Translation from Danish by Danske Bank of a statement dated 11 February 2016 from the Danish Financial Supervisory Authority (*Finanstilsynet*). In case of discrepancies, the Danish version prevails.

MEMORANDUM

The Danish Financial Supervisory Authority
11 February 2016
File No. 6252-0299
klm

Statement on inspection at Danske Bank A/S (cover pools etc.)

Introduction

In June 2015, the Danish Financial Supervisory Authority (the FSA) conducted an inspection (a functional inspection) at Danske Bank A/S. During its inspection, the FSA reviewed the bank's cover pools (covered bonds), including the structure of the cover pools, the ongoing monitoring (LTV ratios) of the assets in the cover pools and the bank's compliance with the balance principle in relation to the cover pools.

Summary and risk assessment

Danske Bank has three cover pools from which covered bonds are issued: one for lending to personal customers in Denmark, one for lending to personal customers in Norway and Sweden, and one for lending to business customers in Norway and Sweden.

As regards the cover pools with non-Danish loans, Danske Bank has been granted certain exemptions in order to comply with the legislation on covered bonds applicable in the country in which the loans originate and for this reason does not fully comply with the Danish legislation on covered bonds.

The FSA ordered Danske Bank to ensure that prepayments on mortgage loans included in the cover pools are registered separately or that, at the end of the day, adequate overcollateralisation exists in the cover pool for all the payments received during the day, including extraordinary payments.

During its inspection, the FSA observed that a small number of Danske Bank's old private mortgages in Norway and Sweden do not prevent borrowers with covered bond loans from set-off in the event of the bank's bankruptcy.

Against the background of the rules applicable in the two countries and the CRR regulation, the FSA ordered the bank either to exclude Norwegian loans from its cover pools if the borrowers are not prevented from setting off their claims against the bank or to provide supplementary collateral for the full value of these loans. As regards covered bond loans in Sweden, the bank was ordered either to include only the share of the loan as an asset acceptable for covered bonds that equals the value of the loan less the claim that the borrower may use for set-off purposes or to provide supplementary collateral for the claim that may be used for set-off purposes.

The FSA ordered the bank to issue detailed valuation instructions in all cases where the valuation is left to a non-employee.

The bank was ordered explicitly to accept ranking after the cover pools in relation to owner's mortgages that serve as collateral for both the bank and the cover pool.

Moreover, the FSA ordered Danske Bank to calculate and report the need for supplementary collateral in relation to loans secured on agricultural properties so that supplementary collateral at the establishment of a loan can be limited to 10% of the part of the loan that lies between 60% and 70% of the property value. Any subsequent worsening of the LTV ratio that causes the original LTV ratio to increase means that full supplementary collateral will be required in relation to the usual lending limit of 60%.

At 30 June 2015, Danske Bank Group's solvency need ratio amounted to 10.5% and its total capital ratio to 18.7%. The inspection did not give rise to any change in the FSA's assessment of the group's solvency need.