

Press conference

Financial results for the first half of 2008

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SPEECH

Peter Straarup - CEO

Pressconference

Welcome to the presentation of our financial results for the first half of 2008, and thank you for taking the time to follow the developments at Danske Bank.

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

We have once again chosen to divide the presentation up into two parts. First I will discuss some of the main trends in our business and tell about some new initiatives, and then CFO Tonny Thierry Andersen will go into greater detail about the results for the various business units.

Difficult times

Thus far 2008 has been an especially challenging year. The financial markets have been hit by heavy volatility and generally negative sentiment. Economic growth in most countries has begun to turn downwards.

I've been a banker for 40 years, and I've seen a great deal in that time. Including serious crises. But I have never experienced anything like the spread, speed and depth of the current international financial crisis. The risk of a prolonged negative situation is great. In our opinion, we must expect that the difficult conditions banks have endured in the first half of 2008 will remain at least throughout the rest of the year.

I have also been a banker long enough to know that usually only a few feel sorry for bankers. So we don't complain - but we are facing challenges.

Group accounts, first half of 2008

It has been a very turbulent half-year for Danske Bank. We have had our share of negative headlines - about the trend in our share price, the situation at Sampo Bank and increasing fear of loan losses. Against this background, we are actually rather pleased that we can present an earnings report that generally meets our expectations. The Group's net profit for the first six months amounted to 5.8 billion kroner, against

7.6 billion in the first half of 2007. That is a decline of 24 per cent. But the drop was owing mainly to market value adjustments. The units of the Group that are especially affected by the equity and bond markets have suffered some losses, and that affects our accounts. In this environment, we are quite satisfied that our conventional business areas, banking activities, are showing rather healthy growth. And the expected rise in impairment charges has not dampened our satisfaction. That's the way things are when the business cycle turns downward.

We achieved this result in a market in which the financial unrest has made our most essential raw material, money, more expensive. In a market like this, Danske Bank's good platform helps. Our funding is solid. And we have been able to improve our interest margin.

The Danish housing market

When a crisis arises in the world of finance, the property sector is often the main villain. It is also considered the origin of the current crisis - that is, lending for real property based on overly optimistic property prices and also on overly optimistic expectations about how quickly property could be resold.

Many optimistic expectations have been shattered in the most recent period, especially for a number of commercial and entrepreneurial construction projects.

In our opinion, Danske Bank is also in a rather comfortable position in this field. We have a large stake in home loans in Denmark - especially through our Realkredit Danmark business. We have a mortgage on every third property in Denmark. And the quality is good. By the end of June, we had needed to repossess only a handful of properties. The rate is still relatively low.

And there is no threatening trend in arrears.

Lending to commercial property developers

For several years we have taken some criticism because of declining market shares. Of course we have not been happy about this. And we persevere in our efforts to increase the Group's market shares. But there is one area in which we have been satisfied to have a relatively small market share, in fact a microscopic share in comparison with Danske Bank Group's size. That is in the so-called developer sector. We

have long been a little sceptical of this sector in Denmark, and we therefore currently have only a modest 1.6 billion in loans to it. We have no large individual exposures, and we still have not experienced any significant losses. We have made a very small collective provision for the sector because we think it may be necessary. But as I said, this is a fortunately small market share.

We have a slightly higher amount of loans in Ireland, but still a low market share, especially considering the general extent of developer activity in the country.

In the notes to our accounts, we give a detailed presentation of our lending to the property sector. As I said, our exposure places the Danske Bank Group in a relatively stable position in the somewhat turbulent times ahead.

The result is that the knocks we have received are not coming from the property market. They come mainly from the capital markets. They have been extremely volatile, and the turbulence has hit our trading income at Danske Markets and Danica Pension in particular. In comparison with our income in the first half of 2007, the income in the latest half-year from these two sources fell by 2 billion.

Credit loss expenses

Another item that stands out in comparison with last year's accounts is credit loss expenses. Last year we could report credit loss expenses of a paltry 5 million for the first six months, but this year the item rose to 1.1 billion.

Let me make clear that loan losses are a normal part of operating a banking business. We have loans totalling around 1,750 billion in the Group. With that amount of lending, we must expect an average annual loss of 2.5 to 3.0 billion over a business cycle. So we are returning to more normal conditions after a series of unusually good years.

On the topic of credit loss expenses, it is a pleasure that we - now one year after the so-called subprime crisis began - can present an earnings report in which we have markedly reduced the backup liquidity facilities that so much has been written about.

Finland

But our income sources are not the only areas where Danske Bank has seen volatility and challenges. One of our largest challenges has been the migration of our Finnish Bank, Sampo Bank, to our shared IT platform. A key aspect of the migration is a large IT project that will ensure the completion of the integration and help us save the money on the acquisition that we had expected.

As I'm sure you all know, at Easter we transferred the Finnish operations of Sampo Bank onto our platform. The migration of data went fine. But after a brief period, we had to acknowledge that there were a number of problems. There were system functionalities that did not quite work as they should have. There were unsatisfactory account statements. There were several breakdowns. Without pointing the finger at others, I can say that Danske Bank was not at fault for everything. But our customers received very unsatisfactory service, and we have been penalised for this. We have lost customers, and we must concede that the Group did not perform this task well enough. It is disappointing for the Bank to lose customers, and it is disappointing that we did not give reliable service. We are working intensively to re-establish Sampo Bank's high-quality service.

We have actually made good progress, but after three or four months with many problems, we still have a substantial amount of rebuilding work ahead of us. In the coming months, we must not only deliver stability and service that is merely satisfactory - we must also convince our customers that we are back on the right track. It takes time, but we have buckled down and allocated resources for this process.

It annoys me to lose any customer. As I mentioned, we have lost around 28,000 retail customers - out of 1.2 million - and a couple thousand business customers, mainly small businesses that found our online business banking system too advanced for their needs. That comes to a loss of a couple per cent of our customers. It is irritating, but not destructive and not something that changes our Finnish business case.

But the incident does affect Danske Bank's image. We must accept this and try to remedy the situation. I can assure you that we will use the experience to learn how the organisation can avoid similar problems in the future, and to learn how we can raise the quality of services at the Bank. So perhaps in the end the lesson will prove to have been worth the cost.

The financial results at Sampo Bank for this period were not impressive because of costs for compensation to customers for the problems after Easter, extra IT costs and slightly lower activity, partly as a result of the economic slowdown that has also reached Finland.

But as I said, we are putting our shoulders to the wheel, and in the not-to-distant future we will have Sampo Bank on the offensive.

International units gaining significance

With Sampo Bank on our platform, we have laid the cornerstone for the expansion of activities that we have been aiming for over number of years. We have a geographical coverage we can be satisfied with in the coming years. Danske Bank is ready to reap the fruits of the many efforts we have made in our acquisitions.

Depending on market developments, we are on the way towards a situation in which our earnings outside Denmark are just as large as those in Denmark. At present our international banking activities account for 41 per cent of the Group's total banking business. Danske Markets, Danske Capital and Danica have also become more internationalised. As far as their size is concerned, our activities outside Denmark are thus close on the heels of our Danish activities.

Our business in Denmark will probably always be the largest, but it is a marked shift that very soon we will have higher overall earning outside the country than within it.

Financial literacy

Before I turn the presentation over to Tonny Thierry, who will review the results at the individual Danske Bank Group units, I would like to direct your attention to some of our other activities.

Six months ago, Danske Bank launched a programme focussing on financial literacy. Our ambition is to make children and young people better able to take care of their finances. We now present the first two specific measures.

Our first effort is the development of a virtual teaching environment for children five to seven years old.

We call it Moneyville (Pengeby in Danish). In Moneyville, children can gain some knowledge of basic financial matters in a fun and practical way. Moneyville also contains sections

for parents and teachers that contain advice, exercises and various teaching materials that we hope will be used with children. In that context, I can inform you that the Bank is not linked to the Web site - for marketing or any other purposes. The only place that carries any indication that the Bank has developed the site is in the section for parents and teachers.

Danske Parent Study Loan (ForældreStudielån)

Our other initiative, the Danske Parent Study Loan (Danske ForældreStudielån), is an attractively priced loan with an advisory programme.

We have research material documenting that one out of five parents undergoing a course of higher education considers dropping out because of financial limitations. Two out of three such parents supplement their study grants with consumer loans. That is expensive for society.

The interest on the Danske Parent Study Loan is only 2 per cent a year, and students can borrow 1,000 kroner a month. When they have completed their studies, they have an additional two-year period without repayments at the special interest rate of 2 per cent. Afterwards, the repayments take place over a three year period, with the interest at the Bank's lowest rate for personal customers. We are introducing this loan so that we can help students with children complete their education in as close to the normal period as possible without having to raise expensive loans.

As an extension of the Danske Parent Study Loan, the Bank offers a special advisory programme. The objective is to increase financial literacy among students with children. We want to take responsibility for meeting this group's need for targeted advice.

I will stop here and give the microphone to Tonny Thierry, who will guide you through the accounts for the first half of 2008.

Tonny T. Andersen - CFO

Group account, first half of 2008

Thank you.

Let me begin by returning to the Group figures. Our net profit was 5.8 billion kroner, and it was generally as we had expected.

If we look at income in particular, the level declined by 3 per cent. The main reason for this was that the result at Danica went from a gain to a loss. Excluding Danica, our income actually rose. In our opinion, this shows that the Group has a robust earnings foundation, even when financial storms are howling.

Net interest income rose 9 per cent because both lending and deposits continued to increase and the lending margin widened. Since this item accounts for almost 60 per cent of our total income, it is important that it is growing.

On the other hand, you can see that our fee income declined, and that was owing to a combination of factors. First, our new no-fee products and generally lower fees have been well received by customers, and we are satisfied with that. In addition, the troubled capital markets unfortunately made customers more reluctant to trade in securities, and that meant lower fee income for the Group.

Expenses rose by a modest 3 per cent, and the entire increase was owing to the fact that the Sampo Bank group was consolidated in the accounts for the full period in 2008 but for only five months in 2007. General wage and price increases were offset by improved efficiency in the Group.

Enough about the Group figures. Now I will tell you a little about our individual activities, beginning with Banking Activities Denmark.

Banking activities Denmark

When we look at income and profit before credit loss expenses, Banking Activities Denmark had its best half-year ever. Pre-tax profit showed a decline of 12 per cent, however, solely because credit loss expenses went from a net positive entry to a more normal expense.

The Danish market was affected by the economic trend in certain areas, as we can see in our lower fee income. But we have seen sound developments in several areas. That was the case, for example, in the entire lending area, which showed a solid overall increase of 7 per cent. The lowest growth occurred in mortgage finance; but there were still only very modest losses, and the level of arrears was also very

low. We are pleased about this for the sake of our customers as well, because it means that the average Danish family actually has sound finances. A key explanation for this is of course the record-low unemployment rate.

The losses that we can expect to see in Denmark will probably come mainly from corporate lending.

We believe that will also be the case at our units outside Denmark. Let us look at them now, beginning in the East.

Banking activities Finland

Pre-tax profit in Finland was 48 million, or a modest 11 per cent of the result in 2007. Of the decline of almost 400 million, some 300 million was owing to rising integration costs. So to a great degree this was a temporary drop in earnings that we had expected.

In addition, we chose not to charge a number of service fees in compensation for the inconveniences our customers had experienced because of IT problems in Finland. That decline was thus also a temporary phenomenon.

Apart from these factors, business developments were generally as expected and showed healthy growth considering that it was an extremely busy time for our Finnish colleagues.

In the two other Nordic countries, our business continues to flourish.

Banking activities Sweden

In Sweden our earnings rose 16 per cent and thus exceeded half a billion kroner. The activity level remained high, with lending growth of over 20 per cent.

Our Swedish bank therefore continued to take market shares, with its share of lending now above 6 per cent. There was especially strong growth in the corporate segment, where the bank was named the best business bank in Sweden for the third consecutive year. But the retail segment also showed an improvement, and customers have responded favourably to the new XL deposit account. Since New Year the amount has increased by almost 4 billion.

The cost/income ratio, which measures expenses in relation to income, continued to improve and is now down to 55 per cent.

From Sweden we continue west to Norway, which shows the same good performance as Sweden.

Banking activities Norway

Our earnings in Norway also topped the half-billion mark after an advance of 14 per cent.

With lending growth of 31 per cent, Fokus Bank also increased its market share, which is now 6 per cent, and its strongest position is in the corporate segment too. The retail business shows healthy growth as well. More than 9,000 customers have chosen the attractive Internet-based banking package that we recently introduced, and most of them were new customers.

The sound business developments also helped improve the cost/income ratio to 61 per cent.

We also saw good growth outside the Nordic region. Let us look first at Northern Ireland.

Banking activities Northern Ireland

Northern Bank turned a loss of 27 million to a profit before tax of 253 million despite higher credit loss expenses and a sharp decline in the British pound sterling.

The main reason for the improvement was the phasing out of integration costs and the realisation of synergies, while the underlying business growth was offset by the drop in the pound sterling.

The cost/income ratio has improved significantly since it peaked in 2006, and since the integration costs ended in the first quarter, Northern Bank has become one of our most profitable Banking Activities units.

Now let us turn to The republic of Ireland.

Banking activities Ireland

We are observing developments in the Irish economy with some concern, since there has been an abrupt fall-off in growth recent months, particularly because of declining activity in the property sector.

The activity level at National Irish Bank has also fallen, but with lending growth of 19 per cent it remains at the high end of the market. Income, up 9 per cent, continued to show improvement, and with expenses declining after the

completion of the integration, profit before credit loss expenses more than doubled - despite increasing costs for new branch openings.

The unsatisfying decline in profit before tax of 68 per cent occurred because we booked a rather large amount in impairment charges as a result of the trend in the Irish economy that I mentioned before.

Let me conclude this survey of our international units in the region where we began, the East.

Banking activities Baltics

Earnings at Banking Activities Baltics doubled to 175 million owing to a continuation of strong income growth of 59 per cent, while expenses rose somewhat less.

It is especially pleasing that fee income showed a solid rise because of increased turnover in payment services and currency trading.

Here also, the economic trend in the region has caught not only our attention but that of the entire sector. We are one of the smaller players, however, and we can therefore afford to be more selective than others in our business strategy. But it will probably be impossible to avoid increasing losses and provisions.

Now back to Denmark.

Danske Markets

With earnings of 1.1 billion, Danske Markets remains the Group's second-largest business area. The result was 40 per cent below the level last year, mainly because the trend in interest rates led to losses on the Bank's positions in Danish mortgage bonds in particular.

It is important for us to emphasise that these losses are not the result of investments in exotic issues such as American subprime mortgage loans, CDOs and the like.

One of the positive business aspects of the financial crisis is that our business and institutional customers are showing increased demand for products to hedge, reduce and sometimes shape their risks according to their risk appetites. That is true for both customers that have a longer perspective and those dependent on trends in the very short

term. Our customer-driven trading activities therefore rose by a full 39 per cent.

Another business area that operates in the capital markets is Danske Capital.

Danske Capital

Danske Capital's earnings are not nearly as volatile as Danske Markets', but lower share prices automatically result in lower customer assets under management and thus a lower income base for Danske Capital. That is the main reason that income fell 5 per cent and earnings 21 per cent.

Although the turbulent markets are causing a temporary slowdown in business activity, that does not change the long-term growth potential of the business area.

Finally, let us have a look at our insurance activities.

Danica Pension

With premium growth of 23 per cent, Danica Pension's business trend is sound. Customers should also be pleased that Danica has become more efficient. The expense ratio - that is, the ratio of costs to premium income - improved from 7.3 per cent in the first half of 2007 to 6.1 per cent this year.

But despite this improvement, Danica is not exempt from the law of gravity in the financial markets, and the unit realised a loss of 837 million. Falling share and bond prices have two important consequences. The first is a negative return on our own investments within Danica's.

The second is a negative investment return on customers' funds in Danica Traditionel as well. Our customers do not notice this, however, because they are guaranteed a positive return that is automatically added to their life insurance savings. But for Danica it means that we are temporarily unable to book the risk allowance of 552 million for the first half of the year. I say "temporarily" because we can book it later, along with compound interest, when the investment return turns positive again, and there is no time limit.

Life insurance operations should be seen from a long-term perspective because the customers' investment horizon is usually rather long and our investment policy is also long-term. It is therefore important to have substantial financial strength to withstand the fluctuations that financial markets may be subject to. And with a solvency ratio of 257 per cent

and shareholders' equity of 17 billion, Danica has a solid capital position.

That was my survey of recent developments, and now it is time to conclude by looking at what we expect the rest of 2008 will bring for the Danske Bank Group.

Outlook for 2008

Since the last time we gathered here, the outlook for economic growth in Denmark and Europe generally has been downgraded. Denmark has been in a technical recession in the past two quarters, and the possibility of recession in other countries in the coming quarters has also been discussed.

At the same time, the capital markets continue to be volatile, and it is still too early to predict when calm will return.

What do these factors mean for Danske Bank's earnings estimates for the second half of the year and thus the full year?

First of all, they mean that we cannot give meaningful earnings estimates within a narrow range for the areas of the Group that depend on the volatile capital markets. This is the case mainly for trading income and income from our insurance business.

For the rest of the Group we are on safer ground, and here we expect profit before credit loss expenses to rise 10 to 20 per cent over the level in 2007. That shows that, despite lower economic growth, the Group has sound underlying business growth and good cost control.

Our credit loss expenses have already risen in the first half of the year, and we must also expect losses in the remainder of the year that will bring us closer to the average for a business cycle. We believe our credit quality is generally good, but we expect that the lower economic growth will be felt by our customers.

Altogether, we expect that the Danske Bank Group will emerge from 2008 with reasonable financial results. How good they will be is uncertain because of the turbulent capital markets.

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.