

MEMORANDUM

The Danish Financial Supervisory Authority (Finanstilsynet)

9 May 2022

Statement on themed inspection at Danske Bank (counterparty credit risk management)

Introduction

In October 2021, the Danish Financial Supervisory Authority (the Danish FSA) conducted an inspection at Danske Bank to assess Danske Bank's counterparty credit risk management.

The inspection involved a review of the bank's governing documents, organisation, tasks and division of responsibilities between departments. In addition, the Danish FSA reviewed the bank's controls, approach to the approval of facilities subject to counterparty credit risk, reporting and ad hoc analyses.

Summary

The Danish FSA finds that the bank's counterparty credit risk exposure is complex and of a significant size both in absolute terms and in relative terms to other SIFIs.

During the inspection, the Danish FSA noted that the bank's handling of its total counterparty credit risk and its overall management of such risk should be strengthened. The Danish FSA also finds that the bank's reporting in the area should preferably be expanded. The bank has launched a range of initiatives to improve its counterparty credit risk management for the purpose of improving the relationship between governing documents, monitoring and analyses. The Danish FSA considers these initiatives to be important for the bank because the project lays down the framework for clear and distinct counterparty credit risk management.

The inspection did not give rise to any changes to the solvency need of 12% calculated by the bank at 31 December 2021.