

Danske Bank A/S

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Danske Bank A/S

SACP: a-



Support: +2



Additional factors: 0

Anchor	bbb+	
Business position	Strong	+1
Capital and earnings	Strong	+1
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A+/Negative/A-1
Resolution counterparty rating
AA-/A-1+

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Global Scale Ratings

Issuer Credit Rating

A+ / Negative / A-1

Resolution Counterparty Rating

AA- / -- / A-1+

Nordic Regional Scale

Issuer Credit Rating

-- / -- / K-1

Key strengths

Denmark's leading commercial bank, life insurer, and commercial pension provider.

Diversified revenues through the pan-Nordic lines of business.

Robust capitalization level and additional loss-absorbing capacity (ALAC).

Key risks

Uncertainty related to alleged Estonian money-laundering, particularly with regard to potential fines and additional reputational damages.

Pressure on operating income from intense competition and relatively high cost base.

Dependence on wholesale funding, which causes higher confidence sensitivity.

We expect Danske Bank to maintain its leading franchise as the second-largest bank in the Nordic banking market, and a dominant domestic role. We expect that the group will maintain its diverse earnings capacity from solid operations, primarily in Denmark (25% market share), Finland (9%), Sweden (5%), and Norway (6%). We view the bank as a leader in Denmark in terms of digital solutions. But we consider further investments as key in supporting an efficient, and sustainable business model across the Nordics, which can meet the increasing competition from various online, digital, and fintech companies.

The bank's robust capitalization provides a cushion against the expected anti-money-laundering (AML) related fines and secondary effects from the Russia-Ukraine conflict. We expect Danske's risk-adjusted capital (RAC) will remain around 12.5%-13.0% through 2023, from 12.9% as of Dec. 31, 2021, including our estimate for AML related fines. This

is based on stronger operating revenues, lower loss provisioning, a dividend payout at the upper end of the 40%-60% payout guidance, and a risk-weighted asset (RWA) growth of about 2%-3%. We believe that Danske's diversified revenue sources, solid fee-based insurance business, and recovery in its operating markets will gradually improve its return on equity (ROE) to 7% by 2023.

Although we see continuing progress, Danske's failures in compliance and risk management still weigh on our relative risk profile assessment. Our assessment also considers that it is too early to gauge the effectiveness of Danske's material effort in addressing the identified shortcomings and overall compliance and governance improvements.

Danske's sizable amount of bail-inable instruments continues to support the senior unsecured debt rating. Danske has a significant amount of ALAC, resulting in two notches of rating uplift. The bank's ALAC represents over 6% of its S&P Global Ratings risk-weighted assets, and we believe it will sustainably maintain these levels to meet its minimum requirement for own funds and eligible liabilities (MREL).

S&P Global Ratings acknowledges a high degree of uncertainty about the extent, outcome, and consequences of the military conflict between Russia and Ukraine. Irrespective of the duration of military hostilities, sanctions and related political risks are likely to remain in place for some time. Potential effects could include dislocated commodities markets—notably for oil and gas—supply chain disruptions, inflationary pressures, weaker growth, and capital market volatility. As the situation evolves, we will update our assumptions and estimates accordingly. See our macroeconomic and credit updates here: Russia-Ukraine Macro, Market, & Credit Risks. Note that the timing of publication for rating decisions on European issuers is subject to European regulatory requirements.

Outlook

The negative outlook on Danske Bank reflects the uncertainties on the ongoing money laundering investigations, mainly in the U.S. We consider that there is at least a one-in-three probability that the investigation outcome could jeopardize our view of the bank's business franchise and, more broadly, its financial profile compared with peers', which could lead to a downgrade over the next 24 months.

Downside scenario

We could lower our issuer credit rating on Danske Bank if the Estonian money laundering case incurred higher damage to the bank's franchise and capitalization than in our central scenario. Similarly, we could revise down our view of the bank's business position if we considered that management was unable to improve its governance and compliance culture. This would occur, for example, if we saw evidence of low management stability or the bank did not manage to address its outstanding legacy issues, leading to weakening market shares in its key markets.

We could also lower the ratings if management failed to execute the bank's strategy and generate better and more predictable risk-adjusted profitability, in line with peers.

Upside scenario

We could consider revising the outlook on Danske Bank to stable when the outcome of the regulatory investigations becomes clear and if we consider the effect on Danske Bank's creditworthiness to be manageable. Moreover, a positive action would also hinge on the bank strengthening its franchise and operating profitability, as well as addressing its main legacy issues, such as errors in debt collection systems.

Key Metrics

Danske Bank A/S--Key Ratios And Forecasts*					
(%)	--Fiscal year ended Dec. 31--				
	2019a	2020a	2021a	2022f	2023f
Growth in operating revenue	(1.5)	0.3	1.6	(0.7)-(0.8)	2.4-2.9
Growth in total assets	5.1	9.3	(4.2)	0.6-0.8	0.8-1.0
Net interest income/average earning assets (NIM)	1	1	1	0.9-1.0	0.9-1.0
Cost to income ratio	64	70	65.3	64.3-67.6	63.3-66.5
Return on average common equity	9.4	2.6	7.5	2.9-3.3	6.3-6.9
New loan loss provisions/average customer loans	0.1	0.4	0	0.0-0.1	0.1-0.1
Gross nonperforming assets/customer loans	2.3	2.6	2.5	2.4-2.6	2.3-2.6
Risk-adjusted capital ratio	12	11.9	12.9	12.6-13.2	12.7-13.4

*All figures adjusted by S&P Global Ratings. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+' Because The Main Operations Are In Denmark

We use our Banking Industry Country Risk Assessment's economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. Our anchor for a commercial bank operating only in Denmark is 'bbb+', based on an economic risk score of '2' and an industry risk score of '4'. For Danske Bank, besides Denmark (50% of group exposure), we also consider its diversified exposures in Sweden (18% of group exposure), Norway (14%), Finland (9%), the U.K. (4%), and other European countries. However, the bank's blended economic risk score is still '2' because most of its exposures are in Denmark and Nordic countries.

Our low economic risk assessment for Denmark reflects our view that Danish banks benefit from operating in a high-income, open economy with mature political and institutional settings that promote fiscal discipline and growth-stimulating policies. The Danish economy is competitive and diverse, and the COVID-19 pandemic has hit it less severely than many European peers (real GDP grew by 3.6% in 2021). We expect the Danish economy to grow by 3.2% in 2022, then 2.1%-2.0% in 2023-2024. Overall, we expect credit losses in the Danish banking sector of about 15 basis points (bps) of total loans in 2021-2023, a level that rated systemic Danish banks can accommodate by using capital buffers. The robustness of the mortgage sector, which represents two-thirds of total lending, is further supported by a broadly balanced housing market, in our view. After the sharp increase in house prices in 2021, we expect that this will slow down. Although the portion of riskier debtors, who are highly indebted with variable rates, might suffer in a rising interest environment, it should be manageable in our base-case scenario and over the outlook horizon.

Our industry risk assessment incorporates our expectation that Danish banks' profitability will gradually improve, while remaining below that of Nordic peers. This is despite the frontloading of bail-inable debt issuances, sluggish lending growth, significant investments in compliance, and the competitive pressure in corporate lending, which still weigh on the sector's profitability. We now expect Danish banks' return on equity (ROE) to recover from current levels and

remain in the 6%-7% range in 2022-2023, close to the average of Denmark's peer countries, but still below other Nordic countries.

We note the sector's higher reliance than peers' on the functioning wholesale markets but acknowledge the continuing stability of the Danish covered bond market. We view the regulatory environment in Denmark as in line with that of other EU countries overall. This balances a generally robust track record of macroprudential policies and conservative bank supervision with the national AML governance shortcomings highlighted in Danske Bank's Estonia case. However, local banks and regulators have progressed in strengthening the country's overall AML framework and expect this focus to continue, considering the significant public attention and overall political consensus.

Our economic and industry risk trends for the Danish banking sector remain stable.

Business Position: Leading Danish Commercial Bank With A Good Market Position In Other Nordic Countries

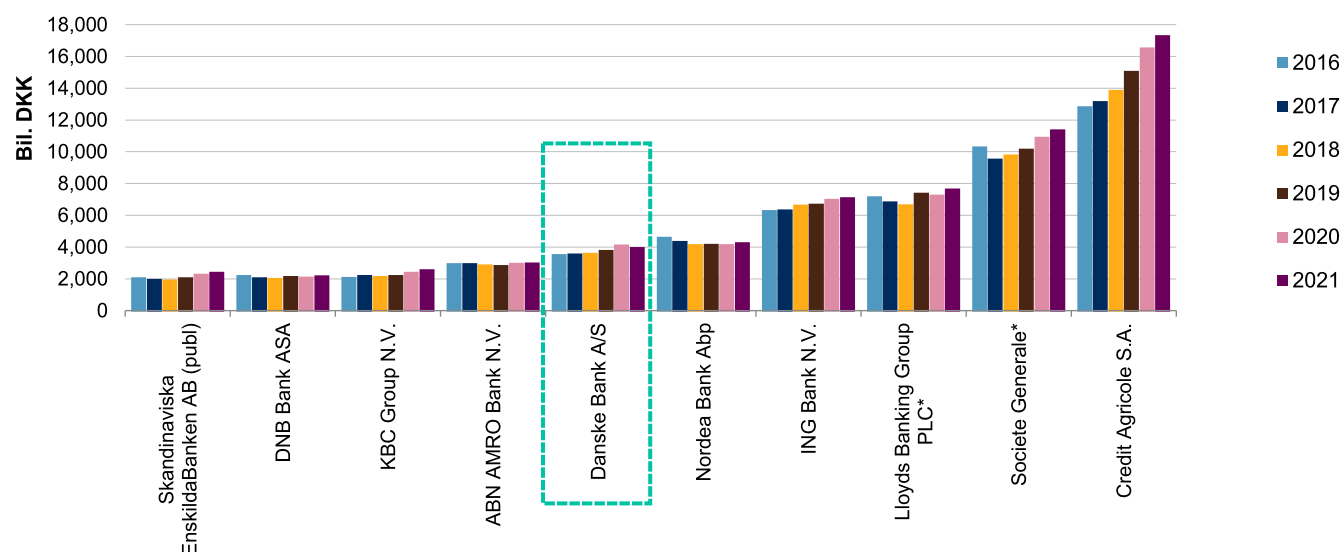
We expect that Danske will maintain its diverse earnings capacity based on its strong franchise as a domestic leader and the second-largest bank in the Nordic banking market. Danske has received significant negative attention since 2018 in connection with its Estonian AML case, the misselling of its Flexinvest Fri product, and errors in the bank's debt collection systems. However, it has also made material investments since then to address the AML-related issues by strengthening its compliance management framework and governance, increasing compliance staff, and improving its processes and risk culture. For example, employees working in financial crime prevention functions almost tripled to about 3,500 by end-2021 compared with 2018. In 2020, Danske set up a remediation unit to handle legacy issues more efficiently and in 2021, it introduced an updated financial crimes policy.

Overall, we believe that reputational damages to the bank's franchise will remain manageable and will not materially affect its market positions. Danske's proactive approach in retail and commercial customer outreach also supports the rating. We expect the group will remain highly diversified from solid operations, primarily in Denmark, Finland, Sweden, and Norway, with aggregate S&P Global Ratings-adjusted assets of Danish krone (DKK) 3.3 billion (about €444 billion) as of Dec. 31, 2021.

Chart 1

Danske Bank Is The Second-Largest Bank In The Nordics

Asset size versus global peers



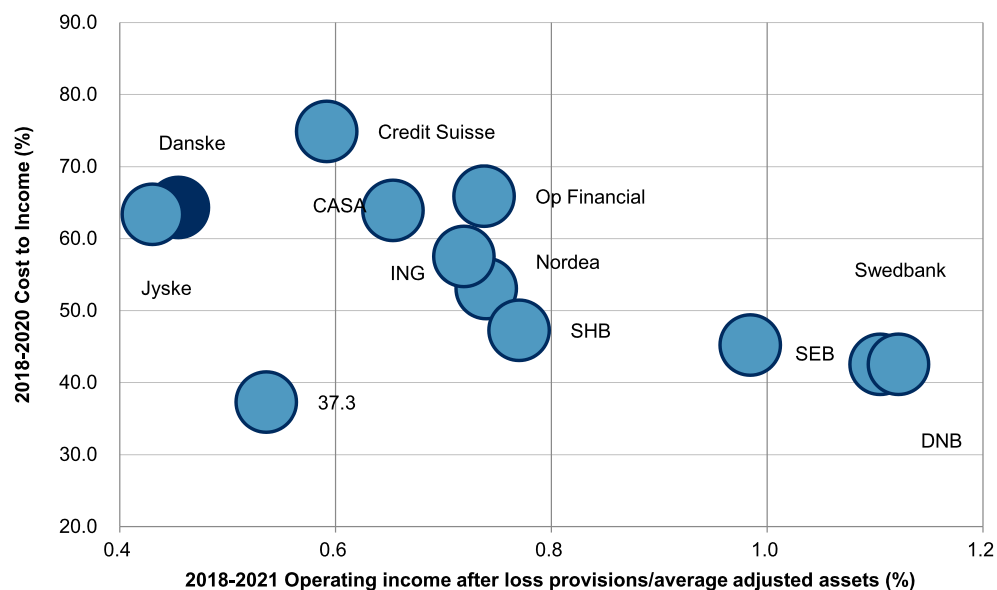
*Data for 2021 is as of end-September. DKK--Danish krone. Source: S&P Global Ratings.

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In line with its current pan-Nordic strategy, we expect that the bank will continue to focus on improving its below-peer-average operational efficiencies (see chart 2), while making material investments in compliance and digitalization, strengthening its brand, and leveraging strategic partnerships.

Chart 2

Efficiency Weighs On Profitability When Compared With Peers

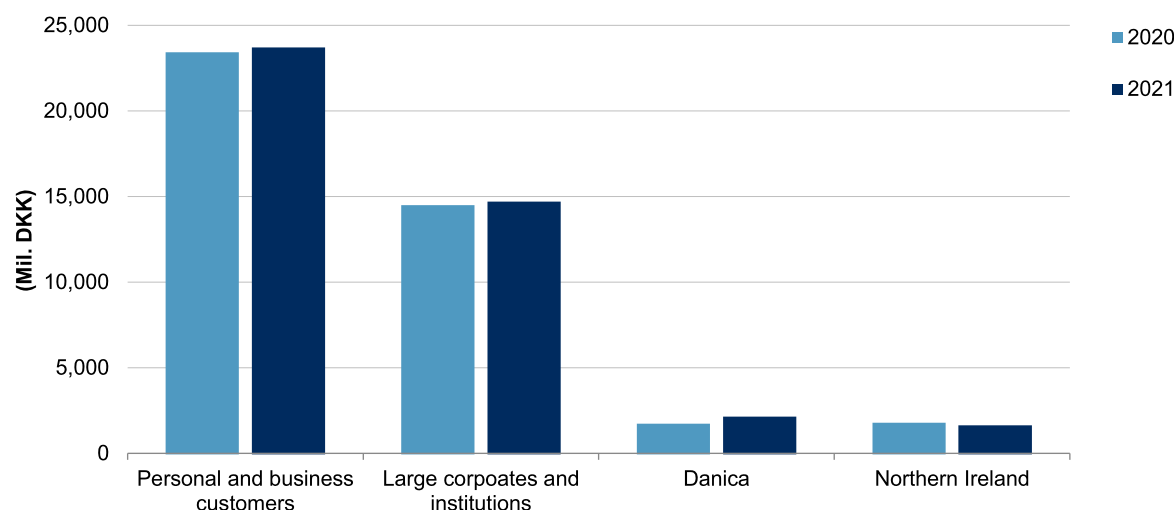


For Credit Suisse and Jyske Bank, assets are as of September 2021 and average has been calculated for periods 2018-2020. Bubble size represents total assets. Operating income after loss provisions/average adjusted assets and cost to income ratios are average for the periods 2018-2020. Total assets as of first quarter 2021.

Source: S&P Global Ratings.

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Chart 3

The Group Is Fairly Diversified Across Business Segments*

*Excludes Group Functions, Eliminations and Reclassifications. DKK--Danish krone. Source: S&P Global Ratings
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Capital And Earnings: Strong Capitalization Supports Renewed Shareholder Distributions, But Legal Fines Remain Uncertain

We expect Danske Bank's capital and earnings to remain a key rating strength, despite the uncertainty regarding legal fines. This reflects our expectation that the bank's RAC will remain in the 12.5%-13.0% range through 2023, from 12.9% as of Dec. 31, 2021.

The main assumptions embedded in our forecast include:

- Moderate lending growth in 2022-2023 and continued margin pressure to keep net interest income at stable levels.
- The bank's cost base should increase by 0.5%-1.0% only, as operational savings should partially compensate wage inflation as well as costs for ongoing compliance remediation. Furthermore, we expect the cost efficiency ratio to remain at about 65% in the next two years.
- Credit loss charges to increase marginally from the low level in 2021--which benefitted from high provisioning in 2020--and reach about DKK1.3-DKK1.4 billion in the next two years, or 5 bps-7 bps.
- Dividend payout at the upper end of the 40%-60% guidance, post 50% payout for 2021.

We incorporate the potential fines related to the Estonian case of an estimated DKK7.5 billion (€1.1 billion) in our projections, even though the timing of when it will materialize is unclear. As a reminder, in 2018, Danske Bank had to fulfill a DKK10 billion Pillar II add-on, a requirement from the Danish FSA to weather the financial and reputational

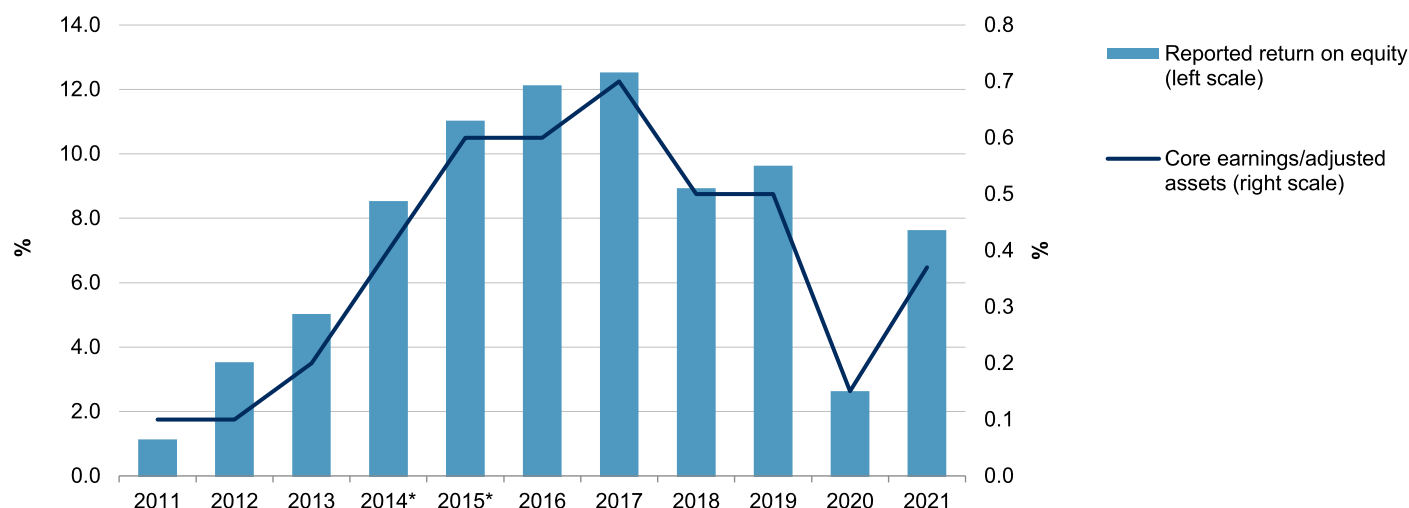
effects of the Estonian AML case. Overall, we consider that the bank benefits from decent capital flexibility, provided by a sizable capital buffer and organic earnings generation, which should allow it to absorb the costs related to legacy issues.

At the end of December 2021, the total regulatory capital ratio was 22.4%, and the CET1 capital ratio was 17.7%, against 23.0% and 18.3% at the end of 2020, respectively. The moderate decline in the capital ratios during 2021 was the result of higher risk-weighted assets linked to EBA guidelines, partly compensated by retained profits and a decline in the capital deduction for Danica Pension.

We consider the quality of Danske's capital to be adequate. High quality core capital represents about 87% of total adjusted capital--our measure of loss-absorbing capital--in which we incorporate four additional tier 1 issuances totaling approximately DKK19.9 billion as of December 2021.

Chart 4

Danske Bank A/S Return On Equity After Tax



*Excluding goodwill impairment. Source: S&P Global Ratings.

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Risk Position: A Relative Weakness Due to Historical Failures In Risk Management And The Uncertainty Of Future Regulatory Fines

We expect Danske's historical failures in risk management and governance will continue to weigh on its risk position. In our view, it is too early to gauge the effectiveness of Danske's material effort to address the identified shortcomings and overall compliance and governance improvements.

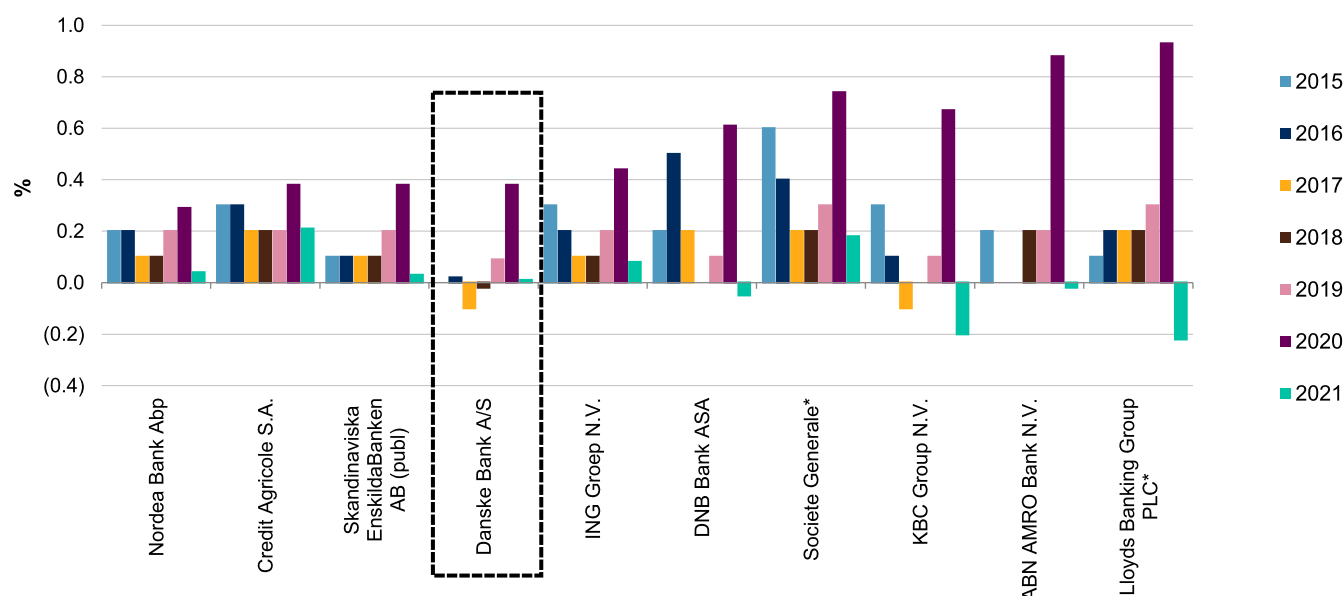
As the economy adapted to the COVID-19 pandemic, the pressure on Danske's operating environment reduced, and credit provisions as a percentage of customer loans declined to a mere 1 bp in 2021. The bank had materially

increased its provisions to 38 bps in 2020, as a result of the deterioration in oil-related exposures, and the weakening economy. Owing to an existing management buffer, we forecast the credit losses to remain low at 8 bps during the following two years.

We forecast stabilization of credit quality in 2022 and moderate improvement afterward, with the nonperforming asset ratio approaching the pre-pandemic levels of 2.4% by 2023, compared with 2.5% as of end-2021. The bank's balance sheet proved to be relatively resilient during the pandemic, with exposure to sectors most affected by COVID-19 (such as hotels, leisure, transportation, retailing, and oil-related exposures), accounting for less than 3% of Danske's lending.

Chart 5

Danske Bank's New Loan Losses Are In Line With Peer Banks



*Data for 2021 is as of end-September. Source: S&P Global Ratings.

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Funding And Liquidity: Leading Deposit-Taker In Denmark With Solid Secured Funding

We expect that Danske's funding and liquidity will be in line with that of domestic peers and remain neutral to the ratings, because we believe that the bank will continue to have untarnished access to broad capital markets and liquidity, despite reputational issues.

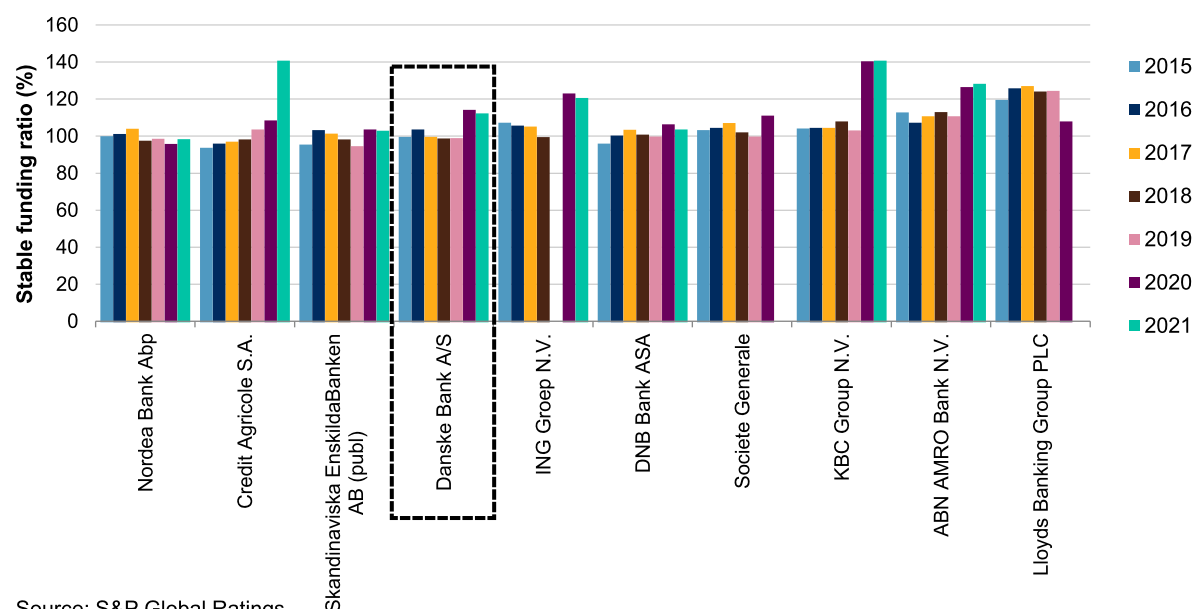
Danske has a leading position as a deposit-taker in Denmark and plays a significant role in the well-functioning Danish mortgage market. While Danske Bank has a higher share of covered bond financing than many of its international peers (34% of total funding base as of December 2021), we see the stability of the Danish covered bond market and its unique features as supporting an average funding assessment. This was highlighted again during the turbulence caused by COVID-19 in 2020, when the market remained open despite infection continuing to spread.

We expect Danske to keep a granular core deposit franchise in each of its primary markets. The bank's deposit volumes have increased materially (21% since 2019) due to low consumer spending, government support measures counteracting the pandemic impact, and corporate customers having secured backup liquidity. This is despite the bank applying a negative 60 bps rate on retail deposits exceeding DKK100,000 in Denmark, a threshold recently lowered. Core deposits represented close to 42% of the funding base at the end of 2021, a significant increase from the 37% average recorded in 2017-2020. However, we expect this trend to gradually reverse once household consumption and corporate investment normalize.

The group's stable funding ratio is comparable with peers', 112% at year-end 2021, and we expect it will improve marginally as the bank continues to refinance debt with long-term notes and covered bonds.

Chart 6

Danske Stable Funding Ratio Has Potential To Gradually Improve



Source: S&P Global Ratings.

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We consider Danske's liquidity portfolio to provide an adequate buffer to cover the maturing short-term wholesale funding as indicated by our liquidity ratio, in line with those of its Nordic peers. The bank's broad liquid assets represented 1.6x its short-term wholesale funding in December 2021, indicating a sound profile. Danske's liquidity is temporarily reinforced by high deposit volumes. Although we expect this to normalize, we continue to foresee a gradual improvement from historical levels as a result of reduced short-term covered bond issuance in Denmark.

The bank holds an ample liquidity buffer with a liquidity coverage ratio (LCR) reserve of DKK687 billion (17% of assets) as of Dec. 31, 2021, consisting of cash, central bank reserves, and liquid securities. Furthermore, Danske's liquidity remains comfortably above all regulatory minimums, with a LCR of 164% at Dec. 31, 2021. We understand that the bank established stringent liquidity and stress tests; Danske expects to stay in the market without additional external funding for more than 12 months in stressed conditions. In our view, monitoring provides the management

with adequate and timely information, in line with its Nordic peers.

Support: Two Notches Of ALAC Support

In our view, Danske Bank has a high systemic importance in Denmark. However, we regard the prospect of extraordinary government support for Danish banks as uncertain, in view of the country's well-advanced and effective resolution regime.

Danske has built up a significant buffer of bail-inable instruments to meet its MREL of 33.9%. Similarly, we include about DKK108 billion of MREL-eligible senior nonpreferred liabilities and tier 2 instruments in our ALAC metrics. Consequently, the bank's ALAC ratio is well above 6% of its S&P Global Ratings' risk-weighted assets, resulting in two notches of rating uplift for ALAC, and we believe it will continue to maintain these levels in the coming years to comply with its MREL.

We expect Danske to continue replacing a portion of the maturing senior unsecured debt with senior nonpreferred instruments.

Environmental, Social, And Governance (ESG)

ESG Credit Indicators

E-1	E-2	E-3	E-4	E-5	S-1	S-2	S-3	S-4	S-5	G-1	G-2	G-3	G-4	G-5
- N/A					- N/A					- Governance Structure - Risk management, culture, and oversight.				

N/A--Not applicable. ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

Governance factors are a negative consideration in our credit rating analysis of Danske. Social and environmental credit factors are in line with those of industry peers.

When analyzing the bank's risk profile, we account for historical failures in Danske's risk management and controls that were highlighted by its alleged money-laundering case in Estonia, which could have an elevated financial and reputational impact on the bank. Danske has made changes to address the identified shortcomings, but it remains too early to assess the effectiveness of its actions. In addition, we reflect uncertainties about the outcome of current regulatory investigations into the bank's franchise in our negative outlook.

Social factors are essential for Danske, as the largest Danish lender and a Pan-Nordic institution. Since it was in the spotlight for its Estonian case, the bank has been involved in cases of customers' overcharging and failure to comply with the market abuse regulation. The bank subsequently announced that it had set up a dedicated unit to oversee the

remediation of legacy control issues in the bank. While we consider that the alleged money-laundering case, and to a lesser extent the following misconduct and control issues that arose, have negatively affected the bank's image in society, the impact on business flows has been relatively limited. We expect that the bank will improve its brand recognition and maintain its flagship name in Denmark in the long run, as well as its overall strong business position in the Nordics. Still, in our view, these cases highlight that the bank is undergoing a process to improve its control mechanism, which is reflected in its lower-than-peers risk position assessment.

Environmental factors are neutral to our ratings on the bank. Like many other commercial banks, Danske needs to focus on transition risks emanating from its loan portfolio, especially corporate customers, as it is exposed to some sectors such as shipping or transportation, which are sensitive to environmental risks and vulnerable to evolving norms and legislations. Danske has committed to set a climate target for its corporate loan portfolio by 2023 at the latest, in line with the climate goals of the Paris Agreement. We expect the bank to continue integrating ESG aspects in its underwriting and investment processes.

During 2021, Danske joined the Net-Zero Banking Alliance and made a commitment to become a net-zero bank by 2050. It has also set targets to reduce carbon emissions in the corporate loan portfolio by 20%-50% by 2030.

Group Structure, Rated Subsidiaries, And Hybrids

Core subsidiaries: Danica Pension Livsforsikringsaktieselskab at the level of the group's stand-alone credit profile (SACP)

We rate Danske's life insurance subsidiary Danica at the level of the group's SACP, since we view Danica as a core group entity that would receive support under all foreseeable circumstances if needed, but we do not believe it will benefit from the bank's ALAC in resolution.

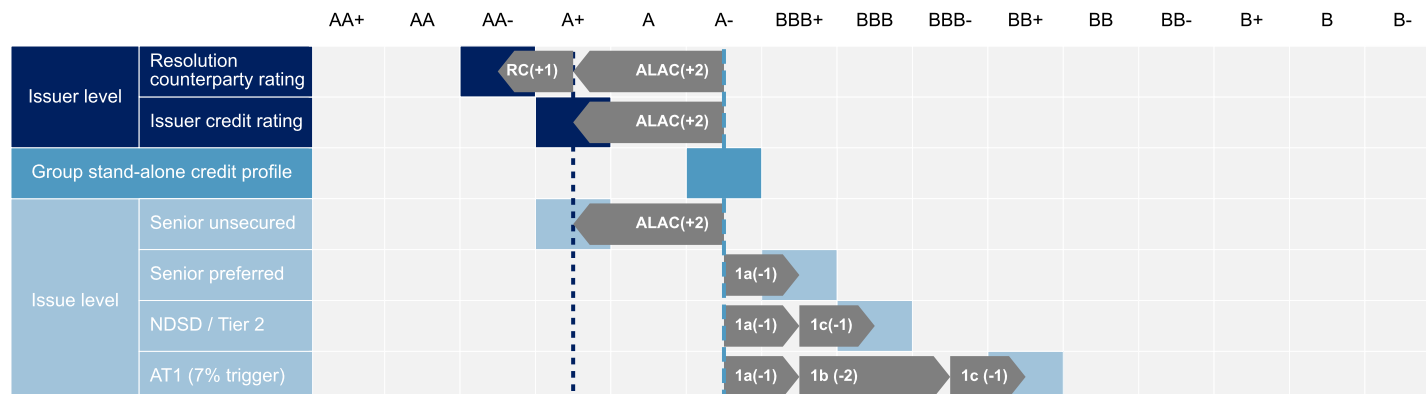
Resolution Counterparty Ratings (RCRs)

Following the completion of our RCR jurisdiction assessments on Denmark, we assigned 'AA-/A-1+' RCRs to Danske (see 24 European Banking Groups Assigned Resolution Counterparty Ratings, published June 29, 2018). The RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default through an effective bail-in resolution process for the issuing financial institution.

Issue Ratings

Hybrid notching table

Danske Bank A/S: Notching



Key to notching

----- Group stand-alone credit profile

----- Issuer credit rating

RC Resolution counterparty liabilities (senior secured debt)

ALAC Additional loss-absorbing capacity buffer

1a Contractual subordination

1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital

1c Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.

AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt.

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We rate Danske's senior nonpreferred notes, which rank below its senior unsecured debt at 'BBB+', one notch below the bank's SACP, reflecting the subordination risk. This follows our approach when an instrument is contractually or statutorily subordinated to preferred senior unsecured debt. In addition, we believe that the senior nonpreferred notes would be subject to a possible conversion or write-down only in resolution and would be excluded from any burden-sharing under EU state-aid rules. We have not applied further notching from the SACP because we believe that senior nonpreferred notes do not carry any additional default risk relative to that represented by the SACP assessment.

We rate the nondeferrable subordinated debt instruments of Danske Bank at 'BBB', two notches below the bank's SACP. The rating reflects our view of the debt's contractual subordination as a tier 2 instrument and that Bank Recovery and Resolution Directive is equivalent to a contractual write-down clause.

We rate Danske Bank's additional tier 1 instruments with a going-concern trigger at 'BB+', four notches lower than the SACP, reflecting our deduction of:

- One notch for contractual subordination;
- Two notches for the instruments' status as tier 1 regulatory capital; and
- One notch because the instruments allow for the full or partial temporary write-down of the principal amount.

Key Statistics

Table 1

Danske Bank A/S--Key Figures					
	--Year-ended Dec. 31--				
(Mil. DKK)	2021	2020	2019	2018	2017
Adjusted assets	3,302,555.0	3,471,943.0	3,176,980.0	3,036,985.0	3,123,419.0
Customer loans (gross)	1,858,429.0	1,863,364.0	1,848,298.0	1,803,311.0	1,748,500.0
Adjusted common equity	129,859.0	124,863.0	124,456.0	109,693.0	122,764.0
Operating revenues	47,127.0	46,370.0	46,236.0	46,956.0	49,483.0
Noninterest expense	30,786.0	32,443.0	29,613.0	27,204.0	25,321.0
Core earnings	12,638.7	5,080.8	16,518.8	15,505.0	20,581.5

DKK--Danish krone.

Table 2

Danske Bank A/S--Business Position					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Loan market share in country of domicile	24.8	25.5	26.2	26.6	26.6
Deposit market share in country of domicile	29.1	30.5	29.0	27.8	27.9
Total revenues from business line (currency in millions)	47,534.0	46,370.0	48,115.0	46,956.0	50,583.0
Commercial banking/total revenues from business line	40.1	38.5	37.3	37.0	33.7
Retail banking/total revenues from business line	29.1	29.1	29.6	32.6	27.5
Commercial & retail banking/total revenues from business line	69.2	67.6	67.0	69.6	61.2
Trading and sales income/total revenues from business line	13.5	15.9	11.4	12.2	15.5
Asset management/total revenues from business line	10.5	10.4	14.5	12.5	16.1
Other revenues/total revenues from business line	6.9	6.2	7.2	5.7	7.2
Investment banking/total revenues from business line	13.5	15.9	11.4	12.2	15.5
Return on average common equity	7.5	2.6	9.4	9.2	13.1

Table 3

Danske Bank A/S--Capital And Earnings					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Tier 1 capital ratio	20.0	20.5	20.4	20.1	20.1
S&P Global Ratings' RAC ratio before diversification	12.9	11.9	12.0	10.4	11.4
S&P Global Ratings' RAC ratio after diversification	13.6	12.6	12.8	16.6	12.2
Adjusted common equity/total adjusted capital	86.7	87.8	83.9	82.2	86.9
Double leverage	55.0	57.6	58.1	60.3	57.1
Net interest income/operating revenues	56.8	60.6	60.3	61.8	60.4
Fee income/operating revenues	25.7	23.0	22.4	22.1	21.9
Market-sensitive income/operating revenues	69.7	48.6	74.7	(21.8)	39.1
Cost to income ratio	65.3	70.0	64.0	57.9	51.2

Table 3

Danske Bank A/S--Capital And Earnings (cont.)					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Preprovision operating income/average assets	0.4	0.4	0.5	0.6	0.7
Core earnings/average managed assets	0.3	0.1	0.5	0.4	0.6
N/A--Not applicable.					

Table 4

Danske Bank A/S--Risk-Adjusted Capital Framework Data					
(DKK)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings' RWA	Average S&P Global Ratings' RW (%)
Credit risk					
Government and central banks	651,378,574,926.0	63,283,961.0	0.0	6,188,076,524.0	0.9
Of which regional governments and local authorities	61,386,252,756.0	0.0	0.0	2,066,429,210.0	3.4
Institutions and CCPs	302,408,497,139.0	33,994,774,612.0	11.2	44,643,415,480.0	14.8
Corporate	1,053,872,341,400.0	315,683,425,602.0	30.0	638,438,170,735.0	60.6
Retail	1,088,600,289,418.0	201,125,585,683.0	18.5	294,629,085,181.0	27.1
Of which mortgage	989,655,332,616.0	169,940,564,713.0	17.2	233,795,066,947.0	23.6
Securitization§	2,774,377,347.0	1,085,960,705.0	39.1	985,807,743.0	35.5
Other assets†	30,139,755,870.0	39,681,732,501.0	131.7	31,745,034,798.0	105.3
Total credit risk	3,129,173,836,100.0	591,634,763,063.0	18.9	1,016,629,590,461.0	32.5
Credit valuation adjustment					
Total credit valuation adjustment	--	4,431,074,921.0	--	17,306,793,958.0	--
Market risk					
Equity in the banking book	504,548,308.0	1,633,325,418.0	323.7	4,320,842,692.0	856.4
Trading book market risk	--	36,540,686,140.0	--	42,760,574,810.0	--
Total market risk	--	38,174,011,558.0	--	47,081,417,502.0	--
Operational risk					
Total operational risk	--	73,463,008,463.0	--	84,003,027,320.0	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings' RWA	% of S&P Global Ratings' RWA
Diversification adjustments					
RWA before diversification	--	860,173,000,005.0	--	1,165,020,829,242.0	100.0
Concentration Adjustments	--	--	--	(64,805,354,053.0)	(5.6)
RWA after diversification	--	860,173,000,005.0	--	1,100,215,475,189.0	94.4

Table 4

Danske Bank A/S--Risk-Adjusted Capital Framework Data (cont.)				
	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings' RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	171,868,000,000.0	20.0	149,791,992,018.0	12.9
Capital ratio after adjustments†	171,868,000,000.0	20.0	149,791,992,018.0	13.6
*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to tier 1 ratio are additional regulatory requirements (e.g. transitional floor or pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. DKK--Danish krone. Sources: Company data as of Dec. 31, 2021, S&P Global Ratings.				

Table 5

Danske Bank A/S--Risk Position					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Growth in customer loans	(0.3)	0.8	2.5	3.1	0.8
Total diversification adjustment/S&P Global Ratings' RWA before diversification	(5.6)	(5.8)	(6.3)	(37.5)	(6.1)
Total managed assets/adjusted common equity (x)	29.8	32.9	30.2	32.6	28.8
New loan loss provisions/average customer loans	0.0	0.4	0.1	(0.0)	(0.1)
Net charge-offs/average customer loans	0.1	0.2	0.1	(0.0)	(0.0)
Gross nonperforming assets/customer loans + other real estate owned	2.5	2.6	2.3	2.4	1.9
Loan loss reserves/gross nonperforming assets	49.5	47.8	49.8	48.5	62.3
N/A--Not applicable.					

Table 6

Danske Bank A/S--Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Core deposits/funding base	42.5	42.1	36.8	35.3	34.7
Customer loans (net)/customer deposits	156.9	153.9	189.4	198.7	189.1
Long-term funding ratio	78.7	77.0	72.9	71.2	69.9
Stable funding ratio	111.6	113.5	98.0	96.9	103.3
Short-term wholesale funding/funding base	22.7	24.3	28.9	30.7	32.0
Broad liquid assets/short-term wholesale funding (x)	1.6	1.6	1.1	1.1	1.2
Broad liquid assets/total assets	25.5	26.2	22.1	23.1	28.1
Broad liquid assets/customer deposits	85.6	90.2	86.1	92.3	109.0
Net broad liquid assets/short-term customer deposits	29.6	29.4	6.4	4.7	14.9
Short-term wholesale funding/total wholesale funding	39.0	41.6	45.1	46.7	48.5

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Nordic Banks Shift Their Focus To Profitable Growth, March 16, 2022
- Banking Industry Country Risk Assessment Update: February 2022, Feb. 28, 2022
- Our Danish Bank Ratings Affirmed Under Revised FI Criteria, Feb. 4, 2022
- ESG Credit Indicator Report Card: EMEA Banks, Jan. 19, 2022
- Storebrand's Bolt-On Acquisition Of Danica's Pension Business In Norway Won't Affect The Ratings On Either Life Insurer, Dec. 22, 2021
- Denmark-Based Danske Bank Upgraded To 'A+'; Outlook Negative; Off UCO On Implementation Of Revised FI Criteria, Dec. 16, 2021

Ratings Detail (As Of April 7, 2022)*

Danske Bank A/S

Issuer Credit Rating	A+/Negative/A-1
<i>Nordic Regional Scale</i>	--/--/K-1
Resolution Counterparty Rating	AA-/--/A-1+
Certificate Of Deposit	
<i>Foreign Currency</i>	A+/A-1
Commercial Paper	
<i>Foreign Currency</i>	A+/A-1
<i>Local Currency</i>	A-1
Junior Subordinated	BB+
Senior Secured	AAA/Stable
Senior Subordinated	BBB+
Senior Unsecured	A+

Ratings Detail (As Of April 7, 2022)*(cont.)

Senior Unsecured	A+ / A-1
Short-Term Debt	A-1
Subordinated	BBB
Issuer Credit Ratings History	
16-Dec-2021	A+ / Negative / A-1
23-Oct-2019	A / Stable / A-1
25-Sep-2018	A / Negative / A-1
05-Apr-2018	A / Positive / A-1
05-Feb-2004 <i>Nordic Regional Scale</i>	-- / -- / K-1
Sovereign Rating	
Denmark	AAA / Stable / A-1+
Related Entities	
Danica Pension Livsforsikringsaktieselskab	
Issuer Credit Rating	A- / Negative / --
Subordinated	BBB
Danske Bank A/S, Swedish Branch	
Issuer Credit Rating	A+ / Negative / A-1
Danske Hypotek AB	
Senior Secured	AAA / Stable
Realkredit Danmark A/S	
Senior Secured	AA / Negative
Senior Secured	AAA / Stable
Short-Term Secured Debt	A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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