartered in Copenhagen, Denmark had assets of DKR 1,914 billion (EUR 257billion) at the end of September 2004.

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