

The Chairman's report to Danske Bank's annual general meeting, March 6, 2007

Slide 1: Welcome to the Annual General Meeting 2007 of Danske Bank

The year 2006 was another good year for the Danske Bank Group.

Slide 2: Highlights of 2006

Once again, Danske Bank reported a record net profit for the year, but it was also a successful year in other respects. Let me start by pointing out the three most significant factors in 2006. First of all, strong organic growth in all our markets throughout the year; secondly, the successful migration of Northern Bank in Northern Ireland and National Irish Bank in the Republic of Ireland to the Group's central platform; and last, but not least, the acquisition of Sampo Bank. The Bank is seeing good developments in many areas.

Slide 3: Annual report 2006

As to the more formal background for our meeting today, I would refer to the announcement of our results for 2006, which was issued on January 31, and to our Annual Report, which was made available on our Web site on the same date. The print version of the Annual Report has been available for inspection at the Bank's offices since February 12 and was also sent to those of our registered shareholders who had so requested.

Again this year, the Annual Report contains a significant volume of information and details on the individual business areas and specific items in the financial statements.

The Annual Report was made public some time ago, and the media have presented detailed comments, analyses and comparisons with our peers. As in previous years, I will therefore only review highlights of the Annual Report in my oral report.

Slide 4: Net profit for the year

I will base my review of the financial statements on the Bank's presentation of the Group's financial highlights, which are shown in a slightly simplified form. This report and the

accompanying slides will be posted on the Bank's Web site in a Danish and an English version, and I will therefore refrain from reading all figures on the slides that are shown on the screen behind me during my review.

Slide 5: Net profit for the year – Net profit for the year

As I said in my introductory comments, we report a record-high profit after tax – this year of Dkr13.5bn, equivalent to a 7 per cent improvement. The profit outperformed the guidance provided in our interim report for the first nine months of 2006. Our good performance was driven by macroeconomic conditions that encouraged customers to borrow and invest. As a result, the banking activities generated stronger growth than expected.

Slide 6: Net profit for the year – Total income

Income rose by 8 per cent to stand at around Dkr37.5bn. Income from banking activities was around Dkr3bn, of which Northern Ireland and the Republic of Ireland accounted for Dkr848m. In this context I would note that the accounts for 2006 include the financial results of Northern Ireland and the Republic of Ireland for the full year as opposed to 2005, which covered 10 months only.

Slide 7: Net profit for the year – Net interest income

Net interest income rose 14 per cent, with the banking activities in Northern Ireland and the Republic of Ireland contributing 3 percentage points. The increase in net interest income was attributable to continued lending growth, which more than compensated for the narrowing of lending margins.

Slide 8: Net profit for the year – Net fee income

Net fee income at Dkr7.3bn remained at the level recorded last year. While fee income generated by the banking activities increased by 7 per cent, a more “normal” level of refinancing activity caused fee income from mortgage lending to decline compared with 2005.

Slide 9: Net profit for the year – Net trading income

Net trading income rose by 4 per cent to DKr6.6bn. The actual increase was all of 19 per cent higher than in 2005 when one-off income in 2005 is excluded from the comparison. The increase in 2006 was attributable to customer-driven activities and an improved investment return.

Slide 10: Net profit for the year – Other income

Other income increased by 20 per cent to DKr2.7bn. The increase was owing primarily to leasing and real-estate agency business.

Slide 11: Net profit for the year – Net income from insurance business

Net income from **insurance business** fell to DKr1.4bn. The increase in business volume could not compensate for profit policy adjustments and the booking of risk allowance from previous years in the fourth quarter of 2005. The health and accident business showed improvement relative to 2005, but the result remained unsatisfactory.

Slide 12: Net profit for the year – Operating expenses

Operating expenses rose by 7 per cent to DKr19.5bn. Excluding the expenses of acquired units, the increase amounted to 1.6 per cent over 2005 – a modest rate of increase, which should also be seen in the light of a generally higher level of activity.

Salaries are the Bank's largest single expense category.

Slide 13: Remuneration of the management

There has been much public debate on remuneration of managements in Danish companies. Danske Bank has already disclosed such information for a number of years. Our remuneration policy, along with information on individual fees and Danske Bank shares held by the individual members of the management, is disclosed on our Web sites www.danskebank.dk and danskebank.com. I would remark in passing that information on the remuneration paid to

each member of the Board of Directors and the remuneration and bonus paid to members of the Executive Board for 2006 is disclosed in note 8 to the accounts, which is set out on page 90 and the following pages of our Annual Report.

Members of the Board of Directors receive a fixed annual fee of Dkr325,000. The Chairman receives triple that amount, and the Vice Chairman receives double the amount. An annual fee of Dkr200,000 is paid for Board committee membership. Our remuneration ceiling remains unchanged. This means that no Board member may receive a total remuneration of more than twice the directors' fee, except for the Chairman and Vice Chairman, who may receive up to four times the directors' fee. No Board member receives option-based compensation or other performance-related pay.

Any change in the remuneration will be announced by the Chairman in his report to the annual general meeting before a new fee is paid. This is a practice we have applied for years, and which we intend to continue.

The annual expense for Board and committee fees totalled Dkr9.3m in 2006. The annual expense in 2005 totalled Dkr8.3m.

Details of the remuneration of the Executive Board are set out in note 8 to the accounts. Members of the Executive Board receive a cash salary and bonus as well as share-based payment. The Bank began its share-based payment programme in 2001 with a view to providing the Executive Board with a long-term incentive to increase value creation in Danske Bank. The share-based payment comprises conditional shares and share options. Conditional shares become available three years after allotment subject to continued employment. Each member of the Executive Board bears the risk of changes in the value of the shares allotted. The share option programmes are revolving and the strike price – that is, the price at which options may be bought – is determined as 10 per cent above the fair value at the time of allotment. Options are vested over three years and may have a term of up to seven years. A revolving option programme means that options are allotted annually when preparing the financial statements. The Bank does not make major allotments of share options occasionally in order to avoid speculation with respect to the time of allotment.

The Bank's articles of association provide that the Board of Directors appoints the Executive Board. Accordingly, the Board of Directors determines the remuneration of the Executive Board. Shareholders are free to comment on the decisions made by the Board of Directors should they find that the Board has been too generous or, perhaps, the opposite. However, taking into account the Bank's size, complexity and results, the Board of Directors believes that its remuneration programmes are reasonable. The Board of Directors also believes that the remuneration programmes support the creation of shareholder value. In this connection I cannot help but point out that the Bank's shares had a market capitalisation of DKr102bn at December 31, 2000, based on the average price of outstanding shares. At December 31, 2006, the market capitalisation was DKr171bn. Since December 31, 2000, the average annual rate of return has been 14.5 per cent including dividends.

Slide 14: New share-based savings plan

Our share price performance has benefited the Group's shareholders. The Group's employees also benefited from the favourable performance. Based on the 2005 accounts, the employees were awarded shares at no consideration in 2006 for a total amount of DKr118m. In early 2007, the Bank decided to offer an attractive share-based savings plan to its Danish employees. Under this plan, the Bank matches the employee's purchase of shares by up to DKr5,000 each year.

Slide 15: Net profit for the year – Credit loss expenses

Let me return to the income statement. As in 2005, we recorded a net positive entry for **credit loss expenses**.

The positive result amounted to DKr496m, however, only about half the amount recorded in 2005.

Slide 16: Credit loss expenses (graph)

The persistently favourable economic conditions led to a low level of new impairment charges and reversals of charges previously made. But we must accept that we cannot continue to record a positive result from this item in the longer term.

Slide 17: Net profit for the year – Tax

The Group's **tax charge** is calculated to total almost DKr5bn. The financial services employer tax of DKr633m is not included in the tax charge, but is included in payroll costs. I would once again urge the Government to abolish this tax, which is lacking in any appropriate incentive structure and serves as a special tax on the financial sector. In the case of Danske Bank, the financial services employer tax triggers taxation of part of the Bank's export income. This tax cannot possibly find political support in the longer term.

Slide 18: Business areas

A quick overview of the performance of the various areas shows that the two Danish banking activities in **Danske Bank and BG Bank** recorded increases of 21 per cent and 18 per cent, respectively, in the volume of lending.

Slide 19: Banking Activities Danske Bank & BG Bank

Both divisions also recorded fair increases in net interest income. As we look at these figures, it may thus seem surprising that the Danske Bank Denmark recorded an unchanged profit before tax. This was, however, partly attributable to the higher operating expenses and partly to the item credit loss expenses, on which we recorded a large positive entry in 2005 of almost DKr1bn compared with just DKr226m in 2006.

Slide 20: Merger of BG Bank and Danske Bank

We announced in connection with our financial results that it had been decided to merge the Danish banking activities into a single division and brand effective on April 10, 2007. After this date, the Danish banking activities will continue under the name of Danske Bank. Even though BG Bank has reported a good financial performance during the time it has been an independent brand in the Group, we have to realise that we are unable to make any meaningful differentiation between the two banking activities.

Slide 21: Merger of branches located close to each other

As previously announced the impending discontinuance of BG Bank as an independent brand entails the merger of a number of branches over Easter. This will take place where branches are located very close to each other. Except for changes to the premises and façades, customers will not be affected much. They will also continue to be served by advisers they know and who will move to the continuing branch.

Slide 22: Banking Activities Sweden and Norway

The banking activities in Sweden and Norway also recorded fair growth in lending. Aggregate income was 25 per cent higher in Sweden and 31 per cent higher in Norway. **Sweden** was characterised by a high level of activity again in 2006, which caused operating expenses to increase by 16 per cent. The branch network was expanded, triggering an increase in the number of employees. Danske Bank Sweden received several awards in 2006 and was, for example, named business bank of the year by Finansbarometern, one of Sweden's largest independent surveys of the Swedish banking, finance and insurance market. The profit before tax for the year was just over DKr1bn.

Banking Activities Norway reported profit before tax of DKr885m, an impressive increase of 53 per cent over 2005. Operating expenses were up 17 per cent, primarily because of activities in the real estate business in Fokus Krogsveen and the acquisition of the Nylander chain of estate agents. More employees were recruited to serve customers, and a number of other initiatives taken to reinforce expertise accounted for 5 percentage points of the increase in operating expenses.

Slide 23: Banking Activities Northern Ireland and Ireland

Banking Activities Ireland and Banking Northern Ireland are on the right track, and they have recorded a very satisfactory business performance following the integration. **Northern Ireland** reported a loss of DKr104m, but this figure included integration expenses of DKr445m and amortisation of intangible assets of DKr459m. A good deal of overtime work and costs of rebranding after the migration in the Easter of 2006 also contributed to the higher operating expenses.

Banking Activities Ireland reported a pre-tax loss of DKr26m. The performance was also in this case affected by integration expenses and amortisation of intangible assets of DKr159m and DKr102m, respectively. The integration was successful, and the bank received several awards for its work on the project, including the APM Project Management Award for Programme of the Year in the United Kingdom and Ireland.

As you may recall, the activities in the Republic of Ireland are fairly small, but they have a great potential. We have therefore defined a growth strategy for the Bank's activities in the Republic of Ireland that includes the opening of a number of new branches over the next three years. The Bank has launched a number of very competitive products in the Republic of Ireland, and we expect much from the Irish business.

Slide 24: Mortgage Finance

In the past few years, **Realkredit Danmark** has benefited from, in particular, a very high level of refinancing activity, but the refinancing wave did not continue in 2006 in a market with reduced, and thus more normalised, activity. The volume of property sales was substantially lower in 2006 than in the previous year, in particular in the market for owner-occupied flats and holiday homes. Net fee income declined by DKr317m to a negative DKr234m as a result of the decline in refinancing activity and larger payments for mortgage loans arranged by the Group's Danish banking activities. A 5 per cent reduction in RD's operating expenses was not sufficient to produce a pre-tax profit on a level with the previous year.

Slide 25: Danske Markets

The pre-tax profit of **Danske Markets** was DKr3.6bn, equal to a fall of 2 per cent. The performance in 2005 reflected the sale of HandelsFinans, and adjusted for this extraordinary income, the 2006 result was actually up by a satisfactory 11 per cent. Income from trading activities amounted to DKr3.5bn, up 14 per cent on 2005. Income from the investment portfolio was lower in 2006, as shown in the slide. The sale of HandelsFinans was a contributory factor, as I mentioned before. Other factors were the sale of banking-related shares and shares in property companies in 2005. Operating expenses rose 10 per cent

because of an increase in activity, including a rise in performance-based compensation and IT costs.

Slide 26: Danske Capital

The pre-tax profit of **Danske Capital** rose 10 per cent to Dkr560m. Income was up 15 per cent to just over Dkr1bn, owing mostly to product development and an increase in activities at non-Danish units. Costs in Danske Capital rose 21 per cent, owing primarily to an inflow of staff and an increase in activities at non-Danish units. As of January 1, 2007, Danske Capital is responsible for developing and providing wealth management services to all other areas in the Group. Wealth management helps customers optimise their overall financial situation. With the gathering of the Group's wealth management expertise in Danske Capital – which, among other things, brings the activities of Danske Bank International in Luxembourg under this area for organisational purposes – we believe we have strengthened the Bank's focus on this very important area.

Slide 27: Danica Pension

Danica Pension saw a satisfactory business trend in 2006 with a rise in gross premiums, including payments under investment contracts, of 8 per cent to Dkr18.2bn. The *Danica Traditionel* product posted a return on investments of customer funds of just 2.9 per cent against 12.6 per cent in 2005. Given the market conditions and the chosen risk profile, the return was satisfactory. *Danica Traditionel* customers received interest on their savings at a rate of 4.5 per cent. As shown in the slide, net income from insurance business fell 18 per cent relative to 2005. It should be considered in this context that postponed risk allowance of Dkr441m was booked in 2005. Excluding this, earnings rose by 12 per cent in 2006.

Slide 28: Selected balance sheet items

The Group's total assets also showed fair growth and stood at Dkr2,739bn.

Slide 29: Selected balance sheet items – Total assets

I won't tire you with a detailed review of the composition of our assets, but would point out that the non-Danish banking activities contributed lending growth of DKr85bn, or 26 per cent, and that the Group's bank loans and advances to retail customers increased 16 per cent from December 31, 2005, while loans and advances to corporate customers grew by 26 per cent.

Slide 30: Selected balance sheet items – Shareholder's equity

Shareholders' equity stood at DKr95.2bn at December 31, 2006, but for the sake of good order I would remind you that it includes the DKr5,416m that we today recommend be approved as dividends.

Slide 31: Selected balance sheet items – Solvency ratio and core (tier 1) capital ratio incl. net profit for the year and hybrid core capital

With a solvency ratio of 11.4 per cent at the end of 2006 and a core (tier 1) capital ratio of 8.6 per cent including hybrid core capital, the Group remains extremely strong financially. The level exceeds our defined targets by a fair margin.

Slide 32: Changed capital targets

The actual ratios at December 31, 2006, are higher than our targets because part of the funding of our acquisition of Sampo Bank in the form of a share capital increase and new hybrid core capital was put in place before the turn of the year.

Slide 33: Capital targets

We adjusted our capital targets in connection with the acquisition of Sampo Bank.

Slide 34: Capital targets – Core capital ratio and hybrid core capital ratio

As shown in the slide, we changed the range of our future capital targets to a core (tier 1) capital ratio, excluding hybrid core capital, of 5.5-6.0 per cent, and a hybrid core capital ratio of 1.0-1.5 per cent.

Slide 35: Acquisition of Sampo Bank

The acquisition of Sampo Bank was the largest ever in Danske Bank's history. The purchase price was €4.05bn, or DKr30.2bn. Expenses amounted to DKr0.6bn: DKr0.5bn for share transfer tax and DKr0.1bn for consultants' fees and similar expenses.

The acquisition was approved by the EU at the end of January and became effective as of February 1, 2007.

We believed a share capital increase was required to provide proper funding of the purchase price of around DKr30bn, and we made an offer of shares in the form of a private placement, from which we received proceeds after expenses of around DKr14.5bn. Some shareholders have asked us if we could not have issued shares with pre-emptive rights to existing shareholders. Considering the need for getting the funding for the acquisition in place quickly, we opted for a market price offering directed at a relatively small group of institutional investors that would be able to make and implement a decision to invest in Danske Bank within a short time span. An issue with pre-emptive rights to the around 260,000 existing shareholders would have taken much longer to arrange and increased the risk related to changes in share prices. As it turned out, the price rose, but we could not base our decision on this assumption at the relevant time. Finally, I would like to add that, even though DKr14.5bn is a lot of money, it is still less than 10 per cent of the Bank's market capitalisation.

Slide 36: Capital targets – Payout ratio

The Group's targeted payout ratio is unchanged at 30-50 per cent depending on our business performance. We expect a payout ratio of 40 per cent for 2007. We maintain that we will continue to distribute any excess capital to shareholders in the form of dividends and share buybacks, if relevant. Our acquisition of Sampo Bank is expected to create a very attractive basis for future growth. The Group saw fairly good growth in 2006, and we expect that we will continue to find useful applications for capital in 2007 to support our sustained growth.

The Annual Report contains a table showing financial highlights on the assumption that Sampo Bank had been acquired with effect from January 1, 2006, and based on the average of the estimates for Sampo Bank's financial results for 2006 provided by four equity analysts.

We intend to publish financial highlights for 2006 for the pro forma consolidated Group once the purchase is completed and a new opening balance sheet is available. This opening balance sheet is not yet available, and we ask our shareholders to be patient, probably until May 1, when we present our interim report for the first quarter of 2007.

Slide 37: Corporate governance

Danske Bank had a busy year again in 2006. In addition to the progress in our financial performance, the acquisition of Sampo Bank and the successful migration of the Irish banks, 2006 was a year of activity in many areas. Our development places heavy managerial demands. The Group adhered to its high corporate governance standards. We have adjusted our level of information on an ongoing basis. The Group's Web site shows details of corporate governance in the Danske Bank Group. The Group still aims to comply with the highest national and international corporate governance standards

We increased the number of members of our Executive Board in 2006. This was done in order to establish a direct line of contact to the Board of Directors for major support functions such as Group Finance, the Shared Services Centre and Group Credits. In that connection, Tonny Thierry Andersen, head of Group Finance; Sven Lystbæk, head of the Shared Services Centre; and Per Skovhus, head of Group Credits, joined the Executive Board on September 1, 2006.

After more than 40 years with the Bank, including 11 years as a member of the Executive Board, Jakob Brogaard has asked to resign with a view to retirement on July 1, 2007. By that time, Jakob Brogaard will have reached the retirement age of 60. I would like, a bit prematurely, to extend my thanks to Jakob Brogaard for his long-standing service to the Bank.

Following Jakob Brogaard's resignation on July 1, the Executive Board will have four members, including Peter Straarup as Chairman of the Executive Board.

Slide 38: Five-year share price performance

Let me return to the performance of Danske Bank shares. At December 31, 2006, the price of Danske Bank shares was Dkr250 against Dkr221.2 at December 31, 2005, an increase of 13

per cent. In the year, shareholders received dividend at the rate of Dkr10 per share, equal to a total of some Dkr6.4bn. The total return thus amounted to 18 per cent.

In the past five years Danske Bank shares have generated an average annual return of about 18 per cent including dividends, subject to some fluctuation in individual years.

Slide 39: Outlook for 2007

We expect 2007 to be another satisfactory year, with growing net interest and fee income. Unfortunately, the outlook for net trading income and net income from insurance business is not positive. As we also expect expenses to rise, partly due to the acquisition of Sampo Bank, our expectations for profit before credit loss expenses roughly match the level recorded in 2006. As we also expect credit loss expenses – albeit a modest amount – our pre-tax profit for 2007 is expected to be somewhat lower than in 2006.

Slide 40: Bill submitted to amend the corporation tax act

Last month, the Government submitted a bill that would radically change corporate taxation. One consequence of the bill would be to reduce corporation tax rate, which would benefit Danske Bank.

However, Danske Bank doubts the advisability of the bill presented by the Government. All other things being equal, the bill would reduce the incentive to borrow, and do so at a time when Danish businesses are increasingly required to expand their business platform. Equity capital is a scarce resource. It is important that Danish companies have competitive conditions for optimising the ratio of equity to loan capital. This is a prerequisite if Danish businesses are to continue their strong performance in the years ahead. Optimising capital resources relative to risk is a key parameter in global competition.

The bill pulls in the opposite direction. It introduces an asymmetry between the treatment of interest income and expenses and creates a basic disincentive for financial gearing irrespective of the asset group or activity that the loan capital is intended to support. This will adversely affect the ability of Danish companies to hold their own in global competition.

I therefore urge the Government to listen very carefully to the many concerned responses presented in hearings in connection with the bill. The Danish business sector is doing well at present. There is no need for frequent changes in fundamental rules or for curtailing the incentive to raise debt finance. Moreover, the bill would add further complexity to the tax basis and the consequences regarding the possibilities for action.

The answers given during the hearing shows that these matters are highly complex. Moreover, there is considerable risk that Danish competitiveness may be severely weakened. We propose that instead of rushing through the legislative process, the government set up a committee that will be able to examine how to maintain a sound relationship between efficient tax collection and satisfactory competitiveness. The committee could also assess the overall effect on the economy of the activities of equity funds.

For 2007, we have one more suggestion. We would like the legislation on covered bonds to provide the banks with flexibility as regards collateralised mortgage loans. Danish banks should be able to operate on conditions that match those of their international competitors when they want to raise loans on their property lending portfolio. To achieve this, the principle of balance must work, and it must be possible to pool bond issues to achieve a competitive price. Increasing competition among banks and mortgage credit institutions will only benefit customers. Benefits to customers and more competition will not be achieved by letting the current rules for mortgage institution lending set the standard for new and more flexible property lending products. The customers themselves decide which products they want. It goes without saying that Danske Bank will disclose the costs of the various types of loan also when granting property loans financed by covered bonds.

Let me return to the Group's accounts.

Slide 41: Profit allocation

For the sake of good order I would mention that the consolidated accounts have been prepared in accordance with the IFRS rules, while the accounts of the parent company, that is, Danske Bank A/S, have been prepared in accordance with the Danish Financial Business Act and the executive order issued by the Danish Financial Supervisory Authority on financial reports presented by credit institutions, etc.

The profit allocation relates to Danske Bank A/S. The amount available to the shareholders for allocation in respect of 2006 is Dkr13,960m, equal to the net profit for the year of Danske Bank A/S.

The Board of Directors recommends to the shareholders that dividends be paid out at the rate of Dkr7.75 per share of Dkr10 nominal value, equal to a total amount of Dkr5,416m.

Of the remaining amount of Dkr8,544m, Dkr5,750m is the so-called Reserve for net revaluation according to the equity method, and Dkr2,794m is retained earnings.

Slide 42: Corporate Social Responsibility

Before I close, I would like to draw your attention to the Corporate Social Responsibility, or CSR, policy that the Board of Directors adopted in 2005. As an extension of the adoption of this policy, a new Web site was launched in connection with the half-year report. We also published a report entitled “Corporate Social Responsibility 2006” in connection with the Annual Report. You will find the report in information stands in the cloakroom area. Please take a copy on your way out if you do not already have the report. The report describes the wide range of activities the Group has launched within CSR, including information on the Group’s charitable donations.

I would like to conclude my report by expressing the Board of Directors’ gratitude to our shareholders for the support you have shown Danske Bank by investing in our shares. We intend to continue our efforts to reward your confidence in the best possible manner. I would like to thank our customers for backing the Bank and for your patronage. I would also thank our employees who have put in a significant and competent effort again in 2006, and not least thank the Executive Board for the excellent manner in which they have performed their duties.

With these remarks I would recommend, on behalf of the Board of Directors, that the shareholders approve the Annual Report 2006.