



THOMAS MURRAY

Outlook:	Stable	Watch
Denmark Custody Rating:	AA-	
Outlook:	Stable	Watch
Sweden Custody Rating:	A+	

Danske Bank A/S, Denmark, Sweden

Overall Summary

Danske Bank A/S (Danske Bank/"The Bank") is the parent company of the Danske Bank Group. It is a public company, listed on the Copenhagen Stock Exchange. Danske Bank has offered Danish domestic custody since 1985 and Swedish domestic custody since 2003. Custody services for both Denmark and Sweden are provided from the Bank's operations centre in Copenhagen. The Bank has direct links with the Swedish market infrastructure that enables all Swedish custody processing to be carried out in Copenhagen. The Copenhagen operations centre is supported by the Bank's local presence in Stockholm in respect of asset servicing events.

Danske Bank has a strong brand identity in Denmark and Sweden, and is well regarded in its domestic market as a major custody provider and currently retains a solid client base. The Bank's senior management team is well established and its current standing in the market provides a significant opportunity to move the business forward. However, it faces challenges associated with a rapidly evolving regional landscape and increased competition. If client buying behaviour changes in the Nordics, the Bank's franchise may be affected. Danske Bank's response to this has been to develop a regional offering, establishing direct links to all Nordic markets from its operations centre in Copenhagen. However, the level of client interest in Danske Bank's regional offering will become clearer over time.

Danske Bank as a custodian in Denmark is very strong. It offers all core services and is regularly used as payment agent by Danish companies for income events in the market. Danske Bank is a direct member of VP Securities Services and the Central Bank's payment system. The Bank is a shareholder of the Copenhagen Stock Exchange. Danske Bank is a member of the Danish Bankers Association, the Danish Securities Dealers Association and the SWIFT Denmark National Member and User Group. For Sweden, the Bank's custody offering is strong. It is a member of the Swedish Securities Dealers Association and the Swedish Bankers Association. The Bank is a direct member of Stockholm Stock Exchange and the Central Bank's payment system. Danske Bank also has direct contact on a strategic and management level with NCSD. The Bank has direct links with the remaining Nordic CSDs and is also active in numerous market practice groups in Sweden.

In terms of the Bank's total assets under custody, the figures increased from DKK 1,065 billion (USD 181.6 billion) in 2000, to DKK 2,252.7 billion (USD 384.1 billion) as at June 30, 2006. Danske Bank is the largest Danish domestic custodian in terms of assets under custody. Danske Bank has DKK 419 billion (USD 71.4 billion) under custody on behalf of international clients. For Sweden, Danske Bank has DKK 108.4 billion (USD 18.5 billion) under custody for all client types.

Asset safety risk exposure is low. Client assets are segregated from the Bank's own assets and the Bank will take full responsibility for losses with respect to breakdowns in its internal controls and procedures for loss of cash and securities it holds on behalf of clients. Asset servicing risk exposure is low for Denmark and Sweden. Danske Bank provides a good level of asset servicing support for Danish and Swedish securities. The Bank accepts responsibility for providing clients with accurate, timely and complete income and corporate action information. Financial risk exposure is low. Danske Bank is the largest banking group in Denmark and one of the largest banking groups in the Nordic region, with net assets of DKK 73.5 billion (USD 12.5 billion) as at June 30, 2006. Tier 1 regulatory capital stood at 7.09%, and total regulatory capital at 9.81% as at 30 June 2006. Danske Bank has had strong and improving long-term credit ratings for the last five years. The long term credit ratings are currently AA- from S&P, AA- from Fitch, and Aa1 from Moody's. Operational risk exposure is low. The Bank's contingency plans have been reviewed by two independent IT specialist organisations and have been stated as being among the most comprehensive in their class. Different aspects of the Bank's business continuity and disaster recovery plans are tested throughout the year. These plans are centralised for the entire Bank. Danske Bank has established a command centre that includes key individuals within the Bank that will co-ordinate recovery procedures for both systems and operations.

The rating outlook for Danske Bank in Denmark and Sweden is currently Stable.

Public Domestic Custody Rating Danske Bank	Core Services											
	Overall Rating	Credentials	Settlements	Safekeeping	Income Collection	Corporate Actions	Corporate Governance	Cash/FX Management	Taxation	Securities Lending	Internal Operations	Risks
Denmark, Custody Rating:	AA-	AA	AA	AA	AA-	AA-	AA-	AA-	A	N/A	AA-	AA-
Sweden, Custody Rating:	A+	A+	AA	AA-	AA-	AA-	A+	AA-	A+	N/A	AA-	AA-





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Danske Bank, Profile

Company Structure and Ownership

Danske Bank is listed on the Copenhagen Stock Exchange, with its share capital consisting of approximately 732 million shares, all of which carry the same voting rights. Three shareholders are reported holding at least 5 per cent of the Bank's share capital, although none has a significant influence over the Group's strategic direction. A.P. Møller and Chastine Mc-Kinney Møller Foundation and companies of the A.P. Møller – Maersk Group, Copenhagen, have a reported holding of more than 20% of the Bank's share capital. Fonden RealDania, Copenhagen, has a reported holding of more than 10% of the Bank's share capital. The Danske Bank Group, including the Danica companies, holds more than 5% of the share capital.

Major Business Units

Danske Bank is organised in the following business areas: Bank Activities, Mortgage Finance, Danske Markets, Danske Capital, Danica Pension and Shared Service Centre (Incorporation custody).

Group Strategy

The Bank's key strategic objectives are to develop its existing domestic market share in its various businesses and to become a Northern European financial institution while focusing on profitable growth. The business focus is to grow the business both organically and by acquisition. However, potential acquisition targets are carefully selected. Danske Bank's management is determined to retain control of the group, hence there will be no mergers with organisations of a similar size. Danske Bank was successful in achieving these objectives for the RealDanmark merger in 2001, and maintains its strategy of divesting non-core and/or unprofitable activities.

The Danske Bank Group has a strategy of maintaining several brands. In the domestic Danish market, the BG Bank, Realkredit Danmark, and Danske Bank brands have distinct business and cultural identities, and attract different customer groups. Abroad, the Fokus Bank name has been retained in Norway, and several local brands are also used in Sweden. Danske Bank will continue to maintain the existing brands in its Irish operations of Northern Bank and National Irish Bank.

In the domestic market, Danske Bank's strategic business focus is to concentrate on market share in its core commercial banking activities and on diversifying its operations in the personal finance sector, particularly life insurance and pensions, fund management, and private banking. The international strategy of Danske Bank is to leverage its Danish retail systems in other markets in order to achieve economies of scale. All operations in Denmark, Sweden, Norway, Finland, Germany, UK, Luxembourg, Poland are on the same platform, and during Easter 2006 Northern Bank and National Irish Bank migrated to the common platform.

Custody Strategy

Danske Bank's main priorities at the present time are to maintain its dominant Danish domestic market share and grow its regional Nordic custody client base. Danske Bank has developed an internal securities lending system that is offered on an autolending basis for fails coverage in Denmark and Sweden. The Bank has recently launched an opportunistic lending service that it intends to further develop over the next twelve months. Although Danske Bank has had direct links to the Nordic CSDs for some time, these have now been upgraded to enable Danske Bank to offer custody services in each country. It commenced offering full Nordic custody services in August 2005. A key strategy of Danske Bank is to centralise processing and client interaction in Denmark, supported by staff in each country to elicit local information and fully understand the local market in order to fully support international clients investing in Sweden and Norway. The Bank has also established a dedicated sales function for its custody area, based in Denmark.

Clients

Danske Bank retains a solid client base with numerous high profile clients. The Bank has approximately 210 wholesale non-domestic custody clients, including banks, global custodians, asset managers and broker/dealers. These clients account for Danske Bank's 3,460 separate custody accounts. It also services domestic private and institutional clients out of other areas of the Bank.



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CREDENTIALS

Denmark	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA
Sweden	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA

Commitment to Business

Danske Bank states that is fully committed to providing custody services in Denmark and Sweden. Danske Bank has stated that it has no plans to downsize or cease to provide any aspect of this service. The Bank has invested significantly in establishing a regional Nordic custody offering. The Bank aspires to be the dominant Nordic custody service provider. The Bank is continuing to enhance the automation of its settlement system. Danske Bank is also planning to implement an online custody system. Danske Bank's additional investment in IT and staff, together with product enhancements further illustrate The Bank's commitment to the custody business on both local Danish and regional Nordic levels. The Head of Danske Bank's Shared Service Centre is currently the Chairman of the Danish CSD (VP Securities Services). The Bank's regional strategy demonstrates its desire to establish itself as a Nordic regional custody supplier. Danske Bank has invested in infrastructure and people to support this goal.

Experience

Danske Bank has offered domestic Danish custody since 1985 and Swedish domestic custody since 2003. Danske Bank is the largest Danish domestic custodian in terms of assets under custody and is currently growing its Swedish domestic custody market share. In terms of the Bank's total assets under custody, the figures increased from DKK 1,065 billion (USD 181.6 billion) in 2000, to DKK 2,252.7 billion (USD 384.1 billion) as at June 30, 2006. Danske Bank has DKK 419 billion (USD 71.4 billion) under custody on behalf of international clients. For Sweden, Danske Bank has DKK 108.4 billion (USD18.5 billion) under custody for all client types.

Although a relatively new custody provider to international clients in Sweden, Danske Bank has had a significant presence in the country for some time. Danske Bank is the fifth largest bank in Sweden, and is the largest Bond trader in the market.

Management

Danske Bank's management team within the Custody Services area possess long and extensive experience within the securities industry and Danske Bank itself. The Bank experience a relatively low staff turnover. Danske Bank's Custodian Services area is part of the Securities Services group. There are 150 staff in the Nordic Settlements and Custody group (part of Securities Services). In the settlements area of Nordic settlement and Custody, there are 50 staff members, of which 9 are settlement account managers headed by two team leaders focussing entirely on custody clients. In the Client Relations department of the Nordic Settlements and Custody group there are 10 staff members, including 3 account managers and 2 support staff. The remaining 5 members of the Client Relations department each specialise in a core custody service. All staff members are fluent in English, Swedish and Norwegian, and several staff are fluent in French, German and Spanish. Danske Bank generally dedicates 1 - 5 days per year for training purposes for staff at all levels.

Local Market Linkages

Danske Bank is a direct member of VP Securities Services and the Central Bank's payment system. Danske Bank is a member of the Danish Bankers Association, the Danish Securities Dealers Association and the SWIFT Denmark National Member and User Group. In Sweden, Danske Bank is a member of the Swedish Securities Dealers Association and The Swedish Bankers Association. The Bank is a direct member of Stockholm Stock Exchange and the Central Bank's payment system, as well as having a direct link to the Swedish CSD. Danske Bank also has direct contact on a strategic and management level with NCSD. The Bank also has direct links with the remaining Nordic CSDs (Finland and Norway).

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CORE SERVICES

Settlements

Denmark	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA
Sweden	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA

Actual settlement date accounting is offered by Danske Bank for both Denmark and Sweden. The Bank is able to settle all instruments traded in both the Danish and Swedish markets. The Bank has a good settlement performance with an average fail rate of 2 - 3% for both markets. The Bank has matching procedures in place, and will contact the client via SWIFT, immediately any potential failed trades are identified. The Bank actively manages clients trades that do fail. Clients are updated at each status change of the trade. Danske Bank will seek approval from the client to cancel transactions failing for more than one month. The Bank is able to provide clients with comprehensive monthly reports on failed trades, detailing fail reason codes. Daily settlement reporting is made available to clients via SWIFT. For private clients wishing to trade with Danske Bank as principal, the Bank offers trade input, trade blotter upload functionality and trade status reporting via its web-based application, Markets Online. Danske Bank's average STP rate for both Denmark and Sweden is approximately 75%. Danske Bank's cut off time for Swedish settlement instructions is 1.00pm on Settlement date, and 3.00pm SD-1 for Danish settlement, which is competitive.

Safekeeping

Denmark	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA
Sweden	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA

Equities and bonds are held in either segregated or omnibus accounts as a client wishes. The majority of shares listed on the Copenhagen Stock Exchange are bearer shares. Registration is required only in order to vote. In the event of registering shares, registration details are transmitted electronically to the CSD who informs the registrar. For both Denmark and Sweden, daily SWIFT holdings statements are sent to clients, per account. The Bank can also accommodate client requests for weekly or monthly SWIFT holdings statements. Upon request, Danske Bank will monitor clients' investments against local shareholder disclosure levels. The Bank's holdings are reconciled on a daily basis to the Danish and Swedish CSDs. This is an automated process for Danish securities and manual for Swedish securities at the present time. Danske Bank will automate the reconciliation with the Swedish CSD by mid 2007.

Income Collection

Denmark	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA
Sweden	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA

Danske Bank offers clients actual rather than contractual income in the Danish and Swedish markets. Income payments are based on clients' settled as opposed to traded positions on record date. The Bank will pursue market claims on behalf of the client. However, the process of identifying instances where claims are required is manual in nature in both Denmark and Sweden. Staff check trade activity reports by hand, with paper records maintained of any claims made. Typically, Danske Bank takes 1 - 2 days to make a claim. Danske Bank acts as paying agent for some Danish companies, receiving information directly and then feeding this into the electronic system of the CSD. When not acting as the paying agent, Danske Bank uses the direct feed from the CSD, the national press, and official company announcements as sources of income information. Interest and dividend payments are advised by MT564. Both Danish and Swedish dividend announcements are advised to clients within 24 hours of market announcement. For Denmark, final payment advices are sent after close of business on record date by MT566. Swedish final payment advices are sent 2 days prior to the value date, also by MT566. Danske Bank is able to accept standing instructions for the disposal of income.



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CORE SERVICES

Corporate Actions

Denmark	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA
Sweden	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA

Danske Bank provides corporate actions based on clients' settled as opposed to traded positions for both Denmark and Sweden. The Bank will pursue market claims on behalf of the client. However, as with claims relating to income events, the process of identifying instances where claims are required in relation to corporate actions is manual in nature. Staff check trade activity reports by hand, with paper records maintained of any claims made. Typically, Danske Bank takes 1-2 days to make a claim. Corporate actions announcements are often in Danish, Swedish and English. When announcements are only in either Danish or Swedish, Danske Bank will supply clients with an English translation of the key facts pertaining to the event within 24 hours. For mandatory corporate action events Danske Bank will send a pre-advise (MT568) 3-5 business days prior to the event date for Danish securities and 1 business day prior to the event date for Swedish securities. For voluntary corporate actions on Danish and Swedish holdings, clients are provided with a pre-advise (MT564) two weeks prior to the start of the subscription period. Execution of client instructions are confirmed by MT567 on the business day following receipt of instruction. Danske Bank requires client instructions regarding corporate action events 24 hours prior to the market deadline, and any standing instructions for corporate actions are recorded manually. Non-SWIFT clients are able to view all corporate action events relating to their portfolio via Danske Bank's web-based reporting tool, Markets Online. Markets Online allows clients to identify non-instructed balances and view corporate action details.

Corporate Governance

Denmark	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA
Sweden	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA

The market position in Denmark regarding proxy voting is that the chairman of a board accepts a power of attorney to vote on behalf of shareholders. Danske Bank has enhanced its proxy voting services over the past 3 years. The Bank is now able to accept voting instructions for all companies listed on the Copenhagen Stock Exchange and report on the outcome of votes. Danske Bank will now arrange for representation for clients at company meetings at the client's request. For voting clients, Danske Bank registers shares in the beneficial owner's name in an individual account at VP prior to the AGM. This means that each client wishing to vote must have a separate account at the CSD. Clients are usually informed of forthcoming AGMs/EGMs 2 - 3 weeks prior to the meeting. Danske Bank requires voting instructions 24 hours prior to the company deadline. The Bank is pro-active and reminds clients in the event of non-receipt of voting instructions.

For voting on securities in Sweden, Danske Bank now covers all stocks traded in the Swedish market. Danske Bank will notify the client by mail or fax of the General Meeting. Clients who wish to participate and vote at a meeting on behalf of the underlying shareholder must notify Danske Bank 14 days prior to the meeting. Danske Bank will re-register the shares in the share register at VPC 10 days prior to the meeting. A shareholder's power of attorney must be deposited with Danske Bank in order that clients may vote. Danske Bank will arrange for the Proxy (including the voting instructions) signed by Danske Bank to be submitted together with the client's Power of Attorney to the authorised representative attending the general meeting. Danske Bank will notify the custodian client of the outcome of the voting by e-mail. As with Denmark, the Bank requires client's voting instructions 24 hours prior to the company deadline.



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CORE SERVICES

Cash/FX Management

Denmark	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA
Sweden	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA

Danske Bank does not use dedicated cash accounts for custody activity unless requested by a client. Normally, cash accounts are shared with the payments area, which takes responsibility for them. Staff in the Bank's cash and custody areas have been cross trained to enable them to deal with day to day queries on both areas. The Bank has hotline numbers for custody clients into the cash area to provide clients direct access and immediate response for urgent queries. The Bank offers a range of foreign exchange products in all convertible and generally traded currencies. Upon agreement with clients, interest on credit balances will be provided. On an automatic basis, the Bank is able to offset, or pool, multiple client cash accounts for the same entity in order to avoid debit interest being charged. Under a separate agreement with clients, Danske Bank can provide a range of treasury products including Swaps and MM-transactions via Danske Markets, the Group's Treasury Division. Danske Markets is also a market maker in all Nordic currencies. The Bank does not monitor and report to a client on outstanding payments and receipts, but system developments are currently under way to enable this. Danske Bank is able to accept standing instructions for the conversion of foreign currencies into a base currency. The Bank deadlines to make value dated payments for Denmark and Sweden are 13:00 CET and 15:30 CET respectively, which are competitive. The cut-off time for in-house book transfers is 16:00 CET for both Denmark and Sweden. Non-SWIFT clients are able to view available and future cash balances via the Bank's web-based cash reporting tool, Business Online. Business Online also has functionality that enables clients to input individual cash payment instructions and upload payments files for multiple payments.

Taxation

Denmark	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA
Sweden	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA

For Denmark, clients are able to submit tax reclaims either directly to the Danish Tax Authority or via Danske Bank. As Danske Bank has a special arrangement with the Danish Tax Authority, reclaims processed via the Bank are repaid within 1 week as opposed to 4 weeks for claims that are submitted directly. Clients complete a spreadsheet which is forwarded to the Danish Tax Authority. The Bank does not utilise a tax reclaim tracking system, but monitors outstanding reclaims manually. Clients are informed of outstanding claims on a monthly basis. Investors living in countries with which Denmark has signed a double taxation treaty are entitled to reclaim part of the dividend tax. Investors living in countries with which Sweden has signed a double taxation treaty are, with the exception of Swiss residents, entitled to relief at source. Nordic custody clients' tax residence is recorded at the time of the opening of the custody account. Changes to Danish and Swedish tax regulations are communicated to clients via custody newflashes.

Securities Lending

Denmark										CURRENTLY UNRATED			
Sweden										CURRENTLY UNRATED			

Danske Bank has developed an in-house securities lending system. The Bank offers an auto-borrow service for fails coverage on equities, and is currently developing its opportunistic securities lending service for Danish and Swedish securities. Danske Bank acts as principal for its auto-borrowing service, and provides the lender with collateral against the loan. Credit lines are offered to borrowers to cover short term loan positions. Fees for this service are calculated daily, based on the value of the securities out on loan. Daily checks are made on loaned stocks to identify any corporate actions or dividends due. Danske Bank intends to roll out its auto-borrow service to support its regional Nordic custody offering. The service will be assigned a Thomas Murray rating as Danske Bank's opportunistic lending service becomes more established during 2007.

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INTERNAL OPERATIONS

Denmark	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA
Sweden	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA

Operational Reporting

Danske Bank generally uses SWIFT for reporting purposes, supplemented by monthly STP and failed trade reports for clients in a variety of formats. The Bank can design reports in accordance with client requirements, although the timeframe to produce such reports will depend on the type and complexity of the report. Danske Bank offers non-SWIFT clients reporting for cash and securities via its web-based applications, Business Online and Markets Online. Clients are able to view current cash and securities balances together with projected cash balances. Both Business Online and Markets Online are real-time applications providing clients with current views of their cash and securities positions. Using Markets Online, clients are also able to view real-time corporate action information relevant to their portfolio. The Bank is also currently planning to introduce a dedicated web-based reporting tool for custody clients in 2007, Custody Online.

Systems and Communications

Danske Bank's main computer systems are run entirely on IBM equipment. The daily processing and management of the hardware is outsourced to DM Data, now owned by IBM. The Bank operates all of its units within the group on the same EDP platform. The Bank's current custody system was implemented in January 1996. Since implementation, SWIFT, internal settlement and reporting systems have been developed and automated. For Denmark, transaction and portfolio information is updated within the Bank's system in line with the settlement runs at the Danish CSD, being: first run - block 10 S-1 at 6:00pm; second run - block 20, S-1 at 11:45pm, third run - block 30, S at 6:00am, fourth run - block 40, S at 10:15am, fifth run - block 60, S at 12:00 noon, sixth run - Block 50, S at 1.35pm. For Sweden, portfolio information is updated in line with the settlement runs at the Swedish CSD; First settlement run - S at 7:00am, Second settlement run - S at 10:00am, third settlement run - S at 12:00 noon, fourth settlement run - S at 2:00pm and the final run - S at 5:00pm.

Danske Bank has made substantial investment in its systems infrastructure over the last two years. The Bank's contingency plans have been reviewed by two independent IT specialist organisations and have been stated as being among the most comprehensive in their class. The Bank practises real-time disk mirroring between two processing locations some 5 kilometres apart. Should one location fail, processing will immediately switch over to the alternative location. Additionally, all critical bank data (including custody) is mirrored at the Availability Centre. The Availability Centre is located at the main processing location, but is separate from the main production systems and covers all critical business applications including Custody and Payment Services. The Availability Centre will be operational within 4 hours of a major incident that renders both the production systems unusable.

Client Relationship Management

Danske Bank's Client Relations team and operations staff are available between 8:00am and 6:00pm CET. Key staff members can be contacted by mobile telephone outside of office hours. Danske Bank operates a client visiting programme where members from Danske Bank's Client Relations team have scheduled visits with major clients, 2 times per year. Clients are invited to complete an annual or semi-annual service evaluation analysis. This assists Danske Bank in monitoring its client relationships and enables it to identify operational areas where improvements can be made. Danske Bank appoints a single account manager for each regional client. The Bank is also able to accommodate client requests for account managers to deal with day to day operations in each local market if required.

Cash related queries are logged and tracked in a Lotus Notes based in-house query system. There is no system for logging custody queries at the present time. However, the Bank is intending to log custody related queries on a similar system to that used for cash related enquiries. The Bank aims to deal with incoming queries within 24 hours. Non-urgent queries such as statement requests will be responded to within 48 hours. The Bank has escalation procedures in place for all queries received. Unsolved queries from the operations areas may be escalated to the Account Manager, Head of Client Relations and then on to the Head of Securities Services if required.



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RISKS

Denmark	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA
Sweden	C	CC	CCC	B	BB	BBB	A-	A	A+	AA-	AA	AA+	AAA

Financial

Financial risk exposure is low. Danske Bank is the largest banking group in Denmark and one of the largest in the Nordic region, with total assets of DKK 2.5 trillion (USD 427 billion) and net assets of DKK 73.5 billion (USD 12.5 billion) as at June 30, 2006. Tier 1 regulatory capital stood at 7.09%, and total regulatory capital at 9.81% as at 30 June 2006. Danske Bank has had strong and improving long-term credit ratings for the last five years. The long term credit ratings are currently AA- from S&P, AA- from Fitch, and Aa1 from Moody's. Danske Bank maintains a Banker's Blanket Bond insurance policy with Lloyds of London for claims up to DKK 1 billion.

Danske Bank takes a conservative approach to risk management. The Bank intends to use the standardised approach to the calculation of capital requirements under the Basle II accord, with the view to migrating to the advanced approach over time.

Asset Safety

Asset safety risk exposure is low. Client assets are fully segregated from the Bank's own assets and the Bank will take full responsibility for loss of cash and securities it holds on behalf of clients with respect to breakdowns in its internal controls and procedures. It does not cover losses caused by third parties, unless it has been negligent in the selection of such third parties. Danske Bank has a right of set-off against any unpaid fees and expenses.

Asset Servicing

Asset servicing risk exposure is low for Denmark and Sweden. Danske Bank provides a good level of asset servicing support for Danish and Swedish securities. The Bank accepts responsibility for providing clients with accurate, timely and complete income and corporate action information. Internal records are reconciled with the Danish and Swedish central depositories on a daily basis. This is an automated process for Denmark and currently manual for Sweden. For Swedish corporate action information, the Bank is supported by its Stockholm branch.

Operational

Operational risk exposure is low given the updated disaster recovery infrastructure now in place at the Bank. (Refer to Systems and Communications on the previous page for the description of systems) The Bank has business continuity and disaster recovery plans in place, different aspects of which are tested throughout the year. These business continuity and disaster recovery plans have been updated over the last three years. These plans are centralised for the entire Bank. Danske Bank has established a command centre that includes key individuals within the Bank that will co-ordinate recovery procedures on both systems and operational levels. Each head of department has a comprehensive manual, detailing procedures to take in the event of an emergency.

Licensed under the Danish Banking Act, Danske Bank Group is supervised by Finanstilsynet (The Danish Financial Supervisory Authority/DFSA), on behalf of the Ministry of Economic and Business Affairs. There have been no material issues reported as raised by the regulators. Danske Bank's internal audit team provide reports throughout the year on different areas within the Bank. Danske Bank's Custodian Services and Transaction Processing departments have undergone an internal audit in the last 12 months with no material findings reported. The Bank's external auditors are Grant Thornton, Statsautoriseret Revisionsaktieselskab, Copenhagen, and KPMG C.Jespersen Statsautoriseret Revisionsinteressentskab. Danske does not provide clients with a SAS 70/FRAG 21 style internal control report, but an annual audit opinion letter from the external auditor.



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RATING SCALE - The scale indicates that the custodian's ability to deliver core domestic custody services is

AAA	} extremely strong	BBB	adequate
AA+		BB	less than adequate
AA	} very strong	B	quite weak
AA-		CCC	weak
A+	} strong	CC	very weak
A		C	unable to deliver at even a minimally acceptable level
A-		N/A	service unavailable in the market

NB: The same ratings scale is used consistently on a world-wide basis

RISK DEFINITIONS

Financial

The financial viability and stability of the custodian and its ability to support long term investment in its business and withstand operational losses. Factors considered include the credit ratings, size of balance sheet, regulatory capital, stability of earnings and the proportion of non-interest income. The external auditors and supervisory bodies that oversee and regulate the bank are also considered.

Asset Safety

This is made up of two parts, securities risk and cash risk.

- **Securities risk:** this is the risk that, in the event of default by the domestic custodian, client securities are treated as being part of the assets of the bank which has gone into default, and therefore available to its creditors, rather than belonging to clients.
- **Cash risk:** this is the risk that, in the event of default by the domestic custodian, clients are exposed to losses of cash placed with the bank.

Asset Servicing

This is the risk that the client is exposed to a loss due to weaknesses in the custodian's operational infrastructure to which the client is exposed. There is the level of responsibility taken by the custodian for information provision on asset servicing events generally, whether the service or information provision is in-house or outsourced. There is the level of responsibility accepted by the custodian for carrying out correctly all client instructions given within deadline.

Operational

This is the risk that deficiencies in information systems or internal controls, human failures or management errors will result in unexpected losses. Essentially, this is the risk of client loss due to breakdowns or weaknesses in internal controls or procedures at the custodian. Factors to be considered are the level of internal audit, compliance, external audit, external regulatory activity, coverage of the custody operations, and the level of business continuity planning.

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