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# Quarterly Report

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First nine months of 2001



# Danske Bank Group - financial highlights

CORE EARNINGS AND NET PROFIT FOR THE PERIOD  (DKr m)	Q1-Q3 2001	Pro forma		
		Q1-Q3 2000	Index 01/00	Full year 2000
Net interest income, excluding earnings from investment portfolios	13,579	11,799	115	16,200
Fee and commission income (net)	4,636	4,851	96	6,490
Trading income	1,273	1,232	103	1,630
Other core income	825	824	100	1,135
Core insurance income	957	680	141	938
<b>Total core income</b>	<b>21,270</b>	<b>19,386</b>	<b>110</b>	<b>26,393</b>
Operating expenses and depreciation	12,206	11,862	103	16,148
<b>Core earnings before provisions</b>	<b>9,064</b>	<b>7,524</b>	<b>120</b>	<b>10,245</b>
Provisions for bad and doubtful debts	1,054	397	265	1,100
<b>Core earnings</b>	<b>8,010</b>	<b>7,127</b>	<b>112</b>	<b>9,145</b>
Profit on sale of subsidiaries	234	83	282	83
Earnings from investment portfolios	665	1,504	44	2,461
Merger costs	-	-	-	2,721
Adjustment of accounting policies and estimates	-	-	-	265
<b>Profit before tax</b>	<b>8,909</b>	<b>8,714</b>	<b>102</b>	<b>8,703</b>
Tax	1,925	2,372	81	2,399
<b>Net profit for the period</b>	<b>6,984</b>	<b>6,342</b>	<b>110</b>	<b>6,304</b>
Of which minority interests	1	55	-	57

## BALANCE SHEET HIGHLIGHTS

(DKr bn)

Bank loans and advances	467	458	102	444
Mortgage loans	438	420	104	420
Bonds and shares	266	229	116	259
Due to credit institutions and central banks	249	275	91	213
Deposits	384	383	100	367
Issued bonds	571	529	108	563
Subordinated debt	32	31	103	30
Shareholders' equity	59	59	100	51
<b>Total assets</b>	<b>1,438</b>	<b>1,420</b>	<b>101</b>	<b>1,363</b>

## RATIOS AND KEY FIGURES

Net profit for the period per share, DKr	9.5	8.3	8.2
Net profit for the period per share, DKr*	9.5	8.3	11.0
Net profit for the period as % p.a. of average shareholders' equity	16.8	14.9	11.5
Net profit for the period as % p.a. of average shareholders' equity*	16.8	14.9	15.4
Core earnings as % p.a. of average shareholders' equity	19.3	16.9	16.8
Cost/core income ratio, %	57.4	61.2	61.2
Solvency ratio, % (excl. net profit for the period)	9.4	10.1	9.6
Core (tier 1) capital ratio, % (excl. net profit for the period)	6.5	7.1	6.8
Share price, end of period	123.7	106.1	141.8
Book value per share, DKr	80.4	78.0	70.5
Number of full-time employees, end of period:			
Danske Bank and consolidated subsidiaries	17,790	19,162	18,930
Non-consolidated subsidiaries (insurance companies)	966	1,019	976

\*) Excl. merger costs

The ratios and key figures are calculated in accordance with the recommendations of the Danish Association of Financial Analysts.

The comparative figures contain a pro forma consolidation of the Danske Bank Group and the RealDanmark Group for the first nine months of 2000 and for the full year of 2000. Inter-company accounts and differences in accounting policies have not been eliminated, as they do not influence the Group's profit and equity. The core earnings of RealDanmark have been adjusted on an estimated basis to the core earnings model so far used by Danske Bank.

## Review

- The Danske Bank Group recorded a net profit of Dkr6,984m for the first nine months of 2001, against a pro forma net profit of Dkr6,342m for the same period of 2000. This was an increase of 10%. Net profit per share was up by 14%.
- Core income rose by 10% to Dkr21,270m as a result of higher net interest and fee income at Retail Banking and Mortgage Finance, significantly increased earnings from fixed income and foreign exchange trading, and improved profits from Life and Pensions.
- The development in expenses was in line with expectations. Operating expenses and depreciation increased by 3%. As the first nine months were influenced by merger-related costs, expenses for the full year are still forecast to be flat from 2000.
- The charge for bad and doubtful debts was Dkr1,054m, compared with Dkr397m in 2000. The provisioning need was affected by the slowdown in the world economy.
- Core earnings rose by Dkr883m to Dkr8,010m.
- Earnings from investment portfolios fell by Dkr839m to Dkr665m and were significantly affected by the fall in equity prices in September 2001. The sale of subsidiaries produced a gain of Dkr234m.
- The integration of RealDanmark is running ahead of original expectations. At the end of August 2001, BG Bank's IT systems were converted to the Danske Bank Group's computer platform. The Group has thus passed one of the most important milestones in the integration of BG Bank.
- The Danske Bank Group continues to expect core earnings for the whole of 2001 to be somewhat higher than in 2000. However, the expected advance may be affected by the economic slowdown and turbulence on the financial markets.

Core earnings in the first nine months of 2001 grew, by and large, in line with the forecast set out in the first-half report, although provisions were marginally higher owing to the economic slowdown. The general economic climate in the first nine months was influenced by turbulence on international stock markets and the intensified slowdown in economic growth. The terrorist attacks on the USA on September 11 prompted considerable unrest on the financial markets and slowed down economic activity further. The economic weakening also had an impact on Danske Bank's activities and earnings. Capital-market-related business at Danske Securities and Investment Management thus performed significantly below expectations. However, the decline was offset by better-than-expected developments at the Mortgage Finance and Wholesale Banking divisions, in particular.

Danske Bank raised net interest income by 15%, principally as a result of greater loan volume and higher trading of interest rate products. Fees and commissions were down a little from last year as higher income from lending and payments services did not fully offset the decline in capital-market-related income.

Operating expenses and depreciation rose by Dkr344m, or 3%, from the first nine months of 2000. Expenses in the third quarter fell by 9% from the second quarter of 2001, reflecting the merger synergies realised by the Group. The cost/core income ratio fell to 57.4% from 61.2% for the first nine months of 2000.

The charge for bad and doubtful debts rose by Dkr657m to Dkr1,054m as a consequence of the economic slowdown, but remained low. The provisioning ratio thus amounted to 0.16% p.a.

Profit on the sale of subsidiaries relates to BG Bank International, Luxembourg, BG Factoring and BG Garanti Forsikringselskab, which were sold off in the first half of 2001.

Earnings from investment portfolios were DKr665m. Earnings were significantly affected by developments on the financial markets, particularly in September 2001.

The tax charge for the first nine months of 2001 was calculated at 22% of pre-tax profit. The tax value of DKr700m of carryable tax losses, etc., in Fokus Bank was taken to income in the third quarter since the Norwegian tax authorities have accepted that Fokus Bank is not liable to tax on the write-down of preference capital (see first-half report 2001).

The Group expects its net tax charge for the whole of 2001 to be in the region of 25%.

The tax payable on profits in Danica has increased significantly in 2001, while, at the same time, Danica holds substantial deferred tax claims. The reason is the current tax rules, according to which bonus equalisation provisions are taxable in the year in which they are taken to income, while capital losses on equities can only be set off against any equity gains in future years. The insurance industry is discussing this unfortunate asymmetry in tax rules with the minister of taxation with the object of finding a solution to the matter soon.

The total assets of the consolidated Group rose to DKr1,438bn as at the end of September 2001. Bank loans and advances grew by 2% on the end of September 2000 and 5% on the end of 2000. Deposits were at a similar level to September 2000 and were up by 5% on the year-end. Mortgage loans grew by 4% on a year earlier. Total bank loans and advances fell by DKr14bn in the third quarter. Retail Banking loans showed a moderate improvement, while repo loans and non-Scandinavian loans at the Wholesale Banking division were reduced.

The return on equity increased to 16.8% p.a. from 14.9% p.a. the year before.

Subordinated debt rose by DKr1bn to DKr32bn. In March, Danske Bank raised supplementary capital for a nominal amount of €500m by the issue of 10-year notes and, in May, the Bank raised a nominal amount of £150m by the issue of 13-year notes. The note issues form part of the current refinancing of supplementary capital.

CAPITAL AND SOLVENCY (Exclusive of the net profit for the period) (DKr m)	Sept. 30. 2001	Pro forma Sept. 30. 2000
Core capital, less statutory deductions	50,364	54,219
Supplementary capital, less statutory deductions	22,447	22,628
Total capital base, less statutory deductions	72,811	76,847
Total weighted items	775,491	761,598
Solvency ratio (%)	9.4	10.1
Core (tier 1) capital ratio (%)	6.5	7.1

At the end of the third quarter, the Group's solvency ratio was 9.4% and the core capital ratio was 6.5%, excluding net profit for the period.

This nine-month report has been prepared in accordance with the Copenhagen Stock Exchange guidelines for issuers of listed securities. Accounting policies are unchanged from previous reports. Comparative figures for 2000 are unaudited consolidated pro forma figures for the Danske Bank and RealDanmark groups.

## Follow-up on merger with RealDanmark

The merger with RealDanmark is proceeding as planned. It reached an important milestone at the end of August 2001, when BG Bank's IT systems were converted to the Danske Bank Group's central computer platform. The integration of computer systems will, in itself, provide a basis for a significant reduction in operating and development costs and will also lay the foundations for further efficiency gains, for example, in the form of branch mergers. The joint computer platform strengthens the Bank's customer service since customers now have access to service in both Danske Bank and BG Bank - that is in a total of 561 branches.

The merger process has developed very satisfactorily in all business areas. Danske Bank this year expects to achieve merger synergies in the region of DKr1.5bn on an annualised basis. This should be viewed in conjunction with the total annual cost savings of DKr2.2bn that the Group expected to realise within a period of three years at the announcement of the merger. Danske Bank thus continues to realise merger synergies at a quicker pace than originally expected. This means the Bank expects to have realised DKr2.2bn in merger synergies by the end of 2002. The savings planned in Danske Bank and RealDanmark before the merger are also expected to have been realised by the end of 2002. These measures will bring annual cost savings of DKr0.7bn.

The main reason for the satisfactory developments is that staff reductions are ahead of expectations. By the end of the third quarter, staff numbers had been cut by about 1,500 since the merger was announced. This figure includes just under 300 new recruitments in Denmark as a limited number of specialists have been recruited and the year's new trainees took up service in the third quarter. Moreover, the Bank has agreed with approximately 700 employees that they will leave later. The reduction in staffing levels should be viewed in the context of the total expected reduction of 3,500 over three years.

Of the DKr2.4bn in merger costs provided for, a total of DKr1.5bn was charged against profit in the first nine months of 2001. Hence, the remaining provision amounts to DKr0.9bn. Approximately DKr0.6bn was expended on staff redundancy schemes and DKr0.9bn on the decommissioning of computer systems and other contractual liabilities.

## The Group's business areas

CORE EARNINGS BEFORE PROVISIONS (DKr m)	Pro forma				Share	Share
	Q1-Q3 2001	Q1-Q3 2000	Index 01/00	Full year 2000	Q1-Q3 2001	Q1-Q3 2000
Retail Banking	3,483	2,716	128	3,545	39%	36%
Mortgage Finance	1,675	1,098	153	1,475	18%	15%
Wholesale Banking	2,653	2,066	128	2,962	29%	27%
Danske Securities	-195	189	-	242	-2%	3%
Investment Management	763	899	85	1,140	8%	12%
Life and Pensions	810	566	143	778	9%	7%
Other areas	-125	-10	-	103	-1%	0%
<b>Total Group</b>	<b>9,064</b>	<b>7,524</b>	<b>120</b>	<b>10,245</b>	<b>100%</b>	<b>100%</b>

Retail Banking, Mortgage Finance, Wholesale Banking, and Life and Pensions raised their core earnings from the first nine months of 2000, whereas Investment Management did not achieve the same high core earnings as in 2000, when activity on stock markets, in particular, was very strong. The negative core earnings of Danske Securities were the result of falling equity prices and sluggish and continued weakening activity on capital markets, which influenced both trading and corporate finance activities.

The merger has lowered the Group's overall risk profile. Consequently, capital allocation to the business areas has been reduced from 7.0% to 6.5% of their risk-weighted items as from 2001.

## Retail Banking

RETAIL BANKING (DKr m)	Q1-Q3 2001	Q1-Q3 2000*)	Q3 2001	Q2 2001	Q1 2001	Q4 2000*)	Q3 2000*)	Full year 2000*)
Core income	11,676	10,734	3,831	4,019	3,826	3,849	3,795	14,583
Operating expenses and depreciation	8,193	8,018	2,562	2,922	2,709	3,020	2,695	11,038
Core earnings before provisions	3,483	2,716	1,269	1,097	1,117	829	1,100	3,545
Risk-weighted items (avg.)**)	245,293	198,711	245,529	250,323	239,965	214,154	205,765	202,593
Allocated capital (avg.)	15,944	13,910	15,959	16,271	15,594	14,991	14,404	14,172
Core earnings before provisions as % p.a. of allocated capital	29.1	26.0	31.8	27.0	28.7	22.1	30.5	25.0
Cost/core income ratio, %	70.2	74.7	66.9	72.7	70.8	78.5	71.0	75.7

\*) Pro forma

\*\*) With effect from 2001 a number of large business clients were transferred from Wholesale Banking, corresponding to a DKr24bn increase in risk-weighted items.

### CORE EARNINGS BEFORE PROVISIONS (DKr m)

Denmark	3,035	2,169	1,117	946	972	653	940	2,822
Norway	237	272	101	78	58	106	75	378
Sweden	211	275	51	73	87	70	85	345

Retail Banking provides services to personal customers and the business customers served by the Nordic branch network. The division conducts business under a number of brand names, including Danske Bank and BG Bank in Denmark, Fokus Bank in Norway, and Östgöta Enskilda Bank and Provinsbankerne in Sweden.

Retail Banking raised core earnings before provisions by 28% from the first nine months of 2000 as a result of a good increase in core income and a modest rise in expenses. The cost/core income ratio thus fell from 74.7% to 70.2%.

### Denmark

Core earnings before provisions rose by 40%. Business volume with customers continued on a positive track, although the general economic slowdown dampened lending activity in the third quarter and deposits grew at a rather modest rate. Interest margins in the personal banking segment narrowed as a result of the fall in interest rates. Interest margins for business customers were maintained despite the fall in interest rates because dedicated measures have been taken this year to suit prices to risks for all customer loans and commitments.

The continued negative trend in equity markets led to weak growth in fee and brokerage income from securities trading. On the other hand, sales of mortgage finance products through the branch network were buoyant because of a general fall in bond yields earlier this year and because lower short-term interest rates increased the incentive for borrowers to convert traditional fixed-rate mortgage loans into adjustable-rate loans. Income from pensions business also contributed to the positive trend in core income.

Expenses were favourably affected by the ongoing branch integration and the reduction of staffing levels. By the end of the third quarter, the number of branches had been reduced by 65. Owing to the integration of computer systems, no branch mergers were implemented in the third quarter, but this process will resume in the fourth quarter.

The conversion of BG Bank's IT systems to Danske Bank's computer platform in August provides a basis for enhanced customer service and further cost cutting at Retail Banking in the time ahead. After the integration of IT systems, the customers of both bank brands can carry out everyday banking transactions in all the Group's branches and at post offices across Denmark.

The Netbank and Danske Bank's other electronic self-service solutions continued to attract a large number of new customers, and the Group now has more than 675,000 on-line customers.

### **Norway**

Core earnings before provisions were DKr237m for the first nine months of 2001, against DKr272m the year before. Fokus Bank will streamline its organisation and provide a basis for enhanced customer service through the ongoing restructuring and the upcoming conversion of its IT systems to Danske Bank's platform. In the third quarter, Fokus Bank opened a branch in the Oslo area, and it now has 67 branches. Another three branches are due to open in 2002. Less profitable branches are being closed.

Fokus Bank has reaped the benefits of a number of campaigns launched to improve the sales of loan and insurance products in the personal banking market.

Net interest income showed a positive trend on the back of stable margins and significant growth in fees.

Expenses increased owing to IT costs related to the upcoming conversion of Fokus Bank's IT systems to Danske Bank's computer platform. Other expenses showed a stable development.

### **Sweden**

Core earnings before provisions were DKr211m, against DKr275m the year before. The fall in the value of the Swedish krona against the Danish krone reduced core earnings by DKr32m.

The level of activity was satisfactory, with good growth in lending. Danske Bank's market share in Sweden is increasing in both the personal and business banking markets. The expansion of the branch network in major towns has continued in 2001, with the opening of three new branches. This has brought the total number of branches in Sweden to 45.

Fee income related to capital market activities showed a declining trend, while income generated by payment services increased. Earnings from lending growth compensated for the fall in capital-market-related activities.

Expenses rose as a result of the continued expansion of activities and particularly as a result of costs incurred from pension fund contributions covering staff pension commitments. Not counting the pension fund contributions, core earnings in Swedish krona terms were on a level with earnings the year before.

## Mortgage Finance

MORTGAGE FINANCE (DKr m)	Q1-Q3 2001	Q1-Q3 2000*)	Q3 2001	Q2 2001	Q1 2001	Q4 2000*)	Q3 2000*)	Full year 2000*)
Core income	2,656	2,077	903	843	910	740	670	2,817
Operating expenses and depreciation	981	979	324	341	316	363	318	1,342
Core earnings before provisions	1,675	1,098	579	502	594	377	352	1,475
Risk-weighted items (avg.)	215,880	214,017	216,186	214,660	216,802	214,911	214,723	214,241
Allocated capital (avg.)	14,032	14,981	14,052	13,953	14,092	15,044	15,031	14,997
Core earnings before provisions as % p.a. of allocated capital	15.9	9.8	16.5	14.4	16.9	10.0	9.4	9.8
Cost/core income ratio, %	36.9	47.1	35.9	40.5	34.7	49.1	47.5	47.6

\*) Pro forma

*Mortgage Finance is responsible for the Danske Bank Group's overall mortgage finance and real-estate agency business. In Denmark, Mortgage Finance markets its financing solutions through Realkredit Danmark. Real-estate agency business is carried on through the "home" chain of real-estate agents.*

Core earnings before provisions rose by 53% from the first nine months of 2000. The increase was driven by higher contribution income that arose from greater lending and by stronger refinancing activity. Despite the increase in activity, expenses were held at the same level as in 2000. This brought the cost/core income ratio down from 47.1% to 36.9%.

The fall in interest rates in the first nine months boosted activity on the mortgage finance market. The number of loan applications received by Realkredit Danmark grew sharply from previous years. There was increased customer demand for adjustable-rate loans (FlexLån<sup>®</sup>) as interest rates on these loans decreased – particularly in the third quarter.

The Mortgage Finance division raised its market share of both gross lending and net new lending, to 34.1% and 32.8%.

The mortgage loan portfolio amounted to DKr438bn at the end of the third quarter of 2001, against DKr420bn a year earlier – an increase of 4%.

In September 2001, Moody's Investors Service upgraded its rating of Realkredit Danmark's bonds from Aa1 to the highest obtainable rating, Aaa – the same rating as applies to Danish government bonds.

At the beginning of the year, Realkredit Danmark merged with BG Kredit and Danske Kredit. The production and administration of loans were gathered in a central production unit at the end of the third quarter.

The Group's distribution via real-estate agencies takes place primarily through "home". Activities at "home's" 166 outlets increased, in part as a result of their collaboration with the Group's banking branch network.



## Wholesale Banking

WHOLESALE BANKING (DKr m)	Q1-Q3 2001	Q1-Q3 2000*)	Q3 2001	Q2 2001	Q1 2001	Q4 2000*)	Q3 2000*)	Full year 2000*)
Core income	4,019	3,595	1,489	1,220	1,310	1,367	1,327	4,962
Operating expenses and depreciation	1,366	1,529	423	491	452	471	549	2,000
Core earnings before provisions	2,653	2,066	1,066	729	858	896	778	2,962
Risk-weighted items (avg.) **)	219,829	235,461	218,817	221,499	219,175	261,040	239,193	241,890
Allocated capital (avg.)	14,289	16,482	14,223	14,397	14,246	18,273	16,744	17,039
Core earnings before provisions as % p.a. of allocated capital	24.8	16.7	30.0	20.3	24.1	19.6	18.6	17.4
Cost/core income ratio, %	34.0	42.5	28.4	40.2	34.5	34.5	41.4	40.3

\*) Pro forma

\*\*) With effect from 2001 a number of large business clients were transferred to Retail Banking, corresponding to a DKr24bn reduction in risk-weighted items.

*Wholesale Banking has global responsibility for serving the Group's largest corporate clients and institutional clients. Under the Danske Markets brand, the division conducts the Group's trading on the Nordic and international interest rate and foreign exchange markets. The Group's central economic and financial research unit has been placed in Wholesale Banking.*

The 28% increase in core earnings before provisions was attributable to good growth in income and a fall in expenses of 11%. The cost/core income ratio fell from 42.5% to 34.0%.

In highly uncertain financial markets, Danske Markets maintained the favourable trend in activities and results in both fixed income and foreign exchange trading. Currencies are now traded round the clock in Copenhagen.

Business with large corporate clients and institutional clients produced higher earnings as a result of wider interest margins.

Wholesale Banking maintained the level of activities in Scandinavia, just as activities outside Scandinavia continued the positive trend of the second quarter, primarily as a result of growth in structured finance business.

Danske Bank's global cash management system is used by an increasing number of customers and is extended on a continuing basis. In the third quarter, cash management customers were given access to domestic clearing in Poland.

The adjustment of activities in New York - with greater focus on selected global financial institutions and clients with natural links to Danske Bank's northern European business, and the closing of the Hong Kong and Singapore branches at the end of the first half-year - reduced the Bank's credit exposure.

## Danske Securities

DANSKE SECURITIES (DKr m)	Q1-Q3 2001	Q1-Q3 2000*)	Q3 2001	Q2 2001	Q1 2001	Q4 2000*)	Q3 2000*)	Full year 2000*)
Core income	344	712	51	173	120	226	209	938
Operating expenses and depreciation	539	523	169	206	164	173	186	696
Core earnings before provisions	-195	189	-118	-33	-44	53	23	242
Risk-weighted items (avg.)	587	851	1,349	229	171	199	694	688
Allocated capital (avg.)	38	60	88	15	11	14	49	48
Core earnings before provisions as % p.a. of allocated capital	-	423.0	-	-	-	1,521.9	189.4	504.2
Cost/core income ratio, %	156.7	73.5	331.4	119.1	136.7	76.5	89.0	74.2

\*) Pro forma

*Danske Securities is responsible for the Group's corporate finance activities and for wholesale sales and trading of equities and equity-related products. The division also encompasses equity research. With effect on July 1, 2001, Danske Securities was converted into a subsidiary of the parent bank.*

Core earnings before provisions continued to show an unfavourable trend in the third quarter and were a negative DKr195m for the nine-month period, which must be considered highly unsatisfactory. Income halved from the same period of 2000, while expenses grew by 3%.

Market conditions for investment banking business have been very difficult so far in 2001 owing to negative and uncertain trends on capital markets. The generally unfavourable market conditions affected both equity trading and corporate finance activities, and these trends were intensified by turbulence on financial markets after September 11.

A major programme has been launched to adjust expenses to present income levels. The aim is to reduce staff numbers by 50 and to cut costs by approximately DKr150m a year.

Nonetheless, Danske Securities will continue to recruit new employees with the necessary key skills because of the ongoing expansion of its organisation in the Nordic countries. But quality enhancement will proceed at a slower pace than previously planned. Against this background, the previously announced introduction of a partnership model for a number of executive officers has been postponed.

Danske Securities is now expected to sustain a considerable loss for the whole of 2001.

## Investment Management

INVESTMENT MANAGEMENT (DKr m)	Q1-Q3 2001	Q1-Q3 2000*)	Q3 2001	Q2 2001	Q1 2001	Q4 2000*)	Q3 2000*)	Full year 2000*)
Core income	1,442	1,546	483	438	521	438	491	1,984
Operating expenses and depreciation	679	647	234	225	220	197	224	844
Core earnings before provisions	763	899	249	213	301	241	267	1,140
Risk-weighted items (avg.)	10,175	8,803	9,964	10,611	9,949	9,064	9,116	8,868
Allocated capital (avg.)	661	616	648	690	647	634	638	625
Core earnings before provisions as % p.a. of allocated capital	153.8	194.5	153.8	123.5	186.1	151.9	167.4	182.4
Cost/core income ratio, %	47.1	41.8	48.4	51.4	42.2	45.0	45.6	42.5
Assets under management (DKr bn)	516	552	516	542	533	540	552	540

\*) Pro forma

*Investment Management provides portfolio management and investment advisory and private banking services. The division targets personal and institutional customers in the Nordic region as well as the international investor segment. Services to institutional and other major investors are marketed under the brand name of Danske Capital. The division also operates under the brands of Danske Bank in Denmark and Firstnordic outside Denmark. Moreover, Investment Management cooperates with the unit trust, Danske Invest.*

Core earnings before provisions declined by 15% from the year before, which was attributable to lower trading activity in the wake of falling stock markets.

Total core income for the first nine months reflected continued growth in income from sales of interest rate and currency products and a continued increase in portfolio management income. Portfolio management, however, generated less income in the third quarter of 2001 than in previous quarters. Owing to the developments and low activity on equity markets, income from equity trading and advisory services through Retail Banking did not reach the same high level as in 2000.

Assets under management amounted to DKr516bn at the end of September 2001. Developments in the third quarter should be viewed in conjunction with falling market values particularly of underlying equity portfolios, which account for about 30% of assets under management. The first nine months of 2001 saw a net increase in new agreements of DKr13bn, which came mainly from unit trusts and institutional clients.

In the third quarter of 2001, Danske Bank entered into an agreement with Goldman Sachs to make global company and sector research available to Danske Netbank customers. This has given personal customers access to research that was previously available only to institutional clients.

Danske Capital Finland, which is part of the Investment Management division and a subsidiary in the Danske Bank Group, has entered into an agreement to buy Myriadi Rahastoyhtiö, a minor Finnish asset manager based in Tampere, Finland.

## Life and Pensions

LIFE AND PENSIONS (DKr m)	Q1-Q3 2001	Q1-Q3 2000*)	Q3 2001	Q2 2001	Q1 2001	Q4 2000*)	Q3 2000*)	Full year 2000*)
Profit from life insurance	952	636	269	343	340	248	207	884
Non-life technical result	-20	10	-5	-6	-9	1	6	11
Net interest from investments, etc.	19	28	17	-1	3	5	5	33
Core insurance income	951	674	281	336	334	254	218	928
Funding cost, net	-141	-108	-44	-49	-48	-42	-39	-150
Core earnings before provisions	810	566	237	287	286	212	179	778
Allocated capital	5,695	5,444	5,931	5,710	5,439	5,597	5,569	5,483
Core earnings before provisions as % p.a. of allocated capital	19.0	13.9	16.0	20.1	21.0	15.2	12.9	14.2

\*) Pro forma

*Life and Pensions is responsible for all the Group's activities in the life insurance and pensions market. The Life and Pensions area is run by the Danica group. Life and Pensions targets both personal and business customers. Products are marketed through a range of distribution channels within the Group, primarily Retail Banking's outlets and Danica's team of insurance agents and pension advisers.*

Profit from Life and Pensions was in line with expectations, although the result of sickness and accident insurance was adversely affected by the plunge in equity prices. The improvement in profit compared with the same period of last year arose mainly from an increase in the rate of interest on policyholders' savings from 4.5% in 2000 to 8.5% in 2001.

Danica achieved satisfactory growth in premiums. Gross premiums for the first nine months totalled DKr7.6bn, against DKr5.7bn for the same period of last year. After adjustment for the purchase of Danica Pension IV (formerly BG Pension), the increase was DKr1.0bn, or 16%.

As a consequence of the steep fall in equity prices, the total return on investments was a negative 2.4% for the first nine months. In the third quarter, Danica reduced the proportion of equities in total investments from about 30% to about 20%.

Bonus reserves were DKr9.7bn at the end of the third quarter, or roughly 7.8% of life insurance provisions based on a computation rate of interest of 4.0%.

Overall, Danica's bonus reserves stand at a comfortable level, and they can absorb further equity price falls of more than 25% from the price levels prevailing at the end of the third quarter of 2001. In addition, Danica has a substantial equity capital of DKr9.4bn. In connection with the turbulence on stock markets, capital has been transferred from the parent company, Danica Liv I, to the subsidiaries, Danica Pension, Danica Pension II and Danica Pension IV.

During 2001, Danica's total interest rate risk has been reduced by the purchase of derivative financial instruments.

Against this background, Danica is not planning to lower the announced rate of interest on policyholders' savings of 8.5% for 2001.

## Outlook

The following comments on the Group's profit expectations for 2001 relate to the pro forma consolidated profits for 2000 shown on page 2.

The Group expects core income for the whole of 2001 to show moderate improvement, although income growth may be slowed by the economic weakening, which has been intensified by the terrorist attacks on the USA on September 11.

Operating expenses and depreciation for 2001 are forecast to be at a similar level to 2000 as a consequence of realised merger synergies and other savings. The cost/core income ratio should fall further to somewhat below 60% for 2001.

The economic slowdown will impair the earnings of many businesses. This could require higher provisions. Consequently, Danske Bank expects the charge for bad and doubtful debts to be somewhat higher in 2001 than in 2000. Given the Group's overall credit risk position, however, the charge for bad and doubtful debts for the full year is forecast to remain relatively low.

Overall, the Danske Bank Group still expects core earnings for 2001 to be somewhat higher than the core earnings of Dkr9,145m generated in 2000. However, the expected advance may be affected by the economic slowdown and turbulence on the financial markets.

Earnings from investment portfolios in 2001 will, as usual, greatly depend on developments on the financial markets, including the level of securities prices at the year-end.

The Group expects its tax charge, including the new tax on provisions, to be in the region of 25% of pre-tax profit.

### **Announcement of financial results and annual report for 2001**

Danske Bank expects to publish its 2001 announcement of financial results and annual report on February 21, 2002.

Copenhagen, October 25, 2001

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# Danske Bank Group

CORE EARNINGS AND NET PROFIT FOR THE PERIOD	Pro forma					
	Q3 2001	Q2 2001	Q1 2001	Q4 2000	Q3 2000	Full year 2000
(DKr m)						
Net interest income, excluding earnings from investment portfolios	4,716	4,494	4,369	4,401	4,079	16,200
Fee and commission income (net)	1,404	1,671	1,561	1,639	1,589	6,490
Trading income	389	392	492	398	649	1,630
Other core income	231	379	215	311	213	1,135
Core insurance income	281	336	340	258	219	938
<b>Total core income</b>	<b>7,021</b>	<b>7,272</b>	<b>6,977</b>	<b>7,007</b>	<b>6,749</b>	<b>26,393</b>
Operating expenses and depreciation	3,971	4,351	3,884	4,286	4,053	16,148
<b>Core earnings before provisions</b>	<b>3,050</b>	<b>2,921</b>	<b>3,093</b>	<b>2,721</b>	<b>2,696</b>	<b>10,245</b>
Provisions for bad and doubtful debts	389	363	302	703	85	1,100
<b>Core earnings</b>	<b>2,661</b>	<b>2,558</b>	<b>2,791</b>	<b>2,018</b>	<b>2,611</b>	<b>9,145</b>
Profit on sale of subsidiaries	-	78	156	-	83	83
Earnings from investment portfolios	133	170	362	957	995	2,461
Merger costs	-	-	-	2,721	-	2,721
Adjustment of accounting policies and estimates	-	-	-	265	-	265
<b>Profit before tax</b>	<b>2,794</b>	<b>2,806</b>	<b>3,309</b>	<b>-11</b>	<b>3,689</b>	<b>8,703</b>
Tax	165	810	950	27	1,043	2,399
<b>Net profit for the period</b>	<b>2,629</b>	<b>1,996</b>	<b>2,359</b>	<b>-38</b>	<b>2,646</b>	<b>6,304</b>
Of which minority interests	-	1	-	2	21	57
<b>BALANCE SHEET HIGHLIGHTS</b>						
(DKr bn)						
Bank loans and advances	467	481	453	444	458	444
Mortgage loans	438	431	425	420	420	420
Bonds and shares	266	254	243	259	229	259
Due to credit institutions and central banks	249	256	229	213	275	213
Deposits	384	394	385	367	383	367
Issued bonds	571	555	542	563	529	563
Subordinated debt	32	34	35	30	31	30
Shareholders' equity	59	56	54	51	59	51
<b>Total assets</b>	<b>1,438</b>	<b>1,420</b>	<b>1,385</b>	<b>1,363</b>	<b>1,420</b>	<b>1,363</b>

# Danske Bank Group

MOVEMENTS IN SHAREHOLDERS' EQUITY AND MINORITY INTERESTS	Q1-Q3 2001	Pro forma	
		Q1-Q3 2000	Full year 2000
(DKr m)			
Shareholders' equity at January 1	50,906	30,412	30,412
Additions on merger	1,321	22,791	22,728
Capital reduction	-	-	-4,999
Net profit for the period	6,983	6,287	6,247
Dividends	-	-	-3,382
Dividends on own shares	-	-	161
Goodwill fully written off at the time of acquisition	-352	-237	-261
Shareholders' equity, end of period	58,858	59,253	50,906
Minority interests at January 1	983	130	130
Change on merger	-979	920	920
Net profit for the period	1	55	57
Change in minority interests	2	61	-124
Minority interests, end of period	7	1,166	983

The share capital is made up of 732,000,000 shares of DKr10, totalling DKr7,320m. All shares carry the same rights. Consequently, there is only one class of shares.

SOLVENCY (EXCL. NET PROFIT FOR THE PERIOD)	Sept. 30, 2001	Pro forma	
		Sept. 30, 2000	Full year 2000
(DKr m)			
Core capital, less statutory deductions	50,364	54,219	50,338
Eligible subordinated debt and revaluation reserve	28,751	28,953	26,990
Statutory deduction for insurance subsidiaries	-6,032	-5,689	-5,454
Other statutory deductions	-272	-636	-510
Supplementary capital, less statutory deductions	22,447	22,628	21,026
Total capital base, less statutory deductions	72,811	76,847	71,364
Weighted items			
not included in trading portfolio	698,754	677,738	676,027
with market risk included in trading portfolio	76,737	83,860	69,130
Total weighted items	775,491	761,598	745,157
Core (tier 1) capital ratio (%)	6.5	7.1	6.8
Solvency ratio (%)	9.4	10.1	9.6
Statutory minimum solvency requirement (%)	8.0	8.0	8.0

# Danske Bank Group

EARNINGS FROM INVESTMENT PORTFOLIOS  (DKr m)	Q1-Q3 2001	Pro forma	
		Q1-Q3 2000	Full year 2000
Net interest income	181	778	927
Dividend from shares	266	95	121
Fee and commission income	-16	-21	-4
Net interest and fee income	431	852	1,044
Market value adjustments			
Bonds	839	-925	-231
Shares	-646	1,323	1,114
Foreign exchange	19	-22	-21
Derivative financial instruments	-44	210	61
Holdings in associated undertakings	158	174	186
Expenses	92	108	133
Other operating income	-	-	441
Total	665	1,504	2,461