

The strength of the economic recovery bodes well for the rebound in activity to persist, but uncertainty remains high due to the war in Ukraine and the pandemic, with risks tilted to the downside. Denmark's strong economic recovery has raised economic activity above pre-pandemic levels.

The rebound in activity was led by strong domestic demand but growth has slowed due to the Russia-Ukraine war, with GDP forecast to expand by 3% in 2022 and 1.4% in 2023. The resilience of the Danish economy is underpinned by its low reliance on fossil fuel imports and strong household, corporate and government balance sheets. Lower demand from main trading partners—notably Germany—will weigh on Danish exports. Public consumption will retreat as the unwinding of COVID-support measures more than offsets war-related spending. high and increasing household debt remains a key source of risk as housing valuations remain elevated. However, further labor market pressures related to a faster-than-expected rebound are a key upside risk. Affirming.

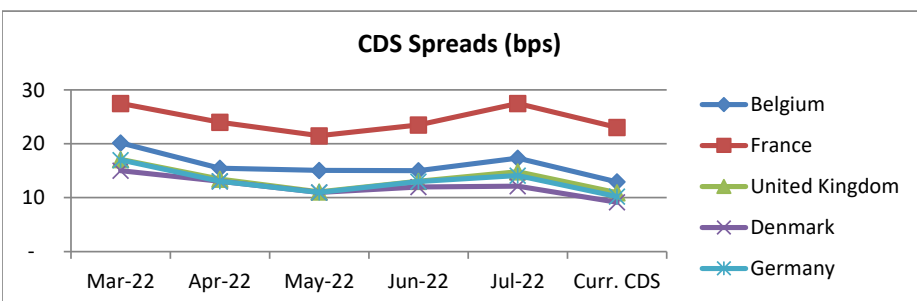
Annual Ratios (source for past results: IMF)

CREDIT POSITION	2019	2020	2021	P2022	P2023	P2024
Debt/ GDP (%)	48.1	58.2	50.0	43.7	38.0	33.0
Govt. Sur/Def to GDP (%)	4.5	0.6	3.2	2.9	2.6	2.2
Adjusted Debt/GDP (%)	48.1	58.2	50.0	43.8	38.2	33.2
Interest Expense/ Taxes (%)	1.6	1.2	1.1	1.1	1.1	1.1
GDP Growth (%)	2.9	0.5	7.2	3.2	2.8	2.8
Foreign Reserves/Debt (%)	34.3	29.0	37.2	42.5	54.9	62.8
Implied Sen. Rating	AA+	AA	AA+	AA+	AA+	AA+

INDICATIVE CREDIT RATIOS

	AA	A	BBB	BB	B	CCC
Debt/ GDP (%)	100.0	115.0	130.0	145.0	170.0	200.0
Govt. Sur/Def to GDP (%)	2.5	0.5	-2.0	-5.0	-8.0	-10.0
Adjusted Debt/GDP (%)	95.0	110.0	125.0	140.0	160.0	190.0
Interest Expense/ Taxes (%)	9.0	12.0	15.0	22.0	26.0	35.0
GDP Growth (%)	3.5	3.0	2.0	1.0	-1.0	-5.0
Foreign Reserves/Debt (%)	3.0	2.5	2.0	1.5	1.0	0.5

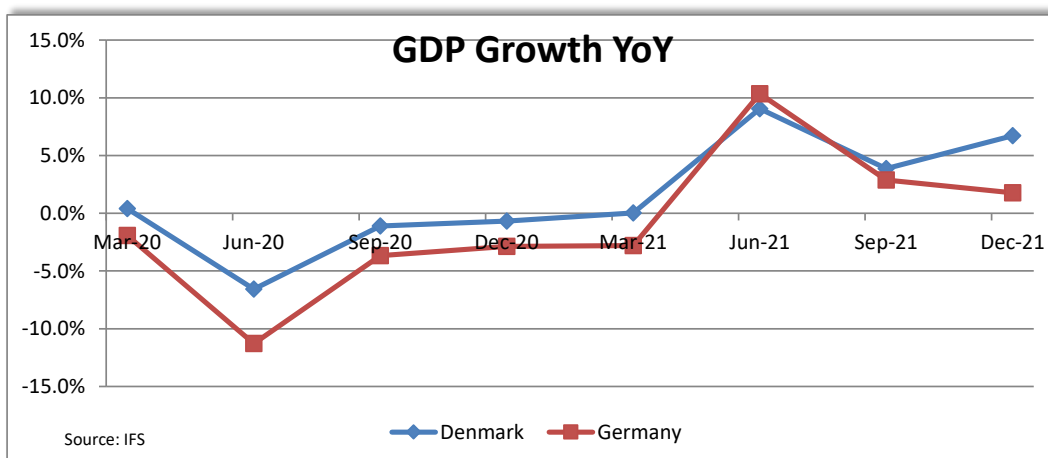
PEER RATIOS	Other NRSRO Sen.	Debt as a % of GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Federal Republic Of Germany	AAA	77.8	-3.6	77.8	2.4	6.0	AA
French Republic	AA	137.3	-6.0	137.3	4.6	8.2	A-
Kingdom Of Belgium	AA	128.0	-5.0	128.0	5.6	10.8	BBB
Republic Of Finland	AA+	75.7	-1.9	75.7	1.6	6.3	AA



Country	EJR Rtq.	CDS
Belgium	BBB	13
France	A+	23
United Kingdom	A+	11
Denmark	AA	9
Germany	AA	10

Economic Growth

Growth rebounded to 4.7 percent in 2021, putting activity above the pre-pandemic level and the output gap in positive territory. Domestic demand led the strong rebound. Amid easing of containment measures, private consumption rebounded strongly as demand for services began to normalize. The rapid recovery has led to a tight labour market. The unemployment rate has fallen below its pre-crisis level and labour shortages are widespread across manufacturing, construction and services. The Danish economy contracted by 0.5 percent on quarter in Q1 2022, worse than the preliminary reading of a 0.1% contraction, and reversing from a downwardly revised 2.8% expansion in the previous period.



Fiscal Policy

In addition to Denmark’s strong automatic stabilizers, COVID-related one-off measures supported activity. Fiscal support in 2021 included broad-based and targeted measures. The fiscal stance in 2021 was expansionary, though the overall fiscal balance turned to surplus (2.3 percent of GDP), as revenues remained high. Fiscal policy is set to be moderately contractionary in 2022 and 2023.). Increases in the statutory retirement age will improve the fiscal position while increasing the labour force by around 30,000 people (1% of the labour force) over 2022 and 2023.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Denmark	3.18	50.04	9.16
Germany	-3.62	77.80	10.21
France	-5.97	137.28	23.02
Belgium	-4.98	128.02	12.93
Finland	-1.85	75.69	10.10
United Kingdom	-8.88	190.85	10.93

Sources: Thomson Reuters and IFS

Unemployment

After a relatively mild hit during the initial phase of the pandemic, the labor market continued to rebound, helped by increasing participation, especially by older and foreign workers. While Denmark is receiving Ukrainian refugees, they are still in the process of being incorporated into the labor force. Employment and hours-worked are now above pre-pandemic levels.

	Unemployment (%)	
	2020	2021
Denmark	5.65	5.08
Germany	3.83	3.58
France	8.03	7.88
Belgium	5.73	6.28
Finland	7.73	7.68
United Kingdom	0.00	0.00

Source: Intl. Finance Statistics

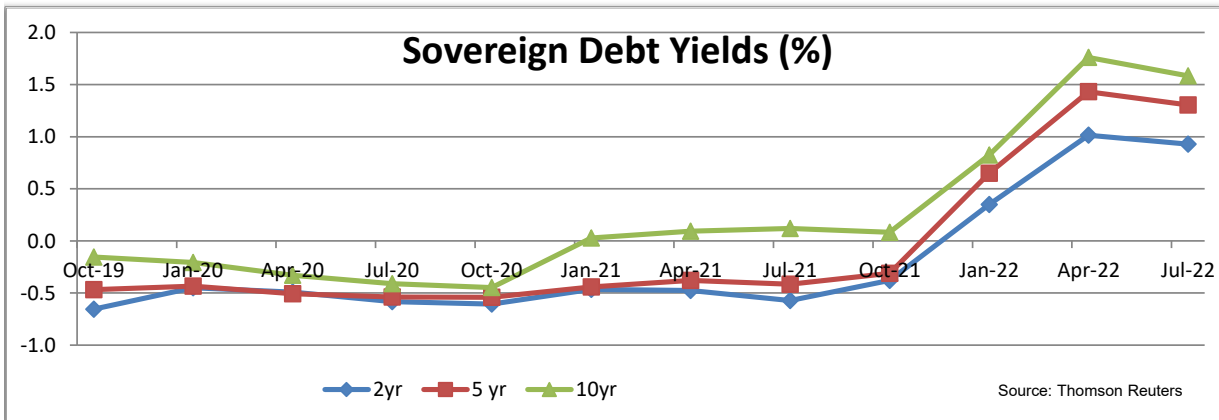
Banking Sector

The banking system weathered the pandemic well. It remains profitable, liquid, and well capitalized. Furthermore, household and corporate balance sheets appear relatively unscathed from the pandemic. As measures to support corporate liquidity during the pandemic expire, bank lending to corporates has recovered. Banks are adequately provisioned and have buffers to absorb larger-than- expected losses should corporate defaults increase from current low levels.

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
DANSKE BANK A/S	3,935.8	2.15
JYSKE BANK-REG	647.1	3.72
SYDBANK	168.2	7.44
SPAR NORD BANK	116.5	8.57
RINGKJOEBING LND	<u>60.4</u>	<u>35.48</u>
Total	4,928.0	
EJR's est. of cap shortfall at 10% of assets less market cap		340.1
Denmark's GDP		2,496.6

Funding Costs

Denmark 10Y Bond Yield was 1.33 percent and is expected to trade at 1.46 percent by the end of this quarter, according to Trading Economics global macro models. According to market consensus, it is estimated to trade at 1.94 per cent in 12 months' time. The Denmark 5 Years CDS value is 13.14 (25 Jul 2022) and this value reveals a 0.22% implied probability of default, on a 40% recovery rate supposed.



Ease of Doing Business

Major factors for growing the economy are the ease of doing business and the economic freedom; although not the sole factor for determining economic growth, a country which makes it easy for businesses to operate and provides a reasonably free environment to conduct business has a good chance for growth. The chart on the right indicates that with an overall rank of 4 (1 is best, 189 worst) is extremely strong.

The World Bank's Doing Business Survey*			
	2021	2020	Change in
	Rank	Rank	Rank
Overall Country Rank:	4	4	0
Scores:			
Starting a Business	45	45	0
Construction Permits	4	4	0
Getting Electricity	21	21	0
Registering Property	11	11	0
Getting Credit	48	48	0
Protecting Investors	28	28	0
Paying Taxes	8	8	0
Trading Across Borders	1	1	0
Enforcing Contracts	14	14	0
Resolving Insolvency	6	6	0

* Based on a scale of 1 to 189 with 1 being the highest ranking.

Economic Freedom

As can be seen below, Denmark is strong in its overall rank of 77.8 for Economic Freedom with 100 being best.

Heritage Foundation 2021 Index of Economic Freedom				
World Rank 77.8*				
	2021 Rank**	2020 Rank	Change in Rank	World Avg.
Property Rights	86.7	86.3	0.4	53.6
Government Integrity	86.9	93.0	-6.1	45.9
Judicial Effectiveness	93.4	84.6	8.8	45.4
Tax Burden	43.7	42.0	1.7	77.7
Gov't Spending	23.1	19.7	3.4	67.1
Fiscal Health	98.2	97.7	0.5	72.1
Business Freedom	88.8	88.7	0.1	63.2
Labor Freedom	73.8	86.2	-12.4	59.5
Monetary Freedom	84.5	84.6	-0.1	74.7
Trade Freedom	84.0	86.4	-2.4	70.7

*Based on a scale of 1-100 with 100 being the highest ranking.
 **The ten economic freedoms are based on a scale of 0 (least free) to 100 (most free).
 Source: The Heritage Foundation

Credit Quality Driver: Taxes Growth:

KINGDOM OF DENMARK has grown its taxes of 7.3% per annum in the last fiscal year which is average. We expect tax revenues will grow approximately 3.0% per annum over the next couple of years and 3.0% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:

KINGDOM OF DENMARK's total revenue growth has been less than its peers and we assumed a 4.0% growth in total revenue over the next two years.

Income Statement	Peer Median	Issuer Avg.	Assumptions	
			Yr 1&2	Yr 3,4,5
Taxes Growth%	11.6	7.3	3.0	3.0
Social Contributions Growth %	6.7	2.5	2.5	2.5
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	9.0		
Total Revenue Growth%	8.9	7.4	4.0	3.6
Compensation of Employees Growth%	3.5	4.4	4.4	4.4
Use of Goods & Services Growth%	5.9	9.7	9.7	9.7
Social Benefits Growth%	2.0	0.6	0.6	0.6
Subsidies Growth%	(6.5)	(14.7)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.1	1.1	
Currency and Deposits (asset) Growth%	3.3	0.0		
Securities other than Shares LT (asset) Growth%	2.0	0.0		
Loans (asset) Growth%	(11.8)	(80.6)	3.0	3.0
Shares and Other Equity (asset) Growth%	(9.9)	(70.9)	2.0	2.0
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	(12.7)	(1.2)	(1.2)	(1.2)
Other Accounts Receivable LT Growth%	(1.8)	(25.0)	2.9	2.9
Monetary Gold and SDR's Growth %	0.0	0.0	5.0	5.0
Other Assets Growth%	0.0	0.0		
Other Accounts Payable Growth%	1.4	(2.0)	3.0	3.0
Currency & Deposits (liability) Growth%	10.1	(0.8)	0.5	0.5
Securities Other than Shares (liability) Growth%	2.6	(11.0)	(7.7)	(7.7)
Loans (liability) Growth%	0.1	0.6	0.6	0.6
Insurance Technical Reserves (liability) Growth%	2.3	0.0		
Financial Derivatives (liability) Growth%	0.0	(39.2)	(10.0)	(10.0)
Additional ST debt (1st year)(billions DKK)	0.0	0.0		

ANNUAL OPERATING STATEMENTS

Below are KINGDOM OF DENMARK's annual income statements with the projected years based on the assumptions listed on page 5.

	ANNUAL REVENUE AND EXPENSE STATEMENT					
	(BILLIONS DKK)					
	2018	2019	2020	2021	P2022	P2023
Taxes	1,005	1,092	1,099	1,179	1,214	1,251
Social Contributions	19	19	19	20	20	21
Grant Revenue						
Other Revenue						
Other Operating Income	<u>132</u>	<u>131</u>	<u>122</u>	<u>133</u>	<u>133</u>	<u>133</u>
Total Revenue	1,156	1,242	1,241	1,332	1,368	1,405
Compensation of Employees	340	348	358	373	390	407
Use of Goods & Services	196	198	207	227	249	273
Social Benefits	387	397	418	421	423	425
Subsidies	38	38	74	63	63	63
Other Expenses				95	95	95
Grant Expense						
Depreciation	60	61	60	61	61	61
Total Expenses excluding interest	<u>1,106</u>	<u>1,120</u>	<u>1,213</u>	<u>1,239</u>	<u>1,280</u>	<u>1,323</u>
Operating Surplus/Shortfall	50	122	27	93	88	81
Interest Expense	<u>18</u>	<u>17</u>	<u>13</u>	<u>13</u>	<u>14</u>	<u>14</u>
Net Operating Balance	32	105	14	79	74	68

ANNUAL BALANCE SHEETS

Below are KINGDOM OF DENMARK's balance sheets with the projected years based on the assumptions listed on page 5.

Base Case	ANNUAL BALANCE SHEETS (BILLIONS DKK)					
	2018	2019	2020	2021	P2022	P2023
ASSETS						
Currency and Deposits (asset)	155	108	172	186	197	197
Securities other than Shares LT (asset)	108	170	184	196	196	196
Loans (asset)	13	13	65	13	13	13
Shares and Other Equity (asset)	2	7	19	6	6	6
Insurance Technical Reserves (asset)	1	1	1	1	1	1
Financial Derivatives (asset)	7	8	6	6	6	6
Other Accounts Receivable LT	94	181	261	196	201	207
Monetary Gold and SDR's						
Other Assets					930	930
Additional Assets	<u>714</u>	<u>782</u>	<u>922</u>	<u>930</u>		
Total Financial Assets	1,094	1,271	1,629	1,534	1,550	1,556
LIABILITIES						
Other Accounts Payable	167	183	219	214	221	227
Currency & Deposits (liability)	20	20	21	20	20	20
Securities Other than Shares (liability)	696	732	928	826	763	704
Loans (liability)	180	181	186	188	113	46
Insurance Technical Reserves (liability)			1	1	1	1
Financial Derivatives (liability)	5	7	12	7	7	6
Other Liabilities			<u>0</u>			
Liabilities	1,068	1,123	1,367	1,257	1,199	1,138
Net Financial Worth	<u>26</u>	<u>148</u>	<u>263</u>	<u>277</u>	<u>351</u>	<u>419</u>
Total Liabilities & Equity	1,094	1,271	1,629	1,534	1,550	1,556

Copyright © 2022, Egan-Jones Ratings Company, Inc. ("Egan-Jones"). All rights reserved. The information upon which Egan-Jones ratings and reports are based is obtained by Egan-Jones from sources Egan-Jones believes to be accurate and reliable. Egan-Jones relies on third party reports and information and data provided and Egan-Jones has not, unless required by law or internal policies/procedures, independently verified, or performed due diligence related to the accuracy of information, data or reports. Egan-Jones has not consented to, nor will consent to, being named an "expert" under federal securities laws, including without limitation, Section 7 of the Securities Act of 1933. Please note that expected or final ratings are not recommendations to buy, hold or sell the securities. Egan-Jones is not an advisor and is not providing investment advice, strategy, or related services. Egan-Jones and its third-party suppliers ("Suppliers") hereby disclaim any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, and fitness for any particular purpose or non-infringement of any of such information. In no event shall Egan-Jones or its directors, officers, employees, independent contractors, agents, representatives, or Suppliers (collectively, Egan-Jones Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error, (negligent or otherwise) or other circumstance or contingency within or outside the control of Egan-Jones or any Egan-Jones Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other opinions issued by Egan-Jones are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report providing an Egan-Jones rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Egan-Jones is not responsible for the content or operation of third-party websites accessed through hypertext or other computer links and Egan-Jones shall have no liability to any person or entity for the use of such third-party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of Egan-Jones. Egan-Jones ratings are subject to disclaimers. **Egan-Jones is not an NRSRO (as defined by the SEC) for sovereign/municipal issuers and structured finance/ABS issuers.**

Comments on the Difference between the Model and Assigned Rating

In this case, there has been little change in the recent results and therefore we have used our best judgement in making adjustments which are reflected in the results for the projected ratings. We have assigned a rating of "AA" whereas the ratio-implied rating for the recent period is "AA+"; we expect results to decline slightly.

Changes in Indicative Ratios

We have not made any adjustment in the indicative ratios at this time.

SEC Rule 17g-7(a) Disclosure (Non-NRSRO)

Below are the disclosures as required by Paragraph (a) of Rule 17g-7.

1. The symbol in the rating scale used to denote the credit rating categories and notches within categories and the identity of the obligor, security, or money market instrument as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:

For the issuer KINGDOM OF DENMARK with the ticker of 1271Z DC we have assigned the senior unsecured rating of AA. There are three notches in our rating categories (e.g., A- A, and A+) except for AAA and those deep into speculative grade, i.e., CC, C, and D do not have notches.

2. The version of the procedure or methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:

We are using the Methodologies for Determining Credit Ratings (Main Methodology) version #15a available via egan-jones.com under the tab at the bottom of the page "Methodologies".

3. The main assumptions and principles used in constructing the procedures and methodologies used to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7:

The credit rating assigned reflects our judgement regarding the future credit quality of the issuer. Regarding the specific assumptions used, please refer to projections on pages 1, 6, and 7 of this Rating Analysis Report.

4. The potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17g-7:

Our rating pertains solely to our view of current and prospective credit quality. Our rating does not address pricing, liquidity, or other risks associated with holding investments in the issuer.

5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17g-7:

Our rating is dependent on numerous factors including the reliability, accuracy, and quality of the data relied used in determining the credit rating. The data is sourced from publicly available information from the IMF and other similar sources. In some cases, the information is limited because of issues such as the lack of reported data, a delay in reporting data, restatements, inaccurate accounting and other issues. Such issues are not always readily apparent. EJR aims to identify such shortcomings and make adjustments using its best judgement.

6. Whether and to what extent third-party due diligence services have been used in taking the rating action as required by Paragraph (a)(1)(ii)(F) of Rule 17g-7:

EJR does not utilize third-party due diligence services.

7. How servicer or remittance reports were used, and with what frequency, to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17g-7:

Servicer or remittance reports normally pertain to structured finance issuers; this report does not pertain to a structured finance issuer (EJR is not an NRSRO for structured finance or sovereigns/ municipal issuers). Regarding surveillance, the minimum time period for corporation issuers is normally one year.

8. A description of the data that were relied upon for the purpose of determining the credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17g-7:

EJR uses publicly available information from the IMF, governmental filings and other similar sources for ratings on sovereign issuers.

9. A statement containing an overall assessment of the quality of information available and considered in the credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17g-7: The information is generally high quality and readily avail.**10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17g-7:**

This rating is unsolicited.

11. An explanation or measure of the potential volatility of the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule 17g-7:

Our rating aims to assess the probability of the payment of obligations in full and on-time. Factors which affect such probability, and in turn our rating, include changes in the operating performance of the issuer, changes in capital structure, and merger and acquisition events.

12. Information on the content of the credit rating as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7:

Regarding the historical performance of the credit rating, our rating transition matrix is available in our Form NRSRO, exhibit 1. The expected probability of default and the expected loss in the event of default is listed on the first page of this report.

13. Information on the sensitivity of the credit rating to assumptions as required by Paragraph (a)(1)(ii)(M) of Rule 17g-7:

Below is a summary of the impact of the 5 assumptions which independently would have the greatest impact on our "ratio-implied rating":

	Assumptions			Resulting Ratio-Implied Rating		
	Base	Optimistic	Pessimistic	Base	Optimistic	Pessimistic
Taxes Growth%	3.0	7.0	(1.0)	AA+	AA+	AA
Social Contributions Growth %	2.5	5.5	(0.5)	AA+	AA+	AA+
Other Revenue Growth %		3.0	(3.0)	AA+	AA+	AA+
Total Revenue Growth%	4.0	6.0	2.0	AA+	AA+	AA+
Monetary Gold and SDR's Growth %	2.9	4.9	0.9	AA+	AA+	AA+

14. If the credit rating is assigned to an asset-backed security, a description of: (i) the representations, warranties, and enforcement mechanisms available to investors; and (ii) how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities, as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7:

This credit rating is not assigned to an asset-backed security.

ATTESTATION FORM

In compliance with the US Securities and Exchange Commission (SEC) Rule 17g-7(a), the Egan-Jones analyst who published the report is responsible for the rating action and to the best knowledge of the person:

- 1) No part of the credit rating was influenced by any other business activities,
- 2) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated, and
- 3) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

Analyst Signature:

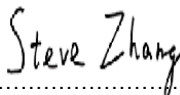
Today's Date

.....
 Subramanian NG
 Senior Rating Analyst

August 30, 2022

Reviewer Signature:

Today's Date

.....

 Steve Zhang
 Senior Rating Analyst

August 30, 2022

Sovereign Rating Methodology (Non-NRSRO)

Scope and Limitations: Sovereign Issuer Credit Quality Ratings (CQR) are a forward-looking assessment of a sovereign's capacity and willingness to honor its existing and future obligations in full and on time. Sovereigns are assigned two CQRs: a Local-Currency CQR, which reflects the likelihood of default on debt issued and payable in the currency of the sovereign, and a Foreign-Currency CQR, which is an assessment of the credit risk associated with debt issued and payable in foreign currencies.

Key Rating Drivers: EJR's approach to sovereign risk analysis is a synthesis of quantitative and qualitative judgments. The quantitative factors EJR uses are:

- Debt in relation to GDP.
- Surplus or deficit in relation to GDP.
- Debt plus potential under-funding of major banks in relation to GDP.
- Interest expense in relation to taxes.
- GDP growth.
- Foreign reserves in relation to debt.

Debt levels for many sovereign issuers have increased at an accelerating rate over the past decade, affecting implied ratings. EJR also considers unemployment levels and funding costs. EJR recognizes that no model can fully capture all the relevant influences on sovereign creditworthiness, meaning that the its sovereign ratings can and do differ from those implied by the rating model. Some of the qualitative factors that impact its ultimate assessment of credit quality include the flexibility, stability and overall strength of the economy, efficiency of tax collection, acceptance of contract law, ease of doing business, trade balances, prospects for future growth and health and monetary policy, and economic freedom. These subjective and dynamic qualitative issues are not captured by the model but affect sovereign ratings

For additional information, please see Exhibit 2: Methodologies in EJR's Form NRSRO.