



Rating Action: Moody's affirms Danske Bank's deposit and senior unsecured debt ratings; outlook changed to positive

10 Jul 2023

Stockholm, July 10, 2023 – Moody's Investors Service ("Moody's") has today affirmed the assessments and ratings of Danske Bank A/S (Danske), including its Baseline Credit Assessment (BCA) of baa2, long-term deposit ratings of A2 and senior unsecured debt ratings of A3. The outlooks on Danske's long-term deposit, senior unsecured debt and issuer ratings were changed to positive from stable.

The positive outlook on the long-term deposit, senior unsecured and issuer ratings reflects Moody's expectations that – following the significant progress made to date – the bank is likely to successfully complete its financial crime transformation plan during the outlook period, thereby finally closing its remediation work, which is likely to prevent future failures.

Please click on this link https://www.moody's.com/viewresearchdoc.aspx?docid=PBC_ARFTL478546 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

Danske's baa2 BCA reflects its good asset quality, albeit weaker than Nordic peers', and solid capitalisation, along with rapidly improving profitability, primarily boosted by higher interest rates. The bank's high dependence on market funding is mitigated by the resilient domestic covered bond market and good liquidity.

Whereas Danske has undertaken significant remediation actions as a response to the earlier money laundering failures in Estonia, the bank's BCA continues to incorporate a one notch negative adjustment for corporate behaviour, reflecting governance and risk management deficiencies, which crystallised in the systematic breaching of anti-money laundering rules over an extended period of time. Under Moody's environmental, social and governance framework, this is also reflected in a CIS-4, indicating that governance risks (G-4 issuer profile score) have a discernible impact on the rating.

Deposit and senior unsecured debt ratings reflect Moody's Advanced Loss Given Failure (LGF) forward-looking analysis of the group's current balance sheet structure and its capital and funding plans, which indicates that Danske's depositors are likely to face very low loss-given failure, senior creditors low loss-given-failure and junior senior creditors moderate loss-given failure, due to the loss absorption provided by the respective subordination and volume for each instrument class.

This results in two notches of uplift for deposits, one notch of uplift for senior unsecured debt ratings and no uplift for junior senior unsecured debt ratings. The deposit and senior unsecured rating classes are further supported by our view of a "moderate" probability of government support, which results in a further notch of uplift, leading to long-term deposit ratings of A2 and senior unsecured debt ratings of A3.

OUTLOOK

The positive outlooks on the long-term deposit and senior unsecured debt ratings reflect Moody's expectations that the bank is likely to successfully complete its financial crime transformation plan during the outlook period, demonstrating that its governance, risk and regulatory compliance frameworks have been thoroughly overhauled and are likely to

prevent similar failures.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Danske Bank A/S's BCA could be upgraded should the bank successfully complete its financial crime transformation plan, demonstrating that its governance, risk and regulatory compliance frameworks have been thoroughly overhauled and are likely to prevent similar failures.

The long-term deposit and senior unsecured ratings could also be upgraded if the bank were to issue significantly higher amounts of loss-absorbing debt compared to what Moody's currently incorporates.

The outlook on the long-term deposit and senior unsecured debt ratings could revert to stable if Moody's observed renewed lapses in governance or risk appetite.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL478546 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- EU Endorsement Status
- UK Endorsement Status
- Rating Solicitation
- Issuer Participation
- Participation: Access to Management
- Participation: Access to Internal Documents
- Lead Analyst
- Releasing Office

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1288235.

At least one ESG consideration was material to the credit rating action(s) announced and described above.

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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Louise Welin
VP - Senior Credit Officer
Financial Institutions Group
Moody's Investors Service (Nordics) AB
Norlandsgatan 20
Stockholm, 111 43
Sweden
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Simon Ainsworth
Associate Managing Director
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service (Nordics) AB
Norlandsgatan 20
Stockholm, 111 43
Sweden
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

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