

Banks Ratings Navigator		
Navigator date:	18 Sep 2017	
Last rating action:	09 Aug 2017	
Sector Details:		
Bank sector:	Universal Commercial	
Region:	DM Europe	
Country:	Denmark	
Country IDR:	AAA Stable	
Last action:	21 Jul 17 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
09 Aug 17	a	Affirmed
22 Aug 16	a	Affirmed
08 Sep 15	a	Affirmed
Issuer Default Rating (IDR)		
09 Aug 17	A Stable	Affirmed
22 Aug 16	A Stable	Affirmed
08 Sep 15	A Stable	Affirmed
Support Rating Floor (SRF)		
09 Aug 17	NF	Affirmed
22 Aug 16	NF	Affirmed
08 Sep 15	NF	Affirmed
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
■	Higher Influence	
■	Moderate Influence	
■	Lower Influence	
Bar Arrows = Rating Factor Outlook		
↑	Positive	↓ Negative
↕	Evolving	□ Stable
Peer Ratings bars = Count of banks		
67	DM Europe Universal Commercial	
1	Denmark Universal Commercial	
Relevant Criteria & References		
Global Bank Rating Criteria (Nov 2016)		
Macro-Prudential Risk Monitor (Aug 2017)		
Analysts		
Bjorn Norrman (+44 20 3530 1330)		
Olivia Perney (+ 33 1 44 29 91 74)		

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA-
a+										a+	A+	A+
a										a	A	A Stable
a-										a-	A-	A-
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc										ccc	CCC	CCC
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Support Rating Floor	Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)	A+ to A-		
Actual country D-SIB SRF	NF		
Support Rating Floor:	NF		
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system relative to economy			✓
Size of potential problem	✓		
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)			✓
Sovereign propensity to support system			✓
Resolution legislation with senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support		✓	
Sovereign propensity to support bank			✓
Systemic importance		✓	
Liability structure of bank		✓	
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

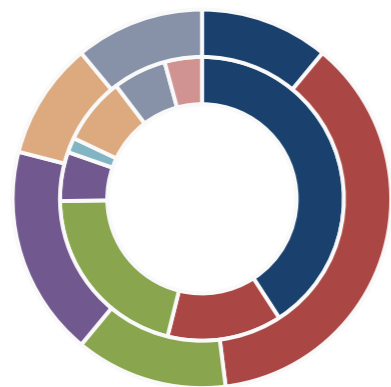
Drivers & Sensitivities	
Leading Danish Bank	The ratings reflect Danske Bank's strong universal Danish and to a lesser extent, pan-Nordic franchises, which provide stable revenues across a wide product range.
Nordic-Focused Strategy	We view positively management's renewed strategic focus on relationship banking in the Nordics. The risk-management framework has been strengthened, which should translate into some further asset-quality improvements.
Improved Asset Quality	The stock of non-performing loans continues to decline on the back of a domestic economic recovery, enhanced underwriting standards and the winding down of the non-core Irish portfolio, which is no longer a material risk to the bank.
Stronger Profitability	Profitability has improved, mainly from lower loan impairment charges. The bank benefits from strong and stable revenue generation, and good cost control. Margins have been resilient to negative interest rates. We expect profitability to benefit from expansion in Norway and Sweden.
Wholesale Funded; Healthy Liquidity	Danske is reliant on wholesale funding, like most Nordic banks. It has a well-diversified funding base. Danish mortgage lending is by law funded by covered bonds. A deep captive domestic investor base supports demand, but strong liquidity is key to mitigate refinancing risk.
Solid Capitalisation	Danske's risk-weighted capital ratios compare well with international peers. Leverage is acceptable in a European context.
Upgrade Sensitivities	A sustained and material improvement in asset quality and profitability may result in positive rating pressure in the medium term. This would also require management to successfully execute its strategy, while maintaining solid capital, funding and liquidity ratios.
Downgrade Sensitivities	A downgrade could result from a prolonged inability to competitively access debt capital markets, asset-quality deterioration that materially affects capitalisation or weaker profitability. Fitch expects Danske to maintain a large liquidity buffer to mitigate funding risks.

Key Financial Ratios (01 Sep 2017)	Danske				Direct Peers Median				Region Sector Median			
	Number of Banks: Statement:				6	6	6	6	6	6	6	6
	2Q17	FYE16	FYE15	FYE14	2Q17	FYE16	FYE15	FYE14	2Q17	FYE16	FYE15	FYE14
Size (USDbn)												
Total assets	548	494	482	564	641	571	593	688	432	240	225	266
Risk weighted assets (RWA)	119	116	122	141	134	128	139	159	147	63	67	89
Total equity	23	22	22	24	29	28	28	30	23	14	14	16
Fitch core capital (FCC)	19	18	19	19	21	18	23	25	29	11	11	13
Asset Quality												
Impaired loans/gross loans	2.3%	2.7%	3.4%	4.4%	2.3%	2.2%	2.1%	2.9%	3.4%	3.8%	4.4%	5.3%
Growth of gross loans	0.7%	4.3%	1.9%	0.6%	1.2%	-2.2%	1.7%	1.2%	1.0%	0.8%	1.9%	0.5%
Reserves for impaired loans/impaired loans	58.7%	61.2%	54.7%	56.0%	38.7%	41.5%	45.2%	48.3%	60.1%	58.6%	56.1%	55.4%
Loan impairment charges/avg gross loans	-0.1%	-0.0%	0.0%	0.2%	0.1%	0.1%	0.1%	0.2%	0.1%	0.3%	0.3%	0.5%
Earnings and Profitability												
Operating profit/risk weighted assets	3.5%	2.9%	2.7%	2.0%	3.4%	2.8%	2.7%	2.0%	2.0%	1.7%	1.7%	1.5%
Net interest income/average earning assets	0.8%	1.0%	1.0%	1.0%	1.3%	1.3%	1.2%	1.2%	1.3%	1.5%	1.6%	1.6%
Non-interest expense/gross revenues	50.2%	51.9%	53.2%	55.4%	53.8%	56.4%	54.7%	55.7%	66.0%	63.2%	63.1%	63.1%
Loans & secs imp charges/pre-imp op. profit	-3.7%	-0.7%	-0.3%	17.9%	5.5%	7.7%	7.7%	15.7%	9.8%	14.3%	24.1%	25.4%
Operating profit/average total assets	0.8%	0.7%	0.7%	0.5%	0.8%	0.7%	0.7%	0.6%	0.7%	0.7%	0.6%	0.5%
Net income/average total equity	14.0%	13.4%	8.9%	2.7%	12.5%	10.3%	11.9%	8.0%	9.1%	6.8%	7.5%	6.2%
Capital and Leverage												
FCC/FCC-adjusted risk weighted assets	16.5%	16.2%	15.4%	13.6%	17.7%	16.8%	16.3%	15.1%	15.9%	14.7%	13.9%	12.7%
Basel leverage ratio	4.1%	4.6%	4.7%	4.1%	4.4%	4.6%	4.6%	4.1%	5.4%	5.6%	5.3%	4.9%
Tangible common equity/tangible assets	4.0%	4.2%	4.3%	3.9%	4.6%	4.8%	4.3%	4.2%	5.3%	5.9%	6.1%	5.2%
CET1 capital ratio	16.2%	16.3%	16.1%	15.1%	17.0%	16.7%	15.8%	15.1%	14.6%	14.4%	14.2%	13.8%
Internal capital generation	14.0%	7.6%	3.6%	-1.1%	11.2%	5.1%	3.6%	3.6%	8.5%	4.1%	3.2%	2.8%
Imp loans less reserves for imp Loans/FCC	13.2%	13.8%	20.1%	27.1%	16.1%	13.8%	18.5%	19.7%	6.4%	13.7%	16.1%	23.0%
Funding and Liquidity												
Loans/customer deposits	190.9%	201.5%	202.8%	212.8%	126.1%	131.9%	130.9%	130.3%	111.3%	108.1%	111.5%	115.5%
Liquidity coverage ratio	163.0%	158.0%	125.0%	129.0%	151.0%	159.0%	128.0%	129.0%	138.0%	139.0%	128.0%	122.0%
Customer deposits/total funding excl derivs	34.2%	34.0%	34.3%	30.9%	59.1%	59.1%	59.9%	57.9%	61.9%	66.2%	67.2%	64.5%

Business Mix

(by profit or revenue)

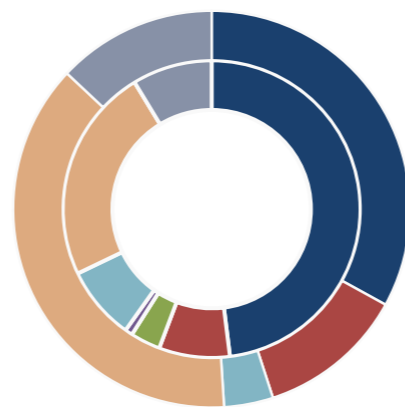
- Retail banking (11%)
- SME banking (37%)
- Corporate banking (13%)
- Investment banking (18%)
- Transaction banking (0%)
- Asset management (10%)
- Insurance (11%)
- Other (0%)



Outer: Danske
Inner: Direct Peers Average

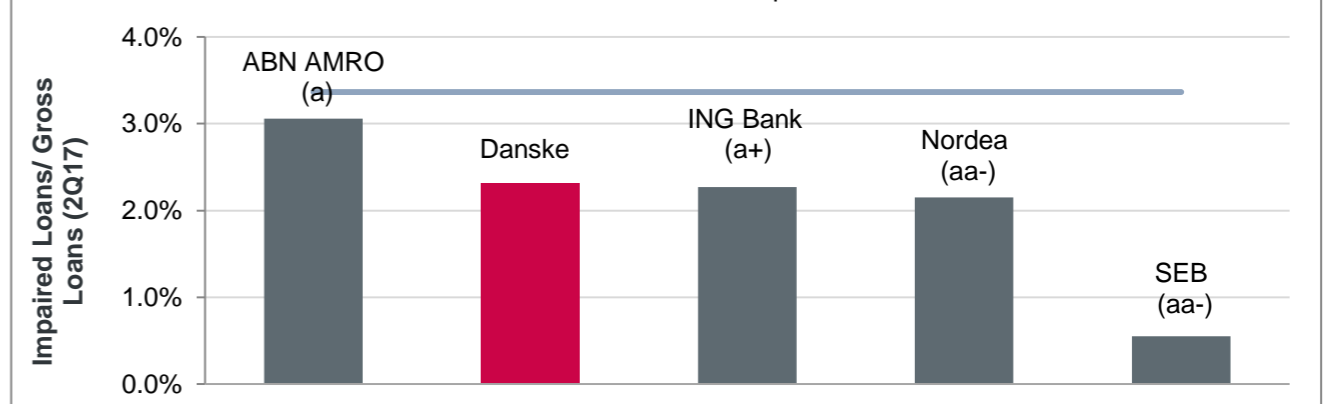
Lending Type

- Resi mortgages (33%)
- Comm mortgages (12%)
- Asset finance (0%)
- Other secured (0%)
- Personal unsecured (4%)
- Comm unsecured (38%)
- Fls & Sovs (13%)
- High yield (0%)
- Other unsecured (0%)

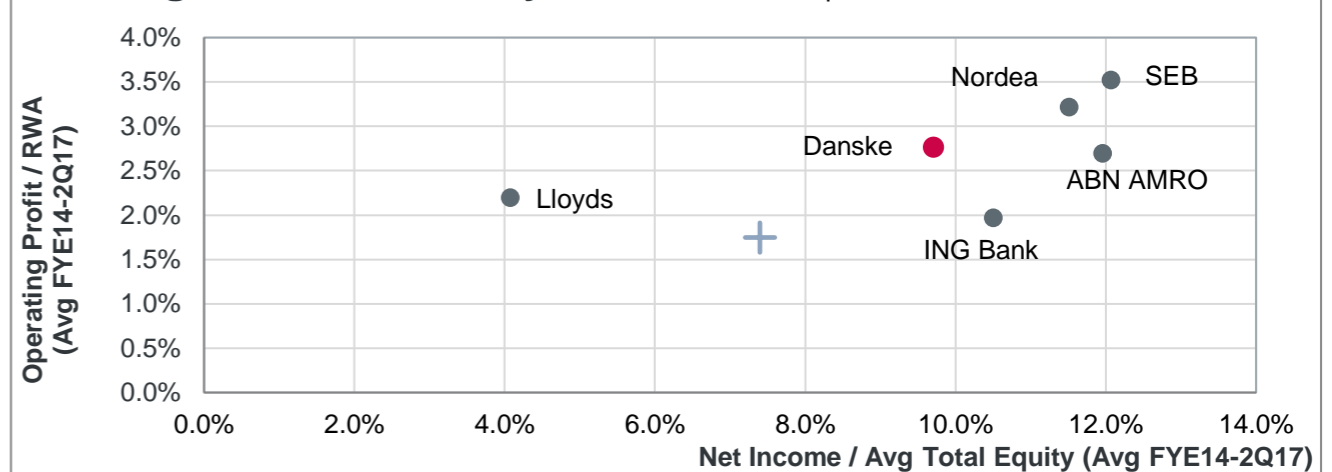


Outer: Danske
Inner: Direct Peers Average

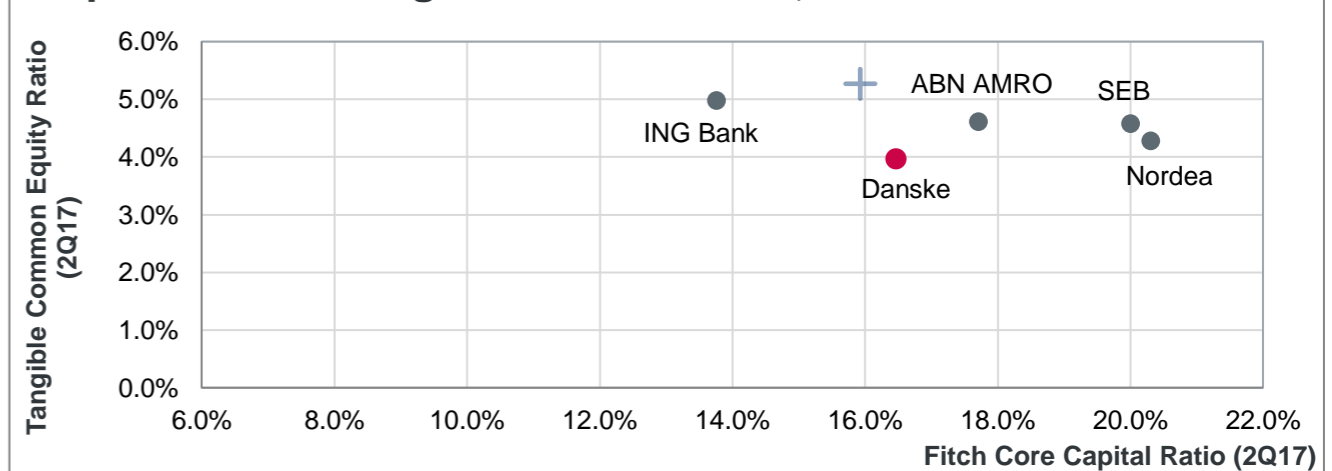
Asset Quality



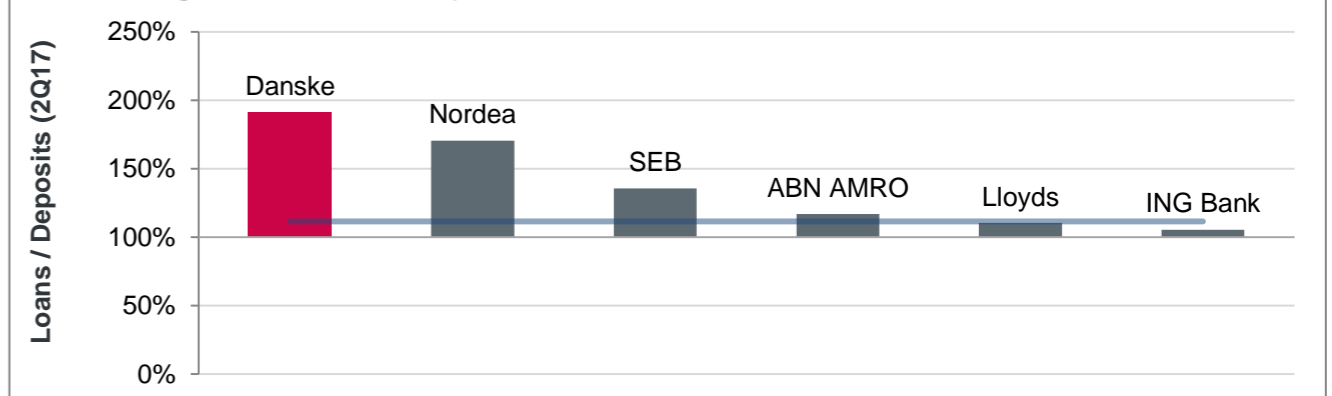
Earnings and Profitability



Capital and Leverage



Funding and Liquidity



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