

Banks Ratings Navigator		
Navigator date:	July 2019	
Last rating action:	02 Jul 2019	
Sector Details:		
Bank sector:	Universal Commercial	
Region:	DM Europe	
Country:	Denmark	
Country IDR:	AAA Stable	
Last action:	22 Mar 19 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
02 Jul 19	a	Affirmed
25 Sep 18	a	Affirmed
01 Aug 18	a	Affirmed
Issuer Default Rating (IDR)		
02 Jul 19	A Negative	Affirmed
25 Sep 18	A Negative	Affirmed
01 Aug 18	A Stable	Affirmed
Support Rating Floor (SRF)		
02 Jul 19	NF	Affirmed
25 Sep 18	NF	Affirmed
01 Aug 18	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	
	Evolving	
	Stable	
Peer Ratings bars = Count of banks		
76	DM Europe Universal Commercial	
1	Denmark Universal Commercial	
Relevant Criteria & References		
Bank Rating Criteria (Oct 2018)		
Macro-Prudential Risk Monitor (Apr 2019)		
Short-Term Ratings Criteria (May 2019)		
Major Nordic Banks 2018 results (Apr 2019)		
Analysts		
Francis Dallaire (+46 85510 9444)		
Michal Bryks (+48 22 338 6293)		

	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		
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	Danske Bank AS' ratings reflect its strong universal banking franchise in Denmark, and to a growing extent across the Nordic region. Ratings also reflect stable revenue generation as well as strong capitalisation and funding access, although wholesale reliance makes the bank sensitive to investor confidence.
AML Investigations Drives Outlook	The Negative Outlook reflects uncertainty relating to the ultimate impact on Danske's capitalisation, franchise and funding profile from investigations by regulators on the bank's serious deficiencies of its anti-money laundering controls, in particular in its Estonian non-resident portfolio.
Management Needs Time to Restore Trust	Danske has suffered significant reputational damage. The executive board has seen significant turnover over the past 24 months. Fitch Ratings expects more stability and a reduction in managerial uncertainty. The management team needs time to fully restore trust from the various stakeholders.
Stronger Risk Management	Danske has strengthened its risk-management framework in recent years, particularly through more stress testing and portfolio analysis. The substantial strengthening of the financial crime and compliance departments should help to alleviate management distractions from investigations.
Good Profitability; Solid Capitalisation	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 high, although still acceptable and decreasing.
Healthy Access to Wholesale Funding; Healthy Liquidity	Danske is reliant on wholesale funding markets. Its well-diversified funding base has proven resilient to the negative news from the AML investigations. The spread-widening has increased funding costs but these remain manageable. Strong liquidity is key to mitigating refinancing risk.
Sensitive to Capital-Depleting Fine	Fitch could downgrade Danske's ratings if the bank is likely to incur fines that would materially deplete its capital base, especially if this causes a material loss of franchise strength or a weaker funding profile. Negative rating pressure could also arise from significant asset-quality deterioration.
Outlook Sensitive to Regulatory Risk	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.

Credit-Relevant ESG Derivation

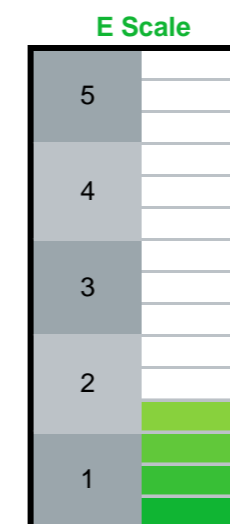
Danske Bank AS has 1 ESG key rating driver and 5 ESG potential rating drivers

- ➔ Danske Bank AS is exposed to risks related to its Governance Structure, which are a key driver for its Negative Outlook. This is reflected in the '5' ESG relevance score for this factor. Pressure remains from the outcome of the various investigations and legal risk from a large fine remain elevated.
- ➔ Danske Bank AS has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- ➔ Danske Bank AS has exposure to shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices but this has very low impact on the rating.
- ➔ Danske Bank AS has exposure to operational implementation of strategy but this has very low impact on the rating.
- ➔ Danske Bank AS has exposure to organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership but this has very low impact on the rating.
- ➔ Danske Bank AS has exposure to quality and frequency of financial reporting and auditing processes but this has very low impact on the rating.

				Overall ESG Scale	
key driver	1	issues	5		
driver	0	issues	4		
potential driver	5	issues	3		
not a rating driver	3	issues	2		
	5	issues	1		

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The left-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

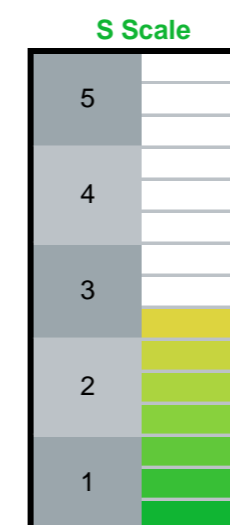
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

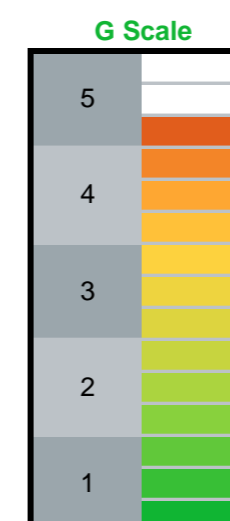
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	3	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	5	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

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