

Credit Analysis



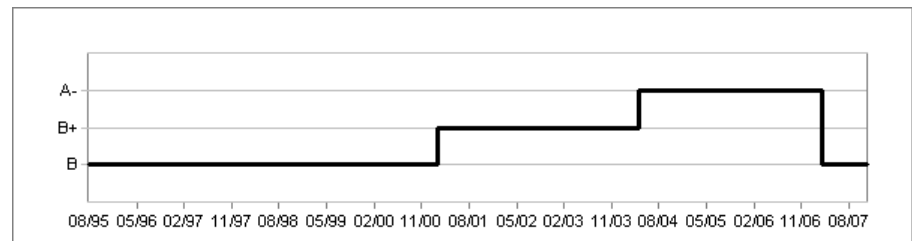
November 2007

Danske Bank A/S

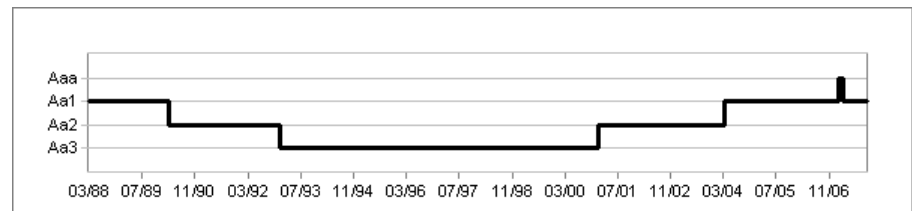
Copenhagen, Denmark

Summary Rating Rationale

Rating History – Bank Financial Strength Rating



Rating History – Long-Term Deposit Rating



In February 2007, Moody's assigned a bank financial strength rating (BFSR) of B to Danske Bank, which translates into a Baseline Credit Assessment (BCA) of Aa3. The BFSR is underpinned by the group's dominant position in the Danish market as well as its leading market share in Northern Ireland, good market position in Sweden, Norway, Finland (with the acquisition of Sampo Bank plc), the Baltics and the Republic of Ireland, combined with a well-diversified and profitable franchise and a well-managed risk profile.

Danske Bank is part of Danske Bank Group, which also consists of Realkredit Danmark, one of the largest Danish mortgage institutions, and Danica, a leading Danish life insurance company. The bank has a leading domestic market share of around 30% in the retail and small and medium-sized enterprise (SME) segment and almost 50% in the large businesses segment as at the end of 2006. Additionally, Danske Bank Group has a 33% share of the domestic life insurance and pension markets and accounts for around one-third of total mortgage lending in Denmark.

Table of Contents:

Summary Rating Rationale	1
Key Issues	2
Group Structure	3
Analysis Of Rating Considerations	4
Discussion of Qualitative Rating Drivers	4
Franchise Value	4
Risk Positioning	8
Regulatory Environment	11
Operating Environment	12
Discussion of Quantitative Rating Drivers	13
Profitability	13
Liquidity	16
Capital Adequacy	17
Efficiency	18
Asset Quality	19
Discussion of Support Considerations	21
Company Annual Statistics	23
Related Research	27

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This Credit Analysis provides an in-depth discussion of credit rating(s) for Danske Bank A/S and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website. [Click here to link.](#)



Moody's Investors Service

Danske Bank A/S

Danske Bank's Aa1 long term global local currency (GLC) deposit rating takes into account Moody's assessment of the very high probability of systemic support should a systemic crisis occur. Consequently, there is a two-notch lift for Danske Bank's GLC deposit rating from its Aa3 BCA.

The outlook on all ratings is stable.

Key Issues

The bank's dominant position in Denmark and its meaningful franchises outside Denmark constitute part of its overall strengths. However, we note that - with the purchase of Sampo Bank - Danske Bank also took over its activities in the Baltic area where the operating environment is less benign than in the other geographical locations where Danske Bank is active. While Danske Bank's track record of imposing its prudent risk management on the banks it acquires gives us some comfort, with loan growth rates in the 50% range, this may over time lead to pressure on the currently excellent asset quality.

Danske Bank's strategy is similar to other Nordic banks, leading to margin pressure. It will therefore be important to continue to grow interest depending products outside Denmark where the upside is greater and also increase cross-selling to new as well as existing customers. We note that its activities outside Denmark provide the bank with earnings upside. Despite margin pressure, earnings remain solid and, despite the market turmoil, 3Q 2007 showed satisfactory results. Cost containment is of major importance for Danske Bank and it has a stated strategy of having all its companies and product lines on the same IT platform; Sampo Bank will be converted in early 2008. We also note that Danske Bank historically has been able to deliver on its cost synergies and we expect the current integration of Sampo Bank will be on target. Furthermore, synergies in relation to merging Danske Bank and BG Bank and further synergies in Ireland may make it possible for the bank to reach its target for cost-income of 50% in the medium term. Capital is adequate after the purchase of Sampo Bank. Asset quality is sound and we note that, as of 1Q 2007, there is only one property that has been foreclosed in Realkredit Danmark's portfolio. However, delayed payments are increasing and we do not expect any of the Nordic banks to continue displaying historically low levels of loan losses and non-performing loans.

We note that Danske Bank has single loan as well as industry concentrations above the levels of many of its global peers, but view the bank's prudent collateral policy as a mitigating factor. Danske Bank has a prudent attitude to risk which pervades the whole organisation. Its risk management practices are strong and the regulatory and operating environments the bank has chosen to operate in are also sound. We note that its risk management practices are immediately imposed on the banks it acquires and, by placing all on the same IT platform, efficiency can be enhanced. Moody's notes that Danske bank is involved with providing liquidity lines to its own conduit as well as to other banks' conduits; several of these liquidity lines are currently called and, even though the assets seem to be of sound quality, these may over time lead to more volatility in earnings in the form of mark-to market losses and even perhaps actual losses. A mitigating factor is that such liquidity lines account for only 2% of total assets.

Moody's notes that Danske Bank's liquidity is sound and that almost a quarter of the group's total funding is in the Danish mortgage bank market, where customers receive bonds and sell them in the market when they need the proceeds to purchase a house. Since the market has been functioning in this fashion for more than 100 years, customers are used to running the risk of market prices. Moreover, the underlying loans have to almost perfectly match the terms of the bonds. While Danske Bank does have high levels of interbank funding, Moody's notes that the bank has sufficient liquidity not to approach the market for a 12 month period should it be necessary. Deposits have historically been stable and sticky, even during the Nordic banking crisis.

To change the BFSR upwards, it will be important to see better earnings from core activities without the risk profile weakening. We believe this to be extremely difficult in the Nordic area. Also, a reduction in single-name exposure may add upward pressure. However, given Danske Bank's status as not only a retail bank but also a bank for large corporates, this may also prove a difficult task. We therefore view an upward change in the BFSR to be remote in the medium-to-long term.

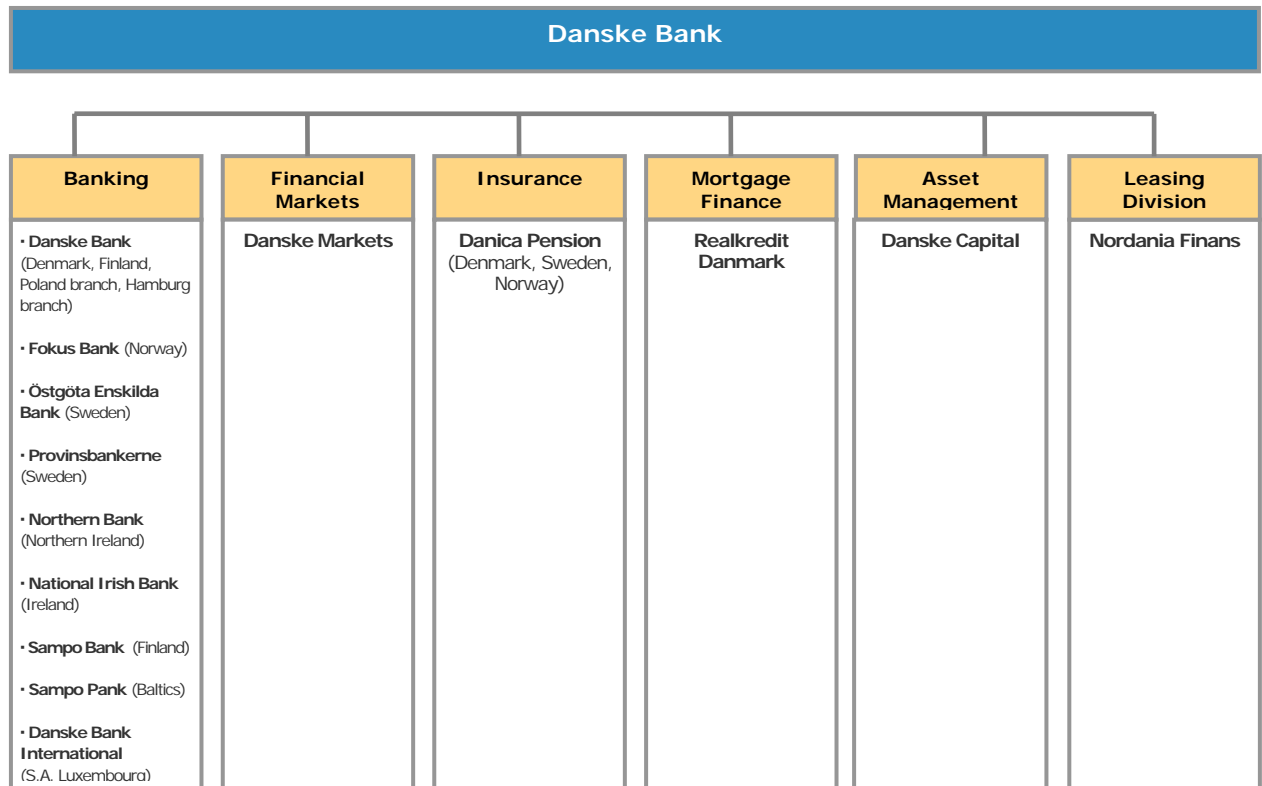
Downward pressure on the BFSR may be exerted if Danske Bank is less effective in its integration of Sampo Bank, does not keep its costs under control or increases its risk appetite.

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A change in BFSR would lead to a change in deposit ratings for the bank.

Group Structure

Exhibit 1



Danske Bank Group consists of the rated bank, Realkredit Danmark, the mortgage bonds of which are rated Aaa, Sampo Bank (rated Aa1/P-1/B-), Sampo Pank (rated A1/P-1/C-), the bank's subsidiaries in Sweden, Republic of Ireland and Northern Ireland and the insurance company Danica.

Over the years, Danske Bank has worked on optimising the legal structure of the banking group and has divested companies not considered core to the group; we expect this to continue.

The bank has divided its segment accounting across legal entities to reflect banking (Denmark, Sweden, Norway, Finland, Northern Ireland, Republic of Ireland, the Baltics and others), mortgage financing, Danske Markets, Danske Capital and Danica.

Danske Bank A/S

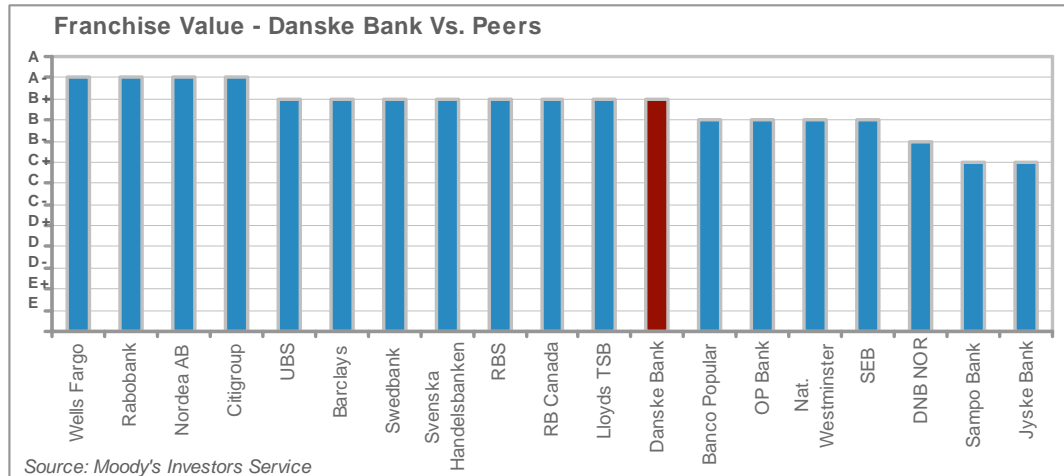
Analysis Of Rating Considerations

Discussion of Qualitative Rating Drivers

Franchise Value

Dominant bank in Denmark – meaningful footprint in several other countries

Exhibit 2

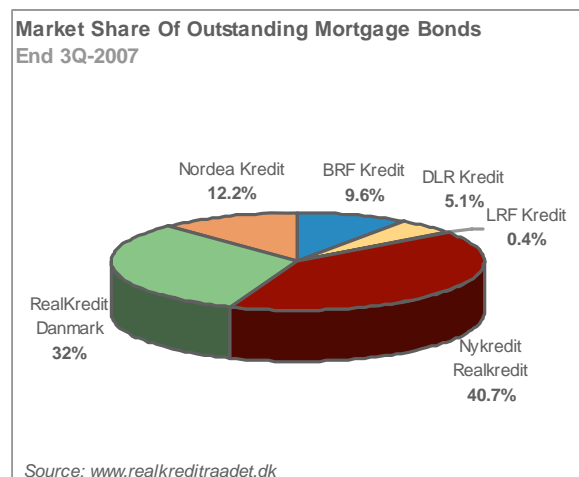
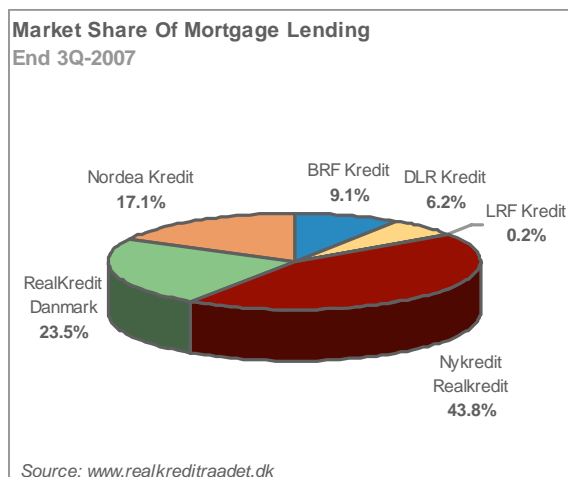


Danske Bank had total assets as of 3Q 2007 of DKK3,195 billion (€429 billion). The bank has commanding market shares in Denmark with approximately 35% of retail lending, 23% corporate lending, 30% of all deposits, and 32% share of all mortgage outstanding bonds and a 33% market value of mutual funds. Outside its home market, the bank command retail market shares of around 20% in Northern Ireland, around 6% in Norway, 6% in Sweden and more than 15% in Finland. Geographical diversification is good and earnings are well diversified.

- Market Share and Sustainability**

Danske Bank – dominant position to be defended in several markets

Exhibit 3



Danske Bank is the only Danish financial institution to have successfully achieved a presence across Scandinavia and Finland, through Östgöta Enskilda Bank in Sweden and Fokus Bank in Norway. The

Danske Bank A/S

purchase of Sampo Bank in Finland (rated Aa1/B-/P-1) has underpinned the bank's position as the second-largest Nordic banking group in terms of Nordic market shares and it is now the largest Nordic banking group in terms of assets.

Fokus Bank in Norway has been converted to a branch from a subsidiary in 2007. We expect that Danske in the medium term will also convert Sampo Bank in Finland into a branch.

With the purchase of Sampo Bank, Danske Bank also gains access to the Baltic area and Russia. Sampo Bank (rated A1/P-1/C-) has been moved from being a subsidiary of Sampo Bank to being a subsidiary of Danske Bank. Moody's notes that the total loan exposure to the Baltics and Russia accounts for close to 3% of the total loan portfolio.

Danske Bank continues to focus on its core geographical area in North-western Europe. Any presence outside this area has until now been aimed at servicing its customer base rather than for the purpose of capturing domestic business.

Being the market leader in Denmark and Northern Ireland gives Danske Bank a more defensive position than in the other markets where it is seeking to boost market shares. However, the bank's strategy of gaining hold over its retail customers via mortgages and its corporate clients via a full product palette seems to have weathered attacks from the other large Nordic players pursuing the same strategy.

Danske Bank has developed a strong multi-channel distribution network, with many of these channels integrating all of the group's products. The network consists of:

- 429 branches, nine financial centres and two investment desks in Denmark
- 199 real estate agents outlets in Denmark
- 59 branches in Sweden
- 55 branches in Norway
- 123 branches in Finland
- 41 branches in Baltics
- 94 branches in Northern Ireland
- 61 branches in the Republic of Ireland

The group currently has around 1 million online customers in Denmark and 2.4 million in total. The branch network is further enhanced by call centres and, albeit to a lesser extent, by a co-operation agreement with the Danish Post Office, which enables the group to use 1,100 associated post offices for distribution activities.

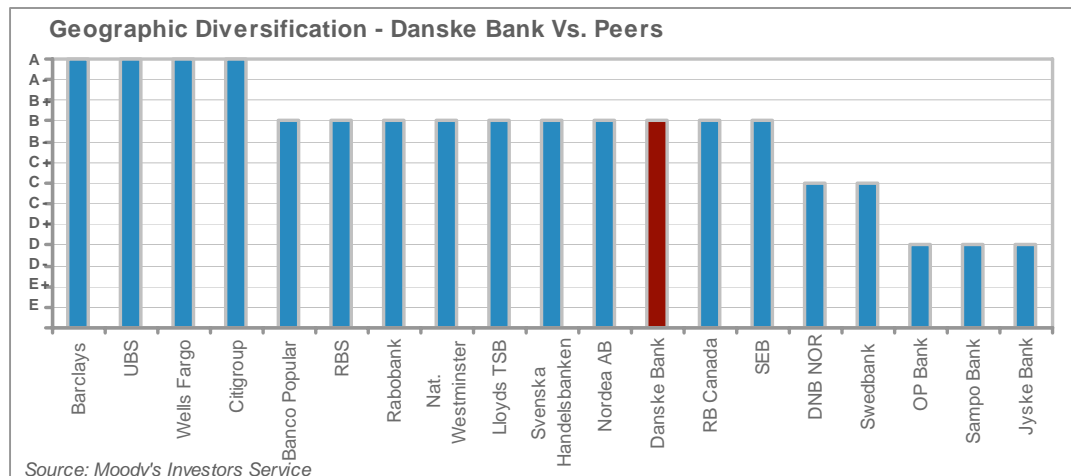
The group operates under various brand names such as Realkredit Danmark (mortgages), Danica (life insurance), Fokus Bank in Norway, 17 local brands in Sweden, National Irish Bank in the Republic of Ireland, Northern Bank in Northern Ireland and Sampo Bank in Finland.

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- Geographic Diversification

Diversified geographical exposure

Exhibit 4



The bank has commanding market shares in Denmark with approximately 35% of retail lending, 23% corporate lending, 30% of all deposits, and 32% share of all mortgage outstanding bonds and a 33% market value of mutual funds. Outside its home market, the bank command retail market shares of around 20% in Northern Ireland, around 6% in Norway, 6% in Sweden and more than 15% in Finland. Geographical diversification is good and earnings are well diversified. Of total earnings for 2007 (3Q 2007), banking activities in Denmark still accounted for almost 40% of profit before provisioning and taxes and Danish mortgages an additional 13%. Operations in Sweden, Norway and Finland provided a total of 17%. We see Danske Bank's geographic diversification as strong.

Exhibit 5

%	Denmark	Norway	Sweden	Ireland	Finland	Estonia	Latvia	Lithuania
GDP Growth	3.5	4.6	4.2	5.7	5.0	11.4	12.0	7.6
Inflation	1.9	2.3	1.4	3.0	1.6	4.4	6.6	3.8
Unemployment rate	4.5	3.5	5.4	4.2	7.8	5.9	6.8	5.6

Source: Danske Research

Danske Bank A/S

Earnings Stability

Solid and recurring – albeit low

Exhibit 6

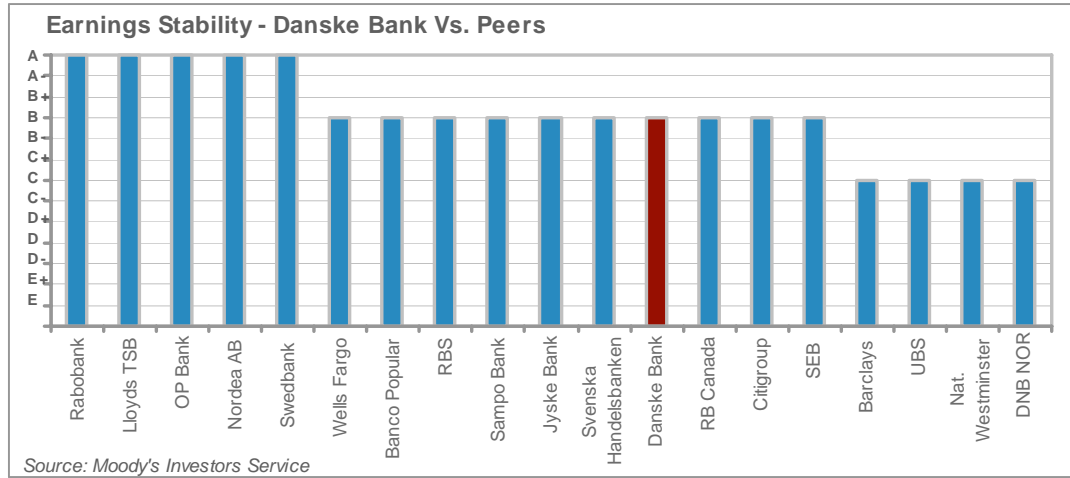
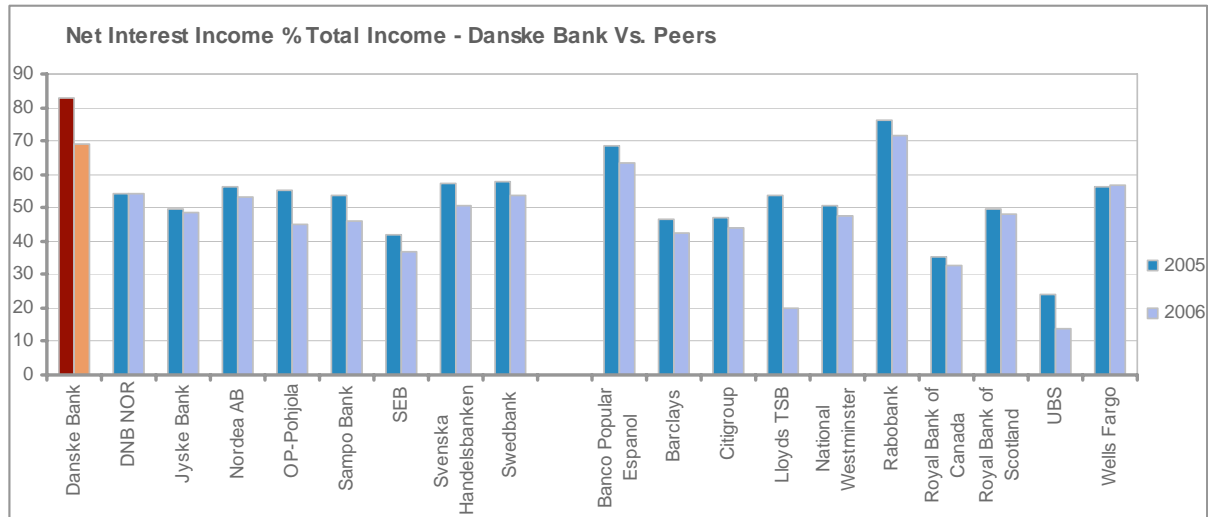


Exhibit 7



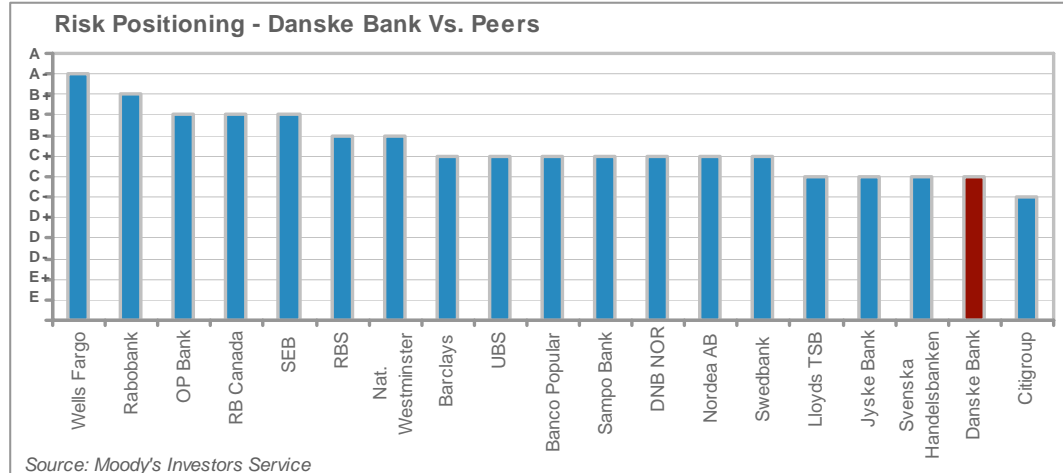
Almost 70% of Danske Bank's income is in the form of net interest income. By eliminating corporate lending from this figure and adding the part of fee income that stems from fees for mortgage loans, recurring administrative fees and also other fees in relation to long-term saving contracts and asset management, Moody's assesses that more than 60% of the bank's earning stems from stable income sources.

Earnings Diversification

Danske Bank is not a monoline company

Danske Bank A/S

Risk Positioning

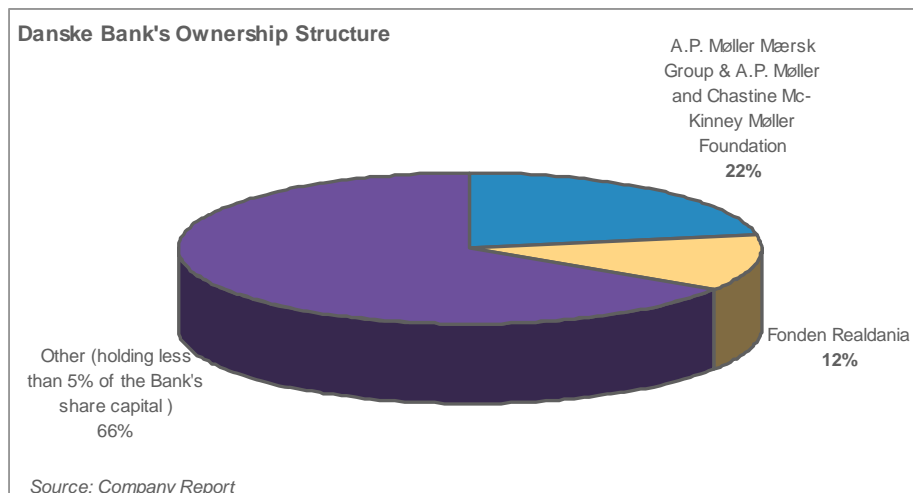
*Sound risk position**Exhibit 8*

Overall, Danske Bank's risk management practices are satisfactory and we expect further improvements in this area. Danske Bank has been using RAROC (Risk-Adjusted Return on Economic Capital) since 1999, as well as annual value-added measurements, defined as the difference between the year's risk-adjusted earnings and the cost of the economic capital allocated to generate these earnings at a hurdle rate of 13%. Danske Bank continues to fine-tune its risk management and expects to move to ROAC soon.

- **Corporate Governance**

In line with the Danish regulations

The bank has widely distributed ownership, with almost 300,000 shareholders at the end of September 2007, and follow the rules issued by the Danish stock exchange for corporate governance.

Exhibit 9

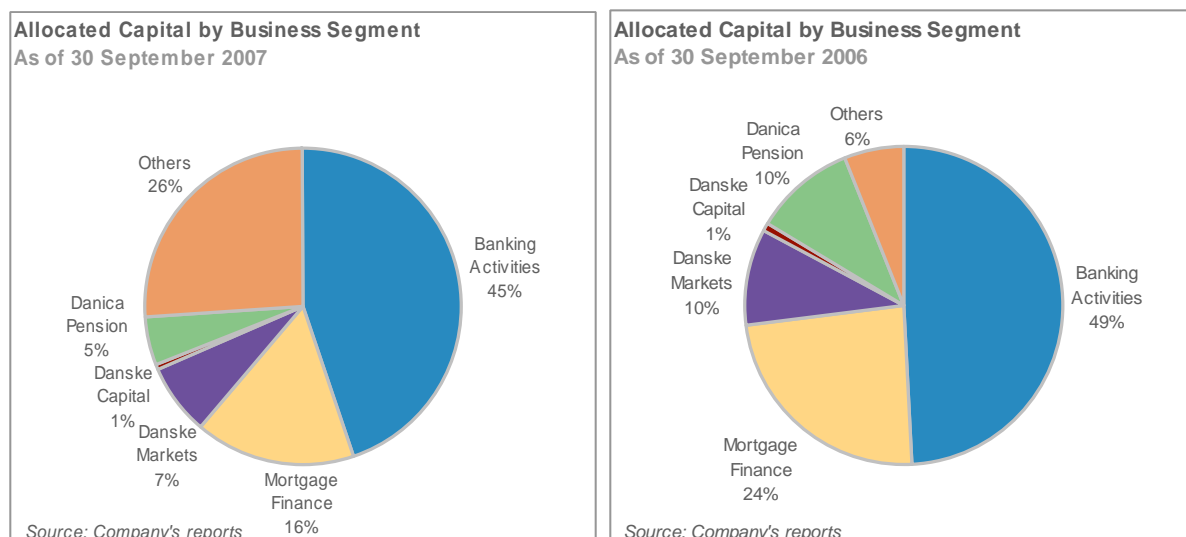
Danske Bank A/S

- **Controls & Risk Management**

Strong controls combined with prudent risk management

We welcome the fact that Danske Bank is planning to introduce capital limits in the next few years, in the context of the new Capital Requirement Adequacy regime. Over the past few years, Danske Bank has worked extensively on the development and refinement of an internal model for the measurement of credit risk, in light of the forthcoming implementation of the Capital Requirements Directive (CRD). The bank intends to calculate the credit risk capital requirement on the basis of the IRB Advanced Approach. Danske Bank has been calculating and using economic capital and RAROC for several years. The economic capital model has been improved over the years and, at the time of writing, covers credit, market, operational (event risk only), insurance and business risk. Economic capital is estimated using a confidence interval of 99.97%, corresponding to a Aa3 rating, and a horizon of one year. A comparison between the figures published for economic capital for 2005 and 2006 shows an increase in total economic capital of 28%. This is mainly due to an increase in economic capital for credit risk but it remains overall at a relatively low level.

Exhibit 10



Regarding the quantification of operational risk, Danske Bank has been collecting operational risk loss data since 2001 and breaks them down by quantitative loss characteristics; the data are collected in a central database, which is available to both the Group's business units and the central functions. Work is in progress to improve the system, including a web-based solution, automated booking entries and a classification of losses consistent with Basel II. The Group is also working on exchanging loss data information with other international banks, as a member of the Operational Riskdata eXchange (ORX). Danske is planning to apply for the Standardised approach for the calculation of the operational risk charge under Basel II and is working on developing the processes to comply with the qualitative requirements of this approach.

The bank's Board of Directors and Executive Board appear to be appropriately involved in risk management issues. In addition, responsibilities for risk management appear to be appropriately distributed between these two boards. The bank's Board of Directors sets the targets for risk and capital adequacy, determines the overall risk policy and guidelines for risk management and reviews analyses of the Group's portfolios and their concentrations on an ongoing basis. The Executive Board sets risk policies and supervises the risk management of the Group. It also prepares risk management reports on the Group's exposures, approves credit applications and submits matters beyond its authority to the Board of Directors. The use of stress tests as a tool to test the capital adequacy of an institution is a key element of the CRD. At Danske Bank, both boards are actively involved in this process, with the Board of Directors approving the choice of stresses to run, reviewing the results on a quarterly basis and being involved with

Danske Bank A/S

the Executive Board in defining any potential action following the results of the stress test analysis. We believe that the committee structure for risk management is appropriate for the bank, bearing in mind that the responsibilities of the Board Risk Committee, now decommissioned, have been incorporated into the rules and procedures of the full Board of Directors.

Financial Reporting Transparency

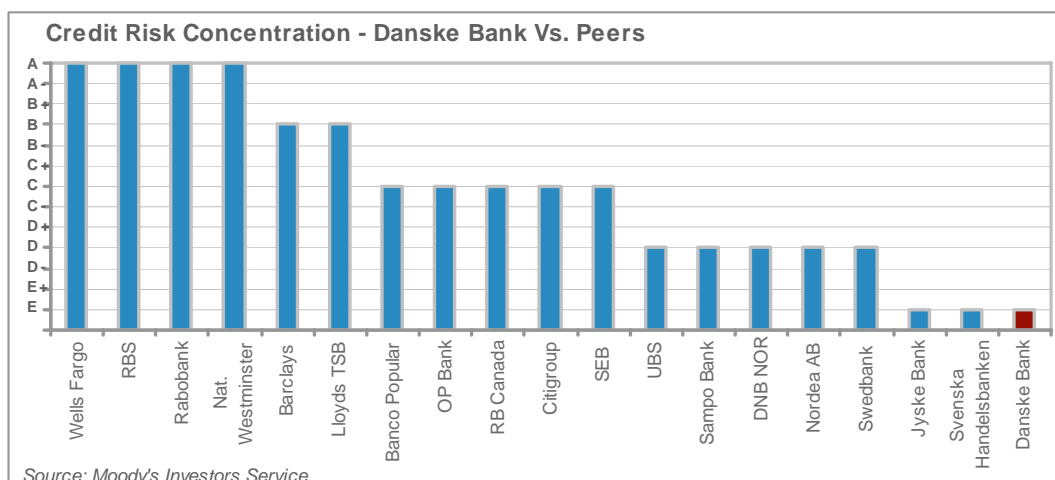
Good transparency

The bank's accounts are in accordance with international accounting standards and the annual and quarterly accounting information are detailed and transparent. Moody's notes that the bank, in addition to its accounts, posts quarterly updated fact books on its website detailing information about the Group and its risk positioning.

Credit Risk Concentration

High single borrower concentration

Exhibit 11



Danske Bank's borrower concentration is rather high, measured as the top 20 exposures (which exclude counterparties rated above A3) as a percentage of the bank's Tier-1 capital. The bank's industry concentration is better and considered satisfactory: the largest sector exposure was to the financial industry as at end-1H 2007. Moody's notes that Danske Bank has exposures in the form of committed lines to conduits (ABCP and SEV) of DKK58 billion (as of end-September 2007); of these lines, DKK22 billion has been drawn. Danske Bank has not taken provisioning against these exposures. Of these exposures, Danske Bank has its own sponsored conduit – Polonius with DKK18 billion, which is drawn in the amount of DKK10 billion. Polonius is fully consolidated into Danske Bank's group accounts since the implementation of IFRS in 2005. It contains no US sub-prime or European sub-prime RMBS bonds.

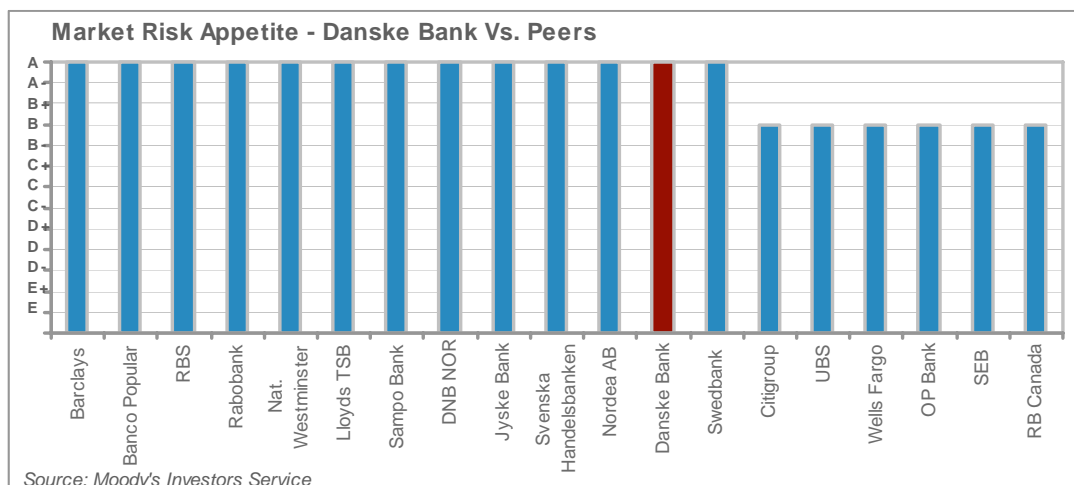
Liquidity Management

Sound liquidity management

At the end of 3Q 2007, 27% of total funding was in the form of deposits, 23% in Danish mortgage bonds (underlying loans have by law to match the maturity of the bonds – there is no prepayment risk or interest rate risk on these bonds), 20% in long-term market funding and 26% in the form of interbank funding and repos. Liquid assets on balance represented over 30%. Moody's notes that the Danish mortgage market has continued to function uninterrupted (November 2007), with a possible explanation being that these highly secure and liquid bonds are used for liquidity management by other banks, the central bank and are held by Danish pension funds and retail investors.

Danske Bank A/S

- Market Risk Appetite

Exhibit 12

The Board of Directors sets the Group's limits for market risk. Limits are set for the Group's interest rates, foreign exchange and equities positions and are based on several measures, including net positions in FX and listed equities, interest rate sensitivities and VaR. As of end-December 2006, limit utilisations were moderate. Although stress tests are used as a monitoring tool on a regular basis, there are no stress limits for market risk at Danske Bank at the time of writing. We see this as falling short of best practice, although this practice is found in several European banks.

Market risk is monitored on both a trading unit and a group basis, and is managed through the Value-at-Risk (VaR) model. The 10-day VaR at the 99% confidence interval for market risk of its exposures amounted to DKK84 million for 2006 compared to DKK132 million for 2005. The overall interest rate risk, as measured by a 1% parallel shift of the yield curve in Danske Bank Group, remains limited at under DKK1 billion (DKK0.6bn) (less than 5% of the Group's net interest income). Interest rate risk is the bank's most important (although not major) risk, and FX risk is quite low due to very conservative management and hedging. Equity risk continues to represent the largest risk factor (50% of the sum of VaR and 75% of total VaR). Risk from proprietary activities is negligible.

Risk from Danske Group's insurance activities stems from Danica. Danica continues to expand its business activities into Sweden and Norway and, at Q3 2007, the premium income was up 5% from the same period last year. According to the Danish supervisory authorities, an insurance company has to provide quarterly information on the effect of market conditions on its investments, given the scenario of a 30% drop in equity prices, a 1% increase in interest rates. At 3Q 2007 a 30% fall in equity prices would have reduced shareholders' equity by DKK0.9 billion, and a 100bps increase in interest rates would have reduced shareholders' equity by DKK0.1 billion. At 3Q 2007 Danica's investment portfolio comprised of approximately 66% investments in bonds, 25% in equity and 9% in property. Applying the stress-test scenario to its portfolio, its capital is still considerably higher than required, which gives us comfort that the insurance operations are unlikely to weigh on the bank's financials in the medium term.

Regulatory Environment

Strict and good controls

As part of Moody's assessment of the financial strength of a bank, we also form an opinion on the main regulator and the regulations for financial institutions. In Denmark, the Danish Supervisory Authority and the Central Bank are responsible for financial stability and a memorandum of understanding has been in place since 2005. The memorandum also includes the Ministry of Finance and the Ministry of Economic and Business Affairs. The supervisory authority and the central bank also have co-operation agreements in place in relation to Danish banks' foreign activities and foreign banks' activities in Denmark.

Danske Bank A/S

The Danish regulations - both in the form of laws and guidelines from the supervisory authority - are in line with Basel and EU regulations in relation to licensing, capital, asset quality measurements and liquidity. Enforcement of the regulations is also in line with EU regulation. The regulator, the Danish Supervisory Authority, is independent and supervision takes place in the form of direct, on-site visits, desk-top reviews and special reviews. For mortgage banks such as Realkredit Danmark, the supervisory authority checks to see if loan-to-value assessments are correct.

The supervisory authority is financed via fees paid by the entities supervised and Moody's notes that, if Nordea Bank Danmark - the second-largest bank in Denmark - were converted into a European company, it could strain the supervisory authority's budget.

The regulatory environments of the other important geographical area where Danske Bank is based are equally strong.

Operating Environment

Good operating environments

When accessing the operation environment, we are mainly focusing on economic stability, integrity and corruption and the legal system. Please refer to the Methodology for Bank Financial Strength Ratings issued in February 2007 for further details. The stability of GDP growth has over the years influenced the asset quality and earnings of the banks. Looking at stability of growth in GDP over the past 20 years, Denmark scores an A.

Integrity and corruption measured by the World Bank's indicator on control of corruption gives Denmark a scoring of A. The same is the case in relation to the legal system, when looking at the length of foreclosure for residential real estate.

Danske Bank now generates the majority of its earnings from outside Denmark; i.e. Norway, Sweden, Finland, Republic of Ireland and Northern Ireland, all of which have strong operating environments. The earnings from the Baltic countries, where the operating environments are more volatile, still constitute a relatively small part of the Group's overall earnings.

Exhibit 13

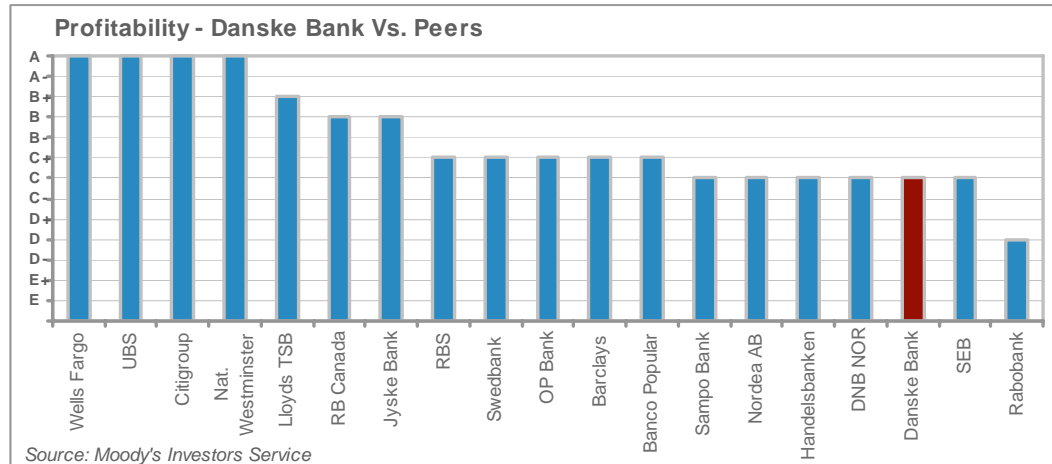
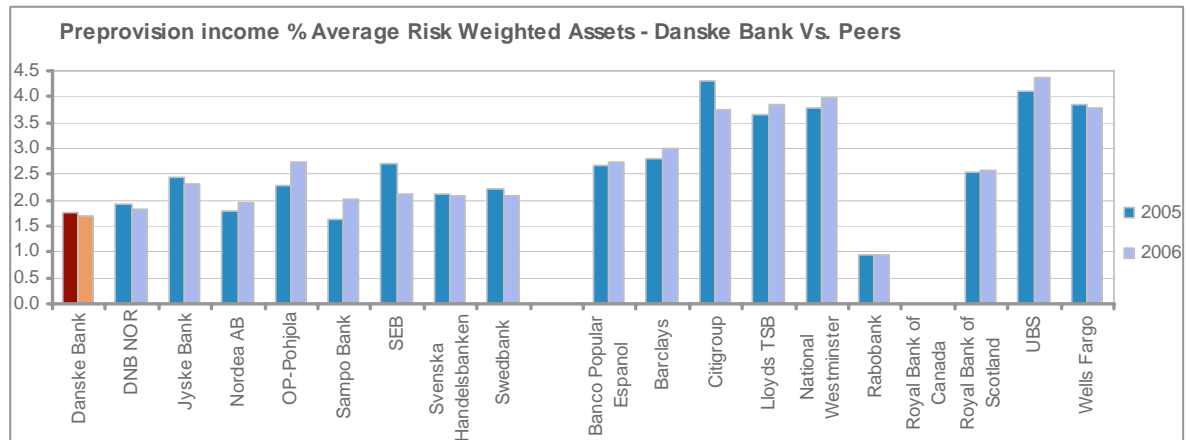
	Denmark	Norway	Sweden	Finland
Operating Environment	A	B+	A-	B+
Operating Environment (Adjusted)	A	A-	A	A-

Operating Environment encompasses economic stability, integrity and corruption, and legal system

Danske Bank A/S

Discussion of Quantitative Rating Drivers

Profitability

*Solid core earning**Exhibit 14**Exhibit 15*

Danske Bank compares well on all the qualitative elements to its peer group and even higher rated peers. However, in relation to profitability, the bank - similar to its Nordic peers - does not display as good profitability as banks outside the Nordic area. Part of the explanation is that Danske Group is focused on lending via residential mortgage loans that are secured by 1st mortgage. We also note that there is no interest rate risk or pre-payment risk with these type of loans in Denmark – the margins are low in comparison to those in the rest of Europe and we expect further downward pressure on these types of loans, as many banks follow the same strategy and assess that having the mortgage loans to households gives them a strong position for cross-selling.

Although Danske Bank's profitability is lower than that of most of its European peers, we continue to view it as solid due to good quality recurring revenues which, combined with cost efficiency and good asset quality, results in stability and predictability.

The result for 3Q 2007 was satisfactory, given the market turmoil. The operating result before provisioning showed a slight improvement from the pro-forma accounts for 3Q 2006. Net interest income showed good growth while net fees were almost flat. Despite Danske Bank's re-pricing efforts and volume growth, margin pressure persists and pushed margins down to 1.19% in 3Q 2007 (up slightly from 1.15% at the end of 2006

Danske Bank A/S

but significantly down from 1.54% at year-end 2003). It is important to note that mortgages via Realkredit Danmark do not carry a margin, but a commission.

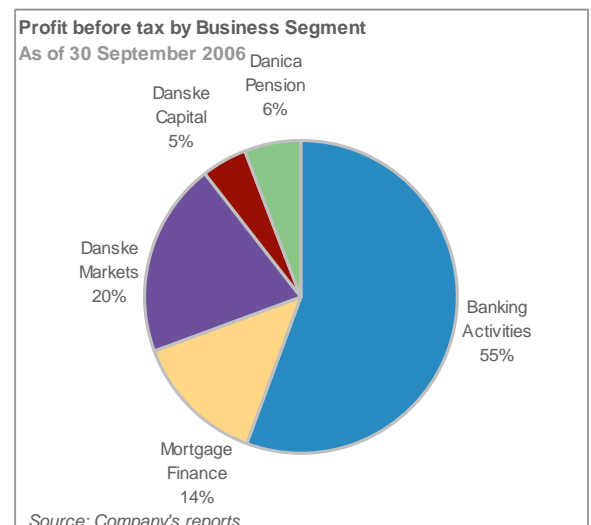
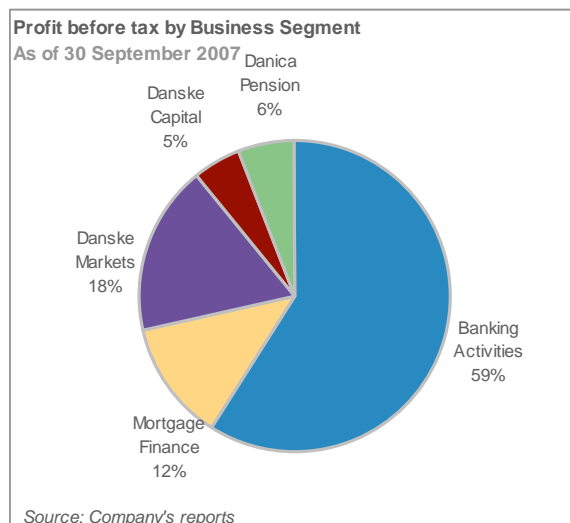
The major difference was an increase in net trading income due to market activity while expenses rose due to restructuring costs in Finland. In previous years, the results had been helped by reversals of previously made provisions - mainly due to the benign economic environment in the countries Danske Bank operates, but also due to the move to IFRS where a loan has to be impaired to be provisioned. This is different from past Danish regulation, where provisioning could be made for performing loans.

So far in 2007, Danske Bank has provisioned DKK260 million (compared with a write-back of DKK545 million for the same period in 2006). Total assets stood at DKK3,195 billion (€429 billion). The capital ratio was 9.3% and Tier 1 6.6% (9.7% and 7.1% respectively for the same period in 2006).

Risk weighted recurring earning power (preprovision income / average risk weighted assets), a ratio reflecting the profitability of Danske Bank A/S, remains low compared to its international peer group at 1.71% at end-Q3 2007, slightly improved from the end of 2006 (1.69%). This largely reflects Danske Bank's high portion of low risk-low revenue mortgage business, as well as an increase in risk weighted assets due to extended lending. Excluding Realkredit Danmark, Danske Bank's risk weighted recurring earning power stood at 1.79% at the end of 2006.

Of total earnings for 2007 (3Q 2007), banking activities in Denmark still account for almost 40% of profit before provisioning and taxes and Danish mortgages a further 15%. Operations in Sweden, Norway and Finland generated 15%. Net interest income is still more than 50% of total income and margin pressure continues in all the geographic areas where Danske Bank is present. Fees account for 20% and we note that many of these fees relate to mortgage administration, savings and other recurring types of business. Trading income is a large part of the overall result and accounts also for mark-to-market changes in Danske Bank's holdings; the mark-to-market negative volatility was lower than expected for 3Q 2007, which may be due to Danske Bank's hedging strategy.

Exhibit 16



Banking activities Denmark – good and solid

Banking activities in Denmark accounted for more than 40% of Danske Bank's pre-tax profit in Q3 2007, of which almost two-thirds stemmed from retail banking activities. Although margins remain under pressure, loan growth provides a mitigating factor. A considerable proportion of the loan growth relates to housing loans, in which customers are switching from the more inflexible mortgage loans to bank lending. We note that, with the new covered bond law in place, it may be possible to finance these types of loans more efficiently than when the mixed loans were financed over the banking book. The recent rise in interest rates has widened the deposit margin and increased the return on allocated capital.

Danske Bank A/S

The overall results from the Danish operations are also helped by continued large provision reversals. Fees fell due to lower activity in the mortgage markets. Moreover, costs rose due to restructuring costs in relation to the merger of Danske Bank and BG Bank. Cost to income is below 50% when adjusted for restructuring costs.

Banking activities (International) – improving profitability

Danske Bank's activities in Norway and Sweden showed improved profitability due to increased volumes, mainly in the form of mortgage loans to households. The Swedish operations showed efficiency closer to the target of 50% (52% 3Q 2007), but Norway is still lagging on this front.

The result from the Finnish operations was affected by the restructuring costs – revenue was up again due to rising loan volumes.

The operations in Northern Ireland and in Republic of Ireland were profitable as their integration has been completed; further synergies are expected and also improvements as the benefits of being on the same IT platform filter through. Loan growth was good at 9% in Northern Ireland and 43% in Republic of Ireland. The high lending growth reflects that total loans in the Republic of Ireland are at low levels. Loans have moved to DKK66 billion (€8.8 billion) from DKK47 billion.

The loan book in the Baltic area stood at DKK25 billion, via Sampo Panki. Loan growth was high at 52% and Moody's warns that the operating environment is more volatile than that of the Nordic areas. However, we take comfort in that Danske Bank's risk and liquidity management have been implemented for the Baltic operations and also that these operations are small in the context of the Danske Bank Group.

Mortgage Finance – solid albeit low earnings

Given that the Danish mortgage finance is a fully commoditised market with low and fixed fees, earnings and risk are low. Mortgage companies receive an annual fee, which is accounted for as an interest margin, as the Danish mortgage regulations subscribe to the balance principle. The only net interest income that a mortgage institution can earn is the yield on the investments of its reserves and excess capital. Realkredit Danmark (RD), which boasts a market share of around 30% in the Danish mortgage market (Q3 2007), has continued to benefit from its strong brand name.

While RD is one of the oldest mortgage banks in Denmark, many of its customers are still not clients of Danske Bank, as all banks previously used RD or the other "old" mortgage banks, Nykredit Realkredit and BRFKredit. In the early 1990s, the legal framework was changed and liberalised to enable the banks to establish their own mortgage subsidiaries. The latest change in the mortgage law, to accommodate covered bonds, will also allow banks to issue covered bonds. Moody's therefore expects that RD's comfortable market share will remain under pressure and may decline in the medium-to-long term. It may therefore be challenging for RD to maintain its level of profitability if re-mortgaging activities are reduced. Total assets stood at DKK614 billion as at 3Q 2007 (DKK592 billion at 3Q 2006). Recurring earning power (pre-provision income as a percentage of average assets) decreased to around 0.40% in the third quarter of 2007.

Danske Markets – lower earnings than at the same time in 2006

Danske Markets is responsible for the group's activities in the financial markets, wholesale banking and proprietary trading. Income improved by 4% y-o-y, despite the market turmoil, and the result before provisioning was DKK2.9 billion (DKK3.0 billion 3Q 2006). A large part of Danske Bank's proprietary trading is in the form of trading positions in the Danish fixed income markets. Earnings on sale of private equity investments outweighed mark-to-market losses in the bank's securities portfolio.

Danica Pension

Danica is the group's insurance company and is therefore responsible for all activities within life insurance and pensions. It has increased its sales in all segments and remains the leading Danish insurance company, with increasing footholds in Norway and Sweden.

In Denmark, distribution to mass markets is mainly carried out via Danske Bank's branches, which account for around 30% of Danica's revenue.

Danske Bank A/S

Gross premium income increased by 5% year-on-year in January-September 2007 to DKK12.2 billion, from DKK11.4 billion in the same period last year.

Danske Capital

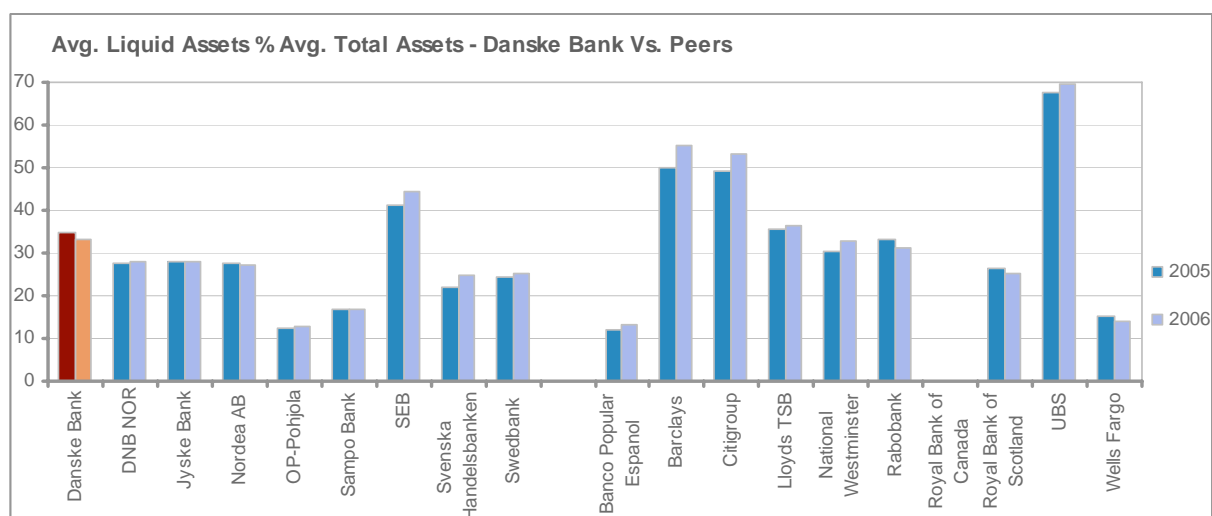
Danske Capital is chiefly responsible for asset management, both of Danica's investment portfolio and for external customers.

Profit before tax decreased in the first three quarters of 2007, mainly due to less write-backs than in the same period of 2006. Volumes continued to increase and stood at DKK25.6 billion at 3Q 2007 (DKK20.5 billion in 3Q 2006).

Liquidity

Good liquidity

Exhibit 17



Danske Bank's liquidity ratios are in line with those of its Nordic peers, although lower than those of its European and American peers. Part of this is due to the group's mortgage loans, which are financed by Danish mortgage bonds. These bonds have, by law, to match the maturity and interest of the underlying loans. We note that, for a loan to be pre-paid, the debtor has to purchase bonds in the market and present them to the bank. There is also no interest rate risk.

At the end of 3Q 2007, 27% of total funding was in the form of deposits, 23% in Danish mortgage bonds, 20% in long-term market funding and 26% in the form of interbank funding and repos. Liquid assets on balance sheet represented 30%.

Danske Bank receives deposits from all its bank branches and subsidiaries in Sweden, Norway, Finland, Ireland and Northern Ireland. Even though some concentration exists, the deposit base has historically been resilient.

Moody's notes that the Danish mortgage market has continued to function uninterrupted (November 2007), with a possible explanation being that these highly secure and liquid bonds are used for liquidity management by other banks, the central bank and are held by Danish pension funds and retail investors.

Danske Bank has positive 12-month net cash flow without recourse to the capital markets in adverse times.

As at 3Q 2007, Danske Bank provided liquidity lines to special purpose vehicles amounting to DKK58 billion or approximately 2% of total assets. Moody's notes that several conduits contain elements of sub-prime loans. The lines drawn as at the end of 3Q 2007 amounted to DKK22 billion.

Danske Bank A/S

Capital Adequacy

Adequate after the acquisition of Sampo Bank

Exhibit 18

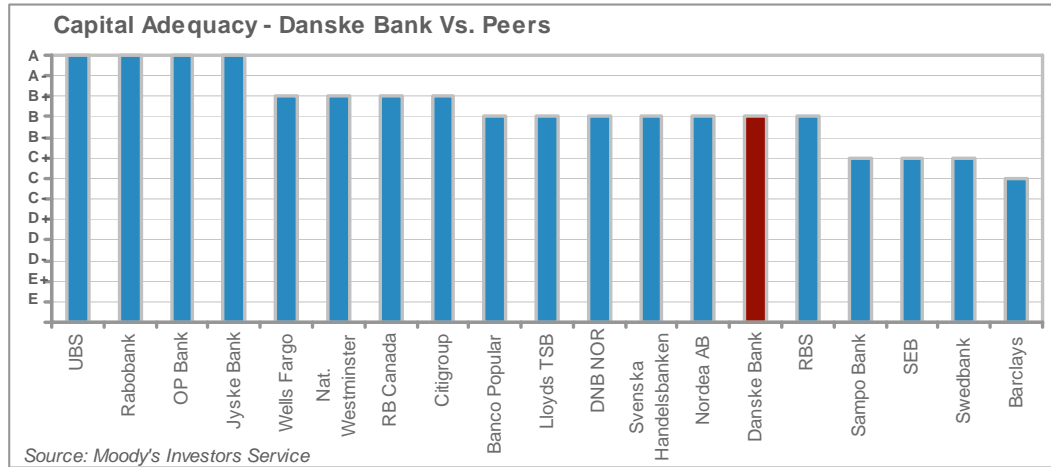
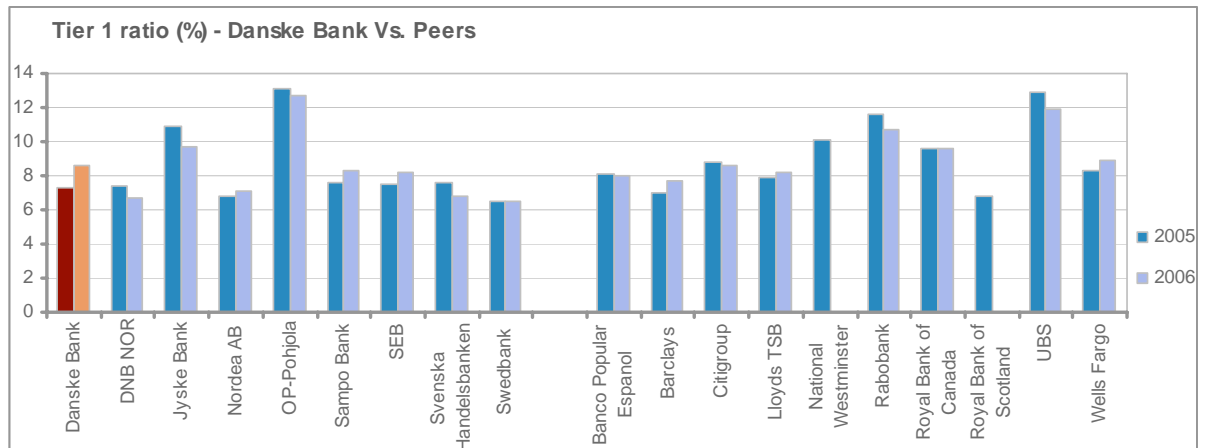


Exhibit 19



Until the acquisition of Sampo Bank, Danske Bank's capital level was in the middle of its peer group. However, at 3Q 2007, Danske Bank's Tier-1 capital ratio stood at 6.6%, with a total capitalisation of 9.3% (including earnings for the period), compared to 8.6% and 11.4%, respectively, at the end of 2006. If we adjust the Tier-1 ratio to exclude Danske Bank's hybrid capital issues, it falls to 5.7%.

The change in capital levels is due to the acquisition of Sampo Bank. Moody's continues to take comfort in Danske Bank's ability to generate earnings; however, we may regard a further reduction of core capital as a negative rating driver.

We note that, due to the bank's exposure to mortgage lending to households, collateralised by first mortgages on single-family homes, Danske Bank will - when moving to Basel II - have considerable more capital under Pillar 1 than the risk models will warrant. However, as the bank also has high single name exposures, we expect Danske Bank will keep prudent capital levels.

Danske Bank A/S

Efficiency

Reaching its goal will be difficult –but not impossible

Exhibit 20

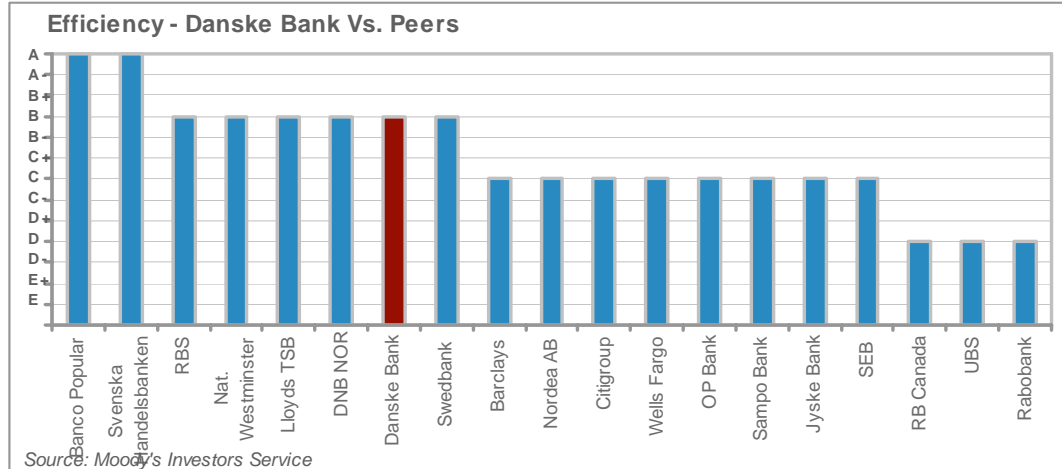
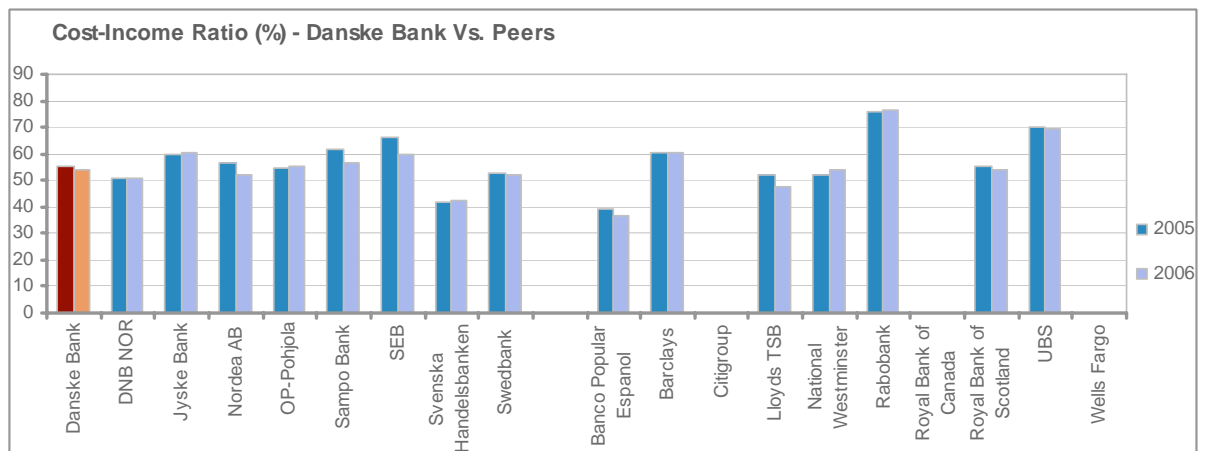


Exhibit 21



Danske Bank is average in its peer group in relation to cost efficiency. Moody's notes that Danske Bank has obtained the promised effects of the acquisition of the Irish banks and is on its way to delivering the cost synergies promised at the acquisition of Sampo Bank. The bank is also working on extracting synergies from merging its two Danish banking operations, Danske Bank and BG Bank.

Danske Bank has historically always delivered on its cost synergies. In Moody's opinion, the fact that the whole group apart from Sampo Bank Finland and Sampo Bank is on the same IT platform will over time be a great strength both in form of cost containment and in relation to risk management. Sampo Bank is scheduled to convert to the IT platform over Easter 2008.

Danske Bank has a target of 50% for the cost-income ratio in the medium term – it stood at 54.7% at 3Q 2007. The ratio was affected by restructuring costs in Finland. Due to its strong track record in this respect and being on one IT platform, Moody's expect Danske Bank to deliver on its target in the medium term.

It is important for Danske to keep its efficiency strong, as one of its focuses is mortgage lending to retail customers, where margins are notoriously low. The Group's total staff count remained roughly stable at 23,670 at 3Q 2007. At the same time as focusing on costs, Danske continues to tweak the branch networks of its international activities to enhance top-line growth, although this also entails increased costs.

Danske Bank A/S

Asset Quality

Strong Asset Quality –however figures slightly softer

Exhibit 22

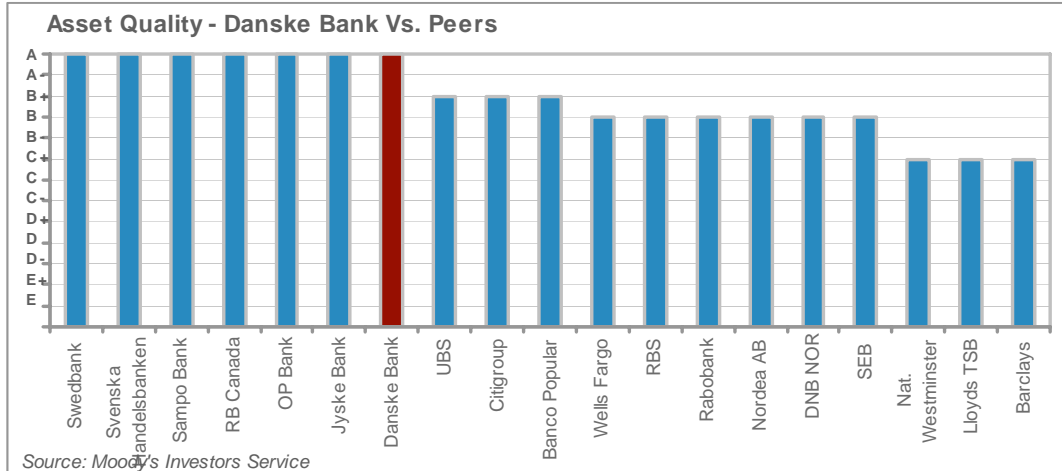


Exhibit 23

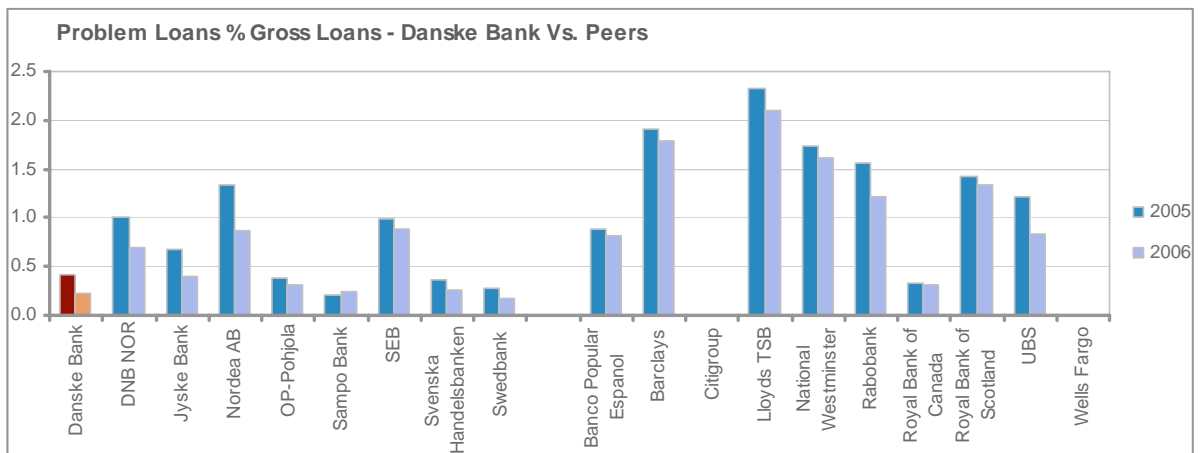
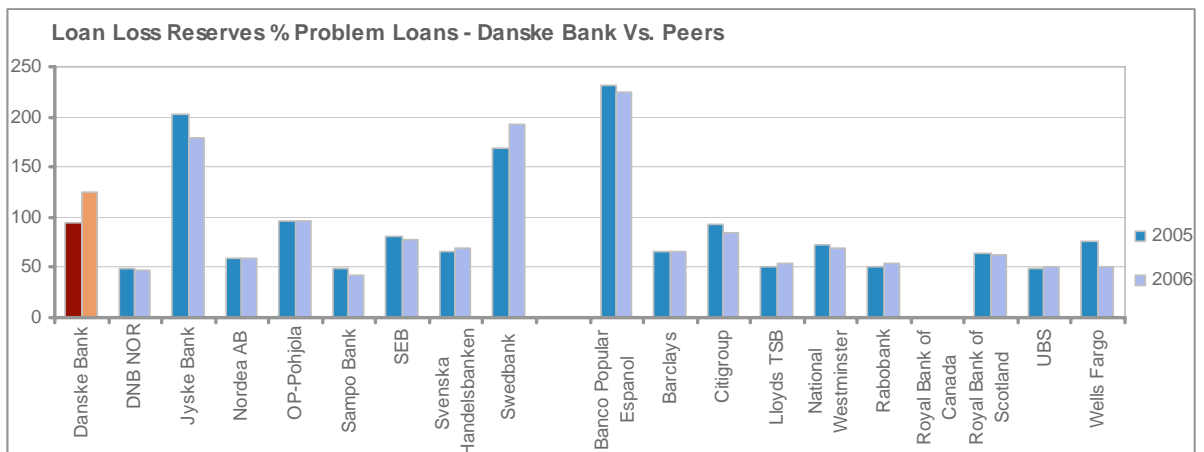


Exhibit 24



Danske Bank A/S

Danske Bank shows excellent asset quality within its rated B peer group and also in relation to higher rated peers. Danske Bank Group's lending activities are split approximately 40:60 between retail and commercial lending (including repos), with the latter well diversified in terms of internal ratings and by industry. Approximately 75% of the portfolio corresponds to investment grade, with the Danish portfolio on average carrying higher internal ratings than the international portfolio.

Exhibit 25

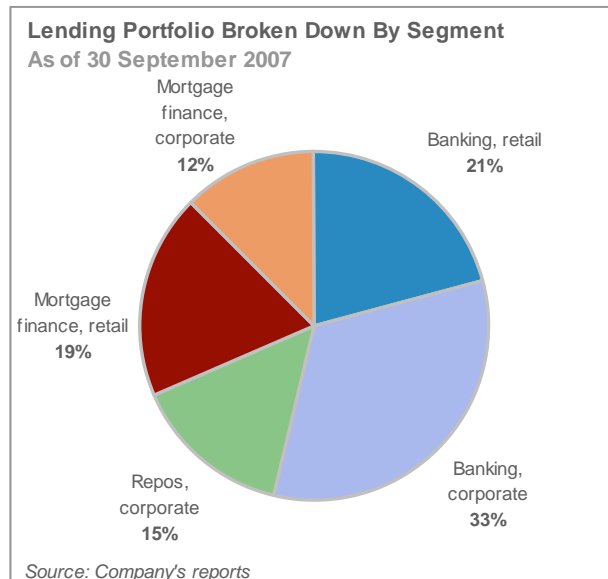
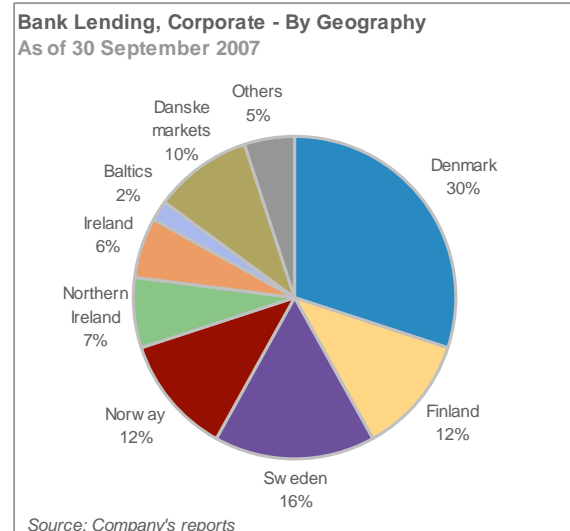
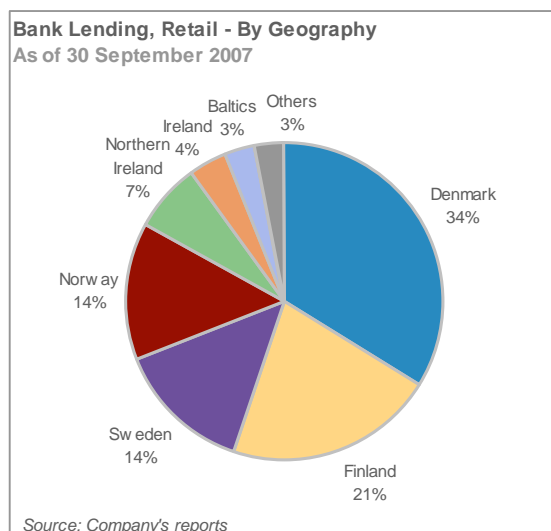


Exhibit 26



The group's international franchise is reflected in the geographical split of the loan portfolio, with the Nordic areas representing almost 85%. Almost 50% of the bank's loans in Denmark are mortgage loans. Approximately 40% of Danske Bank's credit exposure is mortgages and around 80% of this is with a loan to value (LTV) of below 60%. Danske has implemented a credit risk assessment model, which is aimed at meeting the Basel II requirements, for corporate customers, as well as a fully automated risk assessment for retail clients. It expects to use the Advanced Internal Ratings-Based (IRB) model.

Non-performing and problem loans have increased to late 2005 levels at DKK3.6 billion in 3Q 2007 (DKK3.16 billion at 3Q 2006). Problem loans in relation to total loans stood at 0.18% in 3Q 2007 (0.19% 2006).

Danske Bank A/S

0.36% 2005). Coverage is good at 125% at year-end 2006. These levels are high given that the majority of loans are well collateralised as first priority mortgages on residential, one-family houses.

We note that Danske Bank had only one property for foreclosure as at 3Q 2007; delayed payments are increasing, but only from historic low levels.

We believe that Danske's solid asset quality and prudent provisioning policy are important factors underpinning the bank's ratings at the current level.

Discussion of Support Considerations

Two-notch uplifts reflects Danske Bank's dominant position in Denmark

Danske Bank is assigned a bank financial strength rating of B, which translates into a Baseline Credit Assessment of Aa3 and Moody's judgment that there is a very high probability that the Danish authorities would support the bank in a period of financial distress given the bank's importance in the system. This translates into a two-notch uplift in the bank's deposit rating to Aa1.

Due to its historic support in relation to deposit-taking entities, the size of the banking system and the strength, Moody's considers Denmark a high support country and very high support reflects between 70-95% support. Given the increasing size of Danske Bank's franchise, it is difficult to envisage support assumptions changing, unless the bank experienced a dramatic loss of franchise and importance within the Danish banking and payment system.

Danske Bank is a dominant player in the Danish market with leading market shares of 30% for deposits, lending, and mortgages and in terms of market value of mutual funds. In addition, Danske Bank has meaningful footprints in Finland, Norway, Sweden, Northern Ireland, the Baltics and Republic of Ireland. Danske Bank has in 2007 converted its subsidiary in Norway into a branch and we foresee that Danske Bank, where possible, may pursue this strategy going forward. Danske Bank, together with its mortgage subsidiary Realkredit Danmark A/S, is important for the Danish payment system. The second-largest player in Denmark is Nordea Bank Danmark, the Danish banking arm of the Nordic Nordea Group; its market share is estimated to be 21% for deposits, 15% for retail lending (18% corporate lending) and 15% for mortgage lending. Apart from these two large banking groups, the Danish market has more than 100 regional and local banks. For more information on the Danish banking system, see the Banking System Outlook for Denmark.

Notching considerations.

Based on Moody's standard notching convention, Danske Bank's subordinated debt is rated Aa2, i.e. one notch below the bank's issuer rating, and its hybrid capital is rated Aa3, two notches below the bank's issuer rating.

Danske Bank A/S

Exhibit 27: Mapping the BFSR to the Baseline Credit Assessment (BCA)

The discussions of qualitative and quantitative rating drivers presented in this report forms the analytical basis for assigning a Bank Financial Strength Rating (BFSR) of "B" to Danske Bank A/S.

BFSRs are Moody's opinions on the intrinsic safety and soundness of a bank enterprise and, in effect, address the susceptibility of a particular institution to financial distress.

The BFSR array of ratings is not on Moody's traditional rating scale (Aaa, Aa, etc.). There is a useful method, however, for translating BFSRs to Moody's traditional scale - the baseline credit assessment. In effect, the baseline credit assessment measures a bank's stand-alone default risk assuming there is no systemic or other external support.¹

Danske Bank A/S's "B" BFSR maps to a baseline credit assessment of Aa3, yet, considering external support factors, its deposit ratings are Aa1.

BFSR/Baseline Risk Assessment Mapping for Danske Bank A/S	
BFSR	Baseline Credit Assessment (BCA)
A	Aaa
A-	Aa1
B+	Aa2
B	Aa3
B-	A1
C+	A2
C	A3
C-	Baa1
C-	Baa2
D+	Baa3
D+	Ba1
D	Ba2
D-	Ba3
E+	B1
E+	B2
E+	B3
E	Caa1
E	Caa2
E	Caa3

¹ Please see "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", March 2007.

Danske Bank A/S

Company Annual Statistics

Danske Bank A/S

	9/30/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2004
Summary Balance Sheet (DKK million)					
Cash & central bank	13,524	12,319	13,881	7,741	84,897
Due from banks	313,520	569,823	484,650	375,764	91,169
Securities	659,329	407,365	360,021	319,843	493,463
Gross loans	1,949,165	1,366,276	1,193,723	1,000,766	1,033,029
Loan loss reserves (LLR)	-4,640	-3,925	-4,760	-6,174	-12,411
Insurance assets	192,893	194,302	188,342	163,205	0
Fixed assets	12,501	11,768	10,874	10,931	5,884
Other assets	58,470	181,433	185,257	180,431	130,103
Total assets	3,194,762	2,739,361	2,431,988	2,052,507	1,826,134
Total assets (USD million) [1]	609,530	484,577	384,598	375,055	309,349
Total assets (EUR million)	428,597	367,479	326,055	275,928	245,252
Demand deposits	911,519	598,899	533,181	435,507	212,854
Savings deposits [2]	0	0	0	0	271,030
Due to banks	529,209	760,705	635,379	450,359	299,880
Market funds	1,319,336	824,936	732,061	658,598	765,347
Insurance liabilities	215,448	215,793	212,328	191,149	0
Other liabilities	61,317	194,905	201,113	216,223	183,014
Total liabilities	3,036,829	2,595,238	2,314,062	1,951,836	1,732,125
Subordinated debt	56,583	37,487	37,461	33,698	33,549
Shareholders' equity	101,214	106,590	80,418	66,706	60,451
Total capital funds	157,933	144,123	117,926	100,671	94,009
Total liabilities & capital funds	3,194,762	2,739,361	2,431,988	2,052,507	1,826,134
Derivatives - notional amount	--	23,456,343	11,563,643	14,205,509	11,659,767
Derivatives - replacement value	--	149,529	148,888	163,416	95,333
Contingent liabilities	348,081	510,473	450,497	448,757	185,991
Risk weighted assets (RWA)	1,260,000	1,118,990	944,163	808,329	766,985
Assets under management (DKK million) [3]	6,390,000	491,000	468,000	414,000	370,000
Number of employees	23,670	19,253	19,128	16,235	16,114
Summary Income Statement					
=+Interest income	100,492	106,724	88,904	68,666	70,826
=-Interest expense	76,481	80,626	60,111	42,828	46,963
=Net Interest income	24,011	26,098	28,793	25,838	23,863
=+Trading income	6,080	5,146	2,283	-856	-4,311
=+Fee & commission income	6,582	7,085	7,038	5,785	6,052
=+Insurance income (Net)	-5,468	-5,847	-7,140	-4,631	0
=+Dividend income and other operating income	3,122	5,412	3,776	3,253	1,472

Danske Bank A/S

Danske Bank A/S

	9/30/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2004
=operating income	34,327	37,894	34,750	29,389	27,076
=-Personnel expenses	16,643	10,809	10,383	9,105	9,273
=-other operating expenses	0	7,286	6,647	5,900	5,202
= operating funds flow	17,684	19,799	17,720	14,384	12,601
=-Amortisation/depreciation	2,578	2,336	2,099	1,337	489
(Total operating expenses)	19,221	20,431	19,129	16,342	14,964
=Preprovision income (PPI)	15,106	17,463	15,621	13,047	12,112
=-Loan loss provisions	260	-496	-1,096	759	1,662
+Impairment of goodwill, fixed assets and investments [4]	0	-8	-3	0	0
=+Result of subsidiaries and associates	237	389	347	411	2,586
=+Non-recurring items	0	157	545	349	0
=Pretax income	15,083	18,497	17,606	13,048	13,036
=-Taxes	3,777	4,952	4,921	3,718	3,750
=Net income	11,306	13,545	12,685	9,330	9,286
=-Minority interests	60	-12	4	28	0
=Net income (group share)	11,246	13,557	12,681	9,302	9,286

Growth Rates (%)

Gross loans	42.66	14.46	19.28	-3.12	7.48
Total assets	22.16	12.64	18.49	12.4	4.26
Customer deposits (demand and savings)	69.58	12.33	22.43	-10	13.07
Net interest income	22.64	-9.36	11.44	8.28	6.75
Fee and commission income	23.84	0.67	21.66	-4.41	-0.05
Operating expenses	25.41	6.81	17.05	9.21	-4.29
Preprovision income	15.31	11.79	19.73	7.72	4.63
Net income	10.58	6.91	36.33	0.17	12.67

Income Statement in % Average Risk Weighted Assets

Net interest income	2.72	2.52	3.22	3.28	3.1
Trading income	0.69	0.5	0.26	-0.11	-0.56
Fee and commission income	0.75	0.69	0.79	0.73	0.79
Insurance income	-0.62	-0.57	-0.8	-0.59	0
Operating income	3.89	3.67	3.89	3.73	3.51
Operating expenses	2.18	1.98	2.14	2.07	1.94
Preprovision income	1.71	1.69	1.75	1.66	1.57
Loan loss provisions	0.03	-0.05	-0.12	0.1	0.22
Extraordinary profit	0	0.02	0.06	0.04	0
Net income	1.28	1.31	1.42	1.18	1.21

Danske Bank A/S

Danske Bank A/S

	9/30/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2004
Liquidity, Funding (including sub debt) & Balance Sheet Composition					
Avg. liquid assets % avg. total assets	31.35	33.04	34.99	35.4	36.87
Avg. gross loans % avg. total assets	58.85	55.2	50.7	52.44	55.74
Avg. customer deposits % avg. total funding	30.79	28.85	35.14	29.09	29.79
Avg. interbank funds % avg. total funding	22.71	27.86	25.8	23.74	20.24
Avg. market funds (excl. interbank) % avg. total funding	44.43	41.49	37.24	45.05	47.86
Avg. sub debt % avg. total funding	2.07	1.8	1.83	2.13	2.12
Avg. liquid assets % avg. customer deposits	117.87	136.68	111.27	149.32	144.65
Avg. gross loans % avg. customer deposits	221.25	228.39	161.21	221.21	218.7
Avg. market funds reliance [5]	10.39	1.8	-3.65	2.8	7.97
Avg. RWA % avg. total assets	39.39	40	38.73	40.62	43.08
Breakdown of Operating Income in %					
Net interest income % operating income	69.95	68.87	82.86	87.92	88.13
Trading income % operating income	17.71	13.58	6.57	-2.91	-15.92
Fee & commission income % operating income	19.17	18.7	20.25	19.68	22.35
Insurance income % operating income	-15.93	-15.43	-20.55	-15.76	0
Other operating income % operating income	9.09	14.28	10.87	11.07	5.44
Profitability					
Yield on avg. earning assets (%)	5	4.71	4.52	4.14	4.54
Cost of interest bearing liabilities (%)	3.95	3.72	2.91	2.71	3.07
Net interest margin (%) [6]	1.19	1.15	1.46	1.56	1.54
Recurring earning power (Pre-prov. inc. % avg. assets)	0.67	0.68	0.68	0.67	0.68
Risk-weighted recurring earning power (PPI % avg. RWA)	1.71	1.69	1.75	1.66	1.57
Post-provision income % avg. assets	0.66	0.69	0.72	0.63	0.58
Post-provision income % avg. risk weighted assets	1.68	1.74	1.87	1.56	1.36
Return on average assets (%)	0.5	0.52	0.55	0.48	0.52
Return on avg. RWA (%)	1.28	1.31	1.42	1.18	1.21
Post-provision income % tier 1 capital	23.8	18.6	24.19	19.67	17.69
Return on equity (period end) (%)	14.81	12.72	15.77	13.94	15.36
Net interest income coverage of loan loss provisions	92.35	-52.62	-26.27	34.04	14.36
Loan loss provisions % preprovision income	1.72	-2.84	-7.02	5.82	13.72
Pre-tax income % operating income	43.94	48.81	50.66	44.4	48.15
Internal capital growth (%)	8.41	10.12	9.44	6.66	7.67
Dividend payout ratio (%)	40.21	39.95	50.34	56.73	50.19

Danske Bank A/S

Danske Bank A/S

	9/30/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2004
Efficiency					
Cost/income ratio (op. expenses % op. income) [7]	55.99	53.92	55.05	55.61	55.27
Adjusted cost/income ratio (incl. non-operating items)	55.3	52.5	52.49	53.02	45.72
Operating expenses % average assets	0.86	0.79	0.83	0.84	0.84
Operating income / employee (DKK thousand)	1933.16	1968.21	1816.71	1810.22	1680.28
Operating expenses / employee (DKK thousand)	1082.45	1061.19	1000.05	1006.59	928.63
PPI / employee (DKK thousand)	850.71	907.03	816.66	803.63	751.64
Asset Quality and Risk Measurement					
Problem loans % gross loans [8]	0.18	0.23	0.42	0.66	0.93
LLR % problem loans	130.34	125	94.26	93.32	129.52
LLR % gross loans	0.24	0.29	0.4	0.62	1.2
Loan loss provisions % gross loans	0.02	-0.04	-0.09	0.08	0.16
Problem loans % (shareholders' equity + LLR)	3.36	2.84	5.93	9.08	13.15
Replacement value % shareholder's equity	--	140.28	185.14	244.98	157.7
Capital Adequacy (Period End)					
Tier 1 ratio (%)	6.6	8.63	7.32	7.73	7.7
Total capital ratio (%)	9.3	11.44	10.32	10.24	11
Shareholders' equity % total assets	3.17	3.89	3.31	3.25	3.31
Equity participations % shareholders' equity	0.97	0.91	1.3	1.96	24.37

Note:

[1] Historical exchange rates are applied accordingly for USD and EUR figures.

[2] Full disclosure may not be available for all years. The amount is then included in demand deposits.

[3] As reported by the bank.

[4] Includes goodwill amortisation (pre-IFRS).

[5] Avg. [(market funds-liquid assets) % (earning assets-liquid assets)].

[6] Although not part of net interest income calculation, the NIM includes dividend income.

[7] Cost/income ratio excludes goodwill amortisation, which is included together with net non-operating income in the adjusted cost/income ratio.

[8] The group only reported net figures for non performing loans until 2001.

Danske Bank A/S

Related Research

Analysis:

- Denmark, July 2006 (98116)

Special Comments:

- System Outlook- Danish Banks, November 2007 (105786)
- System Outlook- Danish Mortgage Lenders, December 2006 (101161)

Credit Opinion:

- Danske Bank A/S, November 2007
- Sampo Bank plc, November 2007
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- Denmark, October 2007 (104781)

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