| Rating Object | Rating Information | |
|---|---|---|
| **Kingdom of Denmark**<br>Long-term sovereign rating<br>Foreign currency senior unsecured long-term debt<br>Local currency senior unsecured long-term debt | **Assigned Ratings/Outlook:**<br>AAA /stable | **Type:**<br>Monitoring<br>Unsolicited with participation |
| | **Initial Rating Publication Date:**<br>28-04-2017<br><br>**Rating Renewal:**<br>30-08-2024 | **Rating Methodologies:**<br>“Sovereign Ratings”<br>“Rating Criteria and Definitions” |

# Rating Action

Creditreform Rating has affirmed the unsolicited long-term sovereign rating of “AAA” for the Kingdom of Denmark. Creditreform Rating has also affirmed Denmark’s unsolicited ratings for foreign and local currency senior unsecured long-term debt of “AAA”. The outlook remains stable.

## Rating Outlook and Sensitivity

Our rating outlook on the Kingdom of Denmark’s long-term credit ratings is stable. This reflects our view that downside risks to the sovereign’s credit rating are balanced by sound public finances and strong macroeconomic performance, alongside the outstanding quality of the institutional framework and sizeable external buffers.

We could lower the sovereign’s rating or the outlook if the medium-term growth outlook deteriorates markedly, possibly on the back of a worsening of the current geopolitical environment. A likely corresponding deterioration in public finances, potentially exacerbated by materializing contingent liability risks and a more pronounced price correction on the real estate market, could also result in a negative rating action.

## Rating Summary

Indicative result of the scoring model (preliminary sovereign rating, PSR) and final score after adjustments.

| Risk factors | Weight (%) | Core indicators | Score | Preliminary Score | PSR | Adjust-ments | Final Score | Final Rating |
|---|---|---|---|---|---|---|---|---|
| **Macroeconomic Performance** | 60 | GDP per capita | LR | S | AAA | -1 | S+ | AAA |
| | 20 | GDP trend growth | M | | | | | |
| | 20 | GDP volatility | E | | | | | |
| **Institutional Structure** | 20 | Monetary policy effectiveness | LR | LR | | -1 | LR | |
| | 80 | Good governance | | | | | | |
| | *40* | *Government effectiveness* | *LR* | | | | | |
| | *20* | *Voice & accountability* | *LR* | | | | | |
| | *20* | *Control of corruption* | *LR* | | | | | |
| | *20* | *Rule of law* | *LR* | | | | | |
| **Fiscal Sustainability** | 40 | Change in government debt/GDP | S+ | S+ | | -1 | LR | |
| | 40* | Government debt/GDP | S+ | | | | | |
| | 20* | Interest payments/Revenue | LR | | | | | |
| **Foreign Exposure** | 20* | (Current account balance + net FDI)/GDP | LR | S+ | | -1 | LR | |
| | 30* | International reserves/Imports | LR | | | | | |
| | 25 | Sovereign external debt/Government debt | S+ | | | | | |
| | 25 | Sovereign external debt/Total external debt | S+ | | | | | |
| **Currency Status** | | | | | | | | 0 |

| LR | S+ | S | S- | M | E | I+ | I | I- | HR |
|---|---|---|---|---|---|---|---|---|---|
| Low risk | | stable | | moderate | elevated | | impaired | | high risk |

*) *Risk weights for sovereigns with currency status=0*
*Adjustments with a positive sign indicate a negative impact, i.e. downward pressure on the rating and vice versa*

## Key Rating Drivers

1. Wealthy, high-value-added and digitally well-advanced economy featuring a welcoming business environment, strong innovation capacity, and a flexible labor market; while the pharmaceutical sector has been providing major boosts to GDP growth recently, other parts of the economy are set to strengthen amid easing pressure on both domestic and external demand, notwithstanding persisting risks linked to geopolitical tensions; gas exports will benefit from the recent reopening of the Tyra gas field
2. Medium-term growth perspectives remain additionally buttressed by Denmark's high level of competitiveness, high productivity level, and ongoing high public investment driving the twin transition; high household debt entails

some risks with a view to the still high interest rate environment and potentially renewed price corrections on the real estate market

3. Institutional structure of exceptional quality, including a very strong fiscal and monetary policy framework as well as benefits linked to EU membership; standard-setting and forward-looking approach in terms of governance and reform inclination, with a long-standing track record of consensus-seeking policymaking
4. We view fiscal risks as limited; strong public finances including repeated fiscal surpluses since 2016 offer significant scope to address recent global shocks and drive the green and digital transformation; sound debt management and still high debt affordability contribute further to mitigating risks, while housing market developments and any potential spillovers to financial stability remain to be monitored
5. Strong external position; successive current account surpluses, recently reinforced by the outperforming pharmaceutical sector, contribute to the highly positive net international investment position, mitigating vulnerabilities associated with the status as a small, open economy

# Reasons for the Rating Decision and Latest Developments[1]

## Macroeconomic Performance

| Adjustment variables | Range | Rationale | Adjustments |
|---|---|---|---|
| Credit Development | up to 2 | - | - |
| Economic resilience and flexibility | up to 4 | *Welcoming business environment and highly productive economy* | -1 |
| | | *Highly resilient and flexible labor market* | -1 |
| | | *Large private sector debt limiting shock-absorbing capacity and entailing risks for financial stability* | +1 |
| Qualitative overlay | | - | - |
| **Net Adjustment** | | | **-1** |

In terms of GDP per capita, Denmark counts among the wealthiest countries in the world, with respective income per capita standing 31% above the EU average at roughly USD 74,457 in 2023 (PPP terms, IMF data). Expanding by 2.5% in 2023 (2022: 1.5%, Eurostat), the Danish real GDP outperformed euro area (EA) GDP growth last year (EA 2023: 0.4%), substantially boosted by the pharmaceutical sector, underscoring recent tendencies of a two-speed economy. We note that national account data has been rebased to the year 2020 amid a major data revision in Jun-24.

[1] This rating update takes into account information available until 26 August 2024.

Net exports were the largest driver for last year's GDP growth, contributing 5.1 percentage points to the overall growth rate. Sales in the pharmaceutical sector, for which production largely takes place abroad under Danish ownership, were up by 33.0% in 2023 (Statistics Denmark), following two-digit percentage increases in the preceding two years. Amid progressing disinflation and a robust labor market, private consumption increased last year, following its decline in 2022. By contrast, investment posted a marked decline, dragged down by falling housing investment and contracting investment in machinery and equipment, as higher interest rates took their toll on economic activity.

More recently, following two strong q-o-q increases in the second half of 2023, Denmark's real GDP fell by 1.0% in Q1-24 and posted an increase of 0.6% q-o-q in Q2-24 (Eurostat). With recovering purchasing power, also buttressed by growing wages, expenditure of private households looks set to remain a growth driver this year, with recently introduced personal income tax measures likely contributing positively further out.

Denmark's structurally strong and flexible labor market, with its high participation rate and strong performance in terms of the European Commission's (EC's) Social Scoreboard, remains a credit strength. Taking a closer look at cyclical developments, easing tendencies have emerged, which seems to reflect recent relatively weak activity outside the pharmaceutical and gas sectors. The unemployment level as of Jun-24 (5.9%) posted somewhat higher than the 2023 average of 5.1%, remaining below the euro area average (Jun-24: 6.5%). Employment growth continued in Q1-24, partly driven by an influx of migrant workers.

With a more tangible effect next year, assumed further monetary easing should also lower the burden from debt servicing costs. Averaging 3.4% in 2023 (EA: 5.4%), Denmark's HICP inflation stood at a more moderate 1.0% this July. Danmarks Nationalbank (DN) mirrored the ECB's interest rate cut by 25bp in Jun-24, and we expect DN to lower its policy rates two more times by the end of this year, by a total of 50bp, in tandem with the ECB.

We expect investment to experience a gradual recovery given the expected course of monetary policy easing and a possible turning cycle regarding the housing market. Although limited by European comparison, available funds related to the EU Recovery and Resilience Facility (RRF), the majority of which is to be steered towards greening the economy and the digital transformation, act in support of investment. Denmark could tap approx. EUR 1.6bn in grants from the RRF, corresponding to about 0.4% of 2023 GDP.

While exports should remain backed by the pharmaceutical sector, despite likely moderation from a high level, the reopening of the Tyra II gas field in March 2024 should offer additional impetus, while contributing to Denmark's energy security and possibly making the sovereign a gas net exporter. Expected monetary policy easing among key trading partners, albeit likely gradual, strengthen export expectations alongside rising new orders, pointing to a brightening picture for broader-based export activity. At this stage, we forecast overall economic growth to come in at 1.3% in 2024 and 2.0% in 2025. The geopolitical situation and possible corresponding adverse developments count among the main downside risks for our forecast.

Favorable medium-term growth prospects remain backed by Denmark's high degree of competitiveness, partly on the back of high productivity, its innovative excellence, and an advanced level of digitalization, all of which contributes to more favorable estimates for Denmark's potential growth compared to the euro area as a whole in the near term (AMECO data). The sovereign consistently ranks at or close to the top as regards relevant gauges for innovation capacity and competitiveness, such as the IMD World Competitiveness Ranking and the UN's Global Innovation Index, while, e.g., the EC's Digital Economy and Society Index testifies to its leading role among EU members when it comes to digitalization, including the application of AI. The recently presented medium-term plan 'DK 2030' (Nov-23) includes measures to further strengthen the business environment, such as increased R&D tax deductions, lower tax rates, and improved guidance on generational transitions among SME family businesses, which parliament adopted in Jun-24.

Downside risks to the medium-term outlook continue to relate to some extent to high private sector indebtedness, although we note that households and non-financial corporations have further reduced their balance sheets, and household assets offer a counterweight to some extent. That said, Danish households remain some of the most indebted in the EU, in light of a debt-to-disposable income ratio standing at 186.1% as of Q4-23. Similarly, NFC debt-to-GDP compares as high, standing at 107.6% as of Q4-23 (ECB data).

## Institutional Structure

| Adjustment variables | Range | Rationale | Adjustments |
|---|---|---|---|
| Payment record | up to 3 | - | - |
| Program country / Institutions | up to 2 | - | - |
| Sustainability of monetary policy | up to 1 | *Credible and effective monetary policy framework with strong links to ECB policy* | -1 |
| Political risk | up to 3 | - | - |
| Quality of statistics | up to 1 | - | - |
| Qualitative Overlay | | - | - |
| **Net Adjustment** | | | **-1** |

The Kingdom of Denmark features an institutional framework of exceptional quality, as also underscored by the World Bank's Worldwide Governance Indicators (WGIs). Whilst an update for these is due this September, we draw on the most recent set of WGIs, referring to the year 2022 and highlighting consistent, very strong performance as regards perceptions of 'Rule of Law', 'Voice and Accountability', 'Control of Corruption' and 'Government Effectiveness', i.e., the four dimensions on which we put the highest emphasis when assessing a sovereign's institutional quality. Across these four pillars, Denmark ranks among the top five countries, taking the top position in terms of 'Control of Corruption'. The latter is echoed by its rank as the least corrupt country in the world regarding Transparency International's Corruption Perception Index 2023.

Benefits related to Denmark's EU membership add to its very strong institutional set-up, including access to the single market and EU financing. Strong and credible fiscal and monetary policy frameworks, with the latter shaped by the krone's peg to the euro, flank this, with the financial infrastructure further reinforced by DN and ECB signing an agreement (Mar-24) to fully integrate the Danish krone in the Eurosystem's payment services (T2, TIPS) in Apr-25, e.g., facilitating the settlement of high-value payments in euro and Danish kroner (Mar-24).

Our highly favorable assessment of Denmark's institutional structure is further buttressed by the EC's Rule of Law Report 2024, which attests to the Danish justice system a very high level of judicial independence, efficient performance and an advanced level of digitalization. A multi-annual judicial digitalization project is currently underway, with further progress achieved since our last review (Aug-23). In the context of exposure to cyber-related risks, we note that, in Jun-24, the Danish Centre for Cyber Security increased the threat level from destructive cyber attacks from low to medium. As far as longer-standing GRECO recommendations concerning codes of conduct for members of parliament are concerned, these remain to be addressed by the Danish authorities.

We view the abovementioned medium-term plan 'DK 2030', which outlines comprehensive reforms across various sectors including welfare, the labor market, defense, and the green transition, as a continuation of a strong track record of a forward-looking approach and willingness to tackle structural challenges or build on existing strengths. Apart from the abovementioned measures to enhance the business environment, the government has agreed on a new Digitalization Strategy

2024-2027 to drive the digital transformation of public services and address cyber risks (Feb-24), as well as on simplifications to reduce administrative burdens and bureaucracy (Mar-24).

The plan also maintains Denmark's ambitious goal to become climate-neutral by 2045. Already boasting strong progress in the past, Denmark's overall share of energy from renewable sources is the fourth-highest among the EU members (41.6% in 2022, Eurostat data), with greenhouse gas emissions in tons per capita moving in the middle range among the EU countries. As regards the EC's eco-Innovation Index (reference year 2022), Denmark is likewise ranked fourth among the EU members. A group of experts commissioned by the government in Apr-24 presented proposals for a green tax reform focused on reducing GHG emissions in the agriculture sector. An update to the national energy and climate plan 2021-2030 (Jun-24) mentions planned expansions of renewable energy infrastructure, e.g., through a new 1 GW offshore wind park and so-called energy islands, as well as the introduction of a new carbon tax for fossil fuel usage in the industrial sector.

## Fiscal Sustainability

| Adjustment variables | Range | Rationale | Adjustments |
|---|---|---|---|
| Fiscal policy framework | up to 3 | *Track record of fiscal discipline with repeated outperformance of fiscal targets* | -1 |
| Foreign currency debt | up to 2 | - | - |
| Contingent liabilities/government assets | up to 3 | *Vulnerabilities associated with high property prices in the context of high household debt* | +1 |
| | | *Shock-absorbing capacity enhanced by substantial government assets* | -1 |
| Demographics | up to 1 | - | - |
| Qualitative Overlay | | - | - |
| **Net Adjustment** | | | **-1** |

Denmark's public finances continue to remain a credit strength, offering ample scope to address adverse effects of the global health crisis and the outbreak of wars in Ukraine and the Middle East over these past few years, as well as challenges related to the ongoing twin transition (green and digital). Notwithstanding the fallout from these recent economic shocks, and partly boosted by the strong performance of the pharmaceutical industry, Denmark managed to achieve general government surpluses, sustaining positive fiscal balances since 2016. In 2023, drawing on revised data, the surplus reached 3.3% of GDP in 2023 (2022: 3.4%, Eurostat data), marking the highest in the EU.

Last year's strong fiscal turnout was largely driven by rising tax revenue, in particular corporate income tax, as well as personal income tax on the back of a robust labor market and substantial wage growth. Government revenue overall grew by 2.3% last year, while total expenditure increased by 2.9%. Public sector wage increases were a major driver of rising government expenditure, whereas various crisis support measures were phased out in 2023, and interest payments recorded a fall.

Looking ahead, and as suggested by 'DK2030', the government plans to ramp up expenditure in various areas over the course of the next few years. In Jun-23, the parliament agreed on the 'Danish Defense Agreement 2024-2033'. According to a second partial agreement (Apr-24), the respective financial framework in the years 2024-2028 is to be increased by DKK 35.2bn, lifting its volume to approximately DKK 190bn in the period covered by the agreement. What is more, the government agreed to top up support to Ukraine by DKK 4.4bn, allocating a total of DKK 64.8bn until 2028. Furthermore, DKK 3bn for a reform to improve working conditions in the public sector, and significant investments of approximately DKK 5bn in the health and social service sectors are envisaged. Apart from this, the new property tax reform, in effect since Jan-24, could exert a negative net budgetary effect due to tax repayments following real estate price reevaluations, adding to total government expenditure.

In addition to envisaged higher expenditure plans, measures affecting tax revenue, such as the personal income tax reform, would support expectations for a lower fiscal surplus in the near-term, alongside a reduction of the standard corporate tax rate from 22% to 21%. At this stage, we expect the general government balance to weaken in 2024 and 2025, but to continue to display a surplus of 2.5% of GDP and 1.8% of GDP, respectively. We note that in its latest medium-term projection with a view to 2030 (May-24), the government sees somewhat increased fiscal room for maneuver.

Denmark's public debt ratio remains among the lowest in the EU, standing at 33.6% of GDP in 2023 (2022: 34.1% of GDP, Eurostat data), below its pre-pandemic levels. In light of our expectations regarding nominal GDP growth and the fiscal balance, we project the public debt ratio to slightly decrease this year and next, coming to 31.0% of GDP in 2024 and 28.7% of GDP in 2025.

We continue to assess risks to fiscal sustainability as limited, given the moderate debt level, a favorable net debt position, the track-record of prudent fiscal planning, and very sound debt management. Moreover, debt affordability remains high, and at 1.3% as of Q1-24, Denmark displays one of the lowest interest-to-revenue ratios in the EU. As the DN lowered interest rates in tandem with the ECB, yields on 10-year government bonds decreased to 2.20% as of 23-Aug-24, following a recent peak in Oct-23 (weekly data).

Contingent liabilities in the form of public guarantees stood at 12.4% of GDP in 2022 (Convergence Program 2023), a somewhat elevated level. Meanwhile, Denmark's banking sector continues to give a healthy impression, with higher interest rates boosting banks' profitability in 2023, whilst capitalization levels, here referring to the CET1 ratio (Q1-24: 18.8%, EBA data), point to comfortable risk buffers. Likewise, asset quality is high, measured by a relatively low NPL ratio of 1.3% as of Q1-24 (EBA data). Meanwhile, the liquidity coverage ratio remains high and at levels significantly above those of recent years.

Pockets of vulnerability continue to exist with regard to potentially increasing credit losses from real estate loans, given higher borrowing costs for companies and private households. Respective interest payments by private households look set to continue to rise in view of the higher interest rate environment compared to recent years, especially for homeowners with variable rate loans. This is likely to concern about one third of homeowners, according to DN (Jun-24). As regards macro-prudential measures to address any risks regarding the real estate sector, the Minister for Industry, Business and Financial Affairs in Apr-24 published the government's decision to comply with the Systemic Risk Council's recommendation from Oct-23 to activate a sector-specific buffer for corporate exposures to real estate companies at a rate of 7.0%, to be applied from 30-Jun-24. Exposures secured by real estate in the 0-to-15% loan-to-value range are exempt from the measure. Meanwhile, the countercyclical capital buffer rate has been held at 2.5% since Mar-23. With regard to further expected monetary policy easing in tandem with the ECB, the abovementioned risks should tend to moderate.

To be sure, the housing market has shown signs of stabilization. While volumes of outstanding mortgage loans for private households still remain below their level one year ago (Jun-24: -0.4% y-o-y, ECB data), house prices have recently climbed, following a decline for most of 2023, rising by 1.2% y-o-y in Q1-24 (Q1-23: -4.9% y-o-y, Eurostat data). The property tax reform, which also includes new valuation of property, and which entered into force in Jan-24, has likely contributed to bringing purchases of owner-occupied flats forward.

## Foreign Exposure

| Adjustment variables | Range | Rationale | Adjustments |
|---|---|---|---|
| Sudden reversals in balance of payments | up to 2 | *Recurrent current account surpluses contributing to large net external creditor position (NIIP)* | -1 |
| FX regime | up to 2 | - | - |
| Refinancing conditions | up to 2 | - | - |
| Sustainability of external debt service | up to 2 | - | - |
| Qualitative Overlay | | - | - |
| **Net Adjustment** | | | **-1** |

We view external risks as limited in light of Denmark's highly competitive economy and the large net creditor position the country has built, supported by repeated current account surpluses over a long period. In 2023, Denmark's NIIP stood at 49.8% of GDP, constituting one of the largest net positive positions among the EU member states.

The current account surplus decreased to 9.9% of GDP last year (2022: 11.7% of GDP), with two main effects causing larger swings in the goods balance and the service balance. Due to ebbing prices for sea freight, which had boosted the service balance in 2022, the surplus in the service balance diminished from 6.8% of GDP to 0.7% of GDP. At the same time, driven by soaring pharmaceutical sales, the goods balance ballooned to 7.5% of GDP. We expect pharmaceutical sales to remain supportive, but to moderate to some extent, while goods exports outside the pharmaceutical industry should gain some traction. In particular, the reopening of the Tyra gas field should be conducive to lifting exports, making Denmark a net gas exporter. With effects linked to large movements in sea freight rates no longer as significant as they were, the service balance should normalize, although the geopolitical situation maintains the possibility of larger swings. Looking ahead, we expect the current account surplus to remain at an overall high level.

## Analysts

| Primary Analyst | Analyst |
|---|---|
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## Ratings*

| | |
|---|---|
| Long-term sovereign rating | AAA /stable |
| Foreign currency senior unsecured long-term debt | AAA /stable |
| Local currency senior unsecured long-term debt | AAA /stable |

*) Unsolicited

## ESG Factors

Creditreform Rating has signed the ESG in credit risk and ratings statement formulated within the framework of the UN Principles for Responsible Investment (UN PRI). The rating agency is thus committed to taking environmental and social factors as well as aspects of corporate governance into account in a targeted manner when assessing creditworthiness.

While there is no universal and commonly agreed typology or definition of environment, social, and governance (ESG) criteria, Creditreform Rating views ESG factors as an essential yardstick for assessing the sustainability of a state. Creditreform Rating thus takes account of ESG factors in its decision-making process before arriving at a sovereign credit rating. In the following, we explain how and to what degree any of the key drivers behind the credit rating or the related outlook is associated with what we understand to be an ESG factor, and outline why these ESG factors were material to the credit rating or rating outlook.

For further information on the conceptual approach pertaining to ESG factors in public finance and the relevance of ESG factors to sovereign credit ratings and to Creditreform Rating credit ratings more generally, we refer to the basic documentation, which lays down key principles of the impact of ESG factors on credit ratings.

## ESG Factor Box

| | | | | | |
|---|---|---|---|---|---|
| Environ-mental Quality | Ecological Risks | Ressource Management | Education | Health | Demo-graphics |
| **Labor** | Equality | Technology & Infrastructure | Safety & Security | **Judicial System** | **Quality of Public Services** |
| **Integrity of Public Officials** | Quality and Efficacy of Regulations | **Civil Liber-ties/ Political Participation** | Market Access | **Business Environment** | Data Transparency |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Environment** | **Social** | **Governance** | **Highly significant** | **Significant** | **Less significant** | **Hardly significant** |

The governance dimension plays a pivotal role in forming our opinion on the creditworthiness of the sovereign. As the World Bank's Worldwide Governance Indicators Rule of Law, Government Effectiveness, Voice and Accountability, and Control of corruption have a material impact on Creditreform Rating's assessment of the sovereign's institutional set-up, which we regard as a key rating driver, we consider the ESG factors 'Judicial System and Property Rights', 'Quality of Public Services and Policies', 'Civil Liberties and Political Participation', and 'Integrity of Public Officials' as highly significant to the credit rating.

Since indicators relating to the assessment of an economy's competitive stance by e.g. the World Bank, the World Economic Forum, the European Commission, and IMD Business School and the World Intellectual Property Organization (UN) add further input to our rating or adjustments thereof, we judge the ESG factor 'Business Environment' as significant.

The social dimension plays an important role in forming our opinion on the creditworthiness of the sovereign. Labor market metrics constitute crucial goalposts in Creditreform Rating's considerations on macroeconomic performance of the sovereign, and we regard the ESG factor 'Labor' as significant to the credit rating or adjustments thereof.

While Covid-19 may exert adverse effects on several components in our ESG factor framework in the medium to long term, it has not been visible in the relevant metrics we consider in the context of ESG factors – though it has a significant bearing on public finances. To be sure, we will follow ESG dynamics closely in this regard.

## Economic Data

| [in %, otherwise noted] | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024e |
|---|---|---|---|---|---|---|---|
| ***Macroeconomic Performance*** | | | | | | | |
| Real GDP growth | 1.9 | 1.7 | -1.8 | 7.4 | 1.5 | 2.5 | 1.3 |
| GDP per capita (PPP, USD) | 57,757 | 59,347 | 58,506 | 65,183 | 71,271 | 74,457 | 77,641 |
| Credit to the private sector/GDP | 174.5 | 177.6 | 160.8 | 152.6 | 159.2 | 159.8 | n/a |
| Unemployment rate | 5.1 | 5.0 | 5.6 | 5.1 | 4.5 | 5.1 | n/a |
| Real unit labor costs (index 2015=100) | 99.1 | 99.9 | 101.1 | 97.1 | 93.6 | 99.2 | 99.5 |
| World Competitiveness Ranking (rank) | 6 | 8 | 2 | 3 | 1 | 1 | 3 |
| Life expectancy at birth (years) | 81.0 | 81.5 | 81.6 | 81.5 | 81.3 | 81.9 | n/a |
| ***Institutional Structure*** | | | | | | | |
| WGI Rule of Law (score) | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | n/a | n/a |
| WGI Control of Corruption (score) | 2.2 | 2.1 | 2.2 | 2.3 | 2.4 | n/a | n/a |
| WGI Voice and Accountability (score) | 1.6 | 1.5 | 1.5 | 1.5 | 1.6 | n/a | n/a |
| WGI Government Effectiveness (score) | 1.8 | 1.9 | 1.8 | 2.0 | 2.0 | n/a | n/a |
| HICP inflation rate, y-o-y change | 0.7 | 0.7 | 0.3 | 1.9 | 8.5 | 3.4 | 1.7 |
| GHG emissions (tons of CO2 equivalent p.c.) | 9.0 | 8.3 | 7.5 | 7.7 | 7.5 | 1.9 | n/a |
| Default history (years since default) | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| ***Fiscal Sustainability*** | | | | | | | |
| Fiscal balance/GDP | 0.8 | 4.3 | 0.4 | 4.1 | 3.4 | 3.3 | 2.5 |
| General government gross debt/GDP | 38.5 | 38.3 | 46.3 | 40.5 | 34.1 | 33.6 | 31.0 |
| Interest/revenue | 1.6 | 1.4 | 1.0 | 0.9 | 1.5 | 1.3 | n/a |
| Debt/revenue | 66.2 | 62.5 | 78.5 | 66.8 | 61.4 | 58.0 | n/a |
| Total residual maturity of debt securities (years) | 8.1 | 8.3 | 7.3 | 8.3 | 9.2 | 9.1 | n/a |
| ***Foreign exposure*** | | | | | | | |
| Current account balance/GDP | 6.3 | 7.4 | 7.2 | 8.7 | 11.7 | 9.9 | n/a |
| International reserves/imports | 69.0 | 68.1 | 74.1 | 68.3 | 74.9 | 86.7 | n/a |
| NIIP/GDP | 64.0 | 77.7 | 60.1 | 66.1 | 50.0 | 49.8 | n/a |
| External debt/GDP | 145.3 | 147.7 | 161.9 | 150.9 | 125.8 | 131.7 | n/a |

Sources: IMF, World Bank, Eurostat, AMECO, ECB, Statistics Denmark, own estimates

# Appendix

## Rating History

| Event | Publication Date | Rating/Outlook |
|---|---|---|
| Initial Rating | 28.04.2017 | AAA /stable |
| Monitoring | 30.03.2018 | AAA /stable |
| Monitoring | 29.03.2019 | AAA /stable |
| Monitoring | 27.03.2020 | AAA /stable |
| Monitoring | 25.09.2020 | AAA /stable |
| Monitoring | 17.09.2021 | AAA /stable |
| Monitoring | 16.09.2022 | AAA /stable |
| Monitoring | 01.09.2023 | AAA /stable |
| Monitoring | 30.08.2024 | AAA /stable |

# Regulatory Requirements

In 2011 Creditreform Rating AG (CRAG) was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

This sovereign rating is an unsolicited credit rating. Danmarks Nationalbank provided additional information during the credit rating process. Creditreform Rating AG had no access to the accounts, representatives or other relevant internal documents for the rated entity or a related third party. Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

## Unsolicited Credit Rating

| | |
|---|---|
| With Rated Entity or Related Third Party Participation | YES |
| With Access to Internal Documents | NO |
| With Access to Management | NO |

The rating was conducted on the basis of CRAG's "Sovereign Ratings" methodology (v1.2, July 2016) in conjunction with its basic document "Rating Criteria and Definitions" (v1.3, January 2018). CRAG ensures that methodologies, models, and key rating assumptions for determining sovereign credit ratings are properly maintained, up-to-date, and subject to a comprehensive review on a periodic basis. A complete description of CRAG´s rating methodologies and basic document "Rating Criteria and Definitions" is published on our website.

To prepare this credit rating, CRAG has used the following substantially material sources: International Monetary Fund, World Bank, Organization for Economic Co-operation and Development, Eurostat, European Commission, European Banking Authority, European Central Bank, World Economic Forum, World Intellectual Property Organization (WIPO), IMD Business School, Danmarks Nationalbank, Statistics Denmark, Ministry of Economic Affairs, Ministry of Finance.

A Rating Committee was called consisting of highly qualified analysts of CRAG. The quality and extent of information available on the rated entity was considered satisfactory. The analysts and committee members declared that the rules of the Code of Conduct were complied with. No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. The analysts presented the results of the quantitative and qualitative analyses and provided the Committee with a recommendation for the rating decision. After the discussion of the relevant quantitative and qualitative risk factors, the Rating Committee arrived at a unanimous rating decision. The weighting of all risk factors is described in CRAG´s "Sovereign Ratings" methodology. The main arguments that were raised in the discussion are summarized in the "Reasons for the Rating Decision."

As regards the rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the credit rating report. There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRAG website.

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