

Press conference
Financial results for 2007

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SPEECH

Peter Straarup - CEO

Press conference

Welcome to the presentation of our financial results for 2007, and thank you for your interest in Danske Bank.

The press conference is also being transmitted from our Web site. When we conclude the presentation and open the floor to your questions, we will close the transmission.

We have once again chosen to divide the presentation up into two parts. First I will discuss some general developments in our business, then CFO Tonny Thierry Andersen will go into greater detail about the results for the Group's various business units.

2007: an eventful year

Danske Bank did well in 2007, especially considering the market conditions. But before we look at the figures, I would like to take note of the main events of the preceding financial year. We have been busy developing our business, and 2007 brought some landmark developments for us:

- The acquisition of Sampo Bank was formally completed in February. With activities in four new countries, the Danske Bank Group now has good geographical as well as business coverage.
- During the year, Danske Bank and BG Bank were also merged into a stronger unit.
- At the end of the year, Realkredit Danmark's private customer advisers moved into Danske Bank branch offices and finance centres.
- We went on the offensive in a number of business areas:
 - The high-interest deposit account in February, which we have just extended for one year
 - No-fee packages in May
 - Cheaper rates on Danske Prioritet in July
 - Realkredit Danmark's RenteDyk mortgage loan in October

- o And in November, Danica's and Danske Bank's joint product Totalpension

We have demonstrated – again – that we are in the forefront in the creation of new products and in price reductions that benefit our customers.

We have pointed out before that we have very attractively priced products for retail customers in Denmark.

With the price reductions we made in 2007, substantial reductions in 2006 and the discontinuation of additional fees here in the new year, we have made an investment of several hundred million kroner in our Danish customers. Danske Bank is very competitive. If anyone is in doubt, I can recommend that you peruse the shared pricing portal www.pengepriser.dk.

More and more people are noticing our competitiveness. Since the introduction of our new no-fee personal banking packages, thousands of customers – both existing customers and new ones – have taken advantage of them. Altogether our customer count is stable when we measure by the number of individual customers. But when we measure by full-service customers – that is, customers for whom Danske Bank is their preferred bank – we can now see an increase.

That kind of trend motivates us. We therefore replicated our success with no-fee packages in Sweden last summer, and we have just launched our Norwegian campaign here in January. We have high expectations for this one as well.

Danske Bank will also be far ahead in 2008 and 2009 – but I will return to that shortly. First let us look at the key figures for 2007.

Financial results for 2007

Net profit for the year was 14.9 billion kroner, and we consider that quite satisfactory although it was slightly under the estimate we presented with our third-quarter report. Actually, it matched the original forecast we made when we stood here one year ago. The earnings were 10 per cent higher than the official result for 2006 and thus the highest in the Group's history. In 2006 we recorded 13.5 billion on the bottom line. In 2007, we bought Sampo Bank. When we include Sampo Bank in our comparative figures, there was a slight decline in earnings. But altogether, we are quite

satisfied with the results and we are pleased with the increasing earnings per share..

Our income was just over 45 billion, in line with our expectations, which may be a little surprising given the serious challenges in the international capital markets.

Expenses amounted to 25 billion, slightly above our estimate. But that was owing to certain one-off factors, so it does not concern us very much.

Finally, our credit loss expenses came to almost 700 million, mainly because of impairment charges against a few large corporate facilities in the Nordic region and Germany.

As I said, Tonny will go into more detail on the figures later, but our conclusion is that the results show that the Bank has a strong platform. Our earnings are robust against the kind of financial unrest we have seen in the past five months.

The international financial crisis

2007 will also be remembered as the year in which words such as “subprime”, “CDO”, “SIV” and “conduit” were on everyone's lips. “Subprime” was actually selected as the word of the year. Large, unexpected losses took place at well-known financial enterprises that had invested large amounts in risky North American mortgage bonds. Fortunately, we did not do this for our own account. But of course we have some financial customers and business partners who have been through this ordeal.

This crisis has both healthy and worrying results. The healthy aspect is that the financial markets will end up with more realistic pricing.

But the worrying aspect is that, because of the crisis, certain markets cannot function properly today.

If the money market in particular cannot function, the financial circulatory system will simply get a blood clot. It is therefore important that the money market be brought back to normal functioning very quickly.

What will finally loosen the blockage in the financial system is a re-establishment of the confidence that prevailed before the crisis. That is, before all the trouble in 2007.

This confidence can be re-established only if banks are open about disclosing their own situations.

Danske Bank has therefore, in the Annual Report for 2007, further taken the extraordinary step of disclosing the collateral our customers have provided the Bank for the type of loan and guarantee facilities that have given rise to concerns in some quarters – and especially the quality of the collateral.

Backup liquidity facilities

In our third-quarter report, we noted that the Bank's total liquidity facilities for investment companies amounted to 58 billion. By the end of 2007, this amount had been reduced to 46 billion. Of these total lines, the companies had drawn about 21 billion, around the same amount as at the end of the third quarter. There has been a further reduction in January, leaving the total amount now at 44 billion.

As we reported, the Bank does not own subprime securities, not even through our own financing company, Polonius. Polonius has been fully consolidated in the Group for several years. We have now disclosed the asset composition in details and the quality should not give occasion for concern.

For the other backup facilities, we are now disclosing specific collateral categories and ratings. The credit crisis did not originate from backup facilities such as ours. Our collateral is of very high quality. Some of our borrowers provide senior subprime debt as collateral, but please note that these are securities with preferred status and very high ratings, actually AAA.

On page 8 of the announcement we offer a number of additional details that I will spare you now. But since we have drawn the curtains aside, the world can now clearly understand the security of our position.

So Danske Bank can still take comfort in this situation, but the financial crisis is generally very disturbing. Our 2008 guidance is more uncertain than usual because of this. Let us now turn to the expansion of our business foundation.

Rising profitability abroad

To an increasing degree, the growth engine at Danske Bank is our activities outside Denmark. In 2007, we made an

enormous investment of 1.9 billion to integrate Northern Bank, National Irish Bank and Sampo Bank.

If we look more closely at four primary business units outside Denmark – Sweden, Norway, Northern Ireland and Ireland – we can see a significant increase in profitability in 2007 that shows our investments are now bearing fruit. For the banks in Ireland and Northern Ireland, it is even clearer if we leave out the integration costs. And that will be the case as early as in one month.

Rising profit outside Denmark

Our results in Denmark are high and stable, but it is clear that growth is subsiding a little, although we see no real crisis ahead. The Danish economy is still robust. But it was somewhat restrained in 2007, so the growth in our Danish business was modest, which we believe is sound enough. Total growth in lending of 25 per cent and in income of 12 per cent over two years is healthy considering the market conditions we have seen.

And the good news is that earnings did not simply follow the growth in lending and income. They were much larger because we have invested substantial amounts in new branch offices, efficiency and much more.

Last year our Swedish and Norwegian operations each posted more than 1 billion in earnings, and the results in both countries rose more than 30 per cent. The two banks have simply moved up into a new earnings league. We have thus proved that we can create growth and earnings by exporting our banking model, and today we are much more diversified than previously.

This year we expect that our bank in Northern Ireland will also reach the billion earnings mark. In 2007, its results grew by almost 400 million.

We also believe that National Irish Bank will earn a billion kroner within a couple of years. It took the first big step in that direction in 2007 with an increase to 300 million.

We had even stronger earnings growth of 71 per cent in the Baltic states and the return was good as well.

In Finland, Sampo Bank's accounts are burdened by integration costs and amortisations in 2007 and also in

2008. Despite this, its earnings are already above 1 billion. And in a few years the unit should be up above 2 billion.

We have also had good activity at our other units abroad, in Luxembourg, Hamburg, Warsaw and London.

Altogether, it is clear that the balance will soon tip so that the Group is earning more outside than inside the borders of the kingdom of Denmark.

And the growth will continue in 2008

We usually do not disclose our budgets, but in this chart you can see how things have gone in recent years and what we expect in 2008, when we will no longer have some of our many extraordinary costs.

This trend will place the Danske Bank Group among the top companies in Denmark in foreign exchange earnings. Danske Bank's significance for Danish export earnings is becoming increasingly clear.

Let us now see what is in store for the Group in the coming years.

Financial targets for 2012

With the purchase of Sampo Bank in Finland and the Baltic states, Danske Bank is well positioned geographically. We are therefore not in the market for new acquisitions. We want to complete the integration of the banks and fine-tune our banking model. We believe that the entire Group has an unrealised potential that can take us ahead of the field as one of the best-run banks in Europe.

We have therefore chosen to tell, for the first time, about the plan we have made for the Group in the period up to 2012. When we look ahead, we see large expense items that will gradually disappear in the coming years. Integration costs alone will be 1.5 billion lower in a few years, and we will free up many of the resources that have been occupied with the acquisitions and integration in recent years. In addition, IT development, the digital signature, increasing use of online banking and similar factors will reduce our costs.

We are therefore aiming for income of at least 55 billion kroner and a cost/income ratio below 45 per cent by 2012,

and over the next five years we also intend to deliver annual EPS growth averaging at least 8 per cent.

Financial targets for 2012 (cont'd)

The chart shows what this means in relation to our position today.

A good cost/income ratio requires of course that you have both sound cost control and healthy income. We are aiming to raise income with an aggressive product offering on all our markets and also to be very disciplined about our costs. That requires a significant degree of automation. Although our IT platform is uniquely appropriate for this purpose, it must be improved and enlarged. So in 2008 and 2009 we will invest further to make our processing equipment more efficient. In addition, we will invest in systems that can support the Group's introduction of a lean production model.

In accordance with our ambitions, we are investing about a half a billion in 2008 and another half a billion in 2009 to extraordinary development of new products and IT systems that will strengthen the Group's efficiency and competitiveness in the coming years.

The Sampo Bank integration

By far the greatest challenge for Danske Bank's systems this year will take place at Easter, when we will convert the operations in Finland to our shared IT platform.

This will be one of the largest IT operations of our time, as we have more than 2,500 employees in central functions focused on the holidays in seven weeks. Our staff in Finland are also exerting themselves these days. We have begun a comprehensive training programme for 3,500 new colleagues. We will hold around 20,000 training days before and after Easter. Altogether, the integration costs will come to 1.6 billion.

In the Baltics, we will carry out a gradual integration onto the Group's shared platform. Our Baltic operations will be in place during the course of 2009. We look forward to that. We have seen very rapid growth in the region.

Now to something completely different.

CSR: Financial Literacy Programme

Today we are releasing our second CSR report. We have focused our CSR work on several areas. The first step was the environment, for which we have a series of initiatives that affect our daily activities such as eMeetings instead of air travel, organic canteens, paper recycling, low-energy light bulbs, environmentally friendly printers and other equipment.

Most recently we have prepared a climate change strategy whose objective is that we become carbon neutral by the end of 2009.

But for a large enterprise, taking responsibility for the environment is not enough. We also want to provide support in other social areas, and we have decided that the best and most credible way that we can contribute to social development is to stay with what we understand - finance.

We are therefore launching a comprehensive effort - the Danske Bank Group's Financial Literacy Programme - in which we will collaborate with a number of organisations and institutions to help make children and young people especially better able to manage their personal finances. We are also under way in developing products and advisory services aimed at financially disadvantaged groups who could use some assistance.

All these activities will take place in co-operation with both private and public institutions. We hope that we can create a better understanding of the need for financial insight and planning. Something that of course will come to benefit the Bank as well.

I will stop here and turn over the microphone to Tonny Thierry, who will guide you through our accounts for 2007. Tonny.

Tonny T. Andersen - CFO

Financial results for 2007

Thank you. Let me begin by going back to the Group figures.

As mentioned earlier, our net profit for the year was 14.9 billion and thus slightly below the pro forma result for 2006 as well as our guidance in our Q3 report.

Income was generally as we expected, but if we look more closely at the individual elements, we see that the financial crisis resulted in slightly lower interest income because of rising funding costs and slightly lower fee income mainly because retail customers were less active in the troubled stock markets and of course in the housing market. Falling share prices also hurt Danica's earnings to some degree.

On the other hand, you can see that our trading income rose, thus proving robust even in a period when market conditions are very unpredictable. Danske Markets did excellent work in the fourth quarter.

One could say that in addition to the geographical diversification of our activities, the diversification of our products and businesses also helps to keep the Group's income very stable - even in volatile times.

Expenses rose 11 per cent. About half of the increase was owing to higher integration costs in Finland and Denmark. These are of course non-recurring costs, and they will begin to diminish as early as this year, a development I will return to shortly. The underlying cost base grew at a rate of 4 per cent, which we consider reasonable in a period with high activity and wage pressure.

As expected, we began booking credit loss expenses again in 2007, against a net positive entry in 2006, and that in itself reduced our earnings by more than 1 billion. It was not a dramatic change, however, since impairment charges of 687 million are modest in relation to total lending of more than 1.7 trillion. And you cannot avoid losses when you run a bank.

Enough about the Group figures. Now I will tell you a little about our individual business units, beginning with our Danish banking activities.

Banking activities Denmark

Profit before tax was 7.9 billion, a small increase of 2 per cent.

The main developments in 2007 were the merger of BG Bank and Danske Bank into a single brand, the introduction of a high-interest deposit account, and the launch of 24/7. We have thus carried out many new initiatives.

The merger of our two Danish banks meant that we had 59 fewer branch offices by the end of 2007, and that trend will continue in 2008, albeit to a more modest extent. It is clear that these measures have made us more competitive. Those are good conditions for our being able to maintain a high cash flow in Denmark that we can use to invest in other areas in the Group.

And there is a need for investment as we are expanding mainly in our markets outside Denmark. Let us begin to the East.

Banking activities Finland

In Finland our profit before tax was 816 million, or 41 per cent of the level in 2006. This was owing mainly to various integration costs totalling almost 1 billion.

And the integration was the centre of attention in 2007, as we have said. But there was also time to focus on business development. Sampo Bank is doing well, although perhaps slightly below the market average. That was as we had expected in a year with great upheaval.

We now head westward, first to Sweden.

Banking activities Sweden

In Sweden, our earnings capability vaulted up into a new league, with an increase of a full 34 per cent to 1.4 billion. This occurred because our previous years' investment in new branches now pay back and the because of the segment is continuing to harvest the benefits from the Group's IT systems, products and overall efficiency.

Business development remained sound, with lending growth of 17 per cent. The launch of the new personal banking packages was a success, with more than 15,000 packages sold, by far the most to new customers.

Our Swedish bank has actually now become just as efficient as the Danish unit, measured by costs in relation to income. It thus made up a 15 per cent difference in a single year. That was well done.

From Sweden, we continue westward to Norway.

Banking activities Norway

Fokus Bank had earnings of 1.1 billion, an increase of 28 per cent. In just one year, its efficiency improved 20 per cent, putting it on the same high level as in Denmark.

Fokus Bank benefited from favourable macroeconomic conditions that helped drive a positive trend for the entire financial sector, and the bank increases its market share. Lending rose by a full 29 per cent.

Our banks outside the Nordics have also shown good growth. First to Northern Ireland.

Banking activities Northern Ireland

Northern Bank's result before tax changed from a deficit of some 100 million to a profit before tax of 307 million.

The improvement was owing to lower integration costs as well as increasing synergies and good business developments.

Since the acquisition in 2005, the lending has grown 39 per cent, at the same time that we have modernised it and realised our expected synergies. Thanks to a great extent to our IT platform. And we believe we can attain further cost savings in 2008, which means that we will deliver synergies at least 20 per cent higher than guided.

The chart shows that our earnings capability has risen sharply, and without the integration costs our profit would be much higher. And that is the situation Northern Bank will find itself in after 1 March, that is, in one month. We will therefore see an even greater rise in earnings in the future, and in 2008 Northern Bank will become one of the best-earning operations in the Group.

In addition, the economy in Northern Ireland is undergoing an interesting development as the peace process becomes more firmly established and gives the region greater confidence in its favourable prospects.

Banking activities Ireland

In Ireland, National Irish Bank also posted large gains, with earnings of 208 million against only 26 million in 2006.

The main reason was lower integration costs, and that trend will continue in 2008.

The bank also grew substantially, in fact at twice the pace of the market. That was evident in the 30 per cent improvement in income as well.

The bank has now begun its next development phase. In 2007, it opened 5 new branches, and more will follow in the next couple of years. Totally, we expect to increase the number of branches by 20 per cent. We are thus creating a foundation for continuing growth in activity even though the market conditions are hardly as good as they have been in recent years.

Let us complete this international survey where we began, in the East.

Banking activities Baltics

We saw very high growth in the Baltic countries and earnings increased by more than 50 per cent to 306 million.

This business area is one of our smallest, but it certainly is not insignificant. At the moment, however, there are grounds for vigilance, since the economies in the three countries are unbalanced to varying degrees.

That poses some challenges for the entire sector, of course. But since we are one of the smaller players, we can be very selective in our business strategy.

Now back to Denmark.

Realkredit Danmark

Realkredit Danmark's profit before tax was 2.8 billion, up 4 per cent over the 2006 level.

We think this was a very sound result considering the many doomsday pronouncements we read about the Danish housing market.

It's not as bad as that, although we experienced a drop in activity and markedly lower refinancing than in the preceding years. Despite this, RD's earnings rose, and we also expect to see an increase in 2008. This will come partly because we strengthened our sales efforts in 2007 by merging the

mortgage finance offices with bank branches and finance centres.

Credit loss expenses are once again a net positive entry, as the credit quality of the lending portfolio remains good. Actually, only 242 customers are in arrears of more than 6 months out of 430,000 and only four properties that we needed to repossess. So the so-called crisis in the housing market is still manageable.

Danske Markets

Danske Markets achieved profit before tax of 3.4 billion and was thus the Group's second-largest business area. The earnings were only slightly below last year's record level, and it is perhaps the biggest positive story that the unit succeeded in maintaining its earnings despite the very serious international crisis in the capital markets.

Danske Bank was of course not immune to the turbulence. We had to pay more for liquidity, for example.

However, the customer-driven segment of our business proved very robust and enabled the business unit to maintain its high level of income. One could say that as our customers have become more international, their need for currency and fixed income hedging has increased. And Danske Markets' expertise and product range give us a strong position here.

Another business unit with activities in the capital markets is Danske Capital.

Danske Capital

Danske Capital's profit before credit losses increased 2 per cent to 1.1 billion. Income growth was good but almost offset by increasing expenses due to expansion.

Asset management and wealth management are growth areas, which also in 2008 will invest in further expansion in Denmark and abroad.

Danica Pension

The last business area I will discuss is our life and pension company, Danica, which earned 1.1 billion. We had expected that the result would be lower because of the falling share prices in the fourth quarter of the year.

However, the nature of a pension company's business is long-term. Therefore, one should look at the long-term trends, and they are good.

Danica launched several new initiatives, not least a collaboration with retail banking in Denmark, and the trend in premium income was sound. Especially noteworthy is the rise of more than 20 per cent in premiums for Danica Link and Danica Balance.

That was a review of what took place last year, and now it is time for me to conclude by looking forward, not to 2012 as Straarup did earlier but to what we expect 2008 will bring for the Danske Bank Group.

It can be challenging enough predicting what will occur one year ahead given the current market conditions.

Outlook for 2008

First we must survey the lay of the land. The global crisis on the capital markets is not yet over, and it is difficult to assess precisely to what extent this crisis will impact the general macro economic environment and interest rates.

But we are expecting and assuming that in 2008 economic growth, measured as a weighted average for our primary markets, will be some 2.5 per cent, slightly lower than in 2007 but still higher than the average for the EU. In other words, in regard to the economic conditions we operate under, we are positioned in the right countries.

We also expect and assume that, on average, interest rates will decline slightly.

For these reasons, we estimate that we will see income growth of 5 to 9 per cent.

We expect expenses to rise 2 to 5 per cent. This figure includes a decline in integration costs as well as increasing synergies and the planned investment in our new digital platform.

We must expect credit loss expenses to rise as the economy slows down, but we believe they will remain at a moderate level beneath the average for a business cycle.

Altogether, we expect our net profit to be up to 7 per cent higher than in 2007 despite the substantial investments we

will make in units outside Denmark in 2008 and the upgrading of our platform. It is true that they are large investments, but our ambitions are even larger, as our 2012 plan makes clear. And in 2008 we will take the next steps on our journey.

Q&A session

That brings my portion of the presentation to a close, and I will now turn the floor over to you. At the same time, we will conclude our live transmission over the Internet.

Please begin.