

## **MEMORANDUM**

**The Danish Financial Supervisory Authority**  
23 September 2021

### **Statement on inspection of impairment charges made by Danske Bank Northern Ireland (Northern Bank) in the light of COVID-19**

#### **Introduction**

In the second quarter of 2021, the Danish Financial Supervisory Authority (the Danish FSA) conducted an inspection of impairment charges made by the Danske Bank Group's unit in Northern Ireland (the Northern Bank subsidiary) against loans to business customers.

The purpose of the inspection was to assess whether the unit had made adequate impairment charges at 31 December 2020, including in the light of the adverse effects of COVID-19 on the local and international economies. The Danish FSA also examined whether the loans were placed in the correct stages in accordance with the impairment rules.

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

The Danish FSA's assessment of the bank's impairment charges and staging was based on a review of loans granted to 45 business customers selected among selected sectors potentially affected by the pandemic. Prior to the selection, the Danish FSA had discarded customers with the best ratings. Only a few customers with all facilities in stage 1 were included.

The Danish FSA assessed that the bank's guidelines on staging of loans were generally satisfactory. The bank had made a few errors in its calculations, but the Danish FSA found that the impairment charges made against the selected loans with objective evidence of credit impairment were generally adequate and necessary.