

M E M O R A N D U M

The Danish Financial Supervisory Authority

12 June 2023

Statement on inspection of Danske Bank A/S's approvals of business loans

In March 2023, the Danish Financial Supervisory Authority (the Danish FSA) conducted an inspection of Danske Bank A/S's approvals of business loans. The purpose of the inspection was to assess the bank's risk appetite when it approves new business loans, including when it increases existing loans, and to assess the quality of the bank's basis for approval.

The inspection covered 74 approvals made in 2022, including all the period's approvals for private equity funds' business acquisitions.

The bank's approvals for private equity funds' business acquisitions showed that the risk appetite in the market for acquisitions has increased in recent years in the form of an increased level of leverage and limited debt repayment requirements.

Two small approvals concerned partial change-of-ownership financing in connection with the sale of non-controlling interests in businesses. The bank had an increased risk appetite in respect of one approval and an excessive risk appetite in respect of the other approval.

In respect of approvals other than those related to acquisitions, the bank had a normal risk appetite in almost all cases in relation to the current market. However, many approvals had been made without a guarantee from the beneficial owner even though the main rule of the bank's credit policy was for the beneficial owner to provide a guarantee.