

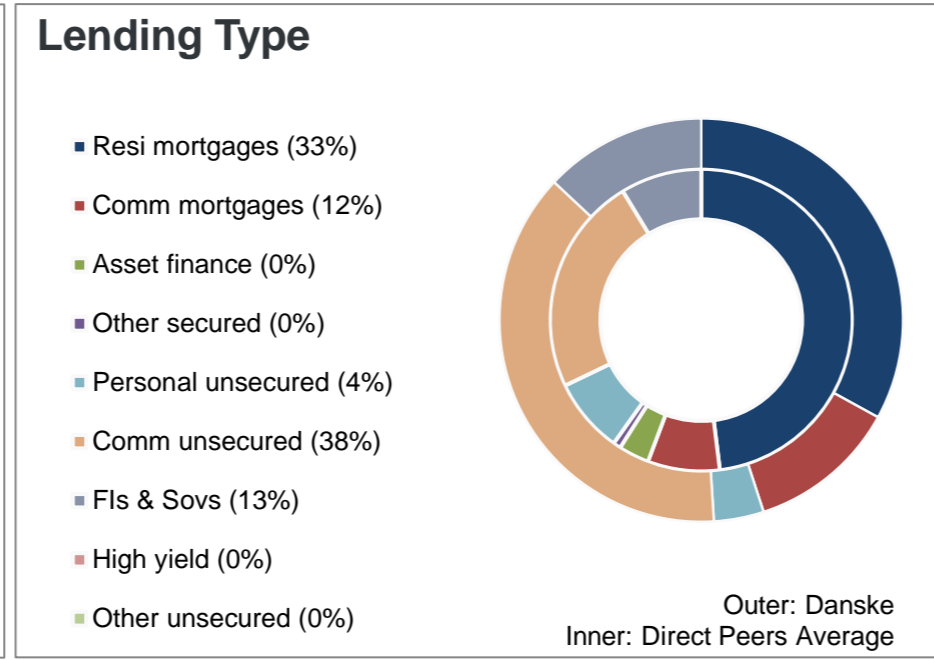
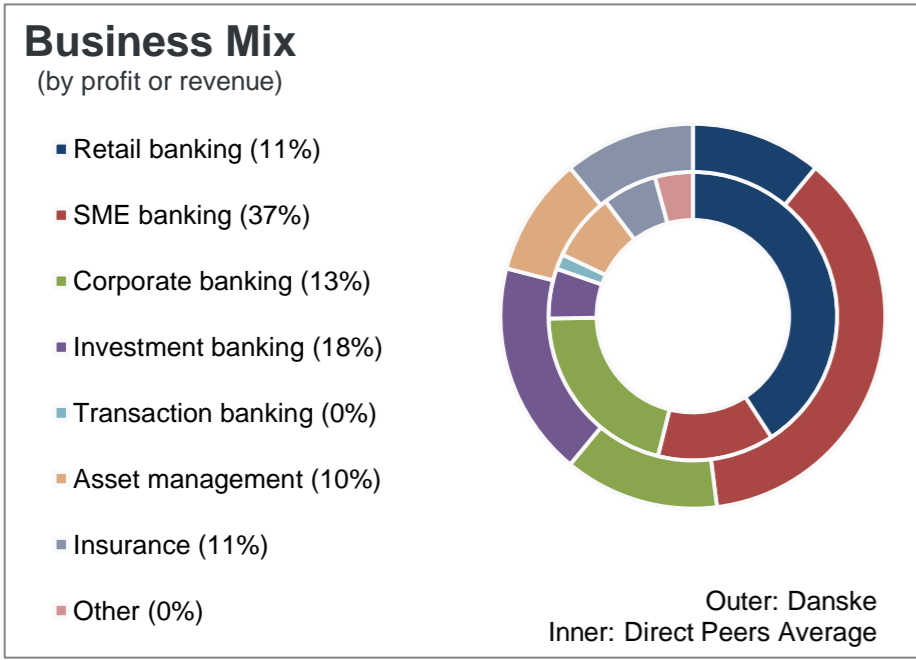
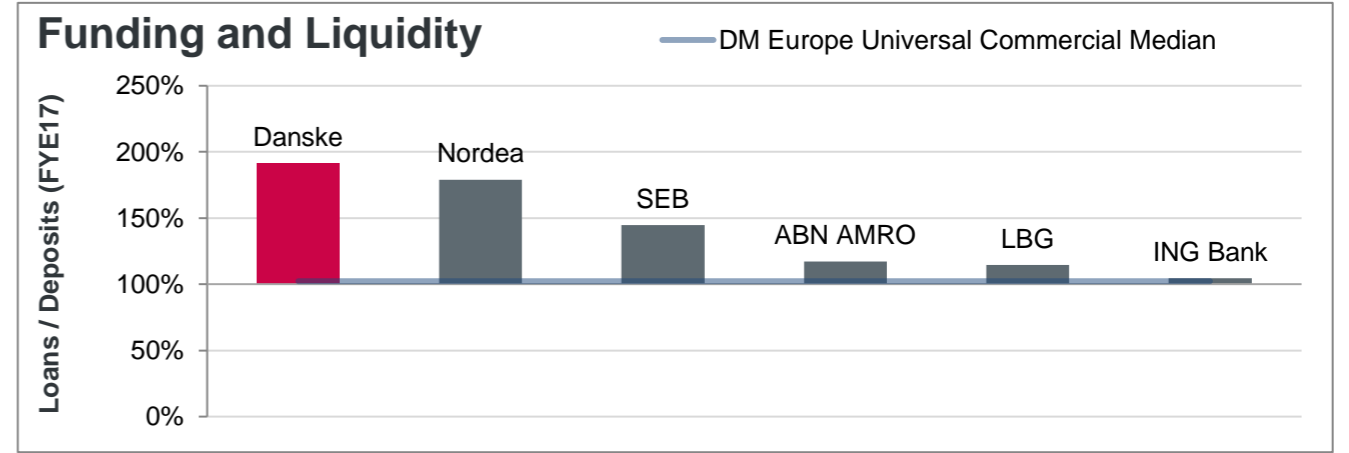
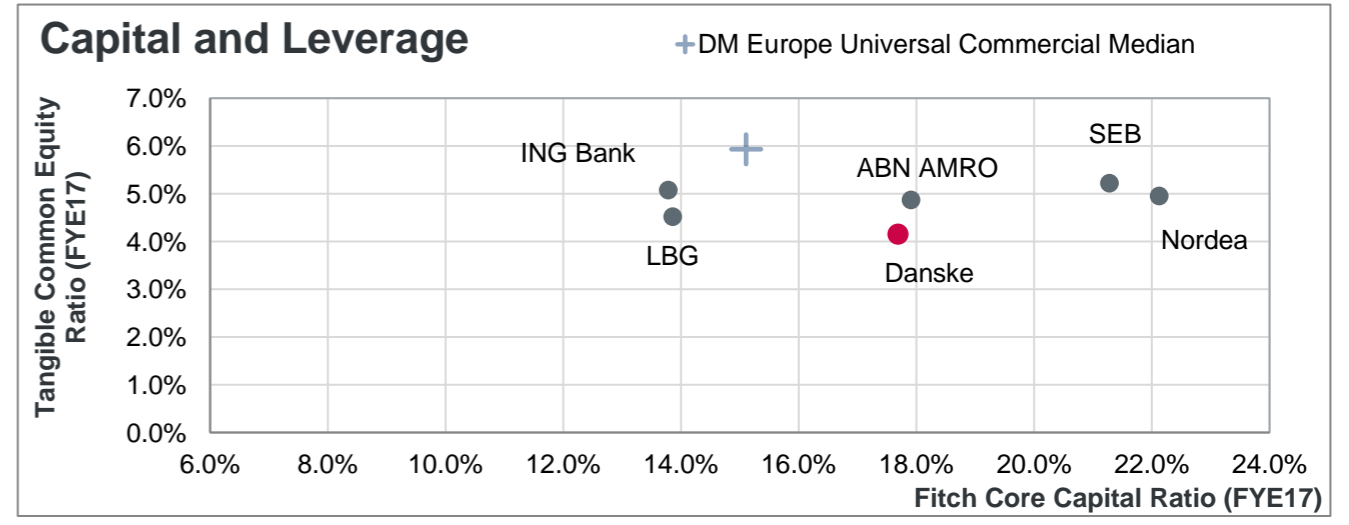
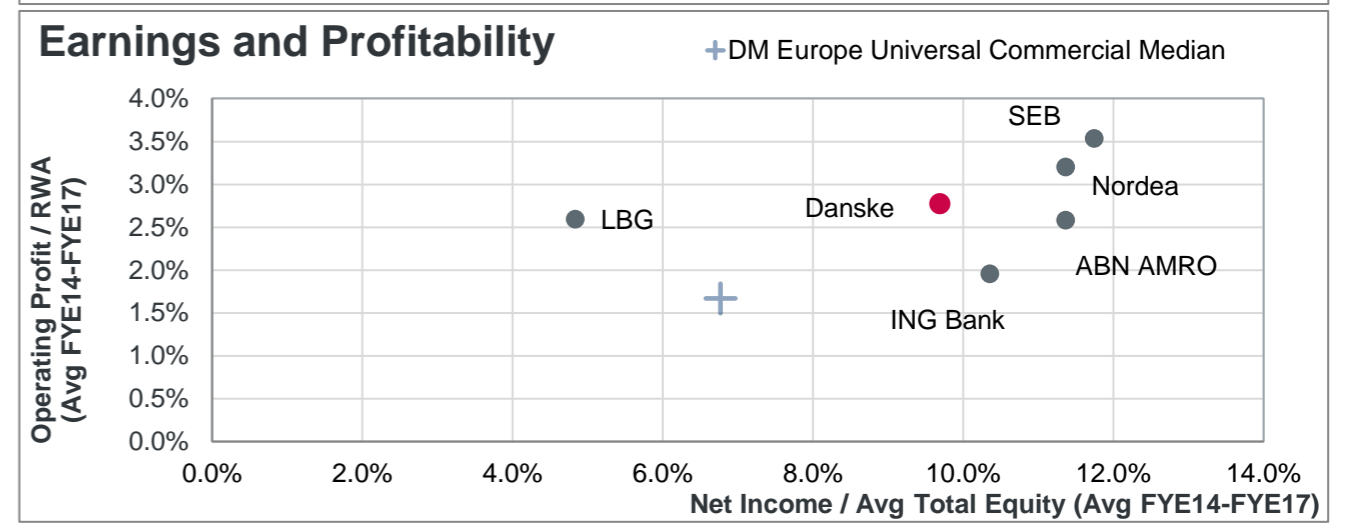
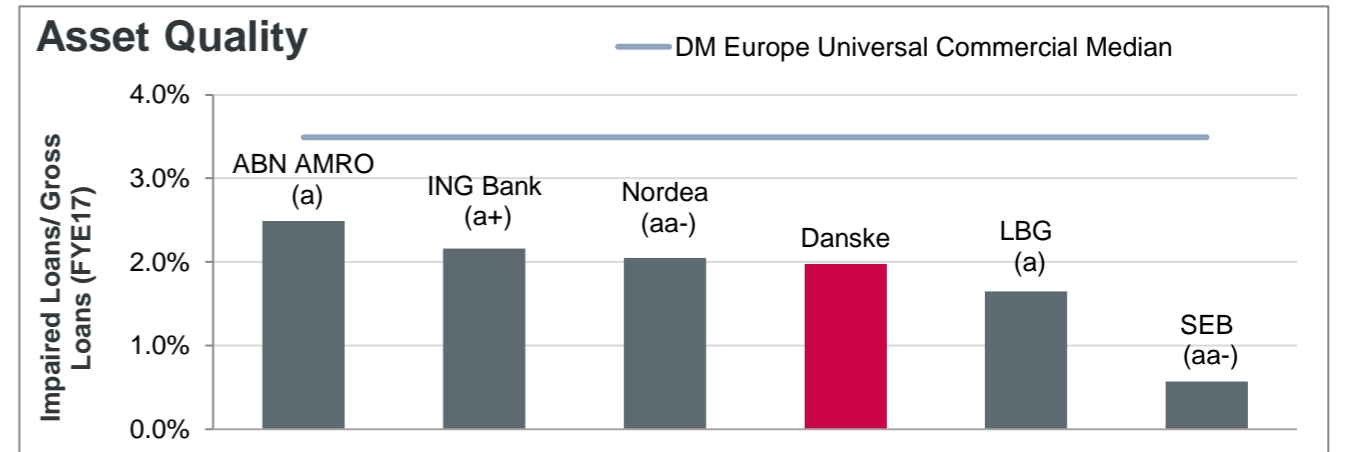
Banks Ratings Navigator		
Navigator date:	19 Oct 2018	
Last rating action:	25 Sep 2018	
Sector Details:		
Bank sector:	Universal Commercial	
Region:	DM Europe	
Country:	Denmark	
Country IDR:	AAA Stable	
Last action:	15 Jun 18 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
25 Sep 18	a	Affirmed
01 Aug 18	a	Affirmed
09 Aug 17	a	Affirmed
Issuer Default Rating (IDR)		
25 Sep 18	A Negative	Affirmed
01 Aug 18	A Stable	Affirmed
09 Aug 17	A Stable	Affirmed
Support Rating Floor (SRF)		
25 Sep 18	NF	Affirmed
01 Aug 18	NF	Affirmed
09 Aug 17	NF	Affirmed
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
<span style="color: red;">■</span>	Higher Influence	
<span style="color: blue;">■</span>	Moderate Influence	
<span style="color: lightblue;">■</span>	Lower Influence	
Bar Arrows = Rating Factor Outlook		
↑	Positive	↓ Negative
↕	Evolving	□ Stable
Peer Ratings bars = Count of banks		
72	DM Europe Universal Commercial	
1	Denmark Universal Commercial	
Relevant Criteria & References		
<a href="#">Bank Rating Criteria (Jun 2018)</a>		
<a href="#">Macro-Prudential Risk Monitor (Mar 2018)</a>		
Analysts		
<a href="#">Bjorn Norrman (+44 20 3530 1330)</a>		
<a href="#">Gurminder Bawa (+44 20 3530 1787)</a>		

	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 Negative
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+
ccc										ccc	CCC	CCC
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		
<b>Support Rating Floor:</b>	<b>NF</b>		
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	
<b>Estonia Case Drives Outlook</b>	Danske Bank AS's Negative Outlook reflects uncertainty relating to the ultimate impact on its capitalisation, franchise and funding profile, after EUR200 billion of non-resident payments, largely expected to be suspicious, were allowed to flow through its Estonian branch between 2007 and 2015.
<b>Significant Tail Risk From Further Findings</b>	Fitch Ratings' base case is that any fines will be an earnings rather than a capital event. However, there is a tail risk of larger fines given the magnitude of suspicious transactions identified, that sanction screening is not complete and that a large part of non-resident clients are yet to be investigated.
<b>Impact Manageable Until Now</b>	Reputational damage and a sharp share price decline do not yet appear to have materially damaged the franchise, and funding costs remain manageable despite a recent increase. Still, ongoing regulatory investigations and associated news-flows could materially damage the franchise or funding profile.
<b>Stronger Risk Management</b>	Danske has strengthened its risk-management framework in recent years, in particular through more stress testing and portfolio analysis. It closed the non-resident Estonian portfolio in 2015 and has since invested heavily in corporate governance, including anti-money laundering processes.
<b>Good Profitability; Solid Capitalisation</b>	Danske enjoys strong and stable revenue generation as well as good cost control. Margins are low but have proven resilient to negative interest rates. Risk-weighted capital ratios compare well with international peers'. Leverage is somewhat high, although still acceptable.
<b>Wholesale Funding; Healthy Liquidity</b>	Danske is wholesale-funding reliant, like Nordic peers. Its market access has been resilient and its funding is diversified. Its mortgage business is entirely funded by mortgage bonds, for which there is strong demand. Strong liquidity is key to mitigating refinancing risk.
<b>Sensitive to Capital-Depleting Fine</b>	Fitch could downgrade Danske's ratings, if the banks is likely to incur fines that would materially deplete its capital base, especially if we believe this would also translate into a material loss of franchise strength or a weaker funding profile. Negative rating pressure could also arise from significant asset-quality deterioration.
<b>Outlook Sensitive to Regulatory Risk</b>	Fitch could revise the Outlook to Stable if the risk of a capital-depleting fine diminishes, and if the bank can put the Estonian case behind it without materially damaging its franchise or funding profile. An improvement in asset quality and profitability could result in positive rating pressure in the medium term.

Key Financial Ratios (05 Oct 2018)	Danske				Direct Peers Median				Region Sector Median			
	Number of Banks: Statement:				6	6	6	6	FYE17	FYE16	FYE15	FYE14
<b>Size (USDbn)</b>												
Total assets	570	494	482	564	634	571	593	688	273	240	238	266
Risk weighted assets (RWA)	121	116	122	141	139	128	139	159	91	65	68	76
Total equity	25	22	22	24	32	28	28	30	16	14	15	15
Fitch core capital (FCC)	21	18	19	19	28	23	23	25	15	11	12	13
<b>Asset Quality</b>												
Impaired loans/gross loans	2.0%	2.7%	3.4%	4.4%	2.0%	2.1%	2.5%	2.9%	3.5%	3.8%	4.2%	5.2%
Growth of gross loans	0.8%	4.2%	1.9%	0.6%	2.1%	2.3%	1.7%	1.2%	1.9%	1.1%	1.1%	0.4%
Loan loss allowances/impaired loans	58.2%	55.4%	54.7%	56.0%	40.0%	43.7%	47.3%	56.1%	57.6%	55.7%	55.9%	55.4%
Loan impairment charges/avg gross loans	-0.1%	-0.0%	0.0%	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.5%
<b>Earnings and Profitability</b>												
Operating profit/risk weighted assets	3.5%	2.9%	2.7%	2.0%	3.3%	2.8%	2.8%	1.9%	1.8%	1.7%	1.7%	1.5%
Net interest income/average earning assets	0.9%	1.0%	1.0%	1.0%	1.2%	1.1%	1.3%	1.2%	1.5%	1.5%	1.5%	1.6%
Non-interest expense/gross revenues	51.7%	51.9%	53.2%	55.4%	54.8%	56.4%	54.7%	55.7%	67.9%	65.5%	64.6%	63.0%
Loans & secs imp charges/pre-imp op. profit	-6.4%	-0.7%	-0.3%	17.9%	5.9%	7.7%	7.5%	16.0%	12.4%	15.0%	23.5%	24.3%
Operating profit/average total assets	0.7%	0.7%	0.7%	0.5%	0.8%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%
Net income/average total equity	13.9%	13.4%	8.9%	2.7%	11.5%	10.3%	11.9%	8.0%	7.0%	6.8%	7.1%	6.2%
<b>Capital and Leverage</b>												
FCC/FCC-adjusted risk weighted assets	17.7%	16.2%	15.4%	13.6%	17.8%	16.5%	15.1%	13.4%	15.1%	14.7%	13.8%	12.7%
CET1 capital ratio	17.6%	16.3%	16.1%	15.1%	17.7%	16.7%	15.8%	14.6%	14.8%	14.2%	14.2%	13.8%
Basel leverage ratio	4.4%	4.6%	4.7%	4.1%	4.9%	4.8%	4.7%	4.1%	5.6%	5.4%	5.3%	4.5%
Tangible common equity/tangible assets	4.2%	4.2%	4.3%	3.9%	4.9%	4.6%	4.3%	4.1%	5.9%	5.7%	6.0%	4.9%
Imp loans less loan loss allowances/FCC	11.0%	15.8%	20.1%	27.1%	14.8%	16.3%	19.6%	20.6%	14.9%	14.2%	15.3%	22.3%
<b>Funding and Liquidity</b>												
Loans/customer deposits	191.3%	201.2%	202.8%	212.8%	131.0%	131.9%	130.9%	130.3%	102.5%	105.1%	111.4%	109.2%
Liquidity coverage ratio	171.0%	158.0%	125.0%	129.0%	147.0%	159.0%	128.0%	129.0%	146.0%	140.2%	132.0%	121.0%
Customer deposits/total funding excl derivs	34.5%	34.0%	34.3%	30.9%	61.5%	59.1%	59.9%	57.9%	68.4%	67.0%	67.1%	64.5%



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