

Danske Bank A/S

Key Rating Drivers

Leading Danish Bank: Danske Bank A/S's ratings reflect its strong universal banking franchise in Denmark and to a growing extent across the Nordic region, providing stable revenue generation across a wide range of products. The ratings also consider Danske's low risk appetite, stable funding and solid capital buffers built up in the expectation of possible fines related to anti-money-laundering (AML) and operational risk.

Pending AML Investigations: The bank is subject to criminal and regulatory investigations by the authorities in Estonia, Denmark, France and the US relating to past AML control deficiencies in the Estonian branch. Fitch Ratings expects the bank will maintain sufficient loss-absorption capacity to cushion a sizeable potential fine from European and US authorities.

Solid Capitalisation: Risk-weighted capital ratios compare well with those of international peers. The management has built buffers into its stated target for the common equity Tier 1 (CET1) ratio of at least 16%. In 4Q20 the US authorities cleared the bank of sanctions breaches relating to Estonia. This reduces the risk of a substantial fine that depresses Danske's capital ratios to a level no longer commensurate with its 'a' Viability Rating.

Sound Revenue Generation: Danske's operating revenue has been broadly resilient, despite the cyclical challenges of margin pressure in the highly competitive Nordic markets and the economic downturn. Higher funding costs, partly due to sustained issuance of senior non-preferred instruments, and high expenses related to investments in AML controls, has reduced the bank's cost-efficiency and profitability to levels below those of peers. We expect stronger profitability in 2021, though still significantly below pre-pandemic levels.

Stable Asset Quality: Danske's impaired loan ratio (Stage 3 loans/gross loans) remains above most Nordic banks but is in line with similarly rated international peers. We expect a moderate increase in default rates later this year, bringing the impaired loan ratio closer to 3%, due to the wind-down of government support measures. Danske's loan book exposure is dominated by low-risk residential mortgage loans, commercial real estate and housing cooperatives, with a limited share of sectors more vulnerable to the pandemic, such as agriculture.

Stable Diversified Funding: Danske is reliant on wholesale funding, like most Nordic banks. Its well-diversified funding base has proven resilient to the negative news from the AML investigations and pandemic, enabling the bank to execute its funding plan. The bank's refinancing risk is low and well-managed and the bank maintains ample liquidity surplus.

Rating Sensitivities

Stable Outlook: The bank has sufficient rating headroom to withstand a downward revision of our assessment of asset quality and profitability by one notch that could be triggered by severe delays to the economic recovery. A substantial and durable CET1 ratio erosion below 14% would lead to a downgrade. Such an erosion could be driven by an AML fine considerably larger than the bank's current loss-absorption capacity.

Weakened Capital Surplus: We could revise the Outlook to Negative if we believe the bank's capacity to absorb AML fines is insufficient. This could be triggered if we expect Danske's CET1 ratio surplus over its requirement to decrease materially below 250bp.

Strengthened Financial Profile: An upgrade of Danske would require the completion of AML investigations and clarification of potential fines; an expected CET1 ratio of at least 15% net of AML settlements; a sustainable reduction in impaired loans ratio below 2%; and a successful implementation of the bank's transformation plan. This would have to be demonstrated by a durable recovery in the operating profit/risk-weighted assets (RWAs) ratio to at least 2.5%.

Ratings

Foreign Currency

Long-Term IDR	A
Short-Term IDR	F1
Derivative Counterparty Rating	A+(dcr)

Viability Rating a

Support Rating	5
Support Rating Floor	NF

Sovereign Risk

Long-Term Foreign- and Local-Currency IDRs	AAA
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign- and Local-Currency IDRs	Stable

Applicable Criteria

[Bank Rating Criteria \(February 2020\)](#)

Related Research

- [Global Economic Outlook \(June 2021\)](#)
- [Fitch Revises Outlook on Danske Bank to Stable; Affirms at 'A' \(June 2021\)](#)
- [Fitch Affirms Denmark at 'AAA'; Outlook Stable \(February 2021\)](#)

Analysts

Michal Bryks, FCCA
 +48 22 338 6293
michal.bryks@fitchratings.com

Konstantin Yakimovich
 +44 20 3530 1789
konstantin.yakimovich@fitchratings.com

Debt Rating Classes

Rating level	Rating
Deposits	A+/F1
Senior preferred debt	A+/F1
Senior non-preferred debt	A
Tier 2 subordinated debt	BBB+
Additional and legacy tier 1 notes	BBB-

Source: Fitch Ratings

Danske's long-term senior preferred debt and deposit ratings and Derivative Counterparty Rating (DCR) of 'A+(dcr)' are one notch above the bank's Long-Term IDR. This reflects the protection that could accrue to deposits and senior preferred debt from the bank's more junior bank resolution debt and equity buffers. At end-March 2021, this buffer was 23% of RWAs, adjusted for Realkredit, which is excluded from Danske's resolution strategy.

We expect Danske's resolution debt buffer to remain comfortably above 10% of RWAs in the long term. This also drives the equalisation of Danske's long-term senior non-preferred debt with the bank's Long-Term IDR.

Danske's short-term senior preferred debt and deposit ratings are mapped to their respective long-term ratings and also reflect our assessment of the bank's funding and liquidity at 'a+'.

Danske's Tier 2 debt is rated two notches below its VR to reflect the poor recovery prospects of this type of debt. Additional and legacy Tier 1 securities are rated four notches below Danske's Viability Rating to reflect the poor recovery prospects of these securities (two notches) as well as the high risk of non-performance (an additional two notches). Our assessment is based on the bank operating with a CET1 ratio comfortably above maximum distributable amount thresholds and our expectation that this will continue.

Ratings Navigator

Danske Bank A/S



Banks
 Ratings Navigator

	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+
ccc										ccc	CCC	CCC
ccc-										ccc-	CCC-	CCC-
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Significant Changes

Gradual Operating Environment Improvement After Pandemic Stress

Danske operates in the four Nordic countries, but its credit exposure is concentrated domestically (about 50% share) and as a result our assessment of its operating environment largely mirrors that of Denmark ('aa-'). We have revised the outlook on the Danish operating environment score to stable from negative in June 2021. This reflects the improved outlook for the performance of the economy and limited deterioration in asset quality and largely resilient revenue in the banking sector.

The strong Danish public finances allowed the government to launch significant relief measures to support the economy in response to the crisis. They mostly consist of various compensation schemes for businesses with large income losses and income protection schemes for individuals. Large government support packages in the other countries in which the bank operates also mitigate the negative direct impact of the crisis.

The recession in the Nordic region was mild due to less restrictive lockdowns, low tourism dependence and favourable macro fundamentals (including strong social safety net). Household consumption has been a key factor behind the relatively strong economic recovery in the region in 1H21 and we expect it to gain momentum in 2H21. We expect 3.1% GDP growth in 2021 and 3.5% in 2022 in Denmark. We expect the governments in the four Nordic countries where Danske operates to maintain sufficient fiscal space to extend support to their economies in the event of renewed adverse economic developments.

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

Brief Company Summary

Leading Domestic Universal Bank

Danske is Denmark's largest universal bank, with a growing presence in the other three largest Nordic countries and a small franchise in Northern Ireland. Danske's franchise has been resilient to negative AML news, despite some customer outflows.

Mortgage financing is mainly carried out through Danske's largest subsidiary (Realkredit, about 45% of group loans). Danske also provides corporate and investment banking and capital markets, asset management, private banking, real estate brokerage and leasing services. It has a significant Nordic fixed income & currency business, in particular in interest-rate swaps, cash management and trade finance. Danske also owns Denmark's second-largest life insurer/pension company.

Danske's multi-year transformation programme (started in 2019) aims at a return on equity of 9%-10% and a cost/income ratio in the low 50s by 2023. The goal is to become a more competitive, nimble and cost-effective organisation with stronger digital customer-centric capabilities, higher engagement by employees and better controls against financial crime and cyber risks.

The bank continued to strengthen its compliance capabilities and culture, including the hiring of international senior experts to address past AML and compliance shortfalls. However, the bank's progress in regaining reputation and customer trust in its home market was hamstrung by a number of legacy issues, identified in 2020, that triggered negative news flow.

Diversified Income Streams

The bank's revenue generation has been stable over time, with the business model focused on traditional commercial banking, and capturing a larger share of customers' wallet by also offering wealth/life insurance products. The Danish operations generate about a third of total revenue, followed by Personal and Business Customers Nordic and Large Corporates & Institutions. Income at Personal and Business Customers Nordic was particularly resilient in 2020 due to solid contribution from Sweden and Norway, in line with the group's strategy to expand into mid-corp and retail segments across the other Nordic countries.

Conservative Risk Appetite

Danske's underwriting standards focus on cash-flow generation and client selection. The bank has been proactively capturing emerging risks through a more holistic risk management framework, in particular making use of portfolio analysis, stress tests and concentration limits on selected industries. We believe the bank's conservative risk management framework over time will strengthen loan portfolio resilience to a stress scenario.

Customer lending is about half of total assets. The rest consists of debt securities (mainly held for liquidity purposes), insurance assets and well-collateralised repo lending and derivatives.

Danske's credit exposure is dominated by the low-risk retail segment (38% share of credit exposure at end-March 2021) of which about 90% are mortgage loans. Retail lending outside Denmark is mainly through partnerships with labour organisations, targeting mostly well-educated professionals with above-average salaries, translating into low credit losses.

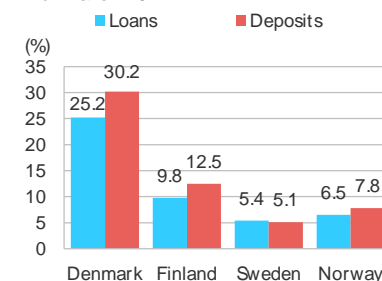
Commercial property lending is material (12% of credit exposure), but only about a third is in vulnerable office and retail space, for which the bank tightened its underwriting standards in 2020. Office and retail space exposure is concentrated in the largest Nordic cities and so far has performed well.

Danske has a limited exposure to risky sectors, such as agriculture or shipping, oil and gas (which materially shrank in 2020). The rest of the corporate loan portfolio is well diversified by industry, and obligor concentration is satisfactory. Danske also benefits from good and improving geographical loan diversification.

We expect loan growth to remain subdued until economic activity recovers. Danske's recent loan growth was driven by expansion in Nordic countries (mainly in low-risk retail and business lending in Sweden and Norway), while domestic portfolio growth has suffered from reputational issues and strong competition.

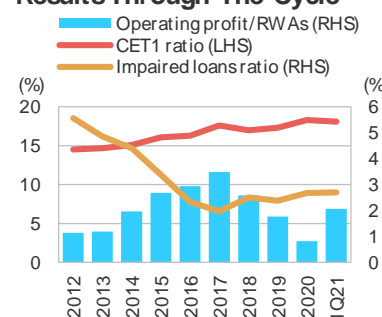
Market Shares

End-March 2021



Source: Fitch Ratings, Danske

Results Through-The-Cycle



Source: Fitch Ratings, Danske

Loans by Segments (%)

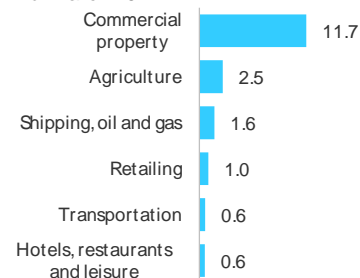
End-March 2021



Source: Fitch Ratings, Danske

Risky Exposures (%)

End-March 2021



Source: Fitch Ratings, Danske

Summary Financials and Key Ratios

	31 Mar 21		31 Dec 20	31 Dec 19	31 Dec 18
	3 months - 1st quarter		Year end	Year end	Year end
	(USDm)	(DKKm)	(DKKm)	(DKKm)	(DKKm)
	Reviewed - unqualified	Reviewed - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	1,034	6,557	28,118	27,892	29,022
Net fees and commissions	499	3,166	10,786	10,469	10,497
Other operating income	351	2,229	7,466	7,875	7,437
Total operating income	1,884	11,952	46,370	46,236	46,956
Operating costs	1,175	7,455	32,821	30,960	28,021
Pre-impairment operating profit	709	4,497	13,549	15,276	18,935
Loan and other impairment charges	70	443	7,090	1,730	-387
Operating profit	639	4,054	6,459	13,546	19,322
Other non-operating items (net)	n.a.	n.a.	-155	276	n.a.
Tax	144	915	1,715	-1,250	4,460
Net income	495	3,139	4,589	15,072	14,862
Other comprehensive income	85	537	-230	639	-482
Fitch comprehensive income	580	3,676	4,359	15,711	14,380
Summary balance sheet					
Assets					
Gross loans	282,316	1,790,756	1,863,513	1,846,233	1,801,237
- of which impaired	7,610	48,273	49,823	43,986	44,990
Loan loss allowances	3,674	23,307	23,491	19,248	19,096
Net loans	278,641	1,767,449	1,840,022	1,826,985	1,782,141
Interbank	14,571	92,428	31,453	82,040	169,258
Derivatives	49,627	314,786	379,566	293,980	244,274
Other securities and earning assets	242,350	1,537,250	1,489,002	1,410,811	1,240,654
Total earning assets	585,189	3,711,913	3,740,043	3,613,816	3,436,327
Cash and due from banks	49,242	312,347	320,702	99,035	40,997
Other assets	7,669	48,643	48,486	48,199	101,143
Total assets	642,100	4,072,903	4,109,231	3,761,050	3,578,467
Liabilities					
Customer deposits	194,204	1,231,853	1,195,319	964,533	896,894
Interbank and other short-term funding	61,551	390,427	504,360	494,769	580,420
Other long-term funding	192,491	1,220,988	1,136,861	1,211,058	1,114,917
Trading liabilities and derivatives	66,195	419,884	366,985	299,695	240,992
Total funding	514,441	3,263,152	3,203,525	2,970,055	2,833,223
Other liabilities	99,426	630,668	727,948	610,473	572,186
Preference shares and hybrid capital	2,711	17,193	17,587	24,251	24,081
Total equity	25,522	161,890	160,171	156,271	148,977
Total liabilities and equity	642,100	4,072,903	4,109,231	3,761,050	3,578,467
Exchange rate		USD1 = DKK6.3431	USD1 = DKK6.1138	USD1 = DKK6.6759	USD1 = DKK6.5194

Source: Fitch Ratings, Fitch Solutions, Danske Bank A/S

Summary Financials and Key Ratios

	31 Mar 21	31 Dec 20	31 Dec 19	31 Dec 18
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.1	0.8	1.8	2.6
Net interest income/average earning assets	0.7	0.8	0.8	0.8
Non-interest expense/gross revenue	62.4	70.6	67.5	60.3
Net income/average equity	7.9	2.9	10.1	10.0
Asset quality				
Impaired loans ratio	2.7	2.7	2.4	2.5
Growth in gross loans	-3.9	0.9	2.5	3.1
Loan loss allowances/impaired loans	48.3	47.2	43.8	42.4
Loan impairment charges/average gross loans	0.1	0.3	0.1	0.0
Capitalisation				
Common equity tier 1 ratio	18.1	18.3	17.3	17.0
Tangible common equity/tangible assets	3.8	3.7	3.9	3.9
Basel leverage ratio	4.4	4.5	4.7	4.6
Net impaired loans/common equity tier 1	17.3	18.3	18.7	20.4
Funding and liquidity				
Loans/customer deposits	145.4	155.9	191.4	200.8
Liquidity coverage ratio	151.0	154.0	140.1	120.6
Customer deposits/funding	41.1	41.9	35.8	34.3

Source: Fitch Ratings, Fitch Solutions, Danske Bank A/S

Key Financial Metrics – Latest Developments

Pockets of Risk Inflate Asset Quality Pressure

Default rates were stable in 2020 and we expect a moderate deterioration in 2021 after the wind-down of government support measures. Danske's overall resilient asset quality is underpinned by a large portfolio of low-risk residential mortgage and commercial real estate loans. We expect asset quality in both sectors to remain high due to prudent underwriting standards, only moderate unemployment growth, and a limited risk of price corrections in the property market. The rest of the loan portfolio is well diversified by geography and industry.

The potential for asset quality pressure in Danish mortgage loans in the event of a material increase in covered bond rates (automatically passed on to retail borrowers) is low. This is because only a small share of loans is refinanced annually (13% at end-March 2021).

The bank's impaired loans ratio is weaker than at Nordic peers' but the ratio has been broadly stable since 2018 and only about 40% of impaired loans were in default. Loan impairment charges (LICs) have been low in recent years and the bank released allowances in 2015-2018. In 2020 LICs spiked to 34bp of average loans, of which almost half came from oil-related exposure. Danske expects LICs to at least halve in 2021, which is reasonable assuming a gradual pick-up in economic activity across the Nordic region. Danske's sizeable DKK1.9 billion coronavirus-related model-driven buffer could cushion LICs amounting to about 10bp of loans.

Cost Optimisation Plan Execution Is Crucial for Profitability

Danske's profitability is facing challenges in addition to higher AML and compliance costs. These challenges include negative structural and cyclical trends in trading income, negative policy rates in all home markets except Norway, and higher funding costs relative to its main competitors. Such costs arise from the combination of a rapid issuance of minimum requirement for own funds and eligible liabilities (MREL)-eligible debt and wider than-peers spreads.

Danske expects DKK9-11 billion net profit in 2021, which is 2x-2.5x higher than 2020, but still 40%-25% lower than 2019. The improvement would come from slightly better net interest and fee income, a 50% decrease in LICs and substantially lower compliance, remediation and transformation costs.

Danske's cost optimisation efforts started bearing fruits in 2H20 as underlying expenses began to shrink, but this effort was fully offset by additional remediation and transformation costs amounting to DKK4.1 billion and DKK1.7 billion, respectively. The former is related to compliance, financial crime prevention and the Estonian case. The bank targets costs of DKK24.5 billion or less in 2021 (based on management accounting), which is about 8% lower than in 2020, adjusted for a changed presentation of Danica Pension's results from 2021.

Capitalisation Sufficient to Absorb Large AML Fine

At end-2020, Danske had a healthy 490bp surplus over its fully-loaded CET1 capital requirement of 13.2%. Danske's capital requirement includes additional Pillar 2 buffer for potential contingent liability from risks related to the Estonian AML issues (DKK10 billion, 1.3% of RWAs) and the mis-selling of savings products and IT governance (DKK5 billion).

We expect Danske to maintain capital surplus corresponding to about 2.5% of RWAs (about EUR3 billion), which in our opinion should be sufficient to cushion a sizeable potential fine from European and US authorities. Our expectation also takes into consideration a potential fast increase in the countercyclical buffer to the pre-pandemic level of about 1.7% of RWAs.

Wholesale Funding Reliance; Deep Domestic Covered Bond Market

Like most Nordic banks, Danske relies extensively on wholesale funding, which is dominated by covered bonds. We expect continued strong demand for Danish mortgage bonds due to the supportive dynamics of this market, and its long record of high quality. Danske's senior and covered bonds are well diversified by currency. The cost of wholesale funding has improved in 2021 as senior non-preferred spreads tightened below pre-pandemic levels.

It is important for Danske to maintain a significant liquidity portfolio to mitigate refinancing risk in unsecured wholesale funding. At end-March 2021, its liquidity buffer (DKK737 billion) was almost twice larger than outstanding wholesale funding (excluding Realkredit and hybrid debt).

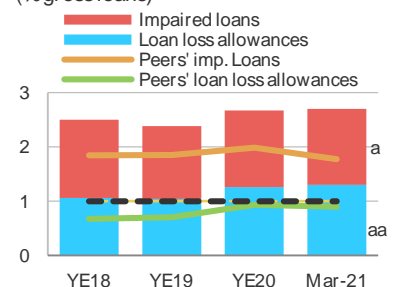
Note on Charts

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category.

Peer average includes Danske (VR: a), Nordea Bank Abp (aa-), Cooperatieve Rabobank U.A. (a+), Skandinaviska Enskilda Banken AB (publ) (aa-), Svenska Handelsbanken AB (aa), Lloyds Banking Group plc (a), ING Groep N.V. (a+) and ABN AMRO Bank N.V. (a).

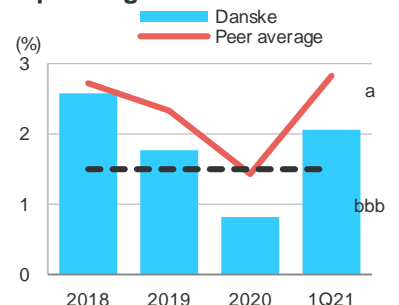
1Q21 results do not include Cooperative Rabobank, as the bank does not publish quarterly financial statements.

Asset Quality (% gross loans)



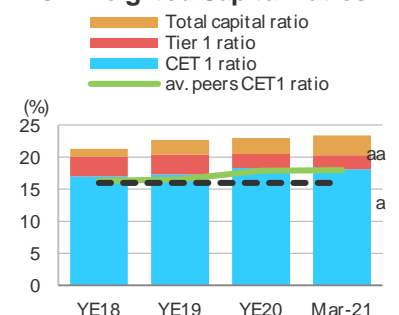
Source: Fitch Ratings, banks

Operating Profit/ RWAs



Source: Fitch Ratings, banks

Risk-Weighted Capital Ratios



Source: Fitch Ratings, banks

Sovereign Support Assessment

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				

Danske's Support Rating of '5' and Support Rating Floor of 'No Floor' reflect Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign in the event of the bank becoming non-viable. The EU's Bank Recovery and Resolution Directive provides a framework for resolving banks that is likely to require senior creditors participating in losses, if necessary, instead of or ahead of a bank receiving sovereign support.

Environmental, Social and Governance Considerations

FitchRatings Danske Bank A/S

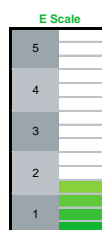
Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Credit-Relevant ESG Derivation			Overall ESG Scale	
Danske Bank A/S has 6 ESG potential rating drivers				
<ul style="list-style-type: none"> Danske Bank A/S 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 A/S 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. Governance is minimally relevant to the rating and is not currently a driver. 	key driver	0	issues	5
	driver	0	issues	4
	potential driver	6	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 right-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.

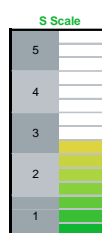
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main 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 ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

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

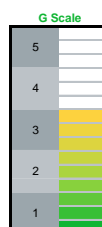
Social (S)

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	3	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.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

In June 2021 we revised Danske's ESG relevance score for Governance Structure to '3' from '4' because it no longer has an impact on the bank's ratings in combination with other factors. The previous score of '4' reflected elevated legal risk of a large fine, which together with the economic fallout from the pandemic, drove the Negative Outlook. We no longer expect the bank to receive an AML-related fine that could bring about a downgrade of its Viability Rating. We also believe that a potential fine would not damage Danske's franchise or funding profile to an extent that would warrant negative rating action.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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