

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

## **MEMORANDUM**

**Financial Supervisory  
Authority**

22 December 2011

### **Inspection of Danske Bank (SME customers)**

#### **1. Introduction**

In November 2011, the Danish Financial Supervisory Authority (the FSA) conducted an inspection at Danske Bank. The FSA performed a function-based inspection, that is, an inspection of one or more selected areas. The inspection included the credit area for small and medium-sized enterprises (the SME segment). This area had been selected on the basis of a risk assessment in the light of the general economic trends for the SME segment.

This statement must be published in accordance with the Danish Executive Order on the Duty of Banks and Mortgage Credit Institutions to Publish the Danish FSA's Assessment of the Institution.

#### **2. Summary and risk assessment**

At 30 June 2011, Danske Bank's loans to corporate customers in Denmark amounted to DKK 309 billion, and the bank's loans to SME customers represent about 20% of this amount and about 5% of its total lending.

We inspected 280 lending exposures ranging from DKK 7.5 million to DKK 100 million. The exposures were broken down into various spot checks.

The FSA concludes that the bank's impairment charges against loans to SME customers are sufficient.

As a result of the inspection, the FSA ordered the bank to assess financially connected exposures on a consolidated basis in accordance with the rules on large exposures. However, the FSA has not observed losses to the bank caused by lack of compliance.

The FSA considers the bank's credit management satisfactory apart from that.

On previous occasions, we have indicated to the bank that the FSA considers that the bank's credit systems do not provide a totally satisfactory basis for decisions about all existing loan types. During our inspection

now, the bank informed us that a planned significant expansion of credit systems, which will provide a better overview of loans based on real property and of composite or complex loan exposures and other factors, will be implemented gradually over a considerable number of years.

On the basis of this inspection, the FSA is of the opinion that the bank's expansion of manual routines supplements the systems sufficiently to make the gradual expansion of the systems acceptable. The FSA has asked the bank to provide a schedule for the expansion of the systems, and the FSA will follow the bank's system development.

The Danske Bank A/S Group has calculated its solvency need at 30 September 2011 at 9.8%. Its actual solvency ratio at 30 September 2011 was 18.0%.

Our inspection did not give rise to objections to the bank's assessment of its solvency and solvency need.