

The Danish economy has experienced a mixed performance recently. After a strong recovery, economic activity has slowed down due to higher energy prices and the increasing cost of living. Inflation has fallen significantly since its peak in October 2022, but underlying price pressures have remained high.

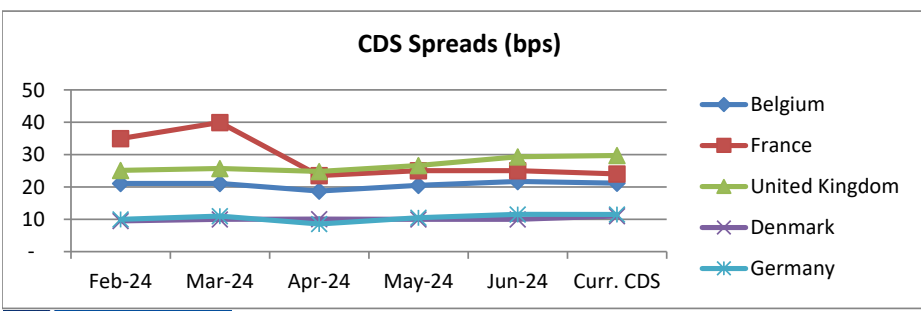
However, Danish consumers and businesses are not particularly positive when asked for their views on the economy by Statistics Denmark. This can be attributed to the fact that for most wage-earners, purchasing power is lower now than three years ago, and growth is highly concentrated around Novo Nordisk, while the rest of the economy stagnated in 2023 overall. Despite this perception, the outlook is expected to brighten going forward. Higher real wages, lower interest rates, still subdued unemployment, and rising house prices will support households, while growth appears to be broadening to include more businesses. This suggests that the Danish economy may be poised for a more balanced and sustainable growth trajectory in the coming years. Affirming.

Annual Ratios (source for past results: IMF)

CREDIT POSITION	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>P2024</u>	<u>P2025</u>	<u>P2026</u>
Debt/ GDP (%)	48.9	34.7	33.9	29.2	24.6	20.1
Govt. Sur/Def to GDP (%)	4.6	4.1	4.0	4.0	4.0	3.9
Adjusted Debt/GDP (%)	48.9	34.7	33.9	29.3	24.7	20.3
Interest Expense/ Taxes (%)	1.2	1.7	1.3	1.2	1.2	1.2
GDP Growth (%)	9.9	11.0	-1.7	2.5	3.6	3.6
Foreign Reserves/Debt (%)	37.2	60.2	69.5	80.2	93.1	111.1
Implied Sen. Rating	AA+	AA+	AA	AA+	AA+	AA+

INDICATIVE CREDIT RATIOS	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC</u>
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

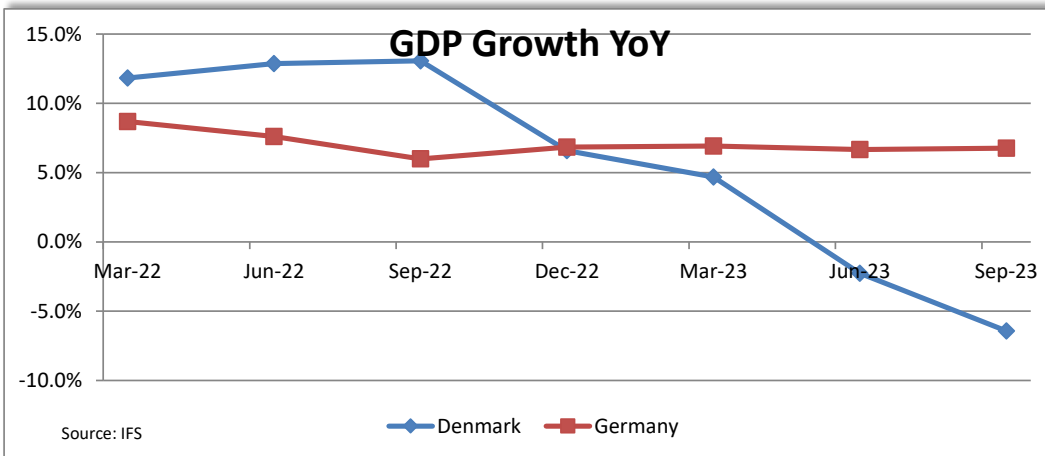
PEER RATIOS	<u>Other</u>	<u>Debt</u>	<u>Govt. Surp.</u>	<u>Adjusted</u>	<u>Interest</u>	<u>GDP</u>	<u>Ratio-</u>
	<u>NRSRO</u>	<u>as a %</u>	<u>Def to</u>	<u>Debt/</u>	<u>Expense/</u>	<u>Growth</u>	<u>Implied</u>
	<u>Sen.</u>	<u>GDP</u>	<u>GDP (%)</u>	<u>GDP</u>	<u>Taxes %</u>	<u>(%)</u>	<u>Rating*</u>
Federal Republic Of Germany	AAA	64.0	-2.6	64.0	3.8	6.3	AA+
French Republic	AA	117.2	-4.8	117.2	5.9	6.2	A-
Kingdom Of Belgium	AA	108.6	-3.9	108.6	6.8	5.5	BBB
Republic Of Finland	AA+	79.0	-2.2	79.0	3.8	3.7	BB+



<u>Country</u>	<u>EJR Rtq.</u>	<u>CDS</u>
Belgium	BBB	21
France	A+	24
United Kingdom	A+	30
Denmark	AA	11
Germany	AA	12

Economic Growth

The Danish economy has faced some challenges recently, as evidenced by the preliminary national accounts release for the first quarter of the year. The data showed a 1.8% contraction in seasonally adjusted sequential terms, the worst result since the outset of the COVID-19 pandemic. This deterioration was primarily due to contractions in private consumption and exports. However, there were some positive developments as well. Public spending growth quickened, fixed investment rebounded, and growth in imports cooled, preventing a steeper overall GDP contraction. Looking ahead, the consensus is for a rebound in sequential GDP growth in the second quarter.



Fiscal Policy

The Danish public finances have proven to be robust, with fiscal policy rightly adapting to the fast-changing economic conditions over recent years. Gross public debt is around 30% of GDP, and the government balance has been in a surplus since 2017. After a sharp deterioration due to the COVID-19 crisis, the headline budget surplus has been substantial, partly due to the fast economic recovery and high tax revenues on labor and capital income. Denmark's generous system of social support and public spending is financed through relatively high taxes.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Denmark	4.03	33.89	11.01
Germany	-2.55	64.01	11.51
France	-4.84	117.19	24.00
Belgium	-3.85	108.57	21.16
Finland	-2.22	78.96	21.50
United Kingdom	-6.24	143.77	29.72

Sources: Thomson Reuters and IFS

Unemployment

The unemployment rate in Denmark remained steady at 2.5% in May 2024, unchanged from the previous ten months. Overall, the Danish labor market has remained relatively stable, with the unemployment rate holding at low levels despite a slight uptick in the number of unemployed individuals. The youth unemployment rate also remains low, indicating a resilient job market for younger workers.

	Unemployment (%)	
	2022	2023
Denmark	4.48	5.12
Germany	3.07	3.03
France	7.32	7.34
Belgium	5.58	5.53
Finland	6.77	7.22
United Kingdom	3.90	3.80

Source: Intl. Finance Statistics

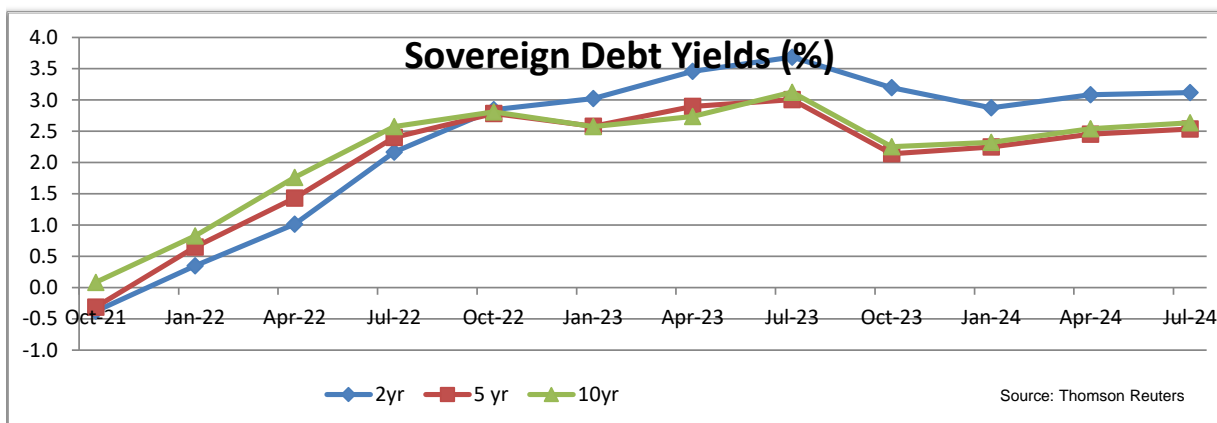
Banking Sector

The Danish financial sector has proven to be resilient so far, despite the challenges posed by fast-rising interest rates. Credit losses have remained low, and the banking sector is well-capitalized with adequate liquidity buffers. However, medium-sized banks are exposed to commercial real estate risks, where activity has declined sharply. Household gross debt has declined, and real and financial household assets are significant. Nevertheless, indebtedness remains among the highest in the OECD.

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
DANSKE BANK A/S	3,771.0	4.69
JYSKE BANK-REG	779.7	4.50
SYDBANK	185.1	10.86
SPAR NORD BANK	134.9	11.69
RINGKJOEBING LND	<u>73.5</u>	<u>42.01</u>
Total	4,944.2	
EJR's est. of cap shortfall at 10% of assets less market cap		215.9
Denmark's GDP		2,784.8

Funding Costs

The Danish central bank, Danmarks Nationalbank, lowered its benchmark interest rate by 25 basis points to 3.35% in June 2024, following the European Central Bank's (ECB) rate cut. This move maintains the monetary policy spread with the Eurozone unchanged. Danmarks Nationalbank aims to preserve the stability of the Danish krone against the euro through currency interventions and interest rate adjustments.



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 2024 Index of Economic Freedom				
World Rank 77.8*				
	2024	2023	Change in	World
	Rank**	Rank	Rank	Avg.
Property Rights	98.6	97.5	1.1	53.4
Government Integrity	97.4	100.0	-2.6	43.7
Judicial Effectiveness	89.6	88.5	1.1	48.7
Tax Burden	41.8	42.1	-0.3	78.1
Gov't Spending	26.8	20.9	5.9	64.3
Fiscal Health	98.2	97.3	0.9	52.0
Business Freedom	92.7	89.0	3.7	62.2
Labor Freedom	64.9	64.8	0.1	56.0
Monetary Freedom	74.3	82.4	-8.1	67.2
Trade Freedom	79.2	78.6	0.6	69.8

*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 2.5% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 2.5% per annum over the next couple of years and 2.5% 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 no 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%	0.7	2.5	2.5	2.5
Social Contributions Growth %	4.8	(0.5)	0.5	0.5
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	1.4	1.4	1.4
Total Revenue Growth%	3.5	2.4	2.4	2.1
Compensation of Employees Growth%	6.3	3.0	3.0	3.0
Use of Goods & Services Growth%	7.6	0.7	0.7	0.7
Social Benefits Growth%	6.3	3.5	3.5	3.5
Subsidies Growth%	(5.2)	(7.8)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.6	1.6	
Currency and Deposits (asset) Growth%	(6.9)	0.0		
Securities other than Shares LT (asset) Growth%	8.2	0.0		
Loans (asset) Growth%	(57.9)	(174.6)	2.5	2.5
Shares and Other Equity (asset) Growth%	(74.8)	(115.3)	2.0	2.0
Insurance Technical Reserves (asset) Growth%	1.2	0.0		
Financial Derivatives (asset) Growth%	(3.2)	(30.4)	(10.0)	(10.0)
Other Accounts Receivable LT Growth%	2.3	1.1	1.1	1.1
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%	0.8	(15.2)	3.0	3.0
Currency & Deposits (liability) Growth%	(2.1)	(2.9)	0.5	0.5
Securities Other than Shares (liability) Growth%	9.1	(0.7)	(0.5)	(0.5)
Loans (liability) Growth%	(0.5)	(3.6)	0.5	0.5
Insurance Technical Reserves (liability) Growth%	0.8	0.0		
Financial Derivatives (liability) Growth%	0.0	(35.1)	(10.0)	(10.0)
Additional ST debt (1st year)(billions DKK)	0.0	0.0		

ANNUAL INCOME 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)					
	2020	2021	2022	2023	P2024	P2025
Taxes	1,107	1,217	1,190	1,220	1,251	1,282
Social Contributions	19	20	19	19	19	19
Grant Revenue						
Other Revenue						
Other Operating Income	124	137	159	161	161	161
Total Revenue	1,250	1,374	1,368	1,401	1,431	1,462
Compensation of Employees	356	374	385	396	408	421
Use of Goods & Services	207	227	226	227	229	230
Social Benefits	418	421	421	436	451	467
Subsidies	75	63	40	37	37	37
Other Expenses				114	114	114
Grant Expense						
Depreciation	62	63	63	63	63	63
Total Expenses excluding interest		1,241	1,232	1,273	1,302	1,331
Operating Surplus/Shortfall	1,250	133	137	128	129	131
Interest Expense		<u>14</u>	<u>20</u>	<u>15</u>	<u>16</u>	<u>16</u>
Net Operating Balance	1,250	118	116	112	114	115

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)					
	2020	2021	2022	2023	P2024	P2025
ASSETS						
Currency and Deposits (asset)	171	186	201	208	322	370
Securities other than Shares LT (asset)	184	196	184	209	209	209
Loans (asset)	66	19	-15	11	11	12
Shares and Other Equity (asset)	20	8	13	-2	-2	-2
Insurance Technical Reserves (asset)	1	1	1	1	1	1
Financial Derivatives (asset)	6	6	10	7	6	6
Other Accounts Receivable LT	273	237	179	181	183	185
Monetary Gold and SDR's						
Other Assets					867	867
Additional Assets	<u>926</u>	<u>936</u>	<u>915</u>	<u>867</u>		
Total Financial Assets	1,648	1,589	1,488	1,482	1,597	1,648
LIABILITIES						
Other Accounts Payable	220	212	177	150	155	159
Currency & Deposits (liability)	21	20	21	20	20	20
Securities Other than Shares (liability)	928	826	596	592	589	587
Loans (liability)	186	187	187	181	67	-49
Insurance Technical Reserves (liability)	1	1	1	1	1	1
Financial Derivatives (liability)	12	7	5	3	3	3
Other Liabilities		0				
Liabilities	1,368	1,254	987	947	948	883
Net Financial Worth	<u>280</u>	<u>334</u>	<u>501</u>	<u>535</u>	<u>649</u>	<u>764</u>
Total Liabilities & Equity	1,648	1,589	1,488	1,482	1,597	1,648

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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 most recent period is "AA"; we expect results to remain approximately the same.

Changes in Indicative Ratios

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

SEC Rule 17g-7(a) Disclosure

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+) other than those deep into speculative grade; for CC, C, and D there are no 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 methodology version #16 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 page 3 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 dependant 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 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, and other similar sources. In some cases, the information is limited because of issues such as short operating histories, the lack of reported data, a delay in reporting data, restatements, inaccurate accounting, and other issues. Such shortcomings 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 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, governmental filings and other similar sources for ratings on publicly-traded issuers. In the case of private issuers, EJR relies on information provided mainly by 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%	2.5	6.5	(1.5)	AA+	AA+	AA+
Social Contributions Growth %	0.5	3.5	(2.5)	AA+	AA+	AA+
Other Revenue Growth %		3.0	(3.0)	AA+	AA+	AA+
Total Revenue Growth%	2.4	4.4	0.4	AA+	AA+	AA+
Monetary Gold and SDR's Growth %	5.0	7.0	3.0	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.

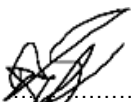
ATTESTATION FORM

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

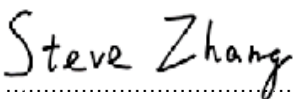


 Subramanian NG
 Senior Rating Analyst

Aug 16, 2024

Reviewer Signature:

Today's Date



 Steve Zhang
 Senior Rating Analyst

Aug 16, 2024

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.