

MEMORANDUM

The Danish Financial Supervisory Authority

9 May 2016

Statement of inspection at Danske Bank A/S (liquidity area)

Introduction

In December 2015, the Danish Financial Supervisory Authority (the FSA) conducted an inspection of Danske Bank A/S. The purpose of the inspection was to assess the bank's liquidity risk management and the division of responsibility between the bank's operating units and control units in the liquidity area.

Summary and risk assessment

In the inspection, the FSA reviewed the division of responsibility and tasks between the relevant organisational units in the liquidity area, particularly the role and responsibility of the unit responsible for risk management.

It is the FSA's opinion that the bank's risk management in the liquidity area generally lives up to the rules, but there were omissions in two areas that the bank has been given orders to improve.

The bank does not have adequate internal monitoring and reporting of intraday liquidity risks. Intraday liquidity risk is understood to mean the risk that the bank will not be able to meet its payment obligations in a timely manner during the course of the day. The bank should ensure that this risk area takes priority and is addressed by monitoring and controlling intraday liquidity on an ongoing basis. The bank has waited too long to give priority to the area.

Also, the bank does not conduct adequate control of the calculation of limits in the liquidity area set by the board of directors. The bank therefore should ensure that it conducts adequate control of the calculation of its key liquidity figures so that it ensures that its liquidity reporting is correct.

At 31 December 2015, Danske Bank Group calculated its solvency need ratio to be 10.7%. Its total capital ratio at 31 December 2015 was 21.0%. The inspection did not give rise to any change in the FSA's assessment of the group's solvency need.