

MOODY'S

RATINGS

Rating Action: Moody's Ratings upgrades Danske Bank's long-term deposit ratings and senior unsecured debt ratings to A1; outlook on long-term deposit and senior unsecured ratings changed to stable

02 May 2024

Stockholm, May 02, 2024 -- Moody's Ratings (Moody's) has today upgraded Danske Bank A/S's (Danske) long-term deposit ratings to A1 from A2 and the long-term senior unsecured debt and long-term issuer ratings to A1 from A3. The Baseline Credit Assessment (BCA) and the Adjusted BCA were upgraded to baa1 from baa2. The junior senior unsecured debt rating was upgraded to Baa1 from Baa2. Furthermore, the long-term Counterparty Risk Ratings (CRR) and Counterparty Risk (CR) Assessments were upgraded to Aa3 and Aa3(cr) from A1 and A1(cr), respectively. The short-term CRR and CR Assessment were affirmed at P-1 and P-1(cr), respectively. Concurrently, the senior unsecured medium term note (MTN) program rating, and junior senior unsecured MTN program rating were upgraded to (P)A1 and (P)Baa1 from P(A3) and (P)Baa2, respectively. The short-term commercial paper rating was upgraded to P-1 from P-2 and the Other Short Term rating was upgraded to (P)P-1 from (P)P-2. Danske's long-term Deposit Note/CD program ratings were upgraded to (P)A1 from (P)A2 and the short-term Deposit Note/CD program ratings were affirmed at P-1 and (P)P-1. Finally, Danske's short-term deposit ratings and backed short-term Deposit Note/CD program rating were affirmed at P-1. The outlooks on the long-term deposit ratings, long-term issuer ratings and senior unsecured debt ratings of Danske were changed to stable from positive.

The long-term Deposit Note/CD program rating of Danske Bank A/S (London Branch) was upgraded to (P)A1 from (P)A2, the short-term Deposit Note/CD program rating was affirmed at (P)P-1. The outlook on the entity has been changed to stable from positive.

RATINGS RATIONALE

The upgrade of the ratings primarily reflects Moody's assessment that Danske's work

to identify and remediate deficiencies regarding its previous breaches relating to AML in its Estonian operations have been completed, and the bank is now able to focus on its core franchise as evidenced by its strong performance during 2023. The bank's Financial Crime Plan was completed at the end of December 2024, marking an important closure of an intense remediation period addressing its past deficiencies. Together with the settlement with Danish and US authorities during 2022, and work to remediate also other conduct related issues, Moody's assesses that the risk for governance failure has reduced materially and therefore the negative corporate behavior adjustment has been removed. Danske still has pending contingent risks in relation to its US civil claims that could have both financial and reputational consequences.

Under Moody's General Principles for Assessing Environmental, Social and Governance Risks methodology, the aforementioned lower governance risks and still prevailing high social risks have been reflected in an improved governance issuer profile score (IPS) of G-2 from G-4 and an unchanged social IPS of S-4 for customer relations and conduct risk issues. As a result, the Credit Impact Score has improved to a CIS-3 from CIS-4, indicating that Danske's ratings are no longer materially impacted from ESG considerations while there remains a risk of downward ratings pressure over time in case social risks were to materialize.

The upgrade of the long-term deposit ratings to A1 reflects the upgraded BCA of baa1 and two notches uplift due to Moody's Advanced Loss Given Failure (LGF) analysis and one notch due to Moody's assumption of moderate government support in case of need. The upgrade of the senior unsecured ratings to A1 reflects the upgraded BCA and Moody's view that the bank needs higher volumes of loss absorbing liabilities to satisfy its regulatory requirements, leading to two notches of uplift as per the Advanced LGF analysis, from one previously, and one notch uplift for government support.

OUTLOOK

The stable outlook on the long-term deposit and senior unsecured ratings reflects Moody's view that during the next 12-18 months, Danske will continue to perform with strong solvency with maintained credit quality and prudent funding and liquidity management.

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

Danske Bank A/S's ratings could be upgraded following a track record of improved solvency, with maintained share of problem loans below two percent of gross loans, strong capital buffers leading to maintained leverage ratio with tangible common equity to tangible assets above five percent, or recurring profitability above 0.75% net income to tangible assets ratio.

Danske Bank A/S's ratings could be downgraded if Moody's observed renewed lapses in governance or risk appetite, or material deterioration in the bank's solvency or liquidity metrics.

The ratings could also be downgraded if the share of loss absorbing liabilities were to decline as a share of tangible banking assets, leading to lower uplift as per Moody's Advanced LGF analysis.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/409852>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

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>.

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at
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