

MEMORANDUM

**Danish Financial Supervisory
Authority**

[Translation of memorandum from the Danish FSA (Finanstilsynet). In case of discrepancies, the Danish version prevails.]

29 June 2010

Report on inspection of Danske Bank in Lithuania

1. Introduction

In May 2010, the Danish Financial Supervisory Authority (FSA) inspected Danske Bank's branch in Lithuania. We performed a function-based inspection, that is, an inspection of one or more selected areas. Following up on the inspection carried out in April 2009, we focused on the branch's credit activities.

This assessment is published in accordance with the Danish Executive Order on the Duty of Banks and Mortgage Credit Institutions to Publish the Danish FSA's Assessment of the Institution.

2. Summary and risk assessment

Danske Bank's lending in Lithuania represents some 0.5% of the Group's total lending.

We inspected the branch's latest credit report and the 15 largest loan exposures. In addition, the branch's credit policy and credit management, its retail customers and the general trend of the Lithuanian economy were discussed.

In our report on the 2009 inspection, we indicated the need to increase loan impairment charges significantly and to improve credit management procedures in several areas, including

- 1) principles governing impairment calculations
- 2) updates of collateral value
- 3) documentation of credit management (action plans) and
- 4) customer ratings

In the 2010 inspection, we found that impairment charges had been increased significantly and that the credit management procedures had been

improved. Consequently, we consider that the branch has complied with our comments following the 2009 review.

Consequently, it is our overall opinion that, at present, there is no need for Danske Bank to make any further impairment charges or set aside additional capital for its customers in Lithuania.