

Bulletin:

Sudden Managerial Changes At Danske Bank A/S Shouldn't Derail Its Focus On Its Strategic Plan

April 19, 2021

MADRID (S&P Global Ratings) April 19, 2021--S&P Global Ratings considers that the sudden replacement of Danske Bank (A/Stable/A-1)'s CEO, announced today, will not materially change the bank's focus on strengthening its corporate governance and overall franchise. Nevertheless, we will continue to monitor whether this further and unexpected development, at a critical time for the bank and the economy, is going to weigh on Danske's implementation of its transformation plan.

The now former CEO, Chris Vogelzang, is stepping down following the Dutch authorities' decision to involve him in an investigation into alleged anti-money laundering (AML) deficiencies at ABN AMRO, where he served various roles until 2017. The current CRO, Carsten Egeriis, has been appointed as replacement and will now take the helm.

We understand that Mr. Egeriis, as a member of the executive team, has been working alongside the former CEO to draft the bank's current strategic plan with the aim--among others--to regain full customer trust after previous misconduct cases, and achieve 9%-10% return on equity by 2023. As a result, we expect the handover to be relatively swift and smooth.

Our 'A' long-term rating on Danske Bank continues to factor in historical deficiencies in corporate governance and AML procedures at the bank's Estonian branch between 2007 and 2015, as well as uncertainty regarding the ultimate effects of ongoing regulatory investigations on the bank's capitalization and business franchise.

Lastly, our base case is that the bank will maintain a robust capitalization and high loss-absorbing capacity through 2022, despite some pressure on its earnings and asset quality as a result of COVID-19.

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