

Translation from Danish by Danske Bank of a statement dated June 2016 from the Danish Financial Supervisory Authority (*Finanstilsynet*). In case of discrepancies, the Danish version prevails.

The Danish Financial Supervisory Authority

June 2016

Statement on inspection in the market risk area at Danske Bank A/S (management of interest rate risk with a focus on hedging transactions)

Introduction

In March 2016, the Danish Financial Supervisory Authority (the FSA) conducted an inspection at Danske Bank A/S of the bank's management of interest rate risk with a focus on hedging transactions in the market risk area. The inspection was conducted on the basis of a risk assessment at four selected banks.

Summary and risk assessment

In its inspection, the FSA made an assessment of the management of interest rate risk in the trading book on the part of management and on the part of the operating units. The assessment covered the bank's use of hedging transactions by staff members and their managers' insight into such use. Moreover, the FSA investigated whether the bank has any material interest rate risks that are not managed satisfactorily. Finally, the FSA investigated whether there are material losses of information or gaps from the risk picture according to which the operating units operate to the risk picture that the board of directors and executive board receive via reporting.

The background to the inspection is that interest rate risk constitutes the largest risk in the banks' trading books, and the management of it is therefore essential to the bank's risk management in this respect.

The business areas in the market risk area comprise trading in securities and other financial instruments on behalf of both customers and the bank.

The FSA finds that Danske Bank A/S's management of interest rate risk in the bank's trading book is in compliance with the legislation applicable in the area.