Danske Bank A/S

Rating report

Issuer

A+

Outlook

Positive

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Summary and Outlook

Danske Bank A/S (Danske)'s issuer rating of A+ reflects the following assessments:

Business model assessment: Resilient (High). Danske has developed a resilient and consolidated universal banking business model in its home country, which includes a leading market position in retail and corporate banking with a market share above 25% in loans and deposits, capital market activities and asset management, as well as an insurance business via its subsidiary Danica. In terms of geographic diversification, the group has a well-established banking franchise in Denmark and maintains complementary operations in Sweden and Finland and Northern Ireland.

Operating environment assessment: Very Supportive (Low). Danske's main operating environment is Denmark[1] that represents around 50% of credit exposures as of YE 2024.

Long-term sustainability assessment (ESG factor): Developing. The assessment weights in the significant progress made with the implementation of governance-related measures, reducing the risk of further fines from regulators and the progress on digital capabilities and IT investments that have transformed the operational set-up. The implementation of the Financial Crime Plan was concluded in 2023, and the bank is now transitioning into a business-as-usual phase, operating under an enhanced monitoring framework until year-end 2025. In addition, following the final resolutions reached with the Danish and US authorities in December 2022, the group is approaching the end of the three-year probation period, in which reporting and disclosure requirements are closely monitored.

Earnings and risk exposures assessment: Neutral. Danske has been able to maintain a stable profitability across business lines, leveraging on the positive interest rate environment, active hedging to manage the decreasing trajectory of interest rates and cost discipline. Asset quality remains robust, underpinned by its well diversified loan book, retaining a balanced component of retail, business and large corporates. Although the geopolitical and macroeconomic environment remains challenging, Scope expects that credit losses will remain limited, benefiting from the still strong domestic economy and high level of savings of households and corporates.

Financial viability assessment: Comfortable. Danske has a conservative management of capital buffers. Capitalisation ratios are high in comparison to EU peers, notwithstanding the relatively higher requirements, both at CET 1 and total capital levels. The stated CET1 ratio objective is set >16% by 2026. While the bank has indeed the capacity to absorb evolving regulatory requirements and organic growth, an eventual reduction of CET 1 to the target level will be closely monitored.

Danske maintains a lower component of customers deposits when compared with larger EU banks, which is a structural feature of Nordic banks that benefit from a higher portion of wholesale funding, mostly covered bonds. Liquidity metrics are adequate, evidenced by a sound liquidity coverage ratio and net stable funding ratio.

The Positive Outlook reflects Scope's view that the risks to the rating are tilted to the upside.

The upside scenario(s) for the rating and Outlook:

- Improvement of the long-term sustainability assessment (ESG-D factor), based on the successful closure of the probation period under ad-hoc regulatory oversight.

[1] For more details on the operating environment for Denmark, see our report: European bank operating environment in 2025 , May 2025.

- Significant improvement on profitability and efficiency, while maintain the conservative risk appetite and sound asset quality, could lead to an improvement of the Earnings Capacity and Risk Exposures assessment.

The downside scenario(s) for the rating and Outlook:

- Significant deterioration in asset quality due to a worsened economic environment in Denmark, that could trigger a downward review on Earnings Capacity and Risk Exposures.
- Capital and funding profile deterioration, with a higher-than-expected erosion of capital and liquidity metrics, could trigger review of the Financial Viability Management's assessment.

Table 1: Rating drivers

	Rating drivers	Assessment					
STEP 1	Operating environment	Very constraining	Constraining	Moderately supportive	Supportive	Very supportive	
	Low/High	*Low*			*High*		
	Business model	Narrow	Focused	Consistent	Resilient	Very resilient	
	Low/High	*Low*			*High*		
	Initial mapping	**a**					
	Long-term sustainability	Lagging	Constrained	Developing	Advanced	Best in class	
	Adjusted anchor	**a**					
STEP 2	Earnings capacity & risk exposures	Very constraining	Constraining	Neutral	Supportive	Very supportive	
	Financial viability management	At risk	Stretched	Limited	Adequate	Comfortable	Ample
	Additional factors	Significant downside factor	Material downside factor	Neutral	Material upside factor	Significant upside factor	
	Standalone rating	**a+**					
STEP 3	External support	Not applicable					
Issuer rating		**A+**					

Table 2: Credit ratings

		Credit rating	Outlook
Issuer	**Danske Bank A/S**		
	Issuer rating	A+	Positive
	Preferred senior unsecured debt rating	A+	Positive
	Non-Preferred senior unsecured debt rating	A	Positive
	Tier 2 debt rating	BBB+	Positive
	AT1 debt rating	BBB-	Positive
	Short-term debt rating	S-1+	Stable
Issuer	**Realkredit Danmark A/S**		
	Issuer rating	A+	Positive
	Short-term debt rating	S-1+	Stable
Issuer	**Danske Kiinnitysluottopankki Oyj**		
	Issuer rating	A+	Positive

1. Business model

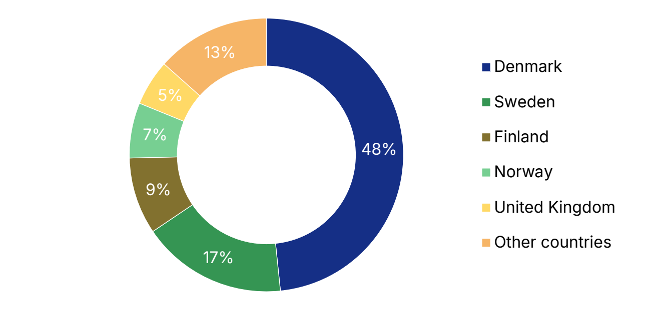
'Resilient – high' business model assessment

Danske has developed a resilient universal banking business model in its home country of Denmark, maintaining a leading market position in retail and corporate banking with a market share above 25% in loans and deposits. The group's strategy aims to maintain its leadership in its home market, while strengthening its business diversification and grow revenues from non-banking activities, mainly insurance and asset management, as the relevance of fees and commissions is less material when compared with larger financial conglomerates operating internationally.

The group has a well-established banking franchise in Denmark and maintains complementary operations in Sweden, Finland and Norway. Its geographic footprint also includes a leading position in the banking sector of Northern Ireland, that represent around 5% of credit exposures.

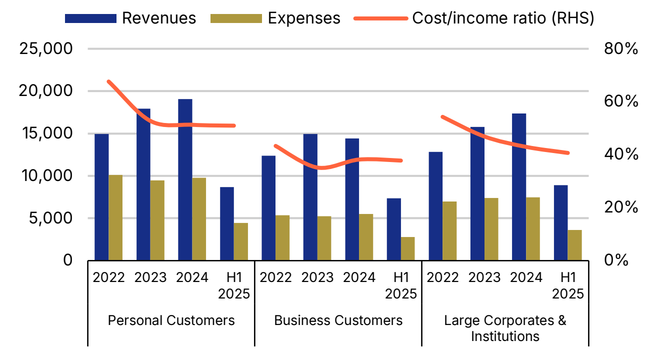
The group has a strong franchise in the Nordic region and has recently refocused its strategy with the sale of the retail banking operation in Norway, while maintaining its activities on business banking and large corporates. The strategy aims to support the growth of segments in which there is a stronger earnings potential and reflects the conservative approach for growth of the group.

Figure 1: Credit exposure



Note: On and off-balance credit exposure as of H1 2025. Source: Company data, Scope

Figure 2: Revenue breakdown by business segment, DKKm

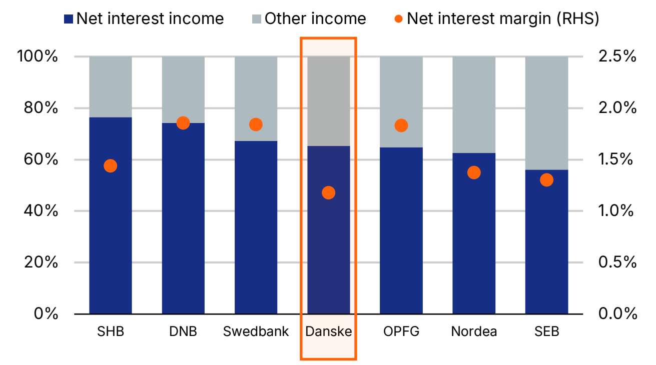


Source: Company data, Scope Ratings

The group aims to grow the 'share of wallet' and market share in its core markets, with a leading wholesale and business franchise in the Nordics and leading retail business in Denmark and Finland, complemented by specialised business units and subsidiaries in asset management, pensions and insurance. The strategy is developed using multi-channels through mobile apps, online banking services, physical branches and specialised subsidiaries.

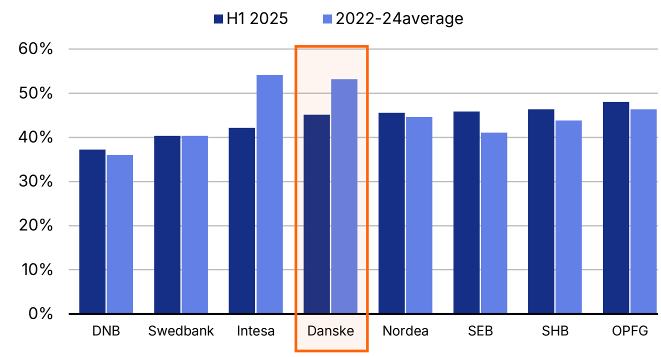
Danske is on track to deliver the targets included in its 'Forward'28' strategy that include for 2026 a RoE of 13%, CET1 ratio above 16% and cost/income ratio around 45. While the bulk of revenues comes from net interest income, the group is growing its capital-light activities, generating fees and commissions via non-banking activities and we expect this will growth further.

Figure 3: Revenue profile – peer comparison



Note: Three-year average based on 2022-2024. Source: SNL, Scope Ratings

Figure 4: Cost to income – peer comparison



Source: Company data, Scope Ratings

2. Long-term sustainability (ESG-D)

'Developing' long-term sustainability assessment

The assessment weights in (i) the significant progress made with the implementation of governance-related measures, reducing the risk of further fines from regulators and (ii) the progress on digital capabilities and significant IT investments that have transformed the operational set-up, aligning it to the efficiency and optimization standards observed across the deeply interconnected banking sector in the Nordic region.

Scope expects upside potential in terms of long-term sustainability, following confirmation of the successful closure of the probation period agreed with the regulatory authorities.

Governance

The group's risk management framework has been strengthened following the implementation of the Financial Crime Plan, concluded in 2023. In addition, following the final resolutions reached with the Danish and US authorities, the group is approaching the end of the three-year probation period started on December 2022, in which reporting and disclosure requirements are closely monitored. We consider that the remediation actions have positively transformed the group's risk culture and governance framework.

Digitalisation

Digital capabilities are a key channel for business growth. The group targets a cost-income ratio at around 45% in 2026, strengthening further the use of digital platforms and expert advisory services to streamline processes, product development and support functions. After years focusing predominantly on risk management processes, the strengthening of the franchise and business model supported by the development of digital capabilities, for both clients and employees, is providing competitive advantages in its core markets.

Environment

Sustainability is a key component of the medium-term strategy. Danske's exposure to environmental risks is in our view similar to Nordic peers and mostly related to energy transition-related risks concentrated in agriculture, shipping and oil & gas. Following the implementation of an ESG risk assessment framework for corporate customers, as of Q1 2025 around 92% of customers had been assessed at least once. The assessment allows to identify high-risk customers and engage with them on an action plan for risk mitigation. In addition, the group has implemented climate targets to de-risk the portfolio on lending, asset management, life insurance and pension and on own operations. Finally, while flooding risk has been identified as the most important physical risk in the loan portfolio, the materiality is limited to residential and commercial property and ranges from 2%-5% of the collateral value.

Social

Social factors reflect the relevance of the group as one of the country's largest employers and the objective to remain an attractive workplace for its employees. Initiatives focus on building a diverse and inclusive corporate culture and among them the objective to increase the share of the underrepresented gender in management and senior positions to 40% and general leadership positions to 45%.

Figure 5: Long-term sustainability overview table[2]

	Industry level			Issuer level						
	Materiality			Exposure			Management			
	Low	Medium	High	Low	Neutral	High	Weak	Needs attention	Adequate	Strong
E Factor		◇			◇				◇	
S Factor	◇				◇				◇	
G Factor			◇			◇			◇	
D Factor			◇			◇				◇

Source: Scope Ratings

[2] The overview table illustrates how each factor informs our overall assessment. Materiality refers to our assessment of the credit relevance of each factor for the banking industry. Exposure refers to what extent the bank is exposed to risks or benefits from opportunities compared to peers, given its business model and countries of operation. Management refers to how we view the bank's navigation through transitions.

3. Earnings capacity and risk exposures

'Neutral earnings capacity and risks exposures' assessment

The group's earnings capacity has improved in the last years with higher net interest margins due to the higher interest rates environment, as well as the decrease in one-off operational expenses related to the strengthening of the risk management framework. This improvement has provided to the group, in our view, a more stable and predictable base of earnings to absorb a potential increase of credit impairments, in the context of a volatile macro environment and uncertain geopolitical scenario.

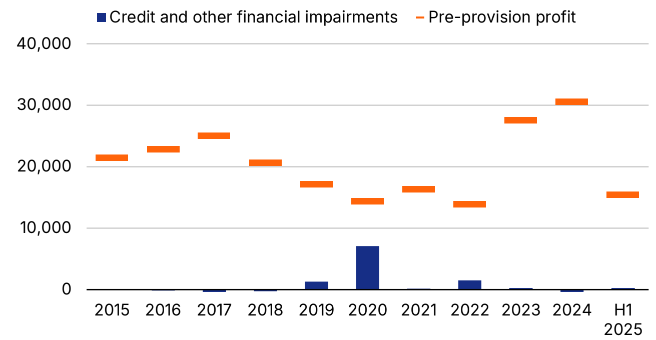
The group targets a return on equity of 13% by the end of 2026, which has been achieved with the positive results of 2024 and H1 2025. In addition, risk adjusted profitability measured by return on average risk weighted assets reached a peak of 2.9% in 2024, compared to an average of 1.2% for the period 2018-2023.

Net interest income has increased steadily since 2023, reflecting the higher interest rate environment. While the decrease on interest rates is supporting a recovery on lending volumes, we should expect net interest margin to remain resilient as it also benefits from deposit hedges that mitigate further the impact from the reduction on policy rates.

Fee income is also improving due to a higher demand from customers for banking services, and the leadership in terms of cash management solutions for corporate customers. and business momentum with corporate clients are sustained. While trading activities and fair value adjustments remain a source of income volatility, the higher contribution from customers' trading activities in fixed income has supported a strong trading income in the last 12 months.

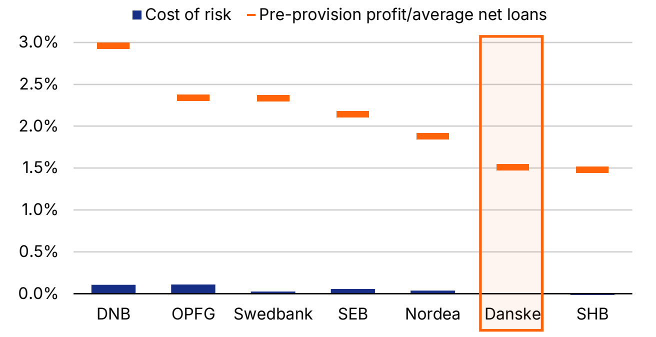
Operational efficiency is also a relevant target for the group, aiming to maintains an efficiency ratio around 45%. Following a prudent cost management and due to the reduction of the costs related to remediation measures, the group has been able to achieve the objective of a cost-to-income ratios of 45% in 2024 and H1 2025. We expect efficiency to remain at this level, as the initiatives related to digital improvements and the use of artificial intelligence should produce further optimisation of the cost structure.

Figure 6: Pre-provision income and provisions (DKK m)



Source: Company data, Scope Ratings

Figure 7: Peer comparison



Note: Three-year averages based on 2022-2024. Source: SNL, Scope Ratings

Risk concentrations in the loan portfolio are well managed. Danske's loan portfolio is diversified by industries and granular by clients. Mortgage loans represent around 60% of the gross credit exposure, including those under its mortgage subsidiary Realkredit Danmark. The large proportion of mortgages loans provides some buffer on asset quality compared to the inherent higher credit risk from the corporate portfolio.

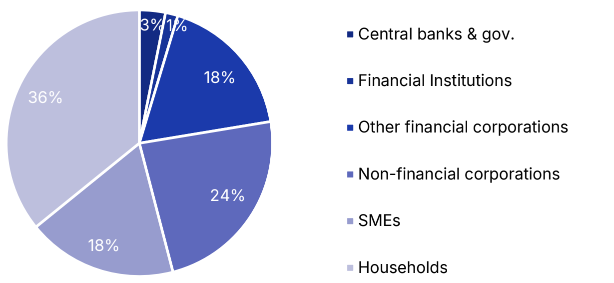
Economic sectors that could be more vulnerable under the current macro conditions are commercial real estate (CRE), construction & building materials, agriculture and automotives. They do not represent a material risk in our view, as the bank follows a strict monitoring process and they do not reach levels above 12% of the total lending portfolio.

Danske's largest sector concentration is CRE that represents 11% of total loans and includes a majority of non-residential properties. Danske has a relatively lower exposure to CRE compared to its Nordic peers and has a broader geographic diversification as it is almost half located in Denmark, 29% in Sweden, 12% in Norway and c.8% in Finland.

Asset quality metrics are solid compared to EU peers, but marginally weaker vs Nordic peers, which is the result of a higher component of SMEs and due to the particularity of the Danish FSA that requires early recognition of stage 2 under IFRS. While stage 2 loans had increased slightly in H1 2025 (5.6% from 5.1% in 2024), Stage 3 loans remain stable at 1.3% (unchanged since 2023).

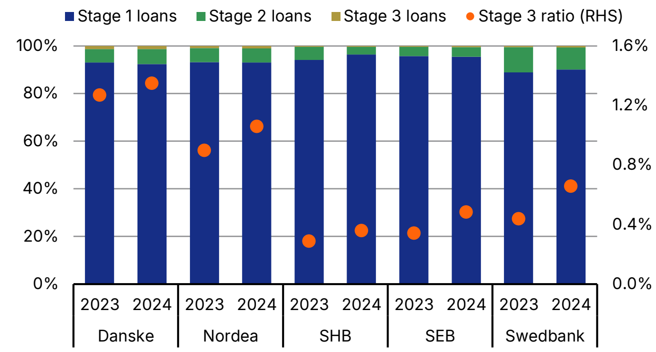
The expectation of a slight deterioration of credit quality in 2024 did not materialise, as the reduction on interest rates allowed for a quick turnaround on asset quality mostly from households. However, we remain cautious as the current geopolitical and macro scenario remain volatile, mainly for corporates and SMES that could face a weaker demand due to the implementation of the aggressive policy on tariffs from the US.

Figure 8: Loan portfolio H1 2025



Note: Performing on-balance exposures only. Source: Company data, Scope Ratings

Figure 9: Asset quality - peer comparison



Source: Company data, Scope Ratings

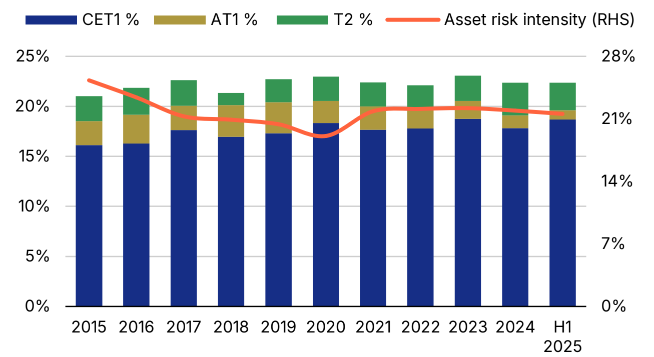
4. Financial viability management

'Comfortable' financial viability management assessment

Danske maintains a conservative and well-articulated management of prudential metrics which in our view is a credit rating strength. Similar to other Nordic banks, Danske displays robust capital metrics compared to those of European peers. This reflects first, the conservative approach of the Danish regulator towards prudential buffers, maintaining relatively higher regulatory minimums, and second, the bank's conservative approach to management buffers. Danske's CET1 capital ratio stood at a solid 18.7% at end-June 2025, with a comfortable buffer to requirements and above the CET1 ratio target of >16% by 2026.

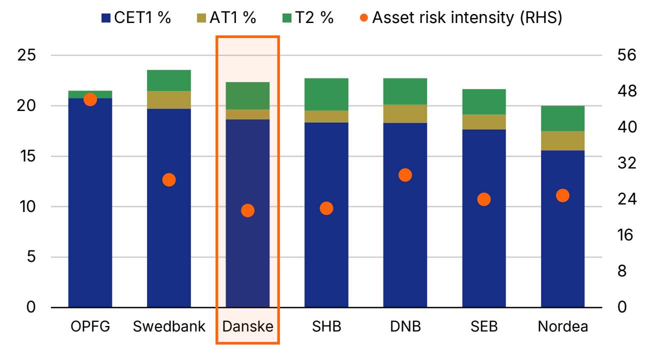
The group maintains a dividend policy aligned with peers (40%-60%) and has stated to remain flexible to additional shareholders remuneration. The strong results of 2024 have triggered a relevant increase in shareholders' distribution to a level of 24% in YE 2024.

Figure 10: Capital profile



Source: Company data, Scope Ratings

Figure 11: Capital profile peer comparison – H1 2025



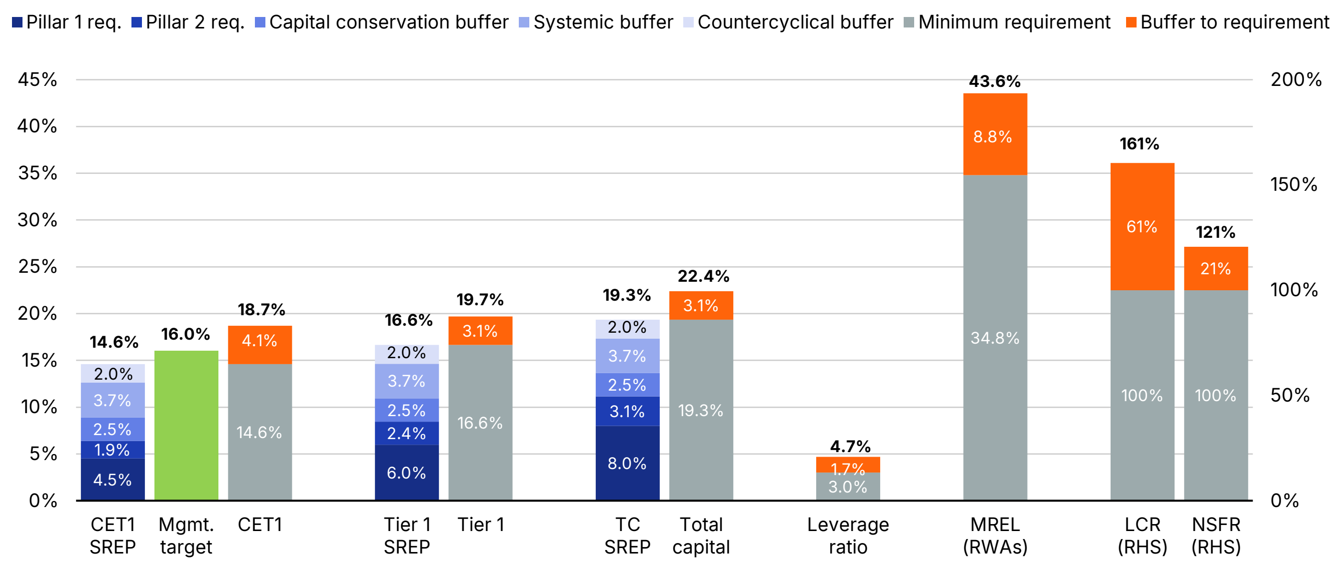
Source: SNL, Scope Ratings

In terms of minimum requirements for own funds and eligible liabilities (MREL), the group maintains an ample buffer of c.880bp as of end-June 2025. Danske covers MREL needs with both preferred and non-preferred senior. The subordination requirements are adjusted for Realkredit Danmark since mortgage credit institutions are exempt from MREL. The leverage ratio is stable at 4.7%, in the lower end of the range compared to Nordic peers.

Danske's funding profile is also a credit rating strength. Customer deposits represent about 60% of total funding, of which 40% are retail. The granularity of the deposits base is also confirmed by the portion of covered deposits under the Danish Guaranteed scheme, that represent 77% of the total. The second largest source of funding is wholesale debt that consists mainly of covered bonds, as it is a common feature for the Nordics, followed by senior-preferred and non-preferred and commercial paper. With a funding plan of DKK 60bn-80bn for 2025, the group is active in different currencies, mostly USD, EUR, DKK and SEK via its EMTN and US MTN program (144A), among others.

Danske maintains also a solid liquidity position, with regulatory requirements for LCR also in EUR, USD, SEK and NOK. LCR is 160% at end-June 2025, and NSFR well above requirements. Liquidity availability remains around DKK 500bn, of which almost one-third are central bank reserves. Liquidity by currency is also strongly monitored, with a larger buffer in EUR and USD.

Figure 12: Overview of distance to requirements as of Q2 2025



Source: Company data, Scope Ratings

Appendix 1. Selected financial information – Danske Bank A/S

	2021	2022	2023	2024	H1 2025
Balance sheet summary (DKK m)					
Assets					
Cash and interbank assets	364,542	235,838	373,969	251,067	219,547
Total securities	813,367	926,221	787,462	800,949	804,604
of which, derivatives	260,224	430,123	307,081	261,046	229,054
Net loans to customers	2,051,903	2,015,495	1,849,819	1,996,683	2,051,245
Other assets	706,022	613,002	718,042	667,343	664,236
Total assets	**3,935,834**	**3,790,556**	**3,729,292**	**3,716,042**	**3,739,632**
Liabilities					
Interbank liabilities	172,976	138,777	154,608	214,364	239,055
Senior debt	1,262,675	1,131,763	1,173,879	1,186,040	1,190,906
Derivatives	242,004	435,141	324,984	254,500	226,082
Deposits from customers	1,292,030	1,262,293	1,196,447	1,173,781	1,216,122
Subordinated debt	39,321	38,350	38,774	40,798	33,962
Other liabilities	750,124	623,954	664,860	670,872	660,735
Total liabilities	**3,759,130**	**3,630,278**	**3,553,552**	**3,540,355**	**3,566,862**
Ordinary equity	171,207	160,278	175,739	175,687	172,771
Equity hybrids	5,497	0	0	0	0
Minority interests	0	0	0	0	0
Total liabilities and equity	**3,935,834**	**3,790,556**	**3,729,292**	**3,716,042**	**3,739,632**
Core tier 1/ common equity tier 1 capital	151,935	149,197	155,308	145,217	150,500
Income statement summary (DKK m)					
Net interest income	26,774	25,104	34,972	36,697	18,083
Net fee & commission income	12,117	13,750	12,904	14,912	7,066
Net trading income	32,861	728	2,245	2,258	1,679
Other income	-24,625	809	2,856	2,294	1,252
Operating income	**47,127**	**40,391**	**52,977**	**56,161**	**28,080**
Operating expenses	30,786	26,539	25,452	25,675	12,670
Pre-provision income	**16,341**	**13,852**	**27,525**	**30,486**	**15,409**
Credit and other financial impairments	141	1,502	262	-543	266
Other impairments	36	1,668	26	61	0
Non-recurring income	407	1,420	-555	244	-163
Non-recurring expense	0	13,800	0	0	0
Pre-tax profit	**16,571**	**-1,697**	**26,682**	**31,212**	**14,980**
Income from discontinued operations	0	0	0	0	0
Income tax expense	3,651	2,883	5,420	7,583	3,770
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	0	0	0	0	0
Net profit attributable to parent	**12,920**	**-4,580**	**21,262**	**23,629**	**11,211**

Source: SNL, Scope Ratings
Note: Figures above may differ from reported figures.

Appendix 2. Selected financial information – Danske Bank A/S

	2021	2022	2023	2024	H1 2025
Funding and liquidity					
Net loans/ deposits (%)	89%	93%	86%	84%	91%
Liquidity coverage ratio (%)	164%	151%	170%	167%	161%
Net stable funding ratio (%)	131%	123%	126%	118%	121%
Asset mix, quality and growth					
Net loans/ assets (%)	52.1%	53.2%	49.6%	53.7%	54.9%
Problem loans/ gross customer loans (%)	2.3%	1.6%	1.7%	1.6%	1.6%
Loan loss reserves/ problem loans (%)	48.5%	60.8%	61.6%	61.2%	62.1%
Net loan growth (%)	0.2%	-1.8%	-8.2%	7.9%	5.5%
Problem loans/ tangible equity & reserves (%)	24.6%	18.5%	17.2%	17.2%	17.5%
Asset growth (%)	-4.2%	-3.7%	-1.6%	-0.4%	1.3%
Earnings and profitability					
Net interest margin (%)	0.8%	0.8%	1.1%	1.2%	1.2%
Net interest income/ average RWAs (%)	3.3%	2.9%	4.2%	4.4%	4.5%
Net interest income/ operating income (%)	56.8%	62.2%	66.0%	65.3%	64.4%
Net fees & commissions/ operating income (%)	25.7%	34.0%	24.4%	26.6%	25.2%
Cost/ income ratio (%)	65.3%	65.7%	48.0%	45.7%	45.1%
Operating expenses/ average RWAs (%)	3.8%	3.1%	3.1%	3.1%	3.1%
Pre-impairment operating profit/ average RWAs (%)	2.0%	1.6%	3.3%	3.7%	3.8%
Impairment on financial assets / pre-impairment income (%)	0.9%	10.8%	1.0%	-1.8%	1.7%
Loan loss provision/ average gross loans (%)	0.0%	0.1%	0.0%	0.0%	0.0%
Pre-tax profit/ average RWAs (%)	2.0%	-0.2%	3.2%	3.8%	3.7%
Return on average assets (%)	0.3%	-0.1%	0.6%	0.6%	0.6%
Return on average RWAs (%)	1.6%	-0.5%	2.6%	2.9%	2.8%
Return on average equity (%)	7.5%	-2.7%	12.7%	13.4%	13.0%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	17.4%	17.4%	18.6%	17.7%	18.7%
Common equity tier 1 ratio (%, transitional)	17.7%	17.8%	18.8%	17.8%	18.7%
Tier 1 capital ratio (%, transitional)	20.0%	19.6%	20.5%	19.1%	19.6%
Total capital ratio (%, transitional)	22.4%	22.1%	23.1%	22.4%	22.4%
Leverage ratio (%)	4.8%	4.9%	5.0%	4.6%	4.7%
Asset risk intensity (RWAs/ total assets, %)	21.9%	22.1%	22.2%	21.9%	21.6%
Market indicators					
Price/ book (x)	0.6x	0.7x	0.9x	1.0x	1.2x
Price/ tangible book (x)	0.6x	0.8x	0.9x	1.0x	1.3x
Dividend payout ratio (%)	13.7%	NA	58.7%	103.2%	NA

Source: SNL, Scope Ratings
Note: Figures above may differ from reported figures.

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