Press conference

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Introduction

Thank you for taking the time to attend the presentation of our financial results for the first half of 2005, which we are also webcasting.

Today I will first give a brief summary of the Group's financial performance, then review the developments in our main business areas, including the status of the integration of Northern Bank and National Irish Bank. I will conclude by describing our expectations for 2005 as a whole. We think the first six months have gone so well that we are raising our earnings estimate for the full year.

H1 2005 in brief

The Danske Bank Group's profit after tax rose 49 per cent to 6.1 billion kroner. We are thus presenting half-year accounts that our staff can be proud of. They are in fact the best in the Group's history, which of course is gratifying.

The advance took place in all of the Group's business areas. In the first six months of the year, we benefited from customers' growing desire to refinance their mortgage loans, trade securities and borrow money.

It is also encouraging to see that our increased efforts in retail banking, most recently the acquisition of banks in Ireland and Northern Ireland and the acceleration of branch openings in Sweden and Norway, are augmenting our income. These efforts are particularly satisfying because precisely those countries where we have planted our retail banking flag are currently enjoying growth rates that exceed the average for Europe as a whole. It is of course a pleasure to operate a business in the right places.

Income grew 21 per cent, with our Irish and Northern Irish activities accounting for one third of the increase and the rest spread widely across the Group's other business areas.

Costs increased 15 per cent, which some of you might think is unusual for Danske Bank. The rise came solely from our international retail expansion in Ireland, Northern Ireland, Sweden and Norway, however. Cost containment still takes high priority at Danske Bank.

At the same time, our credit loss expenses have been extraordinarily low. We actually booked a positive entry for this item in the first six months owing to good macroeconomic conditions and a healthy credit book. This is of course unusual for a bank and not something that can be expected to continue.

These high earnings are reflected in our key ratios, all of which improved. Return on equity rose to 18 per cent, and the cost/income ratio improved to 51.3 per cent despite the costs of integrating our two new banks and expanding in Sweden and Norway.

Shareholders should be pleased that earnings per share rose 55 per cent.

Let us look more closely at two key accounting items, lending and net interest income.

Lending and net interest income

Net interest income increased 13 per cent owing to strong lending growth and the acquisition of Northern Bank and National Irish Bank.

Since the end of June 2004, the Group's total bank lending and mortgage lending have risen 31 per cent and 7 per cent respectively. Almost half of the increase in banking lending came from the acquisition, but there was also good growth in the rest of the Group.

Our Scandinavian retail customers sought property financing products on a large scale, and this has benefited our banking divisions as well as Realkredit Danmark. In the first half of the year we have also seen an increased appetite for borrowing among Danish corporate customers.

As you can see, there is a rather large imbalance between the rise in lending and the rise in net interest income. That is because of the intense competition we are seeing and the introduction of new products that have put additional pressure on margins. If the margins in our Scandinavian banking activities had been at the same level as one year ago, the Group's net interest income would have been 700 million higher. Competition is very fierce. Products are steadily becoming better and also relatively cheaper, and profit margins in Denmark are not impressive in comparison with those abroad.

I therefore think it is rather difficult to understand the worries about a lack of competition on the Danish market. The numbers speak for themselves.

Fees & Commissions

The Group's fee income rose 15 per cent. More than half of the increase came from the two recently acquired banks, while the rate of growth at our two Danish banks was 7 per cent.

Fees have been a hotly debated topic over the past half-year, beginning with the controversy about Dankort fees in January. I would like to try to put things in perspective.

A very large share of the rise in our fee income in Denmark was owing to increasing customer activity. As the lower pie chart shows, 39 per cent of fee income at our Danish banks derived from securities trading and 18 per cent from remortgaging and other loan fees.

We have made a thorough investigation of the fee issue at the Danske Bank Group – not least because we have sometimes been accused of introducing inventive fees and high prices.

This is the reality:

- We have not raised a single fee this year.
- Since 2001 we have lowered more fees than we have raised
- The Group's Danish banks rank in the lower half of the market when it comes to interest rates and fees.

The conclusion is thus that the high level of activity alone was responsible for the increase in our fee income.

Competition in the banking sector has given customers clear advantages. The interest margin has narrowed significantly. That is evident in the fact that while lending has risen 31 per cent, our net interest income has risen only 13 per cent.

Customers can easily understand that it costs something when they ask the bank to refinance a mortgage loan or trade securities. It has sometimes been more difficult to understand that there are fees for payments. That type of fee accounted for 21 per cent of our total fee income – and here we can see clearly that fee income is declining although the activity level is rising. The main reason is that more and more payments take place automatically on the Internet, while paper-based payments are in decline. Since fees for paper-based payments are much higher, this tendency leads to a drop in total fee income for the Bank. There are gains for both customers and the Bank. We have lower costs, and customers have lower fees. And that was in fact the intention when payment fees were introduced.

New products

The question of course is why our products are so much in demand. There are several reasons for this. Economic conditions are good. Interest rates are low, but we have also developed a number of groundbreaking products that have helped to stimulate demand.

This slide shows some of the new products that the Danske Bank Group has launched. Certain ones have been through intensive product development. *FlexGaranti®*, for example, is a product that the market had never seen before. It squared the circle. Borrowers are able to take advantage of low interest rates at the same time that they have protection against rising rates.

In recent years, the Danske Bank Group has developed several financial iPod solutions, if you will. And we are enjoying the rewards of our innovation. We are certainly not ashamed of that. Our customers are also very satisfied with the new opportunities.

I hope that I have clarified the trend in the Bank's fee income, which is payments for the services our customers are demanding.

Capitalisation

At Danske Bank, we believe that efficient use of capital is just as important as managing income and costs. We therefore have a clear capital strategy. Surplus capital is used first to create profitable growth, second for dividends, and third for share repurchases. In the past five years, we have distributed a total of 38 billion kroner in dividends and share repurchases. The dividend per share during that period has risen by a full 78 per cent.

Danske Bank's growth opportunities have changed significantly since only a year ago, however. I am thinking of the acquisition of the banks in Ireland and Northern Ireland, the expansion in Norway and Sweden, and the strong growth we have seen in the Danish market. Growth of course requires capital. Our shareholders therefore should not expect any share buybacks in 2005.

On the other hand, they can look forward to new growth opportunities that create long-term value and infuse the organisation with new vitality. Share repurchases are very effective in improving earnings per share, but in the long run, most businesses thrive best when they grow and develop.

This new growth situation means that one cannot fairly accuse Danske Bank of being overcapitalised. At the end of June, our core capital and solvency ratios, as expected, were slightly under our targets. We still expect them to approach the targets again at year-end, when the profit after dividends can be consolidated in our core capital.

From our key ratios, I will now turn to the results from our business areas, starting with our flagship division, Danske Bank Denmark

Banking Activities, Danske Bank

Earnings from our largest business area rose 58 per cent. The advance came from higher income and reversals of credit losses. Net interest income benefited from strong growth in lending to both retail and corporate customers.

In the retail segment, *Danske Prioritet* remained popular, but in the first half of the year an increasing number of customers saw greater advantages in the *FlexGaranti®* mortgage loan and conventional fixed rate loans. There is no doubt that the currently very low long-term interest rates explain this tendency, and for us giving customers good advice is more important than whether a loan is issued by the Bank or Realkredit Danmark.

Customers at our Danske Bank division were very active in the securities and mortgage finance markets, and this caused a sharp rise in the unit's fee income.

Our new regional structure, with specialist resources at our finance centres and increased local presence, has quickly found its operational footing, and the Danske Bank brand is stronger than ever in today's intense competition.

The same is true of BG Bank.

Banking Activities, BG Bank

At BG Bank, profit before tax rose 26 per cent. The result was driven by falling costs and reversals of credit losses.

Retail lending was the main factor in the rise in business volume, and the property financing product *BG Bolig Plus* accounted for the largest share. BG Bank's corporate customers were a little more hesitant to borrow than Danske Bank's in the past year.

The rise in fee income was also more modest than at Danske Bank, mainly because of increased use of self-service products for payments. This trend affects BG Bank especially because of its many giro customers.

Increased self-service leads to increased automation, which gives opportunities for cost savings. This can be seen in BG Bank's accounts, which show that costs dropped 5 per cent in comparison with the first half of 2004.

I should also mention that we have decided to open a new BG Bank branch office in Brejning, Jutland.

And now to one of our international expansion areas – Banking Activities Norway.

Banking Activities Norway

Fokus Bank, our Norwegian subsidiary, continues to achieve high growth rates and larger market shares. Earnings before tax climbed a full 83 per cent over the level in the first half of 2004.

There were solid gains in net interest income and fee income in particular in the first half of the year. Net interest income was driven by higher lending to both retail and corporate customers, although the rise was offset somewhat by falling margins. The advance in fee income was owing to increased demand for attractive savings products.

Swedish Banking Activities showed similar growth.

Banking Activities Sweden

Danske Bank Sweden posted earnings growth of 12 per cent. The result was driven by rising income and reversals of credit losses. Costs rose, reflecting our continuing expansion of the branch network. We opened six new branch offices in Sweden in the first six months of the year, and we expect to open six more in the remainder of the year.

Our Swedish division delivered high growth rates. We increased our market shares of lending to both retail and corporate customers, and new product introductions were successful. The Swedish version of *Danske Prioritet* was a breath of fresh air on the competitive Swedish market, and it contributed to both an inflow of new customers and increased business volume from existing customers.

There is significant margin pressure on the Swedish market, and the interest rate cut in June will cause margins to narrow further. But Danske Bank will not be hurt badly by this development because our Swedish deposit portfolio is rather modest.

Now to our most recent international retail acquisition – the banks in Ireland and Northern Ireland. I will begin by briefly reporting on the status of the project to integrate them on Danske Bank’s platform.

Status of the integration of NB & NIB

The integration of Northern Bank and National Irish Bank is proceeding according to plan. It is clear from the progress we are making that we possess the competencies required to execute such a complex integration project. We are benefiting from our experience with the conversions at BG Bank and in Sweden, among others.

One of the crucial pieces in the HR area fell into place at the end of June when we appointed a chief executive officer for National Irish, Andrew Healy. Andrew, who will begin in the position in September, has previously worked for one of our competitors. He has extensive knowledge of the Irish market and will be a crucial driving force in the expansion National Irish will undergo in the coming years.

All of our project groups have now completed their business plans, which cover everything from product offerings to the credit application process. We have already installed Danske Bank’s intranet in all branches and an electronic communications channel between the head offices.

We have used 134 million on the integration project since March. Most of these costs relate to the IT conversion, which is now in phase two: construction.

The staffs at the two banks are not just sitting on their hands waiting to get the new systems. They also go to work every day to earn money and grow. And how it is going for them?

Northern Bank & National Irish Bank

Altogether, Northern Bank and National Irish Bank delivered results in line with our expectations.

Since the first of March, Northern Bank contributed 52 million to the Group’s total earnings before tax. Remember that the unit’s results are weighed down by the costs of the integration project and the amortisation of intangible assets. In local currency, retail lending has risen 5 per cent and corporate lending has risen 6 per cent since the end of September 2004

National Irish posted earnings of 10 million. This result was also affected by write-offs and integration costs. The trend in the balance sheet makes clear that this is an economy undergoing strong growth. Since September 2004, retail lending has risen 16 per cent and corporate lending is up 25 per cent.

These gains are a good foundation for accelerated growth at both divisions after they have been equipped with Danske Bank’s full product range and infrastructure at Easter 2006.

Let us now return to Denmark and our Mortgage Finance activities.

Mortgage Finance

Danish homeowners were very active in the mortgage finance market in the first half of 2005. Measured by gross lending, remortgaging activity set a new record, benefiting Realkredit Danmark and the entire industry.

In the first quarter, our new products with interest rate caps in particular drove remortgaging activity. Product innovation continued in the second quarter, as Realkredit Danmark introduced new varieties of *FlexGaranti®*. It is now possible to raise a loan with a cap of 5 per cent and to opt for an interest rate that can decline again after it has reached the cap. Customers showed great interest, and by the end of June we had issued a total of 35 billion in this product. Remember, we launched *FlexGaranti®* only last October.

In the second quarter, the remortgaging wave continued to draw support from very low long-term interest rates, which encouraged refinancing to conventional fixed rate mortgage loans.

This heavy volume drove Realkredit Danmark's income up 12 per cent.

Realkredit Danmark's market share has declined somewhat, but the Group's total market share of property financing – that is, mortgage loans and the banks' property financing loans taken together – has increased compared with first half 2004.

Another unit that performed well is Danske Markets.

Danske Markets

Danske Markets raised its earnings by 41 per cent, an unusually strong performance.

Market conditions were favourable for the Group's trading activities. Danes were very active in the securities markets, generating record-high volume on the Copenhagen Stock Exchange, The remortgaging wave I mentioned earlier also benefited Danske Markets, as volume in mortgage bond trading was also strong.

Sales of unlisted shares also figured in the result for the period. They produced a one-off gain of 210 million in total.

Danica Pension

The Group's insurance activities showed solid growth rates in the first half of 2005, with earnings rising 45 per cent. The advance was owing to an increase in the return on investments from 2.7 per cent to 8.5 per cent, among other things. Danica Pension maintained its leading position on the Danish market with premium growth of 11 per cent. Operations outside of Denmark also delivered healthy growth.

Danica's increased focus on market-based pension products can be seen in the strong growth of the unit-linked business.

In May we launched a new product, Danica Balance, which combines the security of conventional pension products with the opportunity for higher returns found in unit-linked insurance. We expect many customers to switch from conventional products to Danica Balance.

I will now comment briefly on how the strong performance of our business units in the first half of the year affects our estimates of the Group's results for the full year.

Outlook for 2005 as a whole

Because of our strong start this year, we are raising our earnings estimate for 2005 as a whole. We now expect profit before tax to be about 10 per cent higher than in 2004.

We maintain our outlook for macroeconomic conditions. We expect low growth in Europe and generally low interest rates and low inflation. But we think that growth in our core markets of Denmark, Norway, Sweden, Ireland and Northern Ireland will exceed the European average.

We do not believe the unusually strong remortgaging and securities trading activities will continue at the same pace during the rest of the year. Also, in 2004 we booked non-recurring items of some 1 billion. We have not budgeted a similar entry in the second half of 2005. Altogether, however, we have a positive outlook and we are adjusting our estimate of income to an increase of some 10 per cent over the 2004 level.

We expect total costs to rise because of the acquisition of the two banks, although costs at the Danish units are likely to remain at the same level as in 2004.

Because of the quality of Danske Bank's credit book and favourable macroeconomic conditions, we expect credit loss expenses to remain low throughout 2005.

Conclusion

Altogether, we can conclude that Danske Bank is on a sound course after the first six months of 2005.

We can see that our focus on retail banking is bearing fruit. The expansion in Norway and Sweden is raising the Group's income, and the integration of Northern Bank and National Irish Bank is proceeding as planned. BG Bank and Danske Bank are well prepared for the intense competition on our home market in Denmark.

So everything indicates that 2005 will be another good year for Danske Bank.

That concludes my presentation. Thank you for your attention. Before I turn the discussion over to you, I note that we are now terminating our webcast. Those of you who are following the press conference through that medium therefore will not hear the question and answer session.

Please begin your questions.