*Translation from Danish by Danske Bank of a statement dated 9 September 2025 from the Danish Financial Supervisory Authority (*Finanstilsynet*). In case of discrepancies, the Danish version prevails.*

M E M O R A N D U M

9 September 2025

Statement on inspection of Danske Bank A/S's management of its ESG-related credit risk for business customers

In March and April 2025, the Danish Financial Supervisory Authority (the Danish FSA) conducted an inspection of Danske Bank A/S's management of its ESG-related credit risk for business customers.

ESG-related credit risk is the bank's risk of losses on loans etc. in situations where environmental, social and governance factors (ESG factors) cause financial difficulties for the bank's customers.

The purpose of the inspection was to assess whether the bank's credit management, to an adequate extent, mitigates the risk of losses caused by business customers' ESG factors.

Summary and risk assessment

The bank had carried out some relevant portfolio analyses of its most significant ESG-related credit risks. However, there was still a need for the bank to strengthen its basis for the determination of the most significant ESG-related credit risks through more analyses of physical risks and transition risks. This included identifying potential changes to the climate, legislation or consumer preferences and determining their effect on the risk associated with the loan portfolio.

The bank analysed selected industry-specific ESG factors for its largest customers if the bank's internal tool, the ESG tracker, identified significant ESG-related risks. Moreover, the bank analysed the climate transition plans of its largest customers within most of the industries that, according to the bank's assessment, were subject to significant climate risk. The bank also expected to analyse the transition plans of the largest real estate and agricultural customers in 2025. The bank had not implemented similar initiatives for other customer groups. The results from the portfolio analyses of physical risks and transition risks may help identify the customer groups for which analyses of customer transition plans are particularly needed and how they should be designed.

The bank's focus on the largest customers entailed that, for the majority of the business loans, the bank did not, in practice, analyse material parts of the customers' ESG factors that might affect the bank's credit risk. This applies even though the bank used its ESG tracker for many of its customers.

Moreover, the bank obtained data only to a limited extent for the majority of its customers. The results from the portfolio analyses may help identify the customer groups for which data is particularly needed and what data is needed.

These deficiencies meant that the bank was ordered to strengthen its analyses of ESG factors that may affect the bank's credit risk, both at the portfolio level and at the customer level, including in respect of the determination of their effect on the loan portfolio, the bank's ESG tracker, customer transition plans and the collection of data.

The bank's controls of its ESG-related credit risk in the first and second lines of defence focused primarily on whether the bank's internal ESG tool had been filled in and comprised only small sample checks. The bank has therefore been ordered to establish effective credit controls of ESG factors that may affect its credit risk.

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