*Translation from Danish by Danske Bank of a statement dated 1 July 2025 from the Danish Financial Supervisory Authority (*Finanstilsynet*). In case of discrepancies, the Danish version prevails.*

1 July 2025
Ref. AFVI
File no. 24-012499

Order issued to Danske Bank A/S to finance the debt buffer using subordinated funds

Summary
As a result of the ongoing dialogue with Danske Bank A/S, the Danish Financial Supervisory Authority (the Danish FSA) has examined the bank's deductions from eligible liabilities in relation to debt instruments issued by the bank to finance the debt buffer requirement of its subsidiary Realkredit Danmark A/S.

Danske Bank uses a deduction method that violates the regulatory basis[1] because the bank deducts non-preferred senior debt issued by the bank to finance Realkredit Danmark's debt buffer requirement[2] from preferred senior debt issued by the bank to finance the bank's MREL[3] when the bank calculates its holding thereof.

The bank makes the deductions from debt instruments with a higher and thus better ranking in the ranking of creditors. However, the deductions must be made from instruments with a corresponding or lower ranking in the ranking of creditors. This is consistent with the considerations underlying the MREL, including the subordination requirement, and with the principles for similar deduction rules regarding own funds and eligible liabilities. The bank's approach reduces the required holding of non-preferred senior debt, and this may place creditors at a disadvantage in the event that the bank is failing and must be resolved under the auspices of *Finansiel Stabilitet*.

The Danish FSA has therefore ordered Danske Bank to deduct non-preferred senior debt issued by the bank and used to finance Realkredit Danmark's debt buffer requirement from non-preferred senior debt issued by the bank and used to meet the bank's MREL or, alternatively, from instruments with a lower ranking in the ranking of creditors when the bank calculates its holding of eligible liabilities.

The bank must comply with the order by 30 September 2025.

Background
Banks must at all times meet an MREL. For Danske Bank, part of the MREL must be met using capital instruments or non-preferred (subordinated) funds[4]. The bank may meet the remaining part of the MREL using preferred senior debt that has the same ranking as unsecured creditors in the ranking of creditors.

Mortgage credit institutions must at all times have a debt buffer. For Realkredit Danmark, the debt buffer requirement must be met using issues of capital instruments or non-preferred (subordinated) funds for Danske Bank. The bank finances both its own MREL and Realkredit Danmark's debt buffer requirement using issues of preferred and non-preferred senior debt in the capital market, among other things.

The purpose of the MREL and the debt buffer requirement is to ensure that a bank and a mortgage credit institution, respectively, have adequate funds for the undertaking to be resolved or restructured under the auspices of Finansiel Stabilitet as an alternative to insolvency proceedings if the undertaking is failing or is likely to fail. The subordination requirement is generally meant to support the protection of

[1] See section 267(2), second sentence, of the Danish Financial Business Act.
[2] See section 268(1) of the Danish Financial Business Act.
[3] See section 266 of the Danish Financial Business Act.
[4] See section 267c(1)(ii) of the Danish Financial Business Act.

unsecured creditors, including deposits from large undertakings, as well as contribute to the credible and feasible resolution of banks and mortgage credit institutions.

Debt instruments issued by a bank to finance the debt buffer requirement of a subsidiary that is a mortgage credit institution may not also be used for meeting the MREL of the bank. The debt instruments used to finance the debt buffer requirement must therefore be deducted from the bank's holding of eligible liabilities. The deduction must be made from instruments in respect of the bank that have the same ranking, or a lower ranking, in the ranking of creditors. If the deduction is made from instruments that have a higher ranking in the ranking of creditors, it will in practice reduce the bank's subordination requirement. The purpose of the MREL and the subordination requirement can thus not be fully met in the event of resolution.