

# Conference call speech

Interim Report Q2 2009

August 11, 2009



Investor Relations

Danske Bank

## CORPORATE PARTICIPANTS

**Peter Straarup**

*Danske Bank – CEO*

**Tonny Thierry Andersen**

*Danske Bank – CFO*

**Martin Gottlob**

*Danske Bank – Head of Investor Relations*

## SPEECH

---

**Peter Straarup - Danske Bank - CEO**

**Financial results for the first half of 2009**

Thank you, operator.

Welcome, and thank you for taking the time to attend this presentation of Danske Bank's financial results for the first half of 2009.

At my side today are Chief Financial Officer Tonny Thierry Andersen and Head of Investor Relations Martin Gottlob.

Please go to slide 2.

### **Agenda**

I will begin with a brief summary of Danske Bank Group's financial performance. Then I will review the most important accounting items and comment on some key developments. Finally, I will present some comments for the second half of 2009.

After the presentation, you will of course be able to ask us questions.

Please go to slide 3.

### **Key messages**

Danske Bank's net profit for the first half of 2009 amounted to 725 million kroner. This represents a decline of 88 per cent from the level in the same period last year and cannot be considered satisfactory in absolute terms. The result was as expected, however, and in light of the continuing economic crisis and difficult market conditions, we find it acceptable.

Total income rose almost 50 per cent above the figure in the first half of 2008 to the highest level for a half-year period in the Group's history. The increase was driven mainly by extraordinarily high trading income.

Loan impairment charges remained high, but still off the peak in the fourth quarter of 2008. We expect impairment charges to stay on a high level in the rest of 2009.

During the past six months, we have succeeded in improving our leverage and solvency ratios through a 9 per cent reduction of total assets, 26 billion in new hybrid core capital, and an increase in equity-based capital.

Please go to slide 4.

#### **The macroeconomic environment**

We are still in the middle of a severe global economic crisis, and inevitably the Group's markets continue to be affected by the negative developments in macroeconomic conditions.

The first half of 2009 will hopefully be considered the worst half-year of the recession, as recent indicators point towards a stabilisation of macroeconomic conditions. But there is no doubt that the rest of the year will also be extremely challenging for the financial sector and for many of our customers.

The macroeconomic indicators are not conclusive, but we expect at least Denmark and Norway to move out of recession and to outperform the Eurozone average. Despite improvements in some parts of the economy, there are still menacing clouds over Sweden and Finland, and expectations for Ireland and especially the three Baltic countries continue to be gloomy.

Please go to slide 5.

#### **Performance highlights**

As I mentioned, our net profit for the first half of 2009 came to 725 million. The low result was caused by high loan impairments and included a negative bottom line in the second quarter.

We were able to maintain a profit for the half year because of our high income. Second-quarter income almost matched the record-high first-quarter level, once again driven by extraordinary trading income, which contributed a total of 12 billion in the first six months as Danske Markets succeeded in exploiting market volatility.

Net interest income rose 10 per cent over the level in the same period last year, illustrating the good earning capacity of our banking activities. Wider lending spreads compensated for continued pressure on deposit margins, higher funding costs and an interest expense of 235 million on the hybrid core capital from the Danish state. Additionally, we have found it advisable to lengthen the maturity profile of our funding.

Expenses were up 19 per cent. However, underlying operating costs actually remained unchanged, which is in line with our focus on cost containment.

Finally, loan impairment charges stand out at a very high level and amounted to almost 15 billion Danish kroner.

I will now offer some comments on key aspects of the accounts, beginning with the income statement.

Please go to slide 6.

#### **Net interest income**

The earning capacity of our core business - banking activities - is still solid. This is evident from the 10 per cent year on year increase in net interest income.

Lending volumes declined slightly during the second quarter. This was caused mainly by a reduction of our exposure to financial counterparties and lower credit demand from corporate customers as many sectors have seen a significant drop in activity. On the other hand, lending to retail customers continued to rise because of good demand for mortgage products. This is fairly positive, given the macroeconomic development.

Our continued focus on lending margins led to wider margins in all of our banking activities year-on-year. The increases occurred in both the retail and corporate segments, although the margin on Danish mortgages was unchanged.

Compared to the level at the beginning of the year, the widening lending margins partly compensated for higher funding costs as well as lower deposit margins owing to lower short-term interest rates and competition for deposits.

Quarter-on-quarter, net interest income fell 4 per cent. Moving to the next slide, I will elaborate on the quarterly trend.

Please go to slide 7.

#### **Net interest income - Q2 2009 vs. Q1 2009**

Net interest income fell 320 million from the preceding quarter.

The main reason was the net interest expense of 235 million for the hybrid core capital from the Danish state that we

received on the 11th of May. In each quarter going forward until we repay the loan, this will be a net expense of around 425 million.

Other important changes include lower interest on equity and a lower deposit margin, primarily because of lower short-term interest rates. The total effect is approximately 435 million.

On the other hand, wider lending margins lifted interest income by 383 million, but this was not enough to offset all of the negative factors.

Given the current interest rates and business volumes, a 25 basis point drop in the short-term rate generally reduces net interest income by around 450 million due to floor risk and lower return on equity.

Now let us move on to net fee income.

Please go to slide 8

#### **Net fee income**

Net fee income fell 14 per cent from last year's level owing to lower activity. But actually, we saw a turnaround from the declining trend in the second quarter, when the item increased 9 per cent over the level in first quarter.

The increase was especially pronounced in activity-based fees, which rose 25 per cent over the first-quarter level on the strength of higher lending and investment activity. The improvement was more moderate for portfolio-based fees, where increasing asset management fees at Danske Capital had a positive effect.

Now let us move on to trading income.

Please go to slide 9.

#### **Net trading income**

Trading income was a positive surprise at the publication of our first-quarter report. Not all of the positive effects were sustainable, and the second quarter was not quite as strong. But we still saw extraordinarily high trading income, almost 5 billion. Total trading income in the first half of 2009 came to more than 12 billion.

The value adjustment of bonds classified as Available for Sale ended at close to breakeven for the first half after a negative result in the first quarter. This reflects the tightening of credit spreads.

The high income in the second quarter was largely driven by the same factors as in the first quarter. I will try to outline the most important ones.

Please go to slide 10.

#### **Net trading income (2)**

The volatile market environment created a need for our corporate and institutional customers to hedge their interest rate and currency risks. This resulted in high customer activity.

Like lending margins, the margins on a number of securities had been squeezed to a low level. During recent quarters, bid/offer spreads and margins reached normal levels again, creating better earnings opportunities from positioning and market making. An example is the market for government bonds trading, which has become attractive again.

Our strong Nordic market position was a big advantage and was strengthened further since several international players chose to scale down their activity on our local markets to focus on their home markets.

Finally, declining short-term interest rates and steeper yield curves created favourable conditions for market making and added significantly to trading income.

Overall, we were able to use market conditions to our advantage. The high trading result should therefore not be taken as an indication that we are running higher risks. On the contrary, we managed to keep our Value at Risk at a lower level than previously.

Trading income in the first half of 2009 was higher than anyone could have foreseen, but is also a positive side of the economic crisis and global instability. The future trend in trading income will depend on developments on the financial markets.

Now we will move away from the income lines and on to expenses.

Please go to slide 11.

#### **Expenses**

Total expenses rose 19 per cent in the first half-year to 15 billion. At first glance, this is a rather large increase in light of the intensified focus on cost management that we announced last quarter.

As a consequence of the deteriorating economic situation in the Baltics, we found it necessary to write down all goodwill in Latvia and Lithuania. The activities in Estonia were not affected by the economic downturn to the same degree in the first half of 2009. However, I cannot rule out that it might become necessary to write down the rest of the Baltic goodwill at a later date. The goodwill impairment charges had a negative effect of 1.4 billion.

Other non-recurring items that cannot be considered general operating expenses include the guarantee commission paid to the Danish state, severance payments and integration costs. Adjusting for these items, the cost base was actually unchanged compared with last year. This development was as expected and was in line with our intensified focus on cost management.

Year-on-year, the number of FTEs declined by more than 1000, even though some employees made redundant in the beginning of February are still on our books because of severance programmes.

Today, we have announced a merger of the corporate activities of Realkredit Danmark and Danske Bank in Denmark in the same way as the merger of their private activities in the end of 2007. This entails a staff reduction of 220 FTEs. Therefore, you will also see the staff number declining in the coming quarters.

Please go to slide 12.

#### **Loan impairment charges**

Loan impairment charges are of course a hot topic these days. Our loan impairments have risen to an unsatisfactorily high level in recent quarters. Even though there are some positive signs in the macroeconomic development, we expect continued high impairment charges in all our markets in the remainder of 2009.

Relatively, the Irish and Baltic markets are expected to show the highest loan impairment ratios. It is a comfort that these areas make up a rather small proportion of our total loan book.

Please go to slide 13.

#### **Loan impairment charges and coverage ratio**

As you can see from the chart on the left, small and medium-sized enterprises clearly account for most of the Group's impairments. Many were made in sectors such as commercial property, durable consumer goods and retailing.

The most noticeable change from the preceding quarter was increasing impairments for large corporates caused by a few large exposures.

Impairments for financial counterparties declined from the level in the first quarter, but we did make additional provisions for expected payments under the loss guarantee to the Danish state in the first Danish banking package. These provisions now amount to 1.2 billion.

The Group's coverage ratio has increased in recent quarters, and now stands at 45 per cent and at 94 per cent including collateral.

For a geographical breakdown of the impairment charges, please go to slide 14.

#### **Loan impairment charges - geographical breakdown (1)**

In the second quarter, we saw increased impairment charges in Finland, where the economic deceleration was worse than we had anticipated. This resulted in a rather large increase in impairment charges to almost 900 million from 400 million. The charges concern mainly large individual exposures in the corporate segment.

The charts show that most of the individual impairments made are still on the books and that the loan loss reserve is close to 100 basis points on average in the four Nordic countries.

In absolute figures, Danish banking activities still account for the largest portion of our impairments. These charges include the provision for the first Danish banking package and increasing charges for personal customers because of rising

unemployment and for SMEs in sectors such as durable consumer goods and commercial property.

Please go to slide 15, where we will take a look at our other business areas.

#### **Loan impairment charges – geographical breakdown ()**

Ireland and the three Baltic countries each account for relatively large portions of the impairments considering the size of the business units. Given the economic environment, this is hardly a surprise.

The three Baltic economies are under much pressure, with large negative economic growth and increasing unemployment. Our exposure to the Baltic region is fairly small, but we have found it necessary to increase the collective impairments for our Baltic banking activities in each of the past two quarters.

In both Northern Ireland and Ireland, impairments were made mainly for corporate customers in property development.

Other areas include Danske Markets, where we made impairments for financial counterparties because of the continuing decline in certain asset values.

For all four business areas, we now have high loan loss reserves.

Please go to slide 16.

#### **Total credit exposure**

We have been reducing our credit exposure for some time now. Our exposure from lending is thus 4 per cent lower than at year-end 2008.

Does this mean that we have stopped lending? No. I would like to emphasise that, on the contrary, we do continue to give new loans to our many good and creditworthy customers, both retail and corporate.

The sectors with the largest declines in credit exposure were banks and other financial institutions. In the corporate segment, the exposure was generally unchanged. The same goes for our retail customers.

All of our customers are rated on a scale from 1 to 11, where rating 10 and 11 are non performing loans and rating 1 is the

best customers. In this period, our customers' creditworthiness declined slightly, with the average rating deteriorating from 4.7 to 4.4.

Please go to slide 17.

#### **Liquidity and new funding**

The Group's liquidity improved because it has gradually become easier to borrow on the international capital markets, both with and without the state guarantee.

In the second Danish banking package, we got a possibility to issue individual bonds with state guarantee and with maturity after the expiry of banking package I, which included a guarantee on all banks' liabilities until September 2010. We are able to issue up to 100 billion in papers with up to a 3-year maturity with a full and unconditional guarantee from the Danish state. We made the first of these issues in June, and a few more in July.

Even so, it is especially encouraging that it is once again possible to obtain loans without the state guarantee at an interest rate that is higher but manageable.

The result of this, can be seen in our Moody's 12-month liquidity curve. It shows a clear improvement since year-end 2008, and it is now positive for more than 12 months. The improvement occurred mainly in longer maturities.

Please go to slide 18.

#### **Capital management**

In May of this year, the Group received the hybrid core capital from the Danish state that became available under the second Danish banking package. We obtained two subordinated loans totalling 26 billion. We wish to emphasise that the Group intends to repay these loans.

Was it really necessary to take this capital injection? The answer to that question is both yes and no. Our solvency has been high by European standards throughout the crisis, but we wanted to be on the safe side during this difficult period. With this addition, our solvency level, at 16 per cent, is now among the highest.

The hybrid capital comes with an option for us to gradually convert the loan to equity if hybrid core capital exceeds 35 per cent of total tier 1 capital. If hybrid core capital exceeds

50 per cent, however, we have committed ourselves to convert tranches of 20 per cent into equity so hybrid capital makes up a maximum of 35 per cent.

With this conversion option and thus full loss-absorption capacity, it makes sense to consider our total tier 1 capital including the loss absorbing part of the hybrid, rather than core tier 1 excluding state hybrid capital. Our tier 1 ratio stands at 10.7 per cent if you include these 24 billion of convertible capital. This is better than most European banks'.

Because of the recession, the trend in risk-weighted assets has been a major topic this year, but our risk-weighted assets are actually in line with the level at year-end 2008 despite a spike in the first quarter. In the chart on the right, you can see the change since last quarter. The reduction of risk-weighted assets was driven mainly by lower lending, which more than offset the increase caused by rating migration.

The reduced assets mean that our leverage ratios are improving significantly, and the trend in the past quarter was especially favourable. Our adjusted leverage ratio now stands at 6.2 per cent.

This brings me to the last slide of my presentation - our outlook for the rest of 2009.

Please go to slide 19.

#### **Outlook for H2 2009**

In recent months, the financial crisis has developed in different ways in our different markets. Conditions in Sweden, Finland, Ireland and the Baltic states have worsened, but they are more stable in Norway and Denmark. We do see positive indicators, but there is no doubt that it will be some time before we see a real and decisive improvement. Therefore, the remainder of 2009 will also be a difficult period for the financial sector and for our customers.

We expect loan impairment charges to remain high during the rest of 2009.

We had record-high income in the first six months, and we believe that our income streams will remain strong lines of defence. However, trading income depends very much on developments on the capital markets and it is unlikely that we will have the same level of earnings from our market operations in the longer term.

We do have very robust banking activities, and we will continue to work at adjusting our prices and interest rates. We will also continue to work on the Group's costs so that they better match our current activity level and earnings opportunities, not forgetting our continuing focus on strong risk, liquidity and capital management.

All things considered, I do believe that the Danske Bank Group has a good foundation to weather the economic crisis.

Please go to slide 20.

#### **Q&A session**

This concludes my presentation of our report for the first half of 2009, and we are now ready to answer your questions.

If you are listening to the conference call via our Web site, you are also welcome to ask questions by e-mail.

Please operator, we are ready for the Q&A session.

---

#### **Chintan Joshi, Nomura**

Hi. Good afternoon. This is Chintan Joshi for Nomura. I had a few questions, if I may. The first question is on the trading income. Up to about two quarters ago in the fact book, you used to give a disclosure in Danske markets between how much the trading income was from trading activities and how much it was from proprietary activity. I'm wondering if you could disclose this information for the first and the second quarters of this year. And also to that end, if you can tell me how much of the trading income comes from the government bond trading and how much of that - - and how much of the trading incomes comes from the FX trading and fixed income as a whole, just to kind of get some clarity on where this is coming from. The second question is on your guidance of high level of loan impairment charges to be expected in the second half of the year. Could you give me a geographical split of where you're expectations are in terms of credit losses across the various operations? And in particular, if you can highlight Norway where credit losses were really low this quarter, what kind of trends you're seeing there. And the final question is just a detailed question. Could you tell me of the NPLs that were formed this quarter, how much of that was restructured and removed from the NPL book? Thank you.

---

**Tonny T. Andersen – Danske Bank – CFO**

To your question on the trading line, the split on proprietary trading, we closed on our proprietary trading disc so we don't operate that on the current - where the current turn of the season set up. I think you could say like we did in the first quarter that approximately half of the trading income is attributable to the steepening of the yield curve and the rest is sort of activity led earnings in our trading division. On Slide 9 in our IR presentation for this conference call, you can see the split in trading activities, Group Treasury; and in trading activities, we have a very modest investment bank division on corporate finance, so the bulk of the trading activities you see in that line is interest rate, it's bonds, and some of that is FX and a smaller fraction is equities. So it's primarily driven by on the interest rate derivatives and hedging on clients' behalf in the trading line there, but I can't give you further granularity on that part.

---

**Peter Straarup - Danske Bank – CEO**

On the impairment charges, what I think we are trying to communicate is that we expect across the board relatively high impairment charges. That will mean that we'll still hear from the Irish market, the Baltics, the Finnish market also, whether this time was some larger ones. So it's really an indication of the fact that all the markets we're active in continue to see difficulties and they will continue to have relatively high impairment charges. The market we're in, which performs the best from macroeconomic condition is Norway. They do well because of their oil, among others, and you don't see the same development in the Norwegian market, not even the property market is weak in Norway. So for that reason, the low impairment charges are understandable; and if Norway continues to weather this global recession as well as they've done so far, I think one could continue to see that.

On the NPL.

---

**Martin Gottlob - Danske Bank – Head of IR**

The NPL is - the write-off has been very limited so there's only a few hundred millions that has gone away from the NPL in this quarter. The write-downs is amounting to around 500 million in the first quarter.

---

**Chintan Joshi, Nomura**

Sorry...

---

**Martin Gottlob - Danske Bank – Head of IR**

The second quarter, sorry.

---

**Chintan Joshi, Nomura**

...just a quick follow-up. What I was asking was what portion of impaired loan was restructured and kind of taken out of the impaired loans book because it's no longer...

---

**Peter Straarup - Danske Bank – CEO**

Yeah, as I say, it was very limited, a few hundred million kroner; that's all.

---

**Chintan Joshi, Nomura**

Okay, got it. Thanks a lot.

---

**Martin Gottlob - Danske Bank – Head of IR**

I would like to jump in here. We've got a question on email. It's coming from Jon Mulligan for the IS Independent\*, and he asked the following questions: The Irish government tends to envisage a situation where Ireland's banking environment will be composed of three main lenders - AIB, Bank of Ireland, and a third lender, probably composed of a hybrid of other existing Irish lenders. And another question is: Is there a future for National Irish Bank in the Irish banking sector? Also, in retrospect was entering the Irish market a mistake and will Danske Bank seek to exit Ireland perhaps over the next three to five years? Finally, what level of financial support has Danske Group had to afford nationalised bank within the past six months?

---

**Peter Straarup - Danske Bank – CEO**

The first question I can try to answer. We do not expect to participate in any consolidation in the Irish market. We by the way do not expect to participate in NAMA either. Obviously when you look at the developments in the Irish market, it would've been nice to have a rear view mirror that told you what was going to happen in the future. And if one makes a mathematical calculation, it is obviously not been the right time to enter the Irish market. We have no plans though to abandon the Irish markets and we make our franchise more and more efficient waiting for the upturn, which will come one day, and then we hope we'll be able to get better result out of the Irish market. But we haven't and we intend to keep it.

---

**Claus Højmark Jensen, ABG**

Yes, good afternoon. I just have a couple of quick questions here. The first one is regarding to your NPLs and also your impairment charges. It seems that your - - the growth rate in your NPLs seems to be coming off relative to your impairment charges, so you actually do more impairment charges than your NPL increases. How should I interpret that? Is there anything specific I should read into or is just a coincidence? Second of all, with investment return coming up as it has in the insurance business, could you give us just some quick feedback on what sort of investment returns you would need to book your risk allowance in the insurance segment?

---

**Peter Straarup - Danske Bank - CEO**

On the trend between NPLs and impairments, I think it's too early to call a trend. So at this point in time, we'll have to call it a coincidence and then we'll have to see how it develops. In terms of risk allowance on Danica, if all other things remain where they are, the stock market should not go up much before it would be possible to take a risk allowance in Danica. But you know, that's a long haul home so we're not celebrating at this point in time, but stock market being positive could get us into risk allowance territory relatively easy.

---

**Claus Højmark Jensen, ABG**

Okay. And just back to the coverage ratio, is there any specific reason why you book so much in impairments relative to how much your nonperforming loans increases?

---

**Peter Straarup - Danske Bank - CEO**

No, that's not... The individual impairments are made by looking at the individual case and the impairments are then charged or made based on what we expect cash flow to be.

---

**Claus Højmark Jensen, ABG**

Okay, thank you.

---

**Johan Ekblom, Merrill Lynch**

Hi. It's Johan Ekblom from Bank of America/Merrill Lynch. Just a quick question on the hybrid capital that you issue to the Danish state. You said that you have the opportunity to convert this and that therefore it should be considered to be core equity. Can you talk a little bit about your willingness to... I mean you said you wanted to repay this, but at the same

time you say you have the ability to convert. What would trigger a conversion apart from going above the 50% of total Tier I, which seems quite unlikely at this point?

---

**Peter Straarup - Danske Bank - CEO**

What will trigger a partial conversion is bad markets and bad developments. Our expectation/hope/view on this is that we got a capital cushion in a stormy season that we can take out at a later date and it's in addition to our capital because that's required in the storm. So conversion is really when we start talking losses. The reason that we mention it again is that it is then less absorbing. If you, for example, see the bank take losses such that we go into a deficit, use our present capital, share capital, then the portion of the hybrid growth and, as we mention, if you go past 35, you can start converting. If we sneak above 35, my hunch will be that we would not convert. If we sneak somewhat above 35, I still don't think we would convert, but we would measure what goes on in the market. If we are pushed beyond 50, then we shall convert. I think the Bank will have converted before we get up there. So it's somewhere in the integral, but I can't tell you where it is, and I don't hope we're going to test it.

---

**Johan Ekblom, Merrill Lynch**

Just further clarification there. I mean it's my understanding that it's converted at the sort of prevailing market prices when you convert. So would it not be in your interest to convert sooner rather than later if you run into problems?

---

**Peter Straarup - Danske Bank - CEO**

I think it would in the interest of our shareholders that we don't use the conversion rate and that's our ambition at this point in time. But of course that depends on what the stock price developments are.

---

**Johan Ekblom, Merrill Lynch**

Excellent. Thank you very much.

---

**Peter Straarup - Danske Bank - CEO**

EPS, earnings per share, will have done best through the recession if we manage to come through this and repay the hybrid without any conversion.

---

**Martin Gottlob - Danske Bank - Head of IR**

I have a follow-up question from Robert Matulin from Swedbank; he has asked through the net. How high equity

Tier I ratio will you have after repaying the government hybrids? Will the equity Tier I ratio be 10.7% after all hybrids are repaid?

---

**Tonny T. Andersen – Danske Bank – CFO**

I don't think you can quantify that. I think part of the hybrid capital conditions was that if you want it repaid after five years, then we have to do it with similar quality of capital or that our Tier I ratio including hybrid will stand at least 12%. That is how the conditions in the hybrid capital amounts to.

---

**Rodney Alfven, Cheuvreux**

Yes, I have a few short one. Just when it comes to the goodwill in the Baltic which you write down by 1.4, you say in the report that you had initially 3.5 billion to the Baltic and the remaining 2 billion is that then relating to - - the remaining 2 billion, is that relating Estonia? That's a question. And then secondly, when it comes to your re-pricing, it seems that when you look on the bigger markets you're operating in that you manage to improve your lending margin by roughly 30/35 basis points per quarter. Is that the trend we should expect to continue for the remainder of the year and into 2010? And when it comes to your deposit spreads, have we seen the full effect now or should we see further decline in spreads going forward? Then I had also a question regarding your risk migration. You say that your average customer rating is down by 30 bps from 4.4-to-4.7; and then on your next slide in the presentation, you say that the credit quality grew but the risk weighted assets by 11 billion or circa 1%. So is it fair to assume that if you have a reduction of your credit call it by one notch for the entire portfolio that that should be the boost the risk weighted asset by some 3/4%. Am I thinking right? So if you please could answer this.

---

**Tonny T. Andersen – Danske Bank – CFO**

On that, on the question on the risk weighted assets and my equation, I don't think you can do a mathematical equation there because it depends on what are the asset, also the value of the assets, collateral - how is that doing? How is the changes in the lending going on? So I think it's a difficult to do a computation of that. I think it's fair to say that as migration is happening, it will entail higher risk weighted assets. But what we also have seen the last half year is that corporates are bringing down the banking loans because working capital is coming down and because investment product is postponed, so there is a combination that change lending can have so far been able to mitigate the credit quality

deterioration, but we cannot obviously not promise that in the future. But it's typical to say how it would evolve going forward.

---

**Peter Straarup – Danske Bank – CEO**

On the goodwill, you're right that the remaining portion relates to Estonia; and in Estonia, we have the biggest I suppose money maker before provisions of our Baltic operations. It's about 85% of the profits we have or revenues we have in the Baltics. When we measure the expectation for economic development, it's not impairment time for the Estonia goodwill, but it could well come; and if we see a worsening in the economic climate or a lengthening of the recession, then that could come.

On the lending margins, they have developed nicely, as you point out, in some of the franchises. We cannot here say that that's going to be the trend moving forward. We will make every effort to have the lending markets improved, but it's not a trend. I would hope the deposit competition would abate a little, but still funding has become more expensive also because the duration on our funding book has been widened.

---

**Rodney Alfven, Cheuvreux**

When it comes to the effect on the rate cuts, have we seen the full effect there on the deposit margins or should we expect further decline due to the rate cuts in the third quarter as well?

---

**Tonny T. Andersen – Danske Bank – CFO**

I think there could be some impact in Q3, but it will be rather modest, the impact would be contingent on the condition of different products, but that would be a modest on that side.

---

**Rodney Alfven, Cheuvreux**

Okay. Can I have a follow-up please? On your market share in Denmark where it seems like you are losing market share in the corporate segment there from 23 to 21 roughly, can you say in what segments and do you have a feeling for which bank are gaining market share?

---

**Peter Straarup – Danske Bank – CEO**

It's especially in the repo market. Repos are included in these figures and by the end of the year, there was massive constraint in the liquidity markets and therefore we had huge repo business, repos with other financial institutions, banks, and so on and that's what's there. I think our market share

has slid by a very, very low margin if you disregard that. There can be a number of reasons for that. One is that we have more large customers than the peers you compare us with; and when they stop investing, they run up positive cash balances would reduce their drawings on the bank. So the real market share wastage has not been extraordinary. There could be another reason there is that during the first part of this first six months here, we actually made a decision to focus on our own clients only and we did not go out hunt, if you like, and I think that was a wise decision because we did not know where the market would turn. And now it seems if there's a little more bright spots, but still we have to be cautious.

---

**Rodney Alfven, Cheuvreux**

But if you look at the market shares for the last nine quarters, it has never been below 23% and now you're at 21.2. So is it only repos or you don't see any other explanation?

---

**Peter Straarup - Danske Bank - CEO**

In the last period here, it's predominately repos.

---

**Per Löfgren, Morgan Stanley**

Thanks a lot. Yeah, I have a couple of questions that I guess goes back to a lot of the areas that you have touched upon already. First of all, your outlook statement, I just wanted to hear, you say it's going to be in terms of provisions, it's going to be tough for the second half of this year. Still, could you give an idea of the magnitude? Is it the same thing or similar magnitude as in the first half? Second question is: I wanted to hear, you said here that you are going forward more worried about Sweden and Finland than, for example, Norway and Denmark in the longer-term. And I wanted to hear, I'm looking this slide, I think Slide 26, that shows that the growth NPL combination it seemed be suggesting the other thing almost that Sweden is looking better. I wanted to hear why is that. And with that being said, I guess the third part is then when I look at the individual provisions that you make, is that... I would think of individual provisions is something that you base on a very much a bottom up approach, or do you have any kind of top down macro base approach when doing also these ones or that's what - - is that why you are more worried about Sweden where you see a, for example, bigger CDP drop than in Norway? And my last question is: That goes back to this Slide 17 on liquidity. Please explain a little bit more what is causing this parallel shift that's improving liquidity situation at the moment? Those are my questions. Thanks.

---

**Tonny T. Andersen - Danske Bank - CFO**

Well on the liquidity, that's Page 17, Per, I guess you're alluding to the Moody's curve, is that right?

---

**Per Löfgren, Morgan Stanley**

Yes, correct.

---

**Tonny T. Andersen - Danske Bank - CFO**

Several factors. One obviously we got the 26 billion in hybrid that has a long duration. We've also been able to issue funding with state guarantee and also without state guarantee; and then finally obviously as the balance sheet comes down, that improves the liquidity situation of the Group. So it's a push from outside to keep longer-term funding in place. I think that even though you can get some benefit on the yield curve funding-wise, I think it's inevitable what's going to happen in regulatory framework that banks need longer-term liquidity and the funding in place. We will continue to do state guaranteed funding this year. We also have a quite good potential on covered bond we can use, so we will maintain a strong liquidity position.

---

**Per Löfgren, Morgan Stanley**

Have you securitised the bigger part of your balance sheet now compared to the first quarter to have more assets available for repo?

---

**Tonny T. Andersen - Danske Bank - CFO**

No. No, as a securitize, we have not increased our repo at the specific central banks. We have a high degree of eligibility of the bonds, but we have not particularly increased our bond positioning. That is more or less at the same level.

---

**Per Löfgren, Morgan Stanley**

All right.

---

**Peter Straarup - Danske Bank - CEO**

On the outlook, especially for credit losses, which you pointed to, what we're actually saying is that we don't know. What concerns us is that the recession and the longer duration it has, the weaker some of our corporates become; and for that reason, we think that there's a risk that there could be a continuation of relatively high impairment charges. We're out of the financial crisis and now we're into sort of a normal type recession. We can't say that we could not have impairment changes at the level we have had in the preceding quarters.

We hope that the fourth quarter in 2008 was the peak; and of course, it's accommodating to see that the impairment charges have gone down this year. Would we really if we have to be fair cannot say where they are slotted because of this duration of the recession and the fact that there's a weakening of many corporates. So what I can sum up is that at the levels we have seen and then we can have our hopes.

You expressed a little surprise that we were concerned about Sweden and Finland. I think what has concerned us if we take the Finnish market first is that speed (inaudible) the Finnish market suddenly fell in terms of GDP growth. What you see in the unemployment sector in Finland is also not good and the industrial base in Finland, it doesn't just change from one day to the other. That concerns us a bit in Finland. The same in the Swedish market where you also see unemployment go out very rapidly. Denmark has been flexible in the past and our perception is that the Danish market is now starting to change, starting to flatten out, and we think Denmark will come out of this before Sweden and Finland. Norway is another story. It's the oil of course helps. The property market in Norway is not in shambles as it is in many other countries, so for that reason we actually do not think that Norway is going to cause that much grievance. I hope that explains it.

---

**Per Löfgren, Morgan Stanley**

Yeah, it sounds to me that the view that you're taking, this is very much top down. But then my question was more like when I look at it bottom up from your slide, it seems to suggest (inaudible).

---

**Peter Straarup - Danske Bank - CEO**

If they had been made top down, I suppose the impairment charges would've been higher in Sweden for this quarter because they were quite low, but we do make our impairment charges bottom up. Then there are unallocated impairment charges if something has happened, but most of the impairment charges are bottom up. Our fear this quarter in Sweden has not been fulfilled and it's possible because we actually believe we have a strong loan portfolio in the Swedish market. It's possible that our fear will not be met and that will be fine.

---

**Per Löfgren, Morgan Stanley**

All right.

---

**Peter Straarup - Danske Bank - CEO**

But it's based on our expectation for macro, but it's the individual impairment that's determining the size of it.

---

**Per Löfgren, Morgan Stanley**

All right, that's very good. Thanks so much.

---

**Martin Gottlob - Danske Bank - Head of IR**

I would like to add a question related to that coming from Geoff Dawes from Fox-Pitt. Please can you give the details about the deterioration in credit quality in Finland? Their allowance account has been increased significantly. Is that a sign that NPL formation expected to accelerate in second half 2009? Thank you.

---

**Peter Straarup - Danske Bank - CEO**

In the second quarter, we saw a number of single issues of some size that in my expectation distorted the figure a little, so the growth was a little higher than one could expect. We still think that we're going to see high impairment charges in the Finnish market, but I don't think they're going to be at the level, especially not grow at the pace they have done in the second quarter.

---

**Jan Wolter, Deutsche**

Yes, hi. Jan Wolter, Deutsche Bank here. Two questions. How should we think about the deleveraging efforts going forward? If we take the trading book, the repo business, and lending to banks, in total they're down about 300 billion year-to-date. That's at 25% reduction in those three items there. In your world, is it possible to do similar reduction going forward or would it hurt the P&L too much or what is your thinking there? That's the first question.

---

**Peter Straarup - Danske Bank - CEO**

In what you call the traditional retail bank, it is very difficult to bring down the loan book fast. And as you alluded to, we also still have to run our business and make some money. So that's going to take awhile, but there will still be possibilities for reducing the loan book, and there will still be with the major corporate segment possibilities to offer different types of financing than just straight loans. So we'll work on it, but you're right in the assumption that it's something that's a bit sticky.

---

**Tonny T. Andersen – Danske Bank – CFO**

And to add on that, I think it's important when you look at Slide 18, we're trying to show different leverage ratio. As you know, there are regulatory discussions going on. It's hard to actually derive the leverage ratio and we have tried to compute it just on (inaudible) basis and the U.S. GAAP where your net derivatives and also taking into account maybe what they do in Canada on the insurance assets and our match funded mortgage funding and it shows you, you do it the U.S. GAAP way that our leverage ratio has improved quite a lot and it's comfortable compared to many other peers when you look at this.

---

**Jan Wolter, Deutsche**

Okay, so that takes me to the next question. In your mind, do you have a reasonably clear view of how capital regulations effect you? At least internally, do you have such a view now? And if so, are you willing to share that with us? I'm thinking about both leverage ratios could be implemented trading book and other capital regulations coming up this autumn.

---

**Tonny T. Andersen – Danske Bank – CFO**

This is really difficult to answer that question, Jan, because political discussions are ongoing. I think that when you look at the trading book, when we look at using stressed value at risk rather than the traditional value at risk, there will be higher capital consumption, but not a multiplier of three to four as the way we look at our models. I think it's fair to say the leverage ratio will come in some way or format, but we don't know how it's going to look like. It is apparent that the Danish mortgage model, which is match funded, is giving huge benefit to the Danish financial sector. You could argue about that. We have a big derivatives book which is today calculated on gross. If you net that, then we are in a better position. But it's still very much up in the air on the regulatory side, so I'd rather wait to Q3 when I think there will be more visibility on how it's going to look like. I think in general, one has to assume for the banking sector that capital demand on trading book and on some other assets will be higher going forward.

---

**Jan Wolter, Deutsche**

Okay, one more question, if I may. I think you said earlier you best guess what the loan losses would not surpass the average Q4/Q1 level, the average being around 8.5 billion there a quarter and now you're at 6.5 billion level. Any comments on that? I know the question has been asked a couple of times during the call, but...

---

**Tonny T. Andersen – Danske Bank – CFO**

I don't think we have changed our opinion during this call.

---

**Peter Straarup – Danske Bank – CEO**

We have to have it suffice with saying that we actually do expect them to be relatively large.

---

**Jan Wolter, Deutsche**

Okay, fair enough. Thanks a lot.

---

**Fridtjof Berents, Arctic Securities**

Yes, thank you. If we just look at Slide 26 or back to the NPL, in percent of total loans you can see in Ireland is close 20% and it's just below 8/10% of the Baltics. Would you be surprised if we would see the Baltics rise to about 20% over the next quarters? My second question is regarding if you went back to Slide 13 and you saw the pickup in impairments for large corporates, could you say some more please regarding the largest exposure to holding companies or one group or whatever in for instance percentage of your total equity in bank and what sort of regulatory requirements you meet there? I guess you're well below those maybe anyway, but just for me to get a better grip on that. And the last question is regarding your bond portfolio at Page 29 where you have about 5% allocated to credit bonds. Could you just say please what is the sort of papers you're in there and the rating for those papers and if you've seen any migration during this last quarter?

---

**Peter Straarup – Danske Bank – CEO**

First on the Baltics. Would I be surprised if we got NPLs up 20 basis points or 20%? No, not really. That's the way the economy is going and the way the unemployment is going. That's a risk. I repeat though that it's only 1% about of Danske Bank's loan book, so it's a manageable size, but it couldn't be surprising.

You asked about the large lending exposures and it is true that we have some impairment here related to corporates. It's none that relate to being on the list of the largest customers and Danske Bank is way outside sort of hitting what you call the 800% level. On the bonds.

---

**Tonny T. Andersen – Danske Bank – CFO**

Well, I think first of all, all the bonds we have on the corporate are mark-to-market and it's predominately well known

corporates in the Nordic region. We have no Level 3 assets in that regard, so it's mark-to-market including in '08 changes on the spec side. I don't think we disclosed a rating distribution on that side, but I think the key point is that the vast bulk of all our bonds are Level the 1 and very small fraction are Level 2 bonds.

---

**Martin Gottlob - Danske Bank - Head of IR**

Maybe I can add that both this bond portfolio, some of it is the AFS portfolio which gave us a good game in the second quarter but also the part that is not the AFS portfolio gave us a gain in the second quarter, so there's no losses in this second quarter from this portfolio.

---

**Fridtjof Berents, Arctic Securities**

Okay thank you.

---

**Martin Gottlob - Danske Bank - Head of IR**

I have a question from the website. It's a follow-up question from Jon Mulligan from the IS Independent who ask: This... Thank you for addressing my earlier questions. Just following up briefly. Is there any indication of the level of direct financial support that Danske Bank has given National Irish bank within the past 12 and 6 month? Or indeed has any direct financial support have to be given the Irish arm?

---

**Peter Straarup - Danske Bank - CEO**

It's a branch, so it's part of the main company and their results are a subset of the main company and we do not move money around between branches and the main company.

---

**Martin Gottlob - Danske Bank - Head of IR**

Yes, operator, we're ready for the next question.

---

**Simon Christensen, SEB**

Yes, good afternoon. I have a couple of questions. Tonny, did I hear you say that using stress valued risk on your market risk weighted assets would move the capital requirement up by 2- to-3 times, or did I hear something wrong here? Secondly, you said that the length of other mature charge of funding has been linked and is that only due to the hybrid? And could you give us some indication of what the maturity if you look excluding the Danish mortgage book on your asset side and on your funding is and what you would like this ratio to be maybe also in the future? Also, one nitty-gritty question on

Danske markets, you book also specific charges here in the second quarter. If you take since the third quarter '08, are these specific impairment charges only related to the Lehman commercial real estate exposure or are we moving into the prime mortgages as well? And the last question actually where I would like to hear your thoughts, Peter. If you look back to the 1990s and the early 1980s, I mean are there any kind of arguments why we should not see that the accumulated losses over this credit cycle will be just as large this time around and the length of the period where we see these high elevated levels of loan losses should not be the same? That was it.

---

**Tonny T. Andersen - Danske Bank - CFO**

Okay. On the first one, the stress value, what I said is that discussions right now Europe seems to indicate that the people talking about that the allocated capital on the bond portfolio would multiple by 3-to-4. That will not be the case for Danske Bank with our stress value at risk. We've done some preliminary calculation there and it will be substantially less than that multiplier on the capital side.

I think that what you see on the funding side, we've done outside the hybrid is that we're taking on 3- and 5-year funding with and without state guarantee. And I don't... I cannot give you specific duration of the funding outside the mortgage book, but I think it's apparent that all banks would try to get longer-term funding in place and thus move the duration of that.

---

**Peter Straarup - Danske Bank - CEO**

On the historic education, I suppose we did have a lengthened period of high credit losses and I don't think we're going to see the same levels. In the late '80s/early '90s, the Danish government, among others, put in a tax reform, which was brutal to individual wage earners and the comparison that some have made subsequently is that it was the same as increasing interest rate by 5-to-6% on all mortgages, so we saw massive personal bankruptcies in the Danish market for an extended period of time while this (inaudible) program actually repaired excesses in the Danish economy, but it was extraordinarily painful. I don't think we're going to see that. I also think that the credit expansion before the development of huge losses in the Scandinavian market had been much stronger than what we have seen this time around. Another thing you should remember when you measure basis point losses is that in those days, the banks did not have mortgage

books. They were outside of the banking books, so that's inflating the number when you look then and it's pulling it down now. So, no, I don't think that's going to be the case, and I think the positive efforts that are conducted at this point in time in order to get the economy rolling again are much stronger than they were then where it was an isolated Nordic experience I suppose.

---

**Simon Christensen, SEB**

Okay thanks. Nice to hear your thoughts here.

---

**Aaron Ibbotson, Goldman Sachs**

Yes, hi there. Good afternoon. I've got two questions, which I guess has been asked to some degree, just a clarification. Firstly on trading activities or net financial income, the 4.4 billion or so that you did in Danske markets, did I hear you correctly, Tonny, when you said that roughly half of this you expected to be a consequence of steep yield curve and half customer activities? As far as I can tell apart from seasonality, none of that should then necessarily change. So are you suggesting that this 4 billion level in this interest rate environment is sort of sustainable? That's my first question. Secondly, I'm just still a bit confused on your outlook on Sweden, and I guess you've had a quite negative outlook on credit quality in Sweden for several quarters now and as far as I can tell, the PMI is sort of the highest in the Western World. The GDP was flat in Q2 and expected up in the second half. House prices are increasing, and the easing of financial conditions in Sweden is probably higher than anywhere else. And if you look at unemployment, private debt has sort of never been any easier in Sweden or any of the other Nordic countries. I'm just confused what it is you see that none of the four Swedish banks seems to see when it comes to credit losses in Sweden. Those were my two questions. Many thanks.

---

**Tonny T. Andersen - Danske Bank - CFO**

On the (inaudible) Sweden, I think when you read the IMF report coming out the other day seems also to indicate that Sweden will be last out of the recession. I think the combination of that they really much depend on the global economy, industrial production down more than 20%, and the outlook unemployment rate would go to 12%. That in combination with the exposure to the Baltics, I think give us some concern about how will the Swedish economy do. Empirical evidence suggests that if unemployment rate goes up, banks will lose money as part of it. So that's why if you

look at this, we are cautious. I agree with you that the low interest rate environment seems to be supported of the housing market, but with rising unemployment rate, there will be some impact on that and also the industrial sector as world trades doesn't seem to be improving significantly right now could pose a (inaudible). I think that is why we are cautious.

---

**Peter Straarup - Danske Bank - CEO**

It would be wonderful if the Swedish economy made us look like pessimists, and I suppose we should all cross our fingers. You should note though that for Danske Bank specifically, the credit losses in Sweden come from the corporate sector, the SME sector in our portfolio there. Our personal book is not what we're concerned about. What we're concerned about the fact that there's such a setback in industrial activity in the Swedish market that it must have an impact. That's what our history tells us, but hopefully we will be proven to be too pessimistic.

---

**Aaron Ibbotson, Goldman Sachs**

But does history... Because I don't know, when talking to the Swedish banks, I get the impression that unemployment is not necessarily in itself a driver of loan losses. It depends on what is driving the unemployment. And at the moment, it seems that unemployment is being driven by frontloaded restructuring from the large industrial companies and loss of sort of project jobs, et cetera, rather than companies going bankrupt. And none of that as far as I can tell and as far as they guide me, suggests that loan losses should pick up dramatically in Sweden, and indeed that's not what we're seeing if you look at the NPL information for you or any of the other Swedish. So is this primarily a macro call based on IMF and your industrial production or... I'm just struggling to see...

---

**Peter Straarup - Danske Bank - CEO**

It's a macro call and it's based on the history we have when we see that kind of development. It's not that we experience something the others don't. Actually if you go in and look at the second quarter, the basis point impairment charges that Danske Bank makes in Sweden, they're actually lower in terms of basis points than three of our competitors. You can do the same in Denmark, by the way. Our basis point impairment charges are lower than some of our competitors, two/three of our Swedish competitors, and the same thing goes on in Norway. So it's not like there's specific issues in our loan book, it's historically we would expect this to appear

and let's cross our fingers with you. I think you might have an answer too.

---

**Tonny T. Andersen - Danske Bank - CFO**

On the trading activities, the 4.4 billion, I think we have two phenomenal quarters in trading. There's no way one could say would be the same going forward that they would be that level. We are not all as good as you are in Goldman Sachs.

---

**Aaron Ibbotson, Goldman Sachs**

But just on the steep yield curve, Tonny, if we assume that the yield curve stays as steep as it is, is there any reason why that half that you attributed to the yield curve would not be sustainable?

---

**Martin Gottlob - Danske Bank - Head of IR**

One thing you have to bear in mind and reason that we have this very good quarter, Q1 especially but also Q2, was we saw that the short-term rates declined and that has helped our market makers in fixed income and the money market to have good gains during these six months. Now it looks like that the decline of the short-term rates has more or less come to them and they could come a little bit more, so it's not an easy call for them to make good market making surplus in the coming quarters. And therefore, I would be - if I were you, I would be cautious to just expect that we could be able to repeat the second quarter result, not talk about the first quarter.

---

**Aaron Ibbotson, Goldman Sachs**

Okay. Thank you.

---

**Jakob Brink, Handelsbanken**

Hi. It's Jakob from Handelsbanken in Copenhagen. I just have three questions. First of all, I don't know if I understood you correct, but did you say that you have no interest in participating in the NAMA? And also regarding that, how much of your Irish provisions were related to construction in second quarter? My second question is regarding the 220 people layoffs in Denmark, how much severance payments will you have to book for that in the third quarter? And then finally, sorry for going back to Sweden once again, but I may be just a bit puzzled about if loan loss ratios have been around 80/90 basis points for the last two quarters and then now suddenly where Sweden is actually starting to, as you point out, seeing extremely negative GDP growth and suddenly you have only got 28 basis points, so where does

that very low figure in the second quarter come from? That was it. Thanks.

---

**Peter Straarup - Danske Bank - CEO**

Just take the last one first. It's because the impairment charges are made bottom up and the prognosis and the expectations are made on macro and there were not anymore and it might be that we then as we have discussed here turn out to be too positive or sorry too negative.

On the NAMA, it's not put together for us to participate in. We don't think this will be a financial benefit either, and I don't think the Irish are very interested in having us in so there are all sorts of reasons why we shouldn't be in there.

On the Irish construction real estate, how large is real estate construction? It's about 75%.

---

**Martin Gottlob - Danske Bank - Head of IR**

The provisions we have made.

---

**Peter Straarup - Danske Bank - CEO**

Yeah, of the provisions we have made, 75%.

---

**Tonny T. Andersen - Danske Bank - CFO**

Yeah, then the severance payment, the 220 people, that will probably be around 150 million range. It's difficult to do it more detail than that.

---

**Jakob Brink, Handelsbanken**

Okay, thank you.

Operator: As a reminder, if you have a question, please press the star and one.

---

**Andreas Hakansson, Credit Suisse**

Yes, hi. Just two follow-up questions as most of the other stuff has been - we've gone through a few times. First one is on loan to deposit ratios. We start to hear some European banks now actively trying to move down towards the hundred level; and if I look at your bank similar to other Nordic banks, even excluding the mortgage books, you're somewhere around 140/150. Have you also started to look at a better balance there and is that one of the drivers we're seeing and all going to see that there's such big competition on deposits? Second question. If you could just remind me of the impact

and the timing of the swap from the Sampo acquisition and the impact that's going to have on risk weighted assets. Thanks.

---

**Tonny T. Andersen – Danske Bank – CFO**

The last question, Andreas, is that the CDS protection that we bought as part of the Sampo?

---

**Andreas Hakansson, Credit Suisse**

Yeah.

---

**Tonny T. Andersen – Danske Bank – CFO**

Yeah, okay. Well we as part of the Sampo acquisition, we got the risk reduction on that and there's no plan of changing that going forward from our side and there will be no negative impact on that on service (inaudible). I think as Basal II is phased in fully, then some of the low risk mortgages that we use as the CDS protection pertains to, then that would be - - so it will not have a capital impact at that size. But it's a nice protection we get from if you see a huge spike in delinquencies.

On the loan deposit ratio, I think one has to be careful using that crude metrics because what is the process - is it sticky deposits or is it deposits that are sort of quick out of the door? I think one has to look at liquidity management more structured in terms of stress testing, in terms of the resilience of the different deposit. And also, your more longer-term funding in place and we use at our liquidity in multiple ways very much like you UFSA\* are suggesting in some of their papers on stress testing, so I would be hesitant to use crude metrics on deposits and loan to deposit. I think what you see is that loans are stable, maybe coming down as people are deleveraging and I see deposits also coming up so there will be a gradual impairment of this one here, but we don't want to quantify us by any targets on this.

---

**Peter Straarup – Danske Bank – CEO**

And it also should be mentioned that the issuance of covered bond is underpinning our deposit structure that we have material for covered bonds and we believe that that is very valuable funding that can support our lending activities and thereby actually improve our loan to deposit ratio.

---

**Martin Gottlob - Danske Bank – Head of IR**

And I just come back to the CDS swaps we talked about before. When we make them back in the good old Basal I

days, then we changed the risk weight on that from 50% we had on mortgages into counterparty with the one who bought the swaps to around between 10 and 15%. When we're... If we are going to take them back on the book back in the beginning of 2010, then the weight on mortgages in Basal II has been reduced to roughly the same level between 10 and 15% and that's why you won't see it having any impact on risk weighted assets or capital requirement when - - if we terminate the CDS swaps.

---

**Andreas Hakansson, Credit Suisse**

Thanks. Many thanks. And what was the size of the swap again?

---

**Tonny T. Andersen – Danske Bank – CFO**

Sorry.

---

**Andreas Hakansson, Credit Suisse**

What was the size of the swap again?

---

**Martin Gottlob - Danske Bank – Head of IR**

It was 120 billion in risk weighted asset. We have bought back around 20% and so we're down roughly 100 billion.

---

**Andreas Hakansson, Credit Suisse**

Thanks very much.

---

**Simon Christensen, SEB Enskilda**

I'll do it very quickly. It was just that I didn't get an answer on the Danske market losses, whether it was on the commercial real estate exposure or we're also seeing losses on the prime mortgages.

---

**Peter Straarup – Danske Bank – CEO**

They are especially related to issues where there's properties behind the individual paper, so it's not the prime mortgages. It's especially rated to property exposure, commercial property.

---

**Simon Christensen, SEB Enskilda**

Okay. Have you given any thought... I mean you can of course not know what other banks or other Nordic banks which have - - well looking at it, perhaps some kind of similar exposure but haven't written anything down. Do you think... Are there any arguments why you should be writing all this down and the other guy should not?

---

**Peter Straarup - Danske Bank - CEO**

We can only run one bank.

---

**Simon Christensen, SEB Enskilda**

Okay. Thanks.

---

**Peter Straarup - Danske Bank - CEO**

Sure.

---

**Operator**

There are no further questions.

---

**Peter Straarup - Danske Bank - CEO**

Okay. Well, I think that then sums it up. Thank you all for your interest in Danske Bank and thank you for your questions. As always, you're welcome to contact us if you have further questions after you've had time to look at the account in detail. As usual, we'll be ready to talk to you until 9:00 p.m. this evening Danish time and of course again tomorrow morning. A transcript of this conference call presentation will appear on our website shortly and a transcript of the Q&A session will be added in a few days. Thank you very much.