

Translation from Danish by Danske Bank of a memorandum dated 21 December 2015 from the Danish Financial Supervisory Authority (*Finanstilsynet*). In case of discrepancies, the Danish version prevails.

MEMORANDUM

The Danish Financial Supervisory Authority

21 December 2015

Statement on review of new Norwegian loans at Danske Bank A/S

Introduction

The Danish Financial Supervisory Authority (the FSA) has conducted a review of Norwegian loans at Danske Bank A/S. The purpose of the review was to assess the bank's practices and risk appetite in connection with new lending and to assess the basis on which the bank approved loans. The review took place in October 2015.

The review was made in the light of the bank's strategic objective of growth at the Norwegian unit, particularly in the context of the developments seen in the Norwegian property market.

Summary and risk assessment

For the purposes of the review, the FSA had selected 169 of the bank's approvals of Norwegian loans etc. in the period from 30 June 2014 to 30 June 2015 in the following segments:

- rental property (27)
- personal customers (75)
- small and medium-sized enterprises (43)
- leveraged finance (9)
- large business customers (15)

Moreover, the FSA reviewed selected business procedures in relation to lending at the Norwegian branch.

The bank pursues a strategic objective of increasing its market share of lending to business and personal customers in Norway. Since June 2014, the bank has recorded high growth in residential loans to Norwegian personal customers (related to an agreement made with a professional association, among other things) as well as relatively high growth in loans to Norwegian property companies. For residential loans to Norwegian personal customers, the standard practices are to provide financing for the purchase of a new dwelling before the existing home is sold and to provide financing for personal customers' acquisition of rental property.

The Norwegian property market has seen considerable price increases for a number of years.

The FSA provided risk information to the bank to the effect that, in view of the current situation in the Norwegian property market, the selected growth strategy exposes the bank to an increased risk of incurring future losses. In addition to ensuring a thorough credit assessment of its customers, the bank should consider whether developments in the Norwegian property market give cause for adjusting its strategy.

At 30 September 2015, Danske Bank Group had calculated its solvency need to be 10.7%. Its total capital ratio at 30 September 2015 was 20.6%. The review did not give rise to any change in the FSA's assessment of the group's solvency need.