

## **MEMORANDUM**

**The Danish Financial Supervisory Authority**  
8 September 2017

### **Statement on themed inspection of Danske Bank A/S (loan approvals for business customers)**

In the first six months of 2017, the Danish Financial Supervisory Authority (the FSA) conducted an inspection of Danske Bank A/S. The main purpose of the inspection was to assess Danske Bank's risk appetite in connection with loan approvals for business customers and to assess the bank's basis for approval.

The themed inspection formed part of a cross-sector review of 13 banks and two branches of non-Danish banks.

#### **Summary and risk assessment**

The FSA reviewed 75 loan approvals made in the period from April to December 2016. The approvals covered loans granted to small and medium-sized business customers and loans for property financing.

The FSA found that Danske Bank had a greater focus on avoiding unnecessary risks than the other SIFIs (systemically important financial institutions). Yet there were some cases in which Danske Bank had approved loans with an increased risk. Examples include approvals for customers with a weak earnings and capital position or a weak liquidity position or approvals where Danske Bank had waived its claim for a guarantee.

The FSA finds that it is important to ensure that the volume of approvals with an increased risk does not become too large. When small negative changes take place in the business cycle, Danske Bank is more exposed to losses on this part of the portfolio than on portfolios with normal risks.

The FSA observed that the descriptions and risk analyses in Danske Bank's basis for approval in some cases could have been better, but they were acceptable, however. For example, Danske Bank had failed to update accounting material, customer descriptions or financial information about guarantors. Danske Bank needs to focus on improving its basis for approval. In particular, this applies to loans granted to small business customers.