

Ireland and National Irish Bank



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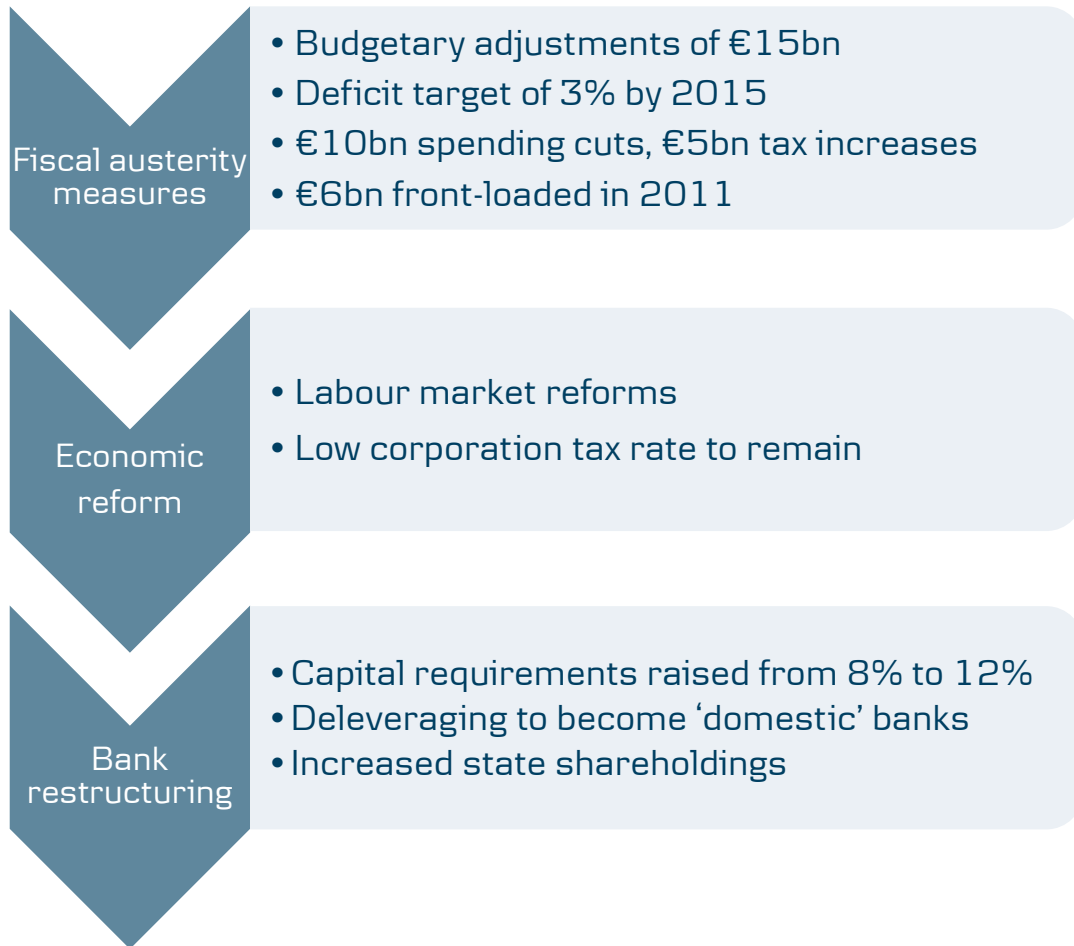
17 December 2010

Agenda

- Irish Economy
- Banking in Ireland
- National Irish Bank
 - Asset Quality
 - Operational Update
 - Future Strategy

4 Year Plan to tackle State Finances and Banks

- uncertainty leads to loss of market confidence and EU/IMF support



EU/IMF Deal in Numbers

- €85bn: Total package
- €17.5bn: Irish contribution
- €67.5bn: EU/IMF contribution
- 5.8%: Interest rate
- 7.5 years: Length of funding



Supporting state and banks

- €50bn for financing of state
- €35bn towards banks

Medium Term Economic Prospects

- austerity measures will hurt domestic demand, though economy unlikely to be tipped back into recession

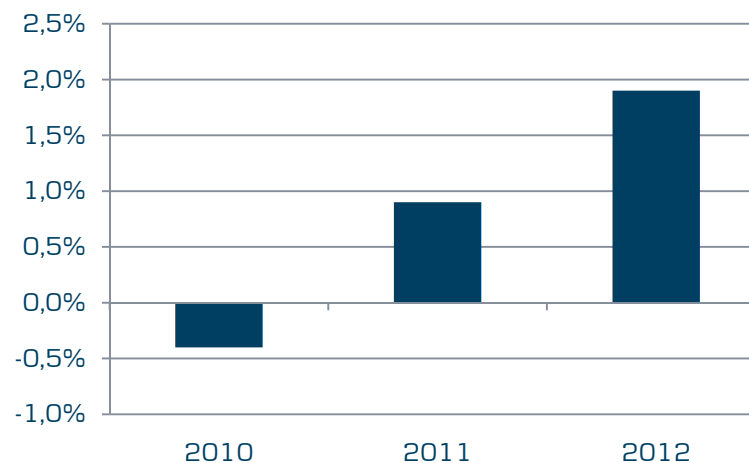
2010

- Domestic demand falling, exports strong
- GDP expected to decline by 0.4%
- Unemployment stabilising at 13.5%
- Underlying government deficit 11.5%

2011+

- GDP growth of 0.9% in 2011
- Unemployment to remain high but stable
- Gross Debt / GDP to peak at 120%

GDP Forecasts

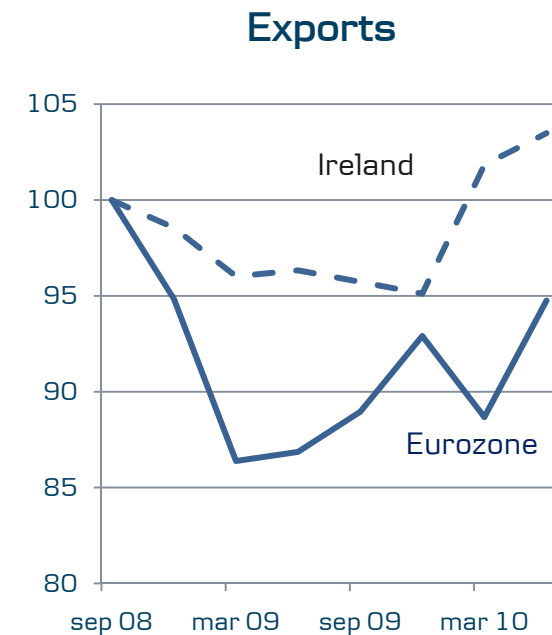


Source: Danske Markets

Economy has some good underlying fundamentals

- export sector well placed for continued growth

- Export sector continues to outperform EU boosted by fall in labour costs
- Strong and robust centre for multinationals
 - 8 of world's top 10 pharma companies
 - 250+ global Financial Services companies
 - World's largest exporter of software
 - 15 of top 25 medical device companies
- Savings rate has tripled
- Strong demographics



Source: Eurostat

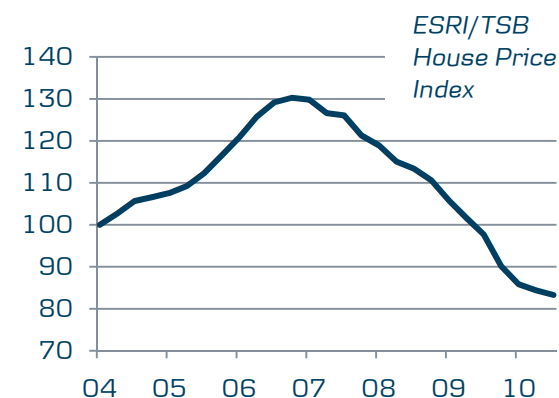
“Ireland accounts for more US investment than Brazil, Russia, India and China combined”

Lionel Alexander, President American Chamber of Commerce in Ireland

Property Market

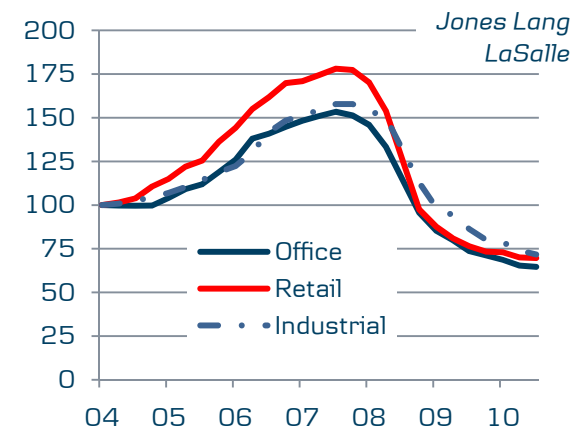
Residential Property

- House prices down 8% in 2010, 36% on peak, rents stable
- Overhang of 6% of stock, though higher in rural areas
- Extra austerity and continued difficulties in banking sector likely to dampen supply and demand for credit
- Reform of stamp duty announced in 2010 Budget a positive



Commercial Property

- Commercial prices down 8% in 2010, 59% on peak
- Vacancy rate averaging 20%, though varies across regions
- Investment property turnover has doubled in 2010 though absolute level of activity remains limited
- Austerity will intensify cash-flow pressures



Banking in Ireland

- no bank immune to the crisis



NIB Loan Portfolio – Q3 2010

- impairments concentrated in Commercial Property

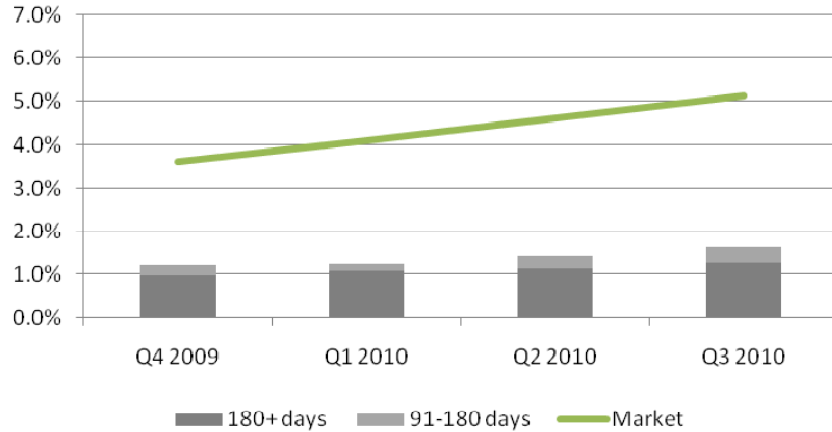
	Gross Lending €bn	Allowance €bn	Allowance %
Commercial Property	3.6	1.1	29%
Investment*	2.4	0.5	18%
Development	0.5	0.3	54%
Landbank	0.7	0.3	46%
SME	1.3	0.2	18%
Corporate	1.2	0.0	4%
Home Loans	3.6	0.1	1%
Personal Loans	0.1	0.0	0%
Total	9.8	1.44	15%

* Includes €0.5bn of buy-to-let housing loans

Mortgages

- €3.6bn of total loan book; arrears remain low and average LTV 83%

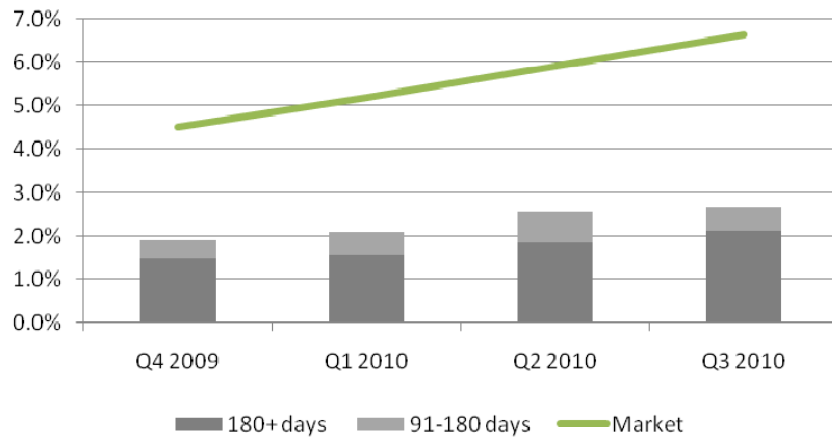
Mortgage Arrears: by number



Breakdown of LTV on Mortgage book

LTV	% of total
0 - 20	31%
20 - 40	25%
40 - 60	19%
60 - 80	12%
80 - 100	6%
100+	7%

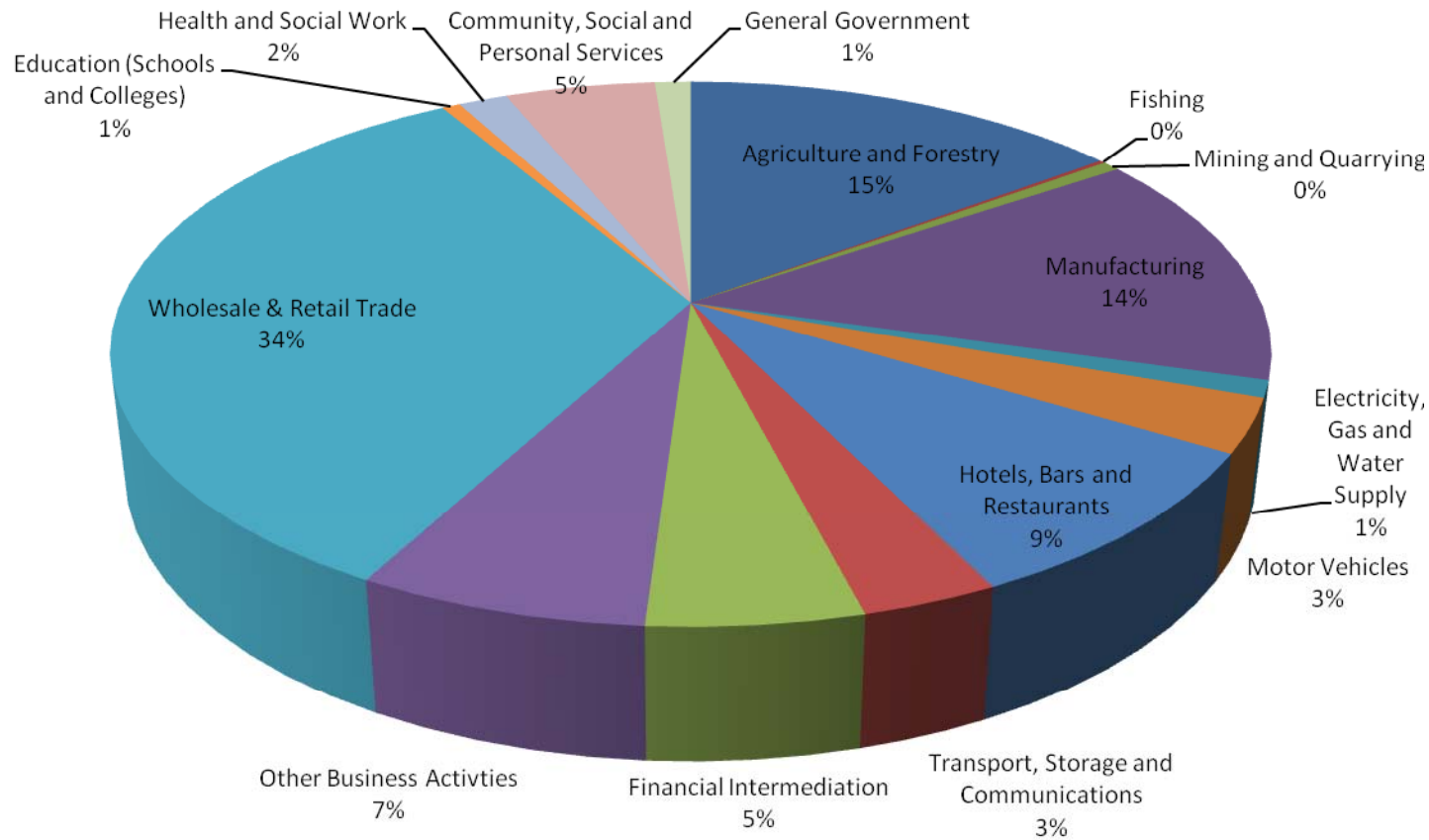
Mortgage Arrears: by value



Market data source: Central Bank of Ireland

Business Lending

- €2.5bn of total loan book; no large concentrations

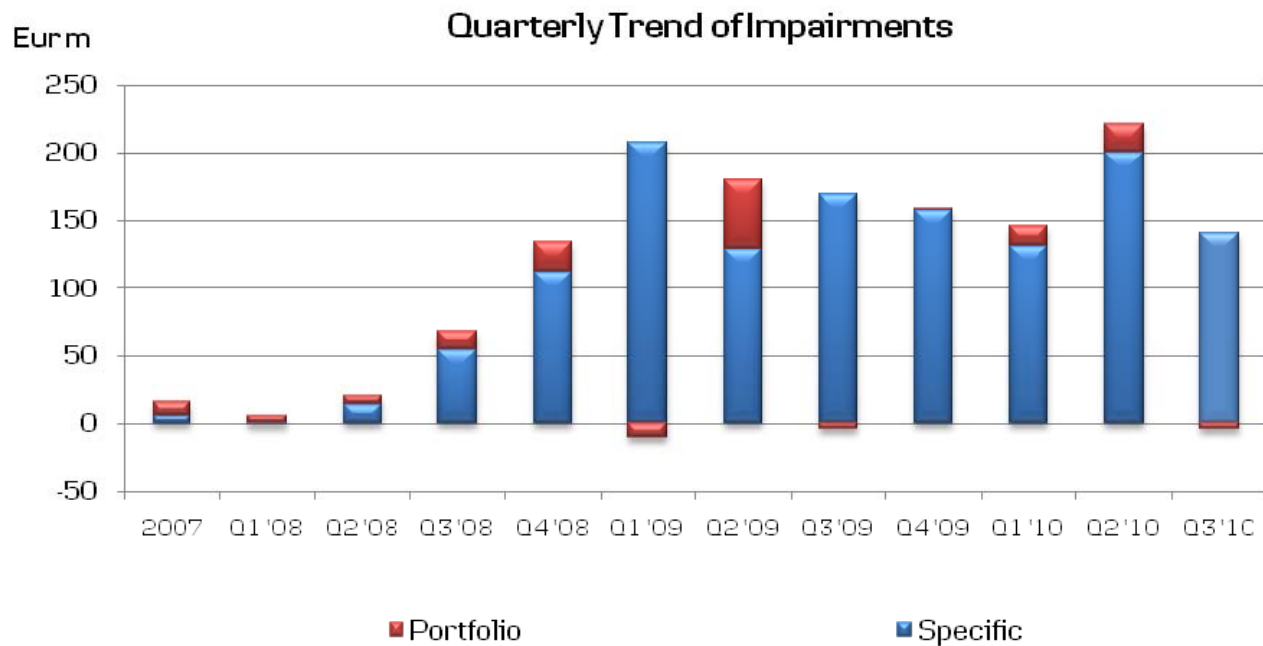


Impairments

- peak in Q2 2010; will remain high

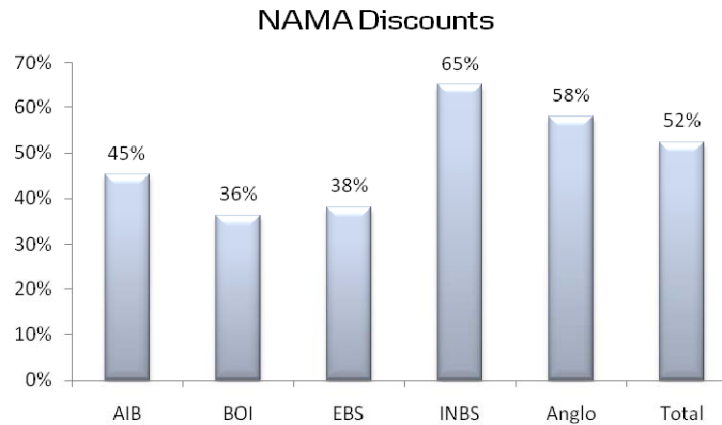
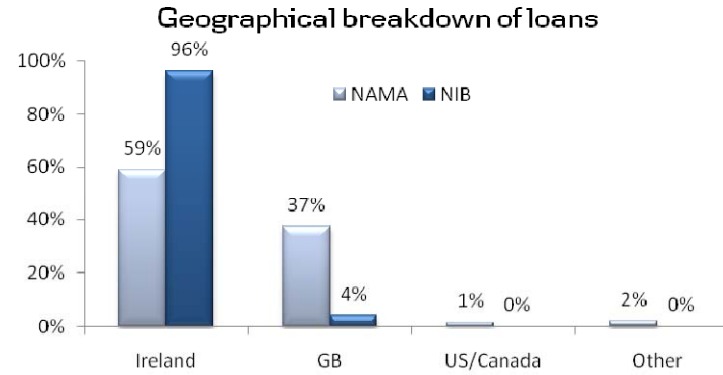
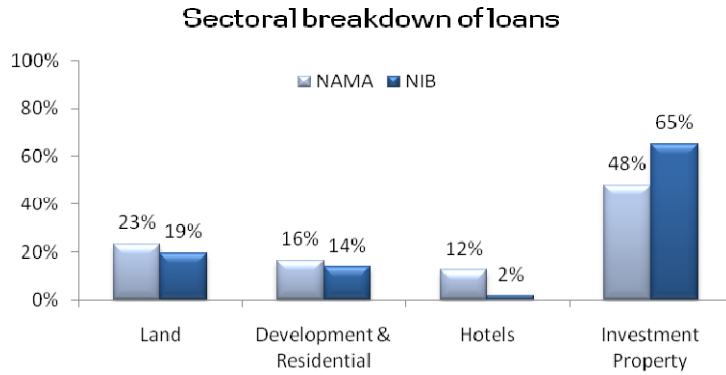
Ireland:
4% of Group's lending

Cumulative Impairments €1,442m
Collective 1,358bp
Individual 119bp



NAMA

- not directly comparable to NIB due to a range of factors



Source: NAMA Tranche 1 & 2 transfers

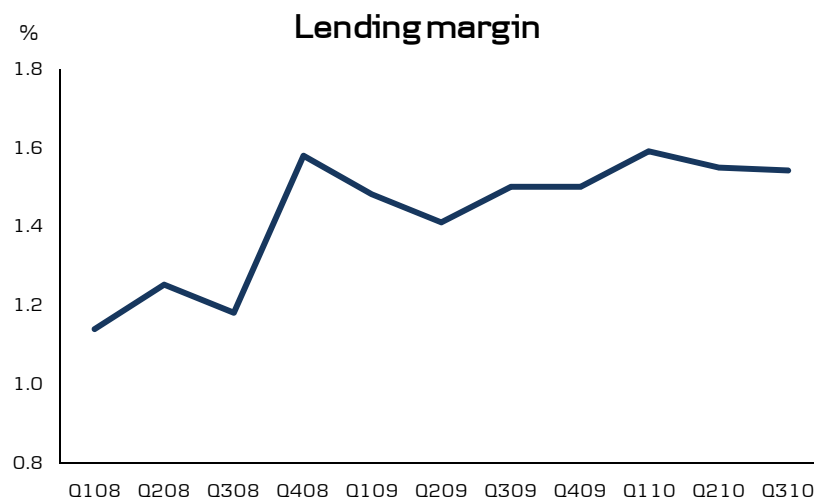
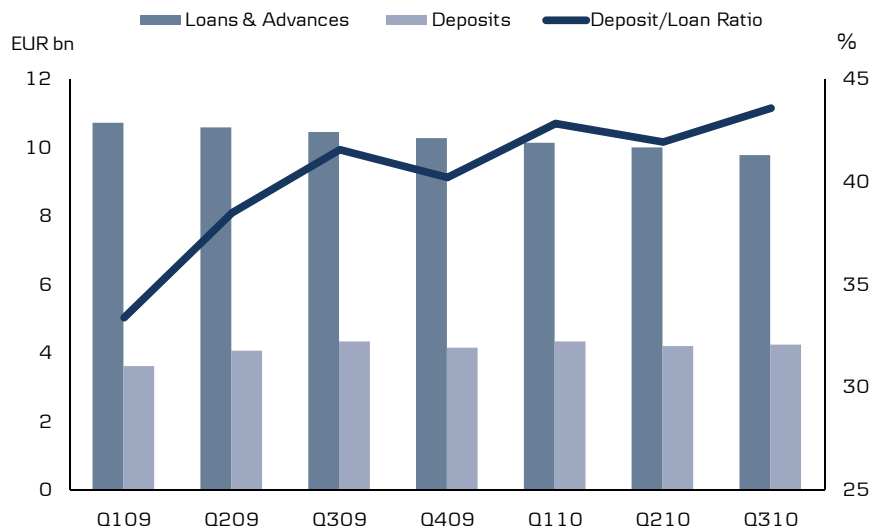
National Irish Bank: Financials

- income under pressure due to impaired loans and lower demand; costs reducing though full impact not visible until 2011

EUR m	Q3 2009	Q3 2010	Index
Net interest income	120	109	91
Net fee income	13	11	82
Other income	6	4	83
Total income	139	124	89
Expenses	91	88	97
Profit bef. loan imp. Charges	48	36	75
Loan impairment charges	544	504	93
Profit before Tax	-496	-486	-
ROE bef. loan imp. charges	14.6	12.6	

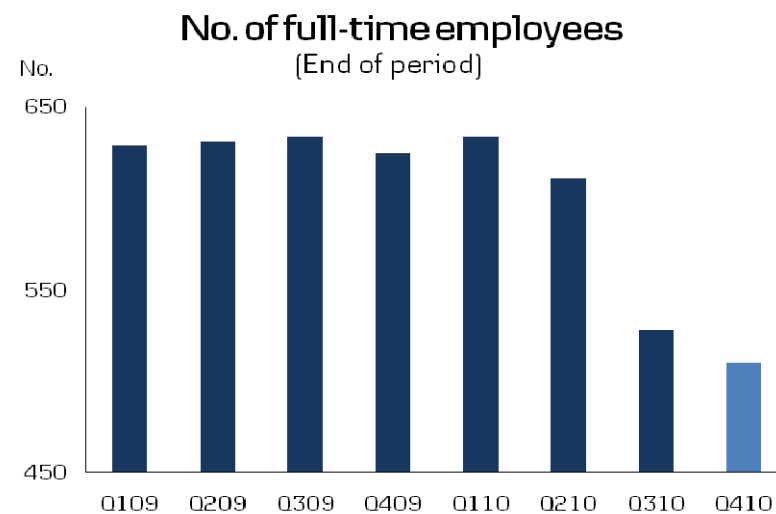
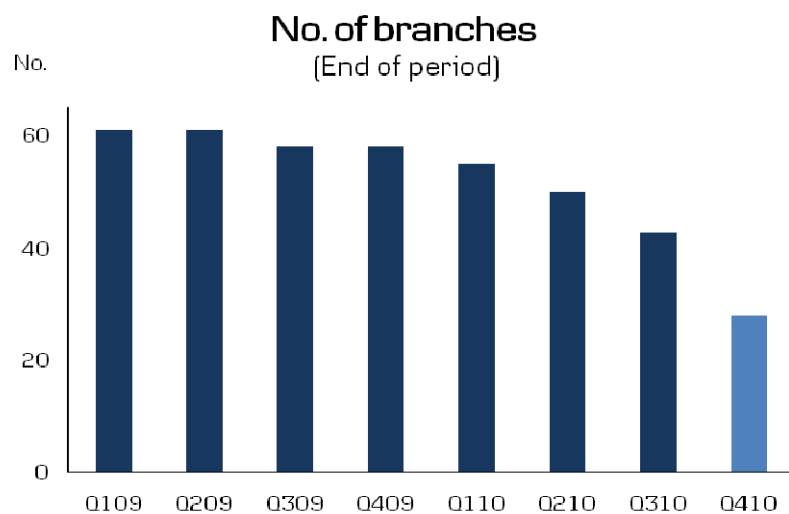
Balance Sheet and Margins

- loan to deposit ratio improving; lending margins increasing



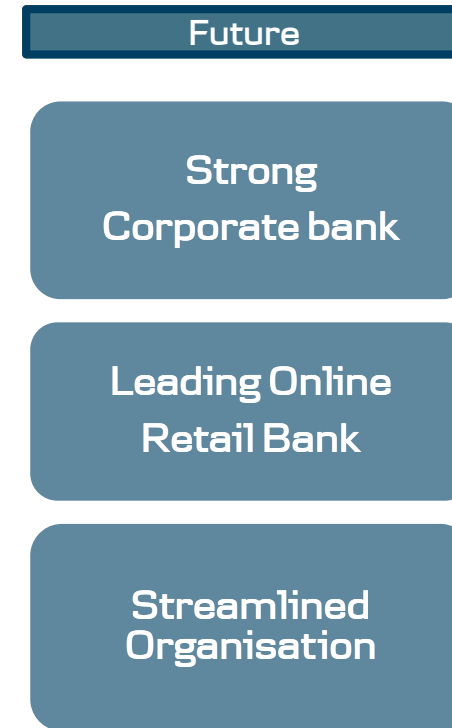
Costs

- branches reduced by 54% and FTEs by 20%



Strategic Repositioning

- **Distribution**
 - 54% reduction in branches
 - Cash removed and partnership with Post Office
 - Direct banking units established
 - Accelerated on-line usage
- **Customers**
 - New Corporate Banking Unit
 - Resources and channels aligned to customer needs
 - Dedicated advisers for sophisticated clients



Focus is on segments where Danske brings market-leading banking solutions

Outlook for National Irish Bank

- Continue to work out commercial property book - impairments likely to remain high in 2011
- Focus on costs will continue
- Opportunity for NIB in radically changed market
 - internal restructuring complete
 - less competition and still plenty to aim for
 - competitive advantages in funding base and parental strength
 - market-leading products and services in preferred segments

Opportunities for National Irish Bank despite low growth environment

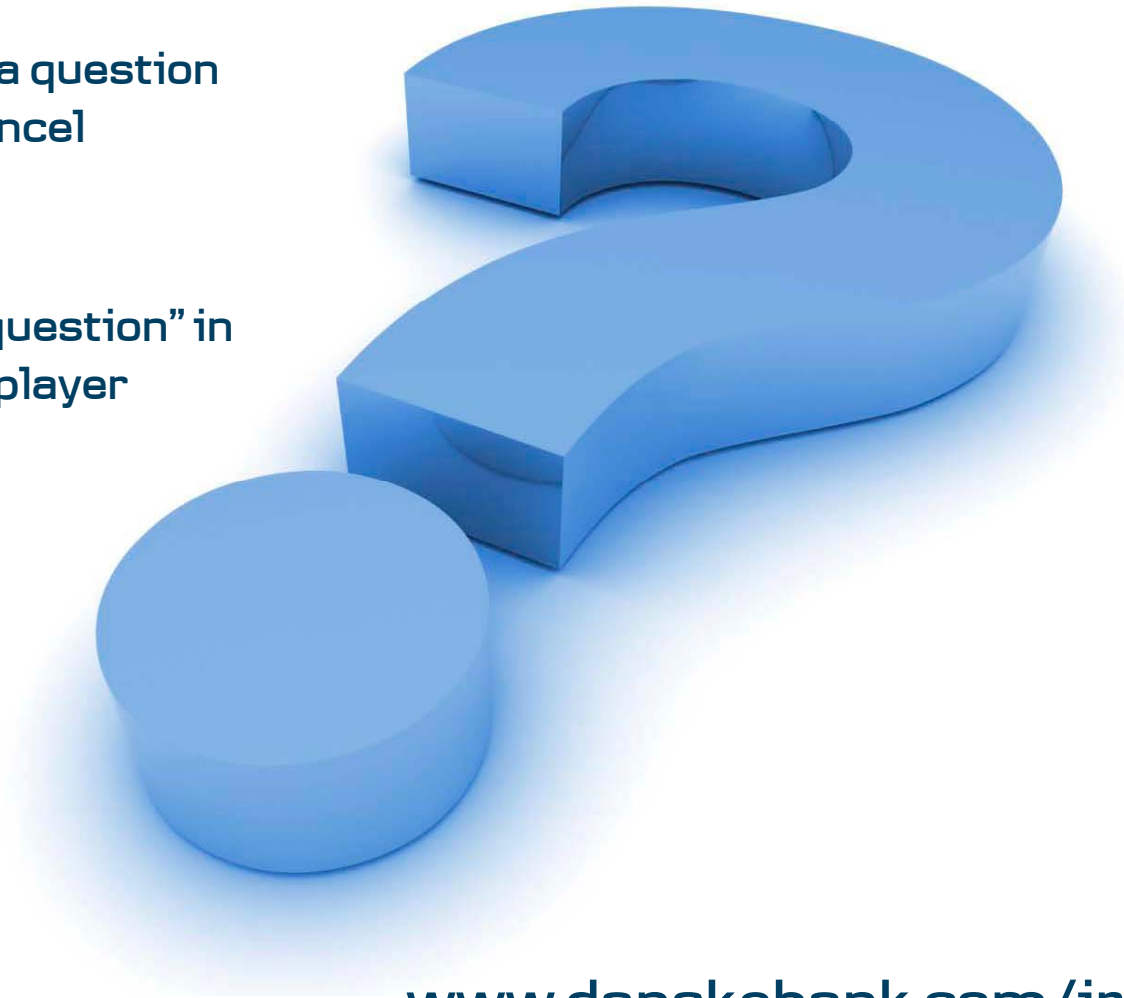
Q&A Session



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Press “#” to cancel



Press “Ask a question” in
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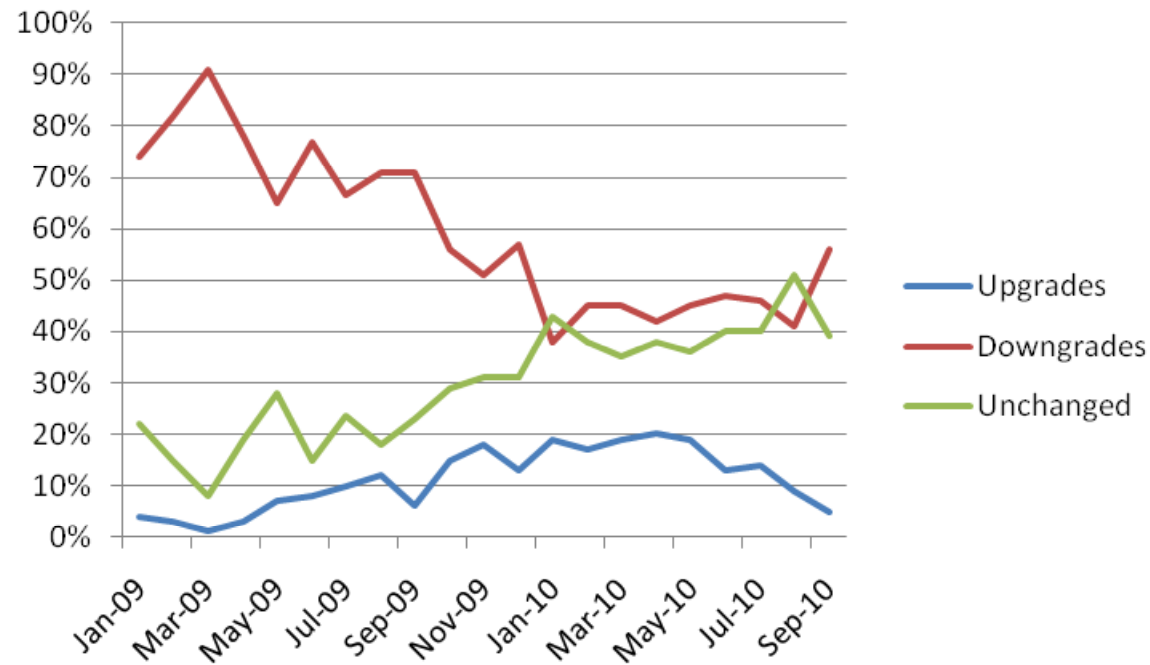


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Appendix

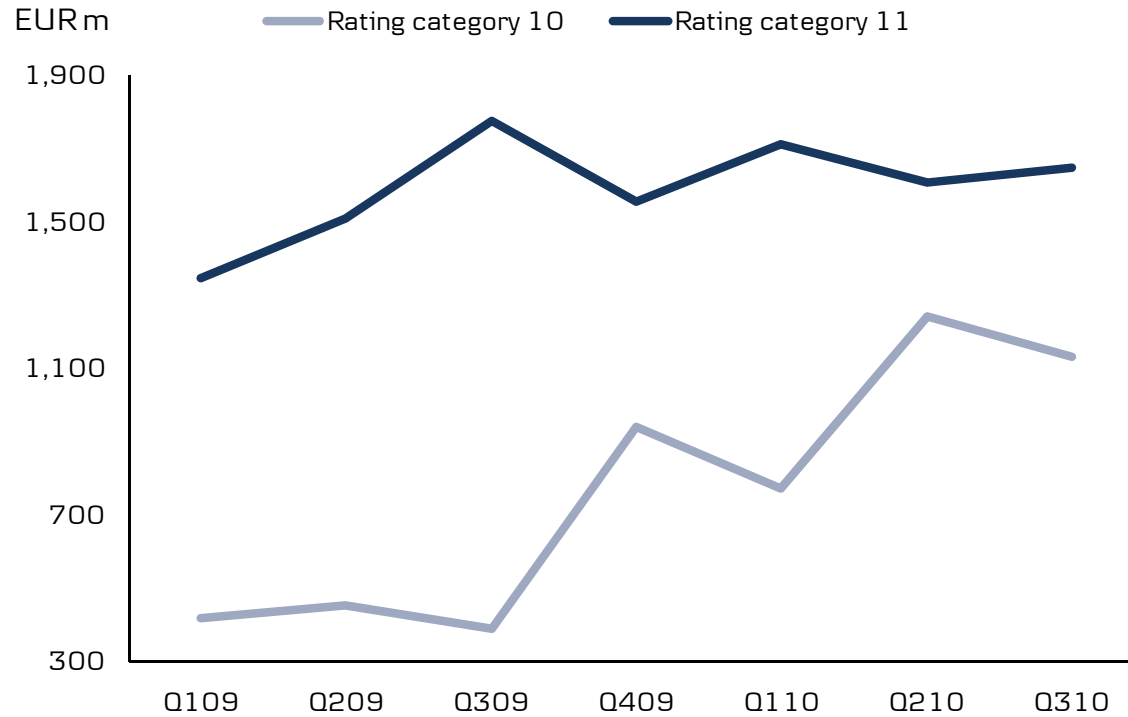
Upgrades/Downgrades

- business lending including Commercial Property, Corporate and SME



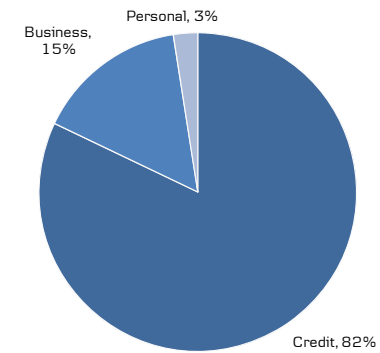
Internal Ratings

- exposures in rating categories 10 and 11

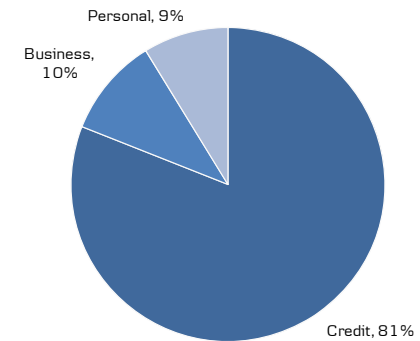


* Rating category 11 (customers in default)
 Rating category 10 (financial difficulty, not in default)

Rating category 10 - Q310



Rating category 11 - Q310



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