

Bulletin:

Danske Bank's Tier 1 Capital Issuance Bolsters Its Maximum Distributable Amount Headroom

October 1, 2026

This report does not constitute a rating action.

STOCKHOLM (S&P Global Ratings) Oct. 1, 2026--S&P Global Ratings said today that it continues to monitor the potential coupon nonpayment risk for the holders of Danske Bank's (A+/Positive/A-1) additional tier 1 (AT1) instruments. In tandem with the bank's ongoing efforts to optimize its capital position, we observe that the bank is currently managing its capital ratios closer to regulatory minimums than most large European banks.

Danske Bank's ongoing capital optimization, including a Danish krone (DKK) 5 billion extraordinary dividend in first-half 2026 and ongoing share buybacks under the DKK4.5 billion program that runs through February 2027, has temporarily reduced its maximum distributable amount (MDA) headroom. Notably, the bank's Tier 1 headroom has become significantly tighter--standing at 103 basis points (bps) above the regulatory requirement as of June 30, 2026. On the same date, Danske Bank's common equity tier 1 (CET1) ratio stood 230 bps above the regulatory requirement of 14.7%. This buffer is largely in line with that of peer Nordic domestic systemically important banks and above the bank's long-term CET1 capital target of 150-200 bps.

We believe Danske Bank is strengthening its position through sound market access and anticipated regulatory relief. The bank's recent issuance of AT1 notes (four tranches in DKK, Norwegian krone, and Swedish krona) in August 2026 bolstered the outstanding volume to the equivalence of DKK11.5 billion (€1.54 billion). Coupled with the bank's expectation of a lowered regulatory Pillar 2 requirement--following the resolution of legacy issues and subject to its 2026 Supervisory Review and Evaluation Process (SREP)--we anticipate the Tier 1 MDA headroom to improve to 190-200bps by end-2026.

Danske Bank manages its capital ratios in accordance with regulatory requirements defined in terms of risk-weighted assets (RWAs) and leverage. Because it is an EU bank, regulators would likely require Danske Bank to curtail discretionary distributions (including to AT1 bondholders) if it breaches its regulatory requirements--the MDA thresholds. These thresholds apply to both RWAs (SREP-MDA) and leverage (L-MDA).

Our view of a bank's intrinsic creditworthiness, the stand-alone credit profile, serves as the starting point for our credit risk analysis of bank hybrids. We deduct notches when assessing AT1s to reflect the instruments' structural features, such as subordination and optional coupon

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repayment. We may notch down further if we identify additional risks of coupon nonpayment, reflecting a blend of quantitative and qualitative analysis.

We continue to closely monitor developments, particularly regarding the bank's capital trajectory and any shifts in the regulatory environment that may affect our view on its AT1 issue rating. While we consider coupon nonpayment risks mitigated by Danske Bank's strong earnings capacity and ample financial flexibility, we would view headroom sustained below 200 bps over time as inconsistent with the current 'BBB-' junior subordinated issue rating (see "[Hybrid Capital Horizons: Why We Upgraded Certain European Bank Hybrids](#)," Nov. 21, 2025).

Related Research

- [Improved Industry Risk Drives Various Rating Actions On Danish Banks And A Securities Firm](#), Aug. 26, 2026
- [Danske Bank A/S](#), July 3, 2026
- [Ratings On Multiple European Bank Hybrids Raised On Revised Analytical Expectations](#), Nov. 21, 2025
- [Credit FAQ: Hybrid Capital Horizons: Why We Upgraded Certain European Bank Hybrids](#), Nov. 21, 2025

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