[*Translation by Danske Bank of a memorandum of 17 November 2011 from the Danish Financial Supervisory Authority* (Finanstilsynet). *In case of discrepancies, the Danish version prevails.*]

Statement on inspection of Danske Bank in Estonia and Latvia

1. Introduction

In October 2011, the Danish Financial Supervisory Authority (FSA) conducted an inspection of Danske Bank's branch in Estonia. As a follow-up on an inspection made in the spring of 2009, it reviewed the credit area.

The FSA also conducted a small-scale examination of the credit risk on the largest business customers at Danske Bank's branch in Latvia. This was also a follow-up on an inspection made in spring 2009.

This report is being released in accordance with the Danish Executive Order on the Duty of Financial Companies to Publish the Danish FSA's Assessment of the Company.

2. Summary and risk assessment

On 30 June 2011, lending at the branch in Estonia stood at EUR 1,526 million, or 0.7% of the Danske Bank Group's total lending. Some 51% of the branch's lending was granted to personal customers, and 49% to business customers.

The FSA reviewed 80 credit exposures – the branch's 30 largest business customer exposures and 50 randomly chosen personal customer exposures. The FSA held a meeting with the Estonian supervisory authorities, who also participated in parts of the inspection.

The preceding inspection of the Estonian branch had taken place in the spring of 2009. At that time, the economic climate in Estonia was very unfavourable. In 2010 and 2011, the country's economy has improved, mainly because of higher exports.

After the inspection in spring 2009, the FSA assessed that there was a need for a significant increase in the loan impairment charges at the branch. This was consistent with the bank's perception. The bank was also ordered to improve its impairment charge calculations.

In the present follow-up inspection, the FSA determined that since spring 2009, the loan impairment charges have increased significantly and the calculations have improved. On 30 June 2011, the branch had recognised and written off a total of EUR 130 million, or 8.7% of the lending portfolio. Against this background, the FSA concludes that the bank has complied with its comments from the inspection in 2009.

The FSA believes that altogether there is no need for further impairment charges against the bank's business and personal customers in Estonia beyond those contained in the bank's provisional calculations on 30 September 2011.

The FSA notes that a substantial amount of the bank's lending consists of financing of real property and that the concentration of lending in this segment is high. The bank is not offering new loans to business customers in this segment, however.

On the basis of the inspection, the FSA concludes that the bank's credit management of its Estonian customers is satisfactory.

On 30 June 2011, lending at the branch in Latvia stood at EUR 313 million, or 0.1% of the Danske Bank Group's total lending. Some 61% of the branch's lending was granted to personal customers, and 39% to business customers.

Since the bank has a small business volume, the FSA chose to review only the five largest credit exposures in Latvia, which totalled EUR 75 million.

The FSA found that the risk of losses on these exposures was relatively small. There was therefore no need for loan impairment charges on the exposures reviewed.

On 30 June 2011, the Danske Bank Group calculated its solvency need at 10.3%. Its actual solvency ratio on that date was 18.8%.

The inspections of the branches in Estonia and Latvia did not give occasion to contest the validity of the solvency need determined by the bank.