

CREDIT OPINION

18 December 2020

Update

✓ Rate this Research

RATINGS

Danske Bank A/S

| | |
|-------------------|--|
| Domicile | Copenhagen, Denmark |
| Long Term CRR | A1 |
| Type | LT Counterparty Risk Rating - Fgn Curr |
| Outlook | Not Assigned |
| Long Term Debt | A3 |
| Type | Senior Unsecured - Fgn Curr |
| Outlook | Stable |
| Long Term Deposit | A2 |
| Type | LT Bank Deposits - Fgn Curr |
| Outlook | Negative |

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Louise Lundberg +46.8.5179.1280
 VP-Sr Credit Officer
 louise.lundberg@moodys.com

Elena Ioannou, CFA +44.20.7772.1716
 Associate Analyst
 elena.ioannou@moodys.com

Niclas Boheman +46.8.5179.1281
 VP-Senior Analyst
 niclas.boheman@moodys.com

Simon James Robin +44.20.7772.5347
 Ainsworth
 Associate Managing Director
 simon.ainsworth@moodys.com

Sean Marion +44.20.7772.1056
 MD-Financial Institutions
 sean.marion@moodys.com

Danske Bank A/S

Update to credit analysis

Summary

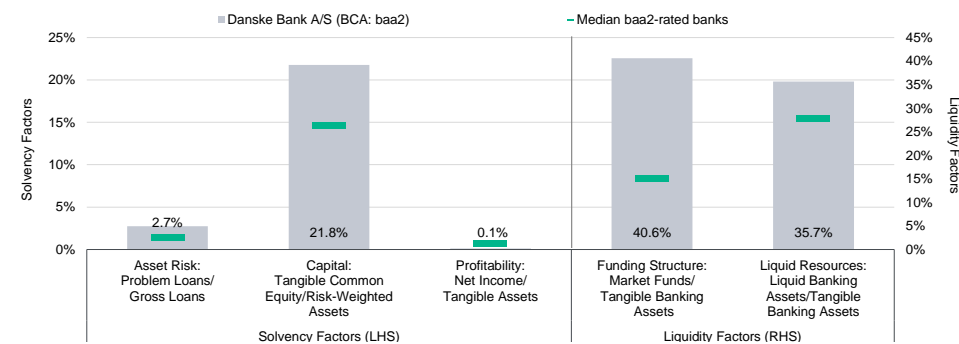
We assign a baa2 Baseline Credit Assessment (BCA), A2 long-term (LT) deposit ratings and A3 senior unsecured debt ratings, along with Baa3 junior senior debt ratings (assigned to senior non-preferred debt) to [Danske Bank A/S](#) (Danske). The LT deposit ratings carry a negative outlook and the senior unsecured debt ratings carry a stable outlook.

Danske's baa2 BCA reflects its good but weaker than peers asset quality, and solid capitalisation, balanced against the profitability pressures the bank faces from higher funding costs and operational expenses related to ongoing anti-money laundering (AML) investigations, at a time of low interest rates and increased competition. These pressures are amplified by the economic and financial fallout of the coronavirus pandemic. The bank's high dependence on market funding is mitigated by more stable covered bonds and adequate liquidity.

Danske's LT deposit, senior unsecured and junior senior debt ratings incorporate our forward looking view incorporating the bank's current MREL (Minimum Requirements for own funds and Eligible Liabilities) requirements.

Exhibit 1

Rating Scorecard - Key financial ratios



These represent our Banks methodology scorecard ratios, whereby asset risk and profitability reflect the weaker of either the three-year average or the latest annual figure. Capital ratio is the latest reported figure. Funding structure and liquid resource ratios reflect the latest fiscal year-end figures.

Source: Moody's Investors Service

Credit strengths

- » Good asset quality, but still below that of its Nordic peers
- » Solid capitalisation

Credit challenges

- » Profitability under pressure, exacerbated by the coronavirus economic disruption
- » Potential fines and other regulatory penalties arising from past money laundering through the bank's Estonian branch between 2007-15
- » High dependence on market funding, mitigated by more stable covered bonds and adequate liquidity

Outlook

The negative outlook on the deposit ratings reflects the risk that the volume and subordination buffer may potentially diminish over time as senior unsecured volumes mature, unless the bank issues significantly higher senior non-preferred debt volumes than justified by its current MREL requirements.

The stable outlook on the senior unsecured ratings reflects our view that the bank's financial performance will remain solid, supporting the current BCA, despite the economic shock following the coronavirus pandemic and continuing uncertainty around the pace of recovery.

Factors that could lead to an upgrade

- » The BCA and Adjusted BCA could be upgraded if the bank demonstrates that it has fully addressed compliance shortcomings and that the repercussions of the historical issues in Estonia will not have any further material negative impact on Danske's financial profile or its franchise relative to the current positioning of the BCA.
- » The bank would also need to return to significantly higher levels of profitability on a sustained basis without any noticeable deterioration in its funding profile, along with a reduction in the potential risk of further material financial penalties that the bank could not contain within one year's earnings.
- » The LT senior unsecured debt and junior senior unsecured debt ratings could also be upgraded if the bank were to significantly increase its senior non-preferred debt issuance, providing additional loss-absorbing buffer, over time.

Factors that could lead to a downgrade

- » The ratings could be downgraded if we observe relapses in terms of governance, control functions or compliance, along with any indications of a renewed aggressive strategy resulting in heightened credit or operational risks.
- » The ratings would also come under pressure if we observe (1) a sustained loss in clients or business, exerting pressure on the bank's financial profile; (2) indications of monetary penalties greater than current expectations, which would put the bank's capital under significant pressure; or (3) signs that funding becomes significantly more costly or that access to certain markets or instruments becomes more limited.
- » The LT deposit ratings could also be downgraded if the amount of subordination, which includes the effect of frontloading its senior non-preferred issuance, were to decline significantly.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Danske Bank A/S (Consolidated Financials) [1]

| | 09-20 ² | 12-19 ² | 12-18 ² | 12-17 ² | 12-16 ² | CAGR/Avg. ³ |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------|
| Total Assets (DKK Million) | 3,692,276.5 | 3,421,905.0 | 3,312,537.0 | 3,357,457.0 | 3,242,070.0 | 3.5 ⁴ |
| Total Assets (USD Million) | 581,667.0 | 514,031.1 | 507,439.1 | 541,490.4 | 459,897.4 | 6.5 ⁴ |
| Tangible Common Equity (DKK Million) | 166,838.2 | 171,255.0 | 161,674.0 | 165,604.0 | 159,638.0 | 1.2 ⁴ |
| Tangible Common Equity (USD Million) | 26,283.0 | 25,725.6 | 24,766.4 | 26,708.6 | 22,645.1 | 4.1 ⁴ |
| Problem Loans / Gross Loans (%) | 2.7 | 2.4 | 2.5 | 1.9 | 2.6 | 2.4 ⁵ |
| Tangible Common Equity / Risk Weighted Assets (%) | 21.8 | 22.3 | 21.6 | 22.0 | 19.6 | 21.5 ⁶ |
| Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%) | 26.1 | 23.1 | 25.1 | 18.1 | 24.5 | 23.4 ⁵ |
| Net Interest Margin (%) | 0.8 | 0.8 | 0.9 | 0.9 | 1.0 | 0.9 ⁵ |
| PPI / Average RWA (%) | 1.9 | 1.7 | 2.5 | 3.1 | 3.0 | 2.4 ⁶ |
| Net Income / Tangible Assets (%) | 0.1 | 0.3 | 0.4 | 0.6 | 0.6 | 0.4 ⁵ |
| Cost / Income Ratio (%) | 67.7 | 70.8 | 60.3 | 51.5 | 50.4 | 60.1 ⁵ |
| Market Funds / Tangible Banking Assets (%) | 41.3 | 40.6 | 41.9 | 43.6 | 44.6 | 42.4 ⁵ |
| Liquid Banking Assets / Tangible Banking Assets (%) | 35.7 | 35.7 | 32.2 | 37.3 | 35.8 | 35.3 ⁵ |
| Gross Loans / Due to Customers (%) | 161.7 | 191.4 | 200.8 | 191.3 | 201.1 | 189.3 ⁵ |

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Profile

Danske Bank A/S (Danske) is part of the Danske Bank Group, which also comprises Realkredit Denmark A/S (a mortgage credit institution), Danica Pension (a life insurance company), Danske Hypotek AB (a covered bond issuer in Sweden), [Danske Mortgage Bank Plc](#) (a covered bond issuer in Finland) and Northern Bank Limited (a commercial bank in Northern Ireland). As of the end of September 2020, the bank held 26% of the domestic market share in terms of loans and 29% in terms of deposits as of the end of March 2020. Total reported consolidated assets stood at DKK4.0 trillion (€541.0 billion).

Danske is a universal bank, and it provides a broad range of products and services, including deposits, loans and other credit, insurance, pensions, leasing, asset management, and trading in fixed-income products, foreign exchange and equities. Its main distribution channel is through electronic services. As of the end of September 2020, it also distributed its products through 92 domestic and 107 international branches in Sweden, Norway, Finland and Northern Ireland.

Danske was established in 1871 as Den Danske Landmandsbank. In 1976, it was renamed Den Danske Bank. In 2000, the name was changed to Danske Bank. Its shares are listed on the NASDAQ OMX Copenhagen Stock Exchange (Ticker: DANSKE). As of year-end 2019, its largest shareholder was the A.P. Møller Holding Group, which held 21% of the bank's total share capital.

Recent developments

We [expect](#) advanced economies collectively to contract in 2020, followed by growth in 2021. The nascent cyclical recovery that started over the summer in the US and Europe is now at risk as a result of a rapid rise in coronavirus infections and new measures designed to curb virus transmission, as the pandemic shows no signs of abating. Even with a gradual recovery, we expect 2021 real GDP in advanced economies to be below pre-coronavirus levels.

Our [outlook](#) for the Danish banking system is negative. We expect the coronavirus outbreak to weigh on Denmark's economy, leading to an uptick in problem loans from a low base, and to exacerbate pressure on banking sector profitability.

Detailed credit considerations

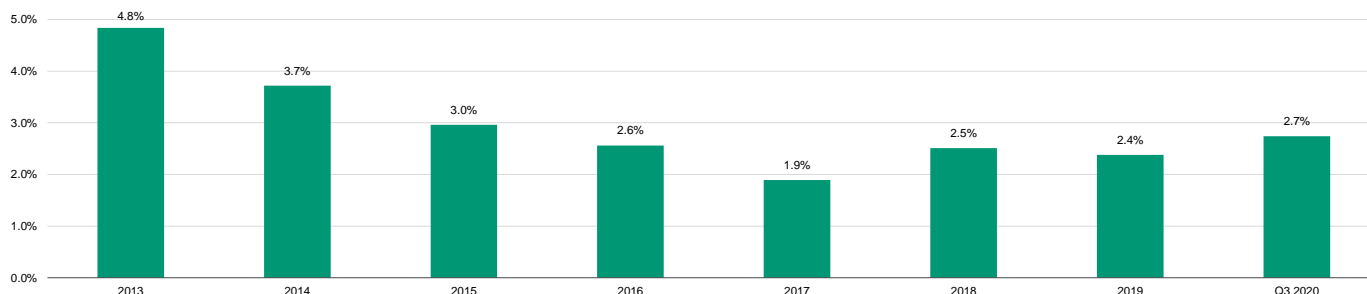
Asset quality, still below that of its peers, will face pressure from economic slowdown

Our assigned baa1 Asset Risk score considers the bank's problem loan ratio which improved over the last few years, along with our expectation that the coronavirus induced slowdown will put pressure on the bank's asset quality metrics over the next 12-18 months.

The bank's problem loans (defined as IFRS 9 Stage 3 loans) were 2.7% of gross loans as of 30 September 2020, an increase from 2.4% as of December 2019. Problem segments are oil & gas and agriculture.

Exhibit 3

Danske's problem loans as a percentage of gross loans



Note: Stage 3 gross loans (according to IFRS9) as of 2018. Hence, the uptick in 2018 is due to the change in definition, and is not an underlying deterioration in problem loans.

Source: Company reports and Moody's Investors Service

In the nine months ended in September 2020, provisions set aside to cover expected losses amounted to DKK6.3 billion, mainly related to the economic fallout from the coronavirus pandemic and the drop in the oil price (see Profitability section). Nevertheless, actual credit deterioration has so far been limited, except for oil-related exposures. Whilst the low interest rates will continue to support borrower's repayment capacity, the economic disruption caused by the coronavirus will inevitably impact the bank's asset quality over the next 12-18 months.

Danske has been gradually disposing its noncore assets, which were previously mainly performing residential mortgages in Estonia and Ireland only. In February 2019, Estonia's Financial Supervision Authority (FSA) ordered Danske to cease operating in Estonia within eight months. Danske also announced the same day the intention to close down its other Baltic operations in Lithuania and Latvia (with the exception of the bank's shared services centre in Lithuania), as well as in Russia because the bank wants to focus on its Nordic core markets. Danske Bank has now exited its banking activities in Estonia, Russia and Latvia. An agreement has also been reached on the sale of the banking operations in Lithuania, and the sale was completed in October 2020.

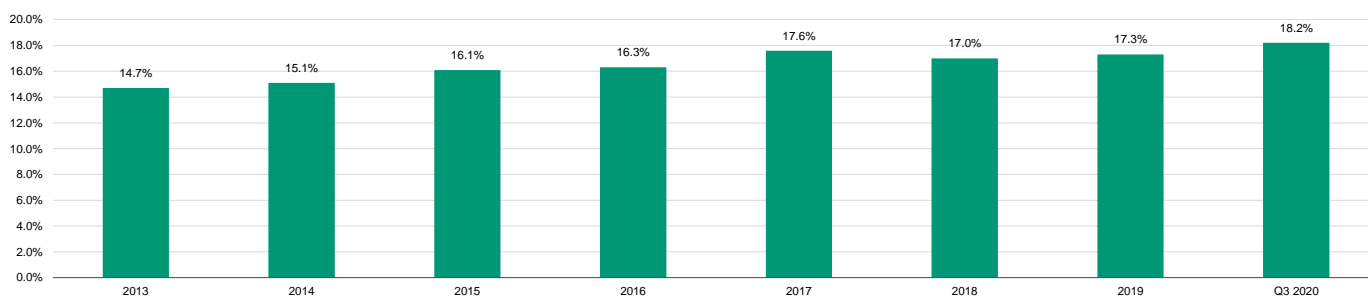
The bank's Asset Risk score includes negative adjustments to reflect our view that Danske faces potential reputational and operational risks because the money laundering findings and the bank's delayed response to previous concerns by internal and external stakeholders, as well as a series of incidents (see ESG section), have cast doubts over the corporate culture of the bank.

Solid capitalisation

Our assigned a1 Capital score reflects Danske's solid capital buffers, a relative strength for its credit profile. Whilst internal capital generation will weaken, we expect lower capital consumption due to slower lending growth and capital retention to be supportive of the bank's capital levels. This will be counterbalanced by an increase in risk weighted exposures (REAs)

As of 30 September 2020, the bank's Common Equity Tier 1 (CET1) capital ratio stood at 18.2%, a increase from 17.3% reported as of December 2019 (see Exhibit 4). The increase was largely driven by the cancellation of dividends for 2019, as the bank complied with the authorities' recommendation that financial institutions suspend dividend payouts and share buy-backs¹, as well as the realised net profit and changes to the IFRS 9 transitional arrangements. The CET1 capital requirement was reduced to 13.3%, following the release or reduction of the countercyclical capital buffer in Denmark, Sweden and Norway.

Exhibit 4
Danske's CET1 ratio



Source: Company reports

As a response to increased capital requirements and general uncertainty about future regulatory developments, the bank increased its short- to medium-term CET1 target to above 16% in 2019². In October 2018, the Danish FSA required the bank to set aside a minimum of DKK10 billion (around \$1.7 billion) in Pillar II capital (in the form of CET1) to cover for what the Danish regulatory authority characterised as “heightened compliance and reputational risks.” Danske also cancelled its share buyback program in response. In Q3 2019, the Danish FSA required the bank to set aside an additional Pillar II add-on of DKK4 billion, to reflect “general product governance risk following the Flexinvest Fri² investigation and increased risk following an inspection of the bank's IT governance structure.”

Our assigned Capital score also takes into account the bank's high leverage, along with the possibility that once fines/settlement(s) for the Estonian case have been received, the FSA could potentially release the bank-specific DKK 10 billion capital charge. Tangible common equity (TCE) was 4.5% of total assets as of 30 September 2020, which is at the lower end of its large Nordic peers.

Profitability under added pressure

Danske's profitability has weakened in recent quarters, and will come under additional pressure due to the economic fallout of the coronavirus induced economic disruption.

Even before the onset of the coronavirus pandemic, profitability was pressured by: 1) continued repair work and increased compliance investments to further strengthen the bank's AML capabilities, 2) increased funding costs due to front-loading of senior non-preferred debt issuances along with relatively higher funding costs compared to large Nordic peers, 3) net interest margins (NIMs) under pressure in the context of the ultra-low interest rate environment, particularly in its home market Denmark, and 4) significantly weaker trading income, which is expected to remain at a lower level going forward.

The bank's net income to tangible assets ratio fell to 0.1% in the first three quarters of 2020 (full year 2019: 0.3%). The decline in net income was primarily driven by higher loan loss provisions, which amounted to DKK6.3 billion, compared to DKK0.8 billion for the year earlier period.

Danske took loan loss provisions of DKK6.3 billion in the first three quarters of 2020, of which the majority was booked in Q1 2020. These were mainly related to the economic fallout from the coronavirus pandemic and the drop in the oil price. DKK4.1 billion of total charges related to credit quality deterioration, primarily in oil-related exposures. DKK2.2 billion was driven by changes in macroeconomic assumptions and sector specific adjustments. Given the continued uncertainty, Danske booked additional provisions in the third quarter, despite an improvement in the macroeconomic scenario.

Net interest income (NII), which is the bank's primary source of income (around half of total income during the first three quarters of 2020), is under pressure from margin compression in the bank's four Nordic home markets amid low rates, intense competition, and a shift towards longer-term mortgages in Denmark, which have lower administrative margins. Nevertheless, net interest income increased by 1% in the first three quarters of 2020 compared to the same period in 2019, supported by higher lending and deposit volumes. To partly mitigate the adverse effect of negative central bank rates in Denmark, Danske [introduced](#) negative deposit rates for retail customers in Denmark in June 2020. The bank has since lowered the threshold for charging negative interest rates on retail deposits to DKK250,000, and announced that commercial customers in Denmark will be charged negative interest rates on their entire

deposits. Both changes will be effective as of 1 January 2021. In addition, Danske continues to face high funding costs as the bank continued with the issuance of more expensive (compared with senior unsecured) senior non-preferred debt, and due to the relatively higher funding costs that Danske faces compared with those of its large Nordic peers.

The continued repair work to address previous deficiencies in compliance and controls (see Environmental, Social and Governance considerations) contributed to operating expenses increasing by 6% in the first three quarters of September 2020, compared to the same period in 2019. Expenses rose due to upstaffing and investments in compliance and Anti-Money Laundering (AML) capabilities.

As a result of lower income and higher costs, the bank's efficiency metrics have deteriorated, with a cost/income (as per our definition) of 68% for the first three quarters of 2020, up from 64% during the same period in 2019, widening the efficiency gap against its peers. In this environment, Danske took a number of cost saving [initiatives](#) to improve efficiency and support profitability, and we see the bank's ability to maintain tight cost control as very important.

For the next 12 to 18 months, we expect profitability to remain challenged. There is uncertainty around loan loss provisioning levels and fee income lower due to a stalled business cycle. We expect the bank's net income to continue to be hurt by additional remediation costs and higher funding costs, along with potential fines linked to the Estonian affair, which is reflected in our b1 Profitability score. While we acknowledge the high degree of uncertainty surrounding the magnitude of any potential fines resulting from the US investigations, our assessment is that the bank - at the current BCA positioning - would be able to withstand fines or settlement(s) resulting from the ongoing investigations in the US, Denmark and Estonia within a year's earnings.

High dependence on market funding, particularly covered bonds; liquidity is adequate

While the share of deposit funding was around 32% of total non-equity funding as of September 2020, Danske relies heavily on wholesale funding. Market funds accounted for 41% of its tangible banking assets as of end-September 2020. Our assigned ba1 Funding Structure score also reflects our view of the Danish covered bond market, as well as downside risks to funding from the Estonia case.

This high reliance exposes Danske to changes in market conditions, and renders the bank more sensitive to swings in investor confidence. The current situation, with increased regulatory scrutiny around the money laundering in Estonia, has resulted in widening spreads for the bank's senior unsecured and senior non-preferred debt, and downside risks to funding costs remain. Nevertheless, the bank has retained good access to the market and issued about DKK107 billion of senior non-preferred instruments since 2018.

Most of the group's market funds are covered bonds (mainly taken up by Realkredit Danmark, the bank's Danish mortgage subsidiary). As indicated in our Banks methodology, we reflect the greater stability of covered bonds compared with unsecured market funding through a standard adjustment to the funding structure ratio. Given the long history of the Danish covered bond markets, local currency and deep domestic investor base, we make additional (positive) adjustments for local-currency-denominated covered bonds issued in this market. We also make an additional positive adjustment for local-currency-denominated covered bonds issued in Sweden.

We take some comfort from Danske's sizeable reported liquidity buffer — most of which can be used as collateral for central bank liquidity — amounting to DKK651 billion, or 21% of tangible banking assets as of 30 September 2020, higher than 15% as of year-end 2019, leading to a baa2 assigned Liquidity score. As of September 2020, Danske's liquidity coverage ratio, according to the new European Union (EU) standards, was 160%.

Environmental, social and governance considerations

In line with our general view for the banking sector, Danske has a low exposure to environmental risks (See our [environmental risks heat map](#)) and moderate exposure to social risks (See our [social risks heat map](#)).

In terms of governance, Danske is being affected by a range of past governance failures, revealed in September 2018, that allowed money laundering of a significant scale at its Estonian branch between 2007-15. In October 2018, the US Department of Justice announced that Danske is subject to criminal investigations, running in parallel with investigations in Denmark and Estonia, including for potential criminal activities.

In addition to the allegations of money laundering at the bank's previous Estonian branch and the mis-selling of the Flexi Fri investment product, Danske subsequently revealed a series of incidents, most recently one where it identified a number of customers with errors in their investment agreements. Other recent incidents included collecting too much debt from more than 100,000 customers due to an error in the bank's debt collection system, sharing flawed estimates for profit or loss on certain traded shares due to shortcomings in an underlying IT system, incorrect recording of rebates on specific foreign exchange trades and issues related to Danske's handling of dividend taxes on behalf of some clients as part of the bank's tax service. These have subjected the bank to more scrutiny from the Danish FSA.

We recognise that Danske has already taken a number of steps to address its board and executive level governance and control, and specifically its money laundering process control deficiencies since 2015 (following earlier investigations by the Danish regulator). However, with the ongoing investigations, the bank continues to be exposed to (1) a heightened risk of material monetary penalties, and (2) reputational strain that could lead to loss of business and franchise erosion.

The identified governance failures are influencing the assigned scores in our scorecard, thereby capturing our assessment of the likely near-term crystallization of governance failing risks. Previous deficiencies in compliance and controls have been a key factor behind the bank's weakening profitability, as funding and operational costs increased on the back of dampened customer and investor confidence and higher spending on AML capabilities. Governance risks also manifest themselves in higher capital requirements.

Support and structural considerations

Loss Given Failure (LGF) analysis

Danske is subject to the EU's BRRD, which we consider to be an operational resolution regime. We apply our Advanced LGF analysis to Danske's liabilities, considering the risks faced by the different deposit and debt classes across its liability structure at failure. We assume residual TCE of 3% and losses post failure of 8% of tangible banking assets, a 25% run-off in "junior" wholesale deposits and a 5% run-off in preferred deposits. These are in line with our standard assumptions.

The deposit ratings are based on the current balance sheet, which provides an important loss-absorbing cushion for deposits as the bank has front-loaded its senior non-preferred issuance while senior unsecured debt volumes are still in the process of maturing. This indicates that Danske's depositors are likely to face a very low loss given failure, and results in two notches of uplift for the deposit ratings.

The senior and junior senior unsecured debt ratings reflect our Advanced LGF analysis of the group's current balance-sheet structure and funding needed to comply with the current MREL requirements, including the subordination requirement. Following the [announcement](#) by the Danish FSA in May 2020, the subordination requirement will be lowered to the banks' 2x their solvency capital requirement plus 1x their combined buffer requirement, or 8% of their total liabilities and own funds⁴ Once the highest of two criteria is met, the remainder of their MREL requirement can be met with senior unsecured debt. Danske's senior creditors are likely to face low loss given failure because of the loss absorption provided by the senior non-preferred issuance. This results in one notch of uplift for senior unsecured debt ratings. The bank's Baa3 junior senior unsecured ratings are positioned one notch below the Adjusted BCA, indicating a high loss given failure.

The lowering of the subordination requirements announced in May de facto moves the previous MREL requirements more in line with BRRD2, and will lead to moderately lower issuances of senior non-preferred debt. On the other hand, Basel IV may increase Danish banks risk-weights, including Danske's, and if so, this would have implications for both capital and MREL requirements.

Government support considerations

Although the implementation of the BRRD has prompted us to reconsider the potential for government support to benefit certain creditors, we continue to consider a moderate probability of government support for Danske, resulting in one notch of government support uplift in the bank's A2 LT deposit and A3 senior unsecured debt ratings. This reflects the fact that Danske is Denmark's largest financial institution and the market leader in most financial products.

We do not incorporate government support in the Baa3 junior senior debt ratings, as this debt class has been introduced by the authorities to absorb losses.

Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

Danske's CR Assessment is positioned at A1(cr)/Prime-1(cr)

The CR Assessment is positioned four notches above the Adjusted BCA of baa2, based on the substantial buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations rather than the expected loss. Therefore, we focus purely on subordination and take no account of the volume of the instrument class.

Counterparty Risk Ratings (CRRs)

CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

Danske's CRRs are positioned at A1/Prime-1

The CRR of A1 is positioned four notches above the Adjusted BCA of baa2, reflecting the extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities. The CRR also benefits from one notch of systemic support, as an assumption of a moderate likelihood of government support. The short-term CRR is P-1.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 5

Danske Bank A/S

Macro Factors

Weighted Macro Profile **Strong +** **100%**

| Factor | Historic Ratio | Initial Score | Expected Trend | Assigned Score | Key driver #1 | Key driver #2 |
|---|----------------|---------------|----------------|----------------|--------------------------|-----------------------|
| Solvency | | | | | | |
| Asset Risk | | | | | | |
| Problem Loans / Gross Loans | 2.7% | a2 | ↔ | baa1 | Operational risk | |
| Capital | | | | | | |
| Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in) | 21.8% | aa1 | ↔ | a1 | Nominal leverage | Expected trend |
| Profitability | | | | | | |
| Net Income / Tangible Assets | 0.1% | b1 | ↔ | b1 | | |
| Combined Solvency Score | | a2 | | baa1 | | |
| Liquidity | | | | | | |
| Funding Structure | | | | | | |
| Market Funds / Tangible Banking Assets | 40.6% | b1 | ↔ | ba1 | Market funding quality | Lack of market access |
| Liquid Resources | | | | | | |
| Liquid Banking Assets / Tangible Banking Assets | 35.7% | a1 | ↔ | baa2 | Quality of liquid assets | |
| Combined Liquidity Score | | baa3 | | baa3 | | |
| Financial Profile | | | | baa2 | | |
| Qualitative Adjustments | | | | Adjustment | | |
| Business Diversification | | | | 0 | | |
| Opacity and Complexity | | | | 0 | | |
| Corporate Behavior | | | | 0 | | |
| Total Qualitative Adjustments | | | | 0 | | |
| Sovereign or Affiliate constraint | | | | Aaa | | |
| BCA Scorecard-indicated Outcome - Range | | | | baa1 - baa3 | | |
| Assigned BCA | | | | baa2 | | |
| Affiliate Support notching | | | | 0 | | |
| Adjusted BCA | | | | baa2 | | |

| Balance Sheet | in-scope (DKK Million) | % in-scope | at-failure (DKK Million) | % at-failure |
|-----------------------------------|------------------------|------------|--------------------------|--------------|
| Other liabilities | 1,644,988 | 53.7% | 1,760,328 | 57.4% |
| Deposits | 1,130,780 | 36.9% | 1,015,440 | 33.1% |
| Preferred deposits | 836,777 | 27.3% | 794,938 | 25.9% |
| Junior deposits | 294,003 | 9.6% | 220,502 | 7.2% |
| Senior unsecured bank debt | 68,797 | 2.2% | 68,797 | 2.2% |
| Junior senior unsecured bank debt | 107,070 | 3.5% | 107,070 | 3.5% |
| Dated subordinated bank debt | 21,200 | 0.7% | 21,200 | 0.7% |
| Equity | 91,943 | 3.0% | 91,943 | 3.0% |
| Total Tangible Banking Assets | 3,064,778 | 100.0% | 3,064,778 | 100.0% |

| Debt Class | De Jure waterfall | | De Facto waterfall | | Notching | | LGF Notching Guidance vs. Adjusted BCA | Assigned LGF notching | Additional Notching | Preliminary Rating Assessment |
|---------------------------------------|-----------------------------------|----------------|-----------------------------------|----------------|----------|----------|--|-----------------------|---------------------|-------------------------------|
| | Instrument volume + subordination | Sub-ordination | Instrument volume + subordination | Sub-ordination | De Jure | De Facto | | | | |
| Counterparty Risk Rating | 16.6% | 16.6% | 16.6% | 16.6% | 3 | 3 | 3 | 3 | 0 | a2 |
| Counterparty Risk Assessment | 16.6% | 16.6% | 16.6% | 16.6% | 3 | 3 | 3 | 3 | 0 | a2 (cr) |
| Deposits | 16.6% | 7.2% | 16.6% | 9.4% | 2 | 3 | 2 | 2 | 0 | a3 |
| Senior unsecured bank debt | 16.6% | 7.2% | 9.4% | 7.2% | 2 | 0 | 1 | 1 | 0 | baa1 |
| Junior senior unsecured bank debt | 7.2% | 3.7% | 7.2% | 3.7% | -1 | -1 | -1 | -1 | 0 | baa3 |
| Non-cumulative bank preference shares | 3.0% | 3.0% | 3.0% | 3.0% | -1 | -1 | -1 | -1 | -2 | ba2 |

| Instrument Class | Loss Given Failure notching | Additional notching | Preliminary Rating Assessment | Government Support notching | Local Currency Rating | Foreign Currency Rating |
|---------------------------------------|-----------------------------|---------------------|-------------------------------|-----------------------------|-----------------------|-------------------------|
| Counterparty Risk Rating | 3 | 0 | a2 | 1 | A1 | A1 |
| Counterparty Risk Assessment | 3 | 0 | a2 (cr) | 1 | A1(cr) | |
| Deposits | 2 | 0 | a3 | 1 | A2 | A2 |
| Senior unsecured bank debt | 1 | 0 | baa1 | 1 | | A3 |
| Junior senior unsecured bank debt | -1 | 0 | baa3 | 0 | | Baa3 |
| Non-cumulative bank preference shares | -1 | -2 | ba2 | 0 | Ba2 (hyb) | Ba2 (hyb) |

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

Ratings

Exhibit 6

| Category | Moody's Rating |
|--|----------------|
| DANSKE BANK A/S | |
| Outlook | Negative(m) |
| Counterparty Risk Rating | A1/P-1 |
| Bank Deposits | A2/P-1 |
| Baseline Credit Assessment | baa2 |
| Adjusted Baseline Credit Assessment | baa2 |
| Counterparty Risk Assessment | A1(cr)/P-1(cr) |
| Issuer Rating | A3 |
| Senior Unsecured | A3 |
| Junior Senior Unsecured | Baa3 |
| Junior Senior Unsecured MTN | (P)Baa3 |
| Pref. Stock Non-cumulative | Ba2 (hyb) |
| Commercial Paper | P-2 |
| Other Short Term | (P)P-2 |
| DANSKE BANK A/S (LONDON BRANCH) | |
| Outlook | Negative |
| Deposit Note/CD Program | (P)A2/(P)P-1 |

Source: Moody's Investors Service

Endnotes

- The bank's general target payout ratio of 40-60% of net profits remains unchanged
- From around 16% previously, and from 14%-15% before October 2018.
- In June 2019, Danske found that it had overcharged customers investing in one of its products, Flexinvest Fri, between 2017 and 2018. The bank received a fine of DKK9 million in November 2020 in relation to this incident.
- The FSA notes that it expects the new rules on a lower subordination requirement to be implemented in Danish legislation before the end of 2020. It will nevertheless already take into account the upcoming reduction in its reactions to noncompliance with the specific requirement.

© 2020 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S INVESTORS SERVICE DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

CLIENT SERVICES

| | |
|--------------|-----------------|
| Americas | 1-212-553-1653 |
| Asia Pacific | 852-3551-3077 |
| Japan | 81-3-5408-4100 |
| EMEA | 44-20-7772-5454 |