

MEMORANDUM

The Danish Financial Supervisory Authority
29 November 2022

Statement on inspection at Danske Bank (interest rate risk outside the trading book)

Introduction

In June 2022, the Danish Financial Supervisory Authority (the Danish FSA) conducted an inspection at Danske Bank to assess the bank's modelling of customer behaviour for calculating its interest rate risk outside the trading book.

The inspection involved a review of the model documentation of the implemented models, the underlying studies of customer behaviour and the associated internal validation reports.

Summary

Danske Bank has models for calculating the interest rate risk stemming from non-maturing deposits and from adjustable rate lending.

The models determine the overall behaviour and term of the deposits and lending. Expert opinions and judgements are a core element in the implemented models.

The models, including the expert opinions and judgements, are validated by the bank's model validation unit. The Danish FSA finds that the bank should strengthen the documentation of the second line of defence's challenge of the expert opinions and judgements.

The inspection did not give rise to any changes to the solvency need of 10.9% calculated by the bank at 30 September 2022.