

Statement on the inspection of Danske Bank's impairment charges against exposures to Danish business customers

1. Introduction

In September and October 2024, the Danish Financial Supervisory Authority (the Danish FSA) conducted an inspection of Danske Bank's impairment charges against exposures etc. to Danish business customers.

The purpose of the inspection was to assess whether Danske Bank's impairment charges for Danish business customers were adequate at 31 March 2024. Adequate impairment charges are important to ensure correct financial reporting.

Consequently, the inspection included an assessment of whether objective evidence of credit impairment (OEC) was correctly identified by the bank, whether customers were placed in the correct stages and whether adequate impairment charges were made.

2. Summary and risk assessment

In three of the nine examined exposures to private equity funds in accounting stage 1, the bank had failed to take a significant decline in the customer's earnings into account. These exposures should have been placed in accounting stage 2.

Two impairment charges against exposures to private equity funds were in total approximately DKK 70 million too low. Subsequently, the bank has made the necessary impairment charges.

The bank has therefore been ordered¹ to ensure closer monitoring of private equity fund customers to identify any significant increases in credit risk and evidence of credit impairment.

In almost half of the examined private equity fund cases, the bank had accepted, in its analyses, the customer's positive correction of the EBITDA in relation to extraordinary costs compared with the undertaking's financial statements. There were no examples of negative corrections. In the future, the bank will implement an improved and more structured process, including a critical assessment of any corrections of financial figures, in which corrections and their effect on the individual financial items are clearly documented.

The inspection did not give rise to any changes to the bank's solvency need.

¹ Paragraphs 3-16 and 23-44 of schedule 10 to the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.