

## **MEMORANDUM**

**The Danish Financial Supervisory Authority**

31 May 2017

### **Statement on inspection of Danske Bank A/S (lending to personal customers in Denmark)**

In the fourth quarter of 2016, the Danish Financial Supervisory Authority (the FSA) conducted an inspection of lending to personal customers at Danske Bank A/S. The inspection was a follow-up to an inspection of the bank's lending in 2014.

Its purpose was mainly to evaluate to what extent the bank did not identify objective evidence of impairment (OEI), as was the case for a large portion of the loans in the inspection in 2014. In addition, the objective was to evaluate whether the bank's impairment level for the portfolio was sufficient.

#### **Summary and risk assessment**

The FSA reviewed 440 loans, which were selected in random, representative spot checks.

The bank uses a method for calculating impairment charges for loans under DKK 10 million that entails that the bank also books collective impairment charges for loans without OEI.

Overall, the bank's impairment level was sufficient. For customers with OEI taken in isolation, however, the bank underestimated the need for impairment charges.

In the inspection, the FSA found that the bank's data quality was unsatisfactory and in many cases, the basis for decision making was inadequate. Partly as a result of the FSA's conclusions from previous inspections, the bank has undertaken measures to improve the basis for decision making, and there was therefore no basis for further reactions from the FSA. The bank must continue to focus on improving the data quality and the basis for decision making, however.